



Executive Staff:

Eric Stern  
Chief Executive Officer

Steve Davis  
Chief Investment Officer

Stephen Lau  
General Counsel

Stephen Hawley  
Chief Strategy Officer

Mario Sierras  
Chief Benefits Officer

## MINUTES

### REGULAR MEETING OF THE BOARD OF RETIREMENT

### SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

WEDNESDAY, MARCH 18, 2020  
10:00 A.M.

Location: SCERS Board Room  
980 9<sup>th</sup> Street, 19th Floor  
Sacramento, California 95814

### OPEN SESSION

Members of the Board of Retirement:

Rick Fowler, President  
Appointed by the Board of Supervisors

John B. Kelly, Vice President  
Appointed by the Board of Supervisors

Keith DeVore, Vice President  
Appointed by the Board of Supervisors

James A. Diepenbrock  
Appointed by the Board of Supervisors

Dave Comerchero  
Elected by the Miscellaneous Members

Diana Gin  
Elected by Miscellaneous Members

Ben Lamera  
Ex Officio, Director of Finance

Martha J. Hoover  
Elected by the Retired Members

Matt Petersen  
Elected by the Safety Members

Kathy O'Neil  
Elected by the Retired Members

**Item 1. Call to Order—The meeting was convened at 10:02 a.m.**

Mr. Fowler stated that the meeting was occurring under unusual circumstances due to the coronavirus pandemic, and noted that on March 12, Governor Newsom issued Executive Order N-25-20 which relaxed provisions of the Brown Act to make it easier for local government boards to conduct board meetings by teleconference. Mr. Fowler said everyone on this Board would prefer to physically attend the meeting, but noted that, pursuant Paragraph 11 of the Executive Order and the direction to stay at home, the following members of the SCERS Board of Retirement are participating in this meeting by teleconference:

1. Keith DeVore
2. Jim Diepenbrock
3. Diana Gin
4. Martha Hoover
5. John Kelly
6. Matt Petersen

Mr. Fowler stated he was attending in person, as were Ben Lamera and Dave Comerchero. He noted Ms. O'Neil was absent and the Alternate Safety seat is vacant.

To limit the length of the meeting, Mr. Fowler said he was removing from the agenda Item 18, Fiduciary Care in Alternative Asset Investing. He said Staff has advised that there is no time sensitivity to this matter, and it will be rescheduled for a future meeting.

**Item 2. Public Comment—None**

**CONSENT MATTERS – ITEMS 3-13:**

**The Board approved the Consent Matters Items 3-9 (9-0).**

**Item 3. Disability Retirement Applications**

- A. FREITAS, Jorge A.; Granted a nonservice-connected disability retirement as recommended by staff.
- B. GREEN, Jaime; Granted a service-connected disability retirement as recommended by staff.
- C. PALOMINO, Aurelia; Granted a reciprocal service-connected disability retirement as recommended by staff.
- D. Reference: General Law and Authorized Board Actions on Disability Retirement Proposed Decisions.

**Item 4. Minutes—Approved the Minutes of the February 19, 2020 meeting.**

**Item 5. Ratification of Service Retirement Application Approvals—February 2020—**  
Ratified the Service Retirement Applications that were finalized in the previous month.

**Item 6. State Association of County Retirement Systems Legislative Update—**Received and filed the SACRS Legislative Update for March 2020.

**Item 7. Technical Updates to Investment Policy Statements—**Approved updates to the Investment Policy Statements.

**Item 8. Monthly Investment Manager Activity, Compliance, and Watch List Report—February 2020—**Received and filed the Monthly Investment Manager Activity, Compliance, and Watch List report for February 2020.

**Item 9. Monthly Report of Investment Activity—February 2020—**Received and filed the report summarizing SCERS' investment activity from the previous month.

**EXECUTIVE REPORTS:**

**Item 10. Chief Executive Officer's Report**

Chief Executive Officer Eric Stern thanked the Board for participating in the meeting under difficult circumstances. He said there's been a lot of discussion and direction

from the public health community about essential and non-essential workers. Mr. Stern stated that while our own health and safety is the first priority, SCERS recognizes that the service we provide – retirement income – is essential to our members’ lives. He said that having that financial security and confidence is probably more important than ever today.

Mr. Stern said his goal is for SCERS to maintain operations in full staffing mode, just from afar. He said implementing Phase 1 of the Pension Administration System project last summer has been a godsend and is key to our ability to work remotely and serve our members because we are scanning in applications as they come in and have full visibility of the workload, which can be completed electronically.

As directed by state and county health agencies, SCERS has implemented several actions in an effort to halt the spread of the virus. While our goal is to continue to provide the same level of services as under normal conditions, Mr. Stern noted that processes will require some modifications.

- Effective Monday, March 16, SCERS’ offices were closed to the public.
- We have been phasing our staff to telework since Monday and by noon today will be down to a couple people coming in to receive and scan mail.
- In-person benefit planning sessions were re-scheduled to telephone benefit planning sessions.
- Group retirement orientations are canceled until further notice.
- SCERS intends to remain in full customer service mode with staff working remotely and we can be reached at (916) 874-9119 or via email at [sacretire@saccounty.net](mailto:sacretire@saccounty.net).
- We do not anticipate any delays or interruptions with monthly pension payments for current retirees.
- SCERS will continue to accept and process retirement applications. Due to staffing adjustments, new retirees may experience some delays receiving their first retirement payment.
- SCERS has asked members planning to retire to mail their completed applications to SCERS instead of coming into the office.

Mr. Stern also stated the Staff has demonstrated unbelievable commitment and professionalism during this time. He thanked SCERS’ IT team of John Lindley and Brad Akin for transforming our operation into a telework environment and preparing our employees to keep business operating as long as we need to.

#### **Item 11. Chief Investment Officer’s Report**

- Chief Investment Officer Steve Davis gave an update on SCERS’ investment portfolio in light of the coronavirus pandemic. Mr. Davis spoke to the impact that the pandemic is having on the financial markets, including the performance of major market indexes.
- Mr. Davis gave a rough estimate of the returns of SCERS’ publicly traded assets such as global equities, corporate credit, government bonds, and absolute return funds, which were down approximately 11% at the time of the

meeting. Mr. Davis also communicated the actions that SCERS' investment staff and consultants have been taking during the crisis, including speaking with SCERS' investment managers related portfolio positioning and impact, measuring SCERS' liquidity and cash levels, and communicating with SCERS' overlay manager, State Street Global Advisors, about positioning relative to rebalancing targets. Mr. Davis communicated that intra-quarter rebalance targets were triggered, and a partial rebalance was executed to bring the portfolio back within guidelines.

- Mr. Davis also reminded the Board of the importance of the long-term nature of the strategic asset allocation in managing through a market dislocation, and portfolio de-risking that has taken place over the past few years. This includes reducing SCERS' public equity allocation in favor of less correlated and diversifying assets, adding a meaningful dedicated U.S. Treasury allocation two years ago, and last year bringing the public equity allocation down further by adding a dedicated cash allocation.

### **ADMINISTRATIVE MATTERS:**

#### **Item 12. UC Davis Medical Center Pension Liabilities**

The Board approved a motion to authorize the Chief Executive Officer to execute a funding agreement with UC Davis Medical Center regarding outstanding pension obligations. **(9-0)**

#### **Item 13. CEO Delegated Authority Policy for Expenses**

The Board approved a motion to approve revisions to the CEO Delegated Authority Policy for Expenses. **(9-0)**

#### **Item 14. Actuarial Services Contract Extension**

The Board approved a motion to extend the agreement for actuarial services with Segal through June 30, 2023, and authorized SCERS' Chief Executive Officer to execute documents necessary to update the contract. **(9-0)**

### **BENEFIT MATTERS:**

#### **Item 15. Post-Retirement Employment Policy**

The Board approved a motion to approve technical and clarifying updates to the Post-Retirement Employment Policy. **(9-0)**

Mr. Stern also made a statement regarding Executive Order N-25-20 that Governor Newsom issued on March 12, waiving work-hour restrictions for retired public employees to return to work for their former employers. While the executive order did not specifically refer to county employers and retirees, Mr. Stern said the Governor's unambiguous message is that he wants state and local agencies to remain adequately staffed to meet this time of crisis.

Mr. Stern said SCERS will implement Executive Order N-25-20 by waiving the return-to-work restrictions on SCERS retirees set forth in Government Code section 7522.56. He noted the waiver is not completely open-ended, and stated employers and retirees who return to work pursuant to this waiver should maintain reasonable records showing their work is related to meeting staffing needs during the public health emergency. He said employers should provide notice to SCERS of any individuals receiving this waiver as part of existing reporting requirements.

**INVESTMENT MATTERS:**

**Item 16. Quarterly Investment Performance Report—Alternative Assets**

Mr. Davis and Jaimie Feidler of Cliffwater presented SCERS’ alternative asset report for the periods ending December 31, 2019, and September 30, 2019 including information regarding the Absolute Return, Private Equity, Private Credit, Real Assets, and Opportunities portfolios as follows:

**SCERS ALTERNATIVE ASSETS PERFORMANCE SUMMARY**  
**Quarter Reporting Periods Ending December 31, 2019**

SCERS ASSET CLASS	Quarter*	1-Year*	3-Year*	5-Year*	Since Inception*	Since Inception Date*
<b>SCERS Absolute Return</b>	<b>1.9%</b>	<b>7.1%</b>	<b>2.9%</b>	<b>2.3%</b>	<b>4.0%</b>	Sep-04
HFRI FoF Conservative	1.3%	6.0%	3.0%	2.3%	3.2%	
HFRI FoF Composite + 1%	2.8%	8.8%	4.7%	3.3%	4.9%	
<b>SCERS Private Equity</b>	<b>2.1%</b>	<b>18.7%</b>	<b>21.1%</b>	<b>17.3%</b>	<b>15.2%</b>	Feb-08
Cambridge Private Equity/Venture Capital	0.6%	8.8%	14.8%	12.9%	12.6%	
<b>SCERS Private Credit</b>	<b>1.8%</b>	<b>6.8%</b>	<b>7.5%</b>	<b>7.7%</b>	<b>8.1%</b>	Oct-11
Credit Suisse Leveraged Loan + 2%	1.4%	4.4%	6.8%	6.1%	7.2%	
<b>SCERS Real Assets</b>	<b>1.4%</b>	<b>7.9%</b>	<b>12.5%</b>	<b>12.3%</b>	<b>13.0%</b>	Jan-13
(45%) Cambridge Private Infrastructure; (35%) Cambridge Private Energy; (20%) NCREIF Agriculture/Timber	-0.3%	1.0%	6.9%	6.9%	7.0%	
<b>SCERS Opportunities</b>	<b>2.0%</b>	<b>8.0%</b>	<b>5.7%</b>	<b>8.0%</b>	<b>18.4%</b>	Jan-08
SCERS Portfolio Actuarial Rate of Return	1.8%	7.0%	7.0%	7.0%	7.0%	
*Note: Periods ending 9/30/19 for Private Equity, Private Credit, Real Assets, and Opportunities Periods ending 12/31/19 for Absolute Return All returns are net IRR, except Absolute Return which is time-weighted						

The Board approved a motion to receive and file the Quarterly Investment Performance Report—Alternative Assets. **(9-0)**

**Item 17. Quarterly Investment Performance Report – Real Estate**

Mr. Davis, and Chris Cunningham and Dick Brown of Townsend presented SCERS’ Real Estate Portfolio Performance Report for the period ending December 31, 2019.

**SCERS REAL ESTATE PERFORMANCE SUMMARY**  
**Quarter Reporting Period Ending December 31, 2019**

SUB-ASSET CLASS	Quarter 12/31/19	1-Year	3-Year	5-Year	Since Inception	Since Inception Date
<b>SCERS Real Estate Portfolio</b>	<b>3.5%</b>	<b>8.9%</b>	<b>10.1%</b>	<b>9.9%</b>	<b>8.3%</b>	Nov-86
(65%) NFI-ODCE + (35%) NFI-ODCE + 1%	1.4%	4.7%	6.5%	8.3%	6.6%	Nov-86
<b>Core Portfolio</b>	<b>2.7%</b>	<b>8.5%</b>	<b>9.4%</b>	<b>9.2%</b>	<b>6.6%</b>	Nov-86
Separate Account	0.6%	16.5%	10.8%	11.8%	9.6%	Nov-86
Commingled Funds	2.7%	8.5%	10.3%	10.8%	7.2%	Sep-13
NFI-ODCE Index	1.3%	4.4%	6.1%	8.0%	6.3%	
<b>Non-Core Portfolio</b>	<b>6.3%</b>	<b>9.8%</b>	<b>12.2%</b>	<b>12.5%</b>	<b>6.1%</b>	Jun-06
Value Add Portfolio	11.9%	11.5%	13.2%	12.7%	4.8%	Jun-06
Opportunistic	0.8%	7.1%	10.7%	13.0%	7.1%	May-13
NFI-ODCE + 1% Index	1.5%	5.4%	7.1%	9.0%	7.3%	

The Board approved a motion to receive and file the Quarterly Investment Performance Report—Real Estate. **(9-0)**

**Item 18. Education: Fiduciary Standard of Care Policy**

**Item removed from agenda.**

**ADJOURNMENT**

There being no further business, the meeting was adjourned at 11:00 a.m.

**MEMBERS PRESENT:** Keith DeVore (via teleconference), John B. Kelly (via teleconference), James A. Diepenbrock (via teleconference), Diana Gin (via teleconference), Ben Lamera, Dave Comerchero, Martha J. Hoover (via teleconference), Matt Petersen (via teleconference), and Rick Fowler presiding.

**MEMBERS ABSENT:** Kathy O’Neil (retiree alternate)

**OTHERS PRESENT:** Eric Stern, Chief Executive Officer; Steve Davis, Chief Investment Officer; Stephen Lau, General Counsel (via teleconference); Stephen Hawley, Chief Strategy Officer (via teleconference); Mario Sierras, Chief Benefits Officer; Debbie Chan, Senior Accounting Manager; John Lindley, Senior IT Analyst; Jim Donohue, Deputy Chief Investment Officer (via teleconference); Brian Miller (via teleconference); Jaimie Feidler, Cliffwater, LLC. (via teleconference); Barry Dennis and John Nicolini, Verus Advisory, Inc. (via teleconference); Chris Cunningham and Dick Brown, The Townsend Group (via teleconference); Korey McConachie, Linea (via teleconference); Jaime Green and Doug Green; and, Debbie Musilli-Sidhu, Executive Secretary.

Respectfully submitted,

/S/

Eric Stern  
Chief Executive Officer and  
Secretary of the Retirement Board

APPROVED: \_\_\_\_\_  
Richard B. Fowler II, President

DATE: \_\_\_\_\_