



# Board of Retirement Regular Meeting

## Sacramento County Employees' Retirement System

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### Agenda Item 18

**MEETING DATE:** May 20, 2020

**SUBJECT:** Alternative Assets Consultant Contract Extension

**SUBMITTED FOR:**  Consent  **Deliberation** and Action  **Receive** and File

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### **RECOMMENDATION**

Staff recommends the Board approve delaying the Alternate Assets Consultant evaluation process and extend the term of the current contract with SCERS' alternative assets consultant, Cliffwater LLC, which is set to expire on June 30, 2020, by one year. Staff also recommends the Board authorize SCERS' CEO to execute necessary documents to extend Cliffwater's contract.

### **PURPOSE**

This item contributes to the effective management and oversight of investment activities. The Board is responsible for approving contracts with its consultants, auditors, actuaries, and investment managers.

### **BACKGROUND**

At the December 2019 Board meeting, the Board authorized Staff to issue a request for proposals (RFP) for alternative assets investment consulting, to evaluate the consulting landscape and to compare and contrast other consulting firms to SCERS' current alternative assets consultant Cliffwater. Staff developed the RFP, and issued it on the SCERS public website in late January 2020. Since that time, Staff received RFP responses from eight firms, including Cliffwater.

Staff had started the process of reviewing the responses, when the coronavirus outbreak occurred. Staff had targeted identifying semi-finalist candidates to meet with in early May, and a recommendation to the SCERS Board at the June Board meeting. This remains a high priority project for SCERS; however, with most of the investment industry working remotely due to the pandemic, it is not feasible to complete the process, including meeting with candidate firms, by June. In addition, the pandemic has created other priorities for Staff over the past few months, including:

- Closely watching the markets and the macroeconomic environment;
- Speaking with SCERS' investment managers to understand portfolio impact and positioning;
- Monitoring SCERS' liquidity, in order to ensure SCERS has ample liquidity to meet upcoming benefit payments and capital calls;
- Managing portfolio rebalancing, both through the overlay and physical rebalancing; and
- Evaluating investment opportunities that could potentially invest around the dislocation.

Therefore, Staff recommends delaying the completion of the alternative assets consulting RFP evaluation process. An important component of evaluating consultant candidates is to be able to conduct face-to-face interviews at SCERS' office, and also potentially conducting on-site visits at finalist candidate offices. With the current limitations on travel, in particular air travel, which is expected to extend over the next many months, Staff does not believe a proper evaluation of candidates can be performed until face-to-face meetings are feasible.

Given the ambiguity around the pandemic and the pace at which normal business operations will resume, there is no specific timing as to when the evaluation process will be complete. With the delay in the evaluation process, Staff recommends extending Cliffwater's current contract by a year, June 30, 2021. While Cliffwater is a strong candidate in the candidate pool, if the evaluation process is completed before the end of the contract extension and a consultant other than Cliffwater is selected by the Board, the current Cliffwater contract allows for SCERS to terminate the contract at any time without cause by providing written notice of termination.

Prepared by:

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