



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

**MINUTES**

**REGULAR MEETING  
OF THE  
BOARD OF RETIREMENT**

**SACRAMENTO COUNTY  
EMPLOYEES' RETIREMENT SYSTEM**

**WEDNESDAY, DECEMBER 9, 2020**

**10:00 A.M.**

**Location: BLUEJEANS TELECONFERENCE**

**OPEN SESSION**

**Item 1. Call to Order—The meeting was convened at 10:03 a.m.**

Mr. Fowler stated that the meeting was occurring via teleconference under Executive Order N-25-20 which relaxed provisions of the Brown Act to make it easier for local government boards to conduct board meeting without convening in the same physical location. Mr. Fowler took a roll call of other members present:

1. John Kelly
2. Keith DeVore
3. Dave Comerchero
4. Diana Gin
5. Ben Lamera
6. Martha Hoover
7. Matt Petersen

Mr. Fowler noted that Jim Diepenbrock and Kathy O'Neil were absent.

**Item 2. Public Comment**

Chief Executive Officer Eric Stern read into the record comments submitted from the SEIU Local 1021 opposing changes to contribution rates in 2021-22.

## OPEN SESSION

### CONSENT MATTERS – ITEMS 3-14:

The Board approved the Consent Matters Items 3-14 (8-0).

#### **Item 3. Disability Retirement Applications**

- A. BAKER, Donnell; Granted a reciprocal nonservice-connected disability retirement as recommended by staff.
- B. DUBAY, Melissa; Granted the application for nonservice-connected disability retirement as recommended by staff.
- C. FERNANDEZ, Christal J.; Granted a reciprocal service-connected disability retirement as recommended by staff.
- D. HERRINGTON, Lee Roy; Granted a service-connected disability retirement as recommended by staff.
- E. MOEN, Paul; Granted a service-connected disability retirement effective as recommended by staff.
- F. SCHATZ, Valerie; Denied a nonservice-connected disability retirement as recommended by staff.
- G. SEVAAETASI, Vaamai; Granted a service-connected disability retirement.
- H. Reference: General Law and Authorized Board Actions on Disability Retirement Proposed Decisions.

**Item 4. Minutes**—Approved the Minutes of the October 21, 2020 meeting.

**Item 5. Minutes**—Approved the Minutes of the November 18, 2020 special meeting.

**Item 6. Minutes of the Audit Committee Meeting**—Approved the Minutes of the November 19, 2020 meeting.

**Item 7. Ratification of Service Retirement Application Approvals—October and November 2020**—Ratified the Service Retirement Applications that were finalized in the previous months.

**Item 8. State Association of County Retirement Systems Legislative Update—December 2020**—Received and filed the SACRS Legislative Update for December.

**Item 9. Board Meeting Calendar 2021**—Received and filed the Board Meeting Calendar for 2021.

**Item 10. Proxy Voting Activity Report—Third Quarter 2020**—Received and filed the report summarizing SCERS' proxy voting results for the quarter ended September 30, 2020.

- Item 11. Monthly Investment Manager Activity, Compliance, and Watch List Report—October 2020**—Received and filed the Monthly Investment Manager Activity, Compliance, and Watch List report for October 2020.
- Item 12. Monthly Report of Investment Activity—October and November 2020**—Received and filed the report summarizing SCERS’ investment activity from the previous months.
- Item 13. Trading Cost Analysis and Commission Recapture—Third Quarter 2020**—Received and filed the Quarterly Trading Cost Analyst Reports for the quarter ended September 30, 2020.
- Item 14. Portfolio Allocation and Rebalancing Report—Third Quarter 2020**  
Received and filed the Portfolio Allocation and Rebalancing Report for the quarter ended September 30, 2020.

**EXECUTIVE REPORTS:**

**Item 15. Chief Executive Officer’s Report**

Mr. Stern provided an update on the vacant Alternate Safety trustee election and announced that the nomination period for candidates will begin in January 2021.

**Item 16. Chief Investment Officer’s Report**

Mr. Davis provided an update on private equity co-investments. Mr. Davis stated that Staff and Cliffwater provided education in 2019 on approaches to implementing a co-investment structure within private equity. Mr. Davis stated that SCERS would partner with an investment manager to underwrite SCERS’ own manager co-investment deal flow, as well as provide SCERS with access to the strategic partner’s deal flow. Mr. Davis added that Staff and Cliffwater have performed significant due diligence in 2020 on several investment managers who would be qualified to implement this structure for SCERS. Mr. Davis stated that Staff plans on making the recommendation in 2021 under the implementation protocol for the Private Equity asset class, unless the Board prefers a different approach. The recommendation will include a refresh on the attributes of a co-investment program and how it fits within the private equity structure.

Mr. Davis provided an update on Alternative Assets Consultant RFP. Mr. Davis stated that Staff continues to make progress in the evaluation and review process for the alternative assets consultant search. Mr. Davis stated that Staff has conducted extensive interviews with semi-finalist firms over the past couple of months, including Cliffwater. He noted that Mr. Kelly attended the interviews, which was appreciated and helpful to the process. Mr. Davis stated that SCERS expects to bring candidates to the Board for consideration during the first half of 2021.

Mr. Davis announced to the Board that JR Pearce was promoted to a Senior Investment Officer position.

**ADMINISTRATIVE MATTERS:**

**Item 17. Actuarial Valuation and Review and GASB 67 as of June 30, 2020**

Andy Yeung and Todd Tauzer of Segal Consulting presented the SCERS Actuarial Valuation and Review as of June 30, 2020.

Mr. Yeung discussed the funded status as presented in the table below:

<b>Funded Status</b>					
Dollar Amounts in Thousands					
Valuation Year Ending June 30	(1) Actuarial Accrued Liability	(2) Market Value of Assets	(3) Market Value of Assets as a % of Actuarial Accrued Liability (2)/(1)	(4) Actuarial Value of Assets	(5) Actuarial Value of Assets as a % of Actuarial Accrued Liability (4)/(1)
2020	\$12,693,655	\$9,979,379	78.6%	\$10,229,760	80.6%
2019	\$11,895,520	\$9,821,694	82.6%	\$9,703,313	81.6%

The Board approved a motion to adopt the 2021-22 fiscal year employer and member contribution rates recommended by Segal Consulting; receive and file the Actuarial Valuation and Review as of June 30, 2020; and receive and file the Governmental Accounting Standards Board Statement 67 Actuarial Valuation as of June 30, 2020. **(8-0)**

**Item 18. Annual Independent Financial Statement Audit**

Audit Committee Chair Ben Lamera stated that the Audit Committee and Staff met remotely with the Brown Armstrong auditors on November 19, 2020 and reviewed the Independent Auditor's Report on the Comprehensive Annual Financial Report, Required Communications in Accordance with Professional Standards (SAS 114); and Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other matters. Mr. Lamera noted that SCERS received a clean audit, and there were no findings. He noted that Brown Armstrong summarized a couple uncorrected financial statement misstatements mainly due to SCERS moving up the financial statement preparation and audit timeline. The uncorrected adjustments represent the difference of alternative investment fair values reported in SCERS' financial statements and the balances reported by the investment managers as of June 30, 2020. Certain amounts reported in SCERS' financial statements were based on the investment managers' March 30, 2020 financial information adjusted for cash flow activities (capital calls/distributions) through June 30<sup>th</sup>. Brown Armstrong noted to the Committee that this is common for public pension plans due to the timing of receiving the June 30<sup>th</sup> financial information from the investment managers.

The Board approved a motion to receive and file the reports as of and for the fiscal year ended June 30, 2020 issued by Brown Armstrong, which include the Comprehensive Annual Financial Report prepared by Staff. **(8-0)**

### **BENEFITS MATTERS:**

#### **Item 19. Felony Forfeiture Policy**

General Counsel Stephen Lau presented the amendments to the Felony Forfeiture Policy that provides additional procedural options for determining whether a member felony warrants pension forfeiture under Government Code sections 7522.72 and 7522.74.

The Board approved a motion to adopt the amended Felony Forfeiture Policy. **(8-0)**

### **INVESTMENT MATTERS:**

#### **Item 20. Investment Manager Recommendation—Domestic Equity Small Cap Value**

Investment Officer Brian Miller and Stuart Odell from Verus Advisory provided an overview and background on the search for a domestic equity small cap value manager, and recommended Snyder Capital Management's systematic, multi-factor strategy within the large capitalization active segment of SCERS' Domestic Equity asset class. Mr. Miller introduced Andy Hahn and Peter Eisele from Snyder Capital Management, who provided an overview of the firm and its investment strategy.

The Board approved a motion to (1) invest approximately \$110 million with Snyder Capital Management in its Small Cap Value strategy, and (2) authorize Staff to determine the most effective method for transitioning the assets and execute any necessary documents or agreements to effectuate the transition. **(8-0)**

#### **Item 21. Education: Asset Liability Modeling Study**

Mr. Davis, and John Nicolini and Stuart Odell from Verus Advisory presented an educational overview on the timeline for 2021 Asset Liability Modeling Study.

The Board approved a motion to receive and file the presentation. **(8-0)**

**Item 22. Quarterly Investment Performance Report—Alternative Assets**

Investment Consultant Jaimie Feidler from Cliffwater, LLC presented the Quarterly Investment Performance Report for the periods ended September 30, 2020, for the Absolute Return Portfolio, and the period ended June 30, 2020 for the Private Equity, Private Credit, Real Assets, and Opportunities portfolios.

**SCERS ALTERNATIVE ASSETS PERFORMANCE SUMMARY**  
**Quarter Reporting Periods Ending September 30, 2020**

SCERS ASSET CLASS	Quarter*	1-Year*	3-Year*	5-Year*	Since Inception *	Since Inception Date*
<b>SCERS Absolute Return</b>	<b>3.2%</b>	<b>1.4%</b>	<b>1.2%</b>	<b>2.4%</b>	<b>3.7%</b>	Sep-04
HFRI FoF Conservative	2.4%	2.0%	2.3%	2.3%	3.0%	
HFRI FoF Composite + 1%	4.4%	6.6%	3.9%	4.1%	4.1%	
<b>SCERS Private Equity</b>	<b>9.4%</b>	<b>9.0%</b>	<b>19.2%</b>	<b>16.4%</b>	<b>14.6%</b>	Feb-08
Cambridge Private Equity/Venture Capital	9.9%	6.5%	12.4%	11.8%	12.3%	
<b>SCERS Private Credit</b>	<b>5.4%</b>	<b>3.2%</b>	<b>5.2%</b>	<b>6.2%</b>	<b>6.5%</b>	Oct-11
Credit Suisse Leveraged Loan + 2%	10.2%	-0.3%	4.1%	4.9%	6.3%	
<b>SCERS Real Assets</b>	<b>2.6%</b>	<b>-8.4%</b>	<b>3.3%</b>	<b>6.0%</b>	<b>6.4%</b>	Jan-13
(45%) Cambridge Private Infrastructure; (35%) Cambridge Private Energy; (20%) NCREIF Agriculture/Timber	3.0%	-7.0%	2.0%	4.1%	5.0%	
<b>SCERS Opportunities</b>	<b>-3.7%</b>	<b>-0.8%</b>	<b>3.0%</b>	<b>6.4%</b>	<b>18.3%</b>	Jan-08
SCERS Portfolio Actuarial Rate of Return	1.8%	7.0%	7.0%	7.0%	7.0%	
<b>*Note :</b> Periods ending 6/30/20 for Private Equity, Private Credit, Real Assets, and Opportunities Periods ending 9/30/20 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. **(8-0)**

**Item 23. Quarterly Investment Performance Report—Real Estate**

Richard Brown and Felix Fels from Townsend presented SCERS' Real Estate Portfolio Performance Report for the period ended September 30, 2020.

**SCERS REAL ESTATE PERFORMANCE SUMMARY**  
**Quarter Reporting Period Ending Septmeber 30, 2020**

SUB-ASSET CLASS	Quarter 9/30/20	1-Year	3-Year	5-Year	Since Inception	Since Inception Date
<b>SCERS Real Estate Portfolio</b>	<b>1.8%</b>	<b>3.7%</b>	<b>6.8%</b>	<b>8.0%</b>	<b>8.4%</b>	Nov-86
(65%) NFI-ODCE + (35%) NFI-ODCE + 1%	0.4%	1.7%	5.1%	6.7%	6.5%	Nov-86
<b>Core Portfolio</b>	<b>1.2%</b>	<b>3.3%</b>	<b>6.7%</b>	<b>7.6%</b>	<b>6.5%</b>	Nov-86
Separate Account	N/A	3.3%	7.4%	10.6%	9.3%	Nov-86
Commingled Funds	-1.4%	1.7%	12.5%	8.6%	7.0%	Sep-13
NFI-ODCE Index	0.3%	1.3%	4.7%	6.3%	6.1%	
<b>Non-Core Portfolio</b>	<b>3.7%</b>	<b>4.8%</b>	<b>6.9%</b>	<b>9.4%</b>	<b>5.6%</b>	Jun-06
Value Add Portfolio	5.7%	17.1%	9.3%	11.6%	4.9%	Jun-06
Opportunistic	1.4%	-7.3%	3.8%	6.4%	7.5%	May-13
NFI-ODCE + 1% Index	0.5%	2.3%	5.7%	7.3%	7.1%	

The Board approved a motion to receive and file the Quarterly Investment Performance Report—Alternative Assets. **(8-0)**

**Item 24. Quarterly Investment Performance Report—Third Quarter 2020**

Mr. Nicolini presented SCERS' Total Fund Investment Performance Review report, prepared by Verus, for the quarter ended September 30, 2020.

**SCERS TOTAL FUND PERFORMANCE SUMMARY**  
**Quarter Reporting Periods Ending September 30, 2020**

SCERS ASSET CLASS	Quarter	Year-to- Date	1-Year	3-Year	5-Year	Since Inception	Since Inception Date
<b>SCERS TOTAL FUND Return w/Overlay</b>	<b>5.5%</b>	<b>2.4%</b>	<b>7.4%</b>	<b>7.4%</b>	<b>8.9%</b>	<b>8.3%</b>	Jun-86
Policy Index	5.2%	1.9%	6.0%	6.0%	7.7%	8.4%	
InvestorForce Public DB > \$1B	5.0%	1.0%	6.2%	5.5%	7.6%	8.1%	
<b>SCERS TOTAL FUND Return w/o Overlay</b>	<b>5.5%</b>	<b>1.6%</b>	<b>6.6%</b>	<b>7.1%</b>	<b>8.7%</b>	<b>8.2%</b>	Jun-86
Policy Index	5.2%	1.9%	6.0%	6.0%	7.7%	8.4%	
<b>GROWTH ASSET CATEGORY</b>	<b>8.3%</b>	<b>1.8%</b>	<b>9.7%</b>	<b>8.7%</b>	<b>-</b>	<b>10.3%</b>	Mar-17
Custom Benchmark	8.0%	1.5%	8.2%	7.3%	-	8.7%	
<b>DIVERSIFYING ASSET CATEGORY</b>	<b>1.7%</b>	<b>4.7%</b>	<b>5.4%</b>	<b>4.0%</b>	<b>-</b>	<b>4.3%</b>	Mar-17
Custom Benchmark	1.3%	5.2%	5.7%	4.3%	-	4.5%	
<b>REAL RETURN ASSET CATEGORY</b>	<b>1.8%</b>	<b>-3.9%</b>	<b>-2.2%</b>	<b>5.0%</b>	<b>-</b>	<b>5.8%</b>	Mar-17
Custom Benchmark	1.6%	-3.1%	-2.7%	3.0%	-	3.4%	
<b>OPPORTUNITIES PORTFOLIO</b>	<b>-1.3%</b>	<b>-3.3%</b>	<b>-1.2%</b>	<b>1.9%</b>	<b>4.7%</b>	<b>13.8%</b>	Oct-07
Custom Benchmark	5.2%	1.9%	6.0%	6.0%	7.7%	7.6%	
<b>DEDICATED CASH</b>	<b>0.0%</b>	<b>0.7%</b>	<b>1.2%</b>	<b>-</b>	<b>-</b>	<b>1.1%</b>	Jun-19
Overnight LIBOR	0.0%	0.4%	0.8%	-	-	1.1%	

The Board approved a motion to receive and file the Quarterly Investment Performance Report—Third Quarter 2020. **(8-0)**

**ADJOURNMENT**

There being no further business, the meeting was adjourned at 12:45 p.m.

**MEMBERS PRESENT**

**via teleconference:** Keith DeVore, John B. Kelly, Diana Gin, Dave Comerchero, Martha J. Hoover, Matt Petersen, Ben Lamera, and Rick Fowler presiding.

**MEMBERS ABSENT:** James Diepenbrock, Kathy O’Neil, and Alternate Safety Representative is vacant

**OTHERS PRESENT**

**via teleconference:** Eric Stern, Chief Executive Officer; Steve Davis, Chief Investment Officer; Stephen Lau, General Counsel; Stephen Hawley, Chief Strategy Officer; Mario Sierras, Chief Benefits Officer; Debbie Chan, Senior Accounting Manager; John Lindley, Senior IT Analyst; Jim Donohue, Deputy Chief Investment Officer; JR Pearce, Senior Investment Officer; Brian Miller, Retirement Investment Officer; Joan Kudin, Public Information Officer; Jamie Feidler, Cliffwater, LLC; John Nicolini and Stuart Odell, Verus Advisory, Inc.; Richard Brown and Felix Fels, The Townsend Group; Andy Yeung and Todd Tauzer, Segal Consulting; Peter Eisele and Andy Hahn, Snyder Capital; Ashley Casey and Andy Paulden, Brown Armstrong; Cambrie Sevaaet; Lucy Berrington; Stephen Simpkin; Gar Chung; Paul Moen; Brian White; Chao Thor, Disability Retirement Analyst; 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: \_\_\_\_\_