



Executive Staff:

Eric Stern
Chief Executive Officer

Margo Allen
Chief Operations Officer

Steve Davis
Chief Investment Officer

Stephen Lau
General Counsel

Mario Sierras
Chief Benefits Officer

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

Vacant
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

Jack Philp
Elected by the Safety Members

MINUTES

**REGULAR MEETING
OF THE
BOARD OF RETIREMENT**

**SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

Wednesday, September 15, 2021

10:00 A.M.

**Location: SCERS Board Room
980 9th Street, 19th Floor
Sacramento, California 95814**

OPEN SESSION

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

Mr. Fowler stated that some members were attending 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.

The following trustees participated via Zoom:

- Martha Hover
- Diana Gin

Item 2. Public Comment

None.

CONSENT MATTERS – ITEMS 3-9:

The Board approved the Consent Matters Items 3-9 (8-0).

Item 3. Minutes of the September 15, 2021 Regular Meeting—Approved the Minutes of the September 15, 2021 regular meeting.

Item 4. Disability Retirement Applications

- A. CONYERS, Kevin—Granted a service-connected disability as recommended by staff.
- B. FORSTER, Michael—Granted a service-connected disability as recommended by staff.
- C. SHTADLER, Anna—Granted a nonservice-connected disability as recommended by staff.
- D. WRIGHTSMAN, Leta—Granted a nonservice-connected disability as recommended by staff.
- E. Reference: General Law and Authorized Board Actions on Disability Retirement Proposed Decisions

Item 5. Ratification of Service Retirement Application Approvals—August 2021—Ratified the Service Retirement Applications that were finalized in the previous month.

Item 6. State Association of County Retirement Systems Legislative Update—September 2021—Received and filed the SACRS Legislative Update for September.

Item 7. Trading Cost Analyst Report—Second Quarter 2021—Received and filed the Trading Cost Analysis Report for the Second Quarter 2021.

Item 8. Monthly Investment Manager Activity, Compliance, and Watch List Report—August 2021—Received and filed the Monthly Investment Manager Activity, Compliance, and Watch List Report for August 2021.

Item 9. Monthly Report of Investment Activity—August 2021—Received and filed the report summarizing SCERS' investment activity for August 2021.

EXECUTIVE REPORTS:

Item 10. Chief Executive Officer's Report

Chief Executive Officer Eric Stern provided the following legislative updates:

AB 361 – This bill, sponsored by the CA Special Districts Association, would codify the Governor's Executive Order allowing for teleconference for declared emergencies. The bill would require local agencies to re-declare an emergency every 30 days that would then allow them to continue meeting remotely until January 1, 2024. The bill is on the Governor's desk.

AB 826 – This bill died in the Senate. The bill was recently amended into a bill that would have expanded the definition of compensation earnable in CERL to allow back in items that the *Alameda* ruling established were no longer allowed to be included in pension calculations. The bill was then amended in the final days of the legislation session to clarify that the provisions of the bill only apply to Ventura County, though it was still generating significant controversy.

SB 634 – This annual housekeeping bill has now become a County Retirement System, CalPERS, CalSTRS bill, and fixes a handful of small technical issues included for the CERL, like incorrect code references. The bill is on the Governor's desk.

The SACRS Legislative Committee that Mr. Stern co-chairs has been working on a more substantive bill for 2022 that will be presented next month before the SCERS Board, as well as the other 19 systems.

Lastly, Mr. Stern provided an update about the SCERS Retirement Board Election. Mr. Stern notified the board that ballots for the election of one Miscellaneous, one Safety, and one Alternate Safety seat on the SCERS Board were mailed out for the voting period that will run from September 20 to October 1, 2021. Mr. Stern informed the board that official results would be released on October 8, 2021 and the term of office will begin on January 1, 2022.

Item 11. Chief Investment Officer's Report

Chief Investment Officer Steve Davis provided the following updates:

Mr. Davis informed the Board that at the October meeting, JP Morgan will be providing an education session on investing in China. As part of the education, Staff will also present SCERS' current exposure to China across both public and private markets, the approach SCERS has taken to investing in China, and potential investable opportunities and risk considerations.

Mr. Davis notified the Board that SCERS would be transitioning its transaction cost analysis (TCA) service provider from Elkins/McSherry to BestX. Mr. Davis stated that SCERS' current service provider, Elkins/McSherry, is included within SCERS' overall custody agreement with State Street. As State Street will be transitioning from Elkins/McSherry to BestX, Staff believes it would be best to transition to BestX as well. Once the transition is complete, a new service agreement will be put into place.

Item 12. Chief Benefits Officer's Report

Chief Benefits Officer Mario Sierras provided the following updates:

Mr. Sierras informed the Board that staff has been improving and streamlining processes, which has resulted in progress in production volume and timing in getting members their first retirement checks. Mr. Sierras noted that for the month of August 66 Service Retirement Applications were completed, 40% of which were paid in under 60 days.

Mr. Sierras informed the Board that four disability items were brought to the Board for the month of September and that staff continues to explore options and resources to help with the Disability Retirement program. Mr. Sierras also noted that improvements were made to the Disability Retirement recommendation memo and Board catalog to eliminate redundancy and reduce the amount of time staff spends preparing these materials while maintaining the integrity of the process.

Mr. Sierras lastly stated that progress is being made and he expects to see more consistency in performance levels in the coming months.

ADMINISTRATIVE MATTERS:

Item 13. Protection of Individual Records Policy

General Counsel Steve Lau presented the recommendation to reaffirm the Protection of Individual Records Policy with amendments.

The Board approved a motion to reaffirm the Protection of Individual Records Policy. **(8-0)**

Item 14. Privacy and Confidentiality Policy

General Counsel Steve Lau presented the recommendation to reaffirm the Privacy and Confidentiality Policy with amendments.

The Board approved a motion to reaffirm the Privacy and Confidentiality Policy. **(8-0)**

Item 15. Delegation of Authority to Board President Policy

General Counsel Steve Lau presented the recommendation to approve the Delegation of Authority to Board President Policy.

The Board approved a motion to adopt the Delegation of Authority to Board President Policy. **(8-0)**

INVESTMENT MATTERS:

Item 16. William Blair International Small Cap—Account Conversion

Senior Investment Officer Brian Miller presented the recommendation to convert the William Blair International Small Cap account from a separately managed account to a commingled fund structure and authorize the Chief Executive Officer to execute any necessary agreements related to the transaction.

The Board approved a motion to adopt the staff recommendation. **(8-0)**

Item 17. Asset Class Restructuring: Private Equity

Chief Investment Officer Steve Davis presented the recommendation to approve the implementation plan and make the following revisions to the structure of the Private Equity asset class:

- Establish range of +/- 3% around the new 11% target allocation (8% - 14%).
- Add Growth Equity sub-strategy to complement the existing Buyout, Venture Capital, and Distressed sub-strategies.
- Maintain the 2021 Private Equity investment plan until the Board approves an updated commitment pacing budget in early 2022.

- Direct staff to make conforming changes to the Growth Asset Category and Master Investment Policy Statements for approval by the Board at a future meeting.

Mr. Fowler noted that the agenda listed the item as “receive and file” and asked for clarification if the Board was taking a formal action. Mr. Stern stated the agenda had a typo for Item 17 and Item 18 and the full agenda items in the Board packet accurately described the item as “deliberation and action.” Mr. Lau advised that it was permissible to take action on the item despite the typo, as the other agenda materials made clear that this was an action item.

The Board approved a motion to approve staff’s recommendation. **(8-0)**

Item 18. Asset Class Restructuring: Private Credit

Chief Investment Officer Steve Davis presented the recommendation to approve the implementation plan and make the following revisions to the structure of the Private Credit asset class:

- Establish range of +/- 2% around the new 5% target allocation (3% - 7%).
- Rename the ‘Opportunistic Credit’ sub-strategy to ‘Opportunistic Lending’.
- Adopt new strategy and geographic allocation targets and ranges as identified in the implementation plan.
- Maintain the 2021 Private Credit investment plan until the Board approves an updated commitment pacing budget in early 2022.
- Direct staff to make conforming changes to the Growth Asset Category and Master Investment Policy Statements for approval by the Board at a future meeting.

The Board approved a motion to approve staff’s recommendation. **(8-0)**

Item 19. Education: Private Equity Co-Investment Structure

Chief Investment Officer Steve Davis, Deputy Chief Investment Officer Jim Donohue, General Counsel Stephen Lau, and Tom Hickey of Foley & Lardner, LLP presented an educational item related to a preferred investment structure for making co-investments within the private equity asset class.

Mr. DeVore asked about the risk vs. reward of the co-investment approach. Mr. Donohue responded that the fee structure is generally below market and those issues will play a key role in the potential manager recommendation.

Mr. Comerchero asked about the due diligence process and if SCERS’ consultant will be part of reviewing underlying assets. Mr. Feidler remarked that Cliffwater can be part of underwriting and the firm plays that role in other co-investment structures. Mr. Davis also noted that SCERS staff have been involved in reviewing the underlying assets under other “negative consent” co-investment models on a similar scale through the Grosvenor and Atalaya mandates.

Mr. Fowler asked about the legal work involved in co-investment in each underlying asset. Mr. Hickey responded that the major legal work is involved on the front-end to build a model

the co-investment hybrid partner will operate under. He said the subsequent work for each new asset would not be substantive.

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

Item 20. Quarterly Investment Performance Report—Alternative Assets

Jamie Feidler of Cliffwater LLC presented the Alternative Assets Quarterly Investment Performance Report.

Mr. Kelly left the meeting during this item.

The Board approved a motion to receive and file the Quarterly Investment Performance Report—Alternative Assets. **(7-0)**

Item 21. Quarterly Investment Performance Report—Real Estate

Richard Brown and Chris Cunningham of Townsend Group presented the Real Estate Quarterly Investment Performance Report.

The Board approved a motion to receive and file the Quarterly Investment Performance Report—Real Estate. **(7-0)**

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:13 p.m.

MEMBERS PRESENT Keith DeVore, John Kelly, Dave Comerchero, Ben Lamera, Matt Petersen, Jack Philp, Kathy O’Neil and Rick Fowler presiding.

via teleconference: Diana Gin and Martha J. Hoover.

MEMBERS ABSENT: None.

OTHERS PRESENT Eric Stern, Chief Executive Officer; Steve Davis, Chief Investment Officer; Mario Sierras, Chief Benefits Officer; John Lindley, Senior IT Analyst; Jim Donohue, Deputy Chief Investment Officer; Brian Miller, Senior Investment Officer; JR Pearce, Senior Investment Officer; Michael Vang, Retirement Investment Analyst; Tom Hickey and Michael Calabrese, Foley & Lardner; Jamie Feidler, Cliffwater LLC; Brian Kwan and John Nicolini, Verus Advisory, Inc; and Chris Cunningham and Dick Brown, Townsend.

Respectfully submitted,

/S/

Eric Stern
Chief Executive Officer and
Secretary of the Retirement Board

APPROVED: _____
Richard B. Fowler II, President

DATE: _____



Retirement Board Order

Sacramento County Employees' Retirement System

**Before the Board of Retirement
October 20, 2021**

MOTION:

Minutes

THE BOARD OF RETIREMENT hereby approves the Minutes of the September 15, 2021 regular meeting.

I HEREBY CERTIFY that the above order was passed and adopted on October 20, 2021, by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

Richard B. Fowler II
Board President

Eric Stern
Chief Executive Officer and
Board Secretary