



## MINUTES

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

## **REGULAR MEETING OF THE BOARD OF RETIREMENT**

## **SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM**

**Wednesday, October 20, 2021**

**10:00 A.M.**

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

### OPEN SESSION

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

Board President Rick Fowler stated the meeting will be conducted under the new teleconferencing rules recently added to the Brown Act by Assembly Bill 361. He noted that members of the public attending the meeting by Zoom will have multiple opportunities to address the Board outside of the regular 15-minute public comment period. Mr. Fowler said if no one comes forward, instead of waiting 15 minutes, members of the public may address the Board in two ways: (1) by commenting on specific agenda items during the discussion of each item, and (2) by offering general comment just prior to the conclusion of the meeting. He said he may not affirmatively call for comment during those times, so members of the public should signal their desire to comment by pressing the “Chat” icon at the bottom of the Zoom screen and then typing a message. Such persons will then be given an opportunity to address the Board through Zoom audio.

Chief Executive Officer Eric Stern noted the following trustees were participating via Zoom:

- John Kelly
- Martha Hoover

**Item 2. Teleconferencing Rules Under Ralph M. Brown Act**

General Counsel Steve Lau presented the recommendation to make certain emergency findings to allow the Board of Retirement and its Audit Committee to meet by teleconference during the period from October 20, 2021 to November 19, 2021.

The Board approved a motion to approve staff's recommendation. **(7-0)**

**Item 3. Public Comment**

Manuel Mejia expressed concerns about his retirement application experience. Mr. Comerchero asked Staff to bring the matter to the Board at the next meeting.

**CONSENT MATTERS – ITEMS 4-13:**

**The Board approved the Consent Matters Items 4-13 (7-0).**

**Item 4. Minutes of the September 15, 2021 Regular Meeting**—Approved the Minutes of the September 15, 2021 regular meeting.

**Item 5. Disability Retirement Applications**

- A. ALONZO, Jesse—Granted a service-connected disability as recommended by staff.
- B. HUNT, Bruce—Granted a service-connected disability as recommended by staff.
- C. Reference: General Law and Authorized Board Actions on Disability Retirement Proposed Decisions

**Item 6. Ratification of Service Retirement Application Approvals—August 2021 and September 2021**—Ratified the Service Retirement Applications that were finalized in the previous months.

**Item 7. CEO Delegated Authority Expense Report**—Received and filed the CEO Delegated Authority Expense Report.

**Item 8. Strategic Management Plan—Quarterly Performance Report**—Received and filed the Strategic Management Plan Quarterly Performance Report.

**Item 9. Pension Administration System Quarterly Review**—Received and filed the Pension Administration System Quarterly Review.

**Item 10. Placement Agent Disclosure Report**—Received and filed the placement Agent Disclosure Report.

**Item 11. State Association of County Retirement Systems Legislative Update—October 2021**—Received and filed the SACRS Legislative Update for October.

**Item 12. Monthly Investment Manager Activity, Compliance, and Watch List Report—September 2021**—Received and filed the Monthly Investment Manager Activity, Compliance, and Watch List Report for September 2021.

**Item 13. Monthly Report of Investment Activity—September 2021**—Received and filed the report summarizing SCERS' investment activity for September 2021.

## **EXECUTIVE REPORTS:**

### **Item 14. Chief Executive Officer's Report**

Chief Executive Officer Eric Stern provided the following updates:

Mr. Stern welcomed Margo Allen as SCERS' new Chief Operations Officer.

Mr. Stern announced that Voter Registration and Elections has counted the votes and certified the recent SCERS Retirement Board election. The new trustees starting January 1 are:

- Miscellaneous -- Alina Mangru, Department of Finance
- Safety -- Jack Noble, Sheriff's Department
- Alt Safety -- Chris Giboney, Airport Fire

Lastly, Mr. Stern informed the board of the following upcoming events:

- November 10-12—SACRS Fall Conference
- November 16—SCERS Audit Committee at 3:30 over Zoom
- November 17—Board Meeting. Special Meeting to review performance on the 2021 Strategic Management Plan and map out the 2022 annual plan. In addition, a closed session will be held where the General Counsel will provide his annual update on existing litigation. Lastly, the CEO annual performance evaluation will be given.
- December 8—Board meeting; Segal will present the actuarial valuation and the Audit Committee will present the annual financial report.
- Potential special meeting in December on two felony forfeiture matters.

### **Item 15. Chief Investment Officer's Report**

Chief Investment Officer Steve Davis provided the following updates:

Mr. Davis provided an update on the Q3 preliminary returns. Mr. Davis stated that the estimate was that the SCERS portfolio returned approximately 0% for the third quarter, but the final results would be presented by Verus at the December meeting. Mr. Davis noted the following returns:

- Domestic equity was flat
- International equity was down 3%
- High yield credit up 1%
- Hedge funds were up over 2%

- Traditional fixed income was down for the quarter, both the Bloomberg Barclays Aggregate and Treasury Indexes
- Commodities were the outlier, up close to 7%, driven by the rally in oil

Mr. Davis provided an update on the portfolio analytics and risk management system RFP. Mr. Davis informed the board that staff has reviewed nine responses to SCERS' Portfolio Analytics and Risk Management System RFP and would be inviting five firms for interviews over the next few weeks to provide demonstrations of their systems. Mr. Davis asked the board to let staff know if any of them would like to participate in the demonstrations/interviews.

#### **Item 16. Chief Benefits Officer's Report**

Chief Benefits Officer Mario Sierras provided the following updates:

Mr. Sierras stated that process improvement efforts continue and in the recent 2 months, an average of 65 retirement applications were finalized each month and there has been steady increase in the number of applications being paid in 45 days or less. For September, 34% were paid in under 45 days, which is up from 18% in the prior month. A total of 62% were paid in under 60 days in September, which is up from 41% in the prior month.

Mr. Sierras informed the board that the number of retirement applications received by SCERS is trending up. Mr. Sierras noted that there was a 10% increase from the year before in the period of January – September, and that there was a 25% increase from the year before in the quarter from July – September. Mr. Sierras indicated that the volume and trends will continue to be monitored.

Mr. Sierras provided updates on recent recruitment efforts. Mr. Sierras indicated that interviews were conducted for the vacant Retirement Services Manager position and that a decision would be made in the coming weeks. Mr. Sierras additionally informed the board that the Board of Supervisors approved the reallocation of a retirement benefits position to an Administrative Services Officer (ASO) position and that this reallocation would enable SCERS to reach a broader pool of candidates to help with business needs and recruitment efforts.

### **ADMINISTRATIVE MATTERS:**

#### **Item 17. SACRS Legislative Proposal for 2022**

Chief Executive Officer Eric Stern presented the recommendation to support the State Association of County Retirement Systems sponsorship of legislation in 2022.

The Board approved a motion to approve SACRS sponsorship of 2022 legislative proposal regarding technical and clarifying amendment to the County Employees' Retirement Law of 1937. **(7-0)**

## **Item 18. Board Education Policy**

General Counsel Steve Lau presented the recommendation to reaffirm the Board Education Policy.

The Board approved a motion to reaffirm the Board Education Policy. **(7-0)**

## **Item 19. Compensation Policy**

Chief Executive Officer Eric Stern presented the recommendation to reaffirm the Compensation Policy.

The Board approved a motion to reaffirm the Compensation Policy. **(7-0)**

## **INVESTMENT MATTERS:**

### **Item 20. Education: Investment Opportunities in China**

Chief Investment Officer Steve Davis, Deputy Chief Investment Officer Jim Donohue, Senior Investment Officer JR Pearce, Senior Investment Officer Brian Miller and Gabi Santos and Lara Clarke from JP Morgan presented education on investment opportunities in China.

Mr. Fowler asked Ms. Santos if China was able to artificially control volatility in their markets through government intervention. Ms. Santos noted that China has been maturing in its approach and has been moving away from artificially propping up markets.

Ms. Gin asked about human rights issues in China. Mr. Davis responded that those issues should be considered by the Board when evaluating investment risks and the optics about investing in emerging markets, including how an investor may be compensated for taking on risks in countries that may face similar issues.

The Board approved a motion to receive and file the presentation. **(7-0)**

### **Item 21. Asset Class Restructuring: Absolute Return**

Chief Investment Officer Steve Davis, Senior Investment Officer Brian Miller, and Jamie Feildler from Cliffwater presented the recommendation to approve the implementation plan and make the following revisions to the structure of the Absolute Return asset class:

- Rename 'Diversifying Absolute Return' asset class to 'Absolute Return'
- Maintain 7% target allocation for Absolute Return asset class with a range of +/- 2% around target allocation (5% - 9%).
- Update portfolio guidelines:
  - Increase the targeted number of portfolio funds from 10 to 12, with a range of 8 to 15 funds
  - Slightly increase market sensitivity
    - Increase the portfolio's target equity beta from <0.1 to <0.2
    - Increase the portfolio's target equity correlation from <0.1 to <0.5

- Maintain existing portfolio objectives, benchmarks, market exposure, and risk targets
- Adopt implementation plan for liquidation of Growth Absolute Return investments.
- 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. **(7-0)**

**Item 22. Asset Class Restructuring: Fixed Income**

Chief Investment Officer Steve Davis and John Nicolini from Verus Advisory presented the recommendation to approve the implementation plan and make the following revisions to the structure of the Fixed Income asset class:

- Establish range of +/- 4% around the new 16% target allocation (12% - 20%).
- Adopt a revised structure for the Fixed Income asset class comprised of:
  - A dedicated U.S. Treasury mandate at a 4% target allocation
  - Two core plus fixed income mandates at 4% target allocations each
  - Addition of a third core plus fixed income mandate at a 4% target allocation.
- Adopt a new benchmark for the Fixed Income asset class, comprised of 75% Bloomberg Barclays U.S. Aggregate Bond Index and 25% Bloomberg Barclays U.S. Treasury Index.
- Authorize Staff and Verus to conduct an investment manager search for a recommended additional core plus fixed income mandate.
- Direct staff to make conforming changes to the Diversifying 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. **(7-0)**

**CLOSED SESSION**

**Item 23. Public Employee Performance Evaluation—Chief Executive Officer**

Mr. Fowler called for a closed session at 12:25 p.m.

**OPEN SESSION**

The Board reconvened in open session at 1:23 p.m. Mr. Fowler announced that no decisions or actions were taken.

**ADJOURNMENT**

There being no further business, the meeting was adjourned at 1:24 p.m.

**MEMBERS PRESENT** Dave Comerchero, Ben Lamera, Diana Gin, Matt Petersen, Jack Philp, Kathy O'Neil, and Rick Fowler presiding.

**via teleconference:** John Kelly and Martha Hoover.

**MEMBERS ABSENT:** Keith DeVore.

**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; Jamie Feidler, Cliffwater LLC; Brian Kwan and John Nicolini, Verus Advisory, Inc; Gabi Santos, Lara Clarke, and Joe Schulman, JP Morgan; and Chris Cunningham; Dick Brown, Townsend; and Manuel Mejia.

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

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**Before the Board of Retirement  
November 17, 2021**

MOTION:

### **Minutes**

THE BOARD OF RETIREMENT hereby approves the Minutes of the October 20, 2021 regular meeting.

I HEREBY CERTIFY that the above order was passed and adopted on November 17, 2021, by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

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Richard B. Fowler II  
Board President

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Eric Stern  
Chief Executive Officer and  
Board Secretary