



Members of the Board of Retirement:

Rick Fowler, President
Appointed by the Board of Supervisors

Vacant
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

Alina Mangru
Elected by Miscellaneous Members

Ben Lamera
Ex Officio, Director of Finance

Martha J. Hoover
Elected by the Retired Members

Jack Noble
Elected by the Safety Members

Kathy O'Neil
Elected by the Retired Members

Chris Giboney
Elected by the Safety Members

MINUTES

**REGULAR MEETING
OF THE
BOARD OF RETIREMENT**

**SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

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

**Wednesday, February 16, 2022
10:00 A.M.**

Zoom Teleconference

OPEN SESSION

Item 1. Call to Order—The meeting was convened at 10:00 a.m.

Mr. Fowler stated that the meeting was occurring via teleconference due to the Sacramento County Health Officer issued an order on January 6, 2022 that expressly requires all local bodies to suspend in-person meetings and hold all meetings virtually.

Item 2. Public Comment

None.

CONSENT MATTERS – ITEMS 3-12:

The Board approved the Consent Matters Items 3-12 (7-0).

Item 3. Teleconferencing Rules Under Ralph M. Brown Act—Approved staff's recommendation.

Item 4. Minutes of the January 19, 2022 Regular Meeting—Approve the Minutes of the January 19, 2022 Regular Meeting.

Item 5. Ratification of Service Retirement Application Approvals—January 2022—Ratified the Service Retirement Applications that were finalized in January 2022.

- Item 6. State Association of County Retirement Systems Legislative Update—February 2022**—Received and filed the SACRS Legislative Update for February 2022.
- Item 7. Strategic Management Plan Annual Report**—Received and filed the Strategic Management Plan Annual Report.
- Item 8. Portfolio Allocation and Rebalancing Report—Fourth Quarter 2021**—Received and filed the Portfolio Allocation and Rebalancing Report—Fourth Quarter 2021.
- Item 9. Proxy Voting Activity Report—Fourth Quarter 2021**—Received and filed the Proxy Voting Activity Report—Fourth Quarter 2021.
- Item 10. Trading Cost Analysis Report—Fourth Quarter 2021**—Received and filed the Trading Cost Analysis Report—Fourth Quarter 2021.
- Item 11. Monthly Investment Manager Activity, Compliance, and Watch List Report—January 2022**—Received and filed the Monthly Investment Manager Activity, Compliance, and Watch List Report for January 2022.
- Item 12. Monthly Report of Investment Activity—January 2022**—Received and filed the report summarizing SCERS’ investment activity for January 2022.

EXECUTIVE REPORTS:

Item 13. Chief Executive Officer’s Report

Chief Executive Officer Eric Stern provided the following comments and updated:

- Mr. Stern noted that the February meeting was Mr. Comerchero’s last meeting and wished him well.
- Mr. Stern informed the Board that with Mr. Comerchero’s departure, SCERS had reached out to Voter Registrations and Elections (VRE) to determine availability for a special election. As VRE indicated, it does not have the ability to conduct a special election any earlier than SCERS’ regular election. Mr. Stern determined that holding a special election was not practical as allowed by SCERS’ election policy. Mr. Stern noted that the policy does allow SCERS to hold a special election and regular election at the same time and that SCERS will aim to conduct the special election in conjunction with the regular election.
- Mr. Stern noted that there are two other vacant seats that are appointed by the Board of Supervisors and that information on how to apply is posted on the SCERS website.
- Mr. Stern acknowledged that the February meeting was also the last meeting for SCERS’ Supervising IT Analyst John Lindley and thanked Mr. Lindley for his service, help and friendship over the years.

Item 14. Chief Investment Officer’s Report

Chief Investment Officer Steve Davis provided the following updates regarding the Domestic Equity Rebalance:

- A rebalance of SCERS' Domestic Equity portfolio, which was overweight, was recently executed to bring the exposure closer to the target allocation and to raise funds for implementing portions of the revised strategic asset allocation.
- The majority of the rebalance involved separate account assets that was implemented by transition manager, State Street Global Markets.
 - SCERS also executed partial redemptions from a couple of domestic equity commingled funds.
- The rebalance occurred in late January 2022, and SCERS sold approximately \$334 million in domestic equity exposure across seven mandates.
 - SCERS' Overlay manager, SSGA, purchased an equal amount of domestic equity futures positions to offset the sales and keep SCERS' net equity position in line.
- The total cost, including commissions and market impact costs, came in 1 bps, which was slightly lower than SSGM's pre-trade estimate of 1.35 bps.
- The rebalance required a lot of coordination between the transition manager, underlying investment managers, the custodian, and SCERS' overlay program.

Mr. Davis concluded his remarks by acknowledging that Senior Investment Officer Brian Miller led the rebalance, and did a great job.

Item 15. Chief Benefits Officer's Report

Chief Benefits Officer Mario Sierras provided the following updates:

- For the month of January 2022, 55 retirement applications were processed, up from 48 applications in the prior month. Turnaround time slipped a bit with 45% of retirees being paid in under 60 days, and the median processing time increased to 59 days this month from 55 days last month.
- Production volume is stabilizing, which is largely attributed improving upon and streamlining processes.
- Turnaround times are holding steady in the 50-to-60 day range. Staff is focusing attention on the 90% within 60-days goal, aiming to get retirees their first payments within 60 days of their retirement dates.
- We are facing challenges with increased retirement volume and increased staff turnover. We've experienced a 12% increase, year-over-year, in retirement applications received and a 19% increase in the period of July 2021-December 2022 compared to the same period last year. For the month of January 2022 compared to January 2021, we experienced a 40% increase in retirement applications received. We are experiencing staff turnover and are currently at a 40% vacancy rate.
- In the face of these challenges, staff and management are working diligently to address business needs. In addition to continuously streamlining and improving processes, overtime sessions have begun and are scheduled through May, and we are actively recruiting to fill vacancies.

Board member Ben Lamera asked about the use of temporary staffing to address peak season volume. Mr. Sierras informed that historically we have been constrained with manual legacy processes and lengthy onboarding and training times. With recent process improvements and system upgrades we are better positioned to leverage temp help and we are exploring temporary staffing options currently.

BENEFITS MATTERS:

Item 16. Cost-of-Living Adjustment (COLA) effective April 1, 2022

Chief Executive Officer Eric Stern, presented the recommendation to approve the following cost-of-living adjustments effective April 1, 2022:

- Miscellaneous Tier 1 and Safety Tier 1:
 - with retirement date on or before 3/31/1976 the COLA increase is 4.0%.
 - with retirement date between 4/1/1976 and 3/31/2022 the COLA increase is 3.0%.
- Miscellaneous Tiers 3, 4, and 5 and Safety Tiers 2, 3, and 4:
 - with retirement date on or before 3/31/2022 the COLA increase is 2.0%.
- Miscellaneous Tier 2: No COLA

Mr. DeVore noted that although the CPI used for the COLA is lower than other areas of the country, he supports that SCERS maintain its standard approach to the calculations and not “shop” for a more favorable CPI index.

The Board approved a motion to adopt the staff recommendation. **(7-0)**

INVESTMENT MATTERS

Item 17. Quarterly Investment Performance Report—Fourth Quarter 2021

Chief Investment Officer Steve Davis and John Nicolini of Verus presented the Fourth Quarter Quarterly Investment Performance Report.

Mr. Fowler inquired about the yield curve and Mr. Nicolini indicated that overcorrecting may lead to higher rates. Mr. Davis stated that longer duration interest rates are expected to increase.

Mr. Fowler inquired about the regional instability in Russia and Ukraine. Mr. Nicolini stated it is not known if there will be a big economic impact, given Ukraine’s relative small size; he indicated that Russia may effect gas/oil production, but not big global players in capital markets. Mr. Nicolini stated that China and Taiwan is bigger issue with bigger implications, with China being second largest economy in world.

The Board approved a motion to receive and file the Total Fund Investment Performance Review Report. **(7-0)**

Item 18. 2021 Investment Year in Review and 2022 Annual Investment Plan

Chief Investment Officer Steve Davis, Deputy Chief Investment Officer Jim Donohue, Senior Investment Officer Brian Miller, and Senior Investment Officer JR Pearce presented the 2021 Year in Review and 2022 Annual Investment Plan.

In the private credit portion of the presentation, Mr. Noble asked for clarification which countries are focused in the proposal for Asia investments. Mr. Pearce responded that SCERS is looking for opportunities in Japan, South Korea, southeast Asia, and India, and said many investment firms include Pacific countries, including Australia and New Zealand, in the broader "Asia" category.

Mr. DeVore thanked Mr. Davis and staff for a thorough and concise presentation.

The Board approved a motion to receive and file the presentation and 2022 Annual Investment Plan. **(7-0)**

ADJOURNMENT

Mr. Fowler concluded the meeting by thanking both the investment and benefits teams for their hard work and expressed appreciation to departing board member, Dave Comerchero.

There being no further business, the meeting was adjourned at 11:54 a.m.

MEMBERS PRESENT

via teleconference: Keith DeVore, Dave Comerchero, Ben Lamera, Alina Mangru, Jack Noble, Martha Hoover, Chris Giboney, Kathy O'Neil, and Rick Fowler presiding.

MEMBERS ABSENT: None.

OTHERS PRESENT

Eric Stern, Chief Executive Officer; Steve Davis, Chief Investment Officer; Margo Allen, Chief Operations Officer; Mario Sierras, Chief Benefits Officer; Stephen Lau, General Counsel; 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; Andy Yeung and Paul Angelo, Segal; Jamie Feidler, Cliffwater LLC; John Nicolini, Verus; 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
March 16, 2022

AGENDA ITEM:

Minutes of the February 16, 2022 Regular Meeting

THE BOARD OF RETIREMENT hereby approves the Minutes of the February 16, 2022 regular meeting.

I HEREBY CERTIFY that the above order was passed and adopted on March 16, 2022 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