



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

Keith DeVore, Vice President
Appointed by the Board of Supervisors

Vacant
Appointed by the Board of Supervisors

Vacant
Appointed by the Board of Supervisors

Vacant
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**

**WEDNESDAY, MARCH 16, 2022
10:00 A.M.**

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

**Teleconference Location: SCERS Lobby Offices
980 9th Street, 19th Floor
Sacramento, CA 95814**

Live-stream at www.scers.org

OPEN SESSION

Item 1. Call to Order—The meeting was convened at 10:04 a.m.

Item 2. Public Comment

None.

CONSENT MATTERS – ITEMS 3-7:

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

Item 3. Minutes of the February 16, 2022 Regular Meeting—Approved the Minutes of the February 16, 2022 Regular Meeting.

Item 4. Ratification of Service Retirement Application Approvals—February 2022—Ratified the Service Retirement Applications that were finalized in February 2022.

- Item 5. State Association of County Retirement Systems Legislative Update—March 2022—**Received and filed the SACRS Legislative Update for March 2022.
- Item 6. Monthly Investment Manager Activity, Compliance, and Watch List Report—February 2022—**Received and filed the Monthly Investment Manager Activity, Compliance, and Watch List Report for February 2022.
- Item 7. Monthly Report of Investment Activity—February 2022—**Received and filed the report summarizing SCERS' investment activity for February 2022.

EXECUTIVE REPORTS:

Item 8. Chief Executive Officer's Report

Chief Executive Officer Eric Stern welcomed back trustees to the Board room after two years of remote and hybrid meetings and provided the following updates:

- Mr. Stern stated that Alameda corrections are making progress and back on track after finalizing the data set of impacted members. The corrections will affect about 20% of total membership, including: 3,900 Active members, 400 Deferred members, and 1,900 retirees and beneficiaries. SCERS is hoping to process corrections in coming months and is planning on sending another update in the mail to retired members who have been receiving overpaid benefits.
- Mr. Stern noted that there is a special meeting on March 30.

Item 9. Chief Investment Officer's Report

Chief Investment Officer Steve Davis provided the following updates on the impact of Russia's invasion of Ukraine on SCERS' portfolio:

- The invasion is foremost having a tragic human impact
- It is also impacting markets with the sanctions put on Russia
- While SCERS' investment exposure to Russia is minimal, Staff and consultants continue to monitor the situation closely, and will continue to update the Board accordingly
- Markets were under pressure prior to the invasion from rising inflation and tightening central bank monetary policy, so the quarter is shaping up to be a poor one
- SCERS' portfolio is down around 5% this quarter, with a couple of weeks left, driven by equity markets which are off 10%
- SCERS' fiscal year to date performance, which was positive entering 2022, is now flat

At the April Board meeting, Staff and Cliffwater are going to provide the educational presentation on private equity secondary sales

- With the maturation of SCERS' PE portfolio, and with it being overweight to its target as a result of very strong performance, adding the ability to use the secondary market to sell funds in order to more efficiently manage SCERS' PE portfolio has become an important consideration

Item 10. Chief Benefits Officer's Report

Chief Benefits Officer Mario Sierras provided the following updates:

- No disability retirement items were ready for review and action at this meeting. There are a number of disability items in-flight that are in various stages. Some of the delays experienced are due to coordinating medical exams with members and doctors schedules; other delays are due to additional upfront review of applications to ensure minimum disability retirement eligibility requirements are met.
- For the month of February, 54 retirement applications were processed, in-line with the 55 applications processed last month. Median turnaround time improved slightly to 58 days, down from 59 days last month.
- The number of retirees getting paid within 60 days improved, with 67% of retirees getting their first retirement checks within 60 days, an improvement from 55% last month.
- While we are still seeing a high volume of retirement applications, production volume and turnaround times continue to stabilize. Performance has been very consistent over the past three months, and is expected to continue.
- Recruiting efforts continue. Staff is leveraging overtime and staff is in the process of pulling together other resources to help with the retirement volume.

ADMINISTRATIVE MATTERS:

Item 11. Actuarial Audit

Chief Operations Officer Margo Allen and Graham Schmidt from Cheiron presented the Actuarial Audit.

The Board approved a motion to receive and file the Actuarial Audit Report of the Actuarial Valuation and Review as June 30, 2021. **(7-0)**

Mr. Lamera left the meeting after this item.

Item 12. GASB 67 Report as of June 30, 2021—Revised

Chief Operations Officer Margo Allen presented the revised GASB 67 Report.

The Board approved a motion to receive and file the revised Governmental Accounting Standards Board Statement No. 67 Actuarial Valuation as of June 30, 2021. **(6-0)**

Item 13. Annual Independent Financial Statement Audit—Revised

Chief Operations Officer Margo Allen presented the Revised Annual Independent Financial Statement Audit.

The Board approved a motion to approve the reissued audited financial statements and Annual Comprehensive Financial Report (ACFR), and accompanying required reports for the fiscal year ended June 30, 2021. **(6-0)**

INVESTMENT MATTERS:

Item 14. Fixed Income Manager Recommendations

John Nicolini, representing Verus, Brian Giuliano and Jon Cordo, representing Brandywine, and Steve Masarik and Matt Waz, representing Reams, presented the recommendation to:

- Terminate the existing global fixed income mandate with Brandywine Global (global fixed income was eliminated from SCERS' revised strategic asset allocation);
- Equal weight the total 12% target core plus fixed income allocation across four investment managers (25% each), including the two existing managers and two new managers;
- Invest approximately \$360 million with new core plus manager Brandywine Global (U.S. Fixed Income strategy) and \$360 million with new core plus manager Reams Asset Management (Core Plus Fixed Income strategy), and authorize Staff to execute necessary documents and agreements for each mandate;
- Reduce the exposure to existing core plus fixed income managers TCW and PGIM by \$135 million and \$129 million, respectively; and,
- Authorize Staff to determine the most effective method for transitioning the assets and execute any necessary documents or agreements to effectuate the transition of assets.

Mr. Fowler asked about the fee structure using two different managers. Mr. Davis responded that the fees for fixed income managers are within a tight range, do not include performance incentives, and would not vary much if SCERS used one or multiple managers.

The Board approved a motion to accept staff's recommendation. **(6-0)**

Item 15. Overlay Program—Education and Revisions

Chief Investment Officer Steve Davis presented the Overlay Program Education and Revisions.

Mr. DeVore asked how fast the overlay program can transition assets. Mr. Davis responded that the overlay moves very quickly, generally within one day.

The Board approved a motion to receive and file the educational presentation and to approve staff's recommendation. **(6-0)**

Item 16. Quarterly Investment Performance Report—Alternative Assets

Jamie Feidler, representing Cliffwater LLC, presented the Quarterly Investment Performance Report for Alternative Assets.

The Board approved a motion to receive and file the Quarterly Investment Performance Report. **(6-0)**

Item 17. Quarterly Investment Performance Report—Real Estate

Chris Cunningham and Dick Brown, representing Townsend, presented the Quarterly Investment Performance Report for Real Estate.

Mr. DeVore asked how rising interest rates would affect the real estate portfolio. Mr. Cunningham responded that interest rates will likely result in higher rental costs that are expected to be absorbed without affecting performance.

The Board approved a motion to receive and file the performance report on real estate investments for the quarter ended December 31, 2021. **(6-0)**

CLOSED SESSION

Mr. Fowler called for a closed session at 1:25 p.m. to discuss anticipated litigation.

OPEN SESSION

The meeting was reconvened at 2:17 p.m. and Mr. Fowler announced no actions were taken.

ADJOURNMENT

There being no further business, the meeting was adjourned at 2:18 p. m.

MEMBERS PRESENT: Keith DeVore, 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; Casey Als, Supervising 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; John Nicolini, Verus; and Chris Cunningham and Dick Brown, Townsend.

Respectfully submitted,

/S/

Eric Stern

APPROVED: _____
Richard B. Fowler II, President

Chief Executive Officer and
Secretary of the Retirement Board

DATE: _____



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
April 20, 2022

AGENDA ITEM:

Minutes of the March 16, 2022 Regular Meeting

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

I HEREBY CERTIFY that the above order was passed and adopted on April 20, 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