



Executive Staff:

Eric Stern
Chief Executive Officer

Margo Allen
Chief Operations Officer

Steve Davis
Chief Investment Officer

MINUTES

**REGULAR MEETING
OF THE
BOARD OF RETIREMENT**

**SACRAMENTO COUNTY EMPLOYEES'
RETIREMENT SYSTEM**

Members of the Board of Retirement:

Keith DeVore, President
Appointed by the Board of Supervisors

James Diepenbrock, Vice President
Appointed by the Board of Supervisors

Robert Aguallo Jr.
Appointed by the Board of Supervisors

Ronald Suter
Appointed by the Board of Supervisors

Joyce Renison
Ex Officio, Interim Director of Finance

Alina Mangru
Elected by the Miscellaneous Members

M. Tapa Banda
Elected by the Miscellaneous Members

Jack Noble
Elected by the Safety Members

Chris Giboney
Elected by the Safety Members (Alternate)

Martha Hoover
Elected by the Retired Members

Dave Irish
Elected by the Retired Members (Alternate)

**WEDNESDAY, FEBRUARY 15, 2023
10:00 A.M.**

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

Item 1. Call to Order

President DeVore called the meeting to order at 10:00 a.m. Eric Stern, Chief Executive Officer (CEO) took roll call.

Item 2. Public Comment

None.

Board Members Present: DeVore, Aguallo, Banda, Suter, Lamera, Mangru, Hoover, Irish.

Board Members Absent: Diepenbrock, Noble, Giboney.

Also present: Eric Stern, Chief Executive Officer (CEO); Margo Allen, Chief Operations Officer (COO); Steve Davis, Chief Investment Officer (CIO); Patrick Richardson, Interim General Counsel; Jim Donohue, Deputy Chief Investment Officer; Brian Miller, Senior Retirement Investment Officer; Michael Vang, Retirement Investment Analyst; and Carolyn Hill, Executive Secretary.

President DeVore announced that Agenda Item No. 14 would be considered before the Consent Calendar.

BENEFITS MATTERS:

Item 14. ***Alameda Corrections***

Mr. Stern presented the staff report recommending the Board amend the September 16, 2020, *Alameda* Board Order and direct staff to refrain from recouping overpaid benefit amounts that occurred on or after the August 31, 2020, payroll; and responded to questions.

The Board approved a motion to amend September 16, 2020, *Alameda* Board Order and direct staff to refrain from recouping overpaid benefit amounts that occurred on or after the August 31, 2020, payroll. **(6-1; Lamera voted No)**

CONSENT MATTERS – Items 3 - 11:

A motion was made by Board Member Suter, seconded by Board Member Hoover, to approve recommendation on the Consent Calendar Items 3-11. Agenda Item 6 was pulled for separate discussion. The motion carried 7-0.

Item 3. **Minutes of the January 18, 2023 Regular Meeting**—Approved the Minutes of the January 18, 2023 Regular Meeting

Item 4. **Ratification of Service Retirement Applications – January 2023**—Ratified the Service Retirement Applications that were finalized in January 2023.

Item 5. **State Association of County Retirement Systems Legislative Update – February 2023**—Received and filed the SACRS Legislative Update for February 2023.

Item 6. **Cost-of-Living Adjustment (COLA) effective April 1, 2023**—Approved COLA adjustments effective April 1, 2023.

Board Member Aguallo questioned the cost of the COLA; and Eric Stern, Chief Executive Officer, responded to the question.

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 2022**—Received and filed the Portfolio Allocation and Rebalancing Report for Fourth Quarter 2022.

Item 9. **Proxy Voting Activity Report – Fourth Quarter 2022**—Received and filed the Proxy Voting Activity Report for Fourth Quarter 2022.

Item 10. **Trading Cost Analysis Reports – Fourth Quarter 2022**—Received and filed the Trading Cost Analysis Reports for Fourth Quarter 2022.

Item 11. **Monthly Report of Investment Activity – January 2023**—Received and filed the Monthly Report of New Investment Activity for January 2023.

EXECUTIVE REPORTS:

Item 12. Chief Executive Officer's Report

Mr. Stern presented a Resolution recognizing Board Member Ben Lamera's retirement from Sacramento County; provided an update of the Ad Hoc Investment Committee meeting; and announced the upcoming conferences provided by CALAPRS and SACRS.

Item 13. Chief Investment Officer's Report

Mr. Davis provided the following updates on SCERS' portfolio:

EQUITY TRANSITION UPDATE

- All trading has been implemented related to two new Emerging Market (EM) equity mandates and rebalancing activity within SCERS' international developed large cap equity mandates.
- SCERS funded the two new EM equity mandates with ARGA Investment Management and Oaktree on February 1st for \$190 million each, and funds were sent directly to the managers.
- To fund the mandates, Staff directed transition manager State Street Global Markets (SSGM) to sell \$185 million in an EM ETF that was being used as an interim solution for terminated manager Mondrian Investment Partners.
 - The trade was executed in line with expectations.
- SSGM was also utilized to sell ~\$225 million in equities for three existing international developed large cap equity mandates for rebalance purposes, and to help fund the EM mandates.
 - The total cost of these sales was 5.73 bps, which came in under the pre-trade estimated cost of 9.93 bps.

INTERNATIONAL SMALL CAP EQUITY MANAGER SEARCH UPDATE

- At the September 2022 meeting, the Board authorized Staff and general investment consultant Verus to conduct a manager search in the international developed small cap value equity space, to find a replacement investment manager for terminated manager Mondrian Investment Partners.
- Over the past few months, Staff has worked with Verus and identified a select list of four manager candidates.
- These managers were interviewed by Staff and Verus virtually in late January, and Senior Investment Officer Brian Miller also performed due diligence at a few of the manager's offices in early February.
- Staff is targeting the March or April meeting to present a recommendation and have the chosen manager present to the Board.

MARCH MEETING PREVIEW

- At the March meeting, Verus and Staff plan to present an education session on the topic of ESG (Environmental, Social, Governance).
- The objective of the presentation is to:
 - Provide some background on ESG.
 - Approaches that institutional investors take to ESG, from incorporating into policy, to using it as part of the process of evaluating investment managers.
 - SCERS' approach and how the portfolio is currently exposed to ESG factors and considerations.
- This item will be purely educational, with an opportunity for the Board to engage and dialog on the topic.

ADMINISTRATIVE MATTERS:

Item 15. Chief Technology Officer

Mr. Stern presented the staff report recommending the Board add 1.0 FTE Assistant Retirement Administrator-Enterprise Solutions Management position (working title Chief Technology Officer), utilizing Range A or Range B of the County salary schedule at the discretion of the Chief Executive Officer.

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

Item 16. Actuarial Funding Risk Assessment Report

Mr. Stern presented the staff report; introduced Andy Yeung and Todd Tauzer, representing Segal, who provided a presentation on the risk assessment reviewing historical factors that have caused changes in SCERS' funded status and contribution rates, and identified risks that may affect the plan's future financial condition.

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

INVESTMENT MATTERS:

Item 17. Review of 2023 Capital Market Assumptions

Mr. Davis presented the staff report; and introduced John Nicolini, representing Verus, who provided a presentation on their 2023 capital market assumptions.

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

Item 18. Total Fund Investment Performance Report – Fourth Quarter 2022

John Nicolini, representing Verus, provided a presentation on SCERS' Total Investment Performance Review report, prepared by Verus, for the quarter ending December 31, 2022.

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

CLOSED SESSION

Item 19. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION

Pursuant to Government Code section 54956.9(d)(2), this session shall be closed for the Board to discuss significant exposure to litigation to which SCERS may be a party in one (1) case.

Item 20. **CONFERENCE WITH LEGAL COUNSEL—INITIATE LITIGATION**

Pursuant to Government Code section 54956.9(d)(4), this session shall be closed for the Board to discuss a decision whether to initiate litigation in one (1) case.

President DeVore announced there would not be a closed session.

ADJOURNMENT

There being no further business, President DeVore adjourned the meeting at 12:17 p.m.