



Executive Staff:  
Annette St. Urbain  
Interim Chief Executive Officer  
Steve Davis  
Chief Investment Officer  
Robert L. Gaumer  
General Counsel  
Kathryn T. Regalia  
Chief Operations Officer  
John W. Gobel, Sr.  
Chief Benefits Officer  
Stephen Hawley  
Chief Strategy Officer

**MINUTES**

**REGULAR MEETING  
OF THE  
BOARD OF RETIREMENT  
SACRAMENTO COUNTY  
EMPLOYEES' RETIREMENT  
SYSTEM**

**WEDNESDAY, AUGUST 16, 2017  
10:00 A.M.**

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

**OPEN SESSION**

- Item 1. Call to Order** – The meeting was convened at 10:00 a.m.
- Item 2. Public Comment** - None
- Item 3. Minutes**  
**The Board unanimously approved the Minutes of the July 19, 2017 meeting (7-0; Lamera abstained).**

**CONSENT MATTERS – ITEMS 4-11:**

Item 4A was postponed to a later Board Meeting at the request of the applicant and Item 4D was removed for discussion in a closed session.

**The Board unanimously approved the Consent Matters Items 4B, 4C,4E and 5-11 (7-0).**

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  
Steven L. Baird  
Elected by the Miscellaneous Members  
James A. Diepenbrock  
Appointed by the Board of Supervisors  
Ben Lamera  
Ex Officio, Director of Finance  
Alan Matré, CPA  
Elected by the Miscellaneous Members  
Kathy O'Neil  
Elected by the Retired Members  
Chris A. Pittman  
Elected by the Safety Members  
John Conneally  
Elected by the Safety Members  
Martha J. Hoover  
Elected by the Retired Members

- Item 4. Disability Retirement Applications**
- B. HINSHAW, Micheal: Granted a nonservice-connected disability retirement as recommended by staff.
  - C. ROBY-LEWIS, Mary L.: Denied a service-connected disability retirement per proposed decision of Administrative Law Judge.
  - E. Reference; General Law and Authorized Board Actions on Disability Retirement Proposed Decisions
- Item 5. Quarterly Summary of Selected Fees and Costs for Outside Legal Services – Second Quarter 2017**
- Item 6. Semi-Annual Administrative Expense Report for the six months ended June 30, 2017.**
- Item 7. Final SCERS Administrative Budget for the 2017-2018 Fiscal Year**
- Item 8. Quarterly Portfolio Rebalancing Report – Second Quarter 2017**
- Item 9. Quarterly Trading Activity and Commission Recapture Report – Second Quarter 2017**
- Item 10. Monthly Report of New Investment Activity – July 2017**
- Item 11. Monthly Investment Manager Activity, Compliance and Watch List Report – July 2017**

**CLOSED SESSION**

The Chair convened a closed session at 10:02 a.m. to discuss Item 4D. Upon adjournment of closed session at 10:24 a.m., action on this item was taken in open session.

**OPEN SESSION**

**ADMINISTRATIVE MATTERS:**

- Item 4. Disability Retirement Applications**
- D. VAN BRUNT, David: **The Board approved a motion to request further clarification from the IME on service connection. (6-2; Kelly and O'Neill opposed)**
- Item 12. Interim Chief Executive Officer's Report**
- Ms. Annette St. Urbain provided the following update on developments affecting public retirement systems and on miscellaneous system and staff activities.

Introduction of New Employees – SCERS is welcoming two new employees: Stephen Hawley; Enterprise Solutions Management Director and Brian K. Miller; Retirement Investment Officer.

SCERS' Member Handbook (PEPRA Version) – The PEPRA Version of SCERS' member handbook has been completed and was provided to the Board.

SCERS' 2016-2017 Financial Audit – Interim field work with SCERS' new auditors at Brown Armstrong began this week. The Executive Team's progress this year on developing SCERS' risk register is well-timed and demonstrates our initial work on the ongoing process of identifying, describing, tracking and mitigating operational risks.

PAS Vendor Selection Update – Following three days of vendor demonstrations and interviews, finalist vendors are working on their best and final offers. A recommendation is expected to be made at the September Board Meeting.

SACRS Fall Conference – Will be held November 14-17, 2017 in Burlingame at the Hyatt Regency San Francisco Airport. SCERS staff has reserved a block of rooms; please contact us regarding your plans to attend. Reminder that the November Board Meeting will be held on Tuesday, November 7 at 1:00 p.m. to accommodate staff and trustee attendance at the SACRS Fall Conference the following week.

Update on SCERS Operating Authority – Ms. St. Urbain and Board President Fowler met with Supervisor Kennedy on July 27, 2017 about AB 526 (Cooper), which would formalize a change in the operating authority arrangement and structure for SCERS and is now a two-year bill, with the goal of negotiating in earnest with County Administration on possible alternatives/amendments.

#### Other Projects Underway

- Rio Linda Elverta Recreation and Park District – This district has requested to join SCERS as a new participating employer. Staff is working with General Counsel and the plan actuary to respond to this request.
- SCERS' Policy Project – SCERS' General Counsel is working on compiling, categorizing and formatting SCERS' various policies which are to be reviewed by executive staff and submitted to the Board to reaffirm in a consistent format.
- SCERS' Website – SCERS' executive and IT staff have identified a firm to update and maintain the SCERS' website. This is expected to be a six- to nine-month project.

CEO Recruitment Committee – The Committee met on August 10, 2017, and has tentatively scheduled interviews for the last week in August. The full Board will interview the finalists on September 5, 2017.

**Item 13. Proposed SCERS Compensation Policy**

Staff proposed that the Board establish an ad hoc committee to develop a SCERS Compensation Policy. **President Fowler designated Vice President DeVore to chair the Board's Ad Hoc Compensation Policy Committee, and agreed to appoint two additional members to the Committee upon recommendation by Mr. DeVore.** *(Subsequent to the meeting, President Fowler appointed Ms. O'Neil and Mr. Conneally as members of this ad hoc committee.)*

**INVESTMENT MATTERS:**

**Item 14. Proposed Revisions to Real Assets Asset Class**

Chief Investment Officer Steve Davis and consultant Jamie Feidler of Cliffwater LLC, presented the proposed changes to the Real Assets asset class structure, Investment Policy Statement (IPS) and implementation plan.

Mr. Davis began with a review of the strategic changes to Real Assets that occurred as a result of the recently approved strategic asset allocation. The Real Assets program strategic changes include making Real Assets a part of the Real Return asset category, increasing the Real Assets target allocation from 6% to 7%, more formally defining target allocations and ranges for the Real Assets sub-strategies and proposing changes to the Real Assets Policy Index.

The Recommended Real Assets IPS changes include: narrowing the focus of the IPS to private real assets, consistent with the new asset allocation structure, adding formal diversification targets for the Real Assets sub-strategies and changes to the Real Assets benchmarks.

Mr. Feidler stated that the recommended change to the Real Assets benchmark was to move the Policy Index from the objective-based CPI +5% to a more representative and investable benchmark comprised of: 45% Cambridge Associates Private Infrastructure Index, 35% Cambridge Associates Private Energy Index, 10% NCREIF Agriculture Index and 10% NCREIF Timber Index.

Mr. Feidler remarked that the remaining changes were primarily just clarifying language or general updates since 2012.

Discussion followed.

Mr. Feidler provided a Real Assets Program summary stating that the SCERS' real assets portfolio objective is to provide: attractive real returns and a partial hedge against inflation risk, portfolio diversification, moderate income and cash flow generation and a greater return consistency with muted downside risk. Additionally, Mr. Feidler stated the long term target allocation for Real Assets is 7%, with SCERS actual allocation currently at 2.2%, and explained the proposed sub-strategy diversification targets and ranges.

Mr Feidler noted that the revised Real Assets investment plan increases the annual commitment target from \$150 million to \$160 million for the next several years, reflecting the increase in the target allocation to 7% and more conservative assumptions related to the growth in SCERS' plan assets to account for potential lower expected forward returns and plan cash flow dynamics.

**The Board unanimously approved the proposed revisions to the Real Assets asset class structure, Investment Policy Statement, and implementation plan. (8-0)**

**Item 15. Quarterly Total Fund Investment Performance Report – Second Quarter 2017**  
 Barry Dennis and John Nicolini of Verus Advisory presented SCERS' Total Fund Performance Report for the periods ending June 30, 2017, including information regarding the Growth Asset Category, Diversifying Asset Category, Real Return Asset Category and Opportunities portfolio as follows:

**SCERS TOTAL FUND PERFORMANCE SUMMARY**  
 Quarter Reporting Periods Ending June 30, 2017

SCERS ASSET CLASS	Quarter	Year-to-Date	1-Year	3-Year	5-Year	Since Inception	Since Inception Date
<b>SCERS TOTAL FUND Return w/Overlay</b>	<b>3.5%</b>	<b>8.1%</b>	<b>13.7%</b>	<b>5.0%</b>	<b>8.8%</b>	<b>8.4%</b>	Jun-86
Policy Index	2.7%	7.0%	11.7%	5.3%	8.4%	8.6%	
InvestorForce Public DB > \$1B	3.1%	7.6%	12.8%	5.4%	9.1%	8.3%	
<b>SCERS TOTAL FUND Return w/o Overlay</b>	<b>3.6%</b>	<b>8.0%</b>	<b>13.4%</b>	<b>5.3%</b>	<b>8.7%</b>	<b>8.3%</b>	Jun-86
Policy Index	2.7%	7.0%	11.7%	5.3%	8.4%	8.6%	
<b>GROWTH ASSET CATEGORY</b>	<b>4.6%</b>					<b>4.6%</b>	Mar-17
Custom Benchmark	3.8%					3.8%	
<b>DIVERSIFYING ASSET CATEGORY</b>	<b>1.5%</b>					<b>1.5%</b>	Mar-17
Custom Benchmark	1.3%					1.3%	
<b>REAL RETURN ASSET CATEGORY</b>	<b>2.0%</b>					<b>2.0%</b>	Mar-17
Custom Benchmark	1.1%					1.1%	
<b>OPPORTUNITIES PORTFOLIO</b>	<b>3.6%</b>					<b>3.6%</b>	Mar-17
Custom Benchmark	2.8%					2.8%	

*(Remainder of page intentionally left blank)*

Mr. Dennis and Mr. Nicolini reported on SCERS' Growth Asset Category performance through June 30, 2017 as follows:

SCERS GROWTH Performance Summary for the periods ending 6/30/17	Quarter	Year-to-Date	1-Year	Since Inception	Since Inception Date
<b>SCERS GROWTH ASSET CATEGORY</b>	<b>4.6%</b>			<b>4.6%</b>	Mar-17
Custom Benchmark	3.8%			3.8%	
<b>Public Equity</b>	<b>5.1%</b>	<b>NA</b>	<b>NA</b>	<b>5.1%</b>	Mar-17
MSCI ACWI	4.3%	11.5%	18.8%	4.3%	
<b>Private Equity (lagged 1 quarter)</b>	<b>3.9%</b>	<b>7.2%</b>	<b>14.5%</b>	<b>-0.4%</b>	Feb-08
Cambridge All PE	3.4%	8.1%	16.7%	9.6%	
<b>Public Credit</b>	<b>1.7%</b>	<b>5.2%</b>	<b>15.3%</b>	<b>4.8%</b>	Nov-13
Custom Benchmark	1.4%	3.4%	10.1%	4.7%	
<b>Private Credit (lagged 1 quarter)</b>	<b>3.5%</b>			<b>3.5%</b>	Mar-17
Credit Suisse Leveraged Loan + 2%	1.1%			1.1%	
<b>Growth Absolute Return</b>	<b>2.2%</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	Aug-04
91 Day T-Bill + 5%	1.4%	2.8%	5.5%	6.3%	

Mr. Dennis and Mr. Nicolini reported on SCERS' Diversifying Asset Category performance through June 30, 2017 as follows:

SCERS DIVERSIFYING Performance Summary for the periods ending 6/30/17	Quarter	Year-to-Date	1-Year	Since Inception	Since Inception Date
<b>SCERS DIVERSIFYING ASSET CATEGORY</b>	<b>1.5%</b>			<b>1.5%</b>	Mar-17
Custom Benchmark	1.3%			1.3%	
<b>Core/Core Plus Fixed Income</b>	<b>1.8%</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	Jun-88
Barclays US Aggregate TR	1.4%	2.3%	-0.3%	6.4%	
<b>Global Fixed Income</b>	<b>4.4%</b>	<b>10.0%</b>	<b>5.1%</b>	<b>2.7%</b>	May-13
Custom Benchmark	3.0%	5.6%	-2.1%	0.2%	
<b>Diversifying Absolute Return</b>	<b>-1.2%</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	Nov-11
91 Day T-Bill + 5%	1.4%	2.8%	5.5%	5.2%	

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Mr. Dennis and Mr. Nicolini reported on SCERS' Real Return Asset Category performance through June 30, 2017 as follows:

SCERS REAL RETURN Performance Summary for the periods ending 3/31/17	Quarter	Year-to-Date	1-Year	Since Inception	Since Inception Date
<b>SCERS REAL RETURN ASSET CATEGORY</b>					
SCERS Real Return w/ SSgA Proxy	2.0%			2.0%	Mar-17
SCERS Real Return w/o SSgA Proxy	2.7%			2.7%	Mar-17
Custom Benchmark	1.1%			1.1%	
<b>SCERS Real Estate</b>	<b>3.3%</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	Mar-17
NCREIF	1.8%	3.3%	7.0%	NA	
<b>Core Real Estate</b>					
Separate Account	3.4%	5.5%	11.8%	5.5%	Sep-08
Commingled Funds	1.6%	2.8%	8.7%	3.8%	Sep-08
NFI-ODCE	1.7%	3.5%	7.9%	5.2%	
<b>Non-Core Real Estate</b>					
Opportunistic	3.7%	9.1%	17.9%	32.5%	Feb-14
Value Add	12.0%	5.2%	7.7%	-5.4%	Sep-08
NFI-ODCE net + 1%	2.1%	4.0%	7.9%	12.0%	Feb-14
				8.0%	Sep-08
<b>SCERS Real Assets</b>	<b>3.2%</b>	<b>11.9%</b>	<b>22.3%</b>	<b>2.2%</b>	Jan-13
CPI-U Headline + 5%	1.6%	3.1%	6.6%	6.2%	
<b>SCERS Commodities</b>	<b>-4.4%</b>	<b>-6.6%</b>	<b>-6.9%</b>	<b>-7.1%</b>	May-08
Bloomberg Commodity Index	-3.0%	-5.3%	-6.5%	-9.7%	
<b>SSgA Real Assets Proxy</b>	<b>-0.7%</b>	<b>1.0%</b>	<b>2.5%</b>	<b>0.9%</b>	Jan-08
SSgA Real Assets	-0.7%	0.8%	2.4%	NA	

Mr. Dennis and Mr. Nicolini reported on SCERS' Opportunities portfolio performance through June 30, 2017 as follows:

SCERS OPPORTUNITIES Performance Summary for the periods ending 6/30/17	Quarter	Year-to-Date	1-Year	Since Inception	Since Inception Date
<b>SCERS Opportunities Portfolio</b>	<b>3.6%</b>			<b>3.6%</b>	Mar-17
Policy Index	2.7%			2.7%	

### **ADJOURNMENT**

There being no further business, the meeting was adjourned at 11:15 a.m.

**MEMBERS PRESENT:** John B. Kelly, Keith DeVore, Steven L. Baird, Alan Matré, Ben Lamera, Kathy O’Neil (arrived at 10:18 a.m.), Chris Pittman, Martha J. Hoover (arrived at 10:06 a.m.), John Conneally and Rick Fowler presiding

**MEMBERS ABSENT:** James A. Diepenbrock

**OTHERS PRESENT:** Annette St. Urbain, Interim Chief Executive Officer; Steve Davis, Chief Investment Officer; Robert L. Gaumer, General Counsel; Kathryn T. Regalia, Chief Operations Officer; John W. Gobel, Sr., Chief Benefits Officer; Stephen Hawley, Enterprise Solutions Management Director; Suzanne Likarich, Retirement Services Manager; Thuyet Dang, Senior Accounting Manager; JR Pearce, Investment Officer; Brian K. Miller, Investment Officer; John Lindley, IT Administrator; Shannon Browning, Administrative Services Officer; Kelsey Johnson, County Counsel; Barry Dennis and John Nicolini, Verus Advisory, Inc; Jamie Feidler, Cliffwater LLC; John Kennedy, Nossaman LLP; Veronica Hackman; David Van Brunt and Gwen Van Brunt

Respectfully submitted,

/s/

Annette St. Urbain  
Interim Chief Executive Officer and  
Secretary of the Retirement Board

APPROVED: \_\_\_\_\_  
Richard B. Fowler II, President

DATE: \_\_\_\_\_

cc: Retirement Board (11); Board of Supervisors (6); County Counsel; County Executive (2); Internal Services Agency (2); County Labor Relations; Employee Organizations (20); Sacramento County Retired Employees’ Association; SCERS Member Districts (10); Elected Officials (3); Superior Court of California, County of Sacramento; Amervest Company, Inc.; Mark Merin; John R. Descamp; and The Sacramento Bee.