



Executive Staff:

Eric Stern
Chief Executive Officer

Steve Davis
Chief Investment Officer

Stephen Lau
General Counsel

Stephen Hawley
Chief Strategy Officer

Mario Sierras
Chief Benefits Officer

MINUTES

REGULAR MEETING OF THE BOARD OF RETIREMENT

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

WEDNESDAY, DECEMBER 18, 2019
10:00 A.M.

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

OPEN SESSION

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

James A. Diepenbrock
Appointed by the Board of Supervisors

Diana Gin
Elected by the Miscellaneous Members

Ben Lamera
Ex Officio, Director of Finance

Alan Matré, CPA
Elected by the Miscellaneous Members

Kathy O'Neil
Elected by the Retired Members

Matt Petersen
Elected by the Safety Members

John Conneally
Elected by the Safety Members

Martha J. Hoover
Elected by the Retired Members

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

Item 2. Public Comment— James and Felicia Watson addressed the Board regarding Mr. Watson's disability retirement application.

CONSENT MATTERS – ITEMS 3-7:

The Board approved the Consent Matters Items 3-7 (8-0).

Item 3. Disability Retirement Applications

- A. ALLEN, Akenyah; Denied a service-connected disability retirement per proposed decision of the Administrative Law Judge.
- B. TARNOW, Richard; Granted a nonservice-connected disability retirement as recommended by staff.
- C. WATSON, James; Denied a nonservice-connected disability retirement as recommended by staff.
- D. Reference: General Law and Authorized Board Actions on Disability Retirement Proposed Decisions.

Item 4. Minutes—Approved the Minutes of the November 20, 2019 meeting.

- Item 5. Ratification of Service Retirement Application Approvals—November 2019—**
Ratified the Service Retirement Applications that were finalized in the previous month.
- Item 6. Monthly Investment Manager Activity, Compliance, and Watch List Report—November 2019—**
Received and filed a report on manager compliance issues from the previous month.
- Item 7. Monthly Report of Investment Activity—November 2019—**
Received and filed a report on investment activity from the previous month.

EXECUTIVE REPORTS:

Item 8. Chief Executive Officer’s Report

Chief Executive Officer Eric Stern thanked Alan Matré for his service on the Board.

Item 9. Chief Investment Officer’s Report

Chief Investment Officer Steve Davis provided the following updates:

- Mr. Davis stated that Staff has started working on the 2019 Investment Year in Review and 2020 Annual Investment Plan, which will be presented at the February 2020 Board meeting. Mr. Davis stated that this is the annual report where SCERS reviews investment activity and performance for the past year, and asks the Board to approve annual plans for the next calendar year.
- Mr. Davis provided an update on recent Staff travel. Mr. Davis and Deputy Chief Investment Officer Jim Donohue travelled to the Bay Area the week of December 9th to meet with several Private Equity managers including existing managers that are raising new funds as well as potential new manager relationships across the buyout, venture capital, and growth equity segments.
- Mr. Davis stated that Staff has wrapped up investment activity for 2019, except for a private equity buyout fund, which is targeting a January 2020 close.

ADMINISTRATIVE MATTERS:

Item 10. CEO Goals for SCERS in 2020

Mr. Stern provided an overview of a new SCERS’ dashboard that includes operational objectives and performance targets for 2020, including several “stretch” goals for the year.

Mr. Fowler said he applauded the aggressive goals and noted that the dashboard should not be viewed as a pass-fail test, but rather to track progress toward meeting the targets.

The Board approved a motion to approve the CEO Goals for SCERS in 2020. (8-0)

Item 11. Board Meeting Calendar 2020

Mr. Stern provided the Board Meeting Calendar for 2020, and noted that there will 10 meetings held in 2020. He stated that additional meetings may be deemed necessary by the Board president, and will be scheduled in accordance with Brown Act open-meeting rules.

The Board approved a motion to approve the Board Meeting Calendar for 2020. (8-0)

Item 12. Actuarial Valuation and Review as of June 30, 2019—Special District Revisions

Mr. Stern presented revisions to the Actuarial Valuation and Review regarding Special District contribution rates that were not displayed correctly in the valuation report the Board approved the prior month.

The Board approved a motion to adopt the updated 2020-21 fiscal year contributions rates for Special Districts and receive and file the updated Actuarial Valuation and Review as of June 30, 2019. (8-0)

Item 13. Amendments to SCERS' Model Tax Regulations

General Counsel Stephen Lau presented amendments to SCERS' Model Tax Regulations. Mr. Lau stated that if adopted, SCERS will present the amendments to the Board of Supervisors at the beginning of 2020. Mr. Lau stated that the amendments affirm a prior approved amendment regarding pension credit when members are called to serve in the military; clarify Option 2 benefits when a member selects a non-spouse beneficiary who is more than 10 years younger than the member; and, incorporate the Model Tax Regulations into a new chapter of SCERS' Bylaws.

The Board approved a motion to approve the amendments to SCERS' Model Tax Regulations. (8-0)

Item 14. Annual Independent Financial Statement Audit

Audit Chair Alan Matré stated that the Audit Committee and Staff met with the Brown Armstrong auditors on December 2, 2019 and reviewed the Independent Auditor's Report on the Comprehensive Annual Financial Report; Required Communications in Accordance with Professional Standards (SAS 114); and Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Mr. Matré noted that SCERS received a clean audit, and there were no findings.

The Board approved a motion to receive and file the financial and audit materials. (8-0)

Item 15. Amendments to Dissolution of Marriage Documents Policy

Mr. Lau stated that the purpose of the amendment is to clarify how SCERS will handle situations for divorced members when there is not clear documentation of the division of assets.

The Board approved a motion to approve the updated Dissolution of Marriage Documents Policy. (8-0)

Item 16. Alternative Assets Consultant Request for Proposal

Mr. Davis presented a recommendation to issue a Request for Proposals for an alternative assets consultant. Mr. Davis stated that the alternative assets investment consultant focuses on the absolute return, private equity, private credit, and real assets segments of the SCERS portfolio. Mr. Davis stated that Cliffwater has represented SCERS effectively as its first, dedicated alternative assets consultant since 2011.

Mr. Kelly noted that it is prudent to assess the consultant universe periodically, as part of the Board's fiduciary obligations. Mr. Matré asked about the timeline to issue the RFP; Mr. Davis responded that Staff is preparing to release it by the end of January 2020.

The Board approved a motion to authorize Staff to issue an Alternative Assets Consultant RFP. (8-0)

Item 17. Capital Market Assumptions

Mr. Davis introduced Barry Dennis and John Nicolini of Verus Advisory, who provided a presentation on Capital Market Assumptions. They noted that the 10-year projection is lower than last year due to lower bond yields while market valuations are higher, increasing risk.

Mr. DeVore asked if the projections reflect the out-performance of SCERS' investment managers. Mr. Nicolini stated that the projections use baseline data, and do not reflect potential "alpha" from active management strategies.

The Board approved a motion to receive and file the presentation. (8-0)

Item 18. Quarterly Investment Performance Report—Alternative Assets

Jaimie Feidler of Cliffwater presented SCERS’ alternative asset report for the periods ending June 30, 2019, and September 30, 2019 including information regarding the Private Equity, Private Credit, Real Assets, and Opportunities portfolios as follows:

SCERS ALTERNATIVE ASSETS PERFORMANCE SUMMARY
Quarter Reporting Periods Ending September 30, 2019

SCERS ASSET CLASS	Quarter*	1-Year*	3-Year*	5-Year*	Since Inception*	Since Inception Date*
SCERS Absolute Return	0.3%	0.0%	3.2%	2.0%	3.9%	Sep-04
HFRI FoF Conservative	0.0%	1.2%	3.1%	2.1%	3.1%	
HFRI FoF Composite + 1%	-0.8%	0.8%	4.1%	2.9%	4.0%	
SCERS Private Equity	7.3%	24.7%	22.1%	17.5%	15.5%	Feb-08
Cambridge Private Equity/Venture Capital	4.1%	12.1%	16.2%	13.0%	13.0%	
SCERS Private Credit	2.0%	6.9%	8.1%	7.8%	8.1%	Oct-11
Credit Suisse Leveraged Loan + 2%	2.0%	6.2%	7.4%	5.9%	7.1%	
SCERS Real Assets	0.9%	11.1%	13.8%	13.4%	13.7%	Jan-13
(45%) Cambridge Private Infrastructure; (35%) Cambridge Private Energy; (20%) NCREIF Agriculture/Timber	0.3%	3.4%	8.7%	5.4%	6.8%	
SCERS Opportunities	4.8%	8.0%	6.2%	8.5%	18.4%	Jan-08
SCERS Portfolio Actuarial Rate of Return	1.8%	7.0%	7.0%	7.0%	7.0%	
*Note : Periods ending 6/30/19 for Private Equity, Private Credit, Real Assets, and Opportunities Periods ending 9/30/19 for Absolute Return All returns are net IRR, except Absolute Return which is time-weighted						

The Board approved a motion to receive and file the Quarterly Investment Performance Report—Alternative Assets. (8-0)

Item 19. Quarterly Investment Performance Report—Real Estate

Felix Fels of Townsend presented SCERS’ Real Estate Portfolio Performance Report for the period ending September 30, 2019 as follows:

SCERS REAL ESTATE PERFORMANCE SUMMARY
Quarter Reporting Period Ending September 30, 2019

SUB-ASSET CLASS	Quarter 9/30/19	1-Year	3-Year	5-Year	Since Inception	Since Inception Date
SCERS Real Estate Portfolio	1.4%	7.6%	9.8%	10.0%	8.3%	Nov-86
(65%) NFI-ODCE + (35%) NFI-ODCE + 1%	1.2%	5.0%	6.7%	8.8%	6.7%	Nov-86
Core Portfolio	1.7%	7.5%	9.3%	9.4%	6.6%	Nov-86
Separate Account	1.0%	33.3%	15.6%	12.5%	9.7%	Nov-86
Commingled Funds	1.7%	7.6%	10.1%	10.8%	7.1%	Sep-13
NFI-ODCE Index	1.1%	4.6%	6.3%	8.4%	6.3%	
Non-Core Portfolio	0.4%	8.4%	11.3%	12.4%	5.9%	Jun-06
Value Add Portfolio	1.5%	6.0%	10.8%	11.9%	4.7%	Jun-06
Opportunistic	-0.9%	9.1%	11.4%	12.7%	7.1%	May-13
NFI-ODCE + 1% Index	1.3%	5.6%	7.3%	9.4%	7.3%	

The Board approved a motion to receive and file the Quarterly Investment Performance Report—Real Estate. (8-0)

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:40 a.m.

MEMBERS PRESENT: John B. Kelly, Keith DeVore, Diana Gin, Ben Lamera, Alan Matré, Martha Hoover (retiree alternate; arrived at 10:10 a.m.), Matt Petersen, John Conneally (safety alternate), and Rick Fowler presiding

MEMBERS ABSENT: James A. Diepenbrock, Kathy O’Neil

OTHERS PRESENT: Eric Stern, Chief Executive Officer; Steve Davis, Chief Investment Officer; Stephen Lau, General Counsel; Stephen Hawley, Chief Strategy Officer; Mario Sierras, Chief Benefits Officer; Jim Donohue, Deputy Chief Investment Officer; Brian Miller, Investment Officer; Debbie Chan, Senior Accounting Manager; John Lindley, IT Administrator; Gina Cameron, Retirement Services Manager; Jenna Taylor, Retirement Services Analyst; Jett Lewis, Retirement Services Analyst; Felix Fels and Haya Daawi, The Townsend Group; Barry Dennis and John Nicolini, Verus Advisory, Inc.; Kelsey Johnson, County Counsel; James and Felicia Watson; Virginia Carrizales; and, Shannon Browning, Administrative Service Officer.

Respectfully submitted,

/S/

Eric Stern
Chief Executive Officer and
Secretary of the Retirement Board

APPROVED: _____
Richard B. Fowler II, President

DATE: _____