



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

Dave Comerchero  
Elected by the Miscellaneous Members

Diana Gin  
Elected by Miscellaneous Members

Ben Lamera  
Ex Officio, Director of Finance

Martha J. Hoover  
Elected by the Retired Members

Matt Petersen  
Elected by the Safety Members

Kathy O'Neil  
Elected by the Retired Members

**MINUTES**

**REGULAR MEETING  
OF THE  
BOARD OF RETIREMENT**

**SACRAMENTO COUNTY  
EMPLOYEES' RETIREMENT SYSTEM**

**WEDNESDAY, SEPTEMBER 16, 2020**

**10:00 A.M.**

**Location: BLUEJEANS TELECONFERENCE**

**OPEN SESSION**

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

Mr. Fowler stated that the meeting was occurring via teleconference under Executive Order N-25-20 which relaxed provisions of the Brown Act to make it easier for local government boards to conduct board meeting without convening in the same physical location. Mr. Fowler took a roll call of other members present:

1. John Kelly
2. Keith DeVore
3. James A. Diepenbrock
4. Dave Comerchero
5. Diana Gin
6. Ben Lamera
7. Martha Hoover
8. Matt Petersen
9. Kathy O'Neil

**Item 2. Public Comment—None**

**Item 3. Error Correction Policy**

Mr. Lau presented the new Error Correction Policy. The Board approved a motion to adopt the Policy **(9-0)**.

**Item 4. Implementation of Supreme Court Decision**

Mr. Stern and Mr. Lau presented the Board Order to comply with the California Supreme Court opinion in *Alameda County Deputy Sheriffs' Association et al. v. Alameda County Employees' Retirement Association and Board of Retirement of ACERA*. Mr. Fowler opened the floor for additional public comments; none were received. Before taking action, Mr. Fowler called for a closed session to discuss Items 5 and 6.

**CLOSED SESSION**

**Item 5. Conference with Legal Counsel—Existing Litigation**

**Item 6. Conference with Legal Counsel—Anticipated Litigation**

**OPEN SESSION**

Following the closed session, Mr. Fowler announced that the Board discussed existing litigation in the case of *Switzer v. SCERS* and voted unanimously not to appeal the case. Mr. Fowler also announced that the Board discussed exposure to litigation to which SCERS may be a party, and no actions were taken.

**Item 4. Implementation of Supreme Court Decision (continued)**

Mr. Fowler resumed discussion of Item 4. The Board approved a motion to approve the Board Order to comply with the *Alameda* ruling (8-0).

**CONSENT MATTERS – ITEMS 7-13:**

The Board approved the Consent Matters Items 7-13 (8-0), with Mr. Lamera abstaining on Item 8.

**Item 7. Disability Retirement Applications**

- A. MACIAS, Joseph; Granted a nonservice-connected disability retirement as recommended by staff.
- B. MITITELU, Daniel; Granted a service-connected disability retirement as recommended by staff.
- C. Reference: General Law and Authorized Board Actions on Disability Retirement Proposed Decisions.

**Item 8. Minutes**—Approved the Minutes of the August 19, 2020 meeting.

**Item 9. Ratification of Service Retirement Application Approvals—September 2020**—Ratified the Service Retirement Applications that were finalized in the previous month.

**Item 10. State Association of County Retirement Systems Legislative Update – September 2020**—Received and filed the SACRS Legislative Update for September.

**Item 11. Investment Manager Changes**—Received and filed the Investment Manager Changes that the Board approved at the August 19, 2020 meeting.

**Item 12. Monthly Investment Manager Activity, Compliance, and Watch List Report—August 2020**—Received and filed the Monthly Investment Manager Activity, Compliance, and Watch List report for the previous month.

**Item 13. Monthly Report of Investment Activity—August 2020**—Received and filed the report summarizing SCERS' investment activity from the previous month.

### **EXECUTIVE REPORTS:**

**Item 14. Chief Executive Officer's Report**

Mr. Stern provided the following updates on SCERS activities:

- The Audit committee met Tuesday, September 15 to review the audit plan as part of the fiscal year financial reporting.
- SCERS received about \$1.5 million last week in a securities litigation matter that was initiated in 2009 against an entity in which SCERS had invested. SCERS invested approximately \$49,350,000 in the WG Trading Company Limited Partnership; SCERS and other investors intervened in a SEC fraud action as interested parties, in what is known as the Westridge case, seeking to recover the funds invested in the firm. As part of the civil actions, the firm's assets were placed in receivership and distributed back to investors. SCERS received the final check, and has now recovered its entire \$49,350,000.
- Mr. Stern thanked the Board Members who attended education webinars and virtual conferences this summer.
- Mr. Stern provided an overview of agenda items that will be presented to the Board at upcoming meetings.

**Item 15. Chief Investment Officer's Report**

Mr. Davis provided the following updates on investment activities:

- Mr. Davis noted that at the October meeting, that State Street Bank and Trust will be providing the Board with education on securities lending. The presentation will include the basics of what securities lending is and an overview of SCERS' securities lending portfolio.
- Mr. Davis informed the Board that Staff has resumed the evaluation and review process for the responses to SCERS' alternative assets consultant RFP. SCERS has identified candidate firms that Staff will be interviewing during the second half of October.
- Mr. Davis reminded the Board that at the August Board meeting that SCERS terminated a U.S. equity small cap value manager, and approved a transition plan until a replacement manager search is conducted. The transition plan called for State Street Global Markets to sell the legacy positions and purchase an equivalent amount in the Russell 2000 Value Index ETF. The transition went well, and was completed over a few days at a cost of 15.6 bps. The manager replacement search is underway, and expected to be completed over the next few months.

## BENEFIT MATTERS:

### Item 16. Annual Report on Disability Retirement

Chief Benefits Officer Mario Sierras presented an overview of disability retirement applications for the fiscal year ending June 30, 2020. Mr. Sierras noted that Staff received 34 new applications, and concluded 34 applications in a median and average processing time of 15 months. Mr. Sierras stated that overall, staff processed more applications (34 vs. 30) with less resources at a faster rate than last year (15 months vs 21 months). The Board approved a motion to receive and file the report. **(8-0)**

## INVESTMENT MATTERS:

### Item 17. Liquidity Study

Chief Investment Officer Steve Davis and John Nicolini of Verus Advisory presented the SCERS Liquidity Study that Verus conducted. The Board approved a motion to receive and file the presentation. **(8-0)**

### Item 18. Quarterly Investment Performance Report—Alternative Assets

Investment Consultant Jaime Feidler from Cliffwater presented the Quarterly Investment Performance Report for the periods ending June 30, 2020 for the Absolute Return Portfolio, and the period ending March 31, 2020 for the Private Equity, Private Credit, Real Assets, and Opportunities portfolios.

SCERS ALTERNATIVE ASSETS PERFORMANCE SUMMARY  
Quarter Reporting Periods Ending June 30, 2020

SCERS ASSET CLASS	Quarter*	1-Year*	3-Year*	5-Year*	Since Inception*	Since Inception Date*
<b>SCERS Absolute Return</b>	<b>5.7%</b>	<b>-1.6%</b>	<b>0.8%</b>	<b>1.1%</b>	<b>3.6%</b>	Sep-04
HFRI FoF Conservative	4.9%	-1.1%	1.7%	1.3%	2.7%	
HFRI FoF Composite + 1%	7.7%	1.1%	3.1%	2.4%	3.9%	
<b>SCERS Private Equity</b>	<b>-6.7%</b>	<b>6.9%</b>	<b>17.4%</b>	<b>15.4%</b>	<b>13.7%</b>	Feb-08
Cambridge Private Equity/Venture Capital	-8.5%	0.8%	10.6%	11.0%	11.6%	
<b>SCERS Private Credit</b>	<b>-6.1%</b>	<b>-0.9%</b>	<b>2.8%</b>	<b>4.3%</b>	<b>4.9%</b>	Oct-11
Credit Suisse Leveraged Loan + 2%	-12.7%	-7.5%	1.7%	3.2%	5.3%	
<b>SCERS Real Assets</b>	<b>-12.0%</b>	<b>-10.5%</b>	<b>3.0%</b>	<b>5.9%</b>	<b>6.0%</b>	Jan-13
(45%) Cambridge Private Infrastructure; (35%) Cambridge Private Energy; (20%) NCREIF Agriculture/Timber	-9.9%	-9.4%	1.7%	4.1%	4.8%	
<b>SCERS Opportunities</b>	<b>-3.8%</b>	<b>5.8%</b>	<b>3.2%</b>	<b>7.2%</b>	<b>18.3%</b>	Jan-08
SCERS Portfolio Actuarial Rate of Return	1.8%	7.0%	7.0%	7.0%	7.0%	
<b>*Note:</b> Periods ending 3/31/20 for Private Equity, Private Credit, Real Assets, and Opportunities Periods ending 6/30/20 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

Chris Cunningham from Townsend presented SCERS' Real Estate Portfolio Performance Report for the period ending June 30, 2020.

### SCERS REAL ESTATE PERFORMANCE SUMMARY Quarter Reporting Period Ending June 30, 2020

SUB-ASSET CLASS	Quarter 6/30/20	1-Year	3-Year	5-Year	Since Inception	Since Inception Date
<b>SCERS Real Estate Portfolio</b>	<b>-1.1%</b>	<b>3.3%</b>	<b>7.3%</b>	<b>8.1%</b>	<b>8.1%</b>	Nov-86
(65%) NFI-ODCE + (35%) NFI-ODCE + 1%	-1.7%	1.7%	5.1%	6.7%	6.5%	Nov-86
<b>Core Portfolio</b>	<b>-1.4%</b>	<b>3.9%</b>	<b>7.4%</b>	<b>7.8%</b>	<b>6.6%</b>	Nov-86
Separate Account	N/A	4.3%	14.1%	11.2%	9.5%	Nov-86
Commingled Funds	-1.4%	3.9%	8.2%	9.2%	7.0%	Sep-13
NFI-ODCE Index	-1.8%	1.3%	4.7%	6.3%	6.1%	
<b>Non-Core Portfolio</b>	<b>0.0%</b>	<b>1.2%</b>	<b>6.8%</b>	<b>9.1%</b>	<b>5.4%</b>	Jun-06
Value Add Portfolio	2.5%	12.2%	9.0%	10.7%	4.7%	Jun-06
Opportunistic	-2.8%	1.2%	6.8%	7.1%	5.4%	May-13
NFI-ODCE + 1% Index	-1.5%	2.3%	5.7%	7.3%	7.1%	

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

### ADJOURNMENT

There being no further business, the meeting was adjourned at 12:59 p.m.

#### MEMBERS PRESENT

**via teleconference:** Keith DeVore, John B. Kelly (absent after Item 4), James Diepenbrock, Diana Gin, Dave Comerchero, Martha J. Hoover, Matt Petersen, Kathy O'Neil, Ben Lamera, and Rick Fowler presiding.

**MEMBERS ABSENT:** Alternate Safety Representative is vacant

#### OTHERS PRESENT

**via teleconference:** Eric Stern, Chief Executive Officer; Steve Davis, Chief Investment Officer; Stephen Lau, General Counsel; Stephen Hawley, Chief Strategy Officer; Mario Sierras, Chief Benefits Officer; Debbie Chan, Senior Accounting Manager; John Lindley, Senior IT Analyst; Jim Donohue, Deputy Chief Investment Officer; JR Pearce, Retirement Investment Officer; Brian Miller, Retirement Investment Officer; Joan Kudin, Public Information Officer; Jamie Feidler, Cliffwater, LLC; John Nicolini and Stuart Odell, Verus Advisory, Inc.; Mike Pyles, BlackRock Inc.; Felix Fels, Chris Cunningham and Richard Brown, The Townsend Group; Akin Greville; Chetner Walter; Chao Thor, Disability Retirement Analyst; and, Debbie Musilli-Sidhu, Executive Secretary.

Respectfully submitted,

Eric Stern  
Chief Executive Officer and  
Secretary of the Retirement Board

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

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