



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

Vacant
Appointed by the Board of Supervisors

Keith DeVore, Vice President
Appointed by the Board of Supervisors

Vacant
Appointed by the Board of Supervisors

Dave Comerchero
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, December 8, 2021

10:00 A.M.

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

OPEN SESSION

Item 1. Call to Order—The meeting was convened at 10:02 a.m.

Mr. Fowler stated that the meeting was being held in person and was taking place under the statutes allowing more flexibility for remote board member participation during the pandemic.

Mr. Stern took roll and noted Ms. Hoover was attending remotely; Mr. Kelly joined the meeting at 10:05 a.m.

Item 2. Public Comment

None.

CONSENT MATTERS – ITEMS 3-14:

The Board approved the Consent Matters Items 3-14 (8-0).

Item 3. Teleconferencing Rules Under Ralph M. Brown Act—Approved staff's recommendation.

- Item 4. Minutes of the November 16, 2021 Audit Committee Meeting**—Approved the Minutes of the November 16, 2021 Audit Committee Meeting.
- Item 5. Minutes of the November 17, 2021 Special Meeting**—Approved the Minutes of the September 15, 2021 regular meeting.
- Item 6. Disability Retirement Applications**
- A. KOLL, Vincent—Rescinded the November 17, 2021 decision and granted a service-connected disability with an earlier effective date as recommended by staff.
 - B. RODRIGUEZ, Ignacio—Granted a service-connected disability as recommended by staff.
 - C. SINGH, Satendra—Granted a service-connected disability as recommended by staff.
 - D. Reference: General Law and Authorized Board Actions on Disability Retirement Proposed Decisions
- Item 7. Ratification of Service Retirement Application Approvals—October 2021**—Ratified the Service Retirement Applications that were finalized in the month of October.
- Item 8. State Association of County Retirement Systems Legislative Update—November 2021**—Received and filed the SACRS Legislative Update for November.
- Item 9. Board Meeting Calendar 2022**—Approved the Retirement Board Meeting Calendar for 2022
- Item 10. Proxy Voting Activity Report—Third Quarter 2021**—Received and filed the Proxy Voting Activity Report—Third Quarter 2021.
- Item 11. Portfolio Allocation and Rebalancing Report—Third Quarter 2021**—Received and filed the Portfolio Allocation and Rebalancing Report—Third Quarter 2021.
- Item 12. Trading Cost Analysis Report—Third Quarter 2021**—Received and filed the Trading Cost Analysis Report for the Third Quarter 2021.
- Item 13. Monthly Investment Manager Activity, Compliance, and Watch List Report—October 2021**—Received and filed the Monthly Investment Manager Activity, Compliance, and Watch List Report for October 2021.
- Item 14. Monthly Report of Investment Activity—October and November 2021**—Received and filed the report summarizing SCERS’ investment activity for October and November 2021.

EXECUTIVE REPORTS:

Item 15. Chief Executive Officer’s Report

Chief Executive Officer Eric Stern presented resolutions to the outgoing Board members and thanked them for their service. The following Board members received resolutions:

- Mr. Kelly for his service from January 1998 – December 2021; 23 years.
- Ms. Gin for her service from January 2011 – December 2016 and from January 2019 – December 2021; 9 years.
- Mr. Petersen for his service from January 2019 – December 2021; 3 years.
- Mr. Philp for his service from March 2021 – December 2021; 9 months.

Mr. Stern stated that the next meeting would be held January 19, 2022 but that there would likely be a short special meeting over Zoom during the first week of January to extend the intent to continue taking advantage of relaxed rules for remote meetings. Mr. Stern noted that the state requires renewing the declaration every 30 days.

Item 16. Chief Investment Officer's Report

Chief Investment Officer Steve Davis provided the following updates:

Regarding the Portfolio Analytics and Risk Management System RFP:

- Staff recently held demonstrations and interviews with five firms related to SCERS' Portfolio Analytics and Risk Management System RFP
- The meetings went well, and Staff believes that there are some viable systems that will meet SCERS' needs
- Staff is currently comparing and contrasting the systems, and plans on having additional follow-up demonstrations and discussions prior to narrowing the field down to a Board recommendation
- The expectation is to make a recommendation to the Board during the first quarter of 2022

Regarding Upcoming Investment Activity:

- There are currently a number of private market funds in due diligence, with several fund closings scheduled to take place over the next couple of months
 - The number of GPs raising funds currently is unusually heavy
- Expect to see a flow of materials over the next several weeks related to these potential fund commitments, most of which will be part of the 2022 private market asset class investment plans and budgets
 - As a reminder, the Board typically approves the annual private market budgets at the February Board meeting, as part of the Investment Year in Review and Annual Plan
 - Since these upcoming funds could close prior to the approval of the private markets annual plans in February, Staff will seek individual approval within its written reports, and describe how a particular fund fits within the upcoming annual plans
- To avoid these timing considerations going forward, Staff is contemplating moving the presentation of annual investment plans for Board approval in December rather than February, starting in December 2022
 - Staff will provide further details in February, when presenting this year's Annual Investment Plan, which will be presented in its traditional format

Lastly, Mr. Davis thanked the departing Board members, Mr. Kelly, Ms. Gin, Mr. Petersen, and Mr. Philp, for the guidance, oversight, direction, and leadership that they have provided during their tenures.

Item 17. Chief Benefits Officer's Report

Chief Benefits Officer Mario Sierras provided the following updates:

Mr. Sierras introduced and welcomed Ellen Lorenz to SCERS as a Retirement Services Manager.

Mr. Sierras informed the Board that 35 retirement applications were finalized in November with 70% of applications being paid in under 60 days.

Mr. Sierras also noted the following retirement application trends and observations:

- 12% increase in new retirement applications received calendar year-to-date;
- Volume of applications being finalized are in-line, in comparison to the same time period last year from January thru November.
- Fiscal year-to-date numbers are trending quite a bit higher in comparison to the same time period last year with a 21% increase in applications received and 33% higher for applications finalized.

Mr. Sierras informed the Board that focus remains on paying retirement benefits as a priority while continuing to make progress on the "Alameda" and IT projects.

Board member Keith DeVore noted that from his perspective as a Board member, paying retirement benefits is the number one priority and focus. Mr. Sierras concurred.

Mr. Sierras provided an update that recruitment efforts continue with efforts to fill several vacancies. Mr. Sierras noted that his team is in the process of reviewing applications for the ASO I position while awaiting eligibility lists for other job classifications.

ADMINISTRATIVE MATTERS:

Item 18. Actuarial Valuation and Review and GASB 67 Report as of June 30, 2021

Todd Tauzer and Andy Yeung presented the Actuarial Valuation and GASB 67 report.

During actuarial presentation, Mr. DeVore stated he would like to see how the ratio of retirees to active members is expected to change. Mr. Tauzer stated that information could be modeled out as part of the upcoming risk assessment report to be presented in early 2022.

Mr. Comerchero asked for more information about withdrawn contributions from non-vested members, and if there have been any noticeable increases based on workforce turnover trends. Mr. Tauzer stated there was not a significant year-over-year change but would look into more long-term trends.

Ms. Hoover asked about inflation and the retiree COLA for next year. Mr. Stern noted that the Bay Area CPI index, which SCERS uses under statute to calculate COLAs, has been trending lower than the national inflation experience, which has been raising questions among some retiree groups. He stated that SCERS has been preparing additional educational information, including FAQs and a new video, to provide members with more information about how the COLA is calculated.

The Board approved a motion to adopt the 2022-23 fiscal year employer and member contribution rates recommended by Segal and to receive and file the Actuarial Valuation and Review as of June 30, 2021 and the Governmental Accounting Standards Board Statement 67 Actuarial Valuation as of June 30, 2021. **(8-0)**

Item 19. Annual Independent Financial Statement Audit

Audit Committee Chairman, Ben Lamera, presented the Annual Independent Financial Statement Audit.

The Board approved a motion to receive and file the reports as of and for the fiscal year ended June 30, 2021 issued by SCERS' independent auditor, Brown Armstrong Accountancy Corporation (Brown Armstrong), which include the 2021 audited financial statements and the draft Annual Comprehensive Financial Report prepared by Staff. **(8-0)**

INVESTMENT MATTERS:

Item 20. Asset Class Restructuring: Global Equity

Chief Investment Officer Steve Davis and Senior Investment Officer Brian Miller presented the recommendation to approve the implementation plan and make the following revisions to the structure of the Global Equity asset class:

- Approve a range of +/- 4% around the Global Equity target allocation of 40% (36% - 44%), and sub-asset class ranges as described below.
 - The Global Equity asset class was approved as part of the revised Strategic Asset Allocation in August, and consolidates the Domestic and International Public Equity asset classes into a Global Public Equity asset class.
- Adopt the MSCI ACWI Investable Market Index (IMI) as the Global Equity benchmark for SCERS' Policy Index.
 - Current Public Equity benchmarks for SCERS' Policy Index are the Russell 3000 index for Domestic Equity and the MSCI ACWI ex USA index for International Equity.
- Maintain 20% target allocation for Domestic Equity sub-asset class.
 - Adopt 50% Large Cap Passive target allocation.
 - Adopt 40% Large Cap Active target allocation.
 - Remove dedicated 12% target allocations to named large cap active strategies (Fundamental, 130/30, and Systematic Multi-Factor) from IPS.
 - Maintain 10% Small Cap Active target allocation.
- Adopt 16% target allocation for International Equity sub-asset class.
 - Adopt target allocation of 70% for Developed International Equity markets.

- Adopt target allocation of 30% for Emerging Markets.
- Approve changing the International ACWI ex USA mandate to a Developed Large Cap Core International mandate, and retain current investment manager Lazard Asset Management to manage this revised mandate.
- Add Global/Unconstrained Equity sub-asset class with a target of 4%.
 - Approve recommendation to initiate search for Global Equity manager(s).
- Maintain existing managers within the structure, adjusted for revised targets weights.
- Direct staff to make conforming changes to the Growth Asset Category and Master Investment Policy Statements for approval by the Board at a future meeting.

The Board approved a motion to adopt the staff recommendation. **(8-0)**

Item 21. Quarterly Investment Performance Report—Alternative Assets

Jamie Feidler of Cliffwater presented the Alternative Assets Quarterly Investment Performance Report.

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

Item 22. Quarterly Investment Performance Report—Real Estate

Chris Cunningham of Townsend presented the Real Estate Quarterly Investment Performance Report.

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

Item 23. Quarterly Investment Performance Report—Third Quarter 2021

John Nicolini of Verus presented the Quarterly Investment Performance Report for the third quarter of 2021.

The Board approved a motion to receive and file the Total Fund Investment Performance Report—Third Quarter. **(8-0)**

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:19 p.m.

MEMBERS PRESENT Keith DeVore, John Kelly, Dave Comerchero, Ben Lamera, Matt Petersen, Jack Philp, Kathy O’Neil, Diana Gin, and Rick Fowler presiding.

via teleconference: Martha J. Hoover.

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; John Lindley, Senior IT Analyst; Jim Donohue, Deputy Chief Investment Officer; Brian Miller, Senior Investment Officer; JR Pearce, Senior Investment Officer; Michael Vang, Retirement Investment Analyst; Andy Yeung and Todd Tauzer, Segal; Jamie Feidler, Cliffwater LLC; Ashley Green, Brown Armstrong; John Nicolini, Verus; and Chris Cunningham, Townsend.

Respectfully submitted,

/S/

Eric Stern
Chief Executive Officer and
Secretary of the Retirement Board

APPROVED: _____
Richard B. Fowler II, President

DATE: _____



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
January 19, 2022

AGENDA ITEM:

Minutes of the December 8, 2021 Regular Meeting

THE BOARD OF RETIREMENT hereby approves the Minutes of the December 8, 2021 regular meeting.

I HEREBY CERTIFY that the above order was passed and adopted on January 19, 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