



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 13

MEETING DATE: June 15, 2022

SUBJECT: Legal Contract Renewal

SUBMITTED FOR: ___ Consent X Deliberation and Action ___ Receive and File

RECOMMENDATION

Staff recommends the Board authorize the Chief Executive Officer to renew a consolidated legal services contract with Nossaman LLP for a three-year term through June 30, 2025.

PURPOSE

This item supports the Strategic Management Plan to maintain transparency and demonstrate fiscal responsibility and stewardship.

DISCUSSION

A. Background

SCERS has a longstanding relationship with Nossaman LLP, a California-based national law firm with public pension plan clients throughout the country. Historically, Nossaman has provided the following legal services to SCERS:

- Representing SCERS in investment transaction negotiations (e.g., alternative investment side letter negotiations);
- Representing SCERS in administrative hearings and related writ litigation (e.g., contested disability retirement applications);
- Providing fiduciary compliance advice and representing SCERS in fiduciary litigation (e.g., advice and litigation concerning benefits-related policies);
- Providing advice on labor and employment matters;
- Assisting SCERS with various non-recurring special projects (e.g., negotiating and drafting contracts for large-scale IT projects).

Prior to 2019, SCERS contracted for these services via several separate written agreements with Nossaman, each with its own terms and durations and billing rates. To promote consistency and ease of administration, in July 2019, SCERS and Nossaman entered into a consolidated contract that governs the entire relationship. That consolidated contract consists of: (1) a “Master Agreement” concerning the attorney-client relationship generally, and (2) five accompanying schedules, each containing billing rates and an expenditure limit specific to a service category. The term of the contract was three years, from July 1, 2019 to June 30, 2022.

During this three-year period, SCERS’ actual expenditures have been as follows:

| Nossaman Service Category | FY 19-20 | FY 20-21 | FY 21-22 (as of end of May) |
|----------------------------------|-----------------|-----------------|------------------------------------|
| Administrative Proceedings | \$265,782.79 | \$138,571.22 | \$59,248.99 |
| Employment Law | \$2,588.80 | \$2,796.20 | \$17,676.07 |
| Special Projects | \$3,547.80 | - | \$78,949.33 |
| Investment Transactions | \$238,853.72 | \$174,335.90 | \$223,331.10 |
| Fiduciary Advice and Litigation | \$25,311.68 | \$15,480.38 | \$4,405.40 |

B. Contract Renewal

The SCERS-Nossaman relationship continues to be a positive one, with Nossaman having consistently provided high-quality, high-value services to SCERS the past three years. Staff has found that maintaining a single consolidated contract with Nossaman has, as intended, greatly simplified the business relationship. Therefore, Staff now recommends the Board authorize the Chief Executive Officer to enter into a similar contract with Nossaman to run from July 1, 2022 through June 30, 2025.

Like many law firms, Nossaman bills clients by the hour, such that SCERS incurs legal fees based on the amount of work assigned to, and the time expended by, Nossaman attorneys. To ensure careful tracking and management of legal expenses, SCERS includes in the contract a not-to-exceed budgetary “ceiling” for each service category. The chart below contains (1) the current annual expenditure limits set out in the existing Nossaman contract, and (2) the proposed annual expenditure limits to be set out in the contract to come.

| Nossaman Service Category | Annual Expenditure Limits for FY 2019-2022 | Proposed Annual Expenditure Limits for FY 2022-2025 |
|----------------------------------|---|--|
| Administrative Proceedings | \$450,000 | \$150,000 |
| Employment Law | \$50,000 | \$25,000 |
| Special Projects | \$50,000 | \$100,000 |
| Investment Transactions | \$250,000 | \$300,000 |
| Fiduciary Advice and Litigation | \$100,000 | \$100,000 |
| Total | \$900,000 | \$675,000 |

Staff developed these proposed limits based on various considerations, the most important one being a close adherence to actual expenditures over the past three years. Staff also took into account rising attorney billing rates, anticipated upcoming legal projects, and growth projections based on recent trends and experience. For example, Staff anticipates for the next three years an increase in alternative investment transactions, but relatively low levels of contested disability retirement matters.

The 2022-23 budget already includes the legal expenses described above.

Prepared by:

/S/

Stephen Lau
General Counsel

Reviewed by:

/S/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
June 15, 2022

AGENDA ITEM:

Legal Contract Renewal

THE BOARD OF RETIREMENT hereby accepts the recommendation of staff to authorize Chief Executive Officer to renew a consolidated legal services contract with Nossaman LLP for a three-year term through June 30, 2025.

I HEREBY CERTIFY that the above order was passed and adopted on June 15, 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