



Executive Staff:

Eric Stern  
Chief Executive Officer

Margo Allen  
Chief Operations Officer

Steve Davis  
Chief Investment Officer

**MINUTES**

**REGULAR MEETING  
OF THE  
BOARD OF RETIREMENT**

**SACRAMENTO COUNTY EMPLOYEES'  
RETIREMENT SYSTEM**

**WEDNESDAY, JANUARY 18, 2023  
10:00 A.M.**

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

## Agenda Item 3

Members of the Board of Retirement:

Keith DeVore, President  
Appointed by the Board of Supervisors

James Diepenbrock, Vice President  
Appointed by the Board of Supervisors

Robert Aguallo Jr.  
Appointed by the Board of Supervisors

Ronald Suter  
Appointed by the Board of Supervisors

Ben Lamera  
Ex Officio, Director of Finance

Alina Mangru  
Elected by the Miscellaneous Members

M. Tapa Banda  
Elected by the Miscellaneous Members

Jack Noble  
Elected by the Safety Members

Chris Giboney  
Elected by the Safety Members (Alternate)

Martha Hoover  
Elected by the Retired Members

Dave Irish  
Elected by the Retired Members (Alternate)

### **SWEARING-IN CEREMONY**

Florence Evans, Clerk of the Board Supervisors, administered the Oath of Office for trustees Martha Hoover (Retiree) and Dave Irish (Alternate Retiree).

#### **Item 1. Call to Order/Roll Call**

Eric Stern, Chief Executive Officer (CEO), announced that the meeting would be not live-streamed due to technical difficulties. President DeVore called the meeting to order at 10:06 a.m. Mr. Stern took roll call.

**Board members Present:** DeVore, Diepenbrock, Aguallo, Banda, Suter, Lamera, Mangru, Hoover, Irish.

**Board members Absent:** Noble, Giboney.

Also present: Eric Stern, Chief Executive Officer (CEO); Margo Allen, Chief Operations Officer (COO); Steve Davis, Chief Investment Officer (CIO); Patrick Richardson, Interim General Counsel; Jim Donohue, Deputy Chief Investment Officer; Brian Miller, Senior Retirement Investment Officer; Michael Vang, Retirement Investment Analyst; and Carolyn Hill, Executive Secretary.

President DeVore announced Agenda Item No. 23 would be withdrawn.

Item 2. **Election of Board Officers**

President DeVore opened nominations for Vice President. Board member Hoover nominated Board member Diepenbrock for Vice President, seconded by Board member Lamera, Ex Officio. Board member Diepenbrock was elected as Vice President unanimously. **(8-0)**

Item 3. **Public Comment**

None.

**At 10:09 a.m., President DeVore called for the closed session.**

**CLOSED SESSION**

Item 4. **CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION**

Pursuant to Government Code section 54956.9(d)(2), this session shall be closed for the Board to discuss significant exposure to litigation to which SCERS may be a party in one (1) case.

Item 5. **CONFERENCE WITH LEGAL COUNSEL—INITIATE LITIGATION**

Pursuant to Government Code section 54956.9(d)(4), this session shall be closed for the Board to discuss a decision whether to initiate litigation in one (1) case.

**OPEN SESSION**

At 10:55 a.m., following the closed session, President DeVore reconvened the meeting in Open Session and announced there were no actions to report regarding litigation matters.

**CONSENT MATTERS – Items 6 - 15:**

**A motion was made by Board member Aguillo, seconded by Vice President Diepenbrock, to approve recommendation on the Consent Calendar Items 6-15. Agenda Items 10 and 15 were pulled for separate discussion. The motion carried 8-0.**

Item 6. **Minutes of December 7, 2022 Regular Meeting**—Approved the Minutes of the December 7, 2022 Regular Meeting.

Item 7. **Disability Retirement Applications**—Approved the Disability Retirement Applications.  
A. BRYANT, Dale—Granted a service-connected disability as recommended by Staff.  
B. MUNSO, Nathan—Granted a service-connected disability as recommended by Staff.  
C. WALL, Jeffrey—Granted a service-connected disability as recommended by Staff.  
D. Reference: General Law and Authorized Board Actions on Disability Retirement Proposed Decisions

Item 8. **Ratification of Service Retirement Application Approvals—November and December 2022**—Ratified the Service Retirement Applications that were finalized in November and December 2022.

Item 9. **State Association of County Retirement Systems Legislative Update—January 2023**—Received and filed the SACRS Legislative Update for January 2023.

Item 10. **Quarterly CEO Delegated Authority Expense Report—December 2022**—Received and filed the CEO Delegated Authority Expense Quarterly Report for December 2022.

Board member Aguallo asked about the scope of the report; and Mr. Stern responded.

Item 11. **Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2022**—Received and filed the Annual Comprehensive Financial Report for Fiscal Year ended June 30, 2022.

Item 12. **Board Education Compliance Report for 2022**—Received and filed the Board Education Compliance Report for 2022.

Item 13. **Placement Agent Disclosure Report – Fourth Quarter 2022**—Received and filed the Placement Agent Disclosure Report – Fourth Quarter 2022.

Item 14. **Quarterly Investment Manager Compliance and Watch List Report – Fourth Quarter 2022**—Received and filed the Quarterly Investment Manager Compliance and Watch List Report – Fourth Quarter 2022.

Item 15. **Monthly Report of New Investment Activity – December 2022**—Received and filed the Monthly Report of New Investment Activity – December 2022.

Board member Aguallo asked about the scope of the report; and Steve Davis, Chief Investment Officer, responded to question.

### **EXECUTIVE REPORTS:**

Item 16. **Chief Executive Officer's Report**

Mr. Stern provided an update on the *Alameda* correction process; and announced the upcoming conferences provided by CALAPRS and SACRS.

Item 17. **Chief Investment Officer's Report**

Mr. Davis provided the following updates on SCERS' portfolio:

#### **Q4'22 PRELIMINARY RETURNS**

- Estimate that the SCERS portfolio was up close to 4% in the fourth quarter, which makes the fiscal year-to-date return flat.
- Public equities rebounded from a rough 2022, and were up close to 10% for the quarter.
- Long duration interest rates stabilized during the quarter, which led to slightly positive fixed income returns.

- Private equity, which is lagged a quarter, experience a second straight quarter of negative returns, and it was down around 2% for the quarter through September 30<sup>th</sup>.
- Private Credit (also lagged a quarter) is holding up well and was up 1% for the third quarter.
- Real Assets (also lagged a quarter), which has been very resilient, was up 2% for the third quarter.
- Real Estate returns are starting to moderate. Real Estate was down approximately 4% for the quarter.
- Absolute return, which has also been resilient and a diversifier during 2022, was slightly positive for the quarter, and for the calendar year.
- General Investment Consultant Verus will present the total portfolio performance at the February Board meeting.

### **FEBRUARY MEETING PREVIEW**

- Verus will be presenting their updated capital market assumptions (CMAs), which are ten-year forecasts for returns and volatility for a variety of asset classes.
  - Verus will compare the current CMAs with those from last year, which you will see are higher due to the 2022 sell-off and the higher interest rate environment.
  - Verus will also plug the updated CMAs into SCERS strategic asset allocation (SAA), to compare SCERS expected return and risk profile compared to those used when the Board approved the current SAA in 2021.
- Staff has invited one of SCERS' Absolute Return managers, Graham Capital Management, to provide education on the systematic trend following strategy that SCERS is invested in, which is a quantitative based momentum based strategy that invests across several asset classes, both long and short.
  - Graham's strategy was up meaningfully in 2022.

### **Emerging Markets (EM) EQUITY IMPLEMENTATION UPDATE**

- At the December Board meeting, the Board approved two new emerging markets equity mandates with ARGA Investment Management and Oaktree, in addition to authorizing Staff to determine the most effective method for transitioning the assets.
- Outside counsel is close to finalizing the legal documentation on the new mandates.
- The two new EM mandates require approximately \$380 million in aggregate.
- Funding will come from a combination of:
  - The interim ETF exposure that was added when prior EM manager, Mondrian, was terminated; and
  - Rebalancing of SCERS' international developed large cap mandates to get them in line with the target weights within the revised Global Equity structure.
- Staff expects to fund the new EM mandates at the beginning of February, and will utilize a transition manager to unwind the ETF and perform the aforementioned rebalancing, and we will update the Board when all activity is completed.

## **BENEFITS MATTERS:**

### **Item 18. Ratification of Retirement Applications Policy**

Mr. Stern presented the staff report recommending the Board amend the Ratification of Applications Policy to clarify that estimated benefits for new retirees are based on payroll data on record.

The Board approved a motion to amend the Ratification of Retirement Applications Policy to clarify that estimated benefits for new retirees are based on payroll data on record. **(8-0)**

## **ADMINISTRATIVE MATTERS:**

### **Item 19. Project Management Oversight Services**

Margo Allen, Chief Operations Officer, presented the staff report recommending the Board extend the Linea Solutions contract for project management and oversight services by 6 months, through December 31, 2023, for an additional \$1.5 million bringing the contract total to \$7.6 million.

The Board approved a motion to extend the Linea Solutions contract for project management and oversight services by 6 months, through December 31, 2023, for an additional \$1.5 million. **(8-0)**

### **Item 20. Pension Administration System Quarterly Review**

Ms. Allen presented the staff report; introduced Scott Larson, representing Linea Solutions, who provided an update on the Pension Administration System (PAS); and responded to questions.

The Board approved a motion to receive and file the quarterly review of the PAS quarterly project implementation timeline and budget. **(8-0)**

### **Item 21. CEO Delegated Authority Policy**

Mr. Stern presented the staff report recommending the Board approve revisions to the CEO Delegated Authority Policy for Expenses; and responded to questions.

Board member Aguallo asked if the travel expense process could be improved under the CEO's delegated authority and Board member Lamera responded that departments have options to streamline the process. Mr. Stern said he would work with the Department of Finance on an improved process.

The Board approved a motion to approve the revisions to the CEO Delegated Authority Policy for Expenses. **(8-0)**

## **INVESTMENT MATTERS:**

### Item 22. **Ad Hoc Committee on Investment Communications**

Mr. Stern presented the staff report on the purpose of establishing an Ad Hoc Committee to improve investment-related communications. Board members DeVore, Diepenbrock, Aguallo, and Banda volunteered to serve on the Committee.

The Board approved a motion to establish and appoint Board members DeVore, Diepenbrock, Aguallo, and Banda to serve on the Ad Hoc Committee on Investment Communications. **(8-0)**

### Item 23. **WITHDRAWN** **Education: Global Markets Outlook**

This Agenda Item was withdrawn.

**At 12:04 p.m., there being no objection, President DeVore recessed the meeting until 1:00 p.m.**

**At 12:58 p.m., President DeVore reconvened the meeting.**

## **MEMBER APPEALS (1:00 P.M.)**

### Item 24. **Member Appeal – SWAZAS, Kevin**

Mr. Stern presented the staff report recommending the Board deny member Kevin Swazas' request for a retroactive retirement date and uphold the CEO determination described in his denial letter; and introduced Kevin Swazas, retiree, who presented his case to appeal the CEO decision.

**At 1:16 p.m., President DeVore called for the closed session.**

## **CLOSED SESSION**

### Item 25. **CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION**

Pursuant to Government Code section 54956.9(d)(2), this session shall be closed for the Board to discuss significant exposure to litigation to which SCERS may be a party in one (1) case.

## **OPEN SESSION**

At 1:25 p.m., following the closed session, President DeVore reconvened the meeting in Open Session and announced there were no actions to report regarding an anticipated matter.

President DeVore invited Mr. Swazas for additional comments.

Mr. Swazas made additional comments and responded to questions from Board members.

The Board approved a motion to deny Member's appeal and uphold the CEO's determination described in the denial letter dated July 28, 2022. **(8-0)**

## **ADJOURNMENT**

There being no further business, President DeVore adjourned the meeting at 1:33 p.m.



# Retirement Board Order

## Sacramento County Employees' Retirement System

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**Before the Board of Retirement  
February 15, 2023**

AGENDA ITEM:

**Minutes of the January 18, 2023 Regular Meeting**

THE BOARD OF RETIREMENT hereby approves Staff's recommendation to receive and file the Minutes of the January 18, 2023 Regular Meeting.

I HEREBY CERTIFY that the above order was passed and adopted on February 15, 2023 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:  
(Present but not voting)

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Keith DeVore  
Board President

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Eric Stern  
Chief Executive Officer and  
Board Secretary