



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, MAY 17, 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

Joyce Renison  
Ex Officio, Interim 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)

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

President DeVore called the meeting to order at 10:01 a.m. Eric Stern, Chief Executive Officer (CEO), took roll call.

**Board Members Present:** DeVore, Diepenbrock, Aguallo, Banda, Suter, Renison, Mangru, Noble, Giboney, Hoover, Irish.

**Board Members Absent:** None.

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; JR Pearce, Senior Retirement Investment Officer; Michael Vang, Retirement Investment Analyst; and Carolyn Hill, Executive Secretary.

**Item 2. Public Comment**

None.

### **CONSENT MATTERS – Items 3 - 9:**

**A motion was made by Board Member Suter, seconded by Vice President Diepenbrock, to approve recommendation on the Consent Calendar Items 3-9. Agenda Item 3 was abstained by Board Members Aguallo and Renison. The motion carried 9-0.**

- Item 3. **Minutes of the April 19, 2023 Regular Meeting**—Approved the Minutes of the April 19, 2023 Regular Meeting.
- Item 4. **Ratification of Service Retirement Applications – April 2023**—Ratified the Service Retirement Applications that were finalized in April 2023.
- Item 5. **State Association of County Retirement Systems Legislative Update – May 2023**—Received and filed the SACRS Legislative Update for May 2023.
- Item 6. **Monthly Report of Investment Activity – April 2023**—Received and filed the Monthly Report of New Investment Activity for April 2023.
- Item 7. **Trading Cost Analysis Reports – First Quarter 2023**—Received and filed the Trading Cost Analysis Reports for First Quarter 2023.
- Item 8. **Proxy Voting Activity Report – First Quarter 2023**—Received and filed the Proxy Voting Activity Report for First Quarter 2023.
- Item 9. **Portfolio Allocation and Rebalancing Report – First Quarter 2023**—Received and filed the Portfolio Allocation and Rebalancing Report for First Quarter 2023.

### **EXECUTIVE REPORTS:**

#### **Item 10. Chief Executive Officer’s Report**

Mr. Stern introduced Jason Morrish as the newly selected General Counsel effective June 5, thanked Patrick Richardson for his interim services; and announced the selection of the new Chief Benefits Officer, Keith Riddle, who is also starting June 5.

Mr. Stern also requested nominations for the Audit Committee; President DeVore appointed Board Members Banda, Mangru, Hoover, and Irish, and designated Irish as the chair.

Mr. Stern announced the upcoming educational opportunities offered by CALAPRS and SACRS.

#### **Item 11. Chief Investment Officer’s Report**

Mr. Davis provided an update on the results of the equity transition related to the Board’s approval of the \$100 million international small cap equity mandate with Acadian Investment Management. The transition involved determining the most effective method for transitioning the assets to implement the transition that involved the expiration of a total return swap that was replicating exposure on an interim basis, while simultaneously building the Acadian portfolio via a separate account at custodian State Street. He stated there were two options for building the Acadian portfolio. One was to fund the account at State Street with cash and have Acadian

build the portfolio directly and the other was to use a transition manager to build the portfolio, and then transfer the assets in kind to the Acadian account at State Street. Staff chose to have Acadian build the portfolio directly, given a pre-trade analysis showed similar costs between the two options, and the operational efficiencies of having the manager build the portfolio.

The transition was fully executed by Acadian on April 28<sup>th</sup>, with the total return swap expiring the same day. The cost of the Acadian side of the transition came in at 60 bps, which was higher than the pre-trade expected cost of 32 bps, but it was within the one (1) standard deviation range of the pre-trade analysis. The cost is calculated based on the prior day's close, and the market opened higher the day of the trade which accounted for 51 bps of the total 60 bps cost. However, this cost was offset by the total return swap SCERS exited from, which was up 52 bps on April 28, 2023 making the aggregate cost of the transition approximately 8 bps.

Mr. Davis also provided an update of an upcoming Public Equity Search within the Global Equity asset class, stating the domestic and international equity sub-asset classes are fully built out, but the Global/Unconstrained segment, which was added during the 2021 asset allocation study, is still in the process of being implemented. The current Global/Unconstrained allocation is 2.5% versus the 4% target allocation, made up of two global equity mandates that were added in August of 2022. A legacy equity based absolute return fund is in the process of being redeemed from, which will reduce the allocation to 2%. One of the tasks within the 2023 Annual Plan for the Global Equity asset class was to evaluate additions to the Global/Unconstrained sub-asset class to bring it towards the 4% target. Staff and Verus are currently working on this, and are beginning to conduct another global equity search for a complementary strategy to our existing mandates, as well as separately evaluating a few less constrained equity mandates that fit within the structure of the sub-asset class. Any potential recommendations would fall under the implementation protocol for 'Traditional Assets/Public Markets' as defined within SCERS' Master IPS, including bringing any recommended manager(s) to present to the Board at a future Board meeting.

Lastly, an update on SCERS Energy/Environmental Exposures since the educational session on ESG and Value-Based investing at the March 2023 meeting. Subsequent to that discussion, the Board requested staff to follow up and provide greater granularity of the actual exposures to investments within SCERS' portfolio. Staff recently provided the Board with an analysis of SCERS' environmental exposures, and Staff and Verus plan on coming back to the Board over the next several months to discuss next steps related to this topic.

## **ADMINISTRATIVE MATTERS:**

### **Item 12. CEO Delegated Authority Policy for Personnel**

Mr. Stern presented the staff report recommending the Board approve new policy to formalize existing practices regarding the Chief Executive Officer's authority for personnel matters.

After discussion, the Board approved a motion to table the item to a future Board meeting and directed the CEO to develop education sessions on board governance (9-0).

**Item 13. Retiree Self-Service Portal**

Mr. Stern presented the staff report recommending the Board authorize the CEO enter into an agreement with the County Department of Technology to develop a retiree self-service portal for approximately \$660,000; and responded to questions.

After discussion, the Board approved a motion to authorize the CEO to enter into an agreement with the County Department of Technology to develop a retiree self-service portal for approximately \$660,000. **(9-0)**

President DeVore announced that Agenda Item No. 15 would be considered before Agenda Item No. 14.

**INVESTMENT MATTERS:**

**Item 15. Education: Global Markets Outlook**

Mr. Davis presented the staff report providing a brief background of the Global Markets; introduced David Lebovitz, J.P. Morgan Asset Management, who provided a presentation on the Global Markets Outlook; and responded to questions.

The Board approved a motion to receive and file the educational presentation. **(9-0)**

**Item 14. Total Fund Investment Performance Report – First Quarter 2023**

John Nicolini, representing Verus, provided a presentation on SCERS' Total Investment Performance Review report, prepared by Verus, for the First Quarter.

The Board approved a motion to receive and file the Total Investment Performance Review report for quarter ending March 31, 2023. **(9-0)**

**At 11:55 a.m., President DeVore called for the closed session.**

**CLOSED SESSION**

**Item 16. PUBLIC EMPLOYEE APPOINTMENTS**

Pursuant to Government Code Section 54957(b)(1), this session shall be closed for the Board to discuss the following public employee appointment:

Assistant Retirement Administrator-Enterprise Solutions Management (Chief Technology Officer)

**Item 17. 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 12:38 a.m., following the closed session, President DeVore reconvened the meeting in Open Session and announced there were no actions to report.**

### **ADJOURNMENT**

There being no further business, President DeVore adjourned the meeting at 12:38 p.m.



# Retirement Board Order

## Sacramento County Employees' Retirement System

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Before the Board of Retirement  
June 21, 2023

AGENDA ITEM:

### Minutes of the May 17, 2023 Regular Meeting

THE BOARD OF RETIREMENT hereby approves Staff's recommendation to receive and file the Minutes of the May 17, 2023 Regular Meeting.

I HEREBY CERTIFY that the above order was passed and adopted on June 21, 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