



# Board of Retirement Regular Meeting

## Sacramento County Employees' Retirement System

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### Agenda Item 12

**MEETING DATE:** August 16, 2023

**SUBJECT:** Quarterly Investment Manager Compliance and Watch List Report—Second Quarter 2023

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

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#### **RECOMMENDATION**

Receive and file the Quarterly Investment Manager Compliance and Watch List Report—Second Quarter 2023.

#### **PURPOSE**

This item complies with SCERS' investment policy statement reporting requirements and contributes to the effective management and oversight of investment activities.

#### **DISCUSSION**

SCERS' investment manager transactions have been reviewed for compliance with their respective investment guidelines and objectives. No compliance violations have been found.

As of June 30, 2023, the following managers were placed on the Watch List:

- Third Point Partners (Global Equity)
- Prudential Investment Management (Fixed Income)
- Snyder Capital Management (Global Equity) (added July 2023)

Snyder Capital Management was added to the Watch List in July 2023. Snyder was added due to announced pending changes to the portfolio management team and ownership structure of the firm. Due to the significant nature of the changes, Staff and Verus recommend adding Snyder to the Watch List to evaluate the impact of the changes throughout the transition period. Snyder has been a top performing equity manager for SCERS, outperforming the benchmark return by more than 3% annualized since inception in February 2021.

No other changes to the Watch List were made since the prior quarter report.

Staff and the investment consultants will continue to monitor the performance and/or organizational concerns for SCERS' investment managers and update the Watch List accordingly.

**ATTACHMENTS**

- Board Order
- Quarterly Watch List and Compliance Report – Second Quarter 2023

Prepared by:

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Brian Miller  
Senior Investment Officer

Reviewed by:

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Steve Davis  
Chief Investment Officer

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Eric Stern  
Chief Executive Officer



# Retirement Board Order

## Sacramento County Employees' Retirement System

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Before the Board of Retirement  
August 16, 2023

AGENDA ITEM:

**Quarterly Investment Manager Compliance and Watch List Report—  
Second Quarter 2023**

THE BOARD OF RETIREMENT hereby approves Staff's recommendation to receive and file the Quarterly Investment Manager Compliance and Watch List Report—Second Quarter 2023.

I HEREBY CERTIFY that the above order was passed and adopted on August 16, 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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Board President

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Eric Stern  
Chief Executive Officer and  
Board Secretary

**SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM**  
**Quarterly Investment Manager Watch List - July 2023**

#	Investment Manager	Fund Type	Net Asset Value (as of June 2023, \$ thousands)	Reason	Effective (month - year)	Commentary
1	<b>Third Point Partners</b>	Global Equity	\$ 46,394	<b>Portfolio Construction and Operational Concerns</b>	Jan-23	Third Point Partners, L.P. is an absolute return fund that resides within SCERS' Global Equity portfolio and was placed on the Watch List due to an increase in private equity exposure and operational concerns. The Fund employs an event-driven, opportunistic investment strategy to invest globally across asset classes including, public equity, credit, and private equity securities. Although the fund invests across asset classes, it is predominately invested in public equity. However, with the public equity portfolio facing significant decline in 2022, the private equity exposure has increased as a percentage of the overall portfolio from 4% in June 2021 to over 9% as of October 2022. The increase in private equity exposure creates a potential liquidity mismatch risk to investors. SCERS put in a full redemption to the fund in April 2023, with proceeds to be received over the next year.
2	<b>Prudential Investment Management (PGIM)</b>	Fixed Income	\$ 337,787	<b>Organization</b>	Mar-23	PGIM is a core plus fixed income manager that allocates across government securities, investment grade corporate bonds, and higher yielding securities such as high-yield bonds and structured credit. The firm is undergoing some organizational changes in 2024, with the retirement of several key members of senior leadership. Staff was informed that there is a succession plan for these retirements and appointments will occur over the next 12 months. The retirements are not immediate; however, Staff is placing PGIM on the watchlist to notify the Board and will continue to monitor the changes for potential impacts.
3	<b>Snyder Capital Management</b>	Global Equity	\$ 122,915	<b>Organizational Changes</b>	Jul-23	Snyder Capital Management manages a small cap value-oriented strategy within the domestic equity segment of SCERS' Global Equity asset class. SCERS first invested \$110 million with Snyder in February 2021. Since inception, Snyder has outperformed the benchmark returns by over 3% annualized. In July 2023, Snyder announced the pending retirement of CEO and Portfolio Manager Peter Eisele, effective September 30, 2023. Snyder is privately owned by four partners who also serve as portfolio managers on the strategy. Mr. Eisele is the longest tenured member of the leadership team, having been with Snyder for over 20 years. Following Mr. Eisele's retirement, Snyder will continue to be managed by the remaining three partners and portfolio managers. Staff will closely monitor Snyder going forward to ensure there are no significant organizational disruptions and/or impact to performance with the retirement of Mr. Eisele.