



Executive Staff:

Eric Stern
Chief Executive Officer

Margo Allen
Chief Operations Officer

Steve Davis
Chief Investment Officer

Keith Riddle
Chief Benefits Officer

Timothy Taylor
Chief Technology Officer

Jason Morrish
General Counsel

MINUTES

REGULAR MEETING OF THE BOARD OF RETIREMENT

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

Members of the Board of Retirement:

James Dipenbrock, President
Appointed by the Board of Supervisors

Robert Aguallo, Jr., Vice President
Appointed by the Board of Supervisors

Keith DeVore
Appointed by the Board of Supervisors

Ronald Suter
Appointed by the Board of Supervisors

Chad Rinde
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)

WEDNESDAY, OCTOBER 18, 2023

10:00 A.M.

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

Live-stream at www.scers.org

OPEN SESSION

Item 1. Call to Order/Roll Call

President Diepenbrock called the meeting to order at 10:00 a.m. Eric Stern, Chief Executive Officer, took roll call.

Board Members Present: Diepenbrock, Aguallo, Suter, Rinde, Mangru, Giboney, Hoover, Irish, Noble.

Board Members Absent: Banda, DeVore

Also present: Eric Stern, Chief Executive Officer; Margo Allen, Chief Operations Officer; Steve Davis, Chief Investment Officer; Tim Taylor, Chief Technology Officer; Keith Riddle, Chief Benefits Officer; Jason Morrish, General Counsel; JR Pearce, Senior Retirement Investment Officer; Jim Donohue, Senior Retirement Investment Officer, and Adrienne Abed-Fitt, Office Specialist.

Item 2. Public Comment

None.

CONSENT MATTERS – Items 3 - 11:

A motion was made by Board Member Rinde, seconded by Board Member Suter, to approve the recommendations on Consent Calendar Items 3-6 and 10-11. (Adopted 8-0.) Items 7-9 were pulled for separate consideration as referenced below.

Item 3. Minutes of the September 18, 2023 Special Meeting

Recommendation to approve the minutes of the September 18, 2023 Special Meeting.

Item 4. Minutes of the September 20, 2023 Regular Meeting

Recommendation to approve the minutes of the September 20, 2023 Regular Meeting.

Item 5. Disability Retirement Applications

Recommendation to adopt Staff's recommendations for the following Disability Retirement Applications:

- A. ARAGON, Ramon (Deputy Sheriff, Sheriff's Department): Grant a service-connected disability retirement.
- B. BESSONOV, Irina (Human Services Specialist): Grant a service-connected disability retirement.
- C. BOSWELL, Jacqueline (Deputy Sheriff, Sheriff's Department): Grant a service-connected disability retirement.
- D. CRAVEN, Christina (Deputy Sheriff, Sheriff's Department): Grant a service-connected disability retirement.

Item 6. Ratification of Service Retirement Application Approvals—September 2023

Recommendation to ratify the Service Retirement Applications Approvals for September 2023.

Item 7. CEO Delegated Authority Expense Report—Third Quarter 2023

Recommendation to receive and file the Quarterly CEO Delegated Authority Expense Report for the quarter ended September 30, 2023.

At President Diepenbrock's request, Mr. Stern explained that the memorandum accompanying this item included a typographical error. Trustees were presented with a corrected memorandum at the meeting.

Following discussion, a motion was made by Vice President Aguallo, seconded by Board Member Rinde, to receive and file the Quarterly CEO Delegated Authority Expense Report for the quarter ended September 30, 2023. **(Adopted 8-0.)**

Item 8. Strategic Management Plan Quarterly Performance Report—Third Quarter 2023

Recommendation to receive and file the Strategic Management Plan Performance Report for the quarter ended September 30, 2023.

Board Member Suter expressed concern that this item was placed on the Consent Calendar. Mr. Stern explained that the November meeting will include a detailed review of the Strategic Management Plan and further indicated that he would discuss the handling of quarterly reports with President Diepenbrock.

A motion was made by Board Member Suter, seconded by Board Member Hoover, to receive and file the Strategic Management Plan Performance Report for the quarter ended September 30, 2023. **(Adopted 8-0.)**

Item 9. State Association of County Retirement Systems (SACRS) Information

A. Legislative Update – October 2023: Recommendation to receive and file the SACRS Legislative Update – October 2023.

B. Voting Delegates 2023-24: Recommendation to approve SCERS voting delegates for SACRS business meetings through 2024.

C. 2024 Legislative Proposals: Recommendation to support SACRS legislative proposals for 2024.

Board member Suter inquired whether the recommended support of SACRS legislative proposals pertained to concepts or actual language. Mr. Stern explained that the support would be conceptual, as the drafting of actual language often takes longer.

A motion was made by Board Member Suter, seconded by Vice President Aguallo, to receive and file the SACRS Legislative Update, to approve SCERS voting delegates for SACRS business meetings through 2024, and to support SACRS legislative proposals for 2024. **(Adopted 8-0.)**

Item 10. Monthly Report of Investment Activity—September 2023

Recommendation to receive and file the Monthly Report of Investment Activity—September 2023.

Item 11. Quarterly Investment Manager Compliance and Watch List Report—Third Quarter 2023

Recommendation to receive and file the Quarterly Investment Manager Compliance and Watch List Report—Third Quarter 2023.

EXECUTIVE REPORTS:

Item 12. Chief Executive Officer’s Report

Mr. Stern yielded his time to the CIO. Board Member Banda arrived at the meeting during discussion of this item.

Item 13. Chief Investment Officer’s Report

Mr. Davis estimated that the SCERS portfolio was down a little less than 2% in the third quarter, which is also the first quarter of the current fiscal year.

- Public equities struggled during the quarter, after a strong first half in the calendar year, and were down close to 4%. Equities were impacted by rising rates as the market priced in higher for longer interest rates as central banks continue to focus on getting inflation under control and the potential impact of higher rates on the economy.
- With rising rates, particularly on the longer end of the yield curve, where the 10-year yield soared to over 4.8%, fixed income struggled and was down over 3%.
- Absolute return continues to be resilient, and was up over 2% for the quarter, when equity and fixed income returns were negative.

- Private equity, which is lagged a quarter, was up close to 2%, after several quarters of negative returns.
- Private Credit (also lagged a quarter) continues to do well and was up 3%.
- Real Assets (also lagged a quarter) was up 1%.
- Real Estate returns experienced another quarter of negative returns, and were down around 2%, as the asset class continues to deal with deteriorating cap rates and a slowdown in net operating income.

General Investment Consultant Verus will present the total portfolio performance at the December Board meeting.

Mr. Davis reported updates on the Allspring global equity mandate that the Board approved at the August meeting. The strategy is primarily managed by investing in closed end mutual funds and uses ETFs to gain broader market exposure. For the implementation, transition manager SSGM was hired to build a portfolio of ETFs to mimic broad geographic exposures of the Allspring strategy. ETFs are very liquid with low transaction costs. This occurred in late September, and the total cost of the transaction was less than 1 bps, or ~\$3,000. Next, Allspring received the portfolio of ETFs and over the following couple of weeks has been deliberately purchasing the underlying closed end funds in the portfolio and selling ETF exposure, while minimizing transaction costs. The mandate is 92% implemented as of last Friday.

Mr. Davis also discussed the voting of proxies for the Allspring mandate. Typically, SCERS votes all proxies for custodied public equity separate accounts through third-party service provider ISS. However, the preferred approach for Allspring is to let the firm vote proxies on the closed end funds they invest in. One of the tools utilized by Allspring is to take an activist approach towards working with fund management to close the discount in the pricing of the closed end funds they invest in. The activist approach is supported by being able to vote proxies to help influence the steps taken by fund management. Therefore, in this instance, it is in the best interest of SCERS to allow Allspring to vote proxies on behalf of SCERS, rather than ISS. Staff plans on presenting revisions to the Proxy Voting Policy at a future meeting to provide specific flexibility for managers to vote proxies under certain circumstances. Mr. Davis also responded to questions from Vice President Aguallo regarding Allspring's proxy voting practices and suggested that SCERS monitor those practices carefully.

Staff will be presenting the Investment Year in Review and Annual Investment Plan at the November meeting. This is a comprehensive document that covers the investment activity during calendar year 2023 and the recommended 2024 annual investment plans for each of the major asset classes, as well as broader portfolio considerations and projects for the year ahead.

Item 14. Chief Benefits Officer's Report

Mr. Riddle indicated in Agenda Item 6, the team processed 61 retirement applications in September and in Item 5 completed 4 disability retirement recommendations.

Mr. Riddle noted that SCERS receives about 30 disability retirement applications per year, and that there were 100 pending disability applications in January 2023. After the October board approvals, SCERS now has 56 pending applications. Mr. Riddle

commended disability analyst Rukiya Marshall for leading staff to reduce the backlog and improve the timeliness of disability retirement application processing.

Mr. Riddle advised that SCERS benefit team members participated in six county Employee Benefits Office open enrollment fairs held at various county sites intended for both active employees and retirees. These events began in early October and are concluding today. SCERS team members saw significant traffic at the fairs and fielded a wide range of retirement readiness questions. The next SCERS' Pension Planning Webinar is scheduled for December 12, 2023, from 10 a.m. to noon.

INVESTMENT MATTERS:

Item 15. Education: Fiduciary Duties and Investment Considerations

Recommendation to receive and file presentations regarding fiduciary duties and investment considerations, as presented by Nossaman LLP and Verus Advisory.

Ashley Dunning from Nossaman and John Nicolini from Verus presented this item. Following discussion, a motion was made by Board Member Suter, seconded by Board Member Noble, to receive and file presentations regarding fiduciary duties and investment considerations, as presented by Nossaman LLP and Verus Advisory. **(Adopted 8-0.)**

BENEFIT MATTERS:

Item 16. Service Credit Policy

Recommendation to amend Service Credit Policy.

Mr. Riddle presented this item. Following discussion, a motion was made by Board Member Rinde, seconded by Board Member Suter, to amend Service Credit Policy **(Adopted 8-0.)**

ADMINISTRATIVE MATTERS:

Item 17. Salary Resolution Amendment

Recommendation to reallocate 1.0 FTE Executive Secretary To 1.0 FTE Sr. Office Specialist (c) and 1.0 FTE Information Technology Technician, Level I/II To 1.0 FTE Information Technology Applications Analyst, Level I/II.

Mr. Stern presented this item. Following discussion, a motion was made by Vice President Aguallo, seconded by Board Member Noble, to reallocate 1.0 FTE Executive Secretary To 1.0 FTE Sr. Office Specialist (c) and 1.0 FTE Information Technology Technician, Level I/II To 1.0 FTE Information Technology Applications Analyst, Level I/II. **(Adopted 8-0.)**

Item 18. CEO Delegated Authority Policy for Personnel

Recommendation to approve new policy to formalize the Chief Executive Officer's authority over SCERS' personnel matters.

Mr. Morrish presented this item. Following discussion, a motion was made by Board Member Noble, seconded by Board Member Rinde, to approve new policy to formalize the Chief Executive Officer's authority over SCERS' personnel matters. **(Adopted 8-0.)**

Item 19. SCERS Technology Roadmap

Recommendation to receive and file the SCERS Technology Roadmap presentation.

Mr. Taylor presented this item. Following discussion, a motion was made by Board Member Hoover, seconded by Board Member Suter, to receive and file the SCERS Technology Roadmap presentation. **(Adopted 8-0.)**

OTHER MATTERS:

Item 20. Comments from Members of the Board of Retirement

None.

Mr. Morrish announced that there were no matters for closed session and that Items 21 and 22 are withdrawn. At 12:34 p.m., President Diepenbrock adjourned the meeting.

CLOSED SESSION

Item 21. 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 22. PERSONNEL MATTERS—EMPLOYEE DISABILITY RETIREMENT APPLICATIONS

Pursuant to Government Code Section 54957(b), this session shall be closed for the Board to discuss the employment of public employees, specifically, the disability retirement applicants referenced in Item 5, above. This item will be withdrawn in whole or in part if approved on Consent as recommended by Staff.

ADJOURNMENT