



MINUTES

Executive Staff:

Eric Stern
Chief Executive Officer

Steve Davis
Chief Investment Officer

Stephen Lau
General Counsel

Stephen Hawley
Chief Strategy Officer

Mario Sierras
Chief Benefits Officer

REGULAR MEETING OF THE BOARD OF RETIREMENT

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

WEDNESDAY, JUNE 19, 2019
10:00 A.M.

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

OPEN SESSION

Members of the Board of Retirement:

Rick Fowler, President
Appointed by the Board of Supervisors

John B. Kelly, Vice President
Appointed by the Board of Supervisors

Keith DeVore, Vice President
Appointed by the Board of Supervisors

James A. Diepenbrock
Appointed by the Board of Supervisors

Diana Gin
Elected by the Miscellaneous Members

Ben Lamera
Ex Officio, Director of Finance

Alan Matré, CPA
Elected by the Miscellaneous Members

Kathy O'Neil
Elected by the Retired Members

Matt Petersen
Elected by the Safety Members

John Conneally
Elected by the Safety Members

Martha J. Hoover
Elected by the Retired Members

Item 1. Call to Order — Mr. DeVore convened the meeting at 10:00 a.m.

Item 2. Public Comment — None.

CONSENT MATTERS – ITEMS 3 – 8:

The Board approved the Consent Matters Items 3-8 (6-0).

Item 3. Minutes

The Board approved the Minutes of the September 19, 2018 meeting.

Item 4. Disability Retirement Applications

- A. HUMMELL, Judy; Denied a service-connected disability retirement per proposed decision of the Administrative Law Judge.
- B. RUDDICK, Heather; Granted a nonservice-connected disability retirement as recommended by staff.
- C. Reference: General Law and Authorized Board Actions on Disability Retirement Proposed Decisions.

- Item 5. Ratification of Service Retirement Applications—May 2019**—Ratified the Service Retirement Applications that were finalized in January 2019.
- Item 6. Fiduciary Liability Insurance Renewal**—Approved the fiduciary liability insurance renewal coverage for the policy period of July 1, 2019 through July 1, 2020.
- Item 7. Monthly Investment Manager Activity, Compliance and Watch List Report—April and May 2019**—Received and filed a report on manager compliance issues from the previous month.
- Item 8. Monthly Report of New Investment Activity—May 2019**—Received and filed a report on new investment activity from the previous month.

EXECUTIVE REPORTS:

Item 9. Chief Executive Officer’s Report

Chief Executive Officer Eric Stern did not provide a report.

Item 10. Chief Investment Officer’s Report

Chief Investment Officer Steve Davis provided an update on investment staff travel. Mr. Davis and Brian Miller were in New York City for a week earlier in June meeting with existing managers and performing due diligence on prospective absolute return managers. Jim Donohue travelled to Chicago for investment manager meetings, and the Institutional Limited Partners Association conference.

ADMINISTRATIVE MATTERS:

Item 11. Legal Contract Renewal

General Counsel Stephen Lau presented a recommendation for the Board to renew the contract with Nossaman LLP for legal services that includes fixed terms and fixed expenditure limits.

The Board approved a motion to authorize the Chief Executive Officer to enter into a consolidated legal services contract with Nossaman LLP. (6-0)

Item 12. Private Market Accounting and Reporting Services

Chief Strategy Officer Stephen Hawley presented a recommendation for the Board to contract with Colmore, Inc. for private market accounting and reporting services for an initial term of three years.

The Board approved the Staff recommendation to authorize the Chief Executive Officer to contract with Colmore, Inc. (6-0)

Item 13. Pension Administration System Contract Revisions

Chief Strategy Officer Stephen Hawley presented a recommendation for the Board to authorize the Chief Executive Officer to take the following actions:

1. Amend the contract with Morneau Shepell, Ltd. (MSL) to add production system support services for the duration of the phased system implementation
2. Purchase Microsoft Dynamics CRM software through an ongoing service agreement to support the pension Administration System.
3. Amend the contract with MSL to reduce the ongoing maintenance costs due to MSL not purchasing the Microsoft Dynamics CRM software.

The Board approved a motion to authorize the Chief Executive Officer to approve the Pension Administration System contract revisions. (6-0)

Item 14. Interest Crediting and Unallocated Earnings Policy

Senior Accounting Manager Debbie Chan presented the Policy, and stated that the revisions make technical corrections, and clarifications to the Policy that was last brought to the Board in February 2018. Ms. Chan stated the modifications to the Policy do not change the methods or approach in determining the semiannual interest crediting amounts.

The Board approved the Interest Crediting and Unallocated Earnings Policy. (6-0)

Item 15. Withdrawing Employer Liability Policies

Chief Executive Officer Eric Stern presented two policies that would establish a process to identify unfunded liabilities and collect contributions from employers that plan to withdraw or have withdrawn membership from SCERS.

The Board approved a motion to adopt the Declining Employer Payroll Policy and the Terminating Employer Policy. (6-0)

Item 16. Strategic Asset Allocation Revision

Chief Investment Officer Steve Davis presented revisions to the Strategic Asset Allocation. Mr. Davis stated the two revisions are intended to establish a 1% dedicated cash allocation to be funded from the U.S. large capitalization segment of the Domestic Equity asset class, and secondly, convert the dedicated 2% Commodities allocation within the Real Return asset category into a 2% diversified Liquid Real Return allocation.

Mr. Davis stated that if the Board approves the 1% cash recommendation, Staff and Verus will reduce the U.S. large capitalization equity portfolio by 1%, and transition the proceeds to an interest-bearing demand deposit account with State Street.

Mr. Davis stated that if the Board approves the Commodities recommendation, Staff will redeem SCERS' approximate \$25 million investment in Gresham's The TAP Fund and move the proceeds to the SSGA liquid real return proxy. Mr. Davis also

recommended the Board authorize Staff to evaluate the manager universe for liquid real return solutions, and come back to the Board with a recommended implementation plan.

The Board approved Staff recommendations to revise the Strategic Asset Allocation. (6-0)

Item 17. Quarterly Investment Performance Report

Jamie Feidler of Cliffwater presented SCERS' alternative asset report for the periods ending March 31, 2019 and December 31, 2018, including information regarding the Absolute Return, Private Equity, Private Credit, Real Assets, and Opportunities portfolio as follows:

SCERS ALTERNATIVE ASSETS PERFORMANCE SUMMARY
Quarter Reporting Periods Ending March 31, 2019

SCERS ASSET CLASS	Quarter*	1-Year*	3-Year*	5-Year*	Since Inception*	Since Inception Date*
SCERS Absolute Return	2.7%	-1.3%	3.7%	1.7%	3.9%	Sep-04
HFRI FoF Conservative	4.0%	2.5%	3.7%	2.2%	3.3%	
HFRI FoF Composite + 1%	5.2%	1.5%	5.1%	3.3%	4.1%	
SCERS Private Equity	3.0%	23.2%	18.7%	16.6%	14.5%	Feb-08
Cambridge Private Equity/Venture Capi	-0.5%	11.4%	14.4%	13.2%	12.7%	
SCERS Private Credit	-0.8%	3.9%	7.7%	7.1%	7.5%	Oct-11
Credit Suisse Leveraged Loan + 2%	-2.5%	3.1%	7.0%	5.3%	6.8%	
SCERS Real Assets	2.5%	12.6%	15.3%	15.2%	15.2%	Jan-13
(45%) Cambridge Private Infrastructure; (35%) Cambridge Private Energy; (20%) NCREIF Agriculture/Timber	-1.6%	5.0%	10.2%	6.2%	6.8%	
SCERS Opportunities	2.0%	5.0%	6.0%	7.8%	18.4%	Jan-08
SCERS Portfolio Actuarial Rate of Return	1.7%	6.8%	6.8%	6.8%	6.8%	
*Note: Periods ending 12/31/18 for Private Equity, Private Credit, Real Assets, and Opportunities Periods ending 3/31/19 for Absolute Return All returns are net IRR, except Absolute Return which is time-weighted						

The Board approved a motion to receive and file the Quarterly Investment Performance Report—Alternative Assets. (6-0)

Item 18. Quarterly Investment Performance Report—Real Estate

Jennifer Stevens and Felix Fels of Townsend presented SCERS’ Real Estate Portfolio Performance Report for the period ending March 31, 2019 as follows:

**SCERS REAL ESTATE PERFORMANCE SUMMARY
3/31/2019**

SUB-ASSET CLASS	Quarter 3/31/19	1-Year	3-Year	5-Year	Since Inception	Since Inception Date
SCERS Real Estate Portfolio	2.2%	7.1%	9.4%	10.1%	8.6%	Nov-86
(65%) NFI-ODCE + (35%) NFI-ODCE	1.3%	6.9%	7.4%	9.6%	6.7%	Nov-86
Core Portfolio	1.8%	6.9%	9.5%	10.0%	6.6%	Nov-86
Separate Account	5.5%	7.2%	7.7%	9.2%	9.7%	Nov-86
Commingled Funds	1.8%	8.5%	10.3%	11.3%	7.1%	Sep-13
NFI-ODCE Index	1.2%	6.5%	7.0%	9.2%	6.3%	
Non-Core Portfolio	3.6%	7.8%	11.0%	12.3%	5.8%	Jun-06
Value Add Portfolio	0.0%	3.9%	10.4%	12.7%	4.6%	Jun-06
Opportunistic	5.8%	10.9%	11.9%	11.0%	8.1%	May-13
NFI-ODCE + 1% Index	1.4%	7.5%	8.0%	10.2%	7.3%	

The Board approved a motion to receive and file the Quarterly Investment Performance Report—Real Estate. (6-0)

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:20 a.m.

MEMBERS PRESENT: Keith DeVore, Diana Gin, Ben Lamera, Alan Matré, Kathy O’Neil, Matt Petersen, John Conneally, Martha J. Hoover, and Keith DeVore presiding

MEMBERS ABSENT: Rick Fowler, John Kelly, Jim Diepenbrock

OTHERS PRESENT: Eric Stern, Chief Executive Officer; Steve Davis, Chief Investment Officer; Stephen Lau, General Counsel; Mario Sierras, Chief Benefits Officer; Jim Donohue, Deputy Chief Investment Officer; JR Pearce, Investment Officer; Brian Miller, Investment Officer; Debbie Chan, Senior Accounting Manager; Jett Lewis, Retirement Service Analyst; Jenna Taylor, Retirement Service Analyst; John Lindley, IT Administrator; Staci Morrison, Communications and Media Officer; Jamie Feidler, Cliffwater; John Nicolini and Margaret Jadallah, Verus Advisory, Inc.; Jennifer Young-Stevens and Felix Fels, The Townsend Group; Kelsey Johnson, Deputy County Counsel; Elise Dallain, Morneau Shepell; Mark Osterkamp, Causeway Capital; and, Debbie Musilli-Sidhu, Executive Secretary

Respectfully submitted,

/S/

Eric Stern
Chief Executive Officer and
Secretary of the Retirement Board

APPROVED: _____
Richard B. Fowler II, President

DATE: _____