



## MINUTES

### REGULAR MEETING OF THE BOARD OF RETIREMENT

### SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

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

Members of the Board of Retirement:

James Diepenbrock, President  
Appointed by the Board of Supervisors

Robert Aguillo, 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, May 15, 2024**

**10:00 A.M.**

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

**Live-stream at [www.scers.gov](http://www.scers.gov)**

### 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, Aguillo, DeVore, Suter, Rinde, Mangru, Banda, Noble, Giboney, Irish.

**Board Members Absent:** Hoover.

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 (via Zoom); Brian Miller, Senior Retirement Investment Officer; Jim Donohue, Deputy Chief Investment Officer; Abel Pendergrass, Retirement Investment Analyst; Vinny Ortega, Senior Office Specialist (c).

#### **Item 2. Public Comment**

None.

### **CONSENT MATTERS—Items 3–8:**

A motion was made by Board Member Irish, seconded by Board Member Mangru, to approve the recommendations on Consent Calendar Items 4-8. **(Adopted 8-0.)** Item 3 was pulled for separate consideration as referenced below.

#### **Item 3. Minutes of the April 17, 2024 Regular Meeting**

Approve the minutes of the April 17, 2024 Regular Meeting.

Vice President Aguallo inquired about whether abstention from a vote to approve meeting minutes was required if a Board Member was absent from the meeting. Mr. Morrish responded that there was no hard-and-fast rule, as Board Members have access to review the previous meeting content, they may vote or abstain in their discretion. A motion was then made by Board Member Rinde, seconded by Board Member DeVore, to approve the minutes of the April 17, 2024 Regular Meeting. **(Adopted 8-0; Vice President Aguallo abstained.)**

#### **Item 4. Disability Retirement Applications**

Adopt Staff's recommendations for the Following Disability Retirement Applications:

- A. CAMPOS, Jaime (Collection Equipment Operator II, Waste Management and Recycling): Grant a service-connected disability retirement.
- B. EVENSON, Crystal (Human Services Specialist, Department of Human Assistance): Grant a service-connected disability retirement.
- C. SHRADER, Ann (Associate Teacher/Infant Toddler, Sacramento Employment and Training Agency): Grant a non-service-connected disability retirement.
- D. WITTE, Joshua (Deputy Sheriff, Sheriff's Department): Grant a service-connected disability retirement.

Adopt Proposed Decision of Administrative Law Judge for the following Disability Retirement Applications:

- E. GUIBORD, Ronald (Senior Highway Maintenance Worker, Sacramento County Airports): Deny a service-connected disability retirement.

#### **Item 5. Ratification of Service Retirement Application Approvals—April 2024**

Ratify the service retirement applications that were finalized in April 2024.

#### **Item 6. State Association of County Retirement Systems Legislative Update—May 2024**

Receive and file the State Association of County Retirement Systems (SACRS) Legislative Update for May 2024.

#### **Item 7. Portfolio Allocation and Rebalancing Report—First Quarter 2024**

Receive and file the Portfolio Allocation and Rebalancing Report for the quarter ended March 31, 2024.

#### **Item 8. Monthly Report of Investment Activity—April 2024**

Receive and file the Monthly Report of Investment Activity for April 2024.

## **EXECUTIVE REPORTS:**

### **Item 9. Chief Executive Officer's Report (no action requested)**

Mr. Stern discussed the membership of the Audit Committee, which will reconvene in June. He noted that Board Members Irish, Banda, Hoover, and Mangru currently serve on the committee, which can have up to 5 members. He stated that Board Member Giboney had expressed interest in joining the committee and, under the committee charter, the Board President can appoint new members. Mr. Diepenbrock stated he is appointing Board Member Giboney to the Audit Committee.

Mr. Stern stated he received communication from Segal on May 6th regarding its recommendation last year to revisit the investment return assumption to determine if a full study is warranted. Segal concluded that an out-of-cycle review of the investment return assumption is not necessary. Mr. Stern asked that the following communication from Segal be included in the meeting minutes:

“As the Board adopted the higher 6.75% investment return assumption, we have looked at the real rate of return based on the 2024 capital market assumptions. We found that generally, although CMAs have started to come down slightly, they are still higher than we would expect from historical values and the general economic outlook going forward, and the current change in real return is quite small for your portfolio. Assuming the updated asset allocation approved by the Board on June 21, 2023 (with a 2% allocation to Cash) and the same standard deviation as we used in our report, based on our preliminary review there is a slight decrease from 5.92% to 5.81% in the portfolio expected arithmetic real rate of return. (Using the same 2023 capital market assumptions that we used in our experience study, there is a decrease from 5.92% to 5.88% due only to the increased Cash allocation, as shown in the attached letter.) Along with the other components, this slight reduction in real return would lower the confidence level associated with the 6.75% investment return assumption from 62% to 61%. Based on this review, we do not believe that a formal out-of-cycle review of the investment return assumption is necessary in 2024. Instead, we anticipate reviewing this assumption again as part of the next experience study to be completed in 2026.”

Mr. Stern provided the following updates on upcoming education conferences:

- May 17: CALAPRS Trustee Roundtable, Virtual
- July 14-17: SACRS/UC-Berkeley Investment Program, Berkeley
- July 22-24: IFEBP Advanced Investment Management, San Francisco
- August 26-29: CALAPRS Principles of Pension Governance for Trustees, Tiburon
- October 22-24: SEM Consortium (Small, Emerging, and Diverse Managers Conference), New York
- October 26-30: NCPERS Program for Advanced Trustee Studies, Palm Springs
- November 12-15: SACRS Fall Conference, Monterey

## **Item 10. Chief Investment Officer's Report (no action requested)**

Mr. Davis provided an update on the recently approved hiring of Arrowstreet in the global equity portfolio to invest in its ACWI Alpha Extension 130/30/20 strategy. Mr. Davis advised that, since the approval of the mandate and following several drafts of SCERS' side letter and multiple conversations, Arrowstreet was unwilling to enter into any form of legally binding side letter agreement, so there is not a workable path forward to move forward with the investment. Mr. Davis indicated that SCERS' staff will move forward with broader rebalancing within the Global Equity asset class, to bring the current overallocation back toward the 40% target.

Mr. Davis also reported on the hiring of Mr. Pendergrass as an Investment Analyst, who will be working across the portfolio on Board reporting, reconciliation, research and manager oversight, and SCERS' portfolio analytics software system, Caissa.

## **Item 11. Chief Benefits Officer's Report (no action requested)**

Mr. Riddle reported that, as indicated in Agenda Item 5, the team processed 64 retirement applications in April. SCERS' goal is to process all applications with a March 2024 retirement date by the end of this month. Mr. Riddle also reported that in addition to the service retirement applications, SCERS staff completed 5 disability retirement application recommendations that were approved per Agenda Item 4.

Mr. Riddle informed the Board that, the previous week, he attended the CEM conference hosted by the Colorado Public Employee Retirement Association. CEM is a firm specializing in pension system benchmarking. Participating systems in CEM span the globe with many conference attendees representing Canadian systems and the UK. CEM participants vary in size from nationwide systems like the Dutch, to large statewide plans like CalPERS and CalSTRS, to smaller systems such as SCERS, OCERS and other local municipalities. Mr. Riddle further reported that the purpose of CEM is to gather data from participating systems related to membership size, member service delivery, transaction volumes and costs. The data is compiled and presented in a report that compares the participating system against systems in their peer group, which is determined by membership size. Mr. Riddle indicated that SCERS' peers consist of other '37 Act systems such as Orange County, San Bernardino, San Diego and Sonoma, along with other local systems in the U.S. such as Milwaukee County and the City of Austin. The intent is to measure how well SCERS delivers pension services, compare SCERS to its peers, learn from the results, and to improve service delivery and enhance our future service scores. SCERS expects to have the initial draft of survey results in the near future.

## **BENEFIT MATTERS:**

### **Item 12. Error Correction Policy**

Approve amendments to Error Correction policy for clarity and conformity with IRS regulations.

Mr. Morrish presented this item. Following discussion, a motion was made by Board Member DeVore, seconded by Board Member Mangru, to approve amendments to the Error Correction Policy for clarity and conformity with IRS regulations. **(Adopted 9-0.)**

## **ADMINISTRATIVE MATTERS:**

### **Item 13. Cash Management Policy**

Amend Cash Management Policy to establish parameters for cash held in County's Pooled Investment Fund.

Ms. Allen presented this item, with assistance from Mr. Davis. Following discussion, a motion was made by Board Member Rinde, seconded by Board Member Noble, to approve amendments to the Cash Management Policy to establish parameters for cash held in County's Pooled Investment Fund. **(Adopted 9-0.)**

## **INVESTMENT MATTERS:**

### **Item 14. Total Fund Investment Performance Report—First Quarter 2024**

Receive and file the SCERS Total Investment Performance Review report for the quarter ended March 31, 2024, as presented by Verus Advisory.

John Nicolini of Verus Advisory presented this item, with assistance from Mr. Davis. Following discussion, a motion was made by Board Member Noble, seconded by Board Member Irish, to receive and file the SCERS Total Investment Performance Review report for the quarter ended March 31, 2024, as presented by Verus Advisory. **(Adopted 9-0.)**

### **Item 15. Education: Real Assets and Real Estate Asset Classes**

Receive and file presentations on the Real Assets and Real Estate asset classes.

Mr. Davis and Mr. Pearce presented this item, with assistance from Jaime Feidler of Cliffwater, and Chris Cunningham and Richard Brown of Townsend Group. Following discussion, a motion was made by Board Member Mangru, seconded by Board Member Rinde, to receive and file the presentations on the Real Assets and Real Estate asset classes. **(Adopted 9-0.)**

## **OTHER MATTERS:**

### **Item 16. Comments from Members of the Board of Retirement**

Board Member Noble stated that, after speaking with other retirement system representatives at the SACRS Spring Conference, he wanted to acknowledge the importance of active employee Board Members' attendance at conferences and education sessions, and he noted that one system reimbursed employers for the active employee Board Members' time participating in Board functions. Mr. Stern responded that he does communicate with employers regarding the importance of active employee Board Members' attendance at conferences and Board meetings, and that he would review reimbursement options and applicable statutes.

Mr. Stern, with confirmation from Mr. Morrish, indicated that the closed session would be to discuss Items 17 and 18 only. Item 19 was withdrawn as a result of the Board's action on Item 4.

**At 12:18 p.m., President Diepenbrock called for closed session.**

**CLOSED SESSION**

**Item 17. CONFERENCE WITH LEGAL COUNSEL—EXISTING LITIGATION**

Pursuant to Government Code Section 54956.9(d)(1), this session shall be closed for the Board to discuss formally initiated litigation to which SCERS is a party: *SCERS vs. Telus Health (US) Ltd.*, Sacramento County Superior Court Case No. 24CV007762.

**Item 18. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION**

Pursuant to Government Code Section 54956.9(d)(4), this session shall be closed for the Board to discuss amicus briefing in formally initiated litigation to which SCERS is not a party: *Ventura County Employees' Retirement Association v. Criminal Justice Attorneys Association of Ventura County, et al.*, California Supreme Court Case No. S283978.

**Item 19. 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 4, above. This item will be withdrawn in whole or in part if approved on Consent as recommended by staff.

At 12:43 p.m., President Diepenbrock reconvened the meeting in Open Session and announced that the Board has unanimously authorized General Counsel to submit or join in the submission of an amicus brief to the California Supreme Court in support of the decision of the Second District Court of Appeal in the matter of *VCERA v. Criminal Justice Attorneys Association of Ventura County, et al.*

Board Member Suter departed the meeting after closed session.

**ADJOURNMENT**

**President Diepenbrock adjourned the meeting at 12:44 p.m.**