

# CIO Report

April 2020



**SCERS**

SACRAMENTO COUNTY  
EMPLOYEES' RETIREMENT SYSTEM

# Topics

- Staff updates
- Alternative assets consultant RFP update
- Coronavirus impact
  - Economic
  - Markets and SCERS returns
  - Staff/consultant activity



# Economic Impact

- Q2 GDP Growth dramatically affected
- Unprecedented job losses
- Major investment banks forecast meaningful recovery in Q3 and Q4, but negative overall growth for 2020
  - Many industry experts believe these forecasts to be too optimistic

	Goldman	Bank of America	Morgan Stanley	JPMorgan	Barclays	DB	Avg	Min	Max
Q1	(6.0)	0.5	(2.4)	(4.0)	1.5	0.6	(1.6)	(6.0)	1.5
Q2	(24.0)	(12.0)	(30.1)	(14.0)	(7.0)	(12.9)	(16.7)	(30.1)	(7.0)
Q3	12.0	3.0	29.2	8.0	0.0	4.4	9.4	0.0	29.2
Q4	10.0	4.0	3.3	4.0	1.0	5.2	4.6	1.0	10.0
2020	(3.1)	(0.8)	(2.3)	(1.8)	(0.6)	(0.8)	(1.6)	(3.1)	(0.6)

Source: Goldman Sachs, Bank of America, Morgan Stanley, JPMorgan, Barclays, Deutsche Bank, Bloomberg and DoubleLine  
 The table summarizes the most up to date forecasts published by each firm's US economists.

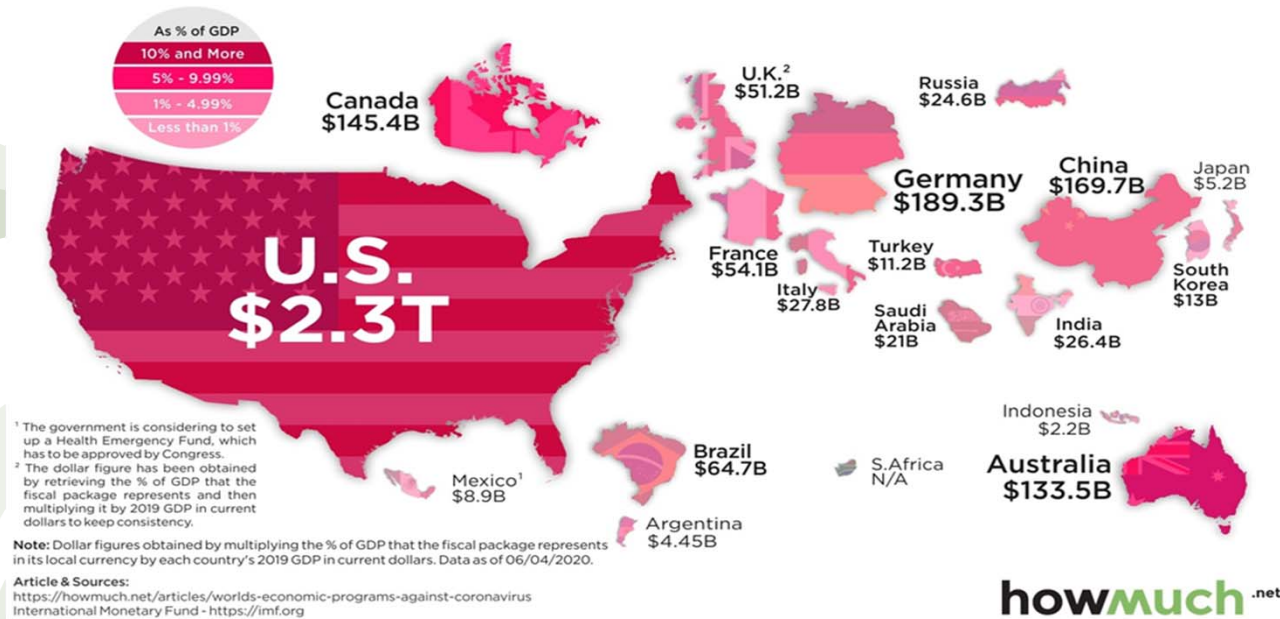
Yes



# Stimulus

- Unprecedented global stimulus responses – fiscal and monetary
- \$2.3 trillion U.S. Cares Act stimulus package

## World's Economic Programs Against the Coronavirus Total Fiscal Stimulus Packages Implemented to Fight the COVID-19 in G20 Countries



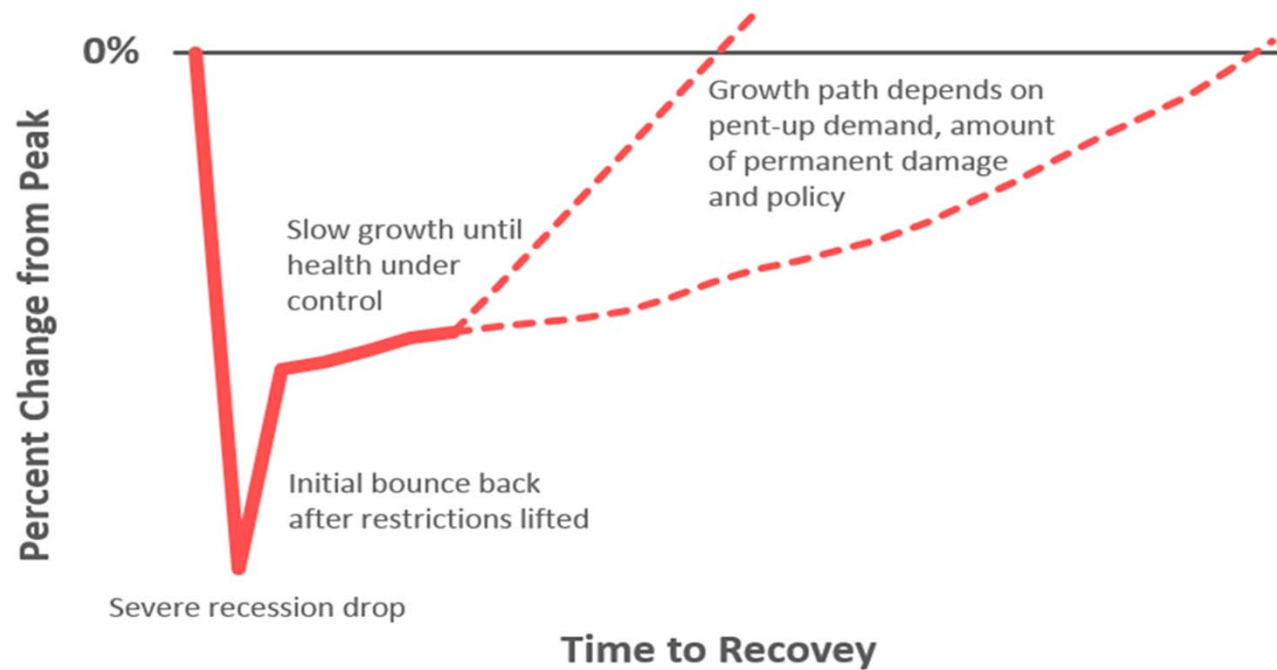
- Substantial Federal Reserve monetary policy liquidity programs
  - Includes additional quantitative easing measures
  - Additional programs ramping up



# Economic Recovery

- Path to recovery likely tied to control of disease
  - Testing, treatments, vaccine

## COVID-19: The Square Root Recovery?

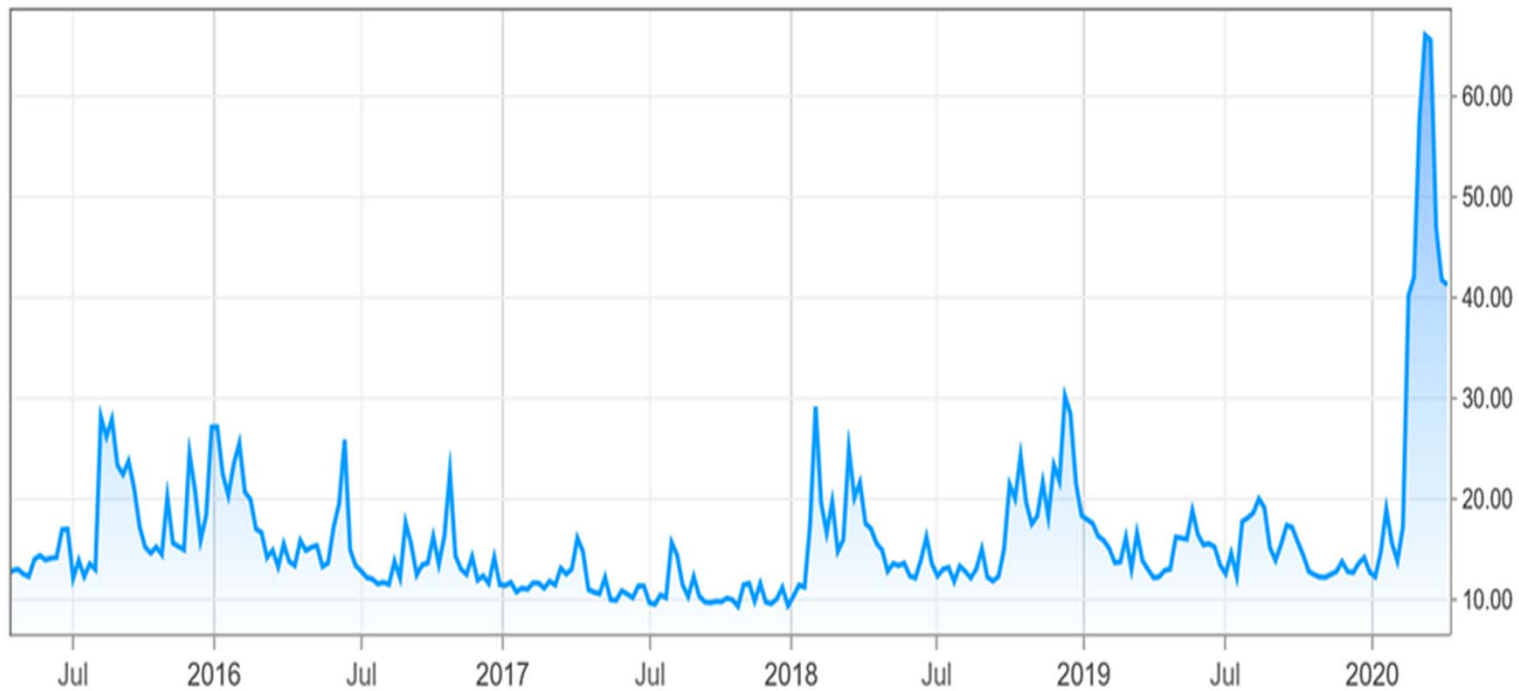


Source: Oregon Office of Economic Analysis



# Market Volatility - VIX

- Extreme average daily movements

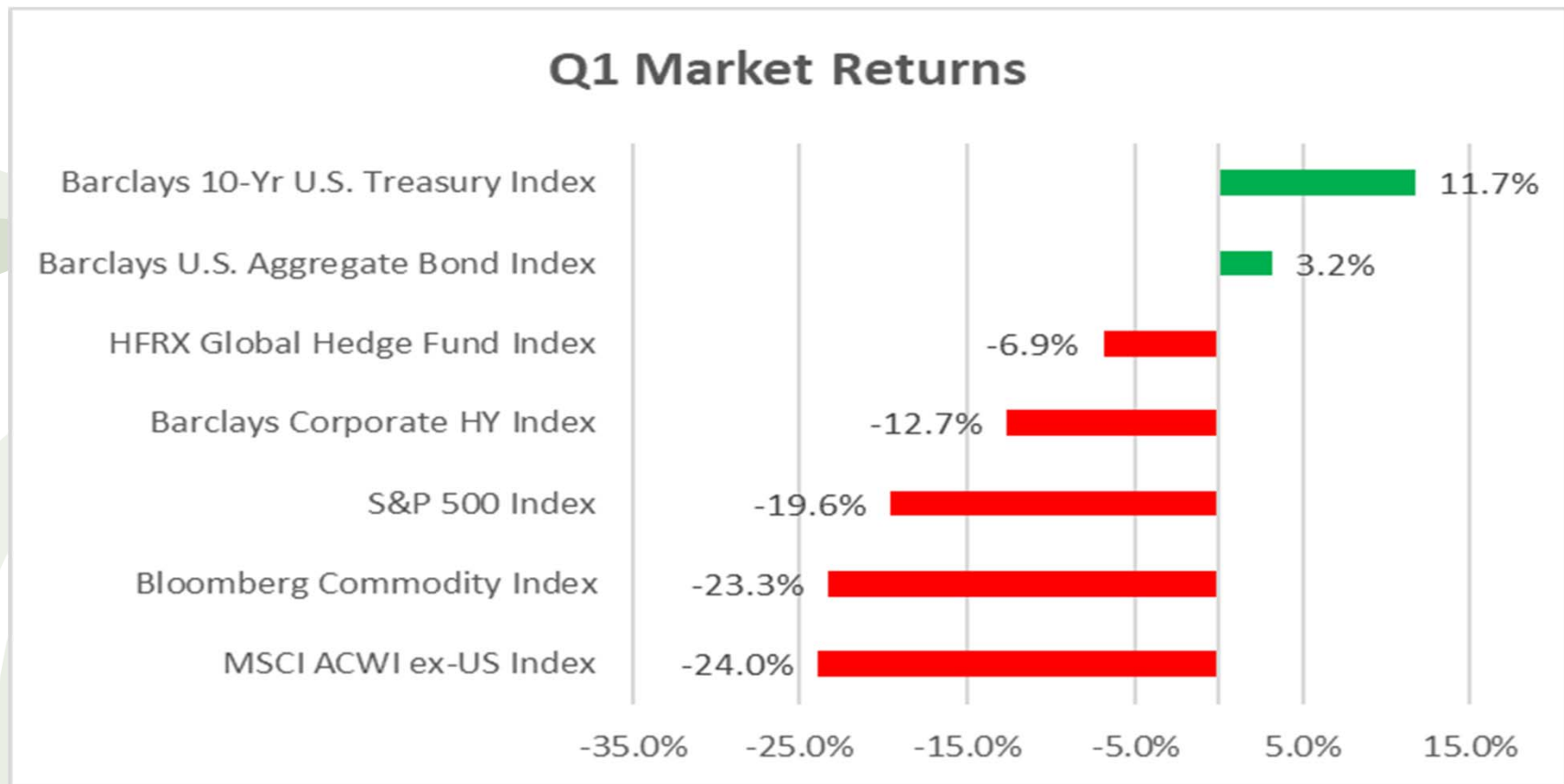


Source: CNBC



# First Quarter Market Returns

- Equity, credit, and energy suffered
- Anchor to safety assets shined



# SCERS Q1 Estimates

- Q1 2020 Estimate: -10.5%
- Fiscal Year to Date Estimate: -4.5%
- Includes public equities, fixed income, core real estate, and absolute return
- Private markets are lagged, so held flat
  - Expect private markets to be impacted in subsequent quarters





# Staff Activities/Priorities

- Quarter-end overlay rebalancing
  - Purchased \$44 million in growth proxy (mostly equities)
  - Sold \$44 million in diversifying proxy (government bonds)
  - Adds to March 17<sup>th</sup> intra-quarter rebalance
- Liquidity
  - Influx of private market capital calls
  - Upcoming redemption proceeds within Absolute Return and Core Real Estate portfolios
  - Dedicated cash allocation puts SCERS in a good liquidity position



# Staff Activities/Priorities

- Evaluating cash flow/pacing schedules
  - Determining investment/commitment priorities
- Speaking with current investment managers
- Communication with peer pension plans

