



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

Dave Comerchero
Elected by the Miscellaneous Members

Diana Gin
Elected by Miscellaneous Members

Ben Lamera
Ex Officio, Director of Finance

Martha J. Hoover
Elected by the Retired Members

Matt Petersen
Elected by the Safety Members

Kathy O'Neil
Elected by the Retired Members

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

MINUTES
**REGULAR MEETING
OF THE
BOARD OF RETIREMENT**
**SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

WEDNESDAY, April 15, 2020

10:00 A.M.

Location: BLUEJEANS TELECONFERENCE

OPEN SESSION

Item 1. Call to Order—The meeting was convened at 10:02 a.m.

Mr. Fowler stated that the meeting was occurring via teleconference under Executive Order N-25-20 which relaxed provisions of the Brown Act to make it easier for local government boards to conduct board meeting without convening in the same physical location. Mr. Fowler took a roll call of members present:

- 1. John Kelly
- 2. Keith DeVore
- 3. Jim Diepenbrock
- 4. Dave Comerchero
- 5. Diana Gin
- 6. Ben Lamera
- 7. Martha Hoover
- 8. Matt Petersen
- 9. Kathy O'Neil

Item 2. Public Comment—None

CONSENT MATTERS – ITEMS 3-12:

The Board approved the Consent Matters Items 3-12 (9-0).

Item 3. Disability Retirement Applications

- A. NORTHON, Richmond; Granted a service-connected disability retirement as recommended by staff.
- B. Reference: General Law and Authorized Board Actions on Disability Retirement Proposed Decisions.

Item 4. Minutes—Approved the Minutes of the March 18, 2020 meeting.

Item 5. Ratification of Service Retirement Application Approvals—March 2020—Ratified the Service Retirement Applications that were finalized in the previous month.

Item 6. State Association of County Retirement Systems Legislative Update—Received and filed the SACRS Legislative Update for April 2020.

Item 7. CEO Delegated Authority for Expenses Quarterly Report—March 2020—Received and filed the CEO Delegated Authority Expense Report for the quarter ended March 31, 2020.

Item 8. SCERS IT Modernization Program Quarterly Report—Received and filed a report regarding the state of SCER' IT projects from the previous quarter.

Item 9. Strategic Management Plan Quarterly Performance Report—Received and filed the Strategic Management Plan Quarterly Performance Report.

Item 10. Placement Agent Disclosure Report—Received and filed a report regarding placement agents associated with alternative assets from the previous quarter.

Item 11. Monthly Investment Manager Activity, Compliance, and Watch List Report—March 2020—Received and filed the Monthly Investment Manager Activity, Compliance, and Watch List report for the previous month.

Item 12. Monthly Report of Investment Activity—March 2020—Received and filed the report summarizing SCERS' investment activity from the previous month.

EXECUTIVE REPORTS:

Item 13. Chief Executive Officer's Report

Mr. Stern provided the following updates on SCERS activities:

- Staff have fully transitioned to working from home since mid-March and productivity is exceeding expectations. This is the benefit team's busiest time of the year, with

approximately 200 retirement applications in the queue when the stay-at-home order was issued. Staff have processed about half of the applications, and turnaround time for applications completed in March was a median of 41 days, despite the high volume and staff working remotely for half the month.

The IT project continues moving toward the next big implementation phase in November. Staff continues to participate in demos and conducting testing remotely. SCERS hit an important milestone of completing data conversion from the legacy systems and are working through minor clean-up issues with the data.

Mr. Stern noted his main concern regarding operations was maintaining the pace. He said the SCERS staff is working very hard, like the rest of the state and country, under difficult circumstances.

- Mr. Stern reported that staff have been communicating with Voter Registration and Elections (VRE) about holding a special election for the vacant Alternate Safety Representative seat. He said SCERS should not hold the election now due to the public health emergency, and should wait until at least the summer. He said the election may need to be delayed further because by late summer VRE will be occupied with preparing for the November General Election. Mr. Stern said if he recommends delaying the SCERS election into 2021, he will make a formal recommendation to the Board at the May 20 meeting.
- Mr. Stern reported that SCERS has received several bids from qualified law firms to represent SCERS is disability legal matters. Staff feels comfortable moving forward with an interview process and making a recommendation to the Board by the June meeting. He noted the County Counsel's office did not submit a bid and SCERS will be working with their staff on transitioning the current SCERS caseload.
- Mr. Stern also provided preliminary information about the Experience Study that Segal will be present to the Board at the May 20 meeting regarding the results of the actuarial review of economic and demographic assumptions. He noted this is always a sensitive topic because changing assumptions means changes to contribution rates.

Mr. Stern stated that assumption changes will first affect contribution rates during 2021-22. He noted that actuaries don't try to pick assumptions that are too optimistic, or are too conservative, but are reasonable, accurate, and defensible, and SCERS is bound under statute, and as fiduciaries, to revisit those assumptions regularly.

Mr. Stern said Segal has been open about reducing the inflation assumption from 3% to 2.75%, which would pull the overall investment return assumption down to 6.75. Including the usual demographic assumption updates, such as mortality projections, would lead to an estimated average employer contribution increase of about 2.2% of payroll and an average member contribution increase of about 0.7% of payroll.

He said Segal will also provide alternatives to adopt economic assumptions that could lead to higher or lower confidence levels to achieve the assume rate of return. While

an experience study looks at past performance to make long-term future projections, there is tremendous uncertainty on how the investment world is going to look in the next few years.

Item 14. Chief Investment Officer's Report

Chief Investment Officer Steve Davis provided an investment staff update to welcome back JR Pearce to the investment team. Mr. Davis also provided an update on the timing of the evaluation of the responses to SCERS' recently issued alternative assets consulting request for proposal (RFP). The evaluation process is expected to be delayed due to the coronavirus pandemic, and a recommendation to extend the existing contract with current alternative assets consultant Cliffwater will be made at an upcoming Board meeting to accommodate the longer process.

Mr. Davis also provided a presentation on the economic environment and SCERS' investment portfolio during the coronavirus pandemic. Mr. Davis spoke to the impact that the pandemic is having on the economy and financial markets, including the performance of major market indexes. Mr. Davis spoke to the potential paths toward economic recovery that are being forecasted by the market. Mr. Davis gave a rough estimate of SCERS' first quarter performance results, at an estimated -10.5%. Mr. Davis also communicated the priorities and activities of SCERS' investment staff during the pandemic, including portfolio rebalancing, monitoring of liquidity, evaluating private market cash flow and pacing schedules, and speaking with existing investment managers as well as peer public plans.

ADMINISTRATIVE MATTERS:

Item 15. SCERS 2020-21 Proposed Budget

Mr. Stern presented the SCERS budget for the 2020-21 fiscal year. Mr. Stern indicated that the final budget is approximately \$19.8 million, to be paid out of the retirement trust fund, for personnel and operating costs of administering the System.

The Board approved a motion to adopt the SCERS 2020-21 Proposed Budget. **(9-0)**

Item 16. Service Credit Policy

Mr. Stern presented an amendment to the Service Credit Policy to clarify the technical methodology for calculating service credit under the new Pension Administration System. The Board approved a motion to adopt the amendment to the Service Credit Policy. **(9-0)**

Item 17. Sick Leave Conversion Policy—Discussion Draft

Mr. Stern presented a discussion draft of a new Sick Leave Conversion Policy to clarify the process for how SCERS will recognize unused sick leave to convert into service

credit at retirement. The Board approved a motion to approve a discussion draft for dissemination to stakeholders. **(8-1, with Mr. Petersen opposing)**

INVESTMENT MATTERS:

Item 18. Proxy Voting

Mr. Davis presented a recommendation to extend a contract with Institutional Shareholder Services Inc. (ISS) to vote proxies on behalf of SCERS for a three-year period and for the continued use of the ISS Benchmark Policy Guidelines. The Board approved a motion to support the staff recommendation and authorized SCERS' CEO to execute any necessary documents related to the recommendations. **(9-0)**

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:30 a.m.

MEMBERS PRESENT

via teleconference: Keith DeVore, John B. Kelly, James A. Diepenbrock, Diana Gin, Ben Lamera, Dave Comerchero, Martha J. Hoover, Matt Petersen, Kathy O'Neil, and Rick Fowler presiding.

MEMBERS ABSENT: None; Alternate Safety Representative is vacant

OTHERS PRESENT

via teleconference: Eric Stern, Chief Executive Officer; Steve Davis, Chief Investment Officer; Stephen Lau, General Counsel; Stephen Hawley, Chief Strategy Officer; Mario Sierras, Chief Benefits Officer; Debbie Chan, Senior Accounting Manager; John Lindley, Senior IT Analyst; Jim Donohue, Deputy Chief Investment Officer; JR Pearce, Retirement Investment Officer; Brian Miller, Retirement Investment Officer; Joan Kudin, Public Information Officer; Stephanie Schmidt, Sr. Retirement Benefits Specialist; Jaimie Feidler, Cliffwater, LLC; Barry Dennis, John Nicolini and Stuart Odell, Verus Advisory, Inc.; Chris Cunningham and Dick Brown, The Townsend Group; Akin Greville, Wellington Management; Ana Irizarry; Gar Chung; Michael Bowman; 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: _____