



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

MINUTES

**REGULAR MEETING
OF THE
BOARD OF RETIREMENT**

**SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

TUESDAY, JANUARY 19, 2021

10:00 A.M.

Location: BLUEJEANS TELECONFERENCE

OPEN SESSION

Item 1. Call to Order—The meeting was convened at 10:04 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 other members present:

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

Mr. Stern noted that Matt Petersen is absent.

Item 2. Public Comment

None.

OPEN SESSION

CONSENT MATTERS – ITEMS 3-12:

The Board approved the Consent Matters Items 3-12 (8-0).

- Item 3. Minutes of the January 19, 2021 regular meeting**—Approved the Minutes of the January 19, 2021 meeting.
- Item 4. Disability Retirement Applications**
- A. DUKE, Scott; Granted a service-connected disability retirement as recommended by staff.
 - B. EVANS, Craig; Granted the application for service-connected disability retirement as recommended by staff.
 - C. LOGAN-WINDER, Meshea; Granted a nonservice-connected disability retirement as recommended by staff.
 - D. PADOVAN, Shannon; Granted a service-connected disability retirement as recommended by staff.
 - E. Reference: General Law and Authorized Board Actions on Disability Retirement Proposed Decisions.
- Item 5. Ratification of Service Retirement Application Approvals—December 2020**—Ratified the Service Retirement Applications that were finalized in the previous months.
- Item 6. State Association of County Retirement Systems Legislative Update—January 2021**—Received and filed the SACRS Legislative Update for January.
- Item 7. Quarterly CEO Delegated Authority Expense Report**—Received and filed the Quarterly CEO Delegated Authority Expense Report for December 2020.
- Item 8. CEO Performance Evaluation Policy**—Received and filed the CEO Performance Evaluation Policy.
- Item 9. Board Education Compliance Report for 2020**—Received and filed the Board Education Compliance Report for 2020.
- Item 10. Placement Agent Disclosure Report – Fourth Quarter 2020**—Received and filed the Placement Agent Disclosure Report – Fourth Quarter 2020.
- Item 11. Monthly Investment Manager Activity, Compliance, and Watch List Reports—November and December 2020**—Received and filed the Monthly Investment Manager Activity, Compliance, and Watch List Reports—November and December 2020.
- Item 12. Monthly Report of New Investment Activity – December 2020**—Received and filed the report summarizing SCERS' investment activity from the previous months.

EXECUTIVE REPORTS:

Item 13. Chief Executive Officer's Report

Mr. Stern announced that SCERS is celebrating 80 years of providing retirement, disability, and survivors' benefits to the public servants of Sacramento County and their families. Mr. Stern reminded the Board that SCERS was established in April 1941 and throughout 2021, SCERS will be commemorating its anniversary.

Mr. Stern offered condolences to the Sheriff's Department for the loss of a Sheriff's Deputy who was killed in the line of duty the prior night. Mr. Stern stated that this is a small retirement system, and small family in county government, and SCERS staff handles these situations with the care, sensitivity, and urgency to help the family.

Mr. Stern provided an update on the nomination period ended last Friday for candidates to fill the vacant Alternate Safety seat. Jack Philp, a Fire Captain at the airport, was the only member to submit candidate papers. Mr. Philp will be declared the de facto winner by the Board of Supervisors, and SCERS can hopefully get him on-boarded by the March meeting. The seat is only through the remainder of the year, and SCERS will have the regular election for Safety, Alt Safety, and a Miscellaneous seat in late Fall.

Mr. Stern provided an update on implementing corrections related with the *Alameda* decisions. He stated that the Staff is reviewing all new retirement applications coming in to remove the excluded pay elements, as SCERS works with the County to finalize data on the impacted population dating back to 2013. Mr. Stern stated that this is going to take several more months of work. The County expects to have its payroll system updated in March 2021 to ensure retirement contributions are not being deducted on the excluded items. SCERS will be working with the County on refunding overpaid contributions. He said the goal is to have all the work completed by June 30, 2021.

Mr. Stern noted that SCERS will be holding its 3rd annual Employer Forum on January 28th, and will be holding a Special Investment Meeting on January 29th.

Item 14. Chief Investment Officer's Report

Mr. Davis provided an update on SCERS' quarterly performance. Mr. Davis stated SCERS' Portfolio returned 8.5% during the fourth quarter of 2020, which puts SCERS' fiscal year performance close to 14%. Mr. Davis noted that SCERS portfolio produced very strong returns across asset classes.

Mr. Davis provided an update on the Alternative Assets Consultant RFP, and noted that staff has made good progress in the evaluation of alternative assets consultant candidates. Mr. Davis stated that information from Staff will be provided to the Board soon, and the item will be brought to the Board for consideration at the February meeting.

Mr. Davis stated that Staff will be presenting the Investment Year and Review and Annual Investment Plan at the February meeting. The presentation will cover the

investment activity during the calendar year 2020. The Staff will also present recommended 2021 annual investment plans for each of the major asset classes for the Board to consider at the February meeting.

Mr. Davis reminded the Board about the Special Board Meeting on January 29th. The staff have invited several of SCERS' investment managers to provide a macro update across a variety of asset classes.

Mr. Davis reminded the Board that as part of the ALM study process, Verus will be conducting enterprise risk tolerance (ERT) interviews with Board members over the next week. Mr. Davis stated that Verus and SCERS' staff appreciate the Board participating in this, as it will be very additive to the ALM process.

Mr. Davis introduced Michael Vang as the new Investment Analyst, and stated that Mr. Vang comes from CalPERS, where he worked on the global equity trading team.

ADMINISTRATIVE MATTERS:

Item 15. Retirement Board Election Policy

Mr. Stern presented amendments to the Retirement Board Election Policy to be effective January 1, 2021, to allow nomination papers to be retrieved and submitted electronically. Ms. Hoover noted an additional conforming change should be made in Section IV, Paragraph D(1) regarding submission of nomination signatures by email.

The Board approved a motion to adopt the revised policy, with the additional conforming amendment as discussed. **(8-0)**

Item 16. Subrogation Claims Policy

General Counsel Stephen Lau presented the Subrogation Claims Policy which was introduced in 2008 and last affirmed in 2017. Mr. Lau provided a brief overview of the subrogation claims policy, and noted that the Policy is in place when a SCERS member suffers death or injury, SCERS may become obligated to pay out certain death or disability benefits. If the member's death or injury was caused by a third party (other than the member's employer), SCERS has the right to recoup some of its costs from that third party through litigation. Mr. Lau stated that SCERS' subrogation rights are junior to those of the member's employer, who may also file a subrogation action to recover worker's compensation costs. The Board approved the motion to reaffirm the policy. **(8-0)**

Item 17. Strategic Planning Discussion

Mr. Stern provided an update to the strategic planning discussion from the November 2020 meeting. The Board requested that consideration of an updated mission and vision statement be put on hold until later in the year when the Board could meet in person. The Board approved a motion to receive and file the presentation. **(8-0)**

Item 18. IT Modernization Program Quarterly Review

Mr. Stern presented the IT Modernization Program Quarterly Review, and stated that the Pension Administration System project schedule has been lengthened by four months to provide additional time for testing of the benefit payroll functionality and to facilitate Phase 2 follow-up activities. Mr. Stern stated that Phase 2 implementation from November 2020 is not fully considered successful, but SCERS is working with contractors to identify and complete actions to complete the phase. Phase 3 is scheduled to go live in August 2021 and will replace the COMPASS benefit payment system and automate most benefit administration financial transactions. The schedule change is not expected to impact the project budget. The Board approved a motion to receive and file the presentation. **(8-0)**

BENEFITS MATTERS:

Item 19. Video Production Services

Mr. Stern provided an overview of the animated informational videos that SCERS has produced in the last year and recommended the Board extend the contract with Bongo Post & Music for additional videos. The Board approved a motion to authorize the CEO to extend the contract with Bongo Post & Music for \$50,000 for additional videos. **(8-0)**

Item 20. Tenant Improvement Budget

Mr. Stern presented a proposed budget for tenant improvements at the SCERS' office. Mr. Stern noted the 2019 lease extension provided a \$600,000 allowance for office improvements. The Board approved a motion to authorize the CEO to expend the allowance regardless of individual vendor amount and fiscal year for costs designated as "tenant improvement project." **(8-0)**

BENEFIT MATTERS:

Item 21. Membership Policy

Mr. Stern presented amendments to the Membership Policy that further clarify membership eligibility rules for part-time employees who exceed 1,566 hours of work in a calendar year. The Board approved a motion to amend the policy. **(8-0)**

INVESTMENT MATTERS:

Item 22. Board and Staff Personal Information Policy

Mr. Lau presented the Board and Staff Personal Information Policy that prohibits SCERS from agreeing in investment contracts to provide personal information about members of SCERS' Board of Retirement and staff. The Board approved the motion to adopt the policy. **(8-0)**

Item 23. Education: Real Assets

Mr. Davis, Senior Investment Officer JR Pearce, and Jaimie Feidler and Mark Williams from Cliffwater presented an education overview of the Real Assets class and discussed future investment considerations. The Board approved a motion to receive and file the presentation. **(8-0)**

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:00 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT: Matt Petersen; Alternate Safety Representative is vacant

OTHERS PRESENT

via teleconference: Eric Stern, Chief Executive Officer; Steve Davis, Chief Investment Officer; Stephen Lau, General Counsel; Mario Sierras, Chief Benefits Officer; Debbie Chan, Senior Accounting Manager; John Lindley, Senior IT Analyst; Jim Donohue, Deputy Chief Investment Officer; JR Pearce, Senior Investment Officer; Brian Miller, Retirement Investment Officer; Michael Vang, Retirement Investment Analyst; Joan Kudin, Public Information Officer; Jamie Feidler and Mark Williams, Cliffwater, LLC; John Nicolini and Stuart Odell, Verus Advisory, Inc.; Richard Brown and Felix Fels, The Townsend Group; Gar Chung; Paul Moen; Brian White; Amy Larson, Senior Personnel Analyst; Jenna Taylor, Retirement Services Manager; Chao Thor, Disability Retirement Analyst; Shannon Browning, Administrative Service Officer; Catherine Mitchell; Maja Ben; Michelle Rovito; Shannon Padovan and, Debbie Musilli-Sidhu, Executive Secretary.

Respectfully submitted,

Eric Stern
Chief Executive Officer and
Secretary of the Retirement Board

APPROVED: _____
Richard B. Fowler II, President

DATE: _____