



# Board of Retirement Regular Meeting

## Sacramento County Employees' Retirement System

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### Agenda Item 16

**MEETING DATE:** February 21, 2024

**SUBJECT:** Master Investment Policy Statement

**SUBMITTED FOR:**  Consent  **Deliberation and Action**  **Receive and File**

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### **RECOMMENDATION**

Approve amendments to the Master Investment Policy Statement (IPS) regarding investment considerations involving environmental, social, and governance factors.

### **PURPOSE**

This item supports the Strategic Management Plan by contributing to the effective management and oversight of investment activities.

### **BACKGROUND**

At the October 2023 meeting, the Board instructed Staff to draft an amendment to the Master IPS for the Board to include language related to values-based investment considerations such as Environmental, Social, Governance (ESG) factors to consider at a future meeting. Board members preferred creating language that takes a moderate approach by recognizing that SCERS is exposed to ESG factors and that these factors are considered within the process of evaluating investments within the mosaic of a broader range of factors.

At the January 2024 meeting, the Board discussed the draft language presented by Staff and directed Staff to return with revised language at the February 2024 meeting.

### **DISCUSSION**

Below is the re-drafted statement, with the changes from the prior version underlined and in bold. If approved, this amendment will be added within SCERS' Master IPS, to be included under a new subsection, "Other Investment Considerations":

*SCERS recognizes that corporate business practices associated with an underlying investment or investment firm, including approaches to environmental or ethically responsible strategies—commonly referred to as “ESG” (environmental, social, governance)—may present financial risks or opportunities for the System. SCERS will identify, evaluate, and manage **material and** financially relevant factors in its investment process to safeguard and enhance System performance. **Consideration of these factors shall be conducted in conjunction with other relevant factors in a manner that helps SCERS achieve its strategic objectives.***

*If the Legislature, by statute, prohibits any investments by boards operating under the County Employees Retirement Law of 1937 (CERL) under the authority of section (g) of article XVI, section 17 of the California Constitution, then the SCERS Board will undertake an independent investment analysis to determine whether such a prohibition satisfies the standards of fiduciary care and loyalty required of the SCERS Board pursuant to the California Constitution and Government Code sections 31594 and 31595 of CERL.*

**ATTACHMENT**

- Board Order

Prepared by:

/s/

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Steve Davis  
Chief Investment Officer

Reviewed by:

/s/

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Eric Stern  
Chief Executive Officer



# Retirement Board Order

## Sacramento County Employees' Retirement System

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Before the Board of Retirement  
February 21, 2024

AGENDA ITEM:

### Master Investment Policy Statement

THE BOARD OF RETIREMENT hereby approves Staff's recommendation to approve amendments to the Master Investment Policy Statement regarding investment considerations involving environmental, social, and governance factors.

I HEREBY CERTIFY that the above order was passed and adopted on February 21, 2024 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:

(Present but not voting)

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James Diepenbrock  
Board President

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Eric Stern  
Chief Executive Officer and  
Board Secretary