



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 16

MEETING DATE: June 20, 2024

SUBJECT: Alternative Assets Consulting Services

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

RECOMMENDATION

Approve amendment to consulting services agreement with Cliffwater, LLC through June 30, 2026, in an amount not to exceed \$1,000,000 and authorize the Chief Executive Officer to execute any necessary documents.

PURPOSE

This item supports the Strategic Management Plan objective to leverage external experts to maximize investment guidance and results and contributes to the effective management and oversight of investment activities. SCERS' Master Investment Policy Statement states that the SCERS Board is responsible for approving Board consultants.

DISCUSSION

At the February 2024 Board meeting, Staff provided an update on upcoming consultant contract expirations, with the nearest term being alternative assets consultant Cliffwater. At that meeting, Staff guided toward renewing the contract with Cliffwater for a 2-year term. SCERS last issued an RFP for alternative assets consulting services in 2020 and retained Cliffwater for a 3-year term ending on June 30, 2024.

Cliffwater has been SCERS' alternative assets consultant since 2011. They have worked closely with the Board and Staff to build a diversified and strong performing alternative assets portfolio, across direct private market and absolute return investments. They have also worked well with SCERS' other plan consultants within SCERS' broader strategic asset allocation to deliver robust and consistent performance across economic and market cycles. Cliffwater has a strong reputation across the institutional investment community.

Cliffwater recently communicated a minority equity sale of its business. At the February meeting, Cliffwater CEO Stephen Nesbitt and Senior Managing Director Jamie Feidler provided an overview of Cliffwater and its business lines, including its advisory business and growing asset

management business, and provided some background related to the minority equity sale of its business.

Staff does not recommend issuing an RFP; however, Staff recommends a shorter 2-year renewal of the alternative assets consulting contract instead of the typical 3-year contract, as it will allow SCERS to evaluate the impact of the recent minority equity sale along with the growth and evolution of the firm. This includes evaluating the growth of its asset management business, whether the advisory business remains a strategic priority for Cliffwater, and any potential conflicts between the two businesses.

The contract includes language that gives either party the ability to terminate the engagement upon notice. With this flexibility, SCERS will have the ability to evaluate Cliffwater on an ongoing basis and consider if a competitive search is needed in the future.

Fees and Other Amendments

Since SCERS retained Cliffwater in 2011, the \$450,000 annual fee has never increased. Cliffwater is proposing a \$500,000 annual fee for the contract period, an 11% increase. Staff believes that this is a reasonable request.

Additional contract amendments include transparency and disclosure provisions related to Cliffwater's asset management business. These include:

- Quarterly disclosure on assets under management, as well as the addition of any new investment strategies/funds within Cliffwater's asset management business.
- Disclosure of managers/general partners that SCERS is invested with, or Cliffwater recommended funds that SCERS is evaluating for investment, that are also acting as investment advisors to a fund in Cliffwater's asset management business.
- Disclosure of potential transactions that a Cliffwater fund may participate in that may be adverse to SCERS' interests.

The current Cliffwater consulting team for SCERS of Jamie Feidler and Stephen Nesbitt will remain in place.

ATTACHMENTS

- Board Order

Prepared by:

/s/

Steve Davis
Chief Investment Officer

Reviewed by:

/s/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

**Before the Board of Retirement
June 20, 2024**

AGENDA ITEM:

Alternative Assets Consultant Services

THE BOARD OF RETIREMENT hereby accepts the recommendation of staff to approve amendment to consulting services agreement with Cliffwater, LLC through June 30, 2026, in an amount not to exceed \$1,000,000 and authorize the Chief Executive Officer to execute any necessary documents.

I HEREBY CERTIFY that the above order was passed and adopted on June 20, 2024 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:
(Present but not voting)

James Diepenbrock
Board President

Eric Stern
Chief Executive Officer and
Board Secretary