



# Board of Retirement Regular Meeting

## Sacramento County Employees' Retirement System

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### Agenda Item 15

**MEETING DATE:** April 16, 2025

**SUBJECT:** Quarterly Investment Manager Compliance and Watch List Report—First Quarter 2025

**SUBMITTED FOR:**     Action   X   Information

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#### **RECOMMENDATION**

Receive and file the Quarterly Investment Manager Compliance and Watch List Report for the quarter ended March 31, 2025.

#### **PURPOSE**

This item complies with SCERS' investment policy statement reporting requirements and contributes to the effective management and oversight of investment activities.

#### **DISCUSSION**

SCERS' investment manager transactions have been reviewed for compliance with their respective investment guidelines and objectives. No compliance violations have been found.

As of December 31, 2024, the following managers were on the Watch List:

- TCW (Fixed Income) – organizational changes
- D.E. Shaw Investment Management (Global Equity) - performance related
- William Blair Investment Management (Global Equity) – performance related
- PSquared Asset Management (Absolute Return) – performance related
- LSV Asset Management (Global Equity) – organizational concerns

As detailed in the prior quarterly report, presented at the January 2025 Board meeting, TCW and D.E. Shaw were removed from the Watch List during the first quarter of 2025. There were no additions to the Watch List during the first quarter. Therefore, managers on the Watch List going forward are:

- William Blair Investment Management (Global Equity) – performance related
- PSquared Asset Management (Absolute Return) – performance related
- LSV Asset Management (Global Equity) – organizational concerns

Staff and the investment consultants will continue to monitor the performance and/or organizational concerns for SCERS' investment managers and update the Watch List accordingly.

Staff will present and discuss the content of the Compliance and Watch List report during the April Board meeting.

### **ATTACHMENTS**

- Board Order
- Quarterly Watch List and Compliance Report—First Quarter 2025

Prepared by:

/S/

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Brian Miller  
Senior Investment Officer

Reviewed by:

/S/

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Steve Davis  
Chief Investment Officer

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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**  
**April 16, 2025**

AGENDA ITEM:

**Quarterly Investment Manager Compliance and Watch List Report—  
First Quarter 2025**

THE BOARD OF RETIREMENT hereby approves Staff's recommendation to receive and file the Quarterly Investment Manager Compliance and Watch List Report for the quarter ended March 31, 2025.

I HEREBY CERTIFY that the above order was passed and adopted on April 16, 2025 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

**SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM**  
**Quarterly Investment Manager Watch List - March 2025**

#	Investment Manager	Fund Type	Net Asset Value (as of March 2025, \$ thousands)	Reason	Effective (month - year)	Commentary
1	<b>William Blair Investment Management</b>	Global Equity	\$ 109,182	<b>Performance</b>	Jun-24	William Blair manages an international small cap public equity mandate for SCERS. The strategy has underperformed in recent years, leading to underperformance relative to its benchmark across all time periods (1, 3, 5, and 10 years). Staff will continue to monitor William Blair for improvements to performance. SCERS first invested with William Blair in 2008 and has rebalanced the account several times since inception, adjusting the amount invested. Since inception annualized net returns are +6.6%.
2	<b>PSquared Asset Management</b>	Absolute Return	\$ 52,147	<b>Performance</b>	Dec-24	PSquared manages an event driven absolute return fund (Event Opportunity Fund). The strategy has underperformed, delivering approximately -6% returns in calendar year 2024, which has resulted in underperformance since SCERS first invested in the strategy in August 2020. Since inception, the strategy has delivered approximately 1.7% annualized returns, trailing the HFRI Conservative Index and 3-Month T-Bills + 2% benchmarks. Assets under management have declined due to negative performance and client outflows. SCERS has approximately \$52 million invested with PSquared as of March 2025.
3	<b>LSV Asset Management</b>	Global Equity	\$ 599,918	<b>Organization</b>	Dec-24	LSV Asset Management was added to the Watch List due to organizational concerns. In the fourth quarter of 2024, civil litigation was filed against LSV by four former partners. The litigation seeks monetary damages based on the valuation of the equity stakes sold by the departed partners. The claim is that LSV significantly undervalued the equity stakes of the partners. Staff will monitor LSV for a resolution to the litigation and any impact to the organization. SCERS first invested with LSV in January 2005 and has approximately \$600 million invested in the international developed large cap equity strategy as of March 2025.