



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 8

MEETING DATE: March 19, 2025

SUBJECT: Annual Investment Operations Report

SUBMITTED FOR: Action X Information

RECOMMENDATION

Receive and file the Annual Investment Operations Report for 2024.

PURPOSE

This item supports the Strategic Management Plan goals to effectively manage investment risks and ensure effective oversight of the investment program.

BACKGROUND

In 2023, the SCERS Board formed an ad hoc committee to discuss investment-related reporting for the Board, and to create efficiencies in the creation of reports by Staff and the consumption of reporting by the Board. The ad hoc committee covered reporting related to potential investment opportunities as well as recurring reporting to the Board.

One outcome of the ad hoc committee was to convert several recurring quarterly reports into annual reports and to introduce reporting on peripheral components of the portfolio that were not regularly reported on. The items would be combined into one report called an Annual Investment Operations Report.

After receiving the inaugural 2023 Annual Investment Operations Report, the Board instructed Staff to further consolidate the report for 2024, in support of the ad hoc committee's goal of simplifying this reporting for Board consumption.

The following report is a more concise, streamlined version that remains in accordance with Board investment operations policies. Please note that the Investment Operations Report includes reporting for Transaction Cost Analysis (TCA) as per the Transaction Cost Analysis Policy; however, Staff plans on making a recommendation to the policy later in the year to remove the reporting requirement related to TCA since this information is very granular and more relevant for Staff to evaluate.

2024 INVESTMENT OPERATIONS**Revenue-Generating Operations**

Operation	2024	2023	2022	Description
Securities Lending	\$1,284,952	\$1,407,110	\$1,212,966	SCERS' net income earned from securities lending activities
Commission Recapture	\$48,113	\$14,834	\$15,942	Rebates resulting from SCERS' public market managers trading through designated commission recapture brokers for best execution
Tax Reclaims	\$53,653 ¹	\$42,702 ²	-	Reclaimed tax withholdings related to SCERS' foreign security investments
Securities Litigation	\$172,365	\$808,126	-	Monies claimed in security, antitrust, bankruptcy, and other litigation-related matters for which SCERS is eligible
Total Revenue	\$1,559,082	\$2,272,772	\$1,228,908	

¹ Received in January 2025² Tax reclaims reported for 2023 are since-inception**Non-Revenue-Generating Operations****Transaction Cost Analysis**

Asset Class	Trade Principal (thousands)	No. of Trades	Actual Cost Over/Under Expected Cost*
Domestic Equity	\$1,648,656	9,883	\$342,656 Under
Global Equity	\$529,462	3,063	\$56,470 Under

Asset Class	Trade Principal (thousands)	No. of Trades	Spread Cost Over/Under Expected Cost*	Impact Cost Over/Under Expected Cost*
Domestic Fixed Income	\$9,072,728	4,339	\$1,353,167 Under	\$4,214,685 Over

* As calculated by BestX. Expected costs for Fixed Income only include a subset of trades where BestX is able to determine an expected cost, typically 85-95% of all trading activity.

- Trading costs measured by BestX reflect savings of approximately +/- 3 bps expected vs costs
- Trading costs for Global Fixed Income in 2024 were diminutive, with a trade principal of only \$11 million, and expected costs were not available for comparison

Summary of Proxy Voting

	Meetings	Ballots	Proposals	Votes With/Against Management	
Votable	2,009	2,378	24,883	With	Against
Voted	1,983	2,352	24,022	22,027	1,995
Voting Rate	98.7%	98.9%	96.5%	91.7%	8.3%

78% of votes against management consisted of votes in the following categories:

- Management compensation
- Director election
- Other director-related concerns

Placement Agent Disclosures

Investment Fund	SCERS Commitment Date	Name of Disclosed Placement Agent	Employer of Placement Agent
Sky Leasing Fund VI, L.P.	5/13/2024	Ronald J. Kruszewski Victor J. Nesi James M. Zemlyak Eric R. Deyle Tomas S. Kreidler Christopher M. Maduri Uli Flores	Stifel, Nicolaus & Company, Incorporated Stifel, Nicolaus & Company, Incorporated Stifel, Nicolaus & Company, Incorporated Eaton Partners LLP Eaton Partners LLP Eaton Partners LLP Eaton Partners LLP
JFL Equity Investors VI, L.P.	9/27/2024	Karina Perelmuter Jessica Godt Izzy Gabel	UBS Securities LLC UBS Securities LLC UBS Securities LLC
Capula Global Relative Value Fund L.P.	9/30/2024	Matthew Jamieson	Capula Investment US LP
Capula Volatility Opportunities Fund Limited	9/30/2024	Matthew Jamieson	Capula Investment US LP
WCP NewCold III, LP	11/14/2024	Michael Stark Matthew Casper Brian Levine	PJT Partners LP PJT Partners LP PJT Partners LP

Prepared by:

/S/

Kenter Ludlow
Investment Analyst

Reviewed by:

/S/

Steve Davis
Chief Investment Officer

/S/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
March 19, 2025

AGENDA ITEM:

Annual Investment Operations Report

THE BOARD OF RETIREMENT hereby approves Staff's recommendation to receive and file the Annual Investment Operations Report for 2024

I HEREBY CERTIFY that the above order was passed and adopted on March 19, 2025 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