

AGENDA

BOARD OF RETIREMENT

Boardroom

832 12th Street Suite 600 Modesto, CA 95353

October 27, 2020

1:30 p.m.

The Board of Retirement welcomes you to its meetings, which are regularly held on the fourth Tuesday of each month. Your interest is encouraged and appreciated.

CONSENT/ACTION ITEMS: Consent matters include routine administrative actions and are identified under the Consent Items heading. All other items are considered to be action items "Action" means that the Board may dispose of any item by any action, including but not limited to the following acts: approve, disapprove, authorize, modify, defer, table, take no action, or receive and file.

BOARD AGENDAS & MINUTES: Board agendas, minutes and copies of items to be considered by the Board of Retirement are customarily posted on the Internet by Friday afternoon preceding a meeting at the following website: www.stancera.org.

AUDIO/VIDEO: All Board of Retirement regular meetings are audio and visually recorded. Audio/Video recordings of the meetings are available after the meetings at <http://www.stancera.org/agenda>.

NOTICE REGARDING NON-ENGLISH SPEAKERS: Board of Retirement meetings are conducted in English and translation to other languages is not provided. Please make arrangements for an interpreter if necessary.

Pursuant to California Governor Gavin Newsom's Executive Order N-29-20, The Board of Retirement ("StanCERA") is authorized to hold public meetings via teleconference and to make public meetings accessible telephonically or otherwise electronically to all members of the public who wish to participate and to provide public comment to the local legislative body during the current health emergency. We are unable to safely distance ourselves due to the COVID-19 Pandemic guidelines in our own boardroom. StanCERA's offices are currently closed to public access. The StanCERA Boardroom is being utilized for some Trustees and Staff who will be attending in person. All other Trustees, Staff and Consultants unable to attend in person will be attending remotely via teleconference.

If you wish to make either a general public comment or to comment on a specific agenda item in writing, please submit your comment (if your comment pertains to a specific agenda item, please include the agenda item number in the subject line) via email or fax prior to the meeting. Written comments regarding StanCERA's agenda items can be submitted by 4:30 p.m. on the day before the board meetings via email to Gomesk@Stancera.org or via fax to 209-558-4976. Pursuant to Government Code section 54954.3(a), Public Comment or public comment on an Agenda Item are limited to (400 words or less).

The public will not be granted access to Board of Retirement Boardroom to attend StanCERA's meeting. If you wish to join the meeting by teleconference as a member of the public and listen to the meeting, then please dial in using your phone and call **209-689-0007 Access Code: 414752**. When directed to do so please press 5* on your phone to alert the Chair you wish to a public comment. Pursuant to Government Code section 54954.3(a), Public Comment or public comment on an Agenda Item are limited to three (3) minutes StanCERA will provide its best effort to fulfill the request.

In compliance with the Americans with Disabilities Act, a person requiring an accommodation, auxiliary aid, or service to participate in this meeting should contact StanCERA at (209) 525-6393, as far in advance as possible but no later than 48 hours before the scheduled event.

Agendas and Minutes are on our website at www.stancera.org.

1. Call Meeting to Order
2. Pledge of Allegiance
3. Roll Call
4. Announcements
5. Public Comment
6. Consent Items
 - a. Approval of the September 17, 2020 Meeting Minutes [View](#)
 - b. Information Technology Solutions (ITS) Project Update [View](#)
 - c. Approval of Service Retirement(s) – Government Code Sections 31499.14, 31670, 31662.2 & 31810
 1. Adams, Janice – HSA – Effective 10-24-20
 2. Bianchi, Ann – BHRS – Effective 10-03-20
 3. Clifton, Gregg – Sheriff – Effective 10-17-20
 4. De Jesus, Mario – CSA – Effective 10-07-20
 5. Knittel, Joseph – Sheriff – Effective 08-01-20
 6. Parker, Rhonda – BHRS – Effective 10-06-20
 7. Todd, Lijiljana – GSA – Effective 09-23-20
 8. Ulloa, Sheri – Superior Court – Effective 10-31-20
 9. Vercelli, Dawn – BHRS – Effective 10-10-20
 - d. Application for Disability Retirement – Government Code Section 31724
 1. Bays, Ross – City of Ceres– Effective 06-26-20
 - e. 2020 Executive Director Goals Update - Quarter 3
Agenda Item [View](#) Attachment 1 [View](#)
 - f. Investment Matrix [View](#)
 - g. Private Markets Commitment Notice – Clayton, Dubilier & Rice Fund XI (CD&R XI)
Agenda Item [View](#)
7. Investment
 - a. Performance
 1. NEPC September Flash Report [View](#)
 2. StanCERA Auxiliary Investment Report as of June 30, 2020
 - AB2833 Auxiliary Report [View](#)
 - Investment Fee Summary, Value Added and Cash Flow Reports [View](#)
 3. StanCERA liquidity reconciliation [View](#)
 4. Verus Private Markets (Q2) (Private Credit/Equity) [View](#)

- b. Asset Allocation – NEPC [View](#)
 - 1. Potential asset mixes and expectations for the future
 - 2. Private Investments; Role in a well balanced portfolio
- c. Verus Private Market
 - 1. Private Market Asset Class Expectations [View](#)
- 8. Administrative
 - a. All Staff Update
 - b. SACRS 2020 Fall Business Meeting and Voting Delegates [View](#)
 - c. 415 IRS (b) Limit Update
 - d. Alameda Supreme Court Update
 - e. Retirement Board Authority [View](#)
- 9. Closed Session
 - a. Conference with Legal Counsel – Pending Litigation – One Case:
O’Neal et al v. Stanislaus County Employees’ Retirement Association
Stanislaus County Superior Court Case No. 648469
Government Code Section 54956.9(d)(1)
 - b. Conference with Legal Counsel – Pending Litigation – One Case:
Stanislaus County Employees’ Retirement Association v. Buck Consultants,
LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152
Government Code Section 54956.9d)(4)
- 10. Members’ Forum (Information and Future Agenda Requests Only)
- 11. Adjournment

BOARD OF RETIREMENT MINUTES
September 17, 20201. Call Meeting to Order

Meeting called to order 10:00am by Trustee O'Neal, Chair

2. Pledge of Allegiance3. Roll Call**Trustees Present:**

Jeff Grover, Jim DeMartini, Donna Riley, Jeff Mangar, Darin Gharat, Mike Lynch, and, Rhonda Biesemeier, Alternate Retiree Representative,

Trustees Present by Conference Call Michael O'Neal, Mandip Dhillon, Joshua Clayton

Trustees Absent: Jonathan Goulding, Alternate Retiree Representative

Staff Present:

Rick Santos, Executive Director

Stan Conwell, Retirement Investment Officer

Lisa Fraser, Benefits Manager

Kellie Gomes, Executive Board Assistant

Fred Silva, General Legal Counsel

Natalie Davis, Fiscal Services Manager

Others Present by Conference Call:

Daniel Hennessy, NEPC Investment Consultant

Sam Austin, NEPC Investment Consultant

4. Announcements

Trustee O'Neal had the following announcements:

Due to the COVID-19 Pandemic, StanCERA's offices are currently closed to public access. We are meeting today in the Stanislaus County Board of Supervisors Chambers to accommodate 6ft spacing for this meeting. If you are joining the meeting today by teleconference as a member of the public your phone will be muted. If you would like to comment on an item today please email your comments to gomesk@stancera.org or fax them to 209 558-4976. Today's agenda was posted with the same information and allowed for public comments to be sent ahead of today's meeting as well. We will make every effort to read all comments received during our meeting today if we are unable to present your public comment today it will be ajenized and presented at our next meeting.

Kellie Gomes announced the departure of Johnathan Goulding from the StanCERA Board as he is no longer a member of our retirement system due to a career change.

5. Public Comment

None

6. Consent Items

a. Approval of the August 20, 2020 Meeting Minutes

b. Information Technology Solutions (ITS) Project Update

- c. Approval of Service Retirement(s) – Government Code Sections 31499.14, 31670, 31662.2 & 31810
 - 1. Amps, Lisa – Superior Court – Effective 09-12-20
 - 2. Brown, Cory – Sheriff – Effective 09-18-20
 - 3. Cardona, Cecilia – Superior Court – Effective 09-12-20
 - 4. Carlsen, Stacy – Agriculture – Effective 09-04-20
 - 5. De La Cerda, Charles – BHRS – Effective 09-16-20
 - 6. Farriester, Lillie – Environmental Resources – Effective 09-12-20
 - 7. Ferrera, James – HSA – Effective 09-26-20
 - 8. Gomez, Gloria – Superior Court – Effective 09-12-20
 - 9. Jacobson, Steven – District Attorney – Effective 08-15-20
 - 10. Jones, Sandra – Superior Court – Effective 09-12-20
 - 11. Locke, Denise – Probation – Effective 09-22-20
 - 12. Middleton, Margaret – Superior Court – Effective 09-12-20
 - 13. Nand, Vishwa, ITC – Effective 09-05-20
 - 14. Paine, Danielle – Public Guardian – Effective 09-01-20
 - 15. Palmer, Lynne – Superior Court – Effective 09-12-20
 - 16. Ramirez, Jr., Joe – Sheriff – Effective 07-31-20
 - 17. Ramirez, Veronica – Superior Court – Effective 09-30-20
 - 18. Ramos, Oscar – BHRS – Effective 09-16-20
 - 19. Robinson, Craig – Probation – Effective 09-12-20
 - 20. Sohl, Carrie – Superior Court – Effective 09-22-20
 - 21. Switzer, David – Sheriff – Effective 02-12-20
- d. Approval of Deferred Retirement(s) – Government Code Section 31700
 - 1. Gonzales, Maria Lucia – CSA – Effective 06-05-20
- e. Application of Death Benefit – Government Code Section 31781, 31781.1, 31781.3
 - 1. Berryhill, Thomas – BOS – Non-Service Connected – Effective 08-29-20 – Active Member
 - 2. Stacy Tolbert – HSA – Non-Service Connected – Effective 09.05.20 – Active Member
- f. Application for Disability Retirement – Government Code Section 31724
 - 1. Webster, Noah – Parks & Recreation – Service-Connected – Effective 08-07-19

Motion was made by Trustee Gharat and seconded by Trustee Riley to accept the consent items as presented

Motion passed unanimously

- 7. NEPC – Investment Consultant
 - a. July Flash Report
 - b. Key Market Themes and Asset Class Assumptions
- 8. Investment
 - a. Investment Matrix
- 9. Administrative
 - a. Implementation of the Alameda Supreme Court Update

Motion was made by Trustee Gharat and seconded by Trustee Riley to go into closed session at 11:17 am
Motion passed unanimously

10. Closed Session

- a. Conference with Legal Counsel – Pending Litigation – One Case:
O’Neal et al v. Stanislaus County Employees’ Retirement Association
Stanislaus County Superior Court Case No. 648469
Government Code Section 54956.9(d)(1)
- b. Conference with Legal Counsel – Pending Litigation – One Case:
Stanislaus County Employees’ Retirement Association v. Buck Consultants,
LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152
Government Code Section 54956.9d)(4)
- c. Application for Disability Retirement – Government Code Section 31724
 1. Williams, Cynthia – Parks and Recreation – Service-Connected – Application filed 07-10-2018

Motion was made by Trustee Gharat and seconded by Trustee Lynch to go into open session at 11:20 am
Motion passed unanimously

Vice Chair Trustee Grover announced the read out from closed session Item 10C

Motion was made by Trustee Gharat and seconded by Trustee Lynch to approve staff recommendation as follows:

The Board adopts staff’s recommendation and finds as follows:

1. Deny the application of Cynthia Williams, for Service-Connected Disability Retirement; and
2. Deny the application of Cynthia Williams, for Non-Service-Connected Disability Retirement.

Motion passed unanimously

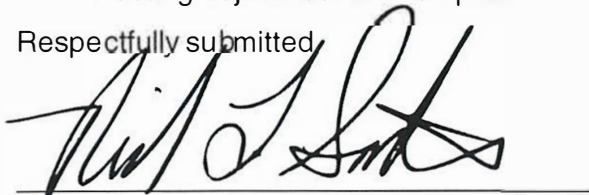
11. Members’ Forum (Information and Future Agenda Requests Only)

Director, Rick Santos stated that we will be returning to our regular scheduled board dates and time starting with Octobers’ meeting and will do so by virtual meetings. The Board of Supervisors Chambers are not available for use during our regular scheduled dates and times and this presented problems for reporting information timely as well as attendance by Board Trustees. This will allow the time that is needed for the investments reports to be accurate and timely.

13. Adjournment

Meeting adjourned at 11:30 p.m.

Respectfully submitted,



Rick Santos, Executive Director

APPROVED AS TO FORM

By 
Fred Silva, GENERAL LEGAL COUNSEL

October 27, 2020

Retirement Board Agenda Item

TO: Retirement Board

FROM: Jamie Borba, Member and Employer Services Specialist

I. SUBJECT: Information Technology Solutions (ITS) Project

II. ITEM NUMBER: 6.b.

III. ITEM TYPE: Information Only

IV. STAFF RECOMMENDATION: None

V. ANALYSIS: Arrivos became the System of Record on September 28, 2020. The Tyler system is now in a read-only (archive) status. Staff is working in the new system, learning and utilizing the efficiencies it provides.

Staff has resumed meetings with Tegrit for continued development of remaining workflows and processes. Both the Project Management Team and Tegrit Staff remain diligent in moving forward to the completion of the PAS project. The remaining project release timeline is still in development, however StanCERA expects another release to production prior to the end of 2020.

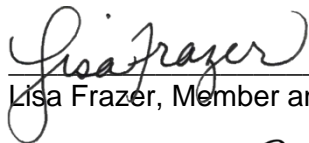
VI. RISK: None

VII. STRATEGIC PLAN: Strategic Objective II: Successful implementation/completion of the Pension Administration System (PAS).

VIII. ADMINISTRATIVE BUDGET IMPACT: None



Jamie Borba, Member and Employer Services Specialist



Lisa Frazer, Member and Employer Services Manager



Rick Santos, Executive Director

[Back to Agenda](#)

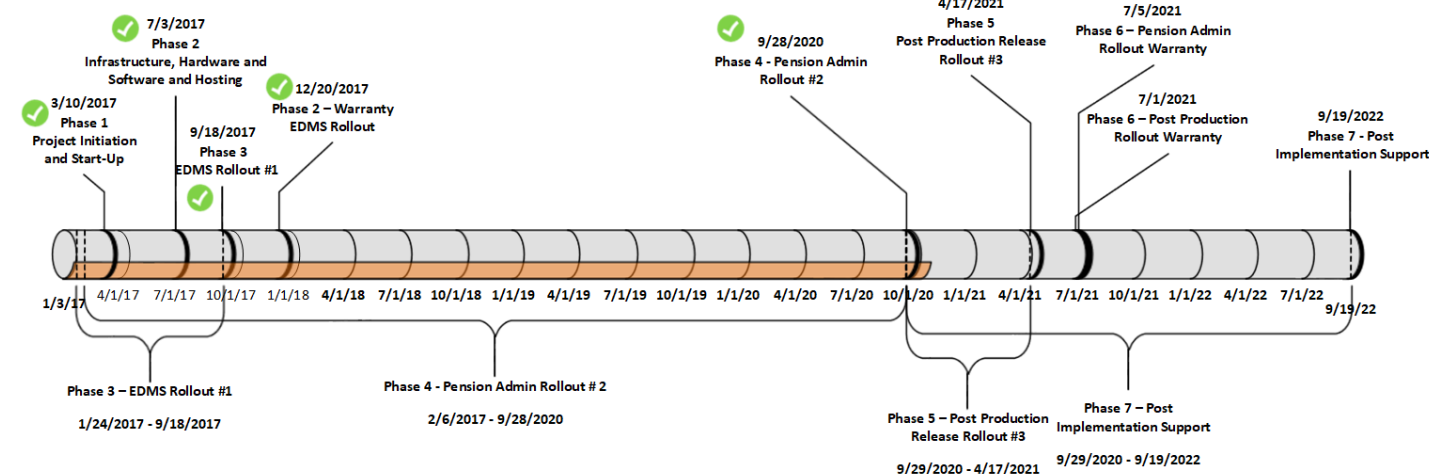
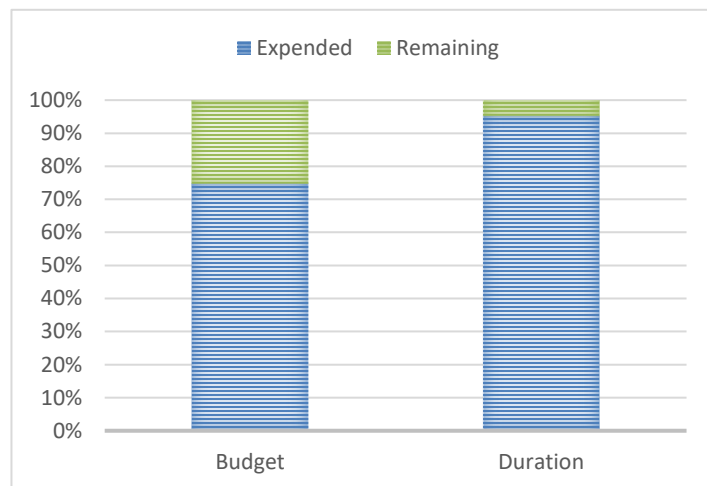
PAS IMPLEMENTATION LINEA BI-WEEKLY STATUS UPDATE


SPONSOR:

Rick Santos

REPORT DATE:

10-16-2020


Baseline 12/01/2016
STATUS


Linea Budget as of 09/30/2020

Risks & Issues:

StanCERA and Tegrit had a successful go-live release of the Pension Administration System on 9/28/2020.

Current risks to the project in the first few weeks following go-live are:

- Unforeseen system or data problems
- Process adaptations to Arrivos
- Staff learning curve

Accomplishments:

- Tegrit and Linea provided continuous user support to StanCERA staff.
- Began to resume regular project activities including BSR delivery and scheduling design sessions.
- Tegrit resolved Help Desk items from the first two weeks following go-live and pushed bug fixes to production, as needed.

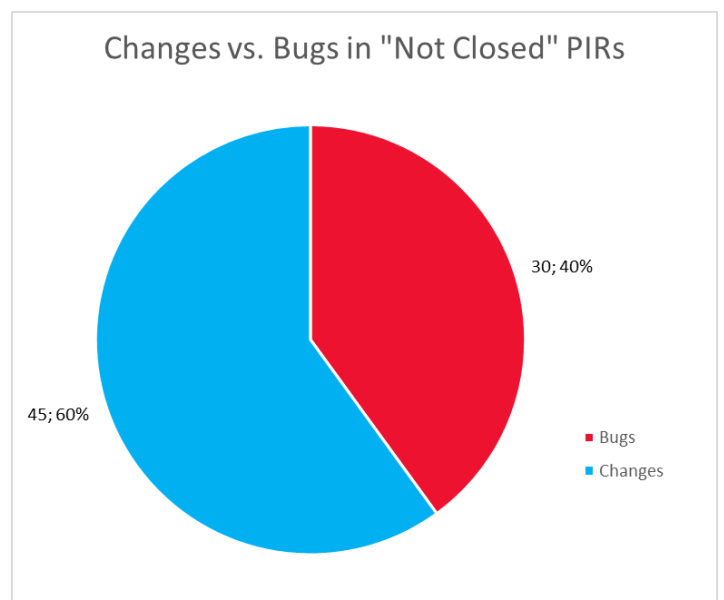
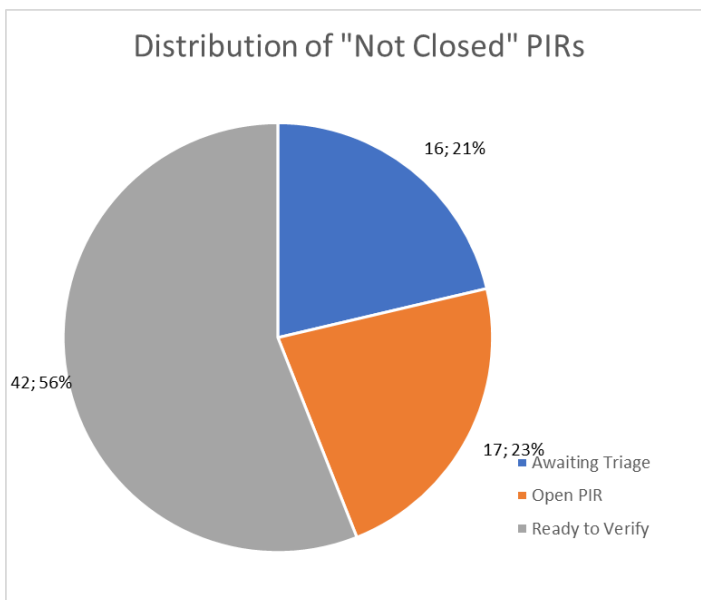
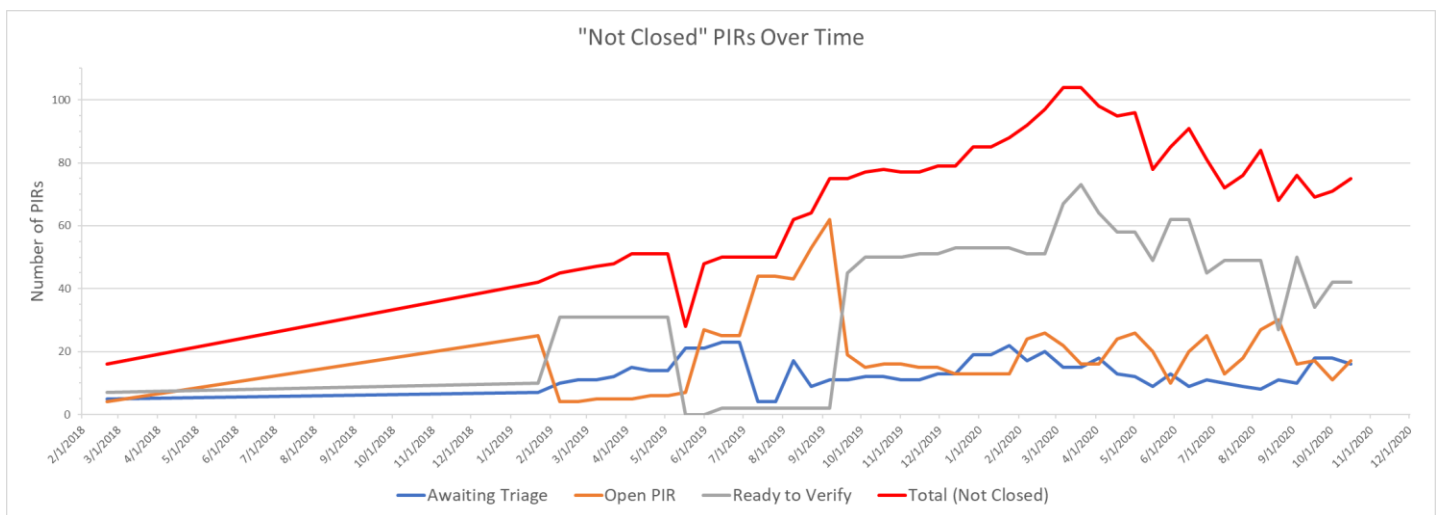
Upcoming:

- Ongoing support activities for new Arrivos users.
- Project planning and timeline development for releases of future functionality.
- Continuation of regular project activities including design sessions, BSR reviews, and UAT testing.
- Clean-up of leftover go-live action items and resolved PIRs.

Ongoing Project Contributions

- Facilitate weekly Project Manager's meetings and create meeting minutes.
- Facilitate monthly Steering Committee Meetings and create meeting minutes.
- Participate in Tegrit work sessions, review meeting minutes, and compile resulting decision logs and action items.
- Regularly review action items for follow up and completion.
- Review and hold group review sessions for BSRD deliverables made by Tegrit (BSR076, BSR080, BSR088).
- Track requirements, as discussed in work sessions and BSRDs, using the RTM and meet with StanCERA PM to update requirements confirmation.
- Manage and participate in system testing efforts, including review of test scripts, compiling of results, input of PIRs, and tracking of issue resolution.

Current PIR Summary



[Back to Agenda](#)

October 27, 2020

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: 2020 Executive Director Goals Update - Quarter 3
- II. ITEM NUMBER: 6.e.
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: This is the Quarter 3 Executive Director goals update for 2020 (attachment 1). At this stage, staff appears to be on a good trajectory to complete its goals for 2020. The one issue that will most likely be pushed into 2021 is the documentation of StanCERA business practices. The creation and documentation of business practices are most efficiently captured in the workflow processes being built into Arrivos. Since all work-flow processes have not yet been built into the new System, the completion of this goal will be pushed into 2021. The following is a summary of those items not yet complete and their status:
 - **85% of data audits complete** – This goal is well within reach of completion by year's end and actually is very close to 85% complete at this point
 - **General dispensation of retirement information in the form of seminars, pre-retirement seminars and online webinars** – StanCERA IT consultant and staff are currently researching this issue; This objective has been slowed somewhat due to the remote nature of the current work environment and the implementation of the StanCERA member web portal. However, our goal at this point (which would satisfy the strategic objective) is to have researched an implementation strategy by year's end
 - **Documentation of StanCERA business and policy practices** – Policy updates are nearly complete and should be by year's end. Documentation of StanCERA business practices are on-going and somewhat dependent on the development of work flow processes being built into the Arrivos System. These work flow processes will not be entirely complete by the end of the year, but should be during 2021
 - **Identification, documentation and mitigation of business risk within the Organization** – This item has essentially been completed and is in the documentation stage

- ***Documentation of the Investment Governance Process*** – Staff has researched document management systems and will be making a recommendation to management on the best way to capture and implement our Investment Governance processes by the end of the year

VI. RISK: NONE

VII. STRATEGIC PLAN: N/A

VIII. ADMINISTRATIVE BUDGET IMPACT: NONE



Rick Santos, Executive Director

[Back to Agenda](#)

Executive Director Goals Q3 2020 Update**(Attachment 1)*****General and/or Ongoing Items***

1. Continued communication, outreach and transparency with major stakeholders such as County, County BOS, Local Governments, Special Districts and Employee Groups
 - Meetings with all plan sponsors on a regular basis regarding ITS Project
 - Multiple correspondences/messaging regarding the Alameda Decision
 - Multiple calls/meetings with members regarding the Alameda Decision
 - Employee group meeting regarding the Alameda Decision
 - Multiple meetings regarding the 415 correction process with the IRS
2. Maintenance of StanCERA's asset allocation targets
 - Targets being monitored on a regular basis and allocations being maintained within targets
3. Continued progress on the System data clean-up project
 - Data clean up continuing using part-time staff; Note that staff is within roughly 600 audits from completion
4. Director Professional Development
5. Facilitate RFP for General Investment Consultant
 - RFP Complete
6. Oversee Information Technology Solutions Project
 - Project "go-live" implemented on September 28th
 - All expected functionality at go-live in use
 - Staff is now using the new Arrivos System entirely to do nearly all of their workload;
 - StanCERA's new Org Structure has been incorporated into the daily work processes and is being facilitated through the work flow functionality built into Arrivos (NOTE: Not all functionality is yet built into Arrivos)
7. Oversee and completion of day to day administrative functions
 - All normal administrative functions completed on time; Outstanding disability cases at 16
8. Biennial By-Law Review – All Policies Below Reviewed and Updated (through Q3)
 - Education
 - Accounting
 - Compensation Assessment
 - Dissolution of Marriage/Domestic Partner
 - Electronic Data Security
 - Underpayment of Benefits
 - Contributions
 - Overpayment of Benefits
 - Stale Dated Check

9. Completion of asset liability review
 - Board education on asset classes complete
 - Investment consultant presentation in July on expected transition plan
 - Asset Allocation on track to be completed by completed by December 2020

Items Tied to the Strategic Plan

Strategic Objective #1

Develop an Organizational Structure reflective of our operational capabilities and succession planning needs

Strategic Plan Objective #1, Deliverables

1. Present the new Organizational Structure to StanCERA staff
 - Complete (Q1)
2. Evaluate job descriptions of StanCERA positions to ensure they are still relevant and upholding the Mission, Vision and business practices and processes of the Organization by Fiscal Services and Member and Employer Services Manager
 - Complete (Q1)
3. Develop the Job Description for the Organizational Support Manager position by StanCERA leadership
4. Evaluate StanCERA's internal operational needs as it supports the new Organizational Structure by StanCERA leadership
 - ✓ Define workflow processes in the new Pension Administration System that promote teamworking styles and mentorship
 - In progress; staff has been developing work-flow processes (Q1, Q2, Q3)
5. Phased implementation of the new Organizational Structure by StanCERA leadership
 - ✓ Soft implementation by summer 2020
 - Team concept initiated and working in limited circumstances, however, due to current issues, the implementation phase is being delayed (Q1)
 - StanCERA staff currently working within their new Org Structure roles (Q2)
 - Org Structure was fully implemented at System "go-live" (Q3)
 - Note: Staff should have a verbal update at the October Board Meeting
 - ✓ Complete implementation by end of 2020
 - Note that for all intents and purposes, StanCERA's new Org structure is currently in use and this objective met. However, with the development of our new work flow processes, the flow of work throughout the Organization could change and necessitate some anticipated changes to the basics of the Org structure (Q2).

Strategic Objective # 2

Successful implementation/completion of the Pension Administration System (PAS)

Strategic Plan Objective #2, Deliverables

1. Integrate staff into all aspects of the PAS. Create an atmosphere of “ownership” of the project by employees
 - ✓ Maintain an internal PAS project manager position with at least 75% of the position’s time spent on the project
 - StanCERA staff member dedicated 100% to project. Anticipate that this assignment will last through 2020 (Q1)
 - ✓ Create and implement a process whereby all line employees participate (within their relevant program area) in documenting current processes, assist in the creation of new processes, test system functionality and ultimately be required to sign off on releases of the new system functionality
 - Processes implemented as designed (Q1)
 - ✓ Require at least one StanCERA manager participate in all process workflow development meetings
 - Currently, StanCERA has at least one program area specialist participate in workflow development sessions (Q1)
 - At least one management staff participating in sessions (Q1)
 - ✓ Require staff redundancy (more than 1) in all phases of the documentation and development of system functionality
 - Currently at least one StanCERA staff participating in system development (Q1)
 - Currently at least one StanCERA manager participating in system development (Q1)
 - Project also employing at least one external consultant participating in system development (Q1)
2. Develop and instill trust in the PAS so that Organizational “buyoff” of the system is achieved, thereby maximizing the potential efficiencies the System can offer
 - ✓ Maximize the number of test cases that are performed and analyzed regarding benefit estimation and calculation (Q3). *Note that StanCERA staff and consultants tested an extraordinarily large number of cases during the third quarter in anticipation of go-live*
 - ✓ Parallel test the Arrivos System (PAS) with the Tyler System (StanCERA’s current system) for at least 2 weeks after “go live” (Q3). *Note that parallel testing has been occurring for the past 2 months (August and September), since it was vetted and decided that parallel testing was best performed BEFORE go-live. As a consequence, parallel testing was completed prior to go-live*
 - ✓ Staff training with live demos, data and actual cases/scenarios prior to “go live”
 - Two staff training sessions completed using actual data and work flow cases (Q1)

- Project management currently developing “webinars” dedicated to staff training offsite (Q1)
- ✓ Management to maintain a high degree of transparency amongst staff regarding all aspects of the project
 - All staff are updated regularly on project issues and deadlines (Q1)
- ✓ Maintain communication and encourage involvement by the Steering Committee and the Board regarding new functionality and business process changes inherent in the PAS
 - Monthly Steering Committee meetings (Q1)
 - Steering Committee kept informed on all ITS issues (Q1)
- ✓ Create and maintain a Committee of no less than 2 trustees to oversee the electronic integration of customer service opportunities into the PAS
 - Committee created; 2 meetings held (Q1)
- 3. Strive to unlock the full value inherent in the PAS for both internal and external constituents
 - ✓ 65-70% of all data audits complete by “go live”
 - Complete (Q3); Currently staff has approximately 600 audits left
 - ✓ 85% of all data audits complete by end of 2020
 - In progress
 - ✓ Creation of short online webinars members can use to understand their retirement benefits
 - Issue currently being researched
 - ✓ Revamp/revise the way information is dispensed to members at the Pre-Retirement Seminars. Consider more personalized (and less general) information and integrate the capabilities of the PAS at seminars
 - Issue currently being researched
 - ✓ Consider mid-career retirement seminars
 - Issue currently being researched

Strategic Objective # 3

Development and implementation of a formalized succession plan for StanCERA

Strategic Plan Objective #3 Deliverables

1. Documentation of all StanCERA business processes and policies
 - ✓ Build training guidelines for each role that supports the Organizational Structure’s natural progression
 - Currently in progress
 - ✓ Research and source an appropriate knowledge management system meant to house the documentation of StanCERA’s business processes and policies (this task is assigned within Strategic Objective #5)
 - Complete (Q3); See Strategic Objective #5

*Strategic Objective #4***Development of a formalized Operational Risk Management Plan**

Strategic Plan Objective #4 Deliverables

1. Reach out to other pension systems to gain further understanding of the requirements of an Operational Risk Management Plan
 - Complete (Q1)
2. Define StanCERA's operational objectives and objectives for each of the strategies within the strategic plan
 - Complete (Q2)
3. Identify the risks within the Organization and determine the type of risk, the level of risk, cause of risk effect of the risk and the controls in place regarding the risk
 - Currently in Progress

*Strategic Objective # 5***Process documentation and standardization of the Investment Governance Process**

Strategic Plan Objective #5 Deliverables

1. Develop and maintain a comprehensive list of critical investment governance processes
 - ✓ Identify and categorize tasks that require documentation
 - Complete (Q1)
 - ✓ Create a master calendar for investment governance
 - Complete (Q2)
2. Research and source an appropriate knowledge management system
 - ✓ Determine the design and scope of the desired system
 - Complete (Q3)
 - ✓ Identify and select a system that provides the required functionality while also remaining compatible with the Organization's existing systems and resource constraints
 - Complete (Q3)
3. Standardize the documentation process
 - ✓ Research methods to capture implicit knowledge in the documentation process
 - Currently in progress
 - ✓ Create a procedure template appropriate for investment governance tasks
 - Currently in progress

October 27, 2020

Retirement Board Agenda Item

TO: Retirement Board

FROM: Stan Conwell, Retirement Investment Officer

- I. SUBJECT: Investment Matrix
- II. ITEM NUMBER: 6.f.
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: N/A
- V. ANALYSIS:

a) *Investment Program Activities & Governance:*

Progress was made on the investment related strategic goals for this year. A few document management systems were reviewed and a clear frontrunner was identified. Microsoft Teams has a good file storage interface with excellent collaboration features. StanCERA is already utilizing Teams across the organization and extending its use as a document management system could enhance productivity by making files easier to access and review and edit simultaneously.

Research on an appropriate private credit proxy is continuing with the assistance of NEPC. A number of potential options are currently being considered and a few have been eliminated. Legal due diligence was completed on a new private equity fund and a few additional funds should be beginning the process soon. Staff is also working with Northern Trust on updating their performance reports to reflect the current benchmarks.

b) *Money Transfer Report:*

September:

From			To		
Manager	Asset Class	Amount	Manager	Asset Class	Amount
NT Russell 3000 Index	Public Equities	\$-1,050,000	Insight Partners XI, LP	Private Equity	\$1,050,000

c) *Manager Meeting Notes:*

American Strategic Value Realty Fund

Staff met with the CIO, Deputy Portfolio manager, and Executive Managing Director for a portfolio update call. The American Strategic Value Realty Fund follows a value-add strategy with a focus on the industrial, multi-family, office, and retail property sectors in major markets or emerging submarkets across the US. The current market environment and the potential long-term impacts of Covid-19 on the individual sectors was discussed and an extensive discussion on valuations and fund performance followed. ARA performed well through Q2 compared to the NFI-ODCE index. The portfolio's return from income helped to offset the losses due to valuation declines. The fund is currently repositioning given the shift in the real estate market cycle. They are looking to be opportunistic while maintaining a disciplined risk-mitigated approach and keeping leverage low.

Morgan Stanley Prime Core Fund

In October, staff met with a managing director of the Morgan Stanley Prime Core real estate fund. The main topic of discussion was a review of Q2 fund performance and recent investment activities. Some discussion of Q3 also took place as the preliminary numbers were in for that period at the time of the meeting. The Prime fund is an open-ended commingled fund focused on high quality properties in resilient markets. The fund is designed to provide stable income driven returns with potential for value appreciation. The Q2 performance came in below the NFI-ODCE benchmark as the fund's retail properties were highly impacted by COVID-19 closures. However, the fund is well diversified across property types and increases from the industrial and multi-family assets helped to offset some of the losses. The outlook for retail in general is mixed, but the current expectation is that the high-quality retail assets in the Prime fund will recover over time. The outlook is positive for other sectors including industrial, self-storage and healthcare.

d) *Trainings/Conferences:*
N/A

- VI. RISK: None
- VII. STRATEGIC PLAN: N/A
- VIII. ADMINISTRATIVE BUDGET IMPACT: NONE



Stan Conwell, Retirement Investment Officer

October 27, 2020

Retirement Board Agenda Item

TO: Retirement Board

FROM: Stan Conwell, Retirement Investment Officer

- I. SUBJECT: Private Markets Commitment Notice - Clayton, Dubilier & Rice Fund XI (CD&R XI)
- II.
- III. ITEM NUMBER: 6.g.
- IV. ITEM TYPE: Information Only
- V. STAFF RECOMMENDATION: None
- VI. ANALYSIS:

On October 15, 2020 StanCERA committed \$20 million to the Clayton, Dubilier, and Rice XI fund (CD&R XI). CD&R is a private equity firm focusing on buyouts across four primary sectors: industrials, healthcare, consumers/retail, and services. The firm was founded in 1978 making it one of the oldest private equity firms in the world. Since inception, CD&R has remained 100% partner owned and manages a single flagship fund. The fund primarily invests in market-leading businesses at below industry average valuations where the opportunity to add value through operational improvements is high. CD&R has two main offices in New York City and London, England and invests in both the North American and Western European markets. The firm has \$30+ billion in aggregate commitments.

StanCERA has a 6.0% target allocation to the private equity asset class with a sub-asset class target allocation of 4% to buyouts and 2% to venture capital. The commitment to CD&R XI will be allocated to the buyouts sub-asset class and is in compliance with StanCERA's Private Markets Investment Policy Statement. For each private market investment, several due diligence reports are completed by the investment consultant and staff. These reports contain confidential information and are available to Trustees for review upon request.

CD&R XI Due Diligence Reports:

Attachment 1 - Executive Summary (Staff)
Attachment 2 - Compliance Checklist (Staff)
Attachment 3 - Executive Summary and Comprehensive Due Diligence Report (Consultant)
Attachment 4 - Recommendation/Approval Memo (Consultant)
Attachment 5 - Manager Pitchbook

- VII. RISK: None
- VIII. STRATEGIC PLAN: N/A
- IX. ADMINISTRATIVE BUDGET IMPACT: NONE



Stan Conwell, Retirement Investment Officer

MONTHLY PERFORMANCE REPORT

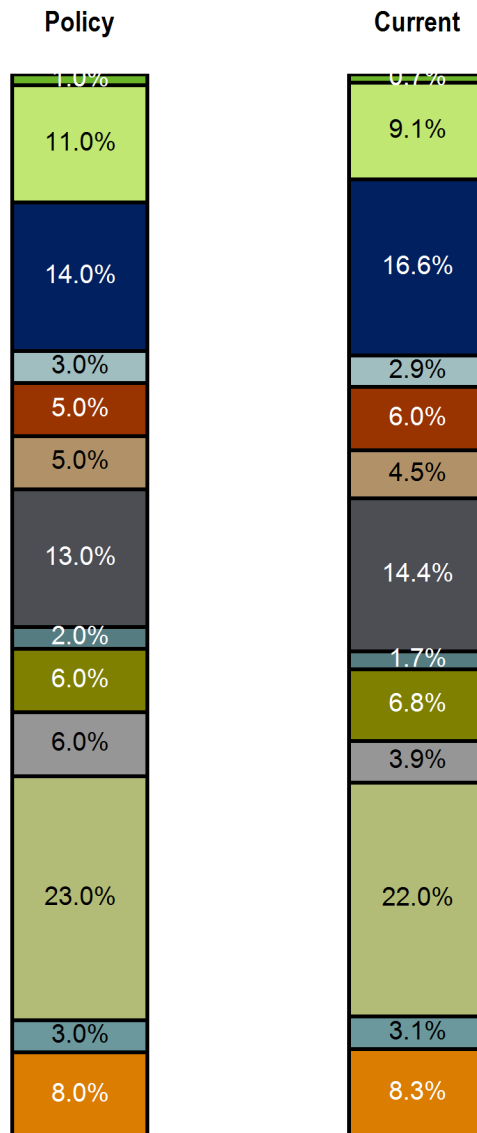
Stanislaus County ERA

September 30, 2020



BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | PORTLAND | SAN FRANCISCO

TOTAL FUND ASSET ALLOCATION VS. POLICY



Asset Allocation vs. Target						
	Current	Policy	Current	Policy Range	Within Range	
Cash	\$16,957,771	1.0%	0.7%	0.0% - 4.0%	Yes	
Cashflow-Matched Bonds	\$206,521,649	11.0%	9.1%	5.0% - 12.0%	Yes	
US Large Equity	\$377,021,641	14.0%	16.6%	10.0% - 18.0%	Yes	
US Small Equity	\$65,975,032	3.0%	2.9%	0.0% - 6.0%	Yes	
Core Real Estate	\$136,475,871	5.0%	6.0%	0.0% - 10.0%	Yes	
Value-Add Real Estate	\$101,896,839	5.0%	4.5%	0.0% - 10.0%	Yes	
Risk Parity	\$327,475,161	13.0%	14.4%	8.0% - 18.0%	Yes	
Infrastructure	\$37,731,391	2.0%	1.7%	0.0% - 5.0%	Yes	
Private Equity	\$153,520,242	6.0%	6.8%	0.0% - 10.0%	Yes	
Private Credit	\$88,799,466	6.0%	3.9%	0.0% - 10.0%	Yes	
International Equity	\$500,296,956	23.0%	22.0%	14.0% - 32.0%	Yes	
US Treasury Bonds	\$69,926,521	3.0%	3.1%	1.0% - 6.0%	Yes	
Short-Term Bonds	\$188,451,845	8.0%	8.3%	4.0% - 12.0%	Yes	
Total	\$2,271,050,386	100.0%	100.0%			

- The Private Equity allocation includes the Private Equity Proxy account value.

TOTAL FUND NET PERFORMANCE DETAIL

	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Fund	2,271,050,386	100.0	-1.9	4.2	-0.3	4.2	4.6	5.0	7.6	7.8	8.7	Jan-95
<i>Policy Index</i>			-1.6	4.8	2.0	4.8	7.5	5.9	8.0	7.9	8.0	Jan-95
Liquidity Sub-Portfolio	223,479,420	9.8	-0.2	1.2	5.9	1.2	6.9	4.8	3.3	--	--	Apr-11
<i>StanCERA Liquidity Blended BM</i>			-0.1	1.1	9.0	1.1	9.6	4.7	3.2	2.1	2.2	Apr-11
Cash	16,957,771	0.7	0.0	0.0	0.8	0.0	1.3	1.4	1.3	--	--	Apr-11
<i>FTSE T-Bill 1 Month TR</i>			0.0	0.0	0.4	0.0	0.9	1.6	1.1	0.6	0.6	Apr-11
Cashflow-Matched Bonds	206,521,649	9.1	-0.2	1.3	6.2	1.3	7.3	5.1	--	--	4.9	Jun-17
<i>BBgBarc US Govt/Credit Int TR</i>			0.0	0.6	5.9	0.6	6.3	4.4	3.4	2.9	4.3	Jun-17
<i>Insight</i>	206,521,649	9.1	-0.2	1.3	6.2	1.3	7.3	5.1	--	--	4.9	Jun-17
<i>BBgBarc US Credit Int TR</i>			-0.1	1.2	5.5	1.2	6.5	5.0	4.3	3.9	4.9	Jun-17
Growth Sub-Portfolio	1,789,192,600	78.8	-2.3	5.2	-1.9	5.2	4.1	5.2	8.7	9.4	7.7	Dec-03
US Equities	442,996,673	19.5	-4.0	8.5	0.7	8.5	10.3	8.2	11.4	12.4	9.1	Dec-03
<i>Russell 3000</i>			-3.6	9.2	5.4	9.2	15.0	11.6	13.7	13.5	9.1	Dec-03
US Large Equity	377,021,641	16.6	-3.9	9.5	5.9	9.5	16.1	11.7	13.7	13.7	12.5	Dec-94
<i>Russell 1000</i>			-3.7	9.5	6.4	9.5	16.0	12.4	14.1	13.8	10.3	Dec-94
<i>BlackRock Russell 1000 Growth</i>	213,010,768	9.4	-4.7	13.2	24.3	13.2	37.5	21.7	20.1	17.3	17.6	Jul-10
<i>Russell 1000 Growth</i>			-4.7	13.2	24.3	13.2	37.5	21.7	20.1	17.3	17.6	Jul-10
<i>BlackRock Russell 1000 Value</i>	81,248,742	3.6	-2.5	5.6	-11.4	5.6	-4.8	2.8	7.8	10.0	10.7	Jul-09
<i>Russell 1000 Value</i>			-2.5	5.6	-11.6	5.6	-5.0	2.6	7.7	9.9	10.6	Jul-09
<i>Dodge & Cox-Equity</i>	82,762,130	3.6	-3.0	4.4	-12.0	4.4	-3.4	2.2	8.6	10.9	11.1	Dec-94
<i>Russell 1000 Value</i>			-2.5	5.6	-11.6	5.6	-5.0	2.6	7.7	9.9	9.2	Dec-94
US Small Equity	65,975,032	2.9	-4.4	3.0	-20.9	3.0	-13.6	-5.1	2.6	7.5	9.6	Dec-08
<i>Russell 2000</i>			-3.3	4.9	-8.7	4.9	0.4	1.8	8.0	9.9	11.4	Dec-08
<i>Capital Prospects</i>	65,975,032	2.9	-4.4	3.0	-20.9	3.0	-13.6	-5.1	4.1	7.8	9.8	Dec-08
<i>Russell 2000 Value</i>			-4.7	2.6	-21.5	2.6	-14.9	-5.1	4.1	7.1	8.4	Dec-08

TOTAL FUND NET PERFORMANCE DETAIL

	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Core Real Estate	136,475,871	6.0	0.6	1.1	-3.4	1.1	-2.7	3.2	4.4	4.0	2.0	Mar-08
NCREIF Property Index			0.0	0.0	-0.3	0.0	1.3	4.9	6.1	9.3	5.7	Mar-08
Prime Property Fund	58,818,289	2.6	1.1	1.1	-0.2	1.1	1.3	5.3	7.0	--	7.0	Sep-15
NCREIF ODCE			0.5	0.5	-0.1	0.5	1.4	5.2	6.6	10.3	6.6	Sep-15
BlackRock US Real Estate	18,065,437	0.8	-3.1	0.8	-21.4	0.8	-22.4	-1.9	1.9	--	4.8	Sep-12
DJ US Select RESI TR USD			-3.1	0.8	-21.4	0.8	-22.3	-1.8	2.0	7.0	4.9	Sep-12
PGIM Real Estate US Debt Fund	59,592,145	2.6	1.2	1.2	3.2	1.2	4.6	--	--	--	5.2	Sep-18
BBgBarc US CMBS Investment Grade			0.4	1.9	6.3	1.9	6.0	5.3	4.2	4.5	7.6	Sep-18
Value-Add Real Estate	101,896,839	4.5	0.0	0.4	5.5	0.4	7.3	9.3	10.6	--	10.0	Jul-14
NCREIF Property Index +2%			0.2	0.5	1.2	0.5	3.3	6.9	8.2	11.5	9.7	Jul-14
American Strategic Value Realty	68,253,503	3.0	0.0	0.0	1.0	0.0	3.4	7.0	9.0	--	10.1	Dec-14
NCREIF Property Index			0.0	0.0	-0.3	0.0	1.3	4.9	6.1	9.3	7.1	Dec-14
Greenfield Gap VII	10,318,259	0.5	0.0	1.1	3.2	1.1	4.2	10.7	11.9	--	10.9	Jul-14
NCREIF-ODCE +1%			0.6	0.7	0.6	0.7	2.4	6.2	7.7	11.4	9.4	Jul-14
Greenfield Gap VIII	23,325,077	1.0	0.0	1.4	19.9	1.4	20.3	--	--	--	18.3	Apr-18
NCREIF-ODCE +1%			0.6	0.7	0.6	0.7	2.4	6.2	7.7	11.4	5.5	Apr-18
Risk Parity	327,475,161	14.4	-1.0	4.4	1.0	4.4	2.6	--	--	--	5.4	Nov-17
60% MSCI ACWI (Net)/ 40% BBgBarc Global Agg			-2.1	6.0	3.6	6.0	9.3	6.2	8.0	6.2	5.6	Nov-17
AQR Global Risk Premium - EL	161,819,671	7.1	-0.9	4.0	-1.6	4.0	1.8	--	--	--	--	Mar-18
60% MSCI ACWI (Net)/ 40% BBgBarc Global Agg			-2.1	6.0	3.6	6.0	9.3	6.2	8.0	6.2	5.3	Mar-18
PanAgora Risk Parity Multi Asset	165,655,490	7.3	-1.1	4.9	3.6	4.9	3.4	--	--	--	6.1	Nov-17
60% MSCI ACWI (Net)/ 40% BBgBarc Global Agg			-2.1	6.0	3.6	6.0	9.3	6.2	8.0	6.2	5.6	Nov-17
Infrastructure	37,731,391	1.7	0.0	3.6	7.0	3.6	9.2	15.4	10.0	--	7.8	May-15
CPI + 5% (Unadjusted)			0.5	2.2	5.1	2.2	6.4	6.9	6.9	6.8	6.8	May-15
MS Infrastructure Partners II	37,731,391	1.7	0.0	3.6	7.0	3.6	9.2	15.4	10.0	--	7.8	May-15
CPI + 5% (Unadjusted)			0.5	2.2	5.1	2.2	6.4	6.9	6.9	6.8	6.8	May-15
Private Equity	4,554,326	0.2	0.0	0.0	--	0.0	--	--	--	--	0.0	Apr-20
Russell 3000 + 3%			-3.4	10.0	7.8	10.0	18.4	15.0	17.1	16.9	35.2	Apr-20
Private Equity Proxy	148,965,916	6.6	-3.6	9.2	5.4	9.2	14.9	13.7	14.8	14.1	9.5	Nov-03
Russell 3000			-3.6	9.2	5.4	9.2	15.0	11.6	13.7	13.5	9.4	Nov-03
Private Credit	88,799,466	3.9	-0.5	-0.5	-10.1	-0.5	-9.3	-0.7	0.1	--	2.3	May-13
S&P/LSTA Leveraged Loan Index +2%			0.8	4.6	0.8	4.6	3.1	5.2	6.1	6.3	5.5	May-13



TOTAL FUND NET PERFORMANCE DETAIL

	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
International Equity	500,296,956	22.0	-3.1	5.2	-8.0	5.2	0.7	-0.3	5.6	4.3	5.7	Sep-04
MSCI ACWI ex USA			-2.5	6.3	-5.4	6.3	3.0	1.2	6.2	4.0	5.5	Sep-04
LSV Asset Mgt	232,461,679	10.2	-4.4	2.0	-15.2	2.0	-6.5	-3.5	3.9	3.3	4.9	Sep-04
MSCI ACWI ex USA			-2.5	6.3	-5.4	6.3	3.0	1.2	6.2	4.0	5.5	Sep-04
Fidelity	267,835,278	11.8	-1.9	8.2	-0.7	8.2	8.0	3.0	7.0	5.1	3.8	Apr-06
MSCI ACWI ex USA			-2.5	6.3	-5.4	6.3	3.0	1.2	6.2	4.0	2.9	Apr-06
Risk-Diversifying Sub-Portfolio	258,378,366	11.4	0.0	0.4	4.6	0.4	4.8	3.8	4.1	4.0	4.9	Nov-03
StanCERA Risk-Diversifying Blended BM			0.1	0.2	5.3	0.2	5.4	3.9	2.8	2.3	--	Nov-03
US Treasury Bonds	69,926,521	3.1	0.2	0.2	10.0	0.2	8.8	6.1	5.7	4.8	5.4	Nov-03
BBgBarc US Treasury 7-10 Yr TR			0.3	0.3	11.4	0.3	10.1	6.8	4.5	4.2	--	Nov-03
Northern Trust Intermediate Gov't Bond	49,244,817	2.2	0.1	0.2	5.9	0.2	6.0	4.0	--	--	3.8	Jul-17
BBgBarc US Govt Int TR			0.1	0.2	6.0	0.2	6.0	4.0	2.8	2.3	3.8	Jul-17
Northern Trust Long Term Gov't Bond	20,681,704	0.9	0.5	0.1	21.0	0.1	16.1	11.8	--	--	11.5	Jul-17
BBgBarc US Govt Long TR			0.4	0.1	21.1	0.1	16.2	11.8	8.2	7.2	11.5	Jul-17
Short-Term Bonds	188,451,845	8.3	0.0	0.5	2.7	0.5	3.5	3.0	--	--	2.9	Jul-17
BBgBarc US Govt/Credit 1-3 Yr. TR			0.0	0.2	3.1	0.2	3.7	2.8	2.1	1.6	2.7	Jul-17
DFA	188,451,845	8.3	0.0	0.5	2.7	0.5	3.5	3.0	--	--	2.9	Jul-17
BBgBarc US Govt/Credit 1-3 Yr. TR			0.0	0.2	3.1	0.2	3.7	2.8	2.1	1.6	2.7	Jul-17

- Investment data is preliminary as of 9/30/20 and is subject to change.



Stanislaus County ERA

NOTES

- All performance is shown net of investment management fees.

- Performance history is provided by Verus through June 2020. As of July 1, 2020 performance is calculated and reported by NEPC. Policy Index History:

- **Policy Index makeup history:**

- **Inception - 6/30/2017:** 14.4% Russell 1000 Value, 11.3% Russell 1000 Growth, 4.8% S&P 500, 4% Russell 2000 Value, 3.7% Russell 2000 Growth, 18% MSCI ACWI ex USA Gross, 29.8% BBgBarc US Aggregate TR, 3.5% DJ US Select RESI TR USD, 7.5% 9% Annual, 3% CPI + 4%
- **7/1/2017 - 8/31/2018:** 18.5% Russell 1000, 5.5% Russell 2000, 24% MSCI ACWI ex USA Gross, 19% BBgBarc US Govt/Credit 1-3 Yr. TR, 1% FTSE T-Bill 1 Month TR, 3% BBgBarc US Treasury 7-10 Yr TR, 7.7% NCREIF Property Index, 1.7% NCREIF Property Index +2%, 0.6% CPI + 5%, 5% BBgBarc US High Yield + 2%, 14% 60% MSCI ACWI Net/40% BBgBarc Global Aggregate
- **9/1/2018 - 5/30/2019:** 10% Russell 1000, 3% Russell 2000, 6% Russell 3000 +3%, 27% MSCI ACWI ex USA Gross, 20% BBgBarc US Govt/Credit 1-3 Yr. TR, 1% FTSE T-Bill 1 Month TR, 3% BBgBarc US Treasury 7-10 Yr TR, 5% NCREIF Property Index, 5% NCREIF Property Index +2%, 1% CPI + 5%, 6% S&P/LSTA Leveraged Loan Index+2%, 13% 60% MSCI ACWI Net/40% BBgBarc Global Aggregate
- **6/1/2019 - 6/30/2020:** 14% Russell 1000, 3% Russell 2000, 6% Russell 3000 + 3%, 23% MSCI ACWI ex-USA, 19% BBgBarc US Gov't/Credit 1-3 Yr, 1% Citi 1 Month T-Bills, 3% BBgBarc US Treasury 7-10 Yr, 5% NCREIF Property, 5% NCREIF Property +2%, 2% CPI +5%, 6% S&P/LSTA Leveraged Loan Index + 2%, 13% 60% MSCI ACWI / 40%BBgBarc Global Aggregate
- **7/1/2019 - Present:** 14% Russell 1000, 3% Russell 2000, 6% Russell 3000 + 3%, 23% MSCI ACWI ex-USA, 8% BBgBarc US Gov't/Credit 1-3 Yr, 1% Citi 1 Month T-Bills, 3% BBgBarc US Treasury 7-10 Yr, 5% NCREIF Property, 5% NCREIF Property +2%, 2% CPI +5%, 6% S&P/LSTA Leveraged Loan Index + 2%, 13% 60% MSCI ACWI / 40%BBgBarc Global Aggregate, 11% BBgBarc US Intermediate.

- Starting July 1, 2020, the small Capital Prospects transition cash balance is moved from the Cash composite to the Capital Prospects account. Historical performance for Capital Prospects, US Small, US Equities, Growth Sub-Portfolio, Cash, and Liquidity Sub-Portfolio prior to July 1, 2020 reflects performance of these composites before this change.



FUND ASSET GROWTH SUMMARY BY MANAGER

	Month Ending September 30, 2020					Ending Market Value
	Beginning Market Value	Contributions	Withdrawals	Net Cash Flow	Net Investment Change	
American Strategic Value Realty	\$68,253,503	\$0	\$0	\$0	\$0	\$68,253,503
AQR Global Risk Premium - EL	\$163,281,592	\$0	\$0	\$0	-\$1,461,921	\$161,819,671
Bernzott	\$11,589,291	\$0	-\$18,331	-\$18,331	-\$419,681	\$11,151,278
BlackRock Russell 1000 Growth	\$223,524,019	\$0	\$0	\$0	-\$10,513,250	\$213,010,768
BlackRock Russell 1000 Value	\$83,301,288	\$0	\$0	\$0	-\$2,052,546	\$81,248,742
BlackRock US Real Estate	\$18,641,673	\$0	\$0	\$0	-\$576,235	\$18,065,437
Capital Prospects Transition	\$58	\$116,044	-\$116,044	\$0	\$0	\$58
Cash Account	\$16,085,268	\$908,369	-\$35,422	\$872,947	-\$444	\$16,957,771
Channing	\$14,691,865	\$0	-\$22,409	-\$22,409	-\$530,319	\$14,139,137
DFA	\$188,511,139	\$0	-\$52,372	-\$52,372	-\$6,922	\$188,451,845
Dodge & Cox-Equity	\$85,349,067	\$0	\$0	\$0	-\$2,586,937	\$82,762,130
Fidelity	\$273,057,388	\$0	\$0	\$0	-\$5,222,111	\$267,835,278
Greenfield Gap VII	\$10,318,259	\$0	\$0	\$0	\$0	\$10,318,259
Greenfield Gap VIII	\$23,325,077	\$0	\$0	\$0	\$0	\$23,325,077
Insight	\$209,937,248	\$0	-\$3,043,437	-\$3,043,437	-\$372,162	\$206,521,649
Insight Partners XI	\$3,160,370	\$1,050,000	\$0	\$1,050,000	\$0	\$4,210,370
InView	\$12,591,427	\$0	-\$20,171	-\$20,171	-\$584,972	\$11,986,285
Keeley	\$8,794,356	\$0	-\$15,721	-\$15,721	-\$445,295	\$8,333,340
LSV Asset Mgt	\$243,180,882	\$0	\$0	\$0	-\$10,719,203	\$232,461,679
Medley Capital	\$8,745,574	\$0	-\$619,597	-\$619,597	\$0	\$8,125,977
MS Infrastructure Partners II	\$37,952,980	\$0	-\$221,589	-\$221,589	\$0	\$37,731,391
Northern Trust Intermediate Gov't Bond	\$49,207,492	\$6,467	\$0	\$6,467	\$30,858	\$49,244,817
Northern Trust Long Term Gov't Bond	\$20,575,659	\$2,645	\$0	\$2,645	\$103,399	\$20,681,704
Northern Trust Russell 3000	\$155,654,836	\$5,765	-\$1,050,000	-\$1,044,235	-\$5,644,685	\$148,965,916
Owl Rock First Lien Fund	\$5,333,516	\$0	\$0	\$0	-\$451,642	\$4,881,874



Stanislaus County ERA**FUND ASSET GROWTH SUMMARY BY MANAGER**

	Month Ending September 30, 2020					
	Beginning Market Value	Contributions	Withdrawals	Net Cash Flow	Net Investment Change	Ending Market Value
Pacific Ridge	\$12,242,617	\$0	-\$22,923	-\$22,923	-\$534,203	\$11,685,491
PanAgora Risk Parity Multi Asset	\$167,492,437	\$0	\$0	\$0	-\$1,836,947	\$165,655,490
PGIM Real Estate US Debt Fund	\$58,859,661	\$0	\$0	\$0	\$732,484	\$59,592,145
Prime Property Fund	\$58,199,033	\$0	\$0	\$0	\$619,256	\$58,818,289
Raven Capital	\$7,805,701	\$0	\$0	\$0	\$0	\$7,805,701
Raven Opportunity III	\$45,093,443	\$0	\$0	\$0	\$0	\$45,093,443
Vista Foundation Fund IV	\$343,956	\$0	\$0	\$0	\$0	\$343,956
Walthausen	\$9,217,174	\$0	-\$16,545	-\$16,545	-\$521,186	\$8,679,443
White Oak Pinnacle	\$22,892,471	\$0	\$0	\$0	\$0	\$22,892,471
Total	\$2,317,210,322	\$2,089,290	-\$5,254,562	-\$3,165,272	-\$42,994,665	\$2,271,050,386



Information Disclaimer

- Past performance is no guarantee of future results.
- All investments carry some level of risk. Diversification and other asset allocation techniques are not guaranteed to ensure profit or protect against losses.
- NEPC's source for portfolio pricing, calculation of accruals, and transaction information is the plan's custodian bank. Information on market indices and security characteristics is received from other sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- Some index returns displayed in this report or used in calculation of a policy, allocation or custom benchmark may be preliminary and subject to change.
- This report is provided as a management aid for the client's internal use only. Information contained in this report does not constitute a recommendation by NEPC.
- This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

Reporting Methodology

- The client's custodian bank is NEPC's preferred data source unless otherwise directed. NEPC generally reconciles custodian data to manager data. If the custodian cannot provide accurate data, manager data may be used.
- Trailing time period returns are determined by geometrically linking the holding period returns, from the first full month after inception to the report date. Rates of return are annualized when the time period is longer than a year. Performance is presented gross and/or net of manager fees as indicated on each page.
- For managers funded in the middle of a month, the "since inception" return will start with the first full month, although actual inception dates and cash flows are taken into account in all Composite calculations.
- This report may contain forward-looking statements that are based on NEPC's estimates, opinions and beliefs, but NEPC cannot guarantee that any plan will achieve its targeted return or meet other goals.



October 27, 2020

Retirement Board Agenda Item

TO: Retirement Board

FROM: Stan Conwell, Retirement Investment Officer

- I. SUBJECT: AB2833 Auxiliary Report
- II. ITEM NUMBER: 7.a.2.
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: N/A
- V. ANALYSIS:

Attachment 1 contains information regarding StanCERA's alternative type investments. In StanCERA's context, "alternative" type investments are defined as the private credit, infrastructure and private real estate asset classes. This information is required to be published at least annually and is a result of Assembly Bill 2833 that went into effect January 1, 2017. The bill requires various information mostly related to performance, cash flows and their classification. Internal staff has been producing most of this information since October of 2014 and enhance and update the report periodically to response to changing investment program and reporting requirements.

The report presents information about individual funds including general fund information, performance measures, fund balance reconciliation, performance decomposition, and fund expense information. A visual exhibit is also provided for each fund that describes the changes in the investment's fund value over the past 8 periods. With this information, one can quickly see recent trends in the general partner's performance and its attribution.

In addition, the report presents performance and expense information for funds grouped by asset class. Provided in this report are the real estate, private credit and alternative type program grouping. The alternative type program includes the private credit, infrastructure, and private real estate asset classes.

This report is as of June 30, 2020, which is the most recent quarter with complete data on the alternative type managers. The aggregate performance since inception of the private market alternative manager's for June 30, 2020 was 5.03%. The private credit group returned 1.48% and the real estate group returned 8.72% as of June 30, 2020. While some manager's experienced only a slight decline or even a modest improvement in returns versus the prior quarter, as a group, performance has weakened due to the impacts of COVID-19.

Below are the metrics and their definitions used in the report:

- Performance measures

- **Net internal rate of return (IRR)** – The return on the investment since inception after fees. This measure includes all cash flows into and out of the investment, their timing and the ending fund value as of the measurement date. This measure is generally the most accurate, however, is highly dependent on the ending fund value as approximated by the general partner.
 - **Realization multiple or distributions to paid-in-capital (DPI)** – This is a measure of the cash received by StanCERA relative to cash contributed. For instance, if this measure is \$0.75, then for every dollar StanCERA has contributed, it has received back 75 cents.
 - **Residual value to paid-in-capital multiple (RVPI)** – This is a measure of the current fund value relative to cash contributed. For instance, if this measure is \$0.50, then for every dollar StanCERA has contributed, it holds an investment dollar valued at 50 cents. Like IRR, this measure is highly dependent on the ending fund value approximated by the general partner.
 - **Investment multiple or total value to paid-in-capital (TVPI)** – This measure is simply the sum of the DPI and RVPI and is a widely quoted number in the investment world in a general sense.
- **Return decomposition** – The return decomposition allows the investor to see the decomposition of the net internal rate of return from the following sources:
 - **Return from income and cash flow** – Generally, this is the return from interest, principal maturation and the timing of the cash flows from the investment. If this number is relatively high, then it can be said that the general partner is generating a good portion of its returns from income and the timely return of contributions to the investor
 - **Return from expenses** – This is the drag on return from expenses incurred by the fund. If this number is relatively high, then the return on investment is lower because of the high expense ratio
 - **Return from gain/loss** – This is the return due to gains and losses on the actual investments since purchase. This number is the sum of both realized and unrealized gains and losses. If this number is relatively high, then it can be considered that the general partner has made good investment choices
 - **Interaction effect** – This is the return due to the interaction between all of the sources mentioned above. In other words, the return from the other sources are not completely independent of one another
 - **Expense matrix** – This is simply all the expenses/fees broken out by all sources reported to StanCERA by the general partner

VI. RISK: None

VII. STRATEGIC PLAN: N/A

VIII. ADMINISTRATIVE BUDGET IMPACT: NONE



Stan Conwell, Retirement Investment Officer

[Back to Agenda](#)

Alternative Type Program Performance

Analysis Date:	6/30/2020	Expense Matrix Since Inception		
Program Name:	Alternative Type	<u>Expense Type</u>	<u>Expense</u>	<u>% of Total</u>
Program Inception Date:	5/16/2013	Management Fee	\$25,472,624	70.3%
Total Commitment:	\$451,231,797	Partnership Operations	\$1,614,537	4.8%
Unfunded Commitment as of Analysis Date:	\$79,513,157	Organizational Expense	\$227,021	0.7%
% Funded as of Analysis Date:	82.38%	Incentive Allocation	\$2,341,856	6.9%
Program Fund Balance:	\$340,000,191	Offering Costs	\$54	0.0%
		Service Fee	\$339,601	1.0%
		Syndication Costs	\$65,354	0.2%
		Professional Fee	\$3,200,341	9.4%
		Other Expense	\$126,522	0.4%
		Management Fee Reimbursement	-\$1,611,862	-
		General/Administrative Expense	\$814,331	2.4%
		Broken Deal Expense	\$267,706	0.8%
		Interest Expense	\$992,999	2.9%
		Custody Fee	\$113,288	0.3%
		Dividend Expense	\$0	0.0%
		Performance Fee	\$0	0.0%
		Total	\$33,964,372	100.0%
Performance Measures				
Net IRR Since Inception:	5.03%			
Realization Multiple (DPI):	\$0.34			
Residual Value to Paid in Multiple (RVPI):	\$0.72			
Investment Multiple (TVPI):	\$1.07			
Net IRR Decomposition				
Return from Income & Cash Flow:	6.63%			
Return from Expenses:	-2.53%			
Return from Gain/Loss:	0.84%			
Interaction Effect:	0.09%			
Net IRR Since Inception:	5.03%			

Real Estate Program Performance

Analysis Date:	6/30/2020	Expense Matrix Since Inception		
Program Name:	Real Estate	<u>Expense Type</u>	<u>Expense</u>	<u>% of Total</u>
Program Inception Date:	7/8/2014	Management Fee	\$11,070,822	73.2%
Total Commitment:	\$267,000,000	Partnership Operations	\$273,142	1.8%
Unfunded Commitment as of Analysis Date:	\$52,534,211	Organizational Expense	\$52,991	0.4%
% Funded as of Analysis Date:	80.32%	Incentive Allocation	\$2,341,857	15.5%
Program Fund Balance:	\$255,112,239	Offering Costs	\$54	0.0%
		Service Fee	\$0	0.0%
		Syndication Costs	\$65,354	0.4%
		Professional Fee	\$104,548	0.7%
		Other Expense	\$0	0.0%
		Management Fee Reimbursement	\$0	-
		General/Administrative Expense	\$317,844	2.1%
		Broken Deal Expense	\$267,706	1.8%
		Interest Expense	\$563,273	3.7%
		Custody Fee	\$56,747	0.4%
		Dividend Expense	\$0	0.0%
		Performance Fee	\$0	0.0%
		Total	\$15,114,338	100.0%
Performance Measures				
Net IRR Since Inception:	8.72%			
Realization Multiple (DPI):	\$0.20			
Residual Value to Paid in Multiple (RVPI):	\$0.93			
Investment Multiple (TVPI):	\$1.13			
Net IRR Decomposition				
Return from Income & Cash Flow:	4.61%			
Return from Expenses:	-2.61%			
Return from Gain/Loss:	6.34%			
Interaction Effect:	0.38%			
Net IRR Since Inception:	8.72%			

Private Credit Program Performance

Analysis Date:	6/30/2020	Expense Matrix Since Inception		
Program Name:	Private Credit	<u>Expense Type</u>	<u>Expense</u>	<u>% of Total</u>
Program Inception Date:	5/16/2013	Management Fee	\$14,401,802	67.9%
Total Commitment:	\$184,231,797	Partnership Operations	\$1,341,395	7.1%
Unfunded Commitment as of Analysis Date:	\$26,978,945	Organizational Expense	\$174,030	0.9%
% Funded as of Analysis Date:	85.36%	Incentive Allocation	-\$1	0.0%
Program Fund Balance:	\$84,887,951	Offering Costs	\$0	0.0%
		Service Fee	\$339,601	1.8%
		Syndication Costs	\$0	0.0%
		Professional Fee	\$3,095,793	16.4%
		Other Expense	\$126,522	0.7%
		Management Fee Reimbursement	-\$1,611,862	-
		General/Administrative Expense	\$496,487	2.6%
		Broken Deal Expense	\$0	0.0%
		Interest Expense	\$429,726	2.3%
		Custody Fee	\$56,542	0.3%
		Dividend Expense	\$0	0.0%
		Performance Fee	\$0	0.0%
		Total	\$18,850,035	100.0%
Performance Measures				
Net IRR Since Inception:	1.48%			
Realization Multiple (DPI):	\$0.55			
Residual Value to Paid in Multiple (RVPI):	\$0.43			
Investment Multiple (TVPI):	\$0.98			
Net IRR Decomposition				
Return from Income & Cash Flow:	8.12%			
Return from Expenses:	-2.34%			
Return from Gain/Loss:	-3.71%			
Interaction Effect:	-0.59%			
Net IRR Since Inception:	1.48%			

Fund Information

Manager Name:	Morgan Stanley Prime Property Fund, L.L.C
Analysis Date:	6/30/2020
Reporting Frequency:	Quarterly
Latest Data Date:	6/30/2020
Manager Investment Style:	Core Real Estate
Fund Vintage Year:	1973
StanCERA Investment Start Date:	10/1/2015
Initial Commitment:	\$15,000,000
Additional Commitments:	\$35,000,000
Total Commitment Funded:	\$50,000,000
Total Commitment Unfunded:	\$0
Fund Balance:	\$58,199,033

Fund Performance Measures Since Inception

Net Internal Rate of Return (IRR):	5.76%
Investment Multiple (TVPI):	\$1.16
Realization Multiple (DPI):	\$0.00
Residual Value to Paid in Multiple (RVPI):	\$1.16
Paid in Capital Multiple (PIC):	100.0%

Fund Balance Reconciliation Since Inception

Beginning Fund Balance	\$0
Capital Contributions	\$50,000,000
Distributions	\$0
Expenses	-\$1,597,177
Income	\$5,738,747
Gain/(Loss)	<u>\$4,057,464</u>
Ending Fund Balance	\$58,199,034

Internal Rate of Return Decomposition

Return from Income and Cash Flow	4.11%
Return from Expenses	-1.04%
Return from Gain/Loss	2.75%
Interaction/Timing Effect:	<u>-0.07%</u>
Net IRR Since Inception:	5.76%

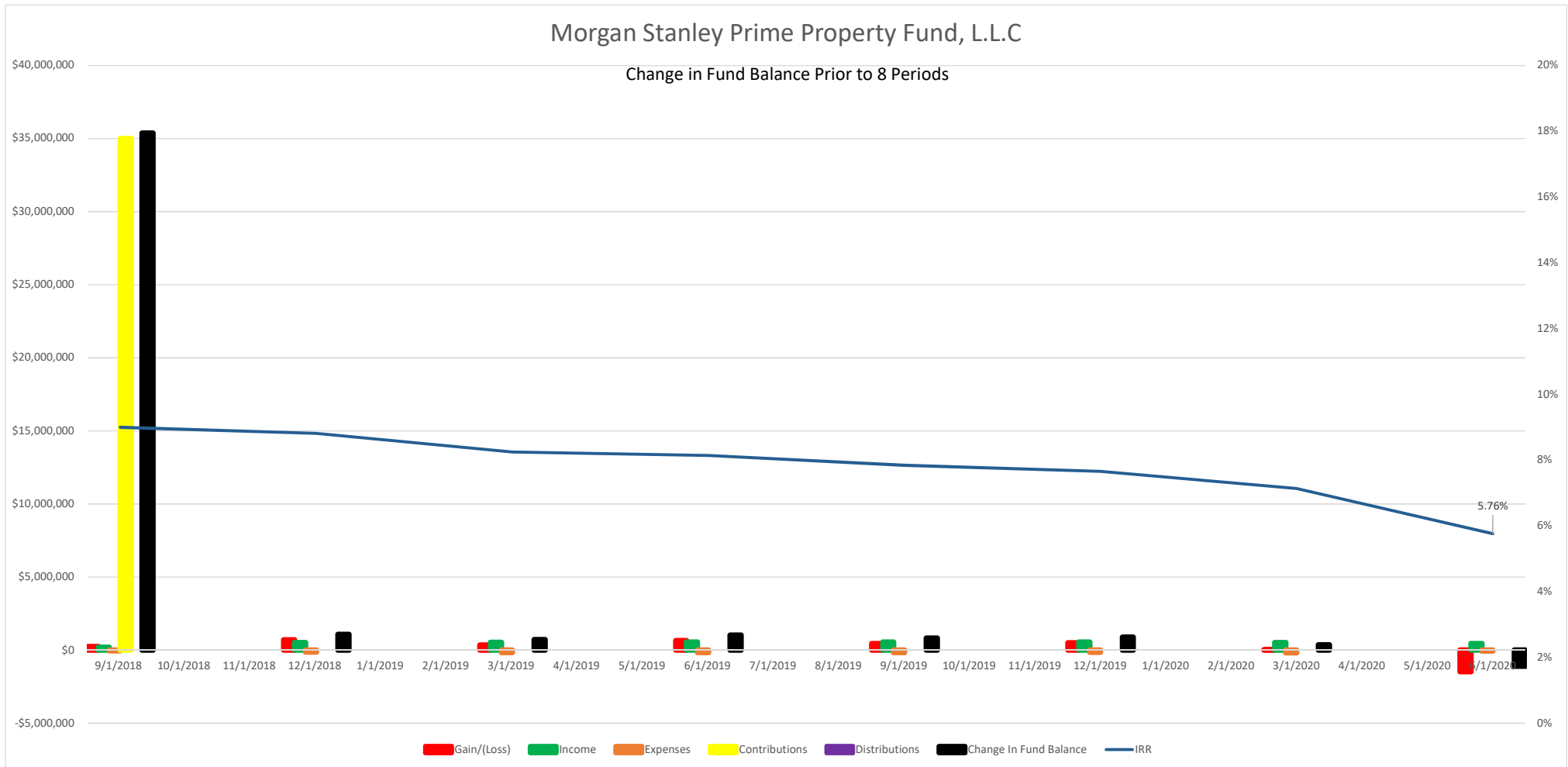
Expense Matrix

Management Fee	\$1,269,354
Incentive Allocation	<u>\$327,823</u>
Total	\$1,597,177

* Performance and return measures have not been reviewed, calculated or verified by the general partner or any of its affiliates

Morgan Stanley Prime Property Fund, L.L.C

Change in Fund Balance Prior to 8 Periods



Fund Information

Manager Name:	American Realty Advisors Fund
Analysis Date:	6/30/2020
Reporting Frequency:	Quarterly
Latest Data Date:	6/30/2020
Manager Investment Style:	Value Added Real Estate
Fund Vintage Year:	2009
StanCERA Investment Start Date:	12/15/2014
Initial Commitment:	\$30,000,000
Additional Commitments:	\$28,000,000
Total Commitment Funded:	\$58,000,000
Total Commitment Unfunded:	\$0
Fund Balance:	\$68,253,502

Fund Performance Measures Since Inception

Net Internal Rate of Return (IRR):	8.51%
Investment Multiple (TVPI):	\$1.21
Realization Multiple (DPI):	\$0.04
Residual Value to Paid in Multiple (RVPI):	\$1.18
Paid in Capital Multiple (PIC):	100.0%

Fund Balance Reconciliation Since Inception

Beginning Fund Balance	\$0
Capital Contributions	\$58,000,000
Distributions	-\$2,031,680
Expenses	-\$2,163,971
Income	\$7,197,859
Gain/(Loss)	<u>\$7,251,294</u>
Ending Fund Balance	\$68,253,502

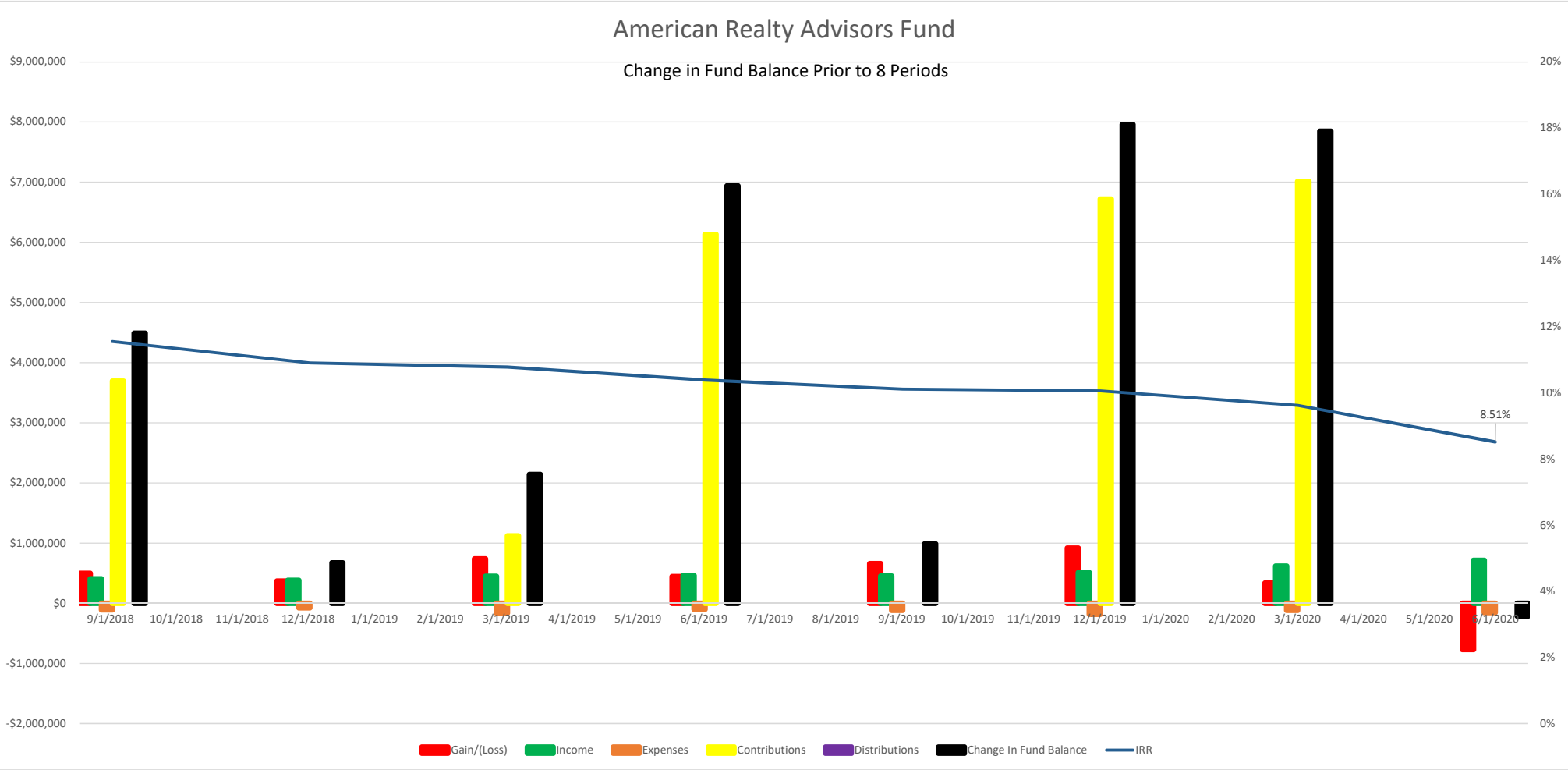
Internal Rate of Return Decomposition

Return from Income and Cash Flow	5.21%
Return from Expenses	-1.33%
Return from Gain/Loss	4.80%
Interaction/Timing Effect:	<u>-0.17%</u>
Net IRR Since Inception:	8.51%

Expense Matrix

Management Fee	\$1,911,226
Incentive Allocation	\$252,690
Offering Costs	<u>\$54</u>
Total	\$2,163,971

* Performance and return measures have not been reviewed, calculated or verified by the general partner or any of its affiliates



Fund Information

Manager Name:	Greenfield GAP VII Management Fund, L.L.C
Analysis Date:	6/30/2020
Reporting Frequency:	Quarterly
Latest Data Date:	6/30/2020
Manager Investment Style:	Value Added Real Estate
Fund Vintage Year:	2011
StanCERA Investment Start Date:	7/8/2014
Initial Commitment:	\$15,000,000
Additional Commitments:	\$0
Total Commitment Funded:	\$9,194,476
Total Commitment Unfunded:	\$5,805,524
Fund Balance:	\$10,318,259

Fund Performance Measures Since Inception

Net Internal Rate of Return (IRR):	12.36%
Investment Multiple (TVPI):	\$1.43
Realization Multiple (DPI):	\$0.86
Residual Value to Paid in Multiple (RVPI):	\$0.57
Paid in Capital Multiple (PIC):	61.3%

Fund Balance Reconciliation Since Inception

Beginning Fund Balance	\$0
Capital Contributions	\$18,013,692
Distributions	-\$15,491,481
Expenses	-\$2,488,460
Income	\$2,605,119
Gain/(Loss)	<u>\$7,679,389</u>
Ending Fund Balance	\$10,318,259

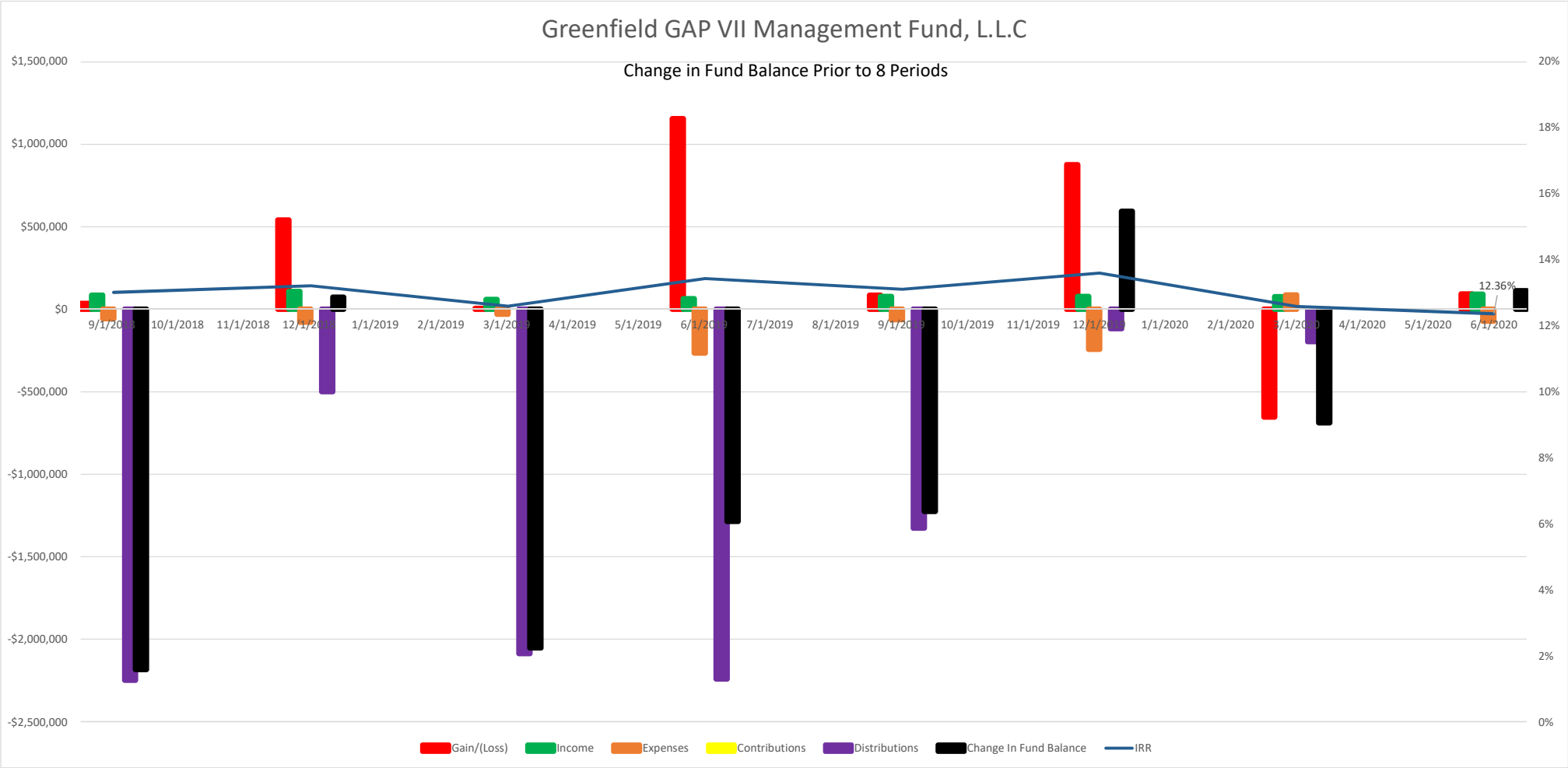
Internal Rate of Return Decomposition

Return from Income and Cash Flow	5.20%
Return from Expenses	-2.73%
Return from Gain/Loss	11.78%
Interaction/Timing Effect:	<u>-1.89%</u>
Net IRR Since Inception:	12.36%

Expense Matrix

Management Fee	\$1,445,330
Partnership Operations	\$110,580
Incentive Allocation	\$929,681
Interest Expense	<u>\$2,869</u>
Total	\$2,488,460

* Performance and return measures have not been reviewed, calculated or verified by the general partner or any of its affiliates



Fund Information

Manager Name:	Grandview Partners I, L.P.
Analysis Date:	6/30/2020
Reporting Frequency:	Quarterly
Latest Data Date:	6/30/2020
Manager Investment Style:	Value Added Real Estate
Fund Vintage Year:	2017
StanCERA Investment Start Date:	4/27/2018
Initial Commitment:	\$40,000,000
Additional Commitments:	\$0
Total Commitment Funded:	\$18,366,208
Total Commitment Unfunded:	\$21,633,792
Fund Balance:	\$23,325,077

Fund Performance Measures Since Inception

Net Internal Rate of Return (IRR):	19.48%
Investment Multiple (TVPI):	\$1.32
Realization Multiple (DPI):	\$0.10
Residual Value to Paid in Multiple (RVPI):	\$1.22
Paid in Capital Multiple (PIC):	45.9%

Fund Balance Reconciliation Since Inception

Beginning Fund Balance	\$0
Capital Contributions	\$19,130,897
Distributions	-\$1,939,034
Expenses	-\$3,294,593
Income	\$851,548
Gain/(Loss)	<u>\$8,576,259</u>
Ending Fund Balance	\$23,325,077

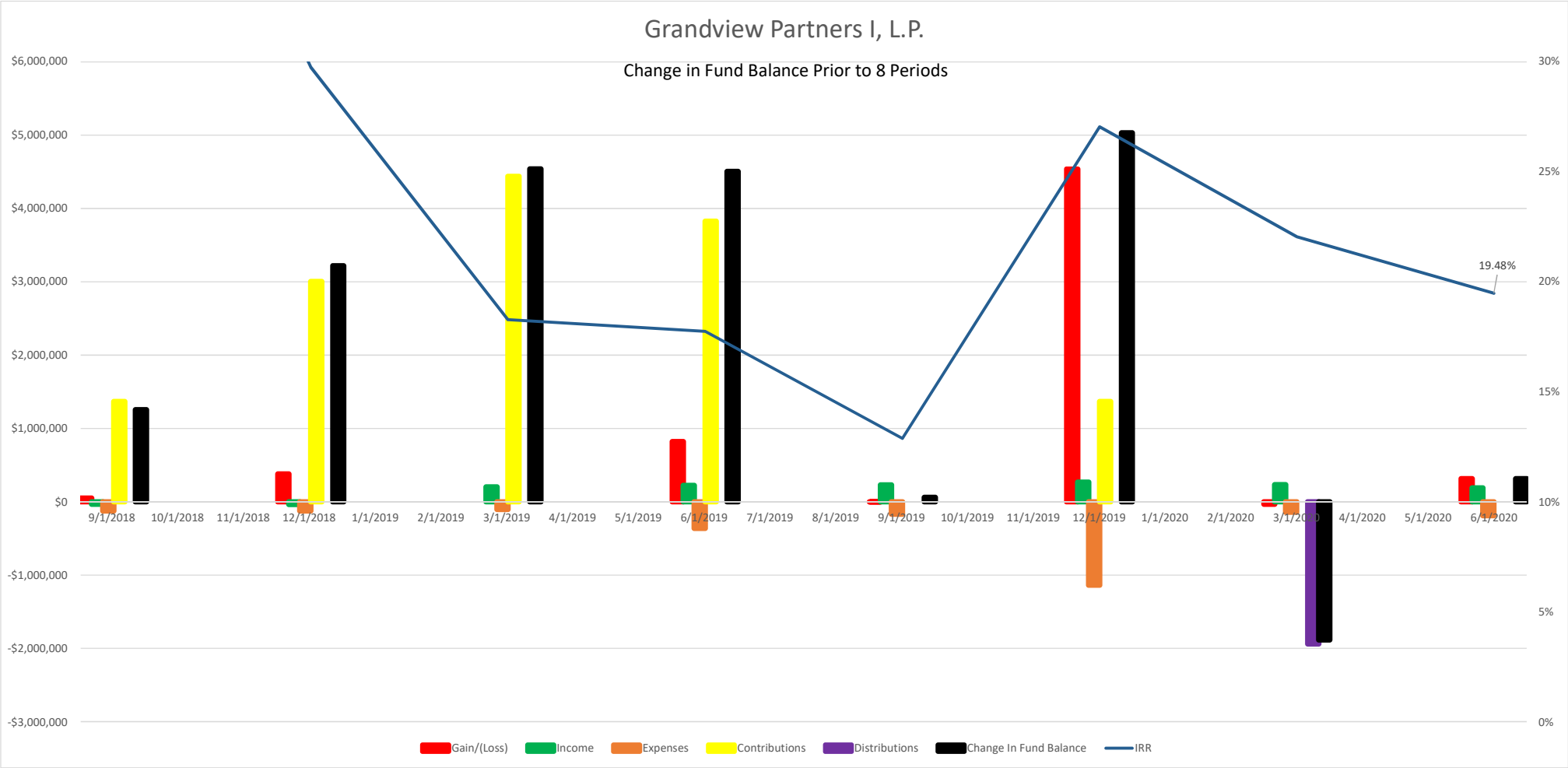
Internal Rate of Return Decomposition

Return from Income and Cash Flow	2.66%
Return from Expenses	-9.63%
Return from Gain/Loss	28.42%
Interaction/Timing Effect:	<u>-1.98%</u>
Net IRR Since Inception:	19.48%

Expense Matrix

Management Fee	\$1,941,092
Partnership Operations	\$139,480
Incentive Allocation	\$831,663
Professional Fee	\$20,386
Interest Expense	<u>\$361,972</u>
Total	\$3,294,593

* Performance and return measures have not been reviewed, calculated or verified by the general partner or any of its affiliates



Fund Information

Manager Name:	North Haven Infrastructure II GP LP
Analysis Date:	6/30/2020
Reporting Frequency:	Quarterly
Latest Data Date:	6/30/2020
Manager Investment Style:	Infrastructure
Fund Vintage Year:	2015
StanCERA Investment Start Date:	5/19/2015
Initial Commitment:	\$50,000,000
Additional Commitments:	\$0
Total Commitment Funded:	\$24,905,105
Total Commitment Unfunded:	\$25,094,895
Fund Balance:	\$36,156,708

Fund Performance Measures Since Inception

Net Internal Rate of Return (IRR):	9.96%
Investment Multiple (TVPI):	\$1.19
Realization Multiple (DPI):	\$0.59
Residual Value to Paid in Multiple (RVPI):	\$0.60
Paid in Capital Multiple (PIC):	49.8%

Fund Balance Reconciliation Since Inception

Beginning Fund Balance	\$0
Capital Contributions	\$59,802,318
Distributions	-\$35,188,209
Expenses	-\$4,789,600
Income	\$3,337,640
Gain/(Loss)	<u>\$13,691,262</u>
Ending Fund Balance	\$36,853,411

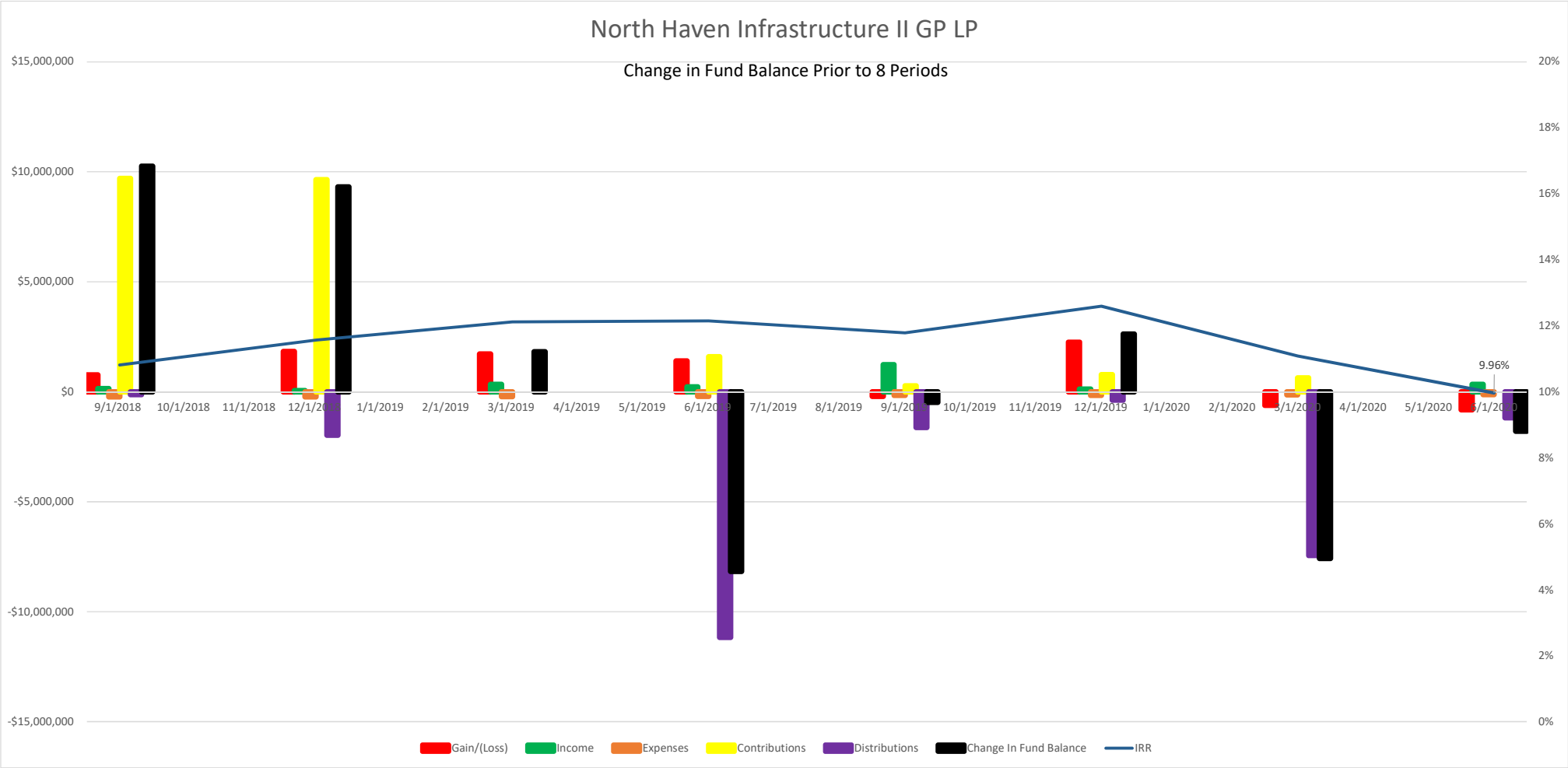
Internal Rate of Return Decomposition

Return from Income and Cash Flow	2.99%
Return from Expenses	-3.27%
Return from Gain/Loss	11.36%
Interaction/Timing Effect:	<u>-1.13%</u>
Net IRR Since Inception:	9.96%

Expense Matrix

Management Fee	\$3,780,029
Partnership Operations	\$23,082
Organizational Expense	\$52,991
Syndication Costs	\$65,354
Professional Fee	\$84,162
General/Administrative Expense	\$317,844
Broken Deal Expense	\$267,706
Interest Expense	\$198,432
Total	<u>\$4,789,600</u>

* Performance and return measures have not been reviewed, calculated or verified by the general partner or any of its affiliates



Fund Information

Manager Name:	Medley Opportunity Fund II L.P.
Analysis Date:	6/30/2020
Reporting Frequency:	Quarterly
Latest Data Date:	6/30/2020
Manager Investment Style:	Private Credit
Fund Vintage Year:	2011
StanCERA Investment Start Date:	5/16/2013
Initial Commitment:	\$30,000,000
Additional Commitments:	\$0
Total Commitment Funded:	\$29,000,453
Total Commitment Unfunded:	\$999,547
Fund Balance:	\$8,504,664

Fund Performance Measures Since Inception

Net Internal Rate of Return (IRR):	-0.17%
Investment Multiple (TVPI):	\$1.09
Realization Multiple (DPI):	\$0.81
Residual Value to Paid in Multiple (RVPI):	\$0.27
Paid in Capital Multiple (PIC):	96.7%

Fund Balance Reconciliation Since Inception

Beginning Fund Balance	\$0
Capital Contributions	\$31,086,716
Distributions	-\$25,319,017
Expenses	-\$3,680,793
Income	\$17,525,766
Gain/(Loss)	<u>-\$11,108,008</u>
Ending Fund Balance	\$8,504,664

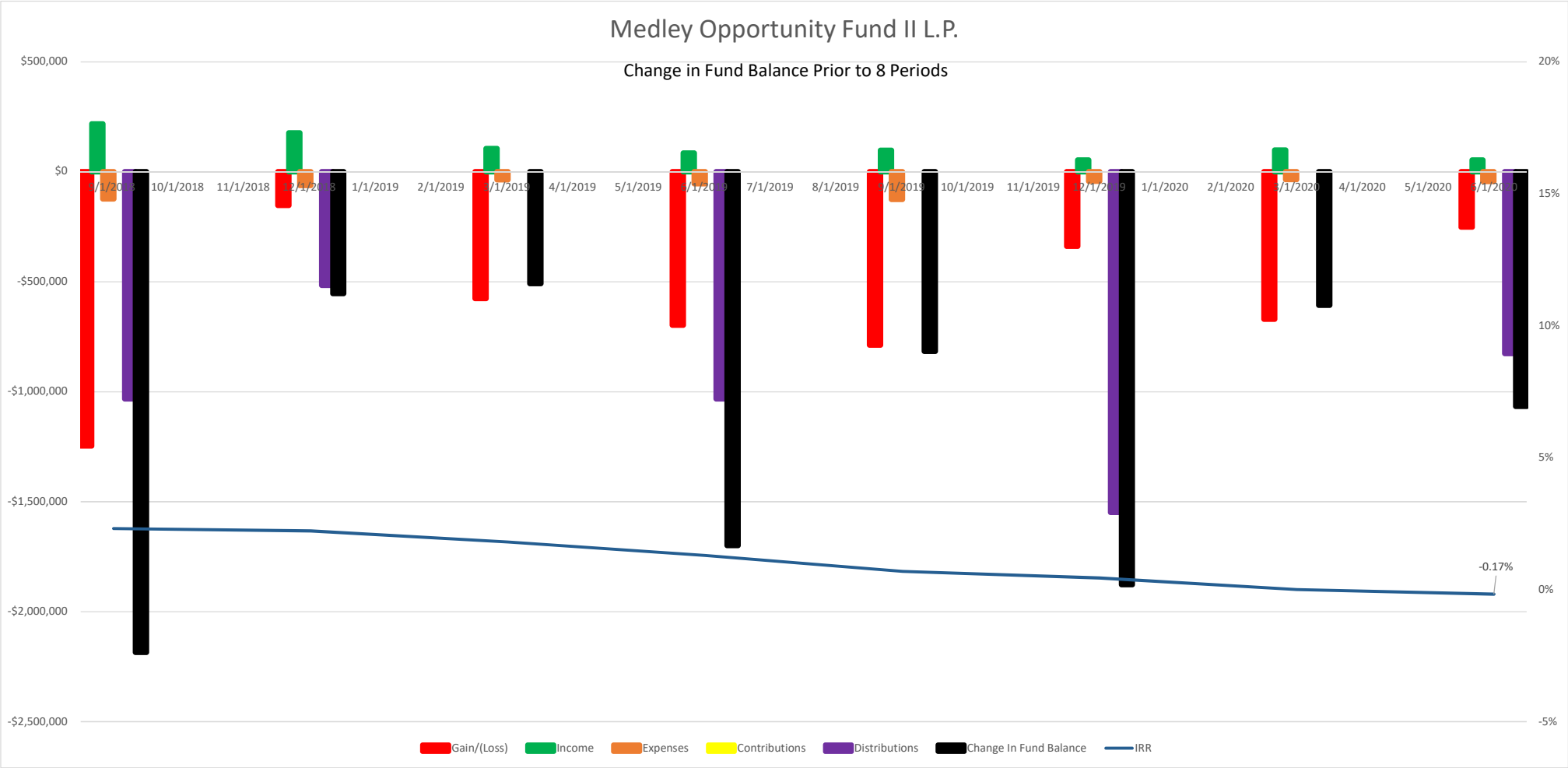
Internal Rate of Return Decomposition

Return from Income and Cash Flow	7.81%
Return from Expenses	-2.43%
Return from Gain/Loss	-6.36%
Interaction/Timing Effect:	<u>0.81%</u>
Net IRR Since Inception:	-0.17%

Expense Matrix

Management Fee	\$2,516,442
Partnership Operations	\$1,164,352
Incentive Allocation	<u>-\$1</u>
Total	\$3,680,793

* Performance and return measures have not been reviewed, calculated or verified by the general partner or any of its affiliates



Fund Information

Manager Name:	Raven Asset-Based Opportunity Fund I L.P.
Analysis Date:	6/30/2020
Reporting Frequency:	Quarterly
Latest Data Date:	6/30/2020
Manager Investment Style:	Private Credit
Fund Vintage Year:	2012
StanCERA Investment Start Date:	5/22/2013
Initial Commitment:	\$40,000,000
Additional Commitments:	\$0
Total Commitment Funded:	\$34,505,763
Total Commitment Unfunded:	\$5,494,237
Fund Balance:	\$4,625,223

Fund Performance Measures Since Inception

Net Internal Rate of Return (IRR):	-7.16%
Investment Multiple (TVPI):	\$0.82
Realization Multiple (DPI):	\$0.68
Residual Value to Paid in Multiple (RVPI):	\$0.13
Paid in Capital Multiple (PIC):	86.3%

Fund Balance Reconciliation Since Inception

Beginning Fund Balance	\$0
Capital Contributions	\$34,505,763
Distributions	-\$23,582,991
Expenses	-\$5,408,675
Income	\$11,999,640
Gain/(Loss)	<u>-\$12,888,515</u>
Ending Fund Balance	\$4,625,222

Internal Rate of Return Decomposition

Return from Income and Cash Flow	6.87%
Return from Expenses	-5.75%
Return from Gain/Loss	-11.09%
Interaction/Timing Effect:	<u>2.80%</u>
Net IRR Since Inception:	-7.16%

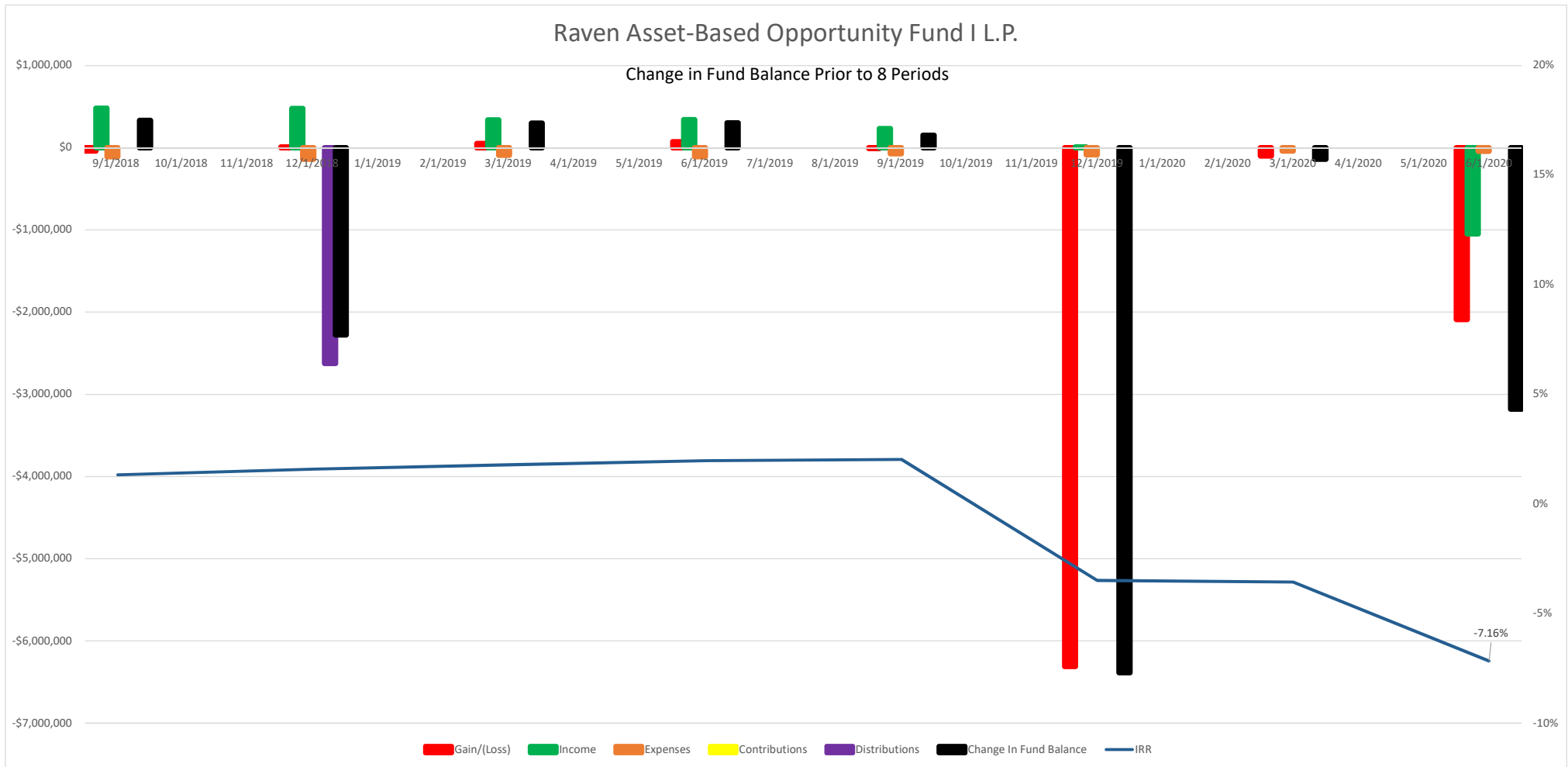
Expense Matrix

Management Fee	\$3,381,252
Organizational Expense	\$92,275
Service Fee	\$339,601
Professional Fee	<u>\$1,595,547</u>
Total	\$5,408,675

* Performance and return measures have not been reviewed, calculated or verified by the general partner or any of its affiliates

Raven Asset-Based Opportunity Fund I L.P.

Change in Fund Balance Prior to 8 Periods



Fund Information

Manager Name:	Raven Asset-Based Opportunity Fund III L.P.
Analysis Date:	6/30/2020
Reporting Frequency:	Quarterly
Latest Data Date:	6/30/2020
Manager Investment Style:	Private Credit
Fund Vintage Year:	2015
StanCERA Investment Start Date:	7/6/2015
Initial Commitment:	\$15,000,000
Additional Commitments:	\$49,231,798
Total Commitment Funded:	\$55,988,511
Total Commitment Unfunded:	\$8,243,286
Fund Balance:	\$42,510,248

Fund Performance Measures Since Inception

Net Internal Rate of Return (IRR):	3.95%
Investment Multiple (TVPI):	\$1.09
Realization Multiple (DPI):	\$0.28
Residual Value to Paid in Multiple (RVPI):	\$0.81
Paid in Capital Multiple (PIC):	87.2%

Fund Balance Reconciliation Since Inception

Beginning Fund Balance	\$0
Capital Contributions	\$52,729,892
Distributions	-\$14,926,304
Expenses	-\$5,667,331
Income	\$9,235,181
Gain/(Loss)	<u>\$1,138,808</u>
Ending Fund Balance	\$42,510,247

Internal Rate of Return Decomposition

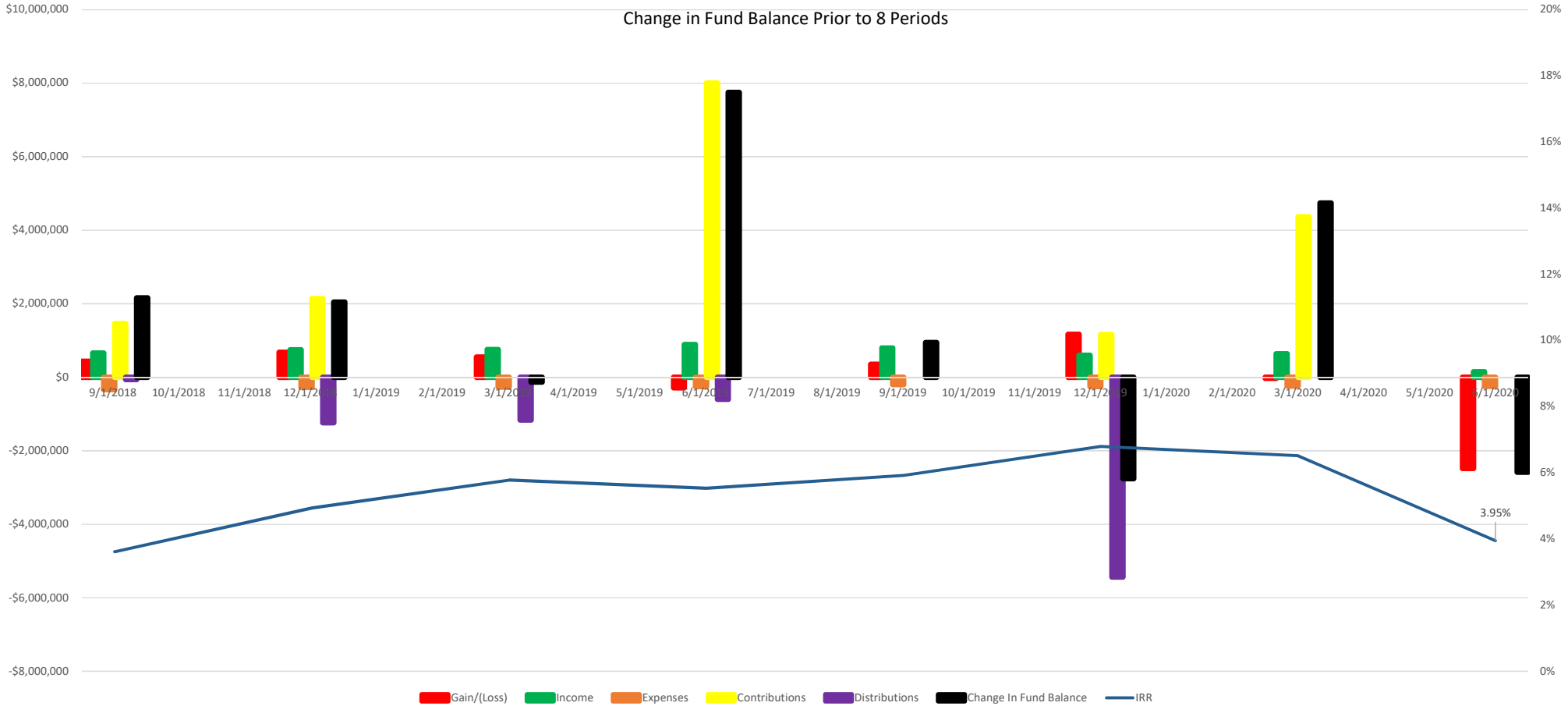
Return from Income and Cash Flow	7.43%
Return from Expenses	-4.32%
Return from Gain/Loss	0.92%
Interaction/Timing Effect:	<u>-0.09%</u>
Net IRR Since Inception:	3.95%

Expense Matrix

Management Fee	\$3,982,474
Partnership Operations	\$102,856
Organizational Expense	\$81,755
Professional Fee	<u>\$1,500,246</u>
Total	\$5,667,331

* Performance and return measures have not been reviewed, calculated or verified by the general partner or any of its affiliates

Raven Asset-Based Opportunity Fund III L.P.



Fund Information

Manager Name:	White Oak Pinnacle Fund L.P.
Analysis Date:	6/30/2020
Reporting Frequency:	Quarterly
Latest Data Date:	6/30/2020
Manager Investment Style:	Private Credit
Fund Vintage Year:	2012
StanCERA Investment Start Date:	8/2/2013
Initial Commitment:	\$40,000,000
Additional Commitments:	\$0
Total Commitment Funded:	\$32,758,125
Total Commitment Unfunded:	\$7,241,875
Fund Balance:	\$24,365,944

Fund Performance Measures Since Inception

Net Internal Rate of Return (IRR):	6.00%
Investment Multiple (TVPI):	\$1.24
Realization Multiple (DPI):	\$0.79
Residual Value to Paid in Multiple (RVPI):	\$0.44
Paid in Capital Multiple (PIC):	81.9%

Fund Balance Reconciliation Since Inception

Beginning Fund Balance	\$0
Capital Contributions	\$55,047,161
Distributions	-\$43,683,941
Expenses	-\$3,320,744
Income	\$21,881,286
Gain/(Loss)	<u>-\$5,557,819</u>
Ending Fund Balance	\$24,365,943

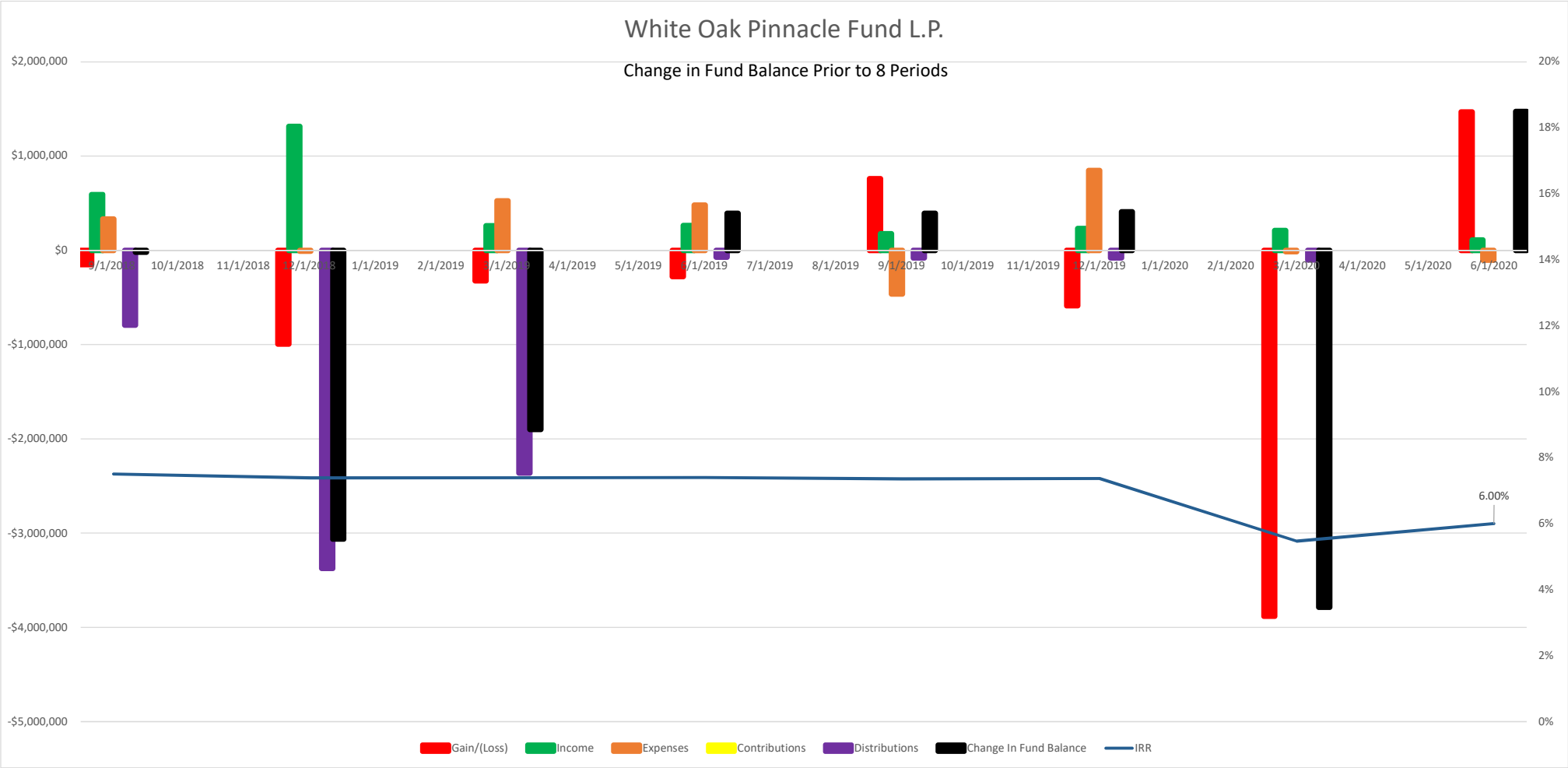
Internal Rate of Return Decomposition

Return from Income and Cash Flow	9.59%
Return from Expenses	-1.43%
Return from Gain/Loss	-2.33%
Interaction/Timing Effect:	<u>0.17%</u>
Net IRR Since Inception:	6.00%

Expense Matrix

Management Fee	\$4,328,618
Incentive Allocation	\$0
Other Expense	\$107,501
Management Fee Reimbursement	-\$1,611,862
General/Administrative Expense	<u>\$496,487</u>
Total	\$3,320,744

* Performance and return measures have not been reviewed, calculated or verified by the general partner or any of its affiliates



[Back to Agenda](#)

October 27, 2020

Retirement Board Agenda Item

TO: Retirement Board

FROM: Stan Conwell, Retirement Investment Officer

- I. SUBJECT: Investment Fee Summary, Value Added, and Cash Flow Reports – June 30, 2020
- II. ITEM NUMBER: 7.a.2.
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS:

Attachment 1 contains the investment fee summary, value added and cash flow reports.

Investment Fee Summary – This report details StanCERA's investment management fees by asset class, manager discretion, investment style and individual manager. Fee data for this report began in July 2014 and is updated on at least a quarterly basis. For the period, 7/01/2014 to 6/30/2020, total investment fees were approximately \$57.3 Million or roughly 47 bps (0.47%) when annualized. A new manager was added to the report this quarter. The Vista Foundation fund IV a private equity buyout fund, was added to the report this quarter. Since the fund has yet to call capital, the AUM is negative due to management fees.

Value Added Report – This report was revamped this period to allow for comparisons to both a primary and a secondary benchmark if applicable. The catalyst for this change was primarily due to switching the primary benchmark of the LSV International fund to the MSCI ACWI ex US Value index from the MSCI ACWI ex US index. LSV's secondary benchmark is the MSCI ACWI ex US index which is a core index meaning it has a blend of value and growth stocks. LSV employs a deep value mandate making a value index a sensible choice as a primary benchmark. However, to enhance manager monitoring, staff wanted to also evaluate the value added against the secondary benchmark. Currently, LSV is the only manager in this report assigned a secondary benchmark. On the whole, StanCERA managers out performed their benchmarks for the quarter ending June 30, 2020.

Cash Flow Report – This report details StanCERA's year-to-date cash activities.

- VI. RISK: None
- VII. STRATEGIC PLAN: N/A
- VIII. ADMINISTRATIVE BUDGET IMPACT: NONE

A handwritten signature in cursive script, reading "Stan Conwell".

Stan Conwell, Retirement Investment Officer



StanCERA Investment Fee Summary - By Asset Class

7/1/2014 thru 6/30/2020

	Fees In Dollars						Annualized Fees in Basis Points				
	Average AUM	Managerial	Performance*	Other	Custodial	Total	Managerial	Performance	Other	Custodial	Total
Total StanCERA Portfolio	\$1,903,115,021	\$45,378,149	\$3,495,927	\$6,308,894	\$2,113,640	\$57,296,611	37.0	2.9	5.2	1.7	47.2

Fees By Asset Class

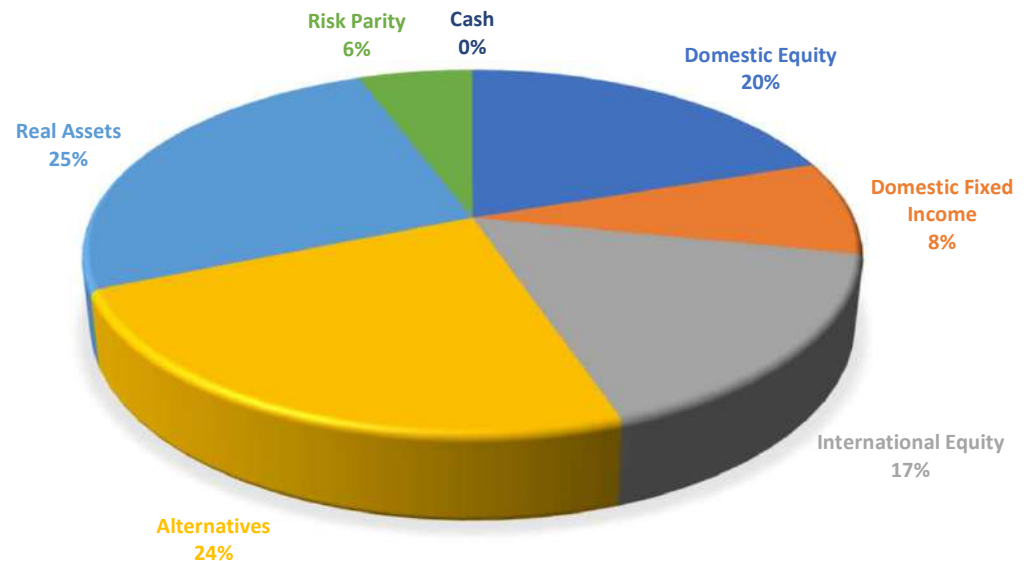
	Average AUM	Managerial	Performance	Other	Custodial	Total	Managerial	Performance	Other	Custodial	Total
Domestic Equity	\$663,227,195	\$10,710,385	\$0	\$0	\$662,891	\$11,373,276	8.8	0.0	0.0	0.5	9.4
Domestic Fixed Income	\$462,723,848	\$4,608,828	\$0	\$0	\$189,740	\$4,798,568	3.8	0.0	0.0	0.2	4.0
International Equity	\$417,139,715	\$6,401,011	\$1,959,665	\$0	\$1,125,124	\$9,485,800	5.3	1.6	0.0	0.9	7.8
Alternatives	\$93,010,156	\$10,535,976	-\$805,595	\$3,945,408	\$54,117	\$13,729,906	8.3	-0.7	3.3	0.0	11.3
Real Assets	\$135,737,674	\$10,576,099	\$2,341,857	\$1,644,912	\$67,544	\$14,630,413	8.7	1.9	1.4	0.1	12.1
Risk Parity	\$121,231,277	\$2,545,849	\$0	\$718,574	\$13,475	\$3,277,898	2.1	0.0	0.6	0.0	2.7
Cash	\$10,045,157	\$0	\$0	\$0	\$750	\$750	0.0	0.0	0.0	0.0	0.0

* Performance fees can be negative due to the clawback of incentive fees

Asset Class	Fees
Domestic Equity	\$11,373,276
Domestic Fixed Income	\$4,798,568
International Equity	\$9,485,800
Alternatives	\$13,729,906
Real Assets	\$14,630,413
Risk Parity	\$3,277,898
Cash	\$750

Total \$57,296,611

Fees By Asset Class



StanCERA Investment Fee Summary - By Investment Discretion



7/1/2014 thru 6/30/2020

	Fees In Dollars						Annualized Fees in Basis Points				
	<u>Average AUM</u>	<u>Managerial</u>	<u>Performance*</u>	<u>Other</u>	<u>Custodial</u>	<u>Total</u>	<u>Managerial</u>	<u>Performance</u>	<u>Other</u>	<u>Custodial</u>	<u>Total</u>
Total StanCERA Portfolio	\$1,903,115,021	\$45,378,149	\$3,495,927	\$6,308,894	\$2,113,640	\$57,296,611	37.0	2.9	5.2	1.7	47.2

Fees By Investment Discretion

	<u>Average AUM</u>	<u>Managerial</u>	<u>Performance</u>	<u>Other</u>	<u>Custodial</u>	<u>Total</u>	<u>Managerial</u>	<u>Performance</u>	<u>Other</u>	<u>Custodial</u>	<u>Total</u>
Active	\$1,508,324,288	\$44,653,086	\$3,495,927	\$6,308,894	\$2,055,344	\$56,513,251	36.4	2.9	5.2	1.7	46.6
Passive	\$394,790,733	\$725,064	\$0	\$0	\$58,297	\$783,360	0.6	0.0	0.0	0.0	0.6

* Performance fees can be negative due to the clawback of incentive fees

Fees By Investment Discretion

Investment Discretion	<u>Fees</u>
Active	\$56,513,251
Passive	\$783,360
Total	\$57,296,611





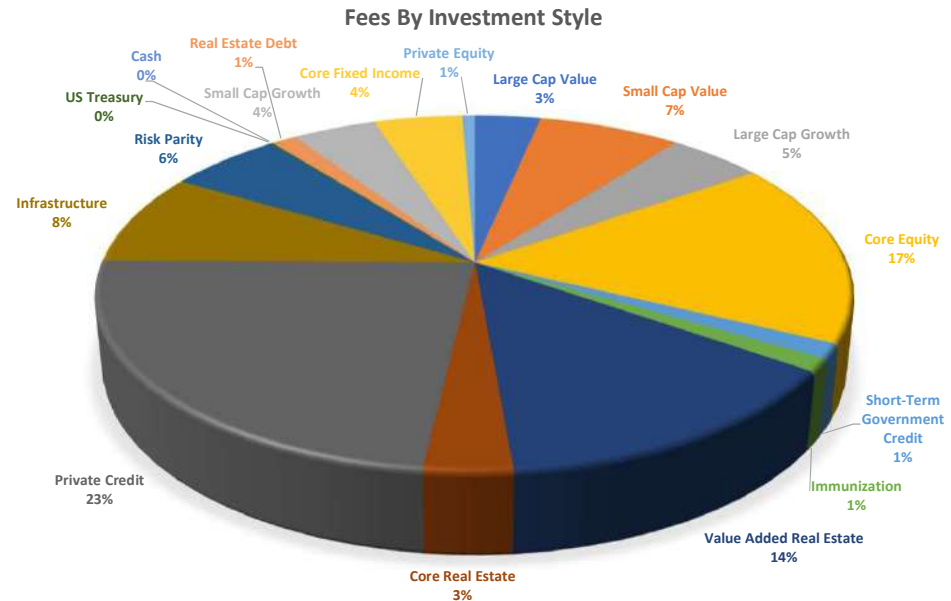
StanCERA Investment Fee Summary - By Investment Style

7/1/2014 thru 6/30/2020

	Fees In Dollars						Annualized Fees in Basis Points				
	Average AUM	Managerial	Performance*	Other	Custodial	Total	Managerial	Performance	Other	Custodial	Total
Total StanCERA Portfolio	\$1,903,115,021	\$45,378,149	\$3,495,927	\$6,308,894	\$2,113,640	\$57,296,611	37.0	2.9	5.2	1.7	47.2
Fees By Investment Style											
	Average AUM	Managerial	Performance	Other	Custodial	Total	Managerial	Performance	Other	Custodial	Total
Large Cap Value	\$235,383,049	\$1,804,615	\$0	\$0	\$93,977	\$1,898,592	1.5	0.0	0.0	0.1	1.6
Small Cap Value	\$89,943,107	\$3,858,684	\$0	\$0	\$263,261	\$4,121,946	3.2	0.0	0.0	0.2	3.4
Large Cap Growth	\$190,340,567	\$2,696,734	\$0	\$0	\$73,238	\$2,769,972	2.2	0.0	0.0	0.1	2.3
Core Equity	\$526,603,250	\$6,564,572	\$1,959,665	\$0	\$1,134,991	\$9,659,228	5.4	1.6	0.0	0.9	8.0
Short-Term Government Credit	\$107,153,318	\$726,068	\$0	\$0	\$32,355	\$758,423	0.6	0.0	0.0	0.0	0.6
Immunization	\$87,590,199	\$646,801	\$0	\$0	\$28,255	\$675,056	0.5	0.0	0.0	0.0	0.6
Value Added Real Estate	\$44,838,305	\$5,297,648	\$2,014,034	\$635,341	\$29,956	\$7,976,980	4.4	1.7	0.5	0.0	6.6
Core Real Estate	\$69,195,893	\$1,498,422	\$327,823	\$0	\$26,028	\$1,852,272	1.2	0.3	0.0	0.0	1.5
Private Credit	\$92,991,874	\$10,241,083	-\$805,595	\$3,871,664	\$54,117	\$13,361,268	8.3	-0.7	3.2	0.0	11.0
Infrastructure	\$21,703,476	\$3,780,029	\$0	\$1,009,571	\$11,560	\$4,801,160	3.1	0.0	0.8	0.0	4.0
Risk Parity	\$121,231,277	\$2,545,849	\$0	\$718,574	\$13,475	\$3,277,898	2.1	0.0	0.6	0.0	2.7
US Treasury	\$30,613,117	\$79,399	\$0	\$0	\$0	\$79,399	0.1	0.0	0.0	0.0	0.1
Cash	\$10,045,157	\$0	\$0	\$0	\$750	\$750	0.0	0.0	0.0	0.0	0.0
Real Estate Debt	\$16,234,386	\$723,790	\$0	\$0	\$4,669	\$728,459	0.6	0.0	0.0	0.0	0.6
Small Cap Growth	\$38,096,937	\$2,186,791	\$0	\$0	\$222,547	\$2,409,338	1.8	0.0	0.0	0.2	2.0
Core Fixed Income	\$221,132,829	\$2,432,770	\$0	\$0	\$124,461	\$2,557,231	2.0	0.0	0.0	0.1	2.1
Private Equity	\$18,282	\$294,894	\$0	\$73,744	\$0	\$368,638	0.0	0.0	0.1	0.0	0.3

* Performance fees can be negative due to the clawback of incentive fees

By Investment Style	Fees
Large Cap Value	\$1,898,592
Small Cap Value	\$4,121,946
Large Cap Growth	\$2,769,972
Core Equity	\$9,659,228
Short-Term Government Credit	\$758,423
Immunization	\$675,056
Value Added Real Estate	\$7,976,980
Core Real Estate	\$1,852,272
Private Credit	\$13,361,268
Infrastructure	\$4,801,160
Risk Parity	\$3,277,898
US Treasury	\$79,399
Cash	\$750
Real Estate Debt	\$728,459
Small Cap Growth	\$2,409,338
Core Fixed Income	\$2,557,231
Private Equity	\$368,638
Total	\$57,296,611





Stanislaus County Employees' Retirement Association - Investment Fee Summary

7/1/2014

thru

6/30/2020

Manager Name	Fees in Dollars						Fees in Annualized Basis Points				
	Average AUM	Management	Performance	Other	Custodial	Total	Management	Performance	Other	Custodial	Total
Dodge Cox Equity	\$141,737,812	\$1,692,841	\$0	\$0	\$77,370	\$1,770,211	19.9	0.0	0.0	0.9	20.8
PIMCO	\$97,042,656	\$1,155,601	\$0	\$0	\$46,241	\$1,201,841	37.6	0.0	0.0	1.5	39.1
Bernzott	\$12,403,350	\$517,619	\$0	\$0	\$34,210	\$551,829	69.6	0.0	0.0	4.6	74.2
Eudaimonia	\$9,386,528	\$207,171	\$0	\$0	\$56,109	\$263,280	105.9	0.0	0.0	28.7	134.6
Jackson Square	\$118,621,045	\$2,555,472	\$0	\$0	\$56,883	\$2,612,354	58.8	0.0	0.0	1.3	60.1
LSV	\$208,178,766	\$3,094,854	\$1,125,002	\$0	\$680,872	\$4,900,728	24.8	9.0	0.0	5.5	39.2
Dodge Cox Fixed Income	\$321,714,499	\$1,277,170	\$0	\$0	\$78,220	\$1,355,390	12.5	0.0	0.0	0.8	13.3
Fidelity	\$208,960,949	\$3,306,157	\$834,663	\$0	\$444,252	\$4,585,072	26.4	6.7	0.0	3.5	36.6
Blackrock Value	\$93,645,238	\$111,774	\$0	\$0	\$16,607	\$128,381	2.0	0.0	0.0	0.3	2.3
Blackrock Growth	\$117,901,060	\$141,263	\$0	\$0	\$16,355	\$157,618	2.0	0.0	0.0	0.2	2.2
Raven Asset-Based Opportunity Fund I L.P.	\$18,455,744	\$1,851,526	\$0	\$1,347,930	\$14,183	\$3,213,639	167.2	0.0	121.8	1.3	290.3
BNYM S&P	\$85,219,782	\$94,682	\$0	\$0	\$9,867	\$104,549	3.5	0.0	0.0	0.4	3.9
White Oak Pinnacle Fund L.P.	\$32,047,077	\$2,958,953	\$0	-\$530,642	\$14,081	\$2,442,392	153.9	0.0	-27.6	0.7	127.1
Medley Opportunity Fund II L.P.	\$21,889,374	\$1,255,114	-\$805,595	\$846,584	\$13,697	\$1,309,800	95.6	-61.4	64.5	1.0	99.8
Blackrock US Real Estate	\$43,167,783	\$229,068	\$0	\$0	\$15,467	\$244,534	8.8	0.0	0.0	0.6	9.4
Greenfield GAP VII Management Fund, L.L.C	\$11,626,581	\$1,445,330	\$929,681	\$113,449	\$12,787	\$2,501,247	213.3	137.2	16.7	1.9	369.1
AMI	\$18,361,932	\$488,104	\$0	\$0	\$19,097	\$507,201	91.2	0.0	0.0	3.6	94.7
CastleArk	\$12,772,750	\$337,737	\$0	\$0	\$58,705	\$396,443	99.3	0.0	0.0	17.3	116.5
Lee Munder	\$14,535,949	\$385,832	\$0	\$0	\$49,140	\$434,972	99.6	0.0	0.0	12.7	112.3
Rice Hall	\$21,637,341	\$567,780	\$0	\$0	\$21,359	\$589,139	90.0	0.0	0.0	3.4	93.4
Riverbridge	\$9,352,194	\$7	\$0	\$0	\$5,937	\$5,945	0.0	0.0	0.0	25.5	25.5
Stephens	\$9,768,049	\$3	\$0	\$0	\$8,259	\$8,262	0.0	0.0	0.0	33.9	33.9
Channing	\$19,447,547	\$813,517	\$0	\$0	\$59,730	\$873,247	69.7	0.0	0.0	5.1	74.9
Inview	\$19,353,525	\$797,733	\$0	\$0	\$34,656	\$832,389	68.7	0.0	0.0	3.0	71.7
Keeley	\$11,321,287	\$472,578	\$0	\$0	\$35,070	\$507,648	69.6	0.0	0.0	5.2	74.8
Pacific Ridge	\$15,445,666	\$757,943	\$0	\$0	\$51,369	\$809,313	81.8	0.0	0.0	5.5	87.3
Walhausen	\$11,971,731	\$499,294	\$0	\$0	\$48,226	\$547,520	69.5	0.0	0.0	6.7	76.2
Morgan Stanley Prime Property Fund, L.L.C	\$34,087,022	\$1,269,354	\$327,823	\$0	\$10,561	\$1,607,738	81.3	21.0	0.0	0.7	103.0
American Realty Advisors Fund	\$29,307,847	\$1,911,226	\$252,690	\$54	\$12,424	\$2,176,396	116.9	15.5	0.0	0.8	133.1
North Haven Infrastructure II GP LP	\$25,620,860	\$3,780,029	\$0	\$1,009,571	\$11,560	\$4,801,160	290.3	0.0	77.5	0.9	368.8
Raven Asset-Based Opportunity Fund III L.P.	\$25,046,362	\$3,982,474	\$0	\$1,684,857	\$10,687	\$5,678,018	329.2	0.0	139.3	0.9	469.4
Insight Investment	\$175,260,389	\$646,801	\$0	\$0	\$28,255	\$675,056	12.3	0.0	0.0	0.5	12.8
Dimensional Fund Advisors	\$220,651,240	\$726,068	\$0	\$0	\$32,355	\$758,423	11.3	0.0	0.0	0.5	11.8
Essex	\$13,775,561	\$77,144	\$0	\$0	\$519	\$77,664	111.8	0.0	0.0	0.8	112.5
Redwood	\$15,823,940	\$123,012	\$0	\$0	\$3,420	\$126,432	155.2	0.0	0.0	4.3	159.5
Northern Trust Cash Account	\$20,685,092	\$0	\$0	\$0	\$750	\$750	0.0	0.0	0.0	0.1	0.1
Northern Trust Long Term Bond Fund	\$16,186,979	\$20,827	\$0	\$0	\$0	\$20,827	4.3	0.0	0.0	0.0	4.3
Northern Trust Intermediate Term Bond Fund	\$45,067,212	\$58,571	\$0	\$0	\$0	\$58,571	4.3	0.0	0.0	0.0	4.3
Northern Trust Russell 1000 Fund	\$138,105,067	\$30,438	\$0	\$0	\$0	\$30,438	1.7	0.0	0.0	0.0	1.7
PanAgora Diversified Risk Multi-Asset Fund, Ltd.	\$146,519,833	\$1,325,155	\$0	\$297,857	\$7,237	\$1,630,249	35.1	0.0	7.9	0.2	43.1
Prudential	\$53,247,813	\$723,790	\$0	\$0	\$4,669	\$728,459	74.3	0.0	0.0	0.5	74.8
AQR Capital Management	\$149,760,616	\$1,220,694	\$0	\$420,717	\$6,238	\$1,647,649	34.9	0.0	12.0	0.2	47.2
Grandview Partners I, L.P.	\$16,758,031	\$1,941,092	\$831,663	\$521,838	\$4,745	\$3,299,338	515.3	220.8	138.5	1.3	875.9
Northern Trust Russell 3000 Fund	\$128,451,050	\$38,440	\$0	\$0	\$0	\$38,440	1.9	0.0	0.0	0.0	1.9
Owl Rock First Lien Fund	\$4,491,104	\$193,016	\$0	\$522,934	\$1,469	\$717,419	740.4	0.0	2006.1	5.6	2752.2
Insight Partners XI	\$1,195,659	\$150,938	\$0	\$46,858	\$0	\$197,796	15899.4	0.0	4935.9	0.0	20835.4



StanCERA Value Added Report

4/1/2020

through

6/30/2020

Manager	Average AUM	Manager Returns	Manager Fees	Custodial Fees	Primary Benchmark Returns	Secondary Benchmark Returns	Benchmark Fees*	Value Added Primary Benchmark	Value Added Secondary Benchmark
Dodge Cox Equity	\$ 74,813,417	\$ 13,748,268	\$ (44,610)	\$ (2,906)	\$ 10,691,274	None	\$ (4,609)	\$ 3,014,087	\$ 3,014,087
Bernzott	\$ 9,405,505	\$ 2,417,542	\$ (17,799)	\$ (1,399)	\$ 1,778,159	None	\$ (5,562)	\$ 625,748	\$ 625,748
Dimensional Fund Advisors	\$ 185,430,412	\$ 3,215,187	\$ (52,372)	\$ (2,503)	\$ 2,158,416	None	\$ (22,846)	\$ 1,024,741	\$ 1,024,741
LSV	\$ 214,870,402	\$ 31,079,817	\$ (136,011)	\$ (31,118)	\$ 27,111,792	\$ 35,015,290	\$ (164,131)	\$ 3,965,027	\$ (3,938,472)
Fidelity	\$ 228,538,998	\$ 43,692,444	\$ (191,650)	\$ (16,302)	\$ 37,242,725	None	\$ (174,572)	\$ 6,416,338	\$ 6,416,338
Channing	\$ 12,579,854	\$ 3,192,203	\$ (23,781)	\$ (4,778)	\$ 2,378,286	None	\$ (7,439)	\$ 792,798	\$ 792,798
Inview	\$ 10,904,294	\$ 2,301,564	\$ (20,542)	\$ (1,260)	\$ 2,061,513	None	\$ (6,449)	\$ 224,698	\$ 224,698
Keeley	\$ 7,485,252	\$ 1,753,860	\$ (14,103)	\$ (1,313)	\$ 1,415,125	None	\$ (4,427)	\$ 327,746	\$ 327,746
Pacific Ridge	\$ 10,870,443	\$ 2,211,536	\$ (24,525)	\$ (1,633)	\$ 2,493,080	None	\$ (6,429)	\$ (301,273)	\$ (301,273)
Walhausen	\$ 8,160,792	\$ 1,541,706	\$ (15,295)	\$ (2,097)	\$ 1,542,839	None	\$ (4,826)	\$ (13,699)	\$ (13,699)
Totals	\$ 763,059,367	\$ 105,154,127	\$ (540,687)	\$ (65,309)	\$ 88,873,209	\$ 35,015,290	\$ (401,288)	\$ 16,076,212	\$ 8,172,713

* Benchmark fees are approximated based on a hypothetical investment in a passive fund/ETF



Cash Flow Report

July 2019 through June 2020

Beginning Cash Balance*	\$13,742,724
-------------------------	--------------

Cash Flow In

Cash Draw From Managers	\$33,216,994
Employer Contributions	\$92,287,008
Employee Contributions	\$29,139,745
Employee Redeposits	\$300,026
Money Market Income	\$890
Rental Income	\$111,501
Commission Recapture	\$6,680
Litigation Recovery	\$982
W/O Cancelled checks	<u>\$29,007</u>

Total Cash Flow In	\$155,092,833
--------------------	---------------

Cash Flow Out

Retiree Payroll	\$136,911,309
StanCERA Payroll	\$1,703,134
StanCERA Operations Expense	\$587,394
Tyler Maintenance	\$68,881
Fixed Asset Purchases	\$1,212,276
Refunds	\$1,723,337
Death Benefits - Salary Based	\$140,735
Burial Allowance	\$285,000
Death Benefits - Lump Sum	\$38,335
Investment Consulting Fees	\$513,016
Actuarial Fees	\$126,389
Custodial Fees	\$493,916
Audit Fees	\$46,500
Legal Fees	\$610,891

Total Cash Flow Out	\$144,461,113
---------------------	---------------

Ending Cash Balance	\$24,374,444
---------------------	--------------

Change in Cash Balance	\$10,631,720
------------------------	--------------

October 27, 2020

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director
Stan Conwell, Retirement Investment Officer

- I. SUBJECT: Annual Liquidity Shortfall Reconciliation - June 30, 2020
- II. ITEM NUMBER: 7.a.3
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS:

Background

As a reminder, StanCERA currently is in a negative cash flow position in terms of money coming into the system (contributions) and money leaving the system (benefits). This phenomena is completely natural for mature systems and is the reason why pension plans set aside money and attempt to earn a return on their investments to cover this period of time.

Several years ago, the StanCERA Board decided to insure its benefit payments in the event that the System experienced a severe decline in its assets and in its ability to liquidate assets at a desirable price in a depressed market. In investment nomenclature, the insuring of a system's benefits (liabilities) is referred to as immunization.

In addition to providing the needed liquidity to satisfy benefit payments, the immunization process is also immune to gains and losses that are a direct result of interest rate changes. In general, all other things being equal, when interest rates fall, bond prices increase (asset gains) and vice versa. In fact, the same can be said for the liabilities of a system, when interest rates fall, the cost to fund liabilities increase. Thus, if a system can match the timing of its asset cash flows to the timing of its benefit payments, gains and losses due to changes in interest rates is eliminated or immunized.

The annual liquidity shortfall reconciliation is a process meant to reconcile both shortfall liabilities and the assets dedicated to paying these liabilities. To gauge whether the process is working, one should focus on the change in the cost to fund the liabilities versus the change in the value of the portfolio of assets dedicated to funding these liabilities. If the process is working correctly, changes in interest rates should change these values roughly the same (i.e. the funded status of the liabilities doesn't change).

In most cases, pension systems generally immunize their entire stream of benefit payments for a given number of years. However, given the level of interest rates in the current economic environment, the cost to immunize an entire stream of future benefit payments is extremely cost prohibitive. As a result, StanCERA's solution was to immunize its benefit shortfalls. That is, StanCERA immunizes the difference between the money it takes in (employee and employer contributions) and the money it pays out (benefit payments plus expenses). These differences are referred to as "shortfalls".

Annual Shortfall Reconciliation

The exhibit below frames the reconciliation process in terms of a balance sheet approach. That is, if one treats shortfall benefit payments as a liability to the system and the capital set aside to pay these shortfalls as an asset, then the balance sheet is simply a natural extension of the process. In this case, since negative cash flows from the liabilities are matched with the positive cash flows of the asset, liabilities can be simply viewed as a negative asset and balance sheet differences ("net worth" or surplus) between years shouldn't change much if the process is working as planned. In other words, the funded status of the plan's shortfall liabilities should always remain at or close to 100% funded each and every year.

Shortfall Reconciliation			
	<u>Liabilities</u>	<u>Assets</u>	<u>Surplus</u>
Shortfall June 30, 2019 (a)	\$232,032,464	\$232,793,891	\$761,427
Shortfall Payments 2019-2020 (b)	-\$27,911,951	-\$27,911,951	-
Shortfall Payment Years Reduction (c)	-\$52,217,319	-\$51,310,249	\$907,070
Change Due to Staff Projection Error (d)	\$5,321,008	\$5,321,008	-
Change Due to Interest Rate Changes (e)	<u>\$7,294,778</u>	<u>\$7,270,681</u>	<u>-\$24,097</u>
Shortfall June 30, 2020 (f)	\$164,518,980	\$166,163,381	\$1,644,401

The balance sheet reconciliation highlights several important aspects of the program:

1. Management of the asset portfolio added value (surplus) between years of approximately \$883,000 (surplus (f) – (a)), using liabilities as the benchmark. Value added as a percentage of the liabilities was approximately 0.38%.
2. The number of shortfall years immunized dropped from 9 in 2019 to 6 in 2020 (c). This was done in response to staff error (staff error drops the shorter the projection period) and is more in line with the duration of an average business cycle. Note that from this point forward, staff intends to fix the shortfall process at 6 years each year.
3. The gains and losses in the program due to changes in interest rates for both assets and liabilities were nearly identical (e). This important metric demonstrates how precise the investment manager has closely matched our projected shortfall payments.

- VI. RISK: None
- VII. STRATEGIC PLAN: N/A
- VIII. ADMINISTRATIVE BUDGET IMPACT: NONE


Rick Santos, Executive Director

2019-2020 Liquidity Shortfall Annual Reconciliation

October 27, 2020

Program Review

- StanCERA is currently in the “shortfall” stage
 - Mature systems generally pay more in benefits than what they receive in contributions
- In 2016, Board decided to insure the shortfalls
 - Set aside money specifically meant to pay shortfalls
- Benefits from insuring shortfalls
 - Efficient
 - Little to no asset gain/losses
 - Provides timely liquidity in distressed markets

Annual Reconciliation Review

- Reconciles both shortfall liabilities and assets dedicated to pay the shortfalls
- One should assess the program by looking at whether asset values and shortfall liability values closely track each other
- If they do:
 - Funded status of the program stays at/near 100%
 - Program provided needed liquidity at the right time

Annual Reconciliation

	Shortfall Reconciliation		
	<u>Liabilities</u>	<u>Assets</u>	<u>Surplus</u>
Shortfall June 30, 2019	\$232,032,464	\$232,793,891	\$761,427
Shortfall Payments 2019/2020	-\$27,911,951	-\$27,911,951	-
Shortfall Payment Year Reduction	-\$52,217,319	-\$51,310,249	-
Change Due to Staff Projection Error	\$5,321,008	\$5,321,008	-
Change Due to Interest Rate Changes	<u>\$7,294,778</u>	<u>\$7,270,681</u>	-
Shortfall June 30, 2020	\$164,518,980	\$166,163,381	\$1,644,401

1. Surplus increased slightly (\$883,000)
2. Changed the shortfall years from 9 to 6
3. Gains/Losses nearly identical

Value Added

- Manager added approximately \$883,000 (surplus)
 - Fees paid were \$259,000
 - Value added: \$624,000
- Value added approximately 0.27% relative to a liability (StanCERA shortfall) benchmark
- Program is doing exactly what's its designed to do
- Generating slight return above the benchmark



PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS



PERIOD ENDING: JUNE 30, 2020

Investment Performance Review

Private Markets

Stanislaus County Employees' Retirement Association

Total Fund

Private Markets – Investment Summary

Period Ending: June 30, 2020

Verus Internal Analysis											
Inception Date	Manager Name/Fund Name	Market Value as of 6/30/2020	Total Commitment	Capital Called	% Called	Remaining Commitment	Total Distributions	Distrib./ Paid-In (DPI) ¹	Tot. Value/ Paid-In (TVPI) ²	IRR Since Inception ⁴	Latest Valuation
Direct Lending											
5/31/2013	Medley Capital S&P/LSTA Leveraged Loan Index PME	\$8,504,664	\$30,000,000	\$34,730,130	116%	\$999,547	\$25,988,275	74.8%	99.3%	-0.2% 3.1%	6/30/2020
10/31/2019	Owl Rock First Lien Fund S&P/LSTA Leveraged Loan Index PME	\$4,881,874	\$10,000,000	\$5,141,193	51%	\$5,000,000	\$198,691	3.9%	98.8%	-2.0% 0.4%	6/30/2020
5/31/2013	Raven Opportunity I S&P/LSTA Leveraged Loan Index PME	\$4,625,223	\$40,000,000	\$34,505,763	86%	\$5,494,237	\$23,560,780	68.3%	81.7%	-6.5% 3.1%	6/30/2020
7/31/2015	Raven Opportunity III S&P/LSTA Leveraged Loan Index PME	\$42,510,247	\$50,000,000	\$47,252,238	95%	\$2,747,762	\$9,448,647	20.0%	110.0%	4.0% 2.5%	6/30/2020
8/31/2013	White Oak Pinnacle S&P/LSTA Leveraged Loan Index PME	\$24,365,938	\$40,000,000	\$56,714,361	142%	\$4,530,589	\$43,683,947	77.0%	120.0%	6.1% 3.3%	6/30/2020
Total Direct Lending		\$84,887,946	\$170,000,000	\$178,343,685	105%	\$18,772,135	\$102,880,340	58.6%	105.3%	1.7%	
% of Portfolio (Market Value)		3.9%									
Private Equity											
	Insight Fund XI Russell 2000 Total Return Index PME	\$2,525,420	\$15,000,000	\$2,260,369	15%	\$12,750,000	\$0	0.0%	111.7%	94.2% 79.5%	6/30/2020
	Vista Foundation Fund IV ³	N/A	\$20,000,000	\$0	0%	\$20,000,000	\$0	N/A	N/A		N/A
Total Private Equity		\$2,525,420	\$35,000,000	\$2,260,369	6%	\$32,750,000	\$0	0.0%	111.7%	94.2%	
% of Portfolio (Market Value)		0.1%									

¹(DPI) is equal to (capital returned / capital called).

²(TVPI) is equal to (market value + capital returned) / capital called.

³No investment activity yet, as of 6/30/20.

⁴Net IRR is calculated on the cash flows of all the limited partners of the fund and is net of all fees. Each funds' IRR figure is provided by its respective manager. Benchmark IRRs are calculated using Long-Nickels ICM Methodology.

Total Fund

Private Markets – Investment Summary

Period Ending: June 30, 2020

Verus Internal Analysis

Inception Date	Manager Name/Fund Name	Market Value as of 6/30/2020	Total Commitment	Capital Called	% Called	Remaining Commitment	Total Distributions	6/30/2020 IRR	3/31/2020 IRR	9/30/2020 Valuation (Adjusted) ⁵	9/30/2020 IRR (Adjusted) ⁵
Direct Lending											
5/31/2013	Medley Capital	\$8,504,664	\$30,000,000	\$34,730,130	116%	\$999,547	\$25,988,275	-0.2%	0.0%	\$8,504,664	-0.2%
10/31/2019	Owl Rock First Lien Fund	\$4,881,874	\$10,000,000	\$5,141,193	51%	\$5,000,000	\$198,691	-2.0%	-27.4%	\$4,881,874	-20.0%
5/31/2013	Raven Opportunity I	\$4,625,223	\$40,000,000	\$34,505,763	86%	\$5,494,237	\$23,560,780	-6.5%	-2.9%	\$4,625,223	-6.4%
7/31/2015	Raven Opportunity III	\$42,510,247	\$50,000,000	\$47,252,238	95%	\$2,747,762	\$9,448,647	4.0%	6.5%	\$42,510,247	3.7%
8/31/2013	White Oak Pinnacle	\$24,365,938	\$40,000,000	\$56,714,361	142%	\$4,530,589	\$43,683,947	6.1%	5.6%	\$24,365,938	5.9%
Total Direct Lending		\$84,887,946	\$170,000,000	\$178,343,685	105%	\$18,772,135	\$102,880,340	1.7%	2.5%	\$84,887,946	1.8%
% of Portfolio (Market Value)		4.3%									

Private Equity											
	Insight Fund XI	\$2,525,420	\$15,000,000	\$2,260,369	15%	\$12,750,000	\$0	94.2%		\$3,425,420	26.7%
	Vista Foundation Fund IV ³	N/A	\$20,000,000	\$0	0%	\$20,000,000	\$0	N/A		N/A	
Total Private Equity		\$2,525,420	\$35,000,000	\$0	0%	\$32,750,000	\$0	94.2%		\$3,425,420	26.7%
% of Portfolio (Market Value)		0.1%									

[Back to Agenda](#)

¹No investment activity yet, as of 6/30/20.

²Based on 6/30/20 reported valuation, adjusted for Q3 20 cash flows.

NEPC MEETING MATERIALS

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

October 27, 2020

Daniel Hennessy, CFA, CAIA, Senior Consultant

Sam Austin, Partner

Kiley Fischer, Consulting Analyst



BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | PORTLAND | SAN FRANCISCO

STANCERA WORKPLAN

COMPLETED PROJECTS TO DATE

- Established contacts and data connections with the custodian and investment managers
- Quarterly performance reports and monthly “flash” reports
- Investment philosophy survey completed



NEAR-TERM NEPC WORKPLAN

- October – Initial review of current asset allocation and potential options
- November - Asset-Liability and Liquidity studies; September performance report
- December – Asset allocation discussion and possible decision

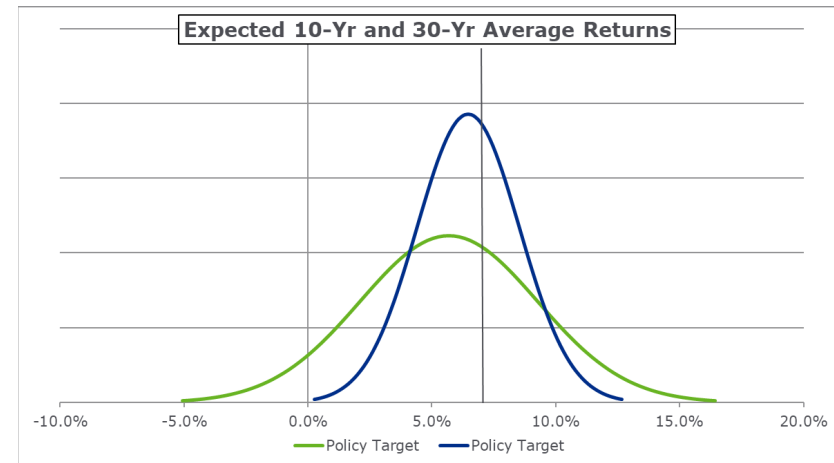


STANCERA'S CURRENT ASSET ALLOCATION

THE CURRENT POLICY'S EXPECTED RETURN

	Policy Target
Cash	1%
Cashflow-Matched Bonds	11%
Total Liquidity Sub-Portfolio	12%
US Public Equities	17%
Non-US Public Equities	23%
Private Equity	6%
Private Debt	6%
Core Real Estate	5%
Value-Add Real Estate	5%
Private Infrastructure	2%
Total Growth Sub-Portfolio	64%
Risk Parity	13%
US Treasury	3%
Short-Term Gov't/Credit	8%
Total Risk-Diversifying Sub-Portfolio	24%
Expected Return 30 yrs	6.5%
Expected Return 10 yrs	5.7%
Standard Deviation (Volatility)	11.3%
Total	100.00%
Probability of 30-Year Return Over 7%	40%
Probability of 10-Year Return Over 7%	36%
Probability of 1-Year Return Under 0%	31%
Probability of 1-Year Return Under -10%	8%

We estimate that the current allocation has only a 40% chance of meeting or exceeding its 7% actuarial return target over the next 30 years unless the plan's active managers can consistently outperform their benchmarks.



EXPECTED IMPACT OF A 4% SHIFT

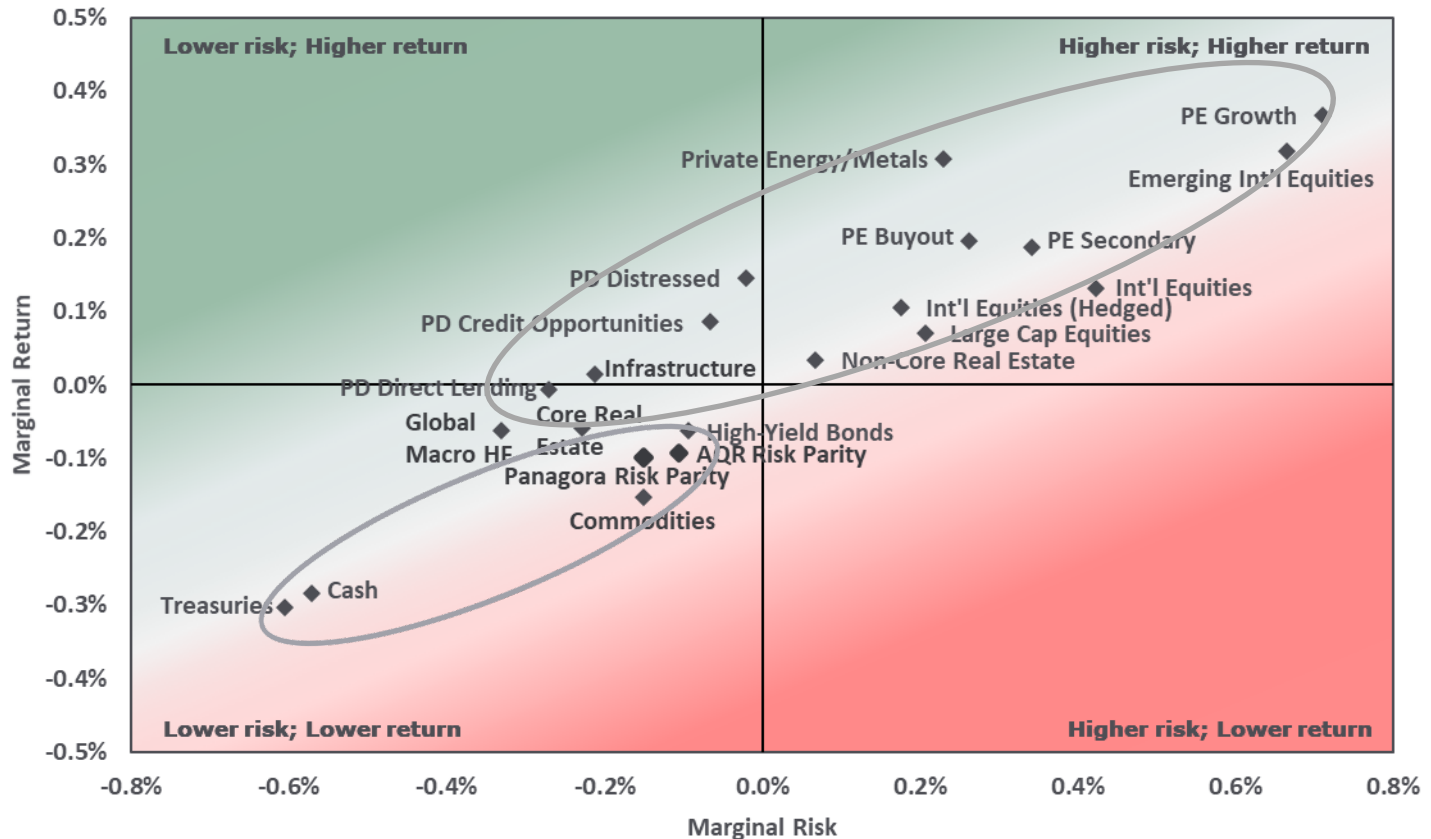
Now that the cashflow-matching Liquidity allocation is 7% of the total portfolio instead of 11%, what is the expected impact of investing the newly freed-up 4% somewhere else?

Allocation	Expected Return		Volatility (Std Dev)	Probability of 7% or greater:		1-year Downside Risk	
	30 Years	10 Years		Over 30 years	Over 10 years	0% or worse	-10% or worse
Current Policy	6.5%	5.7%	11.3%	40%	36%	30.8%	8.3%
+4% US Equity	6.6%	5.9%	11.9%	43%	38%	31.0%	9.0%
+4% Core Infrastructure	6.6%	5.9%	11.6%	43%	38%	30.6%	8.5%
+4% Private Debt	6.7%	5.9%	11.6%	44%	38%	30.6%	8.5%
+4% Non-Core Real Estate	6.7%	5.9%	11.8%	44%	38%	30.9%	8.9%
+4% EM Equity	6.8%	6.0%	12.2%	46%	40%	31.1%	9.5%
+4% Private Equity	6.8%	6.1%	12.2%	46%	40%	31.0%	9.4%

Implications: Adding 4% to any of these asset classes boosts the pension plan's expected return, but adding to Private Equity or Emerging Markets Equity boost returns the most, and adding to Private Debt or Infrastructure have the least impact on 1-year downside risk

PORTFOLIO EFFICIENCY HEAT MAP

Impact of 5% allocation shifts on Current Policy Target expected risk/return



TWO ALLOCATION EXAMPLES – EQUITY VS PRIVATE MARKETS

	Policy Target	Reallocate into Equities	Reallocate into Private Markets
Cash	1%	1%	1%
Cashflow-Matched Bonds	11%	7%	7%
Total Liquidity Sub-Portfolio	12%	8%	8%
US Public Equities	17%	26%	17%
Non-US Public Equities	23%	25%	23%
Private Equity	6%	6%	8%
Private Debt	6%	6%	8%
Core Real Estate	5%	5%	5%
Value-Add Real Estate	5%	5%	6%
Private Infrastructure	2%	2%	8%
Total Growth Sub-Portfolio	64%	75%	75%
Risk Parity	13%	10%	10%
US Treasury	3%	5%	5%
Short-Term Gov't/Credit	8%	2%	2%
Total Risk-Diversifying Sub-Portfolio	24%	17%	17%
Expected Return 30 yrs	6.5%	6.9%	7.1%
Expected Return 10 yrs	5.7%	6.2%	6.4%
Standard Deviation (Volatility)	11.3%	12.9%	12.4%
Total	100.00%	100.00%	100.00%
Probability of 30-Year Return Over 7%	40%	49%	52%
Probability of 10-Year Return Over 7%	36%	43%	44%
Probability of 1-Year Return Under 0%	31%	31%	30%
Probability of 1-Year Return Under -10%	8%	10%	9%

Although increasing public equities from 40% to 51% of the portfolio could almost raise our expected 30-yr return to 7%, private markets (equity, credit, and real assets) offer even higher returns with less of a volatility trade-off.

Next month's asset-liability and liquidity studies will help us determine the appropriate level of private market exposure for StanCERA

HOW PRIVATE MARKETS ARE DIFFERENT FROM PUBLIC MARKETS

Public Markets

- **Daily liquidity**
- **Invested immediately**
- **Daily valuations**
- **Market pricing**
- **Fees as a % of NAV**
- **Regulated reporting**
- **Benchmark managed**
- **Some activism**

Private Markets

- **Illiquid, 10+ year funds**
- **Invested over time**
- **Quarterly valuations**
- **Estimated fair value**
- **Fees as % of commitment**
- **Transparency varies**
- **Managed for alpha**
- **Active value creation**

PRIVATE MARKETS OVERVIEW

- **Private Equity, Private Credit, and Private Real Asset strategies invest capital provided by institutions and high net worth individuals to purchase interests in companies**
- **Private strategies typically earn a premium over publicly-traded stocks and bonds to compensate for the illiquidity risk**
- **The investable universe is very large**
 - Over \$850 billion raised last year for private market investment funds
 - Almost \$6.5 trillion in assets under management, including portfolio value and un-invested capital
- **Two components of investment return:**
 - **Current Income:** Derived from portfolio company operations, loans and leases
 - **Capital Appreciation:** Derived from an increase in the value of an asset between acquisition and sale
- **Investment diversification**
 - Not fully correlated with public markets
 - Access to smaller companies and wider range of strategies

CURRENT STANCERA PRIVATE MARKETS INVESTMENT PLAN

According to StanCERA's private markets consultant, the following new commitments will be required during 2020-2022 to achieve target allocations with appropriate diversification*

Private equity is currently 0.2% of the total portfolio versus 6% LT goal:

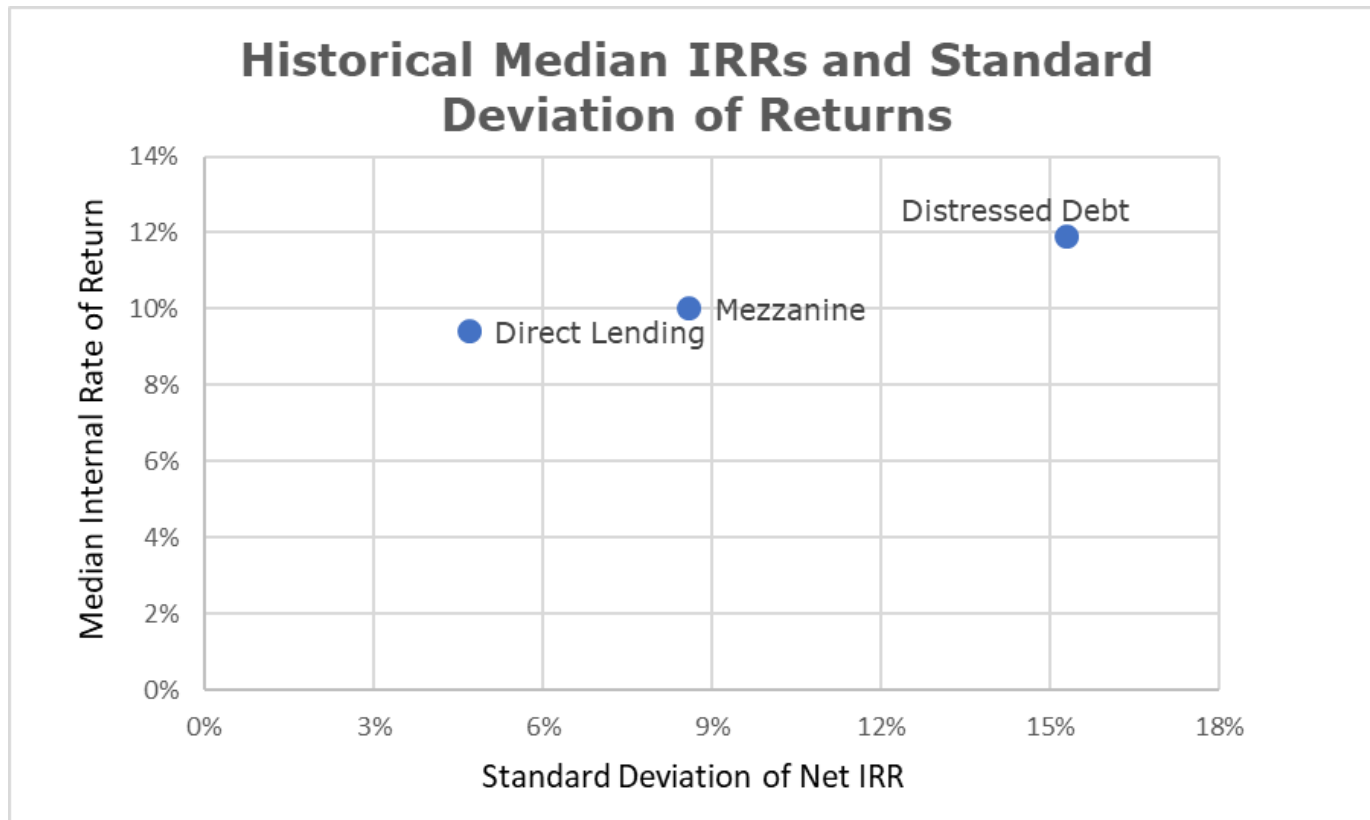
- **Buyouts** **5-6 new funds** **\$155 million**
- **Venture Capital:** **3-5 new funds** **\$50 million**

Private credit is currently 3.9% of the total portfolio versus 6% LT goal:

- **Direct Lending:** **3-5 new funds** **\$60 million**
- **Special Situations:** **4-6 new funds** **\$80 million**

*From StanCERA's April 2020 board agenda. All projected commitments (number and size) are subject to bottom-up evaluation of GPs and market opportunities.

HOW HAS PRIVATE CREDIT PERFORMED FOR OTHERS?



Historical median private credit returns are approximately 10%, which has contributed nicely to overall portfolio performance for most private credit investors; median returns are typically slightly higher during periods of volatility

APPENDIX

EQUITY: ASSUMPTIONS

Equity Building Blocks	
Illiquidity Premium	The additional return expected for investments carrying liquidity risk
Valuation	An input representing P/E multiple contraction or expansion relative to long-term trend
Inflation	Represents market-specific inflation derived from index country revenue contribution and region-specific forecasted inflation
Real Earnings Growth	Reflects market-specific real growth for each equity asset class as a weighted-average derived from index country revenue contribution and forecasted GDP growth
Dividend Yield	Informed by current income distributed to shareholders with adjustments made to reflect market conditions and trends

Asset Class	06/30/20 10-Year Return	06/30/20 30-Year Return
US Large Cap	6.3%	6.7%
US Small/Mid-Cap	6.8%	7.0%
US Micro Cap	7.4%	7.6%
International (Unhedged)	6.7%	6.8%
International (Hedged)	7.1%	7.2%
International Small Cap	7.2%	7.3%
Emerging Markets	9.1%	9.1%
Emerging Markets Small Cap	9.5%	9.3%
Hedge Funds – Long/Short	4.5%	5.4%
<i>Global Equity</i>	<i>7.2%</i>	<i>7.4%</i>
<i>Private Equity</i>	<i>10.4%</i>	<i>10.5%</i>

Source: NEPC

FIXED INCOME: ASSUMPTIONS

Fixed Income Building Blocks	
Illiquidity Premium	The additional return expected for investments carrying liquidity risk
Government Rates Price Change	The valuation change resulting from a change in the current yield curve to forecasted rates
Credit Deterioration	The average loss for credit securities associated with an expected default cycle and recovery rates
Spread Price Change	The valuation change resulting from a change in credit spreads over the duration of the investment and highly sensitive to economic cycles
Credit Spread	Additional yield premium provided by securities with credit risk
Government Rates	The yield attributed to sovereign bonds that do not have credit risk associated with their valuation

Asset Class	06/30/20 10-Year Return	06/30/20 30-Year Return
Short-Term Treasuries	0.7%	1.9%
Treasuries	0.6%	1.9%
TIPS	0.9%	2.0%
MBS	0.8%	2.2%
High-Yield Bonds	4.3%	5.4%
Bank Loans	4.1%	4.7%
EMD (External)	4.4%	4.9%
EMD (Local Currency)	5.3%	5.2%
Non-US Bonds (Unhedged)	0.6%	1.6%
Non-US Bonds (Hedged)	0.9%	1.9%
Investment Grade Corporate Credit	2.6%	3.8%
Hedge Funds – Credit	4.4%	5.5%
<i>Core Bonds</i>	<i>1.3%</i>	<i>2.6%</i>
<i>Private Debt</i>	<i>6.8%</i>	<i>7.4%</i>

Source: NEPC

REAL ASSETS: ASSUMPTIONS

Real Assets Building Blocks	
Illiquidity Premium	The additional return expected for investments carrying liquidity risk
Valuation	The expected change in price of the underlying asset reverting to a long-term real average or terminal value assumption
Inflation	Incorporates the inflation paths as defined by TIPS breakeven expectations and NEPC expected inflation assumptions
Growth	Reflects market-specific growth for each equity asset class as a weighted-average derived from index country revenue contribution and forecasted GDP growth
Real Income	Represents the inflation-adjusted income produced by the underlying tangible or physical asset

Asset Class	06/30/20 10-Year Return	06.30/20 30-Year Return
Commodities	1.7%	4.1%
Midstream Energy	7.4%	7.6%
REITs	6.6%	7.1%
Public Infrastructure	6.3%	6.8%
Public Resource Equity	7.5%	7.4%
Core Real Estate	4.4%	5.6%
Non-Core Real Estate	5.3%	7.0%
Private RE Debt	4.1%	5.1%
Private Real Assets: Energy/ Metals	8.5%	9.0%
Private Real Assets: Infra/Land	5.9%	7.0%

Source: NEPC

Information Disclaimer

- **Past Performance is no guarantee of future results.**
- **The goal of this report is to provide a basis for monitoring financial markets. The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.**
- **Information on market indices was provided by sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.**
- **All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.**



[Back to Agenda](#)



PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS



OCTOBER 27, 2020

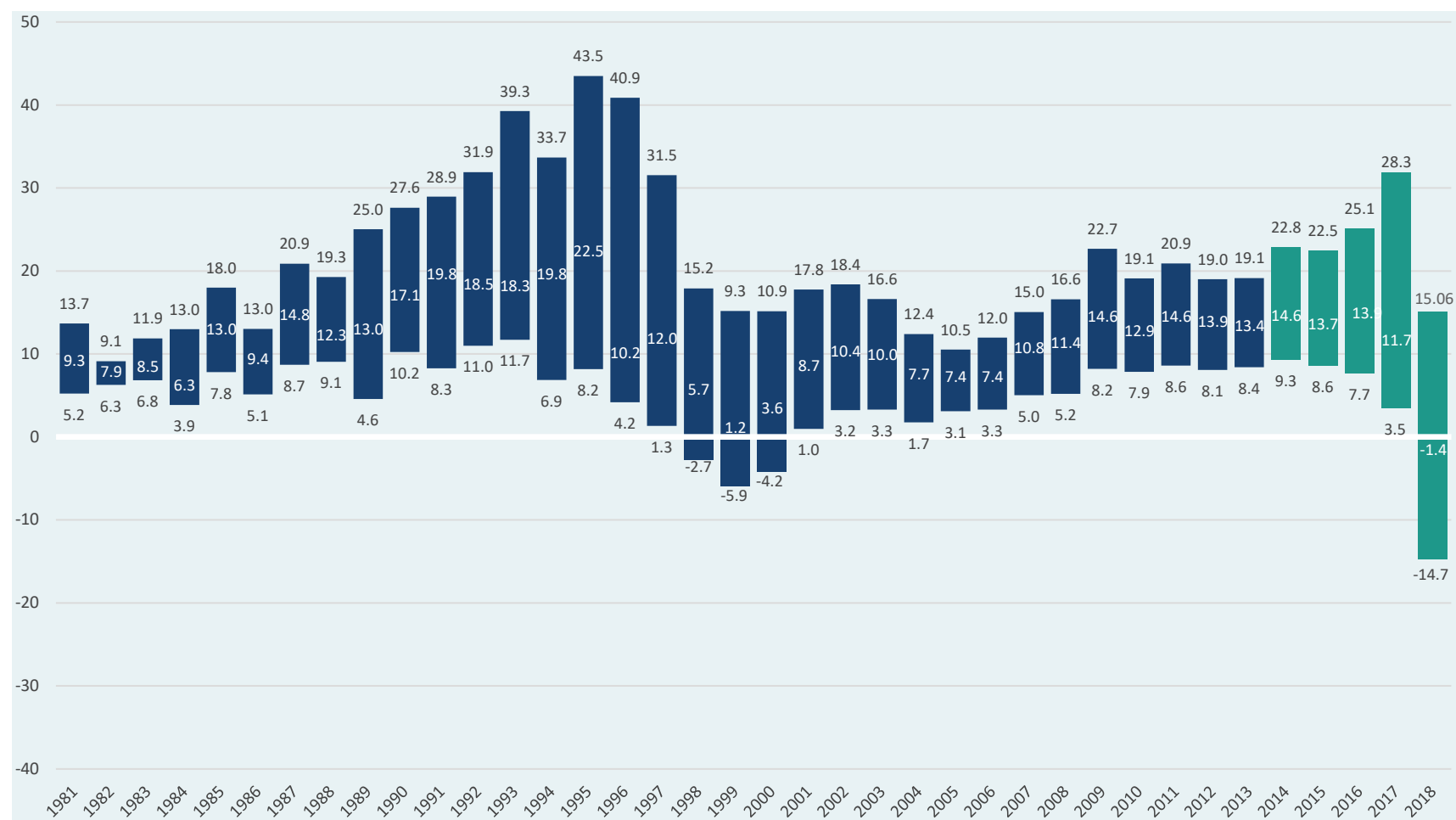
Private Markets Asset Class Expectations

Stanislaus County Employees' Retirement Association

Verus investment approach

Manager selection is critical to results

DISPERSION BETWEEN TOP AND BOTTOM QUARTILE FUND RETURNS



Mature funds avg. dispersion: 15.25%

Active funds avg. dispersion: 19.90%

Source: Thomson Reuters C/A U.S. All Private Equity returns, as of 6/30/19

For illustrative purposes only as dispersion of returns varies by sub-asset class. Mature funds defined as those whose 80% or more of total value has been distributed.

Verus' *disciplined* process offers visibility and structure

ESTABLISH PARAMETERS

Timing: 1-2 weeks

Main objectives

- Determine goals of the program and fit/role within the overall portfolio
- Specify general approach (i.e., fund of funds vs. direct) and targeted strategies
- Develop return expectations, risk tolerances and desired liquidity profile
- Define roles and responsibilities of Staff and Verus
- Draft “roadmap” and Investment Guidelines, if necessary

SOURCING / SCREENING

Timing: Ongoing

Main objectives

- Proactively identify new investments from a variety of sources (e.g., personal networks, LPs, clients, prime brokers, industry publications, 3rd party databases)
- Log all relevant documents/data and store on internal database in preparation for initial review
- Regularly attend conferences and annual investor meetings in order to broaden our network of contacts

PRELIMINARY EVALUATION

Timing: 1 week

Main objectives

- Gain an understanding of the firm, its business model, team, client base and experience managing client relationships
- Evaluate the investment strategy, process and historical track record
- Develop an investment thesis and make sure it matches client needs
- Initial evaluations discussed at regular internal staff meetings, or ad hoc if required by client timeframe

MONITORING & REPORTING

Timing: Ongoing

Main objectives

- Establish communication and information flow to client and Verus
- Review performance and portfolio exposures on monthly or quarterly basis
- Provide quarterly reports to client
- Conduct follow-up meetings or onsite visits as needed, but at least annually
- Evaluate impact of any macro events or firm-specific developments, opine as to amendments, option to redeem, etc.

EXECUTION

Timing: 2-4 weeks

Main objectives

- Review all legal documents in conjunction with client's legal counsel
- Facilitate information requests and client-manager communications
- Negotiate terms and conditions, assist with drafting of any side letters
- Assist Staff with the preparation of reports/memos
- Work with client, service providers and manager to meet relevant deadlines

DUE DILIGENCE

Timing: 4-12 weeks

Main objectives

- Gain an in-depth understanding of the strategy and how the team operates
- Identify the manager's value proposition or “edge” over peers...is it repeatable?
- Establish expectations, key drivers of return and main sources of risk
- Focus on incentives, alignment of interests and potential conflicts
- Perform reference checks and utilize multiple sources to validate findings

Process subject to change, as appropriate.

Projected private asset class returns

Private equity

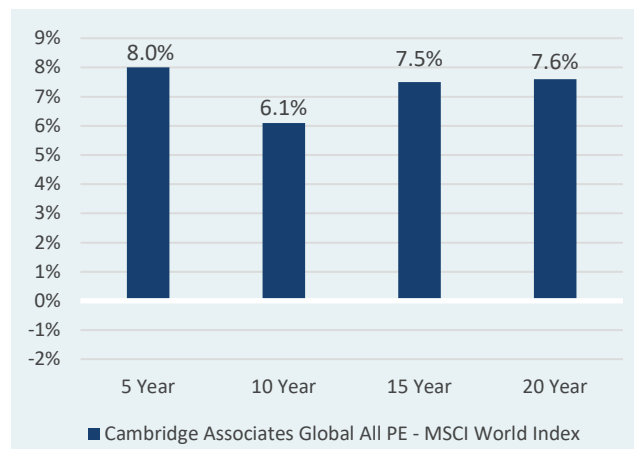
Projected returns

Private equity and public equity returns have been correlated historically because the underlying economic forces driving these asset class returns are quite similar. The return relationship between the two can vary in the short-term, but over the long-term investors have received a premium, driven by leverage, concentrated factor exposure (smaller and undervalued companies), skill, and possibly illiquidity.

Historically, the beta of private equity relative to public equities has been high. We use a beta assumption of 1.85 to U.S. large cap equities in our capital market forecast.

Private equity performance typically differs based on the implementation approach. We provide a 10-year forecast for the entire private equity universe of 8.5%. Direct private equity programs have historically outperformed the broader universe by approximately 1.0%, and we forecast direct private equity accordingly with a forecast of 9.5%. Private equity fund-of-fund programs have historically lagged the universe by 1.0%, and we forecast private equity FoF at 7.5% to reflect this drag.

PRIVATE EQUITY EXCESS RETURN (GLOBAL PE – GLOBAL EQUITY)



Source: Cambridge, MSCI, as of 3/31/20

PRIVATE EQUITY IMPLEMENTATION FORECASTS

	10-Year Forecast
Private Equity Universe Forecast	+7.9%
Private Equity FoF Forecast	+6.9%
Private Equity Direct Forecast	+8.9%

Source: Verus interim forecast, as of 8/31/20

PRIVATE EQUITY UNIVERSE FORECAST

	10-Year Forecast
U.S. Large Cap Forecast	+5.1%
1.85 Beta Multiplier	+2.8%
Nominal Return	+7.9%
Inflation Forecast	-2.1%
Real Return	5.8%

Source: Verus interim forecast, as of 8/31/20

Private core real estate / REITS

Projected returns

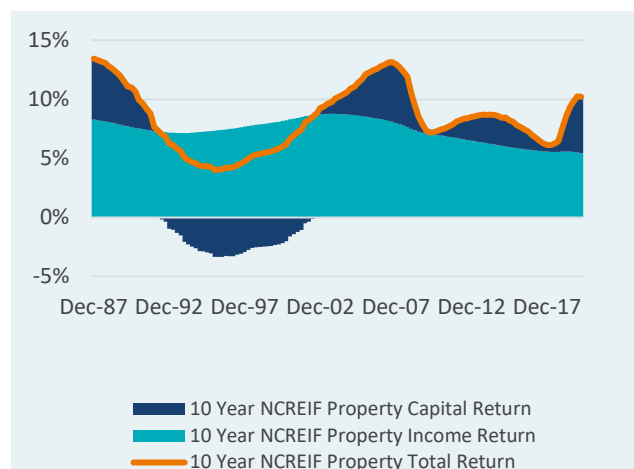
Performance of the NCREIF property index can be decomposed into an income return (cap rate) and capital return. The return coming from income has historically been more stable than the return derived from capital changes.

The cap rate is the ratio of earnings less expenses to price and does not include extraordinary expenses. A more accurate measure of the yield investors receive should include non-recurring capital expenditures; we assume a 2.0% capex expenditure. We also assume income growth will track inflation as higher prices are passed through to rents.

Private real estate and REITs have provided very similar returns over the long-term. Investors should be careful when comparing risk-adjusted returns of publicly traded assets to returns of appraisal priced assets, due to smoothing effects. While private real estate appears to be less volatile than REITs, the true risks to investors are very similar. We assume the effects of leverage and liquidity offset each other. Therefore, our return forecast is the same for private real estate and REITs.

A premium is added to the core real estate return for both opportunistic and value-added real estate. The final UM forecast is based on an appropriate blend of the three categories.

TRAILING 10-YR NCREIF RETURN COMPOSITION



Source: NCREIF, as of 3/31/20

PRIVATE REAL ESTATE

Private Real Estate 10-Year Forecast	
Current Cap Rate	+4.2%
Real Income Growth	+2.3%
Capex Assumption	-2.0%
Inflation	+2.1%
Nominal Return	6.6%
Inflation Forecast	-2.1%
Real Return	4.5%

Source: Verus, as of 8/31/20

REITS

10-Year Forecast	
Nominal Return Forecast	+6.6%
Inflation Forecast	-2.1%
Real Return	4.5%

Source: Verus, as of 8/31/20

Private credit

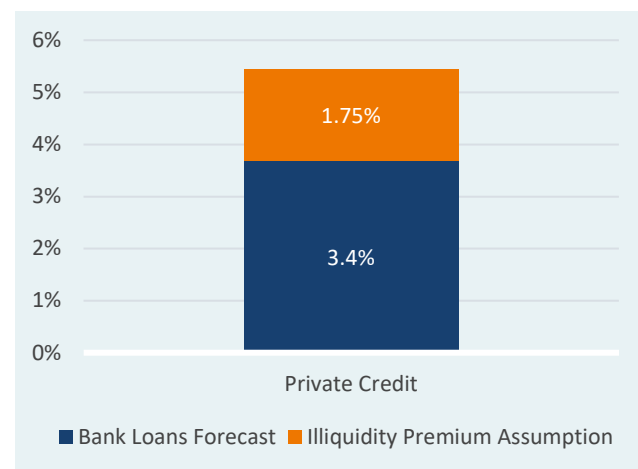
Projected returns

Similar to some other private market assets, there are no good Private Credit benchmarks with which to base a 10-year forecast. Private Credit tends to exhibit similar characteristics to Bank Loans, given the floating rate nature of this debt. We therefore use our Verus Bank Loans forecast as a starting point to forecast Private Credit.

Private Credit is generally associated with greater illiquidity, different issuer size, and generally lacks credit ratings. These

features tend to result in a higher credit premium of Private Credit relative to Bank Loans, and therefore a higher expected return. We estimate this “premium” to be 1.75%, which is added to our Bank Loans forecast to arrive at a Private Credit expected return.

PRIVATE CREDIT



Source: Verus, as of 8/31/20

BANK LOANS

	Bank Loans 10-Year Forecast
LIBOR	+0.2%
S&P LSTA Spread	+3.5%
Effective Default	-0.4%
Nominal Return	3.4%
Inflation Forecast	-2.1%
Real Return	1.3%

Source: Verus, as of 8/31/20

PRIVATE CREDIT

	10-Year Forecast
Bank Loan Forecast	+3.4%
Private Premium	+1.75%
Nominal Return	+5.2%
Inflation Forecast	-2.1%
Real Return	3.1%

Source: Verus, as of 8/31/20

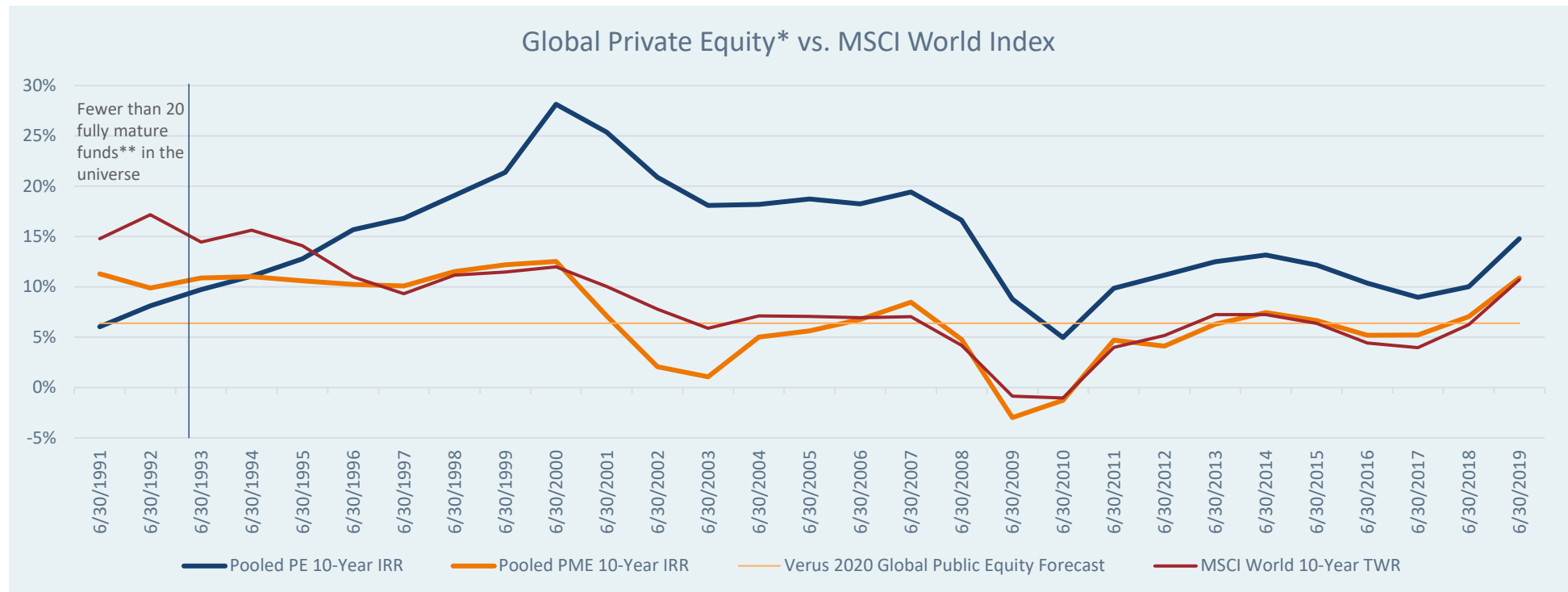
Historical excess return over alternate allocations

Global private equity* vs. MSCI World index

POOLED 10-YR GLOBAL PE RETURN VS. PME

% of 10-Yr Global PE Outperformed PME	89.7%
% of 10-Yr Global PE Outperformed PME by 1%	86.2%
% of 10-Yr Global PE Outperformed PME by 2%	86.2%
% of 10-Yr Global PE Outperformed PME by 3%	79.3%

Average Dispersion	+7.5%
Range of Dispersions	-5.2% to +18.8%



* Includes Buyout, Fund of Funds, Growth Equity, Secondary Funds, Venture Capital.

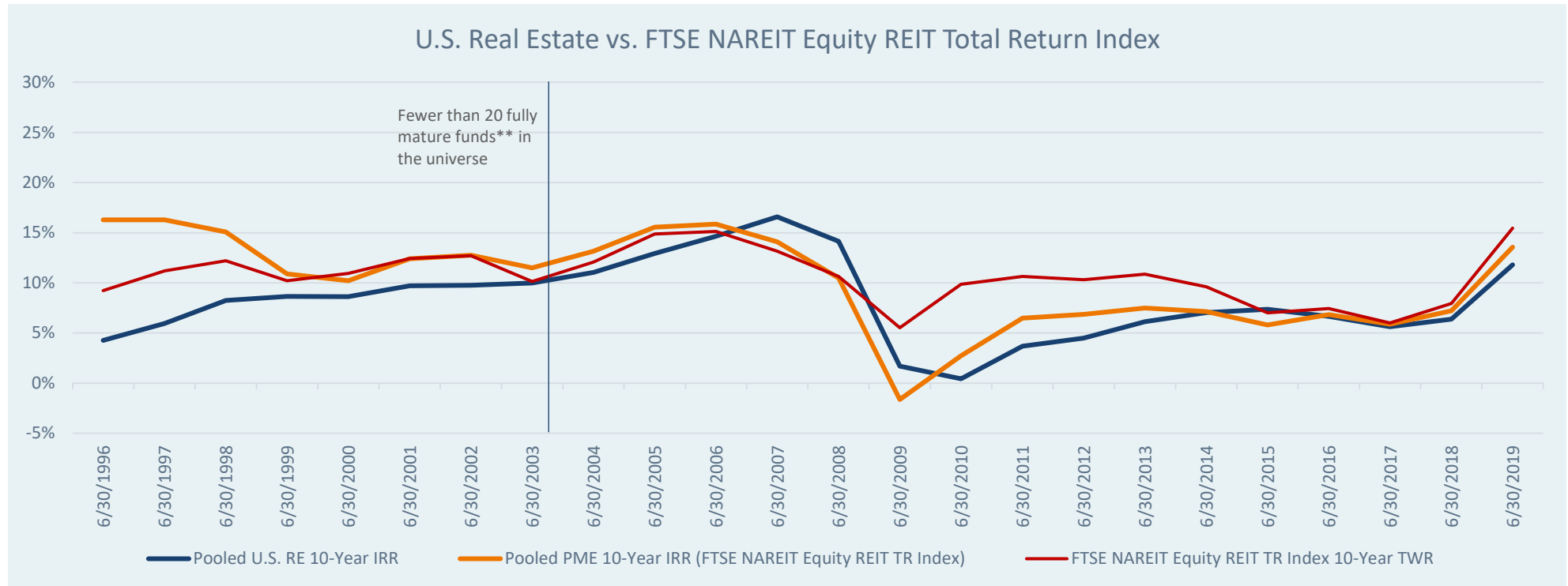
** Fully mature funds with 10 years investment history.

U.S. real estate vs. FTSE NAREIT equity REIT total return index

POOLED 10-YR U.S. REAL ESTATE RETURN VS. PME

% of 10-Yr U.S. Private Real Estate Outperformed PME	16.7%
% of 10-Yr U.S. Private Real Estate Outperformed PME by 1%	16.7%
% of 10-Yr U.S. Private Real Estate Outperformed PME by 2%	12.5%
% of 10-Yr U.S. Private Real Estate Outperformed PME by 3%	8.3%

Average Dispersion	-2.0%
Range of Dispersions	-12.0% to +3.7%

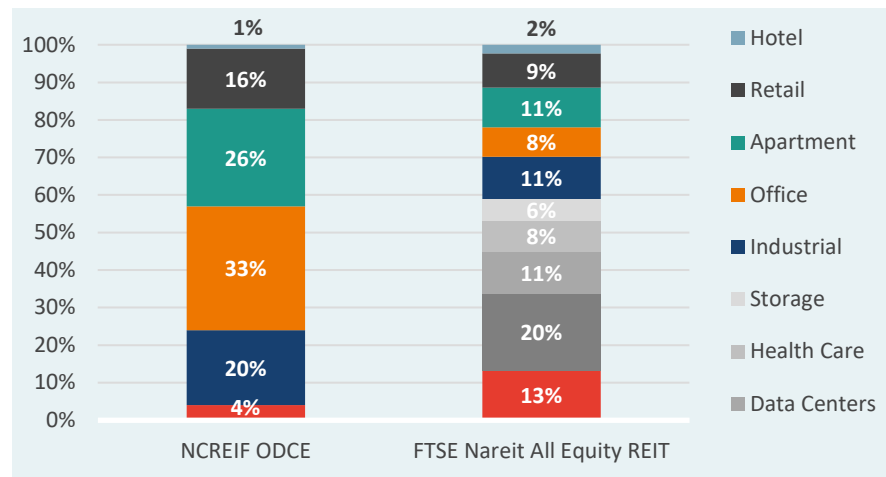


* Fully mature funds with 10 years investment history.

REITs versus private real estate (ODCE)

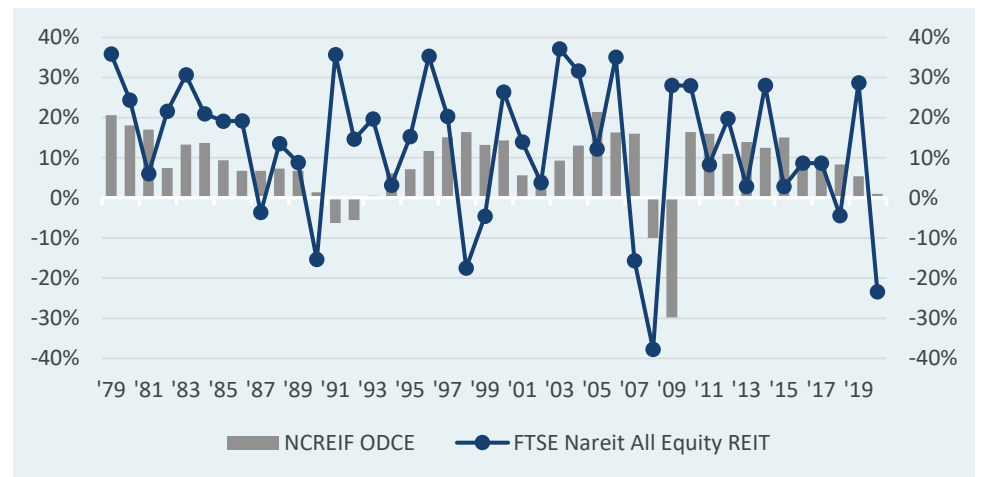
- **Asset Composition:** The four main property types within ODCE comprise 95% of the exposure, while those four property types are approximately 50% of the REIT market. The remainder of the REIT market consists of self-storage, medical office, data centers, cell towers and other niche sectors.
- **Leverage:** REITs typically have higher leverage than core private real estate, although that spread has declined over the last decade. US REIT leverage is approximately 28% vs 22% for ODCE.
- **Volatility:** The private real estate valuation process is based on appraisals and recent comparable transactions. For this reason the increase and decrease in valuations have been more muted than REITs, and drawdowns have typically lagged public markets dramatically. Diversification by valuation methodology can similarly moderate the impact of excessive market movements in short time periods.

PRIVATE ODCE VERSUS PUBLIC REITS



Source: NCREIF, FTSE

ANNUAL RETURNS: PRIVATE ODCE VERSUS PUBLIC REITS



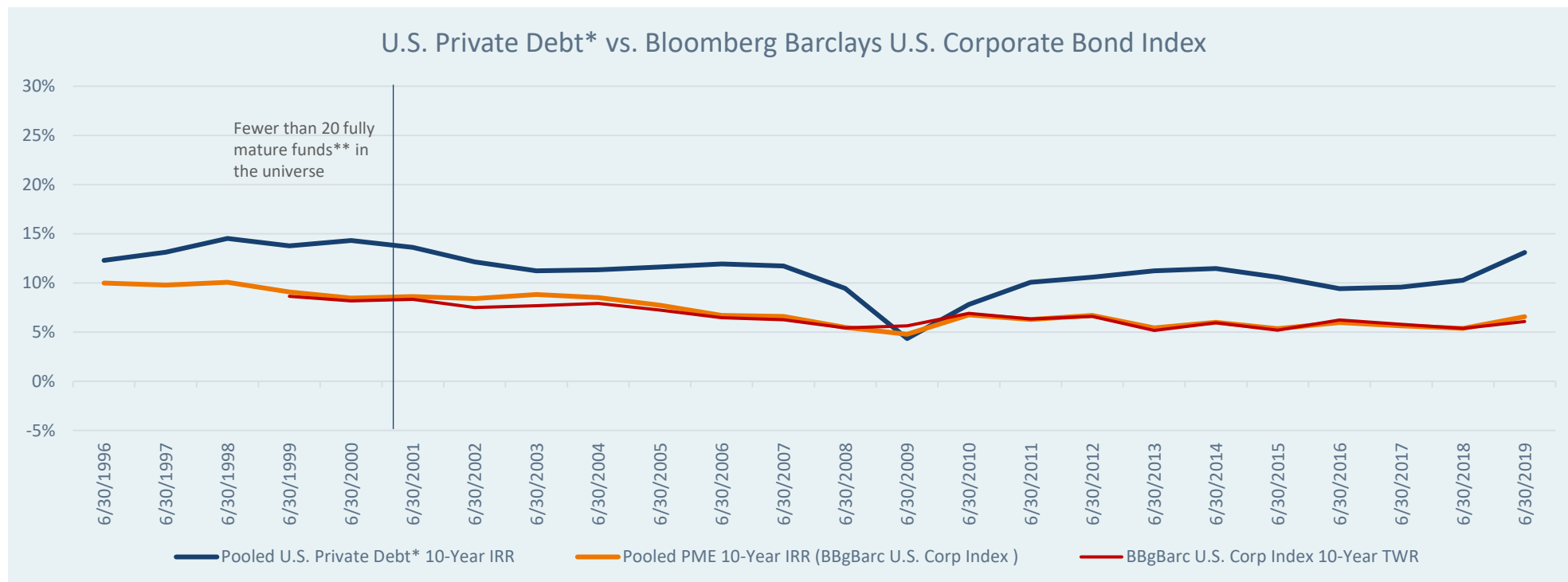
Source: NCREIF, InvMetrics, as of 3/31/20

U.S. private debt* vs. Bloomberg Barclays U.S. Corporate index

POOLED 10-YR U.S. PRIVATE DEBT RETURN VS. PME

% of 10-Yr U.S. Private Debt Outperformed PME	95.8%
% of 10-Yr U.S. Private Debt Outperformed PME by 1%	95.8%
% of 10-Yr U.S. Private Debt Outperformed PME by 2%	91.7%
% of 10-Yr U.S. Private Debt Outperformed PME by 3%	79.2%

Average Dispersion	+4.0%
Range of Dispersions	-0.4% to +6.5%






* Includes Control-Oriented Distressed, Credit Opportunities, Senior Debt, Subordinated Capital.

** Fully mature funds with 10 years investment history.

Tactical outlook

Private equity outlook summary

Outlook

Unattractive	Neutral	Attractive
		

Strategy	Geography		Commentary
Buyout	U.S.	<i>Small/ Mid Mkt</i>	 The median holding period for small and middle market companies continued to tick up in Q2 due to various factors. We expect that trend to continue as uncertainty around valuation and earnings outlooks lead sellers to wait out the storm.
		<i>Large</i>	 Consolidation within private equity has led to large asset managers with multiple platforms that can capitalize on a range of opportunities in a variety of economic environments.
	Europe	<i>Small/ Mid Mkt</i>	 Managers will be focused on increasing platform resilience, agility, and stability during the crisis, while playing offense through add-on acquisitions to heighten geographic, product, customer, and supplier diversification.
		<i>Large</i>	 Although divestiture activity has seen a subdued first half of 2020, we anticipate public and private carveouts will considerably pick up in the second half as many companies will be forced to raise cash and deleverage.
Private Credit	<i>Direct Lending</i>		 We are concerned about the liability side of Direct Lending with funds employing fund-level leverage subject to revaluation events, which could negatively impact funds and lead to forced selling and adverse performance.
	<i>Distressed/ Special Situations</i>		 With default rates anticipated to increase above 9%, we anticipate another round of spread widening and forced selling within direct lending, broadly syndicated loans and high yield.
	<i>Opportunistic</i>		 Multi-asset funds can capitalize on the non-corporate opportunity during periods of sustained distress through liquid structured credits and pools of asset-secured instruments (commercial RE mortgages, NPLs, whole loan portfolios, etc.).
Secondaries	<i>Secondaries</i>		 Although we have seen pricing levels come down over the 2H 2020; sellers have not had the cash needs as in previous periods and are not looking to sell at any price. Suggesting variations in market conditions may impact an anticipated surge in secondary transactions.
Venture Capital	<i>Early Stage</i>		 Valuations and pricing will see downward pressure as investors focus on stronger fundamentals; companies may turn to debt financing as an alternative to traditional equity rounds, as they attempt to avoid down rounds, dilution, and unfavorable terms.
	<i>Late Stage</i>		 The number of companies valued at over \$1 billion remains high —as does their age— driving a need for liquidity. IPOs will make up a smaller percentage of 2020 exits given the COVID impacts.

Real assets outlook summary

Strategy	Current Environment	Potential Risks	Outlook/Implementation	View
Private Real Estate	Negative impacts from the economic slowdown caused by Covid-19 will likely take several quarters to play out in the appraisal process for existing assets. Transaction activity has come to a halt, making pricing comparisons difficult. Retail/hotel/resort/casinos will likely feel the greatest impact. Income declines are more likely than prior downturns.	<ul style="list-style-type: none"> — The duration of the economic slowdown will impact the degree of negative real estate performance. Core real estate returns tend to have high correlation to overall GDP growth. — A sharp rise in interest rates could lead to increased cap rates, hurting values. 	Our outlook remains neutral; however we are taking a barbell approach. The lag effect of the appraisals process will create a period of several quarters where valuations are not reflective of perceived value. Redemption requests are typically met with gates or redemption restrictions. We recommend rebalancing redemptions in core real estate where possible and deploying capital in non-core strategies with fresh capital.	Neutral
REITs	REITs responded sharply downward in March when the severity of coronavirus forecasts filtered in. REITs were down almost 40% YTD at their nadir with some sectors such as hotels and casinos down over 70%. A sharp recovery occurred, but not all the way back. Through mid April REITs were down ~25%, but well off their lows.	<ul style="list-style-type: none"> — REITs have higher leverage than core real estate and have higher exposures to non-core sectors such as hotels, self-storage, for rent residential and senior/student housing. — Rising interest rates can have a negative effect on REITs and all yield-sensitive assets over short periods. — REITs are sensitive to economic decline and general equity market volatility. 	We remain neutral on REITs. Although the recent decline in performance has increased discounts to NAV, the underlying NAVs have not yet adjusted. REITs can provide liquid exposure to real estate with the following caveats: high sensitivity to equity market volatility over shorter holding periods, higher leverage and higher exposures to non-core sectors such as hotels, self-storage, for-rent residential, etc.	Neutral
Commodities	Commodities futures have had lackluster performance over the last decade. An upward sloping futures curve for most of the last decade has created a headwind for the asset class. In 1Q, an oversupply of energy, coronavirus demand destruction, and declining inflation concerns has exacerbated performance issues.	<ul style="list-style-type: none"> — Oversupply issues, especially across the energy complex could have a lasting impact. — Depending on the depth of the recession, demand for energy and industrial metals could be reduced for an extended period. — Inflationary pressures remaining low would continue to be a headwind. 	Commodities will likely face both supply and demand issues over the intermediate timeframe. Contango remains steep across the complexes and lower rates will keep collateral returns low. Inflation driven by excess demand is unlikely in the intermediate horizon and any inflation led by excess monetary supply is unlikely to have a direct benefit to commodities.	Negative

Real assets outlook summary (continued)

Strategy	Current Environment	Potential Risks	Outlook/Implementation	View
Private Infrastructure	Infrastructure assets have not been spared during the broad market sell-off in 2020. Coming into the year, we were especially bearish on transportation infrastructure assets (airports, toll roads, ports, etc.) due to valuations and significant GDP risk. We anticipate that Covid-19-related impacts on travel will generate more interesting deals for client capital. Power and energy-related infrastructure has also been hit hard by the economic fallout though we are cautious about taking significant commodity-price risk. Finally, the telecom/data space remains an attractive segment for infrastructure capital and we anticipate putting more money to work in this area going forward.	<ul style="list-style-type: none"> — Regulatory changes are creating investment challenges in parts of Europe as low interest rates are putting downward pressure on the allowed returns by investors. We are cautious on utilities where returns are set by governmental bodies. — Transportation assets are particularly vulnerable in the current environment. We may see interesting opportunities emerge from over-levered infrastructure funds, but we'd be a patient buyer. 	The asset class offers a compelling return profile that aligns well with long duration pools of capital. We favor private infrastructure funds that have capabilities to improve operations and manage complex deal structures..	Positive
Oil & Gas	The oil & gas industry entered 2020 on shaky legs following several years of weak commodity prices. The dual impact of Covid-related demand destruction and the disintegration of OPEC+ supply controls sent oil markets into a tailspin. For independent drillers, current prices are far too low for them to operate profitably. We expect a large number of bankruptcies across the energy industry vertical and a challenging time ahead raising capital once prices stabilize.	<ul style="list-style-type: none"> — Slowing demand for oil, mostly driven by slowing economic growth, is a key concern for the industry. Longer-term, oil demand is expected to decline as non-carbon sources of power outcompete hydrocarbons. — Access to capital within oil & gas presents a challenge for an industry that requires large capital expenditures to grow. — Geopolitics and the tension between OPEC and non-OPEC producers presents an additional risk for investors. 	We had been cautious about energy going into 2020 but industry fundamentals deteriorated far more than we would have predicted. There is too much uncertainty around oil/gas demand, access to capital, and geopolitics for us to gain comfort. We recognize that someone will likely make money from the devastation occurring in upstream energy, but we aren't willing to place bets just yet.	Negative

Real assets outlook summary (continued)

Strategy	Current Environment	Potential Risks	Outlook/Implementation	View
Renewables	Operating renewable energy assets remain expensive with yields in the mid-single digits. New development projects will slow down in 2020 but will likely see a rebound shortly after as solar and wind farms are now the cheapest form of new build electricity generation for over two-thirds of the global population, and countries shift their energy sources to meet pledges to become carbon neutral.	<ul style="list-style-type: none"> As corporations shore up capital to preserve liquidity, capital expenditure dedicated to developing and purchasing renewable energy assets may shrink. There is also a potential for government subsidies and tax incentives to be reduced as governments are forced to dedicate resources to the current crisis as opposed to the long-term impact of climate change. 	While we believe the development of solar and wind farms is an attractive investment, it is difficult to find scalable opportunities that warrant deploying capital into a dedicated renewable energy fund. Infrastructure funds with a track record of successful development projects within broader portfolios are the most effective way to gain exposure to the sector.	Neutral
Mining	The mining industry has not suffered quite like the oil & gas market, but it has been a weak sector for several years. Unlike oil, we see growing demand for industrial metals like copper, nickel, zinc and steel inputs as electrification takes market share from carbon-based power generation.	<ul style="list-style-type: none"> Global GDP growth and the economy in China are the two biggest risks in the sector. China represents a disproportionately large buyer of industrial metals, so its economy and industrial output have a large impact on metal prices. 	Longer-term, we believe the demand outlook looks favorable for several industrial metals. There will be near-term headwinds from Covid-19 but as the global economy recovers, we expect a tightening of supply/demand for mining commodities.	Positive
Midstream Energy / MLPs	Coming into 2020, midstream companies were trading at levels that indicated the market was skeptical about company cashflows and future earnings. Falling oil prices from the impact of Covid-19 and news that OPEC & Russia would no longer cooperate to balance the supply side of the market compounded negative sentiment. With so much uncertainty now present in the energy market, we would avoid companies exposed directly or indirectly to oil price movement.	<ul style="list-style-type: none"> Falling oil/gas prices could curtail drilling programs and reduce production volumes which would hurt MLP cash flows. Regulatory risk is low for most of the midstream space though there are pockets of risk in states like Colorado and New York where regulations could greatly impact drillers and pipeline owners. 	We have shifted our outlook to negative for midstream energy given the challenges that emerged in 2020. Though prices for listed midstream stocks have plummeted, we are seeing a wave of distribution cuts that will reset the sectors income yield and depending on the duration of the oil price downturn, could see a spike in bankruptcies.	Negative

[Back to Agenda](#)

October 23, 2020

Retirement Board Agenda Item

TO: Retirement Board
FROM: Kellie Gomes, Executive Board Assistant

I. SUBJECT: SACRS Voting Proxy and Directive

II. ITEM NUMBER: 8.b.

III. ITEM TYPE: Discussion and Action

IV. STAFF RECOMMENDATION:

1. Choose a two voting proxy delegates to vote virtually on behalf of the Board of Retirement for the SACRS Business Meeting-November 13, 2020
2. Action Items for SACRS Business Meeting – November 13, 2020
 - Item # 7. From the attached business packet - SACRS Audit Report for 2018-2019 Annual Audit
 - Item 11. From the attached business packet - SACRS Bylaws Committee Report –
 - A. Use of SACRS' Intellectual Property
 - B. Termination of Membership
 - C. Electronic Meetings

V. ANALYSIS: Each year in May and November, the SACRS (State Association of County Retirement Systems) holds a conference with a business meeting on the last day of the conference. The Constitution of SACRS states that "the purpose of the Association is to provide forums for disseminating knowledge of, and developing expertise in, the 1937 Act retirement systems; and further, that the Association foster and take an active role in the legislative process as it affects SACRS retirement systems".

SACRS 2020-Fall Conference is going to take place virtually November 13, 2020, in light of COVID-19 and social distancing requirements in place.

StanCERA will need two voting delegates identified who will be voting on behalf of the full Board at the Fall Business Conference

Attachment 1 - Voting Delegate Proxy Form

Attachment 2 - SACRS Business Packet

VI. RISK: None

VII. STRATEGIC PLAN: N/A

VIII. ADMINISTRATIVE BUDGET IMPACT: NONE


Kellie Gomes, Executive Board Assistant

[Back to Agenda](#)



SACRS VOTING PROXY FORM

The following are authorized by the _____ County Retirement Board to vote on behalf of the County Retirement System at the upcoming SACRS Conference

(if you have more than one alternate, please attach the list of alternates in priority order):

_____ Voting Delegate

_____ Alternate Voting Delegate

These delegates were approved by the Retirement Board on ____ / ____ / ____.

The person authorized to fill out this form and submit electronically on behalf of the Retirement Board:

Signature: _____

Print Name: _____

Position: _____

Date: _____

Please send your system's voting proxy by October 31, 2020 to Sulema H. Peterson, SACRS Executive Director at Sulema@sacrs.org.



SACRS Business Meeting Packet

Friday, November 13, 2020

9:00 AM - Upon Adjournment

SACRS Event Tech Platform

(Link will be sent via email to all registered attendees. Access is email specific to attendee)



SACRS Business Meeting Agenda
Friday, November 13, 2020
9:00 AM - Upon Adjournment
Online Via SACRS Conference Platform

SACRS Parliamentarian – TBD
Sergeant at Arms – Bob Goodchild, San Diego CERA

1. SACRS System Roll Call

Kathryn Cavness, Mendocino CERA, SACRS Secretary

2. Secretary's Report - Receive and File

Kathryn Cavness, Mendocino CERA, SACRS Secretary

- A. November 2019 SACRS Business Meeting Minutes

3. Treasurer's Report - Receive and File

Harry Hagen, Santa Barbara CERS, SACRS Treasurer

- A. July 2020 – August 2020 Financials
- B. 2020 – 2021 Annual Budget

4. SACRS President Report - No Action

Vivian Gray, Los Angeles CERA, SACRS President

- A. SACRS President Update

5. SACRS Legislative Committee Update – No Action

Eric Stern, Sacramento CERS and Dave Nelsen, Alameda CERA – SACRS Legislative Committee Co-Chairs

- A. 2020 Legislative Report – No Action
- B. Los Angeles CERA Proposal – No Action

6. SACRS Nomination Committee - 2021-2022 SACRS Election Notice – No Action

Dan McAllister, San Diego CERA, SACRS Nomination Committee Chair

- A. SACRS Election Notice 2021-2022

7. SACRS Audit Report – Action

Steve Delaney, Orange CERS, SACRS Audit Committee Chair

- A. SACRS 2018-2019 Annual Audit
Carry over item from Spring 2020 Conference that was cancelled due to COVID-19



8. SACRS Education Committee Report – No Action

JJ Popowich, Los Angeles CERA, SACRS Education Committee Chair

- A. SACRS Annual Virtual Fall 2020 Conference Evaluations/Feedback

9. SACRS Program Committee Report – No Action

Roger Hilton, Orange CERS, SACRS Program Committee Chair

- A. SACRS Annual Virtual Fall Conference Report 2020

10. SACRS Affiliate Committee Report – No Action

Teri Noble, Pathway, SACRS Affiliate Committee Chair

- A. Affiliate Committee Update

11. SACRS Bylaws Committee Report – Action

Johanna Fontenot, Los Angeles CERA, SACRS Bylaws Committee Chair

- A. Use of SACRS' Intellectual Property
- B. Termination of Membership
- C. Electronic Meetings

12. SACRS Fall Conference Breakout Reports – No Action

A representative from each breakout will give report on their meetings.

- A. Administrators
- B. Counsel
- C. Disability/ Operations & Benefits Combo
- D. Internal Auditors
- E. Investment Officers
- F. Safety Trustees
- G. General Trustees

13. Adjournment

Next scheduled SACRS Association Business Meeting will be held Friday, May 14, 2021 at the Long Beach Renaissance.



1. SACRS System Roll Call

Kathryn Cavness, Mendocino CERA, SACRS Secretary



1. SACRS System Roll Call
Kathryn Cavness, SACRS Secretary

System	In Attendance	Absent	Delegate/Alternate Name
Alameda			
Contra Costa			
Fresno			
Imperial			
Kern			
Los Angeles			
Marin			
Mendocino			
Merced			
Orange			
Sacramento			
San Bernardino			
San Diego			
San Joaquin			
San Mateo			
Santa Barbara			
Sonoma			
Stanislaus			
Tulare			
Ventura			
Total			



2. Secretary's Report - Receive and File

Kathryn Cavness, Mendocino CERA, SACRS Secretary

A. November 2019 SACRS Business Meeting Minutes



SACRS Business Meeting Minutes
Friday, November 15, 2019
10:00 AM - Upon Adjournment
Hyatt Regency Monterey
Monterey, CA

Sergeant at Arms – Bob Goodchild, San Diego CERA

SACRS Board of Directors in Attendance: Dan McAllister; President, Vivian Gray, Vice President; Harry Hagan, Treasurer; Kathryn Cavness, Secretary; Ray McCray, Past President; Roger Hilton, Board member; Chris Cooper, Board member; and Ben Lazarus, Affiliate Chair

1. SACRS System Roll Call

Kathryn Cavness, Mendocino CERA, SACRS Secretary

20 SACRS Member Systems Present

Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura

2. Secretary's Report - Receive and File

Kathryn Cavness, Mendocino CERA, SACRS Secretary

A. May 2019 SACRS Business Meeting Minutes

Motion: Mendocino CERA made motion to approve the minutes as presented.

2nd: San Mateo CERA

Yes: Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura

No: 0

Motion Passes 20-0

3. Treasurer's Report - Receive and File

Harry Hagen, Santa Barbara CERS, SACRS Treasurer

A. July 2019 – August 2019 Financials

Motion: Santa Barbara made a motion to approve the Treasurers report on the July 2019 – August 2019 financials.



2nd: Imperial

Yes: Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura

No: 0

Abstain: 0

Motion Passes 20-0-0

4. SACRS President Report - No Action

Dan McAllister, San Diego CERA, SACRS President

A. SACRS President Update

Discussion: No action, verbal report given by Dan McAllister, SACRS President

5. SACRS Legislative Committee Update - Vote

Eric Stern, Sacramento CERS and Dave Nelsen, Alameda CERA – SACRS Legislative Committee Co-Chairs

A. 2019 Legislative Report – No Action

B. SACRS Omnibus Bill SB 783- Vote

C. Los Angeles CERA Proposal – Vote

1st Motion: A motion to approve support of SB783, SACRS Omnibus bill, to address clean up, tax law and alignment with CalPERS and CalSTRS was made by San Mateo.

2nd: San Joaquin

Yes: Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura

No: 0

Abstain: 0

Motion Passes 20-0-0

2nd Motion: A motion to support the LACERA legislative proposal was made by Los Angeles.

2nd: Ventura

Yes: Alameda, Contra Costa, Fresno, Imperial, Los Angeles, Marin, Mendocino, Orange, Sacramento, San Bernardino, San Diego, San Mateo, Santa Barbara, Sonoma, Tulare and Ventura



No: Kern, Merced, San Joaquin, Stanislaus
Motion Passes 16-4-0

6. SACRS Nomination Committee - 2020-2021 SACRS Election Notice – No Action

Ray McCray, San Joaquin CERA, SACRS Nomination Committee Chair

A. SACRS Election Notice 2020-2021

Discussion: Ray McCray gave a verbal update; elections begin in January 2020. No action taken, information only.

7. SACRS Audit Report – No Action

Steve Delaney, Orange CERS, SACRS Audit Committee Chair

A. SACRS Audit Committee Update

Discussion: Dominic Brown, Kern CERA, gave a verbal update that the audit would be presented at the Spring 2020 conference. No action taken, information only.

8. SACRS Education Committee Report – No Action

JJ Popowich, Los Angeles CERA, SACRS Education Committee Chair

A. SACRS Fall Conference Evaluations 2019

Discussion: A verbal report was provided by JJ Popowich, Committee Chair, great conference! Danny Glover and Suneel Gupta were really well received. Encouragement to submit evaluations when people return home, feedback at conferences was positive. No action taken, verbal report on committee meeting. Evaluations are electronic, therefore will be presented at the Board meeting in January 2020.

9. SACRS Program Committee Report – No Action

Vivian Gray, Los Angeles CERA, SACRS Program Committee Chair

A. SACRS Fall Conference Report 2019

Discussion: Verbal report provided by Vivian Gray, feedback on conference was very positive. No action taken, Vivian thanked the Program Committee and Education Committee for their time and dedication to the conference.



Suggestions for future conferences can be submitted online at the SACRS website.

10. SACRS Affiliate Committee Report – No Action

Ben Lazarus, Parametric, SACRS Affiliate Committee Chair

A. Affiliate Committee Update

Discussion: Ben Lazarus, Committee Chair gave a verbal update, really appreciate the commitment and dedication of the Board and fellow committee members. No action taken, Ben Lazarus gave a verbal update on the Affiliate Breakout, attendance was great and members really enjoyed the format. The committee will be selecting a new Chair at their meeting following the conference. Affiliate committee will be presenting Affiliate Membership Bylaws to the Board in December.

11. SACRS Bylaws Committee Report – No Action

Johanna Fontenot, Los Angeles CERA, SACRS Bylaws Committee Chair

A. Bylaws Committee Update

Discussion: Vivian Gray gave a quick verbal report on upcoming Bylaws to be submitted. No action, no report.

12. SACRS Fall Conference Breakout Reports – No Action

A representative from each breakout will give report on their meetings.

- A. Administrators – Dave Nelsen, Alameda CERA, reported that the meeting was very productive. Leanne Malison, Tulare CERA, will moderate the Spring 2020 Conference.
- B. Counsel – Jason Moorish Los Angeles CERA, Johana did a great job along with Ashley Dunning in the session. Jason Moorish will be moderating the Spring 2020 Conference.
- C. Disability/ Operations & Benefits Combo – JJ Popowich, Los Angeles CERA, reported that the session was really well balanced. Preliminary discussion on reciprocity. No volunteer for Spring 2020 Conference.



- D. Internal Auditors – Dave Nelsen, Alameda CERA, reported that the group had a great meeting and that Harsh would continue to serve as moderator in the Spring 2020 conference.
- E. Investment Officers – Tim Price, Contra Costa CERA, reported that the Breakfast meeting they had was really productive and they also participated in an afternoon session with the Affiliates. Tim will volunteer for the Spring 2020 Conference moderator.
- F. Safety Trustees – Roger Hilton, Orange CERA, reported that the meeting was well attended and Brian Williams, Sonoma CERA will continue to serve as moderator for Spring 2020 Conference.
- G. General Trustees – Kathryn Cavness, Mendocino CERA, reported that the session was fantastic. Harvey Leiderman and Von Hughes were great presenters and hope they can return in the future. Great meeting. Kathryn Cavness will serve as the moderator for Spring 2020 Conference.

13. Adjournment

Motion: A motion to adjourn the SACRS Annual Business Meeting Fall 2019 at 10:31 am was made by Orange.

2nd: Santa Barbara

Yes:

No: 0

Abstain: 0

Motion passes 20-0-0

Next scheduled SACRS Association Business Meeting will be held Friday, May 15, 2020 at the Paradise Point Hotel and Resort in San Diego, CA.

Minutes respectfully submitted by:

Cathryn Cavness, SACRS Secretary

Sulema Peterson, SACRS Executive Director



3. Treasurer's Report - Receive and File

Harry Hagen, Santa Barbara CERS, SACRS Treasurer

- A. July 2020 – August 2020 Financials
- B. 2020 – 2021 Annual Budget

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Balance Sheet

As of August 31, 2020

Aug 31, 20

ASSETS

Current Assets

Checking/Savings

1000 - First Foundation Bank-Checking	325,335.60
1001 - BofA Interest Checking 4389	130,026.68
1002 - First Foundation Bank ICS Acct	57,524.35

Total Checking/Savings	512,886.63
-------------------------------	-------------------

Other Current Assets

1100 - CalTrust - Medium Term	978,222.40
1107 - CalTrust Liquidity Fund	8,221.15
1110 - CAMP-SACRS Liquidity Fund	790,343.64
1201 - Deposits in Transit	13,139.33

Total Other Current Assets	1,789,926.52
-----------------------------------	---------------------

Total Current Assets	2,302,813.15
-----------------------------	---------------------

TOTAL ASSETS	<u>2,302,813.15</u>
---------------------	----------------------------

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Credit Cards

2200 - First Foundation Credit Card	705.06
-------------------------------------	--------

Total Credit Cards	705.06
---------------------------	---------------

Other Current Liabilities

2100 - Unrealized Gain (Loss)	137,709.20
-------------------------------	------------

Total Other Current Liabilities	137,709.20
--	-------------------

Total Current Liabilities	138,414.26
----------------------------------	-------------------

Total Liabilities	138,414.26
--------------------------	-------------------

Equity

32000 - Retained Earnings	1,847,593.74
---------------------------	--------------

Net Income	316,805.15
-------------------	-------------------

Total Equity	2,164,398.89
---------------------	---------------------

TOTAL LIABILITIES & EQUITY	<u>2,302,813.15</u>
---------------------------------------	----------------------------

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Profit & Loss

July through August 2020

Jul - Aug 20

Ordinary Income/Expense

Income

4100 • Membership Dues	
4101 • Affiliates	186,250.00
4102 • Non Profit - Organizations	2,250.00
4103 • Non Profit - Systems	4,500.00
4104 • Systems - Medium	52,000.00
4105 • Systems - Large	42,000.00
Total 4100 • Membership Dues	287,000.00
4200 • Webinar Symposium Registration	350.00
4270 • UC Berkeley Program	
4271 • Registrations	11,500.00
4272 • Sponsorships	21,000.00
Total 4270 • UC Berkeley Program	32,500.00
4300 • Fall Conference Registration	
4306 • Non-Members	2,670.00
4307 • Fun Run	10.00
Total 4300 • Fall Conference Registration	2,680.00
4900 • Interest Earned	106.28

Total Income 322,636.28

Gross Profit 322,636.28

Expense

5000 • Administrative Fee	30,000.00
5003 • Bank Charges/Credit Card Fees	3,700.37
5010 • Berkeley & Symposium	
5017 • UC Berkeley	-20,301.00
Total 5010 • Berkeley & Symposium	-20,301.00
5020 • Webinar Symposium	
5022 • Webinar Technology	22,550.00
Total 5020 • Webinar Symposium	22,550.00
5041 • Consulting	7,832.00
5050 • Fall Conference	
5054 • Hotel	0.00
Total 5050 • Fall Conference	0.00
5071 • Legal & Professional Fees	5,180.00
5072 • Legislative Advocacy	10,002.00
6010 • Office Expenses / Supplies	-55.47
6011 • Postage & Delivery	1,758.92
6020 • Spring Conference	
6022 • Delivery & Shipping	122.41
6024 • Hotel	
6024.2 • Conference	0.00
6024 • Hotel - Other	-60,000.00
Total 6024 • Hotel	-60,000.00
6026 • Speakers	-210.36

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Profit & Loss

July through August 2020

	<u>Jul - Aug 20</u>
Total 6020 - Spring Conference	-60,087.95
6053 - Technology/AMS/Website	5,021.07
6054 - Travel	231.19
Total Expense	<u>5,831.13</u>
Net Ordinary Income	<u>316,805.15</u>
	<u><u>316,805.15</u></u>

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Profit & Loss Budget vs. Actual

July through August 2020

	Jul - Aug 20	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
4100 • Membership Dues				
4101 • Affiliates	186,250.00	268,750.00	-82,500.00	69.3%
4102 • Non Profit - Organizations	2,250.00	3,000.00	-750.00	75.0%
4103 • Non Profit - Systems	4,500.00	6,000.00	-1,500.00	75.0%
4104 • Systems - Medium	52,000.00	52,000.00	0.00	100.0%
4105 • Systems - Large	42,000.00	42,000.00	0.00	100.0%
Total 4100 • Membership Dues	287,000.00	371,750.00	-84,750.00	77.2%
4200 • Webinar Symposium Registration	350.00			
4250 • Product Income				
4255 • Magazine Advertising	0.00	2,000.00	-2,000.00	0.0%
Total 4250 • Product Income	0.00	2,000.00	-2,000.00	0.0%
4270 • UC Berkeley Program				
4271 • Registrations	11,500.00	100,000.00	-88,500.00	11.5%
4272 • Sponsorships	21,000.00	55,000.00	-34,000.00	38.18%
Total 4270 • UC Berkeley Program	32,500.00	155,000.00	-122,500.00	20.97%
4300 • Fall Conference Registration				
4301 • Affiliates - Early	0.00	30,000.00	-30,000.00	0.0%
4302 • Affiliates - Regular	0.00	26,250.00	-26,250.00	0.0%
4303 • Affiliates - Late/Onsite	0.00	10,000.00	-10,000.00	0.0%
4304 • Non Profit	0.00	1,000.00	-1,000.00	0.0%
4305 • Systems	0.00	12,000.00	-12,000.00	0.0%
4306 • Non-Members	2,670.00	25,000.00	-22,330.00	10.68%
4307 • Fun Run	10.00	1,000.00	-990.00	1.0%
4308 • Yoga	0.00	100.00	-100.00	0.0%
Total 4300 • Fall Conference Registration	2,680.00	105,350.00	-102,670.00	2.54%
4350 • Spring Conference Registration				
4351 • Affiliates - Early	0.00	80,000.00	-80,000.00	0.0%
4352 • Affiliates - Regular	0.00	50,000.00	-50,000.00	0.0%
4353 • Affiliates - Late/Onsite	0.00	17,500.00	-17,500.00	0.0%
4354 • Non Profit	0.00	500.00	-500.00	0.0%
4355 • Systems	0.00	11,250.00	-11,250.00	0.0%
4356 • Non-Members	0.00	127,500.00	-127,500.00	0.0%
4357 • Fun Run	0.00	700.00	-700.00	0.0%
4358 • Yoga	0.00	350.00	-350.00	0.0%
Total 4350 • Spring Conference Registration	0.00	287,800.00	-287,800.00	0.0%
4900 • Interest Earned	106.28			
Total Income	322,636.28	921,900.00	-599,263.72	35.0%
Gross Profit	322,636.28	921,900.00	-599,263.72	35.0%
Expense				
5000 • Administrative Fee	30,000.00	180,000.00	-150,000.00	16.67%
5001 • Administrative Services	0.00	500.00	-500.00	0.0%
5002 • Awards	0.00	500.00	-500.00	0.0%

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Profit & Loss Budget vs. Actual

July through August 2020

	Jul - Aug 20	Budget	\$ Over Budget	% of Budget
5003 · Bank Charges/Credit Card Fees	3,700.37	36,000.00	-32,299.63	10.28%
5010 · Berkeley & Symposium				
5011 · Audio/Visual	0.00	2,200.00	-2,200.00	0.0%
5013 · Hotel	0.00	12,000.00	-12,000.00	0.0%
5014 · Food & Beverage	0.00	13,000.00	-13,000.00	0.0%
5015 · Materials/Printing/Design	0.00	2,900.00	-2,900.00	0.0%
5016 · Travel	0.00	2,500.00	-2,500.00	0.0%
5017 · UC Berkeley	-20,301.00	206,000.00	-226,301.00	-9.86%
Total 5010 · Berkeley & Symposium	-20,301.00	238,600.00	-258,901.00	-8.51%
5020 · Webinar Symposium				
5022 · Webinar Technology	22,550.00			
Total 5020 · Webinar Symposium	22,550.00			
5030 · CERL				
5031 · Materials/Printing/Design	0.00	16,500.00	-16,500.00	0.0%
5032 · Shipping	0.00	1,300.00	-1,300.00	0.0%
Total 5030 · CERL	0.00	17,800.00	-17,800.00	0.0%
5040 · Commissions & Fees	0.00	20,000.00	-20,000.00	0.0%
5041 · Consulting	7,832.00	19,992.00	-12,160.00	39.18%
5042 · Dues & Subscriptions	0.00	3,700.00	-3,700.00	0.0%
5050 · Fall Conference				
5051 · Audio/Visual	0.00	50,000.00	-50,000.00	0.0%
5053 · Entertainment	0.00	4,000.00	-4,000.00	0.0%
5054 · Hotel	0.00			
5055 · Program Material	0.00	10,000.00	-10,000.00	0.0%
5056 · Speakers	0.00	50,000.00	-50,000.00	0.0%
5057 · Supplies	0.00	1,000.00	-1,000.00	0.0%
5058 · Travel	0.00	15,000.00	-15,000.00	0.0%
Total 5050 · Fall Conference	0.00	130,000.00	-130,000.00	0.0%
5070 · Insurance	0.00	5,000.00	-5,000.00	0.0%
5071 · Legal & Professional Fees	5,180.00	35,000.00	-29,820.00	14.8%
5072 · Legislative Advocacy	10,002.00	60,012.00	-50,010.00	16.67%
5080 · Magazine				
5081 · Delivery & Shipping	0.00	600.00	-600.00	0.0%
5082 · Design/Printing/Etc.	0.00	20,000.00	-20,000.00	0.0%
5083 · Magazine - Other	0.00	5,200.00	-5,200.00	0.0%
Total 5080 · Magazine	0.00	25,800.00	-25,800.00	0.0%
6000 · Board & Committees				
6001 · Board of Directors				
6001.1 · Food & Beverage	0.00	5,950.00	-5,950.00	0.0%
6001.2 · Printing/Supplies	0.00	2,800.00	-2,800.00	0.0%
6001.3 · Travel - BOD Meetings	0.00	7,700.00	-7,700.00	0.0%
6001.4 · Travel - Miscellaneous BOD	0.00	840.00	-840.00	0.0%
6001.5 · Board Of Directors - Other	0.00	3,000.00	-3,000.00	0.0%
Total 6001 · Board of Directors	0.00	20,290.00	-20,290.00	0.0%

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Profit & Loss Budget vs. Actual

July through August 2020

	Jul - Aug 20	Budget	\$ Over Budget	% of Budget
6002 • Legislative Committee Meetings	0.00	250.00	-250.00	0.0%
6003 • Program Committee Meetings	0.00	2,500.00	-2,500.00	0.0%
Total 6000 • Board & Committees	0.00	23,040.00	-23,040.00	0.0%
6010 • Office Expenses / Supplies	-55.47	2,500.00	-2,555.47	-2.22%
6011 • Postage & Delivery	1,758.92	3,000.00	-1,241.08	58.63%
6020 • Spring Conference				
6021 • Audio/Visual	0.00	50,000.00	-50,000.00	0.0%
6022 • Delivery & Shipping	122.41	3,000.00	-2,877.59	4.08%
6023 • Entertainment	0.00	6,500.00	-6,500.00	0.0%
6024 • Hotel				
6024.1 • Wednesday Night Event	0.00	52,500.00	-52,500.00	0.0%
6024.2 • Conference	0.00			
6024.4 • Hotel - Other	0.00	192,500.00	-192,500.00	0.0%
6024 • Hotel - Other	-60,000.00			
Total 6024 • Hotel	-60,000.00	245,000.00	-305,000.00	-24.49%
6025 • Program Material	0.00	24,500.00	-24,500.00	0.0%
6026 • Speakers	-210.36	50,000.00	-50,210.36	-0.42%
6027 • Supplies	0.00	1,000.00	-1,000.00	0.0%
6028 • Travel	0.00	15,000.00	-15,000.00	0.0%
Total 6020 • Spring Conference	-60,087.95	395,000.00	-455,087.95	-15.21%
6050 • Strategic Facilitator	0.00	10,000.00	-10,000.00	0.0%
6051 • Taxes & Licenses	0.00	50.00	-50.00	0.0%
6053 • Technology/AMS/Website	5,021.07	35,000.00	-29,978.93	14.35%
6054 • Travel	231.19	7,500.00	-7,268.81	3.08%
Total Expense	5,831.13	1,248,994.00	-1,243,162.87	0.47%
Net Ordinary Income	316,805.15	-327,094.00	643,899.15	-96.85%
	316,805.15	-327,094.00	643,899.15	-96.85%



4. SACRS President Report - No Action

Vivian Gray, Los Angeles CERA, SACRS President

A. SACRS President Update



No Printed Materials For This Item



5. SACRS Legislative Committee Update – No Action

Eric Stern, Sacramento CERS and Dave Nelsen, Alameda CERA – SACRS Legislative Committee Co-Chairs

- A. 2020 Legislative Report – No Action
- B. Los Angeles CERA Proposal – No Action



October 2, 2020

TO: State Association of County Retirement Systems

FROM: Mike Robson, Trent Smith, and Bridget McGowan, Edelstein Gilbert Robson & Smith, LLC

RE: **Legislative Update – October 2020**

The Governor just finished working his way through the few hundred bills that made their way to his desk at the end of session. Among those bills that were signed was AB 2101, the SACRS sponsored cleanup bill we have discussed in previous updates.

Meanwhile, legislators have returned to their districts and are preparing for the November 3 election, which is fast approaching and unlike past elections, due to COVID-19, all California voters will be mailed a ballot that can be returned to election officials by mail or dropped off at designated locations. California's voter registration statistics show that a record-high 83 percent of those eligible are registered to vote and that number will climb as California allows voters to register right up until the election. Record-high voter registration, combined with the high interest generated from a Presidential election year and ease of casting a ballot means we are expecting a high and early voter turnout in California.

Below is a rundown of what you will see on November 3, with the biggest fights and most relevant propositions listed first, followed by an overview of key races in the Senate and Assembly.

Proposition 15: Split Roll Tax

Proposition 13 (1978) limited property taxes for residential, commercial, and industrial properties by basing taxes on the purchase price of the property rather than current market value. Proposition 15 would "split" the property tax roll allowing commercial and industrial properties worth more than \$3 million to be assessed at current market value. This change would go into effect in 2022 but is delayed until 2025 for those properties where more than 50% of the tenants are small businesses.

Prop. 15 is expected to raise between \$6.5 billion and \$11.5 billion in new tax revenue with 60% allocated to local governments and 40% to K-12 schools and community colleges. Democrats and public employee unions have long bemoaned the provisions of Prop. 13 which had serious impacts on local government funding. Having raised some \$20 million in support of the measure, public employee unions hope that Prop. 15, which continues to protect residents but increases the tax burden of businesses, will be palatable to voters who have historically been very wary of any change to Prop. 13.

Last Friday, Governor Newsom endorsed Prop. 15 while rejecting other proposals to tax high income earners in California. This could be a much needed boost to the proponents of Prop. 15 which is currently polling at 51% support and 40% opposition among likely voters.

At the same time, opponents led by the Small Business Roundtable are hoping sympathy for small businesses forced to close due to the pandemic will tip the scales in their favor. With \$5 million in their campaign account and tens of millions more ready for independent expenditure, Prop. 15 will likely be one of the most hard fought measures on the November ballot.

Proposition 22: Classifying Gig Economy Workers

In 2018, the California Supreme Court made its landmark “Dynamex” decision (Dynamex), changing the rules governing when a worker is an independent contractor, and when they are an employee. The upshot of the decision is that the standards established by Dynamex make it far harder to classify a worker as an independent contractor. The distinction is very important as employees are entitled to the minimum wage, overtime pay, unemployment insurance, and workers’ compensation.

In 2019 the Legislature passed AB 5, which effectively carved some industries and some business relationships out of Dynamex. While subsequent legislation has expanded the exemptions in AB 5, many industries continue to seek an exemption.

For app-based companies like Uber, Lyft, Postmates, and Doordash, this issue is life and death. These companies have historically classified their drivers/deliverers as independent contractors. Shortly after AB 5 passed, they qualified Prop. 22 for the ballot. Prop. 22 would treat drivers for these companies as independent contractors. While the measure would guarantee better compensation and healthcare, it falls short of what would be required if drivers were classified as employees.

Prop. 22 will be another big money fight on the ballot. The companies listed above have dumped a whopping \$180 million into the campaign. Meanwhile, the opponents, particularly the Teamsters Union, have raised just shy of \$5 million. While organized labor could invest more heavily in the fight via independent expenditure before the election, they will be forced to prioritize between Prop. 22 and Prop. 15.

Proposition 24: The California Privacy Rights Act (CPRA).

This initiative comes just two years after the California Consumer Privacy Act of 2018 (CCPA), was pulled off the ballot in exchange for a legislative compromise. The CCPA, as negotiated and passed by the Legislature two years ago provides rights to consumers to know the types of data being collected about them, the right to request that this data be deleted and the right to request that this data not be sold.

Among its provisions, Prop. 24 builds upon the CCPA and establishes an enforcement agency known as the California Privacy Protection Agency to implement the law and

impose fines on businesses for violations. The initiative also contains a provision that prohibits the Legislature from adopting any future laws that reduce the privacy of Californians. This provision is concerning to the business community as it essentially blocks any future attempts to amend California privacy statute.

The coalition opposing Prop. 24 is particularly interesting because it contains both privacy/consumer advocacy groups and entities from the advertising and internet industry. Privacy and consumer protection groups oppose the initiative because they do not believe it goes far enough in protecting consumer privacy, while the advertising and internet industry have concerns that the initiative's broad changes come at a time when businesses are still learning to comply with the CCPA of 2018.

Proposition 16: Affirmative action.

Prop. 16 would reverse California's voter-approved 1996 ban on affirmative action (Prop. 209). Prop. 209 prohibits public universities, schools and government agencies from using race or sex in their admissions criteria, hiring and contract decisions. While introduced earlier in the year, Prop. 16 was placed on the November ballot by legislators in the months following the murder of George Floyd. While proponents of the measure are well funded, recent polls have indicated that only 31% of likely voters supported Prop. 16 compared to 47% who oppose.

Proposition 20: Criminal Justice

In 2009, federal judges ordered California to reduce overcrowding in its prison system. In 2011, newly re-elected Governor Jerry Brown, facing both the court order and a massive state budget deficit, championed AB 109 which transferred the "supervision" of some felons to Counties and made it easier for some to qualify for parole. In an effort to further reduce prison populations, Governor Brown backed Proposition 47 in 2014. Prop. 47 made certain theft-related misdemeanors instead of felonies. Most notably, theft involving property worth \$950 or less is considered a misdemeanor under Prop. 47.

The provisions of Prop. 47 were not well received by some retailers and by some in law enforcement. Assemblymember Jim Cooper, a career police officer and candidate for Sacramento County Sheriff, has championed Prop. 20 which would change the provisions of Prop. 47 to make it easier to once again prosecute certain acts of retail theft as a felony. The measure also makes changes to Prop. 56 (2016) which loosened certain parole restrictions for non-violent offenders.

Prop. 14: Stem cell research.

Prop. 14 would re-fund the California Institute for Regenerative Medicine, the state's stem cell agency, by allowing it to issue \$5.5 billion in bonds for research, training and facilities construction.

Proposition 17: Parolee voting.

Prop. 17 would restore the voting rights of all people on parole if they've completed their state or federal prison terms.

Proposition 18: Voting age.

Democrats in the Legislature have made a number of changes to election years including allowing online voter registration and increased reliance on mail-in balloting coupled with the ability to allow campaign workers to return your ballot. While there are legitimate arguments for these changes, they have thus far helped increase voter turnout among Democrats. Prop. 18 was also passed by Democrats in the Legislature and would allow 17-year-olds to vote in primary elections if they would turn 18 before the general election.

Proposition 19: Property tax transfers.

Prop. 19 would allow people age 55 and older, and victims of wildfires and other disasters, to keep lower property tax rates when they move to new homes.

Proposition 21: Rent control

Backed by the Aids Healthcare Foundation, Prop. 21 would allow local governments to impose rent control on certain properties. Prop. 21 is strikingly similar to a 2018 measure rejected soundly by voters. Governor Newsom, who negotiated a statewide rent control law with legislators, property owners, realtors, and tenant groups last year, is opposing Prop. 21.

Proposition 23: Kidney Dialysis

Among other things, Prop. 23 would require a physician to be on site at a dialysis clinic when patients are being treated. Prop. 23 is another round in a running labor dispute between the two companies operating most dialysis clinics in California, and the union who has been attempting to organize their workforce since 2016. That union, SEIU-UHW, has lobbied several bills and a failed 2018 ballot measure at the companies while their dispute is ongoing.

Proposition 25: Money Bail

In 2018, the Legislature passed and the Governor signed SB 10 (Hertzberg), which would end the use of money bail in California in favor of pre trial assessments of a defendants likelihood to be a flight risk. The bill was hard fought and controversial in the Legislature with the bail industry defending its right to exist vigorously. Prop. 25 extends that fight to the November 2020 ballot.

Legislative Races

At the time of this writing, California's voter registration numbers show that there are almost twice as many registered Democrats versus Republicans and No-Party Preference (NPP) voters with 46 percent registered as Democrats and 24 percent registered as Republicans and NPP. With such a huge statewide advantage in registration and with NPP voters tending to vote for Democrats, there is an obvious reason that 75 percent of the Legislature is comprised of Democrats.

Heading into the November 3 election, the question is whether Republican legislators can maintain the status quo, gain seats, or continue the decades-long reduction in representation and relevancy.

SENATE RACES

Democrat vs. Republican

The State Senate is currently comprised of 29 Democrats and 11 Republicans. Heading into the election there is little-to-no-chance for the Republicans to pick up seats in the State Senate. As discussed below, the Democrat versus Republican races involve four Republican seats, while the Democrat held seats involve Democrats facing off against Democrats.

Senate District 29 – Senator Ling Ling Chang (R) vs. Josh Newman (D) --

This three-county (LA, Orange, San Bernardino) race is the third ballot fight involving Josh Newman and Ling Ling Chang. In 2016, Newman surprised many by defeating Chang in a close election and thereby exposed the Republicans' vulnerability in what was previously thought to be safe Republican territory. Senator Newman was then recalled by voters due to his vote to increase gas taxes in 2018 and replaced by Chang in a Special Election. Now, they are facing each other in a rematch from 2016. This time, however, the voter registration is strongly in favor of Newman who also enjoys a significant fundraising advantage having raised approximately \$3 million to date.

Senate District 37 – Senator John Moorlach (R) vs. Dave Min (D) – This race, which is fully in Orange County, pits Senator John Moorlach against a former congressional aide and UC Irvine Professor, Dave Min. Moorlach, an accountant by profession, is widely recognized as a serious and thoughtful legislator on matters pertaining to the state budget and long-term debt. His views on public pension obligations raise the ire of public employee unions who have contributed heavily to his challenger. The voter registration in this district is essentially even. It would be expected that Senator Moorlach would benefit from significant name identification having previously held countywide office as the Orange County Treasurer and as a County Supervisor. However, Min will likely have a significant fundraising advantage to get his name and message out.

Senate District 23 – Rosilicie Ochoa Bogh (R) vs Abigail Medina (D) – This Inland Empire seat is currently held by a Republican Senator who declined to run for re-election. Comprising both San Bernardino and Riverside Counties, this historically Republican seat has seen significant Democratic voter registration gains in recent years and now Democrats have a registration advantage in this district. Bogh is a realtor by profession and it would be expected that the CA Realtors Association would devote financial resources to an independent expenditure effort on her behalf. Medina is a school board member and community organizer and she has received and will continue to receive significant support from the Democratic Party establishment. This is expected to be a close race.

Senate District 21 – Senator Scott Wilk (R) vs. Kipp Mueller (D) – This Los Angeles County portion of this seat stretches from Santa Clarita up through Lancaster to the High Desert communities of Apple Valley and Victorville. Again, another historically Republican seat that has undergone a change in voter registration where the Democrats now have significant 7-point registration advantage. Senator Wilk is known for his hard work representing his district and has prevailed over previous well-funded efforts to unseat him. In recent weeks, however, significant financial resources have poured into the Mueller campaign making this a race to watch on election night.

Democrat vs. Democrat

There are two races that will not impact the Democrat versus Republican split in the Senate. Though, they could impact the ideological split within the Senate Democratic Caucus between moderate Democrats and progressive Democrats.

SD 15 Dave Cortese (D) vs. Ann Ravel (D) – This race in San Jose/Silicon Valley is between two Democrats. Ann Ravel is an attorney and former election compliance official in the Obama Administration while Dave Cortese has been a locally elected county supervisor, city council member and rancher. Cortese has the support of traditional Democratic allies in organized labor and public employee unions who spent heavily in the March primary. Ravel is supported by broader base of business, community groups and enjoys editorial support for her election. While Cortese significantly outpolled Ravel in the primary, with only the two Democrats on the ballot it becomes a matter of whether Ravel can pick up the voters who voted for the Republican and NPP candidates in the primary.

SD 9 Senator Scott Wiener (D) vs. Jackie Fielder (D) – Only in San Francisco can one of the most progressive and liberal legislators in the Capitol be considered a moderate. That is the situation facing incumbent Senator Scott Wiener who is facing a challenge from the left by community activist Jackie Fielder. As a challenger to an incumbent, Fielder is getting a surprising amount of fundraising support from groups within labor and tribal gaming. We believe Senator Wiener will prevail on election day. But, the dynamics of the race and its implications on intra party politics make it a race worth watching.

ASSEMBLY RACES

Republican Gains: Assembly District 38 – Open Seat --- Suzette Valladares (R)

This Assembly seat in Santa Clarita is currently held by Democrat Christy Smith who is running for Congress in the seat that was vacated by Katie Hill. The March primary featured a slew of candidates on the Democratic side who proceeded to split the primary vote among themselves. That left the top-two vote getters as Republicans and the Republicans have rallied around Suzette Valladares, a former congressional staffer and childcare and non-profit executive director. This is the only certain partisan change in the Assembly.

Contested Seats Held by Democrats

Defending incumbents is typically a higher priority and takes the first call on available resources. The Democrats must defend three seats that were won from Republicans in 2018.

Assembly District 74 – Assemblymember Cottie Petrie-Norris (D) vs. Diane Dixon (R). This Orange County Coastal seat was one of the safest seats for the Republicans for years. Registration is now almost even. Most likely, it will be the hardest of all the seats the Democrats must defend. In 2018, as part of the anti-Trump wave, Assemblymember Petrie-Norris beat the Republican incumbent Matt Harper who, by all accounts, was an uninspired candidate and fundraiser who spent little time working in his district. Assemblymember Petrie-Norris has been the opposite. She has been district-focused, especially with issues involving the pandemic and the economy. She has raised a lot of money and has a great deal of financial support from the Democratic Party. Her opponent, Diane Dixon is a Newport Beach City Councilmember, who if not running against an incumbent, would probably be considered a front-runner and a natural fit for this seat. This race will be close.

Assembly District 76 – Assemblymember Tasha Boerner-Horvath (D) vs. Melanie Burkholder (R). Boerner-Horvath won this coastal North San Diego County seat in 2018 when the Republicans failed to place a candidate in the general election. The primary that year featured strong Republican candidates who split the vote and left the door open for the two Democrats to make the top two. It was thought that a strong Republican candidate would emerge in 2020 and easily defeat Boerner-Horvath. However, one front running candidate dropped out during the primary leaving Burkholder as the candidate to run against Boerner-Horvath. It remains to be seen whether Burkholder, who is a faith-based counselor with views against school-mandated vaccinations, is a fit for this coastal, socially moderate district.

Assembly District 77 – Assemblymember Brian Maienschein (D) vs. June Yang-Cutter (R). Maienschein is a four-term Assemblyman from suburban San Diego who was a moderate Republican until 2019. The voters in this seat resoundingly voted against Trump in 2016 and in 2018 Maienschein barely won by 600 votes. After the election, Maienschein, saying that the Trump Republican party does not reflect his values, became a Democrat. Some would say he saw the writing on the wall – either become a Democrat or get defeated by one in 2020. Now he is running against June Yang-Cutter, an employment lawyer who is campaigning on government accountability and as a government outsider. With an approximate 3-1 fundraising advantage and registration advantage, it is expected Maienschein will prevail.

Contested Republican Held Seats

Continuing the trend started in 2018, the remaining Republican-held Assembly seats in Orange County, could turn to the Democrats in 2020. With unlimited financial resources and given the likelihood of a high Democratic turnout due to the presidential election, the Democrats could sweep up just as they did in 2018.

Assembly District 68 – Assemblymember Steven Choi (R) vs. Melissa Fox (D).

This eastern Orange County seat comprises the communities of Tustin, Lake Forest, Orange and parts of Irvine is currently represented by Steven Choi who has served as a traditional smaller government, lower taxes, fewer regulations Republican. He is running again Melissa Fox who is campaigning on similar themes as a Democrat. The voter registration in this district has recently shifted to become a slight advantage for the Democrats. Fox has raised more money than any challenger in the state. This race will turn on whether Republicans in this district turn out for Trump or stay home.

Assembly District 72 – Janet Nguyen (R) vs. Deidre Nguyen (D). This seat comprising the cities of Fountain Valley, Seal Beach, and Westminster still has a slight Republican voter registration advantage. The Republican, former State Senator Janet Nguyen, has successfully won elections in races where Democrats outnumber the Republicans. Her challenger is a research scientist and City Councilmember in Garden Grove. As in all other contested races, the Democrat challenger has a significant fundraising advantage.

Assembly District 55 – Assemblymember Phil Chen (R) vs. Andrew Rodriguez (D)

This three-county district bordering Orange, Los Angeles, and San Bernardino Counties has been held reliably by Republicans even as voter registration and Presidential voter sentiment has turned to Democrats. Chen, a moderate Republican who has worked at bipartisanship, is being challenged by 27-year old Andrew Rodriguez. Chen has a sizable campaign account but will still be outspent by his Democratic challenger. This could be a close race.

Assembly District 35 – Assemblymember Jordan Cunningham (R) vs. Dawn Addis (D).

Because the Democrats have so much money to spend, it allows the Assembly Democrats to target seats that would otherwise look untouchable. Republican Assemblyman Jordan Cunningham in the San Luis Obispo County Assembly seat is very popular, has bipartisan appeal, and has consistently run ahead of his party registration. Yet, the Democrats have enough financial resources to mount a serious campaign against him.

Conclusion

Ballots are being received now. We believe underlying concerns over the post office and ballot counting will lead to ballots being returned early. Therefore, the ability of campaigns to influence voters in the last month will be more limited than previous elections. Further, the campaigns and party efforts to get ballots from voters and have them returned for counting will be paramount. In past elections, the Democrats have shown superiority at this practice, deemed “ballot harvesting” and have turned election night defeats into victories once all ballots were counted.



October 21, 2020

To: SACRS Systems
Fr: SACRS Board of Directors
Re: COVID-19 Presumption for Disability Retirement Legislative Proposal

Attached please find a proposal brought forward by LACERA that was presented to the Legislative Committee at their September 18th meeting.

The proposal would establish an additional presumption for certain members who apply for disability retirement due to COVID-19.

After discussion and consideration by the Legislative Committee, the Committee ultimately recommended that SACRS not sponsor the legislation this upcoming session. There was concern among the committee members that creating a new COVID-19 presumption is considered a benefit enhancement. Historically, SACRS has taken the view that such issues should be decided by the plan sponsors and their employees.

The Legislative Committee's decision was discussed at the following SACRS Board meeting on October 12. The Board decided that at the November Business Meeting, the SACRS membership would discuss this proposal as a body once it has been reviewed by the member systems. The purpose of this packet is to inform the SACRS systems of the proposal on the table as well as the discussions held by the Legislative Committee and Board on the subject.

In the meantime, the proposal will be vetted further to determine language and the proposal's impact on plan sponsors and systems. After the systems have vetted the proposal and more of the specifics have been developed by LACERA, SACRS will consider the proposal further next year.



TO: SACRS ADMINISTRATORS AND RETIREMENT BOARD CHAIRS

FROM: Mike Robson and Trent Smith on behalf of SACRS Legislative Committee

SUBJECT: **SACRS 2021 LEGISLATIVE TIMELINES**

If you intend to propose legislation to be sponsored by SACRS, please return your request, EXPLAINED ON THE ATTACHED WORKSHEET, before August 30, 2020 to:

Mike Robson & Trent Smith
Edelstein, Gilbert, Robson & Smith LLC
1127 11th Street, Suite 1030
Sacramento, CA 95814

Email to both:
Mike@EGRSlobby.com
Trent@EGRSlobby.com

SACRS also encourages the use of the Legislative Proposal survey found on the SACRS website. <https://www.surveymonkey.com/r/sacrslegislativeproposals>

Below is the SACRS Legislative Committee calendar for soliciting legislative proposals from SACRS retirement associations for consideration in the 2021 Legislative Session:

July 3, 2020

Emailing of Committee request that retirement associations submit proposals for inclusion in the SACRS 2021 Legislative Platform.

August 30, 2020

Deadline for requests to be received by Edelstein, Gilbert, Robson & Smith LLC.

September 18, 2020

Date of Legislative Committee meeting at which requests will be discussed.

October 16, 2020

Legislative Committee will submit proposals, (both those that the Legislative Committee recommends by inclusion in SACRS Legislative Platform, and other proposals received) to all retirement associations for consideration.

November 13, 2020

Those legislative proposals recommended by the Legislative Committee, as well as other proposals, will be discussed at the SACRS Fall Conference.

2021 SACRS LEGISLATIVE PLATFORM WORKSHEET
PLEASE COMPLETE AND RETURN BY AUGUST 30, 2020

Title of Issue: COVID-19 Disability Retirement Presumption

Association: LACERA

Contact Person: Barry Lew

Phone #: 626-564-2370

Fax #: N/A

Please answer the following questions as fully as possible:

1. Description of issue.

A member who applies for service-connected disability retirement generally has the burden of proving that his or her permanent incapacity was the result of injury or disease arising out of and in the course of employment and that the employment contributed substantially to the incapacity.

However, for certain diseases and injuries, presumptions exist under the rationale that those diseases and injuries appear to be service-connected but would be difficult for a member to prove as being service-connected.

Given the challenges of contact tracing¹ due to the increasingly widespread nature² of the COVID-19 pandemic, there may be cases where members contracted COVID-19 and became permanently incapacitated but have difficulty proving that the disease arose out of and in the course of employment.

2. Recommended solution.

A rebuttable presumption related to a service-connected permanent incapacity due to COVID-19 would provide that members are presumed to have contracted COVID-19 arising out of and in the course of employment, unless the presumption is controverted by other evidence.

¹ Steinhauer, J., & Goodnough, A. (2020, July 31). Contact Tracing Is Failing in Many States. Here's Why. *New York Times*. <https://www.nytimes.com/2020/07/31/health/covid-contact-tracing-tests.html>; Petersen, M. (2020, July 31). L.A. County's Tracing Team Repeatedly Failed to Detect Coronavirus Outbreaks at Workplaces. *Los Angeles Times*. <https://www.latimes.com/california/story/2020-07-31/la-contact-tracers-struggle-to-keep-up-with-coronavirus-cases>

² The Johns Hopkins Center for Health Security. (2020, July 29). *Resetting Our Response: Changes Needed in the US Approach to COVID-19*. https://www.centerforhealthsecurity.org/our-work/pubs_archive/pubs-pdfs/2020/200729-resetting-our-response.pdf

Although an award of workers' compensation benefits does not necessarily mean that a member also qualifies for disability retirement benefits under CERL, courts have found that the two types of benefits are related in subject matter and harmonious in purpose.

There are currently three workers' compensation bills (AB 196, AB 664, and SB 1159) in the California Legislature that provide a disputable presumption for COVID-19-related injuries that can assist us in the formulation of a new disability retirement presumption. Each bill uses different approaches as noted in the staff memo dated August 4, 2020 to the IBLC. However, SB 1159 appears to be the most comprehensive of the three bills in that it codifies Governor Newsom's Executive Order N-62-20, which provided a COVID-19 presumption for workers' compensation benefits for a specified period of time that has since expired for essential workers, and provides a presumption after that period for employees who are safety members and health care workers whose jobs cannot be done remotely and require contact with members of the public and who may be at higher risk of contracting COVID-19.

Therefore, the proposed COVID-19 presumption for disability retirement in CERL is modeled after the provisions of SB 1159 and CERL's existing disability retirement presumption that deals with other infectious diseases. The proposed presumption would apply to members in county service during the period of March 19, 2020—July 5, 2020 who are considered essential workers and were unable to shelter in place by working remotely.

Beginning July 6, 2020, the workers' compensation presumption expired. However, SB 1159 extends the presumption on and after this date for safety members and certain health care workers whose jobs require contact with members of the public potentially infected with the coronavirus. The proposed disability retirement presumption follows this rationale by designating county workers whose jobs cannot be done remotely but require contact with the public and who may be at higher risk of contracting COVID-19.

If this proposal is enacted in the 2021 legislative year, it will be effective January 1, 2022. However, there may be disability retirement applications for COVID-19-related illnesses that are filed before the effective date of the presumption. The proposal would provide that the presumption applies to new and pending applications as of the effective date and that the board may reconsider COVID-19-related applications that were denied before the effective date.

3. Specific language that you would like changed in, or added to, '37 Act Law, and suggested code section numbers.

Add a new Section 31720.10:

(a) If a member becomes ill or dies due to a COVID-19-related illness, the illness so developing or manifesting itself in those cases shall be presumed to arise out of, and in the course of, employment. The illness so developing or manifesting itself in those cases shall in no case be attributed to any illness

existing prior to that development or manifestation.

(b) Any member described in subdivision (a) permanently incapacitated for the performance of duty as a result of a COVID-19-related illness shall receive a service-connected disability retirement.

(c) The presumption described in subdivision (a) is rebuttable by other evidence. Unless so rebutted, the board is bound to find in accordance with the presumption. The presumption shall be extended to a member following termination of service for a period of 14 days.

(d) “COVID-19” means the coronavirus disease 2019 caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2).

(e) “Member” means a person—

(1) (A) in county service on or after March 19, 2020, and on or before July 5, 2020, who was designated by the State Public Health Officer in a list of essential critical infrastructure workers in accordance with the Governor’s Executive Order of March 19, 2020 (Executive Order N-33-20); and

(B) who is diagnosed with COVID-19 within 14 days after a day on or after March 19, 2020, and on or before July 5, 2020 that the person performed labor or services at the person’s place of employment at the employer’s direction. For the purpose of this subdivision, “person’s place of employment” does not include a person’s home or residence.

(2) (A) in county service on or after July 6, 2020, who is a safety member, firefighter, member active in law enforcement, county probation officer, nurse or physician who provides direct patient care at a health facility, or a custodial employee in contact with COVID-19 patients at a health facility; and

(B) who is diagnosed with COVID-19 within 14 days on or after July 6, 2020 that the person performed labor or services at the person’s place of employment at the employer’s direction. For the purpose of this subdivision, “person’s place of employment” does not include a person’s home or residence.

(f) This section applies to new and pending applications for disability retirement. This section also applies to applications for disability retirement due to COVID-19 that the board denied prior to the effective date of this section but in its discretion may reconsider after the effective date of this section.

4. Why should the proposed legislation be sponsored by SACRS rather than by your individual retirement association?

The current disability retirement presumptions apply to all SACRS systems and not just to any individual retirement system. The proposed presumption would also apply to all SACRS systems.

5. Do you anticipate that the proposed legislation would create any major problems such as conflicting with Proposition 162 or create a problem with any of the other 19 SACRS retirement associations?

The proposed legislation should not cause any conflicts with Proposition 162 or any administrative issues with the other SACRS retirement associations.

6. Who will support or oppose this proposed change in the law?

Support: labor organizations. Opposition: plan sponsors and plan sponsor organizations such as the California State Association of Counties, Urban Counties of California, and Rural County Representatives of California.

7. Who will be available from your association to testify before the Legislature?

Barry Lew and Joe Ackler.

Email or mail your legislative proposals to:

Mike Robson and Trent Smith
Edelstein, Gilbert, Robson, & Smith LLC
1127 11th Street, Suite 1030
Sacramento, CA 95814

Email to both:

Mike@EGRSlobby.com
Trent@EGRSlobby.com

COVID-19 Presumption for Disability Retirement Fact Sheet

Summary

The County Employees Retirement Law of 1937 currently has four presumptions that certain injuries and diseases arise out of and in the course of employment for purposes of determining a service-connected disability retirement for certain members: heart trouble, cancer, blood-borne infectious diseases, and exposure to biochemical substances.

This proposal would establish an additional presumption for certain members who apply for disability retirement due to COVID-19 that the disease arose out of and in the course of employment.

Background

Members who apply for service-connected disability retirement generally have the burden of proving that their permanent incapacity was the result of injury or disease arising out of and in the course of employment and that the employment contributed substantially to the incapacity.

Presumption of Service Connection

For certain injuries and diseases, presumptions exist under the rationale that those injuries and diseases appear to be service-connected but would be difficult for members to prove as being service-connected. Although the presumption relates to the service connection of the injury or disease, members are never presumed to be permanently incapacitated and have the burden of proving permanent incapacity.

Disability Retirement Benefits

A disability retirement provides benefits to members whose careers are cut short by permanent incapacity and who may not qualify for a service retirement. However, for those disabled members who are eligible for a service retirement, their disability retirement benefit may be equal to a service retirement benefit.

Service-connected disability retirement: the benefit is the greater of 50 percent of final compensation or a service retirement benefit. The benefit is tax excludable, and survivors receive 100 percent of the benefit.

Nonservice-connected disability retirement: the benefit is the greater of a service retirement

benefit or, depending on the member's age and service, a benefit that is up to 1/3 of final compensation. The benefit is not tax excludable, and survivors receive 60 percent of the benefit.

Issue

Members who contract COVID-19 on the job and become permanently incapacitated may be granted a service-connected disability retirement.

Given the challenges of contact tracing due to the increasingly widespread nature of the COVID-19 pandemic, there may be cases where certain members in high-risk jobs contracted COVID-19 at work and became permanently incapacitated but have difficulty proving that the disease arose out of and in the course of employment.

Solution

A rebuttable presumption related to COVID-19 would provide that certain members who contracted COVID-19 are presumed to have contracted the disease arising out of and in the course of employment, unless the presumption is controverted by other evidence.

The presumption would apply to members who were essential workers during the time period defined in Governor Newsom's Executive Order N-62-20 (March 19, 2020 – July 5, 2020), which provided a presumption for COVID-19 for workers' compensation claims. Beginning July 6, 2020, it would apply to safety members and certain health care workers who may be at higher risk of contracting COVID-19 because their jobs cannot be performed remotely and require frequent contact with members of the public.

The proposal would apply to new and pending disability retirement applications as of its effective date of enactment into law and would provide that a retirement board may reconsider COVID-19-related applications that were denied prior to the effective date.

Contact

Barry Lew, LACERA
blew@lacera.com



6. SACRS Nomination Committee - 2021-2022 SACRS Election Notice – No Action

Dan McAllister, San Diego CERA, SACRS Nomination Committee Chair

A. SACRS Election Notice 2021-2022



October 1, 2020

To: SACRS Trustees & SACRS Administrators/CEO's
From: Dan McAllister, SACRS Immediate Past President, Nominating Committee Chair
SACRS Nominating Committee
Re: SACRS Board of Director Elections 2021-2022 - Elections Notice

SACRS BOD 2021-2022 election process will begin January 2021. Please provide this election notice to your Board of Trustees and Voting Delegates.

DEADLINE	DESCRIPTION
March 1, 2021	Any regular member may submit nominations for the election of a Director to the Nominating Committee, provided the Nominating Committee receives those nominations no later than noon on March 1 of each calendar year regardless of whether March 1 is a Business Day. Each candidate may run for only one office. Write-in candidates for the final ballot, and nominations from the floor on the day of the election, shall not be accepted.
March 25, 2021	The Nominating Committee will report a final ballot to each regular member County Retirement System prior to March 25
May 15, 2021	Nomination Committee to conduct elections during the SACRS Business Meeting at the Spring Conference
May 15, 2021	Board of Directors take office for 1 year

Per SACRS Bylaws, Article VIII, Section 1. Board of Director and Section 2. Elections of Directors:

Section 1. Board of Directors. The Board shall consist of the officers of SACRS as described in Article VI, Section 1, the immediate Past President, and two (2) regular members

A. Immediate Past President. The immediate Past President, while he or she is a regular member of SACRS, shall also be a member of the Board. In the event the immediate Past President is unable to serve on the Board, the most recent Past President who qualifies shall serve as a member of the Board.

B. Two (2) Regular Members. Two (2) regular members shall also be members of the Board with full voting rights.

Section 2. Elections of Directors. Any regular member may submit nominations for the election of a Director to the Nominating Committee, provided the Nominating Committee receives those nominations no later than noon on March 1 of each calendar year regardless of whether March 1 is a Business Day. Each candidate may run for only one office. Write-in candidates for the final ballot, and nominations from the floor on the day of the election, shall not be accepted.

The Nominating Committee will report its suggested slate, along with a list of the names of all members who had been nominated, to each regular member County Retirement System prior to March 25. The Administrator of each regular member County Retirement System shall be responsible for communicating the Nominating Committee's suggested slate to each trustee and placing the election of SACRS Directors on his or her board agenda. The Administrator shall acknowledge the completion of these responsibilities with the Nominating Committee.



Director elections shall take place during the first regular meeting of each calendar year. The election shall be conducted by an open roll call vote, and shall conform to Article V, Sections 6 and 7 of these Bylaws.

Newly elected Directors shall assume their duties at the conclusion of the meeting at which they are elected, with the exception of the office of Treasurer. The incumbent Treasurer shall co-serve with the newly elected Treasurer through the completion of the current fiscal year.

The elections will be held at the SACRS Spring Conference May 11-14, 2021 at the Hyatt Regency Long Beach, Long Beach, CA. Elections will be held during the Annual Business meeting on Friday, May 14, 2021.

If you have any questions, please contact Dan McAllister, Dan.McAllister@sdcounty.ca.gov

Thank you for your prompt attention to this timely matter.

Sincerely,

Dan McAllister

Dan McAllister, San Diego CERA Trustee & San Diego County Treasurer Tax Collector
SACRS Nominating Committee Chair

CC: SACRS Board of Directors
SACRS Nominating Committee Members
Sulema H. Peterson, SACRS Executive Director



**SACRS Nomination Submission Form
SACRS Board of Directors Elections 2021-2022**

All interested candidates must complete this form and submit along with a letter of intent. **Both the form and the letter of intent must be submitted no later than March 1, 2021.** Please submit to the Nominating Committee Chair at Dan.McAllister@sdcounty.ca.gov AND to SACRS at sulema@sacrs.org. If you have any questions, please feel free to contact Sulema Peterson at SACRS at (916) 701-5158.

Name of Candidate	Name:
Candidate Contact Information (Please include – Phone Number, Email Address and Mailing Address)	Mailing Address: Email Address: Phone:
Name of Retirement System Candidate Currently Serves On	System Name:
List Your Current Position on Retirement Board (Chair, Alternate, Retiree, General Elected, Etc)	<ul style="list-style-type: none"><input type="radio"/> Chair<input type="radio"/> Alternate<input type="radio"/> General Elected<input type="radio"/> Retiree<input type="radio"/> Other _____
Applying for SACRS Board of Directors Position (select only one)	<ul style="list-style-type: none"><input type="radio"/> President<input type="radio"/> Vice President<input type="radio"/> Treasurer<input type="radio"/> Secretary<input type="radio"/> Regular Member
Brief Bio	

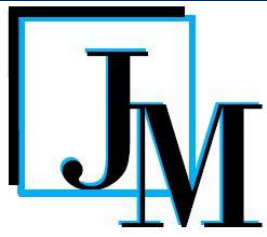


7. SACRS Audit Report – Action

Steve Delaney, Orange CERS, SACRS Audit Committee Chair

A. SACRS 2018-2019 Annual Audit

Carry over item from Spring 2020 Conference that was cancelled due to COVID-19



JAMES MARTA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

**STATE ASSOCIATION OF
COUNTY RETIREMENT SYSTEMS**

**FINANCIAL STATEMENT
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2019 AND 2018**

701 HOWE AVENUE, E3
SACRAMENTO, CA 95825

(916) 993-9494
(916) 993-9489 FAX
WWW.JPMCPA.COM

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

JUNE 30, 2019

BOARD OF DIRECTORS

Dan McAllister
President

Vivian Gray
Vice President

Harry Hagen
Treasurer

Kathryn Cavness
Secretary

Raymond McCray
Immediate Past President

Benjamin Lazarus
Affiliate Chair

Roger Hilton
Board Member

Chris Cooper
Board Member

* * * *

Sulema Peterson
Association Management

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

JUNE 30, 2019 AND 2018

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL SECTION	
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS	3
NOTES TO THE FINANCIAL STATEMENT	4
SUPPLEMENTARY INFORMATION	
COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS	7
GRAPHICAL PRESENTATION OF CASH RECEIPTS	8
GRAPHICAL PRESENTATION OF CASH DISBURSEMENTS	10
CONFERENCE SUMMARY REPORT	12



James Marta & Company LLP
Certified Public Accountants

Accounting Auditing Tax and Consulting

INDEPENDENT AUDITOR'S REPORT

Board of Directors
State Association of County Retirement Systems
Sacramento, California

Report on the Financial Statement

We have audited the accompanying statement of cash receipts and disbursements, of the State Association of County Retirement Systems (SACRS) for the fiscal years ended June 30, 2019 and 2018, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the State Association of County Retirement Systems for the years ended June 30, 2019 and 2018, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 to the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Information

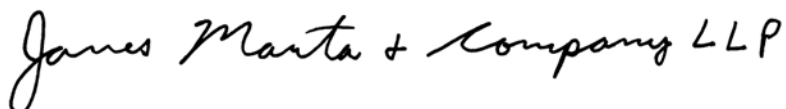
Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, Graphical Presentation of Cash Disbursements, and Conference Summary Report, on pages 7 to 12, are presented for purposes of additional analysis and are not a required part of the financial statement.

The Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, and Graphical Presentation of Cash Disbursements, on pages 7 to 11, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, and Graphical Presentation of Cash Disbursements, on pages 7 to 11 is fairly stated in all material respects in relation to the financial statement as a whole.

The Conference Summary Report, on page 12, has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Restricted Use

This report is intended solely for the information and use of management and the board of directors of State Association of County Retirement Systems and is not intended to be and should not be used by anyone other than these specified parties.



James Marta & Company LLP
Certified Public Accountants
March 2, 2020

FINANCIAL SECTION

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	2018-19	2017-18
<u>Cash Receipts</u>		
Dues	\$ 372,250	\$ 324,000
Conference		
Fall	616,640	581,490
Spring	590,260	546,710
Seminars	118,500	181,000
Other Admin Receipts	2,830	18,180
Other Conference Receipts	-	40
Interest	63,668	11,510
Total Cash Receipts	<u>1,764,148</u>	<u>1,662,930</u>
<u>Cash Disbursements</u>		
Conference		
Fall - 2018 and 2017		
Hotel and meals	307,724	304,155
Audio and visual	52,180	43,826
Program materials	102,702	78,637
Spring - 2019 and 2018		
Hotel and meals	81,224	167,017
Audio and visual	48,498	40,300
Program materials	80,389	56,567
Seminars	243,450	247,190
Conference Administration	27,228	12,416
Prior Year and Other Expenses	162,462	216,357
Total conference disbursements	<u>1,105,857</u>	<u>1,166,465</u>
Administration	375,233	345,134
Legislative representation	237	836
Lobbying	71,627	76,477
Committee meetings	27,315	24,997
Special projects	17,458	17,642
Total administration disbursements	<u>491,870</u>	<u>465,086</u>
Total Cash Disbursements	<u>1,597,727</u>	<u>1,631,551</u>
Excess (Deficit) of Cash Receipts over Cash Disbursements	166,421	31,379
Cash and Investments, Beginning	<u>2,206,001</u>	<u>2,174,622</u>
Cash and Investments, Ending	<u>\$ 2,372,422</u>	<u>\$ 2,206,001</u>
<i>Supplementary Information</i>		
Cash and Investments at June 30,	2019	2018
Cash and cash equivalents	\$ 1,195,688	\$ 1,075,711
Non current portion of investments	<u>1,176,734</u>	<u>1,130,290</u>
Total Cash and Investments	<u>\$ 2,372,422</u>	<u>\$ 2,206,001</u>

The accompanying notes are an integral part of this financial statement.

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

NOTES TO THE FINANCIAL STATEMENT

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

State Association of County Retirement Systems (SACRS) is a not-for-profit association of 20 California county retirement systems, enacted under the County Employees Retirement Law of 1937. SACRS was formed in the early 1970's to provide forums for disseminating knowledge of, and developing expertise in, the operation of county retirement systems existing under current law, as well as to foster and take an active role in the legislative process. To accomplish SACRS' mission of addressing issues of importance to members, SACRS, contracting with Shaw/Yoder/Antwih, LLC from July 2018 to April 2019 and Sulema Peterson & Associates from April 2019 to June 2019, provides a variety of association management services, including three magazines a year, membership directory, semi-annual conferences, and oversight of SACRS.org. The Association is supported primarily through membership dues and conference fees.

B. BASIS OF ACCOUNTING

The accompanying financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Under that basis, the only assets recognized are cash and investments, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because the effects of outstanding dues and obligations for assessments unpaid at the date of the financial statement are not included in the financial statement.

Management has elected to use the cash basis of accounting for this entity given the nature of its receipts and disbursements: revenue is almost always received and earned in the same period (e.g. at the beginning of the year for annual memberships, and shortly prior to events for conference attendance) and most expenses are incurred evenly over the year, with the exception of the billing for the conference hotel expense. Financial results by conference are presented in the Conference Summary Report in the Supplementary Information section of this document.

C. INCOME TAXES

The Association is exempt from federal and state income taxes under Section 501(c)(4) of the Internal Revenue Code and Section 23701f of the California Revenue and Taxation Code.

D. CONTRACTUAL AGREEMENTS

The Association has entered into various contractual agreements for professional services. These agreements include compensation for services rendered to the Association.

E. COMPARATIVE DATA

Comparative data for the prior year have been presented in certain sections of the accompanying financial statement in order to provide an understanding of changes in the Association's financial position and operations.

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

NOTES TO THE FINANCIAL STATEMENT

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. COMPARATIVE DATA (CONTINUED)

Since SACRS uses the cash basis of accounting, the timing of events and the ultimate settlement of bills may vary from year to year. For example; the Spring conference costs could be settled by June (by year end) or be extended into the subsequent year. Also the timing of events could affect when payments are made from year to year. Payments after year end will be paid out of the surplus generated out of the prior year conference receipts. So the surplus cash at year end may have future demands for prior expenses. Management prepares a conference summary report that reconciles these payments when settled; this report is presented as supplementary information.

2. CASH AND INVESTMENTS

Cash and Cash Equivalents

SACRS considers short-term highly liquid investments to be cash equivalents provided that they are both readily convertible to cash and had an original maturity of three months or less when purchased. The balance in cash and cash equivalents at June 30 include:

	2019	2018
Bank accounts	\$ 409,088	\$ 305,726
Money market accounts	786,600	769,985
Total cash and cash equivalents	<u>\$ 1,195,688</u>	<u>\$ 1,075,711</u>

Cash in bank accounts at June 30, 2019 consisted of the following:

	Bank of America	Community First Bank	Total
Per bank	\$ 297,541	\$ 89,588	\$ 387,129
Deposits in transit	-	21,959	21,959
Total bank accounts	<u>\$ 297,541</u>	<u>111,547</u>	<u>\$ 409,088</u>

Cash in bank accounts at June 30, 2018 consisted of the following:

	Bank of America	Community First Bank	Total
Per bank	\$ 186,544	\$ 137,881	\$ 324,425
Checks outstanding	(1,186)	(17,513)	(18,699)
Total bank accounts	<u>\$ 185,358</u>	<u>120,368</u>	<u>\$ 305,726</u>

Cash balances on interest-bearing accounts held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). There was \$47,541 in excess of FDIC as of June 30, 2019. There was no amount in excess of FDIC as of 2018.

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

NOTES TO THE FINANCIAL STATEMENT

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

Investments

In March 2015, SACRS invested in the CalTRUST Medium-Term Fund (the “Fund”), depositing \$1,104,130. The balance as of June 30, 2019 and 2018 presented in the financial statement is \$1,176,734 and \$1,130,290; respectively. This balance includes reinvested interest income totaling \$62,336 and \$15,892, respectively, but does not include changes in fair market value for the year ended June 30, 2019 and 2018 totaling \$4,661 and (\$1,140) respectively. The fair market value of SACRS’ investment in the Fund at June 30, 2019 and 2018 is \$1,181,395 and \$1,129,150, respectively. The current portion of the investment account represents underlying securities which are immediately redeemable (e.g. equities), or will mature within one year. The current portion of investments at June 30, 2019 and 2018 was \$0. The Fund is not rated or insured. Total return on the Fund for the years ended June 30, 2019 and 2018 was 2.43% and 1.41%, respectively.

3. CONTRACTS

SACRS has entered into contracts with various hotels to reserve facilities and guest rooms for its upcoming conferences and events. Cancellation fees associated with these contracts vary by date of notice. All hotel contracts specify the total number of guest room nights reserved at a group rate. If guest nights attributed to the convention fall below a specified minimum, SACRS is obligated to pay a room attrition rate for every guest night below the contracted minimum; standard room rates exceed the attrition rate. The organization is also responsible for food and beverage minimums as specified below. Hotel contracts entered into as of the audit date are summarized here:

Conference	Cancellation Fees	Food and Beverage Minimums	Guest Room Nights Reserved	Guest Room Nights Minimum	Rooms Attrition
Fall 2019	\$84,596-\$181,192	\$120,000	875	700	\$199 plus tax
Spring 2020	\$214,705-\$316,464	\$170,000	1145	973	\$229 plus tax
Fall 2020	\$49,194-\$408,276	\$80,000	890	700	\$226 plus tax
Spring 2021	\$174,603-\$279,364	\$150,000	1145	916	\$239 plus tax
Fall 2021	\$184,462-\$332,031	\$165,000	1145	916	\$239 plus tax
Spring 2022	\$135,682-\$421,365	\$150,000	1185	948	\$229 plus tax
Fall 2022	\$136,762-\$288,524	\$150,000	1145	916	\$249 plus tax
Spring 2023	\$224,848-\$404,726	\$170,000	1145	916	\$247 plus tax
Fall 2023	\$123,832-\$397,665	\$150,000	1185	948	\$209 plus tax

4. DONATED SERVICES

Directors and officers have made a significant contribution of their time to develop the organization and its programs. No amounts have been recognized in the accompanying statement of cash receipts and disbursements as no cash changed hands as a result of the donated services.

5. SUBSEQUENT EVENTS

SACRS’ management has evaluated subsequent events through March 2, 2020, the date which the financial statement was issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statement.

SUPPLEMENTARY INFORMATION

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

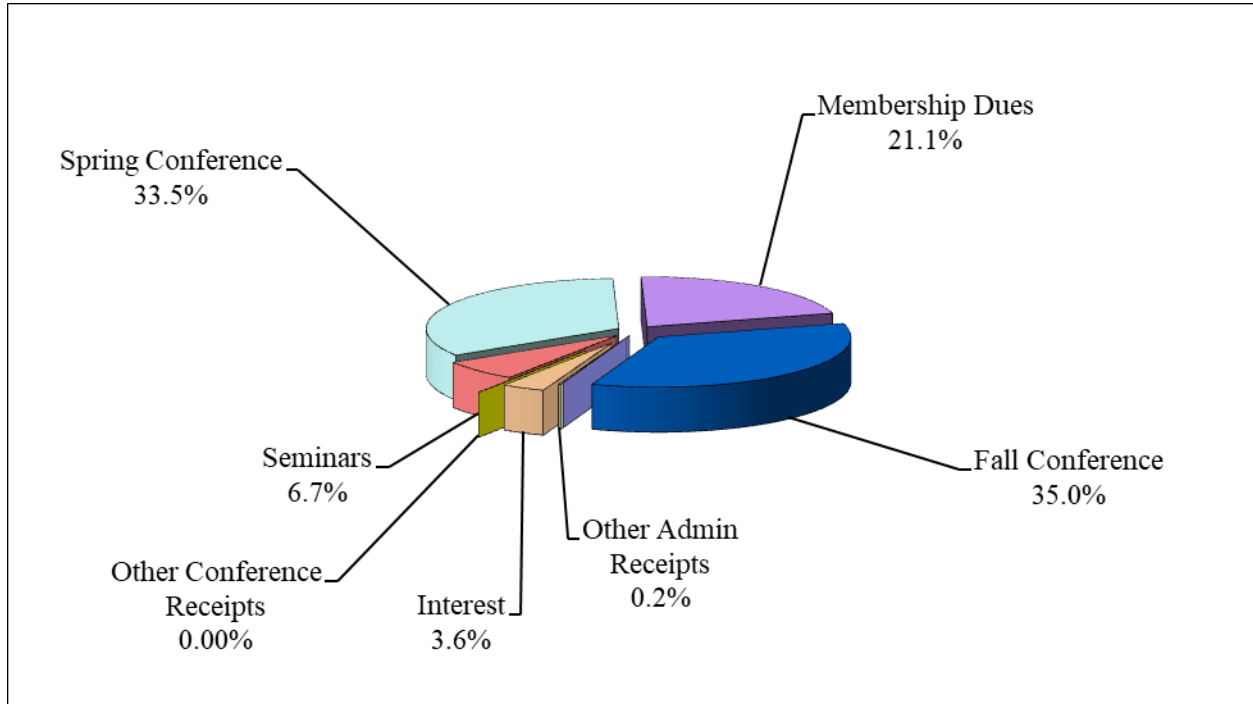
	<u>Conference</u>	<u>Administration</u>	<u>Total</u>
<u>Cash Receipts</u>			
Dues	\$ -	\$ 372,250	\$ 372,250
Conference			
Fall	616,640	-	616,640
Spring	590,110	-	590,110
Seminars	118,500		118,500
Other Admin Receipts	-	2,980	2,980
Interest	63,668	-	63,668
	<u>1,388,918</u>	<u>375,230</u>	<u>1,764,148</u>
Total Cash Receipts			
<u>Cash Disbursements</u>			
Conference			
Fall - 2018			
Hotel and meals	307,724	-	307,724
Audio and visual	52,180	-	52,180
Program materials	102,702	-	102,702
Spring - 2019			
Hotel and meals	81,224	-	81,224
Audio and visual	48,498	-	48,498
Program materials	80,389	-	80,389
Seminars	243,450	-	243,450
Conference Administration	27,228	-	27,228
Prior Year and Other Expenses	162,462	-	162,462
Total conference disbursements	<u>1,105,857</u>	<u>-</u>	<u>1,105,857</u>
Administration	-	375,233	375,233
Legislative representation	-	237	237
Lobbying	-	71,627	71,627
Committee meetings	-	27,315	27,315
Special projects	-	17,458	17,458
Total administration disbursements	<u>-</u>	<u>491,870</u>	<u>491,870</u>
Total Cash Disbursements	<u>1,105,857</u>	<u>491,870</u>	<u>1,597,727</u>
Excess (Deficit) of Cash Receipts over Cash Disbursements	283,061	(116,640)	166,421
Cash and Investments, Beginning	<u>3,037,923</u>	<u>(831,922)</u>	<u>2,206,001</u>
Cash and Investments, Ending	<u><u>3,320,984</u></u>	<u><u>(948,562)</u></u>	<u><u>2,372,422</u></u>

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

GRAPHICAL PRESENTATION OF CASH RECEIPTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CASH RECEIPTS BY SOURCE

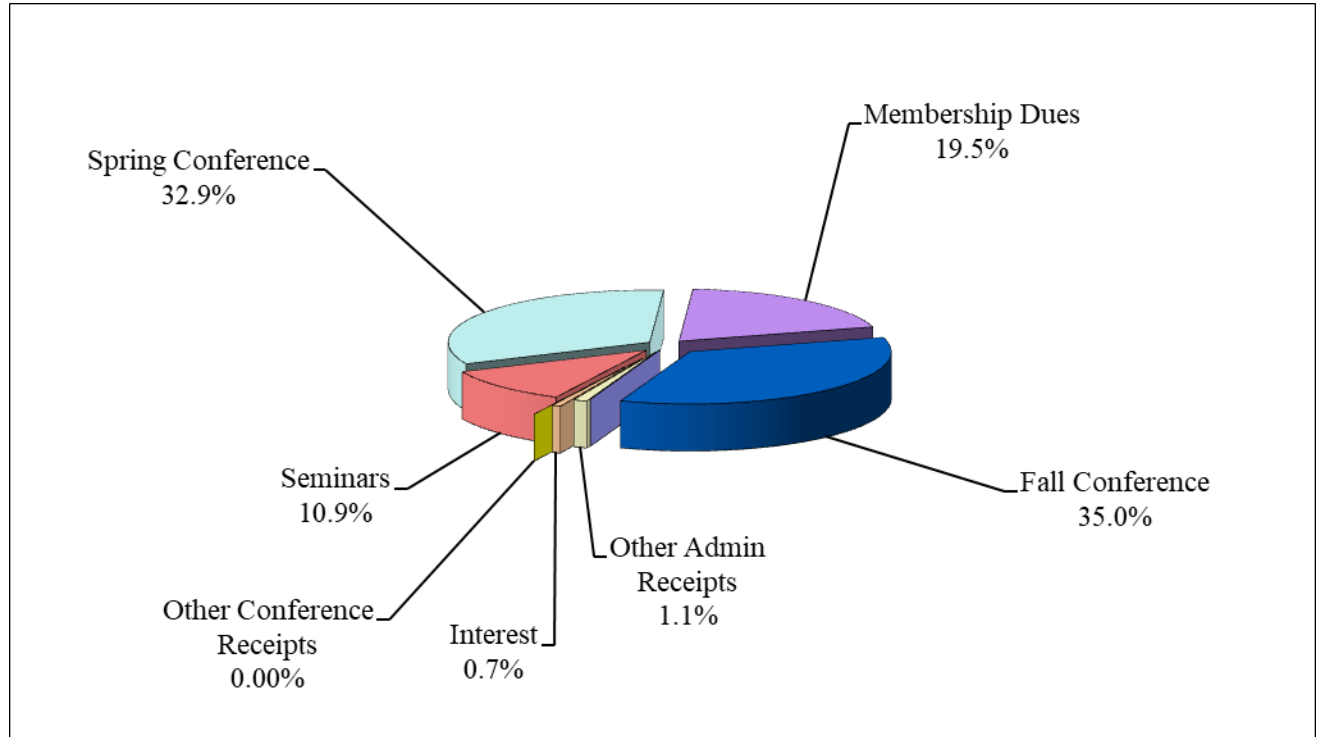


STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

GRAPHICAL PRESENTATION OF CASH RECEIPTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CASH RECEIPTS BY SOURCE

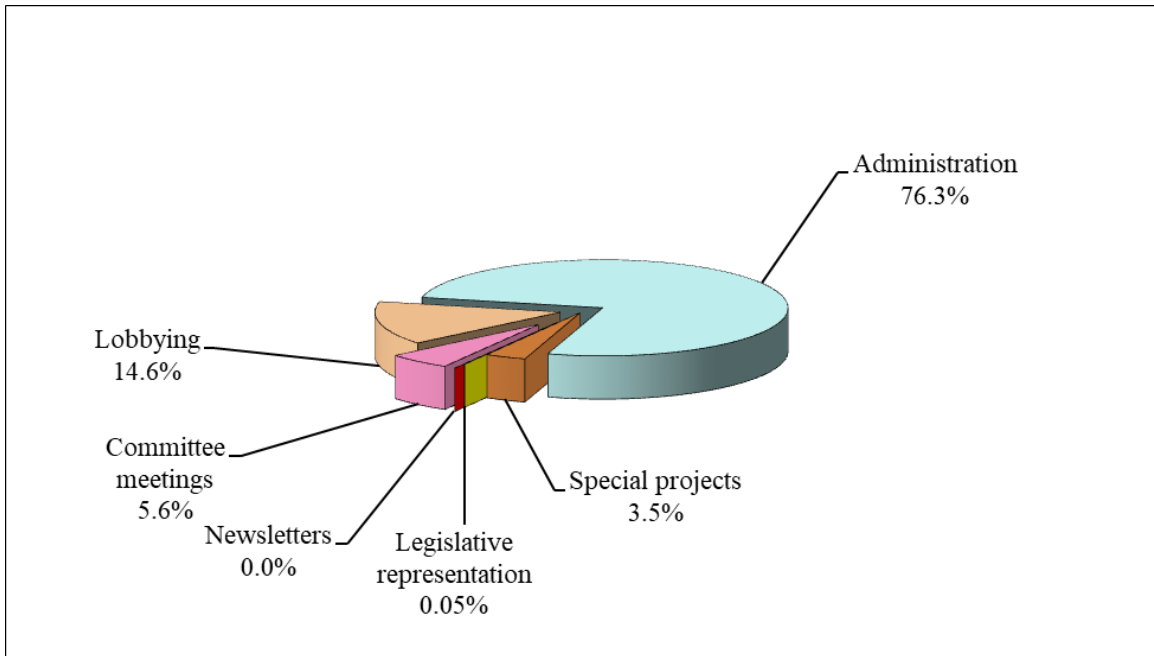


STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

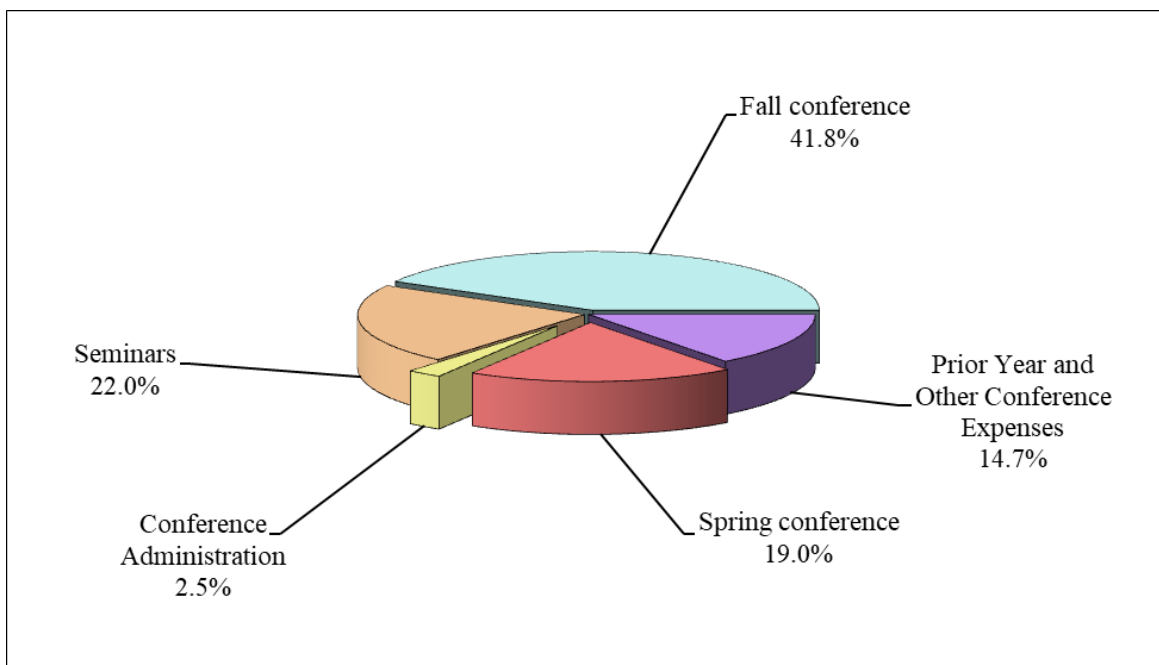
GRAPHICAL PRESENTATION OF CASH DISBURSEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

ADMINISTRATION CASH DISBURSEMENTS



CONFERENCE CASH DISBURSEMENTS

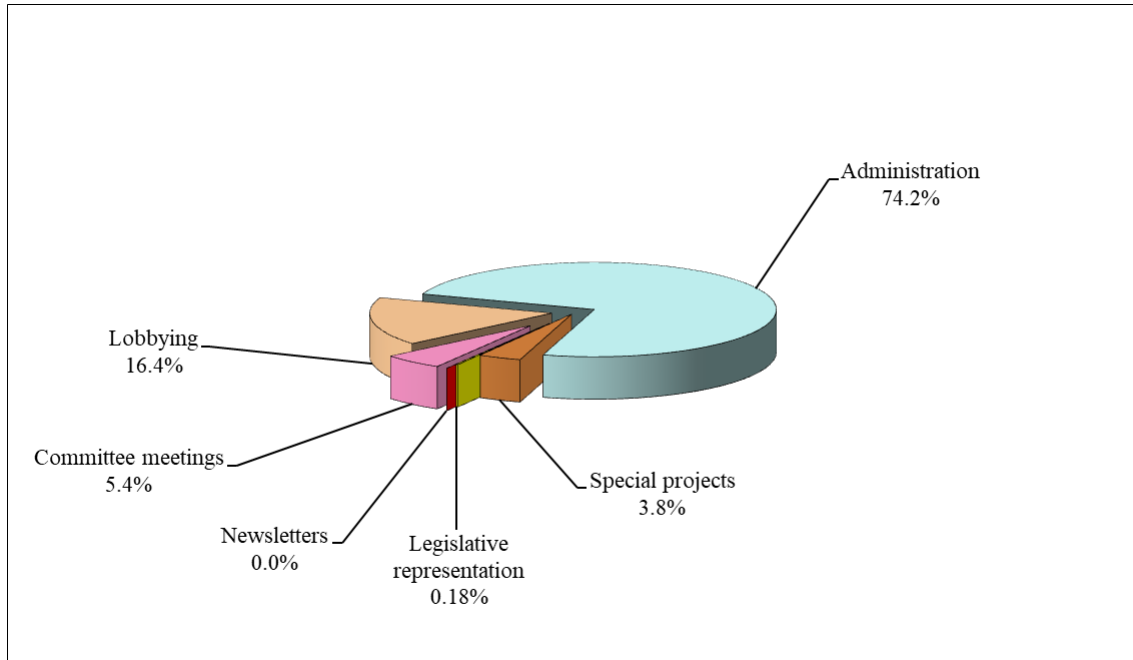


STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

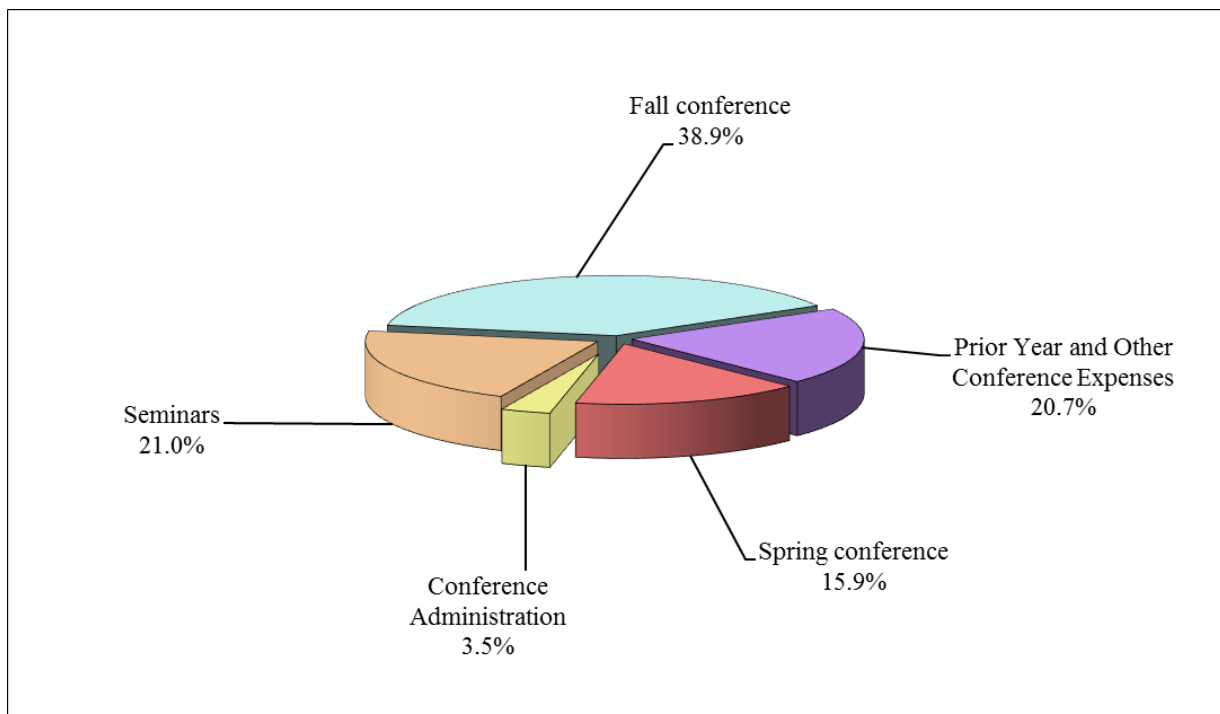
GRAPHICAL PRESENTATION OF CASH DISBURSEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

ADMINISTRATION CASH DISBURSEMENTS



CONFERENCE CASH DISBURSEMENTS



STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

CONFERENCE SUMMARY REPORT

	Spring 2019 Lake Tahoe	Fall 2018 Indian Wells	Spring 2018 Anaheim	Fall 2017 San Francisco	Spring 2017 Napa	Fall 2016 Indian Wells
Cash receipts						
Conference	\$ 592,590	\$ 591,530	\$ 546,750	\$ 581,490	\$ 572,159	\$ 566,265
Total cash receipts	<u>592,590</u>	<u>591,530</u>	<u>546,750</u>	<u>581,490</u>	<u>572,159</u>	<u>566,265</u>
Cash disbursements						
Hotel and meals	195,278	312,670	152,017	304,155	295,157	310,266
Audio and visual	57,731	52,180	40,300	43,826	10,000	49,186
Program materials	42,342	32,086	20,909	26,722	42,282	77,666
Program Speakers	3,974	74,457	35,159	50,363	-	-
Conference Administration	14,094	9,634	7,183	11,333	6,921	7,198
Total cash disbursements	<u>313,419</u>	<u>481,027</u>	<u>255,568</u>	<u>436,400</u>	<u>354,361</u>	<u>444,317</u>
Net cash provided by conference	<u>\$ 279,171</u>	<u>\$ 110,503</u>	<u>\$ 291,182</u>	<u>\$ 145,090</u>	<u>\$ 217,798</u>	<u>\$ 121,948</u>
Total attendees	590	588	599	603	611	597



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
INDEPENDENT AUDITOR'S REPORT**

Board of Directors
State Association of County Retirement Systems
Sacramento, California

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of State Association of County Retirement Systems (SACRS), as of and for the years ended June 30, 2019 and 2018 the related notes to the financial statement, which collectively comprise the State Association of County Retirement Systems' basic financial statement, and have issued our report thereon dated March 2, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered SACRS' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

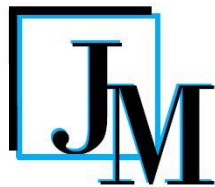
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control. This report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
March 2, 2020



James Marta & Company LLP
Certified Public Accountants

Accounting Auditing Tax and Consulting

**COMMUNICATION WITH THOSE CHARGED
WITH GOVERNANCE**

Board of Directors
State Association of County Retirement Systems
Sacramento, California

We have audited the financial statement of the State Association of County Retirement Systems (SACRS) for years ended June 30, 2019 and 2018, and have issued our report thereon dated March 2, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 4, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with the cash basis of accounting described in Note 1 to the financial statement. Our audit of the financial statement does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statement is free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of SACRS solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our report on internal control over financial reporting in a separate letter to you dated March 2, 2020.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

We follow the AICPA Ethics Standard Rule 201C, in conjunction with this, we annually review with all engagement staff potential conflicts and obtain a conflict certification. In addition, we inquire on each engagement about potential conflicts with staff. We have not identified any relationships or other matters that in the auditor's judgment may be reasonably thought to bear on independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by SACRS is included in Note 1 to the financial statement. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are typically an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. As the accounting of SACRS is prepared on a cash basis, no estimates are necessary for the preparation of the financial statement.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. We are not aware of any sensitive disclosures affecting SACRS' financial statement.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statement as a whole and each applicable opinion unit. We did not identify any uncorrected misstatements as a result of our audit procedures.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to SACRS' financial statement or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated March 2, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with SACRS, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as SACRS' auditors.

We are contracted to prepare the fiscal year 2019 federal Return of Organization Exempt From Income Tax, and related state filings, as well as the calendar year Forms 1099-MISC for SACRS. These returns will be prepared using audited financial data, where applicable, but our preparation of these returns does not constitute an audit. No audit opinion will be issued on the tax returns referred to above.

James Marta & Company LLP
Certified Public Accountants

This report is intended solely for the information and use of the Board of Directors, and management of State Association of County Retirement Systems and is not intended to be and should not be used by anyone other than these specified parties.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
March 2, 2020



MANAGEMENT REPRESENTATION LETTER

March 2, 2020

James Marta & Company LLP
Certified Public Accountants
Sacramento, California

This representation letter is provided in connection with your audit of the statement of cash receipts and disbursements of the State Association of County Retirement Systems (SACRS) for the fiscal years ended June 30, 2019 and 2018, and the related notes to the financial statement, for the purpose of expressing an opinion on whether the financial statement is presented fairly, in all material respects, in accordance with the cash basis of accounting described in Note 1 to the financial statement.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of March 2, 2020:

Financial Statement

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated June 4, 2019, for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1 to the financial statement.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed.



- All events subsequent to the date of the financial statement which requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed.
- We have complied with all contractual agreements, grants, and donor restrictions.
- We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.
- We have accurately presented the entity's position regarding taxation and tax-exempt status.
- The bases used for allocation of functional expenses are reasonable and appropriate.
- We have included in the financial statement all assets under the entity's control.
- We have designed, implemented, and maintained adequate internal controls over the receipt and recording of contributions.
- Methods and significant assumptions used by management to determine fair values, their consistency in application, and the completeness and adequacy of fair value information for financial statement measurement and disclosure purposes are appropriate.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statement, such as records, documentation, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statement in accordance with the cash basis of accounting described in Note 1 to the financial statement.
- We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others when the fraud could have a material effect on the financial statement.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statement communicated by employees, former employees, analysts, regulators, or others.



- We have no knowledge of any noncompliance or suspected noncompliance with laws, regulations, contracts, and grant agreements whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statement and we have not consulted legal counsel concerning litigation or claims.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Supplementary Information in Relation to the Financial Statement as a Whole

With respect to the Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, Graphical Presentation of Cash Disbursements, and Conference Summary Report accompanying the financial statement:

- We acknowledge our responsibility for the presentation of the Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, and Graphical Presentation of Cash Disbursements in accordance with the cash basis accounting as described in Note 1 to the financial statement. We acknowledge our responsibility for the presentation of the Conference Summary Report which presents all cash receipts and expenses related to a specific regardless of timing of the underlying receipt or disbursement.
- We believe the Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, and Graphical Presentation of Cash Disbursements, including its form and content, is fairly presented in accordance with the cash basis accounting as described in Note 1 to the financial statement. We believe the Conference Summary Report, including its form and content, is fairly presented and inclusive of all cash receipts and expenses related to a specific regardless of timing of the underlying receipt or disbursement.
- The methods of measurement or presentation have not changed from those used in the prior period.
- When the Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, Graphical Presentation of Cash Disbursements, and Conference Summary Report are not presented with the audited financial statement, management will make the audited financial statement readily available to the intended users of the Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, Graphical Presentation of Cash Disbursements, and Conference Summary Report no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.



Additional Representations

- We have reviewed, approved, and taken responsibility for the financial statement and related notes.
- We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statement.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- All disbursements have been properly classified in the financial statement and allocations, if any, have been made on a reasonable basis.
- Deposit and investment risks have been properly and fully disclosed.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- We have disclosed to you all guarantees, whether written or oral, under which SACRS is contingently liable.
- SACRS has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have provided to you our views on reported audit findings, conclusions, and recommendations, as well as planned corrective actions.
- Regarding our tax filings prepared by James Marta & Company LLP:
 - We are responsible for complying with tax filing requirements with the Internal Revenue Service, Franchise Tax Board, and other agencies, as applicable.
 - We are responsible for establishing and maintaining effective internal control over compliance.
 - We have performed an evaluation of the Association's compliance with tax filing requirements and we are not aware of any instances of noncompliance.
 - We have reviewed and approved the tax returns prepared by your office.
 - We have made available to you all documentation related to compliance with specified requirements.
 - We assume all management responsibilities in regards to the tax filings and have designated an individual in management who possesses suitable skill, knowledge and experience to oversee these services.
 - We have performed an evaluation of the adequacy and results of the services performed and assume all management responsibilities.
 - We accept responsibility for the results of the services.



Providing insight. Fostering oversight.

Sulema H. Peterson 3/2/2020
Sulema Peterson, SACRS Executive Director

Adjusting Journal Entries:

Adjusting Journal Entry JE # 1			
To reclass unrealized gain that was instead recognized in the PY.			
1100	Unrealized Gain	11,197	
2020	Retained Earnings		11,197
Total		<u>11,197</u>	<u>11,197</u>

Reclassifying Journal Entries:

None



8. SACRS Education Committee Report – No Action

JJ Popowich, Los Angeles CERA, SACRS Education Committee Chair

A. SACRS Annual Virtual Fall 2020 Conference Evaluations/Feedback



No Printed Materials For This Item



9. SACRS Program Committee Report – No Action

Roger Hilton, Orange CERS, SACRS Program Committee Chair

A. SACRS Annual Virtual Fall Conference Report 2020



No Printed Materials For This Item



10. SACRS Affiliate Committee Report – No Action

Teri Noble, Pathway, SACRS Affiliate Committee Chair

A. Affiliate Committee Update



No Printed Materials For This Item



11. SACRS Bylaws Committee Report – Action

Johanna Fontenot, Los Angeles CERA, SACRS Bylaws Committee Chair

- A. Use of SACRS' Intellectual Property
- B. Termination of Membership
- C. Electronic Meetings



October 21, 2020

To: SACRS Membership

From: SACRS Board of Directors

Re: SACRS Bylaw Amendments – Section 7 Article I; Section 8, 9 & 10 Article III;

The following suggested Bylaws are being submitted by SACRS Board of Directors with approval from the SACRS Bylaws committee.

- Item A limits the use of SACRS and SACRS logo as SACRS Intellectual Property.
- Item B addresses the process of termination of membership.
- Item C implements the ability to hold meetings electronically.

Item A.

Add the following **new Section 7 to Article I, Name, Mission, Purposes and General Policy**:

Section 7. Use of SACRS' Intellectual Property. The SACRS' name, logo, member database, copyrighted materials, trademarks, intellectual property, or any photographs and materials appearing on SACRS' website or in any SACRS' written materials (collectively, the "SACRS' Intellectual Property") cannot be used for advertising, solicitation, or for any other purpose by any member without the prior written approval of the Board. In addition, no member may write for publication, hold any type seminar, or conduct a member survey under the name or authority of SACRS without the prior written approval of the Board.

Item B.

Add the following **new Sections 8, 9 & 10 to Article III, Membership**:

Section 8. Termination of Membership. A membership shall terminate on the occurrence of any of the following events:

- A. Resignation of the member;*
- B. The member's failure to pay dues, fees, or assessments as set by the Board [within 30 days after they are due and payable] **OR** [by July 31 of each year];*
- C. Any event that renders the member ineligible for membership, or failure to satisfy membership qualifications; or*
- D. Termination of membership pursuant to Section 10 of these Bylaws based on the good faith determination by the Board, or a committee or person authorized by the Board to make such a determination, that the member has failed to observe these Bylaws and/or SACRS' rules of conduct, or has engaged in conduct prejudicial to SACRS' purposes, interests and tax-exempt status.*



Section 9. Suspension of Membership. A member may be suspended, under Section 10 of these Bylaws, based on the good faith determination by the Board, or a committee or person authorized by the Board to make such a determination, that the member has failed to observe these Bylaws and/or SACRS' rules of conduct, or has engaged in conduct prejudicial to SACRS' purposes, interests and tax-exempt status.

Section 10. Procedure for Termination or Suspension of Membership. If grounds appear to exist for terminating or suspending a member under Sections 8 and 9, respectively, of these Bylaws, the following procedure shall be followed:

- A. The Board shall give the member at least 15 days' prior notice of the proposed suspension or termination, and the reasons for the proposed suspension or termination. Notice shall be given by any method reasonably calculated to provide actual notice. Notice given by mail shall be sent by first-class or registered mail to the member's last address as shown on SACRS' records.*
- B. The member shall be given an opportunity to be heard, either orally or in writing, at least 5 days before the effective date of the proposed suspension or termination. The hearing shall be held, or the written statement considered, by the Board or by a committee or person authorized by the Board, to determine whether the suspension or termination should occur.*
- C. The Board, committee, or person shall decide whether the member should be suspended, expelled, or sanctioned in any way. The decision of the Board, committee, or person shall be final.*
- D. Any action challenging an expulsion, suspension, or termination of membership, including a claim alleging defective notice, must be commenced within one year after the date of the expulsion, suspension, or termination.*

Item C.

Add the following language to ARTICLE V MEMBER MEETINGS

Section 1. Regular Meeting – Remains the same

Section 2. Special Meeting – Remains the same

Section 3. Site Selection for Meetings – Remains the same

Section 4. Agenda for Business Meetings. The Board shall be responsible for the final agenda of all SACRS meetings. The business meeting agendas shall be mailed by first-class postage or provided by electronic transmission to all members no later than ten (10) days prior to any meeting.

Section 5. Quorum. The presence of eleven (11) credentialed delegates (as defined in Article IV, Section 4) shall constitute a quorum for the transaction of business at all SACRS meetings.



If, however, the attendance or participation by mail or electronic transmission at any SACRS meeting, whether in person or by proxy, is less than one-third (1/3) of the voting power, the credentialed delegates may vote only on those matters specified in the meeting agenda described in Article V, Section 4 herein. Meetings may be restricted to regular members only by a majority vote of the quorum present.

Section 6. Voting. Voting at meetings of SACRS shall be the exclusive privilege of the delegates or alternate delegates. Voting delegates or alternate delegates must have proper credentials on file consistent with Article IV, Section 4 herein prior to voting. Each delegate or alternate delegate may cast one (1) vote on each matter submitted to vote of the members. A simple majority vote of the quorum present at a meeting shall pass all issues considered by the regular membership unless otherwise specified in the Articles of Incorporation or these Bylaws.

- A. Voting at In-Person Meetings. Voting at in-person meetings shall be by open roll-call. A roll-call vote of delegates and alternate delegates shall decide any voice vote in doubt by the regular members present.
- B. Voting by Mail or Electronic Transmission. Any matter of business to be voted upon by the delegates or alternate delegates, including the election of officers and Directors, may be submitted by mail or electronic transmission to all of the delegates or alternate delegates for their written vote without a meeting at the motion and approval of a majority of the members of the Board.

The Board shall prescribe in a written resolution the procedures necessary to conduct the election or obtain approval by the members on any matter submitted by mail to all the delegates or alternate delegates entitled to vote.

Voting by mail or electronic transmission shall be valid only if the following conditions are met:

- (1) The number of votes cast must equal or exceed the number of delegates or alternate delegates constituting a quorum as provided in Article V, Section 5, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting of the delegates or alternate delegates present in person or proxy as provided in this Section.
- (2) The written ballots shall be mailed or transmitted to the address appearing on the delegates or alternate delegates list that shall be maintained by SACRS.
- (3) All solicitations of written ballots by mail or electronic transmission shall (i) indicate the number of responses needed to meet the quorum requirement, (ii) state the percentage of approvals necessary to pass the matter submitted to the delegates or



alternate delegates, and (iii) specify the date and time by which and the address at which the ballot must be received in order to be counted.

- (4) The results of an election or the vote to approve or disapprove any matter submitted by written ballot to the delegates or alternate delegates by mail and electronic transmission must be certified by the President and the Secretary in the minutes of the Board meeting following the determination of the results of the vote. The certification shall also certify that the written ballot was conducted in conformity with the provisions of applicable law and these Bylaws.

Nothing in this section shall preclude the Board of Directors from employing third parties to conduct or assist in conducting a written ballot by mail in accordance with applicable law, regulations and these bylaws.

Section 7. Proxy – THIS SECTION REMAINS THE SAME, NO CHANGES

Section 8. Procedures - THIS SECTION REMAINS THE SAME, NO CHANGES

Section 9. Resolutions - THIS SECTION REMAINS THE SAME, NO CHANGES

Section 10. Travel Expenses - THIS SECTION REMAINS THE SAME, NO CHANGES

Section 11. Meetings of Members by Electronic Transmission. A meeting of the members may also be conducted, in whole or in part, by electronic transmission by and to SACRS under Article V, Section 12, or by electronic video screen communication if SACRS implements reasonable measures to provide members a reasonable opportunity to participate in and for the delegates or alternate delegates to vote on matters submitted to the members, including an opportunity to read or hear the proceedings substantially concurrently with the proceedings. A record of any votes or other actions taken at a meeting by electronic transmission shall be maintained by SACRS.

Section 12. Notice, Ballots and Other Communications to Members by Electronic Transmission.

- A. Notices, Ballots and Other Communications. For any notice, ballot, or other communication which is required by these Bylaws or the Board to be mailed to members, mailed by member to SACRS, or given to Directors or committees, such notice, ballot, or other communication may be delivered by electronic transmission, provided that the electronic transmission meets the requirements in Article XVII, Section 2-B.
- B. Consent. Electronic transmission of notices or other communications shall only be made to members who have provided an unrevoked consent to the use of that means of electronic communication in accordance with this paragraph, The consent must describe (i) any right of the recipient to have the record provided or made available on paper or in non-electronic form; (ii) whether the consent applies only to



that transmission, to specified categories of communications, or to all communications from SACRS; and (iii) the procedures required to withdraw consent.

Any request by SACRS to members to conduct meetings by electronic transmission shall also include a notice that absent consent of the member to communicate by electronic transmission or hold a meeting by electronic means, the meeting shall be held at the physical location established in accordance with these Bylaws.

ARTICLE VIII BOARD OF DIRECTORS

Section 1. Board of Directors.

Section 2. Elections of Directors. Any regular member may submit nominations for the election of a Director to the Nominating Committee by mail or electronic transmission, provided the Nominating Committee receives those nominations no later than noon on March 1 of each calendar year regardless of whether March 1 is a Business Day. Each candidate may run for only one office. Write-in candidates for the final ballot, and nominations from the floor on the day of the election, shall not be accepted.

The Nominating Committee will report its suggested slate, along with a list of the names of all members who had been nominated, to each regular member County Retirement System prior to March 25 by mail or electronic transmission.

The Administrator of each regular member County Retirement System shall be responsible for communicating the Nominating Committee's suggested slate to each trustee and placing the election of SACRS Directors on his or her board agenda. The Administrator shall acknowledge the completion of these responsibilities with the Nominating Committee.

Director elections shall take place during the first regular meeting of each calendar year. The election shall be conducted by an open roll call vote if an in-person meeting or by written ballot if the election is by mail or electronic transmission, and shall conform to Article V of these Bylaws.

Newly elected Directors shall assume their duties at the conclusion of the meeting at which they are elected, with the exception of the office of Treasurer. The incumbent Treasurer shall co-serve with the newly elected Treasurer through the completion of the current fiscal year.

Section 3. General Powers - THIS SECTION REMAINS THE SAME, NO CHANGES

Section 4. Special Powers - THIS SECTION REMAINS THE SAME, NO CHANGES

Section 5. Term - THIS SECTION REMAINS THE SAME, NO CHANGES

Section 6. Vacancies - THIS SECTION REMAINS THE SAME, NO CHANGES

Section 7. Resignation of Directors - THIS SECTION REMAINS THE SAME, NO CHANGES

Section 8. Conflicts of Interest - THIS SECTION REMAINS THE SAME, NO CHANGES



Section 9. Compensation/Travel Policy - THIS SECTION REMAINS THE SAME, NO CHANGES

Section 10. Non-Liability of Directors - THIS SECTION REMAINS THE SAME, NO CHANGES

Section 11. Insurance for Corporate Agents - THIS SECTION REMAINS THE SAME, NO CHANGES

ARTICLE IX MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Place of Meeting - THIS SECTION REMAINS THE SAME, NO CHANGES

Section 2. Annual Meeting - THIS SECTION REMAINS THE SAME, NO CHANGES

Section 3. Special Meetings - THIS SECTION REMAINS THE SAME, NO CHANGES

Section 4. Notice of Meetings. Written notice of the time and place of any special meeting shall be given to each Director by one of the following methods (i) personal delivery, (ii) first class mail, postage prepaid, (iii) telephone, including a voice messaging system or other system or technology designed to record and communicate messages, or (iv) electronic transmission if the Director has consented to accept notice in this manner. All notices shall specify the purpose of the special meeting and shall be given or sent to the Director's address, phone number, facsimile number or email address as shown on SACRS' records.

Notices sent by first class mail shall be deposited into a United States mail box at least four (4) days prior to the time set the meeting. Notices given by personal delivery, telephone, voice messaging system, electronic transmission, or other similar means of communication shall be delivered at least forty-eight (48) hours prior to the time set for the meeting. Any notice given personally or by telephone may be communicated directly to the Director or to a person who would reasonably be expected to promptly communicate such notice to the Director.

Section 5. Meeting by Telephone, Electronic Transmission, or Other Telecommunications Equipment. Any Board meeting may be held by conference telephone, electronic video screen communication, or electronic transmission. Participation in a meeting under this Section shall constitute presence of the Director at the meeting if the following requirements are satisfied:

- A. When the meeting is through the use of conference telephone or electronic video screen communication, all the Directors participating in the meeting must be able to hear one another.
- B. When the meeting is through the use of electronic transmission (i) each Director participating in the meeting can communicate concurrently with all other Directors; and (ii) each Director is provided the means of participating in all matters before the Board, including the capacity to propose, or to interpose an objection to, a specific action to be taken by the Board.

Section 6. Validation of Meeting - THIS SECTION REMAINS THE SAME, NO CHANGES



Section 7. Waiver of Notice - THIS SECTION REMAINS THE SAME, NO CHANGES
Section 8. Quorum - THIS SECTION REMAINS THE SAME, NO CHANGES
Section 9. Majority Action as Board Action - THIS SECTION REMAINS THE SAME, NO CHANGES
Section 10. Prohibition against Voting by Proxy - THIS SECTION REMAINS THE SAME, NO CHANGES
Section 11. Adjournment - THIS SECTION REMAINS THE SAME, NO CHANGES

ARTICLE XVII CONSTRUCTION AND DEFINITIONS

Section 1. Construction and Definitions.

Section 2. Specific Definitions. For purposes of these Bylaws, the following terms have the following meanings specified:

- A. Business Day.
- B. Electronic Transmissions. Electronic transmission means a communication delivered by (i) facsimile telecommunication or electronic mail when directed to the facsimile number or electronic mail address, respectively; (ii) posting on an electronic message board or network which has been designated for those communications, as further described below; or (iii) such other electronic communication.
 - (1) Electronic Transmission by SACRS. For electronic transmission by SACRS, the applicable notice or other communication shall be directed to the facsimile number or electronic mail address appearing on SACRS' membership list; or posted on an electronic message board or network that SACRS has designated for those communications, together with a separate notice to the members of the posting, which transmission shall be validly delivered upon the later of the posting or delivery of the separate notice thereof; or by such other electronic communication means as designated by the Board. The recipient of the electronic transmission must have provided an unrevoked consent to the use of those means of transmission for communications. Any electronic communication shall be made in such a way as to create a record that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form.

Notice shall not be given by electronic transmission by SACRS after either of the following: (1) SACRS is unable to deliver two (2) consecutive notices to the recipient by that means, or (2) the inability so to deliver the notices to the recipient becomes known to the Secretary or any other person responsible for the giving of the notice.



- (2) Electronic Transmission to SACRS. For any electronic transmission to SACRS, the communication shall be delivered when directed to the facsimile number or electronic mail address which SACRS has provided for sending the applicable communication; or posted to an electronic message board or network that SACRS has designated for those communications and which transmissions shall be validly delivered upon posting; or by such other electronic communication means as designated by the Board. SACRS shall put into effect reasonable measures to verify that the sender is the member, Director, or committee member purporting to send any transmission to which this Section applies. Any electronic communication to which this Section applies shall be made in such a way as to create a record that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form.



12. SACRS Fall Conference Breakout Reports – No Action

A representative from each breakout will give report on their meetings.

- A. Administrators
- B. Counsel
- C. Disability/ Operations & Benefits Combo
- D. Internal Auditors
- E. Investment Officers
- F. Safety Trustees
- G. General Trustees



No Printed Materials For This Item



13. Adjournment

Next scheduled SACRS Association Business Meeting will be held Friday, May 14, 2021 at the Long Beach Renaissance.

[Back to Agenda](#)



BOARD OF RETIREMENT AUTHORITY OVER APPOINTED POSITIONS

**Stanislaus County Employees'
Retirement Association
October 27, 2020**

Harvey L. Leiderman
Reed **Smith** LLP



THE BOARD'S AUTHORITY TO SET THE COMPENSATION OF ITS APPOINTEES IS STATUTORY

CERL § 31522.1 Board of Retirement may appoint administrative, technical and clerical staff from eligible county lists, county employees subject to salary ordinance, civil service and merit system rules

CERL §31522.2 Board of Retirement may appoint an at-will administrator, a county employee, included in county salary ordinance but not subject to civil service or merit system rules

THE BOARD'S BUDGETARY AUTHORITY IS STATUTORY

CERL § 31580.2 (a) In counties in which the board of retirement, or the board of retirement and the board of investment, have appointed personnel pursuant to Section 31522.1, 31522.5, 31522.7, 31522.9, or 31522.10, the respective board or boards shall annually adopt a budget covering the entire expense of administration of the retirement system which expense shall be charged against the earnings of the retirement fund.

THE BOARD'S STATUTORY AUTHORITY DERIVES FROM THE CONSTITUTION

CA Const. Art. XVI §17

“The People of the State of California hereby declare that their purpose and intent in enacting this measure is...to give the sole and exclusive power over the management and investment of public pension funds to the retirement boards elected or appointed for that purpose...

The retirement board...shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system...

The retirement board...shall have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries.”

THE COUNTY'S AUTHORITY IS LIMITED TO MINISTERIAL ACTS

"The board of supervisors shall *prescribe* the compensation of all county officers and shall *provide* for the number, compensation, tenure, appointment and conditions of employment of county employees."

**– Govt. Code sec. 25300; derived from
CA Const. Art. 11 §1(b)**

"The legislative history of Government Code section 25300 plainly shows that the purpose of the provision's second sentence was to provide a county board of supervisors with an alternative to acting by ordinance."

**- *REAOC v. Co. of Orange* (2011) 52 Cal. 4th
1171, 1184**

THE COUNTY HAS AGREED TO THE BOARD'S AUTHORITY TO SET COMPENSATION

StanCERA By-laws Secs. 1.9, 1.10 "The Retirement Board shall have final say in its handling of staff....

"Specifically regarding the position of Executive Director, the Investment Officer Series and any other executive level classifications, the Board of Retirement shall have full control over the creation, assessment and disposition of these positions, including salary..."

- **Approved by the County Board of Supervisors on February 25, 2014, per CERL Secs. 31525, 31526**

THE COURTS ALSO AGREE

"We read the statutory scheme in accord with these constitutional provisions. Unless the Retirement Board is the governing body as to its officers and employees it cannot ensure that it defrays only reasonable expenses of administration. The parties concede that the Retirement Board appoints, promotes and discharges its officers and employees. *That those employees are members of the county civil service and paid according to county salary schedules with paychecks issued by the county is immaterial.* The Retirement Board is the governing body as to the officers and employees that it appoints, otherwise it would have abdicated its obligation to make administrative cost decisions consistent with its primary duty to the fund's participants and to their beneficiaries."

- ***Corcoran v. CCCERA* (1997) 60 Cal. App. 4th 89**

OTHER CERL SYSTEMS HAVE SECURED CLARIFYING LEGISLATION

CERL SEC.	COUNTIES	POSITIONS
31522.3	KCERA, SCERS, SDCERA, SJCERA, MCERA	Asst. Administrators, CIO
31522.4	LACERA	Asst. Admin., Subordinate Admin, CLO, Deputy CLO, CIO, Subordinate CIO
31522.5	OCERS, SBCERA	Administrator, Asst.. Admin, senior mgmt. two levels, legal counsel – all NOT County employees (OCERS special district)
31522.7	SBCERA	Added supervisors and employees with special training
31522.9	CCCERA	All personnel; special district
31522.10	VCERA	Administrator, CIO, CFO, COO and General Counsel as system employees

A CASE STUDY: CCCERA

- 1997 *Corcoran* decision
- County Great Recession cutbacks, 2009
- CCCERA Board declares "*status quo*" and the County balks
- Board commences litigation, survives dismissal
- Parties negotiate a resolution, jointly sponsor legislation (SB 673) and CCCERA becomes a special district, takes all employees as its own

DISCUSSION

[Back to Agenda](#)