



# San Joaquin County Employees Retirement Association

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## A G E N D A

### BOARD MEETING SAN JOAQUIN COUNTY EMPLOYEES RETIREMENT ASSOCIATION BOARD OF RETIREMENT FRIDAY, MAY 6, 2022 AT 9:00 AM

Location: SJCERA Board Room, 6 S. El Dorado Street, Suite 400, Stockton, California

In accordance with current State guidance, appropriate face coverings are strongly recommended for all attendees.

The public may attend the Board meeting live in person or via Zoom by (1) clicking here <https://us02web.zoom.us/j/81191970044> and following the prompts to enter your name and email, or (2) calling (669) 219-2599 or (669) 900-9128 and entering Meeting ID [81191970044#](https://us02web.zoom.us/j/81191970044).

Persons who require disability-related accommodations should contact SJCERA at (209) 468-9950 or [ElainaP@sjcera.org](mailto:ElainaP@sjcera.org) at least forty-eight (48) hours prior to the scheduled meeting time.

#### 1.0 ROLL CALL

#### 2.0 PLEDGE OF ALLEGIANCE

#### 3.0 MEETING MINUTES

- |                                                                                 |   |
|---------------------------------------------------------------------------------|---|
| 3.01 Minutes for the Board Meeting of April 8, 2022                             | 4 |
| 3.02 Minutes for the CEO Performance Review Committee Meeting of April 21, 2022 | 8 |
| 3.03 Board to consider and take possible action on minutes                      |   |

#### 4.0 PUBLIC COMMENT

- 4.01 The public is welcome to address the Board during this time on matters within the Board's jurisdiction, following the steps listed below. Speakers are limited to three minutes, and are expected to be civil and courteous. Public comment on items listed on the agenda may be heard at this time, or when the item is called, at the discretion of the Chair.

If joining via Zoom, Public Comment can be made in the following ways:

PC or Mac: select "Participants" in the toolbar at the bottom of your screen, then select the option to raise or lower your hand.

Mobile Device: select the "More" option in the toolbar at the bottom of your screen, then select the option to raise or lower your hand.

Tablet: select the icon labeled "Participants," typically located at the top right of your screen, then select the hand icon next to your device in the Participants column.

If dialing in from a phone for audio only, dial \*9 to "raise your hand."

If attending in person, members of the public are encouraged to complete a Public Comment form, which can be found near the entry to the Board Room.

Except as otherwise permitted by the Ralph M. Brown Act (California Government Code Sections 54950 et seq.), no deliberation, discussion or action may be taken by the Board on items not listed on the agenda. Members of the Board may, but are not required to: (1) briefly respond to statements made or questions posed by persons addressing the Board; (2) ask a brief question for clarification; or (3) refer the matter to staff for further information.

## **5.0 CONSENT ITEMS**

**5.01** Service Retirement (51) 9

**5.02** Board to consider and take possible action on consent items

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**6.01** Presentation by David Sancewich of Meketa Investment Group

01 Monthly Investment Performance Update - March 2022 15

02 Economic and Market Update - March 2022 20

**6.02** Presentation by Christy Fields and David Glickman of Meketa Investment Group

01 Real Estate Review 41

**6.03** Board to receive and file reports

## **7.0 ASSET LIABILITY STUDY: EVALUATING OPTIMIZED PORTFOLIOS**

**7.01** Presentation by David Sancewich of Meketa Investment Group 81

**7.02** Board to discuss and give direction to staff and consultant

## **8.0 SELECTION OF DATA CONVERSION SERVICES VENDOR** 119

**8.01** Board to consider and take possible action on retention of data conversion services vendor

## **9.0 SELECTION OF PENSION ADMINISTRATION SYSTEM VENDOR** 121

**9.01** Board to consider and take possible action on retention of pension administration system vendor

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**10.01** SACRS Voting Proxy - Current 124

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**11.02** Board to discuss and give direction to voting delegates for the SACRS Business Meeting

## **12.0 STAFF REPORTS**

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**12.02** Trustee and Executive Staff Travel

01 Conferences and Events Schedule for 2022 219

02 Summary of Pending Trustee and Executive Staff Travel	220
03 Summary of Completed Trustee and Executive Staff Travel	221
<b>12.03 CEO Report</b>	222
<b>12.04</b> Board to receive and file reports, and approve new travel requests as necessary	
<b>13.0 CORRESPONDENCE</b>	
<b>13.01</b> Letters Received (0)	
<b>13.02</b> Letters Sent (0)	
<b>13.03</b> Market Commentary/Newsletters/Articles	
01 Meketa Stagflation February 2022	226
02 NCPERS Monitor April 2022	233
03 Lazard Institute The Double-Edged Sword April 2022	242
<b>14.0 COMMENTS</b>	
<b>14.01</b> Comments from the Board of Retirement	
<b>15.0 CLOSED SESSION</b>	
<b>15.01</b> Personnel Matters California Government Code Section 54957 Employee Disability Retirement Application(s) (1)	
<b>15.02</b> Conference with Legal Counsel - Anticipated Litigation California Government Code Section 54956.9(d)(4) Initiation of Litigation - 1 Case	
<b>16.0 CALENDAR</b>	
<b>16.01</b> Audit Committee Meeting May 17, 2022 at 1:00 PM	
<b>16.02</b> Board Meeting June 3, 2022 at 9:00 AM	
<b>16.03</b> Administrative Committee Meeting June 13, 2022 at 1:00 PM	
<b>17.0 ADJOURNMENT</b>	



# San Joaquin County Employees Retirement Association

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## MINUTES

### BOARD MEETING SAN JOAQUIN COUNTY EMPLOYEES RETIREMENT ASSOCIATION BOARD OF RETIREMENT FRIDAY, APRIL 8, 2022 AT 9:00 AM

Location: SJCEIRA Board Room, 6 S. El Dorado Street, Suite 400, Stockton, California

#### 1.0 ROLL CALL

**1.01 MEMBERS PRESENT:** Phonxay Keokham, Jennifer Goodman, Michael Duffy, Robert Rickman, Chanda Bassett, JC Weydert, Steve Moore, and Michael Rustuccia presiding.

**MEMBERS ABSENT:** Emily Nicholas, Raymond McCray.

**STAFF PRESENT:** Chief Executive Officer Johanna Shick, Assistant Chief Executive Brian McKelvey, Retirement Investment Officer Paris Ba. (via ZOOM), Management Analyst III Greg Frank, Information Systems Manager Adnan Khan, Information Systems Analyst II Lolo Garza, Communications Officer Kendra Fenner and Administrative Secretary Elaina Petersen.

**OTHERS PRESENT:** Deputy County Counsel Jason Morrish, David Sancewich, Eric White and Jonathan Camp of Meketa Investment Group.

#### 2.0 PLEDGE OF ALLEGIANCE

**2.01** Led by JC Weydert

#### 3.0 MEETING MINUTES

**3.01** Minutes for the Board Meeting of March 11, 2022

**3.02** Minutes for the Audit Committee Meeting of March 11, 2022

**3.03** The Board voted unanimously (7-0) to approve the Minutes of the Board Meeting of March 11, 2022 and the Minutes of the Audit Committee Meeting of March 11, 2022. (Motion: Duffy; Second: Bassett)

#### 4.0 PUBLIC COMMENT

**4.01** Rich Rogers from IGI and Roman Battan from Battan Capital each made statements about the lack of a current service agreement to continue servicing the Core-37 system and submitted a counter proposal to the Board and staff.

#### 5.0 CONSENT ITEMS

**5.01** Service Retirement (19)

**5.02** The Board voted unanimously (7-0) to approve the Consent Calendar Items. (Motion: Weydert; Second: Keokham)

**5.02** Board received and filed report.

#### 6.0 CONSULTANT REPORTS PRESENTED BY DAVID SANCEWICH OF MEKETA INVESTMENT GROUP

**6.01** Monthly Investment Performance Updates

01 Manager Performance Flash Report - February 2022



## 02 Economic and Market Update - February 2022

- 6.02** The Board received an updated presentation from David Sancewich of Meketa Investment Group. The Board received and filed reports.

## **7.0 ASSET LIABILITY STUDY: STRATEGIC ASSET ALLOCATION**

- 7.01** Presentation by David Sancewich and Jonathan Camp of Meketa Investment Group

## **8.0 SACRS BOARD OF DIRECTOR ELECTIONS**

- 8.01** SACRS Board of Director Elections - 2022 - 2023 - Final Ballot

- 8.02** The Board voted unanimously (7-0) to support the SACRS Nominating Committee's recommended slate for the 2022 - 2023 SACRS Board of Directors. (Motion: Bassett; Second: Keokham)

## **9.0 STAFF REPORTS**

- 9.01** Pending Member Accounts Receivable - First Quarter 2022

- 9.02** Disability Quarterly Report - Statistics

- 9.03** Legislative Summary Report

- 9.04** Trustee and Executive Staff Travel

01 Conferences and Events Schedule for 2022

02 Summary of Pending Trustee and Executive Staff Travel

03 Summary of Completed Trustee and Executive Staff Travel

- 9.05** CEO Report

In addition to the written report, CEO Shick made the following comments: 1) Safety election materials and County e-mail blast distributed week of April 4th, election materials will be available April 17, 2) pension administration system RFP interviews will be conducted April 21-22, 3) congratulations to Trustee Bassett for her nomination to the SACRS Legislative Committee, 4) congratulations to staff on finalizing the *Alameda* implementation project.

01 *Alameda* Decision - Final Report

- 9.06** The Board received and filed reports.

## **10.0 CORRESPONDENCE**

- 10.01** Letters Received

- 10.02** Letters Sent

- 10.03** Market Commentary/Newsletters/Articles

01 JP Morgan  
The Maltese Falcon  
February 3, 2022

02 NCPERS  
Monitor  
March 2022

03 White House Fact Sheet  
President Biden to Sign Executive Order on Ensuring Responsible Development of Digital Assets  
March 9, 2022

- 04 The Sacramento Bee  
How higher interest rates could lift CalPERS and CalSTRS pension plans  
March 18, 2022

## **11.0 COMMENTS**

- 11.01** Trustee Duffy commended staff on their follow through on the Pending Member Accounts Receivable report.
- 11.02** Trustee Bassett congratulated staff on finalizing the *Alameda* implementation project and reminded Trustees to e-mail comments to her regarding the April 21 CEO Performance Review Committee meeting.
- 11.03** Trustee Weydert commented on the current economic environment and impact of quantitative easing.
- 11.04** Trustee Keokham asked staff to continue including JPMorgan articles in the agenda materials.
- 11.05** Trustee Moore commented on the importance taking down markets into account in our investment planning.

## **12.0 CLOSED SESSION**

### **THE CHAIR CONVENED CLOSED SESSION AT 10:51 AM AND ADJOURNED THE CLOSED SESSION AND RECONVENED THE OPEN SESSION AT 11:26 AM.**

- 12.01** Purchase or Sale of Pension Fund Investments  
California Government Code Section 54956.81
- 12.02** Personnel Matters  
California Government Code Section 54957  
Employee Disability Retirement Application(s) (0)
- 12.03** Conference with Legal Counsel - Anticipated Litigation  
California Government Code Section 54956.9(d)(4)  
Initiation of Litigation - 1 Case
- 12.04** Counsel noted there was nothing to report out of closed session

## **13.0 REPORT OF CLOSED SESSIONS**

- 13.01** On January 21, 2022, the Board voted 6-1 (Trustee Keokham motion, Trustee Goodman second, Trustee Rickman opposed; Trustees Restuccia and Duffy absent) to authorize the CEO to sign the necessary documents and further approve Resolution 2022-04-01 titled "Lightspeed Venture Partners Select V" and commit to invest \$40 million in the fund.

## **14.0 CALENDAR**

- 14.01** CEO Performance Review Committee April 21, 2022 at 1:00 PM
- 14.02** Board Meeting May 6, 2022 at 9:00 AM
- 14.03** Audit Committee Meeting May 17, 2022 at 1:00 PM

## **15.0 ADJOURNMENT**

**15.01** There being no further business the meeting was adjourned at 11:27 AM.

Respectfully Submitted:

\_\_\_\_\_  
Michael Restuccia, Chair

Attest:

\_\_\_\_\_  
Raymond McCray, Secretary



# San Joaquin County Employees Retirement Association

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## MINUTES

**CEO PERFORMANCE REVIEW COMMITTEE MEETING  
SAN JOAQUIN COUNTY EMPLOYEES RETIREMENT ASSOCIATION  
BOARD OF RETIREMENT  
THURSDAY, APRIL 21, 2022  
AT 1:01 PM**

Location: SJCERA Board Room, 6 S. El Dorado Street, Suite 400, Stockton, California.

### 1.0 ROLL CALL

**1.01 MEMBERS PRESENT:** Emily Nicholas, Michael Restuccia, JC Weydert, and Chanda Bassett presiding

**MEMBERS ABSENT:** None

**STAFF PRESENT:** Chief Executive Officer Johanna Shick, Management Analyst III Greg Frank, Department Information Systems Manager Adnan Khan, IT Systems Specialist II Jordan Regevig, and Administrative Secretary Elaina Petersen

**OTHERS PRESENT:** Deputy County Counsel Jason Morrish

### 2.0 PUBLIC COMMENT

**2.01** There was no public comment.

### 3.0 CEO PERFORMANCE REVIEW POLICY AND ATTACHMENTS

**3.01** Proposed Revisions to CEO Performance Review Policy and attachments - Mark Up

**3.02** The Committee reviewed, provided edits to the policy and attachments, and voted unanimously (4-0) to recommend the Administrative Committee adopt the revised policy and attachments for recommendation to the full Board. (Motion: Restuccia; Second: Nicholas)

### 4.0 COMMENTS

**4.01** There were no comments from Committee Members.

### 5.0 ADJOURNMENT

**5.01** There being no further business, the meeting was adjourned at 1:46 p.m.

Respectfully Submitted:

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Chanda Bassett, Committee Chairperson



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May 2022

## 5.01 Service Retirement

## Consent

01	<b>CANDACE A BARNES</b>  Member Type: Safety Years of Service: 14y 07m 11d Retirement Date: 3/26/2022	Probation Officer II Probation-Adult
02	<b>JUSTIN J BELUS</b>  Member Type: Safety Years of Service: 19y 10m 24d Retirement Date: 3/25/2022	Deputy Sheriff II Sheriff - Detectives
03	<b>RENEE M BENCICH</b>  Member Type: General Years of Service: 00y 11m 22d Retirement Date: 3/5/2022 Comments: Deferred from SJCERA since July 2017. Outgoing reciprocity and concurrent retirement with SCERS.	Deferred Member N/A
04	<b>TAMMY L BENNETT</b>  Member Type: General Years of Service: 20y 02m 06d Retirement Date: 3/19/2022	Senior Office Assistant HSA - Clerical Support
05	<b>ANNA M CASTRO</b>  Member Type: General Years of Service: 26y 09m 08d Retirement Date: 3/26/2022	Senior Legal Technician District Attorney
06	<b>MARY E CHAVEZ</b>  Member Type: General Years of Service: 05y 00m 07d Retirement Date: 3/11/2022 Comments: Tier 2 - eligible for retirement with 5 years of County service.	Administrative Assistant I Stockton Metropolitan Airport
07	<b>VICTOR CONTRERAS</b>  Member Type: General Years of Service: 31y 01m 20d Retirement Date: 3/26/2022	Office Building Engineer Facilities Management
08	<b>MERLINDA F CORBETT</b>  Member Type: General Years of Service: 22y 01m 21d Retirement Date: 3/26/2022	Senior Office Assistant Probation - Juvenile
09	<b>ROBIN G DANIELS</b>  Member Type: General Years of Service: 29y 04m 08d Retirement Date: 3/26/2022	Management Secretary II County Administrator



# San Joaquin County Employees Retirement Association

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*May 2022*

- |           |                                                                                                                                                                                                 |                                                            |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
| <b>10</b> | <b>LORI DAVIDSON-GROSS</b><br><br>Member Type: General<br>Years of Service: 09y 07m 22d<br>Retirement Date: 3/27/2022<br>Comments: Deferred from SJCERA since June 2010.                        | Deferred Member<br>N/A                                     |
| <b>11</b> | <b>DUANE A DELPH</b><br><br>Member Type: General<br>Years of Service: 31y 04m 06d<br>Retirement Date: 3/26/2022                                                                                 | Appraiser III<br>Assessor                                  |
| <b>12</b> | <b>RODNEY ESTRADA</b><br><br>Member Type: General<br>Years of Service: 27y 08m 20d<br>Retirement Date: 3/27/2022                                                                                | Management Analyst II<br>Neighborhood Preservation         |
| <b>13</b> | <b>KRISTIN K FEATHERSTON</b><br><br>Member Type: Safety<br>Years of Service: 20y 03m 28d<br>Retirement Date: 3/27/2022                                                                          | Probation Officer III<br>Probation - Juvenile              |
| <b>14</b> | <b>MARTA A GONZALEZ</b><br><br>Member Type: General<br>Years of Service: 03y 10m 00d<br>Retirement Date: 3/26/2022<br>Comments: Incoming reciprocity and concurrent retirement with FCERA.      | Retirement Services Supervisor<br>Retirement Office        |
| <b>15</b> | <b>STEPHEN C HERZFELDT</b><br><br>Member Type: General<br>Years of Service: 30y 10m 11d<br>Retirement Date: 3/12/2022<br>Comments: Incoming reciprocity and concurrent retirement with CalPERS. | Information Systems Manager<br>Central Telephone           |
| <b>16</b> | <b>JEFFREY G HUEY</b><br><br>Member Type: General<br>Years of Service: 38y 08m 28d<br>Retirement Date: 3/26/2022                                                                                | Director of Clinical Dietetic<br>Hosp Clinical Dietetics   |
| <b>17</b> | <b>SYLVIA ISORDIA</b><br><br>Member Type: General<br>Years of Service: 36y 07m 15d<br>Retirement Date: 3/26/2022                                                                                | Office Systems Specialist<br>District Attorney             |
| <b>18</b> | <b>TRACI L JACKSON</b><br><br>Member Type: General<br>Years of Service: 21y 02m 27d<br>Retirement Date: 3/27/2022                                                                               | Staff Nurse IV - Inpatient<br>Correctional Health Services |



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- 19 PATRICIA D JARAMILLO** Pretrial Program Specialist  
Prob-Pretrial Svs-Assessments  
Member Type: General  
Years of Service: 30y 02m 06d  
Retirement Date: 3/27/2022
- 20 MARY C JOHNSON** Retirement Technician  
Retirement Office  
Member Type: General  
Years of Service: 33y 10m 21d  
Retirement Date: 3/26/2022
- 21 MARIBEL V JUMAOAS** Deferred Member  
N/A  
Member Type: General  
Years of Service: 11y 06m 11d  
Retirement Date: 3/11/2022  
Comments: Deferred from SJCERA since November 1998. Outgoing reciprocity and concurrent retirement with CalPERS.
- 22 SHARON C JUSTO** Accounting Technician II  
Recorder - County Clerk  
Member Type: General  
Years of Service: 19y 00m 21d  
Retirement Date: 2/28/2022
- 23 DENISE E KAMSTRA** Deferred Member  
N/A  
Member Type: General  
Years of Service: 23y 10m 04d  
Retirement Date: 3/25/2022  
Comments: Deferred from SJCERA since March 2007. Outgoing reciprocity and concurrent retirement with CalPERS.
- 24 MARGARITA M LEUNG** Social Worker IV  
HSA - Services Staff  
Member Type: General  
Years of Service: 30y 08m 07d  
Retirement Date: 3/26/2022
- 25 SHELLIE R LIMA** Deputy Dir of Gen Svcs-Emer Op  
Emergency Services  
Member Type: General  
Years of Service: 27y 01m 24d  
Retirement Date: 3/14/2022
- 26 ARNOLD A LOYOLA** Heavy Equipment Mechanic  
North County Landfill  
Member Type: General  
Years of Service: 20y 08m 02d  
Retirement Date: 2/28/2022
- 27 VERONICA F MACIAS** Development Services Sr Tech  
Community Development Services  
Member Type: General  
Years of Service: 31y 11m 29d  
Retirement Date: 3/22/2022



# San Joaquin County Employees Retirement Association

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*May 2022*

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- |           |                                                                                                                                                                                               |                                                                |
|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| <b>28</b> | <b>BRET E MITCHELL</b><br><br>Member Type: General<br>Years of Service: 06y 11m 23d<br>Retirement Date: 3/4/2022<br>Comments: Tier 2 - eligible to retirement with 5 years of County service. | Associate Real Property Agent<br>Public Works-Engnr-Design     |
| <b>29</b> | <b>JULIE D MORTENSON</b><br><br>Member Type: General<br>Years of Service: 20y 10m 14d<br>Retirement Date: 3/14/2022                                                                           | Med Examiner Investigator<br>Office of the Medical Examiner    |
| <b>30</b> | <b>DIANNE R NOWAK</b><br><br>Member Type: General<br>Years of Service: 37y 08m 04d<br>Retirement Date: 3/1/2022                                                                               | Social Worker IV<br>HSA - Services Staff                       |
| <b>31</b> | <b>ROBERT B ORR</b><br><br>Member Type: Safety<br>Years of Service: 32y 03m 28d<br>Retirement Date: 3/25/2022                                                                                 | Deputy Sheriff II<br>Sheriff - Civil                           |
| <b>32</b> | <b>PRESTON L OSBOURN</b><br><br>Member Type: General<br>Years of Service: 09y 06m 28d<br>Retirement Date: 3/27/2022<br>Comments: Tier 2 - eligible to retire with 5 years of County service.  | Office Technician/Coordinator<br>Hosp Medical Information Svcs |
| <b>33</b> | <b>TIM D POLINSKY</b><br><br>Member Type: Safety<br>Years of Service: 24y 06m 14d<br>Retirement Date: 3/14/2022                                                                               | AsstDeptyChiefProbationOffice<br>Probation - Juvenile          |
| <b>34</b> | <b>KENNETH W PUCKETT</b><br><br>Member Type: General<br>Years of Service: 32y 09m 13d<br>Retirement Date: 3/26/2022                                                                           | Chief Deputy District Atty<br>District Attorney                |
| <b>35</b> | <b>MICHAL A REHAV</b><br><br>Member Type: General<br>Years of Service: 08y 11m 06d<br>Retirement Date: 3/2/2022<br>Comments: Deferred from SJCERA since October 1999.                         | Deferred Member<br>N/A                                         |
| <b>36</b> | <b>CHRIS R ROSE</b><br><br>Member Type: General<br>Years of Service: 27y 11m 28d<br>Retirement Date: 3/26/2022                                                                                | Chief Deputy County Administr<br>County Administrator          |





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- 37 NORMA H RUNTAL** Property Technician Supervisor  
Assessor  
Member Type: General  
Years of Service: 23y 00m 28d  
Retirement Date: 3/26/2022
- 38 CYNTHIA SANCHEZ** Senior Office Assistant  
Assessor  
Member Type: General  
Years of Service: 23y 00m 24d  
Retirement Date: 3/27/2022
- 39 JOSEPH R SANTOSTEFANO** Probation Officer II  
Probation - Adult  
Member Type: Safety  
Years of Service: 23y 06m 17d  
Retirement Date: 3/18/2022
- 40 DESIRIECE SEDRA** Deferred Member  
N/A  
Member Type: General  
Years of Service: 08y 00m 09d  
Retirement Date: 2/28/2022  
Comments: Deferred from SJCERA since August 2021. Tier 2 - eligible for retirement with 5 years of County service.
- 41 KURT SHIGEMATSU** Personnel Analyst II  
Human Resources  
Member Type: General  
Years of Service: 22y 08m 22d  
Retirement Date: 2/28/2022
- 42 STEVEN G STEWART** Sup Public Hlth Microbiologis  
Public Health-Public Hlth Lab  
Member Type: General  
Years of Service: 30y 02m 08d  
Retirement Date: 3/11/2022
- 43 GINA M SUPNET** Legal Technician II  
District Attorney  
Member Type: General  
Years of Service: 35y 10m 07d  
Retirement Date: 3/26/2022
- 44 JANELLE R SURGICK** Correctional Officer  
Sheriff-Custody-Regular Staff  
Member Type: General  
Years of Service: 00y 04m 19d  
Retirement Date: 3/26/2022
- 45 JANELLE R SURGICK** Correctional Officer  
Sheriff-Custody-Regular Staff  
Member Type: Safety  
Years of Service: 14y 03m 21d  
Retirement Date: 3/26/2022



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46	<b>TINA TORRES KNIGHT</b>  Member Type: General Years of Service: 22y 07m 28d Retirement Date: 3/27/2022	Pretrial Sr Program Specialist Pretrial Services
47	<b>MICHAEL A TURNER</b>  Member Type: Safety Years of Service: 13y 04m 02d Retirement Date: 3/25/2022	Juvenile Detention Officer Prob-JJRBG-Juv Det Camp
48	<b>DIANE J UNGSON</b>  Member Type: General Years of Service: 21y 00m 09d Retirement Date: 3/22/2022	Clinical Dietitian II Hosp Clinical Dietetics
49	<b>CYRIL Y UNSON</b>  Member Type: General Years of Service: 28y 00m 20d Retirement Date: 3/27/2022	Sheriff Inmate Labor Spec III Sheriff-Cust-Central Services
50	<b>ROXANNA Z VEJIL</b>  Member Type: General Years of Service: 17y 06m 13d Retirement Date: 3/16/2022 Comments: Deferred from SJCERA since August 2021.	Deferred Member N/A
51	<b>SUZANNE L YIP</b>  Member Type: General Years of Service: 34y 07m 22d Retirement Date: 3/26/2022	Family Justice Program Manager District Attorney

# San Joaquin County Employees' Retirement Association (SJCERA)

## Preliminary Monthly Flash Report (Net)<sup>1</sup>

March 2022

Commitment (\$000)	Sub-Segment	Market Value	Physical % of Total	Policy Target %	1-Mo	3-Mos	YTD	1-Yr	3-Yrs	5-Yrs	SI Return	SI Date
<b>TOTAL PLAN<sup>1</sup></b>		<b>\$ 4,009,897,958</b>	<b>100.0%</b>	<b>100.0%</b>	<b>2.2</b>	<b>-1.4</b>	<b>-1.4</b>	<b>9.2</b>	<b>9.0</b>	<b>7.9</b>	<b>7.9</b>	<b>Apr-90</b>
<i>Policy Benchmark<sup>4</sup></i>					1.3	-1.5	-1.5	6.7	10.0	8.4	7.7	
Difference:					0.9	0.1	0.1	2.5	-1.0	-0.5	0.2	
<i>75/25 Portfolio<sup>5</sup></i>					0.9	-5.5	-5.5	4.1	11.9	9.9	7.5	
Difference:					1.3	4.1	4.1	5.1	-2.9	-2.0	0.4	
<b>Broad Growth</b>		<b>\$ 2,985,147,661</b>	<b>74.4%</b>	<b>75.0%</b>	<b>2.8</b>	<b>-1.9</b>	<b>-1.9</b>	<b>11.2</b>	<b>10.7</b>	<b>9.5</b>	<b>8.6</b>	<b>Jan-95</b>
<b>Aggressive Growth Lag<sup>2</sup></b>		<b>\$ 326,675,158</b>	<b>8.1%</b>	<b>10.0%</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>37.7</b>	<b>18.3</b>	<b>16.5</b>	<b>-2.6</b>	<b>Feb-05</b>
<i>MSCI ACWI +2%Lag</i>					6.0	7.7	7.7	22.1	21.0	12.6	0.0	
Difference:					4.0	2.3	2.3	15.6	-2.7	3.9	-2.6	
<b>BlackRock Global Energy&amp;Power Lag<sup>3</sup></b>	<i>\$50,000</i>	<i>Global Infrastructure</i>	\$ 24,546,720	0.6%	2.9	2.9	2.9	9.8	--	--	10.1	Jul-19
<i>MSCI ACWI +2% Lag</i>					4.2	7.3	7.3	21.4	--	--	20.3	
Difference:					-1.3	-4.4	-4.4	-11.6	--	--	-10.2	
<b>Ocean Avenue II Lag<sup>3</sup></b>	<i>\$40,000</i>	<i>PE Buyout FOF</i>	\$ 41,809,792	1.0%	17.0	17.0	17.0	72.7	35.9	32.6	19.0	May-13
<i>MSCI ACWI +2% Lag</i>					4.2	7.3	7.3	21.4	23.4	13.9	11.8	
Difference:					12.8	9.7	9.7	51.3	12.5	18.7	7.2	
<b>Ocean Avenue III Lag<sup>3</sup></b>	<i>\$50,000</i>	<i>PE Buyout FOF</i>	\$ 47,737,032	1.2%	13.3	13.3	13.3	58.2	25.4	--	26.8	Apr-16
<i>MSCI ACWI +2% Lag</i>					4.2	7.3	7.3	21.4	23.4	--	13.2	
Difference:					9.1	6.0	6.0	36.8	2.0	--	13.6	
<b>Ocean Avenue IV Lag<sup>3</sup></b>	<i>\$50,000</i>	<i>PE Buyout</i>	\$ 44,642,679	1.1%	17.5	17.5	17.5	38.1	--	--	38.2	Dec-19
<i>MSCI ACWI +2% Lag</i>					4.2	7.3	7.3	21.4	--	--	23.0	
Difference:					13.3	10.2	10.2	16.7	--	--	15.2	
<b>Morgan Creek III Lag<sup>6</sup></b>	<i>\$10,000</i>	<i>Multi-Strat FOF</i>	\$ 6,571,365	0.2%	0.0	0.0	0.0	-11.3	-10.8	-2.1	-3.1	Feb-15
<i>MSCI ACWI +2% Lag</i>					4.2	7.3	7.3	21.4	23.4	13.9	12.5	
Difference:					-4.2	-7.3	-7.3	-32.7	-34.2	-16.0	-15.6	
<b>Morgan Creek V Lag<sup>6</sup></b>	<i>\$12,000</i>	<i>Multi-Strat FOF</i>	\$ 8,753,506	0.2%	0.0	0.0	0.0	12.2	11.9	12.3	13.7	Jun-13
<i>MSCI ACWI +2% Lag</i>					4.2	7.3	7.3	21.4	23.4	13.9	11.8	
Difference:					-4.2	-7.3	-7.3	-9.2	-11.5	-1.6	1.9	
<b>Morgan Creek VI Lag<sup>6</sup></b>	<i>\$20,000</i>	<i>Multi-Strat FOF</i>	\$ 25,628,214	0.6%	0.0	0.0	0.0	23.2	18.6	18.3	10.8	Feb-15
<i>MSCI ACWI +2% Lag</i>					4.2	7.3	7.3	21.4	23.4	13.9	12.5	
Difference:					-4.2	-7.3	-7.3	1.8	-4.8	4.4	-1.7	
<b>Stellex Capital Partners II Lag<sup>3</sup></b>	<i>\$50,000</i>	<i>Special Situations PE</i>	\$ 11,491,112	0.3%	-2.4	-2.4	--	--	--	--	-17.3	Jul-21
<i>MSCI ACWI +2% Lag</i>					4.2	7.3	--	--	--	--	10.3	
Difference:					-6.6	-9.7	--	--	--	--	-27.6	
<b>Non-Core Private Real Assets Lag<sup>6</sup></b>	<i>\$341,100</i>	<i>Private Real Estate</i>	\$ 115,494,738	2.9%	4.2	4.2	8.1	12.2	4.7	4.9	-3.8	Nov-04
<i>MSCI ACWI +2% Lag</i>					2.0	2.1	3.5	2.5	5.0	6.3	8.0	
Difference:					2.2	2.1	4.6	9.7	-0.3	-1.4	-11.8	
<b>Opportunistic Private Real Estate</b>												
<b>Greenfield V<sup>3</sup></b>	<i>\$30,000</i>	<i>Opportunistic Pvt. RE</i>	\$ 222,885	0.0%	-1.4	-1.4	-2.0	-2.0	-9.0	-5.3	-3.1	Jul-08
<i>NCREIF ODCE + 1% Lag Blend</i>					6.5	6.7	14.8	14.8	7.2	7.6	14.1	
Difference:					-7.9	-8.1	-16.8	-16.8	-16.2	-12.9	-17.2	
<b>Greenfield VI<sup>3</sup></b>	<i>\$20,000</i>	<i>Opportunistic Pvt. RE</i>	\$ 35,318	0.0%	-7.3	-7.3	-37.5	-37.5	-40.2	-31.3	-13.2	Apr-12
<i>NCREIF ODCE + 1% Lag Blend</i>					6.5	6.7	14.8	14.8	7.2	7.6	9.4	
Difference:					-13.8	-14.0	-52.3	-52.3	-47.4	-38.9	-22.6	
<b>Greenfield VII<sup>3</sup></b>	<i>\$19,100</i>	<i>Opportunistic Pvt. RE</i>	\$ 9,317,604	0.2%	10.7	10.7	25.9	25.9	16.9	15.3	14.3	Oct-14
<i>NCREIF ODCE + 1% Lag Blend</i>					6.5	6.7	14.8	14.8	7.2	7.6	13.2	
Difference:					4.2	4.0	11.1	11.1	9.7	7.7	1.1	
<b>Grandview<sup>3</sup></b>	<i>\$30,000</i>	<i>Opportunistic Pvt. RE</i>	\$ 19,658,666	0.5%	26.0	26.0	50.4	50.4	31.0	--	16.2	Apr-18
<i>NCREIF ODCE + 1% Lag Blend</i>					6.5	6.7	14.8	14.8	7.2	--	12.3	
Difference:					19.5	19.3	35.6	35.6	23.8	--	3.9	
<b>Miller Global Fund VI<sup>3</sup></b>	<i>\$30,000</i>	<i>Opportunistic Pvt. RE</i>	\$ 943,634	0.0%	9.0	9.0	164.1	164.1	-4.6	1.7	0.7	May-08
<i>NCREIF ODCE + 1% Lag Blend</i>					6.5	6.7	14.8	14.8	7.2	7.6	9.4	
Difference:					2.5	2.3	149.3	149.3	-11.8	-5.9	-8.7	

<sup>1</sup>Returns are preliminary and are finalized during each quarterly reporting cycle. Monthly returns since previous quarter are provided by the managers. Market values are provided by Northern Trust.

<sup>2</sup>Total class returns are as of 3/31/22, and lagged 1 quarter.

<sup>3</sup>Manager returns are as of 3/31/22, and lagged 1 quarter. Since Inception date reflects one quarter lag.

<sup>4</sup>4/1/20 to present benchmark is **32%** MSCI ACWI IMI, **10%** BB Aggregate Bond Index, **17%** 50% BB High Yield/50% S&P Leveraged Loans, 6% NCREIF ODCE +1% lag; **10%** T-Bill +4%, **10%** MSCI ACWI +2%, **15%** CRO Custom Benchmark. Prior to 4/1/20 benchmark is legacy policy benchmark.

<sup>5</sup>4/1/20 to present **75%** MSCI ACWI, **25%** BB Global Aggregate. Prior to 4/1/20 60% MSCI ACWI, 40% BB Global Aggregate.

<sup>6</sup>Manager returns are as of 12/31/21, and lagged 1 quarter. Since Inception date reflects one quarter lag.

# San Joaquin County Employees' Retirement Association (SJCERA)

## Preliminary Monthly Flash Report (Net)<sup>1</sup>

March 2022

Commitment (\$000)	Sub-Segment	Market Value	Physical % of Total	Policy Target %	1-Mo	3-Mos	YTD	1-Yr	3-Yrs	5-Yrs	SI Return	SI Date
<b>Opportunistic Private Real Estate (continued)</b>												
<b>Miller Global Fund VII<sup>3</sup></b>	<i>Opportunistic Pvt. RE</i>	\$ 45,087	0.0%		-3.1	-3.1	-88.3	-88.3	-52.5	-35.7	-6.3	Dec-12
<i>NCREIF ODCE + 1% Lag Blend</i>					6.5	6.7	14.8	14.8	7.2	7.6	13.4	
Difference:					-9.6	-9.8	-103.1	-103.1	-59.7	-43.3	-19.7	
<b>Walton Street V<sup>3</sup></b>	<i>Opportunistic Pvt. RE</i>	\$ 1,662,030	0.0%		-11.6	-11.6	-10.7	-10.7	-12.9	-10.7	-4.7	Nov-06
<i>NCREIF ODCE + 1% Lag Blend</i>					6.5	6.7	14.8	14.8	7.2	7.6	10.3	
Difference:					-18.1	-18.3	-25.5	-25.5	-20.1	-18.3	-15.0	
<b>Walton Street VI<sup>3</sup></b>	<i>Opportunistic Pvt. RE</i>	\$ 5,597,145	0.1%		8.4	8.4	19.2	19.2	2.3	3.6	7.7	Jul-09
<i>NCREIF ODCE + 1% Lag Blend</i>					6.5	6.7	14.8	14.8	7.2	7.6	12.2	
Difference:					1.9	1.7	4.4	4.4	-4.9	-4.0	-4.5	
<b>Value-Added Private Real Estate</b>												
<b>AG Core Plus IV<sup>3</sup></b>	<i>Value-Added Pvt. RE</i>	\$ 14,323,468	0.4%		3.3	3.3	14.7	14.7	9.7	10.3	6.1	Sep-15
<i>NCREIF ODCE + 1% Lag Blend</i>					6.5	6.7	14.8	14.8	7.2	7.6	12.8	
Difference:					-3.2	-3.4	-0.1	-0.1	2.5	2.7	-6.7	
<b>Almanac Realty VI<sup>3</sup></b>	<i>Value-Added Pvt. RE</i>	\$ 4,141,803	0.1%		3.2	3.2	15.9	15.9	-9.0	-5.3	21.8	Feb-13
<i>NCREIF ODCE + 1% Lag Blend</i>					6.5	6.7	14.8	14.8	7.2	7.6	13.8	
Difference:					-3.3	-3.5	1.1	1.1	-16.2	-12.9	8.0	
<b>Berkeley Partners Fund V, LP</b>	<i>Value-Added Pvt. RE</i>	\$ 23,993,057	0.6%		4.1	4.1	38.5	38.5	--	--	36.7	Aug-20
<i>NCREIF ODCE + 1% Lag Blend</i>					6.5	6.7	14.8	14.8	--	--	22.1	
Difference:					-2.4	-2.6	23.7	23.7	--	--	14.6	
<b>Stockbridge RE II<sup>3</sup></b>	<i>Value-Added Pvt. RE</i>	\$ 35,554,041	0.9%		8.7	8.7	52.9	52.9	20.4	--	14.3	Jul-18
<i>NCREIF ODCE + 1% Lag Blend</i>					6.5	6.7	14.8	14.8	7.2	--	12.3	
Difference:					2.2	2.0	38.1	38.1	13.2	--	2.0	
<b>Traditional Growth<sup>2</sup></b>		\$ 1,457,971,594	36.4%	32.0%	2.3	-5.5	-5.5	8.0	11.4	10.1	9.4	Jan-95
<i>MSCI ACWI IMI Net</i>					2.0	-5.5	-5.5	6.3	14.3	12.2	8.2	
Difference:					0.3	0.0	0.0	1.7	-2.9	-2.1	1.2	
<b>Global Equity</b>												
<b>Northern Trust MSCI World IMI</b>	<i>All Cap Global</i>	\$ 1,269,824,431	31.7%		2.3	-5.5	-5.5	8.8	--	--	16.9	Sep-20
<i>MSCI World IMI Net</i>					2.5	-5.3	-5.3	8.7	--	--	16.6	
Difference:					-0.2	-0.2	-0.2	0.1	--	--	0.3	
<b>SJCERA Transition</b>	<i>All Cap Global</i>	\$ 3,191	0.0%		NM	NM	NM	NM	--	--	NM	Jul-20
<b>Emerging Markets</b>		\$ 136,000,801										
<b>GQG Active Emerging Markets</b>	<i>Emerging Markets</i>	\$ 59,909,744	1.5%		0.9	-7.9	-7.9	-8.2	--	--	4.5	Aug-20
<i>MSCI Emerging Markets Index Net</i>					-2.3	-7.0	-7.0	-11.4	--	--	5.4	
Difference:					3.2	-0.9	-0.9	3.2	--	--	-0.9	
<b>PIMCO RAE Fundamental Emerging Markets</b>	<i>Emerging Markets</i>	\$ 76,091,057	1.9%		0.0	-3.8	-3.8	0.5	6.9	5.6	5.1	Apr-07
<i>MSCI Emerging Markets Index</i>					-2.2	-6.9	-6.9	-11.1	5.3	6.4	4.1	
Difference:					2.2	3.1	3.1	11.6	1.6	-0.8	1.0	
<b>REITS</b>												
<b>Invesco All Equity REIT</b>	<i>Core US REIT</i>	\$ 52,143,171	1.3%		6.9	-5.9	-5.9	23.0	9.6	9.3	9.6	Aug-04
<i>FTSE NAREIT Equity Index</i>					6.5	-3.9	-3.9	26.4	11.1	9.6	9.5	
Difference:					0.4	-2.0	-2.0	-3.4	-1.5	-0.3	0.1	

<sup>1</sup>Returns are preliminary and are finalized during each quarterly reporting cycle. Monthly returns since previous quarter are provided by the managers. Market values are provided by Northern Trust.

<sup>2</sup>MSCI ACWI IMI Net as of 4/1/2020, MSCI ACWI Gross prior.

<sup>3</sup>Manager returns are as of 3/31/22, and lagged 1 quarter. Since Inception date reflects one quarter lag.

NM = Returns not meaningful

# San Joaquin County Employees' Retirement Association (SJCERA)

## Preliminary Monthly Flash Report (Net)<sup>1</sup>

March 2022

Commitment (\$000)	Sub-Segment	Market Value	Physical % of Total	Policy Target %	1-Mo	3-Mos	YTD	1-Yr	3-Yrs	5-Yrs	SI Return	SI Date
<b>Stabilized Growth</b>		\$ 1,200,500,909	29.9%	33.0%	1.7	-0.3	-0.3	8.9	8.1	7.0	4.2	Jan-05
<b>Risk Parity</b>		\$ 428,024,678	10.7%		-1.3	-4.9	-4.9	7.3	8.3	7.3	4.9	
T-Bill +4%					0.4	1.0	1.0	4.1	4.8	5.2	4.5	
Difference:					-1.7	-5.9	-5.9	3.2	3.5	2.1	0.4	
<b>Bridgewater All Weather</b>		\$ 213,908,619	5.3%		-1.3	-3.8	-3.8	10.6	8.3	7.2	5.5	Mar-12
T-Bill +4%					0.4	1.0	1.0	4.1	4.8	5.2	5.4	
Difference:					-1.7	-4.8	-4.8	6.5	3.5	2.0	0.1	
<b>PanAgora Diversified Risk Multi-Asset</b>		\$ 214,116,059	5.3%		-1.4	-5.9	-5.9	4.2	8.3	7.4	7.5	Apr-16
T-Bill +4%					0.4	1.0	1.0	4.1	4.8	5.2	5.0	
Difference:					-1.8	-6.9	-6.9	0.1	3.5	2.2	2.5	
<b>Liquid Credit</b>		\$ 230,000,326	5.7%		0.2	-3.1	-3.1	-1.0	2.7	2.9	2.0	Oct-06
50% BB High Yield, 50% S&P/LSTA Leveraged Loans					-0.5	-2.5	-2.5	1.3	4.4	4.4	5.7	
Difference:					0.7	-0.6	-0.6	-2.3	-1.7	-1.5	-3.7	
<b>Neuberger Berman</b>		\$ 101,264,314	2.5%		-0.7	-5.0	-5.0	-2.4	2.8	--	3.2	Feb-19
33% ICE BofA HY Constrained, 33% S&P/LSTA LL, 33% JPM EMBI Gbl Div.					-0.6	-4.9	-4.9	-1.5	2.9	--	3.4	
Difference:					-0.1	-0.1	-0.1	-0.9	-0.1	--	-0.2	
<b>Stone Harbor Absolute Return</b>		\$ 128,736,012	3.2%		1.0	-1.5	-1.5	0.1	2.7	2.8	2.8	Oct-06
3-Month Libor Total Return					0.0	-0.1	-0.1	0.1	1.0	1.3	1.4	
Difference:					1.0	-1.4	-1.4	0.0	1.7	1.5	1.4	
<b>Private Credit Lag<sup>2</sup></b>		\$ 337,926,492	8.4%		2.9	2.9	2.9	9.3	4.2	3.7	3.6	
50% BB High Yield, 50% S&P/LSTA Leveraged Loans					1.3	0.7	0.7	5.2	7.2	5.3	6.0	
Difference:					1.6	2.2	2.2	4.1	-3.0	-1.6	-2.4	
<b>BlackRock Direct Lending Lag<sup>3</sup></b>		\$100,000	Direct Lending	\$ 62,550,746	1.6%	1.8	1.8	1.8	8.0	---	9.3	May-20
CPI +6% Annual Blend <sup>5</sup>					0.8	3.1	3.1	13.4	---	---	16.0	
Difference:					1.0	-1.3	-1.3	-5.4	---	---	-6.7	
<b>Mesa West RE Income IV Lag<sup>3</sup></b>		\$75,000	Comm. Mortgage	\$ 25,501,797	0.6%	2.6	2.6	2.6	9.5	8.1	7.8	Mar-17
CPI +6% Annual Blend <sup>4</sup>					0.8	3.1	3.1	13.4	9.7	--	9.1	
Difference:					1.8	-0.5	-0.5	-3.9	-1.6	--	-1.3	
<b>Crestline Opportunity II Lag<sup>7</sup></b>		\$45,000	Opportunistic	\$ 18,499,636	0.5%	0.0	0.0	0.0	13.4	1.5	2.8	Nov-13
CPI +6% Annual Blend <sup>4</sup>					0.8	3.1	3.1	13.4	9.7	9.1	9.1	
Difference:					-0.8	-3.1	-3.1	0.0	-8.2	-6.3	-4.1	
<b>Davidson Kempner Distr Opp V Lag<sup>3</sup></b>		\$50,000	Opportunistic	\$ 42,984,654	0.0%	3.7	3.7	3.7	--	--	35.4	Oct-20
CPI +6% Annual Blend <sup>4</sup>					0.8	3.1	3.1	--	--	--	11.7	
Difference:					2.9	0.6	0.6	--	--	--	23.7	
<b>Oaktree Lag</b>		\$50,000	Leveraged Direct	\$ 31,338,491	0.8%	5.9	5.9	5.9	18.1	--	11.7	Mar-18
CPI +6% Annual Blend <sup>6</sup>					0.8	3.1	3.1	13.4	--	--	9.4	
Difference:					5.1	2.8	2.8	4.7	--	--	2.3	
<b>HPS EU Asset Value II Lag<sup>3</sup></b>		\$50,000	Direct Lending	\$ 20,589,571	0.5%	1.3	1.3	1.3	--	--	1.2	Aug-14
CPI +6% Annual Blend <sup>4</sup>					0.8	3.1	3.1	--	--	--	11.4	
Difference:					0.5	-1.8	-1.8	--	--	--	-10.2	
<b>Raven Opportunity II Lag<sup>7</sup></b>		\$45,000	Direct Lending	\$ 1,880,835	0.0%	0.0	0.0	0.0	8.0	-3.3	1.8	Aug-14
CPI +6% Annual Blend <sup>4</sup>					0.8	3.1	3.1	13.4	9.7	9.1	9.1	
Difference:					-0.8	-3.1	-3.1	-5.4	-13.0	-7.3	-12.1	
<b>Raven Opportunity III Lag<sup>3</sup></b>		\$50,000	Direct Lending	\$ 53,292,281	1.3%	6.1	6.1	6.1	14.6	8.6	4.0	Nov-15
CPI +6% Annual Blend <sup>4</sup>					0.8	3.1	3.1	13.4	9.7	--	9.1	
Difference:					5.3	3.0	3.0	1.2	-1.1	--	-5.1	

<sup>1</sup>Returns are preliminary and are finalized during each quarterly reporting cycle. Monthly returns since previous quarter are provided by the managers. Market values are provided by Northern Trust.

<sup>2</sup>Total class returns are as of 3/31/22, and lagged 1 quarter.

<sup>3</sup>Manager returns are as of 3/31/22, and lagged 1 quarter. Since inception date reflects one quarter lag.

<sup>4</sup>9% Annual until 7/1/2018 then CPI +6% Annual thereafter.

<sup>5</sup>50% Bloomberg High Yield/50% S&P Leveraged Loan until 12/31/20 then CPI +6% Annual thereafter. Benchmark lagged one quarter.

<sup>6</sup>MSCI ACWI + 2% until 12/31/20 then CPI +6% Annual thereafter. Benchmark lagged one quarter

<sup>7</sup>Manager returns are as of 12/31/21, and lagged 1 quarter. Since inception date reflects one quarter lag.

# San Joaquin County Employees' Retirement Association (SJCERA)

## Preliminary Monthly Flash Report (Net)<sup>1</sup>

March 2022

	Commitment (\$000)	Sub-Segment	Market Value	Physical % of Total	Policy Target %	1-Mo	3-Mos	YTD	1-Yr	3-Yrs	5-Yrs	SI Return	SI Date
Private Credit Lag (continued)													
Medley Opportunity II Lag <sup>5</sup>	\$50,000	Direct Lending	\$ 4,913,418	0.1%		0.0	0.0	0.0	4.0	-9.3	-8.1	-1.3	Jul-12
CPI +6% Annual Blend <sup>4</sup>						0.8	3.1	3.1	13.4	9.7	9.1	9.1	
Difference:						-0.8	-3.1	-3.1	-9.4	-19.0	-17.2	-10.4	
White Oak Summit Peer Fund Lag <sup>3</sup>	\$50,000	Direct Lending	\$ 33,764,696	0.8%		2.8	2.8	2.8	0.5	3.9	5.6	5.9	Mar-16
CPI +6% Annual Blend <sup>4</sup>						0.8	3.1	3.1	13.4	9.7	9.1	10.2	
Difference:						2.0	-0.3	-0.3	-12.9	-5.8	-3.5	-4.3	
White Oak Yield Spectrum Master V Lag <sup>3</sup>	\$50,000	Direct Lending	\$ 42,610,367	1.1%		0.7	0.7	0.7	---	---	---	0.3	Mar-20
CPI +6% Annual Blend <sup>4</sup>						0.8	3.1	3.1	---	---	---	10.2	
Difference:						-0.1	-2.4	-2.4	---	---	---	-9.9	
Principal US <sup>3</sup>	\$25,000	Core Pvt. RE	\$ 42,082,981	1.0%		10.0	10.0	13.3	13.3	6.4	7.3	7.8	Jan-16
NCREIF ODCE + 1% Lag Blend						6.5	6.7	14.8	14.8	7.2	7.6	11.2	
Difference:						3.5	3.3	-1.5	-1.5	-0.8	-0.3	-3.4	
Prologis Logistics <sup>3</sup>	\$35,000	Core Pvt. RE	\$ 101,909,179	2.5%		6.0	6.0	29.9	29.9	18.6	18.5	8.1	Dec-07
NCREIF ODCE + 1% Lag Blend						6.5	6.7	14.8	14.8	7.2	7.6	9.6	
Difference:						-0.5	-0.7	15.1	15.1	11.4	10.9	-1.5	
RREEF America II <sup>3</sup>	\$45,000	Core Pvt. RE	\$ 60,557,253	1.5%		10.6	10.6	23.8	23.8	10.2	8.9	9.3	Jul-16
NCREIF ODCE + 1% Lag Blend						6.5	6.7	14.8	14.8	7.2	7.6	12.0	
Difference:						4.1	3.9	9.0	9.0	3.0	1.3	-2.7	
Diversifying Strategies			\$ 908,272,436	22.7%	25.0%	0.5	1.9	1.9	4.4	3.3	3.2	6.3	Oct-90
Principal Protection			\$ 413,709,029	10.3%	10.0%	-1.6	-4.7	-4.7	-3.0	1.2	2.2	6.1	Oct-90
BB Aggregate Bond Index						-2.8	-5.9	-5.9	-4.2	1.7	2.1	5.7	
Difference:						1.2	1.2	1.2	1.2	-0.5	0.1	0.4	
Dodge & Cox		Core Fixed Income	\$ 205,478,460	5.1%		-1.9	-5.2	-5.2	-3.5	2.9	3.2	6.9	Oct-90
BB Aggregate Bond Index						-2.8	-5.9	-5.9	-4.2	1.7	2.1	5.7	
Difference:						0.9	0.7	0.7	0.7	1.2	1.1	1.2	
DoubleLine Capital		MBS	\$ 111,014,482	2.8%		0.0	-2.7	-2.7	-0.9	2.4	3.0	4.5	Feb-12
BB Aggregate Bond Index						-2.8	-5.9	-5.9	-4.2	1.7	2.1	2.1	
Difference:						2.8	3.2	3.2	3.3	0.7	0.9	2.4	
Loomis Sayles		Core Fixed Income	\$ 97,216,087	2.4%		---	---	---	---	---	---	---	Mar-22
BB Aggregate Bond Index						---	---	---	---	---	---	---	
Difference:						---	---	---	---	---	---	---	

<sup>1</sup> Returns are preliminary and are finalized during each quarterly reporting cycle. Monthly returns since previous quarter are provided by the managers. Market values are provided by Northern Trust.

<sup>2</sup> Total class returns are as of 3/31/22, and lagged 1 quarter.

<sup>3</sup> Manager returns are as of 3/31/22, and lagged 1 quarter. Since Inception date reflects one quarter lag.

<sup>4</sup> 9% Annual until 7/1/2018 then CPI +6% Annual thereafter.

<sup>5</sup> Manager returns are as of 12/31/21, and lagged 1 quarter. Since Inception date reflects one quarter lag.

# San Joaquin County Employees' Retirement Association (SJCERA)

## Preliminary Monthly Flash Report (Net)<sup>1</sup>

March 2022

Commitment (\$000)	Sub-Segment	Market Value	Physical % of Total	Policy Target %	1-Mo	3-Mos	YTD	1-Yr	3-Yrs	5-Yrs	SI Return	SI Date
<b>Crisis Risk Offset</b> <i>CRO Custom Benchmark</i> <sup>2</sup> Difference:		\$ 494,563,407	12.3%	15.0%	2.4 0.4 2.0	7.1 -0.3 7.4	7.1 -0.3 7.4	10.1 6.8 3.3	4.7 6.2 -1.5	4.0 5.0 -1.0	6.7 5.3 1.4	Jan-05
<b>Long Duration</b> <i>BB US Long Duration Treasuries</i> Difference:		\$ 139,799,930	3.5%		-5.2 -5.3 0.1	-10.1 -10.6 0.5	-10.1 -10.6 0.5	-1.9 -1.4 -0.5	2.8 3.3 -0.5	3.5 3.9 -0.4	2.0 2.8 -0.8	
<b>Dodge &amp; Cox Long Duration</b> <i>BB US Long Duration Treasuries</i> Difference:	Long Duration	\$ 139,799,930	3.5%		-5.2 -5.3 0.1	-10.1 -10.6 0.5	-10.1 -10.6 0.5	-1.9 -1.4 -0.5	2.8 3.3 -0.5	3.5 3.9 -0.4	2.0 2.8 -0.8	Feb-16
<b>Systematic Trend Following</b> <i>BTOP50 Index</i> Difference:		\$ 226,492,889	5.6%		10.0 6.1 3.9	23.6 9.1 14.5	23.6 9.1 14.5	24.1 16.9 7.2	13.2 9.8 3.4	6.6 5.4 1.2	9.2 5.1 4.1	
<b>Mt. Lucas Managed Futures - Cash</b> <i>BTOP50 Index</i> Difference:	Systematic Trend Following	\$ 116,606,486	2.9%		10.0 6.1 3.9	23.5 9.1 14.4	23.5 9.1 14.4	27.0 16.9 10.1	12.6 9.8 2.8	6.3 5.4 0.9	8.7 5.1 3.6	Jan-05
<b>Graham Tactical Trend</b> <i>SG Trend Index</i> Difference:	Systematic Trend Following	\$ 109,886,403	2.7%		10.0 9.7 0.3	23.6 17.7 5.9	23.6 17.7 5.9	21.1 23.5 -2.4	13.5 13.1 0.4	6.7 7.4 -0.7	4.1 4.3 -0.2	Apr-16
<b>Alternative Risk Premia</b> <i>5% Annual</i> Difference:		\$ 128,270,588	3.2%		-1.1 0.4 -1.5	4.2 1.2 3.0	4.2 1.2 3.0	3.3 5.0 -1.7	-4.6 5.0 -9.6	-0.5 5.0 -5.5	7.0 6.3 0.7	
<b>AQR Style Premia</b> <i>5% Annual</i> Difference:	Alternative Risk Premia	\$ 33,670,364	0.8%		-5.0 0.4 -5.4	11.4 1.2 10.2	11.4 1.2 10.2	13.6 5.0 8.6	-2.5 5.0 -7.5	-2.8 5.0 -7.8	-2.0 5.0 -7.0	May-16
<b>PE Diversified Global Macro</b> <i>5% Annual</i> Difference:	Alternative Risk Premia	\$ 38,598,954	1.0%		1.3 0.4 0.9	15.3 1.2 14.1	15.3 1.2 14.1	4.9 5.0 -0.1	-7.1 5.0 -12.1	-1.6 5.0 -6.6	-1.2 5.0 -6.2	Jun-16
<b>Lombard Odier</b> <i>5% Annual</i> Difference:	Alternative Risk Premia	\$ 56,001,270	1.4%		-0.4 0.4 -0.8	-5.8 1.2 -7.0	-5.8 1.2 -7.0	-2.9 5.0 -7.9	-6.7 5.0 -11.7	-- -- --	-5.0 5.0 -10.0	Jan-19
<b>Cash</b> <sup>3</sup> <i>US T-Bills</i> Difference:		\$ 74,037,147	1.8%	0.0%	0.0 0.0 0.0	0.0 0.0 0.0	0.0 0.0 0.0	0.1 0.1 0.0	0.6 0.8 -0.2	0.8 1.1 -0.3	2.3 2.3 0.0	Sep-94
<b>Northern Trust STIF</b> <i>US T-Bills</i> Difference:	Collective Govt. Short Term	\$ 41,445,156	1.0%		0.0 0.0 0.0	0.0 0.0 0.0	0.0 0.0 0.0	0.1 0.1 0.0	0.6 0.8 -0.2	0.8 1.1 -0.3	2.5 2.3 0.2	Jan-95
<b>Parametric Overlay</b> <sup>4</sup>	Cash Overlay	\$ 42,440,714	1.1%		0.0	0.0	0.0	0.0	--	--	0.0	Jan-20

<sup>1</sup>Returns are preliminary and are finalized during each quarterly reporting cycle. Monthly returns since previous quarter are provided by the managers. Market values are provided by Northern Trust.

<sup>2</sup>Benchmark is (1/3) BB Long Duration Treasuries, (1/3) BTOP50 Index, (1/3) 5% Annual.

<sup>3</sup>Includes lagged cash.

<sup>4</sup>Given daily cash movement returns may vary from those shown above.

## Economic and Market Update

March 2022 Report

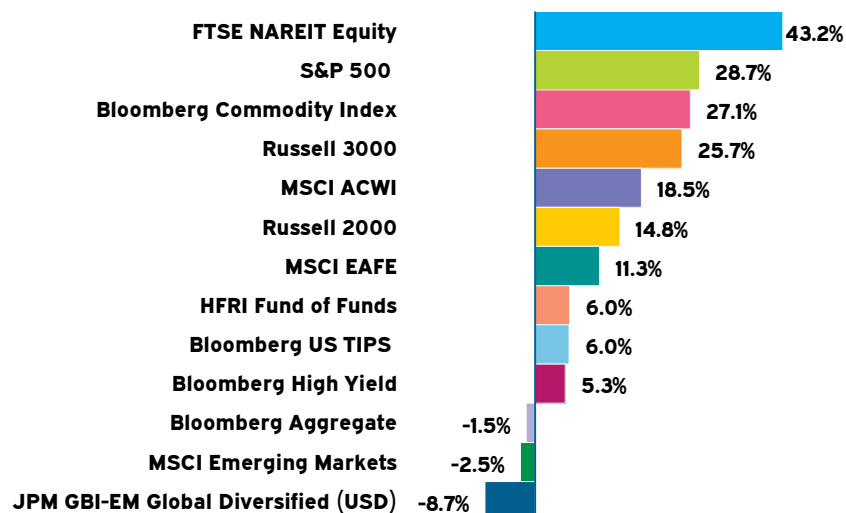


### Q1 Commentary

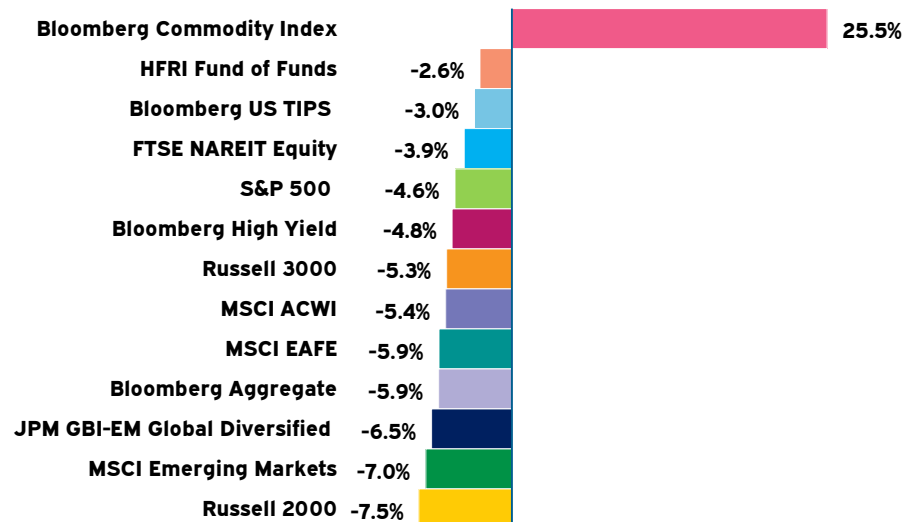
- The first quarter saw market volatility, driven by persistently high inflation, expectations for policy to tighten faster than previously expected, and Russia's invasion of Ukraine.
- Except for commodities, all asset classes declined during the quarter.
  - Equities declined across the board with double-digit losses in China particularly weighing on emerging markets.
  - Value oriented equities outpaced growth in the US influenced by higher interest rates.
  - Bonds in the US had one of their worst quarters on record, declining more than equities.
  - Rates rose across the US yield curve, with the curve inverting by some measures by month-end.
  - Inflation remains high globally given lingering supply issues from the pandemic and the conflict in Ukraine.
  - The pace of policy tightening will likely increase due to persistent inflation.
- The conflict in eastern Europe will have considerable economic and financial consequences for the global economy including the pacing of policy rate tightening, the risk of policy mistakes, and supply shocks pushing inflation even higher around the world.

### Index Returns<sup>1</sup>

2021



2022 Q1



- Outside of emerging markets and the broad US investment grade bond market (Bloomberg Aggregate), most asset classes appreciated in 2021.
- Most major asset classes suffered negative returns in the first quarter of 2022 with the notable exception of commodities. TIPS declined less than most other asset classes in the inflationary environment.

<sup>1</sup> Data Source: Bloomberg and FactSet. Data is as of March 31, 2022.

### Domestic Equity Returns<sup>1</sup>

Domestic Equity	March (%)	Q1 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
S&P 500	3.7	-4.6	15.6	18.9	16.0	14.6
Russell 3000	3.2	-5.3	11.9	18.2	15.4	14.3
Russell 1000	3.4	-5.1	13.3	18.7	15.8	14.5
Russell 1000 Growth	3.9	-9.0	15.0	23.5	20.9	17.0
Russell 1000 Value	2.8	-0.7	11.7	13.0	10.3	11.7
Russell MidCap	2.6	-5.7	6.9	14.9	12.6	12.8
Russell MidCap Growth	1.6	-12.6	-0.9	14.8	15.1	13.5
Russell MidCap Value	3.0	-1.8	11.5	13.6	10.0	12.0
Russell 2000	1.2	-7.5	-5.8	11.7	9.7	11.0
Russell 2000 Growth	0.5	-12.6	-14.3	9.9	10.3	11.2
Russell 2000 Value	2.0	-2.4	3.3	12.7	8.6	10.5

### US Equities: Russell 3000 Index returned -5.3%, and value indices outperformed growth in Q1.

- Despite positive returns in March, US equities posted negative returns for the first quarter of 2022 across all market capitalizations and styles given persistently high inflation and geopolitical uncertainty.
- Value stocks declined far less than growth stocks in the rising rate environment. Strong returns in the energy sector and weakness in the technology sector contributed to the results.
- Large company stocks (Russell 1000) outperformed small company stocks (Russell 2000).

<sup>1</sup> Source: Bloomberg. Data is as of March 31, 2022.

### Foreign Equity Returns<sup>1</sup>

Foreign Equity	March (%)	Q1 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
MSCI ACWI ex. US	0.2	-5.4	-1.5	7.5	6.8	5.5
MSCI EAFE	0.6	-5.9	1.2	7.8	6.7	6.3
MSCI EAFE (Local Currency)	2.1	-3.7	6.2	8.2	6.5	8.6
MSCI EAFE Small Cap	0.0	-8.5	-3.6	8.5	7.4	8.3
MSCI Emerging Markets	-2.3	-7.0	-11.4	4.9	6.0	3.4
MSCI Emerging Markets (Local Currency)	-2.1	-6.1	-9.9	6.2	7.5	6.3
MSCI China	-8.0	-14.2	-32.5	-3.0	3.5	4.5

#### International Developed Market Equities: MSCI EAFE -5.9% in Q1.

- Returns in international developed markets were also negative for the first quarter of 2022.
- Declines were driven by a sharp fall in stocks in Europe hurt by a high reliance on Russian oil and gas.
- Continued strength in the US dollar also weighed on results.

#### Emerging Markets: MSCI EM -7.0% in Q1.

- Emerging market stocks declined more than developed market stocks for the quarter.
- China was a key driver of results as its zero COVID-19 policy led to renewed lockdowns in Shanghai. Concerns related to regulations on US-listed China stocks and overall slower growth also weighed on returns.
- Russian stocks and the ruble plunged with sanctions and trading halts.

<sup>1</sup> Source: Bloomberg. Data is as of March 31, 2022.

### Fixed Income Returns<sup>1</sup>

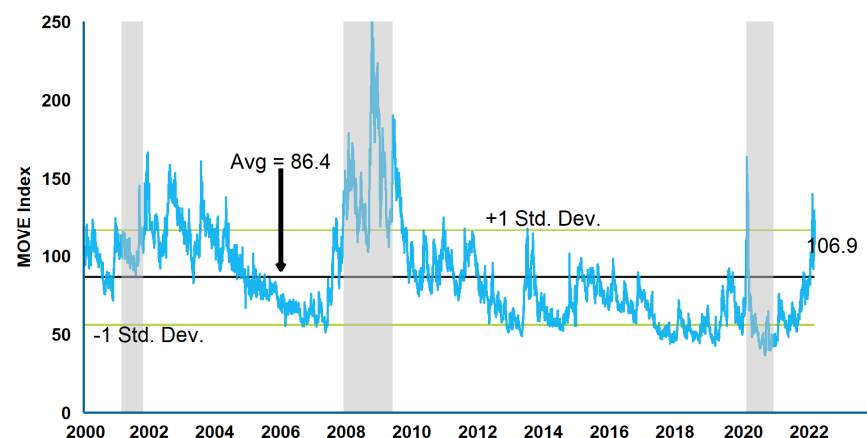
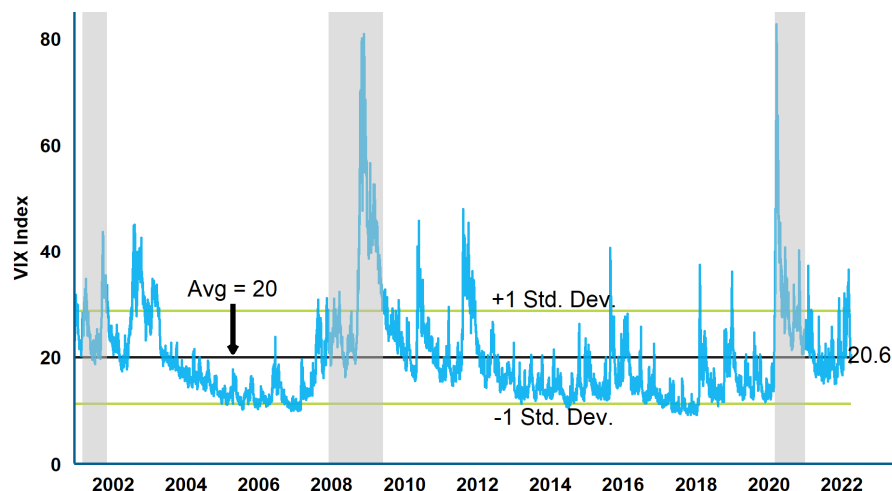
Fixed Income	March (%)	Q1 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Current Yield (%)	Duration (Years)
Bloomberg Universal	-2.7	-6.1	-4.2	1.8	2.3	2.6	3.3	6.6
Bloomberg Aggregate	-2.8	-5.9	-4.2	1.7	2.1	2.2	2.9	6.8
Bloomberg US TIPS	-1.9	-3.0	4.3	6.2	4.4	2.7	2.6	7.6
Bloomberg High Yield	-1.1	-4.8	-0.7	4.6	4.7	5.7	6.0	4.6
JPM GBI-EM Global Diversified (USD)	-1.5	-6.5	-8.5	-1.1	0.2	-0.7	6.4	5.1

### Fixed Income: Bloomberg Universal -6.1% in Q1.

- The broad US investment grade bond market (Bloomberg Aggregate) experienced one of its worst quarters on record given continued concerns about policy tightening and inflation. The nominal 10-year Treasury yield finished the quarter at 2.3%, a level 0.8% above the end of 2021.
- TIPS also declined in the rising rate environment, but less than other bond sectors, helped by their inflation component.
- US credit spreads widened in the first quarter, particularly in high yield, as risk assets fell. Spreads remain at relatively low levels, though, given strong corporate health and high investor demand in the low-rate environment.
- Emerging market debt prices also declined in the quarter driven by the Russian invasion of Ukraine.

<sup>1</sup> Source: Bloomberg. JPM GBI-EM is from InvestorForce. Data is as of March 31, 2022.

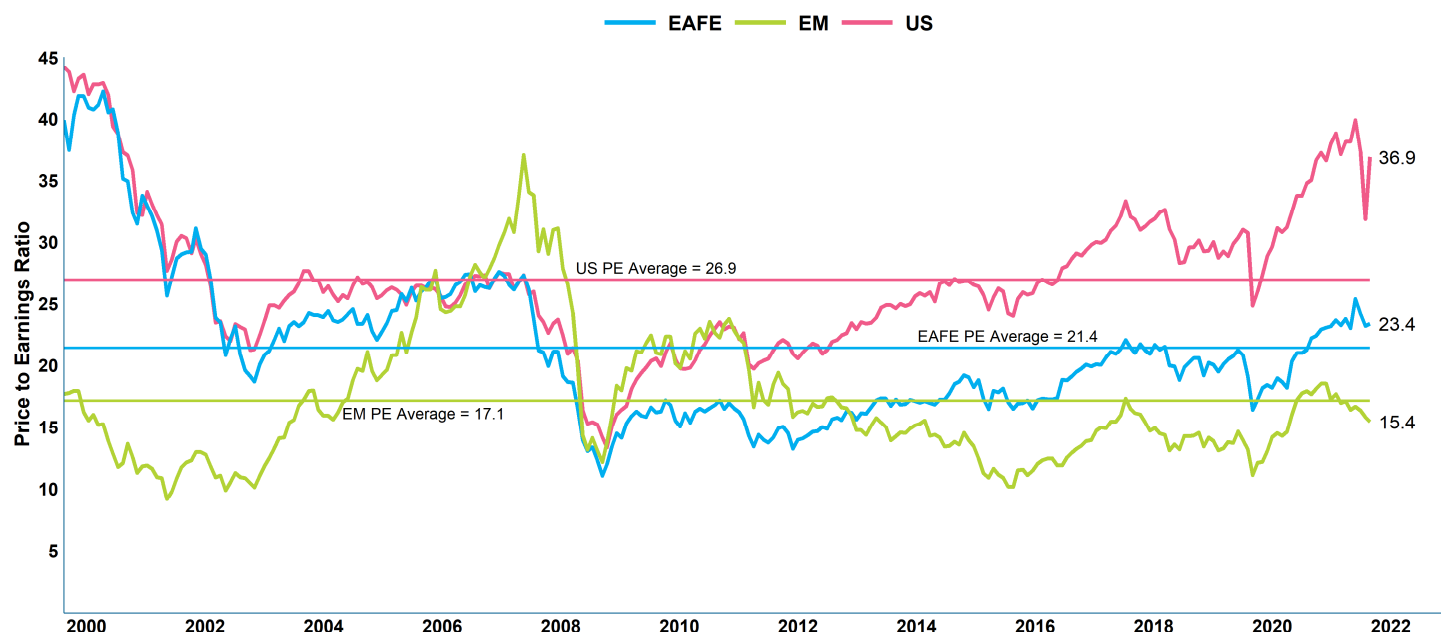
### Equity and Fixed Income Volatility<sup>1</sup>



- Volatility in equities (VIX) increased for the first quarter but finished well below the March peak of 36.5.
- Fixed income volatility (MOVE) also increased and remains elevated driven largely by expectations that the Federal Reserve would tighten monetary policy faster than previously expected.

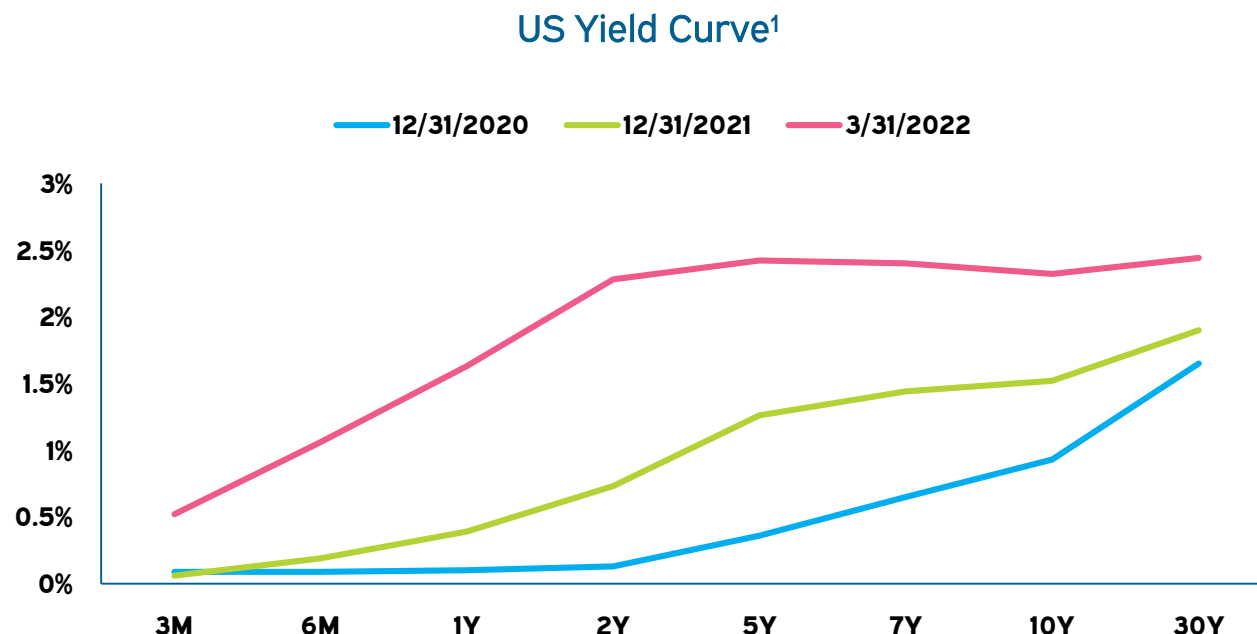
<sup>1</sup> Equity and Fixed Income Volatility – Source: Bloomberg. Implied volatility as measured using VIX Index for equity markets and the MOVE Index to measure interest rate volatility for fixed income markets. Data is as of March 2022. The average line indicated is the average of the VIX and MOVE values between January 2000 and the present month-end respectively.

### Equity Cyclically Adjusted P/E Ratios<sup>1</sup>



- US equity valuations retreated in the first two months of 2022, and rebounded in March with the market recovery. They remain well above long-term averages (near +2 standard deviations).
- International developed market valuations remain below the US, with those for emerging markets under its long-term average.

<sup>1</sup> US Equity Cyclically Adjusted P/E on S&P 500 Index. Source: Robert Shiller, Yale University, and Meketa Investment Group. Developed and Emerging Market Equity (MSCI EAFE and EM Index) Cyclically Adjusted P/E – Source: MSCI and Bloomberg. Earnings figures represent the average of monthly “as reported” earnings over the previous ten years. Data is as of March 31, 2022. The average line is the long-term average of the US, EM, and EAFE PE values from December 1999 to month-end respectively.

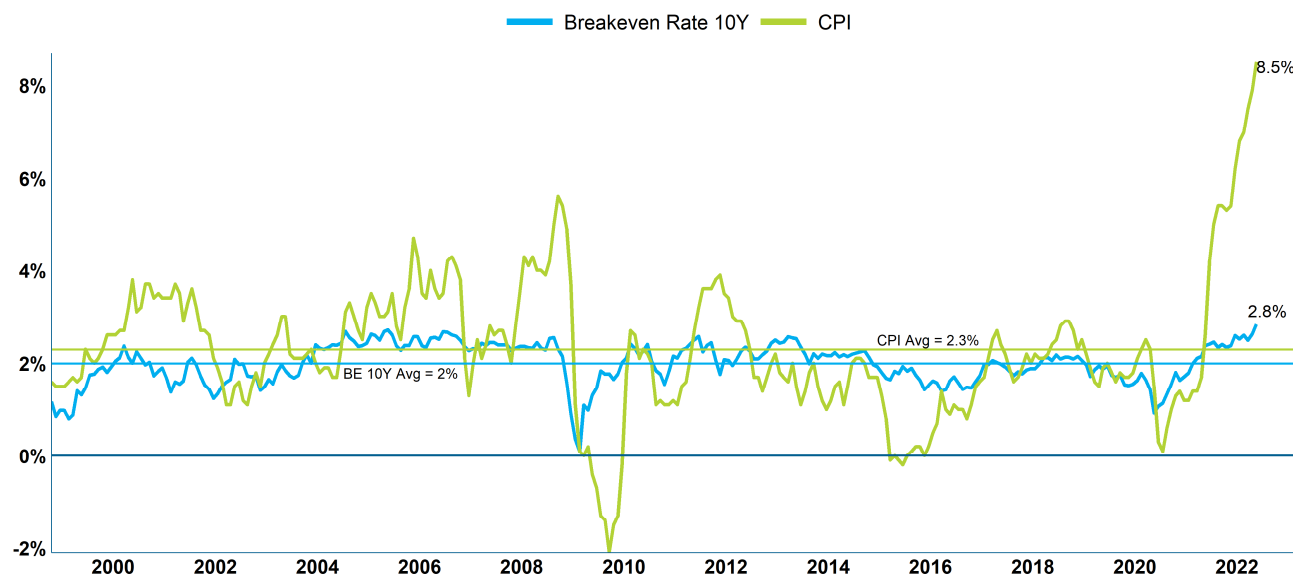


- The trends of higher rates across maturities and curve flattening continued during the first quarter of 2022 as markets repriced inflation, rate expectations, and an accelerated pace of the Federal Reserve reducing its balance sheet.
- The spread between two-year and ten-year Treasuries declined significantly over the quarter and became negative after quarter-end which historically has often signaled a recession.

<sup>1</sup> Source: Bloomberg. Data is as of March 31, 2022.



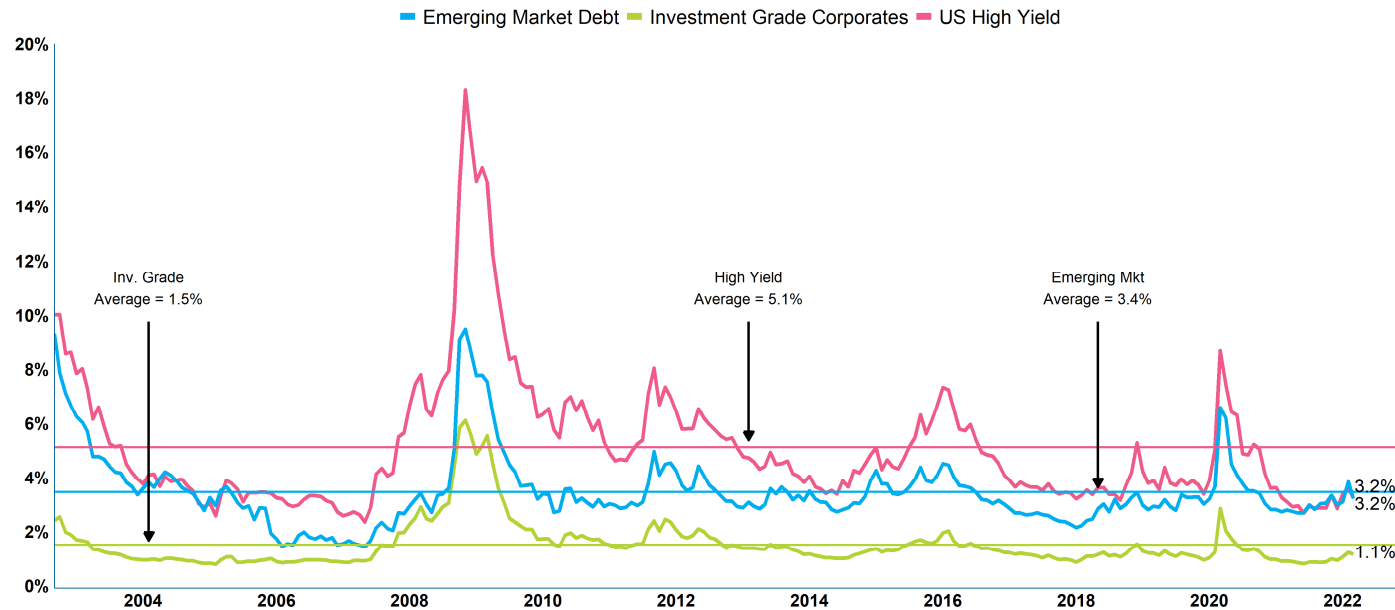
### Ten-Year Breakeven Inflation and CPI<sup>1</sup>



- Inflation expectations (breakevens) increased during the quarter but are off their peak of close to 3.0%. They remain well above the long-term average.
- Trailing twelve-month CPI continued to rise in March, reaching 8.5%, a level not seen since the early 1980s and far above the long-term average of 2.3%.
- Rising prices for energy and food, and for new and used cars, remained key drivers of higher inflation.

<sup>1</sup> Source: Bloomberg. Data is as of March 31, 2022. The CPI and 10 Year Breakeven average lines denote the average values from August 1998 to the present month-end respectively. Breakeven values represent month-end values for comparative purposes.

## Credit Spreads vs. US Treasury Bonds<sup>1</sup>



- Credit spreads (the spread above a comparable maturity Treasury) increased over the quarter leading to negative returns.
- In the US, high yield spreads increased more than investment grade spreads, but declined less due to the higher relative income. Emerging market spreads finished the quarter at the same level as US high yield.
- The search for yield in a low-rate environment and continued strong corporate fundamentals with low default risk have been key drivers in the decline in credit spreads to below long-term averages in the US. High yield spreads remain well below the long-term average.

<sup>1</sup> Sources: Bloomberg. Data is as of March 31, 2022. Average lines denote the average of the investment grade, high yield, and emerging market spread values from August 2000 to the present month-end respectively.

## Global Economic Outlook

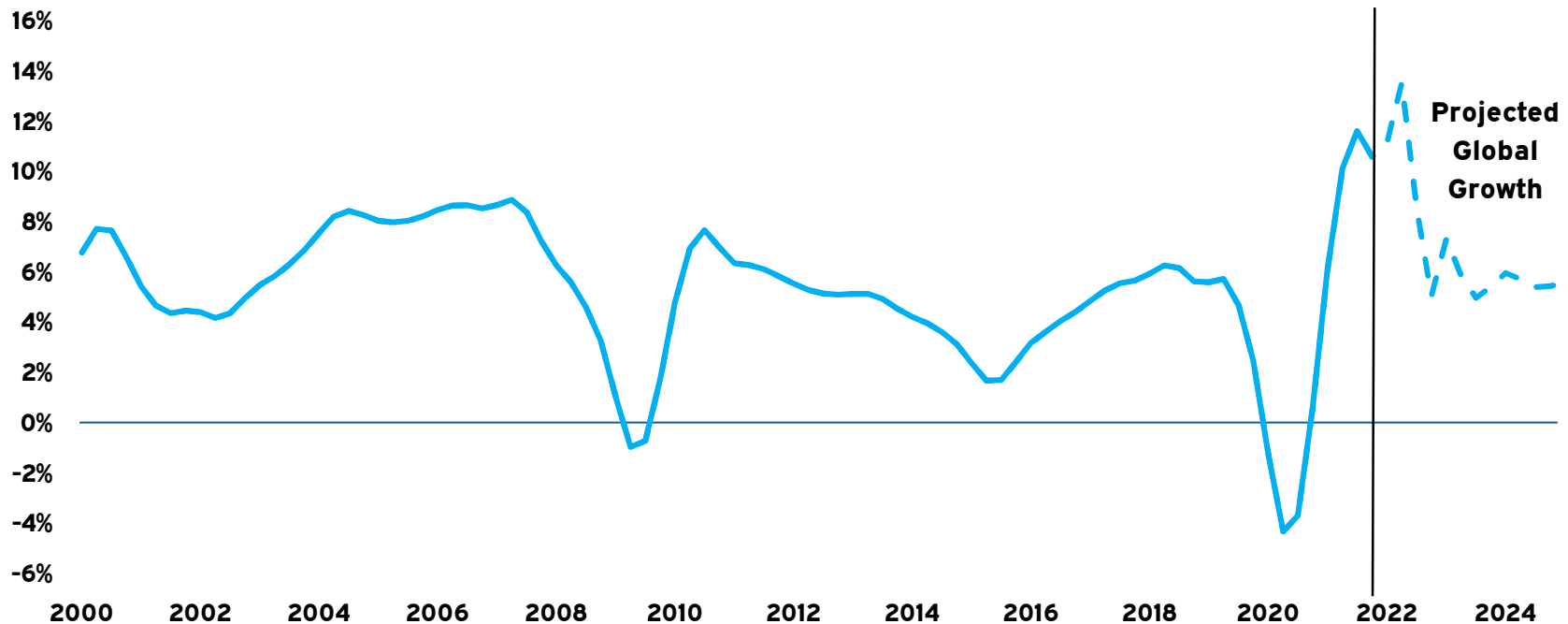
The IMF significantly lowered global growth forecasts in their latest projections, driven by the economic impacts of the war in Ukraine.

- The IMF forecasts final global GDP to come in at 6.1% in 2021 and 3.6% in 2022 (0.8% below the prior 2022 estimate), both still above the past ten-year average of 3.0%.
- In advanced economies, GDP is projected to increase 3.3% in 2022 and 2.4% in 2023. The US has limited economic ties with Russia but saw another downgrade in the 2022 growth forecast (3.7% versus 4.0%) largely due to policy reduction happening faster than previously expected. The euro area economy saw a significant downgrade in expected growth (2.8% versus 3.9%) in 2022 as rising energy prices particularly weigh on the region that is a net importer of energy. The Japanese economy is expected to grow 2.4% this year.
- Growth projections for emerging markets are higher than developed markets, at 3.8% in 2022 and 4.4% in 2023. China's growth was downgraded (4.4% versus 4.8%) for 2022 given tight COVID-19 restrictions and continued property sector problems.
- The global inflation forecast was significantly increased for 2022 (7.4% versus 3.8%) due to the war in Ukraine.

	Real GDP (%) <sup>1</sup>			Inflation (%) <sup>1</sup>		
	IMF 2022 Forecast	IMF 2023 Forecast	Actual 10 Year Average	IMF 2022 Forecast	IMF 2023 Forecast	Actual 10 Year Average
World	3.6	3.6	3.0	7.4	4.8	3.5
Advanced Economies	3.3	2.4	1.6	5.7	2.5	1.5
US	3.7	2.3	2.1	7.7	2.9	1.9
Euro Area	2.8	2.3	0.9	5.3	2.3	1.2
Japan	2.4	2.3	0.5	1.0	0.8	0.5
Emerging Economies	3.8	4.4	4.2	8.7	6.5	5.1
China	4.4	5.1	6.7	2.1	1.8	2.1

<sup>1</sup> Source: IMF World Economic Outlook. Real GDP forecasts from April WEO Update. Inflation forecasts are as of the April 2022 Update. "Actual 10 Year Average" represents data from 2012 to 2021.

### Global Nominal Gross Domestic Product (GDP) Growth<sup>1</sup>

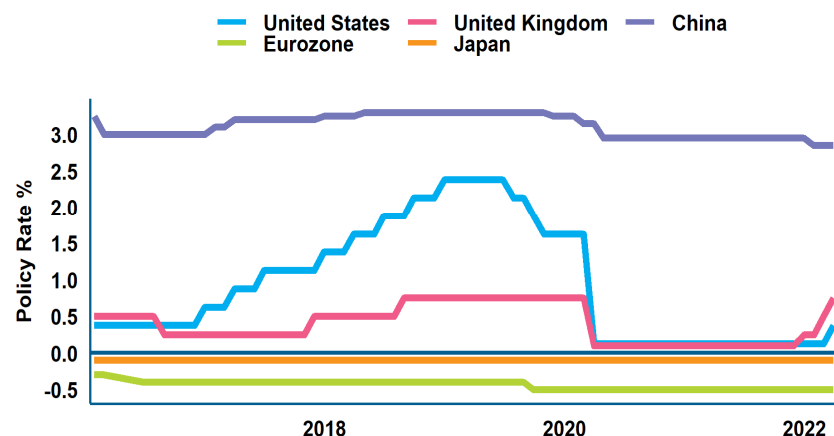


- Global economies are expected to slow in 2022 compared to 2021 but are forecasted to have another year of largely above-trend growth as economies continue to emerge from the pandemic.
- Looking forward, the track of the conflict between Russia and Ukraine, continued supply chain issues, ongoing inflationary pressures, tighter monetary policy, and lingering pandemic problems all remain key.

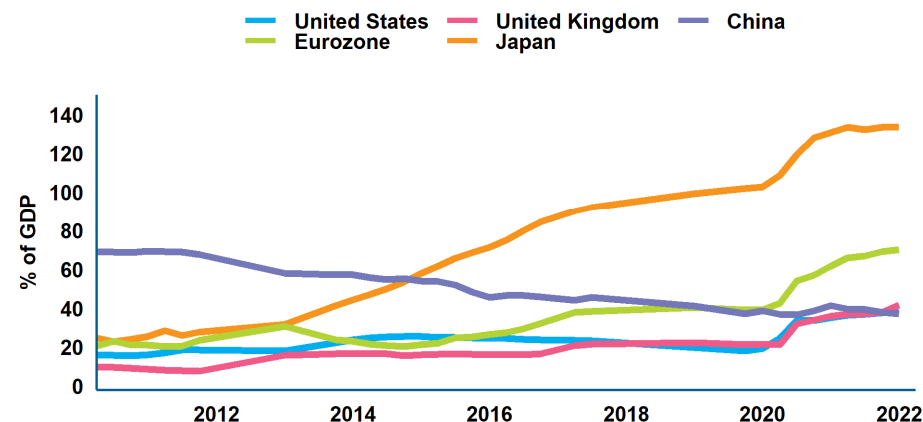
<sup>1</sup> Source: Oxford Economics (World GDP, US\$ prices & PPP exchange rate, nominal, % change YoY). Updated March 2022.

### Central Bank Response<sup>1</sup>

**Policy Rates**

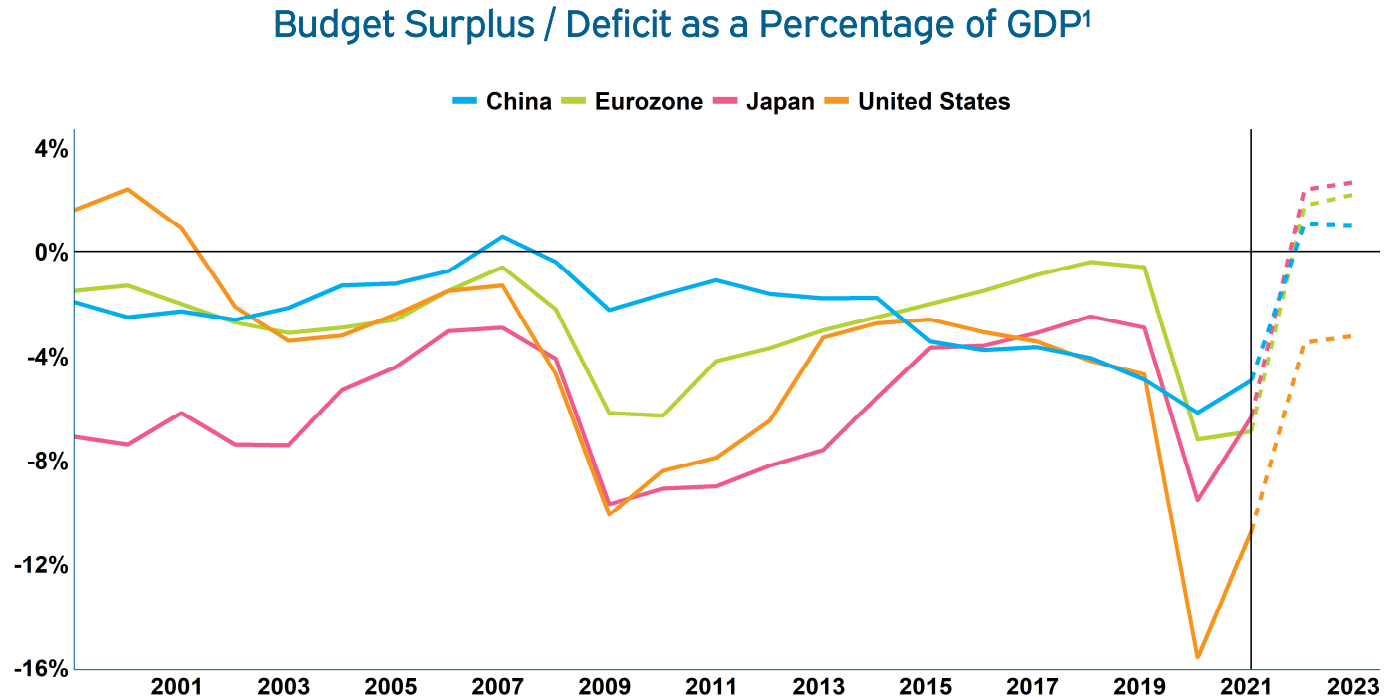


**Balance Sheet as % of GDP**



- After global central banks took extraordinary action to support the economy during the pandemic including policy rate cuts and emergency stimulus through quantitative easing (QE), many are considering reducing support in the face of high inflation.
- The pace of withdrawing support will likely vary across central banks with the US expected to take a more aggressive approach. The risk remains for a policy error, particularly overtightening, as the war in Ukraine could suppress global growth.
- The one notable outlier is China, where the central bank recently lowered rates and reserve requirements in response to slowing growth.

<sup>1</sup> Source: Bloomberg. Policy rate data is as of March 31, 2022. China policy rate is defined as the medium-term lending facility 1 year interest rate. Balance sheet as % of GDP is based on quarterly data and is as of December 31, 2021.

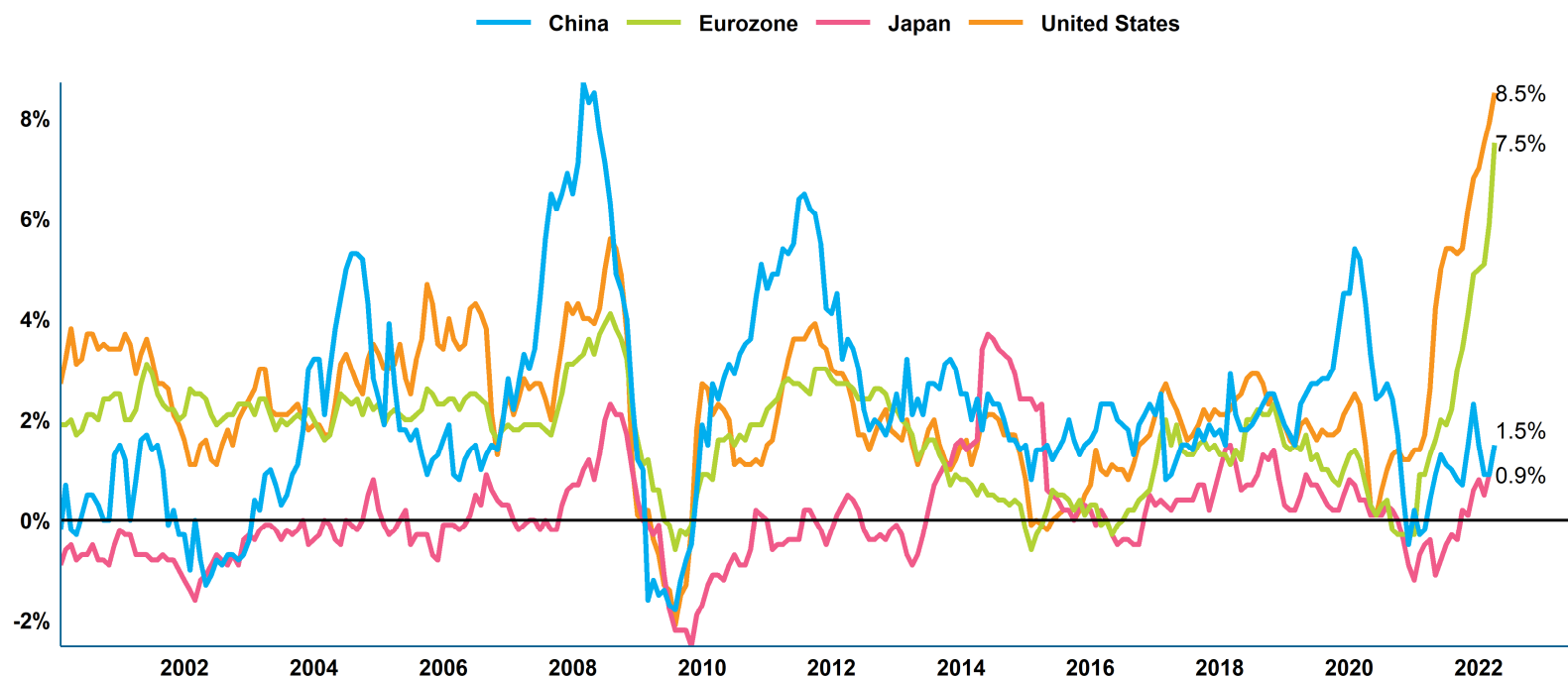


→ Budget deficits as a percentage of GDP drastically increased for major world economies, particularly the US, due to massive fiscal support and the severe economic contraction's effect on tax revenue in 2020 and 2021.

→ As fiscal stimulus programs end, and economic recoveries continue, deficits should improve in the coming years.

<sup>1</sup> Source: Bloomberg. Data is as of March 31, 2022. Projections via IMF Forecasts from April 2022 Report. Dotted lines represent 2022 and 2023 forecasts.

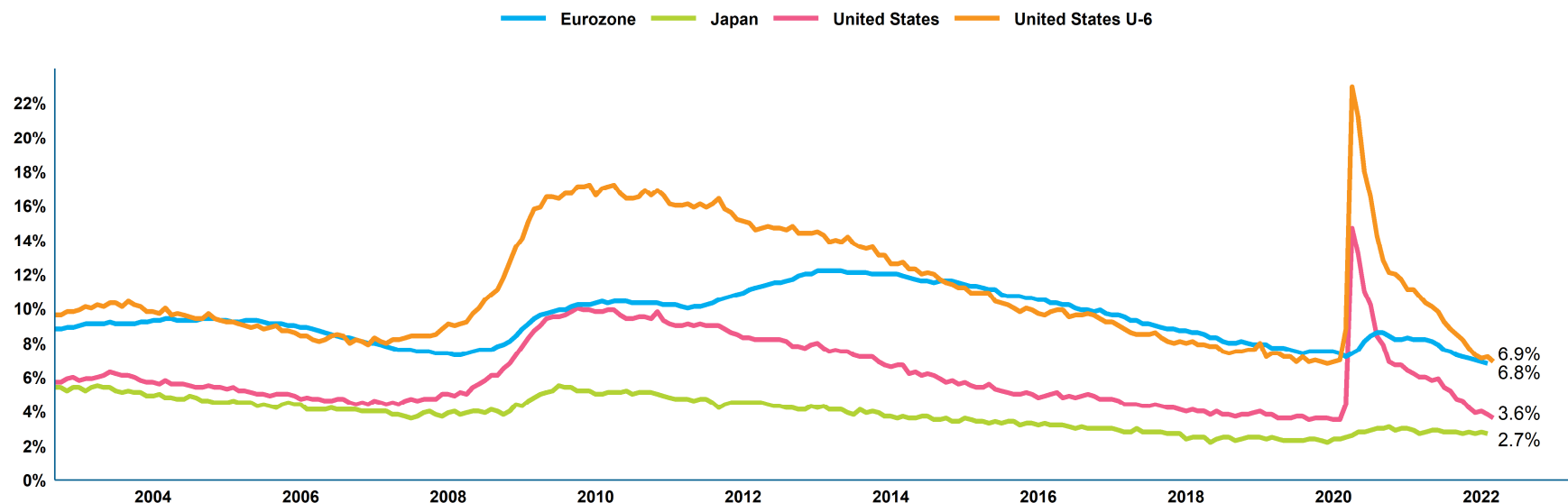
### Inflation (CPI Trailing Twelve Months)<sup>1</sup>



- Inflation increased dramatically from the lows of the pandemic, particularly in the US and Eurozone where it continues to reach levels not seen in decades.
- Supply issues related to the pandemic and higher prices in many key commodities driven by the Russia and Ukraine conflict have been key drivers of inflation globally.

<sup>1</sup> Source: Bloomberg. Data is as of March 2022, except for Japan, where the most recent data available is as of February 28, 2022.

### Unemployment<sup>1</sup>

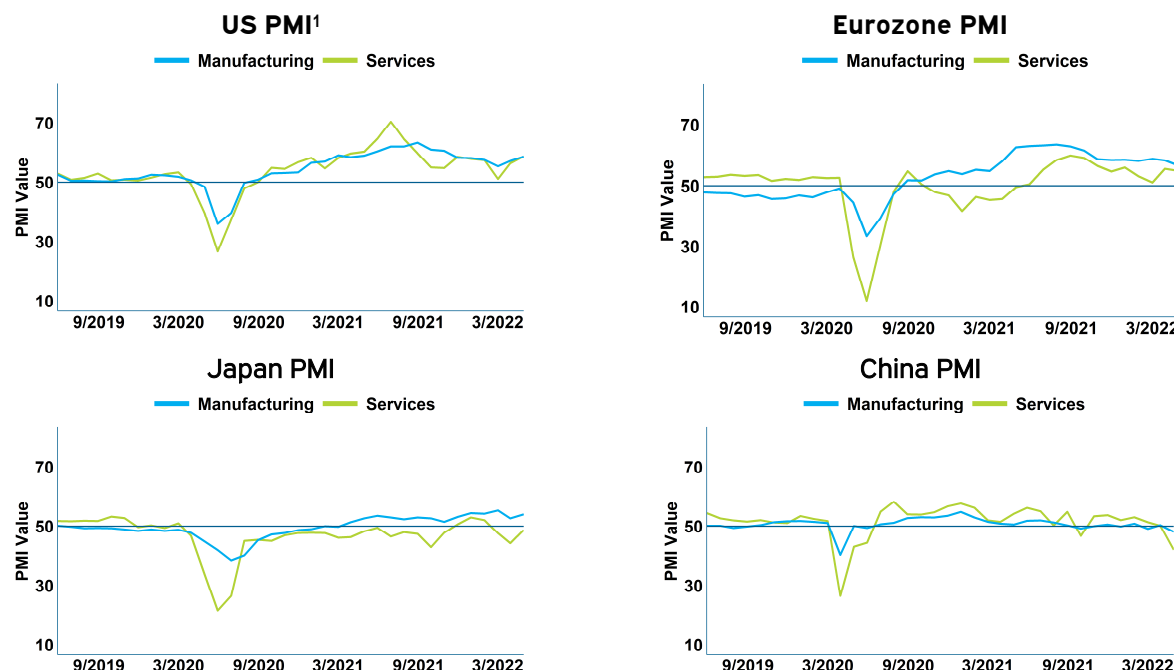


- As economies have largely reopened due to vaccines for the virus, improvements have been seen in the labor market.
- US unemployment, which experienced the steepest rise from the pandemic, has declined back to pre-pandemic levels. The broader measure (U-6) that includes discouraged and underemployed workers has declined but is much higher at 6.9%.

<sup>1</sup> Source: Bloomberg. Data is as of March 31, 2022, for the US. The most recent data for Eurozone and Japanese unemployment is as of February 28, 2022.



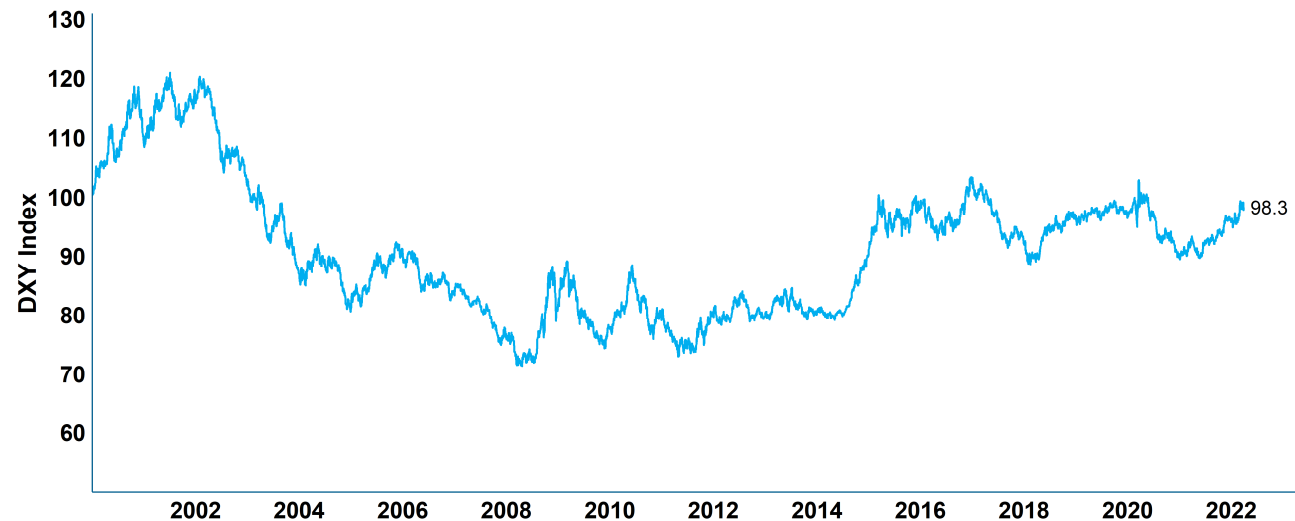
### Global PMIs



- After improvements from the lows of the pandemic, Purchasing Managers Indices (PMI), based on surveys of private sector companies, have experienced pressures recently.
- Service sector PMIs have seen some improvements in the US and Europe lately as the effects of the Omicron variant wane, while Japan and China remain in contraction due to a rise in COVID-19 cases.
- In most countries, manufacturing PMIs are in expansion territory as pandemic-related production issues ease and orders increase. China is the one exception, though, with the manufacturing PMI falling below 50 in March due to increased COVID-19 restrictions.

<sup>1</sup> Source: Bloomberg. US Markit Services and Manufacturing PMI, Caixin Services and Manufacturing PMI, Eurozone Markit Services and Manufacturing PMI, Jibun Bank Services and Manufacturing PMI. Data is as of March 2022. Readings below 50 represent economic contractions.

### US Dollar versus Broad Currencies<sup>1</sup>



- The US dollar continued its 2021 trend of strengthening against a broad basket of peers in the first quarter of 2022 with further increases after month-end.
- Safe-haven flows and higher rates have been key drivers of the dollar's continued strength.
- A few commodity-sensitive currencies like the Brazilian real, South African rand, and Mexican peso have recently outpaced the dollar, given persistently high commodity prices.

<sup>1</sup> Source: Bloomberg. Data as of March 28, 2022.

## Summary

### Key Trends in 2022:

- The war in eastern Europe has created significant uncertainty going forward with a wide range of potential outcomes. Volatility will likely remain high.
- Expect growth to slow globally in 2022 but remain above trend. The track of the pandemic and war will be key.
- Inflationary pressures could linger, particularly if the Russian invasion of Ukraine intensifies or expands.
- The end of many fiscal programs will put the burden of continued growth on consumers. Higher energy and food prices will depress their ability to spend in other areas.
- Monetary policy will likely tighten globally but will remain relatively low. The risk of policy error remains.
- Valuations remain high in the US, but low rates and strong margins should be supportive.
- Outside the US, valuations remain lower in both emerging and developed markets, but risks remain.

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INVESTMENT GROUP

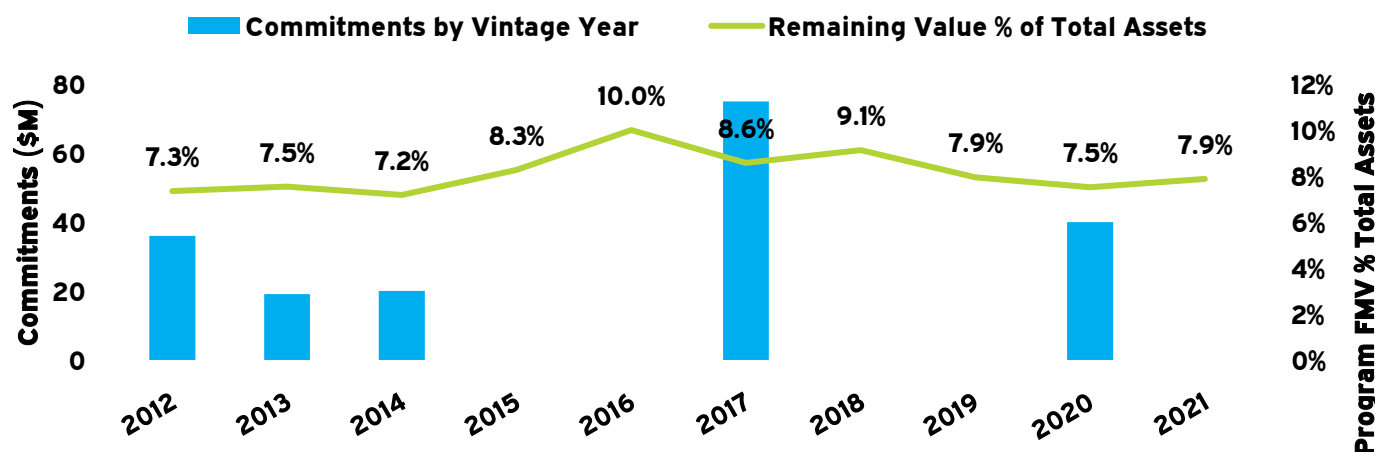
# San Joaquin County Employee's Retirement Association

Fourth Quarter 2021

Real Estate Program

### Introduction

The Retirement Association's target allocation towards real estate assets is 10-12%. As of December 31, 2021, the Retirement Association had invested with eighteen real estate managers (three private open-end and fifteen private closed-end). The aggregate reported value of the Retirement Association's real estate investments was \$320.0 million at quarter-end.



### Program Status

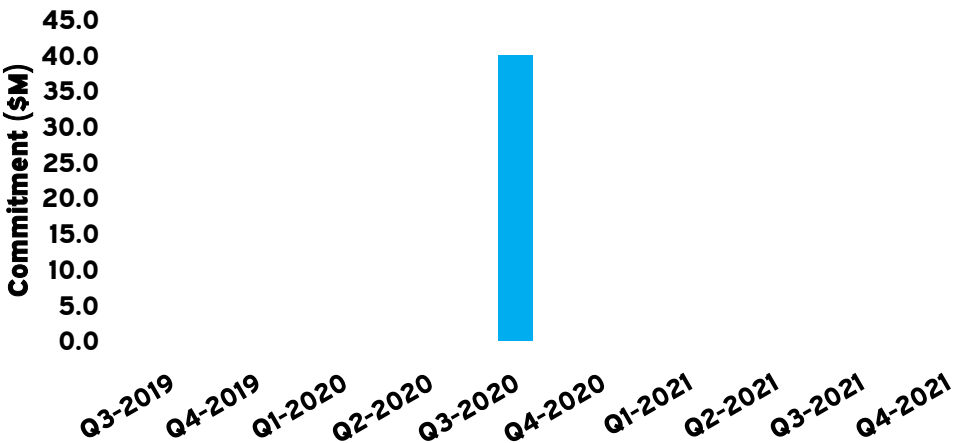
No. of Investments	18
Committed (\$M)	501.6
Contributed (\$M)	445.9
Distributed (\$M)	353.4
Remaining Value (\$M)	320.0

### Performance Since Inception

	Program
DPI	0.79x
TVPI	1.51x
IRR	7.5%

Commitments

Recent Quarterly Commitments



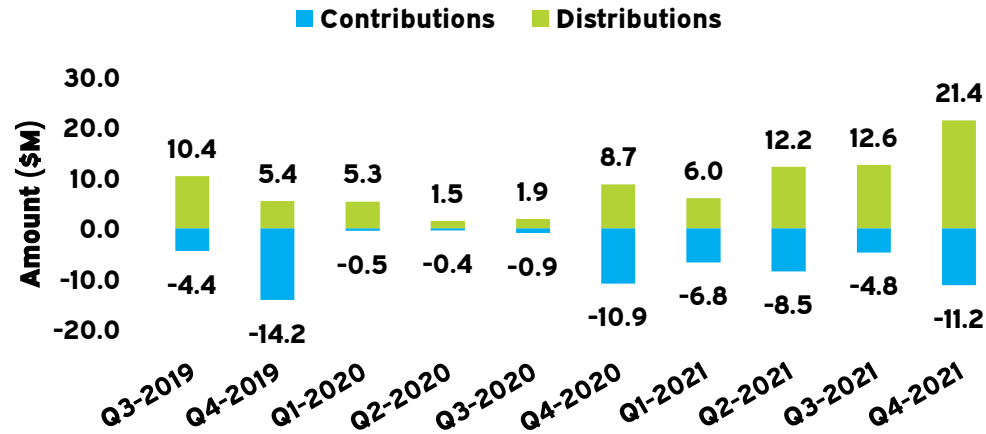
Commitments This Quarter

Fund	Strategy	Region	Amount (\$M)
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None to report.

### Cash Flows

#### Recent Quarterly Cash Flows



#### Largest Contributions This Quarter

Fund	Vintage	Strategy	Region	Amount (\$M)
Berkeley V	2020	Value-Added	North America	9.27
Grandview I	2017	Opportunistic	North America	1.34
Prologis Logistics	1970	Core	North America	0.61

#### Largest Distributions This Quarter

Fund	Vintage	Strategy	Region	Amount (\$M)
Grandview I	2017	Opportunistic	North America	9.78
Stockbridge RE III	2017	Value-Added	North America	4.61
AG Core Plus IV	2014	Value-Added	North America	4.25



### Significant Events

- Berkeley Partners Value Industrial Fund V completed nine additional acquisitions during the fourth quarter, representing an aggregate purchase price of \$137.2 million. The nine assets span across the Seattle (1), Colorado (1), Philadelphia (2), Atlanta (1), Boston (3), and Washington DC (1) markets. Fund V also made one disposition during the quarter on December 29, 2021, selling Plano Road in Dallas for \$11.2 million, producing a 1.4x gross multiple and a 20% gross IRR at the property level.
- During the fourth quarter, Grandview I-A acquired three new properties, including one housing and two industrial assets, all of which total \$6.3 million in contributions to date. Grandview I also completed the sale of CenterState East, an industrial asset in Lakeland, FL, on December 15, 2021, resulting in \$24.6 million in net proceeds to the fund. Additional realizations during the quarter include MC Estates Mezzanine and a large portion of the Tampa Industrial investment.
- During the fourth quarter, Stockbridge Value Fund III distributed \$4.6 million to San Joaquin as a result of the sale of Broadstone Lofts, a multifamily property in Houston, TX, on December 3, 2021.
- In the fourth quarter, AG Core Plus Realty Fund IV sold four properties in the US for a total gross sales price of \$452 million. Fund IV also realized its position in Freddie Mac K-Series Bonds II, in addition to selling two other properties in Europe based in London and Dublin.
- During the fourth quarter, RREEF America REIT II generated a total gross return of 10.88%, comprised of 1.07% income and 9.81% appreciation. Accordingly, such significant appreciation returns resulted in a 10.6% net change in value percentage for San Joaquin's investment during the quarter.

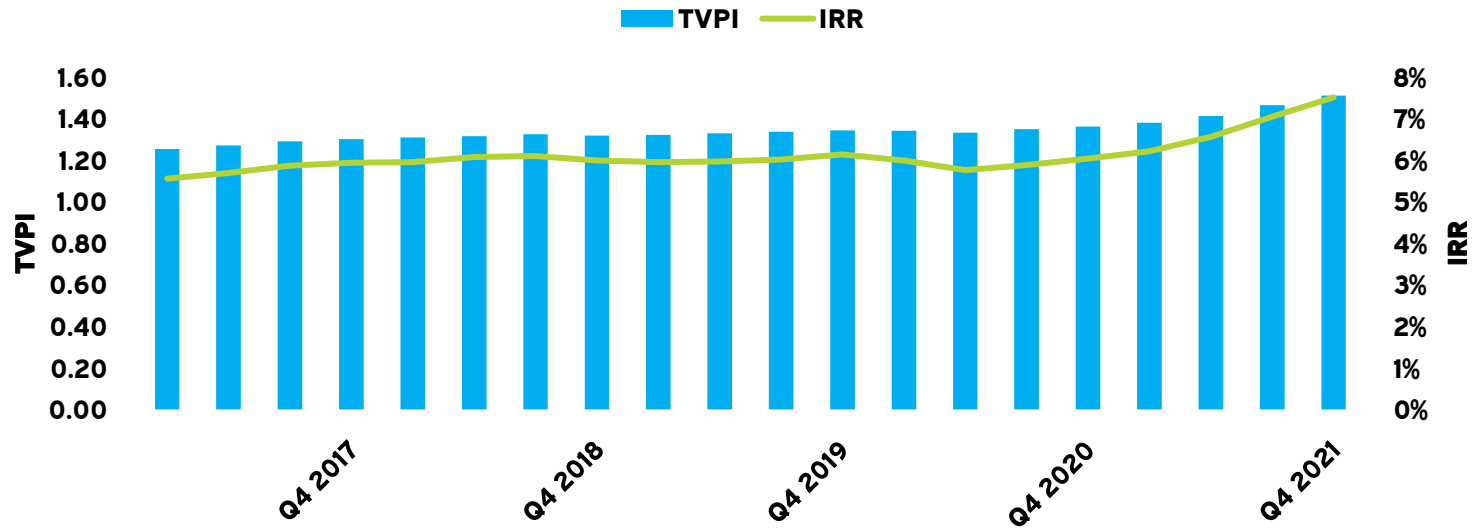
### By Strategy

Group	Number	Committed (\$M)	Contributed (\$M)	Unfunded (\$M)	Distributed (\$M)	Remaining Value (\$M)	Exposure (\$M)	DPI (X)	TVPI (X)	IRR (%)
Core	3	120.5	124.7	0.0	28.9	204.5	204.5	0.23	1.87	8.2
Opportunistic	9	204.1	181.7	23.8	209.5	37.5	61.3	1.15	1.36	5.9
Value-Added	6	177.0	139.5	39.7	115.1	78.0	117.7	0.82	1.38	10.2
<b>Total</b>	<b>18</b>	<b>501.6</b>	<b>445.9</b>	<b>63.5</b>	<b>353.4</b>	<b>320.0</b>	<b>383.6</b>	<b>0.79</b>	<b>1.51</b>	<b>7.5</b>

### By Vintage

Group	Number	Committed (\$M)	Contributed (\$M)	Unfunded (\$M)	Distributed (\$M)	Remaining Value (\$M)	Exposure (\$M)	DPI (X)	TVPI (X)	IRR (%)
Open-end	3	120.5	124.7	0.0	28.9	204.5	204.5	0.23	1.87	8.2
2005	2	45.0	44.5	0.5	37.8	1.7	2.2	0.85	0.89	-1.5
2007	4	96.0	84.0	12.0	114.9	6.8	18.8	1.37	1.45	7.4
2011	2	50.0	38.3	11.7	47.2	4.2	15.9	1.23	1.34	9.6
2012	2	36.0	33.9	2.9	48.8	0.0	2.9	1.44	1.44	12.4
2013	1	19.1	18.3	0.8	22.4	9.3	10.1	1.23	1.74	13.7
2014	1	20.0	19.0	1.8	12.1	14.3	16.1	0.64	1.39	9.0
2017	2	75.0	62.8	13.7	40.7	55.2	68.9	0.65	1.53	21.3
2020	1	40.0	20.5	20.2	0.6	24.0	44.2	0.03	1.20	NM
<b>Total</b>	<b>18</b>	<b>501.6</b>	<b>445.9</b>	<b>63.5</b>	<b>353.4</b>	<b>320.0</b>	<b>383.6</b>	<b>0.79</b>	<b>1.51</b>	<b>7.5</b>

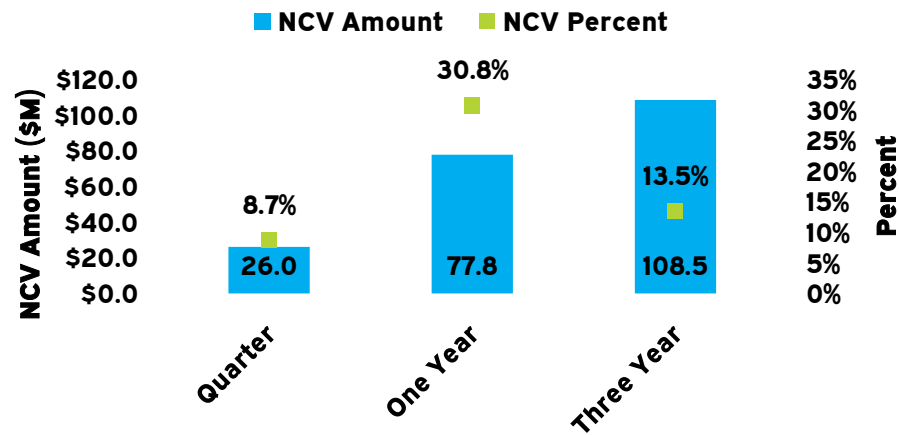
#### Since Inception Performance Over Time



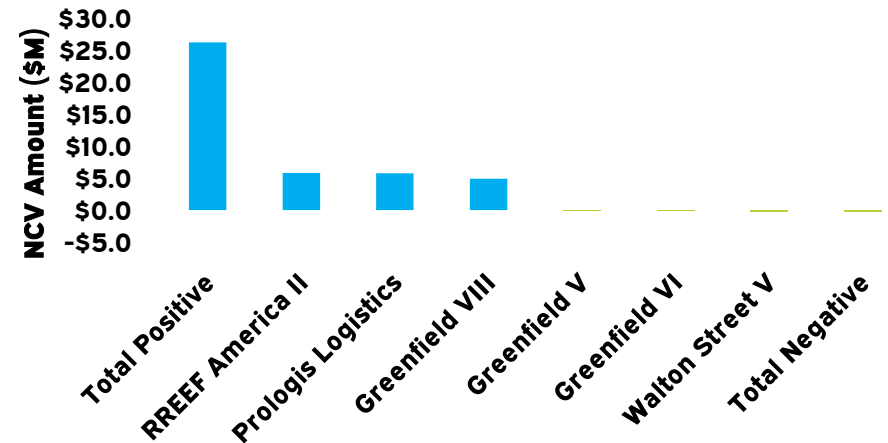
#### Horizon IRRs

	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Aggregate Portfolio	30.1	13.5	11.1	11.5	7.5
Public Market Equivalent	51.4	19.5	10.6	10.9	9.9

Periodic NCV



1 Quarter Drivers Of NCV

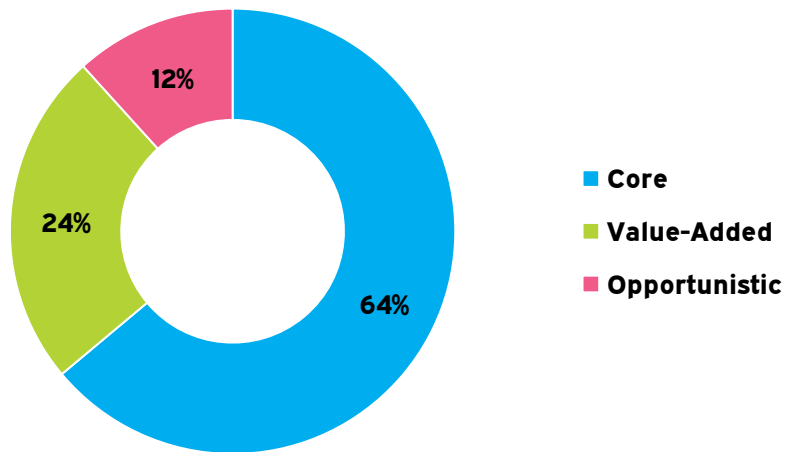


### Fund Performance: Sorted By Vintage And Strategy

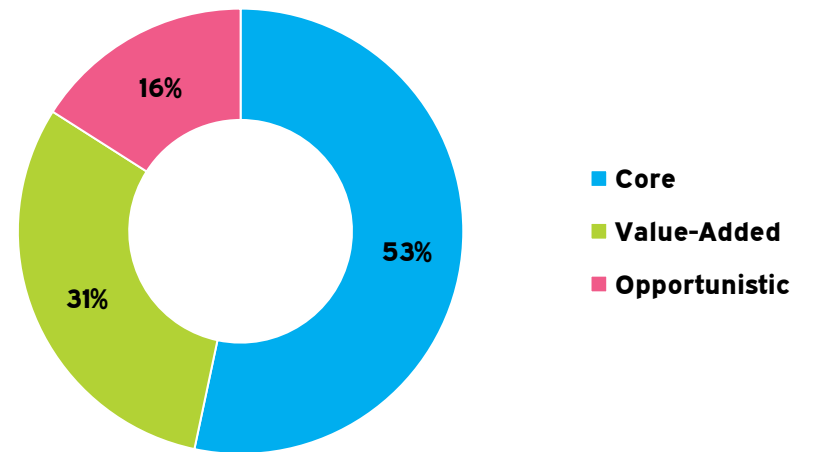
By Investment	Vintage	Strategy	Committed (\$M)	Contributed (\$M)	Unfunded (\$M)	Distributed (\$M)	Remaining Value (\$M)	TVPI (X)	IRR (%)
Principal US	Open-end	Core	25.0	25.0	0.0	0.0	42.1	1.68	9.0
Prologis Logistics	Open-end	Core	50.5	54.7	0.0	20.2	101.9	2.23	7.9
RREEF America II	Open-end	Core	45.0	45.0	0.0	8.7	60.6	1.54	8.7
Miller GLocal Fund V	2005	Opportunistic	15.0	14.5	0.5	17.6	0.0	1.21	3.4
Walton Street V	2005	Opportunistic	30.0	30.0	0.0	20.3	1.7	0.73	-3.4
Greenfield V	2007	Opportunistic	30.0	29.6	0.4	40.4	0.2	1.37	8.3
Miller Global VI	2007	Opportunistic	30.0	21.1	8.9	32.4	0.9	1.58	7.8
Walton Street VI	2007	Opportunistic	15.0	13.3	1.7	15.2	5.6	1.57	8.2
Colony Realty III	2007	Value-Added	21.0	20.0	1.0	26.9	0.0	1.35	5.3
Greenfield VI	2011	Opportunistic	20.0	19.2	0.8	26.2	0.0	1.37	9.6
Almanac Realty VI	2011	Value-Added	30.0	19.1	10.9	21.0	4.1	1.32	9.5
Miller Global VII	2012	Opportunistic	15.0	12.1	2.9	15.9	0.0	1.32	14.2
Colony Realty IV	2012	Value-Added	21.0	21.7	0.0	32.9	0.0	1.51	11.9
Greenfield VII	2013	Opportunistic	19.1	18.3	0.8	22.4	9.3	1.74	13.7
AG Core Plus IV	2014	Value-Added	20.0	19.0	1.8	12.1	14.3	1.39	9.0
Grandview I	2017	Opportunistic	30.0	23.7	7.7	19.1	19.7	1.64	24.8
Stockbridge RE III	2017	Value-Added	45.0	39.1	5.9	21.5	35.6	1.46	19.0
Berkeley V	2020	Value-Added	40.0	20.5	20.2	0.6	24.0	1.20	NM
<b>Total</b>			<b>501.6</b>	<b>445.9</b>	<b>63.5</b>	<b>353.4</b>	<b>320.0</b>	<b>1.51</b>	<b>7.5</b>

#### By Strategy

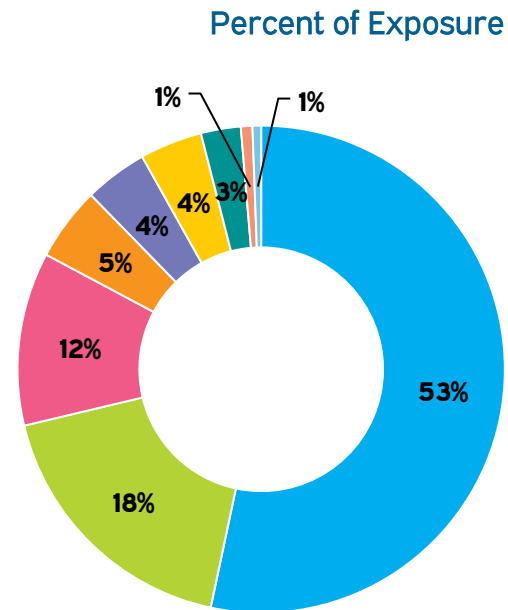
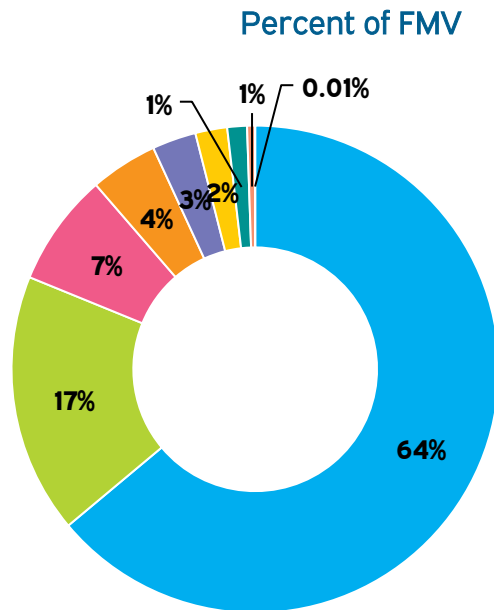
Percent of FMV



Percent of Exposure

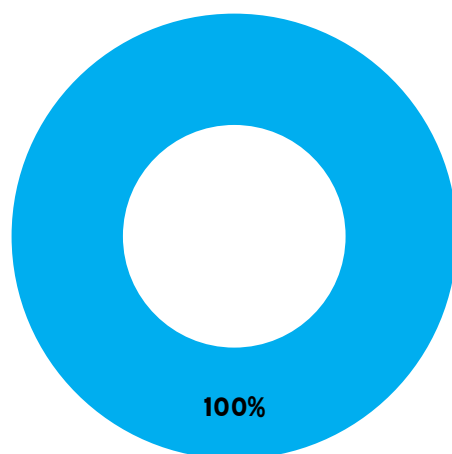


#### By Vintage



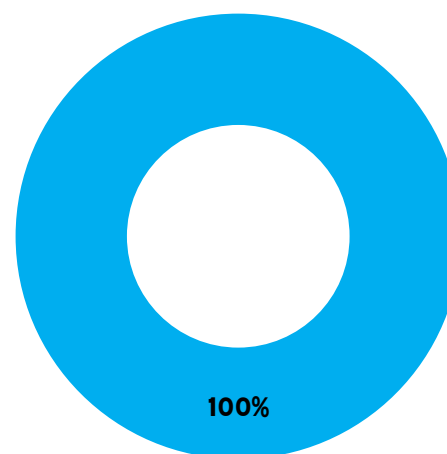
#### By Geographic Focus

Percent of FMV



■ North America

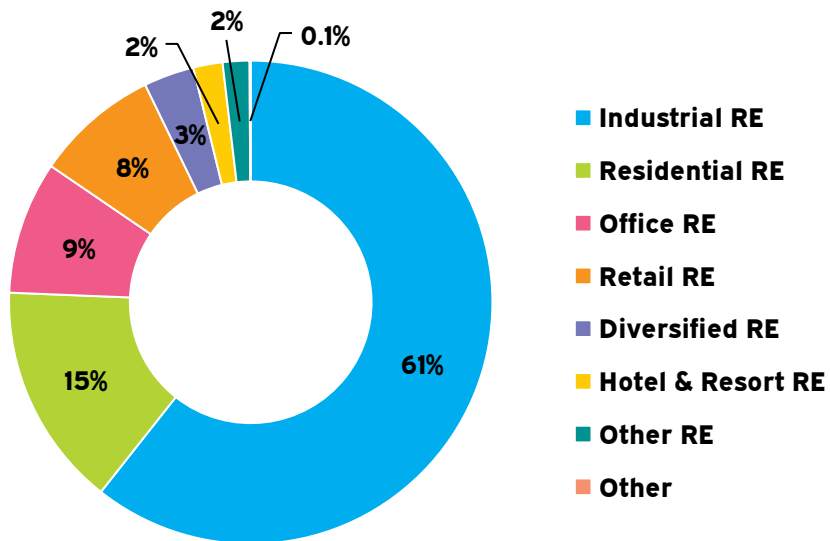
Percent of Exposure



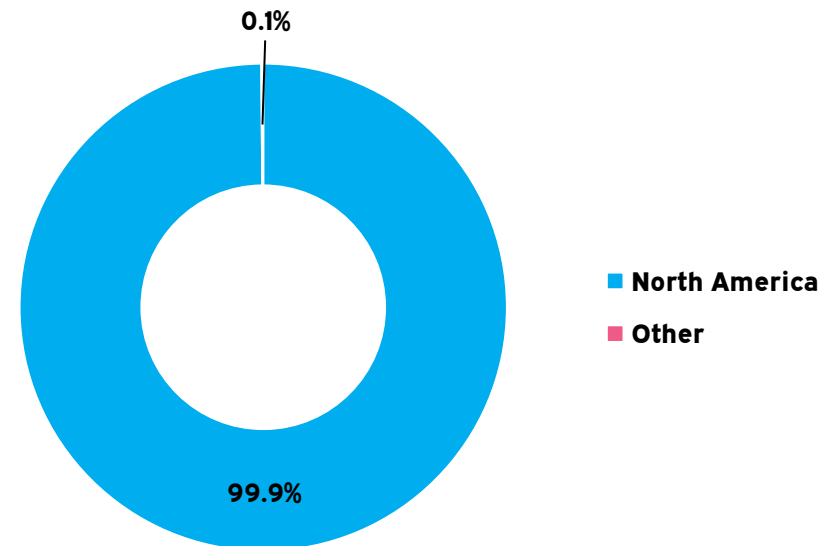
■ North America



By Sector  
Percent of FMV



By Geography  
Percent of FMV



#### AG Core Plus Realty Fund IV, L.P.

AG Core Plus Realty Fund IV is an open-end fund focused on making core-plus commercial real estate investments. The Partnership will focus on the acquisition of equity interests in high-quality office, retail, multi-family, and industrial real estate assets located mainly in the largest US markets. The Partnership will focus on real estate assets where the firm believes it can utilize its value-added expertise to enhance and stabilize returns.

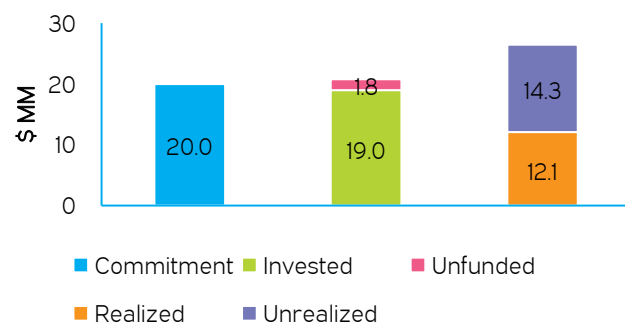
#### General

Manager Location	New York, New York
Fund Size (\$M)	\$1,308
Vintage	2014
Strategy	Value-Added
Target Geography	North America

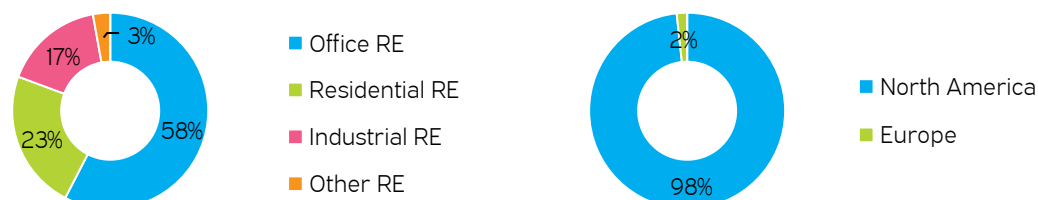
#### Performance

DPI	0.64x
TVPI	1.39x
IRR	9.0%

#### Status



#### Fund Diversification (by Unrealized Value)



#### Portfolio Holdings

Asset	Industry	Invested <sup>1</sup> (\$M)	Realized <sup>1</sup> (\$M)	Unrealized (\$M)	TVPI (X)
Cityside Huntington Metro	Residential RE	36.1	69.7	0	1.93
Burbank Collection	Office RE	33.7	52.3	0	1.55
Dallas Multi-Family Portfolio	Residential RE	33.1	74.3	0	2.25
College Terrace	Diversified RE	29.3	46.2	0	1.58
Westshore Portfolio	Office RE	25.0	39.3	0	1.57
Belvedere Place	Office RE	21.4	28.5	0	1.33
Vineyard Gardens	Residential RE	17.7	30.4	0	1.72
160 Blackfriars Road	Office RE	16.8	33.9	0	2.02
Silverstream Apartments	Residential RE	14.6	22.8	0	1.56
Other (35)		88.1	182.0	969.5	NM
<b>Total</b>		<b>315.8</b>	<b>579.6</b>	<b>969.5</b>	<b>NM</b>

<sup>1</sup> The manager provided incomplete underlying holdings detail. Invested capital and realized proceeds were not provided for unrealized and partially realized investments. Therefore, TVPI performance metrics for "Other" and Total are not meaningful.

#### Almanac Realty Securities VI, L.P.

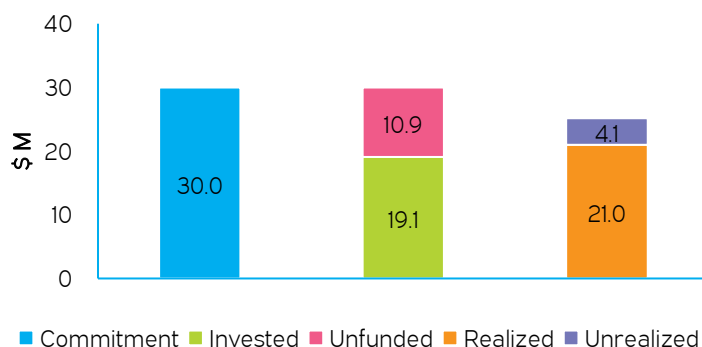
##### General

Manager Location	New York, New York
Fund Size (\$M)	\$819
Vintage	2011
Strategy	Value-Added
Target Geography	North America

##### Performance

DPI	1.10x
TVPI	1.32x
IRR	9.5%

##### Status



##### Fund Diversification (by Unrealized Value)



##### Portfolio Holdings

Asset	Industry	Invested (\$M)	Realized (\$M)	Unrealized (\$M)	TVPI (X)
Drawbridge Realty Trust	Diversified RE	150.0	204.1	0	1.36
HRI (convertible)	Diversified RE	150.0	76.6	119.3	1.31
RAIT Financial Trust	RE Services	100.0	147.9	0	1.48
Nolan Real Estate	Residential RE	69.8	107.0	0	1.53
Winter Properties	Diversified RE	55.0	75.8	0	1.38
HRI (non-convertible)	Diversified RE	50.0	81.7	0	1.63
Shaner Hospitality Finance	Hotel & Resort RE	3.0	2.8	6.2	3.05
<b>Total</b>		<b>577.8</b>	<b>696.0</b>	<b>125.5</b>	<b>1.42</b>

#### Berkeley Partners Fund V, L.P.

Berkeley V will continue its value-added strategy focused on building a diversified portfolio of light industrial properties across the United States. The Fund will seek to acquire under-managed properties in targeted major regional markets with above average employment and population growth. Berkeley has focused on major Texas markets, the Southeast, West Coast, and North East.

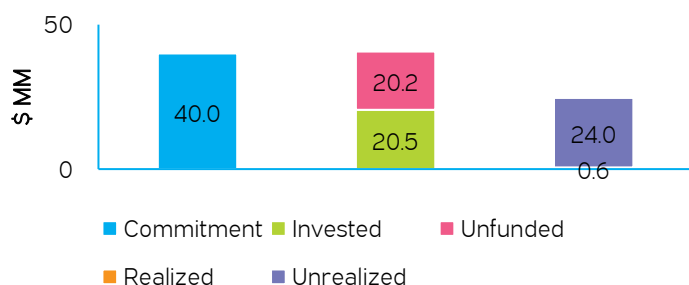
#### General

Manager Location	San Francisco, California
Fund Size (\$M)	\$275
Vintage	2020
Strategy	Value-Added
Target Geography	North America

#### Performance

DPI	0.03x
TVPI	1.20x
IRR	NM

#### Status



#### Fund Diversification (by Unrealized Value)



#### Portfolio Holdings

Asset	Industry	Invested <sup>1</sup> (\$M)	Realized <sup>1</sup> (\$M)	Unrealized (\$M)	TVPI (X)
333 Centennial Parkway	Industrial RE	49.0	0	70.5	1.44
11 Ricker Avenue	Industrial RE	38.3	0	39.0	1.02
Longmont Campus	Industrial RE	34.0	0	41.9	1.23
Wellmoor Court	Industrial RE	30.0	0	30.8	1.03
1, 3, & 7 Chelsea Pkwy	Industrial RE	24.3	0	25.2	1.04
North Point	Industrial RE	15.5	0	22.0	1.42
Fortune Boulevard	Industrial RE	15.3	0	16.2	1.07
1323 34th Ave East	Industrial RE	14.6	0	15.1	1.04
Warren Drive	Industrial RE	12.2	0	14.5	1.19
Other (21)		166.9	18.5	178.7	1.18
<b>Total</b>		<b>399.9</b>	<b>18.5</b>	<b>453.9</b>	<b>1.18</b>

<sup>1</sup> The manager provided incomplete underlying holdings detail. Realized proceeds were not provided for investments other than fully realized deals. Therefore, TVPI performance metrics may not be meaningful for unrealized investments.

#### Colony Realty Partners III, L.P.

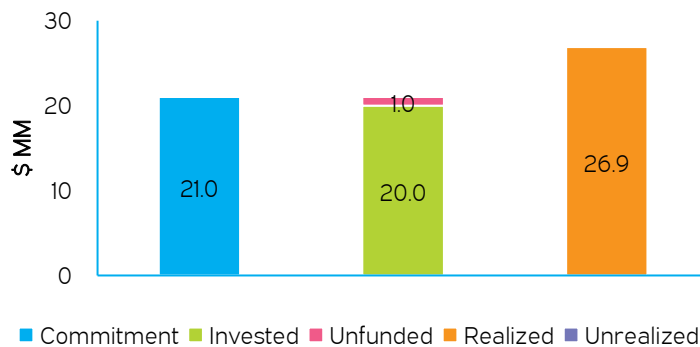
##### General

Manager Location	Boston, Massachusetts
Fund Size (\$M)	\$366
Vintage	2007
Strategy	Value-Added
Target Geography	North America

##### Performance

DPI	1.35x
TVPI	1.35x
IRR	5.3%

##### Status



##### Fund Diversification (by Unrealized Value)

*Fund is fully liquidated.*

##### Portfolio Holdings

*Fund is fully liquidated.*

#### Colony Realty Partners IV, L.P.

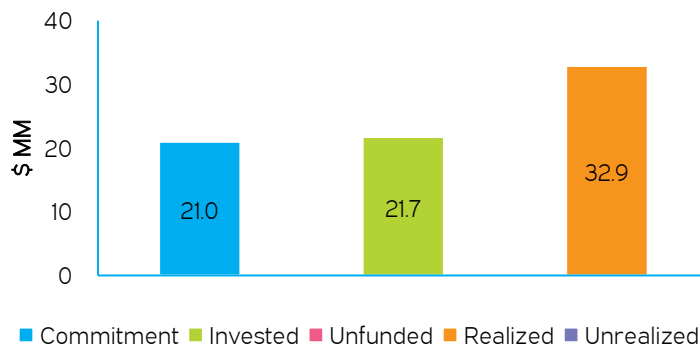
##### General

Manager Location	Boston, Massachusetts
Fund Size (\$M)	\$111
Vintage	2012
Strategy	Value-Added
Target Geography	North America

##### Performance

DPI	1.51x
TVPI	1.51x
IRR	11.9%

##### Status



##### Fund Diversification (by Unrealized Value)

*Fund is fully liquidated.*

##### Portfolio Holdings

*Fund is fully liquidated.*

#### Greenfield Acquisition Partners V, L.P.

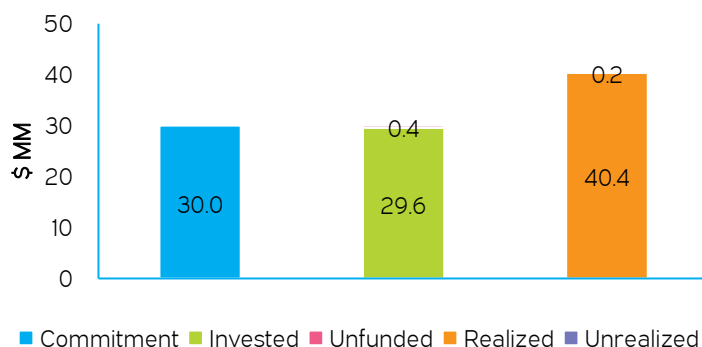
##### General

Manager Location	Blenheim, New Zealand
Fund Size (\$M)	\$1,000
Vintage	2007
Strategy	Opportunistic
Target Geography	North America

##### Performance

DPI	1.37x
TVPI	1.37x
IRR	8.3%

##### Status



##### Fund Diversification (by Unrealized Value)



##### Portfolio Holdings

Asset	Industry	Invested (\$M)	Realized (\$M)	Unrealized (\$M)	TVPI (X)
Clayton - MSLS	RE Operating Cos	228.5	371.8	0	1.63
Canal Street - Sheraton	Hotel & Resort RE	110.5	179.3	0	1.62
GreenCo	Other RE	100.3	119.3	0	1.19
Stone St - Double Tree	Hotel & Resort RE	92.7	145.2	0	1.57
39th St - Element	Hotel & Resort RE	63.1	171.1	0	2.71
Watergate	Office RE	49.6	19.5	8.1	0.56
Raith Green	Other RE	47.1	74.3	0	1.58
Tribune - Stamford	Residential RE	46.7	61.8	0	1.32
Kirkpatrick	Other RE	41.1	42.6	0	1.04
Other (35)		516.6	672.2	0	1.30
<b>Total</b>		<b>1,296.2</b>	<b>1,857.1</b>	<b>8.1</b>	<b>1.44</b>

#### Greenfield Acquisition Partners VI, L.P.

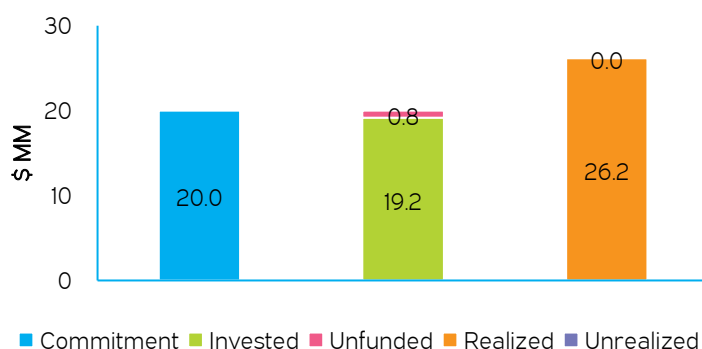
##### General

Manager Location	Blenheim, New Zealand
Fund Size (\$M)	\$354
Vintage	2011
Strategy	Opportunistic
Target Geography	North America

##### Performance

DPI	1.37x
TVPI	1.37x
IRR	9.6%

##### Status



##### Fund Diversification (by Unrealized Value)

*No unrealized investments remain.*

##### Portfolio Holdings

Asset	Industry	Invested (\$M)	Realized (\$M)	Unrealized (\$M)	TVPI (X)
Maryland COPT II	Office RE	93.1	85.5	0	0.92
413 East Huron	Residential RE	31.9	38.8	0	1.22
Ace Hotel	Hotel & Resort RE	27.2	49.6	0	1.83
Texas Industrial	Industrial RE	26.8	56.5	0	2.11
Wisconsin Liberty	Office RE	22.1	18.4	0	0.83
Broadway Lofts	Residential RE	21.7	59.8	0	2.76
54 Wilton Road	Office RE	19.4	9.2	0	0.47
205 W. Wacker Drive	Office RE	15.8	22.8	0	1.44
Center 78	Office RE	14.7	18.6	0	1.26
Other (22)		179.6	274.3	0	1.53
<b>Total</b>		<b>452.2</b>	<b>633.4</b>	<b>0</b>	<b>1.40</b>



#### Greenfield Acquisition Partners VII, L.P.

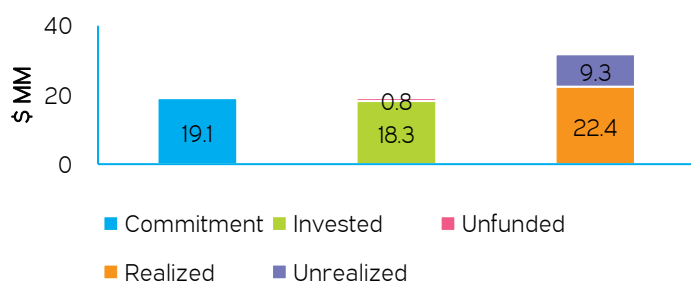
##### General

Manager Location	Blenheim, New Zealand
Fund Size (\$M)	\$382
Vintage	2013
Strategy	Opportunistic
Target Geography	North America

##### Performance

DPI	1.23x
TVPI	1.74x
IRR	13.7%

##### Status



##### Fund Diversification (by Unrealized Value)



##### Portfolio Holdings

Asset	Industry	Invested <sup>1</sup> (\$M)	Realized <sup>1</sup> (\$M)	Unrealized (\$M)	TVPI (X)
Savannah Port Logistics Center	Industrial RE	49.9	49.2	43.6	1.86
Edge Green	Other RE	45.7	42.6	12.4	1.20
Parkland Mezzanine	Other RE	40.0	10.6	37.1	1.19
Barnett Industrial	Industrial RE	38.8	55.2	0	1.42
Northbridge Centre	Office RE	34.1	44.1	0	1.29
GIJV - Chicago	Industrial RE	34.0	64.8	0	1.91
Painted Prairie	Other RE	31.2	16.8	32.9	1.59
Twelve Bridges	Other RE	29.9	44.1	11.5	1.86
Minnesota Office/Flex Portfolio	Office RE	25.7	29.5	0	1.15
Other (37)		431.1	544.1	77.4	1.44
<b>Total</b>		<b>760.4</b>	<b>901.1</b>	<b>215.0</b>	<b>1.47</b>

<sup>1</sup> The manager provided incomplete underlying holdings detail. As a result, invested capital and realized proceeds are as of September 30, 2021, while fair value is as of December 31, 2021. Therefore, TVPI performance metrics may not be meaningful.

#### Grandview I-A, LP. (Greenfield Acquisition Partners VIII, L.P.)

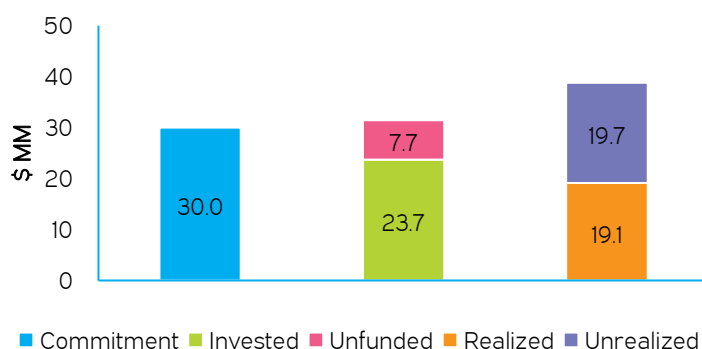
##### General

Manager Location	Blenheim, New Zealand
Fund Size (\$M)	\$146
Vintage	2017
Strategy	Opportunistic
Target Geography	North America

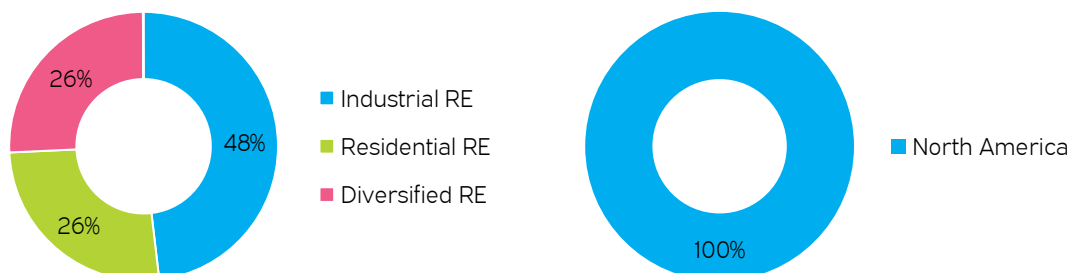
##### Performance

DPI	0.81x
TVPI	1.64x
IRR	24.8%

##### Status



##### Fund Diversification (by Unrealized Value)



##### Portfolio Holdings

Asset	Industry	Invested (\$M)	Realized (\$M)	Unrealized (\$M)	TVPI (x)
Elk Grove Technology Park	Industrial RE	45.3	74.8	3.8	1.74
7600 Assateague	Industrial RE	34.8	48.7	0	1.40
139 East Houston Street	Diversified RE	33.3	0	26.3	0.79
Windler Homestead	Residential RE	20.5	12.2	12.5	1.20
CenterState East	Industrial RE	18.5	32.6	0	1.76
First Central Tower	Office RE	15.3	32.1	.1	2.11
MC Estates Mezzanine	Other RE	10.3	16.5	0	1.60
Plano Commerce Center	Industrial RE	9.0	1.4	11.9	1.47
Forney Logistics Center	Industrial RE	8.7	0	13.0	1.49
Other (11)		54.6	45.3	34.9	1.47
<b>Total</b>		<b>250.3</b>	<b>263.6</b>	<b>102.5</b>	<b>1.46</b>

#### Miller Global Fund V, L.P.

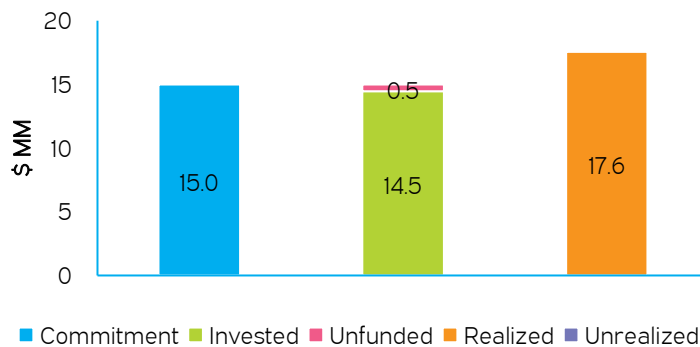
##### General

Manager Location	Denver, Colorado
Fund Size (\$M)	\$290
Vintage	2005
Strategy	Opportunistic
Target Geography	North America

##### Performance

DPI	1.21x
TVPI	1.21x
IRR	3.4%

##### Status



##### Fund Diversification (by Unrealized Value)

*Fund is fully liquidated.*

##### Portfolio Holdings

*Fund is fully liquidated.*

#### Miller Global Fund VI, L.P.

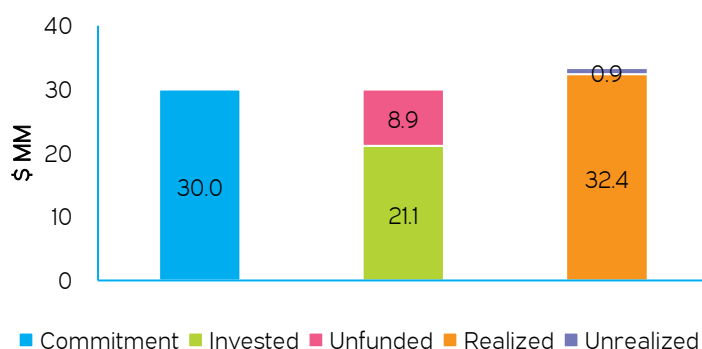
##### General

Manager Location	Denver, Colorado
Fund Size (\$M)	\$327
Vintage	2007
Strategy	Opportunistic
Target Geography	North America

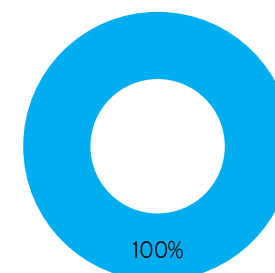
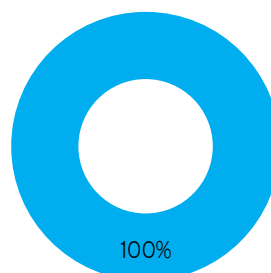
##### Performance

DPI	1.53x
TVPI	1.58x
IRR	7.8%

##### Status



##### Fund Diversification (by Unrealized Value)



##### Portfolio Holdings

Asset	Industry	Invested (\$M)	Realized (\$M)	Unrealized (\$M)	TVPI (X)
JW Marriott Resort/TPC San Antonio	Hotel & Resort	72.0	200.2	0	2.78
1333 H Street	Office RE	48.0	51.6	0	1.07
1900 West Loop South	Office RE	22.5	11.1	9.2	0.90
Embassy Suites Springfield	Hotel & Resort	20.5	44.1	0	2.15
18 Gramercy Park South	Residential RE	13.8	32.7	0	2.37
Park Ridge IV	Office RE	12.4	17.0	0	1.37
Point at Inverness	Office RE	11.2	20.2	0	1.80
<b>Total</b>		<b>200.4</b>	<b>376.9</b>	<b>9.2</b>	<b>1.93</b>

#### Miller Global Fund VII, L.P.

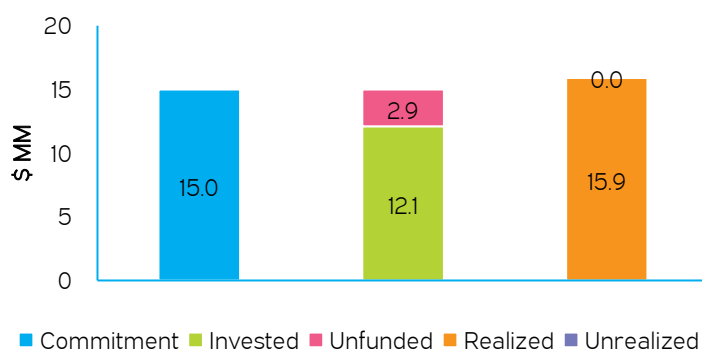
##### General

Manager Location	Denver, Colorado
Fund Size (\$M)	\$227
Vintage	2012
Strategy	Opportunistic
Target Geography	North America

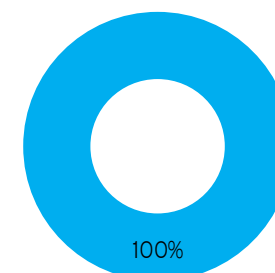
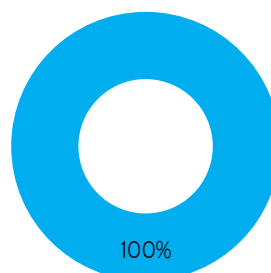
##### Performance

DPI	1.31x
TVPI	1.32x
IRR	14.2%

##### Status



##### Fund Diversification (by Unrealized Value)



##### Portfolio Holdings

Asset	Industry	Invested (\$M)	Realized (\$M)	Unrealized (\$M)	TVPI (X)
Panorama	Office RE	51.0	85.3	0	1.67
Westgate Buildings II and III	Office RE	31.9	71.5	0	2.24
Capital Ridge	Office RE	20.5	41.0	0	2.00
Westgate Building I	Office RE	18.5	20.5	0	1.11
Dry Creek Centre	Office RE	14.0	43.0	0	3.06
Pima Northgate	Office RE	12.4	4.2	.4	0.37
Ocean Ridge	Office RE	11.3	11.5	0	1.02
<b>Total</b>		<b>159.6</b>	<b>277.1</b>	<b>.4</b>	<b>1.74</b>

#### Principal US Property Account

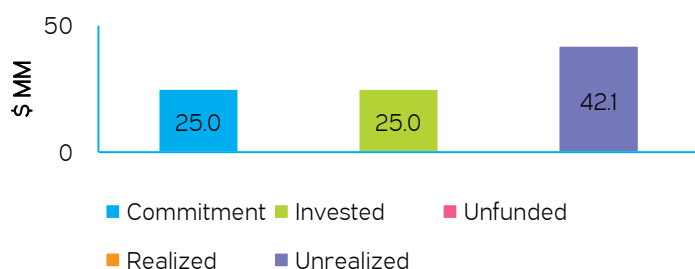
##### General

Manager Location	Des Moines, Iowa
Fund Size (\$M)	\$10,731
Vintage	Open-end
Strategy	Core
Target Geography	North America

##### Performance

DPI	0.00x
TVPI	1.68x
IRR	9.0%

##### Status



##### Fund Diversification (by Unrealized Value)



##### Portfolio Holdings

Asset	Industry	Invested (\$M)	Realized <sup>1</sup> (\$M)	Unrealized (\$M)	TVPI (X)
Principal US Multifamily	Residential RE	2,974.5	0	3,865.8	1.30
Principal US Office	Retail RE	2,365.9	0	2,797.0	1.18
Principal US Industrial	Industrial RE	1,707.3	0	3,529.8	2.07
Principal US Retail	Retail RE	1,299.2	0	1,341.4	1.03
Principal Joint Ventures	Diversified RE	376.0	0	421.3	1.12
Short-term investments	Not Disclosed	65.5	0	65.5	1.00
Principal US Land	Other RE	28.1	0	27.4	0.97
<b>Total</b>		<b>8,816.6</b>	<b>0</b>	<b>12,048.1</b>	<b>1.37</b>

<sup>1</sup> The manager provided incomplete underlying holdings detail. Holdings detail shows invested capital and fair value but does not include realized proceeds. Therefore, TVPI performance metrics are not meaningful.

#### Prologis Targeted U.S. Logistics

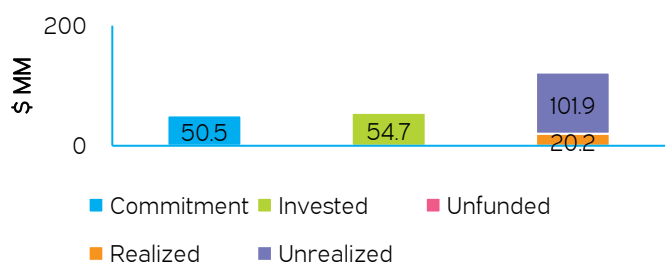
##### General

Manager Location	
Fund Size (\$M)	\$13,200
Vintage	Open-end
Strategy	Core
Target Geography	North America

##### Performance

DPI	0.37x
TVPI	2.23x
IRR	7.9%

##### Status



##### Fund Diversification (by Unrealized Value)



##### Portfolio Holdings

Asset	Industry	Invested <sup>1</sup> (\$M)	Realized <sup>2</sup> (\$M)	Unrealized (\$M)	TVPI (X)
Prologis East	Industrial RE	0	0	4,399.6	NM
Prologis Midwest	Industrial RE	0	0	2,826.2	NM
Prologis South	Industrial RE	0	0	5,039.6	NM
Prologis West	Industrial RE	0	0	11,876.1	NM
<b>Total</b>		<b>0</b>	<b>0</b>	<b>24,141.4</b>	<b>NM</b>

<sup>1</sup> The manager provided incomplete underlying holdings detail. Holdings detail only shows fair value. Therefore, TVPI performance metrics are not meaningful.

<sup>2</sup> The manager provided incomplete underlying holdings detail. Holdings detail shows invested capital and fair value but does not include realized proceeds. Therefore, TVPI performance metrics are not meaningful.

#### RREEF America REIT II, Inc.

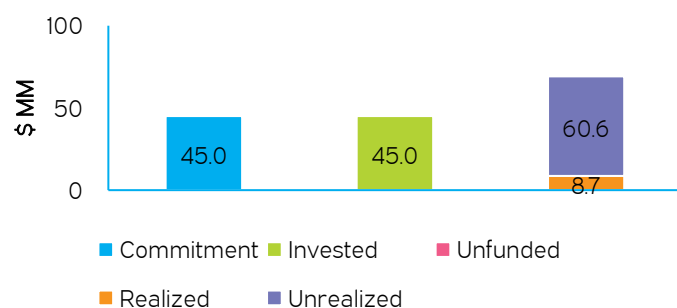
##### General

Manager Location	London, England
Fund Size (\$M)	\$14,200
Vintage	Open-end
Strategy	Core
Target Geography	North America

##### Performance

DPI	0.19x
TVPI	1.54x
IRR	8.7%

##### Status



##### Fund Diversification (by Unrealized Value)



##### Portfolio Holdings

Asset	Industry	Invested (\$M)	Realized <sup>1</sup> (\$M)	Unrealized (\$M)	TVPI (x)
Apartment	Residential RE	3,786.6	0	4,900.0	1.29
Office	Office RE	3,477.7	0	4,228.9	1.22
Industrial	Industrial RE	3,388.3	0	6,782.7	2.00
Retail	Retail RE	2,132.3	0	2,223.8	1.04
<b>Total</b>		<b>12,784.9</b>	<b>0</b>	<b>18,135.5</b>	<b>1.42</b>

<sup>1</sup> The manager provided incomplete underlying holdings detail. Holdings detail only shows invested capital and fair value. Therefore, TVPI performance metrics are not meaningful.



#### Stockbridge Real Estate Fund III, L.P.

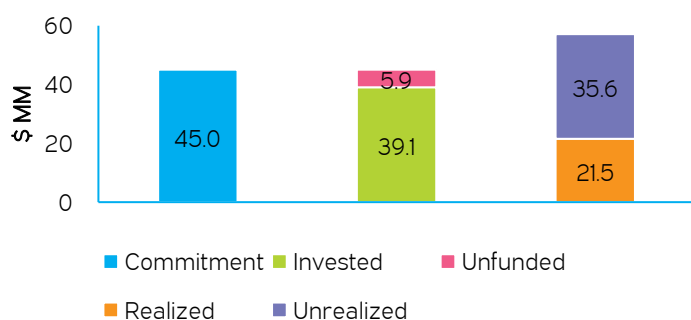
##### General

Manager Location	San Francisco, California
Fund Size (\$M)	\$355
Vintage	2017
Strategy	Value-Added
Target Geography	North America

##### Performance

DPI	0.55x
TVPI	1.46x
IRR	19.0%

##### Status



##### Fund Diversification (by Unrealized Value)



##### Portfolio Holdings

Asset	Industry	Invested (\$M)	Realized <sup>1</sup> (\$M)	Unrealized (\$M)	TVPI (x)
Chicago Infill Industrial	Industrial RE	46.9	0	68.2	1.46
LINQ Apartments	Residential RE	46.2	0	50.7	1.10
Burnham 600	Office RE	29.8	0	18.5	0.62
110 E Broward	Office RE	27.5	0	20.4	0.74
Glenwood Park Lofts	Residential RE	15.3	0	24.1	1.57
Barrett Pavilion	Retail RE	13.9	0	23.9	1.72
TOP Kearny	Industrial RE	12.8	0	26.2	2.05
TOP Tippecanoe	Industrial RE	10.2	0	21.6	2.13
Airport Way Corporate I	Industrial RE	8.8	0	12.8	1.45
Other (8)		20.3	0	37.4	1.85
<b>Total</b>		<b>231.7</b>	<b>0</b>	<b>303.9</b>	<b>1.31</b>

<sup>1</sup> The manager provided incomplete underlying holdings detail. Holdings detail only shows invested capital and fair value. Therefore, TVPI performance metrics are not meaningful.

#### Walton Street Real Estate Fund V, L.P.

The Fund will make value-added and opportunistic equity and/or debt investments in real estate related assets and companies. The manager targets institutional quality assets in desirable markets with a focus on: (i) value enhancement potential, (ii) value investing, and (iii) opportunistic areas of event-driven investment.

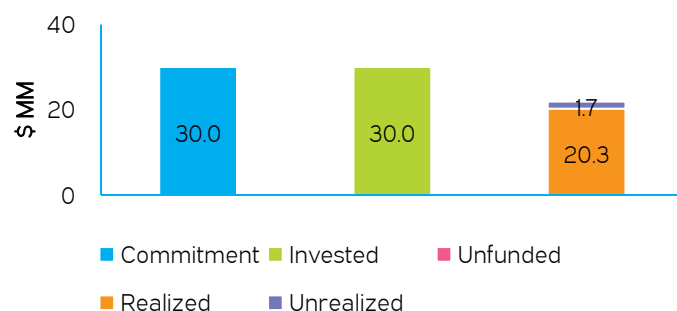
#### General

Manager Location	Chicago, Illinois
Fund Size (\$M)	\$1,597
Vintage	2005
Strategy	Opportunistic
Target Geography	North America

#### Performance

DPI	0.68x
TVPI	0.73x
IRR	-3.4%

#### Status



#### Fund Diversification (by Unrealized Value)

*No unrealized investments remain.*

#### Portfolio Holdings

Asset	Industry	Invested (\$M)	Realized (\$M)	Unrealized (\$M)	TVPI (X)
Constitution Sq Resi 1	Diversified RE	166.5	300.2	0	1.80
Crescent Hotel Ventana	Hotel & Resort Ops	135.0	200.6	0	1.49
Alta Homes	Residential RE	101.3	65.1	0	0.64
American Senior Living	Other RE	71.2	23.6	0	0.33
Higgins Portfolio	Diversified RE	62.4	1.0	0	0.02
Empire Ctr Note Purchase	Office RE	56.7	70.3	0	1.24
El Milagro	Residential RE	31.9	0	0	0.00
Boston Malls	Retail RE	23.0	3.1	0	0.14
305 Walnut	Office RE	16.7	9.9	0	0.60
Other (16)		47.8	96.4	0	2.02
<b>Total</b>		<b>712.5</b>	<b>770.2</b>	<b>0</b>	<b>1.08</b>

#### Walton Street Real Estate Fund VI, L.P.

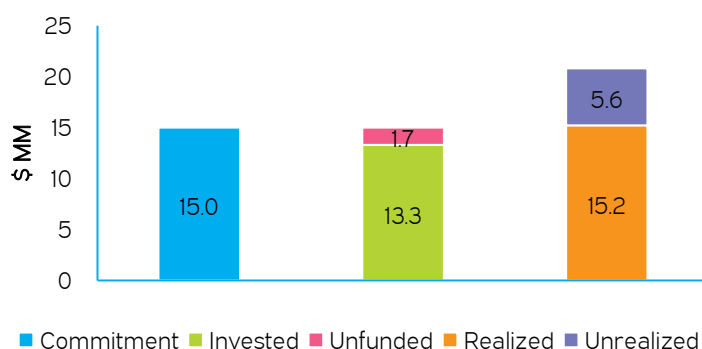
##### General

Manager Location	Chicago, Illinois
Fund Size (\$M)	\$667
Vintage	2007
Strategy	Opportunistic
Target Geography	North America

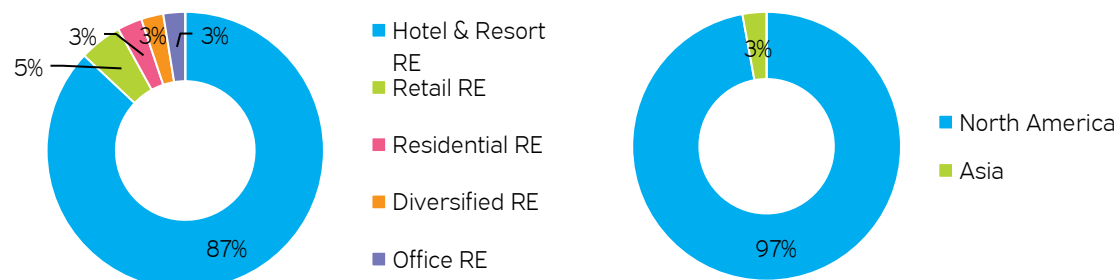
##### Performance

DPI	1.14x
TVPI	1.57x
IRR	8.2%

##### Status



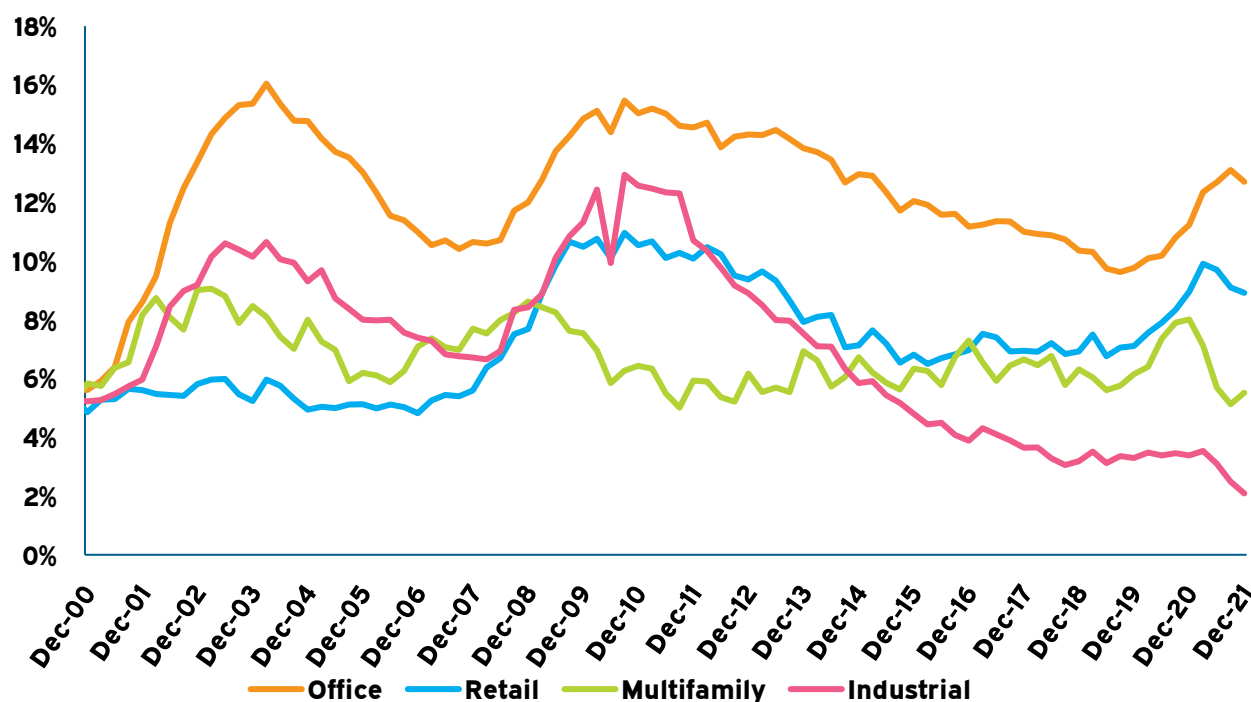
##### Fund Diversification (by Unrealized Value)



##### Portfolio Holdings

Asset	Industry	Invested (\$M)	Realized (\$M)	Unrealized (\$M)	TVPI (x)
Rivers Casino	Hotel & Resort RE	184.8	132.3	463.0	3.22
Thompson Chicago	Hotel & Resort RE	61.2	17.6	7.4	0.41
PECO Retail Portfolio	Retail RE	47.8	23.5	14.0	0.79
Eye Street Assemblage	Diversified RE	43.2	0	14.0	0.32
Atlas Park	Retail RE	37.0	35.4	12.8	1.30
India Portfolio - Shriram	Residential RE	22.7	0	15.6	0.69
City Plaza	Office RE	20.0	18.5	13.8	1.62
Elliot Corporate	Office RE	14.1	1.7	0	0.12
<b>Total</b>		<b>430.7</b>	<b>229.0</b>	<b>540.7</b>	<b>1.79</b>

#### Real Estate Fundamentals Vacancy by Property Type<sup>1</sup>



In the fourth quarter of 2021, vacancy rates continued to decrease for all property types except multifamily. Multifamily vacancies increased slightly by 39 basis points in Q4 2021. Industrial vacancies set a new all-time low at 2.1%. Retail vacancies have decreased slightly over the last three quarters and are currently at 8.9%. Office vacancies decreased in Q4 2021 to 12.7%. Office saw increases in vacancy over the trailing twelve months, while industrial and retail have seen decreases over the same period. Compared to one year ago, vacancy rates in multifamily decreased 249 basis points, industrial decreased 129 basis points, retail decreased 4 basis points, and office increased 146 basis points. Overall, the vacancy rate across all property types decreased 125 basis point from Q4 2020.

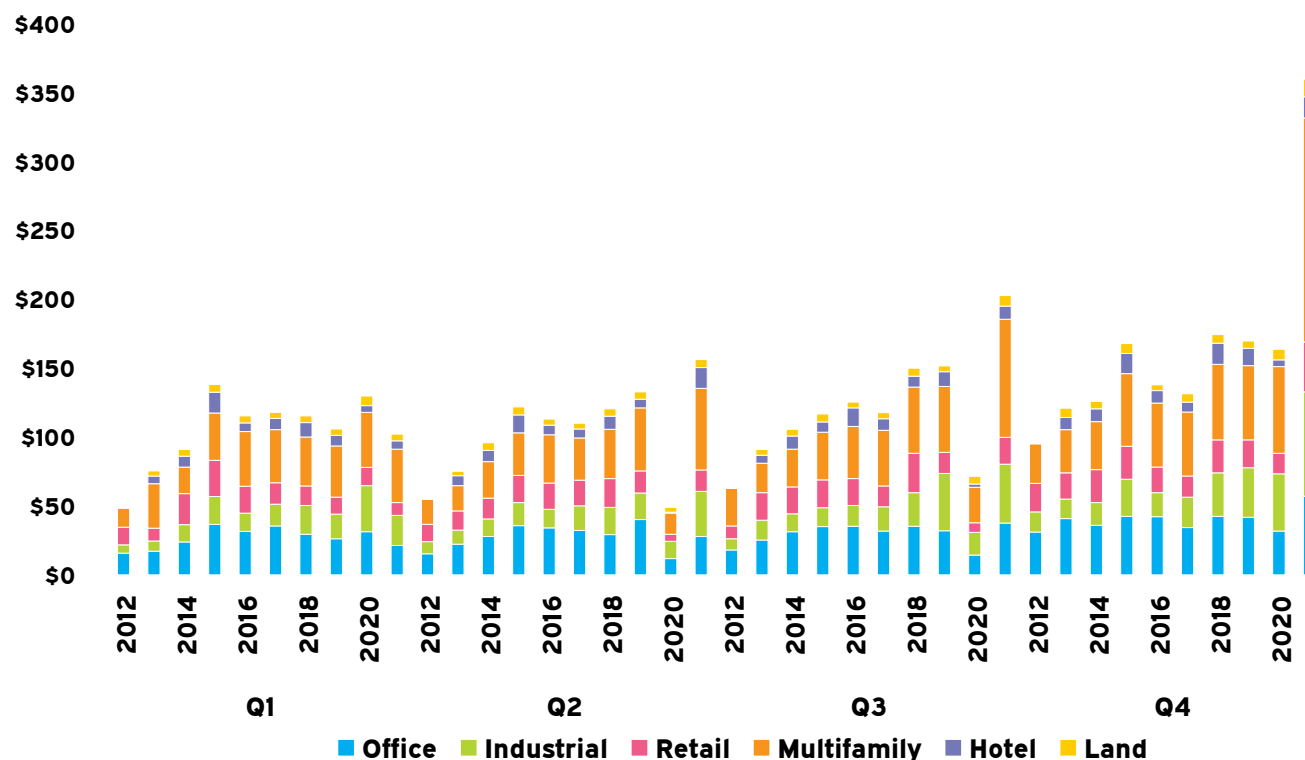
<sup>1</sup> Source: NCREIF



The trailing twelve-month rate of NOI growth continued to increase significantly in Q4 2021 to 12.4%. This growth rate was supported by improved rent collections and the expiry of pandemic-related delinquencies/deferrals. Industrial NOI growth is trending above 10.0% for the trailing year ending Q4 2021. Office NOI growth trended down slightly to 2.3% year-over-year, and Apartment NOI (a sector with “gross” rents, compared to “net” rents in other property types) experienced positive NOI growth at 24.8% year-over-year as occupancy levels improved. Retail NOI growth has improved significantly from the previous four quarters, now at 17.6% year-over-year.

<sup>1</sup> Source: NCREIF

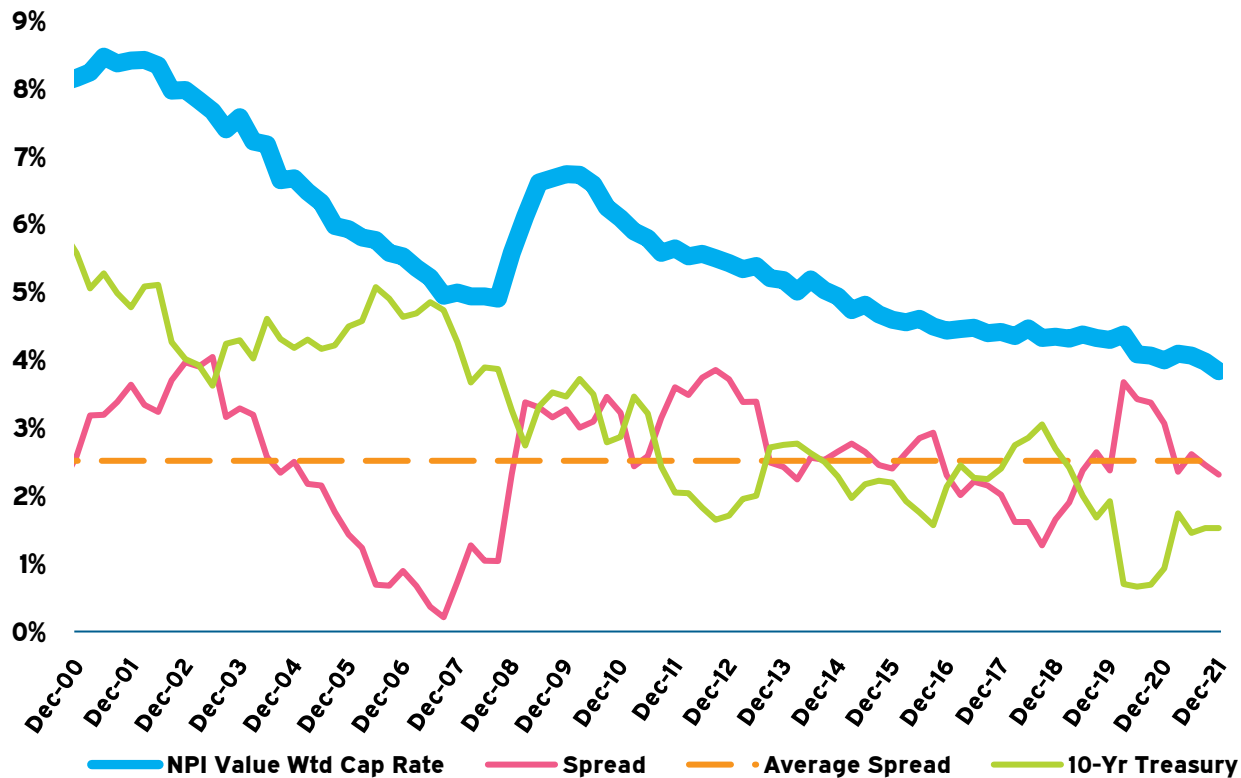
#### Transaction Volume (\$bn)<sup>1</sup>



Private real estate transaction volume for properties valued over \$2.5 million for Q4 2021 was up significantly from Q4 2020 to \$360 billion, representing the highest transaction volume for a single quarter since 2012. Compared to a year ago, all property types saw major increases in transaction volume: office (+79%), industrial (+83%), retail (+142%), multifamily (+158%), hotel (+219%) and land (+68%). Multifamily and industrial properties made up the largest percentages of total transaction volume during the quarter, at 45% and 21%, respectively.

<sup>1</sup> Source: PREA

#### Real Estate Capital Markets Cap Rates vs. 10-Year Treasury<sup>1</sup>



The NPI Value Weighted Cap Rate decreased 14 basis points in Q4 2021 to 3.8%. The 10-year Treasury yield stayed the same in Q4 2021 from the previous quarter and is still well below historical yields. The spread between cap rates and treasury yields (231 basis points) is slightly below the long-term average spread of 251 basis points.

<sup>1</sup> Source: NCREIF and US Department of the Treasury

### Trailing Period Returns<sup>1</sup>

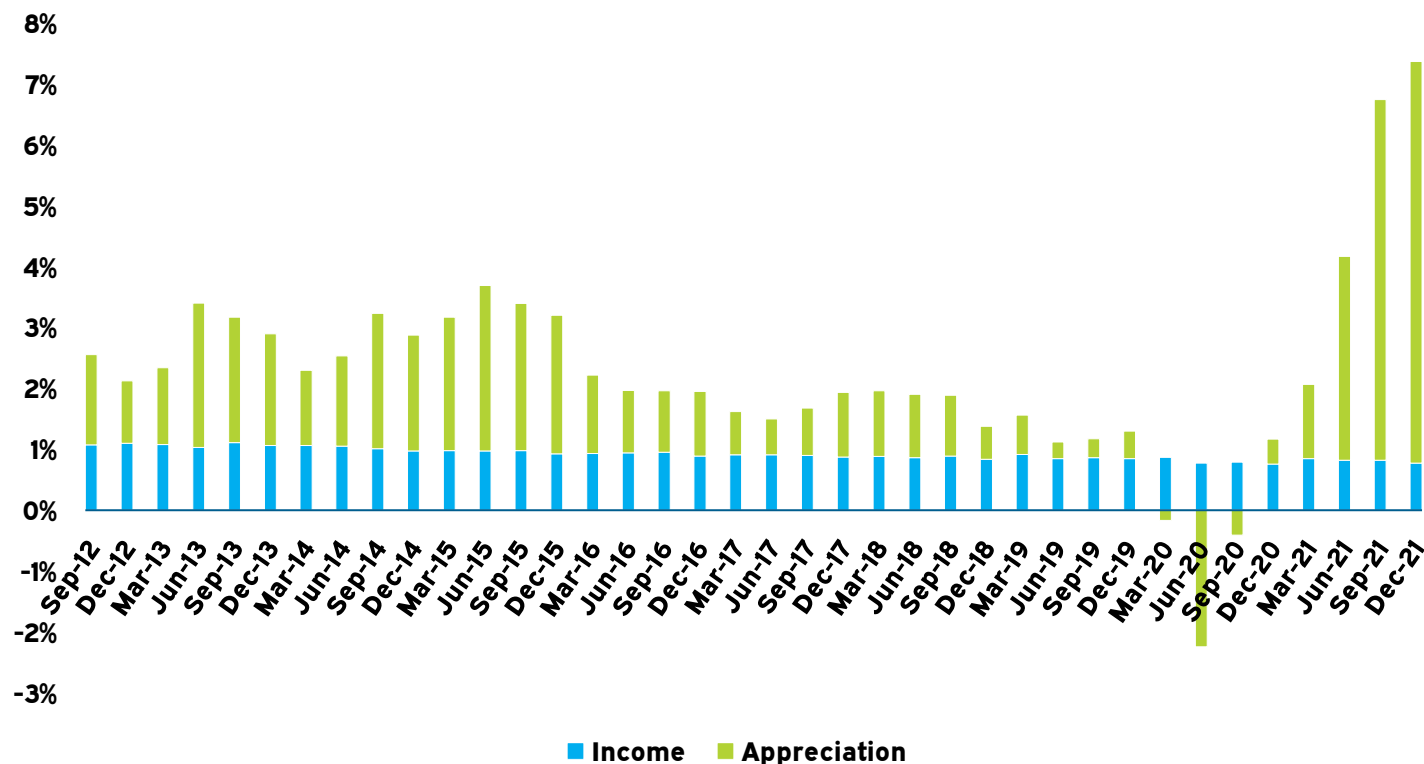
<i>As of December 31, 2021</i>	1 Year	3 Years	5 Years	10 Years
NFI-ODCE (EW, net)	21.9%	8.9%	8.1%	9.7%
NFI-ODCE (VW, net)	21.0	8.2	7.7	9.4
NCREIF Property Index	17.7	8.4	7.8	9.3
NAREIT Equity REIT Index	41.3	19.9	12.4	12.2

Private real estate indices were positive in Q4 2021 and continue to be positive over the 1-year, 3-year, 5-year, and 10-year time horizons. The NFI-ODCE Equal Weight Index posted the highest yearly return in history in 2021. Public real estate performance in 2020 and into 2021 has been volatile, returning 16.2% in Q4 2021, after posting a 0.2% return in the prior quarter and a negative return (-5.1%) over the course of 2020.

<sup>1</sup> Source: NCREIF



#### ODCE Return Components <sup>1</sup> (Equal Weight, Net)



The NFI-ODCE Equal Weight return for Q4 2021 was positive at 7.4%, posting the highest quarterly return in the history of the index. The income component of the quarterly return was consistent at 0.8%, and appreciation for the quarter was very strong at 6.6%.

<sup>1</sup> Source: NCREIF

Below are details on specific terminology and calculation methodologies used throughout this report:

<b>Committed</b>	The original commitment amount made to a given fund. Some funds may be denominated in non-USD currencies, and such commitment amounts represent the sum of fund contributions translated to USD at their daily conversion rates plus the unfunded balance translated at the rate as of the date of this report.
<b>Contributed</b>	The amount of capital called by a fund manager against the commitment amount. Contributions may be used for new or follow-on investments, fees, and expenses, as outlined in each fund's limited partnership agreement. Some capital distributions from funds may reduce contributed capital balances. Some funds may be denominated in non-USD currencies, and such aggregate contributions represent the sum of each fund contribution translated to USD at its daily conversion rate.
<b>Distributed</b>	The amount of capital returned from a fund manager for returns of invested capital, profits, interest, and other investment related income. Some distributions may be subject to re-investment, as outlined in each fund's limited partnership agreement. Some funds may be denominated in non-USD currencies, and such aggregate distributions represent the sum of each fund distribution translated to USD at its daily conversion rate.
<b>DPI</b>	Acronym for "Distributed-to-Paid-In", which is a performance measurement for Private Market investments. The performance calculation equals Distributed divided by Contributed. DPIs for funds and groupings of funds are net of all fund fees and expenses as reported to by fund managers to Meketa.
<b>Exposure</b>	Represents the sum of the investor's Unfunded and Remaining Value.
<b>IRR</b>	Acronym for "Internal Rate of Return", which is a performance measurement for Private Market investments. IRRs are calculated by Meketa based on daily cash flows and Remaining Values as of the date of this report. IRRs for funds and groupings of funds are net of all fund fees and expenses as reported by fund managers to Meketa.
<b>NCV</b>	Acronym for "Net Change in Value", which is a performance measurement for Private Market investments. The performance calculation equals the appreciation or depreciation over a time period neutralized for the impact of cash flows that occurred during the time period.
<b>NM</b>	Acronym for "Not Meaningful", which indicates that a performance calculation is based on data over too short a timeframe to yet be meaningful or not yet possible due to inadequate data. Meketa begins reporting IRR calculations for investments once they have reached more than two years since first capital call. NM is also used within this report in uncommon cases where the manager has reported a negative Remaining Value for an investment.

### Public Market Equivalent ("PME")

A calculation methodology that seeks to compare the performance of a portfolio of private market investments with public market indices. The figures presented in this report are based on the PME+ framework, which represents a net IRR value based on the actual timing and size of the private market program's daily cash flows and the daily appreciation or depreciation of an equivalent public market index. Meketa utilizes the following indices for private market program PME+ calculations:

Infrastructure: Dow Jones Brookfield Global Infrastructure Index

Natural Resources: S&P Global Natural Resources Index

Private Debt: Barclays Capital U.S. Corporate High Yield Bond Index

Private Equity: MSCI ACWI Investable Market Index

Real Assets (excluding Real Estate): Equal blend of Dow Jones Brookfield Global Infrastructure Index and S&P Global Natural Resources Index

Real Assets (including Real Estate): Equal blend of Dow Jones Brookfield Global Infrastructure Index, S&P Global Natural Resources Index, and Dow Jones U.S. Select Real Estate Securities Index

Real Estate: Dow Jones U.S. Select Real Estate Securities Index

### Remaining Value

The investor's value as reported by a fund manager on the investor's capital account statement. All investor values in this report are as of the date of this report, unless otherwise noted. Some funds may be denominated in non-USD currencies, and such remaining values represent the fund's local currency value translated to USD at the rate as of the date of this report.

### TVPI

Acronym for "Total Value-to-Paid-In", which is a performance measurement for Private Market investments. The performance calculations represents Distributed plus Remaining Value, then divided by Contributed. TVPIs for funds and groupings of funds are net of all fund fees and expenses as reported to by fund managers to Meketa.

### Unfunded

The remaining balance of capital that a fund manager has yet to call against a commitment amount. Meketa updates unfunded balances for funds to reflect all information provided by fund managers provided in their cash flow notices. Some funds may be denominated in non-USD currencies, and such unfunded balances represent the fund's local currency unfunded balance translated to USD at the rate as of the date of this report.

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Meketa Investment Group has prepared this report on the basis of sources believed to be reliable. The data are based on matters as they are known as of the date of preparation of the report, and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available.

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In general, the valuation numbers presented in this report are prepared by the custodian bank for listed securities, and by the fund manager or appropriate General Partner in the case of unlisted securities. The data used in the market comparison sections of this report are sourced from various databases. These data are continuously updated and are subject to change.

This report does not contain all the information necessary to fully evaluate the potential risks of any of the investments described herein. Because of inherent uncertainties involved in the valuations of investments that are not publicly traded, any estimated fair values shown in this report may differ significantly from the values that would have been used had a ready market for the underlying securities existed, and the differences could be material.

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The values of companies and partnerships are audited at year-end, and are not audited at other quarter-end periods. While financial information may be audited, there is some discretion as to the method employed to price private companies and, therefore, private markets partnerships. At all times, Meketa Investment Group expects General Partners to utilize conservative and industry standard pricing procedures, and requires the General Partners to disclose those procedures in their reports. However, because of the inherent uncertainty of valuation, these estimated values may differ from the values that would be used if a ready market for the investments existed, and the differences could be significant.

# San Joaquin County Employees' Retirement Association

May 2022

Strategic Asset Allocation -  
Evaluating Optimized Portfolios



# **San Joaquin County Employees' Retirement Association**

## **Table of Contents**

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- 2. Asset-Liability Study Recap**
- 3. Asset-Liability Study - Stochastic**
- 4. Conclusions and Next Steps**
- 5. Appendix**

# Introduction



## San Joaquin County Employees' Retirement Association

### Overview

#### *Project Goal:*

*To review and possibly modify SJCERA's Strategic Allocation Policy, reflecting the Board's unique definition, tolerance for, and beliefs about investment risk.*





# San Joaquin County Employees' Retirement Association

## Introduction

The purpose of this presentation is to:

1. Review the asset-liability model output.
  - Examine several optimized portfolios based on results from the risk survey.
  - Improve the return/risk profile of the SJCER A portfolio.
  - Examine changes to the strategic policy given the current 7.00% return expectation.
2. Discuss next steps.
  - The intent of today is to solicit feedback from the Board in order to return in June with additional analysis and select a new strategic asset allocation policy.

## **Asset-Liability Study Recap**



## San Joaquin County Employees' Retirement Association

### Asset-Liability Study Recap

To this point, the SJCERA Board has seen three dedicated asset-liability study presentations:

→ February 2022

- Review of 2022 capital market assumptions.

→ March 2022

- Review of Asset liability and actuarial concepts.

→ April 2022

- Examination and modeling of the current Strategic Asset allocation.

May 2022 (current meeting)

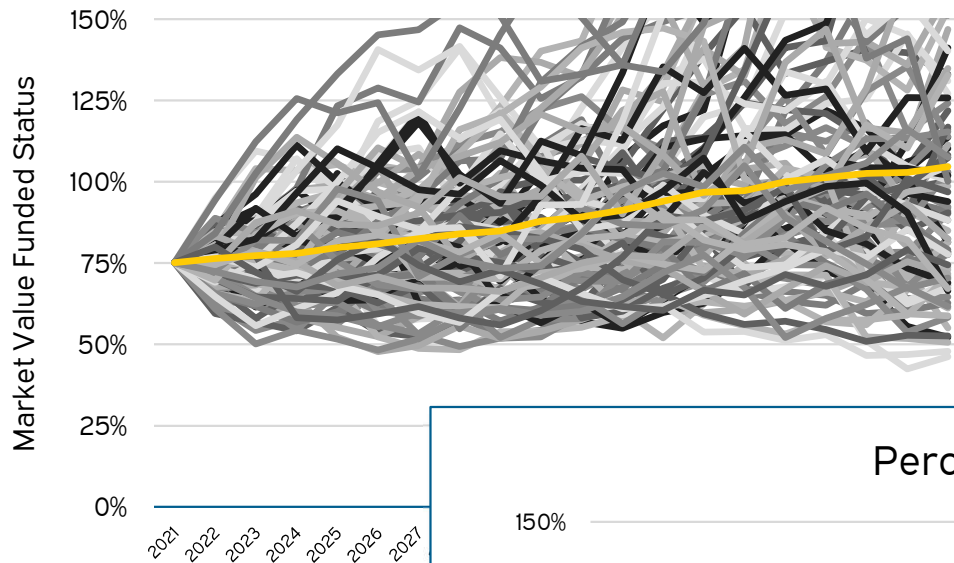
- Examination of initial model output and begin process of selecting a new long-term policy portfolio.



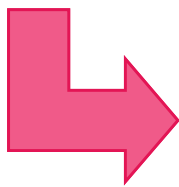
# San Joaquin County Employees' Retirement Association

## Asset-Liability Study – Recap

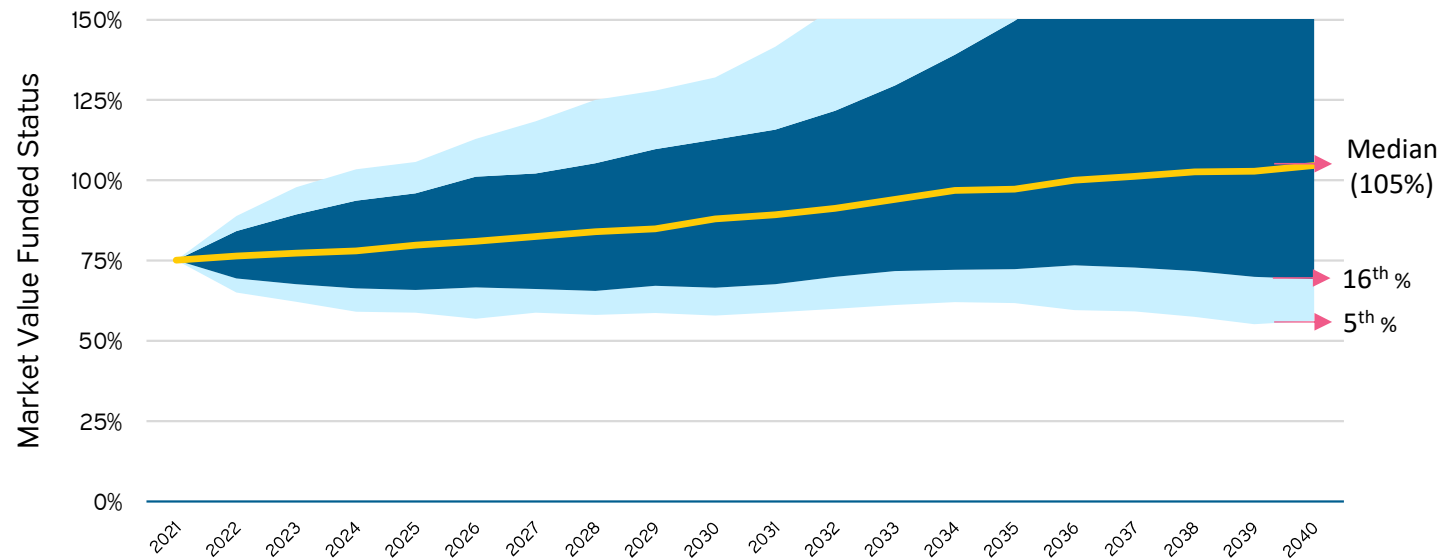
### Individual Simulations



- The chart to the left displays a stochastic simulation of the funded status outcomes based on the current investment policy, projected benefit payments, funded status and funding policy.
- The chart below summarizes those results into corridors of percentiles.
- Example: There is a 50% probability the funded status greater than 105% in 2040.



### Percentile Grouped Simulations



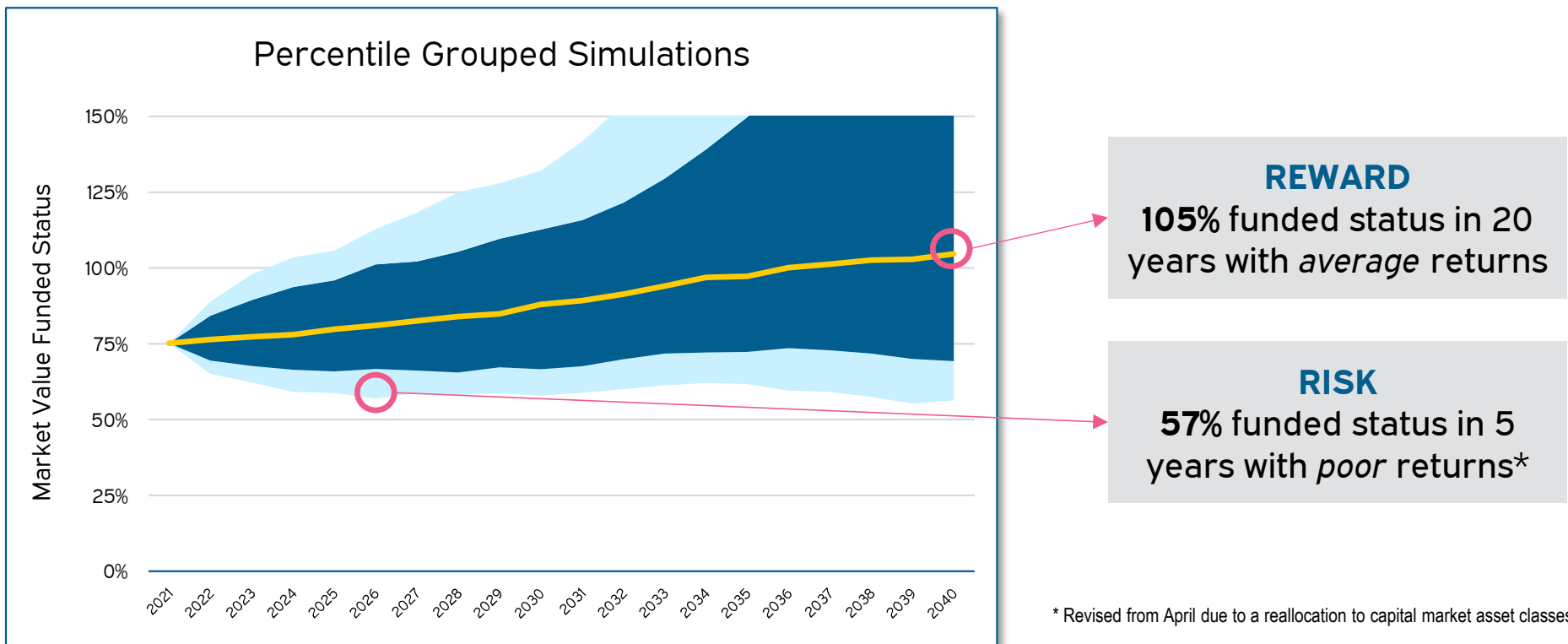


# San Joaquin County Employees' Retirement Association

## Asset-Liability Study – Recap

→ This study uses a “Risk/Reward” framework to make relative comparisons between asset allocations.

- **Reward** – An outcome where all the underlying assumptions prove to be accurate over the long-term (50<sup>th</sup> percentile over a 20-year time horizon).
- **Risk** – An outcome with a low probability (5<sup>th</sup> percentile) but a more detrimental impact on the Plan, especially when that outcome occurs in the short-term (5-year time horizon).



## **Asset-Liability Study - Stochastic**



# San Joaquin County Employees' Retirement Association

## Asset-Liability Study – Simulations → Percentiles – Funded Status

### Asset Class Constraints

Asset Class /Strategy	Minimum	Maximum
Traditional Growth	24%	40%
Aggressive Growth*	6%	20%
Credit**	11%	23%
Liquid Credit	2%	8%
Private Credit	9%	15%
Core Private Real Estate**	5%	9%
Risk Parity**	0%	10%
Principal Protection	5%	11%
Crisis Risk Offset	5%	15%

### Summary

- Constraints represent a combination of:
  - 1) avoidance of model biases.
  - 2) implementable portfolios.
- Key element for SJCERA's liquidity consideration is the minimum allocation to Principal Protection.
- Meketa recommends SJCERA maintain a minimum amount in Principal Protection to withstand nearly any broad market drawdown.

\*Modeled as 50/50 Private Equity and Opportunistic/Value added Real Estate

\*\* Component of Stabilized Growth allocation



## San Joaquin County Employees' Retirement Association

### Asset-Liability Model – Optimized Allocations

- The following allocations were selected to give a range of outcomes along the risk/return spectrum.
- In general, the most “optimal” allocations include the largest increases towards illiquid asset classes. Further analysis and discussion is necessary to determine if these allocations are practical.
- For example, is it possible to achieve an Aggressive Growth target of 20% within a few years?

	Current Policy (CP)	Optimized 1 (O1)	Optimized 2 (O2)	Optimized 3 (O3)	Optimized 4 (O4)	Optimized 5 (O5)	Peers
Principal Protection	10%	5%	7%	5%	5%	5%	13%
Global Equity	32%	28%	34%	34%	38%	40%	44%
Aggressive Growth	10%	20%	14%	20%	18%	20%	15%
Credit	17%	17%	17%	17%	13%	17%	8%
Core Private Real Estate	6%	9%	9%	7%	7%	7%	12%
Crisis Risk Offset	15%	11%	15%	11%	15%	9%	7%
Risk Parity	10%	10%	4%	6%	4%	2%	0%
Total	100%	100%	100%	100%	100%	100%	100%
Expected Return (20 Years)	6.6%	7.2%	6.9%	7.3%	7.1%	7.4%	7.1%
Standard Deviation	9.5%	12.5%	10.3%	13.1%	11.1%	13.9%	14.2%
Sharpe Ratio	0.52	0.44	0.51	0.43	0.49	0.41	0.38
Illiquid Allocation	19%	35%	27%	35%	27%	35%	18%





# San Joaquin County Employees' Retirement Association

## Asset-Liability Study – Analysis → Funded Status Scatter Plot

- This process is repeated for ~20,000 asset allocation alternatives to create a sense of how portfolios are expected to perform relative to each other.
- **Y-axis (Reward)** - Funded status in 20 years assuming average long-term asset returns.
- **X-axis (Risk)** - Funded status in 5 years assuming poor asset returns.
- Portfolios nearest the top and right of the graph are considered relatively optimal.
- **Important note:** accrued liability projections assume a 7.0% long-term rate of return regardless of the expected asset return for all simulations on this slide and subsequent slides.



**REWARD**  
**105% funded status in 20 years with average returns**

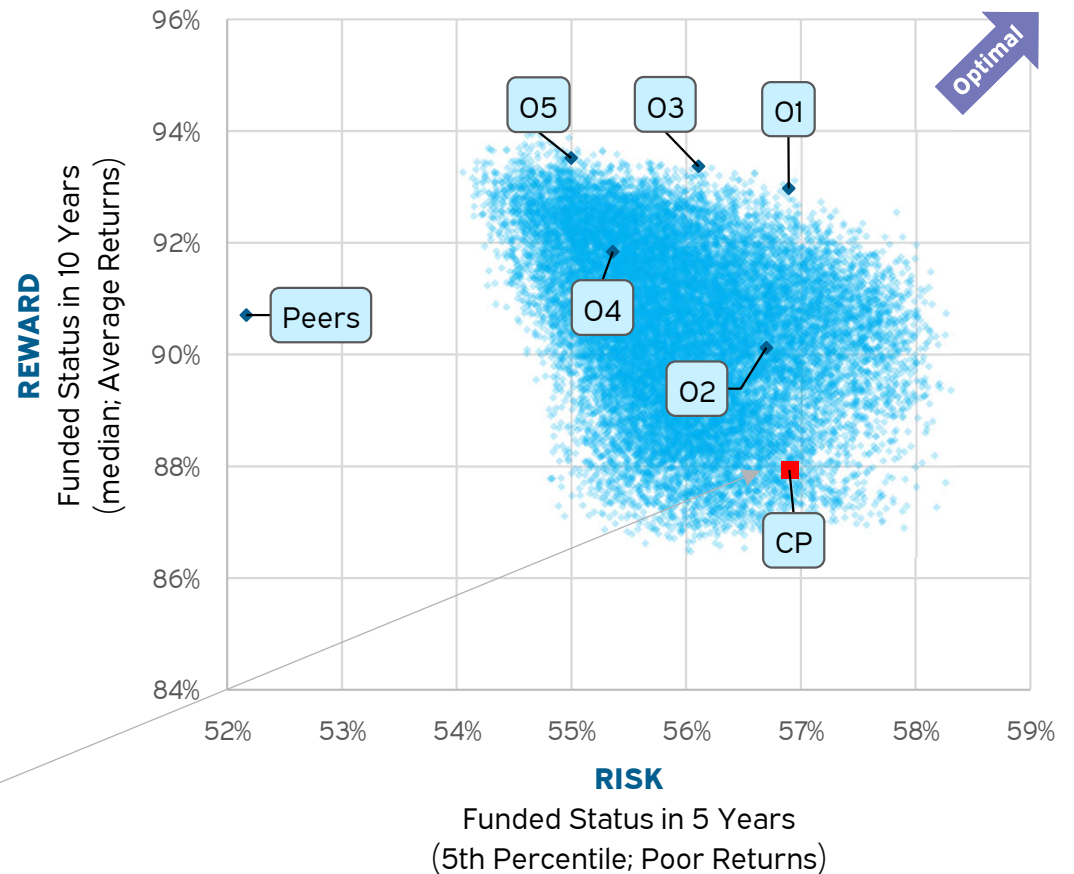
**RISK**  
**57% funded status in 5 years with poor returns**



## San Joaquin County Employees' Retirement Association

### Asset-Liability Study – Analysis → Funded Status Scatter Plot

- The model is set-up to be able to analyze any period of forecast. This view analyzes a shorter “reward” horizon of 10 years.
- **Y-axis (Reward)** - Funded status in 10 years assuming average long-term asset returns.
- **X-axis (Risk)** - Funded status in 5 years assuming poor asset returns.
- Portfolios nearest the top and right of the graph are considered relatively optimal.





## San Joaquin County Employees' Retirement Association

### Asset-Liability Study – Contribution Expectation Scatter Plot

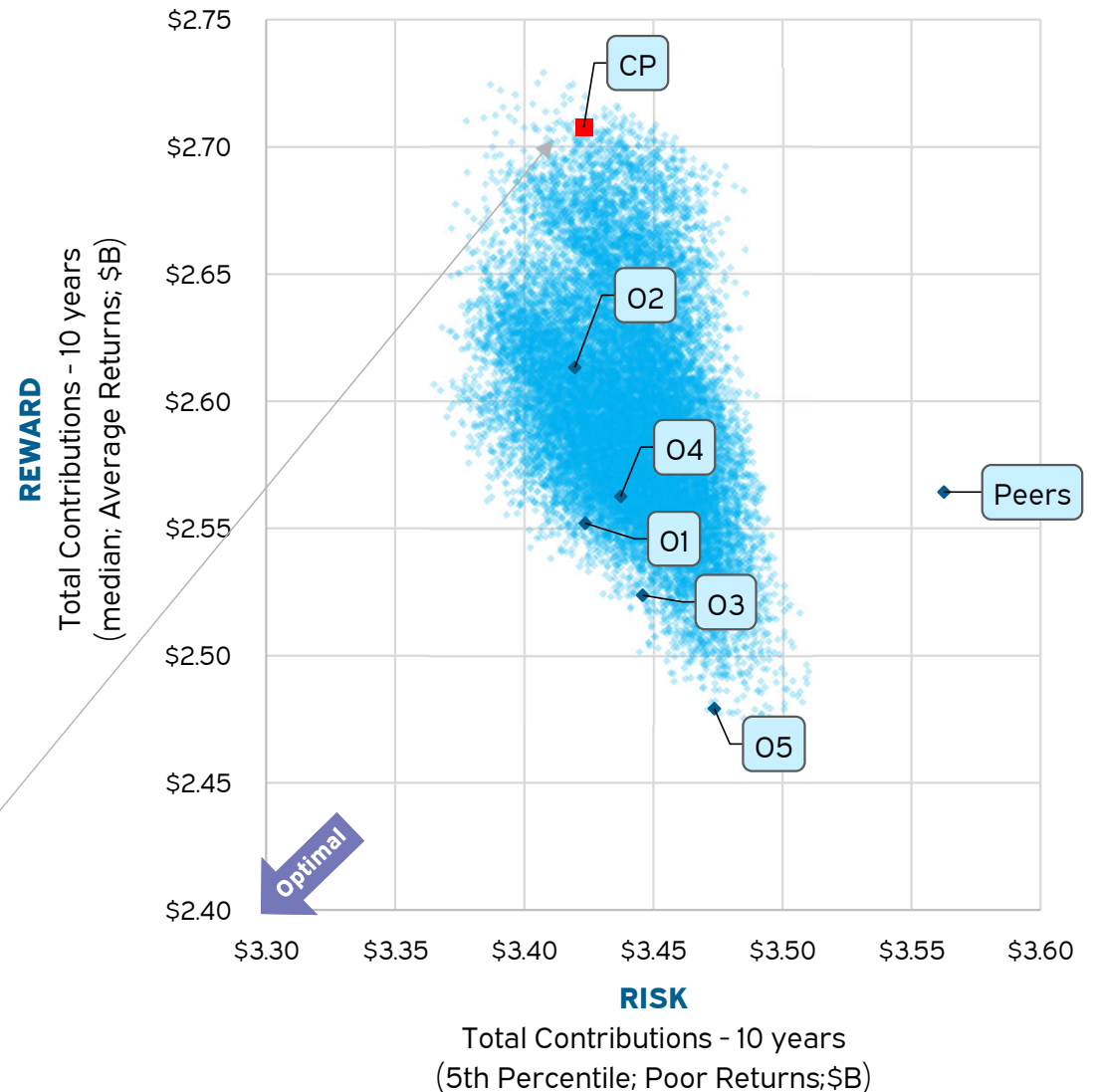
- This scatter plot changes the “lens” from funded status to contribution expectations.
- **Y-axis (Reward)** – Total expected contributions over the next 10 years assuming average asset returns.
- **X-axis (Risk)** – Total expected contributions over the next 10 years assuming poor asset returns.

#### REWARD

**\$2.7b** of expected contributions over the next 10 years assuming *average* asset returns

#### RISK

**\$3.4b** of expected contributions over the next 10 years assuming *poor* asset returns





# San Joaquin County Employees' Retirement Association

## Asset-Liability Study – Milestones Scatter Plot

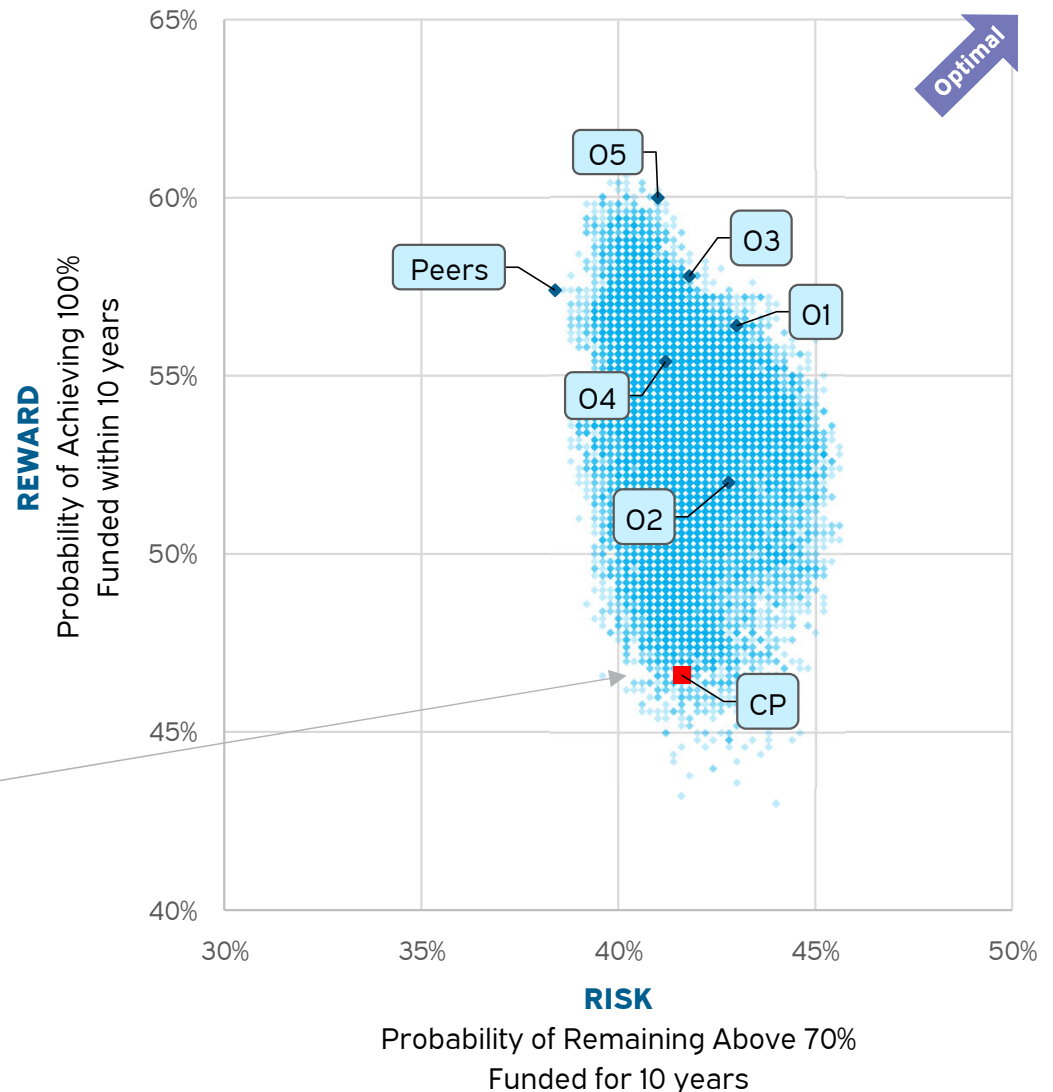
- This scatter plot analyzes the probabilities of reaching “reward” and “risk” milestones.
- **Y-axis (Reward)** – Probability the plan reaches 100% funded at any point in the next 10 years.
- **X-axis (Risk)** – Probability the plan remains above 70% funded in all years in the next 10 years.

### REWARD

There is a **47%** probability the plan reaches 100% funded at *any* point in the next 10 years

### RISK

There is a **42%** probability the plan remains above 70% funded *every* year for the next 10 years



## **Conclusions and Next Steps**



# San Joaquin County Employees' Retirement Association

## Conclusions and Next Steps

### Conclusions and Next Steps

- There are a multitude of factors for the Board to consider.
- Constructing a portfolio that targets a 7.00% return target is possible, but it will require changes to the policy portfolio.
  - None of these changes are a departure from the path SJCERA is currently on.
  - If the Board selects a portfolio that targets a return materially lower than 7.00%, SJCERA's actuary may recommend additional changes.
- Depending on the Board's and Staff's preferences, Meketa will examine additional portfolios for consideration that best reflect the various considerations.

Meeting Date	Activity
June 2022	Final Model and Portfolio Selection
July 2022	Implementation plan for Selected portfolio

\*Relative to the long-term policy allocation

## Appendix



## **San Joaquin County Employees' Retirement Association**

### **Appendix – Assumptions and Methods**

- Capital Market Assumptions: Meketa 2022 Capital Market Expectations – 10 & 20-year assumptions
- Assets: Market value of assets as of December 31, 2021 as detailed in Meketa's quarterly performance report.
- Asset Rebalancing: Annual.
- Liabilities and normal cost: The liabilities, normal cost, expected benefit payments and projected payroll used in this study are based on cash flows received from Cheiron on 3/1/2022. All liability projections assume a 7.0% long-term rate of return regardless of the asset allocation being tested.
- Funding policy: Detailed in the January 1, 2021 actuarial valuation report provided by Cheiron.
- Plan Provisions and Assumptions: Additional details regarding provisions and assumptions are documented in the January 1, 2021 actuarial valuation report provided by Cheiron.

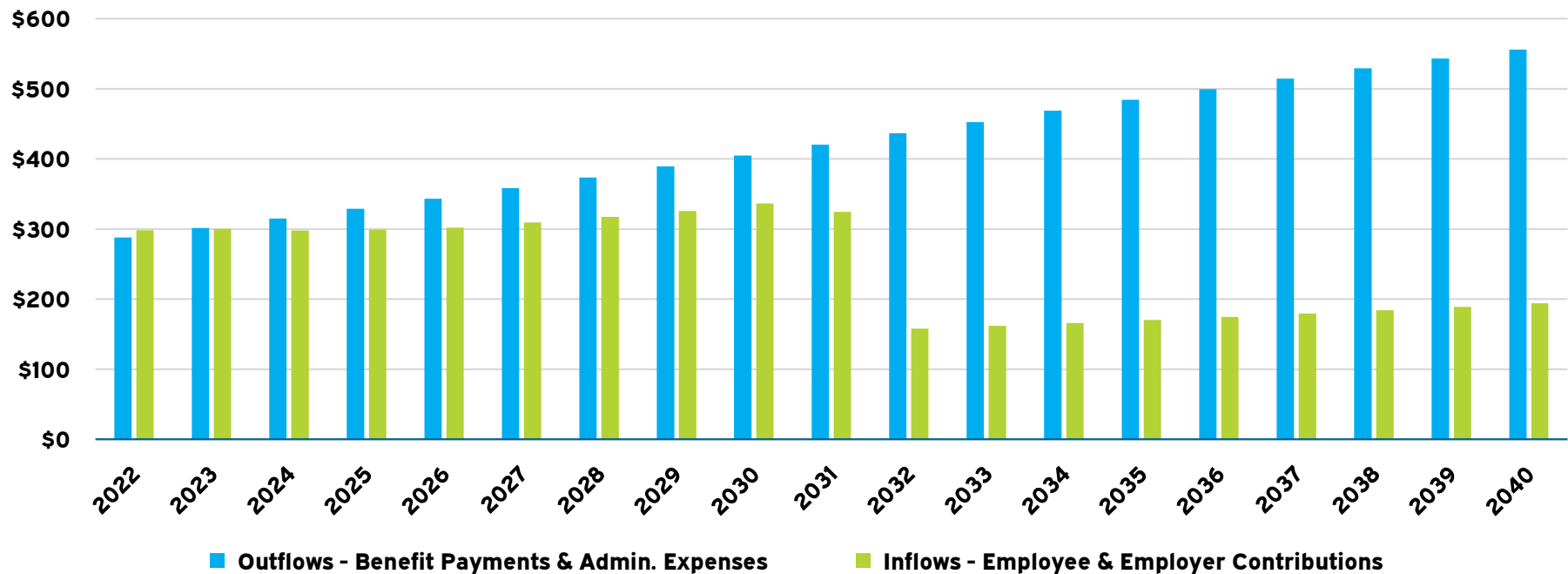




## San Joaquin County Employees' Retirement Association

### Asset-Liability Study – Deterministic

**Expected Plan Inflows & Outflows (\$M)**

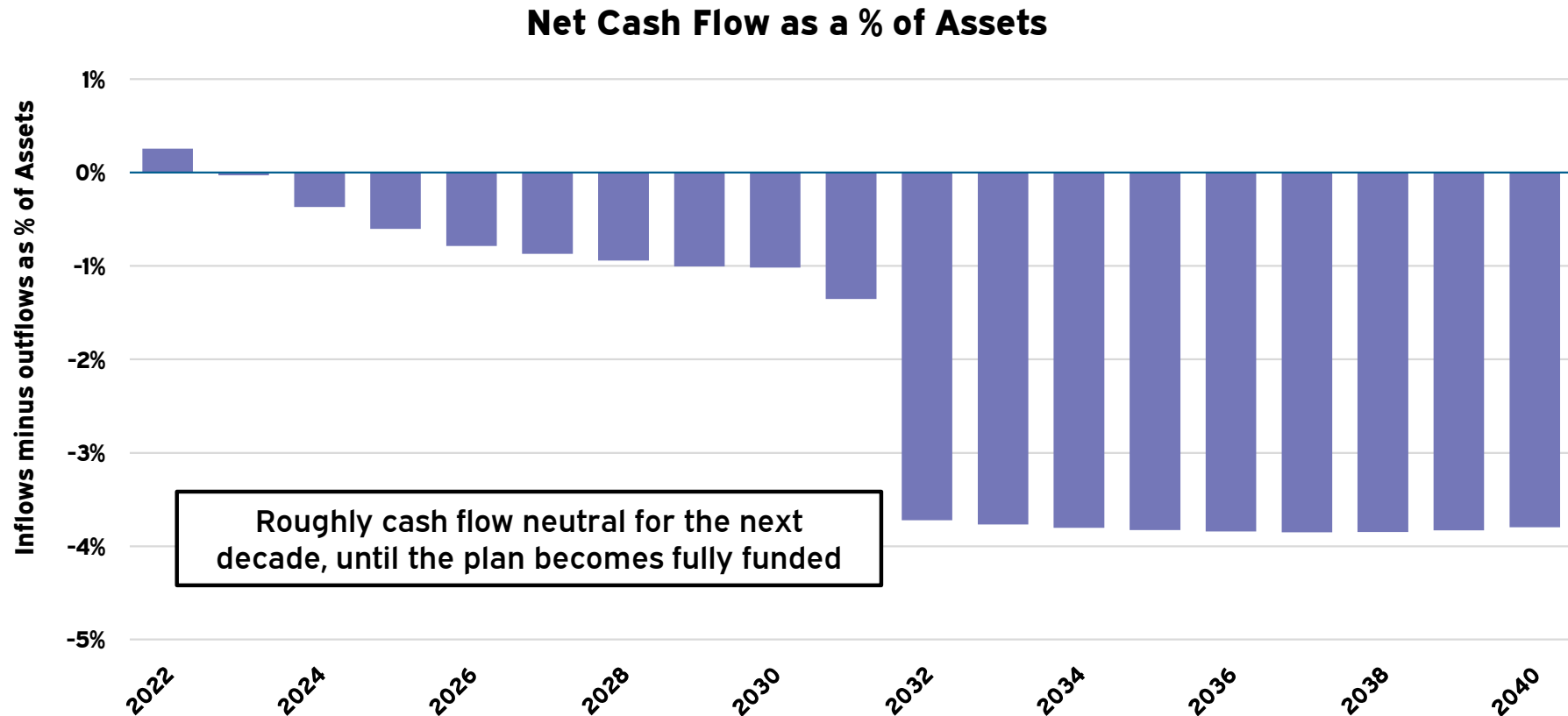


- A deterministic asset-liability study is one in which all assumptions are assumed to be met every single year of the projection.
- The following expected benefit payments and contributions are what the actuary forecasts using census data as of January 1, 2021.



## San Joaquin County Employees' Retirement Association

### Asset-Liability Study – Deterministic

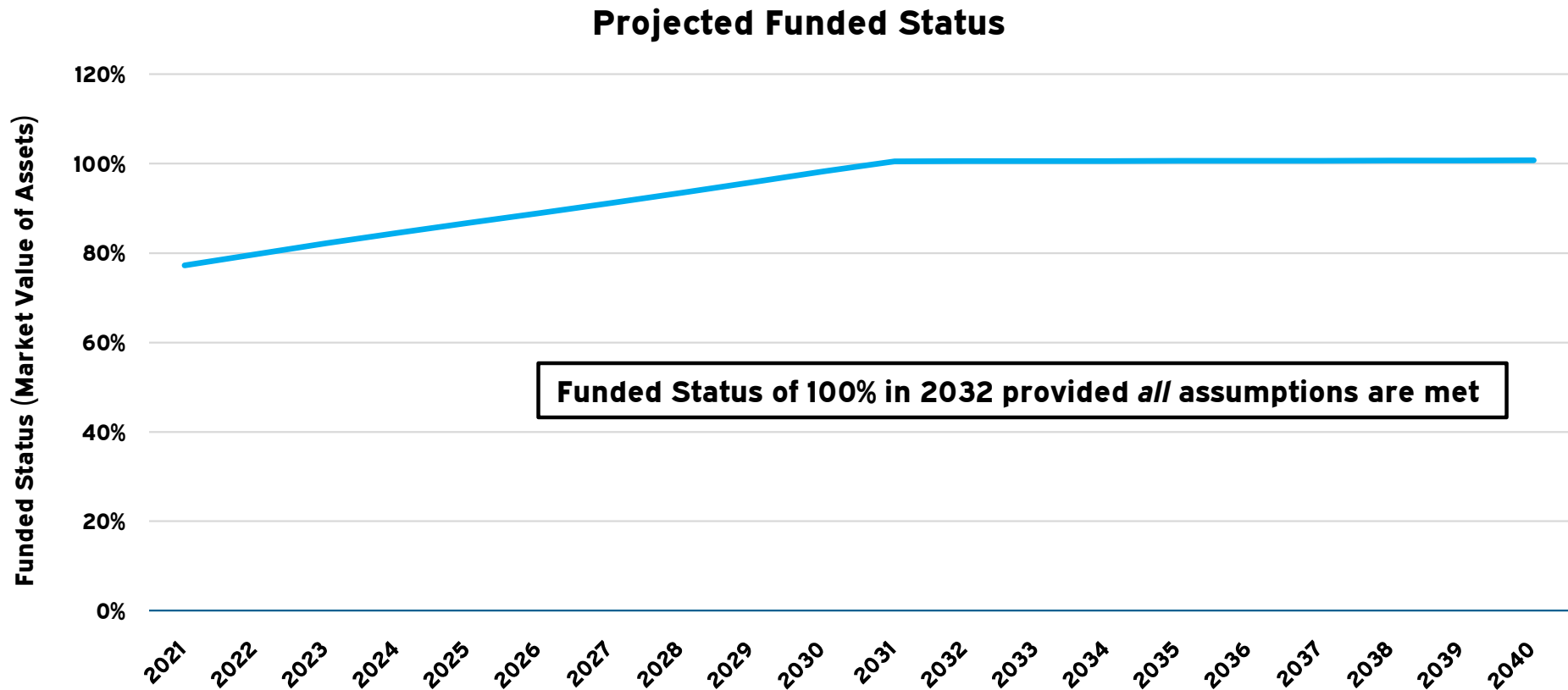


- A negative cash flow is typical for a mature pension plan.
- Plan asset increases/decreases will make the net outflow smaller/larger.



## San Joaquin County Employees' Retirement Association

### Asset-Liability Study – Deterministic



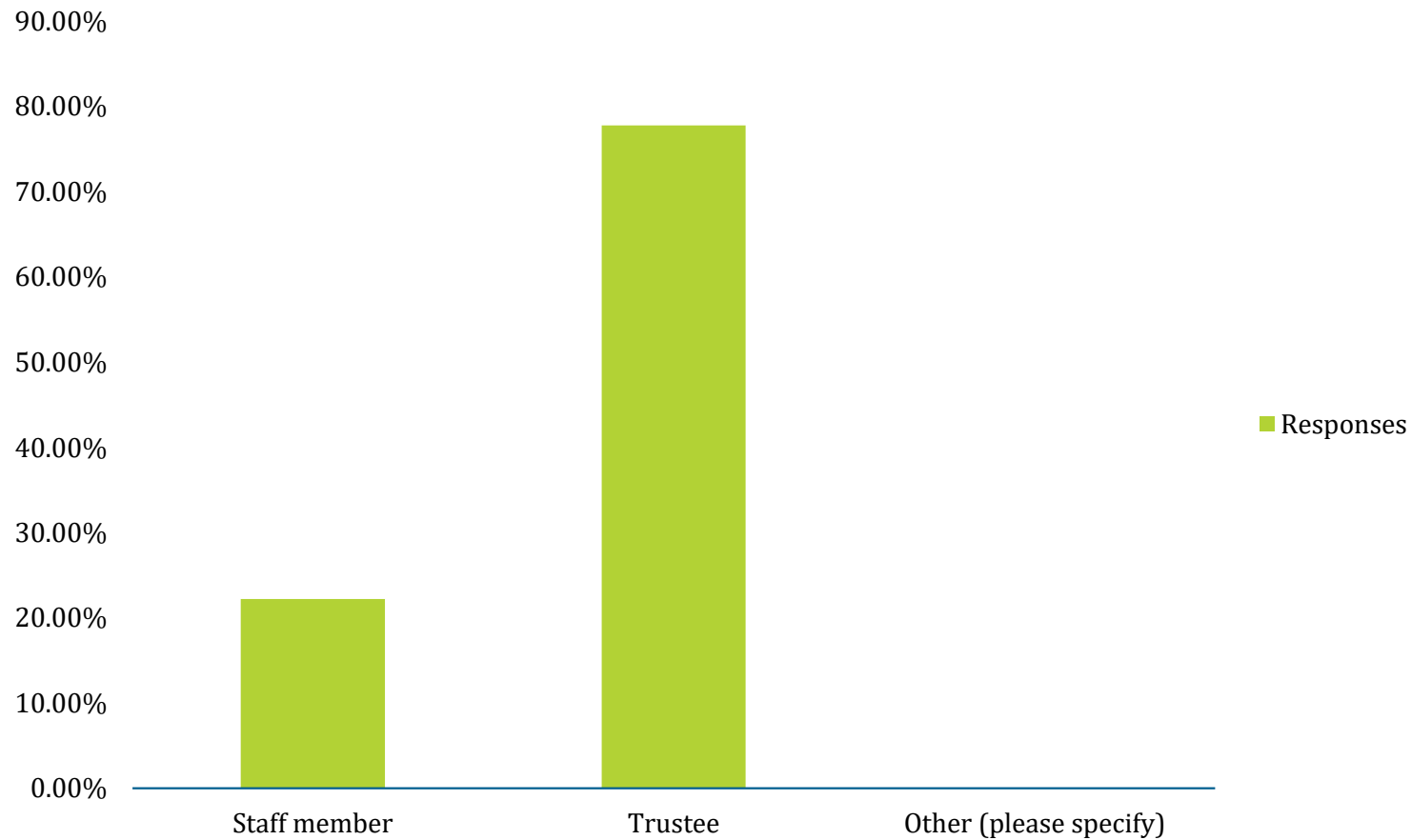
The 2022 Meketa Capital Market Expectations suggest there is a 38% probability the Plan exceeds the 7.00% long-term rate of return assumption over the next decade.



## San Joaquin County Employees' Retirement Association

### Risk Tolerance Survey Results

→ Are responding to this survey as staff or trustee?

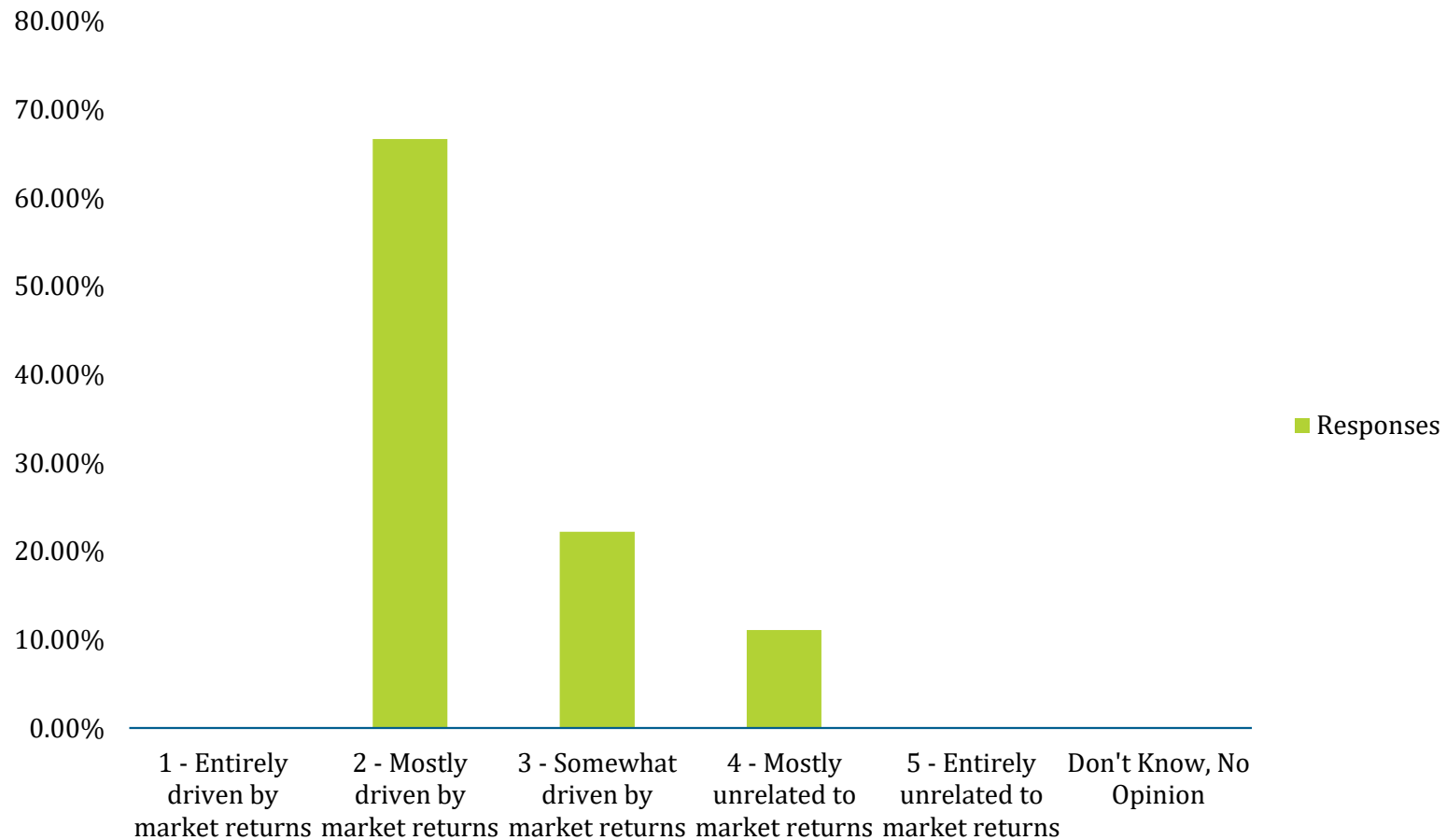




## San Joaquin County Employees' Retirement Association

### Risk Tolerance Survey Results

→ To what degree do you believe the portfolio returns are driven by the overall market?

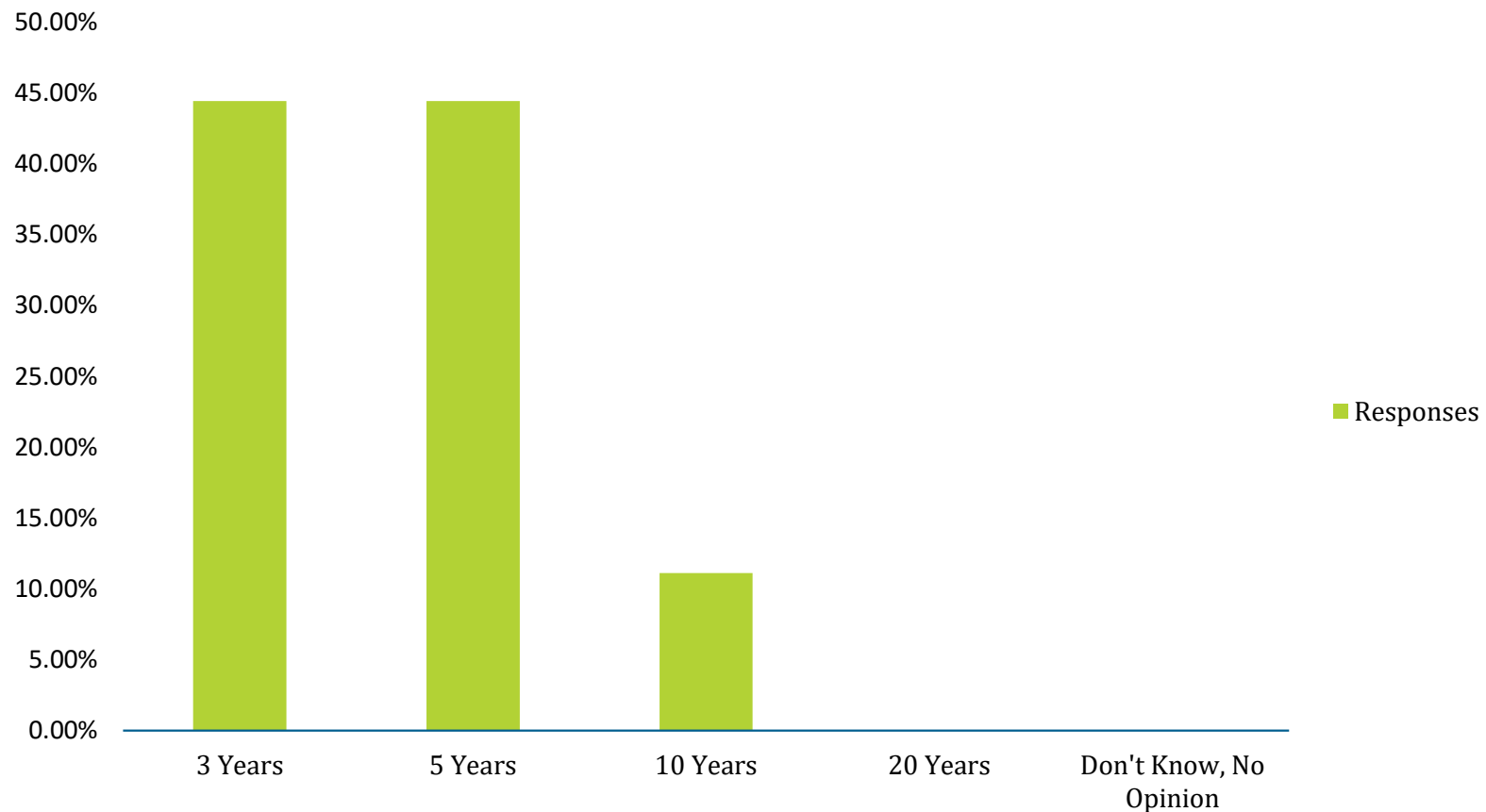




## San Joaquin County Employees' Retirement Association

### Risk Tolerance Survey Results

→ What is the minimum relevant time frame for evaluating the portfolio's performance relative to the actuarial rate of return (7.0%)?

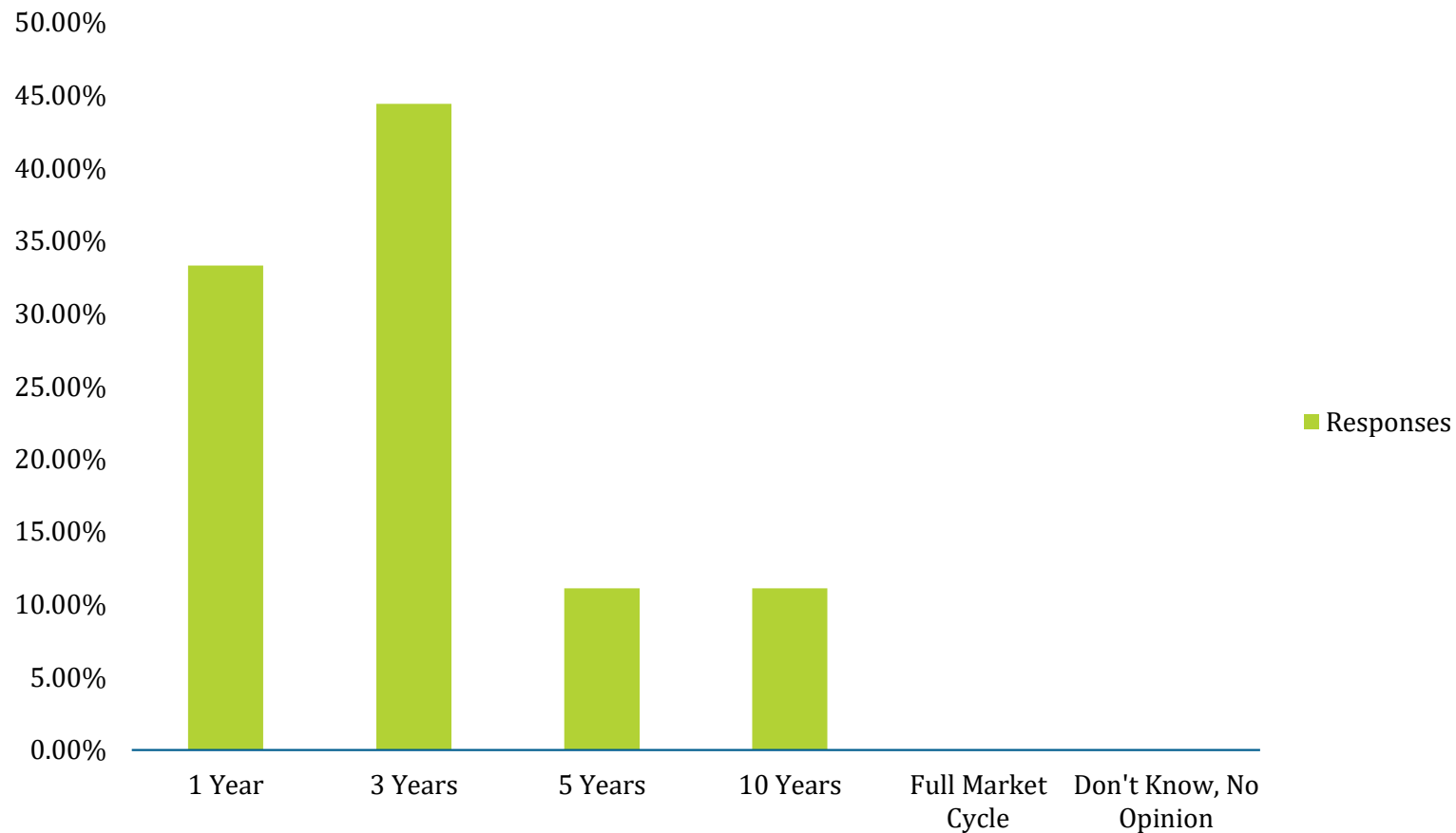




## San Joaquin County Employees' Retirement Association

### Risk Tolerance Survey Results

→ What is the minimum relevant/meaningful time frame when assessing SJCERA's performance relative to the benchmark?

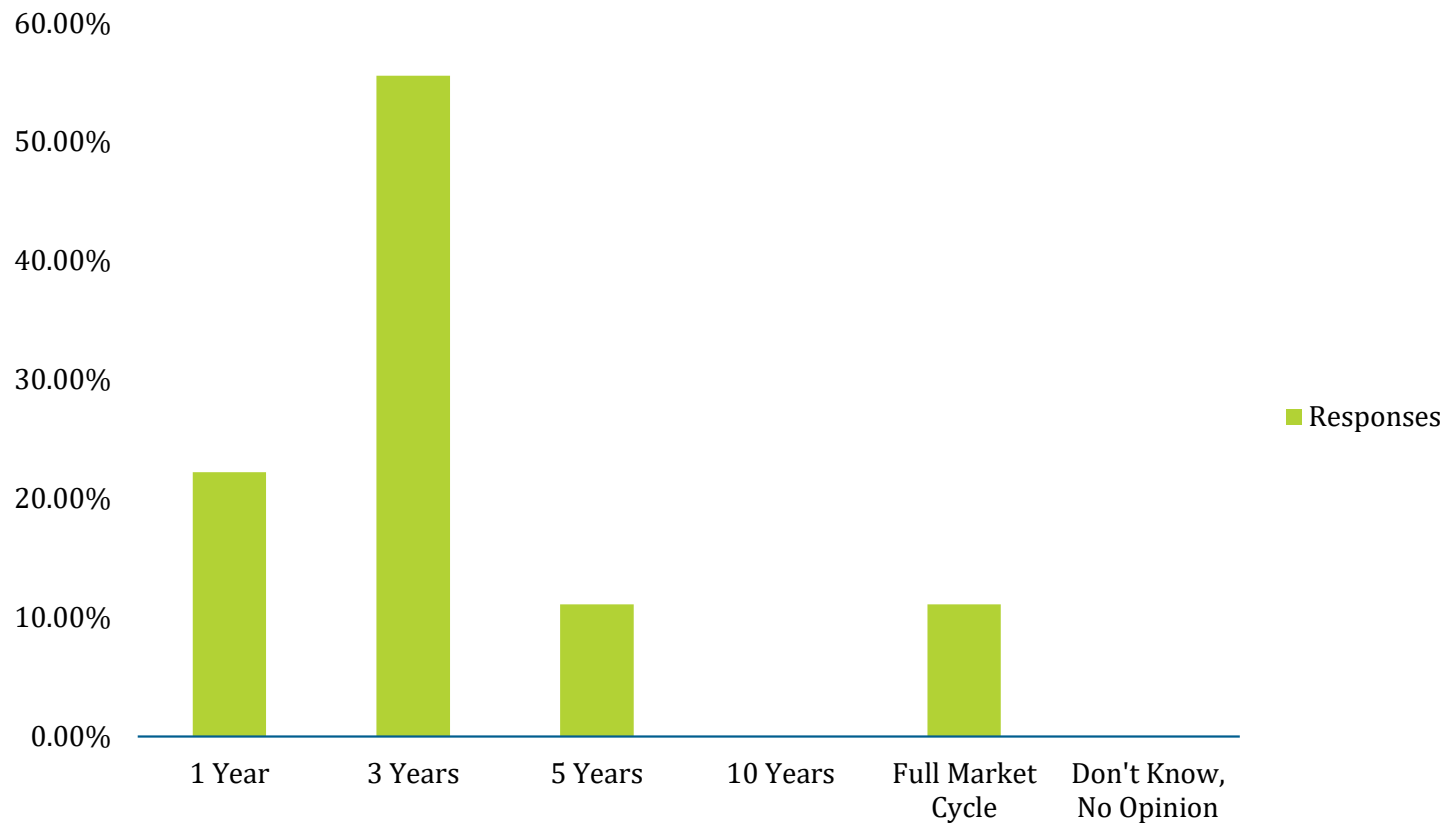




## San Joaquin County Employees' Retirement Association

### Risk Tolerance Survey Results

→ What is the minimum relevant/meaningful time frame when assessing SJCERA's performance relative to the peer set?



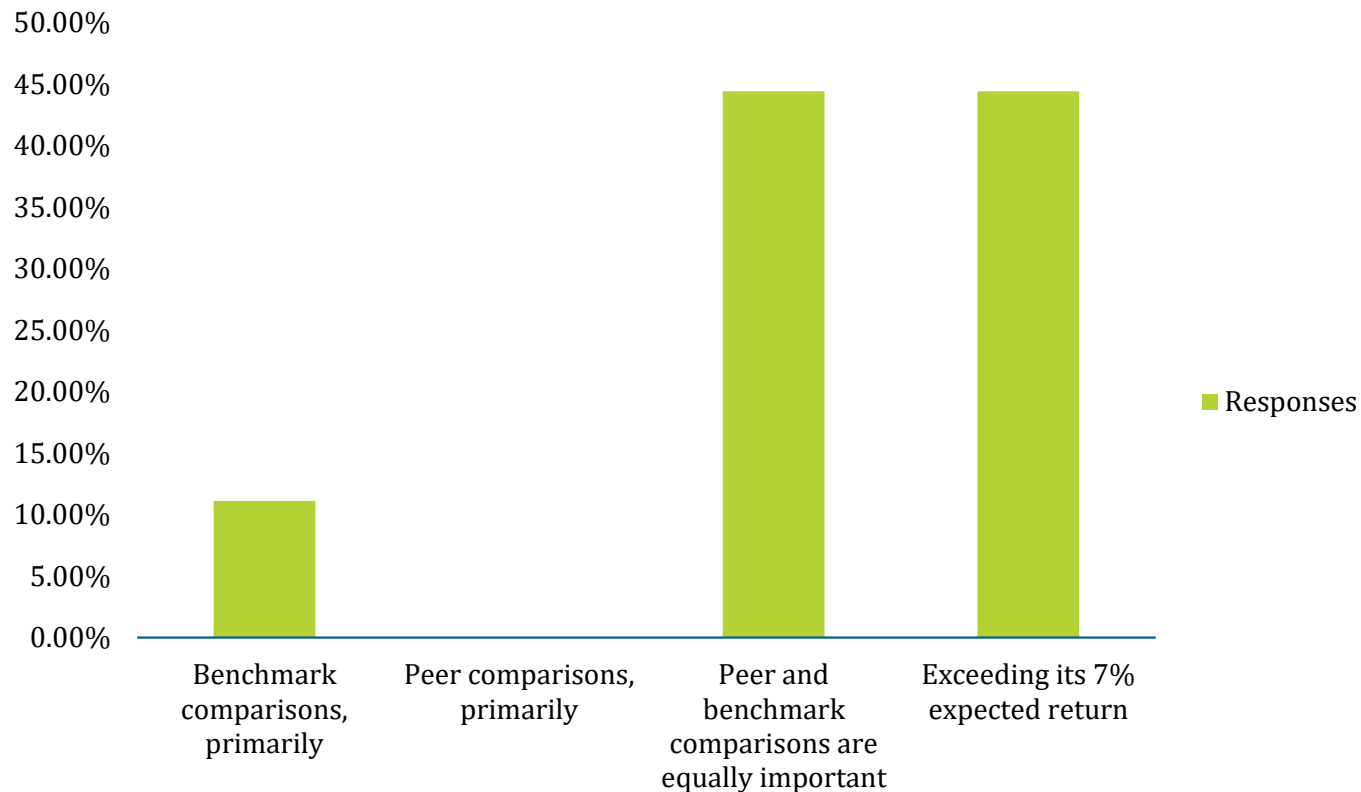




## San Joaquin County Employees' Retirement Association

### Risk Tolerance Survey Results

→ Generally, which do you believe is more important for assessing the portfolio?

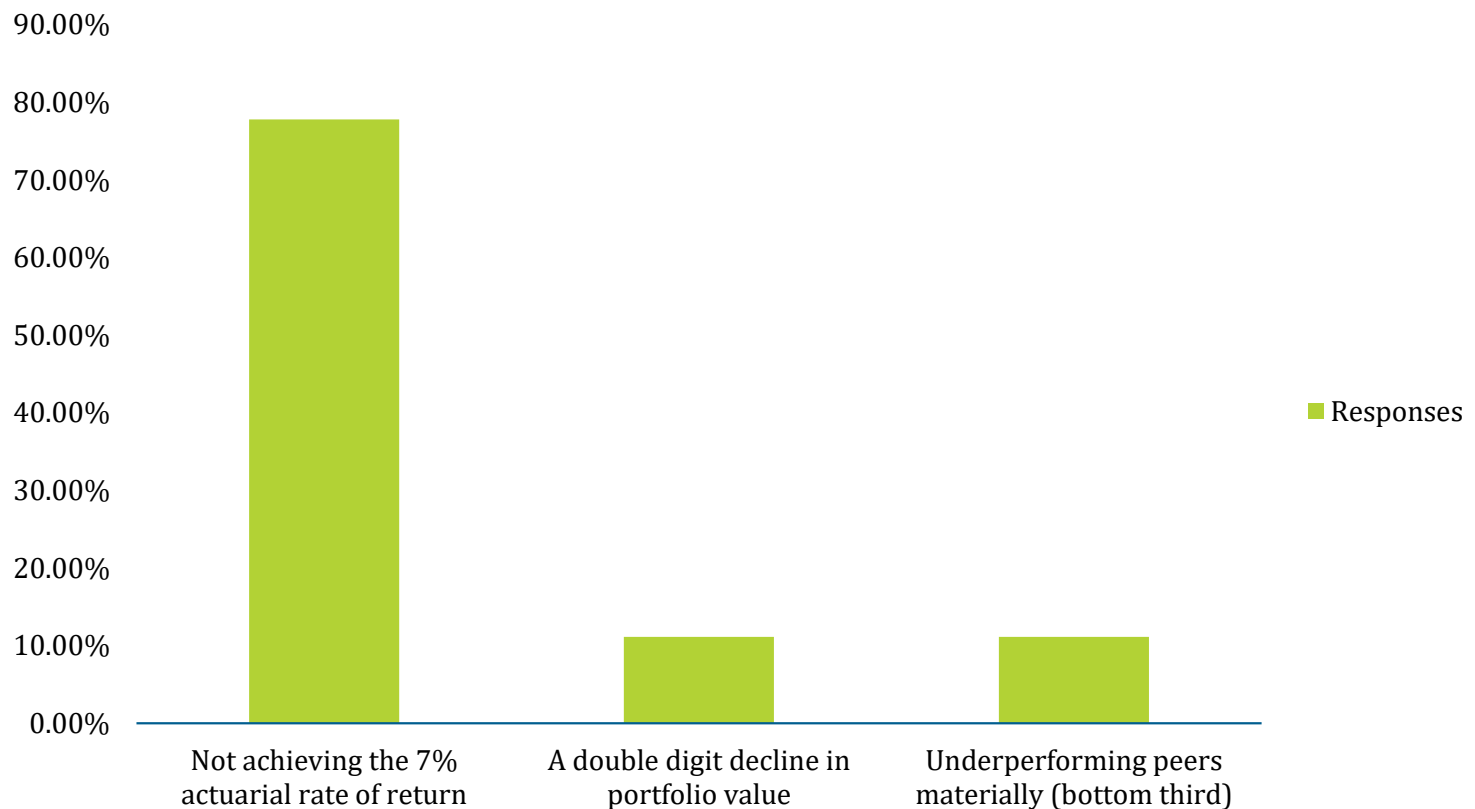




## San Joaquin County Employees' Retirement Association

### Risk Tolerance Survey Results

→ Which of the following outcomes are you most concerned about over the next 3 years?

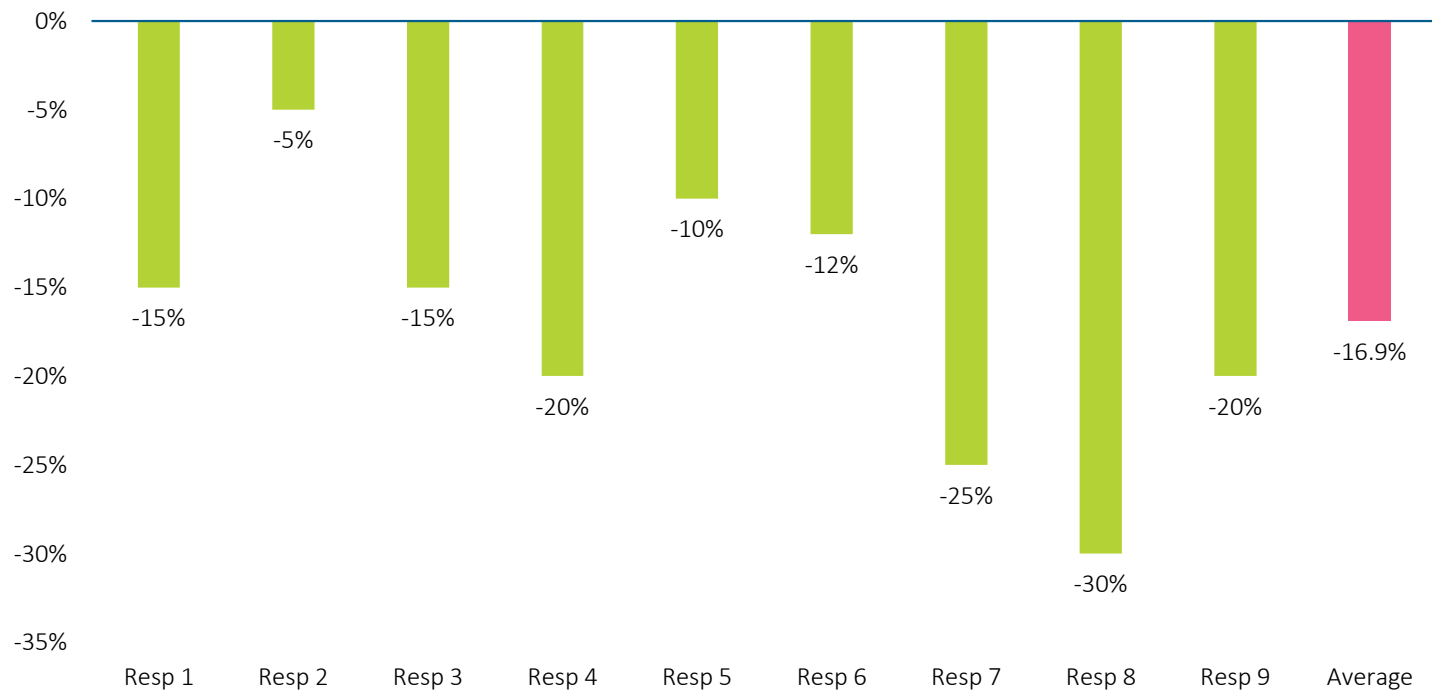




## San Joaquin County Employees' Retirement Association

### Risk Tolerance Survey Results

→ Based on the current portfolio, I believe the portfolio's maximum potential drawdown (decline in market value from peak to trough) should be no worse than -x.x%.





## San Joaquin County Employees' Retirement Association

### Risk Tolerance Survey Results

→ I would consider x.x% to be a bad but not necessarily catastrophic year.

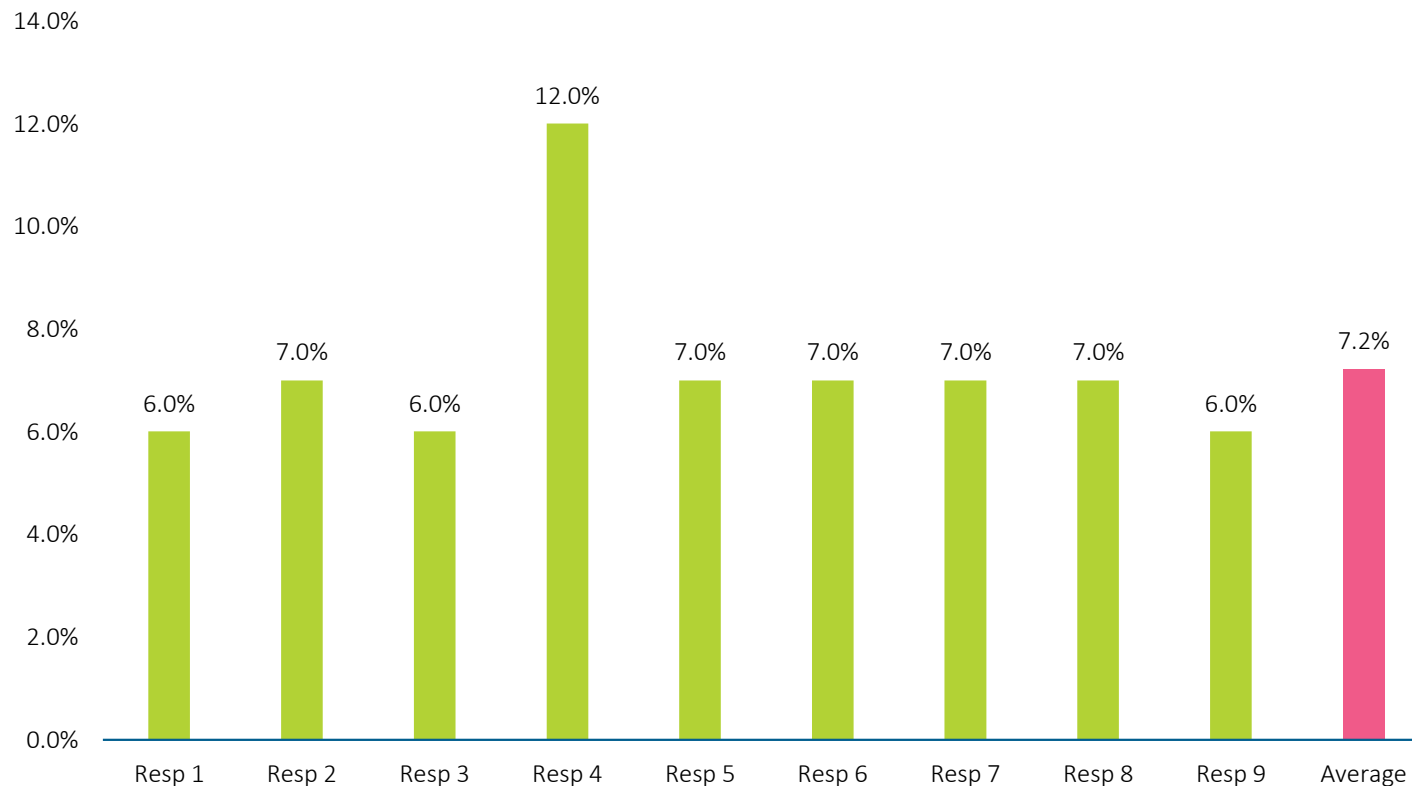




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### Risk Tolerance Survey Results

→ I would consider a return of x.x% to be a good, but not great, year. (Assume that the portfolio is performing in line with the benchmark and peer median.)

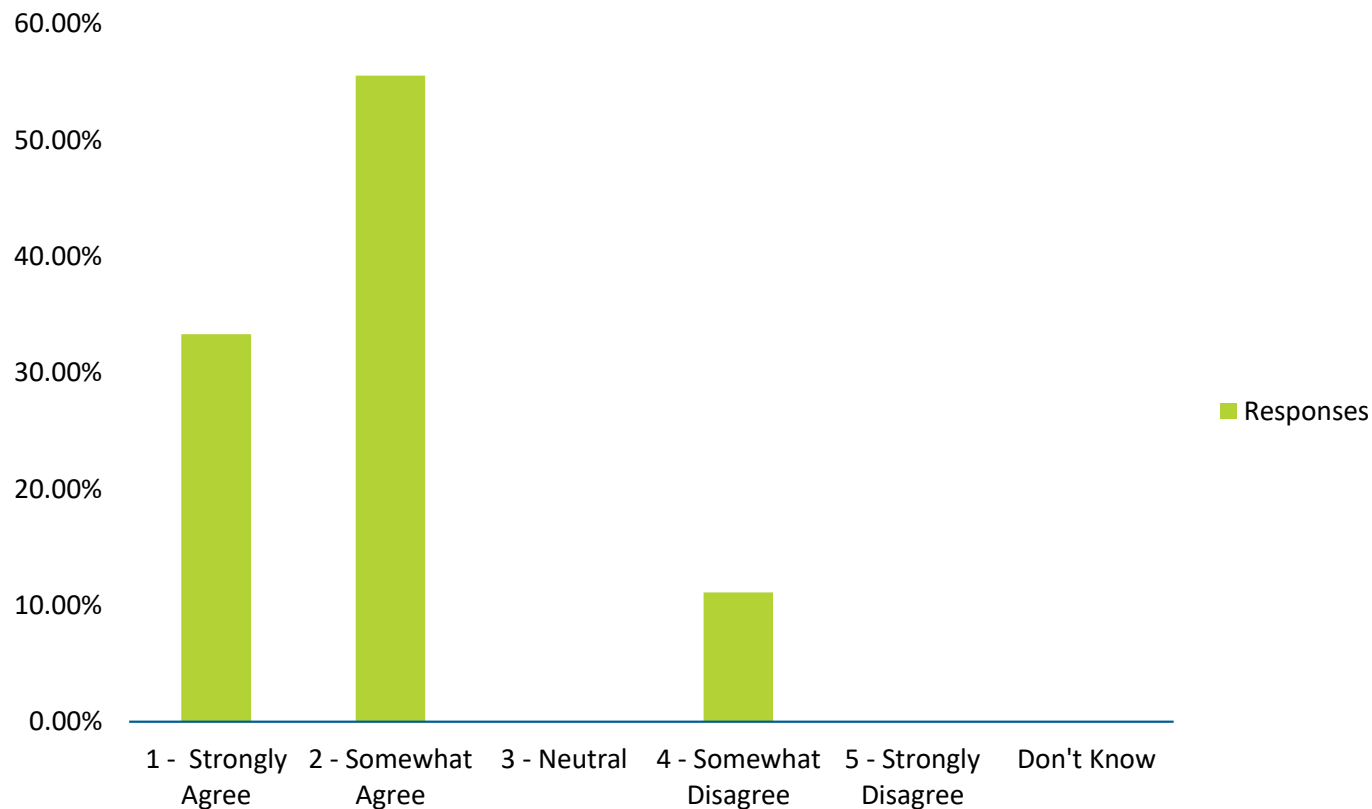




## San Joaquin County Employees' Retirement Association

### Risk Tolerance Survey Results

→ If the average pension is down 15% in a given year, and SJCERA's portfolio is only down 12%, meaning we've outperformed our peers by 3%, I would consider the portfolio's performance to be a success, despite the decline in value.

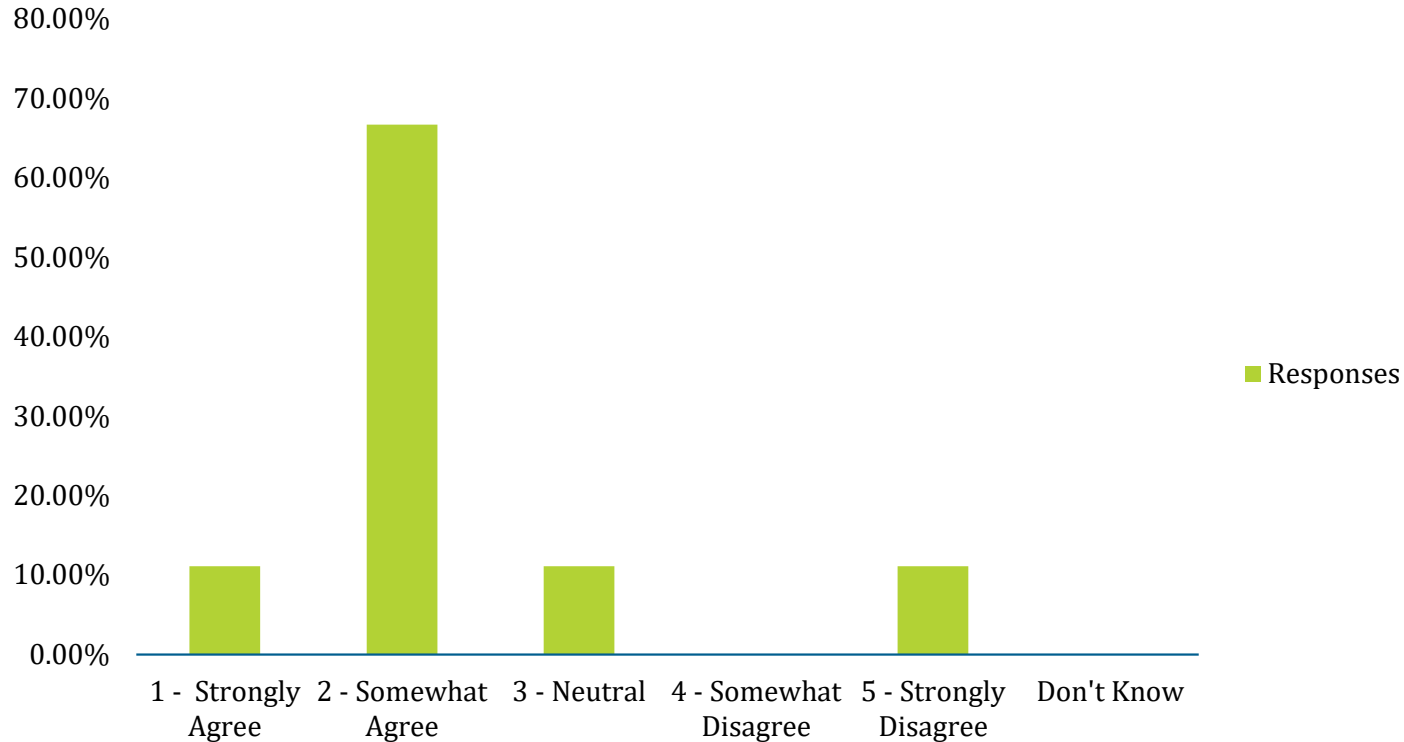




## San Joaquin County Employees' Retirement Association

### Risk Tolerance Survey Results

→ If the average pension is up 10% in a given year, and SJCERA's is only up 7%, meaning we've underperformed our peers by 3%, I would consider the portfolio's performance to be a success, despite the relative underperformance.

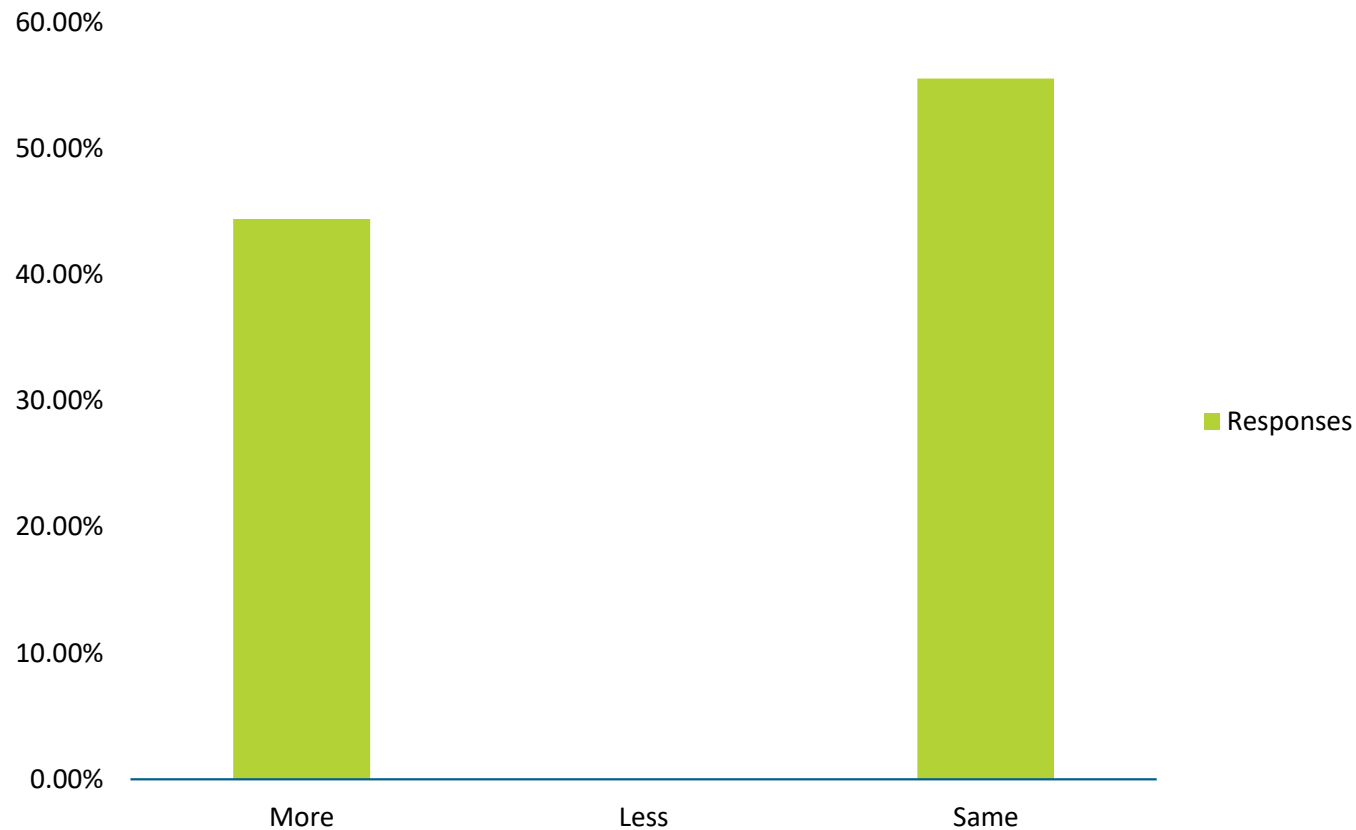




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### Risk Tolerance Survey Results

→ Should we be taking more, less, or the same amount of risk in the portfolio for the next 2-3 years?



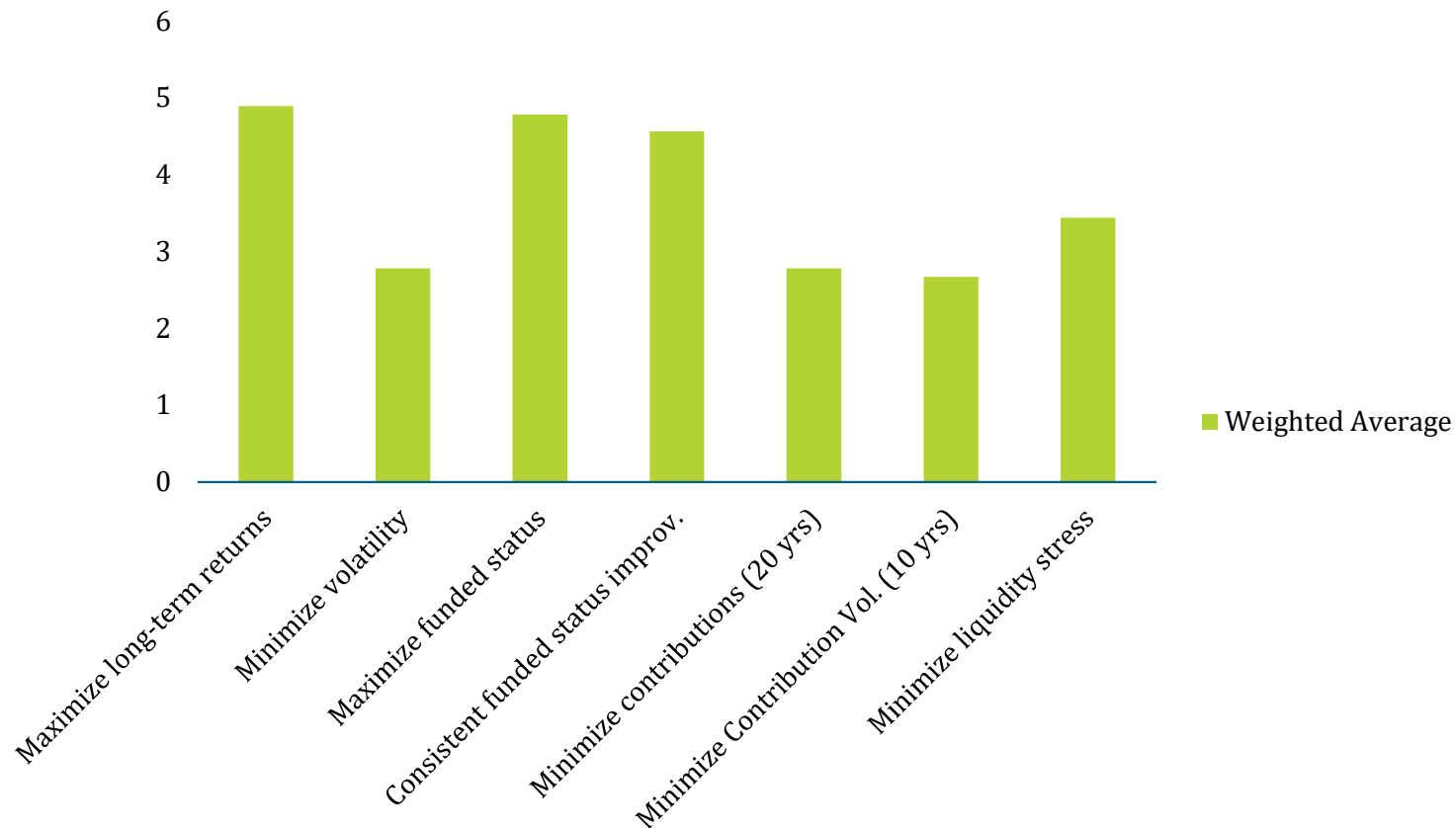




## San Joaquin County Employees' Retirement Association

### Risk Tolerance Survey Results

→ Please rank each asset allocation goals below based on the goals that are most important to you with 5 being most important and 1 being least important.





## San Joaquin County Employees' Retirement Association

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## **Board of Retirement Meeting**

**San Joaquin County Employees' Retirement Association**

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### **Agenda Item 8.0**

**May 6, 2022**

**SUBJECT: Selection of a Data Conversion Services Vendor**

**SUBMITTED FOR: ☐ CONSENT    ☒ ACTION    ☐ INFORMATION**

---

#### **RECOMMENDATION**

The evaluation team recommends the Board select Managed Business Solutions, LLC. (MBS) to provide data cleansing and conversion consulting services as described in RFP 2022-02.

The Board's approval of MBS, also approves an increase of \$589,797 to the 2022 Administrative Budget of \$5,154,728, and directs staff to submit the budget revision to the Auditor-Controller's Office upon successful conclusion of contract negotiations.

#### **PURPOSE**

To contract with a vendor to analyze, cleanse, and convert data from our current CORE-37 system to a new pension administration system (PAS).

#### **DISCUSSION**

On February 11, 2022, SJCERA staff issued an RFP for Data Conversion services and received three proposals from the following firms, listed in alphabetical order, by the filing date of March 14, 2022.

- ICON Integration & Design, Inc. (ICON)
- Managed Business Solutions, LLC. (MBS)
- Viviente Software, LLC (Viviente)

The evaluation team consisted of Chief Executive Officer (CEO) Johanna Shick, Assistant Chief Executive Officers (ACEO) Kathy Herman and Brian McKelvey, Information Systems Manager Adnan Khan, and Retirement Benefits Associate Ron Banez, assisted by Linea Solutions. The team determined that all proposals received were complete, in compliance with the RFP filing requirements, and met the minimum qualifications specified in the RFP.

All firms were deemed capable of providing Data Conversion services for SJCERA; however, the evaluation team scored MBS and ICON as the two finalists based on the following criteria:

- Company Background
- Project Organization and Staffing
- Experience and Approach
- Client References

The fee proposals submitted by the finalists were approximately the same. The Evaluation Team conducted in-person interviews with the finalists and Zoom meetings with client references. Overall, the evaluation team determined MBS is the best fit for SJCERA.

The reasons the Evaluation Team recommends MBS are as follows:

- MBS' project teams have worked successfully on other '37 Act data conversion projects
- MBS' staffing proposal aligns well with the PAS Vendor and SJCERA requirements
- MBS' Project Management methodology provides the required detail and oversight needed to execute and manage this project
- MBS' depth of technical and business resources assigned to the project
- MBS' experience and approach to data analysis, cleansing, and conversion
- MBS' focus on infrastructure and cybersecurity best practices

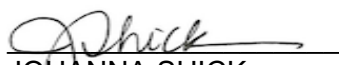
The scope of work to be provided beginning 2022, at a proposed cost of \$589,797, is as follows:

- Extract and assess existing CORE-37 data for accuracy, completeness, and conformance to legal, policy, and business processing requirements
- Identify and track all data requiring data cleansing ahead of publishing data to the new PAS.
- Map and document data origination sources, data transformation rules, and new PAS data targets.
- Develop and execute scripts that automate the data conversion between CORE-37 and the new PAS.
- Coordinate and execute fifteen data conversion cycles across the life of the PAS project.
- Identify, track, and resolve any post go-live data issues for three months after the PAS implementation.

Following the Board's approval, staff will commence contract negotiations. Upon successful contract negotiation, the CEO will execute a contract with Managed Business Solutions, Inc. in consultation with SJCERA's General Counsel.

## ATTACHMENT

None

  
JOHANNA SHICK  
Chief Executive Officer

  
BRIAN MCKELVEY  
Assistant Chief Executive Officer



## **Board of Retirement Meeting**

**San Joaquin County Employees' Retirement Association**

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### **Agenda Item 9.0**

**May 6, 2022**

**SUBJECT: Selection of a Pension Administration System Vendor**

**SUBMITTED FOR: ☐ CONSENT    ☒ ACTION    ☐ INFORMATION**

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#### **RECOMMENDATION**

The evaluation team recommends the Board select Tegrit Software Ventures, Inc. (Tegrit) to implement their Pension Administration Solution (Arrivos) as described in RFP 2022-01.

We expect the PAS implementation project to begin early 2023 and associated costs will be reflected in the 2023 Administrative Budget.

#### **PURPOSE**

To contract with a vendor to design, develop and implement a new pension administration system (PAS).

#### **DISCUSSION**

On February 10, 2022, SJCERA staff issued Request for Proposal 2022-01 for a new PAS and received three proposals from the following firms, listed in alphabetical order, by the filing date of March 24, 2022.

- Levi, Ray & Shoup (LRS)
- Tegrit Software Ventures, Inc. (Tegrit)
- Vitech Systems Sub LLC (Vitech)

The evaluation team consisted of Chief Executive Officer (CEO) Johanna Shick, Assistant CEO Brian McKelvey, Information Systems Manager Adnan Khan, and Retirement Services Associate Ron Banez, assisted by Linea Solutions. The team determined that all proposals received were complete, in compliance with the RFP filing requirements, and met the minimum qualifications specified in the RFP.

All firms were deemed capable of providing a new PAS for SJCERA; however, prior to the in-person demonstrations, LRS withdrew their proposal. The evaluation team scored Tegrit and Vitech based on the following criteria:

- Company Background
- Project Organization, Management, and Staffing
- Experience and Approach
- Client References
- In-Person System Demonstration

The fee proposals submitted by vendors were approximately the same. Overall, the evaluation team determined Tegrit is the best fit for SJCERA.

The reasons the Evaluation Team recommends Tegrit are as follows:

- Tegrit project teams have recently and successfully completed systems implementation for StanCERA and FCERA.
- Tegrit's experience and '37 Act knowledge aligns well with SJCERA requirements
- Tegrit's project management methodology provides the required detail and oversight needed to execute and manage this project
- Tegrit's depth of technical and business resources assigned to the project
- Tegrit's all US workforce benefits the project and improves security of SJCERA data.

The scope of work to be provided at a proposed implementation cost of \$9,658,500, over a four year period, is as follows:

- Implement the Arrivos 2.0 Pension Administration Solution based on SJCERA requirements
- Integrate Arrivos with SJCERA's existing document management system
- Work with the selected data conversion vendor in migrating data from CORE-37 to Arrivos
- Manage the PAS project
- Test, train and document new solution
- Host PAS and database

Following the Board's approval, staff will commence contract negotiations. Upon successful contract negotiation, the CEO will execute a contract with Tegrit Software Ventures, Inc. in consultation with SJCERA's General Counsel.

## ATTACHMENT

None



JOHANNA SHICK  
Chief Executive Officer



BRIAN MCKELVEY  
Assistant Chief Executive Officer



## Board of Retirement Meeting

San Joaquin County Employees' Retirement Association

### Agenda Item 10.0

May 6, 2022

**SUBJECT: SACRS Voting Proxy Form**

**SUBMITTED FOR: ☐ CONSENT ☒ ACTION ☐ INFORMATION**

### RECOMMENDATION

Staff recommends the Board approve the attached amendments to SJCERA's current list of SACRS Voting Delegates.

### PURPOSE

To provide SACRS with the list of voting delegates who are authorized to vote on behalf of SJCERA.

### DISCUSSION

SJCERA's current list of voting delegates, as reflected on the attached voting proxy form, will remain in effect unless changed by the Board. Based on currently known attendance and availability, additional proxy voter names are required to ensure at least one voting delegate or alternate voting delegate is able to attend the Friday, May 13, 2022 SACRS business meeting.

Trustee JC Weydert and Assistant Chief Executive Officer Brian McKelvey, both of whom are attending the conference, have been added to the list of proposed proxy voters to ensure SJCERA has representatives available to vote at the business meeting. The proposed voting proxy form is attached for the Board's consideration.

### ATTACHMENT

SACRS Voting Proxy Form

JOHANNA SHICK

Chief Executive Officer



## SACRS VOTING PROXY FORM

The following are authorized by the San Joaquin 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):*


Chair – Michael Restuccia  
Vice Chair – Michael Duffy  
Secretary – Raymond McCray  
CEO – Johanna Shick

Voting Delegate  
Alternate Voting Delegate  
Second Alternate Voting Delegate  
Third Alternate Voting Delegate

These delegates were approved by the Retirement Board on 07/10/2020.

***This Voting Proxy supersedes that approved by the Retirement Board on 09/11/2018 and is to remain in effect until superseded or revoked.***

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

Signature:   
Print Name: Johanna Shick  
Position: Clerk of the Board  
Date: July 10, 2020

Please send your system's voting proxy by July 31, 2020 to Sulema H. Peterson, SACRS Administrator at [Sulema@sacrs.org](mailto:Sulema@sacrs.org).





## SACRS VOTING PROXY FORM

The following are authorized by the San Joaquin 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):*

Chair – Michael Restuccia  
Vice Chair – Michael Duffy  
Secretary – Raymond McCray  
CEO – Johanna Shick  
Ex-Officio – Phonxay Keokham  
Trustee – James Weydert  
ACEO – Brian McKelvey

Voting Delegate  
Alternate Voting Delegate  
Second Alternate Voting Delegate  
Third Alternate Voting Delegate  
Fourth Alternate Voting Delegate.  
Fifth Alternate Voting Delegate  
Sixth Alternate Voting Delegate

These delegates were approved by the Retirement Board on 05/06/2022.

***This Voting Proxy supersedes that approved by the Retirement Board on 09/10/2021 and is to remain in effect until superseded or revoked.***

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

Signature: \_\_\_\_\_  
Print Name: Johanna Shick  
Position: Clerk of the Board  
Date: May 6, 2022

Please send your system's voting proxy by October 15, 2021 to Sulema H. Peterson, SACRS Administrator at [Sulema@sacrs.org](mailto:Sulema@sacrs.org).



## Board of Retirement Meeting

San Joaquin County Employees' Retirement Association

Agenda Item 11.0

May 6, 2022

**SUBJECT: SACRS Business Meeting: Direction to the Voting Delegate**

**SUBMITTED FOR: ☐ CONSENT ☒ ACTION ☐ INFORMATION**

### RECOMMENDATION

Staff recommends the Board direct SJCERA's Voting Delegate to approve the SACRS Audit Report (Agenda Item 7 on the SACRS Business Meeting Agenda) at the business meeting on May 13, 2022.

### PURPOSE

To provide SJCERA's Voting Delegate direction regarding the items presented for action at the upcoming SACRS Business Meeting.

### DISCUSSION

This memo and attached materials are provided to enable the Board to provide instructions to its Voting Delegate in preparation for the May 13, 2022, SACRS Business Meeting.

There are two action items on the Business Meeting agenda: 1) Agenda Item 6, the SACRS 2022-2023 Board of Directors Elections, and 2) Agenda Item 7, the SACRS Audit Report.

The Board previously provided direction on Agenda Item 6 at its April 8, 2022 meeting—no further direction is needed on that item. Now, the Board's direction is required on Agenda Item 7, the SACRS Audit Report, which is discussed below.

#### SACRS Audit Report

Based on its audit of SACRS' financial records, the independent audit firm of James Marta & Company issued an unmodified opinion, the highest possible. Two other key audit report highlights include:

- No uncorrected misstatements were identified as a result of the audit
- No disagreements with management arose during the course of the audit

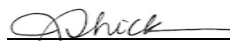
As SACRS received a clean audit by its qualified, independent audit firm, staff recommends the Board direct its voting delegate to approve the SACRS Audit Report.

#### Informational Items in Business Meeting Packet

In addition to the action items noted above, your SACRS materials also include informational items, including the SACRS Legislative Committee Update, and the Secretary and Treasurer's Reports.

### ATTACHMENTS

SACRS Business Meeting Packet – May 13, 2022

  
JOHANNA SHICK  
Chief Executive Officer



# SACRS Annual Spring Business Meeting

Friday, May 13, 2022  
10 am – Upon Adjournment

Omni Rancho Las Palmas Resort & Spa  
Rancho Mirage, CA  
Salon's A-E



## **Vision, Mission, Core Values**

The members and staff of the State Association of County Retirement Systems (SACRS) share a common purpose, mission and core values.

## **Statement of Purpose**

The specific and primary purposes of SACRS are to provide forums for disseminating knowledge of and developing expertise in the operation of 20 county retirement systems existing under the County Employees Retirement Law of 1937 (CERL) sets forth in California Government Code section 31450 et. seq., and to foster and take an active role in the legislative process as it affects county retirement systems.

## **Mission Statement**

The mission of this organization shall be to serve the 1937 Act Retirement Systems by exchanging information, providing education and analyzing legislation.

## **Core Values**

Teamwork

Integrity

Education

Service and Support



SACRS Business Meeting Agenda  
Friday, May 13, 2022  
Omni Rancho Las Palmas Resort & Spa  
Rancho Mirage, CA  
Salon's A-E

SACRS Parliamentarian – David Lantzer, San Bernardino CERA  
Sergeant at Arms – Brian Williams, Sonoma CERA

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**1. SACRS System Roll Call**

Vacant, SACRS Secretary

**2. Secretary's Report - Receive and File**

Vacant, SACRS Secretary

- A. November 2021 SACRS Business Meeting Minutes

**3. Treasurer's Report - Receive and File**

Harry Hagen, Santa Barbara CERS, SACRS Treasurer

- A. July 2021 – February 2022 Financials

**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. 2022 Legislative Report – No Action
- B. SACRS Board of Directors Legislative Proposal – No Action

**6. SACRS Nomination Committee - 2022-2023 SACRS Board of Directors Elections –Action**

Dan McAllister, San Diego CERA, SACRS Nomination Committee Chair

- A. SACRS Board of Directors Elections 2022-2023



**7. SACRS Audit Report – Action**

Steve Delaney, Orange CERS, SACRS Audit Committee Chair

- A. SACRS 2020-2021 Annual Audit

**8. SACRS Education Committee Report – No Action**

JJ Popowich, Los Angeles CERA, SACRS Education Committee Chair

- A. SACRS Annual Spring 2022 Conference Evaluations/Feedback

**9. SACRS Program Committee Report – No Action**

Kathryn Cavness, Mendocino CERA, SACRS Program Committee Chair

- A. SACRS Annual Spring 2022 Conference Report

**10. SACRS Affiliate Committee Report – No Action**

Wally Fikri, William Blair, SACRS Affiliate Committee Chair

- A. Affiliate Committee Update

**11. SACRS Bylaws Committee Report – No Action**

Barbara Hannah, San Bernardino CERA, SACRS Bylaws Committee Chair

- A. Bylaws Committee Update

**12. SACRS Spring 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, November 11, 2022 at the Hyatt Regency Long Beach, Long Beach, CA unless Covid-19 restrictions are in place.



## 1. SACRS System Roll Call

Vacant, SACRS Secretary



1. SACRS System Roll Call  
Vacant, SACRS Secretary

<b>System</b>	<b>In Attendance</b>	<b>Absent</b>	<b>Delegate/Alternate Name</b>
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			
<b>Total</b>			





## **2. Secretary's Report - Receive and File**

Vacant, SACRS Secretary

A. November 2021 SACRS Business Meeting Minutes



SACRS Business Meeting Minutes

Friday, November 12, 2021

10:00 AM – 11:30 AM

Loews Hollywood Hotel, Hollywood, CA

Ray Dolby Ballroom

SACRS Parliamentarian – TBD

Sergeant at Arms – Bob Goodchild, San Diego CERA

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**Meeting called to order at 10:06 am**

**SACRS Board of Directors in Attendance:**

Vivian Gray, President; Roger Hilton, Vice President; Kathryn Cavness, Secretary; Harry Hagen, Treasurer; David MacDonald, Board member; Vere Williams, Board member; Dan McAllister, Immediate Past President, Scott Draper, Affiliate Committee Chair

1. SACRS System Roll Call

Thomas Garcia, Imperial CERS, 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

Thomas Garcia, Imperial CERS, SACRS Secretary

A. Spring 2021 SACRS Business Meeting Minutes

**Motion:** A motion to approve the Spring 2021 SACRS Business Meeting Minutes was submitted by San Diego County.

**2<sup>nd</sup>:** Contra Costa County

**Yes:** All

**No:** 0

**Motion Passes 20-0**

3. Treasurer's Report - Receive and File

Harry Hagen, Santa Barbara CERS, SACRS Treasurer

A. July 2021 Financials

B. 2021-2022 Annual Budget



**Motion:** A motion to approve the Treasurer's report and the 2021 – 2022 Annual Budget was submitted by San Bernardino County.

**2<sup>nd</sup>:** San Diego County

**Yes:** All

**No:** 0

**Motion Passes 20-0**

4. SACRS President Report - No Action

Vivian Gray, Los Angeles CERA, SACRS President

A. SACRS President Update

**Discussion, no action taken. Vivian Gray provided a verbal update of upcoming strategic goals of the Board for the 2022 year.**

5. SACRS Legislative Committee Update – Action

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

A. 2021 Legislative Report – No Action

B. SACRS Board of Directors Legislative Proposal – Action

**Motion:** A motion to approve the SACRS Board of Directors Legislative Proposal for 2022 CERL clean-up bill was submitted by San Diego County

**2<sup>nd</sup>:** Fresno County

**Yes:** All

**No:** 0

**Motion passes 20-0**

6. SACRS Nomination Committee – 2022-2023 SACRS Election Notice – No Action

Dan McAllister, San Diego CERA, SACRS Nomination Committee Chair

A. SACRS Election Notice 2022-2023

**Discussion only, no action. Dan McAllister asked systems to alert staff and trustees that might be interested in serving on the Board that the elections begin January 1, 2022.**

7. SACRS Audit Report – No Action

Steve Delaney, Orange CERS, SACRS Audit Committee Chair

A. SACRS Annual Audit Update



**Discussion only, no action. Steve Delaney reported that the annual audit will be presented to the Board in January 2022 and presented to the membership at the Spring 2022 Business Meeting.**

8. SACRS Education Committee Report – No Action

JJ Popowich, Los Angeles CERA, SACRS Education Committee Chair

A. SACRS Annual Fall Conference 2021 Evaluations/Feedback

**Discussion only, no action. JJ Popowich proved a verbal report of the Education committee meeting and review of all sessions. JJ reported that the group thought it was a great conference, really liked Frances Donald keynote speaker, moderator John D'Agostino and the conference as a whole. Will provide full report to the Board in January 2022.**

9. SACRS Program Committee Report – No Action

Kathryn Cavness, Mendocino CERA, SACRS Program Committee Chair

A. SACRS Annual Fall Conference 2021 report

**Discussion only, no action. Kathryn Cavness thanked the committee members and welcomed feed back via the evaluations online.**

10. SACRS Affiliate Committee Report – No Action

Scott Draper, Algert Global, SACRS Affiliate Committee Chair

A. Affiliate Committee report

**Discussion only, no action. Alex Tanase provided a verbal update on the Affiliate breakout and the new affiliate members.**

11. SACRS Bylaws Committee Report – No Action

Chair Position Open, SACRS Bylaws Committee Chair

A. No report

**No report.**

12. SACRS Fall Conference Breakout Reports – No Action

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

- Administrators – Don Kendig, Fresno CERA, gave a verbal report on the Administrators breakout, well attended. Santos Kreimann will be the Spring 2022 Moderator.



- Counsel – **No report**
- Disability/ Operations & Benefits Combo – **JJ Popowich, Los Angeles CERA, provided a verbal update, good session and well attended. Carlos Barrios, Los Angeles CERA, will be the Spring 2022 Moderator.**
- Internal Auditors – **No report**
- Investment Officers – **Closed session, no report**
- Safety Trustees – **Brian Williams, Sonoma CERA, provided a verbal update, volunteered as the Spring 2022 Moderator.**
- General Trustees – **Kathryn Cavness, Mendocino CERA, provided a verbal update, good session and was very informative as a follow up to the General Session David Burkus provided.**

### 13. Adjournment

Next scheduled SACRS Association Business Meeting will be held Friday, May 13, 2022 at the Rancho Las Palmas Hotel in Rancho Mirage, CA.

**Motion:** A motion to adjourn the meeting at 10:32 am was submitted by Imperial County.

**2<sup>nd</sup>:** Contra Costa County

**Yes:** All

**No:** 0

**Motion passes 20-0**



### **3. Treasurer's Report - Receive and File**

Harry Hagen, Santa Barbara CERS, SACRS Treasurer

A. July 2021 – February 2022 Financials

# STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

## Balance Sheet

As of February 28, 2022

Feb 28, 22

### ASSETS

#### Current Assets

##### Checking/Savings

1000 - First Foundation Bank-Checking	98,871.44
1001 - BofA Interest Checking 4389	46,667.68
1002 - First Foundation Bank ICS Acct	57,571.86

Total Checking/Savings	203,110.98
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##### Other Current Assets

1100 - CalTrust - Medium Term	962,940.48
1107 - CalTrust Liquidity Fund	8,226.92
1110 - CAMP-SACRS Liquidity Fund	791,390.86
1201 - Deposits in Transit	3,855.00

Total Other Current Assets	1,766,413.26
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Total Current Assets	1,969,524.24
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TOTAL ASSETS	1,969,524.24
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### LIABILITIES & EQUITY

#### Liabilities

##### Current Liabilities

##### Credit Cards

2200 - First Foundation Credit Card	924.23
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Total Credit Cards	924.23
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Total Current Liabilities	924.23
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Total Liabilities	924.23
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#### Equity

32000 - Retained Earnings	2,034,191.90
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Net Income	-65,591.89
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Total Equity	1,968,600.01
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TOTAL LIABILITIES & EQUITY	1,969,524.24
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# STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

## Profit & Loss

July 2021 through February 2022

Jul '21 - Feb 22

### Ordinary Income/Expense

#### Income

4100 · Membership Dues	
4101 · Affiliates	203,750.00
4102 · Non Profit - Organizations	2,740.00
4103 · Non Profit - Systems	7,500.00
4104 · Systems - Medium	52,000.00
4105 · Systems - Large	42,000.00
Total 4100 · Membership Dues	307,990.00
4200 · Webinar Symposium Registration	350.00
4250 · Product Income	
4251 · CERL	25.00
Total 4250 · Product Income	25.00
4270 · UC Berkeley Program	
4271 · Registrations	5,650.00
4272 · Sponsorships	10,000.00
Total 4270 · UC Berkeley Program	15,650.00
4300 · Fall Conference Registration	
4301 · Affiliates - Early	120,360.00
4302 · Affiliates - Regular	97,180.00
4303 · Affiliates - Late/Onsite	52,480.00
4304 · Non Profit	720.00
4305 · Systems	13,560.00
4306 · Non-Members	214,880.00
4307 · Fun Run	1,290.00
4308 · Yoga	675.00
4300 · Fall Conference Registration - Other	-1,260.00
Total 4300 · Fall Conference Registration	499,885.00
4350 · Spring Conference Registration	
4351 · Affiliates - Early	93,120.00
4355 · Systems	5,400.00
4356 · Non-Members	34,710.00
4357 · Fun Run	495.00
4358 · Yoga	270.00
Total 4350 · Spring Conference Registration	133,995.00
4900 · Interest Earned	-16,270.48

Total Income 941,624.52

Gross Profit 941,624.52

#### Expense

5000 · Administrative Fee	120,146.60
5001 · Administrative Services	315.25
5002 · Awards	193.00
5003 · Bank Charges/Credit Card Fees	21,999.41
5010 · Berkeley & Symposium	
5012 · Delivery & Shipping	922.40
5015 · Materials/Printing/Design	25.49



# STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

## Profit & Loss

July 2021 through February 2022

	Jul '21 - Feb 22
5017 · UC Berkeley	108,000.00
<b>Total 5010 · Berkeley &amp; Symposium</b>	<b>108,947.89</b>
5020 · Webinar Symposium	
5022 · Webinar Technology	28,625.00
<b>Total 5020 · Webinar Symposium</b>	<b>28,625.00</b>
5040 · Commissions & Fees	10,005.00
5041 · Consulting	19,881.76
5042 · Dues & Subscriptions	600.00
5050 · Fall Conference	
5051 · Audio/Visual	86,292.50
5052 · Delivery & Shipping	1,998.41
5054 · Hotel	
5054.1 · Wednesday Night Event	12,234.00
5054.2 · Conference	34,972.50
5054.3 · Food & Beverage	181,293.50
5054 · Hotel - Other	80,986.66
<b>Total 5054 · Hotel</b>	<b>309,486.66</b>
5055 · Program Material	24,182.03
5056 · Speakers	55,914.53
5057 · Supplies	1,137.51
5058 · Travel	12,126.21
<b>Total 5050 · Fall Conference</b>	<b>491,137.85</b>
5070 · Insurance	4,421.00
5071 · Legal & Professional Fees	24,625.74
5072 · Legislative Advocacy	40,008.00
5080 · Magazine	
5081 · Delivery & Shipping	327.11
5082 · Design/Printing/Etc.	9,954.47
5083 · Magazine - Other	13,055.00
<b>Total 5080 · Magazine</b>	<b>23,336.58</b>
6000 · Board & Committees	
6001 · Board of Directors	
6001.1 · Food & Beverage	7,918.37
6001.2 · Printing/Supplies	2,456.58
6001.3 · Travel - BOD Meetings	6,712.20
6001.4 · Travel - Miscellaneous BOD	8,590.56
6001.5 · Board Of Directors - Other	7,234.23
6001 · Board of Directors - Other	7,873.70
<b>Total 6001 · Board of Directors</b>	<b>40,785.64</b>
<b>Total 6000 · Board &amp; Committees</b>	<b>40,785.64</b>
6010 · Office Expenses / Supplies	1,324.38
6011 · Postage & Delivery	5,984.40
6020 · Spring Conference	
6025 · Program Material	2,380.00
6026 · Speakers	23,500.00
6020 · Spring Conference - Other	1,107.95

# STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

## Profit & Loss

July 2021 through February 2022

	Jul '21 - Feb 22
Total 6020 · Spring Conference	26,987.95
6051 · Taxes & Licenses	569.88
6053 · Technology/AMS/Website	34,609.76
6054 · Travel	2,711.32
Total Expense	1,007,216.41
Net Ordinary Income	-65,591.89
	<b>-65,591.89</b>

# STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

## Profit & Loss Budget vs. Actual

July 2021 through February 2022

	Jul '21 - Feb 22	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
4100 · Membership Dues				
4101 · Affiliates	203,750.00	268,750.00	-65,000.00	75.81%
4102 · Non Profit - Organizations	2,740.00	2,750.00	-10.00	99.64%
4103 · Non Profit - Systems	7,500.00	6,000.00	1,500.00	125.0%
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%
4100 · Membership Dues - Other	0.00	0.00	0.00	0.0%
Total 4100 · Membership Dues	307,990.00	371,500.00	-63,510.00	82.9%
4200 · Webinar Symposium Registration				
4201 · Affiliates - Early	0.00	200.00	-200.00	0.0%
4202 · Affiliates - Regular	0.00	200.00	-200.00	0.0%
4203 · Affiliates - Late/Onsite	0.00	200.00	-200.00	0.0%
4204 · Non Profit	0.00	200.00	-200.00	0.0%
4205 · Systems	0.00	200.00	-200.00	0.0%
4206 · Non-Members	0.00	200.00	-200.00	0.0%
4200 · Webinar Symposium Registration - Other	350.00	0.00	350.00	100.0%
Total 4200 · Webinar Symposium Registration	350.00	1,200.00	-850.00	29.17%
4250 · Product Income				
4251 · CERL	25.00	0.00	25.00	100.0%
4255 · Magazine Advertising	0.00	2,000.00	-2,000.00	0.0%
Total 4250 · Product Income	25.00	2,000.00	-1,975.00	1.25%
4270 · UC Berkeley Program				
4271 · Registrations	5,650.00	60,000.00	-54,350.00	9.42%
4272 · Sponsorships	10,000.00	40,000.00	-30,000.00	25.0%
4270 · UC Berkeley Program - Other	0.00	0.00	0.00	0.0%
Total 4270 · UC Berkeley Program	15,650.00	100,000.00	-84,350.00	15.65%
4300 · Fall Conference Registration				
4301 · Affiliates - Early	120,360.00	140,000.00	-19,640.00	85.97%
4302 · Affiliates - Regular	97,180.00	60,000.00	37,180.00	161.97%
4303 · Affiliates - Late/Onsite	52,480.00	70,400.00	-17,920.00	74.55%
4304 · Non Profit	720.00	960.00	-240.00	75.0%
4305 · Systems	13,560.00	20,000.00	-6,440.00	67.8%
4306 · Non-Members	214,880.00	200,250.00	14,630.00	107.31%
4307 · Fun Run	1,290.00	500.00	790.00	258.0%
4308 · Yoga	675.00	100.00	575.00	675.0%
4300 · Fall Conference Registration - Other	-1,260.00	0.00	-1,260.00	100.0%
Total 4300 · Fall Conference Registration	499,885.00	492,210.00	7,675.00	101.56%
4350 · Spring Conference Registration				
4351 · Affiliates - Early	93,120.00	140,000.00	-46,880.00	66.51%
4352 · Affiliates - Regular	0.00	60,000.00	-60,000.00	0.0%
4353 · Affiliates - Late/Onsite	0.00	70,400.00	-70,400.00	0.0%
4354 · Non Profit	0.00	960.00	-960.00	0.0%
4355 · Systems	5,400.00	20,000.00	-14,600.00	27.0%

# STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

## Profit & Loss Budget vs. Actual

July 2021 through February 2022

	Jul '21 - Feb 22	Budget	\$ Over Budget	% of Budget
4356 · Non-Members	34,710.00	200,250.00	-165,540.00	17.33%
4357 · Fun Run	495.00	500.00	-5.00	99.0%
4358 · Yoga	270.00	100.00	170.00	270.0%
Total 4350 · Spring Conference Registration	133,995.00	492,210.00	-358,215.00	27.22%
4900 · Interest Earned	-16,270.48	-953.55	-15,316.93	1,706.31%
Total Income	941,624.52	1,458,166.45	-516,541.93	64.58%
Gross Profit	941,624.52	1,458,166.45	-516,541.93	64.58%
Expense				
5000 · Administrative Fee	120,146.60	180,000.00	-59,853.40	66.75%
5001 · Administrative Services	315.25	500.00	-184.75	63.05%
5002 · Awards	193.00	500.00	-307.00	38.6%
5003 · Bank Charges/Credit Card Fees	21,999.41	36,000.00	-14,000.59	61.11%
5010 · Berkeley & Symposium				
5011 · Audio/Visual	0.00	2,200.00	-2,200.00	0.0%
5012 · Delivery & Shipping	922.40			
5013 · Hotel	0.00	12,500.00	-12,500.00	0.0%
5014 · Food & Beverage	0.00	12,500.00	-12,500.00	0.0%
5015 · Materials/Printing/Design	25.49	3,000.00	-2,974.51	0.85%
5016 · Travel	0.00	2,500.00	-2,500.00	0.0%
5017 · UC Berkeley	108,000.00	216,000.00	-108,000.00	50.0%
Total 5010 · Berkeley & Symposium	108,947.89	248,700.00	-139,752.11	43.81%
5020 · Webinar Symposium				
5022 · Webinar Technology	28,625.00	25,000.00	3,625.00	114.5%
Total 5020 · Webinar Symposium	28,625.00	25,000.00	3,625.00	114.5%
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	10,005.00	20,000.00	-9,995.00	50.03%
5041 · Consulting	19,881.76	19,992.00	-110.24	99.45%
5042 · Dues & Subscriptions	600.00	3,700.00	-3,100.00	16.22%
5050 · Fall Conference				
5051 · Audio/Visual	86,292.50	60,000.00	26,292.50	143.82%
5052 · Delivery & Shipping	1,998.41	2,500.00	-501.59	79.94%
5053 · Entertainment	0.00	6,500.00	-6,500.00	0.0%
5054 · Hotel				
5054.1 · Wednesday Night Event	12,234.00	65,000.00	-52,766.00	18.82%
5054.2 · Conference	34,972.50	15,000.00	19,972.50	233.15%
5054.3 · Food & Beverage	181,293.50	250,000.00	-68,706.50	72.52%
5054 · Hotel - Other	80,986.66	0.00	80,986.66	100.0%
Total 5054 · Hotel	309,486.66	330,000.00	-20,513.34	93.78%
5055 · Program Material	24,182.03	25,000.00	-817.97	96.73%
5056 · Speakers	55,914.53	50,000.00	5,914.53	111.83%
5057 · Supplies	1,137.51	500.00	637.51	227.5%
5058 · Travel	12,126.21	15,000.00	-2,873.79	80.84%

# STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

## Profit & Loss Budget vs. Actual

July 2021 through February 2022

	Jul '21 - Feb 22	Budget	\$ Over Budget	% of Budget
5050 · Fall Conference - Other	0.00	0.00	0.00	0.0%
Total 5050 · Fall Conference	491,137.85	489,500.00	1,637.85	100.34%
5070 · Insurance	4,421.00	5,000.00	-579.00	88.42%
5071 · Legal & Professional Fees	24,625.74	35,000.00	-10,374.26	70.36%
5072 · Legislative Advocacy	40,008.00	60,012.00	-20,004.00	66.67%
5080 · Magazine				
5081 · Delivery & Shipping	327.11	600.00	-272.89	54.52%
5082 · Design/Printing/Etc.	9,954.47	20,000.00	-10,045.53	49.77%
5083 · Magazine - Other	13,055.00	5,200.00	7,855.00	251.06%
5080 · Magazine - Other	0.00	0.00	0.00	0.0%
Total 5080 · Magazine	23,336.58	25,800.00	-2,463.42	90.45%
6000 · Board & Committees				
6001 · Board of Directors				
6001.1 · Food & Beverage	7,918.37	25,000.00	-17,081.63	31.67%
6001.2 · Printing/Supplies	2,456.58	4,000.00	-1,543.42	61.42%
6001.3 · Travel - BOD Meetings	6,712.20	11,000.00	-4,287.80	61.02%
6001.4 · Travel - Miscellaneous BOD	8,590.56	3,500.00	5,090.56	245.45%
6001.5 · Board Of Directors - Other	7,234.23	3,000.00	4,234.23	241.14%
6001 · Board of Directors - Other	7,873.70			
Total 6001 · Board of Directors	40,785.64	46,500.00	-5,714.36	87.71%
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	40,785.64	49,250.00	-8,464.36	82.81%
6010 · Office Expenses / Supplies	1,324.38	2,500.00	-1,175.62	52.98%
6011 · Postage & Delivery	5,984.40	3,000.00	2,984.40	199.48%
6020 · Spring Conference				
6021 · Audio/Visual	0.00	60,000.00	-60,000.00	0.0%
6022 · Delivery & Shipping	0.00	2,500.00	-2,500.00	0.0%
6023 · Entertainment	0.00	6,500.00	-6,500.00	0.0%
6024 · Hotel				
6024.1 · Wednesday Night Event	0.00	65,000.00	-65,000.00	0.0%
6024.2 · Conference	0.00	0.00	0.00	0.0%
6024.4 · Hotel - Other	0.00	25,000.00	-25,000.00	0.0%
6024 · Hotel - Other	0.00	0.00	0.00	0.0%
Total 6024 · Hotel	0.00	90,000.00	-90,000.00	0.0%
6025 · Program Material	2,380.00	25,000.00	-22,620.00	9.52%
6026 · Speakers	23,500.00	50,000.00	-26,500.00	47.0%
6027 · Supplies	0.00	1,000.00	-1,000.00	0.0%
6028 · Travel	0.00	15,000.00	-15,000.00	0.0%
6020 · Spring Conference - Other	1,107.95	0.00	1,107.95	100.0%
Total 6020 · Spring Conference	26,987.95	250,000.00	-223,012.05	10.8%
6050 · Strategic Facilitator	0.00	15,000.00	-15,000.00	0.0%
6051 · Taxes & Licenses	569.88	50.00	519.88	1,139.76%
6053 · Technology/AMS/Website	34,609.76	45,000.00	-10,390.24	76.91%
6054 · Travel	2,711.32	7,500.00	-4,788.68	36.15%

# STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

## Profit & Loss Budget vs. Actual

July 2021 through February 2022

Total Expense  
Net Ordinary Income

Jul '21 - Feb 22	Budget	\$ Over Budget	% of Budget
1,007,216.41	1,539,804.00	-532,587.59	65.41%
-65,591.89	-81,637.55	16,045.66	80.35%
<b>-65,591.89</b>	<b>-81,637.55</b>	<b>16,045.66</b>	<b>80.35%</b>



#### **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 – Action**

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

- A. 2022 Legislative Report – No Action
- B. SACRS Board of Directors Legislative Proposal – No Action



April 1, 2022

TO: State Association of County Retirement Systems

FROM: Edelstein Gilbert Robson & Smith, LLC

RE: **Legislative Update – April 2022**

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### **General Update**

As the Legislature goes into April, policy committee hearings are in full swing. Policy Committees will continue for fiscal bills (bills that have a cost to the state) until April 29. Bills keyed non-fiscal have until May 6 to be heard in policy committee. Following the policy committee deadline, fiscal legislation faces its next hurdle, the fiscal committee deadline on May 20.

Now that case rates are declining, activity in the Legislature has been shifting increasingly towards in-person rather than virtual meetings. Virtual meetings are still occurring, but more legislative staff are working from the “Swing Space” rather than from home, increasing opportunities for in-person lobbying.

### **SACRS Sponsored Bills**

As discussed in previous reports, the various policy proposals to amend the CERL that were approved by the SACRS membership were amended into the two bills below.

**AB 1824 (Committee on Public Employment and Retirement) – Committee Cleanup Bill.** The bill passed out of the Assembly Public Employment and Retirement Committee unanimously and will be heard in the Assembly Appropriations Committee next.

**AB 1971 (Cooper) – CERL Policy Bill.** The Legislative Committee Co-Chairs and SACRS lobbying team held a series of discussions with stakeholders on the bill. Based on those discussions and concerns raised by SEIU, the California Professional Firefighters, and the Police Officers Research Association of CA (PORAC), AB 1971 will be amended with various technical clarifications and to strike sections six and eight of the bill. Discussions will continue regarding a couple outstanding items. The bill has not yet been set for hearing in its policy committee.

We will continue to keep SACRS updated as these two bills move through the legislative process.

## **Other Bills of Interest**

**AB 2493 (Chen) – Orange County Employees Retirement System: Disallowed Compensation.** This bill was recently amended with substantive language that allows OCERS to adjust retirement payments based on disallowed compensation for peace officers and firefighters under certain circumstances.

The bill has not yet been set for hearing.

**Compensation Earnable Bills** – Last session, two bills were introduced relating to compensation earnable - **AB 498 (Quirk-Silva)** and **AB 826 (Irwin)**. As reported in previous updates, AB 826 was gutted and amended in June of 2021 with the CERL provisions currently contained in the bill. The bill was placed on the Senate Inactive File in September, where it remains. AB 498 (Quirk Silva) was similarly amended at the end of session last year in September. We have reached out to these offices to inquire about whether these bills will be further amended or brought up for votes later this year. Neither office had any updates at this time. We will periodically check back for further updates.

**SB 1328 (McGuire) – Divestment.** This bill would prohibit all public retirement boards subject to PEPRA from investing public employee retirement funds in a company with business operations in Russia or Belarus, among other requirements.

The bill passed out of the Senate Labor, Public Employment and Retirement Committee and Senate Governmental Organization Committee unanimously. It will go to the Senate Appropriations Committee next.

SACRS has not taken a formal position on the bill but has submitted a “letter of concern” outlining the administrative concerns raised by member systems.

**Public Meeting Bills.** During the pandemic, public agencies have relied upon the Brown Act flexibilities created via Executive Order and previous legislation to continue to conduct business while keeping the public and members safe. As the pandemic evolves, public agencies continue to recognize the benefits of teleconferencing, and multiple bills have been introduced on the topic this year to continue teleconference flexibilities:

**AB 1944 (Lee) – Public Meetings.** This bill would eliminate the requirement to post each board member address on public agendas for remote meetings. For public meetings that elect to use teleconferencing, the legislative body would be required to provide a video stream accessible to members of the public and an option for members of the public to address the legislative body remotely during public comment through a video or call-in option.

SACRS is supporting this bill. The bill has not yet been set for hearing in policy committee.

**AB 2449 (Rubio) – Public Meetings.** This bill would allow a local agency to use teleconferencing for a public meeting if at least a quorum of members of the legislative

body participate in person from a single location that is identified on the agenda and is open to the public within the local agency's jurisdiction, among other requirements.

The bill has not yet been sent for hearing.



**6. SACRS Nomination Committee - 2022-2023 SACRS Board of Directors Elections –  
Action**

Dan McAllister, San Diego CERA, SACRS Nomination Committee Chair

A. SACRS Board of Directors Elections 2022-2023



March 15, 2022

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 2022-2023 Elections – Final Ballot

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SACRS BOD 2022-2023 election process began January 2022. Please provide the final ballot and voting instructions to your Board of Trustees and Voting Delegates.

DEADLINE	DESCRIPTION
March 1, 2022	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, 2022	The Nominating Committee will report a final ballot to each regular member County Retirement System prior to March 25
May 13, 2022	Nomination Committee to conduct elections during the SACRS Business Meeting at the Spring Conference, May 10-13, 2022
May 13, 2022	Board of Directors take office for 1 year (until Spring 2023 Elections)

**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 on Friday, May 13, 2022 during the scheduled business meeting at the Omni Rancho Las Palmas Hotel and Resort in Rancho Mirage, CA.

**SACRS Nominating Committee Recommended Slate:**

- President – Vivian Gray, Los Angeles CERA
- Vice President – David MacDonald, Contra Costa CERA
- Treasurer – Jordan Kaufman, Kern CERA
- Secretary – Adele Tagaloa, Orange CERS
- Regular Member – Vere Williams, San Bernardino CERA
- Regular Member – David Gilmore, San Diego CERA

No other letters of intent or submissions were received.

Please prepare your voting delegate to have the ability to vote by the recommended ballot and by each position separately.

If you have any questions, please contact me at Dan McAllister,  
[Dan.McAllister@sdcountry.ca.gov](mailto:Dan.McAllister@sdcountry.ca.gov) or (619) 531-5231.

Thank you for your prompt attention to this timely matter.

Sincerely,

*Dan McAllister*

Dan McAllister, San Diego CERA Trustee  
SACRS Nominating Committee Chair

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

Attached: Candidate submissions

## SACRS Submission for President



February 23, 2022

VIA EMAIL

SACRS Nominating Committee  
Mr. Dan McAllister, Chair

Dear Mr. McAllister and Members of the Nominating Committee:

I would like to express my desire to be considered for SACRS' President for 2022/2023.

I have been humbly honored to serve as SACRS President for two years. 2020 was a very difficult year for everyone. SACRS was no exception. 2021 was difficult also as we had to get back on our feet, stand tall and continue with our mission in spite of a "new normal" we faced.

My focus in 2021 for SACRS expanded two original concepts of "Relevance and Sustainability" to "Recovery, Relevance and Sustainability". Within these three concepts, SACRS was able to begin 'recovery' from the pandemic while adhering to health restrictions; remain 'relevant' to the pension community through innovative approaches to education and 'sustainable' by building on technological advances to return to live conference for our members yet also continue to provide quality education through alternative mediums.

Most notably SACRS accomplishments for 2020 and 2021 include, but are not limited to the following:

- Continued communications with 37 Act systems and administrators through SACRS' website and SACRS Magazine
- Presentation of SACRS 2020 conferences in a virtual format without sacrificing quality of speakers, presentations or interactions among trustees, affiliates and staff and "in-person" return in 2021 and Spring 2022.
- Presenting the SACRS Berkeley Education Program in a virtual format with on-demand replays of the classes presented
- Maintaining an active role in the legislative process as it affected county retirement systems

In spite of the pandemic and post pandemic challenges, I am very proud of the work SACRS' Board has accomplished under my leadership. We continue to be productive while recovering and remaining relevant and sustainable for the SACRS membership.

I would be honored to serve another term as President of SACRS. Thank you in advance for your consideration of my candidacy for re-election.

Sincerely,

*Vivian Gray*



## SACRS Nomination Submission Form SACRS Board of Directors Elections 2022-2023

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, 2022.** Please submit to the Nominating Committee Chair at [Dan.McAllister@sdcounty.ca.gov](mailto:Dan.McAllister@sdcounty.ca.gov) AND to SACRS at [sulema@sacrs.org](mailto:sulema@sacrs.org). If you have any questions, please feel free to contact Sulema Peterson at SACRS at (916) 701-5158.

<b>Name of Candidate</b>	Name: Vivian H. Gray
<b>Candidate Contact Information (Please include – Phone Number, Email Address and Mailing Address)</b>	Mailing Address: 300 N. Lake Ave., Ste. 820, Pasadena CA 91101 Email Address: viviangray@aol.com, vgray@lacera.com Phone: 213.440.0142
<b>Name of Retirement System Candidate Currently Serves On</b>	System Name: Los Angeles County Employees Retirement Assoc. (LACERA)
<b>List Your Current Position on Retirement Board (Chair, Alternate, Retiree, General Elected, Etc)</b>	<input type="radio"/> Chair <input type="radio"/> Alternate <input checked="" type="radio"/> General Elected <input type="radio"/> Retiree <input type="radio"/> Other _____
<b>Applying for SACRS Board of Directors Position (select only one)</b>	<input checked="" type="radio"/> President <input type="radio"/> Vice President <input type="radio"/> Treasurer <input type="radio"/> Secretary <input type="radio"/> Regular Member
<b>Brief Bio</b>	2021 President, SACRS 2019 Vice Chair, SACRS President 2017 Chair, SACRS Bylaws Committee Elected general member trustee since 2012 38 years of service to Los Angeles County 10 years in Law Enforcement 28 years as an attorney for Los Angeles County 6 years in private law practice Education/Pension Trustee Certificates  - Bachelors of Arts: UCLA - JD: UWLA - New York Law School -Public Pension Trustee Fiduciary Program - Stanford Law School (CALAPRS) -Principles of Pension Management - Harvard Law School Program - Trustee Work Life - UC Berkeley (SACRS) - Modern Investment Theory & Practice for Retirement Systems - IFEBP -Trustee Master's Program - NCPERS Public Pension Funding Forum - National Assoc. of Corporate Directors (NACD) Board Leadership Fellow

## SACRS Submission for Vice President

David J MacDonald, MD

255 Ramsgate Way  
Vallejo, CA 94591  
dmacdcccera@gmail.com  
510-409-4458 (mobile)

February 11, 2022

SACRS Nominating Committee  
Mr. Dan McAllister, Chair

Dear Mr. McAllister,

I would like to express my interest in running as Vice President for the SACRS' Board of Directors for the 2021/2022 year.

I was first elected to the SACRS board in 2020. I am also an elected trustee of the CCCERA Retirement Board (since 2016) and currently serve as CCCERA Board Vice Chair. I appreciate the level of responsibility entrusted to me in looking after our members' retirement plans. I understand the incredible value of a defined benefit plan for my coworkers and our retirees.

I have a long history of dedicated service to my coworkers and union members and I carry this spirit into my role as an elected trustee. My work with SACRS has meant for further education and inspiration from the SACRS organization via its conferences and programs. SACRS has enhanced my abilities to serve as an effective CCCERA trustee.

I desire to continue my service on the SACRS board. Doing so allows me to further promote, protect and build upon pension programs under CERL for county public employees statewide.

Thank you for your time and consideration.

Sincerely and Respectfully,

*David J MacDonald, MD*

David J MacDonald, MD



### 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, 2022.** Please submit to the Nominating Committee Chair at [Dan.McAllister@sdcounty.ca.gov](mailto:Dan.McAllister@sdcounty.ca.gov) AND to SACRS at [sulema@sacrs.org](mailto:sulema@sacrs.org). If you have any questions, please feel free to contact Sulema Peterson at SACRS at (916) 701-5158.

<b>Name of Candidate</b>	Name: David J. MacDonald, MD
<b>Candidate Contact Information</b> (Please include – Phone Number, Email Address and Mailing Address)	Mailing Address: 255 Ramsgate Way, Vallejo, CA 94591  Email Address: <a href="mailto:dmacdcccera@gmail.com">dmacdcccera@gmail.com</a>  Phone: 510-409-4458
<b>Name of Retirement System Candidate Currently Serves On</b>	System Name: CCCERA
<b>List Your Current Position on Retirement Board (Chair, Alternate, Retiree, General Elected, Etc)</b>	<input type="radio"/> Chair <input type="radio"/> Alternate <input checked="" type="radio"/> <b>General Elected X</b> <input type="radio"/> Retiree <input type="radio"/> Other _____
<b>Applying for SACRS Board of Directors Position (select only one)</b>	<input type="radio"/> President <input checked="" type="radio"/> <b>Vice President X</b> <input type="radio"/> Treasurer <input type="radio"/> Secretary <input type="radio"/> Regular Member
<b>Brief Bio</b>	* SACRS Board of Directors, Member – 2020-2021 & 2021-2022 * Vice Chair, CCCERA Board of Retirement * Elected general member trustee of CCCERA since 2016 * President, Physicians' and Dentists' of Contra Costa (PDOCC), since 2010 (Union for health care providers working at Contra Costa County). * 28 years serving on the PDOCC Executive Board, including many years as Vice President and President. * 31 years of service to Contra Costa County as a physician working in the Department of Health Services. * Education/Pension Trustee Certificates: - Bachelors of Science, Biology – UC Irvine - Doctor of Medicine – UC Irvine - UC Berkeley (SACRS) – Modern Investment Theory & Practice for Retirement Systems - Wharton Business School – Portfolio Concepts & Management - IFEBP – CAPPP program - CALAPRS Trustee Education – Principles of Pension Governance

## SACRS Submission for Treasurer



**Jordan Kaufman**  
Treasurer and Tax Collector  
**Chase Nunneley**  
Assistant Treasurer and Tax Collector

February 9, 2022

Dan McAllister, Nominating Committee Chairman  
State Association of County Retirement Systems

Re: Letter of interest for SACRS position of Treasurer of the Board of Directors

Dear Mr. McAllister and members of the Nominating Committee,

Thank you for the opportunity to express my interest in the position of Treasurer of the SACRS Board of Directors. I believe that I have the knowledge, experience and motivation to add value to the Board. I am in my second term as the elected Kern County Treasurer-Tax Collector, and I am a 17 year member of the Kern County Employees Retirement Association (KCERA) as a general elected, alternate, and statutory trustee. I have a deep background in public fund investment and retirement plan administration and I am or have been the Treasurer of many organizations and associations.

As the elected Treasurer-Tax Collector, I manage the County's \$4.5 billion treasury pool, provide banking services to over 200 different county agencies and districts, and collect over \$1.3 billion in local property taxes. I am also the Plan Administrator for the County's 457(b) deferred compensation plan with over \$720 million in participant assets.

I am or have been the Treasurer of the following entities: County of Kern; California Association of County Treasurer's and Tax Collectors (CACTTC); United Way of Kern County; Boy Scouts of America Southern Sierra Council; California Statewide Communities Development Authority (CSCDA); and Kern County Management Council.

I have dedicated my career to public service and I am proud to serve the residents of Kern County and the employees of the County of Kern. I am interested in becoming more involved in pension and investment management on a larger scale and I feel that my knowledge and expertise outlined above would make me a good candidate for the Treasurer of the Board. I feel I could bring value to the board while at the same time expanding my knowledge base in pension management and administration.

Attached is my resume for your information. Thank you in advance for your consideration and feel free to call me if you have any questions at 661-204-1510.

Sincerely,

Jordan Kaufman  
Kern County Treasurer-Tax Collector  
Deferred Compensation Plan Administrator

Attachment

M:\Administration\SACRS\SACRS Board Letter of Interest.doc



**SACRS Nomination Submission Form  
SACRS Board of Directors Elections 2022-2023**

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, 2022.** Please submit to the Nominating Committee Chair at [Dan.McAllister@sdcountry.ca.gov](mailto:Dan.McAllister@sdcountry.ca.gov) AND to SACRS at [sulema@sacrs.org](mailto:sulema@sacrs.org). If you have any questions, please feel free to contact Sulema Peterson at SACRS at (916) 701-5158.

<b>Name of Candidate</b>	Name: Jordan Kaufman
<b>Candidate Contact Information (Please include – Phone Number, Email Address and Mailing Address)</b>	Mailing Address: 1115 Truxtun Avenue, 2nd floor Bakersfield, CA 93301 Email Address: <a href="mailto:jkaufman@kerncounty.com">jkaufman@kerncounty.com</a> Phone: (661) 868-3454
<b>Name of Retirement System Candidate Currently Serves On</b>	System Name: Kern County Employees' Retirement Association
<b>List Your Current Position on Retirement Board (Chair, Alternate, Retiree, General Elected, Etc)</b>	<input type="radio"/> Chair <input type="radio"/> Alternate <input type="radio"/> General Elected <input type="radio"/> Retiree <input checked="" type="radio"/> Other <u>Statutory</u>
<b>Applying for SACRS Board of Directors Position (select only one)</b>	<input type="radio"/> President <input type="radio"/> Vice President <input checked="" type="radio"/> Treasurer <input type="radio"/> Secretary <input type="radio"/> Regular Member
<b>Brief Bio</b>	<p>I am in my second term as the elected Kern County Treasurer-Tax Collector with fiduciary responsibility over the \$4.5 billion Treasury Investment Pool and the responsibility of annually collecting over \$1.3 billion in local property taxes. I am also the Plan Administrator for the \$720 million deferred compensation plan for County employees. Prior to being elected, I became the assistant Treasurer-Tax Collector in 2006. Prior to 2006, I spent over a decade in the County Administrative Office where I performed budget and policy analysis and was involved in the issuance of various types of municipal bonds for the County. I am the Treasurer and past Chairman of the United Way of Kern County, Trustee and past Chairman of the Kern County Employees Retirement Association (KCERA), Commissioner on the California Statewide Communities Development Authority (CSCDA), Treasurer of the Boy Scouts of America Southern Sierra Council, and an Adjunct Professor at the California State University Bakersfield. I have a Bachelor of Science degree in Industrial Technology from Cal Poly San Luis Obispo. I live in Bakersfield with my beautiful wife Kristen and we have four children.</p>



## SACRS Submission for Secretary

**Serving the Active and  
Retired Members of:**

CITY OF SAN JUAN  
CAPISTRANO

COUNTY OF ORANGE

ORANGE COUNTY  
CEMETERY DISTRICT

ORANGE COUNTY CHILDREN &  
FAMILIES COMMISSION

ORANGE COUNTY  
DEPARTMENT OF EDUCATION  
(CLOSED TO NEW MEMBERS)

ORANGE COUNTY  
EMPLOYEES RETIREMENT  
SYSTEM

ORANGE COUNTY FIRE  
AUTHORITY

ORANGE COUNTY IN-HOME  
SUPPORTIVE SERVICES PUBLIC  
AUTHORITY

ORANGE COUNTY LOCAL  
AGENCY FORMATION  
COMMISSION

ORANGE COUNTY PUBLIC LAW  
LIBRARY

ORANGE COUNTY  
SANITATION DISTRICT

ORANGE COUNTY  
TRANSPORTATION  
AUTHORITY

SUPERIOR COURT OF  
CALIFORNIA, COUNTY  
OF ORANGE

TRANSPORTATION  
CORRIDOR AGENCIES

UCI MEDICAL CENTER AND  
CAMPUS (CLOSED TO NEW  
MEMBERS)

February 23, 2022

*By Mail and Electronic Mail [dan.mcallister@sdcounty.ca.gov]*

Mr. Dan McAllister  
SACRS Nominating Committee Chair  
SACRS  
840 Richards Blvd.  
Sacramento, CA 95811

Re: NOMINATION FOR SACRS BOARD OF DIRECTORS ELECTION 2022-2023

Dear Mr. McAllister:

**This letter supersedes the letter I sent to you earlier today.**

As a regular member of SACRS, the Orange County Employees Retirement System (OCERS) is entitled, under the SACRS Bylaws, Article VIII, Section 2, to submit nominations for the election of directors for the SACRS Board of Directors.

On February 22, 2022, the OCERS Board of Retirement met and took action to nominate OCERS trustee, Adele Tagalao, for the position of SECRETARY of the SACRS Board of Directors, and directed me to submit this nomination to the SACRS Nominating Committee.

Accordingly, please accept this letter as **OCERS' nomination of OCERS Trustee, Adele Tagalao, for election to the position of SECRETARY of the SACRS Board of Directors at the 2022-2023 SACRS Board of Directors Election to take place on May 13, 2022.**

Please do not hesitate to contact me at (714) 558-6222 if you have any questions or require additional information.

Thank you.

Best regards,



Steve Delaney - Chief Executive Officer  
cc: Sulema H. Peterson, SACRS Administrator

# Adele Tagaloa

---

2223 East Wellington Ave, Suite 100, Santa Ana, CA 92804 | 714-349-9716 | [atagaloa@ocers.org](mailto:atagaloa@ocers.org)

**February 24, 2022**

Mr. Dan McAllister  
SACRS Immediate Past President, Nominating Committee Chair  
State Association of County Retirement Systems (SACRS)  
840 Richards Blvd  
Sacramento, CA 95811

**Dear Mr. Dan McAllister:**

Please accept this letter of my intent to run for SACRS Board of Directors for the office of Secretary.

My 15 years of leadership experience in the private and public sector makes me an exceptional candidate for SACRS Secretary. My experience serving (1) as an Executive Board member of my employee labor organization; (2) my employment by the Registrar of Voters to ensure accurate and transparent elections for 1.8 million registered Orange County voters; and most importantly (3) my service as a Trustee on the Orange County Employees Retirement System has made me uniquely qualified to serve on the SACRS Board of Directors.

My passion for democracy, organized labor, and accessibility education has been the cornerstone of my career and life. Since I have been elected to the OCERS Board of Retirement, my personal trustee education has been one of my main priorities. Although the last two years has proven to be a challenge for in-person education, I prioritized expanding my knowledge on pensions and legislation.

While attending SACRS Fall Conference in 2021, the level of professionalism and outstanding leadership solidified my desire to be more than a future attendee. In SACRS, I have found an organization that like me, understands the challenge and importance of pensions, education and duty for trustees in the CERL 37 Act Systems. I have shared too many people about the fantastic speakers and the subjects that reach beyond pensions at SACRS.

Using my leadership experience, it is my goal to continue to share all the benefits of SACRS to members, support leadership and to continue to make SACRS the premier pension organization in a changing world.

It would be an honor to serve on the SACRS Board of Directors as Secretary and truly appreciate your consideration.

Sincerely,



**Adele Tagaloa**  
Trustee, General Member-Elected  
Orange County Employees Retirement System (OCERS)



## SACRS Nomination Submission Form SACRS Board of Directors Elections 2022-2023

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, 2022.** Please submit to the Nominating Committee Chair at [Dan.McAllister@sdcountry.ca.gov](mailto:Dan.McAllister@sdcountry.ca.gov) AND to SACRS at [sulema@sacrs.org](mailto:sulema@sacrs.org). If you have any questions, please feel free to contact Sulema Peterson at SACRS at (916) 701-5158.

<b>Name of Candidate</b>	<b>Adele Tagalao</b>
<b>Candidate Contact Information (Please include – Phone Number, Email Address and Mailing Address)</b>	Mailing Address: <b>2223 East Wellington Ave, Suite 100 Santa Ana, CA 92701</b> Email Address: <a href="mailto:atagalao@ocers.org">atagalao@ocers.org</a> <a href="mailto:adele.tagalao@gmail.com">adele.tagalao@gmail.com</a> Phone: <b>(714) 349-9716</b>
<b>Name of Retirement System Candidate Currently Serves On</b>	System Name: <b>Orange County Employees Retirement System (OCERS)</b>
<b>List Your Current Position on Retirement Board (Chair, Alternate, Retiree, General Elected, Etc)</b>	<input type="radio"/> Chair <input type="radio"/> Alternate <input checked="" type="radio"/> General Elected <input type="radio"/> Retiree <input type="radio"/> Other _____
<b>Applying for SACRS Board of Directors Position (select only one)</b>	<input type="radio"/> President <input type="radio"/> Vice President <input type="radio"/> Treasurer <input checked="" type="radio"/> Secretary <input type="radio"/> Regular Member
<b>Brief Bio</b>	<ul style="list-style-type: none"> <li>♦ <b>Member, SACRS Program and Bylaws Committee</b></li> <li>♦ <b>Elected General Member Trustee, OCERS, 2020 to present</b> 12 1/2 years of service to the County of Orange Proudly serving 1.8 million registered voters at the Registrar of Voters office</li> <li>♦ <b>Chair, OCERS Disability Committee 2020 to present</b></li> <li>♦ <b>Vice- Chair, OCERS Investment Committee 2022 to present</b></li> <li>♦ <b>Member, OCERS Governance Committee member 2022 to present</b></li> <li>♦ <b>Union Steward, Orange County Employees Association (OCEA) 2012 to present</b></li> <li>♦ <b>Board of Directors, OCEA 2018 to present</b></li> <li>♦ <b>Executive Board of Directors - Secretary, OCEA 2020 to present</b></li> <li>♦ <b>Political Action Committee and Scholarship Committee member, OCEA</b></li> </ul> <p><b>Public Pension Trustee Certificates:</b>          Public Pension Investment Management Program - UC Berkeley          CALAPRS Principles of Pension Governance and Principles for Trustees          Completed 190 hours of education, 2020 - present</p>

## SACRS Submission for General Board Member

February 28, 2022

VIA Email

Dan McAllister,  
SACRS Immediate Past President/ Nominating Committee Chair  
SACRS Nominating Committee

Dear Mr. Immediate Past President/Nominating Committee Chair McAllister,

Please accept this letter as my letter of intent to be a candidate to be re-elected to the position of Regular Member in SACRS Board of Directors Elections 2022-2023.

If re-elected as a Regular Member, I will continue working to ensure that SACRS remain the preeminent educational organization for the CERL 37 Act Systems by maintaining the high caliber of our conferences (both as formal seminars and superb networking opportunities.) I will continue encouraging greater participation from the Trustees and Staff of the 37 Act Systems. I strongly believe in getting involved as demonstrated by my contribution at SACRS' Board meetings and having volunteered to lead a CALAPRS Trustee Roundtable after attending only a few sessions. Over the years, I have served on the governing Boards of the Teamsters Local 1932, the Working Assembly of Governmental Employees and other organizations. Currently, I serve as a Regular Member on SACRS' Board along with being a member of SACRS' Audit and Education committees.

I have been a Trustee with the San Bernardino County Employees' Retirement Association (SBcera) from January 2015 and attended my first SACRS conference that year. I found the sessions to be very informative and educational with the presenters being experts and/or thought leaders in their field. Since then, I have attended several conferences sponsored by other organizations that are single topic focused and I have also completed certification programs at Wharton, Pepperdine, UCLA and Berkeley. In comparison, SACRS conferences provide a comprehensive insight into the "*nuts and bolts*" of the functioning of Retirement Systems with an emphasis on current applications of the topics. SACRS provides attendees an opportunity to understand different perspectives thereby encouraging clearer lines of communication and to also hear about what works and what may be problematic. The networking and information sharing opportunities with colleagues at SACRS is immensely valuable. These practical qualities and timely information helped to draw me into the SACRS' orbit.

SACRS recent expansion of the Board to include additional members was a very good strategic move that has helped to enhance the experience pool and expand the knowledge base. I believe the current SACRS Board is a team exhibiting a very good blend of geography, experience and perspective. Consequently, I would very much like to continue contributing (based on my education and experience) to SACRS - a superlative organization: "*Providing insight. Fostering oversight.*"

I thank you in advance for your kind consideration and support. It would be a high honor for me to be re-elected to continue serving as a Regular Member on the SACRS Board for the 2022-2023 term.

Please find attached the completed SACRS nomination form.

Respectfully,

*Vere Williams*

Vere Williams, MBA

SBcera Board of Directors – General Elected Member

cc: Sulema Peterson, SACRS



### SACRS Nomination Submission Form SACRS Board of Directors Elections 2022-2023

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, 2022.** Please submit to the Nominating Committee Chair at [Dan.McAllister@sdcounty.ca.gov](mailto:Dan.McAllister@sdcounty.ca.gov) AND to SACRS at [sulema@sacrs.org](mailto:sulema@sacrs.org). If you have any questions, please feel free to contact Sulema Peterson at SACRS at (916) 701-5158.

<b>Name of Candidate</b>	Name: <u>Vere Williams</u>
<b>Candidate Contact Information</b> (Please include – Phone Number, Email Address and Mailing Address)	Mailing Address: <u>8379 Icicle Drive, Pinon Hills, CA 92372</u>  Email Address: <u>verevlw@aol.com</u>  Phone: <u>(760) 486-6311</u>
<b>Name of Retirement System Candidate Currently Serves On</b>	System Name: <u>San Bernardino County Employees' Retirement Association</u>
<b>List Your Current Position on Retirement Board (Chair, Alternate, Retiree, General Elected, Etc)</b>	<input type="radio"/> <u>General Elected</u>
<b>Applying for SACRS Board of Directors Position (select only one)</b>	<input type="radio"/> <u>Regular Member</u>
<b>Brief Bio</b>	<p>I was elected to SBcera's Board in January 2015 and has served on the Administrative, Audit and Investment Committees. Currently, I serve as a Regular Member of the SACRS Board. My community involvement includes serving on the governing Boards of the Teamsters Local 1932, California State Conference of the NAACP, Working Assembly of Governmental Employees (WAGE) and other organizations. I am a past president of the San Bernardino County Association of African-American Employees and currently serves as treasurer for the Hispanic Employees Alliance. I have earned an MBA in Information Management/Accounting and has completed certification courses on Retirement System Management courses at Berkeley, UCLA, Pepperdine and Wharton. I have been an enrolled Agent with the IRS for over 20 years along with more than 25 years working in the finance department at Arrowhead Regional Medical Center. I have been trained in conflict resolution and have completed various workshops and seminars on organization dynamics and interplay. I am currently a member of the SACRS Audit and Education Committees.</p> <p>A guiding quote – <b>"I always wondered why somebody didn't do something about that, then I realized I was somebody."</b> – Lily Tomlin</p>

## SACRS Submission for General Board Member



February 25, 2022

Mr. Dan McAllister  
Chair  
Nominating Committee  
State Association of County Retirement Systems

Dear Mr. McAllister,

This letter is to serve as an introduction and to submit my application for the State Association of County Retirement Systems Board of Directors.

I have been working with retirement education since first joining the county of San Diego almost 25 years ago. One of my first educational presentations regarding retirement occurred while I was in the academy with the explanation of deferred compensation and the importance of planning ahead.

Over the past many years, I have been approached and encouraged by my fellow county employees to get involved and help improve communications about retirement. I worked from the retirement committee at the Deputy Sheriff's Association (DSA), then to the retirement chair at the DSA. I have been involved for over 15 years with the County of San Diego Deferred Compensation Advisory Committee. After serving many roles with the DSA and the county of San Diego, I was encouraged to step forward and run for the Board of Trustees at the San Diego County Employee Retirement Association (SDCERA). In 2019 I was elected to the SDCERA Board of Trustees and currently serve as the Secretary.

The support from SACRS has been invaluable for my education as a trustee. The many hours of training that we obtain from SACRS has improved the quality of stewardship for our retirement systems. Additionally, the SACRS support in Sacramento in the form of review and feedback to our legislative branch of government is vital.

My goal is to not only join the SACRS Board of Directors but to contribute to this process of developing and supporting the member county retirement systems. I respectfully request and thank you in advance for the consideration of the Nominating Committee in supporting my candidacy for election to the SACRS Board of Directors.

Respectfully,

David Gilmore  
SDCERA Trustee



**SACRS Nomination Submission Form  
SACRS Board of Directors Elections 2022-2023**

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, 2022.** Please submit to the Nominating Committee Chair at [Dan.McAllister@sdcounty.ca.gov](mailto:Dan.McAllister@sdcounty.ca.gov) AND to SACRS at [sulema@sacrs.org](mailto:sulema@sacrs.org). If you have any questions, please feel free to contact Sulema Peterson at SACRS at (916) 701-5158.

<b>Name of Candidate</b>	Name: <a href="#">David Gilmore</a>
<b>Candidate Contact Information</b> (Please include – Phone Number, Email Address and Mailing Address)	Mailing Address: <a href="#">2275 Rio Bonito Way, San Diego, CA 92108-1685</a> Email Address: <a href="mailto:DGilmore@SDCERA.ORG">DGilmore@SDCERA.ORG</a> Phone: <a href="tel:619-770-7854">619-770-7854</a>
<b>Name of Retirement System Candidate Currently Serves On</b>	System Name: <a href="#">San Diego County Employees Retirement Association</a>
<b>List Your Current Position on Retirement Board (Chair, Alternate, Retiree, General Elected, Etc)</b>	<input type="radio"/> Chair <input type="radio"/> Alternate <input checked="" type="radio"/> General Elected <input type="radio"/> Retiree <input type="radio"/> Other _____
<b>Applying for SACRS Board of Directors Position (select only one)</b>	<input type="radio"/> President <input type="radio"/> Vice President <input type="radio"/> Treasurer <input type="radio"/> Secretary <input checked="" type="radio"/> Regular Member
<b>Brief Bio</b>	<p><a href="#">David Gilmore</a> was elected to the SDCERA Board of Directors in 2019 and serves as the Board Secretary. He is on the Audit Committee for this fund of over \$17 billion. He served for over twenty years in various roles with the Deputy Sheriff's Association including being elected to the Board of Directors where he was the Secretary Treasurer. Prior to joining the Sheriff's Department in 1997, he was an internal auditor and systems analyst in the mortgage banking industry. He holds a bachelors degree in business administration-accounting and a masters degree in public administration. He is a Lieutenant with the Sheriff's Department and has held various management positions for the past 11 years including the Sheriff's Standards and Compliance Manager reporting to the Office of the Sheriff. He is also a founding member of the County of San Diego Deferred Compensation Investment <a href="#">Advisory Committee</a>.</p>



## **7. SACRS Audit Report – Action**

Steve Delaney, Orange CERS, SACRS Audit Committee Chair

### **A. SACRS 2020-2021 Annual Audit**



January 12, 2022

To the SACRS Executive Board,

The SACRS Audit Committee, assisted by Ms. Peterson, met virtually on Friday, December 3, 2021 with representatives of James Marta & Company to review their most recent audit report.

The draft report as presented to us gave an unqualified opinion stating that “the financial statement referred to above presents fairly and in all material respects, the cash receipts and disbursements of the State Association of County Retirement Systems for the years ended June 30, 2021 and 2020 in accordance with the cash basis of accounting...”

In the course of our review, the committee raised two questions which required further review by the audit firm:

1. Under the Cash Receipts columns, the audit reports \$61,108 in revenue for 2020 and \$8,518 for 2021. Similar in amount to an investment tax filing, the committee wanted it confirmed that these numbers were accurate.

Auditors' response: Those figures are correct.

2. On Page 7 of the draft audit, while listing cash receipts and disbursements for the fiscal year ended June 30, 2021, the Cash Disbursement column referenced the Fall of 2018 and Spring of 2019.

Auditor's response: That was a typo error. A corrected and revised version of the draft report was then forwarded.

Assuming those would be the responses, the committee directed Ms. Peterson to consider the audit report approved and ready for submission to the Board of Directors upon correction by and receipt from James Marta & Company.

The committee also suggested that the Board of Directors revisit its investment program. While not having a strong opinion, the committee questioned if the Cal Trust Medium Term Fund was the best vehicle for those monies.

Respectfully submitted by,

*Steve Delaney*

Steve Delaney, CEO, Orange CERS  
SACRS Audit Committee Chair

CC: SACRS Audit Committee

SD/shp email 1/11/22



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, 2021 AND 2020**

701 HOWE AVENUE, E3  
SACRAMENTO, CA 95825

(916) 993-9494  
(916) 993-9489 FAX  
[WWW.JPMCPA.COM](http://WWW.JPMCPA.COM)

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

JUNE 30, 2021

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**BOARD OF DIRECTORS**

**Vivian Gray**  
President

**Kathryn Cavness**  
Vice President

**Harry Hagen**  
Treasurer

**Thomas Garcia**  
Secretary

**Dan McAllister**  
Immediate Past President

**Vere Williams**  
Board Member

**David MacDonald**  
Board Member

**Scott Draper**  
Affiliate Chair

\* \* \* \*

**Sulema Peterson**  
Association Management

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

JUNE 30, 2021 AND 2020

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**James Marta & Company LLP**  
**Certified Public Accountants**

*Accounting Auditing Tax and Consulting*

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**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, 2021 and 2020, 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, 2021 and 2020, 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***

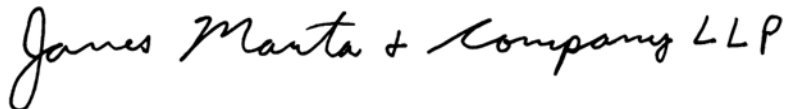
Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, Graphical Presentation of Cash Disbursements, and Conference Summary Report, on pages 7 to 12, are 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  
Sacramento, California  
January 13, 2022

## **FINANCIAL SECTION**

# STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

## STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

	2020-21	2019-20
<b><u>Cash Receipts</u></b>		
Dues	\$ 422,500	\$ 364,000
Conference		
Fall	104,815	628,070
Spring	116,265	2,520
Seminars	73,000	35,000
Other admin receipts	59,900	2,340
Other conference receipts	350	2,450
Interest	8,519	61,108
Total cash receipts	785,349	1,095,488
<b><u>Cash Disbursements</u></b>		
Conference		
Fall - 2020 and 2019		
Hotel and meals	2,668	270,132
Audio and visual	46,888	56,477
Program materials	41,174	83,553
Spring - 2021 and 2020		
Hotel and meals	6,490	257,419
Audio and visual	39,097	12,121
Program materials	13,790	14,449
Seminars	196,257	231,947
Conference administration	22,826	50,808
Total conference disbursements	369,190	976,906
Administration	274,714	365,517
Lobbying	55,011	60,012
Newsletters	15,031	15,893
Committee meetings	2,033	49,944
Special projects	17,759	17,690
Total administration disbursements	364,548	509,056
Total Cash Disbursements	733,738	1,485,962
Excess (Deficit) of Cash Receipts over Cash Disbursements	51,611	(390,474)
Cash and Investments, Beginning	1,981,948	2,372,422
Cash and Investments, Ending	\$ 2,033,559	\$ 1,981,948
<i>Supplementary Information</i>		
<u>Cash and Investments at June 30,</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,054,911	\$ 1,006,628
Non current portion of investments	978,648	975,320
Total Cash and Investments	\$ 2,033,559	\$ 1,981,948

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, 2021 AND 2020

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### 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 Sulema Peterson & Associates, 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.

The Board of Directors 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, 2021 AND 2020

#### 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:

	2021	2020
Bank accounts	\$ 255,570	\$ 208,515
Money market accounts	799,341	798,113
Total cash and cash equivalents	<u>\$ 1,054,911</u>	<u>\$ 1,006,628</u>

Cash in bank accounts at June 30, 2021 consisted of the following:

	First Foundation	Bank of America	Total
Per bank	\$ 257,855	\$ 16,883	\$ 274,738
Checks outstanding	(19,168)	-	(19,168)
Deposits in transit	-	-	-
Total bank accounts	<u>\$ 238,687</u>	<u>16,883</u>	<u>\$ 255,570</u>

Cash in bank accounts at June 30, 2020 consisted of the following:

	First Foundation	Bank of America	Total
Per bank	\$ 319,175	\$ 8,493	\$ 327,668
Checks outstanding	(126,442)	-	(126,442)
Deposits in transit	7,289	-	7,289
Total bank accounts	<u>\$ 200,022</u>	<u>8,493</u>	<u>\$ 208,515</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 \$7,855 and \$69,175 in excess of FDIC coverage as of June 30, 2021 and 2020, respectively.

# STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

## NOTES TO THE FINANCIAL STATEMENT

### FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

#### Investments

In March 2015, SACRS invested in the CalTRUST Medium-Term Fund (the "Fund"), depositing \$1,104,130. The fair value balance as of June 30, 2021 and 2020 presented in the financial statement is \$978,648 and \$975,320; respectively. This balance includes reinvested interest income totaling and \$3,329 and \$48,586, 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, 2021 and 2020 was \$0. The Fund is not rated or insured.

### 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 2021	\$334,779-\$430,430	\$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 January 13, 2022, 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, 2021**

	<u>Conference</u>	<u>Administration</u>	<u>Total</u>
<b><u>Cash Receipts</u></b>			
Dues	\$ -	\$ 422,500	\$ 422,500
Conference			
Fall	104,815	-	104,815
Spring	116,115	-	116,115
Seminars	73,000		73,000
Other admin receipts	-	60,050	60,050
Other conference receipts	350	-	350
Interest	8,519	-	8,519
Total Cash Receipts	<u>302,799</u>	<u>482,550</u>	<u>785,349</u>
<b><u>Cash Disbursements</u></b>			
Conference			
Fall - 2020			
Hotel and meals	2,668	-	2,668
Audio and visual	46,888	-	46,888
Program materials	41,174	-	41,174
Spring - 2021			
Hotel and meals	6,490	-	6,490
Audio and visual	39,097	-	39,097
Program materials	13,790	-	13,790
Seminars	196,257	-	196,257
Conference Administration	22,826	-	22,826
Total conference disbursements	<u>369,190</u>	<u>-</u>	<u>369,190</u>
Administration	-	274,714	274,714
Lobbying	-	55,011	55,011
Newsletters	-	15,031	15,031
Committee meetings	-	2,033	2,033
Special projects	-	17,759	17,759
Total administration disbursements	<u>-</u>	<u>364,548</u>	<u>364,548</u>
Total Cash Disbursements	<u>369,190</u>	<u>364,548</u>	<u>733,738</u>
Excess (Deficit) of Cash Receipts over Cash Disbursements	(66,391)	118,002	51,611
Cash and Investments, Beginning	<u>3,073,226</u>	<u>(1,091,278)</u>	<u>1,981,948</u>
Cash and Investments, Ending	<u>\$ 3,006,835</u>	<u>\$ (973,276)</u>	<u>\$ 2,033,559</u>



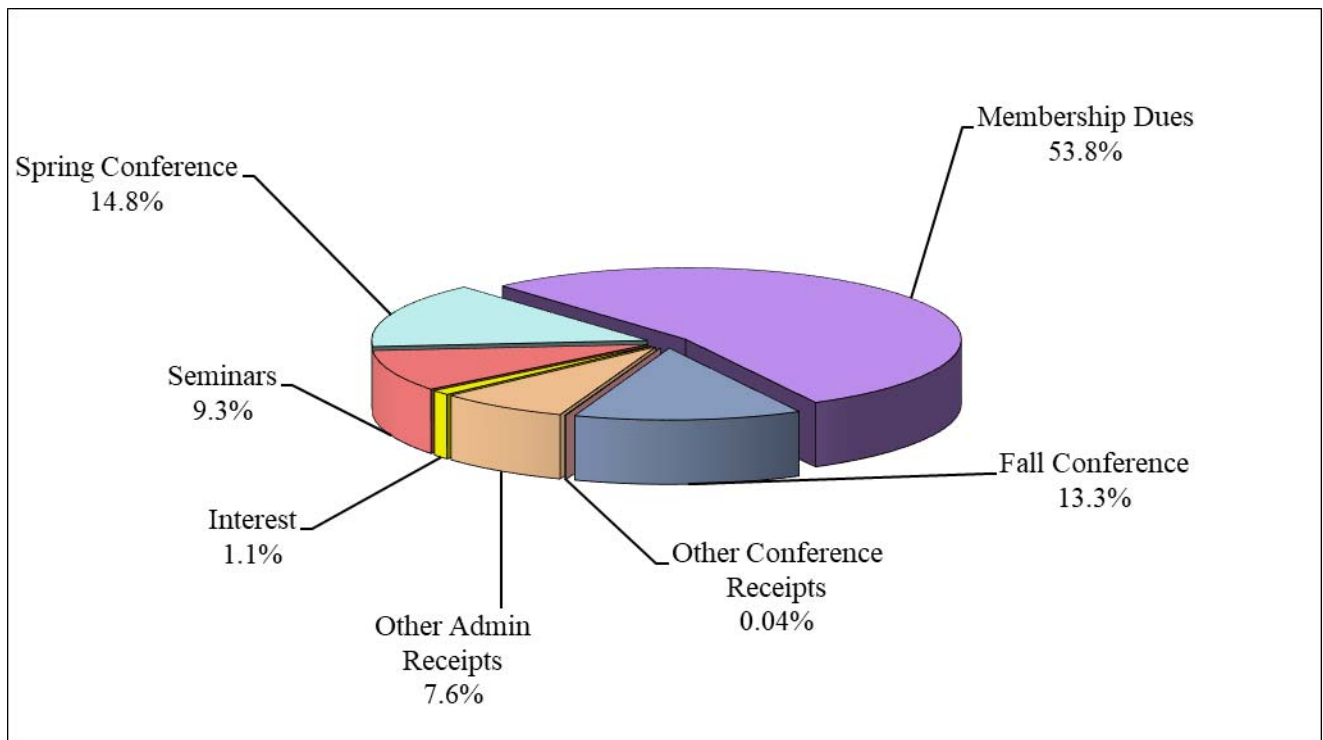
**STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS**

**GRAPHICAL PRESENTATION OF CASH RECEIPTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**CASH RECEIPTS BY SOURCE**



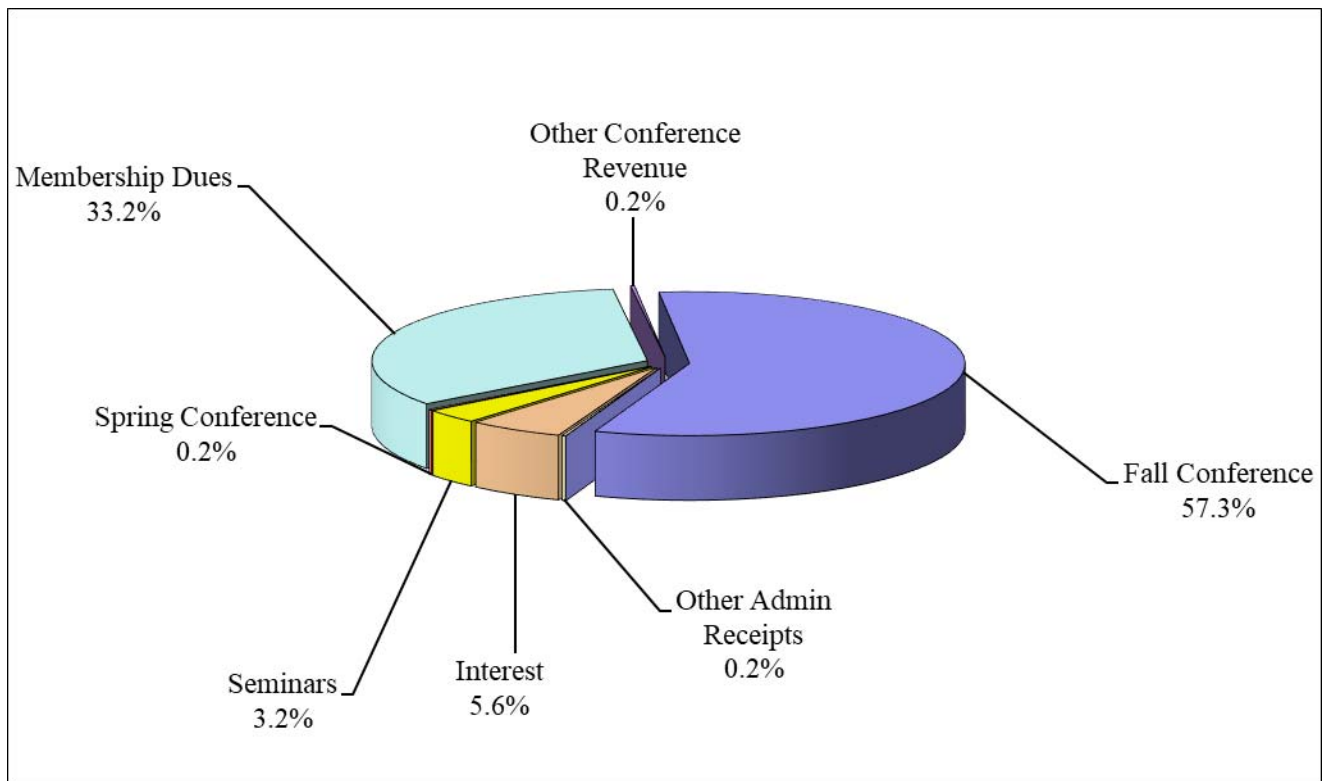
**STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS**

**GRAPHICAL PRESENTATION OF CASH RECEIPTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**CASH RECEIPTS BY SOURCE**



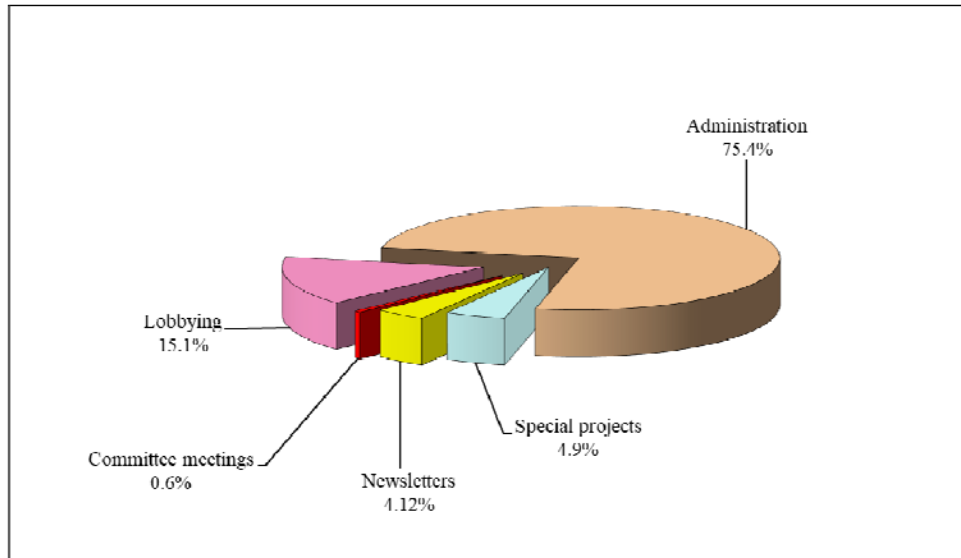
# STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

## GRAPHICAL PRESENTATION OF CASH DISBURSEMENTS

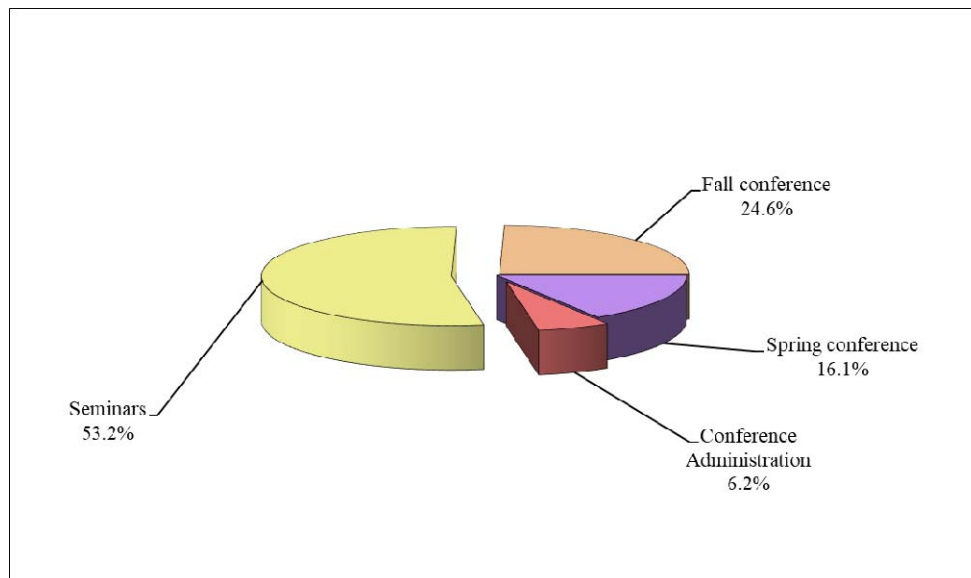
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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### ADMINISTRATION CASH DISBURSEMENTS



### CONFERENCE CASH DISBURSEMENTS



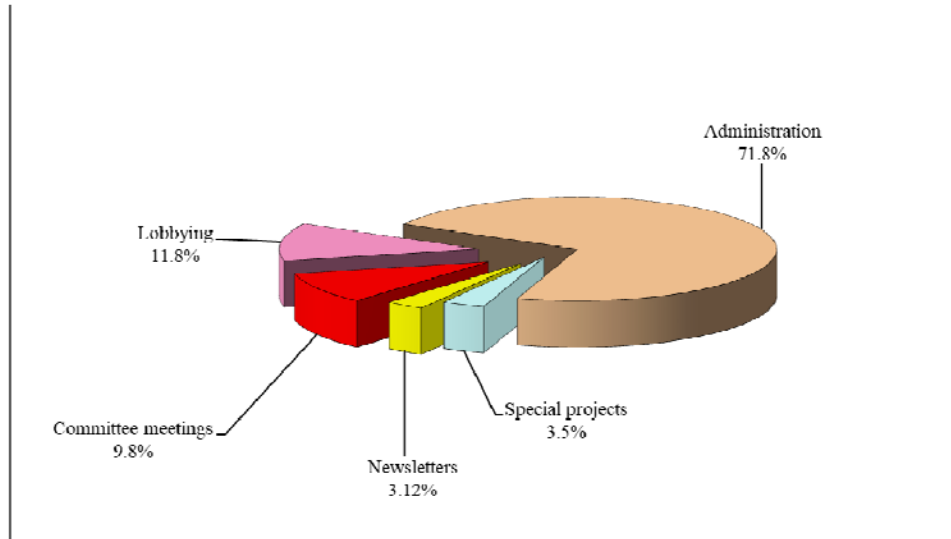
# STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

## GRAPHICAL PRESENTATION OF CASH DISBURSEMENTS

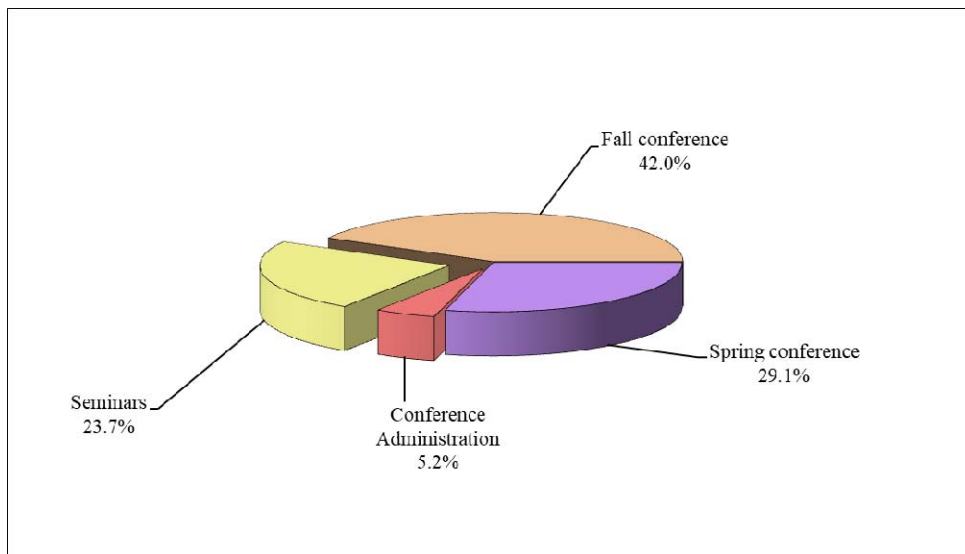
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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### ADMINISTRATION CASH DISBURSEMENTS



### CONFERENCE CASH DISBURSEMENTS



**STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS**

**CONFERENCE SUMMARY REPORT**

	<b>Spring 2021 Held Via Virtual Conference</b>	<b>Fall 2020 Held Via Virtual Conference</b>	<b>Spring 2020 Canceled/Held Via Webinar</b>	<b>Fall 2019 Monterey</b>	<b>Spring 2019 Lake Tahoe</b>	<b>Fall 2018 Indian Wells</b>
Cash receipts						
Conference	\$ 116,115	\$ 102,380	\$ -	\$ 639,270	\$ 592,590	\$ 591,530
Total cash receipts	116,115	102,380	-	639,270	592,590	591,530
Cash disbursements						
Hotel and meals	-	-	-	267,961	195,278	312,670
Audio and visual	38,975	46,888	-	56,477	57,731	52,180
Program materials	2,500	3,049	-	20,381	42,342	32,086
Program speakers	11,290	38,125	-	63,172	39,784	74,458
Conference administration	3,830	2,668		12,131	28,354	22,738
Total cash disbursements	56,595	90,730	-	420,122	363,489	494,132
Net cash provided by conference	\$ 59,520	\$ 11,650	\$ -	\$ 219,148	\$ 229,101	\$ 97,398
Total attendees	443	363	N/A	647	590	588



**James Marta & Company LLP**  
**Certified Public Accountants**

*Accounting Auditing Tax and Consulting*

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**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, 2021 and 2020, and have issued our report thereon dated January 13, 2022. 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 January 13, 2022.

**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 2021. 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. See Attachment I for adjustments provided by management.

### **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 January 13, 2022.

### **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 2021 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***

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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  
January 13, 2022

**Adjusting Journal Entry JE # 1**

Book unrealized loss on investment for June 2021

3200	Retained Earnings	1.00	
4900	Interest Earned	953.00	
1100	CalTrust - Medium Term		954.00
<b>Total</b>		<b>954.00</b>	<b>954.00</b>

**Reclassifying Journal Entry JE # 2**

Reclass the Spring Conference & Hotel refund from exp acct 6024 to other admin revenue. Expenses were paid in FY2019/20 but due to COVID19, the hotels were

6024	Spring Conference -+ Hotel	60,000.00	
1405.1	Other Expenses - Refunds - Prior Year		60,000.00
<b>Total</b>		<b>60,000.00</b>	<b>60,000.00</b>



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## MANAGEMENT REPRESENTATION LETTER

January 13, 2022

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, 2021 and 2020, 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 January 13, 2022:

### 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.



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- 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





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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.



Providing insight. Fostering oversight.

- 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.

*Sulema Peterson*

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Sulema Peterson, SACRS Executive Director



**James Marta & Company LLP**

***Certified Public Accountants***

*Accounting, Auditing, Consulting, and Tax*

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**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, 2021 and 2020 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 January 13, 2022.

**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  
January 13, 2022



## **8. SACRS Education Committee Report – No Action**

JJ Popowich, Los Angeles CERA, SACRS Education Committee Chair

### **A. SACRS Annual Spring 2022 Conference Evaluations/Feedback**





**No printed materials for this item**



## **9. SACRS Program Committee Report – No Action**

Kathryn Cavness, Mendocino CERA, SACRS Program Committee Chair

### **A. SACRS Annual Spring 2022 Conference Report**



**No printed materials for this item**



## **10. SACRS Affiliate Committee Report – No Action**

Wally Fikri, William Blair, SACRS Affiliate Committee Chair

### **A. Affiliate Committee Update**



**No printed materials for this item**



## **11. SACRS Bylaws Committee Report – No Action**

Barbara Hannah, San Bernardino CERA, SACRS Bylaws Committee Chair

### **A. Bylaws Committee Update**



**No printed materials for this item**



## **12. SACRS Spring 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, November 11, 2022 at the Hyatt Regency Long Beach, Long Beach, CA unless Covid-19 restrictions are in place



## **SACRS Annual Fall Business Meeting 2022**

Next Annual Business meeting will be held Friday, November 11 at the Hyatt Regency Long Beach, Long Beach, CA.



## 2022 LEGISLATION

Last Updated: 4/22/2022

BILL NO.	AUTHOR	DESCRIPTION	LAST ACTION DATE	LOC	SPONSOR
<b>Legislation Impacting SJCERA:</b>					
<a href="#">AB 498</a>	Quirk-Silva	This bill would delete the term "grade" and replace it with the term "group" for purposes of the definition of compensation earnable. Define the phrase "group or class of positions" to mean a number of employees considered together because they share similarities in job duties, work location, collective bargaining unit, or other logical work-related grouping, and would specify that a single employee is not a group or class.	09/10/21	Senate Rules Comm.	
<a href="#">AB 1824</a>	Cooper	This bill represents the annual omnibus bill to propose technical "housekeeping" amendments to the CERL and PERL. This bill would 1) allow members to designate a corporation, trust, or estate to receive their last check upon death, 2) prohibit retirement date from being earlier than date of application filed with Board or more than 60 days after the date of filing the application, 3) require any computation for absence related to death benefit calculation be based on the compensation held by member at beginning of absence, and 4) make other non-substantive changes to the CERL.	04/07/22	Senate RLS Comm.	SACRS
<a href="#">AB 1944</a>	Lee/Garcia	This bill would specify that if a member of a legislative body elects to teleconference from a location that is not public, the address does not need to be identified in the notice and agenda or be accessible to the public when the legislative body has elected to allow members to participate via teleconferencing. This bill would require all open and public meetings of a legislative body that elects to use teleconferencing to provide a video stream accessible to members of the public and an option for members of the public to address the body remotely during the public comment period through an audio-visual or call-in option.	04/19/22	Assembly LOCAL GOV. Comm.	
<a href="#">AB 1971</a>	Cooper	This bill would: 1) delete the requirement that Board of Retirement regulations be approved by the Board of Supervisors, 2) allow a member to purchase service credit for an uncompensated leave of absence due to the serious illness of a family member, 3) authorize the board to grant members subject to a temporary mandatory furlough the same service credit and FAC calculation as they would have received if there had been no furlough; 4) authorize a member retired for service to serve on a part-time governmental board or commission without reinstatement to membership, provided hours do not exceed 20 per week and compensation does not exceed \$60,000 annually, 5) authorize a member retired for service who is subsequently granted a disability retirement to change the type of optional or unmodified allowance that they elected at the time the service retirement was granted, 6) a member retired for service who subsequently files an application for disability retirement and, if eligible for disability, would require adjustments to be made in the retirement allowance retroactive to the disability retirement, 7) require reclassifying a disability retiree's benefit to a service retirement in the same amount if they are subsequently determined not to be incapacitated and the employer will not reinstate them 8) clarifies the CERL provisions preventing windfalls for members who retire for disability from multiple systems.	04/21/22	Assembly PE & R Comm.	SACRS

BILL NO.	AUTHOR	DESCRIPTION	LAST ACTION DATE	LOC	SPONSOR
<a href="#">AB 2449</a>	Rubio	Existing law, until January 1, 2024, authorizes a local agency to use teleconferencing without complying with specified teleconferencing requirements when a declared state of emergency is in effect. This bill would authorize a local agency to use teleconferencing without complying with those specified teleconferencing requirements if at least a quorum of the members of the legislative body participates in person from a singular location clearly identified on the agenda that is open to the public and situated within the local agency's jurisdiction.	03/03/22	Assembly LOCAL GOV. Comm.	
<a href="#">AB 2493</a>	Chen	<b>This bill would authorize a county retirement system to adjust retirement payments based on disallowed compensation for peace officers and firefighters of that system. The bill would provide that if the retirement system determines that the compensation reported for a peace officer or firefighter is disallowed compensation, the system would require the employer to discontinue reporting the disallowed compensation. This bill would apply to determinations made on or after July 30, 2020.</b>	04/21/22	Assembly PE & R Comm.	
<a href="#">AB 2647</a>	Levine	This bill would require a local agency to make agendas and other writings distributed to the members of the governing board available for public inspection at a public office or location that the agency designates or post the writings on the local agency's internet website in a position and manner that makes it clear that the writing relates to an agenda item for an upcoming meeting.	04/20/22	Assembly LOCAL GOV. Comm.	
<a href="#">SB 1100</a>	Cortese	This bill would authorize the presiding member of the legislative body conducting a meeting to remove an individual for willfully interrupting the meeting. The bill would require removal to be preceded by a warning by the presiding member, that the individual is disrupting the proceedings, a request that the individual curtail their disruptive behavior or be subject to removal, and a reasonable opportunity to cease the disruptive behavior. The bill defines "willfully interrupting" to mean intentionally engaging in behavior that substantially impairs or renders infeasible the orderly conduct of the meeting.	04/21/22	Senate JUD Comm.	
<b>Other Bills of Interest:</b>					
<a href="#">AB 1722</a>	Cooper	PERL, until January 1, 2023, provides state safety members who retire for industrial disability a retirement benefit equal to the greatest amount resulting from three possible calculations. This bill would delete the January 1, 2023 termination date which would make them operative in perpetuity.	04/06/22	Assembly APPR Comm. Referred to suspense file.	
<a href="#">AB 1795</a>	Fong	This bill would require state bodies to provide all persons the ability to participate both in-person and remotely in any meeting and to address the body remotely.	2/18/22	Assembly G.O. Comm.	
<a href="#">SB 850</a>	Laird	This bill, for purpose of the additional percentage of the special death benefit for service-connected deaths provided under PERL, would require that payment be made to the person having custody of the member's child or children, if the member does not have a surviving spouse or if the surviving spouse dies before each child marries or reaches age 22. Provisions of this bill would be retroactive to January 1, 2013.	04/04/22	Senate APPR suspense file.	
<a href="#">SB 1114</a>	Newman	This bill would make nonsubstantive changes to the PERL (spot bill).	02/23/22	Senate RLS Comm.	

BILL NO.	AUTHOR	DESCRIPTION	LAST ACTION DATE	LOC	SPONSOR
<a href="#">SB 1168</a>	Cortese	This bill would require PERS to determine the average benefit paid upon the death of a member and would require the board, beginning on July 1, 2023, to increase the \$500 beneficiary payment annually in a specified amount, not to exceed the CPI increase, until the beneficiary payment reaches the average benefit paid.	04/20/22	Senate APPR. Comm.	
<a href="#">SB 1173</a>	Gonzalez/ Wiener	This bill would prohibit the boards of PERS & STRS from making new investments or reinvestments of funds in fossil fuel companies and require liquidation of fossil fuel investments by July 1, 2027.	04/21/22	Senate APPR. Comm.	
<a href="#">SB 1328</a>	McGuire, Cortese	This bill would prohibit PERS and STRS boards from investing in Russia or Belarus, including their governments, financial institutions, a company with business operations in, or a company that supplies military equipment to Russia or Belarus.	04/19/22	Senate APPR. Comm.	
<a href="#">SB 1420</a>	Dahle	This bill would require a PERS agency that increases the compensation of a member who was previously employed by a different agency to bear all the actuarial liability for the action, if it results in an increase beyond what would have been reasonably expected for the member.	04/14/22	Senate L., P.E. & R. Comm. Set for hearing April 27	
Federal Legislation:					
<a href="#">HR 2954</a>	Neal	Called the "Securing a Strong Retirement Act of 2022", this bill would (1) increase RMD age to 75 from 72 over the next decade, (2) provide greater latitude to decide to recoup inadvertent overpayments, (3) permit first responders to exclude service-connected disability pension payments from gross income after reaching retirement age, and (4) expand the Employee Plans Compliance Resolution System (EPCRS) to allow more types of errors to be corrected through self-correction.	03/30/22	Received in Senate Finance Comm.	
<a href="#">HR 3684</a>	DeFazio	Called the "Infrastructure Investment and Jobs Act", better known as the \$1 trillion infrastructure bill, includes a crypto tax-reporting provision requiring digital asset brokers to report their users' annual transactions to the IRS effective year-end 2022.	11/15/21	Became Public Law No. 117-58	
<a href="#">HR 4728</a>	Takano	To amend the Fair Labor Standards Act to reduce the standard workweek from 40 hours per week to 32 hours per week.	07/27/21	House Comm. on Education and Labor	
2022 TENTATIVE State Legislative Calendar					
Feb 18	Last day for new bills to be introduced				
Apr 7	Spring Recess begins upon adjournment				
May 27 Last day for bills to be passed out of the house of origin					
Jun 15	Budget Bill must be passed by midnight				
Jul 1 -					
Aug 1	Summer Recess upon adjournment provided budget bill passed				
Aug 25	Last day to amend bills on the floor				
Aug 31	Last day for each house to pass bills; Final Study Recess begins upon adjournment				
Sept 30	Last day for Governor to sign or veto bills.				

**2022 CONFERENCES AND EVENTS SCHEDULE 2022**

<b>EVENT DATES 2022</b>		<b>EVENT TITLE</b>	<b>EVENT SPONSOR</b>	<b>LOCATION</b>	<b>REG. FEE</b>	<b>WEBLINK FOR MORE INFO</b>	<b>EST. BOARD EDUCATION HOURS</b>
<b>BEGIN</b>	<b>END</b>						
May 10	May 13	SACRS Spring Conference	SACRS	Rancho Mirage, CA	\$120	sacrs.org	11 hrs*
May 21	May 22	Trustee Education Seminar	NCPERS	Washington, DC	\$685	ncpers.org	12 hrs*
May 21	May 22	Accredited Fiduciary Prog. Mod 1 & 2	NCPERS	Washington, DC	\$855	ncpers.org	14 hrs*
May 21	May 22	Accredited Fiduciary Prog. Mod 3 & 4	NCPERS	Washington, DC	\$855	ncpers.org	14 hrs*
May 22	May 25	2022 Annual Conference & Exhibition	NCPERS	Washington, DC	\$900	ncpers.org	16.5 hrs*
May 27	May 27	Attorneys Round Table	CALAPRS	Webinar	\$50	calaprs.org	4 hrs*
Jun 24	Jun 24	Administrators' Round Table	CALAPRS	Webinar	\$50	calaprs.org	5 hrs*
Jun 27	Jun 29	NCPERS Chief Officer Summit	NCPERS	San Francisco, CA		ncpers.org	
Jul 17	Jul 20	Public Pension Investment Management Program	SACRS	Berkeley, CA	\$500	sacrs.org	24 hrs
Aug 6	Aug 10	National Association of State Retirement Administrators	NASRA	Long Beach, CA	TBD	nasra.org	TBD
Aug 21	Aug 23	Public Pension Funding Forum	NCPERS	Los Angeles, CA	\$720	ncpers.org	4.75 hrs *
Aug 29	Sep 1	Principles of Pension Governance for Trustees	CALAPRS	TBD	\$500	calaprs.org	9 hrs*
Sep 8	Sep 8	Investments Round Table	CALAPRS	Webinar	\$50	calaprs.org	4 hrs*
Sep 16	Sep 16	Attorneys Round Table	CALAPRS	Webinar	\$50	calaprs.org	4 hrs*
Oct 28	Oct 28	Trustees Round Table	CALAPRS	Webinar	\$50	calaprs.org	4 hrs*
Nov 8	Nov 11	SACRS Fall Conference	SACRS	Long Beach, CA	\$120	sacrs.org	11 hrs*

\* Estimates based on prior agendas

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**SUMMARY OF PENDING TRUSTEE AND EXECUTIVE STAFF TRAVEL**

<b>2022</b>					
<b>Event Dates</b>	<b>Sponsor / Event Description</b>	<b>Location</b>	<b>Traveler(s)</b>	<b>Estimated Cost</b>	<b>BOR Approval Date</b>
May 10 - 13	SACRS Spring Conference	Rancho Mirage, CA	Weydert, Keokham, McKelvey, Morrish	\$6,800	N/A



**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

**SUMMARY OF COMPLETED TRUSTEE AND EXECUTIVE STAFF TRAVEL**

<b>Event Dates 2022</b>	<b>Sponsor / Event Description</b>	<b>Location</b>	<b>Traveler(s)</b>	<b>Estimated Cost</b>	<b>Actual Cost</b>	<b>Event Report Filed</b>
Feb 11	CALAPRS Administrators' Roundtable	Webinar	McKelvey, Shick	\$100	\$100	N/A
Feb 18	CALAPRS Attorneys' Roundtable	Webinar	Morrish	\$50	\$50	N/A
Mar 5 - 8	CALAPRS General Assembly	San Diego, CA	McKelvey, Shick	\$4,000	TBD	N/A
Apr 29	Special Virtual Trustee Round Table	Virtual Conference	Moore, Bassett, Weydert, McKelvey	\$200	\$200	N/A




# San Joaquin County Employees' Retirement Association

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April 29, 2022

TO: Board of Retirement

FROM: Johanna Shick   
Chief Executive Officer

SUBJECT: Chief Executive Officer Report

## **Strengthen the long-term financial health of the Retirement Plan**

### Review and confirm or refresh asset allocation

- *Conduct Asset-Liability Study to assess Board's risk tolerance and the level of risk needed to meet the actuarial assumptions*

At the May Board meeting, investment consultant Meketa will present an array of optimized portfolios addressing the Board's identified primary interests: achieve the assumed rate of return and improve funding levels. Upon reviewing the portfolios designed to align with those goals, Trustees will be able to assess if they are comfortable with the associated risk.

## **Modernize the operations infrastructure**

### Implement Pension Administration System (PAS)

- *Contract with Pension Administration System (PAS) vendor*

Retirement Services Associate Ron Banez, Information Systems Manager Adnan Khan, ACEO Brian McKelvey, Linea Solutions, and I finalized our review of PAS vendor proposals and held in-person interviews with finalists, Tegrit and Vitech. The team also finalized rating sheets for each vendor resulting in the PAS vendor recommendation coming to the Board for approval at the May 6 meeting. Next steps include contract negotiation and establishing a project start date that coordinates with the Data Conversion effort.

- *Contract with Data Conversion vendor*

Ron Banez, Adnan Khan, Brian McKelvey, Linea Solutions and I held in-person interviews with Data Conversion vendor finalists, MBS and ICON. The team also finalized rating sheets for each vendor resulting in a preferred data conversion vendor being recommended to the Board this month. Next steps will be contract negotiation and establishing a project start date this summer.

### Enhance the member experience

- *Complete improvements to website architecture and functionality*

Communications Officer Kendra Fenner, and IT Systems Specialist II Jordan Regevig obtained management approval on the final website design. Website vendor, Rolling Orange, is now building the site. Deployment of SJCEA's searchable and easy-to-use website is expected this summer.

### Improve technology for business operations

- *Implement recommended items resulting from 2021 cyber-security and disaster recovery plan assessments*

LineaSecure has completed their final deliverable in SJCEA's Cyber Security Audit project: The Red Team Exercise. In a Red Team Exercise the contracted team (in this case LineaSecure's team) simulates an adversarial attack, attempting to identify and exploit potential weaknesses within the organization's cyber security defenses. On April 25, LineaSecure presented the results of the Red Team Exercise to SJCEA's IT team, Brian McKelvey and myself. Overall, SJCEA performed well.

Work has already begun on the recommendations including providing additional and ongoing training for staff and the Board to ensure cyber threats remain top-of-mind.

- *Begin Windows Server infrastructure implementation*

The Windows Server Infrastructure hardware procurement has been completed. We expect hardware delivery by the end of May, with installation and configuration taking approximately six weeks. Implementing the Windows Server infrastructure needs be completed before we begin the Data Conversion and PAS implementation projects.

- *Begin Enterprise-Wide Risk Management (EWRM) methodologies implementation*

Identification and categorization of organizational risks will be finalized May 5. Next steps include the development of a heat map and risk assessment document which are planned to be finalized this summer.

#### Improve the employer experience

Communications Officer, Kendra Fenner drafted a revised *Employer Notice* summarizing the retiree return to work rules for employers. It describes the general statutory rules and provides specific guidance to employers on requirements for retirees hired before and after April 1, the date the Governor reinstated the normal, statutory rules, rescinding previous orders that created exceptions to those rules. The *Notice* will be distributed to employers following legal review.

#### **Align resources and organizational capabilities**

##### Develop and implement a workforce planning process

- *Implement strategies designed to support staff and maintain morale during PAS project*

Administrative Secretary Elaina Petersen coordinated a staff celebration of Earth Day. Each staff member discovered an earth stress-ball and a jeans coupon on their desk when they arrived on April 22 to wish them Happy Earth Day! In addition, staff brought snacks to share. Once again staff demonstrated creativity and generosity—some of the snacks were even “green” themed for Earth Day!



#### Enhance education and development across all levels of the organization

- *Offer training and development opportunities intended to strengthen SJCERA's on-boarding and succession planning*

Congratulations to Retirement Services Officer Melinda DeOliveira, who is serving as the Interim Benefits Supervisor. This assignment serves both to fulfill a SJCERA staffing need and as a developmental opportunity for Melinda. The County Human Resources division approved a work above class arrangement to allow Melinda to serve in this capacity, which means (among other things) this experience will count toward meeting minimum qualifications when supervisory experience is required.

#### Create a foundation of performance metrics and measurements

Although work on this goal is scheduled for future years (linked to the PAS project), Adnan Khan, IT Systems Analyst II Lolo Garcia, Jordan Regevig, and Brian McKelvey have identified ways we can make progress toward automated metrics and measurements now. The team met with SJCERA's electronic document management system (EDMS) vendor, Mindwrap, to discuss plans for using our EDMS's workflow capabilities to manage and track incoming work. Implementing the plan will allow for more automation of document intake, workflow routing, notification, and managerial reporting. The first objective is to get a working prototype of the refund process. Once this process is implemented, the Benefits staff will work with IT to develop additional workflows and migrate remaining processes to the EDMS workflow model over the next year. Developing workflows now will improve our ability to manage, track and report on all organizational workloads while the new PAS is being developed, and will also provide staff workflow design experience allowing us to increase automation and improve all processes within the new system.

## **Maintain Business Operations**

### Monitor Investment Program

*Parametric Personnel Change Update.* As part of her routine monitoring of SJCERA's current managers, Investment Officer Paris Ba reports Justin Henne, Managing Director responsible for the implementation and enhancement of Parametric's Overlay Solutions, will be leaving Parametric effective May 30, 2022. Clint Talmo, Director of Investment Strategy, and Ricky Fong, Director of Investment Strategy, will step in to co-lead the team. Parametric follows a team-based approach to investment management and a smooth transition is expected over the next few weeks.

*Securities Litigation Update.* As part of our custodial bank contract, Northern Trust monitors securities litigation and files for SJCERA to join applicable class action law suits. During the first quarter 2022, Northern Trust filed on SJCERA's behalf to join the following class actions: Terex Corporation, Obalon Therapeutics, Inc., Navient Corporation, OSI Systems, Inc., and Odonate Therapeutics, Inc.

### Accurately and Timely Administer Benefits

The Board-approved three percent cost of living adjustment (COLA) was tested, verified, and successfully applied to the May 1 benefit payments.

### Educate Members

SJCERA sends periodic emails to active members of all our employers. A recent email promoting one of our retirement seminars is attached to this report.

### Provide Excellent Customer Service.

A few quotes from our members:

- "Leonor was very helpful in explaining the plans for health care coverage I purchase with sick leave bank. I turn 65 and plans change with Medicare. She was able to answer all my questions. I appreciate her help and time."
- "Ms Bonilla alerted me she is going on vacation, yet will keep me updated as information comes in regarding my situation. What tremendous dedication to service! I'm very impressed and grateful."
- "Kathleen was knowledgeable and provided information in my file on a timely basis. Very much appreciated."
- "Ms. Arce emailed me the requested information quickly. Thanks."

*Recognize Employees.* Congratulations to Adnan Khan for being named employee of the month. Adnan continually goes above and beyond, making sure SJCERA gets the job done accurately and timely. In one recent example, he worked on the weekend to review and verify the 1099-R and actuarial data files before submitting them to the IRS and Cheiron. We appreciate his diligence and are extremely lucky to have him as part of the SJCERA team. Congratulations, Adnan!

*Board Elections.* The election of the Safety Seventh and Alternate Seventh seats is underway. The deadline to file a "Declaration of Candidacy" and a "Candidate Statement of Qualifications" with the Registrar of Voters is May 6 (the same day as our Board meeting).

## **Conclusion**

April was another very productive month—team SJCERA continues to impress! In the words of Steve Jobs, "Great things in business are never done by one person. They're done by a team of people." My thanks to each and every one of our 20-person team, because everyone contributes to making sure SJCERA's business gets done!



From: "ISD Service Desk [ISD]" <isd servicedesk@sjgov.org>  
Subject: [EXT] Understanding Your Retirement - The Time to Plan for Retirement is Now!

Date: April 6, 2022 at 3:23:55 PM PDT

To: "ISD Service Desk [ISD]" <isd servicedesk@sjgov.org>

***Sent on behalf of Johanna Shick, Chief  
Executive Officer, SJCERA:  
(Sent to all County Employees)***

**Understanding Your Retirement** - The time to plan for retirement is now!

MAY 5, 2022 – 3:00 PM

Sign up for this 60-minute virtual seminar to learn more about your SJCERA retirement benefit. You are eligible to attend if you are a full-time civil service County employee or an employee of one of SJCERA's other participating employers. You will learn what it means to be vested, how your benefit is calculated, how to purchase service credit and much more.

Click here to register [Active Members - Seminars page](#).

**You will receive the Zoom link via email immediately after you complete your registration.** The seminar can be accessed via zoom on your computer or mobile device. Save the email with the Zoom link to access the seminar.

Thank you,



**ISD Service Desk**  
Information Systems Division  
San Joaquin County  
209-953-HELP (4357)

# Stagflation

WORKING PAPER

FEBRUARY 2022

Inflation rose 7% in December 2021, capping off a year of increasing inflationary numbers. The last time the US saw such high inflation was in 1982, when the US economy was suffering through the second leg of back-to-back recessions, inflation had soared, and the Federal Reserve had hiked rates to 19%. That was the last time the US experienced an economic condition called stagflation, where the measures used to fight runaway inflation tipped the economy into recession and pushed unemployment above 10%. For investors there was no place to hide as bonds and equities suffered negative returns.<sup>1</sup>

Fortunately, since that time, stagflation has been rare in advanced economies. But memories of steep market losses caused by stagflation cast a long shadow. Hence the recent surge in US inflation has investors concerned that they may experience stagflation for the first time in 40 years. This is because both bonds and equities (public and private), which represent the primary components of many diversified portfolios, could suffer negative returns in a stagflationary environment.

*While Meketa believes that it is unlikely that the current inflationary environment will deteriorate into full-blown stagflation, we acknowledge that institutional investors may benefit from a closer look at stagflation, its origins, variables, and potential outcomes.*

## The history of stagflation

The term stagflation was originally a political term coined in the United Kingdom (UK). In the 1960s and 1970s, the UK suffered from spiraling inflation, rising unemployment, and weak economic growth. Government efforts to spur growth by indexing wages to support consumer spending repeatedly failed to deliver economic growth. The conservative government of Margaret Thatcher eventually broke the stagflationary spiral in the 1980s by slashing government spending, liberalizing state businesses, and tightening monetary policy.<sup>2</sup>

Stagflation in the US occurred in association with the oil supply shocks of 1973-74 and 1979-81. The first oil shock occurred at a vulnerable time when the US economy was transitioning from the gold standard. The federal government borrowed heavily to finance the Vietnam War and the expansion of social programs in the 1960s and early 1970s. Wages and domestic demand soared. And for a time, the Federal Reserve kept borrowing costs low to support the "Guns and Butter" spending. But in 1971 when the

### CONTRIBUTORS

Alison Adams, PhD  
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Gloria Hazard  
Stella Mach  
Orray Taft, CAIA, FRM  
Rafi Zaman, CFA

<sup>1</sup> Sources: Bureau of Labor Statistics, FRED, and Federal Reserve.

<sup>2</sup> Source: How Margaret Thatcher Changed the World. <https://www.bbc.com/news/business-22073527>.



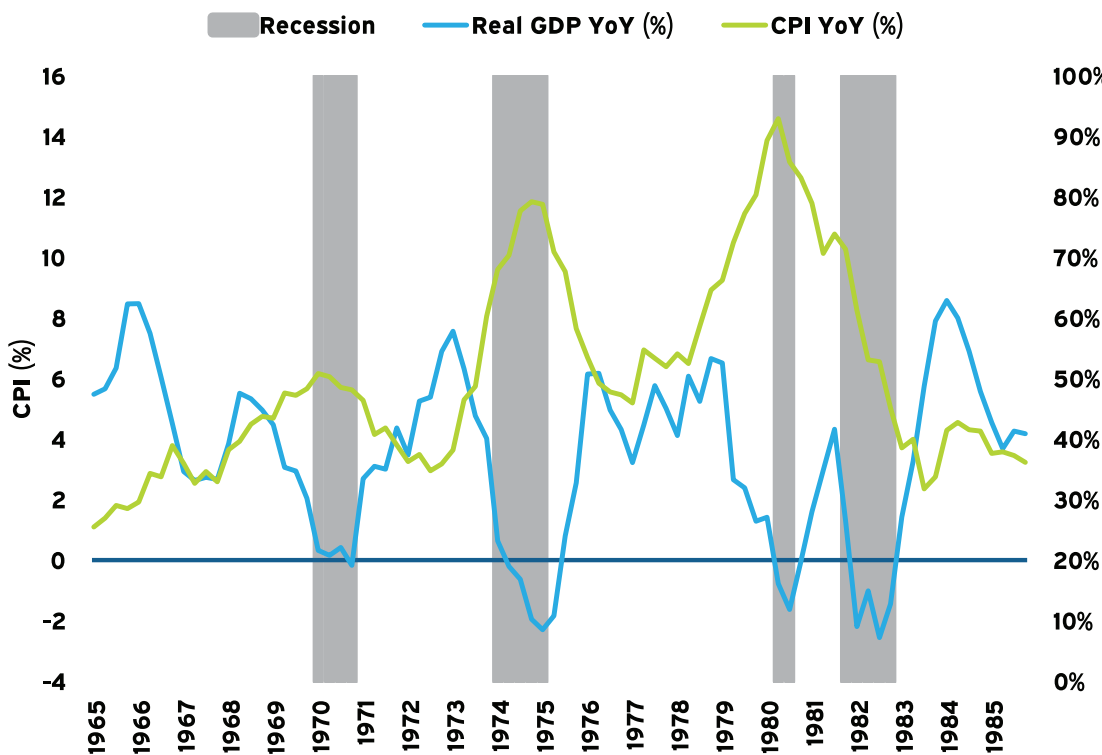
Nixon administration suspended the gold-convertibility of the US dollar, the value of the dollar weakened, reflecting the high debt burden of the government. In an attempt to stabilize prices, the Nixon administration launched a series of price and wage controls to slow the rate of inflation.<sup>3</sup> The price and wage fixing schemes created scarcity and, once removed, resulted in catch-up inflation.

The Arab Oil Embargo of 1973 lasted only five months, but the price of oil quadrupled and stayed elevated for most of the 1970s. In the 1970s, the US economy depended on oil, and the embargo pushed prices of goods and services higher in nearly every sector. A good portion of American workers had their wages indexed to inflation. So as inflation rose, wages rose accordingly. American businesses suffered a double blow of higher energy costs and higher wages. Higher operating and labor costs forced businesses to lay-off workers.<sup>4</sup>

The US business cycle swung back and forth between strong growth and recession between 1973 and 1979 (see Figure 1). By 1979, the Iranian Revolution ushered in another global oil crisis and the price of oil tripled. Inflation soared to almost 14% on an annualized basis and unemployment exceeded 10%. In response to the crisis, President Jimmy Carter appointed Paul Volcker to chair the Federal Reserve. Volcker began to swiftly raise interest rates, and by 1981 the Fed Funds Rate (FFR) had vaulted to over 19%. The US economy fell back into recession very quickly, but Volcker's actions had finally tamed inflation by the end of 1983.

<sup>3</sup> Nixon's Treasury and Federal Reserve had used price fixing schemes to try to lower inflation after the end of Bretton-Woods, but like most price fixing schemes in economic history, the suppression of prices created scarcity and pushed prices very high once the schemes were eliminated. The price controls of 1971-1974 lasted through the end of the Nixon administration. In 1974, the Whip Inflation Now campaign of the Ford administration relied on voluntary restraint and thrift.

<sup>4</sup> Source: <https://www.federalreservehistory.org/essays/great-inflation>



**FIGURE 1**  
**US Growth, Inflation and Recessions (1965-1985)**  
Source: FRED

## Why US stagflation is possible but unlikely today

As the US economy recovers from the effects of the global pandemic and serial lockdowns, we can see some parallels with the 1970s and 1980s. In the past, stagflation was associated with rising inflation and high energy prices as well as rising unemployment and weak economic growth. When each variable is examined independently, the US economy is currently growing well above potential and unemployment is near pre-pandemic lows. Very strong economic growth and an improving unemployment rate do not align with the classic definition of stagflation (see Figure 2).

Stagflation Criteria	1973-74	1979-82	December 2021
Peak inflation (CPI)	11.0%	13.5%	7.1%
GDP Annual Growth (YoY)	-0.5%	-0.3%	5.7%
Peak Fed Funds Rate	12.9%	19.1%	0.01%
Peak Unemployment	6.1%	10.8%	3.9%
Peak hourly wage growth	8.9%	9.1%	4.5%

**FIGURE 2**  
**2021 US Economic**  
**Statistics V. Stagflationary**  
**Periods**

Sources: The table is illustrative and historical data showing peaks and averages may differ from monthly and annual data from the period. Sources include Bureau of Labor Statistics, FRED, Bureau of Economic Analysis, and Federal Reserve.

- **Growth:** Perhaps the most important difference is that the US economy is growing at a very rapid rate. In 2021, the US grew 5.7%. This is the fastest annual growth recorded for the US since 1984. For comparison, the US grew 2.2% in 2019.<sup>5</sup> Consensus growth forecasts for the US in 2022 range between 3.5% and 4%.<sup>6</sup> While the US may grow at a slower pace in 2022 than in 2021, these forecasts include a series of Fed rate hikes as well as the withdrawal of fiscal stimulus. Professional forecasters appear to agree that the US will continue to benefit from re-opening tailwinds of pent-up demand, rising wages, healthy balance sheets, and very low borrowing costs.<sup>7</sup>
- **Unemployment:** In contrast to the soaring unemployment of the 1970s and 1980s, the US labor market is remarkably strong. In 2020, unemployment exceeded 14%. But since then, the labor market has healed rapidly. At the end of 2021, the unemployment rate reached 3.9% and is approaching pre-pandemic levels.<sup>8</sup> While the labor force participation rate is below pre-pandemic levels, it has been trending back up since the beginning of 2021. COVID-related early retirement, medical precautions, and childcare demands, appear to have contributed to the low participation rate. These factors are expected to diminish as the pandemic threat subsides. Substantial fiscal support as well as rent and student loan forbearance schemes will expire in 2022, encouraging more discouraged workers to return to the workforce. It is unclear if the child tax credit extended during the pandemic will be renewed in 2022.
- **Supply shocks:** Perhaps the most important similarity with the 1970s is the steep and rapid rise of oil prices. The current energy shock, unlike those of the 1970s, is due primarily to domestic issues, specifically the shuttering of domestic production in 2020 in response to COVID lockdowns. Oil producers have been slow to add back

<sup>5</sup> The Federal Reserve's dual mandate is to support price stability and maximum employment. The US economy is thought to have an optimal rate of employment where the maximum number of workers are employed and at which wage inflation pressures will not manifest. In 2020, the FOMC noted that the US economy appeared to be able to have a lower rate of unemployment without experiencing inflation and introduced its flexible and adjustable inflation targeting (FAIT), allowing unemployment to fall below 4% and inflation to run above 2%.

<sup>6</sup> As of January 2022, the US economy grew 5.7% in 2021.

<sup>7</sup> Source: IMF and Conference Board 2022 forecasts for US economy in 2022. Data as of January 2022.

<sup>8</sup> Many individuals over 55 have seemingly chosen to leave the workforce and retire rather than return to work.



production capacity as serial lockdowns have delayed a return to pre-pandemic travel and commuting patterns. The price of gasoline has increased over 30% since October 2020, driving up the costs of transportation across the board. With the price of oil trading above \$80 a barrel,<sup>9</sup> we could see more production capacity added in 2022 and 2023. The pandemic has also distorted the labor markets at a time when the US economy is growing at twice its potential rate of growth. COVID-related retirements, a surfeit of savings buoyed by investment gains, reluctance to return to public facing work, the demands of childcare, and other variables have contributed to labor scarcity. Furthermore, demand for remote services and deliveries has driven structural changes in the economy where new enterprises are competing with traditional businesses for skilled workers. Currently, job openings exceed the number of applicants in many sectors. Should these conditions persist, we could experience increased wage pressures in 2022.

<sup>9</sup> West Texas Intermediate (WTI) crude oil spot price as of early February, 2022.

- **Inflation:** Each sub-component of the CPI inflation index, appears to have its own lockdown and reopening story. But for now, it is not clear that each sector's price increase will prove to become harmonized into broad-based higher inflation expectations. In 2021, each monthly inflation report seemed to capture different sector pricing pressures. Early in 2021, demand for semi-conductors drove technology prices higher. Reluctance to take public transportation and very low borrowing costs created demand for new and used cars. A shortage in semi-conductors helped create a shortage in new cars. In the fall, national moratorium on evictions for non-payment of rent in 2020 and into 2021 expired and resulted in a surge in rental prices. The component that captures housing price appreciation within CPI, owners' equivalent rent (OER), has still not fully captured the national surge in home prices in 2020 and 2021.<sup>10</sup> The Fed's preferred measure of inflation, PCE, rose 4.3% in the third quarter of 2021, but the Fed forecasts that the PCE inflation indicator will fall to 2.6% by the end of 2022. Although market indicators are changeable, the breakeven inflation estimates align with the Fed's long-run inflation outlook with the 5-year breakeven rate around 2.8% and the 10-year breakeven rate near 2.5%. For now, market indicators point to inflation being a near-term issue but not a long-run threat.
- **Duration:** For most economists, the "Great Inflation Period" lasted from 1965 through the 1980s with periods of stagflation that lasted at least a couple of years at a time. At this time, inflation has been well above target for a few months but accompanied by very strong growth and falling unemployment. We have not yet seen indications that high inflation will persist over the long term.

<sup>10</sup> OER is approximately 40% of the CPI basket and currently lags the increase in house prices in 2020 and 2021.

Today, the Federal Reserve could find itself in the position of raising borrowing costs to cool demand and stabilize price inflation before the US labor market is fully recovered from two years of COVID-related disruptions. The Fed must walk a narrow path to support a broadening and deepening of economic and employment recovery while attempting to cool demand and lower inflation expectations without forcing the US economy into recession. Investors may be concerned about the possibility that the Fed could inadvertently reignite stagflation with a "policy mistake" as they exit their current accommodative policies.

## If stagflation returns, what can an investor do?

Although the level of potential losses in a stagflationary environment is unknown, what is clear is that there are few if any places to hide. Being well diversified may mitigate - but not eliminate - potential losses. While we do not know what may happen, our analysis (see Figures 3 and 4) indicates that most asset classes could suffer negative returns in a period of prolonged stagflation. However, assets such as cash, TIPS, commodities, core real estate, and gold are likely to perform better than traditional bonds and equities.

Asset Class <sup>11</sup>	Low Growth and Moderate Inflation	Low Growth and High Inflation
Cash	0.4	0.7
Long-term Gov't Bonds	-5.6	-7.8
Short-term TIPS	-1.5	-1.5
TIPS	-3.2	-3.4
US Equity	-11.3	-14.0
Global Equity	-16.2	-20.4
Core Private Real Estate	1.7	2.0
Public Natural Resources	-13.5	-15.7
Commodities	4.4	7.6
Gold	1.0	3.1

While real assets such as real estate, infrastructure and natural resource equities are often considered an inflationary hedge, our analysis indicates that the performance of these private and public investments depends on the presence or absence of economic growth, the level of inflation, and the duration of the inflationary period. For example, if inflation remains at moderate levels for a short period of time (so that underlying growth is not disrupted), real estate, infrastructure and natural resource equities may perform moderately well. However, if inflation is prolonged and growth is below potential, even these asset classes are unlikely to offer positive returns.

Depending on the nature of the stagflationary environment, some asset classes may even offer positive returns. For example, gold and commodities provided gains during periods of high and persistent inflation in the 1970s. If a prolonged supply shock occurs in the energy market, like it did during the 1970s, it would not be surprising to see strong gains by commodities. If investor confidence in the ability of the Federal government to rein in inflation and pay its debts was to wane, gold could perform well.

**FIGURE 3**  
**Average Annualized Returns Under Low Growth and High Inflation (%)**

Source: Meketa sensitivity analysis based on asset class performance for the period 1973-2021. Asset class returns reflect annualized, nominal returns. Low growth is defined as the bottom quartile of quarter-over-quarter GDP growth (less than 0.3%), Moderate Inflation is the median of month over month inflation (0.28%), High Inflation is the 75th percentile of month over month inflation (0.45%). Some asset class performance has been backfilled with representative returns. For detailed information about the modeling methodology, please refer to Meketa's "The Inflation Variable: Evaluating Potential Outcomes."

<sup>11</sup> The benchmarks used for each asset class are: Cash - Bloomberg Barclays US Treasury Bill Index, Long-term Gov't Bonds - Bloomberg Barclays US Treasury: Long Index, Short-term TIPS - Bloomberg Barclays US Treasury Tips 1-5 Years Index, TIPS - Bloomberg Barclays Global Inflation-Linked: US Tips, US Equity - Russell 3000, Global Equity - MSCI ACWI, Core Private Real Estate - NCREIF ODCE Equal Weighted, Public Natural Resources - S&P Global Natural Resources Net TR Index, Commodities - Bloomberg Commodity Index, Gold - LBMA Gold Price PM USD.

## Conclusion

While we acknowledge that inflation in the US is a concern, we do not yet see conditions that would indicate that stagflation is imminent. As long as unemployment remains low and growth above potential, we believe that comparisons to stagflation in the 1970s and 1980s are premature.

That said, we believe it is useful for investors to have an understanding of what kind of impact stagflation could have on their portfolio and how they might be able to prepare for it. We believe that a properly diversified portfolio should take into account the possibility of multiple environments, not just the one an investor believes is most likely to occur. We encourage our clients to speak with their consultants about the best way to address the concern of stagflation for their portfolio.

## Appendix

Asset Class	Very Brief, Extreme Inflation Spike	Brief, Extreme Inflation Spike	Extended, Extreme Inflation Spike
Cash	0.8	0.7	0.9
Long-term Gov't Bonds	-5.5	-5.7	-4.9
Short-term TIPS	0.1	0.2	0.0
TIPS	1.0	0.9	1.5
US Equity	-11.6	-10.3	-15.5
Global Equity	-13.1	-12.0	-16.3
Core Private Real Estate	1.5	1.5	1.2
Public Natural Resources	-8.4	-7.6	-11.1
Commodities	10.0	11.1	6.6
Gold	40.5	35.9	55.7

**FIGURE 4**  
**Average Annualized Returns Under High Inflationary Periods (%)**

Source: Meketa sensitivity analysis based on asset class performance for the period 1973-2021. Asset class returns reflect annualized, nominal returns. Extreme Inflation Spike is defined as being in or above the 95th percentile of month-over-month inflation (0.45%). Very Brief Inflation lasts 1-2 months, Brief Inflation lasts 4-8 months, and Extended Inflation lasts 12+ months. Meketa has backfilled the performance returns of TIPS, real estate, and public natural resources. For detailed information about the modeling methodology, please refer to Meketa's "The Inflation Variable: Evaluating Potential Outcomes".

## Disclaimers

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## In This Issue

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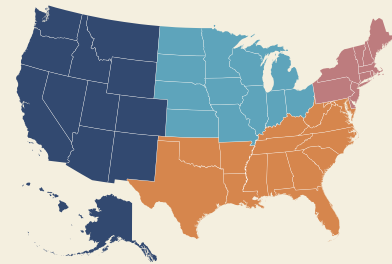
Earlier this year, the Urban Institute released a report entitled, Addressing and Avoiding Severe Fiscal Stress in Public Pension Plans.

### 3 Executive Directors Corner



Public pension systems are deliberating whether and how to exit investments in Russia in the wake of the country's February 24 invasion of Ukraine and the economic sanctions that quickly followed.

### 4 Around the Regions



This month, we will highlight New Jersey, Illinois, West Virginia and Oregon.

## Pew Research Center Offers Ideas for Stress Testing Muni Pension Plans



Plan sponsors can prepare for market volatility and potential cost increases by conducting stress tests that simulate funding levels and required contributions under a variety of economic scenarios, Pew Research Center said.

In an article published on its website, Pew outlined methods for incorporating stress testing and other tools into existing financial and actuarial reporting frameworks. It said that conducting stress tests would be prudent even though funding gaps have been shrinking.

Pew noted that even before 2021's historic investment gains gave a shot in the arm to municipal pension funds, the gap between their assets on hand and future liabilities had improved. Funding ratios rose from 66% in 2015 to 68% in 2017 and jumped to approximately 80% in 2021, Pew said.

"Although funding for many local plans has improved over the past decade, challenges remain for many municipalities," the Pew report said. "To ensure that future market swings do not jeopardize the progress that plans have already made, administrators should consider tools such as stress testing to identify and navigate potential risks."

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# Playbook for Federal Intervention

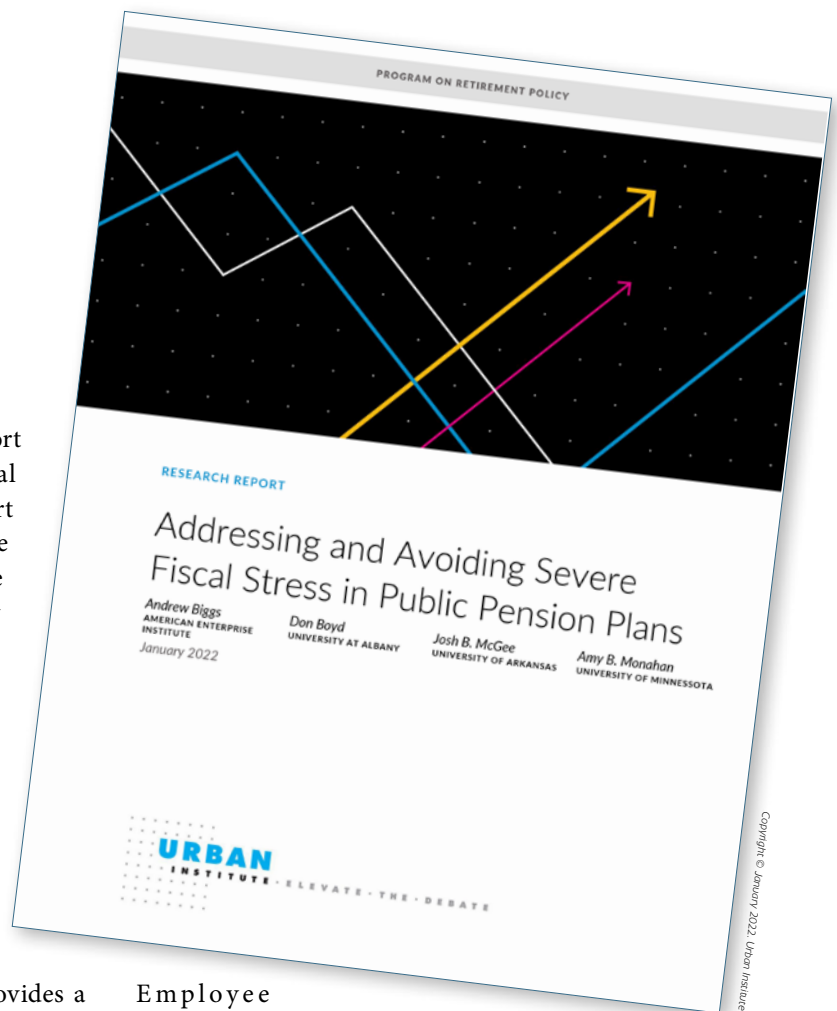
By Tony Roda

Earlier this year, the Urban Institute released a report entitled, *Addressing and Avoiding Severe Fiscal Stress in Public Pension Plans*. The 60-page report was written by Andrew Biggs (American Enterprise Institute), Don Boyd (University of Albany), Josh McGee (University of Arkansas), and Amy Monahan (University of Minnesota). While released by the venerable Urban Institute, the report carries with it the disclaimer that the views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders.

For those of us who watch the U.S. Congress and the Executive Branch agencies for any legislative or regulatory actions that could be harmful to state and local governmental retirement systems or their participants, the report is troubling. In essence, it provides a possible playbook for a future Congress or Administration to draft proposals allowing the federal government to dramatically change the dimensions of the governance of these plans, leading to federal involvement and jurisdiction over basic elements of plan design, funding, and benefits.

State and local governmental plans are qualified under Internal Revenue Code (IRC) Section 401(a). As such, the public pension community pays close attention to changes in federal tax law or regulation that could affect the qualified status of our plans. Through its IRC qualified status, the plans and their participants receive certain tax advantages – pension plans are not subject to tax on their assets or earnings generated by investments, and participants are not subject to income and employment taxes on contributions made by their employers or on earnings of the trust fund until pension distributions are made. These are significant tax advantages.

The Urban Institute's report contains a section on federal policy options. Most fundamentally, the first option would be to bring state and local governmental plans under the jurisdiction of the U.S. Department of Labor in a regulatory structure based on the current rules of the



Employee Retirement Income Security Act, commonly known as ERISA, which governs private sector retirement plans. This shift would require a change in statutory law that would authorize the Labor Department to have jurisdiction over public plans. The Labor Department, in turn, would issue regulations to implement the new policies. The current jurisdiction over our plans through the tax code by the U.S. Treasury Department and the Internal Revenue Service would need to be addressed as well.

For state and local governments, which rightfully enjoy autonomy over decisions related to the retirement security of its employees, the changes would be significant. For instance, the report suggests subjecting public plans to ERISA funding rules, which control the use of discount rates and amortization of unfunded liabilities, while also requiring insurance premiums to be paid to the Pension Benefit Guaranty Corporation. The authors state that this regulatory structure would be strengthening by placing the current Government Accounting Standards Board (GASB), which the authors view as insufficiently independent, under the oversight

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## Growing Imperative to Divest from Russia Creates Tricky Balancing Act for Pensions

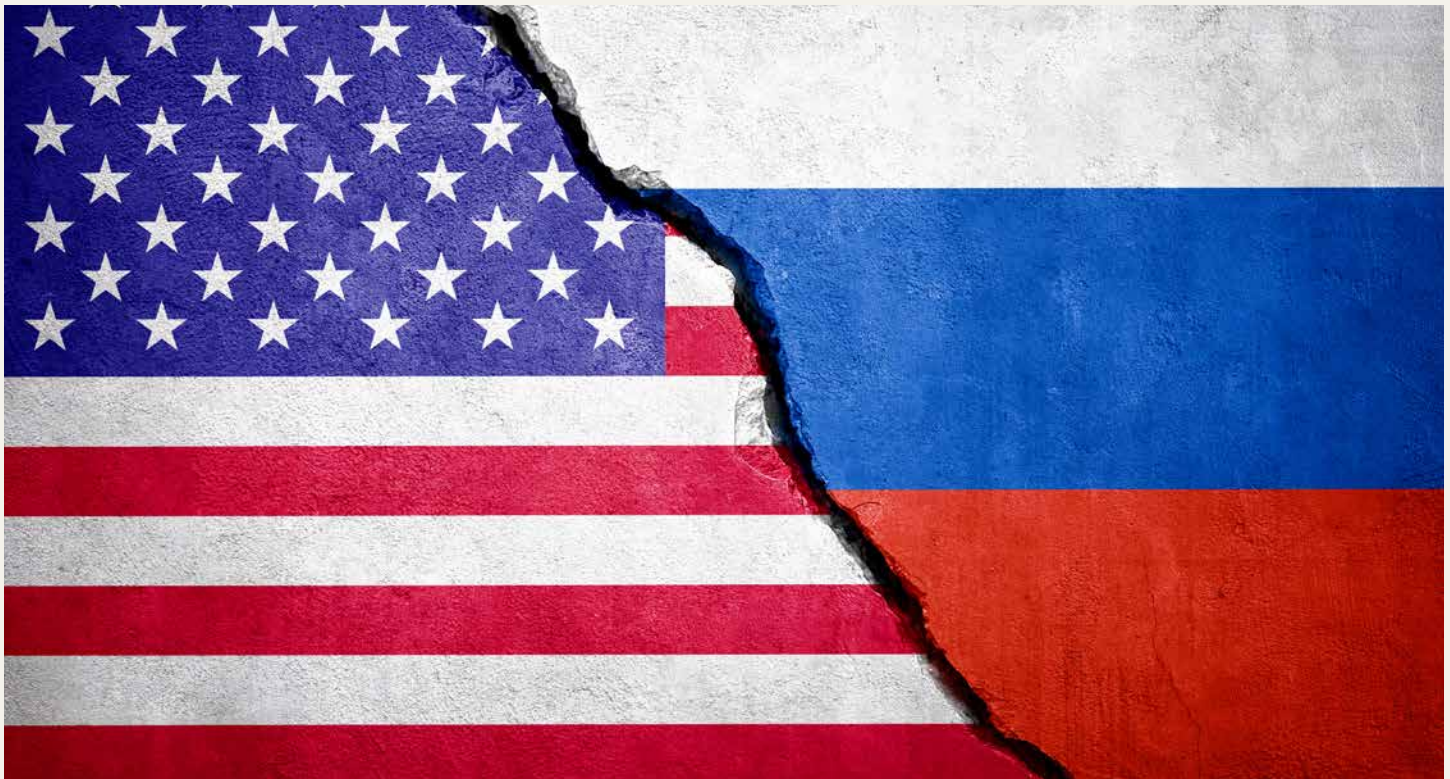


Photo illustration © 2022, stock.com

**P**ublic pension systems are deliberating whether and how to exit investments in Russia in the wake of the country's February 24 invasion of Ukraine and the economic sanctions that quickly followed.

The questions are complex. Investments in Russia account for a very small part of pension portfolios, and many of the investments that do exist are passive, and therefore are outside the pension plan's control.

As Liz Farmer, writing for Forbes, put it on March 11, "Divestment isn't likely to have much impact on the funds themselves as Russian-domiciled investments make up less than 1% of most (if not all) state portfolios. But collectively, it sends a message. For example, California's CalPERS is the largest pension fund in the world and it alone holds nearly \$1 billion in Russian assets."

Given the state of today's Russian economy, however, withdrawing investments is complicated. "The ruble has crashed and the stock market in Russia is closed," Iowa State Treasurer Mike Fitzgerald

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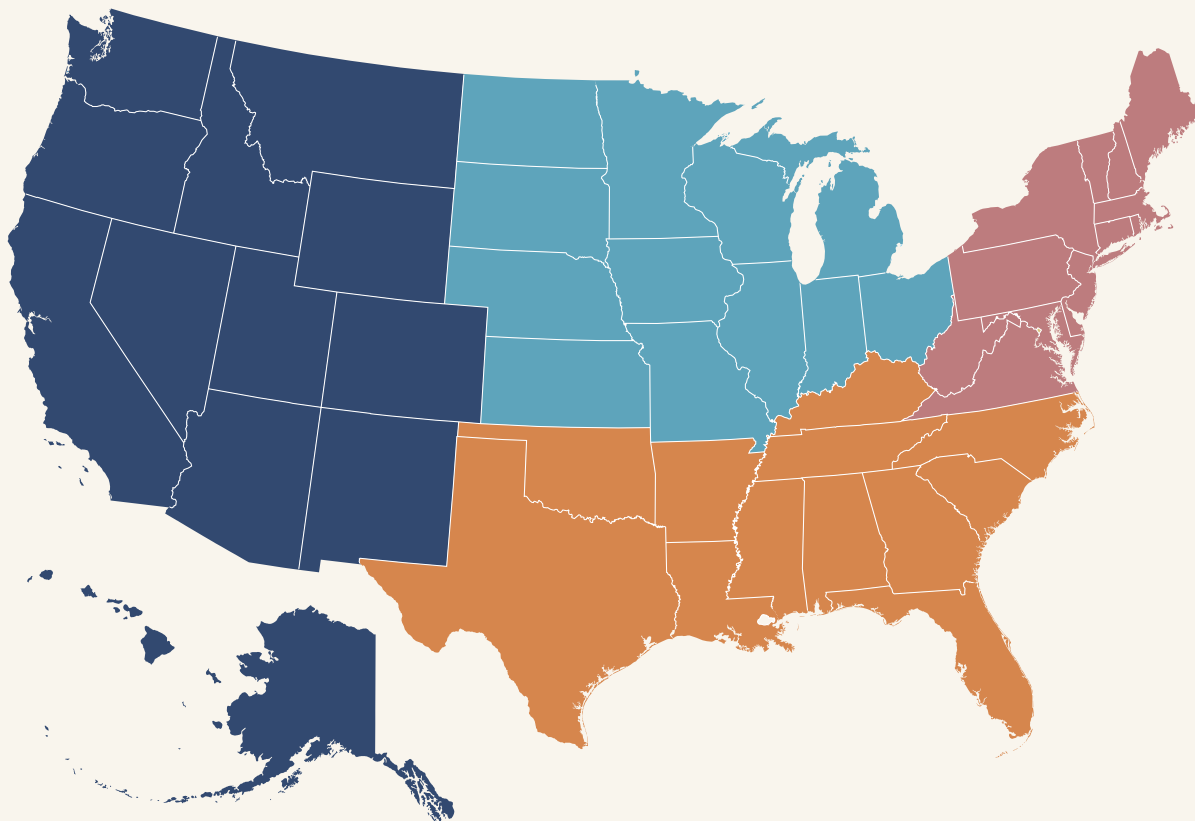
*Public pension systems are deliberating whether and how to exit investments in Russia in the wake of the country's February 24 invasion of Ukraine and the economic sanctions that quickly followed.*

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said in a recent interview with Radio Iowa. "So if you wanted to sell out you can't and if you sold out, you get pennies on the dollar."

[CONTINUED ON PAGE 6](#)

This month, we will highlight New Jersey, Illinois, West Virginia and Oregon.



## NORTHEAST: New Jersey



The New Jersey Secure Choice Savings Program was slated to kick off in late March, requiring employers with 25 or more workers to facilitate enrollment if they do not offer a retirement savings plan.

The program was authorized by the New Jersey Secure Choice Act, which was signed into law in March 2019. The law gives employers nine months from the implementation date to comply. It covers employers with 25+ workers that have been in business at least two years and haven't offered a qualified retirement plan in the preceding two years. Smaller employers may opt into the program. Workers will contribute at 3% pretax rate unless they opt out or request a different contribution rate.

The official implementation date was March 28. However, Andrea Spalla, Assistant Treasurer of the State of New Jersey, speaking at a Secure Choice Savings Board meeting January 21, said implementation would begin as close as possible to that date. The board "should not and does not intend to cut corners in providing such a new and robust program for the citizens of New Jersey," according to meeting minutes. As of March 28, the program's website indicated it was not yet operational.

[CONTINUED ON PAGE 7](#)



## PEW RESEARCH CONTINUED FROM PAGE 1

The report observed that “despite the encouraging trend, public pension funding can be volatile.” Many economists were forecasting reduced long-term investment returns even before the pandemic struck. And the opening months of 2022 have been particularly volatile for markets, as geopolitical pressures have intensified.

Pew noted that several cities are incorporating additional financial metrics and forward-looking risk indicators, including pension stress tests, into their annual plan financial reporting. The changes come as actuarial reporting standards have been revised to require pension plan valuations to examine and disclose the risk that actual outcomes may differ from projections.

Plans in Detroit and Milwaukee, for example, are adding financial cash flow measures that can help assess risks to plan assets and government budgets, Pew said. Other jurisdictions, including Baltimore, Los Angeles, Philadelphia, California’s Santa Barbara County, and Wichita, Kansas, have begun projecting the effects of market shocks, swings in the stock market, and economic downturns in their risk assessments.

Pew noted that policymakers in several states, including Michigan, Rhode Island, and Tennessee, have adopted oversight models for pension plans sponsored by municipalities. This gives them a way to evaluate the health of local plans within a standardized framework and compare them across municipalities.

“States with local oversight models could expand these reporting frameworks to include simple measures of risk to demonstrate the impact of market shocks and downturns on the municipal plans they oversee,” Pew said.

Pew listed elements of pension risk reporting that could be incorporated into a comprehensive municipal framework. They include:

- Data on plan finances and government budgets.
- Key pension metrics, including plan funding levels, contributions as share of tax revenues, net amortization, and operating cash flow as a share of assets.
- Forward-looking risk indicators that assess changes to required contributions and assets if investment returns deviate from plan assumptions. ♦

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## FEDERAL INTERVENTION CONTINUED FROM PAGE 2

of the U.S. Securities and Exchange Commission (SEC). Further, the report concludes that GASB would need to use lower discount rates more in line with ERISA’s corporate bond yield return to value a governmental plan’s liabilities and expenses. The authors acknowledge that legal scholars disagree on whether moving GASB under the SEC’s jurisdiction could be accomplished simply by issuing a new regulation or would require a statutory change.

The authors also advance changes around the concept of transparency that are less drastic than ERISA coverage, but nonetheless raise concerns. The proposals would:

- Require the federal government to create a regular reporting program on the financial health of public plans.
- Require state and local governments to provide a supplemental report on the funded status of their plans using market-based discount rates in addition to their plans’ assumed rates of return.
- Tie state and local governments’ ability to issue debt to reporting their plans’ funded status using market-based discount rates; this proposal was introduced in numerous Congresses and is commonly known as the Public Employee Pension Transparency Act (PEPTA).
- Ensure that those state and local employees not covered by Social Security are indeed covered by a public retirement plan that at a minimum is equal to Social Security’s benefits.

As I’ve discussed in previous Monitor articles, this November’s Congressional midterm elections may result in a new political dynamic in the next Congress. The public plan community should be aware that Members of Congress could reach into this list of federal options as they consider legislative proposals in the retirement area.

NCPERS will closely monitor this and future Congresses for any such proposals and will keep its members apprised of major developments. ♦

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Losses notwithstanding, the political pressure for investors to take a stance is considerable, and by and large it is not partisan as Democratic and Republican governors alike issue calls for action.

The list of states that have taken or are considering steps against Russia is a moving target, but it includes Alaska, Arkansas, California, Colorado, Georgia, Illinois, Indiana, Massachusetts, Minnesota, Michigan, New Jersey, New York, North Carolina, North Dakota, Ohio, Pennsylvania, South Carolina, Virginia, and West Virginia. The actions under way thus far are wide ranging—including actual divestitures, reviews of investments, proposals such legislation ordering state entities to cut ties to Russia, and ceasing any ongoing investment.

Cities are also taking a stance. Forbes reported that the Chicago Public School Teachers' Pension & Retirement Fund board voted to divest from its \$5 million in holdings in Russian-linked securities and passed a resolution to support the Ukrainian people. The fund holds \$13.1 billion in total assets.

The San Francisco City & County Employees' Retirement System board has voted to halt all new Russian investments by the \$35.3 billion pension fund and take steps to divest from existing Russian securities. According to Pensions & Investments, SFERS' has about 0.11% of the pension fund's total assets in Russian-related investments.

As public pension boards navigate divestiture decisions, the critical thing for them to do is document, document, document. Given the state of the Russian economy, investors are facing losses, and it's critically important to demonstrate how and why the decision was reached to exit an investment.

Continuing the governance protocol of documenting all decisions is a wise practice, as geopolitical risks are not confined to Russia. As foreign affairs experts have noted, there are many flashpoints around the globe where challenges can suddenly arise or intensify. They include China, the world's second-largest economy, and Saudi Arabia, the world's leading exporter of oil. Future choruses seeking divestment may become more demanding of public pension plans. ♦

## Don't Miss NCPERS' Social Media



The graphic features a hand holding a glowing tablet. Above the tablet, a globe is surrounded by various social media icons and network symbols. The background is dark with a blue glow emanating from the tablet.

Facebook Twitter

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The Voice for Public Pensions

AROUND THE REGIONS CONTINUED FROM PAGE 4

## MIDWEST: Illinois



Illinois Governor J.B. Pritzker on March 24 signed legislation that includes an extra \$300 million payment to the state's public pension systems. The measure was part of SB2803, which pays off \$4.1 billion in debt, thereby reducing interest payments over the next two decades.

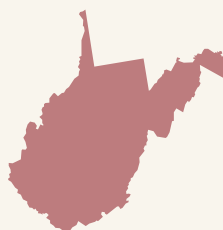
The pension payment is in addition to the \$10.87 billion that the state is legally obligated to contribute during fiscal year 2023, which begins July 1. Paying the extra sum now will reduce pension liabilities by \$1 billion between 2023 and 2045, Governor's office said.

Retired teachers and other public sector workers in Illinois have rallied to urge their state lawmakers to get behind Governor J.B. Pritzker's budget proposal, which originally allocated an extra \$500 million. On March 8, supporters from the Illinois Education Association and AFSCME, organized by the Illinois Alliance for Retired Americans, held a rally and press event in Springfield to call on the General Assembly to support the investment.

The state was able to make the extra contribution because it has experienced higher-than-expected revenues from corporate taxes, cannabis, online sales taxes, and income. The extra payment marks the first time since 1994 that Illinois will have reduced its pension

debt by more than the required contribution. As press time, the budget remained pending before the General Assembly.

## SOUTH: West Virginia



The West Virginia General Assembly passed three bills relevant to public pensions before concluding its regular session on March 12, and a fourth bill is pending in the House Finance Committee.

The first bill, SB 442 was approved unanimously by both chambers, clearing the Senate on Feb. 16 and the House on March 11. It establishes that members of the Teachers Retirement System who have been contributory members for at least three years may only transfer service credit to the Public Employees Retirement System (PERS) if they first became a member on or after July 1, 2015, when the tier two benefit was created. It also eliminates language that had authorized retirement contribution refunds in equal installments, and gives members who leave employment but are entitled to retire with an annuity payment the ability to be paid out upon request.

The second bill, SB 443, was approved unanimously by the Senate on Feb. 16 and the House on March 10, and was signed into law March 23. It deals with former municipal and police and fire pension and relief funds, authorizing members of the closed funds to vote for trustees of those funds.

[CONTINUED ON PAGE 8](#)



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**AROUND THE REGIONS** [CONTINUED FROM PAGE 7](#)

The third bill, SB 641, unanimously passed the House March 10 and the Senate March 11 and will take effect July 1, 2023. It requires the Consolidated Public Retirement Board to set contributions for the Deputy Sheriff's Retirement System.

The fourth bill, SB 670, was approved unanimously by the Senate on February 22. On March 1, the House Pensions and Retirement Committee recommended passage and sent it to the House Finance Committee for further consideration. It remains pending. It would permit 911 personnel hired on or after July 1, 2022, to participate in the Emergency Medical Services Retirement System.

**WEST:  
Oregon**

The Oregon Legislature has passed a bill that provides \$100 million to recruit and retain school staff to make up labor shortages that developed during the COVID-19 pandemic. At press time, the measure was awaiting the signature of Governor Kate Brown.

The state's school systems are experiencing a shortfall in substitute teachers, bus drivers, food service workers and other staff, according to a report in *The Bulletin*, a daily newspaper in Bend, Oregon.

"We've seen workforce challenges before the pandemic, but they've only been exacerbated by the pandemic," Parasa Chanramy, the legislative director for the Coalition of Oregon School Administrators, told the newspaper. *The Bulletin* reported that multiple school districts said they have particularly struggled to find workers to fill positions that don't require a state-issued teaching license.

House Bill 4030 includes \$78.1 million for recruitment and retention of school personnel and will be distributed via grant funds. In addition, \$19.5 million in reimbursements will go toward substitute teachers and instructional assistants for their required training incurred through January 2024. A further \$2.2 million will go toward teachers standards and practices and for creating a workforce data system with the University of Oregon. ♦

*Annual Conference  
& Exhibition*

*Including NCPERS University Programs TEDS and NAF*

May 21–25  
Omni Shoreham Hotel  
Washington, D.C.  
#ACE22

The banner features a light blue background with a faint silhouette of the U.S. Capitol building. Decorative pink cherry blossom branches with buds are positioned on the left and right sides. The text is centered and uses a mix of elegant script and clean sans-serif fonts.





## Calendar of Events 2022

### May

#### **Trustee Educational Seminar (TEDS)**

May 21 – 22  
Washington, DC

#### **Program for Advanced Trustee Studies (PATS)**

May 21 – 22  
Washington, DC

#### **NCPERS Accredited Fiduciary (NAF) Program**

May 21 – 22  
Washington, DC

#### **Annual Conference & Exhibition (ACE)**

May 22 – 25  
Washington, DC

### June

#### **Chief Officers Summit**

June 27 – 29, 2022  
San Francisco, CA

### August

#### **Public Pension Funding Forum**

August 21 – 23  
Los Angeles, CA

### October

#### **Public Safety Conference**

October 25 – 28  
Nashville, TN

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## The Double-Edged Sword

**Neil Millar**, Senior Vice President, Research Analyst, Global Oil and Gas

**Alistair Godrich**, Director, Research Analyst, Automobiles, Extractive Industries and Utilities

### Summary

- Rising energy prices are one of the most significant economic consequences of the conflict in Ukraine. Europe, which relies heavily on Russian oil and gas, has taken the greatest hit. But Europe is also one of Russia's best customers and a valuable source of revenues, meaning that the dependency cuts two ways.
- The European Union has announced plans to cut back on Russian energy, with a plan that anticipates diversifying imports, building out renewable energy capacity, and rationing.
- While Europe faces significant challenges in weaning itself from Russian energy, not least of which is the likelihood for much higher prices, in the long run, Russia may be the more vulnerable party. The country cannot readily replace European buyers.

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As fighting rages on the ground in Ukraine, Russia and the developed markets are waging a bloodless battle across the world's energy fields, pipelines, and shipping lanes. In economies powered by carbon, nearly everyone feels the impact: industry, agriculture, and, above all, the households that must ultimately cope with the shortages and absorb the costs inflicted by disrupted supply.

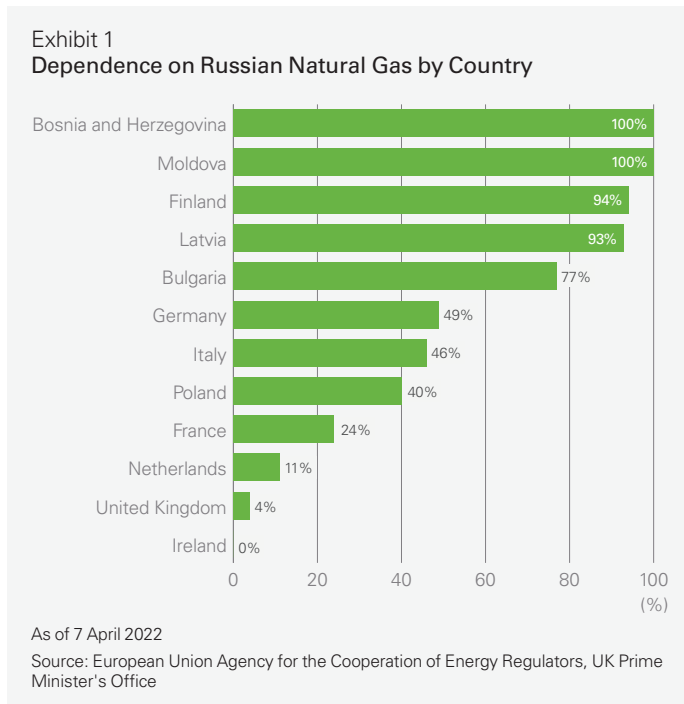
In one crucial respect, the energy war resembles the shooting war. In the near term, Russia, Europe's primary source of energy, would seem to hold the advantage. Even now, despite the stringent sanctions the developed nations have imposed to shut down Russia's war machine, the European Union is daily paying Russia hundreds of millions in hard currency for the energy it must have to keep its economy going. The advantage is likely to shift, however, as the conflict wears on. If Europe can maintain its commitment to diversify the sources of its energy imports, build out its natural gas infrastructure, and, above all, scale up its renewable energy capabilities, it can mitigate its overdependence on a single supplier—and deprive Russia of its best customer.

### The War's Other Front

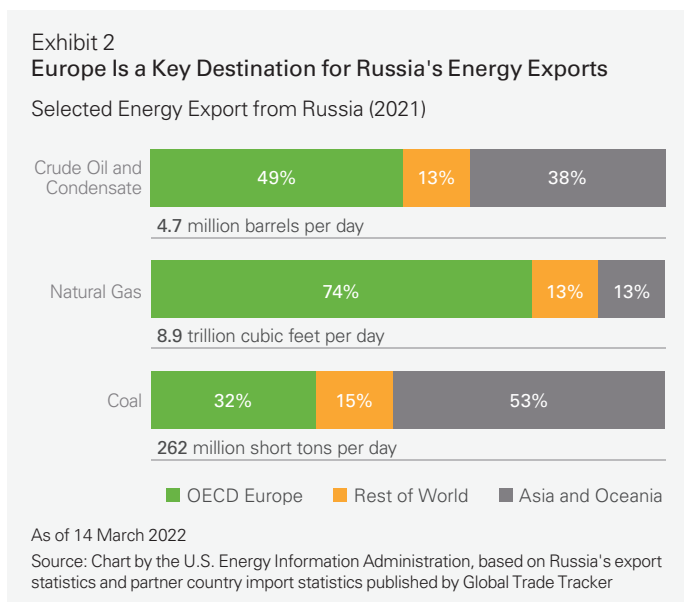
Europe has borne the brunt of the conflict's economic fallout. The price it pays for natural gas, more than 10 times above prices in the United States, highlights its vulnerability. According to the European Union, Russia supplies 34% of its natural gas, 25%



of its oil imports, and 45% of its coal imports. The extent of its exposure varies from country to country, of course, but Russian imports furnish nearly half of Germany's and Italy's natural gas. In the smaller EU countries further east, the figure approaches 100% (Exhibit 1).



The dependency cuts both ways. Europe is Russia's biggest source of hard currency and contributes just less than a third of total government revenues (Exhibit 2).



The major oil companies to varying extents have announced their intention to leave Russia with large writedowns. BP will take the largest hit on its 20% stake in Rosneft, Russia's leading oil producer, while Exxon's and Shell's exits will have a much smaller impact in the context of their businesses. Russia accounts for less than 5% of their cash flow, which the price dislocation in global energy markets might easily replace. Total of France faces a more complex situation with its partial ownership of Novatek, the top Russian natural gas producer, and assets which make up more than one-fifth of its reserve base. Looking further ahead, with the American oilfield service companies also signaling an end to investment, increasing Russian oil and gas production becomes questionable.

## Wish List or Action Plan?

The assault on Ukraine has compelled the European Union to reconsider its codependency. It has announced plans to cut back Russian natural gas imports by two-thirds by the end of the year, roughly 100 billion cubic meters, and to fully develop alternative sources of supply by the end of the decade. To reach its short-term goal, the European Union intends to make up half the shortfall with liquid natural gas. Accelerating the development and construction of renewable electricity generation might replace 20% and ramping up deliveries through existing pipelines from Norway and Algeria could replace another 10%. It hopes to cover the balance from efficiencies, for instance, by persuading its citizens to lower their thermostats by 1° Celsius in the winter.

In the short term, the EU proposal appears less like a concrete strategy and more like an ambition—or a contingency plan in case Russia actually shuts down its pipelines to Europe. The biggest alternative resource poses the greatest challenge: liquid natural gas, or LNG. Any large increase in EU demand would substantially increase pressure and prices in a market already hard-pressed to meet competing commitments from China, South Korea, India, and Japan.

Even more inhibiting is a lack of infrastructure. While European gas pipelines to Russia are up and running, European port facilities capable of offloading LNG in the volumes contemplated are not. Europe's current LNG capacity, according to one study, amounts to 62% of the total energy supplied by pipelines from Russia and building LNG terminals takes up to five years. Contractual obligations pose a further barrier. Europe gets much of its natural gas from Russia on long-term "take or pay" guaranties, which stipulate that buyers have to pay for a minimum amount of product whether they take delivery or not. Therefore, switching off Russian gas overnight is both technically and contractually challenging.

## Heat for the Chilly Winter Ahead

The obstacles do not mean Europe will fall completely short of its ambitions. Requiring nearly 200 million European households to lower their thermostats in the cold weather might seem a tall order, yet rising prices will curb demand and ongoing and accelerating improvements in energy efficiency and conservation make the overall goal feasible. And coal, notwithstanding its environmental shortcomings, offers a viable alternative to Russian natural gas. Even though a large share of Europe's current supply comes from Russian mines, coal is an abundant and globally fungible mineral, relatively cheap to exploit. Freighters can haul it to Europe from Australia and the United States.

Added supplies of crude oil, another fungible and readily transported commodity, depend on politics and price. Iran, constrained for now by international sanction, could over time add 1 million barrels to the world's daily output. The key OPEC producers, Saudi Arabia, the United Arab Emirates, and Iraq, reluctant to boost output to date, have the potential to produce another 1–2 million barrels.

## The Likeliest Alternative

The oil predicament has turned a spotlight on a source that had fallen out of favor: shale oil and gas in the United States, where production has stagnated at 1.5 million barrels per day below its 2020 peak. Drilling for shale becomes profitable at prices above \$50–\$60 per barrel. With prevailing spot prices running about twice as high, privately held shale producers are starting to take advantage—hedging forward two years at prevailing prices gives them a strong incentive.

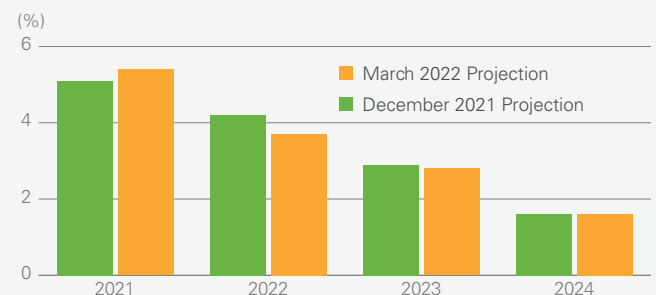
Publicly held producers are dealing with a different set of circumstances. The price bust and bankruptcies that plagued the shale oil patch in the middle of the last decade chastened their shareholders, forcing the public companies to curtail drilling in favor of returning capital. We believe it might take political pressure to induce the publicly held producers to redirect their priorities.

By contrast, nuclear power, despite being a non-emitting resource unlike coal and crude oil, has only limited applicability in the crisis. To begin with, a new nuclear plant takes 10–20 years to go from conception to commission. Nevertheless, France, which already relies on nuclear for 80% of its power, intends to upgrade its existing capacity, and the United Kingdom is also looking to build out its nuclear generation. On the other hand, the emergency has not changed Germany's commitment to decommission its three nuclear plants by the end of the year, and Italy has had a nuclear moratorium in place since 1987.

## Winners and Losers

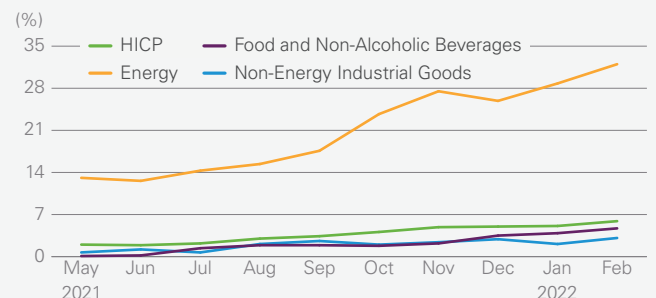
Either way, whether Europe comes close to realizing its year-end ambition or whether Russia suspends its energy supplies altogether, Europe, along with the rest of the world, will pay a price. The European Central Bank estimates euro zone GDP growth will fall from 5.4% to 3.7% in a base-case scenario and 2.3% in a worst-case scenario, with German GDP growth falling by as much as 3% (Exhibit 3). And even if Europe succeeds in diversifying its energy imports, it may have no choice but to ration energy next winter. Households, as noted, would take the biggest hit. We estimate that if energy prices, which have already risen 50% since the first of the year, rose another 50%, a distinct possibility, it would subtract 15% from the disposable income of the lowest-earning quarter of UK households and 10% from the next 35% of households (Exhibit 4). The heavy toll obviously invites consideration of price controls or an excess profits tax on the producers benefiting from the higher prices. Because renewables represent a fundamental component of the EU strategy, excessive taxes may be unlikely, though efforts to cap the prices that can be charged appear higher on governments'

Exhibit 3  
European Growth Expectations Falling



As of 27 March 2022  
Source: European Central Bank

Exhibit 4  
European Inflation and Main Components



As of 28 February 2022  
Source: Eurostat



agendas. Those assets with fixed costs (such as hydro, nuclear, wind, or solar) and selling at spot prices are taking advantage of the current conditions.

The prospects for realizing Europe's long-term objectives if it stays the course look considerably brighter than achieving its short-term ambitions. Europe's take-or-pay contracts begin to roll off in 2025, just about the time its LNG port facilities would start to come onstream. Russia's long-run prospects look starkly different if Europe stays the course. As Europe diversifies its energy exports, Russia cannot readily replace its European markets. Building

pipelines thousands of miles long from its natural gas fields to customers in Asia would be extremely costly, time-consuming, and possibly prohibitive. Building liquefaction facilities without Western technology would be extremely challenging.

Perhaps even more significantly, the Ukraine crisis could mark the tipping point in the energy transition. More than chronic concerns over climate change, the acute shock of over-reliance on a hostile power may, we believe, hasten the development and deployment of dependable, non-polluting sources of energy.

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