



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 16

MEETING DATE: October 16, 2024

SUBJECT: Quarterly Investment Manager Compliance and Watch List Report—Third Quarter 2024

SUBMITTED FOR: ___ Consent ___ Deliberation and Action X Receive and File

RECOMMENDATION

Receive and file the Quarterly Investment Manager Compliance and Watch List Report for the quarter ended September 30, 2024.

PURPOSE

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

DISCUSSION

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

As of September 30, 2024, the following managers were on the Watch List:

- TCW (Fixed Income) – organizational changes
- D.E. Shaw Investment Management (Global Equity) – performance related
- William Blair Investment Management (Global Equity) – performance related

The following changes were made to the Watch List during the third quarter of 2024.

Davidson Kempner Institutional Partners (DKIP) was removed from the Watch List as SCERS fully redeemed from the fund effective September 30, 2024. DKIP was added to SCERS' Watch List effective April 2024 following the recommendation by Cliffwater. Subsequent to the Watch List recommendation, Cliffwater recommended a full redemption from DKIP. Staff submitted the redemption request during the third quarter, with the redemption effective as of September 30

and proceeds to be received during October. SCERS remains invested in the Davidson Kempner Long-Term Distressed Opportunities Funds IV and V, which are closed-end funds.

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

ATTACHMENTS

- Board Order
- Quarterly Watch List and Compliance Report—Third Quarter 2024

Prepared by:

/s/

Brian Miller
Senior Investment Officer

Reviewed by:

/s/

Steve Davis
Chief Investment Officer

/s/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
October 16, 2024

AGENDA ITEM:

Quarterly Investment Manager Compliance and Watch List Report— Third Quarter 2024

THE BOARD OF RETIREMENT hereby approves Staff's recommendation to receive and file the Quarterly Investment Manager Compliance and Watch List Report for the quarter ended September 30, 2024.

I HEREBY CERTIFY that the above order was passed and adopted on October 16, 2024 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:

(Present but not voting)

James Diepenbrock
Board President

Eric Stern
Chief Executive Officer and
Board Secretary

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
Quarterly Investment Manager Watch List - September 2024

#	Investment Manager	Fund Type	Net Asset Value (as of September 2024, \$ thousands)	Reason	Effective (month - year)	Commentary
1	TCW	Fixed Income	\$ 387,930	Organizational Changes	Dec-23	TCW is a core/core plus fixed income manager that allocates across government securities, corporate bonds, mortgage backed securities, and other asset backed securities. TCW is undergoing organizational changes in 2024, which includes the retirement of one of the Co-CIO's of Fixed Income and the retirement of another Portfolio Manager. With these retirements, TCW is promoting several members of the investment team into new roles and greater levels of responsibility. Staff was informed that there is a succession plan for these retirements and appointments will occur over the next 12 months. Staff will continue to monitor the changes for potential impacts. SCERS first invested with TCW in 2002 and has rebalanced the account several times since inception, adjusting the amount invested. Since inception annualized net returns are +4.5%.
2	D.E. Shaw Investment Management	Global Equity	\$ 206,851	Performance	Dec-23	D.E. Shaw is a quantitative, systematic investment firm that manages a number of investment strategies across public equity and absolute return. SCERS is invested in the Broad Market Core Alpha Extension strategy, which is a U.S. 130/30 portfolio benchmarked to the Russell 1000. The strategy significantly underperformed the benchmark in 2023 (21.2% vs 26.5%), contributing to underperformance versus the benchmark for the trailing 3-year period and since inception. Staff will continue to monitor the portfolio for improvements to performance. SCERS first invested \$118 million with D.E. Shaw in 2019 and has rebalanced the account several times since inception, adjusting the amount invested. Since inception annualized net returns are +14.3%.
3	William Blair Investment Management	Global Equity	\$ 109,891	Performance	Jun-24	William Blair manages an international small cap public equity mandate for SCERS. The strategy has underperformed in recent years, leading to underperformance relative to its benchmark across all time periods (1, 3, 5, and 10 years). Staff will continue to monitor William Blair for improvements to performance. SCERS first invested with William Blair in 2008 and has rebalanced the account several times since inception, adjusting the amount invested. Since inception annualized net returns are +6.6%.