



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 25

MEETING DATE: August 19, 2026

SUBJECT: Investment Manager Compliance and Watch List Report—Second Quarter 2026

SUBMITTED FOR: ☐ Action ☒ Information

RECOMMENDATION

Receive and file the Investment Manager Compliance and Watch List Report for the quarter ended June 30, 2026.

PURPOSE/STRATEGIC PRIORITY

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 March 31, 2026, the following managers were on the Watch List:

- Walter Scott & Partner (Global Equity) – performance related
- Weatherbie Capital (Global Equity) – performance related

During the second quarter of 2026, SCERS terminated the investment with Weatherbie Capital (Global Equity). The investment with Weatherbie was fully transitioned during the second quarter, with assets invested into an interim solution to maintain market exposure while a replacement search is completed. The search for a replacement manager is ongoing. With the termination, Weatherbie Capital has been removed from the Watch List.

Staff and Cerity continue to closely monitor managers across the portfolio. No other recommended changes to the Watch List were proposed during the second quarter.

Therefore, managers on the Watch List going forward are:

- Walter Scott & Partner (Global Equity) – performance related

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

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

ATTACHMENTS

- Board Order
- Quarterly Watch List and Compliance Report—Second Quarter 2026

Prepared by:

/S/

Brian Miller
Senior Investment Officer

Reviewed by:

/S/

Eric Stern
Chief Executive Officer

/S/

Steve Davis
Chief Investment Officer



Retirement Board Order

Sacramento County Employees' Retirement System

**Before the Board of Retirement
August 19, 2026**

AGENDA ITEM:

**Investment Manager Compliance and Watch List Report—
Second Quarter 2026**

THE BOARD OF RETIREMENT hereby approves the Staff recommendation to receive and file the Investment Manager Compliance and Watch List Report for the quarter ended June 30, 2026.

I HEREBY CERTIFY that the above order was passed and adopted on August 19, 2026 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

Chris Giboney
Board President

Eric Stern
Chief Executive Officer and
Board Secretary

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
Quarterly Investment Manager Watch List - June 2026

#	Investment Manager	Fund Type	Net Asset Value (as of June 2026, \$ thousands)	Reason	Effective (month - year)	Commentary
1	Walter Scott	Global Equity	\$ 465,244	Performance	Sep-25	The Walter Scott strategy (international developed large cap) has significantly underperformed its benchmark over the past several quarters, leading to bottom quartile performance ranking over the trailing 1, 3, and 5 year periods. The Walter Scott strategy takes a fundamental, bottom-up approach to stock selection and portfolio construction. The strategy has relatively high active share and tracking error, which can result in meaningful departure from benchmark returns, requiring evaluation over a full market cycle. However, the recent performance is below expectations leading to the Watch List addition. SCERS has approximately \$465 million invested with Walter Scott as of June 2026.