



San Bernardino County Employees'  
Retirement Association

## Chief Executive Officer's Report

**Date:** July 25, 2024

**From:** Debby Cherney  
Chief Executive Officer

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**To:** SBCERA Trustees

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**Subject: CEO Report – August 1, 2024 Board Meeting**

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### Administration (Debby Cherney)

It's been a really busy July at SBCERA, and August is primed to be every bit as busy. Read on to learn what our teams have been up to!

### Human Resources & Risk Management (Stacey Barnier)

This month the Human Resources team onboarded new hire, Michael Law, who joined SBCERA on Monday as our new Investment Operations and Portfolio Analytics Manager. More information about him is below in Don's report. SBCERA's own Briana Ayala has accepted our offer for the Benefit Payment Specialist in Fiscal Services. We will be opening a recruitment to fill her now vacant Office Specialist position in the Fiscal Services Department. The candidate for the Executive Secretary for Information Services has been cleared in the background check process and will start with SBCERA next month. The Chief of Member Services recruitment is well under way with 13 applicants to date. The executive recruiter is expecting at least a handful of additional applicants based on their outreach efforts and discussions with potential applicants. We will be meeting with them to review the candidates after their initial screening interviews are conducted by the recruiter.

We met with Voya regarding our retirement medical trust (RMT) record keeping transition from Tasc to a new record keeper. This transition should be minimal, but as part of the process, we will be reviewing our RMT plan documents with counsel and may bring an amendment to the Board in the coming months. Stacey attended the PACE Executive Committee where benefits appeals and other relevant information was discussed. As a reminder, PACE is the JPA that SBCERA joined to administer our medical insurance benefits. Lastly, this month we started the new flexible spending accounts (FSA) with iGoe, thus transitioning our final benefit slated to be removed from the County's offerings. Once the runout period expires, the County will transfer any identified rollover funds to SBCERA so that we can apply those funds to the applicable participant's new FSA accounts with iGoe.

We have processed the Fiduciary Liability Insurance Waiver of Recourse payments for designated staff. Additionally, all employer and employee pension contribution rates have been updated in accordance with the new fiscal year rates.

### Investments (Don Pierce)

At the time of this writing (and with a few managers yet to report), SBCERA's investment portfolio was up 9% for the fiscal year ending June 2024 net of fees. While gratifying on an absolute return basis to exceed the actuarial hurdle rate for the year, the program trailed its policy benchmark due to asset

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positioning. Our Informed Rebalancing program has positioned the portfolio to be underweight equity and overweight to bonds. While that posture aided us during periods of volatility, this year with the very strong rally in equity markets our relative return trailed the policy benchmark. From an opportunity cost perspective private equity meaningfully trailed the public market benchmarks for the fiscal year (despite outperforming on a 5-year basis!). Generally, credit did well, in many cases outperforming the high yield index return of 10%. However, compared to the R3000 broad equity index which posted a very strong 23% return for the fiscal year even a good year in credit lagged the equity market.

We remain confident that our focus on income and the ability to opportunistically add to positions is the right approach. As was recently relayed to the Board by Sam Austin our lead consultant from NEPC, we believe there are improvements that can be made to the portfolio through more effective implementation and a reorientation of the portfolio away from managers whose programs may have grown larger than the current market environment supports.

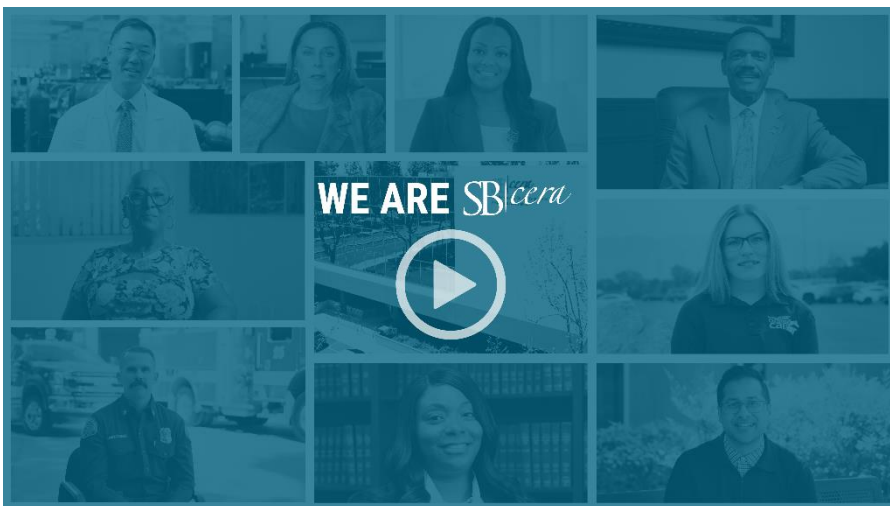
As a go forward prospect, we continue to consider new opportunities and with interest rates at these levels we are poised to lean into strategies that offer good income and strong resilience during volatile markets.

### **Member Services (Christina Cintron)**

In my new role as the Interim Chief of Member Services, I have been getting better acquainted with the staff and gaining a deeper insight into the department's operations. In July, we successfully transitioned to a new payroll processing procedure, working closely with the Fiscal Services team. They provided two valuable training sessions and have been highly supportive in addressing any questions we have, for which we are grateful. (See more on this in the Fiscal Services section below.)

### **Communications and Stakeholder Relations (Olivia Applegate)**

This month, we launched our much anticipated "We Are SBCERA" video series that will feature stories about the people who define SBCERA. Through this series, viewers will get an inside look at the people who provide the important public services our communities depend on, and they'll learn how the retirement security SBCERA provides gives them confidence in their futures. These stories are full of personal experiences, purpose, the impact of service, and so much more.



On July 18, the SACRS Board of Directors voted to formally oppose AB 2284, which would give CERL systems the option of defining employment grades if their Board of Supervisors agrees to give them that

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option. There was a healthy discussion that lasted over an hour and the Board provided good suggestions for process improvements to keep SACRS at the table to provide timely input to the Legislature.

Governor Newsom signed AB 2770 and AB 2474. Below is a summary of the CERL-related provisions in the bills which both go into effect on January 1, 2025.

### *AB 2770*

This legislation eliminates the requirement for a physical return receipt on mail sent to members who have accumulated contributions and are no longer employed with a covered employer or a reciprocal agency. It also extends the sunset date of the PTSD disability presumption for police and fire members from January 1, 2025, to January 1, 2029.

### *AB 2474*

This legislation substantially changes return-to-work regulations in the CERL by adding penalties for employers and making it clear members and employers are required to pay contributions plus interest when a retired member is reinstated. The law does not alter the current work limits for returning retirees. More details on the penalties can be found in the most recent [Legislative Report](#) that was provided at the July 11 Board of Retirement Meeting.

### **Fiscal Services (Amy McInerney)**

The Fiscal Services team has made great progress towards closing our books, preparing for our Financial Statement Audit, and the preparation of SBCERA's Annual Comprehensive Financial Report (ACFR). The team is busying finishing investment reconciliations and confirming contributions with our Employers. The census data has already been sent to the Actuary and all data questions have been resolved. Audited Basic Financial Statements will be provided in October and the draft ACFR will be completed then as well. We will present these results at the Audit Committee meeting scheduled for November 17<sup>th</sup>.

The team has implemented the newly designed Benefit Payroll process this month with positive results. *In the first batch that the team ran, 85 payees received their refund or first payment up to six weeks faster than they would have under our old process.* Kudos to the team who worked tirelessly to design and implement the process!

### **Information Services (Joe Michael)**

With the start of the new fiscal year the Information Services Department has several projects looking to advance to their implementation phase. These include the ZTNA & SASE services, Microsoft Azure Migration, new helpdesk, knowledgebase, and project management solution, and file management and collaboration solution. Over the remainder of the year as these services come online, we expect staff and our membership being provided greater flexibility when accessing our data and services while doing so in an even more secure way.

### **Legal & Disabilities (Barbara Hannah)**

Legal Services is in the process of updating its procedures to conform with the transition of payroll to Fiscal Services. The updated procedures will provide written standards in processing comment sheets, DROs and Joinders, including utilizing workflows in Pension Gold, as well as front end scanning of documents. In addition, the updated procedures will provide better metrics and standardized methods of tracking documents reviewed by Legal Services. Monthly statistics will be provided once we have two months of metrics under the new standard operating procedures.

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Disability Retirement Unit		
	May 2024	June 2024
Disability Retirement Applications (DRA) Received.	17	8
Corrected Application / Attorney Filing	9	3
Via MySBCERA	8	5
Amendments to DRA Received	1	1
Disability Retirement Applications Accepted for Processing	10	3
Amendments to DRA Accepted for Processing	1	1
Disability Retirement Applications Rejected as Untimely and/or Incomplete	6	6
Disability Retirement Applications Pending Review	1	0
Payroll Setups (Disability Retirement)	3	4
Payroll Setups (Survivor Benefits)	13	6
Scheduled Independent Medical Examination	7	3

In the month of May and June, we received a total of 25 disability retirement applications, but only 13 applications were accepted as timely and complete and 12 applications deemed incomplete and/or untimely. Where an application is deemed untimely, a member has an opportunity to provide additional information to prove that they have been continuously incapacitated since the date of discontinuance of service in order to file a timely application. (Gov. Code § 31722.) Regarding the scheduling of an appointment with an independent medical evaluation, we experienced a 57% decrease in the scheduling of IME appointments. This is likely due to the number of applications where we are waiting on all the medical records to be received. We are still working with SBCERA's vendor to ensure timely receipt of medical records. Currently, there are 10 applications pending receipt of medical records. On June 1, 2024, the Disability Retirement Unit reached a milestone, marking one year since SBCERA incorporated the self-service option for filing for a disability retirement via mySBCERA. All applications, with the exception of an attorney filing on behalf of a client, are filed via mySBCERA. For future self-service options regarding disability retirement, we will explore options of providing a member with the ability to amend their applications via mySBCERA, as well as correct any defects to an application through the online portal instead of mailing in a paper application with the correction.

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### **Important Upcoming Dates & Training Opportunities**

Aug 3 – 7, 2024	NASRA Annual Conference	Pittsburgh, PA
August 8, 2024	SBCERA Investment Committee Meeting	SBCERA
August 15, 2024	SBCERA Administrative Committee Meeting	SBCERA
Aug 18 - 20, 2024	NCPERS Public Pension Funding Forum	Boston, MA
Aug 26, 2024	CALAPRS Principles of Pension Gov. for Trustees	Tiburon, CA
Sep 3-5, 2024	Value Edge Public Funds Forum	Laguna Beach, CA
Sep 5, 2024	SBCERA Board Meeting	SBCERA
Sept 11 - 13, 2024	SBCERA Investment Forum	Lake Arrowhead, CA
Sept 12, 2024	II 7 <sup>th</sup> Annual Allocators' Choice Awards	New York, NY
Sept 12, 2024	P&I Influential Women in Institutional Investing	Chicago, IL
Sept 19, 2024	SBCERA Administrative Committee	SBCERA
Sept 24, 2024	P&I Fixed Income & Credit	Chicago, IL
Sept 26, 2024	P&I Fixed Income & Credit	New York, NY
Oct 3, 2024	SBCERA Board Meeting	SBCERA
Oct 10, 2024	SBCERA Investment Committee	SBCERA
Oct 11, 2024	CALAPRS Trustees' Roundtable	San Jose, CA
Oct 17, 2024	SBCERA Administrative Committee	SBCERA
Oct 26 – 27, 2024	NCPERS Accredited Fiduciary Program (NAF)	Palm Springs, CA
Oct 26 – 27, 2024	NCPERS Program for Advanced Trustee Training (PATs)	Palm Springs, CA
Oct 27 – 30, 2024	Apollo, Gramercy and GoldenTree Due Diligence	New York & Connecticut
Oct 27 – 30, 2024	NCPERS Public Safety Conference	Palm Springs, CA
Nov 7, 2024	SBCERA Board Meeting	SBCERA
Nov 9 - 11, 2024	IFEBP New Trustee Institute: Level I – Core Concepts	San Diego, CA
Nov 9 – 10, 2024	IFEBP Trustees Institute: Level II – Concepts in Practice	San Diego, CA
Nov 9 – 10, 2024	IFEBP Trustee Masters Program	San Diego, CA
Nov 10 – 13, 2024	IFEBP 70 <sup>th</sup> Annual Conference	San Diego, CA
Nov 13 – 14, 2024	P&I Public Funds	Sacramento, CA
Nov 12 - 15, 2024	SACRS Fall Conference	San Jose, CA
Nov 21, 2024	SBCERA Administrative Committee	SBCERA
Nov 21, 2024	SBCERA Audit Committee	SBCERA
Nov 21, 2024	SBCERA Investment Committee	SBCERA
Dec 5, 2024	SBCERA Board Meeting	SBCERA
Dec 12, 2024	SBCERA Investment Committee	SBCERA
Dec 17, 2024	SBCERA Special Board Meeting	SBCERA
Dec 19, 2024	SBCERA Administrative Committee	SBCERA
Jan 2, 2025	SBCERA Board Meeting	SBCERA

***Trustees wishing to attend any of the approved upcoming trainings should contact Christa James for travel and registration, or to make arrangements for meetings that need approval to be included with the upcoming Board agenda.***