



San Bernardino County Employees'  
Retirement Association

## Chief Executive Officer's Report

**Date:** June 30, 2022

**From:** Debby Cherney  
Chief Executive Officer

**Office Phone:** (909) 885-7980  
**Email:** [dcherney@sbcera.org](mailto:dcherney@sbcera.org)

**To:** SBCERA Trustees  
San Bernardino County Employees'  
Retirement Association

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**Subject: CEO Report – July 7, 2022 Board Meeting**

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### Administration (Debby Cherney)

This week, I attended the National Conference on Public Employee Retirement Systems (NCPERS) Chief Officer Summit in San Francisco. This summit consists exclusively of Chief Executives/Executive Directors and Chief Investment Officers from around the country, and has a robust line-up of speakers and facilitated discussions. Topics included the use of artificial intelligence in retirement administration, Fintech trends, communications, leadership, staffing, plan health and viability, and cybersecurity. Gathering together and exchanging creative ideas to solve our challenges is always inspirational and I look forward to bringing that information back to SBCERA.

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

This month, SBCERA kicked off the annual benefits open enrollment period for staff to make their selections for the upcoming plan year, which is effective July 30, 2022. Human Resources is in the process of reviewing staff changes to ensure all appropriate forms and supporting documentation is ready for transmission to the County's Benefits Team.

Staff attended a round table on Allyship hosted by McLean & Company. Since June is known as Pride Month, the focus of the discussion was developing allies for the LGBTQ2IA+ community, but the concept of allyship can be applied to any historically marginalized/oppressed group. We look forward to developing new learning opportunities for SBCERA staff based on the tools and resources we gained from this engaging discussion.

In recruitment news, an Accounting Manager recruitment closed to internal candidates on June 22, 2022 and interviews were scheduled for Friday, July 1, 2022. An internal Senior Accountant recruitment was opened this month and closed on Thursday, June 30, 2022. Interviews for this recruitment will be scheduled in the coming weeks as well. Internal recruitments for a Disability Retirement Specialist and an Office Specialist (Investment Services) were opened and scheduled to close on July 7, 2022. Lastly, the Office Specialist recruitment for a Fiscal Services vacancy was opened externally on June 30, 2022, after no internal applications were received and will close on July 14, 2022. We look forward to filling these vacancies in the coming weeks.

Lastly, we held a negotiations meeting with our staff union, SEIU on June 9, 2022 with the next negotiations meeting scheduled for July 22, 2022.

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### **Investments (Don Pierce)**

SBCERA's total portfolio performance of +11bp underperformed our policy index due to softening credit performance (which has held up more strongly than usually occurs during a downturn). Overall, the portfolio remains defensively postured with cash level (7.2%) is at the higher end of the 0%-10% range. As was shared with the Board in an earlier missive, the current sell-off in equity has been largely a function of valuation. One would expect earnings to fall under pressure as major drivers of profitability have seen steep increases (i.e. interest rates and labor costs). As a result, we expect to lean into the next equity sell-off more strongly as markets come to grips with slowing earning growth or even a reduction in earnings.

Fiscal year to date results through May at +3.79% is a good result versus policy and peers. While June has been a tumultuous month, we continue to believe that our strategy will outperform a strategy reliant on just stocks and bonds.

### **Member Services (Colin Bishop)**

Now that we're halfway through 2022, our numbers confirm this has been the busiest six month stretch on record for retirements. May was our busiest month ever with 194 payees added to payroll, and this past month was our busiest June on record with 77 payees added to payroll. (This measure of "total persons added to payroll" is a good overall indicator of retirement activity, and includes service retirements, disability retirements, continuance and survivor benefits initiated, and several other categories.) We're 19% ahead of where we were at this same point in 2021, well on our way to another record year. We appreciate all the hard work that staff puts into getting these members and payees onto payroll.

This is also a good time to reflect on the call volume into our main phone line. Six months into the year, we're averaging 636 inbound calls per week, with numbers dipping as we come out of our busy season and head into summer. Volumes for the month and for the first half of the year are fairly consistent with the same periods last year. You may recall that we turned on our new phone system during the pandemic in late January 2021, and averaged around inbound 604 calls per week for the first half of that year. With a fairly consistent call volume, we generally know how many incoming calls to expect and we're able to manage staffing to ensure those calls are getting answered quickly. We've now had two full months in a row with an overall service level above 90%. Previously, we've shared that we've set a service level target of 80% (service level is a standard measurement commonly used in the call center industry to help monitor how quickly calls are answered.) Our 80% target service level means we expect to see 80% of all inbound calls answered within two minutes or less. Additionally, our callers are now averaging less than 30 seconds from the time they dial in to the time they are speaking to a live person. For a system with more than 44,000 members, that's a number we're very proud of, and a testament to the great teamwork amongst staff in both Member Services and the Disability Retirement Unit.

One more statistic that we'd like to share is that members are still showing a preference to conduct retirement counseling sessions by phone when given the option to talk with us via phone, Zoom or in-person. Using the last week of June as example, we scheduled about 30 counseling sessions, and members chose to speak with us by phone over an in-person visit by about a 2 to 1 margin (we only had one member choose the Zoom option). We'll continue to monitor this and see if the trend holds over time, or perhaps changes as we continue to emerge from the pandemic.

Finally, as we enter the summer months, work also continues on our PensionGold Refresh project. As part of this effort, our project consultants from Linea came into the office for two in-person visits in the

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month of June. We feel these in-person sessions have been especially productive and look forward to more progress.

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

In early June, we sent a member engagement survey recap email to those who participated in the most recent survey in late 2021. This survey was a follow-up to our 2019 member engagement survey and continues to help drive our ongoing member experience efforts. We had a great response and received some valuable feedback that we've turned into action. I'm proud of our team and the service they've provided to our members during an unprecedented time in history. You can read a copy of the email [here](#), where we've highlighted what we're doing well, where we can improve, and what's coming.

We've also rebranded the [SBCERA Member Guide](#), formerly known as "The Compass." This guide is intended to provide members with basic information about the benefits offered by SBCERA. The information in this document was carried over from The Compass, which was last reviewed in late 2018. We are near completion of a comprehensive review with the Legal team, so you can expect some updates to this document very soon. We hope you enjoy the new design.

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

June was an event-filled month in Fiscal Services. Staff worked with State Street, Brown Armstrong, and Segal to prepare for the fiscal year end close.

Each year, we work toward getting State Street reports earlier and earlier to vet the data and adjust before the final reports are published. This year has been no exception, and staff have been working tirelessly to align the asset classifications on State Street reports to the asset classifications on SBCERA's books. This effort makes the arduous task that is the GASB 72 disclosure much easier in August.

This year we have worked with Brown Armstrong and Segal to adjust our census data used in the valuation work up one month. Historically, the timing on the Actuarial Valuation has been held up by waiting on our participating employers to finalize data. This year we are happy to report that all census data was sent over a month early and we are on track for a timely fiscal year end close this summer.

Speaking of Brown Armstrong, the firm completed their interim testing in June and will wrap up the fieldwork for the financial statement audit in September. Once again, we aim to have audited financial statements ready for our participating employers' use before the end of October.

On the Pension Gold Refresh front, we are close to putting the Account Review business process improvement (BPI) into practice. Final preparations for staff training have been made, and as soon as the workflow is ready in PG, staff will hit the ground running. Features of the new process include milestone account reviews throughout members' careers, real-time scanning of workpapers into members' accounts, and final account reviews that are being completed immediately after the termination dates are reported.

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

Over the last fiscal year, The IS Department has continued to evolve its access and delivery model to our Continued Business Platform. We have added additional redundancy within our Data Center with automatic failover internet services, and continued to remove single point of failures. We have increased security with addition of Multi-factor Authentication, the migration to next-gen antivirus, and increased AI monitoring and mitigation.

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We will have completed the deployment of managed notebooks to all staff by the end of July, allowing them to provide service from any internet available location. In addition, in the new fiscal year we will begin the migration of our core business applications to secure cloud locations to ensure always available services, as well as implement additional NIST Security Framework best practices. To help with collaboration, we anticipate integrating additional tools such as Teams, to add depth to our VoIP phone system. We also anticipate bringing additional self-service tools to our members via our mySBCERA member portal in the coming fiscal year.

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

#### *California Legislation Update*

On July 1, 2022, upon adjournment, provided the Budget passes, the California Legislature will commence its recess and will reconvene on August 1, 2022. Senate Bill 1328 and Assembly Bill 2493 are two bills SBCERA is monitoring.

#### **SB 1328 – Divestment.**

Senate Bill 1328 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 Committee hearing scheduled for June 21, 2022 was postponed. SACRS indicated that Assemblymember Cooper, the Chair of Assembly Public Employment and Retirement Committee, pulled the bill from the Committee so it is extremely unlikely that SB 1328 will move forward.

#### **AB 2493 – Disallowed Compensation: Benefit Adjustment**

On June 29, 2022, the Judiciary Committee passed Assembly Bill 2493. With the Legislature in recess, we will not see any movement of the bill until after August 1, 2022.

This bill would authorize a county retirement system to adjust retirement payments based on disallowed compensation for sworn peace officers and firefighters of that system. The bill would provide that if the retirement system determines that the compensation reported for a sworn peace officer or firefighter of the system is disallowed compensation, as defined, the system would require the county employer or agency to discontinue reporting the disallowed compensation. The bill would apply this to determinations made on or after July 30, 2020, if an appeal has been filed and the applicable member, retired member, survivor, or beneficiary has not exhausted their administrative or legal remedies. The bill would require, for an active sworn peace officer or firefighter, that all contribution made on the disallowed compensation be credited against future contributions to the benefit of the employer or agency that reported the disallowed compensation, and any contribution paid by, or on behalf of, that member, be returned to the member by the employer or agency, as specified. The bill would require, for a retired sworn peace officer or firefighter, survivor, or beneficiary whose final compensation was predicated upon the disallowed compensation, that contributions made on the disallowed compensation be credited against future contributions to the benefit of the employer or agency that reported the disallowed compensation and would require the system to permanently adjust the benefit of the affected retired member, survivor, or beneficiary to reflect the exclusion of the disallowed compensation. The bill would specify other conditions required to be satisfied with respect to a retired sworn peace officer or firefighter, survivor, or beneficiary whose final compensation was predicated upon disallowed compensation, including, among others, requiring payment of a penalty by the employer or agency that reported contributions on the disallowed compensation.

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SBCERA submitted an opposition letter to this bill, as did a number of associations and other CERL systems and Counties. The committee indicated in its hearing that there were a number of amendments to be expected, and the author committed to work with stakeholders to address concerns.

### *Public Records Act Request*

On June 20, 2022, SBCERA received a request from Open the Books regarding records containing all active members' pensionable wages. Since the employer reports to SBCERA a member's pensionable compensation, records containing this information are public records maintained by SBCERA and thus, are disclosable under the Public Records Act.

### *Legal Services/Disability Retirement Unit*

The month of June has been busy for Legal Services and Disability Retirement Unit. Below are statistics regarding the review and processing of documents:

- a. Comment Sheets [Advice provided to SBCERA Depts.] - 49
- b. Domestic Relations Orders - 10
- c. Joinders - 5
- d. Public Records Act - 4
- e. Requests for Disability Applications - 17
- f. Independent Medical Evaluations - 30

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

July 12, 2022	Invesco Trustee Education	Online
July 14, 2022	SBCERA Investment Committee	Hybrid
July 17-20, 2022	SACRS UC Berkeley Program (Modern Investment Theory and Practice)	Berkeley, CA
<del>July 21, 2022</del>	<del>SBCERA Administrative Committee</del>	<del>Cancelled</del>
July 20, 2022	TOBAM Due Diligence	Online
July 20, 2022	II Redefining Fixed Income	Online
July 25-26, 2022	Pension Bridge Private Equity Exclusive	Chicago, IL
August 3, 2022	II All/III Pan-Institutional	Sonoma, CA
August 4, 2022	SBCERA Board Meeting	Hybrid
August 6-10, 2022	NASRA 2022 Annual Conference	Long Beach, CA
August 21-23, 2022	NCPERS Public Pension Funding Forum	Los Angeles, CA
August 11, 2022	SBCERA Investment Committee	Hybrid
August 18, 2022	SBCERA Administrative Committee	Hybrid
Aug 29 - Sep 1, 2022	CALAPRS Principles of Pension Governance for Trustees	Tiburon, CA
September 1, 2022	SBCERA Board Meeting	Hybrid
September 6-8, 2022	Value Edge Public Funds Forum	Laguna Beach, CA
<del>September 13, 2022</del>	<del>SBCERA Investment Committee</del>	<del>Cancelled</del>
September 13, 2022	II Thematic Strategies Investing Forum	New York, NY
September 14-15, 2022	II All Pan-Institutional	New York, NY
September 15, 2022	SBCERA Administrative Committee	Hybrid
September 21-23, 2022	SBCERA Investment Forum	Lake Arrowhead, CA

***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.***