



San Bernardino County Employees'
Retirement Association

Chief Executive Officer's Report

Date: April 28, 2022

From: Debby Cherney
Chief Executive Officer

Office Phone: (909) 885-7980
Email: dcherney@sbcera.org

To: SBCERA Trustees
San Bernardino County Employees'
Retirement Association

Subject: CEO Report – May 5, 2022 Board Meeting

Administration (Debby Cherney)

We enjoyed celebrating #TeamSBCERA's administrative support staff for Administrative Professionals Day. In addition to our in office "thanks", we celebrated with posts on our social media platforms, including this one from Linked In:

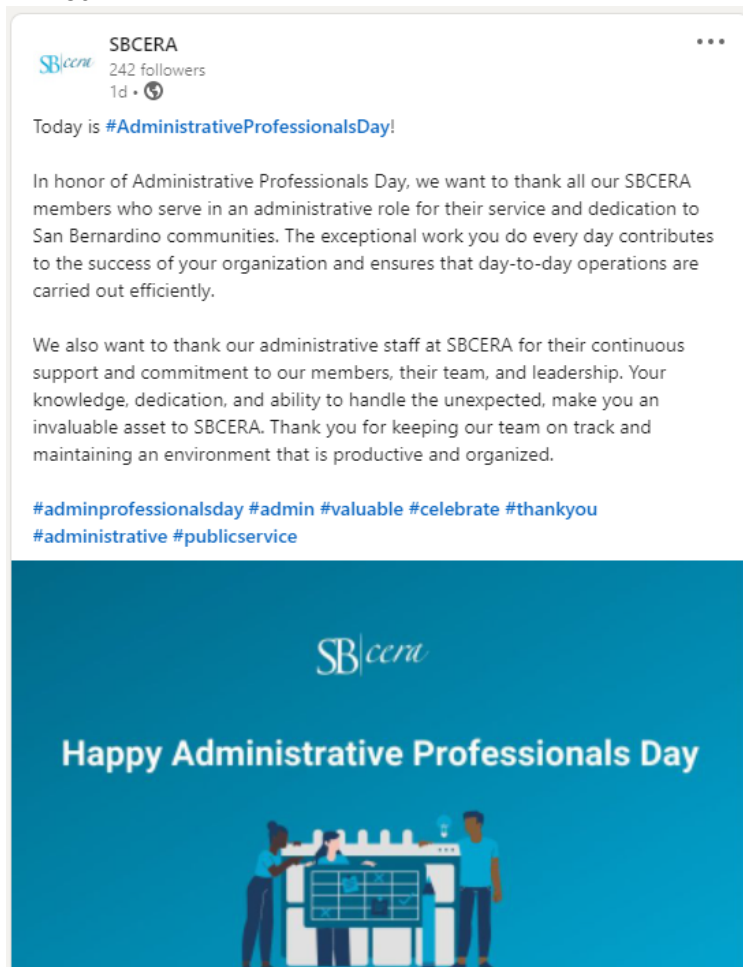


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Human Resources & Risk Management (Stacey Barnier)

Staff participated in the Liebert Cassidy Whitmore Virtual Employment Law seminar. Topics included a legislative update, disability accommodation, mental health in the workplace, recruitment strategies for building a diverse workforce amid The Great Resignation and more.

We met with our fiduciary liability insurance broker this month to discuss the state of the market. We are anticipating an increase in costs as a result of excessive fee claims on the defined contribution plan front and various claims related to the Alameda decision and its impact on CERL systems. We will bring more information to the board once we receive renewal rates.

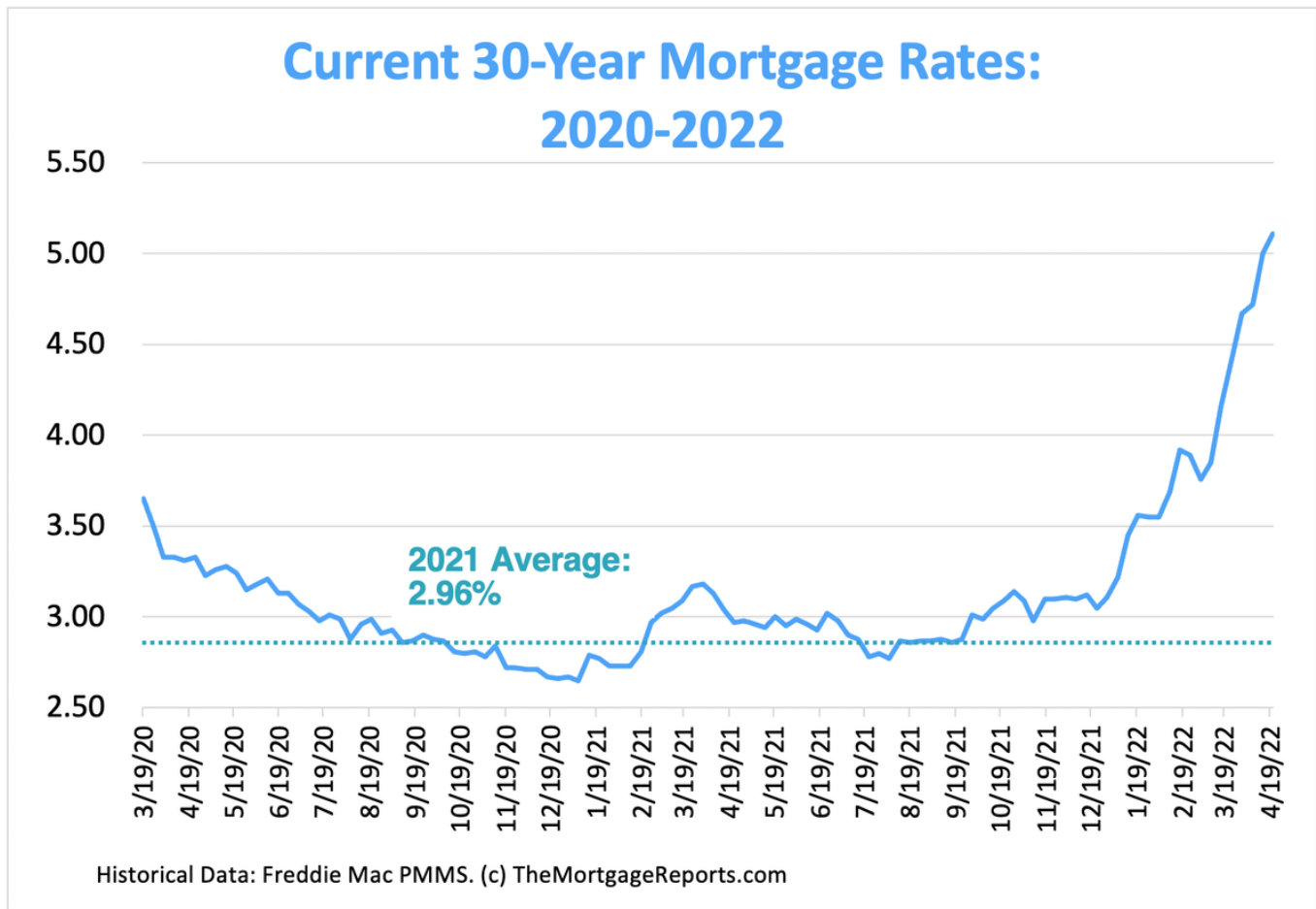
Congratulations to Tiffany Lee joined the Investment Services team this month as their new Office Specialist. She is a familiar face at SBCERA as she has been working with the Disability Unit as an Office Specialist and brings experience in Human Resources, administrative support and customer service. We are excited to announce that Carolina Ibarra is joining the Member Services Team as a Retirement Benefits Technician effective May 2, 2022. She brings a tremendous amount of customer service and administrative experience with her most recent role at San Bernardino Superior Court where she provided service to the public as a Legal Processing Assistant. Finalist interviews will be held next week for the Office Specialist vacancy in Member Services.

Investments (Don Pierce)

With the recent market sell-off, we are starting to see opportunities in areas that have very attractive yields (13%-15%) in the residential mortgage market. Normally, this market is quite tightly bid and does not really meet our cost of capital, but with the recent sharp increase in mortgage rates (see the chart below), this has led to a significant problem for the mortgage origination business. As background, the basic mortgage originator business borrows money to hold the originated mortgage until such time as the originator (or the syndication they may be part of) has sufficient critical mass of bonds to offer into a securitization which is then offered to investors. Another bond basic we all understand is that the price of a bond goes down when yields go up. Thus, if interest rates in the first quarter of 2022 jumped 200bp over the 2021 average, the price of those bonds being held before the securitization to Wall Street have dropped dramatically! For example, if you borrowed \$100 to originate loans, but the originator can now only receive \$70 because that is the new market value of a loan, they have taken a huge loss on the position, and most of the mortgage originators do not have the balance sheet to hold these assets very long which means the banks that lent the mortgage originators the money originally will effectively soon own these bonds and will want to sell them, which is where we come in. Important to note, this particular opportunity is all behind the scenes as the borrower still has the original negotiated rate and presumably the home they borrowed the money to buy!

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Member Services and Communications (Colin Bishop)

Teams from across the organization are busy during late April and this first week of May as we hold work sessions with our consultants from Linea and our software vendors from LRS in preparation for another major software upgrade in our PensionGold Refresh Project. The next round, formally called “Deliverable Two,” focuses on a number of different modules in the software, including benefit maintenance, benefit calculations, service purchases, and reporting. We’ll be working on this part of the project over the next several months. This upgrade continues with the “back to base” theme we have for the project, while still adding useful functionality for staff and members alike. Our goal is to engineer deliberate changes to the software which result in a more sustainable and durable version of PensionGold that we can rely upon for years to come. We also continued work on several important business process improvements (BPIs), including the service retirement process and document management. Linea has been on site here in San Bernardino once again next week for in-person meetings. This is their second visit this spring, and while we feel that we’ve been working efficiently over Zoom these past two years, our in-person sessions have proven especially productive.

We’ve also begun holding in-person counseling sessions again with members in our first floor counseling rooms in Suite 100. We’re excited to offer this option, and we know it’s one that our members will appreciate, as well. As we’ve mentioned in previous updates, our main lobby continues to be open to members and guests on weekdays during normal business hours, from

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8 am through 5 pm. We've noted a modest increase in walk-ins over recent weeks, but foot traffic is still well below pre-pandemic levels.

Finally, a quick update on retirements. Through the first four months of the year, we've now added 413 new payees to payroll for calendar year 2022. (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.) This year's running total is a 15% increase over the same period last year. Our busiest payroll month of May is still ahead of us, and it's shaping up to be a whopper. My sincere thanks again to the entire Member Services team for their hard work during this incredibly busy time of year.

Fiscal Services (Amy McInerney)

Preparation work for the proposed Annual Budget continues. Staff from all departments have been meeting to draft the budget book for presentation at May's Administrative Committee meeting. We are utilizing Workiva for this project, which has increased the collaboration between departments and will present tools for implementing the budget throughout the upcoming fiscal year. The budget will be presented at the Administrative Committee meeting on May 23, and then at the Board Meeting on June 2, 2022.

Additionally, significant work continues in preparation for the next Pension Gold deliverable. The main focus for the Fiscal team is functionality surrounding Service Purchase Contracts. Historically, the team has used outside tools to cover where Pension Gold lacks. These improvements will bring the work into Pension Gold, this not only reduces risk, but also creates a comprehensive repository for member documents, and capitalizes on the workflow functionality already in Pension Gold.

Cost-of-living adjustments were granted to retirees and their beneficiaries this month. The retirees and their beneficiaries received a 2% COLA and 6% was added to their respective banks. The total monthly COLA granting for all benefits active as of April 19, 2022 was \$1.1 million.

Interim field work for the annual financial statement audit will begin soon. The RFP requests for the board-approved internal audit projects will also be posted to SBCERA's website next month.

Information Services (Joe Michael)

Construction on the building has continued with the new parking area lighting be installed as well as preparatory work for the necessary changes to the north side of the building's façade to allow for the new drought tolerant landscaping.

The Information Services Department has just finished its preliminary network audit and is currently reviewing a draft of the findings. A finalized version and presentation will be forthcoming. In addition, IS staff are finalizing next year's technology project plan to ensure there is a balance between technology advancement and ability to execute projects in the expected timeframe given the external delays we continue to experience.

Legal & Disabilities (Barbara Hannah)

See Chief Counsel's reports.

Important Upcoming Dates & Training Opportunities

May 10-11, 2022

II Annual Redefining Fixed Income Forum

Chicago, IL

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May 10-13, 2022	SACRS Spring Conference	Rancho Mirage, CA
May 11, 2022	II Private Credit Forum	Chicago, IL
May 17, 2022	SBCERA Investment Committee	Cancelled
May 21-22, 2022	NCPERS Trustee Education Seminar (TEDS)	Washington, DC
May 21-22, 2022	NCPERS Accredited Fiduciary Program (NAFS)	Washington, DC
May 21-25, 2022	NCPERS Annual Conference	Washington, DC
May 23, 2022	SBCERA Administrative Committee	Hybrid
June 2, 2022	SBCERA Board Meeting	Hybrid
June 6-8, 2022	II Endowments & Foundations Roundtable	Boston, MA
June 7, 2022	P&I Alternative Investing Series	Chicago, IL
June 9, 2022	SBCERA Investment Committee	Hybrid
June 9, 2022	P&I Alternative Investing Series	New York, NY
June 16, 2022	SBCERA Administrative Committee	Hybrid
June 16, 2022	SBCERA Audit Committee	Hybrid
June 16, 2022	P&I Alternative Investing Series	Online
June 20, 2022	II Roundtable for Investors & Institutional Investors	Chicago, IL
June 20-22, 2022	II AII/III Consultants Roundtable	Chicago, IL
June 25-26, 2022	IFEBP Trustees Institute: Level II – Concepts in practice	Seattle, WA
June 27-29, 2022	IFEBP Advanced Trustee & Administrators Institute	Seattle, WA
June 27-29, 2022	IFEBP New Trustees Institute: Level I	Seattle, WA
July 7, 2022	SBCERA Board Meeting	Hybrid
July 14, 2022	SBCERA Investment Committee	Hybrid
July 17-20, 2022	SACRS UC Berkeley Program (Modern Investment Theory and Practice)	Berkeley, CA
July 21, 2022	SBCERA Administrative Committee	Hybrid

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.