



San Bernardino County Employees'
Retirement Association

Chief Executive Officer's Report

Date: June 25, 2020

From: Debby Cherney
Chief Executive Officer

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To: SBCERA Trustees
San Bernardino County Employees'
Retirement Association

Subject: CEO Report – July 2, 2020 Board Meeting

Administration (Debby Cherney)

This week, the GFOA virtual conference wrapped up its fourth week of online courses, featuring none other than our Chief Financial Officer Amy McInerney, who was featured in a course on Understanding Actuarial Reports along with Todd Tauzer from Segal and Doug Fiddler from the South Dakota pension plan. Amy did an excellent job speaking to a large audience from around the country. Kudos to her!

Human Resources & Risk Management (Stacey Barnier)

We are excited to be recruiting to fill vacant positions this month. We completed the recruitment for the Account Auditing Supervisor position and we are currently accepting applications for the three vacant Accountant positions which closes June 25, 2020. Once the position closes, we will review applications against the minimum qualifications and invite qualified applicants to participate in the testing process.

We are working with our two insurance brokers to get finalized insurance contract documents in preparation for binding property and casualty insurance. As part of this process, we have worked with the County's Risk Management team to transition our workers compensation program to our new insurer. Any existing claims will continue to be managed by the County and any new claims will be handled by our new insurance carrier. Additionally, we are working to procure insurance coverage for the SBCERA building as a result of ARA resigning as investment manager for our building at 348 W. Hospitality Lane.

Investments (Don Pierce)

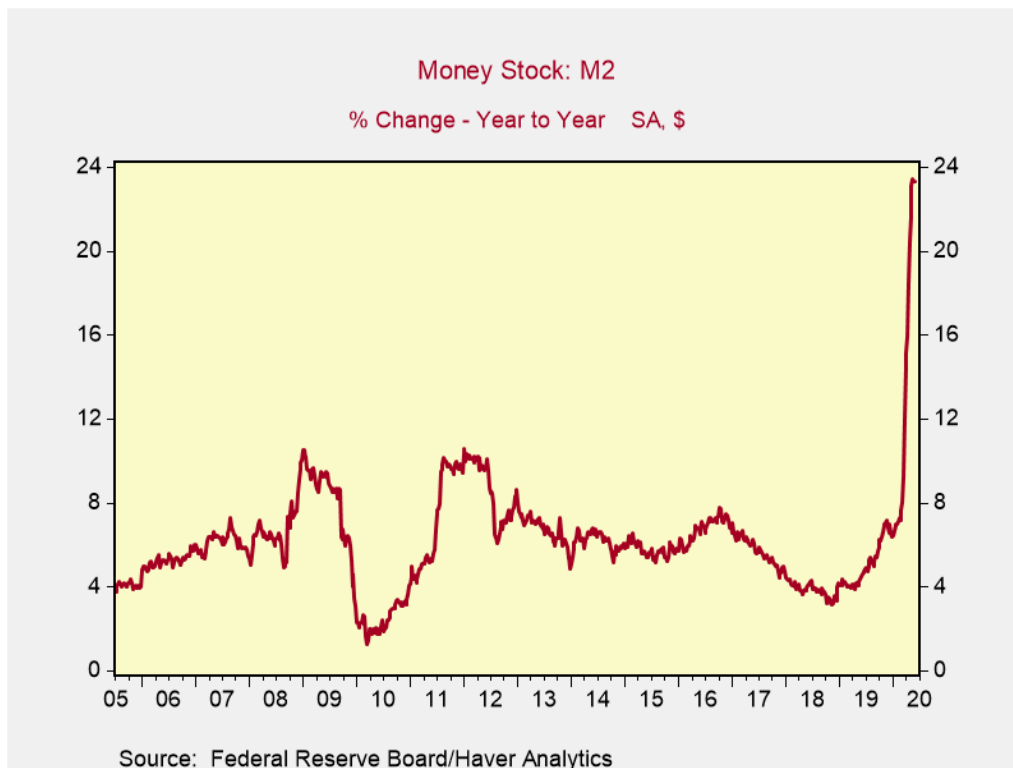
One of the basic definitions of inflation is too much money chasing too few goods. My experience has led me to believe that certain inflation is acceptable to the Federal Reserve (housing prices, bond and stock prices for example), while other types of inflation must...must...must be stopped (wages). Incidentally, there is a whole cottage industry (CNBC and other corporate financial news) that emphasizes inflation excluding 'volatile' food and energy, which the industry describes as 'Core', but might also be described as 'Corporate' inflation. I make this observation only in the context of the following chart below.

M2 refers to cash and checking deposits, savings deposits, money market securities, mutual funds, and other time deposits. It has been postulated that M2 can be viewed as future purchasing power. In this regard, (my opinion only) if the money stock goes into housing prices, or financial assets (stocks or bonds), then the Fed will be quite pleased. If on the other hand, should that future buying power go into other things (wages) then we can expect a strong effort by the Fed to raise rates. My bet...it goes into

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bonds. The demand for reasonably safe yield will continue apace and the Federal Reserve can be confident that increasing cash will lower rates...until that decouples and Core(porate) inflation rises.



Member Services and Communications (Colin Bishop)

As the month of June came to a close, we passed another important milestone in the path towards our new phone system. In late May, we released our Request for Proposal (RFP) for a new phone system and call-center solution. The RFP deadline was June 17, and we received seven strong proposals from well-established contact-center providers. Consultant Josh Streets from ICMI is coordinating our review of the proposals, and we are determining next steps, which will likely include interviews and demos with a short list of finalists. We expect to make a decision and bring a proposal to the Board at an upcoming meeting, and our goal is to have a new phone system in place by the end of the current calendar year.

Work continues at a healthy pace on the PensionGold Refresh Project, and we are now nearly done with all of our initial "process sessions" led by the team from Linea. Staff from Member Services, Fiscal, Information Services and Legal/Disability have been involved in several dozen meetings over recent weeks to capture a snapshot of the "current state" of our core pension business processes. Next steps will include envisioning a "future state" as we continue through Phase 1 of this two phase project. We are around halfway done with Phase 1, which will culminate in a set of recommendations for improvement, along with an implementation plan for any changes we expect to make. Phase 2 is expected to last 18 months and will focus on testing and implementing changes—both in PensionGold and in our everyday operations.

Additionally, we appointed a Change Management Team to the PensionGold Refresh Project. This team will play a critical role in the project, and help to ensure engagement and participation from staff as we work through "all changes big and small" related to the project. We're very happy to have the following members of staff serving on this important team: Dawn Peterson (Disability), Erin Gates (Member

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Services), Jawnalee DeVerna (Fiscal Services) Maria Dizon (Information Services), and Sylvia Hubbard (Disability).

Fiscal Services (Amy McInerney)

The GFOA virtual conference is wrapping up, staff attended several sessions and the CFO co-presented a session on actuarial reporting. Presenting and attending virtual conferences has been an interesting experience. The presentation of the material isn't much different, but the lack of networking and connecting with our peers was missed.

The work to implement the new Workiva product, WDesk, has begun and we anticipate using it to produce our 2020 CAFR, and many other projects this year. We are currently testing our new Accounts Payable integration solution, and will be implementing it very soon. These two solutions are more timely than ever, given the remote-work environment we are currently operating in.

The interim field work for the financial statement audits has been wrapped up and we look forward to completing the audit in September with Brown Armstrong. Similar to last year, Brown Armstrong will communicate with the Audit Committee during the summer to keep the Board apprised of the progress of the financial statement audit.

Sessions with Linea for the first phase of the Pension Refresh Project are nearly complete. We have had an opportunity to document and discuss current practices in the Fiscal department as they related to Pension Gold. We are eager to start implementing solutions that will result in better member experience.

Information Services (Joe Michael)

Internal construction on the first floor has completed except for punch list items. All furniture has been installed, and we have started the implementation of the new Boardroom audio and video equipment. We anticipate starting the remaining internal area construction of the building this month.

We have tentatively selected a vendor for our potential office 365 implementation, and are looking to bring a recommendation forward to the Administration Committee once we finalize the statement of work.

We also continue to monitor and adjust our internet security settings as we try to balance security and functionality. SBCERA's current implementation is heavily security focused, however as the new internet connection has settled in and we have continued to implement additional security features, we have slowly started to move towards an appropriately balanced approach.

Legal & Disabilities (Barbara Hannah)

From May 7, 2020 through June 22, 2020, Legal Services has reviewed and provided advice on 41 Member Services comment sheets; processed four (4) joinder responses; reviewed 10 Domestic Relations Orders; reviewed and provided advice on seven (7) disability retirement applications; and, responded to three (3) public records act request.

Important Upcoming Dates & Training Opportunities

July 14, 2020	SBCERA Investment Committee	<i>ZOOM/Telephonic</i>
June 16, 2020	SBCERA Administrative Committee	<i>ZOOM/Telephonic</i>
August 6, 2020	SBCERA Board Meeting	<i>ZOOM/Telephonic</i>
July 14-16, 2020	II Public Funds Roundtable and West Coast Private Equity Summit	TBD
July 28 – Aug 13, 2020	SACRS Modern Investment Theory and Practice	Online

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August 24-28, 2020	Pension Bridge Annual – Virtual Week	Online
August 25-25, 2020	CALAPRS Principles of Pension Management	TBD
September 22-23, 2020	II Redefining Fixed Income Forum	Chicago, IL
Sept 30 – Oct 2, 2020	Nossaman – Fiduciaries' Forum	Online
October 12-13, 2020	Pension Bridge – Private Equity Exclusive	Chicago, IL

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.