



San Bernardino County Employees'
Retirement Association

Chief Executive Officer's Report

Date: July 29, 2021

From: Debby Cherney
Chief Executive Officer

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To: SBCERA Trustees
San Bernardino County Employees'
Retirement Association

Subject: CEO Report – August 5, 2021 Board Meeting

Administration (Debby Cherney)

While the SBCERA offices are not fully open to the public, we have opened up Suite 100 in a limited capacity for our members, primarily for those who prefer to drop off forms and paperwork in person. Security has been and will continue to ensure that visiting members are temperature scanned and wearing masks prior to their entry to Suite 100. Plexiglass barriers remain in place at reception desks and masks are available onsite for those who need them. We have also incorporated social distancing signs in the reception seating area. More information on our expanded offerings for members is contained in the Member Services section below.

Human Resources & Risk Management (Stacey Barnier)

We are excited to announce that Miranda Neault has passed all components of the pre-employment process and will begin her role as an Accounting Technician on August 2, 2021. Miranda holds a Bachelor's degree in Business Management and brings several years of experience in private industry where she performed a variety of finance and accounting functions. Please join us in welcoming Miranda to the SBCERA team.

Interviews are scheduled for the Retirement Benefit Technician for July 29 and July 30. Interviews will be scheduled for the Information Services Technician for the week of August 2, 2021.

Lastly, we want to wish Disability Unit Office Specialist Ivette Vega well as she embarks on her journey as a full-time mother. We are sad to see her leave the team, but certainly understand her decision to stay home with her new baby.

Investments (Don Pierce)

When we began our 2021 fiscal year, it was from a low point. While we had some disappointing manager performance, we also told the Board that we expected a vigorous rebound based on three known issues: first, our private assets had some delayed marks, second, we believed that our credit portfolio, while marked down was not experiencing commensurate defaults which would accrue to our benefit, and third, SBCERA had deployed some available cash into what we felt were high returning opportunities that had attractive cash yields in March and April 2020 time period. As a result, we expected to recover strongly in our credit portfolio and we understood those follow-on investments were also performing strongly. In those first few months of the summer of 2020, the Board heard from a number of our credit managers explaining that their respective portfolios would recover strongly.

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As the 1st quarter of the 2021 fiscal year came to close in September 2020, SBCERA's investment results showed that indeed we had imbedded gains in the portfolio – showing a 5.9% Net of Fee result. This ranked in the 7th percentile of the public fund universe.

Progress on our credit positions and private assets continued into the 2nd quarter. However, the big accelerant was the announcement of the COVID-19 vaccine. Suddenly all of our value focused positions (emerging markets, US small cap stocks, MLPs, and developed market equity), started to surge as well. Clearly, this was not in our underwriting when we were communicating to the Board in the early summer. The 2nd Quarter for our fiscal year ending December 2020 was up a staggering 11.2% which was in the 31st percentile in the public fund universe.

In the 3rd quarter of our fiscal year, we got the uplift from our European credit allocations as well as continued strength in the equity markets. However, it was the March 2021 quarter that really highlighted our differentiated approach. Interest rates began to rise as inflationary concerns started to seep into the market; the bond index was down -3.4% for the quarter; a tough result but entirely foreseeable. SBCERA has a very low portfolio duration: recall that duration is measured in years and identifies the effective time it takes to be paid back (not to be confused with maturity). Our 'fixed income' portfolio consists of meaningful floating rate credit instruments, and in contrast to many of our public pension peers, we have very little long duration bond assets. SBCERA was up at the quarter ending March 2021 another 5.9%. This result ranked in the 1st percentile in the public fund universe. We continue to believe that very low interest rates remain a systematic risk to the financial system, and that long duration assets are return-free risk rather than risk-free return.

The 4th quarter ending June 30, 2021 resulted in another very strong finish at 6.9%. This result ranks in the 4th percentile in the public fund universe. Private Equity surging over 15.6% was the strongest contributor, but numerous other assets had meaningful gains as well.

With all this good news, there comes a point of realization that from today, we don't have the tailwinds we did last year. As a practical matter, we are much more defensive than we were a year ago, and are preparing for bouts of volatility and a better investment environment. Today we see assets trading at all time high prices. We note a hedge fund now turned venture capitalist raised \$6.7b in March and deployed nearly all of it in just three months. The firm plans to raise a new \$10b fund in October. As Warren Buffet has said, "Be fearful when others are greedy...."

Member Services and Communications (Colin Bishop)

After a brief slowdown in June, July saw an acceleration in retirements which puts us back ahead of last year's record pace for total new payees added to payroll. From January through July, we've now added 649 new payees to payroll. Last year, we were at 641 at this same point, on the way to a record 1,001 total for the year. Additionally, we continue to handle a high volume of member phone calls. Over the past month, Member Services is averaging around 175 calls per day, which is our combined total of inbound and outbound calls. Those numbers have held steady since we implemented our new Dialpad phone system earlier this year—and we haven't yet seen a noticeable drop off even after we've moved through the busier payroll months.

Over the month of July, staff from Member Services (along with Disability, Fiscal, Admin, Legal and Information Services) have been working with our new Contact Log feature in PensionGold. This new functionality was the biggest change contained in the recent rollout of PensionGold Deliverable Zero, which is the "back to base" facelift of the software we use to manage our member records. The Contact Log is a robust customer relationship management (CRM) system, and it allows us to keep better track

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of all our interactions with members. We can now store records of calls and emails in a way that will allow us to more easily reference these interactions in the future. This improves the quality of our member records and gives staff a more complete picture of a member's history every time we talk on the phone, correspond by email, or welcome a member in-person for counseling.

In just the first four weeks since we implemented this new tool, we've already recorded around 4,100 entries in the Contact Log, which is about 200+ points of contact per business day. Each one of these represents a touch-point with a member—whether it be an email, phone call, or walk-in. In addition to providing staff with easy access to any given member's full history, it's also a tool we can use to more easily meet the requirements established in the Board's Records Retention Policy, approved in October of last year.

Finally, while we're not yet seeing members for in-person counseling sessions, we've begun a pilot program to offer members the option of "face-to-face" virtual counseling session via Zoom. We'll be testing the technology out in early August, and we anticipate making this a regular offering going forward. This way, even after the pandemic is fully behind us, we can offer members the option to visit with our retirement specialists either in-person or via video conference.

Fiscal Services (Amy McInerney)

Two employers have officially terminated their relationship as with SBCERA as participating employers. In each instance, SBCERA will continue to pay periodic benefits to their respective retirees and deferred status will be maintained with any remaining active employees each has. Both entities (CERTNA and Inland Library System) continue to exist and have agreed to pay their termination liabilities within the Board-approved policy.

The team in Fiscal continues to work diligently and fervently toward the year-end work and completing the Annual Report accurately and timely. A new Governmental Accounting Standards Board (GASB) pronouncement has shortened the timeline for completing the Audited Financial Basic Statements (an element of the Annual Report), and staff fully expect to meet this new timeline.

Return to work has proven successful in re-igniting the teamwork in the Fiscal department. It is so nice to come in regularly to the refreshed workstations, spaces, and friendly faces. The branding that has been placed throughout the building is a nice reminder of our Strategic Pillars and why we do what we do at SBCERA.

Information Services (Joe Michael)

The Information Services Department recently implemented a new ITSM helpdesk software. The new helpdesk software is a hosted solution that provides staff the ability to submit requests from any location, and to view real time statuses on pending tickets. The new system includes a knowledge base we are adding to daily, which will empower staff to quickly find solutions to common questions and issues. This will provide them the means to return to work without the assistance of IS Staff and allow IS staff to work on critical issues that are impacting staff, the organization, and/or its membership. The new system is metrics driven with a transparency focus, allowing key personnel within the departments and organization to see ticket creation to help identify system issues and training opportunities. The implementation of the helpdesk is the first phase in our ITSM solution which will also include asset management and project tracking.

Legal & Disabilities (Barbara Hannah)

On July 23, 2021, Governor Newsom signed Assembly Bill 845 regarding a COVID-19 presumption applicable to a governing board of a public retirement system. The new law becomes effective on

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January 1, 2022 and remains in effect until January 1, 2023. Under the presumption, a person in a specified job class or a person working in an office during a COVID 19 outbreak contracts COVID-19 and disability or death results, the disability or death is presumed to be service connected. In anticipation of the law to take effect on January 1, 2022, staff drafted a supplemental form for a member or surviving spouse to complete as part of the disability retirement application in the event the person's COVID-19 illness results in death or disability. Staff intends to present to the Administrative Committee details of COVID-19 presumption law and the changes that will occur as part of the disability retirement and active death process.

Important Upcoming Dates & Training Opportunities

Aug 4-11, 2021	NASRA Annual Conference	Online
Aug 5, 2021	SBCERA Board Meeting	Hybrid
Aug 10, 2021	SBCERA Investment Committee	Hybrid
Aug 19, 2021	SBCERA Administrative Committee	Hybrid
Aug 22-24, 2021	NCPERS Public Pension Funding Forum	New York, NY
Sep 2, 2021	SBCERA Board Meeting	Hybrid
Sep 16, 2021	SBCERA Administrative Committee	Hybrid
Sep 21-22, 2021	II Defined Contribution Institute	Half Moon Bay, CA
Sep 22, 2021	II Allocator's Choice Award	New York, NY
Sep 24, 2021	SBCERA Investment Forum	Hybrid
Sep 28-30, 2021	CALAPRS Principles of Pension Gov.	Online
Sep 28-30, 2021	P&I Emerging Markets Virtual Series	Online
Sep 29, 2021	II Delivering Alpha	Online
Sep 29-30, 2021	7 th Annual Redefining Fixed Income Forum	Chicago, IL
Oct 5-7, 2021	II Roundtable for Consultants & Institutional Investors	Chicago, IL
Oct 7, 2021	SBCERA Board Meeting	Hybrid
Oct 12, 2021	SBCERA Investment Committee	Hybrid
Oct 12-14, 2021	P&I World Pension Summit	The Hague, Netherlands
Oct 12-14, 2021	P&I Managing Pension Risk & Liability	Online
Oct 21, 2021	SBCERA Administrative Committee	Hybrid
Oct 24-27, 2021	P&I West Coast Defined Contribution Conference	San Diego, CA
Oct 26-28, 2021	Public Funds Forum – Value Edge	San Diego, CA
Nov 1-2, 2021	Pension Bridge Alternatives	Los Angeles, CA
Nov 3, 2021	II Sustainable Returns: ESG Investing	New York, NY
Nov 4, 2021	SBCERA Board Meeting	Hybrid
Nov 7-10, 2021	CRCEA Fall Conference	Long Beach, CA
Nov 9-12, 2021	SACRS Fall Conference	Hollywood, CA
Nov 16, 2021	SBCERA Investment Committee	Hybrid
Nov 16, 2021	P&I Fixed Income and Credit	New York, NY
Nov 17-18, 2021	II Systematic Investment Strategy Symposium	New York, NY
Nov 18, 2021	SBCERA Administrative Committee	Hybrid
Nov 18, 2021	SBCERA Audit Committee	Hybrid
Dec 2, 2021	SBCERA Board Meeting	Hybrid
Dec 14, 2021	SBCERA Investment Committee	Hybrid
Dec 16, 2021	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.