

**SONOMA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
INVESTMENT COMMITTEE MEETING MINUTES**

Thursday, March 27, 2025

8:47 a.m.

Presiding: Greg Jahn, Chair

Present: Trustees Travis Balzarini (left at 12:30 p.m.), Chris Coursey (left at 11:24 a.m.), Amos Eaton, Jared Gonce, Erick Roeser (left at 11:41 a.m.), Joe Tambe, Mark Walsh, and Bob Williamson; Chief Executive Officer Julie Wyne, Assistant CEO/Chief Legal Counsel Cristina Hess, Chief Investment Officer Jim Failor, Investment Officer Mickey Nguyen, and Administrative Aide Julia Smith; Jason Curran, Tom Klugherz, and Akash Patel (of JP Morgan); Chris Behrns and Tim Pflugardt (of Aon)

Present via

Zoom: Richard Clark (of Institutional Shareholder Services)

Absent: Trustee Neil Baker

Public comments were solicited prior to the meeting by emailing [Rebecca.Gay@sonoma-county.org](mailto:Rebecca.Gay@sonoma-county.org). Members of the public that joined the Zoom meeting were provided opportunity to submit live public comment for each agenda item after the Committee and staff provided their comments.

Chair Jahn confirmed with Administrative Aide Julia Smith, that SCERA had not received any public comment prior to the meeting.

I. MINUTES APPROVAL

February 27, 2025, Investment Committee Meeting Minutes

**Recommendation:** Approve the February 27, 2025, Investment Committee Minutes.

A motion was made by Trustee Williamson, seconded by Trustee Roeser, to approve the February 27, 2025, Investment Committee Minutes. The motion carried 9-0-0-0 with voting as follows:

Mr. Balzarini	Aye
Mr. Coursey	Aye
Mr. Eaton	Aye
Mr. Gonce	Aye
Mr. Jahn	Aye
Mr. Roeser	Aye
Mr. Tambe	Aye
Mr. Walsh	Aye

Mr. Williamson Aye

## II. PRESENTATIONS

JP Morgan – Portfolio Manager Jason Curran, Investment Specialist Tom Klugherz, and Client Advisor Akash Patel provided an organizational update and commented on the performance and positioning of the Strategic Property Fund (SPF) in which SCERA invests. Acknowledging the continued balance between liquidity needs and portfolio management, topics discussed included the 30% discounted fee credit program, the 60%+ reduction in the redemption queue, and a sizeable contribution queue that is the highest of SPF's ODCE (Open end Diversified Core Equity) peers. JP Morgan believes real estate is in a recovery stage and sees a generational reentry point with expected low double-digit returns in the intermediate term, essentially "value-add" returns from "core"-like risk. Sector performance has converged, so with less dispersion between sector returns, the environment favors asset selection. The fund started to outperform three quarters ago, demonstrating early traction in the cycle. Additionally, the fund took write-downs early during the repricing period and doesn't expect the tariff impact to be as negative on SPF's Industrial assets. Acquisitions are focused on select scalable alternative sectors which SPF is targeting to eventually double from a 10% weight. The ODCE benchmark is moving in a similar direction.

Aon reviewed the rationale for SPF's downgrade to Qualified. The concerns about the current portfolio composition in Office versus Industrial, higher leverage, and the large fund size encumbering performance are being addressed, though they still believe SPF is in a transitional period. The existence of a contribution queue does position the fund favorably to take advantage of core opportunities. The Board expressed no particular concerns with this manager.

## III. INVESTMENT STAFF AND CONSULTANT

### A. Proxy Voting Policies

1. SCERA's Policy Options – CIO Failor reviewed proxy voting policy options. SCERA's Investment Policy Statement delegates voting proxies to investment managers and requires annual reporting of how those votes were cast. Other options include using custom proxy policies developed by third party providers which would have an associated cost. Limited options for commingled funds versus separately managed accounts is also a factor.
2. Development of Proxy Policies - Vice President Richard Clark of Institutional Shareholder Services (ISS), participating via Zoom, reviewed how ISS constructs their various proxy voting policies and notable differences. The benchmark policy is derived from an active exchange of information from asset owners and managers at the conclusion of proxy voting season and establishes high-level voting

guidelines. Working with clients' feedback, a need to address more unique idiosyncratic views led to the development of thematic policies (Socially Responsible Investing, Sustainability, Climate, Global Board-Aligned, Public Funds, Faith Based, and Taft-Hartley).

Trustees inquired about the real impacts on companies resulting from shareholders voting based on customized or thematic proxy policies, what costs are involved, what resources would be required to monitor and manage the process, and which theme may be most appropriate. Given the wide range of questions, the formation of an ad hoc subcommittee to further explore options and study the ability to implement a non-traditional benchmark proxy voting policy was approved. The members of the subcommittee are Trustees Eaton, Walsh, Balzarini, and Jahn.

- B. Fixed Income Portfolio Structure Review (Part 2 of 2) – Chris Behrns and Tim Pflugradt of Aon Investments USA presented on SCERA's current Fixed Income portfolio structure and Aon's new research initiative called Enhanced Core (eCore). eCore strategies address the opportunity set in investment-grade private credit (private credit, asset-based finance, and real estate debt) and multi-sector securitized (which SCERA already has exposure to through DoubleLine). Implementation is limited due to sizing, so two suggested portfolio alternatives were detailed: eliminating one Core Plus manager and replacing that manager with either two eCore managers at 2% each or one diversified private credit manager at 3.5%. Although no recommendation was made, Aon asked for Board feedback and approval to move forward gathering information on potential Buy-rated managers that fit into the eCore portfolio construct. Trustees were concerned about increasing credit risk exposure when spreads are historically very tight and expanding the manager count but also weighed the potential benefit of improving upon the current structure. Trustees were supportive of staff and consultant beginning the process of evaluating and identifying compelling eCore managers.

In Alternative Fixed Income, although Aon recently downgraded the Guggenheim bank loan strategy to Qualified, Aon does not recommend any changes to SCERA's investment at this time given Rule-of-Law restrictions that would significantly limit the implementation of the alternative Multi-Asset Credit (MAC) strategy.

- C. Active versus Passive Review – presentation was rescheduled to next month's IC meeting.
- D. Physical Rebalancing Policy Weights – Investment Officer Nguyen reported that the Non-US Equity allocation exceeded the physical rebalance trigger recently. Staff requested Board support to adjust the informal policy weights for Arrowstreet from 9% to 12% and the SSGA MSCI ACWI ex-US IMI strategy from 12.5% to 9.5% to use as target guidance in rebalancing going forward. It was also noted by staff that as of April 1, 2025,

Arrowstreet expanded the leverage guidelines in the fund from 20% to 40%. Therefore a 12% informal policy weight would be equivalent to over a 15%-dollar equivalent exposure with the expected 30% leverage via futures. Given the high confidence in Arrowstreet and the fact that they are closed to new investments, Trustees agreed on the informal policy weight changes.

- E. CALAPRS 2025 General Assembly – CIO Failor and Investment Officer Nguyen gave verbal reports on their attendance, highlighting presentations such as Goldman Sachs market outlook and CAIA's Total Portfolio Approach.
- F. CC&L Q Global Equity Mandate – CIO Failor summarized the estimated transaction costs for funding the new CC&L mandate. The \$155 million redemption from SSGA MSCI ACWI IMI fund is estimated to cost a maximum of 6 basis points, Parametric's overlay covering 2 days of market exposure is estimated to cost 1-3 basis points, and CC&L's anti-dilution levy is a fixed 3 basis points. Total transaction costs should, therefore, be no more than 12 basis points.

#### IV. COMMUNICATIONS

- A. SCERA Investment Performance Report for February 2025.
- B. Compilation of SCERA Manager Responses to Dynamic Policy Environment Question, March 2025 – CIO Failor commented that manager responses were quite varied and that SCERA delegates the responsibility to managers to monitor these important developments. Trustees expressed gratitude for the thorough insights and requested a resources folder to file valuable material for future reference and ease of access.
- C. Independent, "China is on the brink of human-level artificial intelligence – and it's about to cause chaos", March 16, 2025.
- D. MIT Technology Review, "Everyone in AI is talking about Manus . . .", March 11, 2025.

#### V. GENERAL DISCUSSION MATTERS

Opportunity was given to advise the Investment Committee of new matters and for Committee members to ask questions for clarification, provide information to staff, request staff to report back on a matter, or direct staff to place a matter on a subsequent agenda.

There were no general discussion matters.

#### VI. PUBLIC COMMENT

Opportunity was given for public comment on non-agenda items within the jurisdiction of the Investment Committee.

There were no public comments.

VII. NEXT MEETING

The next Investment Committee meeting is scheduled for Thursday, April 24, 2025, at 8:30 a.m. Planned topics for this meeting include a presentation by Guggenheim. All meetings are held at SCERA in the Board Room at 433 Aviation Boulevard, Suite 100, Santa Rosa, CA, and broadcast via Zoom unless otherwise noted.

VIII. ADJOURNMENT

With no further business to conduct, the meeting adjourned at 12:40 p.m.

IX. APPROVAL

The above minutes of the Investment Committee meeting on March 27, 2025, were approved at the Investment Committee meeting on April 24, 2025.

GREG JAHN, CHAIR