

SBCERS

Santa Barbara County Employees' Retirement System

DATE: September 25, 2024

TO: SBCERS Board of Retirement

FROM: SBCERS Investment Staff

RE: **Board Education – U.S. Economic Update**

Recommendation

That the Board of Retirement receive and file educational presentation on macroeconomic factors and short-term liquidity solutions by Chief Economist & Macro Strategist Vicent Reinhart and Business Development Specialist Alexander Bird of Mellon Investments.

Summary

This presentation will first focus on Economic and Market Observations. Financial markets provide data that give economists insight into investors' views on economic outlook and risk. Since October 2022, economic data has indicated that investors believe economic expansion is at risk and that they expect the Federal Reserve to react quickly and forcefully to changes in the economy. This is counter to the typical protocol seen by the Fed in the modern era (post-February 1994). Despite investors' fears of economic risk, the Federal Reserve may not share the same sentiment. The Fed may consider additional factors that could prove more positive for the economy, including sustainable employment growth and healthy household and corporate cash flows.

Dreyfus, a subsidiary of Mellon Investments, will focus the second part of the presentation on liquidity. SBCERS Investment staff previously indicated that liquidity will be a focus of study for the Board of Retirement in the intermediate term. SBCERS is maturing as a plan and the cash profile has changed over the coming years from cashflow-neutral to cashflow-negative and will continue to become increasingly negative. This portion of the presentation provides a foundational understanding of Liquid Asset Classes and Investment Types:

Liquid Asset Classes:

U.S. Government	Treasury	Prime
Overnight	Municipal	Ultra Short/Short Duration

Investment Types:

Domestic Money Market	Separately Managed Accts	Collective Investment Trusts
Offshore Money Market	Sub-Advised Money Market	Active Exchange Traded Fund

This foundation will aid in future discussions on liquidity and is important context as the Board of Retirement when the Board receives a planned asset class structure study on fixed income in early 2025.

Attachments

- Mellon Presentation