

SBCERS

Santa Barbara County Employees' Retirement System

DATE: February 28, 2024
TO: SBCERS Board of Retirement
FROM: Greg Levin, CEO
RE: **Operations Report**

Recommended Action:

That the Board of Retirement receive and file the Operations Report.

Informational Items

21 new retirees and 2 continuances were placed on payroll during January 2024 for the February 1, 2024 payroll.

Staffing:

Agnes Asztalos joined SBCERS as an extra help part time employee in the Disability division.

Administration:

The administrative team has been busy planning new trustee orientation and welcomes our two new Trustees, Robert Bianchi and Dustin Dodgin. Orientation will be held on February 27th and March 19th and include a review of the System's operations, investments and cover various legal and administrative topics relevant to Trustees. The team has also been participating in several strategic projects including the custodial RFP, preparation of the Real Return Structure Review, completion of a long-term liquidity study and a first-of-its-kind training program for Departmental Payroll Administrators at the County and Participating Employers.

Filing notices have been distributed by Santa Barbara County to mandatory filers for the Annual Form 700. All annual (not including Assuming Office) Form 700's are due by April 3.

The administration team partnered with the accounting team on production of the Popular Annual Financial Report which was mailed to members this month.

The Board Chair or his delegee is set to appoint the Operations Committee at this meeting. In accordance with the Board's policy for scheduled review of policies and based on prior Board of Retirement direction, the following Board Policies are recommended for consideration by the Operations Committee in 2024, in addition to the CEO evaluation:

<i>Policy</i>	<i>Meeting</i>
1. Conflict of Interest Code	April 10, 2024
2. Trustee Education	April 10, 2024
3. Trustee Travel	April 10, 2024
4. Compensation Earnable/Pensionable Compensation	April 10, 2024
5. Consultant Oversight	June 12, 2024
6. Service Provider Selection	June 12, 2024
7. Evaluation of Performance – CEO	June 12, 2024

Robin Hill Road:

Work continued on the development of basic tenant improvement plans; these plans are expected to be filed by the end of February. The building fared well in during the rain storms with minimal impact due to flooding from the street and airport complex. Work continues on planning for the electrical car charging stations.

Investments:

The Investment Team began working on the transition of the Small Cap portfolio from Rice Hall James (SA) and DFA Small Cap Value (CF) into DFA Small Cap Core (DFTSX). In conjunction with RVK, Investment Staff made the decision to engage a Transition Manager to assist with the liquidation of the Rice Hall James (SA). Abel Noser was assigned to be the Transition Manager after a competitive bid that included BlackRock, State Street and Russell. Abel Noser will work with staff to unwind the Rice Hall James positions through February. Independent of the Rice Hall James transition, SBCERS Investment Team is working with DFA to process the full redemption of DFA Small Cap Value (CF). Based on the current timeline, the transition should conclude by March 1st, 2024.

February 2nd, 2024 was the due date for responses from Custodial vendors for the Request for Proposal (RFP) put forward by SBCERS. The RFP received responses from Bank of New York Mellon (incumbent), State Street and Northern Trust. The Investment Team is reviewing the responses in collaboration with the Accounting Team. Upon review of the responses, SBCERS and RVK will create a Finalist List for presentation to the Board of Retirement. Investment and Accounting Teams plan for on-site visits to Finalist the week of April 15th-19th and will be accompanied by the Ad Hoc Committee.

Member Services:

Member Services processed 21 retirements and 2 continuances for the February 1, 2024 benefit payment. The team presented in-services to both active Firefighters and the SB County Association of Governments. The team has seen an even greater spike in retirement counseling sessions in anticipation of the 2024 Retiree Cost of Living Adjustment.

Current Member Services projects include:

- With our Communications team, planning our first Departmental Payroll Administrators educational series to partner more closely with our Plan Sponsors in supporting our membership in understanding their pension benefits, and keeping

their accounts up to date. Early response to our invitation has been enthusiastic, and the team is looking forward to a successful first event of many in this series.

- Death reporting services: the team is utilizing PBI to investigate the deaths of retiree nominated beneficiaries, to audit against our former death reporting service and to launch communications to retirees for whom spousal death records occur to ensure continuance and death benefit nominations are updated.
- Extra Help Limited Duration notices: the team, in conjunction with our Legal team is responding to retirees who have been identified as having worked EXH beyond a limited duration, and working to streamline reporting and retiree communication processes.
- Workday ERP: the SBCERS Member Services Director has been participating in County design sessions as a Subject Matter Expert in both timekeeping and payroll.

Accounting:

Accounting successfully issued 5,460 1099R's for tax year 2023 by the IRS imposed deadline of January 31, 2024. Gross distributions from those 1099R's totaled \$240.8 million of which \$226.0 million was taxable. Accounting also created 6,502 Member Statements of which 5,779 were mailed and the remaining 723 were elected to be received electronically via the MySBCERS portal. Along with their Member Statements, SBCERS' members also received a Popular Annual Financial Report (PAFR) which contains a condensed version of SBCERS' financial information as of June 30, 2023, including the System's funded ratio, as well as statistical information. Lastly, the April 1, 2024 Cost of Living Adjustment (COLA) is projected to be 3.5% and is determined by the annual increase in the Consumer Price Index (CPI) for Los Angeles-Long Beach-Anaheim. Retiree COLA crediting is subject to a 3.0% or 2.0% limit, depending on retirement plan. The difference between the projected COLA and the COLA crediting limit will be added to retirees' COLA bank (0.5% for those with a 3.0% limit and 1.5% for those with a 2.0% limit).

Information Technology:

The Information Technology division stands firm in its commitment to strengthen both the staff and the organization by promptly attending to daily inquiries. Over the preceding month, notable progress has been achieved in executing the recommendations delineated by Miller Kaplan.

In addition to fortifying security measures, IT has engaged in collaborative efforts with various divisions to establish bespoke SharePoint sites tailored for hosting comprehensive process and procedural documentation. The Investments site has been successfully deployed, and the Accounting division's site is underway.

IT has substantially concluded the Cross Tenant Sync with the County of Santa Barbara, which will allow SBCERS to be a trusted network and act as if we are a County department within the County network. Additionally, a transition to new Microsoft licensing vendors has been completed, resulting in savings and increased customer satisfaction within the system. IT is actively collaborating with Palo Alto Networks to capture network traffic, facilitating an assessment of our firewall capacities and complexities.

Legal:

Post Retirement Employment Policy Update. As previously reported to the Board, last April SBCERS implemented a Working after Retirement policy to comply with the statutory limitations of post-retirement employment applicable to retirees, specifically the restriction that any post-retirement employment be of limited duration. Initial implementation efforts included presentations to County Department Directors, notice to retirees, and development of new certification forms for all new retiree hires. SBCERS initially identified 91 SBCERS retirees that had been working in a post-retirement capacity for more than 24 months and notified them and their departments that they were required to discontinue their service or request and receive an extension. Of those 91 members:

- 28 separated from employment (24 by the 6/30/23 deadline).
- 18 granted extensions to no later than 6/30/24
- 3 granted extensions to 9/30/24
- 3 extensions to 12/31/24
- 39 extensions to 6/30/25 (all from Sheriff Department)

Since the initial notices, SBCERS continues to monitor and notice retirees approaching the 24-month limit. Since July 1, 2023, 40 additional retirees have reached or will reach the 24-month limit within the next six months. Of those 40 retirees:

- 10 separated or will be separating prior to reaching the 24-month limit
- 16 requested were granted a 1-year extension
- 14 are pending

In September, the Plan Sponsor Summitt included a presentation on this policy to all Participating Employer Directors. Since SBCERS does not have the same access to participating employer payroll records as it does to County records, participating employers have been asked to report a list of their extra help employees and contractors on an annual basis, beginning in March 2024. Based on the information received to date, it does not appear that the use of SBCERS retirees in post-retirement employment is as prevalent within the participating employers.

Looking forward to the March 20, 2024 Regular Meeting:

At the March 20, 2024 Board meeting the Board of Retirement will consider a real return structure study and capital market expectations presentation from RVK. The Board will also receive an update on the Custodial Services RFP and educational presentations about the monthly investments watch list and derivatives.

Quiet Period Notice:

Quiet Period Type	Affected Parties
Watch List	Artisan

Action Items

No Action Items

Attachments:

- Member Services Statistics for January 2024

- Robin Hill Road Financials