

# SBCERS

Santa Barbara County Employees' Retirement System

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**DATE:** January 24, 2024  
**TO:** SBCERS Board of Retirement  
**FROM:** Greg Levin, CEO  
**RE:** **Operations Report**

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## **Recommended Action:**

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

## **Informational Items**

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8 new retirees and 2 continuances were placed on payroll during December 2023 for the January 1, 2024 payroll.

## **Staffing:**

There were no staffing changes this month.

## **Administration:**

The application filing period for the Appointed 4<sup>th</sup> and 9<sup>th</sup> Members of the Board of Retirement concluded on December 22, 2023. The Board of Supervisors expect to finalize appointments in early February.

Planning is underway for Plan Sponsor DPA trainings in early 2024. SBCERS will invite HR professionals from all Plan Sponsor departments for retirement benefits education.

The team is also preparing for upcoming COLA increases. It is estimated that Los Angeles Area Inflation has averaged 3.49% over calendar year 2023. County Employees Retirement Law provides that inflation should be rounded to the nearest half percent, but limits COLA increases to 3.0% annually. When the COLA is more than the plan permits, the excess amount is accumulated, or banked, for most retirees.\* The excess amount of COLA can be applied in future years when the approved COLA level is below 3.0%. As a result, a 3.0% COLA with 0.5% bank is anticipated to be presented to the Board of Retirement at the February 28, 2024 meeting. The approved COLA will take effect on May 1, 2024.

*\*All Safety Plan members, General Plan 5 members, and APCD Plan 1 & 2 members receive a 3% COLA with any remaining amount banked. General Plan 7 & 8 members and APCD Plan 8 members receive a 2% COLA with the remainder banked. General Plan 2 members do not receive a COLA.*

**Robin Hill Road:**

Plans and permit applications for the buildout of the remaining vacant areas of the building are being developed. Research is continuing on the installation of electric vehicle charging stations in the parking lot. No leasing activity has occurred.

**Investments:**

The Investment Team, in a cross-team collaboration with the Accounting Team, continued to work with RVK on the Custodial Request for Proposal (RFP), which was launched publicly on January 8<sup>th</sup>, 2024. The RFP includes an extensive technical questionnaire for potential respondents covering important categories such as: Organizational Structure, Professional Staff, Accounts and Assets, Technology, Custody & Accounting Services, Cash Management, Foreign Exchange, Performance & Analytics, Compliance Services, Securities Lending Services, Alternative Investment Services, Benefit Payment Services, and Transition & Conversion Planning. The next major milestone for the RFP is February 2<sup>nd</sup> when the Responses are due from firms seeking to provide SBCERS with Custodial Services.

The Investment Team worked with SBCERS legal Counsel, Russell Terry of Reicker, Pfau, Pyle and McRoy, LLC, to finalize negotiations with KKR US Direct Lending Evergreen Fund. The Board of Retirement approved at \$25 million commitment at the October 25<sup>th</sup>, 2023 Board Meeting. KKR US Direct Lending Evergreen Fund finalized the first close as of December 20<sup>th</sup>, 2023. It was important for SBCERS to make the first close of KKR US Direct Lending Evergreen Fund, as it secured SBCERS as a founding investor and SBCERS would not be subject to Carried Interest.

Due to Board interest in Private Asset Valuations at the December Board Meeting, the Investment Team has been coordinating with Hamilton Lane, who is the discretionary consultant to 3 of the 4 Private Asset portfolios for SBCERS, to bring a Private Asset Valuation education, focusing primarily on Private Equity for the February 28<sup>th</sup>, 2024 Board Meeting.

**Member Services:**

Member Services processed 8 retirements and 2 continuances for the January 2, 2024 benefit payment. The team has continued to focus on member outreach and education as detailed in last month's Operations Report, including additional department specific New Employee Welcomes and participation in the "Retire Better" event hosted by Local 2046 Firefighters.

The team is managing a marked increase in retirement counseling requests 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.
- 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:**

With completion of the financial audit and the Annual Comprehensive Financial Report (ACFR), Accounting has moved into a calendar year end phase. At calendar year end, Accounting prepares to issue 1099Rs to SBCERS' membership who received disbursements through the calendar year. As part of this, a decedent audit and disability retirement review are performed prior to processing. There's also a coordinated effort with a vendor to have the 1099Rs sealed, counted and mailed out by the January 31<sup>st</sup> deadline. Accounting has also posted interest to member accounts with the status of not deceased, retired, or terminated as of 12/31/2023 with an account balance as of 6/30/2023. The interest rate was 3.84% based on the 5-year Treasury yield as of the end of December 2023. Lastly, Accounting has prepared, reviewed, and reported on the mid-year budget to the Board of Retirement. Overall, budgeted revenues and expenditures are on track at 50% with 50% of the fiscal year having passed.

### **Information Technology:**

The Information Technology division remains steadfast in supporting both the staff and the organization by addressing daily requests. Over the past month, significant strides have been made in implementing the recommendations outlined by Miller Kaplan. A noteworthy achievement includes the recent deployment of the CIS security baseline settings to enhance the security posture of Windows 11, SQL server, and other devices. This deployment involved meticulous testing across various divisions to minimize any potential impact on the organization's operations.

In addition to security enhancements, IT has collaborated with individual divisions to establish dedicated SharePoint sites tailored to host comprehensive process and procedure documentation. This initiative serves as a user-friendly tool, providing a simple and easily accessible window into each division's documents.

The IT team is actively engaged in partnering with the COSB ITD for the Cross Tenant sync configuration. A crucial milestone is set for an in-person meeting between ITD and SBCERS on January 23rd, where discussions will encompass this configuration and various other areas of common interest and shared experiences.

Among other accomplishments, IT has successfully created a secure environment for divisions to host external file sharing needs. Moreover, collaboration with the Member Services division is ongoing, particularly in the administration of the PBI death audit process.

### **Looking forward to the February 28, 2024 Regular Meeting:**

At the February 28, 2024 meeting, the Chair will appoint members to the Operations Committee and Real Property Management Committee. The Board will hear quarterly reports from investment consultants and strategic plans for the private equity, private real return, and private real estate asset classes. RVK will provide an update on investments

related to China. The Board will also consider the Cost-of-Living Adjustment to be made effective on May 1, 2024 benefit payments.

**Quiet Period Notice:**

<b>Quiet Period Type</b>	<b>Affected Parties</b>
<b>Watch List</b>	No Firms on Watch

**Action Items**

No Action Items

**Attachments:**

- Member Services Statistics for December 2023
- Robin Hill Road Financials