



# COUNTY OF TULARE BOARD OF RETIREMENT

**Leanne Malison**  
Retirement Administrator

136 N AKERS STREET  
VISALIA, CALIFORNIA 93291

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## **AGENDA OF THE BOARD OF RETIREMENT REGULAR RETIREMENT BOARD MEETING Wednesday, July 27, 2022, at 8:30 a.m. TCERA Board Room, 136 N. Akers Street, Visalia, CA 93291**

### **NOTICE TO THE PUBLIC**

Documents related to the items on this agenda are available for public inspection at the Retirement Office, 136 N Akers Street, Visalia, CA, during normal business hours. Such documents are also available on TCERA's website, [www.tcera.org](http://www.tcera.org), subject to staff's ability to post the documents before the meeting.

Persons wishing to listen to the meeting in progress may access a live stream link located on TCERA's website [www.tcera.org](http://www.tcera.org).

### **PUBLIC COMMENTS:**

Any person addressing the Board will be limited to a maximum of five (5) minutes. A total of 15 minutes will be allotted for the Public Comment period unless otherwise extended by the Board Chair. If you are part of a large group that would like to comment on an agenda item, please consider commenting in writing or sending one spokesperson to speak on behalf of the group. Public comments are limited to any item of interest to the public that is within the subject matter jurisdiction of the Board of Retirement. (Gov't Code Section 54954.3(a).)

**In Person:** Persons who wish to address the Board of Retirement during public comment or regarding an item that is on the agenda may address the Board of Retirement in person at the meeting.

**Zoom:** Persons wishing to participate in public comment remotely may call the TCERA Office during regular business hours (Monday through Friday, 8:00 a.m. to 5:00 p.m.) within 48 hours of the meeting at 559-713-2900 for access information. In an effort to assist the Board Secretary in identifying the agenda item relating to your public comment, please indicate the agenda item number in the chat feature.

**Email:** Members of the public may also submit public comment via U.S. mail or via email to [BORPublicComment@tularecounty.ca.gov](mailto:BORPublicComment@tularecounty.ca.gov) before the meeting. The comments received via U.S. mail or email before the meeting will be read to the Board of Retirement in open session during the meeting as long as the comments meet the requirements for Public Comments as posted in the agenda.

***As a courtesy to those in attendance, all individuals are requested to place cell phones and other electronic devices in the non-audible alert mode.***

## **I. CALL TO ORDER**

## **II. ROLL CALL**

## **III. PLEDGE OF ALLEGIANCE**

## **IV. PUBLIC COMMENT**

At this time, members of the public may comment on any item not appearing on the agenda. Under state law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public is invited to make comments at the time the item comes up for Board consideration. Any person addressing the Board will be limited to a maximum of five (5) minutes. Please state your name for the record.

## **V. X-AGENDA ITEMS**

### **VI. DISABILITIES**

1. Closed session to be held regarding disability matters listed on this agenda.
2. In the matter of the disability application of Mark Anderson, consider and take action regarding the application for a disability retirement.
3. In the matter of the disability application of Doris Flores, consider and take action regarding the application for a disability retirement.
4. Accept as filed the Disability Status Report Overview.

### **VII. NEW BUSINESS**

1. Closed session - Discussion and possible action regarding TCERA Security Testing. THREAT TO PUBLIC SERVICES OR FACILITIES: (Government Code Section 54957) Consultation with: Leanne Malison

### **VIII. CONSENT CALENDAR**

1. Approve Minutes of the following meetings:
  - a. Retirement Board Minutes of July 13, 2022.
2. Approve payments to:
  - a. Cheiron – invoice for actuarial services in the amount of \$ 2,000.00, for the quarter ended June 30, 2022.
  - b. County Counsel – invoice for legal services to the Board of Retirement in the amount of \$ 7,255.80, for the period ending June 30, 2022.

### **IX. INVESTMENT COMMITTEE REPORT**

1. Update by Pete Vander Poel regarding the Investment Committee meeting of July 13, 2022. Discussion and possible action regarding the following items:
  - a. Asset Allocation Status
  - b. 2022 Investment Committee Goals and Objectives Timeline and 2022 Education Calendar
  - c. Investment Managers
    - 1) Verus Flash Report – All Managers
    - 2) Managers of Interest
      - a) DWS/RREEF – June 1, 2022 Press Release

## **X. INVESTMENTS**

1. Discussion and possible action regarding Verus presentation on ESG education.
2. Discussion and possible action regarding TCERA's strategic investment allocation and investment managers, including performance, contracts, and fees.

## **XI. EDUCATION ITEMS**

1. Discussion and possible action regarding Summary Education Reports as filed:
  - a. Leanne Malison, BlackRock, Mid-Year Outlook, July 12, 22, 1 hour
2. Discussion and possible action regarding available educational events.

## **XII. COMMUNICATIONS**

1. Discussion and possible action regarding the following:
  - a. SACRS Legislative Update – July 8, 2022

## **XIII. UPCOMING MEETINGS**

1. Board of Retirement Meeting August 10, 2022, 8:30 a.m.
2. Administrative Committee Meeting August 10, 2022, 10:00 a.m.
3. Board of Retirement Meeting August 24, 2022, 8:30 a.m.
4. Investment Committee Meeting August 24, 2022, 10:00 a.m.

## **XIV. TRUSTEE/STAFF COMMENTS**

Under state law, matters presented under this item cannot be discussed or acted upon by the Board at this time.

## **XV. ADJOURNMENT**

*In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Secretary of the Board of Retirement at (559) 713-2900. Notification 48 hours prior to the meeting will help enable staff to make reasonable arrangements to ensure meaningful access. Documents related to the items on this Agenda submitted after distribution of the Agenda packet are available for public inspection at TCERA, 136 N. Akers Street, Visalia, CA. during normal business hours.*

**DISABILITY STATUS REPORT**  
*Status as of July 20, 2022*  
*(15 Active Disability Applications)*

**01 - Disability Case Application**

**3/10/22 McPhetridge, Amber (Christene Brown)**

**HHS-HLTH-Tulare Public CCS/General Member**

**Retired**

**Eligible for Service Retirement = Yes**

3/11/22 Disability Application Documents Scanned

3/11/22 Disability File Folder Created

3/11/22 Disability Findings Summary Prepared

3/11/22 Infolinx Setup

**4/25/22 Burnitzki, Sandra (Christene Brown)**

**HHS-Admin Human Resources/General Member  
Orthopedic/Service Connected Disability**

**Retired**

**Eligible for Service Retirement = Yes**

6/9/22 DMS Notified of Disability Application Filing

6/9/22 Disability Application Documents Scanned

6/9/22 Disability Application Packet Received and Reviewed

6/9/22 Employment Records Requested

6/30/22 Disability File Folder Created

6/30/22 Disability Findings Summary Prepared

6/30/22 Infolinx Setup

**02 - Pending Receipt of Medical Records**

**6/9/22 Marino, Thomas (Nicholas Morse)**

**Tulare County Fire Dept/Safety Member  
Orthopedic**

**Presumptive Indicator: N  
Active**

**Eligible for Service Retirement = No**

6/9/22 DMS Notified of Disability Application Filing

6/9/22 Disability Application Documents Scanned

6/9/22 Disability Application Packet Received and Reviewed

6/9/22 Employment Records Requested

**DISABILITY STATUS REPORT**  
*Status as of July 20, 2022*  
*(15 Active Disability Applications)*

6/30/22 Disability File Folder Created  
6/30/22 Disability Findings Summary Prepared  
6/30/22 Infolinx Setup  
7/20/22 County Department Records Received  
7/20/22 Tulare County Health Centers Records Received

<b>6/17/22 Gutierrez, Jesse (Nicholas Morse)</b> <b>Presumptive Indicator: N</b> <b>Active</b>	<b>Sher-Dt-Pre-Trial/Safety Member Orthopedic/ Service Connected Disability</b>  <b>Eligible for Service Retirement = No</b>
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6/17/22 DMS Notified of Disability Application Filing  
6/17/22 Disability Application Documents Scanned  
6/17/22 Disability Application Packet Received and Reviewed  
6/17/22 Employment Records Requested  
6/29/22 Infolinx Setup  
6/30/22 Disability File Folder Created  
6/30/22 Disability Findings Summary Prepared

<b>12/8/21 Hall, William (Adriana Gonzales- Chang)</b>  <b>Retired</b>	<b>CAO-GS-Parks-Mooney Grove/General Member Neurological/Non-Service Connected Disability</b>  <b>Eligible for Service Retirement = Yes</b>
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12/15/21 Disability Application Documents Scanned  
12/15/21 Supplemental IME Requested  
Additional Remarks : AGC met w/member and rec'd reviewed app packet. NM shadowing.  
12/16/21 Disability Application Packet Received and Reviewed  
12/16/21 Disability File Folder Created  
12/16/21 Infolinx Setup  
12/16/21 Employment Records Requested  
Additional Remarks : Risk recs due 1-8-2022; All other dept. recs due 1-18-2022. Med recs due 2-1-2022.  
5/18/22 County Department Records Received  
5/18/22 HR & D Records Received  
5/18/22 IME Appointment Letter to Member Sent  
5/18/22 IME Appointment Scheduled

**DISABILITY STATUS REPORT**  
*Status as of July 20, 2022*  
*(15 Active Disability Applications)*

5/18/22 IME Requested  
5/18/22 Record Summarization Received  
5/18/22 Record Summarization Requested  
5/18/22 Risk Management Records Received  
5/18/22 Tulare County Health Centers Records Received

**7/13/22 Heiden, Lance (Christene Brown)      Sher-Dt-Main Jail/Safety Member**  
**Presumptive Indicator: N**  
**Retired      Eligible for Service Retirement = Yes**

7/5/22 Disability Application Packet Received and Reviewed  
Additional Remarks : Member taking TPS back to doctor for clarification on number 11C  
7/14/22 Disability Application Documents Scanned  
7/14/22 Disability File Folder Created  
7/14/22 Disability Findings Summary Prepared  
7/14/22 Infolinx Setup

**3/18/22 Rodriguez, Rosa (Nicholas Morse)      HHS-HLTH-Visalia Hlth Ctr/General Member**  
**Retired      Eligible for Service Retirement = Yes**

3/31/22 Disability Application Documents Scanned  
3/31/22 Disability File Folder Created  
3/31/22 Disability Findings Summary Prepared  
3/31/22 Infolinx Setup

**11/17/21 Greenwood, Richard (Nicholas Morse)      Sher-CS-Visalia Superior/Safety Member**  
**Presumptive Indicator: N      Orthopedic/Service Connected Disability**  
**Retired      Eligible for Service Retirement = Yes**

11/17/21 Supplemental IME Requested  
11/17/21 Disability Application Packet Received and Reviewed  
11/17/21 Disability Application Documents Scanned  
11/17/21 Disability File Folder Created  
11/17/21 Employment Records Requested

**DISABILITY STATUS REPORT**  
*Status as of July 20, 2022*  
*(15 Active Disability Applications)*

Additional Remarks : dept recs due 12/17/21, med recs due 12/29/21; dept recs rec'd, one outstanding med rec due, 1st reminder sent to member via cert mail on 1/24/2022, record due 2/28/2022.

11/17/21 Infolinx Setup

11/18/21 Tulare County Health Centers Records Received

**6/9/22 Wheeler, Joshua (Nicholas Morse)**

**Sher-Dt-Main Jail/Safety Member Service  
Connected Disability**

**Presumptive Indicator: N**

**Retired**

**Eligible for Service Retirement = Yes**

6/9/22 DMS Notified of Disability Application Filing

6/9/22 Disability Application Documents Scanned

6/9/22 Disability Application Packet Received and Reviewed

6/9/22 Employment Records Requested

6/30/22 Disability File Folder Created

6/30/22 Disability Findings Summary Prepared

6/30/22 Infolinx Setup

**04 - IME Scheduled/Pending Report**

**9/3/21 Zuniga, Julia (Christene Brown)**

**HHS-HS-Dinuba District Off/General Member  
Psychiatric/Psychological/Service Connected  
Disability**

**Retired**

**Eligible for Service Retirement = Yes**

9/7/21 Disability Application Documents Scanned

9/7/21 Disability File Folder Created

9/7/21 Infolinx Setup

9/7/21 Disability Application Packet Received and Reviewed

9/7/21 Employment Records Requested

Additional Remarks : Due 10/7/21; 12/21/21 1st reminder for pending med recs sent, also pending response from workers comp; 12/23/21 all county records received, pending medical records due 2/1/22

9/9/21 Tulare County Health Centers Records Received

9/16/21 Disability Findings Summary Prepared

12/21/21 County Department Records Received

**DISABILITY STATUS REPORT**  
*Status as of July 20, 2022*  
*(15 Active Disability Applications)*

12/21/21 HR & D Records Received  
12/23/21 Risk Management Records Received  
5/17/22 IME Appointment Letter to Member Sent  
5/17/22 IME Appointment Scheduled  
5/17/22 IME Requested

**10/4/21 Woods, Nancy (Christene Brown)**      **RMA-Grants/General Member    Orthopedic/  
Service Connected Disability**

**Retired**

**Eligible for Service Retirement = Yes**

10/4/21 Disability Application Documents Scanned  
10/5/21 Infolinx Setup  
10/5/21 Disability Application Packet Received and Reviewed  
10/5/21 Employment Records Requested  
Additional Remarks : Due 11/4/21; 12/16/21 - second request sent to Risk and TCHC, due 1/5/22; 1/18/22 - All medical records received. Summarization ordered today, due 2/7/22.  
10/8/21 Disability File Folder Created  
1/4/22 County Department Records Received  
Additional Remarks : RMA  
1/4/22 HR & D Records Received  
1/4/22 Risk Management Records Received  
Additional Remarks : 12/16/21 - Risk dept recs received, still pending workers comp file  
1/4/22 Tulare County Health Centers Records Received  
2/17/22 Objection Period Expired  
Additional Remarks : Records sent for summarization.  
5/17/22 IME Appointment Letter to Member Sent  
5/17/22 IME Appointment Scheduled  
5/17/22 IME Requested  
5/23/22 Accommodation Memo Sent  
5/23/22 IME Reports Received  
6/7/22 Accommodation Response Received  
6/7/22 Disability Findings Summary Prepared  
6/7/22 IRC Meeting Scheduled

**05 - Accommodation Request/Pending Response**

**9/1/21 Scattareggia, Mario (Christene Brown)**    **Sher-Dt-Pre-Trial/Safety Member    Orthopedic/**



**DISABILITY STATUS REPORT**  
*Status as of July 20, 2022*  
*(15 Active Disability Applications)*

**Presumptive Indicator: N**  
**Active**

**Service Connected Disability**

**Eligible for Service Retirement = No**

9/1/21 Disability Application Packet Received and Reviewed  
9/1/21 Disability Application Documents Scanned  
9/1/21 Infolinx Setup  
9/1/21 Employment Records Requested  
Additional Remarks : Due 10/01/2021; 9/8/21 - Amended TPS and all medical records received from applicant, currently only pending county records; 12/16/21 - second request sent to Risk and Dept, due 1/5/22  
9/8/21 Tulare County Health Centers Records Received  
9/15/21 Disability File Folder Created  
1/4/22 HR & D Records Received  
3/8/22 IME Appointment Scheduled  
Additional Remarks : April 14, 2022 at 5:00  
3/8/22 IME Requested  
3/8/22 Record Summarization Received  
3/8/22 IME Appointment Letter to Member Sent  
Additional Remarks : Letter sent and Emailed information  
5/17/22 IME Reports Received  
5/17/22 Accommodation Memo Sent  
5/17/22 Accommodation Response Received  
6/1/22 Supplemental IME Requested

**10/8/21 Brown, Anthony (Christene Brown)**

**CAPITAL PROJ-Facilities/General Member**  
**Orthopedic/Service Connected Disability**

**Active**

**Eligible for Service Retirement = No**

10/11/21 Disability Application Packet Received and Reviewed  
10/11/21 Medical Records Received from Applicant  
10/13/21 Disability Application Documents Scanned  
10/13/21 Disability File Folder Created  
10/13/21 Infolinx Setup  
1/4/22 Employment Records Requested  
Additional Remarks : 10/11/21 - due 11/12/21; 12/16/21 - second request sent to Risk, due 1/5/22; 1/19/22 - All County recs rcvd. Still pending med recs from applicant. Mailed 1st reminder, due 3/2/22.  
1/4/22 County Department Records Received  
Additional Remarks : GSA

**DISABILITY STATUS REPORT**  
*Status as of July 20, 2022*  
*(15 Active Disability Applications)*

1/4/22 HR & D Records Received  
1/4/22 Tulare County Health Centers Records Received  
1/19/22 Risk Management Records Received  
5/17/22 IME Appointment Letter to Member Sent  
5/17/22 IME Appointment Scheduled  
5/17/22 IME Requested

**08 - Board Agenda/Pending Decision**

<b>10/5/21 Flores, Doris (Christene Brown)</b>	<b>HHS-HS-Visalia District Off/General Member Neurological/Non-Service Connected Disability</b>
<b>Active</b>	<b>Eligible for Service Retirement = Yes</b>
 10/7/21 Disability Application Documents Scanned 10/7/21 Disability File Folder Created 10/7/21 Infolinx Setup 10/8/21 Disability Application Packet Received and Reviewed 10/8/21 Employment Records Requested Additional Remarks : Dept recs due 11/8/21, Med recs due 11/16/21; 12/16/21 - second request for dept recs sent to Risk and TCHC, due 1/5/22; 1/19/21 - All County and Med recs rcvd. Summarization ordered today, due 2/8/22 1/4/22 County Department Records Received Additional Remarks : HHSA Dept 1/4/22 HR & D Records Received 1/4/22 Tulare County Health Centers Records Received 1/19/22 Risk Management Records Received 3/9/22 IME Requested 3/9/22 Record Summarization Received 3/9/22 Record Summarization Requested 3/9/22 IME Appointment Scheduled Additional Remarks : 05-17-2022 Dr. Schreiber 5/17/22 IME Appointment Letter to Member Sent 6/7/22 IME Reports Received 6/7/22 IRC Meeting Scheduled	

**DISABILITY STATUS REPORT**  
*Status as of July 20, 2022*  
(15 Active Disability Applications)

**11/19/21 Anderson, Mark (Nicholas Morse)**      **RMA-TR-Fleet Central Shop/General Member  
Orthopedic/Service Connected Disability**

**Retired**

**Eligible for Service Retirement = Yes**

11/23/21 Disability Application Packet Received and Reviewed  
11/23/21 Employment Records Requested  
Additional Remarks : Dept recs due 12-23-2021. No additional med recs pending from applicant.  
11/23/21 Disability Application Documents Scanned  
11/23/21 Disability File Folder Created  
11/23/21 Infolinx Setup  
2/25/22 County Department Records Received  
2/25/22 HR & D Records Received  
2/25/22 Tulare County Health Centers Records Received  
5/18/22 Accommodation Memo Sent  
5/18/22 IME Appointment Letter to Member Sent  
5/18/22 IME Appointment Scheduled  
5/18/22 IME Reports Received  
5/18/22 IME Requested  
6/29/22 Accommodation Response Received  
6/29/22 Disability Findings Summary Prepared  
6/29/22 IRC Meeting Scheduled  
6/29/22 Record Summarization Received  
6/29/22 Record Summarization Requested  
7/19/22 Added to Board Meeting Agenda  
7/19/22 Board Meeting Notification Letter Sent



# COUNTY OF TULARE

## BOARD OF RETIREMENT

**Leanne Malison**  
Retirement Administrator

136 N AKERS STREET  
VISALIA, CALIFORNIA 93291

TELEPHONE (559) 713-2900  
FAX (559) 730-2631  
[www.tcera.org](http://www.tcera.org)

### MINUTES OF THE BOARD OF RETIREMENT REGULAR RETIREMENT BOARD MEETING Wednesday, July 13, 2022, at 8:30 a.m. TCERA Board Room, 136 N. Akers Street, Visalia, CA 93291

#### I. CALL TO ORDER

The meeting was called to order at 8:30 a.m. by Pete Vander Poel, Acting Chair.

#### II. ROLL CALL

Voting Trustees Present:	Pete Vander Poel, Gary Reed, Ty Inman, Nathan Polk, Dave Kehler, Jim Young, and Laura Hernandez
Trustees Absent:	Wayne Ross, Cass Cook
Alternate Trustees Present:	Dave Vasquez, George Finney
Alternate Trustees Absent:	Paul Sampietro
Staff Members Present:	Leanne Malison, Administrator, Mary Warner, Asst. Retirement Administrator, Susie Brown, Secretary, Ashlee Compton, Office Assistant
Board Counsel Present:	Aaron Zaheen, Deputy County Counsel

#### III. PLEDGE OF ALLEGIANCE

#### IV. PUBLIC COMMENT

At this time, members of the public may comment on any item not appearing on the agenda. Under state law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public is invited to make comments at the time the item comes up for Board consideration. Any person addressing the Board will be limited to a maximum of five (5) minutes. Please state your name for the record.

None.

#### V. X-AGENDA ITEMS

None.

#### VI. CONSENT CALENDAR

1. Approve Minutes of the following meetings:
  - a. Retirement Board Minutes of June 22, 2022.
2. Approve payments to:
  - a. Verus – invoice for Private Markets investment management services in the amount of \$75,000.00 for the quarter ended June 30, 2021.

- b. Verus – invoice for investment consulting services in the amount of \$22,500.00 for the month ended June 30, 2022.
- 3. Pension Board Reports and Actions
  - a. Ratify Retirement Administrator actions regarding Retirement Application approvals and Option Selections for the month of June 2022.
  - b. Approve Reports regarding Retirement Applications, Option Selections and Deceased Pensioners and 30-Year Members for the month of June 2022.

Motion to approve Consent Calendar as presented.

Motion: Reed

Second: Hernandez

Motion passed unanimously.

## **VII. ADMINISTRATIVE COMMITTEE REPORT**

- 1. Update by Dave Kehler regarding the Administrative Committee meeting of June 22, 2022. Discussion and possible action regarding the following items:
  - a. TCERA and TCERA Property, Inc. Financial Statements – April 30, 2022

Motion to accept the TCERA and TCERA Property, Inc. Financial Statements – April 30, 2022 as presented.

Motion: Kehler

Second: Young

Motion passed unanimously.

## **VIII. INVESTMENTS**

- 1. Presentation from William Blair regarding TCERA's allocation to small/mid-cap domestic equity and large cap growth equity investments. Discussion and possible action.

James Dominguez and Tara Patock provided a presentation on William Blair's small/mid-cap domestic equity and large cap growth equity investments.

- 2. Presentation from KB Investors regarding TCERA's allocation to global equity investments. Discussion and possible action.

Simon Padley and Noel O'Halloran provided a presentation on KB Investors global equity investments.

- 3. Discussion and possible action regarding TCERA's strategic investment allocation and investment managers, including performance, contracts, and fees.

Mr. Kehler commented on quality of the KBI water presentation. He questioned if the investment strategy is the best fit for TCERA's portfolio.

Vice Chair approved 1.75 hours of education.

## **XI. EDUCATION**

- 1. Discussion and possible action regarding Summary Education Reports as filed:
  - a. Mary Warner, BlackRock-Navigating a New Market Regime with Emerging Markets, webinar June 23, 2022, 0.75 hour.
  - b. Mary Warner, Northern Trust-Muting the Economic Noise, Factor Research, June 24, 2022, 1 hour.

- c. Mary Warner, PIMCO, Secular Outlook Update, Webcast, June 23, 2022, 1 hour.

Motion to approve the education summaries as presented.

Motion: Reed

Second: Hernandez

Motion passed unanimously.

2. Discussion and possible action regarding available educational events.

No discussion or action.

#### **X. UPCOMING MEETINGS**

1. Investment Committee Meeting July 13, 2022, 10:00 a.m.
2. Board of Retirement Meeting July 27, 2022, 8:30 a.m.
3. Administrative Committee Meeting July 27, 2022, 10:00 a.m.

#### **XI. TRUSTEE/STAFF COMMENTS**

Ms. Hernandez appreciated the email to staff notifying them of the upcoming Contribution Rate Changes.

Mr. Kehler reported the Administrative Committee will have a quorum July 27.

#### **XII. ADJOURNMENT**

The meeting was adjourned at 10:24 a.m.

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Pete Vander Poel, Vice Chair

**TULARE COUNTY COUNSEL**

*Meeting the legal and risk management challenges facing the County  
of Tulare in partnership with you*

Invoice No. RET0622

**INVOICE****Customer**

Name Board of Retirement  
Address 136 North Akers Street  
City Visalia State CA ZIP 93291  
Phone (559) 713-2900

**Misc**

Date 7/1/2022  
Exp Cat.

Statement Number	Matter ID	Description	TOTAL
	RETBD-General	06/01/22-06/30/22 Legal Services	\$ 548.40
	RETBD-General2	06/01/22-06/30/22 Legal Services	\$ 47.60
	RETDIS-General	06/01/22-06/30/22 Legal Services	\$ 6,612.50
		Charges from RET0322 Invoice	\$ 47.30
Other Expenses:			
	<u>Mail payment to:</u> County Counsel Attn: Billing Clerk 2900 W. Burrel Ave. Visalia, CA 93291		

**Payment** Other Journal VoucherComments *Call or e-mail if questions*

Name Angela Rose  
Phone 559-636-4956  
E-mail [ARose@tularecounty.ca.gov](mailto:ARose@tularecounty.ca.gov)  
Deposit to: 001-080-2150-5415

Tax Rate(s)

SubTotal \$ 7,255.80  
Shipping \$ -  
0.00% \$ -

**TOTAL \$ 7,255.80**

Office Use Only

# Cheiron

# Invoice

8300 Greensboro Drive, Suite 800  
McLean, VA 22102  
Phone 1-703-893-1456 Fax 1-703-893-2006  
Tax Id: 13-4215617

Date: 11-Jul-22  
Inv. # 44019

**Bill To:**  
Ms. Leanne Malison  
Retirement Administrator  
Tulare County Employees' Retirement Association  
136 N. Akers Street  
Visalia, CA 93291

**For:**  
Actuarial Services

DESCRIPTION	AMOUNT
PROFESSIONAL SERVICES (April 1, 2022 through June 30, 2022)	
Quarterly Retainer Work	\$ 2,000.00
<b>Payment Options</b> <i>Pay by Check</i> Cheiron, Inc., P.O. Box 37117, Baltimore, MD 21297-3117 <i>Pay by Electronic Deposit / ACH</i> BB&T, Routing Number: 051404260, Account Number: 0000155739428 <u>Please include invoice number(s) with your payment</u> and forward the payment confirmation to <a href="mailto:accounting@cheiron.us">accounting@cheiron.us</a> to ensure payment is applied accurately.	
<b>TOTAL</b>	<b>\$ 2,000.00</b>

If you have any questions concerning this invoice, please contact [accounting@cheiron.us](mailto:accounting@cheiron.us) or 703-893-1456, x1020.

THANK YOU FOR YOUR BUSINESS!







# COUNTY OF TULARE BOARD OF RETIREMENT

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**Leanne Malison**  
Retirement Administrator

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FAX (559) 730-2631  
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## **TCERA, Board of Retirement Investment Committee**

**Agenda Item # IV. 1 b.**

**Agenda Date: July 13, 2022**

**Subject: Asset Allocation Status**

### **Requests:**

That the Investment Committee:

1. Discuss the current asset allocation status as compared to targets.
2. Make recommendations to the Board of Retirement as necessary.

### **Summary:**

The Asset Allocation Comparison is provided as a reference tool for the Committee to note the current allocation as compared to target and to track new manager implementation and rebalancing activity. Depending on the date of the Investment Committee meeting, the report may not be available for distribution with the original packet of backup materials. The report will be provided as soon as the data is available from the custodian bank.

**Prepared by: Leanne Malison**

## TCERA Asset Allocation Comparison 6-30-22 - Preliminary Numbers

Manager	Category	Market Value	Actual %	Target %	Value at Target	Difference to Target	Comments
<b>DOMESTIC EQUITY</b>							
QMA	Large Core Enhanced	62,670,887	3.45%	3.00%	54,558,290	8,112,597	
SSGA S&P 500 Sec Lnd Index Fund	Large Core	187,342,913	10.30%	10.00%	181,860,968	5,481,945	
Boston Partners	Large Value	67,187,462	3.69%	3.50%	63,651,339	3,536,123	
William Blair	Large Growth	61,152,430	3.36%	3.50%	63,651,339	(2,498,908)	
SSGA US Ext Sec Lnd	SMID Core Index	58,389,670	3.21%	3.00%	54,558,290	3,831,380	
Leeward	Small Value	29,536,588	1.62%	1.50%	27,279,145	2,257,443	
William Blair	Smid Growth	23,730,258	1.30%	1.50%	27,279,145	(3,548,887)	
	Total	490,010,208	26.94%	26.00%	472,838,516	17,171,692	
<b>INTERNATIONAL EQUITY</b>							
SGA	International Growth	84,204,392	4.63%	6.00%	109,116,581	(24,912,188)	
PIMCO RAE	International Value	98,524,662	5.42%	4.00%	72,744,387	25,780,275	
SSGA - ACWI Index Fund	International Core	89,330,536	4.91%	6.00%	109,116,581	(19,786,044)	
	Total	272,059,590	14.96%	16.00%	290,977,548	(18,917,958)	
<b>GLOBAL EQUITY</b>							
Skellig Water Fund (KBI)	Water Related	55,165,885	3.03%	3.00%	54,558,290	607,595	
	Total	55,165,885	3.03%	3.00%	54,558,290	607,595	
<b>PRIVATE EQUITY</b>							
Pantheon	Private Equity - F of F	166,184	0.01%				Underweight pending new commitments and capital calls. Pantheon, Stepstone and BlackRock in liquidation phase.
Stepstone	PE - Secondaries	5,109,859	0.28%				
Ocean Avenue III	Private Equity - F of F	21,586,494	1.19%				
Ocean Avenue IV	Private Equity - F of F	24,966,952	1.37%				
Ocean Avenue V	Private Equity - F of F	-	0.00%				
Pathway Fund 8	Private Equity - F of F	33,065,979	1.82%				
Pathway Fund 9	Private Equity - F of F	27,954,350	1.54%				
Pathway Fund 10	Private Equity - F of F	17,470,029	0.96%				
Direct Investments	Verus Discretionary	-	0.00%				
BlackRock Alternatives	Private Equity - F of F	434,721	0.02%				
	Total	130,754,569	7.19%	12.00%	218,233,161	(87,478,592)	
<b>FIXED INCOME</b>							
BlackRock	Core Plus	105,110,706	5.78%	6.00%	109,116,581	(4,005,875)	
MacKay Shields	Core Plus	104,295,468	5.73%	5.50%	100,023,532	4,271,935	
DoubleLine	Core Plus	104,968,199	5.77%	5.50%	100,023,532	4,944,667	
PGIM	Emerging Market Debt	47,768,571	2.63%	3.00%	54,558,290	(6,789,720)	

### TCERA Asset Allocation Comparison 6-30-22 - Preliminary Numbers

Manager	Category	Market Value	Actual %	Target %	Value at Target	Difference to Target	Comments
	Total	362,142,943	19.91%	20.00%	363,721,935	(1,578,992)	
<b>PRIVATE CREDIT</b>							
Sixth Street DCP (TSSP)	Private Credit	86,660,967	4.77%	5.00%	90,930,484	(4,269,517)	
	Total	86,660,967	4.77%	5.00%	90,930,484	(4,269,517)	
<b>REAL ASSETS</b>							
Invesco	Real Estate Debt	66,113,272	3.64%	3.00%	54,558,290	11,554,982	
American Realty Advisors	Value Add Real Estate	87,220,315	4.80%	4.00%	72,744,387	14,475,928	
Opportunistic RE Funds	Opportunistic Real Estate	-	0.00%	4.00%	72,744,387	(72,744,387)	Underweight pending IFM Opportunistic RE and American Realty capital calls. RREEF America II overweight pending rebalancing. SSGA REIT - Holding for other capital calls.
IFM	Infrastructure	-	0.00%	4.00%	72,744,387	(72,744,387)	
SSGA US REIT	REIT Index Fund	15,557,514	0.86%	0.00%	-	15,557,514	
RREEF America II	Core Commingled	209,230,331	11.50%	3.00%	54,558,290	154,672,040	
	Total	378,121,432	20.79%	18.00%	327,349,742	50,771,690	
<b>OPPORTUNISTIC</b>							
KKR - Mezzanine	Opportunistic	2,430,940	0.13%	n/a	-	2,430,940	Opportunistic outside of Target Allocation. KKR and PIMCO funds in distribution phase.
Sixth Street TAO Contingent (TSSP)	Opportunistic	26,792,968	1.47%	n/a	-	26,792,968	
PIMCO BRAVO - Distressed Debt	Opportunistic	10,246	0.00%	n/a	-	10,246	
	Total	29,234,154	1.61%		-	29,234,154	
<b>OTHER</b>			1.61%		-	29,234,154	
Cash		14,459,929	0.80%	0.00%	-	14,459,929	Capital Calls and Cash Flow Needs.
	Total	14,459,929	0.80%	0.00%	-	14,459,929	
<b>Grand Total</b>		<b>1,818,609,676</b>	<b>100.00%</b>	<b>100.00%</b>	<b>1,818,609,676</b>		



# COUNTY OF TULARE BOARD OF RETIREMENT

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**Leanne Malison**  
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**TCERA, Board of Retirement  
Investment Committee**

**Agenda Item # IV. 1 c.**

**Agenda Date: July 13, 2022**

**Subject: 2022 Investment Committee Goals and Objectives Timeline and 2022 Education Calendar**

**Requests:**

That the Investment Committee:

1. Discuss the Goals and Objectives Timeline and Education Calendar
2. Direct Staff to make revisions as determined by the Committee
3. Make recommendations to the Board of Retirement as necessary

**Summary:**

The Goals and Objectives Timeline is provided to assist the Committee in monitoring the progress of its goals and objectives for the year. The Education Calendar is provided to ensure that education items related to the Committee's goals and objectives are included in the presentation schedule for the year.

**Prepared by: Leanne Malison**

# TCERA Investment Committee Goals and Objectives Timeline

Revised 5/5/22

## 2022

### January - March

Large Cap Growth Equity Manager Review – Comparative manager information as it relates to the large cap growth equity investment with Ivy was provided by Verus at the October 13<sup>th</sup> Investment Committee meeting. The Committee recommended identifying Sands Capital and William Blair as finalists for the mandate and the Board approved the recommendation at the October 27<sup>th</sup> Board meeting. Finalists presented to the Board on January 26<sup>th</sup>. The Board selected William Blair for the mandate. On site due diligence was waived because William Blair is already an investment manager for TCERA. Contract is finalized. -- **Completed**

“Dry Powder” Investment -- On October 27<sup>th</sup>, the Board approved the transfer of funds from Global Fixed Income and Emerging Market Debt to SSGA SMID and REIT index funds pending capital calls for real estate and private equity. The REIT Index Fund has been opened with SSGA. Transfer of funds is complete. -- **Completed**

Infrastructure – On October 27<sup>th</sup>, the Board requested a presentation from IFM to the Board of Retirement regarding the firm’s infrastructure fund. IFM presented to the Board on November 17<sup>th</sup>. At that meeting the Board approved IFM as the infrastructure investment manager. Contract is finalized. -- **Completed**

Private Equity/Opportunistic Real Estate – On October 27<sup>th</sup>, the Board determined that direct fund investing with the assistance of a consultant will be the implementation strategy for private equity and other similar private markets investments. At the November 17, 2021 Board meeting, the Board authorized Staff to enter into a contract with Verus for private markets consulting. Implementation can begin when the contract is complete. Contract is finalized. Discussion regarding required legal review of investment documents is scheduled for the March 9<sup>th</sup> Investment Committee meeting. The Board confirmed that the Verus legal review is sufficient for these investments. The contract is finalized. -- **Completed**

### April - June

Small Cap Value Review – In response to the LMCG investment group’s formation of a new investment management firm, Leeward Investments, the Investment Committee recommended an exploratory search to compare other top tier managers to LMCG/Leeward. The review is scheduled for the April 13, 2022 Investment Committee meeting with a recommendation to be presented to the Board on April 27<sup>th</sup>. The recommendation to retain Leeward as TCERA’s investment manager was confirmed on April 27<sup>th</sup>. No action required. -- **Completed**

Education regarding China – The Board requested that additional education regarding China be provide in 2022. Elliot Hentov, Head of Policy Research, State Street Global Advisors, made an educational presentation to the Board of Retirement on April 27<sup>th</sup>. -- **Completed**

Education regarding ESG Investing – The Board requested that, given the attention in the marketplace, education be provided regarding ESG Investing. Verus is scheduled to make a presentation at the July 27, 2022 Board of Retirement meeting.

## TCERA Board of Retirement 2022 Trustee Education/Presentation Calendar

Month	Meeting Date	Education Topics
January	January 12	Large Cap Growth Equity Presentations
	January 26	
February		No first meeting due to World Ag Expo
	February 23	12/31/21 Investment Report – Verus
March	March 9	QMA (PGIM) LMCG (Leeward)
	March 23	Actuarial Audit Presentation
April	April 13	Sixth Street Stepstone Small Cap Value Review (Investment Committee)
	April 27	Education Presentation – Investments in China Small Cap Value Review (Recommendation from Investment Committee)
May	SACRS – May 10-13	3/31/22 Investment Report – Verus Strategic Asset Allocation Review - Verus
	May 25	
June	June 8	RREEF Ocean Avenue
	June 22	
July	July 13	William Blair KBI
	July 27	Education Presentation – ESG -- Verus
August	August 10	PGIM American Realty
	August 24	6/30/22 Investment Report – Verus Investment Manager Fee Review

September	September 14	MacKay Shields KKR
	September 28	Strategic Planning Session
October	October 12	Preliminary Actuarial Analysis - Cheiron
	October 26	Private Markets Review - Verus
November	November 2 - due to SACRS	Actuarial Valuation Report - Cheiron   9/30/22 Investment Report
	SACRS Nov 8-11	
	November 16 - due to Thanksgiving Holiday	
December	December 14	Brown Armstrong – Audit Results

Expected 2023 Investment Manager Regular Biennial Presentations:

BlackRock  
 PIMCO RAE  
 Boston Partners  
 SGA  
 Leeward  
 Pathway  
 DoubleLine  
 Invesco  
 SSGA  
 IFM



# COUNTY OF TULARE BOARD OF RETIREMENT

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## **TCERA, Board of Retirement Investment Committee**

### **Agenda Item # IV. 1. d.**

**Agenda Date: July 13, 2022**

**Subject: Investment Manager Review**

### **Requests:**

That the Investment Committee:

1. Review and Discuss manager performance as reported in the most recent Verus Flash Report.
2. Review and Discuss any Managers of Interest and other presented topics

### **Summary:**

1. **Verus Flash Report** – The Flash Report provides the most current performance information provided by Verus. The Committee will periodically discuss individual managers and their performance as well as overall portfolio performance. The Flash report is prepared by Verus as soon as month end information is available from TCERA's managers and is generally available by the 15<sup>th</sup> of the month. Depending on the timing of the receipt of the investment data and the date of the committee meeting, the most recent month-end report may not be ready in time for distribution or discussion.
2. **Managers of Interest** – The Committee has requested a standing agenda item to discuss managers of interest in greater detail. Most often these will be current investment managers as listed on the Verus Flash Report that have reported firm/personnel changes or managers that require additional discussion or scrutiny.
  - a. DWS/RREEF – June 1, 2022 Press Release

**Prepared by: Leanne Malison**



# Total Fund

## Executive Summary (Net of Fees) - Preliminary

# Tulare County Employees' Retirement Association

## Period Ending: May 31, 2022

	Market Value	% of Portfolio	1 Mo	Fiscal YTD	Fiscal 2021	Fiscal 2020	Fiscal 2019	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs	20 Yrs
<b>Total Fund</b>	<b>1,884,561,789</b>	<b>100.0</b>	<b>0.2</b>	<b>-1.8</b>	<b>23.6</b>	<b>0.6</b>	<b>6.0</b>	<b>-1.3</b>	<b>8.1</b>	<b>6.9</b>	<b>7.6</b>	<b>4.9</b>	<b>5.9</b>
<i>Policy Index</i>			-0.1	-2.3	21.9	3.0	6.9	-1.0	8.2	7.2	7.6	5.5	6.4
<b>Total Domestic Equity</b>	<b>535,075,717</b>	<b>28.4</b>	<b>0.1</b>	<b>-6.0</b>	<b>44.5</b>	<b>4.2</b>	<b>7.6</b>	<b>-4.4</b>	<b>14.8</b>	<b>12.4</b>	<b>13.8</b>	<b>9.1</b>	<b>8.5</b>
<i>Russell 3000 Index</i>			-0.1	-6.0	44.2	6.5	9.0	-3.7	15.6	12.7	14.0	8.9	8.5
SSGA S&P 500 Flagship Fund	204,204,645	10.8	0.2	-2.6	40.8	7.5	10.4	-0.4	16.4	13.4	14.4	-	-
<i>S&amp;P 500 Index</i>			0.2	-2.6	40.8	7.5	10.4	-0.3	16.4	13.4	14.4	-	-
PGIM QS US Core Equity	68,124,291	3.6	0.0	-1.1	39.5	3.8	6.6	0.4	15.5	12.3	14.0	-	-
<i>S&amp;P 500 Index</i>			0.2	-2.6	40.8	7.5	10.4	-0.3	16.4	13.4	14.4	-	-
Macquarie Large Cap Growth	-	0.0	0.0	-9.0	38.0	20.2	15.1	-4.1	17.2	16.7	16.1	-	-
<i>Russell 1000 Growth Index</i>			-2.3	-11.8	42.5	23.3	11.6	-6.3	18.3	16.1	16.1	-	-
Boston Partners Large Cap Value	73,889,651	3.9	3.4	5.9	49.5	-8.8	4.5	4.0	15.4	11.1	12.9	8.8	8.7
<i>Russell 1000 Value Index</i>			1.9	2.1	43.7	-8.8	8.5	0.9	12.8	9.5	12.1	6.6	7.5
SSGA US Extended Market Index	64,352,205	3.4	-2.2	-22.6	-	-	-	-	-	-	-	-	-
<i>Dow Jones U.S. Completion Total Stock Market Indx</i>			-2.2	-22.9	-	-	-	-20.2	-	-	-	-	-
William Blair SMID Cap Growth	25,750,423	1.4	-3.1	-21.9	42.4	6.1	10.1	-19.2	8.0	10.3	13.7	10.3	-
<i>Russell 2500 Growth Index</i>			-2.4	-26.7	49.6	9.2	6.1	-22.8	8.9	9.6	12.0	8.4	-
Leeward Small Cap Value	31,965,954	1.7	3.7	0.1	62.2	-14.5	-4.7	-1.7	14.2	8.1	11.0	-	-
<i>Russell 2000 Value Index</i>			1.9	-7.1	73.3	-17.5	-6.2	-7.7	12.2	7.8	10.7	-	-
<b>Total International Equity</b>	<b>280,406,985</b>	<b>14.9</b>	<b>1.3</b>	<b>-11.3</b>	<b>38.3</b>	<b>-4.0</b>	<b>3.5</b>	<b>-11.8</b>	<b>7.6</b>	<b>5.4</b>	<b>7.1</b>	<b>2.0</b>	<b>4.8</b>
<i>MSCI AC World ex USA Index</i>			0.8	-11.4	36.3	-4.4	1.8	-12.0	7.0	4.9	6.9	2.7	6.2
SSGA MSCI ACWI Ex US Index Fund	97,677,931	5.2	0.8	-11.7	35.9	-4.5	1.5	-12.2	6.7	4.6	6.6	-	-
<i>MSCI AC World ex USA (Net)</i>			0.7	-11.8	35.7	-4.8	1.3	-12.4	6.5	4.4	6.4	-	-
PIMCO RAE Fundamental Global Ex US Fund	98,524,662	5.2	3.6	-6.7	45.3	-14.9	-1.5	-8.7	6.7	4.0	-	-	-
<i>MSCI AC World ex USA Value (Net)</i>			2.2	-4.1	37.6	-15.3	-0.1	-5.7	5.6	3.3	-	-	-
SGA International Growth	84,204,392	4.5	-0.8	-15.7	34.3	6.5	10.7	-14.8	8.5	-	-	-	-
<i>MSCI AC World ex USA Growth (Net)</i>			-0.9	-19.2	33.7	5.8	2.6	-18.9	6.8	-	-	-	-

Interim Policy Index (10/1/2021): 26% Russell 3000, 16% MSCI ACWI ex US, 3% MSCI ACWI, 17% Bloomberg US Aggregate, 3% JPM GBI Global, 13.4% NCREIF-ODCE, 5% Russell 2000, 4.6% MSCI REIT Index, 7% Private Equity Returns, 5% Private Credit Returns. SSGA Russell Small Cap Completeness Index transitioned to SSGA US Extended Market Index on 6/10/21. Invesco Commercial MIF funded 9/1/21. Franklin Templeton Global Bond Plus liquidated 12/9/2021. SSGA US REIT Index funded 12/10/2021. Macquarie Large Cap Growth and Leeward Small Cap Value market value as of 3/31/2022. All data is preliminary.

Total Fund  
Executive Summary (Net of Fees) - Preliminary

Tulare County Employees' Retirement Association  
Period Ending: May 31, 2022

	Market Value	% of Portfolio	1 Mo	Fiscal YTD	Fiscal 2021	Fiscal 2020	Fiscal 2019	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs	20 Yrs
<b>Total Global Equity</b>	<b>59,377,005</b>	<b>3.2</b>	<b>1.0</b>	<b>-5.5</b>	<b>50.4</b>	<b>-3.6</b>	<b>1.9</b>	<b>-6.2</b>	<b>13.2</b>	<b>8.6</b>	<b>-</b>	<b>-</b>	<b>-</b>
MSCI AC World Index			0.2	-7.6	39.9	2.6	6.3	-6.4	12.2	9.5	-	-	-
Skellig Water Fund (aka KBI)	59,377,005	3.2	1.0	-5.5	50.4	-3.6	1.9	-6.2	13.2	8.6	-	-	-
MSCI AC World Index (Net)			0.1	-8.0	39.3	2.1	5.7	-6.8	11.7	9.0	-	-	-
<b>Total Fixed Income</b>	<b>367,014,622</b>	<b>19.5</b>	<b>0.2</b>	<b>-10.2</b>	<b>2.8</b>	<b>2.9</b>	<b>7.2</b>	<b>-9.8</b>	<b>-1.3</b>	<b>0.3</b>	<b>1.6</b>	<b>3.3</b>	<b>4.7</b>
Blmbg. U.S. Aggregate Index			0.6	-8.9	-0.3	8.7	7.9	-8.2	0.0	1.2	1.7	3.4	4.5
<b>Total Domestic Fixed Income</b>	<b>316,179,141</b>	<b>16.8</b>	<b>0.1</b>	<b>-9.2</b>	<b>2.3</b>	<b>7.3</b>	<b>7.6</b>	<b>-8.5</b>	<b>0.3</b>	<b>1.4</b>	<b>2.1</b>	<b>-</b>	<b>-</b>
Blmbg. U.S. Aggregate Index			0.6	-8.9	-0.3	8.7	7.9	-8.2	0.0	1.2	1.7	3.4	-
BlackRock Core Plus Fixed Income	106,915,475	5.7	0.6	-9.3	0.5	9.1	8.0	-8.6	0.2	1.3	1.9	3.6	4.9
Blmbg. U.S. Aggregate Index			0.6	-8.9	-0.3	8.7	7.9	-8.2	0.0	1.2	1.7	3.4	4.5
Doubleline Core Plus	104,968,199	5.6	-0.3	-8.4	2.9	4.1	7.0	-7.7	-0.2	1.0	-	-	-
Blmbg. U.S. Aggregate Index			0.6	-8.9	-0.3	8.7	7.9	-8.2	0.0	1.2	-	-	-
MacKay Shields Core Plus	104,295,468	5.5	0.2	-9.9	3.7	8.5	7.4	-8.9	0.9	1.7	-	-	-
Blmbg. U.S. Aggregate Index			0.6	-8.9	-0.3	8.7	7.9	-8.2	0.0	1.2	-	-	-
<b>Total Emerging Markets Fixed Income</b>	<b>50,835,481</b>	<b>2.7</b>	<b>1.0</b>	<b>-13.2</b>	<b>10.3</b>	<b>-2.4</b>	<b>-</b>	<b>-13.3</b>	<b>-2.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
50% JPM EMBI Global Div/50% JPM GBI EM Global Div			0.9	-15.7	7.1	-1.1	-	-15.9	-2.3	-	-	-	-
PGIM Emerging Markets Debt	50,835,481	2.7	1.0	-13.2	10.3	-	-	-13.3	-	-	-	-	-
50% JPM EMBI Global Div/50% JPM GBI EM Global Div			0.9	-15.7	7.1	-	-	-15.9	-	-	-	-	-
<b>Total Real Estate</b>	<b>381,864,590</b>	<b>20.3</b>	<b>-0.4</b>	<b>21.0</b>	<b>2.2</b>	<b>5.3</b>	<b>6.7</b>	<b>21.0</b>	<b>9.2</b>	<b>8.4</b>	<b>9.6</b>	<b>5.4</b>	<b>7.2</b>
NCREIF ODCE			0.0	22.7	7.1	1.3	5.5	27.3	10.3	8.9	9.9	6.0	6.6
RREEF America II	210,655,847	11.2	-0.1	28.8	2.1	5.3	6.6	28.8	11.5	9.7	11.1	6.8	-
NCREIF ODCE			0.0	22.7	7.1	1.3	5.5	27.3	10.3	8.9	9.9	6.0	-
American Realty	87,220,315	4.6	0.0	20.2	3.4	-	-	20.2	-	-	-	-	-
NCREIF ODCE			0.0	22.7	7.1	-	-	27.3	-	-	-	-	-
Invesco Commercial Mortgage Income Fund	67,124,851	3.6	0.0	-	-	-	-	-	-	-	-	-	-
NCREIF ODCE			0.0	-	-	-	-	-	-	-	-	-	-
SSGA US REIT Index Non-Lending Fund	16,863,577	0.9	-6.9	-	-	-	-	-	-	-	-	-	-
NCREIF ODCE			0.0	-	-	-	-	-	-	-	-	-	-

Interim Policy Index (10/1/2021): 26% Russell 3000, 16% MSCI ACWI ex US, 3% MSCI ACWI, 17% Bloomberg US Aggregate, 3% JPM GBI Global, 13.4% NCREIF-ODCE, 5% Russell 2000, 4.6% MSCI REIT Index, 7% Private Equity Returns, 5% Private Credit Returns. SSGA Russell Small Cap Completeness Index transitioned to SSGA US Extended Market Index on 6/10/21. Invesco Commercial MIF funded 9/1/21. Franklin Templeton Global Bond Plus liquidated 12/9/2021. SSGA US REIT Index funded 12/10/2021. Macquarie Large Cap Growth and Leeward Small Cap Value market value as of 3/31/2022. All data is preliminary.

Total Fund  
Executive Summary (Net of Fees) - Preliminary

Tulare County Employees' Retirement Association  
Period Ending: May 31, 2022

	Market Value	% of Portfolio	1 Mo	Fiscal YTD	Fiscal 2021	Fiscal 2020	Fiscal 2019	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs	20 Yrs
<b>Total Private Equity</b>	<b>125,559,779</b>	<b>6.7</b>	<b>0.0</b>	<b>21.6</b>	<b>42.4</b>	<b>5.4</b>	<b>17.8</b>	<b>21.6</b>	<b>22.2</b>	<b>20.3</b>	<b>15.4</b>	<b>-</b>	<b>-</b>
<i>Private Equity Benchmark</i>			<i>0.0</i>	<i>21.6</i>	<i>42.4</i>	<i>5.4</i>	<i>17.8</i>	<i>21.6</i>	<i>22.2</i>	<i>20.3</i>	<i>15.9</i>	<i>-</i>	<i>-</i>
BlackRock Alternative Advisors	434,721	0.0	0.0	-19.6	-13.7	8.1	8.8	-19.6	-9.1	-1.7	2.7	-	-
Ocean Avenue Fund III	19,781,511	1.0	0.0	44.6	25.2	13.7	35.4	44.6	27.2	31.9	-	-	-
Ocean Avenue Fund IV	25,814,193	1.4	0.0	33.4	35.2	-	-	33.4	-	-	-	-	-
Pantheon Ventures	351,183	0.0	0.0	-3.8	4.4	-23.1	5.6	-3.8	-8.2	-2.6	2.2	3.7	-
Pathway Private Equity Fund Investors 8	32,224,720	1.7	0.0	22.3	67.5	4.9	26.4	22.3	29.1	28.0	-	-	-
Pathway Private Equity Fund Investors 9	25,580,659	1.4	0.0	21.0	73.9	0.0	22.0	21.0	28.1	-	-	-	-
Pathway Private Equity Fund Investors 10	14,760,903	0.8	0.0	7.1	46.9	-	-	7.1	-	-	-	-	-
Stepstone Secondary Opportunities Fund II	6,611,888	0.4	0.0	-4.9	22.4	-0.5	2.1	-4.9	5.0	5.1	-	-	-
<b>Total Private Credit</b>	<b>85,054,769</b>	<b>4.5</b>	<b>0.0</b>	<b>3.0</b>	<b>28.3</b>	<b>-4.5</b>	<b>11.2</b>	<b>3.0</b>	<b>8.1</b>	<b>8.7</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Private Credit Benchmark</i>			<i>0.0</i>	<i>3.0</i>	<i>28.3</i>	<i>-4.5</i>	<i>11.2</i>	<i>3.0</i>	<i>8.1</i>	<i>8.7</i>	<i>-</i>	<i>-</i>	<i>-</i>
Sixth Street DCP (frmly TSSP DCP)	85,054,769	4.5	0.0	3.0	28.3	-4.5	11.2	3.0	8.1	8.7	-	-	-
<b>Total Opportunistic</b>	<b>28,651,292</b>	<b>1.5</b>	<b>0.0</b>	<b>22.7</b>	<b>15.0</b>	<b>-6.2</b>	<b>-6.2</b>	<b>22.7</b>	<b>9.8</b>	<b>9.8</b>	<b>12.8</b>	<b>-</b>	<b>-</b>
Sixth Street TAO Contingent (frmly TSSP TAO Contingent)	26,227,845	1.4	0.0	28.3	27.6	-	-	28.3	-	-	-	-	-
KKR Mezzanine Partners I	2,413,123	0.1	0.0	-8.4	-13.6	-7.3	1.5	-8.4	-9.8	-2.4	4.8	-	-
PIMCO Bravo	10,324	0.0	0.0	-3.8	-23.8	-76.0	-45.1	-3.8	-43.9	-27.7	-9.0	-	-

Frankfurt/Main

June 1, 2022

## **Asoka Woehrmann to resign, Stefan Hoops appointed new CEO**

- **"Allegations have become a burden for the company as well as for my family"**
- **Woehrmann will stay on through Annual General Meeting June 9, 2022**
- **Stefan Hoops appointed new CEO, effective June 10, 2022**

DWS Group today announces that Asoka Woehrmann has decided to resign, in agreement with the company, at the end of the Annual General Meeting on 9 June. Stefan Hoops, previously the Head of the Corporate Bank at Deutsche Bank will become its new Chief Executive Officer (CEO).

"I have always dedicated my entire energy to the benefit of DWS; most notably since returning as CEO in October 2018," Asoka Woehrmann said. "Today, after the three most successful years in its history, DWS is significantly more profitable, is stable and has continued to perform well in a difficult market environment. At the same time, the allegations made against DWS and myself in past months have become a burden for the company, as well as for my family and me. In order to protect the institution and those closest to me, I would like to clear the way for a fresh start."

Karl von Rohr, President of Deutsche Bank and Chairman of the Supervisory Board of DWS, acknowledged Woehrmann's achievements. "I would like to thank Asoka Woehrmann for his many years of passionate work and commitment to DWS. Thanks to his leadership, DWS has reached new heights, successfully established itself on the stock exchange and is very well positioned for the future," he said. "I have great respect for his decision to resign – it is a testament to his sense of responsibility."

"With Stefan Hoops, an outstanding manager stands ready to take over at the helm of DWS," added von Rohr. "In recent years, he has demonstrated both his capital markets expertise and his excellent leadership qualities in various positions. His strategic foresight and experience in digitalisation will provide important impetus for the continued development of DWS. "

Hoops said: "I am very pleased to have the privilege of leading DWS, a first-class asset manager, and to further expand our market position and relevance with this great team."

Stefan Hoops joined Deutsche Bank in Fixed Income Sales in 2003. He moved to Credit Trading in New York in 2008, and took on various leadership roles within Global Markets in the United States and Germany in the following years, including Global Head of Institutional Sales. In October 2018 he was named Head of Global Transaction Banking. Since July 2019, Stefan heads DB's Corporate Bank, which encompasses all of DB's corporate and commercial client activities. Hoops holds a Masters degree in Business Administration and a PhD in Economics from the University of Bayreuth. His appointment as CEO of DWS on 10 June 2022 is subject to regulatory approval.

#### **Contact details for further information**

##### **Media Relations**

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adib.sisani@dws.com

##### **About DWS Group**

DWS Group (DWS) is one of the world's leading asset managers with EUR 902bn of assets under management (as of 31 March 2022). Building on more than 60 years of experience, it has a reputation for excellence in Germany, Europe, the Americas and Asia. DWS is recognized by clients globally as a trusted source for integrated investment solutions, longevity and innovation across a full spectrum of investment disciplines.

We offer individuals and institutions access to our strong investment capabilities across all major liquid and illiquid asset classes as well as solutions aligned to growth trends. Our diverse expertise in Active, Passive and Alternatives asset management complement each other when creating targeted solutions for our clients. Our expertise and on-the-ground knowledge of our economists, research analysts and investment professionals are brought together in one consistent global CIO View, giving strategic guidance to our investment approach.

DWS wants to innovate and shape the future of investing. We understand that both as a firm as well as a trusted advisor to our clients, we have an important role in helping navigate the transition to a more sustainable future. With approximately 3,600 employees in offices all over the world, we are local while being one global team. We are committed to acting on behalf of our clients and investing with their best interests at heart so that they can reach their financial goals, no matter what the future



holds. With our entrepreneurial, collaborative spirit, we work every day to deliver outstanding investment results, in both good and challenging times to build the best foundation for our clients' financial future.

The brand DWS represents DWS Group GmbH & Co. KGaA and any of its subsidiaries, such as DWS Distributors, Inc., which offers investment products, or DWS Investment Management Americas, Inc. and RREEF America L.L.C., which offer advisory services.

R – 090305 (6/23)



# **PERSPECTIVES** THAT DRIVE ENTERPRISE SUCCESS



JULY 2022

ESG Education

**Tulare County Employees Retirement Association**

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**Past performance is no guarantee of future results.** This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other “forward-looking statements.” No assurance can be given that future results described or implied by any forward looking information will be achieved. Investing entails risks, including possible loss of principal. Additional information about Verus Advisory, Inc. is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Verus – also known as Verus Advisory™.



# I. Introduction and overview

# Key terms

## **Socially Responsible Investing**

SRI is investing with one's values, screening out or not investing in certain companies or industries (negative screens), or only investing companies because they exhibit desirable traits (positive screens).

## **Environmental, Social and/or Governance (ESG)**

ESG integration combines ESG considerations (return and/or risk) with traditional financial analysis. ESG integration approaches remain alpha-focused with the goal of maximizing financial returns and/or lowering portfolio risk through seeking to minimize material ESG risks.

## **Active Ownership**

Investing with the additional purpose of encouraging companies to manage non-financial ESG risks and run sustainable businesses in order to create long-term shareholder value. This can be exercised through shareholder advocacy or shareholder engagement, proxy voting and corporate resolutions.

## **Impact Investing**

Investing with the intent to generate positive, measurable social and/or environmental impact alongside a financial return. Impact investments can target a range of returns from below market to market rate, depending on investors' strategic goals.

## **Sustainable Investing**

Sustainable investing covers a wide landscape that considers both financial return and social and environmental good. Sustainable investing and sustainability are broad brush descriptions often used to describe an array of approaches as described above.

There is a broad and heterogeneous spectrum to ESG and associated investment strategies.

Plan-specific ESG approaches also can vary tremendously by policy goals and implementation.

ESG is not one size fits all.

# An abbreviated history

Events, people and interest have all contributed to the current environment

## 1700s

The origins are rooted with early religious investors who promoted screens avoiding gambling, tobacco, and other “sin stocks.”

## 1968

Ford Foundation pioneered Program Related Investments. The IRS coined the term “program related investment” in the Tax code of 1969.

## 1971

Pax World Fund – considered the first socially responsible investment (SRI) mutual fund – avoids investments in weapons contractors. The fund offered an option to investors opposed to militarism & the Vietnam war.

## 1973

First 20<sup>th</sup> century shareholder resolution by religious organization filed by Episcopal Church through Interfaith Center of Corporate Responsibility.

## 1980s

Social investors supported the anti-apartheid movement by divesting from companies doing business in South Africa. As a practice based on values and moral principles, avoidance screening became one of the basic strategies of social investing.

## 2006

UN-supported Principles for Responsible Investing unveiled at New York Stock Exchange

## 2015

The Department of Labor issued new guidance confirming consistency with fiduciary duty of “economically targeted investments” by pension funds under ERISA.

## 2021

President Biden signed an executive order on climate-related financial risk that suspended the Final Rule published under the Trump administration. This signaled an environment friendlier to ESG investing in retirement plans, while retaining the concept that one may not sacrifice investment returns or take additional risk in support of a collateral objective

# ESG – *proposed* DOL update

- In 2021, President Biden signed an executive order on climate-related financial risk that suspended the Final Rule published under the Trump administration. This signaled an environment friendlier to ESG investing in retirement plans.
- Changes in administration could impact adoption of proposed rule

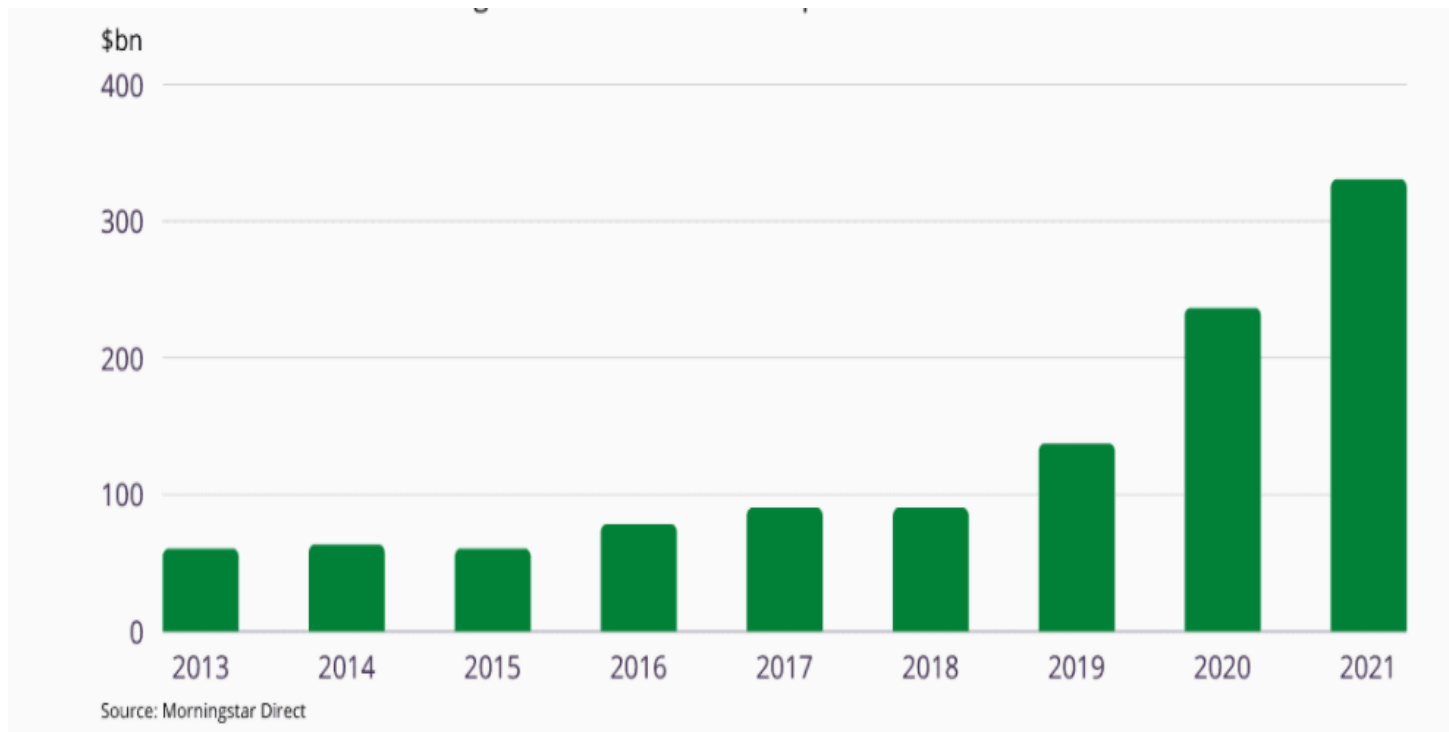
## Proposal Rule-

- The amended rule proposed by the Department of Labor on October 13, 2021, “[Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights](#),” follows Executive Order 14030, signed by President Biden on May 20, 2021.
- The order directs the federal government to implement policies to help safeguard the financial security of America’s families, businesses and workers from climate-related financial risk that may threaten the life savings and pensions of U.S. workers and families.
- The proposed rule retains that investment decisions and the exercise of shareholder rights must be solely based on risk and return factors (i.e., one may not sacrifice investment returns or take additional risk in support of a collateral objective).
- If adopted, this would replace the final regulations implemented by the DOL in 2020 (the Existing Rule).

# Growth of ESG

ESG continues to experience exponential growth

US ESG FUNDS ANNUAL ASSETS UNDER MANAGEMENT



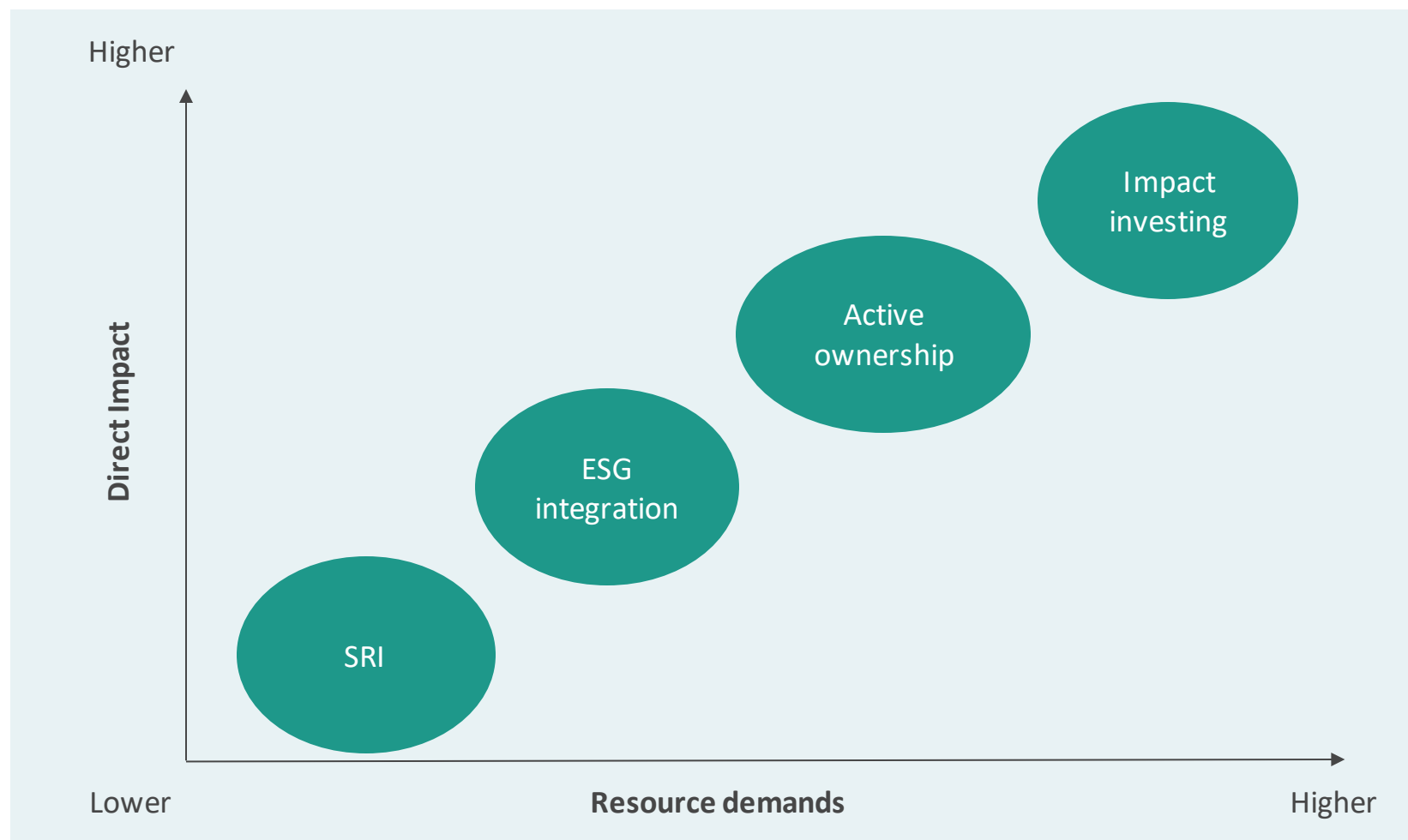
US sustainable fund assets grew to \$330 billion as of September 2021.

US ESG funds gained \$51 billion in net new investments in 2021. Most inflows went into equity funds followed by passive funds.

ESG options continue to grow across all vehicle types.

Sources: US Social Investment Forum Foundation; Morningstar

# Implementation trade-offs



# II. Understanding ESG

# Focus areas by category

Figure 1: SDGs Mapped Against Environmental, Social, and Governance Categories



Examples of E, S, and G focus areas include:

Environmental – Carbon emissions, pollution, climate change, resource utilization

Social – Human rights, diversity, living wage, labor rights

Governance – Shareholder treatment, executive compensation, board structure



# ESG issues globally

## Overriding trends: retail and institutional

- Climate change risk
  - Net carbon zero emissions
  - COP26
- Greater disclosure of ESG metrics and standardization of data
  - Pecuniary implications
  - Sustainable Finance Disclosure Regulation (SFDR)
- Increased emphasis on social issues
  - COVID effects (global inequity)
  - Diversity, equity and inclusion
- Biodiversity risk
  - Agriculture, water, deforestation

*Sources: Bloomberg; Global Sustainable Investment Association; Deloitte; MSCI*

# ESG issues for U.S. institutional investors

## Overriding trends

- Climate change and carbon emissions
- Conflict risk
- Tobacco
- Board-related issues (mainly governance-focused)
- Sustainable natural resources and agriculture
  - 95% increase to assets since 2018

Based on a survey of 530 institutional asset owners with \$6.2 trillion in ESG assets.

Survey accounts for about half of U.S. institutional assets.

*Source: US Social Investment Forum Foundation*

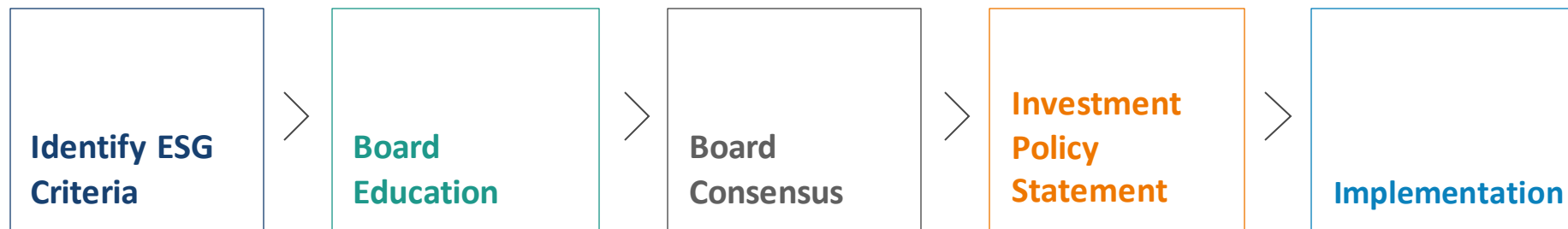
# Overview of roles and process for ESG development

## Roles

- Board/Staff: Identify ESG criteria relevant to organization
- Investment Consultant: Education. Help solidify criteria and role in portfolio (i.e., SRI vs. ESG integration; risk mitigation vs. return seeking)
- Board: Approve investment policy statement (IPS)
- Investment Committee: Make recommendations for IPS investment language; implementation

## Process

- There are several steps involved in developing an appropriate ESG approach for a plan.
- Policy (ESG criteria) and optimal implementation are both important considerations.
- Risk/return determination and staff resourcing considerations are integral inputs.



# III. Portfolio implications

# Comparison of different approaches

	<b>Socially Responsible Investing</b>	<b>ESG Integration</b>	<b>Active Ownership</b>	<b>Impact Investing</b>
<b>Level of impact</b>	Lowest impact on the mission relative to other approaches	Medium impact on the mission relative to other approaches	Higher (direct) impact in terms of change; for a small equity share, investors can effect big changes	Higher impact, with dual mandate (ESG impact) but varying return profiles
<b>Cost considerations</b>	Least resource-intensive in terms of staff and expertise required to implement and monitor	Less resource-intensive in terms of staff and expertise required to implement and monitor	Higher resource requirements in order to actively follow and engage with companies' management	Highest in cost in terms of resources, oversight and due diligence
<b>Implementation considerations</b>	Difficult to implement in mutual funds or commingled funds, unless the investment manager has a screened product	For mutual funds, commingled funds and separate accounts, the onus is on the investment manager(s) to integrate ESG in the investment decision making process	For mutual funds, commingled funds and separate accounts, onus is on the investment manager to exercise active ownership on behalf of investors	Hardest to implement relative to other approaches, and can require finding a specialist provider or partners to seek social-investment opportunities
	Easier to implement in direct investments and/or separate accounts	For direct investments, onus is on asset owner to incorporate ESG in the investment decision making process	For direct investments, asset owner can directly engage with investee companies	Similar to positive/best in class screening
				Limited albeit growing corporate sustainability disclosure by companies

Lower implementation cost/lower impact

Higher implementation cost/higher impact

# Performance impact

- The MSCI KLD 400 Social Index is based on the methodology used by MSCI for index construction and maintenance. The index seeks to provide exposure to companies with high MSCI ESG ratings while excluding companies whose products may have negative social or environmental impacts.
- The index screens out companies involved in Nuclear Power, Tobacco, Alcohol, Gambling, Military Weapons, Civilian Firearms, GMOs, and Adult Entertainment.
- The most common social screens typically lead to portfolios biased toward technology and consumer products and underweight more cyclical, or value-oriented, sectors.
- Over the long term, social screens should have minimal impact on performance. However, performance may vary over shorter time frames, primarily due to sector differences.

Performance differences will be most notable during periods of trending sector performance where the greatest over and under weights exist

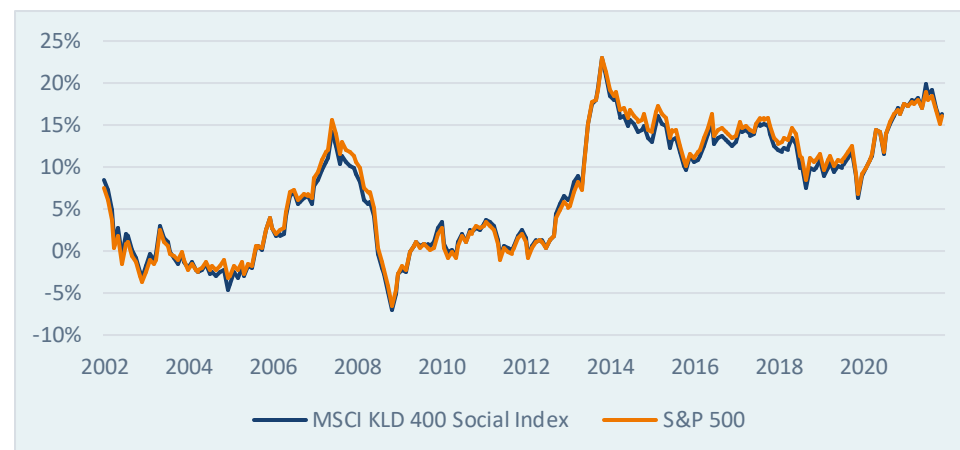
## SECTOR COMPARISON



Source: eVestment

Data as of May 31, 2022

## ROLLING 5-YEAR RETURNS



# The spectrum of investment manager ESG integration

## Integration of partial ESG

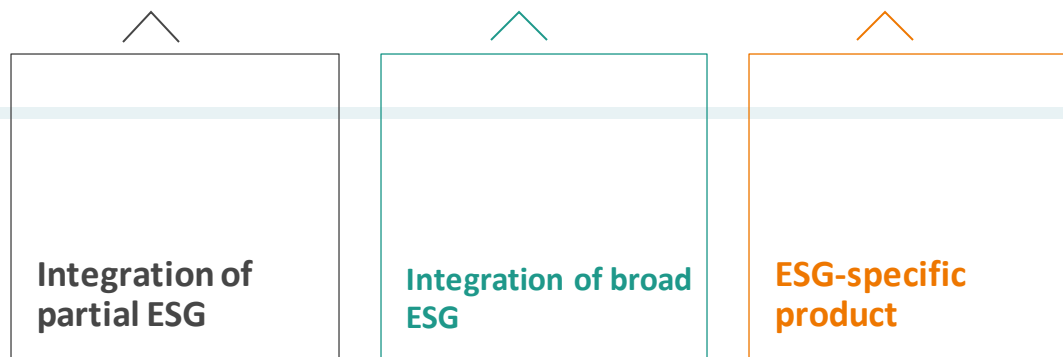
- Partial integration of ESG reflects that the investment manager integrates one or two of the ESG components into their investment process and decision-making.
- An example of this is when a manager states that they consider governance in their evaluation process but does not consider specific environmental or social criteria.

## Integration of broad ESG

- Integration of broad ESG reflects that the investment manager integrates each of the ESG components into their investment process and decision-making.

## ESG-specific product

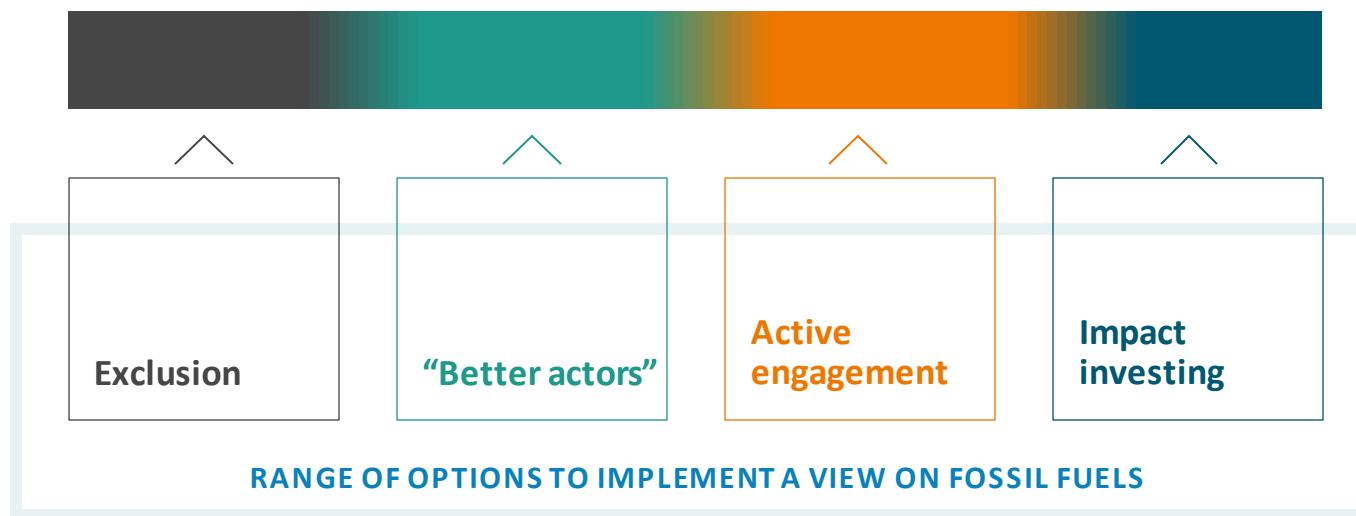
- For ESG-specific products, the investment manager identifies the product as an ESG product.
- Examples: Low carbon emissions, sustainable energy etc.



There are a range of ESG criteria and implementation options

# An example: carbon-conscious investing

Which approach aligns with TCERA's collective beliefs on one issue?



## **Exclude all fossil fuel companies**

- With this approach, where should the line of distinction be drawn? Does the exclusion focus on producers only or does the exclusion extend to all distribution channels? Depending on the line of distinction, there may be unintended exclusions, such as the elimination of retail companies.

## **Seek “better actors” within fossil fuel industries**

- Better actors are firms that are seeking to improve. They may spend significant amounts on clean air technology or might be implementing changes to have a positive impact on the environment.

## **Actively engage within fossil fuel industry**

- Positive changes at the larger companies oftentimes can result in a positive environmental impact. Public equity investors can promote change through proxy voting and shareholder engagement.

## **Impact investing can create needed change**

- Promote change by proactively investing in fossil-fuel alternatives.



# Proxy Voting

- Proxy voting allows a shareholder of a corporation who may not be able to attend a shareholder's meeting to cast a ballot on a range of issues, both financial and non-financial.
- Shareholders vote on issues related to boards and directors, capital structure proposals, mergers and acquisitions, executive compensation and shareholder protections.
- Proxy voting extends to general corporate governance matters and environmental and social issues, such as climate risk.
  - Proxy voting services are continuing to expand their specialty policies to address the evolving needs of their clients.

TCERA  
outsources  
proxy voting to  
its separate  
account  
investment  
managers.

Proxy voting  
for commingled  
funds is  
governed by  
fund  
prospectuses.

# “Typical” plan approaches to ESG

- ERISA and ERISA-like (corporate and public pension)
  - Obligation to make decisions on behalf of the beneficiaries of the pension
  - Climate change/fossil fuel and diversity common trends
  - Increased shareholder advocacy through engagement and/or proxy voting
- Non-profit (endowments & foundations)
  - Most heterogeneous as core values and priorities differ from one entity to another
  - Trustees have a dual obligation to the E/F and its mission and maintaining the organization’s tax-exempt status
  - Impact investing commonly used with this plan type
  - Religious organizations often incorporate SRI exclusionary screens (i.e., no sin stocks)
- Taft-Hartley/multi-employer
  - Incorporate values that are labor friendly
  - Often invest in asset classes that support this value (real estate, infrastructure)
- Resourcing limitations a practical constraint across plan types for optimal ESG approach (staff size and cost considerations)

# Peer implementation

- Verus polled '37 Act county peers inquiring into ESG policy and implementation
- Few funds responded. But Verus works with nine '37 Act counties and reached out to a handful of CA public funds known to be active in ESG implementation in order to better understand associated resources and costs.
- Key takeaways regarding :
  - Board commitment to dedicating meaningful staff time and resources to support ESG policies
    - Have dedicated ESG staff, in some cases, multiple individuals, as they tend to have larger staffs in general
  - Employ combination of ESG integration and shareholder engagement (“activism”)
    - Facilitate through custom proxy voting policies. Time consuming and labor intensive during proxy voting season for funds with dedicated staff
  - Membership in Principles for Responsible Investment (“PRI”) (LACERA, City of Los Angeles, City and County of San Francisco, CalPERS, CalSTRS, University of California)
  - Purchase third party ESG reporting and analytics services (depending upon depth and breadth of services, range between \$25,000 and \$50,000+)
- ESG implementation approach drives intensity of staff time and necessary resources to support. Shareholder engagement requires exponentially more staff time and resources versus ESG integration approach.
- Smaller '37 Act counties have no ESG initiatives or less resource intensive ESG initiatives, such as monitoring through manager supplied data and/or custom proxy voting.

# IV. Data measurement and monitoring

# ESG data sources

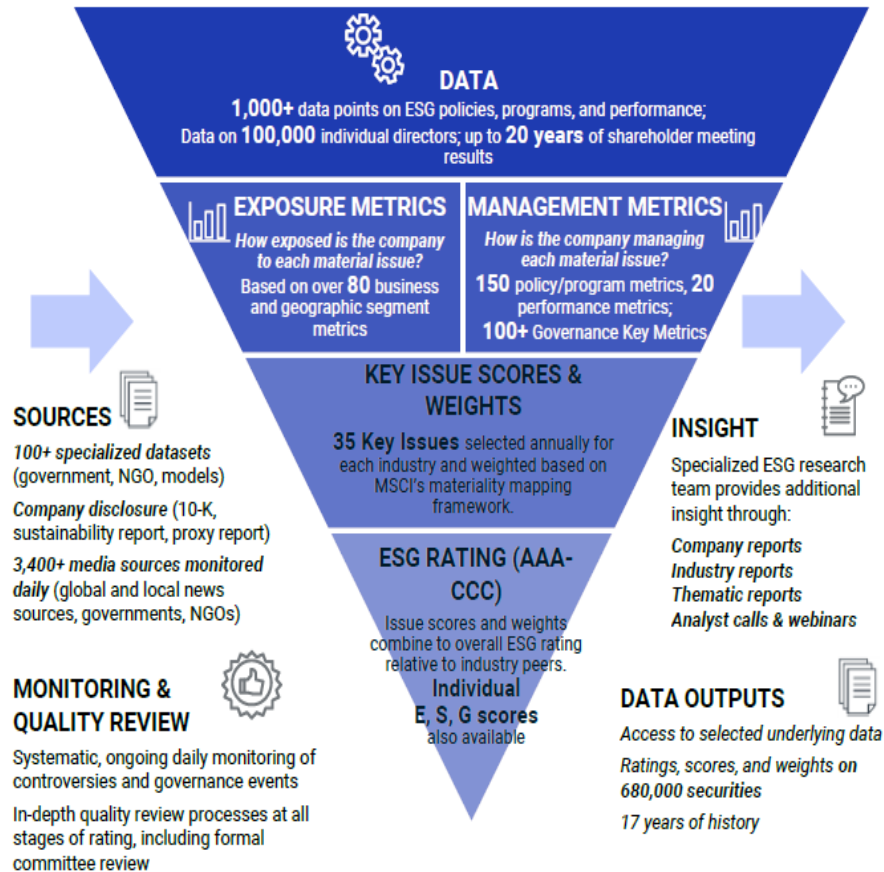
The number of ESG databases, indices, and resources are growing as ESG investing grows.

- The database used most widely is MSCI ESG
- Investment managers generally supplement database information with their own research



# MSCI ratings overview

## ESG rating framework and process overview



### STEP 1: EVALUATE CORPORATE GOVERNANCE

- Examination across governance structures, director-level data, governance events, etc.
- Includes six universal key issues evaluated for every company

### STEP 2: IDENTIFY KEY ISSUES BY INDUSTRY

- Key issues are identified at industry level using a quantitative approach
- Six to ten key issues are assigned to each company within the industry

### STEP 3: SCORE KEY ISSUES (1-10)

- Assess data points across key issues focusing relationship between a company's core business and industry issues
- Assess risks and opportunities for the company

### STEP 4: FINAL ESG RATING (AAA-CCC)

- Weighted average of the key issues scores are aggregated and scores are normalized by their industry
- Final adjusted score corresponds to a letter rating

Source: MSCI

# Example of Ratings Model

## MSCI ESG Rating model key issues

Example: Soft Drinks Sub-Industry

### MSCI ESG Score

ENVIRONMENT PILLAR				SOCIAL PILLAR				GOVERNANCE PILLAR	
Climate Change	Natural Capital	Pollution & Waste	Env. Opportunities	Human Capital	Product Liability	Stakeholder Opposition	Social Opportunities	Corporate Governance	Corporate Behavior
Carbon Emissions	Water Stress	Toxic Emissions & Waste	Clean Tech	Labor Management	Product Safety & Quality	Controversial Sourcing	Access to Communication	Board	Business Ethics
Product Carbon Footprint	Biodiversity & Land Use	Packaging Material & Waste	Green Building	Health & Safety	Consumer Financial Protection	Community Relations	Access to Finance	Pay	Tax Transparency
Financing Environmental Impact	Raw Material Sourcing	Electronic Waste	Renewable Energy	Human Capital Development	Privacy & Data Security		Access to Health Care	Ownership	
Climate Change Vulnerability				Supply Chain Labor Standards	Responsible Investment		Opportunities in Nutrition & Health	Accounting	
					Insuring Health & Demographic Risk				
					Chemical Safety				

  Soft Drink Sub-Industry: e.g. Coca-Cola

  Universal key issues applicable to all industries



Source: MSCI ESG Research. February 2021.

Source: MSCI

# ESG ratings limitations

## — ESG ratings are subjective

- Lack of quality: No reporting standards, regulatory oversight, or auditing of ESG ratings
- A MIT study<sup>1</sup> found that the ESG rating correlation among different agencies was only about 61%. Among credit rating agencies in the corporate bond space the correlation is 99%.

## — ESG ratings generally measure the environmental, social, and governance risks a business may face.

- ESG scores necessarily do not reflect the impact a company has on the planet but rather if a company is a good financial decision to invest in or not.

## — ESG ratings generally measure how a company fares relative to its peers, not across industries

- Oil companies may receive good ESG scores although it could be argued that all oil companies should have bad ESG scores.

ESG scoring is an effective tool in the investment management community, but more can be done to make the process consistent

1. Berg, Florian and Kölbel, Julian and Rigobon, Roberto, "Aggregate Confusion: The Divergence of ESG Ratings" (August 15, 2019).



# ESG manager monitoring

ESG research often used at firms without ESG-specific strategies

Non-ESG strategies examples	ESG Assessment Database &/or Internal?	Written ESG Policy?	ESG Committee?	Ability to explain integration?	ESG Products at firm?
Equity manager A	– Internal	Yes	ESG Team Governance Committee	Yes	No
Equity manager B	– MSCI and primarily proprietary research	Yes	Yes	Yes	No
Equity manager C	– MSCI, ISS, and proprietary research	Yes	No	Yes, for proxies	Yes
Fixed income manager A	– Primarily proprietary research – Internal scoring system	Yes	Yes	Yes	Yes
Fixed income manager B	– MSCI, Bloomberg Barclays, Proprietary research	Yes	Yes	Yes	Yes

# Verus ESG evaluations assessed alongside investment evaluations

	ESG A Fully Integrated	ESG B Some ESG Elements Observed	ESG C Minimal/No ESG Integration
<b>A</b> <i>Alignment</i>	Firm actively promotes ESG principles; Incentive comp is ESG aligned	Firm has an ESG policy; PRI neither necessary nor sufficient Incentive comp not ESG aligned	Firm does not have any type of ESG policy
<b>E</b> <i>Edge</i>	ESG features in product's stated objective; Product is differentiated from peers based on ESG approach; ESG-ness is obvious to a client	Stated objective emphasizes longer investment horizon; May be "unintentional ESG" due to philosophy emphasis on governance, quality, or sustainable returns	Stated objective has features inconsistent with ESG management due to sector emphasis, high turnover or momentum orientation
<b>I</b> <i>Implementation</i>	ESG principles explicitly incorporated in security analysis/valuation	ESG principles explicitly incorporated in security analysis/valuation (whether or not explicitly labeled as "ESG")	Manager may vote proxies, but no other ESG elements apparent in process; When prompted, may cite ESG as implicit in security analysis/valuation
<b>O</b> <i>Optimal Use of Risk</i>	ESG elements are critical to portfolio construction <u>and</u> risk management; Can cite multiple examples where ESG influences active risk taken	ESG elements may be influences in portfolio construction <u>or</u> risk management; Manager can cite an example of ESG influence on active risk	Portfolio construction and risk focuses exclusively on volatility, liquidity, default; Manager cannot cite examples of ESG influence on active risk
<b>U</b> <i>Understandable Performance</i>	Performance attribution reflects ESG elements <u>or</u> portfolio success is measured based on ESG elements	Performance is consistent with the manager's stated objective	Performance is consistent with the manager's stated objective

# ESG and performance results

*While less prevalent today, historically there have been concerns that incorporating ESG would lead to underperformance. Many studies have found this to be a misconception.*

- A meta-analysis by University of Hamburg’s School of Business, Economics and Social Science on ESG issues and performance reviewed over 2000 studies, likely the most comprehensive study ever conducted. The study found overwhelming evidence that the data across 40 years of studying the impact of ESG finds at worst, no impact on overall performance and likely suggests a positive relationship. In addition, the impact has remained consistent across the 40-year time period suggesting it is likely to continue to hold in the future (Gunner Friede, Timo Busch and Alexander Bassen 2015).
- According to the CFA Institute, “empirical evidence does not support the notion that ESG considerations necessarily adversely affect performance...ESG integration...is simply about doing a more complete investment analysis.” (“Environmental, Social, and Governance Issues in Investing: A Guide for Investment Professionals, 2015, CFAI).
- The University of Oxford & Arabesque Partners analyzed 200 studies on whether sustainable corporate practices affect investment returns. It concluded that “88% of the research shows that solid ESG practices result in better operational performance of firms and 80% of the studies show that stock price performance of companies influenced by good sustainability practices” (Clark, Feiner, and Viehs 2014)
- The metastudy on ESG issues and performance by Mercer (2009), “Shedding Light on Responsible Investment: Approaches, Returns and Impact” reached similar conclusions.

Examples represent a small sampling of recent ESG studies that compare incorporating ESG and performance results.

# V. Summary

# ESG summary

- Inclusion of ESG criteria in investments continues to grow at a rapid pace globally, including for U.S. institutional investors.
- ESG represents a heterogeneous set of factors and requires customization both in determining appropriate E,S and G criteria and in determining the optimal means of implementation.
  - Developing a comprehensive ESG policy takes time.
  - Resource and cost constraints must be considered.
  - Public plans typically use an ERISA-like approach that focuses on ESG risk mitigation and materiality.
- ESG institutional trends are broadening out from a governance focus to one that is more inclusive of environmental and social criteria.
- Multiple ESG data sources exist and are often complemented with internal research.
  - ESG ratings are an effective tool, but it does have its shortcomings and is inconsistent across providers.
- Several of TCERA's '37 Act county peers have taken steps to implement ESG into their plans, but implementation intensity varies depending on plan size and resources

# Notices & disclosures

**Past performance is no guarantee of future results.** This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other “forward-looking statements.” No assurance can be given that future results described or implied by any forward looking information will be achieved. Investing entails risks, including possible loss of principal. Additional information about Verus Advisory, Inc. is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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# TULARE COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

## SUMMARY EDUCATION REPORT

NAME OF ATTENDEE: Leanne Malison

CONFERENCE/SEMINAR ATTENDED: BLACKROCK 2022 MIDYEAR INVESTMENT OUTLOOK

DATES ATTENDED: JULY 12, 2022

NUMBER OF CONTINUING EDUCATION HOURS OBTAINED: 1

TOPICS OF DISCUSSION: Some items of interest: The market environment will not go back to the to what we enjoyed during the long bull market. Inflation and increasing interest rates were at the core of this discussion. Valuations have improved across the board. There is a lot of uncertainty in the market that will cause short term challenges. The range of possible outcomes has increased and there is reduced conviction in those outcomes.

REASON MEETING WAS BENEFICIAL TO RETIREMENT SYSTEM: The recent market correction and volatility have a significant impact on the plan. It is helpful to have different perspectives on how this will play out in the short and long term. The discussion was timely and informative.

RECOMMENDATION REGARDING FUTURE ATTENDANCE: *(I.E., SHOULD WE SEND A REPRESENTATIVE IN THE FUTURE? IF SO, WHO SHOULD ATTEND?)*

Trustees and Staff should participate as schedules permit whenever TCERA manager webinars are available.

  
Signature

7/12/22  
Date

## EDUCATIONAL EVENTS - Board of Retirement

### 2022

1. **NCPERS**, Public Pension Funding Forum, Aug 21-23, Los Angeles, UCLA Meyer & Renee Luskin Conference Center. Agenda includes: Pros & Cons of ESG Investing, Fiscal Sustainability, Defining and Measuring Public Pension Fiscal Sustainability and other topics. Agenda in Binder.
2. **CALAPRS**, Principles of Pension Governance for Trustees, Aug 29-Sept 1, Current location- Pepperdine, Malibu - subject to change. No agenda currently.
3. **ALTSSV**, Forum, Sept. 8, Computer History Museum, Mountain View. ALTSSV is hosted by CFA Society San Francisco, CAIA Association, CalALTs and Markets Group. Alternative investment industry insight on the future of venture capital, private equity, private debt, hedge fund and real asset investing. Full Agenda in binder.
4. **Nossaman**, Public Pensions & Investments Fiduciaries' Forum, Oct 17-18, Los Angeles, E-Central Hotel. Agenda forthcoming.
5. **Sixth Street**, Annual Investors Meeting, Oct 25-27, St. Regis San Francisco. Only Save-the-Date currently.
6. **CALAPRS**, Trustee Round Table, October 28, Virtual Program
7. **SACRS**, Fall Conference, November 8-11, Hyatt Regency Long Beach, Long Beach, CA.
8. **Invesco Real Estate**, Global Conference, Nov 15-17, The Lodge at Torrey Pines, San Diego. Only a Save-the-Date currently.

### 2023

1. **CALAPRS**, General Assembly, March 4-7, 2023, Monterey





EDELSTEIN GILBERT ROBSON & SMITH<sup>LLC</sup>

Donald B. Gilbert Michael R. Robson Trent E. Smith Jason D. Ikerd<sup>Associate</sup> Bridget E. McGowan<sup>Associate</sup>

July 8, 2022

TO: State Association of County Retirement Systems

FROM: Edelstein Gilbert Robson & Smith, LLC

RE: **Legislative Update – July 2022**

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### **General Update**

The Legislature adjourned for Summer Recess of July 1, and legislators will remain in their districts until August 1. After they return, the Legislature will turn to the fiscal committee deadline of August 12, where all bills that are keyed fiscal must pass out of the Appropriations Committee in the bill's second house.

After the fiscal committee deadline, Legislators must pass bills off the floor of their second house and if applicable, the floor of the house of origin for concurrence, before the Legislature adjourns for final recess on August 31.

The Governor will then have 30 days to consider the bills on his desk.

### **SACRS Sponsored Bills**

**AB 1824 (Committee on Public Employment and Retirement) – Committee Cleanup Bill.** The bill passed out of the Senate Labor, Public Employment and Retirement Committee on June 29 and will go to the Senate Appropriations Committee next.

**AB 1971 (Cooper) – CERL Policy Bill.** This bill passed out of the Senate Labor, Public Employment and Retirement Committee on June 29 and will go to the Senate floor for a vote next.

### **Other Bills of Interest**

**SB 1328 (McGuire) – Divestment.** This bill would prohibit public retirement boards from investing public employee retirement funds in a company with business operations in Russia or Belarus, among other requirements. Amendments from May narrowed the bill, which included narrowing restrictions on pension investments to companies domiciled in Russia and Belarus, supplying military equipment to Russia and Belarus or companies complicit with the invasion and eliminating requirements that pension funds survey all portfolio companies for compliance with the divestment requirements.

SACRS submitted a letter of concern on this bill.

The bill was set to be heard in the Assembly Public Employment and Retirement Committee in late June, with the Chair of the Committee pushing amendments that would have made the bill a reporting bill. The author was not willing to accept the amendments, so the bill was pulled from the Committee and is now dead for the year.

**AB 2493 (Chen) – Disallowed Compensation.** As initially amended, this bill would have allowed OCERS to adjust retirement payments based on disallowed compensation for peace officers and firefighters under certain circumstances. The bill was later amended to apply to all CERL systems.

When this bill had a hearing in the Senate Judiciary Committee in late June, CSAC was the lead opposition witness and discussed these cost concerns as well as how the bill differs from SB 278 (Leyva) from 2021.

The bill was amended substantially after the author and sponsors worked with committee staff. It is now eligible for a vote on the Senate floor.

**AB 1944 (Lee) – Public Meetings.** This bill would make changes to the Brown Act to add additional flexibility for board members to teleconference into meetings if certain requirements are met, including that a quorum of members of the body participate in person. SACRS supported this bill.

Before the bill's hearing in the Senate Governance and Finance Committee, the committee offered amendments that the author would not accept, so the author pulled the bill, and it was not heard in committee. This caused the bill to fail the policy committee deadline, so it won't move further this session.

**AB 2449 (Rubio) – Public Meetings.** This bill would allow a local agency to use teleconferencing for a public meeting if at least a quorum of members of the legislative body participate in person from a single location that is identified on the agenda and is open to the public within the local agency's jurisdiction, among other requirements. Recent amendments add more guardrails for when a board member can participate remotely and add a sunset date, among other changes.

The bill is now in the Senate Appropriations Committee.

**Compensation Earnable Bills** – Last session, two bills were introduced relating to compensation earnable - **AB 498 (Quirk-Silva)** and **AB 826 (Irwin)**. As reported in previous updates, AB 826 was gutted and amended in June of 2021 with the CERL provisions currently contained in the bill. The bill was placed on the Senate Inactive File in September, where it remains. AB 498 (Quirk Silva) was similarly amended at the end of session last year in September.

In late June, AB 498 was gutted and amended again, this time with provisions unrelated to county retirement systems, so it is no longer of interest to SACRS. AB 826 remains on the Senate Inactive File.