

SACRS

STATE ASSOCIATION *of* COUNTY RETIREMENT SYSTEMS

HARNESSING THE POWER OF SYNTHETIC BIOLOGY

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Tracey Briscoe Monroe
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IMPACTFUL & INVALUABLE

As summer slides into fall, we are picking up the pace to be ready for you at our Annual Fall Conference 2023 being held November 7-10, at the Omni Rancho Las Palmas Resort & Spa in Rancho Mirage, California. Be sure to make plans to attend and visit the [SACRS Fall Conference](#) web page to claim your spot. The portal to register is open and space is filling up!

A central theme in this fall issue of *SACRS Magazine* is food production and food waste mitigation. I have mentioned this previously, but I want to remind you about an important program, Chefs to End Hunger. SACRS is a proud participant because we take seriously our role, as we travel to different beautiful locales, to be mindful of the communities we are visiting. The innovative Chefs to End Hunger is an amazing food rescue program. This November, when we finish a meal function at Omni Rancho Las Palmas Resort & Spa, the excess prepared food that would normally go to waste will instead be redistributed to provide meals to the hungry through partnering with local charitable organizations. How great is that?

I hope your summer included productive workdays, getaways to relax and recharge, and opportunities to learn and grow. In July, we hosted another successful Public Pension Investment Management Course, our signature Modern Investment Practice for Retirement Systems program, that we host jointly with the world-renowned faculty of UC Berkeley Haas School of Business Executive Education. The program is just getting better and better! Are you curious about it? I thought you might find some of the comments we received this year interesting, so take a look

at the below for what people had to say. We will return to the UC Berkeley campus next summer, July 14-17, 2024. Think about joining us!

If you want a great opportunity to see the best of SACRS in action, come to the Omni Rancho Las Palmas Resort & Spa as we share information, help build your network, and provide resources. These will be impactful and invaluable days with your SACRS community. You won't want to miss all that we have instore for you!

Hope to see you there,

Sulema H. Peterson

P.S. This edition of SACRS magazine continues the tradition of articles shared by members. If you have ideas for a story, consider submitting an article! You can do that by contacting me at sulema@sacrs.org.

Sulema H. Peterson, SACRS Executive Director, State Association of County Retirement Systems

Modern Investment Theory & Practice for Retirement Systems 2023 Post-Program Evaluation Comments

Would you recommend this program to a friend or colleague - why or why not?

"Yes, this program was of the highest quality I have seen at both SACRS and CALAPRS events! From the food, to the hotel, to the UC Berkeley classroom...everything was the best!"

"The program was a great combination of learning and networking in an intimate setting that other programs may not be able to achieve."

"Great program, and great connections. Good for a new trustee."

Do you anticipate a future application of the program?

"This was a valuable course and will be extremely helpful moving forward."

"I am so new, so all of the material will be used in my career development."

Any thoughts on your overall program experience?

"Why didn't I attend this years ago? It's an excellent refresher and everyone should attend."

"On Sunday, I went into class a bit intimidated by all the material provided as a pre-reading. But as the classes progress, they made sense. I appreciate all the instructors/speakers and their passion for what they do. I had the pleasure of meeting a great team of trustees and learning from their experiences. I never attended a SACRS conference before and I was impressed by the group."

Included in the registration fee, attendees received 24 hours of continuing education and a UC Berkeley certificate of completion.

HELLO, MY SACRS FAMILY!



“Through SACRS’ activities, programs and conferences, let us learn from each other and “strategize to maximize” the success that we achieve on behalf of those whom we look after – our members.”

It is a high honor for me to serve as SACRS president this year. Our mission is to secure and look after the pensions that our 20 county systems provide for our retirees, present and future. Collectively, we manage over \$110 billion in assets. Our membership exceeds 500,000 hardworking, diverse and dedicated county employees (past and present) across our beautiful state. Everyone who works on behalf of our retirement systems shares in this mission and the responsibility that is tied to it. Trustees, administrators, counselors, clerks, consultants, system professionals, fund managers, etc., are all part of our success. We all serve, in essence, as fiduciaries in overseeing and supporting our retirement trusts. This is honorable work with tremendous focus and meaning.

If we haven't met yet, I currently serve as a trustee on the Contra Costa County Employees' Retirement Association. I have been in this role since 2016. I also work for Contra Costa Health Services as a physician and have done so for over 33 years. It is a privilege to have a career in public service.

There is a great quote on our SACRS website: *“SACRS is grounded in integrity, honesty, and a passion for people.”* Let's strive to continue to honor this statement together. Through SACRS' activities, programs and conferences, let us learn from each other and “strategize to maximize” the success that we achieve on behalf of those whom we look after – our members.

Speaking of educational opportunities, this summer UC Berkeley Haas School of Business Executive Education and SACRS hosted a four-day intensive program that offers SACRS' members in-depth knowledge on today's successful investment models

and strategies. Our public pension investment management program is top-notch, but you don't have to take my word for it. See the comments below. Join me in sending congratulations to this year's class!

I hope you will also join me for our SACRS Fall Conference in Rancho Mirage, California. Register early! And please say hello while you're there. It will be great to see you November 7-10 at the Omni Rancho Las Palmas Resort & Spa!

All the best,

David

David MacDonald, SACRS President & Contra Costa CERA Trustee



David with Immediate Past President Vivian Gray



FROM SEED TO SUPPER:

Opportunities in Food Waste Mitigation

At every stage of its journey from farm or fishery to family dinner, a large slice of the food produced for human consumption is thrown away. The quantity and impact of food loss and waste has grown with rising populations, climate change-driven supply chain disruptions and wider consumption of resource-intensive foods.

“The production of food and drinks is ultimately responsible for approximately one-third of global greenhouse gas (GHG) emissions.”



The production of food and drinks is ultimately responsible for approximately one-third of global greenhouse gas (GHG) emissions.¹ In turn, it is estimated that food loss and waste accounts for between 8% and 10% of GHG emissions worldwide.²

Wasteful practices are ripe for disruption, especially since they carry such a high environmental – and financial – cost. In the US alone, the value of wasted food in 2019 totaled US\$285 billion.³

We believe companies that can successfully mitigate food loss or waste with their products and services can offer compelling investment opportunities and play a material role in the transition to a more sustainable economy.

Mountains of food waste – especially in the home

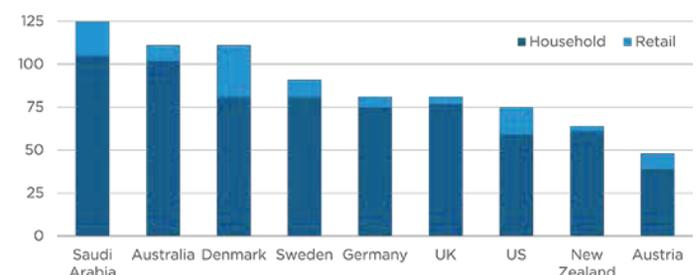
The UN estimates that as much as 39% of the world’s food is lost or wasted and goes unconsumed.⁴ Wasteful practices can occur at all stages of the food supply chain – in production, processing, retailing and in storage and transport – as well as in the hands of consumers. Household and retail food waste varies widely between countries, driven by factors including consumer behavior, the structure of grocery markets, and waste collection practices.

Authoritative data is relatively limited on this topic, but figures published by the UN demonstrate the scale of food waste in homes worldwide alongside some successes by the retail sector in eliminating waste.⁵

The graphic below compares annual food waste at the retail and consumer stages, per capita, for nine economies where the UN has a high degree of confidence in both datasets. Taking the example of the UK, where households wasted fully 77kg per person in 2020 – the average weight of a British adult. Yet the UK retail sector jettisoned only 4kg of food per person, demonstrating that good practices can significantly mitigate waste.

Supermarkets show food waste can be slimmed down

Total annual household and retail food waste per capita (kg)



Source: UNEP, 2021: UN Food Waste Index Report, based on most recent published national data, various years.

“ We believe companies that can successfully mitigate food loss or waste with their products and services can offer compelling investment opportunities and play a material role in the transition to a more sustainable economy. ”

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“The US, Japan and Australia are among those explicitly aiming to halve food loss by 2030.”

Policy tailwinds behind food loss mitigation

Recognizing the financial and environmental costs that high levels of waste incur for society, many governments have targets to address the issue. The US, Japan and Australia are among those explicitly aiming to halve food loss by 2030. This aligns with a global target specified by the UN to realize Sustainable Development Goal 12 – to ensure sustainable consumption and production patterns.⁶

Various governments have launched initiatives, and in some cases enacted legislation, to combat food waste. UK companies can now be fined up to £10,000 for repeatedly failing to address food waste, for instance.⁷

There have already been successes: in Denmark, the Stop Food Waste Campaign reduced household food waste by 24% per capita between 2013 and 2017 by reducing portion sizes and discounts that encouraged overbuying, and by encouraging diners to take home restaurant leftovers.⁸

Sources of waste create pockets of innovation

There are opportunities to address food waste in each part of the value chain. Though technological innovation could hold the key to overcoming certain challenges, companies today are already mitigating waste, directly and indirectly, through their products and solutions.

Direct mitigation: nipping waste in the bud

Direct mitigation involves limiting losses at any stage of the food production journey. For a seed manufacturer, mitigation could involve enhancing yields by improving disease resistance and adaptability. Seed companies can also reduce post-harvest losses by improving food products' shelf lives and resistance to cracking. Japanese company Sakata Seed uses state-of-the-art technology and analytics to help its agricultural customers target crop safety and resolve growth issues.

Efficiencies can be found in food preparation too. Makers of commercial kitchen equipment and technology, like German company Rational, can directly reduce waste by improving the efficiency of professional kitchen operations which, by their large commercial nature, should be much less wasteful with ingredients and portion sizing than households.

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“ Combined with the enormous financial incentives to reduce costly waste, we perceive long-term investment opportunities where companies offer effective solutions to the challenge. ”

Indirect mitigation: ensuring food gets used

Companies that provide food products to consumers typically mitigate food loss indirectly by working to keep it out of landfills and incinerators. Restaurants, supermarkets and food delivery companies inevitably use less than 100% of the food they order or prepare. Some make effective use of the leftovers and peels by donating edible food to local charities and composting the rest or converting it to animal feed.

HelloFresh has designed out waste by shortening supply chains relative to traditional grocers. The German-listed company delivers portion-based meal kits directly to its customers' doorsteps, thereby reducing overbuying by consumers, controlling portion size and avoiding food wasting away on shop shelves. Researchers concluded that customers in Germany reduced their food waste by 21% (by weight) with HelloFresh orders versus with traditional supermarket shopping, with 72% fewer food scraps.⁹

Accelerating the transition through efficient food and agriculture

Resource efficiency is a central pillar of the transition to a more sustainable global economy. Given the food sector's vast environmental footprint, addressing wasteful practices can make a major contribution to meeting emission reduction targets and reducing the ecological impacts of agriculture.

Meanwhile, we believe companies that tackle food waste and are transparent in their disclosures will better navigate evolving norms and laws that demand higher standards across developed markets.

Combined with the enormous financial incentives to reduce costly waste, we perceive long-term investment opportunities

where companies offer effective solutions to the challenge. Leaders whose products or services mitigate food waste and advance efficiencies should be well positioned to benefit from, and contribute to, the acceleration of the sustainable transition.

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- 1 P.R. Shukla, J. Skeg et al, 2019. *Climate change and land: An IPCC special report.*
- 2 *United Nations Environment Programme, 2021: UNEP Food Waste Index Report 2021.*
- 3 *ReFED, What is Food Waste.*
- 4 *Champions 12.3. SDG Target 12.3 on Food Loss and Waste: 2021 Progress Report.*
- 5 *UNSDG, UNEP & WRAP (Waste and Resources Action Programme), 2021: UN Food Waste Index Report.*
- 6 *United States 2030 Food Loss and Waste Reduction Goal | US EPA*
- 7 *UK Government. Action to reduce food waste announced. 2018.*
- 8 *Stop Wasting Food Movement, EU Fusion.*
- 9 *HelloFresh Sustainability Report 2021. HelloFresh_Sustainability_Report_2021_Non_Financial_Report.pdf (hellofreshgroup.com)*



A Portfolio Manager for Impax, **Agne Rackauskaite** co-manages the Sustainable Food strategy and has been a member of the strategy's Portfolio Construction team since its inception in 2012. She also researches stocks globally with a particular focus on the Consumer Staples, Industrials and Materials sectors.

FEATURED STORY

HARNESSING THE POWER OF **SYNTHETIC BIOLOGY**



“This discipline – the engineering and redesign of biological systems that do not already exist in nature, but which could have a range of applications in modern day life – could also hold vast and diverse potential opportunities for investors.”



From cancer therapy to designer clothing and alternative food manufacturing, the application of synthetic biology is evolving at an extraordinary pace. Here, Walter Scott investment manager Tom Miedema surveys this changing landscape and the potential opportunities it may present.

In an age of increasing food shortage, where an expected 349 million people are projected to be food insecure in 2023,¹ imagine a world where we could produce an infinite quantity of food and other vital commodities from single cells. A world where fatal diseases were routinely eliminated and where we could inch nearer to unlocking the key to eternal life itself.²

In fact, this world may be much closer than we think, thanks to the exponential progress being made by scientists exploring the potential of synthetic biology. This discipline – the engineering and redesign of biological systems that do not already exist in nature, but which could have a range of applications in modern

day life³ – could also hold vast and diverse potential opportunities for investors, according to Miedema.

Miedema has researched a number of companies active in this field and sees potential for advancements in sectors such as medicine, food production, and consumer fashion. He believes the development of synthetic biology solutions holds far-reaching consequences for businesses around the world.

According to research from the Boston Consulting Group, synthetic biology could be applied extensively in manufacturing industries that account for more than a third of global output – worth just under US\$30 trillion – by the end of the decade.⁴



As a disruptive science with the potential to revolutionize both human health and many sectors of the economy, synthetic biology has been with us for much longer than many think.

Classical Roots

According to Miedema, the discipline can be traced back 2,000 years to the time of the Greek philosopher and polymath Aristotle. On a long journey, synthetic biology has since seen landmark breakthroughs such as the discovery of the deoxyribonucleic acid (DNA) helix and advances such as the development of synthetic insulin to help fight diabetes.

More recently the development of Messenger RNA (mRNA) vaccines saw their application help tackle the COVID-19 virus after the outbreak of a new and frightening global pandemic in 2020, he adds.

Commenting on the work involved in synthetic biology, Miedema says: "There have been lots of different milestones and technologies coming together to create what we see today – from the Human Genome Project and the ability to sequence DNA to the development of effective mRNA vaccines, and a whole host of other breakthroughs."

Describing the sheer breadth of work involved in synthetic biology, he adds: "In our view, this is a massive multidisciplinary effort in science. It crosses biology, chemistry, robotics and computer science. These things are coming together to accelerate to the point where we have all the tools in place to use this technology for a wide variety of applications."

“ We are also going to see the development of some really big technology platforms in healthcare going forward. Think about them as a whole swathe of tools that some very clever scientists are going to use to try and attack some of the really complex problems that we still face. ”



“While healthcare may be the most vital area ripe for synthetic biology innovation, the science is finding other applications in areas in sectors as diverse as food production and fashion, where synthetic materials such as faux leather manufactured from pineapples and even mushrooms are making their mark in the world of consumer fashion.”

In healthcare, Miedema believes that while some standard treatments for cancer and other conditions such as diabetes are well established, the development of a new wave of more complex and potentially far-reaching healthcare solutions is imminent.

“Some technologies and treatments – such as the use of insulin – have been used in healthcare for a long time already. But now what we are talking about is the development of a whole host of different methods of treatments or so-called modalities – such as mRNA, peptides and cell and gene therapy,” he adds.

“We are also going to see the development of some really big technology platforms in healthcare going forward. Think about them as a whole swathe of tools that some very clever

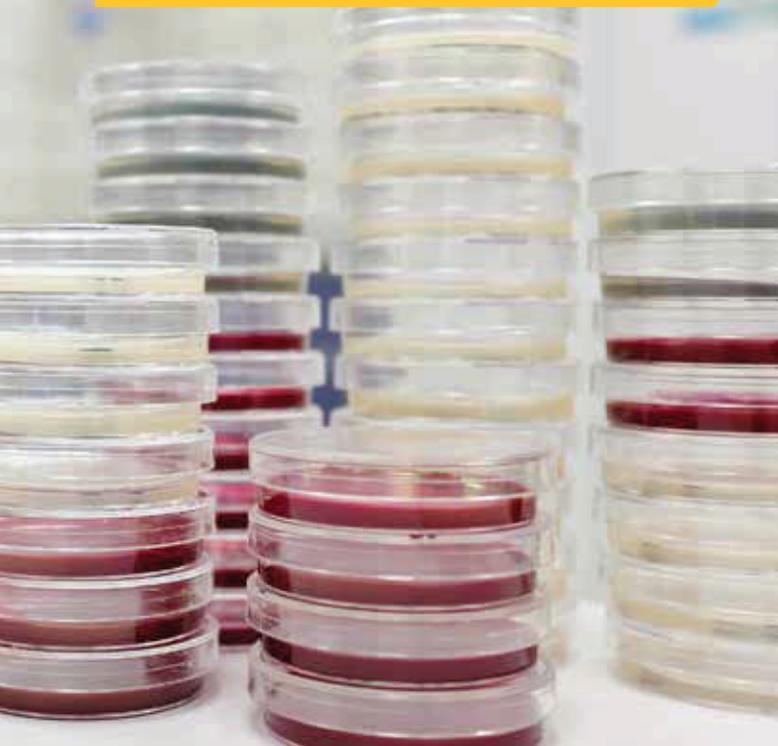
scientists are going to use to try and attack some of the really complex problems that we still face.”

Pineapple Leather

While healthcare may be the most vital area ripe for synthetic biology innovation, the science is finding other applications in areas in sectors as diverse as food production and fashion, where synthetic materials such as faux leather manufactured from pineapples and even mushrooms are making their mark in the world of consumer fashion.⁵ These materials have the potential to become more environmentally friendly alternatives to more common leather substitutes such as polyvinyl chloride (PVC) and polyurethane (PU) – which are both derived from fossil fuels.⁶



“Food production and farming could also see major benefits from synthetic biology.”



Food production and farming could also see major benefits from synthetic biology. The Boston Consulting Group says it believes these technologies could help farmers of the future create as much as 4.4 billion pounds of beef – more than Mexico consumes in a year – from just half a gram of cattle muscle.⁷ All of which is providing some weighty food for thought for both investors and their managers.

“Burgers, skin care, designer handbags, contaminated water and, of course, COVID-19 vaccines are just some examples of where synthetic biology technology is being applied out there in the real world today,” says Miedema.

“We believe key trends such as synthetic biology, merit a particularly deep dive. This technology is clearly an area with far-reaching consequences for businesses around the world, and we at Walter Scott are fascinated by the opportunities and risks it presents for investors today and in the future,” he concludes.

Further insights on synthetic biology from Walter Scott:

White paper: Synthetic Biology – Long-Term Opportunities in the Bioeconomy

Podcast: An Introduction to Synthetic Biology

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- 1 World Food Program (WFP). 2023: Another year of extreme jeopardy for those struggling to feed their families. December 2022.
- 2 Wired. The Next Best Version of Me: How to Live Forever. March 27, 2018.
- 3 As defined by the World Economic Forum, WEF. What is synthetic biology and what is its potential? These stories explain. June 22, 2022.
- 4 Boston Consulting Group. Synthetic Biology Is About to Disrupt Your Industry. February 10, 2022.
- 5 The Guardian. Plant or plastic? How to decode vegan leather alternatives. February 28, 2023.
- 6 Ibid.
- 7 Boston Consulting Group. Synthetic Biology Is About to Disrupt Your Industry. February 10, 2022.



Tom Miedema is an investment manager at Walter Scott, who joined the firm in 2007. Prior to this, he lived and worked in Taiwan, having previously worked at Baillie Gifford. He holds an MA in Business and Economics from Heriot-Watt University, Edinburgh and an MFin in International Finance from the University of Glasgow. Tom is a CFA charterholder.



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“The fundraising and jockeying for endorsements in the open legislative seats is well underway and we are expecting many highly contested primary races in March.”

State Association of County Retirement Systems

LEGISLATIVE REPORT

The Legislature met the fiscal committee deadline of September 1. On this day, both the Senate and Assembly Appropriations Committee held their Suspense File hearing, where they dispensed with hundreds of bills at once. The Senate held a little over 20% of the Assembly bills in this Committee while the Assembly held a little over 15% of the Senate bills that it heard on the Suspense File. Bills that are held in the Appropriations Committee are generally considered dead, aside from a small portion of bills that are held as “two year bills” that are eligible to move again early in January.

“After Session adjourns on September 14, the Governor will have until October 14 to sign the bills on his desk.”

The Legislature, as of this writing, is now two weeks of session—Legislators must pass bills off the floor of the second house, and if needed, the floor of the house of origin for concurrence, before the Legislature adjourns on September 14.

The Governor will then have a month to consider the bills that were placed on his desk at the end of session. The Legislature will remain on recess until 2024, reconvening on January 3.

After Session adjourns on September 14, the Governor will have until October 14 to sign the bills on his desk. The Legislature will remain on recess until Session reconvenes on January 3.

2023-24 State Budget Agreement. The Legislature and Governor reached a final budget agreement in late June, after a series of negotiations that were drawn out over disagreement on the Governor’s proposed infrastructure package. The most contentious item was the inclusion of language that would have expedited the Delta Tunnels project, which was ultimately removed in the final agreement.

Thereafter, the Legislature passed a series of budget bills and budget trailer bills, with the Governor signing the package on July 10. The budget was balanced to manage a deficit of over \$30 billion.

POLITICAL UPDATES

Assembly Leadership. As was noted in the July Legislative Update, Assemblymember Robert Rivas took over as Speaker of the Assembly on July 1. As the new Speaker, he brought a new leadership team to replace the leadership team of the previous Speaker. He did not, however, make broad changes to the chairs or membership of committees. With the work of the policy committees completed for the year, we would expect that changes in committee chairs will be announced in the very near future in order to reward the early and critical supporters of the new Speaker with important committee Chairships.

SENATE LEADERSHIP UPDATE

On Monday August 28, the Senate Democratic Caucus announced its next leader – Senator Mike McGuire was selected as the Senate Pro Tem Designee. Once the transition occurs, he will replace the current Pro Tem, Senator Toni Atkins, who is terming out in 2024. At this point, it is expected the transition will occur in 2024 and Senator Atkins will remain in her post for the duration of session. Senator McGuire terms out in 2026.

2024 Elections. Further political interest is generated by the fact that we are quickly heading into the 2024 elections as this election cycle features an early March primary. The 2022 election saw one-third of the Legislature replaced with new members. We are expecting a similar turnover in 2024 as it is the last term for those legislators originally elected under the 12-year term limit law in 2012. The fundraising and jockeying for endorsements in the open legislative seats is well underway and we are expecting many highly contested primary races in March.

LEGISLATIVE UPDATES

Below is an overview of the key bills the SACRS Legislative Committee and lobbying team has worked on or monitored closely this year.

SB 885 (Committee on Labor, Public Employment and Retirement). This is the annual committee omnibus bill that contains various cleanup provisions for CalSTRS, CalPERS and CERL systems. The amendments to the CERL make non-substantive, technical changes as well as conform provisions on Required Minimum Distributions to federal law under the SECURE ACT 2.0 by referencing the federal law instead of a specific age.

The Governor signed this bill into law.

AB 1020 (Grayson) – CERL Disability Presumptions. This bill would establish several new disability retirement presumptions for various injuries and illnesses in the CERL, similar to provisions that exist in the Labor Code. The bill is sponsored by the California Professional Firefighters. The author and sponsor agreed to technical clarifications proposed by SACRS that were amended into the bill in June. CSAC remains opposed to the bill.

The bill is pending a vote on the Senate Floor.

AB 1637 (Irwin) - Local Government Websites and Email Addresses. This bill requires cities and counties to use a “.gov” or “.ca.gov” domain for websites and email addresses by January 1, 2029. This bill passed out of the Senate Appropriations Committee on Friday and is now pending a vote on the Senate Floor.

SB 252 (Gonzalez) – PERS and STRS Fossil Fuel Divestment. Senator Gonzalez reintroduced SB 1173 from the last legislative session. Like last year, this bill applies to CalPERS and CalSTRS and prohibits the retirement systems from renewing or making new investments in fossil fuel companies as well as requiring them to liquidate existing investments by July 1, 2030, among other requirements. The bill was introduced as part of a package of climate legislation. The bill was made a two-year bill, but the author has committed to continuing to work on the issue in the future.

SB 660 (Alvarado-Gil) - CA Public Retirement System Agency Cost and Liability Panel.

This bill would establish the CA Public Retirement System Agency Cost and Liability Panel that would be tasked to determine how costs and unfunded liability are apportioned to a public agency when a member changes employers within the same retirement system or concurrently retires with two or more systems that have entered into a reciprocity agreement. The panel would include a member from the State Association of County Retirement Systems (SACRS). This bill was held in the Senate Appropriations Committee so it will not move further.

Public Meeting Bills. Since the onset of the COVID-19 pandemic, teleconferencing flexibilities have become a subject of interest in California's Legislature, with local government groups sponsoring various bills on the topic since 2021. This session is no exception, and a handful of bills have been introduced:

Public Meeting bills still moving forward:

AB 557 (Hart) - Brown Act Emergency Teleconferencing Sunset Extension.

This bill would remove the sunset in current law to allow teleconferencing during certain emergencies as well as increase the time period when the Board must renew the findings of an emergency or need for social distancing from 30 days to 45 days.

This bill passed out of two policy committees in the Senate with clarifying amendments and is now pending a vote on the Senate Floor.

SB 537 (Becker) - Teleconference Flexibilities.

This bill would allow expanded teleconference flexibilities for multijurisdictional, cross county legislative bodies, if certain requirements are met, along with adding to the list of circumstances where a member is permitted to participate remotely.

The bill has been narrowed considerably as it advanced through various policy committees in each house. The bill is pending a vote on the Assembly Floor.

Two-year Public Meeting bills:

AB 817 (Pacheco) – Open Meeting Flexibility for Subsidiary Bodies.

This bill allows subsidiary bodies to use teleconferencing without regard to a state of emergency, if they meet certain requirements. Subsidiary bodies are bodies that serve in an advisory capacity and do not take final action on specified items.

This bill was not heard in the Assembly Local Government Committee and will not move further this year.

AB 1379 (Papan) - Teleconference Flexibilities.

AB 1379 expands various flexibilities for local agencies under the Brown Act including, but not limited to, relaxing requirements for posting teleconference locations, relaxing certain quorum requirements, removing the existing January 1, 2026 sunset date of flexibilities

in current law, removing restrictions that prohibit members from participating remotely for more than two meetings a year, among other changes. The bill also requires that a legislative body have at least two meetings a year where members are in person at a single designated location.

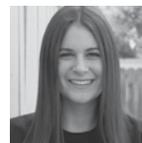
This bill was not heard in the Assembly Local Government Committee and will not move further this year.



Michael R. Robson has worked since 1990 in California politics and has been lobbying since 2001 when he joined Edelstein, Gilbert, Robson & Smith LLC. Prior to joining the firm, he began a successful career with Senator Dede Alpert as a legislative aide soon after she was elected to the Assembly in 1990. He became staff director/chief of staff in 1998, while the Senator served in the position of Chair of the Senate Appropriations Committee. He is experienced in all public policy areas with particular expertise in environmental safety, utilities, revenue and taxation, local government finance, education, and the budget.



Trent E. Smith worked for over 12 years in the State Capitol prior to joining the Edelstein, Gilbert, Robson & Smith LLC. He started his career in 1990 working for the well-respected late Senate Republican Leader Ken Maddy. He was later awarded one of 16 positions in the prestigious Senate Fellowship Program. Upon completion, he started working in various positions in the State Assembly. He worked as a Chief of Staff to Assembly Member Tom Woods of Redding and later to Orange County Assembly Member, Patricia Bates, who served as Vice Chair of the Assembly Appropriations Committee. In this position, he gained a unique and valuable knowledge of the State budget and related fiscal policy matters. In addition, he has extensive experience in numerous policy areas.



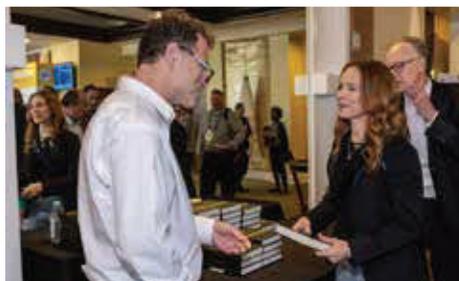
Bridget McGowan joined Edelstein Gilbert Robson & Smith in 2018. Prior to joining the firm, she gained policy experience in the California State Assembly. Through internships in the district office of her local Assemblymember and later, in the office of the Chief Clerk, McGowan developed her knowledge of California's legislative process, rules and procedures. A graduate from UC Davis in 2018 with a Bachelor of Arts in International Relations, she is currently pursuing a Master of Public Administration from the University of Southern California Price School of Public Policy.

SACRS

SPRING CONFERENCE 2023

PHOTO GALLERY

The SACRS 2023 Spring Conference took place at the Paradise Point Resort and Spa in San Diego and included thought provoking keynotes, valuable training sessions, and intriguing breakout and concurrent sessions covering a variety of topics. From beginning to end, a non-stop flow of information and opportunity could be found. Here's a visual look back at a few of the unforgettable sessions, activities, and events.







SHORT TAKES

Conversations with Spring Conference Keynotes

SACRS Spring Conference 2023 featured an incredible lineup of insightful and inspirational speakers. If you missed the keynote presentations, here are a few highlights and key takeaways from these valuable sessions.

A TOP-NOTCH MODERATOR



Emmy-award-winning journalist **Kellie DeMarco**, who's interviewed thousands of newsmakers and traveled the country covering breaking news, served as the keynote and general sessions moderator. She brought her nearly two decades as a news anchor – most recently at the NBC affiliate, KCRA in Sacramento – to the SACRS stage asking insightful questions and engaging the audience.



David Adelman

“Xi is not interested in military invasion. His overriding interest is in ensuring minimal disruptions to China's economic growth, financial stability, and social well-being.”

David Adelman

AMBASSADOR (RETIRED) DAVID ADELMAN

Ambassador (Retired) David Adelman, was appointed the 15th United States Ambassador to Singapore, serving during the first term of the Obama-Biden Administration. In the SACRS session, *A Conversation with Ambassador (Retired) David Adelman*, he brought his unique and balanced experience in Asia and China to the SACRS stage. David Adelman is currently the Managing Director and the General Counsel of KraneShares. He previously was a managing Director at Goldman Sachs in Hong Kong and partner in two global law firms practicing law in New York, Washington D.C. and Atlanta.

SACRS Magazine: Why is China's President Xi Jinping so unique?

DA: China derives from the Chinese Communist Party, which Xi has led since 2012 as general secretary. He secured a third five-year term in that post this past October. Being president mainly matters because it makes Xi head of state, meaning he can meet other heads of state as equals, rather than as merely the leader of a political party. Even though largely ceremonial, the title of president was enshrined in the constitution as having a two-term limit. Xi persuaded parliament in 2018 to lift the term limits on the presidency, signaling his goal of leading China longer than anyone in a generation.

In March it became reality, as Xi took his oath for an unprecedented third term in office as state president.

SACRS Magazine: In your opinion, how is China doing post-COVID 19 and in light of Russia's Ukraine invasion?

DA: Xi is navigating China's role in the world, while building China's domestic strength focusing on military, growth of civil society, and most importantly economy. Xi is trying to develop independent strength, so China is not as vulnerable as it was in 2008. China's slower recovery made Xi aware especially around consumerism. The U.S. recovered more quickly because of consumerism.

While China is sitting pretty as the beneficiary of Russian resources, like national gas and oil, Xi is most interested in building stability for his country. He has looked at sanctions and he must be taking note that Sweden joined NATO. NATO is now stronger, but Russia is a cautionary tale for him. Xi is not interested in military invasion. His overriding interest is in ensuring minimal disruptions to China's economic growth, financial stability, and social well-being.

Due to a variety of factors (aging population, etc.), China's future growth may not be as robust as it's past growth. China's reopening and stripping away of stringent restrictions around COVID-19 will have global implications for growth, trade, and inflation.

SACRS Magazine: What about trade wars? Will we see it going further?

DA: It would be hard for the United States to go beyond the 25 percent restricted flow of goods tariff that it's currently imposing. The interesting unwritten story is what the Administrations have done to exempted certain goods, massive parts of goods, subject to exclusion for a year or 18 months, which then get extended.

China is a massive manufacturer of goods. They have the most cost efficient and most advanced ports. They have it down. Despite the rising tensions, trade between the countries remains extremely strong. China is America's third-largest

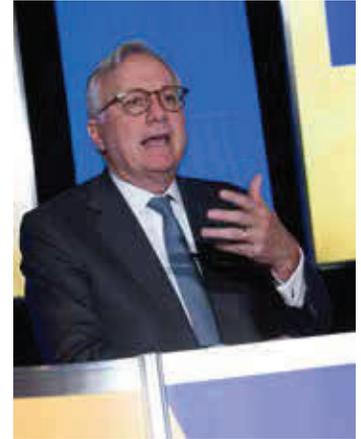
trading partner, after Canada and Mexico.

Overall, global trade growth is slowing, and deglobalization is on the rise as the world appears to be moving towards more regional trade blocks. Protectionism, increasing "near shoring" and "friend shoring" is on the rise. Multinationals are moving production out of China to lower cost venues like Vietnam, India, and Mexico.

SACRS Magazine: Can we trust President Xi Jinping and China?

DA: There has been a deterioration of the relationship between China and US. It's been two steps forward, take two and a half steps back. Getting to a point of guardrails will help restore some trust. Look for milestones and confidence builders like the ease of getting visas between China and US.

For Xi, stability is the precondition for prosperity. Xi and his foreign policy are here to stay, and China is back open for business after three years of fighting COVID-19—even if its return to growth is bolstered through unsustainable deficit spending. Xi is the man who brought China out of poverty. He's not going to go to war. China does, however, see Taiwan as an unfinished civil war and it will continue to be part of China's story.



DeMaurice Smith

“I decided that if players were interested in coming up with a way to fight to protect themselves, and protect their families, and try to do what's right, then I would take the job.”

DeMaurice Smith

DeMAURICE SMITH

DeMaurice Smith, Executive Director of the National Football League Players' Association, joined SACRS Spring Conference attendees to share his successful steps and insider stories drawn from his extensive experience leading the NFLPA and as one of the best trial lawyers in the country.

SACRS Magazine: ESPN opined that you had assumed the toughest job in sports by succeeding the late Gene Upshaw and by heading into the most contentious and public labor/management battle in sports history. As Executive Director of the National Football League Players' Association, you led the players through the 132-day NFL lockout. If, in that moment, it was "the toughest job in sports," why did you take it?

DS: When the call from the search firm came to see if I'd be interested in the job, I told him no. But then I was told that the players were headed into a certain lockout because the owners said that they would do it. The players were looking at a lock of about a year, because of three things that the owners wanted: the players to give up their pensions; the players to give back 20% of their salaries; and they wanted players to play 18 games for free. To me that sounded like a group of bullies just trying to dictate their way, instead of sitting down with the men that are actually doing the work on the field. NFL owners answer to no one, there's no Board of Directors, there's no transparency, and there's no oversight. The public pays for the stadiums.

The reality is an NFL player plays three and a half years on average and the injuries are 100%. Most players are not Tom Brady. There is a wide range of players on the NFL matrix with 70% playing for league minimum. I decided that if players were interested in coming up with a way to fight to protect themselves, and protect their families, and try to do what's right, then I would take the job. I mean, it's a rare day that you get to be at a point in your life where you can lead a group of people into the right fight, about the right things, for all the right reasons.

SACRS Magazine: And it fit with what you talked about being your "North Star" values, that were important to you and your parents.

DS: My parents were very active in the civil rights movement. They both grew up in the Jim Crow South. My Father literally went to the Marine Corps to escape working on the farm all day. When he came back from the Marine Corps, he realized that his only way out of the Jim Crow South was coming up North to get a job. My mother went to segregated schools. Did the same thing, left Atlanta Georgia moved North and went to a segregated nursing school and got her nurses degree.

They put together a middle-class family and I grew up with tremendous pressure to be successful personally and to give back to the community. It was a loving home with a set of "North Star" values that were sacrosanct, and undebatable.

Perhaps one of the most inspirational moments of my life was realizing that fixing the lockout was more important to the players than the game of football that they loved. It was more important to take a stand now that would benefit anyone who came up after, that these players were willing to sacrifice and pay it forward.

SACRS Magazine: In your opinion, what marks a good leader?

DS: A level of intentionality and really understanding what the job is. Learning your craft is so important. We are highly trained for that 30% technical part of the job, but the other 70% is soft skills. You need to look for people that are:

1. Capable – the best and brightest
2. Willing – to go the extra mile – this can be the hardest to find
3. Visionary – set principals we should adhere to for the long play

Remove any one of the three and it becomes a failure metric.



Michelle DeFossett

“This year’s cohort is 70% women of color represented by 120 universities and 100 different majors.”

Michelle DeFossett

MICHELLE DeFOSSETT

In an enlightening session, Girls Who Invest’s Chief Operating Officer **Michelle DeFossett** shared insights into the organization, offered real stories, and discussed the organization’s mission and programs to address the lack of diversity on investment teams.

SACRS Magazine: In your session, you spoke about Girl’s Who Invest’s mission, how did the program come about?

MD: The investment management industry has been challenged by a lack of diversity on investment teams. When looking at organizational charts, it becomes clear that women are missing. So, the question became: Where are they? When we realized that we could not identify where the women were, the idea behind Girls Who Invest (GWI) was born. We focus on education, mentoring, internships and a supportive community to bring more women and diversity into the asset management industry.

Today, we have over 2000 alumni GWI, with a majority being Gen Z. This group wants to see the path, and they want to understand wellness, flexibility in jobs, and things like this, at an earlier age than we did. At GWI, we look at DEI (diversity, equity and inclusion) plus B (belong). Trust me, they know if that B is there.



SACRS Magazine: Is there a particular school or program that GWI recruits come from?

MD: We are both major and school agnostic. We are diverse. This year’s cohort is 70% women of color represented by 120 universities and 100 different majors. Of the 40% that are economically challenged, 20% are first Gen.

SACRS Magazine: What’s the success rate? How many GWI scholars stay in the field?

MD: There was a broader study that revealed 47 to 40% of folks brought into the industry drops to 20%. To me, this means there is something wrong in the pipeline. Coming out of our GWI program, to date, over 70% of our scholars placed in internships remain in finance and many of those that do leave go into fields like banking.

SACRS Magazine: It sounds like the GWI model is working. How can SACRS members and affiliates help?

MD: We are incredibly proud of the change that brings opportunity. We need a diverse group to take advantage to move the change forward in a positive way. We need help from the outside to expand our reach, such as asset experts that will talk to the girls in the field and sponsorships that will help pay for housing, food, etc. To participate in the program, girls often give up four weeks of income, so we need to help them out.

GWI proves that together we can get to diversity. Together we can make it a more equitable, inclusive, work world.



Michael E. O'Hanlon

“History has told us, even if you think you have a plan for rapid, decisive victory, it probably won't happen.”

Michael E. O'Hanlon

MICHAEL E. O'HANLON

During his SACRS session, esteemed military expert **Michael E. O'Hanlon**, who specializes in US defense strategy; the use of military force; and American national security policy, shared lessons for today and tomorrow. In addition, O'Hanlon, included observations of the Russia-Ukraine war and its impact on the economy.

SACRS Magazine: In your view, what's the outlook for the Russian-Ukraine war?

MO: The CIA and Vladimir Putin both thought the war would be quick. But the outcome is not preordained. History has told us, even if you think you have a plan for rapid, decisive victory, it probably won't happen.

Ukraine is moving toward a stalemate. Russia holds about 17% of Ukraine, and that's roughly unchanged since October. Bottom line: Don't expect a re-shape of the territories. It's all bogging down and I do not expect any game changers.

SACRS Magazine: Have you met Ukrainian President Volodymyr Zelensky?

MO: I have met Zelenski, and he is greater in person than you might think. He has warmth and a dry sense of humor; he wasn't fake at all. He is worried that this war is going to be a very long one. He thinks it will go into next year and the year after. The Ukraine needs help with air defense and financial support.

SACRS Magazine: Do you think Russia will use a nuke?

MO: If he did, Putin would target something remote. The real target is psychological with a goal to shock and force Ukraine to end the war and come to the negotiation table.

SACRS Magazine: Do you think China will invade Taiwan?

MO: Nancy Pelosi, while serving as the speaker of the US House of Representatives, visited Taiwan in August 2022. I was in Taiwan just after she was there. While the United States does not have diplomatic relations there, Pelosi's stop in Taipei marked the first time that a US House speaker has visited Taiwan in 25 years.

The Taiwan people are amazing. They are relatively hopeful, living in an intense world that is probably the most complicated since the Cold War. Even as China conducted huge military drills off their coast following the Pelosi visit, the Taiwanese didn't seem to be affected. We're not likely to see an escalation by China or a dramatic move to reunify Taiwan. Xi doesn't want to go to war. We don't expect China to do anything.



Jackson Cummings, Ron Taylor and Shawna Ferguson

“DEI is not a charity, not a favor to someone. It is about business outcomes.”

Jackson Cummings

SHAWNA FERGUSON, JACKSON CUMMINGS AND RON TAYLOR

There is a growing expectation from clients and colleagues that investment managers will incorporate diversity, equity and inclusion (DEI) into investment, business, and talent approaches. The generations of today and tomorrow want to see us move beyond words of intention surrounded by lots of activities to deliberate actions that drive progress. In this SACRS session, **Shawna Ferguson**, Partner, Senior Managing Director, Global Diversity, Equity & Inclusion, Wellington Management; **Jackson Cummings**, Head, Wellington Access Ventures, Wellington Management; and **Ron Taylor**, Portfolio Specialist, T. Rowe Price, spoke about how their firms incorporate DEI throughout their business and talent ecosystem.

SACRS Magazine: Today DEI is moving to the forefront, but for you, Ron, it's always been your focus. Why?

RT: When I was younger, I was bused out to great schools in the suburbs, but I saw the disparity firsthand. While I got a look at the world, I saw kids in my neighborhood that didn't have access to opportunities. It's been a part of my life's mission to create opportunities for young people.

We believe in portfolio diversification. We also must believe in human diversification. In my opinion, people want this. It is about doing good and what is right, and it has to be infused in the business culture. We have to ask, are we getting to the right outcomes, are we doing what is best?

SACRS Magazine: How does an organization go about incorporating DEI into their business practices?

SF: It has to be a holistic approach – with a budget! Staff it like a true business function. You can't just count your DEI numbers like jelly beans. Instead, look to see representation. Are they in places that count? Making big decisions? Do they drive outcomes? From a development standpoint, fill in the knowledge gaps. Take them from good to great and grow them to be ready to take a seat at the table.

The accountability piece is so important. What do people care about? Your transparency and communication. The good and the bad.

JC: Unconscious bias is something everyone has. It is part of who we are, and we have to recognize that. You have to have a purpose driven why. Sometimes it takes just one senior level individual to start to see success within the organization. We have allies in the world, you don't have to be a woman or a person of color. You need heart and you have to care. Anyone can be bold and intentional.

And it's not going to happen overnight. We want to see progress goals. Systematically change the day by day. DEI is not a charity, not a favor to someone. It is about business outcomes.

RT: Goals are important. If you do not set a goal or target, how do you know if you're successful? It is one thing to post numbers, but people want to feel like they

belong. White leaders need a safe space to ask questions. You have to establish a culture where people feel safe.

SACRS Magazine: What kind of questions are firms getting when asked about their DEI practices?

SF: You'll be asked about your DEI strategy. You'll be asked about representation. You'll be asked how you're incorporating DEI into the running of your business. You need to ask yourself: Do your words match action? In 2020, after George Floyd, many stood. The question is, are they still standing today?



Sabrina Unger

“As remote work continues, management is struggling with the realization that even if staff is only there halftime, the office footprint may be the same, because we want collaboration and that requires everyone to be in the office at the same time.”

Sabrina Unger

SABRINA UNGER

Sabrina Unger, Managing Director, Research and Strategy at ARA, leads the firm's research initiatives and works closely with the firm's Investment and Portfolio Management teams in developing investment analysis in support of new acquisitions and strategy implementation. In a revealing SACRS session, Unger explained what the current market outlook is like, and provided a review of recent trends.

SACRS Magazine: What's happening with office spaces? Are workers finally returning?

SU: Remote and hybrid work have largely reduced demand for office space. In March-April of this year there was a 65% increase in distress for suburban offices. We are finding that most employees don't like hoteling – sharing desk space. As remote work continues, management is struggling with the realization that even if staff is only there halftime, the office footprint may be the same, because we want collaboration and that requires everyone to be in the office at the same time.

There is some interest in converting office spaces to apartments or condos to address housing shortages. The trouble is those floorplans are deep. There's no light, no air, and there are very different water / sewage needs. It is being discussed, but it doesn't happen as much as some hoped.

SACRS Magazine: How about industrial real estate?

SU: Industrial real estate has the absolute lowest cap rates. It is very strong with low vacancy rates and a lot of rent growth. It is still the likely winner, even if we have a recession, industrial will still be in a good place.

SACRS Magazine: Pre-pandemic the retail real estate space was troubled, how is it now?

SU: There was an excess of retail space pre-COVID, but what happened is during that time the herd was thinned. So retail was in a stronger position going into the pandemic. Post-COVID we are seeing very few retail closures. There has been a strong return to grocery and other necessity-oriented stores. Overall, the space is stable and those that have it in their portfolios are happy.

SACRS Magazine: What's the current residential housing market like?

SU: The residential housing market is very stable. We are seeing expansions of multifamily spaces that were delayed as construction was put on pause due to the pandemic of both those that were proposed and those impacted by a backlog of materials. Millennials are now in their late 30s and 40s and interested in purpose-built single-family rentals for those want space, but don't have the down payment. We are starting to see what's investable real estate; the spectrum is expanding, and it's an exciting space to be in.

EDITOR'S NOTE: Comments are from the point in time of May.

CONGRATULATIONS!



During the Spring Conference, then SACRS President Vivian Gray recognized two SACRS volunteers. She presented SACRS Volunteer Awards to Veronica Yi-Martinez, Los Angeles CERA and Cynthia Martinez, Los Angeles CERA both of the Los Angeles CERA Communications Department.

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FALL 2025

Nov. 11-14

Napa Valley Marriott Hotel and Spa • Napa, CA

SPRING 2026

May 12-15

Resort at Squaw Creek • Olympic Valley, CA

FALL 2026

Nov. 10-13

Omni Rancho Las Palmas Resort & Spa • Rancho Mirage, CA

