

**SONOMA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENT COMMITTEE MEETING MINUTES**

Thursday, February 27, 2025
8:37 a.m.

Presiding: Greg Jahn, Chair

Present: Trustees Neil Baker (Alternate Retiree – voting member), Travis Balzarini (left at 11:48 a.m.), Amos Eaton, Jared Gonce, Erick Roeser, Joe Tambe, and Bob Williamson; Assistant CEO/Chief Legal Counsel Cristina Hess, Chief Investment Officer Jim Failor, Investment Officer Mickey Nguyen, Retirement Analyst Rebecca Gay and Administrative Aide Julia Smith; Pierre Anctil and Ali Talerman (of Axiom); Chris Behrns (of Aon)

Present via

Zoom: Chief Executive Officer Julie Wyne; Tim Pflugradt (of Aon)

Absent: Trustees Chris Coursey and Mark Walsh

Public comments were solicited prior to the meeting by emailing Rebecca.Gay@sonoma-county.org. Members of the public that joined the Zoom meeting were provided opportunity to submit live public comment for each agenda item after the Committee and staff provided their comments.

Chair Jahn confirmed with Retirement Analyst Rebecca Gay that SCERA had not received any public comment prior to the meeting.

I. MINUTES APPROVAL

January 30, 2025, Investment Committee Meeting Minutes

Recommendation: Approve the January 30, 2025, Investment Committee Minutes.

A motion was made by Trustee Williamson, seconded by Trustee Baker, to approve the January 30, 2025, Investment Committee Minutes. The motion carried 7-0-1-1 with voting as follows:

Mr. Baker	Aye
Mr. Balzarini	Aye
Mr. Coursey	Absent
Mr. Eaton	Aye
Mr. Gonce	Abstain
Mr. Jahn	Aye
Mr. Roeser	Aye

Mr. Tambe Aye
Mr. Williamson Aye

II. PRESENTATIONS

- A. Axium – President & CEO Pierre Anctil and Director of Investor Relations Ali Talerman provided an organizational update and commented on the performance and positioning of the Axium Infrastructure North America II Fund in which SCERA invests. Mr. Anctil reviewed the history of Axium's ownership structure with Maxsa Holdings, a passive minority investor and the only non-employee shareholder, and also described details of the employee stock option program. Year-to-date net IRR through the third quarter of 2024 was 8.8% and inception-to-date was 9.4%. Net cash yield is expected to be within a 4-5% range. The return for renewables over the past 2 years of 6-7% has been lower than the average historical range of 9% due to the projections for sun, wind, rain, etc., as well as low power prices in California. Axium is considering alternative independent sources to reduce forecast volatility that impact valuations. Artificial intelligence has become an important tool for analyzing data from wind turbine sensors that can predict failures and lower downtime as much as possible. Axium has developed software for other asset types as well. Thermal events (i.e. fires) at battery storage sites, the Texas transmission asset, potential changes to the Inflation Reduction Act, and precautionary measures with procurement to minimize the impact of tariffs were other topics of discussion.

CIO Failor mentioned that since Axium does not offer a dividend reinvestment option, the size of the investment will decline over time and may open an opportunity to reinvest with this manager, although currently the Plan is overweight Infrastructure. Some trustees voiced concern over the new administration's impact on SCERA's portfolio, especially regarding the potential weakening of the Rule-of-Law. To take a proactive stance on the current environment, the Board agreed to request a written response from SCERA's investment managers and consultant on how they were specifically managing through the dynamic political landscape. Inviting a speaker to address this topic was also a possibility.

- B. Fourth Quarter 2024 Investment Performance Report – Senior Consultant Chris Behrns of Aon Investments USA presented the fourth quarter 2024 results as well as a recap of 2024 market highlights. The Total Plan return was -1.0% for the quarter and 9.6% for the year, net of fees. This full year return placed SCERA in the top 33rd percentile rank, driven by outperformance by some active managers, such as Arrowstreet and DoubleLine, while disappointing performance from Dodge & Cox and SCERA's Real Estate managers detracted from overall results.

III. INVESTMENT STAFF AND CONSULTANT

- A. Quarterly Investment Project Plans for 2025 – CIO Failor introduced the investment project plans for calendar year 2025 to give Board members the opportunity to add or remove items, or comment upon the scheduled plans. No changes were requested.
- B. ESG (Environmental, Social, Governance) Investing Surveys
 - 1. Review of Aon's ESG Educational Presentation – Chris Behrns of Aon Investments USA gave a brief recap of Aon's approaches to ESG investing through screening, integration, impact, and stewardship. SCERA's experience with ESG and example peer practices was also covered. The full presentation was originally given at the September 2024 Investment Committee meeting.
 - 2. SCERA/Aon Responsible Investing Survey Results – CIO Failor summarized the tallied results from the 7 responses received. There were Trustee comments regarding the objectivity and clarity of the survey questions.
 - 3. RBC Wealth Management ESG Questionnaire Results – With three responses received for this survey, no conclusions could be drawn from the results. A Trustee confirmed with consultant Aon that SCERA is following best practices by focusing on the integration approach and suggested that SCERA continue to have an ongoing dialogue with managers to ensure Board and staff are appropriately informed on ESG standards and practices, similar to staying abreast of their management of assets through the current policy developments.
- C. Fixed Income Portfolio Structure Primer (Part 1 of 2) – Chris Behrns of Aon Investments USA presented an introduction to the Fixed Income structure review which will be discussed in more detail at the March Investment Committee meeting. The evolution of the Bloomberg US Aggregate Bond Index over the past 20 years has heavily tipped the widely quoted benchmark toward Treasuries and the US Credit Index toward Baa credits. Only 40% of the US credit universe is currently included in the widely-referenced US Aggregate Index. On this basis, Aon has developed an Enhanced Core concept to add exposure to investment grade quality debt outside of the index, such as multi-sector securitized, private credit, and asset-based lending. Specific implementation strategies applicable to SCERA's Fixed Income portfolio will be reviewed at the next IC meeting. Trustees expressed concern as to whether credit risk is being properly priced given tight spreads, and further education on fixed income terminology was requested.
- D. Active versus Passive Review – this presentation was rescheduled for next month's Investment Committee meeting.

- E. CC&L Q Global Equity Mandate – CIO Failor gave a verbal update on the status of business negotiations with CC&L. As the investment vehicle for the Global Equity mandate is a CIT there are several important protections provided, such as an ERISA fiduciary standard. As a result, SCERA will enter into a side letter agreement that is not extensively customizable. The timing for funding is likely to be March or April month-end.

IV. COMMUNICATIONS

- A. SCERA Investment Performance Report for January 2025 – Investment Officer Mickey Nguyen reported a Total Plan gross-of-fees return of 3% for the month of January, outperforming the Target Policy by +85bps. Active equity managers contributed to the strong absolute and relative performance while Total Fixed Income reported in line with the benchmark. Real Assets fourth quarter 2024 was booked in January with strong returns from KKR, IFM, and JP Morgan. It was also noted that after unlagging the Real Assets returns, the Total Plan return for 2024 will be approximately 11% gross of fees.
- B. UBS Farmland Update, “James B. McCandless to retire in April 2025”, February 2025, and Townsend Flash Report Re UBS AgriVest Farmland Fund Leadership Transition, February 20, 2025.
- C. Aon Flash Report Regarding 10% Ownership Change in IFM Investors, February 2, 2025.
- D. Sonoma Magazine, “Gundlach Bundschu Winery in Sonoma Keeps Building on Tradition”, January 2025.
- E. Barron’s, “Bonds Had Their Worst Decade in 90 Years. . . .”, January 22, 2025.

V. GENERAL DISCUSSION MATTERS

Opportunity was given to advise the Investment Committee of new matters and for Committee members to ask questions for clarification, provide information to staff, request staff to report back on a matter, or direct staff to place a matter on a subsequent agenda.

There were no general discussion matters.

VI. PUBLIC COMMENT

Opportunity was given for public comment on non-agenda items within the jurisdiction of the Investment Committee.

There were no public comments.

VII. NEXT MEETING

The next Investment Committee meeting is scheduled for Thursday, March 27, 2025, at 8:30 a.m. Planned topics for this meeting include a presentation by JP Morgan. All meetings are held at

SCERA in the Board Room at 433 Aviation Boulevard, Suite 100, Santa Rosa, CA, and broadcast via Zoom unless otherwise noted.

VIII. ADJOURNMENT

With no further business to conduct, the meeting adjourned at 11:58 a.m.

IX. APPROVAL

The above minutes of the Investment Committee meeting on February 27, 2025, were approved at the Investment Committee meeting on March 27, 2025.

GREG JAHN, CHAIR