



Notice of Public Meeting

The Board of Retirement of the San Mateo County Employees' Retirement Association will meet on **Tuesday, July 26, 2022, at 10:00 A.M.**

In accordance with Government Code § 54953 and § 54954, the Members of the Board will be participating via Zoom video conference and teleconference. Pursuant to Government Code § 54953 and § 54954.3, members of the public, to the extent required by law, will have the opportunity to directly address the Board concerning matters within the jurisdiction of the Board. The public can participate and provide comment using the instructions below:

To Join the Meeting

- To join the meeting via video conference, click here: <https://us06web.zoom.us/j/81657060702>
- To join the meeting via telephone, dial: (669) 900-9128, and enter Meeting ID: 816 5706 0702

Public Comment During the Meeting

Persons wishing to address the Board should follow the steps below:

- If joining via video conference, please use the “raise your hand” feature in Zoom during the Oral Communications from the Public period.
- If joining via teleconference dial in, please dial *9 to “raise your hand” during the Oral Communications from the Public period.

You will be called on at the appropriate time. At the beginning of your comment, please state your name.

Public Comment Prior to the Meeting

Persons who wish to address the Board may submit written comments via email to samcera@samcera.org at least 30 minutes before the start of the Board meeting. Please include your name, agenda item, and your comment. The Board will have the email read into the record and attached to the minutes.

For help joining a Zoom meeting, see: <https://support.zoom.us/hc/enus/articles/201362193>

PUBLIC SESSION – The Board will meet in Public Session at 10:00 a.m.

1. Call to Order, Roll Call and Miscellaneous Business

- 1.1 Election of Board Officers
- 1.2 Announcement of Appointment of Board Committees

2. Oral Communications

- 2.1 Oral Communications from the Board
- 2.2 Oral Communications from the Public

3. Approval of the Minutes

- 3.1 Approval of Board Meeting Minutes from May 24, 2022

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4. Approval of the Consent Agenda*

- 4.1 Disability Retirements (3)
 - King, Scott
 - Montalvo, Lilian
 - Rodriguez, Crispin
- 4.2 Survivor Death Benefits (1)
 - Vers, Joseph
- 4.3 Service Retirements
- 4.4 Continuances
- 4.5 Deferred Retirements
- 4.6 Member Account Refunds
- 4.7 Member Account Rollovers
- 4.8 Member Account Redeposits
- 4.9 Acceptance of Trustees' Reports of Educational Activities
- 4.10 Approval of Resolutions that Define Compensation Earnable and Pensionable Compensation
- 4.11 Acceptance of Semi-Annual Compliance Certification Statements for Period Ended June 30, 2022
- 4.12 Approval of Questions for Annual Review of Milliman, Inc.
- 4.13 Reaffirmation of Conflict of Interest Code

5. Benefit & Actuarial Services

- 5.1 Consideration of Agenda Items, if any, Removed from the Consent Agenda
- 5.2 Discussion of Draft Funding Policy

6. Investment Services

- 6.1 Report on Preliminary Monthly Portfolio Performance Report for the Period Ended June 30, 2022
- 6.2 Presentation of Private Asset Semi-Annual Performance Reports as of December 31, 2021
- 6.3 Report on Core Equity and Low Volatility Equity Manager Annual Reviews
- 6.4 Report on International Equity Manager Annual Reviews
- 6.5 Report on Real Estate Manager Annual Reviews
- 6.6 Approval of Resolution Amending SamCERA's Investment Policy Statement
- 6.7 Approval for Reducing SamCERA's Currency Hedge

7. Board & Management Support

- 7.1 Discussion and Direction to Staff of Strategic Plan Update Process
- 7.2 Approval of Special Election to Fill the Safety Alternate Seat

8. Management Reports

- 8.1 Chief Executive Officer's Report
- 8.2 Assistant Executive Officer's Report
- 8.3 Chief Investment Officer's Report
- 8.4 Chief Legal Counsel's Report

CLOSED SESSION – The Board may meet in closed session prior to adjournment

- C1 Consideration of Disability Items, if any, removed from the Consent Agenda

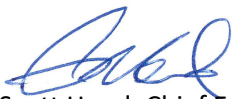
9. Report on Actions Taken in Closed Session

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10. Adjournment in Memory of the Following Deceased Members:

Spahn, Charlene	April 29, 2022	Agriculture/Weights & Measures
Page, Dorothy	May 5, 2022	Human Services
Duncan, Betsy	May 12, 2022	General Services
Coder, Karen	May 16, 2022	Probation
Mirosnkoff, Peter	May 17, 2022	Sheriff's
Briones, Danilo	May 19, 2022	Controller's
Marchischeck, Fe	May 23, 2022	Hospital
Estes, Nellie	May 24, 2022	Social Services
Schellenberg, Jean	May 30, 2022	Crystal Springs Rehab Center
Phillips, Lovie	June 1, 2022	General Services
Brosnan, Bonnie	June 7, 2022	Controller's
Fotis, Alexandra	June 7, 2022	Public Safety
Letona, Bertha	June 10, 2022	Communications
Dekker-Davidson, Beverly	June 10, 2022	Social Services
Prasad, Ramendra	June 12, 2022	Family Services
Young, Jack	June 15, 2022	Controller's
Fischer, Phyllis	June 30, 2022	Children and Families First
Dames, Elizabeth	July 8, 2022	Hospital
Griswold, Barney	July 8, 2022	Library
		Probation



Scott Hood, Chief Executive Officer

Posted: July 20, 2022

(* ALL ITEMS ON THE CONSENT AGENDA ARE APPROVED BY ONE ROLL CALL MOTION UNLESS A REQUEST IS MADE BY A BOARD MEMBER THAT AN ITEM BE WITHDRAWN OR TRANSFERRED TO THE REGULAR AGENDA. ANY ITEM ON THE CONSENT AGENDA MAY BE TRANSFERRED TO THE REGULAR AGENDA. ANY 4.1 ITEMS REMOVED FROM THE CONSENT AGENDA WILL BE TAKEN UP UNDER CLOSED SESSION; ALL OTHER ITEMS REMOVED FROM THE CONSENT AGENDA WILL BE TAKEN UP UNDER ITEM 5.1.)

THE BOARD NORMALLY MEETS AT 100 MARINE PARKWAY, SUITE 160, WHICH IS LOCATED ON THE SE CORNER OF TWIN DOLPHIN & MARINE PARKWAY IN REDWOOD CITY. Detailed directions are available on the "Contact Us" page of the website www.samcera.org. Free Parking is available in all lots in the vicinity of the building. A copy of the Board of Retirement's open session agenda packet is available for review at the SamCERA offices and on our website unless the writings are privileged or otherwise exempt from disclosure under the provisions of the California Public Records Act. Office hours are Monday through Thursday 7 a.m. – 6 p.m.

IN COMPLIANCE WITH THE CALIFORNIA GOVERNMENT CODE AND THE AMERICANS WITH DISABILITIES ACT: SamCERA's facilities and board and committee meetings are accessible to individuals with disabilities. Contact SamCERA at (650) 599-1234 at least three business days prior to the meeting if (1) you need special assistance or a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in this meeting; or (2) you have a disability and wish to receive the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting in an alternative format. Notification in advance of the meeting will enable SamCERA to make reasonable arrangements to ensure full accessibility to this meeting and the materials related to it.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2022

Agenda Item 1.1

TO: Board of Retirement

FROM: Ad Hoc Nominating Committee – Robert Raw, Mark Battey and Al David (Chair)

SUBJECT: Election of 2022-2023 Board Officers

Recommendation

Accept report of the Ad Hoc Nominating Committee and hold election for Board Officers.

Background

Pursuant to the Board's Regulations, an election of Board officers is to be held at the first regular meeting in July.

The Board Chair, Robert Raw, appointed an Ad Hoc Nominating Committee to recommend a nomination slate for the Board of Retirement officer positions for the 2022-2023 term.

Discussion

The Ad Hoc Nominating Committee met and now recommends that the Board:


- Ask for a motion and a second to place the Committee's following slate of candidates in nomination:
 - Katherine O'Malley, Chair
 - Mark Battey, Vice Chair
 - Alma Salas, Secretary
- Open the floor to additional nominations, and
- Conduct a vote for the officer positions

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2022

Agenda Item 1.2

TO: Board of Retirement

FROM: Scott Hood, Chief Executive Officer 

SUBJECT: Announcement of Appointment of Board Committees

Recommendation

The Chair may announce appointments to the Investment Committee and the Audit Committee as the Chair deems appropriate.

Background

The Board Chair, or the Vice-Chair in the Chair's absence, is authorized by the Regulations of the Board of Retirement to appoint all committees.

2.1 Election of Chair: At the first regular meeting in July, the Board of Retirement shall elect one of its members chair for a term of one year or until his or her successor is duly elected and qualified. The Chair shall preside at all meetings of the Board, **shall appoint all committees** (*emphasis added*) and shall perform all duties incidental to that office.

2.2 Election of Vice Chair: At the regular meeting in July or August, the Board of Retirement shall elect one of its members vice chair for a term of one year or until his or her successor is duly elected and qualified. In the Chair's absence or inability to act, the Vice Chair shall take the place and perform the duties of that office.

Committee assignments for FY21-22 were as follows:

Standing Committees:

- Audit Committee: Sandie Arnott, Vice Chair, Al David, Paul Hackleman and Katherine O'Malley, Chair
- Investment Committee: Mark Battey, Alma Salas and Kurt Hoefer, Chair

Ad Hoc Committee:

- CEO Evaluation Committee: Sandie Arnott, Katherine O'Malley and Al David, Chair

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
MAY 24, 2022 – REGULAR BOARD MEETING MINUTES

2205.1 Call to Order, Roll Call and Miscellaneous Business

Call to Order: Mr. Raw, Chair, called the Regular Meeting of the Board of Retirement to order at 10:00 a.m.

Roll Call:

Present: Sandie Arnott, Ben Bowler, Al David, Paul Hackleman, Kurt Hoefer, Elaine Orr, and Robert Raw.

Absent: Mark Battey, Susan Lee, and Katherine O'Malley.

Alternates: Alma Salas.

Staff: Michael Coultrip, Lili Dames, Elizabeth LeNguyen, Scott Hood, Doris Ng, Paul Okada, Gladys Smith, and Anne Trujillo.

Consultants and speakers: Nick Collier and Craig Glyde (Milliman, Inc.); Joe Abdou, Margaret Jadallah, John Nicolini, and Faraz Shooshani (Verus).

2205.1.1 Appointment by Chair of Ad Hoc Nominating Committee for Board Officers: Mr. Raw announced that he and the remaining members of the Ad Hoc Nominating Committee, Mr. David and Mr. Battey, would meet in June and present a slate of officers at the July meeting for the Board's approval. He also shared that Ms. Arnott has agreed to help the Audit Committee and serve as Vice Chair.

2205.2.1 Oral Communications from the Board: Mr. Raw shared an honorary resolution for Mr. Bowler and thanked him for his service to the Board of Retirement. Ms. Salas also shared an honorary resolution for Mr. Hackleman and expressed her gratitude for his service on behalf of the Board.

2205.2.2 Oral Communications from the Public: Mr. Raw asked if there was any public comment from those individuals participating on the telephone or via Zoom. There were no public comments. Ms. Trujillo reported there were no written comments received ahead of the meeting.

2205.3.1 Approval of Special Board Meeting Minutes from April 26, 2022: Mr. Raw asked if there were any changes or corrections, or objections, to the meeting minutes from the special Board meeting on April 26, 2022. There were no changes, corrections, or objections presented.

Action: Mr. David moved to approve the minutes from the special Board meeting on April 26, 2022. The motion was seconded by Mr. Hackleman and carried with a vote of 7-0, with trustees Arnott, Bowler, David, Hackleman, Hoefer, Orr, and Raw all in favor; none opposed.

2205.3.2 Approval of Regular Board Meeting Minutes from April 26, 2022: Mr. Raw asked if there were any changes or corrections, or objections, to the meeting minutes from the regular Board meeting held on April 26, 2022. There were no changes, corrections, or objections presented.

Action: Mr. Hackleman moved to approve the minutes from the regular Board meeting on April 26, 2022. The motion was seconded by Ms. Arnott and carried with a vote of 7-0, with trustees Arnott, Bowler, David, Hackleman, Hoefer, Orr, and Raw all in favor; none opposed.

2205.3.3 Approval of Special Board Meeting Minutes from April 28, 2022: Mr. Raw asked if there were any changes or corrections, or objections, to the meeting minutes from the special Board meeting held on April 28, 2022. There were no changes, corrections, or objections presented.

Action: Mr. Hoefler moved to approve the minutes from the special Board meeting on April 28, 2022. The motion was seconded by Ms. Arnott and carried with a vote of 7-0, with trustees Arnott, Bowler, David, Hackleman, Hoefler, Orr, and Raw all in favor; none opposed.

2205.4.0 **Approval of the Consent Agenda:** Mr. Raw asked if there were any items to be removed for discussion from the Consent Agenda. No items were removed.

Action: Mr. Hackleman moved to approve the items on the Consent Agenda. The motion was seconded by Mr. Hoefler and carried with a vote of 7-0, with trustees Arnott, Bowler, David, Hackleman, Hoefler, Orr, and Raw all in favor; none opposed.

2205.4.1 **Disability Retirements:** None.

2205.4.2 **Survivor Death Benefits:** Based on the review of the application and the death certificate, the Board: (1) found the heart presumption contained in Government Code section 31720.5 applies (2) found that there is not sufficient evidence to rebut the presumption; (3) found that Roger Hernandez's condition arose out of and in the course of his employment; and (4) granted the application for a service-connected death benefits to his surviving spouse, Ediltrudis Suero.

2205.4.3 **Service Retirements:**

Name	Effective Retirement Date	Department
Alioto-Perez, Louise	April 1, 2022	Public Health
Alvarado, James	April 1, 2022	Public Works
Amaya, Francisco	April 1, 2022	Human Services Agency
Ang, Teddy	March 31, 2022	Information Services
Araniva, Rolando	April 1, 2022	Sheriff's
Bayless, Roy	March 31, 2022	Information Services
Beasley, Gary	March 18, 2022	Human Services Agency
Bedolla, Vincent	March 14, 2022	Sheriff's Office
Beiers, John	April 1, 2022	County Counsel
Belville, Daniel	March 31, 2022	Emergency Management
Besson, Tamar	March 20, 2022	San Mateo County Health
Blake, Omar	March 25, 2022	Deferred - Mental Health
Brennan, John	March 31, 2022	Planning & Building
Burbridge, Michael	March 8, 2022	San Mateo County Health
Byczkowski, Hedwiga	March 31, 2022	Behavioral Health
Cabezas, Mariaelena	April 1, 2022	San Mateo County Health
Cameron, Marlise	April 1, 2022	Sheriff's Office
Carignan, Michael	March 19, 2022	Human Resources
Carpentier, Christine	April 1, 2022	Probation
Carrasco, Joseph	April 1, 2022	Superior Court
Castillo, Eduardo	April 1, 2022	Controller's
Cerelli, Robert	March 22, 2022	Assessor Clerk Recorder Elections
Chen, Maria	April 1, 2022	San Mateo County Health
Chicks, Michelle	March 31, 2022	Human Services Agency
Chow, Patti	April 1, 2022	Assessor Clerk Recorder Elections
Chu, Hwai-Ming	March 31, 2022	San Mateo County Health
Consani, Robert	April 1, 2022	Public Safety Communications
Cooney, Robert	March 31, 2022	Def'd - Assessor Clerk Recorder Elections
Cruz, Maria Luisa	April 1, 2022	San Mateo County Health
De Silva, Raymundo	March 31, 2022	San Mateo County Health

Di Gualco, Regina	March 19, 2022	Controller's
Dorian Kern, Ilana	April 1, 2022	Behavioral Health
Dudum-Herrera, Hilda	March 3, 2022	San Mateo County Health
Evangelista, Violeta	March 20, 2022	San Mateo County Health
Finato, Todd	March 20, 2022	Sheriff's Office
Freeman-Jackson, Eileen	March 31, 2022	Probation
Gallardo, Victor	April 1, 2022	Public Works
Giguere, Gregory	March 31, 2022	District Attorney's
Goulart, James	March 19, 2022	Sheriff's Office
Grady, Donald	April 1, 2022	County Manager's Office
Gulli, Anthony	March 22, 2022	Public Works
Herbert, John	March 31, 2022	Behavioral Health
Holmes, Irene	March 5, 2022	Def'd - District Attorney's Office
Howard, Katherine	March 31, 2022	Aging & Adult Services
Hunter, Eula	April 1, 2022	Sheriff's Office
Hynson, Ramon	March 31, 2022	San Mateo County Health
Ilano-Manuel, Alma	April 1, 2022	San Mateo County Health
Irvine, Kathleen	April 1, 2022	Sheriff's Office
Jackson, Emmett	April 1, 2022	Public Works
Janif, Mohammed	April 1, 2022	San Mateo County Health
Jimenez, Maribel	March 18, 2022	Probation
Kusaba, John	April 1, 2022	Human Services Agency
Lawrence,Jr, Robert	March 8, 2022	Sheriff's Office
Lee, Adriane	April 1, 2022	Probation
Lin, Jessie	March 20, 2022	Human Services Agency
Linhares, Lisa	March 19, 2022	San Mateo County Health
Lomax, Yolanda	April 1, 2022	San Mateo County Health
Macleod, Paul	April 1, 2022	Probation
Mak, Po	April 1, 2022	Child Support Services
McDevitt, Kyle	March 12, 2022	Sheriff's Office
McMaster, Jean	March 12, 2022	Behavioral Health
Mean, Joicy	April 1, 2022	Behavioral Health
Mejia, Maria Victoria	March 31, 2022	Planning & Building
Miramontes, Jose	April 1, 2022	Public Works
Mosely, Mark	February 16, 2022	Behavioral Health
Orth, Carol	March 31, 2022	Controller's
Owen, Kenneth	March 31, 2022	Sheriff's Office
Ponce, Fernando	March 5, 2022	Public Works
Porter, Paul	April 1, 2022	Public Works
Romero, Jesus	April 1, 2022	Probation
Romero, Roy	April 1, 2022	Probation
Ruybal, Shannon	March 9, 2022	QDRO
Sanchez, John	March 31, 2022	Deferred
Sato, Kathy	March 27, 2022	Deferred - San Mateo Co Health
Schirle, Gregory	April 1, 2022	Environmental Health
Selvy, Vernon	March 26, 2022	Deferred - Parks
Shwan, Tracy	April 1, 2022	Probation
Skorinis, Dimitre	April 1, 2022	Sheriff's Office
Smalley, Nicole	March 31, 2022	Superior Court
Smith, Victoria	March 5, 2022	Human Services Agency
Solis, Eloy	April 1, 2022	Sheriff's Office
Spicer, Joan	April 1, 2022	San Mateo County Health

Steaveson, James	March 16, 2022	Sheriff's Office
Stillman, Ronald	April 1, 2022	Public Works
Talley, Leslie	March 5, 2022	Sheriff's Office
Tam, Eliza	April 1, 2022	Public Works
Tingin, Anabel	April 1, 2022	Public Health
Tolentino, Diosdado	April 1, 2022	San Mateo County Health
Ugarte-Ortiz, Martha	April 1, 2022	Behavioral Health
Utumoengalu, Keasi	April 1, 2022	Public Works
Vermilion, Daniel	April 1, 2022	Mental Health
Villegas, Jose	March 26, 2022	Probation
Wang, Mark	March 30, 2022	Behavioral Health
Warmoth, Theresa	April 1, 2022	Human Services Agency
Zorfas, Lauren	March 5, 2022	Superior Court

2205.4.4 **Continuances:**

Survivor's Name:

Carter, Nancy Okada
Gatzert, Patricia
Harris, Eloise
Rapley, Bonnie

Beneficiary of:

Carter, Michael J
Gatzert, Norman
Harris, George
Rapley, Jack

2205.4.5 **Deferred Retirements:**

Name

Arzola, Eliza
Barcelo, Alexandra
Calafato, Kathryn
Chung, Jimmy
Cunningham, Erika
Kong, Frances
Kwan, David
Kwon, Joy
Lujan, William
Marcelo Huerta, Ana
McKeon, Michael
Ormonde, Jessica
Panglao, Ruemel
Quezada-Torres, Yahosca
Trabanino, Bryan
Vivero, Emma
Xu, Susan
Zaidi, Farah

Retirement Plan Type

G7, Vested – Auto Defer – Code 31700
G7, Vested – Auto Defer – Code 31700
G7, Vested – Auto Defer – Code 31700
S7, Vested – Auto Defer – Code 31700
G7, Vested – Auto Defer – Code 31700
G7, Vested – Auto Defer – Code 31700
G7, Vested – Auto Defer – Code 31700
G7, Vested – Auto Defer – Code 31700
G7, Vested – Auto Defer – Code 31700
G7, Vested - Reciprocity
G7, Vested – Auto Defer – Code 31700
G7, Vested
G7, Vested – Auto Defer – Code 31700
S5, Vested – Auto Defer – Code 31700
G4, Vested
G7, Vested
G7, Vested - Reciprocity

2205.4.6 **Member Account Refunds:**

The Board ratified the actions as listed below for the following members regarding refunds:

Name	Retirement Plan Type
Johnson, Alexis	G7, Non-vested
Stoja, Denise	G7, Non-vested
Sweetnam, Mariko	G7, Vested

2205.4.7 **Member Account Rollovers:**

The Board ratified the actions as listed below for the following members regarding rollovers:

Name	Retirement Plan Type
Hagberg, Sharon	G4, Vested
Jimenez, Lorayne	G4, Non-vested
Jones, Alexandra	G7, Non-vested
Meyer, Michael	G7, Non-vested
Schuman, Carolyn	G4, Non-vested
Sweetnam, Mariko	G7, Vested

2205.4.8 **Member Account Redeposits:** None.

2205.4.9 **Acceptance of Trustees' Reports of Educational Activities:** The Board accepted the submitted report for educational activity attended by Ms. Orr.

2205.5.1 **Consideration of Agenda Items, if any, Removed from the Consent Agenda:** None.

2205.5.2 **Review of Liability Dashboard:** Mr. Collier and Mr. Glyde, of Milliman Inc., presented the liability dashboard showing the fund's liabilities and employer contribution rates for the current year. This item was informational and for discussion only, no action was taken.

2205.5.3 **Approval of Economic Assumptions to be Used in the June 30, 2022 Actuarial Valuation:** Mr. Collier and Mr. Glyde discussed Milliman Inc.'s recommendation to re-adopt the assumptions from last year for the June 30, 2022 valuation. Mr. Glyde presented the investment return, inflation, wage and payroll growth assumptions and how indicators have moved over the past year.

Action: Mr. Hackleman moved to approve the economic assumptions as follows: Investment return at 6.25%, inflation at 2.50%, wage at 3.00%, and payroll growth at 3.00%; the COLA assumption for Plans 1 and 2 be set in accordance with the inflation assumption; and the employer contribution rates continue to be phased in for the second year of the three-year phase-in period. The motion was seconded by Mr. Bowler and carried by a vote of 7-0 with trustees Arnott, Bowler, David, Hackleman, Hoefer, Orr, and Raw all in favor; none opposed.

2205.5.4 **Educational Presentation on the Actuarial Funding Controls:** Mr. Collier provided the Board with an educational presentation on actuarial funding measures to effectively manage the fund. Mr. Collier and Mr. Hood recommended that developing a formal funding policy would be appropriate to provide guidance in the funding decisions "post cliff". Mr. Hood proposed to present a draft funding policy at

the next meeting in which the Board agreed. This item was informational and for discussion only, no action was taken.

- 2205.6.1 **Report on Preliminary Monthly Portfolio Performance Report for the Period Ended April 30, 2022:** Mr. Coultrip reported that SamCERA's net preliminary return for April was -2.6% bringing the preliminary trailing twelve month return ending April 2022 to 1.5% net. He reported that most assets classes outside of commodities were lower in April as hawkish actions by central banks increased global recession worries. This item was informational and for discussion only, no action was taken.
- 2205.6.2 **Report on Quarterly Investment Performance for the Period Ended March 31, 2022:** Mr. Nicolini, Mr. Abdou, and Ms. Jadallah reviewed the quarterly report with the Board. They provided a summary of the 1st quarter and manager performance within the report. The quarter net total return for the portfolio was -1.9%, which was 0.20% below the policy benchmark return of -1.7% with international equity being the main detractor. This item was informational and for discussion only, no action was taken.
- 2205.6.3 **Report on the Core Equity and Passive Manager Annual Reviews:** Ms. Ng reviewed the meeting notes of the annual reviews of SamCERA's passive index manager, Blackrock, and small-cap core equity manager, PGIM Quantitative Solutions LLC. Both meetings took place on May 5th and included a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook. Ms. Ng reported that there were no major concerns identified during the review. She also shared that annual reviews for SamCERA's other core equity manager, D.E. Shaw, and low volatility equity managers, PanAgora and Acadian, will be reported at the next Board meeting. This item was informational and for discussion only, no action was taken.
- 2205.6.4 **Approval of Proposed Alternative Investment (to be heard in closed session, Confidential Under Gov. Code §54956.81 and §6254.26, see item C2):** This item was heard in Closed Session at 11:47 a.m. and reconvened in Open Session at 12:12 p.m. See Closed Session report under C2.
- 2205.8.1 **Chief Executive Officer's Report:** Mr. Hood congratulated Mr. Bowler and Mr. Hackleman for completing their 4th term and thanked them for their service to the Board of Retirement. He informed the Board that he is working with Supervisor Horsley's office on the appointment for the two remaining expiring appointed seats. Mr. Hood reported his attendance at the SACRS Spring Conference and shared his plans to attend the Government Finance Officers Association (GFOA) Annual Conference in early June. He informed the Board that a Special Meeting will take place before the July meeting for the approval of teleconferencing and previewed a few items on the July agenda which include the swearing in of Trustees, election of Board Officers, appointment of committees, annual reviews of two policies, as well as a draft funding policy.
- 2205.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported that the interim audit has begun, and that Brown Armstrong will be onsite during the week of June 20th. She welcomed new Retiree Alternate, Ms. McKay to the Board of Retirement. She also shared that Mr. David ran unopposed and will serve another term. Ms. Smith reported that there will only be one election on June 13th for the Eighth member seat. She informed the Board that Mr. Hoefer's reappointment is on the Board of Supervisors' June 14th agenda. Ms. Trujillo shared upcoming educational opportunities with the Board. Ms. Smith extended her appreciation to Mr. Bowler and Mr. Hackleman thanking them for their service throughout the years.
- 2205.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported that staff and Verus will hold annual manager reviews on Thursday, June 2nd with active international equity managers, Baillie Gifford at 8:00 a.m. and Mondrian at 9:30 a.m.; Thursday, June 23rd with core fixed income managers, NISA at 8:00 a.m., Fidelity at 9:30 a.m., and Double Line Capital at 11:00 a.m.; and Thursday, June 30th with fixed income

managers, Templeton Global at 8:00 a.m. and Western Asset Management at 9:30 a.m. Mr. Coultrip also informed the Board of a potential Special Meeting to discuss approval of CDI funding sources. Mr. Coultrip thanked Mr. Bowler and Mr. Hackleman for their stewardship and service.

2205.8.4 **Chief Legal Counsel’s Report:** Mr. Okada reported that staff is continuing to monitor proposed legislative bills, specifically AB 1944, regarding telephonic and/or videoconference meetings of local governmental bodies and will keep the Board updated of any new developments. Mr. Okada expressed his gratitude to Mr. Bowler and Mr. Hackleman for their service.

C1 **Consideration of Disability Items, if any, removed from the Consent Agenda:** None.

C2 **Approval of Proposed Purchase and Sale of Alternative Investments (to be heard in Closed Session, Confidential Under Gov. Code §54956.81 and §6254.26, see item C2):** The Board met in Closed Session regarding the approval of proposed alternative investments:

Regarding the commitment of \$25 million in Sixth Street TAO Global as part of SamCERA’s Debt/Special Situations portfolio within private equity, a motion was made by Hackleman, seconded by David, and approved by a vote of 7-0-0.

Ayes: Arnott, Bowler, David, Hackleman, Hoefler, Orr, and Raw (Chair)

Nos: None

Abstain: None

Absent: Battey, O’Malley, and Lee (alt.)

Motion carried 7-0-0

No other reportable action was taken.

2205.10 **Adjournment:** Mr. Raw adjourned the meeting at 12:21 p.m. in memory of the deceased members listed below.

Woo, Ronald	March 30, 2022	Probation
Hoover, Rosalie	April 6, 2022	Library
Edmonds, John	April 8, 2022	Sheriff's
Streng, Myra	April 12, 2022	Hospital
Gunn, Linda	April 22, 2022	Behavioral Health
Levy, Judith	April 14, 2022	Library
Kay, Kathleen	April 20, 2022	Hospital
Prosser, Diane	April 23, 2022	Medical Center
Tavolacci, Denise	April 24, 2022	Communication Services
Cadigan, Charles	April 27, 2022	Probation

Robert Raw
Board Chair

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2022

Agenda Items 4.1- 4.9

TO: Board of Retirement

FROM: Elizabeth LeNguyen, Retirement Benefits Manager



SUBJECT: Approval of Consent Agenda Items 4.1 – 4.9

4.1 Disability Retirements

- a) The Board find that **Scott King** (1) is permanently incapacitated from the performance of his usual and customary duties as a Deputy Sheriff, (2) find that his disability was the result of an injury arising out of and in the course of his employment and (3) grant his application for a service-connected disability retirement.
- b) The Board find that **Lilian Montalvo** (1) is permanently incapacitated from the performance of her usual and customary duties as a Medical Records Coder II, (2) find that her disability was not the result of an illness arising out of and in the course of her employment and (3) grant her application for a non-service-connected disability retirement.
- c) Staff recommends that the Board terminate the disability retirement application submitted by San Mateo Medical Center on behalf of **Crispin Rodriguez** per Article VI, section 6.5 and 6.6 of the Board Regulation regarding Disability Retirement.

4.2 Survivor Death Benefits

- a) The Board find that **Joseph Vers**, would have been entitled to a non-service-connected disability but has died, and Valezca Vers, the surviving spouse, has elected to receive an optional death allowance pursuant to Government Code § 31781.1.

4.3 Service Retirements

The Board ratifies the service retirement for the individuals listed below as follows:

Name	Effective Retirement Date	Department
Alvarez, Elizabeth	April 22, 2022	Correctional Health
Alvarez, Rhonda	June 1, 2022	Deferred - San Mateo Co Health
Banks, Latarsha	May 1, 2022	QDRO
Bozin, Kirk	May 28, 2022	Probation
Cea Quillope, Dolores	May 13, 2022	San Mateo County Health
Chalmers-Adams, Victoria	March 15, 2022	Deferred - Probation
Chance, Theresa	May 28, 2022	San Mateo County Health
Chatman, Chauncey	May 1, 2022	Mental Health

Cordeiro, Jennifer	April 30, 2022	Superior Court
Daily, Jacqueline	May 27, 2022	Probation
Dela Pena, Marietes	May 11, 2022	San Mateo County Health
Filgas, Jan	April 26, 2022	Deferred - Human Services Agency
Fortin, Thomas	May 14, 2022	Deferred - Library
Goeser, Sharon	April 1, 2022	San Mateo County Health
Gullo, Therese	May 21, 2022	District Attorney's Office
Heffelfinger, Bridget	April 17, 2022	Sheriff's Office
Henriquez, Berta	May 7, 2022	San Mateo County Health
Maldonado, Adrian	April 9, 2022	Correctional Health
Martinson, Rosa	April 18, 2022	QDRO
Maxey, Eric	April 27, 2022	Probation
McEntee, James	April 30, 2022	Information Services
McMillen, Diana	May 28, 2022	Probation
Perron, David	June 1, 2022	Deferred - Sheriff's
Perry, Kristin	May 16, 2022	Def'd - Children and Family First
Quinonez, Ana	June 1, 2022	Mental Health
Rosete, Eduardo	May 10, 2022	QDRO
Ticzon, Herman	May 28, 2022	San Mateo County Health
Turner, Alice	May 23, 2022	Deferred - San Mateo Co Health
Ventura, Susan	April 29, 2022	Deferred - Agriculture
Vieira, Jennifer	May 29, 2022	Sheriff's Office
Wade, Felix	April 10, 2022	Def'd - District Attorney's Office

4.4 Continuances

The Board ratifies the granting of a continuance to the following individuals:

Survivor's Name	Beneficiary of:
Alvarez, Miriam	Alvarez, Juan
Briones, Pinky	Briones, Danilo
Edmonds, Diana	Edmonds, John
Lund, Richard	Lund, Ruth
Phal, Angela	Gunn, Linda

4.5 Deferred Retirements

The Board ratifies the deferred retirements as listed below for the following individuals:

Name	Retirement Plan Type
Borovina Teetzel, R	G4, Vested
Buencamino, Francisco	G4, Vested
Del Rosario, Cindy	G4, Vested - Reciprocity
Dharamrup, Shivika	G7, Vested - Reciprocity
Gonzales, Ricardo	G7, Vested
Gonzalez, Heather Mulligan	G4, Vested - Reciprocity
Gorkhali, Madan	S7, Vested
Herbst, Erin	G4, Vested - Reciprocity
Marti, Greta	G7, Non-vested - Reciprocity
Quintero, Juanita	G4/P4, Vested
Santiago, Ronald	G7, Vested
Singh, Nimish	G4, Vested – Reciprocity
Sweeney, Dylan	G7, Non-Vested – Reciprocity
Taylor, Leah	G5, Vested - Reciprocity
Velazquez, Jose	G7, Non-Vested - Reciprocity
Villasenor, Brenda	G7, Non-Vested - Reciprocity

4.6 Member Account Refunds

The Board ratifies the refunds as listed below for the following individuals:

Name	Retirement Plan Type
Berry, Ana	G7, Non-vested
Carino, Kimberlee	G7, Non-vested
Fabiani-Vargas, Anthony	G7, Non-vested
Fotu, Joseph	G7, Vested
Garcia, Gerardo S	G4, Non-vested
Granados, Moriah	G7, Vested
Guerrero, John (FBO: Guerrero, Paula)	G2, Vested
Lin, Ing-Ning	G7, Non-vested

Luft, John (DRO acct; FBO: Estate of John Luft)	G1, Vested
Paniagua, Carla	G4, Vested
Robles, Monica	G7, Non-vested
Romero, Jose	G7, Non-vested
Solis Garcia, Yesenia	G7, Non-vested
Suarez, Lynnette	G7, Non-vested
Tomasetti, Raquel	G7, Non-vested
Wess, Maurice	G4, Vested

4.7 Member Account Rollovers

The Board ratifies the rollovers as listed below for the following individuals:

Name	Retirement Plan Type
Hill, Candace	G7, Non-vested
Lin, Ing-Ning	G7, Non-vested
Perrone, Donna	G7, Non-vested
Wess, Maurice	G4, Vested

4.8 Member Account Redeposits

The Board approves the two-year payment period for a redeposit of retirement funds by Luis Vergara pursuant to Government Code section 31652.

4.9 Acceptance of Trustees' Reports of Educational Activities

None.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2022

Agenda Item 4.8

TO: Board of Retirement

FROM: Elizabeth LeNguyen, Retirement Benefits Manager



SUBJECT: Approval of two-year payment period for redeposit pursuant to Government Code Section 31652

Recommendation

Approve a two-year payment period for the redeposit of retirement funds by Luis Vergara pursuant to Government Code Section 31652.

Background

Members who leave employment may terminate their membership and withdraw their contributions and interest. Upon being rehired and returning to active SamCERA membership, the member may at any time prior to retirement, enter into a payment agreement for a period of one year to redeposit the previously withdrawn contributions and interest, along with interest that would have accrued to the account if the funds had remained on deposit.

Discussion

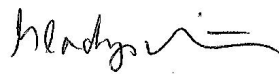
Government Code section 31652 provides that if the repayment period is to be for a period of more than one year, it needs Board approval. Luis Vergara withdrew his funds and has requested a repayment period of two years because of other pre-existing financial obligations and to avoid a financial hardship.

As the interest continues to accrue on the amount of payments due until the redeposit is complete, there is no cost to the system to extend Mr. Vergara's payment period for the additional year.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2022

Agenda Item 4.10

TO: Board of Retirement
FROM: Gladys Smith, Assistant Executive Officer 
SUBJECT: Amending Resolutions Defining Compensation Earnable and Pensionable Compensation

Recommendation

Approve amendments to (1) the Resolution defining Compensation Earnable, pursuant to Government Code §31461 for members who are not subject to Government Code §7522.34 and (2) the Resolution defining Pensionable Compensation for members who are subject to Government Code §7522.34 to:

(a) Include as pensionable earning the following Automated Timekeeping System (ATKS) codes:

ATKS Code	Earning Description
035-R	Reserve Sick Hours
036-R	Reserve Sick – Work Related Injury

Background

Depending upon a member's date of hire and other factors, a member is either subject to Government Code §31461 in the County Employees Retirement Law ("CERL") or §7522.34 of the Public Employees' Pension Reform Act (PEPRA). Under CERL, Compensation Earnable is used: (1) to calculate final compensation in order to determine a member's pension benefit and (2) to calculate the ongoing contributions to be paid by the member and the employer. For the PEPRA members, "Pensionable Compensation" is used for the same purposes. The Board determines which elements of compensation are to be included in pensionable earnings.

Discussion

Due to negotiated changes to AFSCME employees' retiree health, effective June 12, 2022, active AFSCME employees will have different sick leave hour accounts. One account, referred to as Reserve Sick Leave, may contain up to 192 hours earned prior to June 12, 2022, and can only be utilized using one of the newly created codes, 035-R and 036-R.

Staff will address any specific questions that the Board may have. The attached resolutions each rescind the current resolutions and restate the resolutions in their entirety, adding the new earnings codes.

Attachments

Resolution Defining Compensation Earnable pursuant to Government Code §31461
Resolution Defining Pensionable Compensation pursuant to Government Code §7522.34

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

RESOLUTION 2022-__

***RESOLUTION DEFINING COMPENSATION EARNABLE
PURSUANT TO GOVERNMENT CODE §31461 FOR MEMBERS
WHO ARE NOT SUBJECT TO GOVERNMENT CODE §7522.34***

WHEREAS, for those current members who became active members prior to January 1, 2013, and those members who became active members on or after January 1, 2013, but who are not subject to Government Code §7522.34 of the California Public Employees’ Pension Reform Act, the determination of compensation earnable for remuneration earned by those members is governed by Government Code §31461; and

WHEREAS, Government Code §31461 provides that compensation earnable by a member means the average compensation as determined by the Board, for the period under consideration upon the basis of the average number of days ordinarily worked by persons in the same grade or class of positions during the period, and at the same rate of pay; and

WHEREAS, Government Code §31461 provides that this Board determine which items of remuneration earned by members shall constitute “Compensation Earnable”; and

WHEREAS, the Board has reviewed the current pay items and has determined which of those items are to be included in “Compensation Earnable” and which items are not to be included; and

WHEREAS, it is necessary for this Board from time to time to amend its determinations of compensation earnable due to changes made by SamCERA employers in their compensation schedules as well as changes in the law, and the creation of new earning codes resulting from labor negotiations, the Board finds that new pay codes designations should be added; Therefore, be it;

RESOLVED, that Resolution number 2022-07 is rescinded, and pursuant to Government Code §31461 as interpreted by the courts, the Board hereby makes the following determinations to be effective June 12, 2022, as to what is included in “Compensation Earnable” and items of remuneration that are not included:

1. Compensation earnable shall include:

Pay Code	Description
001	Regular hours worked
001-G	Regular hours worked (grace paid)
001-M	Regular hours worked (mandatory meeting)
001-T	Regular hours worked (training)
001-TW	Regular hours worked (telecom)
006	Sheriff’s 84/12 Plan
00680	84/12 Plan (Sheriff)
010	Release time with pay

Pay Code	Description
011	Training/Officer of the Day/Courtroom Clerk Electronic Recording Pay
013	Night shift differential
014	Special night shift differential
015	Special duty hours
016	Inspection/Testing/Repair with a Certification
019	Charge pay differential
020	Split shift
021-L1	Bilingual pay
021-L2	Bilingual pay
022	Staffing differential
023	Weekend pay
027	On-call hours
035	Sick leave with pay
035B	Sick Leave Supplemental Pay
035-R	Reserve Sick Hours
036	Sick leave with pay (work-related injury)
036-R	Reserve Sick – work related injury
041	Vacation hours with pay
041-A	X-Vacation hours with pay
041B	Vacation Supplemental pay
041H	Vacation hours with pay on holiday
043	Holiday hours regular pay
043CNA	Holiday premium for PT CNA
044	Holiday worked at 1.5
045	Holiday hours worked at straight time
045-P	Holiday hours worked at straight time
045O	Holiday hours worked at straight time-overflow
048	Accumulated holiday hours taken
048-A	X-Accumulated holiday hours taken
048B	Accumulated Holiday Supplemental pay
048H	Holiday hours taken on holiday
052	Comp time hours used
052-A	X-Comp/Admin Leave Hours Used
052B	Comp Time Supplemental pay
052H	Comp time hours used on holiday
054	Administrative leave
055	Jury duty with pay
056	Military-leave with pay
057	Education leave with pay
058	Other leave with pay
059	Disability leave with pay

Pay Code	Description
064	Management overtime used
080	Uniform/tool allowance
080A	Uniform/tool allowance annual
081	Transportation allowance
087	Bi-weekly special pay
088	Miscellaneous special pay
090	Voluntary time off used
093	Furlough w/o pay used with payment of contributions
1TW	Regular hours teleworked
102	Admin leave cash out
104	LTC shift differential
104B	LTC shift differential adjustment
110	Compulsory time off
112	Bereavement leave
127	On-call days/hours – Post 2012
130	Lactation Pay
131	Winter Recess HRs Regular Pay
133	Accum Winter Recess Hrs Taken
313	LC4850 night shift differential
315	LC4850 special duty
359	LC4850 disability with pay
502	Admin leave cash out w/1-time deferred comp
557	Educational lv with pay
635	Emergency Sick Leave
636	Emergency FMLA Paid
638	Supplemental COVID-19 Emergency Sick Leave
641	Essential Worker COVID19 Leave
827	Special on call
306	LC4850WC 84/12 plan shf
30680	LC4850WC 84/12 plan shf

2. Compensation Earnable, at a minimum, shall not include, in any case, the following pay items.

A. The following pay codes are not included:

Pay Code	Description
007	EH relief nurse pm shift differential
009	EH relief nurse night shift differential
025	Call back pay
025-P	Call back pay (premium)
025S	Call back pay SART nurses
025-S	Call back pay SART nurses
026	Part-time double shift differential
028	On call EH. relief nurse

Pay Code	Description
029	Part-time double shift differential
037	Layoff sick leave
040	Terminal vacation
046	Holiday hours accrued
046CNA	Holiday premium hours accrued for PT CNA
046-P	Holiday hours accumulated at straight time
047	Holiday hours accrued at 1.5
049	Terminal holiday pay
050	Terminal compensatory pay
051	Comp Time Earned at 1.5
051-P	Premium portion for call back
053	Comp time earned at straight time
060	Absent without leave
061	Leave without pay
061-A	X-Leave without pay
062	Disability leave without pay
063	Terminal MOT Pay
065	Overtime training hours
066	Overtime at time and one-half
069	Overtime special duty desk officer
069-P	Overtime special duty desk officer
070	Overtime special duty
073	Overtime special duty night shift
075	Overtime night shift premium hours
076	Rest period/Court CART differential
079	Overtime special shift differential
083	Worker's compensation payment
084	Employee incentives
085	Disability payment
086	Taxable benefits-DP
089	Relocation Allowance
091	Terminal VTO pay
096	County Deferred Comp Contribution
097	Miscellaneous terminal pay
101	LTD payments
103	FMLA earnings
105	Miscellaneous subsidies
106	FSLA adjustments
106 80	FSLA adjustment for 84/12
106 980-P1	FSLA adjustment 9/80 period 1
106 980-P2	FSLA adjustment 9/80 period 2
107	Overtime at straight time

Pay Code	Description
108	Comp hours earned at straight time (OT)
111	Terminal compulsory time off
125	Call back pay st.
132	Winter Recess Hours Accrued
134	Terminal Winter Recess Pay
203	Wellness Dividend
225	Call back pay flat rate
383	LC4850 worker's compensation payment
637	Emergency FMLA Unpaid
640	Terminal EW COVID19 Leave
642	Essential Worker Onsite
803	SART nurses meeting/service-flat rate
804	SART nurses training and education-flat rate
P25	Call in phone

B. Payments associated with the provision of insurance benefits, or other third-party payments such as professional membership dues that are not received in cash by a member.

C. Payments by a SamCERA employer of member-required contributions to the retirement system under Government Code sections 31581.1, 31630, 31639.85 or under a memorandum of understanding (MOU) between members (or their representatives) and the SamCERA employer.

3. Pursuant to Government Code §31461(b) compensation earnable, shall not include in any case the following:

A. Any compensation determined by the Board to have been paid to enhance a member's retirement benefit under that system. That compensation may include:

(1) Compensation that had previously been provided in kind to the member by the employer or paid directly by the employer to a third party other than the retirement system for the benefit of the member, and which was converted to and received by the member in the form of a cash payment in the final average salary period.

(2) Any one-time or ad hoc payment made to a member, but not to all similarly situated members in the member's grade or class.

(3) Any payment that is made solely due to the termination of the member's employment, but is received by the member while employed, except those payments that do not exceed what is earned and payable in each 12-month period during the final average salary period regardless of when reported or paid.

B. Payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or otherwise, in an amount that exceeds that which may be earned and payable in each 12-month period during the final average salary period, regardless of when reported or paid.

C. Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise.

D. Payments made at the termination of employment, except those payments that do not exceed what is earned and payable in each 12-month period during the final average salary period, regardless of when reported or paid.

4. Pursuant to Government Code §31641(c), the terms listed above in paragraph 3 are intended to be consistent with and not in conflict with the holdings in *Salus v. San Diego County Employees Retirement Association* (2004) 117 Cal.App.4th 734 and *In re Retirement Cases* (2003)110 Cal.App.4th 426.

BE IT FURTHER RESOLVED, that the above listed determinations by the Board of what is included or not included in compensation earnable, shall be in effect until such time as action taken by the Board or action by the Legislature or the Courts as a matter of law requires a different determination.

* * * * *

Regularly passed and adopted, by the San Mateo County Employees' Retirement Association, Board of Retirement, on July 26, 2022.

Ayes, Trustees:

Noes, Trustees:

Absent, Trustees:

Abstain, Trustees:

SamCERA, Board Secretary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

RESOLUTION 2022-___

**RESOLUTION DEFINING PENSIONABLE COMPENSATION
PURSUANT TO GOVERNMENT CODE §7522.34 FOR MEMBERS
WHO ARE NOT SUBJECT TO GOVERNMENT CODE §31461**

WHEREAS, for those members who became active members on or after January 1, 2013, and who are subject to the California Public Employees' Pension Reform Act contained in Government Code §7522 et seq., the determination of their pensionable compensation is governed by Government Code §7522.34; and

WHEREAS, the pensionable compensation for those employee members who are subject to Government Code §7522.34 shall be the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules; and

WHEREAS, the Board has reviewed the current pay items and has determined which of those items are to be included in "Pensionable Compensation" and which items are not to be included; and

WHEREAS, it is necessary for this Board, from time to time, to amend its determinations of pensionable compensation due to changes made by SamCERA employers in their compensation schedules as well as changes in the law, and the creation of new earning codes resulting from labor negotiations, the Board finds that new pay codes designations should be added; Therefore, be it;

RESOLVED, Resolution number 2022-08 is rescinded, and pursuant to Government Code §7522.34 as interpreted by the courts, the Board hereby makes the following determinations to be effective June 12, 2022, as to what is included in "Pensionable Compensation" and items of remuneration that are not included:

1. Pensionable compensation shall include:

Pay Code	Description
001	Regular hours worked
001-G	Regular hours worked (grace paid)
001-M	Regular hours work (mandatory meeting)
001-T	Regular hours worked (training)
001-TW	Regular hours worked (telecom)
006	Sheriff's 84/12 Plan
00680	84/12 Plan (Sheriff)
010	Release time with pay
011	Training/Officer of the Day/Courtroom Clerk Electronic Recording Pay
013	Night shift differential
014	Special night shift differential
015	Special duty hours

Pay Code	Description
016	Inspection/Testing/Repair with a Certification
019	Charge pay differential
020	Split shift
021-L1	Bilingual pay
021-L2	Bilingual pay
022	Staffing differential
023	Weekend pay
035	Sick leave with pay
035B	Sick Leave Supplemental Pay
035-R	Reserve Sick Hours
036	Sick leave with pay (work-related injury)
036-R	Reserve Sick – work related injury
041	Vacation hours with pay
041-A	X-Vacation hours with pay
041B	Vacation Supplemental pay
041H	Vacation hours with pay on holiday
043	Holiday hours regular pay
043CNA	Holiday premium for PT CNA
044	Holiday worked at 1.5
045	Holiday hours worked at straight time
045-P	Holiday hours worked at straight time
048	Accumulated holiday hours taken
048-A	X-Accumulated holiday hours taken
048B	Accumulated Holiday Supplemental pay
048H	Holiday hours taken on holiday
052	Comp time hours used
052-A	X-Comp/Admin leave hours used
052B	Comp Time Supplemental pay
052H	Comp time hours used on holiday
054	Administrative leave
055	Jury duty with pay
056	Military leave with pay
057	Educational leave with pay
058	Other leave with pay
059	Disability leave with pay
064	Management overtime used
087	Bi-weekly special pay
090	Voluntary time off used
093	Furlough w/o pay used with payment of contributions
1TW	Regular Hours Teleworked
104	LTC shift differential
104B	LTC shift differential adjustment
110	Compulsory time off
112	Bereavement leave
130	Lactation Pay

Pay Code	Description
131	Winter Recess HRs Regular Pay
133	Accum Winter Recess Hrs Taken
313	LC4850 night shift differential
315	LC4850 special duty
359	LC4850 disability with pay
557	Educational lv with pay
635	Emergency Sick Leave
636	Emergency FMLA Paid
638	Supplemental COVID-19 Emergency Sick Leave
641	Essential Worker COVID19 Leave
30680	LC4850WC 84/12 plan shf

2. Pensionable compensation, at a minimum, shall not include, in any case, the following payitems.
A. The following pay codes are not included:

Pay Code	Description
007	EH relief nurse pm shift differential
009	EH relief nurse night shift differential
025	Call back pay
025-P	Call back pay (premium)
025S	Call back pay SART nurses
025-S	Call back pay SART nurses
026	Part-time double shift differential
027	On-call hours
028	On call E.H. relief nurse
029	Part-time double shift differential
037	Layoff sick leave
040	Terminal vacation
0450	Holiday hours worked at straight time-overflow
046	Holiday hours accrued
046CNA	Holiday premium hours accrued for PT CNA
046-P	Holiday hours accumulated at straight time
047	Holiday hours accrued at 1.5
049	Terminal holiday pay
050	Terminal compensatory pay
051	Comp Time Earned at 1.5
051-P	Premium portion for call back
053	Comp time earned at straight time
060	Absent without leave
061	Leave without pay
061-A	X-Leave without pay
062	Disability leave without pay
063	Terminal MOT Pay
065	Overtime training hours
066	Overtime at time and one-half

Pay Code	Description
069	Overtime special duty desk officer
069-P	Overtime for mandatory meeting
070	Overtime special duty
073	Overtime special duty night shift
075	Overtime night shift premium hours
076	Rest period/Court CART differential
079	Overtime special shift differential
080	Uniform/tool allowance
080A	Uniform/tool allowance annual
081	Transportation allowance
083	Worker's compensation payment
084	Employee incentives
085	Disability payment
086	Taxable benefits-DP
088	Miscellaneous special pay
089	Relocation Allowance
091	Terminal VTO pay
096	County Deferred Comp Contribution
097	Miscellaneous terminal pay
101	LTD payments
102	Admin leave cash out
103	FMLA earnings
105	Miscellaneous subsidies
106	FSLA adjustments
106 80	FSLA adjustment for 84/12
106 980-P1	FSLA adjustment 9/80 period 1
106 980-P2	FSLA adjustment 9/80 period 2
107	Overtime at straight time
108	Comp hours earned at straight time (OT)
111	Terminal compulsory time off
125	Call back pay st.
127	On-call days/hours – Post 2012
132	Winter Recess Hours Accrued
134	Terminal Winter Recess Pay
203	Wellness Dividend
225	Call back pay flat rate
383	LC4850 worker's compensation payment
502	Admin leave cash out w/1-time deferred comp
637	Emergency FMLA Unpaid
640	Terminal EW COVID19 Leave
642	Essential Worker Onsite
803	SART nurses meeting/service flat rate
804	SART nurses training and education flat rate
827	Special on call
P25	Call in phone

- B. Pursuant to Government Code §7522.34, pensionable compensation does not include the following:
- 1) Any compensation determined by the Board to have been paid to increase a member's retirement benefit.
 - 2) Compensation that had previously been provided in kind to the member by the employer or paid directly by the employer to a third party other than the retirement system for the benefit of the member and which was converted to and received by the member in the form of a cash payment. Any one-time or ad hoc payments made to a member.
 - 3) Severance or any other payment that is granted or awarded to a member in connection with or in anticipation of a separation from employment but is received by the member while employed.
 - 4) Payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or otherwise, regardless of when reported or paid.
 - 5) Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise.
 - 6) Any employer-provided allowance, reimbursement, or payment, including, but not limited to, one made for housing, vehicle, or uniforms.
 - 7) Compensation for overtime work, other than as defined in Section 207(k) of Title 29 of the United States Code.
 - 8) Employer contributions to deferred compensation or defined contribution plans.
 - 9) Any bonus paid in addition to the compensation described in subdivision (a) of Government Code §7522.34.
 - 10) Any other form of compensation the Board determines is inconsistent with the requirements of subdivision §7522.34 (a).
 - 11) Any other form of compensation that this Board determines should not be pensionable compensation.
3. Pursuant to Government Code §7522.10, whenever pensionable compensation, as defined in §7522.34, is used in the calculation of a benefit, the pensionable compensation shall be subject to the monetary limitations set forth in subdivision §7522.10.

BE IT FURTHER RESOLVED, that the above listed determinations by the Board of what is included or not included in pensionable compensation, shall be in effect until such time as this Board, the Legislature, or the Courts take action that as a matter of law requires a different determination.

* * * * *

Regularly passed and adopted, by the San Mateo County Employees' Retirement Association, Board of Retirement, on July 26, 2022.

Ayes, Trustees:

Noes, Trustees:

Absent, Trustees:

Abstain, Trustees:

SamCERA Board Secretary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2022

Agenda Item 4.11

TO: Board of Retirement

FROM: Doris Ng, Investment Analyst 

SUBJECT: Semi-Annual Compliance Certification Statements for Period Ended June 30, 2022

Recommendation

Accept the semi-annual Compliance Certification Statements for SamCERA's non-alternative investment managers and investment consultant, as of June 30, 2022.

Background

As part of SamCERA's ongoing due diligence process, the Compliance Certification Statement is completed by each of the association's public equity, fixed income, real estate, real asset and cash overlay investment managers and investment consultant on a semi-annual basis.

These statements are used to update SamCERA on any firm-wide compliance issues and to provide strategic-level information regarding such things as derivatives and portfolio positioning. For investment managers whose investments are considered "alternative investment vehicles" per the California Government Section Code §6254.26, the Compliance Certification Statements are not provided in the public board packet and will be sent separately to the Board.

Discussion

The attached Compliance Certification Statements report that SamCERA's investment managers and investment consultant are in compliance with SamCERA's Investment Policy as of June 30, 2022. There were no reported significant developments in portfolio construction, investment approach, firm ownership or organizational structure of concern relating to the association's public investments. There were no notable issues regarding industry or regulatory actions that impact SamCERA. The managers were also requested to provide data regarding the characteristics and composition of their portfolios. No prominent issues were identified during the review. Any items that raise concern will be brought to the manager's or investment consultant's attention and will be thoroughly vetted by staff.

Please note the fully completed Compliance Certification Statements for PIMCO and State Street Global Advisors were not received in time to be included in the mailing but will be included in the August board packet.

Attachments

Compliance Certification Statement Matrix 6-2022

Compliance Certification Statements (16)

- A. Domestic Equity: Acadian, Blackrock, PanAgora, PGIM Quantitative Solutions
- B. International Equity: Baillie Gifford, Blackrock, Mondrian
- C. Fixed Income: DoubleLine, FIAM LLC, Franklin Templeton, NISA Investment Advisors, Western Asset Management
- D. Real Estate: Harrison Street, INVESCO
- E. Overlay: Parametric Portfolio Associates
- F. Investment Consultant: Verus Advisory

Compliance Certification Statement Matrix – June 30, 2022

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
Domestic Equity					
Acadian		<ul style="list-style-type: none"> June 2022 -John Chisolm, Co-CEO retired as previously communicated 	Not Applicable	No Concerns	<ul style="list-style-type: none"> Largest single security Microsoft 4.05% Largest single industry Software & Services 11.49% vs bmk 13.99% 3.05% Small Cap
BlackRock Russell 1000		<ul style="list-style-type: none"> 2022-New Chief Risk Officer (CRO) added to GEC (Global Executive Committee) to replace CRO pending retirement 	No Concern	No Concern	<ul style="list-style-type: none"> Largest single security Apple 5.92% Largest single industry Info Technology 26.29%
DE Shaw	<i>Confidential under California Gov. Section Code §6254.26</i>				
PanAgora (Low Volatility strategy)		No Concerns	Not Applicable	No Concerns	<ul style="list-style-type: none"> Largest single security by risk weight is Service Corp International 2.25% Largest sector risk weight is Materials 10.89% v. R1000 bmk 11.02%

Compliance Certification Statement Matrix – June 30, 2022

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
PGIM Quantitative Solutions LLC (f.k.a. QMA)		No Concerns	Not Applicable	No Concerns	<ul style="list-style-type: none"> • Largest holding, Lantheus Holdings 0.94% • Largest industry: Bank 9.2% vs. Russell 2000 bmk 9.84%
International Equity					
Baillie Gifford		<ul style="list-style-type: none"> • July 2022-Stephen Paice, Hd of Europ Equities to replace Moritz Sitte on Portf Construction Group (PCG) 	Not Applicable	No Concerns	<ul style="list-style-type: none"> • 3.56% ADR • 25.7% Emerging Market
Blackrock MSCI ACWI ex US IMI		<ul style="list-style-type: none"> • 2022-Change in Chief Risk Officer (CRO) on GEC (Global Executive Committee) due to pending retirement 	No Concern	No Concern	<ul style="list-style-type: none"> • 0.95% ADR • 29.2% Emerging Market
Mondrian		No Concerns	Not Applicable	No Concerns	<ul style="list-style-type: none"> • 29.36% Emerging Market MIP LP
Fixed Income					
Angelo Gordon (Credit Solutions Fund)	<i>Confidential under California Gov. Section Code §6254.26</i>				

Compliance Certification Statement Matrix – June 30, 2022

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
Angelo Gordon (Credit Solutions Fund II)					<i>Confidential under California Gov. Section Code §6254.26</i>
Beach Point					<i>Confidential under California Gov. Section Code §6254.26</i>
Blackrock (Direct Lending Fund VIII)					<i>Confidential under California Gov. Section Code §6254.26</i>
Blackrock (Direct Lending Fund IX)					<i>Confidential under California Gov. Section Code §6254.26</i>
Brigade					<i>Confidential under California Gov. Section Code §6254.26</i>
DoubleLine		No Concerns	No Concerns	No Concerns	<ul style="list-style-type: none"> • 26.46% in Rule 144A securities
Fidelity Institutional Asset Management (FIAM) BMD Bond		No Concerns	No Concerns	<ul style="list-style-type: none"> • 3/2022 guideline breach due to security classification change from Bloomberg. Security sold immediately 	<ul style="list-style-type: none"> • 0.09% below inv grade (inv grade at purchase) • 15.25% in Rule 144A securities

Compliance Certification Statement Matrix – June 30, 2022

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
				after classification change and loss reimbursed to portfolio.	
Franklin Templeton		<ul style="list-style-type: none"> April 2022-Acquired Lexington Partners, LP (global mgr of secondary PE & co-investment funds) May 2022-Agrmnt to acquire Alcentra (large Europ credit & debt mgr) 	No Concerns	No Concerns	<ul style="list-style-type: none"> 30.25% Cash & Equiv. 8.03% Rule 144A 31.36% below IG
NISA		<ul style="list-style-type: none"> Dec 2022-Joe Murphy, Dir of Portf Mgmt to retire. Day to day responsibilities transitioned to rest of team. 	Not Applicable	No Concerns	<ul style="list-style-type: none"> 8.08% Rule 144A securities
PIMCO (Diversified Income Fund)	Pending				
PIMCO (Private Income Fund)					

Confidential under California Gov. Section Code §6254.26

Compliance Certification Statement Matrix – June 30, 2022

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
Western		<ul style="list-style-type: none"> • Aug 2022- Departure of Current Chief Compliance Officer; Interim replacement found • July 2022- Current General counsel to retire; replacement found 	<ul style="list-style-type: none"> • Largest cntrprty exposure to Citicorp Securities London 0.10% 	No Concerns	<ul style="list-style-type: none"> • 24.4% Rule 144A securities
White Oak Yield Spectrum Fund (Fund IV)	<i>Confidential under California Gov. Section Code §6254.26</i>				
White Oak Yield Spectrum Fund V	<i>Confidential under California Gov. Section Code §6254.26</i>				
Real Estate					
Harrison Street (Core Property Fund)		No Concerns	Not Applicable	No Concerns	No Concerns
Invesco (U.S. Core Real Estate Fund)		No Concerns	Not Applicable	No Concerns	No Concerns
Invesco (U.S. Value-Add Fund IV)	<i>Confidential under California Gov. Section Code §6254.26</i>				

Compliance Certification Statement Matrix – June 30, 2022

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
Invesco (U.S. Value-Add Fund V)		<i>Confidential under California Gov. Section Code §6254.26</i>			
Invesco (U.S. Value-Add Fund VI)		<i>Confidential under California Gov. Section Code §6254.26</i>			
PGIM (US Real Estate Debt)		<i>Confidential under California Gov. Section Code §6254.26</i>			
Stockbridge (Value IV Fund)		<i>Confidential under California Gov. Section Code §6254.26</i>			
Real Assets					
State Street Global Advisors (Custom Real Asset Account)	Pending				
Overlay					
Parametric Portfolio Associates		No Concerns	No Concerns	No Concerns	No Concerns
Investment Consultant					
Verus Advisory		<ul style="list-style-type: none"> John Nicolini added to general consulting team in adv of Margaret's 	Not Applicable	Not Applicable	Not Applicable

Compliance Certification Statement Matrix – June 30, 2022

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
		retirement at 2022 year -end			
	33 Total	 16 Completed	 2 Pending Information	 15 Confidential	

Acadian Asset Management U.S. Managed Volatility – June 30, 2022

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Tuesday, July 12, 2022.**

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*?
 Yes / **No: Please explain.**

2. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?
 Yes: Please explain. / **No**

There have been no major organizational or ownership changes. As previously communicated, John Chisholm, Co-Chief Executive Officer, retired from Acadian on June 30, 2022 and Acadian's Chief Operating Officer Mark Minichiello retired on February 28, 2022.

3. Have there been any changes in the firm's investment approach?
 Yes: Please explain. / **No**

4. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly different from other similar portfolios?
 Yes: Please explain. / **No**

5. Have there been any industry or regulatory disciplinary actions taken against the firm?
Yes: Please explain. / **No**

6. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies?
 Yes / **No: Please explain.**

7. Have there been any investment guideline breaches during the prior 6 months?
 Yes: Please explain. / **No**

8. Has the firm's insurance coverage been sustained?
 Yes / **No: Please explain.**

Investment Management Fees

1. Is *SamCERA's* investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?
 Yes: Please explain. / **No**

Derivative Investments

1. Are derivatives used in the management of the investment strategy?
 Yes: Please ANSWER the remaining questions in this section.
 No: Please SKIP the remaining questions in this section.
2. Are derivative investments in compliance with *SamCERA's* investment policies?
 Yes / **No: Please explain.**
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?
 Yes / **No: Please explain.**
4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?
 Yes / **No**

If Yes:

- a) Do the counter-parties have investment grade debt? **Yes**/ **No**
 - b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? **Yes**/ **No: Please explain.**
5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?
 Yes / **No**

If Yes:

- a) Do the counter-parties have investment grade debt? **Yes**/ **No**
 - b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?
 Yes/ **No: Please explain.**
6. Is individual counter-party exposure well diversified? **Yes**/ **No: Please explain.**
 - a) What is the largest exposure to a single counter-party within the portfolio?
 - b) Please specify the name of the counter-party and the amount of exposure.
 - c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?

7. Are the investment purposes for a derivative investment consistent with the four purposes stated in *SamCERA's* policies? **Yes** / **No: Please explain.**
- a) Has the firm developed any new purposes for derivative investments? **Yes: Please explain.** / **No**
8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment.
- a) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. **Yes** / **No: Please explain.**
- b) State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.
9. State if any restricted derivative investments are held in *SamCERA's* portfolios.
 Yes / **No**
- a) If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies.
10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? **Yes** / **No: Please explain.**
11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? **Yes** / **No: Please explain.**
12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives.
13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.
14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. **Yes: Please explain.** / **No**

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities?
 Yes / **No: Please explain.**
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? **Yes: Please explain.** / **No**

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes / No
- a) If Yes, do the investments comply with the policies? Yes / No: Please explain.

Domestic Equity Portfolio (Large, Mid & Small)

1. Specify the percentage of the portfolio held in each of the following types of securities:

<i>Common Stock</i>	<i>99.47%</i>
<i>Preferred Stock</i>	<i>%</i>
<i>Convertible Securities</i>	<i>%</i>
<i>ADRs</i>	
<i>Cash & Equivalents</i>	<i>0.53%</i>

2. Specify the large, mid and small capitalization exposure of the portfolios.

<i>Large-Cap</i>	<i>52.51%</i>
<i>Mid-Cap</i>	<i>43.91%</i>
<i>Small-Cap</i>	<i>3.05%</i>

3. Specify the percentage of the portfolio that is invested in American Depository Receipts (ADR's). Also, specify the percentage of the portfolio invested in ADR securities that are 144A securities. If greater than 10%, explain why.

<i>ADRs</i>	<i>0%</i>
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4. What is the largest percentage of the portfolio represented by a single security? Please specify the security and percentage amount. If any securities were above benchmark weight at the time of purchase, please list and explain why.

<i>Security</i>	<i>Cusip</i>	<i>Portfolio Weight</i>
MICROSOFT CORP COM	59491810	4.05%

5. What is the largest percentage of the portfolio represented by a single industry? Specify the name of the industry, percentage amount and size relative to benchmark. Please specify all industries above 15%.

<i>Industry</i>	<i>Portfolio Weight</i>	<i>Benchmark Weight</i>
Software & Services	11.49%	13.99%

6. What proportion of total AUM do the assets in this product make-up of the firm? What size does SamCERA's account comprise of total product assets?

	SamCERA*%
Firm AUM	0.21%
US Managed Volatility Strategy	62.57%

Due to legal restrictions we could only provide AUM as of March month-end. The AUM information requested may be considered material, non-public information within the meaning of the United States Federal Securities Laws with respect to Acadian Asset Management LLC, BrightSphere Investment Group Inc. and/or their respective subsidiaries and affiliated entities. Should you desire to received more current information, please advise and we will be able to provide it to you provided that you execute a Non-Disclosure Agreement.



Signed by: Kristin Will

Dated: July 12, 2022

Name of Firm: Acadian Asset Management LLC

BlackRock Russell 1000 Index – June 30, 2022

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Tuesday, July 12, 2022.**

General Compliance Issues

1. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?

Yes: Please explain. / No

Ownership

BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, "BlackRock" or the "Company") is a publicly traded investment management firm, with common stock listed on the New York Stock Exchange, providing a broad range of investment management and technology services to institutional and retail clients worldwide. As of 31 March 2022, there was no person known by BlackRock to own beneficially 10% or more of any class of outstanding voting securities of BlackRock.

Ownership data for 2Q 2022 is not made publicly available yet.

Organizational structure

BlackRock constantly looks for ways to better serve clients, increase efficiency in our organization and develop talent. Periodically we take a fresh look at the firm to determine how we should evolve our organization in anticipation of changing market dynamics and client needs and to position the firm so that we can maximize our fullest potential for BlackRock and our clients. Below we detail internal organizational changes the firm has implemented over the past quarter.

There have been no material changes to the organizational structure over the past six months ending as of 30 June 2022.

Changes in GEC Membership

In 2010, BlackRock created the Global Executive Committee ("GEC") to provide oversight of operations and business performance, strategy and planning, talent development and retention, risk management, and external affairs. The following chart shows turnover within the GEC:

Year	Previous GEC Member	Previous Role	Reason for Change	Replacement
2022	Ben Golub	Chief Risk Officer	Role changed to Senior Advisor pending retirement	Ed Fishwick

Effective May 20, 2022	Frank Cooper	Chief Marketing Officer	Departure	Responsibilities assumed by existing BLK personnel
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Consistent with the goals of fully leveraging the firm’s talent and expanding our senior leadership team to ensure a broader, more diverse representation of views, we added the following members to the GEC:

In March 2022, Ed Fishwick was appointed to the GEC in his new role as Chief Risk Officer for BlackRock

Biographies for members of the GEC are available at <http://www.blackrock.com/corporate/en-us/about-us/leadership>

2. Have there been any changes in the firm’s investment approach?

Yes: Please explain. / No

BlackRock is a purpose-driven, global investment manager with diverse clients and strategies. The constant in our philosophy is that it always starts with client needs.

Today, with our scale and global reach, our responsibilities have become even greater. We are more than a trusted advisor; we are an advocate for creating a better landscape for all investors. This includes sounder markets, better retirement systems, helping more people to save more and invest better, and encouraging company behaviors that support long-term value creation.

As a firm, our motivation is simple: **To help more and more people experience financial well-being.**

The breadth of our investment strategies enables us to take a product-agnostic approach to portfolio construction to meet client needs. In addition, our technology platform, Aladdin, is the most comprehensive end-to-end integrated investment operating system in the world, connecting the information, people and technology needed to manage money in real time.

The combination of our capabilities, expertise and a One BlackRock approach gives us a distinct global perspective and voice with clients around the world.

Firm Capabilities

BlackRock provides diversified investment management to institutional clients, intermediary and individual investors through various investment vehicles. Investment management services primarily consist of the management of equity, fixed income, multi-asset class, alternative investment and cash management products. BlackRock offers its investment products in a variety of vehicles, including open-end and closed-end mutual funds, iShares® exchange traded funds (“ETFs”), collective investment trusts and separate accounts. Additionally, we provide Financial Markets Advisory services for governments, central banks, and financial institutions, as well as whole portfolio solutions through our OCIO platform.

The investment solutions offered by BlackRock include alpha-seeking and index products as well as fundamental and systematic strategies, along with an array of alternative investment products that can help improve results and diversify portfolios. BlackRock’s portfolio construction capabilities draw on resources from across the firm. BlackRock created Aladdin® and uses that platform’s insights to help manage risk and results on behalf of client portfolios. In addition, many institutions rely on Aladdin to analyze and manage their own assets. BlackRock offers investors one of the deepest, broadest investment platforms in the financial services industry, backed by our industry leading technology, risk management and market insight.

The breadth and depth of investment solutions is designed to deliver better outcomes, returns, convenience, value, and transparency for our clients, and our distinct platform allows us to offer unbiased, holistic offerings. Please refer to the following chart for an overview of BlackRock's products and services.

We are designed to deliver: our investment platform seeks to enhance outcomes, returns, convenience, value and transparency for clients.



Source: BlackRock. Assets under management as at 31 March 2022. All figures are represented in USD.
¹ Alternatives AUM may include committed capital, in addition to invested capital, which remains subject to drawdown.

3. **Have there have been any industry or regulatory disciplinary actions taken against the firm?** Yes: Please explain. / No

As a global investment manager, BlackRock Inc., and its various subsidiaries including BlackRock Institutional Trust Company, N.A (“BTC”) may be subject to regulatory oversight in numerous jurisdictions including examinations and various requests for information. BTC’s regulators routinely provide it with comment letters at the conclusion of these examinations in which they request that BTC correct or modify certain of its practices. In all such instances, BTC has addressed, or is working to address, these requests to ensure that it continues to operate in compliance with applicable laws, statutes and regulations.

BTC also receive subpoenas or requests for information in connection with regulatory inquiries and/or investigations by its various regulators. None of these matters have had or are expected to have any adverse impact on BTC’s ability to manage its clients’ assets. Please refer to BlackRock’s Form ADV and SEC disclosures for additional information on regulatory matters concerning BTC or BlackRock as a whole.

In past years, BlackRock has acquired organizations that provide investment-related services, including, but not limited to, State Street Research & Management Company, Merrill Lynch Investment Managers, the fund of funds business of Quellos Group, LLC, and Barclays Global

Investors. This response does not address any regulatory matters that arose out of conduct within the acquired organizations prior to their acquisition by BlackRock. It also does not address regulatory matters unrelated to BlackRock or BTC's investment management responsibilities

4. Has the firm's insurance coverage been sustained?

Yes / No: Please explain.

BlackRock maintains the following types of global insurance coverage:

Type
Investment Advisers Professional Liability (aka Errors & Omissions Liability)
Fidelity Bond (aka Crime or Financial Institution Bond)

Although we do not disclose the insurer information and level of coverage, BlackRock only places insurance with insurers rated "Excellent" by AM Best and maintains coverage at levels that are commercially reasonable and consistent with industry peers.

Investment Management Fees

1. Is *SamCERA*'s investment management fee schedule less favorable than those charged other institutional clients who hold an account investment substantially similar to ours?
 Yes: Please explain. / No

Derivative Investments

1. Are derivatives used in the management of the investment strategy?
 Yes: Please ANSWER the remaining questions in this section.
 No: Please SKIP the remaining questions in this section.

We typically use exchange traded equity index futures in our strategies for the purposes of efficient portfolio management. Futures are not used for speculative or leveraged positions in the portfolio and we keep cash to fully cover all outstanding futures positions.

Exchange traded futures are employed to equitize dividend accruals as well as to manage day-to-day cash flows generated from clients trades, dividends, interest received and other activity associated with securities in the portfolio. Specifically, futures contracts are purchased to provide immediate market exposure proportionate to cash accruals and investable cash within the portfolio. While we seek to remain fully invested, a small amount of spendable cash is retained to minimize trading and transactions costs. Skillful cash management and cash equitization are critical to minimizing the potential impact of cash drag and ensure tight tracking to the benchmark.

2. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?
 Yes / No: Please explain.

N/A

3. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?
 Yes / No

N/A

If Yes:

- a) Do the counter-parties have investment grade debt? Yes/ No
b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/ No: **Please explain.**

4. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?
 Yes / No

N/A

If Yes:

- a) Do the counter-parties have investment grade debt? Yes/ No
b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?
 Yes/ No: **Please explain.**

5. Is individual counter-party exposure well diversified? Yes/ No: **Please explain.**
a) What is the largest exposure to a single counter-party within the portfolio?
b) Please specify the name of the counter-party and the amount of exposure.
c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?
6. Specify the security pricing sources used when developing portfolio market value exposures for non-exchange traded derivative positions.

BlackRock's Global Valuation Methodologies Committee provides oversight of the valuation of investments for the Funds and certain Accounts. Assets of funds and Accounts are valued in accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC") 820-10, Fair Value Measurements and Disclosures. ASC 820-10 establishes a fair valuation hierarchy to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three broad levels: Level I, Level II, Level III. Inputs may be based on independent market data ("observable inputs") or they may be internally developed ("unobservable inputs"). See additional details about valuation procedures and external pricing agents/sources in "16 Things You Should Know" attached.

7. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

As stated above, we typically use equity index futures in our strategies for the purpose of efficient portfolio management. Futures are not used for speculative or leveraged positions in the portfolio and we keep cash to fully cover all outstanding futures positions.

Exchange traded futures are employed to equitize dividend accruals as well as to manage day-to-day cash flows generated from clients' trades, dividends, interest received and other activity associated with securities in the portfolio. Specifically, futures contracts are purchased to provide immediate market exposure proportionate to cash accruals and investable cash within the portfolio. While we seek to remain fully invested, a small amount of spendable cash is retained to minimize trading and transactions costs. Skillful cash management and cash equitization are critical to minimizing the potential impact of cash drag and ensure tight tracking to the benchmark.

8. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. **Yes: Please explain.** / **No**

Domestic Equity Portfolios (Large, Mid & Small)

1. Please state the percentage of the portfolio held in each of the following types of securities

<i>Common Stock</i>	<i>99.60%</i>
<i>Preferred Stock</i>	<i>0.00%</i>
<i>Convertible Securities</i>	<i>0.00%</i>
<i>Cash & Equivalents</i>	<i>0.40%</i>

2. Specify the large, mid and small capitalization exposure of the portfolios? Please specify percentages.

<i>Large-Cap</i>	<i>69.3%</i>
<i>Mid-Cap</i>	<i>10.7%</i>
<i>Small-Cap</i>	<i>0.0%</i>

3. Specify the percentage of the portfolio that is invested in American Depository Receipts (ADR's). Also, specify the percentage of the portfolio invested in ADR securities that are 144A securities. If greater than 10%, explain why.

N/A

4. What is the largest percentage of the portfolio represented by a single security? Please specify the security and percentage amount. If any securities were above 5% at the time of purchase, please list and explain why.

Apple Inc.: 5.92%

Microsoft Corp.: 5.44%

This is an index account which aims to track the underlying benchmark.

5. What is the largest percentage of the portfolio represented by a single industry? Specify the name of the industry, percentage amount and size relative to benchmark. Please specify all industries above 15%.

Information technology 26.29%.

This is an index account which aims to track the underlying benchmark

Signed by:



Signature

Victoria Choi, Director

Print Name

Dated: 7/12/2022

Name of Firm: BlackRock

PanAgora Asset Management Defensive Equity U.S. Low Volatility –

June 30, 2022

***Compliance Certification Statement
San Mateo County
Employees' Retirement Association***

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Tuesday, July 12, 2022.**

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*?
 Yes / **No: Please explain.**
2. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?
 Yes: Please explain. / **No**
3. Have there been any changes in the firm's investment approach?
 Yes: Please explain. / **No**
4. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly different from other similar portfolios?
 Yes: Please explain. / **No**
5. Have there have been any industry or regulatory disciplinary actions taken against the firm?
 Yes: Please explain. / **No**
6. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies?
 Yes / **No: Please explain.**
7. Have there been any investment guideline breaches during the prior 6 months?
 Yes: Please explain. / **No**
8. Has the firm's insurance coverage been sustained?
 Yes / **No: Please explain.**

Investment Management Fees

1. Is *SamCERA's* investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?
 Yes: Please explain. / **No: The investment management fee schedule applicable to SamCERA's investment in Defensive U.S. Large Cap Low Volatility represents the most beneficial (lowest) fee schedule offered to other institutional clients who hold a substantially similar account investment in such investment strategy.**

Derivative Investments

1. Are derivatives used in the management of the investment strategy?
 Yes: Please ANSWER the remaining questions in this section.
 No: Please SKIP the remaining questions in this section.
2. Are derivative investments in compliance with *SamCERA's* investment policies?
 Yes / **No: Please explain.**
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?
 Yes / **No: Please explain.**
4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?
 Yes / **No**

If Yes:

- a) Do the counter-parties have investment grade debt? **Yes**/ **No**
 - b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? **Yes**/ **No: Please explain.**
5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?
 Yes / **No**

If Yes:

- a) Do the counter-parties have investment grade debt? **Yes**/ **No**
 - b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?
 Yes/ **No: Please explain.**
6. Is individual counter-party exposure well diversified? **Yes**/ **No: Please explain.**
 - a) What is the largest exposure to a single counter-party within the portfolio?
 - b) Please specify the name of the counter-party and the amount of exposure.
 - c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?

7. Are the investment purposes for a derivative investment consistent with the four purposes stated in *SamCERA's* policies? **Yes** / **No: Please explain.**
- a) Has the firm developed any new purposes for derivative investments? **Yes: Please explain.** / **No**
8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment.
- a) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. **Yes** / **No: Please explain.**
- b) State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.
9. State if any restricted derivative investments are held in *SamCERA's* portfolios.
 Yes / **No**
- a) If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies.
10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? **Yes** / **No: Please explain.**
11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? **Yes** / **No: Please explain.**
12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives.
13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.
14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. **Yes: Please explain.** / **No**

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities?
 Yes / **No: Please explain.**
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? **Yes: Please explain.** / **No**

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes / No

a) If Yes, do the investments comply with the policies? Yes / No: Please explain.

Domestic Equity Portfolio (Large, Mid & Small)

1. Specify the percentage of the portfolio held in each of the following types of securities:

<i>Common Stock</i>	<i>99.83%</i>
<i>Preferred Stock</i>	<i>0%</i>
<i>Convertible Securities</i>	<i>0%</i>
<i>ADRs</i>	<i>0%</i>
<i>Cash & Equivalents</i>	<i>0.17%</i>

2. Specify the large, mid and small capitalization exposure of the portfolios.

<i>Large-Cap</i>	<i>85.47%</i>
<i>Mid-Cap</i>	<i>13.97%</i>
<i>Small-Cap</i>	<i>0.55%</i>

3. Specify the percentage of the portfolio that is invested in American Depository Receipts (ADR's). Also, specify the percentage of the portfolio invested in ADR securities that are 144A securities. If greater than 10%, explain why. **The account holds 0% in ADR's and ADR securities that are 144A's.**

4. What is the largest percentage of the portfolio represented by a single security? Please specify the security and percentage amount. If any securities were above 4% at the time of purchase, please list and explain why. **The largest security risk weight percentage held in the account is Service Corp International (SCI US) 2.25%.**

5. What is the largest percentage of the portfolio represented by a single industry? Specify the name of the industry, percentage amount and size relative to benchmark. Please specify all industries above 15%. **The largest sector risk weight percentage held in the account is Materials, 10.89%. The benchmark's risk weight percentage for Materials is 11.02%.**

6. What proportion of total AUM do the assets in this product make-up of the firm? What size does SamCERA's account comprise of total product assets? **PanAgora's Defensive U.S. Low Volatility products make up 0.71% of the total AUM of the firm. SamCERA's account comprises 99.11% of the total product assets.**

7.

Signed by: Joe Cherepowich – Manager, Investment Compliance

Dated: July 12th, 2022

Name of Firm: PanAgora Asset Management, Inc.

Quantitative Management Associates U.S. Small Cap Core – June 30, 2022

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Tuesday, July 12, 2022.**

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*?
 Yes / **No: Please explain.**
2. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?
 Yes: Please explain. / **No**
3. Have there been any changes in the firm's investment approach?
 Yes: Please explain. / **No**
4. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly different from other similar portfolios?
 Yes: Please explain. / **No**
5. Have there been any industry or regulatory disciplinary actions taken against the firm?
Yes: Please explain. / **No**
6. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies?
 Yes / **No: Please explain.**
7. Have there been any investment guideline breaches during the prior 6 months?
 Yes: Please explain. / **No**
8. Has the firm's insurance coverage been sustained?
 Yes / **No: Please explain.**

Investment Management Fees

1. Is *SamCERA's* investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?
 Yes: Please explain. / **No**

Derivative Investments

1. Are derivatives used in the management of the investment strategy?
 Yes: Please ANSWER the remaining questions in this section.
 No: Please SKIP the remaining questions in this section.
2. Are derivative investments in compliance with *SamCERA's* investment policies?
 Yes / **No: Please explain.**
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?
 Yes / **No: Please explain.**
4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?
 Yes / **No**

If Yes:

- a) Do the counter-parties have investment grade debt? **Yes**/ **No**
b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? **Yes**/ **No: Please explain.**
5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?
 Yes / **No**

If Yes:

- a) Do the counter-parties have investment grade debt? **Yes**/ **No**
b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?
 Yes/ **No: Please explain.**
6. Is individual counter-party exposure well diversified? **Yes**/ **No: Please explain.**
a) What is the largest exposure to a single counter-party within the portfolio?
b) Please specify the name of the counter-party and the amount of exposure.
c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?
7. Specify the security pricing sources used when developing portfolio market value exposures for non-exchange traded derivative positions.

8. Are the investment purposes for a derivative investment consistent with the four purposes stated in *SamCERA's* policies? **Yes** / **No: Please explain.**
- a) Has the firm developed any new purposes for derivative investments? **Yes: Please explain.** / **No**
9. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment.
- a) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. **Yes** / **No: Please explain.**
- b) State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.
10. State if any restricted derivative investments are held in *SamCERA's* portfolios.
 Yes / **No**
- a) If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies.
11. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? **Yes** / **No: Please explain.**
12. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? **Yes** / **No: Please explain.**
13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.
14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. **Yes: Please explain.** / **No**

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? **Yes** / **No**
- a) If **Yes**, do the investments comply with the policies? **Yes** / **No: Please explain.**

Domestic Equity Portfolios (Large, Mid & Small)

1. Please state the percentage of the portfolio held in each of the following types of securities

<i>Common Stock</i>	<i>99.9%</i>
<i>Preferred Stock</i>	<i>%</i>
<i>Convertible Securities</i>	<i>%</i>
<i>Cash & Equivalents</i>	<i>0.1%</i>

2. Specify the large, mid and small capitalization exposure of the portfolios? Please specify percentages.

<i>Large-Cap</i>	<i>1.46%</i>
<i>Mid-Cap</i>	<i>56.76%</i>
<i>Small-Cap</i>	<i>41.78%</i>

3. Specify the percentage of the portfolio that is invested in American Depository Receipts (ADR's). Also, specify the percentage of the portfolio invested in ADR securities that are 144A securities. If greater than 10%, explain why.

No ADR Holdings

4. What is the largest percentage of the portfolio represented by a single security? Specify the name of the security and percentage amount. If any securities were above 5% at the time of purchase, please list and explain why.

**Lantheus Holdings Inc. (LNTH) at 0.94% portfolio weight vs.0.20% benchmark weight.
No securities above 5% at purchase.**

5. What is the largest percentage of the portfolio represented by a single industry? Specify the industry, percentage amount and size relative to benchmark. Please specify all industries above 15%.

**Industry – Banks at 9.2% portfolio weight vs. 9.84% benchmark weight.
No industry above 15%**

6. What proportion of total AUM do the assets in this product make-up of the firm? What size does SamCERA's account comprise of total product assets?

Account	As of 3/31/2022 (\$MM)	% Firm AUM
US Small Cap Core	\$1,382.7	1.29%
SamCERA	\$114.96	0.11%

Signed by: Patrick McMenamin

Dated: 7/12/2022

Name of Firm PGIM Quantitative Solutions

Baillie Gifford Overseas International Growth – June 30, 2022

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Tuesday, July 12, 2022.**

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*?
 Yes / **No: Please explain.**
2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm?
 Yes / **No: Please explain.**
3. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?
 Yes: Please explain. / **No**

During June 2022, we announced that one of the five members of the International All Cap Portfolio Construction Group (PCG), Moritz Sitte, will leave Baillie Gifford at the end of July. He is replaced on the PCG by our Head of European Equities, Stephen Paice. Stephen has been with Baillie Gifford since 2005 and, as well as Europe, has worked on a number of investment teams including Japan, Smaller Companies and US equities. He has a degree in Financial Mathematics.

4. Have there been any changes in the firm's investment approach?
 Yes: Please explain. / **No**
5. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly different from other similar portfolios?
 Yes: Please explain. / **No**
6. Have there have been any industry or regulatory disciplinary actions taken against the firm?
 Yes: Please explain. / **No**
7. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies?
 Yes / **No: Please explain.**

8. Have there been any investment guideline breaches during the prior 6 months?
 Yes: Please explain. / **No**
9. Has the firm's insurance coverage been sustained?
 Yes / **No: Please explain.**

Investment Management Fees

1. Is *SamCERA's* investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?
 Yes: Please explain. / **No**

Derivative Investments

1. Are derivatives used in the management of the investment strategy?
 Yes: Please ANSWER the remaining questions in this section.
 No: Please SKIP the remaining questions in this section.
2. Are derivative investments in compliance with *SamCERA's* investment policies?
 Yes / **No: Please explain.**
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?
 Yes / **No: Please explain.**
4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?
 Yes / **No**

If Yes:

- a) Do the counter-parties have investment grade debt? **Yes** / **No**
- b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? **Yes** / **No: Please explain.**
5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?
 Yes / **No**

If Yes:

- a) Do the counter-parties have investment grade debt? **Yes** / **No**
- b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?
 Yes / **No: Please explain.**

6. Is individual counter-party exposure well diversified? **Yes**/ **No: Please explain.**
- a) What is the largest exposure to a single counter-party within the portfolio?
 - b) Please specify the name of the counter-party and the amount of exposure.
 - c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?
7. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies? **Yes** / **No: Please explain.**
- a) Has the firm developed any new purposes for derivative investments? **Yes: Please explain.** / **No**
8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment.
- a) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. **Yes** / **No: Please explain.**
 - b) State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.
9. State if any restricted derivative investments are held in *SamCERA's* portfolios.
 Yes / **No**
- a) If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies.
10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? **Yes** / **No: Please explain.**
11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? **Yes** / **No: Please explain.**
12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives.
13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.
14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. **Yes: Please explain.** / **No**

Investment Manager Guidelines

- Are portfolio holdings well-diversified, and made in liquid securities?
 Yes / **No: Please explain.**
- Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? **Yes: Please explain.** / **No**

Cash & Equivalents

- Does the firm directly invest in short term fixed income investments? **Yes** / **No**
 - If **Yes**, do the investments comply with the policies? **Yes** / **No: Please explain.**

International Equity Portfolios - Developed

- Specify the percentage of the portfolio held in each of the following types of securities:

<i>Foreign Ordinary Shares</i>	<i>95.50%</i>
<i>ADR's</i>	<i>3.56%</i>
<i>Cash & Equivalents (Foreign)</i>	<i>0.00%</i>
<i>Cash & Equivalents (Domestic)</i>	<i>0.94%</i>

- Specify the large, mid and small capitalization exposure of the portfolios.

<i>Large-Cap</i>	<i>75.29%</i>
<i>Mid-Cap</i>	<i>22.89%</i>
<i>Small-Cap</i>	<i>1.82%</i>

- Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio? **Yes** / **No: Please explain**
- Does the portfolio invest in emerging and/or frontier markets? **Yes** / **No**
 - If **Yes**, please specify the percentage(s) of the portfolio invested in emerging and/or frontier markets.

25.7% is invested in Emerging Markets

- Does the portfolio currently employ a currency hedging strategy? **Yes** / **No**
- What proportion of total AUM do the assets in this product make-up of the firm? What size does SamCERA's account comprise of total product assets?

Based on provisional end-June 2022 AUM data, the ACWI ex US All Cap Strategy comprised 3.7% of the firm's total AUM. Within the strategy, San Mateo County Employees Retirement Association held \$275m representing 2.7% of the total strategy. Should there be a

change to these figures once our AUM data is finalized we will provide a revised certification.

Signed by: Eoin Anderson

Dated: July 12, 2022

Name of Firm: Baillie Gifford Overseas Limited

BlackRock MSCI ACWI ex US IMI Index – June 30, 2022

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Tuesday, July 12, 2022.**

General Compliance Issues

1. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?

Yes: Please explain. / No

Ownership

BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, "BlackRock" or the "Company") is a publicly traded investment management firm, with common stock listed on the New York Stock Exchange, providing a broad range of investment management and technology services to institutional and retail clients worldwide. As of 31 March 2022, there was no person known by BlackRock to own beneficially 10% or more of any class of outstanding voting securities of BlackRock.

Ownership data for 2Q 2022 is not made publicly available yet.

Organizational structure

BlackRock constantly looks for ways to better serve clients, increase efficiency in our organization and develop talent. Periodically we take a fresh look at the firm to determine how we should evolve our organization in anticipation of changing market dynamics and client needs and to position the firm so that we can maximize our fullest potential for BlackRock and our clients. Below we detail internal organizational changes the firm has implemented over the past quarter.

There have been no material changes to the organizational structure over the past six months ending as of 30 June 2022.

Changes in GEC Membership

In 2010, BlackRock created the Global Executive Committee ("GEC") to provide oversight of operations and business performance, strategy and planning, talent development and retention, risk management, and external affairs. The following chart shows turnover within the GEC:

Year	Previous GEC Member	Previous Role	Reason for Change	Replacement
2022	Ben Golub	Chief Risk Officer	Role changed to Senior Advisor pending retirement	Ed Fishwick

Effective May 20, 2022	Frank Cooper	Chief Marketing Officer	Departure	Responsibilities assumed by existing BLK personnel
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Consistent with the goals of fully leveraging the firm’s talent and expanding our senior leadership team to ensure a broader, more diverse representation of views, we added the following members to the GEC:

In March 2022, Ed Fishwick was appointed to the GEC in his new role as Chief Risk Officer for BlackRock

Biographies for members of the GEC are available at <http://www.blackrock.com/corporate/en-us/about-us/leadership>

2. Have there been any changes in the firm’s investment approach?

Yes: Please explain. / No

BlackRock is a purpose-driven, global investment manager with diverse clients and strategies. The constant in our philosophy is that it always starts with client needs.

Today, with our scale and global reach, our responsibilities have become even greater. We are more than a trusted advisor; we are an advocate for creating a better landscape for all investors. This includes sounder markets, better retirement systems, helping more people to save more and invest better, and encouraging company behaviors that support long-term value creation.

As a firm, our motivation is simple: **To help more and more people experience financial well-being.**

The breadth of our investment strategies enables us to take a product-agnostic approach to portfolio construction to meet client needs. In addition, our technology platform, Aladdin, is the most comprehensive end-to-end integrated investment operating system in the world, connecting the information, people and technology needed to manage money in real time.

The combination of our capabilities, expertise and a One BlackRock approach gives us a distinct global perspective and voice with clients around the world.

Firm Capabilities

BlackRock provides diversified investment management to institutional clients, intermediary and individual investors through various investment vehicles. Investment management services primarily consist of the management of equity, fixed income, multi-asset class, alternative investment and cash management products. BlackRock offers its investment products in a variety of vehicles, including open-end and closed-end mutual funds, iShares® exchange traded funds (“ETFs”), collective investment trusts and separate accounts. Additionally, we provide Financial Markets Advisory services for governments, central banks, and financial institutions, as well as whole portfolio solutions through our OCIO platform.

The investment solutions offered by BlackRock include alpha-seeking and index products as well as fundamental and systematic strategies, along with an array of alternative investment products that can help improve results and diversify portfolios. BlackRock’s portfolio construction capabilities draw on resources from across the firm. BlackRock created Aladdin® and uses that platform’s insights to help manage risk and results on behalf of client portfolios. In addition, many institutions rely on Aladdin to analyze and manage their own assets. BlackRock offers investors one of the deepest, broadest investment platforms in the financial services industry, backed by our industry leading technology, risk management and market insight.

The breadth and depth of investment solutions is designed to deliver better outcomes, returns, convenience, value, and transparency for our clients, and our distinct platform allows us to offer unbiased, holistic offerings. Please refer to the following chart for an overview of BlackRock's products and services.

We are designed to deliver: our investment platform seeks to enhance outcomes, returns, convenience, value and transparency for clients.



Source: BlackRock. Assets under management as at 31 March 2022. All figures are represented in USD.
¹ Alternatives AUM may include committed capital, in addition to invested capital, which remains subject to drawdown.

3. Have there have been any industry or regulatory disciplinary actions taken against the firm? Yes: Please explain. / No

As a global investment manager, BlackRock Inc., and its various subsidiaries including BlackRock Institutional Trust Company, N.A (“BTC”) may be subject to regulatory oversight in numerous jurisdictions including examinations and various requests for information. BTC’s regulators routinely provide it with comment letters at the conclusion of these examinations in which they request that BTC correct or modify certain of its practices. In all such instances, BTC has addressed, or is working to address, these requests to ensure that it continues to operate in compliance with applicable laws, statutes and regulations.

BTC also receive subpoenas or requests for information in connection with regulatory inquiries and/or investigations by its various regulators. None of these matters have had or are expected to have any adverse impact on BTC’s ability to manage its clients’ assets. Please refer to BlackRock’s Form ADV and SEC disclosures for additional information on regulatory matters concerning BTC or BlackRock as a whole.

In past years, BlackRock has acquired organizations that provide investment-related services, including, but not limited to, State Street Research & Management Company, Merrill Lynch Investment Managers, the fund of funds business of Quellos Group, LLC, and Barclays Global Investors. This response does not address any regulatory matters that arose out of conduct within

the acquired organizations prior to their acquisition by BlackRock. It also does not address regulatory matters unrelated to BlackRock or BTC's investment management responsibilities

4. Has the firm's insurance coverage been sustained?

Yes / **No: Please explain.**

BlackRock maintains the following types of global insurance coverage:

Type
Investment Advisers Professional Liability (aka Errors & Omissions Liability)
Fidelity Bond (aka Crime or Financial Institution Bond)

Although we do not disclose the insurer information and level of coverage, BlackRock only places insurance with insurers rated "Excellent" by AM Best and maintains coverage at levels that are commercially reasonable and consistent with industry peers.

Investment Management Fees

1. Is *SamCERA*'s investment management fee schedule less favorable than those charged other institutional clients who hold an account investment substantially similar to ours?

Yes: Please explain. / **No**

Derivative Investments

1. Are derivatives used in the management of the investment strategy?

Yes: Please ANSWER the remaining questions in this section.
 No: Please SKIP the remaining questions in this section.

We typically use exchange traded equity index futures in our strategies for the purposes of efficient portfolio management. Futures are not used for speculative or leveraged positions in the portfolio and we keep cash to fully cover all outstanding futures positions.

Exchange traded futures are employed to equitize dividend accruals as well as to manage day-to-day cash flows generated from clients trades, dividends, interest received and other activity associated with securities in the portfolio. Specifically, futures contracts are purchased to provide immediate market exposure proportionate to cash accruals and investable cash within the portfolio. While we seek to remain fully invested, a small amount of spendable cash is retained to minimize trading and transactions costs. Skillful cash management and cash equitization are critical to minimizing the potential impact of cash drag and ensure tight tracking to the benchmark.

2. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?

Yes / **No: Please explain.**

N/A

3. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?
 Yes / No

N/A

If Yes:

- a) Do the counter-parties have investment grade debt? Yes/ No
b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/ No: **Please explain.**

4. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?
 Yes / No

N/A

If Yes:

- a) Do the counter-parties have investment grade debt? Yes/ No
b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?
 Yes/ No: **Please explain.**

5. Is individual counter-party exposure well diversified? Yes/ No: **Please explain.**
a) What is the largest exposure to a single counter-party within the portfolio?
b) Please specify the name of the counter-party and the amount of exposure.
c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?
6. Specify the security pricing sources used when developing portfolio market value exposures for non-exchange traded derivative positions.

BlackRock's Global Valuation Methodologies Committee provides oversight of the valuation of investments for the Funds and certain Accounts. Assets of funds and Accounts are valued in accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC") 820-10, Fair Value Measurements and Disclosures. ASC 820-10 establishes a fair valuation hierarchy to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three broad levels: Level I, Level II, Level III. Inputs may be based on independent market data ("observable inputs") or they may be internally developed ("unobservable inputs"). See additional details about valuation procedures and external pricing agents/sources in "16 Things You Should Know" attached.

7. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

As stated above, we typically use equity index futures in our strategies for the purpose of efficient portfolio management. Futures are not used for speculative or leveraged positions in the portfolio and we keep cash to fully cover all outstanding futures positions.

Exchange traded futures are employed to equitize dividend accruals as well as to manage day-to-day cash flows generated from clients' trades, dividends, interest received and other activity associated with securities in the portfolio. Specifically, futures contracts are purchased to provide immediate market exposure proportionate to cash accruals and investable cash within the portfolio. While we seek to remain fully invested, a small amount of spendable cash is retained to minimize trading and transactions costs. Skillful cash management and cash equitization are critical to minimizing the potential impact of cash drag and ensure tight tracking to the benchmark.

8. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. **Yes: Please explain.** / **No**

International Equity Portfolios

1. Specify the percentage of the portfolio held in each of the following types of securities:

<i>Foreign Ordinary Shares</i>	<i>97.52%</i>
<i>ADR's</i>	<i>0.95%</i>
<i>Cash & Equivalents (Foreign)</i>	<i>1.53%</i>
<i>Cash & Equivalents (Domestic)</i>	<i>0.00%</i>

2. Specify the large, mid and small capitalization exposure of the portfolios.

<i>Large-Cap</i>	<i>65.9%</i>
<i>Mid-Cap</i>	<i>28.6%</i>
<i>Small-Cap</i>	<i>5.5%</i>

3. What percentage of the portfolio is invested in emerging and/or frontier markets?

IMACWIXU	Weight
<i>Developed Markets</i>	<i>70.80%</i>
<i>Emerging Markets</i>	<i>29.20%</i>

Signed by:



Signature

Victoria Choi, Director

Print Name

Dated: 7/12/2022

Name of Firm: BlackRock

Mondrian Investment Partners International Value – June 30, 2022

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Tuesday, July 12, 2022.**

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*?
 Yes / **No: Please explain.**
2. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?
 Yes: Please explain. / **No**
3. Have there been any changes in the firm's investment approach?
 Yes: Please explain. / **No**
4. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly different from other similar portfolios?
 Yes: Please explain. / **No**
5. Have there have been any industry or regulatory disciplinary actions taken against the firm?
 Yes: Please explain. / **No**
6. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies?
 Yes / **No: Please explain.**
7. Have there been any investment guideline breaches during the prior 6 months?
 Yes: Please explain. / **No**
8. Has the firm's insurance coverage been sustained?
 Yes / **No: Please explain.**

Investment Management Fees

1. Is *SamCERA's* investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?

Yes: Please explain. / No

In accordance with the terms of Clause 2.2 of the investment management agreement, during the term of the agreement, Mondrian has not agreed to charge any other institutional client an effective fee lower than the fees charged to SamCERA for an account substantially similar to the SamCERA assets in terms of size, investment objectives and guidelines and degree of services provided.

Derivative Investments

1. Are derivatives used in the management of the investment strategy?
 Yes: Please ANSWER the remaining questions in this section.
 No: Please SKIP the remaining questions in this section.
2. Are derivative investments in compliance with *SamCERA's* investment policies?
 Yes / No: Please explain.
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?
 Yes / No: Please explain.
4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?
 Yes / No

If Yes:

- a) Do the counter-parties have investment grade debt? Yes/ No
 - b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/ No: Please explain.
5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?
 Yes / No

If Yes:

- a) Do the counter-parties have investment grade debt? Yes/ No
 - b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?
 Yes/ No: Please explain.
6. Is individual counter-party exposure well diversified? Yes/ No: Please explain.
 - a) What is the largest exposure to a single counter-party within the portfolio?
 - b) Please specify the name of the counter-party and the amount of exposure.

- c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?
7. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies? **Yes** / **No: Please explain.**
- a) Has the firm developed any new purposes for derivative investments? **Yes: Please explain.** / **No**
8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment.
- a) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. **Yes** / **No: Please explain.**
- b) State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.
9. State if any restricted derivative investments are held in *SamCERA's* portfolios.
 Yes / **No**
- a) If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies.
10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? **Yes** / **No: Please explain.**
11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? **Yes** / **No: Please explain.**
12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives.
13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.
14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. **Yes: Please explain.** / **No**

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities?
 Yes / **No: Please explain.**

2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? **Yes: Please explain.** / **No**

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? **Yes** / **No**
- a) If **Yes**, do the investments comply with the policies? **Yes** / **No: Please explain.**

International Equity Portfolios - Developed

1. Specify the percentage of the portfolio held in each of the following types of securities.

<i>Foreign Ordinary Shares</i>	<i>69.68%</i>
<i>ADR's</i>	<i>NIL</i>
<i>MIP Limited Partnership</i>	<i>29.36%</i>
<i>Cash & Equivalents (Foreign)</i>	<i>0.64%</i>
<i>Cash & Equivalents (Domestic)</i>	<i>0.32%</i>

2. Specify the large, mid and small capitalization exposure of the portfolios.

<i>Large-Cap >11bn</i>	<i>87.72%</i>
<i>Mid-Cap 3.5bn -11bn</i>	<i>8.69%</i>
<i>Small-Cap <3.5bn</i>	<i>2.09%</i>

3. Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio? **Yes** / **No: Please explain**

4. Does the portfolio invest in emerging and/or frontier markets? **Yes** / **No**

- a) If **Yes**, please specify the percentage(s) of the portfolio invested in emerging and/or frontier markets

The portfolio gains exposure to emerging markets through the Mondrian Emerging Markets Equity Fund L.P. As at 30th June the portfolio held 29.36% in this fund.

5. Does the portfolio currently employ a currency hedging strategy? **Yes** / **No**

6. What proportion of total AUM do the assets in this product make-up of the firm? 8.7%

What size does SamCERA's account comprise of total product assets? 5.9%

Signed by: **Ed Lambert**

Dated: **6 July 2022**

Name of Firm : **Mondrian Investment Partners Limited**

DoubleLine Securitized Income – June 30, 2022

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Tuesday, July 12, 2022.**

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*?
 Yes / **No: Please explain.**
2. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?
 Yes: Please explain. / **No**
3. Have there been any changes in the firm's investment approach?
 Yes: Please explain. / **No**
4. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly different from other similar portfolios?
 Yes: Please explain. / **No**
5. Have there been any industry or regulatory disciplinary actions taken against the firm?
Yes: Please explain. / **No**
6. Have there been any investment guideline breaches during the prior 6 months?
 Yes: Please explain. / **No**
7. Has the firm's insurance coverage been sustained?
 Yes / **No: Please explain.**

Investment Management Fees

1. Is *SamCERA's* investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?
 Yes: Please explain. / **No**

Where SamCERA’s investment management fee schedule results in a higher fee charged than the fee charged to another institutional client who holds an account that is substantially similar to SamCERA’s in terms of investment objectives and guidelines, that other client commenced its account with DoubleLine prior to the effective date of SamCERA’s investment manager agreement with DoubleLine, and therefore, such fee arrangement is in compliance with the “most favored nations” clause (Section 2.2) of SamCERA’s investment manager agreement.

Derivative Investments

1. Are derivatives used in the management of the investment strategy?
 Yes: Please ANSWER the remaining questions in this section.
 No: Please SKIP the remaining questions in this section.

2. Are derivative investments in compliance with *SamCERA's* investment policies?
 Yes / **No: Please explain.**

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities?
 Yes / **No: Please explain.**

2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? **Yes: Please explain.** / **No**

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? **Yes /** **No**
 a) If **Yes**, do the investments comply with the policies? **Yes /** **No: Please explain.**

Domestic Fixed Income Portfolios

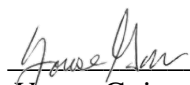
1. State the percentage of the portfolio held in each of the following types of securities:

<i>Certificates of Deposit</i>	%
<i>Commercial Paper</i>	%
<i>Other High Grade Short-term securities</i>	%
<i>U.S. Government & Agency securities</i>	59.48%
<i>Corporate Bonds</i>	%
<i>Mortgage- and asset-backed securities</i>	34.33%

<i>Yankee bond securities</i>	<i>%</i>
<i>Others (Cash)</i>	<i>6.19%</i>

2. Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio? **Yes** / **No: Please explain**
3. Does the firm conduct horizon analysis testing? **Yes** / **No: Please explain.**
4. Are any holdings below investment grade? **Yes** / **No**
 - a) If **Yes**, does the percentage of investments held below investment grade represent more than 10% of the portfolio? **Yes** / **No**
5. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio? **Yes** / **No**
 - a) If **Yes**, please specify the bond issue and percentage amount.
6. What percentage of the portfolio is held in Rule 144A securities? 26.46%
7. At the time of purchase, was there any single industry which represented more than 15% of the market value of the account. **Yes** / **No**
 - a) If **Yes**, please specify the name of the industry, percentage amount and size relative to the benchmark.
8. What proportion of total AUM do the assets in this product make-up of the firm? What size does SamCERA's account comprise of total product assets?

As of 6/30/22, DoubleLine's Securitized Income suite of strategies (Securitized Income, Securitized Income Balanced, and Securitized Income Expanded) represented approximately 1.9% of the firm's total assets under management. SamCERA's portfolio at DoubleLine represented approximately 11.6% of the \$2.0 billion in assets of the suite.

Signature: 
Signed by: Youssef Guia
Dated: 7/14/2022
DoubleLine Capital

San Mateo County Employees' Retirement Association I Due Diligence Questionnaire

Compliance Certification Statement

July 2022

FIAM Broad Market Duration

Firm Name	FIAM LLC
Product Name	FIAM Broad Market Duration
Asset Class	Investment Grade Fixed Income
Respondent/Contact	Melissa Boissy, Senior Account Executive
Address	900 Salem Street, Smithfield, RI 02917
Telephone	401-292-7816
Email Address	Melissa.Boissy@fmr.com

Information provided in this document is for informational and educational purposes only. To the extent any investment information in this material is deemed to be a recommendation, it is not meant to be impartial investment advice or advice in a fiduciary capacity and is not intended to be used as a primary basis for you or your client's investment decisions. Fidelity and its representatives may have a conflict of interest in the products or services mentioned in this material because they have a financial interest in them, and receive compensation, directly or indirectly, in connection with the management, distribution, and/or servicing of these products or services, including Fidelity funds, certain third-party funds and products, and certain investment services.

General Compliance Issues**1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of SamCERA?** **Yes** / **No: Please explain.****2. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?** **Yes: Please explain.** / **No**

Since the last Compliance Certification statement, the following senior leadership changes have taken place:

- Effective December 27, 2021, Jim Carroll retired. Chris Pariseault succeeded Jim in his role as Head of Institutional Portfolio Managers. In this role Chris expanded his existing responsibilities leading Fixed Income and Multi-Asset Classes to include Equity and High Income.

3. Have there been any changes in the firm's investment approach? **Yes: Please explain.** / **No**

San Mateo County Employees' Retirement Association I Due Diligence Questionnaire

4. Do SamCERA's guidelines require your firm to manage the portfolio significantly different from other similar portfolios?

Yes: Please explain. / No

5. Have there have been any industry or regulatory disciplinary actions taken against the firm?

Yes: Please explain. / No

FIAM LLC:

From time to time, in the regular course of its business, FIAM LLC may receive inquiries (including subpoenas and voluntary requests for information) from regulatory authorities or law enforcement. A regulator may conduct an on-site examination or may commence an investigation. The Firm does not make public comment about such inquiries, examinations, or investigations unless and until enforcement proceedings are initiated.

To the extent that FIAM LLC or its securities affiliates have been sanctioned, fined, or cited by the Securities and Exchange Commission (SEC), Financial Industry Regulatory Authority (FINRA), or any other regulatory body, any such sanction, fine, or citation has been disclosed in its or its affiliates' Forms BD and/or Forms ADV in accordance with the requirements of such forms.

6. Have there been any investment guideline breaches during the prior 6 months?

Yes: Please explain. / No

The SamCERA - Broad Market Duration ("SAMBMD") portfolio has a guideline limit stating that Collateralized Mortgage Obligations ("CMOs") are prohibited. Asset Management Compliance ("AMC") applied a rule in the compliance system prohibiting CMOs in the portfolio.

On 3/9/2022, while performing a review of beginning-of-day violations, AMC received a violation for SAMBMD for CASCADE FUNDING MORTGAGE TRUST 0.8983% 06/25/2036 144A. Upon review, AMC discovered that the instrument type code for the security had been changed in the reference file from an Asset Backed Security ("ABS") to a CMO. AMC inquired with the Global Data Services ("GDS") team, who confirmed that they updated the security's instrument type code to a CMO following an update from Bloomberg.

To remediate, the Portfolio Manager ordered a sale of CASCADE FUNDING MORTGAGE TRUST 0.8983% 06/25/2036 144A, which was executed on 3/11/2022.

To determine impact, the purchase price of the security on 6/22/2021 was compared to the sell price on 3/11/2022. The result was a loss of \$3,046.84 which will be reimbursed to the portfolio.

The Fixed Income Trading Desk discussed the change with Research, and performed a review of similar securities, all of which were shown to be correctly classified as CMOs.

7. Has the firm's insurance coverage been sustained?

Yes / No: Please explain.

San Mateo County Employees' Retirement Association I Due Diligence Questionnaire

Investment Management Fees

1. Is SamCERA's investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?

Yes: Please explain. / No

Derivative Investments

1. Are derivatives used in the management of the investment strategy?

Yes: Please ANSWER the remaining questions in this section.

No: Please SKIP the remaining questions in this section.

2. Are derivative investments in compliance with SamCERA's investment policies?

Yes / No: Please explain.

3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?

Yes / No: Please explain.

4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?

Yes / No

If Yes:

a) Do the counter-parties have investment grade debt? Yes / No

b) Are the counter-parties registered with the SEC and do they have net capital to protect against the potential adverse market circumstances? Yes/ No: Please explain.

5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?

Yes / No

If Yes:

a) Do the counter-parties have investment grade debt? Yes / No

b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/ No: Please explain.

6. Is individual counter-party exposure well diversified? Yes/ No: Please explain.

a) What is the largest exposure to a single counter-party within the portfolio?

San Mateo County Employees' Retirement Association I Due Diligence Questionnaire

- b) Please specify the name of the counter-party and the amount of exposure.
- c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?

We consider this information to be proprietary and are therefore unable to disclose.

- 7. Are the investment purposes for a derivative investment consistent with the four purposes stated in SamCERA's policies? Yes / No: Please explain.

- a) Has the firm developed any new purposes for derivative investments? Yes: Please explain. / No

- 8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment.

As of June 30, 2022, the portfolio held no derivative securities.

- a) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes / No:

Not applicable.

- b) State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

Not applicable.

- 9. State if any restricted derivative investments are held in SamCERA's portfolios.

Yes / No

- a) If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies.

- 10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? Yes / No: Please explain.

As of June 30, 2022, the portfolio held no derivative securities.

- 11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? Yes / No: Please explain.

- 12. Specify the security pricing sources used when developing portfolio market value exposures for non-exchanged traded derivative positions.

Fidelity Fund and Investment Operations (FFIO) utilizes a combination of sources for derivatives pricing. Primary source for most derivative instruments are third-party pricing vendors, including Markit, Pricing Direct, Refinitiv, and Bloomberg (Refinitiv is our primary source on futures).

San Mateo County Employees' Retirement Association I Due Diligence Questionnaire**13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.**

All derivative instruments used in the portfolio are liquid. Given the minimum role they play in the portfolio and the extensive research conducted by the Counterparty Risk Team and the large team of in-house and external lawyers that support these efforts, we feel the legal and regulatory risks are minimal.

As of June 30, 2022, no derivatives were held in the portfolio.

14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. Yes: Please explain. / No**Investment Manager Guidelines****1. Are portfolio holdings well-diversified, and made in liquid securities?**

Yes/ No: Please explain.

2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities?

Yes: Please explain. / No

Domestic Fixed Income Portfolios**1. State the percentage of the portfolio held in each of the following types of securities:**

<i>Certificates of Deposit</i>	%
<i>Commercial Paper</i>	%
<i>Other High Grade Short-term securities</i>	0.00%
<i>U.S. Government & Agency securities</i>	40.44%
<i>Corporate Bonds</i>	28.00%
<i>Mortgage- and asset-backed securities</i>	28.32%
<i>Yankee bond securities</i>	3.24%

2. Does the firm conduct horizon analysis testing? Yes/ No: Please explain.

Scenario Analysis is performed at both the security and portfolio level. We perform scenario analysis on a daily basis for most fixed-income securities in our universe. There are 13 interest-rate scenarios consisting of unchanged, shift, and twist yield curve movements. We also allow for interactive analysis, incorporating spread changes into the estimated scenarios.

3. Are any holdings below investment grade? Yes / No

a) If Yes, why are they held in the portfolio?

San Mateo County Employees' Retirement Association I Due Diligence Questionnaire

As of June 30, 2022, 0.09% of holdings in the portfolio were below investment grade. Purchased as investment grade, these holdings have been downgraded due to increased leverage or other fundamental credit criteria. We still feel they hold relative value, although we are monitoring these securities closely.

4. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio? Yes / No

a) If Yes, please specify the bond issue and percentage amount.

5. What percentage of the portfolio is held in Rule 144A securities?

15.25%


6. At the time of purchase, was there any single industry which represented more than 15% of the market value of the account. Yes / No

a) If Yes, please specify the name of the industry, percentage amount and size relative to benchmark.

7. What proportion of total AUM do the assets in this product make-up of the firm? What size does SamCERA's account comprise of total product assets?

As of June 30, 2022, the SamCERA Broad Market Duration account represents <1% of the assets in the Broad Market Duration strategy and less than 1% of total FIAM assets.

Signed by: Mark Botelho

DocuSigned by:

3B8B588B3CA94ED
Dated: 7/11/2022

Name of Firm: FIAM LLC

RESPONSE TO DUE DILIGENCE REQUEST FROM
San Mateo County Employees Retirement Association

Franklin Templeton Global Multisector Plus Fund L.P
Review Period: January 1, 2022 – June 30, 2022

Bill Deakyne, CFA

Senior Vice President

Head of US Institutional Relationship Management

Franklin Templeton Institutional, LLC

tel: +1 (650) 312-2270

email: bill.deakyne@franklintempleton.com

Marnie Maciariello

Vice President

Institutional Relationship Manager

Franklin Templeton Institutional, LLC

tel: +1 (650) 431-4360

email: marnie.maciariello@franklintempleton.com

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APPENDIX 1

FRANKLIN ADVISERS INC. REGULATORY HISTORY

GENERAL COMPLIANCE ISSUES

1. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?

Yes: Please explain. No

Personnel

The investment team responsible for the management of the Franklin Templeton Global Multisector Plus Fund L.P is Templeton Global Macro. The following tables show the additions and departures during the past six months ended June 30, 2022, for portfolio managers, research analysts and traders dedicated to Templeton Global Macro strategies.

Additions

Date joined the team	Name	Investment Function
June 27, 2022	Olin Marman	Research Analyst

Departures

Date departed the team	Name	Investment Function
May 3, 2022	Attila Korpos	Research Analyst

Note: Templeton Global Macro also has a research associate program for junior analysts who work with the team for two to four years.

Organizational Structure

The following changes took place within the firm’s business organization in the past six months ended June 30, 2022:

- On January 4, 2022, Franklin Templeton announced it had completed its acquisition of O’Shaughnessy Asset Management, LLC (OSAM), a leading quantitative asset management firm. Through this acquisition, Franklin Templeton adds to its offerings in the high growth separately managed account (SMA) industry, where it is already one of the largest providers. OSAM’s capabilities, both as a factor-based investment manager and as a Custom Indexing solution via OSAM’s flagship Canvas® platform, will serve as an important expansion and enhancement of Franklin Templeton’s existing strengths in SMA and custom solutions capabilities.
- On January 20, 2022, Franklin Templeton announced the appointment of Anne Simpson as Global Head of Sustainability, a newly created role charged with driving Franklin Templeton’s overall strategic direction on stewardship, sustainability, and environmental, social, and governance (ESG) investment strategy globally. Ms. Simpson brings 35 years of international and academic expertise and joins the firm from the California Public Employees Retirement System (CalPERS), where she served as Managing Investment Director for Board Governance and Sustainability. Ms. Simpson will report directly to President and CEO Jenny Johnson and join the firm on February 22, 2022, based in California.
- On March 31, 2022, CEO Jenny Johnson announced organizational changes to her senior management team. Effective April 15, 2022, Matthew Nicholls, EVP and Chief Financial Officer, will expand his responsibilities to include the role of Chief Operating Officer, which includes Technology and Operations, Human Resources, and Global Alliances & New Business Strategy. Effective October 1, 2022, Terrance Murphy, Head of Equities for Franklin Templeton and CEO of ClearBridge Investments, will expand his role to oversee the majority of the firm’s public market investment teams as the new Head of Public Market Investments.

- On April 1, 2022, Franklin Templeton announced the completion of its acquisition of Lexington Partners L.P. Lexington is a leading global manager of secondary private equity and co-investment funds.
- On April 19, 2022, Franklin Templeton announced that Sandy Kaul was appointed Senior Vice President, to provide advisory consulting and thought leadership as part of the Franklin Templeton Institute. She will deliver actionable intelligence and insights on the future of the investment and wealth management industry for the firm and its clients.
- Effective May 1, 2022, Craig Tyle stepped down as the company's General Counsel after 17 years and transitioned into a senior advisor role. Tom Merchant became the new General Counsel for Franklin Resources, Inc., responsible for the company's Legal and Compliance divisions.
- On May 31, 2022, Franklin Templeton announced that it has entered into a definitive agreement to acquire Alcentra from Bank of New York Mellon. One of the largest European credit and private debt managers, Alcentra has \$38 billion in AUM with global expertise in senior secured loans, high yield bonds, private credit, structured credit, special situations, and multi-strategy credit strategies. The transaction is expected to be completed early in the first calendar quarter of 2023.
- Effective June 30, 2022, Franklin Templeton Emerging Markets Equity (FTEME) and Templeton Global Equity Group (TGEG) was organized under the umbrella of Templeton Global Investments (TGI). Manraj Sekhon assumed the role of Head of TGI, while maintaining his current role as Chief Investment Officer of FTEME.

2. Have there been any changes in the firm's investment approach?

Yes: Please explain. No

3. Have there have been any industry or regulatory disciplinary actions taken against the firm?

Yes: Please explain. No

No. During the six months ended June 30, 2022, Franklin Advisers Inc. (FAV) was not the subject of any *investment-related proceedings, findings or orders* brought or issued by any U.S. federal or state regulatory agency, *foreign financial regulatory authority, or self-regulatory organization*.

For a summary of *investment-related proceedings, findings or orders* brought or issued by any such regulatory entity against FAV and/or certain of its *advisory affiliates* in the past 10 years ended March 31, 2022, as well as certain other regulatory matters, please see Appendix 1: Franklin Advisers, Inc. Regulatory History. In addition, from time to time, FAV and its *advisory affiliates* receive subpoenas and inquiries including requests for documents or information, from governmental authorities or regulatory bodies and also are the subject of governmental or regulatory examinations or investigations. *Investment-related proceedings, findings or orders* resulting from such subpoenas, inquiries, examinations, or investigations if any, will be reported, to the extent required and permitted by law, on FAVs Form ADV filed with the U.S. Securities and Exchange Commission. (Italicized terms are as defined on Form ADV.)

4. Has the firm's insurance coverage been sustained?

Yes No: Please explain

INVESTMENT MANAGEMENT FEES

1. Is *SamCERA's* investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?

- Yes: Please explain. No

DERIVATIVE INVESTMENTS

1. Are derivatives used in the management of the investment strategy?

Yes: Please ANSWER the remaining questions in this section.

No: Please SKIP the remaining questions in this section.

2. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?

Yes No: Please explain.

3. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?

Yes No

If Yes:

a) Do the counter-parties have investment grade debt?

Yes No

b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances?

Yes No: Please explain.

4. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?

Yes No

If Yes:

a) Do the counter-parties have investment grade debt?

Yes No

b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?

Yes No: Please explain.

5. Is individual counter-party exposure well diversified?

Yes No: Please explain.

- a) What is the largest exposure to a single counter-party within the portfolio?
- b) Please specify the name of the counter-party and the amount of exposure.
- c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?

6. Specify the security pricing sources used when developing portfolio market value exposures for non-exchange traded derivatives.

Typically, there are readily available market quotations for certain kinds of derivative instruments, like those traded on recognized exchanges, and those instruments are valued accordingly. Over-the-counter (OTC) derivatives are valued using quotations from independent third-party vendors and sources that may apply fair value techniques. OTC derivatives contracts may not trade frequently. Our vendors may use valuation techniques including fair value pricing models to determine Net Present Value (NPV). The vendors' evaluated prices (NPV) are derived using the attributes described in the instrument terms and conditions, relevant credit or interest rate curves derived from contributed data from a network of market participants and current broker-dealer quotations. If a current market quotation cannot be established or a market event occurs that calls into question the reliability of current market quotations, the pricing department will initiate fair value procedures. Fair valuation might include an internal fair valuation by management appraisal. All fair value management appraisals are documented and the Valuation Committee reviews and approves them.

7. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

The Franklin Templeton Global Multisector Plus Fund L.P is predominantly made up of cash bonds and cash. Derivatives are used to manage interest rate, credit, and currency risk exposures as needed. In particular:

- Interest rate futures and swaps may be used to implement positive and negative views on interest rates, quickly adjust portfolio duration, or efficiently handle cash flows.
- The strategy uses currency forward contracts and/or currency options to express positive and negative currency views.
- Credit default swaps may be used to hedge sovereign credit risk. They are not currently used in Templeton Global Macro strategies.

Derivatives may be exchange traded or traded over-the-counter. Compared with cash bonds, the types of derivatives used are typically more flexible, more liquid, and often have lower transaction costs.

All portfolio risk exposures, including those associated with derivatives, are monitored by Templeton Global Macro as well as by the Investment Risk Management Group.

8. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months.

Yes: Please explain. No

INVESTMENT MANAGER GUIDELINES

1. Are portfolio holdings well-diversified, and made in liquid securities?

Yes No: Please explain.

2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities?

Yes: Please explain. No

GLOBAL FIXED INCOME PORTFOLIOS

1. State the percentage of the portfolio held in each of the following types of securities (please sub-total each by region):

Certificates of Deposit (by region)	%
Commercial Paper (by region)	%
Other high grade short-term securities (by region)	%
Government & Agency securities (by region)	%
Investment Grade Corporate Bonds (by region)	%
High Yield Corporate Bonds (by region)	%
Mortgage and asset-backed securities (by region)	%

The following table details the sectoral along with regional breakdown for the Franklin Templeton Global Multisector Plus (Master) Fund, Ltd. as of June 30, 2022.

Sector	MV %
Africa Sub-IG Govt Bond	4.73%
Americas ex-US IG Govt Bond	8.03%
Americas ex-US Sub-IG Govt Bond	13.18%
Americas ex-US Sub-IG Govt Inflation-linked	2.09%
Asia ex-Japan IG Govt Bond	15.35%
Asia ex-Japan IG T-Bill	5.79%
Cash Equivalent	17.85%
Cash Un-invested	12.39%
FX Forwards	-6.32%
Interest-Rate Swaps	0.28%
Non-EMU Europe IG Govt Bond	8.79%
UK Govt Bond	1.96%
UK T-Bill	3.23%
Supranational	1.29%
USD Sub-IG Sovereign	11.36%
Grand Total	100.00%

2. Please list any holdings that are below investment grade or not-rated.

The following table details the quality allocation breakdown for the Franklin Templeton Global Multisector Plus (Master) Fund, Ltd. (3c7) as of June 30, 2022. In total, 31.36% of the fund consisted of holdings that were below investment grade.

Range	IG/Non-IG	Percentage
AAA	IG	15.87%
AA	IG	1.11%
AA-	IG	5.19%
BBB+	IG	4.92%
BBB	IG	9.31%
BBB-	IG	8.03%
BB-	Non-IG	13.76%
B	Non-IG	4.34%
B-	Non-IG	9.01%
CCC	Non-IG	3.48%
CC	Non-IG	0.76%
Cash & Cash Equivalents	-	30.25%
N/A	-	-6.04%
Grand Total		100.00%

3. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio?

Yes

No

a) If Yes, please specify the bond issue and percentage amount.

The following table lists the bond issues which represent more than 5% of the market value of the portfolio along with their percentage amount during the six-month period ended June 30, 2022:

Date	Bond	MV%
1/31/2022	Indonesia Treasury Bond, 5.50%, 4/15/26	9.19%
	Korea Treasury Bond, senior note, .875%, 12/10/23	5.25%
2/28/2022	Indonesia Treasury Bond, 5.50%, 4/15/26	9.57%
	Indonesia Treasury Bond, 5.50%, 4/15/26	9.01%
3/31/2022	Brazil Letras do Tesouro Nacional, BILLS, Unsecured, LTN, 1/01/25	5.73%
	Korea Treasury Bond, senior note, .875%, 12/10/23	5.05%
4/30/2022	None	-
5/31/2022	None	-
	Government of Indonesia, senior bond, FR59, 7.00%, 5/15/27	6.36%
6/30/2022	Government of Norway, 144A, Reg S, 1.75%, 3/13/25	5.80%
	Brazil Letras do Tesouro Nacional, BILLS, Unsecured, LTN, 1/01/25	5.15%
	Nota do Tesouro Nacional, 10.00%, 1/01/27	5.09%

4. What percentage of the portfolio is held in Rule 144A securities?

The following table lists the percentage of the portfolio that was held in Rule 144A securities during the six-month period ended June 30, 2022:

Date	144A (Total %)
1/31/2022	9.12%
2/28/2022	-
3/31/2022	4.81%
4/30/2022	2.88%
5/31/2022	6.23%
6/30/2022	8.03%

5. At the time of purchase, was there any single industry which represented more than 15% of the market value of the account.

Yes No


a) **If Yes, please specify the name of the industry, percentage amount and size relative to benchmark.**

Not Applicable.

6. What proportion of total AUM do the assets in this product make-up of the firm? What size does SamCERA's account comprise of total product assets?

The total AUM of the Franklin Templeton Global Multisector Plus (Master) Fund Ltd. as of May 31, 2022, was US \$72.86 million, which makes up 0.01% of total Franklin Resources, Inc. (Franklin Templeton) AUM.

SamCERA's account assets make up 100% of Franklin Templeton Global Multisector Plus (Master) Fund Ltd.'s total assets as of May 31, 2022.

Signed By: 
Name: Breda Beckerle
Title: Chief Compliance Officer
Dated: July 12, 2022
Name of Firm: Franklin Advisers, Inc. (FAV)

IMPORTANT NOTES

This response (the Response) is based on the information provided in the Due Diligence Questionnaire (the Questionnaire). To the extent any such information in the Questionnaire is incomplete or inaccurate, Franklin Templeton reserves the right to alter, amend or delete any information it has provided in the Response. Franklin Templeton has prepared the Response in good faith and, to the best of its knowledge, all information provided in the Response is accurate as of the date submitted. Information, including all data, provided in the Response is unaudited, unless otherwise indicated. Additionally, any information relating to assets under management (AUM) is being provided in response to the particular request contained in the Questionnaire and the figures provided may, therefore, be categorized differently than those reported for regulatory or other disclosure purposes. AUM includes assets for which the firm provides various investment management services as described in Franklin Resources, Inc.'s current Form 10K (See Item I, "Business". A copy of the current Form 10K as well as the most recent Annual Report can be located at www.franklintempleton.com). The way we calculate our AUM may change from time to time based on such factors as changes in industry standards, regulatory requirements or specific requests. Any information from third-party sources is believed to be reliable, but Franklin Templeton cannot guarantee its accuracy or completeness. Information set forth in the Response is subject to change and Franklin Templeton does not undertake any duty to update the Response after its issuance nor does it accept responsibility for any modifications made to the Response after its date of issue. Responses may include a general description of the types of services Franklin Templeton may provide to its clients and may not be applicable or tailored to the Questionnaire. Data shown for currency exposure, country exposure, maturity, duration, coupon allocation, sector allocation and asset allocation may reflect certain derivatives held in the portfolio (or their underlying reference assets). Breakdowns may not total 100% or may be negative due to rounding, use of derivatives, unsettled trades or other factors. When performance for either the portfolio or its benchmark has been converted into another currency, different foreign exchange (FX) closing rates may be used for the conversion of the portfolio and benchmark performance.

The information contained in the Response is solely for the purpose of responding to the Questionnaire, shall be treated as confidential, and shall be distributed internally on an as-needed basis only. Subject to applicable regulatory requirements, it shall not be distributed or otherwise communicated to third parties (other than any consultant engaged by the issuer of the Questionnaire to assist in connection therewith) without the prior written consent of Franklin Templeton. Any such consultant shall likewise be obligated to treat the Response as confidential.

Investing may involve a high degree of risk. The issuer of the Questionnaire is deemed to be an experienced institutional investor or consultant and is expected to make its own independent assessment of the appropriateness and the associated risks of investing. Franklin Templeton shall not be held liable for any losses or damages arising out of any person's reliance upon the information contained in the Response. Except as expressly provided in the Response, no person, firm, or corporation has been authorized to give any information or to make any representation other than those contained in the Response.

All investors should inform themselves as to the legal and other requirements applicable to them with respect to any investments, holdings, and/or disposition of any investments. Franklin Templeton takes no responsibility for informing or advising investors of any applicable laws or regulations.

Views or opinions expressed in the Response do not constitute investment, legal, tax, financial or other advice. The Response is neither an offer for a particular security nor a recommendation to purchase any investments. The way Franklin Templeton implements its investment strategies and the resulting portfolio holdings may change depending on a variety of factors such as market and economic conditions, as well as client account guidelines and restrictions, if applicable. The information provided in the Response is not a complete analysis of every aspect of any market, country, industry, security, strategy or portfolio. Past performance does not guarantee future results and results may differ over future time periods.

By accepting these materials, you confirm your acceptance of the above terms.

NISA Investment Advisors, LLC – June 30, 2022

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Tuesday, July 12, 2022.**

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*?
 Yes / **No: Please explain.**
2. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?
 Yes: Please explain. / **No**

NISA Investment Advisors, LLC is a wholly owned subsidiary of NISA, LLC. NISA, LLC is 100 percent employee-owned through membership interests in NISA, LLC. During Q2 2022, there were no material changes to NISA's ownership structure.

During Q2 2022, the following changes to NISA's Senior Team were announced:

- Matt Byron was promoted to Chief Operating Officer and joined NISA's Management Committee effective 5/31/2022. Matt has been working closely with Greg Yess, Managing Director, Client Services, over the last several years to provide a smooth, planned transition of responsibilities from Greg to Matt. Greg will remain a member of the Management Committee and continue to focus on client servicing activities.
- Joe Murphy announced his retirement at the end of this year and stepped down from NISA's Management Committee effective 5/31/2022. His day-to-day responsibilities are being transitioned to other members of the team. We will be updating the membership of the Investment Committee later this year as a result of Joe's departure. Those discussions are still ongoing and will be communicated as we approach year-end, but the appointment(s) will be from existing members of the investment team.

In addition, during Q2 2022, there was one senior addition to the firm. In April 2022, Tony Gould, CFA, CAIA joined NISA as the Director, Investment Strategies – Client Solutions. Tony is responsible for partnering across the firm to champion product development and distribution initiatives to support NISA's growth.

Furthermore, Danna Gilbert, Director, Enterprise Data, departed in May 2022. Danna's responsibilities were assumed by other members of NISA's Senior Team.

During Q1 2022, there were two senior additions to the firm. In January 2022, Sarah Wendt joined NISA as the Head of Human Resources, and in February 2022, Susan Gerard joined NISA as the Head of Marketing and Communications.

Sarah is responsible for the strategic and day-to-day oversight of NISA's Human Resources function. She has over 25 years of experience in Human Resources.

Susan is responsible for overseeing NISA's marketing and communications. She has over 20 year of experience in marketing and communications.

David Kon, Chief Data Officer, Enterprise Data, departed in February of 2022. David's responsibilities were assumed by other members of NISA's Senior Team.

3. Have there been any changes in the firm's investment approach?
 Yes: Please explain. / **No**
4. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly different from other similar portfolios?
 Yes: Please explain. / **No**
5. Have there have been any industry or regulatory disciplinary actions taken against the firm?
 Yes: Please explain. / **No**
6. Have there been any investment guideline breaches during the prior 6 months?
 Yes: Please explain. / **No**
7. Has the firm's insurance coverage been sustained?
 Yes / **No: Please explain.**

Investment Management Fees

1. Is *SamCERA's* investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?
 Yes: Please explain. / **No**

Derivative Investments

1. Are derivatives used in the management of the investment strategy?
 Yes: Please ANSWER the remaining questions in this section.
 No: Please SKIP the remaining questions in this section.
2. Are derivative investments in compliance with *SamCERA's* investment policies?
 Yes / **No: Please explain.**

3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?

Yes / No: **Please explain.**

N/A

4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?

Yes / No

N/A

If Yes:

- a) Do the counter-parties have investment grade debt? Yes/ No
b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/ No: **Please explain.**

5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?

Yes / No

N/A

If Yes:

- a) Do the counter-parties have investment grade debt? Yes/ No
b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?
 Yes/ No: **Please explain.**

6. Is individual counter-party exposure well diversified? Yes/ No: **Please explain.**

- a) What is the largest exposure to a single counter-party within the portfolio?

The NISA-managed SamCera Portfolio holds exchange traded, U.S. Treasury futures contracts with JP Morgan as the FCM. As of 06/30/2022, the gross notional futures exposure with JP Morgan was \$1,852,125. This is the only futures position in the Portfolio.

- b) Please specify the name of the counter-party and the amount of exposure.

The NISA-managed SamCera Portfolio holds exchange traded, U.S. Treasury futures contracts with JP Morgan as the FCM. As of 06/30/2022, the gross notional futures exposure with JP Morgan was \$1,852,125. This is the only futures position in the Portfolio.

- c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?

There were no counter-party changes over the six-month period ending 06/30/2021.

7. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies? **Yes** / **No: Please explain.**

- a) Has the firm developed any new purposes for derivative investments? **Yes: Please explain.** / **No**

8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment.

N/A. The NISA-managed SamCera Portfolio only holds exchange traded futures contracts, which falls under the 'Allowable Derivative Instruments' in the SamCera IPS.

- a) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. **Yes** / **No: Please explain.**

N/A. The NISA-managed SamCera Portfolio only holds exchange traded futures contracts, which falls under the 'Allowable Derivative Instruments' in the SamCera IPS.

- b) State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

N/A. The NISA-managed SamCera Portfolio only holds exchange traded futures contracts, which falls under the 'Allowable Derivative Instruments' in the SamCera IPS.

9. State if any restricted derivative investments are held in *SamCERA's* portfolios.

Yes / **No**

- a) If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies.

N/A.

10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? **Yes** / **No: Please explain.**

N/A.

11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? **Yes** / **No: Please explain.**

N/A.

12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives.

N/A.

13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

The Treasury futures held in the NISA-managed SamCERA portfolio are highly liquid instruments. For these exchange traded instruments, initial margin is posted to an FCM and variation margin is exchanged daily. For risk management purposes, NISA generally seeks to limit the amount of excess cash and securities on deposit with a FCM by transferring funds to or from the account daily, if needed. In addition, NISA negotiated provisions with FCMs that include limits on margin requirements (i.e., clearing member excess margin requirements), notice (e.g., position limits, termination, fee changes), acceptance of offsetting trades, and default (e.g., limit what constitutes default, opportunity to cure).

14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. **Yes: Please explain.** / **No**

Investment Manager Guidelines

- 1. Are portfolio holdings well-diversified, and made in liquid securities? **Yes** / **No: Please explain.**
- 2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? **Yes: Please explain.** / **No**

Cash & Equivalents

- 1. Does the firm directly invest in short term fixed income investments? **Yes** / **No**
 - a) If **Yes**, do the investments comply with the policies? **Yes** / **No: Please explain.**

Domestic Fixed Income Portfolios

1. State the percentage of the portfolio held in each of the following types of securities:

<i>Certificates of Deposit</i>	<i>0.00%</i>
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<i>Commercial Paper</i>	<i>0.00%</i>
<i>Other High Grade Short-term securities</i>	<i>0.37%</i>
<i>U.S. Government & Agency securities</i>	<i>33.50%</i>
<i>Corporate Bonds</i>	<i>36.30%</i>
<i>Mortgage- and asset-backed securities</i>	<i>29.40%</i>
<i>Yankee bond securities</i>	<i>0.43%</i>

*Corporate Bonds include 1.18% in Taxable Municipals

2. Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio? **Yes** / **No: Please explain**

3. Does the firm conduct horizon analysis testing? **Yes** / **No: Please explain.**

While not part of any formal process or “test”, when making investment decisions NISA does consider factors such as ex ante tracking error associated with current and potential positions as well as the impact that various market events (e.g. Treasury Curve changes, Economic shocks) could have on the portfolios return.

4. Are any holdings below investment grade? **Yes** / **No**

a) If **Yes**, why are they held in the portfolio?

5. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio? **Yes** / **No**

a) If **Yes**, please specify the bond issue and percentage amount.

6. What percentage of the portfolio is held in Rule 144A securities?

As of 06/30/2022, 8.08% of the portfolio’s market value was held in 144A securities.

7. At the time of purchase, was there any single industry which represented more than 15% of the market value of the account. **Yes** // **No**

a) If **Yes**, please specify the name of the industry, percentage amount and size relative to benchmark.

8. What proportion of total AUM do the assets in this product make-up of the firm? What size does SamCERA’s account comprise of total product assets?

As of 06/30/2022, NISA's Short/Core Duration Product (\$33.8bn) makes up approximately 12.2% of NISA's total, physical AUM (\$276.6bn).

As of 06/30/2022, the NISA-managed SamCera Portfolio (\$214.1mm) makes up approximately 0.63% of NISA's Short/Core Duration Product (\$33.8bn).

Signed by:

A handwritten signature in black ink that reads "Mark Reinhardt for Rick Dolson". The signature is written in a cursive, flowing style.

Richard M. Dolson
Chief Compliance Officer

Dated: 07/12/2022

Name of Firm: NISA Investment Advisors, LLC

Western Asset Management Total Return Unconstrained – June 30, 2022

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Tuesday, July 12, 2022.**

General Compliance Issues

1. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?
 Yes: Please explain. / **No**

As previously disclosed, Mr. Charles A. Ruys de Perez, former General Counsel and Head of the Legal & Compliance Department, is retiring effective July 2022. Western Asset has selected Ms. Courtney Hoffmann to succeed Mr. Ruys de Perez. Her client-focused, solutions-oriented philosophy aligns with the Firm's approach, and Western Asset expects that her differentiated skills and experience will complement the Firm's team and culture. Ms. Hoffmann joined the Firm in June 2022, and Mr. Ruys de Perez has graciously agreed to continue through mid-July to ensure a smooth and coordinated transition.

Ms. Hoffmann will bring to Western Asset decades of broad and deep experience. During her 22 years in private practice at Sidley Austin, a leading international law firm, she directly and successfully handled a variety of complex, high-stakes regulatory matters, lawsuits and internal investigations in the US and internationally. She represented clients globally in asset management, insurance, financial services, energy, health care and other industries. More recently, while working in-house as Deputy General Counsel at Jackson Financial, she led teams handling corporate matters, contracts, employment law and benefits, intellectual property, records management, corporate insurance, regulatory examinations, regulatory enforcement, litigation and internal investigations.

In addition, please note that Mr. Kevin Ehrlich, Chief Compliance Officer, has communicated his intent to leave Western Asset in mid-August for a leadership opportunity at SIFMA. Upon his departure in August 2022, Ms. Kim Stout will be Western Asset's US CCO and Manager of Regulatory Affairs on an interim basis. Ms. Stout has 39 years of industry experience and has been with Western Asset since 2005. For the last 17 years, she has led Western Asset's compliance and regulatory efforts in the New York office with a specific focus on and expertise in the Firm's US, UCITS and Liquidity Fund complexes. In the last three years, Ms. Stout has expanded her role to oversee the London and São Paulo compliance and regulatory teams, positioning her well to succeed Mr. Ehrlich in this new capacity.

2. Have there been any changes in the firm's investment approach?
 Yes: Please explain. / **No**
3. Have there have been any industry or regulatory disciplinary actions taken against the firm?
 Yes: Please explain. / **No**
4. Has the firm's insurance coverage been sustained?
 Yes / **No: Please explain.**

Investment Management Fees

1. Is *SamCERA's* investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?
 Yes: Please explain. / **No**

Derivative Investments

1. Are derivatives used in the management of the investment strategy?
 Yes: Please ANSWER the remaining questions in this section.
 No: Please SKIP the remaining questions in this section.
2. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?
 Yes / **No: Please explain.**
3. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?
 Yes / **No**

If Yes:

- a) Do the counter-parties have investment grade debt? **Yes**/ **No**
 - b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? **Yes**/ **No: Please explain.**
4. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?
 Yes / **No**

If Yes:

- a) Do the counter-parties have investment grade debt? **Yes**/ **No**
- b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?
 Yes/ **No: Please explain.**

5. Is individual counter-party exposure well diversified? **Yes/** **No: Please explain.**
- a) What is the largest exposure to a single counter-party within the portfolio?
0.10% of the Fund is exposed to Citicorp Securities London.
- b) Please specify the name of the counter-party and the amount of exposure.
The name of the counter-party is Citicorp Securities London, 0.10%
- c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?
RBC Capital Markets was added as an execution broker in May 2022 for cleared swaps.
6. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives.

Western Asset's Pricing Group, an independent entity within the Risk Management & Quantitative Solutions Department, is responsible for obtaining prices from independent pricing vendors and brokers and assigning values to securities in accordance with the approved pricing hierarchies. Western Asset's primary pricing vendor is ICE Data Services for fixed-income cash bonds, and Markit for derivatives.

If prices for a particular security are not readily available from an independent pricing vendor, Western Asset's Pricing Group will obtain and use as market values from at least one independent bid from broker dealers if dual broker dealer bids are not available. The Pricing Group will attempt to obtain such bids from the trading broker. Western Asset's price will be the average of two broker bids if made available, or otherwise will be reflective of a single broker dealer bid.

If at any time it is determined by Western Asset's Pricing Group or a sector specialist that reliable market quotations from a pricing vendor, dealer or general market data is not readily available for a particular security, the Pricing Committee will determine the fair valuation for that particular investment. Western Asset's Pricing Policies and Valuation Process provides further details on fair valuation determination.

Western Asset's Pricing Committee is responsible for approving the Firm's pricing policies, sources used, and any exceptions to them. It consists of senior members from the Investment Management unit and the Client Service, Legal & Compliance, Risk Management and Investment Operation teams. The Committee meets at least twice each month and on an ad-hoc basis as needed to review monthly reports compiled by the Pricing Group and to consider any changes to the pricing policies as the need arises.

Western Asset's Pricing Policies and Valuation Process is provided in Appendix A.

7. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

Western Asset's management style focuses on adding incremental value without taking on excessive risk. To ensure that the Firm's use of derivative instruments is consistent with this investment philosophy, the Firm developed the following guidelines—listed below along with a brief description of their rationale—which form the basis of every decision to employ derivatives in the Firm's investment portfolios:

- The duration contribution of derivatives will not bring the portfolio's duration outside the portfolio's specific duration band.
- Where a portfolio enters into forward foreign exchange contracts the aggregate underlying exposure of the portfolio attained through such contracts shall not exceed 100% of the portfolio's market value.
- A portfolio's gross exposure to forward foreign exchange contracts shall not exceed 50% with any single counterparty and net exposure shall not exceed 25% with any single counterparty. Net exposure is defined as the value (in account base currency terms) of open forward foreign exchange purchase contracts less forward foreign exchange sale contracts. Gross exposure is defined as the value (in account base currency terms) of open forward foreign exchange purchase contracts plus forward foreign exchange sale contracts.
- The net notional exposure to index and credit default swaps will count at their full notional value as exposure to the underlying asset. Concentration limits for a particular name or asset class will apply based on the net sum of its cash and derivative security holdings.
- Short (written) options positions will always be covered, either with current security holdings, other options or futures positions. Mortgage derivatives with significant short option characteristics will not exceed 5% of the portfolio, and will generally be a) offset by positions in other mortgage derivatives (e.g., floaters and inverse floaters), or b) offset by other portfolio positions (e.g., IOs and long duration bonds).
- Futures and options contracts will be limited to liquid instruments actively traded on major exchanges or, if over-the-counter, executed with major dealers.
- Swap contracts are considered over-the-counter contracts between two parties and have counterparty credit risk different from exchange traded derivatives. Western Asset tries to limit its counterparty risk by executing swaps with the strongest financial counterparties. The vast majority of these counterparties are rated is A- or better. In addition, collateral agreements will be in place to trigger margin movement whenever the current mark-to-market amount to be paid or received by either counterparty exceeds a threshold amount.
- Finally, under no circumstances will the derivative positions change the characteristics of the portfolio so that it violates any guideline set forth in the Investment Management Agreement.

8. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. **Yes: Please explain.** / **No**

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities?
 Yes / **No: Please explain.**

2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? **Yes: Please explain.** / **No**

Fixed Income Portfolios

1. State the percentage of the portfolio held in each of the following types of securities

<i>Treasury</i>	<i>16.32%</i>
<i>Inflation-Linked</i>	<i>0.04%</i>
<i>Mortgage-Backed</i>	<i>13.43%</i>
<i>Asset-Backed</i>	<i>2.13%</i>
<i>Investment-Grade Credit</i>	<i>19.73%</i>
<i>High-Yield Credit</i>	<i>9.85%</i>
<i>Bank Loan</i>	<i>4.23%</i>
<i>CLO</i>	<i>7.36%</i>
<i>Non-US</i>	<i>0.78%</i>
<i>EM Government</i>	<i>1.20%</i>
<i>EM Local Currency</i>	<i>6.83%</i>
<i>EM Corporate</i>	<i>3.50%</i>
<i>Cash & Equivalents</i>	<i>14.24%</i>
<i>Other</i>	<i>0.37%</i>
<i>Grand Total</i>	<i>100.00%</i>

2. Does the firm conduct horizon analysis testing? **Yes** / **No: Please explain.**

Western Asset's investment management team estimates horizon excess returns under various market scenarios, including best, worst and likely cases. Particular attention is paid to diversifying strategies under each scenario. The horizon for risk management is the same as that for investment management, as the risk effort is closely integrated into the investment process. The firm's tracking error model calculates predicted tracking errors based on 18 months of historical data. Western Asset also generates scenario analysis results daily for representative accounts. These results estimate horizon durations given various interest rate shocks. The horizon is generally instantaneous as Western Asset evaluates one day extreme movements in rates for duration hedging purposes. The Firm's systems allow for any time horizon and can output a wide array of horizon performance or analytics related statistics.

3. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio? Yes / No

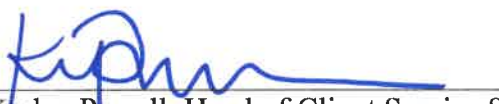
a) If Yes, please specify the bond issue and percentage amount.

4. What percentage of the portfolio is held in Rule 144A securities?
24.4%

5. At the time of purchase, was there any single industry which represented more than 15% of the market value of the account. Yes / No

a) If Yes, please specify the name of the industry, percentage amount and size relative to benchmark. Not Applicable

6. What proportion of total AUM do the assets in this product make-up of the firm? What size does SamCERA's account comprise of total product assets?
As of June 30, 2022, Western Asset's Total Return Unconstrained (TRU) Bond product makes up 1.2% of Firmwide AUM, and SamCERA's account comprises 3.9% of total TRU Bond product assets.

Signed by: 
Karlen Powell, Head of Client Service Support
July 12, 2022
Western Asset Management Company, LLC

Harrison Street Core Property Fund, LP – June 30, 2022

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Tuesday, July 12, 2022**.

General Compliance Issues

1. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?
 Yes: Please explain. / **No**
2. Have there been any changes in the firm's investment approach?
 Yes: Please explain. / **No**
3. Have there have been any industry or regulatory disciplinary actions taken against the firm?
 Yes: Please explain. / **No**
4. Has the firm's insurance coverage been sustained?
 Yes / **No: Please explain.**

Investment Management Fees

1. Is *SamCERA's* investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?
 Yes: Please explain. / **No**

Investment Manager Guidelines

1. Are portfolio holdings well-diversified? **Yes** / **No: Please explain.**
2. Has the firm used leverage? **Yes** / **No**
 - a) If yes, is the portfolio leverage within the 40% of overall loan to value guideline?
 Yes / **No: Please explain.**

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? **Yes** / **No**
 - a) If **Yes**, do the investments comply with the policies? **Yes** / **No: Please explain.**

Real Estate Portfolios

1. Is the portfolio diversified as to region, property type, industry, and economic base?

Yes / No

a) If **No**, do the investments comply with the policies?

2. Is the portfolio achieving a total time-weighted rate of return, net of fees, which equals or exceeds, the NFI ODCE index? Yes / **No: Please explain.**

The Fund uses NPI-ODCE as a supplemental comparison given its dominance as the index for traditional core real estate open-end funds; however, given the Fund's differentiated sector focus, it does not have benchmark.

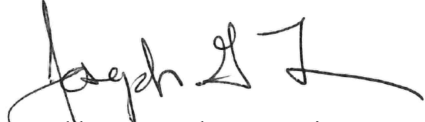
Regarding the attribution analysis, we unfortunately, do not have one available due to the stark differences in sector exposures between our fund and ODCE, and have thus found that the analysis isn't very meaningful as a result. As a suggested alternative analysis, we've recently performed a comparison of the Core Fund's historical, 10-year returns that we featured in our recent webinar that shows the fund's distribution of returns and standard deviation relative to ODCE (see attached). We believe that this demonstrates the strong risk-adjusted performance as well as the low correlation (beta) to the index since inception, which is driven by the underlying sectors that have defensive, demographic demand drivers. From an attribution perspective, we would expect the Core Fund to have larger swings in allocation scores, but we would say that this is intentional as the fund is designed to deliver lower volatility and lower correlation to ODCE.

3. Does the core fund concentration exceed 40% (by value) in any single property type, 15% (by value) in any single investment, or 30% in any single metropolitan statistical area, determined as of the date of the acquisition of the property?

Yes: Please explain. / No

4. What proportion of total AUM do the assets in this product make-up of the firm? What size does SamCERA's account comprise of total product assets?

Please note Firm and Fund level AUM figures and ownership percentages as of June 30, 2022 will not be published until after the due date of this request. As of March 31, 2022, Core Fund assets comprised 38.2% of total Firm AUM, and SamCERA's ownership percentage of the Core Fund was 0.61%. The Firm is happy to subsequently provide figures as of June 30, 2022 if required.


Signed by: Joseph G. Lansing, as Authorized Signatory
Dated: 7/1/2022
Name of Firm: Harrison Street Real Estate Capital, LLC

INVESCO Core Real Estate – June 30, 2022

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Tuesday, July 12, 2022.**

General Compliance Issues

1. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm?
 Yes / **No: Please explain.**
2. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?
 Yes: Please explain. / **No**
3. Have there been any changes in the firm's investment approach?
 Yes: Please explain. / **No**
4. Have there have been any industry or regulatory disciplinary actions taken against the firm?
 Yes: Please explain. / **No - We note that this response solely pertains to Invesco Core Real Estate – U.S.A., L.P. and those managing such entity**
5. Has the firm's insurance coverage been sustained?
 Yes / **No: Please explain.**

Investment Management Fees

1. Is *SamCERA's* investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?
 Yes: Please explain. / **No**

Investment Manager Guidelines

1. Are portfolio holdings well-diversified? **Yes** / **No: Please explain.**

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes / No
 - a) If Yes, do the investments comply with the policies? Yes / No: Please explain.

Real Estate Portfolios

1. Is the portfolio diversified as to region, property type, industry, and economic base?
 Yes / No
 - a) If No, do the investments comply with the policies?
2. Is the portfolio achieving a total time-weighted rate of return, net of fees, which equals or exceeds, the NFI ODCE index? Yes / No: Please explain. - **As of March 31, 2022, the Fund's since inception net return of 7.82% exceeds the net NFI ODCE index of 7.55%**
3. Does the core fund concentration exceed 40% (by value) in any single property type or 35% in any single metropolitan statistical area, determined as of the date of the acquisition of the property? Yes: Please explain. / No
4. Has the firm used leverage? Yes / No
 - a) Is the portfolio leverage within the 35% of overall loan to value guideline?
 Yes / No: Please explain. - **The maximum leverage for the Fund is 35%. As of March 31, 2022, the Fund's leverage was 23.4%.**
5. What proportion of total AUM do the assets in this product make-up of the firm? – **18.7% (based on GAV as of March 31, 2022)** What size does SamCERA's account comprise of total product assets? - **2.47% (as of March 31, 2022)**

General Partner:

IRI Core I, L.P.

By: IRI Core-GP, LLC, its general partner

By: Invesco Realty, Inc., its sole member



Name: William C Grubbs Jr

Title: Vice President

***The Parametric Portfolio Associates LLC Cash & Currency Hedge Overlay –
June 30, 2022***

***Compliance Certification Statement
San Mateo County
Employees' Retirement Association***

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Tuesday, July 12, 2022.**

General Compliance Issues

1. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?
 Yes: Please explain. / **No**
2. Have there been any changes in the firm's investment approach?
 Yes: Please explain. / **No**
3. Have there have been any industry or regulatory disciplinary actions taken against the firm?
 Yes: Please explain. / **No**
4. Has the firm's insurance coverage been sustained?
 Yes / **No: Please explain.**
5. Have there been any investment guideline breaches during the past 6 months?
 Yes: Please explain. / **No**

Investment Management Fees

1. Is *SamCERA's* investment management fee schedule less favorable than those charged other institutional clients who hold an account investment substantially similar to ours?
 Yes: Please explain. / **No**

Derivative Investments

1. Are derivatives used in the management of the investment strategy?
 Yes: Please ANSWER the remaining questions in this section.
 No: Please SKIP the remaining questions in this section.

2. Are derivative investments in compliance with *SamCERA's* investment policies?
 Yes / **No: Please explain.**
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?
 Yes / **No: Please explain.**

Not applicable – Exchange traded derivatives only used in this account.

4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?
 Yes / **No**

If Yes:

- a) Do the counter-parties have investment grade debt? **Yes**/ **No**
b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? **Yes**/ **No: Please explain.**

Not applicable – Exchange traded derivatives only used in this account.

5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?
 Yes / **No**

If Yes:

- a) Do the counter-parties have investment grade debt? **Yes**/ **No**
b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?
 Yes/ **No: Please explain.**

Not applicable – Exchange traded derivatives only used in this account.

6. Is individual counter-party exposure well diversified? **Yes**/ **No: Please explain.**
a) What is the largest exposure to a single counter-party within the portfolio?
b) Please specify the name of the counter-party and the amount of exposure.
c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?

7. Are the investment purposes for a derivative investment consistent with the four purposes stated in *SamCERA's* policies? **Yes** / **No: Please explain.**

a) Has the firm developed any new purposes for derivative investments? **Yes: Please explain.** / **No**

8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment.

- a) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes / No: **Please explain.**
- b) State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

Not applicable – No limited allocation derivatives used in this account.

9. State if any restricted derivative investments are held in *SamCERA's* portfolios.

Yes / No

- a) If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies.

10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? Yes / No: **Please explain.**

Not applicable – No limited allocation derivatives used in this account.

11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? Yes / No: **Please explain.**

12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives.

Not applicable – No limited allocation derivatives used in this account.

13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

See Attachment A for response.

14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. Yes: **Please explain.** / No

Signed by: 

Name/Title: Benjamin Hammes, Chief Compliance Officer, Derivatives

Dated: 07/08/2022

Name of Firm: Parametric Portfolio Associates LLC

ATTACHMENT A
RESPONSE TO QUESTION NO. 13

Parametric seeks to only hold investment instruments that would be deemed liquid. Futures provide a transparent and relatively low risk investment exposure management vehicle to use in managing overlay strategies. There are currently numerous liquid global equity, fixed income, commodity, and currency exchange-traded index futures available for use in an overlay program. Before specific futures contracts to be included in a client's overlay portfolio are approved, the instrument is evaluated and screened to ensure adequate liquidity, focusing on open interest, average daily trading volume, bid/ask spread, and liquidity of the underlying index. As Parametric manages approximately over 180 overlay programs and has relationships with numerous counterparties trading in global markets, we have developed deep knowledge of liquidity levels of markets throughout the world. The primary gauges of liquidity are the average daily volume (ADV) and open interest metrics. Parametric carefully monitors liquidity and estimated costs internally and through external (i.e. broker) sources. As a general rule, the greater the amount ADV and open interest, the greater the liquidity and lower the transaction costs.

Parametric continuously monitors these metrics and will only use contracts which have sufficient liquidity to support the required positions. Parametric will also tailor the instruments employed in the overlay program based upon each client's unique needs and objectives.

Parametric's compliance program is designed to reasonably address all known conflicts of interests and other additional specific risks that have been identified through an annual risk assessment or a change in business or regulatory matters. These include legal and regulatory risks. Adherence to all legal and regulatory matters is considered to be an integral part of each employee's primary job functions. Every employee is required to share in maintaining and enforcing compliance with all applicable internal and external rules.

Verus Advisory, Inc. – June 30, 2022

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

Please complete the following compliance certification statement and e-mail to *SamCERA* (Investments@samcera.org) by **Tuesday, July 12, 2022.**

General Compliance Issues

1. Have there been any significant changes in firm ownership, organizational structure and firm leadership team personnel?

Yes: Please explain. / **No**

2. Have there been any changes to the general consulting, private markets consulting & research, public markets research, or risk advisory personnel?

Yes: Please explain. / **No**

John Nicolini was added to the SamCERA general consulting team in preparation of Margaret's retirement at the end of 2022.

3. Have there have been any industry or regulatory non-routine investigations, examinations, complaints, disciplinary actions or other proceeding against the firm or any investment professionals employed by the firm? **Yes: Please explain.** / **No**

4. Has the firm maintained its status as a Registered Investment Advisory under the Investment Advisors Act of 1940?

Yes / **No: Please explain.**

5. Has the firm's insurance coverage been sustained?

Yes / **No: Please explain.**

Fees

1. Is *SamCERA*'s fee structure less favorable than other clients with the same level of service and access to investment opportunities?

Yes: Please explain. / **No**

Signed by: *Kraig S. McCoy*
Dated: 7/12/2022

Name of Firm Verus Advisory, Inc.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2022

Agenda Item 4.12

TO: Board of Retirement

FROM: Gladys Smith, Assistant Executive Officer



SUBJECT: Questions for Annual Review of Milliman Inc.

Recommendation

Approve the evaluation questions in the "Questions for Annual Actuarial Consultant Evaluation."

Discussion

The questions in the attached document will be submitted to SamCERA's actuary, Milliman Inc., prior to the annual review, which will be scheduled for the September 27, 2022, Board meeting. In addition, there will be a survey of trustees and staff regarding Milliman's performance.

Staff will provide Milliman's responses to the questionnaire as well as the survey results at the September meeting.

Attachment

Questions for Annual Actuarial Consultant Evaluation

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

Questions for Annual Actuarial Consultant Evaluation

Please provide information about the following events and activities and whether they occurred during Fiscal Year 2021-22.

Organizational Update

- 1) Has the ownership structure of your firm changed? If so, describe.
- 2) Provide an update on your firm's organization, with particular emphasis on (a) changes to your management structure over the past eighteen months, and (b) clients gained or lost in the past eighteen months. All significant changes should be accompanied by an explanation. An organizational chart should accompany this response.
- 3) Has your firm's policy regarding adding public pension plan clients and other actuarial business changed, if so, how?
- 4) Update all significant personnel changes or expected changes to the "SamCERA Team." Describe the relative strength and longevity of your staff.
- 5) Please confirm if there were any lawsuits or legal proceedings requiring notification to SamCERA under section 16 of our agreement. If yes, please describe.
- 6) Have you outsourced any of your operations related to your services provided to SamCERA? If the answer is yes, provide details regarding the firm(s) with which your firm has contracted.
- 7) Other than the actuarial audit performed by SamCERA's actuarial auditor on your SamCERA actuarial services, was an actuarial audit been performed on any of your firm's actuarial products? If yes, discuss the audit and the findings. Any material findings or recommendations must be accompanied by an explanation.
- 8) Has Milliman experienced any problems with its "mission critical" systems? Were any upgrades made and if not, when were these systems implemented and when were they last upgraded? Do you anticipate any changes to these systems in the next twelve months?
- 9) Please describe how your firm monitored and managed cyber security risks as they relate to SamCERA's Confidential Information. Were there any problems with cyber security? If so, was your cyber security breach policy applied? If not, why not? Have your procedures for cyber security been updated? Please describe. Please confirm that there has not been any release of SamCERA Confidential Information requiring notification to SamCERA as set forth in Schedule A Section 5(E).
- 10) Please describe any changes to Milliman's business continuity plan.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

Actuarial Process

- 11) Provide a description, in detail, of your actuarial process used when providing services to SamCERA and highlight any changes to the process.
- 12) Provide a description, in detail, of the peer review procedures you used when providing services to SamCERA and include whether and the extent it involves other actuarial firms, highlight any changes to that process.

Outlook Beyond Fiscal Year 2022-23

- 13) What current issues are your clients concerned with regarding products, services, education and governance?
- 14) Describe your assessment of the relationship between your firm and SamCERA. How can SamCERA better assist you in accomplishing the goals it has established for your firm? How can we better utilize your firm's capabilities?

Conclusion

- 15) What actuarial related changes should SamCERA consider?
- 16) Relative to your expertise, what trends are occurring in the public pension industry that SamCERA should be tracking?

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2022

Agenda Item 4.13

TO: Board of Retirement

FROM: Scott Hood, Chief Executive Officer



SUBJECT: Conflict of Interest Code

Recommendation

Reaffirm SamCERA's Conflict of Interest Code.

Background

The Political Reform Act prohibits public officials from using their official position to influence a governmental decision in which they have a financial interest. Every public agency must adopt a Conflict of Interest (COI) code that identifies all officials and employees within the agency who make governmental decisions based on the positions they hold. The individuals in the designed positions must disclose on a Statement of Economic Interests (Form 700) their financial interests as specified.

Discussion

SamCERA is required to review its COI code at least every other year to determine whether, since the last code was approved, there have been any:

- Substantial changes to the SamCERA's organizational structure;
- Positions that were eliminated or re-named;
- Positions that added; or
- Substantial changes in duties or responsibilities for any positions.

If any such changes occurred, staff would bring an amended COI code reflecting such changes to the Board for its approval. Since the Board's last approval of the COI code in July 2020, there have been no organizational changes in SamCERA staffing, thus no changes to the COI are needed at this time.

Following the Board's reaffirmation of the COI code, staff will take appropriate action to inform the County Clerk-Recorder's Office, which is the office that administers the biennial review of conflict of interest codes within the county.

Attachment

Conflict of Interest Code

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
CONFLICT OF INTEREST CODE**

The Fair Political Practices Commission (FPPC) has adopted a regulation (2 Cal. Code of Regs. 18730), which contains the terms of a standard conflict of interest code, which may be amended from time to time. The terms of 2 Cal. Code of Regs. 18730, and any amendments to it duly adopted by the FPPC, are hereby incorporated into this Conflict of Interest Code.

Each person holding any position listed below must file FPPC Form 700--Statement of Economic Interests disclosing the kinds of financial interest shown for the designated employee's position. Statements must be filed at the times and on the forms prescribed by law. Failure to file statements on time may result in penalties including but not limited to late fines. Each person holding a position who must file a Statements of Economic Interest in accordance with Government Code section 87200 *et seq* and California Code of Regulations shall file in accordance with those statutes, with the proviso that the original statements will be filed with *SamCERA* and with a copy to County Clerk. The County Clerk does not need to forward the Statement of Economic Interest to the Fair Political Practices Commission.

LIST OF DESIGNATED POSITIONS AND APPLICABLE DISCLOSURE CATEGORIES

Government Code section 87200 filers: the following positions which manage public investments for purposes Government Code section 87200, shall, *in addition* to the disclosures required by Government Code section 87200 *et seq.* and California Code of Regulations, disclose:

	Disclosure Category
Trustees and Alternate Trustees	1, 2, 3
Chief Executive Officer	1, 2, 3
Chief Investment Officer	1, 2, 3

Government Code section 87100 filers: Designated SamCERA employee positions and employees of consultants, who shall file in accordance with Government Code section 87100:

	Disclosure Category
Assistant Executive Officer	1, 2, 3
Chief Legal Counsel	1, 2, 3
Chief Technology Officer	2
Benefits Manager	2
Finance Officer	2
Investment Consultants	4
Other Consultants	*

* "*Investment Consultants*" are those investment managers and investment consultants who have been determined by the Chief Executive Officer to perform the same or substantially the same functions as SamCERA's Chief Investment Officer, which includes, but is not limited to directing or approving investment transactions, formulating or approving investment policies, and establishing guidelines for asset allocation. "*Other Consultants*" are those contractors who have been determined by the Chief Executive Officer to perform the functions of a SamCERA employee who pursuant to California Code of regulations section 18700 (a)(2) are required to file statements of economic interests. The Chief Executive Officer shall further determine the applicable disclosure categories.

DESCRIPTION OF FINANCIAL DISCLOSURE CATEGORIES

Category 1: Persons in this category shall disclose all interest in real property within the boundaries of the County of San Mateo or within two miles outside the boundaries of the County of San Mateo and property located within two miles of any land owned or used by *SamCERA*. Persons are not required to disclose property, such as a home or vacation cabin, used exclusively as a personal residence.

Category 2: Persons in this category shall disclose all business positions, investments in, or income (including gifts and loans) received from business entities that manufacture, provide or sell service and/or supplies of a type utilized by *SamCERA*.

Category 3: Persons in this category shall disclose all business positions and investments in business entities that are the type in which *SamCERA*'s trust funds may be invested (include securities, real estate and business entities), all income (including gifts and loans) from such business entities, and all interests in real estate co-owned with or purchased from such *SamCERA* business entities.

Category 4: Those investment consultant firms ("consultant") under contract with *SamCERA* that have been determined by the Chief Executive Officer to have a requirement to file. Such consultant shall designate those employees who have influence over the investment decisions pertaining to *SamCERA*'s portfolio. Employees designated by the consultant will disclose all investments in business entities that are the type in which *SamCERA*'s portfolio may be invested by that consultant (including securities, real estate and business entities) which may foreseeably be materially affected by their decision making on behalf of *SamCERA*, all income (including gifts and loans) from such business entities, and all interests in real estate co-owned with or purchased from such *SamCERA* business entities.

ADOPTED by unanimous vote, February 23, 1999

AMENDED by unanimous vote, February 22, 2000

AMENDED by unanimous vote, February 27, 2001

AMENDED by unanimous vote, February 26, 2002

AMENDED by unanimous vote, March 25, 2003

AMENDED by unanimous vote, February 22, 2005

AMENDED by unanimous vote, January 24, 2006

AMENDED by unanimous vote, February 26, 2008

AMENDED by unanimous vote, July 28, 2009

AMENDED by unanimous vote, March, 2010

AMENDED by unanimous vote, September 2011

AMENDED BY unanimous vote, March 2012

ATT: GOVERNMENT CODE SECTION 87314 APPENDIX

Government Code Section 87314 Appendix

Agency Positions that Manage Public Investments For purposes of Section 87200 of the Government Code

The following positions manage Public Investments for purposes of Section 87200 of the Government Code:

Trustees and Alternate Trustees

Chief Executive Officer


Chief Investment Officer

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2022

Agenda Item 5.2

TO: Board of Retirement

FROM: Scott Hood, Chief Executive Officer 

SUBJECT: Discussion and Approval of Draft Funding Policy

Recommendation

Staff has provided a draft funding policy for the Board's review and discussion that seeks to capture the key concepts and considerations necessary to provide the framework for decision support regarding funding for SamCERA.

Background

As part of the Board's governance of the fund, the Board relies on policies and regulations to guide its decision making. The majority of pension funds do not have a funding policy as a matter of course. Most rely solely on an actuarial consultant to provide analysis and recommendations on funding-type decisions and this has been the case with SamCERA. Although funding policies are not required by pension funds it would be prudent and good governance to memorialize those principles that the Board follows in managing the fund.

At the May meeting, Milliman provided a presentation on the tools available to the Board regarding funding. Most actuarial decisions by the Board center around assumptions or how to treat assets and liabilities in the valuation of the fund. Milliman also presented the draft of a dashboard that tracks liability growth and contribution rates against the projection from the previous valuation. The purpose is to see fund progress versus the expected performance based on the parameters set by the Board. Although many decisions are set up to manage funding over long periods, some changes are felt immediately and a dashboard can help validate a previous decision.

Discussion

Despite the Board not having a formal funding policy, SamCERA is considered one of the most conservatively funded public pension systems in the state of California. SamCERA's funding decisions have come at the recommendation of its Actuary, Milliman, Inc. Coupled with SamCERA's historical desire to minimize investment risk and correspondingly maintain actuarial assumptions on the conservative end of the reasonable range this has led SamCERA to its current position. The intent of this funding policy is to capture the principles that the Board deems essential to properly managing the fund. Those principles will also serve to guide future decisions as the plan continues to mature.

Staff has reviewed a number of policies and documents that discuss the funding parameters that must be set by the governing body of public pension funds. From this, staff has developed a draft

policy that attempts to capture the Board's historical thinking on those specific parameters, which have then been incorporated into the attached draft policy.

The draft policy features a brief background and discussion of the following:

- Overview -cites the authority for the Board's actions, the beneficiaries of the funds and the sources of funding for the system.
- Funding Goal
- Objectives
 - Benefit Security
 - Stable and Predictable Costs
 - Intergenerational Equity
 - Cost Sustainability
- Methods and Assumptions
 - Economic Assumptions
 - Demographic Assumptions
 - Actuarial Cost Method
 - Asset Valuation Method
 - Amortization Method
- Risk Management
- Metrics/Benchmarks
- Governance Policy/Process
- Glossary

Attachment

Draft Funding Policy



SamCERA's Funding Policy

DRAFT

The funding policy describes the overall funding goal and objectives that the San Mateo County Employees' Retirement Association (SamCERA) strives to achieve, and it is designed to ensure pension benefits are adequately funded. The policy includes detailed discussion of the methods, assumptions, and metrics employed by SamCERA to assess funding progress and requirements, which will help the Board shape policies and make decisions to attain the desired outcomes.

OVERVIEW

The California Constitution gives retirement boards plenary authority and fiduciary responsibility for the investment of moneys and administration of their retirement systems. Retirement boards have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries.

SamCERA provides pension benefits for the employees of three employers: The County of San Mateo, the San Mateo County Superior Court, and the San Mateo County Mosquito and Vector Control District.

Pension benefits provided to SamCERA's members come from three sources: 1) Employee Contributions- Money employees pay for future benefits, 2) Employer Contributions- Money employers pay for members' future benefits, and 3) Net Investment Earnings- Earnings from stocks, bonds, alternative investments, and other investments, minus fees.

FUNDING GOAL

SamCERA's funding goal is to achieve and maintain a funded ratio of 100%, ensuring assets are sufficient to pay promised benefits.

OBJECTIVES

Funding objectives are the four fundamental convictions that are pivotal to meet the Board's long-term funding goal:

1. **Benefit Security** – This objective is achieved by adopting policies that involve greater funding upfront with a comparatively shorter amortization period, use of the Entry Age actuarial cost method, and using a discount rate that is more likely to be achieved. The guidelines to consider in reaching this objective are:
 - Funding policy decisions should be made in accordance with California State law under which the Board's duty to its participants and beneficiaries takes precedent over any other duty.

- Actuarial assumptions and methodologies should be reviewed periodically to ensure expected results are reasonably consistent with actual results and anticipated future long-term experience.
 - Funding targets must be set to ensure a high level of benefit security.
 - Unfunded Actuarial Accrued Liability (UAAL) amortization methods should avoid increasing the UAAL through negative amortization.
 - Analysis should be performed periodically to evaluate how changes in market conditions could potentially affect future funding.
2. **Stable and Predictable Costs** - This objective is achieved through asset smoothing and periodic adjustments to amortization periods to minimize contribution volatility, including additional layering of previous balances. Contributions should be managed and controlled, consistent with other funding objectives and policies, so that costs remain relatively stable and predictable over time for both cash-flow and investing purposes. The guidelines to consider in reaching this objective are:
- Contributions from employers and employees should be predictable to the extent possible.
 - Amortizing the UAAL in a systematic manner to create a stable and predictable payment plan for the employers.
 - UAAL amortization periods that create untenable contribution volatility should be avoided.
 - The use of asset or contribution rate smoothing is a valuable tool to reduce the impact of annual investment volatility on contributions.
3. **Intergenerational Equity** - The employee's pension should be funded by the generation of taxpayers that receives the employee's services. The guidelines to consider in reaching this objective are:
- The plan's UAAL amortization period should approximate the active members' average years of service until retirement.
 - The normal cost requirement, as part of the annual contribution, is a core element leading to intergenerational equity.
4. **Cost Sustainability** - An effective funding model should provide employers the

ability to pay their actuarially determined contributions through various economic cycles. This objective is achieved by reducing the volatility of plan sponsor contributions, especially during challenging economic periods. Longer amortization periods help stabilize plan sponsor contributions but may also conflict with other objectives. The guidelines to consider in reaching this objective are:

- Economic and non-economic assumptions should be evaluated periodically, with a view toward long-term trends based upon actual historical experience and estimated future experience while avoiding a bias to current conditions.
- Actuarial assumptions and methods should be based on the premise that the Plan and the Plan Sponsors will continue to exist and fund their plans.
- Analysis should be done to evaluate the Plan's ability to withstand volatile economic conditions by scrutinizing key economic assumptions about the future under different economic scenarios.
- Prepayment of required contributions from employers should be encouraged.
- Supplemental contributions from employers should be encouraged and can be used to offset future contributions.

METHODS AND ASSUMPTIONS

The core elements listed below should be employed to meet the funding goal and objectives:

1. Economic Assumptions – include discount rate (investment return), Consumer Price Inflation (CPI), Cost of Living Adjustment (COLA), general wage increase rate, merit salary increase rates, payroll increase rate, Social Security Wage Base increase rate, and Public Employees' Pension Reform Act (PEPRA) compensation increase rate. These assumptions are reviewed annually prior to the actuary conducting the valuation.
2. Demographic Assumptions – include probabilities at which members terminate employment, become disabled, die, or retire. These assumptions are reviewed every three years in conjunction with the Triennial Investigation of Experience (Experience Study) and before that year's valuation.
3. Actuarial Cost Method – is an attribution method upon which liabilities are determined based on the present value of future benefits to past, current, and future periods of time. SamCERA uses the Entry Age actuarial cost method.
4. Asset Valuation Method – is a valuation tool used to assess the plan assets over time. SamCERA employs the "Asset Smoothing" method to dampen asset value volatility from market fluctuations by spreading the full gain/loss in the

year (in relation to the expected return), after offsetting against prior years' gain/loss, over a five-year horizon (or ten six-month periods).

5. Amortization Method – is aimed at mitigating contribution rate volatility while ensuring the unfunded liabilities are paid off in a reasonable time-period. SamCERA uses a 15-year layered approach to amortize the UAAL.

RISK MANAGEMENT

1. Investment risks can be managed with diversification of asset classes. Asset smoothing can be used to dampen the short-term effects of investment volatility.
2. Demographic and economic risks can be measured and managed by adopting reasonable assumptions based on recommendations from the Board's actuary responsible for the annual valuation and the Triennial Experience Study.
3. Periodic review of the retained actuary's work by an independent actuarial firm through an actuarial audit helps assure the accuracy of the valuation calculations and the reasonableness of the assumptions the valuation is based upon.
4. Governance risks can be managed with clear policies and controls over major administrative practices of the retirement system including audits of the actuarial processes.

METRICS/BENCHMARKS

Standardized metrics and benchmarks can be used to measure SamCERA's progress towards meeting its funding goals and objectives. The most typical ones are listed below. Other metrics can be considered when their utility become evident:

1. **Funded Ratio:** Actuarial Value of Assets (AVA)/Actuarial Accrued Liabilities (AAL) and Market Value of Assets (MVA)/AAL. Comparing the past and projected future progress of the funded ratio can indicate the financial health of the plan. Comparing the AVA to the MVA shows the impact of yet-to-be-realized deferred gains and/or losses in future valuations. Note that for valuation purposes certain non-valuation reserves are excluded from the Actuarial Value of Assets in the calculation of the funded ratio.
2. **Employer Statutory Contribution Rate:** composed of two portions, Employer Normal Cost Rate and the Unfunded Actuarial Accrued Liability (UAAL) amortization rate. Tracking the changes in employer contribution rates can help determine if the funding policy is producing relatively stable contribution rates.
3. **Actuarially Determined Employer Contributions (ADEC):** The actuarially

determined level of employer contribution that would be required on a sustained, ongoing basis to systematically fund the normal cost and to amortize the Unfunded Actuarial Accrued Liability (UAAL) attributed to past service over a pre-determined period. Comparing the ADEC with the actual contributions made can assess whether the contributions are being met (or exceeded).

GOVERNANCE POLICY/PROCESS

Below is a list of specific actuarial and funding-related studies where the frequency is determined by the Board:

1. Actuarial Valuation (performed annually) – The Board is responsible for the review of SamCERA’s annual actuarial valuation report, which provides the annual funded ratio and the calculation of the employer and employee contribution rates.
2. Experience Study (performed triennially) –The Board is responsible for reviewing the results of the experience study and approving the actuarial assumptions and methodologies to be used for all actuarial valuations relating to the defined benefit pension plan.
3. Actuarial Audit (performed triennially and concurrently with the Experience Study and Valuation) – The Board is responsible for reviewing the audit report from a separate actuarial consulting firm regarding the reasonableness of the actuarial methods and assumptions in use and the resulting actuarially computed liabilities and contribution rates.
4. Asset/Liability Study – The Board is responsible for conducting Asset/Liability Modeling studies in accordance with the Investment Policy.
5. Funding Policy Review – The Board is responsible for the periodic review of this policy. The review is best performed prior to the time the actuary is making recommendations on what economic and demographic assumptions are to be used for the upcoming valuation.

GLOSSARY OF FUNDING POLICY TERMS

Actuarial Accrued Liability (AAL): The AAL is the value at a particular point in time of all past normal costs. This is the amount of assets the plan would have today if the current plan provisions, actuarial assumptions, and participant data had always been in effect, contributions equal to the normal cost had been made, and all actuarial assumptions had been met.

Actuarial Cost Method: The actuarial cost method allocates a portion of the total cost (present value of benefits) to each year of service, both past service and future service.

Actuarial Determined Employer Contribution (ADEC): The amount actuarially calculated each year that is required to be contributed by an employer to a pension plan’s

pool of assets in order to ensure there will be enough funds to pay promised pension benefits. For SamCERA, this is equal to pensionable compensation multiplied by the Employer Statutory Contribution Rate.

Asset Values:

Actuarial Value of Assets (AVA): The AVA is the market value of assets less the deferred investment gains or losses not yet recognized by the asset smoothing method.

Market Value of Assets (MVA): The MVA is the fair value of assets of the plan as reported in the plan's audited financial statements.

Entry Age Actuarial Cost Method: The Entry Age actuarial cost method is a funding method that calculates the normal cost as a level percentage of pay or level dollar amount over the working lifetime of the plan's members.

Funded Ratio: The funded ratio is the ratio of the plan assets to the plan's actuarial accrued liabilities. Actuarial Value Funded Ratio is the ratio of the AVA- (net of certain non-valuation reserves) to the AAL.

Normal Cost: The normal cost is the cost allocated under the actuarial cost method to each year of active member service.

Present Value of Benefits (PVB) or total cost: The PVB is the value at a particular point in time of all projected future benefit payments for current plan members. The future benefit payments and the value of those payments are determined using actuarial assumptions regarding future events. Examples of these assumptions are estimates of retirement and termination patterns, salary increases, investment returns, etc.

Unfunded Actuarial Accrued Liability (UAAL): The UAAL is the portion of the AAL that is not currently covered by the AVA. It is the positive difference between the AAL and the AVA.

Valuation Assets: Assets used in the calculation of the actuarial valuation.

Valuation Date: The valuation date is the annual date upon which an actuarial valuation is performed; meaning that the trust assets and liabilities of the plan are valued as of that date. SamCERA's annual valuation date is June 30.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2022

Agenda Item 6.1

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer 

SUBJECT: Preliminary Monthly Portfolio Performance Report for the Period Ended June 30, 2022

Recommendation

Accept the preliminary performance report dated June 30, 2022.

Background

This preliminary report is intended to provide a high-level view of the portfolio and its trends. It is not intended to provide short-term performance upon which the Board would act. The quarterly performance metrics are not yet available for our private equity, private credit, private real asset, and real estate portfolios. The performance for these portfolios will be reflected in the quarterly performance report generated by Verus.

The attached performance report shows both net and gross of fee returns for the total plan on page one, with net composite returns on page two and net manager returns (pages 3-9) also shown.

Discussion

The fund's net preliminary return for June was -4.0%, bringing the preliminary trailing twelve-month net return ending June 2022 to -4.7%. Policy benchmark returns are not yet available.

Most assets classes (including commodities) were lower in June as hawkish actions by central banks in response to high global inflation pressures increased global recession worries. The U.S. Federal Reserve surprised markets by raising short-term interest rates by 75 basis points in June (the single largest rate increase in several decades), after raising rates by 50 basis points in May. The market is further expecting the Fed to increase by another 75 basis points in July.

The U.S. equity market (measured by the S&P 500 Index) was down 8.3%, while small-capitalization stocks were down 8.2%. Developed international equity (as measured by MSCI EAFE) was down 9.3% while emerging markets were down 6.6%.

Economic activity softened in June. Manufacturing worsened in June from previous months but was still in positive territory, while consumer sentiment continued to show weakness. The labor market surprised on the upside by adding 372,000 new jobs added in June, with the headline unemployment remaining at 3.6%. Inflation (as measured by the Consumer Price Index - All Urban Consumers) increased 9.1% for the twelve months ended June, slightly higher than expectations.

The general U.S. fixed income market was down 1.6% in June as interest rates increased across the yield curve. The 10-year U.S. Treasury yield was higher by 17 basis points during the month and ended at 3.01% by month-end. High Yield returns were down 6.7% and the Bloomberg Commodity Index was down 10.8%.

Attachment

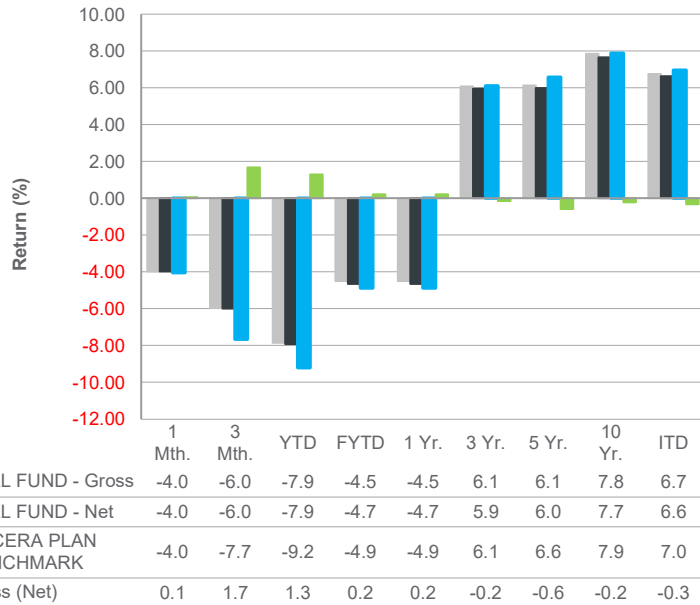
Northern Trust Monthly Performance Report
Verus Capital Market Update

San Mateo County Composite Return Summary

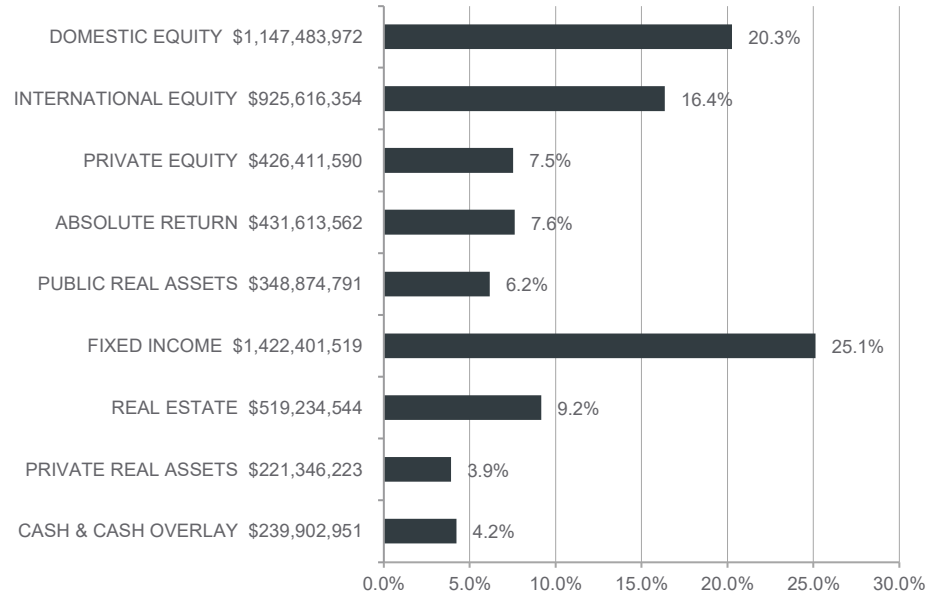
June 30, 2022



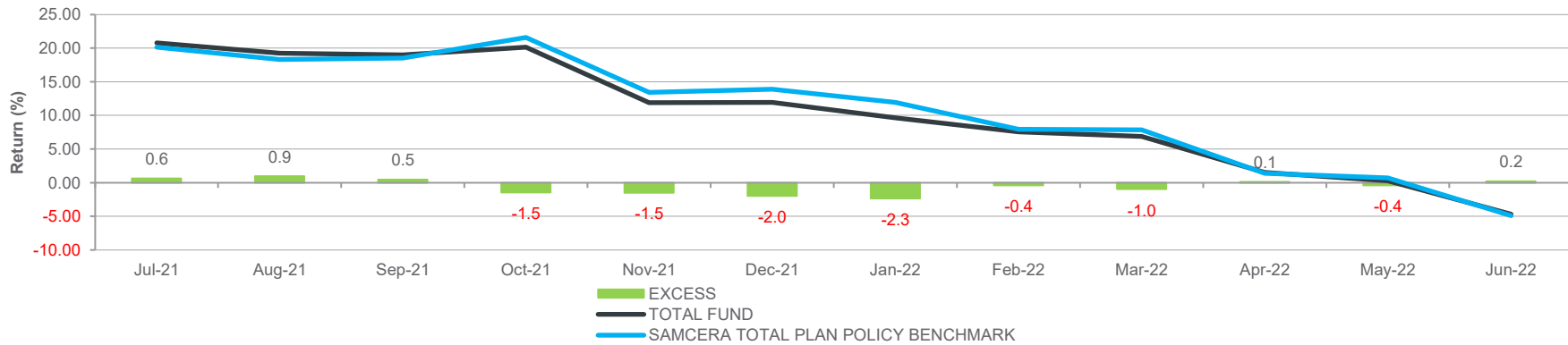
Total Fund Performance



Asset Allocation



Rolling Month End Annual Returns

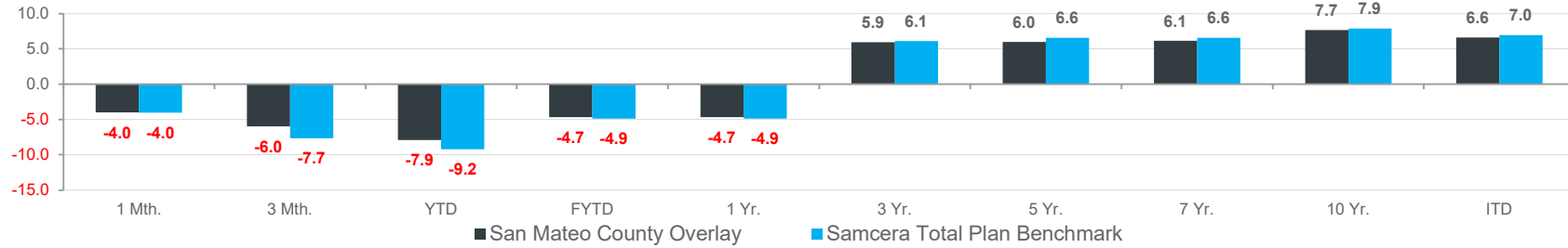


San Mateo County Composite Return Summary

June 30, 2022



Return Comparison



Composite Returns (Net of Manager Fees)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
San Mateo County Overlay	5,660,916,772	-4.0	-6.0	-7.9	-4.7	-4.7	5.9	6.0	6.1	7.7	6.6
Samcera Total Plan Benchmark		-4.0	-7.7	-9.2	-4.9	-4.9	6.1	6.6	6.6	7.9	7.0
Excess		0.1	1.7	1.3	0.2	0.2	-0.2	-0.6	-0.4	-0.2	-0.3
San Mateo Ex-Clifton Overlay	5,632,277,713	-3.8	-5.8	-7.7	-4.4	-4.4	6.0	6.0	6.1	7.6	6.6
Samcera Total Plan Benchmark		-4.0	-7.7	-9.2	-4.9	-4.9	6.1	6.6	6.6	7.9	7.0
Excess		0.2	1.9	1.5	0.5	0.5	-0.1	-0.6	-0.5	-0.3	-0.4
Total Equity	2,073,100,326	-7.8	-13.2	-18.1	-14.7	-14.7	6.0	6.8	7.1	9.3	7.6
Samcera Total Equity Benchmark		-8.0	-14.2	-18.6	-14.5	-14.5	6.9	7.4	8.0	10.3	8.2
Excess		0.2	1.0	0.5	-0.2	-0.2	-0.9	-0.7	-0.9	-0.9	-0.6
Fixed Income	1,422,401,519	-1.9	-4.5	-8.7	-8.3	-8.3	0.6	1.9	2.8	3.2	5.0
Samcera Fixed Income Benchmark		-3.2	-5.8	-11.2	-10.7	-10.7	-0.5	1.3	2.0	1.9	4.4
Excess		1.4	1.3	2.4	2.4	2.4	1.1	0.6	0.7	1.3	0.6
Alternatives	858,025,152	-0.0	1.3	3.1	8.1	8.1	18.1	12.1	10.3	9.0	1.1
Samcera Alternatives Benchmark		1.8	-1.5	3.6	9.2	9.2	12.7	11.4	10.1	10.2	8.6
Excess		-1.8	2.8	-0.5	-1.1	-1.1	5.4	0.7	0.2	-1.2	-7.4
Inflation Hedge	1,089,455,559	-3.1	0.8	7.9	14.7	14.7	5.7	5.3	--	--	6.5
SamCERA Inflation Hedge Index		-0.7	0.6	8.8	20.2	20.2	10.8	9.1	--	--	--
Excess		-2.5	0.2	-0.9	-5.5	-5.5	-5.1	-3.8	--	--	--
Cash	239,902,951	3.5	3.6	3.7	3.8	3.8	1.7	1.4	1.2	1.0	1.9
Samcera Cash Benchmark		0.0	0.1	0.1	0.2	0.2	0.6	1.1	0.9	0.6	1.7
Excess		3.5	3.5	3.5	3.6	3.6	1.1	0.3	0.3	0.4	0.2



San Mateo County Composite Return Summary

June 30, 2022



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Total Equity	2,073,100,326	-7.8	-13.2	-18.1	-14.7	-14.7	6.0	6.8	7.1	9.3	7.6
Samcera Total Equity Benchmark		-8.0	-14.2	-18.6	-14.5	-14.5	6.9	7.4	8.0	10.3	8.2
Excess		0.2	1.0	0.5	-0.2	-0.2	-0.9	-0.7	-0.9	-0.9	-0.6
Domestic Equity	1,147,483,972	-7.7	-13.7	-17.0	-9.3	-9.3	9.1	10.0	9.9	12.0	8.8
Samcera Dom. Equity Benchmark		-8.4	-16.7	-21.1	-13.9	-13.9	9.8	10.6	10.3	12.5	9.2
Excess		0.7	3.0	4.1	4.6	4.6	-0.7	-0.6	-0.4	-0.5	-0.4
Large Cap Equity	1,049,745,788	-7.3	-13.5	-16.8	-8.7	-8.7	9.4	10.5	10.6	12.6	9.5
Russell 1000		-8.4	-16.7	-20.9	-13.0	-13.0	10.2	11.0	10.8	12.8	9.8
Excess		1.0	3.2	4.1	4.4	4.4	-0.8	-0.5	-0.2	-0.2	-0.3
Blackrock Russell 1000	446,756,562	-8.4	-16.7	-20.9	-13.0	-13.0	10.4	11.1	--	--	11.7
Russell 1000		-8.4	-16.7	-20.9	-13.0	-13.0	10.2	11.0	--	--	11.5
Excess		0.0	-0.0	0.0	0.0	0.0	0.2	0.1	--	--	0.2
DE Shaw Commingled Fund	158,539,538	-8.7	-16.9	-19.1	-11.6	-11.6	9.2	10.2	10.6	--	10.3
Russell 1000		-8.4	-16.7	-20.9	-13.0	-13.0	10.2	11.0	10.8	--	10.3
Excess		-0.3	-0.2	1.8	1.5	1.5	-1.0	-0.8	-0.2	--	0.1
Acadian US MGD V-SL	210,268,464	-5.5	-10.8	-15.4	-6.2	-6.2	5.1	--	--	--	9.3
Russell 1000		-8.4	-16.7	-20.9	-13.0	-13.0	10.2	--	--	--	14.4
Excess		2.8	5.9	5.5	6.8	6.8	-5.1	--	--	--	-5.0
Panagora Defuseq -SL	234,181,224	-6.0	-6.6	-7.3	0.8	0.8	7.9	--	--	--	13.3
Russell 1000		-8.4	-16.7	-20.9	-13.0	-13.0	10.2	--	--	--	14.4
Excess		2.4	10.1	13.7	13.9	13.9	-2.3	--	--	--	-1.1
Domestic Equity Overlay	0	-8.7	-13.5	140.9	154.7	154.7	--	--	--	--	160.5
ICE BofAML US 3-Month Treasury Bill		0.0	0.1	0.1	0.2	0.2	--	--	--	--	0.1
Excess		-8.8	-13.6	140.8	154.6	154.6	--	--	--	--	160.4
Small Cap Equity	97,738,184	-9.4	-15.1	-18.7	-15.2	-15.2	4.6	4.0	4.1	7.7	5.9
Russell 2000		-8.2	-17.2	-23.4	-25.2	-25.2	4.2	5.2	5.9	9.4	7.3
Excess		-1.2	2.1	4.7	10.0	10.0	0.4	-1.2	-1.8	-1.7	-1.4



San Mateo County Composite Return Summary

June 30, 2022



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
QMA US Small Cap	97,738,184	-9.4	-15.1	-18.7	-15.2	-15.2	4.6	4.0	--	--	6.3
Russell 2000		-8.2	-17.2	-23.4	-25.2	-25.2	4.2	5.2	--	--	7.0
Excess		-1.2	2.1	4.7	10.0	10.0	0.4	-1.2	--	--	-0.7
International Equity	925,616,354	-8.0	-12.6	-19.4	-20.4	-20.4	2.5	3.1	3.7	5.5	5.1
SamCERA Custom Hedge Intl		--	--	--	--	--	--	--	--	--	--
Excess		--	--	--	--	--	--	--	--	--	--
Baillie Gifford	275,951,848	-7.9	-18.8	-33.6	-35.5	-35.5	1.0	2.5	3.7	6.4	5.6
MSCI ACWI ex USA Growth		-8.1	-15.6	-24.6	-25.6	-25.6	1.9	3.8	4.2	--	--
Excess		0.2	-3.2	-8.9	-9.9	-9.9	-1.0	-1.3	-0.5	--	--
Blackrock MSCI ACWI ex US IMI	315,409,645	-8.9	-14.1	-18.9	-19.6	-19.6	--	--	--	--	3.2
MS AC WIdxUS IMI Nt		-9.0	-14.3	-19.1	-19.9	-19.9	--	--	--	--	3.1
Excess		0.0	0.2	0.2	0.2	0.2	--	--	--	--	0.1
Mondrian Investment Partners	327,600,360	-7.9	-10.0	-12.3	-15.5	-15.5	0.3	1.4	2.1	4.2	4.4
MSCI ACWI xUSA Value		-9.0	-11.7	-11.4	-12.1	-12.1	1.2	1.9	2.3	4.4	4.4
Excess		1.1	1.7	-0.9	-3.3	-3.3	-0.8	-0.4	-0.3	-0.2	-0.0
Currency Hedge Futures	349,908,543	-3.0	-6.6	-8.8	-11.5	-11.5	--	--	--	--	-3.2
ICE BofAML US 3-Month Treasury Bill		0.0	0.1	0.1	0.2	0.2	--	--	--	--	0.1
Excess		-3.0	-6.7	-8.9	-11.7	-11.7	--	--	--	--	-3.3
Currency Hedge Futures Offsets	349,908,543	0.0	0.0	0.0	0.0	0.0	--	--	--	--	0.0
ICE BofAML US 3-Month Treasury Bill		0.0	0.1	0.1	0.2	0.2	--	--	--	--	0.1
Excess		-0.0	-0.1	-0.1	-0.2	-0.2	--	--	--	--	-0.1
International Equity Overlay	31,668,510	-7.9	-12.2	-16.4	-16.4	-16.4	--	--	--	--	8.9
ICE BofAML US 3-Month Treasury Bill		0.0	0.1	0.1	0.2	0.2	--	--	--	--	0.1
Excess		-7.9	-12.3	-16.5	-16.6	-16.6	--	--	--	--	8.8
Fixed Income	1,422,401,519	-1.9	-4.5	-8.7	-8.3	-8.3	0.6	1.9	2.8	3.2	5.0
Samcera Fixed Income Benchmark		-3.2	-5.8	-11.2	-10.7	-10.7	-0.5	1.3	2.0	1.9	4.4
Excess		1.4	1.3	2.4	2.4	2.4	1.1	0.6	0.7	1.3	0.6



San Mateo County Composite Return Summary

June 30, 2022



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Core Fixed Income	891,456,528	-1.7	-4.8	-10.6	-10.9	-10.9	-0.8	0.8	1.7	2.1	4.5
BBG US Aggregate		-1.6	-4.7	-10.3	-10.3	-10.3	-0.9	0.9	1.4	1.5	4.1
Excess		-0.1	-0.1	-0.3	-0.6	-0.6	0.1	-0.0	0.3	0.6	0.3
FIAM B Core Bond	241,757,943	-1.8	-5.2	-10.6	-10.3	-10.3	0.1	1.6	--	--	2.2
BBG US Aggregate		-1.6	-4.7	-10.3	-10.3	-10.3	-0.9	0.9	--	--	1.2
Excess		-0.2	-0.5	-0.3	-0.0	-0.0	1.1	0.8	--	--	1.0
Western Total Return	181,747,537	-2.4	-3.8	-11.4	-12.4	-12.4	-1.0	0.6	--	--	2.0
BBG US Aggregate		-1.6	-4.7	-10.3	-10.3	-10.3	-0.9	0.9	--	--	1.3
Excess		-0.8	0.9	-1.0	-2.1	-2.1	-0.0	-0.3	--	--	0.6
DoubleLine	231,879,985	-1.4	-5.3	-10.8	-11.4	-11.4	--	--	--	--	-2.9
BBG US Aggregate		-1.6	-4.7	-10.3	-10.3	-10.3	--	--	--	--	-3.8
Excess		0.2	-0.6	-0.4	-1.1	-1.1	--	--	--	--	0.8
NISA Core Bond	214,102,329	-1.5	-4.7	-10.1	-10.0	-10.0	--	--	--	--	-4.1
BBG US Aggregate		-1.6	-4.7	-10.3	-10.3	-10.3	--	--	--	--	-4.6
Excess		0.1	0.0	0.2	0.3	0.3	--	--	--	--	0.4
Core Fixed Income Overlay	21,968,734	-0.9	-4.2	-6.4	-3.4	-3.4	--	--	--	--	-3.2
ICE BofAML US 3-Month Treasury Bill		0.0	0.1	0.1	0.2	0.2	--	--	--	--	0.1
Excess		-1.0	-4.3	-6.5	-3.6	-3.6	--	--	--	--	-3.4
Opportunistic Credit	530,944,990	-2.1	-4.0	-5.3	-3.5	-3.5	3.1	4.1	5.1	6.6	7.6
BBG BA Intermediate HY Ind		-6.2	-7.9	-12.7	-11.4	-11.4	0.6	2.3	3.5	4.3	5.7
Excess		4.1	3.9	7.4	7.9	7.9	2.5	1.8	1.6	2.3	1.9
Pimco Private Income	54,024,727	0.0	1.3	2.6	8.5	8.5	9.7	--	--	--	8.9
BBG BA Intermediate HY Ind		-6.2	-7.9	-12.7	-11.4	-11.4	0.6	--	--	--	1.5
Excess		6.2	9.2	15.3	19.9	19.9	9.0	--	--	--	7.4
AG CREDIT SOL FU LP	15,809,004	0.0	0.9	4.3	6.9	6.9	--	--	--	--	22.4
BBG BA Intermediate HY Ind		-6.2	-7.9	-12.7	-11.4	-11.4	--	--	--	--	-0.9
Excess		6.2	8.8	17.0	18.3	18.3	--	--	--	--	23.2



San Mateo County Composite Return Summary

June 30, 2022



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
AG CSF ANX DISLOC FD	360	0.0	0.0	-39.2	-35.7	-35.7	--	--	--	--	-6.0
BBG BA Intermediate HY Ind		-6.2	-7.9	-12.7	-11.4	-11.4	--	--	--	--	3.8
Excess		6.2	7.9	-26.5	-24.3	-24.3	--	--	--	--	-9.8
AG CSF II	6,796,781	0.3	1.6	--	--	--	--	--	--	--	1.6
BBG BA Intermediate HY Ind		-6.2	-7.9	--	--	--	--	--	--	--	-10.1
Excess		6.5	9.4	--	--	--	--	--	--	--	11.7
AG Opportunistic Whole Loan	572,302	-8.4	-8.4	28.6	41.4	41.4	21.1	21.4	17.5	--	14.5
BBG BA Intermediate HY Ind		-6.2	-7.9	-12.7	-11.4	-11.4	0.6	2.3	3.5	--	3.4
Excess		-2.2	-0.5	41.4	52.8	52.8	20.4	19.1	14.0	--	11.1
Angelo Gordon	0	--	--	--	--	--	--	--	--	--	--
BBG BA Intermediate HY Ind		-6.2	-7.9	-12.7	-11.4	-11.4	0.6	2.3	3.5	--	3.9
Excess		--	--	--	--	--	--	--	--	--	--
Blackrock Direct Lending Feede	35,421,557	-0.2	0.4	0.5	4.0	4.0	2.6	--	--	--	2.6
BBG BA Intermediate HY Ind		-6.2	-7.9	-12.7	-11.4	-11.4	0.6	--	--	--	1.4
Excess		6.0	8.3	13.3	15.4	15.4	2.0	--	--	--	1.1
Beach Point Select Fund	82,846,543	-3.2	-5.7	-5.6	-0.4	-0.4	8.0	7.3	7.7	--	8.1
BBG BA Intermediate HY Ind		-6.2	-7.9	-12.7	-11.4	-11.4	0.6	2.3	3.5	--	3.4
Excess		3.0	2.2	7.1	11.0	11.0	7.4	5.0	4.3	--	4.6
Brigade Cap Mngmt	83,344,120	-3.9	-6.6	-7.6	-4.5	-4.5	4.1	3.8	4.8	5.2	5.8
BBG BA Intermediate HY Ind		-6.2	-7.9	-12.7	-11.4	-11.4	0.6	2.3	3.5	4.3	5.1
Excess		2.3	1.3	5.2	6.9	6.9	3.4	1.5	1.3	0.9	0.7
White Oak YSF V	31,204,689	1.5	1.5	2.2	2.1	2.1	--	--	--	--	1.7
BBG BA Intermediate HY Ind		-6.2	-7.9	-12.7	-11.4	-11.4	--	--	--	--	-5.1
Excess		7.6	9.3	14.9	13.5	13.5	--	--	--	--	6.9
White Oak Yield Spec	32,143,903	0.0	1.7	3.6	6.0	6.0	6.0	5.8	--	--	--
BBG BA Intermediate HY Ind		-6.2	-7.9	-12.7	-11.4	-11.4	0.6	2.3	--	--	2.7
Excess		6.2	9.6	16.3	17.4	17.4	5.4	3.5	--	--	--



San Mateo County Composite Return Summary

June 30, 2022



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
PIMCO Div. Income Fund	113,829,436	-5.0	-9.1	-15.2	-15.4	-15.4	-2.5	--	--	--	0.5
BBG BA Intermediate HY Ind		-6.2	-7.9	-12.7	-11.4	-11.4	0.6	--	--	--	2.2
Excess		1.2	-1.2	-2.5	-4.0	-4.0	-3.1	--	--	--	-1.7
TCP Direct Lending VIII	17,045,377	0.7	1.1	2.2	5.3	5.3	6.1	6.1	--	--	--
BBG BA Intermediate HY Ind		-6.2	-7.9	-12.7	-11.4	-11.4	0.6	2.3	--	--	3.5
Excess		6.8	9.0	15.0	16.7	16.7	5.5	3.8	--	--	--
Franklin Templeton	57,861,173	0.0	-3.3	-3.5	-6.2	-6.2	-5.8	-2.9	-1.2	0.9	1.3
Bloomberg Multiverse Index		-3.4	-8.4	-14.0	-15.4	-15.4	-3.2	-0.5	0.6	0.3	0.9
Excess		3.4	5.2	10.5	9.1	9.1	-2.6	-2.4	-1.8	0.7	0.4
Alternatives	858,025,152	-0.0	1.3	3.1	8.1	8.1	18.1	12.1	10.3	9.0	1.1
Samcera Alternatives Benchmark		1.8	-1.5	3.6	9.2	9.2	12.7	11.4	10.1	10.2	8.6
Excess		-1.8	2.8	-0.5	-1.1	-1.1	5.4	0.7	0.2	-1.2	-7.4
Private Equity	426,411,590	-0.7	-3.7	-2.5	7.3	7.3	33.7	24.6	21.0	18.6	-5.6
Samcera PE Benchmark		3.5	-4.6	5.0	14.7	14.7	21.3	17.7	16.4	17.8	17.3
Excess		-4.2	0.9	-7.5	-7.5	-7.5	12.5	6.9	4.6	0.8	-22.9
Absolute Return	431,613,562	0.7	6.5	8.9	8.6	8.6	0.2	-1.8	0.3	2.2	1.8
Samcera SOFR + 4%		0.4	1.2	2.2	4.2	4.2	4.6	5.2	5.0	4.7	4.7
Excess		0.3	5.4	6.8	4.4	4.4	-4.4	-6.9	-4.7	-2.6	-2.9
Aberdeen Std GARS	49,095,056	0.6	-1.9	-6.9	-7.8	-7.8	0.3	0.6	--	--	0.3
Samcera SOFR + 4%		0.4	1.2	2.2	4.2	4.2	4.6	5.2	--	--	5.0
Excess		0.2	-3.0	-9.1	-12.0	-12.0	-4.4	-4.5	--	--	-4.7
Graham Global Investment	105,073,801	1.1	8.7	22.9	16.7	16.7	--	--	--	--	9.5
Samcera SOFR +4%		0.4	1.2	2.2	4.2	4.2	--	--	--	--	4.3
Excess		0.7	7.5	20.7	12.5	12.5	--	--	--	--	5.2
PIMCO MAARS Fund L.P.	98,751,024	1.9	8.3	10.7	22.4	22.4	--	--	--	--	10.9
Samcera SOFR +4%		0.4	1.2	2.2	4.2	4.2	--	--	--	--	4.2
Excess		1.5	7.2	8.6	18.2	18.2	--	--	--	--	6.7



San Mateo County Composite Return Summary

June 30, 2022



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Acadian MAAR Fund LLC	82,593,530	-1.4	3.0	0.5	0.9	0.9	--	--	--	--	2.2
Samcera SOFR +4%		0.4	1.2	2.2	4.2	4.2	--	--	--	--	4.2
Excess		-1.9	1.8	-1.7	-3.3	-3.3	--	--	--	--	-1.9
CFM SYS Global Macro Fund	97,221,640	2.0	12.3	15.5	10.1	10.1	--	--	--	--	15.0
Samcera SOFR +4%		0.4	1.2	2.2	4.2	4.2	--	--	--	--	4.2
Excess		1.6	11.1	13.3	5.9	5.9	--	--	--	--	10.8
Inflation Hedge	1,089,455,559	-3.1	0.8	7.9	14.7	14.7	5.7	5.3	--	--	6.5
SamCERA Inflation Hedge Index		-0.7	0.6	8.8	20.2	20.2	10.8	9.1	--	--	--
Excess		-2.5	0.2	-0.9	-5.5	-5.5	-5.1	-3.8	--	--	--
Real Estate	519,234,544	0.1	5.0	9.8	17.1	17.1	8.5	8.0	--	--	8.5
Samcera NCREIF ODCE (gross)		0.0	0.0	7.4	23.6	23.6	10.9	9.5	--	--	9.2
Excess		0.1	5.0	2.4	-6.5	-6.5	-2.4	-1.5	--	--	-0.7
Invesco Core Real Estate	325,828,264	0.0	6.5	12.6	21.9	21.9	9.5	8.6	8.8	10.2	8.1
Samcera NCREIF ODCE (gross)		0.0	0.0	7.4	23.6	23.6	10.9	9.5	9.6	10.6	8.4
Excess		0.0	6.5	5.2	-1.7	-1.7	-1.4	-0.9	-0.8	-0.4	-0.3
Invesco US Val IV	2,301,149	0.0	0.5	6.3	14.8	14.8	9.4	10.6	--	--	10.9
Samcera NCREIF ODCE (gross)		0.0	0.0	7.4	23.6	23.6	10.9	9.5	--	--	9.6
Excess		0.0	0.5	-1.1	-8.8	-8.8	-1.5	1.1	--	--	1.3
PGIM Real Estate US Debt Fund	85,627,455	0.5	1.6	2.6	4.9	4.9	5.1	5.0	--	--	5.0
Samcera NCREIF ODCE (gross)		0.0	0.0	7.4	23.6	23.6	10.9	9.5	--	--	9.5
Excess		0.5	1.6	-4.8	-18.7	-18.7	-5.8	-4.5	--	--	-4.5
Invesco US VAL V	30,930,451	0.0	3.3	8.2	23.3	23.3	15.1	--	--	--	11.8
Samcera NCREIF ODCE (gross)		0.0	0.0	7.4	23.6	23.6	10.9	--	--	--	--
Excess		0.0	3.3	0.8	-0.3	-0.3	4.2	--	--	--	--
Harrison Street Core Property	61,723,278	6.4	9.0	11.9	14.7	14.7	--	--	--	--	8.8
Samcera NCREIF ODCE (gross)		0.0	0.0	7.4	23.6	23.6	--	--	--	--	12.0
Excess		6.4	9.0	4.5	-8.9	-8.9	--	--	--	--	-3.2



San Mateo County Composite Return Summary

June 30, 2022



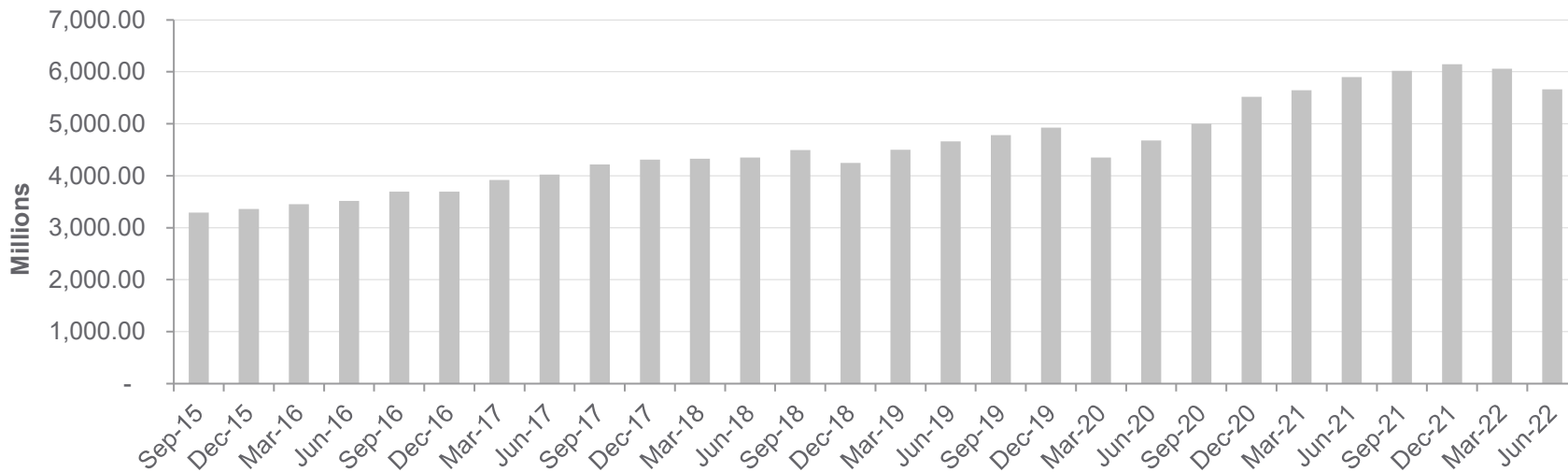
Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Stockbridge Value IV	16,527,824	0.0	8.0	18.4	18.4	18.4	--	--	--	--	6.2
Samcera NCREIF ODCE (gross)		0.0	0.0	7.4	23.6	23.6	--	--	--	--	24.0
Excess		0.0	8.0	11.0	-5.2	-5.2	--	--	--	--	-17.7
Public Real Assets	348,874,791	-9.2	-8.3	3.0	8.7	8.7	1.1	2.5	--	--	--
SamCera Liquid Real Asset Inde		-9.1	-8.4	2.6	8.5	8.5	5.9	5.7	--	--	6.9
Excess		-0.0	0.1	0.4	0.3	0.3	-4.8	-3.2	--	--	--
SSGA CST REAL ASSET NL	348,874,791	-9.2	-8.3	3.0	8.7	8.7	5.8	5.7	--	--	--
SamCera Liquid Real Asset Inde		-9.1	-8.4	2.6	8.5	8.5	5.9	5.7	--	--	6.0
Excess		-0.0	0.1	0.4	0.3	0.3	-0.1	0.0	--	--	--
Private Real Assets	221,346,223	0.7	9.4	10.6	18.9	18.9	12.0	4.6	--	--	10.7
SamCERA Private Real Asset Idx		6.4	11.0	17.5	22.8	22.8	11.5	10.7	--	--	13.1
Excess		-5.7	-1.6	-6.9	-3.9	-3.9	0.5	-6.1	--	--	-2.4
Cash Overlay	16,409,510	-5.3	-5.5	-5.6	-5.9	-5.9	--	--	--	--	-2.7
ICE BofAML US 3-Month Treasury Bill		0.0	0.1	0.1	0.2	0.2	--	--	--	--	0.1
Excess		-5.3	-5.6	-5.7	-6.1	-6.1	--	--	--	--	-2.8
General Account	162,934,485	0.1	0.2	0.2	0.2	0.2	0.6	1.1	1.0	0.7	1.8
County Treasury Pool	14,607,369	0.0	0.4	0.5	1.1	1.1	1.4	1.5	1.3	1.1	2.5
Currency Hedge Cash Overlay	55,186,049	0.1	0.1	0.0	-0.1	-0.1	--	--	--	--	0.0
San Mateo County Overlay	5,660,916,772	-4.0	-6.0	-7.9	-4.7	-4.7	5.9	6.0	6.1	7.7	6.6
Samcera Total Plan Benchmark		-4.0	-7.7	-9.2	-4.9	-4.9	6.1	6.6	6.6	7.9	7.0
Excess		0.1	1.7	1.3	0.2	0.2	-0.2	-0.6	-0.4	-0.2	-0.3



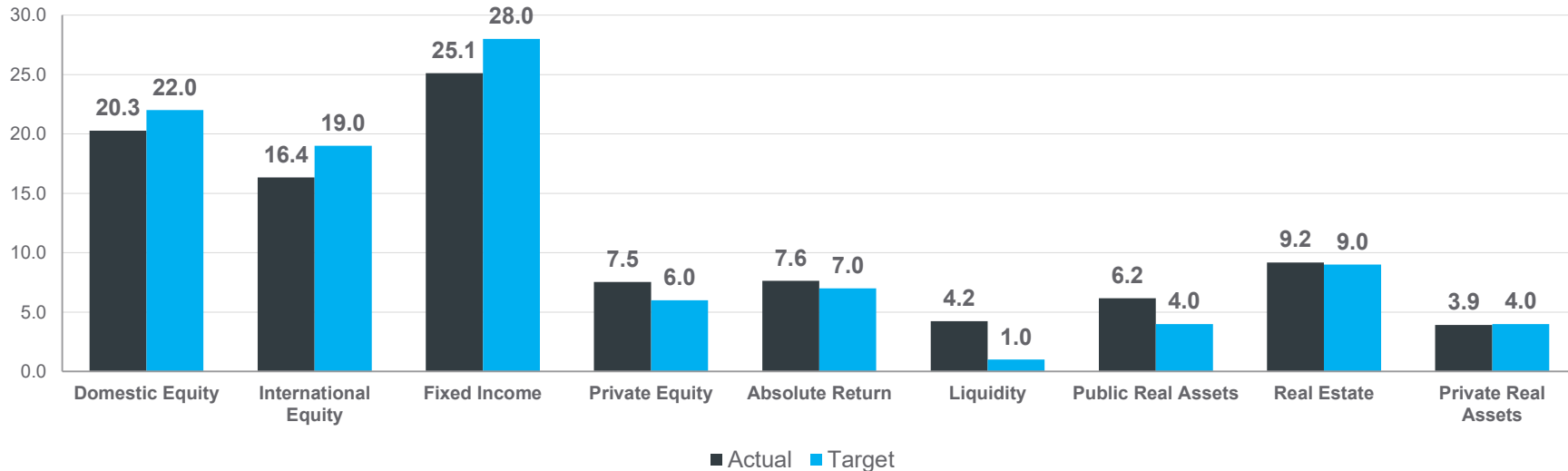
Record of Asset Growth

	Three Months	One Year
TOTAL FUND		
Beginning Market Value	6,061,299,121	5,898,670,465
Contributions	29,861,594	309,915,594
Withdrawals	-70,843,199	-279,082,643
Income Received	27,784,224	86,645,405
Gain/Loss	-387,074,537	-354,597,281
Ending Market Value	5,660,916,772	5,660,916,772

Net Asset Values Over Time (\$'000)

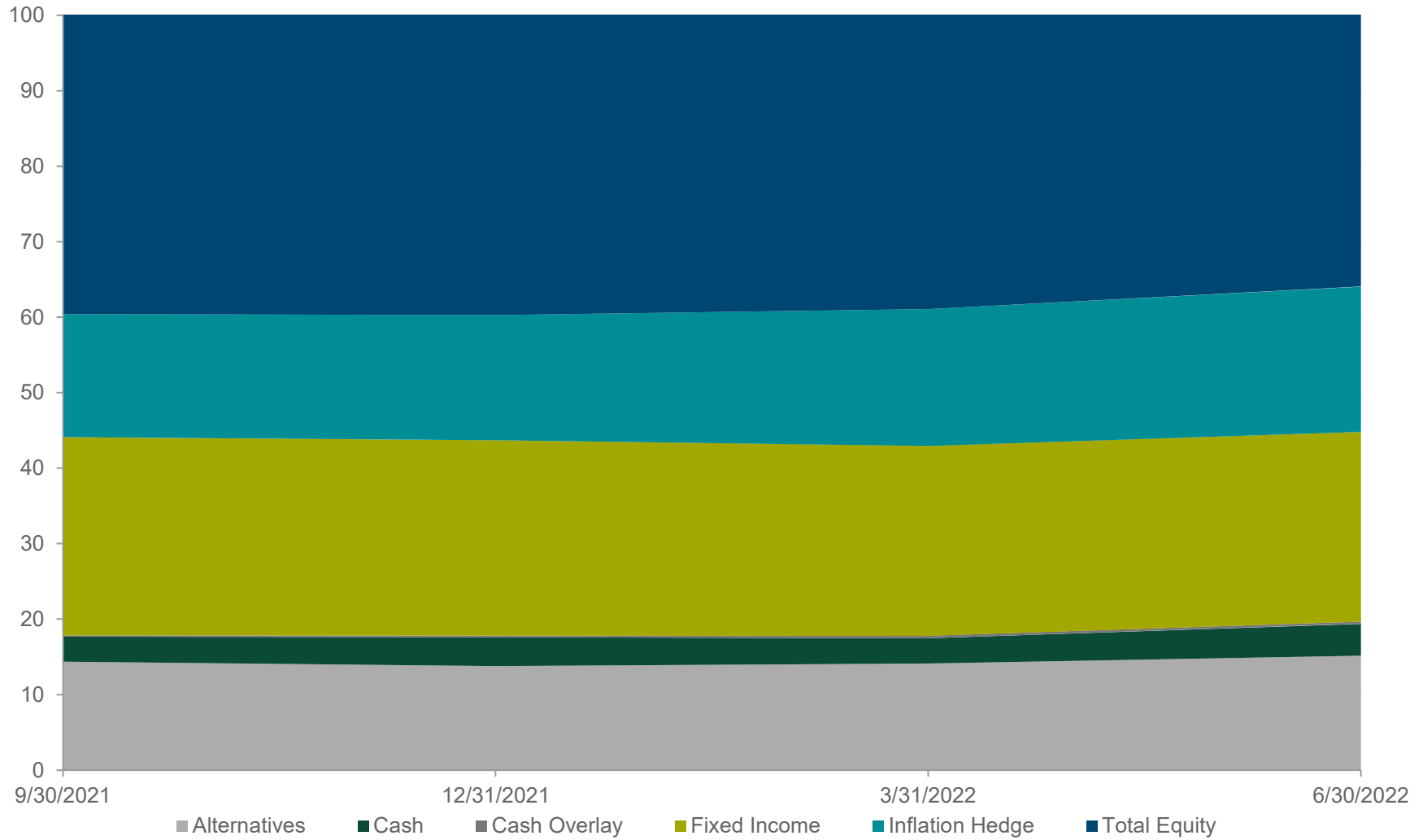


Actual vs Target Weights

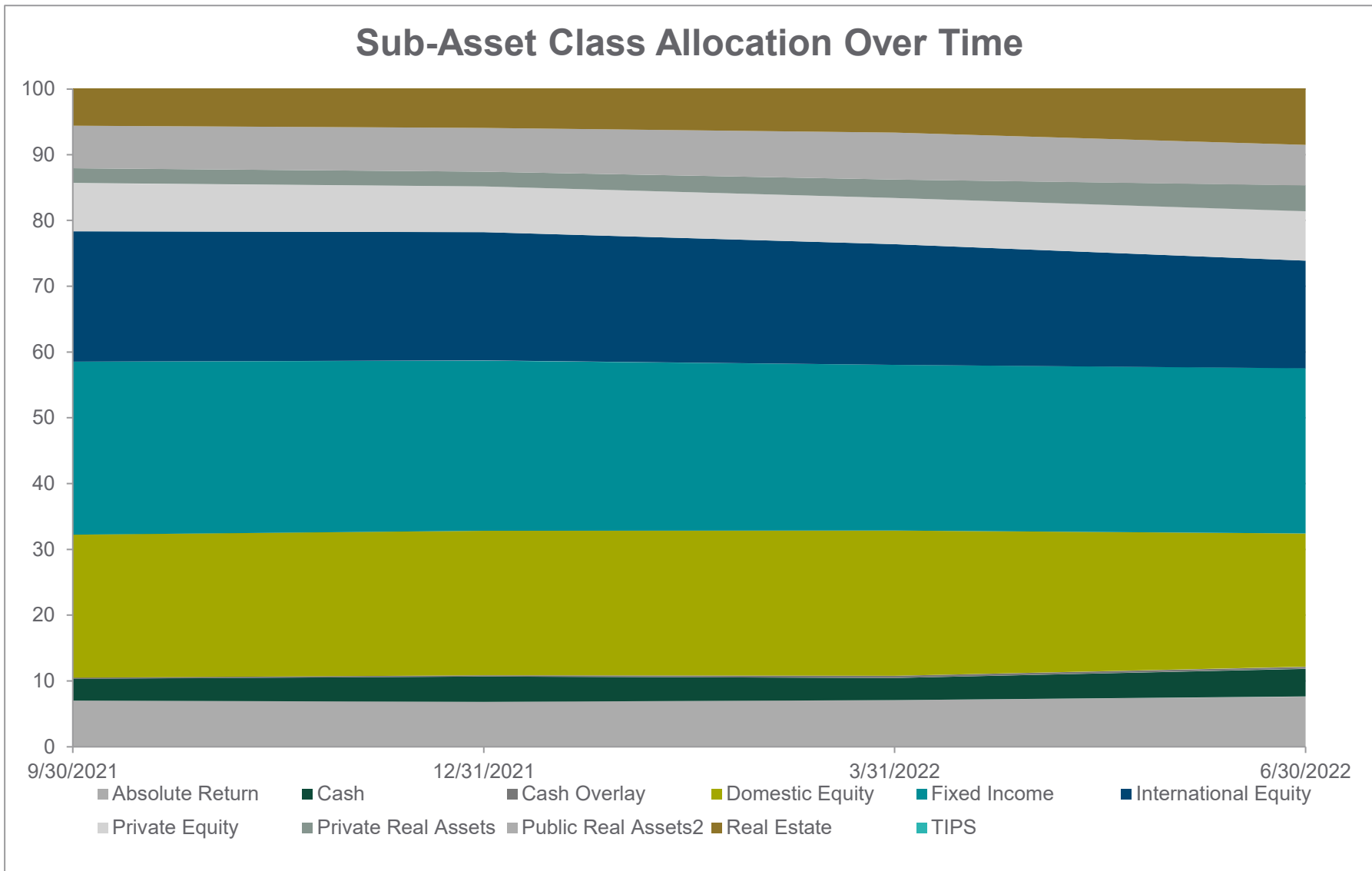


	Min	Actual	Target	Deviation	Max
Domestic Equity	20.0	20.3	22.0	-1.7	24.0
International Equity	17.0	16.4	19.0	-2.6	21.0
Fixed Income	26.0	25.1	28.0	-2.9	30.0
Private Equity	4.0	7.5	6.0	1.5	8.0
Absolute Return	5.0	7.6	7.0	0.6	9.0
Liquidity	0.0	4.2	1.0	3.2	2.0
Public Real Assets	2.0	6.2	4.0	2.2	6.0
Real Estate	7.0	9.2	9.0	0.2	11.0
Private Real Assets	2.0	3.9	4.0	-0.1	6.0

Asset Allocation over Time



Sub-Asset Class Allocation Over Time





**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

**JUNE 2022
Capital Markets Update**

Market commentary

U.S. ECONOMICS

- The Atlanta Fed GDPNow, a running estimate of real GDP growth based on available economic data, fell to -1.2% for Q2 following the release of cooler than expected consumption in PCE data. The most recent estimate signals increased potential for a U.S. recession, which is measured by two consecutive quarters of negative GDP growth.
- U.S. non-farm payrolls increased by 372,000 in June while the unemployment rate remained steady at 3.6% and annual nominal wage growth tallied 5.1%. The stronger than expected unemployment report reaffirmed job market strength amidst recession concerns and is likely to support continued aggressive rate action by the Fed.
- The University of Michigan U.S. Consumer Sentiment Index reached an all-time low level of 50.0 in June, the index has declined sharply from a reading of 85.5 just one year ago. Of respondents surveyed, 79% expect poor business conditions in the year ahead.

U.S. EQUITIES

- The S&P 500 Index (-8.3%) has declined by -20.0% year-to-date, marking the index's worst first-half start since 1970. The Index rallied 3.2% in the latter half of the month after hitting a 52-week low.
- Losses within the S&P 500 Index were wide reaching as 91.1% of constituents declined over the month. Continued hawkishness from the Fed alongside mixed economic data helped spark concerns of an economic slowdown that rippled through risk assets.
- During the quarter, seven of the 11 S&P 500 GICS Sectors experienced a downward revision in median Q2 2022 EPS estimates, per FactSet. Increases in median estimates were limited to the Energy (+38.6%), Materials (+8.6%), Industrials (+4.3%), and Real Estate (+4.2%) sectors.

U.S. FIXED INCOME

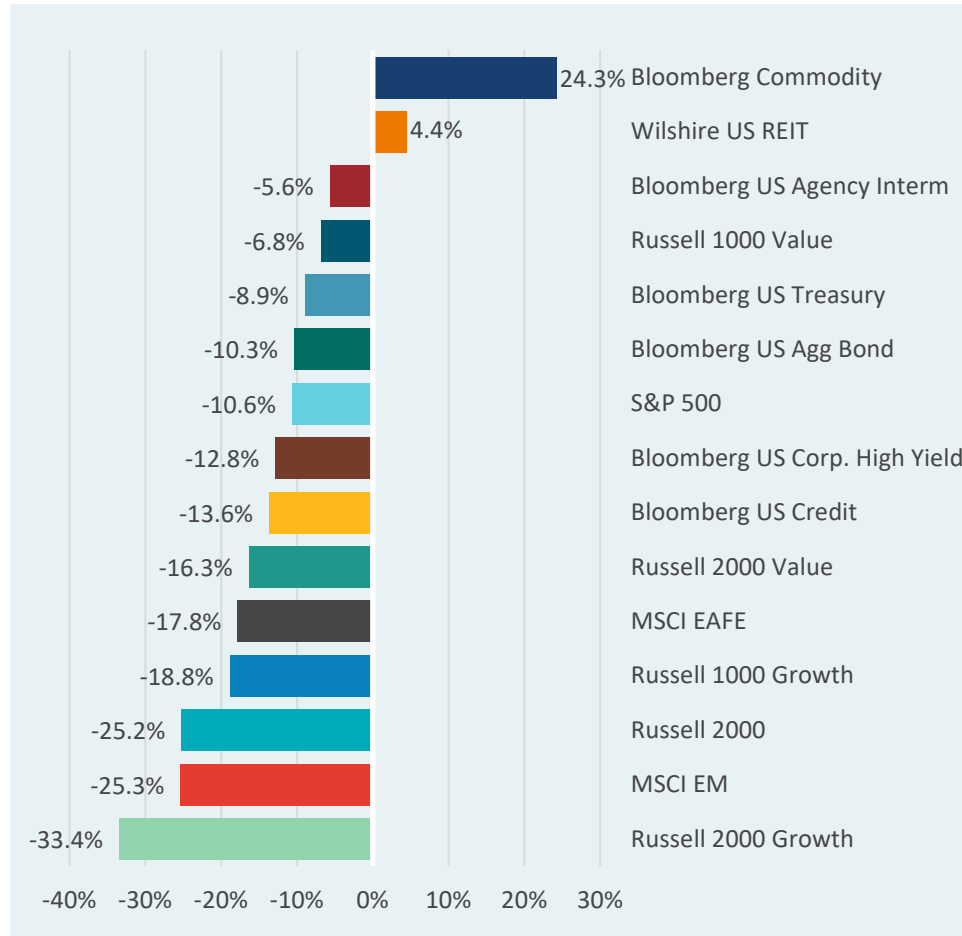
- The Fed enacted a 75-basis point rate increase in June. The decision marks the largest hike since 1994 and reiterates the Fed's "expeditious" efforts to lower inflation. The FOMC signaled that moving to a restrictive policy stance, even if detrimental to the economy, was warranted to prevent "entrenched" inflation.
- While investors had initially priced in a 50-basis point rate hike for the June and July Fed meetings, investors quickly increased expectations for rate hikes of a greater magnitude following the release of a hotter than expected May CPI print. At month end, markets had largely priced in a 75-basis point increase for July.
- Real yields on the 10-year treasury note increased 44 basis points over the month and real yields on the 5-year treasury note turned positive for the first time since March of 2020. Rising real yields illustrate the impact of hawkish Fed action on borrowing costs.

INTERNATIONAL MARKETS

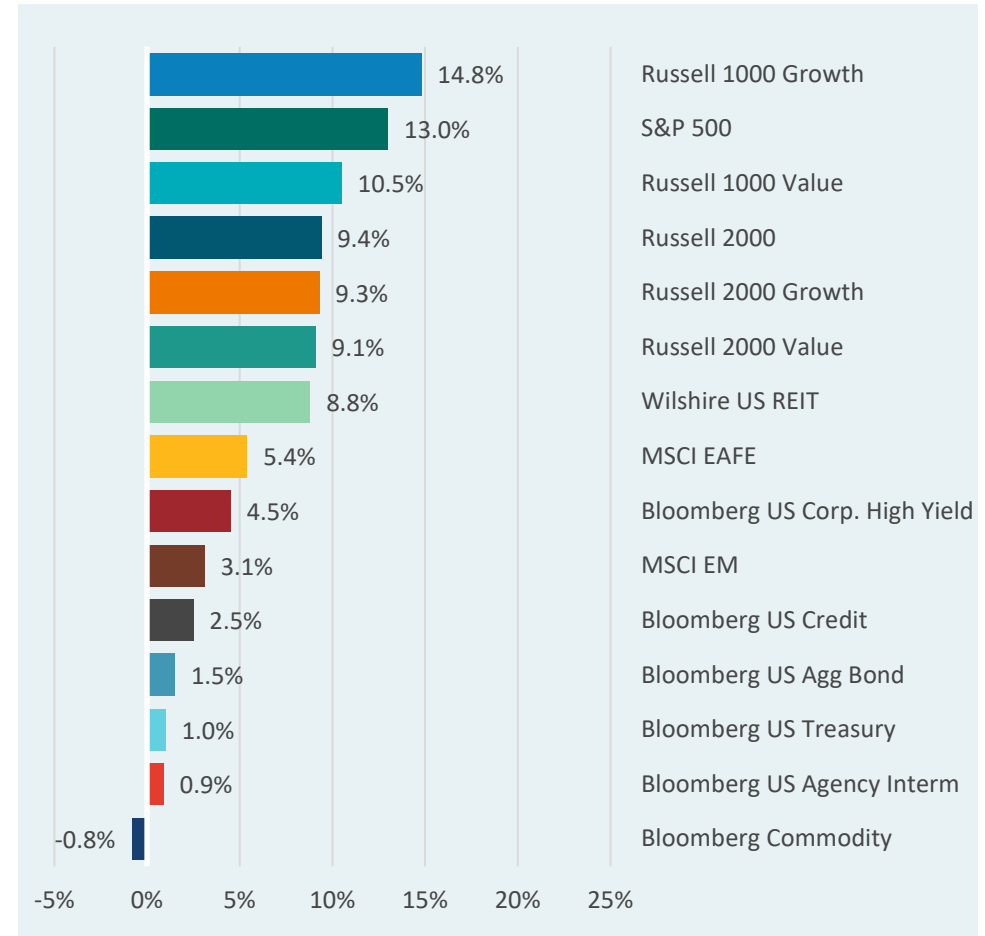
- Eurozone headline inflation registered 8.6% year-over-year in June, the highest level on record, which helped to spur a more hawkish sentiment in advance of the European Central Bank's July meeting. The Euro Stoxx 50 Index fell -11.0%.
- China's mandatory isolation period for inbound travelers was cut in half to seven days following an announcement by the country's National Health Commission. The easing of Covid-19 policies helped fuel gains in Chinese equity markets (MSCI China +6.6%).
- The Japanese Yen (-5.3%) continued to weaken as the Bank of Japan reinforced its accommodative monetary policy stance. Japan's dovish monetary positioning is in sharp contrast to the increasingly hawkish position of major global central banks.

Major asset class returns

ONE YEAR ENDING JUNE



TEN YEARS ENDING JUNE



*Only publicly traded asset performance is shown here. Performance of private assets is typically released with a 3- to 6-month delay.

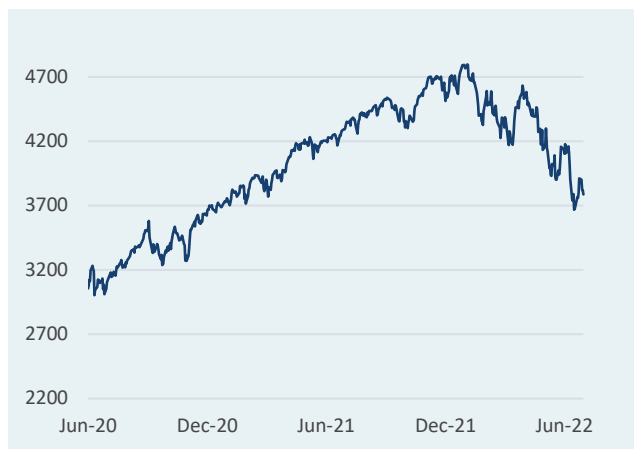
Source: Morningstar, as of 6/30/22

Source: Morningstar, as of 6/30/22

U.S. large cap equities

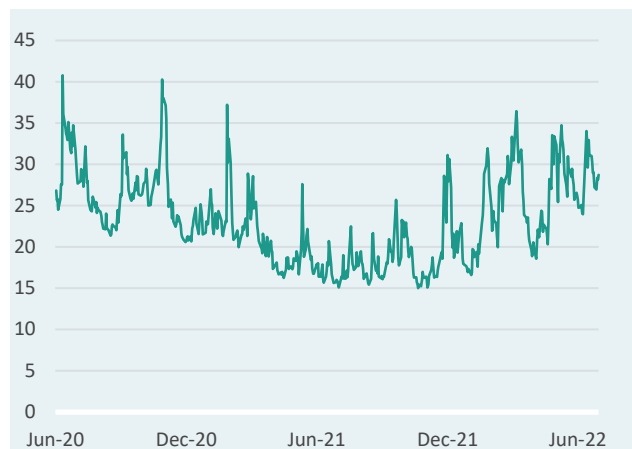
- The S&P 500 Index declined -8.3% with year-to-date returns falling as low as -23.0% intra-month. The Index finished in technical bear market territory as investors considered the potential that the Fed may not manage a ‘soft-landing’ for the economy amid aggressive rate increases.
- All 11 S&P 500 GICS Sectors declined over the month with Energy (-16.8%), Materials (-13.8%), and Financials (-10.9%) recording the largest losses. Traditionally defensive sectors fared best, with Consumer Staples (-2.5%), Health Care (-2.7%), and Utilities (-5.0%) posting the best performance.
- The Cboe VIX Index of implied volatility declined to 26.7 after reaching an intra-month high of 34.3. The index remained elevated above the 200-day moving average level of 23.8 as markets weighed hawkishness from the Fed and the impact of fast-rising rates on economic growth.
- The Energy Sector fell -16.8%, the largest decline for the sector since the precipitous fall in oil prices at the onset of Covid-19 in 2020. The reversal in energy sector performance, even as oil prices (-3.3%) only moderately declined, may have been intensified by slowing growth expectations.

S&P 500 PRICE INDEX



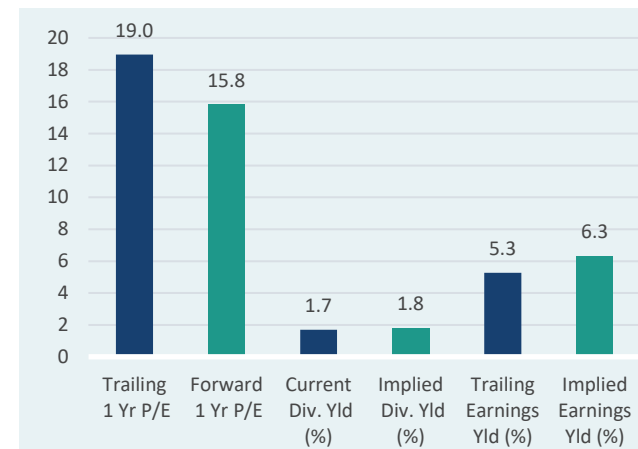
Source: Bloomberg, as of 6/30/22

IMPLIED VOLATILITY (VIX INDEX)



Source: Cboe, as of 6/30/22

S&P 500 VALUATION SNAPSHOT

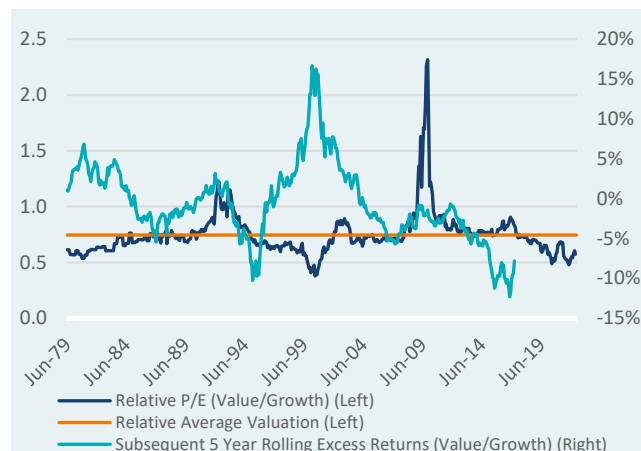


Source: Bloomberg, as of 6/30/22

Domestic equity size and style

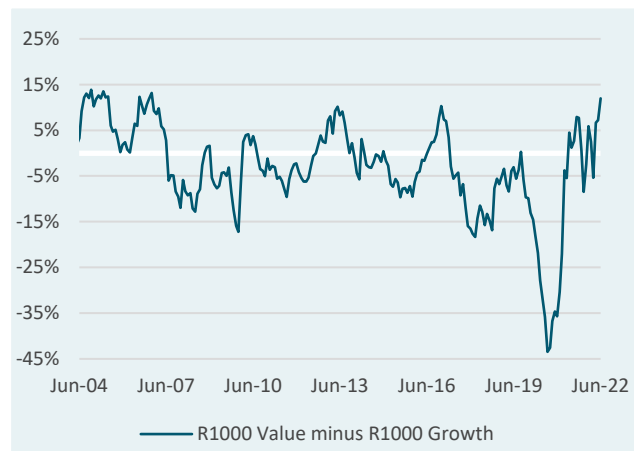
- Growth stocks (Russell 3000 Growth -7.8%) declined less than value stocks (Russell 3000 Value -8.8%) in June, and small-cap equities (Russell 2000 Index -8.2%) marginally outperformed large-cap peers (Russell 1000 Index -8.4%) for a second consecutive month.
- In an annual U.S. Index reconstitution, FTSE Russell added long-standing growth stocks including Meta Platforms, Netflix, and PayPal to the Russell 1000 Value Index. The former growth index constituents have each experienced year-to-date declines in excess of -50.0%, driving down price-to-book ratios – a key determinant of a stock’s placement within Russell style indices.
- Meta Platforms is now the fifth-largest holding in the iShares Russell 1000 Value ETF (IWD), and the 39th largest holding in the iShares Russell 1000 Growth ETF (IWF). Following the rebalance, former top-five value holding UnitedHealth Group now occupies the seventh-largest position in the growth index.
- The Russell Mid Cap Index (-10.0%) posted its worst decline since March of 2020. Sector performance largely mirrored large cap indices, but declines were exaggerated in the Energy (-18.5%), Materials (-15.2%), and Consumer Discretionary (-11.2%) sectors.

VALUE VS. GROWTH RELATIVE VALUATIONS



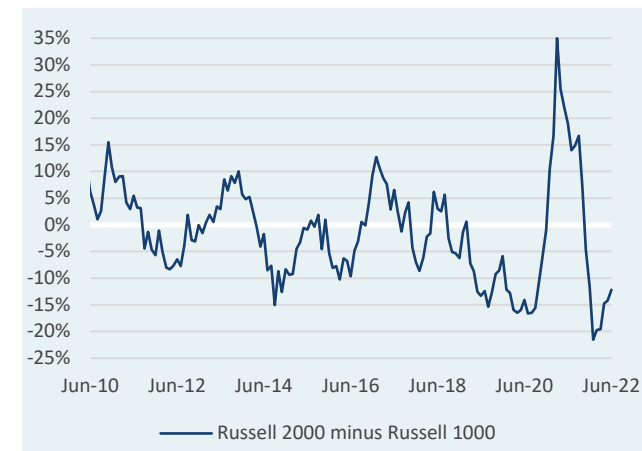
Source: FTSE, Bloomberg, as of 6/30/22

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 6/30/22

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE

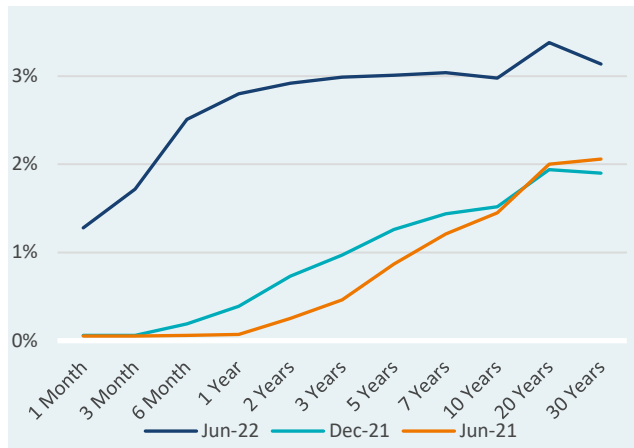


Source: FTSE, Bloomberg, as of 6/30/22

Fixed income

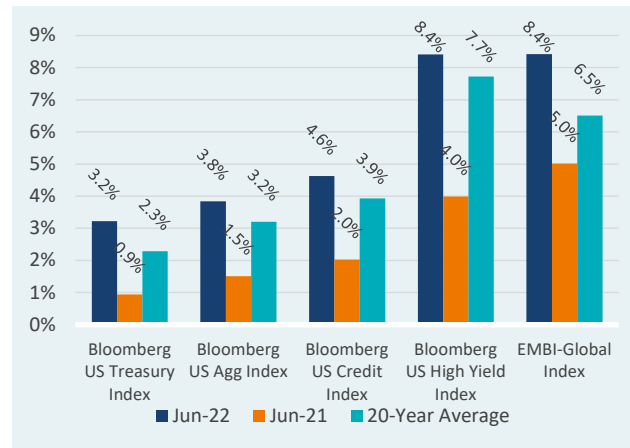
- The MOVE Index, which measures volatility in the U.S. Treasury market, rallied to the highest level since March 2020 intra-month. Short-term tenors were a notable contributor as the yield on the 2-year moved an average of 8.5 basis points per day, greater than twice the average move in the yield over the last year.
- The yield on the 10-year Treasury note climbed more than 50 basis points to 3.5% mid-month – the highest level in 11 years – before the yield retreated to end the month 13 basis points higher at 3.0%. The note moved as much as 28 basis points in a single day intra-month, its highest single-day move in more than a year.
- The U.S. Dollar got a bid over the month and strengthened further over major foreign exchange pairs. The U.S. Dollar Index climbed 2.1% higher and touched fresh multi-decade highs intra-month. Several factors, including high inflation, climbing U.S. bond yields and a retreat from risk assets likely fueled greenback strength.
- High yield spreads expanded by 165 basis points to 5.9% and are now 277 basis points higher than the start of the year (ICE BofA US High Yield OAS). Spreads have increased as investors demand a greater premium for corporate credit over U.S. Treasuries.

U.S. TREASURY YIELD CURVE



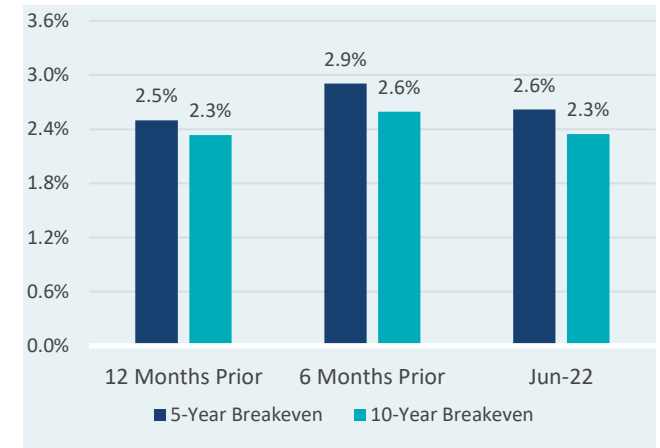
Source: Bloomberg, as of 6/30/22

NOMINAL YIELDS



Source: Morningstar, as of 6/30/22

BREAKEVEN INFLATION RATES

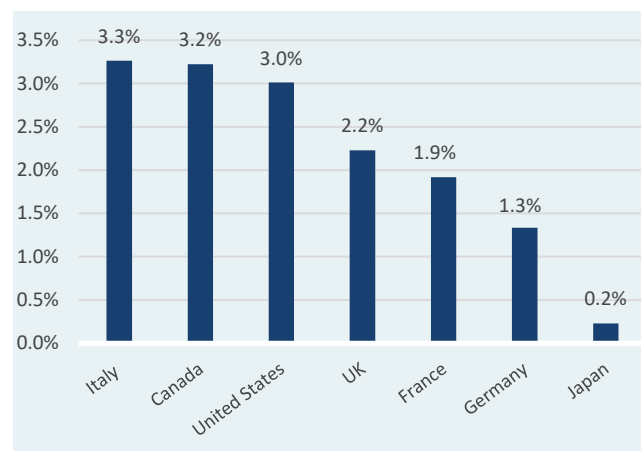


Source: Bloomberg, as of 6/30/22

Global markets

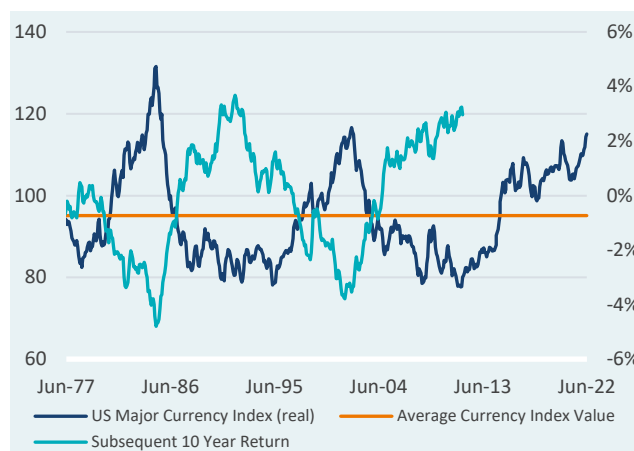
- World equities (MSCI ACWI -8.4%) were broadly lower as emerging market equities (MSCI EM -6.6%) outperformed international developed equities (MSCI EAFE -9.3%) for a third consecutive month. Outsized declines from European equities (MSCI Euro -11.3%) dragged on developed market performance.
- The MSCI Latin America Index fell -17.0% and erased year-to-date gains. Latin American declines were concentrated in Columbia (MSCI Columbia Index -28.8%) where investors grappled with the election of former guerilla Gustavo Petro along with steep declines in the Columbian Peso.
- Equities in Europe (MSCI Euro) declined -11.3% following remarks from the European Central Bank which confirmed the Bank’s intentions to raise rates for the first time in 11 years. Should the ECB enact a hike, it would join more than 45 other central banks which have raised rates to combat rising prices so far in 2022.
- Sovereign bond yields within Europe climbed following the news that the ECB would begin to lift rates. The German 10-year Bund yield ended the month 22 basis points higher at 1.3%, while the yield on periphery 10-year Italian BTPs rose 17 basis points to 3.3%.

GLOBAL SOVEREIGN 10-YEAR YIELDS



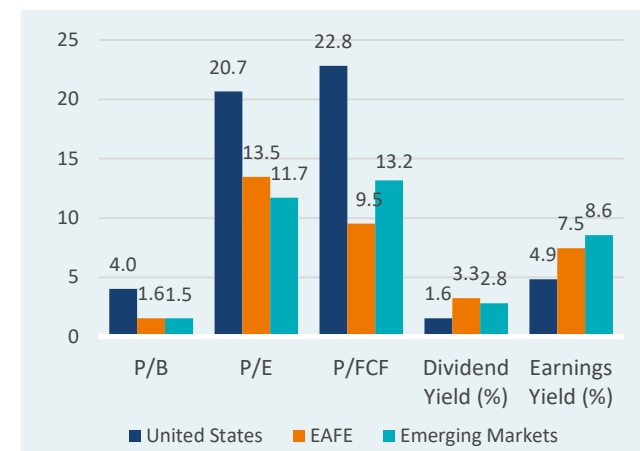
Source: Bloomberg, as of 6/30/22

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 6/30/22

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 6/30/22

Commodities

- The Bloomberg Commodity Index retreated -10.8% to levels not seen since March, reversing a pattern of gains that spanned the prior six months. Index declines were concentrated in the Industrial Metals (-16.0%) and Energy (-14.6%) sectors as markets considered a potential slow down in economic growth.
- U.S. Natural Gas prices fell -33.0%, marking the commodity's worst monthly performance since December 2018. Prices declined more than -41.5% from intra-month all-time highs as rising U.S. inventories helped alleviate some price pressure. Despite the drawdown, prices for the commodity remain +51.5% higher year-to-date.

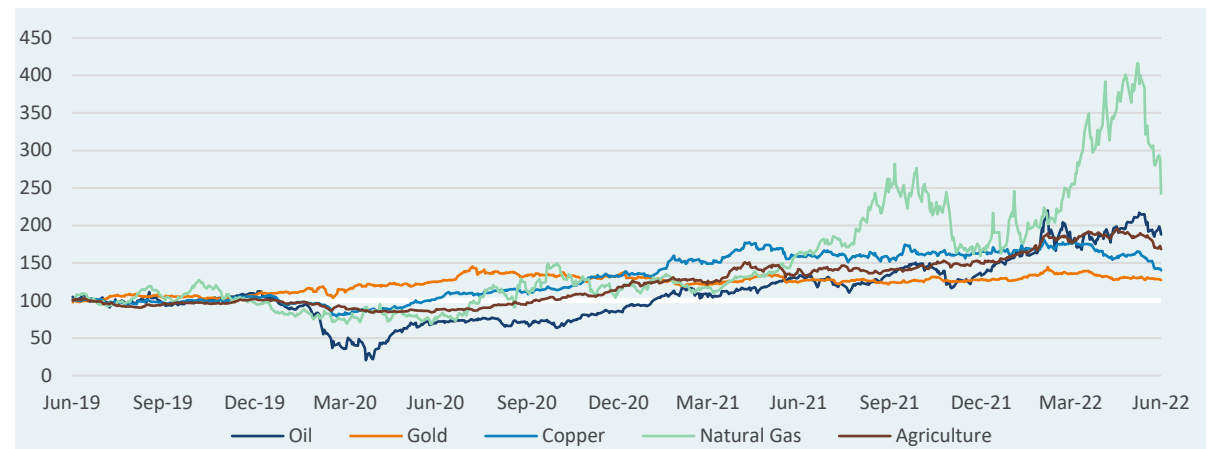
- The Bloomberg Industrial Metals Sub-Index (-16.0%) saw a drastic decline as prices for Nickel (-20.2%), Zinc (-18.9%), Copper (-12.5%) and Aluminum (-7.0%) all retreated. Industrial metals have been hampered by recession fears and concerns that industrial metal inventories were overbuilt in the wake of Russia's invasion of Ukraine.
- The Bloomberg Grains Sub-Index declined -11.7% as Wheat (-19.7%), Corn (-11.3%) and Soybean (-2.7%) prices reversed recent gains. Rising recession concerns helped soften demand expectations while also easing worries regarding low reserves.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(10.8)	(5.7)	18.4	24.3	14.3	8.4	(0.8)
Bloomberg Agriculture	(9.1)	(5.7)	13.0	18.9	18.8	6.9	(1.2)
Bloomberg Energy	(14.6)	7.0	58.3	66.6	11.7	10.0	(4.7)
Bloomberg Grains	(11.7)	(7.1)	16.1	16.6	17.5	6.2	(2.1)
Bloomberg Industrial Metals	(16.0)	(26.4)	(9.6)	0.2	11.9	7.5	1.2
Bloomberg Livestock	(0.3)	(8.7)	(3.4)	(3.6)	(6.8)	(6.6)	(4.3)
Bloomberg Petroleum	(4.0)	13.7	63.5	79.4	19.5	18.1	(1.2)
Bloomberg Precious Metals	(3.1)	(10.5)	(4.4)	(4.8)	7.2	5.6	(0.8)
Bloomberg Softs	(5.9)	(4.3)	3.3	27.2	16.8	5.3	(3.2)

Source: Morningstar, as of 6/30/22

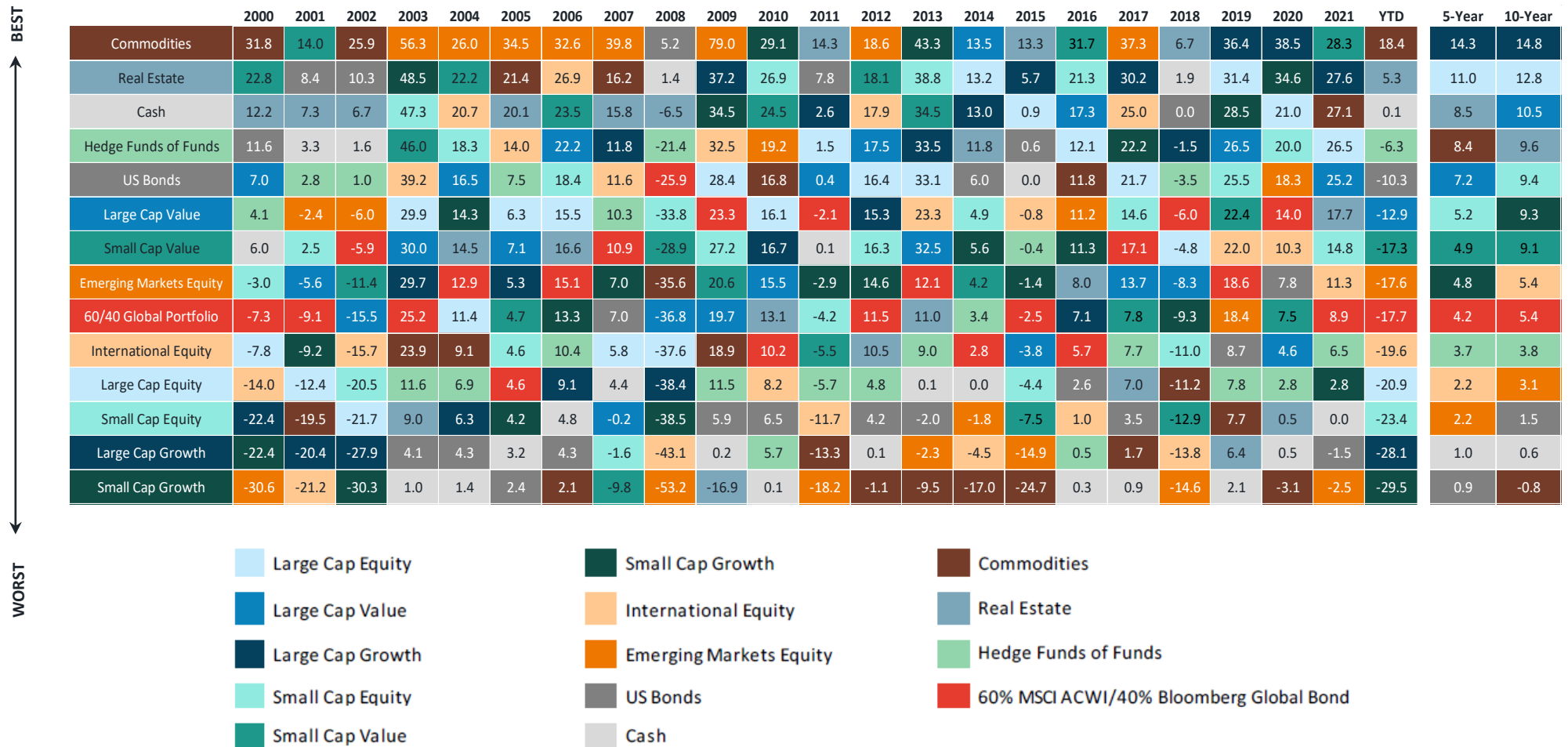
COMMODITY PERFORMANCE



Source: Bloomberg, as of 6/30/22

Appendix

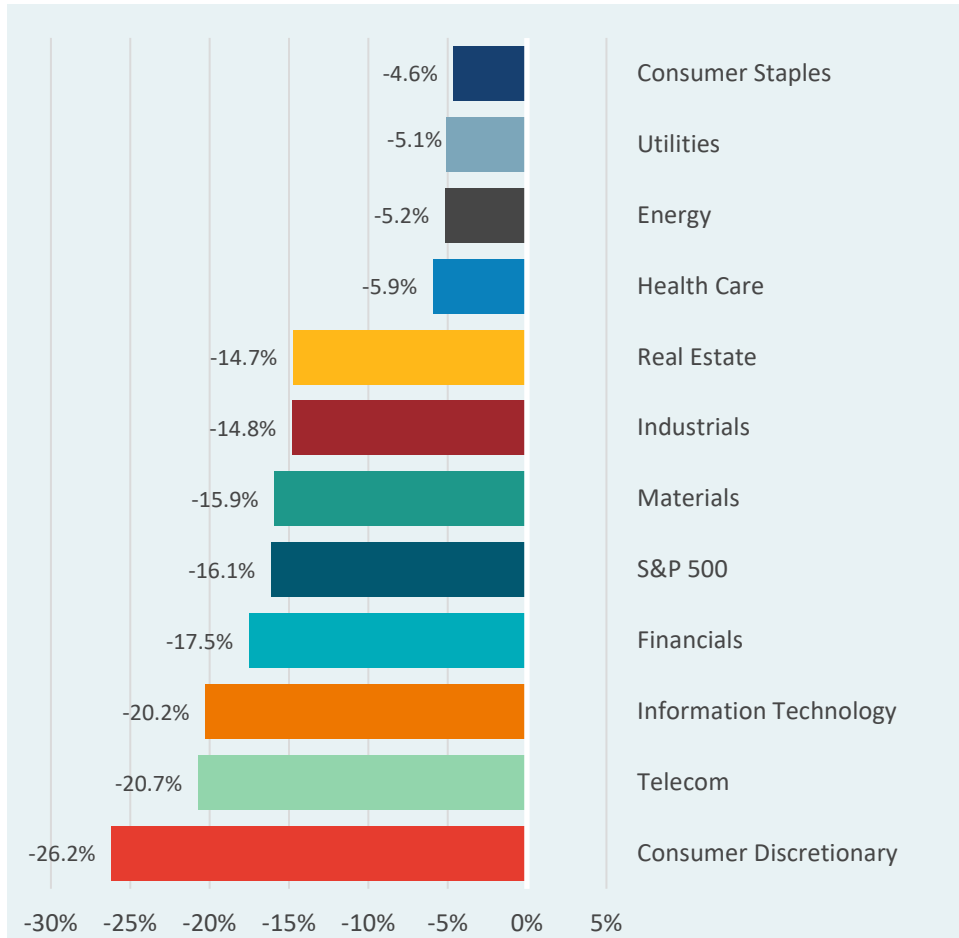
Periodic table of returns



Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, Bloomberg US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, Bloomberg Global Bond. NCREIF Property Index performance data as of 3/31/22.

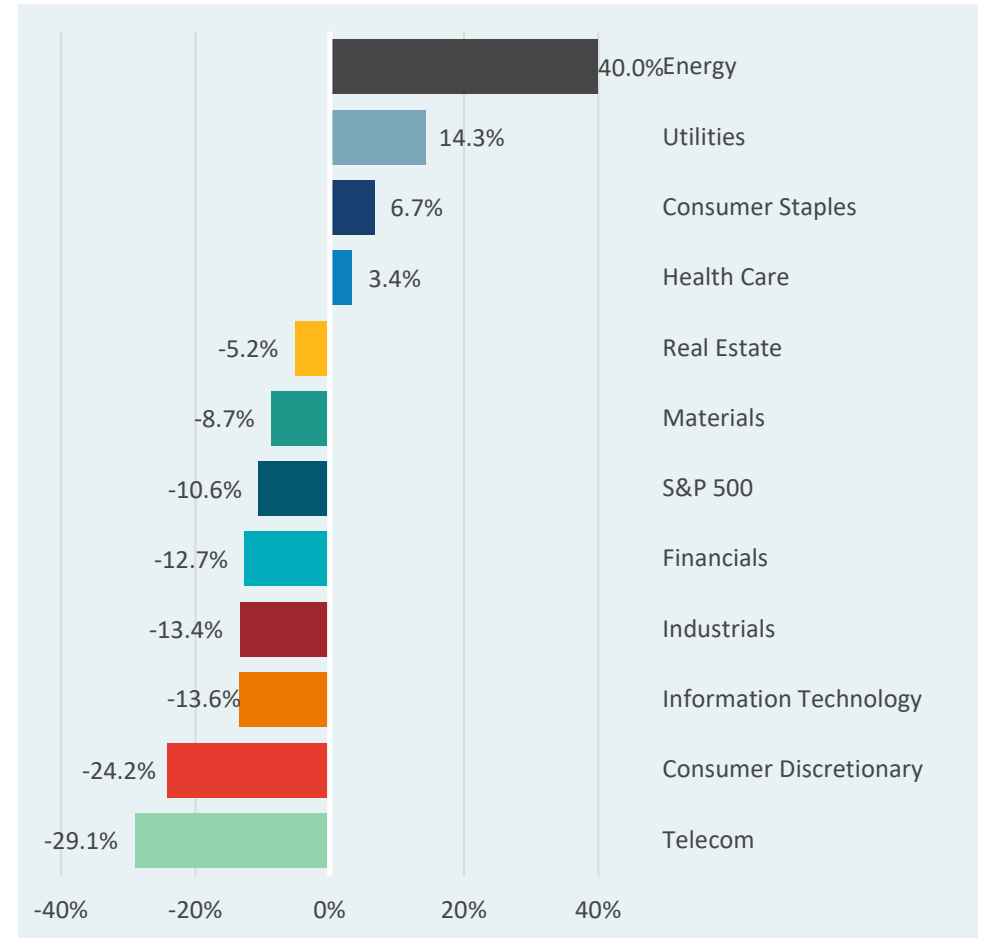
S&P 500 sector returns

QTD



Source: Morningstar, as of 6/30/22

ONE YEAR ENDING JUNE



Source: Morningstar, as of 6/30/22

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	(8.3)	(16.1)	(20.0)	(10.6)	10.6	11.3	13.0
S&P 500 Equal Weighted	(9.4)	(14.4)	(16.7)	(9.4)	9.7	9.9	12.7
DJ Industrial Average	(6.6)	(10.8)	(14.4)	(9.1)	7.2	10.0	11.7
Russell Top 200	(7.8)	(16.6)	(20.7)	(11.5)	11.5	12.2	13.4
Russell 1000	(8.4)	(16.7)	(20.9)	(13.0)	10.2	11.0	12.8
Russell 2000	(8.2)	(17.2)	(23.4)	(25.2)	4.2	5.2	9.4
Russell 3000	(8.4)	(16.7)	(21.1)	(13.9)	9.8	10.6	12.6
Russell Mid Cap	(10.0)	(16.8)	(21.6)	(17.3)	6.6	8.0	11.3
Style Index							
Russell 1000 Growth	(7.9)	(20.9)	(28.1)	(18.8)	12.6	14.3	14.8
Russell 1000 Value	(8.7)	(12.2)	(12.9)	(6.8)	6.9	7.2	10.5
Russell 2000 Growth	(6.2)	(19.3)	(29.5)	(33.4)	1.4	4.8	9.3
Russell 2000 Value	(9.9)	(15.3)	(17.3)	(16.3)	6.2	4.9	9.1

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	(8.4)	(15.7)	(20.2)	(15.8)	6.2	7.0	8.8
MSCI ACWI ex US	(8.6)	(13.7)	(18.4)	(19.4)	1.4	2.5	4.8
MSCI EAFE	(9.3)	(14.5)	(19.6)	(17.8)	1.1	2.2	5.4
MSCI EM	(6.6)	(11.4)	(17.6)	(25.3)	0.6	2.2	3.1
MSCI EAFE Small Cap	(11.0)	(17.7)	(24.7)	(24.0)	1.1	1.7	7.2
Style Index							
MSCI EAFE Growth	(8.6)	(16.9)	(26.8)	(23.8)	1.3	3.5	6.3
MSCI EAFE Value	(10.0)	(12.4)	(12.1)	(11.9)	0.2	0.5	4.2
Regional Index							
MSCI UK	(8.6)	(10.5)	(8.8)	(4.0)	1.2	2.2	3.7
MSCI Japan	(7.9)	(14.6)	(20.3)	(19.9)	1.0	1.8	5.6
MSCI Euro	(11.3)	(15.8)	(25.2)	(23.8)	(1.1)	0.4	5.3
MSCI EM Asia	(4.8)	(9.3)	(17.2)	(25.9)	3.1	3.4	5.5
MSCI EM Latin American	(17.0)	(21.9)	(0.6)	(16.1)	(6.3)	(0.6)	(2.2)

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
Bloomberg US TIPS	(3.2)	(6.1)	(8.9)	(5.1)	3.0	3.2	1.7
Bloomberg US Treasury Bills	(0.0)	0.1	0.0	0.0	0.6	1.1	0.6
Bloomberg US Agg Bond	(1.6)	(4.7)	(10.3)	(10.3)	(0.9)	0.9	1.5
Bloomberg US Universal	(2.0)	(5.1)	(10.9)	(10.9)	(0.9)	0.9	1.8
Duration							
Bloomberg US Treasury 1-3 Yr	(0.6)	(0.5)	(3.0)	(3.5)	0.2	0.9	0.8
Bloomberg US Treasury Long	(1.5)	(11.9)	(21.3)	(18.5)	(2.9)	0.5	1.6
Bloomberg US Treasury	(0.9)	(3.8)	(9.1)	(8.9)	(0.9)	0.7	1.0
Issuer							
Bloomberg US MBS	(1.6)	(4.0)	(8.8)	(9.0)	(1.4)	0.4	1.2
Bloomberg US Corp. High Yield	(6.7)	(9.8)	(14.2)	(12.8)	0.2	2.1	4.5
Bloomberg US Agency Interm	(0.6)	(1.3)	(5.0)	(5.6)	(0.3)	0.8	0.9
Bloomberg US Credit	(2.6)	(6.9)	(13.8)	(13.6)	(1.0)	1.2	2.5

OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Index							
Bloomberg Commodity	(10.8)	(5.7)	18.4	24.3	14.3	8.4	(0.8)
Wilshire US REIT	(7.3)	(5.4)	(14.9)	4.4	7.4	7.5	8.8
CS Leveraged Loans	(2.1)	(4.4)	(4.4)	(2.7)	2.0	3.0	3.9
S&P Global Infrastructure	(7.7)	(7.4)	(0.5)	5.6	3.5	4.8	7.2
Alerian MLP	(14.0)	(7.4)	10.1	4.1	(1.2)	(1.2)	0.8
Regional Index							
JPM EMBI Global Div	(6.2)	(11.4)	(20.3)	(21.2)	(5.2)	(1.2)	2.2
JPM GBI-EM Global Div	(4.5)	(8.6)	(14.5)	(19.3)	(5.8)	(2.3)	(1.5)
Hedge Funds							
HFRI Composite	(3.1)	(4.9)	(5.9)	(5.8)	6.1	5.0	5.0
HFRI FOF Composite	(0.9)	(3.6)	(6.3)	(5.2)	4.1	3.7	3.8
Currency (Spot)							
Euro	(2.4)	(6.0)	(8.1)	(11.8)	(2.8)	(1.7)	(1.9)
Pound Sterling	(3.6)	(7.8)	(10.3)	(12.1)	(1.5)	(1.3)	(2.5)
Yen	(5.3)	(10.7)	(15.2)	(18.3)	(7.4)	(3.7)	(5.2)

Source: Morningstar, HFRI, as of 6/30/22.

Detailed private market returns

Comparison to public market index returns

Private Equity Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Private Equity FoFs & Secondary Funds	38.9	26.4	20.7	14.7
Global Private Equity Direct Funds *	37.9	29.1	23.6	17.7
U.S. Private Equity Direct Funds *	45.0	32.1	25.2	19.1
Europe Private Equity Direct Funds *	33.1	27.6	24.8	16.2
Asia Private Equity Direct Funds *	15.7	18.4	16.6	14.7

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
MSCI World	21.8	21.7	15.0	12.7
S&P 500	28.7	26.1	18.5	16.6
MSCI Europe	16.3	14.9	10.1	8.2
MSCI AC Asia Pacific	(1.5)	12.1	9.9	8.0

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	30.0	13.0	11.8	13.0

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
FTSE NAREIT Equity REIT	43.2	18.4	10.8	11.4

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	32.4	16.8	13.9	12.6

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
S&P / LSTA U.S. Leveraged Loan 100 Index	3.5	5.6	3.9	4.3

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ***	31.3	1.9	2.5	2.1
Global Infrastructure	13.8	11.6	12.4	11.0

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
S&P Global Natural Resources	25.2	13.9	9.6	4.6
S&P Global Infrastructure	11.9	10.2	7.8	7.7

Source: Pooled IRRs are from Thompson Reuters C/A and Time-weighted Returns are from Investment Metrics, as of December 31st, 2021. All returns in U.S. dollars.

* Includes Buyout, Growth Equity and Venture Capital.

** Includes Control-Oriented Distressed, Credit Opportunities, Senior Debt and Subordinated Capital.

*** Includes Private Equity Energy, Timber and Upstream Energy & Royalties.

Notices & disclosures

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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2022

Agenda Item 6.2

TO: Board of Retirement

FROM: Lilibeth Dames, Investment Analyst 

SUBJECT: Presentation of Private Asset Semi-Annual Performance Reports as of December 31, 2021

Recommendation

Accept and review Verus' semi-annual private equity and private real assets performance reports as of December 31, 2021.

Background

Verus provides a semi-annual private equity and private real asset performance report as of June 30th and December 31st each year.

Discussion

As of December 31, 2021, SamCERA's private equity portfolio had a total market value of \$434.0 million (7.0% of SamCERA's total fund). At the February 2022 board meeting, the board approved a 1% increase to Private Equity to 7.0% from 6.0%.

The private equity portfolio has a 22.33% net IRR since inception, 953 bps above the same cash flow invested in the Russell 3000 Total Return Index. For the six-month period from July 1, 2021 through December 31, 2021, SamCERA's board approved two additional commitments in private equity, totaling \$35 million. As of December 31st, SamCERA had a total of thirty-six funds with \$591.5 million in committed capital across twenty-four private equity managers.

As of December 31, 2021, SamCERA's private real assets portfolio had a total market value of \$152.4 million (2.7% of SamCERA's total fund). SamCERA's long-term target allocation to private real assets is 4.0%.

The private real assets portfolio has a 5.91% net IRR since inception. For the six-month period from July 1, 2021 through December 31, 2021, SamCERA committed to one new fund for a total of \$25 million. As of December 31, 2021, there were sixteen private asset funds in the portfolio with \$334.8 million in committed capital across twelve private real asset managers.

Faraz Shooshani and John Nicolini will review the performance reports with the Board and be available for questions.

Attachments

Verus Semi-Annual Private Equity Performance Report for Period Ending 12/31/2021
Verus Semi-Annual Private Real Assets Performance Report for Period Ending 12/31/2021



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**



PERIOD ENDING DECEMBER 31, 2021

Private Equity Review

San Mateo County Employees' Retirement Association

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Market Commentary

DEBT RELATED

- **HY issuance stable, leveraged loan issuance up.** In 2021, US high yield issuance was stable, with a small increase of 0.3% at \$429.7 billion compared to \$429.7 billion in 2020¹. Leverage loan issuance volume was \$1,403.4 billion in 2021, up 62.9% from the same time last year¹.
- **Spreads tightened across the board.** US HY Credit Index tightened by 60 bps or 15.4%² decrease in 2021 versus the same period last year. BB and B index tightened by 2 bps and 25 bps, decreasing by 0.7%² and 5.3%² versus the same period last year. In the meantime, CCC index spread decreased by 19.0%² in 2021 from 2020 same period.
- **Slight increase in LBO debt, coupled with slight improvement in interest coverage in US.** Total leverage averaged 5.8x (Debt / EBITDA) in 2021 for US new issue loans, up 1.7% from 2020³. Interest coverage averaged 3.5x (EBITDA / Cash Interest), up 1.7% from 2020³. In Europe with 2021 LBO Loan volume at \$109.1 billion, up 149.1% from 2020 and down 20.8% from \$137.7 billion peak in 2007⁴, leverage multiples decreased 1.7% to 5.7x in 2021⁴, below 6.4x peak in 2007⁴.

GLOBAL

- **Both investment activity and average deal size increased.** During 2021, global PE firms invested in \$2.1 trillion worth of deals, up 79.1% from the same time prior year, and closed on 61,866 transactions, up 21.3%⁵.
- **PE dry powder decreased globally.** In the 2021, global total PE dry powder was at \$5.2 trillion, down 12.3% from 2020⁵. US total PE was down by 9.7% to \$3.6 trillion⁵; Europe total PE decreased by 16.0% to \$1.2 trillion⁵; Asia total PE was down by 23.8% to \$277.1 billion⁵; and the rest of world total PE was down by 19.6% to \$111.0 billion⁵.

US BUYOUTS

- **Fundraising activity slowed down.** In 2021, US firms across all buyout strategies raised \$223.4 billion, down by 13.8% from same time prior year⁵. Average fund size was up 26.2%, from \$800.8 million in 2021 to \$634.4 million in 2020.
- **Investment activity was up significantly.** During 2021, US buyout firms invested in \$1.0 trillion (+50.2% from 2020) into 7,044 deals (+23.4%)⁵.
- **Dry powder decreased.** In 2021, US buyout dry powder was \$1.9 trillion, down by 15.6% from the same time in 2020⁵.
- **LBO price multiples down slightly.** As of December 31, 2021, US LBO purchase price multiple (Enterprise Value / EBITDA) was at 11.4x , a 0.4% decrease from December 31, 2020³.
- **Exit activity increased.** During 2021, US buyout firms exited 1,393 companies, representing \$741.6 billion in total transaction value⁵. This represented a 105.1% increase in the number of exits and a 39.7% increase in total transaction value compared to the same time last year⁵.

Market Commentary

US VENTURE CAPITAL

- **Fundraising activity increased.** US VC firms raised \$128.3 billion during 2021, a 47.5% increase from the same period last year⁵. 730 funds closed in 2021, a 0.4% decrease from the same period last year⁵. The average US VC fund size increased to \$175.7 million by 48.1% versus the same period last year⁵.
- **Investment activity increased.** US VC firms deployed \$329.9 billion in capital in 2021, a 98.0% increase from 2020. With deal activity skewing from early to angel & seed stage⁵, the number of deals closed at 15,500, a 27.3% increase from the same time last year⁵.
- **Dry powder decreased.** In 2021, US VC dry powder was at \$220.6 billion, down 11.9% from 2020⁵.
- **Increases across all stages:**
 - **Entry valuations.** Compared to December 31, 2020, the average pre-money valuations increased for all stages in 2021: up 25.7% at \$6.3 million⁵ for Angel stage, 58.3% at \$9.5 million⁵ for Seed stage, 53.3% at \$46.0 million⁵ for early-stage VC, and 76.2% at \$114.5 million⁵ for late-stage VC. Over the past 3 years, the average pre-money valuations of Angel-, Seed-, Early- and Late-stage investments were up 25.7%, 58.3%, 109.1%, and 129.0%, respectively⁵.
 - **Deal sizes.** Average deal size increased for all stages as well: up 41.4% at \$1.8 million⁵ for Angel stage, 33.1% at \$4.0 million⁵ for Seed stage, 45.8% at \$23.2 million⁵ for early-stage VC, and 51.1% at \$56.1 million⁵ for late-stage VC. Across all stages, the average investment per deal increased to \$21.3 million, a 48.5% increase from prior year⁵. Over the past 3 years, the average deal size of Angel-, Seed-, Early- and Late-stage investments were up 33.2%, 35.3%, 67.2%, and 55.6%, respectively⁵.
- **Exit activity increased significantly with larger transactions.** US VC firms exited 1,612 companies in 2021, up by 43.5% from last year and 40.8% from three years ago⁵. This represented the record high \$774.1 billion in transaction value, up by 168.0% from the same period last year and 524.9% from three years ago⁵. Largest sectors exited were Software and Pharma & Biotech.

EX US

- **Ex-US fundraising activity was up.** In 2021, ex-US fundraising increased 39.2% from 2020 to \$349.7 billion⁵. Fundraising in Asia increased by 51.8% to \$76.0 billion⁵, while Europe was flat to 2020, decreasing by just 0.4% to \$127.5 billion⁵.
- **Capital deployment increased by VCs and Buyout managers in Europe and Asia.**
 - **In both Europe and Asia, VCs invested more capital into more deals.** Investment activity increased by 8.6% in Europe and 54.0% in Asia from 2020⁵. Capital deployed increased by 119.8% to \$117.0 billion and by 82.3% to \$126.1 billion, respectively, in Europe and Asia⁵.
 - **Buyout deal activity and capital deployment rose in Europe and Asia.** In Europe, buyout firms transacted \$677.1 billion in aggregate value (+37.9% from 2020)⁵. Asia buyout firms invested \$78.3 billion in aggregate value (+229.2%)⁵.

Market Commentary

- **Dry powder decreased ex-US.** PE dry powder outside the US decreased 17.7% to \$1.6 trillion⁵ in 2021. Dry powder outside the US was 55.1% less than dry powder in the US (\$3.6 trillion)⁵.
 - **Europe VC and buyout dry powder both down.** VC at \$12.0 billion and buyout at \$686.3 billion were down 24.7% and 19.1% from 2020, respectively⁵.
 - **In Asia, VC, buyout and growth dry powder decreased in parallel with US and Europe.** VC at \$12.2 billion, buyout at \$223.6 billion, and growth at \$12.8 billion were down 29.8%, 21.9% and 54.6% from 2020, respectively⁵.
- **Purchase price multiples increased ex-US.** As of December 31, 2021, European buyout median purchase price multiples increased 15.0% from 8.0x to 9.3x EBITDA from the same time last year⁵. Asia buyout median purchase price multiples increased 23.1% from 6.1x to 7.5x EBITDA from the same time last year⁵.
- **Exit activity strengthened in Europe but weakened in Asia.** Europe PE aggregate exit value amounted to \$552.7 billion, a 125.6% increase from 2020, while Asia PE exit value dropped by 12.7% to \$171.5 billion⁵.

Outlook

- **PE allocations likely to continue rising steadily.** Based on a survey of more than 350 LPs by Preqin (prior to escalation of the Russia-Ukraine conflict), more than a third of LPs (35%) plan to invest more in private capital over the next 12 months, with a further 51% expecting to invest the same amount, and just 14% planning to invest less⁶.

Notes

1. *White & Case Debt Explorer (February 14, 2022)*
2. *Guggenheim High-Yield Bank Loan Outlook (March 2022)*
3. *S&P Global US LBO Review (4Q 2021)*
4. *S&P Global LCD European Leveraged Buyout Review (4Q 2021)*
5. *Pitchbook (December 31, 2021)*
6. *Preqin (H1 2022)*

Private Equity portfolio

Investment Type	Policy Target	Policy Range	Market Value %	Market Value \$(000)	Unfunded Commitment \$(000)	Market Value + Unfunded \$(000)
SamCERA - Total Plan			100.0%	6,176,865		
Buyout (60% +/- 20%)	3.6%	2.4%-4.8%	3.4%	209,898	119,222	329,120
Venture Capital (20%, 0%-30%)	1.2%	1.0%-1.8%	2.6%	161,115	30,972	192,087
Debt-Related/Special Situations (20% +/- 10%)	1.2%	0.6%-1.8%	1.0%	62,965	48,282	111,247
Total Private Equity*	6.0%	4%-8%	7.0%	433,977	198,476	632,452

Portfolio Summary

- As of December 31, 2021, the Private Equity Portfolio had a total market value of \$434.0M, with \$210.0M in Buyout, \$161.1M in Venture Capital, and \$63.0M in Debt-Related/Special Situations. Total market value is the current reported value of investments, excluding the remaining amount of unfunded commitments.
- Since its initial allocation to Private Equity, SamCERA has contributed \$434.1M towards its Private Equity commitments, with \$265.6M to Buyouts, \$67.2M to Venture Capital, and \$101.3M in Debt-Related / Special Situations. Unfunded commitments total \$198.5M.
- The portfolio exposure at 7.0% is above the 6.0% policy target but within its 4-8% target range. Compared to December 31, 2020, portfolio exposure is up 0.1%. Buyout exposure and Debt Related / Special Situations exposure remain below target but within policy range. Venture Capital is 1.4% above its policy target.

Portfolio Activity

- In 2021, SamCERA committed \$15M to Genstar Capital Fund X, L.P., \$5M to Genstar X Opportunity Fund, L.P., \$20M to Endeavor Capital Fund VIII L.P., \$10M to Summit Partners Growth Equity Fund XI, L.P., \$9M to Eclipse IV, L.P., \$15M to SVP Special Situations Fund V, L.P., and \$15M to ABRY Senior Equity VI, L.P. in order to maintain exposure to policy over time.

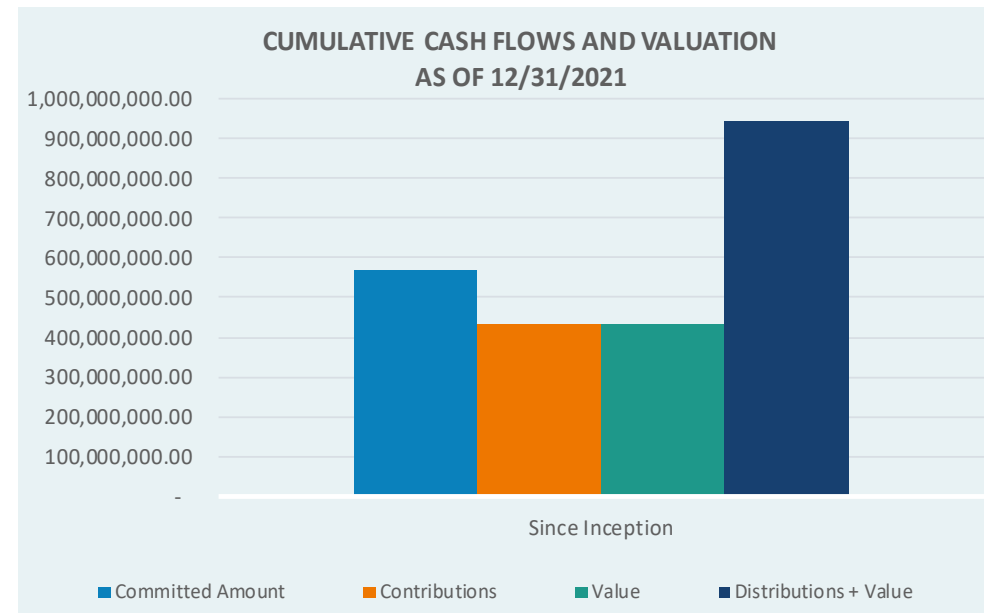
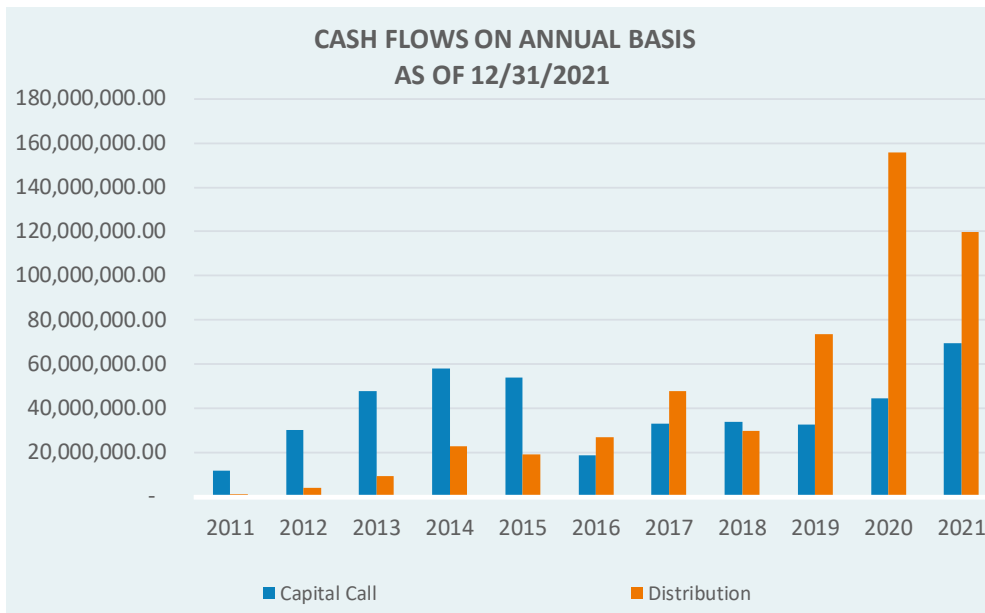
Performance

- The Private Equity portfolio’s performance, as measured by net IRR, is 22.33%, 953 bps above the same cash flow invested in Russell 3000 Total Return Index of 12.80%. Capital weighted average investment age of the portfolio is 5.6 years.
- The portfolio is currently valued at \$434.0M. Together with \$510.6M in realized distributions, the Total Value at \$944.6M is approximately \$510.5M above \$434.1M in total capital contributions, resulting in a total value multiple of 2.18x and a distribution multiple of 1.18x.
- Distributions surpassed contributions with a ratio of 1.7:1 in 2021 compared to 3.5:1 in 2020 and 2.3:1 in 2019.

— Attribution of returns:

- Buyouts up \$198.0M / 1.75x cost (Great Hill V & VI, Sycamore, JLL VII, Angeles I, and Warburg XI leading), with 95.5% of called capital realized and distributed;
- Venture Capital up \$291.4M / 5.34x cost (Emergence Capital III, General Catalyst VI, and NEA 14 leading), with 294.0% of called capital realized and distributed;
- Debt-related/Special Situations up \$21.2M / 1.21x cost (ABRY Advanced Securities II, ABRY Senior V and OHA II leading), with 58.8% of called capital realized and distributed.

- Within Private Equity, the current allocation of market value exposure is 48.8% to Buyout, 37.1% to Venture Capital, and 14.5% to Debt-Related/Special Situations.

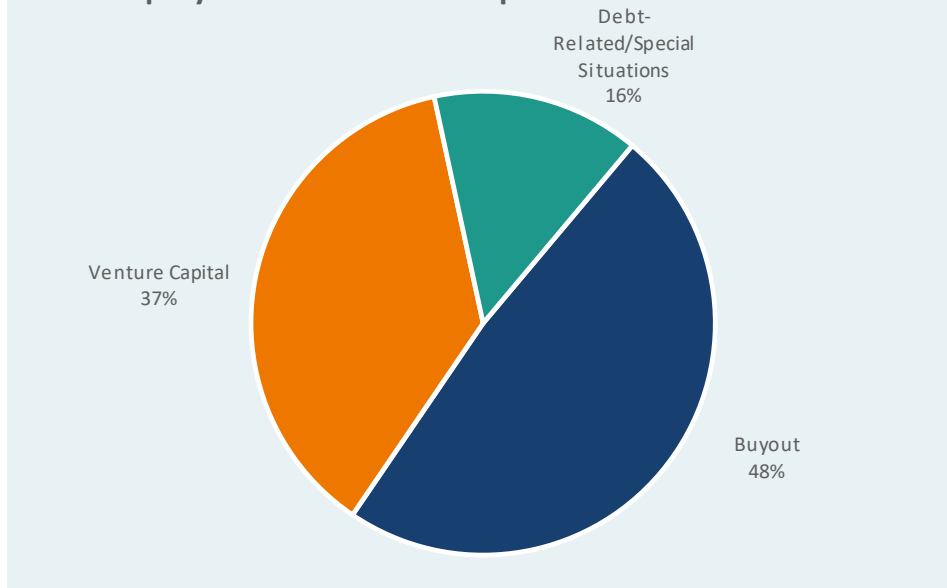


Portfolio Diversification By Strategy

Period Ending: December 31, 2021

Investment Type	Commitment	Reported Value
Buyout	349,001,040	209,898,114
Venture Capital	98,000,000	161,114,735
Debt-Related/Special Situations	144,500,000	62,964,531
Total Private Equity	591,501,040	433,977,380

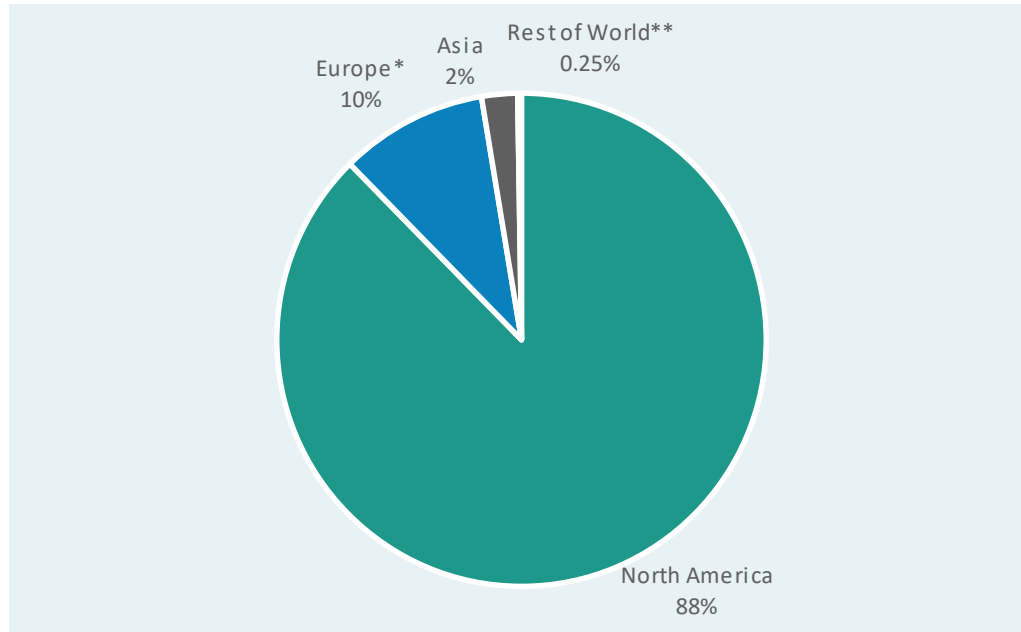
Private Equity Portfolio: Current Exposure



Portfolio Diversification By Geography

Period Ending: December 31, 2021

Geography	Current Exposure
North America	380,265,469
Europe*	42,333,505
Asia	10,293,467
Rest of World**	1,084,938
Total Private Equity	433,977,380



Based on the value of portfolio companies as of December 31, 2021, if provided by the partnerships. Differences between reported value and the total portfolio valuation is due to temporary cash funds, fees, other expenses, and holdings with undisclosed geography breakdown.

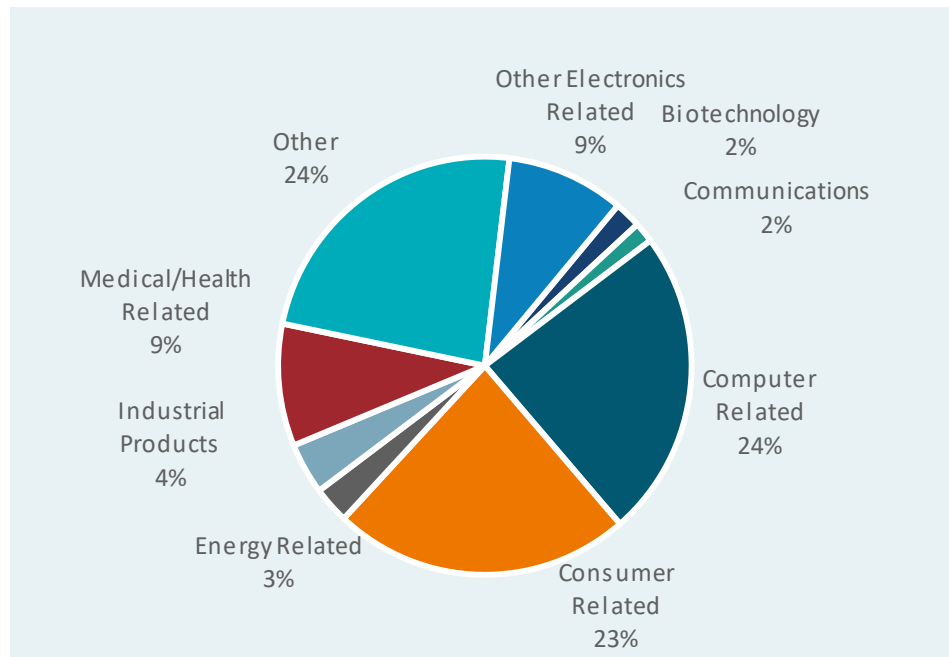
* Europe includes 100% market value from Cevian II.

** Rest of World includes Kenya, United Arab Emirates, Turkey, and Brazil.

Portfolio Diversification By Industry

Period Ending: December 31, 2021

Industry	Current Exposure
Biotechnology	9,036,081
Communications	6,887,481
Computer Related	103,638,486
Consumer Related	101,064,752
Energy Related	12,375,979
Industrial Products	17,239,530
Medical/Health Related	41,054,092
Other	102,716,596
Other Electronics Related	39,964,383
Total Private Equity	433,977,380

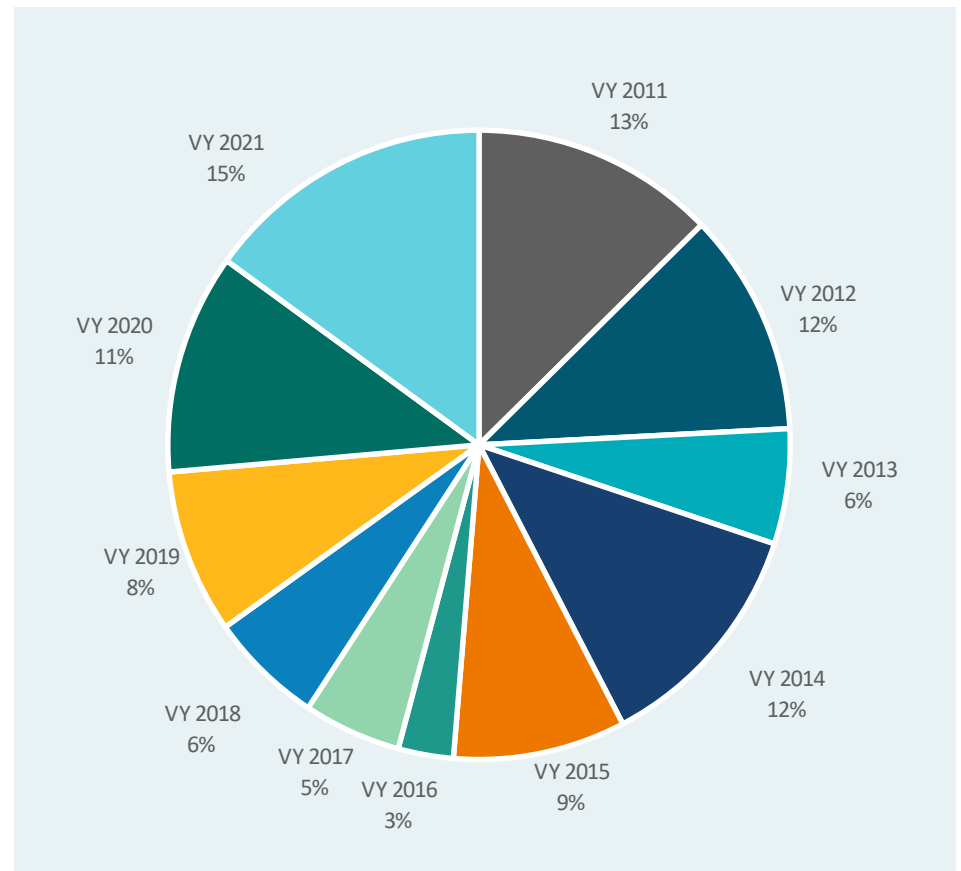


Based on the value of portfolio companies as of December 31, 2021, if provided by the partnerships. Differences between reported value and the total portfolio valuation is due to temporary cash funds, fees, other expenses, and holdings with undisclosed geography breakdown.

Portfolio Diversification By Vintage Year

Period Ending: December 31, 2021

Vintage Year	Commitment as of 12/31/2021	% of Portfolio Commitment	Reported Value as of 12/31/2021
2011	75,000,000	12.68%	30,253,105
2012	68,000,000	11.50%	135,132,191
2013	35,000,000	5.92%	31,456,774
2014	72,500,000	12.26%	49,804,204
2015	53,000,000	8.96%	42,171,507
2016	17,000,000	2.87%	11,113,962
2017	30,000,000	5.07%	39,245,699
2018	35,000,000	5.92%	19,141,941
2019	50,000,000	8.45%	31,656,689
2020	67,001,040	11.33%	30,085,186
2021	89,000,000	15.05%	13,916,124
Total Private Equity	591,501,040	100%	433,977,380



- **As of December 31, 2021, the Private Equity Portfolio exposure at 7.0%, is greater than that of the plan’s 6.0% policy target, but within its 4-8% target range.**
 - Compared to December 31, 2020, portfolio exposure is up 0.1%.
 - Venture Capital remains above its policy target.



**PERSPECTIVES
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PERIOD ENDING: DECEMBER 31, 2021

Real Assets Review

San Mateo County Employees' Retirement Association

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Key themes for 2022

Observations driving our outlook

Inflation Risk

For the first time in decades, high inflation has emerged and is creating challenges for consumers and investors. We believe inflation will likely begin falling later in 2022, though notable inflationary and deflationary forces are in play, and it is difficult to gauge which of these forces will have greater impacts. On the inflationary side, Russia's invasion of Ukraine has led to disruptions to energy and agricultural markets and flowed through to price spikes in many markets. On the deflationary side, large single-month inflation numbers will be falling out of the CPI calculation window, which will help bring figures down. Furthermore, many pandemic-specific issues are beginning to be resolved, such as clogged supply chains, unusually high demand for physical goods, and a slowing of abnormally strong spending. Tightening monetary policy could of course also slow economic growth and put downward pressure on inflation.

Push Towards Sustainability

The global effort to reduce carbon emissions will perhaps affect real assets more than any other asset class. Power generation, transportation, food production, and the supply of various commodities will need to undergo significant evolution in order to reach targets set by governments across the world. This will require massive funding over the next several decades, to the tune of at least \$92 trillion, according to the Bloomberg 2021 New Energy Outlook, creating opportunities for new investment as well as challenges for existing assets that will be made obsolete. In this outlook we will consider how the push towards sustainability will affect the underlying asset classes and how investors can effectively gain exposure to this transition while mitigating risks.

On investing in the Oil/Gas Industry...

Following years of investor unease investing new capital into the oil/gas industry, it has become evident that most institutional investors will largely cease investing in funds that deploy capital into the oil/gas industry. Verus believes this trend is not likely to reverse, despite \$100+/bbl oil price and record profits from many of the integrated oil majors. The outlook within the oil/gas industry has too many unknowns and the risk of stranded assets and/or capital loss outweighs the potential for short-term profits. For investors that wish to capitalize on high commodity prices and near-record profits for upstream oil/gas producers, we would recommend gaining exposure through public equity securities where there is greater certainty of an exit.

Navigating a strong recovery in real estate

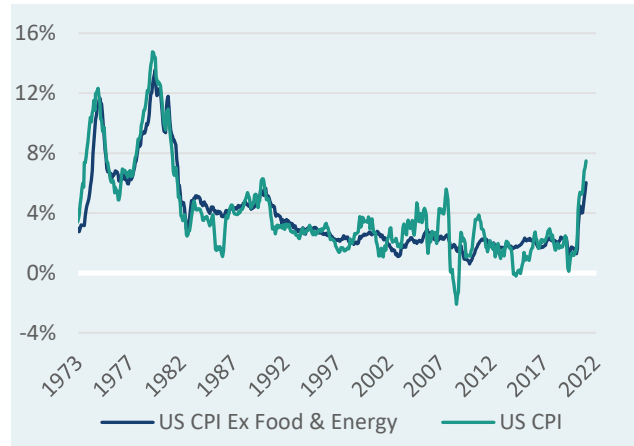
Private real estate experienced its strongest year of performance since the inception of modern indices. The NFI-ODCE returned over 22% in 2021, including the two highest single quarter returns in 3rd and 4th quarters (6.6% and 8.0%). Fundamentals have continued to recover broadly, seeing record low vacancy levels, strong NOI growth and transaction volumes returned to near peak levels. Property type dispersion has been incredibly high as “beds and sheds” (a.k.a. industrial and multifamily) assets have driven recent index performance. We believe that the trends accelerated through the pandemic of e-commerce adoption rates and flexible office usage will continue to create challenges in the retail and office sectors. We continue to support portfolio diversification through increased exposures to alternative property types and remain favorable on the long-term fundamentals for the industrial sector.

U.S. economics – Inflation

U.S. economics – Inflation

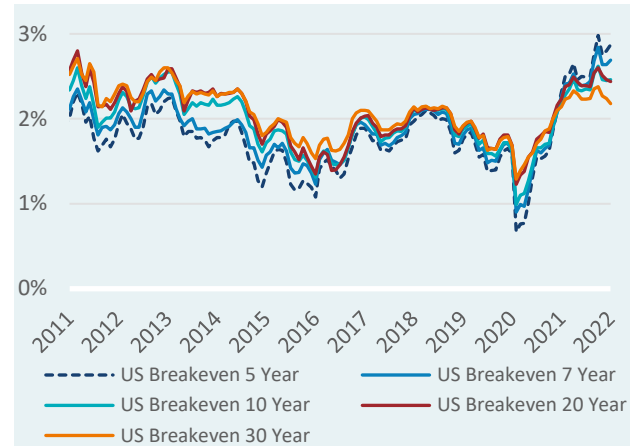
- For the first time in decades, high inflation has emerged and is creating challenges for consumers and investors. We believe inflation will likely begin falling later in 2022, though notable inflationary and deflationary forces are in play, and it is difficult to gauge which of these forces will have greater impacts. On the inflationary side, Russia’s invasion of Ukraine has led to disruptions to energy and agricultural markets and flowed through to price spikes in many markets. On the deflationary side, large single-month inflation numbers will be falling out of the CPI calculation window, which will help bring figures down. Furthermore, many pandemic-specific issues are beginning to be resolved, such as clogged supply chains, unusually high demand for physical goods, and a slowing of abnormally strong spending. Tightening monetary policy could of course also slow economic growth and put downward pressure on inflation.
- While inflation remains the topic most discussed in the media, and among many investors, how the Fed responds and whether the tightening path overcorrects is an issue we are discussing more today. Learning from history and the actions of the Volker Fed, we would not rule out the possibility that this inflation cycle quickly turns into deflation as recessionary forces take hold.

U.S. CPI (YOY)



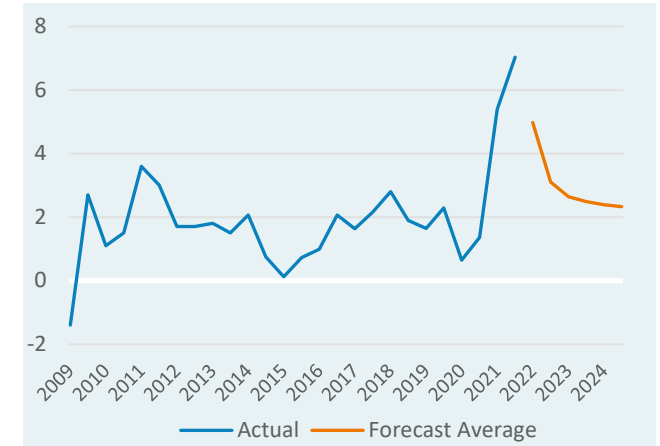
Source: FRED, as of 1/31/22

U.S. TIPS BREAKEVEN RATES



Source: FRED, as of 2/28/22

INFLATION EXPECTATIONS



Source: Wall Street Journal, 1/31/2022

Outlook summary

Outlook summary

Strategy	Current Environment	Potential Risks	Outlook/Implementation	View
Private Real Estate	Over the last year there has been a sharp recovery in many segments of the real estate market. Transaction volumes are exceeding pre-Covid levels with record performance experienced broadly for the year 2021. Sector dispersion has been very high, led by industrial and multifamily. Fundamentals have been improving with declines in vacancy, increasing NOI growth and cap rate compression. Office has been the exception and has continued to experience uncertainty.	<ul style="list-style-type: none"> — Core real estate returns tend to have high correlation to overall GDP growth. Any hiccup to the recovery or reversal in Covid-19 progress will have a negative impact. — A sharp rise in interest rates could create upward pressure on cap rates, negatively impacting asset values. — Elevated inflation may have mixed impact on real estate. Higher replacement costs may boost relative value for existing assets, however too much inflation leading into recession would reduce growth and demand. 	Our outlook remains neutral overall. We expect strength to continue over the near term, however concerns remain with higher entry prices and pressure for rising cap rates as interest rates rise. We recommend diversification into alternative property types, increased industrial exposures and deploying fresh capital with select GPs in non-core closed end funds with targeted value add or opportunistic strategies.	Neutral
REITs	REITs rebounded in 2021 to be one of the top performing asset classes, returning over 46%. Sector dispersion has been high as some areas beaten up in 2020 recovered sharply in 2021. Regional Malls and shopping centers were each up over 75%, There was continued strength in self storage, industrial and apartments, each up over 50%, while office continued to be a laggard, although positive.	<ul style="list-style-type: none"> — REITs have higher leverage than core real estate and have higher exposures to non-core sectors such as hotels, self-storage, for-rent residential homes and senior/student housing. — Rising interest rates can have a negative effect on REITs and all yield-sensitive assets over short periods. — REITs are sensitive to economic decline and general equity market volatility. 	Verus believes REITs can provide liquid exposure to real estate with the following caveats: high sensitivity to equity market volatility over shorter holding periods, higher leverage and higher exposures to non-core sectors. Active management is preferred. REIT valuations are currently slightly favorable and may provide a reasonable entry point for those clients looking for new exposure.	Neutral
Commodities	Commodities futures have roared back to life in 2021, following a decade of lackluster returns. Roll yield is now positive as excess supply has been taken out of the market. With commodity prices already at multi-year highs and central banks tightening monetary policy in response to high inflation, further price increases appear less probable though we do not expect a strong price reversal, absent a major global economic slowdown.	<ul style="list-style-type: none"> — Central banks are attempting a soft-landing following years of easy monetary policy. The risk of overtightening causing a recession or, at the very least, an economic slowdown would be bearish for energy and industrial commodities. — Commodity futures have exhibited a negative roll yield throughout most of their history but with years of underinvestment in oil exploration, and in some metals, we expect undersupply to continue and thus a positive roll. Should demand falter that situation could reverse quickly. 	Verus does not view commodity futures as an attractive asset class to hold long-term. As an inflation hedge, commodities are one of the best exposures to own that benefits from early stages of inflation. Given the rise in inflation and the appreciation of this asset class, we believe there are more attractive investments to buy for long-term investors. Entering an exposure at today's price levels when Central Banks are fighting to lower inflation is risky.	Neutral

Outlook summary (continued)

Strategy	Current Environment	Potential Risks	Outlook/Implementation	View
TIPS	Rising inflation has led to positive total returns and outperformance of TIPS relative to nominal bonds. Breakeven rates have risen sharply following the lows in 2020, especially in 5-year break-evens. Currently, TIPS have a negative yield and are susceptible to rising rates though that can be offset if inflation continues to exceed market expectations. The other concern is the unwinding of the Fed balance sheet where TIPS are widely held putting additional selling pressure on the bonds.	<ul style="list-style-type: none"> — Decreasing inflation expectations or rising nominal interest rates would be a headwind to TIPS. — Continued low rates creates a high cost of carry. 	Low absolute current yields and uncertain inflation expectations has led to low total return expectations for TIPS, especially relative to other real asset investment opportunities. If inflation continues higher, TIPS could provide protection to portfolios.	Neutral
Core Infrastructure	Performance within core infrastructure was strong in 2021, driven by a recovery in transportation and energy related assets and continued growth in demand for communication and logistics assets. Along with performance, the high inflationary environment has increased LP interest in the asset class given its relatively high correlation to CPI. Existing funds raised additional capital and several new open-end core funds were launched with multi-billion-dollar initial closes.	<ul style="list-style-type: none"> — Strong fundraising trends in infrastructure has elevated valuations, reducing the yield investors can earn which is a major role of the asset class. — Infrastructure assets provide varying degrees of inflation protection. While some assets have contracted annual revenue increases tied to CPI, others have pre-determined increases at 2-3% which do not keep up with current levels. 	The asset class offers a compelling return profile that aligns well with long duration pools of capital. We favor private infrastructure funds that have in-house capability to improve operations and manage complex deal structures. Valuations are a concern given the likely rising interest rate environment and the volume of capital chasing deals in core infrastructure.	Neutral
Value-add Infrastructure	Closed-end funds have increasingly had to take more risk in order to achieve their typical mid-teens return targets given the reduction in cost of capital that has come with the growth of the asset class. Funds are starting to blur the lines of what is considered infrastructure and are emphasizing development as opposed to optimizing assets. On the other hand, there is a significant need for a new generation of modern infrastructure to keep up with the digital economy and electrification of the grid.	<ul style="list-style-type: none"> — Many GPs that have been successful in the space have become very large, raising \$15+ billion-dollar funds. Deploying this amount of capital while still delivering alpha becomes a challenge for most private market managers. — Strategy creep, especially for larger fund managers, is a trend worth watching. Some infrastructure GPs are competing with traditional buyout funds on deals that carry greater risk than we believe is appropriate for value-add infrastructure investments. 	The asset class offers a compelling return profile that aligns well with long duration pools of capital. Value-add infrastructure comes with higher operational/execution risk than Core so investors should expect a broader range of outcomes and greater emphasis on manager selection.	Positive

Outlook summary (continued)

Strategy	Current Environment	Potential Risks	Outlook/Implementation	View
Energy Transition	New development projects of renewable assets will continue to accelerate as solar and wind farms are now the cheapest form of new build electricity generation for over two-thirds of the global population. However, there is continued downward pressure on the cost of capital in the sector to mid-single digits. Outside of traditional solar & wind, there are potentially higher returning opportunities for newer technologies such as battery storage.	<ul style="list-style-type: none"> Several approaches to a carbon-neutral energy system such as green hydrogen and carbon capture technology are nascent and not yet economically viable. Investments in this space will take venture-like risk and rely on significant cost reductions as well as favorable policy regimes to be successful. 	While the opportunity to achieve an attractive return in solar & wind has passed, we do think there will be attractive opportunities in sectors that still require innovation. However, it is difficult to find areas where investors will be appropriately compensated for risk given the amount of capital in the space.	Neutral
Oil & Gas	Following years of underinvestment in the oil/gas sector, it should not be unexpected that commodities prices would move higher as excess supply was taken out of the market. The War in Ukraine has exacerbated the oil/gas supply shortage but absent that event, we would still expect oil prices to move higher in order to incentivize producers to raise production levels. With inflation running above 7% in the U.S., and capital markets still weary about funding oil/gas exploration and production, we could see elevated commodity prices for some time. We still believe that private markets capital that funded a lot of the growth in energy production will continue to shrink as institutions shift capital towards cleaner forms of energy.	<ul style="list-style-type: none"> Oil/gas producers are making a lot of money today and could continue to do so for quite some time. The temptation to allocate capital to the sector is understandable but for private capital investors, we still believe the exit risk is too high for us to gain comfort. We know that many oil/gas private funds are struggling to find an exit today and absent a complete reversal of a low carbon future, we think that will only get worse 7-10 years down the road as funds investing today look for an exit. Longer-term, oil demand is expected to decline as non-carbon sources of power outcompete hydrocarbons. 	Higher commodity prices are breathing life into a still unloved sector and producers are making record profits in 2022. That said, there is still too much uncertainty around oil/gas demand, access to capital, and geopolitics for us to gain comfort in the long-term outlook for the oil/gas industry. For investors that can look past the ESG issues associated with the industry, we would consider public market investment opportunities in E&P over an illiquid private fund investment.	Negative
Midstream Energy / MLPs	In our Outlook last year, we said the following about midstream energy “We wouldn’t be surprised to see midstream energy perform quite well in 2021 but we remain cautious on the long-term outlook for the industry”. We could say the same thing in 2022 about midstream as higher oil/gas prices should push volumes higher and thus revenue for midstream companies. The shift within the listed midstream market towards a traditional corporate structure and away from MLPs, has lowered the cost of capital and in turn lowered the returns for new development projects. As in the upstream oil/gas market, we would be cautious about private midstream funds.	<ul style="list-style-type: none"> The public midstream market appears stronger and more attractive than it has been in recent years but the long-term outlook for the asset class remains weak. The near-term performance for the asset class is likely to be attractive, especially as Russian sanctions push global oil/gas prices higher, but we see this as a tactical trade that is incredibly hard to time. Oil/Gas, more so than any other sector, is particularly susceptible to geopolitics, regulations, changes in economic growth and within midstream, interest rates. 	We retain a negative outlook for midstream energy, despite the positive tailwinds that higher oil/gas prices could bring to this sector in the near-term. Longer-term, we think the unknown risks remain too high for our comfort.	Negative

Outlook summary (continued)

Strategy	Current Environment	Potential Risks	Outlook/Implementation	View
Mining	Unlike their cousins in the oil/gas industry, mining is set to benefit from the expansion of clean energy in our economy. With that demand, global superpowers are competing to capture a greater share of necessary commodities that are in short supply. That competition is bullish for the prices of certain industrial commodities, but investors should be cautious about jurisdictions that have questionable rule of law. Many of the best mines for industrial metals and gold are found in relatively poor countries with unstable democracies or no democracy at all. That is a challenge when trying to invest directly in the mining sector.	<ul style="list-style-type: none"> — Global GDP growth and the economy in China are the two biggest risks in the sector. China represents a disproportionately large buyer of industrial metals, so its economy and industrial output have a large impact on metal prices. — Geopolitics plays a much less important role in metals/minerals though global superpowers are battling for supply of certain commodities needed for electronics. Investors could get caught up in shifting political preferences. — Investors need to be keenly aware of the jurisdictions that they have exposure to, and the companies track record on ESG issues. 	Longer-term, we believe the demand outlook looks favorable for several industrial metals and gold. However, there are a host of idiosyncratic risks in funding mining operations outside of the macro-economic environment. We will look for skilled GPs with a track record of successfully managing these risks while generating attractive returns.	Positive
Timberland	Timber markets in North America appeared healthier in 2021, following several years of anemic transactions and low returns. Transaction activity hit its highest level since 2013, though most deals involved large Canadian pensions or corporate buyers/sellers. Lumber prices were extraordinarily volatile in 2021, framing lumber prices were up 95% in Q4 after falling 65% in Q3. Stumpage prices for southern pine were up more modestly in 2021 after several years of flat prices. Our outlook on timber has been negative for several years due to the headwinds the asset class has faced. Though the NCREIF Timberland Index returned a respectable 9.2% in 2021, we believe there are more attractive opportunities elsewhere in real assets.	<ul style="list-style-type: none"> — Coming off trade war headwinds, the timber market hit another bump when Covid-19 stalled exports to Asia and home building activity declined. Exports resumed in the Pacific Northwest and prices have recovered for Douglas Fir. Southern pine stumpage, on the other hand, saw little appreciation. — Timber markets outside the U.S. face varying degrees of currency and political risk which in many cases has resulted in disappointing returns for investors. With few exceptions, returns do not justify the additional risk. 	For most investors, mid-high single-digit expected returns for timberland in the U.S. is too low for the illiquidity and risk assumed within the asset class. Fundraising has been slow to non-existent for closed-end timber funds for several years which has resulted in a slow transaction market. Putting aside our negative view of the asset class, evergreen vehicles from a few timber managers are about the only viable way to invest in timberland unless you are a very large institution that can fund a separate account.	Negative

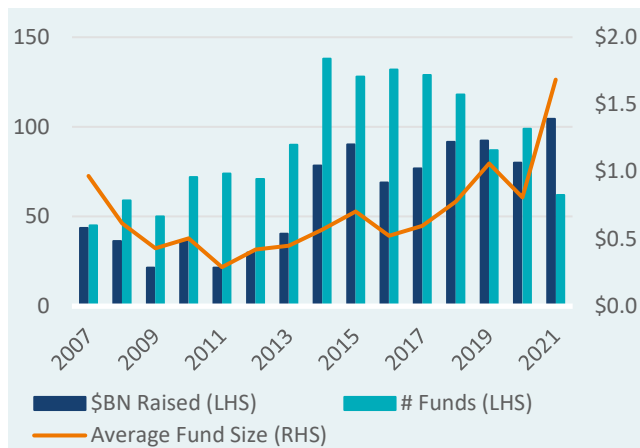
Outlook summary (continued)

Strategy	Current Environment	Potential Risks	Outlook/Implementation	View
Agriculture	After several years of flat cropland prices, 2021 saw a meaningful jump in land values on the back of higher commodity prices. Supply disruptions from Covid and more recently, the War in Ukraine, are sending grain prices to multi-decade highs, though we would expect those temporary price spikes to revert to more normal levels in the next 12-18 months. Relative to last year when we were broadly negative on Agriculture, we have shifted to a neutral position as the U.S. is well positioned to take market share and be a stable supplier of agriculture commodities going forward. Income returns remain unattractive though the outlook for appreciation and some inflation protection has improved.	<ul style="list-style-type: none"> — Agriculture is a highly illiquid asset class that is not suited to tactical investment opportunities. The asset class does look more attractive today, relative to recent history, but enthusiasm should be tempered given the long hold periods (>10 years) and volatile commodity prices. We would recommend diversifying across crop types and geography within the U.S. — The War in Ukraine has revealed the extent to which Eastern Europe and Ukraine have been major suppliers of certain grains and their disruptions impact on global commodities. It has also highlighted the risk that comes from investing outside stable markets like the U.S. While Ukraine was not a preferred destination for U.S. institutional investors in agriculture, the returns available in emerging economies are not high enough to overcome the currency and economic/political risk. 	Agriculture crops are broadly broken down into row and permanent crops with row crops benefiting the most from recent supply disruptions. Row crops also make up around 75% of all acreage planted in the U.S. so liquidity and market depth is greater, relative to permanent crops. That said, row crops have lower income potential and less value-add potential. For investors seeking pure-play cropland investments, we would recommend diversifying across row and permanent crops focused on the U.S. market. However, we prefer agriculture investments where crop and land are a component of a broader value-add investment strategy.	Neutral

Private infrastructure

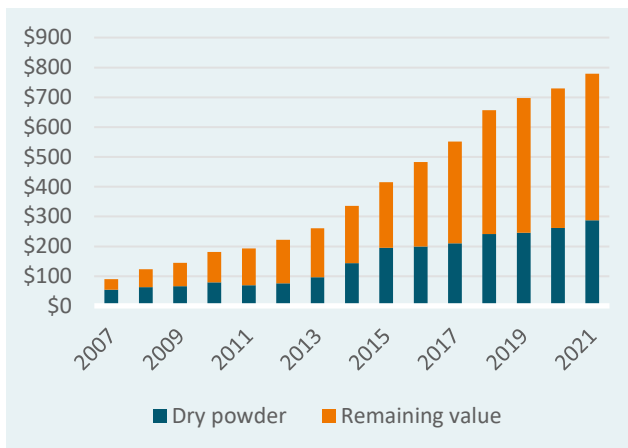
- Fundraising within Infrastructure increased in 2021, driven by several mega-funds that were closed during the year. With the oil/gas sector out of favor with institutional investors, infrastructure has been a recipient for some of the commitments which used to go into natural resources. It is possible this trend could reverse in 2022 as the recovery in energy markets has the potential to reignite investor interest in the sector.
- Despite a robust transaction market in 2021, dry powder ticked up slightly due to the large amount of capital that was raised. Along with a reduction in the cost of capital for the asset class broadly, this has caused managers to expand their definition of infrastructure and invest in companies that would more traditionally be considered private equity such as industrial services and healthcare companies.
- As institutions look for asset classes that can deliver returns above their required rates, private infrastructure should be a consideration for many investors. Historical returns range from 8-12% (net) on average, with income of 4-6% for core infrastructure funds.

FUNDRAISING IN INFRASTRUCTURE



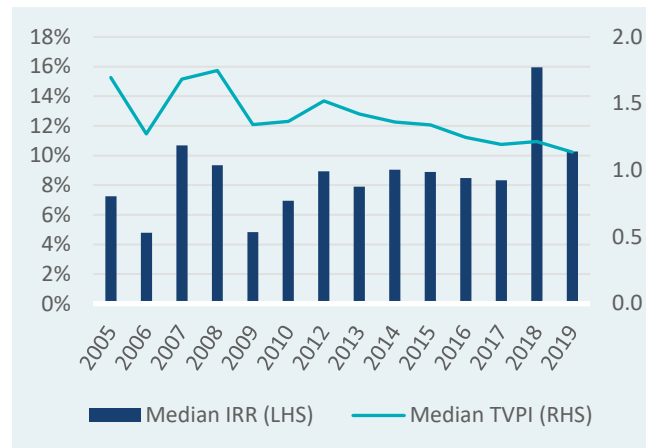
Source: Pitchbook, as of 12/31/2021

INFRASTRUCTURE DRY POWDER (\$B)



Source: Pitchbook, as of 12/31/2021

**VINTAGE YEAR MEDIAN RETURN (%)
NON-CORE INFRASTRUCTURE**

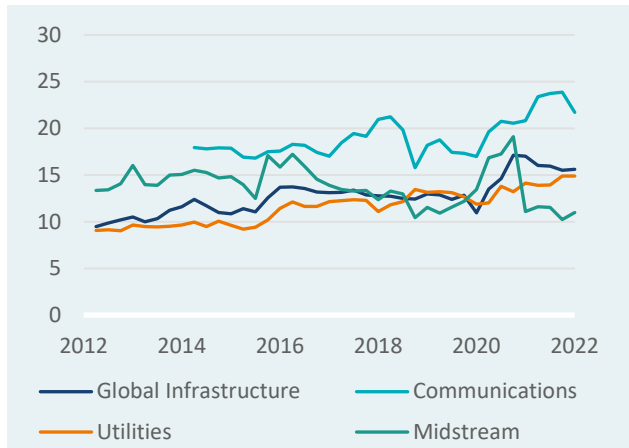


Source: Thomason Reuters, as of 9/30/21

Private infrastructure (continued)

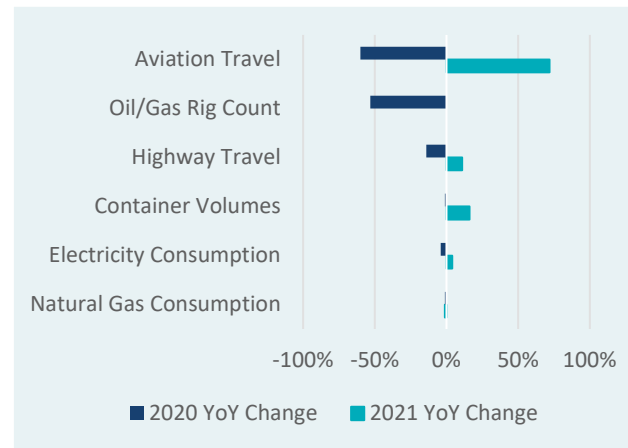
- Communication infrastructure trades at a considerable premium, 22x vs. 16x for infrastructure broadly, which reflects the stability of their earnings and future growth potential. The macro tailwinds within mobile data usage and video streaming are compelling, though valuations, at least within public markets, appear to be pricing in much of the future growth opportunity. Transactions in private markets for digital infrastructure are growing rapidly as more capital is raised to take advantage of the buildout in data storage and transmission. There are still attractive opportunities globally for digital infrastructure, but returns are coming down and finding managers that can identify underserved markets and successfully develop infrastructure will be an area of focus for our team.
- Volumes for transportation infrastructure have largely bounced back to pre-pandemic levels. However, we remain cautious of this sector given the high correlation to GDP and the lack of discount available despite poor recent operating performance. Transportation assets under availability-based contracts are more appealing, but there is limited opportunity for new construction of these assets and returns for operating assets are in the mid single digits which only align with core infrastructure targets.
- The current inflationary environment has caused many investors to look to infrastructure to provide a hedge. While the asset class does exhibit some sensitivity to inflation, not all sectors offer equal protection. On one hand, regulated utilities earn a set return on an asset base that is often directly linked to an inflation index and have shown a strong correlation. Other sectors such as ports and rail have no direct inflation linkage in their revenues and rely on their position in the market for pricing power. Communication assets such as cell towers often have annual revenue increases built into their contracts, but these increases are typically pre-determined at 2-3% as opposed to linked to an index.

INFRASTRUCTURE VALUATIONS – EV/EBITDA



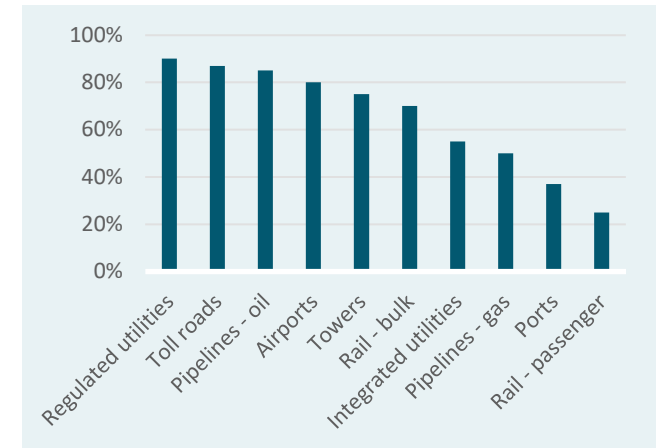
Source: Bloomberg; Dow Jones Brookfield; S&P Indices

COVID IMPACT AND RECOVERY



Source: JP Morgan Asset Management

DEGREE OF INFLATION PROTECTION BY SECTOR

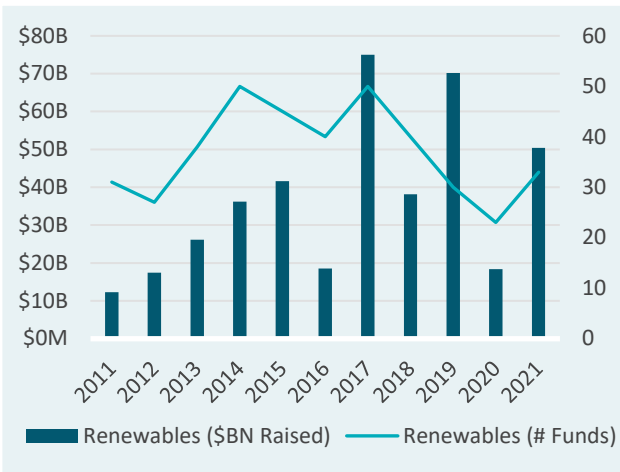


Source: First Sentier Investors

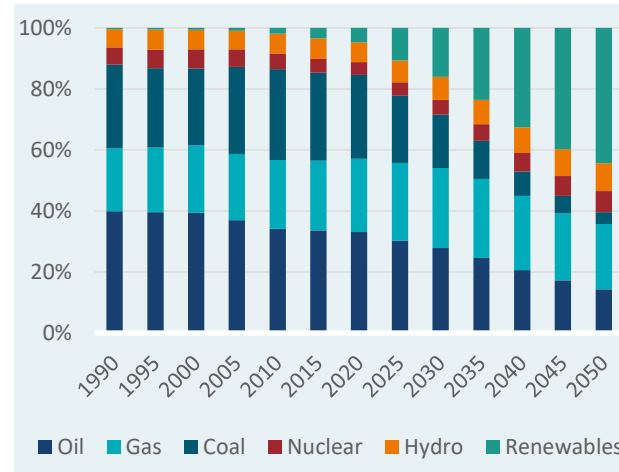
Infrastructure – Energy transition

- Fundraising in dedicated renewables increased in 2021 to over \$50 billion. Investment in the sector is expected to grow for policy reasons, as countries pursue decarbonization, as well as economic reasons, as onshore renewables have become the cheapest form of electricity generation in many geographies and costs continue to decline.
- Recent geopolitical conflicts have highlighted the importance of energy independence. Countries such as Germany that have ceased domestic investment in energy systems, retired nuclear plants, and outsourced their power generation supply chain have had to re-evaluate this strategy to prioritize national security, potentially further increasing demand for modern decentralized energy infrastructure.
- Despite a strong outlook on demand for renewables, there are challenges to deploying capital in the space. Returns for owning operating wind and solar assets have compressed to the mid-single digits, and the additional returns for taking development risk are only marginal due to the level of competition and the relatively straight forward operational requirements.
- Given the intermittence of solar and wind generation, the jury is still out on the most economically viable path to carbon neutrality. Several technologies that are still in early stages could play an important role such as battery storage, carbon capture and storage, and hydrogen fuels. Successful investments in these spaces could pay-off well but carry significant venture and policy risk.

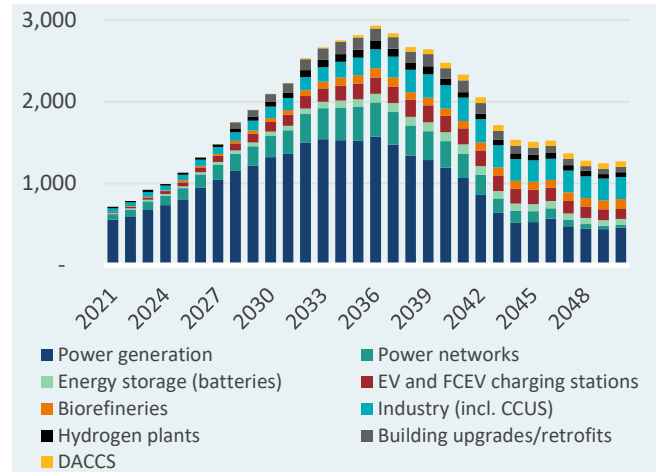
FUNDRAISING IN ENERGY TRANSITION (\$B)



GLOBAL ENERGY SOURCES



ANNUAL INVESTMENTS FOR NET ZERO BY 2050 (\$B)



Source: Pitchbook, as of 12/31/2021

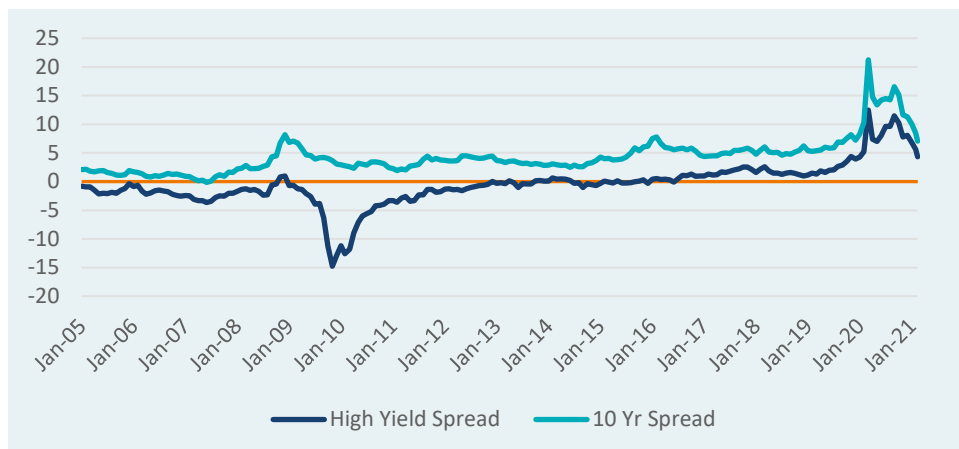
Source: BP

Source: Goldman Sachs Global Investment Research

Midstream energy/MLPs

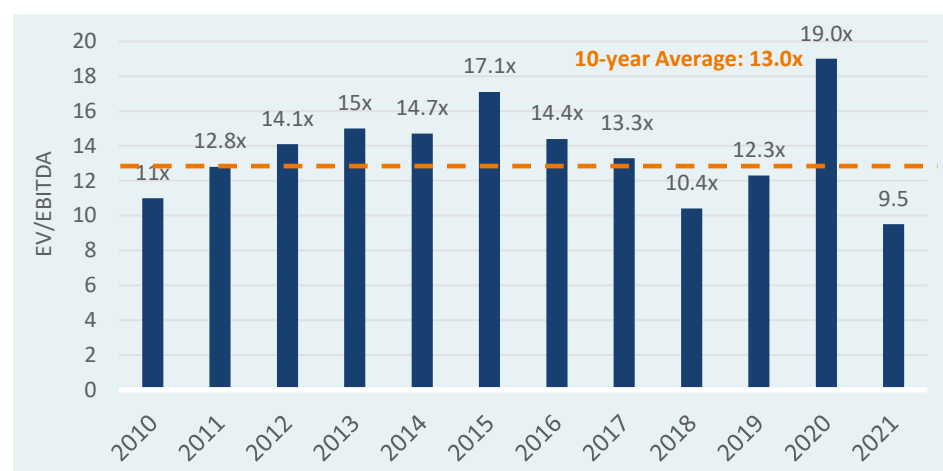
- Midstream energy stocks were up 41% in 2021. Energy stocks, both upstream and midstream, had some of the strongest returns in 2021 across all sectors as commodity prices soared on supply challenges and growing demand.
- Yields for listed midstream companies continue to trade at a premium relative to high yield and government bonds but as we cautioned last year, that spread comes with an enormous amount of volatility and uncertainty. While higher oil and gas prices having improved the outlook for the upstream and midstream sectors, we remain concerned about the long-term viability of the industry. Like most investors, we've been humbled by the unpredictable nature of the global oil/gas industry. Having informed views on geopolitics, government regulations and social attitudes towards fossil fuels all have an impact on the industry and we do not claim to have special insight into those areas. So, while we recognize that higher commodity prices is a positive development, we think the risks are too great for a tactical investment opportunity in midstream energy.
- Midstream companies on average are trading around 9.5x EV/EBITDA (vs. 13-14.0x long-term average) which would seem to indicate that they are undervalued but as we've indicated above, cheapness is not enough for us to recommend an allocation.
- On the private side of midstream energy, the conversion of MLPs to C-corps has greatly reduced the cost of capital for listed midstream companies which has pushed returns lower for development projects. Private capital is broadly unable to compete at these lower returns which has made the case for private midstream funds unattractive.

MLP SPREADS VS HIGH YIELD & TREASURIES



Source: Bloomberg

MIDSTREAM VALUATIONS (EV/EBITDA)

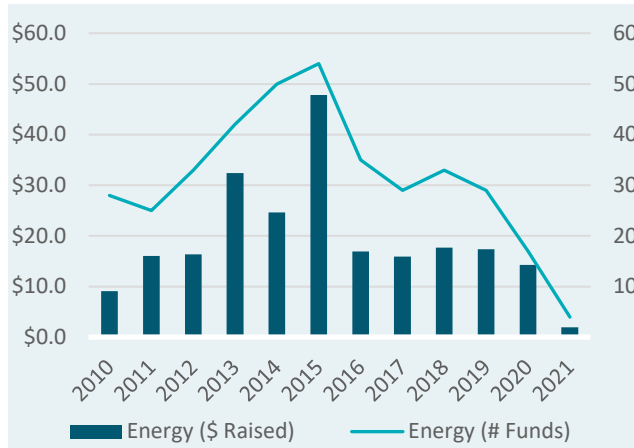


Source: Bloomberg; Alerian MLP Index

Energy – Oil/gas

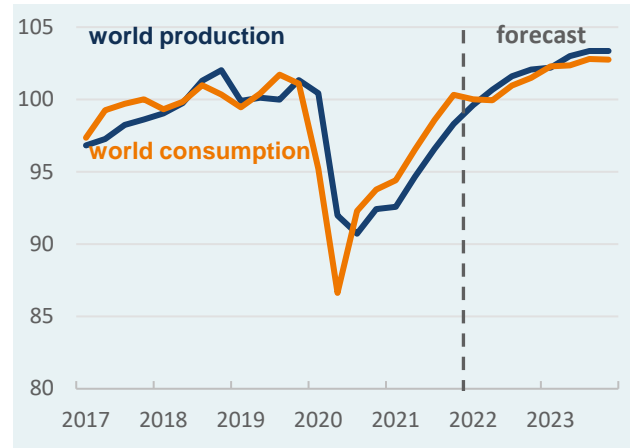
- According to Pitchbook figures, fundraising within Oil/Gas private equity has collapsed and that mirrors our own experience within the asset class. Historical performance has been poor, more institutions are adopting standards in ESG, and the long-term outlook for the industry appears unfavorable. The recent bull market in commodities has lifted valuations and improved performance for funds that deployed capital in the last 5 years but even with an improvement in returns, we believe most institutions will refrain from future investments in hydrocarbon production. That said, in recent weeks we have seen an influx of oil/gas funds coming to market which are likely to test investor appetite for the volatile asset class.
- The divergence between oil production and consumption gapped following the recovery in 2020 as producers were unable to meet swiftly rising demand. In our 2021 Outlook, we said the following “at some point, if the industry does not reinvest in drilling activity, production will fall further but capital spending discipline has not been a strength of the industry.” Oil production in 2022 is around 99 million bbls/day, off its peak in 2018 of 102 million bbls/day. The lack of reinvestment globally is a key reason we are seeing the spike in prices today.
- For now, we would recommend investors avoid putting new capital into the private sector. We recognize that if commodity prices continue to hover around the \$100/bbl price that energy stocks could continue to outperform the broader market, but the long-term trends are not in the sectors favor as renewable energy continues to take market share. Investors interested in exposure to Oil/Gas would be better off in public market securities than illiquid private funds.

FUNDRAISING IN OIL/GAS



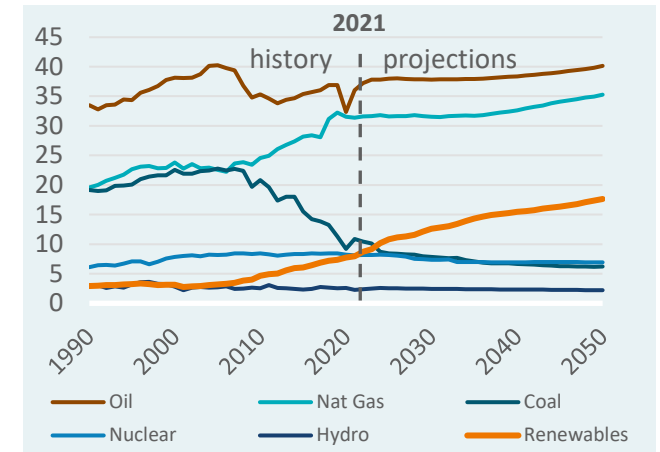
Source: Pitchbook

WORLD OIL PRODUCTION & CONSUMPTION*



Source: EIA; *includes all liquid fuels

ENERGY CONSUMPTION BY FUEL (QUADRILLION BTU)

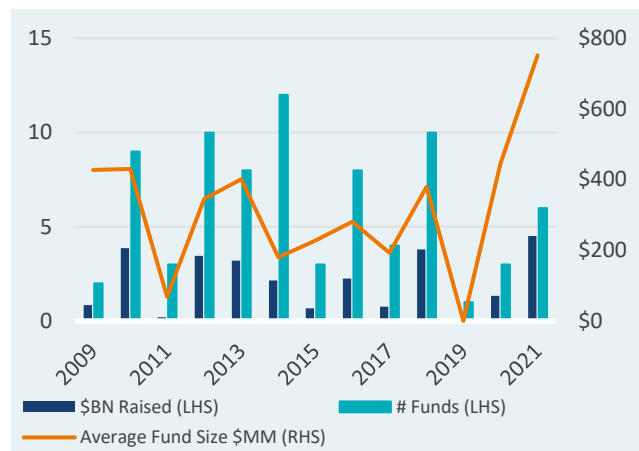


Source: EIA

Metals and mining

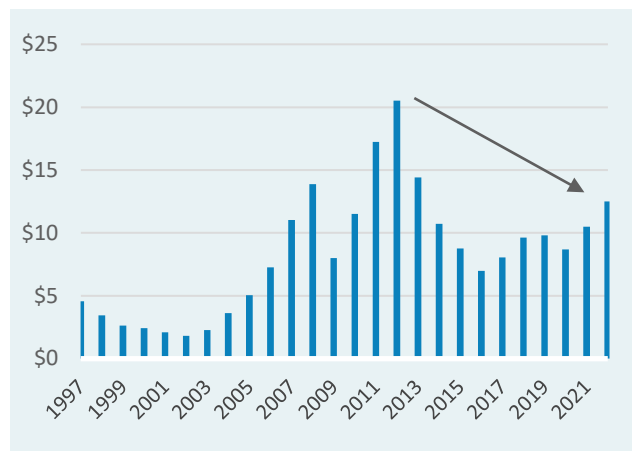
- Fundraising in the private equity mining segment has been lumpy and quite modest since the GFC, with little-to-no private capital raised in the space in 2019 and 2020. Mining, more so than any other sector, suffers from a poor reputation in governance, following the rule of law and labor exploitation. ESG issues in the sector have been a barrier for LPs, but it is possible for fundraising to improve if investors see the benefit of funding the extraction of materials that contribute to our shift away from fossil fuels, such as copper and lithium.
- After a modest recovery from a cyclical low in 2016, mining exploration budgets have been on the upswing in 2021 and are forecasted to move even higher in 2022. Prices for industrial metal and gold have rallied on strong demand which should incentivize additional spending by both the junior and major mining companies. That said, years of underinvestment has resulted in a deficit in supply meeting demand, so we expect prices to remain strong as long as the global economy stays healthy.
- On the investment side, we have participated in the mining sector by backing teams with expertise in financing mining projects which delivers a high income return with some upside associated with a structured equity security. We are more bullish on base/industrial metals which longer-term will benefit from a shift away from fossil fuels. We are less bullish on bulk and energy-related commodities. Our overall outlook within mining is positive with a notable challenge in finding enough investment opportunities that meet our underwriting criteria.

FUNDRAISING IN MINING



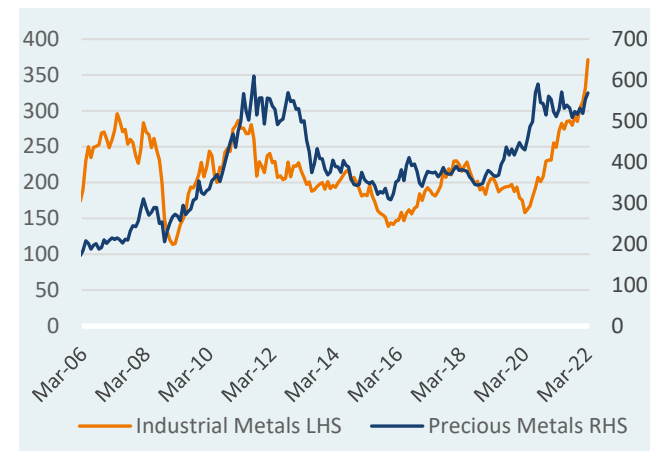
Source: Pitchbook, as of 12/31/2021

CAPITAL EXPENDITURE IN MINING (\$B)



Source: S&P Global Market Intelligence

METAL PRICES

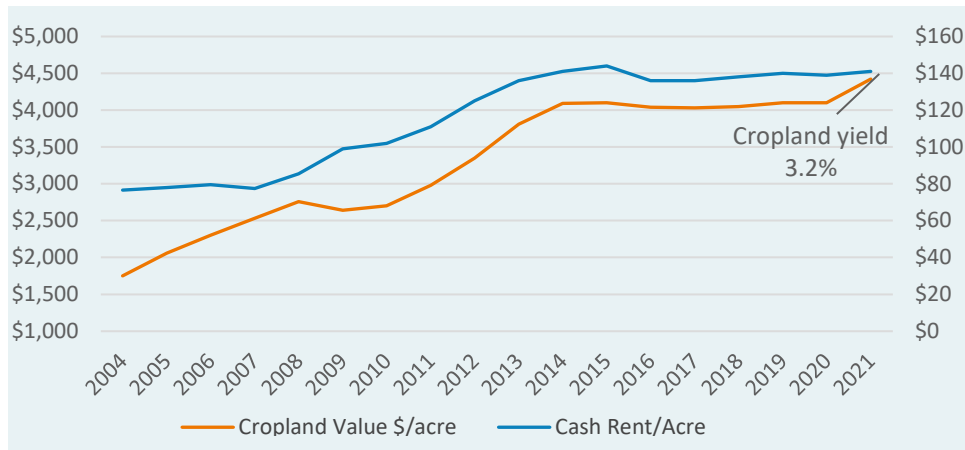


Source: Bloomberg, as of 3/31/2022

Agriculture

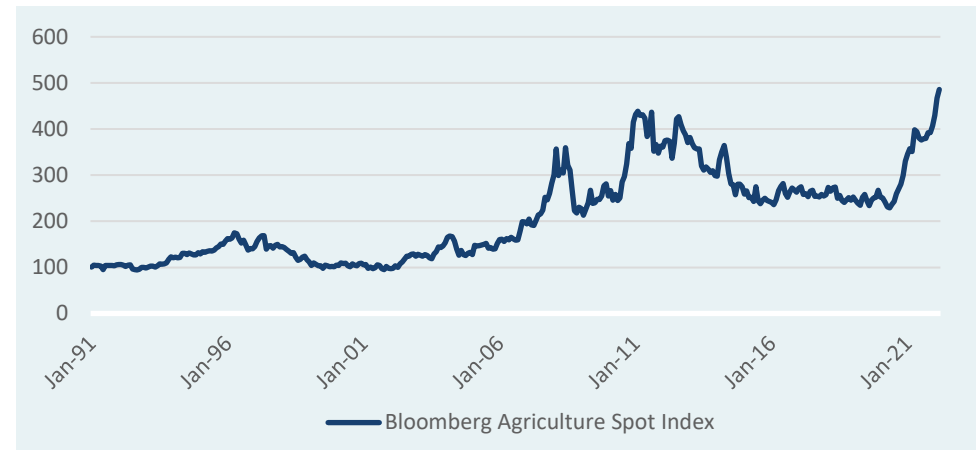
- Cropland values nationally rose in 2021 to \$4,420/acre, an increase of almost 8.0% over the prior year, after several years of flat values. The increase in land values for cropland is coinciding with a major rebound in crop prices which were up 24.0% in 2021, according to the S&P GSCI Agriculture Index. That is welcome news for investors that have been sitting on mostly flat-to slightly positive returns within Farmland for many years. Verus has been bearish on Farmland investments as income yields were insufficient (~3.0%) and a catalyst for appreciation was lacking. The bad news is that income yields remain low, on average. On the brighter side, inflation and forecasted crop prices remaining elevated could drive land values higher.
- In the row crop segment, rental yields hover around 3% (gross of fees) which is insufficient, in our opinion, for most institutional investors. Permanent crops offer the potential of higher income yields but also carry greater risk and operational expertise. There are additional ways to add value through crop selection, improving crop yields and selling land for higher-and-better-use cases. In addition, managers can control a greater share of the food production value-chain which carries higher returns but also higher operational risk.
- We tend to favor agriculture strategies that both own land for crop production and control the operating verticals that bring food to the consumer. Strategies that can capture more value through processing, storage and marketing, offer the potential of higher returns.

U.S. NATIONAL CROPLAND VALUES VS CASH RENTS



Source: USDA

BLOOMBERG AGRICULTURE PRICES

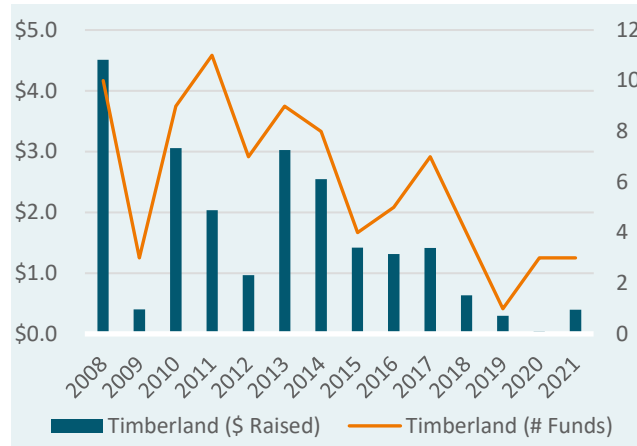


Source: Bloomberg, as of 3/31/20

Timberland

- Fundraising has continued to be a challenge within the timber industry. According to Pitchbook, six timber funds were cumulatively raised in 2020 and 2021 for a total of \$445 million in new capital (Note: this data does not include any separate accounts that may have been raised). Despite a lack of capital being raised by TIMOs, the investment opportunity within timber has not materially improved.
- Housing starts are one of the leading indicators for lumber demand and the slow rebound in new housing since the GFC has been one reason that timber prices have also been slow to recover. There was a surge in housing starts in 2019 but the impact of Covid-19 caused a sharp reversal in the first quarter of 2020. As the chart below shows, housing starts roared back in 2021 and with it came enormous volatility in lumber prices. Lumber prices are now at multi-decade highs though industry experts believe some price relief is on the horizon as transportation bottle necks are alleviated and additional mill output comes online.
- Seeing the soaring price of lumber, investors might be tempted to get in on the action through an investment in timberland. However, as the chart on the bottom right indicates, one of the challenges that timber investors have faced is that the price they receive for their trees (southern pine stumpage) began to decline during the GFC and largely never recovered. Two critical issues have kept stumpage prices depressed, excess supply of trees in the southern region and a lack of mill density that has created bottle necks in lumber production. The mill issue is less of a problem today, but the supply of trees is still a persistent issue, and we don't expect that to change anytime soon.

FUNDRAISING IN TIMBERLAND



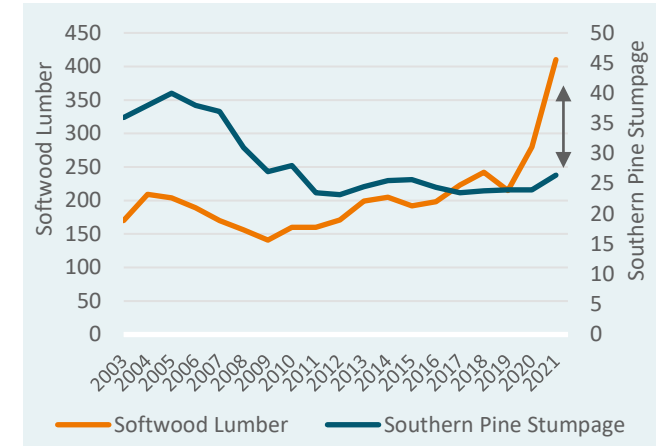
Source: Preqin/Pitchbook

US HOUSING STARTS



Source: St. Louis Fed

SOUTHERN PINE STUMPAGE VS SOFTWOOD LUMBER PRICES

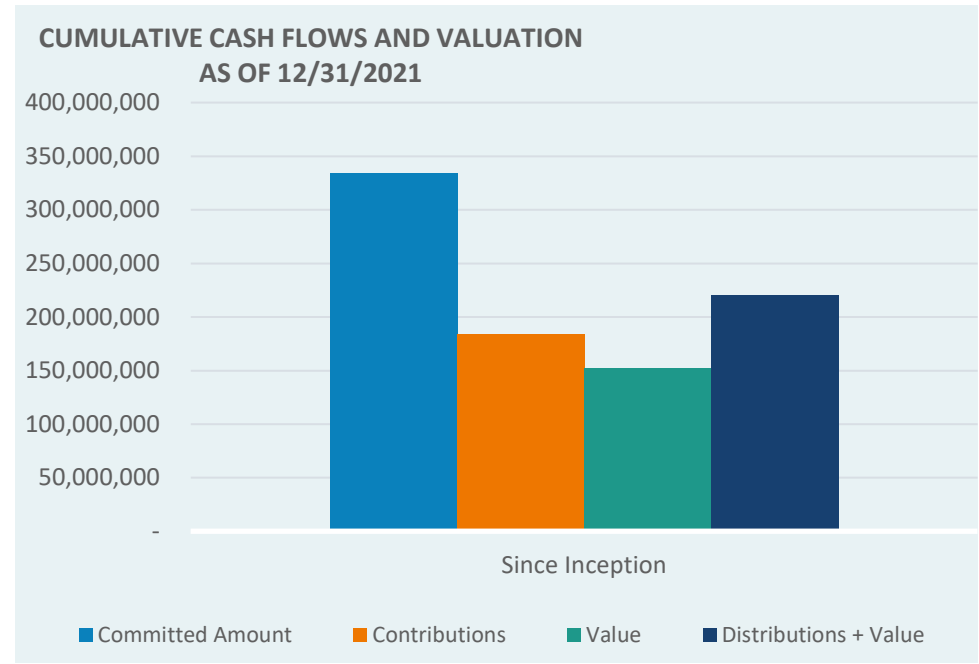
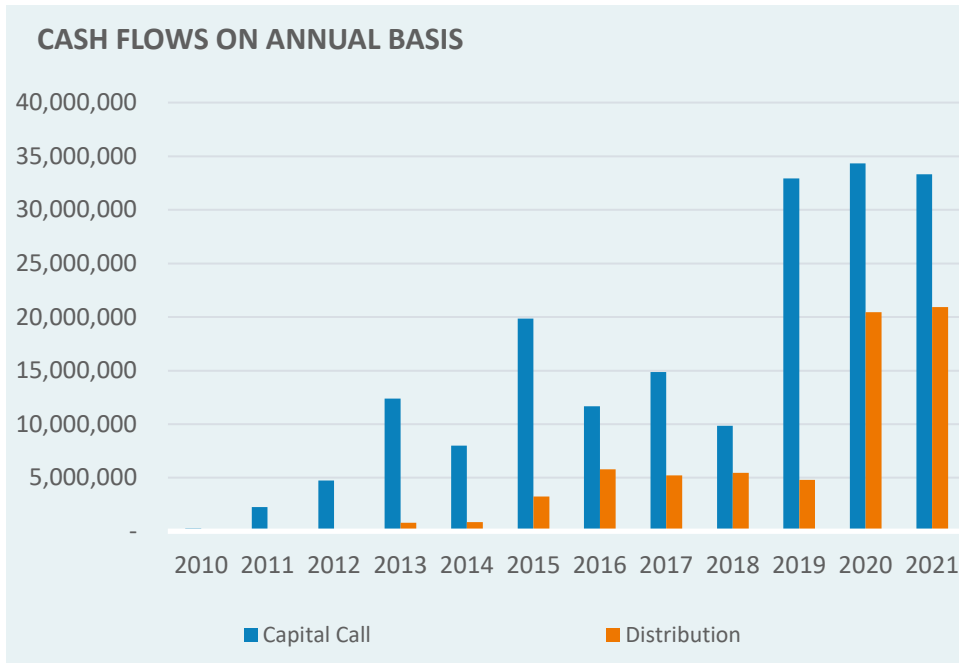


Source: St. Louis Fed

Real Asset Performance

Performance

- The portfolio is currently valued at \$152.4 million. Together with \$67.5 million in realized distributions, the Total Value at \$219.9 million is approximately \$35.4 million above \$184.5 million total capital contributions, resulting in a total value multiple of 1.19x and a net IRR of 5.91%. If we exclude the investment in Sheridan, the portfolio IRR would be 13.95%. Capital weighted average investment age of the portfolio is 3.7 years.
- Within Private Real Assets, the current allocation of market value exposure is 13.6% to Agriculture, 14.9% to Energy, 4.8% to Mining, and 66.6% to Infrastructure.



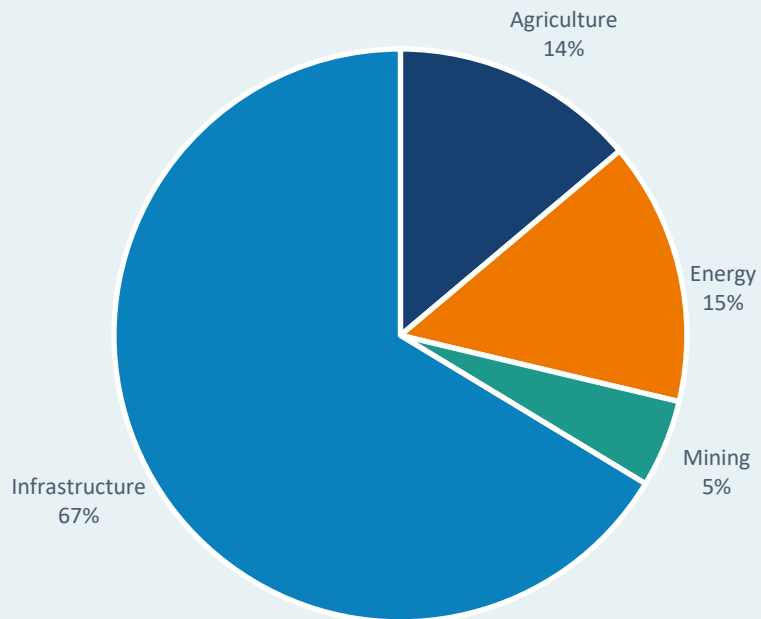
Strategy

Portfolio Diversification

Period Ending: December 31, 2021

Investment Type	Commitment	Current Exposure	Current Exposure as % of Portfolio
Agriculture	15,000,000	20,779,356	13.6%
Energy	49,800,000	22,736,185	14.9%
Mining	55,000,000	7,384,379	4.8%
Infrastructure	215,000,000	101,515,831	66.6%
Total Portfolio	334,800,000	152,415,751	100.0%

REAL ASSETS PORTFOLIO: CURRENT EXPOSURE

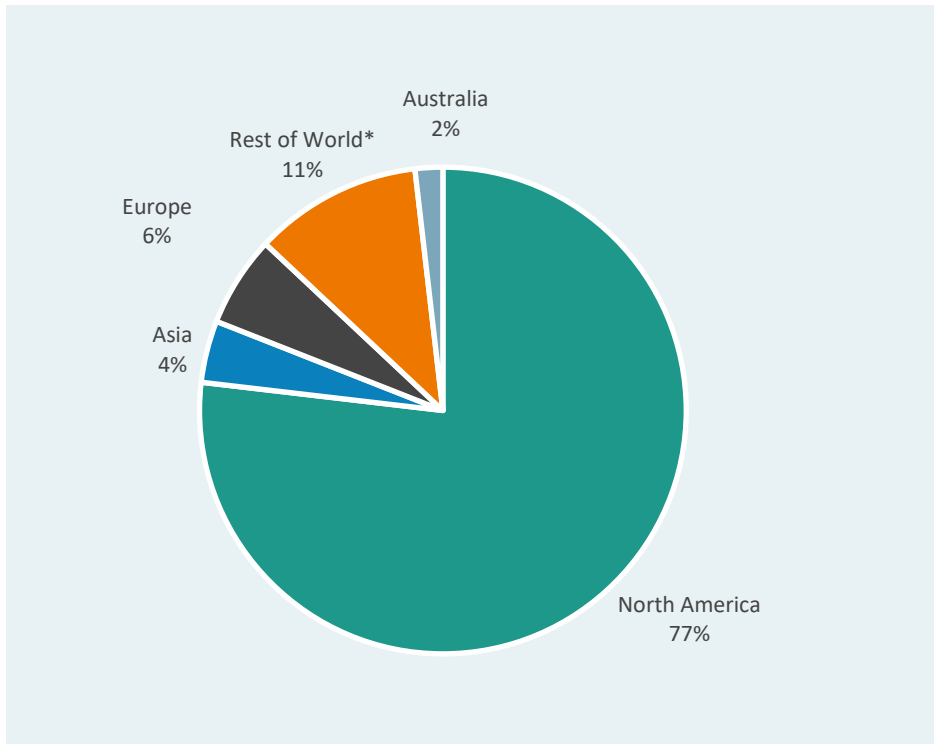


Geography

Portfolio Diversification

Period Ending: December 31, 2021

Geography	Reported Fair Value
North America	117,137,484
Asia	6,275,170
Europe	9,194,205
Rest of World*	17,010,268
Australia	2,798,624
Total Portfolio	152,415,751



Based on invested capital as of December 31, 2021, if provided by the partnerships. The portfolio is expected to be US-biased given the mandate to hedge domestic inflation.

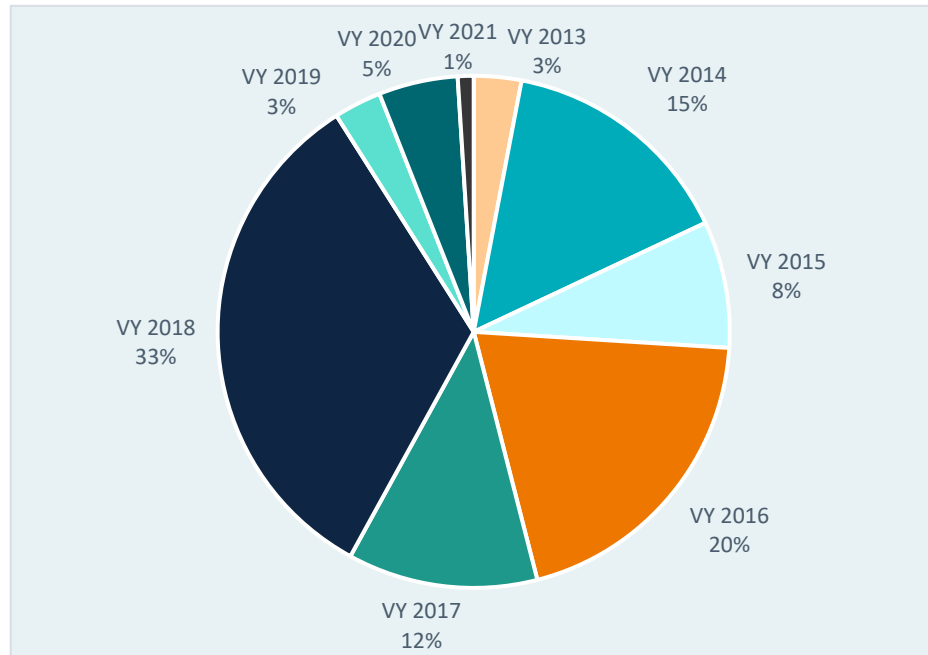
* Rest of World includes New Zealand, Chile, Senegal, DRC, and Burkina Faso.

Vintage Year Portfolio Diversification

Period Ending: December 31, 2021

Vintage Year	Commitment as of 12/31/2021	% of Portfolio Commitment	Reported Value as of 12/31/2021
2010	20,000,000	7.3%	0
2013	10,000,000	3.6%	4,841,658
2014	35,000,000	12.7%	22,751,883
2015	10,000,000	3.6%	12,141,328
2016	25,000,000	9.1%	30,453,040
2017	29,800,000	10.8%	18,623,033
2018	50,000,000	18.2%	50,716,931
2019	25,000,000	9.1%	4,683,346
2020	25,000,000	9.1%	6,984,189
2021	45,000,000	16.4%	1,220,343
Total Portfolio	274,800,000	100%	152,415,751

* Excludes Open-end funds



The portfolio is increasingly diversified by vintage year with larger capital commitments expected over the next 2-3 years.


- SamCERA committed \$60.0 million to KKR Diversified Core Infrastructure Fund within the infrastructure portfolio at the May Investment Committee Meeting.
- Verus anticipates recommending a value-add infrastructure investment in the second half of 2022.
- As the shift away from commodity-oriented sectors continues, we will look opportunistically for strategies in the space, but we expect infrastructure to occupy a larger share of real asset portfolios going forward.

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement**

July 26, 2022

Agenda Item 6.3

TO: Board of Retirement

FROM: Doris Ng, Investment Analyst 

SUBJECT: Report on Core Equity and Low Volatility Equity Manager Annual Reviews

Recommendation

Accept and review the report on the annual reviews of SamCERA's Core and Low Volatility equity strategies.

Background

On May 19th, SamCERA staff and consultant held annual review meetings with our core equity manager, D.E. Shaw, and our low volatility equity managers, PanAgora and Acadian. Each meeting lasted approximately 1.5 hours, and consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook.

Discussion

The D.E. Shaw U.S. Broad Market Core Alpha Extension Fund, which is a 130/30 large-cap core strategy that seeks to identify market inefficiencies through quantitative analysis, was reviewed first. The firm announced an upcoming, senior retirement expected by year-end.

Next, PanAgora's Defensive U.S. Equity Low Volatility strategy, which is a risk-based approach that seeks exposure to the low volatility factor by investing in low risk and diversifying stocks while avoiding unintended risk concentrations, was reviewed.

Lastly, we reviewed Acadian's U.S. Managed Volatility Equity strategy, which seeks to capture the low-risk anomaly by investing in lower systematic risk stocks that are diversifying and have positive expected excess returns.

Meeting notes are attached to this memo summarizing the findings from these annual reviews.

Attachments

- D.E. Shaw Annual Review Meeting Notes (confidential)
- PanAgora Annual Review Meeting Notes
- Acadian Annual Review Meeting Notes

Date of meeting: 5/19/22

Location: SamCERA

Manager Representative(s)

Nicholas Alonso, CFA (Director, Portfolio Manager)
Michael Porter (Strategic Account Manager)
Brian Henze (Relationship Manager)

Verus Representative(s)

Joseph Abdou (Consultant)

Client Representative(s)

Michael Coultrip (CIO)
Doris Ng (Analyst)

Account Assets

\$242.3 million (as of 4/30/22)

Product Description

PanAgora's Defensive Equity strategy seeks to harness the 'low-volatility premium' through a systematic, factor-based investment approach focused on achieving market-like returns with less risk. This is accomplished by leveraging PanAgora's proprietary Risk Parity portfolio construction methodology, which seeks to efficiently capture the equity premium associated with low volatility, while taking minimal unintended risks. Since the firm's inception, PanAgora has been using sophisticated quantitative techniques to integrate fundamental insights with vast amounts of dynamic market data. This blended insight is used to both score individual securities on a factor basis and also on a diversification basis, in the context of a broadly diversified portfolio. The result for the US Defensive Equity strategy is a portfolio expected to have lower volatility (beta around 0.65-0.75), and similar returns relative to the capitalization-weighted benchmark over a full market cycle. PanAgora expects the strategy to participate in approximately 75% of up markets and 55% in down markets.

Organization

PanAgora has been providing investment management services since it began operations as the Structured Investment Products Group of The Boston Company in July 1985. PanAgora Asset Management, Inc. subsequently registered as an independent investment adviser with the SEC in November 1989. At that time, the company was owned by The Boston Company and Nippon Life Insurance Company (NLI) each owning 50% of the company. In September 1992, The Boston Company was sold, and its 50% ownership interest reverted to its parent organization, Lehman Brothers. Putnam Investments acquired Lehman Brothers' 50% position in February 1998 and subsequently purchased an additional 30% interest from NLI in 2004, before being acquired itself by Power Financial Corporation in 2007. In March 2008 PanAgora implemented a Management Equity Plan that offers employees up to 20% ownership in the firm through restricted stock and options. This leaves the remaining 80% with Power Financial Corporation (through its affiliates Great-West Life and Putman Investments).

Today PanAgora is a provider of systematic investment solutions spanning a broad array of asset classes, including Alternatives, Risk Premia, and Traditional Long-Only Equity. The firm has approximately \$41.2 billion in assets under management as of 3/31/2022. Multi Asset and Risk Parity assets comprise 46% of firm assets which is where low volatility mandates are managed. The Defensive U.S. Equity Low Volatility strategy had \$253 million under management as of 3/31/22 with a manager-estimated capacity of \$20 billion. SamCERA comprises the majority of assets in the strategy but only 1.2% of assets in the broader Defensive Equity/Risk Parity equity sleeve.

Investment Team

PanAgora employs a team-based approach across all its strategies, where research and portfolio management are implemented on a collaborative basis. The head of the Multi Asset team is CIO Edward Qian, Ph.D., CFA. Dr. Qian is directly supported by Bryan Belton, CFA (Director, Multi Asset), Nick Alonso, CFA (Director, Multi Asset), and David Liddell, (Director, Multi Asset) in addition to other portfolio managers, analysts and traders who support Multi Asset portfolio construction, research, and implementation. As of 3/31/22, the team was comprised of an 11-member investment team, 7 in trading and implementation and 2 in data science and technology. Nick Alonso is the lead portfolio manager for Defensive Equity.

Investment Strategy

PanAgora articulates the investment process in 3 distinct parts: opportunity set, asset selection, and portfolio construction. The opportunity set is simply the exercise of defining the mandate parameters by orienting the firm's models around the target factor premia mix within the appropriate universe. In this case the low volatility factor is the only target factor. Then in the asset selection, PanAgora will calculate stock specific factor scores and rank the investible universe. Simultaneously and independently, PanAgora will also rank the universe on each stock's diversification score, in the context of the broad portfolio. The portfolio construction process optimizes the portfolio around the intended factor exposure while maintaining equal risk contribution across sectors (ex., overweight utilities and consumer staples, underweight financials and technology). Shorter term volatility and longer term correlation analysis is combined in the approach.

Performance & Positioning

SamCERA funded the Defensive US Low Volatility strategy in late December 2018 and since inception as of 4/30/22, PanAgora underperformed the broad Russell 1000 Index in a strong up market, returning 14.9% (gross of fees) relative to the benchmark return of 18.3%. Over the 1-year ending April 30, 2022, the strategy outperformed the Russell 1000 (5.5% vs -2.1%). Due to the defensive nature of the product and lower beta, in strong equity markets the strategy will lag but provide downside protection when there is excess market volatility. As an example, low volatility strategies worked well in the recession caused by the Russia/Ukraine conflict. In Q1 2022, diversity of names contributed to outperformance, and diversity has paid off since.

Conclusion

Verus believes that PanAgora is a skilled manager that offers a differentiated systematic approach to low volatility investing through its risk-balanced approach to portfolio construction. The strong equity market in 2020 and early 2021 has resulted in headwinds for the strategy, but their factor and diversification contributed to outperformance in 2022.

Date of meeting: 5/19/22

Location: SamCERA

Manager Representative(s)

Dan Le (Portfolio Manager)
Mark Osyf (Relationship Manager)

Verus Representative(s)

Joseph Abdou (Consultant)

Client Representative(s)

Michael Coultrip (CIO)
Doris Ng (Analyst)

Account Assets

\$235 million (as of 3/31/22)

Product Description

Acadian's investment philosophy for their managed volatility strategies is predicated on extensive proprietary and academic research pointing to a "low-risk" anomaly that can potentially be exploited within equities. Acadian attempts to take advantage of this anomaly by building low-risk equity portfolios that hold predominantly low-volatility stocks, and then adding information on the correlation structure of equities to help further reduce risk through diversification. Acadian has built a suite of proprietary risk models designed specifically to exploit the low-risk mispricing. SamCERA's portfolio is U.S. focused and uses the Russell 1000 Index as its benchmark.

Acadian's goal is to build a portfolio focused on absolute return and risk with the aim of achieving an absolute return similar to or better than that of a domestic equity index but with lower volatility over the long term. Acadian targets absolute risk to be 25-35% less than a typical capitalization-weighted benchmark. That said, tracking error is not a major consideration and can appear relatively high due in part to Acadian's comfort with carrying large sector variations versus the benchmark. Acadian seeks to combine the values of all of the security-level factors to determine a peer-relative return forecast for each stock. Separately they make a top-down forecast for the stock's peer group, and then add that forecast to the stock's score.

Acadian's managed volatility strategies utilize the same alpha forecasts as Acadian's active equity strategies but with risk being the initial consideration when constructing portfolios. Alpha forecasts play a modest role relative to the importance of risk estimates but are important to the goal of achieving a higher risk-adjusted return. Incorporation of alpha forecasts generally results in higher exposure to value, size and quality.

Organization

Acadian Asset Management LLC is a Boston based firm founded in 1986. It is a wholly owned subsidiary of BrightSphere Affiliate Holdings LLC. As of March 31, 2022, Acadian managed assets totaling \$110 billion, with managed volatility strategies accounting for \$18.5 billion of the firm's total assets under management (AUM). Acadian has 9 managed volatility strategies for various regions, most of which started by client request. The U.S. managed volatility strategy has \$400 million in AUM and was launched in April 2011. Acadian launched their first managed volatility strategy in 2006.

In 2021, Acadian has seen approximately \$6 billion in redemptions due to performance challenges; however, interest has picked up in 2022. John Chisholm, co-CEO, retired from the firm effective July 1, 2022 with Chisholm's co-CEO Ross Dowd assuming the role of sole CEO. Chisholm is a co-founder of Acadian and has been its co-CEO since 2018, previously serving as CIO. Dowd has been with Acadian since 2004.

Investment Team

The managed volatility team is led by CIO Brendan Bradley, Ph.D. and five portfolio managers who are supported by a dedicated research analyst. In addition, the managed volatility group is supported by the full resources of the broader Acadian investment team. Three of the portfolio managers spend 100% of their time managing volatility-based strategies – Mark Birmingham, Mark Roemer and Dan Le.

Team members typically work in small groups to explore an idea, with frequent feedback from other colleagues and oversight from senior team members. Specific to Acadian’s managed volatility approach, Ryan Taliaferro, director, equity strategies, oversees the strategy’s research effort and works closely with lead portfolio manager Mark Birmingham and the managed volatility team.

Investment Strategy

Acadian’s investment process begins with a proprietary database containing detailed financial data on all stocks in the allowable universe. This information forms the basis of the valuation frameworks and risk models that drive Acadian’s process. The valuation process uses a wide range of predictive factors to evaluate all securities in the allowable universe and portfolios are built from the bottom up.

Individual stocks are selected in an effort to achieve the strategy’s risk-reduction objective, and all resulting portfolio allocations are a residual of this process. The stock forecasts for risk, return, transaction costs and liquidity all flow into a portfolio optimization system. This system, which also incorporates any additional client- and strategy-specific constraints and objectives, produces a list of buys and sells designed to achieve the optimal tradeoff, net of costs, between risk and expected return. Stocks that are expected to reduce risk and add return (net of costs) are purchased, while less diversifying and riskier stocks with lower expected return are sold. Resulting portfolios tend to be roughly evenly distributed across the capitalization spectrum and generally favor sectors associated with lower volatility like consumer staples, utilities and health care. Risk models combine long term and short term inputs that are both factor-based and statistically-based.

Performance & Positioning

SamCERA funded their U.S. Managed Volatility Equity mandate at the end of December 2018, since inception return was 11.1% through April 2022 lagging the benchmark which gained 17.8%.

In 2021, the portfolio underperformed by 3.1% but was ahead of the MSCI US Min Vol index by 3.9%. The portfolio was underweight the highest beta stocks in 2021, which contributed -160 bps to relative performance. The alpha overlay has been additive factor in 2021 and helped drive performance for the year. YTD through May 2022, the strategy is outperforming the Russell 1000 by 1%. Underweight positions to Meta and Netflix contributed to outperformance. Through May, the downside capture of the portfolio is 70%, beating expectations in down markets.

Conclusion


Verus believes that Acadian is a skilled manager that offers a robust approach to managed volatility investing that combines low systematic risk (low beta) and low total risk (low standard deviation) with an alpha overlay. The U.S. Managed Volatility Equity strategy has underperformed the Russell 1000 benchmark since inception due to its defensive strategy, but outperformed in current market conditions with 1-year returns outperforming by 4.6% through April.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2022

Agenda Item 6.4

TO: Board of Retirement

FROM: Doris Ng, Investment Analyst 

SUBJECT: Report on International Equity Manager Annual Reviews

Recommendation

Review the report on the annual reviews of SamCERA's international equity managers.

Background

SamCERA staff and consultant held annual review meetings with Baillie Gifford and Mondrian on June 2nd.

Each meeting lasted approximately 1.5 hours, and consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook.

Discussion

Baillie Gifford's ACWI ex-US All Cap portfolio, which is a fundamental growth strategy organized by regional teams, was reviewed first. The firm noted a retirement and replacement on its Portfolio Construction Group (PCG) in April 2022. Subsequent to the meeting, the firm noted an additional change on the team.

Next, Mondrian's All Countries World ex-US strategy, which is a value-oriented international equity approach, was reviewed.

Meeting notes are attached to this memo summarizing the findings from these annual reviews.

Attachments

Baillie Gifford Annual Review Meeting Notes
Mondrian Annual Review Meeting Notes

Date of meeting: 6/2/2022

Location: SamCERA

Manager Representative(s)

Eoin Anderson – Client Service
Johann Van der Merwe – Client Service

Verus Representative(s)

Margaret Jadallah (Consultant)
Joseph Abdou (Consultant)

Client Representative(s)

Mike Coultrip (CIO), Doris Ng (Analyst)

Account Assets

\$303 mm (4/30/2022)

Baillie Gifford International All Cap is a fundamental growth strategy. Research is organized by regional teams, and the strategy's Portfolio Construction Group (PCG) includes members from different regional teams. Four global sector groups also contribute to research. Baillie Gifford conducts approximately 2000 company meetings annually both in Edinburgh and onsite. Companies are evaluated on their growth opportunity relative to the average company, their ability to execute on that opportunity, and the degree to which the probability of future success is already valued by the market. Baillie Gifford's basic philosophy is that share prices ultimately follow earnings. They believe that the stock market has a recurring tendency to under-appreciate the value of long-term compounded growth. The process seeks to add value through use of proprietary fundamental research to identify companies exhibiting some combination of sustained above average growth, and attractive financial characteristics. The portfolio generally holds 60-90 stocks, with country and sector weights +/-10% relative to the index and stock weights +/- 5% relative to the index.

At the beginning of 2014, SamCERA converted from the EAFE Plus to the ACWI ex US strategy. This change allowed for additional emerging markets exposure. The portfolio has no direct exposure to stocks within frontier markets; however, they do hold some stocks with revenues derived from frontier markets.

Meeting Notes

Organization

Baillie Gifford remains an independent partnership with no external owners. The firm continues to experience low professional turnover with a small number of planned retirements each year. Historically, all operations were based in Edinburgh, Scotland with small marketing offices in New York and London. More recently however, Baillie Gifford is altering its viewpoint that (almost) all professionals should be based in Edinburgh. The client servicing/marketing team in New York has grown, and the firm is staffing some operations professionals there.

At 3/31/22, firm assets under management were \$365 billion. Baillie Gifford's assets have decreased year-over-year primarily due to recent market volatility.

Investment Team

The International Focus Portfolio Construction Group (PCG) contains a mix of portfolio managers from different regional investment backgrounds and with varying levels of experience by design. Diversity of opinions and debate are integral

to the decision-making process. The PCG is comprised of Baillie Gifford professionals Milena Mileva, Joe Faraday, Iain Campbell, Stephen Paice and Sophie Earnshaw. The members of the PCG serve as both portfolio managers and research analysts. The PCG makes all decisions for the portfolio after debate and discussion as a team. Given Baillie Gifford is a very long-term investor, they put particular emphasis on governance and manager trust. Gerard Callahan, the chair of the PCG, retired in 2022. Joe Faraday assumed his roll as chair of the PCG and chose Milena Mileva as Gerard's replacement. Milena was a PM for UK based strategies for Baillie Gifford, was a good replacement for Gerard as his focused was on UK equities. Subsequent to our review meeting, another member of the PCG, Moritz Sitte decided to leave the firm effective July 2022. He was replaced by Stephen Paice (Head of European Equities).

Investment Strategy

The investment philosophy and process remains unchanged. Baillie Gifford seeks to identify companies with strong long-term growth prospects and take substantial positions in them. The investment horizon is typically 5 years.

Baillie Gifford summarizes their investment criteria with the following four questions:

- Will this company be significantly larger in five years?
- Are management sensible guardians of our clients' capital?
- Why is this growth not reflected in the current share price?
- What would make us sell?

Baillie Gifford's bottom up stock selection process looks for durable franchises, well managed companies, aligned management and good valuation. There is no minimum growth hurdle for purchase, and a portfolio typically holds stocks with a variety of growth ranges. Future growth/pre-profitability companies can be bought if they meet the buy criteria.

As a firm, Baillie Gifford will not own more than 15% of a company's outstanding stock. An assessment of management is part of the team's investment strategy, and holding big positions gives them good access to management. An additional liquidity requirement is that a maximum of 15% of the portfolio can be invested in stocks that take more than 10 days to trade in and out of.

Baillie Gifford will let its winners run as opposed to adding and trimming on valuation. The ACWI ex US Focus portfolio tends to have a lower weighted average market cap than that of the index. Currency hedging is available to portfolio managers but is not typically employed. Instead currency discussions are incorporated in macro-economic analysis prior to investing.

The portfolio invests in the long term with about half of the names held for longer than 5 years. This results to an average turnover of 10-20%. Portfolio managers also look for good management and strong earnings growth potential over 5 years. They increased their sector positioning bands from +/- 10% to +/- 15% as they saw themselves coming close to 10%, and they don't want to be forced to hold names they don't want to if they have better ideas in other sectors.

Performance & Positioning

On a net of fee basis as of 4/30/22, the Baillie Gifford SamCERA portfolio had underperformed the MSCI ACWI ex-US Index over the 3- year and 5-year periods by -1.2% and -0.2% respectively. Since inception (4/2012), Baillie Gifford has added 40 bps in excess return over the benchmark (SamCERA 6.5% vs. SamCERA blend MSCI EAFE/MSCI ACWI ex-US

benchmark of 6.1%). The benchmark changed to ACWI-ex US in January 2014 when SamCERA changed its mandate from EAFE Plus to Focus.

Baillie Gifford continues to stick to its long-term philosophy, which has done well over the long term. They do not want to get caught up in shorter term volatility. In 2022, little exposure to commodities, energy, and banks has hurt relative performance. Baillie Gifford haven't found compelling growth prospects in these sectors. The strategy did not hold any Russian securities prior to, and during the current crisis.

Conclusion

Verus maintains conviction in Baillie Gifford for the international growth mandate. They have outperformed their primary benchmark over longer time periods for SamCERA.

Date of meeting: 6/2/2022

Location: SamCERA

Manager Representative(s)

Jim Brecker (Client Service),
Steven Dutart, CFA (Sr. Portfolio Manager)

Verus Representative(s)

Joseph Abdou

Account Assets

\$352.4 mm (April 2022)

Client Representative(s)

Mike Coultrip (CIO), Doris Ng (Investment Analyst)

Product Description

Mondrian is a value-oriented, defensive manager whose investment philosophy is based on the principle that investments must be evaluated for their fundamental long-term value. The firm's philosophy involves three stated investment objectives: 1) provide a rate of return meaningfully greater than the client's domestic rate of inflation, 2) structure client portfolios that preserve capital during protracted international market declines, and 3) provide portfolio performance that is less volatile than benchmark indices and other international managers. Mondrian applies typical value screening criteria to a universe of 1,500 stocks, from which 500 are selected for more detailed work. Through fundamental research, and the deliberations of the Investment Committee, the universe is further reduced to a list of 150 stocks. The investment team conducts detailed fundamental analysis on the remaining stocks, a process which includes applying the firm's dividend discount model consistently across all markets and industries. Mondrian also uses a purchasing power parity model to give a currency comparison of the value of the stocks under consideration. The firm will only consider buying stocks in countries with good investor protection practices and relatively simple repatriation procedures. A computer based optimization program is employed in the portfolio construction process. Mondrian's portfolio holds 80-125 issues.

Meeting Notes**Organization**

Mondrian was founded in 1990 as a boutique international manager. In July 2011, Mondrian's employee partnership purchased the 27.5% minority interest of the company held by private equity firm Hellman and Friedman to become 100% employee owned. As of the end of the first quarter of 2022, the firm was managing \$57 billion in AUM, approximately \$36.5 billion of which was in developed and ACWI equity mandates. The firm has seen assets increase over the past year, gaining \$2.0 billion in new assets while losing \$1.5 billion. They have lost 12 clients and gained 14 clients for the year ending March 31, 2022. In September 2016, Mondrian became a PRI signer signaling their commitment to responsible investing. In June 2016, Mondrian decided to pay for outside research and stopped using soft dollars.

Investment Team

There are approximately 58 investment professionals at Mondrian, all located in the London headquarters. The Global Equity Research Forum is overseen by Group CIO Clive Gillmore and Deputy CIO and CIO of International Equity Elizabeth (Liz) Desmond. The team of 21 includes four International Equity Senior Portfolio Managers, three International Equity Portfolio Managers, and two Assistant Portfolio Manager. International team head Liz Desmond has committed to remaining with the organization for the foreseeable future and has no near-term retirement plans. There have been no significant departures to the team over the past year. Andrew Porter, one of the senior portfolio managers on the strategy, announced his retirement and will leave the strategy this year.

Investment Strategy

Mondrian employs a long-term dividend discount model for all of the firm's equity strategies. The approach focuses on long term dividend growth after inflation. For each company, they conduct scenario analysis, looking at expected, best and worst case outcomes. These scenarios are modeled based on fundamental research and yield and future real growth inputs derived from company meetings. Currency views based on PPP analysis are incorporated into the forecasts. The emphasis is on downside risk and they prefer a narrow, rather than a broad, range of outcomes. They are looking for at least a 5% real return from owning a stock for the long term and use a 5% discount rate across all markets. They will hedge currencies defensively when the PPP analysis identifies extreme over-valuation. The approach yields a portfolio that will generally preserve value on the downside relative to the market and strives to keep up in rising markets. The risk, as measured by standard deviation, is lower than peers and the benchmark.

Performance & Positioning

For the year ended 3/31/22, Mondrian underperformed the MSCI ACWI ex US Value Index (-1.4% net of fees vs. 3.3% for the benchmark). Mondrian has underperformed over the 3, but outperformed during the 5, and 10-year trailing periods with relative returns of -0.7%, 0.1%, and 0.5% respectively. In 2022, an underweight allocation to energy dominated markets such as Canada, Norway and Australia hurt relative returns. The -8% underweight in Canada accounted for -150 bps of performance over the 1-year time period. Holding Japanese Yen also hurt relative returns for the year, as the US Federal reserve is committed to increasing rates and controlling inflation, while Japan is focused on yield curve control.

Conclusion


Despite short term underperformance, Mondrian has outperformed the benchmark for the long-term time periods for SamCERA, while implementing a defensive strategy. The strategy follows a disciplined process and has added value over longer time periods. Verus believes the strategy remains a suitable investment for SamCERA's international value mandate.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2022

Agenda Item 6.5

TO: Board of Retirement

FROM: Doris Ng, Investment Analyst 

SUBJECT: Report on Real Estate Annual Manager Reviews

Recommendation

Accept and review the report on the annual reviews of SamCERA's real estate managers, PGIM, Harrison Street, INVESCO and Stockbridge.

Background

SamCERA staff and consultant held annual review meetings with our real estate managers, PGIM and Harrison Street on April 14th, and with INVESCO and Stockbridge on April 28th.

Each meeting lasted approximately 1.5 - 2 hours, and consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook.

Discussion

On April 14th, we first reviewed PGIM's Real Estate U.S. Debt fund, which is an open-ended commingled fund that invests primarily in senior loans secured by U.S. commercial real estate. The firm noted some changes on the team.

Next, we reviewed Harrison Street's Core Property Fund, which is an open-ended commingled fund that invests in high quality real estate assets primarily across the education, healthcare, life sciences and storage sectors.

On April 28th, we first reviewed INVESCO's Core Real Estate fund, which is an open-ended commingled fund that invests primarily in institutional quality office, retail, industrial and multi-family residential real estate assets. Next, we reviewed INVESCO's U.S. Value-Add Fund IV, V and VI, which are closed-end funds that acquire and reposition fundamentally sound, but "broken" core real estate into institutional-quality assets across similar sectors as the Core fund.

Lastly, we reviewed Stockbridge's Value IV Fund, which is a closed-end commingled fund that acquires real estate assets in the office, retail, industrial and multi-family residential sectors. The value-add strategy invests in real estate assets that are undervalued, under-utilized and/or not operating to their full potential, and provides value-add through capital investment, leasing, recapitalization, renovation and/or repositioning.

Attached you will find meeting notes summarizing the findings and details from the annual reviews.

Attachments

PGIM Real Estate US Debt Annual Review Meeting Notes (confidential)

Harrison Street Core Property Fund Annual Review Meeting Notes

INVESCO Core Real Estate Annual Review Meeting Notes

INVESCO Value-Add Real Estate Annual Review Meeting Notes (confidential)

Stockbridge Value IV Fund Real Estate Annual Review Meeting Notes (confidential)

Research Meeting Notes

Investment Organization	Harrison Street
Business Type	Private
Firm Inception Date	2005
Firm \$AUM	\$44.3 billion
Investment Org Attendees	Joey Lansing, Kate Davis, Mia Dennis
Verus Attendees	John Nicolini
SamCERA Attendees	Scott Hood, Michael Coultrip, Lilibeth Dames, Doris Ng
Interview Date(s)	4/14/22
Meeting Type	In office
Meeting Purpose	Update
Strategy Name	Harrison Street Core Property Fund
Strategy Inception Date	2011
Asset Class (Style)	Real Estate
If other, please name	
Sub-Style	Equity
Strategy \$AUM	\$12.1 billion (gross asset value)
AIC Approved (Yes or No)	Yes

Notes and Analysis

Firm:

Harrison Street was founded in 2005 by Christopher Merrill in partnership with Chris Galvan and Mike Galvin. Based in Chicago, Harrison Street's exclusive focus since inception has been investing in education, healthcare, life sciences and self-storage sectors of the real estate market. The Firm has invested in over 1,382 transactions that comprise more than \$53.3 billion in investment activity. The Core Fund is their open-end flagship product with over \$12 billion in assets. They also manage a domestic opportunistic closed-end series and European opportunistic fund, all with the same alternative property type focus. In 2018, Harrison Street launched an open-end social infrastructure fund which will develop or buy infrastructure-related assets in partnership with universities, health systems and government users

In 2018, Colliers International Group purchased a 75% stake in Harrison Street, with the remaining 25% held by employees of Harrison Street.

Team/People:

Harrison Street Real Estate currently has 215 employees that support the Firm's various real estate & infrastructure strategies, including the Core Property Fund. This includes 18 in portfolio management, 49 in

transactions, 43 in asset management, 17 in client service, 11 in legal & compliance, 32 in portfolio accounting & reporting and 6 in research.

The Investment Committee, which consists of the six Senior Managing Directors of the Firm, have input into investment strategy, review portfolio construction, approve all acquisitions and dispositions and monitor performance. Further, significant capital expenditures, leasing and financing decisions requires review by members of the Committee.

Joey Lansing serves as lead PM on the Core Property Fund, a position he has held since launching the product in 2011. In addition to Joey, Kate Davis and Colleen McMillin serve as portfolio managers for the Core Fund. Mark Burkemper is head of transactions and a key contributor to the Core Fund where he is responsible for sourcing transactions and forming joint venture relationships. Ben Mohns is head of Asset Management North America and is responsible for directing the creation and execution of the Firm's investment level strategies and driving value-add initiatives.

Process/Philosophy

Incepted in 2011, the Harrison Street Core Fund is an open-end fund that invests primarily in stabilized education, healthcare, and self-storage real estate assets in the United States using modest leverage with an emphasis on generating current income.

The Fund executes its strategy through investments in student housing, other university market real estate, for-rent senior housing, healthcare-delivery real estate and other healthcare-related properties, as well as self-storage facilities. The Fund's LPA limits leverage to no more than 40% loan-to-value (LTV) at the portfolio level. However, the Fund targets leverage across the portfolio of 22% to 27% LTV with an emphasis on fixed-rate, interest only, long term debt.

The focus on these alternative property types is intended to concentrate on areas of the real estate market that are less GDP sensitive with demand drivers that are more demographic driven such as aging populations, education growth and healthcare delivery. Each of these areas tend to be less tied to the business cycle, have fragmented ownership and more operationally intensive.

Investment opportunities are sourced through relationships with universities, major national health systems, institutional and private owners, service providers, brokers, lenders, and other market contacts. Additionally, Harrison Street utilizes its operating partners to generate proprietary, off-market deal flow and much of the time, the firm has a Right of First Opportunity with its operating partners. The Firm has created a proprietary set of selection criteria for each asset class to be used as an initial screening tool for all potential acquisitions.

The team responsible for conducting due diligence of a potential acquisition consists of professionals from Harrison Street's various disciplines including acquisitions, asset management, portfolio management, internal counsel, risk management, compliance and accounting. The team is responsible for (i) touring the asset and submarket, (ii) underwriting the asset including rigorous stress test of assumptions (iii) analyzing the proposed acquisition impact on the fund's existing portfolio (iv) negotiating and completing final contracts and financing, if applicable (v) preparing initial business plan for the asset (vi) managing and completing closing check list.

Performance

Joey Lansing & Kate Davis provided an update on recent performance for the Core Fund. In 2021, Harrison Street Core Fund was up 10.9% (gross) vs. the NCREIF ODCE Index which was up 22.2% (gross). The Fund's performance was driven as much by what it owned as what it did NOT own relative to the Core Fund universe. On a relative basis, Harrison Street's lack of industrial and multifamily housing exposure explains most of their underperformance against the NCREIF benchmark. Life Sciences is quickly becoming one of the hottest real estate segments which benefits Harrison Street as they are one of the few core funds with meaningful exposure already in their portfolio.

Going forward, Harrison Street will look to add to the Life Sciences and Senior Housing exposure and likely reduce slightly the student housing allocation.

Research Meeting Notes

Investment Organization	Invesco
Business Type	Publicly Traded
Firm Inception Date	1935
Firm \$AUM	\$1.6 trillion
Investment Org Attendees	Jay Hurley, Bill Grubbs
Verus Attendees	John Nicolini; Margaret Jadallah
SamCERA Attendees	Michael Coultrip, Doris Ng
Interview Date(s)	4/28/22
Meeting Type	In office
Meeting Purpose	Update
Strategy Name	Invesco Core Real Estate
Strategy Inception Date	2004
Asset Class (Style)	Real Estate
If other, please name	
Sub-Style	Equity
Strategy \$AUM	\$17.6 billion (Core)
AIC Approved (Yes or No)	Yes

Notes and Analysis

Firm:

Invesco is a large investment management firm with assets under management of \$1.6 trillion and more than 8,000 employees worldwide. The product mix within Invesco is broad with both public and private market strategies and a mix of retail and institutional clients. Growth within the platform has come from acquisitions in the ETF market and from a growing alternatives asset class platform. Most recently, Invesco closed on the acquisition of Oppenheimer Funds from MassMutual which added an additional \$250 million in AUM and the acquisition of Guggenheim's ETF business.

As of December 31, 2021, the real estate platform had assets of \$91.8 billion. It has also become increasingly global both in terms of offices and product offerings. Invesco manages core open end funds in all three developed market regions, North America, Europe and Asia. In addition to direct real estate Investments, Invesco also offers U.S. and Global real estate securities (REIT) offerings and has approximately \$20.8 billion in these vehicles. The Core Fund added meaningful assets in the past year growing from \$14.6 billion in 2020 to \$17.6 billion at the end of 2021. The Core Fund paid out all redemption requests from 1Q22 in April.

Team/People:

The structure of Invesco's real estate team emphasizes specialization and a focus on accountability. The Invesco Core Real Estate fund is overseen by three committees composed of senior professionals. The Investment Committee is responsible for approving acquisitions and sales. The Steering Committee governs the Fund's investment and governance policy. And the North American Direct Investment Strategy Group oversees execution, including market selection and sector allocation. In addition to the Portfolio Management Team, INVESCO employs professionals dedicated to a range of real estate specializations including research, acquisitions, financing, underwriting, closing and due diligence, asset management, and accounting and reporting.

Bill Grubbs serves as lead portfolio for the Core Fund and has been with Invesco for 17 years. Michelle Foss is co-portfolio manager on the Core Fund and joined Invesco in 2014. Michelle was most recently with Bailard where she was a core, open end real estate fund manager. She had worked with Bill previously at Prudential 23 years ago. The broader North American real estate team consists of 253 employees located in five regional offices. Bill Grubbs and Michelle Foss are based in San Francisco, with Dallas being the real estate team's headquarters.

Process/Philosophy

SamCERA is one of the founding investors in the Invesco Core Real Estate fund in 2004. As a founding investor, SamCERA has benefited from lower fees than those paid by more recent investors. This fund is Invesco's largest and flagship real estate fund and has assets of \$17.6 billion. Invesco's Core Fund invests in high quality office, apartment, industrial and retail properties in major markets while utilizing a conservative balance sheet. The Fund's performance target is to outperform the NCREIF ODCE Index over longer time periods.

Four broad principles underlie Invesco's approach to core real estate investing. They seek to manage a diversified portfolio, both geographically and by property type. The portfolio holds office, industrial, retail and apartment properties. The portfolio maintains an income-oriented investment approach. Attractive markets and properties must offer investments that are "durable" with barriers to entry, in growing areas and liquid, meaning that it's possible to redeem if desired. They strive to have a conservative risk profile, with strong balance sheets, limited leverage and selective exposure to value-add type investments. Invesco also strives to be transparent and efficient in client communication and reporting.

The investment process has both top down and bottom-up elements. Invesco has long term strategic ranges for each property type with an overweight to apartments. They develop a view about different regions and cities and focus on specific target markets. Invesco is looking primarily at gateway cities and up-and-coming markets. They are most selective in office and industrial properties, where they believe a market needs to have high value jobs and high barriers to entry to be attractive. Invesco also seeks to generate returns on a bottom-up basis with property specific selection within their target property type ranges and preferred regions.

The Core Fund will selectively make value add investments (up to 15% allowed). But they do so only in cases where replacement cost is lower than purchasing an existing property. Value add investments are not made with the expectation of a quick sale, but of holding the property in the portfolio for purposes of generating income. While there are some value-add investments in the Core Fund, there isn't overlap in exposure with the Value-Add Fund. The Value-Add Fund has higher return/risk expectations of 12-15%, so most transactions that fit that mandate would fall outside the risk parameters of the Core Fund.

Performance

Bill Grubbs discussed Invesco's outlook and positioning within the Core Fund. The most notable sector over/underweight within the Core Fund is the modest overweight to retail and underweight to industrial, relative to the ODCE Index. Invesco has been overweight to retail for many years but are working to move that allocation to a slight underweight relative to its universe. Though the team has been growing their exposure to industrial assets, they have been relatively late to the sector which has been a performance headwind given the strength in the sector. Invesco has utilized their build-to-core portfolio to grow exposure in the industrial sector as they look to add modern buildings near key submarkets. The apartment allocation is inline with the universe which has helped as multifamily was the strongest sector after industrial among the 4 main real estate sectors. The retail segment shifted towards what Invesco calls "experiential", meaning that the property offers a unique experience that can't be replicated easily. They also look for retail centers anchored by grocers in high barrier to entry locations.

The manage to core portfolio (i.e. value-add) will be providing material appreciation and growth in the Fund's income as projects in the industrial and apartment portfolio generate rental income. The manage to core portfolio represents about 8.3% of gross asset value, with industrial projects comprising 28%, office 28%, self-storage 4%, life sciences 13%, residential 19% and mixed-use 8%.


The Core Fund underperformed the ODCE index over all trailing time periods. Underperformance was attributed to write-downs in retail and office assets and underweight to industrial, primarily. As of year-end 2021, debt to total assets was 23.4%, which is down from last year and at a conservative level relative to the asset classes history. Invesco has maintained a longer duration than most peers as they lock-in low fixed rates.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2022

Agenda Item 6.6

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer 

SUBJECT: Approval of Resolution Amending SamCERA's Investment Policy Statement

Recommendation

Adopt a resolution amending SamCERA's Investment Policy Statement.

Background

SamCERA's Investment Policy Statement ("Policy") is periodically updated to reflect the Board's recent decisions regarding investments. The Board typically updates the Policy twice a year as warranted. The Investment Policy Statement was last updated in September 2021.

Discussion

In February 2022, the Board approved a new asset allocation policy portfolio as part of its annual asset allocation review. The new policy portfolio tweaks the old portfolio as follows:

1. Addition of a 1.5% allocation to a short-term cash flow match liquidity portfolio, funded from core fixed income.
2. 1% increase to private equity and a corresponding 1% decrease to public equity.
3. 1% increase to private real assets (infrastructure) and a corresponding 1% decrease to core fixed income.

To reflect these updates, staff recommends adding a new asset group titled "Liquidity" in Section 10.0 and amending Sections 6.0 and 11.0.

Staff is also proposing the following additional changes to the Investment Policy Statement:

Amend Section 3.0 "Investment Objectives" to highlight that the primary plan goal is to ensure that liquidity is available to provide for the required monthly benefit payments in a timely manner. In addition, change one of the secondary objectives to "achieve long-term real growth while minimizing funded status volatility."

Amend Section 4.0 "Investment Beliefs" by adding a new belief that "Incorporating sustainability criteria into the decision-making process can positively impact long-term risk and reward characteristics of an investment."

Amend Section 11.0 “Diversifying Assets Investment Polices” to simplify the fixed income structure by removing the “Core Unconstrained” category and rolling it into the “Core” category.

Attachments

Proposed Amendments to the Investment Policy Statement (Redlined Version)

Proposed Amendments to the Investment Policy Statement (Clean Version)

Resolution Revising the Investment Policy Statement and Attached Investment Policy Statement



SamCERA's Investment Policy Statement

Latest Revision July 2022~~September 2021~~

1.0 ESTABLISHMENT OF INVESTMENT POLICY

The Board of Retirement (the “Board”), having exclusive authority and exclusive fiduciary responsibility for the investment and administration of the Trust Fund (the “Fund”), hereby establishes the following Investment Policy (the “Policy”) for the investment of the San Mateo County Employees’ Retirement Association (“SamCERA”) assets. The Board reserves the right to amend, supplement or rescind this Policy at any time.

The purpose of this Policy is to assist SamCERA in effectively supervising its investments in order to meet the requirements of the California Constitution, the County Employees Retirement Law of 1937 (“the 1937 Act”), the Mission and Goals of SamCERA and other requirements, and to encourage effective communication between SamCERA and its investment managers (the “Manager(s)”) and investment consultants (the “Consultant(s)”).

A. GOVERNING DOCUMENTS FOR THE INVESTMENTS OF THE FUND.

The powers and duties of the Board are set forth in the 1937 Act and in Article XVI of the State Constitution. They are further defined by the Mission and Goals adopted by the Board.

SamCERA was created by San Mateo County Ordinance No. 564 adopted by the Board of Supervisors, effective July 1, 1944. This ordinance established the retirement system in accordance with the provisions of California’s County Employees’ Retirement Law of 1937.

Constitution of the State of California

Article XVI, Section 17, relates to the administration of the system and investment of the Fund assets. It reads in pertinent part:

“(a)...The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.

“(b) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board’s duty to its participants and their beneficiaries shall take precedence over any other duty.

“(c) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

“(d) The members of the retirement board of a public pension or retirement system shall diversify the investments of the system so as to minimize the risk of loss and to

maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.”

The 1937 Act

The 1937 Act contains language similar to that in the State Constitution regarding the investments of the Fund:

Government Code section 31595.

“The board has exclusive control of the investment of the employees retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the board.

The board and its officers and employees shall discharge their duties with respect to the system: (a) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.

(b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(c) Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

SamCERA’s Mission and Goals

The Board has adopted a Mission and Goals statement. The Mission summarizes SamCERA’s reason to exist.

“Mission: SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system.”

The Mission is further defined by three goals. One goal speaks to the management of the assets of the Fund. This asset management goal reads:

“Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system, to ensure the ability to pay all earned benefits while minimizing the costs to employers.”

In recognition of the requirements of the California Constitution, the 1937 Act, the SamCERA Mission and Goals and other legal requirements, the SamCERA Board has established this Investment Policy.

2.0 MANAGEMENT OF THE FUND

A. ROLES AND PRINCIPAL DUTIES

The Fund investments shall be prudently planned, implemented, managed, and monitored by the Board. Investment Staff (the “Staff”), Investment Consultant (the “Consultant”), Custodian Bank (the “Custodian”), and Investment Managers (the “Managers”) shall support the Board in this activity. The roles are set forth below:

1. The Board establishes and maintains the investment policy, including: investment philosophy, investment objectives, strategic asset allocation, allocation-level performance benchmarks, and risk philosophy. The Board makes investment and monitoring decisions based upon the recommendations of Staff, Consultants, and other service providers engaged by the Board. The Board reviews and monitors all investments, as well as the policies, guidelines and procedures required to prudently administer the Fund and to effectively mitigate risk to the Fund. From time to time, the Board will utilize its Investment Committee to assist the Board in these activities and related specified tasks.
2. Staff oversees the Fund’s investment program activities, implements the Board’s decisions, manages the existing fund investments, and makes recommendations to the Board regarding Fund management, including investment-related policies and procedures. Staff makes recommendations regarding the selection of the Consultant, Managers, Custodian as set forth below and monitors the performance and compliance of these and other investment related service providers.
3. The Consultant reviews, analyzes and evaluates the Fund’s effectiveness and efficiency and makes fund management related recommendations. Consultant assists Staff in implementing the Board’s decisions and developing all investment-related policies. Consultant’s responsibilities are detailed in the service agreement between SamCERA and Consultant.
4. The Custodian provides custody of SamCERA’s investment assets. In addition, the Custodian manages the securities lending program. The Custodian’s responsibilities are detailed in the service agreement between SamCERA and Custodian.
5. The Managers manage their mandated allocations in accordance with all applicable laws, Board-established policies, guidelines and procedures, as well as specific investment guidelines. For separately managed accounts, managers’ responsibilities are detailed in the Investment Management Agreements (IMA) between SamCERA and each Manager. For commingled funds, managers’ responsibilities are detailed in the related Fund documents.

B. INVESTMENT PORTFOLIO MANAGEMENT

The Board, with the assistance of Staff and Consultant, select and monitor Managers to manage the assets of the Fund.

1. Hiring New Managers

For public markets manager searches (i.e. non private equity and private real assets), Staff will inform the Board about the search process, including scope of the mandate, and the investment style, benchmark, and the minimum qualifications for candidates. Staff will update the Board on the short list of potential managers. Consultant and Staff will perform due diligence activities deemed applicable by the Chief Investment Officer, which may include analysis of performance records, meetings, due diligence questionnaires, interviews, and on-site visits. Upon completion of such due diligence, Staff and Consultant will bring a finalist to the Board for approval. The recommendation shall provide the Board with a summary description of the conducted due diligence activities.

For private ~~markets~~ (private equity and private real assets), the Consultant, with Staff input, sources managers that can best fit the desired mandate consistent with the annual pacing study and applicable investment policy. Consultant and Staff will bring potential private markets opportunities to the Board for approval. An exception to this policy is when a decision for a private market investment must be made prior to the date of the next regularly scheduled Board meeting. In these instances, and for investments of \$35 million or less, the Chief Executive Officer is authorized to make an investment-related decision after consulting with the Board Chair, or if the Chair is not available, the Vice Chair, and one member of the Investment Committee as long as such decision is in the best interest of the fund and consistent with applicable Board policy. Any action under this authorization will be reported to the Board at a subsequent regularly scheduled meeting.

2. Managing and Monitoring Existing Managers

The Board monitors the individual investment managers on a continuous basis through information provided by Staff, the Consultant, the Managers, and other investment service providers. Monthly, the Chief Investment Officer will present a preliminary performance report to the Board that is meant to provide a high-level summary of how the fund and each monthly-valued manager is performing. In addition, for SamCERA's separate accounts, Staff receives holdings and attribution reports from each separate account Manager on a monthly basis. For commingled funds, staff receives from the Manager either monthly or quarterly portfolio performance, attribution, exposure, and commentary reports.

Quarterly, the Consultant, with assistance from the Chief Investment Officer, will present an investment performance report to the Board, as specified in Section ~~1413.0~~ (Quarterly

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Investment Performance Reporting) in the Investment Policy. This report provides a more detailed performance attribution for the total plan and individual Managers, and helps to identify any short-term outlier deviations from expectations.

Semi-annually (month-end June and December of each year), every public markets (i.e. not private equity or private real asset) Manager completes a compliance statement identifying any significant firm, regulatory, and portfolio issues. In addition, semi-annually as of June and December of each year, Consultant will present performance reports for both the Private Equity and Private Real Assets programs that summarize each program and shows total program performance and program diversification by strategy, geography, industry, and vintage year.

Annually, Staff and Consultant will convene an investment strategy session, as specified in Section 1514.0 (Annual Investment Strategy) in the Investment Policy, to allow a longer-term assessment of the Managers and the total fund performance. Lastly, all public markets Managers are interviewed annually by Staff and Consultant, and must complete a due diligence questionnaire.

During these presentations at SamCERA, Managers will provide an update on the Manager's organization and business plan, any changes to the investment process, and a summary of investment performance. Staff and Consultant report to the Board following these meetings.

After the Board approves an initial investment to be held in a separate account or open-end evergreen commingled fund, staff will be responsible for managing that allocation, including initiating any adjustments to that allocation amount, consistent with the allocation ranges outlined in Section 6.0. For those investments held in closed-end (or non-perpetual life) commingled funds (e.g. private equity, private real assets, private credit, value-add real estate), staff will seek Board approval for any additional allocation to those funds, including re-up commitments, unless the timing of the decision is subject to the policy exception set forth in paragraph 1.

3. Terminating Existing Managers

The Board recognizes investments may need to be adjusted or removed from the Fund from time to time for a variety of reasons, including organization changes at the Manager, changes in Manager style, underperformance relative to expectations, and the Managers' strategy is no longer appropriate for the fund. The Board determines if a Manager should be terminated after receiving input and or recommendations from Staff and Consultant.

In situations in which developments give immediate concern that an investment with a Manager is no longer prudent for the investment program and a termination or other related investment decision should be made prior to the next regularly scheduled Board meeting, the Chief Executive Officer is authorized to terminate the Manager and or move Fund assets after consulting with the Board Chair (or Vice Chair or Secretary based on availability, in that order) and one member

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of the Investment Committee. Situations causing an immediate concern, include, but are not limited to, when: (1) the firm suffers the resignation or other loss of its key portfolio managers on the strategy, (2) the firm dissolves, ceases to exist, or is otherwise incapable of carrying out its activities in the ordinary course of its business, (3) the firm is actually or effectively shut down by a regulatory agency or is accused of theft or fraud or other serious malfeasance by a regulatory agency, or (4) the fund's investment is in jeopardy of material loss. The Board will be promptly notified of the determination by the Chief Executive Officer.

3.0 INVESTMENT OBJECTIVES

The Board shall develop an investment program, consistent with the Investment Beliefs and General Investment Policies as stipulated in Sections 4.0 and 5.0, respectively, in order to meet the primary goal of ensuring liquidity is available to provide for the required monthly benefit payments in a timely manner. In addition, the following secondary-objectives will be considered:

- A. Generate risk-adjusted returns that exceed the Asset Allocation Policy Benchmark (as defined in Section 6.0) on a net-of-fee basis over five-year rolling periods.
- B. Achieve long-term real growth while minimizing the funded status volatility. a Fund return that meets or exceeds the long term forecast of capital market returns for the asset allocation portfolio benchmark over multiple economic cycles (e.g. 15-20 years).
- C. Provide a more consistent return stream than a traditional 60% Equity / 40% Fixed Income portfolio as measured by lower portfolio drawdowns over a full market cycle.

D.

4.0 INVESTMENT BELIEFS

The following section summarizes the Board's investment beliefs that have guided it in the development of this Policy document and will guide it in the oversight of the Plan assets.

- Strategic asset allocation is the primary driver of portfolio risk and return.
- SamCERA should have a long-term horizon and not be tempted to deviate from its long-term plan in response to short-term volatility.
- Everything else being equal, simplicity is preferred over complexity.
- For those asset classes evidencing market efficiencies, the manager structure may favor the employment of passive strategies.
- Focus on income and capital appreciation should be balanced and not overly dependent on one or the other.
- Diversification is fundamental.

- There is no single definition of risk. There are various measures of ‘risk’ that can be used for various purposes.
- The portfolio should be diversified across many risk dimensions/timeframes.
- SamCERA should not pursue investments that will not adequately compensate it for the risks that those investments bring.
- Costs matter.
- Incorporating sustainability criteria into the decision-making process can positively impact long-term risk and reward characteristics of an investment.

5.0 GENERAL INVESTMENT POLICIES

Consistent with the investment beliefs contained in Section 4.0, it is the investment policy of the Board to:

- Achieve long-term risk-adjusted returns consistent with its fiduciary duty.
- Pursue an investment strategy that reduces the volatility of returns through prudent diversification of the portfolio across a broad selection of distinct asset classes, as provided for in Section 6.0 of this Investment Policy.
- Further diversify other risks, including extreme events, liquidity, and leverage by looking beyond traditional asset class definitions by utilizing multiple lenses on portfolio risks.
- Adopt an asset allocation target to guide the structure of the investment portfolio, as provided for in Section 6.0, and reevaluate on an annual basis.
- Reevaluate the asset-liability study every three to five years.
- Delegate to staff the management of existing investment managers, and for those strategies in separately managed accounts and evergreen (or open-end) commingled fund structures, the on-going adjustments to allocations to such managers consistent with the investment policies and investment ranges contained in Section 6.0.
- Delegate full discretion, including whether to include environmental, social, and governance factors, if such factors have a direct relationship to the economic and financial value of an investment, when analyzing the financial merits of competing investment choices on behalf of SamCERA, to each investment manager to the extent authorized in their Investment Management Agreement (IMA).
- Adopt objectives that encourage investment managers to maximize their performance, within acceptable risk parameters, relative to their individual investment style benchmark.
- Refrain from drastically shifting asset class allocations over short time spans, unless it is in the Fund’s best interest to do so.
- Rebalance the portfolio in accordance with the Rebalancing Policy set forth in Section 7.0.

6.0 ASSET ALLOCATION & PORTFOLIO STRUCTURE

A. Asset Allocation by Performance Driver

In addition to grouping investments into traditional asset classes (Public Equity, Fixed Income, Alternative Assets, Inflation Hedge and Liquidity), SamCERA also groups its investments by the underlying performance drivers within each asset class composite. As part of this process, SamCERA classifies its portfolio into three-four main drivers of performance listed below.

Growth

The Growth category includes assets in which their primary driver of returns is tied to the general strength of economic output. These assets will generally do well when economic conditions are favorable, but generally struggle in times of economic weakness and recession. Assets classified in the Growth category include Public Equity (consisting of U.S. and International Equity), Private Equity within Alternatives, and Opportunistic Credit within Fixed Income.

Diversifying

Diversifying assets provide protection from equity risk and may be characterized as being more defensive (i.e. may help provide stability when markets fall) or more absolute-return oriented (i.e. performance is not as dependent on the overall strength of equity markets). Assets classified in the Diversifying category include Core Fixed Income, Liquidity, and Absolute Return within Alternatives.

Inflation Hedge

Lastly, Inflation Hedge assets provide additional diversification from equity risk and provide a potential hedge against unexpected inflation. Assets classified in this category include Real Estate, Public Real Assets, and Private Real Assets.

Liquidity

The Liquidity category consists of liquid assets with the primary purposes to satisfy expense obligations in the near-term (e.g. capital calls, management fees, net benefit payments), pre-fund net benefit payments, and meet any unforeseen cash needs. Assets classified in this category include Cash and Cash Equivalents and the Cash Flow-Matched Liquidity account.

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Interim Updated Asset Allocation Policy[^]

Performance Driver View	Target Allocation	Rebalancing Range	Traditional Asset Class View ^{**}
Growth	57%	±3%	
Public Equity	41%	±3%	Public Equity
Private Equity ^{**}	6%	±2%	Alternatives
Opportunistic Credit	10%	±2%	Fixed Income
Diversifying	23.56%	±2%	
Core Fixed Income	16.58%	±2%	Fixed Income
Absolute Return	7%	±2%	Alternatives
Liquidity	1%	±2%	Liquidity
Cash Flow Matched Liquidity	1.5%	NA	Liquidity
Inflation Hedge	17%	±2%	
Real Estate	9%	±2%	Inflation Hedge
Private Real Assets ^{**}	4%	±2%	Inflation Hedge
Public Real Assets	4%	±2%	Inflation Hedge
	-	-	-
Liquidity	2.5%	NA	
Cash & Cash-Equivalents	1%	±2%	Liquidity
Cash Flow-Matched Liquidity ^{***}	1.5%	NA	Liquidity

[^]The updated asset allocation policy was approved in the February 2022 board meeting. The long-term strategic asset allocation policy is expected to include 1% increases to both Private Equity and Private Real Assets (funded from public equity and core fixed income, respectively), which will take multiple quarters/years to reach the target.

^{**} Traditional Asset Allocation: 41% Public Equity, 28.5% Fixed Income, 13% Alternatives, 17% Inflation Hedge, and 1.5% Liquidity.

^{**} Recognizing the illiquidity of the asset class, rebalancing will be considered over six- to twelve-month periods.

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B. Growth Asset Allocation

Growth assets shall be allocated to managers within the following asset/sub-asset classes:

GROWTH ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Public Equity	41%	±3%
Large Capitalization Domestic	20.0%	±2%
Passive Core	9.0%	±2%
Active Core	3.0%	±2%
Active Low-Volatility Core	8.0%	±2%
Small Capitalization Domestic	2.0%	±2%
Active Core	2.0%	±2%
International	19.0%	±2%
Passive Core	6.4%	±2%
Growth	6.3%	±2%
Value	6.3%	±2%
Private Equity	6%	±2%
Opportunistic Credit	10%	±2%
Total Growth Assets	57%	±3%

C. Diversifying Asset Allocation

Diversifying assets shall be allocated to managers within the following asset/sub-asset classes:

DIVERSIFYING ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Core Fixed Income	16.58%	±2%
Core	12.50%	±2%
Core Securitized	4.0%	±2%
Core Unconstrained	4.0%	±2%
Absolute Return	7%	±2%
Liquidity	2.51%	±2%
TOTAL DIVERSIFYING ASSETS	26.23.5%	±2%

D. Inflation Hedge Asset Allocation

Inflation Hedge assets shall be allocated as follows:

INFLATION HEDGE ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Real Estate	9.0%	±2%
Private Real Assets	4.0%	±2%
Public Real Assets	4.0%	±2%
TOTAL INFLATION HEDGE ASSETS	17.0%	±2%

E. Liquidity Asset Allocation

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Liquidity assets shall be allocated as follows:

LIQUIDITY ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Cash and Cash Equivalents	1%	±2%
Cash Flow-Matched Liquidity	1.5%	NA
TOTAL LIQUIDITY	2.5%	NA

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F. Asset Allocation Policy Benchmark

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The Asset Allocation Policy Benchmark defined below is derived by assigning a passive benchmark to each of the sub-asset classes referenced in Sections 6.0 (A) through 6.0 (D) and weighting each by the Target Allocation. The performance of the Asset Allocation Policy Benchmark is computed by the Plan's investment consultant.

Benchmark	Asset Allocation Policy Benchmark
Growth Assets	57%
Russell 3000 Index	22%
MSCI ACWI x US IMI Index Hedged*	19%
Russell 3000 +3% (One Quarter Lagged)	6%
BC BA Intermediate High Yield Index	10%
Diversifying Assets	26.5%
BC Aggregate Index	16.5%
SOFR + 4%	7%
<u>BC 1-3 Year Credit Index</u>	<u>1.5%</u>

<u>91 Day T-Bills</u>	<u>1%</u>
Inflation Hedge	17%
NCREIF ODCE	9%
Custom Private Real Asset Index**	4%
Custom Public Real Asset Index***	4%
<u>Liquidity</u>	<u>2.5%</u>
<u>91 Day T-Bills</u>	<u>1%</u>
<u>BC 1-3 Year Credit Index</u>	<u>1.5%</u>

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* 50% hedge ratio starting 10/1/19.

**Comprised of 75% S&P Global Infrastructure Index and 25% S&P Global LargeMidCap Commodity and Resources Index + 2% (One Quarter Lagged)

***Comprised of 25% Bloomberg Roll Select Commodity Index, 25% Bloomberg US TIPS Index, 25% S&P Global LargeMidCap Commodity and Resources Index, and 25% S&P Global Infrastructure Index.

7.0 REBALANCING POLICY

- A. The Chief Investment Officer (CIO) shall rebalance the portfolio as needed in conformance with the asset allocation tactical ranges set forth in Section 6.0.
- B. The potential need to rebalance will be continuously monitored, and will be subject to deviations within the established rebalance ranges specified in Section 6.0.
- C. The CIO will have discretion to rebalance to Target or to some other allocation, as long as it is within policy ranges.
- D. Cash flows will be used first to rebalance, and to the extent possible, exchange-traded derivatives will be used to rebalance in a cost-effective manner.
- E. All rebalancing activity shall be reported to the Board at the next scheduled meeting.

8.0 GENERAL MANAGER INVESTMENT PERFORMANCE POLICIES

The responsibility for securities selection, purchase and sale decisions, and proxy voting (where appropriate) is delegated to the external investment managers. The individual investment guideline parameters (including diversification constraints, concentration limits, asset type exclusions, etc.) and performance objectives for each investment manager will be established within the IMA or other applicable legal agreement(s) with each firm.

The Board expects to measure investment performance quarterly and will generally follow prudent time horizons when evaluating short term, intermediate term, and long term

performance of its investment managers. Generally, the Board defines underperformance as: Cumulative annualized performance (net of fees) over a three-year period below a broad market-based benchmark return times 0.9, or five year return (net of fees) below the broad market based benchmark return.

Performance will also be evaluated in light of the manager's stated style and discipline.

9.0 GROWTH ASSETS INVESTMENT POLICIES

GROWTH ASSETS OVERVIEW:

Assets classified in the Growth category include Public Equity (consisting of U.S. and International Equity), Private Equity within Alternatives, and Opportunistic Credit within Fixed Income.

Public Equity: Public equity assets include funds shares/stock of a company through a public market. SamCERA invests utilizing both passive approaches (meant to track the performance and characteristics of major market indices, like the Russell 1000 Index and MSCI ACWI ex US IMI Index), and via active approaches that are meant to outperform the major market benchmarks. Public Equity is expected to produce returns higher than that provided from Fixed Income but at potentially higher levels of volatility. Exposure to this asset class will provide return streams generally correlated to that of general economic growth. There are two primary components to the Public Equity category: 1) Domestic Equity, and 2) International Equity.

1) Domestic Equity: SamCERA further breaks out its U.S. public equity holdings into two sub-composites: 1) U.S. Large Capitalization Domestic, which is comprised of U.S. companies valued generally over \$10 billion, and 2) U.S. Small Capitalization Domestic, which is comprised of U.S. companies valued generally under \$2 billion.

For the domestic equity program, the majority of the tracking error will come from stock selection via active management as the overall manager structure for domestic equities will not possess any significant biases in terms of investment style. The Domestic Equity composite will consist of two sub-composites: 1) Large-Capitalization Equity, and 2) Small-Capitalization Equity. Large Capitalization Equity will consist of four Core strategies: one passive, one low-tracking error active, and two low-volatility active strategies. Small-Capitalization Equity will consist of an actively-managed Core strategy.

2) International Equity: International Equity consists of developed (public companies domiciled in developed market countries such as Germany, France, UK, Japan, etc.) and emerging markets (public companies domiciled in emerging market countries such as China, Brazil, Mexico, Russia, etc.)

International Equity will consist of three strategies: 1) a passive Core component, 2) Active Value, and 3) Active Growth. All three strategies will have exposure to both developed and emerging markets.

Private Equity: Private Equity are funds, typically illiquid investments, that directly invest in private companies, or that engage in buyouts of public companies. Private Equity is expected to be one of the highest returning asset classes over the long-term. Its role in the portfolio is to provide high return potential in order to maximize the ability of the Fund to meet its performance objectives.

The Private Equity program will contain manager allocations to three primary sub-categories: 1) Buyouts, 2) Venture Capital, and 3) Debt/Special Situations. These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation targets and target ranges are summarized below:

Sub-Category	Target Allocation	Range
Buyouts	60%	+/- 20%
Venture Capital	20%	0 – 30%
Debt/Special Situations	20%	+/- 10%

The responsibility for private equity sourcing is delegated to SamCERA’s investment consultant. The private equity portfolio shall adhere to the following investment guidelines covering diversification and quality:

(a) Diversification: Subject to availability of sufficient attractive opportunities, the portfolio is to be diversified over multiple years by the following:

Vintage Year: It is expected that roughly equal amounts of new funding will be committed in each calendar year, with deviations permitted to accommodate market opportunities and to facilitate initial entry into the asset class.

Investment Manager: The reported value plus unfunded commitments of any one investment manager (excluding fund of funds) up to no more than twenty (20) percent of the reported value plus unfunded commitments of the total private equity portfolio.

Geography: Through commitments to funds located and/or investing both in and outside of the United States.

Industry: It is expected that the private equity portfolio will be generally diversified by sector/industry.

(b) **Quality:** All commitments to private equity by SamCERA must be of institutional quality as evidenced by other tax-exempt institutional investors’ commitments to the investment manager’s prior or current funds.

Fund managers are expected to comply with SamCERA’s private placement disclosure rules.

Opportunistic Credit: Fixed income assets are debt investments that provide a return in periodic payments in debt instruments issued by governments and corporations. Opportunistic Credit is expected to be the highest-risk category within fixed income, and will

be used to enhance return by investing via public and private investments in non-traditional sectors of the fixed income market, including emerging market debt, high yield bonds, direct lending, bank loans, convertible bonds, and CMBS/ABS securities. This sub-category will be exposed to general economic risk factors, similar to public equities, but may provide a steadier stream of returns than public equity asset classes.

GROWTH ASSETS PERFORMANCE OBJECTIVE:

The performance objective of the Growth Assets Composite is to outperform, on a net-of-fee basis, a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for four composite sub-asset classes (which results in the following weights: 39% Russell 3000, 33% MSCI ACWI ex US IMI Index hedged*, 11% Russell 3000 Index + 3% (one quarter lagged), and 17% Barclays BA Intermediate High Yield Index).

The Public Equity composite has a maximum tracking error of 3% to its composite benchmark.

GROWTH ASSETS RISK EXPOSURES AND RISK MITIGATION:

Public Equity: The primary risk factors for Public Equity are correlation to general economic growth, high volatility in returns, and potential illiquidity in smaller-capitalization and certain emerging market stocks. SamCERA will control for these risk factors by diversifying the plan across assets that exhibit limited correlation to economic growth. In addition, SamCERA's rebalancing ranges for small-cap equity will help ensure adequate diversification within the equity portion of the SamCERA portfolio.

Private Equity: Private Equity, while expected to provide attractive returns, also have a number of risks. Chief among these are illiquidity risk and leverage. By their nature Private Equity is generally illiquid in that the life of these fund investments can be as long as ten to twelve years. SamCERA recognizes that this illiquidity is a necessary characteristic (and source of return premium) for these asset classes and as such will endeavor to take this illiquidity into account at the total plan level when addressing total plan liquidity needs during strategic planning asset liability studies. Leverage can be employed by private equity managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through partnership selection and portfolio construction and diversification.

Opportunistic Credit: Opportunistic Credit is generally the highest risk, lowest liquidity sub-category within Fixed Income. SamCERA will take into account unique risk factors when constructing the fixed income portfolio to help ensure that the overall risk profile of the total portfolio is consistent with expectations. Opportunistic Credit typically includes the risk factors contained in Core, ~~and Core Unconstrained~~, but, depending on the mandate, with higher emphasis to credit default risks, emerging markets sovereign/corporate default risk, potential leverage, and potential illiquidity. It is expected that strategies within Opportunistic Credit will have a maximum leverage ratio of 2.5x at the fund level (i.e. certain holdings may be levered higher than the 2.5x limit, as long as the fund (or strategy) has a maximum 2.5x

leverage). Strategies employing higher leverage will be relegated to the debt/special situations category of Private Equity (see above).

GROWTH ASSET CLASSES	BENCHMARK INDEX
Growth Assets	Customized Benchmark Portfolio
Public Equity	
Domestic Equity	Russell 3000
Large Capitalization Domestic Equity	Russell 1000
Passive Core	Russell 1000
Active Core	Russell 1000
Active Low Volatility Core	Russell 1000
Small Capitalization Domestic Equity	Russell 2000
Active Core	Russell 2000
International Equity	MSCI All Country World ex US IMI hedged*
International Passive Core	MSCI ACWI ex US IMI
International Growth	MSCI ACWI Free ex US Growth
International Value	MSCI ACWI Free ex US Value
Private Equity	Russell 3000 + 3% (One Quarter Lagged)
Opportunistic Credit	Barclays Capital BA Intermediate High Yield Index

* 50% hedge ratio starting 10/1/19.

10.0 LIQUIDITY INVESTMENT POLICIES

LIQUIDITY ASSETS OVERVIEW:

Assets classified in the Liquidity category include 1) Cash and Cash Equivalents, and 2) Cash Flow-Matched Liquidity.

Cash and Cash Equivalents investments will be used for satisfying miscellaneous liquidity needs, including capital calls, expenses, and other unforeseen needs. Cash Flow-Matched Liquidity consists mainly of investment grade, shorter-term government and credit securities with a liquidity profile that matches the near three-year benefit payment schedule to satisfy benefit payment obligations.

LIQUIDITY ASSETS PERFORMANCE OBJECTIVE:

The performance objective of the Liquidity Assets Composite is to meet the plan's liquidity needs.

LIQUIDITY ASSETS RISK EXPOSURES AND RISK MITIGATION:

The primary risk in the Cash Flow-Matched Liquidity component is credit risk. The portfolio is structured to be primarily a buy and maintain strategy using cash flows from coupons and principal maturities to line up with benefit payments. The biggest risk to the strategy is risk of default.

<u>LIQUIDITY ASSET CLASSES</u>	<u>BENCHMARK INDEX</u>
<u>LIQUIDITY ASSETS</u>	<u>CUSTOMIZED BENCHMARK PORTFOLIO</u>
<u>Liquidity</u>	
<u>Cash and Cash Equivalents</u>	<u>91 Day T-Bills</u>
<u>Cash Flow-Matched Liquidity</u>	<u>BC 1-3 Year Credit Index</u>

1011.0 DIVERSIFYING ASSETS INVESTMENT POLICIES

DIVERSIFYING ASSETS OVERVIEW:

Assets classified in the Diversifying category include Core Fixed Income, and Absolute Return within Alternatives, ~~and Liquidity.~~

Fixed Income: Fixed income assets are debt investments that provide a return in periodic payments in debt instruments issued by governments and corporations. Core Fixed Income is generally the lowest risk and highest liquidity sub-category within Fixed Income. It is expected to provide a lower, but steadier stream of returns than public equity asset classes, and also to reduce the risk of the overall portfolio as bonds have lower risk than most other major asset classes. That said, there are a number of sub-categories within Core Fixed Income, which exhibit different risk/return trade-offs and hold slightly different tasks in terms of role in the portfolio, but have the common goal of dampening portfolio volatility. Core Fixed Income is broken out into ~~two~~three subcategories:

- 1) Core, and 2) Core Securitized, ~~and 3) Core Unconstrained~~

Core: Core is generally considered a lower-risk fixed income category, and one that invests in primarily liquid, investment grade U.S. Dollar denominated bonds. It also generally consists of sectors that comprise the Bloomberg Barclays Aggregate Bond Index. Core's role in the portfolio is to dampen portfolio volatility and protect the portfolio in times of economic duress.

Core Securitized: Core Securitized is a low/medium-risk fixed income sub-category, and contains securitized sectors, including mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities. Core Securitized's role in the portfolio, in addition to dampening portfolio volatility, is to provide higher yield and slightly lower interest rate sensitivity as compared to the Bloomberg Barclays Aggregate Bond Index.

~~**Core Unconstrained:** Core Unconstrained is a medium risk fixed income sub category, and contains the sectors contained in Core plus high yield (below investment grade bonds), non-U.S. Dollar denominated bonds, and emerging market fixed income securities. Core Unconstrained's role in the portfolio is a combination of total portfolio volatility dampening and some moderate return enhancement.~~

Absolute Return: The Absolute Return category will focus on funds that have an absolute return orientation and are not expected to contain significant levels of public market beta over the long term. This category is expected to provide a diversifying return stream to the total plan that is not correlated to the public markets. Suitable investment strategies include multi-strategy funds, alternative risk premia funds, GTAA or global macro funds, and CTA/Managed Futures trend following funds. It is expected that this category will be implemented via commingled funds and not in separate accounts so that SamCERA's investment in any single fund would be 'ring-fenced' (i.e. any potential losses would be limited to the investment in the single fund, and not extend to the total plan assets).

~~**Liquidity:** The Liquidity category currently consists two components: 1) Cash Equivalents and 2) Cash Flow Matched Liquidity. Cash equivalentsequivalents ofconsists of cash and cash-equivalent type investments and will be used for miscellaneous liquidity needs including capital calls, expenses, and other unforeseen needs. Cash Flow Matched Liquidity consists mainly of investment grade shorter term corporategovernment and credit securities with a duration liquidity that matches the near three year benefit payment schedulewith short duration.~~

DIVERSIFYING ASSETS PERFORMANCE OBJECTIVE:

The performance objective of the Diversifying Assets Composite is to outperform, on a net-of-fee-basis, a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for ~~three~~ two composite sub-asset classes (which results in the following weights: ~~63.70%~~ 63.70% Bloomberg Barclays Aggregate Index ~~and~~ 2.730% to SOFR + ~~4%, 6% to Bloomberg Barclays 1-3 Year Credit Index, and 4% to 91 Day T-Bills~~).

The Core Fixed Income sub-asset class has a maximum tracking error of 3% to its composite benchmark.

DIVERSIFYING ASSETS RISK EXPOSURES AND RISK MITIGATION:

The Core Fixed Income sub-sectors have different risk factor exposures. SamCERA will take into account these unique risk factors when constructing the Core Fixed Income portfolio to help ensure that the overall risk profile of the total portfolio is consistent with expectations.

Core: The primary risk factors are sensitivity to changes in interest rates, changes in mortgage prepayment speeds, and investment-grade corporate and sovereign credit risk.

Core Securitized: The primary risk factors are complexity, credit and prepayment risk across various securitized sectors (e.g. ABS, CMBS, and RMBS) with interest rate sensitivity being a relatively lower risk factor as compared to assets within Core (above). The focus is on higher quality securitized investments to minimize credit risk.

~~**Core Unconstrained:** The primary risk factors typically include the risk factors found in Core with additional exposures to high yield default risks, emerging markets sovereign/corporate default risk, and potential illiquidity. The allocation to these risk exposures will be dynamic over time as the portfolio is not constrained to a benchmark.~~

Absolute Return: Absolute Return, while expected to provide attractive returns that are less correlated to the returns provided by public asset classes, also has a number of risks. Chief among these is leverage. Leverage can be employed by absolute return managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through fund selection as well as portfolio construction and diversification.

~~**Liquidity:** The primary risk in the Cash Flow Matched Liquidity is credit risk. The portfolio is structured to be mostly buy and maintain using cash flows and maturities to line up with benefit payments. So the biggest risk to the strategy is risk of default.~~

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DIVERSIFYING ASSET CLASSES	BENCHMARK INDEX
DIVERSIFYING ASSETS	CUSTOMIZED BENCHMARK PORTFOLIO
Core Fixed Income	
Core/Core Securitized/ Core Unconstrained	Bloomberg Barclays Aggregate Bond Index
Absolute Return	SOFR + 4%
Liquidity	
Cash Equivalents	91 Day T Bills
Cash Flow Matched	BC 1-3 Year Credit Index

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1112.0 INFLATION HEDGE INVESTMENT POLICIES

INFLATION HEDGE OVERVIEW:

The Inflation Hedge category combines inflation-sensitive assets under a single asset class to simplify the asset allocation process and enable better performance monitoring of the plan's overall, direct exposure to assets with inflation-hedging properties. The plan also has indirect exposure to inflation-sensitive assets through other asset classes, such as Public Equity, Fixed Income, and Alternatives. When determining the appropriate allocation of inflation protection, both direct and indirect exposures to inflation-sensitive assets across the plan are taken into account. The Inflation Hedge category is expected to provide a high degree of inflation beta, attractive risk-adjusted returns and diversification benefits to the overall plan.

Inflation Hedge is broken out into ~~four~~ three subcategories:

- 1) Real Estate, 2) Private Real Assets, and 3) Public Real Assets

Real Estate: Real Estate is expected to provide a return and risk profile between that provided by fixed income and equities. Real estate will be composed of three sub-categories:

1) Core, 2) Value-Add, and 3) Debt. The majority of exposure will be in Core real estate assets of the highest quality located in the best locations in North America, Europe, and Asia. Value-Add properties are expected to provide somewhat higher return potential along with somewhat higher risk than Core assets. Real Estate Debt strategies range from lower risk senior loans on stable properties to higher risk/return mezzanine and construction loans. SamCERA utilizes Debt strategies for risk mitigation and to enhance the portfolio's yield.

Income will be a large part of the return stream generated from the Real Estate portfolio. The role of this portfolio is to provide diversification benefits, some protection against unanticipated inflation, and a steady income stream. Higher risk Opportunistic/Development real estate strategies will reside in the Private Real Assets composite due to their higher-risk, longer time horizon, and the less liquid nature of the investment set compared to Core, Value-Add, and Debt strategies. The sub-allocation targets and target ranges are summarized below:

Real Estate Strategy	Target Allocation	Range
Core Real Estate	60%	50 - 70%
Value-Add Real Estate	20%	0 - 30%
Real Estate Debt	20%	0 - 30%

Private Real Assets: Private Real Assets are expected to provide attractive total and risk-adjusted returns that exhibit low correlations with traditional asset classes but positive correlation with inflation. Private Real Assets will be composed of two sub-categories: 1) Infrastructure (Core and Value-Add, Secondary, Midstream Energy, and Power), and 2) Natural Resources (Energy Exploration & Production, Mining, Farmland, Timber, and Water). These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation targets and target ranges are summarized below:

Sub-Category	Target Allocation	Range
Infrastructure	75%	+/- 25%
Natural Resources	25%	+/- 25%

Public Real Assets: Similar to Private Real Assets, Public Real Assets is expected to provide positive correlation to inflation, but with potentially higher beta to public equity markets. Public Real Assets may be used to fund new strategies in Private Real Assets and will be composed of four sub-categories: 1) Commodities, 2) U.S. TIPS, 3) Listed Global Natural Resources, and 4) Listed Global Infrastructure. All four sub-categories are meant to provide

some protection from higher levels of unanticipated inflation while providing a diversifying return stream from that of public markets.

The sub-allocation targets and target ranges are summarized below:

Sub-Category	Target Allocation	Range
Commodities	25%	0 - 50%
U.S. TIPS	25%	0 - 50%
Listed Global Natural Resources	25%	0 – 50%
Listed Global Infrastructure	25%	0 – 50%

INFLATION HEDGE PERFORMANCE OBJECTIVE:

The performance objective of the Inflation Hedge Composite is to outperform, on a net-of-fee basis, a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for three composite sub-asset classes (which results in the following weights: 53% NCREIF ODCE, 23.5% Custom Public Real Asset Index, and 23.5% Custom Private Real Asset Index).

INFLATION HEDGE RISK EXPOSURES AND RISK MITIGATION:

Real Estate: Many real estate funds utilize leverage to enhance returns. Lack of liquidity is also a concern, but less so for core real estate and senior debt investments. Value-add, mezzanine debt, and opportunistic strategies also tend to have more exposure to general economic conditions than core properties.

These risks will be mitigated in a number of ways. First, the primary emphasis of SamCERA’s real estate program will be focused on Core properties, with a secondary emphasis to Value-Add properties and Debt strategies. Opportunistic-oriented strategies will reside in our Private Real Assets portfolio due to their higher risk profile. In addition, SamCERA’s core real estate fund has a leverage limit of 35%, and SamCERA also sits on the Fund’s Advisory Committee.

Private Real Assets: By their nature, Private Real Assets are generally illiquid in that the life of these fund investments can be as long as ten to twelve years. SamCERA recognizes that this illiquidity is a necessary characteristic (and source of return premium) for these asset classes and as such will endeavor to take this illiquidity into account at the total plan level when addressing total plan liquidity needs during strategic planning asset liability studies. Leverage can be employed by alternative managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through partnership selection and portfolio construction and diversification.

INFLATION HEDGE ASSET CLASSES	BENCHMARK INDEX
INFLATION HEDGE ASSETS	CUSTOMIZED BENCHMARK PORTFOLIO
REAL ESTATE	NCREIF ODCE
PRIVATE REAL ASSETS	CUSTOM PRIVATE REAL ASSET INDEX
PUBLIC REAL ASSETS	CUSTOM PUBLIC REAL ASSET INDEX

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1213.0 QUARTERLY INVESTMENT PERFORMANCE REPORTING

The quarterly investment performance reports will be designed as a risk management tool and will afford the Board the opportunity to timely identify potential risk issues within the portfolio and to assess the relative performance of the investment managers.

The report will provide sufficient information to assess the following:

- A. Total and active risk assessment at total fund, composite and individual manager level.
- B. Performance attribution at total fund, composite and individual manager level.
- C. Adherence to the investment style for which the manager is retained, as measured by the quarterly risk adjusted active return (deviation of the manager's performance from the specified performance benchmark) over the last quarter, six months, one-, three-, and five-year periods, including updates from previous quarterly reports regarding adherence to the style for which the firm was retained;
- D. Ability of the active manager to demonstrate consistently positive information ratios, including updates from previous quarterly reports regarding the firm's information ratios;
- E. Quarterly, annual, three- and five-year total time-weighted returns relative to the specified performance benchmark and manager style peer group.

1314.0 ANNUAL INVESTMENT STRATEGY

Annually, the Board/Staff shall convene an investment strategy session (typically as part of the annual retreat) with the objective of addressing strategic investment policy issues and to deliberate any policies that could benefit the performance of the retirement Fund. The agenda for these sessions should include (but is not limited to) the following information:

- (a) Compare the Fund's actual investment performance for the prior fiscal year against the investment objectives set forth in Section 3.0 and evaluate the relative success or failure of the prior year's performance; specific commentary to this objective shall be an integral part of the performance measurement process.

- (b) Compare each investment manager's investment performance for the prior fiscal year against the relevant benchmarks and peer groups and evaluate the relative success or failure of their prior year's performance.
- (c) Evaluate and review the total Fund performance attribution and contribution to return at the composite level to isolate performance drivers.
- (d) Evaluate and review the various risk exposures of the plan versus appropriate policy limits and on-going trends through time.
- (e) Evaluate and review the portfolio rebalancing activity for the year.
- (f) Evaluate the Fund's liquidity requirements for the current and next fiscal years.
- (g) Compare each investment manager's fees to their respective peer universe.

4415.0 PROXY VOTING

The Investment Managers are delegated authority for the voting of proxies, subject to the following guidelines:

- A. All proxies shall be voted in the best interest of the shareholders, but in no instance shall the economic interests of the retirement Fund be subordinated to any other interest.
- B. Investment managers shall provide staff with quarterly reports on all proxies cast, in a mutually acceptable format.

1516.0 SECURITIES LENDING

- A. Pursuant to Section 2.0 (A), the Custodian shall manage a securities lending program to enhance income in accordance with the terms and conditions set forth in a mutually acceptable securities lending agreement and guaranty.
- B. The Board reserves exclusive authority to approve the securities lending agreement prior to the commencement of securities lending activity.
- C. Unless otherwise specified in the agreement(s):
 - (i) All loans shall be marked-to-market daily.
 - (ii) Collateral on each loan shall be maintained daily at 102% of loan value for domestic securities and 105% of loan value for international securities.
 - (iii) Acceptable collateral shall be in the form of cash or obligations issued or guaranteed by the U.S. Government, or its agencies or instrumentalities.
 - (iv) Borrower must have a long-term credit rating of either "A" from S&P or "A2" from Moody's. For split rated borrowers, the higher rating shall prevail if not the same rating, with the lower rating having a minimum long-term credit rating of either "A-" from S&P or "A3" from Moody's.

- (v) The maximum allowable amount of assets on loan to any single borrower shall not be greater than \$3 million.
- (vi) The maximum total amount of program assets on loan shall not be greater than \$10 million.
- D. The Chief Investment Officer shall be responsible for monitoring the securities lending program and recommending changes as appropriate.

APPENDIX A

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Investment Committee Charter as Amended
RESOLUTION 99-00-09

*This Resolution, adopted by the Board of Retirement (Board)
of the San Mateo County Employees' Retirement Association (SamCERA),
sets forth the Charter for the Board's Investment Committee.*

WHEREAS, Article XVI, §17 of the Constitution of the State of California as amended in 1992 to read, in pertinent part, as follows:

Notwithstanding any other provisions of law or this Constitution to the contrary, the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system, subject to all of the following:

(a) The retirement board ... shall have the sole and exclusive fiduciary responsibility over the assets of the ... system. The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets ... are trust funds and shall be held for the exclusive purposes of providing benefits to participants ... and their beneficiaries and defraying reasonable expenses of administering the system.

(b) The members of the retirement board ... shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.

(c) The members of the retirement board ... shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent

person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(d) The members of the retirement board...shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.

(e) The retirement board..., consistent with the exclusive fiduciary responsibilities vested in it, shall have the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the... system. &

WHEREAS, California Government Code §31595 states, as follows:

The Board has exclusive control of the investment of the employees retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the Board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board...; &

WHEREAS, *The Board of Retirement*, wishes to exercise these powers as follows:

EXERCISE OF POWERS: *The Board shall exercise its investment, management and administrative authority and responsibility through the approval of motions recorded in public meeting &*

WHEREAS, the Board has adopted SamCERA's Investment Policy and amendments thereto to direct the investments of the Retirement Fund and now wishes to establish an Investment Committee to guide the future evolution of SamCERA's Investment Policy. Therefore, be it

RESOLVED that the Board hereby establishes a standing Investment Committee to direct the Board in its ongoing evaluation of SamCERA's Investment Policy, including but not limited to

- 1.0 CONDUCT ASSET ALLOCATION STUDIES
 - 1.1 Determine the characteristics of the Policy's liabilities in regards to the nature of Fund's cash flows
- 2.0 DEVELOP ASSET MIX ALTERNATIVES TO MEET LIABILITY REQUIREMENTS
 - 2.1 Establish allowable asset classes
 - 2.2 Determine asset class benchmarks
 - 2.3 Develop risk, return & correlation projections
- 3.0 EVALUATE EFFICIENT FRONTIER ALTERNATIVES
 - 3.1 Define risk, return and correlation
 - 3.2 Evaluate mean variance optimization
 - 3.3 Determine low risk alternatives and high risk alternatives
 - 3.4 Scale portfolios between two extremes
 - 3.5 Evaluate optimized efficient frontier

- 3.6 Integrate optimized efficient frontier with asset-liability relationships
- 4.0 ANALYZE BOARD RISK TOLERANCE
 - 4.1 Assess risk/reward trade-offs
 - 4.2 Assess contribution rate sensitivity & variability
 - 4.3 Assess ability to exceed actuarial interest rate
 - 4.4 Assess comfort level with characteristics of specific asset mixes
- 5.0 RECOMMEND PREFERRED ASSET MIX
 - 5.1 Evaluate differences from current target
 - 5.2 Evaluate Board's willingness to implement new target asset mix
 - 5.3 Evaluate appropriateness of variance from peer public fund norms
- 6.0 RECOMMEND AMENDMENTS TO SAMCERA'S INVESTMENT POLICY
 - 6.1 Adjust target asset mix
 - 6.2 Introduce new benchmarks
 - 6.3 Include required asset class/portfolio modifications
- 7.0 RECOMMEND REVISIONS TO MANAGER STRUCTURE
 - 7.1 Adjust manager/style line-up as necessary
 - 7.2 Introduce new managers/asset classes
 - 7.3 Terminate managers/asset classes as necessary
 - 7.4 Establish active & passive allocation targets as appropriate
- 8.0 IMPLEMENT CHANGES TO MANAGER STRUCTURE
 - 8.1 Recommend time-line & approach to revise structure
 - 8.2 Conduct manager evaluations
 - 8.3 Establish portfolio and asset allocation rebalancing procedures
- 9.0 EVALUATE MANAGER PERFORMANCE
 - 9.1 Monitor results of managers both gross and net of investment management fees
 - 9.2 Assess consistency of portfolio decision making
 - 9.3 Evaluate organizational, ownership, personnel & other firm developments
- 10.0 RECOMMEND AND EVALUATE INVESTMENT CONSULTANT STRUCTURE & PERFORMANCE
 - 10.1 Recommend for Board determination the retention and termination of Investment Consultant(s) as necessary
 - 10.2 Define and assign special projects as warranted
 - 10.3 Monitor performance of Investment Consultant(s)
 - 10.4 Conduct evaluations of Investment Consultant(s)
 - 10.5 Evaluate organizational, ownership, personnel and other firm developments
- 11.0 INITIATE & EVALUATE SPECIAL INVESTMENT STUDIES
- 12.0 UNDERTAKE OTHER WORK ASSIGNED TO IT BY THE BOARD Be it further

RESOLVED that the Chair may appoint the members of the Investment Committee per Regulation 2.5.1. Be it further

RESOLVED that the Chief Executive Officer is hereby instructed to provide the Committee with access to all appropriate and available resources and records, so long as such access is consistent with sound fiduciary practices. Be it further

RESOLVED that the Chief Executive Officer is hereby authorized to provide compensation of \$100 per meeting for not more than two meetings per month to the members of the Committee eligible for such compensation, per GC§31521. Be it further
RESOLVED that the Board hereby reserves to itself sole authority to accept, modify, or reject the recommendations, which the Investment Committee may present from time to time pursuant to the provisions of this Resolution, per Regulation 2.3.

ADOPTED by unanimous vote, January 25, 2000
AMMENDED by unanimous vote, May 22, 2001
AMMENDED by unanimous vote, October 25, 2004

APPENDIX B

Derivatives Investment Policy

1) Introduction

There is a genuine need to allow SamCERA's separate account managers to evaluate new securities and introduce them into their portfolios, given that the investment process followed by the investment managers complies with the subsequent provisions of this policy statement. This policy statement allows SamCERA's separate account Managers to exercise reasonable investment freedom, while minimizing the possibility of adverse implications for the Board.

2) Derivative Definition

A 'derivative' commonly is defined as a financial instrument whose performance is derived, at least in part, from the performance of an underlying asset (such as a security or an index of securities).

3) Types of Securities Included or Excluded

Since the derivative sector of the market is likely to experience considerable change, provisions must be made for the general characteristics of a derivative security, its evaluation and monitoring. Therefore, it is most appropriate to not attempt to definitively list all of the derivative securities that are covered by this policy. Instead, what will be explicitly stated is the investment process that governs derivative investments and the evaluation and monitoring requirements of this policy.

4) Approach to Policy

An approach has been developed which states allowable derivative investments, limited allocation derivative investments and restricted derivative investments.

Derivative securities not specified in the above three groups of securities must be evaluated in accordance with the following section entitled Derivative Investment Process. If the security meets these provisions and the spirit of these policies, the manager may establish a prudent position in the instrument. However, the manager must be able to demonstrate the appropriateness of such an investment in light of SamCERA's guidelines.

5) Counter-Party Evaluation

When entering into a non-exchange traded derivative investment, the investment manager must fully evaluate the other side of the derivative transaction—the counter-parties to the trade. Due to the possibility of counter-party default, SamCERA's investment managers must evaluate the risks associated with the counter-party as if an investment were being made in the traditional securities issued by the counter-party.

At a minimum, the investment manager must evaluate the counter-party's following criteria:

- a) Corporate earnings stream
- b) Corporate asset quality
- c) Capitalization
- d) Corporate liquidity
- e) Moody's and Standard & Poor's debt ratings
- f) Other fundamental investment and risk characteristics

For those counter-parties that are broker/dealers, they must:

- a) Have investment grade (Moody's and S&P rated) debt
- b) Be registered with the SEC
- c) Have significant net capital to protect against potential adverse market circumstances

For those counter-parties that are financial institutions (banks), they must have:

- a) Investment grade (Moody's and S&P rated) debt
- b) Total assets in excess of \$1 billion
- c) Significant net capital to protect against potential adverse market circumstances

The investment manager must monitor individual investment and total portfolio exposure to counter-parties. Individual counter-party exposure must be well diversified and not concentrated in a small number of organizations.

6) Purposes for Derivatives

The acceptable investment purposes for the use of derivatives are as follows:

- a. Appropriate to use futures, options and forward currency contracts to assist investment managers in mitigating portfolio risk.
- b. Useful substitute for an existing, traditional investment. In certain circumstances it may be cheaper, quicker or easier to invest in a derivative instrument or security rather than transacting in the cash or traditional security market.
- c. Provides investment value to the portfolio, while being consistent with SamCERA's overall and specific investment policies.
- d. Obtains investment exposure that is appropriate with the manager's investment strategy and SamCERA's investment guidelines, but could not be made through traditional investment securities.

Given that one or more of these investment purposes are clearly met, it is the responsibility of the investment manager to explain and demonstrate how derivative investments impact portfolio risk and the context of the investment within the overall portfolio.

Any other derivative investment purpose is not allowed. Derivatives may not be introduced into the portfolio to create economic leverage or to create investment exposures that are otherwise excluded by SamCERA's Investment Policy. However, if a manager develops an investment purpose other than those listed above which he/she feels is legitimate and consistent with the spirit of SamCERA's guidelines, this purpose should be proposed in writing to the Board.

7) Investment Restrictions and Derivatives Policy

For the purpose of these guidelines, convertible debt, traditional zero coupon bonds, mortgage pass-through securities and asset-backed securities are not viewed as derivatives. Based upon the factors enumerated in the above Section 4 entitled Approach to Policy, the following guidelines have been established:

Allowable derivative investments

- a. Stable and well-structured mortgage CMO's (Collateralized Mortgage Obligations)
- b. Financial futures (if Exchange Traded)
- c. Currency forward contracts and currency options (Exchange and OTC traded)
- d. Interest rate swaps

Derivative investments with allocation limits

- a. Interest only mortgage CMO's
- b. Principal only mortgage CMO's
- c. Options (if Exchange Traded)
- d. Caps and floors as they apply to the above stated allowable derivative investments
- e. Credit Default Swaps (CDS)

Derivative investments with allocation limits, as listed above, may not represent more than 5% of the individual portfolio manager's assets (based on market value) managed for SamCERA. At the same time, derivative investments with allocation limits in aggregate may not expose the individual manager's portfolio to losses in excess of 5% of the manager's total assets managed for SamCERA. In addition, the use of options, caps and floors, and CDS may be used only for defensive investment purposes.

Managers investing in the above-defined limited allocation derivative instruments should ensure that portfolio exposure is maintained within the stated constraints, and communicate the assumptions and model used to estimate VAR (Value at Risk) and/or other reasonable risk measurement procedures annually to the Boards.

Restricted derivative investments

- a. Inverse floating rate notes and bonds
- b. Structured notes

Restricted derivatives cannot be held in SamCERA's separate account portfolios at any time.

8) Risk Analysis and Monitoring of Derivatives

For those securities that are classified as derivative investments with allocation limits, the investment managers are required to test and measure derivative investment sensitivities to changes in key risk factors. These risk factors include extreme changes in interest rates, volatility, liquidity, credit quality, and cash market prices.

These risk factors will be assessed prior to initial investment and on a quarterly basis. Results of such risk testing on derivative investments with allocation limits will be supplied to SamCERA on an annual basis (December 31). If the investment manager identifies additional risks that should be evaluated, these other risk factors should be added to the list and handled in a manner consistent with the previously stated approach.

9) Derivative Investment Process

Investment managers are expected to cover the following issues before purchasing a derivative instrument or security, whether specifically stated as an allowable derivative investment, a derivative investment with

allocation limits, or a derivative not specifically discussed in the Investment Restrictions and Derivatives Policy section above:

- a. Determine if the purpose for investing in a derivative security is consistent with one or more of the purposes in the previous section entitled Purposes for Derivatives.
- b. Determine where the security fits into the classification system, if at all, stated in the Investment Restrictions and Derivatives Policy.
- c. Evaluate, at a minimum, the counter-party risk and the risks stated in the Risk Analysis and Monitoring section of the derivatives policy.
- d. Evaluate the derivative in a comparably thorough manner as the firm would any other traditional investment opportunity.

10) Reporting Requirements

It is the responsibility of SamCERA's investment managers to certify and demonstrate that their portfolios are in compliance with SamCERA's overall guidelines as well as those that apply to derivative investments. On an annual basis (December 31), SamCERA's investment managers will provide the following minimum monitoring information on all derivative securities:

- a. A general statement from the investment manager that its portfolio is in compliance with this Derivatives Policy.
- b. When stating the market value of the derivative exposure, the manager will specify the security pricing sources. The pricing source must be exchange-listed.
- c. A statement of the risks (credit risk—an evaluation of potential counter-party default on obligations, market risk—percent of portfolio invested in derivatives, and any other relevant risks) associated with the derivative investments.
- d. Potential adverse impact on market values if extreme adverse market movements occur.
- e. A statement regarding the liquidity of the derivative investments.
- f. Summary comments and the firm's list of approved counter-parties, ratings, and a statement regarding any changes to this list.
- g. An overall statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

Appendix C

DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS, AND CAMPAIGN CONTRIBUTIONS

This amended policy is effective immediately upon adoption. This policy is intended to supplement any applicable provisions of state or federal law, which shall govern in the event of any inconsistency.

I. PURPOSE

This Policy is adopted pursuant to the requirements set forth in Government Code Section 7513.85 to help ensure that the San Mateo County Employees' Retirement Association (SamCERA) investment decisions are made solely on the merits of the investment opportunity. This Policy requires broad, timely, and updated disclosure of all Placement Agents, as that term is defined by Government Code section 7513.8, their relationships, compensation and fees.

II. APPLICATION

This Policy applies broadly to every type of SamCERA investment managers including general partners, sponsors of hedge funds, private equity funds, real estate funds and infrastructure funds, as well as public market investment managers.

This Policy as amended applies to all agreements with External Managers that are entered into after the date this Policy is adopted and all existing agreements if, after the date this amended Policy is adopted, the agreement is amended to continue, terminate, or extend the term of the agreement or the investment period, increase the commitment of funds by SamCERA or increase or accelerate the fees or compensation payable to the External Manager (Referred to hereafter as "Amendment".) In the case of an Amendment, the disclosure provisions of this Policy shall apply to the Amendment and not to the original agreement.

III. RESPONSIBILITIES

A. The Board is responsible for:

1. Not entering into any agreement with an External Manager that does not agree in writing to comply with this policy.

2. Not entering into any agreement with an External Manager who has violated this policy within the previous five years. However, this prohibition may be reduced by a majority vote of the Board at a public session upon a showing of good cause.

B. Each External Manager is responsible for:

1. Executing an agreement that provides the External Manager will comply with this policy.
2. Providing the following information to SamCERA Investment Staff within 45 days of the time investment discussions are initiated by the External Manager, but in any event, prior to the completion of due diligence. In the case of Amendments, the Placement Agent Information Disclosure is required prior to execution of the Amendment.
 - a. Disclosure of payments or compensation by the External Manager or any of its principals, employees, agents or affiliates, directly or indirectly, to any person or entity to act as a Placement Agent in connection with SamCERA investments.
 - b. A resume for each officer, partner, principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses and investment and work experience. If any such person is a current or former SamCERA Board Member, employee or Consultant or a member of the immediate family of any such person, this fact shall be specifically noted.
 - c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing and value thereof. Compensation to Placement Agents shall include, but not be limited to, compensation to third parties as well as employees of the External Manager who solicit or market investments to SamCERA or who are paid based upon investment commitments secured by such employees.
 - d. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only with a subset of the External Manager's prospective clients.
 - e. A written copy of any and all agreements between the External Manager and the Placement Agent.
 - f. A statement whether the placement agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration or explanation as to why no registration is required.
 - g. A statement whether the placement agent, or any of its affiliates, is

registered as a lobbyist with any state or national government.

h. The names of any current or former SamCERA Board Members, employees, or Consultants who suggested the retention of the Placement Agent.

3. Providing an update of any changes to any of the information provided pursuant to section B.2 above within 30 calendar days of the date that the External Manager knew or should have known of the change in information.
4. Representing and warranting the accuracy of the information described in section B.2 above.
5. Causing its engaged Placement Agent to disclose, prior to acting as a Placement Agent to SamCERA:
 - a. All campaign contributions made by the Placement Agent to any publicly elected SamCERA Board Member during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to any publicly elected SamCERA Board Member during the time the Placement Agent is receiving compensation in connection with a SamCERA investment shall also be disclosed.
 - b. All gifts, as defined in Government Code Section 82028, given by the Placement Agent to any SamCERA Board Member during the prior 24-month period. Additionally, any subsequent gift made by the Placement Agent to any SamCERA Board Member during the time the Placement Agent is receiving compensation in connection with a SamCERA investment shall also be disclosed.
6. SamCERA reserves the right to deem the failure to disclose the information required by 5(a) and 5(b) as a material breach of the agreement with the External Manager.

C. SamCERA Investment Staff (“Staff”) are responsible for:

1. Providing External Managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or engagement.
2. Confirming that the information in section B above has been received within 45 days of the time the execution of the investment contract or Amendment.
3. For new contracts and amendments to contracts existing as of the date of the initial adoption of this Policy, securing the agreement of the External Manager in the final written agreement between SamCERA and the External Manager to provide in the event that there was or is an intentional material omission or

inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy, SamCERA reserves the right to reimbursement of any management or advisory fees paid by SamCERA from the date of violation to the date of the imposition of the fees.

4. Prohibiting any External Manager or Placement Agent from soliciting new investments from SamCERA for five years after they have committed a material violation of this Policy; provided, however, that SamCERA's Board, by majority vote at a noticed, public meeting, may reduce this prohibition upon a showing of good cause.
5. Providing the Board with Placement Agent information relating to each investment at the time the investment is brought to the Board for its decision.
6. Maintaining Placement Agent Information Disclosures as a public record and reporting to the Board any a material violation of this Policy.

Adopted December 14, 2010
Amended October 25, 2011
Amended March 28, 2017

DEFINITIONS:

The following definitions are excerpted from California Government Code section 7513.8 and are current as of March 28, 2017. Should the legislature subsequently amend the definitions below, the definition of these terms as amended shall supersede the definitions contained in this policy.

"External Manager" means either of the following: (1) a Person who is seeking to be, or is, retained by a board or an Investment Vehicle to manage a portfolio of securities or other assets for compensation; (2) a Person who manages an Investment Fund and who offers or sells, or has offered or sold, an ownership interest in the Investment Fund to a board or an Investment Vehicle. (All code section references are to the Government Code, unless otherwise noted.)

"Person" means an individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.

"Investment Vehicle" means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either domestic or foreign, managed by an External Manager in which a board is the majority investor and that is organized in order to invest with, or retain the investment management services of, other External Managers.

"Investment Fund" means a private equity fund, public equity fund, venture capital fund, hedge fund, fixed income fund, real estate fund, infrastructure fund, or similar pooled investment

entity that is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, owning, holding, or trading securities or other assets. Notwithstanding the preceding sentence, an investment company that is registered with the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 (15 U.S.C. Sec. 8a-1 et seq.) and that makes a public offering of its securities is not an Investment Fund.

“Placement Agent” means any Person directly or indirectly hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager or an Investment Fund managed by an External Manager, and who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker or other intermediary in connection with the offer or sale to a board or an Investment Vehicle either of the following: in the case of an External Manager as defined in subpart (1) of the definition of an External Manager, the investment management services of the External Manager; in the case of an External Manager as defined in subpart (2) of the definition of an External Manager, an ownership interest in an Investment Fund managed by the External Manager. Notwithstanding the preceding sentence, an individual who is an employee, officer, director, equityholder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.



SamCERA's Investment Policy Statement

Latest Revision July 2022

1.0 ESTABLISHMENT OF INVESTMENT POLICY

The Board of Retirement (the “Board”), having exclusive authority and exclusive fiduciary responsibility for the investment and administration of the Trust Fund (the “Fund”), hereby establishes the following Investment Policy (the “Policy”) for the investment of the San Mateo County Employees’ Retirement Association (“SamCERA”) assets. The Board reserves the right to amend, supplement or rescind this Policy at any time.

The purpose of this Policy is to assist SamCERA in effectively supervising its investments in order to meet the requirements of the California Constitution, the County Employees Retirement Law of 1937 (“the 1937 Act”), the Mission and Goals of SamCERA and other requirements, and to encourage effective communication between SamCERA and its investment managers (the “Manager(s)”) and investment consultants (the “Consultant(s)”).

A. GOVERNING DOCUMENTS FOR THE INVESTMENTS OF THE FUND.

The powers and duties of the Board are set forth in the 1937 Act and in Article XVI of the State Constitution. They are further defined by the Mission and Goals adopted by the Board.

SamCERA was created by San Mateo County Ordinance No. 564 adopted by the Board of Supervisors, effective July 1, 1944. This ordinance established the retirement system in accordance with the provisions of California's County Employees' Retirement Law of 1937.

Constitution of the State of California

Article XVI, Section 17, relates to the administration of the system and investment of the Fund assets. It reads in pertinent part:

“(a)...The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.

“(b) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.

“(c) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

“(d) The members of the retirement board of a public pension or retirement system shall diversify the investments of the system so as to minimize the risk of loss and to

maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.”

The 1937 Act

The 1937 Act contains language similar to that in the State Constitution regarding the investments of the Fund:

Government Code section 31595.

“The board has exclusive control of the investment of the employees retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the board.

The board and its officers and employees shall discharge their duties with respect to the system: (a) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.

(b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(c) Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

SamCERA’s Mission and Goals

The Board has adopted a Mission and Goals statement. The Mission summarizes SamCERA’s reason to exist.

“Mission: SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system.”

The Mission is further defined by three goals. One goal speaks to the management of the assets of the Fund. This asset management goal reads:

“Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system, to ensure the ability to pay all earned benefits while minimizing the costs to employers.”

In recognition of the requirements of the California Constitution, the 1937 Act, the SamCERA Mission and Goals and other legal requirements, the SamCERA Board has established this Investment Policy.

2.0 MANAGEMENT OF THE FUND

A. ROLES AND PRINCIPAL DUTIES

The Fund investments shall be prudently planned, implemented, managed, and monitored by the Board. Investment Staff (the “Staff”), Investment Consultant (the “Consultant”), Custodian Bank (the “Custodian”), and Investment Managers (the “Managers”) shall support the Board in this activity. The roles are set forth below:

1. The Board establishes and maintains the investment policy, including: investment philosophy, investment objectives, strategic asset allocation, allocation-level performance benchmarks, and risk philosophy. The Board makes investment and monitoring decisions based upon the recommendations of Staff, Consultants, and other service providers engaged by the Board. The Board reviews and monitors all investments, as well as the policies, guidelines and procedures required to prudently administer the Fund and to effectively mitigate risk to the Fund. From time to time, the Board will utilize its Investment Committee to assist the Board in these activities and related specified tasks.
2. Staff oversees the Fund’s investment program activities, implements the Board’s decisions, manages the existing fund investments, and makes recommendations to the Board regarding Fund management, including investment-related policies and procedures. Staff makes recommendations regarding the selection of the Consultant, Managers, Custodian as set forth below and monitors the performance and compliance of these and other investment related service providers.
3. The Consultant reviews, analyzes and evaluates the Fund’s effectiveness and efficiency and makes fund management related recommendations. Consultant assists Staff in implementing the Board’s decisions and developing all investment-related policies. Consultant’s responsibilities are detailed in the service agreement between SamCERA and Consultant.
4. The Custodian provides custody of SamCERA’s investment assets. In addition, the Custodian manages the securities lending program. The Custodian’s responsibilities are detailed in the service agreement between SamCERA and Custodian.
5. The Managers manage their mandated allocations in accordance with all applicable laws, Board-established policies, guidelines and procedures, as well as specific investment guidelines. For separately managed accounts, managers’ responsibilities are detailed in the Investment Management Agreements (IMA) between SamCERA and each Manager. For commingled funds, managers’ responsibilities are detailed in the related Fund documents.

B. INVESTMENT PORTFOLIO MANAGEMENT

The Board, with the assistance of Staff and Consultant, select and monitor Managers to manage the assets of the Fund.

1. Hiring New Managers

For public markets manager searches (i.e. non private equity and private real assets), Staff will inform the Board about the search process, including scope of the mandate, and the investment style, benchmark, and the minimum qualifications for candidates. Staff will update the Board on the short list of potential managers. Consultant and Staff will perform due diligence activities deemed applicable by the Chief Investment Officer, which may include analysis of performance records, meetings, due diligence questionnaires, interviews, and on-site visits. Upon completion of such due diligence, Staff and Consultant will bring a finalist to the Board for approval. The recommendation shall provide the Board with a summary description of the conducted due diligence activities.

For private private equity and private real assets, the Consultant, with Staff input, sources managers that can best fit the desired mandate consistent with the annual pacing study and applicable investment policy. Consultant and Staff will bring potential private markets opportunities to the Board for approval. An exception to this policy is when a decision for a private market investment must be made prior to the date of the next regularly scheduled Board meeting. In these instances, and for investments of \$35 million or less, the Chief Executive Officer is authorized to make an investment-related decision after consulting with the Board Chair, or if the Chair is not available, the Vice Chair, and one member of the Investment Committee as long as such decision is in the best interest of the fund and consistent with applicable Board policy. Any action under this authorization will be reported to the Board at a subsequent regularly scheduled meeting.

2. Managing and Monitoring Existing Managers

The Board monitors the individual investment managers on a continuous basis through information provided by Staff, the Consultant, the Managers, and other investment service providers. Monthly, the Chief Investment Officer will present a preliminary performance report to the Board that is meant to provide a high-level summary of how the fund and each monthly-valued manager is performing. In addition, for SamCERA's separate accounts, Staff receives holdings and attribution reports from each separate account Manager on a monthly basis. For commingled funds, staff receives from the Manager either monthly or quarterly portfolio performance, attribution, exposure, and commentary reports.

Quarterly, the Consultant, with assistance from the Chief Investment Officer, will present an investment performance report to the Board, as specified in Section 13.0 (Quarterly Investment

Performance Reporting) in the Investment Policy. This report provides a more detailed performance attribution for the total plan and individual Managers, and helps to identify any short-term outlier deviations from expectations.

Semi-annually (month-end June and December of each year), every public markets (i.e. not private equity or private real asset) Manager completes a compliance statement identifying any significant firm, regulatory, and portfolio issues. In addition, semi-annually as of June and December of each year, Consultant will present performance reports for both the Private Equity and Private Real Assets programs that summarize each program and shows total program performance and program diversification by strategy, geography, industry, and vintage year.

Annually, Staff and Consultant will convene an investment strategy session, as specified in Section 14.0 (Annual Investment Strategy) in the Investment Policy, to allow a longer-term assessment of the Managers and the total fund performance. Lastly, all public markets Managers are interviewed annually by Staff and Consultant, and must complete a due diligence questionnaire.

During these presentations at SamCERA, Managers will provide an update on the Manager's organization and business plan, any changes to the investment process, and a summary of investment performance. Staff and Consultant report to the Board following these meetings.

After the Board approves an initial investment to be held in a separate account or open-end evergreen commingled fund, staff will be responsible for managing that allocation, including initiating any adjustments to that allocation amount, consistent with the allocation ranges outlined in Section 6.0. For those investments held in closed-end (or non-perpetual life) commingled funds (e.g. private equity, private real assets, private credit, value-add real estate), staff will seek Board approval for any additional allocation to those funds, including re-up commitments, unless the timing of the decision is subject to the policy exception set forth in paragraph 1.

3. Terminating Existing Managers

The Board recognizes investments may need to be adjusted or removed from the Fund from time to time for a variety of reasons, including organization changes at the Manager, changes in Manager style, underperformance relative to expectations, and the Managers' strategy is no longer appropriate for the fund. The Board determines if a Manager should be terminated after receiving input and or recommendations from Staff and Consultant.

In situations in which developments give immediate concern that an investment with a Manager is no longer prudent for the investment program and a termination or other related investment decision should be made prior to the next regularly scheduled Board meeting, the Chief Executive Officer is authorized to terminate the Manager and or move Fund assets after consulting with the Board Chair (or Vice Chair or Secretary based on availability, in that order) and one member

of the Investment Committee. Situations causing an immediate concern, include, but are not limited to, when: (1) the firm suffers the resignation or other loss of its key portfolio managers on the strategy, (2) the firm dissolves, ceases to exist, or is otherwise incapable of carrying out its activities in the ordinary course of its business, (3) the firm is actually or effectively shut down by a regulatory agency or is accused of theft or fraud or other serious malfeasance by a regulatory agency, or (4) the fund's investment is in jeopardy of material loss. The Board will be promptly notified of the determination by the Chief Executive Officer.

3.0 INVESTMENT OBJECTIVES

The Board shall develop an investment program, consistent with the Investment Beliefs and General Investment Policies as stipulated in Sections 4.0 and 5.0, respectively, in order to meet the primary goal of ensuring liquidity is available to provide for the required monthly benefit payments in a timely manner. In addition, the following secondary objectives will be considered:

- A. Generate risk-adjusted returns that exceed the Asset Allocation Policy Benchmark (as defined in Section 6.0) on a net-of-fee basis over five-year rolling periods.
- B. Achieve long-term real growth while minimizing the funded status volatility.
- C. Provide a more consistent return stream than a traditional 60% Equity / 40% Fixed Income portfolio as measured by lower portfolio drawdowns over a full market cycle.

4.0 INVESTMENT BELIEFS

The following section summarizes the Board's investment beliefs that have guided it in the development of this Policy document and will guide it in the oversight of the Plan assets.

- Strategic asset allocation is the primary driver of portfolio risk and return.
- SamCERA should have a long-term horizon and not be tempted to deviate from its long-term plan in response to short-term volatility.
- Everything else being equal, simplicity is preferred over complexity.
- For those asset classes evidencing market efficiencies, the manager structure may favor the employment of passive strategies.
- Focus on income and capital appreciation should be balanced and not overly dependent on one or the other.
- Diversification is fundamental.
- There is no single definition of risk. There are various measures of 'risk' that can be used for various purposes.
- The portfolio should be diversified across many risk dimensions/timeframes.

- SamCERA should not pursue investments that will not adequately compensate it for the risks that those investments bring.
- Costs matter.
- Incorporating sustainability criteria into the decision-making process can positively impact long-term risk and reward characteristics of an investment.

5.0 GENERAL INVESTMENT POLICIES

Consistent with the investment beliefs contained in Section 4.0, it is the investment policy of the Board to:

- A. Achieve long-term risk-adjusted returns consistent with its fiduciary duty.
- B. Pursue an investment strategy that reduces the volatility of returns through prudent diversification of the portfolio across a broad selection of distinct asset classes, as provided for in Section 6.0 of this Investment Policy.
- C. Further diversify other risks, including extreme events, liquidity, and leverage by looking beyond traditional asset class definitions by utilizing multiple lenses on portfolio risks.
- D. Adopt an asset allocation target to guide the structure of the investment portfolio, as provided for in Section 6.0, and reevaluate on an annual basis.
- E. Reevaluate the asset-liability study every three to five years.
- F. Delegate to staff the management of existing investment managers, and for those strategies in separately managed accounts and evergreen (or open-end) commingled fund structures, the on-going adjustments to allocations to such managers consistent with the investment policies and investment ranges contained in Section 6.0.
- G. Delegate full discretion, including whether to include environmental, social, and governance factors, if such factors have a direct relationship to the economic and financial value of an investment, when analyzing the financial merits of competing investment choices on behalf of SamCERA, to each investment manager to the extent authorized in their Investment Management Agreement (IMA).
- H. Adopt objectives that encourage investment managers to maximize their performance, within acceptable risk parameters, relative to their individual investment style benchmark.
- I. Refrain from drastically shifting asset class allocations over short time spans, unless it is in the Fund's best interest to do so.
- J. Rebalance the portfolio in accordance with the Rebalancing Policy set forth in Section 7.0.

6.0 ASSET ALLOCATION & PORTFOLIO STRUCTURE

A. Asset Allocation by Performance Driver

In addition to grouping investments into traditional asset classes (Public Equity, Fixed Income, Alternative Assets, Inflation Hedge and Liquidity), SamCERA also groups its investments by the underlying performance drivers within each asset class composite. As part of this process, SamCERA classifies its portfolio into four main drivers of performance listed below.

Growth

The Growth category includes assets in which their primary driver of returns is tied to the general strength of economic output. These assets will generally do well when economic conditions are favorable, but generally struggle in times of economic weakness and recession. Assets classified in the Growth category include Public Equity (consisting of U.S. and International Equity), Private Equity within Alternatives, and Opportunistic Credit within Fixed Income.

Diversifying

Diversifying assets provide protection from equity risk and may be characterized as being more defensive (i.e. may help provide stability when markets fall) or more absolute-return oriented (i.e. performance is not as dependent on the overall strength of equity markets). Assets classified in the Diversifying category include Core Fixed Income and Absolute Return within Alternatives.

Inflation Hedge

Inflation Hedge assets provide additional diversification from equity risk and provide a potential hedge against unexpected inflation. Assets classified in this category include Real Estate, Public Real Assets, and Private Real Assets.

Liquidity

The Liquidity category consists of liquid assets with the primary purposes to satisfy expense obligations in the near-term (e.g. capital calls, management fees, net benefit payments), pre-fund net benefit payments, and meet any unforeseen cash needs. Assets classified in this category include Cash and Cash Equivalents and the Cash Flow-Matched Liquidity account.

Updated Asset Allocation Policy^

Performance Driver View	Target Allocation	Rebalancing Range	Traditional Asset Class View *
Growth	57%	±3%	
Public Equity	41%	±3%	Public Equity
Private Equity **	6%	±2%	Alternatives
Opportunistic Credit	10%	±2%	Fixed Income
Diversifying	23.5%	±2%	
Core Fixed Income	16.5%	±2%	Fixed Income
Absolute Return	7%	±2%	Alternatives
Inflation Hedge	17%	±2%	
Real Estate	9%	±2%	Inflation Hedge
Private Real Assets **	4%	±2%	Inflation Hedge
Public Real Assets	4%	±2%	Inflation Hedge
Liquidity	2.5%	NA	
Cash & Cash-Equivalents	1%	±2%	Liquidity
Cash Flow-Matched			
Liquidity ***	1.5%	NA	Liquidity

^The updated asset allocation policy was approved in the February 2022 board meeting. The long-term strategic asset allocation policy is expected to include 1% increases to both Private Equity and Private Real Assets (funded from public equity and core fixed income, respectively), which will take multiple quarters/years to reach the target.

* Traditional Asset Allocation: 41% Public Equity, 26.5% Fixed Income, 13% Alternatives, 17% Inflation Hedge, and 2.5% Liquidity.

** Recognizing the illiquidity of the asset class, rebalancing will be considered over six- to twelve-month periods.

B. Growth Asset Allocation

Growth assets shall be allocated to managers within the following asset/sub-asset classes:

GROWTH ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Public Equity	41%	±3%
Large Capitalization Domestic	20.0%	±2%

Passive Core		9.0%	±2%
Active Core		3.0%	±2%
Active Low-Volatility Core		8.0%	±2%
Small Capitalization Domestic	2.0%		±2%
Active Core		2.0%	±2%
International	19.0%		±2%
Passive Core		6.4%	±2%
Growth		6.3%	±2%
Value		6.3%	±2%
Private Equity	6%		±2%
Opportunistic Credit	10%		±2%
Total Growth Assets	57%		±3%

C. Diversifying Asset Allocation

Diversifying assets shall be allocated to managers within the following asset/sub-asset classes:

DIVERSIFYING ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Core Fixed Income	16.5%	±2%
Core	12.5%	±2%
Core Securitized	4.0%	±2%
Absolute Return	7%	±2%
TOTAL DIVERSIFYING ASSETS	23.5%	±2%

D. Inflation Hedge Asset Allocation

Inflation Hedge assets shall be allocated as follows:

INFLATION HEDGE ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Real Estate	9.0%	±2%
Private Real Assets	4.0%	±2%
Public Real Assets	4.0%	±2%
TOTAL INFLATION HEDGE ASSETS	17.0%	±2%

E. Liquidity Asset Allocation

Liquidity assets shall be allocated as follows:

LIQUIDITY ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Cash and Cash Equivalentents	1%	±2%
Cash Flow-Matched Liquidity	1.5%	NA
TOTAL LIQUIDITY	2.5%	NA

F. Asset Allocation Policy Benchmark

The Asset Allocation Policy Benchmark defined below is derived by assigning a passive benchmark to each of the sub-asset classes referenced in Sections 6.0 (A) through 6.0 (E) and weighting each by the Target Allocation. The performance of the Asset Allocation Policy Benchmark is computed by the Plan's investment consultant.

Benchmark	Asset Allocation Policy Benchmark
Growth Assets	57%
Russell 3000 Index	22%
MSCI ACWI x US IMI Index Hedged*	19%
Russell 3000 +3% (One Quarter Lagged)	6%
BC BA Intermediate High Yield Index	10%
Diversifying Assets	23.5%
BC Aggregate Index	16.5%
SOFR + 4%	7%
Inflation Hedge	17%
NCREIF ODCE	9%
Custom Private Real Asset Index**	4%
Custom Public Real Asset Index***	4%
Liquidity	2.5%
91 Day T-Bills	1%
BC 1-3 Year Credit Index	1.5%

* 50% hedge ratio starting 10/1/19.

**Comprised of 75% S&P Global Infrastructure Index and 25% S&P Global LargeMidCap Commodity and Resources Index + 2% (One Quarter Lagged)

***Comprised of 25% Bloomberg Roll Select Commodity Index, 25% Bloomberg US TIPS Index, 25% S&P Global LargeMidCap Commodity and Resources Index, and 25% S&P Global Infrastructure Index.

7.0 REBALANCING POLICY

- A. The Chief Investment Officer (CIO) shall rebalance the portfolio as needed in conformance with the asset allocation tactical ranges set forth in Section 6.0.
- B. The potential need to rebalance will be continuously monitored, and will be subject to deviations within the established rebalance ranges specified in Section 6.0.
- C. The CIO will have discretion to rebalance to Target or to some other allocation, as long as it is within policy ranges.
- D. Cash flows will be used first to rebalance, and to the extent possible, exchange-traded derivatives will be used to rebalance in a cost-effective manner.
- E. All rebalancing activity shall be reported to the Board at the next scheduled meeting.

8.0 GENERAL MANAGER INVESTMENT PERFORMANCE POLICIES

The responsibility for securities selection, purchase and sale decisions, and proxy voting (where appropriate) is delegated to the external investment managers. The individual investment guideline parameters (including diversification constraints, concentration limits, asset type exclusions, etc.) and performance objectives for each investment manager will be established within the IMA or other applicable legal agreement(s) with each firm.

The Board expects to measure investment performance quarterly and will generally follow prudent time horizons when evaluating short term, intermediate term, and long term performance of its investment managers. Generally, the Board defines underperformance as: Cumulative annualized performance (net of fees) over a three-year period below a broad market-based benchmark return times 0.9, or five year return (net of fees) below the broad market based benchmark return.

Performance will also be evaluated in light of the manager's stated style and discipline.

9.0 GROWTH ASSETS INVESTMENT POLICIES

GROWTH ASSETS OVERVIEW:

Assets classified in the Growth category include Public Equity (consisting of U.S. and International Equity), Private Equity within Alternatives, and Opportunistic Credit within Fixed Income.

Public Equity: Public equity assets include funds shares/stock of a company through a public market. SamCERA invests utilizing both passive approaches (meant to track the performance and characteristics of major market indices, like the Russell 1000 Index and MSCI ACWI ex US IMI Index), and via active approaches that are meant to outperform the major market benchmarks. Public Equity is expected to produce returns higher than that provided from Fixed Income but at potentially higher levels of volatility. Exposure to this asset class will provide return streams generally correlated to that of general economic growth. There are two primary components to the Public Equity category: 1) Domestic Equity, and 2) International Equity.

1) Domestic Equity: SamCERA further breaks out its U.S. public equity holdings into two sub-composites: 1) U.S. Large Capitalization Domestic, which is comprised of U.S. companies valued generally over \$10 billion, and 2) U.S. Small Capitalization Domestic, which is comprised of U.S. companies valued generally under \$2 billion.

For the domestic equity program, the majority of the tracking error will come from stock selection via active management as the overall manager structure for domestic equities will not possess any significant biases in terms of investment style. The Domestic Equity composite will consist of two sub-composites: 1) Large-Capitalization Equity, and 2) Small-Capitalization Equity. Large Capitalization Equity will consist of four Core strategies: one passive, one low-tracking error active, and two low-volatility active strategies. Small-Capitalization Equity will consist of an actively-managed Core strategy.

2) International Equity: International Equity consists of developed (public companies domiciled in developed market countries such as Germany, France, UK, Japan, etc.) and emerging markets (public companies domiciled in emerging market countries such as China, Brazil, Mexico, Russia, etc.)

International Equity will consist of three strategies: 1) a passive Core component, 2) Active Value, and 3) Active Growth. All three strategies will have exposure to both developed and emerging markets.

Private Equity: Private Equity are funds, typically illiquid investments, that directly invest in private companies, or that engage in buyouts of public companies. Private Equity is expected to be one of the highest returning asset classes over the long-term. Its role in the portfolio is to provide high return potential in order to maximize the ability of the Fund to meet its performance objectives.

The Private Equity program will contain manager allocations to three primary sub-categories: 1) Buyouts, 2) Venture Capital, and 3) Debt/Special Situations. These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation targets and target ranges are summarized below:

Sub-Category	Target Allocation	Range
Buyouts	60%	+/- 20%
Venture Capital	20%	0 – 30%

Debt/Special Situations

20%

+/- 10%

The responsibility for private equity sourcing is delegated to SamCERA's investment consultant. The private equity portfolio shall adhere to the following investment guidelines covering diversification and quality:

(a) Diversification: Subject to availability of sufficient attractive opportunities, the portfolio is to be diversified over multiple years by the following:

Vintage Year: It is expected that roughly equal amounts of new funding will be committed in each calendar year, with deviations permitted to accommodate market opportunities and to facilitate initial entry into the asset class.

Investment Manager: The reported value plus unfunded commitments of any one investment manager (excluding fund of funds) up to no more than twenty (20) percent of the reported value plus unfunded commitments of the total private equity portfolio.

Geography: Through commitments to funds located and/or investing both in and outside of the United States.

Industry: It is expected that the private equity portfolio will be generally diversified by sector/industry.

(b) **Quality:** All commitments to private equity by SamCERA must be of institutional quality as evidenced by other tax-exempt institutional investors' commitments to the investment manager's prior or current funds.

Fund managers are expected to comply with SamCERA's private placement disclosure rules.

Opportunistic Credit: Fixed income assets are debt investments that provide a return in periodic payments in debt instruments issued by governments and corporations. Opportunistic Credit is expected to be the highest-risk category within fixed income, and will be used to enhance return by investing via public and private investments in non-traditional sectors of the fixed income market, including emerging market debt, high yield bonds, direct lending, bank loans, convertible bonds, and CMBS/ABS securities. This sub-category will be exposed to general economic risk factors, similar to public equities, but may provide a steadier stream of returns than public equity asset classes.

GROWTH ASSETS PERFORMANCE OBJECTIVE:

The performance objective of the Growth Assets Composite is to outperform, on a net-of-fee basis, a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for four composite sub-asset classes (which results in the following weights: 39% Russell 3000, 33% MSCI ACWI ex US IMI Index hedged*, 11% Russell 3000 Index + 3% (one quarter lagged), and 17% Barclays BA Intermediate High Yield Index).

The Public Equity composite has a maximum tracking error of 3% to its composite benchmark.

GROWTH ASSETS RISK EXPOSURES AND RISK MITIGATION:

Public Equity: The primary risk factors for Public Equity are correlation to general economic growth, high volatility in returns, and potential illiquidity in smaller-capitalization and certain emerging market stocks. SamCERA will control for these risk factors by diversifying the plan across assets that exhibit limited correlation to economic growth. In addition, SamCERA’s rebalancing ranges for small-cap equity will help ensure adequate diversification within the equity portion of the SamCERA portfolio.

Private Equity: Private Equity, while expected to provide attractive returns, also have a number of risks. Chief among these are illiquidity risk and leverage. By their nature Private Equity is generally illiquid in that the life of these fund investments can be as long as ten to twelve years. SamCERA recognizes that this illiquidity is a necessary characteristic (and source of return premium) for these asset classes and as such will endeavor to take this illiquidity into account at the total plan level when addressing total plan liquidity needs during strategic planning asset liability studies. Leverage can be employed by private equity managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through partnership selection and portfolio construction and diversification.

Opportunistic Credit: Opportunistic Credit is generally the highest risk, lowest liquidity sub-category within Fixed Income. SamCERA will take into account unique risk factors when constructing the fixed income portfolio to help ensure that the overall risk profile of the total portfolio is consistent with expectations. Opportunistic Credit typically includes the risk factors contained in Core, but depending on the mandate, with higher emphasis to credit default risks, emerging markets sovereign/corporate default risk, potential leverage, and potential illiquidity. It is expected that strategies within Opportunistic Credit will have a maximum leverage ratio of 2.5x at the fund level (i.e. certain holdings may be levered higher than the 2.5x limit, as long as the fund (or strategy) has a maximum 2.5x leverage). Strategies employing higher leverage will be relegated to the debt/special situations category of Private Equity (see above).

GROWTH ASSET CLASSES	BENCHMARK INDEX
Growth Assets	Customized Benchmark Portfolio
Public Equity	
Domestic Equity	Russell 3000
Large Capitalization Domestic Equity	Russell 1000
Passive Core	Russell 1000
Active Core	Russell 1000
Active Low Volatility Core	Russell 1000
Small Capitalization Domestic Equity	Russell 2000

Active Core	Russell 2000
International Equity	MSCI All Country World ex US IMI hedged*
International Passive Core	MSCI ACWI ex US IMI
International Growth	MSCI ACWI Free ex US Growth
International Value	MSCI ACWI Free ex US Value
Private Equity	Russell 3000 + 3% (One Quarter Lagged)
Opportunistic Credit	Barclays Capital BA Intermediate High Yield Index

* 50% hedge ratio starting 10/1/19.

10.0 LIQUIDITY INVESTMENT POLICIES

LIQUIDITY ASSETS OVERVIEW:

Assets classified in the Liquidity category include 1) Cash and Cash Equivalents, and 2) Cash Flow-Matched Liquidity.

Cash and Cash Equivalents investments will be used for satisfying miscellaneous liquidity needs, including capital calls, expenses, and other unforeseen needs. Cash Flow-Matched Liquidity consists mainly of investment grade, shorter-term government and credit securities with a liquidity profile that matches the near three-year benefit payment schedule to satisfy benefit payment obligations.

LIQUIDITY ASSETS PERFORMANCE OBJECTIVE:

The performance objective of the Liquidity Assets Composite is to meet the plan's liquidity needs.

LIQUIDITY ASSETS RISK EXPOSURES AND RISK MITIGATION:

The primary risk in the Cash Flow-Matched Liquidity component is credit risk. The portfolio is structured to be primarily a buy and maintain strategy using cash flows from coupons and principal maturities to line up with benefit payments. The biggest risk to the strategy is risk of default.

LIQUIDITY ASSET CLASSES	BENCHMARK INDEX
LIQUIDITY ASSETS	CUSTOMIZED BENCHMARK PORTFOLIO
Liquidity	
Cash and Cash Equivalents	91 Day T-Bills
Cash Flow-Matched Liquidity	BC 1-3 Year Credit Index

11.0 DIVERSIFYING ASSETS INVESTMENT POLICIES

DIVERSIFYING ASSETS OVERVIEW:

Assets classified in the Diversifying category include Core Fixed Income, and Absolute Return within Alternatives.

Fixed Income: Fixed income assets are debt investments that provide a return in periodic payments in debt instruments issued by governments and corporations. Core Fixed Income is generally the lowest risk and highest liquidity sub-category within Fixed Income. It is expected to provide a lower, but steadier stream of returns than public equity asset classes, and also to reduce the risk of the overall portfolio as bonds have lower risk than most other major asset classes. That said, there are a number of sub-categories within Core Fixed Income, which exhibit different risk/return trade-offs and hold slightly different tasks in terms of role in the portfolio, but have the common goal of dampening portfolio volatility. Core Fixed Income is broken out into two subcategories:

- 1) Core, and 2) Core Securitized,

Core: Core is generally considered a lower-risk fixed income category, and one that invests in primarily liquid, investment grade U.S. Dollar denominated bonds. It also generally consists of sectors that comprise the Bloomberg Barclays Aggregate Bond Index. Core's role in the portfolio is to dampen portfolio volatility and protect the portfolio in times of economic duress.

Core Securitized: Core Securitized is a low/medium-risk fixed income sub-category, and contains securitized sectors, including mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities. Core Securitized's role in the portfolio, in addition to dampening portfolio volatility, is to provide higher yield and slightly lower interest rate sensitivity as compared to the Bloomberg Barclays Aggregate Bond Index.

Absolute Return: The Absolute Return category will focus on funds that have an absolute return orientation and are not expected to contain significant levels of public market beta over the long term. This category is expected to provide a diversifying return stream to the total plan that is not correlated to the public markets. Suitable investment strategies include multi-strategy funds, alternative risk premia funds, GTAA or global macro funds, and CTA/Managed Futures trend following funds. It is expected that this category will be implemented via commingled funds and not in separate accounts so that SamCERA's investment in any single fund would be 'ring-fenced' (i.e. any potential losses would be limited to the investment in the single fund, and not extend to the total plan assets).

DIVERSIFYING ASSETS PERFORMANCE OBJECTIVE:

The performance objective of the Diversifying Assets Composite is to outperform, on a net-of-fee-basis, a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for two composite sub-asset classes (which results in the following weights: 70% Bloomberg Barclays Aggregate Index and 30% to SOFR + 4. The Core

Fixed Income sub-asset class has a maximum tracking error of 3% to its composite benchmark.

DIVERSIFYING ASSETS RISK EXPOSURES AND RISK MITIGATION:

The Core Fixed Income sub-sectors have different risk factor exposures. SamCERA will take into account these unique risk factors when constructing the Core Fixed Income portfolio to help ensure that the overall risk profile of the total portfolio is consistent with expectations.

Core: The primary risk factors are sensitivity to changes in interest rates, changes in mortgage prepayment speeds, and investment-grade corporate and sovereign credit risk.

Core Securitized: The primary risk factors are complexity, credit and prepayment risk across various securitized sectors (e.g. ABS, CMBS, and RMBS) with interest rate sensitivity being a relatively lower risk factor as compared to assets within Core (above). The focus is on higher quality securitized investments to minimize credit risk.

Absolute Return: Absolute Return, while expected to provide attractive returns that are less correlated to the returns provided by public asset classes, also has a number of risks. Chief among these is leverage. Leverage can be employed by absolute return managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through fund selection as well as portfolio construction and diversification.

DIVERSIFYING ASSET CLASSES	BENCHMARK INDEX
DIVERSIFYING ASSETS	CUSTOMIZED BENCHMARK PORTFOLIO
Core Fixed Income	
Core/Core Securitized	Bloomberg Barclays Aggregate Bond Index
Absolute Return	SOFR + 4%

12.0 INFLATION HEDGE INVESTMENT POLICIES

INFLATION HEDGE OVERVIEW:

The Inflation Hedge category combines inflation-sensitive assets under a single asset class to simplify the asset allocation process and enable better performance monitoring of the plan’s overall, direct exposure to assets with inflation-hedging properties. The plan also has indirect exposure to inflation-sensitive assets through other asset classes, such as Public Equity, Fixed Income, and Alternatives. When determining the appropriate allocation of inflation protection, both direct and indirect exposures to inflation-sensitive assets across the plan are taken into account. The Inflation Hedge category is expected to provide a high degree of inflation beta, attractive risk-adjusted returns and diversification benefits to the overall plan.

Inflation Hedge is broken out into three subcategories:

- 1) Real Estate, 2) Private Real Assets, and 3) Public Real Assets

Real Estate: Real Estate is expected to provide a return and risk profile between that provided by fixed income and equities. Real estate will be composed of three sub-categories: 1) Core, 2) Value-Add, and 3) Debt. The majority of exposure will be in Core real estate assets of the highest quality located in the best locations in North America, Europe, and Asia. Value-Add properties are expected to provide somewhat higher return potential along with somewhat higher risk than Core assets. Real Estate Debt strategies range from lower risk senior loans on stable properties to higher risk/return mezzanine and construction loans. SamCERA utilizes Debt strategies for risk mitigation and to enhance the portfolio's yield.

Income will be a large part of the return stream generated from the Real Estate portfolio. The role of this portfolio is to provide diversification benefits, some protection against unanticipated inflation, and a steady income stream. Higher risk Opportunistic/Development real estate strategies will reside in the Private Real Assets composite due to their higher-risk, longer time horizon, and the less liquid nature of the investment set compared to Core, Value-Add, and Debt strategies. The sub-allocation targets and target ranges are summarized below:

Real Estate Strategy	Target Allocation	Range
Core Real Estate	60%	50 -70%
Value-Add Real Estate	20%	0 - 30%
Real Estate Debt	20%	0 - 30%

Private Real Assets: Private Real Assets are expected to provide attractive total and risk-adjusted returns that exhibit low correlations with traditional asset classes but positive correlation with inflation. Private Real Assets will be composed of two sub-categories: 1) Infrastructure (Core and Value-Add, Secondary, Midstream Energy, and Power), and 2) Natural Resources (Energy Exploration & Production, Mining, Farmland, Timber, and Water). These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation targets and target ranges are summarized below:

Sub-Category	Target Allocation	Range
Infrastructure	75%	+/- 25%
Natural Resources	25%	+/- 25%

Public Real Assets: Similar to Private Real Assets, Public Real Assets is expected to provide positive correlation to inflation, but with potentially higher beta to public equity markets. Public Real Assets may be used to fund new strategies in Private Real Assets and will be composed of four sub-categories: 1) Commodities, 2) U.S. TIPS, 3) Listed Global Natural

Resources, and 4) Listed Global Infrastructure. All four sub-categories are meant to provide some protection from higher levels of unanticipated inflation while providing a diversifying return stream from that of public markets.

The sub-allocation targets and target ranges are summarized below:

Sub-Category	Target Allocation	Range
Commodities	25%	0 - 50%
U.S. TIPS	25%	0 - 50%
Listed Global Natural Resources	25%	0 – 50%
Listed Global Infrastructure	25%	0 – 50%

INFLATION HEDGE PERFORMANCE OBJECTIVE:

The performance objective of the Inflation Hedge Composite is to outperform, on a net-of-fee basis, a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for three composite sub-asset classes (which results in the following weights: 53% NCREIF ODCE, 23.5% Custom Public Real Asset Index, and 23.5% Custom Private Real Asset Index).

INFLATION HEDGE RISK EXPOSURES AND RISK MITIGATION:

Real Estate: Many real estate funds utilize leverage to enhance returns. Lack of liquidity is also a concern, but less so for core real estate and senior debt investments. Value-add, mezzanine debt, and opportunistic strategies also tend to have more exposure to general economic conditions than core properties.

These risks will be mitigated in a number of ways. First, the primary emphasis of SamCERA’s real estate program will be focused on Core properties, with a secondary emphasis to Value-Add properties and Debt strategies. Opportunistic-oriented strategies will reside in our Private Real Assets portfolio due to their higher risk profile. In addition, SamCERA’s core real estate fund has a leverage limit of 35%, and SamCERA also sits on the Fund’s Advisory Committee.

Private Real Assets: By their nature, Private Real Assets are generally illiquid in that the life of these fund investments can be as long as ten to twelve years. SamCERA recognizes that this illiquidity is a necessary characteristic (and source of return premium) for these asset classes and as such will endeavor to take this illiquidity into account at the total plan level when addressing total plan liquidity needs during strategic planning asset liability studies. Leverage can be employed by alternative managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through partnership selection and portfolio construction and diversification.

INFLATION HEDGE ASSET CLASSES	BENCHMARK INDEX
INFLATION HEDGE ASSETS	CUSTOMIZED BENCHMARK PORTFOLIO
REAL ESTATE	NCREIF ODCE
PRIVATE REAL ASSETS	CUSTOM PRIVATE REAL ASSET INDEX
PUBLIC REAL ASSETS	CUSTOM PUBLIC REAL ASSET INDEX

13.0 QUARTERLY INVESTMENT PERFORMANCE REPORTING

The quarterly investment performance reports will be designed as a risk management tool and will afford the Board the opportunity to timely identify potential risk issues within the portfolio and to assess the relative performance of the investment managers.

The report will provide sufficient information to assess the following:

- A. Total and active risk assessment at total fund, composite and individual manager level.
- B. Performance attribution at total fund, composite and individual manager level.
- C. Adherence to the investment style for which the manager is retained, as measured by the quarterly risk adjusted active return (deviation of the manager's performance from the specified performance benchmark) over the last quarter, six months, one-, three-, and five-year periods, including updates from previous quarterly reports regarding adherence to the style for which the firm was retained;
- D. Ability of the active manager to demonstrate consistently positive information ratios, including updates from previous quarterly reports regarding the firm's information ratios;
- E. Quarterly, annual, three- and five-year total time-weighted returns relative to the specified performance benchmark and manager style peer group.

14.0 ANNUAL INVESTMENT STRATEGY

Annually, the Board/Staff shall convene an investment strategy session (typically as part of the annual retreat) with the objective of addressing strategic investment policy issues and to deliberate any policies that could benefit the performance of the retirement Fund. The agenda for these sessions should include (but is not limited to) the following information:

- (a) Compare the Fund's actual investment performance for the prior fiscal year against the investment objectives set forth in Section 3.0 and evaluate the relative success or failure of the prior year's performance; specific commentary to this objective shall be an integral part of the performance measurement process.
- (b) Compare each investment manager's investment performance for the prior fiscal year against the relevant benchmarks and peer groups and evaluate the relative success or failure of their prior year's performance.

- (c) Evaluate and review the total Fund performance attribution and contribution to return at the composite level to isolate performance drivers.
- (d) Evaluate and review the various risk exposures of the plan versus appropriate policy limits and on-going trends through time.
- (e) Evaluate and review the portfolio rebalancing activity for the year.
- (f) Evaluate the Fund's liquidity requirements for the current and next fiscal years.
- (g) Compare each investment manager's fees to their respective peer universe.

15.0 PROXY VOTING

The Investment Managers are delegated authority for the voting of proxies, subject to the following guidelines:

- A. All proxies shall be voted in the best interest of the shareholders, but in no instance shall the economic interests of the retirement Fund be subordinated to any other interest.
- B. Investment managers shall provide staff with quarterly reports on all proxies cast, in a mutually acceptable format.

16.0 SECURITIES LENDING

- A. Pursuant to Section 2.0 (A), the Custodian shall manage a securities lending program to enhance income in accordance with the terms and conditions set forth in a mutually acceptable securities lending agreement and guaranty.
- B. The Board reserves exclusive authority to approve the securities lending agreement prior to the commencement of securities lending activity.
- C. Unless otherwise specified in the agreement(s):
 - (i) All loans shall be marked-to-market daily.
 - (ii) Collateral on each loan shall be maintained daily at 102% of loan value for domestic securities and 105% of loan value for international securities.
 - (iii) Acceptable collateral shall be in the form of cash or obligations issued or guaranteed by the U.S. Government, or its agencies or instrumentalities.
 - (iv) Borrower must have a long-term credit rating of either "A" from S&P or "A2" from Moody's. For split rated borrowers, the higher rating shall prevail if not the same rating, with the lower rating having a minimum long-term credit rating of either "A-" from S&P or "A3" from Moody's.
 - (v) The maximum allowable amount of assets on loan to any single borrower shall not be greater than \$3 million.
 - (vi) The maximum total amount of program assets on loan shall not be greater than \$10 million.

D. The Chief Investment Officer shall be responsible for monitoring the securities lending program and recommending changes as appropriate.

APPENDIX A

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Investment Committee Charter as Amended
RESOLUTION 99-00-09

This Resolution, adopted by the Board of Retirement (Board) of the San Mateo County Employees' Retirement Association (SamCERA), sets forth the Charter for the Board's Investment Committee.

WHEREAS, Article XVI, §17 of the Constitution of the State of California as amended in 1992 to read, in pertinent part, as follows:

Notwithstanding any other provisions of law or this Constitution to the contrary, the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system, subject to all of the following:

(a) The retirement board ... shall have the sole and exclusive fiduciary responsibility over the assets of the ... system. The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets ... are trust funds and shall be held for the exclusive purposes of providing benefits to participants ... and their beneficiaries and defraying reasonable expenses of administering the system.

(b) The members of the retirement board ... shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.

(c) The members of the retirement board ... shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(d) The members of the retirement board...shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.

(e) The retirement board..., consistent with the exclusive fiduciary responsibilities vested in it, shall have the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the... system. &

WHEREAS, California Government Code §31595 states, as follows:

The Board has exclusive control of the investment of the employees retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the Board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board...; &

WHEREAS, *The Board of Retirement*, wishes to exercise these powers as follows:

EXERCISE OF POWERS: *The Board shall exercise its investment, management and administrative authority and responsibility through the approval of motions recorded in public meeting &*

WHEREAS, the Board has adopted SamCERA's Investment Policy and amendments thereto to direct the investments of the Retirement Fund and now wishes to establish an Investment Committee to guide the future evolution of SamCERA's Investment Policy. Therefore, be it

RESOLVED that the Board hereby establishes a standing Investment Committee to direct the Board in its ongoing evaluation of SamCERA's Investment Policy, including but not limited to

- 1.0 CONDUCT ASSET ALLOCATION STUDIES
 - 1.1 Determine the characteristics of the Policy's liabilities in regards to the nature of Fund's cash flows
- 2.0 DEVELOP ASSET MIX ALTERNATIVES TO MEET LIABILITY REQUIREMENTS
 - 2.1 Establish allowable asset classes
 - 2.2 Determine asset class benchmarks
 - 2.3 Develop risk, return & correlation projections
- 3.0 EVALUATE EFFICIENT FRONTIER ALTERNATIVES
 - 3.1 Define risk, return and correlation
 - 3.2 Evaluate mean variance optimization
 - 3.3 Determine low risk alternatives and high risk alternatives
 - 3.4 Scale portfolios between two extremes
 - 3.5 Evaluate optimized efficient frontier
 - 3.6 Integrate optimized efficient frontier with asset-liability relationships
- 4.0 ANALYZE BOARD RISK TOLERANCE

- 4.1 Assess risk/reward trade-offs
- 4.2 Assess contribution rate sensitivity & variability
- 4.3 Assess ability to exceed actuarial interest rate
- 4.4 Assess comfort level with characteristics of specific asset mixes
- 5.0 RECOMMEND PREFERRED ASSET MIX
 - 5.1 Evaluate differences from current target
 - 5.2 Evaluate Board's willingness to implement new target asset mix
 - 5.3 Evaluate appropriateness of variance from peer public fund norms
- 6.0 RECOMMEND AMENDMENTS TO SAMCERA'S INVESTMENT POLICY
 - 6.1 Adjust target asset mix
 - 6.2 Introduce new benchmarks
 - 6.3 Include required asset class/portfolio modifications
- 7.0 RECOMMEND REVISIONS TO MANAGER STRUCTURE
 - 7.1 Adjust manager/style line-up as necessary
 - 7.2 Introduce new managers/asset classes
 - 7.3 Terminate managers/asset classes as necessary
 - 7.4 Establish active & passive allocation targets as appropriate
- 8.0 IMPLEMENT CHANGES TO MANAGER STRUCTURE
 - 8.1 Recommend time-line & approach to revise structure
 - 8.2 Conduct manager evaluations
 - 8.3 Establish portfolio and asset allocation rebalancing procedures
- 9.0 EVALUATE MANAGER PERFORMANCE
 - 9.1 Monitor results of managers both gross and net of investment management fees
 - 9.2 Assess consistency of portfolio decision making
 - 9.3 Evaluate organizational, ownership, personnel & other firm developments
- 10.0 RECOMMEND AND EVALUATE INVESTMENT CONSULTANT STRUCTURE & PERFORMANCE
 - 10.1 Recommend for Board determination the retention and termination of Investment Consultant(s) as necessary
 - 10.2 Define and assign special projects as warranted
 - 10.3 Monitor performance of Investment Consultant(s)
 - 10.4 Conduct evaluations of Investment Consultant(s)
 - 10.5 Evaluate organizational, ownership, personnel and other firm developments
- 11.0 INITIATE & EVALUATE SPECIAL INVESTMENT STUDIES
- 12.0 UNDERTAKE OTHER WORK ASSIGNED TO IT BY THE BOARD Be it further

RESOLVED that the Chair may appoint the members of the Investment Committee per Regulation 2.5.1. Be it further

RESOLVED that the Chief Executive Officer is hereby instructed to provide the Committee with access to all appropriate and available resources and records, so long as such access is consistent with sound fiduciary practices. Be it further

RESOLVED that the Chief Executive Officer is hereby authorized to provide compensation of \$100 per meeting for not more than two meetings per month to the members of the Committee eligible for such compensation, per GC§31521. Be it further

RESOLVED that the Board hereby reserves to itself sole authority to accept, modify, or reject the recommendations, which the Investment Committee may present from time to time pursuant to the provisions of this Resolution, per Regulation 2.3.

ADOPTED by unanimous vote, January 25, 2000

AMMENDED by unanimous vote, May 22, 2001

AMMENDED by unanimous vote, October 25, 2004

APPENDIX B

Derivatives Investment Policy

1) Introduction

There is a genuine need to allow SamCERA's separate account managers to evaluate new securities and introduce them into their portfolios, given that the investment process followed by the investment managers complies with the subsequent provisions of this policy statement. This policy statement allows SamCERA's separate account Managers to exercise reasonable investment freedom, while minimizing the possibility of adverse implications for the Board.

2) Derivative Definition

A 'derivative' commonly is defined as a financial instrument whose performance is derived, at least in part, from the performance of an underlying asset (such as a security or an index of securities).

3) Types of Securities Included or Excluded

Since the derivative sector of the market is likely to experience considerable change, provisions must be made for the general characteristics of a derivative security, its evaluation and monitoring. Therefore, it is most appropriate to not attempt to definitively list all of the derivative securities that are covered by this policy. Instead, what will be explicitly stated is the investment process that governs derivative investments and the evaluation and monitoring requirements of this policy.

4) Approach to Policy

An approach has been developed which states allowable derivative investments, limited allocation derivative investments and restricted derivative investments.

Derivative securities not specified in the above three groups of securities must be evaluated in accordance with the following section entitled Derivative Investment Process. If the security meets these provisions and the spirit of these policies, the manager may establish a prudent position in the instrument. However, the manager must be able to demonstrate the appropriateness of such an investment in light of SamCERA's guidelines.

5) Counter-Party Evaluation

When entering into a non-exchange traded derivative investment, the investment manager must fully evaluate the other side of the derivative transaction—the counter-parties to the trade. Due to the possibility of counter-party default, SamCERA's investment managers must evaluate the risks associated with the counter-party as if an investment were being made in the traditional securities issued by the counter-party.

At a minimum, the investment manager must evaluate the counter-party's following criteria:

- a) Corporate earnings stream
- b) Corporate asset quality
- c) Capitalization
- d) Corporate liquidity
- e) Moody's and Standard & Poor's debt ratings
- f) Other fundamental investment and risk characteristics

For those counter-parties that are broker/dealers, they must:

- a) Have investment grade (Moody's and S&P rated) debt
- b) Be registered with the SEC
- c) Have significant net capital to protect against potential adverse market circumstances

For those counter-parties that are financial institutions (banks), they must have:

- a) Investment grade (Moody's and S&P rated) debt
- b) Total assets in excess of \$1 billion
- c) Significant net capital to protect against potential adverse market circumstances

The investment manager must monitor individual investment and total portfolio exposure to counter-parties. Individual counter-party exposure must be well diversified and not concentrated in a small number of organizations.

6) Purposes for Derivatives

The acceptable investment purposes for the use of derivatives are as follows:

- a. Appropriate to use futures, options and forward currency contracts to assist investment managers in mitigating portfolio risk.
- b. Useful substitute for an existing, traditional investment. In certain circumstances it may be cheaper, quicker or easier to invest in a derivative instrument or security rather than transacting in the cash or traditional security market.
- c. Provides investment value to the portfolio, while being consistent with SamCERA's overall and specific investment policies.
- d. Obtains investment exposure that is appropriate with the manager's investment strategy and SamCERA's investment guidelines, but could not be made through traditional investment securities.

Given that one or more of these investment purposes are clearly met, it is the responsibility of the investment manager to explain and demonstrate how derivative investments impact portfolio risk and the context of the investment within the overall portfolio.

Any other derivative investment purpose is not allowed. Derivatives may not be introduced into the portfolio to create economic leverage or to create investment exposures that are otherwise excluded by SamCERA's Investment Policy. However, if a manager develops an investment purpose other than those listed above which he/she feels is legitimate and consistent with the spirit of SamCERA's guidelines, this purpose should be proposed in writing to the Board.

7) Investment Restrictions and Derivatives Policy

For the purpose of these guidelines, convertible debt, traditional zero coupon bonds, mortgage pass-through securities and asset-backed securities are not viewed as derivatives. Based upon the factors enumerated in the above Section 4 entitled Approach to Policy, the following guidelines have been established:

Allowable derivative investments

- a. Stable and well-structured mortgage CMO's (Collateralized Mortgage Obligations)
- b. Financial futures (if Exchange Traded)
- c. Currency forward contracts and currency options (Exchange and OTC traded)
- d. Interest rate swaps

Derivative investments with allocation limits

- a. Interest only mortgage CMO's
- b. Principal only mortgage CMO's
- c. Options (if Exchange Traded)
- d. Caps and floors as they apply to the above stated allowable derivative investments
- e. Credit Default Swaps (CDS)

Derivative investments with allocation limits, as listed above, may not represent more than 5% of the individual portfolio manager's assets (based on market value) managed for SamCERA. At the same time, derivative investments with allocation limits in aggregate may not expose the individual manager's portfolio to losses in excess of 5% of the manager's total assets managed for SamCERA. In addition, the use of options, caps and floors, and CDS may be used only for defensive investment purposes.

Managers investing in the above-defined limited allocation derivative instruments should ensure that portfolio exposure is maintained within the stated constraints, and communicate the assumptions and model used to estimate VAR (Value at Risk) and/or other reasonable risk measurement procedures annually to the Boards.

Restricted derivative investments

- a. Inverse floating rate notes and bonds
- b. Structured notes

Restricted derivatives cannot be held in SamCERA's separate account portfolios at any time.

8) Risk Analysis and Monitoring of Derivatives

For those securities that are classified as derivative investments with allocation limits, the investment managers are required to test and measure derivative investment sensitivities to changes in key risk factors. These risk factors include extreme changes in interest rates, volatility, liquidity, credit quality, and cash market prices.

These risk factors will be assessed prior to initial investment and on a quarterly basis. Results of such risk testing on derivative investments with allocation limits will be supplied to SamCERA on an annual basis (December 31). If the investment manager identifies additional risks that should be evaluated, these other risk factors should be added to the list and handled in a manner consistent with the previously stated approach.

9) Derivative Investment Process

Investment managers are expected to cover the following issues before purchasing a derivative instrument or security, whether specifically stated as an allowable derivative investment, a derivative investment with

allocation limits, or a derivative not specifically discussed in the Investment Restrictions and Derivatives Policy section above:

- a. Determine if the purpose for investing in a derivative security is consistent with one or more of the purposes in the previous section entitled Purposes for Derivatives.
- b. Determine where the security fits into the classification system, if at all, stated in the Investment Restrictions and Derivatives Policy.
- c. Evaluate, at a minimum, the counter-party risk and the risks stated in the Risk Analysis and Monitoring section of the derivatives policy.
- d. Evaluate the derivative in a comparably thorough manner as the firm would any other traditional investment opportunity.

10) Reporting Requirements

It is the responsibility of SamCERA's investment managers to certify and demonstrate that their portfolios are in compliance with SamCERA's overall guidelines as well as those that apply to derivative investments. On an annual basis (December 31), SamCERA's investment managers will provide the following minimum monitoring information on all derivative securities:

- a. A general statement from the investment manager that its portfolio is in compliance with this Derivatives Policy.
- b. When stating the market value of the derivative exposure, the manager will specify the security pricing sources. The pricing source must be exchange-listed.
- c. A statement of the risks (credit risk—an evaluation of potential counter-party default on obligations, market risk—percent of portfolio invested in derivatives, and any other relevant risks) associated with the derivative investments.
- d. Potential adverse impact on market values if extreme adverse market movements occur.
- e. A statement regarding the liquidity of the derivative investments.
- f. Summary comments and the firm's list of approved counter-parties, ratings, and a statement regarding any changes to this list.
- g. An overall statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

Appendix C

DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS, AND CAMPAIGN CONTRIBUTIONS

This amended policy is effective immediately upon adoption. This policy is intended to supplement any applicable provisions of state or federal law, which shall govern in the event of any inconsistency.

I. PURPOSE

This Policy is adopted pursuant to the requirements set forth in Government Code Section 7513.85 to help ensure that the San Mateo County Employees' Retirement Association (SamCERA) investment decisions are made solely on the merits of the investment opportunity. This Policy requires broad, timely, and updated disclosure of all Placement Agents, as that term is defined by Government Code section 7513.8, their relationships, compensation and fees.

II. APPLICATION

This Policy applies broadly to every type of SamCERA investment managers including general partners, sponsors of hedge funds, private equity funds, real estate funds and infrastructure funds, as well as public market investment managers.

This Policy as amended applies to all agreements with External Managers that are entered into after the date this Policy is adopted and all existing agreements if, after the date this amended Policy is adopted, the agreement is amended to continue, terminate, or extend the term of the agreement or the investment period, increase the commitment of funds by SamCERA or increase or accelerate the fees or compensation payable to the External Manager (Referred to hereafter as "Amendment".) In the case of an Amendment, the disclosure provisions of this Policy shall apply to the Amendment and not to the original agreement.

III. RESPONSIBILITIES

A. The Board is responsible for:

1. Not entering into any agreement with an External Manager that does not agree in writing to comply with this policy.

2. Not entering into any agreement with an External Manager who has violated this policy within the previous five years. However, this prohibition may be reduced by a majority vote of the Board at a public session upon a showing of good cause.

B. Each External Manager is responsible for:

1. Executing an agreement that provides the External Manager will comply with this policy.
2. Providing the following information to SamCERA Investment Staff within 45 days of the time investment discussions are initiated by the External Manager, but in any event, prior to the completion of due diligence. In the case of Amendments, the Placement Agent Information Disclosure is required prior to execution of the Amendment.
 - a. Disclosure of payments or compensation by the External Manager or any of its principals, employees, agents or affiliates, directly or indirectly, to any person or entity to act as a Placement Agent in connection with SamCERA investments.
 - b. A resume for each officer, partner, principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses and investment and work experience. If any such person is a current or former SamCERA Board Member, employee or Consultant or a member of the immediate family of any such person, this fact shall be specifically noted.
 - c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing and value thereof. Compensation to Placement Agents shall include, but not be limited to, compensation to third parties as well as employees of the External Manager who solicit or market investments to SamCERA or who are paid based upon investment commitments secured by such employees.
 - d. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only with a subset of the External Manager's prospective clients.
 - e. A written copy of any and all agreements between the External Manager and the Placement Agent.
 - f. A statement whether the placement agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration or explanation as to why no registration is required.
 - g. A statement whether the placement agent, or any of its affiliates, is

registered as a lobbyist with any state or national government.

h. The names of any current or former SamCERA Board Members, employees, or Consultants who suggested the retention of the Placement Agent.

3. Providing an update of any changes to any of the information provided pursuant to section B.2 above within 30 calendar days of the date that the External Manager knew or should have known of the change in information.
4. Representing and warranting the accuracy of the information described in section B.2 above.
5. Causing its engaged Placement Agent to disclose, prior to acting as a Placement Agent to SamCERA:
 - a. All campaign contributions made by the Placement Agent to any publicly elected SamCERA Board Member during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to any publicly elected SamCERA Board Member during the time the Placement Agent is receiving compensation in connection with a SamCERA investment shall also be disclosed.
 - b. All gifts, as defined in Government Code Section 82028, given by the Placement Agent to any SamCERA Board Member during the prior 24-month period. Additionally, any subsequent gift made by the Placement Agent to any SamCERA Board Member during the time the Placement Agent is receiving compensation in connection with a SamCERA investment shall also be disclosed.
6. SamCERA reserves the right to deem the failure to disclose the information required by 5(a) and 5(b) as a material breach of the agreement with the External Manager.

C. SamCERA Investment Staff (“Staff”) are responsible for:

1. Providing External Managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or engagement.
2. Confirming that the information in section B above has been received within 45 days of the time the execution of the investment contract or Amendment.
3. For new contracts and amendments to contracts existing as of the date of the initial adoption of this Policy, securing the agreement of the External Manager in the final written agreement between SamCERA and the External Manager to provide in the event that there was or is an intentional material omission or

inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy, SamCERA reserves the right to reimbursement of any management or advisory fees paid by SamCERA from the date of violation to the date of the imposition of the fees.

4. Prohibiting any External Manager or Placement Agent from soliciting new investments from SamCERA for five years after they have committed a material violation of this Policy; provided, however, that SamCERA's Board, by majority vote at a noticed, public meeting, may reduce this prohibition upon a showing of good cause.
5. Providing the Board with Placement Agent information relating to each investment at the time the investment is brought to the Board for its decision.
6. Maintaining Placement Agent Information Disclosures as a public record and reporting to the Board any a material violation of this Policy.

Adopted December 14, 2010

Amended October 25, 2011

Amended March 28, 2017

DEFINITIONS:

The following definitions are excerpted from California Government Code section 7513.8 and are current as of March 28, 2017. Should the legislature subsequently amend the definitions below, the definition of these terms as amended shall supersede the definitions contained in this policy.

“External Manager” means either of the following: (1) a Person who is seeking to be, or is, retained by a board or an Investment Vehicle to manage a portfolio of securities or other assets for compensation; (2) a Person who manages an Investment Fund and who offers or sells, or has offered or sold, an ownership interest in the Investment Fund to a board or an Investment Vehicle. (All code section references are to the Government Code, unless otherwise noted.)

“Person” means an individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.

“Investment Vehicle” means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either domestic or foreign, managed by an External Manager in which a board is the majority investor and that is organized in order to invest with, or retain the investment management services of, other External Managers.

“Investment Fund” means a private equity fund, public equity fund, venture capital fund, hedge fund, fixed income fund, real estate fund, infrastructure fund, or similar pooled investment

entity that is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, owning, holding, or trading securities or other assets. Notwithstanding the preceding sentence, an investment company that is registered with the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 (15 U.S.C. Sec. 8a-1 et seq.) and that makes a public offering of its securities is not an Investment Fund.

“Placement Agent” means any Person directly or indirectly hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager or an Investment Fund managed by an External Manager, and who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker or other intermediary in connection with the offer or sale to a board or an Investment Vehicle either of the following: in the case of an External Manager as defined in subpart (1) of the definition of an External Manager, the investment management services of the External Manager; in the case of an External Manager as defined in subpart (2) of the definition of an External Manager, an ownership interest in an Investment Fund managed by the External Manager. Notwithstanding the preceding sentence, an individual who is an employee, officer, director, equityholder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.

**RESOLUTION AMENDING SAMCERA'S
INVESTMENT POLICY STATEMENT**

RESOLUTION 2022-___

WHEREAS, pursuant to Article XVI, Section 17, of the California Constitution, the Board of Retirement (the "Board"), has the exclusive authority and fiduciary responsibility for the investment and administration of the assets of the retirement system (the "Fund"), and on July 26, 2022, established an Investment Policy Statement (the "Policy") for the investment of the Fund assets; and

WHEREAS, the purpose of the Policy is to assist SamCERA in effectively supervising its investments in order to meet the requirements of the California Constitution, the County Employees Retirement Law of 1937, the Mission and Goals of SamCERA and other requirements, and to encourage effective communication between SamCERA and its investment managers and investment consultants; and

WHEREAS, the Board periodically reviews its Policy and amends it as necessary so as to remain up to date to reflect recent actions of the Board; and

WHEREAS, in February 2022, the Board approved a new asset allocation policy portfolio as part of its annual asset allocation review. The new policy portfolio tweaks the old portfolio as follows:

1. Addition of a 1.5% allocation to a short-term cash flow match liquidity portfolio, funded from core fixed income.
2. 1% increase to private equity and a corresponding 1% decrease to public equity.
3. 1% increase to private real assets (infrastructure) and a corresponding 1% decrease to core fixed income; and

WHEREAS, to reflect these updates, staff recommends adding a new asset group titled "Liquidity" in Section 10.0 and amending Sections 6.0 and 11.0; and

WHEREAS, Staff is also proposing the following additional changes to the Policy:

Amend Section 3.0 "Investment Objectives" to highlight that the primary plan goal is to ensure that liquidity is available to provide for the required monthly benefit payments in a timely manner. In addition, change one of the secondary objectives to "achieve long-term real growth while minimizing funded status volatility."

Amend Section 4.0 "Investment Beliefs" by adding a new belief that "Incorporating sustainability criteria into the decision-making process can positively impact long-term risk and reward characteristics of an investment."

Amend Section 11.0 "Diversifying Assets Investment Policies" to simplify the fixed income structure by removing the "Core Unconstrained" category and rolling it into the "Core" category.

WHEREAS, the Board and desires to make such amendments; Now, therefore, be it

RESOLVED, that the SamCERA "Investment Policy Statement" be revised to read as set forth in the attached document.

* * * * *

Regularly passed and adopted, by the San Mateo County Employees' Retirement Association, Board of Retirement, on July 26, 2022.

Ayes, Trustees:

Noes, Trustees:

Absent, Trustees:

Abstain, Trustees:

Board Secretary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2022

Agenda Item 6.7

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer



SUBJECT: Approval for Reducing SamCERA's Currency Hedge

Recommendation

Approve a recommendation to temporarily reduce SamCERA's existing currency hedge from 50% to 25% until a dynamic hedging approach can be implemented.

Background

In August 2018, the Board approved utilizing a passive 50% currency hedge for developed international equity as a way to dampen expected portfolio volatility. This was implemented utilizing Parametric (SamCERA's current overlay manager).

Discussion

SamCERA has approximately \$970 million in international equity exposure as of July 18, 2022. Of this, approximately \$345 million in developed currency exposure is hedged based on our 50% target hedge ratio. Over the life of the program, hedging has resulted in a gain of approximately \$54.7 million (in other words the US Dollar has strengthened, resulting in positive results from the hedge portfolio). Approximately 80% of the gains have occurred this year as the US Dollar has rallied to multi-decade highs in 2022.

The attached valuation charts from Mondrian Investment Partners show that the US Dollar is currently at 2 standard deviations (or greater) overvalued (using their purchasing power parity model) versus the Japanese Yen, British Pound, Euro, Swiss Franc, and Australian Dollar. These charts are useful for showing long-term valuation trends, and currencies can remain over/under valued for long periods of time. That said, staff and consultant believe it is prudent to temporarily lower the hedge ratio given the current potential asymmetric risk profile. The risk we are trying to avoid is that the US Dollar weakens, resulting in large cash outlays to maintain a static hedge ratio.

Staff and consultant have been researching how to incorporate a dynamic approach to currency hedging that would help limit the probability of large cash drawdowns. We expect to bring a recommendation to the Board later this year, after which we would recommend reverting to a 50% hedge ratio but utilizing a dynamic approach.

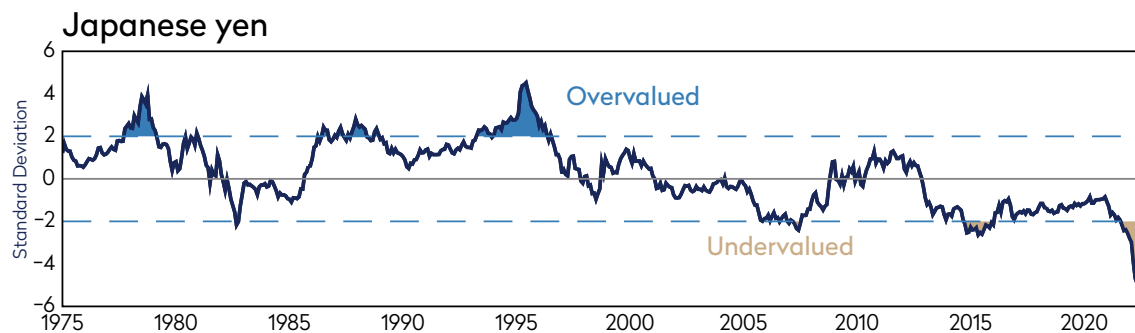
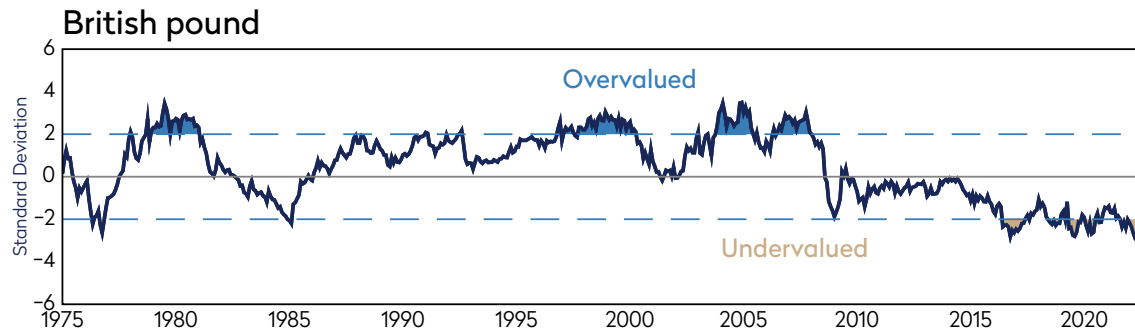
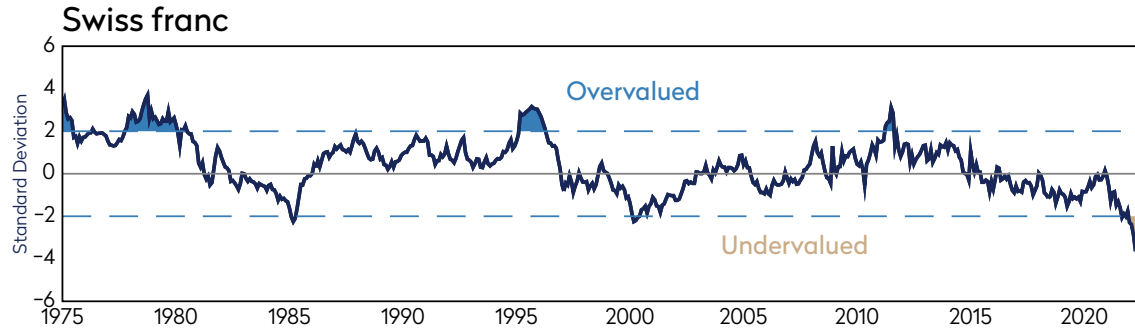
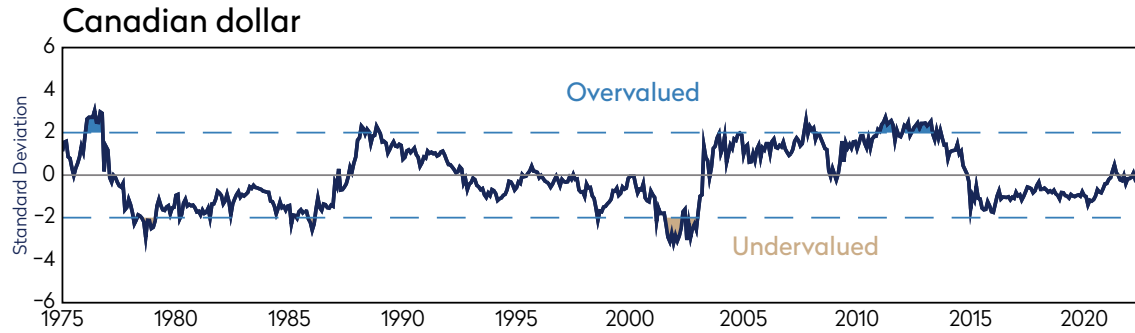
Attachment

US Dollar Currency Long-Term Valuation Charts

Purchasing Power Parity Valuations versus US dollar

June 30, 2022

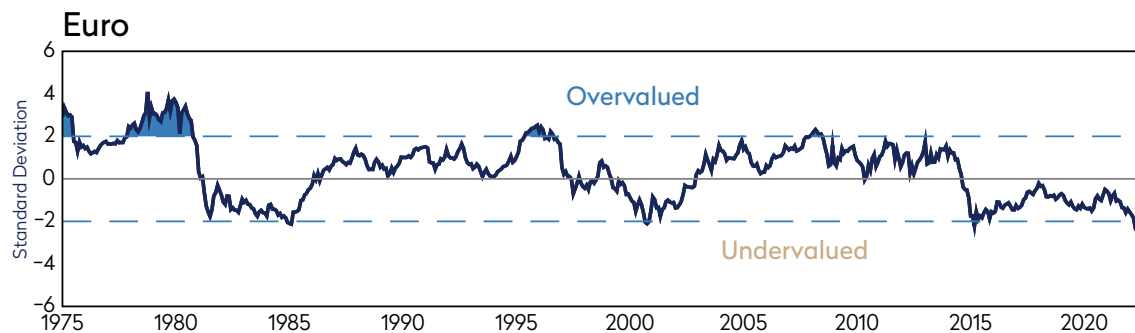
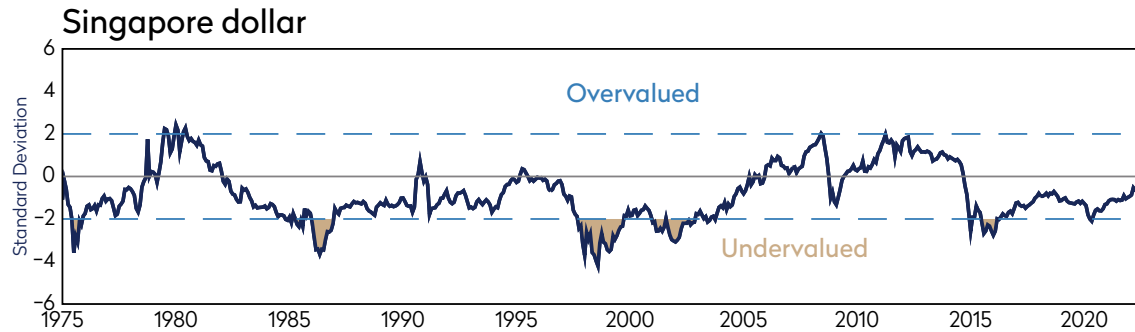
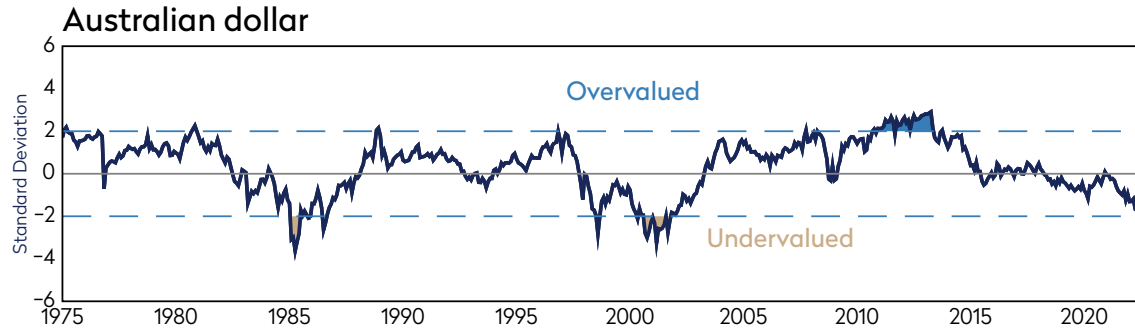
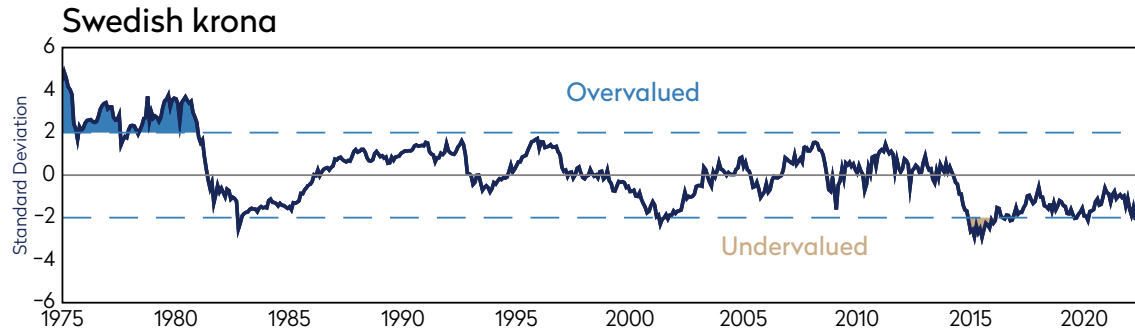
MONDRIAN INVESTMENT PARTNERS



Purchasing Power Parity Valuations versus US dollar

June 30, 2022

MONDRIAN INVESTMENT PARTNERS




Our euro PPP calculations weight individual euro zone countries' currencies and prices by their 2000 GDP weights for dates prior to 1999.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2022

Agenda Item 7.1

TO: Board of Retirement

FROM: Scott Hood, Chief Executive Officer 

SUBJECT: Approval of Process to Update Board Strategic Plan

Recommendation

Provide direction to staff to begin the process of updating the Board's Strategic Plan.

Background

In March of 2018, the Board began the process of creating its first strategic plan. The Board heard a presentation from Tom Ianucci of Cortex Communications and followed that up at the April 2018 Board meeting with a workshop and discussion. Staff and consultant followed up with drafts of the plan and obtained the Board's approval of the five-year strategic plan in July of 2018.

As we are nearing the end of the five-year term, it would be prudent to update the Strategic Plan to reflect the strategic direction that the Board desires to chart for the next five years.

Discussion

The Board has a range of options to consider in updating the Strategic Plan. On one end of the spectrum is to start from the beginning with a SWOT analysis, revisit the Mission, Vision, Goals and identify focus areas, etc. On the other end, would be to keep/validate the Mission, Vision, Goals and focus on identifying/validating the focus areas for the coming five years.

As far as the process goes, staff recommends following a similar approach that the Board uses to select investment managers, which would be to query vendors in this space and review them to see which firm's approach would fit best with the Board's intent. Staff would bring a recommendation back to the Board and then continue with the process.

Attachment

Board 2018-2023 Strategic Plan

STRATEGIC PLAN 2018-2023



THE BOARD OF RETIREMENT

The Board manages the employees' Retirement Fund which is administered in accordance with the law solely for the benefit of the members and retired members of the system and their eligible survivors and beneficiaries. The Board's responsibilities include: (1) setting and acting upon investment objectives and strategies to fund the benefits; and (2) approving the budget, regulations, policies and strategies for administering the system to ensure the prompt delivery of the benefits.

OUR PLAN

This plan describes the Board's long-term and short-term approach to fulfilling our responsibilities, as trustees of the Fund, for the oversight of the administration of the retirement system. The Board in partnership with the Chief Executive Officer determines SamCERA's long-term guiding vision, mission and goals. The Chief Executive Officer and staff are responsible for their implementation. The focus priorities define the Board's strategic plan over a five year period. The Board may periodically review and update these priorities, as determined appropriate.





OUR MISSION

SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system.

OUR VISION

To be a sustainable public retirement system through consistent prudent investment and efficient administration of benefits.

OUR GOALS

The Board's defined goals have been established to achieve SamCERA's mission.

Provide caring, fair, accurate, timely and knowledgeable professional services and information to members and other stakeholders.

Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system, to ensure the ability to pay all earned benefits while minimizing the costs to employers.

Constantly improve the effectiveness of SamCERA's services and the efficiency of its operations.

FOCUS PRIORITIES

Priorities for short-term strategic direction through 2023.

1.

Balance complexity of the investment program with the expected returns and risks inherent from more traditional stocks and bonds.

2.

Prepare for future periods in which contributions into the plan are lower while outflows out of the plan are higher (due to larger number of retirements and longer longevity of retiree life expectancies and lower employer contributions.)

3.

Enhance risk management of the investment program, data security and recovery capabilities and financial accounting.

4.

Ensure successful recruitment and retention of SamCERA staff and obtain optimal lease for office space in current economic environment.

5.

Continue to evolve the Board's governance model.

STRATEGY MAP

The Board has established five priorities for short-term strategic direction through 2023 which support our Mission, Vision and Goals.



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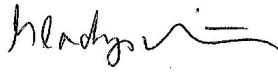
Constantly improve the effectiveness of SamCERA's services and the efficiency of its operations.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2022

Agenda Item 7.2

TO: Board of Retirement

FROM: Gladys Smith, Assistant Executive Officer 

SUBJECT: Approval of Special Election to Fill the Safety Alternate Seat

Recommendation

Authorize a special election on Tuesday, September 6, 2022 to fill the vacant Seventh Member Alternate seat.

Background

The Board has nine members and two alternates. Board membership includes the County Treasurer, appointees of the Board of Supervisors, and elected members chosen by the differing active and retiree SamCERA membership groups. The terms of the Board members, except the Treasurer, are for three years and are staggered.

Discussion

On June 14, 2021, an election for the Seventh Member (Safety) and the Seventh Member Alternate seats was held and both positions were filled. For the purposes of election for these seats, Safety membership is divided into two groups, Probation and Sheriff. The candidate for the Safety seat who receives the highest total number of votes will be elected to the Safety Seventh Member seat. The candidate who is in a different group from the candidate elected to the Safety member seat and who receives the highest number of votes of any candidate of that group will be elected as Alternate Safety member.

On July 6, 2022, the Seventh Member Alternate seat, held by a Probation member, became vacant, thus requiring a special election. Board Regulation 4.22 states,

The Chief Executive Officer shall advise the Board when a vacancy occurs. The Board has determined that the earliest possible date for the Special Election be not less than 60 nor more than 120 days from the effective date of the vacancy and shall call a Special Election to be held during that period. Special elections shall be conducted in conformance with the provisions of Government Code section 31523 and this Article for Regular Elections, except that the schedule shall be adjusted by the Elections Officer to comply with the date of the Special Election set by the Board.

Eligible candidates can only be from the Probation membership, although all of the Safety membership is eligible to vote. The term for the Probation member elected to the Seventh Member Alternate seat will expire on June 30, 2024. Upon consultation with the County Elections Office, the optimal date to conduct the election is September 6th. This is in the early part of the required date-range which provides more separation from the General Election on November 8th.