



# Notice of Public Meeting

## The Board of Retirement of the San Mateo County Employees' Retirement Association will meet on **Tuesday, January 24, 2023 at 10:00 A.M.**

In accordance with Government Code §54954, the Members of the Board will be participating via Zoom video conference and teleconference. Pursuant to Government Code §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/86045608257>
- To join the meeting via telephone, dial: (669) 900-9128, and enter Meeting ID: 860 4560 8257

### 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](mailto: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

#### 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 Special Board Meeting Minutes from December 6, 2022
- 3.2 Approval of Board Meeting Minutes from December 6, 2022

# Notice of Public Meeting

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### 4. Approval of the Consent Agenda\*

- 4.1 Disability Retirements (4)
  - Corkery, John
  - Grado, Ronald
  - Patten, Deborah
  - Stock, Anna
- 4.2 Survivor Death Benefits
- 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 Acceptance of Semi-Annual Compliance Certification Statements for the Period Ended December 31, 2022
- 4.11 Approval of Resolution Approving Contract for Actuarial Audit Services
- 4.12 Amendment of Resolutions that Define Compensation Earnable and Pensionable Compensation

### 5. Benefit & Actuarial Services

- 5.1 Consideration of Agenda Items, if any, Removed from the Consent Agenda
- 5.2 Approval of Cost of Living Allowance (COLA)

### 6. Investment Services

- 6.1 Report on Preliminary Monthly Portfolio Performance Report for the Period Ended December 31, 2022
- 6.2 Report on Asset Liability Study, Asset Allocation Mixes
- 6.3 Approval of Dynamic Currency Hedging Recommendation
- 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)

### 7. Board & Management Support

- 7.1 Review of Strategic Plan Survey Results
- 7.2 Discussion of Board-Staff Retreat Topics

### 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
- C2 Approval of Proposed Alternative Investment to be heard in Closed Session, Confidential Under Gov. Code §54956.81 and §6254.26, see item 6.4)

### 9. Report on Actions Taken in Closed Session

# Notice of Public Meeting

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### 10. Adjournment in Memory of the Following Deceased Members:

Berkley Williams, Pat	November 17, 2022	San Mateo County Health
Perry, Luther	November 18, 2022	Information Services
Adams, David	November 23, 2022	San Mateo County Health
Holowaty, Janelle	November 23, 2022	Probation
Ackerman, Lilian	November 28, 2022	Social Services
You, Ivan	November 28, 2022	Assessor Clerk Recorder
Poblete, Pepito	November 30, 2022	San Mateo County Health
Carr, Patricia	December 2, 2022	Human Services
Mitchell, Manuel	December 2, 2022	Public Works
Davidson, James	December 3, 2022	Public Works
Hawthorne, Kenneth	December 8, 2022	Public Works
Sugars, Manuela	December 10, 2022	Human Services
Brennan, John	December 12, 2022	Planning and Building
Cheng, Paul P	December 12, 2022	General Services
Dallas, Willa	December 18, 2022	Probation
Floresca, Greta	December 26, 2022	Public Works
Lemaro, Maria	December 27, 2022	Aging & Adult Services
Jackson, Katherine	December 27, 2022	San Mateo County Health
Cutchin, Patricia	December 28, 2022	Information Services
Connolly, Jean	December 29, 2022	Courts
Givens, Darold	December 30, 2022	Sheriff's



Scott Hood, Chief Executive Officer

Posted: January 18, 2023

(\* 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](http://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  
DECEMBER 6, 2022 – SPECIAL BOARD MEETING MINUTES**

**2212SP.1 Call to Order, Roll Call and Miscellaneous Business**

**Call to Order:** Ms. O'Malley, Chair, called the Special Meeting of the Board of Retirement to order at 9:55 a.m. via Zoom.

**Roll Call:**

Present: Mark Battey, Al David, Kurt Hoefler, Kimathi Marangu, Nicole McKay (for Alma Salas), Katherine O'Malley, Elaine Orr, and Robert Raw.

Absent: Sandie Arnott and Alma Salas.

Alternates: None.

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

Consultants and speakers: Andy Paulden (Brown Armstrong); Joe Abdou and John Nicolini (Verus)

**2212SP.2 Oral Communications from the Public:** Ms. O'Malley asked if there was any public comment concerning items on the agenda 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.

**2212SP.3 Approval of Resolution Authorizing the Use of Teleconferencing for Board and Committee Meetings Pursuant to Government Code Section 54953(e):** Mr. Hood discussed staff recommendation that the Board of Retirement authorize the continued use of teleconferenced meetings pursuant to AB 361.

**Action:** Mr. Hoefler moved to approve the resolution authorizing the use of teleconferencing for Board and Committee meetings pursuant to Government Code Section 54953(e). The motion was seconded by Mr. Battey and carried with a vote of 8-0, with trustees Battey, David, Hoefler, Marangu, McKay, O'Malley, Orr, and Raw all in favor; none opposed.

**2212SP.4 Adjournment:** Ms. O'Malley adjourned the Special Meeting at 9:59 a.m.

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Katherine O'Malley  
Chair

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
DECEMBER 6, 2022 – REGULAR BOARD MEETING MINUTES**

**2212.1 Call to Order, Roll Call and Miscellaneous Business**

**Call to Order:** Ms. O'Malley, Chair, called the Regular Meeting of the Board of Retirement to order at 10:00 a.m.

**Roll Call:**

Present: Mark Battey, Al David, Kurt Hoefer, Kimathi Marangu, Nicole McKay (for Alma Salas), Katherine O'Malley, Elaine Orr, and Robert Raw.

Absent: Sandie Arnott and Alma Salas.

Alternates: None.

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

Consultants and speakers: Andy Paulden (Brown Armstrong); and Joe Abdou, Margaret Jadallah, John Nicolini, and Faraz Shooshani (Verus).

**2212.2.1 Oral Communications from the Board:** None.

**2212.2.2 Oral Communications from the Public:** Ms. O'Malley asked if there was any public comment from those individuals participating on the telephone or via Zoom. Ms. Jadallah shared this will be her last meeting before retirement and wished everyone well and happy holidays. The Board thanked Ms. Jadallah for her service and wished her well. Ms. Trujillo reported there were no written comments received ahead of the meeting.

**2212.3.1 Approval of Audit Committee Minutes from November 1, 2022:** Ms. O'Malley asked if there were any changes or corrections, or objections, to the minutes from the Audit Committee meeting held on November 1, 2022. There were no changes, corrections, or objections presented.

**Action:** Ms. Orr moved to approve the minutes from the Audit Committee meeting on November 1, 2022. The motion was seconded by Mr. Hoefer and carried with a vote of 6-0, with trustees Battey, Hoefer, Marangu, O'Malley, Orr, and Raw all in favor; David and McKay abstained; none opposed.

**2212.3.2 Approval of Board Meeting Minutes from November 1, 2022:** Ms. O'Malley asked if there were any changes or corrections, or objections, to the meeting minutes from the regular meeting held on November 1, 2022. There were no changes, corrections, or objections presented.

**Action:** Mr. Raw moved to approve the minutes from the regular Board meeting on November 1, 2022. The motion was seconded by Mr. Battey and carried with a vote of 7-0, with trustees Battey, Hoefer, Marangu, McKay, O'Malley, Orr, and Raw all in favor; David abstained; none opposed.

**2212.4.0 Approval of the Consent Agenda:** Ms. O'Malley asked if there were any items to be removed for discussion from the Consent Agenda or if there were any recusals. Mr. David requested to recuse himself from the Anne Coonrod disability vote. Ms. O'Malley then called for a motion on the remaining Consent Agenda items.

**Action:** Mr. Battey moved to approve the remaining items on the Consent Agenda. The motion was seconded by Mr. David and carried with a vote of 8-0, with trustees Battey, David, Hoefer, Marangu, McKay, O'Malley, Orr, and Raw all in favor; none opposed.

Ms. O'Malley then called for a motion on the disability retirement of Anne Coonrod.

**Action:** Mr. Hoefler moved to approve the disability retirement of Anne Coonrod. The motion was seconded by Mr. Hoefler and carried with a vote of 7-0, with trustees Battey, Hoefler, Marangu, McKay, O'Malley, Orr, and Raw all in favor; David recused.

**2212.4.1 Disability Retirements:**

- a) The Board found that **Anne Coonrod** (1) is permanently incapacitated from the performance of her usual and customary duties as a Benefits Analyst II, (2) found that her disability was the result of an injury arising out of and in the course of her employment and (3) granted her application for a service-connected disability retirement.
- b) The Board found that **Harriet Fox** (1) is permanently incapacitated from the performance of her usual and customary duties as a Sheriff's Correctional Officer, (2) found that her disability was the result of an injury arising out of and in the course of her employment and (3) granted her application for a service-connected disability retirement.

**2212.4.2 Survivor Death Benefits:** None.

**2212.4.3 Service Retirements:**

<b>Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Aficial, Teresita	September 22, 2022	San Mateo County Health
Albagli, Minna	October 3, 2022	Library
Carlson, Vera	October 29, 2022	Public Works
Chavarria, Sabamaria	October 29, 2022	San Mateo County Health
De Paula, Cynthia	October 29, 2022	Human Services Agency
Donovan, Rosemarie	October 26, 2022	Sheriff's Office
Duri, Mark	September 24, 2022	Sheriff's Office
Eckstein, Mitchell	October 15, 2022	Family Health Services
Green, Kelly	September 5, 2022	Deferred - Human Services Agency
Khelawan, Praveen	October 4, 2022	Deferred - San Mateo Co Health
Kilgore, Elizabeth	September 14, 2022	Deferred - Health Services
Kness, Cara	October 1, 2022	Deferred – Superior Court
Kong, Sherry	September 17, 2022	Aging & Adult Services
Lin, David	October 22, 2022	Deferred - San Mateo Co Health
Montoya, Mayra	October 1, 2022	Probation
Moore, Iveta	October 12, 2022	Deferred - Public Works
Munson, Steven	October 29, 2022	Behavioral Health
Nielepko, Wiktor	October 1, 2022	Information Services
Otterman, Glenn	October 1, 2022	San Mateo County Health
Press, Michael	October 15, 2022	Information Services
Reddy, Savitri	September 15, 2022	Deferred - San Mateo Co Health
Shelton, Michael	October 1, 2022	Deferred - Probation
Sugars, Manuela	October 31, 2022	Human Services Agency
Tachis, Gerard	October 22, 2022	Superior Court
Watanabe, Diana	September 23, 2022	Def'd - District Attorney's Office
Wilcox, Andrea	October 1, 2022	San Mateo County Health

2212.4.4 **Continuances:**

**Survivor's Name:**

Barton, Utahana  
Blankenship, Angelina  
Goodier, Wanda  
Johnson, Margaret  
Masini, Mary  
Nielson, Ann

**Beneficiary of:**

Barton, James  
Blankenship, James  
Goodier, Benjamin  
Johnson, Vernon  
Masini, Louis  
Nielson, Phil

2212.4.5 **Deferred Retirements:**

**Name**

Au, Tina  
Choi, Tracy  
Dominguez, Isela  
Leonardo, Christopher  
Leung, Henry  
Liang, Can  
Mendez, Giselle  
Ng, Michelle  
Raymundo Cordoba, Marisol  
Ruiz, Lidia  
Silverio, Paul  
Torres Hernandez, Eric  
Yu, Jackie

**Retirement Plan Type**

G5, Vested  
G7, Vested - Auto Defer – Code 31700  
G7, Reciprocity  
S7, Vested - Auto Defer – Code 31700  
G7, Vested - Auto Defer – Code 31700  
G7, Vested  
G7, Vested  
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  
G7, Vested

2212.4.6 **Member Account Refunds:**

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

**Name**

Byczkowski, Hedwiga (FBO:Byczkowski, Nora)  
Chacon, Armando  
Finau, Atilua  
Guerrero, Jose  
Jacobso-Evans, Monique  
Johnson, Lauren (FBO:Johnson, Stephen)  
Lee, Jin Joo  
Lua, Sergio  
Mancilla, Daniel  
Marquez, Carla  
Pineda, Adriana  
Recinos Lopez, Maricriz  
Reynoso, Erica  
Robinson, John  
Urbieta, Janice

**Retirement Plan Type**

G4, Vested  
S7, Non-vested  
G4, Vested  
G7, Non-vested  
G7, Non-vested  
S4, Vested  
G7, Non-vested  
G7, Non-vested  
G7, Non-vested  
G7, Non-vested  
G7, Non-vested  
G7, Non-vested  
G7, Non-vested  
G7, Non-vested  
G7, Non-vested  
G7, Non-vested

#### 2212.4.7 **Member Account Rollovers:**

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

<b>Name</b>	<b>Retirement Plan Type</b>
Byczkowski, Hedwiga (FBO: Byczkowski, Nora)	G4, Vested
Sheth, Monali	G7, Vested

#### 2212.4.8 **Member Account Redeposits:**

<b>Name</b>	<b>Retirement Plan Type</b>
Foley, Rebeca	G2, Vested

2212.4.9 **Acceptance of Trustees' Reports of Educational Activities:** The Board accepted the submitted reports for educational activity attended by Mr. David, Mr. Marangu, Ms. Orr, and Mr. Raw.

2212.4.10 **Reaffirm Education Policy:** The Board reaffirmed the Board's Education Policy with minor modifications for clarity and readability.

2212.4.11 **Approval of Resolution Extending the Contract for Investment Consulting Services:** The Board approved a resolution authorizing the Chief Executive Officer to execute an amendment to the agreement with Verus Advisory, Inc. for investment consulting services.

2212.4.12 **Amendment of Resolutions that Define Compensation Earnable and Pensionable Compensation:** The Board approved amendments to (1) the Resolutions defining Compensation Earnable, pursuant to Government Code §31461 for members who are not subject to Government Code §7522.34; and (2) the Resolutions defining Pensionable Compensation for members who are subject to Government Code §7522.34 in order to include in such resolutions certain pay codes which were inadvertently removed in connection with prior revisions.

2212.5.1 **Consideration of Agenda Items, if any, Removed from the Consent Agenda:** None.

2212.6.1 **Report on Preliminary Monthly Portfolio Performance Report for the Period Ended October 31, 2022:** Mr. Coultrip reported that SamCERA's net preliminary return for October was 2.3% bringing the preliminary trailing twelve month return ending October 2022 to -8.6% net, higher than the policy benchmark return of -8.8% but below our assumed earnings rate of 6.25%. He reported most asset classes were higher in October as investor sentiment was helped by better-than-expected earnings growth announcements. Mr. Coultrip answered questions from the Board. This item was informational and for discussion only, no action was taken.

2212.6.2 **Report on Quarterly Investment Performance Report for the Period Ended September 30, 2022:** Mr. Coultrip reported that the 3<sup>rd</sup> quarter net total return was -4.0%, which was higher than the policy benchmark return of -4.6%. Alternatives (private equity and absolute return) and private real assets were the main contributors of performance, while public equity (international equity) was the main detractor. Mr. Nicolini and Mr. Abdou presented the report in detail and answered questions from the Board. This item was informational and for discussion only, no action was taken.

2212.6.3 **Report on Phase One of ALM Study – Enterprise Risk Tolerance Results and Review of Current Policy Characteristics:** Mr. Nicolini presented the results and trends of the Enterprise Risk Tolerance interviews to the Board. Mr. Abdou presented the asset liability study by sharing historical plan data,



deterministic and stochastic projections, and reviews of the current policy characteristics. This item was informational and for discussion only, no action was taken.

- 2212.6.4 **Presentation of Private Asset Semi-Annual Performance Reports as of June 30, 2022:** Mr. Shooshani and Mr. Nicolini presented the private equity and private real assets reports. As of June 30, 2022, SamCERA's private equity portfolio had a total market value of \$375 million (6.5% of SamCERA's total fund) while the private real assets portfolio had a total market value of \$219 million (3% of SamCERA's total fund). This item was informational and for discussion only, no action was taken.
- 2212.6.5 **Report on Investment Consultant Annual Review:** Ms. Ng presented the results of Verus' annual review reporting that trustees and staff provided above average/high ratings. She also shared the Board's feedback on educational topics they would like Verus to cover next year. This item was informational and for discussion only, no action was taken.
- 2212.7.1 **Annual Review of Brown Armstrong:** This item was taken out of order and heard after the Consent Agenda. Ms. Smith thanked those that completed the annual survey for Brown Armstrong. She shared that Board and staff provided Brown Armstrong with high ratings and that there were no issues reported. Mr. Hood and Ms. Smith thanked Ms. Green and the rest of the team for their service and partnership. On behalf of Ms. Green, Mr. Paulden, thanked the Board and staff for the favorable ratings and was available for questions from the Board. This item was informational and for discussion only, no action was taken.
- 2212.7.2 **Review of Funding Dashboard:** Mr. Hood presented the quarterly funding dashboard showing the projected funded status and employer contribution rate for the coming fiscal year utilizing the data from Q1 FY 22-23. He also shared the ten-year projection utilizing the same data. This item was informational and for discussion only, no action was taken.
- 2212.7.3 **Discussion of Board-Staff Retreat Topics:** Mr. Hood provided the Board with suggested topics for the March Board-Staff retreat such as a deep dive into the portfolio, further discussion on plan maturity, and economic trends. He also gave the Board an opportunity to provide their feedback. This item was informational and for discussion only, no action was taken.
- 2212.8.1 **Chief Executive Officer's Report:** Mr. Hood shared that the "Year at a Glance" calendar is available in Dropbox and that there will be a special meeting prior to the regular board meeting in January. He informed the Board that the link to the strategic plan survey will be sent after the meeting. Mr. Hood shared a card from the Nielsen family. He also thanked Ms. Jadallah for her service as a long-time consultant and previous Board member and wished her well on her upcoming retirement. Mr. Hood informed the Board that the SamCERA office will be closed for Winter Recess during the last week of December, but he will be available if needed. He previewed a few items on the January agenda including the COLA, a presentation on funding options from Milliman, Inc., a review of the survey results from the strategic plan, and further discussion of the Board-Staff retreat.
- 2212.8.2 **Assistant Executive Officer's Report:** Ms. Smith informed that Board that she will also be on-call during the Winter Recess if anything is needed. She reported that there will be a special election held on March 6, 2023 for the Alternate Safety Member seat and that the Notice of Election will be emailed to Probation members as they are the only ones eligible to run for the alternate seat. Ms. Trujillo shared upcoming educational opportunities with the Board. Ms. Smith wished the Board happy holidays and also wished Ms. Jadallah a happy retirement.
- 2212.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported on rebalancing activities during the month. He shared that staff plans to bring the dynamic currency hedging recommendation to the Board during the next meeting. He also congratulated Ms. Jadallah on her retirement.

2212.8.4 **Chief Legal Counsel's Report:** Mr. Okada informed the Board that staff will be sending out an email to each Board member providing them with their current education hours. He also shared that he plans to hold an ethics training during the March retreat for those that still need to fulfill their requirement. He also wished the Board happy holidays and also wished a happy retirement to Ms. Jadallah.

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

C2 **Public Employee Performance Evaluation, in accordance with Gov. Code § 54957, Title: Chief Executive Officer (to be heard in Closed Session Confidential Under Gov. Code §54957):** The Board met in Closed Session at 12:35 p.m. and reconvened in Open Session at 12:46 p.m.

Ms. McKay reported that there was no reportable action taken.

2212.10 **Adjournment:** Ms. O'Malley adjourned the meeting at 12:47 p.m. in memory of the deceased members listed below.

Toomer, Melvin	October 2, 2022	Courts
Carter, Beverly	October 14, 2022	Probation
McCreadie, Donald	October 18, 2022	Probation
Kucich, Mario	October 21, 2022	General Services
Corpus, Teodoro	October 25, 2022	Controller's
Buckley, Eileen	October 26, 2022	Sheriff's
Doman, Jane	October 26, 2022	Controller's
Walker, Edith	October 26, 2022	Hospital
Gan, Margaret	October 28, 2022	Human Services
Wood, Kenneth	November 4, 2022	Courts
Makhlouf, Eleanor	November 7, 2022	Aging and Adult Services
Yee, Warren	November 11, 2022	Sheriff's
Iorio, Michael	November 17, 2022	Sheriff's
Neufeld, Albert	November 17, 2022	Public Works

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Katherine O'Malley  
Chair

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

January 24, 2023

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 **John Corkery** (1) is permanently incapacitated from the performance of his usual and customary duties as a Sheriff's Sergeant, (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 **Ronald Grado** (1) is permanently incapacitated from the performance of his usual and customary duties as a Road Maintenance Worker I, (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.
  
- c) The Board find that **Deborah Patten** (1) is permanently incapacitated from the performance of her usual and customary duties as a Human Services Supervisor, (2) find that her disability was the result of an injury arising out of and in the course of her employment and (3) grant her application for a service-connected disability retirement.
  
- d) Staff recommends that the Board (1) nullify the request for a formal hearing submitted by **Anna Stock** per Article VI, section 6.2 (C) of the Board Regulation regarding Disability Retirement.

**4.2 Survivor Death Benefits**

None.

**4.3 Service Retirements**

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

<b>Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Aguilera, Alicia	November 5, 2022	Human Services Agency
Carender, Cynthia	November 10, 2022	Deferred - Probation
Chavez, Eufemia	December 1, 2022	San Mateo County Health
Fuentes, Mayra	November 28, 2022	San Mateo County Health

Idea, Mateo	November 28, 2022	Deferred - Mail Services
Law, Sui Leung	November 30, 2022	Controller's
Lee, Hiram	October 30, 2022	Deferred - San Mateo Co Health
Letona, Ericka	December 1, 2022	Public Health
Maher, Keith	November 19, 2022	Deferred - Sheriff's Office
Maramreddy, Neeraja	November 19, 2022	San Mateo County Health
Nguyen, Loc	November 29, 2022	Deferred - Human Services Agency
Tell, Deneice	November 13, 2022	Deferred - San Mateo Co Health
Valencia, Luis	November 9, 2022	Deferred - General Services
Wight, Karen	November 19, 2022	Parks

#### 4.4 Continuances

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

<b>Survivor's Name</b>	<b>Beneficiary of:</b>
Corpus, Minda	Corpus, Teodoro
Iorio, Sharon	Iorio, Michael
Lamotte, Marilyn	Lamotte, Guy
Walker, Elroy	Walker, Edith

#### 4.5 Deferred Retirements

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

<b>Name</b>	<b>Retirement Plan Type</b>
Brownlee-Cervantes, Joel	G7, Vested - Reciprocity
Campbell, Benjamin	G4, Vested - Reciprocity
Courtland, Buffie	G7, Vested - Auto Defer – Code 31700
Escalante, Juan	G4, Vested - Auto Defer – Code 31700
Francis, Aaron	G7, Vested - Auto Defer – Code 31700
Koeut, Sanya	G7, Vested
La, Emily	G7, Non-Vested - Reciprocity
Luo, Elizabeth	G5, Vested - Auto Defer – Code 31700
Mallari, Krysta	G7, Vested - Reciprocity
Martinez, Rikki	S7, Vested - Reciprocity
Montoya, Jose	S7, Non-Vested - Reciprocity

Nguyen, Anna	G7, Non-Vested - Reciprocity
Nicolay, Philippe	G4, Vested - Auto Defer – Code 31700
Pagan, Erica	G7, Non-Vested - Reciprocity
Papendick, Hilary	G7, Vested - Auto Defer – Code 31700
Perekhodnik, Alla	G4, Vested - Reciprocity
Petushkov, Ilya	G7, Vested
Powers, Lashauna	G4, Vested - Auto Defer – Code 31700
Prado Farias, Lorena	G7, Vested - Reciprocity
Ram, Kajah	G7, Vested - Auto Defer – Code 31700
Trajano, Jeannette	G2, Vested - Reciprocity
Yip, Harry	G5, Vested - Reciprocity

#### 4.6 Member Account Refunds

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

Name	Retirement Plan Type
Awano, Yuriko	G7, Non-vested
Tacuba, Lorena	G7, Non-vested
Ybarra, Paul	G7, Non-vested

#### 4.7 Member Account Rollovers

Name	Retirement Plan Type
Cardenas, Patricia	G7, Non-vested
Chambers, Sierra	G7, Vested

#### 4.8 Member Account Redeposits

None.

#### 4.9 Acceptance of Trustees' Reports of Educational Activities

None.

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

January 24, 2023

Agenda Item 4.10

**TO:** Board of Retirement

**FROM:** Doris Ng, Investment Analyst



**SUBJECT:** Semi-Annual Compliance Certification Statements for Period Ended  
December 31, 2022

**Recommendation**

Accept the semi-annual Compliance Certification Statements for SamCERA's non-alternative investment managers and investment consultant, as of December 31, 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 December 31, 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, State Street Global Advisors and INVESCO were not received in time to be included in the mailing but will be included in the February board packet.

**Attachments**

Compliance Certification Statement Matrix 12-2022

Compliance Certification Statements (15)

- 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
- D. Real Estate: Harrison Street
- E. Liquidity: Insight Investment
- F. Overlay: Parametric Portfolio Associates
- G. Investment Consultant: Verus Advisory

## Compliance Certification Statement Matrix – December 31, 2022

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
<b>Domestic Equity</b>					
<b>Acadian</b>		<ul style="list-style-type: none"> <li>Mike Miles, HR Director and Exec Committee mbr retired 12/31/2022, replaced by Mike Brewer</li> </ul>	Not Applicable	No Concerns	<ul style="list-style-type: none"> <li>Largest single security 3.36%</li> <li>Largest single industry Food, Beverage &amp; Tobacco 13.81% vs bmk 3.65%</li> <li>3.49% Small Cap</li> </ul>
<b>BlackRock Russell 1000</b>		No Concern	No Concern	No Concern	<ul style="list-style-type: none"> <li>Largest single security Apple 5.5%</li> <li>Largest single industry Info Technology 25.35%</li> </ul>
<b>DE Shaw</b>	<i>Confidential under California Gov. Section Code §6254.26</i>				
<b>PanAgora (Low Volatility strategy)</b>		No Concerns	Not Applicable	No Concerns	<ul style="list-style-type: none"> <li>Largest single security by risk weight is 2.1%</li> <li>Largest sector risk weight is Healthcare 11.1% v. R1000 bmk 10.8%</li> </ul>
<b>PGIM Quantitative Solutions LLC (f.k.a. QMA)</b>		No Concerns	Not Applicable	No Concerns	<ul style="list-style-type: none"> <li>Largest holding, 1.09%</li> <li>Largest industry: Bank 9.3% vs. Russell 2000 bmk 10.27%</li> </ul>



## Compliance Certification Statement Matrix – December 31, 2022

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
<b>International Equity</b>					
<b>Baillie Gifford</b>		No Concerns	Not Applicable	No Concerns	<ul style="list-style-type: none"> <li>• 3.25% ADR</li> <li>• 23.1% Emerging Market</li> </ul>
<b>Blackrock MSCI ACWI ex US IMI</b>		No Concern	No Concern	No Concern	<ul style="list-style-type: none"> <li>• 1% ADR</li> <li>• 28.27% Emerging Market</li> </ul>
<b>Mondrian</b>		No Concerns	Not Applicable	No Concerns	<ul style="list-style-type: none"> <li>• 29.07% Emerging Market MIP LP</li> </ul>
<b>Fixed Income</b>					
<b>Angelo Gordon (Credit Solutions Fund)</b>	<i>Confidential under California Gov. Section Code §6254.26</i>				
<b>Angelo Gordon (Credit Solutions Fund II)</b>	<i>Confidential under California Gov. Section Code §6254.26</i>				
<b>Beach Point</b>	<i>Confidential under California Gov. Section Code §6254.26</i>				
<b>Blackrock (Direct Lending Fund VIII)</b>	<i>Confidential under California Gov. Section Code §6254.26</i>				

## Compliance Certification Statement Matrix – December 31, 2022

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
<b>Blackrock (Direct Lending Fund IX)</b>	<i>Confidential under California Gov. Section Code §6254.26</i>				
<b>Brigade</b>	<i>Confidential under California Gov. Section Code §6254.26</i>				
<b>DoubleLine</b>		No Concerns	No Concerns	No Concerns	<ul style="list-style-type: none"> <li>• 18.54% in Rule 144A securities</li> </ul>
<b>Fidelity Institutional Asset Management (FIAM) BMD Bond</b>		No Concerns	No Concerns	<ul style="list-style-type: none"> <li>• 8/2022 guideline breach. SamCERA account under-allocated trades due to overstated assets for other separate accounts vs. SamCERA for trade allocation purposes (resulting reimb of</li> </ul>	<ul style="list-style-type: none"> <li>• 0.15% below inv grade (inv grade at purchase)</li> <li>• 14.79% in Rule 144A securities</li> </ul>

## Compliance Certification Statement Matrix – December 31, 2022

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
				+\$14.78). Control put in place to prevent same issue going forward.	
Franklin Templeton		<ul style="list-style-type: none"> <li>• July 2022 – Kevin Nest, trader departed firm</li> <li>• Nov 2022 – hired new trader, Jennifer Woo</li> <li>• Oct 2022 – Terrence Murphy, new Hd of Public Mkt Investments oversight include Templeton Global Macro</li> </ul>	No Concerns	No Concerns	<ul style="list-style-type: none"> <li>• 17.19% Cash &amp; Equiv.</li> <li>• 4.84% Rule 144A</li> <li>• 26.28% below IG or non-rated</li> </ul>
NISA		<ul style="list-style-type: none"> <li>• Dec 2022-Joe Murphy, Dir of Portf Mgmt to retired. Rick Ratkowski, Dir of Inv Strategies, joined Mgmt Committee.</li> </ul>	Not Concerns	No Concerns	<ul style="list-style-type: none"> <li>• 5.58% Rule 144A securities</li> </ul>
PIMCO (Diversified Income Fund)	Pending				

## Compliance Certification Statement Matrix – December 31, 2022

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
PIMCO (Private Income Fund)		<i>Confidential under California Gov. Section Code §6254.26</i>			
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>			
<b>Real Estate</b>					
Harrison Street (Core Property Fund)		No Concerns	Not Applicable	No Concerns	No Concerns
Invesco (U.S. Core Real Estate Fund)	Pending				
Invesco (U.S. Value-Add Fund IV)		<i>Confidential under California Gov. Section Code §6254.26</i>			
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>			

## Compliance Certification Statement Matrix – December 31, 2022

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
Stockbridge (Value IV Fund)		<i>Confidential under California Gov. Section Code §6254.26</i>			
<b>Real Assets</b>					
State Street Global Advisors (Custom Real Asset Account)	Pending				
<b>Liquidity</b>					
Insight Investment (Cash-flow driven investing)		No Concerns	No Concerns	No Concerns	<ul style="list-style-type: none"> <li>9.23% Rule 144a</li> </ul>
<b>Overlay</b>					
Parametric Portfolio Associates		No Concerns	No Concerns	No Concerns	No Concerns
<b>Investment Consultant</b>					
Verus Advisory		<ul style="list-style-type: none"> <li>Margaret Jadallah retired as lead consultant Dec 2022, replaced by John Nicolini who overlapped as co-lead in Q2-2022</li> </ul>	Not Applicable	Not Applicable	Not Applicable

## Compliance Certification Statement Matrix – December 31, 2022

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
	<b>33</b> Total	<b>15</b> Completed	<b>3</b> Pending Information	<b>15</b> Confidential	

***Acadian Asset Management U.S. Managed Volatility – December 31, 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](mailto:Investments@samcera.org)) by **Tuesday, January 10, 2023.**

**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**

Mike Miles, Senior Vice President, Global Director, Human Resources, and Executive Committee member, retired from Acadian on December 31, 2022.

HR Business Partner Mike Brewer stepped into the role of HR Director at that time, as well as taking Mike Miles' seat on the Executive Committee.

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>99.45%</i>
<i>Preferred Stock</i>	<i>0%</i>
<i>Convertible Securities</i>	<i>0%</i>
<i>ADRs</i>	<i>0%</i>
<i>Cash &amp; Equivalents</i>	<i>0.55%</i>

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

<i>Large-Cap</i>	<i>53.76%</i>
<i>Mid-Cap</i>	<i>42.20%</i>
<i>Small-Cap</i>	<i>3.49%</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>
-------------	-----------

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>
APPLE INC COM	03783310	3.36%

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>
<i>Food, Beverage &amp; Tobacco</i>	<i>13.81%</i>	<i>3.65%</i>

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?

	<i>SamCERA* %</i>
<i>Firm AUM</i>	<i>0.24%</i>
<i>U.S Managed Volatility Strategy</i>	<i>0.43%</i>

\*AUM as of September 30, 2022 as December 31, 2022 is not yet available



Signed by:

Dated: 1/10/2023

Name of Firm Acadian Asset Management LLC

## ***BlackRock Russell 1000 Index – December 31, 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](mailto:Investments@samcera.org)) by **Tuesday, January 10, 2023.**

### **General Compliance Issues**

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

**Yes: Please explain.** /  **No**

There have been no significant portfolio developments or major changes in firm ownership, organizational structure or personnel. In November 2022, the Fund's Term was extended by one year to end on November 30, 2023.

### **Ownership Structure**

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 30 September 2022, there was no person known by BlackRock to own beneficially 10% or more of any class of outstanding voting securities of BlackRock.

Ownership details as of 31 December 2022 have not been made publicly available yet.

### **Organizational Changes**

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 six months.

On 3 October 2022, BlackRock announced Jessica Tan, Managing Director, will lead BlackRock Sustainable and Transition Solutions, the new name for the organization driving BlackRock's sustainability capabilities. As the transition and sustainability landscape is constantly evolving, we must continue to evolve too. BlackRock Sustainable Investing has been at the core of our "One

BlackRock" success in sustainability, serving as a leader, incubator, and hub of expertise. These changes aim to clarify our structure and empower businesses.

Please note that organizational changes as of 31 December 2022 have not been made available yet.

### **Future Firmwide Organizational Changes**

We are constantly looking for ways to improve our organization and may make changes if we believe they will allow us to better adapt to market dynamics and client needs. To better serve clients, we regularly move leaders into new roles. It broadens their understanding of BlackRock and helps us to better anticipate your future needs. It keeps us more tightly connected and stimulates fresh thinking. This continual process also creates opportunities to elevate leaders into more senior roles, broadening our perspectives and expanding our capabilities

The following upcoming changes will help ensure that we can continue to stay ahead of our clients' needs and lay the foundation for the next stage of growth for BlackRock.

- Martin Small, Senior Managing Director, will succeed Gary Shedlin, Senior Managing Director, as CFO for BlackRock after Gary completes the 2022 financial reporting process on or about 1 March 2023
- Gary will become a Vice Chairman of the firm and focus on strengthening relationships with some of the firm's most important clients and partners
- Jaime Magyera, Managing Director and Joe DeVico, Managing Director, succeed Martin and become Co-Heads of U.S. Wealth Advisory
- Caroline Heller, Managing Director, succeeds Manish Mehta, Senior Managing Director, as Global Head of Human Resources next year. We will announce Manish's new role at the firm closer to that transition.
- Mark McCombe, Senior Managing Director, will take a new role as Vice Chairman, continuing the work he has been doing to tell BlackRock's story to more stakeholders across the U.S., specifically at the state level.
- Mark Wiedman, Senior Managing Director, will become head of the newly formed Global Client Business. This includes client businesses in North America and Canada as well as global client teams in addition Mark's current responsibility for the APAC, EMEA and LatAm regions and marketing.

### **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.

There were no material changes to the GEC in the third quarter ending 30 September 2022.

Please refer to the link below for biographies of the firm's current GEC members.

<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.



Source: BlackRock. Assets under management as of 30 September 2022. All figures are represented in USD.  
<sup>1</sup>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”) is subject to regulatory oversight in numerous jurisdictions including examinations and various requests for information. BlackRock Institutional Trust Company, N.A (“BTC”)’s regulators routinely provide it with comment letters at the conclusion of these examinations in which they request that BlackRock Institutional Trust Company, N.A (“BTC”) correct or modify certain of its practices. In all such instances, BlackRock Institutional Trust Company, N.A (“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.

BlackRock entities 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 BlackRock Institutional Trust Company, N.A (“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 BlackRock Institutional Trust Company, N.A (“BTC”) or BlackRock as a whole.

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

5. **Have there been any investment guideline breaches with respect to the Fund’s guidelines in the offering documents during the prior 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.

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.

Not Applicable.

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.

Not Applicable.

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.

Not Applicable. This fund only utilizes exchange traded index futures.

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.

Not Applicable.

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.

Please refer to our response in question 1.

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%</i>
<i>Preferred Stock</i>	<i>0%</i>
<i>Convertible Securities</i>	<i>0%</i>
<i>Cash &amp; Equivalents</i>	<i>1%</i>

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

<i>Large-Cap</i>	<i>90%</i>
<i>Mid-Cap</i>	<i>10%</i>
<i>Small-Cap</i>	<i>0%</i>

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

Not Applicable.

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 at 5.5% (benchmark weight at 5.5%). This is an index fund 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: 25.35%  
Health Care:15.17%

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

**Signed by:** Victoria Choi, Director



**Dated:** 1/11/2023

**Name of Firm:** BlackRock

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

***December 31, 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](mailto:Investments@samcera.org)) by **Tuesday, January 10, 2023.**

**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>99.86%</i>
<i>Preferred Stock</i>	<i>0%</i>
<i>Convertible Securities</i>	<i>0%</i>
<i>ADRs</i>	<i>0%</i>
<i>Cash &amp; Equivalents</i>	<i>0.14%</i>

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

<i>Large-Cap</i>	<i>79.89%</i>
<i>Mid-Cap</i>	<i>18.61%</i>
<i>Small-Cap</i>	<i>1.49%</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 Williams Cos Inc (WMB US) 2.11198%.**
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 Healthcare, 11.13473%. The benchmark's risk weight percentage for Healthcare is 10.78966%.**
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 0.78% of the total AUM of the firm. SamCERA's account comprises 99.13% of the total product assets.**

Signed by: Joe Cherepowich - Manager, Investment Compliance

Dated: January 11<sup>th</sup>, 2023

Name of Firm: PanAgora Asset Management, Inc.

## ***PGIM Quantitative Solutions U.S. Small Cap Core – December 31, 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](mailto:Investments@samcera.org)) by **Tuesday, January 10, 2023.**

### **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>99.64%</i>
<i>Preferred Stock</i>	<i>0.00%</i>
<i>Convertible Securities</i>	<i>0.00%</i>
<i>Cash &amp; Equivalents</i>	<i>0.36%</i>

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

<i>Large-Cap</i>	<i>0.42%</i>
<i>Mid-Cap</i>	<i>58.05%</i>
<i>Small-Cap</i>	<i>41.53%</i>

*Large-Cap (>\$10BN)*  
*Mid-cap (\$2BN-\$10BN)*  
*Small-cap (<= \$2BN)*

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.

**None – 0.00%**

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.

**EMCOR Group, Inc. (EME): portfolio weight = 1.09%**

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%.

**Banks: portfolio weight = 9.31%, benchmark weight = 10.27% → active bet = -0.96%**

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?

**9.7% as of 9/30/2022**

Signed by: Patrick McMenamin

Dated: 1/10/2023

Name of Firm: PGIM Quantitative Solutions

***Baillie Gifford Overseas International Growth – December 31, 2022***

*Compliance Certification Statement*

*San Mateo County*

*Employees' Retirement Association*

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**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**
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**

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>96.08%</i>
<i>ADR's</i>	<i>3.25%</i>
<i>Cash &amp; Equivalents (Foreign)</i>	<i>0.00%</i>
<i>Cash &amp; Equivalents (Domestic)</i>	<i>0.67%</i>

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

<i>Large-Cap</i>	<i>77.31%</i>
<i>Mid-Cap</i>	<i>20.17%</i>
<i>Small-Cap</i>	<i>2.52%</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.

*23.1% of the portfolio is invested in Emerging Markets.*

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

*Based on provisional end-December 2022 AUM data, the ACWI ex US All Cap Strategy comprised 3.4% of the firm's total AUM. Within the strategy, San Mateo County Employees Retirement Association held \$285m representing 3.1% 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

*Eoin Anderson*

Dated: January 10<sup>th</sup>, 2023

Name of Firm: Baillie Gifford Overseas Limited



## ***BlackRock MSCI ACWI ex US IMI Index – December 31, 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](mailto:Investments@samcera.org)) by **Tuesday, January 10, 2023.**

### **General Compliance Issues**

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

**Yes: Please explain.** /  **No**

There have been no significant portfolio developments or major changes in firm ownership, organizational structure or personnel. In November 2022, the Fund's Term was extended by one year to end on November 30, 2023.

### **Ownership Structure**

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 30 September 2022, there was no person known by BlackRock to own beneficially 10% or more of any class of outstanding voting securities of BlackRock.

Ownership details as of 31 December 2022 have not been made publicly available yet.

### **Organizational Changes**

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 six months.

On 3 October 2022, BlackRock announced Jessica Tan, Managing Director, will lead BlackRock Sustainable and Transition Solutions, the new name for the organization driving BlackRock's sustainability capabilities. As the transition and sustainability landscape is constantly evolving, we must continue to evolve too. BlackRock Sustainable Investing has been at the core of our "One

BlackRock" success in sustainability, serving as a leader, incubator, and hub of expertise. These changes aim to clarify our structure and empower businesses.

Please note that organizational changes as of 31 December 2022 have not been made available yet.

### **Future Firmwide Organizational Changes**

We are constantly looking for ways to improve our organization and may make changes if we believe they will allow us to better adapt to market dynamics and client needs. To better serve clients, we regularly move leaders into new roles. It broadens their understanding of BlackRock and helps us to better anticipate your future needs. It keeps us more tightly connected and stimulates fresh thinking. This continual process also creates opportunities to elevate leaders into more senior roles, broadening our perspectives and expanding our capabilities

The following upcoming changes will help ensure that we can continue to stay ahead of our clients' needs and lay the foundation for the next stage of growth for BlackRock.

- Martin Small, Senior Managing Director, will succeed Gary Shedlin, Senior Managing Director, as CFO for BlackRock after Gary completes the 2022 financial reporting process on or about 1 March 2023
- Gary will become a Vice Chairman of the firm and focus on strengthening relationships with some of the firm's most important clients and partners
- Jaime Magyera, Managing Director and Joe DeVico, Managing Director, succeed Martin and become Co-Heads of U.S. Wealth Advisory
- Caroline Heller, Managing Director, succeeds Manish Mehta, Senior Managing Director, as Global Head of Human Resources next year. We will announce Manish's new role at the firm closer to that transition.
- Mark McCombe, Senior Managing Director, will take a new role as Vice Chairman, continuing the work he has been doing to tell BlackRock's story to more stakeholders across the U.S., specifically at the state level.
- Mark Wiedman, Senior Managing Director, will become head of the newly formed Global Client Business. This includes client businesses in North America and Canada as well as global client teams in addition Mark's current responsibility for the APAC, EMEA and LatAm regions and marketing.

### **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.

There were no material changes to the GEC in the third quarter ending 30 September 2022.

Please refer to the link below for biographies of the firm's current GEC members.

<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.



Source: BlackRock. Assets under management as of 30 September 2022. All figures are represented in USD.  
<sup>1</sup>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”) is subject to regulatory oversight in numerous jurisdictions including examinations and various requests for information. BlackRock Institutional Trust Company, N.A (“BTC”)’s regulators routinely provide it with comment letters at the conclusion of these examinations in which they request that BlackRock Institutional Trust Company, N.A (“BTC”) correct or modify certain of its practices. In all such instances, BlackRock Institutional Trust Company, N.A (“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.

BlackRock entities 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 BlackRock Institutional Trust Company, N.A (“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 BlackRock Institutional Trust Company, N.A (“BTC”) or BlackRock as a whole.

4. **Has the firm’s insurance coverage been sustained?**  
 Yes /  No: Please explain.
5. **Have there been any investment guideline breaches with respect to the Fund’s guidelines in the offering documents during the prior 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.

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.

Not applicable.

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.

c) Not applicable.

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.

Not applicable. This fund only utilizes exchange traded index futures.

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.

Not Applicable.

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.

Please refer to our response in question 1.

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%</i>
<i>ADR's</i>	<i>1%</i>
<i>Cash &amp; Equivalents (Foreign)</i>	<i>2%</i>
<i>Cash &amp; Equivalents (Domestic)</i>	<i>0%</i>

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

<i>Large-Cap</i>	<i>66%</i>
<i>Mid-Cap</i>	<i>29%</i>

<i>Small-Cap</i>	5%
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**3. What percentage of the portfolio is invested in emerging and/or frontier markets?**

Emerging Markets: 28.27%

**Signed by:** Victoria Choi, Director



**Dated:** 1/11/2023

**Name of Firm:** BlackRock

***Mondrian Investment Partners International Value – December 31, 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](mailto:Investments@samcera.org)) by **Tuesday, January 10, 2023**.

**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?



**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.**

**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**

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>70.01%</i>
<i>ADR's</i>	<i>NIL</i>
<i>MIP Limited Partnership</i>	<i>29.07%</i>
<i>Cash &amp; Equivalents (Foreign)</i>	<i>0.54%</i>
<i>Cash &amp; Equivalents (Domestic)</i>	<i>0.38%</i>

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

<i>Large-Cap &gt;11bn</i>	<i>83.51%</i>
<i>Mid-Cap 3.5bn – 11bn</i>	<i>14.49%</i>
<i>Small-Cap &lt;3.5bn</i>	<i>0.51%</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 31<sup>st</sup> December the portfolio held 29.07% 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? 7%
- What size does SamCERA's account comprise of total product assets? 8%

Signed by: **Ed Lambert**

Dated: **11 January 2023**

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

***DoubleLine Securitized Income – December 31, 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](mailto:Investments@samcera.org)) by **Tuesday, January 10, 2023.**

**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

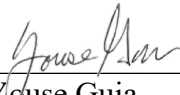
1. State the percentage of the portfolio held in each of the following types of securities:

<i>Certificates of Deposit</i>	%
<i>Commercial Paper</i>	%

<i>Other High Grade Short-term securities</i>	%
<i>U.S. Government &amp; Agency securities</i>	94.71%
<i>Corporate Bonds</i>	%
<i>Mortgage- and asset-backed securities</i>	25.07%
<i>Yankee bond securities</i>	%
<i>Others (Cash)</i>	6.08%

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? 18.54%
  
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?

DoubleLine finalizes AUM figures on the 14<sup>th</sup> calendar following the end of the quarter.

Signature:   
Signed by: Youssef Guia  
Dated: 1/9/2023  
DoubleLine Capital

## San Mateo County Employees' Retirement Association | Due Diligence Questionnaire

### FIAM Important Information

#### Please read this information carefully.

All information & data is as of the date of this Proposal unless otherwise indicated.

Information provided in, and presentation of, this document is for informational and educational purposes only and are not a recommendation to take any particular action, or any action at all, nor an offer or solicitation to buy or sell any securities or services presented. It is not investment advice.

*Fidelity does not provide legal or tax advice. Before making any investment decisions, you should consult with your own professional advisers and take into account all of the particular facts and circumstances of your individual situation. 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.*

#### Performance

Gross composite returns do not reflect the deduction of investment advisory ("IA"), performance, administrative or custodial fees, but do include trading expenses. Net composite returns are calculated by deducting the highest advisory fee applicable to any FIAM client employing this strategy during the time period shown and applicable performance fee (if any), exclusive of minimum fee arrangements. Other fees and expenses may reduce returns. See the GIPS® Composite Report for performance figures that are net of the highest advisory fee (including performance fee, if any) applicable to any account in the Composite, which includes accounts managed by FIAM and its affiliates, as permitted. Historical performance shown may have been achieved by a different investment adviser in the GIPS Firm definition than the investment adviser presenting the performance, and the investment team responsible for the performance shown may have changed over the course of the composite's performance time period shown. See FIAM LLC's Form ADV for more information about advisory fees if FIAM LLC is the investment manager for the account. For additional information about advisory fees related to other FIAM advisory entities, speak with your relationship manager. All results reflect realized and unrealized appreciation and the reinvestment of dividends and investment income, if applicable. Taxes have not been deducted. FIAM claims compliance with the Global Investment Performance Standards (GIPS®) as part of the Fidelity Investments firm.

#### Target/Expected Excess Return (Target Alpha)

Target Excess Return is aspirational and is not determined using any calculation methodology. Net Target Excess Return is presented net the highest fee applicable to any FIAM client employing this strategy. FIAM determines the strategy's Target Excess Return taking into consideration the strategy's target tracking error and applying an assumed information ratio. Target Excess Return is determined when a product is launched and is not revised over time. Target Excess Return is speculative and of extremely limited use to any investor and should not be relied upon in any way.

#### Target and Expected Returns

Although FIAM believes it has a reasonable basis for any target or expected returns, including Target Excess Return, there is no assurance that actual results will be comparable. Actual results will depend on prevailing systemic conditions impacting capital markets as well as idiosyncratic factors affecting individual portfolio securities.

#### Risks



## San Mateo County Employees' Retirement Association I Due Diligence Questionnaire

Past performance is no guarantee of future results. Investors should be aware that an investment's value may be volatile and involves the risk that you may lose money. Performance for individual accounts will differ from performance for composites and representative accounts due to factors, including but not limited to, portfolio size, trading restrictions, account objectives and restrictions, and factors specific to a particular investment structure. Representative account information is based on an account in that strategy's composite that generally reflects that strategy's management and is not based on performance of that account.

The value of a strategy's investments will vary in response to many factors, including adverse issuer, political, regulatory, market, or economic developments. The value of an individual security or a particular type of security can be more volatile than and perform differently from the market as a whole. Nearly all accounts are subject to volatility in non-U.S. markets, either through direct exposure or indirect effects on

U.S. markets from events abroad, including fluctuations in foreign currency exchange rates and, in the case of less developed markets, currency illiquidity. Events such as natural disasters, pandemics, epidemics, and social unrest in one country, region, or financial market may adversely impact issuers in a different country, region, or financial market. Performance could be negatively impacted if the value of a portfolio holding were harmed by such political or economic conditions or events. Moreover, such negative political and economic conditions and events could disrupt the processes necessary for investment operations.

Diversification does not ensure a profit nor protect against loss in a declining market.

The performance of fixed income strategies will change daily based on changes in interest rates and market conditions and in response to other economic, political, or financial developments. Debt securities are sensitive to changes in interest rates depending on their maturity and may involve the risk that their prices may decline if interest rates rise or, conversely, if interest rates decline, their prices may increase. Debt securities carry the risk of default, prepayment risk, and inflation risk. Changes specific to an issuer, such as its financial condition or its economic environment, can affect the credit quality or value of an issuer's securities. Lower-quality debt securities (those rated or considered below investment-grade quality, also referred to as high-yield debt securities) and certain types of other securities are more volatile, speculative and involve greater risk due to increased sensitivity to adverse issuer, political, regulatory, and market developments, especially in periods of general economic difficulty. The value of mortgage securities may change due to shifts in the market's perception of issuers and changes in interest rates, regulatory, or tax changes.

Derivatives may be volatile and involve significant risk, such as credit risk, currency risk, leverage risk, counterparty risk, and liquidity risk. Using derivatives can disproportionately increase losses and reduce opportunities for gains in certain circumstances.

### General

These materials may contain statements that are "forward-looking statements," which are based on certain assumptions of future events. FIAM does not assume any duty to update any forward-looking statement. Actual events may differ from those assumed. There can be no assurance that forward-looking statements, including any projected returns, will materialize or that actual market conditions and/or performance results will not be materially different or worse than those presented.

Certain data and other information in this RFP have been supplied by outside sources and are believed to be reliable and current. Data and information from third-party databases, such as eVestment Alliance, Callan, and Morningstar are self-reported by firms that generally pay a subscription fee to use such databases, and the database sponsors do not guarantee or audit the accuracy, timeliness, or completeness of the data and information provided, including any rankings. Rankings or similar data reflect information at the time rankings were retrieved from a third-party database, and such rankings may vary significantly as additional data from managers is reported. Rankings may include a variety of product structures, including some in which certain clients may not be eligible to invest. FIAM cannot verify the accuracy of information from outside sources, and potential investors should be aware that such information is subject to change without notice.

## San Mateo County Employees' Retirement Association I Due Diligence Questionnaire

### Miscellaneous

The Chartered Financial Analyst (CFA) designation is offered by the CFA Institute. To obtain the CFA charter, candidates must pass three exams demonstrating their competence, integrity, and extensive knowledge in accounting, ethical and professional standards, economics, portfolio management, and security analysis, and must also have at least four years of qualifying work experience, among other requirements. CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute.

Chartered Alternative Investment Analyst (CAIA) is offered by the Association of Chartered Alternative Analysts. Candidates are expected to understand the basic concepts of finance and quantitative analysis and need to pass two exams. One year of professional experience with a bachelor's degree or four of professional experience without a bachelor's degree is required. Professional experience is defined as full-time employment in a professional capacity within the regulatory, banking, financial, or related fields.

Financial Risk Manager (FRM) is offered by the Global Association of Risk Professionals. Candidates must pass two exams demonstrating their competence in risk management and must also have at least two years of professional full-time financial risk management work experience, among other requirements.

### Entities

Fidelity Asset Management Solutions (FAMS) provides a broad array of investment solutions and services with its Global Institutional Solutions (GIS), Global Asset Allocation (GAA), and institutional equity, fixed income, high income, and alternative asset management teams through Fidelity Diversifying Solutions LLC (FDS) and FIAM LLC, each a U.S. registered investment adviser; and Fidelity Institutional Asset Management Trust Company (FIAMTC), a New Hampshire trust company.

The following are commingled pools of the FIAM Group Trust for Employee Benefit Plans, and are managed by FIAMTC: Freedom Target Date pools, the FIAM 30/70 pool, and the FIAM Pension Journey pools. Commingled pools are not mutual funds.

"Fidelity Investments" and/or "Fidelity" refers collectively to FMR LLC, a U.S. company, and its subsidiaries, including but not limited to Fidelity Management & Research Company LLC (FMR), FDS, FIAM LLC and FIAMTC.

Third-party trademarks and service marks are the property of their respective owners. All other trademarks and service marks are the property of FMR LLC or its affiliated companies.

**San Mateo County Employees' Retirement Association | Due Diligence Questionnaire*****Fidelity Institutional Asset Management U.S. Core Bonds – December 31, 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](mailto:Investments@samcera.org)) by **Tuesday, January 10, 2023.**

**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 January 2, 2023, Stephanie Brown succeeded Kevin Meagher as Asset Management's chief compliance officer. Kevin Meagher moved to Fidelity Legal as senior vice president, supporting Fidelity Institutional and Fund and Brokerage Operations and Technology.
- Effective November 18, 2022, Vadim Zlotnikov was named the Head of Fidelity Institutional. Vadim also took on the Capital Markets and FundsNetwork businesses. In addition to his current responsibilities, Ron DePoalo took on the management of clearing and custody sales, relationship management, and service. With these changes, Mike Durbin transitioned into a senior advisor role.
- Effective March 1, 2022, Jonathan Chiel, in addition to his responsibilities as general counsel for the firm, assumed oversight of Fidelity's Legal, Risk and Compliance organization, succeeding Gerry McGraw.

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**

**San Mateo County Employees' Retirement Association I Due Diligence Questionnaire****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**

As previously communicated:

On 8/26/22, Fixed Income Trading identified that your account, the SamCERA - Broad Market Duration portfolio (SAMBMD), participated in block trades with another account whose net assets for trade allocation purposes were overstated, causing certain trade orders for your account to be under allocated. This issue resulted in a gain of \$14.78 to your account which will be retained.

Background:

The Fixed Income trade allocation policy allocates purchases pro rata based on each portfolio's "Applicable Net Assets," which generally refers to the sum of net assets as most recently calculated for that portfolio. Fixed Income Trading executes trades for Fidelity's retail bond separately managed accounts (SMAs) through a single omnibus account. Unlike other accounts traded by Fixed Income, where Applicable Net Assets are fed to the trade allocation engine from the common data environment, when a final order is entered for the SMAs into the Fixed Income Order Management Tool "OMT", the Applicable Net Assets for the omnibus account are sourced from an SMA order sizing tool and used by the trade allocation engine to allocate the trade.

Issue:

In certain instances, between 2018 and 2022, Portfolio Managers (PMs) finalized orders for SMAs in the OMT without completing this documentation in the SMA orders sizing tool. This happened generally when PMs downsized the order size in the OMT from their original intent, reducing the number or amount of underlying SMAs participating in the trade. When the downsized order was not reflected in the SMA order sizing tool, the allocation engine sourced overstated assets for trade allocation purposes, which resulted in trade orders for account SAMBMD being under allocated. The issue arose because PMs did not fully understand the downstream impact of failing to reflect a matching final order in the order management tools and a control requiring the orders to match between systems didn't exist.

Remediation:

To determine the impact on effected accounts, Fixed Income Trading Operations along with Asset Management Compliance compared the allocation received to the allocation that would have been received based on the net assets of all participating funds and accounts in relation to the final order. In certain cases, the adviser calculated a good faith estimate of the assets in the omnibus account to determine the revised allocation. The comparative cost of the security purchased versus its cost on T+1 was used to compute financial impact. This resulted in a \$14.78 gain which will be retained.

Actions to Prevent:

**San Mateo County Employees' Retirement Association I Due Diligence Questionnaire**

Fixed Income Trading Operations created a daily reconciliation between the OMT and the SMA order management tool to detect any variances. In addition, user access controls will be implemented to prevent PMs from entering an order in the OMT that differs from the SMA order management tool.

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.**
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?

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**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?

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 December 31, 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: Please explain.**

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 December 31, 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.

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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).

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 December 31, 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**

- 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**

**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>	0.73%
<i>U.S. Government &amp; Agency securities</i>	34.53%
<i>Corporate Bonds</i>	32.94%
<i>Mortgage- and asset-backed securities</i>	30.37%
<i>Yankee bond securities</i>	1.43%

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.

**San Mateo County Employees' Retirement Association I** Due Diligence Questionnaire

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

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

As of December 31, 2022, 0.15% 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?

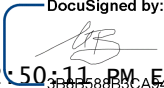
14.79%

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 December 31, 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   
Dated: 1/6/2023 | 12:50:11 PM EST  
Name of Firm FIAM LLC





**FRANKLIN  
TEMPLETON**

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# Franklin Templeton Global Multisector Plus Fund L.P

**San Mateo County Employees Retirement Association**

January 9, 2023

**Bill Deakyne, CFA**

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## APPENDIX 1

### FRANKLIN ADVISERS INC. REGULATORY HISTORY

## A. 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 December 31, 2022, for portfolio managers, research analysts and traders dedicated to Templeton Global Macro strategies.

#### Additions

Date joined the team	Name	Investment Function
November 1, 2022	Jennifer Woo	Trader

#### Departures

Date departed the team	Name	Investment Function
October 23, 2022	Christina Yi	Client Investment Specialist
July 8, 2022	Kevin Nest	Trader

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 December 31, 2022:

- Effective September 30, 2022, David Yuen, SVP, Multi-Sector and Quant Strategies within Franklin Templeton Fixed Income, relinquished his portfolio management responsibilities prior to his planned retirement in December 2022.
- Effective October 1, 2022, Terrence Murphy, currently Head of Equities for Franklin Templeton and CEO of ClearBridge Investments, expanded his role to oversee the majority of FT's public market investment teams as the new Head of Public Market Investments (including Franklin Templeton ETFs, Franklin Templeton Fixed Income, Franklin Templeton Investment Solutions, Royce Investment Partners, and Templeton Global Macro).

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 December 31, 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 September 30, 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**

**5. Have there been any investment guideline breaches with respect to the Fund's guidelines in the offering documents during the prior 6 months?**

**Yes: Please explain.**               **No**

**B. 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**

## C. 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**

**D. 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



## E. GLOBAL FIXED INCOME PORTFOLIOST

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

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

The following table details the sectoral along with regional breakdown for the Franklin Templeton Global Multisector Plus (Master) Fund, Ltd. as of December 31, 2022.

<b>Sector</b>	<b>MV %</b>
Africa Sub-IG Govt Bond	2.68%
Americas ex-US IG Govt Bond	8.69%
Americas ex-US Sub-IG Govt Bond	11.95%
Asia ex-Japan IG Govt Bond	17.65%
Japan T-Bill	10.43%
Cash Equivalent	16.40%
Cash Un-invested	0.79%
FX Forwards	1.87%
Interest-Rate Swaps	0.64%
Non-EMU Europe IG Govt Bond	8.46%
US Treasury	8.78%
USD HY Corp Sub-IG Country	0.00%
USD Sub-IG Sovereign	11.65%
<b>Grand Total</b>	<b>100.00%</b>

## San Mateo County Employees Retirement Association

### 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 December 31, 2022. In total, 26.28% of the fund consisted of holdings that were below investment grade or not rated.

Range	IG/Non-IG	Percentage
AAA	IG	14.39%
AA	IG	1.12%
A+	IG	10.43%
A-	IG	3.44%
BBB+	IG	5.10%
BBB	IG	12.87%
BBB-	IG	6.67%
BB-	Non-IG	14.04%
B	Non-IG	4.65%
B-	Non-IG	4.93%
CCC-	Non-IG	0.01%
CC	Non-IG	0.74%
C	Non-IG	1.91%
NR	Non-IG	0.00%
N/A	-	2.51%
Cash & Cash Equivalents	-	17.19%
<b>Grand Total</b>		<b>100.00%</b>

### 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 December 31, 2022:

Date	Bond	MV%
7/31/2022	Government of Norway, 144A, Reg S, 1.75%, 3/13/25	5.93%
	Government of Indonesia, senior bond, FR59, 7.00%, 5/15/27	5.87%
	Brazil Letras do Tesouro Nacional, BILLS, Unsecured, LTN, 1/01/25	5.23%
8/31/2022	Government of Indonesia, senior bond, FR59, 7.00%, 5/15/27	6.06%
	Government of Norway, 144A, Reg S, 1.75%, 3/13/25	5.81%
	Brazil Letras do Tesouro Nacional, BILLS, Unsecured, LTN, 1/01/25	5.48%
	Nota do Tesouro Nacional, 10.00%, 1/01/27	5.21%
9/30/2022	Government of Indonesia, senior bond, FR59, 7.00%, 5/15/27	6.27%
	Brazil Letras do Tesouro Nacional, BILLS, Unsecured, LTN, 1/01/25	5.78%
	Government of Norway, 144A, Reg S, 1.75%, 3/13/25	5.73%
	Nota do Tesouro Nacional, 10.00%, 1/01/27	5.45%

**San Mateo County Employees Retirement Association**

<b>Date</b>	<b>Bond</b>	<b>MV%</b>
10/31/2022	Government of Indonesia, senior bond, FR59, 7.00%, 5/15/27	6.12%
	Brazil Letras do Tesouro Nacional, BILLS, Unsecured, LTN, 1/01/25	6.05%
	Government of Norway, 144A, Reg S, 1.75%, 3/13/25	5.98%
	Nota do Tesouro Nacional, 10.00%, 1/01/27	5.78%
11/30/2022	Government of Norway, 144A, Reg S, 1.75%, 3/13/25	5.94%
	Government of Indonesia, senior bond, FR59, 7.00%, 5/15/27	5.62%
	Brazil Letras do Tesouro Nacional, BILLS, Unsecured, LTN, 1/01/25	5.56%
	Nota do Tesouro Nacional, 10.00%, 1/01/27	5.26%
12/31/2022	Thailand Government Bond, BONDS, Unsecured, 1.00%, 6/17/27	5.16%
	Government of Indonesia, senior bond, FR59, 7.00%, 5/15/27	5.59%
	Brazil Letras do Tesouro Nacional, BILLS, Unsecured, LTN, 1/01/25	5.35%
	Thailand Government Bond, BONDS, Unsecured, 1.00%, 6/17/27	5.10%
	Nota do Tesouro Nacional, 10.00%, 1/01/27	5.05%

**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 December 31, 2022:

<b>Date</b>	<b>144A (Total %)</b>
7/31/2022	7.85%
8/31/2022	7.71%
9/30/2022	7.60%
10/31/2022	7.93%
11/30/2022	7.87%
12/31/2022	4.84%

**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 November 30, 2022, was US \$53.1 million, which makes up less than one percent 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 November 30, 2022.

**Signed By:** 

**Name:** Breda Beckerle  
**Title:** Chief Compliance Officer  
**Dated:** January 9, 2023  
**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](http://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 – December 31, 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](mailto:Investments@samcera.org)) by **Tuesday, January 10, 2023**.

**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 Q3 and Q4 2022, there were no material changes to NISA's ownership structure.

During Q3 2022, there were no Senior Team additions, departures or promotions

During Q4 2022, as part of NISA's ongoing efforts to broaden the management responsibilities of its Senior Team, the following individuals were promoted.

Elaine Kemper – Director, Client Services  
Vinod Sadasivam – Director, Derivatives  
Jordan Rouff, CFA – Director, Derivatives  
Paul Oehrlein, CFA – Director, Investment Strategies  
James Hobbs, CFA – Director, Investment Strategies

Rick Ratkowski, Director, Investment Strategies joined NISA's Management Committee effective 12/31/2022.

Additionally, Joe Murphy is no longer a member of NISA's Investment Committee effective with his retirement on December 31, 2022. There are no other planned changes to the composition of the Investment Committee at this time.

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 12/31/2022, the gross notional futures exposure with JP Morgan was \$4,510,719. 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 12/31/2022, the gross notional futures exposure with JP Morgan was \$4,510,719. 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 12/31/2022.

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.**

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>
<i>Commercial Paper</i>	<i>0.00%</i>
<i>Other High Grade Short-term securities</i>	<i>0.12%</i>
<i>U.S. Government &amp; Agency securities</i>	<i>37.68%</i>
<i>Corporate Bonds</i>	<i>31.34%</i>
<i>Mortgage- and asset-backed securities</i>	<i>30.42%</i>
<i>Yankee bond securities</i>	<i>0.44%</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.**

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?

On 11/16/2022, CUSIP 67623CAE9 was downgraded to Ba1 by Moody's and therefore, below investment grade according to the investment guidelines. This position represents 0.05% of the portfolio, and NISA intends to liquidate the security within 90 calendar days of the downgrade as outlined in the investment guidelines.

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 12/31/2022, 5.58% 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 12/31/2022, NISA's Short/Core Duration Product (\$34.3bn) makes up approximately 13.2% of NISA's total, physical AUM (\$259.2bn).

As of 12/31/2022, the NISA-managed SamCera Portfolio (\$218.8mm) makes up approximately 0.64% of NISA's Short/Core Duration Product (\$34.3bn).

Signed by:



Richard M. Dolson  
Chief Compliance Officer

Dated: January 10, 2023

Name of Firm: NISA Investment Advisors, LLC

*Harrison Street Core Property Fund, LP – December 31, 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](mailto:Investments@samcera.org)) by **Tuesday, January 10, 2023.**

**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 with respect to the Fund's guidelines in the offering documents during the prior 6 months?  
 **Yes: Please explain.** /  **No**

**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

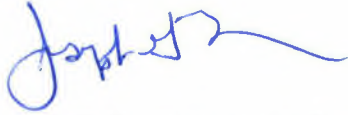
1. Is the portfolio diversified as to region, property type, industry, and economic base?  
 **Yes** /  **No**
- a) If **No**, do the investments comply with the policies?
2. Is the portfolio achieving a total time-weighted rate of return, net of fees, which equals or exceeds, the NFI ODCE index?  **Yes** /  **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 a proper 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 is not 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 December 31, 2022, will not be published until after the due date of this request. As of September 30, 2022, Core Fund assets comprised 36.7% of total Firm AUM, and SamCERA's ownership percentage of the Core Fund was 0.67%. The Firm is happy to subsequently provide figures as of December 31, 2022, if required.



Signed by: Joseph G. Lansing, as Authorized Signatory

Dated: January 5, 2023

Name of Firm: Harrison Street Real Estate Capital, LLC

## ***Insight Investment Cash Flow Driven Investment – December 31, 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](mailto:Investments@samcera.org)) by **Tuesday, January 10, 2023.**

### **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**

## 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 counterparty fully evaluated?  
 **Yes /**  **No: Please explain.**
4. For non-exchange traded derivative transactions, were the counterparties broker/dealers?  
 **Yes /**  **No**

**If Yes:**

- a) Do the counterparties have investment grade debt?  **Yes/**  **No**
  - b) Are the counterparties 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 counterparties financial institutions (banks)?  
 **Yes /**  **No**

**If Yes:**

- a) Do the counterparties have investment grade debt?  **Yes/**  **No**
  - b) Do the counterparties 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 counterparty within the portfolio?
    - b) Please specify the name of the counterparty and the amount of exposure.
    - c) Have there been any changes to the investment manager's list of approved counterparties 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 non-exchanged traded derivative positions.
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**

### **Domestic Fixed Income Portfolios**

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

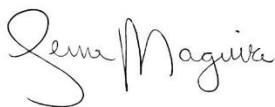
<i>Certificates of Deposit</i>	%
<i>Commercial Paper</i>	%

<i>Other High Grade Short-term securities</i>	%
<i>U.S. Government &amp; Agency securities</i>	22.13%
<i>Corporate Bonds</i>	60.86%
<i>Mortgage- and asset-backed securities</i>	8.49%
<i>Yankee bond securities</i>	6.95%
<i>Other</i>	1.57%

2. Does the firm conduct horizon analysis testing?  **Yes** /  **No: Please explain.** *We use annualized ex-ante TEV as one of our primary risk monitoring measures. Besides that, we run various historical and bespoke stress tests as required.*
3. Are any holdings below investment grade?  **Yes** /  **No**  
*In full disclosure, we hold 1 bond in the portfolio that is considered BBB- using the middle rating, but Moody's does have a Ba1 rating.*

Holdings											
Currency	Moody's Rtg	S&P Rtg	Fitch Rtg	Cusip	Description	Δ	Total Value (Portfolio)	Nominal	%	Price (Conventional)	Point C Rpt OAS
US Dollar	Ba1	BBB-	BBB-	161175AY0	Charter Comm Opt Llo/cap 4.908% 23jul2025 (callable 23apr25)		1,275,774	1,269,000	0.49%	98.3252	134.00

- a) If **Yes**, why are they held in the portfolio?
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? 9.23%
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 9/30/22, this product makes up 14.6% of the firm's AUM. SamCera's account comprise of .08% of the total product assets. The 12/31/22 data will not be ready until later this month.*



Signed by: Jenna Maguire  
Dated: 1/9/2023

Name of Firm      Insight North America LLC

***The Parametric Portfolio Associates LLC Cash & Currency Hedge Overlay –  
December 31, 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](mailto:Investments@samcera.org)) by **Tuesday, January 10, 2023.**

**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: January 3, 2023

Name of Firm: Parametric Portfolio Associates, LLC

***Verus Advisory, Inc. – December 31, 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](mailto:Investments@samcera.org)) by **Tuesday, January 10, 2023**.

**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**

Margaret Jadallah retired at the end of 2022. She was replaced as lead general consultant by John Nicolini, who overlapped as co-lead with Margaret for the second half 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: Warren Spencer, Chief Compliance Officer

Dated: 1/12/2023

Verus Advisory, Inc.


SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

**Board of Retirement**

January 24, 2023

Agenda Item 4.11

**TO:** Board of Retirement

**FROM:** Scott Hood, Chief Executive Officer 

**SUBJECT:** Agreement with Cheiron Inc. for Actuarial Audit Services

**Recommendation**

Adopt a resolution authorizing the Chief Executive Officer to execute an agreement with Cheiron Inc. for actuarial audit services.

**Background**

Government Code §31453 requires periodic valuations of SamCERA's actuarial soundness. It is prudent to have an actuarial audit performed at least every three years to determine if there are any issues or concerns with the work performed by the Board's actuary. This additional oversight places SamCERA in a better position to catch an actuarial error before it can have significant detrimental effect to the soundness of the fund.

**Discussion**

In 2019, Milliman, Inc. was selected as the Board's Actuary through a Request for Proposals process. In connection with that same process, the Board chose to change actuarial auditing firms to Cheiron, Inc. ("Cheiron"). Prior to that time, the Board's auditing actuary had been Segal Consulting since 2011. As Cheiron provided another perspective on the work performed by the Board's actuary, staff recommends continuing with Cheiron for the actuarial audit this year.

Cheiron and staff have agreed to a \$10,000 fee reduction over their previous fee for the actuarial audit services.

The attached resolution authorizes the Chief Executive Officer to execute an agreement with Cheiron, for actuarial auditing services that covers the period from April 1 - December 31, 2023, at a cost not to exceed \$80,000. In the event there may be unanticipated costs for certain services, the resolution provides that the Chief Executive Officer can make subsequent amendments and minor modifications up to a total of \$10,000.

**Attachment**

Resolution Authorizing the Chief Executive Officer to Execute an Agreement with Cheiron, Inc. for Actuarial Audit Services



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

**Board of Retirement**

**RESOLUTION AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO EXECUTE AN AGREEMENT WITH CHEIRON INC. FOR ACTUARIAL AUDIT SERVICES**

RESOLUTION 2023-\_\_

**WHEREAS**, Article XVI, §17 (e) of the Constitution of the State of California vests the Board with “The sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the...system” and Government Code §31453 requires periodic valuations of SamCERA’s actuarial soundness; and

**WHEREAS**, this Board has determined that it is prudent to have periodic actuarial audits of the work performed by the Board’s actuary to better ensure the financial soundness of the fund; and

**WHEREAS**, in 2018, after conducting a competitive Request for Proposals process, SamCERA selected Milliman, Inc. as its actuary; and

**WHEREAS**, since 2011, Segal Consulting had been the fund’s auditing actuary; and

**WHEREAS**, in 2020, Cheiron, Inc. (“Cheiron”) was selected to perform actuarial audit services for the 2020 triennial experience study and 2020 valuation; and

**WHEREAS**, this Board has determined that it is in the best interests of SamCERA to again contract with Cheiron to perform actuarial audit services for the 2023 triennial experience study and 2023 valuation; therefore, be it

**RESOLVED**, the Chief Executive Officer is hereby authorized and directed to execute an agreement with for Cheiron, Inc. for actuarial audit services with an agreement term of April 1, 2023, through December 31, 2023, at a cost not to exceed \$80,000; therefore, be it

**FURTHER RESOLVED**, that the Chief Executive Officer is hereby authorized to execute subsequent amendments and minor modifications in an amount not to exceed \$10,000 in the aggregate throughout the term of the agreement.

\* \* \* \* \*

Regularly passed and adopted, by the San Mateo County Employees’ Retirement Association, Board of Retirement, on January 24, 2023.

Ayes, Trustees:

Noes, Trustees:

Absent, Trustees:

Abstain, Trustees:

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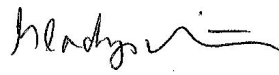
Alma Salas  
Board Secretary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

January 24, 2023

Agenda Item 4.12

**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) and WorkDay (WD) code:

<b>ATKS &amp; WD Code</b>	<b>Earning Description</b>
114	Psychiatry Residency Program

(b) Include as non-pensionable earning the following Automated Timekeeping System (ATKS) and WorkDay (WD) code:

<b>ATKS &amp; WD Code</b>	<b>Earning Description</b>
115	Missed Work Meal or Break Pay

**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**

The Accreditation Council for Graduate Medical Education (ACGME) requires sponsoring institutions to have a policy for vacation and leaves of absence, consistent with applicable laws. Such policy must:

- provide residents/fellows with a minimum of six weeks of approved medical, parental, and caregiver leave(s) of absence for qualifying reasons that are consistent with applicable laws at least once and at any time during an ACGME-accredited program, starting the day the resident/fellow is required to report;

- provide residents/fellows with at least the equivalent of 100 percent of their salary for the first six weeks of the first approved medical, parental, or caregiver leave(s) of absence taken;
- provide residents/fellows with a minimum of one week of paid time off reserved for use outside of the first six weeks of the first approved medical, parental, or caregiver leave(s) of absence taken;
- ensure the continuation of health and disability insurance benefits for residents/fellows and their eligible dependents during any approved medical, parental, or caregiver leave(s) of absence;

Earnings code 114, Psychiatry Residency Program was created in order to conform with the ACGME's requirements. This earnings code will be effective February 5, 2023 and is compensation earnable and pensionable compensation.

Prior to January 1, 2023, employees who provided direct patient care or who supported direct patient care in a general acute care hospital, clinic, or public health setting directly employed by specified public sector employers, were entitled by law to one unpaid 30-minute meal period on shifts over 5 hours and a 2<sup>nd</sup> unpaid 30-minute period on shifts over 10 hours. Effective January 1, 2023, Senate Bill 1334 authorizes these employees to waive those meal periods and would provide for on-duty meal periods, as provided by specified existing law. This bill entitles these employees to a rest period based on the total hours worked daily at the rate of 10 minutes net rest time per 4 hours or major fraction thereof, as provided. The bill further requires employers, if they fail to provide an employee a meal period or rest period in accordance with the bill, to pay the employee one additional hour of pay at the employee's regular rate of compensation for each workday that the meal or rest period is not provided. In order to be compliance with SB 1334, the County has created earnings code 115. This earnings code is not pensionable.

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 with 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 2023-\_\_**

***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 2022-23 is rescinded, and pursuant to Government Code §31461 as interpreted by the courts, the Board hereby makes the following determinations to be effective January 1, 2023, 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
011	Training/Officer of the Day/Courtroom Clerk Electronic Recording Pay
013	Night shift differential
014	Special night shift differential

Pay Code	Description
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	Required and Regular 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
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

Pay Code	Description
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
113	Paid leave for donor
114	Psychiatry Residency Program
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
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
024	Voluntary or Ad Hoc On-Call hours
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
029	Part-time double shift differential
037	Layoff sick leave
040	Terminal vacation
042	Mandatory Time Off Unpaid
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

Pay Code	Description
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
108	Comp hours earned at straight time (OT)
111	Terminal compulsory time off
115	Missed Work Meal or Break Pay
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

Pay Code	Description
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. To be included as pay code 027, the time for on-call hours which compensation is received must be within the working hours set forth in the applicable employment agreement, resolution, and/or departmental policies which should reflect that on-call is ordinarily worked by others in the same grade or classification or organizational unit at the same rate of pay; is a part of the regular work assignment (as distinguished from ad hoc or voluntarily worked) for all members in the organizational unit; reflect the amount of assigned and scheduled on-call hours (or method of regular rotation of assignment of scheduled on-call among all members of the organizational unit); and reflect that the method of filling vacancies or absences in such a schedule is accomplished through a rotational basis as distinguished from ad hoc or volunteering.



5. Pursuant to Government Code §31641(c), the terms listed above in paragraph 3 and 4 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 and *Alameda County Deputy Sheriffs' Assoc. v. Alameda County Employees' Retirement Association* (2020) 9 Cal.5<sup>th</sup> 1032.

**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, and it is hereby clarified that, to the extent pay codes were inadvertently omitted or included from the pay code charts in prior resolutions, but such omissions or inclusions were contrary to the narrative of such resolutions or prior resolutions, the narrative language of such resolutions shall control.

\* \* \* \* \*

*Regularly passed and adopted, by the San Mateo County Employees' Retirement Association, Board of Retirement, on January 24, 2023.*

*Ayes, Trustees:*

*Noes, Trustees:*

*Absent, Trustees:*

*Abstain, Trustees:*

---

*Alma Salas, Board Secretary, SamCERA*

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

**RESOLUTION 2023-\_\_**

**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 2022-24 is rescinded, and pursuant to Government Code §7522.34 as interpreted by the courts, the Board hereby makes the following determinations to be effective January 1, 2023, 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
113	Paid leave for donor

Pay Code	Description
114	Psychiatry Residency Program
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
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 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
027	On-call hours
028	On call E.H. relief nurse
029	Part-time double shift differential
037	Layoff sick leave
040	Terminal vacation
042	Mandatory Time Off Unpaid
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

Pay Code	Description
063	Terminal MOT Pay
065	Overtime training hours
066	Overtime at time and one-half
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
115	Missed Work Meal or Break Pay
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

Pay Code	Description
803	SART nurses meeting/service flat rate
804	SART nurses training and education flat rate
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, and it is hereby clarified that, to the extent pay codes were inadvertently omitted or included from the pay code charts

in prior resolutions, but such omissions or inclusions were contrary to the narrative of such resolutions or prior resolutions, the narrative language of such resolutions shall control.

\* \* \* \* \*

*Regularly passed and adopted, by the San Mateo County Employees' Retirement Association, Board of Retirement, on January 24, 2023.*

*Ayes, Trustees:*

*Noes, Trustees:*

*Absent, Trustees:*

*Abstain, Trustees:*

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*Alma Salas, Board Secretary, SamCERA*

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

January 24, 2023

Agenda Item 5.2

**TO:** Board of Retirement

**FROM:** Scott Hood, Chief Executive Officer



**SUBJECT:** Adoption of Cost of Living Adjustments (COLAs) for 2023

**Recommendation**

Approve resolution adopting the Cost of Living Adjustments as recommended by Milliman, Inc.

**Discussion**

Annual COLAs to SamCERA benefits are calculated pursuant to the County Employees Retirement Law (CERL) which requires that COLAs be based on the change in the Consumer Price Index for the Bay Area provided by the U.S. Bureau of Labor Statistics and rounded to the nearest one half of one percent.

Milliman, Inc. has calculated the annual COLAs for each retirement tier and plan for approval by the Board. As reflected in the attached letter, Milliman reports that the CPI increased 5.60% during 2022. Rounded to the nearest one half of one percent, this yields a COLA of 5.0% for Plan 1 General and Safety members, a COLA of 3% for Plan 1 Probation and Plan 2 members and a COLA of 2% for Plan 4, 5, 6 and 7 if they retire before April 2, 2023. Plan 3 members do not receive a COLA.

Probation Plan 1 members will have 2.5% deposited into their COLA bank. General and Safety Plan 1 members will have .5% deposited into their COLA bank.

All COLAs will be paid beginning with the April 2023 benefit payments.

**Attachments**

January 18, 2023 letter from Milliman, Inc.

Resolution Adopting Cost of Living Adjustments Effective April 1, 2023 as Recommended by Milliman, Inc.





1301 Fifth Avenue  
Suite 3800  
Seattle, WA 98101-2605  
USA

Tel +1 206 624 7940

milliman.com

January 18, 2023

Scott Hood  
Chief Executive Officer  
San Mateo County Employees' Retirement Association  
100 Marine Parkway, Suite 125  
Redwood Shores, CA 94065-5208

Re: Annual COLA Payable in 2023

Dear Scott:

The San Mateo County Employees' Retirement Association (SamCERA) provides a Cost-of-Living Adjustment (COLA) to retirees and beneficiaries who retired on or before April 1 of each year in accordance with Article 16.5 of the County Employees' Retirement Law of 1937 (CERL). This letter outlines the COLA percentage and changes to the COLA Bank to be adopted by the Board and effective in April of 2023.

### **Inflation Index**

The first step in the calculation process is the measurement of inflation. The calculation of the annual COLA is specified in the CERL. For Plan 1 General and Safety members, the COLA is governed by Section 31870.2. For Plan 1 Probation and all Plan 2 members, the details of the COLA are provided under Section 31870.1. For Plan 4-7 members, the COLA is governed by Section 31870. Plan 3 members do not receive any COLA under Article 16.5 of the CERL.

Section 31870.2 says that the COLA should be calculated using...

...the cost of living as of January 1<sup>st</sup> of each year as shown by the then current Bureau of Labor Statistics Consumer Price Index for All Urban Consumers for the area in which the county seat is situated...

Identical language appears in Sections 31870 and 31870.1 of the CERL. The Retirement Board has adopted the Annual Average Consumer Price Index for All Urban Consumers (CPI-U) for the San Francisco-Oakland-Hayward area (Base Period: 1982-84=100) as the basis for making the annual adjustments. This index increased by 5.60% during the 2022 calendar year, from an index value of 309.721 in 2021 to an index value of 327.060 in 2022.

## COLA and COLA Bank

The annual COLA that SamCERA retirees and beneficiaries are eligible to receive is based on the change in the consumer price index rounded to the nearest one-half of one percent (subject to the maximum COLAs specified in relevant sections of the CERL). We recommend that the SamCERA Board adopt the following items to take effect in April 2023:

- COLA percentage

- Plan 1. Each retiree and beneficiary who retired on or before April 1, 2023 will receive a Cost-of-Living Adjustment in accordance with the following table.

Date of Retirement	General	Safety	Probation
All Dates	5.0%	5.0%	3.0%

- Plan 2. Each retiree and beneficiary who retired on or before April 1, 2023 will receive a Cost-of-Living Adjustment of 3.0%
- Plan 3. No Cost-of-Living Adjustment is provided to Plan 3 retirees and beneficiaries.
- All Other Plans. Each retiree and beneficiary who retired on or before April 1, 2023 will receive a Cost-of-Living Adjustment of 2.0%, the maximum increase under CERL 31870.

- COLA Bank

- Plan 1. Each retiree and beneficiary who retired on or before April 1, 2023 will have his or her COLA Bank established in accordance with the following table:

Date of Retirement	General	Safety	Probation
All Dates	0.5%	0.5%	2.5%

- All Other Plans. In accordance with Section 31874.4 of the CERL, retirees and beneficiaries of plans 2 through 7 do not accumulate COLA Banks.

## Certification

Milliman's work product was prepared exclusively for the use or benefit of SamCERA for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning SamCERA's operations. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

The consultants who worked on this assignment are retirement actuaries. Milliman's advice is not intended to be a substitute for qualified legal, investment, or accounting counsel.

The signing actuaries are independent of the plan sponsors. We are not aware of any relationship that would impair the objectivity of our work.

We are members of the American Academy of Actuaries and Associates of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Please let us know if you have any questions or need any additional information.

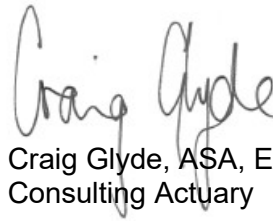
Sincerely,



Nick Collier, ASA, EA, MAAA  
Consulting Actuary

NC/CG/va

cc: Gladys Smith



Craig Glyde, ASA, EA, MAAA  
Consulting Actuary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

RESOLUTION 2023- \_\_

**RESOLUTION ADOPTING COST OF LIVING ADJUSTMENTS EFFECTIVE APRIL 1, 2023  
AS RECOMMENDED BY MILLIMAN, INC.**

**WHEREAS**, Government Code Sections 31870, 31870.1, 31870.2 and 31874.4 authorize the Board to grant cost of living adjustments on an annual basis to recipients of SamCERA benefits; and

**WHEREAS**, the Board has retained Milliman, Inc. to provide actuarial services to the Board; and

**WHEREAS**, Milliman, Inc., by its letter dated January 18, 2023, has provided the appropriate annual cost of living adjustments for benefits based on the member's retirement tier, date of retirement; and applicable County Employees Retirement Law (CERL) statute, therefore, be it

**RESOLVED**, that the Board adopts the schedules of cost of living adjustments set forth in the attached January 18, 2023, letter from Nick J. Collier and Craig Glyde, Consulting Actuaries, Milliman, Inc., to Chief Executive Officer Scott Hood, therefore, be it further

**RESOLVED**, that the Board hereby adopts said cost of living adjustments effective April 1, 2023. Be it further

**RESOLVED**, that the Chief Executive Officer is hereby authorized and directed to take all actions necessary to provide for the payment of cost of living adjustments in accordance with the adopted schedules.

\* \* \* \* \*

Regularly passed and adopted, by the San Mateo County Employees' Retirement Association, Board of Retirement, on January 24, 2023.

Ayes, Trustees:

Noes, Trustees:

Absent, Trustees:

Abstain, Trustees:

---

Alma Salas, Board Secretary

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

January 24, 2023

Agenda Item 6.1

**TO:** Board of Retirement

**FROM:** Michael Coultrip, Chief Investment Officer 

**SUBJECT:** Preliminary Monthly Portfolio Performance Report for the Period Ended  
December 31, 2022

**Recommendation**

Accept the preliminary performance report dated December 31, 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.

Due to delays at Northern Trust, the performance report will not be ready in time for the Board mailing. It will be added to Dropbox before the meeting.

**Discussion**

Most risk assets classes were lower in December as investor sentiment was hurt by hawkish comments from the Fed and higher forecasted terminal interest rates. The Fed raised rates by 50 basis points in December (after raising rates by 75 basis points at each of the previous four meetings).

The U.S. equity market (measured by the S&P 500 Index) was down 5.8% (-18.1% for 2022), while small-capitalization stocks were down 6.5% (-20.4% for 2022). Developed international equity (as measured by MSCI EAFE) was up 0.1% (-14.5% for 2022) while emerging markets were down 1.4% (-20.1% for 2022).

Economic activity continued to be mixed in October. The final estimate for third quarter real Gross Domestic Product rose by an annualized 3.2% in the third quarter, higher than the initial estimate of 2.6%. Manufacturing softened again in December and is now in contraction territory. The labor market remained strong, adding 223,000 new jobs in December, while the headline unemployment rate decreased to 3.5%, matching a five-decade low. Inflation (as measured by the Consumer Price Index - All Urban Consumers) increased 6.5% for the twelve months ended December (which was lower than expectations).

The general U.S. fixed income market was down 0.5% in December (-13% for 2022) as interest rates rose across the yield curve and the yield curve remained inverted. The 10-year U.S. Treasury yield was higher by 27 basis points during the month and ended at 3.88% by month-end. High Yield returns were down 0.6% (-11.2% for 2022) and the Bloomberg Commodity Index was down 2.4% (but higher by 16.1% in 2022).

**Attachments**

Verus Capital Market Update



**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**

DECEMBER 2022  
Capital Markets Update

# Market commentary

## U.S. ECONOMICS

- Job growth continued to surpass expectations as nonfarm payrolls grew by 223,000, above the expected increase of 200,000. The unemployment rate fell -0.1% to 3.5% and labor force participation edged +0.2% higher to 62.3%. Year-over-year wage growth (+4.6%) decelerated and came in below expectations (+5.0%).
- The ISM Manufacturing PMI declined -0.6 points to 48.4 and marked the index's second consecutive month in contractionary territory (indicated by a reading below 50).
- In a reversal from November, all components of the University of Michigan Consumer Sentiment Index (59.7) improved. Inflation expectations for the year ahead fell -0.5% to 4.4%, the lowest level in 18 months.

## U.S. EQUITIES

- All major equity indices ended the month in the red. The S&P 500 Index fell -5.8% to end the year down -18.1%, its lowest calendar year return since 2008. Equities pared earlier gains following hawkish commentary from the Fed at their December meeting.
- Expectations for Q4 S&P 500 earnings growth continue to fall. Per FactSet, the bottom-up estimate for year-over-year Q4 earnings growth measured -4.1%, down from -1.0% in November.
- Nine of the eleven S&P GICS sectors saw downward revisions to their Q4 earnings growth estimates in the fourth quarter. Declines in estimates were led by the Materials, Consumer Discretionary, and Communications sectors. In a continuation of recent earnings trends, the Energy sector is expected to deliver the highest year-over-year Q4 earnings growth rate at +62.7%.

## U.S. FIXED INCOME

- The Fed increased their target rate by 50bps, in line with market expectations. The hike was lower than the four 75bp hikes that preceded but came alongside hawkish commentary and a downward revised Summary of Economic Projections.
- In the Fed's latest Summary of Economic Projections, GDP growth expectations were revised lower compared to September while the expected unemployment rate increased. Estimates for the terminal rate moved to 5.1%, +0.5% higher from the previous quarter's forecast of 4.6%.
- The Bloomberg U.S. Aggregate Bond Index (-0.5%) fell slightly to end the year down -13.1%, the worst calendar year performance for the U.S. Agg in its 46-year recorded history.

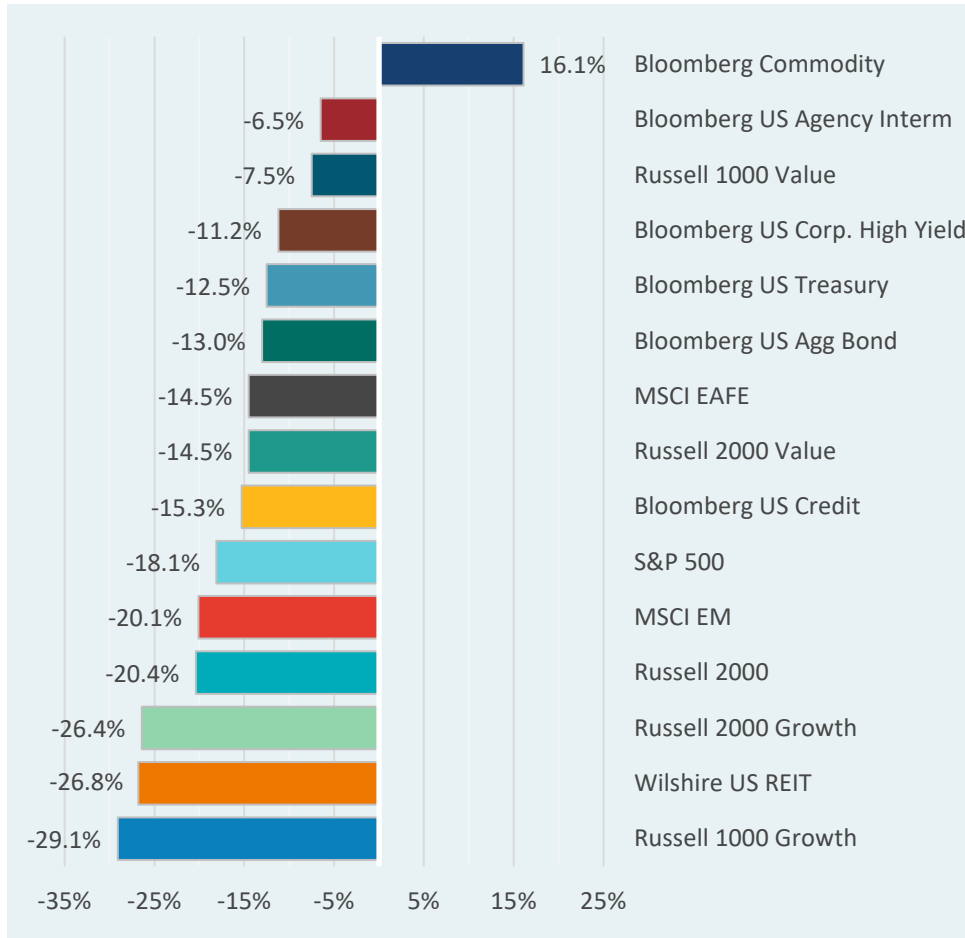
## INTERNATIONAL MARKETS

- News of reduced COVID-19 restrictions along with hopes of a full 2023 reopening boosted Chinese equities (MSCI China Index +5.6%). China's recent move to end quarantine periods for inbound travelers made it one of few major equity markets to end the month in the green.
- Shares in the U.K. (MSCI UK Index -0.4%) were more resilient relative to other markets but still finished the month down. The BOE followed other central banks and raised rates by 50bps while warning of future hikes if inflationary pressures persist.
- The Japanese yen (+5.8%) continued to strengthen and hit a four-month high against the dollar. The currency rallied after the BOJ expanded the interest rate band around its target rate to 50bp from 25bp. Japanese equities (MSCI Japan Index +0.3%) rose over the month despite declines in many other developed markets.

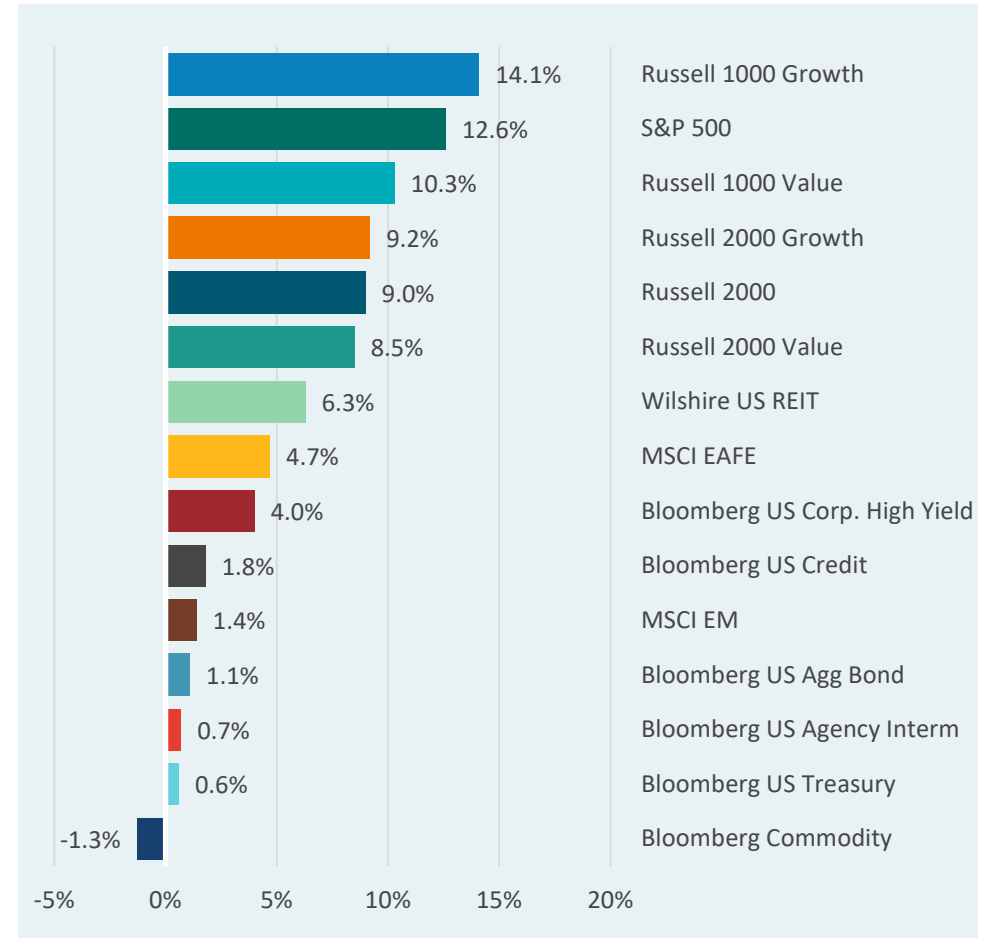


# Major asset class returns

ONE YEAR ENDING DECEMBER



TEN YEARS ENDING DECEMBER



\*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 12/31/22

Source: Morningstar, as of 12/31/22

# U.S. large cap equities

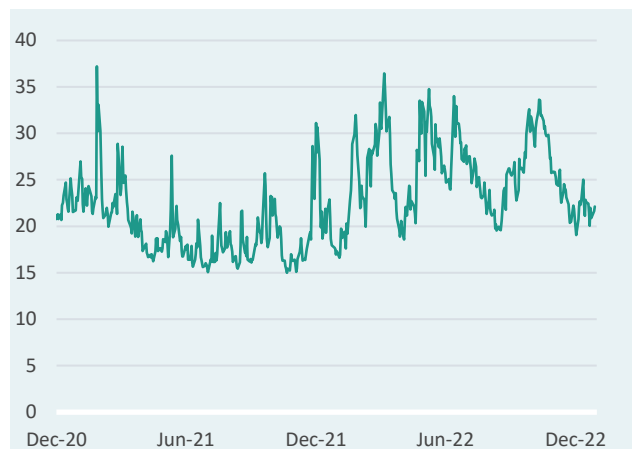
- The S&P 500 Index (-5.8%) reversed course and erased prior month gains. Positive investor sentiment from the preceding two months was quelled by renewed fears of an impending recession and persistent hawkish comments and actions from the Federal Reserve.
- All 11 S&P 500 GICS Sectors ended lower. Defensive sectors outperformed, led by Utilities (-0.5%), Health Care (-1.9%), and Consumer Staples (-2.8%). Growth-oriented sectors including Consumer Discretionary (-11.3%), Information Technology (-8.4%), and Communications (-7.8%) saw the biggest declines.
- The Cboe VIX Index increased +1.1 points to 21.7 despite reaching an intra-month high of 25.1. The index declined markedly (-10.0) in the fourth quarter to end 2022 below its 1-year daily moving average (25.6) and near its 5-year moving average (21.3).
- Only 16.7% of S&P 500 constituents advanced over the month, with no index members gaining more than 10.0%. Losses were widespread and steep in 2022 as 72.3% of constituents declined, each by an average of -24.6% per S&P Global.

**S&P 500 PRICE INDEX**



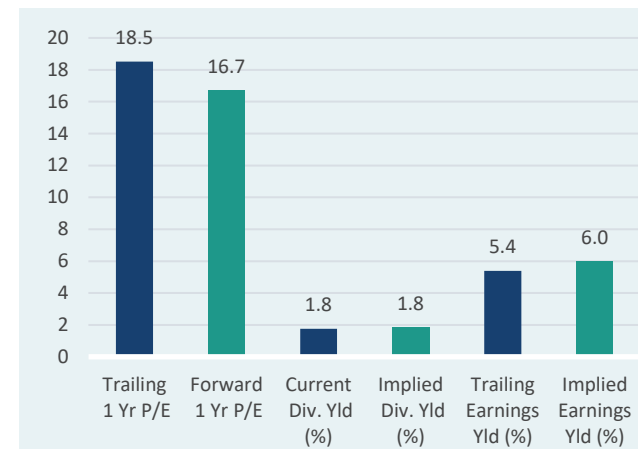
Source: Bloomberg, as of 12/31/22

**IMPLIED VOLATILITY (VIX INDEX)**



Source: Cboe, as of 12/31/22

**S&P 500 VALUATION SNAPSHOT**

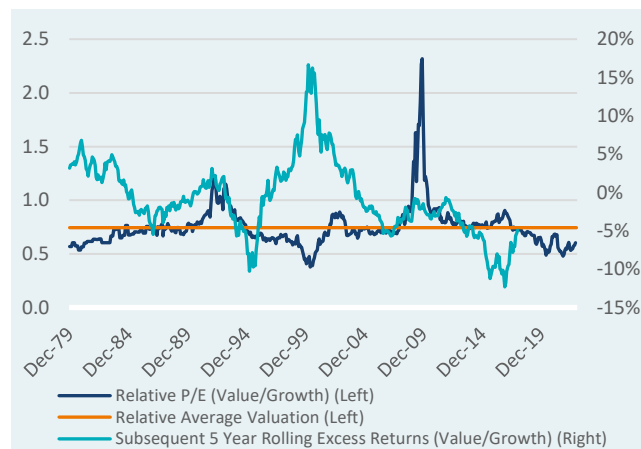


Source: Bloomberg, as of 12/31/22

# Domestic equity size and style

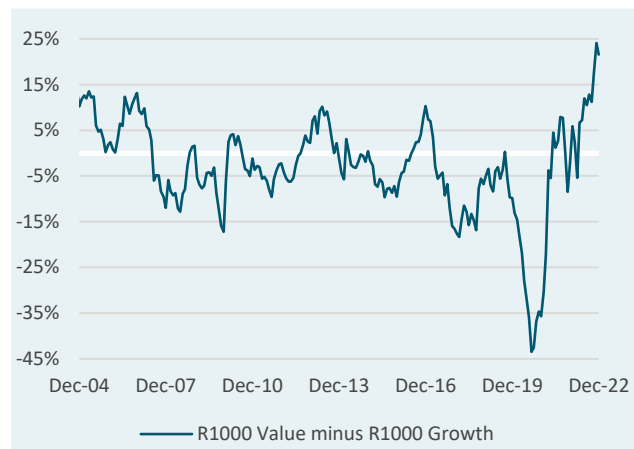
- Value (Russell 1000 Value Index -4.0%) outperformed growth (Russell 1000 Growth Index -7.7%) for the fifth straight month. Value stocks gained steam in the second half of the year alongside high inflation and rate hikes, outperforming growth by +21.6% in 2022.
- Within value, large-cap names (-4.0%) held up better than small-caps (Russell 2000 Value -6.6%) and outperformed by +7.0% on the year. The performance gap was largely driven by higher weights to energy and lower weights to information technology and consumer discretionary in the large-cap value index.
- Mid-cap stocks (Russell Mid Cap Index -5.4%) beat large- (Russell 1000 Index -5.8%) and small-cap stocks (Russell 2000 Index -6.5%) for a second consecutive month. Mid-caps fell the least among equity sizes on a 1-year basis, down -17.3% compared to large- (-19.1%) and small-cap companies (-20.4%).
- The S&P 500 Equal Weighted Index (-4.7%) beat the cap-weighted index (-5.8%) for a third consecutive month with help from strong performance from defensive sectors. In 2022, the equal-weighted index outperformed the cap-weighted index by +6.7%, its largest margin of overperformance since 2010.

**VALUE VS. GROWTH RELATIVE VALUATIONS**



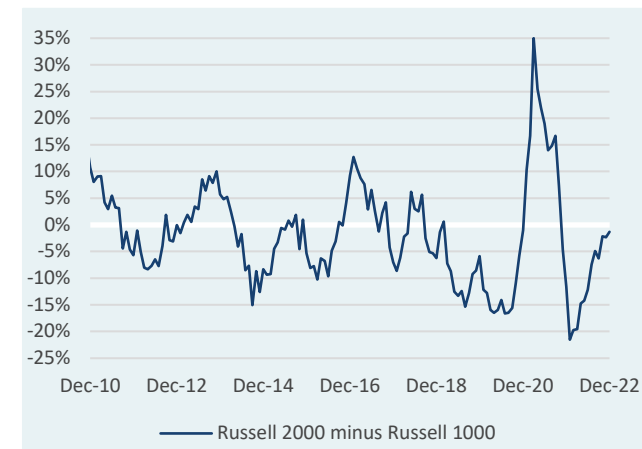
Source: FTSE, Bloomberg, as of 12/31/22

**VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE**



Source: FTSE, Bloomberg, as of 12/31/22

**SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE**

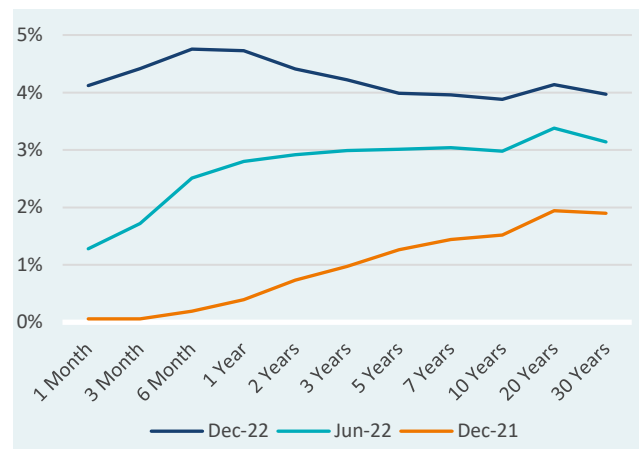


Source: FTSE, Bloomberg, as of 12/31/22

# Fixed income

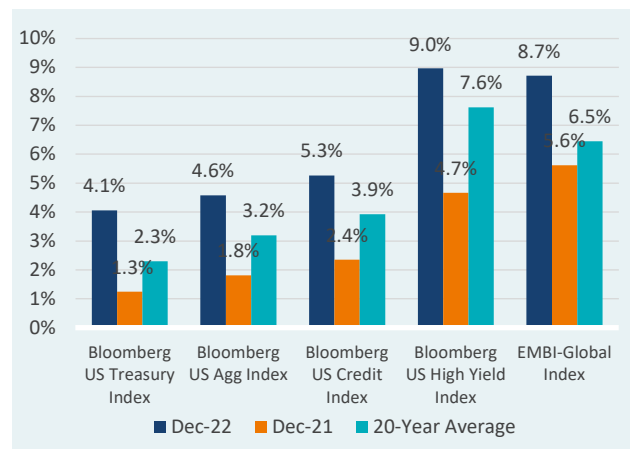
- Yields rose across the curve after a volatile month. Despite falling sharply in the first half of the month on a cooler-than-expected November inflation print, yields moved higher toward month end as market participants responded to upward revisions in the interest rate path estimated by Fed officials.
- The 10-2 spread remained inverted but narrowed to -53bps, down -17bps from the four decade high of -70bps in the month prior. 2-year yields increased a modest 3bps over the month while 10-year yields rose 20bps.
- The Bloomberg US Long Treasury Index (-1.7%) declined as yield increases were more exaggerated on the long-end of the curve. Yields on 20- and 30-year Treasuries jumped in excess of 40bps in the second half of the month.
- U.S. market-based inflation expectations moved lower on signs of potentially decelerating consumer prices and Fed tightening. The 10-year breakeven inflation rate hit its lowest level of the year (2.13%) near mid-month and both the 5- and 10-year breakeven rates ended more than -20bp below their 1-year daily averages.

**U.S. TREASURY YIELD CURVE**



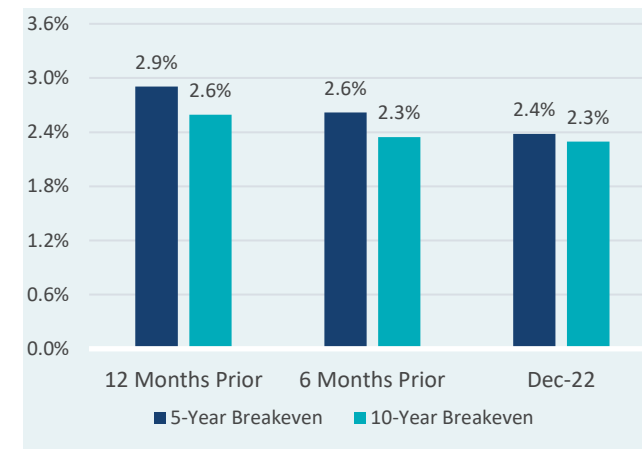
Source: Bloomberg, as of 12/31/22

**NOMINAL YIELDS**



Source: Morningstar, as of 12/31/22

**BREAKEVEN INFLATION RATES**

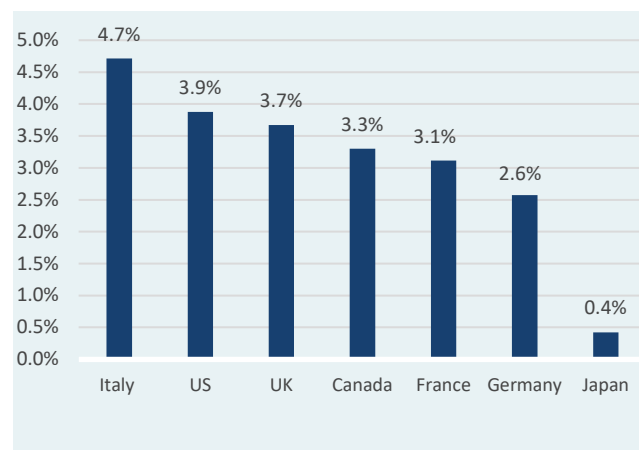


Source: Bloomberg, as of 12/31/22

# Global markets

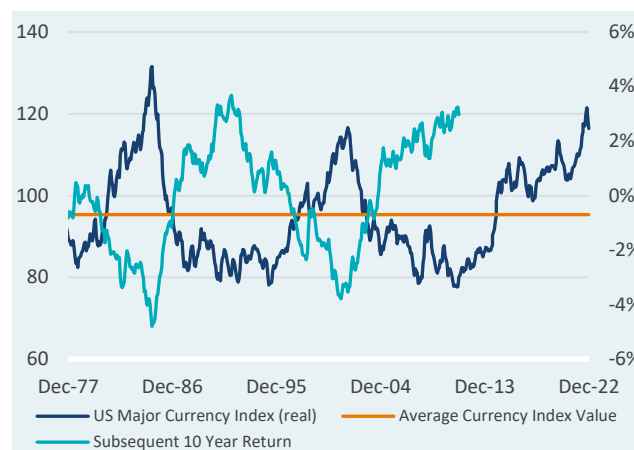
- Global equities (MSCI ACWI Index -3.9%) fell across major markets, driven largely by declines in U.S. shares. Developed markets outperformed emerging markets, although moves were relatively muted.
- Value outperformed growth in both U.S. and International equities. International value (MSCI EAFE Value Index +1.3%) rose while growth (MSCI EAFE Growth Index -1.1%) declined in December. This trend held over the 1-year period as international value outperformed growth by +17.3%
- Yields on sovereign debt rose across developed markets. Italian bonds fell most among G-10 countries as 10-year yields jumped +80bps to 4.7%. Yields faced upward pressure from the ECB's recently announced quantitative tightening measures set to commence in March.
- Latin American equities (MSCI EM Latin American Index -4.0%) lagged peers in a reversal of recent trends. Underperformance in the region was likely driven by weakness in Mexican stocks (-6.5%) and double-digit declines in Peruvian equities fueled by political unrest.

**GLOBAL SOVEREIGN 10-YEAR YIELDS**



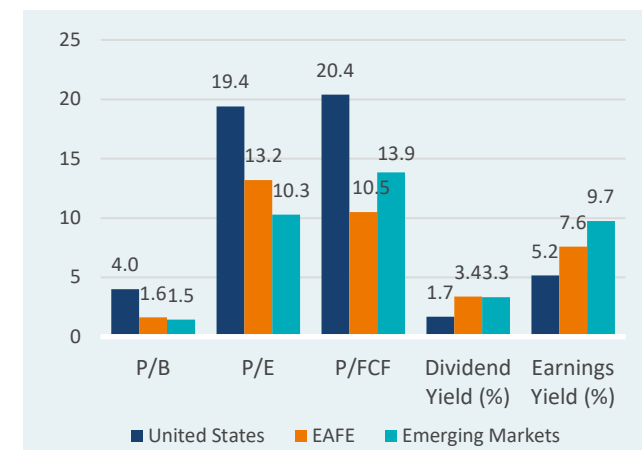
Source: Bloomberg, as of 12/31/22

**U.S. DOLLAR MAJOR CURRENCY INDEX**



Source: Federal Reserve, as of 12/31/22

**MSCI VALUATION METRICS (3-MONTH AVG)**



Source: Bloomberg, as of 12/31/22

# Commodities

- The Bloomberg Commodity Index fell -2.4% driven by a sharp reversal in natural gas prices (-35.4%) which weighed on overall energy performance (Bloomberg Energy Sub-Index -12.2%). Energy declines were buoyed by continued gains in metals along with positive performance from agriculture.
- The Bloomberg Industrial Metals Sub-Index rose +2.2% after nickel prices (+11.2%) saw a second-straight month of double-digit gains. Nickel finished the year +43.2% higher and was the only constituent of the sub-index to end the year in positive territory.

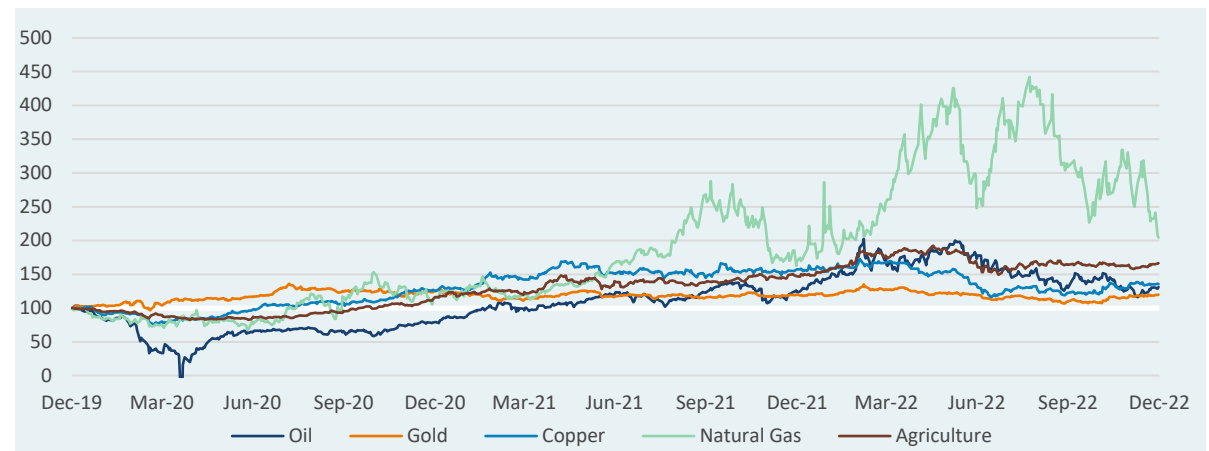
- Precious metals prices (Bloomberg Precious Metals Sub-Index +5.7%) continued to rise. Gold prices gained +4.6% to finish a flat year (-0.1%) and silver prices rallied +11.6% to end the year higher (+2.9%). Signs of a potential slowdown in both rate hikes and economic growth likely contributed to recent price appreciation.
- The Bloomberg Grains Sub-Index gained +2.0% on higher prices for soybean related products. Ongoing drought in Argentina, one of the world’s largest soybean producers, contributed to sharp increases in soybean meal (+14.6%), a soybean by-product used as a protein supplement for livestock.

## INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(2.4)	2.2	16.1	16.1	12.7	6.4	(1.3)
Bloomberg Agriculture	1.6	2.4	15.5	15.5	19.5	9.1	(0.8)
Bloomberg Energy	(12.2)	(9.1)	36.2	36.2	5.9	3.0	(6.6)
Bloomberg Grains	2.0	(0.3)	18.0	18.0	19.4	9.7	(2.1)
Bloomberg Industrial Metals	2.2	16.4	(2.4)	(2.4)	14.0	5.0	1.5
Bloomberg Livestock	2.2	8.5	7.4	7.4	(3.7)	(3.8)	(3.2)
Bloomberg Petroleum	(0.7)	7.5	45.6	45.6	12.3	8.9	(3.4)
Bloomberg Precious Metals	5.7	13.3	0.1	0.1	5.7	5.7	(0.9)
Bloomberg Softs	0.6	(2.8)	(3.5)	(3.5)	12.7	3.0	(2.8)

Source: Morningstar, as of 12/31/22

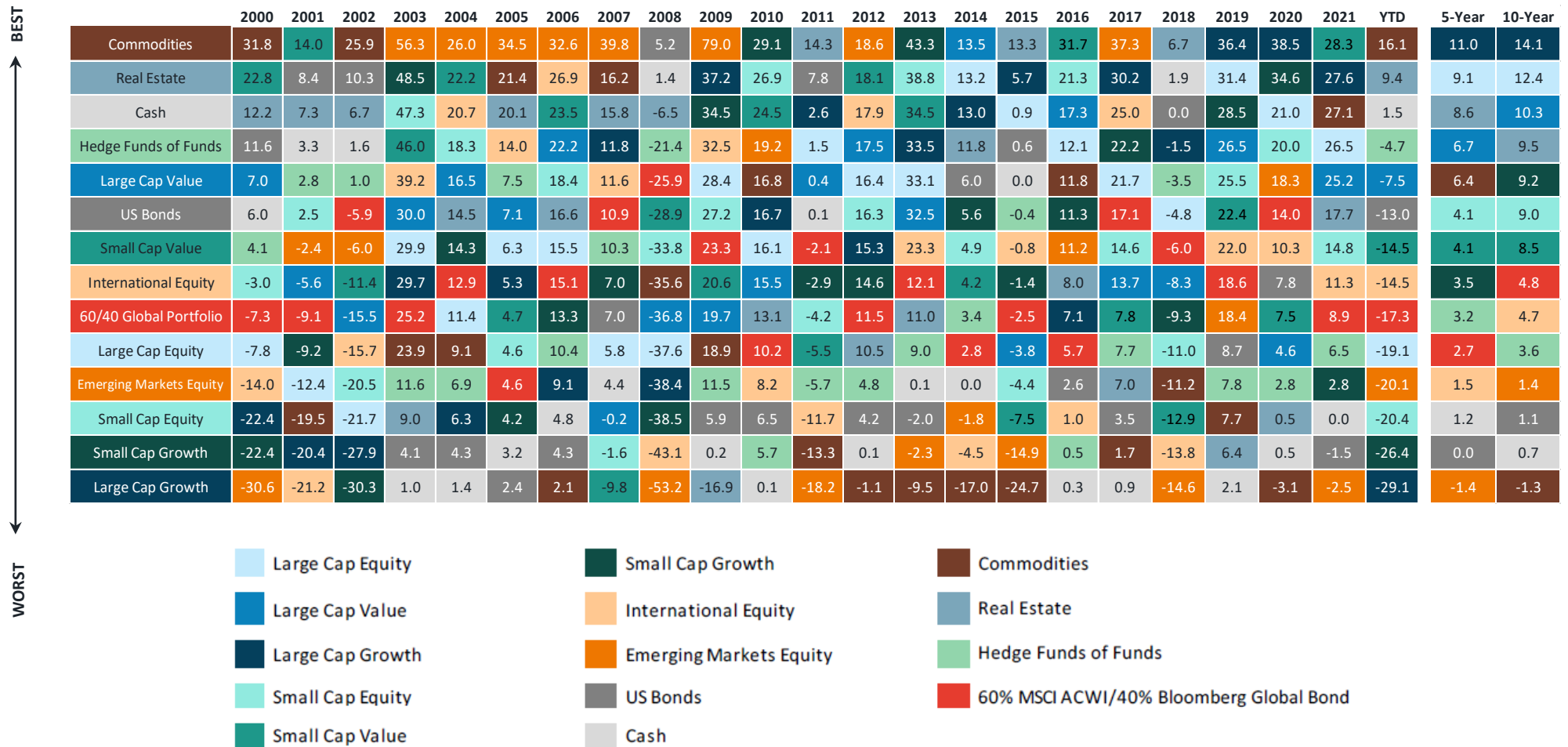
## COMMODITY PERFORMANCE



Source: Bloomberg, as of 12/31/22

# Appendix

# Periodic table of returns

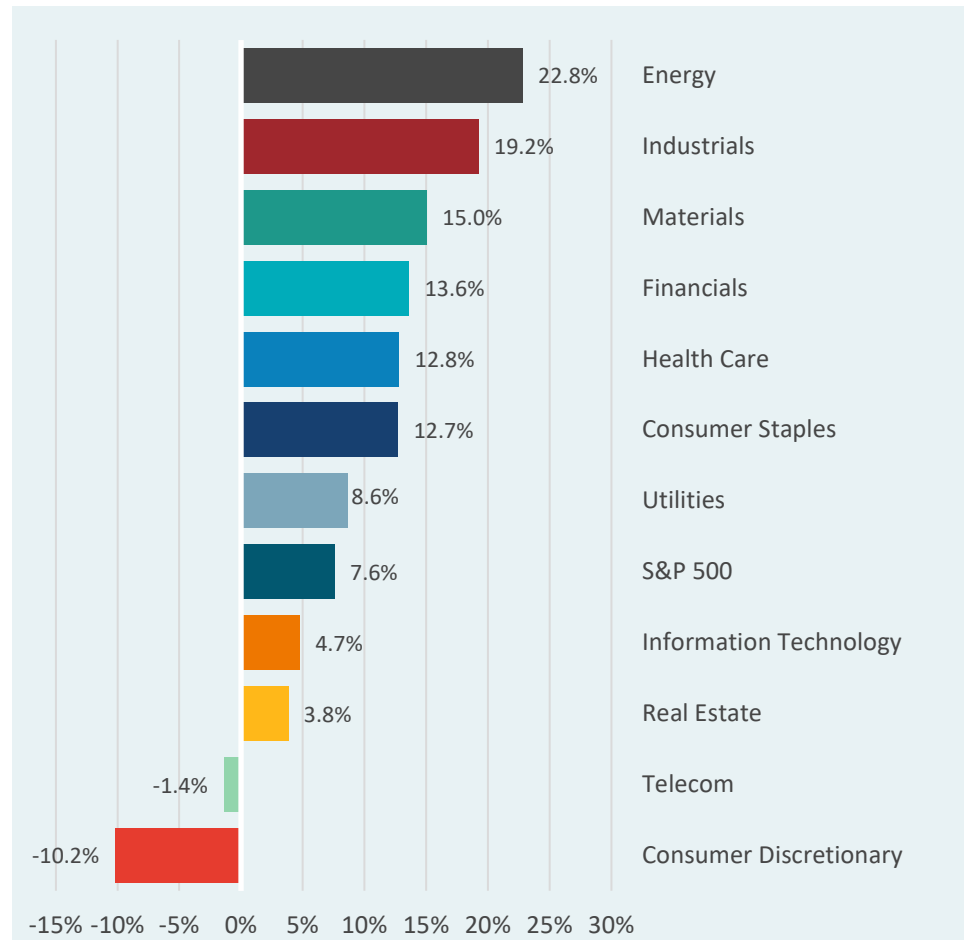


Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, Bloomberg US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, Bloomberg Global Bond. NCREIF Property Index performance data as of 9/30/22.



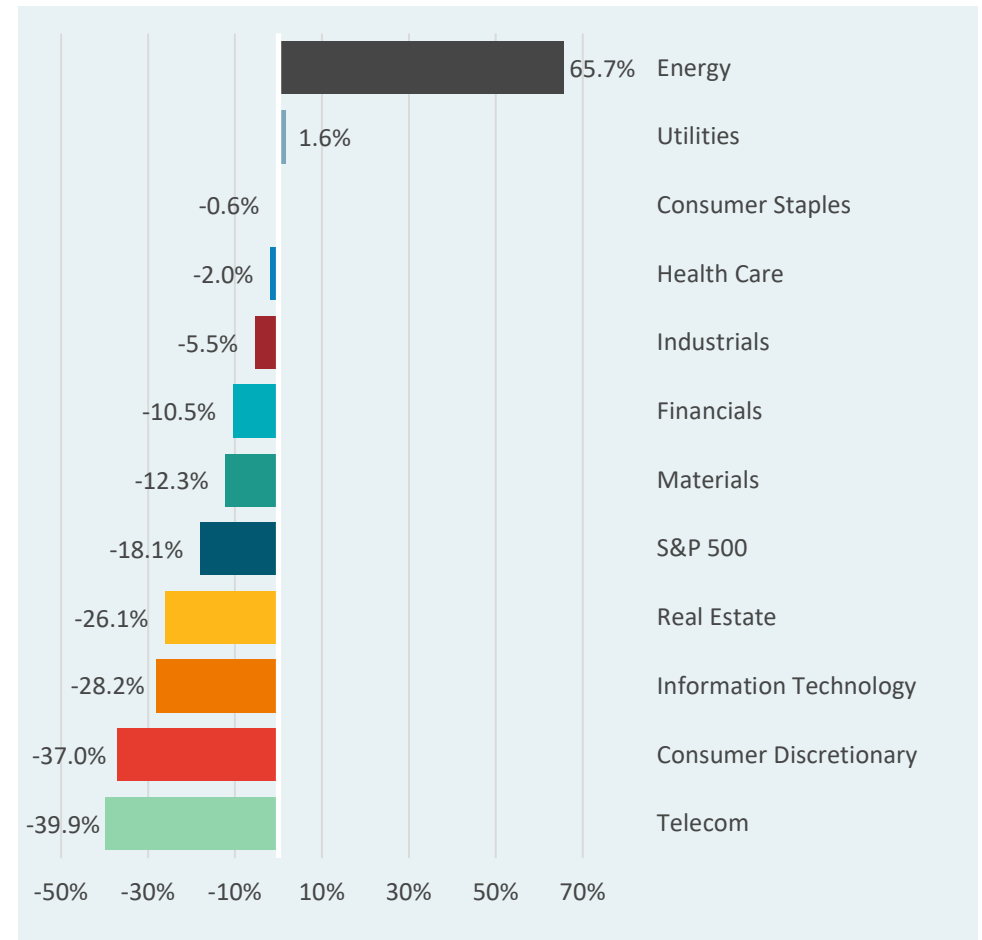
# S&P 500 sector returns

QTD



Source: Morningstar, as of 12/31/22

ONE YEAR ENDING DECEMBER



Source: Morningstar, as of 12/31/22

# Detailed index returns

## DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Core Index</b>							
S&P 500	(5.8)	7.6	(18.1)	(18.1)	7.7	9.4	12.6
S&P 500 Equal Weighted	(4.7)	11.6	(11.4)	(11.4)	9.0	9.1	12.4
DJ Industrial Average	(4.1)	16.0	(6.9)	(6.9)	7.3	8.4	12.3
Russell Top 200	(6.0)	6.6	(19.8)	(19.8)	7.9	9.9	12.9
Russell 1000	(5.8)	7.2	(19.1)	(19.1)	7.3	9.1	12.4
Russell 2000	(6.5)	6.2	(20.4)	(20.4)	3.1	4.1	9.0
Russell 3000	(5.9)	7.2	(19.2)	(19.2)	7.1	8.8	12.1
Russell Mid Cap	(5.4)	9.2	(17.3)	(17.3)	5.9	7.1	11.0
<b>Style Index</b>							
Russell 1000 Growth	(7.7)	2.2	(29.1)	(29.1)	7.8	11.0	14.1
Russell 1000 Value	(4.0)	12.4	(7.5)	(7.5)	6.0	6.7	10.3
Russell 2000 Growth	(6.4)	4.1	(26.4)	(26.4)	0.6	3.5	9.2
Russell 2000 Value	(6.6)	8.4	(14.5)	(14.5)	4.7	4.1	8.5

## INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
MSCI ACWI	(3.9)	9.8	(18.4)	(18.4)	4.0	5.2	8.0
MSCI ACWI ex US	(0.7)	14.3	(16.0)	(16.0)	0.1	0.9	3.8
MSCI EAFE	0.1	17.3	(14.5)	(14.5)	0.9	1.5	4.7
MSCI EM	(1.4)	9.7	(20.1)	(20.1)	(2.7)	(1.4)	1.4
MSCI EAFE Small Cap	1.1	15.8	(21.4)	(21.4)	(0.9)	(0.0)	6.2
<b>Style Index</b>							
MSCI EAFE Growth	(1.1)	15.0	(22.9)	(22.9)	0.5	2.5	5.6
MSCI EAFE Value	1.3	19.6	(5.6)	(5.6)	0.6	0.2	3.5
<b>Regional Index</b>							
MSCI UK	(0.4)	17.0	(4.8)	(4.8)	0.3	1.0	3.1
MSCI Japan	0.3	13.2	(16.6)	(16.6)	(1.0)	0.2	5.6
MSCI Euro	(0.5)	23.0	(17.2)	(17.2)	0.5	0.8	4.3
MSCI EM Asia	(0.8)	10.8	(21.1)	(21.1)	(1.3)	(0.6)	3.6
MSCI EM Latin American	(4.0)	5.7	8.9	8.9	(4.8)	(1.1)	(2.1)

## FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
Bloomberg US TIPS	(1.0)	2.0	(11.8)	(11.8)	1.2	2.1	1.1
Bloomberg US Treasury Bills	0.4	0.9	1.3	1.3	0.7	1.2	0.8
Bloomberg US Agg Bond	(0.5)	1.9	(13.0)	(13.0)	(2.7)	0.0	1.1
Bloomberg US Universal	(0.3)	2.2	(13.0)	(13.0)	(2.5)	0.2	1.3
<b>Duration</b>							
Bloomberg US Treasury 1-3 Yr	0.2	0.7	(3.8)	(3.8)	(0.5)	0.7	0.7
Bloomberg US Treasury Long	(1.7)	(0.6)	(29.3)	(29.3)	(7.4)	(2.2)	0.6
Bloomberg US Treasury	(0.5)	0.7	(12.5)	(12.5)	(2.6)	(0.1)	0.6
<b>Issuer</b>							
Bloomberg US MBS	(0.4)	2.1	(11.8)	(11.8)	(3.2)	(0.5)	0.7
Bloomberg US Corp. High Yield	(0.6)	4.2	(11.2)	(11.2)	0.0	2.3	4.0
Bloomberg US Agency Interm	0.0	0.8	(6.5)	(6.5)	(1.3)	0.4	0.7
Bloomberg US Credit	(0.4)	3.4	(15.3)	(15.3)	(2.9)	0.4	1.8

## OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Index</b>							
Bloomberg Commodity	(2.4)	2.2	16.1	16.1	12.7	6.4	(1.3)
Wilshire US REIT	(5.6)	4.0	(26.8)	(26.8)	(0.5)	3.4	6.3
CS Leveraged Loans	0.4	2.3	(1.1)	(1.1)	2.3	3.2	3.8
S&P Global Infrastructure	(2.2)	11.0	(0.2)	(0.2)	1.7	3.9	6.5
Alerian MLP	(4.7)	10.5	31.4	31.4	8.3	3.6	2.1
<b>Regional Index</b>							
JPM EMBI Global Div	0.3	8.1	(17.8)	(17.8)	(5.3)	(1.3)	1.6
JPM GBI-EM Global Div	2.2	8.5	(11.7)	(11.7)	(6.1)	(2.5)	(2.0)
<b>Hedge Funds</b>							
HFRI Composite	(0.4)	2.2	(4.3)	(4.3)	5.7	4.4	4.7
HFRI FOF Composite	0.9	2.4	(4.7)	(4.7)	3.9	3.2	3.6
<b>Currency (Spot)</b>							
Euro	3.7	8.9	(6.2)	(6.2)	(1.7)	(2.3)	(2.1)
Pound Sterling	1.0	7.8	(11.2)	(11.2)	(3.2)	(2.3)	(3.0)
Yen	5.8	9.7	(12.7)	(12.7)	(6.3)	(3.1)	(4.1)

Source: Morningstar, HFRI, as of 12/31/22.

# 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	7.9	22.5	18.7	14.3
Global Private Equity Direct Funds *	2.5	22.2	19.7	16.6
U.S. Private Equity Direct Funds *	5.5	24.9	21.9	18.2
Europe Private Equity Direct Funds *	(0.5)	19.4	18.2	14.9
Asia Private Equity Direct Funds *	(6.9)	13.9	13.3	13.7

Public Index Time-weighted Returns				
MSCI World	(14.3)	7.0	7.7	9.5
S&P 500	(10.6)	10.6	11.3	13.0
MSCI Europe	(17.6)	1.2	2.2	5.4
MSCI AC Asia Pacific	(22.2)	1.8	2.8	5.5

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	25.7	14.0	12.2	13.4

Public Index Time-weighted Returns				
FTSE NAREIT Equity REIT	(6.3)	4.0	5.3	7.4

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	15.9	15.6	12.9	12.0

Public Index Time-weighted Returns				
S&P / LSTA U.S. Leveraged Loan 100 Index	(4.2)	1.4	2.4	3.3

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ***	27.1	6.6	4.9	3.5
Global Infrastructure	12.7	11.4	11.4	11.1

Public Index Time-weighted Returns				
S&P Global Natural Resources	2.9	8.6	8.9	4.6
S&P Global Infrastructure	5.6	3.5	4.8	7.2

Source: Pooled IRRs are from Thompson Reuters CJA and Time-weighted Returns are from Investment Metrics, as of June 30<sup>th</sup>, 2022. 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 Composite Return Summary

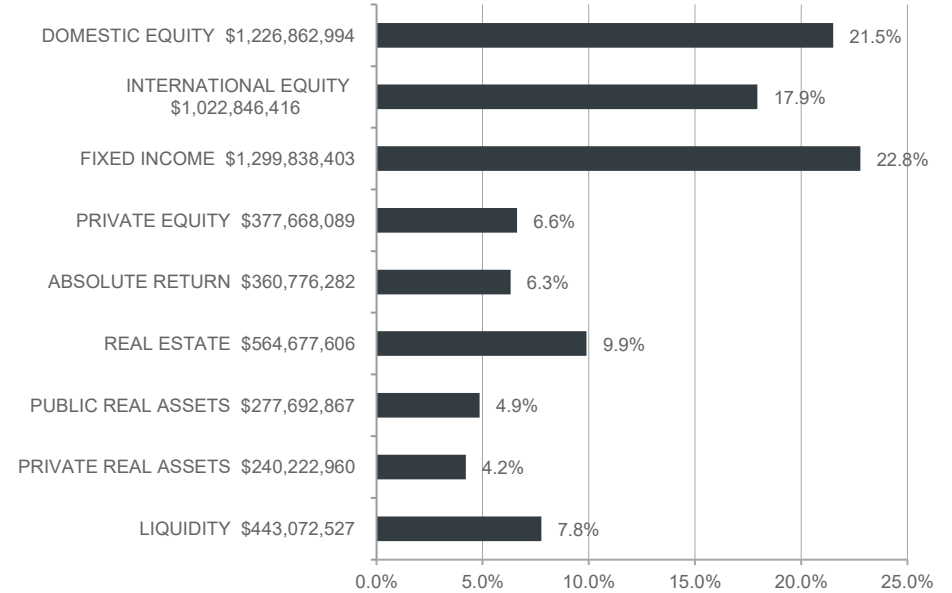
December 31, 2022



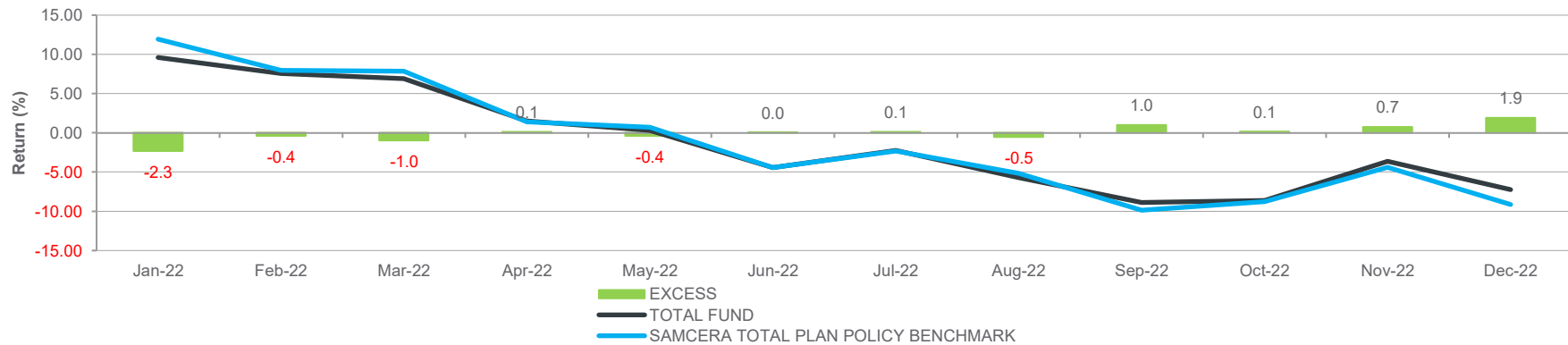
**Total Fund Performance**



**Asset Allocation**



**Rolling Month End Annual Returns**

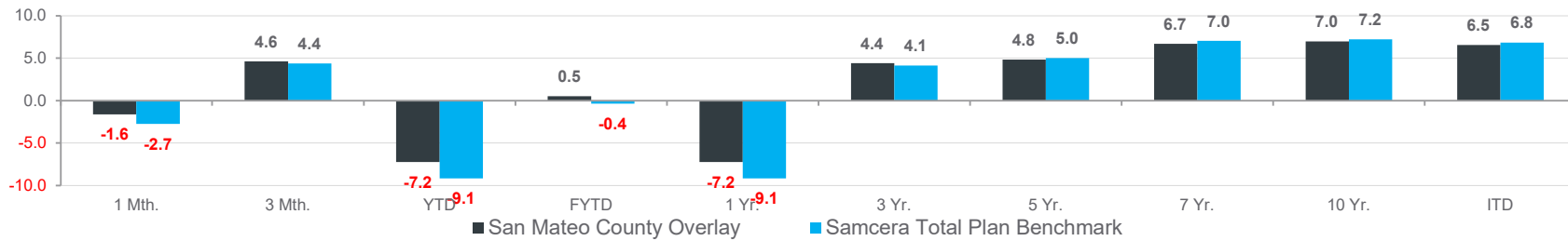


# San Mateo County Composite Return Summary

December 31, 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	5,704,689,472	-1.6	4.6	-7.2	0.5	-7.2	4.4	4.8	6.7	7.0	6.5
Samcera Total Plan Benchmark		-2.7	4.4	-9.1	-0.4	-9.1	4.1	5.0	7.0	7.2	6.8
Excess		1.1	0.2	1.9	0.9	1.9	0.3	-0.2	-0.3	-0.2	-0.3
San Mateo Ex-Clifton Overlay	5,410,351,355	-1.7	4.4	-7.2	0.4	-7.2	4.4	4.8	6.6	6.9	6.5
Samcera Total Plan Benchmark		-2.7	4.4	-9.1	-0.4	-9.1	4.1	5.0	7.0	7.2	6.8
Excess		1.1	0.0	1.9	0.8	1.9	0.3	-0.2	-0.4	-0.3	-0.4
Total Equity	2,249,709,410	-3.5	10.9	-14.9	3.4	-14.9	4.4	5.4	8.3	8.9	7.6
Samcera Total Equity Benchmark		-3.9	9.1	-16.1	3.1	-16.1	4.9	5.8	9.1	9.7	8.1
Excess		0.4	1.8	1.2	0.4	1.2	-0.5	-0.3	-0.7	-0.8	-0.6
Fixed Income	1,299,838,403	-0.2	4.0	-8.8	0.3	-8.8	-0.2	1.5	3.0	2.6	4.9
Samcera Fixed Income Benchmark		-0.5	2.8	-11.6	-0.5	-11.6	-1.7	0.9	2.1	1.5	4.3
Excess		0.3	1.2	2.8	0.8	2.8	1.5	0.6	1.0	1.0	0.6
Alternatives	738,444,371	-0.6	-3.5	-1.9	-5.0	-1.9	13.9	10.1	9.4	7.7	0.8
Samcera Alternatives Benchmark		-4.0	-0.6	-4.6	-7.9	-4.6	7.9	8.0	9.4	8.7	7.8
Excess		3.4	-2.9	2.6	2.9	2.6	6.0	2.2	0.0	-1.0	-7.0
Inflation Hedge	1,082,593,433	-0.7	3.1	11.5	1.8	11.5	6.4	5.1	--	--	6.5
SamCERA Inflation Hedge Index		-3.0	0.1	8.2	-3.0	8.2	9.6	7.6	--	--	--
Excess		2.4	3.1	3.3	4.8	3.3	-3.2	-2.4	--	--	--
Liquidity	443,072,527	0.3	1.2	--	1.0	--	--	--	--	--	1.0
Liquidity Composite Benchmark		0.3	0.9	--	0.2	--	--	--	--	--	0.2
Excess		0.0	0.3	--	0.9	--	--	--	--	--	0.9



# San Mateo County Composite Return Summary

December 31, 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	2,249,709,410	-3.5	10.9	-14.9	3.4	-14.9	4.4	5.4	8.3	8.9	7.6
Samcera Total Equity Benchmark		-3.9	9.1	-16.1	3.1	-16.1	4.9	5.8	9.1	9.7	8.1
Excess		0.4	1.8	1.2	0.4	1.2	-0.5	-0.3	-0.7	-0.8	-0.6
Domestic Equity	1,226,862,994	-5.3	9.1	-13.4	4.2	-13.4	7.4	8.6	10.8	11.7	8.8
Samcera Dom. Equity Benchmark		-5.9	7.2	-19.2	2.4	-19.2	7.1	8.8	11.1	12.0	9.1
Excess		0.5	1.9	5.8	1.8	5.8	0.3	-0.2	-0.2	-0.3	-0.3
Large Cap Equity	1,098,724,303	-5.2	9.0	-13.8	3.7	-13.8	7.4	8.9	11.2	12.3	9.5
Russell 1000		-5.8	7.2	-19.1	2.3	-19.1	7.3	9.1	11.3	12.4	9.7
Excess		0.6	1.7	5.4	1.4	5.4	0.1	-0.2	-0.1	-0.1	-0.3
Blackrock Russell 1000	467,327,754	-5.8	7.2	-19.1	2.3	-19.1	7.6	9.3	--	--	11.1
Russell 1000		-5.8	7.2	-19.1	2.3	-19.1	7.3	9.1	--	--	10.9
Excess		-0.0	0.0	0.0	0.0	0.0	0.2	0.1	--	--	0.1
DE Shaw Commingled Fund	164,050,134	-8.1	6.7	-16.3	3.5	-16.3	6.8	8.2	11.2	--	10.1
Russell 1000		-5.8	7.2	-19.1	2.3	-19.1	7.3	9.1	11.3	--	9.9
Excess		-2.3	-0.6	2.8	1.2	2.8	-0.5	-0.9	-0.0	--	0.2
Acadian US MGD V-SL	220,730,177	-4.1	10.9	-11.3	4.9	-11.3	4.0	--	--	--	9.4
Russell 1000		-5.8	7.2	-19.1	2.3	-19.1	7.3	--	--	--	13.1
Excess		1.7	3.7	7.8	2.6	7.8	-3.3	--	--	--	-3.7
Panagora Defuseq -SL	246,616,238	-3.0	12.0	-2.4	5.2	-2.4	7.4	--	--	--	12.9
Russell 1000		-5.8	7.2	-19.1	2.3	-19.1	7.3	--	--	--	13.1
Excess		2.8	4.8	16.7	2.9	16.7	0.1	--	--	--	-0.2
Domestic Equity Overlay	23,176,275	-3.0	10.9	181.9	16.3	181.9	--	--	--	--	130.9
ICE BofAML US 3-Month Treasury Bill		0.4	0.8	1.5	1.3	1.5	--	--	--	--	0.6
Excess		-3.4	10.1	180.5	15.0	180.5	--	--	--	--	130.3
Small Cap Equity	104,962,416	-7.0	9.7	-12.9	7.1	-12.9	4.2	3.8	6.5	7.6	6.1
Russell 2000		-6.5	6.2	-20.4	3.9	-20.4	3.1	4.1	7.9	9.0	7.3
Excess		-0.5	3.5	7.5	3.2	7.5	1.1	-0.3	-1.4	-1.4	-1.2



# San Mateo County Composite Return Summary

December 31, 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	104,962,416	-7.0	9.7	-12.9	7.1	-12.9	4.2	3.8	--	--	6.9
Russell 2000		-6.5	6.2	-20.4	3.9	-20.4	3.1	4.1	--	--	7.1
Excess		-0.5	3.5	7.5	3.2	7.5	1.1	-0.3	--	--	-0.2
International Equity	1,022,846,416	-1.2	13.2	-16.7	2.5	-16.7	1.0	1.8	5.3	4.7	5.1
SamCERA Custom Hedge Intl		-1.6	11.2	-12.7	3.6	-12.7	2.1	2.0	5.7	4.6	4.8
Excess		0.5	2.0	-4.0	-1.1	-4.0	-1.0	-0.2	-0.4	0.1	0.3
Baillie Gifford	286,276,431	-1.7	13.7	-31.1	3.6	-31.1	-1.4	1.3	5.1	5.5	5.7
MSCI ACWI ex USA Growth		-1.5	12.9	-22.8	2.4	-22.8	-0.1	1.8	5.5	5.0	--
Excess		-0.2	0.8	-8.3	1.2	-8.3	-1.3	-0.5	-0.5	0.5	--
Blackrock MSCI ACWI ex US IMI	335,875,978	-0.6	14.2	-16.3	3.2	-16.3	--	--	--	--	3.8
MS AC WIdxUS IMI Nt		-0.6	14.1	-16.6	3.1	-16.6	--	--	--	--	3.7
Excess		0.0	0.0	0.3	0.1	0.3	--	--	--	--	0.1
Mondrian Investment Partners	333,866,836	-0.0	15.8	-12.4	-0.3	-12.4	-2.2	-0.4	3.4	3.2	4.2
MSCI ACWI xUSA Value		0.1	15.8	-8.0	3.9	-8.0	0.7	0.6	4.8	3.3	4.5
Excess		-0.1	-0.0	-4.5	-4.2	-4.5	-2.8	-0.9	-1.4	-0.2	-0.3
Currency Hedge Futures	188,935,078	1.9	7.0	-9.8	-1.1	-9.8	--	--	--	--	-3.0
ICE BofAML US 3-Month Treasury Bill		0.4	0.8	1.5	1.3	1.5	--	--	--	--	0.6
Excess		1.5	6.2	-11.2	-2.4	-11.2	--	--	--	--	-3.6
Currency Hedge Futures Offsets	188,935,078	0.0	0.0	0.0	0.0	0.0	--	--	--	--	0.0
ICE BofAML US 3-Month Treasury Bill		0.4	0.8	1.5	1.3	1.5	--	--	--	--	0.6
Excess		-0.4	-0.8	-1.5	-1.3	-1.5	--	--	--	--	-0.6
International Equity Overlay	66,827,170	-2.4	14.5	-15.5	1.0	-15.5	--	--	--	--	7.6
ICE BofAML US 3-Month Treasury Bill		0.4	0.8	1.5	1.3	1.5	--	--	--	--	0.6
Excess		-2.7	13.6	-17.0	-0.3	-17.0	--	--	--	--	7.0
Fixed Income	1,299,838,403	-0.2	4.0	-8.8	0.3	-8.8	-0.2	1.5	3.0	2.6	4.9
Samcera Fixed Income Benchmark		-0.5	2.8	-11.6	-0.5	-11.6	-1.7	0.9	2.1	1.5	4.3
Excess		0.3	1.2	2.8	0.8	2.8	1.5	0.6	1.0	1.0	0.6





**San Mateo County**  
**Composite Return Summary**  
 December 31, 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	716,728,004	-0.3	5.8	-9.7	1.1	-9.7	-1.3	0.7	1.9	1.9	4.4
BBG US Aggregate		-0.5	1.9	-13.0	-3.0	-13.0	-2.7	0.0	0.9	1.1	3.9
Excess		0.1	3.9	3.3	4.1	3.3	1.4	0.7	1.0	0.8	0.5
FIAM B Core Bond	255,656,675	-0.4	1.9	-12.9	-2.6	-12.9	-1.6	0.8	--	--	1.7
BBG US Aggregate		-0.5	1.9	-13.0	-3.0	-13.0	-2.7	0.0	--	--	0.7
Excess		0.0	0.1	0.1	0.4	0.1	1.1	0.8	--	--	1.0
DoubleLine	223,219,437	-0.2	0.7	-14.2	-3.9	-14.2	--	--	--	--	-3.8
BBG US Aggregate		-0.5	1.9	-13.0	-3.0	-13.0	--	--	--	--	-4.1
Excess		0.3	-1.2	-1.2	-0.9	-1.2	--	--	--	--	0.4
NISA Core Bond	218,886,665	-0.4	2.0	-12.5	-2.6	-12.5	--	--	--	--	-4.3
BBG US Aggregate		-0.5	1.9	-13.0	-3.0	-13.0	--	--	--	--	-4.8
Excess		0.0	0.2	0.5	0.4	0.5	--	--	--	--	0.5
Core Fixed Income Overlay	18,965,227	-0.2	2.8	-9.6	-3.5	-9.6	--	--	--	--	-3.9
ICE BofAML US 3-Month Treasury Bill		0.4	0.8	1.5	1.3	1.5	--	--	--	--	0.6
Excess		-0.5	1.9	-11.1	-4.8	-11.1	--	--	--	--	-4.5
Opportunistic Credit	583,110,399	0.0	2.0	-6.6	-0.3	-6.6	2.1	3.2	5.5	5.3	7.2
BBG BA Intermediate HY Ind		-0.5	4.3	-9.5	3.7	-9.5	0.5	2.7	4.4	4.0	5.8
Excess		0.5	-2.3	2.9	-4.0	2.9	1.6	0.5	1.0	1.3	1.4
Pimco Private Income	51,648,080	0.0	-0.4	1.7	-0.9	1.7	8.3	--	--	--	7.4
BBG BA Intermediate HY Ind		-0.5	4.3	-9.5	3.7	-9.5	0.5	--	--	--	2.3
Excess		0.5	-4.7	11.2	-4.6	11.2	7.8	--	--	--	5.1
AG CREDIT SOL FU LP	15,905,154	0.0	-1.5	-2.0	-6.0	-2.0	15.9	--	--	--	15.9
BBG BA Intermediate HY Ind		-0.5	4.3	-9.5	3.7	-9.5	0.5	--	--	--	0.5
Excess		0.5	-5.9	7.5	-9.7	7.5	15.4	--	--	--	15.4



# San Mateo County Composite Return Summary

December 31, 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 ADF II	1,125,000	0.0	--	--	--	--	--	--	--	--	--
BBG BA Intermediate HY Ind		-0.5	4.3	--	--	--	--	--	--	--	-2.2
Excess		0.5	--	--	--	--	--	--	--	--	--
AG CSF II	13,749,455	0.0	-1.7	--	-6.9	--	--	--	--	--	-5.4
BBG BA Intermediate HY Ind		-0.5	4.3	--	3.7	--	--	--	--	--	-6.8
Excess		0.5	-6.0	--	-10.6	--	--	--	--	--	1.4
AG Opportunistic Whole Loan	90,282	18.9	18.9	66.8	29.7	66.8	27.9	26.8	21.6	--	17.0
BBG BA Intermediate HY Ind		-0.5	4.3	-9.5	3.7	-9.5	0.5	2.7	4.4	--	3.6
Excess		19.4	14.6	76.3	26.0	76.3	27.4	24.2	17.2	--	13.4
Blackrock Direct Lending Feede	37,287,010	-0.3	1.5	3.3	2.8	3.3	3.6	--	--	--	3.0
BBG BA Intermediate HY Ind		-0.5	4.3	-9.5	3.7	-9.5	0.5	--	--	--	2.3
Excess		0.2	-2.8	12.9	-0.9	12.9	3.1	--	--	--	0.7
Beach Point Select Fund	106,455,939	0.5	1.7	-6.8	-1.2	-6.8	6.7	6.2	7.8	--	7.4
BBG BA Intermediate HY Ind		-0.5	4.3	-9.5	3.7	-9.5	0.5	2.7	4.4	--	3.7
Excess		0.9	-2.7	2.8	-4.9	2.8	6.2	3.6	3.4	--	3.7
Brigade Cap Mngmt	104,125,570	-1.2	-1.3	-11.2	-3.9	-11.2	2.8	2.6	6.0	3.9	5.2
BBG BA Intermediate HY Ind		-0.5	4.3	-9.5	3.7	-9.5	0.5	2.7	4.4	4.0	5.2
Excess		-0.8	-5.6	-1.7	-7.6	-1.7	2.3	-0.0	1.6	-0.1	0.0
White Oak YSF V	27,108,858	-0.0	0.4	2.8	0.6	2.8	--	--	--	--	1.6
BBG BA Intermediate HY Ind		-0.5	4.3	-9.5	3.7	-9.5	--	--	--	--	-2.2
Excess		0.5	-3.9	12.3	-3.1	12.3	--	--	--	--	3.8
White Oak Yield Spec	30,726,865	0.0	1.1	6.1	2.5	6.1	5.8	6.4	--	--	--
BBG BA Intermediate HY Ind		-0.5	4.3	-9.5	3.7	-9.5	0.5	2.7	--	--	3.1
Excess		0.5	-3.3	15.7	-1.2	15.7	5.3	3.8	--	--	--
PIMCO Div. Income Fund	126,081,633	-0.7	4.7	-13.5	2.0	-13.5	-2.7	0.5	--	--	0.8
BBG BA Intermediate HY Ind		-0.5	4.3	-9.5	3.7	-9.5	0.5	2.7	--	--	2.7
Excess		-0.2	0.3	-4.0	-1.6	-4.0	-3.2	-2.1	--	--	-1.8
TCP Direct Lending VIII	15,284,891	0.3	2.0	2.8	0.5	2.8	5.5	5.3	--	--	--
BBG BA Intermediate HY Ind		-0.5	4.3	-9.5	3.7	-9.5	0.5	2.7	--	--	3.8



# San Mateo County Composite Return Summary

December 31, 2022



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Excess		0.8	-2.4	12.3	-3.2	12.3	5.0	2.6	--	--	--
Franklin Templeton	53,521,662	3.6	10.3	-10.0	2.5	-10.0	-7.3	-4.2	-1.5	-0.9	0.6
Bloomberg Multiverse Index		0.6	4.7	-16.0	-2.4	-16.0	-4.4	-1.6	0.3	-0.3	0.6
Excess		3.0	5.6	6.0	4.9	6.0	-2.9	-2.7	-1.8	-0.6	0.0
Alternatives	738,444,371	-0.6	-3.5	-1.9	-5.0	-1.9	13.9	10.1	9.4	7.7	0.8
Samcera Alternatives Benchmark		-4.0	-0.6	-4.6	-7.9	-4.6	7.9	8.0	9.4	8.7	7.8
Excess		3.4	-2.9	2.6	2.9	2.6	6.0	2.2	0.0	-1.0	-7.0
Private Equity	377,668,089	-0.2	-0.6	-11.2	-8.9	-11.2	24.5	21.5	18.8	17.6	-6.1
Samcera PE Benchmark		-8.7	-3.5	-14.6	-18.7	-14.6	10.8	10.2	13.0	14.5	14.5
Excess		8.5	2.9	3.4	9.8	3.4	13.7	11.3	5.8	3.1	-20.6
Absolute Return	360,776,282	-1.1	-6.3	7.0	-2.0	7.0	0.3	-3.0	-1.3	1.7	1.6
Samcera SOFR + 4%		0.7	1.9	5.7	3.4	5.7	4.8	5.3	5.2	4.9	4.8
Excess		-1.7	-8.2	1.4	-5.4	1.4	-4.5	-8.3	-6.5	-3.2	-3.2
Aberdeen Std GARS	255,212	-1.8	-4.6	-13.8	-7.4	-13.8	-3.2	-1.3	-0.7	--	-0.8
Samcera SOFR + 4%		0.7	1.9	5.7	3.4	5.7	4.8	5.3	5.2	--	5.1
Excess		-2.4	-6.5	-19.5	-10.8	-19.5	-8.0	-6.7	-5.9	--	-5.9
Graham Global Investment	89,705,349	-4.9	-6.2	15.8	-5.8	15.8	--	--	--	--	5.6
Samcera SOFR +4%		0.7	1.9	5.6	3.4	5.6	--	--	--	--	4.7
Excess		-5.6	-8.1	10.1	-9.2	10.1	--	--	--	--	0.8
PIMCO MAARS Fund L.P.	90,659,856	-0.4	-7.7	11.8	1.0	11.8	--	--	--	--	9.2
Samcera SOFR +4%		0.7	1.9	5.7	3.5	5.7	--	--	--	--	4.7
Excess		-1.1	-9.6	6.1	-2.5	6.1	--	--	--	--	4.5
Acadian MAAR Fund LLC	82,129,025	0.4	-3.6	-0.1	-0.6	-0.1	--	--	--	--	1.5
Samcera SOFR +4%		0.7	1.9	5.7	3.5	5.7	--	--	--	--	4.8
Excess		-0.3	-5.5	-5.8	-4.0	-5.8	--	--	--	--	-3.3
CFM SYS Global Macro Fund	98,026,840	0.9	-7.8	16.5	0.8	16.5	--	--	--	--	11.9
Samcera SOFR +4%		0.7	1.9	5.7	3.5	5.7	--	--	--	--	4.8



**San Mateo County**  
**Composite Return Summary**  
 December 31, 2022



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Excess		0.2	-9.7	10.7	-2.6	10.7	--	--	--	--	7.1
Inflation Hedge	1,082,593,433	-0.7	3.1	11.5	1.8	11.5	6.4	5.1	--	--	6.5
SamCERA Inflation Hedge Index		-3.0	0.1	8.2	-3.0	8.2	9.6	7.6	--	--	--
Excess		2.4	3.1	3.3	4.8	3.3	-3.2	-2.4	--	--	--
Real Estate	564,677,606	0.1	1.5	16.0	2.3	16.0	9.8	8.9	--	--	8.7
Samcera NCREIF ODCE (gross)		0.0	0.0	13.1	0.5	13.1	11.8	9.8	--	--	9.3
Excess		0.1	1.5	2.9	1.8	2.9	-2.0	-0.9	--	--	-0.6
Invesco Core Real Estate	318,286,498	0.0	1.4	19.7	2.1	19.7	11.1	9.7	9.3	10.4	8.3
Samcera NCREIF ODCE (gross)		0.0	0.0	13.1	0.5	13.1	11.8	9.8	9.3	10.7	8.5
Excess		0.0	1.4	6.6	1.6	6.6	-0.8	-0.1	0.0	-0.3	-0.2
Invesco US Val IV	898,983	0.0	-38.0	-37.7	-41.4	-37.7	-10.3	-2.0	2.8	--	2.1
Samcera NCREIF ODCE (gross)		0.0	0.0	13.1	0.5	13.1	11.8	9.8	9.3	--	9.7
Excess		0.0	-38.0	-50.8	-42.0	-50.8	-22.1	-11.8	-6.5	--	-7.6
Invesco Value-Add Fund	17,210,195	0.0	3.9	--	--	--	--	--	--	--	3.9
Samcera NCREIF ODCE (gross)		0.0	0.0	--	--	--	--	--	--	--	0.5
Excess		0.0	3.9	--	--	--	--	--	--	--	3.4
PGIM Real Estate US Debt Fund	75,214,811	0.5	1.6	5.8	3.1	5.8	5.6	5.6	--	--	5.1
Samcera NCREIF ODCE (gross)		0.0	0.0	13.1	0.5	13.1	11.8	9.8	--	--	9.6
Excess		0.5	1.6	-7.3	2.6	-7.3	-6.2	-4.2	--	--	-4.5
Invesco US VAL V	30,297,027	0.0	0.1	8.9	0.7	8.9	13.1	--	--	--	10.4
Samcera NCREIF ODCE (gross)		0.0	0.0	13.1	0.5	13.1	11.8	--	--	--	--
Excess		0.0	0.1	-4.2	0.2	-4.2	1.3	--	--	--	--
Harrison Street Core Property	98,037,910	0.0	2.2	13.1	1.1	13.1	7.7	--	--	--	7.7
Samcera NCREIF ODCE (gross)		0.0	0.0	13.1	0.5	13.1	11.8	--	--	--	11.8
Excess		0.0	2.2	0.0	0.6	0.0	-4.1	--	--	--	-4.1
Stockbridge Value IV	24,732,182	-0.0	3.1	33.1	12.5	33.1	--	--	--	--	11.9
Samcera NCREIF ODCE (gross)		0.0	0.0	13.1	0.5	13.1	--	--	--	--	19.9
Excess		-0.0	3.1	20.1	11.9	20.1	--	--	--	--	-8.0



# San Mateo County Composite Return Summary

December 31, 2022



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Public Real Assets	277,692,867	-2.6	7.2	4.7	1.6	4.7	1.2	0.7	--	--	--
SamCera Liquid Real Asset Inde		-2.5	7.3	4.2	1.5	4.2	5.4	4.0	--	--	6.6
Excess		-0.1	-0.1	0.5	0.1	0.5	-4.2	-3.2	--	--	--
SSGA CST REAL ASSET NL	277,692,867	-2.6	7.2	4.7	1.6	4.7	5.3	3.9	--	--	--
SamCera Liquid Real Asset Inde		-2.5	7.3	4.2	1.5	4.2	5.4	4.0	--	--	5.8
Excess		-0.1	-0.1	0.5	0.1	0.5	-0.1	-0.0	--	--	--
Private Real Assets	240,222,960	-0.1	1.9	12.1	1.4	12.1	13.1	6.7	--	--	10.1
SamCERA Private Real Asset Idx		-10.5	-7.2	-0.8	-15.6	-0.8	4.9	5.2	--	--	9.3
Excess		10.4	9.1	12.9	17.0	12.9	8.2	1.5	--	--	0.8
Liquidity	443,072,527	0.3	1.2	--	1.0	--	--	--	--	--	1.0
Liquidity Composite Benchmark		0.3	0.9	--	0.2	--	--	--	--	--	0.2
Excess		0.0	0.3	--	0.9	--	--	--	--	--	0.9
Cash Flow - Match Liquidity	290,612,443	0.2	1.3	--	0.6	--	--	--	--	--	0.6
BBG US Agg Govt Credit 1-3		0.2	0.9	--	-0.6	--	--	--	--	--	-0.6
Excess		0.0	0.4	--	1.2	--	--	--	--	--	1.2
Insight Investment	262,234,131	0.3	1.3	--	-0.2	--	--	--	--	--	-0.2
BBG US Credit 1-3 Yrs		0.2	1.3	--	-0.1	--	--	--	--	--	-0.1
Excess		0.0	0.1	--	-0.2	--	--	--	--	--	-0.2
County Treasury Pool	28,378,311	0.0	0.5	1.0	0.5	1.0	1.2	1.5	1.3	1.1	2.5
91 Day T-Bill		0.4	0.8	1.5	1.3	1.5	0.7	1.3	1.1	--	--
Excess		-0.4	-0.4	-0.5	-0.8	-0.5	0.5	0.3	0.3	--	--
Cash & Cash Overlay	152,460,085	0.4	1.0	--	1.5	--	--	--	--	--	--
ICE BofAML US 3-Month Treasury Bill		0.4	0.8	1.5	1.3	1.5	--	--	--	--	0.6
Excess		0.0	0.2	--	0.2	--	--	--	--	--	--
General Account	101,440,491	0.4	0.9	1.6	1.5	1.6	0.7	1.3	1.2	0.9	1.8
Transition Account	42	--	--	--	--	--	--	--	--	--	--



# San Mateo County Composite Return Summary

December 31, 2022



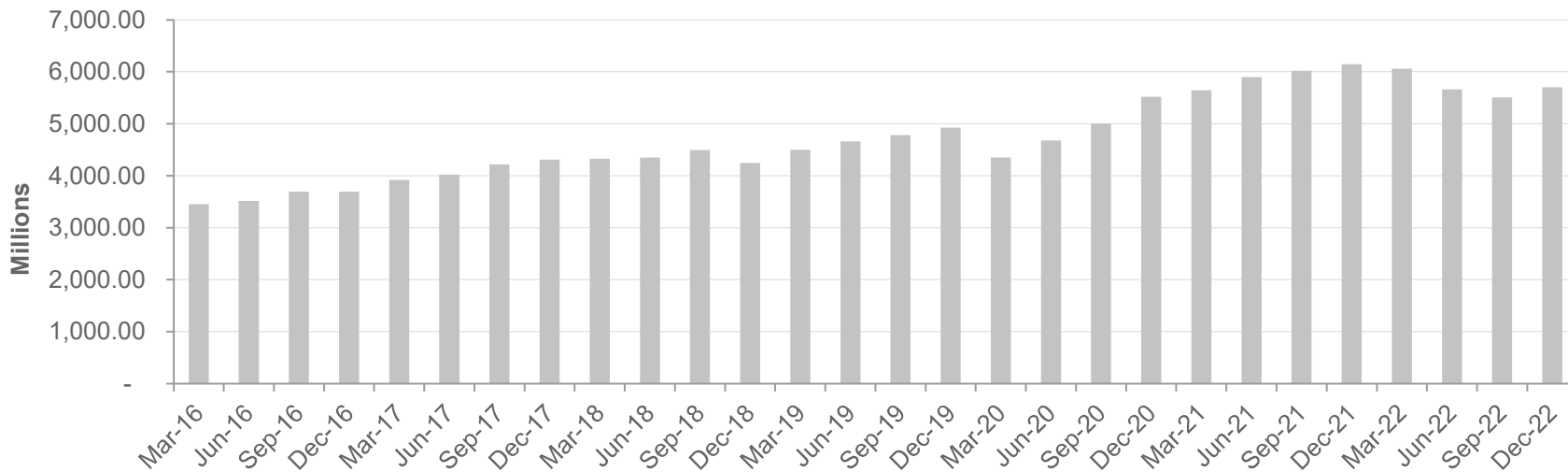
Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Cash Overlay	32,103,986	0.4	0.7	0.8	1.0	0.8	--	--	--	--	0.2
Currency Hedge Cash Overlay	18,915,565	0.3	0.8	1.2	1.2	1.2	--	--	--	--	0.5
<hr/>											
San Mateo County Overlay	5,704,689,472	-1.6	4.6	-7.2	0.5	-7.2	4.4	4.8	6.7	7.0	6.5
Samcera Total Plan Benchmark		-2.7	4.4	-9.1	-0.4	-9.1	4.1	5.0	7.0	7.2	6.8
Excess		1.1	0.2	1.9	0.9	1.9	0.3	-0.2	-0.3	-0.2	-0.3



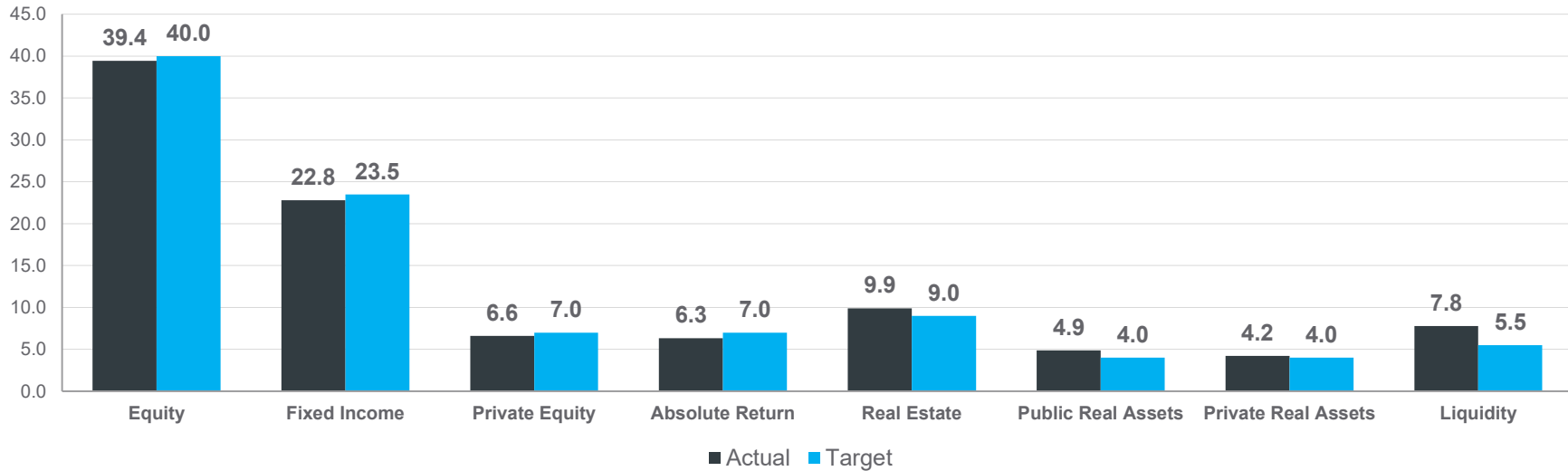
**Record of Asset Growth**

	Three Months	One Year
<b>TOTAL FUND</b>		
Beginning Market Value	5,506,874,416	6,143,713,008
Contributions	15,752,460	299,607,081
Withdrawals	-73,908,460	-298,761,986
Income Received	26,731,781	102,810,024
Gain/Loss	229,339,384	-542,212,442
Ending Market Value	5,704,689,472	5,704,689,472

**Net Asset Values Over Time (\$'000)**



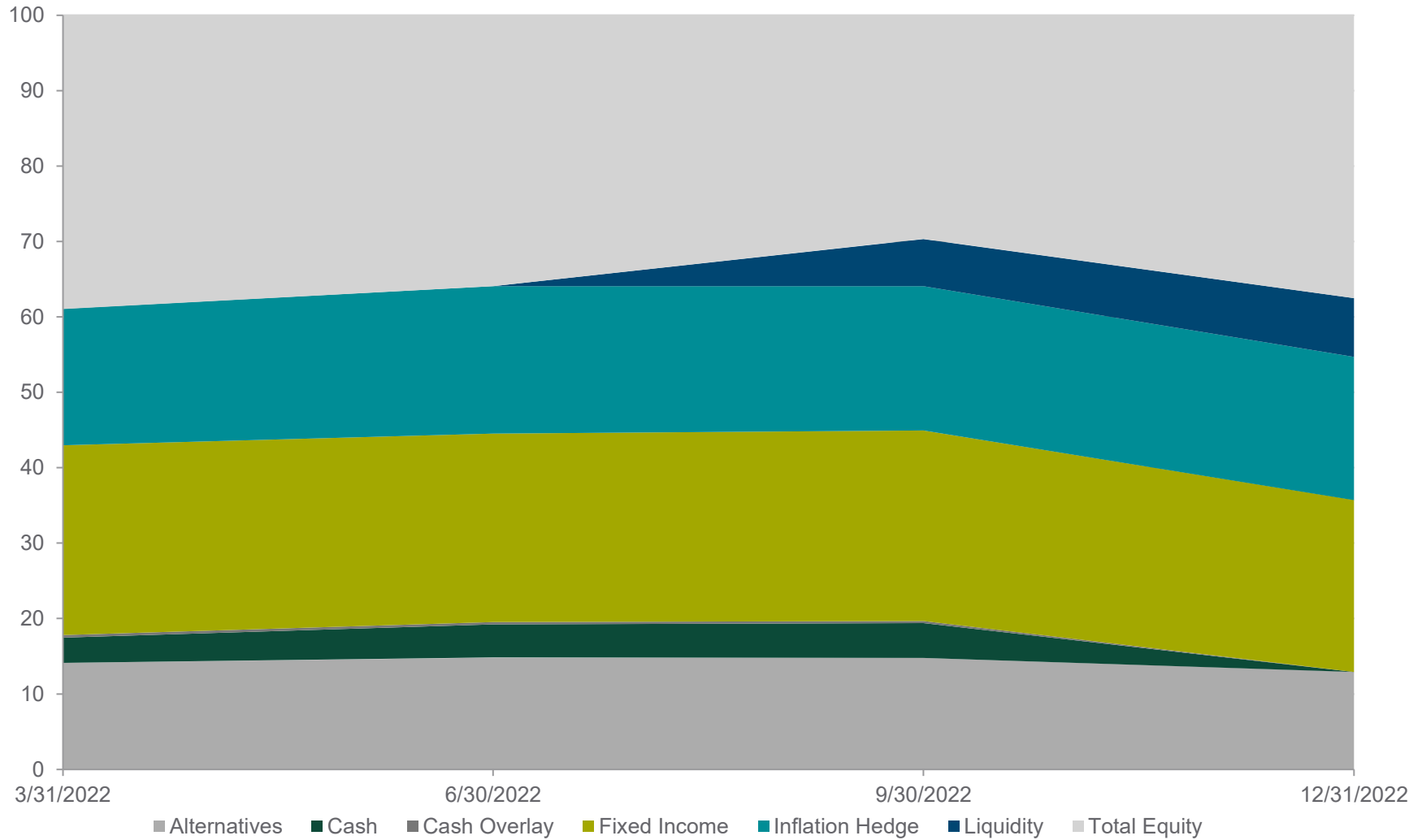
**Actual vs Target Weights**



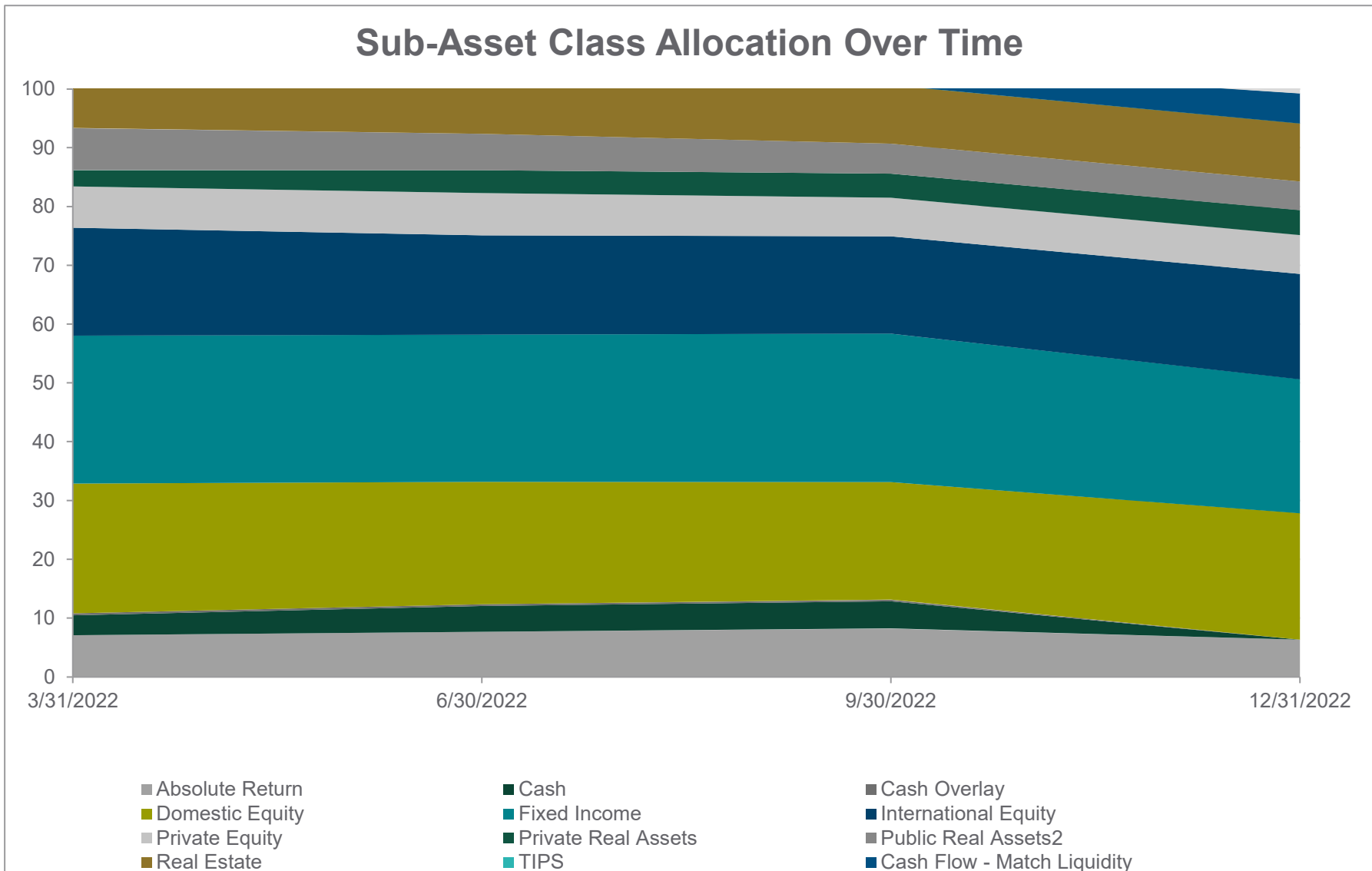
	Min	Actual	Target	Deviation	Max
<b>Equity</b>	37.0	39.4	40.0	-0.6	43.0
<b>Fixed Income</b>	21.5	22.8	23.5	-0.7	25.5
<b>Private Equity</b>	5.0	6.6	7.0	-0.4	9.0
<b>Absolute Return</b>	5.0	6.3	7.0	-0.7	9.0
<b>Real Estate</b>	7.0	9.9	9.0	0.9	11.0
<b>Public Real Assets</b>	2.0	4.9	4.0	0.9	6.0
<b>Private Real Assets</b>	2.0	4.2	4.0	0.2	6.0
<b>Liquidity</b>		7.8	5.5	2.3	



Asset Allocation over Time



### Sub-Asset Class Allocation Over Time



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**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

January 24, 2023

Agenda Item 6.2

**TO:** Board of Retirement

**FROM:** Michael Coultrip, Chief Investment Officer



**SUBJECT:** Report on Asset Liability Study, Asset Allocation Portfolios

**Recommendation**

Provide direction to staff and consultant regarding asset allocation portfolios.

**Background**

Last month Verus presented the Board's enterprise risk tolerance interview results and led a discussion around SamCERA's risk tolerance. In addition, they also introduced the asset liability study by showing historical plan data, deterministic and stochastic projections, and reviewed the current policy characteristics.

**Discussion**

Verus will present several asset allocation portfolios based on the feedback from the risk tolerance survey. All of the proposed portfolios have a slightly higher allocation to growth assets given that most trustees were comfortable taking slightly more risk.

**Attachment**

Asset Liability Study: Asset Allocation Portfolios



**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**



JANUARY 2023

Asset/Liability Study

**San Mateo County Employees' Retirement Association**

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# Executive Summary

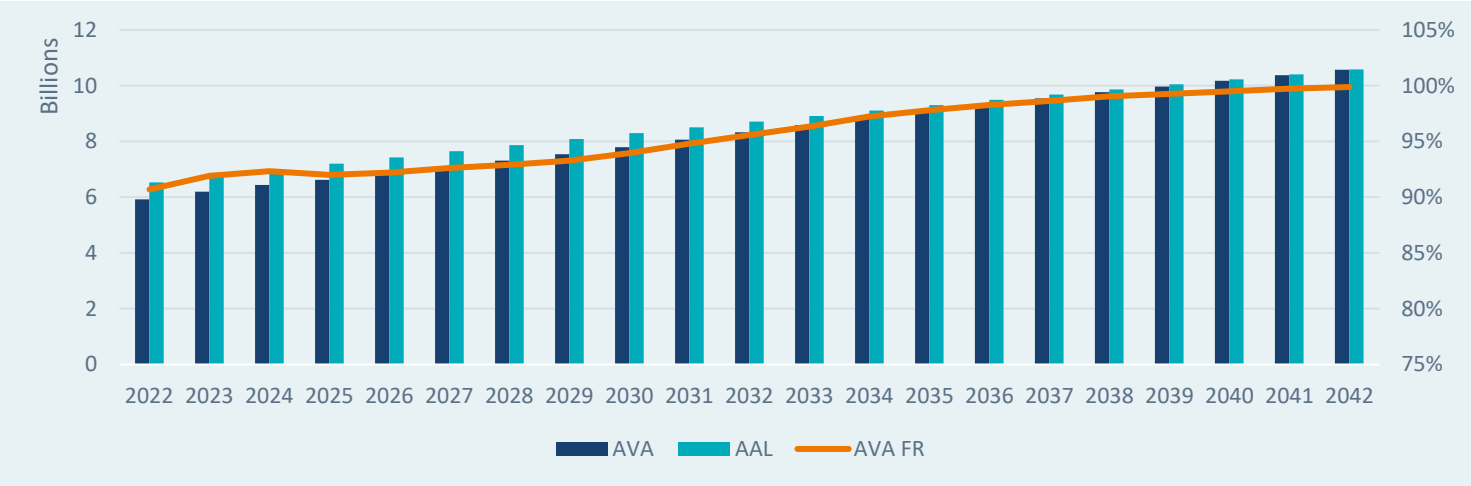
- Staff and Verus are considering modest changes to the current Policy allocation
  - The data will show small differences between the portfolios so this will be more art than science
- Evaluate how different investment portfolios impact the Plan's key metrics
  - Funded Ratio
  - Contribution rates
- Review impact of a significant drawdown
- Evaluate risks of different investment portfolios
- Evaluate scenario analysis and stress tests of the sample portfolios

# Overview

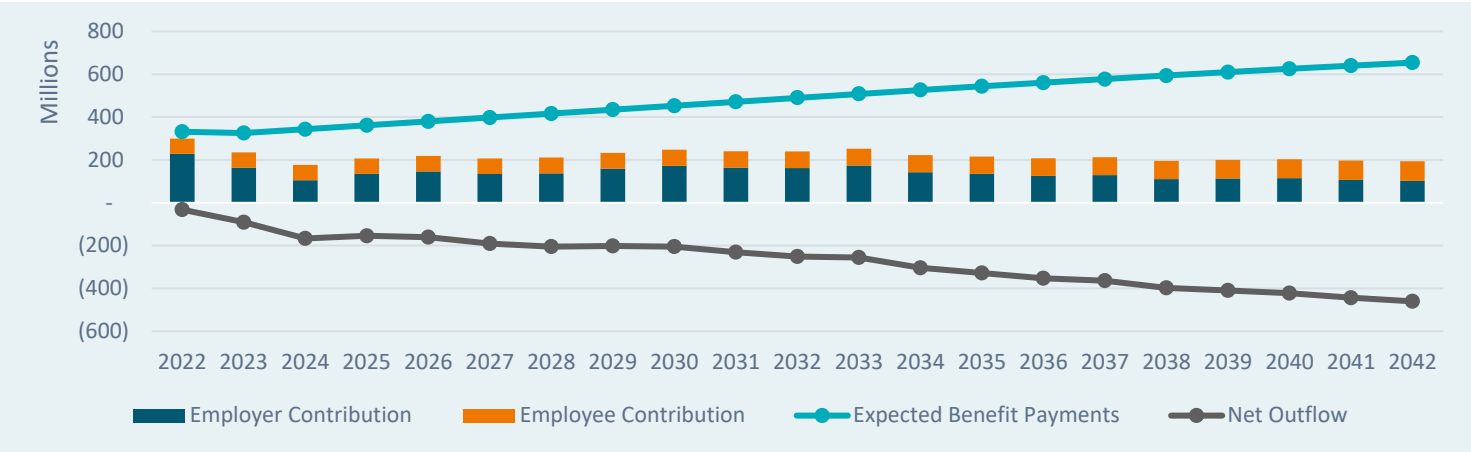


# SamCERA health today

**BASELINE PROJECTION: 6.25% INVESTMENT RETURN**



SamCERA is about 90% funded today with a strong sponsor. Expected to be fully funded by 2039, according to actuarial assumptions



As the plan matures it becomes increasingly dependent on investment performance to meet cashflow needs.

*Assumes discount rate changes from 6.75% in 2018 to 6.50% in 2019. Assumes investment return is 6.75% for first year and 6.50% thereafter. In addition, assumes plan growth is approximately 0.6% annually and all other assumptions (mortality, termination, disability, etc.) are met exactly.*

# Market observations

## — Growth Assets

- U.S. equity markets have outperformed non-U.S. for several years, leading to a higher allocation to U.S. equity markets in the global index
- Dollar is likely to continue to weaken against foreign currencies as interest rate hikes wane
- Dislocations in the financing market are creating interesting opportunities in credit

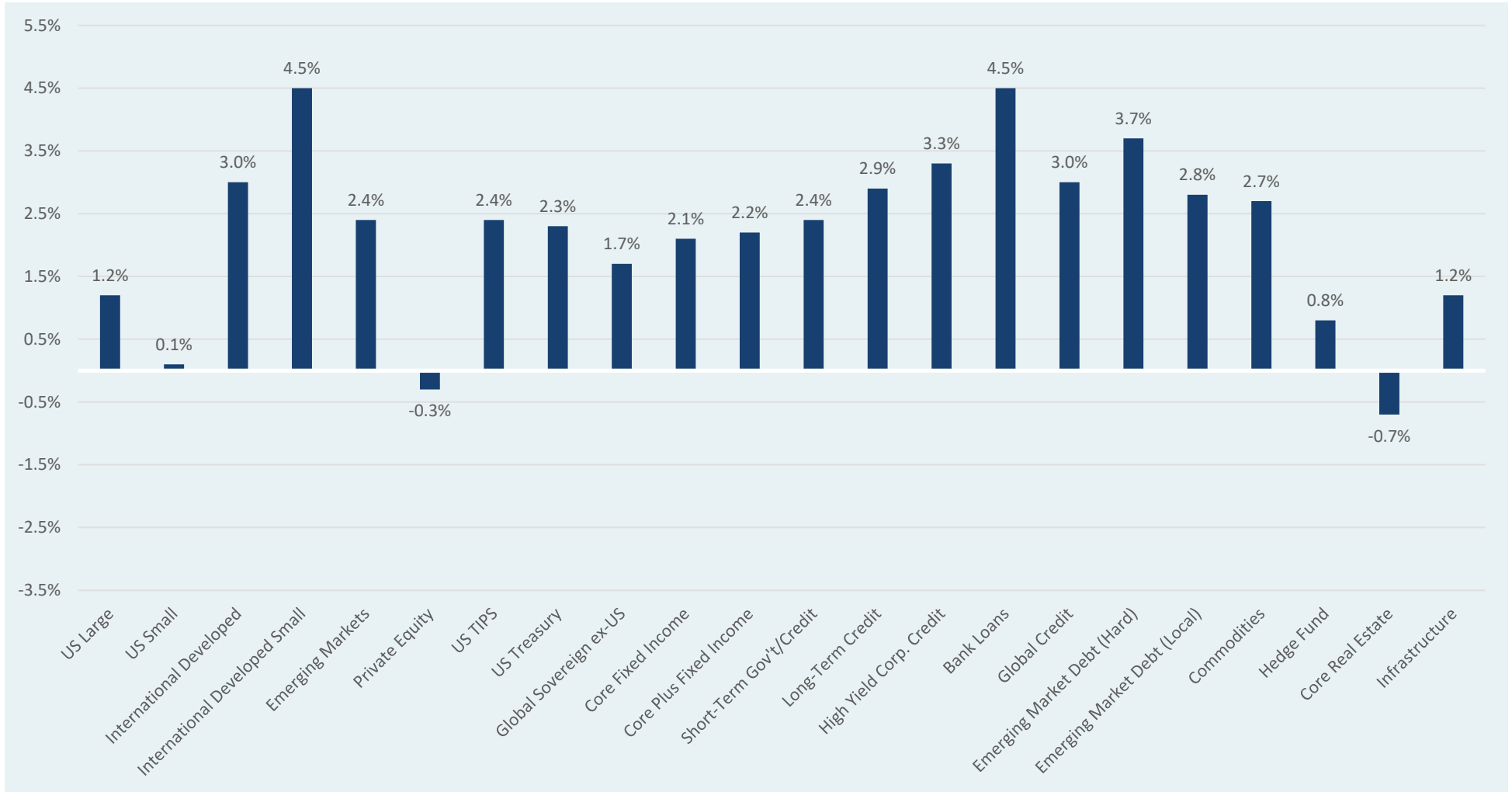
## — Diversifying Assets

- Higher interest rates led to fixed income becoming a more compelling asset class – higher return & increased protection against equity risk
- Inverted yield curve reduces the attractiveness of longer duration bonds
- Case for hedge funds as an alternative to fixed income is less strong today

## — Inflation Hedge Assets

- Fed fighting inflation aggressively – lower commodity prices signaling some success
- Opportunistic time to rebalance into underperforming assets

# 2023 vs. 2022 return forecast



Source: Verus, as of 9/30/22

# Stochastic projections

# Alternatives

Based on the ERT survey results we constructed alternatives for the portfolio

- Most Trustees were comfortable taking slightly more risk
  - Relevant alternatives
    - Decrease allocation to low volatility equities
    - Increase private equity
    - Increase opportunistic credit
- The largest concern for trustees was a permanent risk of losing capital
  - Relevant changes
    - Maintain diversification through long duration Treasuries
    - Lower allocation to public real assets given current market condition
- Global equities
  - Due to the recent run in U.S. equity markets, the MSCI ACWI is no longer 50% Domestic/50% International Equity
    - Increase domestic equity allocation vs international equity

# Mean-variance analysis

	Policy	Alt 1	Alt 2	Alt 3	Alt 4
US Large	11	20	17	16	16
Low Vol	8	0	0	4	4
US Small	2	2	2	2	2
International Developed	7.5	7	7	7	7
Intl Developed Hedged	7.5	7	7	7	7
Emerging Markets	4	4	4	4	4
Opportunistic Credit	10	11	11	11	11
Private Equity	7	8	9	8	7
<b>Total Growth Assets</b>	<b>57</b>	<b>59</b>	<b>57</b>	<b>59</b>	<b>58</b>
US Long Treasury	0	3	2	3	3
Core Fixed Income	12.5	9.5	11.5	9.5	10.5
Liquidity/CDI	4.5	4.5	4.5	4.5	4.5
Hedge Fund (Asymmetric Style)	7	6	7	6	6
Cash	1	1	1	1	1
<b>Total Diversifying Assets</b>	<b>25</b>	<b>24</b>	<b>26</b>	<b>24</b>	<b>25</b>
Public Real Assets	4	3	3	3	3
Core Real Estate	9	9	9	9	9
Private Real Assets	5	5	5	5	5
<b>Total Inflation Hedge</b>	<b>18</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

	Policy	Alt 1	Alt 2	Alt 3	Alt 4
<b>Mean Variance Analysis</b>					
<b>Forecast 10 Year Return</b>	<b>7.1</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>	<b>7.1</b>
Standard Deviation	10.3	10.9	10.7	10.6	10.4
Return/Std. Deviation	0.7	0.7	0.7	0.7	0.7
1st percentile ret. 1 year	-14.2	-15.2	-14.9	-14.8	-14.5
Sharpe Ratio	0.4	0.4	0.4	0.4	0.4

Source: MPI

# Summary of alternatives

## Alternative 1

- Eliminates Low vol
- Small increase to US equities vs. Non-US
- Increase to opportunistic credit and PE
- New allocation to treasuries – reduce core fixed income and hedge funds
- Decrease in public real assets

## Alternative 2

- Eliminates Low vol
- Lower allocation to public equities (37%)
- Increase to opportunistic credit and PE
- New allocation to treasuries – smaller reduction in core fixed income
- Decrease in public real assets

## Alternative 3

- Reduces allocation to Low vol
- Small increase to US equities vs. Non-U.S.
- Increase to opportunistic credit and PE
- New allocation to treasuries – reduce core fixed income and hedge funds
- Decrease in public real assets

## Alternative 4

- Reduces allocation to Low vol
- Small increase to US equities vs. Non-U.S.
- Increase to opportunistic credit
- New allocation to treasuries – smaller reduction to core fixed income and hedge funds
- Decrease in public real assets

# Risk decomposition

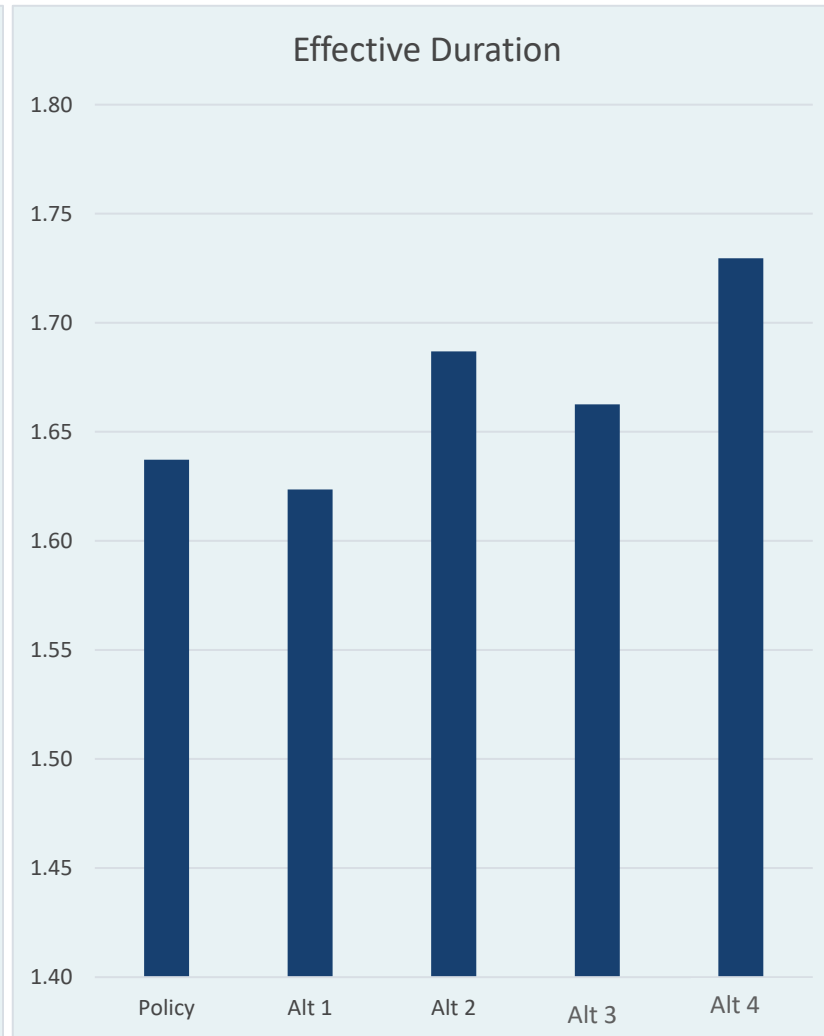
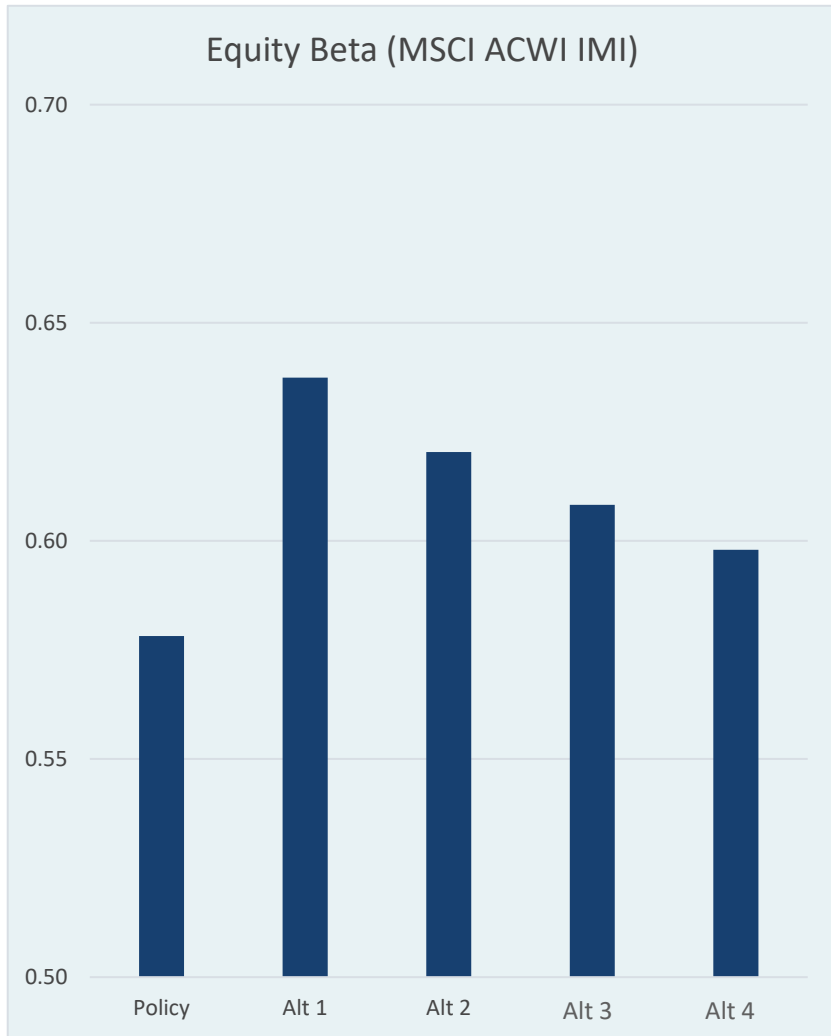


The equity risk factor dominates most portfolios.

Source: Barra, Ex-Ante Volatility

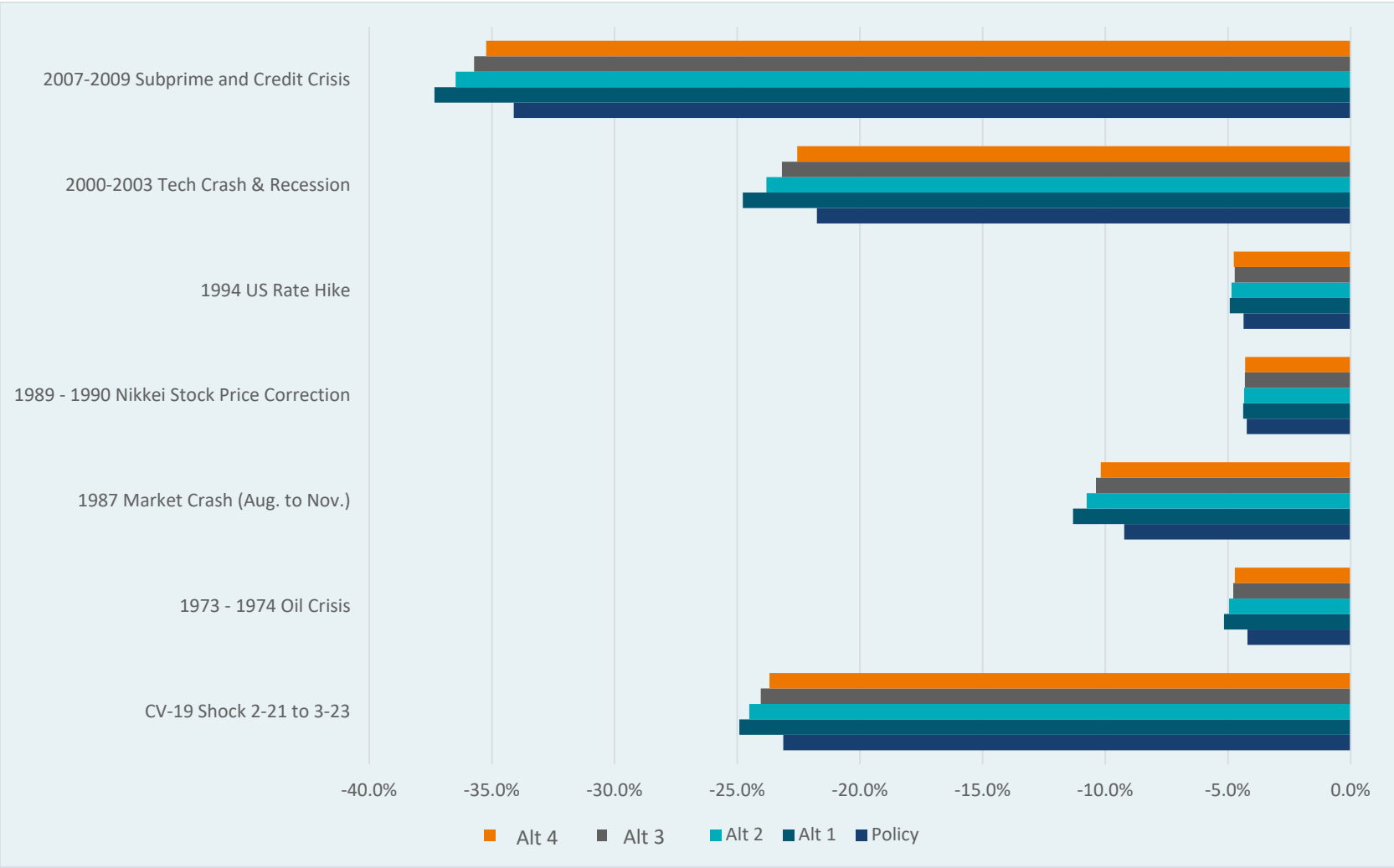


# Risk metrics



Source: Barra, Ex-Ante Volatility

# Scenario analysis

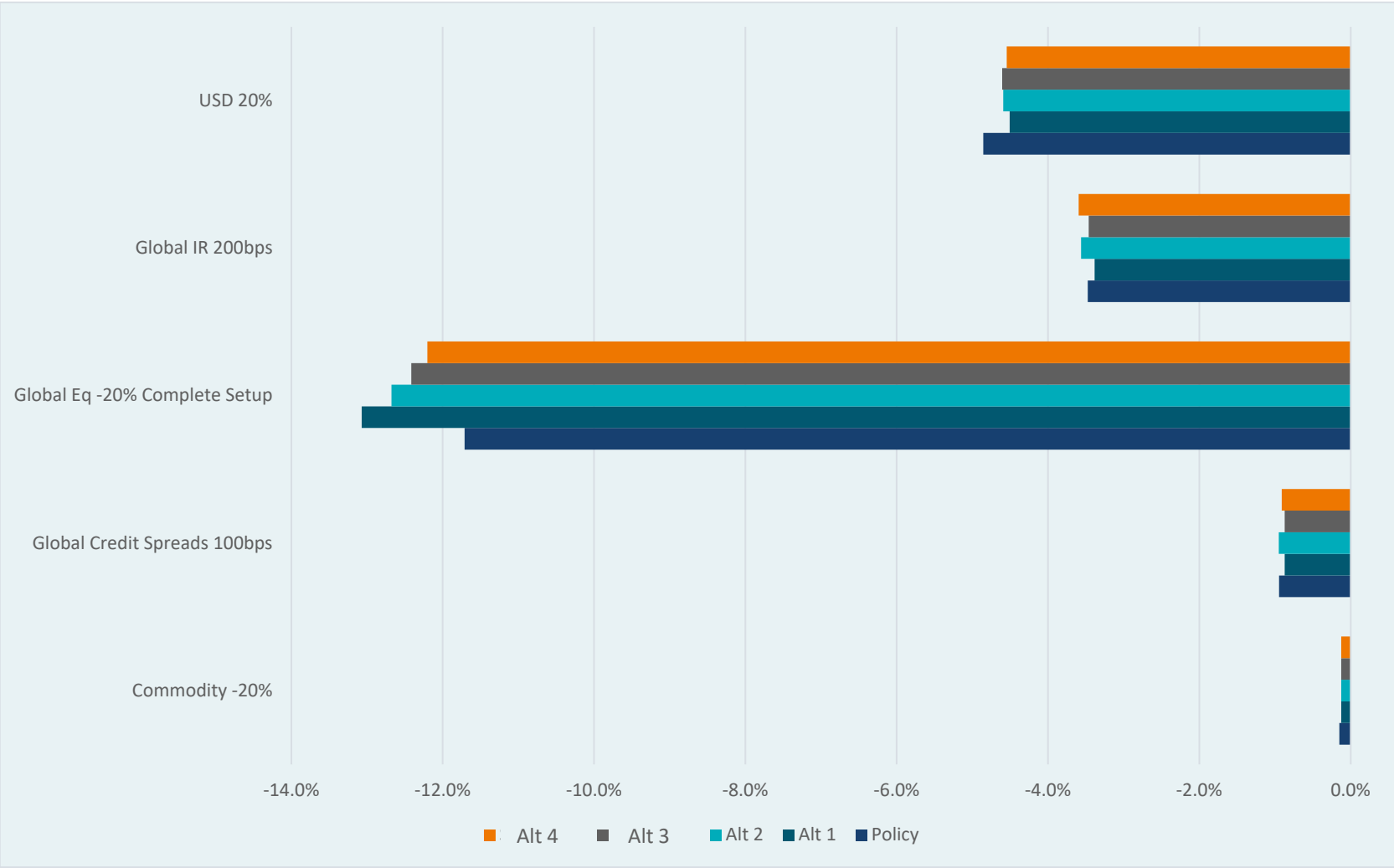


Our deterministic analysis looked at hypothetical full-year realized losses of -15% and -20%.

Scenario analysis shows us a few events that exceeded 20% losses in the last two decades.

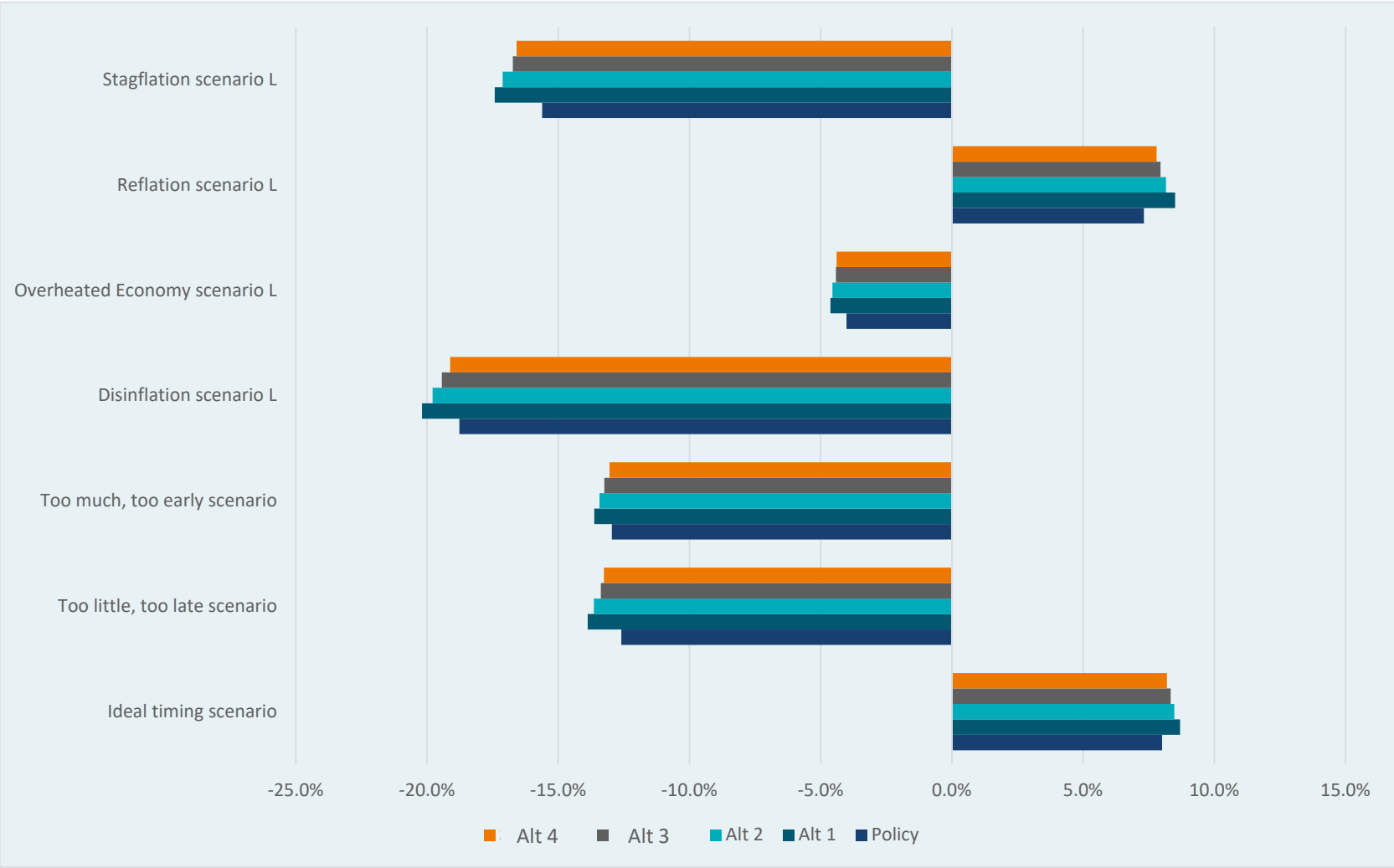
Source: Barra

# Stress tests



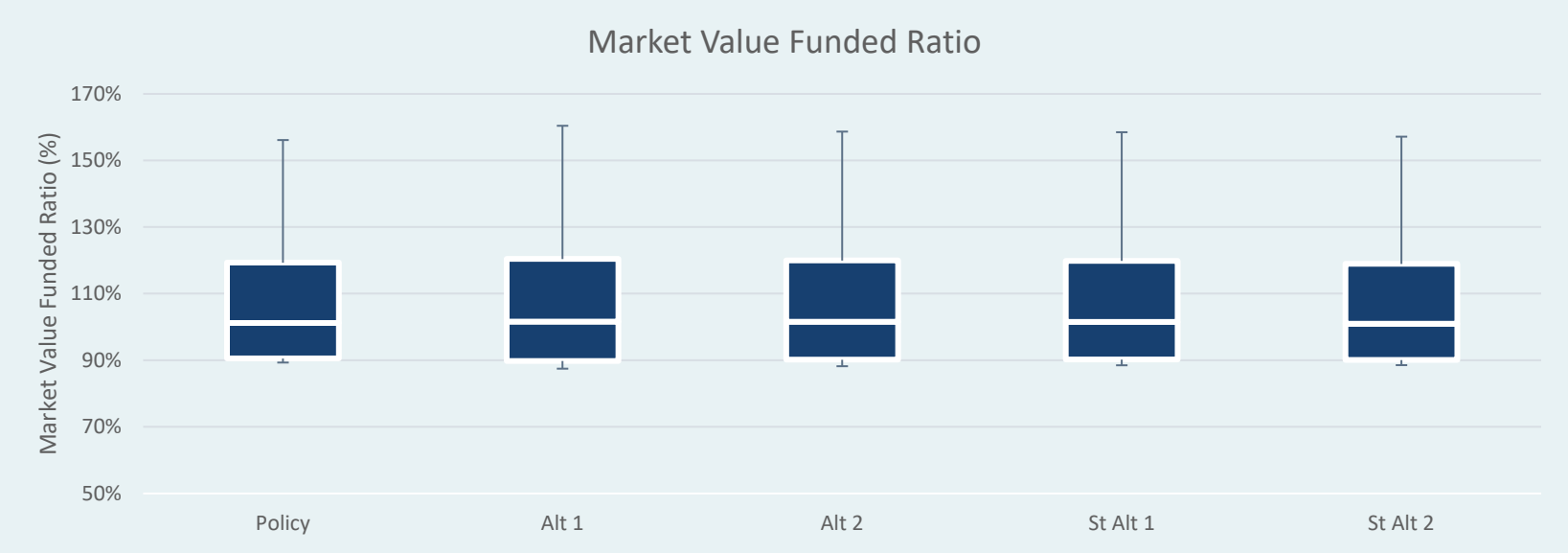
Source: Barra

# Stress tests



Source: Barra

# Funded status: 10-year forecast

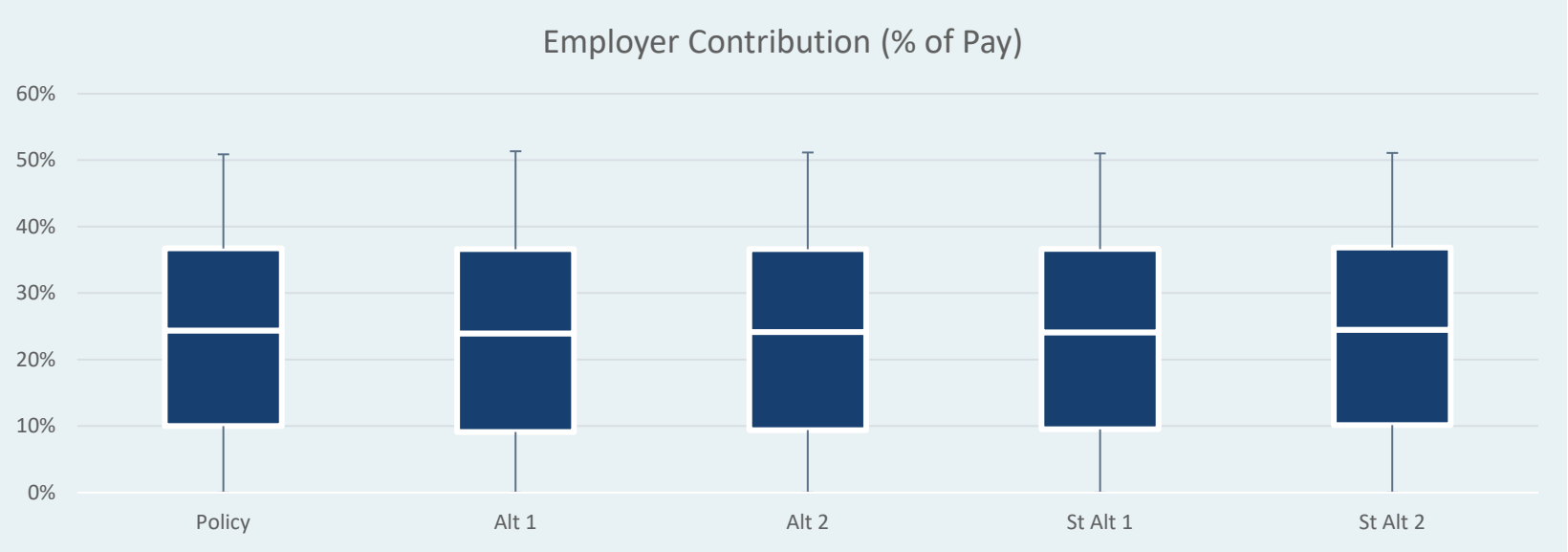


**FUNDED STATUS – STOCHASTIC OUTCOMES IN 10 YEARS**

	<b>Policy</b>	<b>Alt 1</b>	<b>Alt 2</b>	<b>Alt 3</b>	<b>Alt 4</b>
Best Case (95%)	156.1%	160.4%	158.7%	158.5%	157.2%
Median Outcome (50%)	101.2%	101.6%	101.5%	101.5%	101.0%
Worst Case (5%)	89.3%	87.5%	88.2%	88.5%	88.5%

Source: ProVal, Verus

# Employer contributions: 10-year forecast

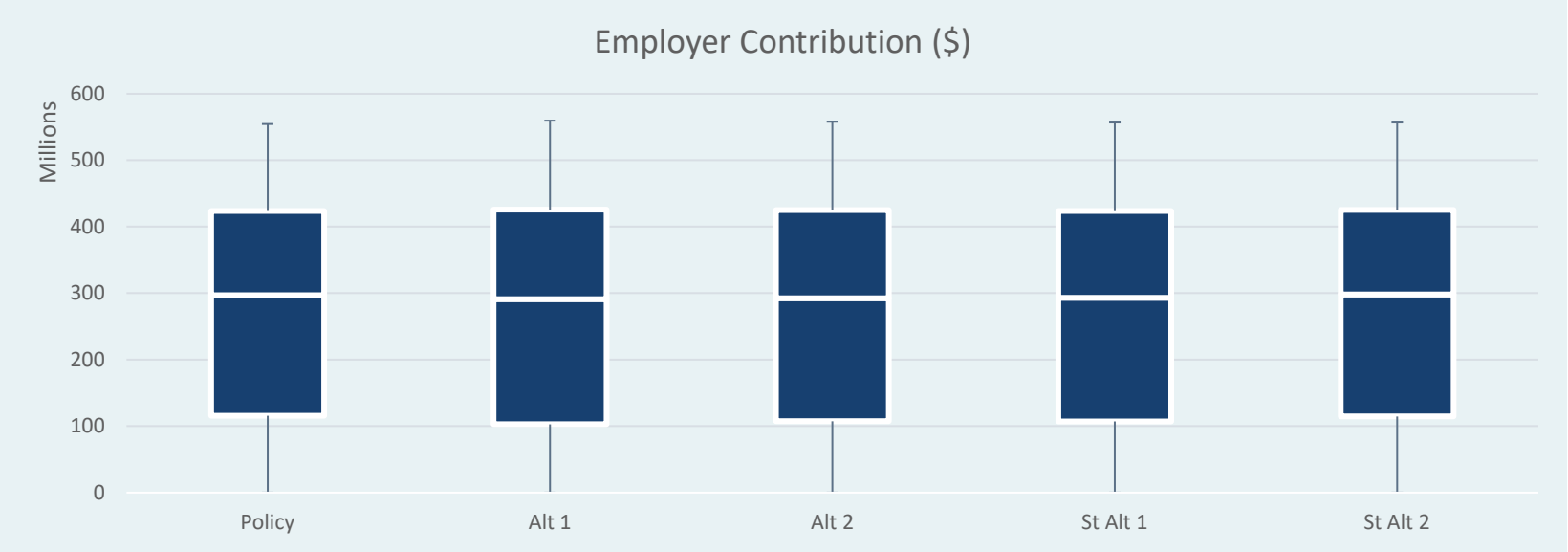


**EMPLOYER CONTRIBUTIONS – STOCHASTIC OUTCOMES IN 10 YEARS**

	<b>Policy</b>	<b>Alt 1</b>	<b>Alt 2</b>	<b>Alt 3</b>	<b>Alt 4</b>
Worst Case (95%)	50.9%	51.4%	51.2%	51.0%	51.1%
Median Outcome (50%)	24.4%	23.9%	24.1%	24.1%	24.5%
Best Case (5%)	0.0%	0.0%	0%	0%	0%

Source: ProVal, Verus

# Employer contributions: 10-year forecast



**EMPLOYER CONTRIBUTIONS – STOCHASTIC OUTCOMES IN 10 YEARS**

	<b>Policy</b>	<b>Alt 1</b>	<b>Alt 2</b>	<b>Alt 3</b>	<b>Alt 4</b>
Worst Case (95%)	554	559	558	557	557
Median Outcome (50%)	297	291	292	293	298
Best Case (5%)	0	0	0	0	0

Source: ProVal, Verus

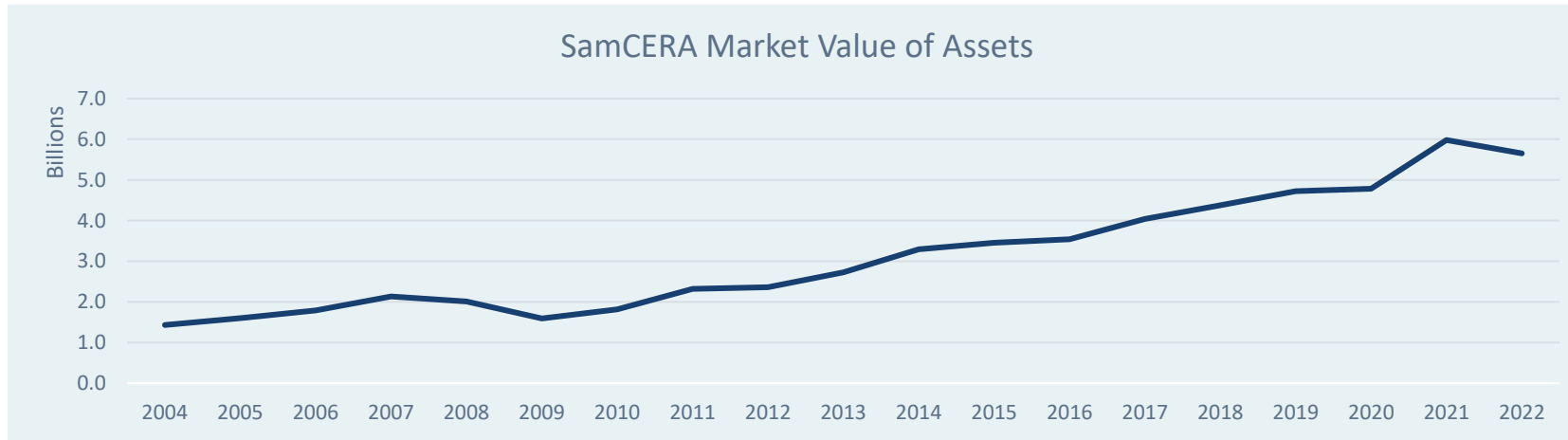
# Conclusions

- All alternatives are well above the 6.25% discount rate
- The reduction in low vol equity has a marginally higher increase to equity risk though we are increasing duration risk through treasuries
- 6.25% actuarial rate is among the lowest in public plans
- Alternative 1 provides the highest equity risk and risks decrease with each subsequent alternative
- The Board is broadly comfortable taking slightly more risk, and all models reflect that preference

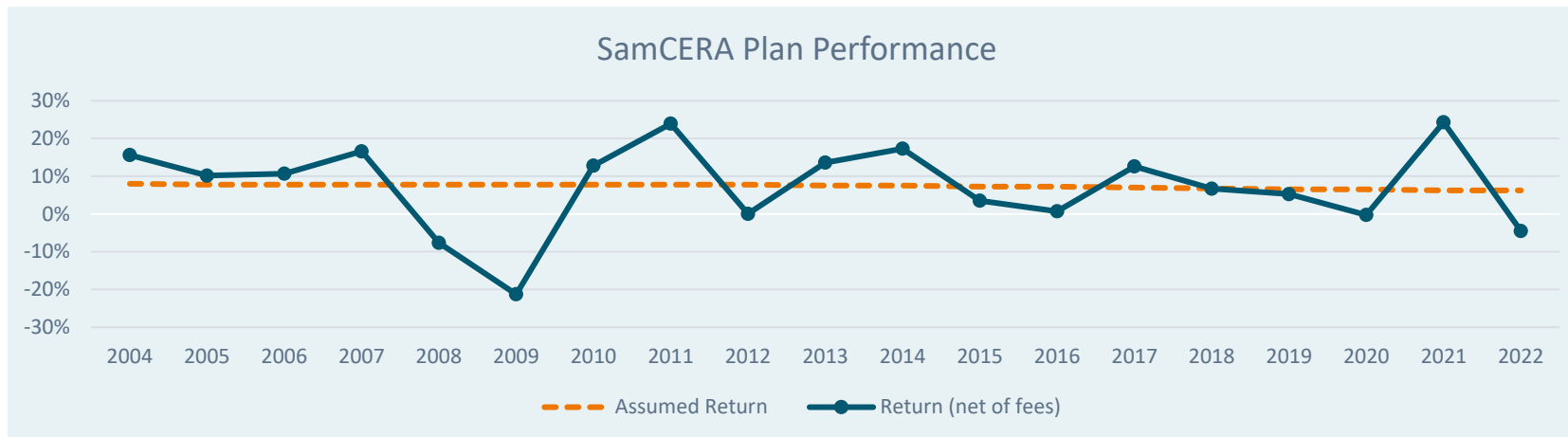


# Appendix

# Rolling returns and plan value

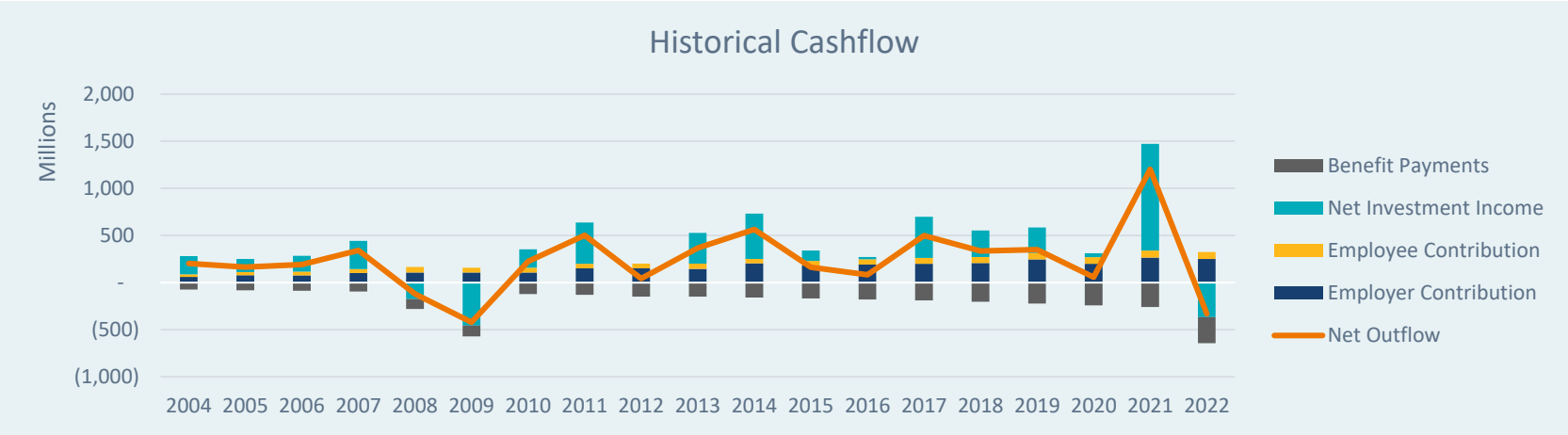


Assets have recovered since the Global Financial Crisis.

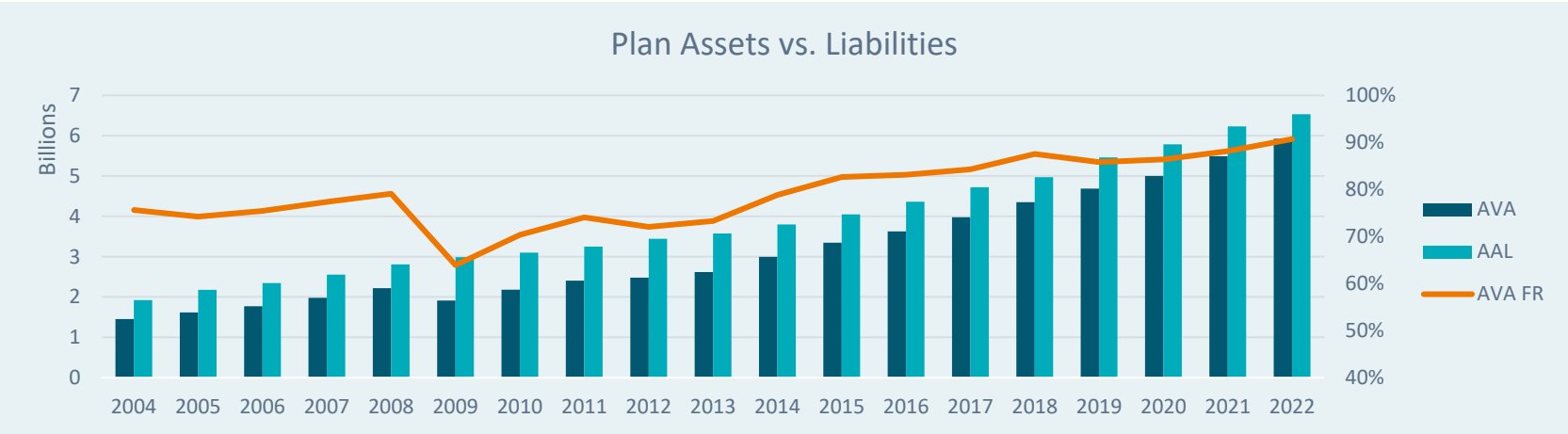


Dates represented as Fiscal Year ending June 30<sup>th</sup>. Data taken from historical SamCERA CAFRs and actuarial valuations.

# Benefit payments and contributions



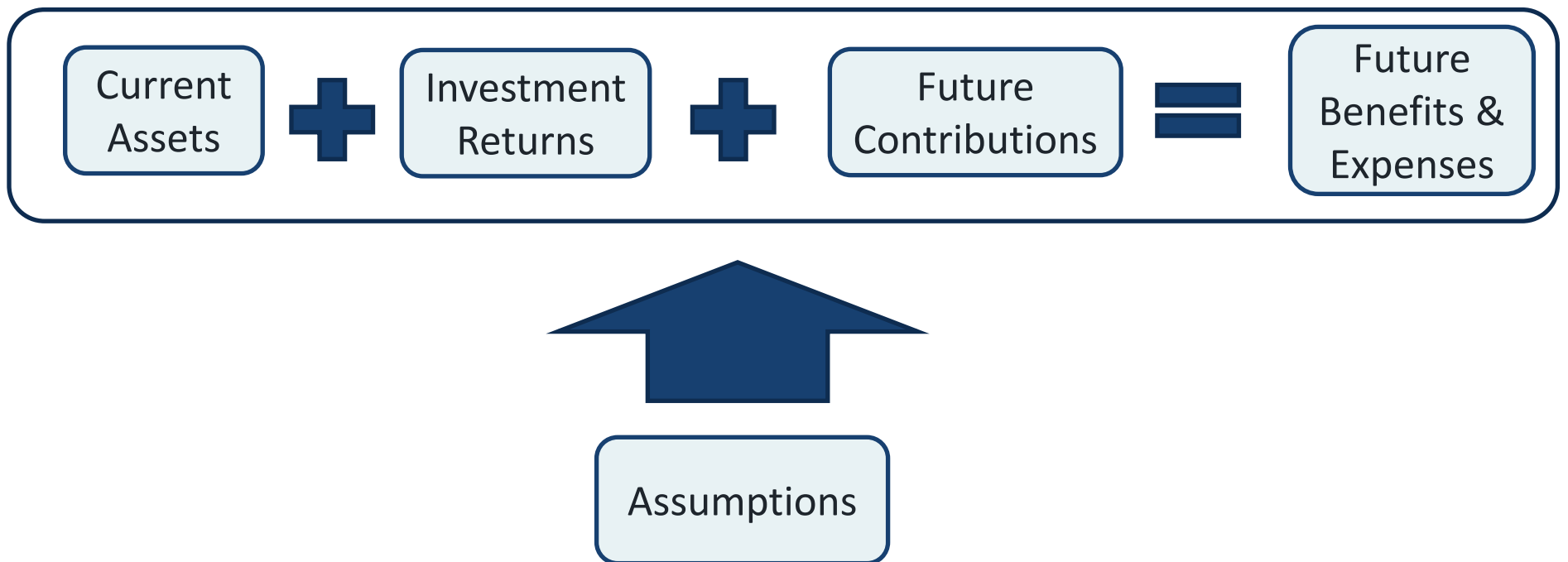
Historically, net plan outflow has been driven by investment earnings.



The plan's assets have recovered since 2009, growing faster than liabilities

Dates represented as Fiscal Year ending June 30<sup>th</sup>. Data taken from historical SamCERA CAFRs and actuarial valuations.

# The pension equation



# A comment on projections



To become fully funded by 2038, the plan will require roughly 9.8b in assets.

Discrepancies in our projections will occur when plan experience differs from our assumptions.

Projection from current Asset Liability study done for SamCERA by Verus. Data taken from historical SamCERA CAFRs and actuarial valuations

# Cost of de-risking

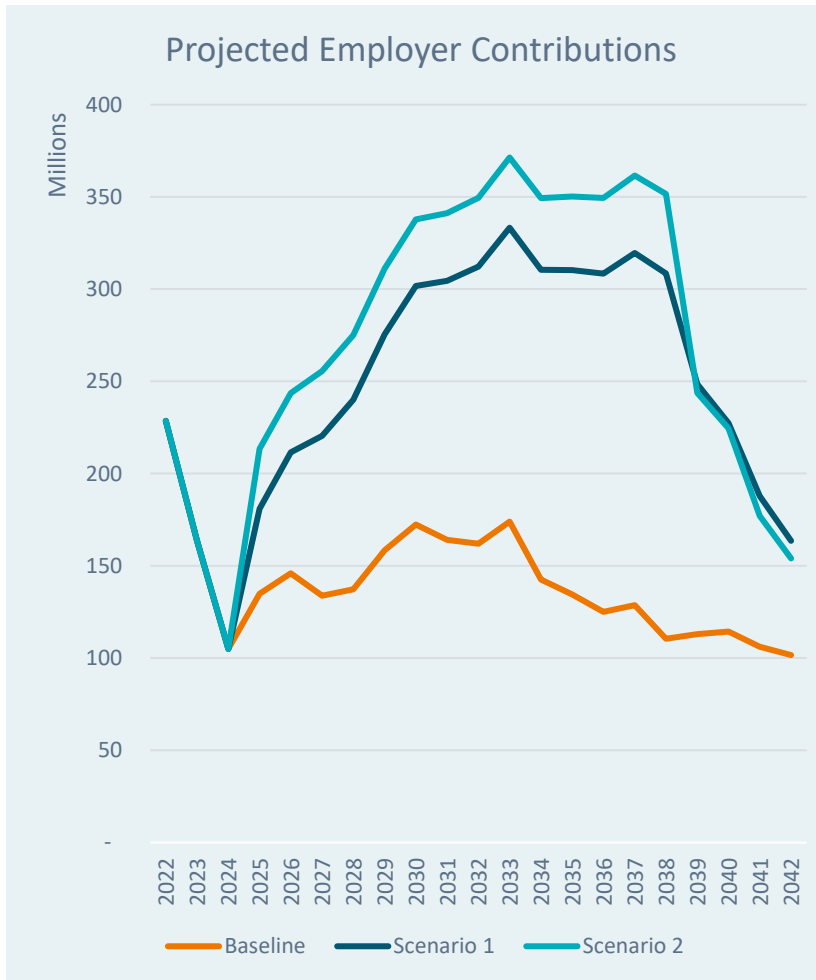
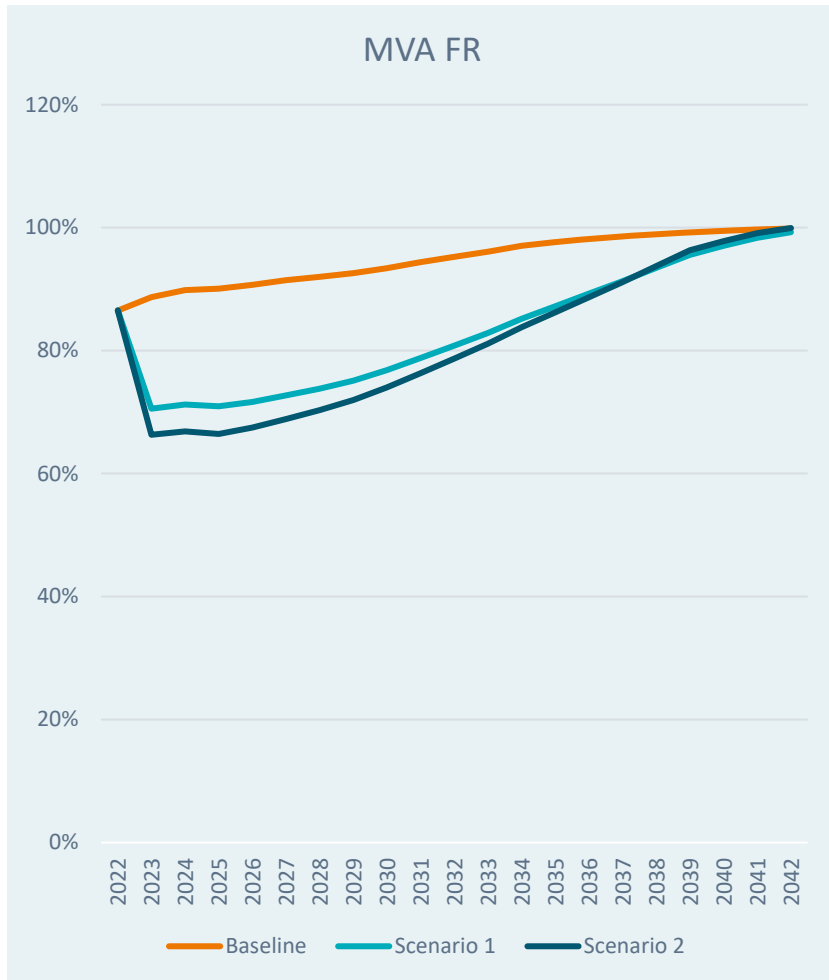
THE COST OF FUNDING AND DE-RISKING, 10 YEAR HORIZON



Plan is expected to achieve full funding within 15 years assuming plan performance remains strong.

Data displayed in this chart assumes investment returns equal the discount rate for the entire modeling period and all other assumptions (mortality, disability, plan growth, etc.) are met exactly.

# Cost of a drawdown



A significant drawdown may require an adjustment to the current funding projections.

Baseline: 6.75% return in year 1, 6.25% return in every other year.  
 Scenario 1: -15% Return in year 1, 6.25% return in every other year.  
 Scenario 2: -20% return in year 1, 6.25% return in every other year.

# 10-year return & risk assumptions

Asset Class	Index Proxy	Ten Year Return Forecast		Standard Deviation Forecast	Sharpe Ratio Forecast (g)	Sharpe Ratio Forecast (a)	10-Year Historical Sharpe Ratio (g)	10-Year Historical Sharpe Ratio (a)
		Geometric	Arithmetic					
<b>Equities</b>								
U.S. Large	S&P 500	6.5%	7.6%	15.6%	0.21	0.28	0.76	0.79
U.S. Small	Russell 2000	5.4%	7.5%	21.5%	0.10	0.20	0.42	0.49
International Developed	MSCI EAFE	9.1%	10.5%	17.8%	0.33	0.40	0.21	0.27
International Small	MSCI EAFE Small Cap	9.2%	11.3%	22.1%	0.27	0.36	0.29	0.36
Emerging Markets	MSCI EM	8.5%	11.2%	25.2%	0.21	0.31	0.02	0.10
Global Equity	MSCI ACWI	7.4%	8.7%	17.1%	0.23	0.32	0.47	0.52
Global Equity ex-US	MSCI ACWI ex-US	9.0%	10.7%	19.9%	0.29	0.37	0.16	0.23
Private Equity	CA U.S. Private Equity	9.2%	12.1%	25.8%	0.23	0.34	-	-
Private Equity Direct	CA U.S. Private Equity	10.2%	13.0%	25.8%	0.27	0.38	-	-
Private Equity (FoF)	CA U.S. Private Equity	8.2%	11.1%	25.8%	0.19	0.30	-	-
<b>Fixed Income</b>								
Cash	30 Day T-Bills	3.3%	3.3%	1.2%	-	-	-	-
U.S. TIPS	Bloomberg U.S. TIPS 5-10	4.1%	4.3%	5.6%	0.14	0.18	0.06	0.08
U.S. Treasury	Bloomberg Treasury 7-10 Year	3.8%	4.0%	7.1%	0.07	0.10	(0.02)	0.01
Long U.S. Treasury	Bloomberg Treasury 20+ Year	3.8%	4.6%	13.2%	0.04	0.10	(0.01)	0.05
Global Sovereign ex U.S.	Bloomberg Global Treasury ex U.S.	2.2%	2.7%	10.0%	(0.11)	(0.06)	(0.47)	(0.44)
Global Aggregate	Bloomberg Global Aggregate	3.0%	3.2%	6.7%	(0.05)	(0.01)	(0.30)	(0.28)
Core Fixed Income	Bloomberg U.S. Aggregate Bond	4.3%	4.4%	4.6%	0.22	0.24	0.05	0.07
Core Plus Fixed Income	Bloomberg U.S. Universal	4.6%	4.7%	4.6%	0.28	0.30	0.17	0.14
Short-Term Gov't/Credit	Bloomberg U.S. Gov't/Credit 1-3 Year	3.9%	4.0%	3.7%	0.16	0.19	0.11	0.11
Short-Term Credit	Bloomberg Credit 1-3 Year	4.3%	4.4%	3.7%	0.27	0.30	0.40	0.40
Long-Term Credit	Bloomberg Long U.S. Credit	5.3%	5.9%	11.0%	0.18	0.24	0.11	0.16
High Yield Corp. Credit	Bloomberg U.S. Corporate High Yield	6.4%	7.0%	11.2%	0.28	0.33	0.44	0.47
Bank Loans	S&P/LSTA Leveraged Loan	6.8%	7.2%	9.2%	0.38	0.42	0.53	0.54
Global Credit	Bloomberg Global Credit	4.5%	4.8%	7.9%	0.15	0.19	0.00	0.03
Emerging Markets Debt (Hard)	JPM EMBI Global Diversified	8.9%	9.4%	10.7%	0.52	0.57	0.05	0.09
Emerging Markets Debt (Local)	JPM GBI-EM Global Diversified	7.0%	7.7%	12.3%	0.30	0.36	(0.28)	(0.23)
Private Credit	S&P LSTA Leveraged Loan Index	8.2%	9.0%	13.0%	0.38	0.44	-	-
Private Credit (Direct Lending - Unlevered)	S&P LSTA Leveraged Loan Index	6.8%	7.2%	9.2%	0.38	0.42	-	-
Private Credit (Direct Lending - Levered)	S&P LSTA Leveraged Loan Index	9.1%	10.1%	15.3%	0.38	0.44	-	-
Private Credit (Credit Opportunities)	S&P LSTA Leveraged Loan Index	8.5%	9.4%	13.8%	0.38	0.44	-	-
Private Credit (Junior Capital / Mezzanine)	S&P LSTA Leveraged Loan Index	9.0%	10.0%	15.1%	0.38	0.44	-	-
Private Credit (Distressed)	S&P LSTA Leveraged Loan Index	9.1%	12.7%	29.1%	0.20	0.32	-	-

Investors wishing to produce expected geometric return forecasts for their portfolios should use the arithmetic return forecasts provided here as inputs into that calculation, rather than the single-asset-class geometric return forecasts. This is the industry standard approach, but requires a complex explanation only a heavy quant could love, so we have chosen not to provide further details in this document – we will happily provide those details to any readers of this who are interested.



# 10-year return & risk assumptions

Asset Class	Index Proxy	Ten Year Return Forecast		Standard Deviation Forecast	Sharpe Ratio Forecast (g)	Sharpe Ratio Forecast (a)	10-Year Historical Sharpe Ratio (g)	10-Year Historical Sharpe Ratio (a)
		Geometric	Arithmetic					
<b>Other</b>								
Commodities	Bloomberg Commodity	5.7%	6.9%	16.3%	0.15	0.22	(0.20)	(0.13)
Hedge Funds	HFRI Fund Weighted Composite	4.6%	4.9%	7.7%	0.17	0.21	0.70	0.71
Hedge Fund of Funds	HFRI Fund of Funds Composite	3.6%	3.9%	7.7%	0.04	0.08	-	-
Hedge Funds (Equity Style)	Custom HFRI Benchmark Mix*	7.4%	8.4%	14.6%	0.28	0.35	-	-
Hedge Funds (Credit Style)	Custom HFRI Benchmark Mix*	7.1%	7.5%	9.8%	0.39	0.43	-	-
Hedge Funds (Asymmetric Style)	Custom HFRI Benchmark Mix*	4.8%	4.9%	4.8%	0.31	0.33	-	-
Real Estate Debt	Bloomberg CMBS IG	5.2%	5.5%	7.5%	0.25	0.29	0.26	0.28
Core Real Estate	NCREIF Property	5.8%	6.5%	12.6%	0.20	0.25	1.94	1.87
Value-Add Real Estate	NCREIF Property + 200bps	7.8%	8.9%	15.5%	0.29	0.36	-	-
Opportunistic Real Estate	NCREIF Property + 300bps	8.8%	10.8%	21.3%	0.26	0.35	-	-
REITs	Wilshire REIT	5.8%	7.5%	19.4%	0.13	0.22	0.32	0.40
Global Infrastructure	S&P Global Infrastructure	7.8%	9.1%	17.3%	0.26	0.34	0.28	0.35
Risk Parity**	S&P Risk Parity 10% Vol Index	8.3%	8.8%	10.0%	0.50	0.55	-	-
Currency Beta	MSCI Currency Factor Index	1.6%	1.7%	3.4%	(0.49)	(0.46)	0.20	0.21
Inflation		2.5%	-	-	-	-	-	-

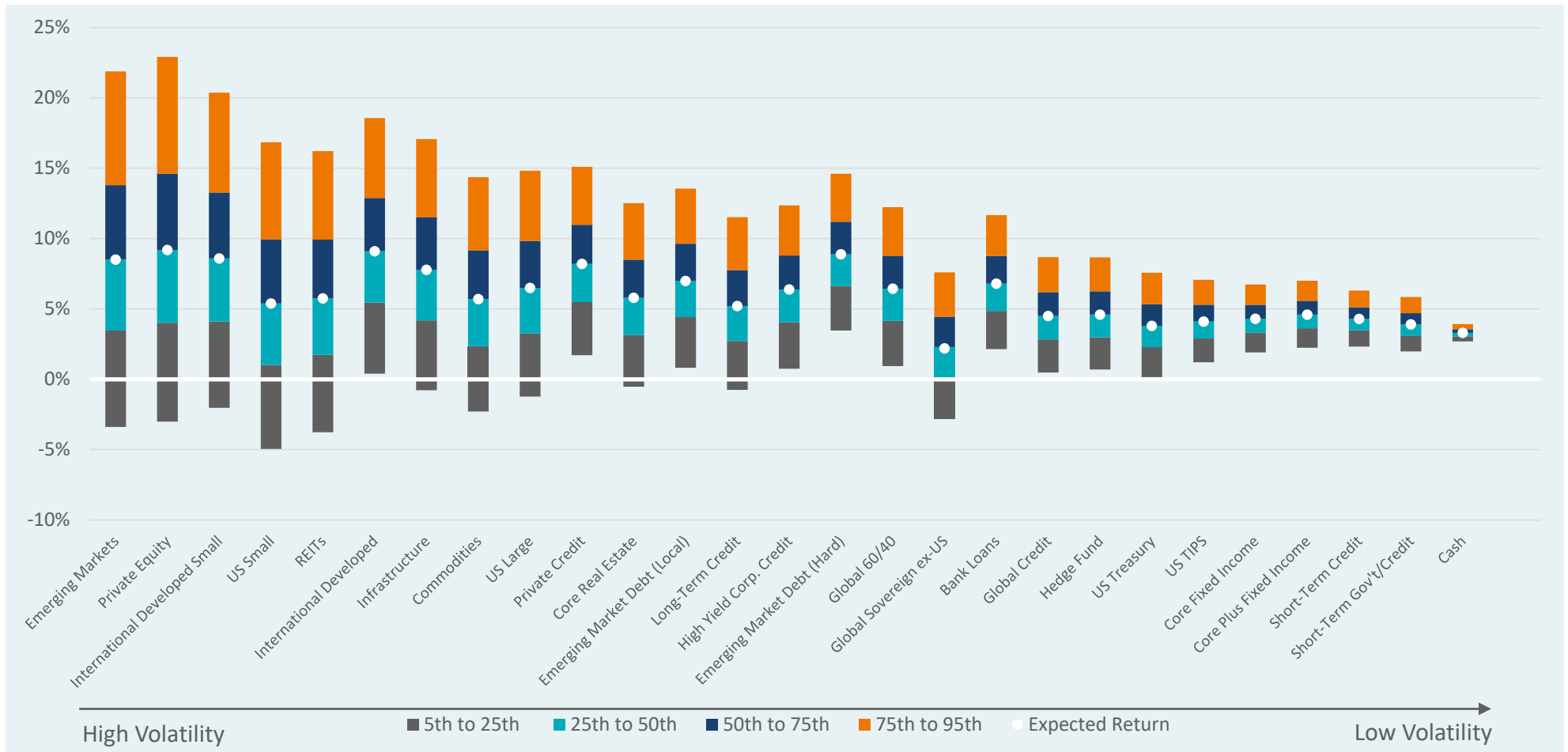
Investors wishing to produce expected geometric return forecasts for their portfolios should use the arithmetic return forecasts provided here as inputs into that calculation, rather than the single-asset-class geometric return forecasts. This is the industry standard approach, but requires a complex explanation only a heavy quant could love, so we have chosen not to provide further details in this document – we will happily provide those details to any readers of this who are interested.

\*To represent hedge fund styles, we use a combination of HFRI benchmarks: Equity Style = 33% HFRI Fundamental Growth, 33% HFRI Fundamental Value, 33% HFRI Activist. Credit Style = 20% HFRI Distressed/Restructuring, 20% HFRI Credit Arbitrage, 20% HFRI Fixed Income-Corporate, 20% HFRI Fixed Income-Convertible Arbitrage, 20% HFRI Fixed Income-Asset Backed. Asymmetric Style = 50% HFRI Relative Value, 50% HFRI Macro

\*\*The Risk Parity forecast shown here assumes a 10% target volatility strategy. We recommend customizing this forecast to the target volatility specifications of the risk parity strategy that an investor wishes to model. Please speak with your Verus consultant for customization needs.

# Range of likely 10-year outcomes

## 10-YEAR RETURN 90% CONFIDENCE INTERVAL



Source: Verus, MPI

# Methodology

## CORE INPUTS

- We use a fundamental building block approach based on several inputs, including historical data and academic research to create asset class return forecasts.
- For most asset classes, we use the long-term historical volatility after adjusting for autocorrelation.
- Correlations between asset classes are calculated based on the last 10 years. For illiquid assets, such as private equity and private real estate, we use BarraOne correlation estimates.

Asset	Return Methodology	Volatility Methodology*
Inflation	25% weight to the University of Michigan Survey 5-10 year ahead inflation expectation and the Survey of Professional Forecasters (Fed Survey), and the remaining 50% to the market's expectation for inflation as observed through the 10-year TIPS breakeven rate	-
Cash	75% * current federal funds rate + 25% * U.S. 10-year Treasury yield	Long-term volatility
Bonds	Nominal bonds: current yield; Real bonds: real yield + inflation forecast	Long-term volatility
International Bonds	Current yield	Long-term volatility
Credit	Current option-adjusted spread + U.S. 10-year Treasury – effective default rate	Long-term volatility
International Credit	Current option-adjusted spread + foreign 10-year Treasury – effective default rate	Long-term volatility
Private Credit	Levered gross return (LIBOR + spread + original issuance discounts) – management fees – carried interest	Estimated volatility
Equity	Current yield + real earnings growth (historical average) + inflation on earnings (inflation forecast) + expected P/E change	Long-term volatility
Intl Developed Equity	Current yield + real earnings growth (historical average) + inflation on earnings (intl. inflation forecast) + expected P/E change	Long-term volatility
Private Equity	US large cap domestic equity forecast * 1.85 beta adjustment	1.2 * Long-term volatility of U.S. small cap
Commodities	Collateral return (cash) + spot return (inflation forecast) + roll return (assumed to be zero)	Long-term volatility
Hedge Funds	Return coming from traditional betas + 15-year historical idiosyncratic return	Long-term volatility
Core Real Estate	Cap rate + real income growth – capex + inflation forecast	65% of REIT volatility
REITs	Core real estate	Long-term volatility
Value-Add Real Estate	Core real estate + 2%	Volatility to produce Sharpe Ratio (g) equal to core real estate
Opportunistic Real Estate	Core real estate + 3%	Volatility to produce Sharpe Ratio (g) equal to core real estate
Infrastructure	Current yield + real income growth + inflation on earnings (inflation forecast)	Long-term volatility
Risk Parity	Expected Sharpe Ratio * target volatility + cash rate	Target volatility

\*Long-term historical volatility data is adjusted for autocorrelation (see Appendix)

# Correlation assumptions

	Cash	US Large	US Small	Intl Large	Intl Small	EM	Global Equity	PE	US TIPS	US Treasury	Global Sovereign ex-US	US Core	Core Plus	Short-Term Gov't/Credit	Short-Term Credit	Long-Term Credit	US HY	Bank Loans	Global Credit	EMD USD	EMD Local	Commodities	Hedge Funds	Real Estate	REITs	Infrastructure	Risk Parity	Currency Beta		
Cash	1.0																													
US Large	-0.2	1.0																												
US Small	-0.2	0.9	1.0																											
Intl Large	-0.2	0.9	0.8	1.0																										
Intl Small	-0.3	0.9	0.8	1.0	1.0																									
EM	-0.2	0.7	0.6	0.8	0.8	1.0																								
Global Equity	-0.2	1.0	0.9	1.0	0.9	0.8	1.0																							
PE	-0.2	0.7	0.6	0.6	0.6	0.6	0.7	1.0																						
US TIPS	0.0	0.4	0.3	0.4	0.4	0.4	0.4	0.2	1.0																					
US Treasury	0.2	0.0	-0.1	0.0	0.0	0.0	0.0	-0.2	0.8	1.0																				
Global Sovereign ex-US	0.1	0.0	-0.2	-0.1	-0.1	0.0	-0.1	-0.2	0.7	0.9	1.0																			
US Core	0.0	0.3	0.2	0.4	0.4	0.5	0.4	0.1	0.7	0.6	0.5	1.0																		
Core Plus	0.1	0.3	0.2	0.3	0.3	0.3	0.3	0.0	0.8	0.9	0.9	0.7	1.0																	
Short-Term Gov't/Credit	0.0	0.4	0.3	0.4	0.4	0.4	0.4	0.1	0.9	0.8	0.8	0.7	1.0	1.0																
Short-Term Credit	0.2	0.1	0.1	0.2	0.2	0.2	0.2	-0.1	0.7	0.8	0.6	0.6	0.8	0.8	1.0															
Long-Term Credit	0.0	0.4	0.4	0.5	0.5	0.5	0.5	0.0	0.7	0.5	0.4	0.6	0.8	0.8	0.8	1.0														
US HY	0.0	0.5	0.4	0.5	0.5	0.5	0.5	0.1	0.7	0.6	0.7	0.6	0.8	0.9	0.6	0.7	1.0													
Bank Loans	-0.2	0.8	0.8	0.8	0.8	0.7	0.8	0.5	0.5	0.1	0.1	0.5	0.4	0.6	0.3	0.7	0.6	1.0												
Global Credit	-0.3	0.6	0.7	0.6	0.7	0.6	0.7	0.5	0.3	-0.2	-0.2	0.2	0.1	0.3	0.0	0.5	0.4	0.8	1.0											
EMD USD	-0.1	0.6	0.5	0.7	0.7	0.7	0.7	0.4	0.6	0.3	0.3	0.6	0.6	0.7	0.4	0.7	0.7	0.8	0.7	1.0										
EMD Local	0.0	0.5	0.4	0.7	0.6	0.8	0.6	0.4	0.5	0.2	0.1	0.6	0.4	0.5	0.3	0.5	0.5	0.7	0.5	0.8	1.0									
Commodities	-0.2	0.4	0.4	0.5	0.5	0.5	0.5	0.3	0.2	-0.3	-0.3	0.2	-0.1	0.0	-0.1	0.2	0.1	0.5	0.5	0.3	0.4	1.0								
Hedge Funds	-0.2	0.8	0.9	0.9	0.9	0.8	0.9	0.6	0.3	-0.2	-0.2	0.3	0.1	0.3	0.0	0.5	0.4	0.8	0.8	0.7	0.6	0.5	1.0							
Real Estate	-0.2	0.6	0.5	0.5	0.5	0.4	0.6	0.4	0.2	-0.1	-0.1	0.2	0.0	0.1	-0.1	0.1	-0.1	0.4	0.4	0.4	0.4	0.3	0.5	1.0						
REITs	-0.2	0.7	0.6	0.6	0.6	0.5	0.7	0.5	0.6	0.3	0.3	0.4	0.5	0.5	0.2	0.5	0.6	0.6	0.5	0.6	0.5	0.3	0.6	0.7	1.0					
Infrastructure	-0.2	0.8	0.7	0.8	0.8	0.7	0.8	0.7	0.5	0.1	0.0	0.5	0.3	0.5	0.2	0.5	0.6	0.8	0.7	0.7	0.7	0.5	0.8	0.3	0.7	1.0				
Risk Parity	-0.2	0.7	0.7	0.8	0.7	0.7	0.8	0.4	0.6	0.1	0.1	0.4	0.4	0.5	0.2	0.6	0.6	0.8	0.7	0.8	0.6	0.6	0.8	0.4	0.7	0.8	1.0			
Currency Beta	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	1.0	


Note: as of 9/30/22 - Correlation assumptions are based on the last ten years. Private Equity and Real Estate correlations are especially difficult to model – we have therefore used BarraOne correlation data to strengthen these correlation estimates.

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

January 24, 2023

Agenda Item 6.3

**TO:** Board of Retirement

**FROM:** Doris Ng, Investment Analyst 

**SUBJECT:** Approval for Dynamic Currency Hedging Recommendation

**Recommendation**

Approve the recommendation to implement a dynamic currency hedge program with Record Currency Management Limited (Record).

**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 Portfolio Associates (SamCERA's current cash overlay manager) as the investment manager. Parametric's currency hedging program has reduced portfolio volatility by 32bps from inception of the program through end of December 2021.

In July 2022, the Board approved a temporary reduction of the passive 50% currency hedge ratio to 25% to help mitigate the risk of potential, large cash outlays to maintain a 50% static hedge ratio if the USD were to weaken from its current high levels. As previously mentioned, staff and consultant also planned to bring a recommendation for a dynamic currency hedge program to the Board after conducting further due diligence.

**Discussion**

As of November 30, 2022, SamCERA had approximately \$750 million of developed international equity currency exposure in aggregate between the international equity portfolio and the cash overlay program. The dynamic currency hedge program would allow the hedge ratio to vary dynamically within a range of 0-100% against a 50% fixed benchmark while managing cash flows to avoid large payouts and targeting an asymmetric return profile.

Staff and consultant sent due diligence questionnaires to three managers in August 2022. After reviewing the responses, staff and consultant conducted follow-up meetings with two of the three managers in October 2022, and Record Currency Management Limited (Record) was selected for an on-site due diligence visit in December 2022.

Some of the reasons that led Staff and consultant to recommend Record's dynamic currency hedge program include its strong, primary focus on risk management, the depth of the firm and team's experience in managing currency mandates, and the strength of the firm's business infrastructure and operations to support currency management.

Joe Abdou from Verus will review the dynamic currency hedge manager search recommendation with the Board.

**Attachment**

Verus Memorandum – Dynamic Currency Hedge

Staff Recommendation – Dynamic Currency Hedge Program

# Memorandum

**To:** San Mateo County Employees' Retirement Association (SamCERA)  
**From:** Verus  
**Date:** January 24, 2023  
**RE:** Dynamic currency hedge manager search recommendation

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## **Executive Summary**

*The purpose of this memo is to provide manager recommendations to the Board for the dynamic currency hedging manager search that Verus and SamCERA Staff have been conducting. Currently, SamCERA has a passive currency hedge implemented with your overlay manager Parametric. In July, Staff reduced the passive implementation from 50% to 25% in preparation of choosing a dynamic currency hedge manager. Verus and Staff followed a focused RFI search process, which included an RFI to the most appropriate dynamic hedging managers, a series of virtual "on-sites," and an in-depth onsite with the final manager. Verus and Staff believe Record Currency Management Limited (Record) is the most suitable manager for the dynamic hedging mandate.*

*The rest of this memo provides detail on our due diligence process and a description on each manager and its strategy.*

## **Due Diligence Process**

SamCERA Staff and Verus reviewed the universe of managers with capabilities in providing currency hedging services. Based on feedback from Verus research staff and SamCERA staff, we collectively decided to issue an RFI to three currency managers. On August 16<sup>th</sup>, the RFI was issued to Insight, Millennium Global, and Record. The managers were given a month to complete their RFI submissions.

Once the RFIs were received back, Verus and Staff independently reviewed the RFI responses. Verus and Staff discussed their findings and concluded that two of the managers merited further due diligence. Based on track record, team depth and strategy fit, Insight and Record were determined to be the best fit for SamCERA's dynamic currency mandate. Virtual meetings were set up with firm leadership and portfolio managers from Insight and Record. Following these meetings Staff and Verus reviewed notes and identified Record as the most suitable dynamic currency hedging manager for SamCERA's mandate.

SamCERA Staff and Verus conducted a 5-hour onsite with Record in their London office, to meet with members from all areas of the business. Mike Coultrip represented the team in-person, and Doris Ng and Joe Abdou attended virtually.

### **Insight**

Founded in 2002, Insight Investment Management has 290 investment professionals worldwide and 90 in the US. Insight has offices in London, New York, Boston, San Francisco, Dublin, Frankfurt, Manchester, Sydney and Tokyo., Insight operates as an independent but wholly-owned subsidiary of BNY Mellon, managing fixed income, currency, LDI and multi-asset strategies. The currency team grew out of an earlier acquisition of Pareto Investment management, a currency risk management specialist. Today, the currency team is led by Francesca Fornasari with support from 12 investment professionals across research, trading and portfolio management. Insight manages over \$800 billion in assets of which \$59 billion is in currency management.

Insight's dynamic currency program initially started as a momentum-based strategy, which evolved over time to include other risk factors. Currently, the strategy starts with a passive hedge and incorporates five independent and uncorrelated factors to reduce unwarranted currency risk. The factors are Momentum, Value, Carry, Volatility, and Quality. These factors can be overlaid with a Macro Fundamental absolute return strategy, as well. Insight is unique among the three in having a more complex set of trading signals and incorporating a macro overlay into the trading decisions.

### **Millennium**

Millennium Global is an independent, privately owned investment management company based in London, UK. The firm was established in 1994 with the objective of providing currency management services that address the needs of institutional investors globally. To support regional growth, offices dedicated to client service and marketing were opened in the United States (2007) and in Japan (2008). Millennium manages \$17 billion in assets across a range of currency-related strategies. The firm employs 45 people, 11 of whom are investment professionals.

The objective of dynamic currency hedging is to improve upon passive hedging in its approach by increasing foreign currency hedges in periods of base currency strength and reducing hedges in periods of base currency weakness. Millennium will attempt to add value by exploiting several anomalies, in particular the long-term tendency of currencies to return to fair value, cyclical economic differentiation between countries, the observable presence of factors such as momentum and value, and the predictive value of indicators from the FX options market.



Importantly, Millennium's process is model driven, relying on long understood trading signals in the currency market.

## **Record**

Record is one of the world's largest and longest standing currency managers with over 39 years of experience in delivering tailored currency solutions for institutional clients. Record was established in 1983 and grew largely around currency hedging for both corporate and institutional clients, with mandates including the world's first stand-alone currency hedging mandate in 1985. Record's parent company is Record plc, which is a publicly listed company on the London Stock Exchange. As of June 30, 2022, Record manages US \$77.9bn in exposures for 92 clients, of which \$13.3bn is in Dynamic Hedging mandates. Record manages a total of \$19.3bn AUM for North American clients and has a US office located in New York City.

Record has a large team dedicated to currency management. The team is led by Dmitri Tikhonov (CIO) and has 14 senior investment professionals supported by 34 investment professionals and 7 research members. Almost 50% of the public company shares in Record are held by employees which aligns senior staff incentives with those of the business and clients.

Record's investment philosophy is underpinned by a belief that the best results are delivered by a robust, systematic investment process, overseen by an experienced team of investment professionals. The systematic process exploits inefficiencies in the FX markets, in this case their tendency to trend, in an explicable, repeatable way. The discretionary risk management oversight ensures that the program is responsive to the prevailing market conditions and best reflects an individual client's objectives.

## **Recommendation**

Pursuant to our RFP evaluations, preliminary calls with managers, and finally the onsite visit with Record, Staff and Verus are recommending Record manage the dynamic currency hedging program for SamCERA. Record has a capable, dedicated team that has been managing currencies for over 20 years. Record is a dedicated currency manager with no other investment strategies and has done so since 1985. We feel the strategy Record put forth is the strategy that best fits SamCERA's current need for dynamic currency hedging.

**RECORD CURRENCY MANAGEMENT LIMITED (RECORD)  
INVESTMENT RECOMMENDATION**

**January 24, 2023**



1) Product Name	Dynamic Currency Hedge Program
2) Contact Person	Tom Arnold Director, Head of US Sales +44 (0) 1753 605 842
3) Asset Class	Public Equity/ International Equity
4) Consolidation	Growth
5) Role in Portfolio	The primary role of the dynamic currency hedge mandate is to hedge currency risk within the plan's developed international equity exposure while avoiding large negative cash flows (payouts). The dynamic currency hedge program is expected to maintain an asymmetric return profile by allowing gains to accrue from profitable hedges (hedging foreign currencies in a strengthening USD environment) while capping losses that result from hedging foreign currencies in a weakening USD environment.
6) Manager Benchmark	<p>1) <b>Combine</b> returns of underlying International Equity Portfolio with dynamic currency hedge program to show protected currency return view of the International Equity Portfolio.</p> <p>2) <b>Compare</b> protected currency return view of the International Equity Portfolio vs. our International Equity Portfolio Policy Benchmark (50% hedged).</p> <p><b>Note:</b> The International Equity Portfolio Policy Benchmark is a blended benchmark that effectively shows a 50% fixed hedge ratio applied to the MSCI ACWI ex US IMI Index [50% weighting to MSCI ACWI ex US IMI 100% Hedged (Net) + 50% weighting to MSCI ACWI ex US IMI (Net)].</p>
7) Ex-Ante Return Target	The primary objective of the dynamic currency hedge mandate is to hedge currency risk while limiting negative cash flows. For a dynamic currency hedge program operating within a dynamic currency hedge ratio range of 0-100%, the expected excess return relative to a 50% fixed hedge benchmark is 0.50% per annum over a full currency cycle.

8) Ex-Ante Volatility Target	The expected tracking error for a dynamic currency hedge program operating within a dynamic currency hedge ratio range of 0-100% relative to a 50% fixed hedge benchmark is 4% per annum.
9) Number of positions	<p>The following eight foreign currency exposures within the developed international equity portfolio and the overlay program will be hedged: Euro (EUR), Danish krone (DKK) – using Euro as a proxy due to existing peg regime, Japanese yen (JPY), Pound sterling (GBP), Swiss franc (CHF), Canadian dollar (CAD), Australian dollar (AUD), and Swedish krona (SEK).</p> <p>Over-the-counter foreign exchange forward contracts with tenor up to 12 months will be utilized to hedge foreign currency exposure (buy USD/sell foreign currency) in the program. Each currency pair may have up to twelve open positions, where each position is sized to be approximately 8% (1/12<sup>th</sup>) of the maximum hedgeable exposure. The total number of open positions in the program may range from 0 – 96 positions.</p>
10) Firm Ownership Structure	<p>Record Currency Management Limited (Record) was founded in 1983, and has over 39 years of experience in providing customized currency solutions for institutional clients. It is 100% owned by parent company, Record plc, which is a publicly-listed company on the London Stock Exchange. As of June 30, 2022, about half of the share capital of Record plc is held by employees. Neil Record, founder and Chairman, and Leslie Hill, CEO, are the two largest shareholders.</p> <p>The firm has \$77.9 billion in assets under management with the bulk in passive currency hedging (\$58.2 billion) and \$13.3 billion in dynamic currency hedging. The firm is headquartered in London with 80 employees located globally across offices in Windsor, London, New York and Zurich.</p>
11) Key Personnel	<p>Of the firm’s total employees, 48 are investment professionals and 7 are research staff. The key personnel, who will oversee the dynamic currency hedge program, are senior investment members of the Investment Management Group: Dmitri Tikhonov (CIO), Andrey Romyantsev (Head of FX Risk Management Solutions), and James Allen (Director, FX Risk Management Solutions). They are also supported by Andrew Bloomfield (Director, Head of Macro Research), who provides macroeconomic insights for the dynamic currency hedge team, and other investment professionals from across the firm’s investment, research and trading departments.</p>
12) Investment Process Summary	<p>The investment process consists primarily of a core systematic dynamic currency hedging process combined with a discretionary risk management oversight process from portfolio managers.</p> <p style="text-align: center;"><u>Core Systematic Dynamic Hedging Process</u></p> <p>The core systematic process is designed to exploit currency trends at a medium-term horizon of typically 3-12 months. The process is modeled and run in Record’s in-house, proprietary system called ROMP (Record Overlay Management System). The core process observes and reacts to daily, spot exchange rate movements within each currency pair. Each currency pair may have up to twelve hedge positions (buy USD/sell foreign currency) that are individually “put on” or traded as the USD strengthens beyond each pre-set protection level. Protection levels are typically set with at least a 0.50% gap in between each level, and may be adjusted under the</p>

	<p>discretionary risk management oversight of the portfolio managers. Each potential position has a 12-month tenor and is sized to represent approximately 8% (1/12<sup>th</sup>) of the maximum, hedgeable exposure so if all twelve hedge positions are “put on”, a 100% hedge ratio would be reached. Conversely, as the USD weakens, any loss-making, open hedge positions are automatically closed, causing the hedge ratio to fall. Within each currency pair, each position’s maturity date is staggered to be one month apart so timing of cash settlement is not concentrated around any one particular date, but is spread out over the following year.</p> <p style="text-align: center;"><u>Discretionary Risk Management Oversight</u></p> <p>Portfolio managers exercise daily oversight of the core systematic process and only intervene as necessary. The discretionary risk management oversight process takes into account of the current portfolio positioning, the prevailing market environment, macroeconomic inputs, and any known events, including binary events that impact currencies. Examples of discretionary interventions may include adjustment of the gaps between protection levels (to adjust the program’s responsiveness to changes in exchange rates and to control trading costs), reducing the value-at-risk within the program by closing deep-in-the-money (or the most profitable) hedges before their expiration dates and resetting the protection levels, and suspending or limiting trading if necessary.</p>
13) Strategy Fees	<p style="text-align: center;"><u>Standard Management Fee Schedule</u>  First \$500 million: 20bps per annum  Next \$1500 million: 15bps per annum</p> <p>The firm offered discounted management fees for the first year at a flat rate of 10bps per annum, and also offered the discounted fee schedule below following first year.</p> <p style="text-align: center;"><u>Management Fee Schedule</u>  First \$100 million: 20bps per annum  Above \$100 million: 15bps per annum</p>
14) Annual Turnover	Annual turnover is expected to be 6-8x per annum of the total notional exposure (underlying equity portfolio being hedged dynamically).
15) List of Investment Instruments Used	The dynamic hedging mandate will utilize over-the-counter foreign exchange forward contracts, due to their flexibility (size, tenor and maturity date), liquidity and low cost of trading, and over-the-counter foreign exchange spot contracts.
16) Derivatives Usage	Derivatives will be utilized as over-the-counter foreign exchange forward contracts are a type of derivative.
17) Leverage	<p>The program will not use traditional leverage (direct borrowing). However, there is inherent, economic leverage due to the use of foreign currency forwards (type of derivative) in the program. Margin is also not required in the trading of foreign currency forwards for this program.</p> <p>The net currency position for each currency exposure in the underlying equity portfolio will only ever be kept the same or decreased by the dynamic currency hedge</p>

	<p>program's currency positions. Exposures will be monitored and adjusted periodically to be in line with the underlying equity portfolio.</p>
18) Liquidity	<p>The foreign exchange market is the most liquid financial market in the world so liquidity is less of a concern when compared to other markets. The trading team maintains strong relationships with counterparty banks and has access to both electronic trading platforms and voice trading to source liquidity.</p>
19) Performance Expectations	<p>The primary objective of the dynamic currency hedge mandate is to hedge currency risk while limiting negative cash flows. Expected excess return relative to a 50% fixed hedge benchmark is 0.50% per annum over a full currency cycle.</p>
20) Risk management process	<p>The first layer of risk control within the dynamic hedging investment process is cash flow control, where open, loss-making hedge positions are closed (up to daily) to respond timely to market movements. Negative cash flows are expected to be capped to less than 4% of the notional program size in a rolling 12-month period.</p> <p>The second layer of risk control is through the portfolio managers' daily discretionary risk management oversight. The primary focus is to manage risk in-line with the client's objectives and prevailing or anticipated market conditions. One way risk is viewed is in terms of the value at risk of currently open positions, and the team may make discretionary decision to close certain profitable hedge positions to lock-in gains while reducing the size of the overall hedge exposure "put on". This is one example of the discretionary risk management oversight intervention.</p> <p>During account set-up/onboarding process, the Portfolio Implementation team codes client account parameters (based on client-specific investment guidelines) into the trading system after approval by the Investment Committee. The Front Office Risk Management Team verifies program parameters are set-up in-line with client's investment guidelines (pre-trade check), and also performs post-trade checks on a daily process. The Front Office Risk Management Team operates independently from the investment and operational teams.</p> <p>The firm has a Credit Risk Policy in place, which provides framework for identifying, measuring, monitoring and mitigating/limiting counterparty risks. The Trading team monitors counterparties on a daily basis, including but not limited to credit ratings, credit default prices, and any client-specific exposure limits to counterparties. The firm has ISDA Master Agreements in place with over 25 counterparty banks, and trades may only be executed with pre-approved counterparties for that client, as coded in the trading system. For SamCERA's account, we intend to specify a minimum credit rating for counterparty banks (e.g. "A+" from S&amp;P or "A1" from Moody's) within the investment guidelines.</p> <p>Settlement risk is further mitigated through same-day matching of trade confirmations, where any discrepancies are promptly investigated and resolved, and the use of CLS Bank (Continuous Linked Settlement), which allows same time settlement between parties on settlement date for both currencies in the pair.</p>

21) Strategy Assets	As of June 30, 2022, Record managed \$13.3 billion in dynamic currency hedge mandates for institutional clients with \$9 billion managed for public pension fund clients.
22) Clients in Strategy	Record managed \$9 billion in dynamic currency hedge mandates for public pension fund clients.
23) Key Advantages	<p style="text-align: center;"><b>Experience and Team</b></p> <p>Record has over 40 years of strategy experience in providing currency hedging solutions and a wide breadth and depth of experience. The proposed dedicated team of portfolio managers to oversee this mandate are also senior members of the Investment Management Group and have long years of experience as well as long tenure with the firm.</p> <p style="text-align: center;"><b>Business Infrastructure</b></p> <p>The firm’s infrastructure has been built around flexibility to tailor to each client’s mandate and requirements. The Record Overlay Management System (ROMP) has been designed and developed in-house over the past 20 years specifically for managing currency investment programs. In addition to ROMP, the firm also has a number of other bespoke, internally developed applications to help automate the process of capturing and processing clients’ currency exposure data, rebalancing the program, and systematically prompting the required trades for execution by the Trading Team. Trades are automatically prompted through the system and only require traders to input certain fields while all other trade details (e.g. size, direction, maturity date) are determined by the system to streamline process. Each step of the process requires independent verification and approval to ensure data integrity and accuracy.</p> <p style="text-align: center;"><b>Independence</b></p> <p>The firm has no affiliation with any broker dealer or counterparty bank. The firm’s revenue is derived solely from client management fees charged, and the firm acts only as agent on all FX trades to seek best execution in a fiduciary capacity.</p>
24) Perceived Risks	<p style="text-align: center;"><b>Hedging currency risk in trendless environment</b></p> <p>Dynamic hedging programs perform best in trending FX markets, but may struggle when there is little to no trending in the market because higher trading costs may potentially be incurred from opening and closing positions multiple times in response to exchange rate movements. In a trendless environment, the program may help control trading costs by adjusting the program parameters to be less responsive to exchange rate movements. Additionally, the trading team has a robust process in place to seek best execution, monitor trading costs and create feedback loop to improve trade execution by sharing performance statistics and ranking results with counterparties (to encourage competitive quotes).</p> <p style="text-align: center;"><b>Counterparty Risk</b></p> <p>There is inherent counterparty risk (default risk in settling obligations) associated with foreign exchange forward contracts because these are over-the-counter derivative instruments that are settled directly between</p>

	<p>counterparties. However, this risk is mitigated through the firm’s policy and processes in place to approve and monitor counterparty banks for trading. See Section 20. Risk Management processes for more details.</p>
25) Sizing	<p>The dynamic currency hedge mandate will have a dynamic currency hedge range of 0-100% so up to 100% of the plan’s developed international equity currency exposure may be hedged. As of November 30, 2022, the approximate size of the developed international equity currency exposure in the international equity portfolio and overlay program is \$750 million.</p>
26) Due Diligence Summary	<p>Due diligence was conducted via a virtual meeting on October 18, 2022. Tom Arnold, Andrey Rummyantsev, and Andrew Bloomfield participated from Record. John Nicolini and Joe Abdou participated from Verus Advisory. Michael Coultrip, Lili Dames and Doris Ng participated from SamCERA.</p> <p>On December 8, 2022, a follow-up, hybrid due diligence meeting was conducted on-site at Record’s Windsor office. Representatives from various departments of Record attended, including management (Leslie Hill), sales (Tom Arnold), compliance (Grady Laurie), investment management group (Andrey Rummyantsev, Dmitri Tikhonov, James Allen), investment research (Andrew Bloomfield), portfolio management group/ implementation (Nicola Budge, Andrew Creed), trading (Nathan Vurgest), operations (Matthew Bushell), front office risk management (Sandeep Prashar), reporting (Jordan Chapman) and systems and technology (Rebecca Venis, Kevin Gallagher). Joe Abdou participated from Verus Advisory. Michael Coultrip and Doris Ng participated from SamCERA. Additional follow-up call was also conducted on December 19, 2022.</p> <p>Reference calls were also conducted with two of Record’s clients currently invested in a dynamic currency hedging program, and there were no issues or concerns.</p>
27) Implementation Vehicle	<p>Separate Account</p>

**Recommendation:**


Staff and Consultant recommend a dynamic currency hedge program with Record that utilizes a dynamic currency hedge ratio range of 0-100% to hedge the plan’s developed international equity currency risk for benefit of the San Mateo County Employees’ Retirement Association portfolio to be placed in the Growth risk category (Public Equity/ International Equity asset class composite).

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

January 24, 2023

Agenda Item 7.1

**TO:** Board of Retirement

**FROM:** Scott Hood, Chief Executive Officer 

**SUBJECT:** Presentation and Discussion on the Strategic Plan Survey Results

**Recommendation**

Discuss the Strategic Plan Survey Results.

**Background**

After the Board's December 2022 meeting, Board members completed a Strategic Plan Survey. The results have been compiled and will be presented at this meeting. Based on the survey results and subsequent discussion, staff will provide recommendations on updates to the Board's strategic plan at the Board's February 2023 meeting.

**Discussion**

At today's meeting, Mike Letcher, President and CEO of BridgeGroup, will provide a brief presentation on results of the Strategic Plan Survey. In addition, I will also provide an update on the next steps of the process.

**Attachments**

Board Strategic Plan Survey Results Presentation  
Proposed Board Strategic Plan Modification Recommendations Presentation



# Strategic Plan Update- Board Survey Results



*"Help is on the way"*

**BridgeGroup LLC**

Management Consultants



Discuss  
Survey  
Results  
and Clarify  
Any  
Questions  
on Results

Date	Component	Phase
Tuesday, January 24, 2023	Review Survey results with Board at Board meeting via Zoom and facilitate discussion.	3
Tuesday, February 28, 2023	Develop draft Strategic Plan in advance of 2/28 Board Meeting and review with Board at 2/28 Meeting. Introduction to applicable metrics and facilitate discussion.	4
Tuesday, March 28, 2023	Develop draft Strategic Plan, including metrics for review and approval by Chief Executive Officer and presentation to the Board at its 3/28 Board Meeting	5
Tuesday, April 25, 2023	If necessary, assist Management with preparation of Strategic Plan update for Final Board Approval at 4/25 Board Meeting	

# Timeline

# Board Survey Results

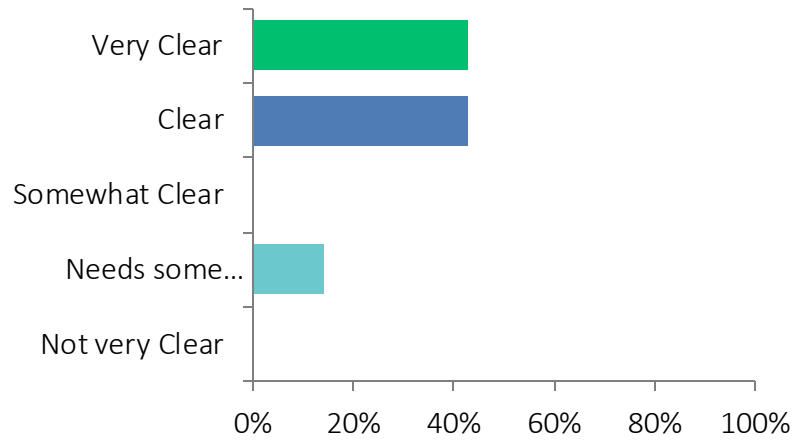


Clarity of Current Plan  
Vision and Mission Statements  
Strategic Goals  
Focus Priorities

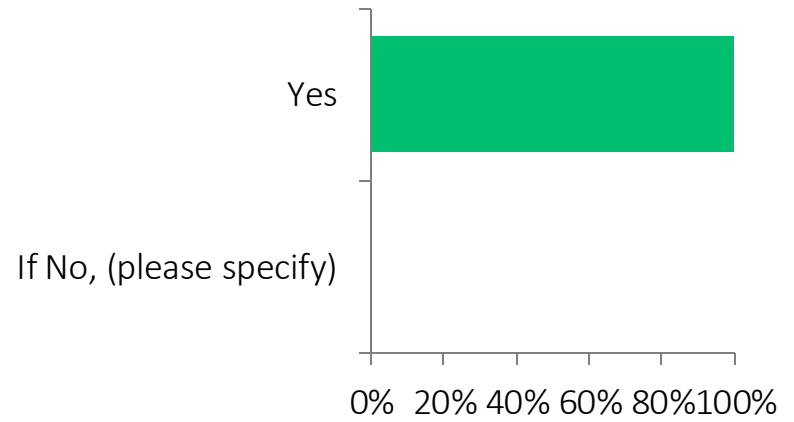


Survey Results Show  
We Are on Target

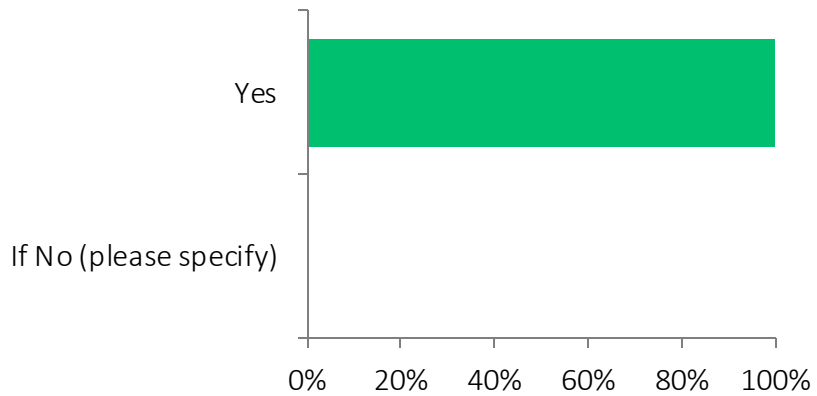
Please rate the clarity of SamCERA's current strategic plan.



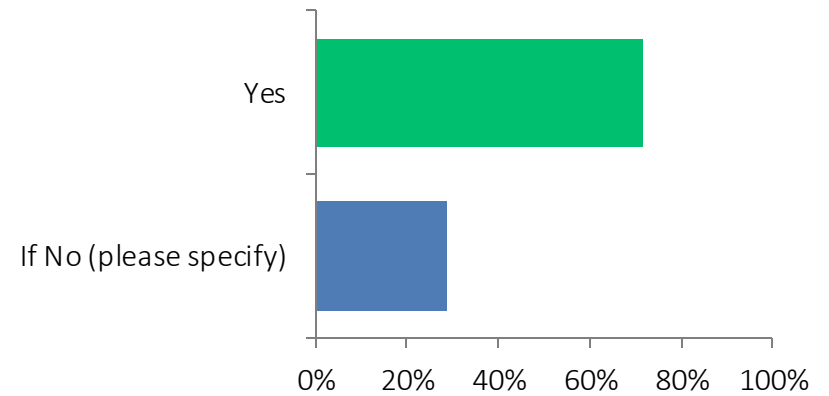
Do you agree with the current vision for SamCERA?



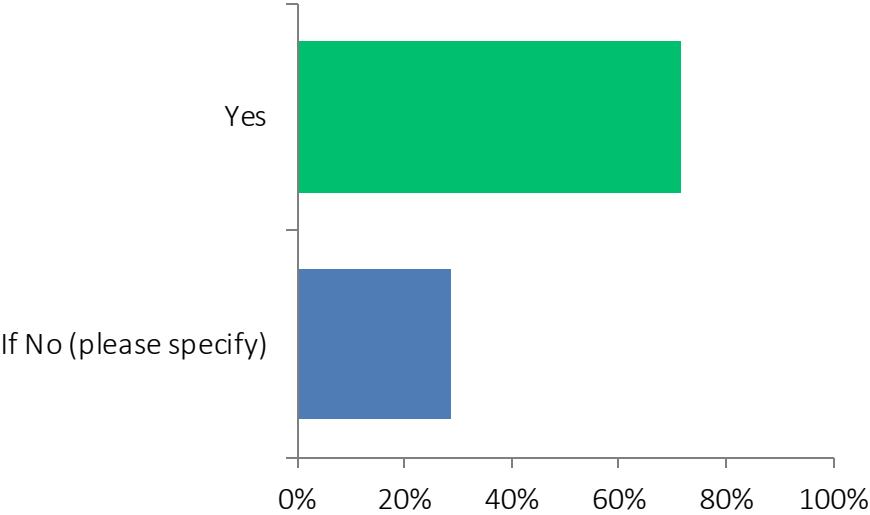
Do you agree with the current mission for SamCERA?



Do you agree with continuing these strategic Focus Priorities?



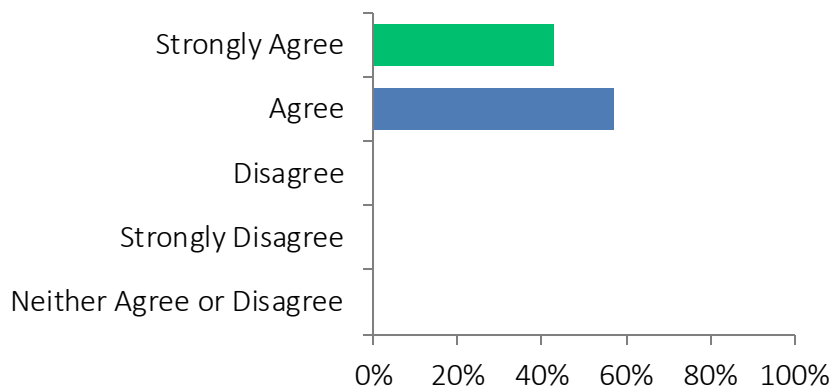
Do you agree with the continuing the current focus priorities?



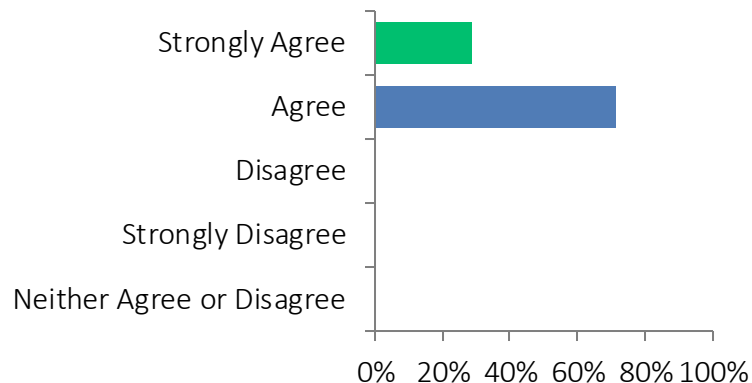


Survey Results Show We Going In The Right  
Direction on Our Priorities

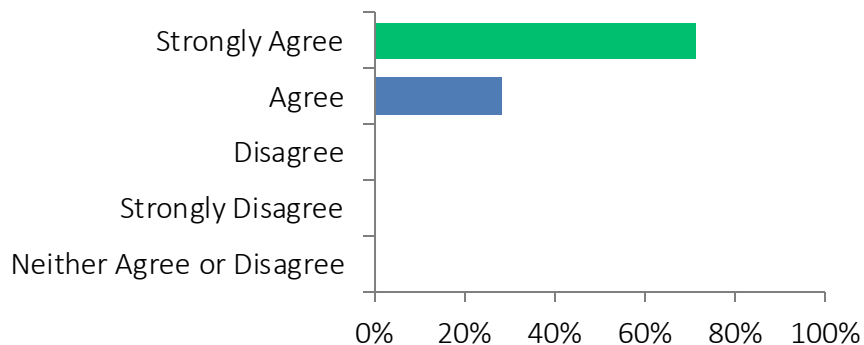
SamCERA should be in the business of maximizing investment returns subject to appropriate levels of risk



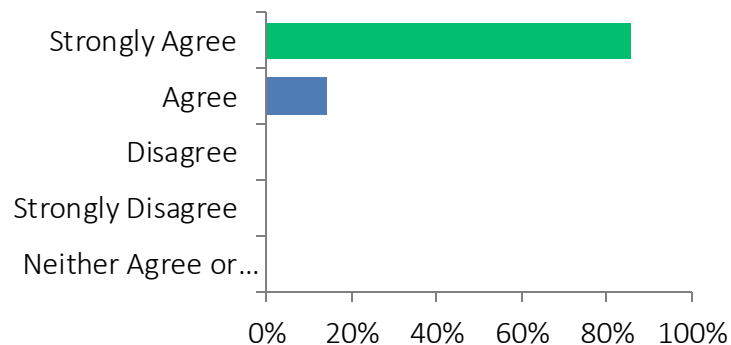
SamCERA should be in the business of "Cost-effective delivery of promised benefits to beneficiaries."



SamCERA should be in the business of "Supporting the long-term sustainability of promised benefits by exercising discretion over, or influencing, the key drivers of the pension plan

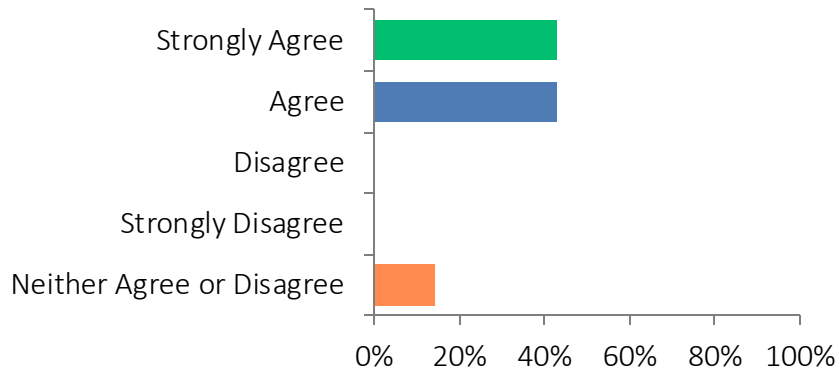


SamCERA should be in the business of "Providing members and beneficiaries with information and education about their promised benefits."

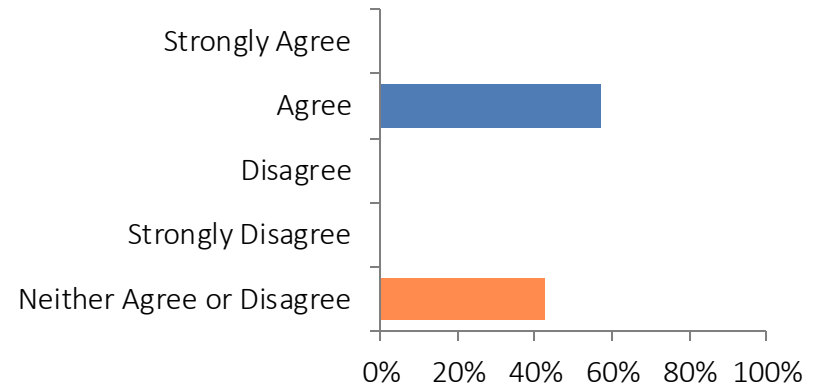




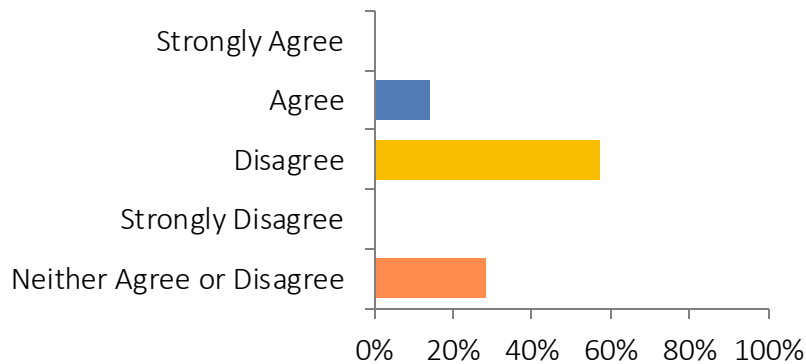
SamCERA should be in the business of "Focusing on strategic risk management"



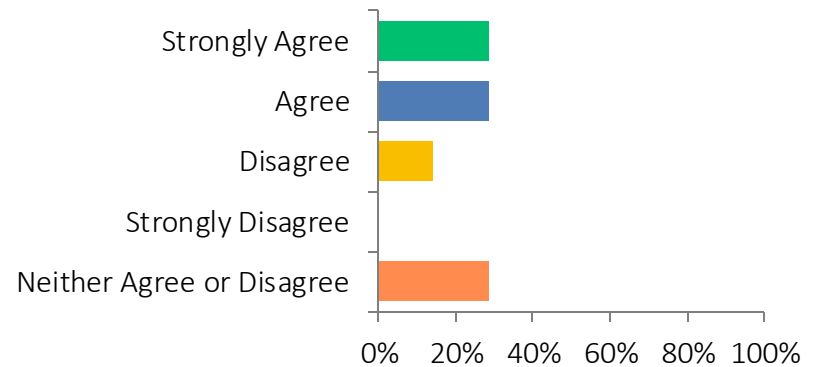
SamCERA should be in the business of "Helping members and beneficiaries prepare for life after retirement including promoting wellness and healthy lifestyles"



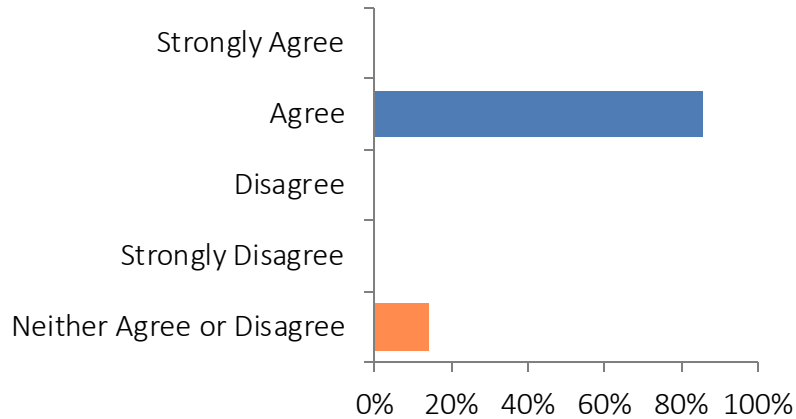
SamCERA should be in the business of "Financial planning assistance to members in regards to all their financial assets"



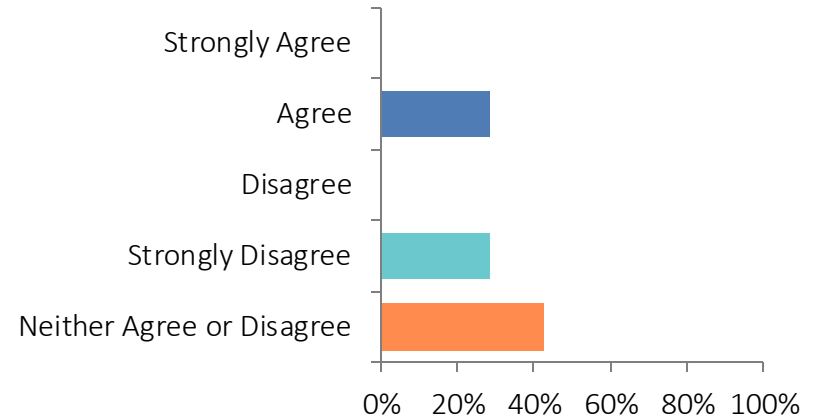
SamCERA should be in the business of "Proactively providing objective data and analysis to employers to support benefit/funding policy decisions"



SamCERA should be in the business of "Being available (i.e. on a passive basis) to provide objective data and analysis to employers to support benefit/funding policy decisions."



SamCERA should be in the business of "Making a positive impact in regards to social, ethical, environmental or related matters."





Survey Results  
Show  
Manageable  
Issues/Concerns

# Survey Responses: Strategic Issues

## **Member Services**

Reduce processing time for disability applications

Maintain high level of service

## **Funding**

Impact of higher inflation

Having enough liquidity for increased # retirements

Funding level after a sustained market downturn

## **Investments**

Finding opportunities in a down market

## **Operations**

Invite leadership to identify concerns and strategies

Hire medical advisor (from HR)

Increase training of IT staff

## **Risk Management**

Key person risk

# Survey Responses: Strategic Issues, cont

## Stakeholder Relations

None

## Human Resources

Succession planning

Key person risk- (long commutes)

## Cybersecurity

Responding to attacks

Protecting/preventing exposure of members' data/PII

Explore/Expand Strengthening Cybersecurity

## Business Continuity

Emergency access to (our) data/systems

Internal succession plan

## Other Concerns

Conduct consultant RFP, too many managers

# Questions 26-29



Survey  
Responses:  
What  
Should We  
Start  
Doing?

Let employees link their SamCERA  
account to Empower

Be part of onboarding new employees

Share summaries of customer service  
surveys

# Survey Responses: External Threats

Extended periods of investment underperformance

Current economy challenges

Inflation, economic downturn, cyberhack of the system

Employees leaving for better opportunities, geo and local politics, climate change

Market risk unknowns

Ability to recover from severe downturn is harder now



# Survey Responses: What We Do Well

Customer service, risk adjusted performance

Education, investments, transparency

Cybersecurity, employee communications and positive interactions with professional consultants

Collaborative and communicative culture

Customer service, efforts to improve funding

Excellent service to benefactors, movement of the plan to succeed in down market

Manage funds and customer service

Survey  
Responses:  
Board  
Increase  
Focus

Risk of returning to higher inflation period, risk of employer having future budget deficits

Disability processing timeline

Investment program complexity and balance risk/return, talent management

Preparing for periods where contributions do not meet outflow requirements

Finding opportunities in the emerging chaos



# Strategic Plan Update- Potential Modifications



# Vision

Current: To be a sustainable public retirement system through consistent prudent investment and efficient administration of benefits.

**Suggested:** To be a **sound** and sustainable public...

Or

To be a **well-governed and financially sound** public retirement system through **effective management and prudent investment**.

# Mission

Current: SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system.

No Changes Suggested

# Goals

## Current:

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.

## Suggested:

Provide high quality services and information to members and other stakeholders.

Manage assets prudently and cost-effectively to assure the retirement system is adequately funded and all earned benefits are paid timely.

Improve operating efficiency and effectiveness to minimize cost.

# Focus Priority 1

Current:

Balance complexity of the investment program with the expected returns and risks inherent from more traditional stocks and bonds.

**Suggested:**

Manage the complexities of the investment program by balancing liabilities against expected returns and inherent market risks.



# Focus Priority 2

## Current:

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.)

## **Suggested:**

Prepare for and effectively navigate through periods when outflows exceed contributions.

# Focus Priority 3

Current:

Enhance risk management of the investment program, data security and recovery capabilities, and financial accounting.

**Suggested:**

No changes suggested

# Focus Priority 4

## Current:

Ensure successful recruitment and retention of SamCERA staff and obtain optimal lease for office space in current economic environment.

## Suggested:

Intensify efforts to conduct successful recruitments and retain staff. Research and negotiate an optimal lease for office space in the current economic environment.

# Focus Priority 5

Current:

Continue to evolve the Board's governance model.

**Suggested :**

Strengthen and improve the Board governance model to ensure continued positive development.

# Next Steps

Consider modifications to vision statement and goals

Ensure focus priorities address issues identified in the survey and Verus-Trustee risk interviews

Staff to address issues at staff planning retreat and incorporate into a supporting action plan

Date	Component	Phase
Tuesday, January 24, 2023	Review Survey results with Board at Board meeting via Zoom and facilitate discussion.	3
Tuesday, February 28, 2023	Develop draft Strategic Plan in advance of 2/28 Board Meeting and review with Board at 2/28 Meeting. Introduction to applicable metrics and facilitate discussion.	4
Tuesday, March 28, 2023	Develop draft Strategic Plan, including metrics for review and approval by Chief Executive Officer and presentation to the Board at its 3/28 Board Meeting	5
Tuesday, April 25, 2023	If necessary, assist Management with preparation of Strategic Plan update for Final Board Approval at 4/25 Board Meeting	

# Timeline

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

January 24, 2023

Agenda Item 7.2

**TO:** Board of Retirement  
**FROM:** Scott Hood, Chief Executive Officer  
**SUBJECT:** 2023 Board-Staff Retreat Topics



**Recommendation**

Provide direction for staff regarding the topics and schedule for the March 28, 2023, Board-Staff Retreat.

**Background**

The annual Board-Staff retreat is scheduled for March 28, 2023. The Board assists on setting the topics to be addressed at the retreat and provides input regarding the proposed presenters. This agenda item gives trustees its first opportunity to discuss retreat topics. We will bring this item back to the Board again prior to finalizing the agenda.

**Discussion**

Since March of 2020, SamCERA's meetings have been held via Zoom. We anticipate that the March meeting and retreat will be held in person. The Board already approved a start time of 8:30 a.m. for March 28th and we are proposing this one-day retreat to occur in addition and after the regular Board meeting. The retreat portion will have 4 major topics, which will be decided by the Board. There will be an opportunity between topics for discussion.

Some suggested topics are included in the following list:

- High level-look at the economy
- Deep Dive into the portfolio
- Discussion on the debt limit and default and the impacts to the economy
- Discussion of the impacts of a paradigm shift to sustained higher inflation
- If economic trends /strategies that were tailwinds become headwinds for our portfolio going forward
- Further Discussion of Funding Options