



# Notice of Public Meeting

## The Board of Retirement

of the San Mateo County Employees' Retirement Association will meet on

**Tuesday, March 26, 2024, at 8:30 A.M.**

**PUBLIC SESSION** – The Board will meet in Public Session at 8:30 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
- 2.3 Retreat Presentations and Discussions (See attached agenda; commences after item 9)

**3. Approval of the Minutes**

- 3.1 Approval of Board Meeting Minutes from February 27, 2024

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

- |                             |   |
|-----------------------------|---|
| 4.1 Disability Retirements  | 4.7 Member Account Rollovers                      |
| • None                      | 4.8 Member Account Redeposits                     |
| 4.2 Survivor Death Benefits | 4.9 Report of Trustee Education Received          |
| 4.3 Service Retirements     | 4.10 Report on Prepayment of County Contributions |
| 4.4 Continuances            | 4.11 Approval of Resolution Amending SamCERAs     |
| 4.5 Deferred Retirements    | Investment Policy Statement                       |
| 4.6 Member Account Refunds  |   |

**5. Benefit & Actuarial Services**

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

**6. Investment Services**

- 6.1 Preliminary Monthly Portfolio Performance Report for the Period Ended February 29, 2024

**7. Board & Management Support**

No Items

**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

# Notice of Public Meeting

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

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

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

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

Bolivar, Sybil	December 31, 2023	Information Services
Taylor, George R	January 27, 2024	Courts
Evans, Beverley	February 14, 2024	Revenue Services
Gonzalez, Michelle	February 16, 2024	Courts
Davenport, Gussie	February 18, 2024	General Services
Parra, Victoria	February 24, 2024	San Mateo County Health
Alzugaray, Pilar	February 27, 2024	Human Services
Beukers, Margaret	February 28, 2024	Mental Health
Duffy, Perry	March 2, 2024	Sheriff's
Murray, Martin	March 4, 2024	District Attorney's Office
Nicewonger, Richard	March 15, 2024	Assessor's

Scott Hood, Chief Executive Officer

Posted: March 20, 2024

(\* 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 REGULAR AGENDA MAY BE TRANSFERRED TO THE CONSENT 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 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.



# Board/staff retreat

MARCH 26, 2024

# DRAFT BOARD/STAFF RETREAT AGENDA



- 8:30 a.m. Beginning of Regular Board Meeting Agenda
- 8:45 a.m. Economic Outlook  
Ian Toner, Chief Investment Officer, Verus
- 9:45 a.m. Break
- 10:00 a.m. Energy Security  
Wil VanLoh, Founder and CEO, Quantum Capital Group
- 11:30 a.m. Working Lunch and Ethics Instruction  
Paul Okada, Chief Legal Counsel
- 12:30 p.m. Break
- 12:45 p.m. Why We Invest in International Equities  
Jeff MacLean, Chief Executive Officer, Verus
- 1:45 p.m. Break
- 2:00 p.m. Cybersecurity  
Jimmy Hassani, SSA Sacramento Field Office, FBI

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
FEBRUARY 27, 2024 – REGULAR BOARD MEETING MINUTES**

**2402.1 Call to Order, Roll Call and Miscellaneous Business**

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

**Roll Call:**

Present: Sandie Arnott (arrived at 10:10 a.m.), Mark Battey, Al David, Kurt Hoefer, Kimathi Marangu, Katherine O'Malley, Robert Raw, and Alma Salas.

Absent: Nicole McKay and Elaine Orr.

Alternates: April DeCarsky.

Staff: Michael Coultrip, Lili Dames, Scott Hood, Jenny Lukan, JulieAnne Nagal, Elizabeth LeNguyen, Doris Ng, Paul Okada, and Gladys Smith.

Consultants: Joe Abdou, Kin Lam, and John Nicolini (Verus).

**2402.2.1 Oral Communications from the Board:** None.

**2402.2.2 Oral Communications from the Public:** None.

**2402.3.1 Approval of Board Meeting Minutes from January 23, 2024:** Mr. Battey asked if there were any changes or corrections, or objections, to the minutes from the regular meeting held on January 23, 2024. There were no changes, corrections, or objections presented.

**Action:** Ms. Salas moved to approve the minutes from the January 23, 2024 regular Board meeting. The motion was seconded by Mr. David and carried with a vote of 7-0, with trustees Battey, David, Hoefer, Marangu, O'Malley, Raw, and Salas all in favor; none abstained; none opposed.

**2421.4.0 Approval of the Consent Agenda:** Mr. Battey asked if there were any items to be removed for discussion from the Consent Agenda. Scott Grosso's disability application was removed from Item 4.1.

**Action:** Mr. Raw moved to approve the remaining items on the Consent Agenda. The motion was seconded by Mr. David and carried with a vote of 7-0, with trustees Battey, David, Hoefer, Marangu, O'Malley, Raw, and Salas all in favor; none opposed.

**2402.4.1 Disability Retirements:**

- a) The Board found that **Marvin Aison** (1) is permanently incapacitated from the performance of his usual and customary duties as a Benefits Analyst II, (2) found that his disability was the result of an injury arising out of and in the course of his employment and (3) granted his application for a service-connected disability retirement.
- b) The Board found that **Zack Azzari** (1) is permanently incapacitated from the performance of his usual and customary duties as a Senior Civil Engineer, (2) found that his disability was the result of an injury arising out of and in the course of his employment and (3) granted his application for a service-connected disability retirement.
- c) The Board found that **Lorelei Bresler** (1) is permanently incapacitated from the performance of her usual and customary duties as a Community Program 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.

- d) See item C1.
- e) The Board found that **James Scott Johnson** (1) is permanently incapacitated from the performance of his usual and customary duties as a Human Resources Manager III/Deputy Director, (2) found that his disability was the result of an injury arising out of and in the course of his employment and (3) granted his application for a service-connected disability retirement.
- f) The Board found that **Rachel Ridon** (1) is able to substantially perform her usual and customary duties as an Investment Services Specialist II and (2) denied her application for a service-connected disability retirement.

2402.4.2 **Survivor Death Benefits:** None.

2402.4.3 **Service Retirements:**

<b>Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
DeSmidt, Kristi	January 1, 2024	Def'd - San Mateo County Health
Hennes, Suzanne	December 30, 2023	Human Services Agency
Leone, Jason	December 24, 2023	Sheriff's Office
Marte, Nancy	December 30, 2023	Deferred - Sheriff's Office
Norris, Jeffrey	December 22, 2023	Emergency Management
Ortiz, Bernadette	December 30, 2023	Behavioral Health
Pena, Jose M	December 30, 2023	Def'd - San Mateo County Health
Rosado, Clara	December 30, 2023	Assessor's Office
Schaefer, Vicki	December 30, 2023	Deferred - Public Health
Tolmasoff, Juda	December 30, 2023	County Executive's Office
Wong, Connie	December 30, 2023	Deferred - Public Works
Yu, Jaslin	December 30, 2023	Deferred - Public Health

2402.4.4 **Continuances:**

<b>Survivor's Name</b>	<b>Beneficiary of:</b>
Bresler, Lucy	Bresler, Roland
Harris, Helen	Harris, Melvin
Horsley, Elaine	Horsley, Donald
Shockley, Richard	Shockley, Nancy
Smathers, Ronald	Smathers, Helen

2402.4.5 **Deferred Retirements:**

<b>Name</b>	<b>Retirement Plan Type</b>
Banning, Monica	G7, Vested Auto Defer – Code 31700
Beheshti, Kimberly	G7, Vested Auto Defer – Code 31700
Cheng, Chelsi	G5, Vested Auto Defer – Code 31700
Demasi, Amy	G4, Vested
Dughman, Cheryl	G7, Vested Auto Defer – Code 31700
Lee, Chee	G7, Vested
Mason, Katelyn	G7, Vested
Pineda, Rosalba	G7, Vested-Reciprocity

2402.4.6 **Member Account Refunds:**

<b>Name</b>	<b>Retirement Plan Type</b>
Henderson, Jasmine	G4, Vested
Hernandez, Araceli	G7, Vested
Vargo, Veronica	G7, Non-vested
Ward, Felicia	G7, Non-vested

2402.4.7 **Member Account Rollovers:**

<b>Name</b>	<b>Retirement Plan Type</b>
Diaz, Maria Violeta	G5, Vested
Hernandez, Araceli	G7, Vested
Purcell, Jennifer	G7, Non-vested
Shrum, Linda	G4, Non-vested

2402.4.8 **Member Account Redeposits:** None.

2402.4.9 **Acceptance of Trustees' Reports of Educational Activities:** None.

2402.4.10 **Acceptance of Semi-Annual Compliance Certification Statements for the Period Ended December 31, 2023:** The Board accepted the semi-annual Compliance Certification Statements for SamCERA's non-alternative investment managers, as of December 31, 2023.

2402.4.11 **Acceptance of Preliminary Semi-Annual Financial Report for Period Ended December 31, 2023 Financials:** The Board accepted the Preliminary Semi-Annual Financial Report for the Six-Months Ended December 31, 2023.

2402.4.12 **Acceptance of Preliminary Semi-Annual Budget Report for Period Ended December 31, 2023:** The Board accepted the Preliminary Semi-Annual Budget-to-Actual Report for the Six-Months Ended December 31, 2023.

2402.5.1 **Consideration of Agenda Items, if any, removed from the Consent Agenda:** See Closed Session report under C1.

2402.5.2 **Presentation of the Funding Dashboard:** Mr. Hood reported on the Quarterly Funding Progress Dashboard for the Period Ended December 31, 2023, which showed projected funded status and employer contribution rate. This item was informational and for discussion only, no action was taken.

2402.6.1 **Report on Preliminary Monthly Portfolio Performance for the Period Ended January 31, 2024:** Mr. Coultrip reported that SamCERA's net preliminary return for January was -0.3%, bringing the preliminary trailing twelve-month net return ending January 2024 to 5.7%, which is below both our benchmark return of 7.0% and our assumed earnings rate of 6.25%. SamCERA's estimated market value as of January was \$6.26 billion, while the actuarial funded ratio as of June 30, 2023 was 88.3%.

2402.6.2 **Report on Quarterly Investment Performance for the Period Ended December 31, 2023:** Mr. Coultrip reported that the 4th quarter net total return for the SamCERA portfolio was 5.5%, which matched the policy benchmark return. Joe Abdou, Kin Lam, and John Nicolini from Verus presented the Verus Quarterly Performance Report Ending 12/31/23 to the Board. This item was informational and for discussion only, no action was taken.



- 2402.6.3 **Approval of Annual Asset Allocation Review Process:** Mr. Coultrip reviewed staff's proposed changes to the annual asset allocation process, which is consistent with the current Investment Policy Statement limits. Mr. Battey asked for a motion to approve the proposed updated asset allocation review process.
- Action:** Mr. David moved to approve the proposed asset allocation review process. The motion was seconded by Ms. Arnott and carried with a vote 8-0, with trustees Arnott, Battey, David, Hoefer, Marangu, O'Malley, Raw, and Salas all in favor; none opposed.
- 2402.6.4 **Approval of Resolution Amending SamCERA's Investment Policy Statement:** The Board discussed the proposed amendments to the Investment Policy Statement. This item was moved to the March Board Meeting Consent Agenda.
- 2402.6.5 **Approval of Proposed Alternative Investments (to be heard in Closed Session, Confidential Under Gov. Code §54956.81 and §7928.710, see item C2):** This item was heard in Closed Session at 11:25 a.m. and Open Session was reconvened at 11:53 a.m. See Closed Session report under C2.
- 2402.7.1 **Report on March 26, 2024 Board-Staff Retreat Planning:** Mr. Hood reported on a change in title for one of the topics on the agenda for the March 25, 2024 Board-Staff Retreat. This item was informational and for discussion only, no action was taken.
- 2402.8.1 **Chief Executive Officer's Report:** Mr. Hood reported on a virtual Investment Meeting held on February 7, 2024, in accordance with Board Resolution 2023-11. Attendees to the meeting included Mr. Hood, Mr. Battey, Mr. Raw, Mr. Nicolini and Mr. Foppiano (Verus), Mr. Coultrip, Mr. Okada, Ms. Dames, and Ms. Ng. Mr. Hood reported that the topic of discussion was a potential private real asset opportunity. Following the meeting SamCERA made a \$25 million capital commitment to Tiger Infrastructure IV LP as part of SamCERA's value add infrastructure portfolio within private real asset under the inflation hedge category. Mr. Hood informed the Board that SamCERA is planning for its next staff retreat at the end of April. Mr. Hood also informed the Board that for the March Board Retreat, the meeting will start at 8:30 am. and anticipates a 15–20-minute regular Board meeting which will be followed by the retreat. Mr. Hood reported that the upcoming weekend was the CALAPRS General Assembly and he, Mr. Okada, Mr. Coultrip, and Mr. Raw will be in attendance. Lastly, Mr. Hood reported to the Board that it is Form 700 season.
- 2402.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported that SamCERA is currently reviewing Actuarial RFPs as well as filling out the application for the Fiduciary Liability Renewal. An email will be sent out regarding the \$25 non-recourse check. Ms. Lukan reminded the Board of upcoming education opportunities including CALAPRS Advanced Principles of Pension Governance for Trustees in March, Pension Bridge in April, and SACRS Spring Conference and NCPERS both in May, and she will send an email with the information.
- 2402.8.3 **Chief Investment Officer's Report:** Mr. Coultrip informed the Board of upcoming Manager Reviews on March 7, 2024, with Parametric and Record Currency Management. Mr. Coultrip also reported that SamCERA has received two responses to the Custodial RFP and presentations have been scheduled. Mr. Coultrip informed the Board that they have performed two rebalancing activities. Lastly, Mr. Coultrip informed the Board that Ms. Ng will be sending an email with an update regarding regional bank exposure.
- 2402.8.4 **Chief Legal Counsel's Report:** Mr. Okada reported that that Form 700s are due April 2, 2024 and an email reminder should be sent out.



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

The Board met in Closed Session at 10:02 a.m. regarding the service-connected disability retirement application of Scott Grosso. The member's legal counsel, Alexander Hansen, appeared in person on the member's behalf. The member was not present.

The member's legal counsel presented arguments for the rejection of staff's recommendation which was followed by questions from the Board, and Board discussion. Board member Arnott joined the Closed Session at 10:10 a.m. Following discussion, there was a motion and a second to accept staff's recommendation to refer this matter to a hearing officer for proposed findings and recommendations. The motion was approved by a vote of 7-0-1:

Ayes: Battey, David, Hoefer, Marangu, O'Malley, Raw, and Salas  
Nos: None  
Abstain: Arnott  
Absent: Orr  
Motion carried 7-0-1

There were no other disability retirement matters heard in Closed Session and the Board reconvened to Open Session at 10:13 a.m.

**C2**

**Approval of Proposed Alternative Investment (Confidential Under Gov. Code §54956.81 and §7928.710 – see also item 6.5):**

The Board met in Closed Session for the approval of proposed alternative investments:

Regarding commitment of \$45 million to Comvest Credit Partners VII, L.P., as part of SamCERA's Private Credit portfolio within under the Growth category, there was a motion and second to approve such commitment.

Ayes: Arnott, Battey, David, Hoefer, Marangu, O'Malley, Raw, and Salas  
Nos: None  
Abstain: None  
Absent: Orr  
Motion carried 8-0-0

Regarding a commitment of \$28 million to Peak Rock Capital Fund IV, L.P. as part of SamCERA's buyout portfolio within Private Equity under the Growth category, there was a motion and second to approve such commitment.

Ayes: Arnott, Battey, David, Hoefer, Marangu, O'Malley, Raw, and Salas  
Nos: None  
Abstain: None  
Absent: Orr  
Motion carried 8-0-0

No other matters were heard in Closed Session.

**2402.9.0 Reports on Actions Taken in Closed Session:** Mr. Okada reported on Items C1 and C2 above. There were no additional closed session items.

2402.10 **Adjournment:** Mr. Battey adjourned the meeting at 12:06 p.m. in memory of the deceased members listed below.

Stanton, Patricia	January 1, 2024	Human Services
Barriga, Batseba	January 2, 2024	San Mateo County Health
Landon, S Jeanene	January 7, 2024	Mental Health
Gill, Roberta	January 8, 2024	Health & Welfare
Wong-Bond, Meiling	January 15, 2024	Sheriff's Office
Maniscalco, Virginia	January 19, 2024	Human Services
Love, Corinne	January 23, 2024	Assessor's Office
Searson, Madelin	January 25, 2024	Hospital
Arredondo, Alicia	January 26, 2024	Sheriff's Office
Horan, Bruce	January 30, 2024	Sheriff's Office
Preisser, Jonelle	January 30, 2024	Treasurer's Office
Arao, Mary	February 1, 2024	Controller's Office
Evans, Lori	February 1, 2024	Medical Center
Darby, John	February 3, 2024	Behavioral Health
Alejo, Mary Ann	February 4, 2024	Controller's Office
Razak, Margaret	February 5, 2024	Sheriff's Office
Galvan, Ricarda	February 12, 2024	Courts

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Mark Battey  
Chair

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

March 26, 2024

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**

None.

**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>
Allington, Linda	January 3, 2024	Emergency Medical Services
Aozasa, Lisa	January 6, 2024	Planning & Building
Arredondo, Alicia	January 22, 2023	Sheriff's Office
Bush, Judith	February 1, 2024	Assessor Clerk Recorder Elections
Criado, Joseph	January 27, 2024	Sheriff's Office
Davis, Margarie	January 20, 2024	Mental Health
Duerre, Kevin	February 1, 2024	Courts
Hernandez, Ana	January 27, 2024	San Mateo County Health
Hurst, Kim	January 3, 2024	County Executive's Office
Hurtado, Yolanda	January 2, 2024	Def'd - San Mateo County Health
Ieong, Tak	January 25, 2024	Courts
MacAskill Johnson, Bonnie	January 20, 2024	Probation
Merlo, Kathleen	January 30, 2024	Human Services Agency
Murphy, Brett	January 7, 2024	Sheriff's Office
Oropeza, Guadalupe	January 6, 2024	District Attorney's Office
Padilla, Joseph F	January 20, 2024	Aging & Adult Services

Pena, Aurora	February 1, 2024	Behavioral Health
Pena, Tiare	January 6, 2024	Planning & Building
Reed, Mark	January 20, 2024	Aging & Adult Services
Strother, Debra	January 20, 2024	Aging & Adult Services
Yuen, Matthew	January 27, 2024	Courts

#### 4.4 Continuances

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

<b>Survivor's Name</b>	<b>Beneficiary of:</b>
Gutierrez-Gil, Gloria	Dragich, Colleen
Gooden, Katherine	Gooden, Quillie
Harper-Metoyer, Gwendolyn	Metoyer, Charles
Hefler, John W	Gill, Roberta
Mason, Ann	Lynn, Rebecca
Sisk, Judith	Sisk, John
Ybarra, Jose	Arredondo, Alicia

#### 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>
Ballard, Estela	G7, Non-Vested - Reciprocity
Barajas, Alejandro	G4, Vested Auto Defer – Code 31700
Borrell, Claudia	G5, Vested - Reciprocity
Castaneda, James	G4, Vested Auto Defer – Code 31700
Chiang, Yen-Ching	S7, Vested
Deffenderfer, Barbara	G7, Vested - Reciprocity
Dixon Romero, Monica	G7, Vested Auto Defer – Code 31700
Finklang, Julie	G4, Vested - Reciprocity
Gonzalez, Denise	G7, Vested
Hughes, Danella	S7, Vested Auto Defer – Code 31700
Ip, Yuen Ki	G7, Vested - Reciprocity
Kelava, Luca	G7, Vested Auto Defer – Code 31700

Kollings, Yvonne	G5, Vested - Reciprocity
La, Diana	G7, Vested Auto Defer – Code 31700
La, Nguyen	G7, Vested - Reciprocity
McDonald, Eboni	G5, Vested - Reciprocity
Monge, Margaret	G7, Vested Auto Defer – Code 31700
Shannon, Ryan	G4, Vested
Salto, Jose	G7, Non-Vested - Reciprocity
Silva, Jennifer	G4, Vested Auto Defer – Code 31700

#### 4.6 Member Account Refunds

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

Name	Retirement Plan Type
Blacksher, Joe (FBO: The Estate of Joe L Blacksher, Jr)	P4, Vested
Cheng, Rosina	G7, Non-vested
Echano, Calvin Charlemagne	S7, Vested
Gajunia, Florabel	G4, Vested
Tate, Danielle	G7, Non-vested
Vaughn, Dominic	S7, Vested
Wu, Byron	S7, Non-vested

#### 4.7 Member Account Rollovers

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

Name	Retirement Plan Type
Cook, Gesel	G4, Vested
Hsu, Amy	G7, Non-vested

#### 4.8 Member Account Redeposits

None.

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

See attached.

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

March 26, 2024

Agenda Item 4.9

**TO:** Board of Retirement

**FROM:** Jenny Lukan, Retirement Executive Secretary



**SUBJECT:** Trustees' Reports of Educational Activities

**Recommendation**

Accept the following report from Board of Retirement trustees who have recently attended educational events.

**Background**

SamCERA's Education Policy Section 1D states "Prior to the next regularly scheduled meeting of the Board following the Board member's participation in an educational activity, the Board member shall submit for inclusion on the Consent Agenda, a summary written report on the content of educational activities. The report shall substantially reflect the information contained in the attached sample report."

**Discussion**

SamCERA Trustees attended the following educational events and their reports are attached:

IFEBP Advanced Trustees & Administrators Institute, February 11-14, 2024

- Al David

CALAPRS General Assembly, March 2-5, 2024

- Robert Raw

**Attachments**

Trustees' Education Proof of Participation Certificates and Summaries

SamCERA Board of Retirement Trustee Education  
 Proof of Participation Certificate and Summary



<b>Trustee Name</b> Albert David		<b>Date(s) of Event</b> Feb 11 - Feb 14 2024
<b>Education Event Name</b> Trustee & Administrator Institute Level II		
<b>Event Provider</b> IFEPB		
<b>Type of Participation:</b> Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>		<b>Eligible Credit:</b> Total hours for sessions you participated in: <u>19.5</u> (Staff may adjust hours if the provider issues an education certificate that reflects different hours.)

This event satisfies the following requirements of the Board of Retirement's Education Policy and Government Code section 31522.8:

**Topic:** (Check all that apply)

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Fiduciary responsibilities                                 | <input type="checkbox"/> Disability evaluation              |
| <input checked="" type="checkbox"/> Ethics   | <input type="checkbox"/> Fair hearings                      |
| <input type="checkbox"/> Benefits administration   | <input checked="" type="checkbox"/> Pension fund governance |
| <input type="checkbox"/> Actuarial matters   | <input type="checkbox"/> New board member orientation       |
| <input checked="" type="checkbox"/> Pension funding  | <input type="checkbox"/> Other: _____                       |
| <input checked="" type="checkbox"/> Pension fund investments and investment program management |   |

**Summary Report**

What concepts or information did you learn about?

Financial Literacy, DC Plans, Plan Redesign  
staff engagement, SECURE Act 2

Would you recommend this event to other trustees?

- Yes       No       Maybe

You may provide additional comments to SamCERA's CEO.

By signing below, I certify that I participated in the activities described above and am entitled to claim the indicated amount of education credit hour(s).

<b>Trustee Signature</b> (print this form and sign) 	<b>Date</b> Feb 29, 2024
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**NOTE:** Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.



SamCERA Board of Retirement Trustee Education  
 Proof of Participation Certificate and Summary



<b>Trustee Name</b> ROBERT RAW		<b>Date(s) of Event</b> MARCH 3-4, 2024
<b>Education Event Name</b> CALAPRS GENERAL ASSEMBLY 2024		
<b>Event Provider</b> CALIFORNIA ASSOCIATION OF PUBLIC RETIREMENT SYSTEMS		
<b>Type of Participation:</b> Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>	<b>Eligible Credit:</b> Total hours for sessions you participated in: <u>8.50</u> (Staff may adjust hours if the provider issues an education certificate that reflects different hours.)	

This event satisfies the following requirements of the Board of Retirement's Education Policy and Government Code section 31522.8:

**Topic:** (Check all that apply)

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Fiduciary responsibilities                                 | <input type="checkbox"/> Disability evaluation              |
| <input checked="" type="checkbox"/> Ethics   | <input type="checkbox"/> Fair hearings                      |
| <input type="checkbox"/> Benefits administration   | <input checked="" type="checkbox"/> Pension fund governance |
| <input type="checkbox"/> Actuarial matters   | <input type="checkbox"/> New board member orientation       |
| <input checked="" type="checkbox"/> Pension funding  | <input type="checkbox"/> Other: _____                       |
| <input checked="" type="checkbox"/> Pension fund investments and investment program management |   |

**Summary Report**

What concepts or information did you learn about?

ETHICS FOR TRUSTEES (CERTIFICATE PROVIDED), MACHINE LEARNING, EMPLOYER CONTRIBUTION CASE STUDY, GEOPOLITICS AND INVESTING, AND SEC PRIVATE FUND ADVISER RULES.

Would you recommend this event to other trustees?

- Yes       No       Maybe

You may provide additional comments to SamCERA's CEO.

By signing below, I certify that I participated in the activities described above and am entitled to claim the indicated amount of education credit hour(s).

<b>Trustee Signature</b> (print this form and sign) 	<b>Date</b> 3/11/24
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**NOTE:** Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.

## ACKNOWLEDGEMENT OF RECEIPT

### AB 1234 Ethics in Public Service Training

Print Name: ROBERT PAW

Acknowledges that he/she received two (2) hours of Ethics Training provided by Nossaman, LLP, and that this training meets all of the requirements of AB 1234.

Signed:  \_\_\_\_\_

March 3, 2024

**Training Provided by:**  
Ashley K. Dunning, Esq.  
Nossaman, LLP

*This signed form is to be retained by your retirement system.*

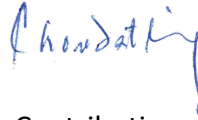
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

March 26, 2024

Agenda Item 4.10

**TO:** Board of Retirement

**FROM:** Tat-Ling Chow, Finance Officer



**SUBJECT:** Report on Prepayment of County Contributions for Fiscal Year 2024-25

**Recommendation**

Accept the report on the prepayment of County contributions totaling \$192.6 million for fiscal year 2024-25.

**Background**

The County's statutory contribution rates for fiscal year 2024-25 were recommended by Milliman Inc. through the 2023 valuation.

**Discussion**

The prepayment for fiscal year 2024-25 is estimated at \$192.6 million, based on the adopted contribution rates and the projected annual payroll of the fiscal year. The County prepays its pension contributions via two semi-annual installments with the first installment due in July and the second in January. Installments received are held in the County Advance Contribution Account.


After each pay period, the County Controller notifies SamCERA of the County's required contribution based on the actual payroll. SamCERA then transfers the amount provided from the County Advance Contribution Account (where the prepayment is temporarily held) to the Employer Contribution Account (where the actual required contribution is recorded). The carrying balance in the County Advance Contribution Account is entitled to interest of 6.25% per annum, the assumed rate of return.

If the overall prepayment received is insufficient to satisfy the annual required contribution, the County will make up for the shortfall. If the overall prepayment exceeds the annual required contribution, the overage will be recorded as a credit.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

March 26, 2024

Agenda Item 4.11

**TO:** Board of Retirement  
**FROM:** Michael Coultrip, Chief Investment Officer   
**SUBJECT:** Approval of Resolution Amending SamCERA's Investment Policy Statement

**Recommendation**

Adopt a resolution amending SamCERA's Investment Policy Statement.

**Background**

In February the Board reviewed the following proposed changes to the Investment Policy Statement:

Amend Section 6.0 "Asset Allocation & Portfolio Structure" and Section 9.0 "Growth Assets Investment Policies" to officially split Opportunistic Credit into two sub-categories: 1) Public Credit and 2) Private Credit.

Amend Section 8.0 "General Manager Investment Performance Policies" to remove too narrow performance criteria.

Amend Section 9.0 "Growth Assets Investment Policies" to reduce the target allocation to Debt/Special Situations within Private Equity due to the establishment of a dedicated Private Credit sub-category in Opportunistic Credit. Target allocations by sub-category will go from 60%/20%/20% Buyouts/Venture/Debt to 70%/30%/0% Buyout/Venture/Distressed. Also change the name of the sub-category from "Debt/Special Situations" to "Distressed/Special Situations".

Amend Section 11.0 "Inflation Hedge Investment Policies" to clarify that the manager sourcing responsibilities for Private Real Assets is delegated to SamCERA's investment consultant (similar to Private Equity).

In addition, an outdated provision is removed from the Real Estate Risk Mitigation section that was established when only one strategy made up SamCERA's real estate portfolio.

**Discussion**

Based upon feedback from the Board during the meeting, staff is proposing the following additions/changes:

- 1) Add in Section 6.0 to specify asset allocation ranges (+/-2%) for both the newly created private credit and public credit sub-categories, and,

2) Further specify performance criteria for Section 8.0, with the following language:

The Board expects to measure investment performance quarterly and will generally follow prudent time horizons when evaluating short, intermediate, and long-term performance of its investment managers. Generally, the Board will focus on a complete market cycle (defined as between three and five years) when analyzing a manager's performance relative to their broad-market-based benchmark, stated style, peer group, and other criteria deemed acceptable to the Board.

**Attachments**

Proposed Amendments to the Investment Policy Statement (Redlined Version)

Proposed Amendments to the Investment Policy Statement (Clean Version)

Resolution Revising the Investment Policy Statement



## **SamCERA's Investment Policy Statement**

**Latest Revision March~~July~~ 2024~~3~~**



## **1.0 ESTABLISHMENT OF INVESTMENT POLICY**

The Board of Retirement (the “Board”), having exclusive authority and exclusive fiduciary responsibility for the investment and administration of the Trust Fund (the “Fund”), hereby establishes the following Investment Policy (the “Policy”) for the investment of the San Mateo County Employees’ Retirement Association (“SamCERA”) assets. The Board reserves the right to amend, supplement or rescind this Policy at any time.

The purpose of this Policy is to assist SamCERA in effectively supervising its investments in order to meet the requirements of the California Constitution, the County Employees Retirement Law of 1937 (“the 1937 Act”), the Mission and Goals of SamCERA and other requirements, and to encourage effective communication between SamCERA and its investment managers (the “Manager(s)”) and investment consultants (the “Consultant(s)”).

### **A. GOVERNING DOCUMENTS FOR THE INVESTMENTS OF THE FUND.**

The powers and duties of the Board are set forth in the 1937 Act and in Article XVI of the State Constitution. They are further defined by the Mission and Goals adopted by the Board.

SamCERA was created by San Mateo County Ordinance No. 564 adopted by the Board of Supervisors, effective July 1, 1944. This ordinance established the retirement system in accordance with the provisions of California’s County Employees’ Retirement Law of 1937.

#### **Constitution of the State of California**

Article XVI, Section 17, relates to the administration of the system and investment of the Fund assets. It reads in pertinent part:

“(a)...The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.

“(b) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board’s duty to its participants and their beneficiaries shall take precedence over any other duty.

“(c) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

“(d) The members of the retirement board of a public pension or retirement system shall diversify the investments of the system so as to minimize the risk of loss and to



maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.”

### **The 1937 Act**

The 1937 Act contains language similar to that in the State Constitution regarding the investments of the Fund:

Government Code section 31595.

“The board has exclusive control of the investment of the employees retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the board.

The board and its officers and employees shall discharge their duties with respect to the system: (a) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.

(b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(c) Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

### **SamCERA’s Mission and Goals**

The Board has adopted a Mission and Goals statement. The Mission summarizes SamCERA’s reason to exist.

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

The Mission is further defined by three goals. One goal speaks to the management of the assets of the Fund. This asset management goal reads:

“Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system, to ensure the ability to pay all earned benefits while minimizing the costs to employers.”

In recognition of the requirements of the California Constitution, the 1937 Act, the SamCERA Mission and Goals and other legal requirements, the SamCERA Board has established this Investment Policy.

## 2.0 MANAGEMENT OF THE FUND

### A. ROLES AND PRINCIPAL DUTIES

The Fund investments shall be prudently planned, implemented, managed, and monitored by the Board. Investment Staff (the “Staff”), Investment Consultant (the “Consultant”), Custodian Bank (the “Custodian”), and Investment Managers (the “Managers”) shall support the Board in this activity. The roles are set forth below:

1. The Board establishes and maintains the investment policy, including: investment philosophy, investment objectives, strategic asset allocation, allocation-level performance benchmarks, and risk philosophy. The Board makes investment and monitoring decisions based upon the recommendations of Staff, Consultants, and other service providers engaged by the Board. The Board reviews and monitors all investments, as well as the policies, guidelines and procedures required to prudently administer the Fund and to effectively mitigate risk to the Fund. From time to time, the Board will utilize its Investment Committee to assist the Board in these activities and related specified tasks.
2. Staff oversees the Fund’s investment program activities, implements the Board’s decisions, manages the existing fund investments, and makes recommendations to the Board regarding Fund management, including investment-related policies and procedures. Staff makes recommendations regarding the selection of the Consultant, Managers, Custodian as set forth below and monitors the performance and compliance of these and other investment related service providers.
3. The Consultant reviews, analyzes and evaluates the Fund’s effectiveness and efficiency and makes fund management related recommendations. Consultant assists Staff in implementing the Board’s decisions and developing all investment-related policies. Consultant’s responsibilities are detailed in the service agreement between SamCERA and Consultant.
4. The Custodian provides custody of SamCERA’s investment assets. In addition, the Custodian manages the securities lending program. The Custodian’s responsibilities are detailed in the service agreement between SamCERA and Custodian.
5. The Managers manage their mandated allocations in accordance with all applicable laws, Board-established policies, guidelines and procedures, as well as specific investment guidelines. For separately managed accounts, managers’ responsibilities are detailed in the Investment Management Agreements (IMA) between SamCERA and each Manager. For commingled funds, managers’ responsibilities are detailed in the related Fund documents.

## **B. INVESTMENT PORTFOLIO MANAGEMENT**

The Board, with the assistance of Staff and Consultant, select and monitor Managers to manage the assets of the Fund.

### **1. Hiring New Managers**

For public markets manager searches (i.e. non private equity and private real assets), Staff will inform the Board about the search process, including scope of the mandate, and the investment style, benchmark, and the minimum qualifications for candidates. Staff will update the Board on the short list of potential managers. Consultant and Staff will perform due diligence activities deemed applicable by the Chief Investment Officer, which may include analysis of performance records, meetings, due diligence questionnaires, interviews, and on-site visits. Upon completion of such due diligence, Staff and Consultant will bring a finalist to the Board for approval. The recommendation shall provide the Board with a summary description of the conducted due diligence activities.

For private markets, the Consultant, with Staff input, sources managers that can best fit the desired mandate consistent with the annual pacing study and applicable investment policy. Consultant and Staff will bring potential private markets opportunities to the Board for approval. An exception to this policy is when a decision for a private market investment must be made prior to the date of the next regularly scheduled Board meeting. In these instances, and for investments of \$35 million or less, the Chief Executive Officer is authorized to make an investment-related decision after consulting with the Board Chair, or if the Chair is not available, the Vice Chair, one member of the Investment Committee, the Board's Investment Consultant, staff and legal counsel as long as such decision is in the best interest of the fund and consistent with applicable Board policy. Any action under this authorization will be reported to the Board at a subsequent regularly scheduled meeting.

### **2. Managing and Monitoring Existing Managers**

The Board monitors the individual investment managers on a continuous basis through information provided by Staff, the Consultant, the Managers, and other investment service providers. Monthly, the Chief Investment Officer will present a preliminary performance report to the Board that is meant to provide a high-level summary of how the fund and each monthly-valued manager is performing. In addition, for SamCERA's separate accounts, Staff receives holdings and attribution reports from each separate account Manager on a monthly basis. For commingled funds, staff receives from the Manager either monthly or quarterly portfolio performance, attribution, exposure, and commentary reports.

Quarterly, the Consultant, with assistance from the Chief Investment Officer, will present an investment performance report to the Board, as specified in Section 13.0 (Quarterly Investment

Performance Reporting) in the Investment Policy. This report provides a more detailed performance attribution for the total plan and individual Managers, and helps to identify any short-term outlier deviations from expectations.

Semi-annually (month-end June and December of each year), every public markets (i.e. not private equity or private real asset) Manager completes a compliance statement identifying any significant firm, regulatory, and portfolio issues. In addition, semi-annually as of June and December of each year, Consultant will present performance reports for both the Private Equity and Private Real Assets programs that summarize each program and shows total program performance and program diversification by strategy, geography, industry, and vintage year.

Annually, Staff and Consultant will convene an investment strategy session, as specified in Section 14.0 (Annual Investment Strategy) in the Investment Policy, to allow a longer-term assessment of the Managers and the total fund performance. Lastly, all public markets Managers are interviewed annually by Staff and Consultant, and must complete a due diligence questionnaire.

During these presentations at SamCERA, Managers will provide an update on the Manager's organization and business plan, any changes to the investment process, and a summary of investment performance. Staff and Consultant report to the Board following these meetings.

After the Board approves an initial investment to be held in a separate account or open-end evergreen commingled fund, staff will be responsible for managing that allocation, including initiating any adjustments to that allocation amount, consistent with the allocation ranges outlined in Section 6.0. For those investments held in closed-end (or non-perpetual life) commingled funds (e.g. private equity, private real assets, private credit, value-add real estate), staff will seek Board approval for any additional allocation to those funds, including re-up commitments, unless the timing of the decision is subject to the policy exception set forth in paragraph 1.

### **3. Terminating Existing Managers**

The Board recognizes investments may need to be adjusted or removed from the Fund from time to time for a variety of reasons, including organization changes at the Manager, changes in Manager style, underperformance relative to expectations, and the Managers' strategy is no longer appropriate for the fund. The Board determines if a Manager should be terminated after receiving input and or recommendations from Staff and Consultant.

In situations in which developments give immediate concern that an investment with a Manager is no longer prudent for the investment program and a termination or other related investment decision should be made prior to the next regularly scheduled Board meeting, the Chief Executive Officer is authorized to terminate the Manager and or move Fund assets after consulting with the Board Chair (or Vice Chair or Secretary based on availability, in that order) and one member

of the Investment Committee. Situations causing an immediate concern, include, but are not limited to, when: (1) the firm suffers the resignation or other loss of its key portfolio managers on the strategy, (2) the firm dissolves, ceases to exist, or is otherwise incapable of carrying out its activities in the ordinary course of its business, (3) the firm is actually or effectively shut down by a regulatory agency or is accused of theft or fraud or other serious malfeasance by a regulatory agency, or (4) the fund's investment is in jeopardy of material loss. The Board will be promptly notified of the determination by the Chief Executive Officer.

### **3.0 INVESTMENT OBJECTIVES**

The Board shall develop an investment program, consistent with the Investment Beliefs and General Investment Policies as stipulated in Sections 4.0 and 5.0, respectively, to meet the primary goal of ensuring liquidity is available to provide for the required monthly benefit payments in a timely manner. In addition, the following secondary objectives will be considered:

- A. Generate risk-adjusted returns that exceed the Asset Allocation Policy Benchmark (as defined in Section 6.0) on a net-of-fee basis over five-year rolling periods.
- B. Achieve long-term real growth while minimizing the funded status volatility.
- C. Provide a more consistent return stream than a traditional 60% Equity / 40% Fixed Income portfolio as measured by lower portfolio drawdowns over a full market cycle.

### **4.0 INVESTMENT BELIEFS**

The following section summarizes the Board's investment beliefs that have guided it in the development of this Policy document and will guide it in the oversight of the Plan assets.

- Strategic asset allocation is the primary driver of portfolio risk and return.
- SamCERA should have a long-term horizon and not be tempted to deviate from its long-term plan in response to short-term volatility.
- Everything else being equal, simplicity is preferred over complexity.
- For those asset classes evidencing market efficiencies, the manager structure may favor the employment of passive strategies.
- Focus on income and capital appreciation should be balanced and not overly dependent on one or the other.
- Diversification is fundamental.
- There is no single definition of risk. There are various measures of 'risk' that can be used for various purposes.
- The portfolio should be diversified across many risk dimensions/timeframes.

- SamCERA should not pursue investments that will not adequately compensate it for the risks that those investments bring.
- Costs matter.
- Incorporating sustainability criteria into the decision-making process can positively impact long-term risk and reward characteristics of an investment.

## 5.0 GENERAL INVESTMENT POLICIES

Consistent with the investment beliefs contained in Section 4.0, it is the investment policy of the Board to:

- Achieve long-term risk-adjusted returns consistent with its fiduciary duty.
- Pursue an investment strategy that reduces the volatility of returns through prudent diversification of the portfolio across a broad selection of distinct asset classes, as provided for in Section 6.0 of this Investment Policy.
- Further diversify other risks, including extreme events, liquidity, and leverage by looking beyond traditional asset class definitions by utilizing multiple lenses on portfolio risks.
- Adopt an asset allocation target to guide the structure of the investment portfolio, as provided for in Section 6.0, and reevaluate on an annual basis.
- Reevaluate the asset-liability study every three to five years.
- Determine whether to replenish the cash flow match account on an annual basis.
- Delegate to staff the management of existing investment managers, and for those strategies in separately managed accounts and evergreen (or open-end) commingled fund structures, the on-going adjustments to allocations to such managers consistent with the investment policies and investment ranges contained in Section 6.0.
- Delegate full discretion, including whether to include environmental, social, and governance factors, if such factors have a direct relationship to the economic and financial value of an investment, when analyzing the financial merits of competing investment choices on behalf of SamCERA, to each investment manager to the extent authorized in their Investment Management Agreement (IMA).
- Adopt objectives that encourage investment managers to maximize their performance, within acceptable risk parameters, relative to their individual investment style benchmark.
- Refrain from drastically shifting asset class allocations over short time spans, unless it is in the Fund's best interest to do so.
- Rebalance the portfolio in accordance with the Rebalancing Policy set forth in Section 7.0.

## 6.0 ASSET ALLOCATION & PORTFOLIO STRUCTURE

### A. Asset Allocation by Performance Driver

In addition to grouping investments into traditional asset classes (Public Equity, Fixed Income, Alternative Assets, Inflation Hedge and Liquidity), SamCERA also groups its investments by the underlying performance drivers within each asset class composite. As part of this process, SamCERA classifies its portfolio into four main drivers of performance listed below.

#### **Growth**

The Growth category includes assets in which their primary driver of returns is tied to the general strength of economic output. These assets will generally do well when economic conditions are favorable, but generally struggle in times of economic weakness and recession. Assets classified in the Growth category include Public Equity (consisting of U.S. and International Equity), Private Equity within Alternatives, and Opportunistic Credit ([consisting of Public Credit and Private Credit](#)) within Fixed Income.

#### **Diversifying**

Diversifying assets provide protection from equity risk and may be characterized as being more defensive (i.e. may help provide stability when markets fall) or more absolute-return oriented (i.e. performance is not as dependent on the overall strength of equity markets). Assets classified in the Diversifying category include Defensive Fixed Income and Absolute Return within Alternatives.

#### **Inflation Hedge**

Inflation Hedge assets provide additional diversification from equity risk and provide a potential hedge against unexpected inflation. Assets classified in this category include Real Estate, Public Real Assets, and Private Real Assets.

#### **Liquidity**

The Liquidity category consists of liquid assets with the primary purposes to pre-fund net benefit payments, satisfy expense obligations in the near-term (e.g. capital calls and management fees), support the overlay and currency hedge overlay accounts, and also meet any unforeseen cash needs. Assets classified in this category include two subcategories: 1) Cash Flow-Matched Liquidity and 2) Cash & Cash Overlay. The Cash Flow-Matched Liquidity category includes our Cash Flow-Matched Liquidity account and our County Treasury Pool, which are both used for the primary purpose of pre-funding and



paying out benefit payments. SamCERA currently pre-funds up to 36 months of net benefit payments.

The Cash & Cash Overlay category includes our general cash account (used to satisfy capital calls, pay management fees, meet unforeseen cash needs, etc) and our cash overlay and currency hedge overlay account.

**Updated Asset Allocation Policy<sup>^</sup>**

Performance Driver View	Target Allocation	Rebalancing Range	Traditional Asset Class View *
<b>Growth</b>	<b>59%</b>	<b>±3%</b>	
Public Equity	41%	±3%	Public Equity
Private Equity **	7%	±2%	Alternatives
Opportunistic Credit	11%	±2%	Fixed Income
Public Credit	8%	±2%	
Private Credit	3%	±2%	
<b>Diversifying</b>	<b>18.5%</b>	<b>±2%</b>	
Defensive Fixed Income	12.5%	±2%	Fixed Income
Absolute Return	6%	±2%	Alternatives
<b>Inflation Hedge</b>	<b>17%</b>	<b>±2%</b>	
Real Estate	9%	±2%	Inflation Hedge
Private Real Assets **	5%	±2%	Inflation Hedge
Public Real Assets	3%	±2%	Inflation Hedge
<b>Liquidity</b>	<b>5.5%</b>	<b>NA</b>	
Cash Flow-Matched Liquidity ***	4.5%	NA	Liquidity
Cash & Cash Overlay	1%	±2%	Liquidity

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<sup>^</sup>The updated asset allocation policy was approved in the February 2023 board meeting. The long-term strategic asset allocation policy will include a 1% increase to Private Equity (funded from public equity), which will take multiple quarters to reach the target.

\* Traditional Asset Allocation: 41% Public Equity, 28% Fixed Income, 13% Alternatives, 17% Inflation Hedge, and 1% Liquidity.

\*\* Recognizing the illiquidity of the asset class, rebalancing will be considered over six- to twelve-month periods.

\*\*\* The Cash Flow-Matched Liquidity sub-category doesn't have rebalancing bands as the target will naturally fluctuate over time as payments are made from and cash is replenished in the accounts.

**B. Growth Asset Allocation**

Growth assets shall be allocated to managers within the following asset/sub-asset classes:

GROWTH ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
<b>Public Equity</b>	41%	±3%
Large Capitalization Domestic	21.0%	±2%
Passive Core	14.0%	±2%
Active Core	3.0%	±2%
Active Low-Volatility Core	4.0%	±2%
Small Capitalization Domestic	2.0%	±2%
Active Core	2.0%	±2%
International	18.0%	±2%
Passive Core	9.0%	±2%
Growth	4.5%	±2%
Value	4.5%	±2%
<b>Private Equity</b>	7%	±2%
<b>Opportunistic Credit</b>	11%	±2%
<b>Total Growth Assets</b>	59%	±3%

**C. Diversifying Asset Allocation**

Diversifying assets shall be allocated to managers within the following asset/sub-asset classes:

DIVERSIFYING ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
<b>Defensive Fixed Income</b>	12.5%	±2%
Core	5.5%	±2%
Core Securitized	4.0%	±2%
Long Treasury	3.0%	±2%
<b>Absolute Return</b>	6%	±2%
<b>TOTAL DIVERSIFYING ASSETS</b>	18.5%	±2%

**D. Inflation Hedge Asset Allocation**

Inflation Hedge assets shall be allocated as follows:

INFLATION HEDGE ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Real Estate	9.0%	±2%
Private Real Assets	5.0%	±2%
Public Real Assets	3.0%	±2%
<b>TOTAL INFLATION HEDGE ASSETS</b>	<b>17.0%</b>	<b>±2%</b>

**E. Liquidity Asset Allocation**

Liquidity assets shall be allocated as follows:

LIQUIDITY ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Cash Flow-Matched Liquidity	4.5%	NA
Cash & Cash Overlay	1%	±2%
<b>TOTAL LIQUIDITY</b>	<b>5.5%</b>	<b>NA</b>

**F. Asset Allocation Policy Benchmark**

The Asset Allocation Policy Benchmark defined below is derived by assigning a passive benchmark to each of the sub-asset classes referenced in Sections 6.0 (A) through 6.0 (E) and weighting each by the Target Allocation. The performance of the Asset Allocation Policy Benchmark is computed by the Plan’s investment consultant.

Benchmark	Asset Allocation Policy Benchmark
<b>Growth Assets</b>	<b>59%</b>
Russell 3000 Index	23%
MSCI ACWI x US IMI Index Hedged^	18%
Russell 3000 +3% (One Quarter Lagged)	7%
Custom Opportunistic Credit Index*	11%

<b>Diversifying Assets</b>	<b>18.5%</b>
BC Aggregate Index	9.5%
BC Long Treasury Index	3%
SOFR + 4%	6%
<b>Inflation Hedge</b>	<b>17%</b>
NCREIF ODCE	9%
Custom Private Real Asset Index**	5%
Custom Public Real Asset Index***	3%
<b>Liquidity</b>	<b>5.5%</b>
BC 1-3 Year Gov't/Credit Index	4.5%
91 Day T-Bills	1%

^ 50% hedge ratio

\*Comprised of 73% BC High Yield Index and 27% Credit Suisse Leveraged Loan Index (One Quarter Lagged). Only Credit Suisse Leveraged Loan Index portion is lagged by one quarter.

\*\*Comprised of 75% S&P Global Infrastructure Index and 25% S&P Global LargeMidCap Commodity and Resources Index + 2% (One Quarter Lagged)

\*\*\*Comprised of 25% Bloomberg Roll Select Commodity Index, 25% Bloomberg US TIPS Index, 25% S&P Global LargeMidCap Commodity and Resources Index, and 25% S&P Global Infrastructure Index.

## 7.0 REBALANCING POLICY

- A. The Chief Investment Officer (CIO) shall rebalance the portfolio as needed in conformance with the asset allocation tactical ranges set forth in Section 6.0.
- B. The potential need to rebalance will be continuously monitored, and will be subject to deviations within the established rebalance ranges specified in Section 6.0.
- C. The CIO will have discretion to rebalance to Target or to some other allocation, as long as it is within policy ranges.
- D. Cash flows will be used first to rebalance, and to the extent possible, exchange-traded derivatives will be used to rebalance in a cost-effective manner.
- E. All rebalancing activity shall be reported to the Board at the next scheduled meeting.

## 8.0 GENERAL MANAGER INVESTMENT PERFORMANCE POLICIES

The responsibility for securities selection, purchase and sale decisions, and proxy voting (where appropriate) is delegated to the external investment managers. The individual investment guideline parameters (including diversification constraints, concentration limits,

asset type exclusions, etc.) and performance objectives for each investment manager will be established within the IMA or other applicable legal agreement(s) with each firm.

The Board expects to measure investment performance quarterly and will generally follow prudent time horizons when evaluating short-term, intermediate-term, and long-term performance of its investment managers. Generally, the Board will focus on a complete market cycle (defined as between three and five years) when analyzing a manager's performance relative to their broad-market-based benchmark, stated style, peer group, and other criteria deemed acceptable to the Board. ~~defines underperformance as: Cumulative annualized performance (net of fees) over a three-year period below a broad market-based benchmark return times 0.9, or five-year return (net of fees) below the broad market based benchmark return.~~

~~Performance will also be evaluated in light of the manager's stated style and discipline.~~

## 9.0 GROWTH ASSETS INVESTMENT POLICIES

### GROWTH ASSETS OVERVIEW:

Assets classified in the Growth category include Public Equity (consisting of ~~Domestic U.S.~~ and International Equity), Private Equity within Alternatives, and Opportunistic Credit (consisting of Public Credit and Private Credit) within Fixed Income.

**Public Equity:** Public equity assets include funds shares/stock of a company through a public market. SamCERA invests utilizing both passive approaches (meant to track the performance and characteristics of major market indices, like the Russell 1000 Index and MSCI ACWI ex US IMI Index), and via active approaches that are meant to outperform the major market benchmarks. Public Equity is expected to produce returns higher than that provided from Fixed Income but at potentially higher levels of volatility. Exposure to this asset class will provide return streams generally correlated to that of general economic growth. There are two primary components to the Public Equity category: 1) Domestic Equity, and 2) International Equity.

**1) Domestic Equity:** SamCERA further breaks out its U.S. public equity holdings into two sub-composites: 1) U.S. Large Capitalization Domestic, which is comprised of U.S. companies valued generally over \$10 billion, and 2) U.S. Small Capitalization Domestic, which is comprised of U.S. companies valued generally under \$2 billion.

For the domestic equity program, the majority of the tracking error will come from stock selection via active management as the overall manager structure for domestic equities will not possess any significant biases in terms of investment style. The Domestic Equity composite will consist of two sub-composites: 1) Large-Capitalization Equity, and 2) Small-Capitalization Equity. Large Capitalization Equity will consist of three Core strategies: one passive, one low-tracking error active, and one low-volatility active. Small-Capitalization Equity will consist of an actively managed Core strategy.

**2) International Equity:** International Equity consists of developed (public companies domiciled in developed market countries such as Germany, France, UK, Japan, etc.) and

emerging markets (public companies domiciled in emerging market countries such as China, Brazil, Mexico, India, etc.)

International Equity will consist of three strategies: 1) Passive Core, 2) Active Value, and 3) Active Growth. All three strategies will have exposure to both developed and emerging markets. Additionally, a dynamic currency hedging strategy is utilized to dynamically hedge certain developed market currency exposures within the three equity strategies.

**Private Equity:** Private Equity are funds, typically illiquid investments, that directly invest in private companies, or that engage in buyouts of public companies. Private Equity is expected to be one of the highest returning asset classes over the long-term. Its role in the portfolio is to provide high return potential to maximize the ability of the Fund to meet its performance objectives.

The Private Equity program will contain manager allocations to three primary sub-categories: 1) Buyouts, 2) Venture Capital, and 3) ~~Distressed/Debt~~/Special Situations. These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation targets and target ranges are summarized below:

Sub-Category	Target Allocation	Range
Buyouts	<del>60%</del> 76%	+/- <del>320%</del> 320%
Venture Capital	<del>320%</del> 32%	0 - <del>430%</del> 43%
<del>Distressed/Debt</del> /Special Situations	<del>20%</del> 20%	0 - <del>30%+/-</del> 30%+/- 10%

The responsibility for private equity sourcing is delegated to SamCERA's investment consultant. The private equity portfolio shall adhere to the following investment guidelines covering diversification and quality:

(a) Diversification: Subject to availability of sufficient attractive opportunities, the portfolio is to be diversified over multiple years by the following:

**Vintage Year:** It is expected that roughly equal amounts of new funding will be committed in each calendar year, with deviations permitted to accommodate market opportunities and to facilitate initial entry into the asset class.

**Investment Manager:** The reported value plus unfunded commitments of any one investment manager (excluding fund of funds) up to no more than twenty (20) percent of the reported value plus unfunded commitments of the total private equity portfolio.

**Geography:** Through commitments to funds located and/or investing both in and outside of the United States.

**Industry:** It is expected that the private equity portfolio will be generally diversified by sector/industry.

(b) Quality: All commitments to private equity by SamCERA must be of institutional quality as evidenced by other tax-exempt institutional investors' commitments to the investment manager's prior or current funds.

Fund managers are expected to comply with SamCERA's private placement disclosure rules.

**Opportunistic Credit:** Fixed income assets are debt investments that provide a return in periodic payments in debt instruments issued by governments and corporations. Opportunistic Credit is expected to be the highest-risk category within fixed income, and will be used to enhance return by investing via public and private investments in non-traditional sectors of the fixed income market, including emerging market debt, high yield bonds, direct lending, bank loans, convertible bonds, and RMBS/CMBS/ABS securities. This ~~sub~~ category will be exposed to general economic risk factors, similar to public equities, but may provide a steadier stream of returns than public equity asset classes. There are two primary components to the Opportunistic Credit category: 1) Public Credit, and 2) Private Credit.

#### GROWTH ASSETS PERFORMANCE OBJECTIVE:

The performance objective of the Growth Assets Composite is to outperform, on a net-of-fee basis, a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for four composite sub-asset classes (which results in the following weights: 39% Russell 3000, 30% MSCI ACWI ex US IMI Index hedged, 12% Russell 3000 Index + 3% (one quarter lagged), and 19% Custom Opportunistic Credit Index).

The Public Equity composite has a maximum tracking error of 3% to its composite benchmark.

#### GROWTH ASSETS RISK EXPOSURES AND RISK MITIGATION:

**Public Equity:** The primary risk factors for Public Equity are correlation to general economic growth, high volatility in returns, and potential illiquidity in smaller-capitalization and certain emerging market stocks. SamCERA will control for these risk factors by diversifying the plan across assets that exhibit limited correlation to economic growth. In addition, SamCERA's rebalancing ranges for small-cap equity will help ensure adequate diversification within the equity portion of the SamCERA portfolio.

**Private Equity:** Private Equity, while expected to provide attractive returns, also have a number of risks. Chief among these are illiquidity risk and leverage. By their nature Private Equity is generally illiquid in that the life of these fund investments can be as long as ten to twelve years. SamCERA recognizes that this illiquidity is a necessary characteristic (and source of return premium) for these asset classes and as such will endeavor to take this illiquidity into account at the total plan level when addressing total plan liquidity needs during strategic planning asset liability studies. Leverage can be employed by private equity managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through partnership selection and portfolio construction and diversification.

**Opportunistic Credit:** Opportunistic Credit is generally the highest risk, lowest liquidity sub-category within Fixed Income. SamCERA will consider unique risk factors when constructing the fixed income portfolio to help ensure that the overall risk profile of the total portfolio is consistent with expectations. Opportunistic Credit typically includes the risk factors contained in Core, but depending on the mandate, with higher emphasis to credit default risks, emerging markets sovereign/corporate default risk, potential leverage, and potential illiquidity. It is expected that strategies within Opportunistic Credit will have a maximum leverage ratio of 2.5x at the fund level (i.e. certain holdings may be levered higher than the 2.5x limit, as long as the fund (or strategy) has a maximum 2.5x leverage). Strategies employing higher leverage will be relegated to the distressed debt/special situations category of Private Equity (see above).

GROWTH ASSET CLASSES	BENCHMARK INDEX
<b>Growth Assets</b>	<b>Customized Benchmark Portfolio</b>
<b>Public Equity</b>	
<b>Domestic Equity</b>	<b>Russell 3000</b>
Large Capitalization Domestic Equity	Russell 1000
Passive Core	Russell 1000
Active Core	Russell 1000
Active Low Volatility Core	Russell 1000
Small Capitalization Domestic Equity	Russell 2000
Active Core	Russell 2000
<b>International Equity</b>	<b>MSCI All Country World ex US IMI hedged*</b>
International Passive Core	MSCI ACWI ex US IMI
International Growth	MSCI ACWI Free ex US Growth
International Value	MSCI ACWI Free ex US Value
<b>Private Equity</b>	<b>Russell 3000 + 3% (One Quarter Lagged)</b>
<b>Opportunistic Credit</b>	73% BC High Yield Index and 27% Credit Suisse Leveraged Loan Index (One Quarter Lagged)

\* 50% hedge ratio

## 10.0 DIVERSIFYING ASSETS INVESTMENT POLICIES

### DIVERSIFYING ASSETS OVERVIEW:

Assets classified in the Diversifying category include Defensive Fixed Income and Absolute Return within Alternatives.



**Defensive Fixed Income:** Defensive fixed income assets are debt investments that provide a return in periodic payments in debt instruments issued by governments and corporations. Defensive Fixed Income is expected to provide a lower, but steadier stream of returns than public equity asset classes, and also to reduce the risk of the overall portfolio as bonds have lower risk than most other major asset classes. That said, there are several sub-categories within Defensive Fixed Income, which exhibit different risk/return trade-offs and hold slightly different tasks in terms of role in the portfolio but have the common goal of dampening portfolio volatility and/or protecting against an equity drawdown. Defensive Fixed Income is broken out into three subcategories:

- 1) Core, and 2) Core Securitized, and 3) Long Treasury

**Core:** Core is generally considered a lower-risk fixed income category, and one that invests in primarily liquid, investment grade U.S. Dollar denominated bonds. It also generally consists of sectors that comprise the Bloomberg Barclays Aggregate Bond Index. Core's role in the portfolio is to dampen portfolio volatility and protect the portfolio in times of economic duress.

**Core Securitized:** Core Securitized is a low/medium-risk fixed income sub-category, and contains securitized sectors, including mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities. Core Securitized's role in the portfolio, in addition to dampening portfolio volatility, is to provide higher yield and slightly lower interest rate sensitivity as compared to the Bloomberg Barclays Aggregate Bond Index.

**Long Treasury:** Long Treasury is a portfolio of long-duration U.S. Treasury securities that are expected to provide risk mitigation to the growth portfolio. Long Treasury's role is to protect the growth portfolio (public equity, private equity, and opportunistic credit) in times of economic duress. The high quality, liquid securities should perform well in times of economic crisis, which is when we would expect our growth portfolio (public equity, private equity, and opportunistic credit) to not do as well.

**Absolute Return:** The Absolute Return category will focus on funds that have an absolute return orientation and are not expected to contain significant levels of public market beta over the long term. This category is expected to provide a diversifying return stream to the total plan that is not correlated to the public markets. Suitable investment strategies include multi-strategy funds, alternative risk premia funds, GTAA or global macro funds, and CTA/Managed Futures trend following funds. It is expected that this category will be implemented via commingled funds and not in separate accounts so that SamCERA's investment in any single fund would be 'ring-fenced' (i.e. any potential losses would be limited to the investment in the single fund, and not extend to the total plan assets).

#### DIVERSIFYING ASSETS PERFORMANCE OBJECTIVE:

The performance objective of the Diversifying Assets Composite is to outperform, on a net-of-fee-basis, a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for two composite sub-asset classes (which results in the following weights: 52% Bloomberg Barclays Aggregate Index, 32% to SOFR + 4, and 16%

Bloomberg Long Treasury Index. The Defensive Fixed Income sub-asset class has a maximum tracking error of 3% to its composite benchmark.

DIVERSIFYING ASSETS RISK EXPOSURES AND RISK MITIGATION:

The Defensive Fixed Income sub-sectors have different risk factor exposures. SamCERA will take into account these unique risk factors when constructing the Defensive Fixed Income portfolio to help ensure that the overall risk profile of the total portfolio is consistent with expectations.

**Core:** The primary risk factors are sensitivity to changes in interest rates, changes in mortgage prepayment speeds, and investment-grade corporate and sovereign credit risk.

**Core Securitized:** The primary risk factors are complexity, credit and prepayment risk across various securitized sectors (e.g. ABS, CMBS, and RMBS) with interest rate sensitivity being a relatively lower risk factor as compared to assets within Core (above). The focus is on higher quality securitized investments to minimize credit risk.

**Long Treasury:** The primary risk factors are sensitivity to changes in interest rates (given the longer interest rate duration). In addition, another risk factor is the possibility of potential positive correlation of bonds to equity, which would diminish the risk mitigation attribute of long-duration Treasury securities.

**Absolute Return:** Absolute Return, while expected to provide attractive returns that are less correlated to the returns provided by public asset classes, also has a number of risks. Chief among these is leverage. Leverage can be employed by absolute return managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through fund selection as well as portfolio construction and diversification.

DIVERSIFYING ASSET CLASSES	BENCHMARK INDEX
DIVERSIFYING ASSETS	CUSTOMIZED BENCHMARK PORTFOLIO
<b>Defensive Fixed Income</b>	
Core/Core Securitized	Bloomberg Barclays Aggregate Bond Index
Long Treasury	Bloomberg Long Treasury Index
<b>Absolute Return</b>	SOFR + 4%

**11.0 INFLATION HEDGE INVESTMENT POLICIES**

INFLATION HEDGE OVERVIEW:

The Inflation Hedge category combines inflation-sensitive assets under a single asset class to simplify the asset allocation process and enable better performance monitoring of the plan’s overall, direct exposure to assets with inflation-hedging properties. The plan also has indirect exposure to inflation-sensitive assets through other asset classes, such as Public Equity, Fixed Income, and Alternatives. When determining the appropriate allocation of inflation protection, both direct and indirect exposures to inflation-sensitive assets across the plan are

taken into account. The Inflation Hedge category is expected to provide a high degree of inflation beta, attractive risk-adjusted returns and diversification benefits to the overall plan.

Inflation Hedge is broken out into three subcategories:

- 1) Real Estate, 2) Private Real Assets, and 3) Public Real Assets

**Real Estate:** Real Estate is expected to provide a return and risk profile between that provided by fixed income and equities. Real estate will be composed of three sub-categories: 1) Core, 2) Value-Add, and 3) Debt. Most of the exposure will be in Core real estate assets of the highest quality located in the best locations in North America, Europe, and Asia. Value-Add properties are expected to provide somewhat higher return potential along with somewhat higher risk than Core assets. Real Estate Debt strategies range from lower risk senior loans on stable properties to higher risk/return mezzanine and construction loans. SamCERA utilizes Debt strategies for risk mitigation and to enhance the portfolio's yield.

Income will be a large part of the return stream generated from the Real Estate portfolio. The role of this portfolio is to provide diversification benefits, some protection against unanticipated inflation, and a steady income stream. Higher risk Opportunistic/Development real estate strategies will reside in the Private Real Assets composite due to their higher-risk, longer time horizon, and the less liquid nature of the investment set compared to Core, Value-Add, and Debt strategies. The sub-allocation targets and target ranges are summarized below:

Real Estate Strategy	Target Allocation	Range
Core Real Estate	60%	50 - 70%
Value-Add Real Estate	20%	0 - 30%
Real Estate Debt	20%	0 - 30%

**Private Real Assets:** Private Real Assets are expected to provide attractive total and risk-adjusted returns that exhibit low correlations with traditional asset classes but positive correlation with inflation. Private Real Assets will be composed of two sub-categories: 1) Infrastructure (Core and Value-Add, Secondary, Midstream Energy, and Power), and 2) Natural Resources (Energy Exploration & Production, Mining, Farmland, Timber, and Water). These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation targets and target ranges are summarized below:

Sub-Category	Target Allocation	Range
Infrastructure	75%	+/- 25%
Natural Resources	25%	+/- 25%

The responsibility for Private Real Asset sourcing is delegated to SamCERA's investment consultant.

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**Public Real Assets:** Similar to Private Real Assets, Public Real Assets is expected to provide positive correlation to inflation, but with potentially higher beta to public equity markets. Public Real Assets may be used to fund new strategies in Private Real Assets and will be composed of four sub-categories: 1) Commodities, 2) U.S. TIPS, 3) Listed Global Natural Resources, and 4) Listed Global Infrastructure. All four sub-categories are meant to provide some protection from higher levels of unanticipated inflation while providing a diversifying return stream from that of public markets.

The sub-allocation targets and target ranges are summarized below:

Sub-Category	Target Allocation	Range
Commodities	25%	0 - 50%
U.S. TIPS	25%	0 - 50%
Listed Global Natural Resources	25%	0 – 50%
Listed Global Infrastructure	25%	0 – 50%

INFLATION HEDGE PERFORMANCE OBJECTIVE:

The performance objective of the Inflation Hedge Composite is to outperform, on a net-of-fee basis, a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for three composite sub-asset classes (which results in the following weights: 53% NCREIF ODCE, 29% Custom Private Real Asset Index, and 18% Custom Public Real Asset Index).

INFLATION HEDGE RISK EXPOSURES AND RISK MITIGATION:

**Real Estate:** Many real estate funds utilize leverage to enhance returns. Lack of liquidity is also a concern, but less so for core real estate and senior debt investments. Value-add, mezzanine debt, and opportunistic strategies also tend to have more exposure to general economic conditions than core properties.

These risks will be mitigated in a number of ways. First, the primary emphasis of SamCERA's real estate program will be focused on Core properties, with a secondary emphasis to Value-Add properties and Debt strategies. Opportunistic-oriented strategies will reside in our Private Real Assets portfolio due to their higher risk profile. ~~In addition, SamCERA's core real estate fund has a leverage limit of 35%, and SamCERA also sits on the Fund's Advisory Committee.~~

**Private Real Assets:** By their nature, Private Real Assets are generally illiquid in that the life of these fund investments can be as long as ten to twelve years. SamCERA recognizes that this illiquidity is a necessary characteristic (and source of return premium) for these asset classes and as such will endeavor to take this illiquidity into account at the total plan level when addressing total plan liquidity needs during strategic planning asset liability studies. Leverage can be employed by alternative managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through partnership selection and portfolio construction and diversification.

INFLATION HEDGE ASSET CLASSES	BENCHMARK INDEX
INFLATION HEDGE ASSETS	CUSTOMIZED BENCHMARK PORTFOLIO
REAL ESTATE	NCREIF ODCE
PRIVATE REAL ASSETS	CUSTOM PRIVATE REAL ASSET INDEX
PUBLIC REAL ASSETS	CUSTOM PUBLIC REAL ASSET INDEX

## 12.0 LIQUIDITY INVESTMENT POLICIES

### LIQUIDITY ASSETS OVERVIEW:

Assets classified in the Liquidity category include 1) Cash Flow-Matched Liquidity, and 2) Cash & Cash Overlay.

The Cash Flow-Matched Liquidity category consists of both our Cash Flow-Matched Liquidity account and our County Treasury Pool. The Cash Flow-Matched Liquidity account consists mainly of investment grade, shorter-term government and credit securities with a liquidity profile that matches the near three-year benefit payment schedule to satisfy benefit payment obligations. The County Treasury Pool consists of shorter-term fixed income and cash equivalent investments.

On an annual basis, cash projections of expected contributions and plan benefit payments will be updated by our actuary, and an assessment by the Board will be made as to whether to replenish the Cash Flow-Matched Liquidity account at that time. Given the that benefit payments are paid monthly, the Cash Flow-Matched Liquidity account will be drawn down monthly as well. Assuming annual replenishment, the balance in the Cash Flow-Matched Liquidity account is expected to fluctuate between 24 and ~~36~~ 48 months. It is anticipated that SamCERA will maintain a minimum of 12 months balance.

Cash & Cash Overlay investments will be used for satisfying miscellaneous liquidity needs, including capital calls, expenses, and other unforeseen needs, and also supporting the derivatives positions in our cash overlay and currency hedge overlay account.

### LIQUIDITY ASSETS PERFORMANCE OBJECTIVE:

The performance objective of the Liquidity Assets Composite is to meet the plan’s liquidity needs.

LIQUIDITY ASSETS RISK EXPOSURES AND RISK MITIGATION:

The primary risk in the Cash Flow-Matched Liquidity account component is credit risk. The portfolio is structured to be primarily a buy and maintain strategy using cash flows from coupons and principal maturities to line up with benefit payments. The biggest risk to the strategy is risk of default.

LIQUIDITY ASSET CLASSES	BENCHMARK INDEX
LIQUIDITY ASSETS	CUSTOMIZED BENCHMARK PORTFOLIO
<b>Liquidity</b>	
Cash Flow-Matched Liquidity	BC 1-3 Year Gov’t/Credit Index
Cash & Cash Overlay	91 Day T-Bills

**13.0 QUARTERLY INVESTMENT PERFORMANCE REPORTING**

The quarterly investment performance reports will be designed as a risk management tool and will afford the Board the opportunity to timely identify potential risk issues within the portfolio and to assess the relative performance of the investment managers.

The report will provide sufficient information to assess the following:

- A. Total and active risk assessment at total fund, composite and individual manager level.
- B. Performance attribution at total fund, composite and individual manager level.
- C. Adherence to the investment style for which the manager is retained, as measured by the quarterly risk adjusted active return (deviation of the manager's performance from the specified performance benchmark) over the last quarter, six months, one-, three-, and five-year periods, including updates from previous quarterly reports regarding adherence to the style for which the firm was retained;
- D. Ability of the active manager to demonstrate consistently positive information ratios, including updates from previous quarterly reports regarding the firm's information ratios;
- E. Quarterly, annual, three- and five-year total time-weighted returns relative to the specified performance benchmark and manager style peer group.

**14.0 ANNUAL INVESTMENT STRATEGY**

Annually, the Board/Staff shall convene an investment strategy session (typically as part of the annual retreat) with the objective of addressing strategic investment policy issues and to

deliberate any policies that could benefit the performance of the retirement Fund. The agenda for these sessions should include (but is not limited to) the following information:

- (a) Compare the Fund's actual investment performance for the prior fiscal year against the investment objectives set forth in Section 3.0 and evaluate the relative success or failure of the prior year's performance; specific commentary to this objective shall be an integral part of the performance measurement process.
- (b) Compare each investment manager's investment performance for the prior fiscal year against the relevant benchmarks and peer groups and evaluate the relative success or failure of their prior year's performance.
- (c) Evaluate and review the total Fund performance attribution and contribution to return at the composite level to isolate performance drivers.
- (d) Evaluate and review the various risk exposures of the plan versus appropriate policy limits and on-going trends through time.
- (e) Evaluate and review the portfolio rebalancing activity for the year.
- (f) Evaluate the Fund's liquidity requirements for the current and next fiscal years.
- (g) Compare each investment manager's fees to their respective peer universe.

#### **15.0 PROXY VOTING**

The Investment Managers are delegated authority for the voting of proxies, subject to the following guidelines:

- A. All proxies shall be voted in the best interest of the shareholders, but in no instance shall the economic interests of the retirement Fund be subordinated to any other interest.
- B. Investment managers shall provide staff with quarterly reports on all proxies cast, in a mutually acceptable format.

#### **16.0 SECURITIES LENDING**

- A. Pursuant to Section 2.0 (A), the Custodian shall manage a securities lending program to enhance income in accordance with the terms and conditions set forth in a mutually acceptable securities lending agreement and guaranty.
- B. The Board reserves exclusive authority to approve the securities lending agreement prior to the commencement of securities lending activity.
- C. Unless otherwise specified in the agreement(s):
  - (i) All loans shall be marked-to-market daily.
  - (ii) Collateral on each loan shall be maintained daily at 102% of loan value for domestic securities and 105% of loan value for international securities.

- (iii) Acceptable collateral shall be in the form of cash or obligations issued or guaranteed by the U.S. Government, or its agencies or instrumentalities.
  - (iv) Borrower must have a long-term credit rating of either "A" from S&P or "A2" from Moody's. For split rated borrowers, the higher rating shall prevail if not the same rating, with the lower rating having a minimum long-term credit rating of either "A-" from S&P or "A3" from Moody's.
  - (v) The maximum allowable amount of assets on loan to any single borrower shall not be greater than \$3 million.
  - (vi) The maximum total amount of program assets on loan shall not be greater than \$10 million.
- D. The Chief Investment Officer shall be responsible for monitoring the securities lending program and recommending changes as appropriate.

**APPENDIX A**

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Investment Committee Charter as Amended**  
RESOLUTION 99-00-09

*This Resolution, adopted by the Board of Retirement (Board) of the San Mateo County Employees' Retirement Association (SamCERA), sets forth the Charter for the Board's Investment Committee.*

**WHEREAS**, Article XVI, §17 of the Constitution of the State of California as amended in 1992 to read, in pertinent part, as follows:

*Notwithstanding any other provisions of law or this Constitution to the contrary, the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system, subject to all of the following:*

*(a) The retirement board ... shall have the sole and exclusive fiduciary responsibility over the assets of the ... system. The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets ... are trust funds and shall be held for the exclusive purposes of providing benefits to participants ... and their beneficiaries and defraying reasonable expenses of administering the system.*



(b) *The members of the retirement board ... shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.*

(c) *The members of the retirement board ... shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.*

(d) *The members of the retirement board...shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.*

(e) *The retirement board..., consistent with the exclusive fiduciary responsibilities vested in it, shall have the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the... system. &*

**WHEREAS**, California Government Code §31595 states, as follows:

*The Board has exclusive control of the investment of the employees retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the Board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board...; &*

**WHEREAS**, *The Board of Retirement*, wishes to exercise these powers as follows:

**EXERCISE OF POWERS:** *The Board shall exercise its investment, management and administrative authority and responsibility through the approval of motions recorded in public meeting &*

**WHEREAS**, the Board has adopted SamCERA's Investment Policy and amendments thereto to direct the investments of the Retirement Fund and now wishes to establish an Investment Committee to guide the future evolution of SamCERA's Investment Policy. Therefore, be it

**RESOLVED** that the Board hereby establishes a standing Investment Committee to direct the Board in its ongoing evaluation of SamCERA's Investment Policy, including but not limited to

- 1.0 CONDUCT ASSET ALLOCATION STUDIES
  - 1.1 Determine the characteristics of the Policy's liabilities in regards to the nature of Fund's cash flows
- 2.0 DEVELOP ASSET MIX ALTERNATIVES TO MEET LIABILITY REQUIREMENTS
  - 2.1 Establish allowable asset classes
  - 2.2 Determine asset class benchmarks

- 2.3 Develop risk, return & correlation projections
- 3.0 EVALUATE EFFICIENT FRONTIER ALTERNATIVES
  - 3.1 Define risk, return and correlation
  - 3.2 Evaluate mean variance optimization
  - 3.3 Determine low risk alternatives and high risk alternatives
  - 3.4 Scale portfolios between two extremes
  - 3.5 Evaluate optimized efficient frontier
  - 3.6 Integrate optimized efficient frontier with asset-liability relationships
- 4.0 ANALYZE BOARD RISK TOLERANCE
  - 4.1 Assess risk/reward trade-offs
  - 4.2 Assess contribution rate sensitivity & variability
  - 4.3 Assess ability to exceed actuarial interest rate
  - 4.4 Assess comfort level with characteristics of specific asset mixes
- 5.0 RECOMMEND PREFERRED ASSET MIX
  - 5.1 Evaluate differences from current target
  - 5.2 Evaluate Board's willingness to implement new target asset mix
  - 5.3 Evaluate appropriateness of variance from peer public fund norms
- 6.0 RECOMMEND AMENDMENTS TO SAMCERA'S INVESTMENT POLICY
  - 6.1 Adjust target asset mix
  - 6.2 Introduce new benchmarks
  - 6.3 Include required asset class/portfolio modifications
- 7.0 RECOMMEND REVISIONS TO MANAGER STRUCTURE
  - 7.1 Adjust manager/style line-up as necessary
  - 7.2 Introduce new managers/asset classes
  - 7.3 Terminate managers/asset classes as necessary
  - 7.4 Establish active & passive allocation targets as appropriate
- 8.0 IMPLEMENT CHANGES TO MANAGER STRUCTURE
  - 8.1 Recommend time-line & approach to revise structure
  - 8.2 Conduct manager evaluations
  - 8.3 Establish portfolio and asset allocation rebalancing procedures
- 9.0 EVALUATE MANAGER PERFORMANCE
  - 9.1 Monitor results of managers both gross and net of investment management fees
  - 9.2 Assess consistency of portfolio decision making
  - 9.3 Evaluate organizational, ownership, personnel & other firm developments
- 10.0 RECOMMEND AND EVALUATE INVESTMENT CONSULTANT STRUCTURE & PERFORMANCE
  - 10.1 Recommend for Board determination the retention and termination of Investment Consultant(s) as necessary
  - 10.2 Define and assign special projects as warranted
  - 10.3 Monitor performance of Investment Consultant(s)
  - 10.4 Conduct evaluations of Investment Consultant(s)
  - 10.5 Evaluate organizational, ownership, personnel and other firm developments
- 11.0 INITIATE & EVALUATE SPECIAL INVESTMENT STUDIES
- 12.0 UNDERTAKE OTHER WORK ASSIGNED TO IT BY THE BOARD Be it further

**RESOLVED** that the Chair may appoint the members of the Investment Committee per Regulation 2.5.1.  
Be it further

**RESOLVED** that the Chief Executive Officer is hereby instructed to provide the Committee with access to all appropriate and available resources and records, so long as such access is consistent with sound fiduciary practices. Be it further

**RESOLVED** that the Chief Executive Officer is hereby authorized to provide compensation of \$100 per meeting for not more than two meetings per month to the members of the Committee eligible for such compensation, per GC§31521. Be it further

**RESOLVED** that the Board hereby reserves to itself sole authority to accept, modify, or reject the recommendations, which the Investment Committee may present from time to time pursuant to the provisions of this Resolution, per Regulation 2.3.

ADOPTED by unanimous vote, January 25, 2000

AMMENDED by unanimous vote, May 22, 2001

AMMENDED by unanimous vote, October 25, 2004

## **APPENDIX B**

### **Derivatives Investment Policy**

#### **1) Introduction**

There is a genuine need to allow SamCERA's separate account managers to evaluate new securities and introduce them into their portfolios, given that the investment process followed by the investment managers complies with the subsequent provisions of this policy statement. This policy statement allows SamCERA's separate account Managers to exercise reasonable investment freedom, while minimizing the possibility of adverse implications for the Board.

#### **2) Derivative Definition**

A 'derivative' commonly is defined as a financial instrument whose performance is derived, at least in part, from the performance of an underlying asset (such as a security or an index of securities).

#### **3) Types of Securities Included or Excluded**

Since the derivative sector of the market is likely to experience considerable change, provisions must be made for the general characteristics of a derivative security, its evaluation and monitoring. Therefore, it is most appropriate to not attempt to definitively list all of the derivative securities that are covered by this policy. Instead, what will be explicitly stated is the investment process that governs derivative investments and the evaluation and monitoring requirements of this policy.

#### **4) Approach to Policy**

An approach has been developed which states allowable derivative investments, limited allocation derivative investments and restricted derivative investments.

Derivative securities not specified in the above three groups of securities must be evaluated in accordance with the following section entitled Derivative Investment Process. If the security meets these provisions and the spirit of these policies, the manager may establish a prudent position in the instrument. However, the manager must be able to demonstrate the appropriateness of such an investment in light of SamCERA's guidelines.

#### **5) Counter-Party Evaluation**

When entering into a non-exchange traded derivative investment, the investment manager must fully evaluate the other side of the derivative transaction—the counter-parties to the trade. Due to the possibility of counter-party default, SamCERA's investment managers must evaluate the risks associated with the counter-party as if an investment were being made in the traditional securities issued by the counter-party.

At a minimum, the investment manager must evaluate the counter-party's following criteria:

- a) Corporate earnings stream
- b) Corporate asset quality
- c) Capitalization
- d) Corporate liquidity
- e) Moody's and Standard & Poor's debt ratings
- f) Other fundamental investment and risk characteristics

For those counter-parties that are broker/dealers, they must:

- a) Have investment grade (Moody's and S&P rated) debt
- b) Be registered with the SEC
- c) Have significant net capital to protect against potential adverse market circumstances

For those counter-parties that are financial institutions (banks), they must have:

- a) Investment grade (Moody's and S&P rated) debt
- b) Total assets in excess of \$1 billion
- c) Significant net capital to protect against potential adverse market circumstances

The investment manager must monitor individual investment and total portfolio exposure to counter-parties. Individual counter-party exposure must be well diversified and not concentrated in a small number of organizations.

#### **6) Purposes for Derivatives**

The acceptable investment purposes for the use of derivatives are as follows:

- a. Appropriate to use futures, options and forward currency contracts to assist investment managers in mitigating portfolio risk.
- b. Useful substitute for an existing, traditional investment. In certain circumstances it may be cheaper, quicker or easier to invest in a derivative instrument or security rather than transacting in the cash or traditional security market.
- c. Provides investment value to the portfolio, while being consistent with SamCERA's overall and specific investment policies.
- d. Obtains investment exposure that is appropriate with the manager's investment strategy and SamCERA's investment guidelines, but could not be made through traditional investment securities.

Given that one or more of these investment purposes are clearly met, it is the responsibility of the investment manager to explain and demonstrate how derivative investments impact portfolio risk and the context of the investment within the overall portfolio.

Any other derivative investment purpose is not allowed. Derivatives may not be introduced into the portfolio to create economic leverage or to create investment exposures that are otherwise excluded by SamCERA's Investment Policy. However, if a manager develops an investment purpose other than those listed above which he/she feels is legitimate and consistent with the spirit of SamCERA's guidelines, this purpose should be proposed in writing to the Board.

#### **7) Investment Restrictions and Derivatives Policy**

For the purpose of these guidelines, convertible debt, traditional zero coupon bonds, mortgage pass-through securities and asset-backed securities are not viewed as derivatives. Based upon the factors enumerated in the above Section 4 entitled Approach to Policy, the following guidelines have been established:

**Allowable derivative investments**

- a. Stable and well-structured mortgage CMO's (Collateralized Mortgage Obligations)
- b. Financial futures (if Exchange Traded)
- c. Currency forward contracts and currency options (Exchange and OTC traded)
- d. Interest rate swaps

**Derivative investments with allocation limits**

- a. Interest only mortgage CMO's
- b. Principal only mortgage CMO's
- c. Options (if Exchange Traded)
- d. Caps and floors as they apply to the above stated allowable derivative investments
- e. Credit Default Swaps (CDS)

Derivative investments with allocation limits, as listed above, may not represent more than 5% of the individual portfolio manager's assets (based on market value) managed for SamCERA. At the same time, derivative investments with allocation limits in aggregate may not expose the individual manager's portfolio to losses in excess of 5% of the manager's total assets managed for SamCERA. In addition, the use of options, caps and floors, and CDS may be used only for defensive investment purposes.

Managers investing in the above-defined limited allocation derivative instruments should ensure that portfolio exposure is maintained within the stated constraints, and communicate the assumptions and model used to estimate VAR (Value at Risk) and/or other reasonable risk measurement procedures annually to the Boards.

**Restricted derivative investments**

- a. Inverse floating rate notes and bonds
- b. Structured notes

Restricted derivatives cannot be held in SamCERA's separate account portfolios at any time.

**8) Risk Analysis and Monitoring of Derivatives**

For those securities that are classified as derivative investments with allocation limits, the investment managers are required to test and measure derivative investment sensitivities to changes in key risk factors. These risk factors include extreme changes in interest rates, volatility, liquidity, credit quality, and cash market prices.

These risk factors will be assessed prior to initial investment and on a quarterly basis. Results of such risk testing on derivative investments with allocation limits will be supplied to SamCERA on an annual basis (December 31). If the investment manager identifies additional risks that should be evaluated, these other risk factors should be added to the list and handled in a manner consistent with the previously stated approach.

**9) Derivative Investment Process**

Investment managers are expected to cover the following issues before purchasing a derivative instrument or security, whether specifically stated as an allowable derivative investment, a derivative investment with

allocation limits, or a derivative not specifically discussed in the Investment Restrictions and Derivatives Policy section above:

- a. Determine if the purpose for investing in a derivative security is consistent with one or more of the purposes in the previous section entitled Purposes for Derivatives.
- b. Determine where the security fits into the classification system, if at all, stated in the Investment Restrictions and Derivatives Policy.
- c. Evaluate, at a minimum, the counter-party risk and the risks stated in the Risk Analysis and Monitoring section of the derivatives policy.
- d. Evaluate the derivative in a comparably thorough manner as the firm would any other traditional investment opportunity.

#### **10) Reporting Requirements**

It is the responsibility of SamCERA's investment managers to certify and demonstrate that their portfolios are in compliance with SamCERA's overall guidelines as well as those that apply to derivative investments. On an annual basis (December 31), SamCERA's investment managers will provide the following minimum monitoring information on all derivative securities:

- a. A general statement from the investment manager that its portfolio is in compliance with this Derivatives Policy.
- b. When stating the market value of the derivative exposure, the manager will specify the security pricing sources. The pricing source must be exchange-listed.
- c. A statement of the risks (credit risk—an evaluation of potential counter-party default on obligations, market risk—percent of portfolio invested in derivatives, and any other relevant risks) associated with the derivative investments.
- d. Potential adverse impact on market values if extreme adverse market movements occur.
- e. A statement regarding the liquidity of the derivative investments.
- f. Summary comments and the firm's list of approved counter-parties, ratings, and a statement regarding any changes to this list.
- g. An overall statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

## **Appendix C**

### **DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS, AND CAMPAIGN CONTRIBUTIONS**

*This amended policy is effective immediately upon its adoption. This policy is intended to supplement any applicable provisions of state or federal law, which shall govern in the event of any inconsistency.*

#### **I. PURPOSE**

This Policy is adopted pursuant to the requirements set forth in Government Code Section 7513.85 to help ensure that San Mateo County Employees' Retirement Association's (SamCERA's) investment decisions are made solely on the merits of the investment opportunity. This Policy requires broad, timely, and updated disclosure of all Placement Agents, as well as their relationships, compensation, and fees. All capitalized terms used herein shall be defined as set forth in California Government Code section 7513.8.

#### **II. APPLICATION**

This Policy applies broadly to every type of SamCERA investment manager including, but not limited to, general partners, sponsors of hedge funds, private equity funds, real estate funds, and infrastructure funds, as well as public market investment managers.

This Policy, as last amended, applies to all agreements with External Managers that are:

- (1) Entered into after the date this Policy, as last amended, is adopted; or
- (2) Amended to extend the term of the agreement or the investment period, increase the commitment of funds by SamCERA, or otherwise change the agreement's substantive term, including increasing or accelerating the fees or compensation payable to the External Manager, to the extent such amendments to the agreement (referred to hereafter as "Amendment") are executed subsequent to the adoption of amendments to this Policy. In the case of an Amendment, the disclosure provisions of this Policy shall apply to the Amendment and not to the original agreement.

#### **III. RESPONSIBILITIES**

##### **A. The Board is responsible for:**

1. Only entering into agreements with External Managers which agree in writing to comply with this policy.
2. Not entering into any agreements with External Managers that have violated this policy within the previous five years. However, this prohibition may be reduced by a majority vote of the Board at a public session upon a showing of good cause.



**B. Each External Manager is responsible for:**

1. Executing an agreement requiring that the External Manager comply with this policy.
2. Providing the following information to SamCERA Investment Staff within 45 days of the date that investment discussions are initiated with the External Manager, and, in any event, prior to the completion of due diligence. In the case of Amendments, an updated Placement Agent Information Disclosure is required prior to execution of the Amendment.
  - a. Disclosure of payments or compensation by the External Manager or any of its principals, employees, agents, or affiliates, directly or indirectly, to any person or entity to act as a Placement Agent in connection with SamCERA investments.
  - b. A resume for each officer, partner, and principal of the Placement Agent detailing their education, professional designations, regulatory licenses, and investment and work experience. If any such person is a current or former SamCERA Board Member, employee, or Consultant, or a member of the immediate family of any such person, this fact shall be specifically noted.
  - c. A description of any and all compensation of any kind provided, or agreed to be provided, to a Placement Agent, including the nature, timing, and value thereof. Compensation to Placement Agents includes, but is not limited to, compensation from the External Manager to third parties as well as the External Manager's own employees who solicit or market investments to SamCERA, or who are paid based upon investment commitments secured by such employees.
  - d. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only with a subset of the External Manager's prospective clients.
  - e. A written copy of any and all agreements between the External Manager and the Placement Agent.
  - f. A statement whether the Placement Agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration or explanation as to why no registration is required.
  - g. A statement whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with any state or national government.
  - h. The names of any current or former SamCERA Board Members, employees, or Consultants who suggested the retention of the Placement Agent.

3. Providing an update of any changes to any of the information provided pursuant to Section B.2 above within 30 calendar days of the date that the External Manager knew or should have known of the change in information.
4. Representing and warranting the accuracy of the information described in Section B.2 above.
5. Causing its engaged Placement Agent to disclose, prior to acting as a Placement Agent to SamCERA:
  - a. All campaign contributions made by the Placement Agent to any publicly elected SamCERA Board Member during the prior 24~~2~~ month period. Additionally, any subsequent campaign contribution(s) made by the Placement Agent to any publicly elected SamCERA Board Member during the time the Placement Agent is receiving compensation in connection with a SamCERA investment shall also be disclosed.
  - b. All gifts, as defined in Government Code Section 82028, given by the Placement Agent to any SamCERA Board Member during the prior 24~~2~~ month period. Additionally, any subsequent gift(s) made by the Placement Agent to any SamCERA Board Member during the time the Placement Agent is receiving compensation in connection with a SamCERA investment shall also be disclosed.
6. Acknowledging and agreeing that SamCERA reserves the right to deem any failure by a Placement Agent to disclose the information required by Sections B.5(a) and B.5(b) as a material breach of the External Manager's agreement with SamCERA.

**C. SamCERA Investment Staff ("Staff") are responsible for:**

1. Providing External Managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or engagement.
2. Confirming, within 45 days of the time the execution of the investment contract or Amendment, that the information in Section B above has been received from the External Manager.
3. Securing the agreement of each External Manager in any contract or Amendment that is entered into after the date this Policy (as last amended) is adopted, that, in the event that there was or is an intentional material omission or inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy, SamCERA reserves the right to reimbursement of any management or advisory fees paid by SamCERA from the date of violation to the date of the imposition of the fees.

4. Prohibiting any External Manager or Placement Agent from soliciting new investments from SamCERA for five years after they have committed a material violation of this Policy; provided, however, that SamCERA's Board, by majority vote at a noticed, public meeting, may reduce this prohibition upon a showing of good cause.
5. Providing the Board with Placement Agent information relating to each investment at the time the investment is brought to the Board for its decision.
6. Maintaining Placement Agent Information Disclosures as a public record and reporting to the Board any a material violation of this Policy.

**Adopted December 14, 2010**  
**Amended October 25, 2011**  
**Amended March 28, 2017**  
**Amended April 25, 2023**

**DEFINITIONS:**

*The following definitions are excerpted from California Government Code section 7513.8 and are current as of March 28, 2017. Should the legislature subsequently amend the definitions below, the definition of these terms as amended shall supersede the definitions contained in this policy.*

**"External Manager"** means either of the following: (1) a Person who is seeking to be, or is, retained by a board or an Investment Vehicle to manage a portfolio of securities or other assets for compensation; (2) a Person who manages an Investment Fund and who offers or sells, or has offered or sold, an ownership interest in the Investment Fund to a board or an Investment Vehicle. (All code section references are to the Government Code, unless otherwise noted.)

**"Person"** means an individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.

**"Investment Vehicle"** means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either domestic or foreign, managed by an External Manager in which a board is the majority investor and that is organized in order to invest with, or retain the investment management services of, other External Managers.

**"Investment Fund"** means a private equity fund, public equity fund, venture capital fund, hedge fund, fixed income fund, real estate fund, infrastructure fund, or similar pooled investment entity that is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, owning, holding, or trading securities or other assets. Notwithstanding the preceding sentence, an investment company that is registered with the

Securities and Exchange Commission pursuant to the Investment Company Act of 1940 (15 U.S.C. Sec. 8a-1 et seq.) and that makes a public offering of its securities is not an Investment Fund.

**“Placement Agent”** means any Person directly or indirectly hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager or an Investment Fund managed by an External Manager, and who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker or other intermediary in connection with the offer or sale to a board or an Investment Vehicle either of the following: in the case of an External Manager as defined in subpart (1) of the definition of an External Manager, the investment management services of the External Manager; in the case of an External Manager as defined in subpart (2) of the definition of an External Manager, an ownership interest in an Investment Fund managed by the External Manager. Notwithstanding the preceding sentence, an individual who is an employee, officer, director, equityholder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.



# **SamCERA's Investment Policy Statement**

**Latest Revision March 2024**

## **1.0 ESTABLISHMENT OF INVESTMENT POLICY**

The Board of Retirement (the “Board”), having exclusive authority and exclusive fiduciary responsibility for the investment and administration of the Trust Fund (the “Fund”), hereby establishes the following Investment Policy (the “Policy”) for the investment of the San Mateo County Employees’ Retirement Association (“SamCERA”) assets. The Board reserves the right to amend, supplement or rescind this Policy at any time.

The purpose of this Policy is to assist SamCERA in effectively supervising its investments in order to meet the requirements of the California Constitution, the County Employees Retirement Law of 1937 (“the 1937 Act”), the Mission and Goals of SamCERA and other requirements, and to encourage effective communication between SamCERA and its investment managers (the “Manager(s)”) and investment consultants (the “Consultant(s)”).

### **A. GOVERNING DOCUMENTS FOR THE INVESTMENTS OF THE FUND.**

The powers and duties of the Board are set forth in the 1937 Act and in Article XVI of the State Constitution. They are further defined by the Mission and Goals adopted by the Board.

SamCERA was created by San Mateo County Ordinance No. 564 adopted by the Board of Supervisors, effective July 1, 1944. This ordinance established the retirement system in accordance with the provisions of California's County Employees' Retirement Law of 1937.

#### **Constitution of the State of California**

Article XVI, Section 17, relates to the administration of the system and investment of the Fund assets. It reads in pertinent part:

“(a)...The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.

“(b) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.

“(c) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

“(d) The members of the retirement board of a public pension or retirement system shall diversify the investments of the system so as to minimize the risk of loss and to

maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.”

### **The 1937 Act**

The 1937 Act contains language similar to that in the State Constitution regarding the investments of the Fund:

Government Code section 31595.

“The board has exclusive control of the investment of the employees retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the board.

The board and its officers and employees shall discharge their duties with respect to the system: (a) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.

(b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(c) Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

### **SamCERA’s Mission and Goals**

The Board has adopted a Mission and Goals statement. The Mission summarizes SamCERA’s reason to exist.

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

The Mission is further defined by three goals. One goal speaks to the management of the assets of the Fund. This asset management goal reads:

“Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system, to ensure the ability to pay all earned benefits while minimizing the costs to employers.”

In recognition of the requirements of the California Constitution, the 1937 Act, the SamCERA Mission and Goals and other legal requirements, the SamCERA Board has established this Investment Policy.

## **2.0 MANAGEMENT OF THE FUND**

### **A. ROLES AND PRINCIPAL DUTIES**

The Fund investments shall be prudently planned, implemented, managed, and monitored by the Board. Investment Staff (the “Staff”), Investment Consultant (the “Consultant”), Custodian Bank (the “Custodian”), and Investment Managers (the “Managers”) shall support the Board in this activity. The roles are set forth below:

1. The Board establishes and maintains the investment policy, including: investment philosophy, investment objectives, strategic asset allocation, allocation-level performance benchmarks, and risk philosophy. The Board makes investment and monitoring decisions based upon the recommendations of Staff, Consultants, and other service providers engaged by the Board. The Board reviews and monitors all investments, as well as the policies, guidelines and procedures required to prudently administer the Fund and to effectively mitigate risk to the Fund. From time to time, the Board will utilize its Investment Committee to assist the Board in these activities and related specified tasks.
2. Staff oversees the Fund’s investment program activities, implements the Board’s decisions, manages the existing fund investments, and makes recommendations to the Board regarding Fund management, including investment-related policies and procedures. Staff makes recommendations regarding the selection of the Consultant, Managers, Custodian as set forth below and monitors the performance and compliance of these and other investment related service providers.
3. The Consultant reviews, analyzes and evaluates the Fund’s effectiveness and efficiency and makes fund management related recommendations. Consultant assists Staff in implementing the Board’s decisions and developing all investment-related policies. Consultant’s responsibilities are detailed in the service agreement between SamCERA and Consultant.
4. The Custodian provides custody of SamCERA’s investment assets. In addition, the Custodian manages the securities lending program. The Custodian’s responsibilities are detailed in the service agreement between SamCERA and Custodian.
5. The Managers manage their mandated allocations in accordance with all applicable laws, Board-established policies, guidelines and procedures, as well as specific investment guidelines. For separately managed accounts, managers’ responsibilities are detailed in the Investment Management Agreements (IMA) between SamCERA and each Manager. For commingled funds, managers’ responsibilities are detailed in the related Fund documents.



## **B. INVESTMENT PORTFOLIO MANAGEMENT**

The Board, with the assistance of Staff and Consultant, select and monitor Managers to manage the assets of the Fund.

### **1. Hiring New Managers**

For public markets manager searches (i.e. non private equity and private real assets), Staff will inform the Board about the search process, including scope of the mandate, and the investment style, benchmark, and the minimum qualifications for candidates. Staff will update the Board on the short list of potential managers. Consultant and Staff will perform due diligence activities deemed applicable by the Chief Investment Officer, which may include analysis of performance records, meetings, due diligence questionnaires, interviews, and on-site visits. Upon completion of such due diligence, Staff and Consultant will bring a finalist to the Board for approval. The recommendation shall provide the Board with a summary description of the conducted due diligence activities.

For private markets, the Consultant, with Staff input, sources managers that can best fit the desired mandate consistent with the annual pacing study and applicable investment policy. Consultant and Staff will bring potential private markets opportunities to the Board for approval. An exception to this policy is when a decision for a private market investment must be made prior to the date of the next regularly scheduled Board meeting. In these instances, and for investments of \$35 million or less, the Chief Executive Officer is authorized to make an investment-related decision after consulting with the Board Chair, or if the Chair is not available, the Vice Chair, one member of the Investment Committee, the Board's Investment Consultant, staff and legal counsel as long as such decision is in the best interest of the fund and consistent with applicable Board policy. Any action under this authorization will be reported to the Board at a subsequent regularly scheduled meeting.

### **2. Managing and Monitoring Existing Managers**

The Board monitors the individual investment managers on a continuous basis through information provided by Staff, the Consultant, the Managers, and other investment service providers. Monthly, the Chief Investment Officer will present a preliminary performance report to the Board that is meant to provide a high-level summary of how the fund and each monthly-valued manager is performing. In addition, for SamCERA's separate accounts, Staff receives holdings and attribution reports from each separate account Manager on a monthly basis. For commingled funds, staff receives from the Manager either monthly or quarterly portfolio performance, attribution, exposure, and commentary reports.

Quarterly, the Consultant, with assistance from the Chief Investment Officer, will present an investment performance report to the Board, as specified in Section 13.0 (Quarterly Investment

Performance Reporting) in the Investment Policy. This report provides a more detailed performance attribution for the total plan and individual Managers, and helps to identify any short-term outlier deviations from expectations.

Semi-annually (month-end June and December of each year), every public markets (i.e. not private equity or private real asset) Manager completes a compliance statement identifying any significant firm, regulatory, and portfolio issues. In addition, semi-annually as of June and December of each year, Consultant will present performance reports for both the Private Equity and Private Real Assets programs that summarize each program and shows total program performance and program diversification by strategy, geography, industry, and vintage year.

Annually, Staff and Consultant will convene an investment strategy session, as specified in Section 14.0 (Annual Investment Strategy) in the Investment Policy, to allow a longer-term assessment of the Managers and the total fund performance. Lastly, all public markets Managers are interviewed annually by Staff and Consultant, and must complete a due diligence questionnaire.

During these presentations at SamCERA, Managers will provide an update on the Manager's organization and business plan, any changes to the investment process, and a summary of investment performance. Staff and Consultant report to the Board following these meetings.

After the Board approves an initial investment to be held in a separate account or open-end evergreen commingled fund, staff will be responsible for managing that allocation, including initiating any adjustments to that allocation amount, consistent with the allocation ranges outlined in Section 6.0. For those investments held in closed-end (or non-perpetual life) commingled funds (e.g. private equity, private real assets, private credit, value-add real estate), staff will seek Board approval for any additional allocation to those funds, including re-up commitments, unless the timing of the decision is subject to the policy exception set forth in paragraph 1.

### **3. Terminating Existing Managers**

The Board recognizes investments may need to be adjusted or removed from the Fund from time to time for a variety of reasons, including organization changes at the Manager, changes in Manager style, underperformance relative to expectations, and the Managers' strategy is no longer appropriate for the fund. The Board determines if a Manager should be terminated after receiving input and or recommendations from Staff and Consultant.

In situations in which developments give immediate concern that an investment with a Manager is no longer prudent for the investment program and a termination or other related investment decision should be made prior to the next regularly scheduled Board meeting, the Chief Executive Officer is authorized to terminate the Manager and or move Fund assets after consulting with the Board Chair (or Vice Chair or Secretary based on availability, in that order) and one member

of the Investment Committee. Situations causing an immediate concern, include, but are not limited to, when: (1) the firm suffers the resignation or other loss of its key portfolio managers on the strategy, (2) the firm dissolves, ceases to exist, or is otherwise incapable of carrying out its activities in the ordinary course of its business, (3) the firm is actually or effectively shut down by a regulatory agency or is accused of theft or fraud or other serious malfeasance by a regulatory agency, or (4) the fund's investment is in jeopardy of material loss. The Board will be promptly notified of the determination by the Chief Executive Officer.

### **3.0 INVESTMENT OBJECTIVES**

The Board shall develop an investment program, consistent with the Investment Beliefs and General Investment Policies as stipulated in Sections 4.0 and 5.0, respectively, to meet the primary goal of ensuring liquidity is available to provide for the required monthly benefit payments in a timely manner. In addition, the following secondary objectives will be considered:

- A. Generate risk-adjusted returns that exceed the Asset Allocation Policy Benchmark (as defined in Section 6.0) on a net-of-fee basis over five-year rolling periods.
- B. Achieve long-term real growth while minimizing the funded status volatility.
- C. Provide a more consistent return stream than a traditional 60% Equity / 40% Fixed Income portfolio as measured by lower portfolio drawdowns over a full market cycle.

### **4.0 INVESTMENT BELIEFS**

The following section summarizes the Board's investment beliefs that have guided it in the development of this Policy document and will guide it in the oversight of the Plan assets.

- Strategic asset allocation is the primary driver of portfolio risk and return.
- SamCERA should have a long-term horizon and not be tempted to deviate from its long-term plan in response to short-term volatility.
- Everything else being equal, simplicity is preferred over complexity.
- For those asset classes evidencing market efficiencies, the manager structure may favor the employment of passive strategies.
- Focus on income and capital appreciation should be balanced and not overly dependent on one or the other.
- Diversification is fundamental.
- There is no single definition of risk. There are various measures of 'risk' that can be used for various purposes.
- The portfolio should be diversified across many risk dimensions/timeframes.

- SamCERA should not pursue investments that will not adequately compensate it for the risks that those investments bring.
- Costs matter.
- Incorporating sustainability criteria into the decision-making process can positively impact long-term risk and reward characteristics of an investment.

## **5.0 GENERAL INVESTMENT POLICIES**

Consistent with the investment beliefs contained in Section 4.0, it is the investment policy of the Board to:

- A. Achieve long-term risk-adjusted returns consistent with its fiduciary duty.
- B. Pursue an investment strategy that reduces the volatility of returns through prudent diversification of the portfolio across a broad selection of distinct asset classes, as provided for in Section 6.0 of this Investment Policy.
- C. Further diversify other risks, including extreme events, liquidity, and leverage by looking beyond traditional asset class definitions by utilizing multiple lenses on portfolio risks.
- D. Adopt an asset allocation target to guide the structure of the investment portfolio, as provided for in Section 6.0, and reevaluate on an annual basis.
- E. Reevaluate the asset-liability study every three to five years.
- F. Determine whether to replenish the cash flow match account on an annual basis.
- G. Delegate to staff the management of existing investment managers, and for those strategies in separately managed accounts and evergreen (or open-end) commingled fund structures, the on-going adjustments to allocations to such managers consistent with the investment policies and investment ranges contained in Section 6.0.
- H. Delegate full discretion, including whether to include environmental, social, and governance factors, if such factors have a direct relationship to the economic and financial value of an investment, when analyzing the financial merits of competing investment choices on behalf of SamCERA, to each investment manager to the extent authorized in their Investment Management Agreement (IMA).
- I. Adopt objectives that encourage investment managers to maximize their performance, within acceptable risk parameters, relative to their individual investment style benchmark.
- J. Refrain from drastically shifting asset class allocations over short time spans, unless it is in the Fund's best interest to do so.
- K. Rebalance the portfolio in accordance with the Rebalancing Policy set forth in Section 7.0.

## **6.0 ASSET ALLOCATION & PORTFOLIO STRUCTURE**

### **A. Asset Allocation by Performance Driver**

In addition to grouping investments into traditional asset classes (Public Equity, Fixed Income, Alternative Assets, Inflation Hedge and Liquidity), SamCERA also groups its investments by the underlying performance drivers within each asset class composite. As part of this process, SamCERA classifies its portfolio into four main drivers of performance listed below.

#### **Growth**

The Growth category includes assets in which their primary driver of returns is tied to the general strength of economic output. These assets will generally do well when economic conditions are favorable, but generally struggle in times of economic weakness and recession. Assets classified in the Growth category include Public Equity (consisting of U.S. and International Equity), Private Equity within Alternatives, and Opportunistic Credit (consisting of Public Credit and Private Credit) within Fixed Income.

#### **Diversifying**

Diversifying assets provide protection from equity risk and may be characterized as being more defensive (i.e. may help provide stability when markets fall) or more absolute-return oriented (i.e. performance is not as dependent on the overall strength of equity markets). Assets classified in the Diversifying category include Defensive Fixed Income and Absolute Return within Alternatives.

#### **Inflation Hedge**

Inflation Hedge assets provide additional diversification from equity risk and provide a potential hedge against unexpected inflation. Assets classified in this category include Real Estate, Public Real Assets, and Private Real Assets.

#### **Liquidity**

The Liquidity category consists of liquid assets with the primary purposes to pre-fund net benefit payments, satisfy expense obligations in the near-term (e.g. capital calls and management fees), support the overlay and currency hedge overlay accounts, and also meet any unforeseen cash needs. Assets classified in this category include two subcategories: 1) Cash Flow-Matched Liquidity and 2) Cash & Cash Overlay. The Cash Flow-Matched Liquidity category includes our Cash Flow-Matched Liquidity account and our County Treasury Pool, which are both used for the primary purpose of pre-funding and

paying out benefit payments. SamCERA currently pre-funds up to 36 months of net benefit payments.

The Cash & Cash Overlay category includes our general cash account (used to satisfy capital calls, pay management fees, meet unforeseen cash needs, etc) and our cash overlay and currency hedge overlay account.

### Updated Asset Allocation Policy<sup>^</sup>

Performance Driver View	Target Allocation	Rebalancing Range	Traditional Asset Class View *
<b>Growth</b>	<b>59%</b>	<b>±3%</b>	
Public Equity	41%	±3%	Public Equity
Private Equity **	7%	±2%	Alternatives
Opportunistic Credit	11%	±2%	Fixed Income
Public Credit	8%	±2%	
Private Credit	3%	±2%	
<b>Diversifying</b>	<b>18.5%</b>	<b>±2%</b>	
Defensive Fixed Income	12.5%	±2%	Fixed Income
Absolute Return	6%	±2%	Alternatives
<b>Inflation Hedge</b>	<b>17%</b>	<b>±2%</b>	
Real Estate	9%	±2%	Inflation Hedge
Private Real Assets **	5%	±2%	Inflation Hedge
Public Real Assets	3%	±2%	Inflation Hedge
<b>Liquidity</b>	<b>5.5%</b>	<b>NA</b>	
Cash Flow-Matched Liquidity ***	4.5%	NA	Liquidity
Cash & Cash Overlay	1%	±2%	Liquidity

<sup>^</sup>The updated asset allocation policy was approved in the February 2023 board meeting. The long-term strategic asset allocation policy will include a 1% increase to Private Equity (funded from public equity), which will take multiple quarters to reach the target.

\* Traditional Asset Allocation: 41% Public Equity, 28% Fixed Income, 13% Alternatives, 17% Inflation Hedge, and 1% Liquidity.

\*\* Recognizing the illiquidity of the asset class, rebalancing will be considered over six- to twelve-month periods.

\*\*\* The Cash Flow-Matched Liquidity sub-category doesn't have rebalancing bands as the target will naturally fluctuate over time as payments are made from and cash is replenished in the accounts.

## B. Growth Asset Allocation

Growth assets shall be allocated to managers within the following asset/sub-asset classes:

GROWTH ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
<b>Public Equity</b>	41%	±3%
Large Capitalization Domestic	21.0%	±2%
Passive Core	14.0%	±2%
Active Core	3.0%	±2%
Active Low-Volatility Core	4.0%	±2%
Small Capitalization Domestic	2.0%	±2%
Active Core	2.0%	±2%
International	18.0%	±2%
Passive Core	9.0%	±2%
Growth	4.5%	±2%
Value	4.5%	±2%
<b>Private Equity</b>	7%	±2%
<b>Opportunistic Credit</b>	11%	±2%
<b>Total Growth Assets</b>	59%	±3%

## C. Diversifying Asset Allocation

Diversifying assets shall be allocated to managers within the following asset/sub-asset classes:

DIVERSIFYING ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
<b>Defensive Fixed Income</b>	12.5%	±2%
Core	5.5%	±2%
Core Securitized	4.0%	±2%
Long Treasury	3.0%	±2%
<b>Absolute Return</b>	6%	±2%
<b>TOTAL DIVERSIFYING ASSETS</b>	18.5%	±2%

#### D. Inflation Hedge Asset Allocation

Inflation Hedge assets shall be allocated as follows:

INFLATION HEDGE ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Real Estate	9.0%	±2%
Private Real Assets	5.0%	±2%
Public Real Assets	3.0%	±2%
<b>TOTAL INFLATION HEDGE ASSETS</b>	<b>17.0%</b>	<b>±2%</b>

#### E. Liquidity Asset Allocation

Liquidity assets shall be allocated as follows:

LIQUIDITY ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Cash Flow-Matched Liquidity	4.5%	NA
Cash & Cash Overlay	1%	±2%
<b>TOTAL LIQUIDITY</b>	<b>5.5%</b>	<b>NA</b>

#### F. Asset Allocation Policy Benchmark

The Asset Allocation Policy Benchmark defined below is derived by assigning a passive benchmark to each of the sub-asset classes referenced in Sections 6.0 (A) through 6.0 (E) and weighting each by the Target Allocation. The performance of the Asset Allocation Policy Benchmark is computed by the Plan's investment consultant.

Benchmark	Asset Allocation Policy Benchmark
<b>Growth Assets</b>	<b>59%</b>
Russell 3000 Index	23%
MSCI ACWI x US IMI Index Hedged <sup>^</sup>	18%
Russell 3000 +3% (One Quarter Lagged)	7%
Custom Opportunistic Credit Index <sup>*</sup>	11%



<b>Diversifying Assets</b>	<b>18.5%</b>
BC Aggregate Index	9.5%
BC Long Treasury Index	3%
SOFR + 4%	6%
<b>Inflation Hedge</b>	<b>17%</b>
NCREIF ODCE	9%
Custom Private Real Asset Index**	5%
Custom Public Real Asset Index***	3%
<b>Liquidity</b>	<b>5.5%</b>
BC 1-3 Year Gov't/Credit Index	4.5%
91 Day T-Bills	1%

^ 50% hedge ratio

\*Comprised of 73% BC High Yield Index and 27% Credit Suisse Leveraged Loan Index (One Quarter Lagged). Only Credit Suisse Leveraged Loan Index portion is lagged by one quarter.

\*\*Comprised of 75% S&P Global Infrastructure Index and 25% S&P Global LargeMidCap Commodity and Resources Index + 2% (One Quarter Lagged)

\*\*\*Comprised of 25% Bloomberg Roll Select Commodity Index, 25% Bloomberg US TIPS Index, 25% S&P Global LargeMidCap Commodity and Resources Index, and 25% S&P Global Infrastructure Index.

## 7.0 REBALANCING POLICY

- A. The Chief Investment Officer (CIO) shall rebalance the portfolio as needed in conformance with the asset allocation tactical ranges set forth in Section 6.0.
- B. The potential need to rebalance will be continuously monitored, and will be subject to deviations within the established rebalance ranges specified in Section 6.0.
- C. The CIO will have discretion to rebalance to Target or to some other allocation, as long as it is within policy ranges.
- D. Cash flows will be used first to rebalance, and to the extent possible, exchange-traded derivatives will be used to rebalance in a cost-effective manner.
- E. All rebalancing activity shall be reported to the Board at the next scheduled meeting.

## 8.0 GENERAL MANAGER INVESTMENT PERFORMANCE POLICIES

The responsibility for securities selection, purchase and sale decisions, and proxy voting (where appropriate) is delegated to the external investment managers. The individual investment guideline parameters (including diversification constraints, concentration limits,

asset type exclusions, etc.) and performance objectives for each investment manager will be established within the IMA or other applicable legal agreement(s) with each firm.

The Board expects to measure investment performance quarterly and will generally follow prudent time horizons when evaluating short, intermediate, and long-term performance of its investment managers. Generally, the Board will focus on a complete market cycle (defined as between three and five years) when analyzing a manager's performance relative to their broad-market-based benchmark, stated style, peer group, and other criteria deemed acceptable to the Board.

## 9.0 GROWTH ASSETS INVESTMENT POLICIES

### GROWTH ASSETS OVERVIEW:

Assets classified in the Growth category include Public Equity (consisting of Domestic and International Equity), Private Equity within Alternatives, and Opportunistic Credit (consisting of Public Credit and Private Credit) within Fixed Income.

**Public Equity:** Public equity assets include funds shares/stock of a company through a public market. SamCERA invests utilizing both passive approaches (meant to track the performance and characteristics of major market indices, like the Russell 1000 Index and MSCI ACWI ex US IMI Index), and via active approaches that are meant to outperform the major market benchmarks. Public Equity is expected to produce returns higher than that provided from Fixed Income but at potentially higher levels of volatility. Exposure to this asset class will provide return streams generally correlated to that of general economic growth. There are two primary components to the Public Equity category: 1) Domestic Equity, and 2) International Equity.

**1) Domestic Equity:** SamCERA further breaks out its U.S. public equity holdings into two sub-composites: 1) U.S. Large Capitalization Domestic, which is comprised of U.S. companies valued generally over \$10 billion, and 2) U.S. Small Capitalization Domestic, which is comprised of U.S. companies valued generally under \$2 billion.

For the domestic equity program, the majority of the tracking error will come from stock selection via active management as the overall manager structure for domestic equities will not possess any significant biases in terms of investment style. The Domestic Equity composite will consist of two sub-composites: 1) Large-Capitalization Equity, and 2) Small-Capitalization Equity. Large Capitalization Equity will consist of three Core strategies: one passive, one low-tracking error active, and one low-volatility active. Small-Capitalization Equity will consist of an actively managed Core strategy.

**2) International Equity:** International Equity consists of developed (public companies domiciled in developed market countries such as Germany, France, UK, Japan, etc.) and emerging markets (public companies domiciled in emerging market countries such as China, Brazil, Mexico, India, etc.)

International Equity will consist of three strategies: 1) Passive Core, 2) Active Value, and 3) Active Growth. All three strategies will have exposure to both developed and emerging

markets. Additionally, a dynamic currency hedging strategy is utilized to dynamically hedge certain developed market currency exposures within the three equity strategies.

**Private Equity:** Private Equity are funds, typically illiquid investments, that directly invest in private companies, or that engage in buyouts of public companies. Private Equity is expected to be one of the highest returning asset classes over the long-term. Its role in the portfolio is to provide high return potential to maximize the ability of the Fund to meet its performance objectives.

The Private Equity program will contain manager allocations to three primary sub-categories: 1) Buyouts, 2) Venture Capital, and 3) Distressed/Special Situations. These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation targets and target ranges are summarized below:

<b>Sub-Category</b>	<b>Target Allocation</b>	<b>Range</b>
Buyouts	70%	+/- 30%
Venture Capital	30%	0 – 40%
Distressed/Special Situations	0%	0 – 30%

The responsibility for private equity sourcing is delegated to SamCERA’s investment consultant. The private equity portfolio shall adhere to the following investment guidelines covering diversification and quality:

(a) Diversification: Subject to availability of sufficient attractive opportunities, the portfolio is to be diversified over multiple years by the following:

**Vintage Year:** It is expected that roughly equal amounts of new funding will be committed in each calendar year, with deviations permitted to accommodate market opportunities and to facilitate initial entry into the asset class.

**Investment Manager:** The reported value plus unfunded commitments of any one investment manager (excluding fund of funds) up to no more than twenty (20) percent of the reported value plus unfunded commitments of the total private equity portfolio.

**Geography:** Through commitments to funds located and/or investing both in and outside of the United States.

**Industry:** It is expected that the private equity portfolio will be generally diversified by sector/industry.

(b) **Quality:** All commitments to private equity by SamCERA must be of institutional quality as evidenced by other tax-exempt institutional investors’ commitments to the investment manager’s prior or current funds.

Fund managers are expected to comply with SamCERA's private placement disclosure rules.

**Opportunistic Credit:** Fixed income assets are debt investments that provide a return in periodic payments in debt instruments issued by governments and corporations. Opportunistic Credit is expected to be the highest-risk category within fixed income, and will be used to enhance return by investing via public and private investments in non-traditional sectors of the fixed income market, including emerging market debt, high yield bonds, direct lending, bank loans, convertible bonds, and RMBS/CMBS/ABS securities. This category will be exposed to general economic risk factors, similar to public equities, but may provide a steadier stream of returns than public equity asset classes. There are two primary components to the Opportunistic Credit category: 1) Public Credit, and 2) Private Credit.

GROWTH ASSETS PERFORMANCE OBJECTIVE:

The performance objective of the Growth Assets Composite is to outperform, on a net-of-fee basis, a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for four composite sub-asset classes (which results in the following weights: 39% Russell 3000, 30% MSCI ACWI ex US IMI Index hedged, 12% Russell 3000 Index + 3% (one quarter lagged), and 19% Custom Opportunistic Credit Index).

The Public Equity composite has a maximum tracking error of 3% to its composite benchmark.

GROWTH ASSETS RISK EXPOSURES AND RISK MITIGATION:

**Public Equity:** The primary risk factors for Public Equity are correlation to general economic growth, high volatility in returns, and potential illiquidity in smaller-capitalization and certain emerging market stocks. SamCERA will control for these risk factors by diversifying the plan across assets that exhibit limited correlation to economic growth. In addition, SamCERA's rebalancing ranges for small-cap equity will help ensure adequate diversification within the equity portion of the SamCERA portfolio.

**Private Equity:** Private Equity, while expected to provide attractive returns, also have a number of risks. Chief among these are illiquidity risk and leverage. By their nature Private Equity is generally illiquid in that the life of these fund investments can be as long as ten to twelve years. SamCERA recognizes that this illiquidity is a necessary characteristic (and source of return premium) for these asset classes and as such will endeavor to take this illiquidity into account at the total plan level when addressing total plan liquidity needs during strategic planning asset liability studies. Leverage can be employed by private equity managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through partnership selection and portfolio construction and diversification.

**Opportunistic Credit:** Opportunistic Credit is generally the highest risk, lowest liquidity sub-category within Fixed Income. SamCERA will consider unique risk factors when constructing

the fixed income portfolio to help ensure that the overall risk profile of the total portfolio is consistent with expectations. Opportunistic Credit typically includes the risk factors contained in Core, but depending on the mandate, with higher emphasis to credit default risks, emerging markets sovereign/corporate default risk, potential leverage, and potential illiquidity. It is expected that strategies within Opportunistic Credit will have a maximum leverage ratio of 2.5x at the fund level (i.e. certain holdings may be levered higher than the 2.5x limit, as long as the fund (or strategy) has a maximum 2.5x leverage). Strategies employing higher leverage will be relegated to the distressed/special situations category of Private Equity (see above).

<b>GROWTH ASSET CLASSES</b>	<b>BENCHMARK INDEX</b>
<b>Growth Assets</b>	<b>Customized Benchmark Portfolio</b>
<b>Public Equity</b>	
<b>Domestic Equity</b>	<b>Russell 3000</b>
Large Capitalization Domestic Equity	Russell 1000
Passive Core	Russell 1000
Active Core	Russell 1000
Active Low Volatility Core	Russell 1000
Small Capitalization Domestic Equity	Russell 2000
Active Core	Russell 2000
<b>International Equity</b>	<b>MSCI All Country World ex US IMI hedged*</b>
International Passive Core	MSCI ACWI ex US IMI
International Growth	MSCI ACWI Free ex US Growth
International Value	MSCI ACWI Free ex US Value
<b>Private Equity</b>	<b>Russell 3000 + 3% (One Quarter Lagged)</b>
<b>Opportunistic Credit</b>	73% BC High Yield Index and 27% Credit Suisse Leveraged Loan Index (One Quarter Lagged)

\* 50% hedge ratio

## 10.0 DIVERSIFYING ASSETS INVESTMENT POLICIES

### DIVERSIFYING ASSETS OVERVIEW:

Assets classified in the Diversifying category include Defensive Fixed Income and Absolute Return within Alternatives.

**Defensive Fixed Income:** Defensive fixed income assets are debt investments that provide a return in periodic payments in debt instruments issued by governments and corporations. Defensive Fixed Income is expected to provide a lower, but steadier stream of returns than public equity asset classes, and also to reduce the risk of the overall portfolio as bonds have

lower risk than most other major asset classes. That said, there are several sub-categories within Defensive Fixed Income, which exhibit different risk/return trade-offs and hold slightly different tasks in terms of role in the portfolio but have the common goal of dampening portfolio volatility and/or protecting against an equity drawdown. Defensive Fixed Income is broken out into three subcategories:

- 1) Core, and 2) Core Securitized, and 3) Long Treasury

**Core:** Core is generally considered a lower-risk fixed income category, and one that invests in primarily liquid, investment grade U.S. Dollar denominated bonds. It also generally consists of sectors that comprise the Bloomberg Barclays Aggregate Bond Index. Core's role in the portfolio is to dampen portfolio volatility and protect the portfolio in times of economic duress.

**Core Securitized:** Core Securitized is a low/medium-risk fixed income sub-category, and contains securitized sectors, including mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities. Core Securitized's role in the portfolio, in addition to dampening portfolio volatility, is to provide higher yield and slightly lower interest rate sensitivity as compared to the Bloomberg Barclays Aggregate Bond Index.

**Long Treasury:** Long Treasury is a portfolio of long-duration U.S. Treasury securities that are expected to provide risk mitigation to the growth portfolio. Long Treasury's role is to protect the growth portfolio (public equity, private equity, and opportunistic credit) in times of economic duress. The high quality, liquid securities should perform well in times of economic crisis, which is when we would expect our growth portfolio (public equity, private equity, and opportunistic credit) to not do as well.

**Absolute Return:** The Absolute Return category will focus on funds that have an absolute return orientation and are not expected to contain significant levels of public market beta over the long term. This category is expected to provide a diversifying return stream to the total plan that is not correlated to the public markets. Suitable investment strategies include multi-strategy funds, alternative risk premia funds, GTAA or global macro funds, and CTA/Managed Futures trend following funds. It is expected that this category will be implemented via commingled funds and not in separate accounts so that SamCERA's investment in any single fund would be 'ring-fenced' (i.e. any potential losses would be limited to the investment in the single fund, and not extend to the total plan assets).

#### DIVERSIFYING ASSETS PERFORMANCE OBJECTIVE:

The performance objective of the Diversifying Assets Composite is to outperform, on a net-of-fee-basis, a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for two composite sub-asset classes (which results in the following weights: 52% Bloomberg Barclays Aggregate Index, 32% to SOFR + 4, and 16% Bloomberg Long Treasury Index. The Defensive Fixed Income sub-asset class has a maximum tracking error of 3% to its composite benchmark.

#### DIVERSIFYING ASSETS RISK EXPOSURES AND RISK MITIGATION:

The Defensive Fixed Income sub-sectors have different risk factor exposures. SamCERA will take into account these unique risk factors when constructing the Defensive Fixed Income portfolio to help ensure that the overall risk profile of the total portfolio is consistent with expectations.

**Core:** The primary risk factors are sensitivity to changes in interest rates, changes in mortgage prepayment speeds, and investment-grade corporate and sovereign credit risk.

**Core Securitized:** The primary risk factors are complexity, credit and prepayment risk across various securitized sectors (e.g. ABS, CMBS, and RMBS) with interest rate sensitivity being a relatively lower risk factor as compared to assets within Core (above). The focus is on higher quality securitized investments to minimize credit risk.

**Long Treasury:** The primary risk factors are sensitivity to changes in interest rates (given the longer interest rate duration). In addition, another risk factor is the possibility of potential positive correlation of bonds to equity, which would diminish the risk mitigation attribute of long-duration Treasury securities.

**Absolute Return:** Absolute Return, while expected to provide attractive returns that are less correlated to the returns provided by public asset classes, also has a number of risks. Chief among these is leverage. Leverage can be employed by absolute return managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through fund selection as well as portfolio construction and diversification.

DIVERSIFYING ASSET CLASSES	BENCHMARK INDEX
DIVERSIFYING ASSETS	CUSTOMIZED BENCHMARK PORTFOLIO
Defensive Fixed Income	
Core/Core Securitized	Bloomberg Barclays Aggregate Bond Index
Long Treasury	Bloomberg Long Treasury Index
Absolute Return	SOFR + 4%

**11.0 INFLATION HEDGE INVESTMENT POLICIES**

INFLATION HEDGE OVERVIEW:

The Inflation Hedge category combines inflation-sensitive assets under a single asset class to simplify the asset allocation process and enable better performance monitoring of the plan’s overall, direct exposure to assets with inflation-hedging properties. The plan also has indirect exposure to inflation-sensitive assets through other asset classes, such as Public Equity, Fixed Income, and Alternatives. When determining the appropriate allocation of inflation protection, both direct and indirect exposures to inflation-sensitive assets across the plan are taken into account. The Inflation Hedge category is expected to provide a high degree of inflation beta, attractive risk-adjusted returns and diversification benefits to the overall plan.

Inflation Hedge is broken out into three subcategories:

- 1) Real Estate, 2) Private Real Assets, and 3) Public Real Assets

**Real Estate:** Real Estate is expected to provide a return and risk profile between that provided by fixed income and equities. Real estate will be composed of three sub-categories: 1) Core, 2) Value-Add, and 3) Debt. Most of the exposure will be in Core real estate assets of the highest quality located in the best locations in North America, Europe, and Asia. Value-Add properties are expected to provide somewhat higher return potential along with somewhat higher risk than Core assets. Real Estate Debt strategies range from lower risk senior loans on stable properties to higher risk/return mezzanine and construction loans. SamCERA utilizes Debt strategies for risk mitigation and to enhance the portfolio’s yield.

Income will be a large part of the return stream generated from the Real Estate portfolio. The role of this portfolio is to provide diversification benefits, some protection against unanticipated inflation, and a steady income stream. Higher risk Opportunistic/Development real estate strategies will reside in the Private Real Assets composite due to their higher-risk, longer time horizon, and the less liquid nature of the investment set compared to Core, Value-Add, and Debt strategies. The sub-allocation targets and target ranges are summarized below:

<b>Real Estate Strategy</b>	<b>Target Allocation</b>	<b>Range</b>
Core Real Estate	60%	50 -70%
Value-Add Real Estate	20%	0 - 30%
Real Estate Debt	20%	0 - 30%

**Private Real Assets:** Private Real Assets are expected to provide attractive total and risk-adjusted returns that exhibit low correlations with traditional asset classes but positive correlation with inflation. Private Real Assets will be composed of two sub-categories: 1) Infrastructure (Core and Value-Add, Secondary, Midstream Energy, and Power), and 2) Natural Resources (Energy Exploration & Production, Mining, Farmland, Timber, and Water). These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation targets and target ranges are summarized below:

<b>Sub-Category</b>	<b>Target Allocation</b>	<b>Range</b>
Infrastructure	75%	+/- 25%
Natural Resources	25%	+/- 25%

The responsibility for Private Real Asset sourcing is delegated to SamCERA’s investment consultant.



**Public Real Assets:** Similar to Private Real Assets, Public Real Assets is expected to provide positive correlation to inflation, but with potentially higher beta to public equity markets. Public Real Assets may be used to fund new strategies in Private Real Assets and will be composed of four sub-categories: 1) Commodities, 2) U.S. TIPS, 3) Listed Global Natural Resources, and 4) Listed Global Infrastructure. All four sub-categories are meant to provide some protection from higher levels of unanticipated inflation while providing a diversifying return stream from that of public markets.

The sub-allocation targets and target ranges are summarized below:

<b>Sub-Category</b>	<b>Target Allocation</b>	<b>Range</b>
Commodities	25%	0 - 50%
U.S. TIPS	25%	0 - 50%
Listed Global Natural Resources	25%	0 – 50%
Listed Global Infrastructure	25%	0 – 50%

INFLATION HEDGE PERFORMANCE OBJECTIVE:

The performance objective of the Inflation Hedge Composite is to outperform, on a net-of-fee basis, a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for three composite sub-asset classes (which results in the following weights: 53% NCREIF ODCE, 29% Custom Private Real Asset Index, and 18% Custom Public Real Asset Index).

INFLATION HEDGE RISK EXPOSURES AND RISK MITIGATION:

**Real Estate:** Many real estate funds utilize leverage to enhance returns. Lack of liquidity is also a concern, but less so for core real estate and senior debt investments. Value-add, mezzanine debt, and opportunistic strategies also tend to have more exposure to general economic conditions than core properties.

These risks will be mitigated in a number of ways. First, the primary emphasis of SamCERA’s real estate program will be focused on Core properties, with a secondary emphasis to Value-Add properties and Debt strategies. Opportunistic-oriented strategies will reside in our Private Real Assets portfolio due to their higher risk profile

**Private Real Assets:** By their nature, Private Real Assets are generally illiquid in that the life of these fund investments can be as long as ten to twelve years. SamCERA recognizes that this illiquidity is a necessary characteristic (and source of return premium) for these asset classes and as such will endeavor to take this illiquidity into account at the total plan level when addressing total plan liquidity needs during strategic planning asset liability studies. Leverage can be employed by alternative managers to enhance the overall risk-adjusted

returns. SamCERA will control leverage exposure through partnership selection and portfolio construction and diversification.

<b>INFLATION HEDGE ASSET CLASSES</b>	<b>BENCHMARK INDEX</b>
<b>INFLATION HEDGE ASSETS</b>	<b>CUSTOMIZED BENCHMARK PORTFOLIO</b>
REAL ESTATE	NCREIF ODCE
PRIVATE REAL ASSETS	CUSTOM PRIVATE REAL ASSET INDEX
PUBLIC REAL ASSETS	CUSTOM PUBLIC REAL ASSET INDEX

## **12.0 LIQUIDITY INVESTMENT POLICIES**

### LIQUIDITY ASSETS OVERVIEW:

Assets classified in the Liquidity category include 1) Cash Flow-Matched Liquidity, and 2) Cash & Cash Overlay.

The Cash Flow-Matched Liquidity category consists of both our Cash Flow-Matched Liquidity account and our County Treasury Pool. The Cash Flow-Matched Liquidity account consists mainly of investment grade, shorter-term government and credit securities with a liquidity profile that matches the near three-year benefit payment schedule to satisfy benefit payment obligations. The County Treasury Pool consists of shorter-term fixed income and cash equivalent investments.

On an annual basis, cash projections of expected contributions and plan benefit payments will be updated by our actuary, and an assessment by the Board will be made as to whether to replenish the Cash Flow-Matched Liquidity account at that time. Given the that benefit payments are paid monthly, the Cash Flow-Matched Liquidity account will be drawn down monthly as well. Assuming annual replenishment, the balance in the Cash Flow-Matched Liquidity account is expected to fluctuate between 24 and 48 months. It is anticipated that SamCERA will maintain a minimum of 12 months balance.

Cash & Cash Overlay investments will be used for satisfying miscellaneous liquidity needs, including capital calls, expenses, and other unforeseen needs, and also supporting the derivatives positions in our cash overlay and currency hedge overlay account.

### LIQUIDITY ASSETS PERFORMANCE OBJECTIVE:

The performance objective of the Liquidity Assets Composite is to meet the plan’s liquidity needs.

### LIQUIDITY ASSETS RISK EXPOSURES AND RISK MITIGATION:

The primary risk in the Cash Flow-Matched Liquidity account component is credit risk. The portfolio is structured to be primarily a buy and maintain strategy using cash flows from coupons and principal maturities to line up with benefit payments. The biggest risk to the strategy is risk of default.

<b>LIQUIDITY ASSET CLASSES</b>	<b>BENCHMARK INDEX</b>
<b>LIQUIDITY ASSETS</b>	<b>CUSTOMIZED BENCHMARK PORTFOLIO</b>
<b>Liquidity</b>	
Cash Flow-Matched Liquidity	BC 1-3 Year Gov't/Credit Index
Cash & Cash Overlay	91 Day T-Bills

### **13.0 QUARTERLY INVESTMENT PERFORMANCE REPORTING**

The quarterly investment performance reports will be designed as a risk management tool and will afford the Board the opportunity to timely identify potential risk issues within the portfolio and to assess the relative performance of the investment managers.

The report will provide sufficient information to assess the following:

- A. Total and active risk assessment at total fund, composite and individual manager level.
- B. Performance attribution at total fund, composite and individual manager level.
- C. Adherence to the investment style for which the manager is retained, as measured by the quarterly risk adjusted active return (deviation of the manager's performance from the specified performance benchmark) over the last quarter, six months, one-, three-, and five-year periods, including updates from previous quarterly reports regarding adherence to the style for which the firm was retained;
- D. Ability of the active manager to demonstrate consistently positive information ratios, including updates from previous quarterly reports regarding the firm's information ratios;
- E. Quarterly, annual, three- and five-year total time-weighted returns relative to the specified performance benchmark and manager style peer group.

### **14.0 ANNUAL INVESTMENT STRATEGY**

Annually, the Board/Staff shall convene an investment strategy session with the objective of addressing strategic investment policy issues and to deliberate any policies that could benefit the performance of the retirement Fund. The agenda for these sessions should include (but is not limited to) the following information:

- (a) Compare the Fund's actual investment performance for the prior fiscal year against the investment objectives set forth in Section 3.0 and evaluate the relative success or

failure of the prior year's performance; specific commentary to this objective shall be an integral part of the performance measurement process.

(b) Compare each investment manager's investment performance for the prior fiscal year against the relevant benchmarks and peer groups and evaluate the relative success or failure of their prior year's performance.

(c) Evaluate and review the total Fund performance attribution and contribution to return at the composite level to isolate performance drivers.

(d) Evaluate and review the various risk exposures of the plan versus appropriate policy limits and on-going trends through time.

(e) Evaluate and review the portfolio rebalancing activity for the year.

(f) Evaluate the Fund's liquidity requirements for the current and next fiscal years.

(g) Compare each investment manager's fees to their respective peer universe.

## **15.0 PROXY VOTING**

The Investment Managers are delegated authority for the voting of proxies, subject to the following guidelines:

A. All proxies shall be voted in the best interest of the shareholders, but in no instance shall the economic interests of the retirement Fund be subordinated to any other interest.

B. Investment managers shall provide staff with quarterly reports on all proxies cast, in a mutually acceptable format.

## **16.0 SECURITIES LENDING**

A. Pursuant to Section 2.0 (A), the Custodian shall manage a securities lending program to enhance income in accordance with the terms and conditions set forth in a mutually acceptable securities lending agreement and guaranty.

B. The Board reserves exclusive authority to approve the securities lending agreement prior to the commencement of securities lending activity.

C. Unless otherwise specified in the agreement(s):

(i) All loans shall be marked-to-market daily.

(ii) Collateral on each loan shall be maintained daily at 102% of loan value for domestic securities and 105% of loan value for international securities.

(iii) Acceptable collateral shall be in the form of cash or obligations issued or guaranteed by the U.S. Government, or its agencies or instrumentalities.

(iv) Borrower must have a long-term credit rating of either "A" from S&P or "A2" from Moody's. For split rated borrowers, the higher rating shall prevail if not the same rating,

with the lower rating having a minimum long-term credit rating of either “A-” from S&P or “A3” from Moody’s.

(v) The maximum allowable amount of assets on loan to any single borrower shall not be greater than \$3 million.

(vi) The maximum total amount of program assets on loan shall not be greater than \$10 million.

D. The Chief Investment Officer shall be responsible for monitoring the securities lending program and recommending changes as appropriate.

## **APPENDIX A**

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Investment Committee Charter as Amended**  
RESOLUTION 99-00-09

*This Resolution, adopted by the Board of Retirement (Board) of the San Mateo County Employees' Retirement Association (SamCERA), sets forth the Charter for the Board's Investment Committee.*

**WHEREAS**, Article XVI, §17 of the Constitution of the State of California as amended in 1992 to read, in pertinent part, as follows:

*Notwithstanding any other provisions of law or this Constitution to the contrary, the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system, subject to all of the following:*

*(a) The retirement board ... shall have the sole and exclusive fiduciary responsibility over the assets of the ... system. The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets ... are trust funds and shall be held for the exclusive purposes of providing benefits to participants ... and their beneficiaries and defraying reasonable expenses of administering the system.*

*(b) The members of the retirement board ... shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.*

*(c) The members of the retirement board ... shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.*

*(d) The members of the retirement board...shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.*

*(e) The retirement board..., consistent with the exclusive fiduciary responsibilities vested in it, shall have the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the... system. &*

**WHEREAS**, California Government Code §31595 states, as follows:

*The Board has exclusive control of the investment of the employees retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the Board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board...; &*

**WHEREAS**, *The Board of Retirement*, wishes to exercise these powers as follows:

**EXERCISE OF POWERS:** *The Board shall exercise its investment, management and administrative authority and responsibility through the approval of motions recorded in public meeting &*

**WHEREAS**, the Board has adopted SamCERA's Investment Policy and amendments thereto to direct the investments of the Retirement Fund and now wishes to establish an Investment Committee to guide the future evolution of SamCERA's Investment Policy. Therefore, be it

**RESOLVED** that the Board hereby establishes a standing Investment Committee to direct the Board in its ongoing evaluation of SamCERA's Investment Policy, including but not limited to

- 1.0 CONDUCT ASSET ALLOCATION STUDIES
  - 1.1 Determine the characteristics of the Policy's liabilities in regards to the nature of Fund's cash flows
  
- 2.0 DEVELOP ASSET MIX ALTERNATIVES TO MEET LIABILITY REQUIREMENTS
  - 2.1 Establish allowable asset classes
  - 2.2 Determine asset class benchmarks
  - 2.3 Develop risk, return & correlation projections
  
- 3.0 EVALUATE EFFICIENT FRONTIER ALTERNATIVES
  - 3.1 Define risk, return and correlation
  - 3.2 Evaluate mean variance optimization
  - 3.3 Determine low risk alternatives and high risk alternatives

- 3.4 Scale portfolios between two extremes
- 3.5 Evaluate optimized efficient frontier
- 3.6 Integrate optimized efficient frontier with asset-liability relationships
- 4.0 ANALYZE BOARD RISK TOLERANCE
  - 4.1 Assess risk/reward trade-offs
  - 4.2 Assess contribution rate sensitivity & variability
  - 4.3 Assess ability to exceed actuarial interest rate
  - 4.4 Assess comfort level with characteristics of specific asset mixes
- 5.0 RECOMMEND PREFERRED ASSET MIX
  - 5.1 Evaluate differences from current target
  - 5.2 Evaluate Board's willingness to implement new target asset mix
  - 5.3 Evaluate appropriateness of variance from peer public fund norms
- 6.0 RECOMMEND AMENDMENTS TO SAMCERA'S INVESTMENT POLICY
  - 6.1 Adjust target asset mix
  - 6.2 Introduce new benchmarks
  - 6.3 Include required asset class/portfolio modifications
- 7.0 RECOMMEND REVISIONS TO MANAGER STRUCTURE
  - 7.1 Adjust manager/style line-up as necessary
  - 7.2 Introduce new managers/asset classes
  - 7.3 Terminate managers/asset classes as necessary
  - 7.4 Establish active & passive allocation targets as appropriate
- 8.0 IMPLEMENT CHANGES TO MANAGER STRUCTURE
  - 8.1 Recommend time-line & approach to revise structure
  - 8.2 Conduct manager evaluations
  - 8.3 Establish portfolio and asset allocation rebalancing procedures
- 9.0 EVALUATE MANAGER PERFORMANCE
  - 9.1 Monitor results of managers both gross and net of investment management fees
  - 9.2 Assess consistency of portfolio decision making
  - 9.3 Evaluate organizational, ownership, personnel & other firm developments
- 10.0 RECOMMEND AND EVALUATE INVESTMENT CONSULTANT STRUCTURE & PERFORMANCE
  - 10.1 Recommend for Board determination the retention and termination of Investment Consultant(s) as necessary
  - 10.2 Define and assign special projects as warranted
  - 10.3 Monitor performance of Investment Consultant(s)
  - 10.4 Conduct evaluations of Investment Consultant(s)
  - 10.5 Evaluate organizational, ownership, personnel and other firm developments
- 11.0 INITIATE & EVALUATE SPECIAL INVESTMENT STUDIES
- 12.0 UNDERTAKE OTHER WORK ASSIGNED TO IT BY THE BOARD Be it further

**RESOLVED** that the Chair may appoint the members of the Investment Committee per Regulation 2.5.1.  
Be it further

**RESOLVED** that the Chief Executive Officer is hereby instructed to provide the Committee with access to all appropriate and available resources and records, so long as such access is consistent with sound fiduciary practices. Be it further

**RESOLVED** that the Chief Executive Officer is hereby authorized to provide compensation of \$100 per meeting for not more than two meetings per month to the members of the Committee eligible for such compensation, per GC§31521. Be it further

**RESOLVED** that the Board hereby reserves to itself sole authority to accept, modify, or reject the recommendations, which the Investment Committee may present from time to time pursuant to the provisions of this Resolution, per Regulation 2.3.

ADOPTED by unanimous vote, January 25, 2000

AMMENDED by unanimous vote, May 22, 2001

AMMENDED by unanimous vote, October 25, 2004



## **APPENDIX B**

### **Derivatives Investment Policy**

#### **1) Introduction**

There is a genuine need to allow SamCERA's separate account managers to evaluate new securities and introduce them into their portfolios, given that the investment process followed by the investment managers complies with the subsequent provisions of this policy statement. This policy statement allows SamCERA's separate account Managers to exercise reasonable investment freedom, while minimizing the possibility of adverse implications for the Board.

#### **2) Derivative Definition**

A 'derivative' commonly is defined as a financial instrument whose performance is derived, at least in part, from the performance of an underlying asset (such as a security or an index of securities).

#### **3) Types of Securities Included or Excluded**

Since the derivative sector of the market is likely to experience considerable change, provisions must be made for the general characteristics of a derivative security, its evaluation and monitoring. Therefore, it is most appropriate to not attempt to definitively list all of the derivative securities that are covered by this policy. Instead, what will be explicitly stated is the investment process that governs derivative investments and the evaluation and monitoring requirements of this policy.

#### **4) Approach to Policy**

An approach has been developed which states allowable derivative investments, limited allocation derivative investments and restricted derivative investments.

Derivative securities not specified in the above three groups of securities must be evaluated in accordance with the following section entitled Derivative Investment Process. If the security meets these provisions and the spirit of these policies, the manager may establish a prudent position in the instrument. However, the manager must be able to demonstrate the appropriateness of such an investment in light of SamCERA's guidelines.

#### **5) Counter-Party Evaluation**

When entering into a non-exchange traded derivative investment, the investment manager must fully evaluate the other side of the derivative transaction—the counter-parties to the trade. Due to the possibility of counter-party default, SamCERA's investment managers must evaluate the risks associated with the counter-party as if an investment were being made in the traditional securities issued by the counter-party.

At a minimum, the investment manager must evaluate the counter-party's following criteria:

- a) Corporate earnings stream
- b) Corporate asset quality
- c) Capitalization
- d) Corporate liquidity
- e) Moody's and Standard & Poor's debt ratings
- f) Other fundamental investment and risk characteristics

For those counter-parties that are broker/dealers, they must:

- a) Have investment grade (Moody's and S&P rated) debt
- b) Be registered with the SEC
- c) Have significant net capital to protect against potential adverse market circumstances

For those counter-parties that are financial institutions (banks), they must have:

- a) Investment grade (Moody's and S&P rated) debt
- b) Total assets in excess of \$1 billion
- c) Significant net capital to protect against potential adverse market circumstances

The investment manager must monitor individual investment and total portfolio exposure to counter-parties. Individual counter-party exposure must be well diversified and not concentrated in a small number of organizations.

## **6) Purposes for Derivatives**

The acceptable investment purposes for the use of derivatives are as follows:

- a. Appropriate to use futures, options and forward currency contracts to assist investment managers in mitigating portfolio risk.
- b. Useful substitute for an existing, traditional investment. In certain circumstances it may be cheaper, quicker or easier to invest in a derivative instrument or security rather than transacting in the cash or traditional security market.
- c. Provides investment value to the portfolio, while being consistent with SamCERA's overall and specific investment policies.
- d. Obtains investment exposure that is appropriate with the manager's investment strategy and SamCERA's investment guidelines, but could not be made through traditional investment securities.

Given that one or more of these investment purposes are clearly met, it is the responsibility of the investment manager to explain and demonstrate how derivative investments impact portfolio risk and the context of the investment within the overall portfolio.

Any other derivative investment purpose is not allowed. Derivatives may not be introduced into the portfolio to create economic leverage or to create investment exposures that are otherwise excluded by SamCERA's Investment Policy. However, if a manager develops an investment purpose other than those listed above which he/she feels is legitimate and consistent with the spirit of SamCERA's guidelines, this purpose should be proposed in writing to the Board.

## **7) Investment Restrictions and Derivatives Policy**

For the purpose of these guidelines, convertible debt, traditional zero coupon bonds, mortgage pass-through securities and asset-backed securities are not viewed as derivatives. Based upon the factors enumerated in the above Section 4 entitled Approach to Policy, the following guidelines have been established:

***Allowable derivative investments***

- a. Stable and well-structured mortgage CMO's (Collateralized Mortgage Obligations)
- b. Financial futures (if Exchange Traded)
- c. Currency forward contracts and currency options (Exchange and OTC traded)
- d. Interest rate swaps

***Derivative investments with allocation limits***

- a. Interest only mortgage CMO's
- b. Principal only mortgage CMO's
- c. Options (if Exchange Traded)
- d. Caps and floors as they apply to the above stated allowable derivative investments
- e. Credit Default Swaps (CDS)

Derivative investments with allocation limits, as listed above, may not represent more than 5% of the individual portfolio manager's assets (based on market value) managed for SamCERA. At the same time, derivative investments with allocation limits in aggregate may not expose the individual manager's portfolio to losses in excess of 5% of the manager's total assets managed for SamCERA. In addition, the use of options, caps and floors, and CDS may be used only for defensive investment purposes.

Managers investing in the above-defined limited allocation derivative instruments should ensure that portfolio exposure is maintained within the stated constraints, and communicate the assumptions and model used to estimate VAR (Value at Risk) and/or other reasonable risk measurement procedures annually to the Boards.

***Restricted derivative investments***

- a. Inverse floating rate notes and bonds
- b. Structured notes

Restricted derivatives cannot be held in SamCERA's separate account portfolios at any time.

**8) Risk Analysis and Monitoring of Derivatives**

For those securities that are classified as derivative investments with allocation limits, the investment managers are required to test and measure derivative investment sensitivities to changes in key risk factors. These risk factors include extreme changes in interest rates, volatility, liquidity, credit quality, and cash market prices.

These risk factors will be assessed prior to initial investment and on a quarterly basis. Results of such risk testing on derivative investments with allocation limits will be supplied to SamCERA on an annual basis (December 31). If the investment manager identifies additional risks that should be evaluated, these other risk factors should be added to the list and handled in a manner consistent with the previously stated approach.

**9) Derivative Investment Process**

Investment managers are expected to cover the following issues before purchasing a derivative instrument or security, whether specifically stated as an allowable derivative investment, a derivative investment with

allocation limits, or a derivative not specifically discussed in the Investment Restrictions and Derivatives Policy section above:

- a. Determine if the purpose for investing in a derivative security is consistent with one or more of the purposes in the previous section entitled Purposes for Derivatives.
- b. Determine where the security fits into the classification system, if at all, stated in the Investment Restrictions and Derivatives Policy.
- c. Evaluate, at a minimum, the counter-party risk and the risks stated in the Risk Analysis and Monitoring section of the derivatives policy.
- d. Evaluate the derivative in a comparably thorough manner as the firm would any other traditional investment opportunity.

#### **10) Reporting Requirements**

It is the responsibility of SamCERA's investment managers to certify and demonstrate that their portfolios are in compliance with SamCERA's overall guidelines as well as those that apply to derivative investments. On an annual basis (December 31), SamCERA's investment managers will provide the following minimum monitoring information on all derivative securities:

- a. A general statement from the investment manager that its portfolio is in compliance with this Derivatives Policy.
- b. When stating the market value of the derivative exposure, the manager will specify the security pricing sources. The pricing source must be exchange-listed.
- c. A statement of the risks (credit risk—an evaluation of potential counter-party default on obligations, market risk—percent of portfolio invested in derivatives, and any other relevant risks) associated with the derivative investments.
- d. Potential adverse impact on market values if extreme adverse market movements occur.
- e. A statement regarding the liquidity of the derivative investments.
- f. Summary comments and the firm's list of approved counter-parties, ratings, and a statement regarding any changes to this list.
- g. An overall statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

## **Appendix C**

### **DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS, AND CAMPAIGN CONTRIBUTIONS**

*This amended policy is effective immediately upon its adoption. This policy is intended to supplement any applicable provisions of state or federal law, which shall govern in the event of any inconsistency.*

#### **I. PURPOSE**

This Policy is adopted pursuant to the requirements set forth in Government Code Section 7513.85 to help ensure that San Mateo County Employees' Retirement Association's (SamCERA's) investment decisions are made solely on the merits of the investment opportunity. This Policy requires broad, timely, and updated disclosure of all Placement Agents, as well as their relationships, compensation, and fees. All capitalized terms used herein shall be defined as set forth in California Government Code section 7513.8.

#### **II. APPLICATION**

This Policy applies broadly to every type of SamCERA investment manager including, but not limited to, general partners, sponsors of hedge funds, private equity funds, real estate funds, and infrastructure funds, as well as public market investment managers.

This Policy, as last amended, applies to all agreements with External Managers that are:

- (1) Entered into after the date this Policy, as last amended, is adopted; or
- (2) Amended to extend the term of the agreement or the investment period, increase the commitment of funds by SamCERA, or otherwise change the agreement's substantive term, including increasing or accelerating the fees or compensation payable to the External Manager, to the extent such amendments to the agreement (referred to hereafter as "Amendment") are executed subsequent to the adoption of amendments to this Policy. In the case of an Amendment, the disclosure provisions of this Policy shall apply to the Amendment and not to the original agreement.

#### **III. RESPONSIBILITIES**

##### **A. The Board is responsible for:**

1. Only entering into agreements with External Managers which agree in writing to comply with this policy.
2. Not entering into any agreements with External Managers that have violated this policy within the previous five years. However, this prohibition may be reduced by a majority vote of the Board at a public session upon a showing of good cause.

**B. Each External Manager is responsible for:**

1. Executing an agreement requiring that the External Manager comply with this policy.
2. Providing the following information to SamCERA Investment Staff within 45 days of the date that investment discussions are initiated with the External Manager, and, in any event, prior to the completion of due diligence. In the case of Amendments, an updated Placement Agent Information Disclosure is required prior to execution of the Amendment.
  - a. Disclosure of payments or compensation by the External Manager or any of its principals, employees, agents, or affiliates, directly or indirectly, to any person or entity to act as a Placement Agent in connection with SamCERA investments.
  - b. A resume for each officer, partner, and principal of the Placement Agent detailing their education, professional designations, regulatory licenses, and investment and work experience. If any such person is a current or former SamCERA Board Member, employee, or Consultant, or a member of the immediate family of any such person, this fact shall be specifically noted.
  - c. A description of any and all compensation of any kind provided, or agreed to be provided, to a Placement Agent, including the nature, timing, and value thereof. Compensation to Placement Agents includes, but is not limited to, compensation from the External Manager to third parties as well as the External Manager's own employees who solicit or market investments to SamCERA, or who are paid based upon investment commitments secured by such employees.
  - d. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only with a subset of the External Manager's prospective clients.
  - e. A written copy of any and all agreements between the External Manager and the Placement Agent.
  - f. A statement whether the Placement Agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration or explanation as to why no registration is required.
  - g. A statement whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with any state or national government.
  - h. The names of any current or former SamCERA Board Members, employees, or Consultants who suggested the retention of the Placement Agent.

3. Providing an update of any changes to any of the information provided pursuant to Section B.2 above within 30 calendar days of the date that the External Manager knew or should have known of the change in information.
4. Representing and warranting the accuracy of the information described in Section B.2 above.
5. Causing its engaged Placement Agent to disclose, prior to acting as a Placement Agent to SamCERA:
  - a. All campaign contributions made by the Placement Agent to any publicly elected SamCERA Board Member during the prior 24 month period. Additionally, any subsequent campaign contribution(s) made by the Placement Agent to any publicly elected SamCERA Board Member during the time the Placement Agent is receiving compensation in connection with a SamCERA investment shall also be disclosed.
  - b. All gifts, as defined in Government Code Section 82028, given by the Placement Agent to any SamCERA Board Member during the prior 24 month period. Additionally, any subsequent gift(s) made by the Placement Agent to any SamCERA Board Member during the time the Placement Agent is receiving compensation in connection with a SamCERA investment shall also be disclosed.
6. Acknowledging and agreeing that SamCERA reserves the right to deem any failure by a Placement Agent to disclose the information required by Sections B.5(a) and B.5(b) as a material breach of the External Manager's agreement with SamCERA.

**C. SamCERA Investment Staff (“Staff”) are responsible for:**

1. Providing External Managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or engagement.
2. Confirming, within 45 days of the time the execution of the investment contract or Amendment, that the information in Section B above has been received from the External Manager.
3. Securing the agreement of each External Manager in any contract or Amendment that is entered into after the date this Policy (as last amended) is adopted, that, in the event that there was or is an intentional material omission or inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy, SamCERA reserves the right to reimbursement of any management or advisory fees paid by SamCERA from the date of violation to the date of the imposition of the fees.

4. Prohibiting any External Manager or Placement Agent from soliciting new investments from SamCERA for five years after they have committed a material violation of this Policy; provided, however, that SamCERA's Board, by majority vote at a noticed, public meeting, may reduce this prohibition upon a showing of good cause.
5. Providing the Board with Placement Agent information relating to each investment at the time the investment is brought to the Board for its decision.
- 6 Maintaining Placement Agent Information Disclosures as a public record and reporting to the Board any a material violation of this Policy.

**Adopted December 14, 2010**

**Amended October 25, 2011**

**Amended March 28, 2017**

**Amended April 25, 2023**

**DEFINITIONS:**

*The following definitions are excerpted from California Government Code section 7513.8 and are current as of March 28, 2017. Should the legislature subsequently amend the definitions below, the definition of these terms as amended shall supersede the definitions contained in this policy.*

**“External Manager”** means either of the following: (1) a Person who is seeking to be, or is, retained by a board or an Investment Vehicle to manage a portfolio of securities or other assets for compensation; (2) a Person who manages an Investment Fund and who offers or sells, or has offered or sold, an ownership interest in the Investment Fund to a board or an Investment Vehicle. (All code section references are to the Government Code, unless otherwise noted.)

**“Person”** means an individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.

**“Investment Vehicle”** means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either domestic or foreign, managed by an External Manager in which a board is the majority investor and that is organized in order to invest with, or retain the investment management services of, other External Managers.

**“Investment Fund”** means a private equity fund, public equity fund, venture capital fund, hedge fund, fixed income fund, real estate fund, infrastructure fund, or similar pooled investment entity that is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, owning, holding, or trading securities or other assets. Notwithstanding the preceding sentence, an investment company that is registered with the



Securities and Exchange Commission pursuant to the Investment Company Act of 1940 (15 U.S.C. Sec. 8a-1 et seq.) and that makes a public offering of its securities is not an Investment Fund.

**“Placement Agent”** means any Person directly or indirectly hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager or an Investment Fund managed by an External Manager, and who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker or other intermediary in connection with the offer or sale to a board or an Investment Vehicle either of the following: in the case of an External Manager as defined in subpart (1) of the definition of an External Manager, the investment management services of the External Manager; in the case of an External Manager as defined in subpart (2) of the definition of an External Manager, an ownership interest in an Investment Fund managed by the External Manager. Notwithstanding the preceding sentence, an individual who is an employee, officer, director, equity holder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.

**RESOLUTION AMENDING SAMCERA'S  
INVESTMENT POLICY STATEMENT**

RESOLUTION 2024-\_\_\_\_

**WHEREAS**, pursuant to Article XVI, Section 17, of the California Constitution, the Board of Retirement (the "Board") has the exclusive authority and fiduciary responsibility for the investment and administration of the assets of the retirement system (the "Fund"), and on March 26, 2024, established an Investment Policy Statement (the "Policy") for the investment of the Fund assets; and

**WHEREAS**, the purpose of the Policy is to assist SamCERA in effectively supervising its investments in order to meet the requirements of the California Constitution, the County Employees Retirement Law of 1937, the Mission and Goals of SamCERA and other requirements, and to encourage effective communication between SamCERA and its investment managers and investment consultants; and

**WHEREAS**, the Board periodically reviews its Policy and amends it as necessary so as to remain up to date to reflect recent actions of the Board; and

**WHEREAS**, Staff is proposing the following changes to the Investment Policy Statement:

Amend Section 6.0 "Asset Allocation & Portfolio Structure" and Section 9.0 "Growth Assets Investment Policies" to officially split Opportunistic Credit into two sub-categories: 1) Public Credit and 2) Private Credit.

Amend Section 8.0 "General Manager Investment Performance Policies" to remove too narrow performance criteria and add more general performance criteria.

Amend Section 9.0 "Growth Assets Investment Policies" to reduce the target allocation to Debt/Special Situations within Private Equity due to the establishment of a dedicated Private Credit sub-category in Opportunistic Credit. Target allocations by sub-category will go from 60%/20%/20% Buyouts/Venture/Debt to 70%/30%/0% Buyout/Venture/Distressed. Also change the name of the sub-category from "Debt/Special Situations" to "Distressed/Special Situations".

Amend Section 11.0 “Inflation Hedge Investment Policies” to clarify that the manager sourcing responsibilities for Private Real Assets is delegated to SamCERA’s investment consultant (similar to Private Equity).

In addition, an outdated provision is removed from the Real Estate Risk Mitigation section that was established when only one strategy made up SamCERA’s real estate portfolio.

**WHEREAS**, the Board and desires to make such amendments; Now, therefore, be it

**RESOLVED**, that the SamCERA “Investment Policy Statement” be revised to read as set forth in the attached document.

\* \* \* \* \*

Regularly passed and adopted, by the San Mateo County Employees’ Retirement Association, Board of Retirement, on March 26, 2024.

Ayes, Trustees:

Noes, Trustees:

Absent, Trustees:

Abstain, Trustees:

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Elaine Orr, Board Secretary

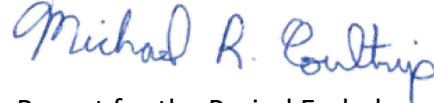
**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

March 26, 2024

Agenda Item 6.1

**TO:** Board of Retirement

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



**SUBJECT:** Preliminary Monthly Portfolio Performance Report for the Period Ended February 29, 2024

**Recommendation**

Accept the preliminary performance report dated February 29, 2024.

**Background**

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

The fund's net preliminary return for February was 1.7%, bringing the preliminary trailing twelve-month net return ending February 2024 to 9.2%, which is below our benchmark return of 10.8% but above our assumed earnings rate of 6.25%.

SamCERA's estimated market value as of February was \$6.34 billion, while the actuarial funded ratio as of June 30, 2023 was 88.3%.

**Discussion**

Risk assets were higher (especially U.S. equities) in February as strong earnings enhanced investor sentiment, even as less interest rate cuts were being priced in the market.

The U.S. equity market (as measured by the S&P 500 Index) was up 5.3%, while small-capitalization stocks were up 5.7%. Developed international equity (as measured by MSCI EAFE) was up 1.8%, while emerging markets were up 4.8%.

U.S. economic activity was mixed in February. Manufacturing weakened after improving the past few months, and it continues to be in contraction territory. The labor market added an above consensus 275,000 jobs in February (although the prior two months were revised lower). The headline unemployment rate increased to 3.9% from 3.7%. Inflation (as measured by the Consumer Price Index - All Urban Consumers) increased 3.2% for the 12-months ending February, which was above both January's increase of 3.1% and expectations.

The general U.S. fixed income market was down 1.40% in February as interest rates rose. The 10-year U.S. Treasury yield was higher by 34 basis points during the month and ended at 4.25% by month-end.

**Attachments**

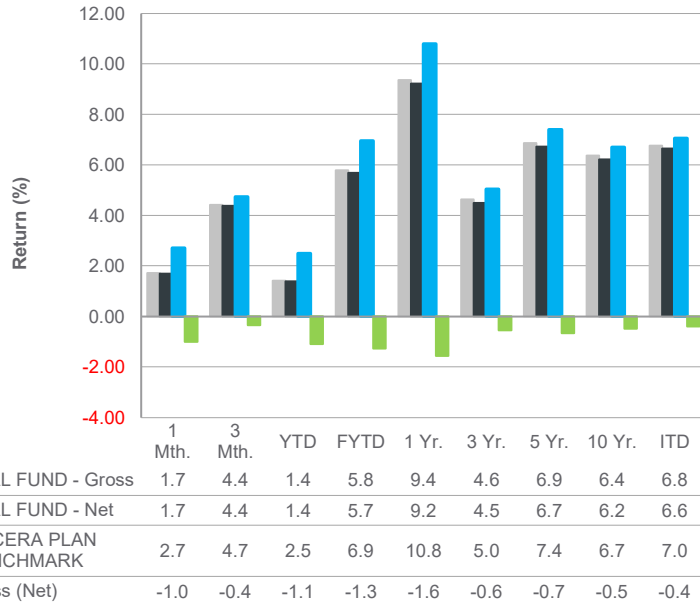
Northern Trust Monthly Preliminary Performance Report  
Verus Market Update

# San Mateo County Composite Return Summary

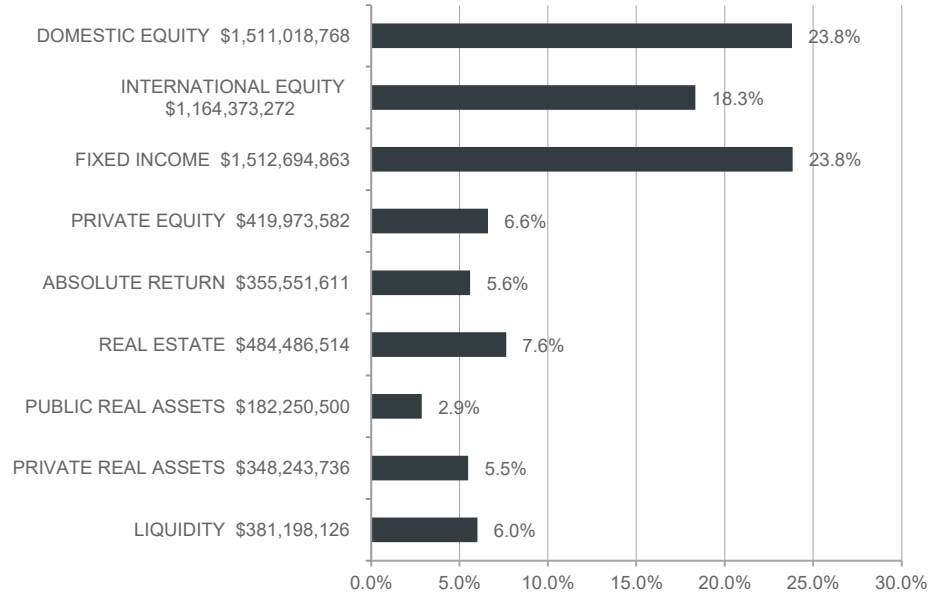
February 29, 2024



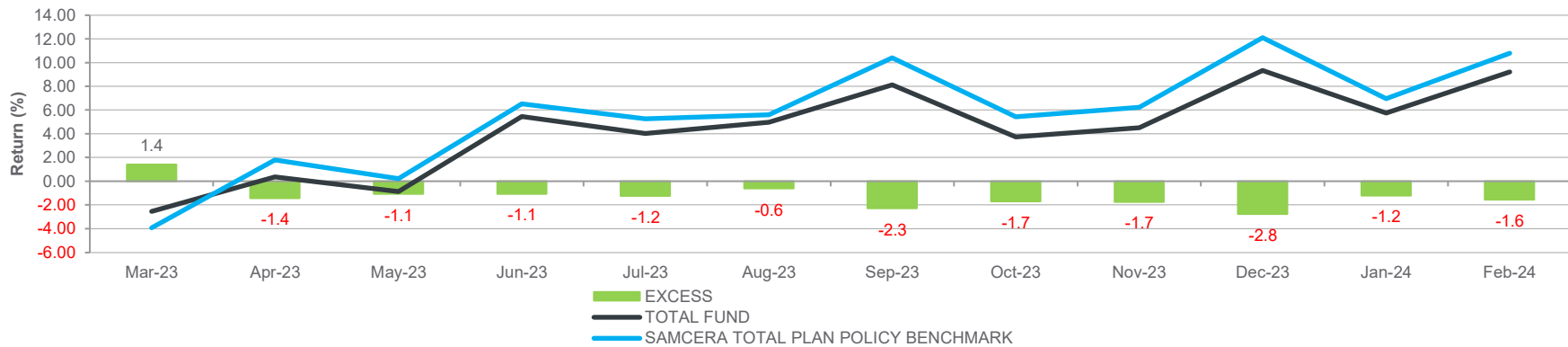
**Total Fund Performance**



**Asset Allocation**

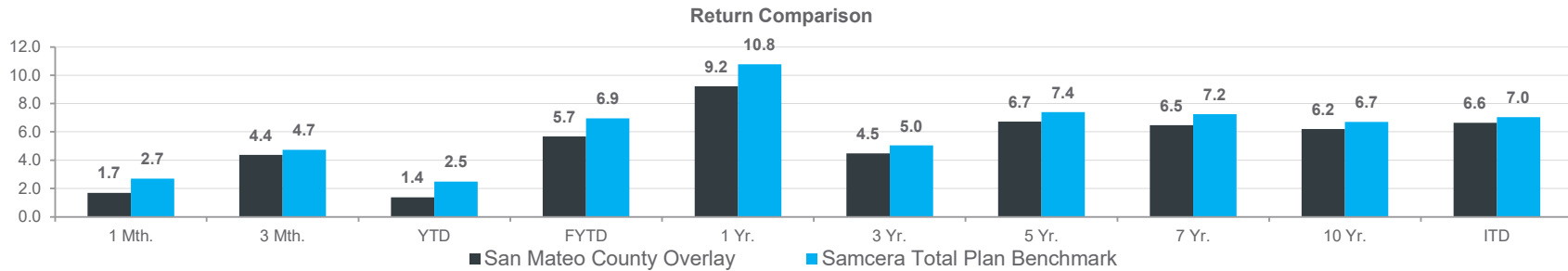


**Rolling Month End Annual Returns**



# San Mateo County Composite Return Summary

February 29, 2024



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	6,345,811,517	1.7	4.4	1.4	5.7	9.2	4.5	6.7	6.5	6.2	6.6
Samcera Total Plan Benchmark		2.7	4.7	2.5	6.9	10.8	5.0	7.4	7.2	6.7	7.0
Excess		-1.0	-0.4	-1.1	-1.3	-1.6	-0.6	-0.7	-0.8	-0.5	-0.4
San Mateo Ex-Clifton Overlay	6,335,005,080	1.7	4.4	1.4	5.7	9.2	4.5	6.7	6.4	6.2	6.6
Samcera Total Plan Benchmark		2.7	4.7	2.5	6.9	10.8	5.0	7.4	7.2	6.7	7.0
Excess		-1.0	-0.4	-1.1	-1.3	-1.5	-0.6	-0.7	-0.8	-0.5	-0.5
Total Equity	2,675,392,040	3.9	9.2	3.9	10.1	18.1	6.1	9.8	9.4	8.3	8.0
Samcera Total Equity Benchmark		4.2	9.8	4.8	12.3	21.5	7.3	10.8	10.2	9.5	8.7
Excess		-0.3	-0.7	-0.8	-2.2	-3.4	-1.1	-1.1	-0.9	-1.2	-0.7
Fixed Income	1,512,694,863	-0.6	3.1	-0.7	4.0	5.8	-0.7	2.0	2.4	2.8	4.8
Samcera Fixed Income Benchmark		-0.6	3.0	-1.0	3.7	6.0	-1.2	1.9	2.1	2.3	4.4
Excess		0.1	0.1	0.3	0.3	-0.2	0.5	0.1	0.3	0.5	0.5
Alternatives	775,525,193	1.5	1.7	2.4	4.9	6.6	6.5	11.4	9.1	8.1	1.1
Samcera Alternatives Benchmark		5.5	2.4	4.5	10.3	13.0	9.1	10.7	10.3	8.7	8.4
Excess		-4.0	-0.7	-2.1	-5.4	-6.4	-2.7	0.7	-1.2	-0.6	-7.3
Inflation Hedge	1,014,980,750	0.2	-2.2	-2.5	-1.8	-2.9	6.6	3.4	3.8	--	4.9
SamCERA Inflation Hedge Index		2.2	-2.4	0.8	-3.8	-6.7	6.3	5.6	5.6	--	--
Excess		-2.1	0.2	-3.3	2.0	3.7	0.3	-2.2	-1.7	--	--
Liquidity	381,198,126	0.0	1.4	0.5	3.9	5.5	--	--	--	--	4.2
Liquidity Composite Benchmark		-0.2	1.2	0.2	3.5	4.7	--	--	--	--	3.0
Excess		0.3	0.2	0.3	0.4	0.8	--	--	--	--	1.2



**San Mateo County**  
**Composite Return Summary**  
 February 29, 2024



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Total Equity	2,675,392,040	3.9	9.2	3.9	10.1	18.1	6.1	9.8	9.4	8.3	8.0
Samcera Total Equity Benchmark		4.2	9.8	4.8	12.3	21.5	7.3	10.8	10.2	9.5	8.7
Excess		-0.3	-0.7	-0.8	-2.2	-3.4	-1.1	-1.1	-0.9	-1.2	-0.7
Domestic Equity	1,511,018,768	4.9	11.4	5.9	13.7	23.3	10.3	12.6	11.9	11.0	9.3
Samcera Dom. Equity Benchmark		5.4	12.2	6.6	15.6	28.6	9.9	13.9	12.9	11.9	9.8
Excess		-0.5	-0.9	-0.7	-1.8	-5.3	0.4	-1.3	-1.1	-0.9	-0.5
Large Cap Equity	1,371,568,640	5.0	11.1	6.3	13.9	24.4	10.5	12.9	12.2	11.7	10.0
Russell 1000		5.4	12.1	6.9	15.9	29.8	10.7	14.4	13.3	12.4	10.5
Excess		-0.4	-1.0	-0.6	-1.9	-5.4	-0.1	-1.5	-1.1	-0.7	-0.5
Blackrock Russell 1000	911,848,473	5.4	12.1	6.9	15.9	29.8	10.7	14.6	13.4	--	13.9
Russell 1000		5.4	12.1	6.9	15.9	29.8	10.7	14.4	13.3	--	13.8
Excess		-0.0	-0.0	-0.0	0.0	0.0	0.0	0.1	0.1	--	0.1
DE Shaw Commingled Fund	217,925,171	6.6	12.7	8.3	16.7	25.6	10.2	13.7	12.5	--	12.0
Russell 1000		5.4	12.1	6.9	15.9	29.8	10.7	14.4	13.3	--	12.2
Excess		1.2	0.6	1.5	0.8	-4.2	-0.4	-0.8	-0.9	--	-0.2
Panagora Defuseq -SL	241,794,995	2.2	6.1	2.5	4.8	7.9	8.4	8.9	--	--	11.2
Russell 1000		5.4	12.1	6.9	15.9	29.8	10.7	14.4	--	--	16.6
Excess		-3.2	-6.0	-4.4	-11.1	-21.9	-2.2	-5.6	--	--	-5.4
Small Cap Equity	130,000,291	3.9	13.9	1.3	11.7	12.5	6.7	7.9	7.3	6.1	6.7
Russell 2000		5.7	14.0	1.5	9.9	10.0	-0.9	6.9	7.2	7.1	7.7
Excess		-1.8	-0.0	-0.3	1.9	2.5	7.7	1.0	0.1	-1.1	-1.0
QMA US Small Cap	130,000,291	3.9	13.9	1.3	11.7	12.5	6.7	7.9	7.3	--	8.8
Russell 2000		5.7	14.0	1.5	9.9	10.0	-0.9	6.9	7.2	--	8.4
Excess		-1.8	-0.0	-0.3	1.9	2.5	7.7	1.0	0.1	--	0.4
Domestic Equity Overlay	9,449,838	4.7	11.4	5.6	5.5	19.1	80.3	--	--	--	89.7
ICE BofAML US 3-Month Treasury Bill		0.4	1.3	0.8	3.6	5.2	2.4	--	--	--	1.9
Excess		4.3	10.1	4.8	1.9	13.9	77.9	--	--	--	87.8
International Equity	1,164,373,272	2.7	6.4	1.5	5.7	12.0	1.4	6.5	6.5	4.6	5.5
SamCERA Custom Hedge Intl		2.9	7.1	2.7	8.6	13.6	4.1	7.1	6.9	4.8	5.3
Excess		-0.2	-0.7	-1.2	-2.9	-1.7	-2.7	-0.6	-0.4	-0.2	0.2





**San Mateo County**  
**Composite Return Summary**  
 February 29, 2024



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Developed Markets Equity	1,163,209,452	2.7	6.4	1.5	5.8	12.4	-0.6	6.2	6.3	4.6	4.6
--		--	--	--	--	--	--	--	--	--	--
Excess		--	--	--	--	--	--	--	--	--	--
Dev Mrkts Equity Curr Hedge	2,065,358	--	--	--	--	--	--	--	--	--	--
--		--	--	--	--	--	--	--	--	--	--
Excess		--	--	--	--	--	--	--	--	--	--
Dev Mrkts Equity Ex Curr Hedge	1,161,144,094	2.3	6.3	1.0	5.6	11.2	-1.0	6.0	6.2	4.4	4.6
MS AC WldxUS IMI Nt		2.3	6.5	1.2	7.2	12.1	1.1	5.5	5.8	4.0	4.8
Excess		-0.0	-0.2	-0.2	-1.6	-1.0	-2.1	0.5	0.4	0.4	-0.3
Baillie Gifford	287,801,040	3.4	8.5	2.4	2.5	7.7	-7.3	5.3	5.8	4.4	6.2
MSCI ACWI ex USA Growth		3.8	8.0	3.0	6.2	13.5	-1.5	6.3	7.0	5.2	--
Excess		-0.5	0.5	-0.6	-3.7	-5.8	-5.8	-1.0	-1.2	-0.7	--
Blackrock MSCI ACWI ex US IMI	597,440,677	2.3	6.4	1.2	7.2	12.3	1.4	--	--	--	7.1
MS AC WldxUS IMI Nt		2.3	6.5	1.2	7.2	12.1	1.1	--	--	--	7.0
Excess		0.0	-0.1	0.0	-0.1	0.2	0.2	--	--	--	0.1
Mondrian Investment Partners	275,902,376	1.1	4.0	-0.9	5.5	11.2	2.2	3.9	4.5	3.1	4.9
MSCI ACWI xUSA Value		1.2	5.3	-0.0	8.6	12.6	5.0	5.2	5.3	3.5	5.1
Excess		-0.1	-1.3	-0.8	-3.0	-1.5	-2.9	-1.3	-0.8	-0.4	-0.3
International Equity Overlay	1,163,820	2.2	5.5	1.7	--	--	--	--	--	--	16.0
ICE BofAML US 3-Month Treasury Bill		0.4	1.3	0.8	--	--	--	--	--	--	2.2
Excess		1.8	4.2	0.8	--	--	--	--	--	--	13.8



**San Mateo County**  
**Composite Return Summary**  
 February 29, 2024



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Fixed Income	1,512,694,863	-0.6	3.1	-0.7	4.0	5.8	-0.7	2.0	2.4	2.8	4.8
Samcera Fixed Income Benchmark		-0.6	3.0	-1.0	3.7	6.0	-1.2	1.9	2.1	2.3	4.4
Excess		0.1	0.1	0.3	0.3	-0.2	0.5	0.1	0.3	0.5	0.5
Core Fixed Income	813,145,380	-1.5	3.0	-2.0	2.0	3.5	-3.0	0.5	1.0	1.8	4.2
Samcera Core Fixed Income		-1.6	2.5	-2.3	0.1	1.7	-3.7	0.2	0.7	1.3	3.8
Excess		0.1	0.5	0.4	1.9	1.8	0.6	0.3	0.3	0.5	0.4
FIAM B Core Bond	128,131,785	-1.3	2.5	-1.5	2.0	3.3	-2.7	1.4	1.6	--	2.0
BBG US Aggregate		-1.4	2.1	-1.7	1.6	3.3	-3.2	0.6	0.9	--	1.1
Excess		0.1	0.4	0.2	0.4	0.0	0.5	0.8	0.7	--	0.9
DoubleLine	256,807,592	-1.2	3.2	-0.8	2.4	3.8	-3.0	--	--	--	-1.3
BBG US Aggregate		-1.4	2.1	-1.7	1.6	3.3	-3.2	--	--	--	-2.0
Excess		0.3	1.1	0.9	0.8	0.5	0.2	--	--	--	0.7
NISA Long Treasury	176,478,844	-2.3	3.9	-4.5	-4.9	--	--	--	--	--	-5.1
Bloomberg US Long Tsy		-2.3	3.8	-4.4	-5.0	--	--	--	--	--	-5.2
Excess		-0.1	0.2	-0.1	0.1	--	--	--	--	--	0.1
NISA Core Bond	248,361,362	-1.4	2.3	-1.5	1.9	3.6	-2.7	--	--	--	-2.0
BBG US Aggregate		-1.4	2.1	-1.7	1.6	3.3	-3.2	--	--	--	-2.4
Excess		0.0	0.2	0.1	0.2	0.2	0.4	--	--	--	0.4
Core Fixed Income Overlay	3,365,797	-2.0	0.7	-2.7	-4.7	--	--	--	--	--	--
ICE BofAML US 3-Month Treasury Bill		0.4	1.3	0.8	3.6	5.2	2.4	--	--	--	1.9
Excess		-2.4	-0.6	-3.5	-8.2	--	--	--	--	--	--
Opportunistic Credit	699,549,482	0.6	3.2	1.0	6.3	8.4	2.8	4.3	4.7	5.0	7.3
Samcera Opp Credit Bench		0.5	3.5	0.5	8.0	11.1	1.9	4.4	4.3	4.4	6.2
Excess		0.1	-0.3	0.4	-1.7	-2.6	0.8	-0.0	0.4	0.6	1.2



# San Mateo County Composite Return Summary

February 29, 2024



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Public Credit	498,462,902	0.3	3.7	0.7	6.9	--	--	--	--	--	6.9
BBG US Corp High Yield		0.3	4.0	0.3	8.0	--	--	--	--	--	8.0
Excess		-0.0	-0.3	0.5	-1.1	--	--	--	--	--	-1.1
AG Opportunistic Whole Loan	31,925	0.0	0.0	0.0	-8.1	-21.5	21.7	12.9	16.4	--	12.1
BBG US Corp High Yield		0.3	4.0	0.3	8.0	11.0	1.8	4.2	4.2	--	4.3
Excess		-0.3	-4.0	-0.3	-16.1	-32.6	19.9	8.7	12.2	--	7.8
Beach Point Select Fund	111,538,126	0.3	4.4	1.1	8.3	10.0	6.0	8.4	7.4	--	8.0
BBG US Corp High Yield		0.3	4.0	0.3	8.0	11.0	1.8	4.2	4.2	--	4.7
Excess		0.0	0.4	0.8	0.3	-1.0	4.2	4.2	3.2	--	3.2
Brigade Cap Mngmt	108,567,689	0.9	4.8	2.2	7.4	9.3	3.2	5.2	4.6	4.4	5.8
BBG US Corp High Yield		0.3	4.0	0.3	8.0	11.0	1.8	4.2	4.2	4.3	5.9
Excess		0.6	0.8	1.9	-0.6	-1.7	1.4	1.0	0.4	0.0	-0.1
Eaton Vance EM	30,000,000	0.0	--	--	--	--	--	--	--	--	0.0
BBG US Corp High Yield		0.3	--	--	--	--	--	--	--	--	0.3
Excess		-0.3	--	--	--	--	--	--	--	--	-0.3
Franklin Templeton	55,680,942	-0.7	2.5	-2.5	2.1	4.9	-3.0	-4.1	-2.3	-0.8	0.9
Bloomberg Multiverse Index		-1.2	1.5	-2.5	1.8	3.5	-5.3	-0.9	0.2	0.0	0.8
Excess		0.5	1.0	0.0	0.3	1.4	2.3	-3.3	-2.5	-0.9	0.1
One William Street	64,609,494	0.8	3.3	2.6	7.7	--	--	--	--	--	--
BBG US Corp High Yield		0.3	4.0	0.3	8.0	--	--	--	--	--	8.8
Excess		0.5	-0.8	2.3	-0.3	--	--	--	--	--	--



**San Mateo County**  
**Composite Return Summary**  
 February 29, 2024



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
PIMCO Div. Income Fund	128,034,726	-0.1	3.8	-0.2	6.3	8.6	-1.0	1.8	--	--	2.2
BBG US Corp High Yield		0.3	4.0	0.3	8.0	11.0	1.8	4.2	--	--	4.0
Excess		-0.4	-0.3	-0.5	-1.6	-2.5	-2.8	-2.3	--	--	-1.8
Private Credit	201,086,580	1.5	1.5	1.5	4.3	--	--	--	--	--	4.3
Credit Suisse Lev Loan 1 QTR L		1.2	2.1	1.2	7.9	--	--	--	--	--	7.9
Excess		0.3	-0.6	0.2	-3.6	--	--	--	--	--	-3.6
AG CREDIT SOL FU LP	8,242,496	5.0	5.1	5.1	11.7	14.1	10.2	--	--	--	14.7
Credit Suisse Lev Loan 1 QTR L		1.2	2.1	1.2	7.9	--	--	--	--	--	--
Excess		3.8	3.0	3.9	3.8	--	--	--	--	--	--
AG CSF ADF II	10,235,372	6.8	6.8	6.8	15.3	18.7	--	--	--	--	--
Credit Suisse Lev Loan 1 QTR L		1.2	2.1	1.2	7.9	--	--	--	--	--	--
Excess		5.6	4.7	5.6	7.4	--	--	--	--	--	--
AG CSF II	24,522,654	4.8	4.9	4.9	17.2	19.9	--	--	--	--	6.1
Credit Suisse Lev Loan 1 QTR L		1.2	2.1	1.2	7.9	--	--	--	--	--	--
Excess		3.6	2.8	3.7	9.3	--	--	--	--	--	--
Blackrock Direct Lending Feede	38,999,579	0.0	-0.3	0.0	2.4	6.7	5.5	--	--	--	4.0
Credit Suisse Lev Loan 1 QTR L		1.2	2.1	1.2	7.9	--	--	--	--	--	--
Excess		-1.2	-2.4	-1.2	-5.5	--	--	--	--	--	--
Pimco Private Income	49,633,749	1.0	1.0	1.0	4.7	7.0	5.7	--	--	--	6.9
Credit Suisse Lev Loan 1 QTR L		1.2	2.1	1.2	7.9	--	--	--	--	--	--
Excess		-0.2	-1.1	-0.2	-3.2	--	--	--	--	--	--
TCP Direct Lending VIII	10,285,047	0.3	0.4	-0.5	4.1	6.2	5.0	5.7	5.8	--	--
Credit Suisse Lev Loan 1 QTR L		1.2	2.1	1.2	7.9	--	--	--	--	--	--
Excess		-0.9	-1.7	-1.7	-3.8	--	--	--	--	--	--
White Oak Yield Spec	30,012,998	0.8	0.8	0.8	3.1	4.3	4.4	5.3	--	--	--
Credit Suisse Lev Loan 1 QTR L		1.2	2.1	1.2	7.9	--	--	--	--	--	--
Excess		-0.4	-1.3	-0.4	-4.8	--	--	--	--	--	--



# San Mateo County Composite Return Summary

February 29, 2024



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
White Oak YSF V	29,154,685	0.0	-0.0	0.0	1.9	1.5	0.9	--	--	--	1.0
Credit Suisse Lev Loan 1 QTR L		1.2	2.1	1.2	7.9	--	--	--	--	--	--
Excess		-1.2	-2.1	-1.2	-6.0	--	--	--	--	--	--
Alternatives	775,525,193	1.5	1.7	2.4	4.9	6.6	6.5	11.4	9.1	8.1	1.1
Samcera Alternatives Benchmark		5.5	2.4	4.5	10.3	13.0	9.1	10.7	10.3	8.7	8.4
Excess		-4.0	-0.7	-2.1	-5.4	-6.4	-2.7	0.7	-1.2	-0.6	-7.3
Private Equity	419,973,582	-0.2	-0.5	-0.4	2.2	7.3	7.1	19.7	17.5	16.5	-5.2
Samcera PE Benchmark		9.6	2.1	6.9	13.4	15.4	11.3	14.9	14.1	13.8	15.6
Excess		-9.8	-2.6	-7.3	-11.2	-8.2	-4.2	4.8	3.3	2.7	-20.7
Absolute Return	355,551,611	3.5	4.4	5.8	8.1	6.2	5.5	1.0	-0.7	1.9	2.0
Samcera SOFR + 4%		0.8	2.3	1.5	6.2	9.4	6.6	6.1	6.0	5.5	5.2
Excess		2.7	2.1	4.2	1.8	-3.2	-1.1	-5.1	-6.7	-3.6	-3.2
Graham Global Investment	91,077,780	6.3	6.5	11.1	10.2	5.8	9.0	--	--	--	7.2
Samcera SOFR +4%		0.7	2.2	1.4	5.9	9.0	6.4	--	--	--	5.9
Excess		5.6	4.3	9.7	4.2	-3.2	2.6	--	--	--	1.3
PIMCO MAARS Fund L.P.	93,947,454	3.4	7.1	7.8	13.1	17.0	13.0	--	--	--	10.4
Samcera SOFR +4%		0.8	2.3	1.5	6.4	9.6	6.7	--	--	--	6.1
Excess		2.6	4.8	6.2	6.7	7.4	6.4	--	--	--	4.3
Acadian MAAR Fund LLC	79,365,755	1.4	-0.7	2.1	-1.3	-5.8	0.1	--	--	--	-0.0
Samcera SOFR +4%		0.8	2.3	1.5	6.4	9.6	6.7	--	--	--	6.4
Excess		0.6	-3.0	0.6	-7.7	-15.3	-6.6	--	--	--	-6.4
CFM SYS Global Macro Fund	91,160,622	2.7	4.3	2.1	9.7	7.7	5.9	--	--	--	8.9
Samcera SOFR +4%		0.8	2.3	1.5	6.4	9.6	6.7	--	--	--	6.4
Excess		1.9	2.0	0.6	3.4	-1.9	-0.7	--	--	--	2.5
Inflation Hedge	1,014,980,750	0.2	-2.2	-2.5	-1.8	-2.9	6.6	3.4	3.8	--	4.9
SamCERA Inflation Hedge Index		2.2	-2.4	0.8	-3.8	-6.7	6.3	5.6	5.6	--	--
Excess		-2.1	0.2	-3.3	2.0	3.7	0.3	-2.2	-1.7	--	--
Real Estate	484,486,514	0.2	-4.4	-4.5	-5.8	-8.8	4.4	4.0	5.2	--	5.7
Samcera NCREIF ODCE (gross)		0.0	-4.8	0.0	-6.6	-12.0	4.9	4.2	5.3	--	5.5
Excess		0.2	0.5	-4.5	0.8	3.2	-0.5	-0.2	-0.1	--	0.2



**San Mateo County**  
**Composite Return Summary**  
 February 29, 2024



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Invesco Core Real Estate	244,540,770	0.0	-4.8	-4.8	-6.4	-12.6	4.3	3.4	4.8	6.9	6.7
Samcera NCREIF ODCE (gross)		0.0	-4.8	0.0	-6.6	-12.0	4.9	4.2	5.3	7.3	7.0
Excess		0.0	0.0	-4.8	0.2	-0.6	-0.7	-0.9	-0.5	-0.4	-0.2
Invesco US Val IV	347,564	-19.6	-19.6	-19.6	-42.9	-60.4	-36.2	-20.9	-12.8	--	-9.3
Samcera NCREIF ODCE (gross)		0.0	-4.8	0.0	-6.6	-12.0	4.9	4.2	5.3	--	6.0
Excess		-19.6	-14.7	-19.6	-36.3	-48.4	-41.1	-25.2	-18.1	--	-15.2
Invesco Value-Add Fund	25,794,705	0.0	0.0	0.0	-3.5	-0.9	--	--	--	--	-3.3
Samcera NCREIF ODCE (gross)		0.0	-4.8	0.0	-6.6	-12.0	--	--	--	--	-10.9
Excess		0.0	4.8	0.0	3.2	11.2	--	--	--	--	7.6
PGIM Real Estate US Debt Fund	73,194,594	0.7	1.3	0.6	3.9	6.4	6.1	5.8	--	--	5.4
Samcera NCREIF ODCE (gross)		0.0	-4.8	0.0	-6.6	-12.0	4.9	4.2	--	--	5.0
Excess		0.7	6.1	0.6	10.5	18.4	1.1	1.6	--	--	0.4
Invesco US VAL V	23,710,068	0.0	-23.8	-23.8	-27.2	-26.4	-2.0	0.3	--	--	0.3
Samcera NCREIF ODCE (gross)		0.0	-4.8	0.0	-6.6	-12.0	4.9	4.2	--	--	--
Excess		0.0	-19.0	-23.8	-20.5	-14.4	-7.0	-4.0	--	--	--
Harrison Street Core Property	91,671,877	0.8	-3.5	-3.5	-4.9	-5.0	4.2	--	--	--	3.8
Samcera NCREIF ODCE (gross)		0.0	-4.8	0.0	-6.6	-12.0	4.9	--	--	--	3.8
Excess		0.8	1.4	-3.5	1.7	7.0	-0.7	--	--	--	-0.0
Stockbridge Value IV	25,226,936	0.1	0.1	0.1	-5.2	-4.7	--	--	--	--	5.9
Samcera NCREIF ODCE (gross)		0.0	-4.8	0.0	-6.6	-12.0	--	--	--	--	4.5
Excess		0.1	5.0	0.1	1.4	7.3	--	--	--	--	1.5
Public Real Assets	182,250,500	-0.6	-1.1	-2.9	-1.0	-2.2	4.6	0.9	1.6	--	--
SamCera Liquid Real Asset Inde		-0.7	-1.1	-3.1	-0.9	-2.0	4.6	3.7	3.8	--	5.2
Excess		0.1	0.1	0.2	-0.1	-0.2	0.1	-2.8	-2.2	--	--
SSGA CST REAL ASSET NL	182,250,500	-0.6	-1.1	-2.9	-1.0	-2.2	4.6	3.7	3.9	--	--
SamCera Liquid Real Asset Inde		-0.7	-1.1	-3.1	-0.9	-2.0	4.6	3.7	3.8	--	4.4
Excess		0.1	0.1	0.2	-0.1	-0.2	0.1	-0.0	0.1	--	--
Private Real Assets	348,243,736	0.5	0.5	0.6	3.9	6.5	15.9	6.4	4.9	--	9.6
SamCERA Private Real Asset Idx		8.0	1.0	4.3	-1.1	-0.8	9.1	8.0	8.2	--	9.7
Excess		-7.5	-0.5	-3.7	5.0	7.2	6.9	-1.6	-3.3	--	-0.1



**San Mateo County**  
**Composite Return Summary**  
 February 29, 2024



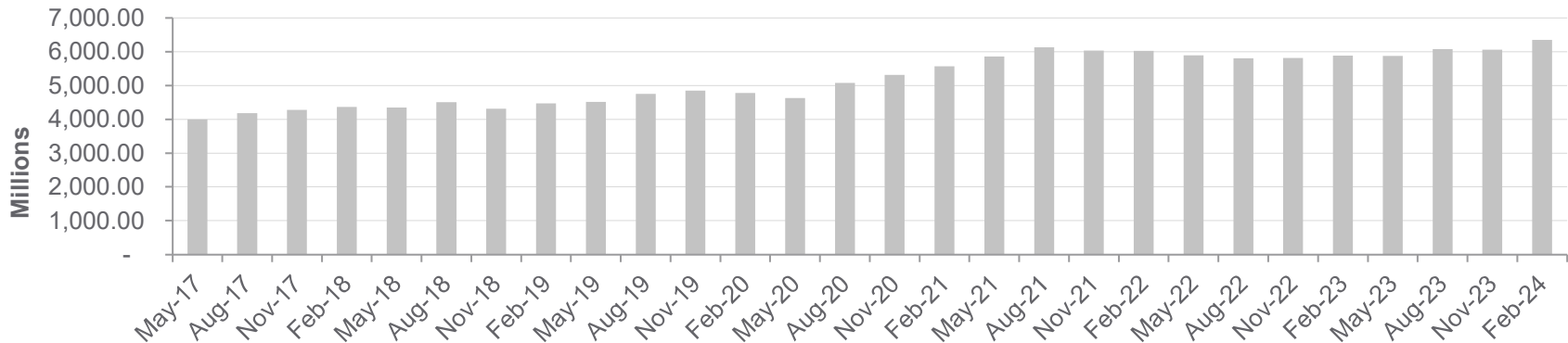
Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Liquidity	381,198,126	0.0	1.4	0.5	3.9	5.5	--	--	--	--	4.2
Liquidity Composite Benchmark		-0.2	1.2	0.2	3.5	4.7	--	--	--	--	3.0
Excess		0.3	0.2	0.3	0.4	0.8	--	--	--	--	1.2
Cash Flow - Match Liquidity	334,407,963	-0.0	1.4	0.4	3.9	5.2	--	--	--	--	3.7
BBG US Agg Govt Credit 1-3		-0.4	1.2	0.0	3.5	4.6	--	--	--	--	2.4
Excess		0.3	0.2	0.4	0.5	0.7	--	--	--	--	1.3
Insight Investment	324,659,619	-0.0	1.5	0.4	4.1	5.3	--	--	--	--	3.3
BBG US Credit 1-3 Yrs		-0.2	1.5	0.2	4.0	5.2	--	--	--	--	3.2
Excess		0.2	-0.0	0.2	0.1	0.1	--	--	--	--	0.1
County Treasury Pool	9,748,344	0.0	0.3	0.3	1.7	4.2	2.1	2.0	1.8	1.5	2.6
91 Day T-Bill		0.4	1.3	0.8	3.6	5.2	2.4	2.0	1.8	--	--
Excess		-0.4	-1.0	-0.5	-1.8	-1.0	-0.3	0.0	-0.0	--	--
Cash & Cash Overlay	46,790,163	0.4	1.4	0.9	3.7	5.4	--	--	--	--	--
ICE BofAML US 3-Month Treasury Bill		0.4	1.3	0.8	3.6	5.2	2.4	--	--	--	1.9
Excess		0.0	0.1	0.1	0.2	0.2	--	--	--	--	--
General Account	35,983,726	0.4	1.4	0.9	3.7	5.5	2.6	2.0	1.9	1.5	2.0
Transition Account	0	--	--	--	--	--	--	--	--	--	--
Cash Overlay	10,806,437	0.4	1.4	0.9	3.6	5.2	2.0	--	--	--	1.7
San Mateo County Overlay	6,345,811,517	1.7	4.4	1.4	5.7	9.2	4.5	6.7	6.5	6.2	6.6
Samcera Total Plan Benchmark		2.7	4.7	2.5	6.9	10.8	5.0	7.4	7.2	6.7	7.0
Excess		-1.0	-0.4	-1.1	-1.3	-1.6	-0.6	-0.7	-0.8	-0.5	-0.4



**Record of Asset Growth**

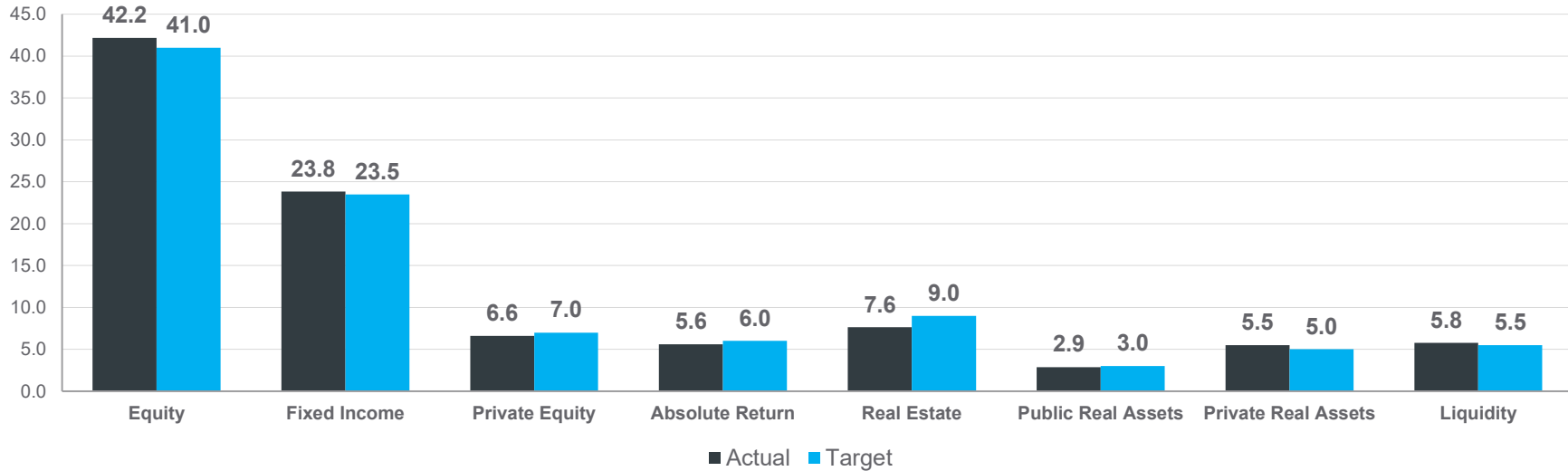
	Three Months	One Year
<b>TOTAL FUND</b>		
Beginning Market Value	6,057,001,231	5,880,980,556
Contributions	99,921,730	399,209,922
Withdrawals	-78,793,208	-475,696,842
Income Received	31,633,806	127,002,226
Gain/Loss	236,144,858	416,200,641
Ending Market Value	6,345,811,517	6,345,811,517

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



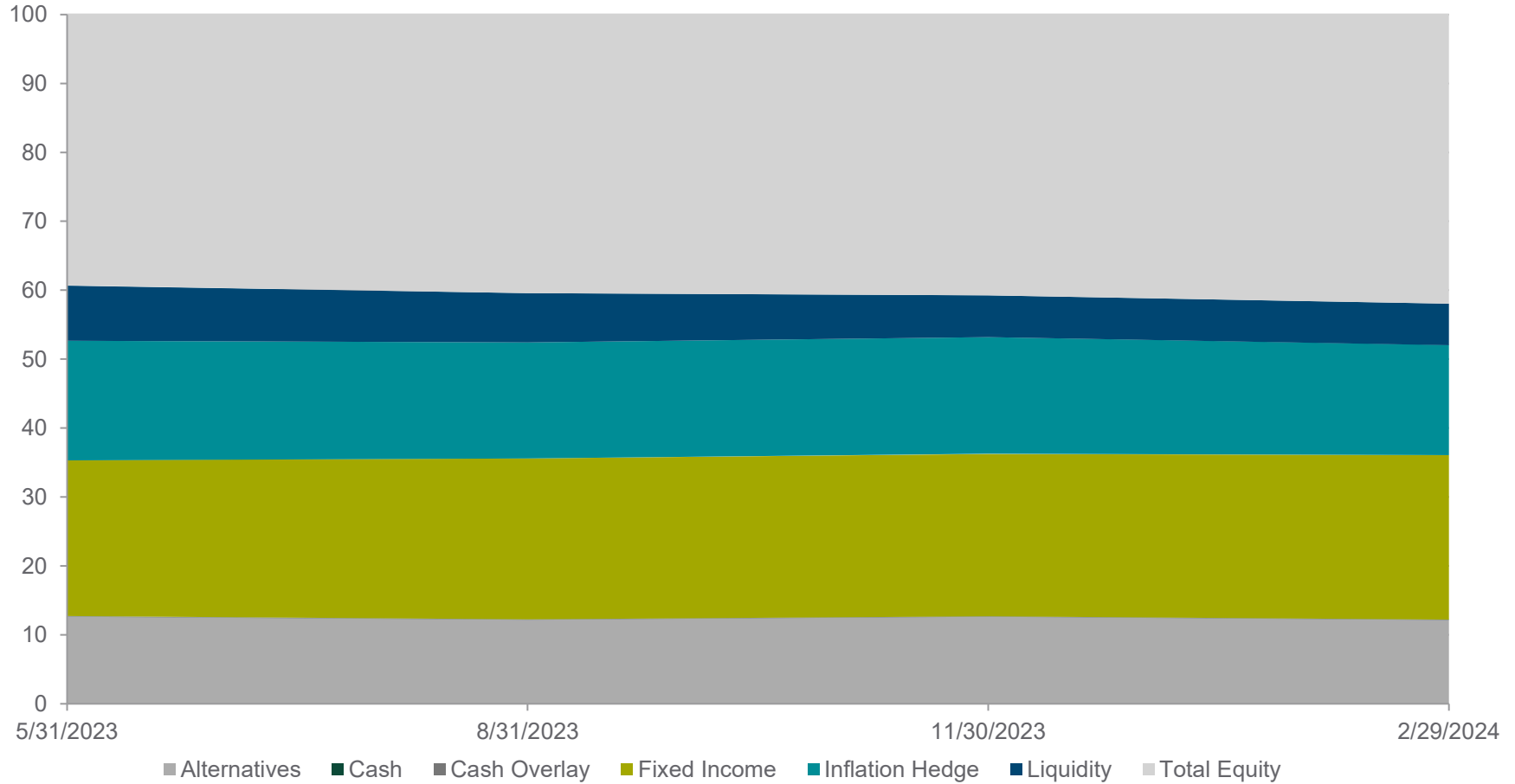


Actual vs Target Weights

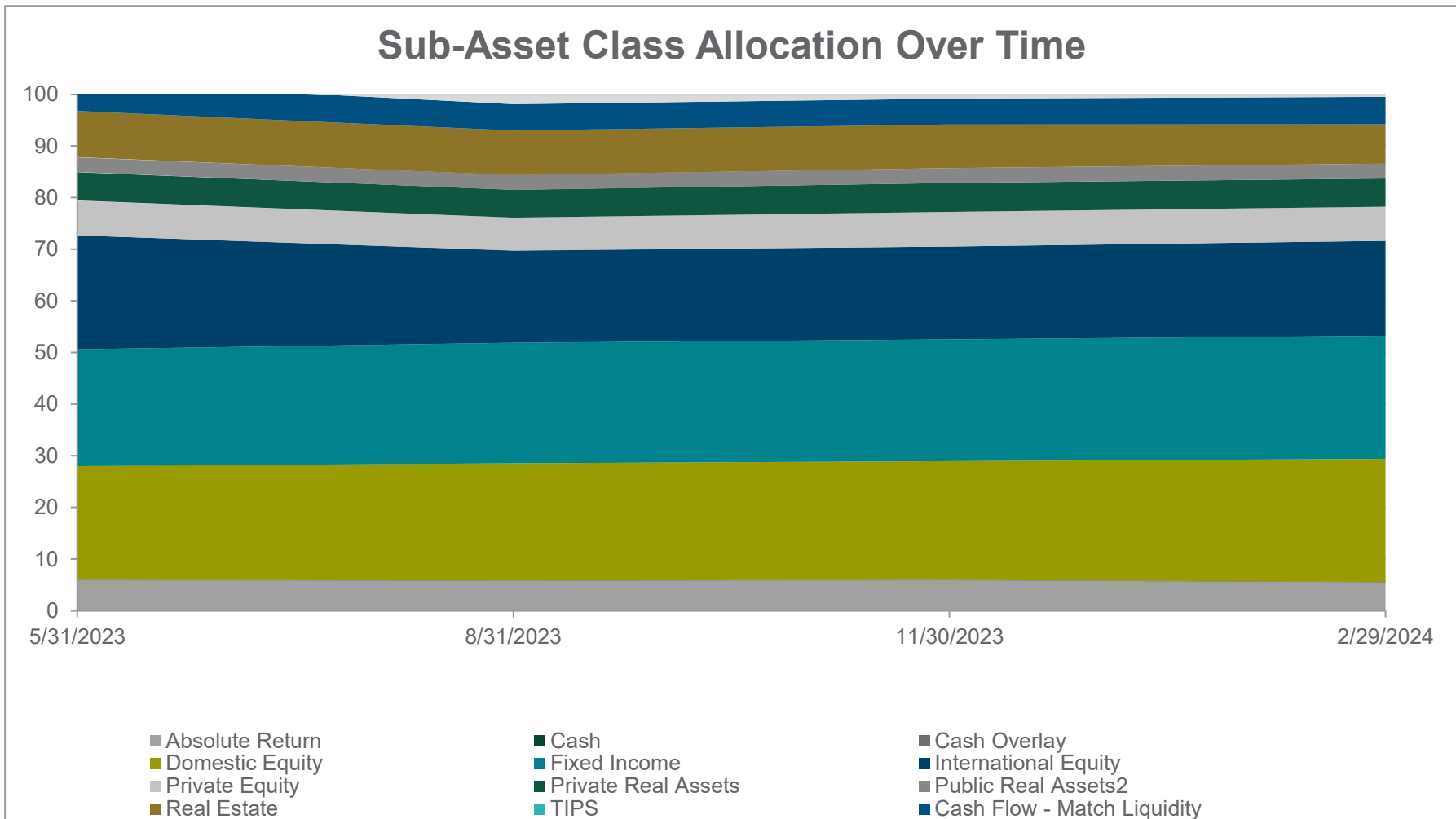


	Min	Actual	Target	Deviation	Max
Equity	38.0	42.2	41.0	1.2	44.0
Fixed Income	21.5	23.8	23.5	0.3	25.5
Private Equity	5.0	6.6	7.0	-0.4	9.0
Absolute Return	4.0	5.6	6.0	-0.4	8.0
Real Estate	7.0	7.6	9.0	-1.4	11.0
Public Real Assets	1.0	2.9	3.0	-0.1	5.0
Private Real Assets	3.0	5.5	5.0	0.5	7.0
Liquidity		5.8	5.5	0.3	

Asset Allocation over Time



### Sub-Asset Class Allocation Over Time



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**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**

FEBRUARY 2024  
Capital Markets Update



# Market commentary

## U.S. ECONOMICS

- Inflation came in at 0.3% month-over-month in January, above expectations for a 0.2% increase, and up from a 0.2% increase in December. The 3.1% year-over-year inflation print is lower than December's 2.9% print but wasn't the sharp drop investors were hoping for. Shelter costs were responsible for two thirds of the inflation in January.
- Nonfarm payrolls showed mixed results during February, with 275,000 jobs added. New jobs beat expectations of 198,000 but came with a downward revision of 167,000 across the two prior months. Unemployment increased to 3.9%, as 174,000 layoffs and 150,000 new entrants resulted in more new job seekers than jobs added. Labor participation remained at 62.5%, and wages were up 4.3% year-over-year.
- The ISM Manufacturing and Services prints came in cooler than expected. Manufacturing PMI retreated from 49.1 to 47.8, a sign of worsening economic contraction. Services PMI also declined but remained in expansionary territory at 52.6.

## U.S. EQUITIES

- U.S. equities posted a strong +5.3% gain in February and the S&P 500 notched a new all time high. Although the *higher for longer* sentiment began to gain traction again, strong economic data prints and earnings reports outweighed the negative sentiment and U.S. equities rallied.
- In a change of pace from previous months, mega cap names alone did not drive February performance. Although NVIDIA single-handedly accounted for 20% of the S&P 500's total return, nearly 75% of S&P constituents also reported surprise earnings beats, which investors reacted positively to.

## U.S. FIXED INCOME

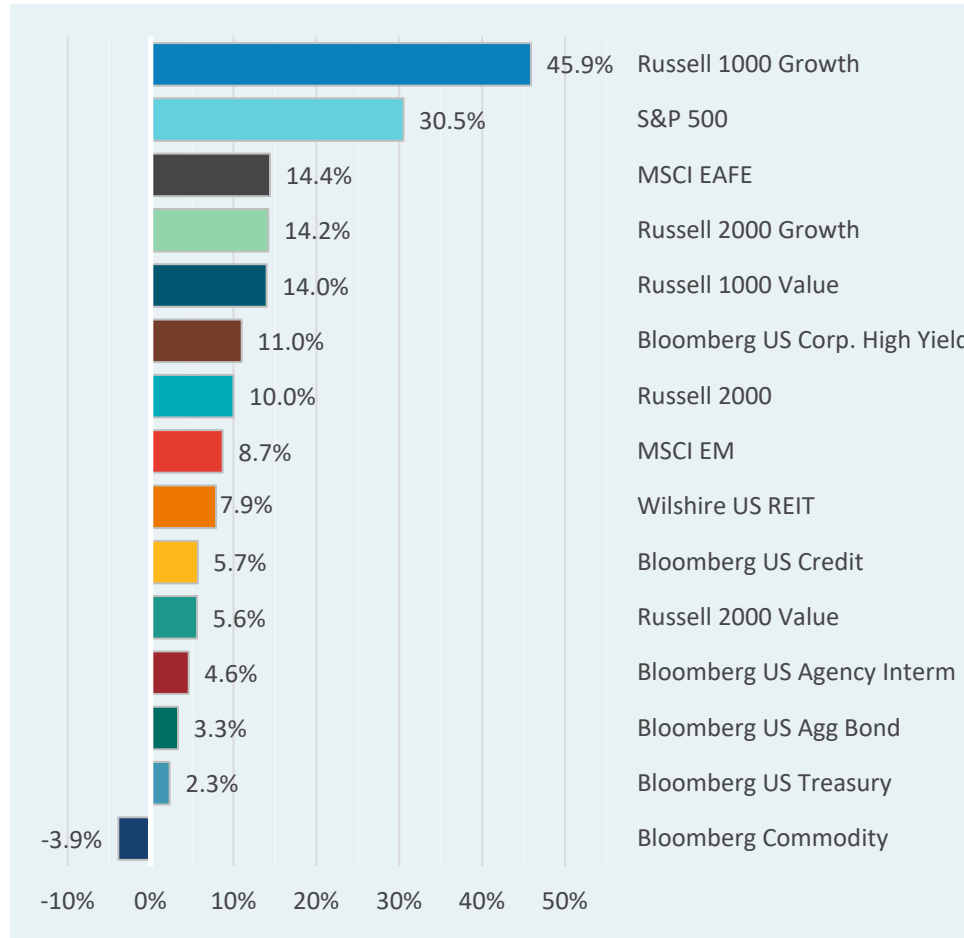
- Fixed Income generally struggled as higher yields pushed bond prices lower. Investor hope for rate cuts was dampened as Federal reserve officials emphasized that new data would continue to guide the pace of interest rate cuts. Fed officials had suggested that three rate cuts were on the table for 2024, but that narrative appears to have shifted back toward *higher for longer* sentiment, which partly materialized in rising yields.
- The rising yield environment was more pronounced on the short end of the curve, with the 2-year and 5-year rising +37 and +35bps, respectively. On the opposite end, 30-year Treasuries rose +16bps, all reflecting an expectation that rate cuts are further out on the horizon. For comparison, investors were recently anticipating rate cuts as early as February 2024.
- U.S. Corporate High Yield (+0.3%) was one of the few bright spots in the U.S. fixed income market. Although the segment still faced the challenge of rising yields, strong corporate earnings helped buoy returns as spreads contracted.

## INTERNATIONAL MARKETS

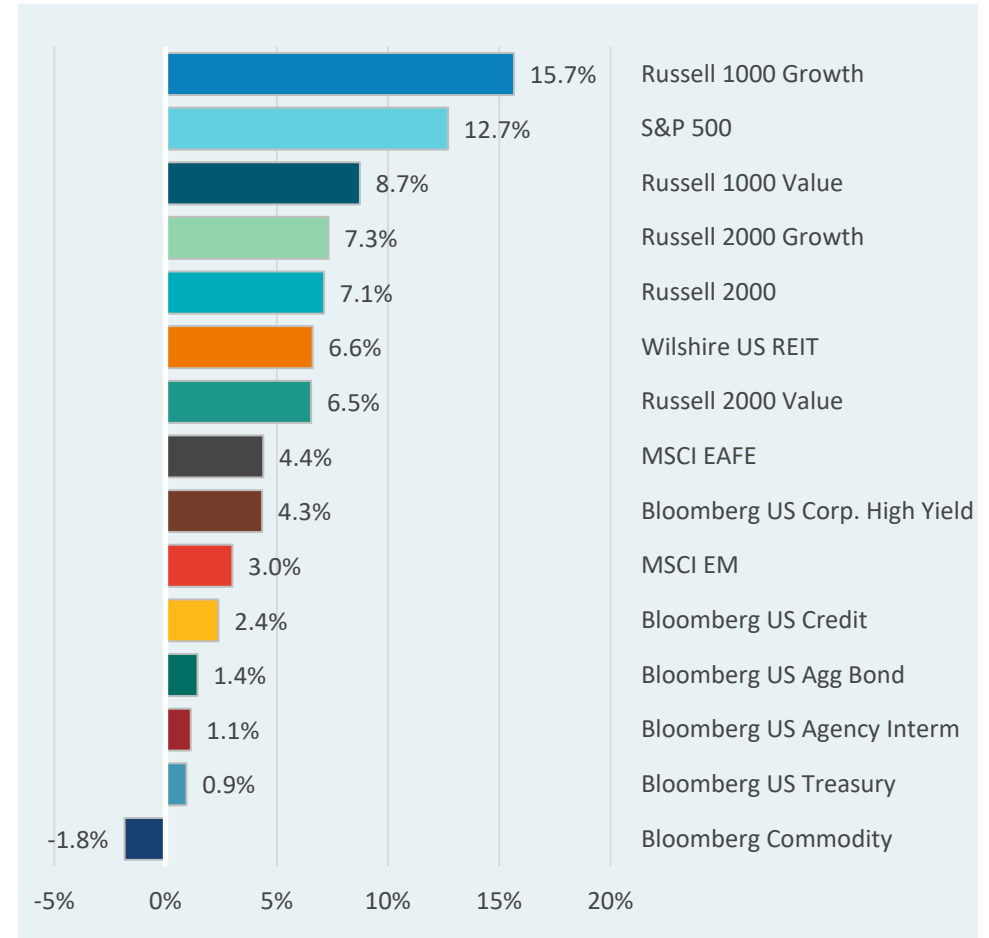
- Chinese equity markets returned a robust +8.4% as measured by the MSCI China index. The market reversal was eye-catching, but trading activity among state led institutions also surged to a five-month high. This led to some concerns that performance may have been unduly inflated by state buying activity.
- Japanese equities, as tracked by the TOPIX (+4.9%) achieved fresh highs not seen in over three decades. Recent data suggests Japan's economy is seeing consistent and much welcomed inflation – a stark difference from decades of deflation. January year-over-year inflation came in at +2.0%, while wages continued to rise.

# Major asset class returns

ONE YEAR ENDING FEBRUARY



TEN YEARS ENDING FEBRUARY



\*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 2/29/24

Source: Morningstar, as of 2/29/24

# U.S. large cap equities

- The S&P 500 Index was up +5.3% in February, bringing year-to-date return to +7.1%—a strong start to 2024. Despite mixed inflation data, a robust labor market and corporate earnings growth have helped propel markets forward.
- The “Magnificent Seven” stocks diverged in February. Nvidia, Meta, and Amazon broke away from the pack, while others lagged. Investors are looking for these market leaders to capitalize on the AI motivated surge to drive earnings, but AI implementation has come with high costs. Companies are also facing difficulty with implementation, leading to varying levels of success.
- All 11 sectors were positive for February’s market rally, with Consumer Discretionary (+8.7%), Industrials (+7.2%), and Materials (+6.5%) leading the way. Breadth increased, with 351 constituents increasing compared to 302 in January.
- Q4 earnings have nearly come to a close, clocking in at +4.1%—the third consecutive quarter of growth. Looking ahead to Q1 earnings season, 70% of guidance given by companies has been negative. Earnings growth is now projected at +3.4%, lower than the 5.6% that was originally projected on December 31<sup>st</sup> (FactSet).

**S&P 500 PRICE INDEX**



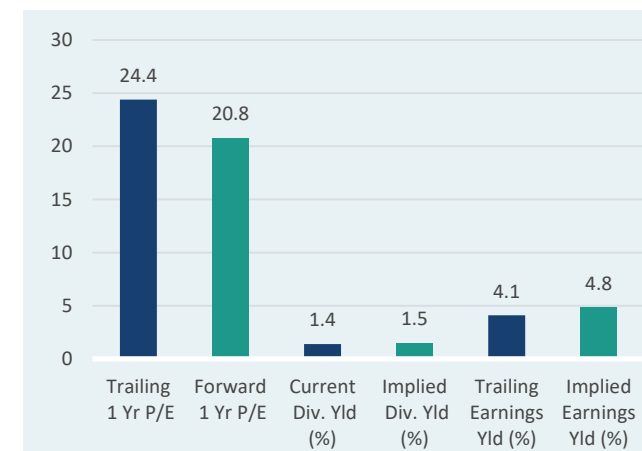
Source: Bloomberg, as of 2/29/24

**IMPLIED VOLATILITY (VIX INDEX)**



Source: Cboe, as of 2/29/24

**S&P 500 VALUATION SNAPSHOT**



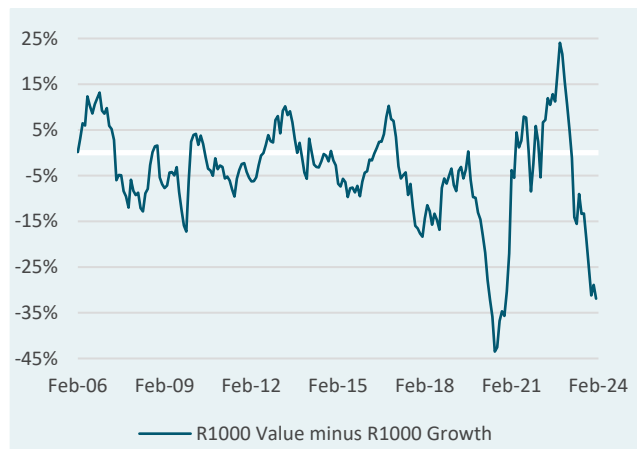
Source: Bloomberg, as of 2/29/24



# Domestic equity size and style

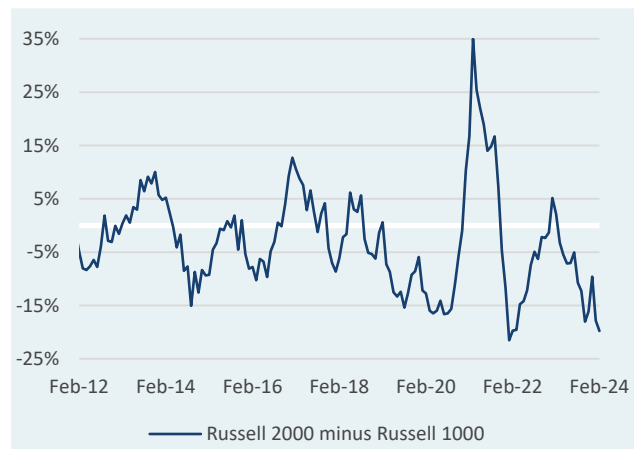
- U.S. equity returns across size factors were mostly in sync, though small caps (Russell 2000 +5.7%) outperformed their large cap counterparts by a slim margin of 0.3%. The valuations of small caps have moderated relative to large cap stocks, boosting the future expected return of the asset class.
- Among size and style factors, small cap growth was the top performer, up +8.1%. The rebound follows a tough 2023 and January where small caps underperformed large caps by a wide margin.
- Large Cap Growth companies performed well for a second straight month. The Russell 1000 Growth (+6.8%) outperformed Russell 1000 Value (+3.7%), likely driven by a greater share of companies posting strong earnings and outperforming analyst estimates.
- Relative valuations continued to increase in February, with the S&P 500 trading at 20.5x forward earnings, rising to a 15.8% premium over the 10-year average. The Russell 2000 Index forward multiple decreased again, trading at 22.5x forward earnings in February, a 4.7% discount to the 10-year average.

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



Source: FTSE, Bloomberg, as of 2/29/24

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



Source: FTSE, Bloomberg, as of 2/29/24

**1-YEAR SIZE & STYLE PERFORMANCE**

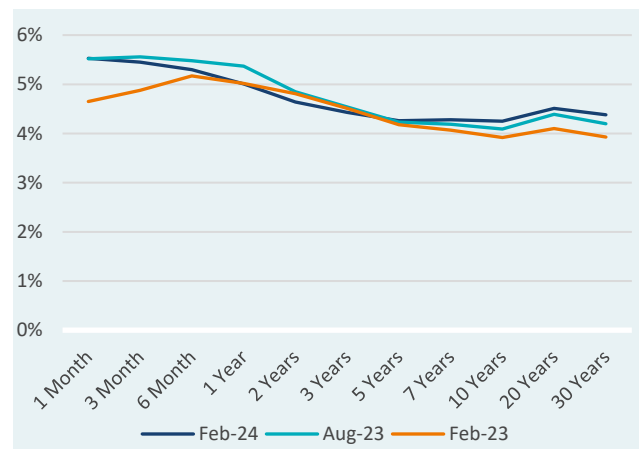
	Value	Core	Growth
Large Cap	14.0%	29.8%	45.9%
Mid Cap	10.9%	15.5%	25.0%
Small Cap	5.6%	10.0%	14.2%

Source: FTSE, Bloomberg, as of 2/29/24

# Fixed income

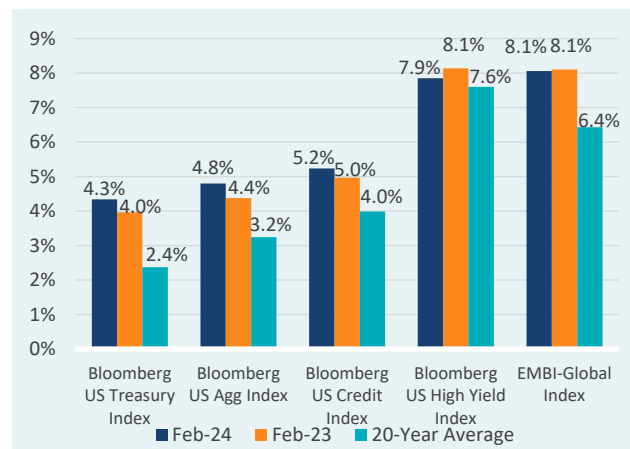
- U.S. bonds produced negative returns in February (Bloomberg U.S. Aggregate Index -1.4%), as Treasury yields increased after Powell pushed back against the market’s aggressive rate cut expectations. In a *60 Minutes* interview, Powell explained that he wants to ensure inflation is headed “down to 2% in a sustainable way” before cutting rates, to avoid long-run inflation settling above 2%.
- The Bloomberg U.S. Treasury Long index was the worst performer of all major fixed income indices, returning -2.3%. Higher-duration bonds have been hit the hardest by rate rises.
- While yields rose along the curve, the short end saw the sharpest increases. The 10/2 inversion increased with 2- and 10-year yields rising +37bps and +26bps, respectively. This brought the yield curve inversion from -28bps to -37 bps, respectively.
- The CS Leveraged Loan Index (+0.9%) was the top performer for the second month running, continuing to benefit from the high yield environment and narrowing loan spreads (-15bps). High yield spreads narrowed -30bps to 3.29%, offsetting some of the losses from yield increases, bringing performance of the Bloomberg Corporate High Yield Index to +0.3%.

**U.S. TREASURY YIELD CURVE**



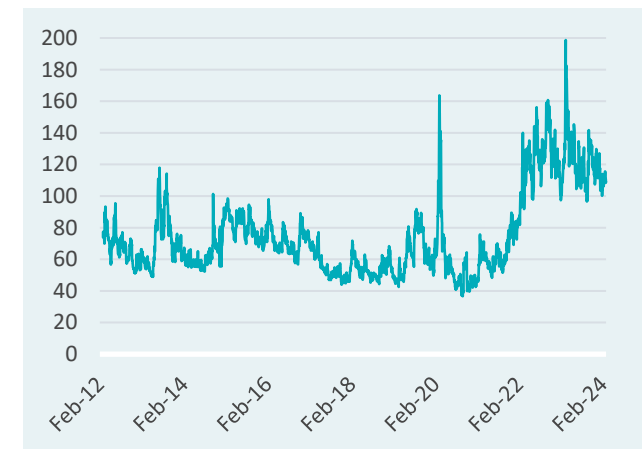
Source: Bloomberg, as of 2/29/24

**NOMINAL YIELDS**



Source: Morningstar, as of 2/29/24

**U.S. TREASURY IMPLIED VOL (“MOVE” INDEX)**

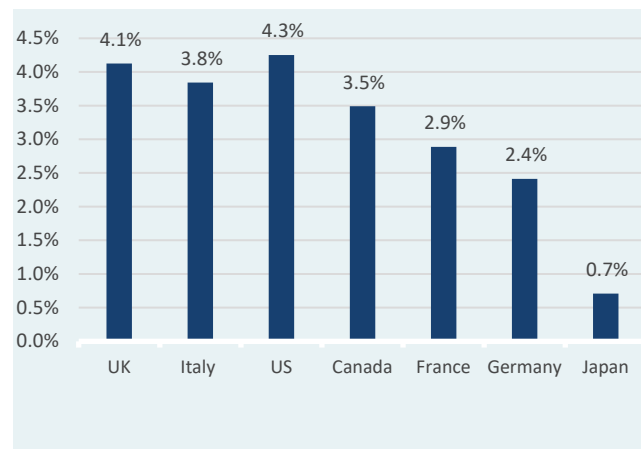


Source: Bloomberg, as of 2/29/24

# Global markets

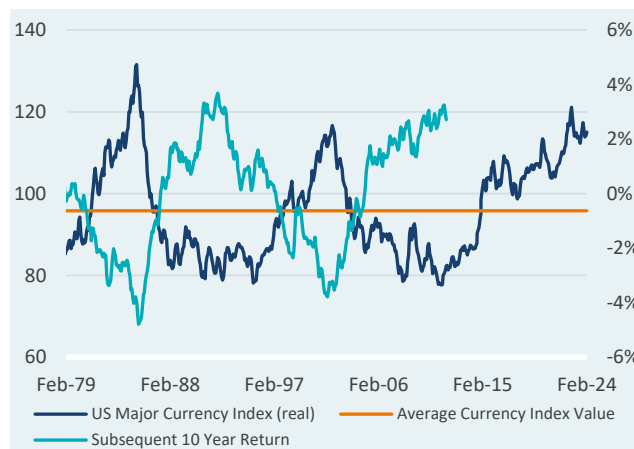
- International equities underperformed U.S. equities again, with the MSCI ACWI ex U.S. Index returning +2.5%, compared to the +5.3% return of the S&P 500 Index. This underperformance is likely due to weak economic growth data out of Europe.
- The MSCI Euro Index increased +3.3%. Economic growth was +0.1% year-over-year, narrowly avoiding a regional recession. The Eurozone PMI Index came in at 48.9—the highest in eight months—fueling some hope for a recovery. Germany, the EU’s largest economy, has moved in the opposite direction, underperforming in growth and suggesting more pain is ahead.
- Chinese equities (MSCI China Index USD +8.4%) bounced back in February as a group of state-backed brokerages worked to prop up stock prices and stabilize the market. This action, coupled with new restrictions on stock selling, may be contributing to higher Chinese stock valuations, despite ongoing weak economic data.
- The MSCI UK index was flat after the U.K. economy entered into a recession, despite inflation remaining elevated at 4.0%. Economists believe that a recession could mean the Bank of England cuts rates sooner than expected, in efforts to avoid a deeper recession.

## GLOBAL SOVEREIGN 10-YEAR YIELDS



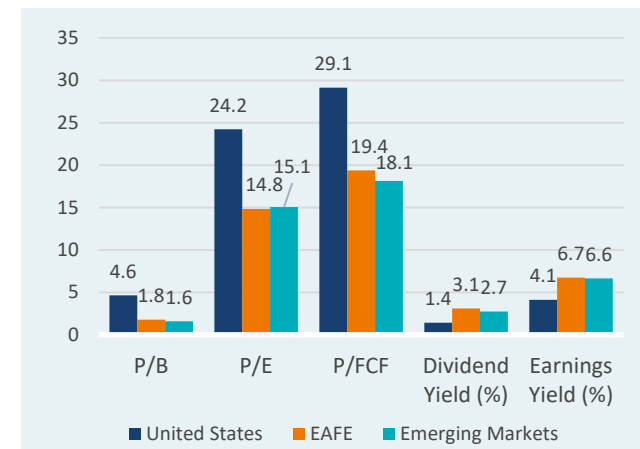
Source: Bloomberg, as of 2/29/24

## U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 2/29/24

## MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 2/29/24

# Commodities

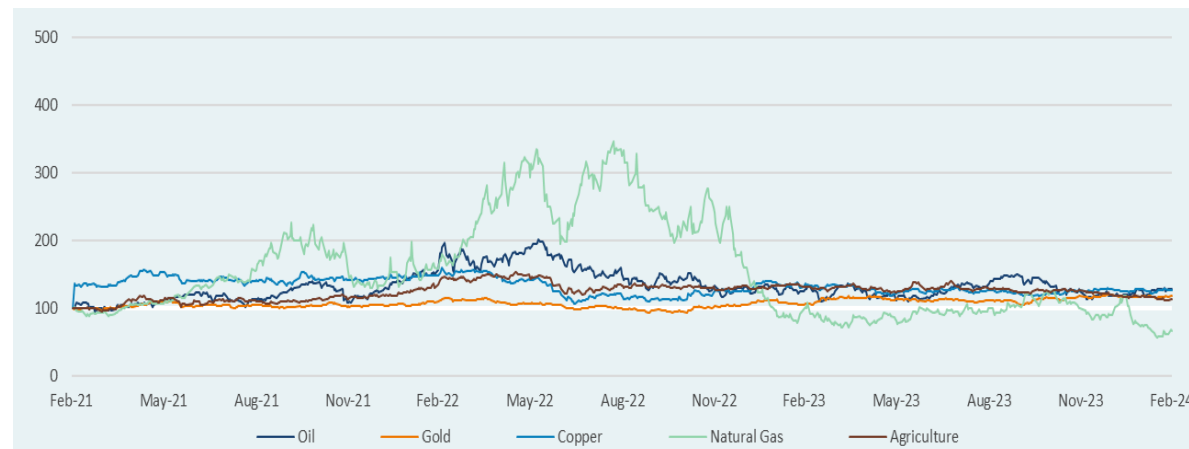
- The Bloomberg Commodity Index ended the month -1.5%, likely impacted by the extended timeline for potential Federal Reserve rate cuts and by broad price moderation across the asset class as the lingering effects of supply chain constraints dissipate. Sub-index performance was generally negative except for outsized moves in specific commodities such as nickel (+10.3%) and cotton (+13.5%).
- Natural Gas continued its descent, making it the biggest laggard in the main basket of commodities at -11.4%. The story remains largely the same as prior months: production is strong, consumption is muted, and inventories are above the prior five-year average (12% higher year-over-year).
- Oil posted a second straight monthly gain on the back of signals from OPEC+ that production cuts could be extended. West Texas Intermediate ended February above \$78 per barrel, up +3.4%. Escalating geopolitical tensions in the Middle East have helped prop up U.S. oil prices as some foreign buyers have turned to U.S. oil to avoid potential shipping issues.
- The Bloomberg Grains Sub-index was -5.8%, with soybeans (-6.7%) and soybean meal (-10.6%) leading the way. Grain prices have been declining for over a year now, though the downward trend is seen by many as a needed correction after pandemic supply-induced inflation.

## INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(1.5)	(1.1)	(1.1)	(3.9)	7.2	5.7	(1.8)
Bloomberg Agriculture	(4.4)	(5.3)	(5.3)	(8.6)	6.8	9.6	(1.3)
Bloomberg Energy	(0.4)	2.4	2.4	(8.2)	10.9	(1.6)	(9.7)
Bloomberg Grains	(5.8)	(10.2)	(10.2)	(17.3)	1.0	6.3	(3.4)
Bloomberg Industrial Metals	(0.6)	(2.4)	(2.4)	(9.8)	0.8	4.6	2.1
Bloomberg Livestock	2.8	11.9	11.9	11.9	6.9	(1.3)	(3.0)
Bloomberg Petroleum	2.4	10.0	10.0	13.9	27.4	11.1	(3.1)
Bloomberg Precious Metals	(0.6)	(1.8)	(1.8)	10.6	2.8	7.8	2.6
Bloomberg Softs	(0.3)	8.9	8.9	18.4	17.9	13.7	(0.3)

Source: Morningstar, as of 2/29/24

## COMMODITY PERFORMANCE



Source: Bloomberg, as of 2/29/24

# Appendix

# Periodic table of returns

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	5-Year	10-Year
Large Cap Growth	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	36.4	38.5	28.3	16.1	42.7	9.5	18.8	15.7
Large Cap Equity	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	31.4	34.6	27.6	9.4	26.5	6.9	14.4	12.4
Small Cap Growth	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	0.0	28.5	21.0	27.1	1.5	18.7	4.7	9.4	8.7
Large Cap Value	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	-1.5	26.5	20.0	26.5	-4.7	18.2	3.8	6.9	7.3
International Equity	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	-3.5	25.5	18.3	25.2	-7.5	16.9	2.4	6.8	7.1
Hedge Funds of Funds	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	-4.8	22.4	14.0	17.7	-13.0	15.4	2.4	6.6	6.8
60/40 Global Portfolio	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	-6.0	22.0	10.3	14.8	-14.5	14.6	1.9	6.5	6.5
Small Cap Equity	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	-8.3	18.6	7.8	11.3	-14.5	11.5	1.5	6.0	5.1
Cash	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	18.4	7.5	8.9	-17.3	9.8	0.8	5.7	4.4
Real Estate	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	8.7	4.6	6.5	-19.1	6.3	0.0	4.9	3.4
Emerging Markets Equity	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	7.0	-11.2	7.8	2.8	2.8	-20.1	5.5	-0.1	4.3	3.0
Commodities	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-12.9	7.7	0.5	0.0	-20.4	5.0	-1.1	1.9	1.4
Small Cap Value	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-13.8	6.4	0.5	-1.5	-26.4	-7.9	-1.4	1.9	1.3
US Bonds	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-14.6	2.1	-3.1	-2.5	-29.1	-7.9	-1.7	0.6	-1.8

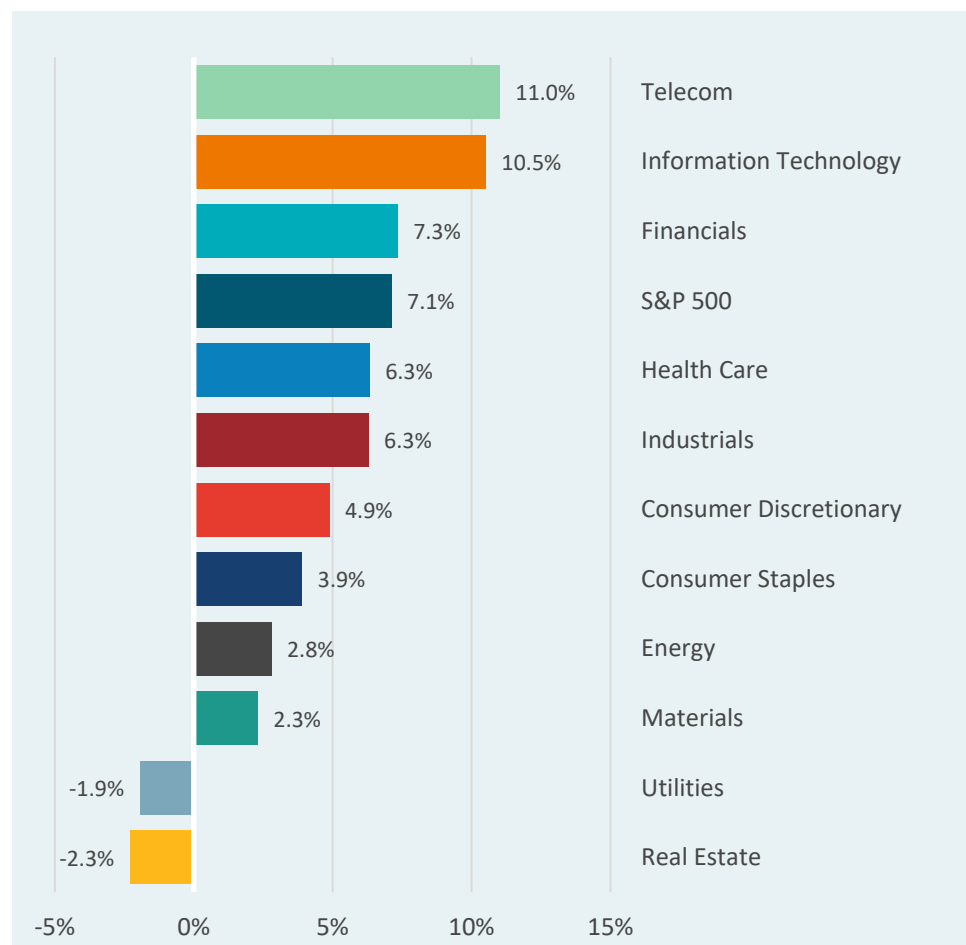
BEST  
↑  
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WORST

<span style="background-color: #ADD8E6; border: 1px solid black; padding: 2px;"> </span> Large Cap Equity	<span style="background-color: #006400; border: 1px solid black; padding: 2px;"> </span> Small Cap Growth	<span style="background-color: #8B4513; border: 1px solid black; padding: 2px;"> </span> Commodities
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<span style="background-color: #000080; border: 1px solid black; padding: 2px;"> </span> Large Cap Growth	<span style="background-color: #FF8C00; border: 1px solid black; padding: 2px;"> </span> Emerging Markets Equity	<span style="background-color: #90EE90; border: 1px solid black; padding: 2px;"> </span> Hedge Funds of Funds
<span style="background-color: #7FFFD4; border: 1px solid black; padding: 2px;"> </span> Small Cap Equity	<span style="background-color: #A9A9A9; border: 1px solid black; padding: 2px;"> </span> US Bonds	<span style="background-color: #FF0000; border: 1px solid black; padding: 2px;"> </span> 60% MSCI ACWI/40% Bloomberg Global Bond
<span style="background-color: #008000; border: 1px solid black; padding: 2px;"> </span> Small Cap Value	<span style="background-color: #D3D3D3; border: 1px solid black; padding: 2px;"> </span> Cash	

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 12/31/23.

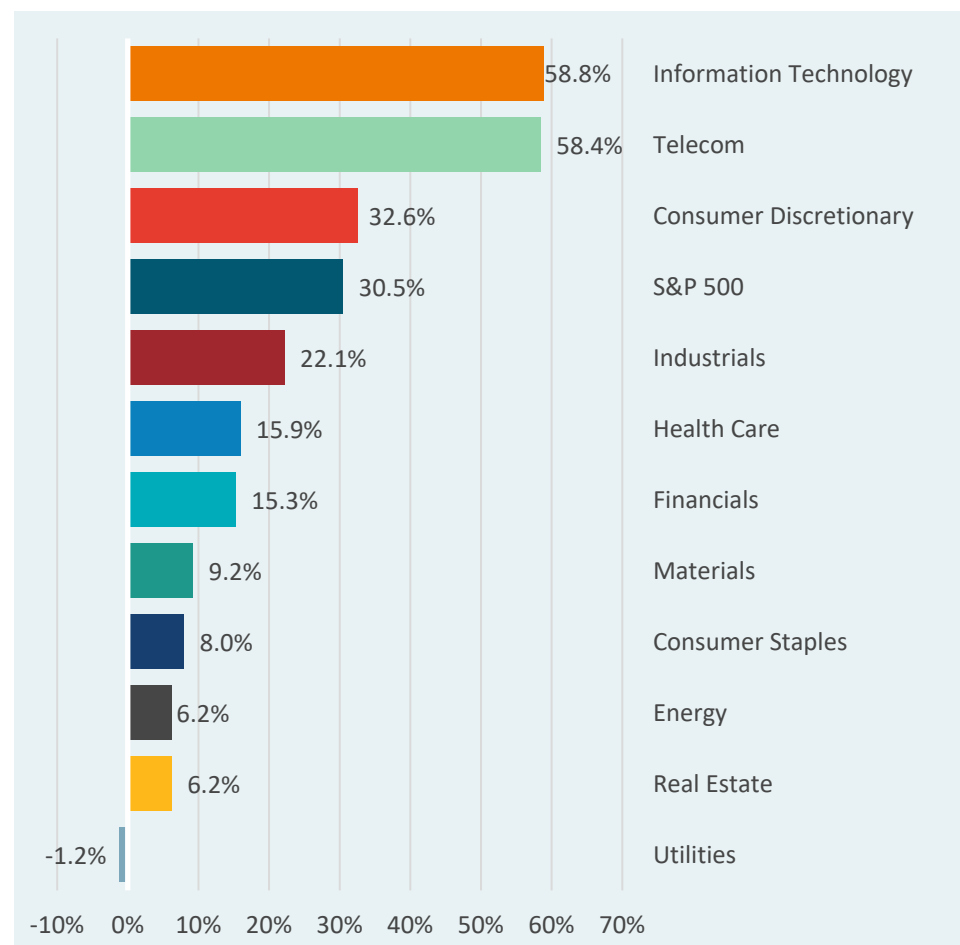
# S&P 500 sector returns

QTD



Source: Morningstar, as of 2/29/24

ONE YEAR ENDING FEBRUARY



Source: Morningstar, as of 2/29/24

# Detailed index returns

## DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Core Index</b>							
S&P 500	5.3	7.1	7.1	30.5	11.9	14.8	12.7
S&P 500 Equal Weighted	4.2	3.3	3.3	13.3	8.7	11.6	10.5
DJ Industrial Average	2.5	3.8	3.8	22.0	10.3	10.9	11.6
Russell Top 200	5.3	7.8	7.8	35.0	12.5	15.9	13.5
Russell 1000	5.4	6.9	6.9	29.8	10.7	14.4	12.4
Russell 2000	5.7	1.5	1.5	10.0	(0.9)	6.9	7.1
Russell 3000	5.4	6.6	6.6	28.6	9.9	13.9	12.0
Russell Mid Cap	5.6	4.1	4.1	15.5	5.5	10.3	9.5
<b>Style Index</b>							
Russell 1000 Growth	6.8	9.5	9.5	45.9	12.5	18.8	15.7
Russell 1000 Value	3.7	3.8	3.8	14.0	8.4	9.4	8.7
Russell 2000 Growth	8.1	4.7	4.7	14.2	(4.6)	6.5	7.3
Russell 2000 Value	3.3	(1.4)	(1.4)	5.6	2.5	6.6	6.5

## INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
MSCI ACWI	4.3	4.9	4.9	23.1	6.8	10.5	8.4
MSCI ACWI ex US	2.5	1.5	1.5	12.5	1.3	5.4	4.0
MSCI EAFE	1.8	2.4	2.4	14.4	4.4	6.8	4.4
MSCI EM	4.8	(0.1)	(0.1)	8.7	(6.3)	1.9	3.0
MSCI EAFE Small Cap	0.4	(1.3)	(1.3)	6.3	(1.9)	4.2	4.3
<b>Style Index</b>							
MSCI EAFE Growth	3.4	4.6	4.6	16.6	2.4	7.7	5.5
MSCI EAFE Value	0.2	0.1	0.1	12.1	6.3	5.4	3.0
<b>Regional Index</b>							
MSCI UK	0.0	(1.3)	(1.3)	5.5	7.1	4.4	2.1
MSCI Japan	3.0	7.8	7.8	26.9	3.0	7.3	6.2
MSCI Euro	3.3	4.2	4.2	17.4	6.8	8.2	4.3
MSCI EM Asia	5.9	0.3	0.3	6.9	(8.4)	2.6	4.3
MSCI EM Latin American	(0.2)	(5.0)	(5.0)	22.4	11.7	2.9	2.4

## FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
Bloomberg US TIPS	(1.1)	(0.9)	(0.9)	2.5	(0.9)	2.7	2.1
Bloomberg US Treasury Bills	0.4	0.8	0.8	5.3	2.4	2.0	1.3
Bloomberg US Agg Bond	(1.4)	(1.7)	(1.7)	3.3	(3.2)	0.6	1.4
Bloomberg US Universal	(1.2)	(1.4)	(1.4)	4.1	(2.8)	0.8	1.7
<b>Duration</b>							
Bloomberg US Treasury 1-3 Yr	(0.4)	(0.1)	(0.1)	4.3	(0.1)	1.2	1.0
Bloomberg US Treasury Long	(2.3)	(4.4)	(4.4)	(2.8)	(10.0)	(2.0)	1.2
Bloomberg US Treasury	(1.3)	(1.6)	(1.6)	2.3	(3.4)	0.2	0.9
<b>Issuer</b>							
Bloomberg US MBS	(1.6)	(2.1)	(2.1)	2.3	(3.3)	(0.3)	1.0
Bloomberg US Corp. High Yield	0.3	0.3	0.3	11.0	1.8	4.2	4.3
Bloomberg US Agency Interm	(0.6)	(0.2)	(0.2)	4.6	(0.9)	0.9	1.1
Bloomberg US Credit	(1.4)	(1.6)	(1.6)	5.7	(2.8)	1.6	2.4

## OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Index</b>							
Bloomberg Commodity	(1.5)	(1.1)	(1.1)	(3.9)	7.2	5.7	(1.8)
Wilshire US REIT	2.4	(1.5)	(1.5)	7.9	5.7	4.8	6.6
CS Leveraged Loans	0.9	1.7	1.7	11.4	5.5	5.1	4.5
S&P Global Infrastructure	0.0	(3.1)	(3.1)	1.9	5.4	4.4	5.0
Alerian MLP	4.8	9.4	9.4	30.0	30.1	10.1	2.6
<b>Regional Index</b>							
JPM EMBI Global Div	1.0	(0.1)	(0.1)	10.1	(2.4)	0.6	3.0
JPM GBI-EM Global Div	(0.6)	(2.1)	(2.1)	9.3	(2.6)	(0.1)	(0.0)
<b>Hedge Funds</b>							
HFRI Composite	2.5	2.7	2.7	8.9	3.8	6.7	4.7
HFRI FOF Composite	1.7	2.4	2.4	7.2	2.3	4.9	3.4
<b>Currency (Spot)</b>							
Euro	(0.4)	(2.0)	(2.0)	2.0	(3.8)	(1.0)	(2.4)
Pound Sterling	(0.7)	(0.8)	(0.8)	4.5	(3.3)	(1.0)	(2.8)
Yen	(2.3)	(5.8)	(5.8)	(9.0)	(10.7)	(5.8)	(3.8)

Source: Morningstar, HFRI, as of 2/29/24



# 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	0.3	17.9	14.6	13.4
<i>MSCI World Index (PME)</i>	21.9	8.6	7.5	8.4
Global Private Equity Direct Funds <sup>1</sup>	3.7	15.5	15.5	15.1
<i>MSCI World Index (PME)</i>	21.6	7.8	7.3	8.3
U.S. Private Equity Direct Funds <sup>1</sup>	2.6	17.5	17.3	16.4
<i>Russell 3000 Index (PME)</i>	20.2	9.2	9.2	11.4
Europe Private Equity Direct Funds <sup>1</sup>	11.7	14.9	14.8	13.5
<i>MSCI Europe Index (PME)</i>	28.0	6.6	4.3	3.9
Asia Private Equity Direct Funds <sup>1,4</sup>	2.7	7.3	9.0	12.3
<i>MSCI AC Asia Pacific Index (PME)</i>	15.7	(0.6)	1.3	3.4

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt <sup>2,4</sup>	7.5	16.0	11.9	11.0
<i>Morningstar LSTA U.S. Leveraged Loan 100 Index (PME)</i>	13.8	5.4	4.6	4.3

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	(3.9)	12.2	8.9	11.7
<i>FTSE NAREIT Equity REIT Index (PME)</i>	2.6	7.0	3.5	7.4

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources <sup>3,4</sup>	7.5	22.3	4.5	3.8
<i>S&amp;P Global Natural Resources Index (PME)</i>	18.1	20.6	5.8	5.7
Global Infrastructure <sup>4</sup>	9.5	11.5	10.2	10.5
<i>S&amp;P Global Infrastructure Index (PME)</i>	4.9	4.8	2.6	3.4

Source: Pooled IRRs and Public Market Equivalents (PMEs) are both from Refinitiv C/A, as of September 30<sup>th</sup>, 2023. All returns in U.S. dollars.

1. Includes Buyout, Growth Equity and Venture Capital.

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

3. Includes Private Equity Energy, Timber and Upstream Energy & Royalties.

4. Due to limited history of the PME, only the funds with the same vintage years as PMEs are included.

# Notices & disclosures

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

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