



# Notice of Public Meeting

## The Board of Retirement Tuesday, January 28, 2025, at 10:00 A.M.

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

- 1. Call to Order, Roll Call and Miscellaneous Business**
  - 1.1 Swearing in of Newly Elected Trustee
- 2. Oral Communications**
  - 2.1 Oral Communications from the Board
  - 2.2 Oral Communications from the Public
- 3. Approval of the Minutes**
  - 3.1 Approval of Board Meeting Minutes from September 24, 2024
  - 3.2 Approval of Board Meeting Minutes from December 3, 2024
- 4. Approval of the Consent Agenda\***

4.1 Disability Retirements (4) <ul style="list-style-type: none"><li>• Gonzales, Celia</li><li>• Grosso, Scott</li><li>• Lin, Yunghui</li><li>• Reyes, Estela</li></ul>	4.6 Member Account Refunds
4.2 Survivor Death Benefits	4.7 Member Account Rollovers
4.3 Service Retirements	4.8 Member Account Redeposits
4.4 Continuances	4.9 Acceptance of Trustees' Reports of Educational Activities
4.5 Deferred Retirements	4.10 Semi-Annual Compliance Certification Statements for the Period Ended December 31, 2024
	4.11 Approval of Resolutions that Define Compensation Earnable and Pensionable Compensation
- 5. Benefit & Actuarial Services**
  - 5.1 Consideration of Agenda Items, if any, Removed from the Consent Agenda
  - 5.2 Approval of Cost of Living Allowance (COLA)
- 6. Investment Services**
  - 6.1 Report on Preliminary Monthly Portfolio Performance Report for the Period Ended December 31, 2024
  - 6.2 Educational Presentation on SamCERA's Security Lending Program
  - 6.3 Approval of Resolution Updating SamCERA's Investment Policy
  - 6.4 Presentation of Private Assets Semi-Annual Performance Reports as of June 30, 2024
  - 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)
- 7. Board & Management Support**
  - 7.1 Discussion of Board-Staff Retreat Topics
  - 7.2 Approval of Resolution Authorizing the Chief Executive Officer to Approve the Payment of a Member's Benefits by Check Pursuant to Board Regulation 5.5(C)
- 8. Management Reports**
  - 8.1 Chief Executive Officer's Report
  - 8.2 Assistant Executive Officer's Reports
  - 8.3 Chief Investment Officer's Report
  - 8.4 Chief Legal Counsel's Report

# Notice of Public Meeting

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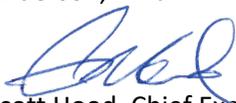
**CLOSED SESSION** – The Board may meet in closed session prior to adjournment

- C1 Consideration of Disability Items, if any, removed from the Consent Agenda
- C2 Approval of Proposed Alternative Investment (Confidential Under Gov. Code §54956.81 and §7928.710 – see also item 6.5)
- C3 Public Employee Performance Evaluation, in accordance with Gov. Code § 54957, Title: Chief Executive Officer (to be heard in Closed Session Confidential Under Gov. Code §54957)

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

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

Welsh, Hyacinth	November 7, 2024	Hospital
Ruffoni, Henry	November 8, 2024	Civil Service Commission
McNaughton, Elouise	November 10, 2024	Courts
May, Susan	November 14, 2024	Human Services
Bodden, Reginald	November 15, 2024	Probation
Da Cunha, Henrique	November 21, 2024	Probation
Gray, Irene	November 22, 2024	Courts
Wright, John	November 28, 2024	Sheriff's
McGaughy, Marjorie	December 1, 2024	Mental Health
Smith, Charlotte	December 8, 2024	Public Health
Theocheung, Joseph	December 15, 2024	Hospital
Hekker, Henry	December 16, 2024	Sheriff's
Molinari, Albert	December 17, 2024	Sheriff's
Hopkins, Terry	December 19, 2024	Assessor's Office
Carraher, Marjorie	December 24, 2024	Hospital
Upton, Warren	December 25, 2024	General Services
Suwabe, Kaora	January 5, 2025	Probation
Kanakaris, Anna	January 6, 2025	Hospital
Anderson, Irma	January 6, 2025	Health



Scott Hood, Chief Executive Officer

Posted: January 22, 2025

(\* 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.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

January 28, 2025

Agenda Item 1.1

**TO:** Board of Retirement

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

A handwritten signature in blue ink, appearing to read "Scott Hood", is positioned to the right of the "FROM:" line.

**SUBJECT:** Administration of the Oath of Office to Newly Elected Trustee

In this agenda item, the Oath of Office will be given to Trustee **Laurel Finnegan**, who was elected to the Board of Retirement.

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
SEPTEMBER 24, 2024 – REGULAR BOARD MEETING MINUTES**

**2409.1 Call to Order, Roll Call and Miscellaneous Business**

**Call to Order:** Alma Salas, Chair, called the Regular Meeting of the Board of Retirement to order at 9:59 a.m.

**Roll Call:**

Present: Sandie Arnott, April DeCarsky, Katherine O’Malley, Robert Raw, and Alma Salas.

Absent: Mark Battey, Kurt Hoefer, Kimathi Marangu, and Elaine Orr.

Alternates: Nicole McKay.

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

Consultants and speakers: Joe Abdou and John Nicolini (Verus); Nick Collier and Craig Glyde (Milliman)

**2409.2.1 Oral Communications from the Board:** None.

**2409.2.2 Oral Communications from the Public:** Ms. Smith introduced the Board to SamCERA’s new Retirement Technology Office, Diane Webster.

**2409.3.1 Approval of Board Meeting Minutes from August 27, 2024:** Due to the shortage of necessary voting members who attended the August meeting in attendance today, this item was moved to the November Regular Meeting.

**2409.4.0 Approval of the Consent Agenda:** Ms. Salas asked if there were any items to be removed for discussion from the Consent Agenda. No items were removed.

Action: Ms. Arnott moved to approve the items on the Consent Agenda. The motion was seconded by Ms. DeCarsky and carried with a vote of 5-0-0, with trustees Arnott, DeCarsky, O’Malley, Raw, and Salas all in favor; none opposed; none abstained.

**2409.4.1 Disability Retirements:** None.

**2409.4.2 Survivor Death Benefits:** None.

**2409.4.3 Service Retirements:**

<b>Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Alarcon, Cecilia	June 29, 2024	Deferred - Human Services Agency
Avery, Doreen	July 6, 2024	Mental Health
Borba, Christine	July 16, 2024	Probation
Brown, Jeanette	August 1, 2024	Probation
Charles, Christine	July 20, 2024	Probation
Clifford, Marcus	July 9, 2024	Probation
Cortez, Yolanda	July 27, 2024	San Mateo County Health
Dormandy, Douglas	July 23, 2024	Probation
Epler, Frances	July 16, 2024	Def’d - San Mateo County Health
Flores, Sandra	August 1, 2024	Human Services Agency
Forrester, Eric	July 31, 2024	Sheriff's Office
Gloria, Luis	July 6, 2024	Sheriff's Office
Gomez, Jose	July 6, 2024	County Executive's Office

Grivas, Gidion	July 27, 2024	San Mateo County Health
Heindel, Steven	July 4, 2024	Sheriff's Office
Keating, Ron	July 13, 2024	San Mateo County Health
Luis, Angela	July 6, 2024	Library
Mosely, Denise	July 13, 2024	Behavioral Health
Shipp, Glenn	August 1, 2024	San Mateo County Health
Torio, Cristina	August 1, 2024	Assessor's Office

2409.4.4 **Continuances:**

**Survivor's Name**

Beaumont, Josephina  
 Bell, Donald  
 Berg, Sima  
 Grant, Ardenah  
 Myers, Michael

**Beneficiary of:**

Beaumont, Graham  
 Bell, Gloria  
 Berg, Michael  
 Grant, Vernon  
 Myers, Karen

2409.4.5 **Deferred Retirements:**

**Name**

Amadi, Victor  
 Branch, Camille  
 Calderon, Yesska  
 Ceja, Luis  
 Dunn, Travis  
 Gurley, Kristin  
 Hendrickson, Matthew  
 Jung, Anna  
 Latu, Lucianne  
 Oakley, Sharla  
 Pryor, Russell  
 Robinson, Shacoya  
 Sharma, Neha  
 Tinoco, Eric  
 Vallecillo, Saradilia  
 White, Andrew

**Retirement Plan Type**

S7/P7, Vested Auto Defer – Code 31700  
 G7, Vested Auto Defer – Code 31700  
 G5, Vested Auto Defer – Code 31700  
 S7, Vested Auto Defer – Code 31700  
 G7, Vested Auto Defer – Code 31700  
 G7, Vested Auto Defer – Code 31700  
 G5, Vested Auto Defer – Code 31700  
 G7, Vested Auto Defer – Code 31700  
 G4, Vested Auto Defer – Code 31700  
 P5, Vested – Reciprocity  
 P4, Vested Auto Defer – Code 31700  
 G7, Vested Auto Defer – Code 31700  
 P4, Vested Auto Defer – Code 31700  
 S7, Vested Auto Defer – Code 31700  
 G7, Vested  
 G7, Vested Auto Defer – Code 31700

2409.4.6 **Member Account Refunds:**

**Name**

Dinh, Emily  
 Esquivel, Svetlana  
 Fang, Allison  
 Knopp, Steven  
 Koska, Sarah  
 Langford, Lenaya  
 Ramirez Barajas, Saul  
 Sloan, Ivan  
 Yeagly, Charles

**Retirement Plan Type**

G7, Non-vested  
 G4, Vested  
 G7, Vested  
 G7, Non-vested  
 P7, Vested  
 G7, Non-vested  
 G7, Non-vested  
 G7, Non-vested  
 S7, Non-vested

2409.4.7 **Member Account Rollovers:**

<b>Name</b>	<b>Retirement Plan Type</b>
Bissada, Phillip	G4, Vested
Chan, Navin	G7, Non-vested
Fang, Allison	G7, Vested
Fong, Mackenzie	G7, Non-vested
Gonzales, Jordan Anthony	G7, Non-vested
Scarlata, Karim	G7, Non-vested

2409.4.8 **Member Account Redeposits:** None

2409.4.9 **Acceptance of Trustees' Reports of Educational Activities:** None

2409.5.1 **Consideration of Agenda Items, if any, Removed from the Consent Agenda:** None

2409.5.2 **Presentation of the June 30, 2024, Actuarial Valuation Report:** Mr. Collier and Mr. Glyde, of Milliman, Inc. presented the results and recommendations of SamCERA's Actuarial Valuation Report as of June 30, 2024. The results included: a decrease in the Employer Statutory Contribution rate from 26.64% (effective July 1, 2024) to 26.50% (effective July 1, 2025); virtually no change in member contribution rates for all plans (effective July 1, 2025); a decrease in the funded ratio of the system from 88.3% as of June 30, 2023, to 87.6% as of June 30, 2024. This item was informational and for discussion only, no action was taken.

2409.5.3 **Approval of Resolution Accepting the 2025-2026 Employer and Employee Contribution Rates:** Ms. Salas called for a motion on the recommendations made for fiscal year 2025-2026 employer and member contribution rates.

**Action:** Ms. DeCarsky moved to approve a resolution accepting the 2025-2026 employer and employee contribution rates. The motion was seconded by Ms. O'Malley and carried with a vote of 5-0-0, with trustees Arnott, DeCarsky, O'Malley, Raw, and Salas all in favor; none opposed; none abstained.

2409.6.1 **Report on Preliminary Monthly Portfolio Performance for the Period Ended August 31, 2024:** Mr. Coultrip reported that SamCERA's preliminary return for August was 1.4%, bringing the preliminary trailing twelve-month net return ending August to 11.8%, which is below our benchmark return of 14.6% but above our assumed earnings rate of 6.25%. SamCERA's estimated market value as of August was \$6.73 billion, while the actuarial funded ratio as of June 30, 2024 was 87.6%.

2409.6.2 **Report on Opportunistic Credit Manager Annual Reviews:** Ms. Ng reported that SamCERA staff and consultant held an annual review meeting with opportunistic credit bond manager, BlackRock, on August 13<sup>th</sup>. The meeting lasted approximately 1.5 hours, and consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook. Ms. Ng reviewed the meeting, stated there were no significant concerns and answered questions from the Board. This item was informational and for discussion only, no action was taken.

2409.7.1 **Approval of Resolution Moving the October 29<sup>th</sup> Board of Retirement Meeting to November 5<sup>th</sup>:** Mr. Hood reviewed the proposed change of date for the meeting.

**Action:** Mr. Raw moved to approve the resolution changing the October 29<sup>th</sup> Board Meeting to November 5<sup>th</sup>. The motion was seconded by Ms. O'Malley and carried with a vote of 5-0-0, with trustees Arnott, DeCarsky, O'Malley, Raw, and Salas all in favor; none opposed; none abstained.

2409.7.2 **Approval of Resolution Setting the Board Meeting Schedule for 2025:** Ms. Smith reviewed the proposed Board meeting schedule for 2025 with the Board.

**Action:** Ms. Arnott moved to approve the resolution setting the Board of Retirement’s regular meeting schedule for calendar year 2025. The motion was seconded by Ms. DeCarsky and carried with a vote of 5-0-0, with trustees Arnott, DeCarsky, O’Malley, Raw, and Salas all in favor; none opposed; none abstained.

2409.8.1 **Chief Executive Officer’s Report:** Mr. Hood reported to the Board that staff received a letter from a member’s family thanking staff for the assistance they’ve received. Mr. Hood read the letter aloud to the Board. Mr. Hood reported to the Board that the next Audit Committee Meeting will be held October 3<sup>rd</sup> and will be an organizational meeting that will include an update on the status of the audit. Mr. Hood reported to the Board that he will be attending the CALAPRS Administrators Institute in Carmel, September 25-27. Mr. Hood reported to the Board that he will be in and out of the office before the next Board meeting and will away on vacation for a portion of that time. Lastly, Mr. Hood reported to the Board that at the next Board meeting, topics will include the swearing in of new Board Trustee Rachel Perkel, the ACFR, and SACRS voting delegate.

2409.8.2 **Assistant Executive Officer’s Report:** Ms. Smith reported to the Board that she will be sending out to the Board and staff the annual performance survey for Milliman. Ms. Smith also reported that staff will bring an item regarding disability statistics to the Board in December. Ms. Lukan reported to the Board on upcoming education opportunities including CALAPRS Trustees In-Person Round Table on October 11 in San Jose and SACRS in Monterey in November. Ms. Lukan also gave the Board a heads-up regarding changes in IFEBP education opportunities for next year and the upcoming IFEBP education opportunities in February 2025 and she will send an email with all the information mentioned.

2409.8.3 **Chief Investment Officer’s Report:** Mr. Coultrip reported to the Board that staff will be bringing to the Board in the next month or two, the recommendation for the cash flow matching portfolio with three different options for the Board to consider. Mr. Coultrip also reported that at the next meeting staff will be bringing an item regarding the securities lending guidelines to the Board. Mr. Coultrip reported to the Board that based on comments from last meeting, staff has set up a meeting with Northern Trust to set up an educational session for the Board in either December or January. Lastly, Mr. Coultrip reported to the Board that staff is still working with Pimco regarding the compliance statements, and they will give another update.

2409.8.4 **Chief Legal Counsel’s Report:** Mr. Okada gave an update to the Board on two in-state litigation matters that he is closely tracking – LACERA v. County of Los Angeles and Fresno Police & Fire Retirement System v. City of Fresno. In the LACERA case, the appeal to the Supreme Court has been fully briefed and he expects that the Supreme Court will determine if they take this case by mid-November. Mr. Okada should have an update on this case in December. The Fresno Police & Fire litigation is currently in the Superior Court and will work its way through the system. Mr. Okada will continue to track both cases and make reports to the Board.

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

C2 **Conference with Legal Counsel – Anticipated Litigation  
Initiation of Litigation pursuant to California Government Code Section 54956.9(d)(4)  
One Case:**

The Board entered Closed Session at 11:08 a.m.

The Board met in closed session.

Regarding the potential initiation of litigation, upon the motion of Arnott, seconded by DeCarsky, the Board approved such action and the particulars of the case will be disclosed to any person upon inquiry once the action has been formally commenced unless doing so would jeopardize SamCERA's ability to effectuate service of process or jeopardize SamCERA's ability to conclude any settlement negotiations.

The Motion was approved 5 ayes - 0 nos – 0 abstentions.

No other matters were heard in Closed Session and the Board exited Closed Session at 11:20 a.m.

2409.9.0 **Reports on Actions Taken in Closed Session:** Mr. Okada reported on Item C2 above. There were no additional closed session items.

2409.10 **Adjournment:** Ms. Salas adjourned the meeting at 11:21 a.m. in memory of the deceased members listed below.

Monroe, Cheryl	August 6, 2024	Probation
Gerke, Carol	August 11, 2024	Behavioral Health
Savoca, Laury	August 14, 2024	Human Services
Dabney, John	August 17, 2024	Mental Health
Wuest, Laura	August 18, 2024	Sheriff's Office
Lira, Lillian	August 24, 2024	Aging & Adult Services
Acacio, Barbara	August 29, 2024	County Clerk's Office
Moore, Clifford	August 19, 2024	Public Works
Magett, Patricia	September 1, 2024	Courts
Analla, Gregg	September 2, 2024	Sheriff's Office

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Alma R. Salas  
Board Chair

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
DECEMBER 3, 2024 – REGULAR BOARD MEETING MINUTES**

**2412.1 Call to Order, Roll Call and Miscellaneous Business**

**Call to Order:** Alma Salas, Chair, called the Regular Meeting of the Board of Retirement to order at 10:01 a.m.

**Roll Call:**

Present: April DeCarsky, Kurt Hoefer, Kimathi Marangu, Katherine O'Malley, Elaine, Orr, Rachel Perkel, Robert Raw, and Alma Salas.

Absent: Sandie Arnott.

Alternates: Nicole McKay.

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

Consultants and speakers: Joe Abdou and John Nicolini (Verus); Ashley Green (Brown Armstrong) via conference call.

**2412.2.1 Oral Communications from the Board:** None.

**2412.2.2 Oral Communications from the Public:** None.

**2412.3.1 Approval of Board Meeting Minutes from September 24, 2024:** Due to the shortage of necessary voting members who attended the September meeting in attendance today, this item was moved to the January 2025 Regular Meeting.

**2412.3.2 Approval of Board Meeting Minutes from November 5, 2024:** Ms. Salas asked if there were any changes or corrections, or objections, to the minutes from the regular meeting held on November 5, 2024. There were no changes, corrections, or objections presented.

**Action:** Mr. Hoefer moved to approve the minutes from the November 5, 2024, regular Board meeting. The motion was seconded by Mr. Marangu and carried with a vote of 7-0-1, with trustees DeCarsky, Hoefer, Marangu, O'Malley, Perkel, Raw, and Salas all in favor; none opposed; Orr abstained.

**2412.4.0 Approval of the Consent Agenda:** Ms. Salas asked if there were any items to be removed for discussion from the Consent Agenda. No items were removed.

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

**2412.4.1 Disability Retirements:**

a) The Board found that **Joseph Cang** (1) is permanently incapacitated from the performance of his usual and customary duties as a Sheriff's Sergeant, (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 **Timothy Giltz** (1) is permanently incapacitated from the performance of his usual and customary duties as a Deputy Sheriff, (2) found that the heart presumption contained in Government Code section 31720.5 applies and 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.

2412.4.2 **Survivor Death Benefits:** None.

2412.4.3 **Service Retirements:**

<b>Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Benitez, Sara	September 28, 2024	Probation
Bustichi, Robert	September 27, 2024	Public Safety Communications
Coate, Stephanie	September 7, 2024	Mental Health
Dixon, Rochelle	September 4, 2024	Def'd - San Mateo County Health
Duran, Cara	October 1, 2024	Human Services Agency
Galan, Lisa	September 5, 2024	Deferred - Mental Health
Koch, Anna	September 27, 2024	Library
Larson, Erik	September 4, 2024	Information Services Department
Lin, Yunghui	September 28, 2024	San Mateo County Health
Marcussen, Tami	September 17, 2024	QDRO of Derron Sisneros
Mayberry, Harold	October 1, 2024	Probation
Powleson, Kimberly	October 1, 2024	Deferred - Environmental Planning
Ramirez, Silvia	September 3, 2024	Deferred - Mental Health
Sanchez, Patricia	September 28, 2024	Child Support Services

2412.4.4 **Continuances:**

<b>Survivor's Name</b>	<b>Beneficiary of:</b>
Analla, Pamela	Analla, Gregg
Johnson, Christine	Benedict, Kathleen
Moore, Ruth	Moore, Clifford

2412.4.5 **Deferred Retirements:**

<b>Name</b>	<b>Retirement Plan Type</b>
Anguelouch, Amanda	G7, Vested
Boyd, Penny	G5, Vested - Reciprocity
Hefner, Kevin	G7, Vested – Reciprocity
Javed, Ramla	G7, Non-Vested - Reciprocity
Liang, Ya Cong	G7, Vested - Reciprocity
Ngo, Khathy	G7, Vested – Reciprocity
Thomas, Erin	G7, Vested - Reciprocity
Vallecillo, Saradilia	G7, Vested

2412.4.6 **Member Account Refunds:**

<b>Name</b>	<b>Retirement Plan Type</b>
Antonio, Monika E	G7, Non-vested
Bailey, Richard	G7, Non-vested
Buzo Marin, Ricardo D	G7, Non-vested
Day, Thomas	G7, Non-vested
Espinoza, Rudy	G7, Non-vested
Fajardo, Armando	S7, Non-vested

Gomez, Christina	G7, Non-vested
Madave, Foley	S7, Non-vested
Malik, Ganna	G7, Non-vested
Matta, George	G7, Non-vested
Moopnar, Neil	S7, Non-vested
Nardello, Theresa	G7, Non-vested
Perdomo, Emilio	G4, Vested
Tsolakis, Theofane	G5, Non-vested
Ueda, Stuart	G7, Non-vested

2412.4.7 **Member Account Rollovers:**

<b>Name</b>	<b>Retirement Plan Type</b>
Buttolph, Rachael	G7, Non-vested
Day, Thomas	G7, Non-vested
Dean, Stephen	G7, Non-vested
Luo, Jenny	G7, Non-vested
Neblett, Ashlee	G7, Non-vested
Price, Tomika	G7, Non-vested

2412.4.8 **Member Account Redeposits:**

<b>Name</b>	<b>Retirement Plan Type</b>
Biehler, Marie	G4

2412.4.9 **Approval to Issue Retirement Check:**

<b>Name</b>	<b>Effective Date</b>
Franco Lizardo	December 1, 2024

2412.4.10 **Acceptance of Trustees' Reports of Education Activities:** The Board accepted the submitted reports for educational activities attended by Ms. McKay, Ms. O'Malley, Mr. Raw, and Ms. Salas.

2412.4.11 **Reaffirm Education Policy:** The Board reaffirmed the Board of Retirement Education Policy.

2412.5.1 **Consideration of Agenda Items, if any, Removed from the Consent Agenda:** None.

2412.5.2 **Review of Funding Dashboard:** Mr. Hood reported on the Quarterly Funding Progress Dashboard for the Period Ended September 30, 2024, which showed the projected funded status and employer contribution rate. This item was informational and for discussion only, no action was taken.

2412.6.1 **Report on Preliminary Monthly Portfolio Performance for the Period Ended October 31, 2024:** Mr. Coultrip reported that SamCERA's preliminary return for October was -1.5%, bringing the preliminary trailing twelve-month net return ending October to 16.2%. SamCERA's estimated market value as of October was \$6.69 billion, while the actuarial funded ratio as of June 30, 2024, was 87.6%.

2412.6.2 **Report on Quarterly Investment Performance for the Period Ended September 30, 2024:** Mr. Coultrip reported that the 3<sup>rd</sup> quarter net total return for the SamCERA portfolio was 4.4%, which was 10 bps lower than the 4.5% policy benchmark return. The diversifying portfolio (absolute return) was the main detractor to relative performance, while the growth portfolio (U.S. equity) contributed. Mr. Nicolini and Mr. Abdou from Verus presented the Verus Quarterly Performance Report ending September 30, 2024, to the Board. This item was informational and for discussion only, no action was taken.

2412.6.3 **Report on Manager Review – Cash Flow Match:** Ms. Ng reported that SamCERA staff and consultant held an annual review meeting with cash-flow matched liquidity manager, Insight Investment on October 15, 2024. The meeting lasted approximately 1 hour and consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook. Ms. Ng reviewed the meeting, stated there were no significant concerns and answered questions from the Board. This item was informational and for discussion only, no action was taken.

2412.6.4 **Approval of Asset Allocation Policy Implementation:** Mr. Nicolini and Mr. Abdou presented the public equity implementation plan. Mr. Coultrip reviewed staff’s recommendation to approve the public equity implementation for the new asset allocation policy. Ms. Salas called for a motion to approve the public equity implementation for the new asset allocation policy.

**Action:** Mr. Marangu moved to approve the public equity implementation for the new asset allocation policy. The motion was seconded by Ms. Perkel and carried with a vote of 8-0-0, with trustees DeCarsky, Hoefer, Marangu, O’Malley, Orr, Perkel, Raw, and Salas all in favor; none opposed; none abstained.

2412.6.5 **Report on Investment Consultant Annual Review:** Ms. Ng presented the results of Verus’ annual review, reporting that trustees and staff provided above average/high ratings. Ms. Ng also shared the Board’s feedback on educational topics they would like Verus to cover next year. This item was information and for discussion only, no action was taken.

2412.7.1 **Annual Review of SamCERA’s Audit Firm, Brown Armstrong:** Ms. Smith thanked those that completed the annual survey for Brown Armstrong. Ms. Smith reported that the Board and staff provided Brown Armstrong with high ratings and that there were no issues reported. Mr. Hood, Ms. Smith, Ms. Salas, Mr. Hoefer, Mr. Marangu, and Ms. Orr all expressed thanks to Ms. Green and the rest of her team for their service and partnership. Ms. Green appeared via telephone and thanked the Board and staff for the favorable rating and was available for questions from the Board. This item was informational and for discussion only, no action was taken.

This item was taken out of order and heard after Item 5.1.

2412.7.2 **Discussion of Board Staff Retreat Topics:** Mr. Hood provided the Board with suggested topics for the March Board-Staff retreat such as artificial intelligence (AI) in investing, peer portfolio comparisons, inflation, and cybersecurity. Mr. Hood also gave the Board an opportunity to provide their feedback. This item was informational and for discussion only, no action was taken.

2412.7.3 **Approval of Amendments to Travel Policy:** Mr. Hood discussed staff’s recommendation to amend the Board’s “Policy for Reimbursement of Travel and Other Official Expenses for Trustees and Staff” (the “Travel Expense Policy”). Ms. Salas called for a motion to approve a resolution amending amend the Board’s “Travel Expense Policy”.

**Action:** Mr. Hoefer moved to approve a resolution amending amend the Board’s “Travel Expense Policy”. The motion was seconded by Mr. Marangu and carried with a vote of 8-0-0, with trustees DeCarsky, Hoefer, Marangu, O’Malley, Orr, Perkel, Raw, and Salas all in favor; none opposed; none abstained.

2412.7.4 **Approval of Resolution Moving the September 23, 2025, Board Meeting to September 30, 2025:** Mr. Hood discussed staff’s recommendation to change the Board’s regular meeting schedule, moving the September 23, 2025, meeting to September 30, 2025 so that the actuary can use the additional time to

prepare the annual valuation. Ms. Salas called for a motion to approve a resolution changing the Board's regular meeting schedule, moving the September 23, 2025, meeting to September 30, 2025.

**Action:** Ms. Orr moved to approve a resolution changing the Board's regular meeting schedule, moving the September 23, 2025, meeting to September 30, 2025. The motion was seconded by Ms. Perkel and carried with a vote of 8-0-0, with trustees DeCarsky, Hoefer, Marangu, O'Malley, Orr, Perkel, Raw, and Salas all in favor; none opposed; none abstained.

2024.12.7.5 **Approval of Resolution Authorizing the CEO to Negotiate and Execute a Memorandum of Understanding with the County of San Mateo for Supplemental Contributions:** Mr. Hood discussed staff's recommendation to authorize the Chief Executive Officer to negotiate and execute a Memorandum of Understanding (MOU) with the County of San Mateo (the County) for supplemental contributions. Ms. Salas called for a motion to approve a resolution authorizing the Chief Executive Officer to negotiate and execute a MOU with the County for supplemental contributions.

**Action:** Ms. DeCarsky moved to approve a resolution authorizing the Chief Executive Officer to negotiate and execute a MOU with the County for supplemental contributions. The motion was seconded by Mr. Raw and carried with a vote of 8-0-0, with trustees DeCarsky, Hoefer, Marangu, O'Malley, Orr, Perkel, Raw, and Salas all in favor; none opposed; none abstained.

2412.8.1 **Chief Executive Officer's Report:** Mr. Hood reported to the Board that SamCERA has started its due diligence process regarding the Vitech's contract, which expire at the end of 2027, and has commenced the process of looking into available options, and will come back to the Board with recommendations later. Mr. Hood notified the Board that the SamCERA offices will be closed December 25<sup>th</sup> through January 1<sup>st</sup>, for Christmas, the negotiated Winter Recess and New Year's Day. Mr. Hood reported to the Board that January Board Meeting items will include the CEO Review, the approval of the COLA, and the continued Board-Staff Retreat topics item. Lastly, Mr. Hood gave a building update, reporting that he communicated with the landlord, and he was notified that the construction on the building next door will not be going forward.

2412.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported to the Board that she will be on-call during Winter Recess. Ms. Smith also reported to the Board that she was notified by the Elections Office that there will be no special election for the vacant 3<sup>rd</sup> member as there was only one candidate that successfully obtained enough nominations to qualify. The candidate to fill the seat is Laurel Finnegan, and she is the daughter of former Board Trustee, Paul Hackleman. She also informed the Board that there has been no update on the building water testing results.

Ms. Lukan reported to the Board that she will be sending out the mid-year education updates, which would include today's ethics training, which is being held after the Board meeting. Ms. Lukan reported on upcoming education opportunities including NCPERS Legislative free webinar in December, NCPERS Legislative Conference & Policy Day in January, IFEBP in Orlando in February, and CALAPRS General Assembly in Napa in March. She will send an email with all the information mentioned. Ms. Lukan also reported to the Board that the pre-registrations for the IFEBP Conference in November 2025 have been successfully submitted.

This section of Item 8.2 was taken out of order and heard after Items 8.3 and 8.4:

Ms. LeNguyen presented the Board with an update on the current disability numbers and process. There was Board and staff discussion regarding procedures, constraints, resources, and processing time.

2412.8.3 **Chief Investment Officer's Report:** None.

2412.8.4 **Chief Legal Counsel’s Report:** Mr. Okada reported to the Board that the CEO evaluation surveys have been sent out to employers (the County, the Superior Court, and the Mosquito District) and staff. Surveys will be sent to Trustees later this week and they will be sent with the results of the employer and staff surveys so they can be looked at together. Mr. Okada noted that if SamCERA receives the results from the Trustee surveys within a couple weeks, that will allow for plenty of time to compile everything for the closed session review in January.

Ms. Salas asked Mr. Okada about the windfall elimination. Mr. Okada responded that there was some discussion at SACRS in the Attorney roundtable, but he will have to look more into it. Ms. Smith reported that it does have some affect with some of our members’ social security, however with SamCERA as a whole, it does not affect anyone’s pension benefits.

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

C2 **Conference with Legal Counsel – Anticipated Litigation  
Initiation of Litigation pursuant to California Government Code Section 54956.9(d)(4)  
Two Cases:**

The Board met in Closed Session regarding the potential initiation of litigation with respect to two matters:

In Closed Session, the Board authorized SamCERA’s Chief Legal Counsel to join and/or file, on behalf of SamCERA, an Amicus Curiae brief in the California Supreme Court in the matter of *County of Los Angeles v. LACERA*, Supreme Court Case No. S286264.

The Motion was approved 8 ayes - 0 nos - 0 absentions

Ayes: DeCarsky, Hoefer, Marangu, O’Malley, Orr, Perkel, Raw, and Salas  
Nos: None  
Abstain: None  
Motion carried 8-0-0

No other reportable action was taken.

2412.9.0 **Reports on Actions Taken in Closed Session:** Mr. Okada reported on Item C2 above. There were no additional closed session items.

2412.10 **Adjournment:** Ms. Salas adjourned the meeting at 12:56 p.m. in memory of the deceased members listed below.

Davis, Irma	October 10, 2024	Human Services
Salas, Andrew	October 28, 2024	Recorder's Office
Navas, Carlos	October 27, 2024	Public Works
Vondoepp, Christian	October 30, 2024	Mental Health
Escoffier, Barbara	November 3, 2024	Library
Sylvestri, Madeline	November 4, 2024	Courts

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Alma R. Salas  
Board Chair

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

January 28, 2025

Agenda Items 4.1- 4.9

**TO:** Board of Retirement

**FROM:** Elizabeth LeNguyen, Retirement Benefits Manager



**SUBJECT:** Approval of Consent Agenda Items 4.1 – 4.9

**4.1 Disability Retirements**

- a) The Board finds that **Celia Gonzales** (1) is permanently incapacitated from the performance of her usual and customary duties as a Licensed Vocational Nurse, (2) find that her disability was the result of an injury arising out of and in the course of her employment and (3) grant her application for a service-connected disability retirement.
  
- b) The Board (1) approves and adopts the proposed findings of the Hearing Officer, Catherine Harris, that **Scott Grosso** is permanently disabled and unable to perform his job duties as a Sheriff Sergeant, and that his disability was the result of an injury arising out of and in the course of his employment, and (2) approves and adopts the Hearing Officer's recommendation to grant his application for a service-connected disability retirement.
  
- c) The Board finds that **Yunghui Lin** (1) is permanently incapacitated from the performance of her usual and customary duties as a Nurse Practitioner, (2) find that her disability was not the result of an illness arising out of and in the course of her employment and (3) grant her application for a non-service-connected disability retirement.
  
- d) The Board finds that **Estela Reyes** (1) is able to substantially perform her usual and customary duties as a Community Worker II and (2) deny her application for a service-connected disability retirement.

**4.2 Survivor Death Benefits**

None.

**4.3 Service Retirements**

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

<b>Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Alton, Angela	November 30, 2024	Deferred - San Mateo County Health
Arndt, Amy	October 8, 2024	Deferred - Probation
Belluomini, Sandra	October 26, 2024	District Attorney's Office

Berrada, Zenda	December 1, 2024	Deferred - Public Health
Brown, Mark	October 2, 2024	Deferred - Aging & Adult Services
Bruj, Ellen	November 22, 2024	San Mateo County Health
Carlos, David	November 1, 2024	Child Support Services
Ledesma, Heather	November 26, 2024	County Executive's Office
Lee, Elizabeth P	November 7, 2024	Mental Health
Londono, Michelle	November 15, 2024	Deferred - Human Services Agency
Lux, Michelle	November 6, 2024	DRO of Michael Marty
Marlow, Kimberly	October 5, 2024	County Counsel
Miller, Doreen	November 23, 2024	Aging & Adult Services
Miyashiro, Rand	October 5, 2024	Deferred - Human Services Agency
Moreno-Duran, Rosario	November 29, 2024	Human Services Agency
Mulero, Joseph	October 12, 2024	Public Health
Realyvasquez, Fernando	November 1, 2024	Sheriff's Office
Ruiz-Vides, Annette	June 24, 2024	Deferred – Superior Court
Santos-Bottjer, Liza	October 26, 2024	San Mateo County Health
Scully, Michael	November 7, 2024	Public Works
Severson, Holly	October 19, 2024	Mental Health
Sheehan, Melissa	October 19, 2024	Health Information Services
Sila, Siaga	December 1, 2024	Public Safety Communication
Streck, Helen	November 19, 2024	Deferred - General Services
Tendencia, Bonnie	November 19, 2024	Public Works
Volokitin, Trisha	October 5, 2024	Sheriff's Office
Yue, Xin	October 2, 2024	Elections

#### 4.4 Continuances

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

<b>Survivor's Name</b>	<b>Beneficiary of:</b>
Acacio, Donald	Acacio, Barbara
Bodden, Linda	Bodden, Reginald
Boyle, Rory	Buscher, Karin
Carboni, Maryanne	Ruffoni, Henry

Casey, Teresita	Casey, James
Da Cunha, Joyce	Da Cunha, Henrique
Rodriguez, Ramon	Bise, Eugene
Salas, Vivan	Salas, Andrew
Solomons, Jane	Carter, Raul

#### 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>
Albin, Rebecca	S5, Vested Auto Defer – Code 31700
Benttinen, Kendra	G4, Vested Auto Defer – Code 31700
Diaz, Marina	G7, Vested Auto Defer – Code 31700
Hahn, Agnes	G7, Vested Auto Defer – Code 31700
Ho, Pui Ki	G7, Vested - Reciprocity
Huang, Zhhui	G7, Vested Auto Defer – Code 31700
La, Diana	G7, Non-Vested - Reciprocity
Lacroix, Catherine	G7, Vested Auto Defer – Code 31700
Marin, Brenda	G5, Vested Auto Defer – Code 31700
Ornelas, Kimberly	G7, Vested Auto Defer – Code 31700
Perez, Nadia	G7, Vested Auto Defer – Code 31700
Rafidi, Nijmeh	G7, Vested Auto Defer – Code 31700
Recorder, Rachel	S7, Vested Auto Defer – Code 31700
Rohlke, Faith	G7, Vested Auto Defer – Code 31700
Saffold, Carlton	G7, Vested Auto Defer – Code 31700
Seshandri, Aruna	G7, Non-Vested - Reciprocity
White, Diana	G4, Vested - Reciprocity
Williams, Peter	G7, Vested – Reciprocity
Yakabe, Alison	G5, Vested Auto Defer – Code 31700
Yee, Julian	G7, Non-Vested - Reciprocity

#### 4.6 Member Account Refunds

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

<b>Name</b>	<b>Retirement Plan Type</b>
Ali, Azar	G7, Non-vested
Alvarado, Katya	G7, Non-vested
Gamber, Joyce (FBO: Rego, Teresa)	G4, Vested
Soldano, Curtis	G4, Non-vested
Solis, Blanca (FBO: Madrigal-Sainz, Jesus)	G7, Non-vested
Solis, Blanca (FBO: Mirabal, Orlando)	G7, Non-vested
Solis, Blanca (FBO: Rivera, Celysa)	G7, Non-vested
O'Brien, Sara (FBO: Estate of Sara Jane O'Brien)	G7, Vested

#### 4.7 Member Account Rollovers

None.

#### 4.8 Member Account Redeposits

<b>Name</b>	<b>Retirement Plan Type</b>
Jacuinde, Ana	G2
Wong, Mackenzie	G7

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

None.

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

January 28, 2025

Agenda Item 4.10

**TO:** Board of Retirement

**FROM:** Doris Ng, Investment Analyst 

**SUBJECT:** Semi-Annual Compliance Certification Statements for Period Ended December 31, 2024

**Recommendation**

Accept the semi-annual Compliance Certification Statements for SamCERA's non-alternative investment managers, as of December 31, 2024.

**Background**

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

These statements are used to update SamCERA on any firm-wide compliance issues and to provide strategic-level information regarding such things as derivatives and portfolio positioning. For investment managers whose investments are considered "alternative investment vehicles" per the California Government Section Code §7928.710, the Compliance Certification Statements are not provided in the public board packet and will be sent separately to the Board.

**Discussion**

The Compliance Certification Statements report that SamCERA's investment managers and investment consultant are in compliance with SamCERA's Investment Policy as of December 31, 2024. There were no reported significant developments in portfolio construction, investment approach, firm ownership or organizational structure of concern relating to the association's public investments. There were no notable issues regarding industry or regulatory actions that impact SamCERA. The managers were also requested to provide data regarding the characteristics and composition of their portfolios. No prominent issues were identified during the review. Any items that raise concern will be brought to the manager's or investment consultant's attention and will be thoroughly vetted by staff.

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

## **Attachments**

Compliance Certification Statement Matrix 12-2024

Compliance Certification Statements (14)

- A. Domestic Equity: PGIM Quantitative Solutions
- B. International Equity: Baillie Gifford, Mondrian
- C. Fixed Income: DoubleLine, Eaton Vance/Morgan Stanley, FIAM LLC, NISA Investment Advisors (2)
- D. Real Estate: Harrison Street, INVESCO
- E. Liquidity: Insight Investment
- F. Overlay: Parametric Portfolio Associates, Record Currency Management Limited
- G. Investment Consultant: Verus Advisory

## Compliance Certification Statement Matrix – December 31, 2024

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
<b>Domestic Equity</b>					
<b>BlackRock Russell 1000</b>	Pending				
<b>DE Shaw</b>	<i>Confidential under California Gov. Section Code §7928.710</i>				
<b>PGIM Quantitative Solutions LLC (f.k.a. QMA)</b>		No Concerns	Not Applicable	No Concerns	<ul style="list-style-type: none"> <li>• Largest holding: 1.13%</li> <li>• Largest industry: Bank 9.59% (-0.68% underweight vs. Russell 2000)</li> </ul>
<b>International Equity</b>					
<b>Baillie Gifford</b>		<ul style="list-style-type: none"> <li>• April 2025 – Tim Campbell to replace Andrew Telfer (retire Mar 31 2025) as one of the firm’s three managing partners</li> <li>• July 2024 – Override 5% individual security maximum to rectify sales trades done earlier in the year for one particular</li> </ul>	Not Applicable	No Concerns	<ul style="list-style-type: none"> <li>• 2.9% ADR</li> <li>• 23.4% Emerging Market</li> </ul>

## Compliance Certification Statement Matrix – December 31, 2024

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
Blackrock MSCI ACWI ex US IMI	Pending	security. SamCERA made whole and security position now in-line with overall strategy weight.			
Mondrian		No Concerns	Not Applicable	No Concerns	<ul style="list-style-type: none"> <li>27.67% Emerging Markets Equity Fund LP</li> </ul>
<b>Fixed Income</b>					
Angelo Gordon (Credit Solutions Fund)	<i>Confidential under California Gov. Section Code §7928.710</i>				
Angelo Gordon (Credit Solutions Fund II)	<i>Confidential under California Gov. Section Code §7928.710</i>				
Angelo Gordon (CS2A Dislocation Fund)	<i>Confidential under California Gov. Section Code §7928.710</i>				
Beach Point	<i>Confidential under California Gov. Section Code §7928.710</i>				

## Compliance Certification Statement Matrix – December 31, 2024

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
<b>Blackrock/TCP (Direct Lending Fund VIII)</b>		<i>Confidential under California Gov. Section Code §7928.710</i>			
<b>Blackrock (Direct Lending Fund IX)</b>		<i>Confidential under California Gov. Section Code §7928.710</i>			
<b>Brigade</b>		<i>Confidential under California Gov. Section Code §7928.710</i>			
<b>Comvest Credit Partners VII</b>		<i>Confidential under California Gov. Section Code §7928.710</i>			
<b>DoubleLine</b>		No Concerns	<ul style="list-style-type: none"> <li>No Concerns. Note: Manager is exempt from SamCERA’s IPS Appendix B: Derivatives Policy per SamCERA’s Investment Management Agreement (IMA) with Manager, but instead, abides by specific investment guidelines within</li> </ul>	No Concerns	<ul style="list-style-type: none"> <li>26.11% in Rule 144A securities</li> </ul>

## Compliance Certification Statement Matrix – December 31, 2024

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
			IMA regarding derivatives.		
<b>Eaton Vance Emerging Markets Debt Opportunity Fund</b>		No Concerns	No Concerns	No Concerns	<ul style="list-style-type: none"> <li>• 5.8% in Rule 144A securities</li> <li>• 7.4% Egypt Government Bond</li> </ul>
<b>Fidelity Institutional Asset Management (FIAM) BMD Bond</b>		<ul style="list-style-type: none"> <li>• Oct 2024 – Trade error related to rolling forward TBA. Trade corrected and price impact of \$26.37 reimbursed to SamCERA account.</li> </ul>	No Concerns	No Concerns	<ul style="list-style-type: none"> <li>• 0.26% below inv grade (inv grade at purchase)</li> <li>• 13.27% in Rule 144A securities</li> </ul>
<b>NISA Core Bond</b>		<ul style="list-style-type: none"> <li>• Q4 2024 – Three departures (Derivatives Senior Analyst, Performance Analyst, Fixed Income Investment Officer)</li> </ul>	<ul style="list-style-type: none"> <li>• Note: Only derivatives held are exchange-traded futures contracts. Non-exchange traded derivative questions N/A.</li> </ul>	No Concerns	<ul style="list-style-type: none"> <li>• 6.31% Rule 144A securities</li> </ul>
<b>NISA Long Treasury</b>		<ul style="list-style-type: none"> <li>• See above under NISA Core Bond</li> </ul>	Not Applicable	No Concerns	No Concerns
<b>One William Street</b>					<i>Confidential under California Gov. Section Code §7928.710</i>
<b>PIMCO (Diversified Income Fund)</b>	Pending				

## Compliance Certification Statement Matrix – December 31, 2024

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
PIMCO (Private Income Fund)		<i>Confidential under California Gov. Section Code §7928.710</i>			
White Oak Yield Spectrum Fund (Fund IV)	<i>Confidential under California Gov. Section Code §7928.710</i>				
White Oak Yield Spectrum Fund V	<i>Confidential under California Gov. Section Code §7928.710</i>				
<b>Real Estate</b>					
Harrison Street (Core Property Fund)		No Concerns	Not Applicable	No Concerns	No Concerns
Invesco (U.S. Core Real Estate Fund)		<ul style="list-style-type: none"> <li>Sept 2024 – Invesco Advisers, Inc. entered into settlement w/ SEC regarding maintenance &amp; preservation of electronic communication records</li> <li>Nov 2024 – Invesco Advisers Inc entered into settlement w/ SEC</li> </ul>	Not Applicable	No Concerns	No Concerns

## Compliance Certification Statement Matrix – December 31, 2024

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
		regarding ESG-related disclosures			
<b>Invesco</b> (U.S. Value-Add Fund V)		<i>Confidential under California Gov. Section Code §7928.710</i>			
<b>Invesco</b> (U.S. Value-Add Fund VI)		<i>Confidential under California Gov. Section Code §7928.710</i>			
<b>PGIM</b> (US Real Estate Debt)		<i>Confidential under California Gov. Section Code §7928.710</i>			
<b>Stockbridge</b> (Value IV Fund)		<i>Confidential under California Gov. Section Code §7928.710</i>			
<b>Stockbridge</b> (Value V Fund)		<i>Confidential under California Gov. Section Code §7928.710</i>			
<b>Real Assets</b>					
<b>State Street Global Advisors</b> (Custom Real Asset Account)	Pending				
<b>Liquidity</b>					
<b>Insight Investment</b> (Cash-flow driven investing)		No Concerns	Not Applicable	No Concerns	<ul style="list-style-type: none"> <li>• 3.99% Rule 144a</li> </ul>

## Compliance Certification Statement Matrix – December 31, 2024

Investment Manager	Mandate	General Compliance Issues	Derivative Instruments	Investment Manager Guidelines	Mandate Specific
<b>Overlay</b>					
<b>Parametric Portfolio Associates</b>		<ul style="list-style-type: none"> <li>July 2024-Rueben Butler, Chief Administrative Officer departed firm, replaced by Melissa Fell</li> </ul>	No Concerns. Note: Only derivatives held are exchange-traded futures contracts. Non-exchange traded derivative questions N/A.	No Concerns	No Concerns
<b>Record Currency Management Limited (RCML)</b>		No Concerns	No Concerns	No Concerns	No Concerns
<b>Investment Consultant</b>					
<b>Verus Advisory</b>		<ul style="list-style-type: none"> <li>Sept 2024 – Shelly Heier, President of Verus departed. Responsibilities assumed by Jeff MacLean and Kraig McCoy.</li> </ul>	Not Applicable	Not Applicable	Not Applicable

**36 Total** | **14 Completed** | **4 Pending Information** | **18 Confidential**

## ***PGIM Quantitative Solutions U.S. Small Cap Core – December 31, 2024***

### ***Compliance Certification Statement***

***San Mateo County***

***Employees' Retirement Association***

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Monday, January 13, 2025**.

### **General Compliance Issues**

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

### **Investment Management Fees**

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

### **Derivative Investments**

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

**If Yes:**

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

**If Yes:**

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

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

### **Cash & Equivalents**

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

### **Domestic Equity Portfolios (Large, Mid & Small)**

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

<i>Common Stock</i>	<i>99.68%</i>
<i>Preferred Stock</i>	<i>%</i>
<i>Convertible Securities</i>	<i>%</i>
<i>Cash &amp; Equivalents</i>	<i>0.26%</i>

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

<i>Large-Cap</i>	<i>1.63%</i>
<i>Mid-Cap</i>	<i>66.15%</i>
<i>Small-Cap</i>	<i>32.23%</i>

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

**0%**

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

**RocketLab USA Inc. (RKLB) 1.13%**

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

Banks: portfolio weight = 9.59%, benchmark weight = 10.27% □ active bet = -0.68%

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

0.13% of Firm Assets

10.3% of Product Assets

As of 9/30/24

Signed by: Patrick McMenamin

Dated: 1/13/25

Name of Firm: PGIM Quantitative Solutions, LLC

***Baillie Gifford Overseas International Growth – December 31, 2024***

*Compliance Certification Statement*

*San Mateo County*

*Employees' Retirement Association*

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Monday January 13, 2025.**

**General Compliance Issues**

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

The main changes occur each year when partners retire or are appointed, which alter the direct ownership of Baillie Gifford & Co. Clear succession plans are always in place and this is communicated directly with clients in a timely manner.

As notified during the period, one of our three managing partners, Andrew Telfer, announced he will retire on 31 March 2025 after almost 33 years with the firm including 13 as a managing partner. Andrew's successor will be Tim Campbell, who has been with the firm for 25 years and a partner for 12.

Andrew joined Baillie Gifford in 1992 as an investment trainee, becoming an investment manager before moving to the Clients Department in 2006. He was head of the Clients Department between 2009 and 2011 and became a managing partner and chief executive in 2012. As a managing partner, Andrew has been at the heart of the firm's focus on investment and our strive for excellence in all areas, always putting our clients first.

Our independent partnership structure fosters stability and enables us to prioritise our clients' interests through long-term succession planning while preserving our distinctive culture. Tim's appointment is the culmination of a diligent leadership transition plan that has been in motion for some time.

Tim began his career at Baillie Gifford in 1999 as an investment trainee, becoming an investment manager in the Emerging Markets Team. In 2007, he moved to the Clients Department, overseeing relationships with clients invested in Emerging Markets strategies. Tim was made a partner in 2012 and currently chairs the firm's Management Committee and Group Risk Committee. Tim will join Amy Attack and Malcolm MacColl as managing partners on 1 April 2025.

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

*On July 11th, 2024, we received authorization from San Mateo County Employees' Retirement Association to override the Investment Management Agreement's stipulated guideline of 5% maximum exposure to a single stock at time of purchase to add to the portfolio's position in Taiwan Semiconductor Manufacturing Company Limited (TSMC). Authorization to do so was requested in order for us to rectify unnecessary trimming to the position which had taken place earlier in the year. The fund was subsequently made good by Baillie Gifford and the position is now in line with the overall strategy weight.*

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

### **Investment Management Fees**

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

### **Derivative Investments**

1. Are derivatives used in the management of the investment strategy?  
 **Yes: Please ANSWER the remaining questions in this section.**

**No: Please SKIP the remaining questions in this section.**

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

If **Yes**:

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

If **Yes**:

- a) Do the counter-parties have investment grade debt?  **Yes**/  **No**
  - b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?  
 **Yes**/  **No: Please explain.**
6. Is individual counter-party exposure well diversified?  **Yes**/  **No: Please explain.**
    - a) What is the largest exposure to a single counter-party within the portfolio?
    - b) Please specify the name of the counter-party and the amount of exposure.
    - c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?
  7. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies?  **Yes** /  **No: Please explain.**
    - a) Has the firm developed any new purposes for derivative investments?  **Yes: Please explain.** /  **No**
  8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment.
    - a) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives.  **Yes** /  **No: Please explain.**

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

### **Investment Manager Guidelines**

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

### **Cash & Equivalents**

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

## International Equity Portfolios - Developed

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

<i>Foreign Ordinary Shares</i>	<i>96.0%</i>
<i>ADR's</i>	<i>2.9%</i>
<i>Cash &amp; Equivalents (Foreign)</i>	<i>0.0%</i>
<i>Cash &amp; Equivalents (Domestic)</i>	<i>1.1%</i>

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

<i>Large-Cap</i>	<i>78.6%</i>
<i>Mid-Cap</i>	<i>21.4%</i>
<i>Small-Cap</i>	<i>0.0%</i>

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

*23.4% of the portfolio is invested in Emerging Markets as at December 31, 2024.*

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

*Based on end-December 2024 AUM data, the ACWI ex US All Cap Strategy comprised 2.9% of the firm's total AUM. Within the strategy, San Mateo County Employees Retirement Association held \$265m representing 3.4% of the total strategy.*

Signed by:    
 3EEED2387733423...

Eoin Anderson, Client Relationship Director

Dated: 01/13/2025

Name of Firm: Baillie Gifford Overseas Limited

***Mondrian Investment Partners International Value –December 31, 2024***

***Compliance Certification Statement***

***San Mateo County***

***Employees' Retirement Association***

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

**General Compliance Issues**

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

**Investment Management Fees**

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

## Derivative Investments

1. Are derivatives used in the management of the investment strategy?  
 **Yes: Please ANSWER the remaining questions in this section.**  
 **No: Please SKIP the remaining questions in this section.**
2. Are derivative investments in compliance with *SamCERA's* investment policies?  
 **Yes /**  **No: Please explain.**
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?  
 **Yes /**  **No: Please explain.**
4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?  
 **Yes /**  **No**  
  
If **Yes:**
  - a) Do the counter-parties have investment grade debt?  **Yes/**  **No**
  - b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances?  **Yes/**  **No: Please explain.**
5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?  
 **Yes /**  **No**  
  
If **Yes:**
  - a) Do the counter-parties have investment grade debt?  **Yes/**  **No**
  - b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?  
 **Yes/**  **No: Please explain.**
6. Is individual counter-party exposure well diversified?  **Yes/**  **No: Please explain.**
  - a) What is the largest exposure to a single counter-party within the portfolio?
  - b) Please specify the name of the counter-party and the amount of exposure.
  - c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?
7. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies?  **Yes /**  **No: Please explain.**
  - a) Has the firm developed any new purposes for derivative investments?  **Yes: Please explain. /**  **No**

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

### **Investment Manager Guidelines**

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

### **Cash & Equivalents**

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

## International Equity Portfolios - Developed

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

<i>Foreign Ordinary Shares</i>	<i>71.09%</i>
<i>ADR's</i>	<i>NIL</i>
<i>MIP Limited Partnership</i>	<i>27.67%</i>
<i>Cash &amp; Equivalents (Foreign)</i>	<i>0.92%</i>
<i>Cash &amp; Equivalents (Domestic)</i>	<i>0.32%</i>

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

<i>Large-Cap &gt;11bn</i>	<i>85.68%</i>
<i>Mid-Cap 3.5bn – 11bn</i>	<i>11.83%</i>
<i>Small-Cap &lt;3.5bn</i>	<i>0.90%</i>

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

*The portfolio gains exposure to emerging markets through the Mondrian Emerging Markets Equity Fund L.P. As at 31<sup>st</sup> December 2024 the portfolio held 27.67% in this fund.*

5. Does the portfolio currently employ a currency hedging strategy?  **Yes** /  **No**
6. What proportion of total AUM do the assets in this product make-up of the firm? *4%*

What size does SamCERA's account comprise of total product assets? *11%*

Signed by: **Teri Robinson, Compliance Executive**

Dated: **10 January 2025**

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

## ***DoubleLine Securitized Income – December 31, 2024***

### ***Compliance Certification Statement***

***San Mateo County***

***Employees' Retirement Association***

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Monday, January 13, 2025.**

### **General Compliance Issues**

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

### **Investment Management Fees**

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

## Derivative Investments

**\*NOTE ON DERIVATIVES:** Pursuant to Section 1.3 of our Investment Manager Agreement, we are exempt from the Derivatives Investment Policy (Appendix B to Exhibit A).

1. Are derivatives used in the management of the investment strategy?  
 **Yes: Please ANSWER the remaining questions in this section.**  
 **No: Please SKIP the remaining questions in this section.**
2. Are derivative investments in compliance with *SamCERA's* investment policies?  
 **Yes /**  **No: Please explain.**
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?  
 **Yes /**  **No: Please explain.**  **Not applicable. Exchange traded Futures only**
4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?  
 **Yes /**  **No**  **Not applicable. Exchange traded Futures only**

If **Yes:**

- a) Do the counter-parties have investment grade debt?  **Yes/**  **No**
  - b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances?  **Yes/**  **No: Please explain.**
5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?  
 **Yes /**  **No**  **Not applicable. Exchange traded Futures only**

If **Yes:**

- a) Do the counter-parties have investment grade debt?  **Yes/**  **No**
  - b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?  
 **Yes/**  **No: Please explain.**
6. Is individual counter-party exposure well diversified?  **Yes/**  **No: Please explain.**  
For Exchange-traded United States Treasury futures in the volume that we trade for the SamCERA account, we believe that our counterparty exposure is appropriately managed. We use J.P. Morgan Securities LLC as our futures commission merchant (“FCM” or “clearing broker”), and all trades centrally clear through CME Clearing. We use a number of brokers as executing brokers.
    - a) What is the largest exposure to a single counter-party within the portfolio?  
Please see above response. The actual counterparty we face in our futures positions is CME Clearing.

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

As of December 31, 2024, our net futures exposure through J.P. Morgan Securities LLC as our FCM and held at CME Clearing as the clearing house, was \$78,056,016.

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

No.

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

**“\*NOTE ON DERIVATIVES”, above.**

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

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

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

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

**“\*NOTE ON DERIVATIVES”, above.**

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

Yes /  No

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

**“\*NOTE ON DERIVATIVES”, above.**

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

**“\*NOTE ON DERIVATIVES”, above.**

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

**“\*NOTE ON DERIVATIVES”, above.**

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

“\*NOTE ON DERIVATIVES”, above.

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

The derivatives instruments in the SamCERA portfolio are highly liquid, in that the United States Treasury futures market is highly liquid with substantial trading volumes and narrow bid-ask spreads, enabling efficient execution. We view the legal and regulatory risks associated with our use of derivatives, which is for the purpose of managing duration and yield curve exposures, as minimal, due to the regulatory oversight over Exchange-traded futures. DoubleLine currently trades futures for a variety of public funds and private separately managed accounts, and our current enterprise-wide risk and cash management protocols reflect specific adherence to liquidity and derivatives management requirements as specified in SEC Rule 22e-4 and SEC Rule 18f-4.

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

**Investment Manager Guidelines**

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

**Cash & Equivalents**

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

**Domestic Fixed Income Portfolios**

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

<i>Certificates of Deposit</i>	<i>0%</i>
<i>Commercial Paper</i>	<i>0%</i>

<i>Other High Grade Short-term securities</i>	<i>0%</i>
<i>U.S. Government &amp; Agency securities</i>	<i>64.94%</i>
<i>Corporate Bonds</i>	<i>0%</i>
<i>Mortgage- and asset-backed securities</i>	<i>80.05%</i>
<i>Yankee bond securities</i>	<i>0%</i>
<i>Others (CLO)</i>	<i>8.32%</i>

2. Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio?  **Yes** /  **No: Please explain**
  
3. Does the firm conduct horizon analysis testing?  **Yes** /  **No: Please explain.**
  
4. Are any holdings below investment grade?  **Yes** /  **No**
  - a) If **Yes**, does the percentage of investments held below investment grade represent more than 10% of the portfolio?  **Yes** /  **No**
  
5. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio?  **Yes** /  **No**
  - a) If **Yes**, please specify the bond issue and percentage amount.
  
6. What percentage of the portfolio is held in Rule 144A securities? 26.11%
  
7. At the time of purchase, was there any single industry which represented more than 15% of the market value of the account.  **Yes** /  **No**
  - a) If **Yes**, please specify the name of the industry, percentage amount and size relative to the benchmark.
  
8. What proportion of total AUM do the assets in this product make-up of the firm? What size does SamCERA's account comprise of total product assets?  
AUM is available on the 10<sup>th</sup> business day after each month end. Will provide the AUM on 1/16/2025 for 12/31/2024 AUM.

Signature:   
Signed by: Yousef Guida  
Dated: 1/14/2025  
DoubleLine Capital

***Eaton Vance Emerging Markets Debt Opportunity Fund – December 31, 2024***

*Compliance Certification Statement*

*San Mateo County*

*Employees' Retirement Association*

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Monday, January 13, 2025**.

**General Compliance Issues**

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

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

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

The firm and its parent, Morgan Stanley, are named, from time to time, as defendants in various legal actions—including arbitrations, class actions, and other litigation, arising in connection with our activities as a global diversified financial services institution—and are involved in investigations and proceedings by governmental and/or regulatory agencies or self-regulatory organizations, certain of which may result in adverse judgments, fines, penalties or sanctions.

Morgan Stanley discloses pending litigations, proceedings and investigations, if any, by governmental and/or regulatory agencies, self-regulatory organizations or others that it believes are or may be material in its filings on Form 10-K and Forms 10-Q made with the U.S. Securities and Exchange Commission (the Commission). Morgan Stanley's Forms 10-K and 10-Q may be accessed at <https://www.morganstanley.com/about-us-ir/sec-filings>. The firm also discloses certain legal and disciplinary events in Item 9 of the firm's Form ADV Part 2, which is publicly available at <https://adviserinfo.sec.gov/>.

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

5. Have there been any investment guideline breaches with respect to the Fund's guidelines in the offering documents during the prior 6 months?  
 **Yes: Please explain.** /  **No**

## Investment Management Fees

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

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

There are three share classes offered for the fund, Class S1, Class S2, and Class A. SamCERA is invested in the second-lowest fee share class, Class S2. SamCERA did not qualify for the lowest fee share class, Class S1, which was available to the initial seed investors in the fund prior to SamCERA's fund investment.

## Derivative Investments

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

**Yes: Please ANSWER the remaining questions in this section.**

**No: Please SKIP the remaining questions in this section.**

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

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

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

**Yes** /  **No**

If **Yes**:

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

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

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

**Yes** /  **No**

If **Yes**:

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

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

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

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

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

On a gross basis roughly 13%, however we regularly mark to market the positions so the actual exposure to the counterparty is materially lower, with our largest exposure at 1.3%.

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

The largest notional exposure is Standard Chartered at 13%, however we regularly mark to market the position. Currently, our uncollateralized position (which is almost entirely comprised of initial margin demanded by Standard Chartered) is roughly 1.3% of the fund.

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

No. There have been no changes to the list of approved counter-parties involving OTC derivatives.

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

We use Super Derivatives, Markit, and then fair valuation for any OTC derivatives.

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

Derivative instruments are subject to a number of risks, including adverse or unexpected movements in the price of the reference instrument, and counterparty, liquidity, tax, correlation and leverage risks. Success in using derivative instruments to hedge portfolio assets depends on the degree of price correlation between the derivative instruments and the hedged asset.

OTC derivative instruments involve an additional risk in that the issuer or counterparty may fail to perform its contractual obligations. Some derivative instruments are not readily marketable or may become illiquid under adverse market conditions. The ability to terminate OTC derivative instruments may depend on the cooperation of the counterparties to such contracts. For thinly traded derivative instruments, the only source of price quotations may be the selling dealer or counterparty.

The regulation of derivatives has undergone substantial change in recent years and such change may continue. In particular, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and regulations proposed to be promulgated thereunder require many derivatives to be cleared and traded on an exchange, expand entity registration requirements, impose business conduct requirements on dealers that enter into swaps with a pension plan, endowment, retirement plan or government entity, and require banks to move some derivatives trading units to a non-guaranteed affiliate separate from the deposit-taking bank or divest them altogether.

Legislation or regulation may change the way in which the Fund itself is regulated. The effects of any new governmental regulation cannot be predicted.

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

## Investment Manager Guidelines

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

The Fund does not intend to use borrowing-based leverage, but may employ investment leverage via certain derivative transactions.

### Fixed Income Portfolios

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

<i>Certificates of Deposit</i>	%
<i>Commercial Paper</i>	%
<i>Other High Grade Short-term securities</i>	%
<i>U.S. Government &amp; Agency securities</i>	%
<i>Emerging Market Sovereign Debt</i>	66.35%
<i>Emerging Market Corporate Credit</i>	34.93%
<i>Bank Loans</i>	%
<i>Corporate Bonds</i>	%
<i>Mortgage- and asset-backed securities</i>	%
<i>Common Stock and Preferred securities</i>	%
<i>Yankee bond securities</i>	%
<i>Structured Credit</i>	%
<i>Derivatives</i>	%
<i>Cash/Equivalents</i>	%
<i>Total pre cash</i>	101.29%
<i>Total with cash</i>	104.59%

- Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio?  **Yes** /  **No: Please explain**
- Does the firm conduct horizon analysis testing?  **Yes** /  **No: Please explain**  
 No we do not conduct horizon analysis to project expected portfolio returns over various future time horizons. The fund seeks its investment objective of total return by investing in securities, derivatives, and other instruments to establish long and short investment exposure to emerging markets. We do not use data points on horizon analysis to drive our decision making process.
- Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio?  **Yes** /  **No**

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

There is one position over 5%. Egypt Government Bond was 7.4% of the portfolio as of 12/31.

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

Roughly 5.8% of the portfolio is invested in Rule 144A securities as of 12/31.

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

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

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

12/31/2024 details on Firm AUM are not available yet. As of 9/30/2024, the Eaton Vance Emerging Markets Debt Opportunities Fund product had a total AUM of \$601,451,789 and firm AUM for Morgan Stanley Investment Management was \$1.6 trillion. The product represented 0.04% of overall firm AUM as of 9/30/2024.

As of 9/30/2024, the San Mateo County Employees' Retirement Association account balance was \$64,096,064. The account represented 10.66% of the overall product and 12.66% of the onshore fund, the Eaton Vance Emerging Markets Debt Opportunities Fund, LLC.



Signed by: Mike Lucy

Dated: 1/13/2025

Name of Firm: Morgan Stanley Investment Management

## FIAM Important Information

### Please read this information carefully.

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

Unless otherwise expressly disclosed to you in writing, the information provided in this material is for educational purposes only. Any viewpoints expressed by Fidelity are not intended to be used as a primary basis for your investment decisions and are based on facts and circumstances at the point in time they are made and are not particular to you. Accordingly, nothing in this material constitutes impartial investment advice or advice in a fiduciary capacity, as defined or under the Employee Retirement Income Security Act of 1974 or the Internal Revenue Code of 1986, both as amended. Fidelity and its representatives may have a conflict of interest in the products or services mentioned in this material because they have a financial interest in the products or services and may receive compensation, directly or indirectly, in connection with the management, distribution, and/or servicing of these products or services, including Fidelity funds, certain third-party funds and products, and certain investment services. Before making any investment decisions, you should take into account all of the particular facts and circumstances of your or your client's individual situation and reach out to an investment professional, if applicable.

#### Performance

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

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

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

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

## Risks

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

The value of a strategy's investments will vary in response to many factors, including adverse issuer, political, regulatory, market or economic developments. The value of an individual security or a particular type of security can be more volatile than and perform differently from the market as a whole. Nearly all accounts are subject to volatility in non-U.S. markets, either through direct exposure or indirect effects on U.S. markets from events abroad, including fluctuations in foreign currency exchanges rates and, in the case of less developed markets, currency illiquidity. Developments that disrupt global economies and financial markets, such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions or other events may magnify factors that affect performance.

In addition, some countries experience low or negative interest rates, from time to time, which may magnify interest rate risk for the markets as a whole and for the funds or accounts. The discontinuation and replacement of LIBOR (an indicative measure of the average interest rate at which major global banks could borrow from one another) and other benchmark rates may have a significant impact on the financial markets and may adversely impact fund or account performance. Additionally, funds or accounts that pursue debt investments are subject to risks of prepayment or default, as well as changes to bankruptcy or debtor relief laws, which may impede collection efforts or alter timing and amount of collections.

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

## Risk Metrics

This document may include risk metrics such as Standard Deviation, Sharpe Ratio, Beta, Up/Downside Market Capture, Information Ratio, Tracking Error, Active Risk. Risk metrics shown are provided for illustrative purposes and are not intended to represent performance of the strategy. They are presented gross of any fees and expenses that would apply to an investment in the strategy. Historical risk metrics do not necessarily guarantee future risk profile of the strategy.

## ESG

While environmental, social, and corporate governance (ESG) factors are made available to all investment teams, ESG assessments represent one of many pieces of research available to the portfolio management and the degree to which it impacts the strategy's holdings may vary strategy by strategy based on the portfolio manager's discretion.

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

Derivatives may be volatile and involve significant risk, including but not limited to credit risk, currency risk, leverage risk, counterparty risk, valuation risk, and liquidity risk. Using derivatives can disproportionately increase losses and reduce opportunities for gains in certain circumstances.

Derivatives involve leverage because they can provide investment exposure in an amount exceeding the initial investment. Leverage can magnify investment risks and cause losses to be realized more quickly. A small change in the underlying asset, instrument, or index can lead to a significant loss. Assets segregated to cover these transactions may decline in value and are not available to meet redemptions. Government legislation or regulation could affect the use of these transactions and could limit the ability to pursue such investment strategies

### General

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

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

### Miscellaneous

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

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

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

### Entities

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

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

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

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

### Disclaimers

The information contained herein is confidential. By accepting this information, the recipient agrees that it will use, and it will cause its directors, partners, officers, employees, and representatives to use, the information only to evaluate its potential interest in the securities described herein and for no other purpose and will not divulge any such information to any other party. Any reproduction of this information, in whole or in part, is prohibited.

The information contained herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any trading strategy. If any offer of securities is made, it will be made pursuant to a Private Placement Memorandum, Limited Partnership Agreement, Subscription Agreement, and other documents (collectively, the “Offering Documents”) prepared by or on behalf of the Fund that contain material information not contained herein and that shall, to the extent applicable, supersede, amend, and supplement the information contained herein in its entirety. Any decision to invest in the securities described herein should be made after reviewing the Offering Documents, conducting such investigations as the investor deems necessary or appropriate and consulting the investor’s own legal, accounting, tax, and other advisors in order to make an independent determination of the suitability and consequences of an investment in the securities.

The securities described herein will not be registered under the Securities Act of 1933, as amended (the “Securities Act”), and the Fund will not be registered under the Investment Company Act of 1940, as amended. The securities described herein will not be approved or disapproved by any federal, state, or foreign securities commission or any other regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of the information contained herein. Any representation to the contrary is a criminal offense.

Fidelity makes no representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein, and nothing contained herein shall be relied upon as a promise or representation whether as to the past or future performance. Fidelity disclaims any and all liability relating to this information, including, without limitation any express or implied representation or warranty for statements contained in and omissions from this information. The information contained herein may include estimates and projections and involves significant elements of subjective judgment and analysis. No representations are made as to the accuracy of such estimates or projections or that all assumptions relating to such estimates or projections have been considered or stated or that such projections will be realized. Fidelity shall have no duty to update the information contained herein.

### Risk Factors

The risk factors will vary depending on the private fund. Investors should review the offering documents, including the description of risk factors contained in the Fund’s Confidential Private Placement Memorandum (the “Memorandum”), prior to making a decision to invest in the securities described herein. An investment in the Fund involves a high degree of risk and is suitable only for those investors willing to risk losing some or all of their principal investment and who have the experience and ability to evaluate the risks and merits of an investment in the Fund. The Memorandum will include more complete descriptions of the risks described below as well as additional risks relating to, among other things, foreign exposure, conflicts of interest and regulatory and tax matters. Any decision to invest in the securities described herein should be made after reviewing such Memorandum, conducting such investigations as the investor deems necessary and consulting the investor’s own legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of an investment in the Fund.

***Fidelity Institutional Asset Management U.S. Core Bonds – December 31, 2024***

***Compliance Certification Statement***

***San Mateo County***

***Employees' Retirement Association***

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Monday, January 13, 2025.**

**General Compliance Issues**

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

**FIAM LLC:**

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

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

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

Please refer to the previously communicated details of error 3570, below:

**Sent 11/6/24:**

Your account managed by FIAM invests in Uniform Mortgage-Backed Securities - To Be Announced (TBAs). TBAs are generally "rolled" on a monthly basis. The roll process sells TBAs with one expiry and purchases the same TBAs with a different expiry.

On 10/9/24, the Fixed Income trading desk was processing TBAs in your account, with the intention of selling the October UMBS 30YR 6.5% 10/54 #TBA and purchasing the November UMBS 30YR 6.5% 11/54 #TBA. While creating the order, the trader inadvertently reversed the transactions and executed the trades in the wrong direction. Immediately after execution, the trader identified the issue and notified Fixed Income Trading Operations. Following review and discussion between the trader and Fixed Income Trading Operations, the trader executed corrective trades.

To calculate impact, the price of the original sell and purchase was compared to the corrective sell and purchase. Additionally, the price of the original sell and purchase was compared to the hypothetical price if both securities had been executed at the intended time. This resulted in a loss of \$26.37 which will need to be reimbursed to your account. If you could provide your wire instructions that would be great.

Our Fixed Income Trading Operations reminded the trading desk to be cognizant of directions of TBA trades during monthly rolls.

**Sent 11/22/24:**

Revision to the communication below. After an internal discussion, we have revised a detail from the second part of the impact calculation. The correct explanation is " Additionally, the price of the corrective sell and purchase was compared to the hypothetical price if both securities had been executed at the intended time." This change does not impact the calculation nor the total loss amount.

Please note that the word changed to "corrective" from "original".

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

**Investment Management Fees**

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

**Derivative Investments**

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

Derivatives are permitted in the strategy.

2. Are derivative investments in compliance with *SamCERA's* investment policies?  
 **Yes** /  **No: Please explain.**  
Not applicable. As of December 31, 2024, the portfolio held no derivative securities.

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

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

Not applicable.

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

**Yes** /  **No**

**If Yes:**

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

Not applicable.

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

**Yes** /  **No**

**If Yes:**

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

Not applicable.

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

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

Not applicable.

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

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

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

As of December 31, 2024, the portfolio held no derivative securities.

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

Not applicable.

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

Not applicable.

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

Yes /  No

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

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

As of December 31, 2024, the portfolio held no derivative securities.

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

Not applicable.

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

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

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

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

As of December 31, 2024, the portfolio held no derivative securities.

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

**Investment Manager Guidelines**

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

**Domestic Fixed Income Portfolios**

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

<i>Certificates of Deposit</i>	%
<i>Commercial Paper</i>	%
<i>Other High Grade Short-term securities</i>	0.19%
<i>U.S. Government &amp; Agency securities</i>	45.31%
<i>Corporate Bonds</i>	23.63%
<i>Mortgage- and asset-backed securities</i>	29.80%
<i>Yankee bond securities</i>	1.08%

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

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

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

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

As of December 31, 2024, 0.26% of holdings in the portfolio were below investment grade. Purchased as investment grade, these holdings have been downgraded due to increased leverage or other fundamental credit criteria. We still feel they hold relative value, although we are monitoring these securities closely.

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

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

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

13.27%

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

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

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

As of December 31, 2024, the SamCERA Broad Market Duration account represents <1% of the assets in the Broad Market Duration strategy and less than 1% of total FIAM assets.

DocuSigned by:  
  
Signed by:  
Dated: 1/9/2025 09:02:12 AM EST  
Name of Firm FIAM LLC

***NISA Investment Advisors, LLC – December 31, 2024***  
***Core Bond Account***

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

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Monday, January 13, 2025.**

**General Compliance Issues**

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

NISA Investment Advisors, LLC is a wholly owned subsidiary of NISA, LLC. NISA, LLC is 100 percent employee-owned through membership interests in NISA, LLC. During Q4 2024, there were no material changes to NISA's ownership structure.

The following individuals left NISA during Q4 2024.

- Ami Dai – Senior Analyst, Derivatives
- Arielle Olberg – Investment Officer, Fixed Income
- Adrian Veseli – Analyst, Performance

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

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

### Investment Management Fees

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

### Derivative Investments

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

If **Yes**:

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

If **Yes**:

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

The NISA-managed SamCERA Aggregate Bond Portfolio holds exchange traded, U.S. Treasury futures contracts with JP Morgan as the FCM. As of 12/31/2024, the gross notional futures exposure with JP Morgan was \$32,121,063.

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

The NISA-managed SamCERA Aggregate Bond Portfolio holds exchange traded, U.S.

The NISA-managed SamCERA Aggregate Bond Portfolio holds exchange traded, U.S. Treasury futures contracts with JP Morgan as the FCM. As of 12/31/2024, the gross notional futures exposure with JP Morgan was \$32,121,063.

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

Yes. The following broker was added to the Approved Brokers List in the last six months: NatWest Markets Securities.

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

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

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

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

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

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

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

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

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

**Yes** /  **No**

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

N/A.

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

N/A

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

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

N/A

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

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

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

### **Investment Manager Guidelines**

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

## Cash & Equivalents

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

## Domestic Fixed Income Portfolios

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

<i>Certificates of Deposit</i>	<i>0.00%</i>
<i>Commercial Paper</i>	<i>0.00%</i>
<i>Other High Grade Short-term securities</i>	<i>0.55%</i>
<i>U.S. Government &amp; Agency securities</i>	<i>38.85%</i>
<i>Corporate Bonds</i>	<i>28.39%</i>
<i>Mortgage- and asset-backed securities</i>	<i>30.69%</i>
<i>Yankee bond securities</i>	<i>1.52%</i>

*\*Corporate Bonds include 1.33% in Taxable Municipal Bonds*

2. Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio?  Yes /  No: Please explain
3. Does the firm conduct horizon analysis testing?  Yes /  No: Please explain.

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

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

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

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

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

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

As of 12/31/2024, 6.31% of the Aggregate Bond Portfolio's market value was held in 144A securities.

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

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

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

As of 12/31/2024, NISA's Short/Core Duration Product (\$36.1bn) makes up approximately 13.20% of NISA's total, physical AUM (\$273.0bn).

As of 12/31/2024, the NISA-managed SamCERA Aggregate Bond Portfolio (\$287.3mm) makes up approximately 0.80% of NISA's Short/Core Duration Product (\$36.1bn).

Signed by: 

Dated: 1/13/2025

Name of Firm: NISA Investment Advisors, LLC

***NISA Investment Advisors, LLC – December 31, 2024***  
***Long Treasury Account***

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

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Monday, January 13, 2025**.

**General Compliance Issues**

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

NISA Investment Advisors, LLC is a wholly owned subsidiary of NISA, LLC. NISA, LLC is 100 percent employee-owned through membership interests in NISA, LLC. During Q4 2024, there were no material changes to NISA's ownership structure.

The following individuals left NISA during Q4 2024.

- Ami Dai – Senior Analyst, Derivatives
- Arielle Olberg – Investment Officer, Fixed Income
- Adrian Veseli – Analyst, Performance

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

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

### Investment Management Fees

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

### Derivative Investments

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

If **Yes**:

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

If **Yes**:

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

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

### **Investment Manager Guidelines**

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

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

### Cash & Equivalents

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

### Domestic Fixed Income Portfolios

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

<i>U.S. Government &amp; Agency securities</i>	<i>99.89%</i>
<i>Other</i>	<i>0.11%</i>

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

As of 12/31/2024, NISA's Liability Driven Investing (LDI) Product (\$210.5bn) makes up approximately 77.1% of NISA's total, physical AUM (\$273.0bn).

As of 12/31/2024, NISA's Governments Only LDI Engagements (\$137.7bn) makes up approximately 65.4% of NISA's total, LDI Product (\$210.5bn).

As of 12/31/2024, the NISA-managed SamCERA Long Treasury Portfolio (\$99.4mm) makes up approximately 0.07% of NISA's Governments Only LDI Engagements (\$137.7bn).

Signed by: 

Dated: 1/13/2025

Name of Firm: NISA Investment Advisors, LLC

***Harrison Street Core Property Fund, LP – December 31, 2024***

***Compliance Certification Statement***

***San Mateo County***

***Employees' Retirement Association***

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Monday, January 13, 2025**.

**General Compliance Issues**

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

**Investment Management Fees**

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

**Investment Manager Guidelines**

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

### **Cash & Equivalents**

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

### **Real Estate Portfolios**

1. Is the portfolio diversified as to region, property type, industry, and economic base?  
 **Yes** /  **No**
  - a) If **No**, do the investments comply with the policies?
2. Is the portfolio achieving a total time-weighted rate of return, net of fees, which equals or exceeds, the NFI ODCE index?  **Yes** /  **No: Please explain.**

Harrison Street Core Property Fund, L.P. (“Core Fund” or the “Fund”) uses NFI-ODCE (“ODCE”) as a comparison given its standard as the index for traditional core real estate open-end funds. The constituents of the NFI-ODCE index are generally considered peers of the Fund due to their open-ended structure and comparable fund characteristics, however these funds do not necessarily invest in the Core Fund’s property types. Of note, the Core Fund invests exclusively in alternative real estate sectors, which make up a relatively small portion of the ODCE’s overall sector make-up. The ODCE is largely comprised of traditional real estate sectors (retail, office, industrial, and multifamily), in which the Core Fund does not invest. Please also note that leverage levels for the Core Fund are generally in-line with the ODCE. Overall, Harrison Street believes the Fund has performed as expected when compared to the ODCE index, with long-term returns being in line with ODCE but with lower return volatility.

3. Does the core fund concentration exceed 40% (by value) in any single property type, 15% (by value) in any single investment, or 30% in any single metropolitan statistical area, determined as of the date of the acquisition of the property?  
 **Yes: Please explain.** /  **No**

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

Please note Harrison Street Real Estate Capital, LLC ("HS" or the "Firm") and Fund level AUM figures and ownership percentages as of December 31, 2024, will not be published until after the due date of this request. As of September 30, 2024, Core Fund assets comprised 32.3% of total Firm AUM, and SamCERA's ownership percentage of the Core Fund was 0.94%. The Firm is happy to subsequently provide figures as of December 31, 2024, if required.

Signed by: 

Dated: 1/13/2025

Name of Firm: Harrison Street Real Estate Capital, LLC

## ***INVESCO Core Real Estate – December 31, 2024***

### ***Compliance Certification Statement***

***San Mateo County***

***Employees' Retirement Association***

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Monday, January 13, 2025**.

### **General Compliance Issues**

1. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm?  
 **Yes** /  **No: Please explain.**
2. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?  
 **Yes: Please explain.** /  **No**
3. Have there been any changes in the firm's investment approach?  
 **Yes: Please explain.** /  **No**
4. Have there have been any industry or regulatory disciplinary actions taken against the firm?  
 **Yes: Please explain.** /  **No**

**On September 24, 2024, Invesco Advisers, Inc. ("IAI") and Invesco Distributors, Inc. ("IDI") (together, with IAI, "Invesco") entered into a settlement with the SEC in connection with the agency's industry-wide investigation into the maintenance and preservation of electronic communications pursuant to applicable recordkeeping provisions of federal securities law. The settlement required Invesco to pay a civil monetary penalty of \$35 million and retain a compliance consultant (each of which has since been completed), following the format for all previously announced electronic communications settlements. We take this matter, and all compliance matters, incredibly seriously and have already taken significant steps to further strengthen the firm's compliance processes related to electronic communications.**

**On November 8, 2024, IAI entered into a settlement with the SEC following an investigation into an internal framework and public statements made about the percentage of firmwide assets under management that were "ESG-integrated," as defined using an internal framework. Invesco Advisers, Inc. cooperated with the SEC's investigation, and the settlement requires a civil monetary penalty of \$17.5 million.**

**The SEC Order makes no allegations or findings related to disclosures about specific funds or investment strategies.**

5. Has the firm's insurance coverage been sustained?  
 **Yes** /  **No: Please explain.**
6. Have there been any investment guideline breaches with respect to the Fund's guidelines in the offering documents during the prior 6 months?  
 **Yes: Please explain.** /  **No**

### **Investment Management Fees**

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

### **Investment Manager Guidelines**

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

### **Cash & Equivalents**

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

### **Real Estate Portfolios**

1. Is the portfolio diversified as to region, property type, industry, and economic base?  
 **Yes** /  **No**
  - a) If **No**, do the investments comply with the policies?
2. Is the portfolio achieving a total time-weighted rate of return, net of fees, which equals or exceeds, the NFI ODCE index?  **Yes** /  **No: Please explain.**  
**As of September 30, 2024, the Fund's since inception net return of 5.78% and the net NFI ODCE index - CW was 5.65%.**
3. Does the core fund concentration exceed 40% (by value) in any single property type or 35% in any single metropolitan statistical area, determined as of the date of the acquisition of the property?  **Yes: Please explain.** /  **No**

4. Has the firm used leverage?  Yes /  No

a) Is the portfolio leverage within the 35% of overall loan to value guideline?

Yes /  No: Please explain.

The maximum leverage for the Fund is 35%. As of September 30, 2024, the Fund's leverage was 31.6%.

What proportion of total AUM do the assets in this product make-up of the firm? 17.0% (based on IRE GAV as of June 30, 2024) What size does SamCERA's account comprise of total product assets? 2.25% (as of September 30, 2024)

**General Partner:**

IRI Core I, L.P.

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

By: Invesco Realty, Inc., its sole member



\_\_\_\_\_  
Name: Beth Zayicek

Title: Vice President

## ***Insight Investment Cash Flow Driven Investment – December 31, 2024***

### ***Compliance Certification Statement***

#### ***San Mateo County***

#### ***Employees' Retirement Association***

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Monday, January 13, 2025**.

### **General Compliance Issues**

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

### **Investment Management Fees**

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

## Derivative Investments

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

If **Yes:**

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

If **Yes:**

- a) Do the counterparties have investment grade debt?  **Yes/**  **No**
  - b) Do the counterparties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?  
 **Yes/**  **No: Please explain.**
6. Is individual counter-party exposure well diversified?  **Yes/**  **No: Please explain.**
    - a) What is the largest exposure to a single counterparty within the portfolio?
    - b) Please specify the name of the counterparty and the amount of exposure.
    - c) Have there been any changes to the investment manager's list of approved counterparties over the past six months?
  7. Are the investment purposes for a derivative investment consistent with the four purposes stated in *SamCERA's* policies?  **Yes /**  **No: Please explain.**
    - a) Has the firm developed any new purposes for derivative investments?  **Yes: Please explain.** /  **No**
  8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment.

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

### **Investment Manager Guidelines**

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

### **Domestic Fixed Income Portfolios**

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

<i>Certificates of Deposit</i>	<i>0.00%</i>
<i>Commercial Paper</i>	<i>0.00%</i>
<i>Other High Grade Short-term securities</i>	<i>0.00%</i>
<i>U.S. Government &amp; Agency securities</i>	<i>23.87%</i>
<i>Corporate Bonds</i>	<i>69.88%</i>
<i>Mortgage- and asset-backed securities</i>	<i>3.02%</i>
<i>Yankee bond securities</i>	<i>2.19%</i>
<i>Other</i>	<i>1.04%</i>

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

We use annualized ex-ante TEV as one of our primary risk monitoring measures. Besides that, we run various historical and bespoke stress tests as required.

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

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

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

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

5. What percentage of the portfolio is held in Rule 144A securities? 3.99%

6. At the time of purchase, was there any single industry which represented more than 25% of the market value of the account.  **Yes** /  **No**

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

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

As of 09/30/24, this product makes up 15.2% of the firm's AUM. SamCera's account comprise of 0.2% of the total product assets.

Signed by: *Bertha Lui-McKee*

Dated: January 13, 2025

Name of Firm: Insight North America

*The Parametric Portfolio Associates LLC Cash Overlay – December 31, 2024*

*Compliance Certification Statement*

*San Mateo County*

*Employees' Retirement Association*

**In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of SamCERA's investment managers on a semi-annual basis. These statements must be e-mailed to SamCERA's office ([Investments@samcera.org](mailto:Investments@samcera.org)) by Monday, January 13, 2025.**

**General Compliance Issues**

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

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

Reuben Butler, Chief Administrative Officer, left Parametric to pursue other opportunities. Reuben's last day was July 30, 2024. Following this departure, Melissa Fell became CAO and reports to Ranjit Kapila, Co-President and COO, with a dotted line to Tom Lee, Co-President and CIO.

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

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

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

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

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

5. **Have there been any investment guideline breaches during the past 6 months?**

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

**Investment Management Fees**

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

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

## Derivative Investments

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

Yes: Please ANSWER the remaining questions in this section.

No: Please SKIP the remaining questions in this section.

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

Yes /  No: Please explain.

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

Yes /  No: Please explain.

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

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

Yes /  No

If Yes:

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

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

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

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

Yes /  No

If Yes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Yes /  No

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

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

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

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

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

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

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

Please see **Attachment A**.

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

A handwritten signature in blue ink, appearing to read 'Shawn Huerta', is positioned in the upper left quadrant of the page.

**Signed by:** Shawn Huerta, Director, Product Management

**Dated:** 1/14/2025

**Name of Firm:** Parametric Portfolio Associates, LLC



## Memorandum

<b>To:</b>	San Mateo County Employees' Retirement Association
<b>From:</b>	Parametric Portfolio Associates, LLC
<b>Date:</b>	1/14/2025
<b>RE:</b>	Quarterly Compliance Certification Statement – Question 13 Supplement

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

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

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

800 FIFTH AVENUE  
SUITE 2800  
SEATTLE, WA 98104  
P 206 694 5500  
F 206 694 5581

[parametricportfolio.com](http://parametricportfolio.com)

## ***Record Currency Management Limited – December 31, 2024***

### ***Compliance Certification Statement***

***San Mateo County***

***Employees' Retirement Association***

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Monday, January 13, 2025.**

#### **General Compliance Issues**

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

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

There were no such significant changes during the reporting period.

2. Have there been any changes in Record's dynamic currency hedging investment approach?

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

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

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

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

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

5. Have there been any investment guideline breaches within SamCERA's account during the past 6 months?

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

#### **Investment Management Fees**

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

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

#### **Derivative Investments**

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

**Yes: Please ANSWER the remaining questions in this section.**

**No: Please SKIP the remaining questions in this section.**

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

If **Yes**:

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

If **Yes**:

- a) Do the counter-parties have investment grade debt?  **Yes**/  **No**  
b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?  
 **Yes**/  **No: Please explain.**
6. Is individual counter-party exposure well diversified?  **Yes**/  **No: Please explain.**  
a) What is the largest exposure to a single counter-party within the portfolio?  
The *SamCERA* mandate trades under ISDA agreements. As such we believe that the most relevant measure of counterparty exposure risk is the mark-to-market value. In this context, as at December 31, 2024, the largest exposure is to State Street where the exposure was US\$ 6.8m at the end for the reporting period.

There are other measures of counterparty exposure, such as the net outstanding notional exposure. By this measure, the largest net exposure was US\$ 343m to Royal Bank of Canada, or 46.2% of Mandate Size. The basis of this calculation aggregates by counterparty, maturity date and currency pair. Therefore, if a position is opened and closed with different counterparties, the net exposure is calculated for all counterparties (i.e. there is a degree of double counting). As such, the aggregate net counterparty exposure could be greater than the mandate size.

The table below shows the net outstanding notional and mark-to-market exposure to all counterparties as at December 31, 2024.

Counterparty	Net Exposure (US\$)	Net as % of Mandate Size*	Mark-to-market exposure (US\$)	Mark-to-market % of Mandate Size*
ANZ - MELBOURNE	9,905,442	1.3%	220,971	0.0%
B.N.P. Paribas - Paris	241,615,989	32.6%	1,832,031	0.2%
Bank of Montreal - Toronto	36,086,607	4.9%	874,757	0.1%
Bank of New York Mellon-London	122,061,316	16.5%	2,421,543	0.3%
CitiBank - London	59,546,206	8.0%	3,077,023	0.4%
Credit Agricole CIB - London	55,900,589	7.5%	993,412	0.1%
Goldman Sachs - London	55,497,023	7.5%	1,846,644	0.2%
HSBC Bank - London	286,522,917	38.6%	4,920,632	0.7%
JPMorgan - London	3,310,188	0.4%	166,187	0.0%
Royal Bank of Canada - London	342,505,942	46.2%	(3,720,157)	(0.5%)
State Street - London	168,692,969	22.8%	6,806,201	0.9%
Toronto Dominion - Toronto	137,447,734	18.5%	683,881	0.1%
UBS AG - London	55,127,123	7.4%	1,009,605	0.1%
Westpac - Sydney	322,488,329	43.5%	(2,706,752)	(0.4%)
Totals	1,896,708,373	n/a	18,425,978	n/a

*\*Based upon a mandate size of USD 741,419,023 as at December 31, 2024*

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

Please refer to the answer above.

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

There were no changes during the reporting period. The current panel of 14 counterparty banks available to SamCERA for trading is well diversified, both in terms of number and jurisdiction. That said, we continue to work on onboarding two additional banks, SEB and Wells Fargo, to provide even greater diversification.

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

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

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

None.

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

Not applicable.

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

Yes /  No

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

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

No such derivative instruments are used within the program.

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

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

Not applicable. No such derivative instruments are used within the program.

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

### **Liquidity**

The depth of the foreign exchange market, which is the most liquid financial market in the world with approximately \$7.5 trillion traded per day<sup>[1]</sup>, means that liquidity can be less of a binding factor in FX than for other asset classes. The mandate with SamCERA is focused on managing currency risk across some of the most liquid currency pairs and in relatively small volumes. As a result, liquidity risk is less of a consideration than it is for our clients who are exposed to less liquid DM and EM/Frontier currency pairs. That said, we do look at structuring our execution in the context of all mandates in the same strategy / crosses to ensure our overall trading volumes are managed in line with market conditions and best execution principles.

For the SamCERA program we aim to execute throughout the day for better price and position diversification and to access liquidity across different time zones and counterparties. More

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<sup>[1]</sup> According to the BIS 2022 triennial survey

specifically, trading signals for EUR, CHF, JPY and AUD are analyzed in the the morning and GBP, SEK and CAD in the afternoon (UK hours). These are subject to periodic review and ongoing feedback from the Trading team.

Record has experience of trading FX derivatives through periods of market stress, for example during the coronavirus pandemic. Leaning on our strong relationships with counterparty banks, we have developed methods to sufficiently mitigate liquidity risk, even when automated streams may not be visible on electronic platforms, and at much tighter spreads. During such events, the Trading team has the necessary flexibility to determine the best execution approach and if necessary, will advise the Investment Management Group<sup>[2]</sup> on the costs and feasibility of execution. This may lead to specific discretionary interventions on certain days.

### **Legal and Regulatory Risk**

Following the financial crisis, new regimes such as Dodd Frank and EMIR were introduced across the globe to regulate the OTC derivatives markets, such regimes impose clearing, reporting, credit risk mitigation, and other requirements to improve transparency, regulatory oversight, and resilience of the global OTC derivatives market.

More recently, the final phase of un-cleared margin rules (UMR) were implemented (September 2022), where firms who have an average aggregate notional amount (AANA) of derivatives transactions in excess of USD 8billion are required to post initial margin for in-scope derivatives. Whilst Record does not trade any in-scope derivatives under UMR for SamCERA, the instruments utilized in the currency hedging program do contribute to the AANA calculation and thus Record provides the annual calculation of the AANA, as it may impact other derivatives in SamCERA's portfolio.

The limited risks associated with trading deliverable FX forward contracts are mitigated by Record only transacting on the basis of market standard agreements, such as the ISDA Master Agreement. Record has established procedures to ensure adequate legal review of all documentation.

Similarly, to mitigate the legal risk of transacting with various counterparty banks, Record only transacts with banks from its approved counterparty list which are selected in accordance with its Credit Risk Policy.

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

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<sup>[2]</sup> The IMG is tasked with managing the implementation costs and value at risk of the SamCERA mandate. In addition, the IMG monitors global macroeconomic developments and risk factors that may affect the performance of our return-generating and risk management strategies, monitoring the development of new investment strategies, and providing timely and reliable advice to the Investment Committee.

Signed by: Grady Laurie, Director, Head of Compliance  
Dated: January 3, 2025  
Name of Firm: Record Currency Management Limited

*Verus Advisory, Inc. – December 31, 2024*

*Compliance Certification Statement*

*San Mateo County*

*Employees' Retirement Association*

Please complete the following compliance certification statement and e-mail to *SamCERA* ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Monday, January 13, 2025.**

**General Compliance Issues**

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

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

Shelly Heier former President of Verus departed on September 30<sup>th</sup>. Her managerial responsibilities were transitioned to Kraig McCoy and Jeff MacLean.

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

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

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

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

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

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

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

**Fees**

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

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

Signed by: Warren Spencer

Dated: January 13, 2025

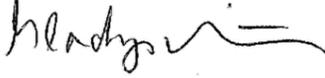
Name of Firm Verus Advisory, Inc.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

January 28, 2025

Agenda Item 4.11

**TO:** Board of Retirement

**FROM:** Gladys Smith, Assistant Executive Officer 

**SUBJECT:** Amending Resolutions Defining Compensation Earnable and Pensionable Compensation

**Recommendation**

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

<b>ATKS &amp; WD Code</b>	<b>New Earnings Code Description</b>
082	Wellness Hours Taken

**Background**

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

**Discussion**

The recent union negotiations provided applicable employees with sixteen (16) hours of time off as wellness days or days of reflection each fiscal year. Employees may use the wellness time off on any day mutually agreed by the employee and their supervisor, consistent with the County's and their department's policies. Wellness days not used by the end of the fiscal year will be deemed forfeited and have no cash value. The new code is retroactive to December 8, 2025

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

**Attachments**

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

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

**RESOLUTION 2025-\_\_**

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

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

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

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

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

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

**RESOLVED**, that Resolution number 2024-11 is rescinded, and pursuant to Government Code §31461 as interpreted by the courts, the Board hereby makes the following determinations to be effective December 8, 2024, as to what is included in "Compensation Earnable" and items of remuneration that are not included:

1. Compensation earnable shall include:

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

Pay Code	Description
015	Special duty hours
016	Inspection/Testing/Repair with a Certification
019	Charge pay differential
020	Split shift
021-L1	Bilingual pay
021-L2	Bilingual pay
022	Staffing differential
023	Weekend pay
027	Required and Regular On-call hours
035	Sick leave with pay
035B	Sick Leave Supplemental Pay
035-R	Reserve Sick Hours
036	Sick leave with pay (work-related injury)
036-R	Reserve Sick – work related injury
041	Vacation hours with pay
041-A	X-Vacation hours with pay
041B	Vacation Supplemental pay
041H	Vacation hours with pay on holiday
043	Holiday hours regular pay
043CNA	Holiday premium for PT CNA
044	Holiday worked at 1.5
045	Holiday hours worked at straight time
045-P	Holiday hours worked at straight time
045O	Holiday hours worked at straight time-overflow
048	Accumulated holiday hours taken
048-A	X-Accumulated holiday hours taken
048B	Accumulated Holiday Supplemental pay
048H	Holiday hours taken on holiday
052	Comp time hours used
052-A	X-Comp/Admin Leave Hours Used
052B	Comp Time Supplemental pay
052H	Comp time hours used on holiday
054	Administrative leave
055	Jury duty with pay
056	Military-leave with pay
057	Education leave with pay
058	Other leave with pay
059	Disability leave with pay
064	Management overtime used
080	Uniform/tool allowance
080A	Uniform/tool allowance annual
081	Transportation allowance
082	Wellness Hours Taken
087	Bi-weekly special pay
088	Miscellaneous special pay

Pay Code	Description
090	Voluntary time off used
093	Furlough w/o pay used with payment of contributions
1TW	Regular hours teleworked
102	Admin leave cash out
104	LTC shift differential
104B	LTC shift differential adjustment
110	Compulsory time off
112	Bereavement leave
113	Special Circumstances (BOS Policies) Leave
114	Psychiatry Residency Program
130	Lactation Pay
131	Winter Recess HRs Regular Pay
133	Accum Winter Recess Hrs Taken
313	LC4850 night shift differential
315	LC4850 special duty
359	LC4850 disability with pay
435	84/12 Sick (435)
437	84/12 Reserve Sick (437)
441	84/12 Vacation (441)
448	84/12 Holiday (448)
452	84/12 Comp (452)
502	Admin leave cash out w/1-time deferred comp
557	Educational lv with pay
635	Emergency Sick Leave
636	Emergency FMLA Paid
638	Supplemental COVID-19 Emergency Sick Leave
641	Essential Worker COVID19 Leave
30680	LC4850WC 84/12 plan shf

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

A. The following pay codes are not included:

Pay Code	Description
007	EH relief nurse pm shift differential
009	EH relief nurse night shift differential
024	Voluntary or Ad Hoc On-Call hours
025	Call back pay
025-P	Call back pay (premium)
025S	Call back pay SART nurses
025-S	Call back pay SART nurses
026	Part-time double shift differential
028	On call EH. relief nurse
029	Part-time double shift differential
037	Layoff sick leave
040	Terminal vacation

Pay Code	Description
042	Mandatory Time Off Unpaid
046	Holiday hours accrued
046CNA	Holiday premium hours accrued for PT CNA
046-P	Holiday hours accumulated at straight time
047	Holiday hours accrued at 1.5
049	Terminal holiday pay
050	Terminal compensatory pay
051	Comp Time Earned at 1.5
051-P	Premium portion for call back
053	Comp time earned at straight time
060	Absent without leave
061	Leave without pay
061-A	X-Leave without pay
062	Disability leave without pay
063	Terminal MOT Pay
065	Overtime training hours
066	Overtime at time and one-half
069	Overtime special duty desk officer
069-P	Overtime special duty desk officer
070	Overtime special duty
073	Overtime special duty night shift
075	Overtime night shift premium hours
076	Rest period/Court CART differential
079	Overtime special shift differential
083	Worker's compensation payment
084	Employee incentives
085	Disability payment
086	Taxable benefits-DP
089	Relocation Allowance
091	Terminal VTO pay
096	County Deferred Comp Contribution
097	Miscellaneous terminal pay
101	LTD payments
103	FMLA earnings
105	Miscellaneous subsidies
106	FSLA adjustments
106 80	FSLA adjustment for 84/12
106 980-P1	FSLA adjustment 9/80 period 1
106 980-P2	FSLA adjustment 9/80 period 2
107	Overtime at straight time
108	Comp hours earned at straight time (OT)
111	Terminal compulsory time off
115	Missed Work Meal or Break Pay
125	Call back pay st.
132	Winter Recess Hours Accrued

Pay Code	Description
134	Terminal Winter Recess Pay
203	Wellness Dividend
225	Call back pay flat rate
251	Comp Time Earned at 2x
266	Overtime Worked at 2x
270	Overtime Special Duty at 2x
273	OT Spec Duty Night Shift at 2x
275	OT Night Shift at 2x
383	LC4850 workers compensation payment
637	Emergency FMLA Unpaid
640	Terminal EW COVID19 Leave
642	Essential Worker Onsite
803	SART nurses meeting/service-flat rate
804	SART nurses training and education-flat rate
P25	Call in phone

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

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

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

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

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

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

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

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

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

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

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

5. Pursuant to Government Code §31641(c), the terms listed above in paragraph 3 and 4 are intended to be consistent with and not in conflict with the holdings in *Salus v. San Diego County Employees Retirement Association* (2004) 117 Cal.App.4th 734 and *In re Retirement Cases* (2003)110 Cal.App.4th 426 and *Alameda County Deputy Sheriffs' Assoc. v. Alameda County Employees' Retirement Association* (2020) 9 Cal.5th 1032.

**BE IT FURTHER RESOLVED**, that the above-listed determinations by the Board of what is included or not included in compensation earnable, shall be in effect until such time as action taken by the Board or action by the Legislature or the Courts as a matter of law requires a different determination, and it is hereby clarified that, to the extent pay codes were inadvertently omitted or included from the pay code charts in prior resolutions, but such omissions or inclusions were contrary to the narrative of such resolutions or prior resolutions, the narrative language of such resolutions shall control.

\* \* \* \* \*

*Regularly passed and adopted, by the San Mateo County Employees' Retirement Association, Board of Retirement, on January 28, 2025.*

*Ayes, Trustees:*

*Noes, Trustees:*

*Absent, Trustees:*

*Abstain, Trustees:*

---

*Board Secretary, SamCERA*

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

**RESOLUTION 2025-\_\_**

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

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

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

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

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

**RESOLVED**, Resolution number 2024-12 is rescinded, and pursuant to Government Code §7522.34 as interpreted by the courts, the Board hereby makes the following determinations to be effective December 8, 2024, as to what is included in "Pensionable Compensation" and items of remuneration that are not included:

1. Pensionable compensation shall include:

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

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

Pay Code	Description
113	Special Circumstances (BOS Policies) Leave
114	Psychiatry Residency Program
130	Lactation Pay
131	Winter Recess HRs Regular Pay
133	Accum Winter Recess Hrs Taken
313	LC4850 night shift differential
315	LC4850 special duty
359	LC4850 disability with pay
435	84/12 Sick (435)
437	84/12 Reserve Sick (437)
441	84/12 Vacation (441)
448	84/12 Holiday (448)
452	84/12 Comp (452)
557	Educational lv with pay
635	Emergency Sick Leave
636	Emergency FMLA Paid
638	Supplemental COVID-19 Emergency Sick Leave
641	Essential Worker COVID19 Leave
30680	LC4850WC 84/12 plan shf

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

Pay Code	Description
007	EH relief nurse pm shift differential
009	EH relief nurse night shift differential
025	Call back pay
025-P	Call back pay (premium)
025S	Call back pay SART nurses
025-S	Call back pay SART nurses
026	Part-time double shift differential
027	On-call hours
028	On call E.H. relief nurse
029	Part-time double shift differential
037	Layoff sick leave
040	Terminal vacation
042	Mandatory Time Off Unpaid
0450	Holiday hours worked at straight time-overflow
046	Holiday hours accrued
046CNA	Holiday premium hours accrued for PT CNA
046-P	Holiday hours accumulated at straight time
047	Holiday hours accrued at 1.5
049	Terminal holiday pay
050	Terminal compensatory pay
051	Comp Time Earned at 1.5

Pay Code	Description
051-P	Premium portion for call back
053	Comp time earned at straight time
060	Absent without leave
061	Leave without pay
061-A	X-Leave without pay
062	Disability leave without pay
063	Terminal MOT Pay
065	Overtime training hours
066	Overtime at time and one-half
069	Overtime special duty desk officer
069-P	Overtime for mandatory meeting
070	Overtime special duty
073	Overtime special duty night shift
075	Overtime night shift premium hours
076	Rest period/Court CART differential
079	Overtime special shift differential
080	Uniform/tool allowance
080A	Uniform/tool allowance annual
081	Transportation allowance
083	Worker's compensation payment
084	Employee incentives
085	Disability payment
086	Taxable benefits-DP
088	Miscellaneous special pay
089	Relocation Allowance
091	Terminal VTO pay
096	County Deferred Comp Contribution
097	Miscellaneous terminal pay
101	LTD payments
102	Admin leave cash out
103	FMLA earnings
105	Miscellaneous subsidies
106	FSLA adjustments
106 80	FSLA adjustment for 84/12
106 980-P1	FSLA adjustment 9/80 period 1
106 980-P2	FSLA adjustment 9/80 period 2
107	Overtime at straight time
108	Comp hours earned at straight time (OT)
111	Terminal compulsory time off
115	Missed Work Meal or Break Pay
125	Call back pay st.
127	On-call days/hours – Post 2012
132	Winter Recess Hours Accrued
134	Terminal Winter Recess Pay
203	Wellness Dividend

Pay Code	Description
225	Call back pay flat rate
251	Comp Time Earned at 2x
266	Overtime Worked at 2x
270	Overtime Special Duty at 2x
273	OT Spec Duty Night Shift at 2x
275	OT Night Shift at 2x
383	LC4850 worker's compensation payment
502	Admin leave cash out w/1-time deferred comp
637	Emergency FMLA Unpaid
640	Terminal EW COVID19 Leave
642	Essential Worker Onsite
803	SART nurses meeting/service flat rate
804	SART nurses training and education flat rate
P25	Call in phone

B. Pursuant to Government Code §7522.34, pensionable compensation does not include the following:

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

- 11) Any other form of compensation that this Board determines should not be pensionable compensation.
3. Pursuant to Government Code §7522.10, whenever pensionable compensation, as defined in §7522.34, is used in the calculation of a benefit, the pensionable compensation shall be subject to the monetary limitations set forth in subdivision §7522.10.

**BE IT FURTHER RESOLVED**, that the above listed determinations by the Board of what is included or not included in pensionable compensation, shall be in effect until such time as this Board, the Legislature, or the Courts take action that as a matter of law requires a different determination, and it is hereby clarified that, to the extent pay codes were inadvertently omitted or included from the pay code charts in prior resolutions, but such omissions or inclusions were contrary to the narrative of such resolutions or prior resolutions, the narrative language of such resolutions shall control.

\* \* \* \* \*

*Regularly passed and adopted, by the San Mateo County Employees' Retirement Association, Board of Retirement, on January 28, 2025.*

*Ayes, Trustees:*

*Noes, Trustees:*

*Absent, Trustees:*

*Abstain, Trustees:*

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*Board Secretary, SamCERA*

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

January 28, 2025

Agenda Item 5.2

**TO:** Board of Retirement  
**FROM:** Scott Hood, Chief Executive Officer   
**SUBJECT:** Adoption of Cost of Living Adjustments (COLAs) for 2025

**Recommendation**

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

**Discussion**

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

Milliman, Inc. has calculated the annual COLAs for each retirement tier and plan for approval by the Board. As reflected in the attached letter, Milliman reports that the CPI increased 2.76% during 2024. Rounded to the nearest one half of one percent, this yields a COLA of 3.0% for General, Safety and Probation Plan 1 members, a COLA of 3% for all Plan 2 members and a COLA of 2% for Plan 4, 5, 6 and 7 members if they retire before April 2, 2024. Plan 3 members do not receive a cost of living increase.

All COLAs will be paid beginning with the April 2025 benefit payments.

**Attachments**

January 15, 2025, letter from Milliman, Inc.  
Resolution Adopting Cost of Living Adjustments Effective April 1, 2025, as Recommended by Milliman, Inc.



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

Tel +1 206 624 7940

milliman.com

January 15, 2025

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

Re: Annual COLA Payable in 2025

Dear Scott:

The San Mateo County Employees' Retirement Association (SamCERA) provides a Cost-of-Living Adjustment (COLA) to retirees and beneficiaries who retired on or before April 1 of each year in accordance with Article 16.5 of the County Employees' Retirement Law of 1937 (CERL). This letter outlines the COLA percentage and changes to the COLA Bank to be adopted by the Board and effective in April of 2025.

### **Inflation Index**

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

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

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

Identical language appears in Sections 31870 and 31870.1 of the CERL. The Retirement Board has adopted the Annual Average Consumer Price Index for All Urban Consumers (CPI-U) for the San Francisco-Oakland-Hayward area (Base Period: 1982-84=100) as the basis for making the annual adjustments. This index increased by 2.76% during the 2024 calendar year, from an index value of 339.050 in 2023 to an index value of 348.417 in 2024.

### COLA and COLA Bank

The annual COLA that SamCERA retirees and beneficiaries are eligible to receive is based on the change in the consumer price index rounded to the nearest one-half of one percent (subject to the maximum COLAs specified in relevant sections of the CERL). We recommend that the SamCERA Board adopt the following items to take effect in April 2025:

- COLA percentage

- Plan 1. Each retiree and beneficiary who retired on or before April 1, 2025 will receive a Cost-of-Living Adjustment in accordance with the following table.

Date of Retirement	General	Safety	Probation
On or before 04/01/2025	3.0%	3.0%	3.0%

- Plan 2. Each retiree and beneficiary who retired on or before April 1, 2025 will receive a Cost-of-Living Adjustment of 3.0%
- Plan 3. No Cost-of-Living Adjustment is provided to Plan 3 retirees and beneficiaries.
- All Other Plans. Each retiree and beneficiary who retired on or before April 1, 2025 will receive a Cost-of-Living Adjustment of 2.0%, the maximum increase under CERL 31870.

- COLA Bank

- Plan 1. Each retiree and beneficiary who retired on or before April 1, 2025 will have his or her COLA Bank established in accordance with the following table:

Date of Retirement	General	Safety	Probation
On or before 04/01/2023	0.0%	0.0%	3.0%
04/02/2023 – 04/01/2024	0.0%	0.0%	0.5%
04/02/2024 – 04/01/2025	0.0%	0.0%	0.0%

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

### Certification

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

This work product was prepared solely for SamCERA for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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

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

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

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

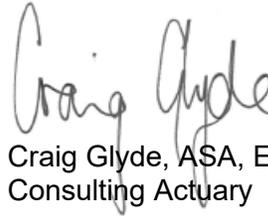
Sincerely,



Nick Collier, ASA, EA, MAAA  
Consulting Actuary

NC/CG/wb

cc: Gladys Smith



Craig Glyde, ASA, EA, MAAA  
Consulting Actuary

**San Mateo County Employees' Retirement Association  
Plan 1 COLA Bank Accumulations  
General and Safety**

Based on the Consumer Price Index for All Urban Consumers (CPI-U) for the  
San Francisco-Oakland-Hayward area (Base Period: 1982-84=100)

<b>Retirement during 12-month period ended April 1 2025 or earlier</b>	<b>Accumulated COLA Bank April 1, 2025 0.0%</b>	<b>Accumulated COLA Bank April 1, 2024 0.0%</b>	<b>2025 Annual COLA 3.0%</b>
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**San Mateo County Employees' Retirement Association  
Plan 1 COLA Bank Accumulations  
Probation**

Based on the Consumer Price Index for All Urban Consumers (CPI-U) for the  
San Francisco-Oakland-Hayward area (Base Period: 1982-84=100)

<b>Retirement during 12-month period ended April 1</b>	<b>Accumulated COLA Bank April 1, 2025</b>	<b>Accumulated COLA Bank April 1, 2024</b>	<b>2025 Annual COLA</b>
2025	0.0%	0.0%	3.0%
2024	0.5%	0.5%	3.0%
2023 or earlier	3.0%	3.0%	3.0%

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

RESOLUTION 2025- \_\_

**RESOLUTION ADOPTING COST OF LIVING ADJUSTMENTS EFFECTIVE APRIL 1, 2024  
AS RECOMMENDED BY MILLIMAN, INC.**

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

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

**WHEREAS**, Milliman, Inc., by its letter dated January 15, 2025, has provided the appropriate annual cost of living adjustments for benefits based on the member's retirement tier, date of retirement; and applicable County Employees Retirement Law (CERL) statute, therefore, be it

**RESOLVED**, that the Board adopts the schedules of cost of living adjustments set forth in the attached January 15, 2025, letter from Nick J. Collier and Craig Glyde, Consulting Actuaries, Milliman, Inc., to Chief Executive Officer Scott Hood, therefore, be it further

**RESOLVED**, that the Board hereby adopts said cost of living adjustments effective April 1, 2025. Be it further

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

\* \* \* \* \*

Regularly passed and adopted, by the San Mateo County Employees' Retirement Association, Board of Retirement, on January 28, 2025.

Ayes, Trustees:

Noes, Trustees:

Absent, Trustees:

Abstain, Trustees:

---

Sandie Arnott, Board Secretary

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

January 28, 2025

Agenda Item 6.1

**TO:** Board of Retirement

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

**SUBJECT:** Preliminary Monthly Portfolio Performance Report for the Period Ended December 31, 2024

**Recommendation**

Accept the preliminary performance report dated December 31, 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 preliminary return for December was -1.3%, bringing the preliminary trailing twelve-month net return ending December to 8.8%. SamCERA's estimated market value as of December was \$6.7 billion, while the actuarial funded ratio as of June 30, 2024 was 87.6%.

**Discussion**

Most assets were lower in December. Lower market expectations for interest rate cuts by the Federal Reserve in 2025 (although the Fed did cut short-term interest rates by 25 bps in December, with the Fed Funds target now between 4.25-4.50%), along with higher long-term bond market yields, led to declines across the board.

The U.S. equity market (as measured by the S&P 500 Index) was down 2.4% (up 25% in 2024) while the equal-weighted index was down 6.3% (up 13% in 2024), and small-capitalization stocks were down 8.3% (up 11.5% in 2024). Developed international equity (as measured by MSCI EAFE) was down 2.3% (up 3.8% in 2024), while emerging markets were down 0.1% (up 7.5% in 2024).

U.S. economic activity was strong in December. Third quarter U.S. Real Gross Domestic Product was revised higher to 3.1% from the initial 2.8% reading. U.S. manufacturing strengthened but was still in contraction territory. The labor market outperformed expectations by adding 256,000 jobs in December. The headline unemployment rate declined slightly to 4.1%. Inflation (as measured by the Consumer Price Index - All Urban Consumers) increased 2.9% for the 12-months ending December, which was in-line with expectations, but higher than November levels.

The general U.S. fixed income market was down 1.6% in December as interest rates rose across the yield curve and the yield curve steepened (long-term rates increased more than short-term rates). The 10-year U.S. Treasury yield was higher by 40 basis points during the month and ended at 4.58% by month-end. Commodities were up 1.0% in December.

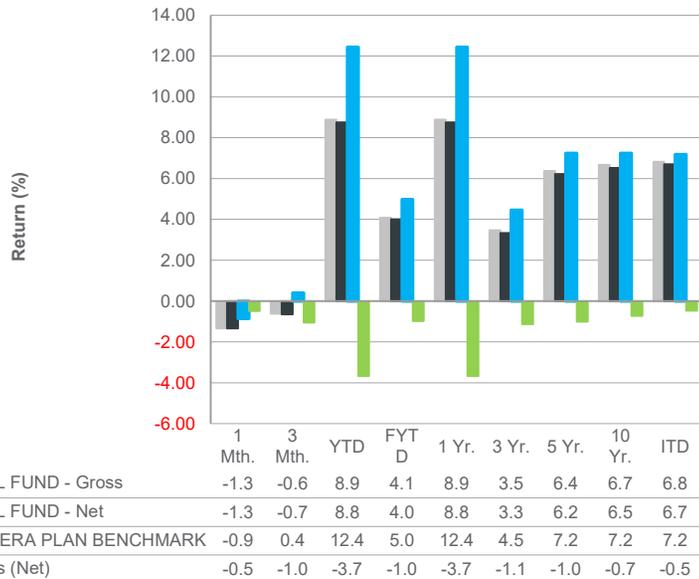
**Attachments**

Northern Trust Monthly Preliminary Performance Report  
Verus Capital Market Update

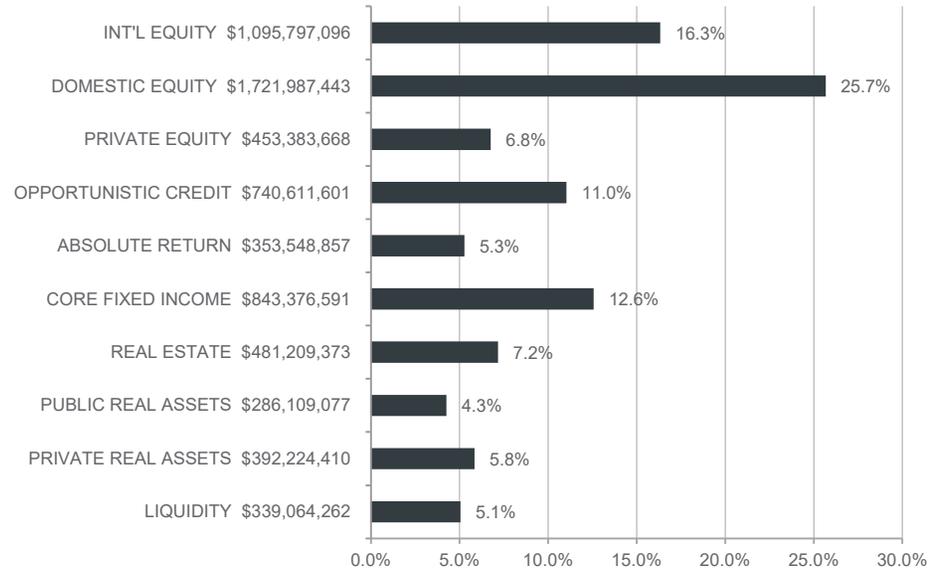
# San Mateo County Composite Return Summary December 31, 2024



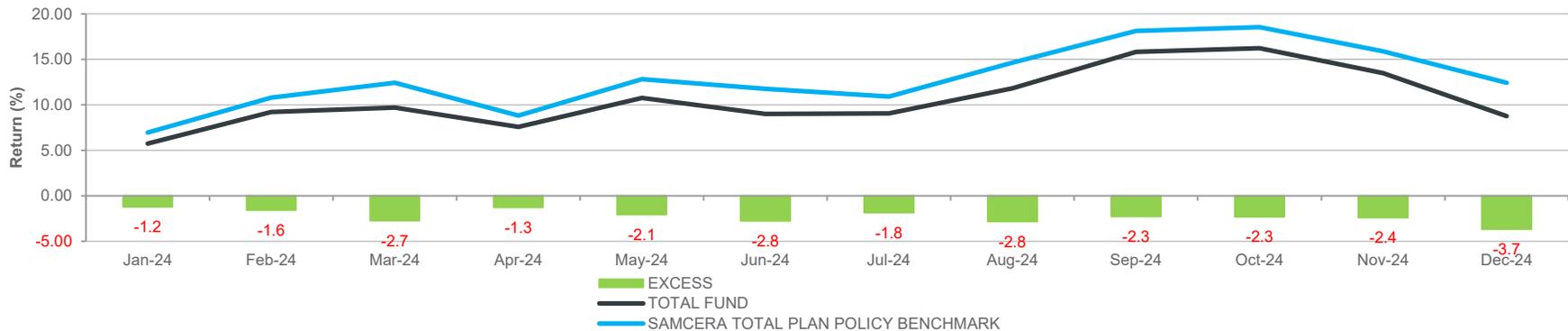
**Total Fund Performance**



**Asset Allocation**



**Rolling Month End Annual Returns**

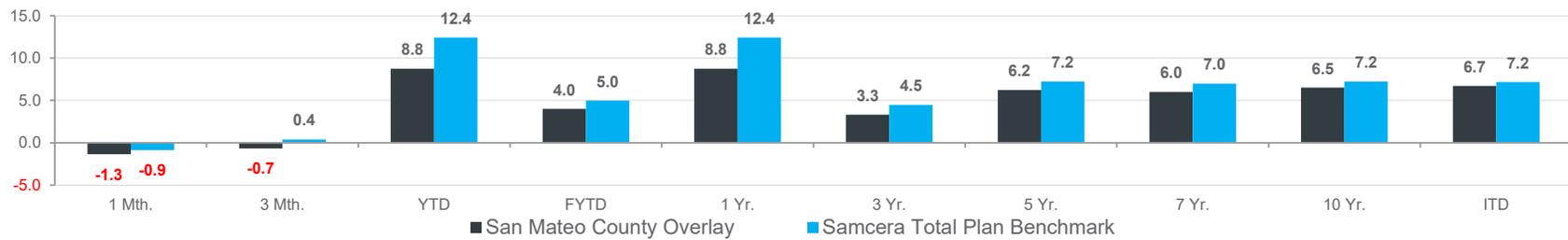


# San Mateo County Composite Return Summary

December 31, 2024



Return Comparison



Composite Returns (Net of Manager Fees)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
San Mateo County Overlay	6,707,312,377	-1.3	-0.7	8.8	4.0	8.8	3.3	6.2	6.0	6.5	6.7
Samcera Total Plan Benchmark		-0.9	0.4	12.4	5.0	12.4	4.5	7.2	7.0	7.2	7.2
Excess		-0.5	-1.0	-3.7	-1.0	-3.7	-1.1	-1.0	-1.0	-0.7	-0.5
San Mateo Ex-Clifton Overlay	6,692,577,007	-1.3	-0.6	8.7	4.0	8.7	3.3	6.2	5.9	6.4	6.6
Samcera Total Plan Benchmark		-0.9	0.4	12.4	5.0	12.4	4.5	7.2	7.0	7.2	7.2
Excess		-0.5	-1.0	-3.7	-1.0	-3.7	-1.2	-1.1	-1.0	-0.8	-0.5
Growth	4,011,779,807	-1.9	-0.8	13.5	5.4	13.5	--	--	--	--	12.7
Samcera Growth Portfolio BM		-1.2	0.7	18.2	6.2	18.2	--	--	--	--	17.2
Excess		-0.7	-1.4	-4.7	-0.8	-4.7	--	--	--	--	-4.5
Diversifying	1,196,925,447	-0.6	-1.3	2.9	2.2	2.9	--	--	--	--	4.3
SamCera Diversifying Port BM		-1.5	-2.3	2.6	2.3	2.6	--	--	--	--	3.9
Excess		0.9	1.0	0.3	-0.1	0.3	--	--	--	--	0.4
Inflation Hedge	1,159,542,860	-0.7	-0.0	0.1	1.5	0.1	3.0	3.4	3.3	--	4.8
SamCERA Inflation Hedge Index		0.6	2.5	6.6	4.4	6.6	2.4	5.4	5.1	--	--
Excess		-1.2	-2.5	-6.5	-2.9	-6.5	0.6	-2.0	-1.8	--	--
Liquidity	339,064,262	0.3	0.7	5.1	2.8	5.1	4.2	--	--	--	2.7
Liquidity Composite Benchmark		0.2	0.2	4.5	2.9	4.5	--	--	--	--	--
Excess		0.0	0.5	0.6	-0.0	0.6	--	--	--	--	--



# San Mateo County Composite Return Summary

December 31, 2024



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Public Equity	2,817,784,538	-2.7	-1.7	15.8	5.9	15.8	5.1	9.2	8.6	9.1	8.2
Samcera Total Equity BM		-2.0	-0.4	17.5	5.7	17.5	6.2	10.5	9.5	10.0	8.9
Excess		-0.7	-1.3	-1.7	0.2	-1.7	-1.1	-1.3	-0.9	-1.0	-0.7
Domestic Equity	1,721,987,443	-3.8	1.9	23.0	9.5	23.0	8.4	12.7	12.1	11.8	9.6
Samcera Dom. Equity Benchmark		-3.1	2.6	23.8	9.0	23.8	8.0	13.9	13.2	12.5	10.1
Excess		-0.8	-0.8	-0.8	0.5	-0.8	0.4	-1.1	-1.1	-0.7	-0.5
Large Cap Equity	1,544,960,720	-3.4	2.2	24.2	9.6	24.2	8.5	12.9	12.4	12.3	10.2
Russell 1000		-2.8	2.7	24.5	9.0	24.5	8.4	14.3	13.6	12.9	10.7
Excess		-0.6	-0.6	-0.3	0.6	-0.3	0.1	-1.3	-1.2	-0.5	-0.5
Blackrock Russell 1000	1,004,573,081	-2.8	2.7	24.5	9.0	24.5	8.4	14.4	13.7	--	14.5
Russell 1000		-2.8	2.7	24.5	9.0	24.5	8.4	14.3	13.6	--	14.4
Excess		0.0	-0.0	-0.0	0.0	-0.0	0.0	0.1	0.1	--	0.1
DE Shaw Commingled Fund	268,956,376	-2.5	3.9	33.7	13.2	33.7	10.6	14.5	13.3	13.3	13.3
Russell 1000		-2.8	2.7	24.5	9.0	24.5	8.4	14.3	13.6	12.9	12.9
Excess		0.3	1.2	9.2	4.2	9.2	2.2	0.3	-0.3	0.5	0.5
Panagora Defuseq -SL	271,431,263	-6.3	-1.4	15.0	8.3	15.0	5.2	8.1	--	--	11.7
Russell 1000		-2.8	2.7	24.5	9.0	24.5	8.4	14.3	--	--	17.1
Excess		-3.6	-4.1	-9.5	-0.7	-9.5	-3.2	-6.2	--	--	-5.4
Small Cap Equity	133,576,152	-8.7	-0.7	11.4	8.9	11.4	5.6	8.9	7.2	7.0	6.8
Russell 2000		-8.3	0.3	11.5	9.6	11.5	1.2	7.4	6.9	7.8	7.8
Excess		-0.4	-1.1	-0.2	-0.7	-0.2	4.4	1.5	0.3	-0.8	-1.0
QMA US Small Cap	133,576,152	-8.7	-0.7	11.4	8.9	11.4	5.6	8.9	7.2	--	9.1
Russell 2000		-8.3	0.3	11.5	9.6	11.5	1.2	7.4	6.9	--	8.8
Excess		-0.4	-1.1	-0.2	-0.7	-0.2	4.4	1.5	0.3	--	0.3
Domestic Equity Overlay	43,450,570	-4.5	-3.0	25.1	11.5	25.1	61.0	--	--	--	75.4
ICE BofAML US 3-Month Treasury Bill		0.4	1.2	5.3	2.6	5.3	3.9	--	--	--	2.5
Excess		-4.9	-4.2	19.8	9.0	19.8	57.1	--	--	--	72.9
International Equity	1,095,797,096	-0.9	-6.2	7.0	1.3	7.0	1.1	5.1	4.5	5.7	5.5
SamCERA Custom Hedge Intl		-0.7	-4.3	9.7	1.4	9.7	3.6	6.3	5.0	6.0	5.4
Excess		-0.2	-1.9	-2.8	-0.1	-2.8	-2.5	-1.2	-0.5	-0.4	0.2



# San Mateo County Composite Return Summary

December 31, 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	1,100,418,560	-0.9	-6.2	6.9	1.2	6.9	-0.2	4.6	4.3	5.6	4.7
Dev Mrkts Equity Curr Hedge	18,340,435	--	--	--	--	--	--	--	--	--	--
Dev Mrkts Equity Ex Curr Hedge	1,082,078,124	-2.1	-8.3	4.4	0.1	4.4	-1.2	4.0	3.9	5.3	4.6
MS AC WldxUS IMI Nt		-2.0	-7.6	5.2	-0.0	5.2	0.5	4.1	3.5	4.9	4.8
Excess		-0.1	-0.7	-0.8	0.1	-0.8	-1.7	-0.1	0.4	0.4	-0.3
Baillie Gifford	265,952,700	-2.5	-8.9	2.9	-0.2	2.9	-8.0	1.6	2.7	5.0	5.8
MSCI ACWI ex USA Growth		-2.1	-7.8	5.4	-1.4	5.4	-2.4	3.7	4.0	5.7	--
Excess		-0.3	-1.1	-2.5	1.3	-2.5	-5.6	-2.1	-1.3	-0.7	--
Blackrock MSCI ACWI ex US IMI	548,419,851	-2.2	-7.7	5.1	-0.3	5.1	0.6	--	--	--	6.6
MS AC WldxUS IMI Nt		-2.0	-7.6	5.2	-0.0	5.2	0.5	--	--	--	6.6
Excess		-0.2	-0.1	-0.1	-0.3	-0.1	0.1	--	--	--	0.0
Mondrian Investment Partners	267,705,573	-1.6	-9.0	4.7	1.2	4.7	2.9	3.1	2.9	4.1	4.9
MSCI ACWI xUSA Value		-1.7	-7.2	6.9	1.6	6.9	5.1	5.2	3.8	4.7	5.3
Excess		0.1	-1.8	-2.1	-0.4	-2.1	-2.2	-2.1	-0.9	-0.7	-0.3
Int'l Equity Overlay	4,621,464	-0.8	8613.8	10024.3	9544.9	10024.3	--	--	--	--	--
ICE BofAML US 3-Month Treasury Bill		0.4	1.2	5.3	2.6	5.3	--	--	--	--	5.3
Excess		-1.2	8612.7	10019.0	9542.4	10019.0	--	--	--	--	--
Private Equity	453,383,668	-0.1	1.0	7.3	2.4	7.3	0.5	17.1	17.1	16.1	-4.4
Samcera PE Benchmark		2.2	6.7	38.2	10.7	38.2	13.4	18.3	15.7	15.3	16.7
Excess		-2.3	-5.7	-30.8	-8.4	-30.8	-12.9	-1.2	1.4	0.8	-21.0
Opportunistic Credit	740,611,601	0.2	1.8	8.4	5.1	8.4	3.4	4.7	4.8	5.5	7.4
Samcera Opp Credit Bench		-0.1	0.7	8.6	5.1	8.6	3.2	4.3	4.8	5.1	6.3
Excess		0.3	1.1	-0.2	-0.0	-0.2	0.1	0.4	-0.0	0.5	1.1
Public Credit	530,387,414	0.3	1.6	8.7	5.9	8.7	--	--	--	--	10.0
BBG US Corp High Yield		-0.4	0.2	8.2	5.5	8.2	--	--	--	--	10.7
Excess		0.7	1.4	0.6	0.4	0.6	--	--	--	--	-0.7
Beach Point Select Fund	121,222,045	0.9	2.6	9.9	6.5	9.9	5.0	8.6	7.7	--	8.2
BBG US Corp High Yield		-0.4	0.2	8.2	5.5	8.2	2.9	4.2	4.7	--	5.1
Excess		1.3	2.4	1.7	1.1	1.7	2.1	4.4	3.0	--	3.0



# San Mateo County Composite Return Summary

December 31, 2024



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Brigade Cap Mngmt	107,478,419	-0.4	1.6	10.7	7.8	10.7	3.1	6.1	5.0	5.3	6.0
BBG US Corp High Yield		-0.4	0.2	8.2	5.5	8.2	2.9	4.2	4.7	5.2	6.1
Excess		0.1	1.5	2.5	2.3	2.5	0.2	1.9	0.3	0.2	-0.1
Eaton Vance EM	64,851,359	1.1	2.9	--	5.1	--	--	--	--	--	8.1
BBG US Corp High Yield		-0.4	0.2	--	5.5	--	--	--	--	--	8.2
Excess		1.6	2.8	--	-0.3	--	--	--	--	--	-0.1
Golden Tree Select PA	60,962,227	1.2	1.6	--	--	--	--	--	--	--	--
BBG US Corp High Yield		-0.4	0.2	--	--	--	--	--	--	--	1.8
Excess		1.6	1.4	--	--	--	--	--	--	--	--
One William Street	69,554,520	0.6	2.3	10.5	4.6	10.5	--	--	--	--	--
BBG US Corp High Yield		-0.4	0.2	8.2	5.5	8.2	--	--	--	--	10.1
Excess		1.1	2.2	2.3	-0.9	2.3	--	--	--	--	--
PIMCO Div. Income Fund	106,318,842	-0.8	-0.5	6.5	4.5	6.5	0.5	1.6	2.7	--	2.8
BBG US Corp High Yield		-0.4	0.2	8.2	5.5	8.2	2.9	4.2	4.7	--	4.6
Excess		-0.4	-0.7	-1.7	-1.0	-1.7	-2.4	-2.6	-2.0	--	-1.8
Private Credit	210,224,187	-0.1	2.3	7.5	3.1	7.5	--	--	--	--	6.9
Credit Suisse Lev Loan 1 QTR L		0.7	2.1	9.7	4.0	9.7	--	--	--	--	11.0
Excess		-0.8	0.3	-2.1	-0.9	-2.1	--	--	--	--	-4.0
AG CREDIT SOL FU LP	5,959,381	0.0	3.2	11.3	3.4	11.3	5.7	13.4	--	--	13.4
Credit Suisse Lev Loan 1 QTR L		0.7	2.1	9.7	4.0	9.7	--	--	--	--	--
Excess		-0.7	1.1	1.7	-0.6	1.7	--	--	--	--	--
AG CSF ADF II	2,243,608	0.0	6.7	15.2	4.2	15.2	--	--	--	--	--
Credit Suisse Lev Loan 1 QTR L		0.7	2.1	9.7	4.0	9.7	--	--	--	--	--
Excess		-0.7	4.7	5.5	0.2	5.5	--	--	--	--	--
AG CSF II	24,307,195	0.0	4.0	14.0	5.4	14.0	--	--	--	--	7.3
Credit Suisse Lev Loan 1 QTR L		0.7	2.1	9.7	4.0	9.7	--	--	--	--	--
Excess		-0.7	1.9	4.4	1.4	4.4	--	--	--	--	--
Blackrock Direct Lending Feede	39,790,386	0.0	2.1	6.0	2.2	6.0	5.8	5.0	--	--	4.5
Credit Suisse Lev Loan 1 QTR L		0.7	2.1	9.7	4.0	9.7	--	--	--	--	--
Excess		-0.7	0.0	-3.7	-1.8	-3.7	--	--	--	--	--



# San Mateo County Composite Return Summary

December 31, 2024



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Comvest Credit Partners VII	15,812,869	-2.6	-1.1	--	-8.5	--	--	--	--	--	-8.5
Credit Suisse Lev Loan 1 QTR L		0.7	2.1	--	4.0	--	--	--	--	--	--
Excess		-3.4	-3.1	--	-12.5	--	--	--	--	--	--
Pimco Private Income	50,014,268	0.0	2.6	8.0	4.0	8.0	5.0	7.6	--	--	7.1
Credit Suisse Lev Loan 1 QTR L		0.7	2.1	9.7	4.0	9.7	--	--	--	--	--
Excess		-0.7	0.6	-1.6	-0.0	-1.6	--	--	--	--	--
TCP Direct Lending VIII	9,972,762	1.1	2.7	6.4	4.7	6.4	5.3	5.9	5.6	--	--
Credit Suisse Lev Loan 1 QTR L		0.7	2.1	9.7	4.0	9.7	--	--	--	--	--
Excess		0.4	0.6	-3.3	0.7	-3.3	--	--	--	--	--
White Oak Yield Spec	30,469,992	-0.0	3.9	9.5	5.9	9.5	6.0	5.8	6.3	--	--
Credit Suisse Lev Loan 1 QTR L		0.7	2.1	9.7	4.0	9.7	--	--	--	--	--
Excess		-0.7	1.8	-0.2	1.9	-0.2	--	--	--	--	--
White Oak YSF V	31,653,726	0.0	0.0	1.8	-0.0	1.8	1.5	--	--	--	1.3
Credit Suisse Lev Loan 1 QTR L		0.7	2.1	9.7	4.0	9.7	--	--	--	--	--
Excess		-0.7	-2.0	-7.9	-4.0	-7.9	--	--	--	--	--
Absolute Return	353,548,857	3.4	5.6	8.6	3.3	8.6	5.7	2.1	-0.7	1.0	2.1
Samcera SOFR + 4%		0.7	2.1	9.4	4.5	9.4	8.1	6.6	6.4	5.9	5.4
Excess		2.7	3.5	-0.7	-1.1	-0.7	-2.4	-4.4	-7.2	-4.8	-3.3
CFM SYS Global Macro Fund	126,656,763	5.3	11.4	15.8	15.8	15.8	11.1	--	--	--	10.3
Samcera SOFR +4%		0.7	2.1	9.4	4.5	9.4	8.1	--	--	--	6.9
Excess		4.7	9.3	6.4	11.4	6.4	3.0	--	--	--	3.4
Graham Global Investment	112,114,388	2.0	-0.7	1.9	-10.7	1.9	6.4	--	--	--	4.1
Samcera SOFR +4%		0.7	2.1	9.4	4.5	9.4	8.1	--	--	--	6.6
Excess		1.3	-2.8	-7.4	-15.2	-7.4	-1.7	--	--	--	-2.5
PIMCO MAARS Fund L.P.	114,777,705	2.6	5.4	13.6	5.0	13.6	10.8	--	--	--	9.7
Samcera SOFR +4%		0.7	2.1	9.4	4.5	9.4	8.1	--	--	--	6.6
Excess		1.9	3.3	4.3	0.5	4.3	2.8	--	--	--	3.1
Core Fixed Income	843,376,591	-2.1	-3.8	0.3	1.6	0.3	-2.6	-0.3	0.9	1.6	4.2
BBG US Aggregate		-1.6	-3.1	1.3	2.0	1.3	-2.4	-0.3	1.0	1.3	3.9
Excess		-0.5	-0.7	-1.0	-0.3	-1.0	-0.1	0.0	-0.1	0.2	0.3



# San Mateo County Composite Return Summary

December 31, 2024



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Core Fixed Income ex Overlay	841,634,528	-2.1	-3.8	0.4	1.7	0.4	-2.5	-0.2	0.9	1.6	4.2
BBG US Aggregate		-1.6	-3.1	1.3	2.0	1.3	-2.4	-0.3	1.0	1.3	3.9
Excess		-0.5	-0.7	-0.9	-0.3	-0.9	-0.1	0.1	-0.0	0.3	0.3
DoubleLine	267,105,430	-1.4	-2.8	2.9	2.4	2.9	-2.0	--	--	--	-0.3
BBG US Aggregate		-1.6	-3.1	1.3	2.0	1.3	-2.4	--	--	--	-1.1
Excess		0.2	0.2	1.7	0.5	1.7	0.4	--	--	--	0.8
FIAM B Core Bond	188,480,008	-1.7	-3.0	1.7	2.0	1.7	-2.1	0.5	1.6	--	2.1
BBG US Aggregate		-1.6	-3.1	1.3	2.0	1.3	-2.4	-0.3	1.0	--	1.3
Excess		-0.1	0.0	0.5	0.0	0.5	0.3	0.8	0.7	--	0.8
NISA Core Bond	286,624,547	-1.8	-3.2	1.3	1.8	1.3	-2.2	--	--	--	-1.1
BBG US Aggregate		-1.6	-3.1	1.3	2.0	1.3	-2.4	--	--	--	-1.4
Excess		-0.2	-0.2	0.0	-0.2	0.0	0.3	--	--	--	0.3
NISA Long Treasury	99,424,543	-5.1	-8.4	-6.3	-1.3	-6.3	--	--	--	--	-4.5
Bloomberg US Long Tsy		-5.3	-8.6	-6.4	-1.5	-6.4	--	--	--	--	-4.7
Excess		0.2	0.2	0.1	0.2	0.1	--	--	--	--	0.2
Core Fixed Income Overlay	1,742,063	-1.5	-3.9	-6.3	-0.4	-6.3	--	--	--	--	--
ICE BofAML US 3-Month Treasury Bill		0.4	1.2	5.3	2.6	5.3	3.9	--	--	--	2.5
Excess		-1.9	-5.1	-11.5	-3.0	-11.5	--	--	--	--	--
Real Estate	481,209,373	0.1	-0.3	-8.2	-1.1	-8.2	-0.6	2.3	3.8	--	4.7
Samcera NCREIF ODCE (gross)		0.0	0.0	-2.6	0.2	-2.6	-2.7	2.6	3.8	--	4.7
Excess		0.1	-0.3	-5.6	-1.4	-5.6	2.1	-0.3	-0.1	--	0.0
Beach Point Cap	18,838,082	0.0	8.5	--	--	--	--	--	--	--	3.1
Samcera NCREIF ODCE (gross)		0.0	0.0	--	--	--	--	--	--	--	0.2
Excess		0.0	8.5	--	--	--	--	--	--	--	2.8
Harrison Street Core Property	89,549,103	0.0	-0.1	-5.7	-1.2	-5.7	1.1	2.7	--	--	2.7
Samcera NCREIF ODCE (gross)		0.0	0.0	-2.6	0.2	-2.6	-2.7	2.6	--	--	2.6
Excess		0.0	-0.1	-3.1	-1.5	-3.1	3.8	0.0	--	--	0.0
Invesco Core Real Estate	221,046,113	-0.0	-1.1	-10.4	-1.2	-10.4	-2.2	1.3	3.1	5.3	6.1
Samcera NCREIF ODCE (gross)		0.0	0.0	-2.6	0.2	-2.6	-2.7	2.6	3.8	5.8	6.5
Excess		-0.0	-1.1	-7.9	-1.4	-7.9	0.5	-1.3	-0.7	-0.4	-0.4



# San Mateo County Composite Return Summary

December 31, 2024



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Invesco US Val IV	99,531	0.0	-0.2	-31.6	-6.6	-31.6	-41.1	-25.0	-15.9	--	-10.1
Samcera NCREIF ODCE (gross)		0.0	0.0	-2.6	0.2	-2.6	-2.7	2.6	3.8	--	5.1
Excess		0.0	-0.2	-29.1	-6.8	-29.1	-38.4	-27.6	-19.7	--	-15.2
Invesco US VAL V	22,961,470	0.0	-0.7	-26.2	-2.2	-26.2	-10.0	-0.6	--	--	-0.3
Samcera NCREIF ODCE (gross)		0.0	0.0	-2.6	0.2	-2.6	-2.7	2.6	--	--	--
Excess		0.0	-0.7	-23.6	-2.4	-23.6	-7.3	-3.3	--	--	--
Invesco Value-Add Fund	24,697,366	0.0	-3.7	-15.1	-5.7	-15.1	--	--	--	--	-8.8
Samcera NCREIF ODCE (gross)		0.0	0.0	-2.6	0.2	-2.6	--	--	--	--	-8.2
Excess		0.0	-3.7	-12.5	-6.0	-12.5	--	--	--	--	-0.6
PGIM Real Estate US Debt Fund	72,201,926	0.6	1.7	6.3	3.0	6.3	6.4	6.0	5.9	--	5.5
Samcera NCREIF ODCE (gross)		0.0	0.0	-2.6	0.2	-2.6	-2.7	2.6	3.8	--	4.1
Excess		0.6	1.7	8.8	2.8	8.8	9.1	3.4	2.1	--	1.4
Stockbridge VAL FD V	6,402,823	-0.0	-0.9	--	-8.5	--	--	--	--	--	-8.5
Samcera NCREIF ODCE (gross)		0.0	0.0	-2.6	0.2	-2.6	-2.7	2.6	3.8	--	4.1
Excess		-0.0	-0.9	--	-8.8	--	--	--	--	--	-12.6
Stockbridge Value IV	25,412,959	-0.0	-3.0	-6.5	-6.7	-6.5	6.6	--	--	--	2.6
Samcera NCREIF ODCE (gross)		0.0	0.0	-2.6	0.2	-2.6	-2.7	--	--	--	2.7
Excess		-0.0	-3.0	-4.0	-6.9	-4.0	9.3	--	--	--	-0.1
Public Real Assets	286,109,077	-3.0	-4.3	4.3	1.3	4.3	2.9	1.5	1.1	--	--
SamCera Liquid Real Asset Inde		-2.9	-4.2	4.1	1.2	4.1	2.8	4.1	3.4	--	5.6
Excess		-0.1	-0.0	0.2	0.1	0.2	0.2	-2.5	-2.3	--	--
SSGA CST REAL ASSET NL	286,109,077	-3.0	-4.3	4.3	1.3	4.3	2.9	4.0	3.4	--	--
SamCera Liquid Real Asset Inde		-2.9	-4.2	4.1	1.2	4.1	2.8	4.1	3.4	--	4.9
Excess		-0.1	-0.0	0.2	0.1	0.2	0.2	-0.0	-0.0	--	--
Private Real Assets	392,224,410	0.1	3.3	10.1	5.2	10.1	9.7	11.3	7.2	--	9.7
SamCERA Private Real Asset Idx		3.7	11.3	25.7	13.8	25.7	10.9	9.7	8.5	--	11.1
Excess		-3.6	-8.0	-15.7	-8.6	-15.7	-1.2	1.6	-1.3	--	-1.3
Liquidity	339,064,262	0.3	0.7	5.1	2.8	5.1	4.2	--	--	--	2.7
Liquidity Composite Benchmark		0.2	0.2	4.5	2.9	4.5	--	--	--	--	--
Excess		0.0	0.5	0.6	-0.0	0.6	--	--	--	--	--



**San Mateo County**  
**Composite Return Summary**  
 December 31, 2024



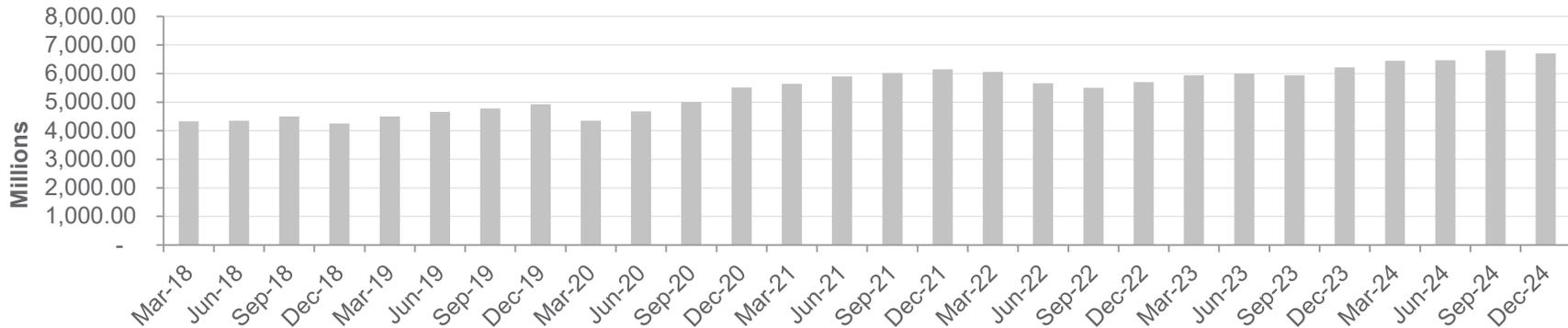
<b>Composite Returns (NET)</b>	<b>Market Value (\$)</b>	<b>1 Mth.</b>	<b>3 Mth.</b>	<b>YTD</b>	<b>FYTD</b>	<b>1 Yr.</b>	<b>3 Yr.</b>	<b>5 Yr.</b>	<b>7 Yr.</b>	<b>10 Yr.</b>	<b>ITD</b>
Cash Flow - Match Liquidity	273,760,086	0.2	0.5	4.7	2.7	4.7	--	--	--	--	4.2
BBG US Agg Govt Credit 1-3		0.2	-0.0	4.4	2.9	4.4	--	--	--	--	3.3
Excess		-0.0	0.5	0.3	-0.2	0.3	--	--	--	--	0.9
County Treasury Pool	6,445,745	0.0	1.5	3.6	1.9	3.6	2.9	2.3	2.2	1.8	2.6
91 Day T-Bill		0.4	1.2	5.3	2.6	5.3	3.9	2.5	2.4	--	--
Excess		-0.4	0.3	-1.6	-0.7	-1.6	-1.0	-0.2	-0.2	--	--
Insight Investment	267,314,341	0.2	0.4	4.7	2.7	4.7	--	--	--	--	3.9
BBG US Credit 1-3 Yrs		0.2	0.1	5.1	3.3	5.1	--	--	--	--	4.1
Excess		0.0	0.2	-0.4	-0.6	-0.4	--	--	--	--	-0.2
Cash & Cash Overlay	105,875,345	0.4	1.2	5.4	2.6	5.4	--	--	--	--	--
91 Day T-Bill		0.4	1.2	5.3	2.6	5.3	3.9	2.5	2.4	--	--
Excess		-0.0	0.0	0.2	0.0	0.2	--	--	--	--	--
Cash Overlay	14,735,369	0.4	1.1	5.3	2.5	5.3	3.6	--	--	--	2.3
ICE BofAML US 3-Month Treasury Bill		0.4	1.2	5.3	2.6	5.3	3.9	--	--	--	2.5
Excess		-0.1	-0.0	0.1	-0.0	0.1	-0.3	--	--	--	-0.2
General Account	91,132,927	0.4	1.2	5.4	2.6	5.4	4.1	2.6	2.4	1.9	2.1
Transition Account	7,048	--	--	--	--	--	--	--	--	--	--
Futures Offsets	40,571,168	0.0	0.1	0.1	0.1	0.1	-0.0	--	--	--	0.0
ICE BofAML US 3-Month Treasury Bill		0.4	1.2	5.3	2.6	5.3	3.9	--	--	--	2.5
Excess		-0.4	-1.1	-5.1	-2.4	-5.1	-3.9	--	--	--	-2.5



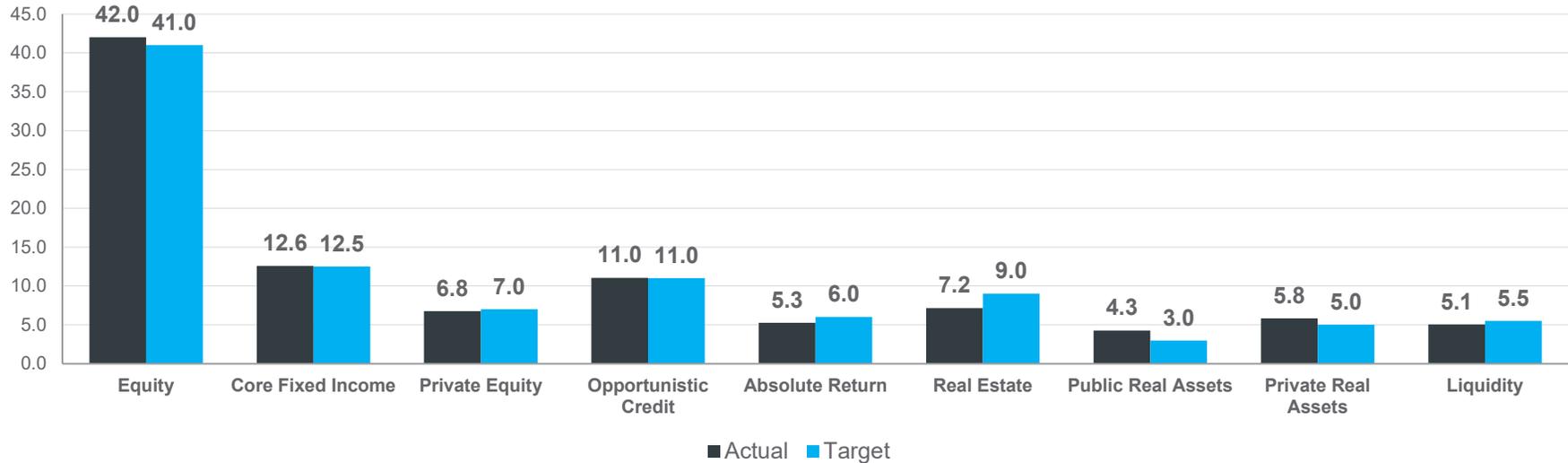
**Record of Asset Growth**

	Three Months	One Year
<b>TOTAL FUND</b>		
Beginning Market Value	6,815,492,310	6,218,256,956
Contributions	20,431,634	268,634,690
Withdrawals	-86,091,260	-335,057,661
Income Received	31,864,663	129,417,183
Gain/Loss	-74,054,564	426,630,348
Ending Market Value	6,707,312,377	6,707,312,377

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

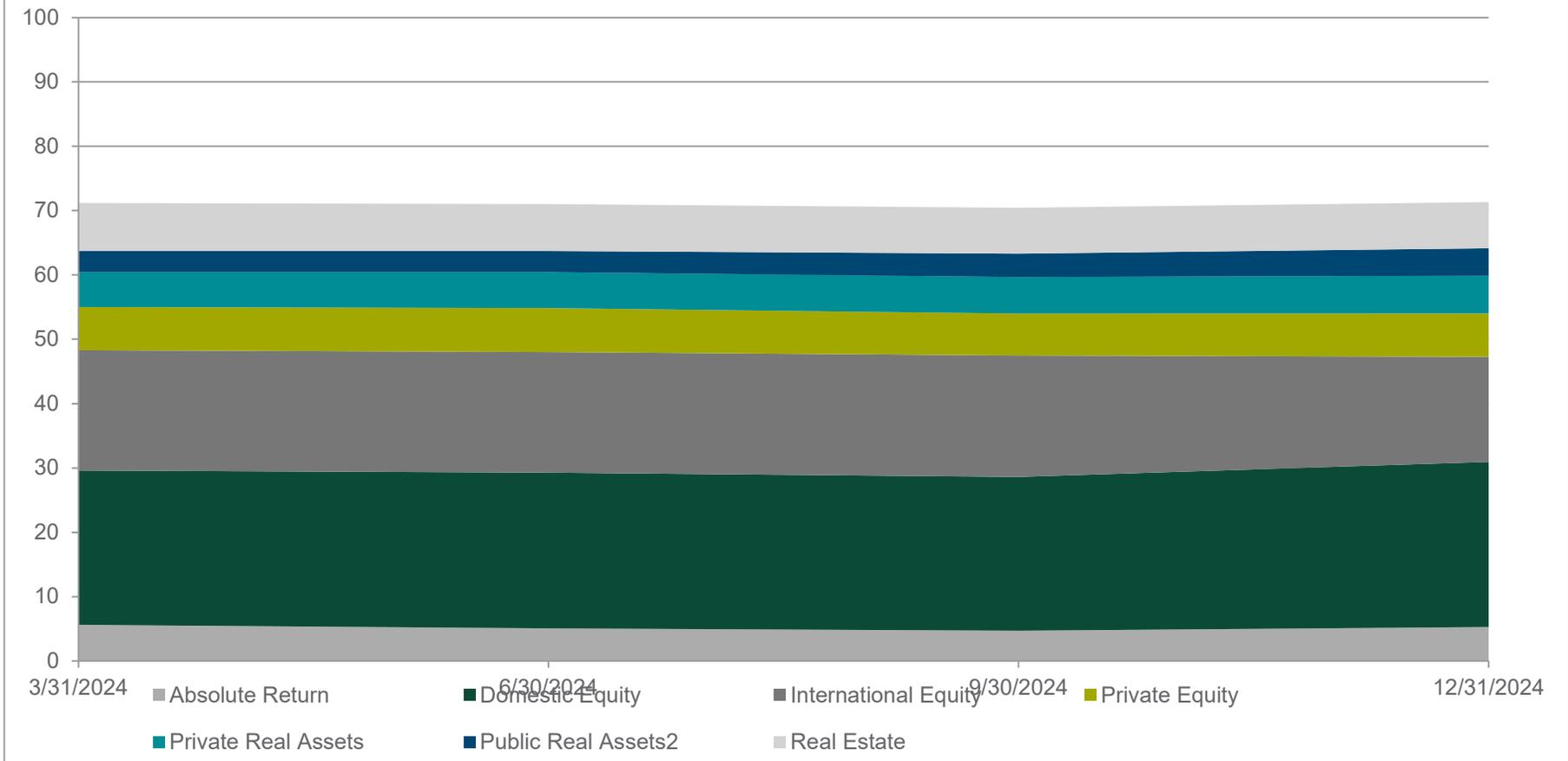


**Actual vs Target Weights**



	Min	Actual	Target	Deviation	Max
<b>Equity</b>	38.0	42.0	41.0	1.0	44.0
<b>Core Fixed Income</b>	10.5	12.6	12.5	0.1	14.5
<b>Private Equity</b>	5.0	6.8	7.0	-0.2	9.0
<b>Opportunistic Credit</b>	9.0	11.0	11.0	0.0	13.0
<b>Absolute Return</b>	4.0	5.3	6.0	-0.7	8.0
<b>Real Estate</b>	7.0	7.2	9.0	-1.8	11.0
<b>Public Real Assets</b>	1.0	4.3	3.0	1.3	5.0
<b>Private Real Assets</b>	3.0	5.8	5.0	0.8	7.0
<b>Liquidity</b>		5.1	5.5	-0.4	

### Sub-Asset Class Allocation Over Time



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A decorative geometric pattern of overlapping triangles in various shades of blue and green is overlaid on the background image. A prominent white triangle is positioned to the left of the main text.

**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**

DECEMBER 2024  
Capital Markets Update

# Market commentary

## U.S. ECONOMICS

- Headline CPI rose modestly +0.3% in November, following four consecutive months of +0.2% increases, bringing year-over-year inflation to 2.7%. Shelter costs increased +0.3%, up to 4.9% year-over-year. Housing-related price pressures continue to hinder Federal Reserve efforts to lower inflation to the 2% target rate.
- The ISM Services Index came in at 54, up from 52 in November, driven by growth in Business Activity and New Order indexes. Respondents to the survey noted earlier order placement and higher activity than in previous months in preparation for possible tariffs in 2025.
- The labor market showed strength in December. Nonfarm payrolls exceeded expectations, coming in at 256,000, which was 91,000 higher than expectations for 165,000 new additions. Employment trended upward in health care, government, and retail trade sectors. The unemployment rate declined slightly to 4.1%, down from 4.2% in November.

## U.S. EQUITIES

- December reversed some of the year's gains as the S&P dropped -2.4%. Investors appear to be reassessing the Federal Reserve rate cutting path for 2025. During 2024, the S&P 500 returned +25.0%, with the Magnificent Seven (+48%) stocks contributing more than half of the total index return. Excluding the Magnificent Seven from the index would have left the S&P with only a +11.8% gain.
- Small-cap stocks (Russell 2000 -8.3%) gave up around three-quarters of their strong November gains as the index posted its worst month since September 2022.

## U.S. FIXED INCOME

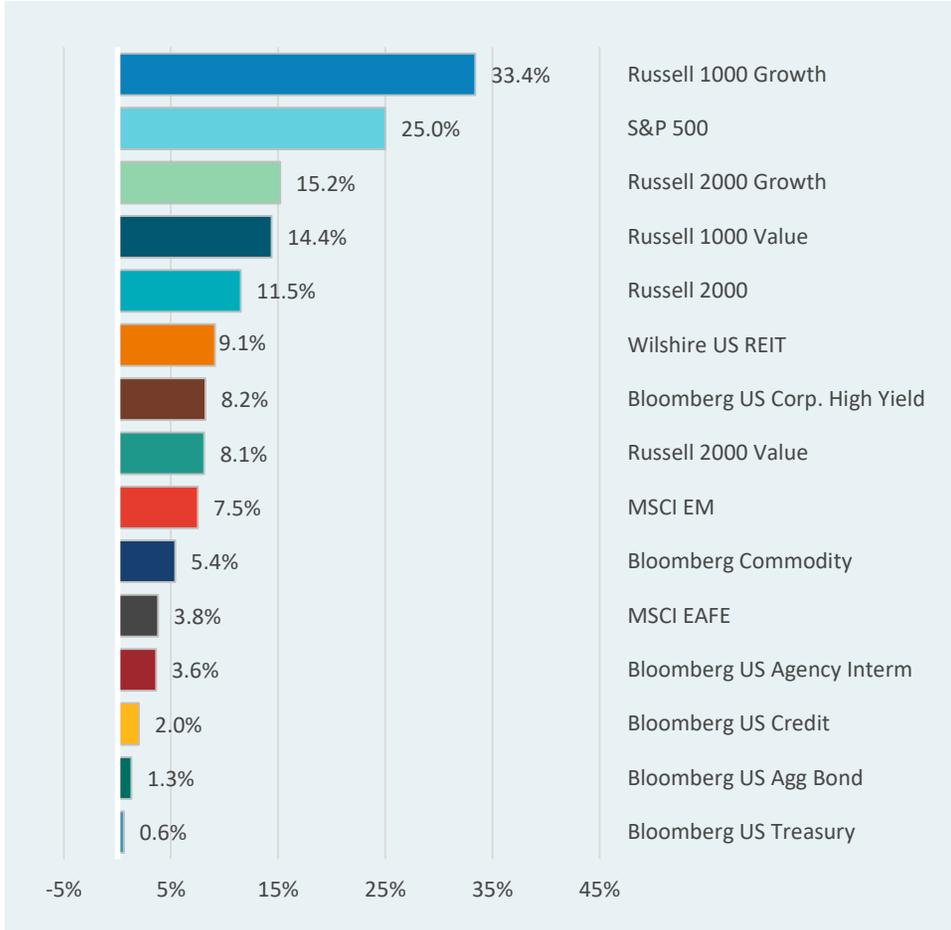
- At the December Federal Open Market Committee (FOMC) meeting the Federal Reserve voted 11-1 to cut rates by 25bps, which brought the target interest rate range to 4.25%-4.5%, its lowest since February 2023. Committee members signaled expectations for two 25bps rate cuts in 2025, far less than the four 25bps cuts expected at the time of the September meeting.
- Yields rose in December. The yields of 10- and 2-year U.S. Treasuries ended the month higher by +40bps and +13bps, respectively. The long end of the curve steepened as markets digested the ongoing strength of the economy and how that might impact future policy decisions.
- Fixed income indexes trended lower across the board in December (Bloomberg U.S. Agg -1.6%). Bonds delivered marginal gains for the full year, despite losses over the past month.

## INTERNATIONAL MARKETS

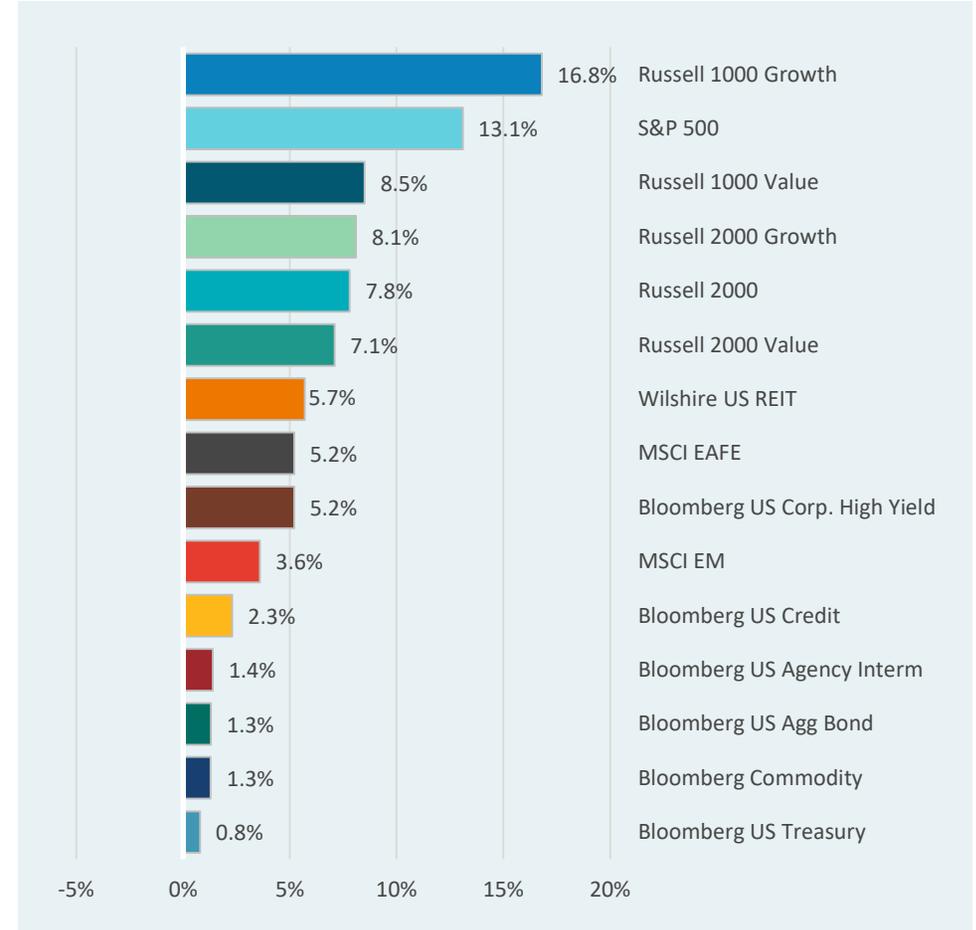
- The European Central Bank (ECB) decided to cut interest rates by 25bps at the December 12<sup>th</sup> meeting, for the fourth time in 2024. The ECB decision was reportedly based on a revised outlook for headline inflation to fall to 2.1% in 2025. President Lagarde explained that a 50bps cut was discussed, but that the Governing Council ultimately settled with 25bps due to elevated service cost inflation.
- Rising geopolitical tensions, particularly between the U.S. and China, and higher global bond yields, contributed to market volatility. Chinese stocks (MSCI China Index) delivered a gain of +2.7% for the month of December but were still down -15.1% from the October 7<sup>th</sup> high.

# Major asset class returns

ONE YEAR ENDING DECEMBER



TEN YEARS ENDING DECEMBER



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

Source: Morningstar, as of 12/31/24

Source: Morningstar, as of 12/31/24

# U.S. large cap equities

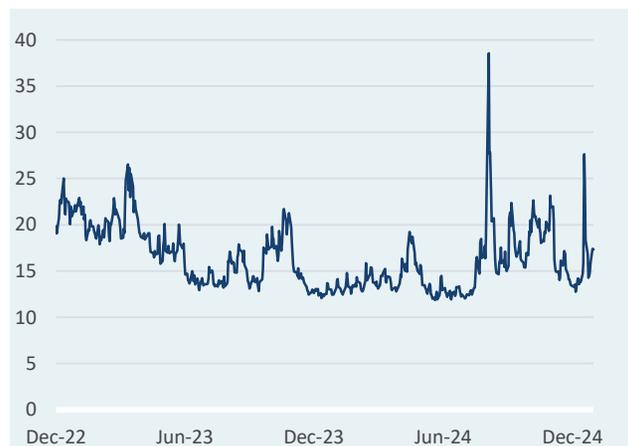
- Four new closing highs were achieved in early December, though the S&P 500 index ultimately posted a loss of -2.5% for the month. The *higher for longer* narrative came back into the spotlight as investors questioned further rate cuts. Excluding the Magnificent Seven impact on the S&P 500 would have left the index with a -3.5% return in December.
- Year-over-year earnings growth was revised lower from +14.5% (September 30<sup>th</sup>) to an estimated +11.9% in Q4. If S&P earnings growth comes in as expected, this would mark the highest growth rate since Q4 2021. Productivity gains have been a notable driver of profit growth.
- 8 of 11 sectors declined in December, with Materials and Energy performing the worst. Communication Services, Consumer Discretionary, and Information Technology were the only positively performing sectors. Over the year, Materials was the only negatively performing sector, which appears to be due to the sector’s sensitivity to international economic activity.
- The VIX ended the month at 17.4, but peaked at a monthly high of 28.3 following the FOMC meeting and a shift in rate expectations.

## S&P 500 PRICE INDEX



Source: S&P, as of 12/31/24

## IMPLIED VOLATILITY (VIX INDEX)



Source: Cboe, based on closing price, as of 12/31/24

## S&P 500 VALUATION SNAPSHOT



Source: S&P, as of 12/31/24

# Domestic equity size and style

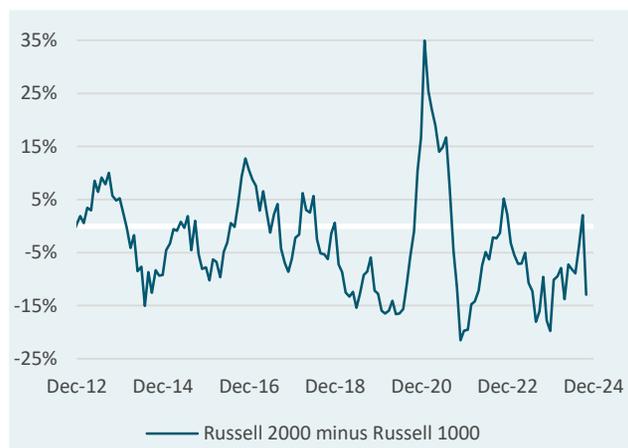
- Large-cap equities (Russell 1000 -2.8%) outperformed small-caps (Russell 2000 -8.3%) during December. Small-cap equities are generally more sensitive to the cost of capital, which may have led to pain as investors reassessed the future path of interest rates.
- In December, growth stocks (Russell 1000 Growth +0.9%) continued to outperform value stocks (Russell 1000 Value -6.8%). The large cap growth forward price to earnings ratio remained elevated at 28.9, which compares to the 16.2 multiple of large cap value.
- Large-cap growth (Russell 1000 Growth +0.9%) outperformed small-cap growth (Russell 2000 Growth -8.2%) by +9.1%. Large-cap equities were lifted by the group of Magnificent Seven stocks. Relative performance will likely be affected as interest rate and growth expectations better come into view.
- Over the years, the percentage of unprofitable companies within the large cap index (S&P 500) has fallen significantly, while more small cap companies (Russell 2000) have become unprofitable (7% versus 43% in Q3).

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



Source: FTSE Russell, as of 12/31/24

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



Source: FTSE Russell, as of 12/31/24

**1-YEAR SIZE & STYLE PERFORMANCE**

	Value	Core	Growth
Large Cap	14.4%	24.5%	33.4%
Mid Cap	13.1%	15.3%	22.1%
Small Cap	8.1%	11.5%	15.2%

Source: FTSE Russell, as of 12/31/24

# Fixed income

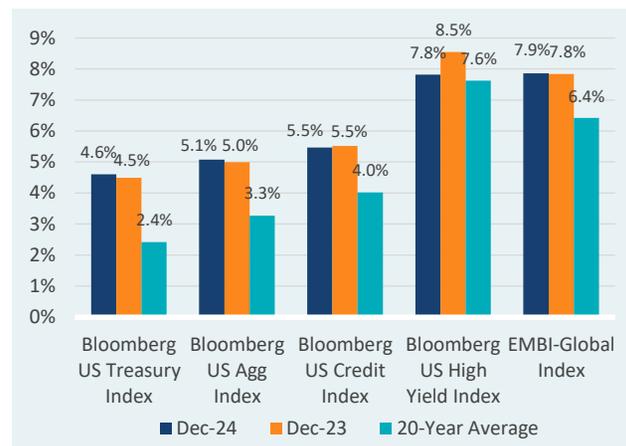
- Fixed income markets were broadly lower in December, while year-to-date returns were modestly positive. The Bloomberg U.S Aggregate Index fell -1.6% during the month, bringing year-to-date returns to +1.3%.
- The Federal Reserve moved as expected by cutting rates 25bps. However, official comments suggested that Fed actions in 2025 will focus on balancing the dual goals of *maximizing employment* and *maintaining price stability*. Following the Summary of Economic Projections, investors scaled back rate cut predictions for 2025 from four to two.
- Despite the rate cut announcement, both 2- and 10- year Treasury yields rose +13bps and +40bps, respectively. Investors cited strong recent economic data and the announcement of a slower pacing schedule as possible contributors to the rise in December yields.
- The U.S. Treasury Implied Volatility (“MOVE” Index) spiked from 95 to 99 during December. The index hit a mid-month low of 82, the lowest since May 2024, likely in anticipation of the FOMC December meeting. Volatility climbed back up to previous highs by month-end, likely in response to news of stickier inflation and a more cautious outlook around future rate decisions.

U.S. TREASURY YIELD CURVE



Source: U.S. Treasury, as of 12/31/24

NOMINAL YIELDS



Source: Morningstar, as of 12/31/24

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

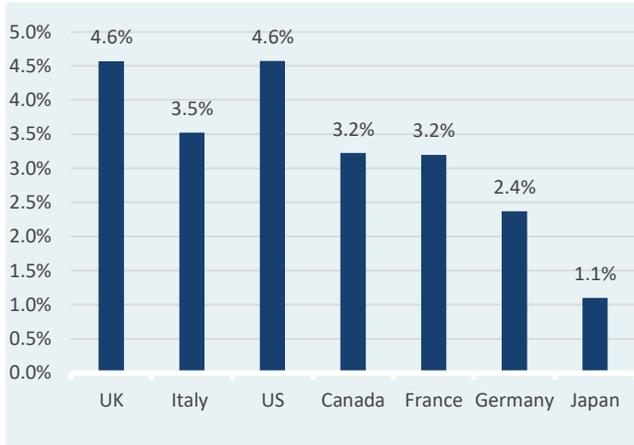


Source: BofA, as of 12/31/24

# Global markets

- U.S. and international developed equities delivered similar performance, -2.4% and -2.3% respectively. The MSCI Europe Index was down -0.4% during December amid political uncertainty as French Prime Minister Michel Barnier submitted his resignation after losing a vote of no confidence in parliament.
- Chinese equities rallied (MSCI China Index +2.7%) during the month. Gains were likely driven by the announcement of government stimulus plans and a maintenance of the 5% GDP growth target. Year-to-date, MSCI China Index is up +19.4% above the MSCI Emerging Markets Index of +7.5%.
- International stocks (MSCI ACWI ex-U.S.) trade at a large discount relative to U.S. stocks (S&P 500). International stocks showed a forward price to earnings ratio of 13.3, which is a -38.0% discount to the U.S. market (21.5). This is two standard deviations from the 20-year average.
- In December 2024, the Japanese yen (-4.4%) depreciated to a five-month low of 157.59 per dollar, fueled by the persistent interest rate differential between Japan and the U.S. The yen's decline, which is over 10% for the year, reflected Japan's accommodative monetary policy and the dollar's strength. Speculation about a potential Bank of Japan rate hike in early 2025 added complexity to the outlook.

**GLOBAL SOVEREIGN 10-YEAR YIELDS**



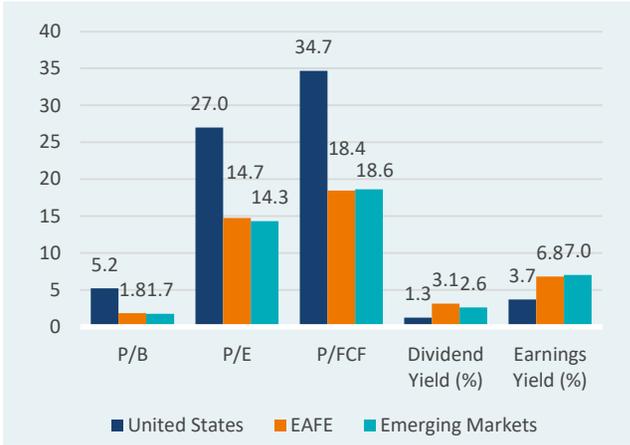
Source: Bloomberg, as of 12/31/24

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



Source: Federal Reserve, as of 12/31/24

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

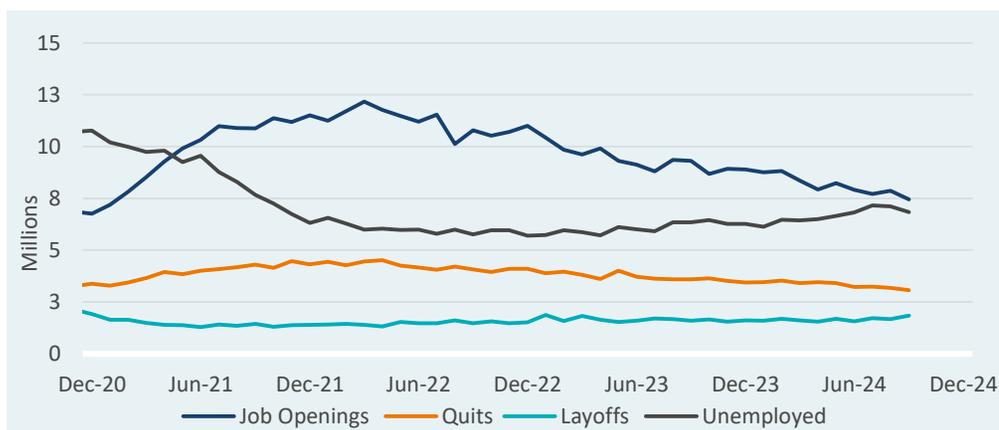


Source: MSCI, as of 12/31/24 – price metrics are trailing

# U.S. economic review

Data Print	Period	Prior	Estimate	Actual
Change in Nonfarm Payrolls	Dec	212,000	165,000	256,000
Unemployment Rate	Dec	4.2%	4.2%	4.1%
CPI MoM	Dec	0.2%	0.3%	0.3%
CPI YoY	Dec	2.6%	2.7%	2.7%
CPI Ex Food and Energy MoM	Dec	0.3%	0.3%	0.3%
ISM Manufacturing	Dec	48	48	49
ISM Services Index	Dec	52	54	54
Conf. Board Consumer Confidence	Dec	113	113	105
S&P Global US Manufacturing PMI	Dec	48	48	49
S&P Global US Composite PMI	Dec	57	--	55
S&P Global US Services PMI	Dec	59	59	57
U. of Mich. Sentiment	Dec	74	74	74

## LABOR MARKET METRICS



Source: FRED, as of 12/31/24

## Labor Market

— The labor market showed strong growth in December. Nonfarm payrolls climbed to 256,000, exceeding market expectations of 165,000. October and November jobs data were revised lower by a combined 8,000. The ADP jobs report came in below the expected 140,000, adding 122,000 private sector jobs in December. Education and health services were at the forefront of private sector job growth.

## Consumers

- Consumer sentiment was 74, up from 72 in November. December saw continued upticks in buying conditions for durable goods as consumers prepared for the impact that proposed 2025 tariffs could have on their future buying power.
- Consumer confidence declined to 105, down from November's revised 113. The December surveys indicated that while the household view of the labor market has improved, there remains slight pessimism around inflation pressures.

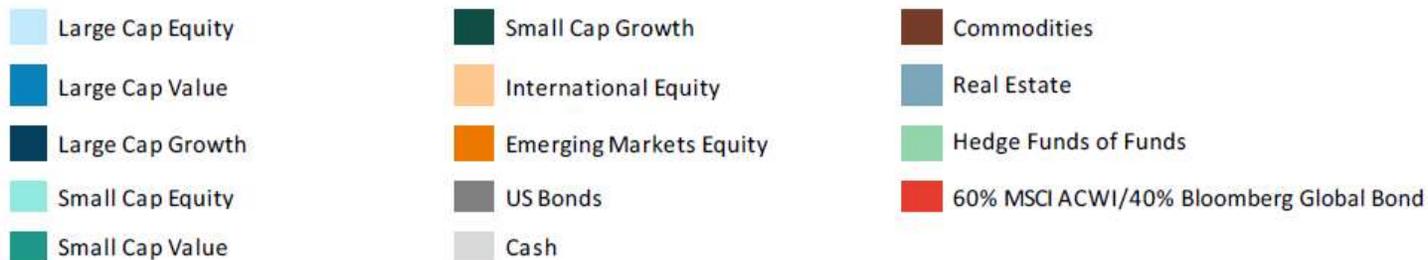
## Looking Ahead

- The December FOMC official comments underscored the challenges the Fed has faced over the year to balance the health of the labor market with sticky inflation. The Fed appeared comfortable maintaining a *higher for longer* narrative and explained that economic and inflation data will guide 2025 decisions.

# Appendix

# Periodic table of returns

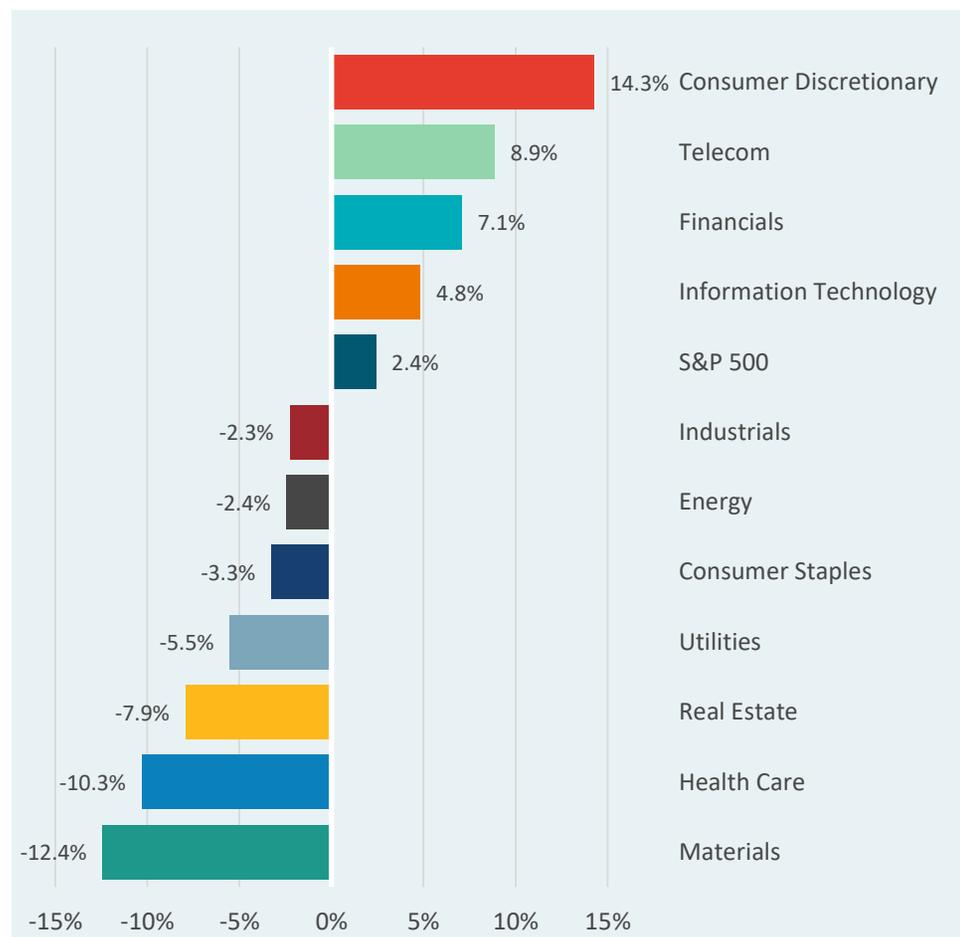
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	5-Year	10-Year
Large Cap Growth	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	36.4	38.5	28.3	16.1	42.7	33.4	19.0	16.8
Large Cap Equity	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	31.4	34.6	27.6	9.4	26.5	24.5	14.3	12.9
Large Cap Value	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	15.2	8.7	8.5
Small Cap Growth	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	14.4	7.4	8.1
Emerging Markets 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	11.5	7.3	7.8
Small Cap Equity	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	9.9	6.9	7.1
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	9.5	6.8	5.9
Small Cap Value	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	8.1	5.4	5.7
International Equity	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	7.5	5.4	5.2
Hedge Funds of Funds	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	5.4	4.7	3.9
Cash	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	5.3	3.3	3.6
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	3.8	2.4	1.7
US Bonds	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	1.3	1.7	1.3
Real Estate	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	-0.5	-0.3	1.3



Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, Bloomberg US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, Bloomberg Global Bond. NCREIF Property Index performance data as of 9/30/24.

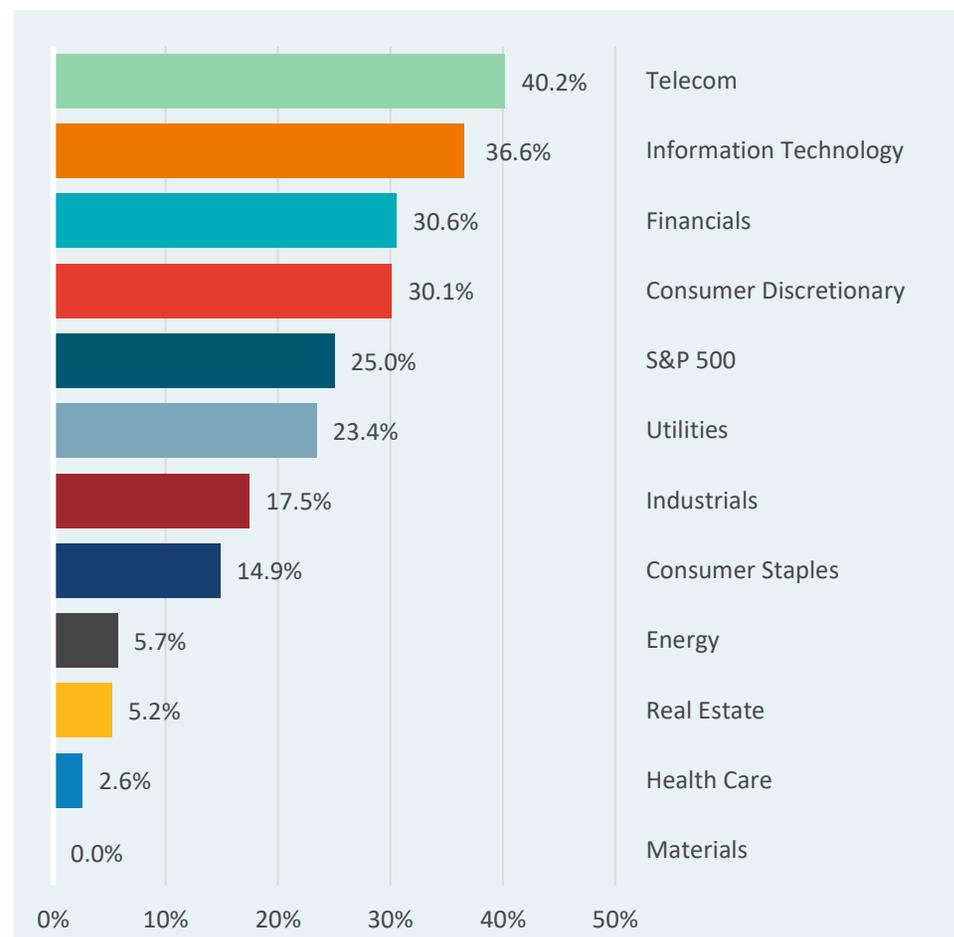
# S&P 500 sector returns

QTD



Source: Morningstar, as of 12/31/24

ONE YEAR ENDING DECEMBER



Source: Morningstar, as of 12/31/24

# Detailed index returns

## DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Core Index</b>							
S&P 500	(2.4)	2.4	25.0	25.0	8.9	14.5	13.1
S&P 500 Equal Weighted	(6.3)	(1.9)	13.0	13.0	4.5	10.8	10.3
DJ Industrial Average	(5.1)	0.9	15.0	15.0	7.6	10.6	11.6
Russell Top 200	(1.5)	3.4	27.4	27.4	9.9	15.8	14.0
Russell 1000	(2.8)	2.7	24.5	24.5	8.4	14.3	12.9
Russell 2000	(8.3)	0.3	11.5	11.5	1.2	7.4	7.8
Russell 3000	(3.1)	2.6	23.8	23.8	8.0	13.9	12.5
Russell Mid Cap	(7.0)	0.6	15.3	15.3	3.8	9.9	9.6
<b>Style Index</b>							
Russell 1000 Growth	0.9	7.1	33.4	33.4	10.5	19.0	16.8
Russell 1000 Value	(6.8)	(2.0)	14.4	14.4	5.6	8.7	8.5
Russell 2000 Growth	(8.2)	1.7	15.2	15.2	0.2	6.9	8.1
Russell 2000 Value	(8.3)	(1.1)	8.1	8.1	1.9	7.3	7.1

## INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
MSCI ACWI	(2.4)	(1.0)	17.5	17.5	5.4	10.1	9.2
MSCI ACWI ex US	(1.9)	(7.6)	5.5	5.5	0.8	4.1	4.8
MSCI EAFE	(2.3)	(8.1)	3.8	3.8	1.6	4.7	5.2
MSCI EM	(0.1)	(8.0)	7.5	7.5	(1.9)	1.7	3.6
MSCI EAFE Small Cap	(2.3)	(8.4)	1.8	1.8	(3.2)	2.3	5.5
<b>Style Index</b>							
MSCI EAFE Growth	(2.8)	(9.1)	2.0	2.0	(2.6)	4.0	5.8
MSCI EAFE Value	(1.8)	(7.1)	5.7	5.7	5.9	5.1	4.3
<b>Regional Index</b>							
MSCI UK	(2.8)	(6.8)	7.5	7.5	5.3	4.4	3.8
MSCI Japan	(0.3)	(3.6)	8.3	8.3	2.8	4.8	6.2
MSCI Euro	(0.4)	(9.4)	2.1	2.1	1.9	5.3	5.2
MSCI EM Asia	0.2	(7.9)	12.0	12.0	(1.6)	3.0	4.8
MSCI EM Latin American	(6.1)	(15.8)	(26.4)	(26.4)	2.1	(3.4)	0.3

## FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
Bloomberg US TIPS	(1.6)	(2.9)	1.8	1.8	(2.3)	1.9	2.2
Bloomberg US Treasury Bills	0.4	1.2	5.3	5.3	3.9	2.5	1.8
Bloomberg US Agg Bond	(1.6)	(3.1)	1.3	1.3	(2.4)	(0.3)	1.3
Bloomberg US Universal	(1.5)	(2.7)	2.0	2.0	(2.0)	0.1	1.7
<b>Duration</b>							
Bloomberg US Treasury 1-3 Yr	0.2	(0.1)	4.0	4.0	1.4	1.4	1.4
Bloomberg US Treasury Long	(5.3)	(8.6)	(6.4)	(6.4)	(12.0)	(5.2)	(0.6)
Bloomberg US Treasury	(1.5)	(3.1)	0.6	0.6	(2.9)	(0.7)	0.8
<b>Issuer</b>							
Bloomberg US MBS	(1.6)	(3.2)	1.2	1.2	(2.1)	(0.7)	0.9
Bloomberg US Corp. High Yield	(0.4)	0.2	8.2	8.2	2.9	4.2	5.2
Bloomberg US Agency Interm	(0.2)	(0.6)	3.6	3.6	0.5	0.9	1.4
Bloomberg US Credit	(1.9)	(3.0)	2.0	2.0	(2.2)	0.2	2.3

## OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Index</b>							
Bloomberg Commodity	1.0	(0.4)	5.4	5.4	4.1	6.8	1.3
Wilshire US REIT	(7.3)	(5.0)	9.1	9.1	(2.5)	4.5	5.7
CS Leveraged Loans	0.6	2.3	9.1	9.1	6.8	5.7	5.1
S&P Global Infrastructure	(4.5)	(2.5)	15.1	15.1	7.1	5.3	5.9
Alerian MLP	(7.2)	5.6	26.7	26.7	27.2	14.8	3.3
<b>Regional Index</b>							
JPM EMBI Global Div	(1.4)	(1.9)	6.5	6.5	(0.9)	0.1	3.1
JPM GBI-EM Global Div	(1.9)	(7.0)	(2.4)	(2.4)	(1.0)	(1.9)	0.4
<b>Hedge Funds</b>							
HFRI Composite	(0.2)	1.5	8.8	8.8	4.1	6.8	5.2
HFRI FOF Composite	0.5	2.7	9.9	9.9	3.3	5.4	3.9
<b>Currency (Spot)</b>							
Euro	(2.0)	(7.2)	(6.3)	(6.3)	(3.1)	(1.6)	(1.5)
Pound Sterling	(1.5)	(6.6)	(1.8)	(1.8)	(2.6)	(1.1)	(2.2)
Yen	(4.4)	(9.0)	(10.3)	(10.3)	(9.8)	(7.1)	(2.7)

Source: Morningstar, HFRI, as of 12/31/24

# 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	2.7	3.3	14.1	12.1
<i>MSCI World Index (PME)</i>	20.3	7.3	12.1	8.8
Global Private Equity Direct Funds <sup>1</sup>	4.4	3.1	14.5	13.6
<i>MSCI World Index (PME)</i>	20.2	7.7	12.1	9.4
U.S. Private Equity Direct Funds <sup>1</sup>	5.2	4.4	16.1	15.0
<i>Russell 3000 Index (PME)</i>	23.1	8.9	14.4	12.3
Europe Private Equity Direct Funds <sup>1</sup>	4.3	3.9	13.7	12.1
<i>MSCI Europe Index (PME)</i>	11.9	4.9	7.8	4.5
Asia Private Equity Direct Funds <sup>1,4</sup>	(0.2)	(2.8)	8.0	10.6
<i>MSCI AC Asia Pacific Index (PME)</i>	13.1	(1.8)	4.8	4.7

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt <sup>2,4</sup>	7.5	9.7	11.9	10.6
<i>Morningstar LSTA U.S. Leveraged Loan 100 Index (PME)</i>	10.7	6.3	5.8	4.9

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	(3.5)	5.8	7.0	9.8
<i>FTSE NAREIT Equity REIT Index (PME)</i>	8.0	1.2	4.8	6.6

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources <sup>3,4</sup>	8.6	14.9	7.2	2.9
<i>S&amp;P Global Natural Resources Index (PME)</i>	8.1	6.5	8.9	5.7
Global Infrastructure <sup>4</sup>	7.8	9.5	9.8	9.9
<i>S&amp;P Global Infrastructure Index (PME)</i>	7.3	5.8	4.9	5.2

Source: Pooled IRRs and Public Market Equivalents (PMEs) are both from FTSE (previously Refinitiv C|A), as of June 30<sup>th</sup>, 2024. 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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**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

January 28, 2025

Agenda Item 6.2

**TO:** Board of Retirement

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

**SUBJECT:** Educational Presentation on SamCERA's Securities Lending Program

**Background**

In April 2024, the Board approved changes to the Investment Policy to update SamCERA's securities lending guidelines. In connection with the Request for Proposal process for global custody and security lending services, staff identified that to increase the income potential of the securities lending program, additional flexibility within the program was needed. The Board approved the following guidelines, which effectively replaced a stringent \$10 million program cap and a \$3 million borrow cap with more lenient percentage limits.

- (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, as well as highly-rated OECD Debt (rated AA – or better).
- (v) The maximum allowable amount of assets on loan to any single borrower shall not be greater than 20% of the program assets on loan.
- (vi) The maximum total amount of program assets on loan shall not be greater than 50% of the total lendable assets.

The changes took effect on July 23, 2024 following the complete execution of the Securities Lending Agreement.

The ramp up from the previous stringent guidelines (which included a \$10 million program cap and a \$3 million borrower cap) to the updated limits was slower than anticipated. As a result, in November, the Board subsequently relaxed the 20% borrower limit for 30 days on a temporary basis to allow a faster ramp up.

**Discussion**

Lori Paris, Senior Vice President, and Norma Cardenas, Vice President, from Northern Trust's securities lending team will be present at this month's Board meeting to provide a general overview of their firm's securities lending program and answer any trustee questions.

**Attachment**

Northern Trust SamCERA Securities Lending Program Presentation



# Northern Trust Global Securities Lending

Prepared for: San Mateo County Employee's Retirement System

Date: January 28, 2025

**PRESENTED BY:**

**Norma Cardenas**

Vice President – Relationship  
Manager

**Lori M. Paris**

Sr. Vice President – Head of North  
America Relationship Management

# What is Securities Lending?

## What is Securities Lending?

A temporary loan of securities to a borrower that is collateralized and accrues a fee

- Collateral consists of bonds, equities or cash collateral that is then re-invested
- Typically, overnight; the lender or borrower can return at any time, and it is seamless to clients' investment activities.
- Borrower obligated to 'manufacture' economic benefits to lender
- Absolute transfer of title of loaned securities; Lender loses the right to vote unless recalled ahead of time

## Why lend?

Asset owners and managers lend to:

- Enhance portfolio returns
- Offset or eliminate custody fees
- Within a well managed risk framework

## What are the benefits?

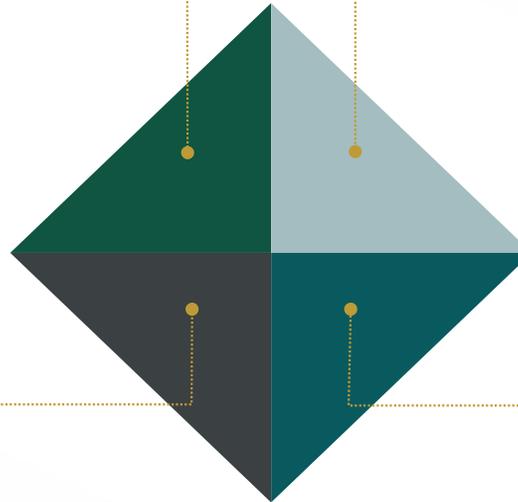
Well established market practice that allows price discovery and the arbitrage of pricing inefficiencies

- Supports the development of the Banking & Markets by facilitating various investment strategies
- Important part of risk and liquidity management
- Integral component of developed securities market for investors

## Why borrow?

Universal banks and broker dealers borrow for:

- Hedging
- Directional trading
- Arbitrage strategies
- Fulfilling settlement obligations
- Financing trades



# Northern Trust's Agency Securities Lending Program

We strive to extract the highest amount of intrinsic value from each loan, while mitigating risk for the benefit of our clients.

\$1.70T

LENDABLE ASSETS\*



\$173B

ASSETS ON LOAN\*



10.15%

UTILISATION



35

LENDING MARKETS  
INCLUDING CSDS\*\*



430

PARTICIPATING  
CLIENTS



31

CLIENT COUNTRIES



67

APPROVED UNIVERSAL  
BANKS AND BROKER DEALERS



Aa2 / AA- / AA

TOP TIER CREDIT RATING



Participating in securities lending will not interfere with your investment strategy



Focused and consultative approach on building a customized program



Adds incremental alpha that can be used to enhance portfolio returns or pay expenses



Efficient technologies matches supply with demand, increasing utilization

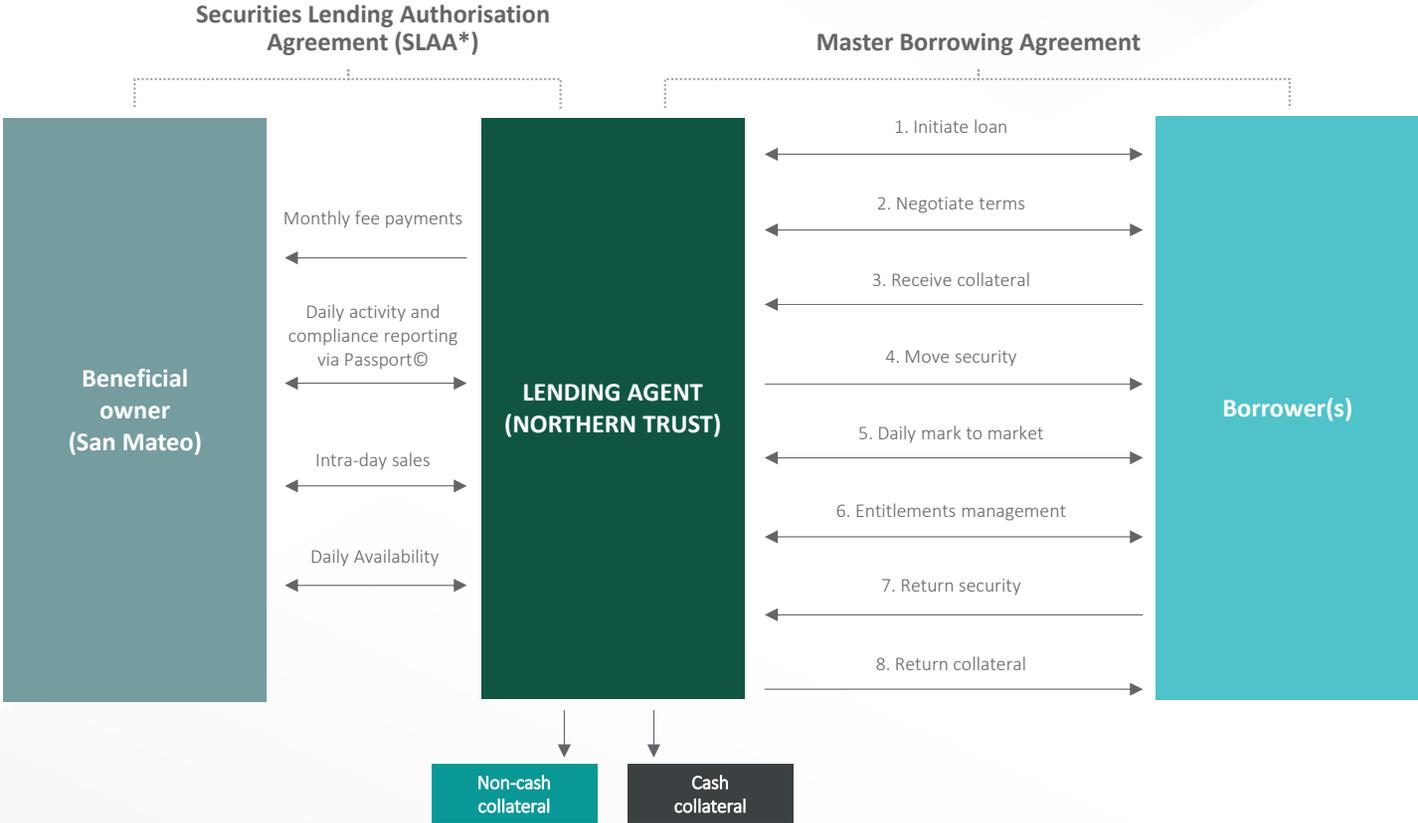


Robust risk management with independent risk committees

\*Average for December 2024. \*\*CSD Central Security Depository.

# Securities Lending transaction process

The life cycle of a loan



\*Sample agreements available upon request

NORTHERN TRUST GLOBAL SECURITIES LENDING

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# Current Market Environment

# Securities Lending



## CASH COLLATERAL REINVESTMENT

- As global inflation trends lower, the largest central banks continue their policy easing, while telegraphing additional cuts into 2025
- US interest rates remain firmly in economically restrictive territory, according to Fed officials
- US inflation remains above the Federal Reserve's target, but its decline has provided comfort that it's moving in the right direction
- Resilient labor markets are boosting hopes for a 'soft landing' where inflation moderates but the labor markets are only minimally impacted
- The pace of the cutting cycle remains a significant unknown for investors in 2025
- The Federal Reserve is continuing to reduce their balance sheet, but the tapering is likely to come to an end in early to mid 2025 as bank reserves decline



## EQUITY DEMAND

- Global stocks trended downwards as we closed out the year after what had been a strong fourth quarter. The Federal Reserve was the catalyst for a market sell-off after scaling back the number of interest rate cuts expected in 2025 due to persistent sticky inflation. The MSCI World closed down 2.9% for the month, although still posted gains of 17% for the year.
- December ended a challenging year for securities lending in equity markets, with the strong equity market valuations throughout the year driving a strong net long bias across the hedge fund community. Convicted flows to the short side were low, resulting in a difficult environment in the specials space, with a heavy refinancing theme in the final few weeks of the year as funds looked to preserve P&L and adopt a risk-off approach coming into the holiday period.
- As year-end approached, borrower focus switched to industry binding constraints throughout much of the month, as balance sheet and capital usage was rationalized over the regulatory sensitive reporting period. Hedge fund activity was cautious, as is typical at this time of year, with a risk-off approach adopted running into year end.



## FIXED INCOME DEMAND

- The Federal Reserve is set to moderate its easing cycle in 2025 as inflation remains sticky. Broad inflation expectations emanating from the Trump administrations pushes Treasury yields higher
- The European Central Bank cut the deposit rate to 3.0% during the fourth quarter. This was in response to falling inflation and signs the bloc's economy risks grinding to a halt
- The Bank of England cut the base rate by 25bps to 4.75% in November, though gilt yields drifted higher towards the end of the fourth quarter. While broadly tracking performance of other developed nations, markets grew increasingly nervous around the government's ability to deliver economic growth at a time of ballooning government debt
- Japanese government bond yields and the yen track higher as central bankers prepare markets for potential interest rate hikes. Bank of Japan expected to raise their inflation projections
- The hawkish tone from the Federal Reserve left EM assets looking for some relief in the fourth quarter, with politics remaining a near-term focus as the Trump administration's tariffs and foreign policy measures start to take hold.

# Securities Lending Industry Trends

## BORROWER



### Non-cash collateral

Shift away from cash collateral to a broad and diverse non-cash collateral set



### High quality liquid assets

Requirement to meet regulatory capital ratios drives HQLA demand



### Routes to market

Pledge, lending to hedge funds and CCPs address borrowers' regulatory capital burden



### Trade optimisation

Efficiently deploy balance sheet through trading strategies

## LENDER



### Enhancing returns

Increasing participation due to low-return environment



### Data and technology

Innovative technologies enriches data, increases returns and matches supply with demand



### Offsetting costs

Outsourcing to an agent lender, optimises asset usage and offsets costs



### Liquidity management

Opportunity to use cash collateral for margin requirements, funding, etc



### Governance & oversight

Customized controls align returns with risk tolerances

NORTHERN TRUST GLOBAL SECURITIES LENDING

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# Managing Risk

# Managing Risk

Risk management is instrumental to our program

## BORROWER

Borrower defaults and collateral is not sufficient to cover

### Mitigating factors:

- Credit review of borrowers
- Over-collateralization / Daily marking
- Indemnification
- Risk Analysis tools



## INTEREST RATE

Loan rebate rate exceeds earnings on cash collateral investments

### Mitigating factors:

- Weekly gap analysis
- Shared risk
- Stress testing of portfolio

## TRADE SETTLEMENT

Fund sells securities and borrower doesn't return in time for trade to settle

### Mitigating factors:

- Timely communication
- Automated reallocations
- Trade settlement protection



## CASH COLLATERAL REINVESTMENT

Cash collateral investment becomes impaired or decreases value

### Mitigating factors:

- Client approved guidelines
- Dedicated team of fixed income research analysts
- Daily automated compliance

# Borrower Risk Management – Approval Process

Our borrower selections follow stringent approval procedures and financial viability standards



## FINANCIAL RESPONSIBILITY AND COMPLIANCE

- Each borrower and parent borrower must provide audited financial statements
- Borrowers must be financially sound and in compliance with regulatory capital requirements
- We also focus on condition and creditworthiness of the borrower's parent organization



## LIMIT SETTING PROCESS

- Established framework to set borrower credit limits to reduce concentration risk via three tests:
- Credit Exposure relative to the borrower's capital
- Size of our exposure to the borrower relative to their total borrowing and to Northern Trust's total lending program



## PERFORMANCE

- Each borrower's operating and trading performance is reviewed on an on-going basis
- Each borrower's level and distribution of loans outstanding is continuously monitored
- Automated systems allow in-depth monitoring of credit exposure to each borrower to ensure that credit exposures are maintained within limits



## RATINGS

- Independent public debt ratings are available on all of our parent borrowers
- Vast majority of parent borrowers have long-term credit ratings of A or better and short-term ratings of A-1 or better from at least one NRSRO

## Custom Solutions

We work with you to understand your objectives and design customized programs.



### Collateral Options

#### Tailored to your risk level

- Cash: pooled or separately managed
  - Principal preservation, liquidity management, competitive yield
  - Managed by Northern Trust Asset Management
- Non-cash: held in a separate account
  - Examples include: US treasuries and agencies, highly rated OECD debt, equities



### Limits

#### To ensure a focus on intrinsic value lending

- Restricting the total amount that can be lent across the entire fund
- Asset class, country limits, seasonal restrictions, minimum return parameters
- Borrower-specific caps or restricting certain borrowers from your program entirely
- Limits based on the maximum daily traded amount

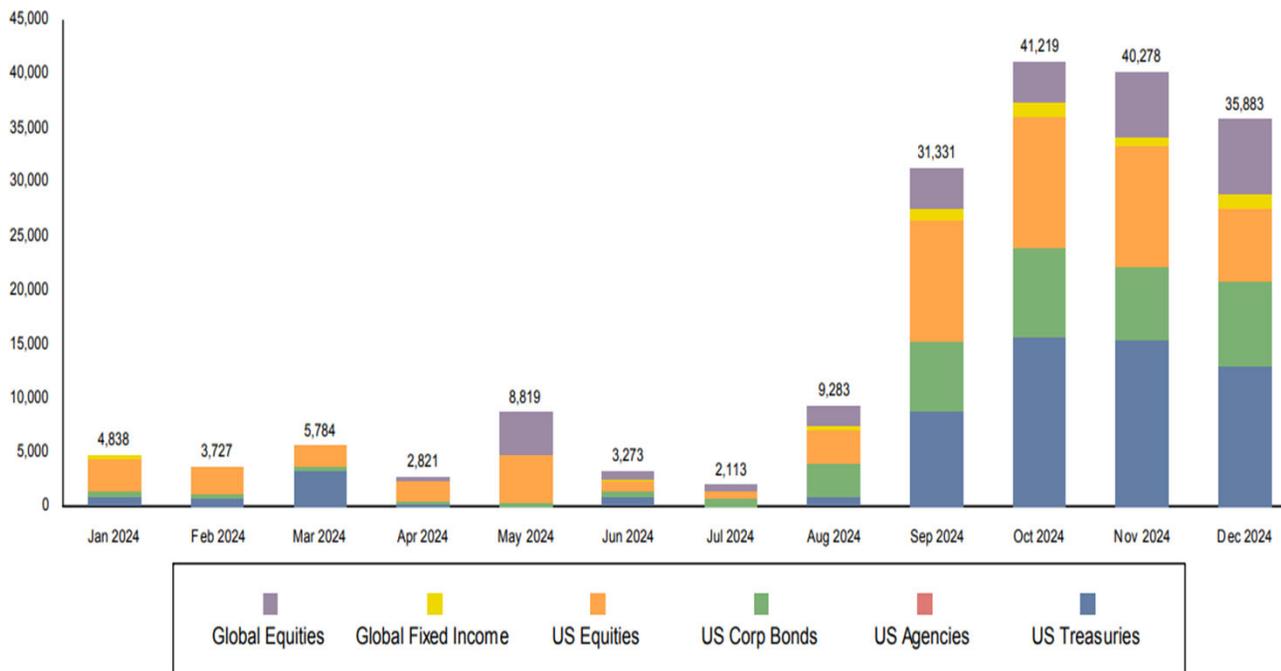
NORTHERN TRUST GLOBAL SECURITIES LENDING

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# SAN MATEO COUNTY EMPLOYEE'S RETIREMENT SYSTEM

# Summary of Lending Program

Monthly Gross earnings for the year 2024



SAMCE receiving 78% of the total revenue and Northern Trust receiving 22%

\$189,368

GROSS REVENUE

\$147,773

NET REVENUE

78/22

FEE SPLIT\*

SL Core Cash Collateral  
US Treasuries & Agencies,  
OECD Noncash

COLLATERAL ACCEPTANCE

Borrower rating,  
50% Program cap,  
20% to single borrower

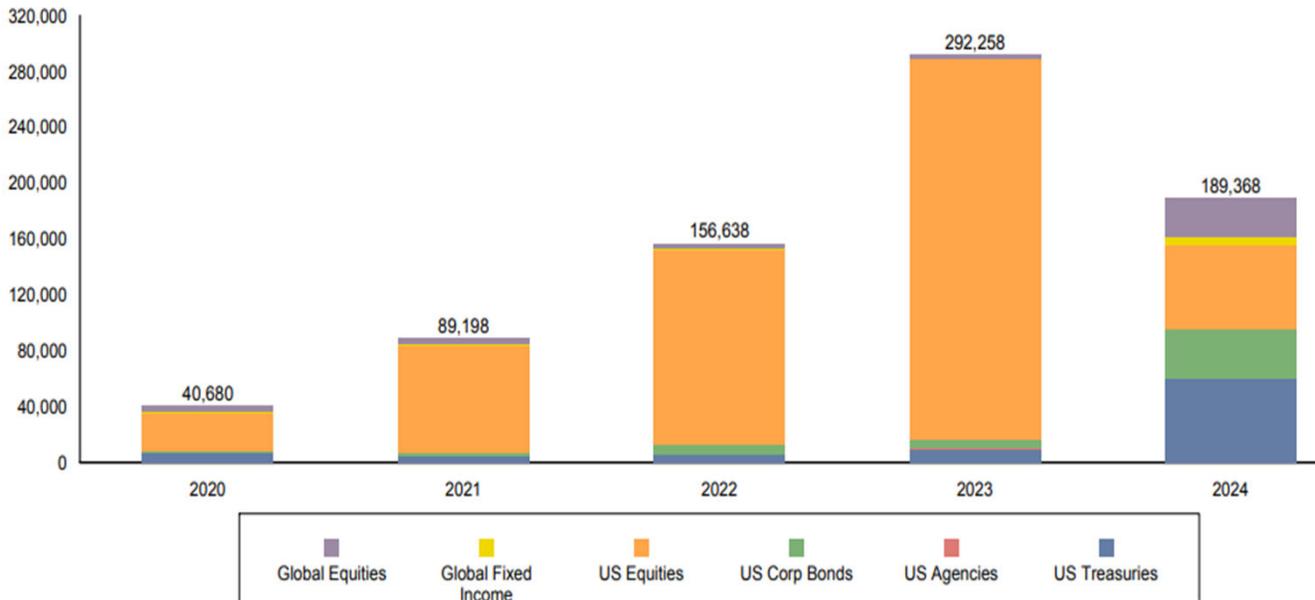
RESTRICTIONS

26-24017

REVENUE POSTS

# Summary of Lending Program

\*Gross earnings January 2020 to year end 2024



SAMCE receiving 78% of the total revenue and Northern Trust receiving 22%

\$768,142

GROSS REVENUE

\$507,248

NET REVENUE

78/22

FEE SPLIT\*

SL Core Cash Collateral  
US Treasuries & Agencies,  
OECD Noncash

COLLATERAL ACCEPTANCE

Borrower rating,  
50% Program cap,  
20% to single borrower

RESTRICTIONS

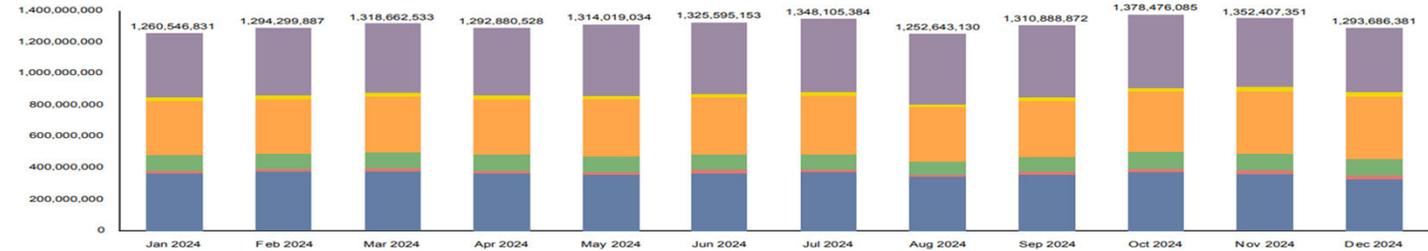
26-24017

REVENUE POSTS



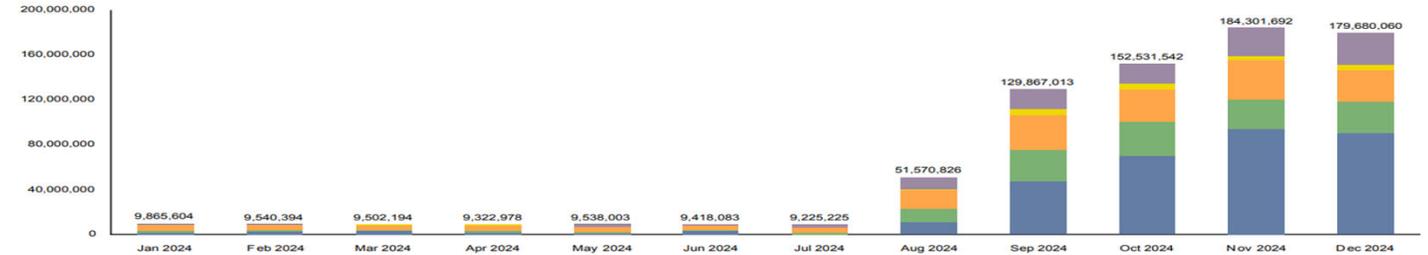
# 2024 PERFORMANCE

Average Available to Lend



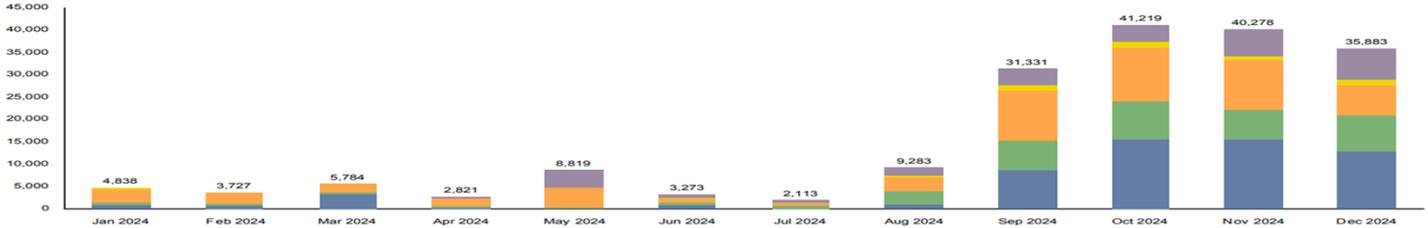
- Average lendable assets for the year remained consistent at \$1.3b

Average on Loan



- Average loan balances increased in August to end of 2024.
- Utilization increased month on month from 1% to 13% in December.

Gross Earnings



- Gross revenue increased month over due to changes made in the program. \*very restrictive guidelines prior to August 2024.\*

## Top revenue earners January 2024 – December 2024

Rank	Security Name	CUSIP/SEDOL	Gross Earnings	% Of Total Gross Earnings	Market Value On Loan (USD)	Average % Utilization	Average Spread
1	TRUMP MEDIA & TECHNOLOGY GROU	25400Q105	13,437.55	7.10	119,919.49	89.75	1,100.47
2	GAMESTOP CORP NEW CLA	36467W109	10,369.27	5.48	504,058.47	91.45	200.03
3	UNITED STATES OF AMER TREAS BON	912810UD8	8,269.64	4.37	438,710.92	68.48	181.06
4	SNAM	7251470	4,193.62	2.21	937,066.74	14.43	41.58
5	US TREASURY N/B 3.875% 08-15-2034	91282CLF6	4,026.21	2.13	1,335,218.40	60.08	29.13
6	MAKEMYTRIP LTD USD0.0005	V5633W109	3,767.84	1.99	1,219,012.97	34.71	29.72
7	UNITED STATES OF AMER TREAS BON	912810TZ1	3,411.42	1.80	815,756.23	24.82	40.24
8	BANCO DE CHILE COM ADRS	059520106	3,099.35	1.64	243,552.73	17.21	122.22
9	UNITED STATES TREAS BDS 4.625% 11	912810UF3	2,981.09	1.57	87,470.09	94.12	322.62
10	UNITED STATES OF AMER TREAS NOTI	91282CKP5	2,696.57	1.42	1,009,401.64	50.64	25.70
<b>Sub Total Of Top 10 Securities</b>			56,252.56	29.71	6,710,167.68	32.98	80.37
<b>All Other</b>			133,115.61	70.29	56,986,800.81	4.41	22.48
<b>Total</b>			189,368.17	100.00	63,696,968.49	4.86	28.60

Top 10 earners accounted for **30%** of gross earnings:

- **Trump Media** – Trump Media stock gained ground early in the year thanks to Republican primary victories.
- **Gamestop** - was caught up in the social media-driven trading frenzy that turned it into a "meme stock" phenomenon.

## Revenue by Account January 2024 – December 2024

Account Number	Account Name	Market Value ( USD )		% on Loan	Gross Earnings ( USD )	On Loan Spread (bp)	Gross BP Return (bp) *	Net Earnings ( USD )
		Avg. on Loan	Avg. Available					
SMCE14	NISA CORE BOND	16,067,983	186,640,604	8.6%	54,875	33.6	2.9	42,821
4481483	*SAMCERA - PANAGORA DEFUSEQ-SL	6,063,413	255,234,519	2.4%	38,570	62.6	1.5	30,090
SMCE17	SAMCERA-FIAM BROAD MKT DURATIC	10,596,633	108,925,327	9.7%	27,954	25.9	2.5	21,818
SMCE16	SAMCERA - PGIM QUANT US SMALL	9,853,600	126,472,376	7.8%	25,322	25.3	2.0	19,773
4419150	SAMCERA - NISA LONG TREASURY	13,215,965	148,268,530	8.9%	18,225	13.6	1.2	14,220
SMCE06	SAMCERA-BAILLIE GIFF	4,248,695	244,289,108	1.7%	13,889	32.2	0.6	10,834
SMCE05	SAMCERA-MONDRIAN INVPARTNERS	3,028,207	179,770,007	1.7%	9,673	31.4	0.5	7,545
SMCE10	SAMCERA-DOUBLELINE SECURITIZEI	622,472	62,250,461	1.0%	859	13.6	0.1	670
<b>Total</b>		<b>63,696,968</b>	<b>1,311,850,931</b>	<b>4.9 %</b>	<b>189,368</b>	<b>29.2</b>	<b>1.4</b>	<b>147,773</b>

\$54,875

NISA CORE BOND  
GROSS REVENUE

\$38,570

PANAGORA  
GROSS REVENUE

\$27,954

FIAM  
GROSS REVENUE

## Top borrowers January 2024 – December 2024

Top 5 Borrowers	Domicile	From 01 Jan 2024 - 31 Dec 2024		31 Dec 2024	
		Net Earnings	% of Net Earnings	As of 31 Dec 2024 Loan Volume	% of Loan Volume
CITIGROUP GLOBAL MARKETS INC.	US	21,098.32	14.28 %	32,200,839.31	19.52 %
PERSHING LLC	US	19,713.28	13.34 %	28,615,312.45	17.35 %
STATE STREET BANK AND TRUST COMPANY	US	14,310.76	9.68 %	14,337,586.01	8.69 %
TD PRIME SERVICES LLC	US	9,494.23	6.42 %	10,250,117.02	6.21 %
HSBC SECURITIES (USA) INC.	US	3,301.47	2.23 %	9,358,333.67	5.67 %
<b>Total Top 5 Borrowers</b>		<b>67,918.06</b>	<b>45.96 %</b>	<b>94,762,188.46</b>	<b>57.45%</b>
<b>Total All Borrowers</b>	<b>From 01 Jan 2024 to 31 Dec 2024</b>	<b>147,773.29</b>	<b>100 %</b>	<b>164,956,343.00</b>	<b>100%</b>

The top 5 borrowers represent 57.45% of the total loan volume

- Top5 Borrowers:  
57% of loan volume for 2024

## Loan and collateral balance

Loan Type	Cash Loan Balance	Cash Collateral Rate	Non-Cash Loan Balance	Non-Cash Collateral Rate	Total Cash and Non-Cash Loan Balance
Required Collateralization 102 %	130,270,037.38	102.15%	8,545,574.41	102.88 %	138,815,611.79
Required Collateralization 105 %	10,507,587.89	105.51%	15,716,620.90	107.61 %	26,224,208.79
<b>All Loans</b>	<b>140,777,625.27</b>		<b>24,262,195.31</b>		<b>165,039,820.58</b>

# Investment Profile: Core STIF Cash Collateral Fund

December 31, 2024

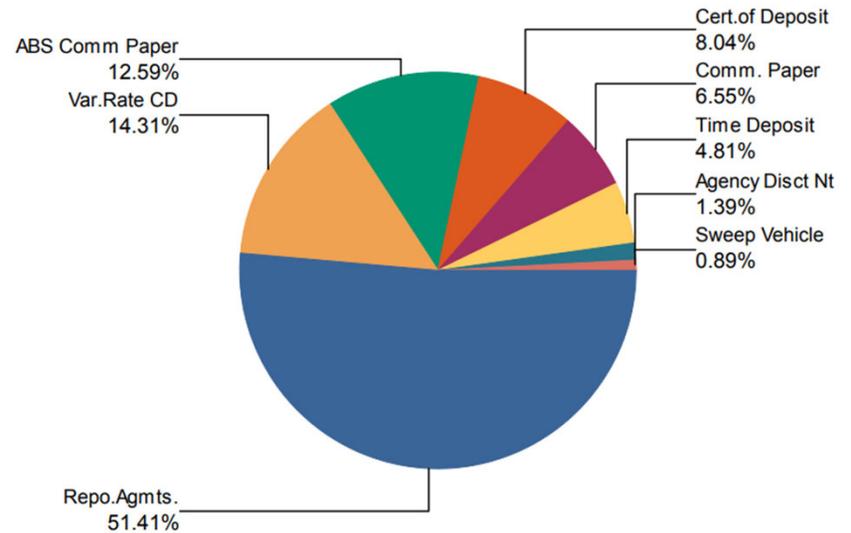
## CORECOLL - NT Coll SL Core S/T Inv Fund - USD

Characteristics		
Total Book Value (in USD)		12,366,109,584
Weighted Average Maturity (Interest Reset Date)		21 Days
Weighted Average Maturity (Maturity Date)		85 Days
Average Equivalent Quality Rating		
Total Number of Issues		87
Quality Distribution		
	Percentage	
A1+ (SHORT TERM)	69.72%	
A1 (SHORT TERM)	15.28%	
Other	14.11%	
Cash Equiv (LONG TERM)	.89%	
Maturity Breakdown Distribution		
	Interest Reset	Maturity Date
Overnight	78.19%	14.97%
2 - 15 Days	2.22%	3.13%
16 - 30 Days	2.29%	3.91%
31 - 60 Days	4.09%	18.33%
61 - 97 Days	2.63%	36.83%
98 - 180 Days	9.33%	14.26%
181 - 270 Days	0.00%	3.88%
271 - 366 Days	1.26%	4.68%

## CORECOLL - NT Coll SL Core S/T Inv Fund - USD

Industry/Sector Distribution	Percentage
Banking Ind.	36.26%
Broker/Dealer	43.31%
Finance & Ins	16.73%
Govt Agencies	3.71%

## Cash Collateral Asset Class Breakdown



NOTE: This information was created using the best unaudited data available to us and may not be completely reliable, accurate, or timely. Data is prepared on a settled basis, which may differ from traded basis data on the Cash Collateral Holdings report. "Traded Basis" reflects pending trades.

# Transparency and Information Delivery

Customized reports to help monitor your securities lending activity.

## Daily reporting

- Executive summary
- Securities loaned – detail
- Borrower utilization – summary by borrower
- Account utilization – loan detail, summary by account
- Collateral – by security type, country and detail holdings

## Monthly reporting

- Performance scorecard:
  - Account earnings and performance
  - Security level detail
  - Client by asset type and account earnings
  - Date range comparison
- Historical statistics graph
- Earnings statement – summary and detail

PERFORMANCE SCORECARD: LENDING & INVESTMENT BREAKDOWN

Securities Lending Performance Scorecard - Lending and Investment Breakdown ( USD ) **											
* Client Name											
Security Type	Market Value ( USD )		% on Loan	Gross Earnings ( USD )			Spread ( bps )		Gross BP Return (bp) <sup>1</sup>	N/Len	
	Avg. on Loan	Avg. Available		Lending	Investment	Total	Lending	Investment			
US Treasuries	211,903,395	1,485,600,994	14.2%	48,962	1,118	90,100	26.8	0.6	27.5	3.9	4
US Agencies	0	267,258,503	0.0%	0	0	0	0.0	0.0	0.0	0.0	0
US Corp Bonds	12,753,975	1,095,955,926	1.2%	5,966	1,775	7,741	54.3	16.2	70.5	0.6	0
US Equities	322,832,262	5,716,414,795	5.6%	85,838	5,864	91,701	30.9	2.1	33.0	1.9	7
Global Sovereign	5,875,174	852,770,862	0.7%	5,196	892	6,088	102.7	17.6	120.3	0.6	0
Global Agencies	156,024	73,136,210	0.2%	87	33	120	64.7	24.9	89.6	0.2	0
Global Corp Bonds	5,407,430	540,876,166	1.2%	2,836	1,161	3,996	51.4	21.0	72.4	0.9	0
Global Equities	387,216,326	4,344,695,687	8.2%	436,046	10,842	446,508	141.8	3.4	145.2	11.9	37
<b>Total</b>	<b>917,144,649</b>	<b>14,389,712,154</b>	<b>6.4%</b>	<b>684,949</b>	<b>21,389</b>	<b>696,336</b>	<b>74.1</b>	<b>2.7</b>	<b>76.8</b>	<b>4.9</b>	<b>60</b>

When cash is taken as collateral on applicable loans, Rebates are based on an industry [standard] overnight benchmark rate.  
<sup>1</sup> Gross Basis Point Return equals On Loan Spread multiplied by % on Loan. GBR is the measure of total return on a given asset class or portfolio.  
 \*\* Market Value and Earnings were converted using the month-end FX rate.

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Northern Trust

EXECUTIVE SUMMARY REPORT



# Client Service Team

## EXECUTIVE:



**Lori Paris**  
*Head of Client Management, NA  
Securities Finance*  
Tel: 312 557 2234  
Email: lmc3@ntrs.com

## CLIENT SERVICING:



**Norma Cardenas**  
*Securities Finance Relationship Manager*  
Tel: 312 557-3582  
Email: nc25@ntrs.com



**Jason Woo**  
*Securities Finance Account Manager*  
Tel: 312 444 4054  
Email: jw14@ntrs.com

## SUPPORT FUNCTIONS:

Trading	Risk
Product Development	Compliance
Operations & Technology	Credit
Asset Management (Cash Reinvestment)	Legal

### Executive:

Oversight of relationship for Securities Lending products

### Relationship Manager:

Coordinates all components of your securities lending program to ensure superior service, providing risk-adjusted returns, reviewing opportunities, and providing solutions where required

### Account Manager:

Supports relationship manager by handling daily servicing and reporting needs for clients

### Support Function Experts:

Work together to achieve performance objectives within the risk framework and create customized solutions

## Important Information

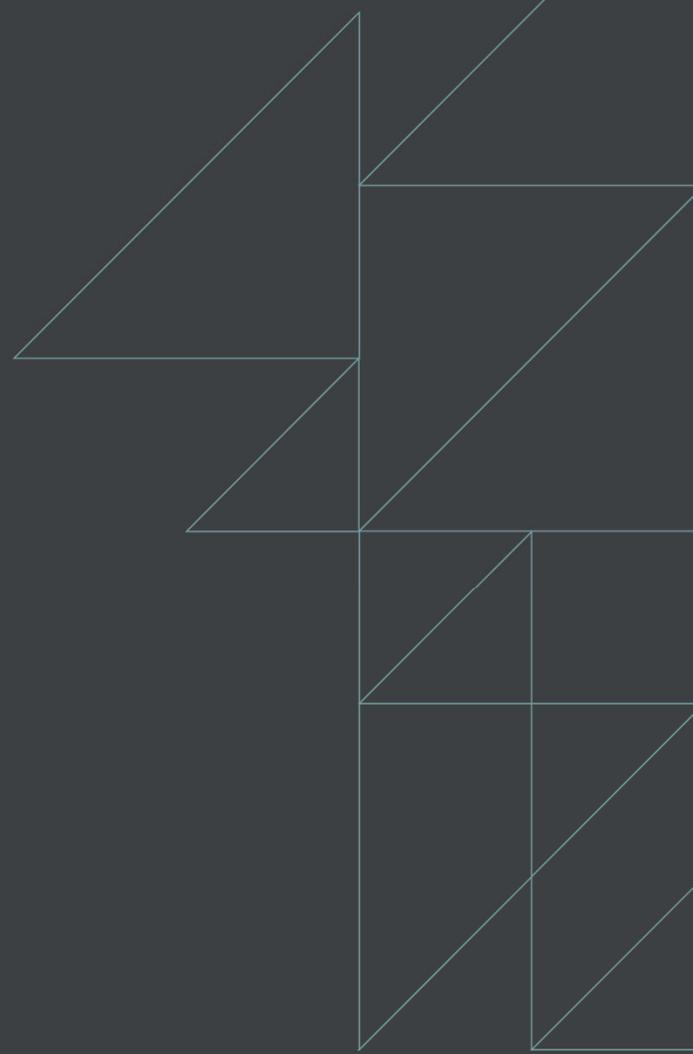
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**NORTHERN  
TRUST**



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

January 28, 2025

Agenda Item 6.3

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

**Recommendation**

Adopt a resolution amending SamCERA's Investment Policy Statement.

**Background**

SamCERA's Investment Policy Statement ("Policy") is periodically updated to reflect the Board's recent decisions regarding investments. The Board typically updates the Policy twice a year as warranted. The Investment Policy Statement was last updated in April 2024.

**Discussion**

At the November 2024 meeting, the Board approved a new asset allocation policy. The new policy has no allocation changes at the primary performance driver composite level (Growth, Diversifying, Inflation Hedge, and Liquidity). However, within the Growth category, there are two policy changes within public equity. First, low volatility target allocation will be removed, and second, the U.S. equity/International equity split has been adjusted so that U.S. Equity comprises 60% of total public equity (up from the current 55%).

To reflect these updates, staff recommends amending Sections 6.0 "Asset Allocation & Portfolio Structure" and 9.0 "Growth Assets Investment Policies".

In addition to other minor language clean-up and corrections, staff is also proposing the following additional change to the Investment Policy Statement:

Amend Section 3.0 "Investment Objectives" to change the reference portfolio from a 60% equity / 40% fixed income construct to a simple implementation of our Asset Allocation Benchmark (consisting of four primary asset classes: 1) Global Equities, 2) Core Bonds, 3) Short-Term Bonds, and 4) Core Real Estate).

**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 January~~April~~ 2025~~4~~

## **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 Manager's 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 and diversification than a simple implementation of our Asset Allocation Policy Benchmark (consisting of four primary asset classes: 1) Global Equities, 2) Core Bonds, 3) Short-Term Bonds, and 4) Core Real Estate) traditional 60% Equity / 40% Fixed Income portfolio. This will be ~~as~~ measured by having lower portfolio drawdowns over a full market cycle than the simple implementation of our Asset Allocation Policy Benchmark.

### 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 ~~typically~~ currently pre-funds up to 36 months of net benefit payments -, depending on market conditions, plan performance, and other factors.

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 (long-term target of 8%, 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	<del>23</del> 1.0%	±2%
Passive Core	19.0%	±2%
Active Core	4.0%	±2%
<del>Active Low Volatility Core</del>	<del>4.0%</del>	<del>±2%</del>
Small Capitalization Domestic	2.0%	±2%
Active Core	2.0%	±2%
International	<del>16</del> 8.0%	±2%
Passive Core	8.0%	±2%
Growth	4.05%	±2%
Value	4.05%	±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:

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

#### E. Liquidity Asset Allocation

Liquidity assets shall be allocated as follows:

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

#### F. Asset Allocation Policy Benchmark

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

<b>Benchmark</b>	<b>Asset Allocation Policy Benchmark</b>
<b>Growth Assets</b>	<b>59%</b>
Russell 3000 Index	<del>25</del> 3%

MSCI ACWI x US IMI Index Hedged <sup>^</sup>	168%
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%

<sup>^</sup> 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~~-rebalance 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, and 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: ~~4239~~% Russell 3000, ~~2730~~% 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
<del>Active Low Volatility Core</del>	<del>Russell 1000</del>
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~~is 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 loans, ~~and~~ construction loans and preferred equity. 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 opportunity 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.

**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.

**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-next~~ three-year's projected 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 [monthly or](#) 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, as well as highly-rated OECD Debt (rated AA- or better).

(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 20% of the program assets on loan.

(vi) The maximum total amount of program assets on loan shall not be greater than 50% of ~~the total plant~~ total lendable assets.

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.



# **SamCERA's Investment Policy Statement**

**Latest Revision January 2025**

## **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, 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 Manager's 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 and diversification than a simple implementation of our Asset Allocation Policy Benchmark (consisting of four primary asset classes: 1) Global Equities, 2) Core Bonds, 3) Short-Term Bonds, and 4) Core Real Estate). This will be measured by having lower portfolio drawdowns over a full market cycle than the simple implementation of our Asset Allocation Policy Benchmark.

### **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 typically pre-funds up to 36 months of net benefit payments, depending on market conditions, plan performance and other factors.

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>**

<b>Performance Driver View</b>	<b>Target Allocation</b>	<b>Rebalancing Range</b>	<b>Traditional Asset Class View *</b>
<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 (long-term target of 8%, 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 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:

<b>GROWTH ASSET CLASSES</b>	<b>TARGET ALLOCATION</b>	<b>REBALANCE RANGE</b>
<b>Public Equity</b>	41%	±3%
Large Capitalization Domestic	23.0%	±2%
Passive Core	19.0%	±2%
Active Core	4.0%	±2%
Small Capitalization Domestic	2.0%	±2%
Active Core	2.0%	±2%
International	16.0%	±2%
Passive Core	8.0%	±2%
Growth	.0%	±2%
Value	.0%	±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:

<b>DIVERSIFYING ASSET CLASSES</b>	<b>TARGET ALLOCATION</b>	<b>REBALANCE RANGE</b>
<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:

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

#### E. Liquidity Asset Allocation

Liquidity assets shall be allocated as follows:

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

#### F. Asset Allocation Policy Benchmark

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

<b>Benchmark</b>	<b>Asset Allocation Policy Benchmark</b>
<b>Growth Assets</b>	<b>59%</b>
Russell 3000 Index	25%

MSCI ACWI x US IMI Index Hedged <sup>^</sup>	16%
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%

<sup>^</sup> 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 rebalance 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, and one low-tracking error 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: 42% Russell 3000, 27% 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
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 factor is 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 loans, construction loans and preferred equity. 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 opportunity 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%



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 next three-year’s projected 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 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 monthly or 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, as well as highly-rated OECD Debt (rated AA- or better).

(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 20% of the program assets on loan.

(vi) The maximum total amount of program assets on loan shall not be greater than 50% of total lendable assets.

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 2025-\_\_\_

**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 April 23, 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:

At the November 2024 meeting, the Board approved a new asset allocation policy. The new policy has no allocation changes at the primary performance driver composite level (Growth, Diversifying, Inflation Hedge, and Liquidity). However, within the Growth category, there are two policy changes within public equity. First, low volatility target allocation will be removed, and second, the U.S. equity/International equity split has been adjusted so that U.S. Equity comprises 60% of total public equity (up from the current 55%).

To reflect these updates, staff recommends amending Sections 6.0 "Asset Allocation & Portfolio Structure" and 9.0 "Growth Assets Investment Policies".

In addition to other minor language clean-up and corrections, staff is also proposing the following additional change to the Investment Policy Statement:

Amend Section 3.0 "Investment Objectives" to change the reference portfolio from a 60% equity / 40% fixed income construct to a simple implementation of our Asset Allocation Benchmark (consisting of four primary asset classes: 1) Global Equities, 2) Core Bonds, 3) Short-Term Bonds, and 4) Core Real Estate).

**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 January 28, 2025.

Ayes, Trustees:

Noes, Trustees:

Absent, Trustees:

Abstain, Trustees:

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Sandie Arnott, Board Secretary

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

January 28, 2025

Agenda Item 6.4

**TO:** Board of Retirement

**FROM:** Doris Ng, Investment Analyst 

**SUBJECT:** Presentation of Private Asset Semi-Annual Performance Reports as of June 30, 2024

**Recommendation**

Accept and review Verus' semi-annual private equity and private real assets performance reports as of June 30, 2024.

**Background**

Verus provides a semi-annual private equity and private real asset performance report as of June 30<sup>th</sup> and December 31<sup>st</sup> each year.

**Discussion**

As of June 30, 2024, SamCERA's private equity portfolio had a total market value of \$451 million (6.9% of SamCERA's total fund). SamCERA's long-term target allocation to private equity is 8.0%.

The private equity portfolio's net IRR since inception is 18.6%, 490 bps above the same cash flow invested in the Russell 3000 Total Return Index return of 13.7%. For the six-month period from January 1, 2024 through June 30, 2024, SamCERA's board approved two additional commitments in private equity, totaling \$56 million. As of June 30, SamCERA had a total of forty-six funds with \$872.9 million in committed capital across thirty private equity managers.

As of June 30, 2024, SamCERA's private real assets portfolio had a total market value of \$367 million (5.6% of SamCERA's total fund). SamCERA's long-term target allocation to private real assets is 5.0%.

The private real assets portfolio's net IRR is 6.8%. For the six-month period from January 1, 2024 through June 30, 2024, SamCERA's board approved two additional commitments in private real assets, totaling \$50 million. As of June 30, there were twenty-two private asset funds in the portfolio with \$519.8 million in committed capital across fourteen private real asset managers.

Faraz Shooshani and John Nicolini will review the performance reports with the Board and be available for questions.

**Attachments**

- A. Verus Semi-Annual Private Equity Performance Report for Period Ending 6/30/2024
- B. Verus Semi-Annual Private Real Assets Performance Report for Period Ending 6/30/2024



**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**



**Period Ending: June 30, 2024**

Investment Performance Review

Private Markets

**San Mateo County Employees' Retirement Association**

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# Observations driving Verus outlook

## Executive summary

### **Valuations have rebounded broadly.**

As public market valuations have expanded, private markets—having recently bottomed—are following suit. General Partners (GPs), particularly those in the midst of fundraising, are motivated to generate realizations and are bringing their top-performing portfolio assets to market, commanding higher purchase prices. In Venture Capital, AI and AI-adjacent companies have seen significant value expansion.

### **Deal activity shows early signs of recovery.**

Deal activity remains subdued compared to recent years, though it is on track to match or exceed pre-COVID levels. Bid-ask spreads have narrowed as seller expectations normalize from the inflated peaks of 2021, and valuations recover from recent lows. GPs are motivated to deploy capital, seeking to prevent fund return cannibalization due to management fees. On the buy side, value opportunities may increase, providing a counterbalance to higher debt costs in a rebounding valuation environment. In Venture, GPs are positioning themselves to capitalize on the next wave of technological innovation, driving deal flow.

### **Exit activity remains weak.**

Aversion to higher-risk assets has constrained exit activity as public market investors haven't reliably rewarded freshly minted IPOs. Sellers who delayed exits in anticipation of more favorable exit conditions may reconsider should pressure to realize gains grow and their valuation expectations normalize. Exit prospects for larger deals will continue to face headwind should Merger and Acquisition (M&A) remain scrutinized by governing bodies.

### **Untraditional methods of generating capital are proliferating.**

To address the lack of exits and extended hold periods, managers are increasing their usage of untraditional mechanisms that enable liquidity (e.g., Continuation Vehicles, deferral of purchase and debt payments, and NAV loans). These solutions have the potential to be executed in a manner unfavorable to LPs, necessitating critical LP judgement and diplomacy.

### **Fundraising remains depressed broadly.**

Aside from Europe, fundraising remains depressed due to record amounts of dry powder and the inability to free up existing LP capital via distributions. A difficult fundraising environment may inhibit AUM growth, core competency shifts, blind pool risk, and access constraints. To the benefit of existing GP-LP relationships and portfolio incumbents, some LPs have preferred to allocate to established managers rather than emerging ones.

### **Rising cost of debt may reduce return on equity.**

GPs are shifting towards a higher proportion of equity to debt when executing leveraged buyouts, resulting in diminished upside from leverage. Somewhat caused by elevated interest rates, the observed extension of J-curves, diminishing of exit options, decline in earnings growth, and decreased interest coverage may reduce investment return prospects across Private Markets.

# Summary of findings

## Outlook

Unattractive	Neutral	Attractive

Strategy	Stage	'23	'24	Commentary	
Buyout	U.S.	Small Mkt			Small market buyouts often present easy-to-grasp revenue growth opportunities. Purchasing is also relatively cheaper and less leverage dependent. Smaller companies offer investors the potential to mitigate headwinds resultant from higher interest rates, though at higher risk as companies at this size are more subject to idiosyncratic and cyclical risks. The potential for prolonged macro-related headwinds prompted our shift from last year.
		Mid Mkt			The middle market offers potential value on the buy, being at a size where take-privates, bankruptcies, carve-outs, and macro-driven motivating selling are prominent. Often, companies at this scale are not operating at their full potential, allowing for margin expansion opportunities. They also benefit from large and mega caps opting to grow their companies through acquisitions as they bide time for more rewarding exit markets.  Growth equity offers a reprieve from headwinds pervading private markets. Growth equity investments typically require little to no debt to finance and allow asset owners to maintain control.
		Large Cap			Operating improvement opportunities are relatively limited in large cap companies. Companies at this scale typically possess strong market positions and were owned by multiple sponsors, who presumably professionalized and optimized their investments. Large cap buyout returns are typically driven by leverage and multiple expansion, both of which are hindered in an elevated rate environment.
	Europe			Despite geopolitical conflict and fragmented capital markets, the region demonstrated resilience in investment activity. We remain positive on opportunistically partnering with pan-European and region-specific managers who have proven track records that are likely to persist.	
Venture Capital	Early-Stage			Strong early-stage managers may provide for an outsized value-appreciating component within a private markets portfolio. The expansion of purchase prices are offset by the opportunity to invest early in a start-up with the potential to gain significant market leadership in frontier markets. Early-stage investments are relatively insulated from macro environments as valuation step-ups are tied to the perception of operating milestones.	
	Late-Stage			Entry valuations rebounded to a level above historical normal. Value step-ups upon exit are limited. Until IPO markets provide meaningful upside to later stage funding rounds and M&A becomes less contentious with regulatory bodies, we find the later stage to be limited in its risk-return prospects.	

# Summary of findings (cont.)

## Outlook

Unattractive	Neutral	Attractive
		

Strategy	Stage	'23	'24	Commentary
Private Credit	Senior Debt			The revitalization of the Broadly Syndicated Loan (“BSL”) market and increase in private lender competition has led to meaningful spread compression and looser documentation. Despite overcrowding, Direct Lending still offers decent current income to private portfolios, a merit that can be further appreciated in a realization-constraint private equities environment. Though spreads are compressed, base rates remain elevated. Managers who focus on market segments with lower levels of traffic may not have to make excessive sacrifices on pricing and documentation
	Subordinated Capital			Subordinated Capital's increasing equity participation and higher spreads offer higher returns to senior secured structures, though with higher risk. Borrowers have increased their interest in financing acquisitions and growth capital solutions using subordinated debt where unitranche financings have been commonplace. Pricing for this investment type has improved and structures often included cash pay interest versus paid in kind interest (which some sponsors are taking advantage of to defer debt burdens). Related to the deferral or avoidance of higher interest payments, “Structured Equity” / “Capital Solutions” type of financings have increased in popularity for borrowers who’d prefer not to take equity dilution.
	Credit Opportunities			The enactment of Basel III Endgame, a US Federal Reserve FDIC rule forcing banks to increase capital requirements / reduce risk, may catalyze an already widening funding gap and decrease competition within Credit Opportunities. Some may find these strategies and loan types appealing as they offer higher returns and lower correlation relative to larger sized corporate cash flow lending funds. Asset-based lending may offer additional downside protection in less benign environments and diversification in a collateral base.
	Control Oriented Distressed			Though distressed marks remain slightly above levels observed in 2022, they are trending downwards from 2023. Although meaningful distressed opportunities are not yet present, we remain positive on managers who can execute on distressed during dislocation and provide flexible capital solutions during more benign environments. Liquid strategies, such as buying discounted bonds, may appeal to investors looking for shorter durations and faster returns on their investments.
Secondaries				Secondaries remain a solution for budding private equity portfolios optimizing for J-curve mitigation and ramping of private equity exposure. Increased use of continuation vehicles may bring more upside to portfolios targeting secondaries. Discounts have come down, shifting our sentiment to one of opportunistic inclusion upon portfolio need.

# U.S. buyout – Small/middle market

## Rebound in activity from recent lulls

- Although deal activity has declined compared to recent years, especially from the highs of 2021, it is on track to return to pre-COVID levels, with \$72 million in aggregate deal value across 622 companies for the quarter.
- U.S. middle market buyout multiples have rebounded from their gradual decline between 2021 and 2023 (from 14.6x to 11.0x, now at 12.7x), likely driven by a combination of public market expansion and pressures to deploy capital and generate liquidity. Anecdotally, some sponsors have brought top-performing portfolio assets to market, contributing to increased aggregate valuations and a narrowing of bid-ask spreads.
- Despite rising debt costs, purchase price multiples have not adjusted accordingly, increasing the need to find value during acquisitions. The middle market may present more opportunities where complexity risks lead to perceived discounts, such as in carve-outs, take-private transactions, bankruptcies, and founder-led or fundless-sponsor-owned companies facing financial distress.
- The current environment may inhibit value creation through valuation expansion and leverage, prompting GPs to focus more on improving operating metrics to generate returns. Opportunities to drive revenue growth or optimize costs are more prevalent in small-cap and middle-market companies, which tend to be less professionalized compared to their larger-cap counterparts.

DEAL ACTIVITY BY COUNT AND VALUE



Source: Pitchbook Q1 2024

MEDIAN EV/EBITDA MULTIPLES



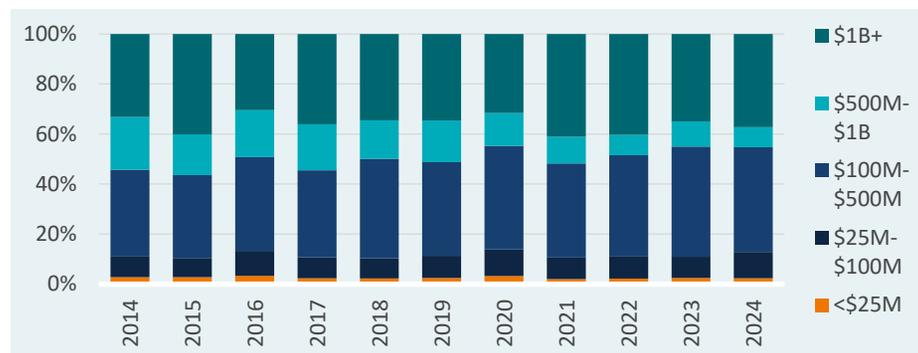
Source: Pitchbook Q1 2024

# U.S. buyout – Small/middle market (cont.)

## Increased activity relative to other Buyout segments

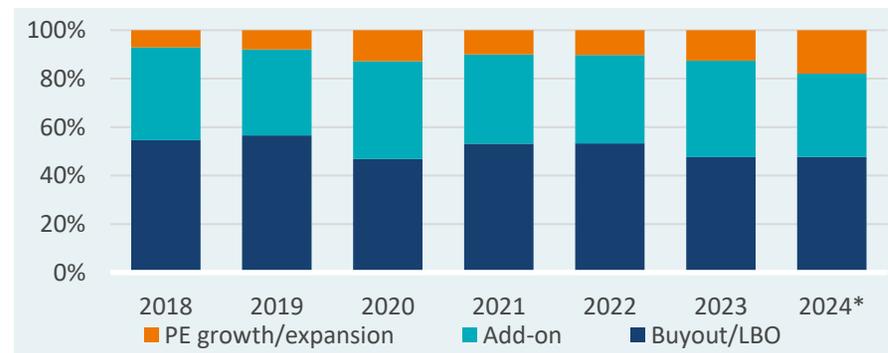
- Fundraising in the middle market increased as a portion of all Buyout dollars fundraised (10-year record of 55%), somewhat substantiating the relative attractiveness of the market segment. As a share of all PE Buyouts, middle market deal value has reached a record high of 74%, inferring the capital deployment headwinds of larger cap managers and the perceived risks of small cap.
- With exits being constrained for large caps, which typically rely on IPOs, and expensive debt impeding new investments, GPs are shifting their focus to growing existing portfolio companies while waiting for more favorable exit conditions. As a result, large cap firms may target their smaller counterparts for acquisitions.
- Less resilience couples the perceived higher return potential of these sub-asset classes, highlighting the importance of experienced management teams and company board members, particularly folks who've managed through recessionary environments.
- Growth Equity deals continue to see increased deal activity as they are primarily financed via equity. Owners who desire to maintain control will prefer a minority sale, especially to a counterparty who is able and willing to provide operational value-add. Growth deals by deal value increased to 23%, up from the 5-year average of 18.5%. By count, Growth Equity increased to 18.0% from the 5-year average of 10.7%.

**BUYOUT DEAL FLOW BY SIZE**



Source: Pitchbook Q2 2024

**DEAL VALUE BY INVESTMENT TYPE**



Source: Pitchbook Q2 2024

# Venture capital – Early stage

## Limited exits and rising valuations

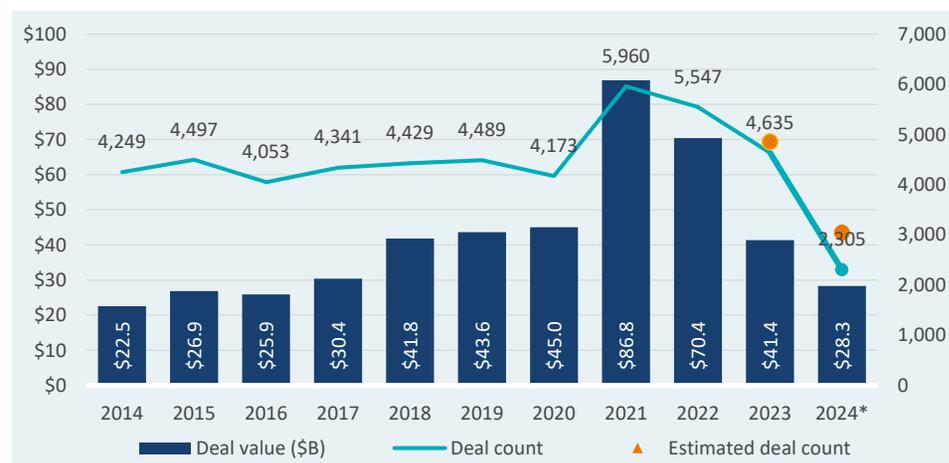
- Valuations rebounded, mitigating the downward pressures from elevated interest rates. Average deal sizes reached record highs, surpassing even those of 2021 (\$23M compared to \$19M). The 10-year average stands at \$13M.
- While the year over year increase in valuations is most significant in AI, other sectors also saw substantial gains. For example, AI valuations rose from \$48M to \$65M, Fintech from \$45M to \$53M, and SaaS from \$35M to \$53M.
- Early-stage investors poured in \$28B, aiming not to miss out on the next wave of technological innovation. This pace exceeds the \$41B invested in 2023 and the 7-year pre-2021 average of \$34B. Notably, Q2 2024 marked the highest early-stage deal count since Q1 2022.
- Despite broad valuation increases, early-stage investors may benefit from the reduced frothiness of purchase prices seen in previous years. The step-up from Seed to Series A decreased to 1.6x, representing a 31% drop compared to 2022.

U.S. EARLY-STAGE VC DEAL VALUE DISPERSION



Source: Pitchbook Q2 2024 U.S. VC Valuations Report

EARLY-STAGE VC DEAL VALUE DISPERSION



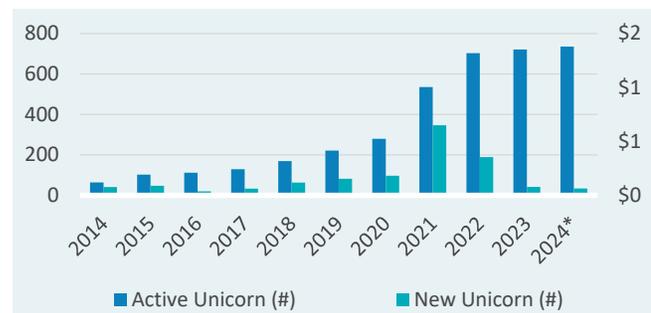
Source: Pitchbook Q2 2024 U.S. VC Valuations Report

# Venture capital – Late stage

## Limited exits and rising valuations

- Valuations increased in 2024, with median values surpassing those of 2021 (\$68.6M vs \$67.0M). The rise in valuations raises curiosity around the significance of future step-ups upon subsequent funding and exits.
- Late-stage returns are closely tied to exits. While exits remain limited, they are on pace to exceed 2022-2023 levels as companies adjust to new valuation expectations in exchange for growth financing opportunities.
- Post-IPO market capitalization trends were mixed. Reddit and ARM saw gains following their debuts, while other newly minted public companies saw contractions.
  - Instacart’s public market performance, in particular, has been challenging for later-stage investors. Having raised \$265M on a \$39B valuation in a late-stage round in 2021, the company’s market capitalization dropped to \$8.4B as of August 16, 2024.
- Merger and acquisition (M&A) activity has been hindered by anti-trust scrutiny, with challenges from regulators peaking in recent years. Some speculate that the FTC’s tough stance may have had some influence on Wiz’s decision to decline Google’s \$20B acquisition offer.
- The number of active unicorns has reached all-time highs in 2024 (735 unicorns valued compared to 535 unicorns). This trend points to a burgeoning IPO pipeline in the near to intermediate term. However, unicorns with weakening demand and shrinking financial runways may face increased flat or down rounds, leading to potential valuation discounts.
- Amid a backdrop of limited distributions and increasing unrealized values, alternative exit strategies such as direct secondaries, continuation vehicles, and intra-GP fund transactions may gain traction.

UNICORN COUNT AND VALUE



Source: Pitchbook NVCA Venture Monitor as of June 2024

VALUE STEP UP UPON EXIT



Source: Pitchbook NVCA Venture Monitor as of June 2024

EXITS BY TYPE



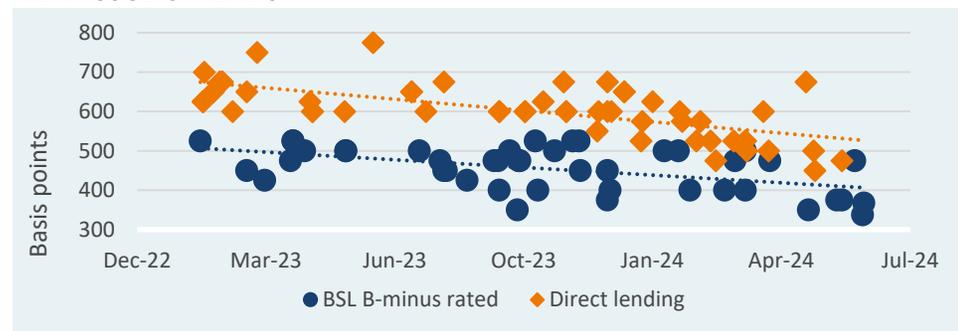
Source: Pitchbook Q2 2024 U.S. VC Valuations Report

# Private credit

## Spread compression; record repricing

- With the re-emergence of the Broadly Syndicated Loan market, new issue spreads compressed significantly, diminishing the attractiveness of Direct Lending, which had initially benefited when interest rates began to rise.
- Larger lenders are relaxing documentation requirements and pricing standards in a bid to deploy capital, reducing the availability of deal flow for covenant-heavy and alpha-seeking lenders. In Q1 2024, a notable number of private loans were refinanced by BSL's. This trend reversed in Q2 2024, signaling Direct Lending's capitulation on borrower-friendly terms.
- As borrowers seek to reduce debt burdens, repricing and overall U.S. loan activity hit record highs in the first half of 2024. New debt issuance remained muted, constrained by elevated interest rates and wider bid-ask spreads.

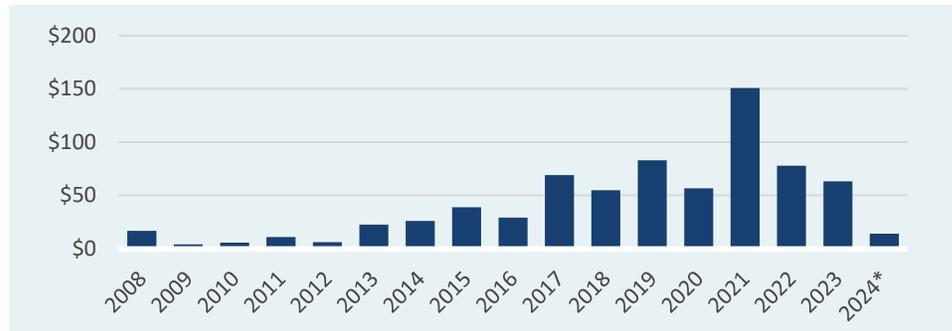
### NEW-ISSUE SPREADS



Source: Pitchbook / LCD Q2 24

- Banking regulations and recent disruptions, such as Basel III Endgame and the collapse of Silicon Valley Bank, may widen funding gaps and create new credit opportunities. Lenders targeting less competitive segments are likely to outperform traditional corporate lending strategies due to wider spreads and equity-like components.
- While distress indicators remain slightly elevated compared to 2022, they have shown improvement since 2023 (default rates dropped from 1.75% in July 2023 to 0.92% in July 2024, and distressed ratios based on outstanding amounts fell from 5.47% to 4.42%). Although a significant distressed investing environment remains to be seen, we maintain confidence in managers adept at navigating dislocation and offering flexible capital solutions during more stable market conditions.

### DIRECT LENDING CAPITAL RAISED



Source: Pitchbook / LCD Q1 24

Investment Type	Policy Target	Policy Range	Market Value %	Market Value \$(000)	Unfunded Commitment \$(000)	Market Value + Unfunded \$(000)
<b>SamCERA - Total Plan</b>			<b>100.0%</b>	<b>6,486,126</b>		
Buyout (70% +/- 30%)	4.9%	2.8%-7.0%	4.1%	266,977	147,789	414,766
Venture Capital (30%, 0%-40%)	2.1%	0.0%-2.8%	1.4%	92,511	42,182	134,693
Debt-Related/Special Situations (0%, 0%-30%)	0.0%	0.0%-2.1%	1.4%	91,575	80,173	171,748
<b>Total Private Equity*</b>	<b>7.0%</b>	<b>5%-9%</b>	<b>6.9%</b>	<b>451,062</b>	<b>270,144</b>	<b>721,208</b>

### Portfolio Summary

- As of June 30, 2024, the portfolio's exposure to Private Equity was \$451,062,351 with \$266,977,081 in Buyout, \$92,510,769 in Venture Capital, and \$91,574,502 in Debt-Related/Special Situations. Total market value is the current reported value of investments, excluding the remaining unfunded commitments.
- Since initial allocation to Private Equity, SamCERA has contributed \$597,454,622 towards its Private Equity commitments, with \$338,981,720 to Buyouts, \$78,334,600 to Venture Capital, and \$147,032,991 to Debt Related. Unfunded commitments total \$326,144,244.
- The total portfolio exposure at 6.9% of plan is below the 7.0% target, effective July 1st 2022. Compared to December 31, 2023, portfolio exposure is up 0.2%. Buyout, Venture Capital, and Debt Related / Special Situations exposures remain within policy range.

### Portfolio Activity

- In 2024, SamCERA committed \$28,000,000 to Kinderhook Fund VIII, \$28,000,000 to Peak Rock Capital Fund IV.

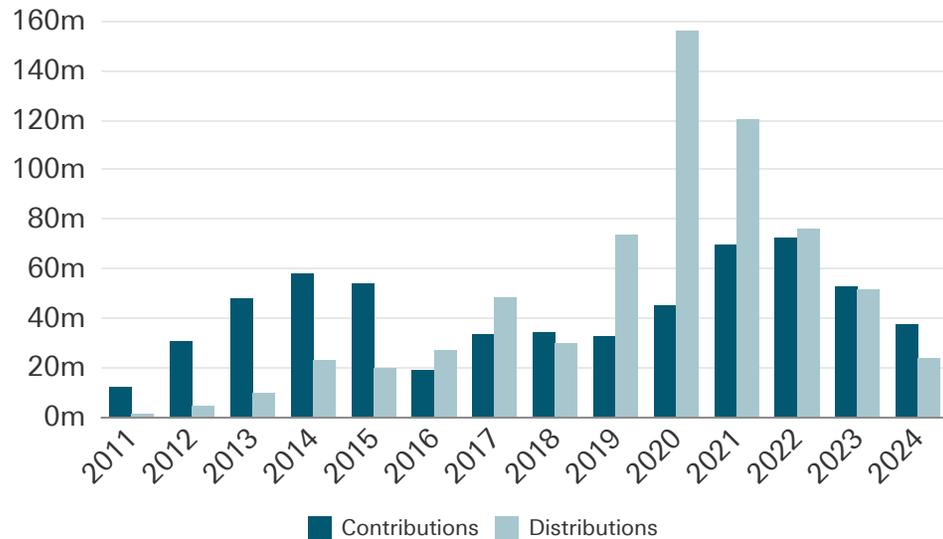
**Performance**

- The Total Private Equity portfolio’s performance, as measured by net IRR, is 18.64% 521 bps above the same cash flow invested in Russell 3000 Total Return Index 13.73% Capital weighted average investment age of the portfolio is 5.34 years.
- The portfolio is currently valued at \$451,062,351. Together with \$661,238,628 in realized distributions, the Total Value at \$1,112,300,979 is \$516,669,481 above \$595,631,498 in total capital contributions, resulting in a total value multiple of 1.87x and a distribution multiple of 1.11x.
- Thus far in 2024, contributions marginally outpaced distributions at a ratio of 1.68:1.

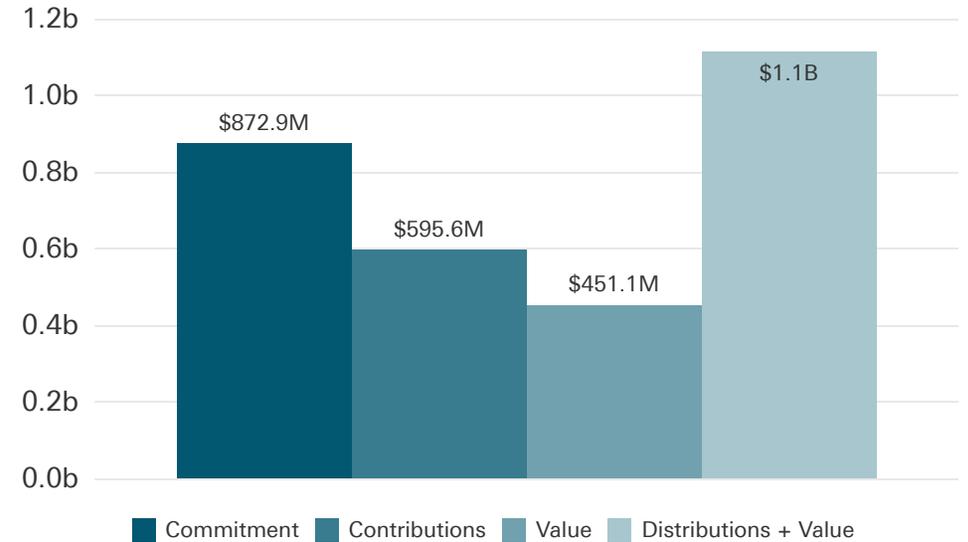
**Attribution of returns:**

- Buyouts up \$244,427,955 / 1.68x (Great Hill V and VI, and Sycamore leading), with 0.94x of called capital realized and distributed.
- Venture Capital is up \$240,021,048 / 3.73x cost (Emergence III, NEA 14, and General Catalyst VI leading), with 2.68x of called capital realized and distributed.
- Debt-related, up \$32,176,254 / 1.22x cost (Abry Senior Equity V, Abry Adv Sec II, and Abry Adv Sec IV leading), with 0.60x of called capital realized and distributed.
- Within Private Equity, the current allocation of market value exposure is 59.2% to Buyout, 20.5% to Venture Capital, and 20.3% to Debt-Related/Special Situations.

Cash Flows on Annual Basis as of 6/30/2024

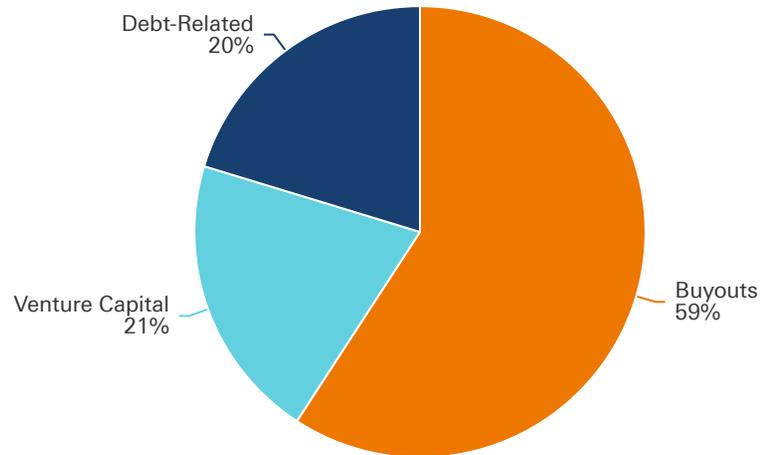


Cumulative Cash Flow and Valuation as of 6/30/2024



Investment Type	Commitment	Reported Value
Buyouts	\$527,935,000	\$266,977,081
Debt-Related	\$214,500,000	\$91,574,502
Venture Capital	\$130,500,000	\$92,510,769
<b>Total</b>	<b>\$872,935,000</b>	<b>\$451,062,351</b>

Current Exposure by Fund Type

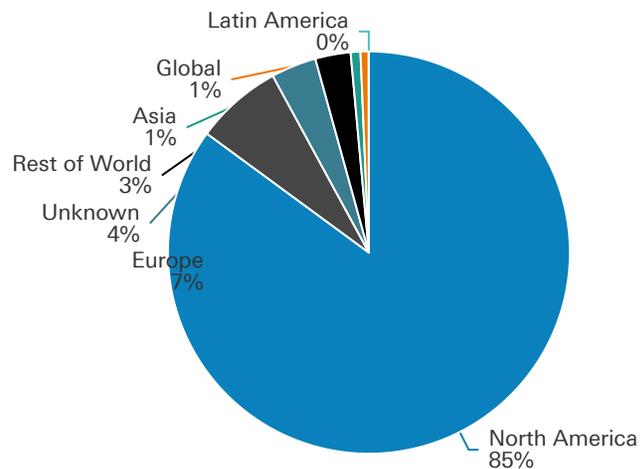


## Portfolio Diversification by Geography

For Period Ending June 30, 2024

Geography	Reported Value
Global	\$2,957,634
North America	\$385,300,013
Europe	\$31,678,063
Asia	\$3,544,779
Latin America	\$77,754
Rest of World	\$12,871,751
Unknown	\$14,632,357
<b>Total</b>	<b>\$451,062,351</b>

## Reported Value by Geography



Based on the value of portfolio companies and fund reported exposures as of June 30, 2024. Differences between reported value and the total portfolio valuation is due to temporary cash funds, fees, other expenses, and holdings with undisclosed geography breakdown.

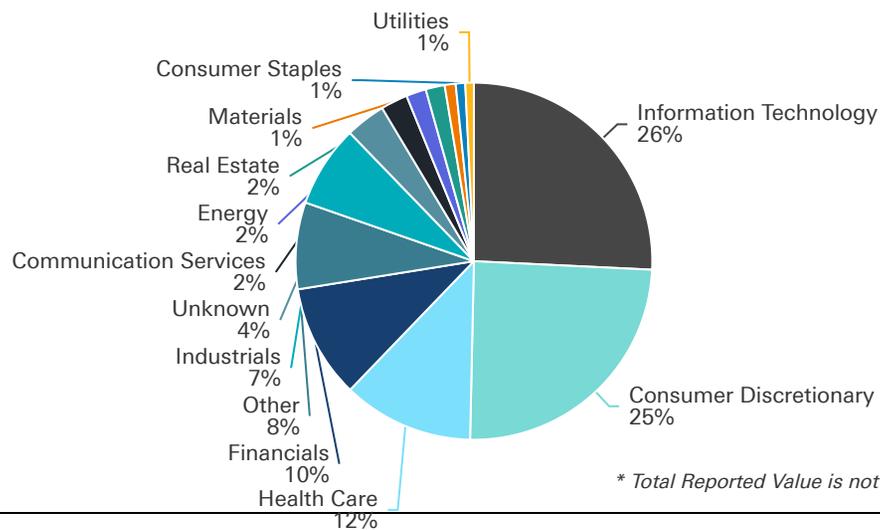
\* Total Reported Value is not inclusive of Sixth Street TAO

## Portfolio Diversification by GICS

For Period Ending June 30, 2024

Global Industry Classification Standard	Reported Value
Communication Services	\$11,035,212
Consumer Discretionary	\$111,345,002
Consumer Staples	\$3,897,177
Energy	\$8,190,106
Financials	\$46,523,295
Health Care	\$53,728,309
Industrials	\$33,662,635
Information Technology	\$116,663,598
Materials	\$4,482,763
Real Estate	\$7,819,442
Utilities	\$3,517,819
Other	\$35,564,636
Unknown	\$14,632,357
<b>Total</b>	<b>\$451,062,351</b>

## Reported Value by Industry

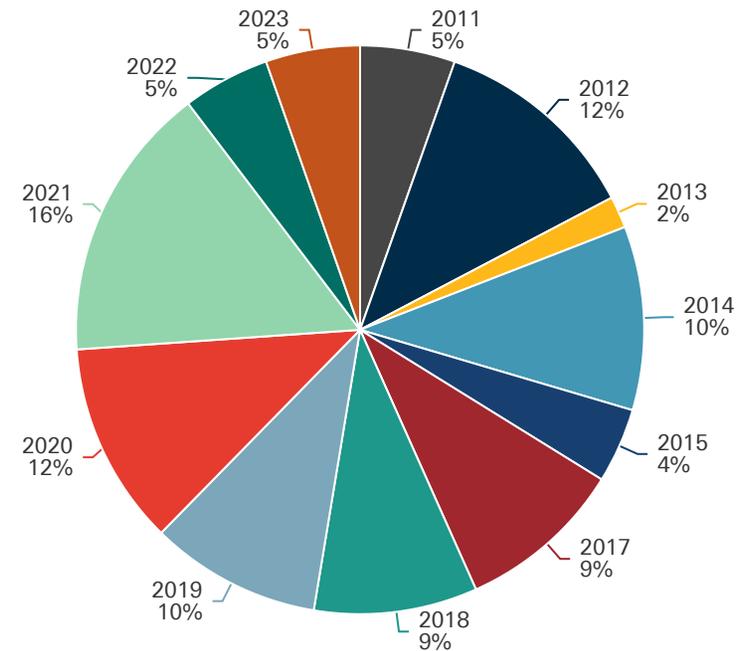


\* Total Reported Value is not inclusive of Sixth Street TAO

Based on the value of portfolio companies and fund reported exposures as of June 30, 2024. Differences between reported value and the total portfolio valuation is due to temporary cash funds, fees, other expenses, and holdings with undisclosed GICS breakdown.

Vintage Year	Commitments	Reported Value
2011	\$66,000,000	\$24,385,222
2012	\$68,000,000	\$53,683,794
2013	\$35,000,000	\$8,140,228
2014	\$72,500,000	\$47,137,704
2015	\$53,000,000	\$19,206,659
2016	\$10,000,000	\$0
2017	\$37,000,000	\$42,806,219
2018	\$35,000,000	\$41,944,202
2019	\$50,000,000	\$43,899,741
2020	\$66,435,000	\$52,125,662
2021	\$114,000,000	\$71,078,377
2022	\$75,000,000	\$22,438,310
2023	\$135,000,000	\$24,216,235
<b>Total</b>	<b>\$816,935,000</b>	<b>\$451,062,351</b>

Current Exposure by Vintage Year



- **No Material exceptions to Policy**



**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**



**Period Ending: June 30, 2024**

Investment Performance Review

Private Markets

**San Mateo County Employees' Retirement Association**

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[VERUSINVESTMENTS.COM](https://www.verusinvestments.com)

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LOS ANGELES 310.297.1777

SAN FRANCISCO 415.362.3484

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## Real Assets Portfolio Performance

3

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## Real Assets Portfolio Diversification

4

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## Real Assets Program Update

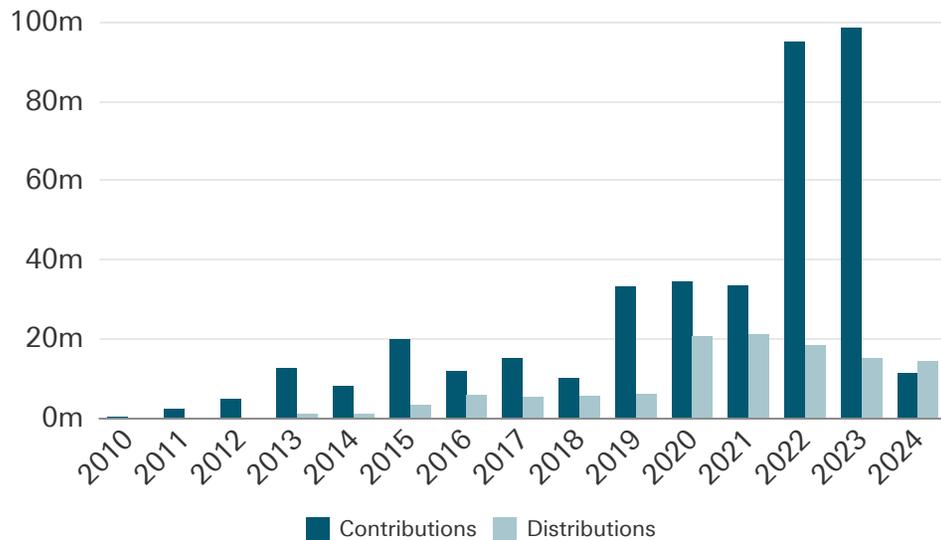
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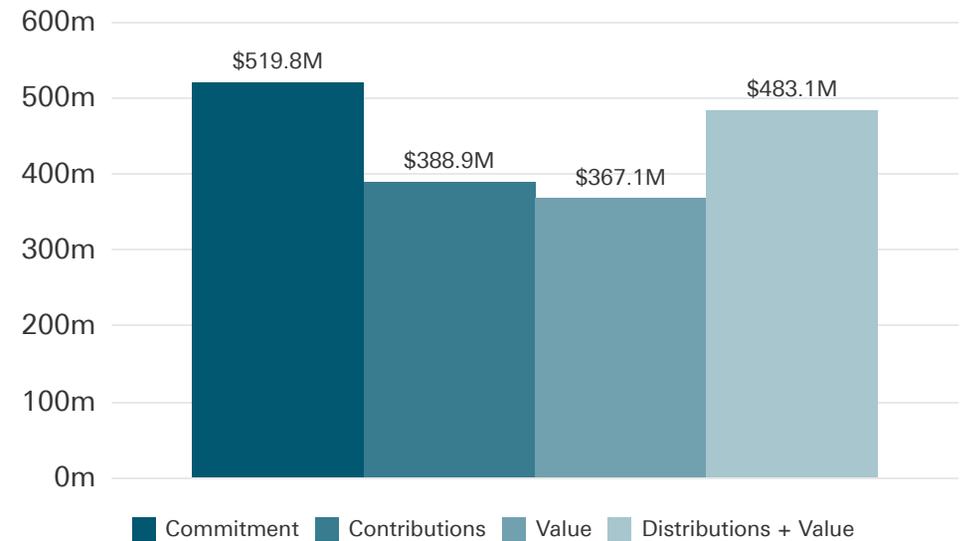
**Performance**

- The portfolio is currently valued at \$367,126,440. Together with \$115,928,777 in realized distributions, the Total Value at \$483,055,218 is \$94,169,677 above \$388,885,540 in total capital contributions, resulting in a total value multiple of 1.24x and a net IRR of 6.84%. If we exclude the investment in Sheridan, the portfolio IRR would be 10.30%
- In 2024, distributions have outpaced contributions at a ratio of 1.28:1.

Cash Flows on Annual Basis as of 6/30/2024



Cumulative Cash Flow and Valuation as of 6/30/2024



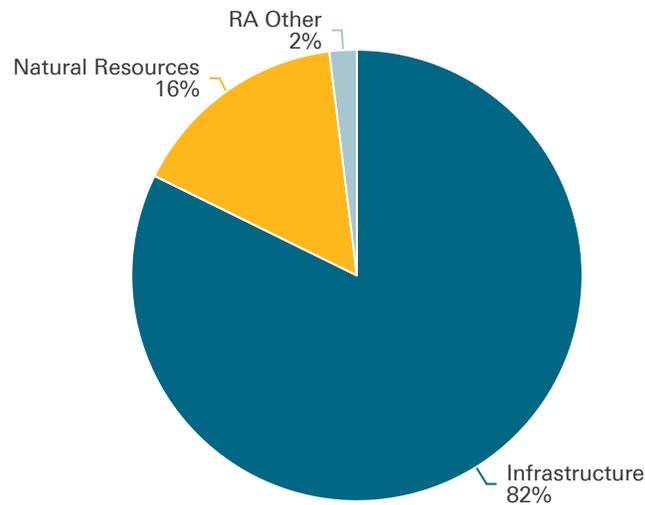
## Portfolio Diversification by Fund Type

For Period Ending June 30, 2024

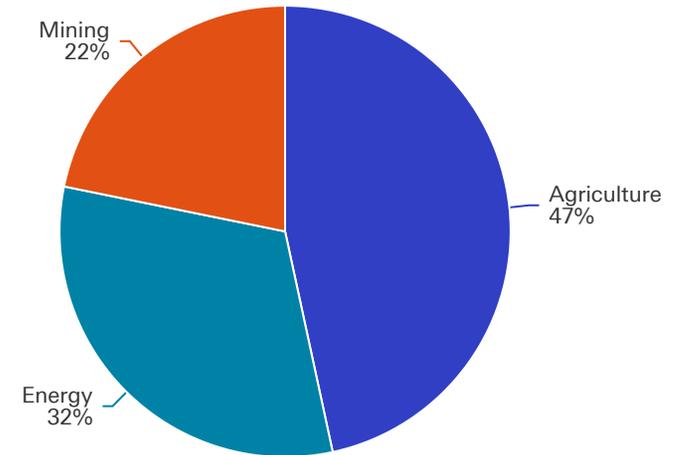
Investment Type	Commitment	Reported Value
Infrastructure	\$325,000,000	\$302,049,339
Natural Resources	\$144,800,000	\$57,879,747
RA Other	\$50,000,000	\$7,197,354
<b>Total</b>	<b>\$519,800,000</b>	<b>\$367,126,440</b>

Investment Type Within	Commitment	Reported Value
Natural Resources		
Agriculture	\$15,000,000	\$26,978,394
Energy	\$74,800,000	\$18,279,169
Mining	\$55,000,000	\$12,622,184
<b>Total</b>	<b>\$144,800,000</b>	<b>\$57,879,747</b>

## Current Exposure by Sub-Asset Class



## Current Exposure by Sub-Asset Class



RA Other consists of Cerberus CIREP Fund VI, L.P., and KSL Capital Partners VI, L.P.

## Portfolio Diversification by Geography

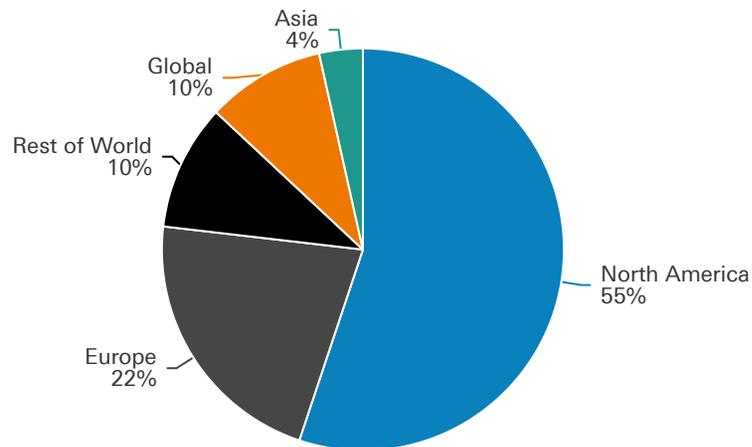
For Period Ending June 30, 2024

Geography	Reported Value
Global	\$34,671,465
North America	\$200,403,829
Europe	\$78,929,051
Asia	\$12,723,813
Rest of World	\$36,800,534
Unknown	\$3,597,749
<b>Total</b>	<b>\$367,126,440</b>

\* North America includes 100% market value from Sheridan II-B

\*\* Rest of World includes: Australia, Chile, Senegal, DRC, and Burkina Faso.

## Reported Value by Geography



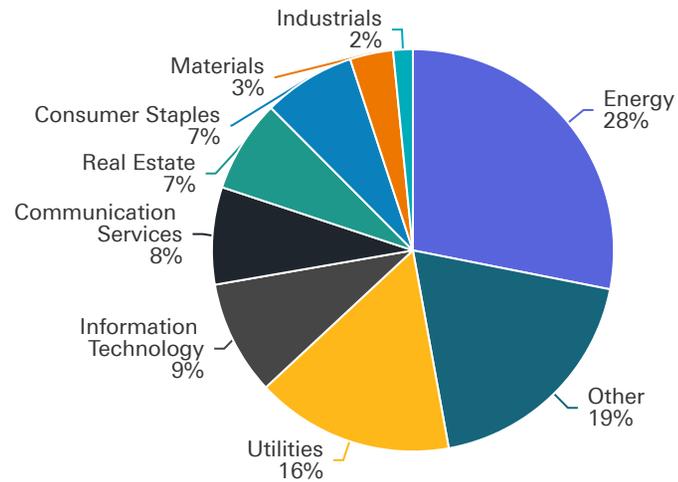
Based on the value of portfolio companies and fund reported exposures as of June 30, 2024. Differences between reported value and the total portfolio valuation is due to temporary cash funds, fees, other expenses, and holdings with undisclosed geography breakdown.

## Portfolio Diversification by Sector

For Period Ending June 30, 2024

GICS	Reported Value
Communication Services	\$28,418,963
Consumer Staples	\$26,978,394
Energy	\$102,159,723
Industrials	\$5,738,021
Information Technology	\$33,428,954
Materials	\$12,622,184
Real Estate	\$27,062,318
Utilities	\$57,914,351
Other	\$69,205,784
Unknown	\$3,597,749
<b>Total</b>	<b>\$367,126,440</b>

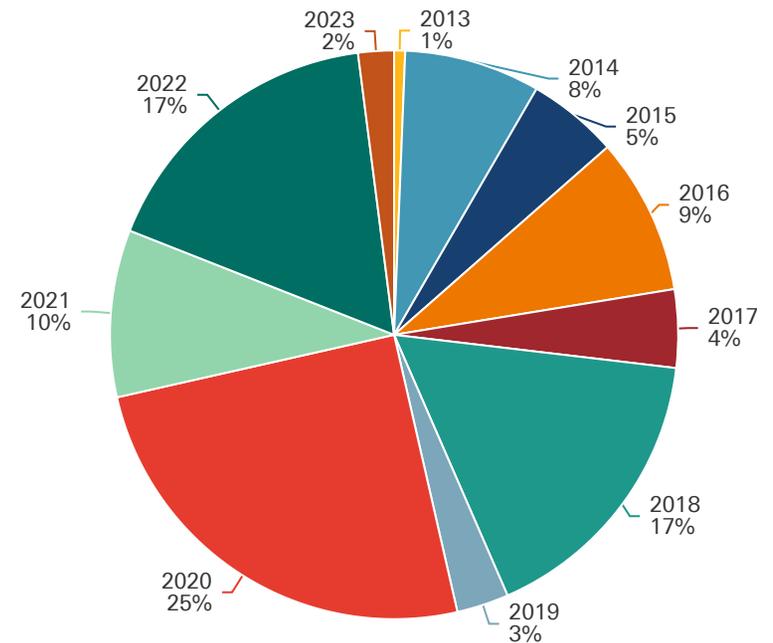
## Reported Value by Industry



Based on the value of portfolio companies and fund reported exposures as of June 30, 2024. Differences between reported value and the total portfolio valuation is due to temporary cash funds, fees, other expenses, and holdings with undisclosed GICS breakdown.

Vintage Year	Commitments	Reported Value
2010	\$20,000,000	\$0
2013	\$10,000,000	\$2,306,294
2014	\$35,000,000	\$28,395,781
2015	\$10,000,000	\$18,953,912
2016	\$25,000,000	\$32,674,711
2017	\$29,800,000	\$16,308,624
2018	\$50,000,000	\$60,909,930
2019	\$25,000,000	\$10,869,048
2020	\$85,000,000	\$91,964,543
2021	\$45,000,000	\$34,877,383
2022	\$60,000,000	\$62,403,453
2023	\$75,000,000	\$7,462,761
2024	\$25,000,000	\$0
2025	\$25,000,000	\$0
<b>Total</b>	<b>\$519,800,000</b>	<b>\$367,126,440</b>

Current Exposure by Vintage Year



- In 2024, SamCERA made commitments to Tiger Infrastructure IV (\$25M) and Quantum Energy Partners VIII (\$25M), which satisfies the planned commitments for the year.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

January 28, 2025

Agenda Item 7.1

**TO:** Board of Retirement  
**FROM:** Scott Hood, Chief Executive Officer  
**SUBJECT:** 2025 Board-Staff Retreat Topics



**Recommendation**

Provide direction for staff regarding the topics and schedule for the March 25, 2025, Board-Staff Retreat.

**Background**

The annual Board-Staff retreat is scheduled for March 25, 2025. The Board assists on setting the topics to be addressed at the retreat and provides input regarding the proposed presenters. This agenda item gives trustees its first opportunity to discuss retreat topics. We will bring this item back to the Board to finalize the agenda.

**Discussion**

We will again have an in-person retreat this year and follow a similar outline as last year's retreat. The Board already approved a start time of 8:30 a.m. for March 25 and we are proposing this one-day retreat to occur immediately after the regular Board meeting. The retreat portion will have 4 major topics, which will be decided by the Board and an educational session on ethics. There will be an opportunity between topics for discussion.

This year, we have scheduled Ian Toner and Jeff MacLean from Verus as part of the retreat. Ian will give an update on the economic outlook and Jeff will provide insights on the risk profile of the portfolio. During lunch, Paul Okada will provide an hour of ethics training. In the afternoon, a guest speaker from Blackrock will provide a presentation on impacts and use cases for Artificial Intelligence (AI). Diane Webster, Retirement Technology Officer, will round out the day with a presentation on SamCERA's Connectivity Topography and Cybersecurity.

**Attachment**

Draft 2025 Board-Staff Retreat Agenda



# Board/Staff Retreat

MARCH 25, 2025

# DRAFT BOARD/STAFF RETREAT AGENDA

8:30 a.m.	<b>Beginning of Regular Board Meeting Agenda</b>	12:30 p.m.	<b>Break</b>
8:45 a.m.	<b>Economic Macro Outlook</b> Ian Toner, Chief Investment Officer, Verus	12:45 p.m.	<b>AI Overview on Impacts and Use Cases</b> Blackrock
9:45 a.m.	<b>Break</b>	1:45 p.m.	<b>Break</b>
10:00 a.m.	<b>Enterprise Risk Tolerance: Finding Balance Between Return and Risk Levers</b> Jeff MacLean, Chief Executive Officer, Verus	2:00 p.m.	<b>SamCERA Information Technology Topography Update</b> Diane Webster, Chief Technology Officer
11:30 a.m.	<b>Working Lunch and Ethics Instruction</b> Paul Okada, Chief Legal Counsel	3:00 p.m.	<b>End of Retreat</b>

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

January 28, 2025

Agenda Item 7.2

**TO:** Board of Retirement

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

**SUBJECT:** Approval of Resolution Authorizing the Chief Executive Officer to Approve the Payment of a Member's Benefits by Check

**Recommendation**

Approve a resolution delegating the authority to approve the payment of a member's benefits by check to the Chief Executive Officer pursuant to Board Regulation 5.5(C).

**Background**

Historically, only the Board itself had the authority under the Board's regulations to authorize the payment of a member's benefits by check as opposed to electronic means. As a result of the Board's meeting schedule, the process of approving the payment of benefits by check has sometimes resulted in a delay in processing such changes.

On August 27, 2024, the Board amended Board Regulation 5.5(C) to allow the Board to delegate the authority to provide for payment to members by check. Board Regulation 5.5(C) presently states:

- C. The Board may approve payment by check in cases where the Board's paying agent is unable to provide payment by auto deposit and in cases where the member has specifically requested payment by check. The Board, by resolution, may delegate the authority to approve payment by check in the circumstances described above to the Chief Executive Officer.

**Discussion**

Staff has received a request from a member to receive payment by check. In lieu of placing such item, and future items, on the Board's agenda for approval, staff is requesting that the Board delegate the authority to authorize such payments by check to the Chief Executive Officer as contemplated by the August 2024 resolutions. Such delegation should allow staff to promptly process such payment requests especially during months when the Board does not have a regular meeting scheduled.

**Attachment**

Resolution Authorizing the Chief Executive Officer to Approve the Payment of a Member's Benefits by Check Pursuant to Board Regulation 5.5(C)

**RESOLUTION AUTHORIZING THE CHIEF EXECUTIVE OFFICER  
TO APPROVE THE PAYMENT OF A MEMBER'S BENEFITS  
BY CHECK PURSUANT TO BOARD REGULATION 5.5(C)**

RESOLUTION 2025-\_\_\_\_\_

RESOLVED, by the Board of Retirement, that

WHEREAS, Board of Retirement Regulation Article V, Section 5.5(C) provides that the Board may approve payment by check in cases where the Board's paying agent is unable to provide payment by auto deposit and in cases where the member has specifically requested payment by check; and

WHEREAS, Regulation Article V, Section 5.5(C) further provides that the Board, by resolution, may delegate the authority to approve payment by check in the circumstances described above to the Chief Executive Officer; and

WHEREAS, pursuant to Regulation 5.5(C), this Board now desires to delegate such authority, in the circumstances described therein, to the Chief Executive Officer; and

WHEREAS, the Board finds that such delegation is intended to result in the efficient processing of payments by check in cases where the Board's paying agent is unable to provide payment by auto deposit as well as in cases where the member has specifically requested payment by check;

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that the Chief Executive Officer may hereafter authorize payments by check in cases where the Board's paying agent is unable to provide payment by auto deposit as well as in cases where the member has specifically requested payment by check.

Regularly passed and adopted, by the San Mateo County Employees' Retirement Association, Board of Retirement, on January 28, 2025.

Ayes, Trustees:

Noes, Trustees:

Absent, Trustees:

Abstain, Trustees:

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Sandie Arnott, Board Secretary  
SamCERA