A G E N D A

AMENDED
SAN JOAQUIN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
FRIDAY, JULY 8, 2022
AT 9:00 AM

Location: SJCERA Board Room, 6 S. El Dorado Street, Suite 400, Stockton, California
Alternate Location: 1485 Cerro Verde, Tracy, CA 95376

In accordance with current State mandates, appropriate face coverings are strongly recommended for all attendees.

The public may also attend the Board meeting live via Zoom by (1) clicking here https://us02web.zoom.us/j/84105745469 and following the prompts to enter your name and email, or (2) calling (669) 219-2599 or (669) 900-9128 and entering Meeting ID 84105745469#.

Persons who require disability-related accommodations should contact SJCERA at (209) 468 -9950 or ElainaP@sjcera.org at least forty-eight (48) hours prior to the scheduled meeting time.

1.0 ROLL CALL

2.0 PLEDGE OF ALLEGIANCE

3.0 APPROVAL OF MINUTES

3.01 Minutes for the Board Meeting of June 3, 2022 6

3.02 Minutes for the Administrative Committee Meeting of June 13, 2022 10

3.03 Board to consider and take possible action on minutes

4.0 PUBLIC COMMENT

4.01 The public is welcome to address the Board during this time on matters within the Board's jurisdiction, following the steps listed below. Speakers are limited to three minutes, and are expected to be civil and courteous. Public comment on items listed on the agenda may be heard at this time, or when the item is called, at the discretion of the Chair.

If joining via Zoom, Public Comment can be made in the following ways:

PC or Mac: select "Participants" in the toolbar at the bottom of your screen, then select the option to raise or lower your hand.

Mobile Device: select the "More" option in the toolbar at the bottom of your screen, then select the option to raise or lower your hand.

Tablet: select the icon labeled "Participants," typically located at the top right of your screen, then select the hand icon next to your device in the Participants column.

If dialing in from a phone for audio only, dial *9 to "raise your hand."

If attending in person, members of the public are encouraged to complete a Public Comment form, which can be found near the entry to the Board Room.

Except as otherwise permitted by the Ralph M. Brown Act (California Government Code Sections 54950 et seq.), no deliberation, discussion or action may be taken by the Board on items not listed on the agenda. Members of the Board may, but are not required to: (1) briefly respond to statements made or questions posed by persons addressing the Board; (2) ask a brief question for clarification; or (3) refer the matter to staff for further information.

5.0 CONSENT ITEMS

01 Cherion presentation link below
https://presentation.cheiron.us/presentation/view/SJCERAExpStudy?token=K4Kt

10.02 Summary of Preliminary Actuarial Valuation as of January 1, 2022 presented by Anne Harper and Timothy Doyle of Cheiron 226

01 Cheiron presentation link below
https://presentation.cheiron.us/presentation/view/SJCERAPrelimAVR?token=o1Ze

10.03 Board to consider and take possible action on preliminary valuation and experience study

11.0 INVESTMENT CONSULTANT REPORTS

11.01 Presented by David Sancewich of Meketa Investment Group

01 Monthly Investment Performance Updates

a Manager Performance Flash Report - May 2022 250

b Economic and Market Update - May 2022 257

02 Investment Fee Transparency Report 278

11.02 Board to receive and file reports

12.0 ASSET LIABILITY STUDY: IMPLEMENTATION OF NEW POLICY

12.01 Presentation by David Sancewich and Jonathan Camp of Meketa Investment Group 286

12.02 Board to consider and take possible action on Implementation of New Policy

13.0 2022 ANNUAL INVESTMENT ROUNDTABLE 288

13.01 Board to review and discuss proposed topics and give direction to staff as necessary

14.0 STAFF REPORT

14.01 Trustee and Executive Staff Travel

01 Conferences and Events Schedule for 2022 289

02 Summary of Pending Trustee and Executive Staff Travel 290

03 Summary of Completed Trustee and Executive Staff Travel 291

14.02 Board to consider and take possible action on any new travel request

14.03 Pending Retiree Accounts Receivable - Second Quarter 2022 292

14.04 Disability Quarterly Report - Statistics 293

14.05 Legislative Summary Report 294

14.06 CEO Report 297

14.07 Board to receive and file reports

15.0 CORRESPONDENCE

15.01 Letters Received (0)

15.02 Letters Sent (0)

15.03 Market Commentary/Newsletters/Articles

16.0 COMMENTS

16.01 Comments from Board of Retirement

17.0 ELECTION OF OFFICERS

17.01 Board to elect officers for 2022-2023

18.0 CALENDAR

18.01 Board Meeting August 12, 2022 at 9:00 AM

19.0 ADJOURNMENT

M I N U T E S

BOARD MEETING
SAN JOAQUIN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
FRIDAY, JUNE 3, 2022
AT 9:00 AM
Location: SJCERA Board Room, 6 S. El Dorado Street, Suite 400, Stockton, California

1.0 ROLL CALL

1.01 **MEMBERS PRESENT:** Phonxay Keokham, Emily Nicholas, Jennifer Goodman, Michael Duffy (in at 9:04 AM), Robert Rickman, Chanda Bassett, JC Weydert, Steve Moore, Raymond McCray (out at 10:02 AM), and Michael Restuccia presiding.
MEMBERS ABSENT: None
STAFF PRESENT: Chief Executive Officer Johanna Shick, Assistant Chief Executive Officer Brian McKelvey, Management Analyst III Greg Frank, Information Systems Analyst II Lolo Garza, Information Systems Specialist II Jordan Regevig, Administrative Secretary Elaina Petersen
OTHERS PRESENT: Deputy County Counsel Jason Morrish; David Sancewich, Jonathan Camp (via Zoom), David Glickman, Erik White (via Zoom) of Meketa Investment Group; Graham Schmidt (via Zoom) of Cheiron;

2.0 PLEDGE OF ALLEGIANCE

2.01 Led by Robert Rickman

3.0 MEETING MINUTES

3.01 Minutes for the Board Meeting of May 6, 2022

3.02 Minutes for the Audit Committee Meeting of May 17, 2022

3.03 The Board voted unanimously (8-0) to approve the Minutes of the Board of May 6, 2022 and the Minutes of the Audit Committee Meeting of May 17, 2022. (Motion: Rickman; Second: Weydert)

4.0 PUBLIC COMMENT

4.01 There was no public comment.

5.0 CONSENT ITEMS

5.01 Service Retirement (26)

5.02 The Board voted unanimously (8-0) to approve the Consent Calendar Items. (Motion: Weydert; Second: Bassett)

NOTE: Agenda Item 7.0 was taken next out of order.

6.0 PRIVATE EQUITY MANAGER PRESENTATIONS

6.01 Presentation by David Wehrs and Byron Deeter of Bessemer Venture Partners

01 Bessemer Venture Partners XII Institutional, L.P.

02 Bessemer Venture Partners Forge Institutional, L.P.

7.0 REAL ESTATE MANAGER PRESENTATION

7.01 Presentation by Julie Kittler, Dillon Lorda, Mike Acton and Candida Hoeberrichts of AEW

01 AEW Essential Housing Fund

8.0 CLOSED SESSION

BEFORE THE CHAIR CONVENED CLOSED SESSION AT 10:42 AM, COUNSEL ANNOUNCED THAT THERE WERE NO PERSONNEL MATTERS TO DISCUSS UNDER ITEM 8.02. THE CHAIR RECONVENED OPEN SESSION AT 11:40 AM AND COUNSEL ANNOUNCED THAT THERE WAS NOTHING TO REPORT OUT OF CLOSED SESSION.

8.01 Purchase or Sale of Pension Fund Investments
California Government Code Section 54956.81

8.02 Personnel Matters
California Government Code Section 54957
Employee Disability Retirement Application(s) (0)

9.0 INVESTMENT CONSULTANT REPORTS

9.01 Presentation by David Sancewich of Meketa Investment Group

01 Quarterly Reports for period ended March 31, 2022

a Quarterly Investment Performance Analysis

b Manager Certification Report

c Manager Review Schedule

d Manager Monitor Update

02 Monthly Investment Performance Updates

a Manager Performance Flash Report - April 2022

b Economic and Market Update - April 2022

9.02 The Board received and filed reports.

10.0 PRIVATE CREDIT BENCHMARK

10.01 Presentation by David Sancewich and Eric White of Meketa Investment Group

10.02 The Board voted unanimously (8-0) to accept the private credit benchmark change. (Motion: Keokham; Second: Weydert)

11.0 ASSET LIABILITY STUDY: PORTFOLIO SELECTION

11.01 Presentation by David Sancewich and Jonathan Camp of Meketa Investment Group

11.02 The Board discussed and voted unanimously (8-0) to accept portfolio option three. (Motion: Keokham; Second: Goodman)

12.0 FINANCIAL REPORTS FOR YEAR ENDING DECEMBER 31, 2021

12.01 Presentation by Lindsey Zimmerman of Brown Armstrong Accountancy Corporation

01 Report to the Board of Retirement and Audit Committee

02 Annual Financial Report with Independent Auditor's Report

12.02 The Audit Committee Chair presented the reports in Ms. Zimmerman's absence. The Board received and filed the reports.

13.0 STAFF REPORTS

13.01 Trustee and Executive Staff Travel

01 Conferences and Events Schedule for 2022

02 Summary of Pending Trustee and Executive Staff Travel

a Travel Requiring Approval (1)

03 Summary of Completed Trustee and Executive Staff Travel

13.02 The Board voted unanimously (7-0) to approve Chair Michael Restuccia to attend Institutional Real Estate, Inc, Fall Advisory Board Meeting September 6-8, 2022 in Southern California. (Motion: Weydert; Second: Duffy)

13.03 Legislative Summary Report

13.04 CEO Report

In addition to the written report, CEO Shick shared the happy update Investment Officer Paris Ba gave birth to a healthy baby girl. Both mother and baby are doing fine. CEO Shick also reported that many action plan goals are more than 50 percent done as of the end of May. Additionally, she noted that several Pension Administration System related goals will be deferred until 2023 with some continuing into 2024 because the Pension Administration System project is not scheduled to begin until first quarter 2023.

01 Action Plan Mid-Year Update

13.05 The Board received and filed reports.

14.0 CORRESPONDENCE

14.01 Letters Received (0)

14.02 Letters Sent (0)

14.03 Market Commentary/Newsletters/Articles

01 CommonFund
What's the Difference?
Time-Weighted Return vs.
Internal Rate of Return
April 2022

02 Columbia Threadneedle Investments
Is the U.S. Economy Heading to a Recession?
April 2022

03 Capital Group
Does the EM Debt Repricing Present
A Good Entry Point?
May 2022

04 NCPERS
Monitor
May 2022

15.0 COMMENTS

15.01 Chair Michael Restuccia requested staff notify facilities to replace the United States Flag at the front of the building.

16.0 CALENDAR

16.01 Administrative Committee Meeting June 13, 2022, at 1:00 PM

16.02 Board Meeting July 8, 2022, at 9:00 AM

17.0 ADJOURNMENT

17.01 There being no further business the meeting was adjourned at 1:01 PM. The Board took two breaks, from 10:37 AM until 10:42 AM and 11:40 AM until 11:49 AM.

Respectfully Submitted:

____
Michael Restuccia, Chair

Attest:

____
Raymond McCray, Secretary

M I N U T E S

ADMINISTRATIVE COMMITTEE MEETING
SAN JOAQUIN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
MONDAY, JUNE 13, 2022
AT 1:01 PM
Location: SJCERA Conference Room,
6 S. El Dorado Street, Suite 400, Stockton, California

1.0 ROLL CALL

1.01 **MEMBERS PRESENT**: Chanda Bassett, Phonxay Keokham and Jennifer Goodman presiding

MEMBERS ABSENT: Raymond McCray

STAFF PRESENT: Chief Executive Officer Johanna Shick, Assistant Chief Executive Officer Brain McKelvey, Management Analyst III Greg Frank and Administrative Secretary Elaina Petersen

OTHERS PRESENT: Deputy County Counsel Jason Morrish

2.0 PUBLIC COMMENT

2.01 There was no public comment.

3.0 CONSENT ITEMS

3.01 Board Policies Not Requiring Amendments

01 Correction of Errors or Omissions Policy

02 Declining Employer Payroll Policy

03 Dissolution of Marriage or Registered Domestic Partnership

04 Ex-Parte Communications Policy

05 Member Contributions and Interest Posting Policy

3.02 Board Policies Requiring Amendments

01 Age Verification Policy

a Age Verification Policy - Mark-up

b Age Verification Policy - Clean

02 CEO Performance Review Policy

a CEO Performance Review Policy - Mark-up

b CEO Performance Review Policy - Clean

03 Communication Policy

a Communication Policy - Mark-up

b Communication Policy - Clean

04 Computer Equipment Policy

a Computer Equipment Policy - Mark-up

b Computer Equipment Policy - Clean

05 Conflict of Interest Policy

a Conflict of Interest Policy - Mark-up

b Conflict of Interest Policy - Clean

06 Employer Termination Policy

a Employer Termination Policy - Mark-up

b Employer Termination Policy - Clean

07 Statement of Funding Policy

a Statement of Funding Policy - Mark-up

b Statement of Funding Policy - Clean

08 Statement of Reserve Policy

a Statement of Reserve Policy - Mark-up

b Statement of Reserve Policy - Clean

09 Staff Transportation and Travel Policy

a Staff Transportation and Travel Policy - Mark-up

b Staff Transportation and Travel Policy - Clean

10 Trustee Education Policy

a Trustee Education Policy - Mark-up

b Trustee Education Policy - Clean

11 Trustee and Executive Travel Policy

a Trustee and Executive Travel Policy - Mark-up

b Trustee and Executive Travel Policy - Clean

3.03 Committee Charters Requiring Amendments

01 Administrative Committee Charter

a Administrative Committee Charter - Mark-up

b Administrative Committee Charter - Clean

3.04 The Committee reviewed the items, provided edits to select policies, and voted unanimously (3-0) to recommend the Board of Retirement adopt the policies with revisions and the Committee Charter. (Motion: Bassett; Second: Keokham; subsequent motion for reconsideration at 5.02.)

4.0 PROPOSED DIGITAL SIGNATURE POLICY

4.01 The Committee reviewed, provided edits to this policy, and voted unanimously (3-0) to recommend the Board of Retirement adopt the policy with revisions (Motion: Bassett; Second: Keokham)

5.0 SUMMARY OF STATEMENTS OF ECONOMIC INTEREST

5.01 Sample “Summary of Sources of Income on Statements of Economic Interest (Form 700)” form

5.02 The Committee reviewed this item and, after discussion, asked staff to return to the Committee with additional information regarding the proposed summary statement at its scheduled November 2022 meeting. The Committee voted unanimously (3-0) to reconsider its motion on the Consent Items at 3.01-3.03. (Motion: Basset; Second: Keokham.) After further discussion and edits to select policies, the Committee voted unanimously (3-0) to recommend the Board of Retirement adopt the policies with revisions. (Motion: Bassett; Second: Keokham.)

6.0 PROPOSED MID-YEAR BUDGET ADJUSTMENT

6.01 Linea Solutions Fee Proposal

6.02 The Committee voted unanimously (3-0) to recommend the Board of Retirement approve the mid-year budget increase (Motion: Bassett; Second: Keokham)

7.0 COMMENTS

7.01 Comments from Members of the Committee

8.0 ADJOURNMENT

8.01 There being no further business, the meeting was adjourned at 2:16 p.m.

Respectfully Submitted:

____
Jennifer Goodman, Committee Chairperson

San Joaquin County Employees Retirement Association

July 2022

5.01 Service Retirement — Consent

01 EMAD E ABBAS — Dept Info Systems Analyst IV, Employment - Economic Developm

Member Type: General
Years of Service: 00y 09m 06d
Retirement Date: 5/5/2022
Comments: 2nd Retirement as a Tier 2 member.

02 MANUEL A CHAVEZ — Solid Waste Recovery Supervisr, Lovelace Transfer District

Member Type: General
Years of Service: 20y 11m 03d
Retirement Date: 6/3/2022

03 TONY P CONSTANCIO — Equipment Operator I, Flood Channel Maintenance

Member Type: General
Years of Service: 23y 04m 00d
Retirement Date: 5/16/2022

04 DIANE IGNATOVICH — Senior Office Assistant, Auditor - Controller

Member Type: General
Years of Service: 14y 07m 23d
Retirement Date: 5/7/2022

05 KATHERINE A KLINE-PREEO — Deferred Member, N/A

Member Type: General
Years of Service: 08y 01m 09d
Retirement Date: 6/1/2022
Comments: Deferred from SJCERA since July 1992.

06 RAJU C MATHEW — Deferred Member, N/A

Member Type: General
Years of Service: 08y 02m 27d
Retirement Date: 5/28/2022
Comments: Deferred from SJCERA since August 2001. Outgoing reciprocity and concurrent retirement with ACERA.

07 VINCENT A MAZO — Staff Nurse IV - Inpatient, Hosp Progressive Care Unit

Member Type: General
Years of Service: 18y 05m 05d
Retirement Date: 4/25/2022

08 CHRISTOPHER R MILLER — Senior Emergency Planner, Emergency Services

Member Type: General
Years of Service: 21y 05m 01d
Retirement Date: 6/5/2022

09 WENDI L MINDT — Deferred Member, N/A

Member Type: General
Years of Service: 05y 03m 02d
Retirement Date: 4/30/2022
Comments: Deferred from SJCERA since November 2010.

10 **ROBERT MITTELSTEADT** — Senior Office Assistant, Public Defender

Member Type: General
Years of Service: 06y 05m 02d
Retirement Date: 4/30/2022
Comments: Tier 2 member.

11 **MICKEY A MOSER** — Deferred Member, N/A

Member Type: General
Years of Service: 07y 10m 03d
Retirement Date: 5/21/2022
Comments: Deferred from SJCERA since March 2020.

12 **MICHELLE A PATTEN** — Employment Training Spec II, HSA - Gain

Member Type: General
Years of Service: 15y 03m 05d
Retirement Date: 4/22/2022

13 **PATRICIA J QUIROZ** — Eligibility Worker II, HSA - Eligibility Staff

Member Type: General
Years of Service: 15y 09m 25d
Retirement Date: 5/31/2022

14 **KRISTEN M ROSSELLI** — Social Worker V, HSA - Services Staff

Member Type: General
Years of Service: 33y 05m 01d
Retirement Date: 5/6/2022

15 **FELISHA RUSH** — Correctional Sergeant, Sheriff-Custody-Regular Staff

Member Type: Safety
Years of Service: 21y 04m 02d
Retirement Date: 5/3/2022

16 **STACEY E SMITH** — Eligibility Worker II, HSA - Eligibility Staff

Member Type: General
Years of Service: 07y 01m 18d
Retirement Date: 6/1/2022
Comments: Tier 2 member.

17 **SUZY T TAGUIAM** — Licensed Vocational Nurse, Hosp Employee Health Clinic

Member Type: General
Years of Service: 29y 05m 18d
Retirement Date: 5/31/2022

18 **LINDY-LOU TURNER** — Deferred Member, N/A

Member Type: General
Years of Service: 07y 06m 20d
Retirement Date: 5/13/2022
Comments: Deferred from SJCERA since November 2003.

19 **KATHREN L VITEK** Deferred Member
N/A

Member Type: General
Years of Service: 11y 05m 24d
Retirement Date: 4/1/2022
Comments: Deferred from SJCERA since March 2013.

20 **BRIAN R WADLER** Deferred Member
N/A

Member Type: General
Years of Service: 17y 01m 26d
Retirement Date: 6/1/2022
Comments: Deferred from SJCERA since May 2021.

7.02 Disability Retirement — Consent

01 EMPLOYEE — Deputy Sheriff II, Sheriff - Patrol

Member Type: Safety
Service-Connected Disability Retirement
Staff recommends that the Board of Retirement grant the applicant a service-connected disability retirement.

02 EMPLOYEE — Deputy Sheriff II, Sheriff - Patrol

Member Type: Safety
Service-Connected Disability Retirement
Staff recommends that the Board of Retirement grant the applicant a service-connected disability retirement.

03 EMPLOYEE — Deputy Sheriff II, Sheriff - Patrol

Member Type: Safety
Service-Connected Disability Retirement
Staff recommends that the Board of Retirement grant the applicant a service-connected disability retirement.

Board of Retirement Meeting
San Joaquin County Employees' Retirement Association

Agenda Item 5.02

July 8, 2022

SUBJECT: Mid-Year Administrative Budget Review and Proposed Adjustment

SUBMITTED FOR: __X_ CONSENT __ ACTION __ INFORMATION

RECOMMENDATION

Review the mid-year administrative budget for January 1 through June 30, 2022.

Approve the Administrative Committee's recommendation to increase the budget by $300,000, bringing the total annual budget to $6,044.525.

PURPOSE

To compare projected actuals to the budgeted administrative expenses for SJCERA's operations for the first six months of the fiscal year and to determine if any budget adjustment(s) are necessary.

To adjust the budget to cover the cost of project management services (provided by Linea Solutions) for the pension administration system (PAS) implementation project.

DISCUSSION

Proposed Mid-Year Budget Adjustment

At the July 9, 2021 Board meeting, staff noted the PAS additional scope of work, Project Management Oversight, is anticipated to begin in 2022, at a proposed cost of $1.8 million over three years. Staff anticipates incurring a half-year's cost, approximately $300,000 as detailed below.

Estimated Linea Project Management Oversight Costs (Starting July 2022)	
Linea Project Management & Oversight Proposal Estimate (RFP 2021- 03)	$ 1,783,040.00[1]
Project Time (Years)	3.0
Annual Linea Cost (Proposal Estimate / Years)	$ 594,346.67
2022 Budget Adjustment (1/2 Annual Linea Cost)	$ 297,173.33

[1] *On June 14, after the Administrative Committee Meeting, SJCERA received an updated Statement of Work (SOW) from Linea Solutions for Project Management Oversight which reflects a total cost of $2,523,440. This cost represents an increase of $740,400 over the Proposal Estimate from RFP 2021-03 above. Project Management Oversight cost increase is solely associated to an increase in duration of requested services, not an increase to the pricing of project management oversight services. The Data Conversion and PAS projects duration is projected to take approximately 51 months beginning July 2022 which is an additional 15 months of project management services originally proposed.*

At a high level, Linea will provide the following services: development and management of a master project plan, reporting, budget tracking, issue tracking and resolution, risk identification and mitigation, resource planning, test planning and support, system design verification, organizational change management and training, implementation activity support, and project wrap-up.

At the December 2021 meeting, the Board approved the 2022 Administrative Budget of $5,154,728. At the May 2, 2022 meeting, the Board approved $589,797 to hire Managed Business Solutions (MBS) to provide data cleansing services. Staff will include the already-approved MBS budget increase in addition to the $300,000 additional request (if approved), in the new 2022 Administrative Budget, which will be submitted to the County Auditor-Controller's Office. These two additions will bring SJCERA's total 2022 budget to $6,044,525.

Government Code section 31580.2 limits the administrative budget to 0.21 percent of the Accrued Actuarial Liability (AAL). The new 2022 budget will increase the percent of the AAL from 0.099 to 0.116 percent, still well under the 0.21 percent cap.

Mid-Year Budget Review

SJCERA's projected expenses for the period January 1 through June 30 are 43 percent of budget, or $379,985 less than budgeted year-to-date. The attachment provides details for actual versus budgeted expenses by line item.

Notable Differences

At June 30, we would expect to be approximately 50 percent through our budget. The notable variances between the projected actual year-to-date expenses and the 2022 Administrative Budget are summarized below.

Salaries and Benefits

Projected actual Salaries and Benefits expense is 51 percent of the budgeted amount or $38,672 greater than budgeted year-to-date. The primary reasons are 1) the overlap of the ACEO positions for two and a half months, and 2) the vacation cash-outs of three staff members who retired at the end of March. These items were budgeted but incurred in the first half of the year; actual expenses are projected to be in line with the budget by year-end.

Services and Supplies

Projected actual Services and Supplies expenses are 34 percent of the budgeted amount or $375,214 under budget year-to-date. Additional information regarding components of Services and Supplies is provided below.

Professional & Specialized Services**:** Projected actual expenses are 30 percent of budget ($324,897 below budget), primarily caused by the data cleansing project costs being incurred in the second half of the year.

Software and Related Licenses: Projected actual expenses are 71 percent of budget ($24,768 over budget). The annual IGI license was paid in the first half of the year and actual expenses are projected to be in line with the budget by year-end.

Insurance – Liability and Fiduciary: Projected actual expenses are three percent of budget ($61,525 under budget). The primary reason is the annual fiduciary liability insurance premium is paid in the second half of the year.

Fixed Assets

Projected actual Fixed Assets expenses are 23 percent of the budgeted amount or $43,443 under budget year-to-date. These expenses are expected to be incurred in the second half of the year.

CONCLUSION

As stated above, SJCERA's projected expenses are $379,985 less than budgeted year-to-date. The majority of these costs will be incurred in the second half of the year. Accordingly, we are asking the Board to approve an increase in the budget of $300,000, the cost of hiring Linea Solutions as the PAS project manager for half a year.

ATTACHMENT

Mid-Year Review of Actual vs. Budgeted Expenses as of June 30, 2022

JOHANNA SHICK
Chief Executive Officer

GREG FRANK
Management Analyst III

MID-YEAR REVIEW OF ACTUAL VS. BUDGETED EXPENSES

SJCERA 2022 ADMINISTRATIVE BUDGET

AS OF JUNE 30, 2022

ACCOUNT NUMBER	DESCRIPTION	YTD EXPENSES	2022 BUDGET*	REMAINING BALANCE	YTD % SPENT	50% OF BUDGET	YTD SAVINGS
6001000000	Salaries & Wages	$934,198	$1,828,802	$894,605	51%	$914,401	($19,796)
6001100000	Salaries - Cafeteria	$52,379	$96,919	$44,539	54%	$48,459	($3,920)
6001200000	Salaries - Car Allowance	$3,510	$7,020	$3,510	50%	$3,510	$0
6001210000	Admin Benefits (Vac sell back)	$32,069	$51,902	$19,833	62%	$25,951	($6,118)
6010100000	Unemployment Comp Ins	$469	$1,380	$911	34%	$690	$221
6020000000	Retirement-Employer Share	$412,690	$818,922	$406,233	50%	$409,461	($3,228)
6020600000	Health Ins for Retirees-SLB	$12,427	$30,000	$17,573	41%	$15,000	$2,573
6030000000	Social Security - OASDI	$60,065	$110,640	$50,576	54%	$55,320	($4,744)
6030100000	Social Security - Medicare	$14,055	$28,272	$14,217	50%	$14,136	$81
6040000000	Life Insurance	$613	$1,313	$700	47%	$656	$43
6050000000	Health Insurance	$140,055	$272,000	$131,945	51%	$136,000	($4,055)
6070000000	Dental Insurance	$3,905	$8,075	$4,170	48%	$4,038	$133
6080000000	Vision Care	$541	$1,360	$819	40%	$680	$139
	SALARIES & BENEFITS	**$1,666,975**	**$3,256,606**	**$1,589,631**	**51%**	**$1,628,303**	**-$38,672**
6201000000	Office Expense - General	$5,132	$16,000	$10,868	32%	$8,000	$2,868
6202000000	Office Expense - Postage	$11,067	$14,500	$3,433	76%	$7,250	($3,817)
6203000000	Office Exp - Subs & Periodicals	$1,588	$1,600	$12	99%	$800	($788)
6206000000	Telephone	$7,438	$15,500	$8,062	48%	$7,750	$312
6209000000	Membership Dues	$3,322	$7,750	$4,428	43%	$3,875	$553
6211000000	Maintenance - Equipment	$5,003	$8,500	$3,497	59%	$4,250	($753)
6217000000	Due Diligence/Training	$28,406	$57,500	$29,094	49%	$28,750	$344
6220000000	Prof & Specialized Serv	$502,355	$1,654,505	$1,152,150	30%	$827,253	$324,897
6226016000	Software & Related Licenses	$82,918	$116,300	$33,382	71%	$58,150	($24,768)
6243000000	Food	$2,012	$4,950	$2,938	41%	$2,475	$463
6264000000	Rent - Structures & Grounds	$108,283	$220,114	$111,831	49%	$110,057	$1,774
6295220700	Data Processing Charges-ISD	$467	$8,000	$7,533	6%	$4,000	$3,533
6295232000	Insurance - Workers Comp	$0	$6,000	$6,000	0%	$3,000	$3,000
6295236000	Insurance - Liability & Fiduciary	$4,200	$131,450	$127,250	3%	$65,725	$61,525
6295999900	County Wide - Indirect Charges	$26,430	$65,000	$38,570	41%	$32,500	$6,070
	SERVICES AND SUPPLIES	**$788,620**	**$2,327,669**	**$1,539,049**	**34%**	**$1,163,835**	**$375,214**
6451000000	Equipment and Furniture	$11,900	$6,500	-$5,400	183%	$3,250	($8,650)
6453310100	PC Equipment and Upgrades	$24,782	$153,750	$128,968	16%	$76,875	$52,093
	FIXED ASSETS	**$36,682**	**$160,250**	**$123,568**	**23%**	**$80,125**	**$43,443**
	TOTAL EXPENDITURES	**$2,492,277**	**$5,744,525**	**$3,252,247**	**43%**	**$2,872,262**	**$379,985**
	Audit Committee Recommendation		$300,000				
	PROPOSED 2022 BUDGET		**$6,044,525**				

* 2022 Budget includes the Board's May 6, 2022 decision to hire data cleansing vendor Managed Business Solutions (MBS) for $589,797

Board of Retirement Meeting
San Joaquin County Employees' Retirement Association

Agenda Items 5.03

July 8, 2022

SUBJECT: Board Policies Requiring No Amendments

SUBMITTED FOR: __X__ CONSENT __ ACTION __ INFORMATION

RECOMMENDATION
Adopt the Administrative Committee- and staff-recommendation to make no changes to the policies listed below.

PURPOSE
To review the policies to ensure they remain relevant, appropriate, and in compliance, per Section III.C of the Administrative Committee Charter.

DISCUSSION

The Board requires staff to review one-third of the policies annually. Staff's review of this year's policies determined that no amendments are required on the following:

- Correction of Errors or Omissions Policy
- Declining Employer Payroll Policy
- Dissolution of Marriage or Registered Domestic Relationship Policy
- Ex-Parte Communications Policy
- Member Contributions and Interest Posting Policy

The Administrative Committee supported staff's recommendation. In order to have a clear public record documenting the review of the policies and the decision to maintain the status quo, staff seeks the Board's concurrence with the recommendation.

JOHANNA SHICK
Chief Executive Officer

GREG FRANK
Management Analyst III

SJCERA Board Policy

Correction of Errors or Omissions

I. Purpose

A. To establish standards and procedures for the resolution of errors or omissions with respect to the payment of member contributions or benefits. These standards and procedures are intended to ensure compliance with the Internal Revenue Code and Internal Revenue Service regulations and to meet the Board's fiduciary obligation to preserve SJCERA's financial integrity for the benefit of its members and their beneficiaries.

II. Objective

A. Members and beneficiaries have a right to accurate pension benefit payments. No member or beneficiary has the right to receive or retain, or be deprived from receiving or retaining, retirement benefit payments to which he or she is entitled. Subject to all applicable laws and SJCERA's policies and procedures, SJCERA shall make all reasonable efforts to recover or remit all errors in payment of contributions or benefits.

III. Guidelines

A. The Chief Executive Officer ("CEO") shall ensure that errors are promptly and thoroughly investigated and that all appropriate corrective measures are taken.

B. The CEO shall establish internal procedures to investigate, collect and resolve errors in the payment of benefits or contributions. The procedures will comply with applicable state and federal laws and regulations.

C. The CEO shall have full authority to take whatever actions are necessary or appropriate to correct any errors in the payment of contributions or benefits unless circumstances exist that make it unreasonable or futile to do so.

i. The CEO shall use reasonable efforts to resolve errors in payment of contributions or benefits, in consideration of the following factors:

a. IRS guidelines for correction of Plan errors;

b. Input from the Plan sponsor, as appropriate;

c. The total amount of the overpayment or underpayment, including interest;

d. The likelihood and anticipated cost of collection;

e. The verifiable financial circumstances of the member; and

f. The existence of fraud, or other culpability or responsibility for the error, whether by SJCERA, the member or a third party.

D. Corrections should attempt to place SJCERA in the position it would have been had the erroneous payment not occurred and, wherever feasible, resolution of the error should result in immediate full payment of the entire amount, with interest.

i. Any negotiated repayment schedule shall not exceed the expected lifetime of the member. Should the member die before the full amount owed, including interest, is paid, SJCERA may recover the remaining amount from any benefit owed to a beneficiary.

E. In certain circumstances, the CEO may agree to receive less than the full amount of repayment. Options for recovery in those instances include, but are not limited to, discounting interest rates, waiving interest and compromising the principal amount. In structuring any such resolution, the member shall bear the burden of establishing any claimed financial hardship to the satisfaction of the CEO.

F. In the event that the member or beneficiary fails to respond to communications from SJCERA staff, the CEO may initiate an action for recovery of the unpaid amount, including reductions of future payments, not to exceed any state or federal limitations on such recovery. No involuntary collections may be imposed without notice to the member or beneficiary pursuant to Section IV.

G. The CEO shall consult with counsel as needed with respect to any proposed correction. All legal remedies may be pursued to collect errors in benefits or contributions, including claims against estates or trusts.

H. The CEO shall have discretion to refrain from collection of amounts identified by the IRS as small overpayments subject to exemption from full correction, or take such other action deemed reasonable and appropriate in consultation with counsel, as needed.

I. Corrections shall not provide any party with a status, right or obligation not otherwise authorized by the County Employees' Retirement Law ("CERL").

IV. Due Process

A. Collection of an overpayment does not constitute execution, garnishment, attachment or any other court process. Nevertheless, prior to the imposition of any resolution correcting an error or omission with respect to the payment of member contributions or benefits, SJCERA will give notice to the affected party of its intentions and provide an opportunity to appeal the decision to the Board.

V. Reporting

A. The CEO shall report to the Board quarterly regarding corrections of errors or omissions under this policy. Minor errors, such as contribution errors remedied by way of one-time payroll adjustments, need not be included in the CEO's report to the Board under this section.

VI. Law Prevails

A. In the event a conflict between this policy and the CERL, the Public Employees' Pension Reform Act, or other applicable state or federal law arises, the law shall prevail. The rights and remedies provided in this policy or the CERL are in addition to any other rights and remedies any party may have in equity or at law. Nothing shall preclude any party from instituting an action for declaratory or other relief in lieu of preceding under this policy or the CERL.

VII. Policy Review

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. (*Ref.:* Cal. Gov. Code §31539, IRS Rev. Proc. 2016-51.)

VIII. History

03/01/2017	Bylaws Amended and Approved by the Board of Supervisors
12/08/2017	Bylaw Section 4.5 Converted to Policy
06/29/2018	Staff updated format
12/14/2018	Rewritten to authorize CEO to negotiate within guidelines, ensure due process and reporting
04/12/2019	Policy Review section amended to at least once every three years
07/12/2019	Reviewed, no changes
07/08/2022	Reviewed, no changes

Certification of Board Adoption

07/08/2022

Clerk of the Board Date

Declining Employer Payroll Policy

I. Purpose

A. A participating employer in the San Joaquin County Employees' Retirement Association (SJCERA) may experience an actual or expected material decline in the payroll attributable to its SJCERA active members (SJCERA-covered payroll). The Declining Employer Payroll Policy is intended to establish guidelines by which SJCERA intends to assure that such employer will continue to satisfy its obligation to timely pay all unfunded actuarial accrued liability (UAAL) attributable to the employer's active, retired and deferred employees and their beneficiaries by reason of their prior and future service as SJCERA members.

II. Background and Objectives

A. As a general rule, under SJCERA's practice in place prior to the adoption of this Declining Employer Payroll Policy, SJCERA determined employers' contribution obligations for UAAL by applying a contribution rate determined by SJCERA's actuary to the employer's SJCERA-covered payroll (the percentage-of-payroll methodology), with separate rates applied for General and Safety members. For employers whose payrolls are generally consistent with SJCERA's actuarial assumptions regarding payroll growth, the percentage-of-payroll methodology continues to be appropriate. But for employers whose SJCERA-covered payroll is declining, or is expected to decline, materially over time, the Board of Retirement has determined that the percentage-of-payroll methodology is generally not the appropriate means of collecting employer contributions owed to the system. The objectives of this Declining Employer Payroll Policy are to (i) to ensure equitable and adequate funding of UAAL in cases involving employers with declining SJCERA-covered payrolls, (ii) approve procedures for identifying employers who should be subject to this Policy, and (iii) approve a different methodology for determining any UAAL attributable to such employers and setting the amount and schedule of the contributions needed to fund such UAAL. This Policy does *not* change the methodology regarding how contributions for "normal cost" are determined for participating employers.

B. Generally, the objectives of this Policy also are to ensure compliance with County Employees Retirement Law of 1937, California Government Code sections 31450 et seq., as amended, and other applicable provisions of law. Pursuant to Gov't. Code sections 31453, 31453.5, 31581, 31582, 31584, 31585, 31586 and other applicable provisions of law, a participating employer remains liable, and must make the required appropriations and transfers, to SJCERA for the employer's share of liabilities attributable to its officers and employees who are and may be entitled to receive retirement, disability and related benefits from SJCERA.

C. It is the Board of Retirement's intent to allow an employer covered by this Policy to satisfy its funding obligation in a manner that provides the employer reasonable flexibility; however, primary consideration will be given to ensuring the adequacy of the assets attributable to the employer to satisfy the employer's funding obligations.

This will generally require redetermination of the funding obligations of the employer for a number of years.

III. Policy Procedures and Guidelines

Absent exigent circumstances or unless otherwise expressly approved by the Board of Retirement at a duly-noticed public meeting, the procedures and guidelines for implementing this Policy are set forth below.

A. Commencement of Coverage – Triggering Events

1. This Policy covers only those employers for whom the Board determines, based on a recommendation from SJCERA's Chief Executive Officer (CEO), that a *triggering event* as described in this section has occurred *and* who are not excluded from coverage under this Policy as described below. The Board hereby directs the CEO to work with SJCERA staff and service providers (*e.g.,* the actuary) to obtain the information (*e.g.,* SJCERA-covered payroll history) needed for the Board to make determinations regarding triggering events. The CEO is further directed to report to the Board, at least annually, regarding these activities.

   a. *Triggering event resulting from ceasing to enroll new hires.* Some SJCERA participating employers cease to enroll new hires with SJCERA but, for a period of time, continue to have at least some previously-enrolled employees maintaining their status as active SJCERA members. These employers' SJCERA-covered payroll will eventually diminish to zero as their active employees retire or otherwise terminate employment. Examples of employers in this category may include an employer that is acquired by another entity that is not an SJCERA participating employer, or an SJCERA employer that is taken over by a state agency whose employees are covered by another pension system such as CalPERS. There may be other examples as well.

   b. *Triggering event resulting from a material and expected long-lasting reduction in SJCERA-covered payroll.* Some employers may experience a material reduction in their SJCERA-covered payroll, but nevertheless continue to enroll their new hires with SJCERA. The reduction may be sudden (*e.g.*, due to a discrete event such as a partial loss of funding, or partial outsourcing), or it may be more gradual, over a period of years, and might not be tied to a discreet event. Generally, the Board would determine that this type of triggering event has occurred only if the Board expects that the reduction in employer's SJCERA-covered payroll is expected to be permanent, long-lasting or for an indefinite period of time that is greater than a cycle that the employer may typically experience, or a cycle similarly experienced by the other employers, if any, in the same SJCERA rate group. Generally, by its nature, the determination of whether this type of triggering event has occurred is more subjective than that described in subparagraph a) immediately above.

B. Exclusions from Coverage; Terminations of Coverage

1. This Policy also covers *only* those employers (i) who are financially-viable entities when a triggering event occurs, *and* (ii) whom SJCERA expects to continue

indefinitely thereafter to be financially-viable entities. This Policy does not cover any other situation, including, without limitation, an employer going out of business by reason of dissolution, loss of funding, consolidation or merger (unless there is a surviving financially-viable entity that is acceptable to the Board that will make the ongoing payments under the Policy). This Policy also does not cover a "withdrawing employer" who ceases to provide SJCERA membership for *all* of the employer's active SJCERA members (*i.e.*, as of a date certain, withdraws both new hires and existing actives from membership with SJCERA).

2. The Board of Retirement also recognizes that participating employers covered by this Policy will have UAAL funding obligations for a number of years. Therefore, if concerns arise during that period of time regarding the employer's ongoing existence as a financially-viable entity, the Board may remove the employer from coverage under this Policy and/or take any other measures that may be available to ensure the actuarial soundness of the retirement system including, without limitation, assessing the projected entire amount of the employer's UAAL (as recommended by the fund's actuary and approved by the Board) using a lower discount rate and payable in a single sum immediately due, as has been described under the Board's Employer Termination Policy.

C. **Procedures**

1. The CEO will (i) work with SJCERA's staff, service providers, and SJCERA's participating employers to obtain the information (*e.g.*, SJCERA-covered payroll history, financial reports) needed for the Board to make determinations regarding triggering events and exclusions from, or terminations of, coverage and (ii) report to the Board, at least annually, regarding these activities.

2. Upon a recommendation from the CEO and notice to the affected participating employer, the Board will determine, at a duly-noticed public meeting, (i) whether a triggering event has occurred for the employer, (ii) whether the employer should be excluded from coverage under this Policy, and (iii) for those employers that the Board has previously determined to be covered under the Policy, whether their coverage should be terminated under section III.B.1 above. Employers may be required to provide SJCERA with updated employee census and payroll data and financial reports. *See* Gov't. Code section 31543.

3. If the Board determines that a triggering event has occurred and the employer is not excluded from coverage under the Policy, then, solely for purposes of determining the covered employer's UAAL contribution obligation, SJCERA will segregate on its books all assets and liabilities attributable to the employer, based upon the recommendation of SJCERA's actuary, and shall maintain such separate accounting for the employer until all of the participating employer's obligations to SJCERA have been fully satisfied.

4. SJCERA's actuary will determine, and certify to the Board of Retirement, the covered employer's funding obligation for its initial UAAL, which obligation shall not be pro-rata based on payroll, but rather based on the employer's share of the actuarial accrued liability (AAL), including the remaining liability for any inactive members who have accrued service with the employer.

The Board may determine to require the employer's contributions to be paid in level, fixed-dollar amounts over a period not to exceed the lesser of the current amortization period used to compute SJCERA's UAAL contribution (as represented by the "Single Equivalent Period" applicable to that employer reported in the most recent annual actuarial valuation) or the average duration of the benefit payments associated with the members' service with the employer, beginning on January 1 of the calendar year immediately after the year in which the triggering event occurs.

Upon the request of the employer, and if they can demonstrate an expectation of increasing revenues and/or overall payroll, the Board in consultation with staff and its actuary, may consider an increasing payment schedule, at a rate of increase not to exceed SJCERA's overall payroll growth assumption, as opposed to a level dollar amortization schedule. Once such a request is made and approved by the Board, the Board may require renewed demonstration of the appropriateness of this approach in future years.

The employer's UAL contribution will also include a load for administrative expenses, based on the same employer administrative load applied to the other contributing employers as determined in the most recent actuarial valuation.

5. The actuary will use the actuarial valuation performed for SJCERA as of the end of the calendar year immediately prior to the calendar year in which the triggering event occurs (and based on all of SJCERA's then current actuarial assumptions and methodologies) to determine the initial valuation value of assets (VVA), a smoothed value, allocated to the covered employer. That initial VVA will be a pro-rata allocation based on the employer's AAL (*i.e.,* based on the employer's initial UAAL allocation determined in accordance with section 4 above), and will be determined separately for the assets and liabilities associated with General and Safety members (*i.e.,* the employer will receive an allocation of the VVA associated with the General members based on their share of the General member liabilities, and similarly for Safety, as applicable).

   Later values of the VVA (*i.e.,* those used in the future valuations described below) shall be determined by rolling forward the initial VVA, adding contributions, deducting benefit payments and the employer's share of administrative expenses, and crediting earnings at the actual smoothed (VVA) earnings rate on total SJCERA assets. The employer's share of the administrative expenses (determined based on the share of the employer's total AAL as of the most recent actuarial valuation to the total SJCERA AAL),

6. Annually, after the determination of the covered employer's initial funding obligation, as part of the regular annual actuarial valuation of the plan, SJCERA's actuary will measure any change in the UAAL of the participating employer due to actuarial experience or changes in actuarial assumptions. In addition to the amortized payments for the covered employer's initial UAAL funding obligation determined as of the initial valuation, the employer will be liable for, and must contribute to SJCERA, any such new UAAL determined as of subsequent valuations, based upon an amortization schedule recommended by the actuary and adopted by the Board of Retirement. As a default, the amortization schedule

will be determined based on the policy described above (*i.e.,* the shorter of the Single Equivalent Period applicable to the employer from the most recent actuarial valuation, or the average duration of the projected benefit payments for the employer's members). SJCERA will hold any negative UAAL (Surplus) to be applied against any future UAAL of the covered employer.

7. Eventually, the Board may determine, in consultation with staff and its service providers, that it is in the best interest of the Plan – for administrative burden or other reasons – for the employer's coverage under this policy to transition to a "Terminating Employer", and thus determine a final single sum payment under the SJCERA "Employer Termination Policy." Staff and service providers will conduct this analysis when the remaining duration approaches the asset smoothing period (currently five years), and at any other time determined to be in the best interest of the plan. If any Surplus remains after the covered employer has satisfied *all* of its UAAL obligations (Final Surplus), SJCERA will distribute the Final Surplus in accordance with the terms of applicable law.

IV. Policy Review

Staff shall review this Policy annually to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

V. History

04/12/2019	Adopted
07/08/2022	Reviewed, corrected one typo, no substantive changes

Certification of Board Adoption:

07/08/2022

Clerk of the Board Date

Dissolution of Marriage or Registered Domestic Partnership

I. Purpose

A. This policy governs the management and operation of the retirement system with respect to the Dissolution of Marriage or Registered Domestic Partnership (RDP) for the benefit of its membership, including its retired members and their survivors, dependents, and beneficiaries.

II. Community Property

A. Effective August 1, 1997, pursuant to Resolution N. 97-474 of the Board of Supervisors of San Joaquin County, SJCERA shall accept orders pertaining to the division of the community property interest in a member's account only if such orders are issued (1) by a court of competent jurisdiction, (2) in conformance with the provisions of Family Code Section 2610 and (3) in conformance with the provisions of Article 8.4 of the CERL, commencing at Government Code Section 31685. SJCERA shall return orders which are not in conformance with these criteria to the parties for revision.

III. Nonmember Rights

A. For the purposes of this policy, the former spouse/partner of the employee member is referred to as the nonmember.

B. A nonmember who, pursuant to an appropriate court order, elects to establish a separate account, as authorized by Article 8.4 of the CERL, may exercise the rights of a member, except that (a) a nonmember is not eligible to apply for or receive a disability retirement allowance, (b) a nonmember's pre-retirement death benefits shall consist of return of the contributions and interest in the nonmember's account, and (c) a non-member is not eligible to participate in the election of Board members.

C. Pursuant to Section 31685 (c), the nonmember is entitled to the following:

  i. The right to a retirement allowance.
  ii. The right to a refund of accumulated retirement contributions.
  iii. The right to redeposit accumulated retirement contributions that are eligible for redeposit by the member.
  iv. The right to purchase service credit that is eligible for purchase by the member.
  v. The right to designate a beneficiary to receive his or her accumulated contributions payable at the time of the nonmember's death.
  vi. The right to designate a beneficiary for any unpaid allowance payable at the time of the nonmember's death.

IV. Election of Optional Allowances

A. A nonmember may retire pursuant to the provisions of the CERL and/or PEPRA and may elect any of the optional retirement allowances, set forth therein subject to the limitations thereof.

V. Actuarial Equivalency

A. Benefits determined pursuant to this policy shall be determined on the basis of the actuarial economic and demographic assumptions and values prescribed by the Board of Retirement. Under no circumstances shall SJCERA be required to make payments in any manner that will result in an increase in the amount of benefits provided under the plan.

VI. Approval

A. All joinders of SJCERA in dissolution of marriage proceedings and domestic relations orders resulting therefrom are subject to legal review and approval. All applications for nonmember benefits submitted pursuant to this section shall be placed on the Board of Retirement agenda for ratification of staff's actions.

VII. Law Prevails

A. In the event of a conflict between this policy and the County Employees Retirement Law, the Public Employees' Pension Reform Act, or other applicable statutes arises, the law shall prevail.

VIII. Policy Review

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

IX. History

03/01/2017	Bylaws Amended and Approved by the Board of Supervisors
12/08/2017	Bylaw Section 12 Converted to Policy
06/28/2018	Reviewed, no changes required; Staff updated format
04/12/2019	Policy Review section amended to at least once every three years
07/12/2019	Amended to define nonmember, align the approval process to current practice, and make other non-substantive changes.
07/08/2022	Reviewed, no changes

Certification of Board Adoption:

07/08/2022

Clerk of the Board　　　　　Date

Ex Parte Communications Policy

I. Ex Parte Communication Definition

A. An ex parte communication is defined as any oral or written, off-the record communication that is directed to the merits or outcome of a disability retirement application or administrative appeal pending before the Board of Retirement (the "Pending Action").

II. Pending Action Definition

A. A Pending Action is defined as: (1) a pending disability application proceeding before the Board of Retirement; or (2) a pending appeal of any administrative determination.

B. A disability application or administrative appeal is pending before the Board of Retirement until the decision of the Board or SJCERA can no longer be appealed administratively or, if applicable, until the conclusion of a writ of mandamus or other appellate process.

III. Communications Requirements

A. To ensure that the decision-making process is fair and impartial, applicants, appellants, attorneys, hearing officers and Board Members are prohibited from engaging in informal communications that could influence how the application or appeal is decided.

B. An Applicant, Appellant, or anyone acting on behalf of an Applicant or Appellant shall not initiate an ex parte communication with a Board Member or Hearing Officer concerning the facts or merits of, or any substantive matters relating to, a Pending Action.

C. A lawyer representing an Applicant, Appellant or SJCERA shall not initiate or permit an ex parte communication with a Board Member or Hearing Officer concerning the merits of, or any substantive matters relating to, a Pending Action.

D. A Hearing Officer shall not initiate, permit or consider an ex parte communication with an Applicant, Appellant, a lawyer representing an Applicant, Appellant or SJCERA, a Board Member, health care professionals, expert witnesses or investigators or consider other communications made to the Hearing Officer outside the presence of all parties concerning a Pending Action, except as follows:

1. A Hearing Officer may initiate or permit an ex parte communication where circumstances require for scheduling, administrative purposes or emergencies that do not deal with substantive matters provided the Hearing Officer reasonably believes that no party will gain a procedural or tactical advantage as a result of the ex parte communication.

E. A Board Member shall not initiate, permit or consider an ex parte communication with Applicants, Appellants, Hearing Officers, lawyers, health care professionals, expert witnesses or investigators outside the presence of all parties concerning a Pending Action. Further, a Board Member shall not consider any other communications made to the Board Member individually or outside the presence of all parties concerning the Pending Action.

1. A Board Member shall disclose the circumstances and substance of any ex parte communication concerning a Pending Action on the record at the time of the hearing on the Pending Action before the Board of Retirement.

F. Hearing Officers and Board Members shall not make any public comments about a Pending Action that might interfere with a fair hearing. This requirement does not prohibit Hearing Officers or Board Members from explaining SJCERA's procedures for disability applications, compensation appeals, or other administrative appeals, or from discussing legal, procedural or other subject matters relating to the administration of disability applications and administrative appeal proceedings generally in Board meetings, conferences or educational programs or with legal counsel.

IV. Policy Review

Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

V. History

08/16/2017	Adopted by the Board of Retirement
06/29/2018	Reviewed, no content changes required; Staff modified format
04/12/2019	Policy Review section amended to at least once every three years
07/12/2019	Reviewed, no changes
07/08/2022	Reviewed, no changes

Certification of Board Adoption:

07/08/2022

Clerk of the Board Date

Member Contributions and Interest Posting

I. Purpose

This policy governs the management and operation of the retirement system with respect to the **Member Contributions and Interest Posting** for the benefit of its membership, including its retired members and their survivors, dependents, and beneficiaries.

II. General

A. Contributions shall be made in accordance with the CERL or PEPRA, whichever is applicable, and as supplemented by this policy. Contribution rates are applied to compensation earned by SJCERA members. The Board will review elements of pay provided by the County of San Joaquin or participating special districts to SJCERA pursuant to the Retirement–Eligible Compensation policy as adopted by the Board of Retirement. The total annual compensation upon which retirement contributions to or benefits from SJCERA shall be limited as required by federal and state law.

B. An active or deferred member may pay additional contributions for the purchase of additional service credit or to redeposit previously withdrawn accumulated member contributions as provided in the CERL and authorized by the Board of Supervisors. A member may pay all or part of the additional contributions in a lump sum by personal check, money order, cashier's check, or rollover or trustee-to-trustee transfer from a qualified plan eligible to make such distributions subject to the SJCERA Rollover Policy, IRC 401(a)(31) & 402(c). Members in active employment may also pay the additional contributions in one or more biweekly after-tax payroll deduction installment payments over a period not to exceed the length of the period of service being purchased and, in any event, not to exceed five (5) years. All payments must be completed prior to the member's retirement.

C. SJCERA acts as an agent of the member's employer in arranging for the collection or return of member contributions, whether for mandatory or permissive member contributions, that are made through the employer's payroll system.

III. Withdrawal of Contributions

A. A member who has terminated employment in any capacity with San Joaquin County or a participating special district may elect to withdraw his or her accumulated contributions, including interest last credited. The date of termination of employment is defined as the date the employee last received compensation on the payroll. A request to withdraw accumulated contributions shall be presented to SJCERA in writing. The member shall receive a refund of accumulated contributions as soon as approved by SJCERA, but in all cases within sixty (60) days from the date of request for withdrawal. A member may elect to rollover an eligible distribution subject to SJCERA Rollover Policy, IRC 401(a)(31) & 402(c).

B. If a member electing to withdraw his or her accumulated contributions also established membership in a reciprocal retirement system, the member shall receive a refund of contributions from SJCERA on approval of the CEO following SJCERA's receipt of the member's request to withdraw member contributions from, and certification of termination of membership in, such reciprocal system.

IV. Crediting of Member and Employer Accounts

A. Interest will be credited to member and employer accounts pursuant to the SJCERA Statement of Reserves policy as adopted by the Board of Retirement in accordance with the CERL.

V. In the event a conflict between this policy and the County Employees Retirement Law, the Public Employees' Pension Reform Act, or other applicable statutes arises, the law shall prevail.

VI. Policy Review

Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

VII. History

03/20/2018	Bylaw Sections 6 Converted to Board Policy and Board of Supervisor approved Bylaws
07/05/2018	Staff reviewed, assessing possible content changes; updated format
09/11/2018	Added references to *Retirement–Eligible Compensation* policy and *Statement of Reserves* policy; Deleted redundant language and requirement to declare interest rate; Aligned Policy Review language with standard; Corrected history.
04/12/2019	Policy Review section amended to at least once every three years
07/12/2019	Reviewed, no changes
07/08/2022	Reviewed, no changes

Certification of Board Adoption:

7/08/2022

Clerk of the Board Date

Board of Retirement Meeting
San Joaquin County Employees' Retirement Association

Agenda Items 5.04

July 8, 2022

SUBJECT: Board Policy Amendments

SUBMITTED FOR: __X__ CONSENT __ ACTION __ INFORMATION

RECOMMENDATION

Adopt the Administrative Committee's recommended amendments to the policies described below.

PURPOSE

To amend the policies to ensure that they remain relevant, appropriate, and in compliance, per Section III.C of the Administrative Committee Charter.

DISCUSSION

In accordance with the Board's requirement that staff review one-third of the policies annually, the following amendments are proposed:

- Age Verification Policy – clarified language and amended alternative acceptable documents
- CEO Performance Review Policy – added requirement to request staff to create/add items on Committee and Board agendas and clarifying wording changes
- Communication Policy – added Section III.A.6 regarding maintaining confidentiality of Closed Session discussions and communications
- Computer Equipment Policy – amended data usage and other minor edits
- Conflict of Interest Policy – amended Section III(A) to refer to the Political Reform Act and other minor formatting edits
- Employer Termination Policy – defined terminated member
- Statement of Funding Policy – deleted obsolete date and minor punctuation edit
- Statement of Reserve Policy – amended Section VI – Reserve Interest Credits to reflect existing practices for crediting reserves and acknowledging multiple employers make additional UAL contributions
- Staff Transportation and Travel Policy – added Law Prevails section and increased the daily meal allowance
- Trustee Education Policy – added Law Prevails section and added legal counsel to list of education providers in Exhibit A

- Trustee and Executive Travel Policy - added Law Prevails section and increased the daily meal allowance

JOHANNA SHICK
Chief Executive Officer

GREG FRANK
Management Analyst III

Board Administration Policy

Age Verification

I. Purpose

A. ~~This policy governs the management and operation of the retirement system with respect t~~To ~~the~~ establish~~ment of~~ guidelines for verifying the age ~~verification of its membership, including its retired~~ of SJCERA's active and retired members, and their survivors, dependents, and beneficiaries.

II. Birth Certificate Requirement

A. Upon appointment to a permanent full-time position or opt-in confirmation of elected officers, every employee who is eligible for membership in SJCERA shall submit a legible copy of the employee's birth certificate or, if unobtainable, other proof of age. This requirement shall be in addition to the Membership requirements set forth in the bylaws.

B. Upon applying for a retirement benefit (including service, disability, or survivor), a legible copy of the birth certificate or, if unobtainable, other acceptable age verification documentation, as identified in Section III of this policy, shall be submitted for the following individuals, if the documentation is not already on file with SJCERA: the member, any survivors/beneficiaries named to receive a continuance, and any dependents named for health insurance coverage.

1. Benefit payments and health plan enrollment shall not be processed without proof of age.

III. Alternative Acceptable Age Verification Documents

A. The following alternative documents will be acceptable:

1. Any one of the following:
   - a) A valid U.S. Passport or passport card issued within the last 10 years
   - b) Valid Real ID compliant driver's license or identification card
   - c) Infant baptismal certificate;
   - d) Elementary school age record
   - e) Hospital birth record;
   - f) Authenticated family record; or

2. Any two of the following:
   - a) Valid state-issued driver's license or identification card,
   - b) Marriage record, if age is shown;
   - c) Military record;
   - d) Child's birth certificate showing age of parent;
   - e) Naturalization certificates issued by the U.S. Citizenship and Immigration Services (USCIS).
   - f) Expired U.S. Passport
   - g) Valid non-U.S. Passport

h) Valid Employment Authorization Document (EAD) Card (I-766) or valid/expired EAD Card with Notice of Action (I-797 C)

B. If the member is unable to provide satisfactory Age Verification documentation, as outlined in Sections II and III of this policy, the CEO is authorized to approve alternate documentation based on individual circumstances. In that instance, the CEO shall maintain a record describing the Age Verification procedure for the member and the reason for approval of alternate documentation.

IV. Corrections

A. In the event acceptable age verification documentation is not available, the birth date provided by the employer will be accepted for actuarial valuation and contribution purposes.

B. Upon receipt of acceptable age verification documentation, any discrepancy between the documentation received and the birth date reported by the employer, will be corrected by SJCERA.

1. Any re-calculation and correction of over- or underpaid contributions will be processed pursuant to SJCERA's *Correction of Errors and Omissions Policy*.

V. Law Prevails

A. In the event a conflict between this policy and the County Employees Retirement Law, the Public Employees' Pension Reform Act, or other applicable statute arises, the law shall prevail.

VI. Policy Review

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

VII. History

03/01/2017	Bylaws Amended and Approved by the Board of Supervisors
12/08/2017	Bylaw Section 5.2.B.1. & 2, C & D Converted to Board Policy
06/29/2018	Reviewed, no content changes required; Staff updated format
04/12/2019	Policy Review section amended to at least once every three years
07/12/2019	Amended to allow copies of birth certificates, expand the types of acceptable documentation, grant the CEO discretion to allow exceptions, clarify procedures when no age documentation is on file or there are conflicting birth dates.
07/08/2022	Clarified language; amended alternative acceptable documents

Certification of Board Adoption

	07/08/2022
Clerk of the Board	Date

Related Statutes:
California Government Code Sections 31531 and 31526

I. Purpose

A. To establish guidelines for verifying the age of SJCERA's active and retired members, and their survivors, dependents, and beneficiaries.

II. Birth Certificate Requirement

A. Upon appointment to a permanent full-time position or opt-in confirmation of elected officers, every employee who is eligible for membership in SJCERA shall submit a legible copy of the employee's birth certificate or, if unobtainable, other proof of age. This requirement shall be in addition to the Membership requirements set forth in the bylaws.

B. Upon applying for a retirement benefit (including service, disability, or survivor), a legible copy of the birth certificate or, if unobtainable, other acceptable age verification documentation, as identified in Section III of this policy, shall be submitted for the following individuals, if the documentation is not already on file with SJCERA: the member, any survivors/beneficiaries named to receive a continuance, and any dependents named for health insurance coverage.

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h) Valid Employment Authorization Document (EAD) Card (I-766) or valid/expired EAD Card with Notice of Action (I-797 C)

B. If the member is unable to provide satisfactory Age Verification documentation, as outlined in Sections II and III of this policy, the CEO is authorized to approve alternate documentation based on individual circumstances. In that instance, the CEO shall maintain a record describing the Age Verification procedure for the member and the reason for approval of alternate documentation.

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Certification of Board Adoption

	07/08/2022
Clerk of the Board	Date

Related Statutes:
California Government Code Sections 31531 and 31526

I. Purpose

A. To provide guidelines and procedures for the systematic assessment of Chief Executive Officer (CEO) performance.

B. To enhance CEO and organizational effectiveness, by ensuring that:

1. SJCERA's mandates are being carried out appropriately,
2. The working relationship between the Board and the CEO is effective and strong, and
3. The CEO is provided with specific expectations and feedback regarding his/her performance.

II. Frequency and Content

A. CEO performance is evaluated annually against clearly defined objectives and expectations, which are developed jointly by the CEO and trustees.

1. Objectives and expectations may include SJCERA's achievement of financial and organizational goals, and service targets, as well as effective human resource management, progress on implementing SJCERA strategy, and other Board directives.

III. Objectives

A. The CEO Performance Review includes two objectives: assessment of performance during the past ~~fiscal~~calendar year and development of goals for the upcoming year. The evaluation should document past successes and targeted achievements, future objectives and goals, and also the CEO's ability, vision, strategy and resources to achieve those aims.

IV. Process and Timeline

A. The CEO Performance Review will proceed according to the following process and timeline:

1. October

   a. The CEO presents to the Board of Retirement for their approval written goals for the upcoming calendar year.

   b. Goals should include performance targets and personal/development goals.

   c. The approved goals will be incorporated into the staff goals and budget, and considered by the Board and the CEO Performance Review Committee in the performance and compensation review process.

2. December

a. The CEO presents a budget, which identifies necessary funding to achieve approved goals.

b. The CEO provides the Committee Chair a schedule of proposed due dates for tasks outlined in this policy. The schedule will consider, among other things, Board meeting dates and required approvals.

3. January

a. The CEO reports on accomplishments on prior-year goals to the full board at its regularly scheduled meeting in open session.

b. In closed session, the CEO provides to all Board members a self-evaluation for the Board's consideration in completing their overall evaluation.

c. CEO Performance Feedback Worksheets (Attachment A) are distributed to all Board members.

d. The CEO Performance Review Committee meets and appoints a Committee Chair, if the Board Chair did not assign a Committee Chair when making committee assignments. The Committee Chair is responsible for gathering the Worksheets, compiling/summarizing results, relaying trustee comments during review discussions and, in collaboration with the committee, drafting the performance review memo.

e. The Worksheets shall be returned to the Committee Chair. The Chair shall set a due date that is no later than month-end.

   i. The Committee Chair consolidates feedback into the Consolidated Trustee Feedback form (Attachment B) and drafts a memo using the Memo Template (Attachment C) reflecting the collective assessment of the CEO's performance. The Committee Chair distributes the consolidated feedback and draft memo to the CEO Performance Review Committee.

   ii. The Committee Chair may have one-on-one discussions as needed to clarify trustees' individual input, provided appropriate care is taken to ensure compliance with the Brown Act.

f. The Committee Chair instructs staff to schedule a meeting, and prepare and timely post an agenda for the February/March committee meeting.

4. February/March

a. The committee meets, without staff present, to review and provide input on the memo based on the consolidated feedback, including assisting with summarizing the feedback, determining the key accomplishments, and making suggestions for further development (if any) to include in the memo.

The committee will also formulate a recommendation regarding compensation in accordance with Section IV(A)(4)(g) of this policy and the CEO's employment agreement.

b. The Committee Chair distributes the summarized feedback and committee-approved draft memo to the trustees and the CEO.

   i. The trustees may have one-on-one discussions with the Committee Chair as needed regarding the draft memo, provided appropriate care is taken to ensure compliance with the Brown Act.

c. The Board Chair and the Committee Chair meet with the CEO to discuss the feedback.

d. The CEO meets with the Board in closed session to discuss the performance review memo and feedback.

   i. Upon completion of IV.A.4.d, the Board Chair signs the memo, obtains the CEO signature acknowledging receipt, provides a copy of the review memo to the CEO, and submits the original signed memo to the County Human Resources Department (44 North San Joaquin Street, Suite 330, Stockton, CA 95202) for inclusion in the CEO's personnel file.

   ii. Upon completion of IV.A.4.d, all Board members shall shred or otherwise destroy all feedback, notes, drafts, emails, and other related documents and correspondence, whether paper or electronic, that were produced or obtained, sent or received, as part of the CEO Review Process.

e. The Board subsequently authorizes merit, equity, or incentive compensation increases, if any, based on performance. Such increases, if any, shall be in addition to any COLA increases awarded to the Executive Unit.

   i. Compensation for the CEO position shall be included in a market survey of total compensation every three years, to ensure its competitiveness.

      1. The County Human Resources Division conducts total compensation surveys for County department heads.

   ii. The Board may authorize incentive compensation increases if it determines the goals approved pursuant to Section IV.A.1 have been achieved. Such incentive compensation increases shall not exceed 10 percent of the CEO's annual base salary, increase base pay, or be included as part of the CEO's retirement-eligible compensation.

   ~~ii.~~iii. The Board may authorize equity compensation increases if it determines the CEO's annual base salary is below market. Annual merit (step) increases occur automatically upon completion of 2080 hours unless the CEO receives an unsatisfactory performance review. Equity and merit increases are retirement-eligible compensation.

   ~~iii.~~ ~~In accordance~~To comply with the Brown Act's requirement for~~,~~ the Board ~~must~~ to vote on any merit, equity, or incentive compensation increases~~,~~

in open session~~,.~~ the Committee Chair, or designee, shall promptly request the CEO place any Board-approved increase ~~This open session vote, if any, is scheduled for~~ on the next available Board meeting's open session agenda, typically in March.

5. June

   a. CEO provides mid-year progress report on calendar year goals presented to the Board pursuant to Section IV(A)(1).
   b. Board discusses mid-year progress and performance with CEO present in closed session.

      i. This meeting is intended to assist the Board in monitoring the organization's progress toward the annual goals, to provide an opportunity to adjust expectations in light of new circumstances, and to provide the opportunity for the CEO to make adjustments, if needed, during the second half of the calendar year.

6. August

   a. The Board Chair appoints CEO Performance Review committee members.

V. Policy Review

A. Staff shall review this Policy annually to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

VI. History

06/08/2018	Adopted Policy
06/29/2018	Staff updated format
07/12/2019	Amended to make Committee a standing committee with appointment considerations, clarified Committee's role, and integrated compensation review into the process
07/10/2020	Amended to align the committee appointment timing with other standing committees, remove text included in committee charter, assign responsibility for proposing schedule of tasks, and clarify compensation discussion and decision requirements
07/08/2022	Added requesting staff create/add items on Committee and Board agendas, and made clarifying wording changes.

Certification of Board Adoption:

07/08/2022

Clerk of the Board — Date

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      i. The Committee Chair consolidates feedback into the Consolidated Trustee Feedback form (Attachment B) and drafts a memo using the Memo Template (Attachment C) reflecting the collective assessment of the CEO's performance. The Committee Chair distributes the consolidated feedback and draft memo to the CEO Performance Review Committee.

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   iii. The Board may authorize equity compensation increases if it determines the CEO's annual base salary is below market. Annual merit (step) increases occur automatically upon completion of 2080 hours unless the CEO receives an unsatisfactory performance review. Equity and merit increases are retirement-eligible compensation.

      To comply with the Brown Act's requirement for the Board to vote on any merit, equity, or incentive compensation increases in open session, the Committee Chair, or designee, shall promptly request the CEO place any Board-approved increase on the next available Board meeting's open session agenda, typically in March.

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Certification of Board Adoption:

07/08/2022

Clerk of the Board Date

Board Governance Policy

Communications Policy

I. Purpose

A. The Board of Retirement recognizes that effective communication is integral to good governance. In order to achieve SJCERA's mission and objectives, the Board must establish mechanisms for communicating clearly among Board members and with senior management, plan sponsors, plan members and external parties. The Board adopts this Policy to provide the Board as a whole, individual Board members, and staff with guidelines for the communications function of the Board.

II. Objectives

A. To encourage and facilitate open, accurate, timely and effective communications with all relevant parties.

B. To mitigate risks to SJCERA, the Board, and to Board members that may arise in connection with communications in areas such as governance, service quality, plan interpretation, adverse reliance by plan members and beneficiaries, and general public relations.

C. To balance the need to mitigate risk with the need for open and efficient communication.

III. Communications Among Board Members

A. The Board shall carry out its activities in accordance with the spirit of open governance, including the provisions of the Ralph M. Brown Act, California Government Code Section 54950, et seq. (the "Brown Act"), which include, but are not limited to:

1. Properly noticing and posting an agenda for Board and Committee meetings;

2. Allowing proper public comment on agenda items before or during consideration by the Board;

3. Properly describing all items to be considered in closed session in the notice or agenda for the meeting;

4. Not conducting or participating in a series of communications one at a time or in a group that in total constitutes a quorum of the Board or Committee, either directly or through intermediaries or electronic devices, for the purpose of developing a concurrence as to the action to be taken (a serial or secret meeting prohibited by the Brown Act); ~~and~~

5. Ensuring materials are properly made available to members of the public upon request without delay;~~.~~ and

6. Not disclosing any discussion from, or communication made during, closed session until such time as the subject matter of the discussion or communication has been publicly reported by the Board as required by the Brown Act. The Brown Act expressly prohibits the disclosure of any confidential information acquired in a closed session, including, but not limited to, attorney-client privileged communications, unless the entire Board agrees to the disclosure.

B. A member of the Board shall disclose information in his or her possession pertinent to the affairs of SJCERA to the entire Board in a timely manner.

C. During meetings of the Board and its Committees, Board members shall communicate in a straightforward, constructive manner with due respect and professionalism.

IV. Board Member Communications with Plan Members

A. Members of the Board shall mitigate the risk of miscommunication with plan sponsors, members and retirees, and potential liability through adverse reliance by third parties, by avoiding giving explicit advice, counsel, or education with respect to the technicalities of the plan provisions, policies, or processes.

B. Where explicit advice, counsel, or education with respect to the technicalities of the plan provisions, policies, or process is needed, Board members will refer inquiries to the Chief Executive Officer or appropriate designee. The Chief Executive Officer or such designee will inform the Board Member when and how the matter was resolved.

V. Board Member Communications with SJCERA Management

A. Board members with questions or concerns regarding any aspect of SJCERA operations shall direct them to the Chief Executive Officer or the Chief Executive Officer's designee, who shall in turn direct staff as required.

B. Requests for information that require excessive expenditure of staff time or use of external resources, including professional service providers, shall, to the extent practicable:

1. Be consistent with the roles and responsibilities of the Board;

2. Be formally requested at Board or Committee meetings; and

3. Be directed to the Chief Executive Officer.

C. The Chief Executive Officer shall ensure that information requested by one or more Board members is made available to the entire Board.

D. Board members shall share any information in their possession pertinent to the affairs of SJCERA with the Chief Executive Officer in a timely manner. Similarly, the Chief Executive Officer shall ensure that all relevant and pertinent information is disclosed to all of the Board members in a timely manner.

VI. Board Member Requests for Information and Records from Staff Generally

A. Ordinarily, individual Board members will not make direct requests from non-management staff for information or system records. On matters that are pending before the Board for consideration at a noticed meeting, a Board member seeking information should direct his/her request to the Chief Executive Officer, who shall then provide the information to the Board member or seek further direction from the Chair or Vice Chair, as appropriate. Information provided in response to an inquiry from an individual Board member shall be provided in a timely manner to all other Board members.

VII. Member Records

A. SJCERA is obligated under various laws to keep member records confidential, except as disclosure may be necessary to the administration of the retirement system or as ordered by a court of competent jurisdiction. See, e.g., Government Code Section 31532. Accordingly, disclosure of confidential member records to individual Board members should only be made for the purpose of the conduct of SJCERA's business, upon the prior approval of the Chair or the Vice Chair, when the Chair is unavailable.

B. Board members shall take all steps reasonably necessary to assure that the disclosure of confidential member records to them does not result in further, non-privileged disclosure to third parties, whether directly or indirectly.

VIII. Board Member Communications with External Parties

A. In general, in communicating with external parties, the following guidelines will apply:

1. The purpose of any communications by members of the Board shall be consistent with their sole and exclusive fiduciary duty to represent the interests of all plan members;

2. Board members and SJCERA management are expected to respect the decisions and policies of the Board in external communications even if they may have opposed them or disagreed with them during Board deliberations;

3. Individual Board members shall not speak for the Board as a whole unless authorized by the Board to do so; and

4. In external communications, Board members are expected to disclose when they are not representing an approved position of the Board of Retirement.

B. When interviewed, or otherwise approached by the media for information concerning the affairs of SJCERA, members of the Board shall refrain from making any unilateral commitments on behalf of the Board or SJCERA.

C. All inquiries of members of the Board from any media source or publication shall be directed to the Chief Executive Officer for coordinated response or preparation of a news release.

D. To help ensure the accuracy of any material written for the purpose of publication by members of the Board, in their capacity as such, and to ensure that neither SJCERA, the Board, or such member of the Board is placed at risk thereby, all such material shall be reviewed by the Chief Executive Officer or legal counsel prior to being submitted for publication.

IX. Policy Review

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

X. History

04/13/2007	Board adopted policy
06/29/2018	Reviewed, no content changes, staff updated format
04/12/2019	Policy Review section amended to at least once every three years
07/12/2019	Modified outline numbering and code citations, non-substantive corrections
07/08/2022	Added Section III.A.6 regarding maintaining confidentiality of Closed Session discussions and communications.

Certification of Board Adoption:

07/08/2022

Clerk of the Board Date

Communications Policy

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B. To mitigate risks to SJCERA, the Board, and to Board members that may arise in connection with communications in areas such as governance, service quality, plan interpretation, adverse reliance by plan members and beneficiaries, and general public relations.

C. To balance the need to mitigate risk with the need for open and efficient communication.

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4. Not conducting or participating in a series of communications one at a time or in a group that in total constitutes a quorum of the Board or Committee, either directly or through intermediaries or electronic devices, for the purpose of developing a concurrence as to the action to be taken (a serial or secret meeting prohibited by the Brown Act);
5. Ensuring materials are properly made available to members of the public upon request without delay; and

6. Not disclosing any discussion from, or communication made during, closed session until such time as the subject matter of the discussion or communication has been publicly reported by the Board as required by the Brown Act. The Brown Act expressly prohibits the disclosure of any confidential information acquired in a closed session, including, but not limited to, attorney-client privileged communications, unless the entire Board agrees to the disclosure.

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D. Board members shall share any information in their possession pertinent to the affairs of SJCERA with the Chief Executive Officer in a timely manner. Similarly, the Chief Executive Officer shall ensure that all relevant and pertinent information is disclosed to all of the Board members in a timely manner.

VI. Board Member Requests for Information and Records from Staff Generally

A. Ordinarily, individual Board members will not make direct requests from non-management staff for information or system records. On matters that are pending before the Board for consideration at a noticed meeting, a Board member seeking information should direct his/her request to the Chief Executive Officer, who shall then provide the information to the Board member or seek further direction from the Chair or Vice Chair, as appropriate. Information provided in response to an inquiry from an individual Board member shall be provided in a timely manner to all other Board members.

VII. Member Records

A. SJCERA is obligated under various laws to keep member records confidential, except as disclosure may be necessary to the administration of the retirement system or as ordered by a court of competent jurisdiction. See, e.g., Government Code Section 31532. Accordingly, disclosure of confidential member records to individual Board members should only be made for the purpose of the conduct of SJCERA's business, upon the prior approval of the Chair or the Vice Chair, when the Chair is unavailable.

B. Board members shall take all steps reasonably necessary to assure that the disclosure of confidential member records to them does not result in further, non-privileged disclosure to third parties, whether directly or indirectly.

VIII. Board Member Communications with External Parties

A. In general, in communicating with external parties, the following guidelines will apply:

1. The purpose of any communications by members of the Board shall be consistent with their sole and exclusive fiduciary duty to represent the interests of all plan members;

2. Board members and SJCERA management are expected to respect the decisions and policies of the Board in external communications even if they may have opposed them or disagreed with them during Board deliberations;

3. Individual Board members shall not speak for the Board as a whole unless authorized by the Board to do so; and

4. In external communications, Board members are expected to disclose when they are not representing an approved position of the Board of Retirement.

B. When interviewed, or otherwise approached by the media for information concerning the affairs of SJCERA, members of the Board shall refrain from making any unilateral commitments on behalf of the Board or SJCERA.

C. All inquiries of members of the Board from any media source or publication shall be directed to the Chief Executive Officer for coordinated response or preparation of a news release.

D. To help ensure the accuracy of any material written for the purpose of publication by members of the Board, in their capacity as such, and to ensure that neither SJCERA, the Board, or such member of the Board is placed at risk thereby, all such material shall be reviewed by the Chief Executive Officer or legal counsel prior to being submitted for publication.

IX. Policy Review

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

X. History

04/13/2007	Board adopted policy
06/29/2018	Reviewed, no content changes, staff updated format
04/12/2019	Policy Review section amended to at least once every three years
07/12/2019	Modified outline numbering and code citations, non-substantive corrections
07/08/2022	Added Section III.A.6 regarding maintaining confidentiality of Closed Session discussions and communications.

Certification of Board Adoption:

07/08/2022

Clerk of the Board Date

Board Governance Policy

Computer Equipment Policy

I. Purpose

~~The purpose of this policy is to provide~~ To establish guidelines regarding the provision and use ~~by SJCERA~~ of SJCERA computer hardware and software to Trustees and Staff in the conduct of business related to SJCERA.

II. Electronic Tablets and Data

A. ~~Beginning June 2012~~, SJCERA will provide an electronic tablet~~,~~ with unlimited Cellular Data Service ~~of up to 2 GB per month~~, and all applications needed to conduct Board business to ~~each~~ trustees and designated ~~Staff~~ staff members. ~~If data usage exceeds 2 GB in a month, the user will provide verification to the CEO of the business reason for the excess usage.~~ ~~The device should only be used for SJCERA business.~~ ~~The device should not be used as a hotspot for Internet activity, unless necessary to conduct SJCERA business.~~

~~A.~~B. SJCERA will not provide or reimburse the cost of other services or supplies such as Internet, telephone, paper, toner, etc.

III. Use of Equipment and Software

A. Electronic devices provided by SJCERA are for SJCERA business use only and not for personal use.

1. The devices are not to be used for personal reasons or by family members.

~~1.~~2. The device should not be used as a hotspot for Internet activity, unless necessary to conduct SJCERA business.

B. It is the user's responsibility to ensure the security of the device at all times.

C. All information that is stored on the device is discoverable under law. There is no right to privacy with regard to the use of the device.

D. Downloading or installing software onto the device is not allowed without prior authorization from SJCERA's CEO or Information Systems Manager.

E. It is the user's responsibility to ensure the equipment provided under this policy is being used only for SJCERA business and not for any other purpose.

F. Only retain six months' worth of downloaded meeting agenda, recurring reports, or similar data on the provided devices.

G. SJCERA should immediately be notified if the device is lost or stolen and advise SJCERA staff of the contents on the device at that time, to the best of the user's ability.

H. Confidential information should be deleted from the device as soon as practicable. (Example: Agenda materials for a closed session of a Board or Committee meeting should be deleted as soon as possible following adjournment of the meeting during which the closed session was held.)

IV. Disposition of Electronic Tablet, Computer Equipment and Software

Pursuant to Resolution 2009-05-05 and the *Disposition of Equipment* ~~P~~procedure, the Board of Retirement authorizes the Chief Executive Officer to sell, donate, or dispose of surplus furniture and equipment.

When equipment ~~is~~ provided by SJCERA pursuant to this policy~~,~~ is replaced with new equipment, or the user concludes his or her service to SJCERA, the user shall return the equipment to SJCERA for redeployment or disposition using either County surplus or replicating the County's policy of using a third-party public auction site for sale of all surplus equipment or furniture.

V. Devices Not Owned by SJCERA

A trustee or staff member may use an electronic tablet or other equipment not owned or provided by SJCERA in the conduct of business related SJCERA. When such device(s) is used, the trustee or staff member will acknowledge and abide by the "*Guidelines for Use of Electronic Devices Not Owned by SJCERA.*"

This policy shall apply to all trustees and to any staff member or counsel to whom equipment has been provided.

VI. Policy Review

Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

VII. History

01/14/2011	Adopted by Resolution 2011-01-01
06/08/2012	Amended by Resolution 2012-06-02
02/12/2016	Amended by Resolution 2016-02-01
04/13/2018	Amended by Resolution 2018-04-01
06/29/2018	Staff reviewed, no content changes required; updated format
04/12/2019	Policy Review section amended to at least once every three years
07/12/2019	Amended for technical adjustments
07/08/2022	Amended data usage and other minor edits

Certification of Adoption:

07/08/2022

Clerk of the Board Date

Related Statutes:
California Government Code Sections 8314 and 81000 *et seq.*

Board Governance Policy

Computer Equipment Policy

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To establish guidelines regarding the provision and use of SJCERA computer hardware and software to Trustees and Staff in the conduct of business related to SJCERA.

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A. SJCERA will provide an electronic tablet with unlimited Cellular Data Service, and all applications needed to conduct Board business to trustees and designated staff members.

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VII. History

01/14/2011	Adopted by Resolution 2011-01-01
06/08/2012	Amended by Resolution 2012-06-02
02/12/2016	Amended by Resolution 2016-02-01
04/13/2018	Amended by Resolution 2018-04-01
06/29/2018	Staff reviewed, no content changes required; updated format
04/12/2019	Policy Review section amended to at least once every three years
07/12/2019	Amended for technical adjustments
07/08/2022	Amended data usage and other minor edits

Certification of Adoption:

07/08/2022

Clerk of the Board | Date

Related Statutes:
California Government Code Sections 8314 and 81000 *et seq.*

Board Governance Policy

Conflict of Interest Policy

I. Purpose

A. The Political Reform Act (Government Code Section 81000, et seq.), requires state and local government agencies to adopt and promulgate Conflict of Interest Codes. The Fair Political Practices Commission has adopted a regulation, 2 Cal. Code of Regs. Section 18730, which contains the terms of a standard conflict of interest code. It can be incorporated by reference and may be amended by the Fair Political Practices Commission after public notice and hearings to conform to amendments in the Political Reform Act.

Therefore, the terms of Section 18730 of Article 2 of Chapter 7 of Division 6 of Title 2 of the California Code of Regulations and any amendments thereto adopted by the Fair Political Practices Commission are hereby incorporated by reference and, along with the Disclosure Categories, attached and incorporated herein as Attachment 1, constitute the Conflict of Interest Code of the San Joaquin County Employees' Retirement Association (SJCERA).

II. Filing Requirements

A. Pursuant to Section 4 of the standard Conflict of Interest code (Section 18730), persons identified in all Disclosure Categories shall file Statements of Economic Interest with SJCERA. Statements will be retained by SJCERA and listed in a certification filed with the County Registrar of Voters. All statements filed are public records open for public inspection and reproduction pursuant to Section 81008 of the California Government Code.

B. Pursuant to Section 87314 of the California Government Code as added by Chapter 702, Statutes of 2010, attached and incorporated herein is an Appendix entitled "Agency Positions that Manage Public Investments for the Purpose of Section 87200 of the Government Code." Also, as required, this Appendix shall remain posted on the SJCERA website in a manner that is easily identifiable and accessible.

C. Responsibility for accurately reporting disclosable interests rests solely with the person(s) required to file pursuant to statute or this code and not with SJCERA.

III. Policy Review

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance with the Political Reform Act~~section 81000 of the California Government Code~~. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

IV. History

08/091991	First a~~A~~dopted by the Board of Retirement
02/09/1996	Disclosure Categories r~~R~~evised by Resolution No. 1996-02-02
08/09/2002	Disclosure Categories r~~R~~evised by Resolution No. 2002-08-01
07/14/2006	Disclosure Categories r~~R~~evised by Resolution No. 2006-07-02
04/11/2008	Disclosure Categories r~~R~~evised by Resolution No. 2008-04-04 (First established standard policy format)
12/17/2010	Disclosure Categories r~~R~~evised and Appendix Added by Resolution No. 2010-12-04
05/09/2014	Disclosure Categories, Statutory References, and Policy Wording r~~R~~evised by Resolution No. 2014-05-02
06/29/2018	Reviewed, no content changes, staff updated format
04/12/2019	Policy Review section amended to at least once every three years
07/12/2019	Amended per County's direction to send ROV certifications and retain statements on all filers
07/08/2022	Amended to refer generally to Political Reform Act in Section III(A) and update format

Certification of Board Adoption:

07/08/2022

Clerk of the Board Date

ATTACHMENT 1

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
CONFLICT OF INTEREST CODE

DISCLOSURE CATEGORIES

Group A - Officials/Consultants: (Required to file pursuant to Government Code Section 87200)

Member of the Board of Retirement
Investment Consultants
External Managers (as defined in Government Code Section 82025.3 as it may be amended from time to time)

Group B – Designated Employees: (Required to file pursuant to this Conflict of Interest Code)

Chief Executive Officer
Assistant Chief Executive Officer
Chief Investment Officer
Retirement Financial Officer
Departmental Systems Information Manager

Persons identified in all Disclosure Categories shall report on the following interests as defined in, and by completing, the California Fair Political Practices Commission's Statement of Economic Interests Form 700:

a. Investments
b. Interests in Real Property
c. Income, Loans, and Business Positions
d. Income – Gifts
e. Travel Payments, Advances, and Reimbursements

APPENDIX

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
CONFLICT OF INTEREST CODE

Agency Positions that Manage Public Investments
for Purposes of Section 87200 of the California Government Code

Positions of the Board of Retirement:

First Member:	San Joaquin County Treasurer-Tax Collector
Second Member:	Active General Member of SJCERA – elected
Third Member:	Active General Member of SJCERA – elected
Fourth Member:	Appointed by the Board of Supervisors
Fifth Member:	Appointed by the Board of Supervisors
Sixth Member:	Appointed by the Board of Supervisors - may be a County supervisor
Seventh Member:	Active Safety Member of SJCERA – elected
Alternate Seventh Member:	Active Safety Member of SJCERA - elected
Eighth Member:	Retired Member of SJCERA – elected
Alternate Retired Member:	Retired Member of SJCERA – elected
Ninth Member:	Appointed by the Board of Supervisors

Conflict of Interest Policy

I. Purpose

A. The Political Reform Act (Government Code Section 81000, et seq.), requires state and local government agencies to adopt and promulgate Conflict of Interest Codes. The Fair Political Practices Commission has adopted a regulation, 2 Cal. Code of Regs. Section 18730, which contains the terms of a standard conflict of interest code. It can be incorporated by reference and may be amended by the Fair Political Practices Commission after public notice and hearings to conform to amendments in the Political Reform Act.

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B. Pursuant to Section 87314 of the California Government Code as added by Chapter 702, Statutes of 2010, attached and incorporated herein is an Appendix entitled “Agency Positions that Manage Public Investments for the Purpose of Section 87200 of the Government Code.” Also, as required, this Appendix shall remain posted on the SJCERA website in a manner that is easily identifiable and accessible.

C. Responsibility for accurately reporting disclosable interests rests solely with the person(s) required to file pursuant to statute or this code and not with SJCERA.

III. Policy Review

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance with the Political Reform Act. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

IV. History

08/091991	First adopted by the Board of Retirement
02/09/1996	Disclosure Categories revised by Resolution No. 1996-02-02
08/09/2002	Disclosure Categories revised by Resolution No. 2002-08-01
07/14/2006	Disclosure Categories revised by Resolution No. 2006-07-02
04/11/2008	Disclosure Categories revised by Resolution No. 2008-04-04 (First established standard policy format)
12/17/2010	Disclosure Categories revised and Appendix Added by Resolution No. 2010-12-04
05/09/2014	Disclosure Categories, Statutory References, and Policy Wording revised by Resolution No. 2014-05-02
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07/08/2022	Amended to refer generally to Political Reform Act in Section III(A) and update format

Certification of Board Adoption:

07/08/2022

Clerk of the Board Date

ATTACHMENT 1

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION CONFLICT OF INTEREST CODE

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Member of the Board of Retirement
Investment Consultants
External Managers (as defined in Government Code Section 82025.3 as it may be amended from time to time)

Group B – Designated Employees: (Required to file pursuant to this Conflict of Interest Code)

Chief Executive Officer
Assistant Chief Executive Officer
Chief Investment Officer
Retirement Financial Officer
Departmental Systems Information Manager

Persons identified in all Disclosure Categories shall report on the following interests as defined in, and by completing, the California Fair Political Practices Commission's Statement of Economic Interests Form 700:

a. Investments
b. Interests in Real Property
c. Income, Loans, and Business Positions
d. Income – Gifts
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APPENDIX

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First Member:	San Joaquin County Treasurer-Tax Collector
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Fourth Member:	Appointed by the Board of Supervisors
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Sixth Member:	Appointed by the Board of Supervisors - may be a County supervisor
Seventh Member:	Active Safety Member of SJCERA – elected
Alternate Seventh Member:	Active Safety Member of SJCERA - elected
Eighth Member:	Retired Member of SJCERA – elected
Alternate Retired Member:	Retired Member of SJCERA – elected
Ninth Member:	Appointed by the Board of Supervisors

Employer Termination Policy

I. PURPOSE AND SCOPE

A. In accordance with section 31564.2 of the California Government Code, the guidelines set forth herein are effective as of May 12, 2017, and establish practices of the San Joaquin County Employees' Retirement Association ("SJCERA", the "Association") with respect to the termination of participation in SJCERA by a participating district/employer ("employer") other than the Plan Sponsor, the County of San Joaquin, whether initiated by the employer or by SJCERA in accordance with the Declining Employer Payroll Policy.

B. The objectives of this policy are, among other things, to ensure compliance with County Employees Retirement Law of 1937, California Government Code sections 31450 et seq., as amended ("CERL") and other applicable provisions of law:

1. Pursuant to CERL sections 31564.2, 31580.1, 31584, 31585 and other applicable provisions of law, an employer remains liable, and must make the required appropriations and transfers, to SJCERA for the employer's share of liabilities attributable to its officers and employees who are and may be entitled to receive retirement, disability and related benefits from SJCERA.

2. CERL section 31564.2(d) provides, in part, that "[t]he funding of the retirement benefits for the employees of a withdrawing agency is solely the responsibility of the withdrawing agency or the board of supervisors. Notwithstanding any other provision of the law, no contracting agency shall fail or refuse to pay the employer's contribution required by this chapter within the applicable time limitations. In dealing with a withdrawing employer, the Board of Retirement shall take whatever action is needed to ensure the actuarial soundness of the retirement system."

3. This policy is intended to assure that a participating SJCERA employer will fully fund the benefits of its members, such that the other participating employers will not be expected to have their funding requirements increased as a result of the employer's termination of participation in the Association.

C. The general principle applied in this policy is to establish the funding obligation of terminating employers as:

1. The present value of all future benefits expected to be paid by SJCERA to the terminating employer's employees, retirees, beneficiaries, and terminated members as of the termination date; minus
2. The value of SJCERA assets allocated to the terminating employer as of the termination date.

D. The policy provides the specific procedures to be used in determining the above components.

II. TERMINATION CONDITIONS

A. The Board shall require the terminating employer to reimburse SJCERA for the actuarial consulting fees incurred for the purpose of determining its terminal funding obligation, if the termination is initiated by the employer.

B. The termination date must be as of the end of a Plan year.

C. In the event that the terminating employer becomes a participating employer with a reciprocal system, the terminating employer must provide SJCERA with updated employee census data in the years following the employer's termination, as requested by SJCERA for use in determining liabilities and preparing, among other things, SJCERA's actuarial valuation.

D. As part of the termination process, the Board of Retirement and the terminating employer will enter into an agreement stipulating the provisions for the settlement of the funding obligation.

III. PRESENT VALUE OF BENEFITS

A. The benefits payable to SJCERA current and former employees of the terminating employer will be as follows:

   1. All active members on the termination date will receive SJCERA benefits for their credited service up to the termination date. As a result, they will take on the same status as terminated members.
      a. For the purposes of this policy, "terminated members" includes all current and former employees of the terminated employer with contributions on deposit at SJCERA who are not currently working for another SJCERA participating employer.

   ~~1.~~2. All vested terminated members and retired members (and their beneficiaries) as of the termination date will receive future benefits from SJCERA.

B. The future benefits to be paid to SJCERA members of the terminating employer will include those payable to:

   1. Existing retirees (and their beneficiaries) of the employer;

   2. Employees (and their beneficiaries) of the employer as of the termination date; and

   3. Former employees of the employer entitled to either deferred vested benefits or a refund of their accumulated contributions plus credited interest.

C. The present value of benefits will be determined based on:

   1. The service retirement and other benefits associated with their years of service in SJCERA as of the employer's termination date, for which they are entitled to SJCERA benefits;

   2. Expected future cost-of-living adjustments on those benefits;

   3. For employees and deferred vested members, expected final average earnings (including the effect of any reciprocity benefits);

   4. For employees and deferred vested members, their expected age at retirement; and

   5. For retired members and beneficiaries of retirees, the SJCERA benefits earned from service with the terminating employer.

D. The determination of the present value of future benefits shall be based upon the actuarial assumptions most recently adopted by the Board of Retirement at the time of the determination.

   1. However, future benefit payments will be discounted to the termination date using market-based interest rate assumptions, based on whichever of the following two assumptions produces the higher present value:

      a. The discount rate(s) used by the Pension Benefit Guarantee Corporation (PBGC) to measure the sufficiency of assets for a corporate employer that is terminating its single-employer defined benefit pension plan, or

      b. 2.5%

2. The PBGC discount rate(s) shall be determined based on the most recent rates published as of the termination date.

3. There will be no reassessment of the terminating employer's funding obligation after the termination date.

4. No consideration will be given to future Board of Retirement provided benefits, such as supplemental cost-of-living adjustments, when determining the present value of benefits.

IV. DETERMINATION OF TERMINATING EMPLOYER'S ASSETS

A. SJCERA is a cost-sharing multiple employer plan. As a result, there is no ongoing separate accounting of SJCERA's assets by employer. The SJCERA assets attributable to the terminating employer and its employees will be determined as follows:

   1. Determine the Actuarial Accrued Liability of the terminating employer as of SJCERA's most recent actuarial valuation, irrespective of the employer's anticipated termination.

   2. Determine the Actuarial Value of Assets attributable to the employer as of SJCERA's most recent actuarial valuation, based on the amount which would result in the Unfunded Actuarial Liability contribution rates for the non-withdrawing employers being unaffected by the removal of the withdrawing employer's Actuarial Assets, Accrued Liability and covered payroll from the funding calculations reflected in the most recent actuarial valuation. If the Unfunded Actuarial Liability for SJCERA is being amortized using multiple layers with individual amortization schedules, the Unfunded Actuarial Liability for the withdrawing employer shall be applied as a pro-rata share of each existing layer.

A. Determine the accumulated assets at the termination date as:

   1. Step 2 Amount x Ratio A, where:

      a. Ratio A = (Total SJCERA valuation assets at market value as of the most recent actuarial valuation date) divided by (Total SJCERA valuation assets at actuarial value as of the most recent valuation date).

      b. The Valuation Assets shall not include any reserves or designations from which the terminating employer shall not benefit, such as a pre-funding reserve established by another employer, or a contingency reserve not included in the Plan's valuation assets for the purpose of determining the unfunded liability amortization payments in the current actuarial valuation.

V. SETTLEMENT OF FUNDING OBLIGATION

A. The terminating employer's funding obligation will be the excess, if any, of the present value of future benefits over the employer's accumulated assets, as determined by this policy.

B. It is the past practice of SJCERA to require that the funding obligation of a terminating employer be paid as a single lump sum, and this policy reaffirms this practice, and stipulates that an extended payment schedule shall only be agreed to if the Board determines that such an arrangement would best service the Plan's interests.

C. If the obligation is settled by the withdrawing employer more than 90 days following the termination date, interest will be applied to the funding obligation, based on the discount rate used in the determination of the terminating employer's present value of future benefits as specified under this policy.

D. The settlement of the employer's funding obligation under this policy shall represent a full settlement of the employer's funding obligation for benefits provided to its members by

SJCERA, with the exception that the employer shall still be responsible for providing the necessary information needed for SJCERA to administer the Plan and to complete the Plan's annual funding valuation and disclosure requirements.

V. Review

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

VI. HISTORY

05/12/2017	Policy adopted by the Board of Retirement
06/29/2018	Reviewed, no required content changes; staff updated format
04/12/2019	Policy Review section amended to at least once every three years
07/12/2019	Aligned with the Declining Employer Payroll Policy regarding potential initiation of termination by SJCERA
07/08/2022	Defined terminated member

Certification of Board Adoption

	07/08/2022
Clerk of the Board	Date

Employer Termination Policy

I. PURPOSE AND SCOPE

A. In accordance with section 31564.2 of the California Government Code, the guidelines set forth herein are effective as of May 12, 2017, and establish practices of the San Joaquin County Employees' Retirement Association (“SJCERA”, the “Association”) with respect to the termination of participation in SJCERA by a participating district/employer (“employer”) other than the Plan Sponsor, the County of San Joaquin, whether initiated by the employer or by SJCERA in accordance with the Declining Employer Payroll Policy.

B. The objectives of this policy are, among other things, to ensure compliance with County Employees Retirement Law of 1937, California Government Code sections 31450 et seq., as amended (“CERL”) and other applicable provisions of law:

1. Pursuant to CERL sections 31564.2, 31580.1, 31584, 31585 and other applicable provisions of law, an employer remains liable, and must make the required appropriations and transfers, to SJCERA for the employer’s share of liabilities attributable to its officers and employees who are and may be entitled to receive retirement, disability and related benefits from SJCERA.

2. CERL section 31564.2(d) provides, in part, that “[t]he funding of the retirement benefits for the employees of a withdrawing agency is solely the responsibility of the withdrawing agency or the board of supervisors. Notwithstanding any other provision of the law, no contracting agency shall fail or refuse to pay the employer’s contribution required by this chapter within the applicable time limitations. In dealing with a withdrawing employer, the Board of Retirement shall take whatever action is needed to ensure the actuarial soundness of the retirement system.”

3. This policy is intended to assure that a participating SJCERA employer will fully fund the benefits of its members, such that the other participating employers will not be expected to have their funding requirements increased as a result of the employer’s termination of participation in the Association.

C. The general principle applied in this policy is to establish the funding obligation of terminating employers as:

1. The present value of all future benefits expected to be paid by SJCERA to the terminating employer’s employees, retirees, beneficiaries, and terminated members as of the termination date; minus
2. The value of SJCERA assets allocated to the terminating employer as of the termination date.

D. The policy provides the specific procedures to be used in determining the above components.

II. TERMINATION CONDITIONS

A. The Board shall require the terminating employer to reimburse SJCERA for the actuarial consulting fees incurred for the purpose of determining its terminal funding obligation, if the termination is initiated by the employer.

B. The termination date must be as of the end of a Plan year.

C. In the event that the terminating employer becomes a participating employer with a reciprocal system, the terminating employer must provide SJCERA with updated employee census data in the years following the employer's termination, as requested by SJCERA for use in determining liabilities and preparing, among other things, SJCERA's actuarial valuation.

D. As part of the termination process, the Board of Retirement and the terminating employer will enter into an agreement stipulating the provisions for the settlement of the funding obligation.

III. PRESENT VALUE OF BENEFITS

A. The benefits payable to SJCERA current and former employees of the terminating employer will be as follows:

1. All active members on the termination date will receive SJCERA benefits for their credited service up to the termination date. As a result, they will take on the same status as terminated members.
    a. For the purposes of this policy, "terminated members" includes all current and former employees of the terminated employer with contributions on deposit at SJCERA who are not currently working for another SJCERA participating employer.

2. All vested terminated members and retired members (and their beneficiaries) as of the termination date will receive future benefits from SJCERA.

B. The future benefits to be paid to SJCERA members of the terminating employer will include those payable to:

1. Existing retirees (and their beneficiaries) of the employer;

2. Employees (and their beneficiaries) of the employer as of the termination date; and

3. Former employees of the employer entitled to either deferred vested benefits or a refund of their accumulated contributions plus credited interest.

C. The present value of benefits will be determined based on:

1. The service retirement and other benefits associated with their years of service in SJCERA as of the employer's termination date, for which they are entitled to SJCERA benefits;

2. Expected future cost-of-living adjustments on those benefits;

3. For employees and deferred vested members, expected final average earnings (including the effect of any reciprocity benefits);

4. For employees and deferred vested members, their expected age at retirement; and

5. For retired members and beneficiaries of retirees, the SJCERA benefits earned from service with the terminating employer.

D. The determination of the present value of future benefits shall be based upon the actuarial assumptions most recently adopted by the Board of Retirement at the time of the determination.

1. However, future benefit payments will be discounted to the termination date using market-based interest rate assumptions, based on whichever of the following two assumptions produces the higher present value:

    a. The discount rate(s) used by the Pension Benefit Guarantee Corporation (PBGC) to measure the sufficiency of assets for a corporate employer that is terminating its single-employer defined benefit pension plan, or

    b. 2.5%

2. The PBGC discount rate(s) shall be determined based on the most recent rates published as of the termination date.

3. There will be no reassessment of the terminating employer's funding obligation after the termination date.

4. No consideration will be given to future Board of Retirement provided benefits, such as supplemental cost-of-living adjustments, when determining the present value of benefits.

IV. DETERMINATION OF TERMINATING EMPLOYER'S ASSETS

A. SJCERA is a cost-sharing multiple employer plan. As a result, there is no ongoing separate accounting of SJCERA's assets by employer. The SJCERA assets attributable to the terminating employer and its employees will be determined as follows:

   1. Determine the Actuarial Accrued Liability of the terminating employer as of SJCERA's most recent actuarial valuation, irrespective of the employer's anticipated termination.

   2. Determine the Actuarial Value of Assets attributable to the employer as of SJCERA's most recent actuarial valuation, based on the amount which would result in the Unfunded Actuarial Liability contribution rates for the non-withdrawing employers being unaffected by the removal of the withdrawing employer's Actuarial Assets, Accrued Liability and covered payroll from the funding calculations reflected in the most recent actuarial valuation. If the Unfunded Actuarial Liability for SJCERA is being amortized using multiple layers with individual amortization schedules, the Unfunded Actuarial Liability for the withdrawing employer shall be applied as a pro-rata share of each existing layer.

A. Determine the accumulated assets at the termination date as:

   1. Step 2 Amount x Ratio A, where:

      a. Ratio A = (Total SJCERA valuation assets at market value as of the most recent actuarial valuation date) divided by (Total SJCERA valuation assets at actuarial value as of the most recent valuation date).

      b. The Valuation Assets shall not include any reserves or designations from which the terminating employer shall not benefit, such as a pre-funding reserve established by another employer, or a contingency reserve not included in the Plan's valuation assets for the purpose of determining the unfunded liability amortization payments in the current actuarial valuation.

V. SETTLEMENT OF FUNDING OBLIGATION

A. The terminating employer's funding obligation will be the excess, if any, of the present value of future benefits over the employer's accumulated assets, as determined by this policy.

B. It is the past practice of SJCERA to require that the funding obligation of a terminating employer be paid as a single lump sum, and this policy reaffirms this practice, and stipulates that an extended payment schedule shall only be agreed to if the Board determines that such an arrangement would best service the Plan's interests.

C. If the obligation is settled by the withdrawing employer more than 90 days following the termination date, interest will be applied to the funding obligation, based on the discount rate used in the determination of the terminating employer's present value of future benefits as specified under this policy.

D. The settlement of the employer's funding obligation under this policy shall represent a full settlement of the employer's funding obligation for benefits provided to its members by

SJCERA, with the exception that the employer shall still be responsible for providing the necessary information needed for SJCERA to administer the Plan and to complete the Plan's annual funding valuation and disclosure requirements.

V. Review

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

VI. HISTORY

05/12/2017	Policy adopted by the Board of Retirement
06/29/2018	Reviewed, no required content changes; staff updated format
04/12/2019	Policy Review section amended to at least once every three years
07/12/2019	Aligned with the Declining Employer Payroll Policy regarding potential initiation of termination by SJCERA
07/08/2022	Defined terminated member

Certification of Board Adoption

	07/08/2022
Clerk of the Board	Date

Board Administration Policy

Statement of Funding Policy

I. Purpose

A. The purpose of this Statement of Funding Policy is to record the funding objectives and strategy set by the Board of Retirement (Board) for the San Joaquin County Employees' Retirement Association (SJCERA). The Board re-establishes this Statement of Funding Policy to ensure future benefit payments for members of SJCERA.

B. In addition, this document records certain guidelines established by the Board to assist in administering SJCERA in a consistent and efficient manner.

C. It is a working document and may be modified as the Board deems necessary. ~~(Last modification August 2015)~~

II. Funding Objectives

A. The Board's primary funding objectives, in order of importance, are to:

1. Provide sufficient assets to permit the payment of all benefits under SJCERA.

2. Maintain equity among generations of taxpayers by:

   a. Achieving and maintaining a Funded Ratio, as defined in Section IV, between 90% and 110%;

   b. Amortizing the Unfunded Actuarial Accrued Liability, as defined in Section IV, over a period approximately equal to the expected average future working lifetime of the active SJCERA membership; and

   c. Setting Funding Policy so that the Inactive Funded Ratio, as defined in Section IV, is expected to remain above 100%.

B. Minimize the volatility of the employers' annual contribution rate as a percentage of covered pay by:

1. Maintaining 1% of total assets as a reserve against contingencies; and

2. Coordinating Funding and Investment Policies to reduce portfolio risk as the Funded Ratio improves, with the ultimate goal of matching fixed income investments to benefit payments for inactive SJCERA members.

C. Encourage participating employers to refrain from making discretionary benefit improvements in any year in which the Funded Ratio is below 110% on an actuarial value of assets basis.

III. Funding Guidelines

A. This statement reflects the current policy of the Board and establishes guidelines for setting the employer contribution rates.

B. Regular Contribution Rate: Through coordinated Funding and Investment Policy we will attempt to minimize the volatility of the employers' contribution rate from year to year as a percentage of covered pay. The employer contribution is the sum of the employers' Normal Cost and a payment to amortize the Unfunded Actuarial Accrued Liability as of the date of valuation.

1. The Normal Cost and Actuarial Accrued Liability used for this purpose will be calculated using the Entry Age actuarial funding method.

2. The Actuarial Value of Assets used for this purpose will be a smoothed value that recognizes realized and unrealized investment gains over a five-year period, but in no event shall be more than 120% of market value or less than 80% of market value.

3. The Board has declared 50% of the actuarial loss from Fund investments during 2008 to be an Extraordinary Actuarial Loss, as defined in Section IV. This Loss will be amortized as a percentage of expected payroll over a closed 30-year period beginning January 1, 2009 and ending January 1, 2038.

4. In the event that the Board declares an Extraordinary Actuarial Gain during the amortization period of the 2008 Loss, the Gain will first be used to reduce the remaining unamortized balance of the 2008 Loss, and any amount of the Gain remaining will be amortized as a percentage of expected payroll over a closed 30-year period beginning on the date of the Gain.

5. Any Unfunded Actuarial Accrued Liability other than Extraordinary Actuarial Gains or Losses will be amortized as a percentage of expected payroll over a 20-year period beginning with the 2009 Valuation Year.

   This amortization period will remain at 20 years through the 2013 Valuation Year. After 2013, the amortization period for the remaining UAAL will decrease by one year each Valuation Year.

6. Beginning with the January 1, 2015 valuation, any future UAAL that occurs due to an investment gain or loss, assumption change, or other cause not related to plan benefits will be amortized as a level percentage of payroll over a closed 15-year period, commencing with the valuation which first recognizes the change in UAAL. Any UAAL layers already established prior to the January 1, 2015 actuarial valuation will not be affected by this change.

7. Beginning with the January 1, 2015 valuation, any future UAAL that occurs due to a change in plan benefits will be amortized as a level percentage of payroll over a closed period, the length of which will be established by the Board, commencing with the valuation which first recognizes the change in

UAAL. In selecting the amortization period, the Board will balance the objective of cost stability with the goal of generational equity in funding the liabilities associated with the benefit change. Any UAAL layers already established prior to the January 1, 2015 actuarial valuation will not be affected by this change.

8. The Board will review the above amortization policy from time to time, based on the Funding Objectives in Section II above.

C. Minimum Contribution Rate: In the interest of maintaining the funded position of SJCERA and to ensure that assets are sufficient at all times to provide for the prompt delivery of benefits and related services to plan participants, the Board will, under certain circumstances increase the employers' contribution rate above the Regular Contribution Rate, as detailed below.

1. If the Market Value of Assets is less than expected to be needed to pay benefits and expenses during the year, the employer contributions shall be increased to a level sufficient to provide for such payments.

2. If the Inactive Funded Ratio is less than 100%, on both an actuarial value and market value basis for more than two consecutive years, in the third consecutive year, the employer contributions may be increased to a level that would restore the Inactive Funded Ratio to 100% over a five-year period using a level percentage of expected payroll amortization.

3. If the Funded Ratio has increased to over 100% and any Unfunded Actuarial Accrued Liability has been fully amortized, the employer will continue to contribute at least the Normal Cost until such time as the Board decides otherwise.

4. If the employer experiences a significant change in active membership, and the Board determines that the amortization of the Unfunded Actuarial Accrued Liability will be extended as a result, the Board may revise the employer's contribution rate to maintain funding progress.

5. After January 1, 2013, the employer contribution rates established by the Board will comply with the employer contribution requirements of the California Public Employees' Pension Reform Act of 2013 (PEPRA).

D. Assumption Guidelines: The actuarial assumptions directly affect only the timing of contributions; the ultimate contribution level is determined by the benefits and expenses actually paid and by actual investment returns. To the extent that actual experience deviates from the assumptions, experience gains and losses will occur. These gains (or losses) then serve to reduce (or increase) future contribution levels.

1. Assumptions are generally grouped into two major categories.

a. Demographic assumptions -- which include withdrawal, retirement, disability, marriage and mortality rates

b. Economic assumptions -- which include inflation, valuation interest rate, and salary increase

2. The assumptions represent the Board's best estimate of anticipated experience under SJCERA and are intended to be long term in nature. Therefore, in developing the assumptions, the Board considers not only past experience, but also trends, external forces and future expectations. Irrespective of the care with which actuarial assumptions are chosen, actual experience over the short term is not expected to match these assumptions.

3. In order to reduce the expenses and administrative difficulties involved in changing the actuarial assumptions used to compute optional settlements under Article 11 of the CERL, the Board may elect to use separate sets of actuarial assumptions for funding purposes – computing Plan liabilities and employer and employee contributions – and for administrative purposes – computing optional settlements.

IV. Glossary of Terms

A. *Actuarial Allocation Percentage*: The portion of total earnings expected to be allocated to pension reserves over the long term.

B. *Actuarial Funding Method*: The technique used to allocate costs to various time periods.

C. *Actuarial Accrued Liability (AAL)*: The portion of the Present Value of Projected Benefits that is attributed to past years of service by the Actuarial Funding Method. This represents the target level of assets each year under the Actuarial Funding Method.

D. *Actuarial Value of Assets*: The value of assets used by the actuary in the actuarial valuation. Although the value of assets for this purpose can be the Market Value of Assets, a smoothed value is often used in order to reduce the impact of market fluctuations on the employers' contribution rate, while capturing the long-term intrinsic value of those plan assets that will be used to pay for promised benefits. For SJCERA, the Actuarial Value of Assets shall be no more than 120% of market value and no less than 80% of market value.

E. *Entry Age Actuarial Funding Method*: An Actuarial Funding Method that determines the plan's Normal Cost as a level percentage of pay over the working lifetime of plan members.

F. *Experience Gains and Losses*: The difference between the experience anticipated by the actuarial assumptions and the plan's actual experience during the period between valuations. If actual experience is financially more favorable to the plan, it is a Gain, (e.g., more deaths than expected or higher investment return than expected). If actual experience is financially less favorable to the plan, it is a Loss, (e.g., higher salaries than expected or lower investment return than expected).

G. *Extraordinary Actuarial Gain (Loss)*: An Experience Gain (Loss) determined by the Board to be of such magnitude and rarity to warrant creation of a special amortization policy.

H. *Funded Ratio:* The ratio of the Actuarial Value of Assets to the Actuarial Accrued Liability of the plan.

I. *Inactive Funded Ratio:* The ratio of the Actuarial Value of Assets to the Actuarial Accrued Liability of the plan for members who are not active, including retired members and their beneficiaries, disabled members, and members terminated with a vested benefit.

J. *Market Value of Assets:* The total fair value of fund assets as reported in SJCERA's financial statements.

K. *Normal Cost*: The portion of the Present Value of Projected Benefits that is attributed to the current year by the Actuarial Funding Method.

L. *Unfunded Actuarial Accrued Liability (UAAL)*: The portion of the Actuarial Accrued Liability not currently covered by plan assets. It is calculated by subtracting the Actuarial Value of Assets from the Actuarial Accrued Liability.

V. Policy Review

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement pursuant to the Bylaws.

VI. History

07/01/1998	Adopted
11/7/2003	Modified funded ratio and actuarial value of assets limits
10/12/2007	Modified funded ratio measurement methodology and specified when action is required; established funding level below which adding discretionary benefits is discouraged; added current 3% reserve policy to Funding policy.
10/9/2009	Modified to address generational equity, inactive funded ratio, and amortization periods.
10/14/2011	Modified definitions of Actuarial Accrued Liability and Actuarial Value of Assets; added ability to use of separate sets of actuarial assumptions for funding and administrative purposes

08/14/2015	Specified use of closed amortization periods, 15-year amortization, and confirmed employer contribution rate methodology
06/09/2017	Lowered the Contingency Reserve from 3 percent to 1 percent
07/06/2018	Staff updated format
04/12/2019	Policy Review section amended to at least once every three years
07/08/2022	Deleted an obsolete date and a minor punctuation change; no content or substantive changes.

Certification of Board Adoption

	07/08/2022
Clerk of the Board	Date

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1. Maintaining 1% of total assets as a reserve against contingencies; and

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07/08/2022	Deleted an obsolete date and a minor punctuation change; no content or substantive changes.

Certification of Board Adoption

07/08/2022

Clerk of the Board Date

Statement of Reserve Policy

I. Purpose

A. The purpose of this Statement of Reserve Policy is to summarize the structure and operation of the reserves created and maintained by the San Joaquin County Employees' Retirement Association (SJCERA, the Plan, the Fund). This Statement is drafted to achieve the following goals:

1. Document the existing reserve structure and the accounting policies currently in place; and

2. Establish a base for considering future changes in reserve policies.

3. This Statement describes the SJCERA reserve structure and the mechanisms used to accumulate assets and disburse payments from each reserve. It is organized as follows:

    a. Description – The various reserves are categorized and their purposes and related liabilities are described.

    b. Cash Flows – The inflows and outflows, excluding interest, are enumerated for each reserve.

    c. Interest Credits – The computation and timing of the interest credited to each reserve are described.

    d. Reserve Transfers – The circumstances under which the Retirement Board (the Board) may elect to move balances from one reserve account to another are described.

    e. Reconciliation – The method and frequency by which the reserve accounts should be reconciled with the underlying liability is specified.

    f. This Statement is a working document that will be modified as the Board deems necessary.

II. Market Value and Actuarial Value

A. All reserves are held at market value. However, in computing the smoothed or actuarial value of assets required to compute the Plan's funded status and the employer contribution rates, a conversion to actuarial value is sometimes required. This will be noted in each case.

III. Reserve Descriptions

Fund reserves fall into one of two categories: Valuation Reserves and Special Reserves.

A. Valuation Reserves

1. Valuation Reserves include Member Reserves, Retired Member Reserves (excluding certain death benefit reserves), Employer Advance Reserves, the Market Stabilization Designation, and the Unappropriated Earnings Reserve. The total of the Valuation Reserves equals the market value of Fund assets, excluding amounts held in the Special Reserves, also at market value.

2. The total of the Valuation Reserves, excluding the Market Stabilization Designation and excluding the Special Reserves (adjusted to actuarial value), is the Actuarial Value of Fund Assets used to determine the funded ratio and the employer contributions to the Fund as part of the annual actuarial valuation performed each year. Any policy that affects the amount of funds assigned to Valuation Reserves has the potential to affect Plan costs.

   a) <u>Member Reserves</u>

      i. The Member Reserves contain the cumulative employee contributions with interest for active and deferred members. Active member contributions are held in separate reserves for General and Safety, while cumulative member contributions for terminated deferred members are also held in General and Safety reserves. Member contributions for COLAs are combined with all other member contributions in the Member Reserves.

      ii. The Plan liability matching this reserve is the sum of member contributions with interest for active and terminated deferred members.

   b) <u>Retired Member Reserves</u>

      i. The Retired Member Reserves contain the assets necessary to fund the benefits and COLAs in pay status for retired and disabled members and their beneficiaries.

      ii. The Plan liability matching this reserve is the actuarial present value of benefits for members in pay status – retired and disabled members and their beneficiaries. When reserves are reconciled with liabilities, the sum of the Retired Member Reserves should equal the liability held for retired and disabled members and their beneficiaries.

Consequently, the Plan's liability for members in pay status would be 100% funded.

iii. In actuarial valuations through January 1, 2012, Special Reserves were held for the $5,000 lump sum death benefit, the Purchasing Power Protection benefit, and the Pre-April 1, 1982 Settlement. Beginning with the January 1, 2013 valuation, these benefits will be included in the actuarial valuation performed for the Plan. Since these benefits are primarily payable on behalf of retired members, the reserve balances on December 31, 2012 will be included in Valuation Reserves (Retired Member Reserves).

c) Employer Advance Reserves

i. The Employer Advance Reserves contain the assets allocated to the employer portion of the liabilities for active and deferred members. The amount in this reserve is the actuarial value of total Fund assets, minus the Member Reserves, Retired Member Reserves, Unappropriated Earnings Reserve, and Special Reserves, all at actuarial value.

ii. The Plan liability matching this reserve is the actuarial accrued liability for active and deferred members.

d) Market Stabilization Designation

i. The Market Stabilization Designation consists of the difference between the market value of Plan assets and their actuarial value. It contains the total of unrecognized investment gains and losses from the current and prior three Plan (calendar) years.

ii. If the smoothed actuarial value of assets exceeds market value, the Market Stabilization Designation is negative; otherwise, it is zero or positive. The liability matching the Market Stabilization Designation is the sum of unrecognized investment gains and losses, as noted above.

iii. Since the actuarial and market values of Plan assets are determined for all assets in total, regardless of allocation to reserves, the calculation of the Market Stabilization Designation is independent of and must precede the apportionment of assets into reserves.

iv. The Market Stabilization Designation is the amount that must be added to the Actuarial Value of Fund assets to agree with the Market Value of Fund assets. It represents deferred gains (losses) if positive (negative). It therefore represents a reserve for those unrealized gains or losses that is excluded from the calculation of Plan funding status and employer contribution rates.

e) Unappropriated Earnings Reserve

i. The Unappropriated Earnings Reserve is reestablished yearly after all other requirements are met, in the following order: Full actuarial interest on Valuation Reserves and all other reserves, an amount necessary to bring the overall actuarial funded ratio of the Fund to 90% in accordance with the Board's Statement of Funding Policy, and an amount necessary to bring the Contingency Reserve to the 1% minimum.

ii. The amount in the Unappropriated Earnings Reserve can then be transferred to other reserves, subject to the limitations contained in the Board's Statement of Funding Policy and in other applicable legal obligations and settlements.

iii. The liability associated with this reserve is the excess of the Plan's actuarial accrued liability over the total of the Member, Retired Member, and Employer Advance Reserves.

B. Special Reserves

1. Special Reserves consist of funds excluded from the annual actuarial valuation and therefore not used in the calculation of the Plan's funded ratio and employer contribution. The amounts set aside can be for designated purposes or for market fluctuation.

a. Post-Retirement Death Benefit Reserve

i. Effective January 1, 2013, the liability for the $5,000 lump sum death benefit for retirees (Government Code Section 31789.3) was included in the actuarial valuation and in Valuation Reserves.

b. Employment Healthcare Agency Fund

i. In 2011, following the IRS' approval of SJCERA VCP application it was determined that the proper presentation of what was formerly known as the Health Insurance Reserve should instead be the Post-Employment Healthcare Agency. The fund is used for cash flows in from employers to fund sick leave bank benefits for their eligible retired employees on a pay as you go basis, and for cash flows out for payment of sick leave bank benefits.

c. Purchasing Power Cost of Living Reserve

   i. After January 1, 2013, the liability for the Purchasing Power Protection benefit for retirees (Government Code Section 31874.3) is included in the actuarial valuation and in Valuation Reserves, and is part of Retired Member Reserves. It is no longer ~~be~~ separately accounted for.

d. Pre-April 1, 1982 Settlement Reserve

   i. After January 1, 2013, the liability for the Pre-April 1, 1982 Settlement benefit for retirees established as part of the 2001 DSA Settlement is included in the actuarial valuation and in Valuation Reserves, and is part of the Retired Member Reserves. It is no longer ~~be~~ separately accounted for.

e. Post-April 1, 1982 Settlement Reserve

   i. The Post-April 1, 1982 Settlement Reserve was established in 2001 as part of the DSA Settlement for members who retired after April 1, 1982 and before January 1, 2001. The benefit payable from the reserve is $10 per month per year of service, with a maximum monthly benefit of $300, prorated for beneficiaries receiving less than 100% of the member's benefit. An initial amount of $19.1 million was transferred from the Special Litigation Reserve; at the time of the Settlement, the Fund actuaries estimated that it would take $36.9 million to fully fund this benefit.

   ii. Under the Settlement Agreement, benefits are paid from the Reserve until the Reserve is exhausted. At that time, benefits are stopped until additional funds are added to the Reserve. The Settlement stipulates that full funding of post-1982 benefits is a requirement after transfers required by law to make up for prior years' interest crediting shortfalls and after any true-up costs occurring in the three years following the establishment of this Reserve.

   iii. Benefits stopped in May 2006, when this reserve was depleted. In October 2007, the Board of Retirement elected to make a one-time transfer from funds in excess of 1% in the Contingency Reserve. After the transfer of $2.5 million from the Contingency Reserve, benefits recommenced December 1, 2007. In August 2008, the Board of

Retirement approved a transfer of approximately $4.6 million from the Unappropriated Earnings Reserve to continue funding of this benefit. In October 2008, the Board of Retirement approved a transfer of $18.4 million from the Unappropriated Earnings Reserve to continue the Post-1982 Settlement Benefit as long as sufficient funds remain.

iv. The liability matching this reserve is the actuarial present value of the benefits provided under this part of the DSA Settlement.

f. Contingency Reserve

i. The Contingency Reserve (formerly the Interest Fluctuation Reserve) is required by law to have a balance of at least 1% of all Fund assets before the Board is allowed to make any discretionary reserve allocations. Retirement Board policy historically was to maintain the Reserve at 3%, but, for reasons and under the conditions set forth in its Resolution 2017-06-02 the Board exercised its discretion in June 2017 to set the level at 1%.

ii. Assigning funds to the Contingency Reserve keeps them outside of the valuation assets, thus increasing employer contributions to the Plan in a given year. Using the Contingency Reserve during years when full interest cannot otherwise be credited serves to decrease Plan costs in those years.

iii. No liability is associated with this reserve.

g. County Additional UAL Contribution Reserve

i. The County Additional UAL Contribution Reserve receives additional contributions paid by San Joaquin County toward its share of the unfunded actuarial liability (UAL) beginning in calendar year 2017. On March 29, 2016, the Board of Supervisors approved an additional annual County contribution ranging from 0% to 5% of payroll for the next 10 years effective January 1, 2017 for this purpose.

ii. These additional UAL contributions are not to be taken into consideration in the annual retirement contribution rate setting process, unless and until the County advises when it wants the plan actuary to credit this new reserve against the County's share of UAL as valuation assets.

iii. For the annual GASB 67/68 report, the County's additional UAL contributions are included in the Plan Net Position (and thus will reduce the total Net Pension Liability). However, these assets directly offset only the County's portion of the Net Pension Liability (NPL).

IV. Relationship of Reserve Balances

Table 1 below shows the relationships among the reserve balances at the end of each Plan fiscal year, both at actuarial value and at market value. The numbers below show the order in which the various reserves are computed.

Table 1: Relationships Among Reserve Balances			
Reserve	**Actuarial Value**	**Market Stabilization Designation**	**Market Value**
Total Fund	2. Total Fund balance at Actuarial Value as computed by the actuary at the end of the Fund fiscal year	3. Market Value of the Fund minus Actuarial Value at the end of the Fund fiscal year	1. Total Fund balance at Market Value as contained in the Financial Statements of the Fund at the end of the Fund fiscal year
Special Reserves	6. The Actuarial Value of the Special Reserves, obtained by subtracting the Market Stabilization Designation for Special Reserves from the Market Value of Special Reserves	5. The portion of the Market Stabilization Designation attributable to Special Reserves, derived by applying the ratio of the Market Value of Special Reserves to the total Fund Market Value	4. Market Value of the Fund Special Reserves, as reported in the Fund Financial Statements at the end of the Fund fiscal year
Unappropriated Earnings Reserve	7. The Board sets aside a portion of assets in the Unappropriated Earnings Reserve, based on Board Funding Policy.	9. Market Value of the Unappropriated Earnings Reserve minus Actuarial Value of the Unappropriated Earnings Reserve at the end of the Fund fiscal year.	8. The Market Value of the Unappropriated Earnings Reserve, computed by applying the ratio of the Market Value of the total Fund to the Total Fund balance at Actuarial Value and applying that to the Unappropriated Earnings Reserve at Actuarial Value.
Valuation Assets	10. The Actuarial Value of Assets for use in computing Employer Contributions in the annual Actuarial Valuation, obtained by subtracting the Actuarial Value of the Special Reserves from the Actuarial Value of all Fund Assets. Valuation Assets includes all Valuation Reserves: The Member Reserves, Retired Member Reserves, Employer Advance Reserve, and the Unappropriated Earnings Reserve.	11. The portion of the Market Stabilization Designation attributable to Valuation Assets, computed by subtracting the Market Stabilization Designations for the Special Reserves and the Unappropriated Earnings Reserve from the Market Stabilization Designation of all Fund Assets.	12. The Market Value of Valuation Assets, computed by subtracting the Market Value of the Special Reserves from the Market Value of all Fund Assets. Note this can also be obtained by adding the Actuarial Value of Valuation Assets to the Market Stabilization Designation for Valuation Assets.

V. Reserve Cash Flows

Shown below are the additions and subtractions to each reserve, excluding interest credits. Interest credits are described in Section VI.

A. Valuation Reserves

1. Member Reserves

   i. For active members, employee contributions are added to the reserves, while the entire accumulated balance for members who take a contribution refund or enter pay status through retirement, disability, or death is subtracted.

   ii. For deferred members, there are no employee contributions to add, but the entire accumulated balance for members who take a contribution refund or enter pay status through retirement, disability, or death is subtracted.

   iii. Addition and subtraction of member contributions occurs on a biweekly and monthly basis.

2. Retired Member Reserves

   i. The Retired Member Reserve increases with reserves transferred from the Member Reserve and the Employer Advance Reserve when members retire, become disabled, or die leaving beneficiaries; it decreases as members or their beneficiaries receive benefit payments.

3. Employer Advance Reserves

   i. The Employer Advance Reserves is increased by employer contributions each year, and is decreased by the liability for members who enter benefit status each year through retirement, disability, or death.

4. Market Stabilization Designation

   i. The Market Stabilization Designation is recomputed in each annual actuarial valuation as the total of unrecognized investment gains and losses from the current and prior three Plan (calendar) years. Therefore, any increases or decreases to this reserve do not result from additions or deletions. See Table 1 above.

5. **Unappropriated Earnings Reserve**

   i. The Unappropriated Earnings Reserve is reestablished yearly in accordance with the Board's Statement of Funding Policy and other applicable legal obligations and settlements. This process is described in Section III, A.5 above.

B. Special Reserves

1. Post-Employment Healthcare Agency Fund

   i. The Post-Employment Healthcare Agency Fund is increased with employer contributions and decreased when retirees' health premiums are paid from their sick leave banks or accumulated sick leave at retirement is converted to additional retirement service credit on a pay as you go basis.

2. Post-April 1, 1982 Settlement Reserve

   i. The Post-April 1, 1982 Settlement Reserve is decreased with payments made and is increased with interest credits and any amounts transferred by the Board from other reserves.

3. Contingency Reserve

   i. The annual additions to and withdrawals from the Contingency Reserve are determined by the Board and sufficiency of earnings on assets to credit full interest to all accounts.

4. County Additional UAL Contribution Reserve

   i. The County Additional UAL Contribution Reserve is increased with additional contributions paid by the County.

VI. Reserve Interest Credits

A. At the end of each year, each reserve account is adjusted based on contributions and disbursements during the year, as described above. Reserves are then credited interest using the following priority order:

   1. Member Reserves: The first priority is to credit all Member Reserves at the actuarial assumed rate, regardless of Fund performance. For both active and deferred Member Reserves, interest is credited semiannually at a rate which, when compounded, produces the annual actuarial assumed rate of investment return.

   2. Determination of Market Stabilization Designation (MSD): Before any other reserve accounts are allocated, the amount of the market stabilization reserve needs to be determined by the Plan's actuary. This amount can be positive or negative, and serves as an offset to the market value of assets in determining available interest credits. This means that the amount of available earnings at the end of each

year is roughly equal to the return on the actuarial value of assets from the prior valuation date.

3. Employer, Retiree, and certain special reserves: After the Member Reserves and MSD are allocated, a target total interest credit is calculated for all other reserve accounts, excluding the Contingency Reserve. This target amount is based on interest credits at the full actuarial rate to the end-of-year reserve balances. To the extent that the remaining available assets cover the target interest credits, all accounts are credited annually.

4. Currently all of these additional reserves receive equal priority, so if the available interest credits only cover a portion of the full target amount at the actuarial rate, these accounts will all receive the same percentage interest credit. For example, if the total end-of-year balance for all of these reserves equals $1 billion, and $70 million is available to allocate at this point, then all accounts will receive 7.0% interest credits. Interest crediting for these reserves is deferred until the close of the calendar year, when the full impact of investment earnings is known.

5. ~~County~~ Employer Additional UAL Contributions: This reserve is credited with the actual annual rate of return (including negative returns) on the market value of assets for the plan as a whole, rather than the "smoothed" rate of return credited to other reserves included in valuation assets. This will ensure that no other reserves will be affected by the performance of the assets in this separate reserve. Also, the plan contribution rate will not be impacted by this separate reserve until the County instructs this reserve to be included in valuation assets for the determination of the County's retirement contribution rates. Interest crediting for these reserves is deferred until the close of calendar year, when the full impact of investment earnings is known.

6. Contingency Reserve: If full interest crediting as described in the preceding steps ~~Step 3 above is~~ are not possible, then the Contingency Reserve will be set to $0. If full interest crediting is possible, then any remaining available earnings are allocated to the Contingency Reserve up to the policy level (1% of the Total Fund). Other Special Reserves: Following the year-end close and subsequent valuation, the Board of Retirement makes determinations of crediting any remaining available funds to special accounts in accordance with any applicable legal obligations and settlements. Interest crediting for these reserves is deferred until the close of calendar year, when the full impact of investment earnings is known.

7. Unappropriated Earnings Reserve (UER): If all accounts have been fully credited as described in Steps 1 through ~~4~~ 5 above, and additional funds still remain, they are allocated to the UER.

8. Consistency with Statement of Funding Policy: The Board's Statement of Funding Policy will govern any reserve transfers; in particular, amounts will be transferred from the UER to other reserves only if the Plan Funded Ratio as defined in the Funding Policy is 90% or above.

VII. Periodic Reconciliation of Valuation Reserve Accounts

A. Over time, reserve balances and the related Fund liabilities will tend to drift apart. This occurs because the reserve accounting procedure discussed above does not allow for actuarial gains or losses in Plan assets and liabilities. As a result, the reserves may not always represent an accurate estimate of the amount needed to pay for the intended benefits. Consequently, the amounts in each Valuation Reserve should be reconciled periodically with the actuarial valuation to account for Plan experience or changes in benefits and assumptions.

B. Reconciliation of the Valuation Reserve Accounts will result in transferring amounts from one Valuation Reserve to another. Any adjustment(s) must be authorized by the Board. It should take place when the actuarial assumptions are reviewed as a result of an actuarial experience study but no less often than every three years. For consistency with the actuarial valuation, the actuarial value of Fund assets should first be allocated to Member Reserves, then to Retired Member Reserves, then to the Employer Advance Reserves, with any remainder allocated to the Unappropriated Earnings Reserve.

C. To the extent that it is only a rearrangement of assets within the Valuation Reserves, this reconciliation of the reserve accounts will not impact the Plan's overall contribution rate, but it could affect the calculated contribution rates for Safety and General members since funds could be transferred from one to the other. If assets are transferred from or to Special Reserves, such as the Contingency Reserve or the Post April 1, 1982 Settlement Reserve, employer contributions will be affected.

VIII. Policy Review

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

IX. History

Date	Summary of Board Action
02/10/2012	Adopted
12/16/2016	Added County additional UAL reserve
06/09/2017	Deleted 3% reference for UER; deleted Health Insurance Reserve; set Contingency Reserve at 1%
07/06/2018	Staff updated format; corrected inadvertent numbering error in Table 1.
04/12/2019	Policy Review section amended to at least once every three years
07/08/2022	Amended Section VI – Reserve Interest Credits to reflect existing practices for crediting reserves and acknowledge multiple employers make additional UAL contributions.

Certification of Board Adoption

07/08/2022

Clerk of the Board Date

Statement of Reserve Policy

I. Purpose

A. The purpose of this Statement of Reserve Policy is to summarize the structure and operation of the reserves created and maintained by the San Joaquin County Employees' Retirement Association (SJCERA, the Plan, the Fund). This Statement is drafted to achieve the following goals:

1. Document the existing reserve structure and the accounting policies currently in place; and

2. Establish a base for considering future changes in reserve policies.

3. This Statement describes the SJCERA reserve structure and the mechanisms used to accumulate assets and disburse payments from each reserve. It is organized as follows:

   a. Description – The various reserves are categorized and their purposes and related liabilities are described.

   b. Cash Flows – The inflows and outflows, excluding interest, are enumerated for each reserve.

   c. Interest Credits – The computation and timing of the interest credited to each reserve are described.

   d. Reserve Transfers – The circumstances under which the Retirement Board (the Board) may elect to move balances from one reserve account to another are described.

   e. Reconciliation – The method and frequency by which the reserve accounts should be reconciled with the underlying liability is specified.

   f. This Statement is a working document that will be modified as the Board deems necessary.

II. Market Value and Actuarial Value

A. All reserves are held at market value. However, in computing the smoothed or actuarial value of assets required to compute the Plan's funded status and the employer contribution rates, a conversion to actuarial value is sometimes required. This will be noted in each case.

III. Reserve Descriptions

Fund reserves fall into one of two categories: Valuation Reserves and Special Reserves.

A. **Valuation Reserves**

1. Valuation Reserves include Member Reserves, Retired Member Reserves (excluding certain death benefit reserves), Employer Advance Reserves, the Market Stabilization Designation, and the Unappropriated Earnings Reserve. The total of the Valuation Reserves equals the market value of Fund assets, excluding amounts held in the Special Reserves, also at market value.
2. The total of the Valuation Reserves, excluding the Market Stabilization Designation and excluding the Special Reserves (adjusted to actuarial value), is the Actuarial Value of Fund Assets used to determine the funded ratio and the employer contributions to the Fund as part of the annual actuarial valuation performed each year. Any policy that affects the amount of funds assigned to Valuation Reserves has the potential to affect Plan costs.

a) <u>Member Reserves</u>

i. The Member Reserves contain the cumulative employee contributions with interest for active and deferred members. Active member contributions are held in separate reserves for General and Safety, while cumulative member contributions for terminated deferred members are also held in General and Safety reserves. Member contributions for COLAs are combined with all other member contributions in the Member Reserves.

ii. The Plan liability matching this reserve is the sum of member contributions with interest for active and terminated deferred members.

b) <u>Retired Member Reserves</u>

i. The Retired Member Reserves contain the assets necessary to fund the benefits and COLAs in pay status for retired and disabled members and their beneficiaries.

ii. The Plan liability matching this reserve is the actuarial present value of benefits for members in pay status – retired and disabled members and their beneficiaries. When reserves are reconciled with liabilities, the sum of the Retired Member Reserves should equal the liability held for retired and disabled members and their beneficiaries.

Consequently, the Plan's liability for members in pay status would be 100% funded.

iii. In actuarial valuations through January 1, 2012, Special Reserves were held for the $5,000 lump sum death benefit, the Purchasing Power Protection benefit, and the Pre-April 1, 1982 Settlement. Beginning with the January 1, 2013 valuation, these benefits will be included in the actuarial valuation performed for the Plan. Since these benefits are primarily payable on behalf of retired members, the reserve balances on December 31, 2012 will be included in Valuation Reserves (Retired Member Reserves).

c) Employer Advance Reserves

i. The Employer Advance Reserves contain the assets allocated to the employer portion of the liabilities for active and deferred members. The amount in this reserve is the actuarial value of total Fund assets, minus the Member Reserves, Retired Member Reserves, Unappropriated Earnings Reserve, and Special Reserves, all at actuarial value.

ii. The Plan liability matching this reserve is the actuarial accrued liability for active and deferred members.

d) Market Stabilization Designation

i. The Market Stabilization Designation consists of the difference between the market value of Plan assets and their actuarial value. It contains the total of unrecognized investment gains and losses from the current and prior three Plan (calendar) years.

ii. If the smoothed actuarial value of assets exceeds market value, the Market Stabilization Designation is negative; otherwise, it is zero or positive. The liability matching the Market Stabilization Designation is the sum of unrecognized investment gains and losses, as noted above.

iii. Since the actuarial and market values of Plan assets are determined for all assets in total, regardless of allocation to reserves, the calculation of the Market Stabilization Designation is independent of and must precede the apportionment of assets into reserves.

iv. The Market Stabilization Designation is the amount that must be added to the Actuarial Value of Fund assets to agree with the Market Value of Fund assets. It represents deferred gains (losses) if positive (negative). It therefore represents a reserve for those unrealized gains or losses that is excluded from the calculation of Plan funding status and employer contribution rates.

e) <u>Unappropriated Earnings Reserve</u>

i. The Unappropriated Earnings Reserve is reestablished yearly after all other requirements are met, in the following order: Full actuarial interest on Valuation Reserves and all other reserves, an amount necessary to bring the overall actuarial funded ratio of the Fund to 90% in accordance with the Board's Statement of Funding Policy, and an amount necessary to bring the Contingency Reserve to the 1% minimum.

ii. The amount in the Unappropriated Earnings Reserve can then be transferred to other reserves, subject to the limitations contained in the Board's Statement of Funding Policy and in other applicable legal obligations and settlements.

iii. The liability associated with this reserve is the excess of the Plan's actuarial accrued liability over the total of the Member, Retired Member, and Employer Advance Reserves.

B. Special Reserves

1. Special Reserves consist of funds excluded from the annual actuarial valuation and therefore not used in the calculation of the Plan's funded ratio and employer contribution. The amounts set aside can be for designated purposes or for market fluctuation.

a. <u>Post-Retirement Death Benefit Reserve</u>

i. Effective January 1, 2013, the liability for the $5,000 lump sum death benefit for retirees (Government Code Section 31789.3) was included in the actuarial valuation and in Valuation Reserves.

b. <u>Employment Healthcare Agency Fund</u>

i. In 2011, following the IRS' approval of SJCERA VCP application it was determined that the proper presentation of what was formerly known as the Health Insurance Reserve should instead be the Post-Employment Healthcare Agency. The fund is used for cash flows in from employers to fund sick leave bank benefits for their eligible retired employees on a pay as you go basis, and for cash flows out for payment of sick leave bank benefits.

c. Purchasing Power Cost of Living Reserve

   i. After January 1, 2013, the liability for the Purchasing Power Protection benefit for retirees (Government Code Section 31874.3) is included in the actuarial valuation and in Valuation Reserves, and is part of Retired Member Reserves. It is no longer separately accounted for.

d. Pre-April 1, 1982 Settlement Reserve

   i. After January 1, 2013, the liability for the Pre-April 1, 1982 Settlement benefit for retirees established as part of the 2001 DSA Settlement is included in the actuarial valuation and in Valuation Reserves, and is part of the Retired Member Reserves. It is no longer separately accounted for.

e. Post-April 1, 1982 Settlement Reserve

   i. The Post-April 1, 1982 Settlement Reserve was established in 2001 as part of the DSA Settlement for members who retired after April 1, 1982 and before January 1, 2001. The benefit payable from the reserve is $10 per month per year of service, with a maximum monthly benefit of $300, prorated for beneficiaries receiving less than 100% of the member's benefit. An initial amount of $19.1 million was transferred from the Special Litigation Reserve; at the time of the Settlement, the Fund actuaries estimated that it would take $36.9 million to fully fund this benefit.

   ii. Under the Settlement Agreement, benefits are paid from the Reserve until the Reserve is exhausted. At that time, benefits are stopped until additional funds are added to the Reserve. The Settlement stipulates that full funding of post-1982 benefits is a requirement after transfers required by law to make up for prior years' interest crediting shortfalls and after any true-up costs occurring in the three years following the establishment of this Reserve.

   iii. Benefits stopped in May 2006, when this reserve was depleted. In October 2007, the Board of Retirement elected to make a one-time transfer from funds in excess of 1% in the Contingency Reserve. After the transfer of $2.5 million from the Contingency Reserve, benefits recommenced December 1, 2007. In August 2008, the Board of Retirement approved a transfer of approximately $4.6

million from the Unappropriated Earnings Reserve to continue funding of this benefit. In October 2008, the Board of Retirement approved a transfer of $18.4 million from the Unappropriated Earnings Reserve to continue the Post-1982 Settlement Benefit as long as sufficient funds remain.

iv. The liability matching this reserve is the actuarial present value of the benefits provided under this part of the DSA Settlement.

f. Contingency Reserve

i. The Contingency Reserve (formerly the Interest Fluctuation Reserve) is required by law to have a balance of at least 1% of all Fund assets before the Board is allowed to make any discretionary reserve allocations. Retirement Board policy historically was to maintain the Reserve at 3%, but, for reasons and under the conditions set forth in its Resolution 2017-06-02 the Board exercised its discretion in June 2017 to set the level at 1%.

ii. Assigning funds to the Contingency Reserve keeps them outside of the valuation assets, thus increasing employer contributions to the Plan in a given year. Using the Contingency Reserve during years when full interest cannot otherwise be credited serves to decrease Plan costs in those years.

iii. No liability is associated with this reserve.

g. County Additional UAL Contribution Reserve

i. The County Additional UAL Contribution Reserve receives additional contributions paid by San Joaquin County toward its share of the unfunded actuarial liability (UAL) beginning in calendar year 2017. On March 29, 2016, the Board of Supervisors approved an additional annual County contribution ranging from 0% to 5% of payroll for the next 10 years effective January 1, 2017 for this purpose.

ii. These additional UAL contributions are not to be taken into consideration in the annual retirement contribution rate setting process, unless and until the County advises when it wants the plan actuary to credit this new reserve against the County's share of UAL as valuation assets.

iii. For the annual GASB 67/68 report, the County's additional UAL contributions are included in the Plan Net Position (and thus will reduce the total Net Pension Liability). However, these assets directly offset only the County's portion of the Net Pension Liability (NPL).

IV. Relationship of Reserve Balances

Table 1 below shows the relationships among the reserve balances at the end of each Plan fiscal year, both at actuarial value and at market value. The numbers below show the order in which the various reserves are computed.

Table 1: Relationships Among Reserve Balances			
Reserve	**Actuarial Value**	**Market Stabilization Designation**	**Market Value**
Total Fund	2. Total Fund balance at Actuarial Value as computed by the actuary at the end of the Fund fiscal year	3. Market Value of the Fund minus Actuarial Value at the end of the Fund fiscal year	1. Total Fund balance at Market Value as contained in the Financial Statements of the Fund at the end of the Fund fiscal year
Special Reserves	6. The Actuarial Value of the Special Reserves, obtained by subtracting the Market Stabilization Designation for Special Reserves from the Market Value of Special Reserves	5. The portion of the Market Stabilization Designation attributable to Special Reserves, derived by applying the ratio of the Market Value of Special Reserves to the total Fund Market Value	4. Market Value of the Fund Special Reserves, as reported in the Fund Financial Statements at the end of the Fund fiscal year
Unappropriated Earnings Reserve	7. The Board sets aside a portion of assets in the Unappropriated Earnings Reserve, based on Board Funding Policy.	9. Market Value of the Unappropriated Earnings Reserve minus Actuarial Value of the Unappropriated Earnings Reserve at the end of the Fund fiscal year.	8. The Market Value of the Unappropriated Earnings Reserve, computed by applying the ratio of the Market Value of the total Fund to the Total Fund balance at Actuarial Value and applying that to the Unappropriated Earnings Reserve at Actuarial Value.
Valuation Assets	10. The Actuarial Value of Assets for use in computing Employer Contributions in the annual Actuarial Valuation, obtained by subtracting the Actuarial Value of the Special Reserves from the Actuarial Value of all Fund Assets. Valuation Assets includes all Valuation Reserves: The Member Reserves, Retired Member Reserves, Employer Advance Reserve, and the Unappropriated Earnings Reserve.	11. The portion of the Market Stabilization Designation attributable to Valuation Assets, computed by subtracting the Market Stabilization Designations for the Special Reserves and the Unappropriated Earnings Reserve from the Market Stabilization Designation of all Fund Assets.	12. The Market Value of Valuation Assets, computed by subtracting the Market Value of the Special Reserves from the Market Value of all Fund Assets. Note this can also be obtained by adding the Actuarial Value of Valuation Assets to the Market Stabilization Designation for Valuation Assets.

V. Reserve Cash Flows

Shown below are the additions and subtractions to each reserve, excluding interest credits. Interest credits are described in Section VI.

A. Valuation Reserves

1. Member Reserves

   i. For active members, employee contributions are added to the reserves, while the entire accumulated balance for members who take a contribution refund or enter pay status through retirement, disability, or death is subtracted.

   ii. For deferred members, there are no employee contributions to add, but the entire accumulated balance for members who take a contribution refund or enter pay status through retirement, disability, or death is subtracted.

   iii. Addition and subtraction of member contributions occurs on a biweekly and monthly basis.

2. Retired Member Reserves

   i. The Retired Member Reserve increases with reserves transferred from the Member Reserve and the Employer Advance Reserve when members retire, become disabled, or die leaving beneficiaries; it decreases as members or their beneficiaries receive benefit payments.

3. Employer Advance Reserves

   i. The Employer Advance Reserves is increased by employer contributions each year, and is decreased by the liability for members who enter benefit status each year through retirement, disability, or death.

4. Market Stabilization Designation

   i. The Market Stabilization Designation is recomputed in each annual actuarial valuation as the total of unrecognized investment gains and losses from the current and prior three Plan (calendar) years. Therefore, any increases or decreases to this reserve do not result from additions or deletions. See Table 1 above.

5. **Unappropriated Earnings Reserve**

   i. The Unappropriated Earnings Reserve is reestablished yearly in accordance with the Board's Statement of Funding Policy and other applicable legal obligations and settlements. This process is described in Section III, A.5 above.

B. Special Reserves

1. Post-Employment Healthcare Agency Fund

   i. The Post-Employment Healthcare Agency Fund is increased with employer contributions and decreased when retirees' health premiums are paid from their sick leave banks or accumulated sick leave at retirement is converted to additional retirement service credit on a pay as you go basis.

2. Post-April 1, 1982 Settlement Reserve

   i. The Post-April 1, 1982 Settlement Reserve is decreased with payments made and is increased with interest credits and any amounts transferred by the Board from other reserves.

3. Contingency Reserve

   i. The annual additions to and withdrawals from the Contingency Reserve are determined by the Board and sufficiency of earnings on assets to credit full interest to all accounts.

4. County Additional UAL Contribution Reserve

   i. The County Additional UAL Contribution Reserve is increased with additional contributions paid by the County.

VI. Reserve Interest Credits

A. At the end of each year, each reserve account is adjusted based on contributions and disbursements during the year, as described above. Reserves are then credited interest using the following priority order:

1. Member Reserves: The first priority is to credit all Member Reserves at the actuarial assumed rate, regardless of Fund performance. For both active and deferred Member Reserves, interest is credited semiannually at a rate which, when compounded, produces the annual actuarial assumed rate of investment return.

2. Determination of Market Stabilization Designation (MSD): Before any other reserve accounts are allocated, the amount of the market stabilization reserve needs to be determined by the Plan's actuary. This amount can be positive or negative, and serves as an offset to the market value of assets in determining available interest credits. This means that the amount of available earnings at the end of each

year is roughly equal to the return on the actuarial value of assets from the prior valuation date.

3. Employer, Retiree, and certain special reserves: After the Member Reserves and MSD are allocated, a target total interest credit is calculated for all other reserve accounts, excluding the Contingency Reserve. This target amount is based on interest credits at the full actuarial rate to the end-of-year reserve balances. To the extent that the remaining available assets cover the target interest credits, all accounts are credited annually.

4. Currently all of these additional reserves receive equal priority, so if the available interest credits only cover a portion of the full target amount at the actuarial rate, these accounts will all receive the same percentage interest credit. For example, if the total end-of-year balance for all of these reserves equals $1 billion, and $70 million is available to allocate at this point, then all accounts will receive 7.0% interest credits. Interest crediting for these reserves is deferred until the close of the calendar year, when the full impact of investment earnings is known.

5. Employer Additional UAL Contributions: This reserve is credited with the actual annual rate of return (including negative returns) on the market value of assets for the plan as a whole, rather than the "smoothed" rate of return credited to other reserves included in valuation assets. This will ensure that no other reserves will be affected by the performance of the assets in this separate reserve. Also, the plan contribution rate will not be impacted by this separate reserve until the County instructs this reserve to be included in valuation assets for the determination of the County's retirement contribution rates. Interest crediting for these reserves is deferred until the close of calendar year, when the full impact of investment earnings is known.

6. Contingency Reserve: If full interest crediting as described in the preceding steps are not possible, then the Contingency Reserve will be set to $0. If full interest crediting is possible, then any remaining available earnings are allocated to the Contingency Reserve up to the policy level (1% of the Total Fund). Other Special Reserves: Following the year-end close and subsequent valuation, the Board of Retirement makes determinations of crediting any remaining available funds to special accounts in accordance with any applicable legal obligations and settlements. Interest crediting for these reserves is deferred until the close of calendar year, when the full impact of investment earnings is known.

7. Unappropriated Earnings Reserve (UER): If all accounts have been fully credited as described in Steps 1 through 5 above, and additional funds still remain, they are allocated to the UER.

8. Consistency with Statement of Funding Policy: The Board's Statement of Funding Policy will govern any reserve transfers; in particular, amounts will be transferred from the UER to other reserves only if the Plan Funded Ratio as defined in the Funding Policy is 90% or above.

VII. Periodic Reconciliation of Valuation Reserve Accounts

A. Over time, reserve balances and the related Fund liabilities will tend to drift apart. This occurs because the reserve accounting procedure discussed above does not allow for actuarial gains or losses in Plan assets and liabilities. As a result, the reserves may not always represent an accurate estimate of the amount needed to pay for the intended benefits. Consequently, the amounts in each Valuation Reserve should be reconciled periodically with the actuarial valuation to account for Plan experience or changes in benefits and assumptions.

B. Reconciliation of the Valuation Reserve Accounts will result in transferring amounts from one Valuation Reserve to another. Any adjustment(s) must be authorized by the Board. It should take place when the actuarial assumptions are reviewed as a result of an actuarial experience study but no less often than every three years. For consistency with the actuarial valuation, the actuarial value of Fund assets should first be allocated to Member Reserves, then to Retired Member Reserves, then to the Employer Advance Reserves, with any remainder allocated to the Unappropriated Earnings Reserve.

C. To the extent that it is only a rearrangement of assets within the Valuation Reserves, this reconciliation of the reserve accounts will not impact the Plan's overall contribution rate, but it could affect the calculated contribution rates for Safety and General members since funds could be transferred from one to the other. If assets are transferred from or to Special Reserves, such as the Contingency Reserve or the Post April 1, 1982 Settlement Reserve, employer contributions will be affected.

VIII. Policy Review

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

IX. History

Date	Summary of Board Action
02/10/2012	Adopted
12/16/2016	Added County additional UAL reserve
06/09/2017	Deleted 3% reference for UER; deleted Health Insurance Reserve; set Contingency Reserve at 1%
07/06/2018	Staff updated format; corrected inadvertent numbering error in Table 1.
04/12/2019	Policy Review section amended to at least once every three years
07/08/2022	Amended Section VI – Reserve Interest Credits to reflect existing practices for crediting reserves and acknowledge multiple employers make additional UAL contributions.

Certification of Board Adoption

07/08/2022

Clerk of the Board Date

Staff Transportation and Travel Policy

I. Travel Outside the State

A. When such travel is considered in the best interest of SJCERA, approval must be obtained in advance from the Board of Retirement.

B. It is recognized that due to emergency circumstances, there may be a need for travel that arises precluding prior approval by the Board. In those situations, the Chief Executive Officer (CEO) will consult with the Board Chair to determine the appropriateness of the travel. If approval of the requested travel is granted, the CEO shall, upon receipt of written approval by the Board Chair, authorize travel on behalf of the Board.

C. Trips to the Tahoe basin/Reno area are considered under the instate policies.

II. Travel Outside the County

A. Except for emergency and one-day trips (see Sections I and III), all official travel outside the County of San Joaquin but within the State of California by staff shall have prior approval of the CEO.

B. Request for official travel outside the County of San Joaquin shall, except in emergencies, be submitted at least two weeks in advance of such trip.

C. Emergency trips will be reported to the CEO as soon as possible.

III. One-Day Trips

A. One-day trips (inside or outside of county) shall not require a Travel Request form where the following provisions apply:

1. The travel is required by SJCERA in the performance of its normal functions and is in the course of the staff member's regularly assigned duties.
2. Maximum duration of the trip is one day.
3. Transportation by private vehicle.
4. Total expenses other than mileage do not exceed $200.
5. There is no lodging expense.

B. SJCERA will be required to keep adequate records of any of the above trips authorized so that the necessity of the trip can be audited.

IV. Chief Executive Officer's Responsibility

A. The CEO is charged with the responsibility to approve or disapprove staff requests for authorized travel on official SJCERA business.

B. Requests requiring approval of the Board of Retirement shall be submitted to the Board.

V. Authorized Travel at SJCERA Expense

A. Except for one-day trips (see Section III), staff claims for expenses incurred while traveling on behalf of SJCERA must be supported by a SJCERA Travel Request Form, which has been approved by the CEO or designee.

B. No travel or travel reimbursement for staff shall be authorized unless such travel is determined in the best interests of SJCERA.

C. Travel by private car may be authorized by the CEO when determined to be to the best advantage of SJCERA.

VI. Submission of SJCERA Travel Request Form

A. The SJCERA Travel Request Form shall be used for all out-of-state and out-of-county travel, except as authorized under Sections I and III.

B. Requests for Advance may be made for up to 75 percent of the total expected expenses for meals, shuttles or taxis, and lodging pursuant to guidelines herein. The minimum request for a travel advance is $50 and maximum is $2,000 per traveler. Approved travel advances shall be made by check payable to the traveler.

C. The CEO or designee is authorized to sign all SJCERA travel requests.

VII. Travel Arrangements and Policies

A. When a staff member has an approved travel request, he/she should work with the CEO's administrative support staff when making the necessary travel arrangements to ensure compliance with the provisions herein.

B. Staff is expected to take advantage of the lowest fare when the conditions of such travel are practical.

C. Staff is urged to take advantage of special rates available for car rentals and corporate and/or government rates for hotels and other incidental travel requirements.

D. Staff who are renting cars should purchase the optional liability and collision, or similar insurance offered by the rental agency, the costs of which will be reimbursed by SJCERA.

E. Airfare, lodging, and registration fees are normally the only expenses paid directly by SJCERA on behalf of the traveler. Staff should expect to cover expenses for other items, which will be reimbursed by SJCERA in accordance with this policy after completion of travel.

VIII. Reimbursement for Authorized Travel Expenses

A. Claims for reimbursement of travel expenses shall be signed by CEO or designee and shall be submitted to the Auditor-Controller for payment.

B. Each staff member traveling on behalf of SJCERA shall maintain and submit such records and receipts that are required to substantiate the request for reimbursement.

C. When submitting a claim for reimbursement of travel expenses, the staff member shall include receipts or vouchers as follows:

1. Transportation

    a. Public Transportation - Actual cost is reimbursable.

    b. Use of Private Vehicles - Shall be reimbursed at the standard rate adopted by the Internal Revenue Service at the time the expenses were incurred. Mileage payments for the use of private vehicles will be limited to an air travel equivalent, unless otherwise authorized by the CEO. Mileage reimbursements will be from the employee's workplace to the event and back regardless if the employee actually departed from his/her home when embarking on the trip.

2. Registration fees

3. Lodging (for out-of-county, multi-day travel)

    a. Actual cost, at the Government rate (or event rate, if less).
    b. If a discounted rate is not available, actual cost not to exceed the amount approved by the CEO on the Travel Request form.
    c. When an expense for a second guest is included in the official receipt, the rate to be claimed by the staff member shall be the rate charged for single occupancy. In the absence of the verification of the single occupancy rate, one-half of the rate charged according to the official receipts shall be charged.

4. Meals

    a. For each day of out-of-county travel, actual and reasonable meal expenses, including gratuities up to 20 percent, will be paid or reimbursed when traveling on official SJCERA business, not to exceed a maximum of $~~65~~70 per person. Original receipts will be required to document meal expenses under this provision.

    b. Any request for reimbursement of actual and reasonable expenses in excess of $~~65~~70 per person per day of travel may be authorized by the CEO. No allowance will be paid or reimbursed for meals that are included as part of an organization's scheduled program.

c. Expenses for alcoholic beverages will not be paid or reimbursed by SJCERA.

5. Actual cost for other allowable expenses as authorized by the CEO.
6. Personal Expenses such as laundry, barbering, valet services, etc. shall not be allowed.

D. In the event that receipts are not available, a signed affidavit for the amount and the reason for no receipt shall be included.

IX. Auditor-Controller's Responsibilities

A. The Auditor-Controller shall be responsible for auditing and payment of all Travel Reimbursement Claims and shall determine whether the expenses on the Travel Request form conform to the guidelines herein.

B. Items in claims that are questionable charges shall be referred to the SJCERA staff for explanation. The CEO shall make the determination, in consultation with the Auditor-Controller, if a charge should be eliminated from a Travel Reimbursement Claim.

C. The amounts of any items so eliminated by the CEO shall be deducted from the total of the claim before the Auditor-Controller processes the payment.

X. Board of Retirement and Executive Staff

The rules governing travel for the Board of Retirement and Executive Staff of SJCERA are contained in the Trustee and Executive Staff Travel Policy.

XI. Law Prevails

A. In the event a conflict between this policy and the County Employees Retirement Law, the Public Employees' Pension Reform Act, or other applicable state or federal law arises, the law shall prevail.

XII. Policy Review

Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

XIII. History

06/11/1993	Adopted
11/07/2008	Revised
06/29/2018	Reviewed, no content changes required; Staff corrected section cross-references and modified format.
04/12/2019	Policy Review section amended to at least once every three years
07/12/2019	Amended to eliminate redundancy, and references to volunteers
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Certification of Board Adoption:

07/08/2022

Clerk of the Board Date

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A. The CEO is charged with the responsibility to approve or disapprove staff requests for authorized travel on official SJCERA business.

EXHIBIT A

State or National Pension Fund Organizations and Programs

1. California Association of Public Retirement Systems (CALAPRS):
    a. Annual board member training held at the Stanford University campus
    b. Annual General Assembly
    c. Quarterly Trustee Roundtables

2. Statewide Association of County Retirement Systems (SACRS):
    a. Spring and Fall Conferences for member systems
    b. UC Berkeley Haas School of Business course on pension investment management

3. International Foundation of Employee Benefit Programs (IFEBP)

4. National Conference on Public Employee Retirement

5. National Association of State Retirement Administrators

6. Wharton School of Business, University of Pennsylvania:
    a. Investment Strategies and Portfolio Management

7. Other Educational Events or Program Providers (include, but are not limited to:)
    a. Pension and Investments
    b. Institutional Investors
    c. Institutional Real Estate Investment, Inc. (IREI)
    d. SJCERA Annual Investment Manager Roundtable
    e. Board education/presentations from retained actuary, auditor, general or specialist investment consultants, investment managers and advisors, and legal counsel
    f. Investor conferences presented by managers, advisors, or general partners of funds/strategies in which SJCERA invests

B. Requests requiring approval of the Board of Retirement shall be submitted to the Board.

V. Authorized Travel at SJCERA Expense

A. Except for one-day trips (see Section III), staff claims for expenses incurred while traveling on behalf of SJCERA must be supported by a SJCERA Travel Request Form, which has been approved by the CEO or designee.

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   c. When an expense for a second guest is included in the official receipt, the rate to be claimed by the staff member shall be the rate charged for single occupancy. In the absence of the verification of the single occupancy rate, one-half of the rate charged according to the official receipts shall be charged.

4. Meals

   a. For each day of out-of-county travel, actual and reasonable meal expenses, including gratuities up to 20 percent, will be paid or reimbursed when traveling on official SJCERA business, not to exceed a maximum of $70 per person. Original receipts will be required to document meal expenses under this provision.

   b. Any request for reimbursement of actual and reasonable expenses in excess of $70 per person per day of travel may be authorized by the CEO. No allowance will be paid or reimbursed for meals that are included as part of an organization's scheduled program.

c. Expenses for alcoholic beverages will not be paid or reimbursed by SJCERA.

5. Actual cost for other allowable expenses as authorized by the CEO.
6. Personal Expenses such as laundry, barbering, valet services, etc. shall not be allowed.

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XI. Law Prevails

A. In the event a conflict between this policy and the County Employees Retirement Law, the Public Employees' Pension Reform Act, or other applicable state or federal law arises, the law shall prevail.

XII. Policy Review

Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

XIII. History

06/11/1993	Adopted
11/07/2008	Revised
06/29/2018	Reviewed, no content changes required; Staff corrected section cross-references and modified format.
04/12/2019	Policy Review section amended to at least once every three years
07/12/2019	Amended to eliminate redundancy, and references to volunteers
07/08/2022	Added Law Prevails section; Increased daily meal allowance

Certification of Board Adoption:

07/08/2022

Clerk of the Board Date

Trustee Education Policy

I. Statement of Purpose

A. The purpose of this Trustee Education Policy is to establish guidelines and procedures for members of the Board of Retirement (Board) of the San Joaquin County Employees' Retirement Association that recognize and affirm the importance of education to a Trustee's success in fulfilling his or her fiduciary responsibilities.

II. Policy Objectives

A. Enable Trustees to gain the knowledge they need to carry out their fiduciary responsibilities and engage in effective group discussion, debate and decision making with regard to SJCERA.

B. Provide newly appointed or elected Trustees with the general introductory knowledge they need to effectively participate in Board and Committee deliberations in a timely manner.

C. Provide Trustees opportunities to learn through networking with trustees and staff of other public retirement systems and learn of alternative approaches to common issues and problems.

III. Board Education Guidelines

A. Appropriate educational topics for trustees include, but are not limited to:

1. Fiduciary responsibilities
2. Ethics
3. Pension fund investments and investment program management
4. Actuarial matters
5. Pension funding
6. Benefits administration
7. Disability evaluation
8. Fair hearings
9. Pension fund governance
10. New trustee orientation, and
11. Sexual harassment prevention training

B. A variety of educational sources, venues, and methods are necessary and appropriate since no single method of Trustee education is optimal.

C. Educational seminars sponsored by state or national public pension fund organizations and seminars sponsored by accredited academic institutions shall be deemed to meet Trustee education requirements. (Exhibit A lists the organizations and institutions that provide educational programs to the public pension community.)

D. This Policy is not intended to dictate that Trustees attend only specific conferences or programs. The Policy is a framework for the types of educational opportunities available to Trustees.

E. The Board will periodically review the programs, training or educational sessions that qualify for trustee education.

F. The CEO shall review and evaluate available educational conferences and bring to the attention of the Board those believed to be valuable and appropriate for Trustee education and compliance with the requirements of this policy. Trustees may also bring forward appropriate educational conferences for consideration.

G. Standards for determining the appropriateness of a potential educational opportunity shall include:

1. The extent to which the opportunity is expected to provide Trustees with the knowledge they need to carry out their roles and responsibilities;
2. The extent to which the opportunity meets the requirements of this policy; and
3. The cost-effectiveness of the program in light of travel, lodging and related expenses.

IV. Trustee Education Requirements

A. Each Trustee must receive a minimum of twenty-four (24) hours of trustee education within the first two years of assuming office and for every subsequent two-year period the Trustee continues as a member of the Board.

1. As part of the twenty-four (24) hours of required education, each Trustee must receive a minimum of at least two (2) hours of sexual harassment prevention training within the first six (6) months of assuming office and for every subsequent two-year period the Trustee remains on the Board.

B. The Board shall maintain a record of Trustee compliance with this policy. This Trustee Education Policy and an annual report on Trustee compliance will be placed on SJCERA's website.

V. Law Prevails

A. In the event a conflict between this policy and the County Employees Retirement Law, the Public Employees' Pension Reform Act, or other applicable statute arises, the law shall prevail.

~~V.~~ VI. Policy Review

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

VI. History

09/28/2012	Adopted
01/13/2017	Reviewed by Board of Retirement
06/29/2018	Staff reviewed, no content changes required; updated format.
04/12/2019	Policy Review section amended to at least once every three years
07/12/2019	Added Sexual Harassment Prevention Training per Government Code section 53237.1 (AB 1661)
07/08/2022	Added Law Prevails section; added legal counsel to list of education providers in Exhibit A

Certification of Board Adoption:

07/08/2022

Clerk of the Board Date

Relevant References
Government Code Sections 31522.8 and 53237.1

Trustee Education Policy

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A. Enable Trustees to gain the knowledge they need to carry out their fiduciary responsibilities and engage in effective group discussion, debate and decision making with regard to SJCERA.

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11. Sexual harassment prevention training

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C. Educational seminars sponsored by state or national public pension fund organizations and seminars sponsored by accredited academic institutions shall be deemed to meet Trustee education requirements. (Exhibit A lists the organizations and institutions that provide educational programs to the public pension community.)

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1. The extent to which the opportunity is expected to provide Trustees with the knowledge they need to carry out their roles and responsibilities;
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07/08/2022	Added Law Prevails section; added legal counsel to list of education providers in Exhibit A

Certification of Board Adoption:

07/08/2022

Clerk of the Board Date

Relevant References
Government Code Sections 31522.8 and 53237.1

EXHIBIT A

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   a. Annual board member training held at the Stanford University campus
   b. Annual General Assembly
   c. Quarterly Trustee Roundtables

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   a. Spring and Fall Conferences for member systems
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3. International Foundation of Employee Benefit Programs (IFEBP)

4. National Conference on Public Employee Retirement

5. National Association of State Retirement Administrators

6. Wharton School of Business, University of Pennsylvania:
   a. Investment Strategies and Portfolio Management

7. Other Educational Events or Program Providers (include, but are not limited to:)
   a. Pension and Investments
   b. Institutional Investors
   c. Institutional Real Estate Investment, Inc. (IREI)
   d. SJCERA Annual Investment Manager Roundtable
   e. Board education/presentations from retained actuary, auditor, general or specialist investment consultants, investment managers and advisors, and legal counsel
   f. Investor conferences presented by managers, advisors, or general partners of funds/strategies in which SJCERA invests

Trustee and Executive Staff Travel Policy

I. Purpose

A. The Board of Retirement (Board) and designated staff have a fiduciary duty to obtain education on matters of public pension investments and administration, to monitor the investments and administration of the Trust, and to monitor the work of those to whom the Board has delegated authority to manage and administer Trust assets.

B. To execute this oversight, Trustees and/or Executive Staff may be required to participate in business meetings, educational programs~~,~~ and conferences and seminars ~~and conduct due diligence visits~~ on behalf SJCERA in or outside of the state of California.

C. For purposes of this policy Executive Staff are defined as:

1. Chief Executive Officer (CEO)
2. Assistant Chief Executive Officer
3. Retirement Investment Officer
4. Deputy County Counsel assigned as counsel to the Board

D. Trustees and Executive staff are entitled to reimbursement for usual and reasonable expenses incurred in fulfilling their leadership role and it is the purpose of this policy to establish guidelines for approval and reimbursement of travel and related expenses that are incurred while fulfilling those roles.

II. Requests for Travel

A. To assist the Board and Executive Staff in the planning of travel, the CEO is responsible for developing and managing education and travel expense programs consistent with the best interests of SJCERA. A schedule of upcoming conferences, meetings and seminars will be developed, maintained and provided as part of the Board's monthly meeting agenda.

B. Any Board or Executive Staff member requesting to attend an event that requires an overnight stay must notify the CEO or designee in advance. A formal Travel Request for attendance at the event will be completed by SJCERA staff. The Travel Request will identify the event, dates, location, proposed SJCERA attendees, and estimated costs, with the event agenda and schedule attached, if available.

C. Requests to attend conferences, meetings, seminars or special sessions sponsored by the State Association of County Retirement Systems (SACRS) and the California Association of Public Retirement Systems (CALAPRS) are considered approved travel without further action of the Board.

D. Each Trustee is allotted $2,500 for the calendar year. Excluded from the allotted annual amount are the educational opportunities listed in section II.C above.

~~D.~~E. All travel requests shall be summarized on the "Summary of Pending Trustee and Executive Staff Travel" report, updated and included in the Board's monthly meeting agenda for information or action as appropriate. The report will include the status of the travel request approval.

~~E.~~F. Trustees and Executive Staff shall notify the CEO or designee of any changes in travel or accommodation arrangements in a timely manner. Failure to do so may result in the Trustee or Executive Staff member being held responsible for any additional costs incurred as a result of changes or cancellation.

III. Approval of Travel

A. All requests for travel subject to this policy require approval in advance by the Board.

1. Exception: It is recognized that due to emergency circumstances, there may be a need for travel that arises precluding prior approval by the Board. In those situations, the CEO will consult with the Board Chair to determine the appropriateness of the travel. If approval of the requested travel is granted, the CEO shall, upon receipt of written approval by the Board Chair, authorize travel on behalf of the Board.

B. In determining the priority and approval for attendance at conferences, meetings and seminars, the Board shall consider:

1. The extent to which the participants' capacity to carry out his/her duties as a Trustee or Executive Staff of SJCERA will be enhanced in a significant manner (including speaking engagements where the participant can enhance his/her capacity through attendance at the event);
2. The cost-effectiveness of the opportunity; and
3. The timeliness and relevance of the opportunity.

C. In-State Travel is defined as travel within California or to the Tahoe basin/Reno area.

D. Out-of-State Travel is defined as travel outside of California but within the fifty United States.

E. International Travel is defined as travel outside of the fifty United States.

1. In consideration of SJCERA's asset allocation to non-U.S. investments, the Board may authorize one or more Trustees or Executive Staff to travel outside the United States. Any request for international travel will be presented as an action item on a Board meeting agenda. Approval for international travel will require a vote by the Board.

F. All requests for travel listed on the "Summary of Pending Trustee and Executive Staff Travel" that are pending approval by the Board may be approved by consent at a Board meeting. A Board member may request that an item on the travel list be removed for separate consideration and action from the rest of the travel requests pending approval. All travel requests pending Board approval, whether on the "consent" travel list or considered as a separate item, must be approved by a vote of the Board.

G. All approved requests for travel require the completion of a SJCERA Travel Request Form prior to the commencement of travel and is required for reimbursement of travel expenses.

H. The CEO or designee is authorized to sign SJCERA Travel Request Forms.

IV. Reimbursement of Travel Expenses

A. SJCERA shall only pay or reimburse valid travel and related expenses incurred directly by SJCERA Trustees and Executive Staff. All other expenses shall be the responsibility of the respective Trustee or Executive Staff member.

B. Travel and related expenses that may be paid on behalf of or reimbursed to Trustees and Executive Staff include, but are not limited to, the following:

1. Coach Class Airfare

    a. Actual costs for air travel as evidenced by airline itinerary and receipt. Travelers are expected to take advantage of the lowest airfare.

2. Ground Transportation:

    a. Actual reasonable fares for taxis, shuttles, trains, buses, subways, etc., and customary gratuities, if any, up to 20 percent, as evidenced by receipts.

    b. Rental cars - Actual reasonable costs as evidenced by receipt. When renting cars for official SJCERA business, travelers are expected to take advantage of discounted and/or special government rates if available. Travelers are expected to purchase available optional liability and collision, or similar insurance offered by the rental agency. The cost of such insurance will be reimbursed by SJCERA.

    c. Personal automobile - Mileage shall be reimbursed for in state travel at the standard adopted by the Internal Revenue Service at the time the expenses were incurred. Mileage reimbursements for Appointed Trustees will be to and from the Trustee's home address. Mileage reimbursements for Elected Trustees and Executive Staff will be to and from SJCERA regardless of where they actually departed from when embarking on the trip.

3. Lodging (single occupancy):

    a. The actual reasonable cost for lodging expense will be paid or reimbursed.

    b. Travelers are expected to take advantage of group discounts or special government rates for lodging when available.

    c. When a traveler is attending an event held at a specific hotel, generally the traveler will stay at the event hotel.

        i. However, some conferences are held at high cost luxury hotels. In these situations, if alternate, lower cost, conveniently located lodging is available, travelers are expected to take advantage of such lower cost lodging alternatives.

4. Meal expenses:

    a. For each day of travel actual and reasonable meal expenses, including gratuities up to 20 percent, will be paid or reimbursed when traveling on official SJCERA business not to exceed a maximum of $~~65~~70 per person. Receipts will be required to document meal expenses under this provision.

    b. Any request for reimbursement of actual and reasonable expenses in excess of $~~65~~70 per person per day of travel may be authorized by the

CEO. No allowance will be paid or reimbursed for meals that are included as part of an organization's scheduled program.

c. Expenses for alcoholic beverages will not be paid or reimbursed by SJCERA.

5. Telephone calls and business services (photocopies, faxes, computer services etc.). Actual reasonable expenses incurred as evidenced by receipts.

6. The limitations on reimbursement specified herein shall not apply when Trustees and/or Executive Staff attend annual investor meetings sponsored by an investment manager or general partner under contract with SJCERA or any other instance or event for which SJCERA receives and pays an invoice from the meeting or event sponsor(s) for lodging, meals or other allowable expenses for SJCERA attendee(s).

C. Requests for reimbursement must be accompanied by actual receipts and submitted to the CEO for approval and reimbursement within ninety days (90) from the time the expenses were incurred.

1. If actual receipts are not readily available, the requestor may submit a substitute receipt or form, certifying by signature that the receipt was not available to submit.

D. The CEO shall approve all requests for reimbursement of Trustees and Executive Staff travel expenses, excluding the CEO's. The Board Chair shall approve the CEO's requests for reimbursement of expenses.

E. Claims for reimbursement of travel expenses shall be submitted to the Auditor-Controller.

F. Reimbursements submitted more than ninety days after the end of the calendar year in which the expense was incurred may be denied.

V. Travel Reports

A. A "Summary of Completed Trustee and Executive Staff Travel" report will be provided to the Board no less than on a quarterly basis. This report shall identify the event, the individual Trustee or Executive Staff who attended, the location, and cost of travel. This report will be cumulative for a calendar year.

B. Trustees or Executive Staff members, who attend a seminar, on-site visitation or conference, except as specified in II C**,** should prepare a written report on the content and the continuing value for future attendance by other Board or staff members. These reports will be provided to the Board in a meeting agenda.

VI. Political Reform Act Requirements

A. Trustees and Executive staff have the responsibility to ascertain and comply with their obligations under the Political Reform Act.

VII. Law Prevails

In the event a conflict between this policy and the County Employees Retirement Law, the Public Employees' Pension Reform Act, or other applicable state or federal law arises, the law shall prevail.

VIII. Policy Review

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance with section 81000 of the California Government Code. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

IX. History

07/11/2008	Board Adopted
11/07/2008	Board Revised
12/17/2010	Board Revised
03/22/2013	Board Revised to include invoiced-event exemption to reimbursement limitations
06/29/2018	Staff reviewed, no content changes required; updated format
04/12/2019	Policy Review section amended to at least once every three years
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Certification of Board Adoption:

07/08/2022

Clerk of the Board Date

Board Governance Policy

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A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance with section 81000 of the California Government Code. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

IX. History

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Certification of Board Adoption:

07/08/2022

Clerk of the Board Date

Board Administration Policy

Electronic Signature Policy

I. Purpose

To establish guidelines for accepting electronic signatures.

II. Scope

A. The use or acceptance of electronic signature shall be at the option of SJCERA and the member submitting the electronically signed document. Nothing in this Policy requires SJCERA to use or permit the use of electronic signature.

III. Definitions

A. For the purposes of this policy, the following definitions apply:

   i. "Electronic signature" includes both software-captured electronic signatures and copies of original, handwritten signatures submitted electronically.

   ii. "Member" includes member, nonmember former spouse, eligible survivor/beneficiary, or person with legal authority to act on their behalf.

IV. Guidelines for Software-Captured Electronic Signatures

A. The use of electronic signatures is permitted and shall have the same force and effect as the use of a original, handwritten signature if all the following criteria are met:

   1. The electronic signature is unique to the person using it.
   2. The electronic signature is capable of verification.
   3. The electronic signature is under the sole control of the person using it.
      a. Email notifications requesting electronic signatures must not be forwarded.
   4. The electronic signature is linked to the data in such a manner that if the data is changed after the electronic signature is affixed, the electronic signature is invalidated.

B. Electronically signed documents submitted with software programs that use technology sufficient to ensure the integrity, security, and authenticity of documents will have the same legal force as a signed, valid original document.

C. SJCERA may contact persons who have submitted electronically signed documents at random in order to ensure verification compliance.

V. Guidelines for Original, Handwritten Signatures Submitted Electronically

A. Documents that initiate or affect the distribution of payment or payment information generally require an original signature.

B. The use of electronic signatures is permitted and shall have the same force and effect as the use of an original, handwritten signature if all the following criteria are met:

   1. The member's identity has first been verified by staff following existing protocols.
   2. Staff has validated that the document was sent to SJCERA by the member.
   3. Signature on the document is consistent with other signature samples on file at SJCERA.

VI. Retention

A. Any member documents received electronically will be stored in SJCERA's Electronic Document Imaging System according to the *Document and Data Retention* policy.

IV. Law Prevails

A. In the event a conflict between this policy and the County Employees Retirement Law, the Public Employees' Pension Reform Act, or other applicable statute arises, the law shall prevail.

V. Policy Review

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with its bylaws.

VI. History

07/08/2022 Policy adopted by the Board of Retirement

Certification of Board Adoption:

	07/08/2022
Clerk of the Board	Date

Related Statutes:
California Government Code Section 31527(i)

San Joaquin County Employees' Retirement Association | **Board of Retirement Resolution**

RESOLUTION TITLE: BOARD ADMINISTRATION POLICY AMENDMENTS

RESOLUTION NO. 2022-07-01

WHEREAS, the Board of Retirement for the San Joaquin County Employees' Retirement Association ("SJCERA") administers SJCERA for the benefit of its members and their beneficiaries; and

WHEREAS, pursuant to Government Code Sections 31525, 31526 and 31527, the Board may make regulations, set policy and develop procedures to administer the system; and

WHEREAS, Board policies and charters are reviewed at least once every three years to ensure they remain relevant, appropriate, and in compliance; and

WHEREAS, SJCERA staff and the Administrative Committee have proposed the following policies remain unchanged:

1) Correction of Errors or Omissions Policy
2) Declining Employer Payroll Policy
3) Dissolution of Marriage or Registered Domestic Relationship Policy
4) Ex-Parte Communications Policy
5) Member Contributions and Interest Posting Policy

WHEREAS, SJCERA staff and the Administrative Committee have proposed policy amendments as follows:

1) Age Verification Policy – clarified language and amended alternative acceptable documents
2) CEO Performance Review Policy – requesting staff to create/add items on Committee and Board agendas and clarifying wording changes
3) Communication Policy – added Section III.A.6 regarding maintaining confidentiality of Closed Session discussions and communications
4) Computer Equipment Policy – amended data usage and other minor edits
5) Conflict of Interest Policy – amended Section III(A) to refer to the Political Reform Act and other minor formatting edits
6) Employer Termination Policy – defined terminated member
7) Statement of Funding Policy – deleted obsolete date and minor punctuation edit
8) Statement of Reserve Policy – amended Section VI – Reserve Interest Credits to reflect existing practices for crediting reserves and acknowledging multiple employers make additional UAL contributions
9) Staff Transportation and Travel Policy – added Law Prevails section and increased the daily meal allowance

10) Trustee Education Policy – added Law Prevails section and added legal counsel to list of education providers in Exhibit A
11) Trustee and Executive Travel Policy - added Law Prevails section and increased the daily meal allowance

WHEREAS, SJCERA staff and the Administrative Committee have proposed a new policy as follows:

1) Electronic Signature Policy – to establish guidelines for accepting electronic signatures

NOW, THEREFORE BE IT RESOLVED that the Board hereby adopts the proposed amendments and new policy to the above-referenced Board administration policies.

PASSED AND APPROVED by the Board of Retirement of the San Joaquin County Employees' Retirement Association on the 8th day of July 2022.

AYES:

NOES:

ABSENT:

ABSTAIN:

____
MICHAEL RESTUCCIA, Chair

Attest:

____
RAYMOND McCRAY, Secretary

BlackRock Global Infrastructure Fund IV ("Infra IV")

Prepared for SJCERA Board of Retirement

July 2022

BlackRock
Real Assets

FOR USE WITH SJCERA BOARD OF RETIREMENT ONLY - NOT FOR FURTHER DISTRIBUTION

With you today

Mark Florian
Managing Director, Head
BlackRock Global Infrastructure Funds

Sydney McConathy
Managing Director
BlackRock Global Infrastructure Funds

Infra IV will invest in diversified and essential infrastructure globally…

… to capitalize on the long-term, structural trends in our society…

…by building upon our key differentiators and consistent processes…

…seeking to deliver sustainable yield and long term capital appreciation to investors

BlackRock Global Infrastructure Fund IV (“Infra IV”)

Launching a 4th vintage global infrastructure fund

3Ds

- **Decarbonization**
- **Decentralization**
- **Digitalization**

Access
- Partnering
- Scale & reach

Structuring
- Contracted
- Risk mitigation

Value Creation
- Operational
- Financial



Trusted infrastructure partner to 80+ investors and US $9bn in capital commitments*

Source: BlackRock, 8 July 2022. Photos are for illustrative purposes only and it cannot be guaranteed investments will be reflective of these photos

Investing in long-term structural trends

The 3Ds underpin our investment opportunity with the energy transition being a common thread touching all sectors

Decarbonization

US $50 trillion+ of investment is needed to decarbonize our global economy by 2050[1]

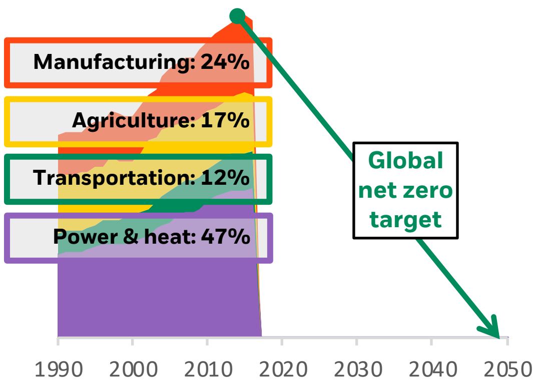
Decentralization

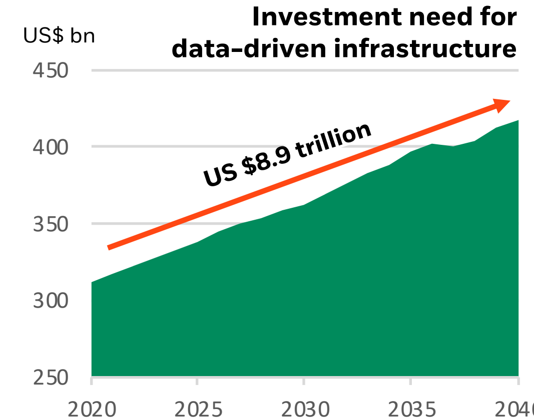
Greater outsourcing of infrastructure by companies, with quality assets closer to end users

Digitalization

Fast growth of digital world needs physical infrastructure to transmit, store and utilize data[2]

Net global GHG emissions





Regulated Utilities | **Energy & Environmental** | **Low Carbon Power** | **Transportation & Logistics** | **Digital infrastructure**

Source: BlackRock, 8 July 2022. 1) Carbonomics, Goldman Sachs, 24 June 2021. 2) Global Infrastructure Outlook, G20 Initiative, 30 June 2021. **Important Information**: Reference to the names of companies mentioned in this communication is merely for explaining the investment strategy and should not be construed as investment advice or investment recommendation of those companies. They are representative of assets and business in the predecessor funds and there is no guarantee that the Infra IV will receive similar investment opportunities

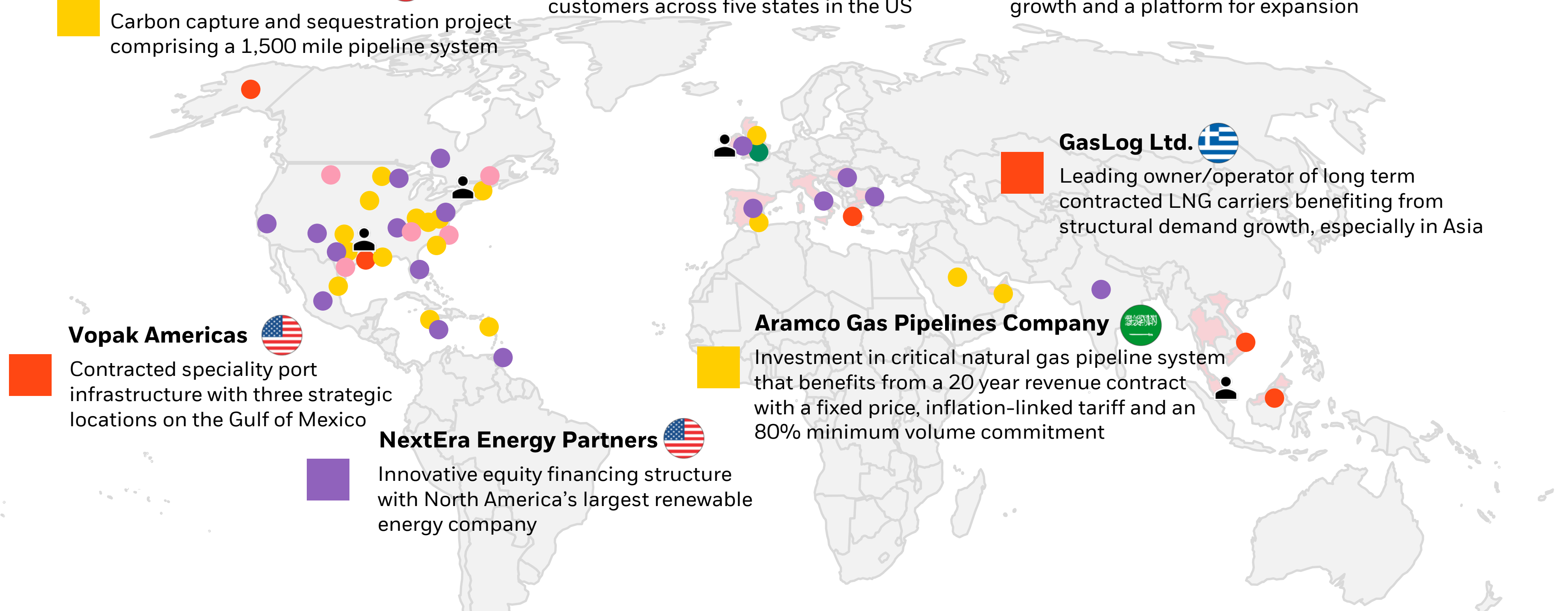
Established global platform with local relationships

Navigator CO_2 Ventures
Carbon capture and sequestration project comprising a 1,500 mile pipeline system

Hearthstone Utilities
Transmission & distribution businesses serving over 80,000 customers across five states in the US

Calisen plc.
Leading owner and installer of smart meters in the UK benefitting from structural growth and a platform for expansion

GasLog Ltd.
Leading owner/operator of long term contracted LNG carriers benefiting from structural demand growth, especially in Asia



Vopak Americas
Contracted speciality port infrastructure with three strategic locations on the Gulf of Mexico

Aramco Gas Pipelines Company
Investment in critical natural gas pipeline system that benefits from a 20 year revenue contract with a fixed price, inflation-linked tariff and an 80% minimum volume commitment

NextEra Energy Partners
Innovative equity financing structure with North America's largest renewable energy company

BGIF offices leveraging BlackRock's **70+** local offices
- Low Carbon Power
- Digital Infrastructure
- Transportation & Logistics
- Regulated Utilities
- Energy & Environmental

US $9bn	**60+**	**160+**	**19**	**US $2.7bn**
capital commitments*	dedicated professionals	assets & businesses	countries	co-investments with investors**

Source: BlackRock, 8 July 2022. **Important Information**: The above dots represent the locations of all investments across the GEPIF I, II & III. The selected highlighted investments illustrate the Team's capabilities across various sectors and on a global basis. The information above is not a prediction of future performance or any assurance that comparable investment opportunities will be available to the BlackRock Global Infrastructure Fund IV. It is non-representative nor an exhaustive list of all underlying investments made by the Investment Team in the predecessor funds and it should not be assumed that Investment Team will invest in these investments or in comparable investments, or that any future Investments made by Investment Team will be successful. To the extent that the investments reflected above prove to be profitable, it should not be assumed that the Investment Team's other investments will be profitable or will be as profitable. *Capital commitments subject to drawdown. **offered to investors for Fund investments, including US $2.3 billion executed

Highly experienced and dedicated team of experts

Infrastructure experts with **deep investment toolkit** to source, structure and enhance investments

More than **60** dedicated infrastructure professionals

20 years average industry experience[1]

60% of investment team hires from diverse populations since 2019

Investment Management

38 investment professionals	Years Exp
Mark Florian, *MD* *Global Head of BGIF*	41
James Berner, *MD*	26
Adi Blum, *MD*	20
Tomas Peshkatari, *MD*	18
Matt Raben, *MD*	23
Eduard Ruijs, *MD*	25
Mark Saxe, *MD*	21
Ryan Shockley, *MD*	22
Adam Waltz, *MD*	13
Edward Winter, *MD*	16
Akhil Mehta, *Director*	11
Johann Rayappu, *Director*	20

	Years Exp
Christian Synetos, *Director*	15
Doug Vaccari, *Director*	13
Adam Baer, *VP*	6
Bradley Holenstein, *VP*	9
Burak Kakdas, *VP*	6
Robert Kindman, *VP*	8
Patrick Luo, *VP*	7
Thomas Luypaert, *VP*	10
Margaret Sone, *VP*	7
Wadi Karam, *VP*	13
Misan Eyesan, VP	7
+ 16 Associates	-
+6 Executive Support	-

Capital Markets & Asset Management

5 investment professionals	Years Exp
Tim Vincent, *MD*	26
Matt Prescottano, *Director*	13
Robert Hanna, *Director*	42
Newton Houston, *Director*	31
Luke O'Keefe, *Director*	41

Finance & Operations

10 dedicated professionals[2]	Years Exp
Laura Butler, *Director* *Head of Finance*	22
Jody Bailey, *Director*	14
David Joyce, *VP*	6
Chris Lauder, *VP*	10
Amy Wang, *VP*	22
+ 4 Associates	-

Product Strategy & Investor Relations

6 dedicated professionals	Years Exp
Freek Spoorenberg, *Director, Head of IR*	12
Sydney McConathy *MD*	19
Lauren Gallagher, *Director*	23
Felicia Guerci, *VP*	8
Lisa Hochhauser, *VP*	25
Zach Taffet, *Associate*	6

Leveraging the Power of BlackRock

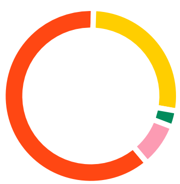
Sourcing | Risk Management | Sustainability | Operational Support

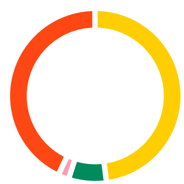
Firmwide Commitment and Action on Diversity, Equity & Inclusion

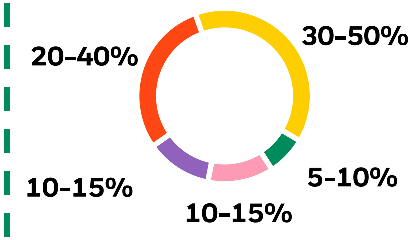
Source: BlackRock, 8 July 2022. Members of the team are subject to change. 1) Representative of professionals who are Director and above title. 2) Includes one contingent worker.

A proven infrastructure fund series evolving with the market

	2009	2014	2018	2022
	Fund I	**Fund II**	**Fund III**	**Infra IV**
Fund Size & Status	**US $1.2** billion Fully Deployed	**US $2.5** billion Fully Deployed	**US $5.1** billion 87% deployed	**US $7.5** billion target fund
Portfolio	**9** portfolio companies (2 active, 7 realized)	**16** portfolio companies (6 active, 10 realized)	**15** portfolio companies (target 15-20)	Target **15–20** portfolio companies







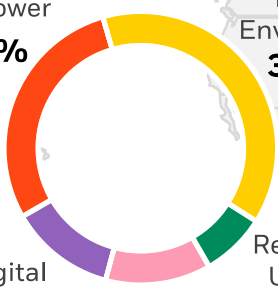
Low Carbon Power | Energy & Environmental | Regulated Utilities | Transportation & Logistics | Digital Infrastructure

Source: BlackRock, 8 July 2022. All data as of 31 March 2022, unless otherwise noted. GEPIF I, II & III are closed for new investors. Infra IV will deploy the same strategy as the "Prior funds", defined as GEPIF I, II & III, closed to new investors, managed by the same Team, the BlackRock Global Infrastructure Funds Team, previously known as GEPIF. The Team will target consistent investments as the Prior funds with the same global OECD focus, and the underwriting philosophy, asset management practices and investment committee remains the same. The global energy transition has been a central theme across vintages and is creating opportunities in a diversified group of sectors which we have defined as Energy & Environmental, Low Carbon Power, Regulated Utilities, Transportation & Logistics, and Digital Infrastructure, in line with the infrastructure industry. Infra IV sectors will be different from the Prior funds given the expected market opportunity. Infra IV is an Article 8 classification under the SFDR. Please reference page 13-15 for performance metric definitions.

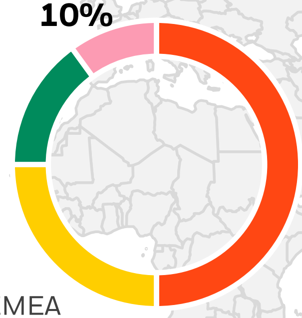
BlackRock Global Infrastructure Fund IV

Infra IV will seek to build a global portfolio of diversified, contracted infrastructure assets and businesses by capitalizing on long-term structural megatrends driving the market opportunity

Target Sectors[1]



Target Geographies[1]



Target Characteristics

1. Essential
2. Contracted
3. Diversified
4. Sustainable

Target consistent dividend yield	Potential for attractive capital growth	US Dollar Denominated	12 year Fund life	Supporting BlackRock's commitment to Net Zero

Source: BlackRock, 8 July 2022. 1) Target Sector and Geographies represent the Manager's current strategy and Infra IV portfolio construction, but there is no guarantee that the fund will eventually be positioned in this way, and there is not guarantee that, if positioned in alignment with the targets reflected above, that such positioning will be profitable.

Consistent underwriting in a fast-changing world…

1

Extensive access

Leverage industry network and expertise to create investment opportunities on a proprietary basis

2

Comprehensive structuring

Disciplined structuring, focused on contracted assets with visible revenue streams

3

Active value creation

Active management focused on operational excellence, revenue growth and financial optimization

❯ Our investment strategy has been tested successfully through market cycles ❮

Source: BlackRock, 8 July 2022.

...and a deal-sourcing advantage over others

80% of investments sourced off-market by creatively meeting the needs of corporate and industry partners and leveraging BlackRock's global reach and scale

60+ infrastructure experts across all key regions

19 countries where we have invested in infrastructure

40 portfolio companies with whom we've partnered

Leveraging the power of BlackRock

70+ local BlackRock offices globally

US $ 9.6tn capital under management globally[1]

50+ in-house professionals in Capital Markets

Repeat partnerships
Long-term investor with proven partnership approach and a focus on alignment of interest

First mover
Front runner in new geographies and sectors - from Asia & Middle-East to clean fuels and smart-meters

Bespoke solutions
Driving win-win solutions through outside the box thinking and innovative structuring

Public-to-private
Leaning into complexity to take advantage of market dislocation and inefficiencies

Source: BlackRock, 8 July 2022 1) BlackRock's assets under management as of 31 March 2022.

Contextualizing BGIF's portfolio benefits

Sizeable sustainability benefits[1]…

13 CLIMATE ACTION

86.2 million

Metric tons CO_2 emissions avoided or reduced every year

7 AFFORDABLE AND CLEAN ENERGY

2.7 million

Homes powered with clean energy

6 CLEAN WATER AND SANITATION

7,542

Olympic swimming pools of water saved per year

8 DECENT WORK AND ECONOMIC GROWTH

8,100 Jobs

Created locally through project construction and operations

11 SUSTAINABLE CITIES AND COMMUNITIES

US $135 million

Local community contributions per year

…translate into real world impact (per year)[2]

Based on BGIF's 93.6 million metric tons CO2 emissions avoided or reduced

Removing 20.4 million cars from the road

Reducing coal burn by 103.4 billion pounds

Switching 3.5 billion incandescent lamps to light emitting diodes ("LEDs")

Planting 114.7 million acres of mature forest

Powering 17 million homes with zero carbon electricity

Creating >$400 million in worker wages[3] with a top-tier safety record

Source: BlackRock, 8 July 2022. 1) The metrics shown above have been generated by the prior funds defined as GEPIF I, II & III, closed to new investors, managed by the same Team as Infra IV, the BlackRock Global Infrastructure Funds Team "BGIF", previously known as GEPIF. There is no guarantee that any investments made in Infra IV will have these same ESG benefits. Impact statistics as of December 31, 2021. Please refer to slides 40 and 41 for further information on the calculation methodology. 2) CO_2 calculations derived from the U.S. Environmental Protection Agency. 3) Estimated average of $50,000 per worker annually for 8,100 employees.

Risks, Definitions & Important Information

Risks

Capital at Risk

The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.

Infrastructure funds risk

Infrastructure Funds invest exclusively or almost exclusively in equity or debt, or equity or debt related instruments, linked to infrastructure assets. Therefore, the performance of an Infrastructure Fund may be materially and adversely affected by risks associated with the related infrastructure assets including construction and operator risks, environmental risks, legal and regulatory risks; political or social instability; governmental and regional political risks; sector specific risks; interest rate changes; currency risks; and other risks and factors which may or will impact infrastructure and as a result may substantially affect a fund's aggregate return. Investments in Infrastructure assets are typically illiquid and investors seeking to redeem their holdings in an Infrastructure Fund can experience significant delays and fluctuations in value.

Liquidity Risk

The Fund's investments may have low liquidity which often causes the value of these investments to be less predictable. In extreme cases, the Fund may not be able to realise the investment at the latest market price or at a price considered fair.

Valuation risk

Given the uncertainty inherent in the valuation of assets that lack a readily ascertainable market value, the value of such assets as reflected in the Fund's net asset value may differ materially from the prices at which the Fund would be able to liquidate such assets.

ESG Risk

The environmental, social and governance ("ESG") considerations discussed herein may affect an investment team's decision to invest in certain companies or industries from time to time. Results may differ from portfolios that do not apply similar ESG considerations to their investment process.

Lack of available investments

There can be no assurance that the Fund will be able to locate, attain and exit investments that satisfy its investment objectives, or that the Fund will be able to fully invest its committed capital.

Restriction on Withdrawal

The Fund is not intended to be a short-term investment and has no certainty of returns. Commitments to the Fund are generally not transferable or redeemable and Investors will be committed to the Fund for its duration and may not be able to withdraw from their participation prior to the expiry of the Fund

Definitions

Dividend yield

Gross Annual Portfolio Level dividend yield is the aggregate dividend yield generated from the active portfolio investments over the relevant calendar year that does not reduce the cost basis of investments divided by the average aggregate invested capital balance to date for such portfolio investments over such relevant calendar year. The Gross Annual Portfolio Level dividend yield does not reflect the management fees, "carried interest," taxes, transaction costs and all Partnership Expenses as contemplated in the governing Limited Partnership Agreements of GEPIF I, II & III borne or to be borne by investors in GEPIF I, II & III, which will reduce current dividend yields during the calendar year, and in the aggregate are expected to be substantial. The Net Annual Portfolio Level dividend yield is the aggregate dividend yield generated from the active portfolio investments over the relevant calendar year that does not reduce the cost basis of investments divided by the average aggregate invested capital balance to date for such portfolio investments over such relevant calendar year and reflects the management fees, "carried interest," taxes, transaction costs and all Partnership Expenses.

IRR

IRR is the annualized implied discount rate calculated from a series of cash flows. It is the return that equates the present value of all invested capital in an investment (including allocated investment-specific expenses) to the present value of all returns (including unrealized returns) or the discount rate that will provide a net present value of all cash flows, plus any residual value, equal to zero.

Gross IRR is calculated based on the dates that capital is paid-in with respect to each underlying investment, the dates that distributions are received from such investment and the current unrealized value of such investment as of the date Gross IRR is calculated. The calculation of Gross IRR reflects all underlying investment-level management fees, fund expenses, carried interest, taxes and other expenses, but does not reflect any management fees, fund expenses, carried interest, taxes and other expenses charged by BlackRock with respect to any existing or prospective investment program. Gross IRR information is based on unaudited data. The Gross IRR presented is likely to change in the future with respect to the unrealized current value of such underlying investment.

Net IRR is calculated based on the dates that capital is drawn from limited partners, the dates that distributions are made to limited partners and the capital account balances of the limited partners as of the date performance results are calculated. The calculation of net IRR reflects the deduction of the Funds' management fees and fund expenses, estimated carried interest and other charges and expenses and the returns on the fund's short-term and other investments (including cash), but does not reflect any deduction for taxes. The net IRR is based on unaudited data. The IRR presented is likely to change in the future with respect to the unrealized portion of partially realized and unrealized investments.

Invested Capital

Invested Capital represents the original cash amount invested into all projects, converted (in the case of investments denominated in a currency other than US Dollars) at the applicable exchange rate on each investment date, together with any accrued future commitments for investments, excluding transaction costs and net of distributions deemed by the general partner to be a return of capital.

Realized Proceeds

Total distributions received from each project since inception, other than those distributions deemed by the general partner to be returns of capital and therefore reducing Invested Capital.

Definitions

Fair Market Value ("FMV")
Fair Market Value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. The methods used to estimate FMV include (1) the market approach, publicly traded investments in active markets are reported at market closing price or whereby fair value is derived by reference to observable valuation measures for comparable companies or assets (2) the income approach (e.g. the discounted cash flow method), and (3) cost for a period of time after an acquisition when an Investment is in early stages (where such amount is determined to be the best indicator of fair value). The Fair Market Value of an asset is based on assumptions the general partner believes are reasonable under the circumstances, key assumptions include, but are not limited to, useful life of the asset, contracted revenue, operating and maintenance costs, financing costs, tax costs and exit value assumptions. The determination of Fair Market Value involves a significant degree of subjective analysis, uncertainties and judgmental determinations. The significant amount of judgment and discretion inherent in valuing assets, particularly illiquid assets such as the project investments held by the Fund renders valuations uncertain and susceptible to material fluctuations over possibly short periods of time. Fair Market Value does not necessarily represent the amount that may eventually be realized from a sale or other disposition, it will depend on, among other factors, future operating results, the value of assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale.

Total Value
Is, for each project, equal to the aggregate amount shown for Fair Market Value and Realized Proceeds.

Gross MOIC
Is, for each project, equal to the aggregate amount shown for Fair Market Value and Realized Proceeds, expressed as a multiple of Invested Capital.

DPI
DPI% means the percentage of "Distributed to Paid in" which is the ratio of money distributed to Limited Partners by the Fund, relative to contributions. DPI does not include monies not yet distributed, held in escrow or potential earnout payments relating to the investments that are fully or partially realized.

Important Information

For existing investors: You have received this document because, according to our records, you are currently an existing investor within the fund. If you are not an investor in the named fund or you are not the intended recipient or have received this document in error, please notify the sender immediately and destroy the message in its entirety (whether in electronic or hard copy format), without disclosing its contents to anyone.

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San Joaquin County Employees'
Retirement Association (SJCERA)
Actuarial Experience Study for
January 1, 2019 through
December 31, 2021

Economic Assumptions

- Inflation
- Discount Rate
- Wage Growth
- COLAs

Demographic Assumptions

- Merit/Long Pay
- Decrements
- Other Assumptions

Cost Impact

- Overall Plan
- General vs. Safety

Are the current economic assumptions still reasonable?

Inflation Rate

Price inflation; building block for other assumptions

Current Assumption 2.75%

Discount Rate

Assumed annual return on investments (net of investment expenses)

Current Assumption 7.00%

Wage Growth

Base (across-the-board) pay increases

Current Assumption 3.00%

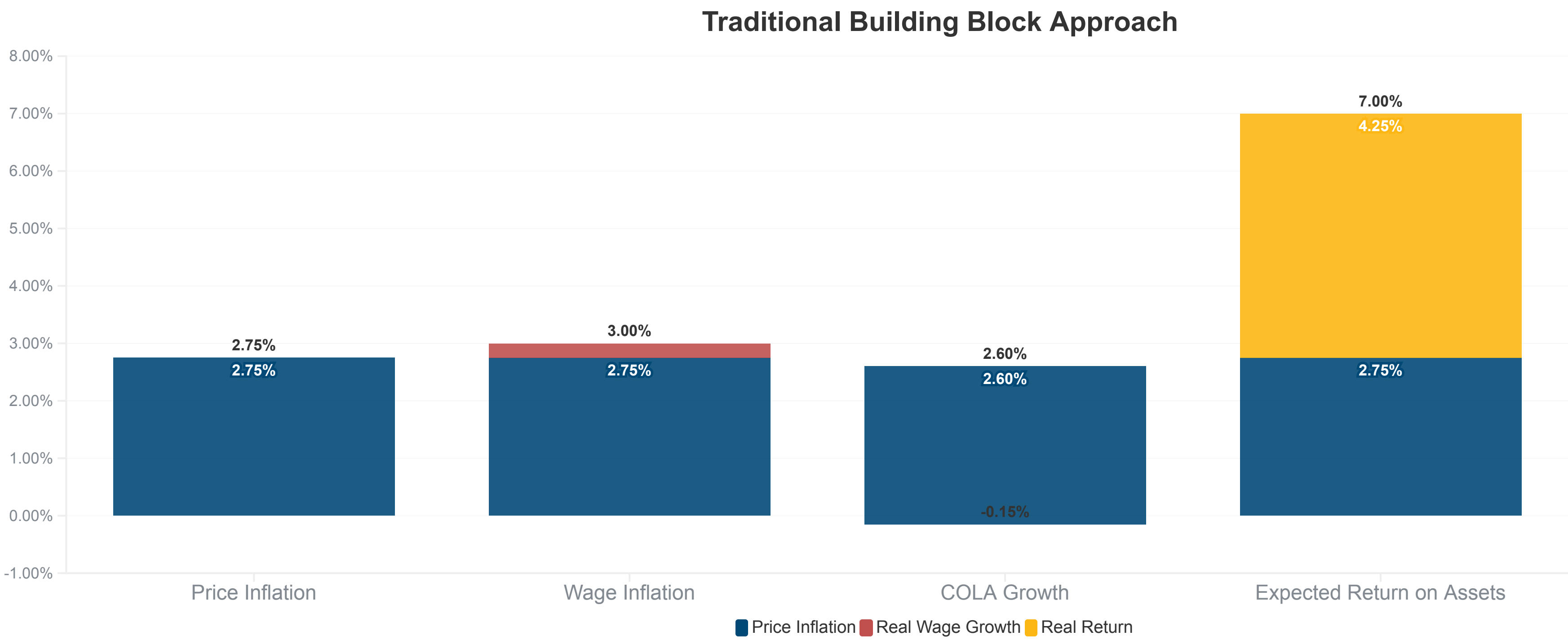
COLA Rates

Annual growth in post-retirement COLAs. Affected by banking / caps (3%)

Current Assumption 2.60%

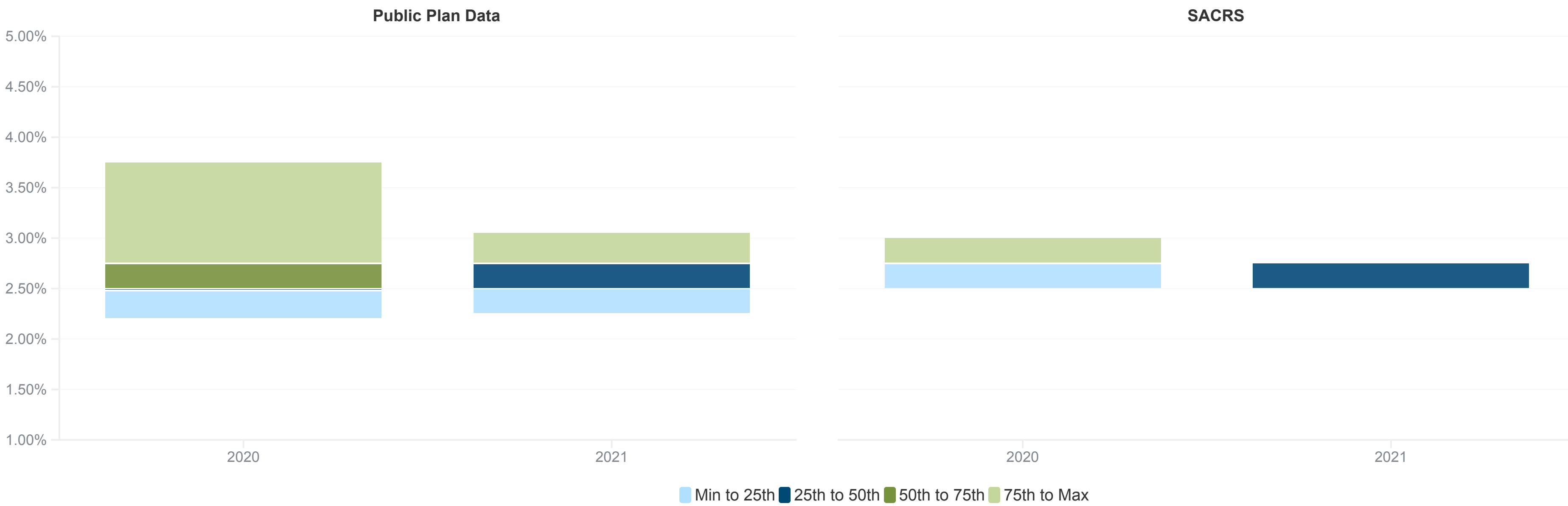
CHEIRON

Price inflation is the foundation for all the economic assumptions.



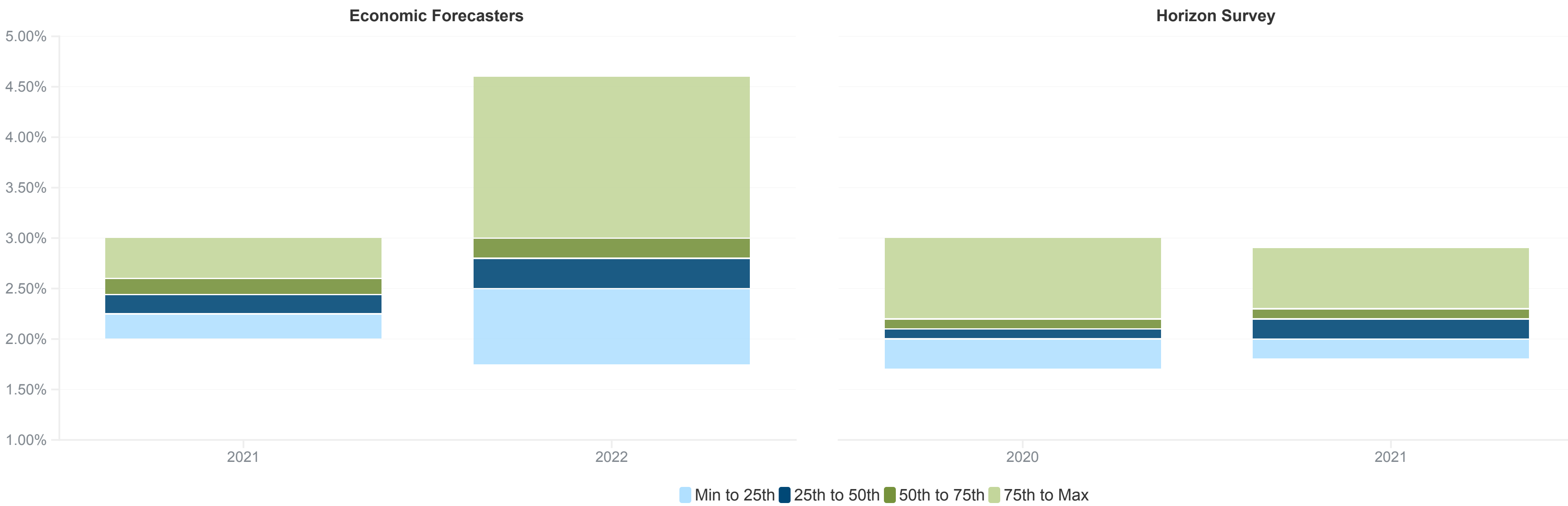
Narrower range of assumptions in California than nationally. The '37 Act Systems use only two inflation assumptions inr the 2021 valuations, 2.50% and 2.75%. The median price inflation assumption is 2.75% both nationally and for SACRS systems.

Inflation Assumptions

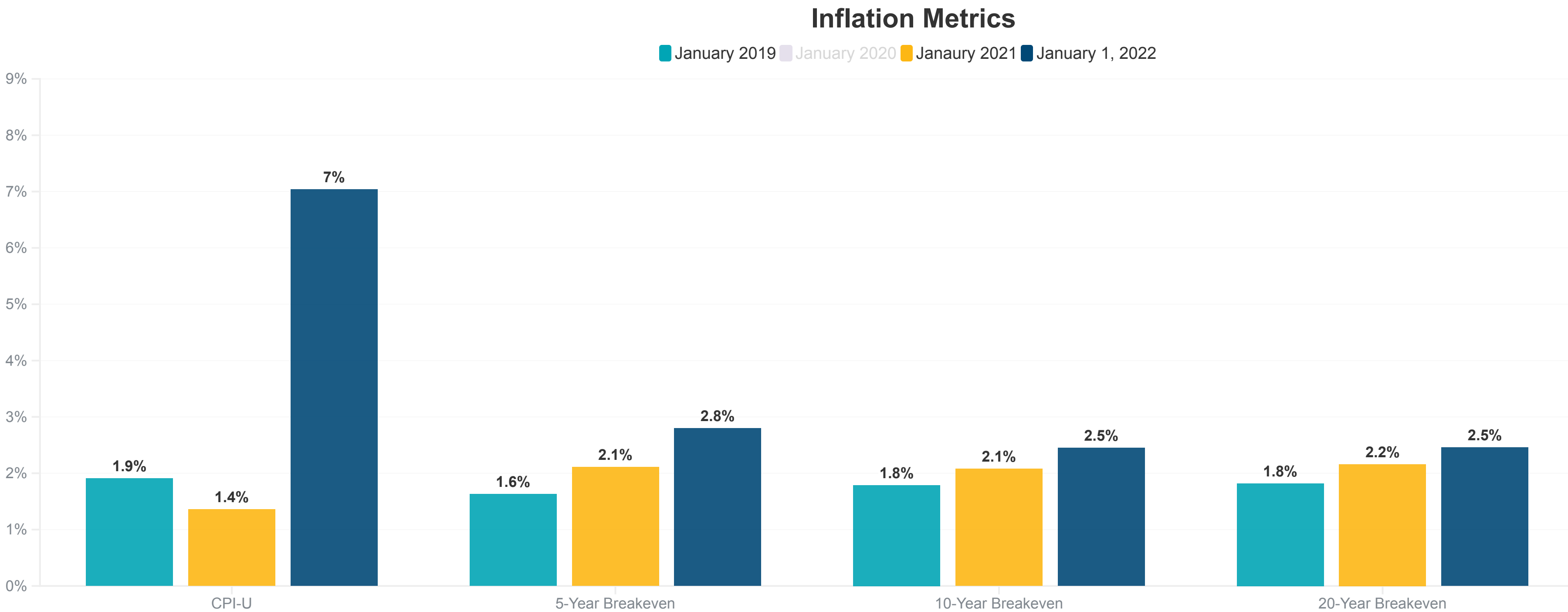


The range of 10-year inflation expectations by economic forecasters is extraordinarily wide for the 2nd quarter of 2022 with a median of 2.8%. Horizon Survey shows lower inflation expectations likely due to the lag in publication (August 2021).

Inflation Forecasts

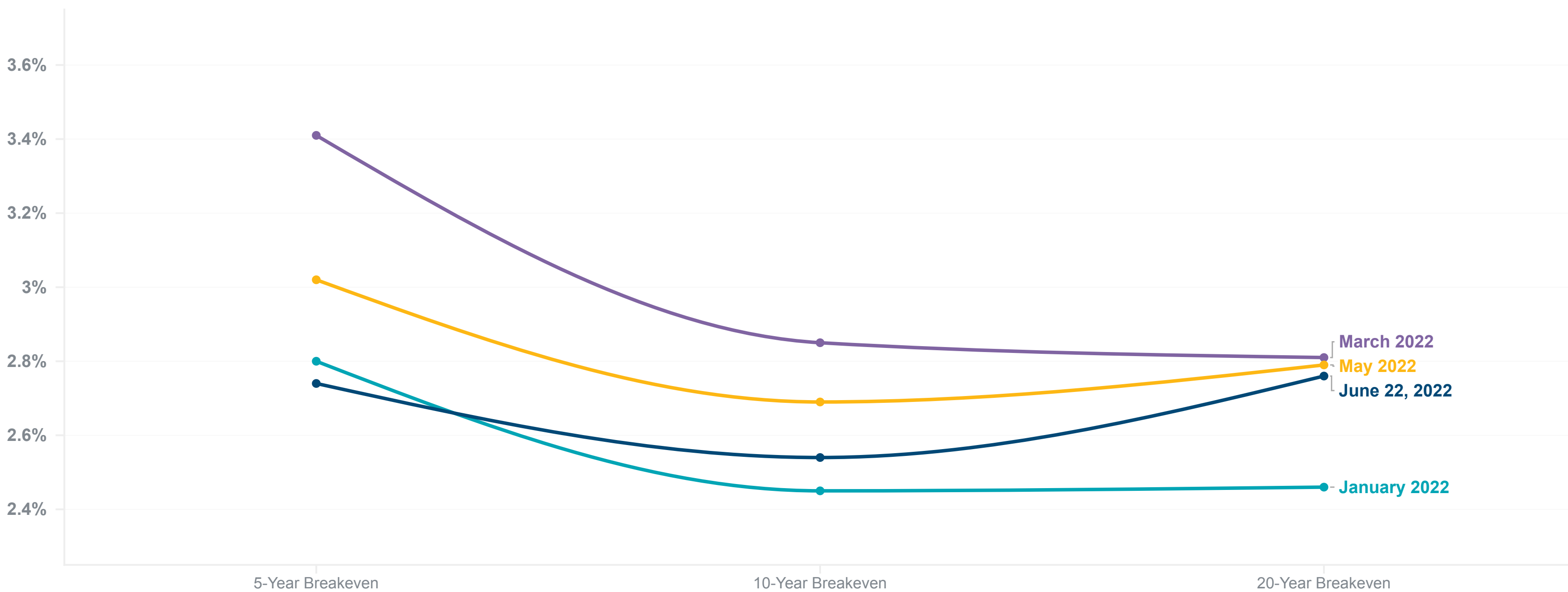


First, we look at changes in inflation from January 1, 2019 to January 1, 2022 (CPI-U). Then we review the difference in the yields between TIPS (inflation-protect bonds) and regular Treasuries, called **"break-even inflation",** over different maturities.

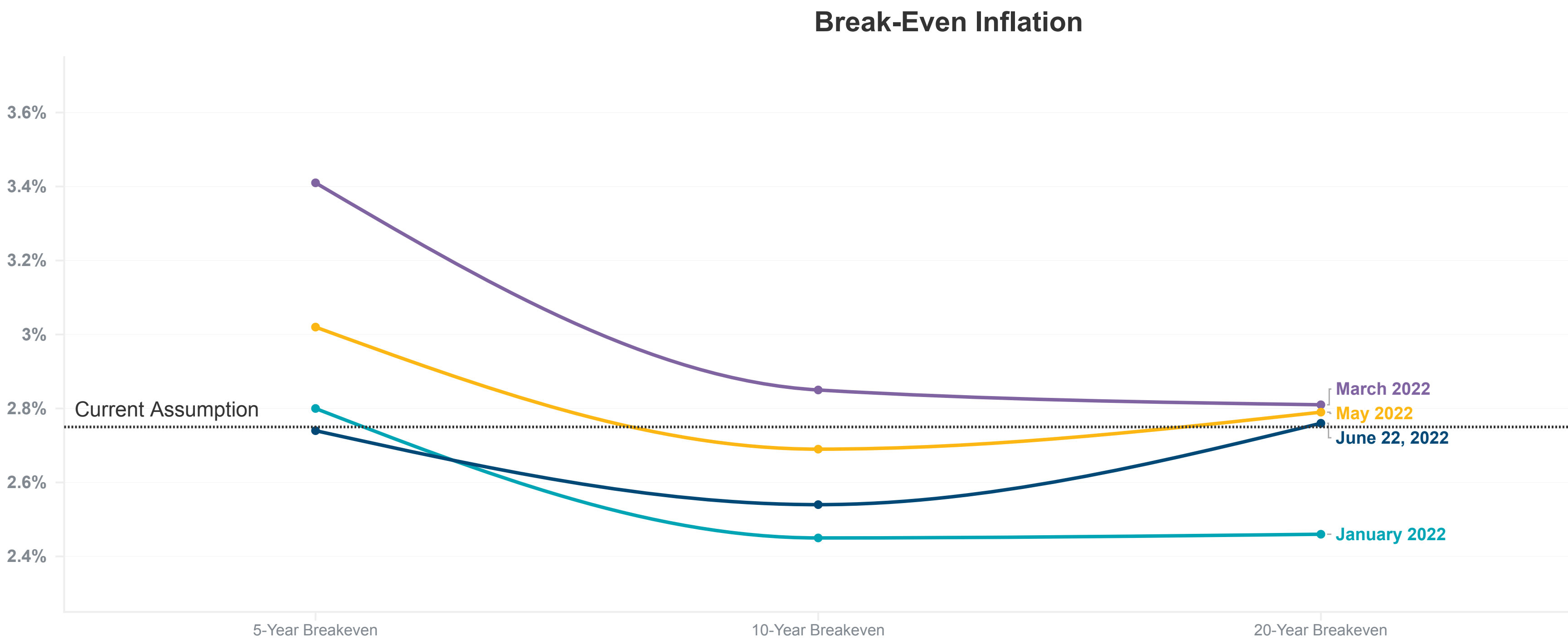


Break-even inflation has been very volatile in the last six months, especially for short-term inflation expectations.

2022 Break-Even Inflation



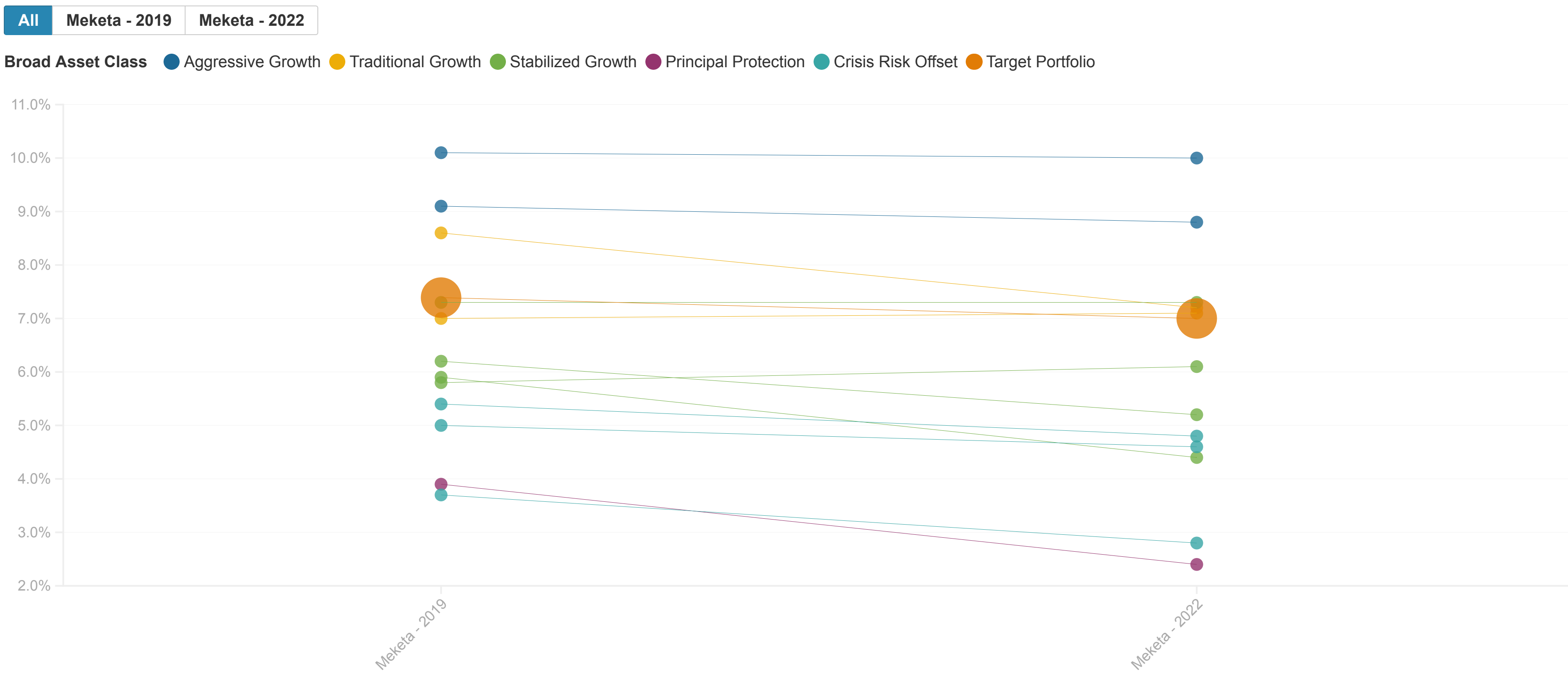
Based on these indicators, the 2.75% price inflation assumption is still reasonable. We do not recommend any changes to the price inflation, wage inflation or COLA growth assumptions.



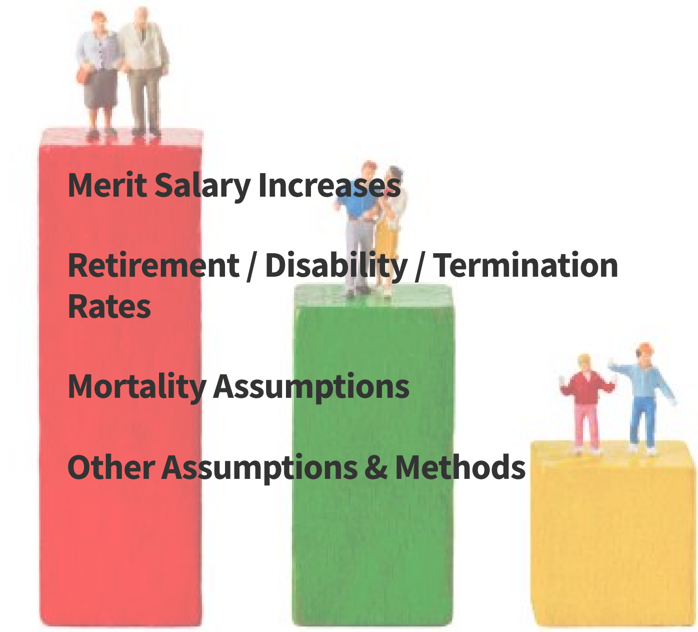
In February, we reviewed the return expectations of Meketa and a survey of other investment consultants (the Horizon Actuarial Services) based on 2021 capital market assumptions and the previous asset allocation. The average expected nominal return for SJCERA was 6.25%.

At the June meeting, the Board adopted a new asset allocation. The average expected nominal return for SJCERA increased to 6.50% with the same capital market assumptions, with an average real return expectation of 4.21%.

However, Meketa's 20-year expected return has decreased since the last experience study from 7.4% to 7.0%. The current assumption of 7.0% is still reasonable, but reducing the rate to 6.75% would take into account lower expectations in the short-term.



This presentation includes a summary of our recommendations related to the demographic assumptions. The final experience study report will provide the full analysis supporting these recommendations, with the key changes summarized in this presentation.



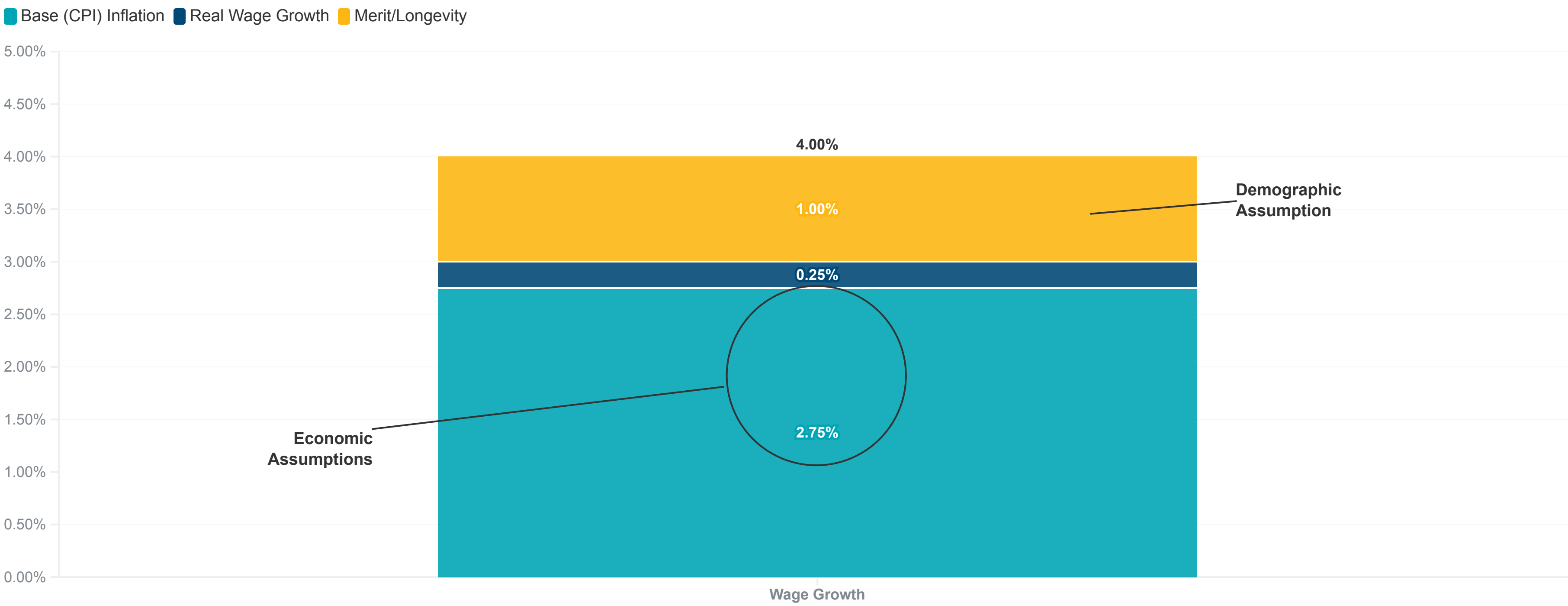
Merit Salary Increases

Retirement / Disability / Termination Rates

Mortality Assumptions

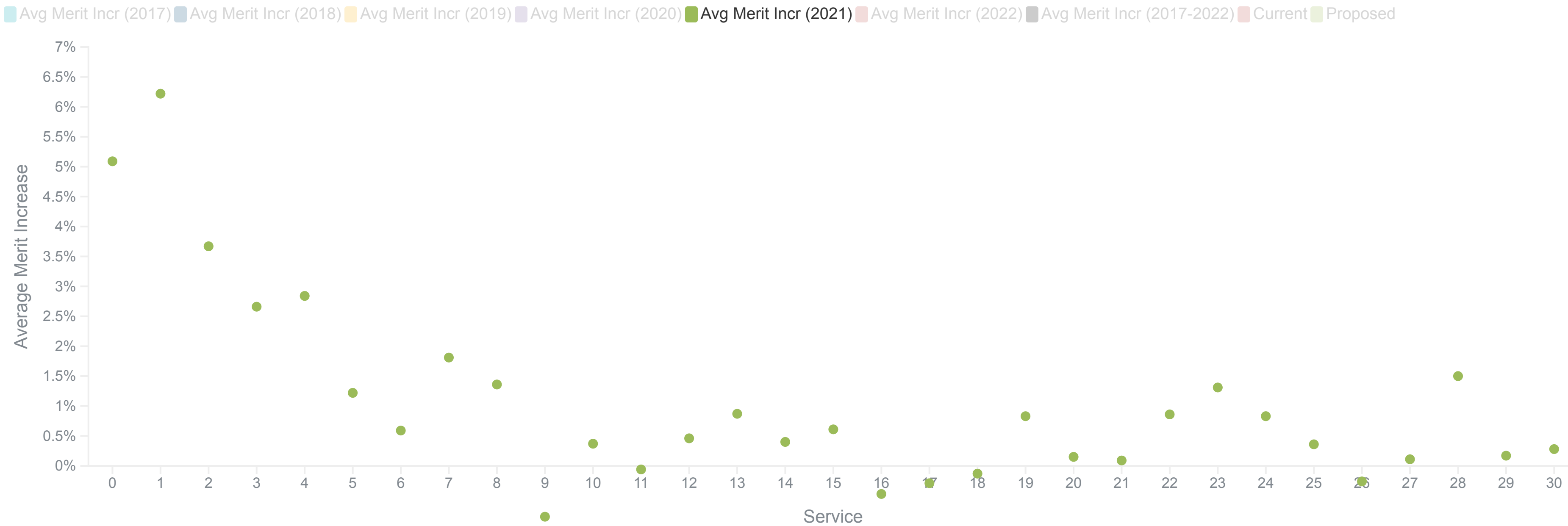
Other Assumptions & Methods

Salary increases are made of three components: base inflation, plus "real" wage growth (for productivity or other reasons), plus increases in individual pay due to merit, promotion, and longevity. Inflation and real wage growth are considered economic assumptions, while the merit salary increases are considered a demographic assumption.



To analyze the merit salary increase assumption, we calculate the average year-over-year rate of salary growth at each service level, and then back out the base wage growth to get the average merit increase.

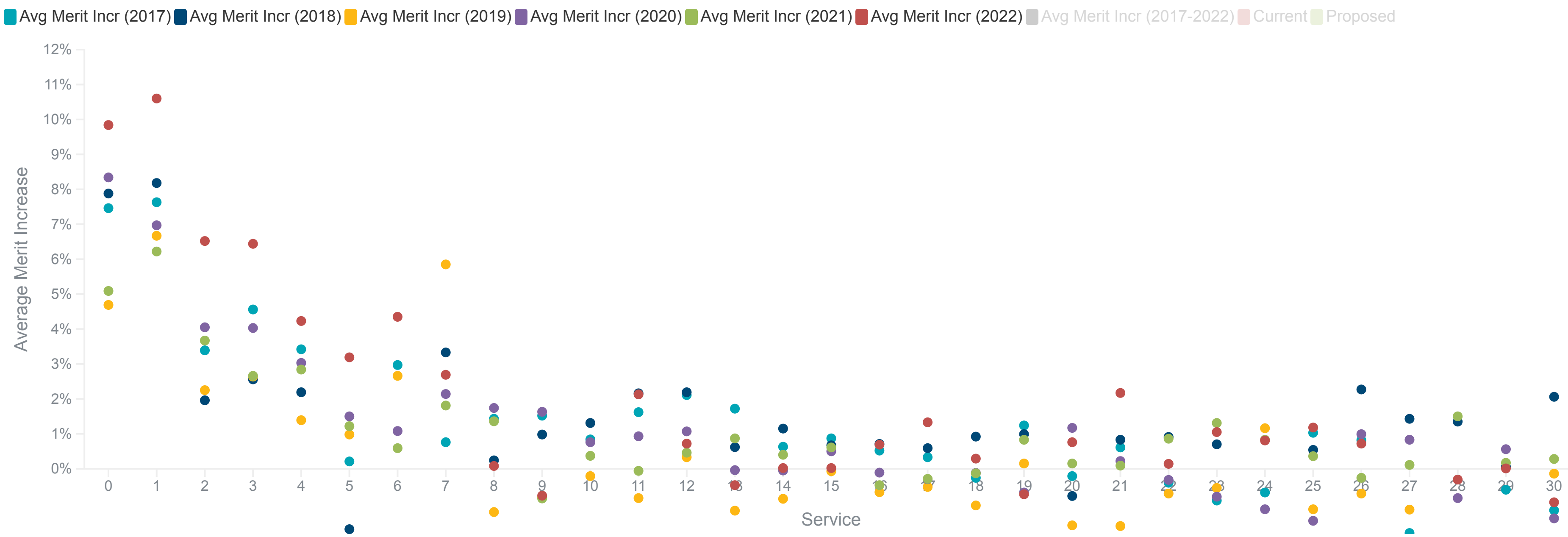
General



CHEIRON

We do this for each year of the three-year study period, and combine with the data from the prior three-year period.

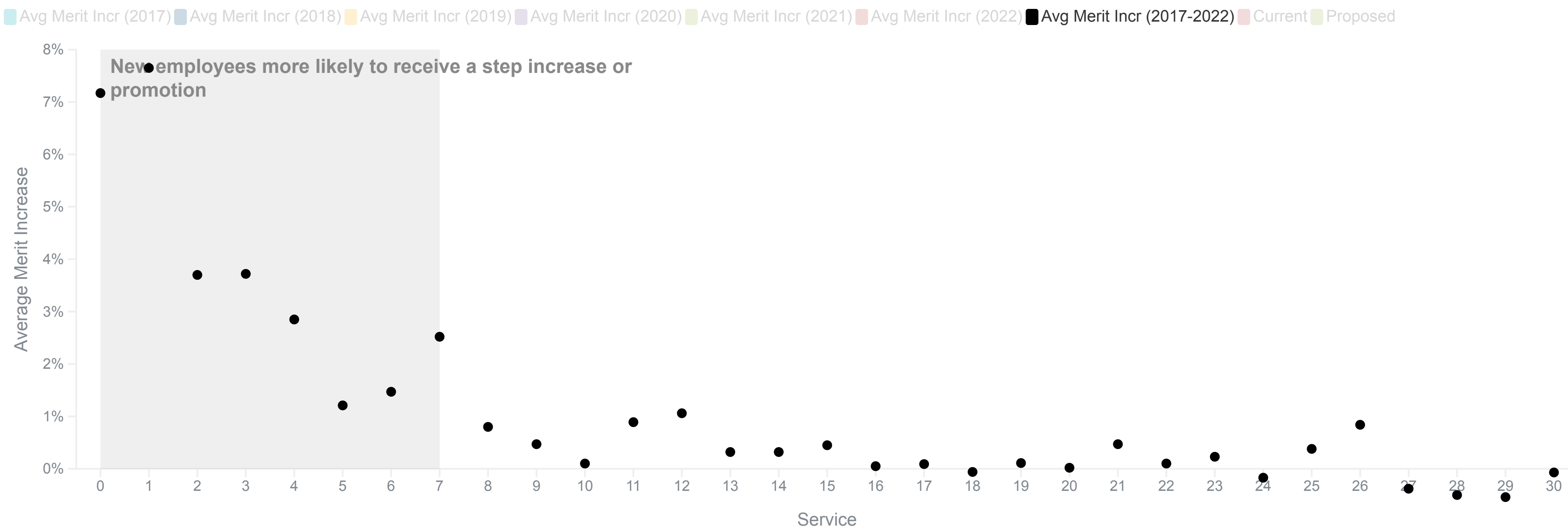
General



CHEIRON

And then calculate the average merit increase for the General members.

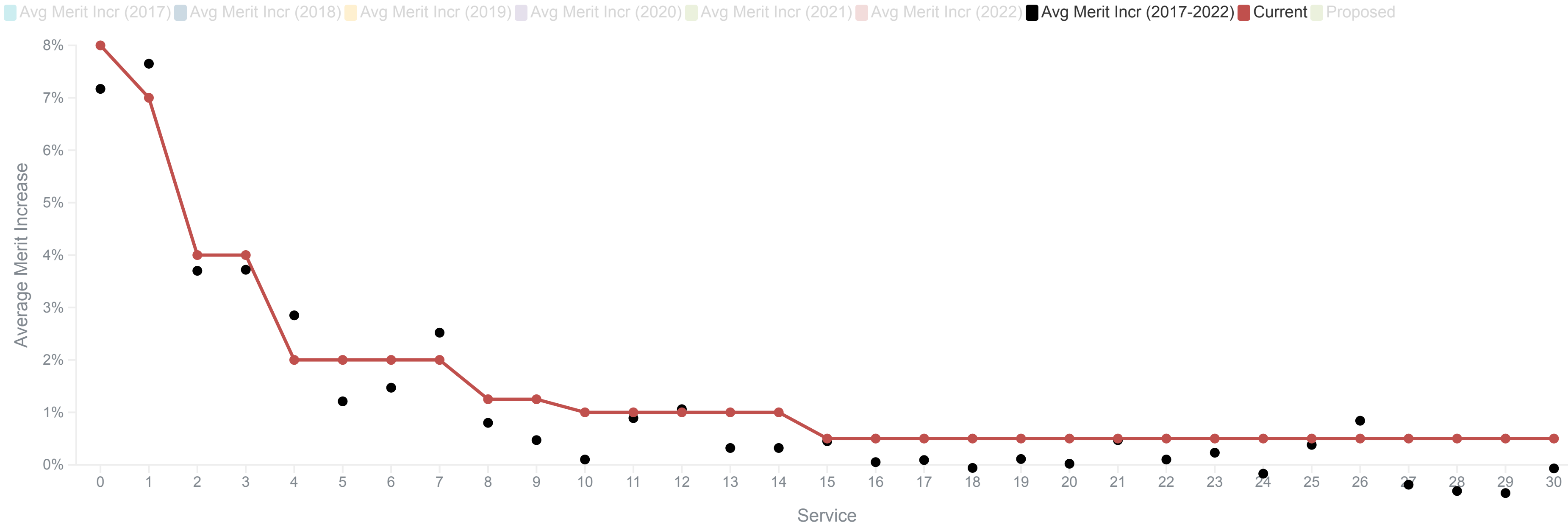
General



CHEIRON

We then compare the actual data to our current assumption. In the case of the General members, the current assumption fits the pattern of the data fairly well, so no change to the assumption is recommended.

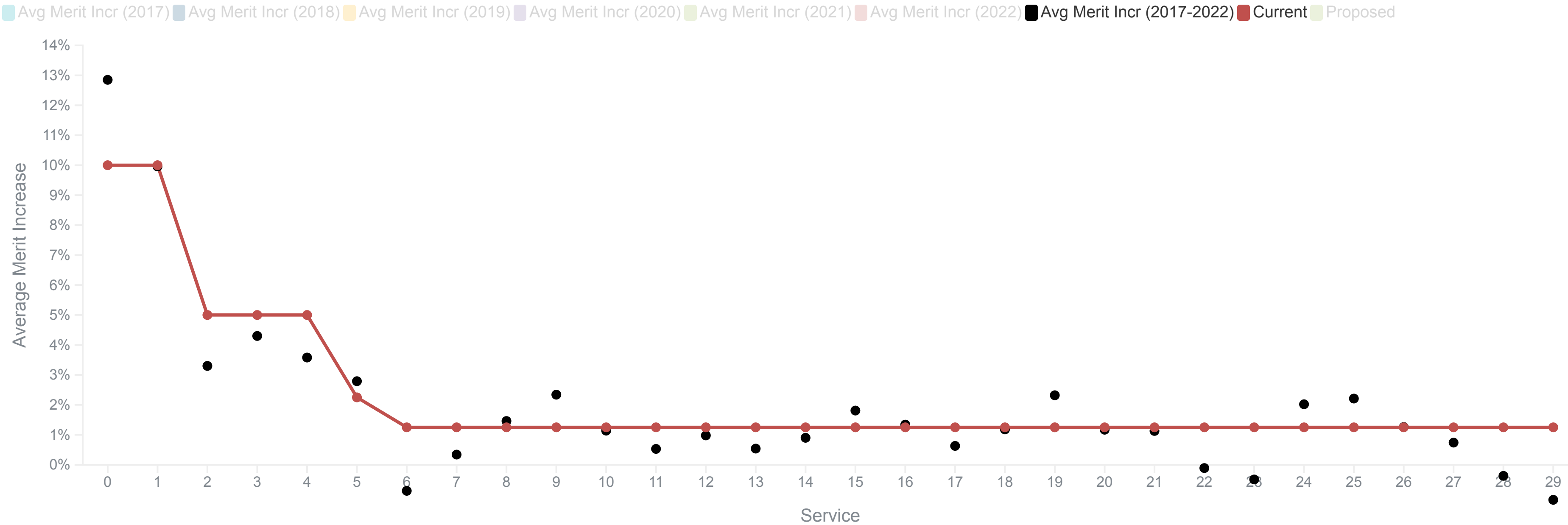
General



CHEIRON

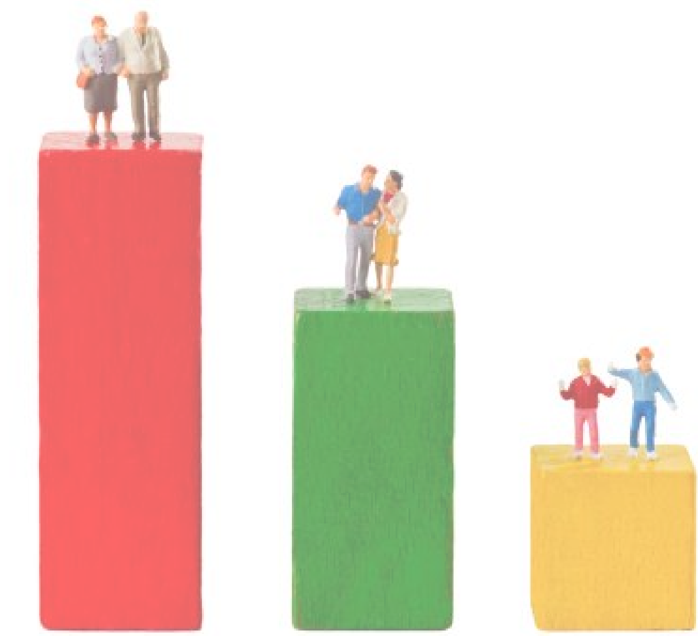
The same was true for Safety members, so no changes have been recommended.

Safety



Our analyses shown for retirement, disability and termination experience include data for calendar years 2016 through 2021. However, we also reviewed the proposed assumptions against the 2013 - 2018 data (from the previous experience study) in order to exclude any impacts COVID may have had on participant behavior during 2020 and 2021. We found that the proposed assumptions were still reasonable for the previous period.

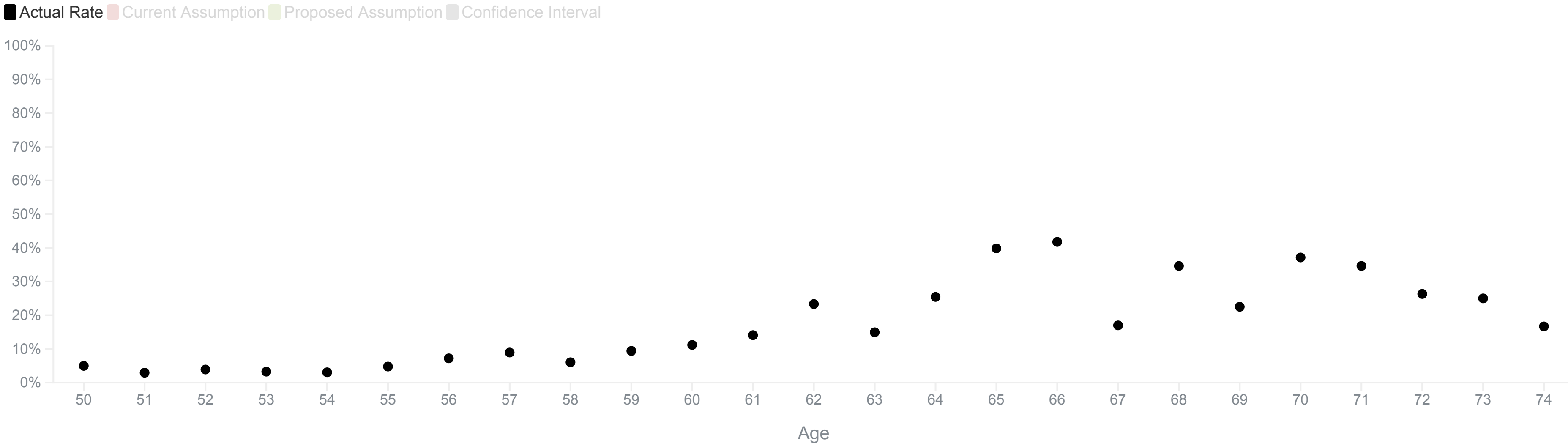
Retirement / Disability / Termination Rates



For the *rates of decrement* - i.e. the rates of retirement, termination, disability and death - we use a similar approach. First, we calculate the average percentage of active members leaving service for each cause over the past six years. Here we show the retirement experience for **General female** members with 10-29 years of service.

General Retirement Rates

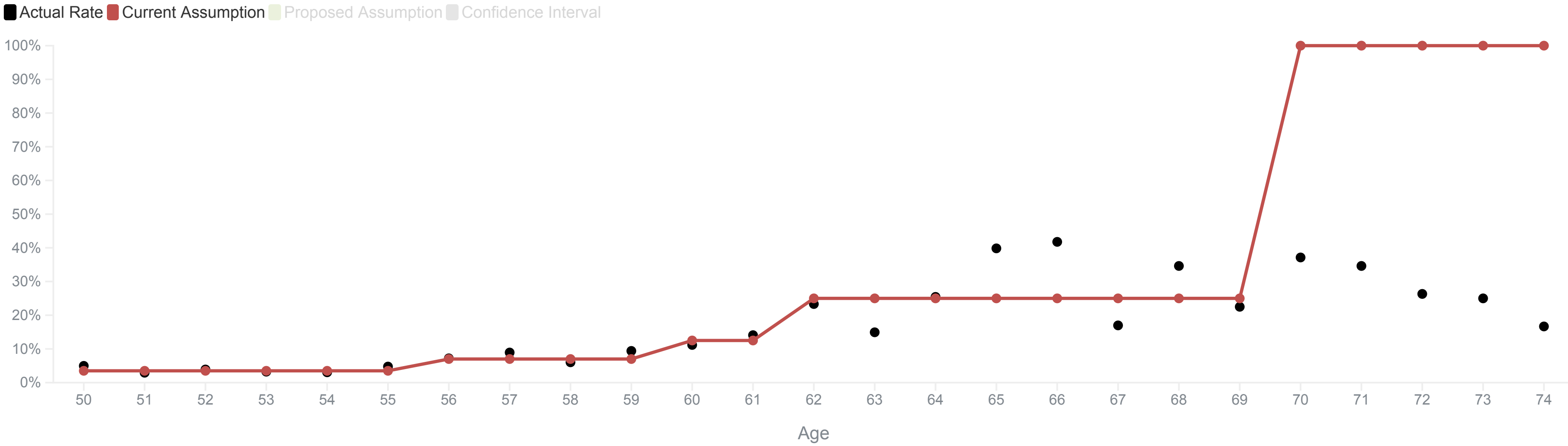
Male Tier 1 (5-9 YOS) | Male Tier 2 (5-9 YOS) | Male Total (5-9 YOS) | Female Tier 1 (5-9 YOS) | Female Tier 2 (5-9 YOS) | Female Total (5-9 YOS) | Male (10-29 YOS) | Female (10-29 YOS) | Male (30+ YOS) | Female (30+ YOS)



We compare the current assumptions to the actual rates at each age.

General Retirement Rates

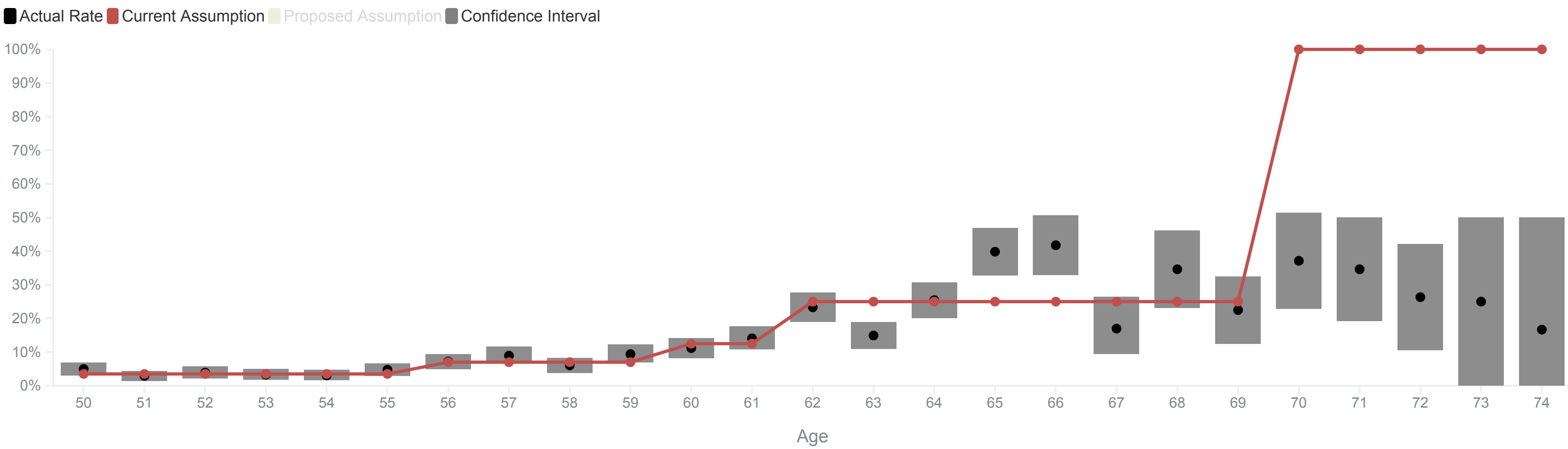
Male Tier 1 (5-9 YOS) | Male Tier 2 (5-9 YOS) | Male Total (5-9 YOS) | Female Tier 1 (5-9 YOS) | Female Tier 2 (5-9 YOS) | Female Total (5-9 YOS) | Male (10-29 YOS) | Female (10-29 YOS) | Male (30+ YOS) | Female (30+ YOS)



We then add in a confidence interval, a statistical measure that indicates a range we expect the true value to lie within, based on the *credibility* of the data.

General Retirement Rates

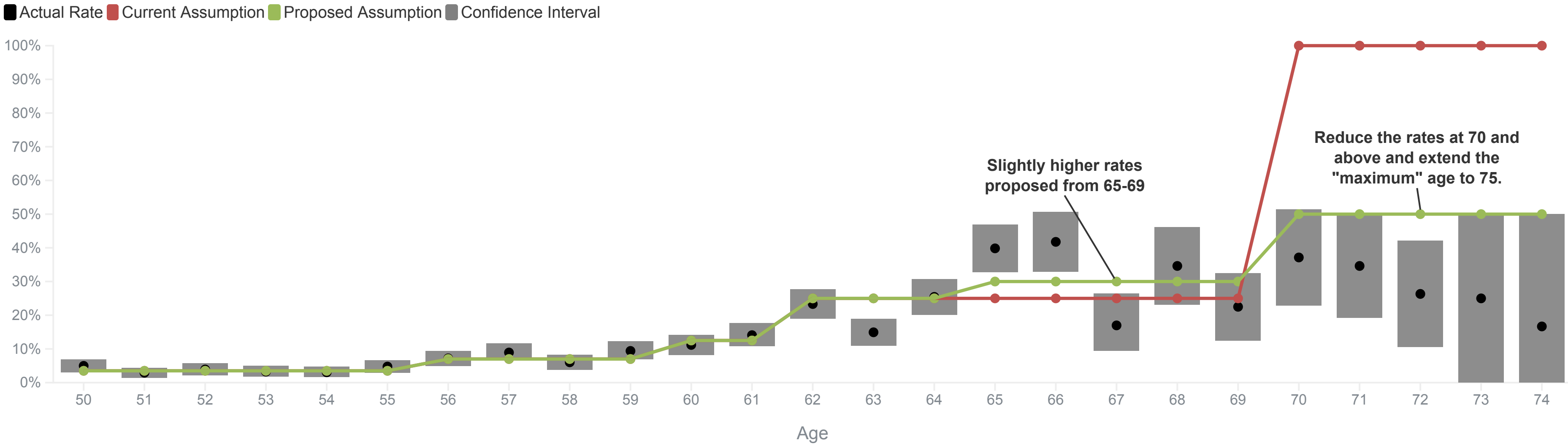
Male Tier 1 (5-9 YOS) | Male Tier 2 (5-9 YOS) | Male Total (5-9 YOS) | Female Tier 1 (5-9 YOS) | Female Tier 2 (5-9 YOS) | Female Total (5-9 YOS) | Male (10-29 YOS) | **Female (10-29 YOS)** | Male (30+ YOS) | Female (30+ YOS)



We may propose a modification to the assumption, if the actual rate falls outside the interval (applying professional judgement as necessary). We are proposing increasing the rates for General females in their late 60's. We also propose extending the "maximum" retirement age - the age by which all members are assumed to retire - from 70 to 75 for all General members.

General Retirement Rates

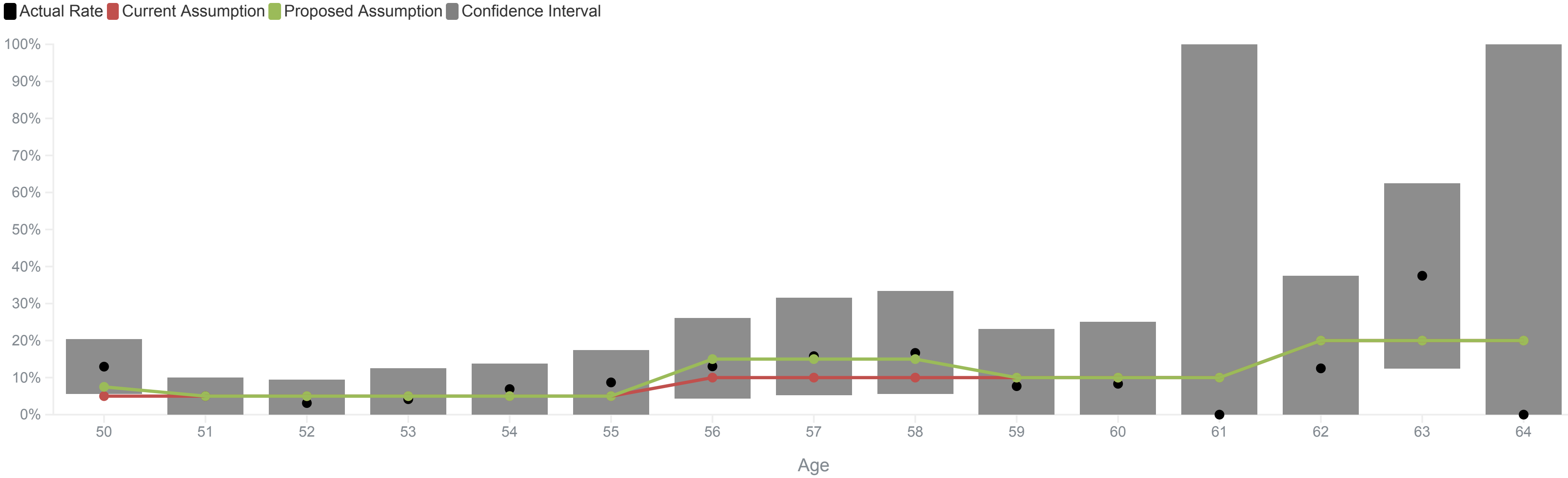
Male Tier 1 (5-9 YOS) | Male Tier 2 (5-9 YOS) | Male Total (5-9 YOS) | Female Tier 1 (5-9 YOS) | Female Tier 2 (5-9 YOS) | Female Total (5-9 YOS) | Male (10-29 YOS) | Female (10-29 YOS) | Male (30+ YOS) | Female (30+ YOS)



We propose modest increases to the retirement rates for Safety members with less than 20 years of service.

Safety Retirement Rates

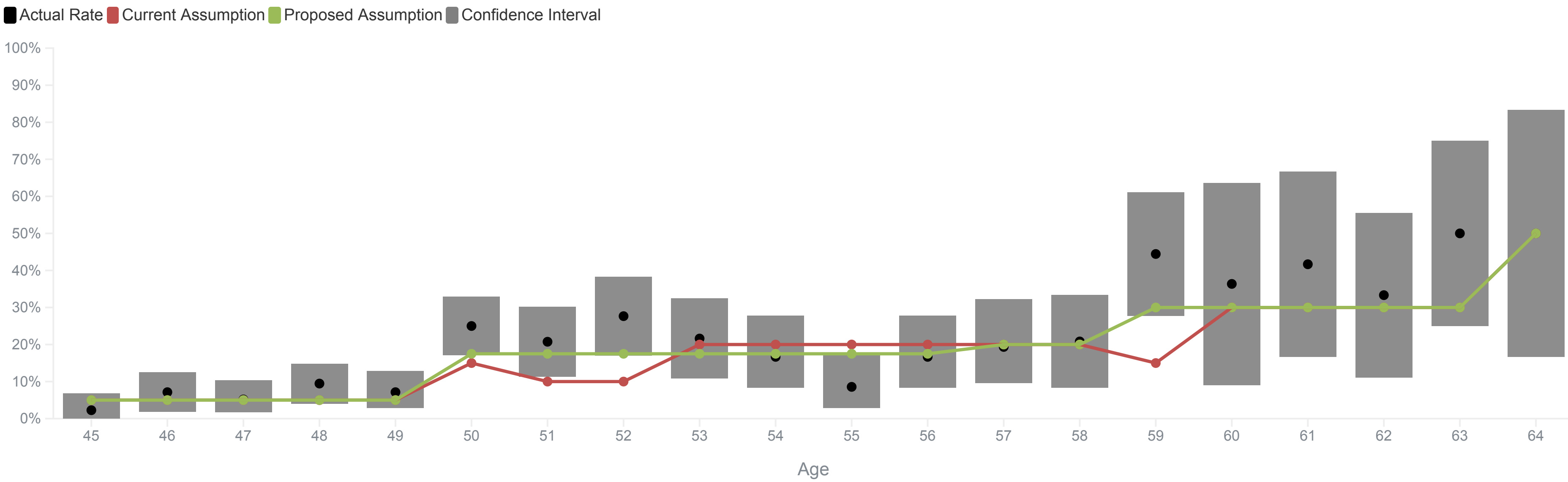
Unisex (5-19 YOS) | Unisex (20+ YOS)



As well as an overall increase in rates for those with 20 or more years of service.

Safety Retirement Rates

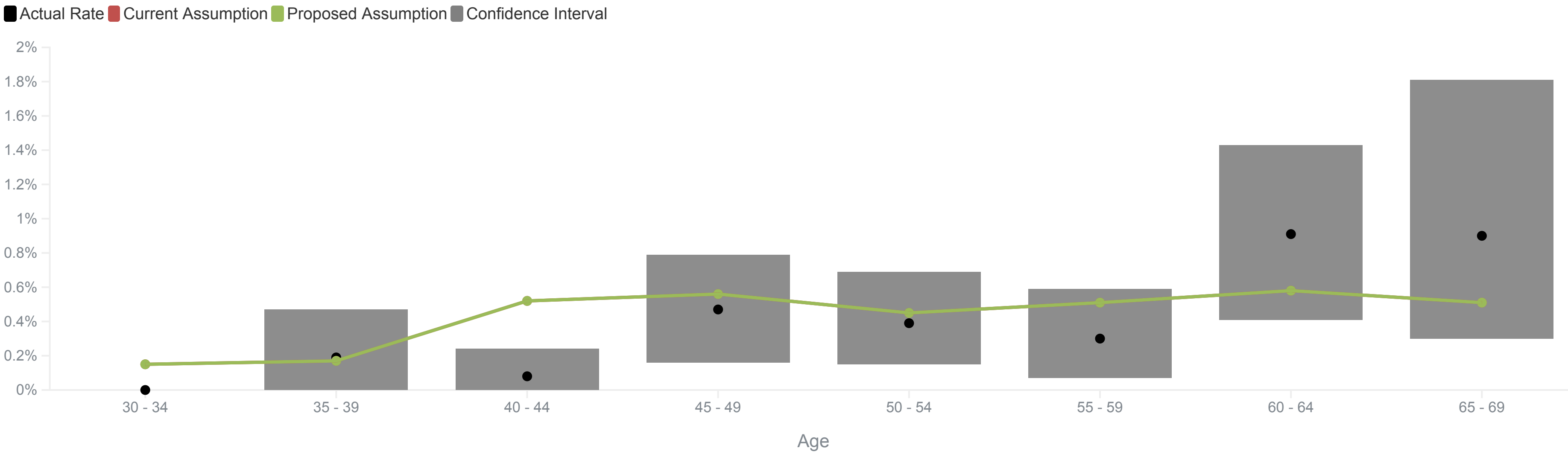
Unisex (5-19 YOS) | Unisex (20+ YOS)



Next we look at the disability rates using a similar approach. Here we show the combined disability experience (service-related plus non-service related) for the **General male** members for the past six years. The actual rates were reasonably close to the expectations, so we suggest maintaining the current assumptions.

Total Disability Rates
Service plus Non-Service

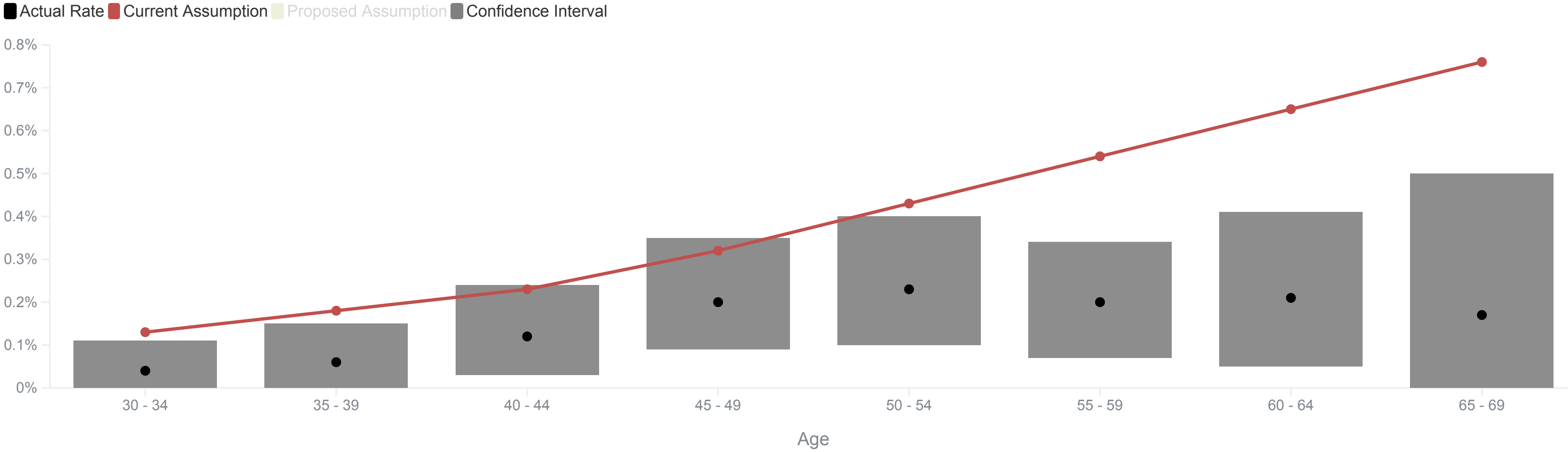
General Males | General Females | Safety



For the General females, the actual rates were significantly lower than the current expectations.

Total Disability Rates
Service plus Non-Service

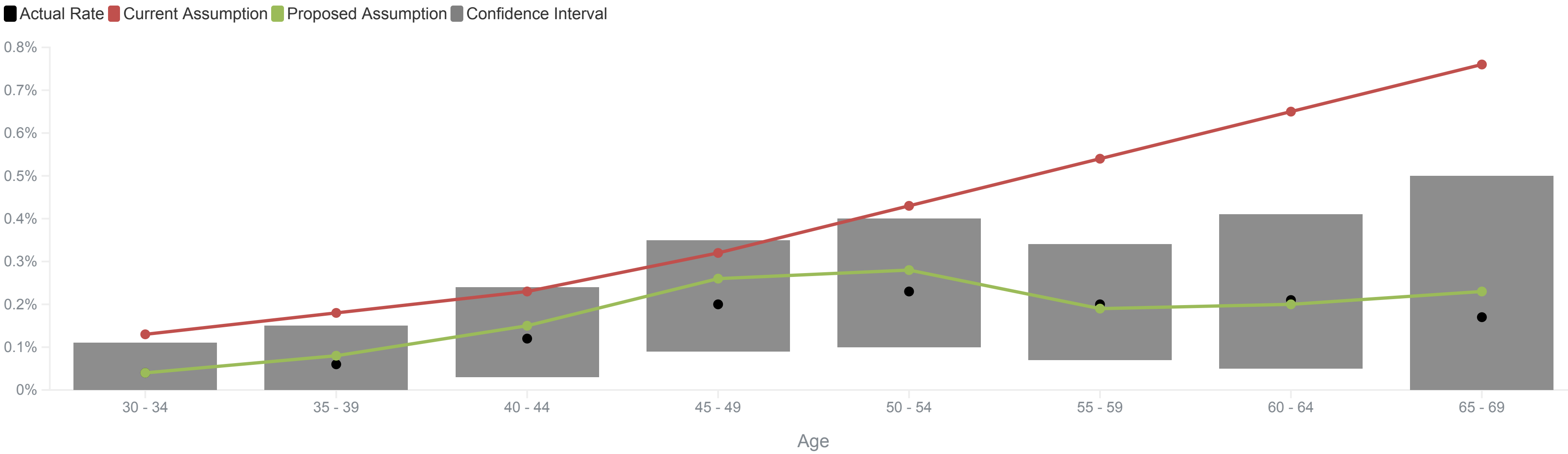
General Males | General Females | Safety



So we have recommended a new set of disability assumptions. These assumptions are based on the most recent CalPERS disability rates for Miscellaneous State female members, adjusted by 75% to reflect SJCERA's experience over the past six years.

Total Disability Rates
Service plus Non-Service

General Males | General Females | Safety



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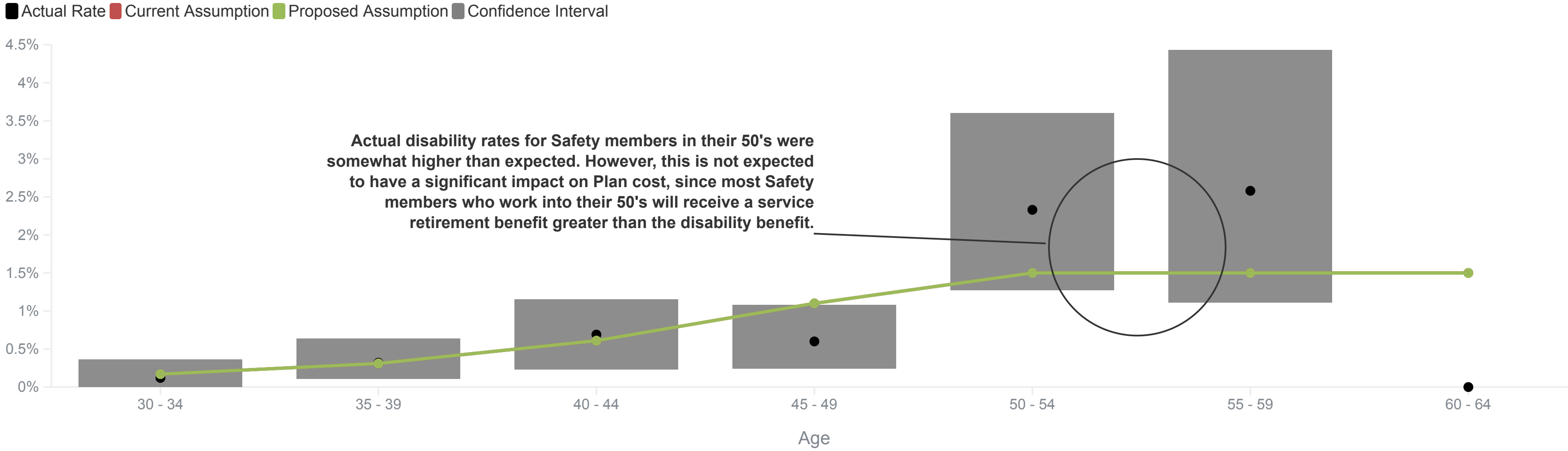
Total Disability Rates

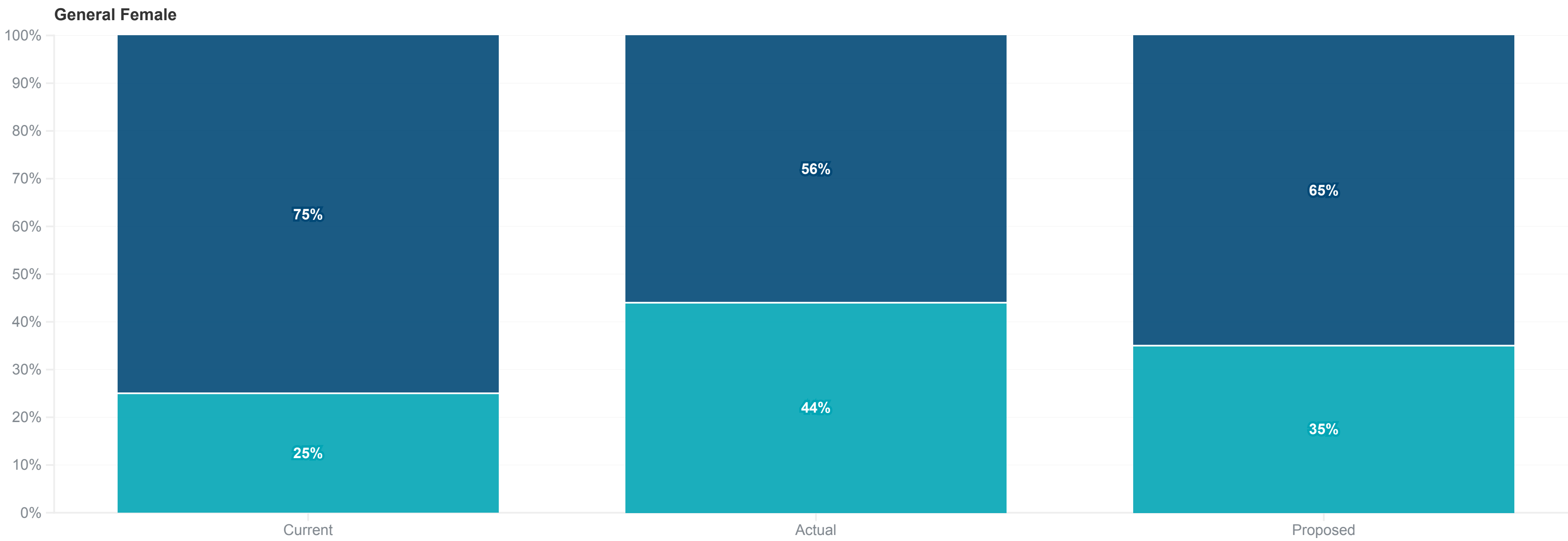
Service plus Non-Service

General Males | General Females | Safety



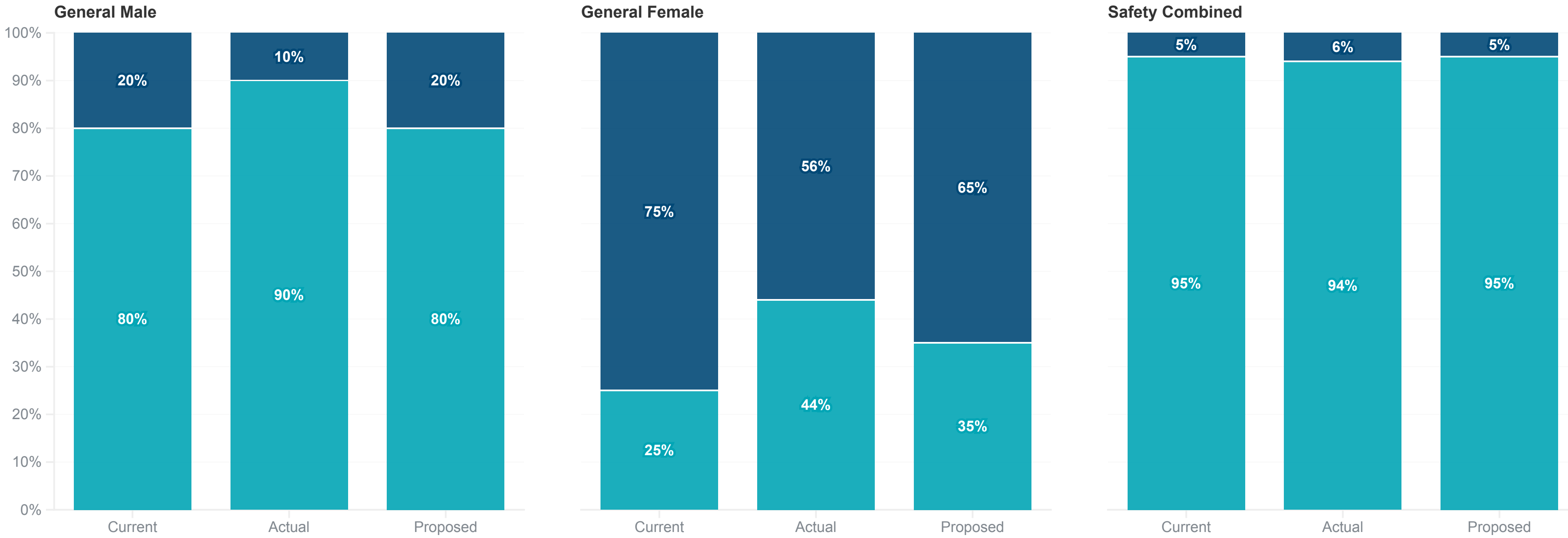
For disabilities we also review the percentage of disabilities that are **service vs. non-service related**. For the General females, the current assumption is that 25% of all disabilities will be service-related. The data for the most recent six-year period indicated a higher actual rate (44%), so we recommend increasing the assumption to 35%.

All | General Male | General Female | Safety Combined



The assumptions for General males (80% service-related) and Safety members (95% service-related) were reasonably close to actual experience, so no changes are proposed.

All | General Male | General Female | Safety Combined



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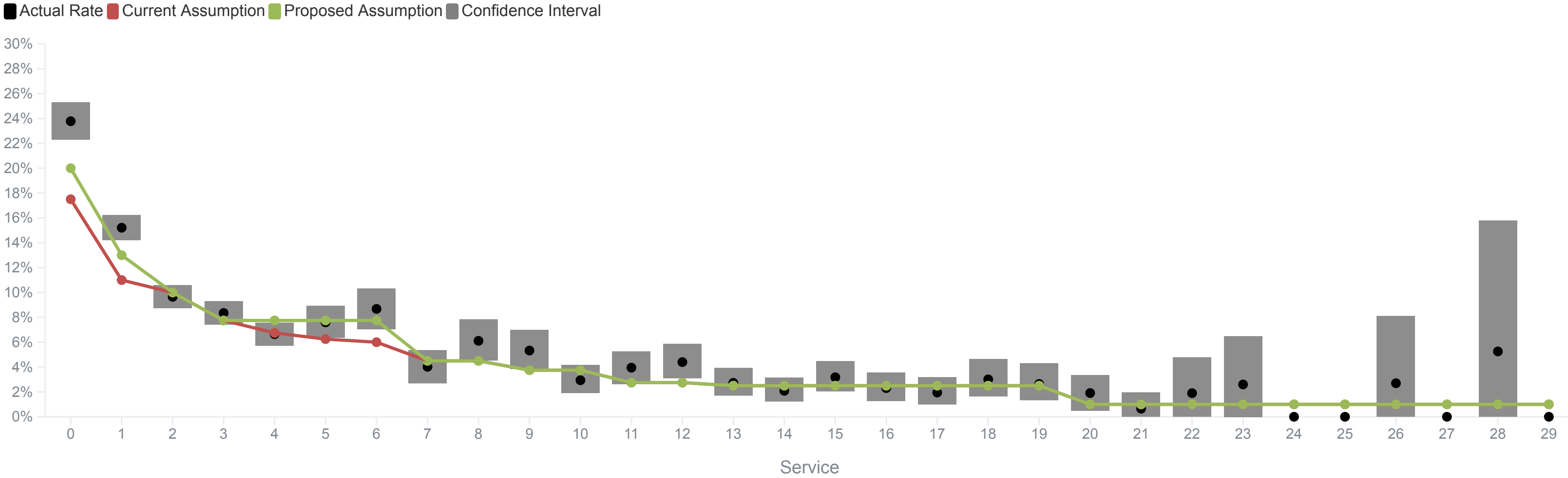
When reviewing the rates of termination (i.e. when a member leaves for reasons other than retirement, death or disability) we show the experience at each level service of service, since termination rates tend to have stronger correlation with service than age.

Termination Rates

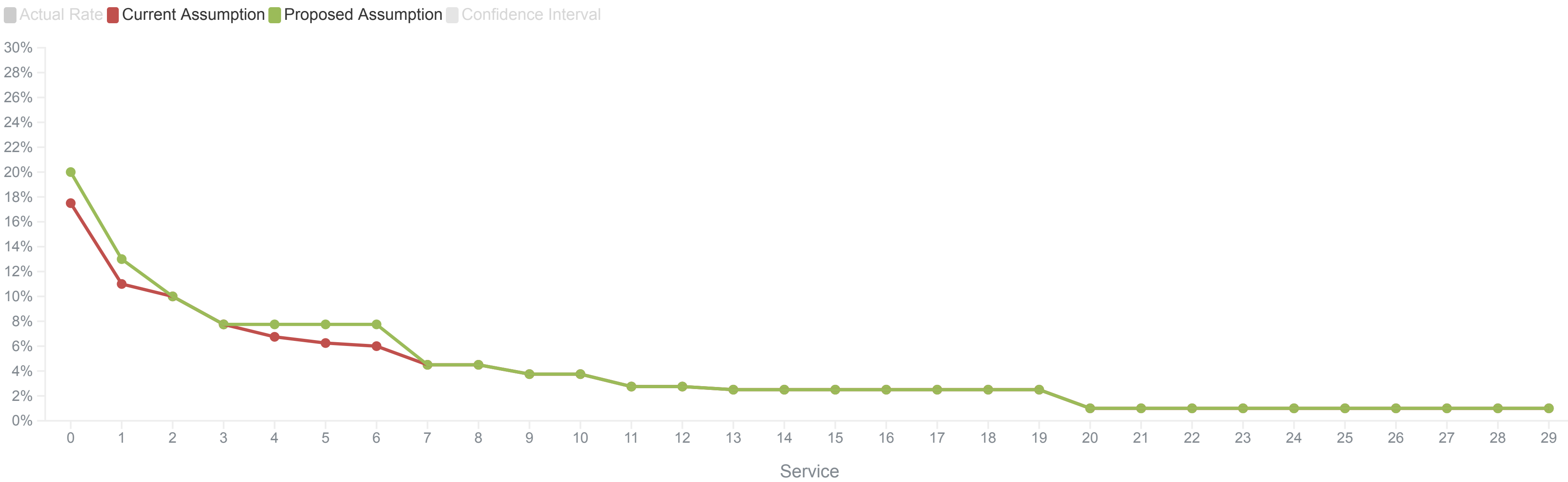
General Males | General Females | General Combined | Safety



The proposed rates for the General members are slightly higher than the current assumptions at lower service levels.

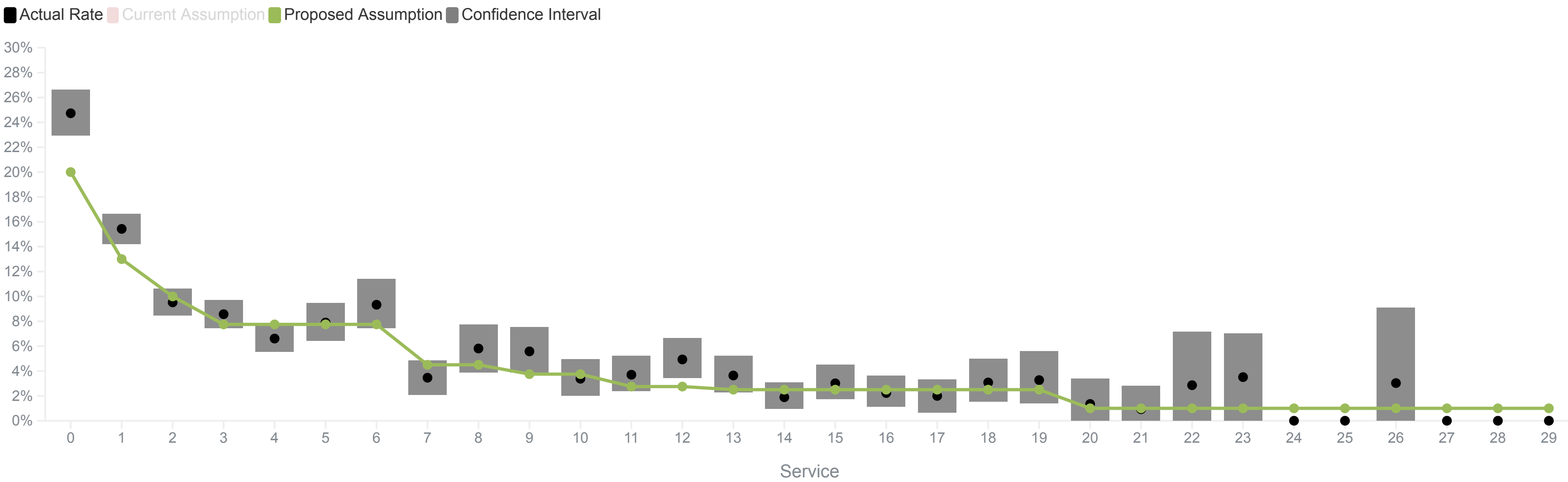
Termination Rates

General Males | General Females | General Combined | Safety



Termination Rates

General Males | General Females | General Combined | Safety



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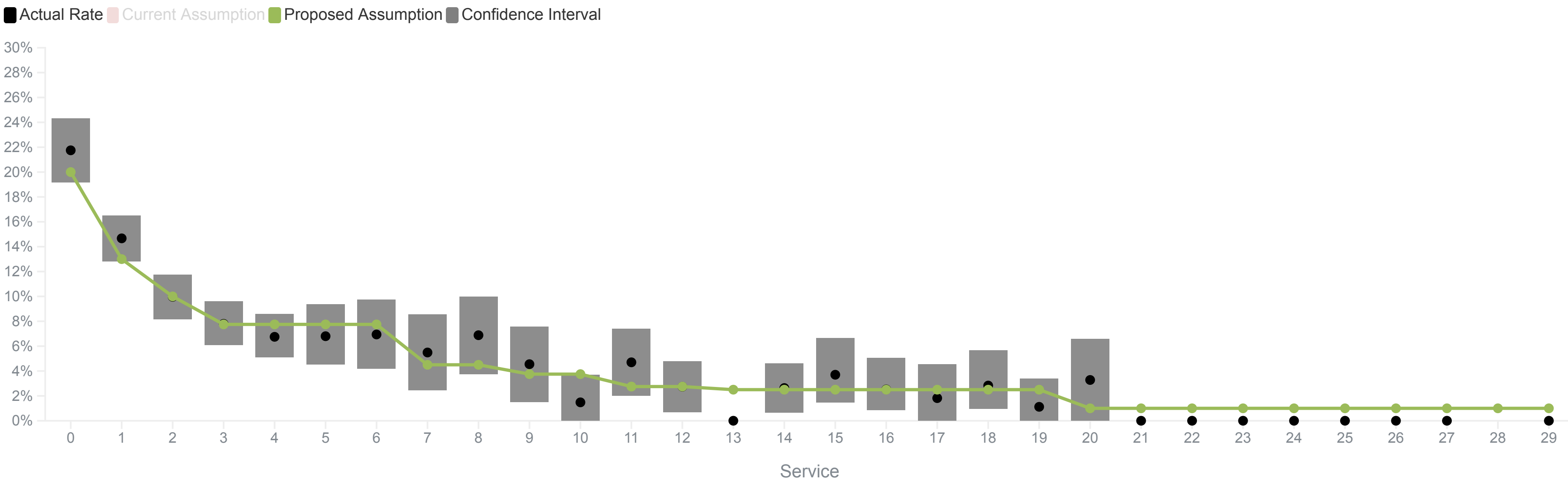
And for males, and found that a single unisex set of termination rates continues to be appropriate.

Termination Rates

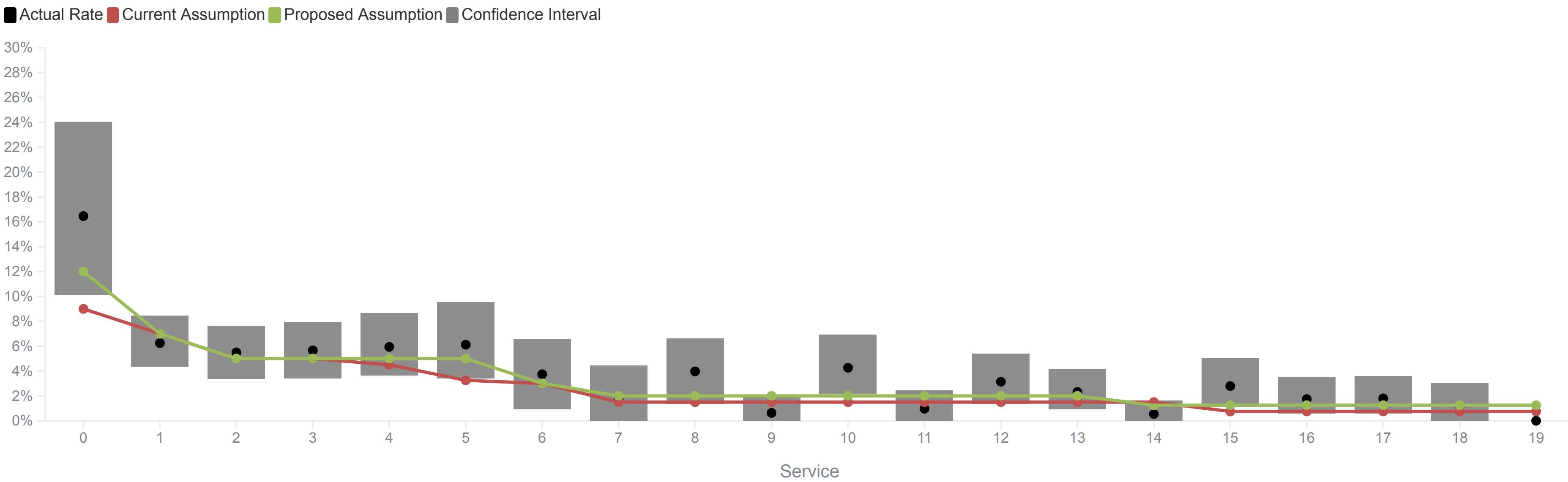
General Males | General Females | General Combined | Safety



We proposed modest increases in the Safety termination rates at most service levels.

Termination Rates

General Males | General Females | General Combined | **Safety**



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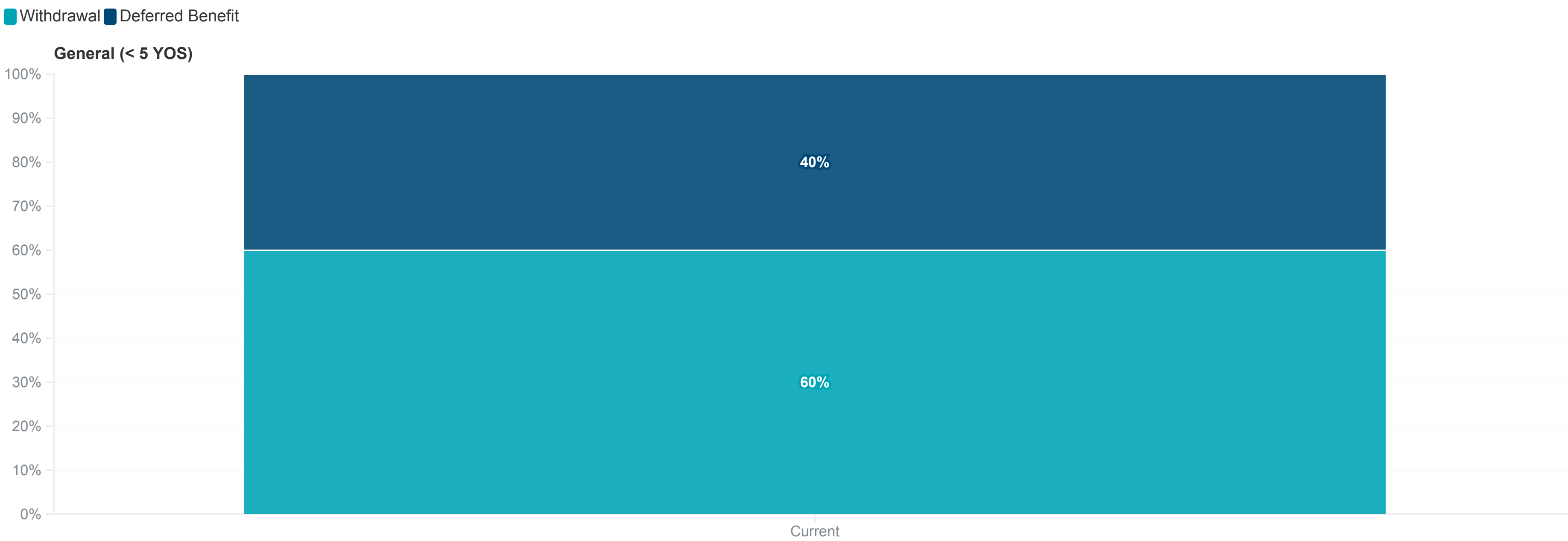
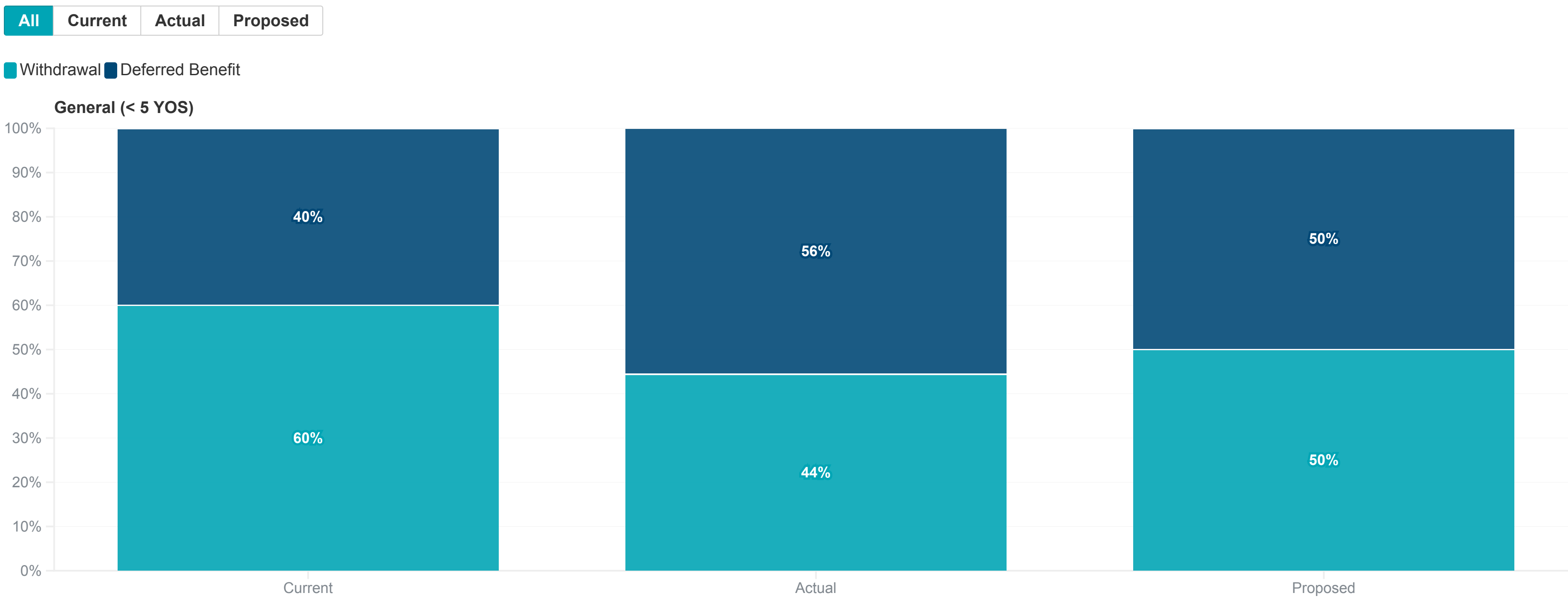
We also review the *types* of terminations. Terminating members have the option of receiving a refund of contributions or leaving them on deposit, in which case they are entitled to receive a deferred benefit (based on their final salary with another system if they establish reciprocity). Below we show the current assumptions for the likelihood of each type of termination for a General member with less than five years of service.

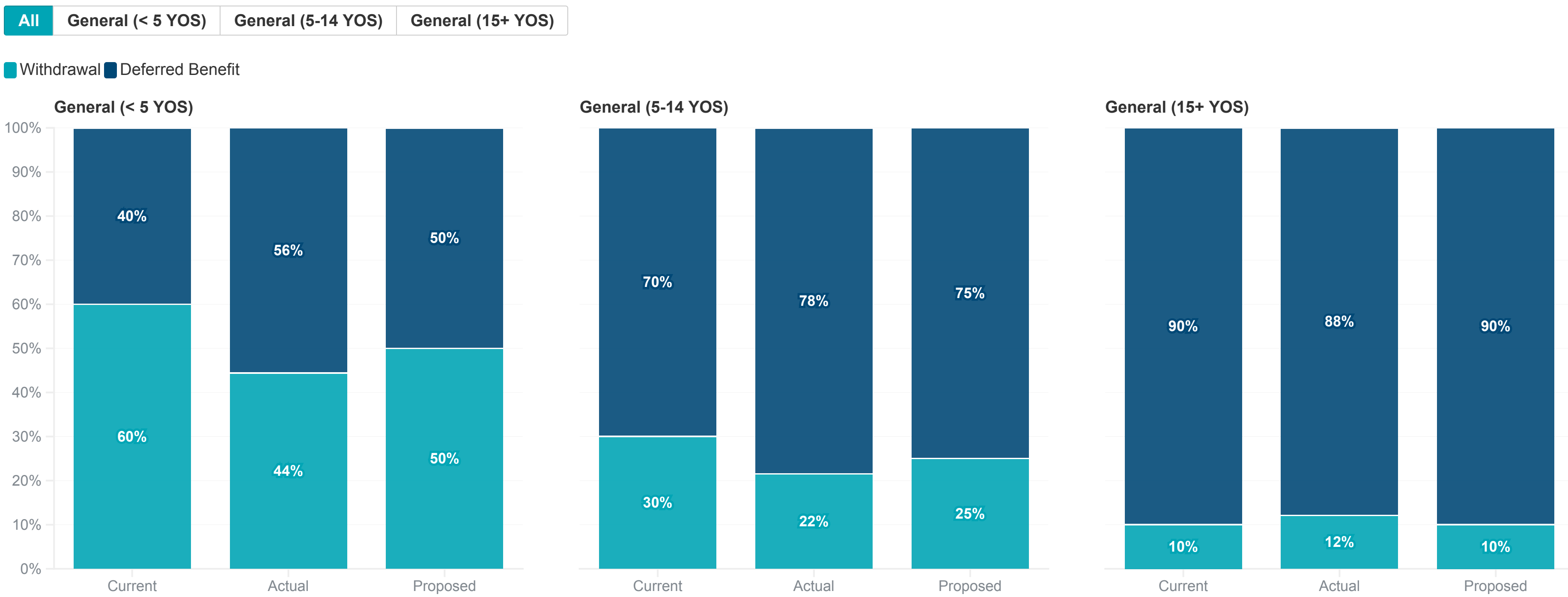
All | Current | Actual | Proposed



Over the past six years, the percentage of members who withdrew their contributions was less than assumed, so we recommend a reduction in the withdrawal assumption and an increase to the number assumed to receive a deferred benefit. The rates of those who establish reciprocity among those that choose to defer is a separate assumption, which is still being reviewed.

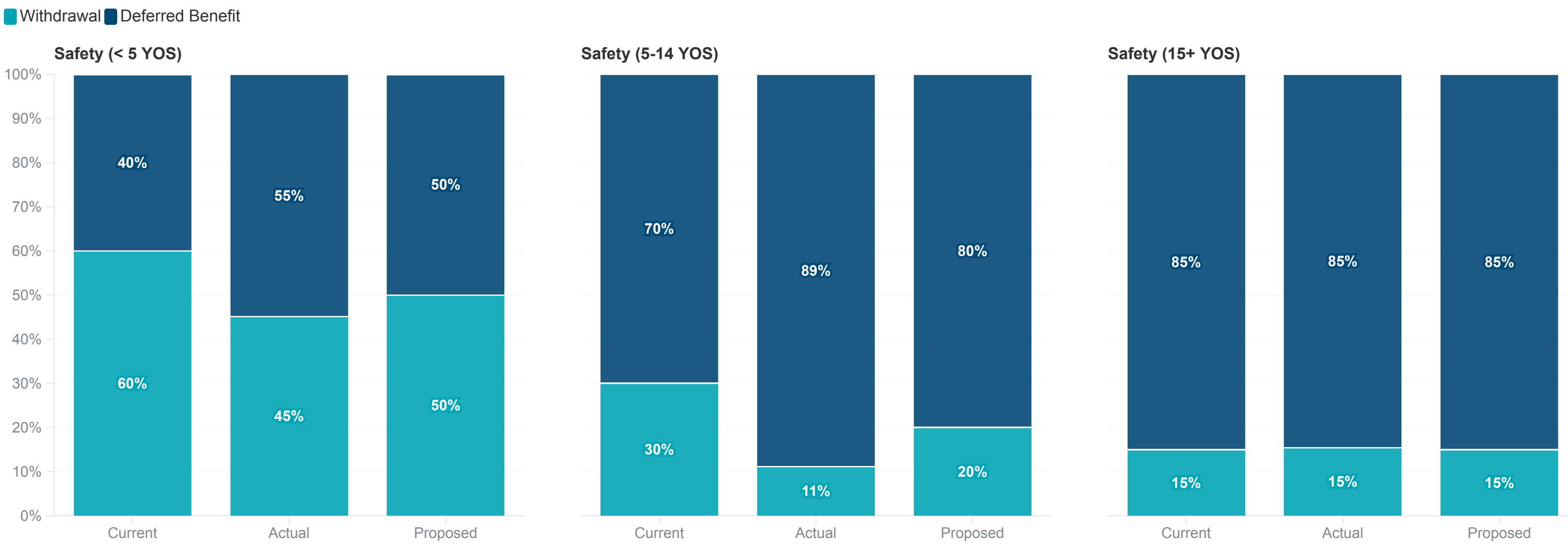


The actual rates, and the current and proposed assumptions for all service categories are shown below. Members with less service are more likely to withdrawal their contributions. We are proposing reductions in the percentage of General members assumed to withdraw their contributions for members at lower service levels (< 15 years).



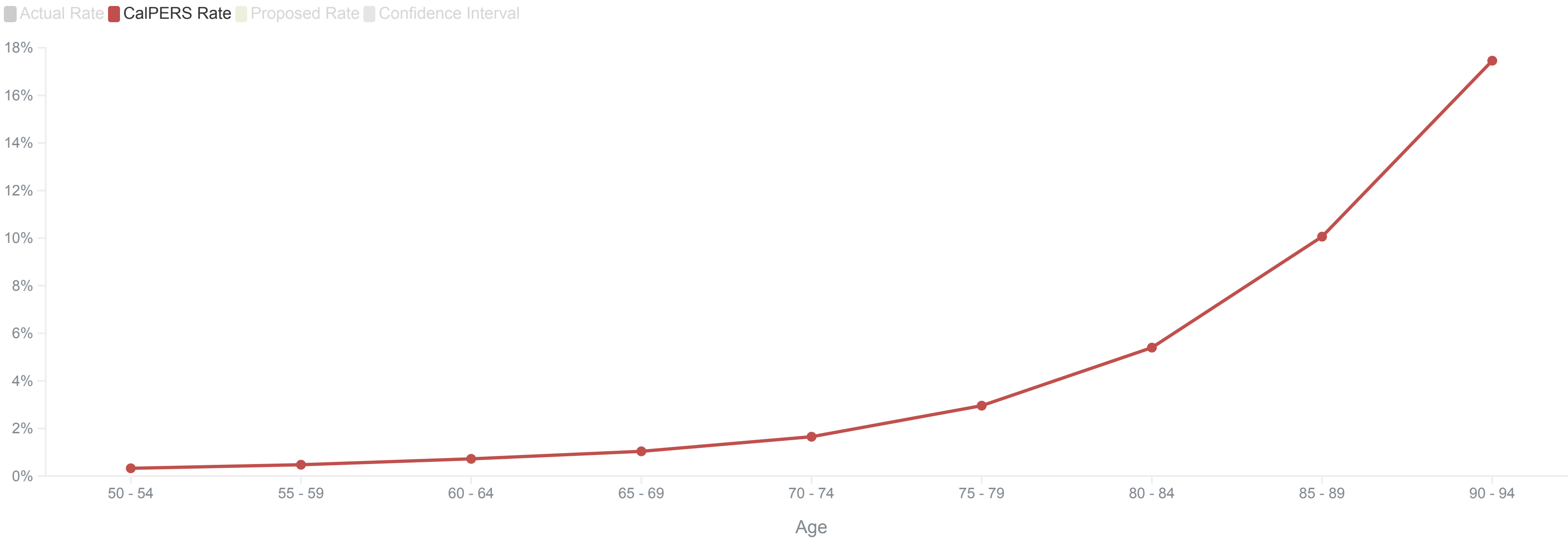
And a similar recommendation for Safety members.

All | Safety (< 5 YOS) | Safety (5-14 YOS) | Safety (15+ YOS)



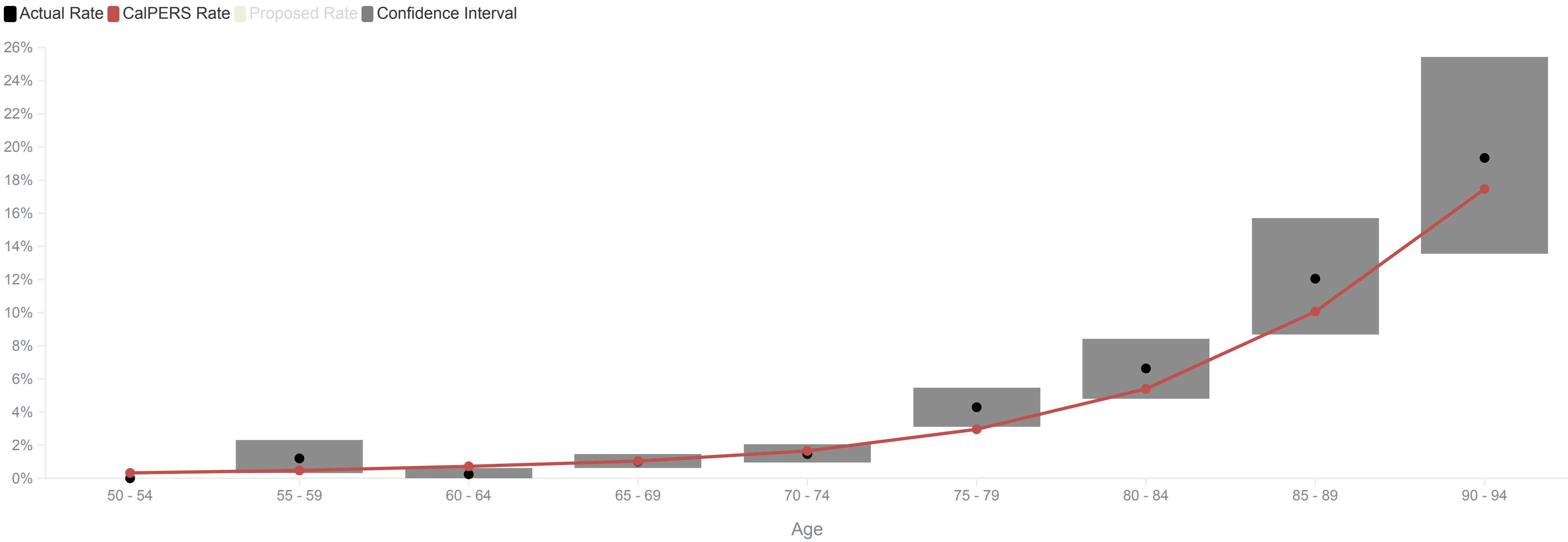
For mortality, we take a somewhat different approach. SJCERA does not have enough data to generate its own mortality tables - even if we combine the data over a longer period - so we look to a set of standard tables. We are recommending using tables recently published by CalPERS rather than the older Society of Actuaries Public Plan tables, since the CalPERS tables provide a better fit and is based on data expected to be more reflective of SJCERA experience.

Mortality Rates (Healthy Male Retirees)



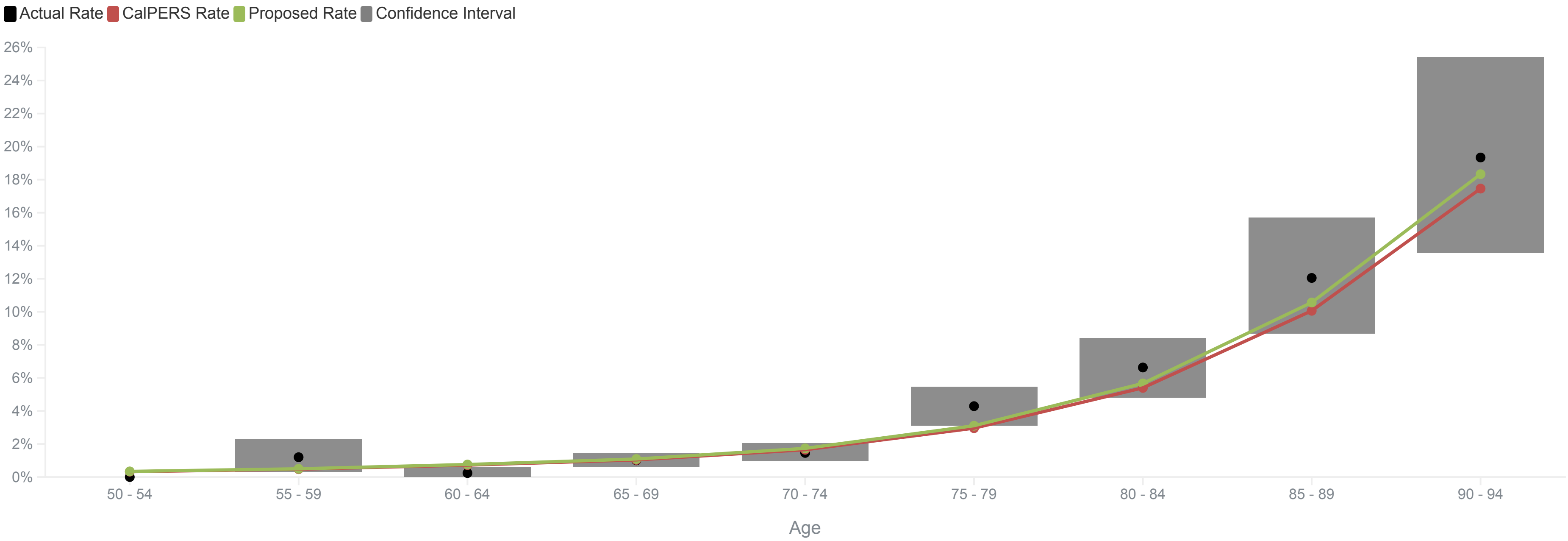
Comparing the SJCERA experience from 2016-2019 to the newest CalPERS tables (published in 2021), we see that the CalPERS assumptions are reasonably close to the actual SJCERA rates of death. We excluded 2020 and 2021 due to COVID, but we reviewed the data for those years, and concluded that our proposed assumptions wouldn't change significantly if that experience was included.

Mortality Rates (Healthy Male Retirees)



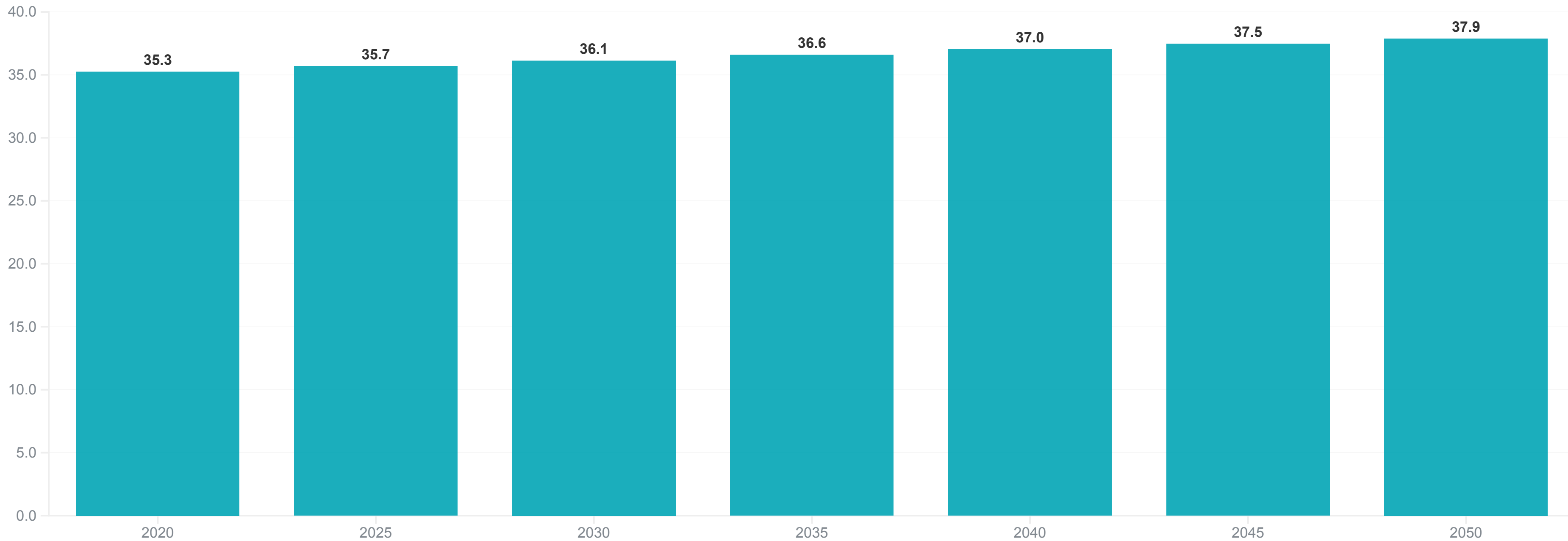
However, the SJCERA male retired members have had higher rates of death at some ages, so we apply an adjustment factor (105%) to bring the CalPERS base rates more in line with overall SJCERA experience. We are not recommending any adjustments to the CalPERS base tables for female retirees, or for the active or disabled members.

Mortality Rates (Healthy Male Retirees)



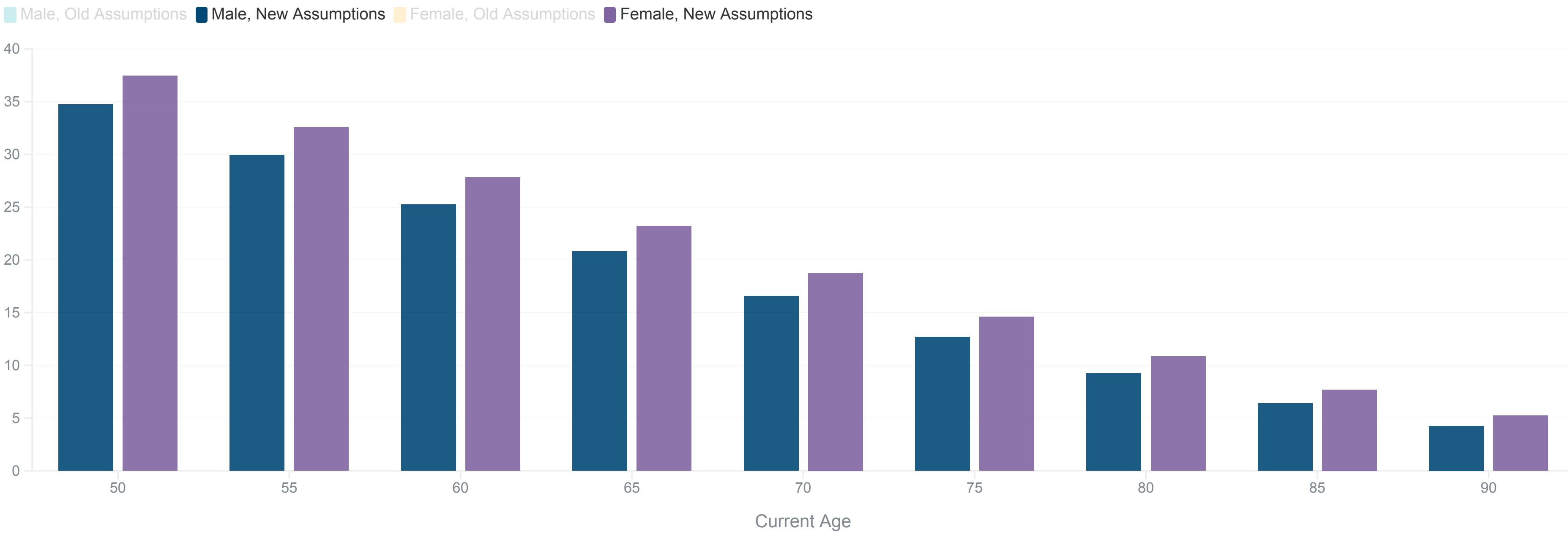
In addition to selecting an appropriate *base* table (used to predict current rates of death), we also need to select a table to project future *improvements* in mortality - since most experts believe that over the long term we should expect increasing lifespans. Here is an example of how the remaining lifetime for a male retiree age 50 may be expected to change based on what year they reach that age.

Expected Remaining Lifetime (Male Age 50)



The Society of Actuaries releases a new update to their mortality improvement assumptions for pension plans each year. Recently, the recommended tables have reflected *slowing* in mortality improvements, even prior to COVID. CalPERS has adopted an approach of using 80% of the improvement assumptions released in 2020 (known as Scale MP-2020), which we also recommend for SJCERA. Below we show the expected remaining lifetime at various ages for the current service retirees based on these assumptions.

Expected Remaining Lifetime



Current mortality based on 2021 CalPERS Healthy Annuitant Table adjusted by 105% for males and 100% for females and Generationally Projected using 80% of Scale MP-2020

Prior mortality based on 2010 Public General Above-Median Healthy Annuitant Table adjusted by 100% for males and 104% for females and Generationally Projected using Scale MP-2018

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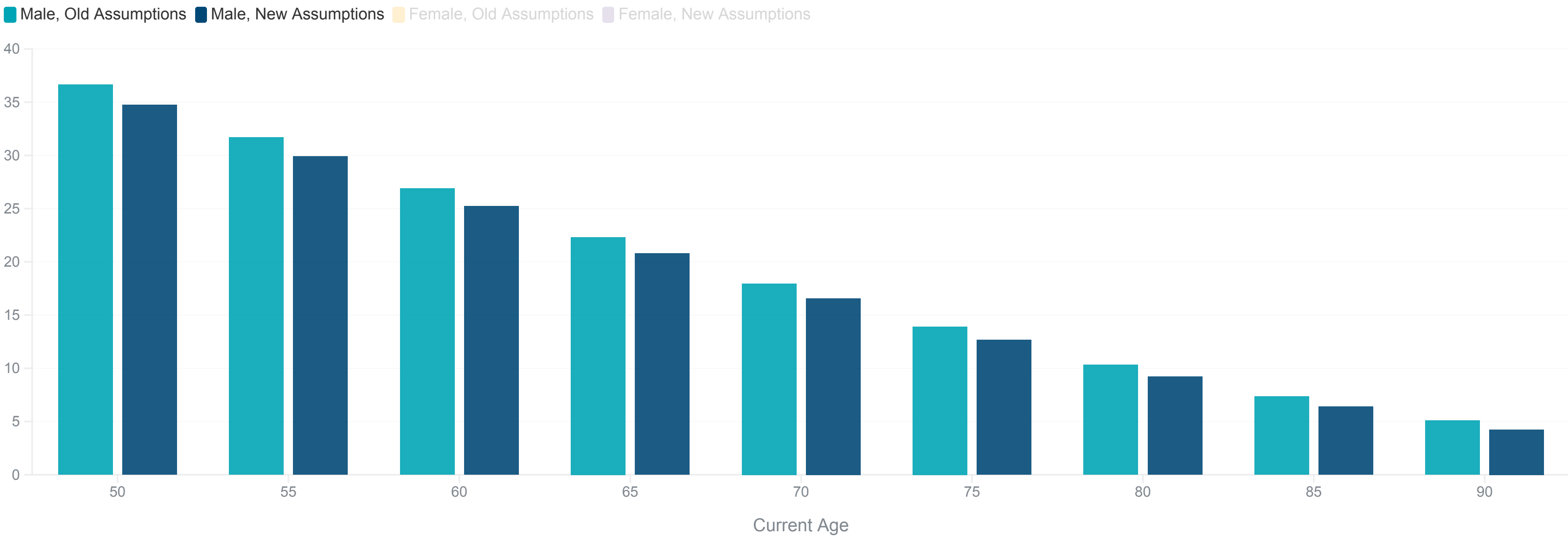
These lower rates of expected future improvement combined with the updated base tables result in reduced expected lifespans versus the prior assumptions, representing about a 1.5 year reduction for a male age 65

Expected Remaining Lifetime

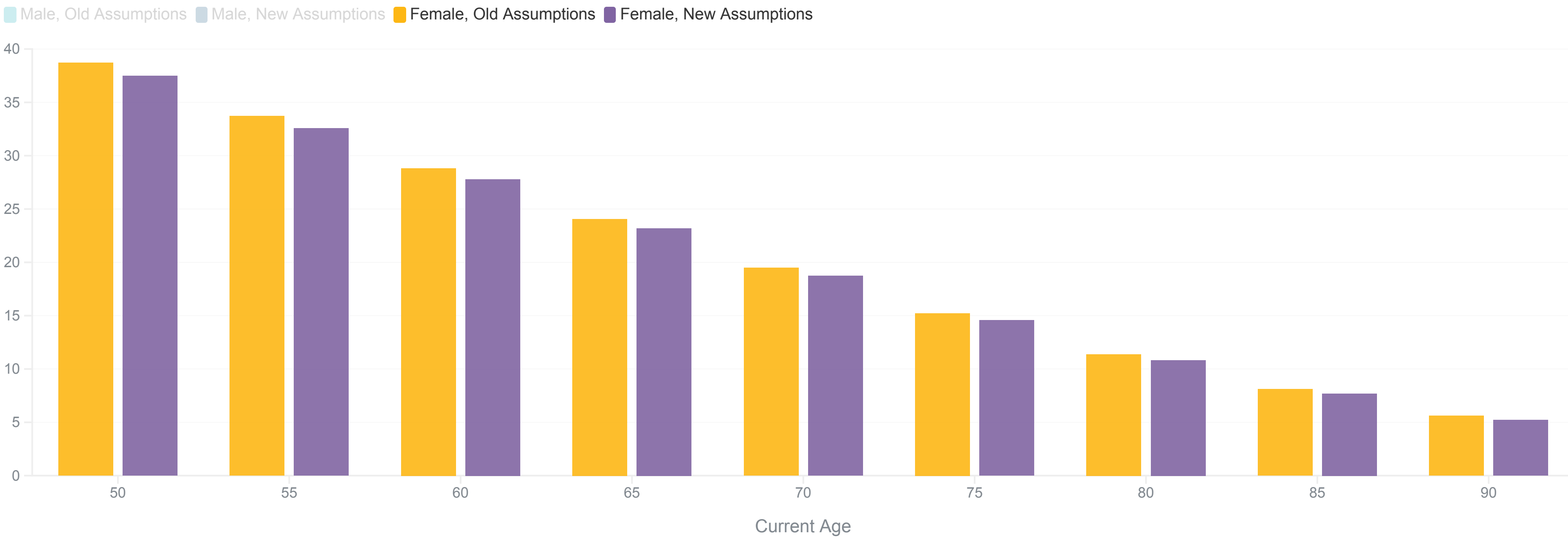


Current mortality based on 2021 CalPERS Healthy Annuitant Table adjusted by 105% for males and 100% for females and Generationally Projected using 80% of Scale MP-2020

Prior mortality based on 2010 Public General Above-Median Healthy Annuitant Table adjusted by 100% for males and 104% for females and Generationally Projected using Scale MP-2018

And a slightly smaller reduction (0.9 years) for a 65 year old female.

Expected Remaining Lifetime



Current mortality based on 2021 CalPERS Healthy Annuitant Table adjusted by 105% for males and 100% for females and Generationally Projected using 80% of Scale MP-2020

Prior mortality based on 2010 Public General Above-Median Healthy Annuitant Table adjusted by 100% for males and 104% for females and Generationally Projected using Scale MP-2018

As part of the experience study, we reviewed the other miscellaneous actuarial assumptions used in the valuation as described below and made recommendations where necessary.

Reciprocity

Percentage of deferred members assumed to establish reciprocity. Still under review.

Family Composition

No changes. Continue to assume 75% of male and 55% of female members are married, and males three years older than their spouses and females two years younger than their spouses.

Terminal Compensation Load / Pay Projection / Benefit Timing

Add a load on active Safety members' projected service retirement and related benefits of 1% for Tier 1 members. Modify projection of pay and final average salary to remove additional wage growth component. Adjust benefit payment timing from end of month to beginning of month.

Commencement Age for Deferred Members

Data still under review.

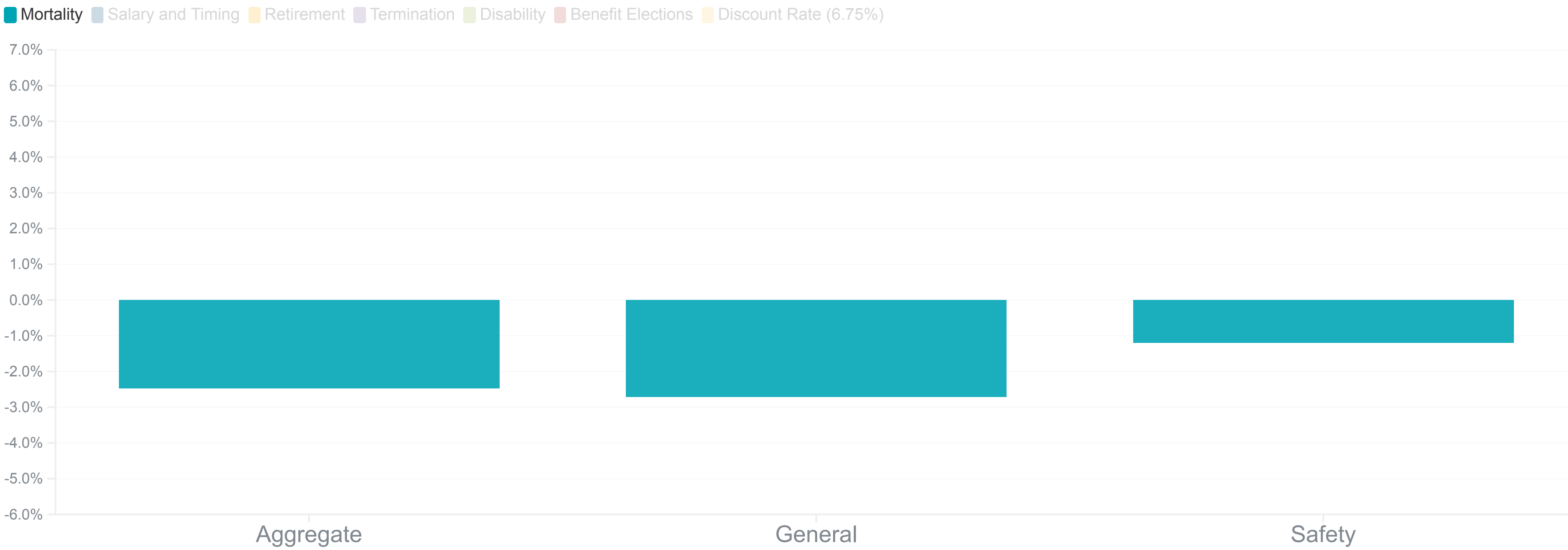
Form of Benefit

Upon service retirement, assume 90% of all married members are assumed to elect the normal payment form (joint & 60% survivor annuity). Previously, all married members were assumed to elect the normal form.

The slides which follow show the effect of the assumption changes on the *total* actuarial cost of the Plan, made up of the impact on the overall **Normal Cost**, plus the change in the **Unfunded Actuarial Liability** (UAL) payment. The employer is responsible for any changes in the UAL payment, but changes in the Normal Cost rate will affect both employer and member contributions. The Actuarial Valuation Report will show the overall impact of the assumption changes on the member and employer rates.

The changes in the mortality assumptions - in particular the slower rates of expected future improvements - had the biggest impact on cost, reducing the total actuarial cost by 2.5% of pay aggregate. The impact was greater on the General members, as the prior assumptions for Safety members reflected lower expected lifetimes, though recent experience has shown slightly lower rates of death for Safety male members than General male members.

Contribution Rate Change by Source



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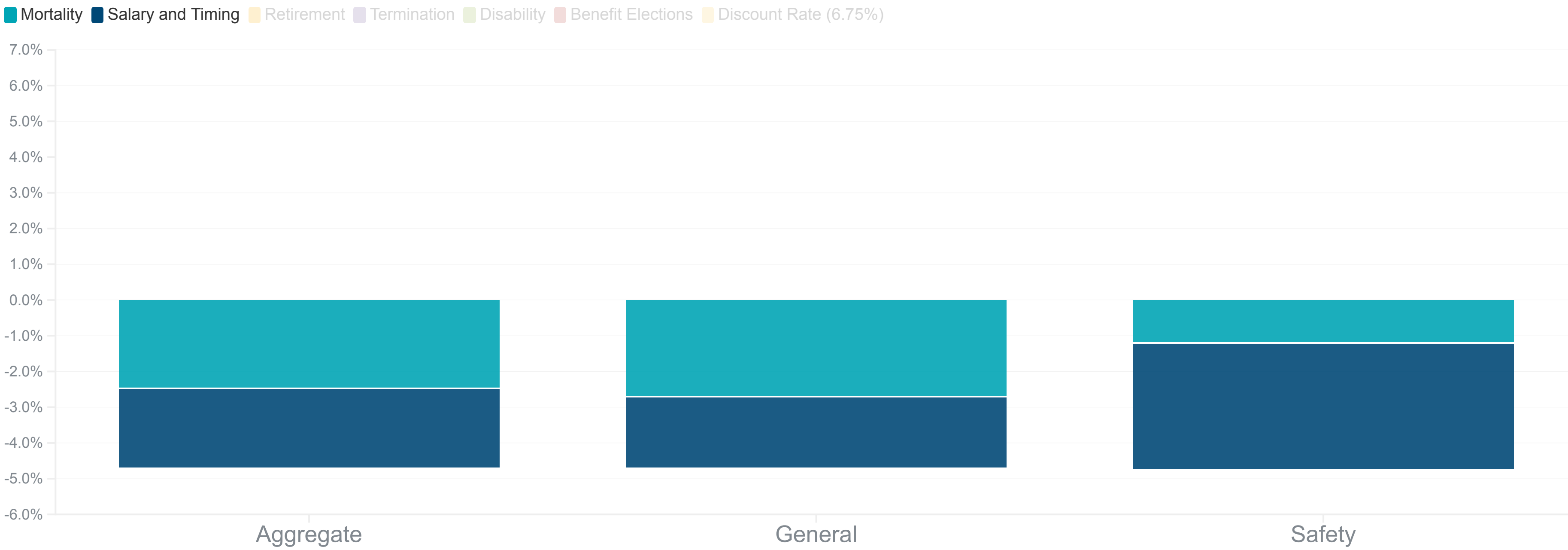
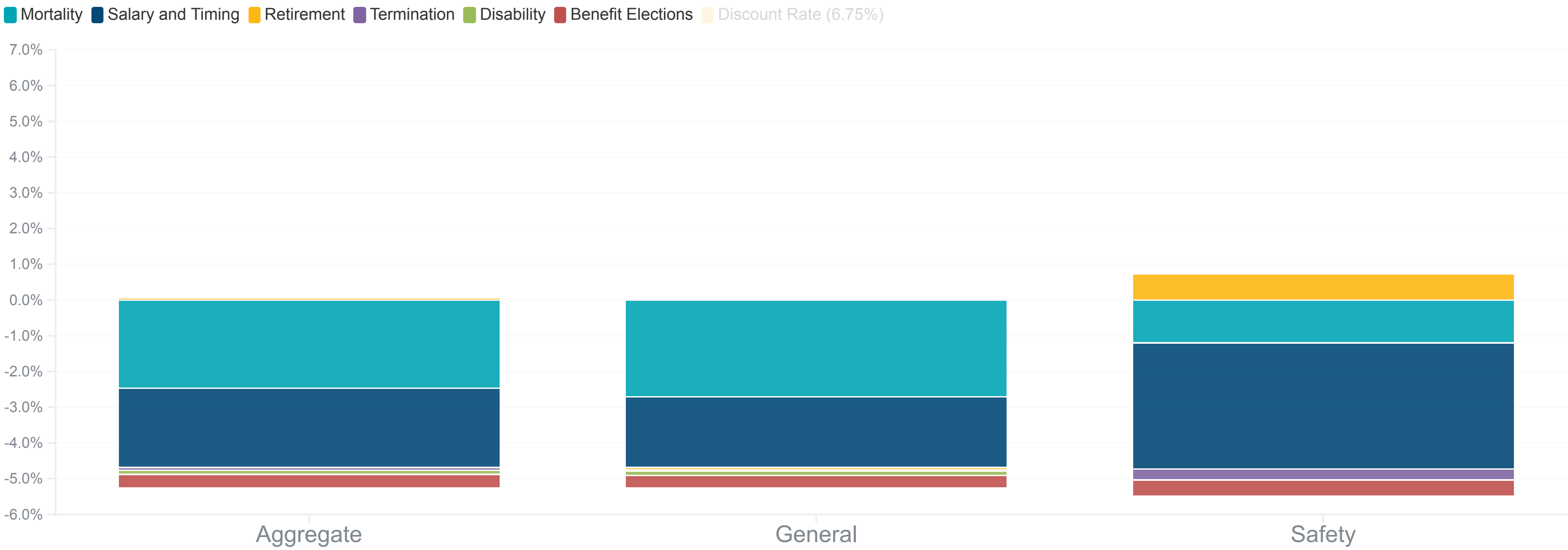
The recommended changes in how pay and benefits are projected - which was identified as an area for review as part of the most recent actuarial audit performed by Milliman - also reduced the cost.

Contribution Rate Change by Source



The other recommended changes to the demographic assumptions were all fairly minor, reducing the total contribution rate by about 0.5% in aggregate. As noted earlier, there are still a few assumptions - such as the rates of reciprocity - that are still being reviewed.

Contribution Rate Change by Source



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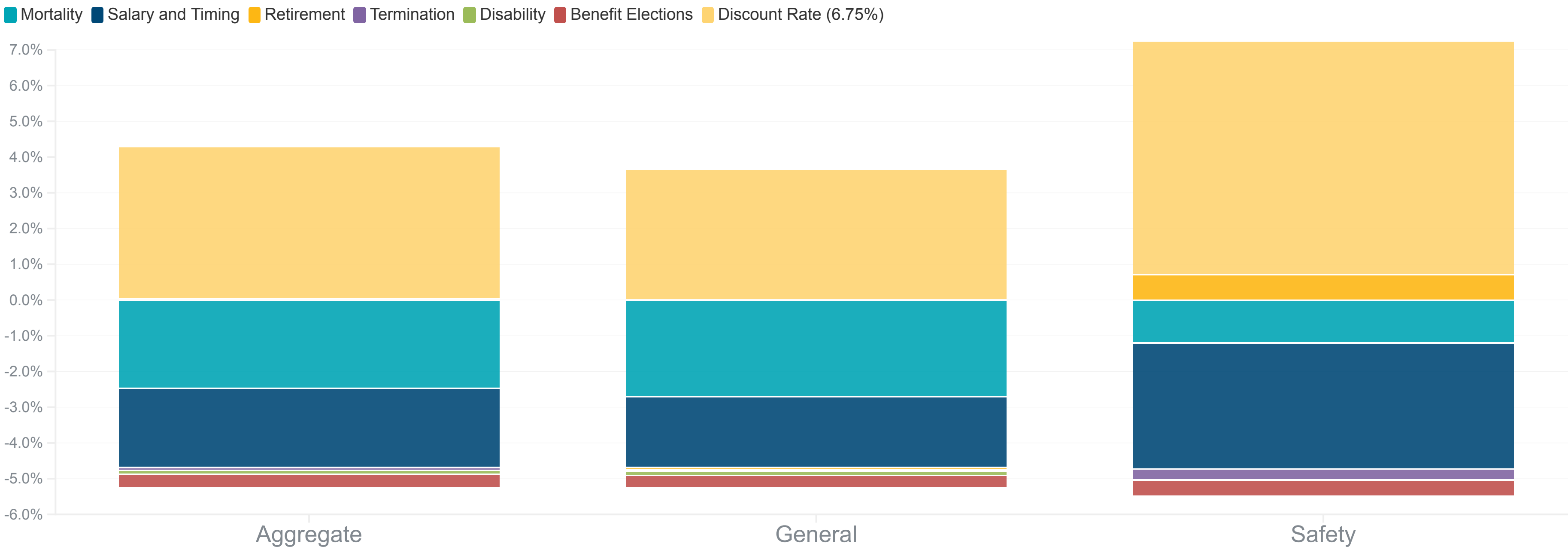
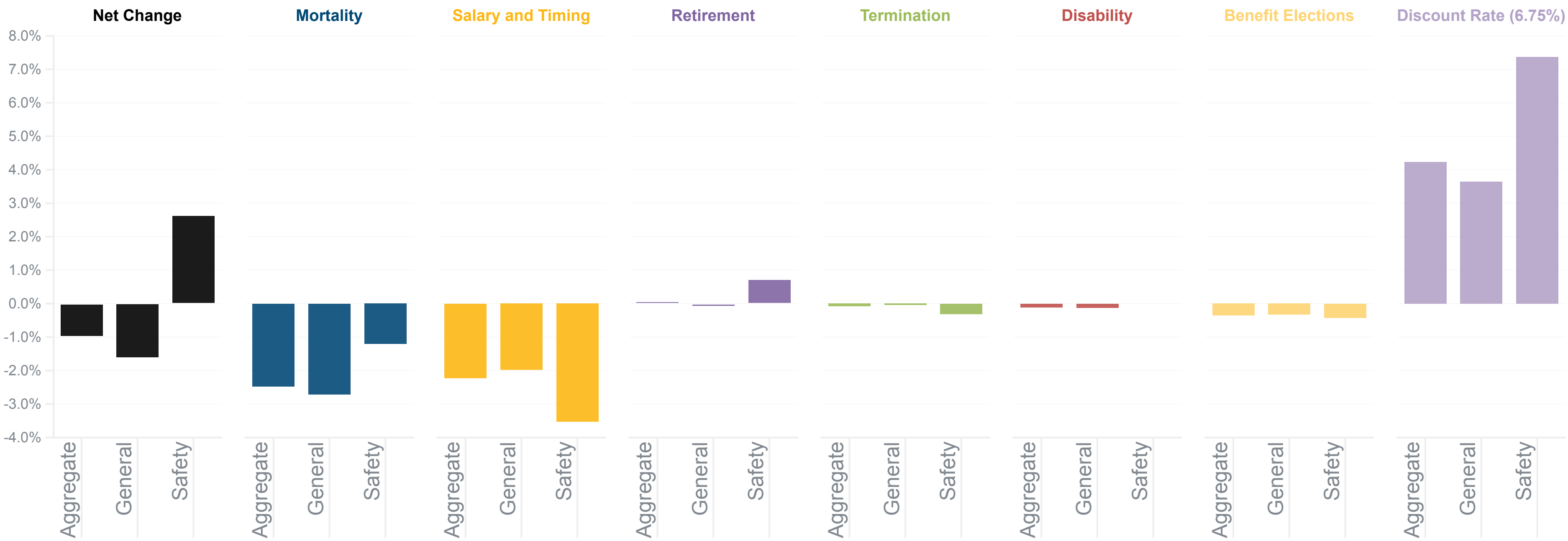
If the Board elects to reduce the return assumption from 7.00% to 6.75% (leaving the other economic assumptions the same, as recommended), the total rate will increase by about 4.2%. The increase in rate for Safety (7.4%) is about double the impact for the General members (3.6%), consistent with the fact that the Safety liability to payroll ratio is about twice that of General.

Contribution Rate Change by Source



This would result in a net *reduction* in the total contribution rate (employer plus employee) of about 1.0% of pay in aggregate, and 1.6% for the General population, but an *increase* of 2.6% of pay for Safety. It would also result in a slight increase in the funded ratio: from 71.6% to 72.4%.

Contribution Rate Change by Source



This concludes the summary presentation. Additional information will be included in the full Actuarial Experience Study report.

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Certification

The purpose of this report is to present the preliminary results of the SJCERA Actuarial Experience Study covering the period from January 1, 2019 through December 31, 2021. This report is for the use of SJCERA in selecting assumptions to be used in actuarial valuations beginning January 1, 2022.

In preparing our presentation, we relied on information (some oral and some written) supplied by SJCERA. This information includes, but is not limited to, the Plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this valuation.

To the best of our knowledge, this presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This presentation was prepared for the SJCERA Retirement Board for the purposes described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

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San Joaquin County Employees' Retirement Association (SJCERA)

Summary of the Preliminary Actuarial Valuation as of January 1, 2022

We start by reviewing the current condition of the Plan, before any changes to the assumptions being considered as part of the Experience Study.

What are the Plan's **Liabilities, Assets and Funded Status?**

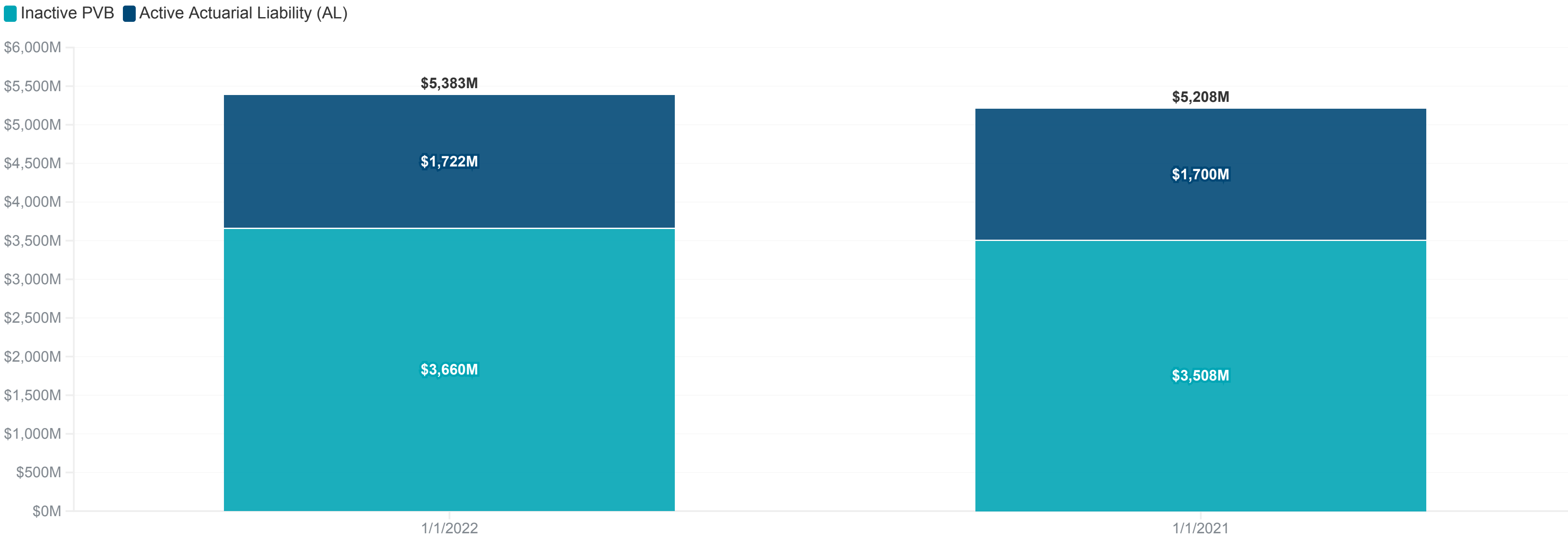
What are the **contributions** required to properly fund the System?

We first review the value of the benefits already earned, known as the **Actuarial Liability**, or the current funding target for the assets. The Actuarial Liability is shown divided between the Active Liability (for members still working) and the Inactive Liability (for members in pay status or eligible for a deferred benefit).

All | 1/1/2022 | 1/1/2021

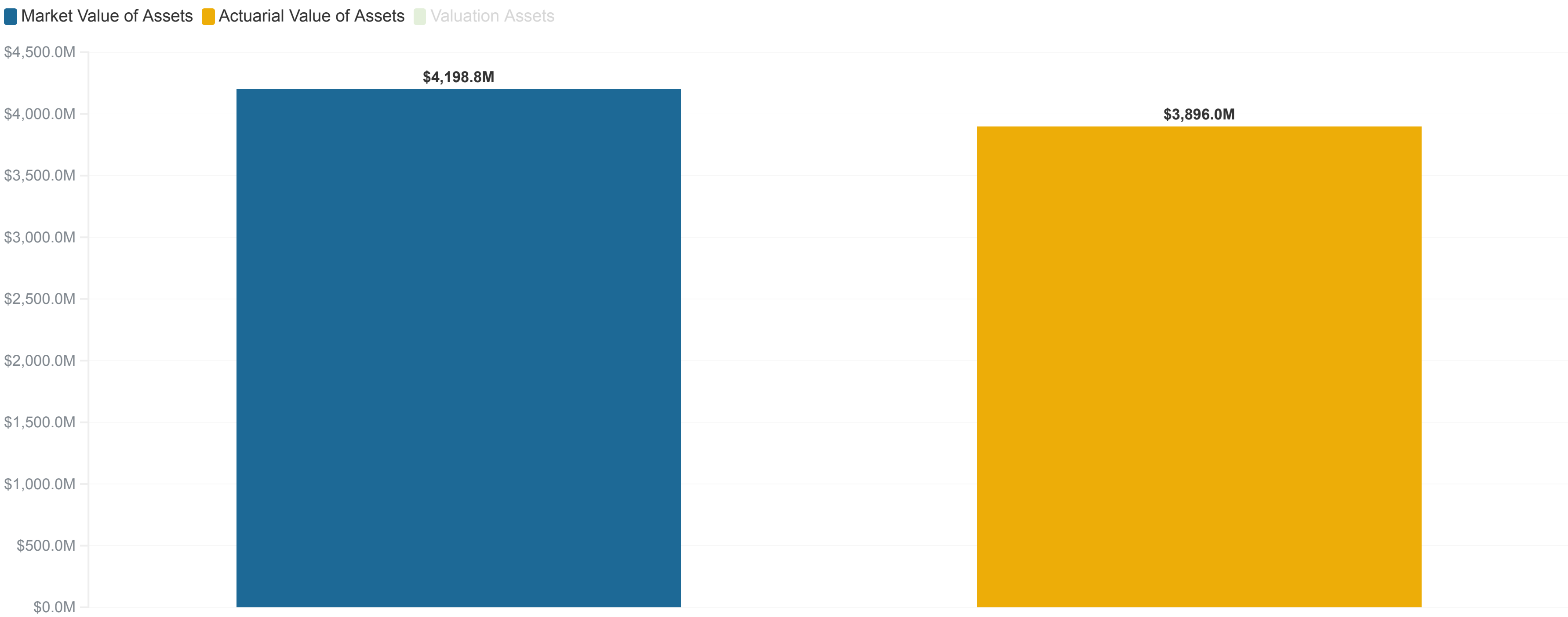
The Actuarial Liability has increased by about $175M since the prior year.

All | 1/1/2022 | 1/1/2021

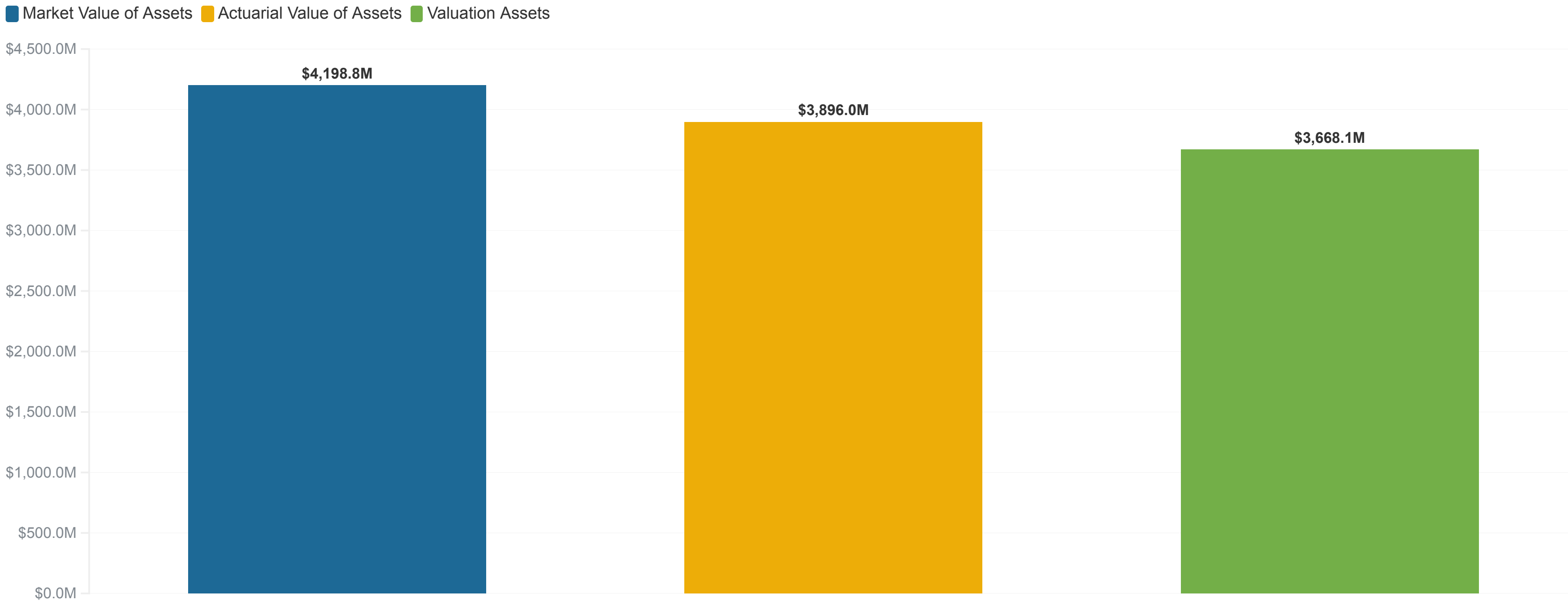


Next, we turn to the Plan's assets. The **Market Value of Assets** is the **Fair Value** as of the **Measurement Date,** January 1, 2022.

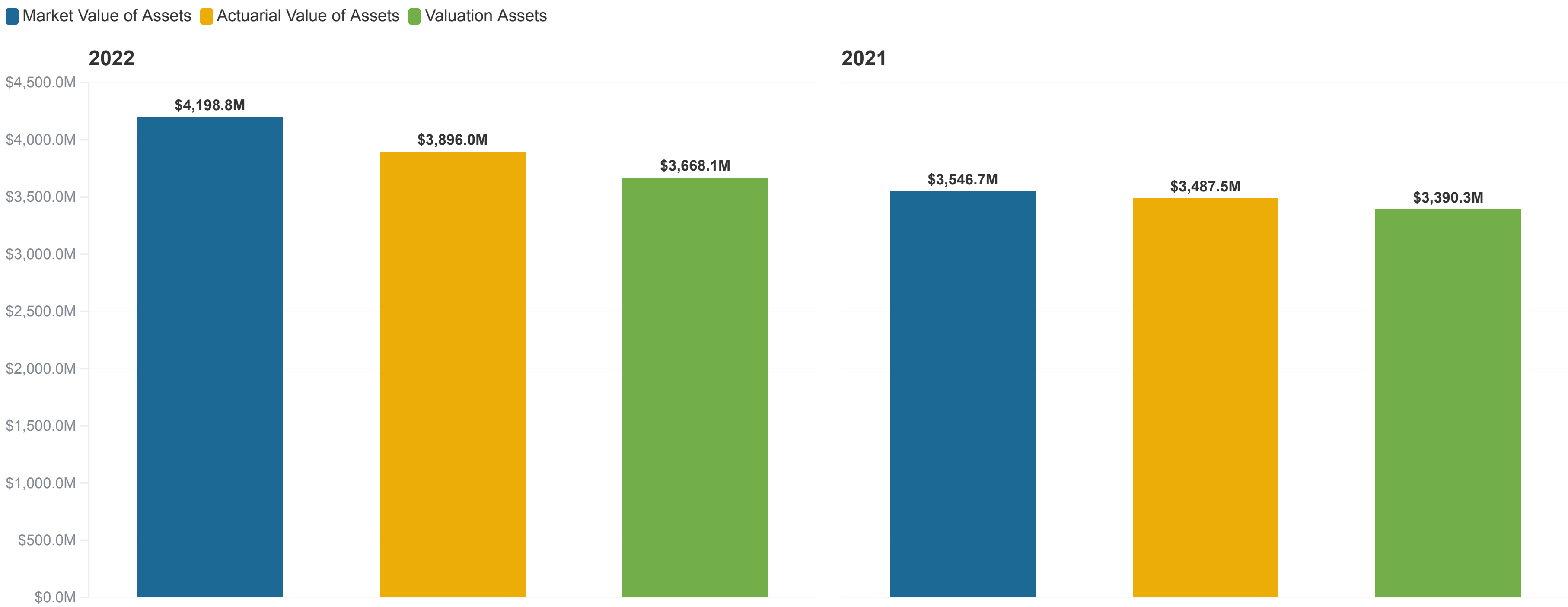
The Market Value can fluctuate significantly from year to year because of rapid changes in the investment markets. We also calculate a smoothed value, the **Actuarial Value of Assets**, to reduce volatility in the contributions and better understand trends in funded status.



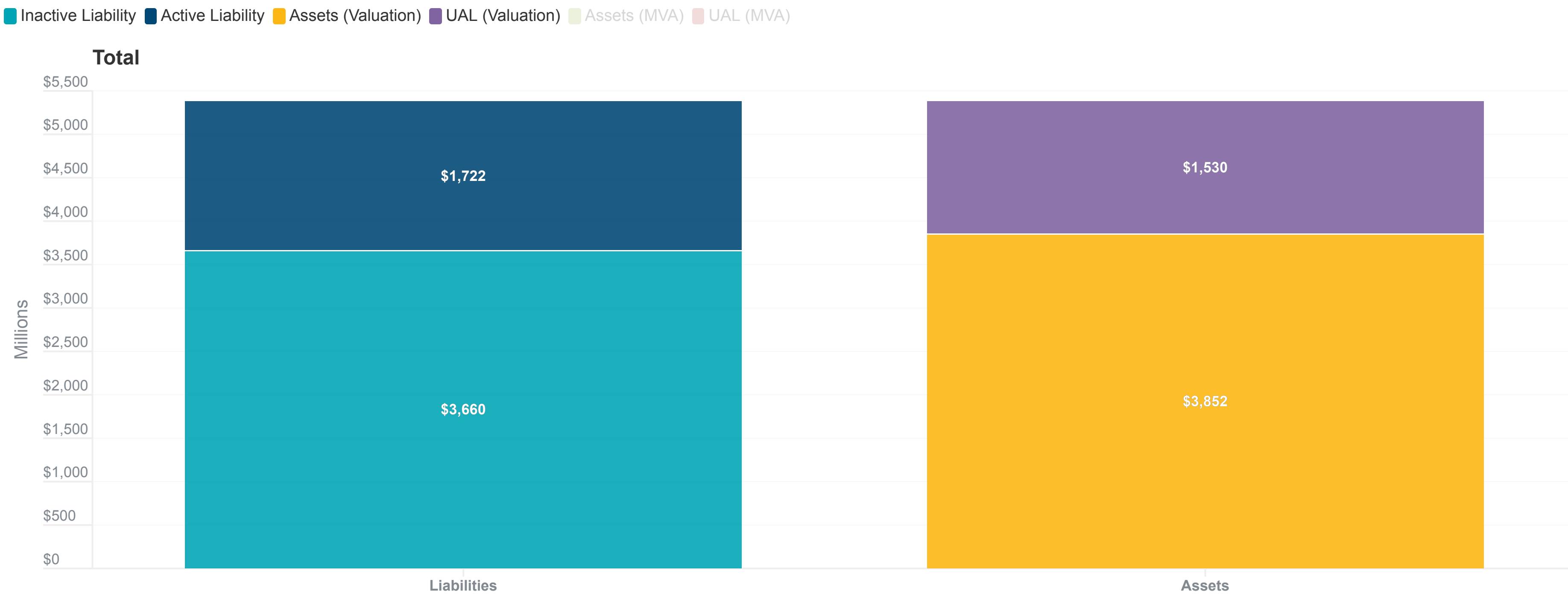
Finally we calculate the **Valuation Assets**, based on the Actuarial Value, but **excluding the amount in the Special or Non-Valuation Reserves**. For SJCERA, the main non-valuation reserves are the **Contingency Reserve** (which was reestablished this year at approximately 1% of Plan assets, or $44M) and the **Additional Employer Contribution Reserves** ($184M, on behalf of the County, Courts and Mosquito District). The Valuation Assets are used to calculate the employer contribution.



The asset values have all increased significantly since the prior year.



Next, we review the **Funded Status** of the Plan. The **Unfunded Actuarial Liability (UAL)** is calculated by subtracting the **Valuation Assets** (plus the supplemental employer reserves) from the **Actuarial Liability**. The **Funded Ratio** is calculated by dividing the assets by the liabilities: **71.6% as of January 1, 2022**, up from 67.0% the prior year.



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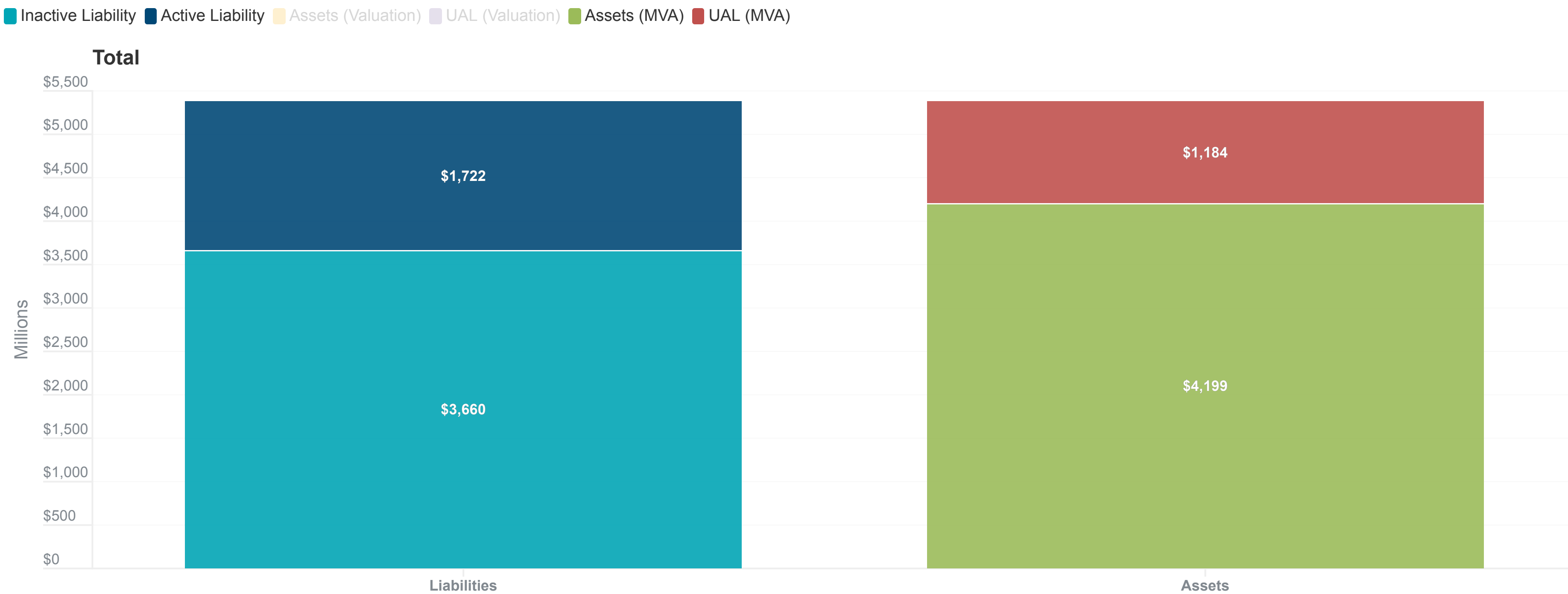
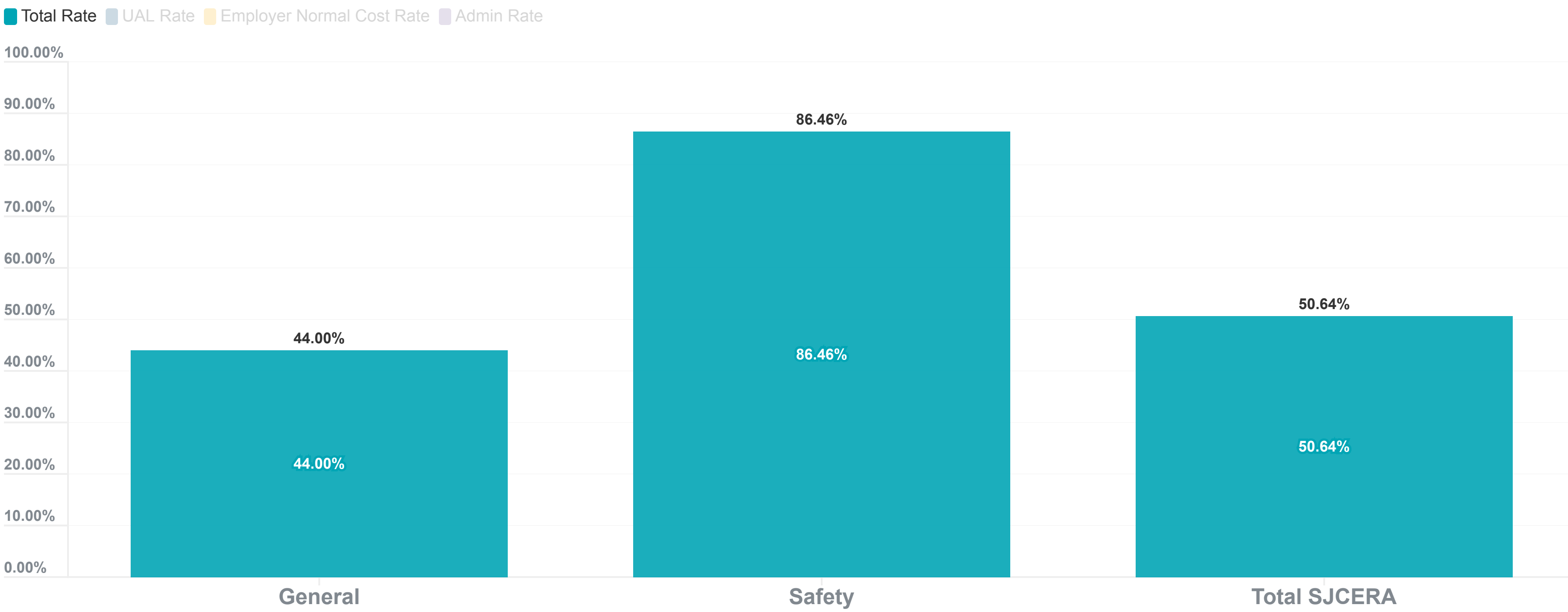
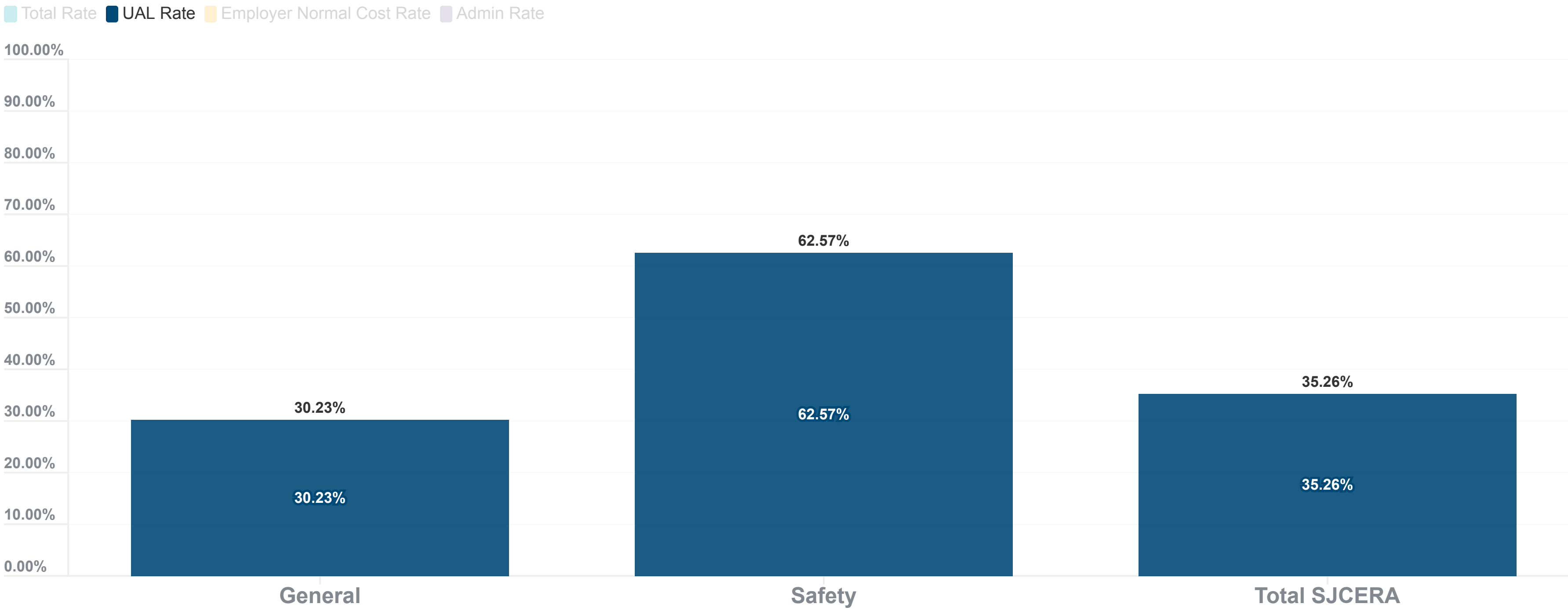
We also show these results on a **Market Value** basis, which is used in the Plan's financial reporting (GASB). The funded ratio was **78.0%** as of January 1, 2022 on this basis (up from 68.1% the prior year).



Next, we review the **Actuarially Determined Contributions (ADC)** for the Plan, shown as a *percentage of projected pay,* for each Tier and for the Plan as a whole.



The contributions are made up of the **Unfunded Actuarial Liability Amortization** payment, or the amount needed to pay off the unfunded liability over the period of time designated in the Plan's funding policy, plus...



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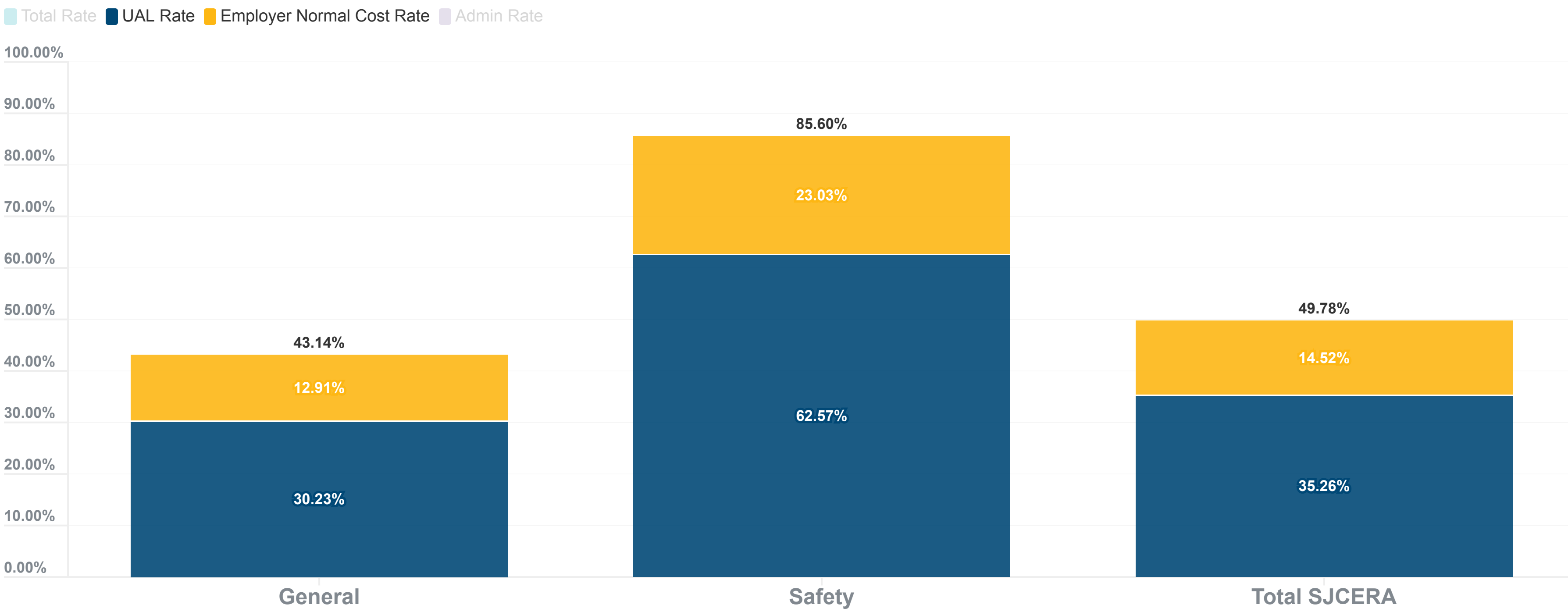
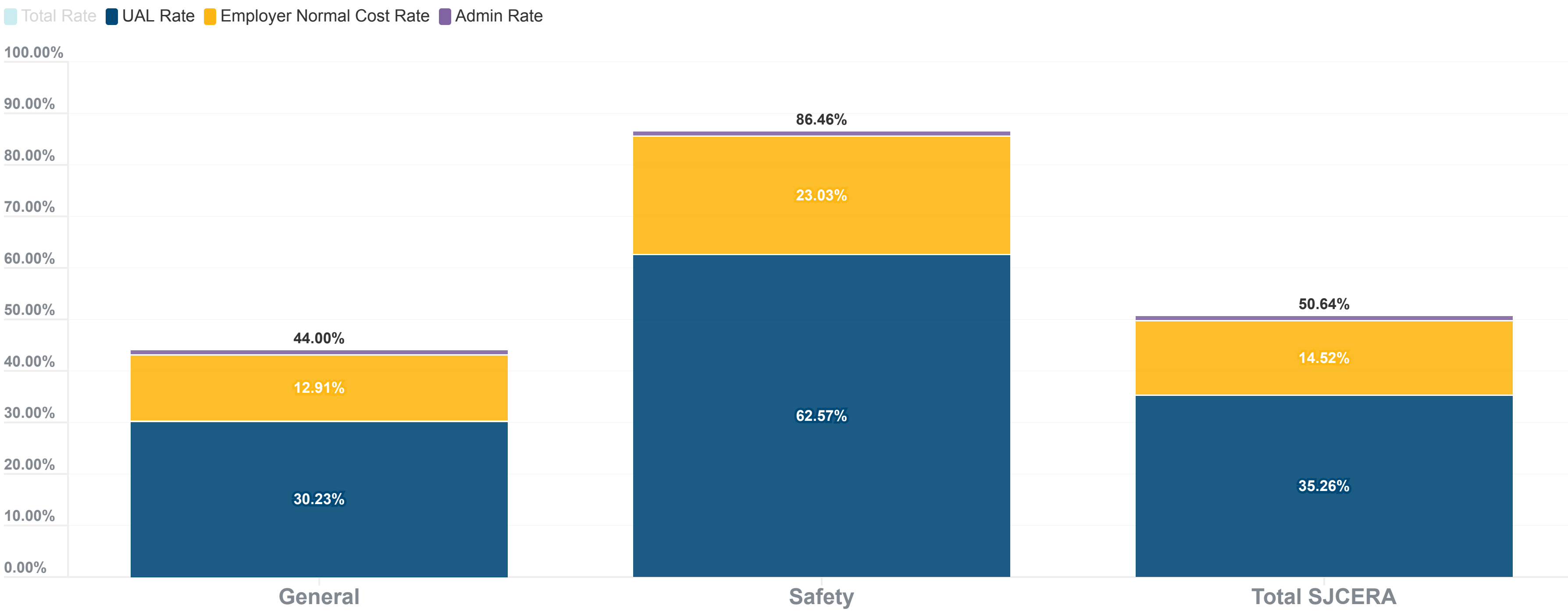
...the **Normal Cost**, or the cost assigned to this year's benefits net of member contributions, plus...



...a small payment to cover the employers' share of the **Administrative Expenses.**



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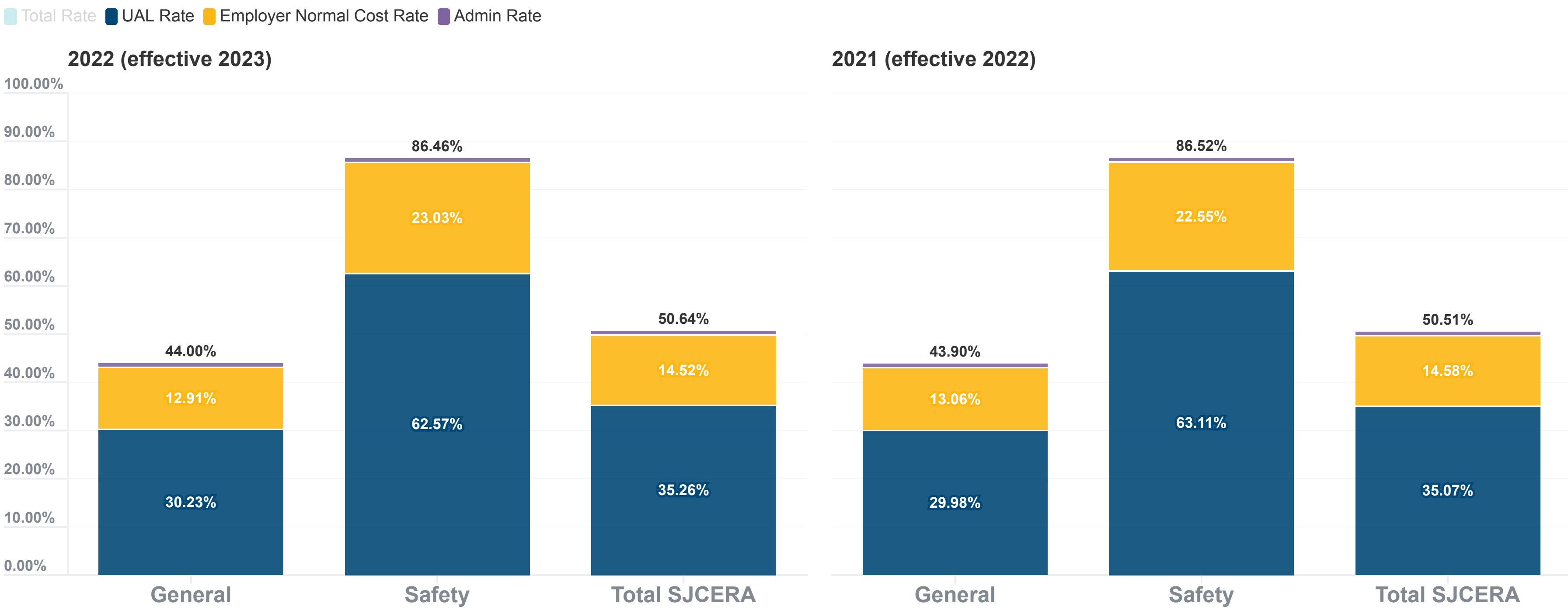
The contribution rates (before assumption changes) are almost unchanged from last year.



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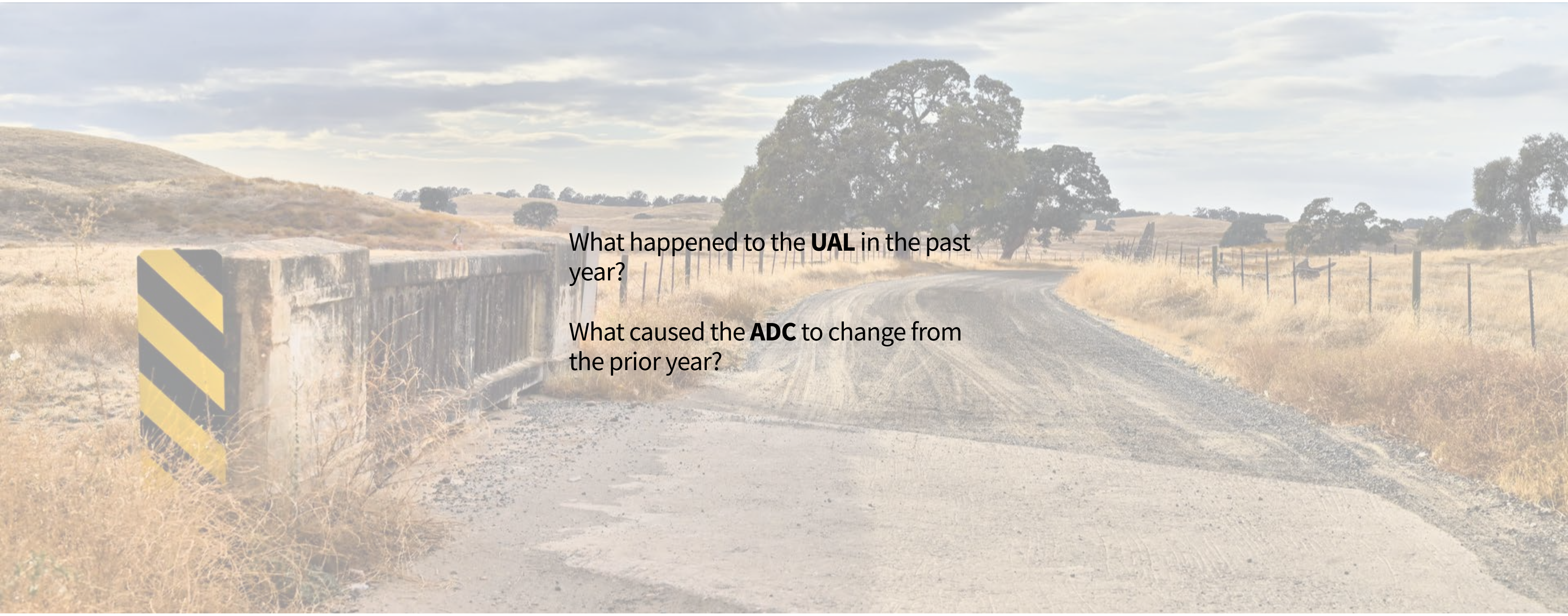
Next we review how the Plan got to where it is today.

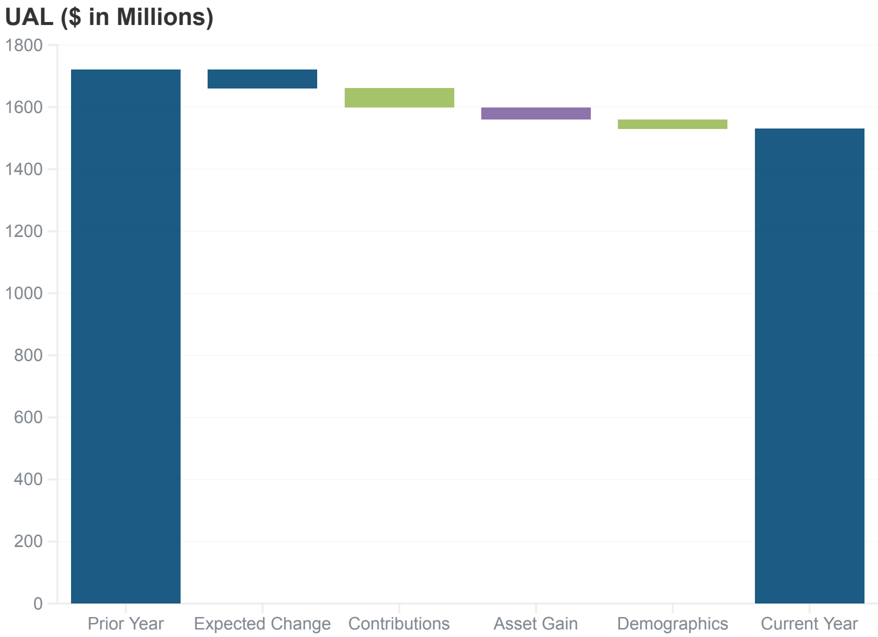


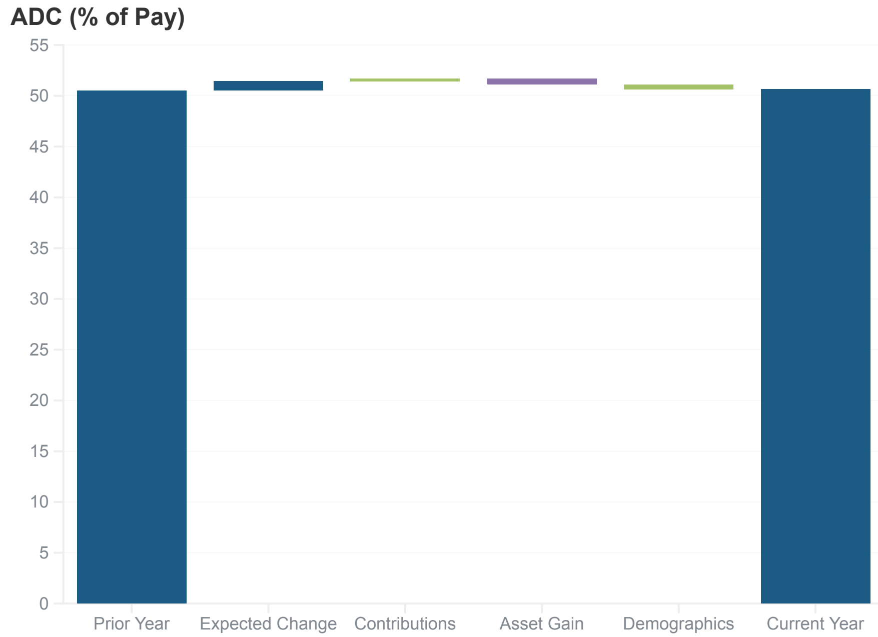
What happened to the **UAL** in the past year?

What caused the **ADC** to change from the prior year?

We review the change in UAL and ADC over the past year. As of the prior valuation, the UAL was $1.72 and the ADC was 50.5% of pay.

UAL and ADC Change by Source

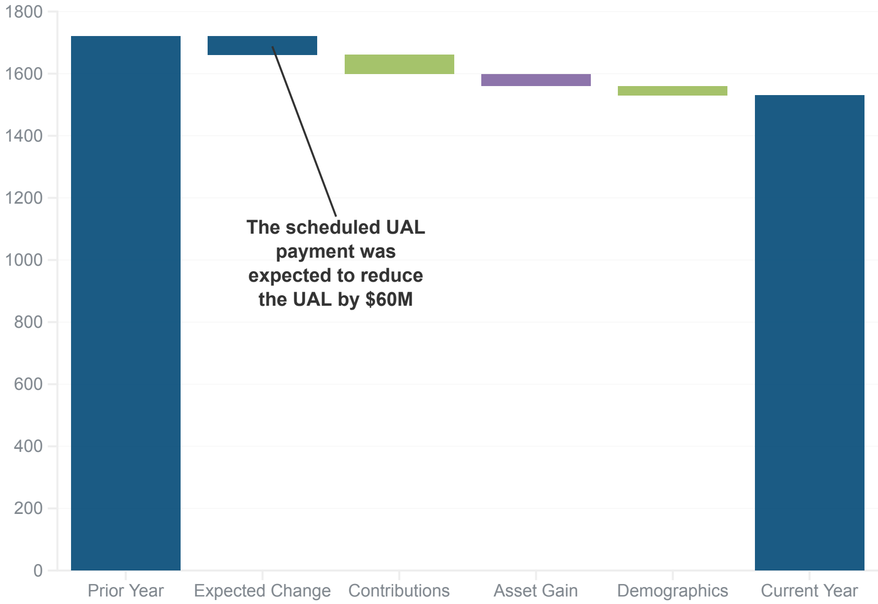




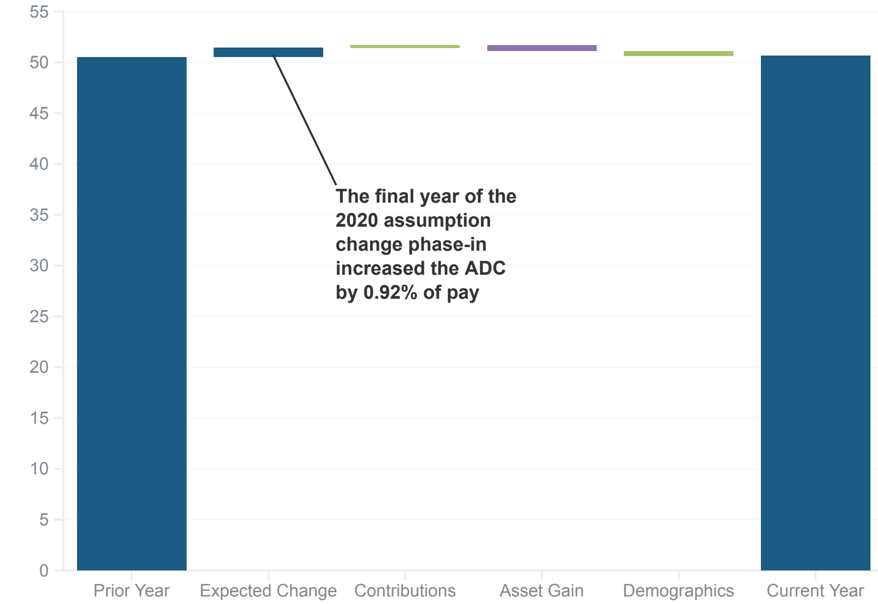
Regular contributions were expected to reduce the UAL. But the impact of the 2020 assumption changes was still being phased into the cost calculation, so the ADC was expected to increase.

UAL and ADC Change by Source

UAL ($ in Millions)



ADC (% of Pay)



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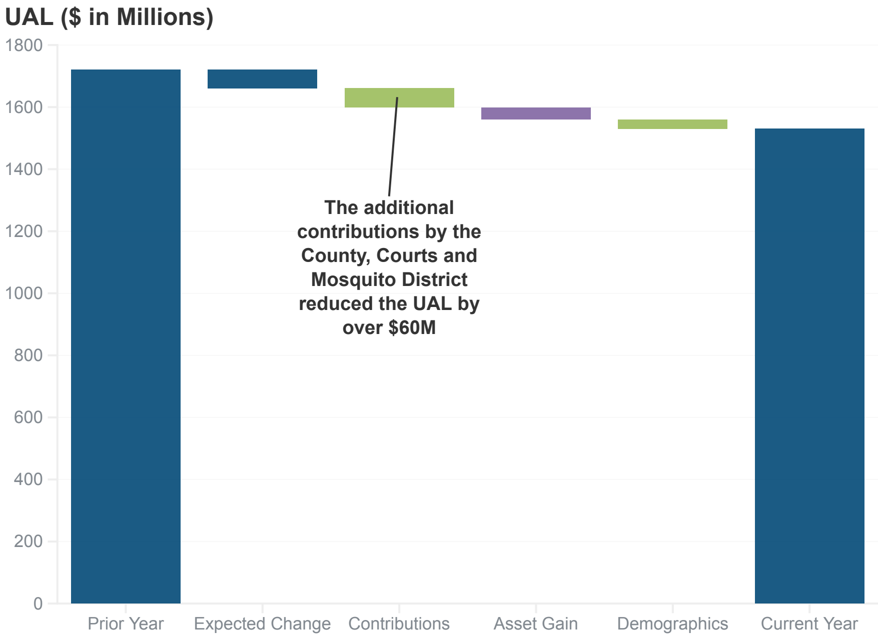
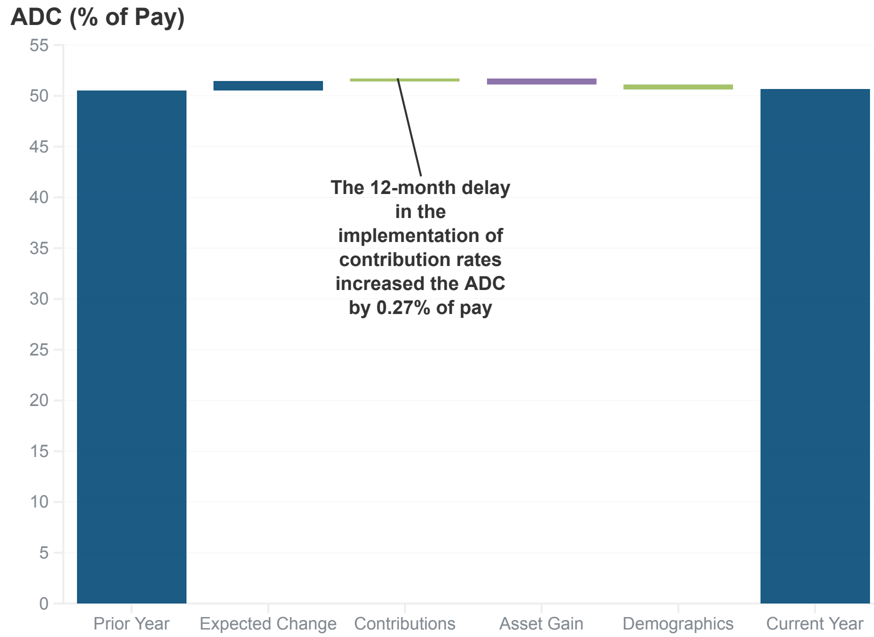
Contributions were higher than expected, due to the supplemental contributions made by some employers. However, these additional contributions don't affect the contribution rates, and the delay in implementation of the contribution rate increased the ADC.

UAL and ADC Change by Source

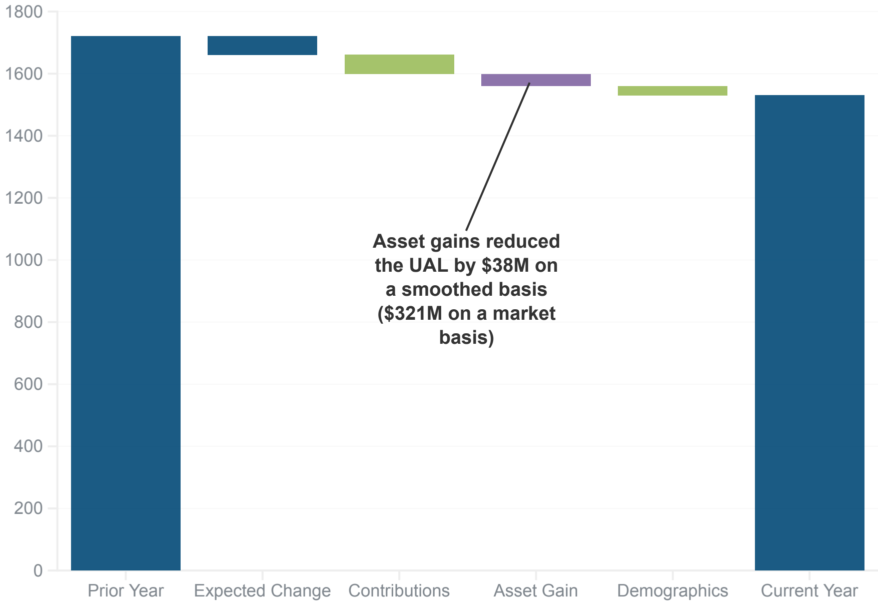




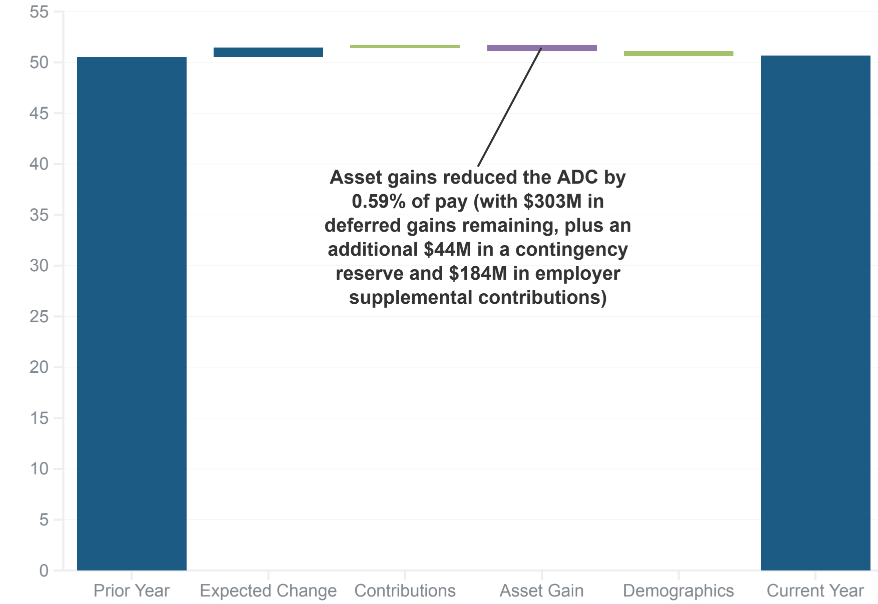
Assets returned more than expected - almost 16% on a market basis and 8% on a smoothed valuation basis - decreasing the UAL and the ADC.

UAL and ADC Change by Source

UAL ($ in Millions)



ADC (% of Pay)



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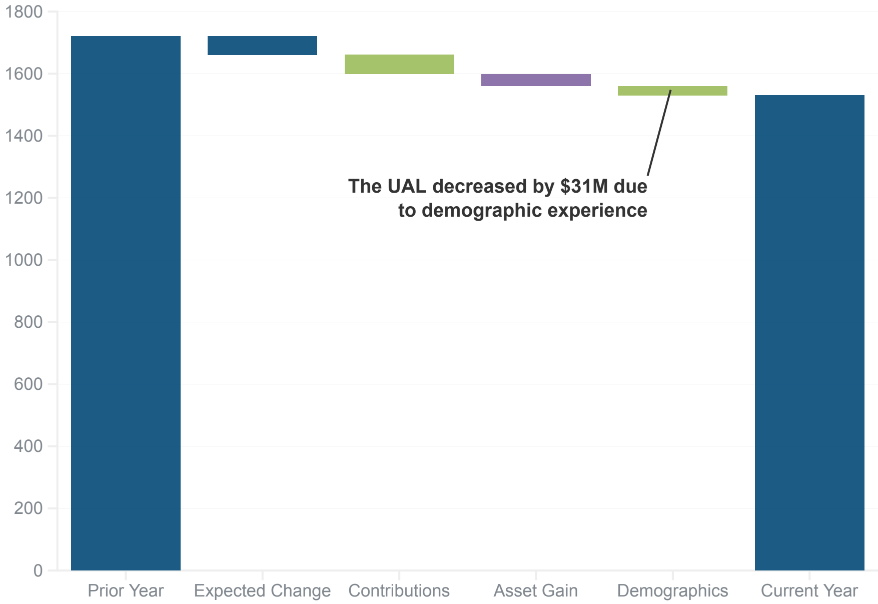
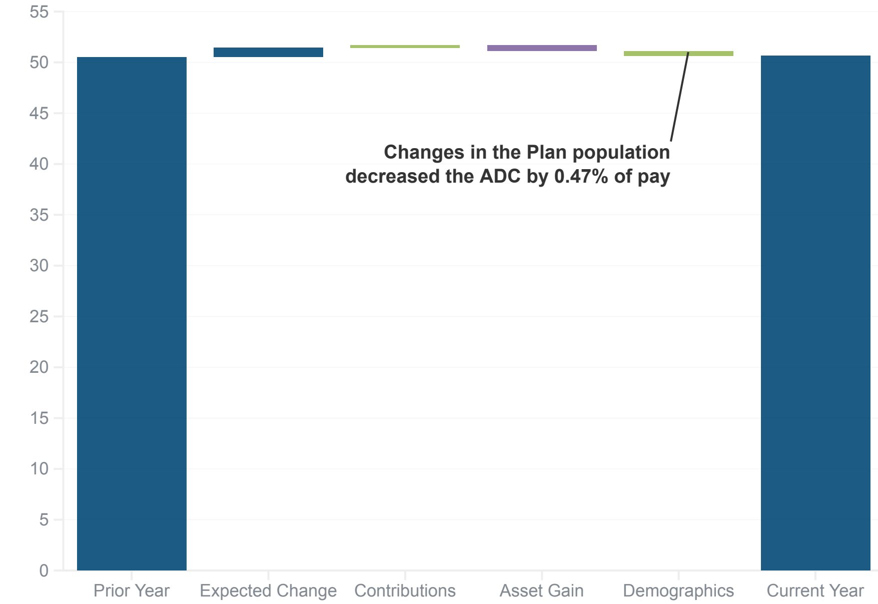
The net impact of all other changes - including demographic experience, payroll changes, and the continuing PEPRA transition - reduced the UAL and ADC modestly.

UAL and ADC Change by Source

UAL ($ in Millions)



ADC (% of Pay)



This concludes the summary presentation. The results presented herein are preliminary, and are subject to peer review. The full valuation report will include additional information, including additional historical information, projections of funded status and cost, and a detailed discussion of the risks facing the Plan.

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Certification

The purpose of this report is to present the preliminary results of the SJCERA actuarial valuation as of January 1, 2022, based on the assumptions used in the 2021 valuation. This report is for the use of SJCERA and its auditors in preparing financial reports in accordance with applicable law and accounting requirements. Any other user of this report is not an intended user and is considered a third party.

In preparing our presentation, we relied on information (some oral and some written) supplied by StanCERA. This information includes, but is not limited to, the Plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future projections may differ significantly from the projections presented in this presentation due to such factors as the following: plan experience different from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this valuation.

Projections in this presentation were developed using R-scan, a proprietary tool used to illustrate the impact of changes in assumptions, methods, plan provisions, or actual experience (particularly investment experience) on the future financial status of the Plan. We relied on Cheiron colleagues for the development of the model. R-scan uses standard roll-forward techniques that implicitly assume a stable active population. Because R-scan does not automatically capture how changes in one variable affect all other variables, some scenarios may not be consistent.

To the best of our knowledge, this presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This presentation was prepared for the SJCERA Retirement Board for the purposes described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

San Joaquin County Employees' Retirement Association (SJCERA)

May Flash Report

MEKETA

SJCERA Total Plan

As of May 31, 2022

San Joaquin County Employees' Retirement Association (SJCERA)

Preliminary Monthly Flash Report (Net)[1] May 2022

	Commitment ($000)	Sub-Segment	Market Value	Physical % of Total	Policy Target %	1-Mo	3-Mos	YTD	1-Yr	3-Yrs	5-Yrs	SI Return	SI Date
TOTAL PLAN[1]			$ 3,881,231,555	100.0%	100.0%	0.0	-1.3	-4.8	1.5	7.9	6.8	7.7	Apr-90
Policy Benchmark [4]						*-0.4*	*-2.9*	*-5.6*	*-0.6*	*7.7*	*6.9*	*7.5*	
Difference:						0.4	1.6	0.8	2.1	0.2	-0.1	0.2	
75/25 Portfolio [5]						*0.2*	*-6.3*	*-12.2*	*-8.0*	*9.6*	*7.5*	*7.3*	
Difference:						-0.2	5.0	7.4	9.5	-1.7	-0.7	0.4	
Broad Growth			$ 2,923,369,235	75.3%	75.0%	-0.2	-2.1	-6.6	1.4	9.3	8.0	8.4	Jan-95
Aggressive Growth Lag[2]			$ 322,693,467	8.3%	10.0%	10.0	10.0	10.0	37.7	18.3	16.5	-2.6	Feb-05
MSCI ACWI +2%Lag						*6.0*	*7.7*	*7.7*	*22.1*	*21.0*	*12.6*	*0.0*	
Difference:						4.0	2.3	2.3	15.6	-2.7	3.9	-2.6	
BlackRock Global Energy&Power Lag[3]	*$50,000*	*Global Infrastructure*	$ 24,335,589	0.6%		2.9	2.9	2.9	9.8	--	--	10.1	Jul-19
MSCI ACWI +2% Lag						*4.2*	*7.3*	*7.3*	*21.4*	--	--	*20.3*	
Difference:						-1.3	-4.4	-4.4	-11.6	--	--	-10.2	
Ocean Avenue II Lag[3]	*$40,000*	*PE Buyout FOF*	$ 40,884,792	1.1%		17.0	17.0	17.0	72.7	35.9	32.6	19.0	May-13
MSCI ACWI +2% Lag						*4.2*	*7.3*	*7.3*	*21.4*	*23.4*	*13.9*	*11.8*	
Difference:						12.8	9.7	9.7	51.3	12.5	18.7	7.2	
Ocean Avenue III Lag[3]	*$50,000*	*PE Buyout FOF*	$ 49,737,032	1.3%		13.3	13.3	13.3	58.2	25.4	32.9	26.8	Apr-16
MSCI ACWI +2% Lag						*4.2*	*7.3*	*7.3*	*21.4*	*23.4*	*13.9*	*13.2*	
Difference:						9.1	6.0	6.0	36.8	2.0	19.0	13.6	
Ocean Avenue IV Lag[3]	*$50,000*	*PE Buyout*	$ 44,642,679	1.2%		17.5	17.5	17.5	38.1	--	--	38.2	Dec-19
MSCI ACWI +2% Lag						*4.2*	*7.3*	*7.3*	*21.4*	--	--	*23.0*	
Difference:						13.3	10.2	10.2	16.7	--	--	15.2	
Morgan Creek III Lag[6]	*$10,000*	*Multi-Strat FOF*	$ 6,071,365	0.2%		0.0	0.0	0.0	-11.3	-10.8	-2.1	-3.1	Feb-15
MSCI ACWI +2% Lag						*4.2*	*7.3*	*7.3*	*21.4*	*23.4*	*13.9*	*12.5*	
Difference:						-4.2	-7.3	-7.3	-32.7	-34.2	-16.0	-15.6	
Morgan Creek V Lag[6]	*$12,000*	*Multi-Strat FOF*	$ 8,273,506	0.2%		0.0	0.0	0.0	12.2	11.9	12.3	13.7	Jun-13
MSCI ACWI +2% Lag						*4.2*	*7.3*	*7.3*	*21.4*	*23.4*	*13.9*	*11.8*	
Difference:						-4.2	-7.3	-7.3	-9.2	-11.5	-1.6	1.9	
Morgan Creek VI Lag[6]	*$20,000*	*Multi-Strat FOF*	$ 25,628,214	0.7%		0.0	0.0	0.0	23.2	18.6	18.3	10.8	Feb-15
MSCI ACWI +2% Lag						*4.2*	*7.3*	*7.3*	*21.4*	*23.4*	*13.9*	*12.5*	
Difference:						-4.2	-7.3	-7.3	1.8	-4.8	4.4	-1.7	
Stellex Capital Partners II Lag[3]	*$50,000*	*Special Situations PE*	$ 13,580,179	0.3%		-2.4	-2.4	-2.4	--	--	--	-17.3	Jul-21
MSCI ACWI +2% Lag						*4.2*	*7.3*	*7.3*	--	--	--	*10.3*	
Difference:						-6.6	-9.7	-9.7	--	--	--	-27.6	
Non-Core Private Real Assets Lag[6]	*$341,100*	*Private Real Estate*	$ 109,540,111	2.8%		4.2	4.2	8.1	12.2	4.7	4.9	-3.8	Nov-04
MSCI ACWI +2% Lag						*2.0*	*2.1*	*3.5*	*2.5*	*5.0*	*6.3*	*8.0*	
Difference:						2.2	2.1	4.6	9.7	-0.3	-1.4	-11.8	
Opportunistic Private Real Estate													
Greenfield V[3]	*$30,000*	*Opportunistic Pvt. RE*	$ 222,885	0.0%		-1.4	-1.4	-2.0	-2.0	-9.0	-5.3	-3.1	Jul-08
NCREIF ODCE + 1% Lag Blend						*6.5*	*6.7*	*14.8*	*14.8*	*7.2*	*7.6*	*14.1*	
Difference:						-7.9	-8.1	-16.8	-16.8	-16.2	-12.9	-17.2	
Greenfield VI[3]	*$20,000*	*Opportunistic Pvt. RE*	$ 35,318	0.0%		-7.3	-7.3	-37.5	-37.5	-40.2	-31.3	-13.2	Apr-12
NCREIF ODCE + 1% Lag Blend						*6.5*	*6.7*	*14.8*	*14.8*	*7.2*	*7.6*	*9.4*	
Difference:						-13.8	-14.0	-52.3	-52.3	-47.4	-38.9	-22.6	
Greenfield VII[3]	*$19,100*	*Opportunistic Pvt. RE*	$ 9,317,604	0.2%		10.7	10.7	25.9	25.9	16.9	15.3	14.3	Oct-14
NCREIF ODCE + 1% Lag Blend						*6.5*	*6.7*	*14.8*	*14.8*	*7.2*	*7.6*	*13.2*	
Difference:						4.2	4.0	11.1	11.1	9.7	7.7	1.1	
Grandview[3]	*$30,000*	*Opportunistic Pvt. RE*	$ 19,658,666	0.5%		26.0	26.0	50.4	50.4	31.0	--	16.2	Apr-18
NCREIF ODCE + 1% Lag Blend						*6.5*	*6.7*	*14.8*	*14.8*	*7.2*	--	*12.3*	
Difference:						19.5	19.3	35.6	35.6	23.8	--	3.9	
Miller Global Fund VI[3]	*$30,000*	*Opportunistic Pvt. RE*	$ 943,634	0.0%		9.0	9.0	164.1	164.1	-4.6	1.7	0.7	May-08
NCREIF ODCE + 1% Lag Blend						*6.5*	*6.7*	*14.8*	*14.8*	*7.2*	*7.6*	*9.4*	
Difference:						2.5	2.3	149.3	149.3	-11.8	-5.9	-8.7	

[1] Returns are preliminary and are finalized during each quarterly reporting cycle. Monthly returns since previous quarter are provided by the managers. Market values are provided by Northern Trust.

[2] Total class returns are as of 3/31/22, and lagged 1 quarter.

[3] Manager returns are as of 3/31/22, and lagged 1 quarter. Since Inception date reflects one quarter lag.

[4] 4/1/20 to present benchmark is **32%** MSCI ACWI IMI, **10%** BB Aggregate Bond Index, **17%** 50% BB High Yield/50% S&P Leveraged Loans, 6% NCREIF ODCE +1% lag; **10%** T-Bill +4%, **10%** MSCI ACWI +2%, **15%** CRO Custom Benchmark. Prior to 4/1/20 benchmark is legacy policy benchmark.

[5] 4/1/20 to present **75%** MSCI ACWI, **25%** BB Global Aggregate. Prior to 4/1/20 60% MSCI ACWI, 40% BB Global Aggregate.

[6] Manager returns are as of 12/31/21, and lagged 1 quarter. Since Inception date reflects one quarter lag.

San Joaquin County Employees' Retirement Association (SJCERA)

Preliminary Monthly Flash Report (Net)[1] — May 2022

	Commitment ($000)	Sub-Segment	Market Value	Physical % of Total	Policy Target %	1-Mo	3-Mos	YTD	1-Yr	3-Yrs	5-Yrs	SI Return	SI Date
Opportunistic Private Real Estate (continued)													
Miller Global Fund VII[3]	*$15,000*	*Opportunistic Pvt. RE*	$ 45,087	0.0%		-3.1	-3.1	-88.3	-88.3	-52.5	-35.7	-6.3	Dec-12
NCREIF ODCE + 1% Lag Blend						*6.5*	*6.7*	*14.8*	*14.8*	*7.2*	*7.6*	*13.4*	
Difference:						-9.6	-9.8	-103.1	-103.1	-59.7	-43.3	-19.7	
Walton Street V[3]	*$30,000*	*Opportunistic Pvt. RE*	$ 1,662,030	0.0%		-11.6	-11.6	-10.7	-10.7	-12.9	-10.7	-4.7	Nov-06
NCREIF ODCE + 1% Lag Blend						*6.5*	*6.7*	*14.8*	*14.8*	*7.2*	*7.6*	*10.3*	
Difference:						-18.1	-18.3	-25.5	-25.5	-20.1	-18.3	-15.0	
Walton Street VI[3]	*$15,000*	*Opportunistic Pvt. RE*	$ 5,597,145	0.1%		8.4	8.4	19.2	19.2	2.3	3.6	7.7	Jul-09
NCREIF ODCE + 1% Lag Blend						*6.5*	*6.7*	*14.8*	*14.8*	*7.2*	*7.6*	*12.2*	
Difference:						1.9	1.7	4.4	4.4	-4.9	-4.0	-4.5	
Value-Added Private Real Estate													
AG Core Plus IV[3]	*$20,000*	*Value-Added Pvt. RE*	$ 14,323,468	0.4%		3.3	3.3	14.7	14.7	9.7	10.3	6.1	Sep-15
NCREIF ODCE + 1% Lag Blend						*6.5*	*6.7*	*14.8*	*14.8*	*7.2*	*7.6*	*12.8*	
Difference:						-3.2	-3.4	-0.1	-0.1	2.5	2.7	-6.7	
Almanac Realty VI[3]	*$30,000*	*Value-Added Pvt. RE*	$ 4,141,803	0.1%		3.2	3.2	15.9	15.9	-9.0	-5.3	21.8	Feb-13
NCREIF ODCE + 1% Lag Blend						*6.5*	*6.7*	*14.8*	*14.8*	*7.2*	*7.6*	*13.8*	
Difference:						-3.3	-3.5	1.1	1.1	-16.2	-12.9	8.0	
Berkeley Partners Fund V, LP	*$40,000*	*Value-Added Pvt. RE*	$ 23,993,057	0.6%		4.1	4.1	38.5	38.5	--	--	36.7	Aug-20
NCREIF ODCE + 1% Lag Blend						*6.5*	*6.7*	*14.8*	*14.8*	*--*	*--*	*22.1*	
Difference:						-2.4	-2.6	23.7	23.7	--	--	14.6	
Stockbridge RE III[3]	*$45,000*	*Value-Added Pvt. RE*	$ 35,554,041	0.9%		8.7	8.7	52.9	52.9	20.4	--	14.3	Jul-18
NCREIF ODCE + 1% Lag Blend						*6.5*	*6.7*	*14.8*	*14.8*	*7.2*	*--*	*12.3*	
Difference:						2.2	2.0	38.1	38.1	13.2	--	2.0	
Traditional Growth[2]			$ 1,401,217,019	36.1%	32.0%	0.5	-5.2	-12.4	-6.0	9.6	7.9	9.0	Jan-95
MSCI ACWI IMI Net						*0.1*	*-6.0*	*-12.9*	*-7.5*	*12.2*	*9.5*	*7.8*	
Difference:						0.4	0.8	0.5	1.5	-2.6	-1.6	1.2	
Global Equity			$ 1,352,801,639	34.9%									
Northern Trust MSCI World IMI		*All Cap Global*	$ 1,210,650,943	31.2%		0.5	-5.7	-12.9	-5.6	--	--	9.9	Sep-20
MSCI World IMI Net						*0.0*	*-5.9*	*-13.1*	*-5.9*	*--*	*--*	*9.4*	
Difference:						0.5	0.2	0.2	0.3	--	--	0.5	
SJCERA Transition		*All Cap Global*	$ 3,073	0.0%		NM	NM	NM	NM	--	--	NM	Jul-20
Emerging Markets			$ 142,147,623										
GQG Active Emerging Markets		*Emerging Markets*	$ 63,187,888	1.6%		3.1	-2.2	-10.7	-16.1	--	--	2.3	Aug-20
MSCI Emerging Markets Index Net						*0.4*	*-7.3*	*-11.8*	*-19.8*	*--*	*--*	*1.9*	
Difference:						2.7	5.1	1.1	3.7	--	--	0.4	
PIMCO RAE Fundamental Emerging Markets		*Emerging Markets*	$ 78,959,735	2.0%		2.6	-2.9	-6.6	-9.8	6.9	5.0	4.8	Apr-07
MSCI Emerging Markets Index						*0.5*	*-7.2*	*-11.7*	*-19.6*	*5.4*	*4.2*	*3.7*	
Difference:						2.1	4.3	5.1	9.8	1.5	0.8	1.1	
REITS			$ 48,415,380	1.2%									
Invesco All Equity REIT		*Core US REIT*	$ 48,415,380	1.2%		-5.0	-0.7	-12.6	4.7	6.6	7.6	9.0	Aug-04
FTSE NAREIT Equity Index						*-6.2*	*-4.5*	*-13.8*	*3.9*	*7.2*	*7.4*	*8.7*	
Difference:						1.2	3.8	1.2	0.8	-0.6	0.2	0.3	

[1] Returns are preliminary and are finalized during each quarterly reporting cycle. Monthly returns since previous quarter are provided by the managers. Market values are provided by Northern Trust.

[2] MSCI ACWI IMI Net as of 4/1/2020, MSCI ACWI Gross prior.

[3] Manager returns are as of 3/31/22, and lagged 1 quarter. Since Inception date reflects one quarter lag.

NM = Returns not meaningful

MEKETA

SJCERA Total Plan

As of May 31, 2022

San Joaquin County Employees' Retirement Association (SJCERA)

Preliminary Monthly Flash Report (Net)[1] — May 2022

	Commitment ($000)	Sub-Segment	Market Value	Physical % of Total	Policy Target %	1-Mo	3-Mos	YTD	1-Yr	3-Yrs	5-Yrs	SI Return	SI Date
Stabilized Growth			$ 1,199,458,749	30.9%	33.0%	-0.9	-1.4	-3.4	2.7	6.7	6.0	3.9	Jan-05
Risk Parity			$ 413,213,942	10.6%		-2.4	-9.2	-12.5	-7.8	5.3	4.9	4.2	
T-Bill +4%						*0.4*	*1.1*	*1.8*	*4.1*	*4.7*	*5.2*	*4.5*	
Difference:						-2.8	-10.3	-14.3	-11.9	0.6	-0.3	-0.3	
Bridgewater All Weather		*Risk Parity*	$ 205,351,985	5.3%		-2.6	-9.7	-12.1	-6.5	5.3	4.9	4.5	Mar-12
T-Bill +4%						*0.4*	*1.1*	*1.8*	*4.1*	*4.7*	*5.2*	*5.4*	
Difference:						-3.0	-10.8	-13.9	-10.6	0.6	-0.3	-0.9	
PanAgora Diversified Risk Multi-Asset		*Risk Parity*	$ 207,861,957	5.4%		-2.2	-8.7	-12.9	-9.2	5.4	4.9	6.0	Apr-16
T-Bill +4%						*0.4*	*1.1*	*1.8*	*4.1*	*4.7*	*5.2*	*5.0*	
Difference:						-2.6	-9.8	-14.7	-13.3	0.7	-0.3	1.0	
Liquid Credit			$ 223,753,539	5.8%		-0.5	-2.5	-5.8	-5.0	1.6	2.2	1.8	Oct-06
50% BB High Yield, 50% S&P/LSTA Leveraged Loans						*-1.2*	*-3.3*	*-5.2*	*-2.8*	*3.2*	*3.5*	*5.4*	
Difference:						0.7	0.8	-0.6	-2.2	-1.6	-1.3	-3.6	
Neuberger Berman		*Global Credit*	$ 97,447,933	2.5%		-0.7	-4.5	-8.7	-7.8	1.4	--	1.8	Feb-19
33% ICE BofA HY Constrained, 33% S&P/LSTA LL, 33% JPM EMBI Glbl Div.						*-0.7*	*-4.3*	*-8.4*	*-6.9*	*1.4*	*--*	*2.1*	
Difference:						0.0	-0.2	-0.3	-0.9	0.0	--	-0.3	
Stone Harbor Absolute Return		*Absolute Return*	$ 126,305,606	3.3%		-0.4	-1.0	-3.4	-2.7	1.9	2.2	2.6	Oct-06
3-Month Libor Total Return						*0.1*	*0.0*	*0.0*	*0.1*	*0.9*	*1.3*	*1.4*	
Difference:						-0.5	-1.0	-3.4	-2.8	1.0	0.9	1.2	
Private Credit Lag[2]			$ 358,402,750	9.2%		2.9	2.9	2.9	9.3	4.2	3.7	3.6	
50% BB High Yield, 50% S&P/LSTA Leveraged Loans						*1.3*	*0.7*	*0.7*	*5.2*	*7.2*	*5.3*	*6.0*	
Difference:						1.6	2.2	2.2	4.1	-3.0	-1.6	-2.4	
BlackRock Direct Lending Lag[3]	*$100,000*	*Direct Lending*	$ 68,931,284	1.8%		1.8	1.8	1.8	8.0	--	--	9.3	May-20
S&P/LSTA Leveraged Loans +3% Blend [5]						*0.8*	*3.1*	*3.1*	*13.4*	*--*	*--*	*16.0*	
Difference:						1.0	-1.3	-1.3	-5.4	--	--	-6.7	
Mesa West RE Income IV Lag[3]	*$75,000*	*Comm. Mortgage*	$ 25,501,797	0.7%		2.6	2.6	2.6	9.5	8.1	--	7.8	Mar-17
S&P/LSTA Leveraged Loans +3% Blend [4]						*0.8*	*3.1*	*3.1*	*13.4*	*9.7*	*--*	*9.1*	
Difference:						1.8	-0.5	-0.5	-3.9	-1.6	--	-1.3	
Crestline Opportunity II Lag[7]	*$45,000*	*Opportunistic*	$ 18,469,641	0.5%		0.0	0.0	0.0	13.4	1.5	2.8	5.0	Nov-13
S&P/LSTA Leveraged Loans +3% Blend [4]						*0.8*	*3.1*	*3.1*	*13.4*	*9.7*	*9.1*	*9.1*	
Difference:						-0.8	-3.1	-3.1	0.0	-8.2	-6.3	-4.1	
Davidson Kempner Distr Opp V Lag[3]	*$50,000*	*Opportunistic*	$ 45,314,047	0.0%		3.7	3.7	3.7	20.2	--	--	35.4	Oct-20
S&P/LSTA Leveraged Loans +3% Blend [4]						*0.8*	*3.1*	*3.1*	*13.4*	*--*	*--*	*11.7*	
Difference:						2.9	0.6	0.6	6.8	--	--	23.7	
Oaktree Lag	*$50,000*	*Leveraged Direct*	$ 30,128,491	0.8%		5.9	5.9	5.9	18.1	17.4	--	11.7	Mar-18
S&P/LSTA Leveraged Loans +3% Blend [6]						*0.8*	*3.1*	*3.1*	*13.4*	*13.1*	*--*	*9.4*	
Difference:						5.1	2.8	2.8	4.7	4.3	--	2.3	
HPS EU Asset Value II Lag[3]	*$50,000*	*Direct Lending*	$ 31,786,710	0.8%		1.3	1.3	1.3	6.4	--	--	1.2	Aug-20
S&P/LSTA Leveraged Loans +3% Blend [4]						*0.8*	*3.1*	*3.1*	*13.4*	*--*	*--*	*11.4*	
Difference:						0.5	-1.8	-1.8	-7.0	--	--	-10.2	
Raven Opportunity II Lag[7]	*$45,000*	*Direct Lending*	$ 5,529,199	0.1%		0.0	0.0	0.0	8.0	-3.3	1.8	-3.0	Aug-14
S&P/LSTA Leveraged Loans +3% Blend [4]						*0.8*	*3.1*	*3.1*	*13.4*	*9.7*	*9.1*	*9.1*	
Difference:						-0.8	-3.1	-3.1	-5.4	-13.0	-7.3	-12.1	
Raven Opportunity III Lag[3]	*$50,000*	*Direct Lending*	$ 53,292,281	1.4%		6.1	6.1	6.1	14.6	8.6	8.9	4.0	Nov-15
S&P/LSTA Leveraged Loans +3% Blend [4]						*0.8*	*3.1*	*3.1*	*13.4*	*9.7*	*9.1*	*9.1*	
Difference:						5.3	3.0	3.0	1.2	-1.1	-0.2	-5.1	

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[2] Total class returns are as of 3/31/22, and lagged 1 quarter.
[3] Manager returns are as of 3/31/22, and lagged 1 quarter. Since Inception date reflects one quarter lag.
[4] 9% Annual until 6/30/2018; CPI +6% Annual 7/1/2018 - 3/31/2022; S&P/LSTA Leveraged Loans +3% thereafter.
[5] 50% Bloomberg High Yield/50% S&P Leveraged Loan until 12/31/20 then CPI +6% Annual thereafter. Benchmark lagged one quarter.
[6] MSCI ACWI + 2% until 12/31/20 then CPI +6% Annual thereafter. Benchmark lagged one quarter
[7] Manager returns are as of 12/31/21, and lagged 1 quarter. Since Inception date reflects one quarter lag.

San Joaquin County Employees' Retirement Association (SJCERA)

Preliminary Monthly Flash Report (Net)[1] May 2022

	Commitment ($000)	Sub-Segment	Market Value	Physical % of Total	Policy Target %	1-Mo	3-Mos	YTD	1-Yr	3-Yrs	5-Yrs	SI Return	SI Date
Private Credit Lag (continued)													
Medley Opportunity II Lag[5]	*$50,000*	*Direct Lending*	$ 4,913,418	0.1%		0.0	0.0	0.0	4.0	-9.3	-8.1	-1.3	Jul-12
S&P/LSTA Leveraged Loans +3% Blend[4]						*0.8*	*3.1*	*3.1*	*13.4*	*9.7*	*9.1*	*9.1*	
Difference:						-0.8	-3.1	-3.1	-9.4	-19.0	-17.2	-10.4	
White Oak Summit Peer Fund Lag[3]	*$50,000*	*Direct Lending*	$ 31,925,515	0.8%		2.8	2.8	2.8	0.5	3.9	5.6	5.9	Mar-16
S&P/LSTA Leveraged Loans +3% Blend[4]						*0.8*	*3.1*	*3.1*	*13.4*	*9.7*	*9.1*	*10.2*	
Difference:						2.0	-0.3	-0.3	-12.9	-5.8	-3.5	-4.3	
White Oak Yield Spectrum Master V Lag[3]	*$50,000*	*Direct Lending*	$ 42,610,367	1.1%		0.7	0.7	0.7	2.5	--	--	0.3	Mar-20
S&P/LSTA Leveraged Loans +3% Blend[4]						*0.8*	*3.1*	*3.1*	*13.4*	--	--	*10.2*	
Difference:						-0.1	-2.4	-2.4	-10.9	--	--	-9.9	
Principal US[3]	*$25,000*	*Core Pvt. RE*	$ 42,082,981	1.1%		10.0	10.0	13.3	13.3	6.4	7.3	7.8	Jan-16
NCREIF ODCE + 1% Lag Blend						*6.5*	*6.7*	*14.8*	*14.8*	*7.2*	*7.6*	*11.2*	
Difference:						3.5	3.3	-1.5	-1.5	-0.8	-0.3	-3.4	
Prologis Logistics[3]	*$35,000*	*Core Pvt. RE*	$ 101,909,179	2.6%		6.0	6.0	29.9	29.9	18.6	18.5	8.1	Dec-07
NCREIF ODCE + 1% Lag Blend						*6.5*	*6.7*	*14.8*	*14.8*	*7.2*	*7.6*	*9.6*	
Difference:						-0.5	-0.7	15.1	15.1	11.4	10.9	-1.5	
RREEF America II[3]	*$45,000*	*Core Pvt. RE*	$ 60,557,253	1.6%		10.6	10.6	23.8	23.8	10.2	8.9	9.3	Jul-16
NCREIF ODCE + 1% Lag Blend						*6.5*	*6.7*	*14.8*	*14.8*	*7.2*	*7.6*	*12.0*	
Difference:						4.1	3.9	9.0	9.0	3.0	1.3	-2.7	
Diversifying Strategies			$ 856,695,099	22.1%	25.0%	0.7	2.6	4.0	4.5	3.6	3.5	6.4	Oct-90
Principal Protection			$ 305,791,762	7.9%	10.0%	0.7	-3.5	-6.5	-6.0	0.2	1.6	6.0	Oct-90
BB Aggregate Bond Index						*0.6*	*-5.9*	*-8.9*	*-8.2*	*0.0*	*1.2*	*5.6*	
Difference:						0.1	2.4	2.4	2.2	0.2	0.4	0.4	
Dodge & Cox		*Core Fixed Income*	$ 200,368,619	5.2%		0.8	-4.4	-7.6	-7.1	1.6	2.3	6.7	Oct-90
BB Aggregate Bond Index						*0.6*	*-5.9*	*-8.9*	*-8.2*	*0.0*	*1.2*	*5.6*	
Difference:						0.2	1.5	1.3	1.1	1.6	1.1	1.1	
DoubleLine Capital		*MBS*	$ 10,909,262	0.3%		0.2	0.0	-2.8	-2.0	1.7	2.5	4.4	Feb-12
BB Aggregate Bond Index						*0.6*	*-5.9*	*-8.9*	*-8.2*	*0.0*	*1.2*	*1.8*	
Difference:						-0.4	5.9	6.1	6.2	1.7	1.3	2.6	
Loomis Sayles		*Core Fixed Income*	$ 94,513,881	2.4%		0.6	--	--	--	--	--	-5.6	Mar-22
BB Aggregate Bond Index						*0.6*	--	--	--	--	--	*-5.9*	
Difference:						0.0	--	--	--	--	--	0.3	

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[2] Total class returns are as of 3/31/22, and lagged 1 quarter.

[3] Manager returns are as of 3/31/22, and lagged 1 quarter. Since Inception date reflects one quarter lag.

[4] 9% Annual until 6/30/2018; CPI +6% Annual 7/1/2018 - 3/31/2022; S&P/LSTA Leveraged Loans +3% thereafter.

[5] Manager returns are as of 12/31/21, and lagged 1 quarter. Since Inception date reflects one quarter lag.

MEKETA

SJCERA Total Plan

As of May 31, 2022

San Joaquin County Employees' Retirement Association (SJCERA)

Preliminary Monthly Flash Report (Net)[1] May 2022

	Commitment ($000)	Sub-Segment	Market Value	Physical % of Total	Policy Target %	1-Mo	3-Mos	YTD	1-Yr	3-Yrs	5-Yrs	SI Return	SI Date
Crisis Risk Offset			$ 550,903,337	14.2%	15.0%	0.6	7.8	12.7	13.2	6.0	5.0	6.9	Jan-05
CRO Custom Benchmark [2]						*-0.3*	*-1.1*	*-1.8*	*2.5*	*4.9*	*4.4*	*5.2*	
Difference:						0.9	8.9	14.5	10.7	1.1	0.6	1.7	
Long Duration			$ 125,670,524	3.2%		-1.8	-14.8	-19.2	-13.8	-2.2	0.7	0.2	
BB US Long Duration Treasuries						*-1.9*	*-15.4*	*-20.1*	*-14.3*	*-2.0*	*0.9*	*0.9*	
Difference:						0.1	0.6	0.9	0.5	-0.2	-0.2	-0.7	
Dodge & Cox Long Duration		*Long Duration*	$ 125,670,524	3.2%		-1.8	-14.8	-19.2	-13.8	-2.2	0.7	0.2	Feb-16
BB US Long Duration Treasuries						*-1.9*	*-15.4*	*-20.1*	*-14.3*	*-2.0*	*0.9*	*0.9*	
Difference:						0.1	0.6	0.9	0.5	-0.2	-0.2	-0.7	
Systematic Trend Following			$ 249,916,029	6.4%		1.1	21.3	36.3	28.9	17.1	8.7	9.7	
BTOP50 Index						*0.5*	*11.9*	*15.1*	*18.1*	*11.2*	*6.6*	*5.3*	
Difference:						0.6	9.4	21.2	10.8	5.9	2.1	4.4	
Mt. Lucas Managed Futures - Cash		*Systematic Trend Following*	$ 131,782,691	3.4%		2.3	24.3	39.6	32.4	18.4	9.4	9.4	Jan-05
BTOP50 Index						*0.5*	*11.9*	*15.1*	*18.1*	*11.2*	*6.6*	*5.3*	
Difference:						1.8	12.4	24.5	14.3	7.2	2.8	4.1	
Graham Tactical Trend		*Systematic Trend Following*	$ 118,133,338	3.0%		-0.1	18.2	32.8	25.2	15.6	7.9	5.2	Apr-16
SG Trend Index						*-0.2*	*17.2*	*25.7*	*24.9*	*15.0*	*9.1*	*5.3*	
Difference:						0.1	1.0	7.1	0.3	0.6	-1.2	-0.1	
Alternative Risk Premia			$ 175,316,784	4.5%		1.6	11.5	17.5	20.2	-0.7	2.3	7.7	
5% Annual						*0.4*	*1.2*	*2.1*	*5.0*	*5.0*	*5.0*	*6.3*	
Difference:						1.2	10.3	15.4	15.2	-5.7	-2.7	1.4	
AQR Style Premia		*Alternative Risk Premia*	$ 58,480,674	1.5%		11.0	18.1	38.4	41.7	6.0	1.4	1.6	May-16
5% Annual						*0.4*	*1.2*	*2.1*	*5.0*	*5.0*	*5.0*	*5.0*	
Difference:						10.6	16.9	36.3	36.7	1.0	-3.6	-3.4	
PE Diversified Global Macro		*Alternative Risk Premia*	$ 58,460,855	1.5%		-5.7	16.3	32.4	36.7	-4.3	1.3	1.2	Jun-16
5% Annual						*0.4*	*1.2*	*2.1*	*5.0*	*5.0*	*5.0*	*5.0*	
Difference:						-6.1	15.1	30.3	31.7	-9.3	-3.7	-3.8	
Lombard Odier		*Alternative Risk Premia*	$ 58,375,255	1.5%		1.0	3.8	-1.8	0.0	-4.3	--	-3.6	Jan-19
5% Annual						*0.4*	*1.2*	*2.1*	*5.0*	*5.0*	--	*5.0*	
Difference:						0.6	2.6	-3.9	-5.0	-9.3	--	-8.6	
Cash[3]			$ 71,036,770	1.8%	0.0%	0.0	0.1	0.1	0.1	0.5	0.8	2.3	Sep-94
US T-Bills						*0.1*	*0.1*	*0.1*	*0.1*	*0.7*	*1.1*	*2.3*	
Difference:						-0.1	0.0	0.0	0.0	-0.2	-0.3	0.0	
Northern Trust STIF		*Collective Govt. Short Term*	$ 61,440,993	1.6%		0.0	0.1	0.1	0.1	0.5	0.8	2.5	Jan-95
US T-Bills						0.1	0.1	0.1	0.1	0.7	1.1	*2.3*	
Difference:						-0.1	0.0	0.0	0.0	-0.2	-0.3	0.2	
Parametric Overlay[4]		*Cash Overlay*	$ 30,130,451	0.8%		0.0	0.0	0.0	0.0	--	--	0.0	Jan-20

[1] Returns are preliminary and are finalized during each quarterly reporting cycle. Monthly returns since previous quarter are provided by the managers. Market values are provided by Northern Trust.

[2] Benchmark is (1/3) BB Long Duration Treasuries, (1/3) BTOP50 Index, (1/3) 5% Annual.

[3] Includes lagged cash.

[4] Given daily cash movement returns may vary from those shown above.

WE HAVE PREPARED THIS REPORT (THIS "REPORT") FOR THE SOLE BENEFIT OF THE INTENDED RECIPIENT (THE "RECIPIENT").

SIGNIFICANT EVENTS MAY OCCUR (OR HAVE OCCURRED) AFTER THE DATE OF THIS REPORT AND THAT IT IS NOT OUR FUNCTION OR RESPONSIBILITY TO UPDATE THIS REPORT. ANY OPINIONS OR RECOMMENDATIONS PRESENTED HEREIN REPRESENT OUR GOOD FAITH VIEWS AS OF THE DATE OF THIS REPORT AND ARE SUBJECT TO CHANGE AT ANY TIME. ALL INVESTMENTS INVOLVE RISK. THERE CAN BE NO GUARANTEE THAT THE STRATEGIES, TACTICS, AND METHODS DISCUSSED HERE WILL BE SUCCESSFUL.

INFORMATION USED TO PREPARE THIS REPORT WAS OBTAINED FROM INVESTMENT MANAGERS, CUSTODIANS, AND OTHER EXTERNAL SOURCES. WHILE WE HAVE EXERCISED REASONABLE CARE IN PREPARING THIS REPORT, WE CANNOT GUARANTEE THE ACCURACY OF ALL SOURCE INFORMATION CONTAINED HEREIN.

CERTAIN INFORMATION CONTAINED IN THIS REPORT MAY CONSTITUTE "FORWARD - LOOKING STATEMENTS," WHICH CAN BE IDENTIFIED BY THE USE OF TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "AIM", "ANTICIPATE," "TARGET," "PROJECT," "ESTIMATE," "INTEND," "CONTINUE" OR "BELIEVE," OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. ANY FORWARD-LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION ARE BASED UPON CURRENT ASSUMPTIONS. CHANGES TO ANY ASSUMPTIONS MAY HAVE A MATERIAL IMPACT ON FORWARD - LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS. ACTUAL RESULTS MAY THEREFORE BE MATERIALLY DIFFERENT FROM ANY FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION.

PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

Economic and Market Update

Data as of May 31, 2022

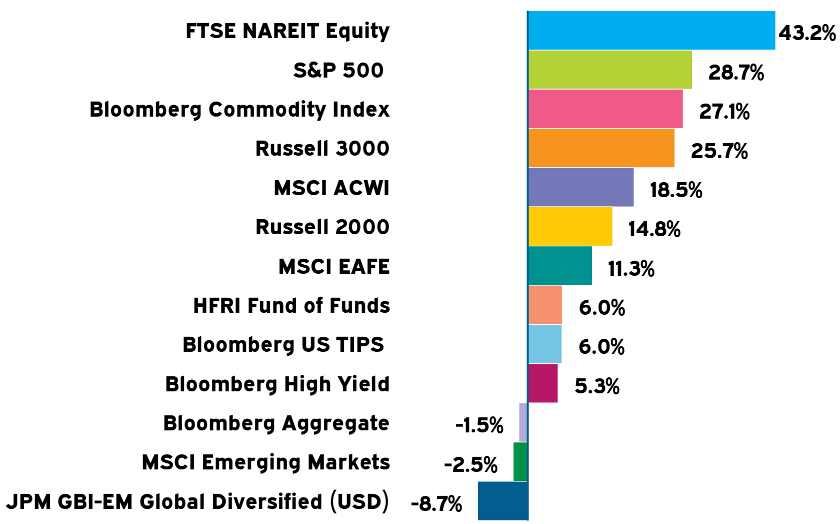
Commentary

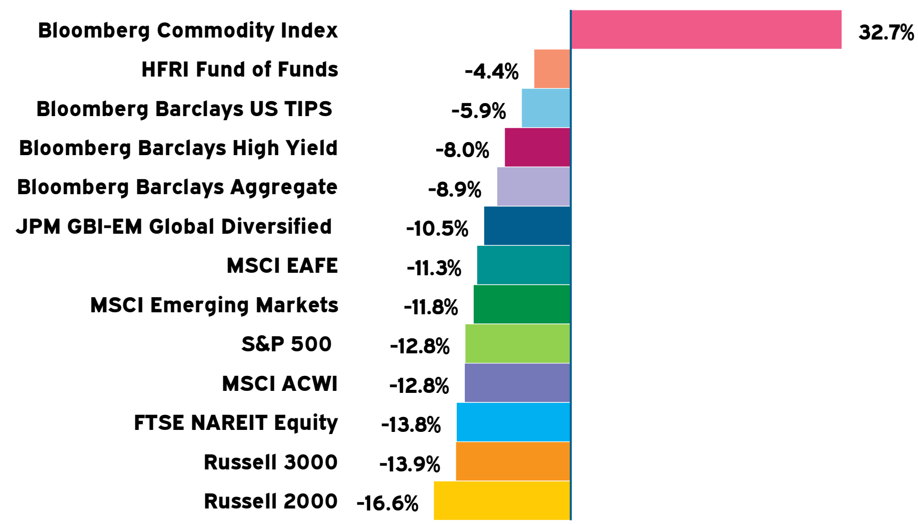
→ There were no major market movements in May as investors waited for developments with inflation, the pace of monetary policy tightening, the war in Ukraine, ongoing supply chain issues, and China's lockdown of major economic centers to stem the spread of COVID-19.

- Equities were mixed, with international equities largely outperforming US equities.
- Value-oriented equities outpaced growth, influenced by higher interest rates and notable weakness in some high-profile technology companies.
- The global bond selloff slowed, as inflation fears, and policy expectations eased modesty despite monetary policy officials remaining steadfast in their near-term tightening expectations.
- Nonetheless, inflation remains high globally.

→ The war in Ukraine, lingering COVID-19 issues, persistent inflation, and strict lockdowns in China will all have considerable economic and financial consequences for the global economy going forward.

Index Returns[1]





→ Outside of emerging markets and the broad US investment grade bond market (Bloomberg Aggregate), most asset classes rose in 2021.

→ In May, many major asset classes recovered modestly from losses in the first quarter and April, with US stocks mostly unchanged and bonds higher by 0.6%.[2] Commodities continued to provide strong performance, adding 1.5% in May, and bringing the year-to-date gain to over 32%.

[1] Source: Bloomberg and FactSet. Data is as of May 31, 2022.

[2] As measured by the S&P 500 and Bloomberg Aggregate.

Domestic Equity Returns[1]

Domestic Equity	May (%)	Q1 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
S&P 500	0.2	-4.6	-12.8	-0.3	16.4	13.4	14.4
Russell 3000	-0.1	-5.3	-13.9	-3.7	15.6	12.7	14.0
Russell 1000	-0.2	-5.1	-13.7	-2.7	16.0	13.1	14.2
Russell 1000 Growth	-2.3	-9.0	-21.9	-6.3	18.3	16.1	16.0
Russell 1000 Value	1.9	-0.7	-4.5	0.9	12.7	9.5	12.0
Russell MidCap	0.1	-5.7	-12.9	-6.8	12.9	10.5	12.8
Russell MidCap Growth	-3.9	-12.6	-25.4	-18.7	9.4	10.6	12.6
Russell MidCap Value	1.9	-1.8	-5.9	-0.1	13.4	9.1	12.3
Russell 2000	0.2	-7.5	-16.6	-16.9	9.7	7.7	10.8
Russell 2000 Growth	-1.9	-12.6	-24.8	-25.7	6.2	6.9	10.5
Russell 2000 Value	1.9	-2.4	-8.2	-7.7	12.2	7.8	10.7

US Equities: Russell 3000 Index declined 0.1%, and value indices significantly outperformed growth in May.

→ US stocks were largely flat for the month with strong gains in energy, as well as utilities and financials, being balanced by declines in consumer-focused sectors (discretionary and staples).

→ Value stocks continued to outperform growth stocks in May, maintaining the recent trend as rising rates and inflation continued to weigh on growth companies.

→ Small company stocks outpaced large company stocks for the month.

[1] Source: Bloomberg. Data is as of May 31, 2022.

Foreign Equity Returns[1]

Foreign Equity	May (%)	Q1 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
MSCI ACWI ex. US	0.7	-5.4	-10.7	-12.3	6.5	4.4	6.4
MSCI EAFE	0.7	-5.9	-11.3	-10.4	6.4	4.2	7.1
MSCI EAFE (Local Currency)	-0.2	-3.7	-5.3	1.1	8.2	5.5	9.6
MSCI EAFE Small Cap	-0.7	-8.5	-15.4	-16.0	6.6	4.1	8.9
MSCI Emerging Markets	0.4	-7.0	-11.8	-19.8	5.0	3.8	4.2
MSCI Emerging Markets (Local Currency)	-0.2	-6.1	-9.6	-15.7	6.4	5.7	6.7
MSCI China	1.2	-14.2	-16.7	-35.9	-0.1	1.3	5.0

International Equities (MSCI EAFE) gained 0.7% and Emerging Markets (MSCI EM) returned 0.4% in May.

→ Non-US stocks (developed and emerging markets) outperformed US stocks in May but remain notably negative for the year-to-date period.

→ The war in Ukraine, high inflation, and slowing growth continue to weigh on sentiment despite the positive return for the month in both developed and emerging markets.

→ Gains in May for emerging markets were largely driven by China where COVID-19 restrictions were loosened and government stimulus increased.

→ Like the US, value stocks outperformed growth stocks across developed and emerging markets.

[1] Source: Bloomberg. Data is as of May 31, 2022.

Fixed Income Returns[1]

Fixed Income	May (%)	Q1 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Current Yield (%)	Duration (Years)
Bloomberg Universal	0.6	-6.1	-9.1	-8.4	0.2	1.3	2.1	3.8	6.5
Bloomberg Aggregate	0.6	-5.9	-8.9	-8.2	0.0	1.2	1.7	3.4	6.7
Bloomberg US TIPS	-1.0	-3.0	-5.9	-1.4	4.4	3.7	2.0	3.1	7.3
Bloomberg High Yield	0.2	-4.8	-8.0	-5.3	3.3	3.6	5.4	7.1	4.7
JPM GBI-EM Global Diversified (USD)	1.8	-6.5	-10.5	-16.5	-2.6	-1.3	-0.5	6.9	4.9

Fixed Income: Bloomberg Universal 0.6% in May.

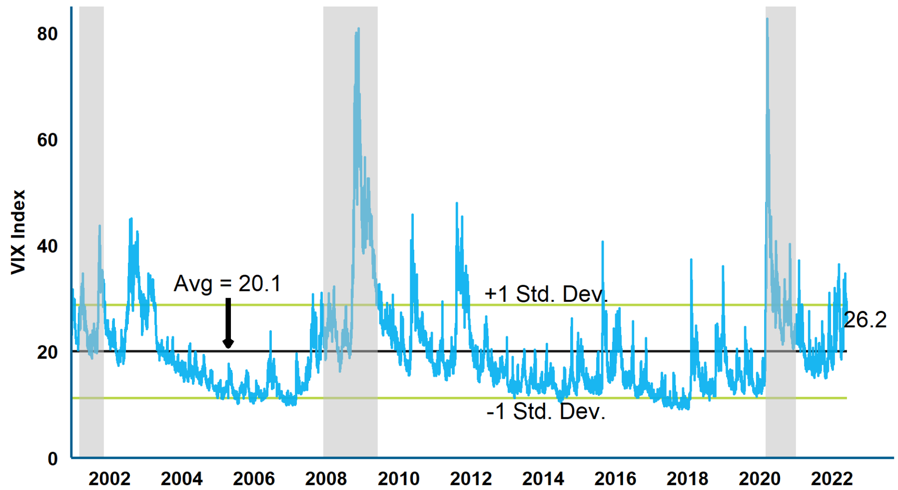
→ Slight interest rate declines led to positive performance for the broad US investment grade bond market (Bloomberg Aggregate). The nominal 10-year Treasury yield peaked at 3.13% before declining to 2.85% by month-end, while the 2-year Treasury yield declined from 2.73% to 2.56%.

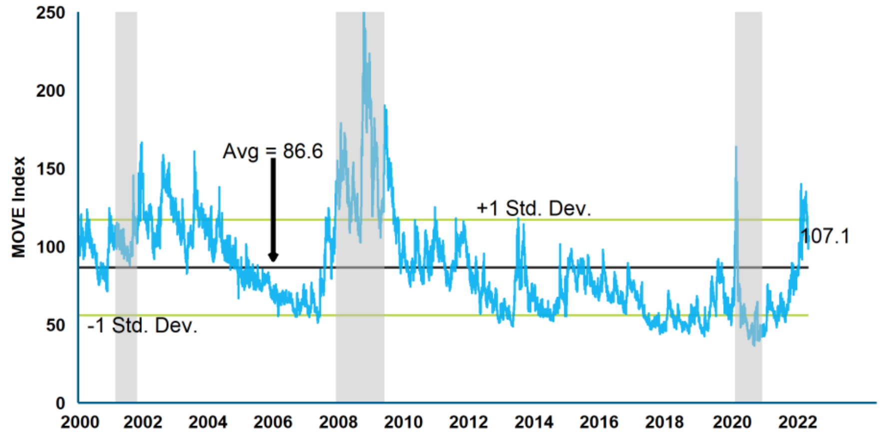
→ US credit spreads widened for high yield debt but tightened slightly for investment grade bonds.

→ Emerging market debt led the way for the month but remains the worst performer year-to-date.

[1] Source: Bloomberg. JPM GBI-EM is from InvestorForce. Data is as of May 31, 2022.

Equity and Fixed Income Volatility[1]





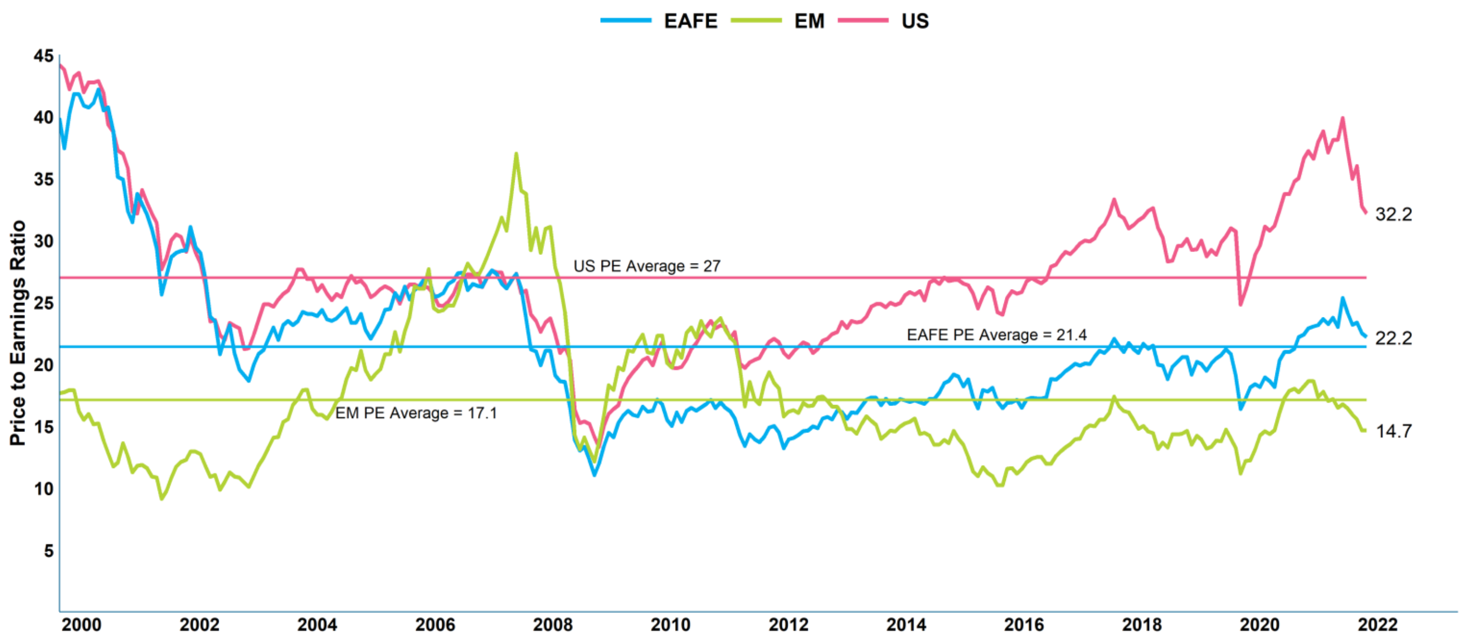
→ Volatility in both equities (VIX) and fixed income (MOVE) declined in May.

→ A modest easing of inflation concerns and a decline in policy expectations supported investor sentiment.

→ It is worth noting though that both have recently significantly spiked given persistently high inflation.

[1] Equity and Fixed Income Volatility – Source: Bloomberg. Implied volatility as measured using VIX Index for equity markets and the MOVE Index to measure interest rate volatility for fixed income markets. Data is as of May 2022. The average line indicated is the average of the VIX and MOVE values between January 2000 and the recent month-end respectively.

Equity Cyclically Adjusted P/E Ratios[1]

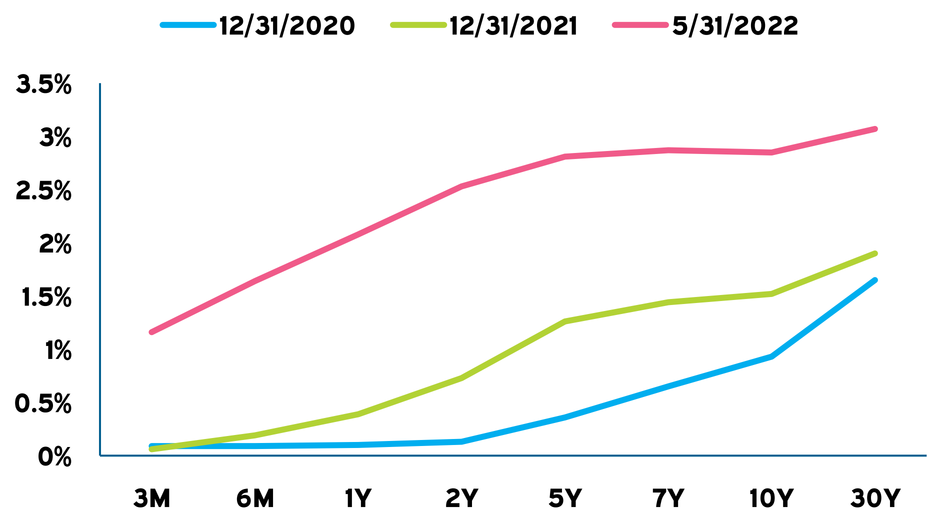


→ Valuations in the US remain well above long-term averages despite the recent decline.

→ International developed market valuations remain below the US and are approaching their long-term average, with those for emerging markets under the long-term average.

[1] US Equity Cyclically Adjusted P/E on S&P 500 Index. Source: Robert Shiller, Yale University, and Meketa Investment Group. Developed and Emerging Market Equity (MSCI EAFE and EM Index) Cyclically Adjusted P/E – Source: MSCI and Bloomberg. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years. Data is as of May 31, 2022. The average line is the long-term average of the US, EM, and EAFE PE values from December 1999 to the recent month-end respectively.

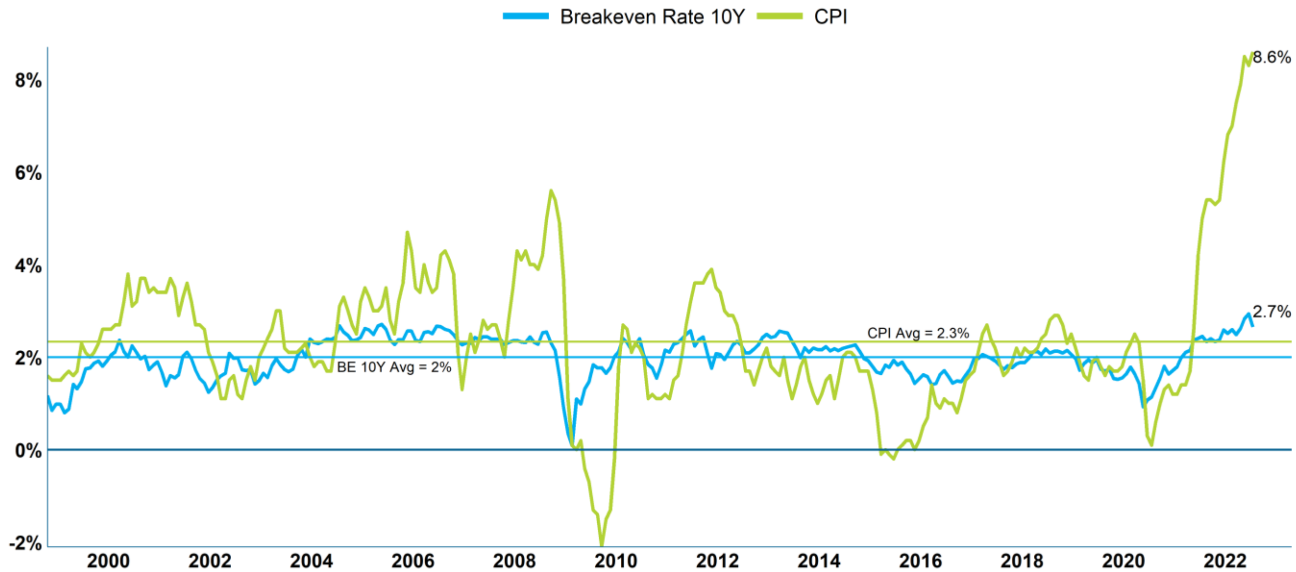
US Yield Curve[1]



- → In May, rates remain well above those at the start of the year, as markets continue to reflect elevated inflation and rate expectations.
- → After a brief inversion in April, which historically has often signaled building recessionary pressures, the spread between two-year and ten-year Treasuries ended May at around 30 basis points.
- → Since month-end, rates have significantly increased across maturities with the yield curve flattening. This has been driven by the above-expectations CPI level and the Federal Reserve's plans to tighten policy further.

[1] Source: Bloomberg. Data is as of May 31, 2022.

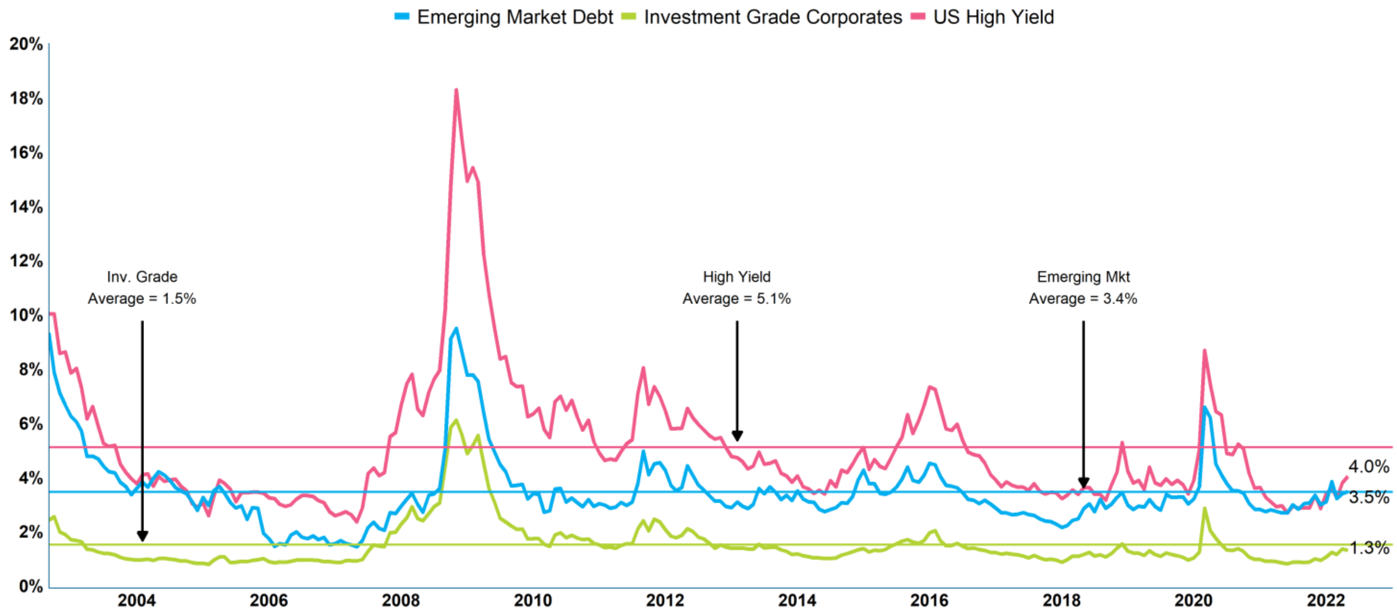
Ten-Year Breakeven Inflation and CPI[1]



- → Inflation expectations (breakevens) declined modestly in May after breaching 3.0% in April.
- → Trailing twelve-month CPI rose in May (8.6% versus 8.3%) and notably came in above expectations. Inflation levels in the US remain well above the long-term average of 2.3%.
- → Rising prices for energy (particularly oil), food, and for new and used cars, remain key drivers of higher inflation.

[1] Source: Bloomberg. Data is as of May 31, 2022. The CPI and 10 Year Breakeven average lines denote the average values from August 1998 to the present month-end respectively. Breakeven values represent month-end values for comparative purposes.

Credit Spreads vs. US Treasury Bonds[1]



→ Credit spreads (the spread above a comparable maturity Treasury) were mixed in May.

→ In the US, spreads for high yield increased (4.0% versus 3.8%) while investment grade spreads remained the same. Emerging market spreads also increased (3.5% versus 3.4% during the month) but finished lower than US high yield spreads.

→ Despite the recent increase, US high yield spreads remain well below the long-term average (4.0% versus 5.1%).

[1] Sources: Bloomberg. Data is as of May 31, 2022. Average lines denote the average of the investment grade, high yield, and emerging market spread values from August 2000 to the recent month-end respectively.

Global Economic Outlook

The IMF significantly lowered global growth forecasts in their latest projections, driven by the economic impacts of the war in Ukraine.

→ The IMF forecasts final global GDP growth to come in at 6.1% in 2021 and 3.6% in 2022 (0.8% below the prior 2022 estimate), both still above the past ten-year average of 3.0%.

→ In advanced economies, GDP is projected to increase 3.3% in 2022 and 2.4% in 2023. The US has limited economic ties with Russia but saw another downgrade in the 2022 growth forecast (3.7% versus 4.0%) largely due to policy tightening happening faster than previously expected. The euro area saw a significant downgrade in expected growth (2.8% versus 3.9%) in 2022 as rising energy prices particularly weigh on the region that is a net importer of energy. The Japanese economy is expected to grow 2.4% this year.

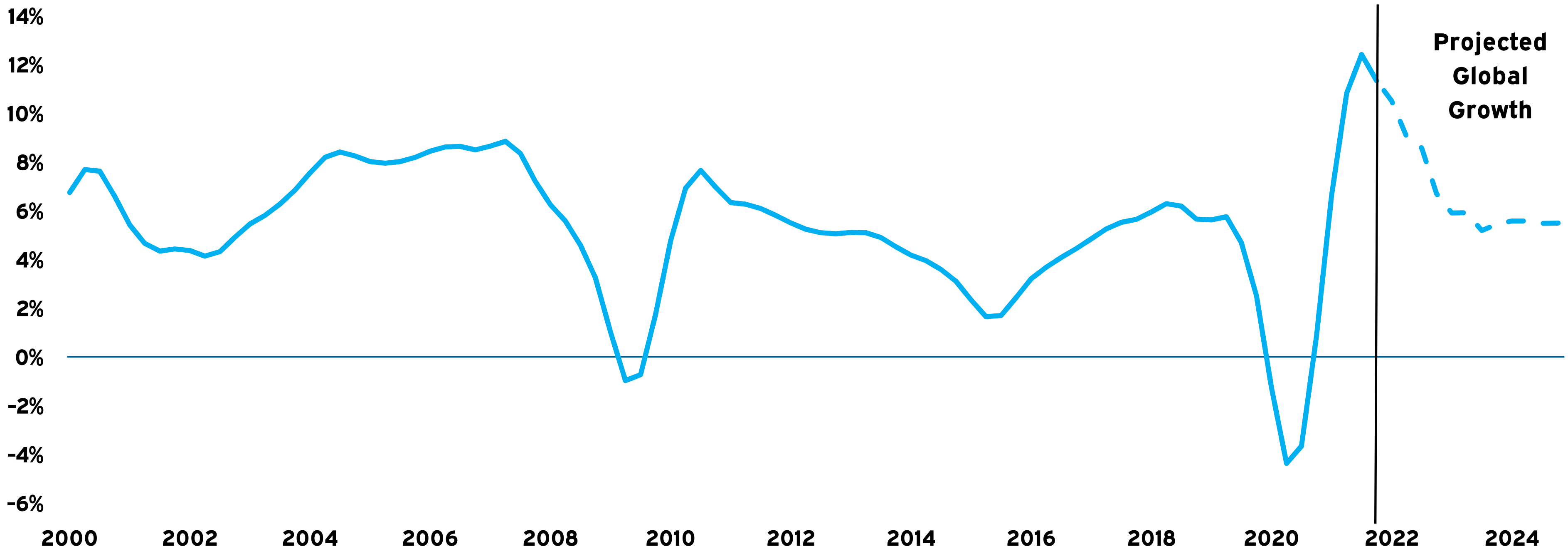
→ Growth projections for emerging markets are higher than developed markets, at 3.8% in 2022 and 4.4% in 2023. China's growth was downgraded (4.4% versus 4.8%) for 2022 given tight COVID-19 restrictions and continued property sector problems.

→ The global inflation forecast was significantly increased for 2022 (7.4% versus 3.8%).

	Real GDP (%)[1]			Inflation (%)[1]		
	IMF 2022 Forecast	IMF 2023 Forecast	Actual 10 Year Average	IMF 2022 Forecast	IMF 2023 Forecast	Actual 10 Year Average
World	3.6	3.6	3.0	7.4	4.8	3.5
Advanced Economies	3.3	2.4	1.6	5.7	2.5	1.5
US	3.7	2.3	2.1	7.7	2.9	1.9
Euro Area	2.8	2.3	0.9	5.3	2.3	1.2
Japan	2.4	2.3	0.5	1.0	0.8	0.5
Emerging Economies	3.8	4.4	4.2	8.7	6.5	5.1
China	4.4	5.1	6.7	2.1	1.8	2.1

[1] Source: IMF World Economic Outlook. Real GDP forecasts from April WEO Update. Inflation forecasts are as of the April 2022 Update." Actual 10 Year Average" represents data from 2012 to 2021.

Global Nominal Gross Domestic Product (GDP) Growth[1]



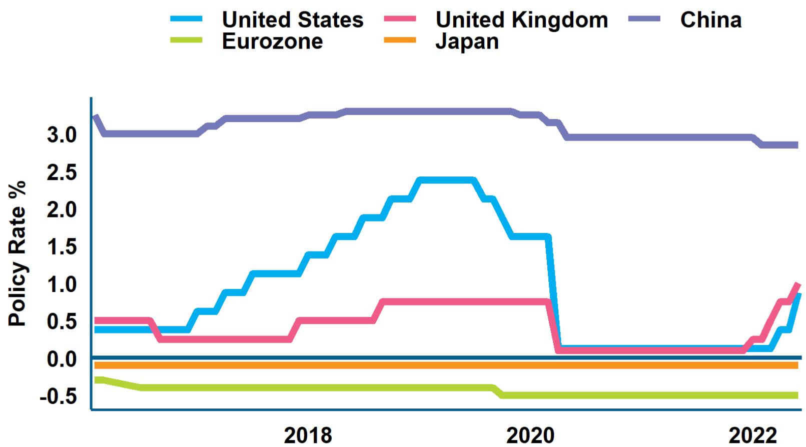
→ Global economies are expected to slow in 2022 compared to 2021.

→ Looking forward, the track of the conflict between Russia and Ukraine, continued supply chain issues, ongoing inflationary pressures, tighter monetary policy, and lingering pandemic problems all remain key with the risk for continued downgrades in growth forecasts.

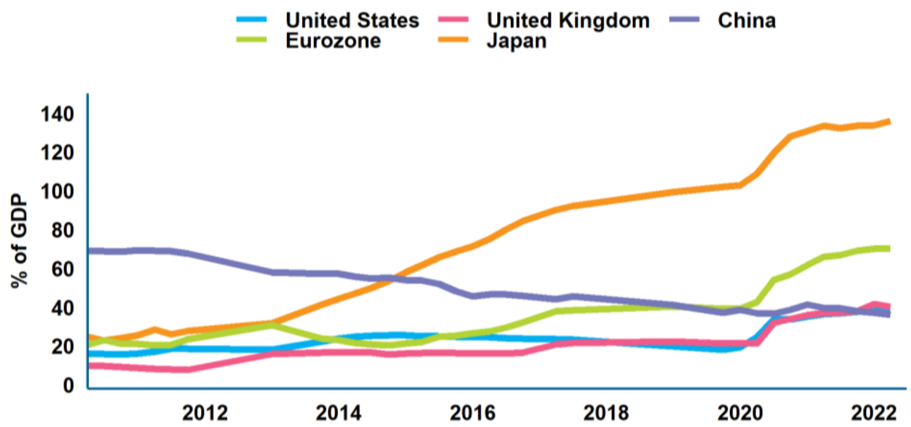
[1] Source: Oxford Economics (World GDP, US$ prices & PPP exchange rate, nominal, % change YoY). Updated May 2022.

Central Bank Response[1]

Policy Rates



Balance Sheet as % of GDP



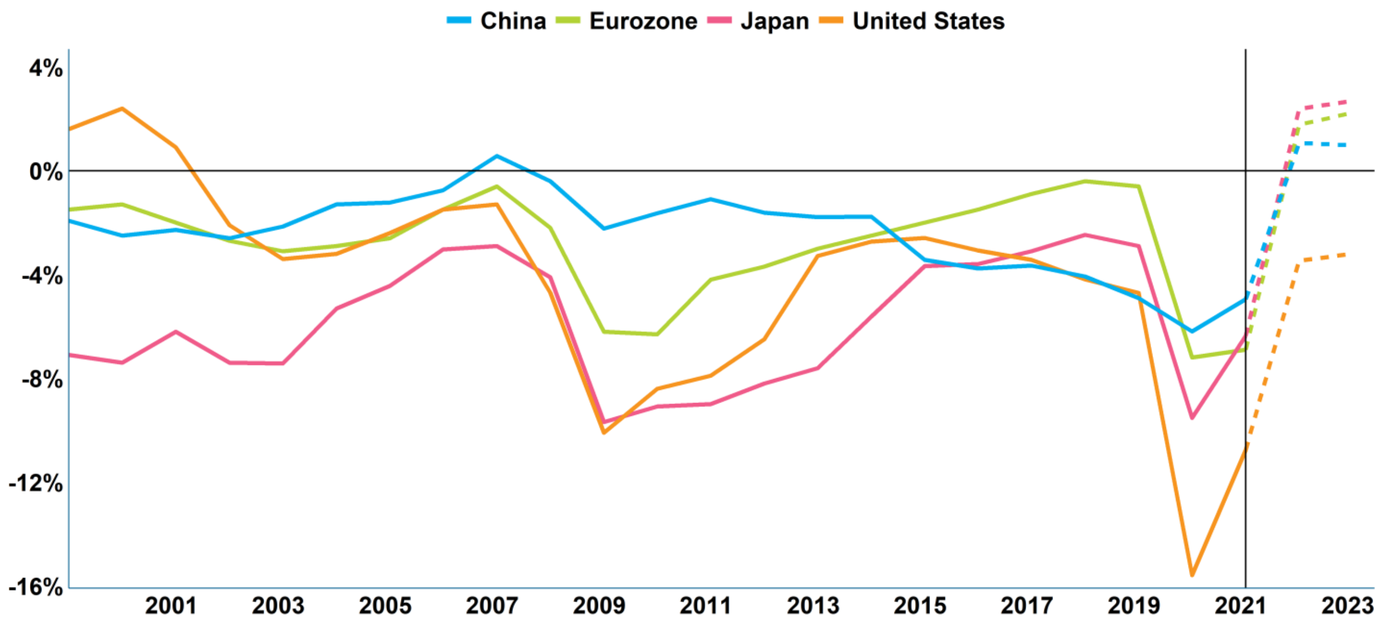
→ After global central banks took extraordinary action to support economies during the pandemic, including policy rate cuts and emergency stimulus through quantitative easing (QE), many are reducing or considering reducing support, in the face of high inflation.

→ The pace of withdrawing support will likely vary across central banks with the US expected to take a more aggressive approach. The risk remains for a policy error, particularly overtightening, as record inflation, the war in Ukraine, and a tough COVID-19 policy in China could suppress global growth.

→ The one notable outlier is China, where the central bank recently lowered rates and reserve requirements in response to slowing growth.

[1] Source: Bloomberg. Policy rate data is as of May 31, 2022. China policy rate is defined as the medium-term lending facility 1 year interest rate. Balance sheet as % of GDP is based on quarterly data and is as of March 31, 2022.

Budget Surplus / Deficit as a Percentage of GDP[1]

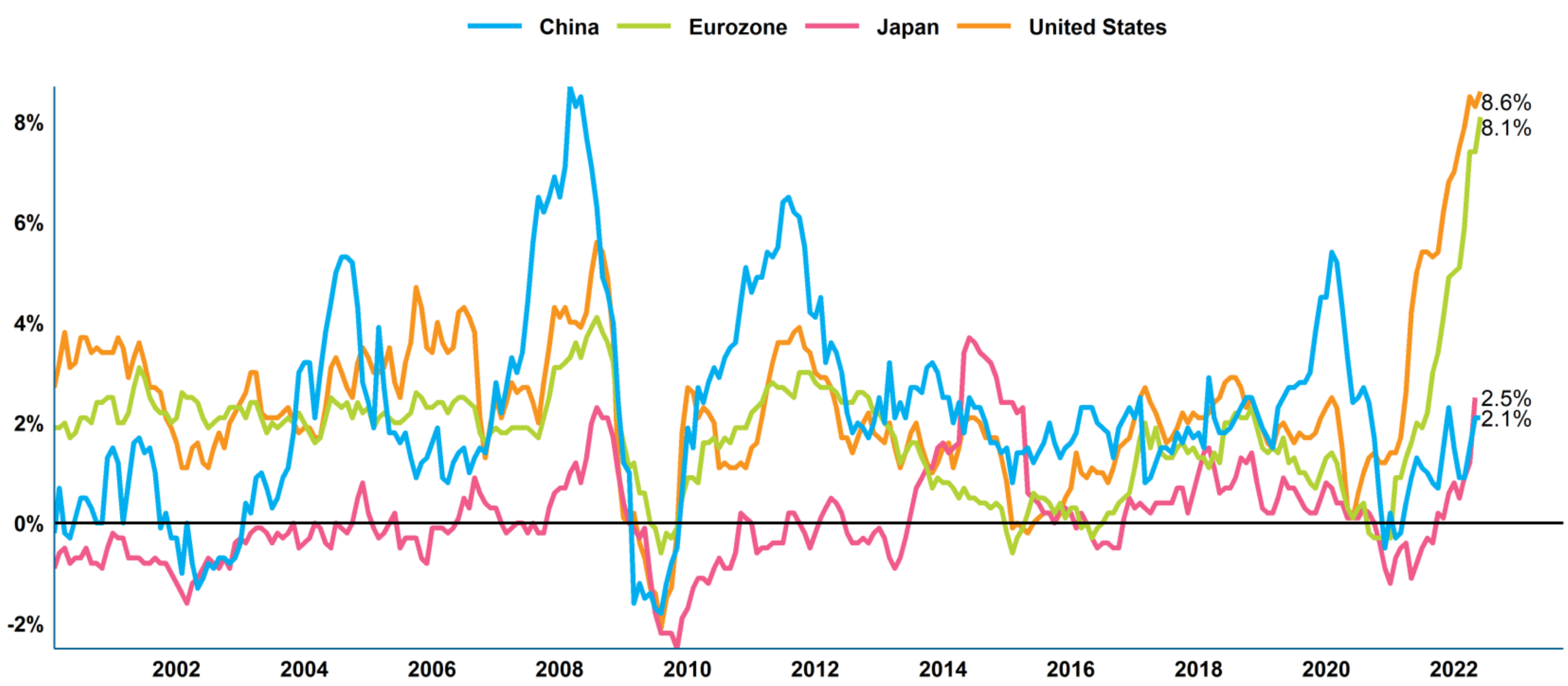


→ Budget deficits as a percentage of GDP drastically increased for major world economies, particularly the US, due to massive fiscal support and the severe economic contraction's effect on tax revenue in 2020 and 2021.

→ As fiscal stimulus programs end, and economic recoveries continue, deficits should improve in the coming years.

[1] Source: Bloomberg. Data is as of March 31, 2022. Projections via IMF Forecasts from April 2022 Report. Dotted lines represent 2022 and 2023 forecasts.

Inflation (CPI Trailing Twelve Months)[1]

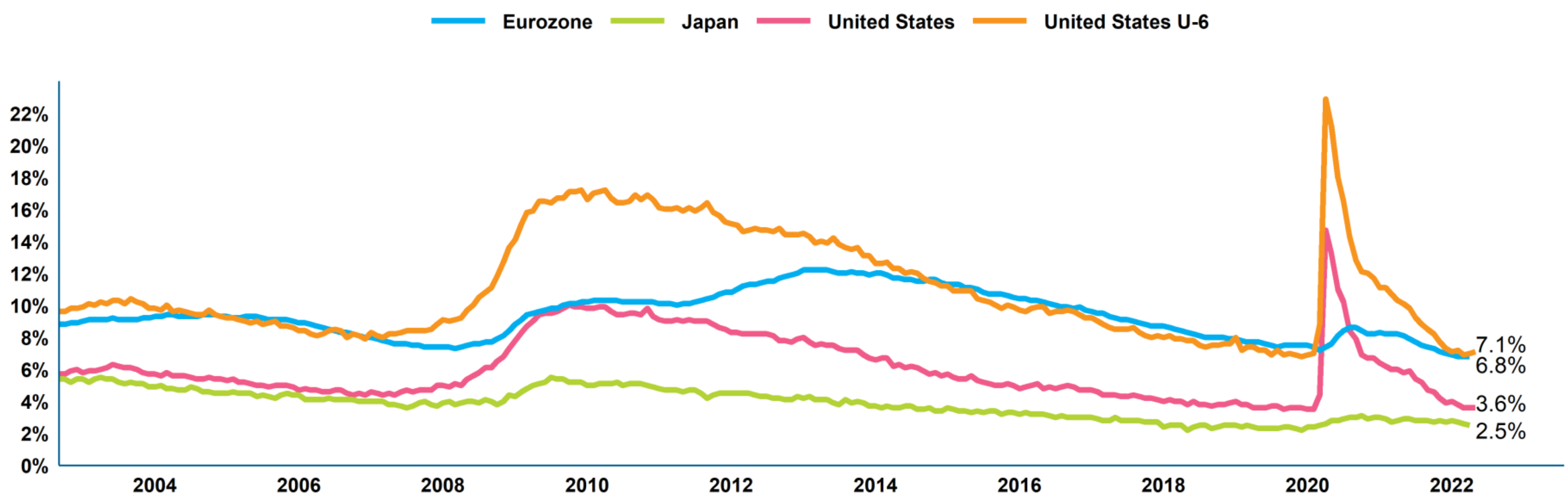


→ Inflation increased dramatically from the lows of the pandemic, particularly in the US and Eurozone where it remains at levels not seen in decades.

→ Supply issues related to the pandemic, record monetary and fiscal stimulus, strict COVID-19 restrictions in China, and higher prices in many commodities driven by the war in Ukraine have been key drivers of inflation globally.

[1] Source: Bloomberg. Data is as of May 2022, except for Japan, where the most recent data available is as of April 30, 2022.

Unemployment[1]

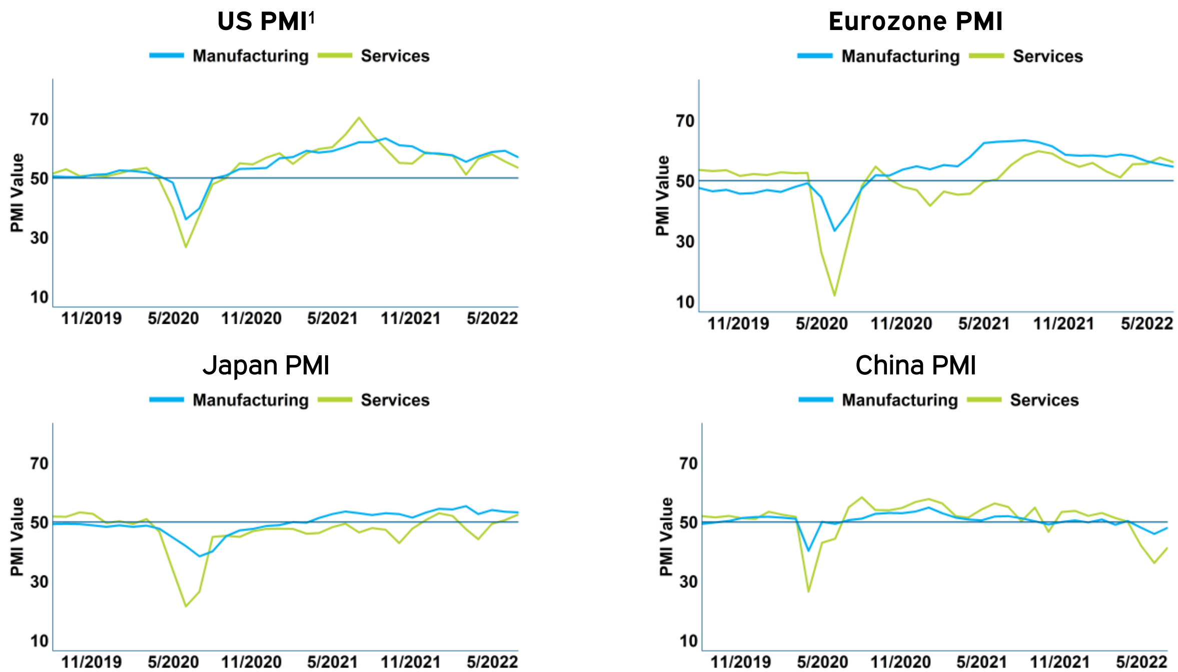


→ As economies have largely reopened, helped by vaccines for the virus, improvements have been seen in the labor market.

→ US unemployment, which experienced the steepest rise from the pandemic, declined back to pre-pandemic levels. The broader measure (U-6) that includes discouraged and underemployed workers declined but is much higher at 7.1%.

[1] Source: Bloomberg. Data is as of May 2022, for the US The most recent data for Eurozone and Japanese unemployment is as of April 30, 2022.

Global PMIs



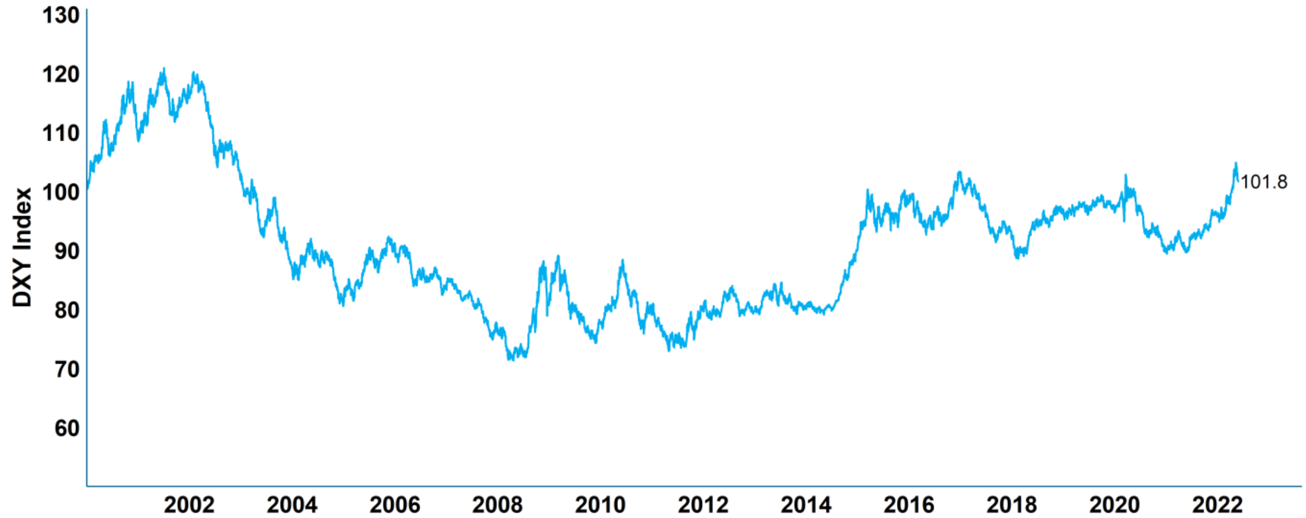
→ After improvements from the lows of the pandemic, Purchasing Managers Indices (PMI), based on surveys of private sector companies, have experienced some pressures recently.

→ Service sector PMIs in the US and Europe have recently declined due to higher prices and supply issues, while they continue to improve in Japan as pandemic restrictions ease. In China they remain in contraction due to strict policies.

→ In most countries, manufacturing PMIs are in expansion territory as pandemic-related production issues ease and orders increase. China is the one exception, though, with the manufacturing PMI falling below 50 due again to increased COVID-19 restrictions.

[1] Source: Bloomberg. US Markit Services and Manufacturing PMI, Caixin Services and Manufacturing PMI, Eurozone Markit Services and Manufacturing PMI, Jibun Bank Services and Manufacturing PMI. Data is as of May 2022. Readings below 50 represent economic contractions.

US Dollar versus Broad Currencies[1]



- → The US dollar weakened slightly against a broad basket of peers in May.
- → Safe-haven flows, relatively stronger growth, and higher rates have all been key drivers of the dollar's on-going strength.
- → The euro, yen, and yuan have all experienced significant declines versus the dollar, adding to inflation and slowing growth concerns.

[1] Source: Bloomberg. Data as of May 31, 2022.

Summary

Key Trends in 2022:

→ The impacts of record high inflation will remain key going forward, with volatility likely to remain high.

→ The war in Ukraine has created significant uncertainty, with a wide range of potential outcomes.

→ Expect growth to slow globally in 2022 to the long-term trend. Inflation, monetary policy, and the war will all be key.

→ The end of many fiscal programs is expected to put the burden of continued growth on consumers. Higher energy and food prices will depress consumers' spending in other areas.

→ Monetary policy will likely tighten globally but will remain relatively accommodative. The risk of overtightening policy impacting growth remains.

→ Valuations remain high in the US but have declined from recent peaks.

→ Outside the US, equity valuations remain lower in both emerging and developed markets, but risks remain, including continued strength in the US dollar, higher inflation particularly weighing on Europe, and China maintaining its restrictive COVID-19 policies.

WE HAVE PREPARED THIS REPORT (THIS "REPORT") FOR THE SOLE BENEFIT OF THE INTENDED RECIPIENT (THE "RECIPIENT").

SIGNIFICANT EVENTS MAY OCCUR (OR HAVE OCCURRED) AFTER THE DATE OF THIS REPORT AND THAT IT IS NOT OUR FUNCTION OR RESPONSIBILITY TO UPDATE THIS REPORT. ANY OPINIONS OR RECOMMENDATIONS PRESENTED HEREIN REPRESENT OUR GOOD FAITH VIEWS AS OF THE DATE OF THIS REPORT AND ARE SUBJECT TO CHANGE AT ANY TIME. ALL INVESTMENTS INVOLVE RISK. THERE CAN BE NO GUARANTEE THAT THE STRATEGIES, TACTICS, AND METHODS DISCUSSED HERE WILL BE SUCCESSFUL.

INFORMATION USED TO PREPARE THIS REPORT WAS OBTAINED FROM INVESTMENT MANAGERS, CUSTODIANS, AND OTHER EXTERNAL SOURCES. WHILE WE HAVE EXERCISED REASONABLE CARE IN PREPARING THIS REPORT, WE CANNOT GUARANTEE THE ACCURACY OF ALL SOURCE INFORMATION CONTAINED HEREIN.

CERTAIN INFORMATION CONTAINED IN THIS REPORT MAY CONSTITUTE "FORWARD - LOOKING STATEMENTS," WHICH CAN BE IDENTIFIED BY THE USE OF TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "AIM", "ANTICIPATE," "TARGET," "PROJECT," "ESTIMATE," "INTEND," "CONTINUE" OR "BELIEVE," OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. ANY FORWARD-LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION ARE BASED UPON CURRENT ASSUMPTIONS. CHANGES TO ANY ASSUMPTIONS MAY HAVE A MATERIAL IMPACT ON FORWARD - LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS. ACTUAL RESULTS MAY THEREFORE BE MATERIALLY DIFFERENT FROM ANY FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION.

PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

MEKETA
INVESTMENT GROUP

San Joaquin County Employees Retirement Association (SJCERA)

California Code 7514.7 Disclosure – Calendar year 2021

July 2022

Introduction

→ California Assembly Bill 2833 was introduced in 2016 and became effective January 1, 2017 as California Government Code 7514.7 (the "Code").

→ The Code is intended to require California public pension plans ("California Plans") to obtain and publicly disclose annually certain additional fee and expense data and information.

→ The law applies to any private fund that is an alternative investment vehicle whose contract with a California Plan was entered into on or after January 1, 2017, or for any existing contract as of December 31, 2016 for which an additional capital commitment is made on or after January 1, 2017.

→ For all other existing contracts, California Plans are required to use reasonable efforts to acquire the information necessary to make the required annual disclosures.

Code Disclosure Requirements

1. The fees and expenses that the California Plan pays directly to the alternative investment vehicle, the fund manager, or related parties.
2. The California Plan's pro rata share of fees and expenses not included in paragraph (1) that are paid from the alternative investment vehicle to the fund manager or related parties. The California Plan may independently calculate this information based on information contractually required to be provided by the alternative investment vehicle to the public investment fund. If the California Plan independently calculates this information, then the alternative investment vehicle shall not be required to provide the information identified in this paragraph.
3. The California Plan's pro rata share of carried interest distributed to the fund manager or related parties.
4. The California Plan's pro rata share of aggregate fees and expenses paid by all of the portfolio companies held within the alternative investment vehicle to the fund manager or related parties.
5. Any additional information described in subdivision (b) of Section 6254.26 of the Code.
6. (b) Every California Plan shall disclose the information provided pursuant to subdivision (a) at least once annually in a report presented at a meeting open to the public. The California Plan's report required pursuant to this subdivision shall also include the gross and net rate of return of each alternative investment vehicle, since inception, in which the California Plan participates. The California Plan may report the gross and net rate of return and information required by subdivision (a) based on its own calculations or based on calculations provided by the alternative investment vehicle.

Code Section 6254.26 Requirements:

1. The name, address, and vintage year of each alternative investment vehicle.
2. The dollar amount of the commitment made to each alternative investment vehicle by the California Plan since inception.
3. The dollar amount of cash contributions made by the California Plan to each alternative investment vehicle since inception.
4. The dollar amount, on a fiscal year-end basis, of cash distributions received by the California Plan from each alternative investment vehicle.
5. The dollar amount, on a fiscal year-end basis, of cash distributions received by the California Plan plus remaining value of partnership assets attributable to the California Plan's investment in each alternative investment vehicle.
6. The net internal rate of return of each alternative investment vehicle since inception.
7. The investment multiple of each alternative investment vehicle since inception.
8. The dollar amount of the total management fees and costs paid on an annual fiscal year-end basis, by the California Plan to each alternative investment vehicle.
9. The dollar amount of cash profit received by California Plans from each alternative investment vehicle on a fiscal year-end basis.

Alternative Investments - Private Equity, Private Credit and Private Real Estate

Code 7514.7 Disclosure Requirement: 2021 Calendar Year Data

Partnerships - Firm Name	Commitment ($)	Ending Market Value, Net ($)	Mgmt. Fee ($)	Partnership Expenses ($)	Offsets Paid (Received) ($)	Other Fees & Exp.s paid to the GP ($)	Carried Interest Paid (Rec.d) ($)	Fees & Exp.s Paid to Affiliates ($)	Fees Paid to Underlying Funds / Co.s ($)	Total Fees Paid ($)
Almanac VI *	30,000,000	4,141,803	44,685	3,878	--	--	(2,718)	--	--	45,845
AG Core Plus IV *	20,000,000	14,323,468	249,758	--	--	--	929,019	--	--	1,178,777
Berkeley Ptr.s V	40,000,000	23,993,057	600,000	13,682	--	1,645	850,470	--	--	1,465,797
Blackrock – Direct Lending	100,000,000	60,650,746	450,988	317,869	--	--	439,340	--	--	1,208,197
BlackRock – Power and Energy	50,000,000	24,546,720	608,322	184,021	(415)	--	348,304	--	--	1,140,232
Crestline Fund II	45,000,000	18,958,303	147,157	53,230	--	--	148,740	--	--	349,127
Davidson Kemp. V **	50,000,000	9,040,182	515,825	--	--	5,244	--	--	--	521,069
Greenfield V	30,000,000	222,885	--	4,473	--	--	(1,146)	--	--	3,327
Greenfield VI	20,000,000	35,318	503	11,804	--	85	(13,847)	--	16	(1,439)
Greenfield VII	19,122,340	9,317,604	239,772	52,240	--	1,582	517,750	--	468	811,812
Grandview I	30,000,000	19,658,666	362,806	148,563	--	26,036	1,966,367	--	10,758	2,514,530
HPS EU Value II	50,000,000	20,589,571	272,516	86,172	--	--	--	--	--	358,688
Medley Fund II	50,000,000	11,154,548	135,739	122,826	(32,449)	--	--	--	--	226,116
Mesa West IV	75,000,000	25,501,797	462,082	147,820	--	66,867	209,866	--	--	886,635
Miller Global VI	30,000,000	931,833	35,569	41,409	--	--	--	--	10,923	87,901
Miller Global VII	15,000,000	45,865	13,013	29,386	--	--	--	--	2,874	45,273
Morgan Creek III *	10,000,000	6,571,365	153,576	172,795	--	--	--	--	--	326,371
Morgan Creek V *	12,000,000	8,753,506	94,782	221,630	--	--	(738,104)	--	--	(421,692)
Morgan Creek VI *	20,000,000	25,628,214	113,742	185,155	--	--	(1,756,664)	--	--	(1,457,767)
Oaktree	50,000,000	31,338,491	703,831	443,919	(884)	51,898	--	--	5,510	1,204,274
Ocean Avenue II	40,000,000	41,809,792	282,945	53,879	--	--	1,094,966	--	--	1,431,790
Ocean Avenue III	50,000,000	47,737,032	375,000	72,565	--	--	2,087,170	--	--	2,534,735
Ocean Avenue IV	50,000,000	44,642,679	625,000	71,369	--	--	1,342,603	--	--	2,038,972
Principal	25,000,000	42,082,981	350,081	16,102	--	--	--	--	--	366,183
Prologis	54,646,229	116,824,394	414,141	54,481	--	--	7,144,931	--	--	7,613,553
Raven II	45,000,000	5,529,199	--	105,444	--	--	--	--	--	105,444
Raven III	50,000,000	53,292,281	719,837	479,195	--	--	--	--	--	1,199,032
RREEF II *	45,000,000	60,104,808	502,690	--	--	--	--	--	--	502,690
Stellex II	50,000,000	11,491,112	948,709	231,795	(42,909)	--	--	--	--	1,137,595
Stockbridge III	45,000,000	35,554,041	436,196	55,287	--	--	2,784,721	--	1,860	3,278,064
Walton Street V	30,000,000	1,662,030	--	--	--	--	--	--	--	0
Walton Street VI	15,000,000	5,597,145	24,988	--	--	--	161,847	--	--	186,835
White Oak – Summit	50,000,000	33,764,696	399,001	156,092	--	25,000	(942,177)	--	16,845	(345,239)
White Oak - Yield	50,000,000	42,610,367	421,639	209,035	--	--	--	--	--	630,674

* Manager responses are not required for real estate accounts invested in prior to 2019, therefore we relied on capital statements previously provided.
** Data provided by manager is as of December 31, 2021 as written response not provided prior to publish date.

Code Section 6254.26 Disclosure Requirement: Since Inception Date

Partnerships - Firm Name	Address (City, State)	Vintage	Commitment ($)	Contributions ($)	Distributions ($)	Ending Market Value ($)	Since Inception - IRR (%) *	Net Equity Multiple - TVPI *
Almanac VI *	New York, NY	2011	30,000,000	19,100,000	21,000,000	4,141,803	9.5	1.3
AG Core Plus IV *	New York, NY	2014	20,000,000	19,000,000	12,100,000	14,323,468	9.0	1.4
Berkeley Ptr.s V	San Francisco, CA	2020	40,000,000	20,346,181	505,730	23,993,057	--	1.2
Blackrock – Direct Lending	New York, NY	2020	100,000,000	58,538,052	1,900,000	60,650,746	9.9	1.1
BlackRock – Power and Energy	New York, NY	2019	50,000,000	26,132,956	4,529,125	24,546,720	9.9	1.1
Crestline Fund II	Dallas, TX	2013	45,000,000	32,440,403	24,275,285	18,958,303	5.4	1.3
Davidson Kemp. V **	New York, NY	2020	50,000,000	7,766,180	--	9,040,182	30.5	1.2
Greenfield V	Westport, CT	2007	30,000,000	29,580,000	40,387,138	222,885	8.3	1.4
Greenfield VI	Westport, CT	2011	20,000,000	19,186,320	26,192,444	35,318	9.6	1.4
Greenfield VII	Westport, CT	2013	19,122,340	18,275,000	22,427,130	9,317,604	13.7	1.7
Grandview I	Westport, CT	2017	30,000,000	22,240,181	19,127,005	19,658,666	24.8	1.6
HPS EU Value II	New York, NY	2020	50,000,000	20,048,320	270,717	20,589,571	5.2	1.0
Medley Fund II	San Francisco, CA	2012	50,000,000	62,355,850	54,808,339	11,154,548	1.3	1.1
Mesa West IV	Los Angeles, CA	2016	75,000,000	45,000,000	30,456,062	25,501,797	7.8	1.2
Miller Global VI	Denver, CO	2007	30,000,000	21,120,008	32,406,695	931,833	7.8	1.6
Miller Global VII	Denver, CO	2012	15,000,000	12,112,563	15,898,893	45,865	14.2	1.3
Morgan Creek III *	Raleigh, NC	2015	10,000,000	9,900,000	429,488	6,571,365	41.5	1.9
Morgan Creek V *	Raleigh, NC	2013	12,000,000	11,520,000	7,001,758	8,753,506	20.4	2.3
Morgan Creek VI *	Raleigh, NC	2015	20,000,000	18,200,000	3,768,335	25,628,214	76.2	3.2
Oaktree	New York, NY	2018	50,000,000	35,100,000	11,322,518	31,338,491	13.4	1.2
Ocean Avenue II	Los Angeles, CA	2013	40,000,000	36,000,000	48,977,584	41,809,792	44.6	3.0
Ocean Avenue III	Los Angeles, CA	2016	50,000,000	44,000,000	48,000,000	47,737,032	59.3	2.9
Ocean Avenue IV	Los Angeles, CA	2019	50,000,000	33,500,000	6,500,000	44,642,679	46.1	1.5
Principal	Des Moines, IA	2015	25,000,000	25,000,000	--	42,082,981	9.0	1.7
Prologis	New York, NY	2004	54,646,229	54,646,229	20,147,233	116,824,394	7.9	2.2
Raven II	Los Angeles, CA	2014	45,000,000	42,866,666	37,790,049	5,529,199	0.9	1.0
Raven III	Los Angeles, CA	2015	50,000,000	50,000,000	17,880,917	53,292,281	7.2	1.3
RREEF II *	San Francisco, CA	2002	45,000,000	45,000,000	8,700,000	60,104,808	8.7	1.5
Stellex II	New York, NY	2021	50,000,000	12,568,940	--	11,491,112	--	--
Stockbridge III	San Francisco, CA	2017	45,000,000	39,086,620	21,525,199	35,554,041	19.0	1.5
Walton Street V	Chicago, IL	2005	30,000,000	30,000,000	20,256,748	1,662,030	(3.4)	1.2
Walton Street VI	Chicago, IL	2007	15,000,000	13,297,180	15,218,103	5,597,145	8.2	1.6
White Oak – Summit	San Francisco, CA	2016	50,000,000	67,589,518	45,996,993	33,764,696	5.9	1.2
White Oak - Yield	San Francisco, CA	2019	50,000,000	48,918,995	9,310,636	42,610,367	3.4	1.1

* Data provided by MIG's Real Estate group or from MIG's internal system, Investment Metrics.

** Data provided by manager is as of December 31, 2021 as written response not provided prior to publish date

WE HAVE PREPARED THIS REPORT (THIS "REPORT") FOR THE SOLE BENEFIT OF THE INTENDED RECIPIENT (THE "RECIPIENT").

SIGNIFICANT EVENTS MAY OCCUR (OR HAVE OCCURRED) AFTER THE DATE OF THIS REPORT AND THAT IT IS NOT OUR FUNCTION OR RESPONSIBILITY TO UPDATE THIS REPORT. ANY OPINIONS OR RECOMMENDATIONS PRESENTED HEREIN REPRESENT OUR GOOD FAITH VIEWS AS OF THE DATE OF THIS REPORT AND ARE SUBJECT TO CHANGE AT ANY TIME. ALL INVESTMENTS INVOLVE RISK. THERE CAN BE NO GUARANTEE THAT THE STRATEGIES, TACTICS, AND METHODS DISCUSSED HERE WILL BE SUCCESSFUL.

INFORMATION USED TO PREPARE THIS REPORT WAS OBTAINED FROM INVESTMENT MANAGERS, CUSTODIANS, AND OTHER EXTERNAL SOURCES. WHILE WE HAVE EXERCISED REASONABLE CARE IN PREPARING THIS REPORT, WE CANNOT GUARANTEE THE ACCURACY OF ALL SOURCE INFORMATION CONTAINED HEREIN.

CERTAIN INFORMATION CONTAINED IN THIS REPORT MAY CONSTITUTE "FORWARD - LOOKING STATEMENTS," WHICH CAN BE IDENTIFIED BY THE USE OF TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "AIM", "ANTICIPATE," "TARGET," "PROJECT," "ESTIMATE," "INTEND," "CONTINUE" OR "BELIEVE," OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. ANY FORWARD - LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION ARE BASED UPON CURRENT ASSUMPTIONS. CHANGES TO ANY ASSUMPTIONS MAY HAVE A MATERIAL IMPACT ON FORWARD LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS. ACTUAL RESULTS MAY THEREFORE BE MATERIALLY DIFFERENT FROM ANY FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION.

PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

MEKETA
INVESTMENT GROUP

2175 NW Raleigh Street
Suite 300A
Portland, OR 97210

503.226.1050
Meketa.com

MEMORANDUM

TO: SJCERA Board of Retirement
FROM: Meketa Investment Group (Meketa)
DATE: July 8, 2022
RE: Implementation Plan: Newly Adopted 2022 Strategic Allocation Targets

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Summary

At its June 2022 meeting, the SJCERA Board approved a new long-term strategic allocation policy for its investment assets (see table below). Based on several projection statistics highlighted in the table, this new policy should increase the likelihood of providing improved outcomes for the Association over its planning horizon.

Comparison of SJCERA's current policy with new Long-term Allocation

Strategic Classes	Current	New	Change
Broad Growth	**75.0**	**80.0**	**5.0**
Aggressive Growth	10.0	16.0	6.0
Traditional Growth	32.0	34.0	2.0
Stabilized Growth	33.0	30.0	-3.0
Risk Parity	*10.0*	*6.0*	*-4.0*
Credit	*17.0*	*15.0*	-2.0
Core Real Assets	*6.0*	*9.0*	3.0
Diversifying Strategies	**25.0**	**20.0**	**-5.0**
Principal Protection	10.0	7.0	-3.0
CRO	15.0	13.0	-2.0
20 Year Simulation Stats	**Current (%)**	**New (%)**	**Change (%)**
Median Scenario Compound Return	6.60	7.00	0.40
Average Scenario Standard Deviation	9.5	10.5	1.0
Sharpe Ratio	0.52	0.50	-0.0

From an allocation perspective, the major change is an increase in growth-oriented assets (largely aggressive/traditional equity mandates) from the Crisis Risk Offset® (CRO®) and Principal Protection. In addition, there are changes to the Credit, Risk Parity, and Core Real Asset allocations that will need to occur within the stabilized Growth Class. These changes, as described in further detail below, will occur following class reviews and timing of recommended changes so as not to disrupt the portfolio's return/diversification production capabilities in the near term.

Strategic Classes	Current Allocation	8/1/2022-3/31/2023	4/1/2023-12/31/2023	1/1/2024-6/30/2024	Long-Term Target
Broad Growth	**75**	**76**	**78**	**80**	**80**
Aggressive Growth	10	10	12	14	16
Traditional Growth	32	33	34	34	34
Stabilized Growth	33	33	32	32	30
Risk Parity	*10*	*10*	*9*	*8*	*6*
Credit	*17*	*16*	*16*	*15*	*15*
Core Real Assets	*6*	*6*	*7*	*8*	*9*
Diversifying Strategies	**25**	**24**	**22**	**20**	**20**
Principal Protection	10	9	8	7	7
CRO	15	15	14	13	13

An Evolving Strategic Policy

As highlighted above, one feature of adopting the new strategic policy is that it will require a significant amount of change, both from an asset adjustment standpoint and from the perspective of updating and searching for new potential managers. When working with other clients in similar positions, Meketa has found that it can be challenging to keep the actual portfolio aligned with the intended long-term policy portfolio. Specifically, some moves/adjustments toward policy allocations take significant time, resulting in an actual portfolio that may deviate significantly from its policy benchmark, from both investment performance and asset allocation perspectives.

To help resolve and/or manage this issue, Meketa is recommending an "evolving policy" (see table above). Under an evolving policy framework, the policy portfolio is allowed to adjust over time, reflecting the incremental funding nature that many of the minor classes require to achieve their policy targets. Typically, the plan sponsor selects a 1-to-3-year window over which it believes it can attain the adopted policy targets. For SJCERA, we will attempt to move faster depending upon market conditions.

MEKETA
INVESTMENT GROUP

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MEMORANDUM

TO: SJCERA Board of Retirement
FROM: Meketa Investment Group (Meketa)
DATE: July 8, 2022
RE: Preliminary 2022 Roundtable Overview

Discussion and Overview:

In preparation for the upcoming SJCERA 2022 Roundtable on October 6th, Meketa and SJCERA staff have developed several topics that we would like you to consider to help guide the discussions.

→ **Global Investing** – Globalization or nationalism? As capital markets become more/less global can countries like Greece, Spain and India play a major role in market movements? Where does the US equity markets fit within this structure?

→ **Inflation (Real Assets)** – Trillions of dollars in federal stimulus, rapid increases in prices for goods and high demand has caused significant inflation. What is Inflation? What can SJCERA do to benefit and protect the portfolio? Are there tools other than Real Assets that SJCERA should consider?

→ **Interest Rates and the Markets** – Does the current and expected interest rate policy make sense given the high level of inflation? Can the federal government control the economy or is it to late?

→ **Equities and Bonds** – Higher interest rates and falling equities has led to a higher correlation for stocks and bonds. Is fixed income still a diversifier? Are there segments of the equity markets that still hold value? What about China?

→ **Illiquid Investing** – Following the strong returns of the equity markets in 2021, does Private investing still make sense? Where are the opportunities? Can Real Estate, Private Credit and Private Equity continue to add value?

Format:

Similar to the 2021 Roundtable, Meketa and staff would like to utilize a keynote speaker, have educational panels and a Q&A discussion session with Board trustees, managers and advisors.

As we put together the roundtable discussion, our aim is to make the meeting useful for the SJCERA board members. Meketa and SJCERA staff seek your input into these topics. Meketa will work with staff to further develop the roundtable and make this a productive event for everyone involved.

2022 CONFERENCES AND EVENTS SCHEDULE 2022

EVENT DATES 2022 BEGIN	END	EVENT TITLE	EVENT SPONSOR	LOCATION	REG. FEE	WEBLINK FOR MORE INFO	EST. BOARD EDUCATION HOURS
Jun 24	Jun 24	Administrators' Round Table	CALAPRS	Webinar	$50	calaprs.org	5 hrs*
Jun 27	Jun 29	NCPERS Chief Officer Summit	NCPERS	San Francisco, CA		ncpers.org	16hrs
Jul 17	Jul 20	Public Pension Investment Management Program - UC Berkeley Program	SACRS	Berkeley, CA	$2500	sacrs.org	24 hrs
Aug 6	Aug 10	National Association of State Retirment Administrators	NASRA	Long Beach, CA	TBD	nasra.org	TBD
Aug 21	Aug 23	Public Pension Funding Forum	NCPERS	Los Angeles, CA	$720	ncpers.org	4.75 hrs *
Aug 29	Sep 1	Principles of Pension Governance for Trustees	CALAPRS	TBD	$3000	calaprs.org	9 hrs*
Sep 6	Sep 8	2022 Fall Editorial Advisory Board Meeting	IREI	TBD	TBD	irei.com	TBD
Sep 8	Sep 8	Investments Round Table	CALAPRS	Webinar	$50	calaprs.org	4 hrs*
Sep 16	Sep 16	Attorneys Round Table	CALAPRS	Webinar	$50	calaprs.org	4 hrs*
Sep 28	Sep 29	ILPA Institute: Private Equity for the Trustee San Francisco	ILPA	San Francisco, CA	$1499	ilpa.org	12 hrs*
Oct 17	Oct 18	Nossaman's 2022 Public Pensions & Investments Fiduciaries' Forum	Nossaman's	Los Angeles, CA	TBD	nossaman.com	TBD
Oct 28	Oct 28	Trustees Round Table	CALAPRS	Webinar	$50	calaprs.org	2022 ANNUA
Nov 8	Nov 11	SACRS Fall Conference	SACRS	Long Beach, CA	$120	sacrs.org	11 hrs*

** Estimates based on prior agendas*

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION SUMMARY OF PENDING TRUSTEE AND EXECUTIVE STAFF TRAVEL					
2022 Event Dates	**Sponsor / Event Description**	**Location**	**Traveler(s)**	**Estimated Cost**	**BOR Approval Date**
Jul 17-20	SACRS UC Berkeley Program	Berkeley, CA	Brian McKelvey, JC Weydert	$9,000	N/A
Sep 6-8	IREI Fall Advisory Board Meeting	Southern Calif	Mike Restuccia	TBD	6/3/22

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

SUMMARY OF COMPLETED TRUSTEE AND EXECUTIVE STAFF TRAVEL

Event Dates 2022	Sponsor / Event Description	Location	Traveler(s)	Estimated Cost	Actual Cost	Event Report Filed
Feb 11	CALAPRS Administrators' Roundtable	Webinar	McKelvey, Shick	$100	$100	N/A
Feb 18	CALAPRS Attorneys' Roundtable	Webinar	Morrish	$50	$50	N/A
Mar 5 - 8	CALAPRS General Assembly	San Diego, CA	McKelvey, Shick	$4,000	$1,798.50	N/A
Apr 29	Special Virtual Trustee Round Table	Virtual Conference	Moore, Bassett, Weydert, McKelvey	$200	$200	N/A
May 10 - 13	SACRS Spring Conference	Rancho Mirage, CA	Weydert, Keokham, McKelvey, Morrish	$6,800	TBD	N/A
May 27	CALAPRS Administrators' Roundtable	Webinar	Morrish	$50	$50	N/A
Jun 24	CALAPRS Administrators' Round Table	Webinar	Johanna Shick, Brian McKelvey	$100	$100	N/A
Jun 27-29	NCPERS - 2022 Chief Officers Summit	San Francisco	Brian McKelvey	$1,750	TBD	

Agenda Item 14.03

July 8, 2022

SUBJECT: Pending Member Accounts Receivable – 2nd Quarter

SUBMITTED FOR: ___ CONSENT __ ACTION __X_ INFORMATION

RECOMMENDATION

This report is submitted for the Board's information.

PURPOSE

To report the quarterly summary of pending accounts receivables for SJCERA retired or deferred members as of June 30, 2022.

DISCUSSION

This quarter's Pending Accounts Receivable Report, below, includes all receivables owed by either retirees, beneficiaries or deferred members.

QUARTERLY SUMMARY REPORT OF PENDING ACCOUNTS RECEIVABLE - SJCERA MEMBERS

2nd Quarter - April through June 2022

	Action Date	Total Receivable	Payments Began	Current Balance	Current Payment	Payment Description	Payment End Date	First Reported To Board
1	07/15/09	$11,475.48	05/01/11	$6,632.93	$163.00	Fixed Dollar Amount	10/01/25	Jul-11
2	09/01/12	$13,580.90	02/01/14	$5,039.34	$297.00	Fixed Dollar Amount	11/01/24	Apr-14
3	05/19/02	$35,537.23	11/01/15	$15,810.44	$284.59	Fixed Dollar Amount	12/01/27	Jan-16
4	03/11/21	$12,035.49	06/01/21	$7,680.49	$335.00	Fixed Dollar Amount	05/01/24	Apr-21
5	04/12/21	$180.95	06/01/21	$0.00	$30.15	Fixed Dollar Amount	06/01/22	May-21
6	10/01/21	$2,040.00	10/01/21	$0.00	$226.67	Fixed Dollar Amount	06/01/22	Jan-22

Total Accounts Receivable as of 6/30/2022 $35,163.20

No new receivables in the second quarter of 2022 and item five and six have been completely been repaid as of June 2022.

BRIAN MCKELVEY
Asst. Chief Executive Officer

Pending Disability Application Statistics
2nd Quarter 2022
Open Cases

SJCERA received 3 disability applications during Q2 2022.

Time Elapsed From Application Date	
01 - 03 Months	3
04 - 06 Months	0
07 - 09 Months	5
10 - 12 Months	3
13 - 15 Months	3
16 - 18 Months	2
19 - 21 Months	0
22 - 24 Months	0
Over 24 Months	0
Total	**16**

Break Down By Application Type	
Service-Connected	14
Nonservice Connected	1
Service & Nonservice Connected	1
Total	**16**

Breakdown By Department	Service	Nonservice	Service & Nonservice	Total	SJCERA Members	Ratio
Child Support	1	0	0	1	179	0.56%
Courts	0	1	0	1	298	0.34%
EEDD	1	0	0	1	109	0.92%
Hospital	0	0	1	1	1,004	0.10%
Health Services Agency	1	0	0	1	908	0.11%
Probation	2	0	0	2	264	0.76%
Public Works	3	0	0	3	370	0.81%
Sheriff	6	0	0	6	806	0.74%
Totals	14	1	1	16	3,938	0.41%
Total SJCERA Active Members For All Departments As of 06/30/2022					**6,333**	**0.25%**
Total Number of Department Groups					**8**	

2022 Total Cases Resolved = 5

Goal #1 - 100% of applications that do not require a hearing will go to the Board within 9 months
Goal #2 - 80% of applications requiring a hearing will go to the Board within 18 months

Goal #1 66.66% Completed within 9 months
Goal #2 0% Completed with Hearing within 18 months

Of the three cases resolved in Q2 2022, two closed cases were completed within the 9-month Goal # 1 period with the other being closed within 11 months. Two open cases requiring a hearing are both on track to be completed within the 18-month goal defined in Goal #2 as both hearings were completed during Q2 2022. Staff and our disability attorney continue to meet weekly and taking action to ensure all cases are moving through the process as timely as possible.

Calendar Year Comparison
1/1 to 12/31

	2017	2018	2019	2020	2021	Q2 2022
New	37	41	13	7	16	3
Granted	27	21	19	10	8	3
Denied	6	3	2	4	3	0
Dismissed	11	4	6	2	0	0
Withdrawn	5	0	4	0	0	0
Total Closed	49	28	31	16	11	3

2022 LEGISLATION

Last Updated: 7/1/2022

BILL NO.	AUTHOR	DESCRIPTION	LAST ACTION DATE	LOC	SPONSOR
Legislation Impacting SJCERA:					
AB 1824	Cooper	This bill represents the annual omnibus bill to propose technical "housekeeping" amendments to the CERL and PERL. This bill would 1) allow members to designate a corporation, trust, or estate to receive their last check upon death, 2) prohibit retirement date from being earlier than date of application filed with Board or more than 60 days after the date of filing the application, 3) require any computation for absence related to death benefit calculation be based on the compensation held by member at beginning of absence, and 4) make other non-substantive changes to the CERL.	06/30/22	Senate APPR Comm.	SACRS
AB 1944	Lee/Garcia	This bill would amend the Brown Act to 1) require the agenda identify any member of the legislative body that would participate remotely, 2)require an updated agenda reflecting all of the members participating remotely, if a member elects to participate remotely after the agenda is published, 3) authorize, upon determination of majority vote by legislative body, a member to be exempt from identifying the address of the member's teleconference location or having the location accessible to the public, **beginning January 1, 2024, if from a location that is not a public place, provided a quorum participates at the physical location**, and 4) require legislative body that elects to use teleconferencing to provide a video stream accessible to members of the public and an option for members to address the body remotely during the public comment period. This bill would repeal these provisions on January 1, 2030.	06/22/22	Senate Hearing postponed by Committee	
AB 1971	Cooper	This bill would: 1) allow a member to purchase service credit for an uncompensated leave of absence due to the serious illness of a family member, 2) authorize the board to grant members subject to a temporary mandatory furlough the same service credit and FAC calculation as they would have received if there had been no furlough; 3) authorize a member retired for service to serve on a part-time governmental board or commission without reinstatement to membership, provided compensation does not exceed $60,000 annually, 4) authorize a member retired for service who is subsequently granted a disability retirement to change the type of optional or unmodified allowance that they elected at the time the service retirement was granted, 5) a member retired for service who subsequently files an application for disability retirement and, if eligible for disability, would require adjustments to be made in the retirement allowance retroactive to the disability retirement, and 6) require reclassifying a disability retiree's benefit to a service retirement in the same amount if they are subsequently determined not to be incapacitated and the employer will not reinstate them.	06/30/22	Senate L, PE & R Comm. To consent calendar	SACRS
AB 2449	Rubio	Existing law, until January 1, 2024, authorizes a local agency to use teleconferencing without complying with specified teleconferencing requirements when a declared state of emergency is in effect. This bill would authorize a local agency to use teleconferencing without complying with those specified teleconferencing requirements if at least a quorum of the members of the legislative body participates in person from a singular location clearly identified on the agenda that is open to the public and situated within the local agency's jurisdiction. **The state of emergency circumstances for remote participation would be contingent upon an action by the legislative body.**	06/30/22	Assembly APPR Comm.	

BILL NO.	AUTHOR	DESCRIPTION	LAST ACTION DATE	LOC	SPONSOR
AB 2493	Chen	This bill would authorize a county retirement system to adjust retirement payments based on disallowed compensation for peace officers and firefighters of that system. The bill would provide that if the retirement system determines that the compensation reported for a peace officer or firefighter is disallowed compensation, the system would require the employer to discontinue reporting the disallowed compensation. This bill would apply to determinations made on or after July 30, 2020. **The June 30 amendment appears to resolve the issues concerning SJCERA and the County.**	06/30/22	Senate JUD Comm.	
AB 2647	Levine	This bill would require a local agency to make agendas and other writings distributed to the members of the governing board available for public inspection at a public office or location that the agency designates or post the writings on the local agency's internet website in a position and manner that makes it clear that the writing relates to an agenda item for an upcoming meeting.	06/30/22	Senate GOV & F Comm.	
SB 1100	Cortese	This bill would authorize the presiding member of the legislative body conducting a meeting to remove an individual for willfully interrupting the meeting. The bill would require removal to be preceded by a warning by the presiding member, that the individual is disrupting the proceedings, a request that the individual failure to cease their behavior may result in removal, and a reasonable opportunity to cease the disruptive behavior.	06/22/22	Assembly JUD Comm. Ordered to third reading	
SB 1328	McGuire, Cortese	This bill would prohibit boards of specified state and local public retirement systems from making additional or new investments in prohibited companies, as defined, domiciled in Russia or Belarus, as defined, companies that the United States government has designated as complicit in the aggressor countries', as defined, war in Ukraine, or companies that supply military equipment to the aggressor countries, and to liquidate the investments of the board in those companies.	06/21/22	Assembly PE & R and APPR. Comm. Hearing postponed by committee	
Other Bills of Interest:					
AB 1722	Cooper	PERL, until January 1, 2023, provides state safety members who retire for industrial disability a retirement benefit equal to the greatest amount resulting from three possible calculations. This bill would delete the January 1, 2023 termination date which would make them operative in perpetuity.	06/29/22	Senate APPR Comm. To consent calendar	
AB 1795	Fong	This bill would require state bodies to provide all persons the ability to participate both in-person and remotely in any meeting and to address the body remotely.	2/18/22	Assembly G.O. Comm.	
SB 850	Laird	This bill, for purpose of the additional percentage of the special death benefit for service-connected deaths provided under PERL, would require that payment be made to the person having custody of the member's child or children, if the member does not have a surviving spouse or if the surviving spouse dies before each child marries or reaches ate 22. Provisions of this bill would be retroactive to January 1, 2013.	06/22/22	Assembly APPR Comm. To consent calendar	
SB 1114	Newman	This bill would make nonsubstantive changes to the PERL (spot bill).	02/23/22	Senate RLS Comm.	

BILL NO.	AUTHOR	DESCRIPTION	LAST ACTION DATE	LOC	SPONSOR
SB 1168	Cortese	This bill would require PERS to determine the average benefit paid upon the death of a member and would require the board, beginning on July 1, 2023, to increase the $500 beneficiary payment annually in a specified amount, not to exceed the CPI increase, until the beneficiary payment reaches the average benefit paid.	06/22/22	Assembly APPR Comm. To consent calendar	
SB 1173	Gonzalez/ Wiener	This bill would prohibit the boards of PERS & STRS from making new investments or reinvestments of funds in fossil fuel companies and require liquidation of fossil fuel investments by July 1, 2027.	06/20/22	Assembly PE & R and JUD Comm. Hearing postponed by Committee	
SB 1420	Dahle	This bill would require a PERS agency that increases the compensation of a member who was previously employed by a different agency to bear all the actuarial liability for the action, if it results in an increase beyond what would have been reasonably expected for the member.	04/27/22	Senate L, PE & R Comm. (Failed, reconsideration granted)	
Federal Legislation:					
HR 2954	Neal	Called the "Securing a Strong Retirement Act of 2022", this bill would (1) increase RMD age to 75 from 72 over the next decade, (2) provide greater latitude to decide to recoup inadvertent overpayments, (3) permit first responders to exclude service-connected disability pension payments from gross income after reaching retirement age, and (4) expand the Employee Plans Compliance Resolution System (EPCRS) to allow more types of errors to be corrected through self-correction.	03/30/22	Senate Finance Comm.	
HR 3684	DeFazio	Called the "Infrastructure Investment and Jobs Act", better known as the $1 trillion infrastructure bill, includes a crypto tax-reporting provision requiring digital asset brokers to report their users' annual transactions to the IRS effective year-end 2022.	11/15/21	Became Public Law No. 117-58	
HR 4728	Takano	To amend the Fair Labor Standards Act to reduce the standard workweek from 40 hours per week to 32 hours per week.	07/27/21	House Comm. on Education and Labor	

2022 TENTATIVE State Legislative Calendar

Feb 18	Last day for new bills to be introduced
Apr 7	Spring Recess begins upon adjournment
May 27	**Last day for bills to be passed out of the house of origin**
Jun 15	Budget Bill must be passed by midnight
Jul 1 - Aug 1	Summer Recess upon adjournment provided budget bill passed
Aug 25	Last day to amend bills on the floor
Aug 31	Last day for each house to pass bills; Final Study Recess begins upon adjournment
Sept 30	Last day for Governor to sign or veto bills.

July 1, 2022

TO: Board of Retirement

FROM: Johanna Shick
Chief Executive Officer

SUBJECT: Chief Executive Officer Report

Strengthen the long-term financial health of the Retirement Plan

Evaluate the appropriateness of actuarial assumptions

- *Conduct Actuarial Experience Study to assess the appropriateness of, and impact of COVID-19 on key actuarial assumptions.*
  At the July 8 Board meeting, Anne Harper and Tim Doyle of Cheiron will present SJCERA's preliminary Actuarial Experience Study for January 1, 2019 through December 31, 2021 and the 2021 preliminary Valuation results to include economic and demographic assumptions and total cost impact of the Plan. One bit of great news: SJCERA's funded ratio has increased to 78 percent! Just five years ago, the 1/1/2017 valuation reported the funded ratio was 60.3 percent on a market value of assets basis.

Review and confirm or refresh asset allocation

- *Conduct Asset-Liability Study to assess Board's risk tolerance and the level of risk needed to meet the actuarial assumptions*
  At the June 2022 Board meeting, the Board approved a new long-term strategic allocation policy in line with the Board's expressed risk tolerance and goal of achieving the investment return assumption. At the July 8 meeting, David Sancewich of Meketa will present an implementation plan for the Board's newly adopted 2022 Strategic Allocation targets.

- *Deliver target investment return*
  Prologis has announced a transaction to combine with Duke Realty in an all-stock transaction, valued at approximately $26 billion, including the assumption of debt. With this transaction, Prologis is gaining high-quality properties for their portfolio in key geographies, including Southern California, New Jersey, South Florida, Chicago, Dallas and Atlanta. The proposed transaction is expected to close in the fourth quarter of 2022 and for now, it's business as usual at Prologis.

Optimize the investment manager lineup

- *Conduct a review of current managers and mandates to better align with our Strategic Asset Allocation policy.* In accordance with SJCERA's real estate and private equity pacing studies, the Board will be presented an investment opportunity at the July 8 Board meeting, private equity funds (BlackRock Global Infrastructure Fund IV).

Modernize the operations infrastructure

Implement Pension Administration System (PAS)

- *Contract with Project Manager to lead PAS Implementation and Data Conversion projects*
  On June 14, after the Administrative Committee Meeting, SJCERA received an updated Statement of Work (SOW) from Linea Solutions for Project Management Oversight which reflects a total cost of $2,523,440. This cost represents an increase of $740,400 over the Proposal Estimate from RFP 2021-03. Project Management Oversight cost increase is solely associated to an increase in the project's duration, not an increase to the pricing of project management oversight services. The Data Conversion and PAS projects are projected to take approximately 51 months beginning July 2022, which requires

15 more months of project management services than what was originally proposed. The 2022 mid-year budget adjustment, accepted by the Administrative Committee on June 13, is unaffected by the increased project duration, as the rate for the services provided has remained constant.

- *Contract with Pension Administration System (PAS) vendor*
  Contract negotiations with Tegrit Software Ventures has been re-prioritized in order to ensure the Data Conversion vendor contract is completed by early July. Once the Data Conversion vendor contract is signed, contract negotiations will resume with Tegrit. The PAS project is expected to begin the first quarter of 2023 so there is plenty of time yet to complete negotiations.

- *Contract with Data Conversion vendor*
  At the May 6, 2022 meeting, the Board approved staff's recommendation to increase the budget by $589,797 to hire Managed Business Solutions (MBS) to provide data cleansing services. On June 21, ACEO Brian McKelvey, Counsel, Linea Solutions and MBS met June 21 to walk through all contract documents. The final contract is expected to be signed in early July and the Data Conversion Project is scheduled to start July 25.

<u>Enhance the member experience</u>

- *Complete improvements to website architecture and functionality*
  Rolling Orange has completed development on the new SJCERA website and content is now being added. Communications Officer, Kendra Fenner, will manage SJCERA's user acceptance testing (UAT) starting in early July, and website implementation is scheduled for July 29. Post implementation support will be provided after implementation by Rolling Orange to correct any outstanding issues, and to train staff to manage ongoing content changes on the new website.

- *Identify the conditions necessary to enable a full-service member portal, and develop and initiate a plan to fulfill those conditions*
  During the June 13 Administrative Committee Meeting, SJCERA leadership presented a new Electronic Signature policy that not only addresses SJCERA's current use of electronic signatures, but also lays the foundation for accepting documents via a full-service member portal. By establishing the Electronic Signature policy in advance of the full-service member portal, current operational process can be streamlined now. In the future, when members submit electronically signed forms via the web portal, it will automatically (and immediately) initiate a task, improving staff efficiency, workload tracking and member service.

<u>Improve technology for business operations</u>

- *Begin Windows Server infrastructure implementation*
  All hardware has been received and installed. Information Systems Manager Adnan Khan, and Information Systems Analyst II Lolo Garza, are actively installing and configuration our new Windows Server infrastructure. As mentioned previously, these activities are required to be completed before the Data Conversion project begins due to the technical requirements of the project.

<u>Improve the employer experience</u>

Communications Officer Kendra Fenner revised the *Employer Notice* summarizing the retiree return to work rules for employers. The *Notice* describes the general statutory rules and provides specific guidance to employers on requirements in effect as of July 1 for retirees hired before and after April 1, the date the Governor reinstated the normal, statutory rules, rescinding previous orders that created exceptions to those rules. The *Notice,* distributed to employers, is also available on the Employers page of www.sjcera.org.

Align resources and organizational capabilities

<u>Implement strategies designed to support staff and maintain morale during PAS project</u>

- On Friday, July 1, staff celebrated Independence Day with a potluck, patriotic themed goodies, red, white and blue attire and played trivia games. Fun was had by all.


- Employee of the Month: Lolo Garza was named employee of the month for his commitment, dedication and persistence. Lolo has gone the extra mile, working after hours and on scheduled out-of-office days to conduct network configuration and testing with County IT. His systems knowledge and dedication keep SJCERA's systems functioning quickly and reliability and ensures our continued connectivity with the County. Congratulations, and thank you, Lolo!

<u>Enhance education and development across all levels of the organization</u>

- *Offer training and development opportunities intended to strengthen SJCERA's on-boarding and* succession planning

  SJCERA's Administrative Secretary, Elaina Petersen serves as our training coordinator. As part of those duties, she monitors SJCERA's compliance with County Mandatory Training Guidelines. Due to Elaina's scheduling skills, persistence and gentle reminders, SJCERA is now at 78 percent compliance, up from the 66 percent compliant reflected in my June report. The goal is to be 100 percent compliant by December 31, 2022.

  On June 24, two CALAPRS Roundtable sessions were held. Retirement Services Associate, Ron Banez, and Retirement Services Officer Melinda De Olivera attended the CALAPRS Benefits Roundtable and CEO Johanna Shick, and ACEO Brian McKelvey, attended the Administrators' Roundtable.

  Retirement Services Officer, Melinda DeOlivera and Retirement Investment Accountant, Eve Cavender are participating in the CALAPRS Management/Leadership Academy, attending the second of three sessions June 13 - 15. The Academy is designed to expose individuals to enterprise management, problem solving, leadership and a feedback component in the retirement system context. The third and final session is scheduled for July 25 – 27.

  CEO Johanna Shick, attended a Conducting the Business of the Board webinar on June 21, conducted by BoardSmart, an educational enterprise affiliated with Funston Advisory Services (a governance consulting firm). Rick Funston facilitated and provided context, reviewing the Board's purpose, and its five fiduciary duties: conduct business, set direction and delegate, approve decisions, oversee execution, verify then trust. In this session on conducting the business of the Board, the topics discussed included setting the ethical tone/instilling a strong culture; setting the policy agenda/calendar; effectively engaging the board, leveraging committees for research, oversight and verification; communicating effectively; self-evaluation and continuous development; providing individualized onboarding and continuing education; establishing and maintaining clear lines of relationship; and selecting, evaluating and planning for executive succession. The session's slides are attached for your reference.

On June 27 – 29, Brian McKelvey attended the NCPERS Chief Officers Summit in San Francisco. The conference held parallel information sessions for improving operations and investment trends. Key topics covered included Artificial Intelligence in Retirement Administration, Liability-Aware Investing Framework for Public Funds, Plan-Level Leverage, Cybersecurity, Future of Core Real Estate, and New Methods for Capital Markets Assumptions. Based on the information presented, SJCERA is already ahead of the curve in the area of Cybersecurity and the topics covered in the Future of Core Real Estate were similarly discussed at the June 2022 Board Meeting. More than 29 retirement system CEOs and CIOs from across the country attended the conference.

Maintain Business Operations

Investment Roundtable. Save the Date reminders for SJCERA's Investment Roundtable, October 6, 2022, were sent to Investment Managers, Employers and Labor Organization Representatives. The reminder is attached for your review.

Submission of Annual Financial Reports

On June 30, Financial Officer Carmen Murillo, Investment Accountant Eve Cavendar, and Communications Officer Kendra Fenner, completed their final reviews and submitted the Annual Comprehensive Financial Report (ACFR), the Popular Annual Financial Report (PAFR), and the State Controllers Report for the Fiscal Year Ended December 31, 2021. Annually, these reports include information from the audited financial statements, the previous year's Actuarial Valuation report and require thorough review and edits throughout the two-month project. The ACFR and PAFR are now available on the Financials page at www.sjcera.org. The PAFR will be emailed to all active members, enclosed with retirees' August benefit statement, and mailed to deferred members with their annual member statements.

Build SJCERA's Relationship with the County

- *Outreach to County Supervisors.*
  In preparation for the June 21, 2022 Board of Supervisors meeting, I reached out to each County Supervisor and offered to discuss any questions they might have about SJCERA's annual financial report. Our financial report was on their consent calendar to receive and file; however, Chair Winn asked me to provide a few comments to the Board, sharing the good news reflected in the financial statements. Highlights from this year's report include:
  - SJCERA's investment return for the calendar year was 13.6 percent—nearly double the assumed rate of return of 7 percent.
  - SJCERA's unfunded liability is the lowest it's been since 2012—a decade ago.
  - SJCERA's funded ratio, at about 78 percent, is the highest it's been since before the great financial crisis

- *Outreach to County Administration regarding AB 2493*
  This month, I've had several interactions with the County regarding Assembly Bill 2493—County Employees' Retirement/Disallowed Compensation/Benefits Adjustment. Most recently, I proactively reached out to the County Administrator's Office to provide a copy of the amended bill (published the evening of June 30) along with SJCERA's assessment that the amended version addresses SJCERA's concerns and appears to address the County's concerns regarding requiring the County to pay affected members 20 percent of the actuarial equivalent present value of the difference between the monthly allowance that was predicated on disallowed compensation and the adjusted monthly allowance required by PEPRA and *Alameda.* It appears that payment is no longer applicable in our County because of the addition of the following language:

  (5) In lieu of the process described in paragraphs (3) and (4), a system that has initiated a process prior to July 1, 2022, to permanently adjust the benefit of the affected retired member, survivor, or beneficiary to reflect the exclusion of the disallowed compensation pursuant to paragraph (2)

may continue to use that process provided that it is consistent with PEPRA as it read on July 1, 2022, and with Alameda.

Paragraph 3 contains the provision that would require the County to pay the affected retired member the 20 percent actuarial equivalent present value. As SJCERA has completed its Alameda implementation it appears that the provisions in paragraphs 3 and 4 would be inapplicable. Of course, the County will want to have their own legal counsel opine on this, but I wanted to bring this potentially good news to their attention so the County could look into it further.

Educate Members

SJCERA sends periodic emails to active members of all our employers. Communications Officer, Kendra Fenner wrote and coordinated the distribution of an email to active members this month: Retirement Insights: How Your Benefit is Calculated (copied below).

From: "ISD Service Desk [ISD]" <isdservicedesk@sjgov.org>
Subject: [EXT] Retirement Insights: How Your Benefit is Calculated
Date: June 21, 2022 at 8:46:50 AM PDT
To: "ISD Service Desk [ISD]" <isdservicedesk@sjgov.org>

Sent on behalf of Johanna Shick, Chief Executive Officer, SJCERA:
(Sent to All County Employees)

Retirement Insights: How Your Benefit is Calculated

As you prepare to retire, SJCERA will use three factors to determine your lifetime Retirement Monthly Benefit: your age factor (age at retirement), years of service and final average compensation. These three factors are multiplied together in a formula, (see example below), to calculate your monthly retirement benefit and adjusted for the Retirement Benefit Option you choose.

Age Factor	X	Years of Service Credit	X	Final Average Compensation	=	Lifetime Monthly Benefit
2.5%.	X	30 Years	X	$6,000/month	=	$4,500 per month

In general, the higher these factors, the greater your benefit. For more information or to estimate your benefit, use our Retirement Benefit Calculator or watch the tutorial video.

Provide Excellent Customer Service

A few quotes from our members:

- "As helpful as Leonor was it was her kindness that showed through. It felt that she really cared."
- "Kathleen was very helpful and we gratefully appreciate her assistance…Thank you for having such a helpful and knowledgeable representative…she deserves a raise!!"
- "Bethany has an excellent customer service. She takes her time talking to you. She answered all questions that I had and responded to my query in a timely manner. Thanks again!"

Conclusion

Happy Anniversary to SJCERA! Who would have thought we would be celebrating another year of new heights? A special thank you to the Board of Retirement for their leadership and advisors who ensure SJCERA's successful operations. My deepest gratitude to our staff who go the extra mile to provide our members with exceptional customer service and make it all happen. Their commitment to our mission and members continues to impress me. I am honored to be a part of this outstanding organization.

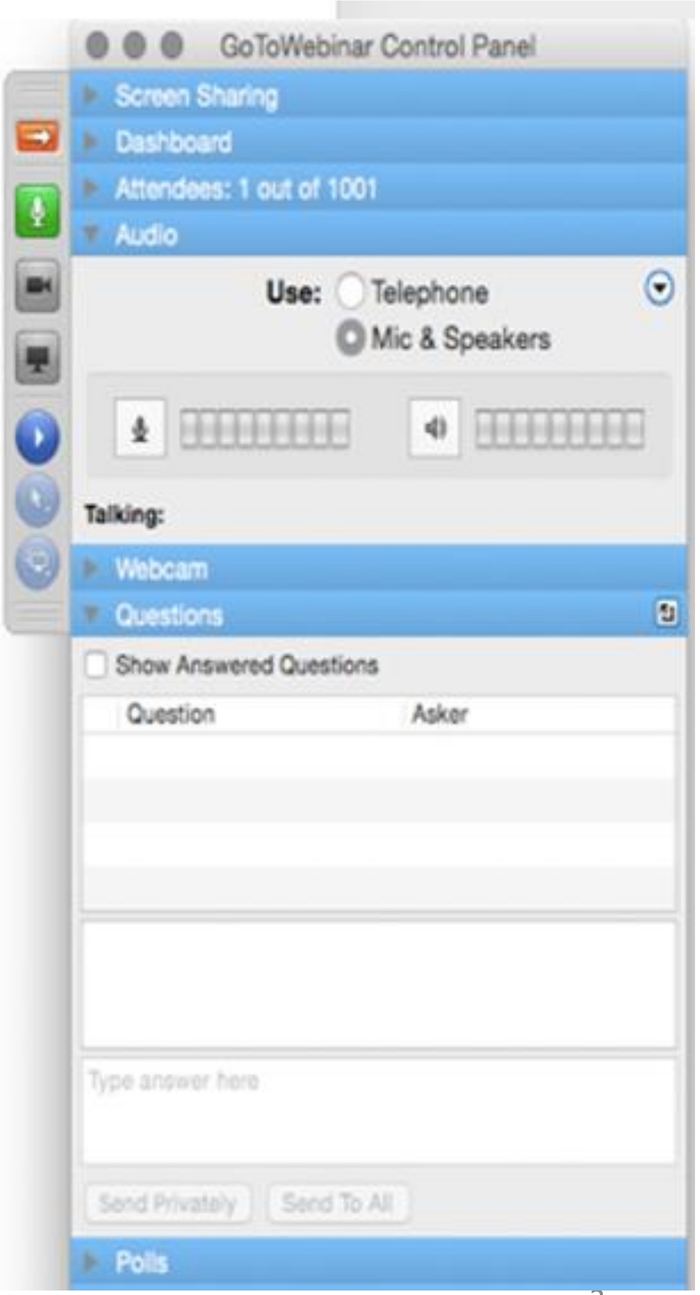
Conducting the Business of the Board

June 21, 2022

Board Smart

Logistics

- Attendees are in listen only mode.
- Your questions welcome. Type question using "Question" function on control panel. we will read aloud and respond.
- Audio, technical issues during webinar, call GoToWebinar at 1-800-263-6317.
- We are recording and will send out link to the replay and the slides.
- Remember to have a second device such as an iPhone or iPad available for polling



Board Smart

Our Panel

Panelists

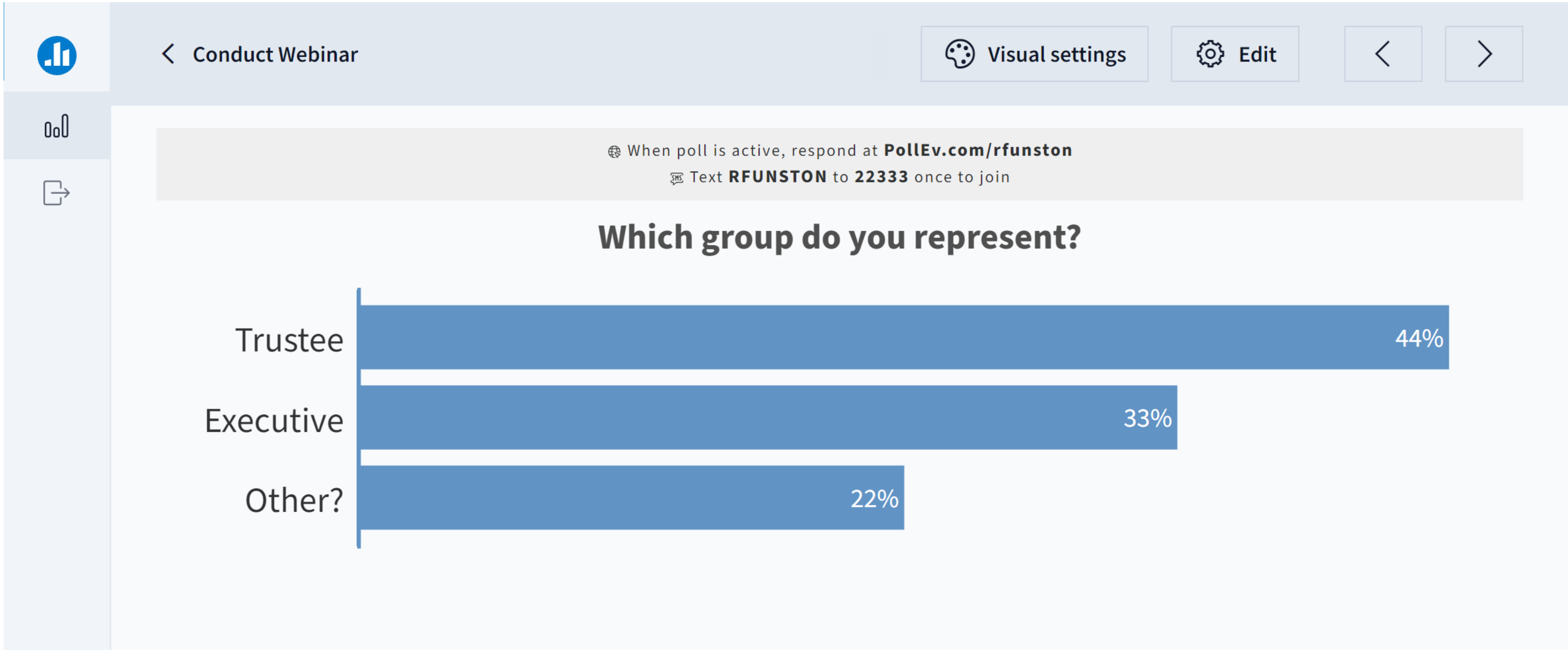
Dan Andersen	Executive Director, Utah Retirement Systems
Dan Doonan	Executive Director, The National Institute on Retirement Security
Tiffany Reeves	Partner, Faegre, Drinker, Biddle & Reath LLP
Carl Roark	Executive Director, Ohio Highway Patrol Retirement System

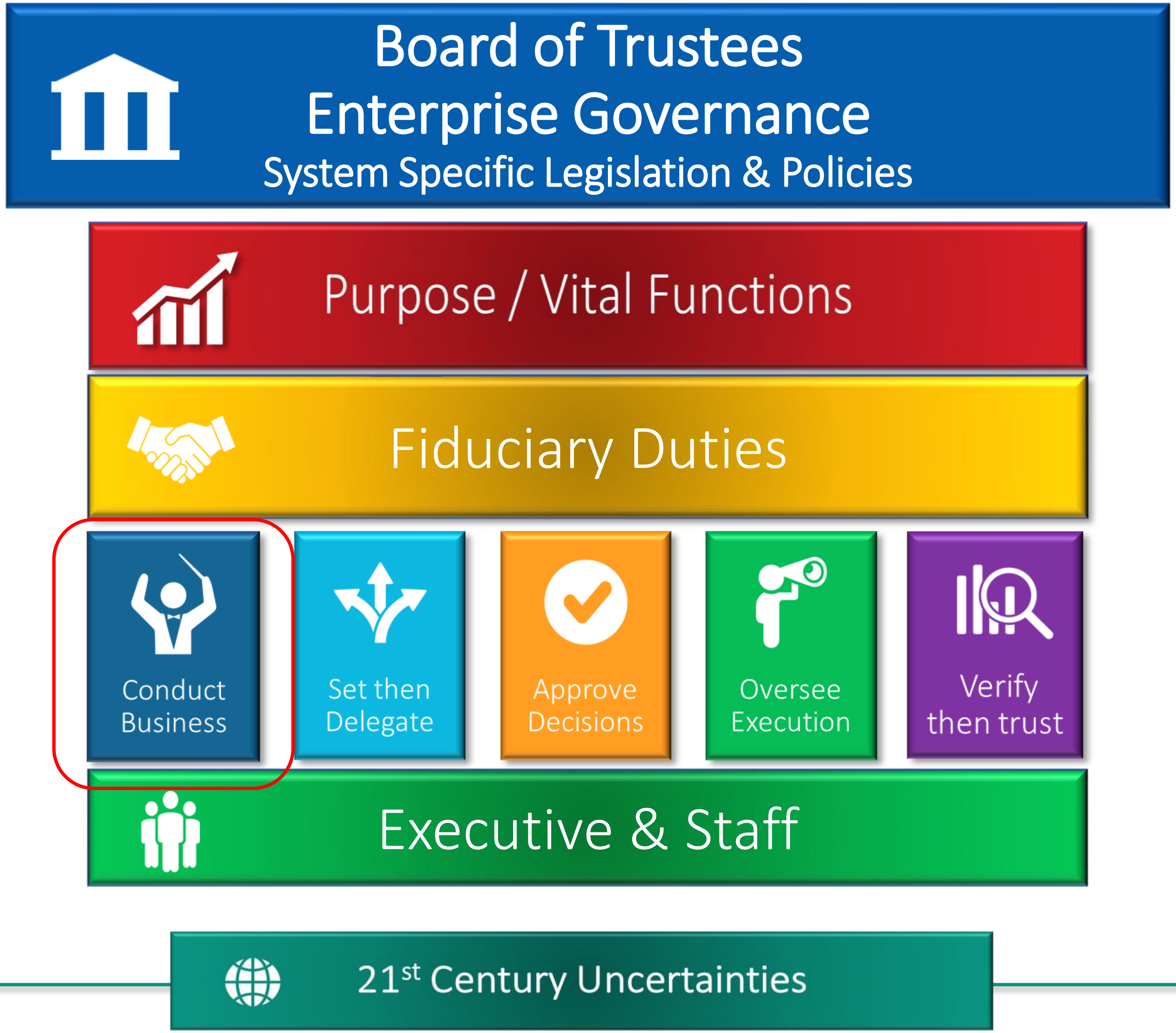
Webinar Team

Kelly Kenneally	Kenneally Company
Rachel Tillman	Chief Content Officer, Board Smart LLC

Moderator

Rick Funston	CEO of Board Smart LLC and Funston Advisory Services LLC


Conduct Webinar
Visual settings
Edit
When poll is active, respond at PollEv.com/rfunston
Text RFUNSTON to 22333 once to join
Which group do you represent?
Trustee
44%
Executive
33%
Other?
22%


Board of Trustees
Enterprise Governance
System Specific Legislation & Policies
Purpose / Vital Functions
Fiduciary Duties
Conduct Business
Set then Delegate
Approve Decisions
Oversee Execution
Verify then trust
Executive & Staff
21st Century Uncertainties

Overview

1 Set the ethical tone and instill a strong culture

2 Set the policy agenda / calendar

3 Effectively engage the board

4 Leverage committees for research, oversight, and verification

5 Communicate effectively

6 Self-evaluate and continuously develop

7 Provide individualized onboarding and continuing education

8 Establish and maintain clear lines of relationship

9 Select, evaluate, compensate, and plan for executive succession

1 Set the ethical tone and instill a strong culture

“If your actions inspire others to dream more, learn more, do more, and become more, you are a leader.”

John Quincy Adams, 6th President of the United States

- The example set by the board in the ways it conducts its business is critical.
- Board policies have to be reflected in practice.
- “Bad news” must travel fast and messengers must not be shot.
- Requires constructive, not destructive, challenge.


Conduct Webinar
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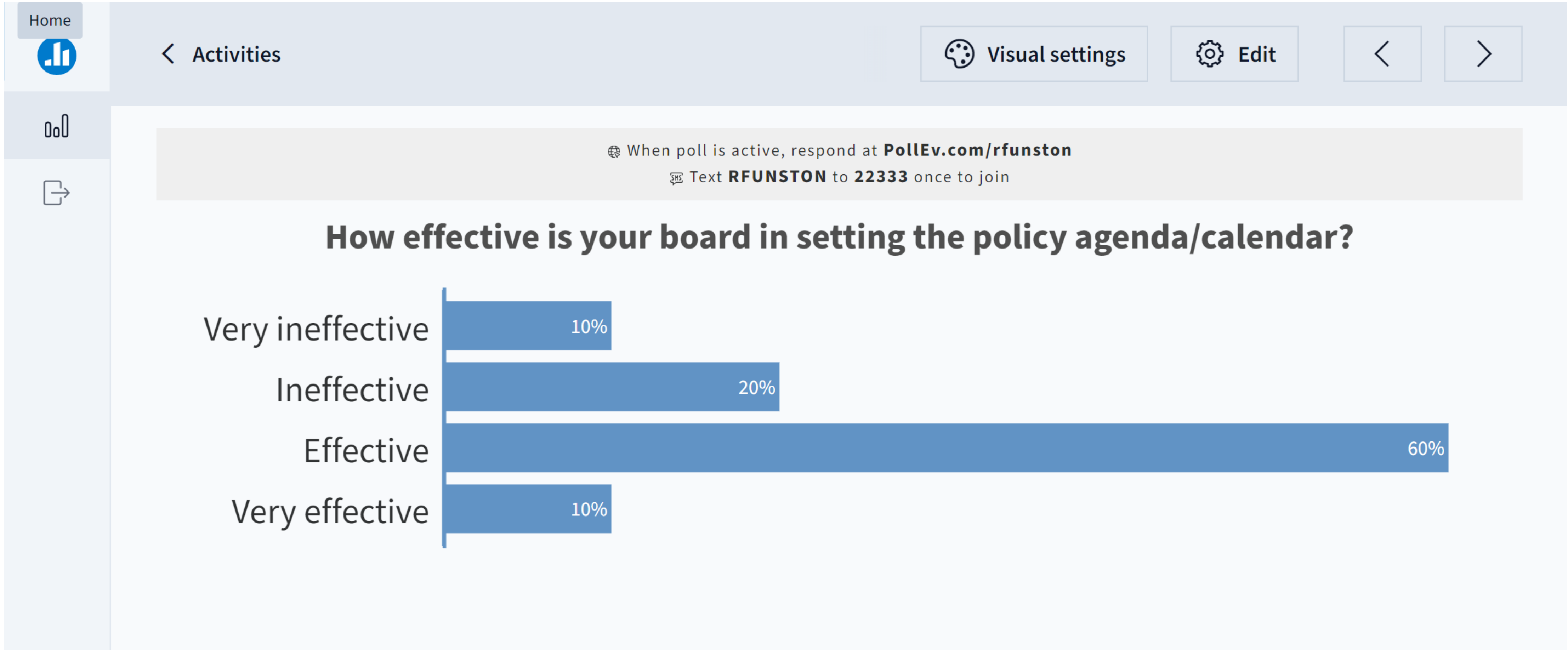
When poll is active, respond at PollEv.com/rfunston
Text RFUNSTON to 22333 once to join
How effective is your board in setting the ethical tone and instilling a strong culture?
Very ineffective
Ineffective
Effective
Very effective
20%
50%
30%

2 Set the policy agenda / calendar

- Key policy decisions required.
- Always unforeseeable issues.
- An annual or multi-year decision calendar.
- Put easy issues last, rather than first.


Home
Activities
Visual settings
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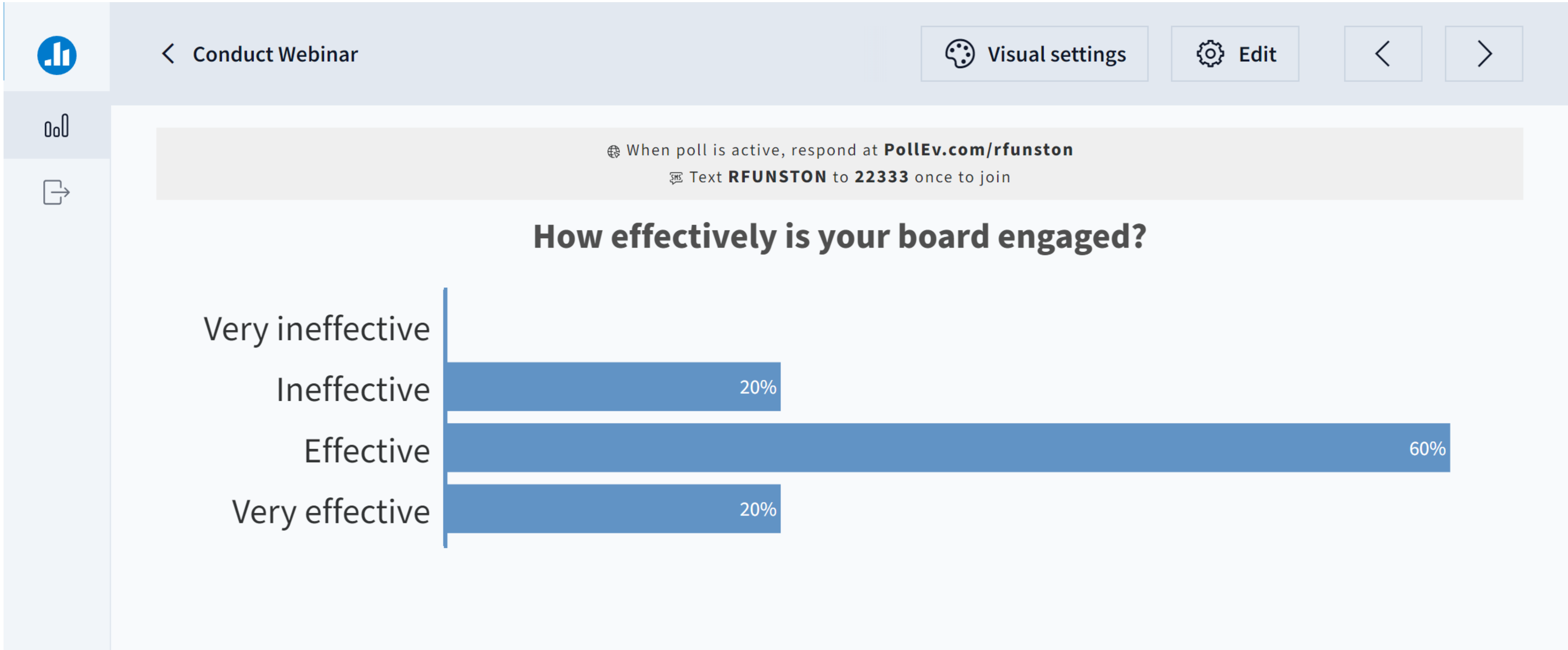
When poll is active, respond at PollEv.com/rfunston
Text RFUNSTON to 22333 once to join
How effective is your board in setting the policy agenda/calendar?
Very ineffective
10%
Ineffective
20%
Effective
60%
Very effective
10%

3 Effectively engage the board

The role of the chair:

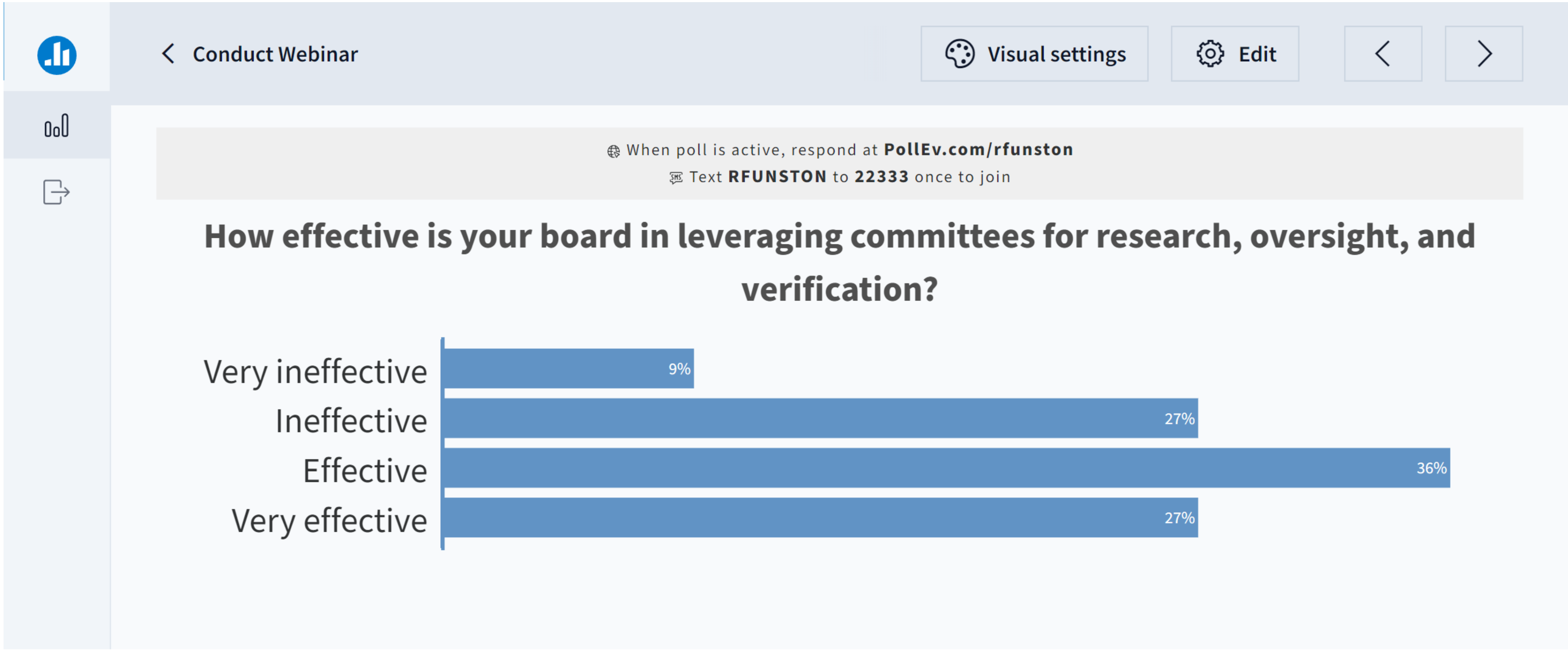
- Conduct board business effectively / efficiently.
- Develop meaningful agendas.
- Engage the board.
- Ensure constructive evaluation of ED and CAE.
- Ensure board self-evaluation.
- Spokesperson on agreed-upon matters.


Conduct Webinar
Visual settings
Edit
When poll is active, respond at PollEv.com/rfunston
Text RFUNSTON to 22333 once to join
How effectively is your board engaged?
Very ineffective
Ineffective
Effective
Very effective
20%
60%
20%

Board Smart

4 Leverage committees for research, oversight and verification

- Gain insight into strategy, performance, risk.
- Research issues / make recommendations to board.
- Primary board oversight mechanism for performance, risk & verification.
- Generally, the board chair should not chair any committee.


Conduct Webinar
Visual settings
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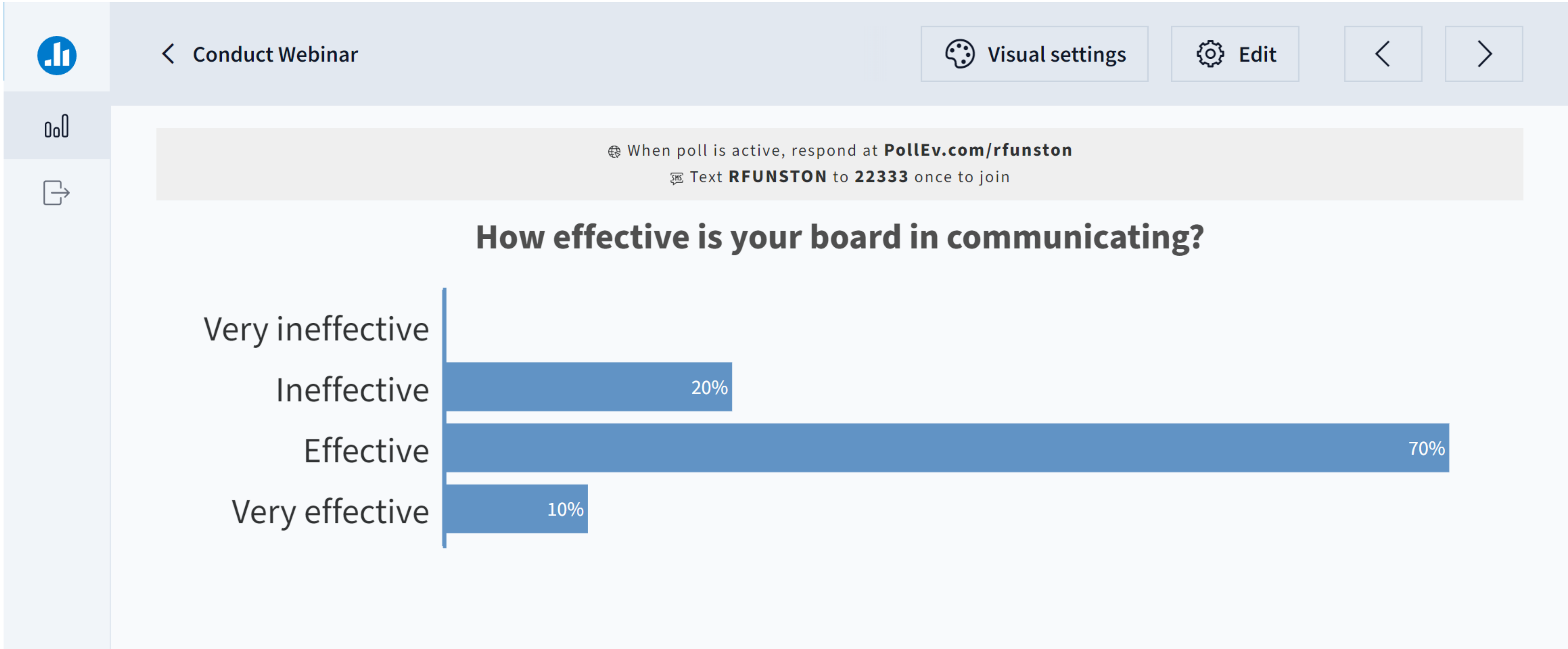
When poll is active, respond at PollEv.com/rfunston
Text RFUNSTON to 22333 once to join
How effective is your board in leveraging committees for research, oversight, and verification?
Very ineffective
9%
Ineffective
27%
Effective
36%
Very effective
27%

Board Smart

5 Communicate Effectively

- Main public source of information is the ED.
- Growing expectations trustees will communicate effectively, both inside and outside the boardroom.
- When speaking or communicating publicly, trustees should identify whether speaking as board member or as an individual.
- Board should speak with one voice and provide clear, unified direction to staff and stakeholders.
- The board's credibility depends on it.


Conduct Webinar
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Edit
When poll is active, respond at PollEv.com/rfunston
Text RFUNSTON to 22333 once to join
How effective is your board in communicating?
Very ineffective
Ineffective
Effective
Very effective
20%
70%
10%

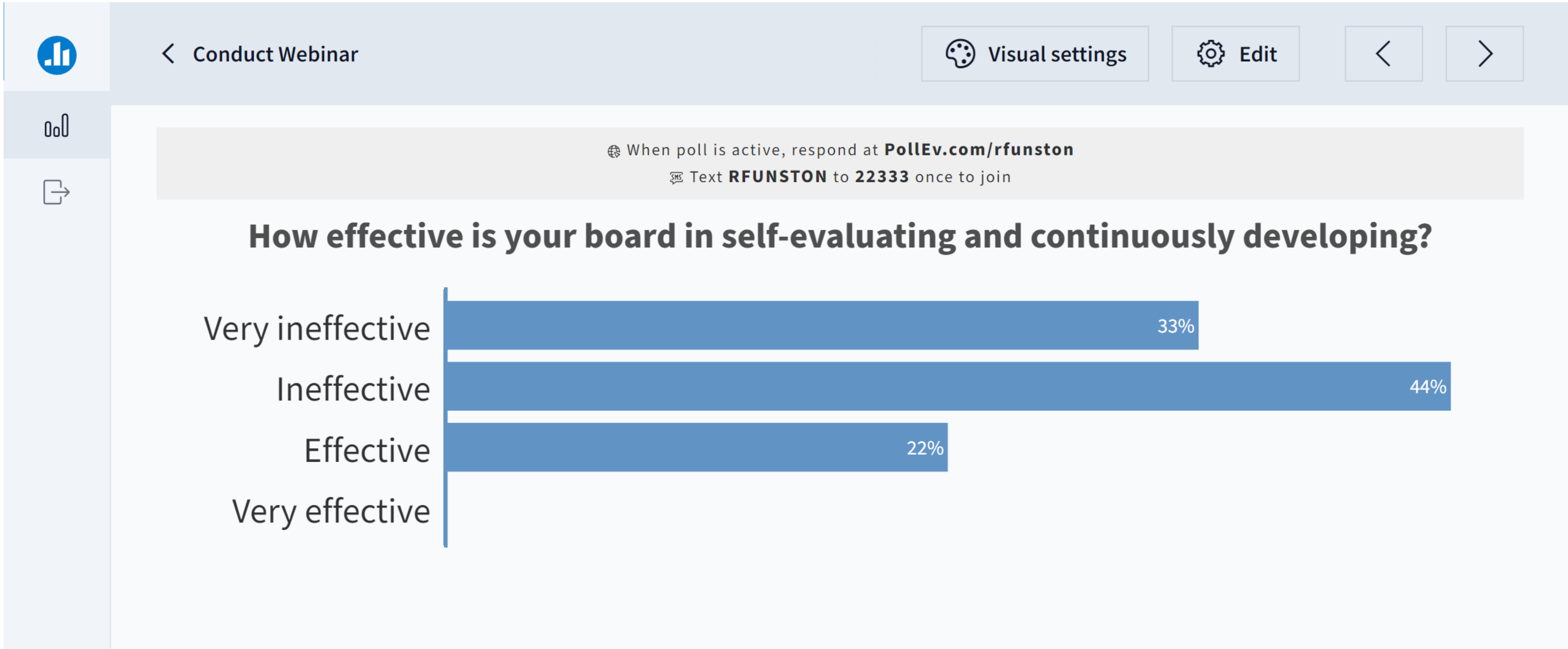
6 Self-evaluate and continuously develop

- Most boards self-evaluate annually.
- Need to follow through.
- Continuing education essential
- Fiduciary duty to stay informed.

"One size fits one."

- Continuing education customized to system and needs of individual trustees

Board Smart


Conduct Webinar
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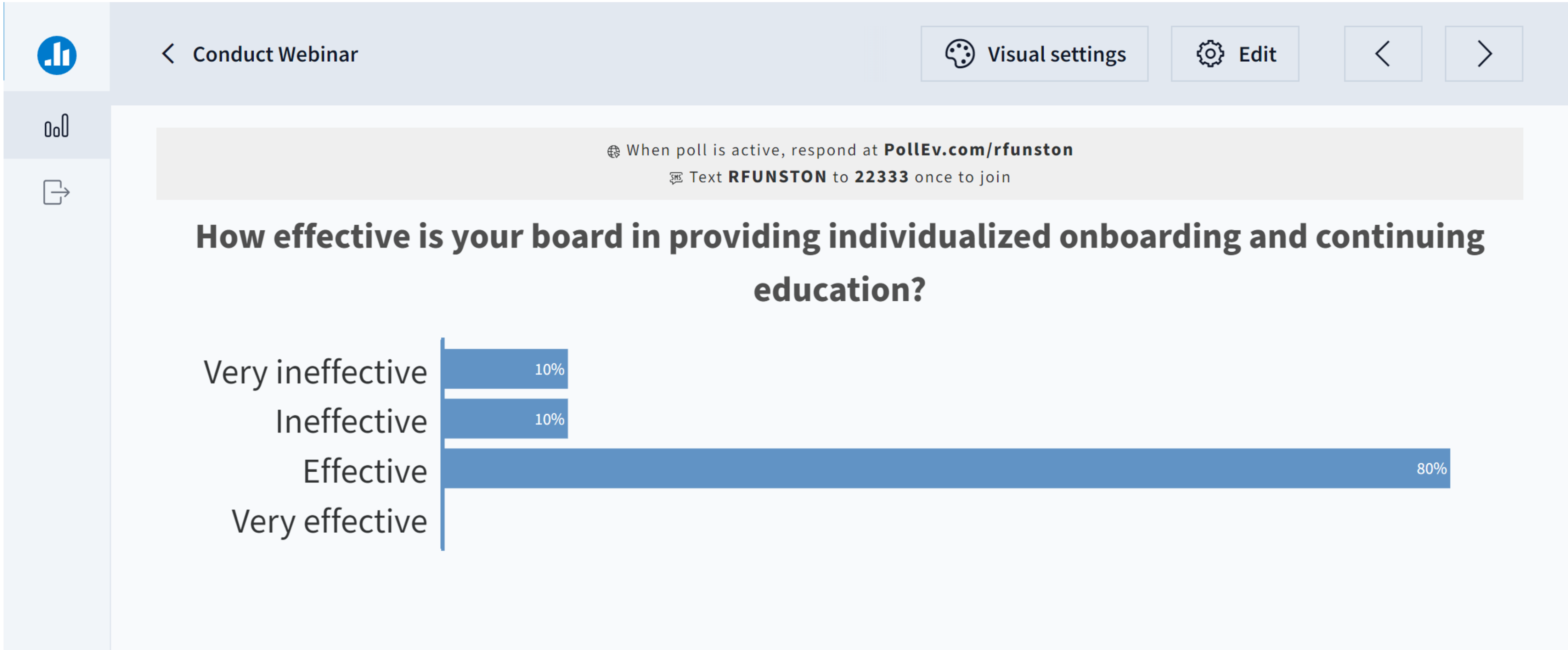
When poll is active, respond at PollEv.com/rfunston
Text RFUNSTON to 22333 once to join
How effective is your board in self-evaluating and continuously developing?
Very ineffective
33%
Ineffective
44%
Effective
22%
Very effective

7 Provide individualized onboarding and continuing education

- Onboarding new board members is often intense.
- No forgiveness period
- Accelerate the learning curve

"One size fits one"
- One-on-one meetings?
- Committee assignments?
- Mentoring assignments?
- Education tailored to the needs of the individual?


Conduct Webinar
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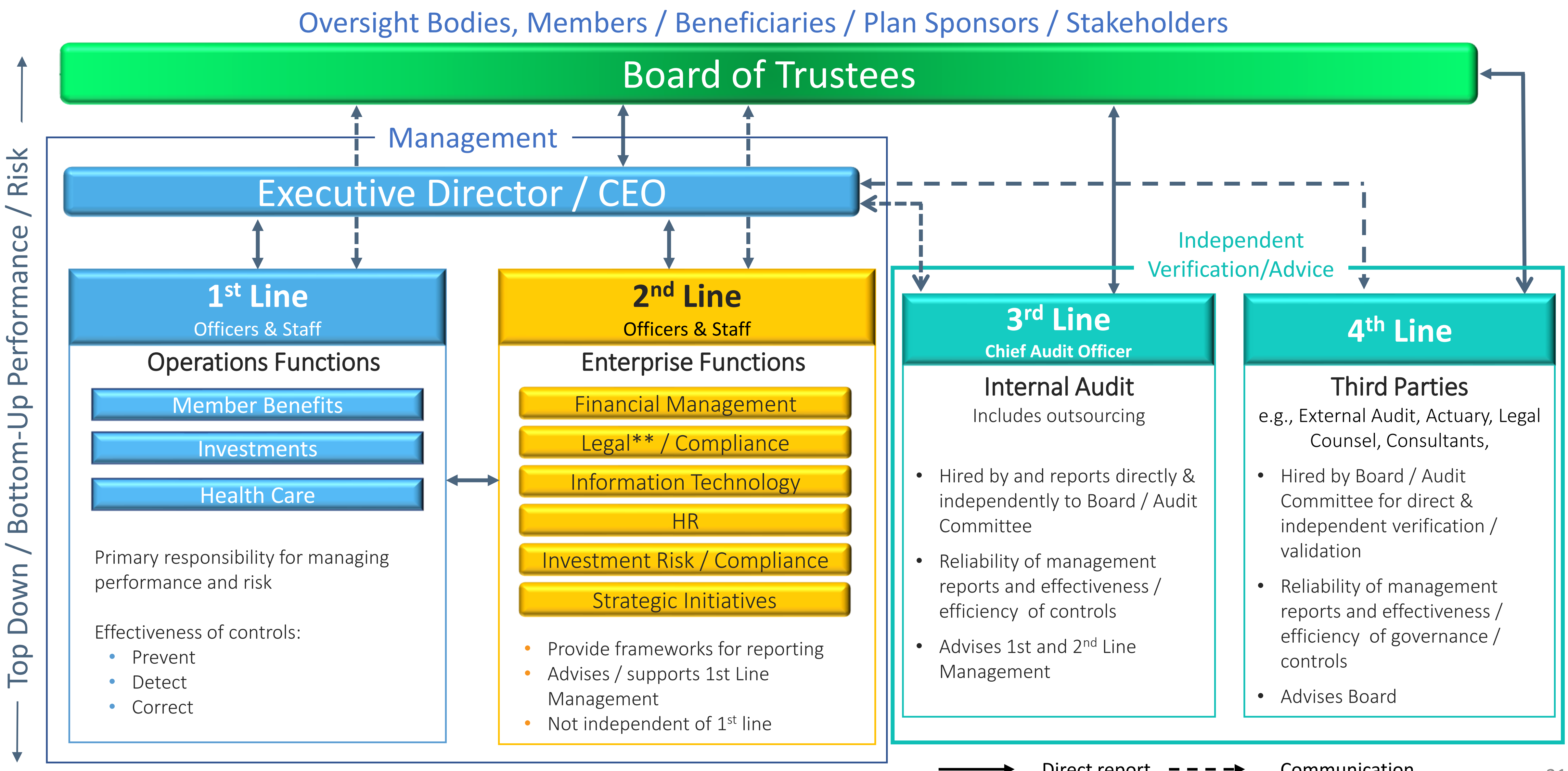
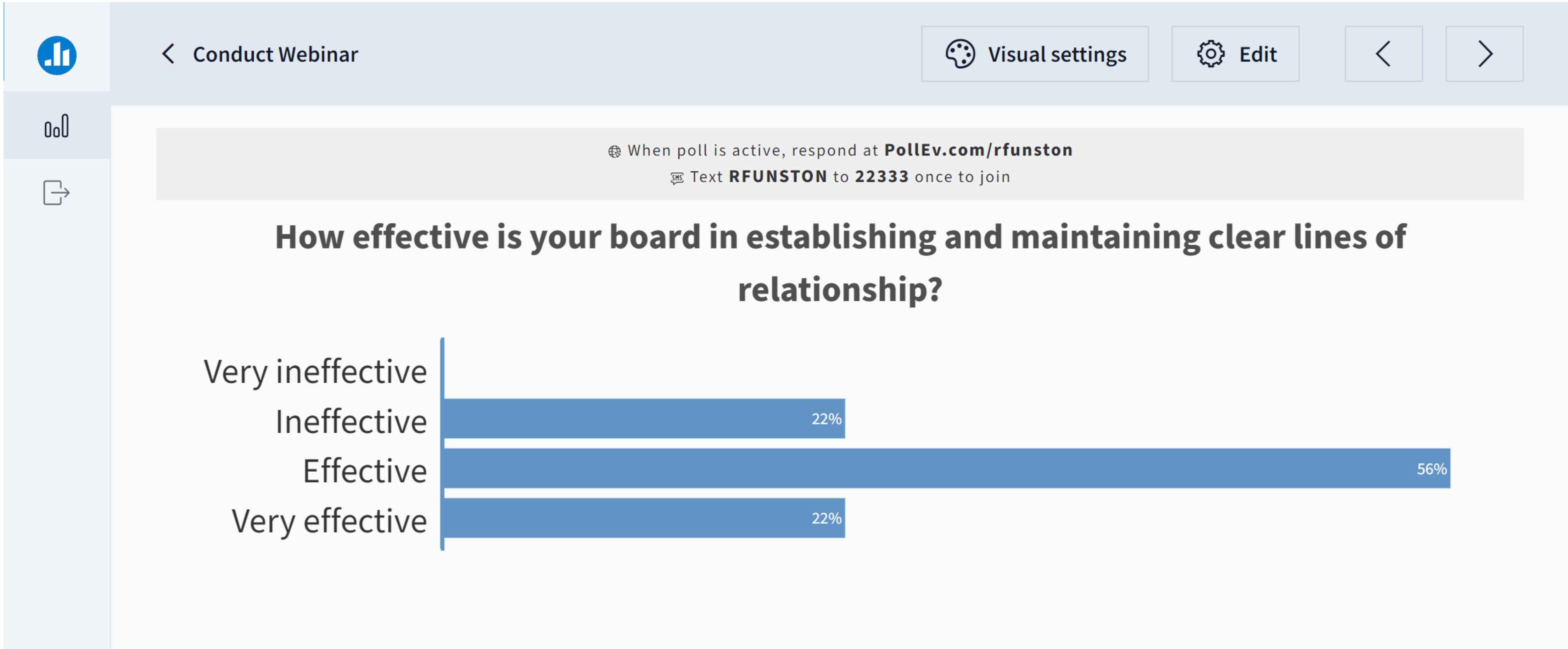
When poll is active, respond at PollEv.com/rfunston
Text RFUNSTON to 22333 once to join
How effective is your board in providing individualized onboarding and continuing education?
Very ineffective
Ineffective
Effective
Very effective
10%
10%
80%

8 Establish / maintain clear lines of relationship



*Based on the IIA's Three Lines of Defense and Value Protection ** Legal may also report directly to the Board


Conduct Webinar
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When poll is active, respond at PollEv.com/rfunston
Text RFUNSTON to 22333 once to join
How effective is your board in establishing and maintaining clear lines of relationship?
Very ineffective
Ineffective
Effective
Very effective
22%
56%
22%

9 Select, evaluate, compensate, and plan for executive succession

- A critical responsibility of the board
  - Select, incentivize, evaluate, and establish a succession plan for its direct reports, typically the ED, the CAE, and sometimes the CIO.
- Succession plans come in two types:
  - Emergency and planned.
- Should be a plan to address succession needs throughout the entire retirement system.

Board Smart


Conduct Webinar
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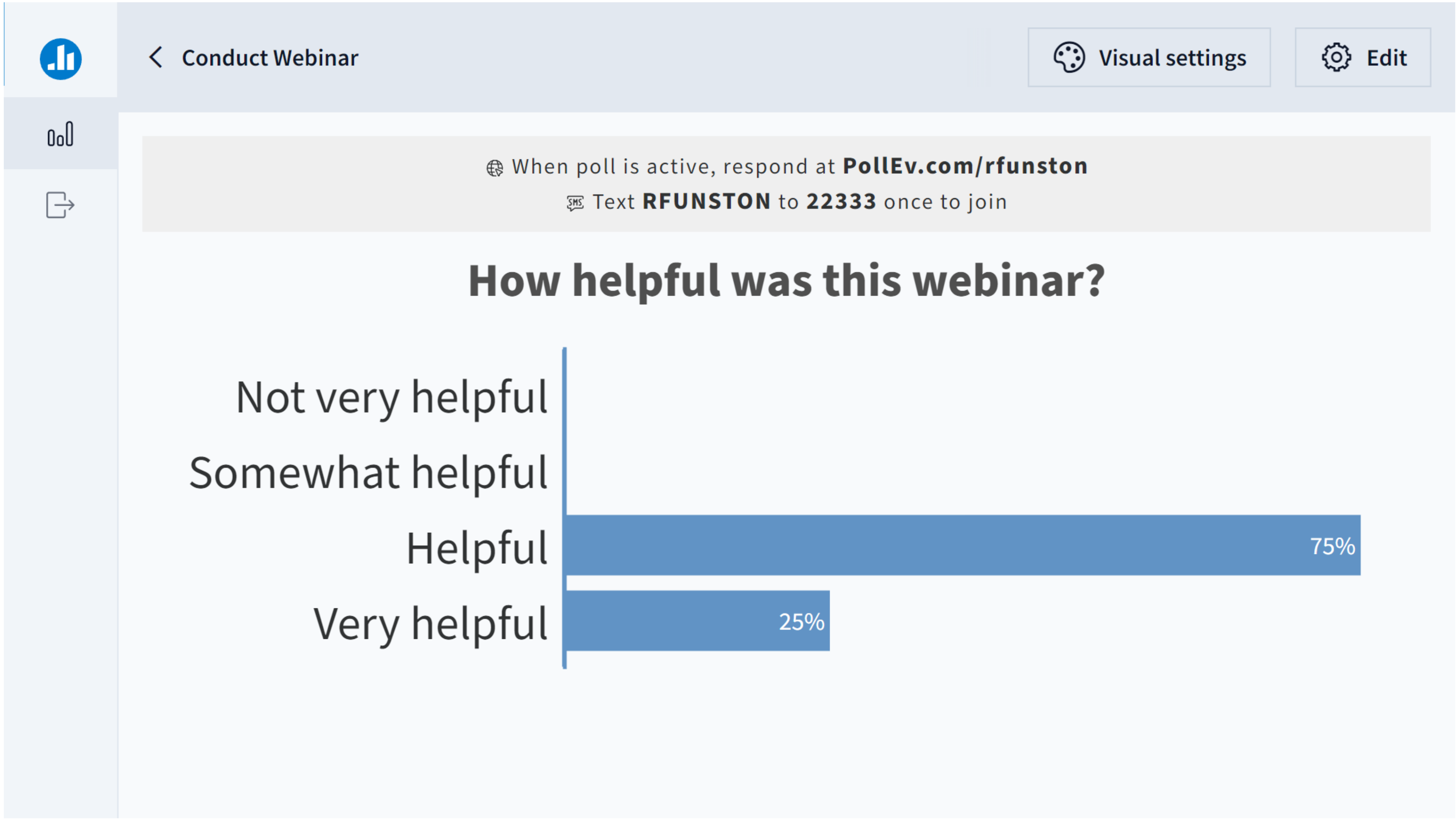
When poll is active, respond at PollEv.com/rfunston
Text RFUNSTON to 22333 once to join
How effective is your board in selecting, evaluating, compensating, and planning for executive succession?
Very ineffective
10%
Ineffective
50%
Effective
30%
Very effective
10%

Board Smart

Summary

1. Set the ethical tone and instill a strong culture
2. Set the policy agenda
3. Effectively engage the board
4. Leverage committees for research, oversight, verification
5. Communicate effectively
6. Self-evaluate and continuously develop
7. Provide individualized onboarding / continuing education
8. Establish and maintain clear lines of relationship
9. Select, evaluate, compensate, for executive succession

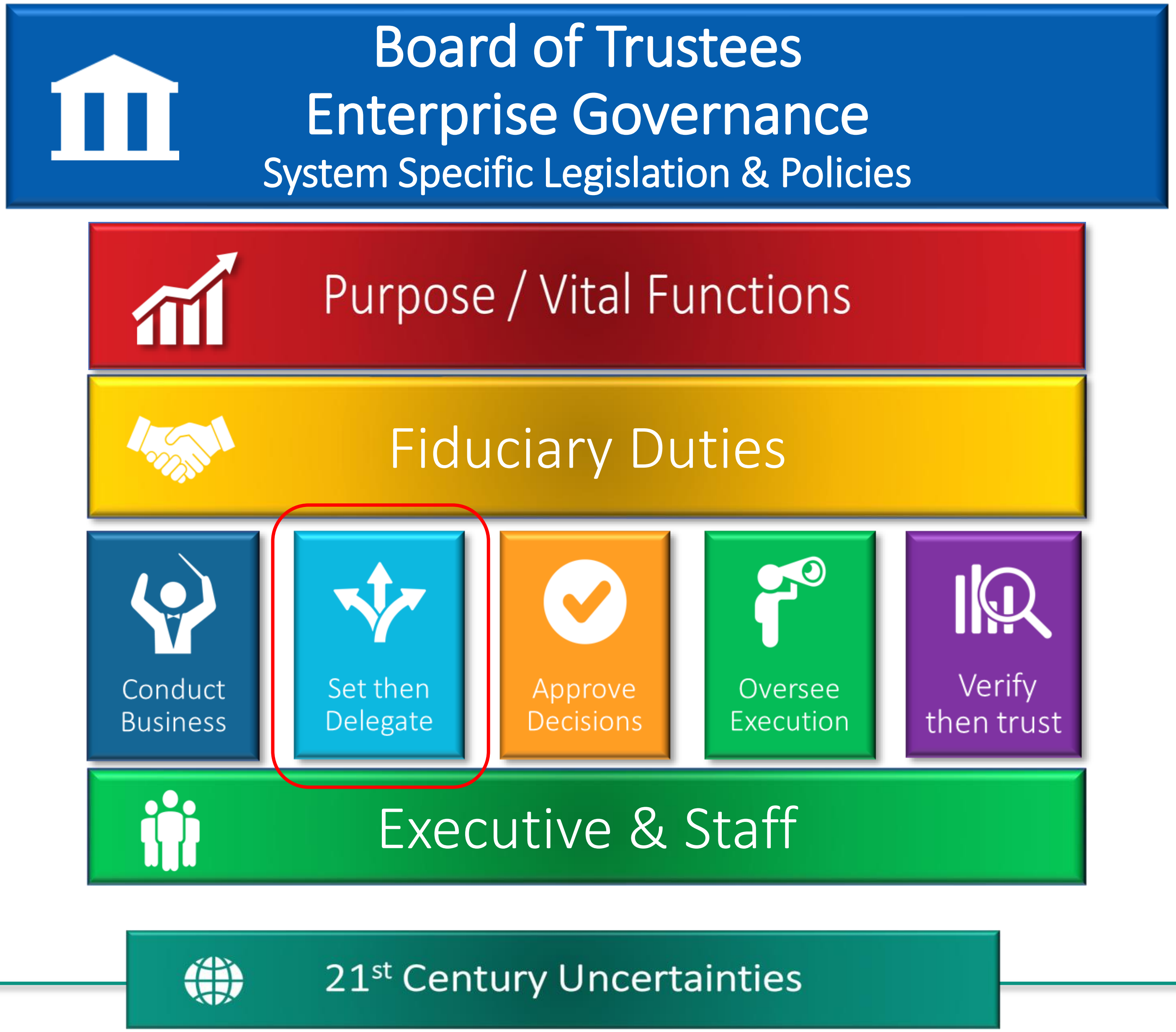

Conduct Webinar
Visual settings
Edit
When poll is active, respond at PollEv.com/rfunston
Text RFUNSTON to 22333 once to join
How helpful was this webinar?
Not very helpful
Somewhat helpful
Helpful
75%
Very helpful
25%

Next Webinar

"Set direction then prudently delegate"

Save the date

Sept. 21, 2022



For further information

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Rachel Tillman

Chief Content Officer

Board Smart LLC

rtillman@oardsmart.com

SJCERA
Investment Roundtable
Save the Date

6
October
8am-5pm

Topics Covered:

SJCERA's asset allocation

Current state of the markets

Inflation

Pension funding

And much more!

Wine & Roses, Lodi, CA

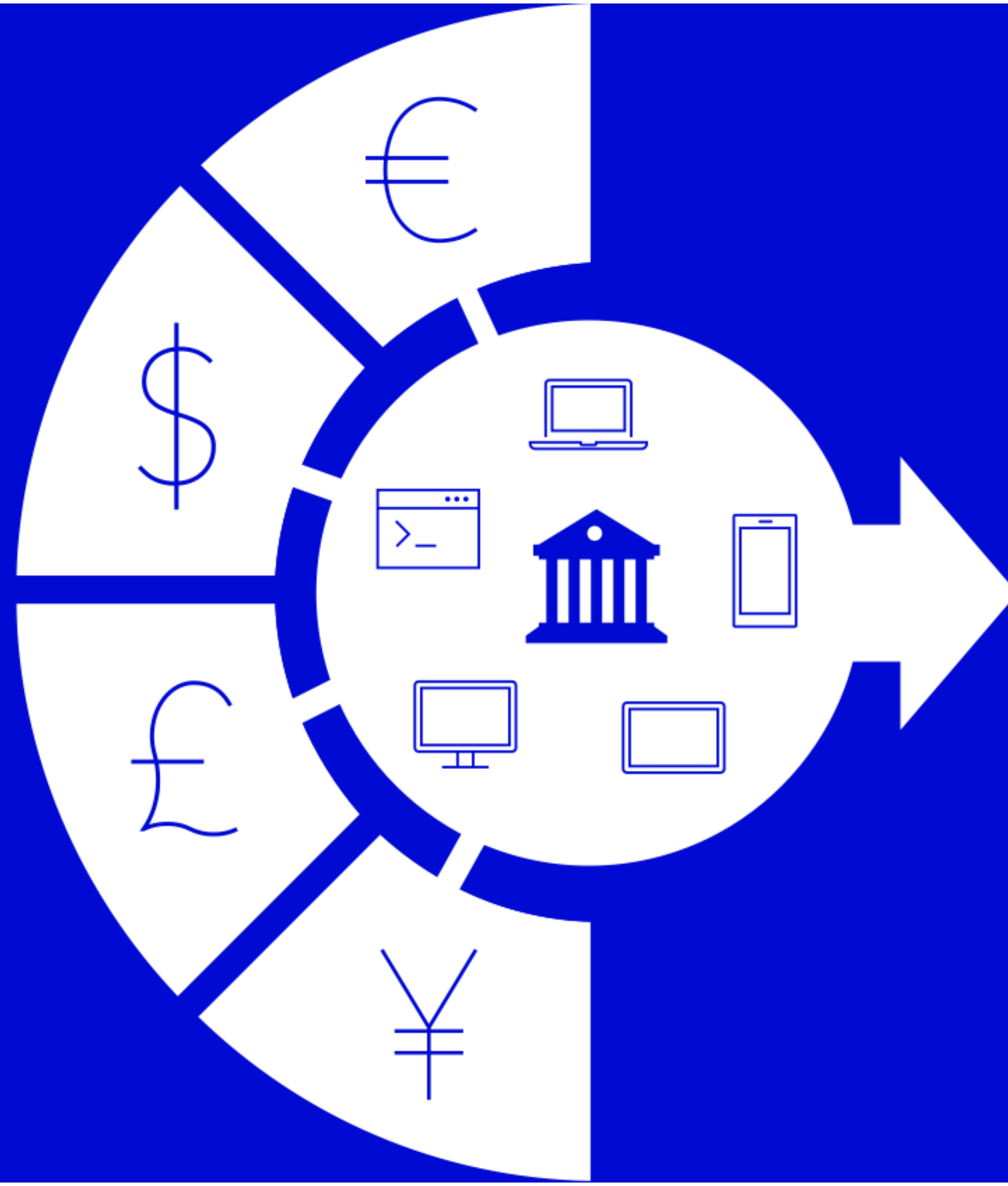
Mark you calendar for this all day event. You don't want to miss it!

Invesco

Digital Currencies:
The (Coming of) Age of Central Bank Digital Currencies

May 2022

Ashley Oerth
Senior Investment Strategy Analyst, Invesco



Setting the Stage

Central Bank Digital Currencies (CBDCs) Are No Longer a Fringe Fascination

Many countries are actively exploring or have already launched CBDCs

Once a pipedream of the digitalization of finance, central bank digital currencies (CBDCs) have reached a critical moment. Small states in the Caribbean have pioneered the world's first official digital currencies, while China has continued to expand its digital yuan's pilot project to the masses. 38% of central banks are actively researching a CBDC of some kind encompassing 76% of the world's population. Of those, 46% are currently conducting or have already completed a pilot program. It is our view that CBDCs are not a question of if, but when.

In this piece, we seek to define and explore CBDCs and assess their characteristics and their disruptive potential. We address the potential implications for monetary policy, financial markets, banking, and asset prices. We conclude with an overview of major CBDC projects, including China's digital yuan and the case for a digital US dollar or euro.

Countries Pursuing CBDCs

68

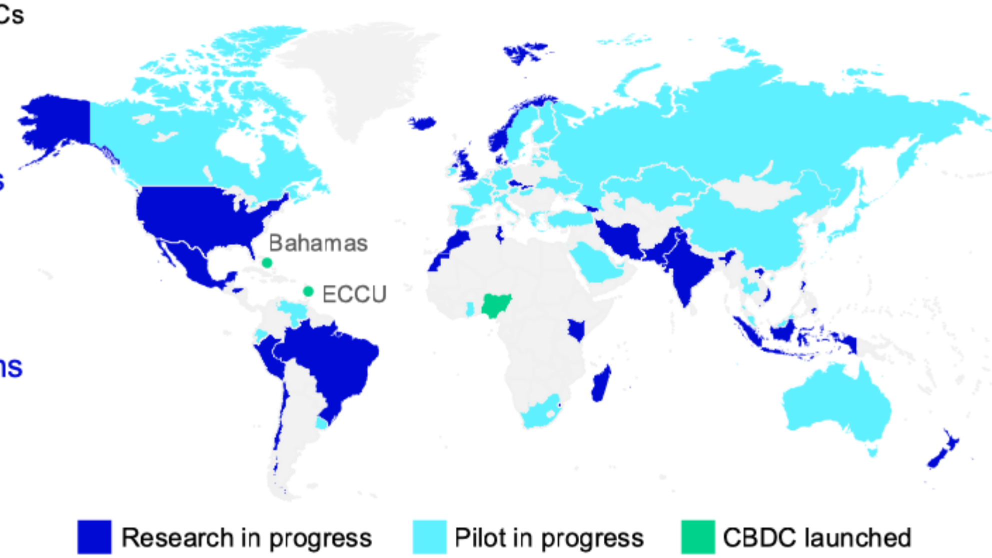
Central banks pursuing CBDC projects

28

Central banks conducting pilot programs

3

Central banks with already launched CBDCs



ECCU = Eastern Caribbean Currency Union, comprising Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.
Sources: Auer, R, G Cornelli and J Frost (2020), "Rise of the central bank digital currencies: drivers, approaches and technologies", BIS working paper, No 880, August, latest available data as of 31 January 2022.

Setting the Stage

Why Today?

Increasing digitalization and the COVID pandemic have accelerated CBDC projects

As we explore in this piece, CBDCs are an effort by central banks to maintain access to cash in an increasingly digital age while expanding efficiencies and safety in payments systems.

However, motivating factors are different in each country. In Sweden, for example, cash has virtually disappeared. In China, the emergence and domination of 3rd party payment systems offered by Alibaba (Alipay) and Tencent (WeChat) have rivaled official channels, processing over USD$30 trillion in transactions per year.

We see the COVID-19 pandemic and the rise of cryptocurrencies – niche private digital currencies – as being the primary drivers of CBDC interest today. Policymakers also desire to maintain access to central bank money as cash fades in use.

As Federal Reserve Chair Jerome Powell said: "You wouldn't need stablecoins, you wouldn't need crypto currencies if you had a digital U.S. currency - I think that's one of the stronger arguments in its favor".

A Selection of Factors Driving CBDC Interest

Efficiency & financial inclusion

Financial services remain out of reach for many. In the US, over 5% of households remain unbanked. CBDCs may help expand access & provide cheaper services.

Declining use of cash

Even before Covid, cash was already being replaced by digital payment solutions at the till – from debit and credit card transactions to services like PayPal and Alipay.

Rise of crypto-currencies

Cryptocurrencies, private digital currencies, and alternative digital payment methods have increased financial stability risks while raising concerns about the future of fiat currencies.

Private projects like Facebook's Diem (formerly Libra), stablecoins and cryptocurrencies like Bitcoin have raised particular concerns. These include money-laundering, terrorism financing, tax evasion, and etc.

Facilitate government payments

For policymakers, large-scale direct stimulus programs may be easier to target and execute with consumer CBDC accounts.

Increasing digitalization

Transactions are increasingly online, requiring digital payments systems. A digitally-native currency may enhance security and improve settlement speeds.

Note: The T with two lines through it (₮) is commonly used to represent Tether, a kind of cryptocurrency backed by US dollar assets and intended to act as a peg to the dollar.
Sources: US Federal Reserve discussion paper, January 2022 "Money and Payments: The U.S. Dollar in the Age of Digital Transformation", and Invesco. For illustrative purposes only.

CBDCs Are Next Following Successive Waves of Payments Digitalization

Private currencies and closed payment ecosystems have given life to 'digital money'

How did we get here? It is instructive to look to recent technological and payments developments for clues.

- Bitcoin was launched in March 2009 as a purely digital, peer-to-peer currency, issued via a protocol and operated on a decentralized ledger.
- Building on the cryptography-based tech of Bitcoin, stablecoins first emerged in 2014 with the intent of establishing a stable value in a cryptoasset by tracking an underlying asset value.
- In June 2019, Facebook's Libra (now Diem) was announced as a basket of sovereign currencies, but issued privately. This prompted China to accelerate its own official digital currency project.

Ultimately, CBDCs seek to provide a public good like cash, capable of maintaining monetary sovereignty while promoting competition and innovation in payment solutions.

Bitcoin (2009)

In 2008, Satoshi Nakamoto lays out the design of the Bitcoin protocol, the first purely digital private currency– but backed by nothing. Bitcoin was launched shortly after in 2009.

Stablecoins (2014)

The cryptocurrency community creates the first stablecoins in 2014. These cryptos are intended to solve the volatility challenges of Bitcoin by pegging their values to an underlying asset.

Libra (Diem) (2019)

In June 2019, Facebook published plans for Libra (rebranded "Diem" in 2020), a digital coin pegged to a basket of global currencies* managed by members of the Libra Association.

CBDCs

Central banks respond to emerging digital payments solutions – and private currencies – by seeking to modernize fiat currencies through the creation of digitally native central bank money.

* Early reports stated that Libra's reserves would be composed of 50% United States dollar, 18% Euro, 14% Japanese yen, 11% British pound sterling and 7% Singapore dollar. These plans were later revised in 2020 to instead have a variety of stablecoins each backed by a single currency.

Sources: Bloomberg News, Facebook press releases, Payment & Clearing Association of China, and Invesco.

Agenda

1. **What makes a CBDC?**
2. What are the key design questions for CBDCs?
3. What are the implications for the financial system?
4. Where are countries in pursuing CBDCs?
5. What are the investment implications?

What Is Money For?

Money is a way of expressing and measuring purchasing power

Money features prominently in our lives. We use it to pay for food, housing, utilities, transportation, and more. We are paid money for labor, and we use it to value goods and services in quantitative terms. Money is how we measure purchasing power.

Yet few pause to consider exactly what makes money "money." The earliest forms of currency included a variety of expressions, such as cowrie shells, coins, and eventually bank notes. Today, new formats of money are challenging the concept, as is the case with cryptocurrencies.

In economics, money has the specific characteristics of being a store of value, a unit of account, and a medium of exchange. Each of these qualities reinforces the others. For something to function reliably as money, it should have all three traits. CBDCs are intended to function as all three.

What Defines Money?

	Store of Value	Unit of Account	Medium of Exchange
	Retains purchasing power reliably through time and can be saved for future use	Reliably used for measuring the prices of goods and services without rapid adjustment	Easily used to facilitate the sale or purchase of goods and services
Cash	✓	✓	✓
CBDCs	✓	✓	✓
Gold	✓	X	X
Bitcoin	X	X	*
Stablecoin (asset-backed)	✓†	✓	✓

* While Bitcoin can only process around seven transactions per second in its current design, so-called "Layer 2" solutions offer significantly faster network throughput (e.g. Bitcoin's Lightning Network). This has permitted significant gains in maximum network throughput at the expense of some security.

† Asset-backed stablecoins are subject to the stability of the custodian. A failure of the stablecoin may result in a loss of value.

Source: Invesco. For illustrative purposes only.

What Kinds of Money Are There?

Cash, bank deposits – and CBDCs?

We often think of money as physical currency or deposits held in a bank account, with the assumption that these are one and the same. But there are important differences.

Money as we know it today comes in many forms. Bank deposits, the most familiar kind of money to everyday consumers, represent a liability of a commercial bank. In the past – and in some nations today – a bank that goes bust can take the deposits of households and businesses with it. Deposit insurance schemes were designed to help assure depositors of the safety of their funds and cover an amount of losses in the event of a bank's failure.

Physical cash, on the other hand, is not exposed to the risk of failure of a private institution*. Cash is a liability of the central bank, which is the issuer of the currency and recognized by the government.

CBDCs, as we will see, are simply a digital version of physical cash – or digital central bank money.

Different Formats of Money

Cash
- *Issuer*: Central bank
- *Underlying Value*: Trust in and backstop of government

Gold
- *Issuer*: None
- *Underlying Value*: Belief in permanence of value, as shown through history

Bitcoin
- *Issuer*: Digital protocol
- *Underlying Value*: Belief in permanence of value, but with limited history

Demand Deposit
- *Issuer*: Commercial banks
- *Underlying Value*: Promise of convertibility to cash

Digital Payments Balance
- *Issuer*: Private firm/fintech
- *Underlying Value*: Promise of convertibility to demand deposits

Stablecoin
- *Issuer*: Private firm
- *Underlying Value*: Promise of convertibility to underlying asset

*Note that cryptocurrencies such as Bitcoin are subject to extreme price volatility as they have no asset backing. Stablecoins are subject to failure if the underlying institution that maintains the pool of underlying assets becomes insolvent.
Sources: Invesco, Tether press releases.

Defining a CBDC
A liability of a central bank, like bank reserves and currency in circulation

Formats and definitions vary widely, but the singular defining trait of a central bank digital currency is that they are a direct liability of a central bank, distinguished from physical banknotes and reserve balances. Indeed, CBDCs are "a new form of money, issued digitally by the central bank and intended to serve as legal tender."

Consider that the main liability of a central bank is the "monetary base" (M0), which has historically consisted of currency in circulation and bank reserves. CBDCs could complement currency or potentially replace it—and they could even supplant bank reserves.

Keep in mind that central bank money is unique. Since it is the liability of the central bank, and not a private institution, it is not subject to the same risks as other kinds of money. Digital payments services, commercial banks, stablecoins, and other such kinds of money have some kind of issuer that is liable to default and does not enjoy the backing of the state.*

A Central Bank Balance Sheet with a Central Bank Digital Currency

Assets	Liabilities
Monetary outright holdings	Bank Reserves (Required or "Excess")
Collateral for liquidity-lending via repos	Reserves (commercial bank deposits)
Non-monetary assets (FX reserves, gold, IMF credit)	Banknotes & coins
	CBDC

To date, most central banks have stated that they do not wish to phase out physical cash

* Commercial bank deposits are often backed in part by a deposit insurance scheme, which is designed to protect and reassure depositors in the event of a bank failure or perceived bank weakness. Note also that some stablecoins are asset-backed, meaning that there is some governing institution that maintains a deposit base to promise convertibility to the reference asset.
Sources: Casting Light on Central Bank Digital Currency, IMF Staff Discussion Note, November 2018.

What's the Difference?

Are CBDCs Just Stablecoins?

CBDCs are a direct liability of a central bank – not a private institution

With the emergence of the world's first cryptocurrency, Bitcoin, a new form of digital payments that are fundamentally decentralized in their design have garnered increasing attention. However, a key issue was the extreme volatility of Bitcoin's price. So-called stablecoins arrived as a potential solution in 2014. These coins seek to track the value of an underlying asset, typically by being backed by a pool of those assets. Are CBDCs, then, just stablecoins pegged to an official currency?

Not quite. Comparing stablecoins and CBDCs is a bit like comparing a money market fund to cash. A money market fund invests in a pool of assets, with the objective of earning a return while maintaining a stable net asset value. Cash, on the other hand, represents a direct liability of a central bank. While it can be debased via increases in the money supply, it is ultimately a highly reliable store of value.

A CBDC is similar to cash, with the defining difference being that it is entirely digital.

Comparing Central Bank Digital Currencies vs. Select Cryptocurrencies

	Tether Stablecoin	**Bitcoin** Traditional cryptocurrency	**CBDC** Central bank digital currency
Based on Blockchain	Yes	Yes	Potentially*
Issuer	Tether, a business, issues tokens	Decentralized protocol	Central bank
Intended Use	Represent transactions of fiat currency on a blockchain	"Store of value" with a fixed supply and a decentralized ledger	Supplement to physical cash for wholesale or everyday payments
Source of Value	Underlying pool of assets, similar to a money market fund	None. Value is free-floating and determined by markets	A direct liability of a central bank like cash

*Some designs include use of distributed ledger technology (DLT). Note that CBDCs using DLT do not entail 'mining' of coins via a consensus mechanism, as in cryptocurrencies like Bitcoin.
Sources: Invesco, Tether press releases.

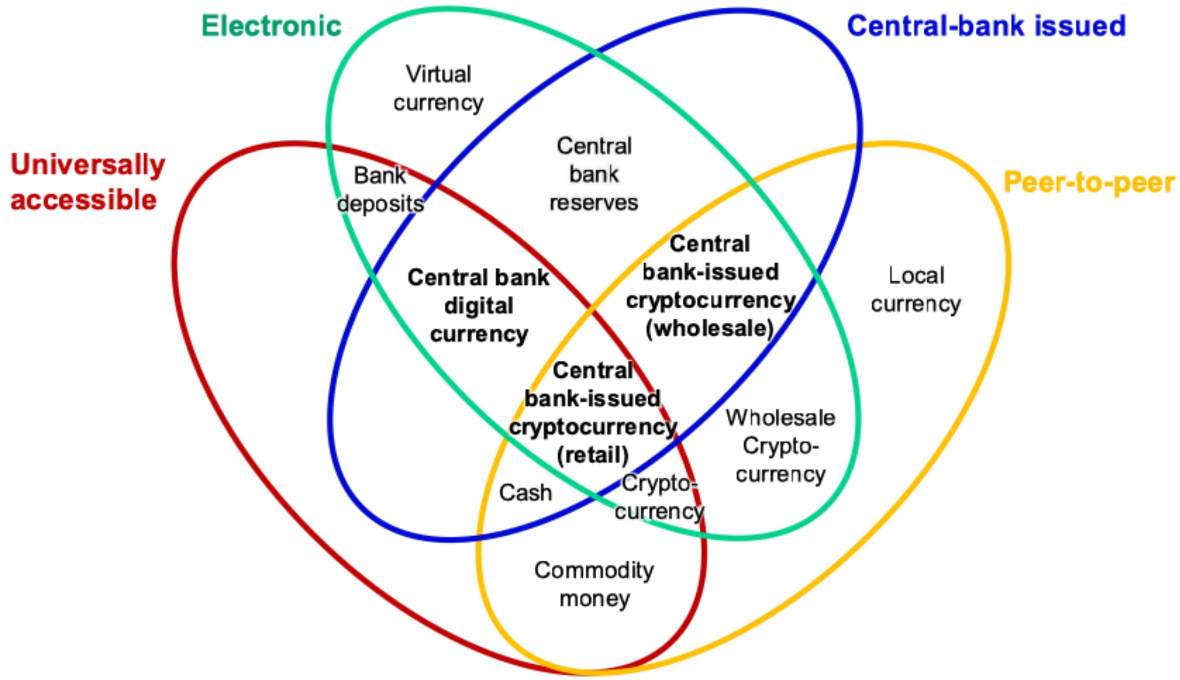
The Many Meanings of Currency

CBDCs are central bank-issued, peer-to-peer, electronic, and universally accessible

To illustrate the difference between CBDCs and cryptocurrencies, we like to use the visualization on the right to depict the varying classifications of money in terms of whether the money is universally accessible, electronic, central bank-issued, and peer-to-peer.

Importantly, cryptocurrencies are specifically outside the control of central banks, whereas CBDCs are central-bank issued. Indeed, decentralized cryptocurrencies are reminiscent of the pre-Civil War era of "free banking" in the United States, when private banks were easily established and offered their own bank notes without central regulation, or a central bank. It is worth noting that the US has repeatedly experimented with central banking and operating without a central bank. A lack of financial stability and repeated boom-bust cycles culminating in depressions led to the establishment of the Federal Reserve system, and after the Great Depression, to active monetary policy.

"The Money Flower" – A Taxonomy of Money



Sources: Bank for International Settlements, Wikipedia. Adapted and reproduced from *Central bank cryptocurrencies* by Morten Linnemann Bech and Rodney Garratt.

What's the Difference?

Is This Just Another Digital Payments Service?

CBDCs may offer a central bank-based payments solution via digital cash

If not stablecoins, can we instead consider CBDCs as a state-sponsored digital payment service? Perhaps—though a better analogy is to think of them as a digital form of physical banknotes and coins.

To compare, we must first consider other forms of central bank money. Take, for example, cash and bank reserves. Physical banknotes and coins are a physically formatted bearer instrument that represents a claim on a central bank. While cash is universally accessible, it is constrained in its utility by its being physical.

On the other hand, bank reserves are an account-based digital liability of a central bank. But their access is extremely restricted, with only select member banks able to establish and transact with such accounts.

CBDCs, therefore, are somewhere between cash and bank reserves. CBDC designs may also include a central bank-operated digital payment mechanism. However, as we explore further in this piece, CBDCs may not necessarily be accessible to the general public.

Comparing Payment Systems

Bank Transfer	Fintech Payments	CBDC
Banks exchange **bank deposits** with one another at the request of customers	Fintechs act as virtual financial inter-mediaries & **represent exchange of bank deposits** on digital ledgers	**Central bank liabilities** are exchanged across client accounts on the central bank's ledger.
Payer requests transfer of funds	Payer requests transfer of funds	Payer transfers funds directly via exchange of CBDC
Payer's bank transmits funds to payee's bank	Payer's bank transmits funds to fintech's bank	Payee receives funds in digital CBDC wallet
Payee's bank receives funds and reflects change of balance	Fintech shows credit on payer's account, which can be sent to payee on the platform	*(Models vary)*
Payee can see funds transmitted by payer	Payee withdraws funds from fintech to their bank account	
	Payee can see funds in their bank account	

Source: Invesco. For illustrative purposes only.

What's the Point?

The Potential for Efficiency Gains Is Substantial

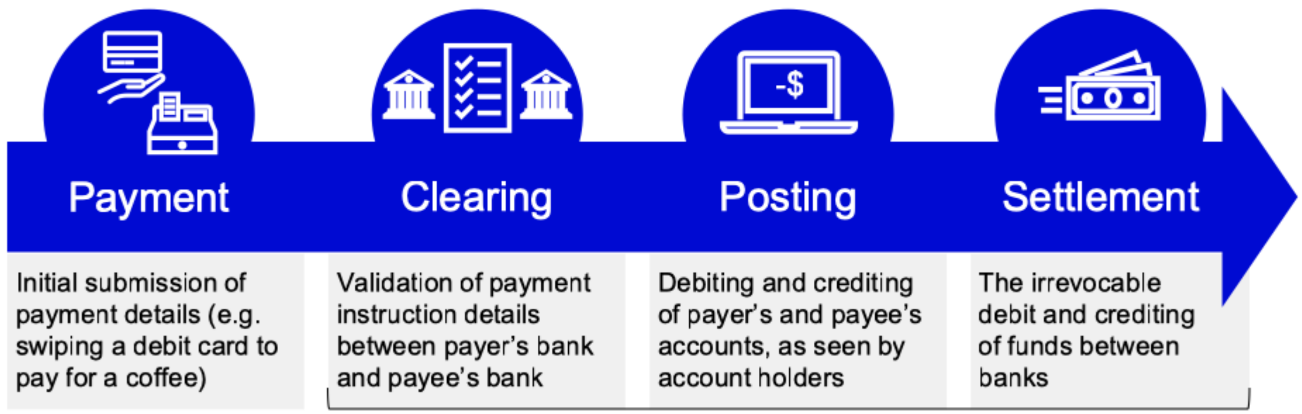
CBDCs offer the opportunity to reform payments in meaningful ways

A 2015 SWIFT paper noted that "regulators believe that faster payments will accelerate economic growth – if a business is paid in real-time, it will be able to speed up its cash conversion cycle, generate necessary working capital, and reduce its need for expensive short-term financing."

Indeed, in many economies, payments remains a dreadfully slow process. With the advent of so many technologies in recent decades, it is striking that financial systems have been slow to change. With today's technology, we may send digital messages to users across the world in a fraction of a second, and yet a digital bank transfer may take days to clear.*

CBDCs present a substantial opportunity to expedite and simplify the process by which funds are transferred by allowing real time exchange of central bank money across institutions while mitigating points of failure in payments systems. And all this can be accomplished within a framework backed up by a nation's central bank.

Stages of Payment



CBDCs may greatly simplify and even expedite payments.

*Note that a number of economies already have instant payment systems that facilitate the rapid exchange of funds in near real-time, notably the United Kingdom's Faster Payments Service.
Sources: Invesco, 2015 SWIFT white paper: The Global Adoption of Real-Time Retail Payments Systems. For illustrative purposes only.

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Creating a CBDC

How Do I Hold a CBDC? A Token or Account-Based Model

Tokens are similar to cash, while accounts are more like checking accounts

Today, the most familiar ways in which we hold money are either as physical cash or as a deposit in a bank account. Let's assume a central bank decides to issue a CBDC accessible to the general public. How would the average person hold it?

CBDC designs can choose to either approximate physical cash or the central bank can essentially offer bank accounts. In the first model, holdings of cash may be identified through tokens, similar to the design of Bitcoin. The authenticity of the tokens would be the only verification processed in a transaction (in other words, not the identity of the holder). In contrast, an account-based model would rely on ascertaining the identity of a user and whether they have permission to access the account.

These designs can have important implications for where one may store their CBDCs and its impacts on financial intermediation. The following slides detail additional considerations in designing a CBDC.

Comparing the Characteristics of Different Kinds of Currencies

CBDCs are backed by central banks, a particularly attractive feature in periods of financial distress

		Account-Based	Token-Based	
			Digital	Physical
Issuer/ Backstop	Central bank	Central bank reserves Account-based CBDC	Token-based CBDCs	Banknotes/ coins
	Commercial bank	Bank deposits	Bank digital currencies	
	Private	Payment provider	Stablecoins	Prepaid cards
	None		Bitcoin, most crypto-currencies	Precious metals

Sources: Goldman Sachs Global Investment Research and Invesco. For illustrative purposes only.

Creating a CBDC

CBDCs Have Numerous Design Choices

While CBDCs are united in name, they can have many forms

Select Operating Hours or 24/7 Availability

Currently, access to central bank money is largely confined to the operating hours of the central bank.

A CBDC could be designed to have greater operating hours in a wholly digital ecosystem – even 24/7/365.

User Identification or Anonymity

Similar to the offline, anonymous nature of cash transactions, a CBDC could be designed to provide anonymity for the user. On the opposite spectrum, it could also introduce greater oversight.

(Further details in Appendix 2.)

Centralized or Peer-to-Peer

Cash is central bank money and is traded peer-to-peer, without need for an intermediating party. Bank balances, in contrast, are transferred provisionally between banks and then settled via transfers of central bank digital balances (reserves) between banks.

A CBDC could enable a faster transfer mechanism by making bank transfers direct and final.

Interest Free or Interest Bearing

Similar to how bank reserves can be paid interest by central banks, a CBDC could be designed to include a policy rate mechanism whereby interest is paid on – or even taken from – CBDC balances.

An interest-free design may help enforce the zero lower bound, while an interest-paying design may facilitate negative interest rates and provide control over CBDC incentives.

Unlimited Use or Capped Use

Caps or limits can be constructed as part of the CBDC to limit its use. For example, a retail CBDC could constrain the total balance a user may hold to encourage more traditional deposits at commercial banks.

This may aid in allaying digital bank run fears, but also poses issues in the desired one-for-one convertibility of a CBDC to bank deposits.

Source: Invesco. For illustrative purposes only. This list is not exhaustive.

The Fundamental Issue: Preserving Intermediation
Level of state involvement determines degree of disintermediation

While there are a multitude of considerations in how exactly a CBDC may be executed, perhaps the most important among them is how a CBDC may affect the role of financial intermediaries in an economy. This may at first seem like a theoretical roadblock, but the implications may be significant.

The financial sector plays a vital role in allocating capital to the most efficient and productive opportunities. Greater state involvement—whether through government fiscal schemes or a bloated central bank—limits the role of the financial sector and, theoretically, contributes to a less healthy market mechanism. Too much state involvement may also limit the role for maturity transformation as carried out by banks.

Any CBDC project must therefore consider the potential impact on the financial sector. In the following slides, we explore the common design themes of CBDCs and how they may impact financial intermediation.

What Is Intermediation?

Defining Intermediation

The level of financial intermediation describes the degree of involvement of financial intermediaries such as banks. Greater intermediation increases the market's role in the efficient allocation of capital but decreases the power of the government.

More or less intermediation

How Does a CBDC Factor in?

A CBDC is a liability of the central bank. Liabilities of a central bank must be matched by an increase in central bank-held assets. Therefore, CBDC issuance would require a larger central bank balance sheet – and thus a greater role in markets.

Assets	Liabilities
Gold	Reserves
Foreign currency	Banknotes
Repo collateral	Coins
+ Assets	+ CBDCs

Source: Invesco.

Three Broad Design Approaches for CBDCs

Design yields varying impacts on financial system

Retail / "Direct" CBDC	vs.	Hybrid CBDC	vs.	Wholesale / "Indirect" CBDC
Individuals and businesses hold the CBDC directly via an account with the central bank (account-based) or by holding tokens in a digital wallet, much like holding physical cash (token-based).		The CBDC is a cash-like direct claim on the central bank, but the private sector manages customer-facing activity and distribution through so-called "payment service providers."		Similar to bank reserves but more tradable. Banks hold CBDCs and transact them with other banks to represent final transaction settlement.
(+) Potentially greater banking access (+) Faster & more efficient settlement (–) May pull deposits from banking system, disrupt liquidity/maturity transformation, and increase cost of credit (–) Potentially unforeseen complexities		(+) Faster & more efficient settlement (+) Potentially reduced counterparty risk (+/-) Some impact on existing financial structure and business models (–) Potentially unforeseen complexities		(+) Faster & more efficient settlement (+) Potentially reduced counterparty risk (+) Little to no impact on existing financial structure and business models (–) Few benefits versus existing models (–) Potentially unforeseen complexities
Unlikely choice in financialized economies.		Most common model.		Perceived benefits are minimal.

More change ← Anticipated Degree of Change of Financial System → *Less change*

Source: Invesco. The above represent stylized CBDC designs. Actual CBDCs may have characteristics that vary from these descriptions.

The Fundamental Issue: Preserving Intermediation

Level of state involvement determines degree of disintermediation

Disintermediated
'State-Dominated'
e.g. Soviet Gosbank

Intermediated & Regulated
Today

Intermediated
'Libertarian'
e.g. free-banking era in US

Pure Retail CBDC "Direct CBDC"

- Central bank operates retail accounts for all persons capable of holding CBDCs, or distributes CBDCs in a manner similar to cash.
- Widespread access may transform role of banks.

Financial System Impact
Very High*

Hybrid CBDC

- Central bank issues CBDCs for use by households, but CBDCs are distributed via financial intermediaries.
- Likely to maintain the role of banks.

Financial System Impact
Medium

Wholesale CBDC

- Replaces bank reserves with CBDCs in bearer format. Only select financial institutions can access.
- Likely to be operationally smoother for banks, with few other changes.

Financial System Impact
Low

Bank Reserves

- Banks maintain reserve accounts with the central bank and undertake lending (a la fractional reserve banking).
- This is the current state.

Financial System Impact
➡ *Current State* ⬅

DeFi / Cryptos

- Traditional financial intermediaries are displaced by a plethora of decentralized protocols that carry out similar functions

Financial System Impact
Very High

* See Appendix 3 for a hypothetical analysis.
Sources: Invesco. For illustrative purposes only. Financial system impact is assessed by the author and does not constitute a specific forecast or expectation of the future.

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The Implications

The Potential Benefits of a CBDC

Positive effects of a CBDC are determined largely by its design

CBDC advocates have pointed to numerous potential benefits stemming from a digitalization of fiat currencies. Most popular among these are improved payments efficiency and expanded financial access for households underserved by the existing financial system.

Recent research highlights a wide-ranging set of implications, including effects on payments systems, potential socioeconomic benefits, new and expanded tools for policymakers, competitive and innovative potential, and other systemic effects.

Potential Benefits of Central Bank Digital Currencies May Include…

Payments & Settlement Improvements
- Expanded operating hours for settlement
- Potentially easier cross-border payments
- Less counterparty risk for payments intermediaries and potentially safer payments infrastructure
- Faster settlement with lower costs

Financial Inclusion
- A retail CBDC may enable greater banking access, driving broader financial inclusion

Improved Data Capabilities
- May enable real-time economic data
- Transactions may be anonymized to comply with privacy regulations

Continued Access to Central Bank Money
- A central bank digital currency may be a digital supplement to cash
- May address secular decline of cash and rise of private digital payments systems

Additional Policy Capabilities
- Expanded options in monetary policy
- Facilitate transmission of fiscal policy

Competitive & Innovative Potential
- May help foster innovative changes
- May support competition in payments

Source: Invesco. For illustrative purposes only. The ultimate design of any CBDC will ultimately shift the calculus of potential benefits.

The Implications

CBDCs are Not Without Risks

Policymakers – especially in developed economies – are wary of unintended effects

However, while CBDCs have many advocates, there are also a variety of concerns about how digital currencies – especially if widely available to the public – may affect the financial system. Top among these are fears of how bank funding may be affected. As central bank money would inherently be less risky than demand deposits held at commercial banks, the fear is that users would reduce their deposits at commercial banks and shift them to the central bank – especially in periods of crisis.

Such financial stability effects are explored in some further detail on the right. Other risks may include cybersecurity and resiliency of CBDC infrastructure, how a larger central bank balance sheet may affect markets, and – perhaps most importantly – the Rumsfeldian "unknown unknowns" that may plague projects that come to fruition.

Potential Risks of Central Bank Digital Currencies May Include…

Financial Stability Fears
- A publicly accessible retail CBDC may pull deposits from banks as central bank accounts (or cash) may be viewed as safer than zero-yielding demand deposits
- May facilitate "digital bank runs" in times of financial stress

Reduced Financial Intermediation
- A retail CBDC may require a greater role of the central bank in markets (see Appendix 3)
- Such a CBDC is likely to increase the size of the central bank balance sheet, forcing central bank to play greater role in maturity and liquidity transformation

Cybersecurity Risks
- Increasing digitalization, especially if centralized, may heighten cybersecurity risks

Potential to Shift Market Yields
- Publicly accessible CBDCs may shift funding dynamics, esp. for banks, impacting required rates of return on Treasury bills, ONRPs, and/or retail deposits
- Fewer deposits at commercial banks may result in more expensive bank credit

Unforeseen Consequences
- May create favored forms of money – CBDCs may compete with bank- and deposit insurance-backed deposits
- And other considerations not seen today…

Source: Invesco. For illustrative purposes only. The ultimate design of any CBDC will ultimately shift the calculus of potential risks. ONRPs = overnight reverse repurchase agreements.

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Progress Across Economies

How Far Along Are CBDCs Projects?

The world has not seen a significant, large-scale CBDC yet – China likely to be first

The Bank for International Settlements notes that "central banks collectively representing a fifth of the world's population are likely to issue a general purpose CBDC in the next three years." Some small central banks, notably in the Caribbean, have already issued CBDCs. The largest and most advanced project underway is China's digital currency/electronic payments (DC/EP), its own home-brewed CBDC.

Despite 68 of the world's central banks working at some kind of CBDC, most projects remain at their earliest stages. We observe that developed market central banks are particularly reluctant to roll out CBDCs. In general, more financialized societies tend to be slower to adopt new financial technologies, likely due to the strength of incumbents and the difficulty involved in shifting involved infrastructure.

We therefore expect emerging market economies to lead the way in CBDC projects.

Selected CBDC Projects Across Countries

The Pioneers *CBDC launched*	**The Up & Coming** *CBDC pilot underway*	**The Laggards** *Research underway*
The **Bahamas** (Sand Dollar) – Launched 2020.	**China** (DC/EP*)	**Eurozone** (Digital Euro)
Eastern Caribbean Currency Union (DCash) – Launched 2021.	**Russia**	**US** (Digital Dollar)
Nigeria (e-Naira) – Launched 2021.	**Saudi Arabia**	**UK** (E-pound)
	South Korea	**Japan** (Digital Yen)
	Sweden (E-krona)	• …and 52 other countries
	• …and more (South Africa, Anguilla, Hong Kong, Jamaica, Malaysia, Singapore, Thailand, Ukraine)	

* DC/EP = Digital Currency / Electronic Payment

Sources: The Atlantic Council; Auer, R, G Cornelli and J Frost (2020), "Rise of the central bank digital currencies: drivers, approaches and technologies", BIS working paper, No 880, August, latest available data as of 31 January 2022; Invesco; and central bank press releases, speeches, and reports as of 30 April 2022.

China's DC/EP Is the Largest CBDC Project

e-CNY is not likely to result in global adoption of CNY as a reserve currency

China's CBDC has led the space with large-scale pilots underway in many cities, with reports of more than 260 million accounts opened already. Indeed, the PBoC looks to be nearing the official launch of the so-called digital yuan in the not-distant future.

According to PBoC reports, the DC/EP model will add a layer to the payments system, existing side-by-side with bank deposits in a two-tiered system. Individuals and businesses would have a balance in their account, maintained via banks with ownership verified in a central ledger by the PBoC. Bank intermediaries would handle operational aspects.

China appears to be focused on the retail angle given its large informal economy. This is likely to aid in the crackdown on corruption and tax avoidance.

While China has already started international projects with some countries, we do not expect that the yuan will benefit internationally as a reserve currency as a result of the DC/EP. China would likely need to undertake market-oriented reforms, develop well-regulated financial markets, and eliminate capital controls to achieve reserve currency status for the yuan.

China's "Digital Yuan" Features at a Glance

Intermediated Commercial banks will distribute the DC/EP, but it will be separate from existing account balances.	**Tiered Anonymity** Greater identification provided enables higher value transactions. (See Appendix 2)	**Programmable?** PBoC officials have not clarified whether DC/EP balances will be programmable, leaving door open to time-expiring balances.	**Hybrid Ledger** Use of centralized ledger technology in concert with distributed ledger technology, partly to aid offline payments.
Interest-Free Balances of DC/EP are not currently intended to be interest-accruing.	**Traceable Flows** A degree of data transparency will allow policymakers to understand path of transactions, similar to cryptocurrencies.	**Smart Contracts?** Smart contract may be allowed for commercial institutions to develop related applications.	**Offline-Enabled** When internet access is unavailable, DC/EP can still be used. Transactions are recorded to ledger when online again.

Sources: Goldman Sachs Global Investment Research, Gao Hua Securities Research, as of 31 March 2022. Features are subject to change.

Tracking Progress

Visions for Developed Market CBDCs Already Have Constraints

A slow move towards intermediated CBDCs seems likely

Little has been revealed by major developed market central banks. A 2020 joint publication released by the Bank for Internal Settlements noted certain priorities, as shown on the right. A recent Federal Reserve discussion paper sought to lay out points for further inquiry and research. For now, we are left to wonder over how these projects may evolve, but we can make some general statements.

We believe retail CBDCs are the least likely outcome in developed economies. A digital dollar, pound, or euro is unlikely at present to facilitate accounts opened directly with the central bank. We see the central bank ledger as being sacrosanct, available only to banks.

A hybrid CBDC is a more likely outcome, with banks serving as intermediaries and a distribution network. But it remains to be seen how retail bank deposits will be handled in this environment.

A wholesale CBDC appears to be the safest and easiest option, but this may yield few of the positive impacts we have laid out in this paper.

Countries Pursuing CBDCs

Foundational Principles

1. **Resiliency.** It must be resilient and secure to maintain operational integrity.
2. **Utility & Convenience.** To provide utility to users, a CBDC must be convenient and available at very low or no cost to end users.
3. **Minimize disintermediation.** CBDC system should have an appropriate role for the private sector and be set up to promote competition and innovation

Sources: Bank for International Settlements, October 2020 “Central bank digital currencies: foundational principles and core features”, US Federal Reserve discussion paper, January 2022 “Money and Payments: The U.S. Dollar in the Age of Digital Transformation”, and Invesco.

Agenda

1. What makes a CBDC?
2. What are the key design questions for CBDCs?
3. What are the implications for the financial system?
4. Where are countries in pursuing CBDCs?
5. **What are the investment implications?**

Impact on Investing

Investment Implications

Impacts are concentrated in retail CBDCs, while hybrid format remains murky

Drawing investment implications is difficult when CBDCs are still mostly proposals. While design implications may vary quite dramatically, we can still seek to make broad statements about the effects CBDCs may have on certain investments.

Stablecoins are most likely to be affected by the advent of CBDCs. We expect that CBDCs would help bring greater clarity to how regulators and policymakers approach the cryptocurrency space.

CBDCs may have material impacts on banks, money markets, and the ways in which institutions fund themselves. Banks may have to contend with structurally lower profitability as a result of having to raise interest rates to attract deposits. The expanded availability of central bank money may also present opportunities for non-banks, especially for fintechs.

This may also cause an expansion of risk-seeking behavior with implications for financial stability, leading to more volatile bank balance sheets or/and an absolute reduction of the size of bank balance sheets and an increasing role of the central bank.

Types of CBDC and Their Assessed Impact on Selected Investment Themes

	Cryptos	Yields	Banks	Non-Banks
Retail 'Direct' CBDC	Significant impact, especially for stablecoins. With official digital money, regulators may feel emboldened in constraining stablecoin use	As bank funding may be disrupted, banks may seek to raise a greater share of funding from financial markets and charge higher yields on bank credit	Structurally lower profitability due to disruption of key bank funding source. May also enable digital bank runs during crises	Fintechs may benefit by having easier access to central bank money and reduced needs for commercial banking, potentially enabling new opportunities
Hybrid 'Indirect' CBDC	Likely the same as above	Unclear	Unclear whether banks will be able to make use of CBDC deposits they hold on behalf of customers	Likely similar to above
Wholesale CBDC	Little to no effect	Little to no effect	Improved plumbing of payments may present opportunity to reduce some transaction fees and could impact profitability, esp. around international transfers	Wholesale CBDCs may enable new fintech products in partnership with banks

Source: Invesco. For illustrative purposes only. There is no guarantee that the assessment above will come to pass.

The CBDC Outlook: The Momentum Is Here

CBDCs have garnered increasing attention and net positive sentiment

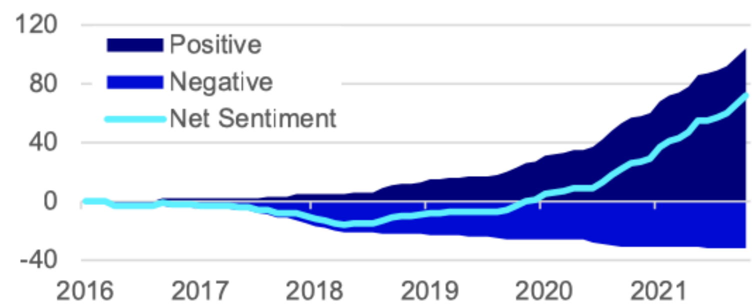
In our view, central bank digital currencies are a matter of when, not if. We expect CBDCs to be rolled out in major economies (USD, CNY, EUR, GBP), but the time horizon for this is highly uncertain and variable across countries.

Broadly, we expect CBDCs to be introduced in a manner that does not disrupt the intermediating functions of banks. Moreover, economies where the state has a prominent role (e.g. China) are more likely to favor CBDC designs that include data-gathering elements (i.e. less anonymity is likely).

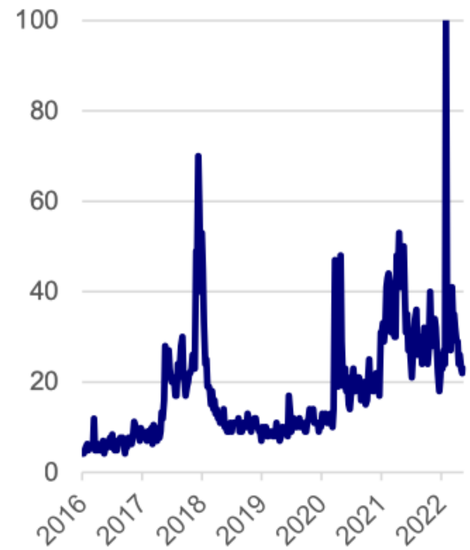
Cryptocurrency advocates, meanwhile, are likely to not find any CBDC project to be a replacement for decentralized digital asset projects. However, states may be emboldened in regulating stablecoins once a viable CBDC is launched.

Speeches by Central Bankers on CBDCs, 12-month Rolling Sum

Sentiment* of Speeches by Central Bankers, Total Since 2016



Google Search Interest for "Digital Currency" (Highest = 100)



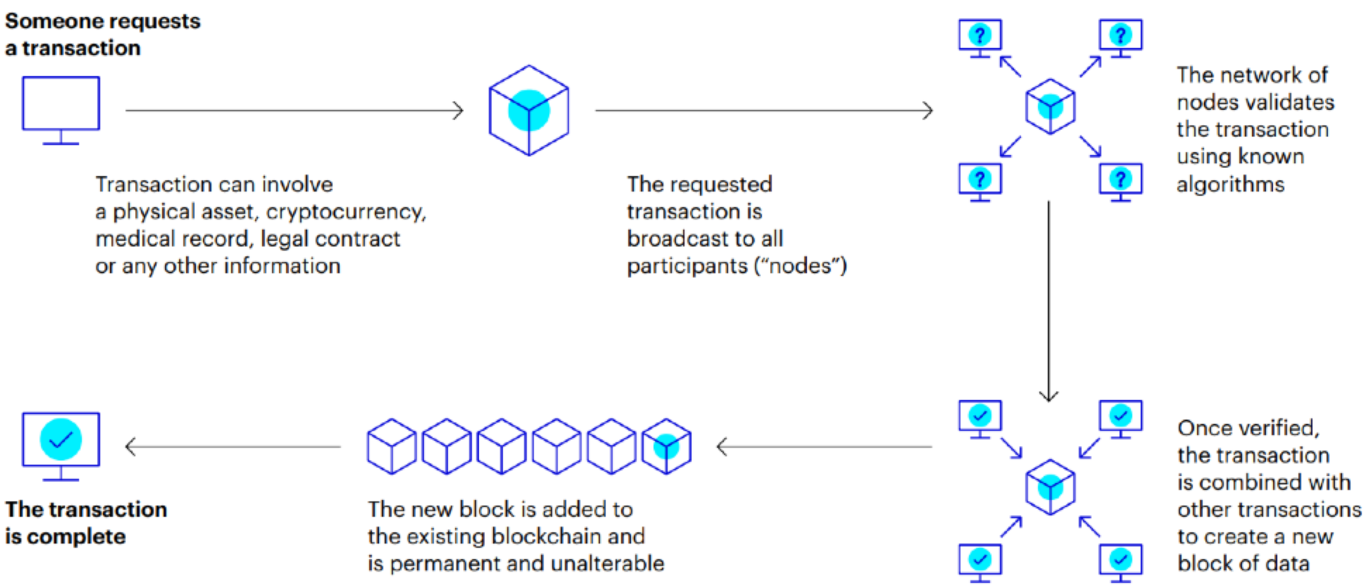
*Sentiment indicates an assessment of sentiment towards CBDCs as assessed by the source authors (see below). 1 = positive; -1 = negative. Neutral sentiment speeches were excluded.
Sources: Left: Bank for International Settlements, reproduced from Auer, R, G Cornelli and J Frost (2020), "Rise of the central bank digital currencies: drivers, approaches and technologies", BIS working paper, No 880, August. Data latest available as of 31 January 2022. Right: Google, as of 17 May 2022.

Appendix

Appendix 1: Digital Assets

"Digital Assets" Describe Assets (and Representations of Them) that Make Use of Cryptography & Decentralization

How Blockchain Works



My keys, my crypto!

Digital assets make use of cryptography to secure transactions. On a blockchain, each user has a public identity—a **public key**—with which your transaction data is associated and visible to all on the network. This public key is like your blockchain username.

In order to spend your crypto or transfer your digital asset, you must authorize it by submitting your **private key** as part of a transaction. This is similar to a bank PIN.

Through some complex math, the pairing of your private and public keys allow the blockchain to verify that you are the valid owner of that digital asset and can transact with it.

For illustrative purposes only.

Appendix 2: Anonymity

Comparing Anonymity of Blockchains and Central Bank Digital Currencies

Blockchain

Pseudonymous

"the Bitcoin model"

Users are represented by a unique virtual address with which they send and receive digital assets. Transactions are publicly known and traceable. Identities can be uncovered by known associations.

Anonymous

"the privacy coin model"

Similar to the pseudonymous model, users are represented by a unique virtual address. However, this address changes after specified conditions. Transaction data is also obfuscated by mixing the true transaction details with decoy data, thus burying the true sender and receiver details.

Central Bank Digital Currencies

Model 1: Pseudonymous

"the Bitcoin model"

Users can transact CBDCs in a peer-to-peer environment, where users have an identity on a network but are not otherwise known to one another unless revealed. Transactions would be traceable, and user identities may be able to be revealed based on known associations (e.g. a connection to a bank account).

Model 2: Tiered anonymity

"the Chinese model"

Maximum account balances and permitted transaction amounts and volumes are determined by the degree of identifying details provided. Users can be fully anonymous if making only minimal use of the CBDC, whereas users wishing to conduct high-value transactions would need to provide and have confirmed their appropriate identifying documents.

Model 3: Identified users

"the banking model"

Similar to a bank account, users would need to provide documents to prove their identity before being allowed to use any CBDCs.

Source: Invesco. For illustrative purposes only. Applicable laws and regulations may vary in different regions and localities.

Appendix 3: Financial Intermediation

Fed May See Substantially Greater Role in Markets under Retail CBDC

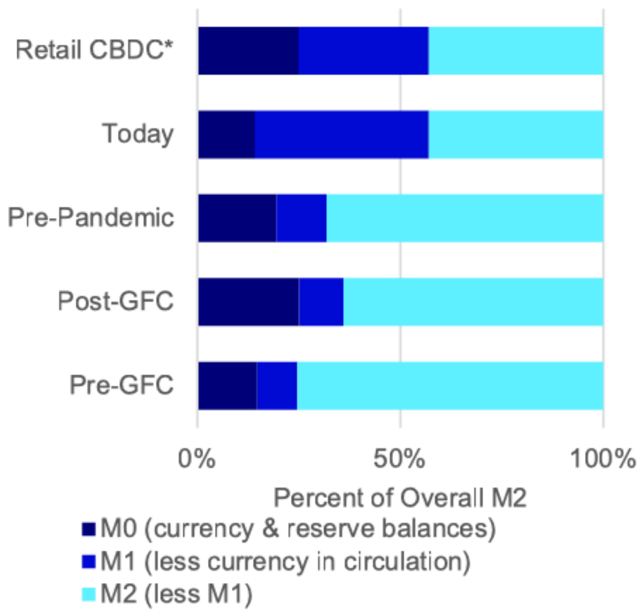
A retail CBDC may be the next balance sheet booster

In the event of a retail CBDC being issued and widely accessible to the public in the United States, we would expect a marked increase in central bank assets. In the figures on the right, we consider what would happen if 25% of demand deposits were converted immediately today to a retail CBDC.

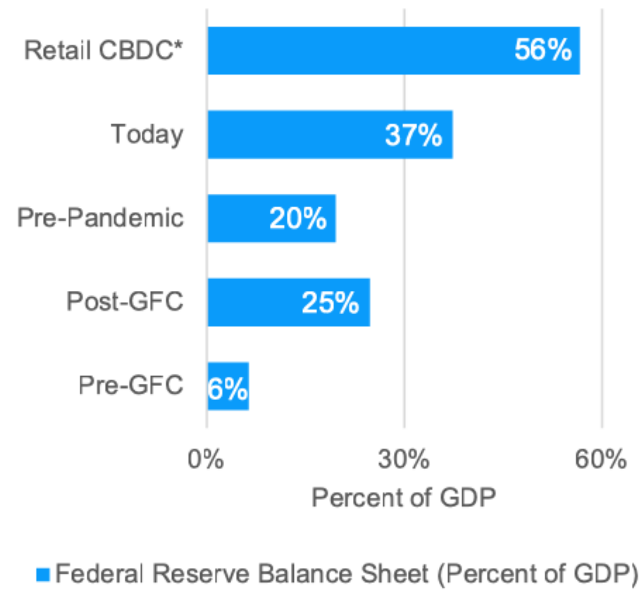
The result is sobering. By this admittedly simplistic analysis, a retail CBDC would increase the Federal Reserve balance sheet to be 56% of GDP, up nearly 20 percentage points from today's level. Such a change would imply likely lower yields and a more commanding role in the markets for the central bank.

Such possibilities merit further consideration by policymakers interested in launching a retail CBDC.

Money Base Likely to Increase with Retail CBDC



…Resulting in Larger Central Bank Balance Sheet



*Retail CBDC is a hypothetical case where 25% of demand deposits are substituted into a retail CBDC. In this study, this reduces M1 and increases M0, theoretically requiring an expansion of Federal Reserve assets to accommodate the increase in liabilities driven by CBDC issuance.

Sources: US Federal Reserve, US Bureau of Economic Analysis, Macrobond, and Invesco, as of 28 February 2022. GFC = Global Financial Crisis. "Today" = 28 February 2022; "Pre-Pandemic" = February 2020; "Post-GFC" = December 2015; Pre-GFC" = December 2006.

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THE NCPERS

MONITOR

The Latest in Legislative News

June 2022

In This Issue

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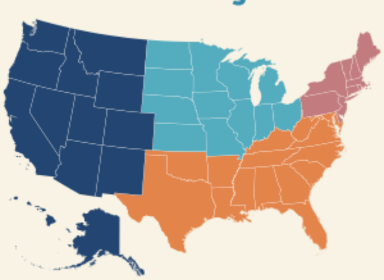
Section 402(l) was enacted as part of the Pension Protection Act of 2006. It is often referred to as HELPS, the Healthcare Enhancement for Local Public Safety Act.

Photo illustration © 2022, shutterstock.com

Two steps forward, one step back. Over the past two years, NCPERS and other pension organizations have worked hard to open up a dialogue with the Pew Research Center, an influential think tank that has devoted substantial resources to retirement topics.



This month, we will highlight Vermont, Missouri, Texas and Hawaii.

SEC Substantially Increases Size Of Crypto Crime Enforcement Unit

Photo illustration © 2022, shutterstock.com

The Securities and Exchange Commission announced it is beefing up its resources for protecting investors in crypto markets and from cyber-related threats. It is adding 20 positions to its renamed crypto assets and cyber unit, bringing the former cyber unit up to 50 employees.

The new unit is part of the SEC's enforcement division, has brought more than 80 enforcement actions related to fraudulent and unregistered crypto asset offerings and platforms since 2017, resulting in monetary relief totaling more than $2 billion, the SEC said.

"The U.S. has the greatest capital markets because investors have faith in them, and as more investors access the crypto markets, it is increasingly important to dedicate more resources to protecting them," SEC Chairman Gary Gensler said in a news release. "By nearly doubling the size of this key unit, the SEC will be better equipped to police wrongdoing in the crypto markets while continuing to identify disclosure and controls issues with respect to cybersecurity."

CONTINUED ON PAGE 5

Healthcare Enhancement for Local Public Safety Act (HELPS)

By Tony Roda

Photo illustration © 2022, shutterstock.com

Current tax law, Internal Revenue Code Section 402(l), allows eligible retired public safety officers to elect to exclude from gross income up to $3,000 in annual distributions from a governmental retirement plan to pay qualified health insurance or long-term care premiums, provided the payment of premiums is made directly by the retirement plan to the provider of the health or long-term care plan.

Section 402(l) was enacted as part of the Pension Protection Act of 2006. It is often referred to as HELPS, the Healthcare Enhancement for Local Public Safety Act.

To comply with the direct payment requirement, state and local retirement systems must directly pay often numerous health and long-term care providers and keep track of changes to premium amounts and payment deadlines for thousands and sometimes tens of thousands of retirees. This already challenging task is made even more difficult because providers often are allowed to communicate only with the retiree policyholder and not with the retirement system. Information does not flow seamlessly, and inadvertent errors are made. In addition, due to the complexity, some retirement systems have made the decision to not implement HELPS, thereby resulting in retired public safety officers covered by these pension plans being ineligible for the tax benefit.

The next major retirement bill considered by the Senate Finance Committee could make positive changes to HELPS. The proposed changes would:

- Make the direct payment requirement optional;
- Increase the current annual exclusion amount cap, which has not been increased since 2006 despite significant increases in premiums for health care and long-term care insurance over that 15-year period; and
- Index the annual exclusion for inflation for future years so that Congress does not have to continually revisit the exclusion cap in subsequent years. Numerous retirement-related provisions in the tax code are indexed for inflation, including annual limits for contributions to 401(k), 457(b), and 403(b) accounts.

The potential changes have the strong support of the Fraternal Order of Police, National Association of Police Organizations, the International Association of Fire Fighters, and the public pension community.

A major development on HELPS occurred on May 25 with the introduction of S. 4312 by Senator Sherrod Brown (D-OH). Senators

CONTINUED ON PAGE 5

NCPERS Executive Directors Corner

Pew Research Trots Out Tired Short-Term Perspective on Long-Term Pension Investing

Photo illustration © 2022, shutterstock.com

Two steps forward, one step back. Over the past two years, NCPERS and other pension organizations have worked hard to open up a dialogue with the Pew Research Center, an influential think tank that has devoted substantial resources to retirement topics. Now, instead of progress, we are seeing a disappointing regression.

We've tried to work with Pew because we saw them backing off on state lobbying for "reforms" that are harmful to public pensions. Encouraged by this development, we've broken bread, built bridges, met them halfway – insert your metaphor here. The point is, in an act of good faith, we've engaged intellectually, shared information, and developed rapport.

That's why we are exceptionally disappointed by Pew's latest foray into pension criticism. In early May, Pew published an issue brief titled "State Public Pension Fund Returns Expected to Decline." This brief looks back at data from 2018 and 2019 and concludes that public pensions are invested in "risky" assets – stocks.

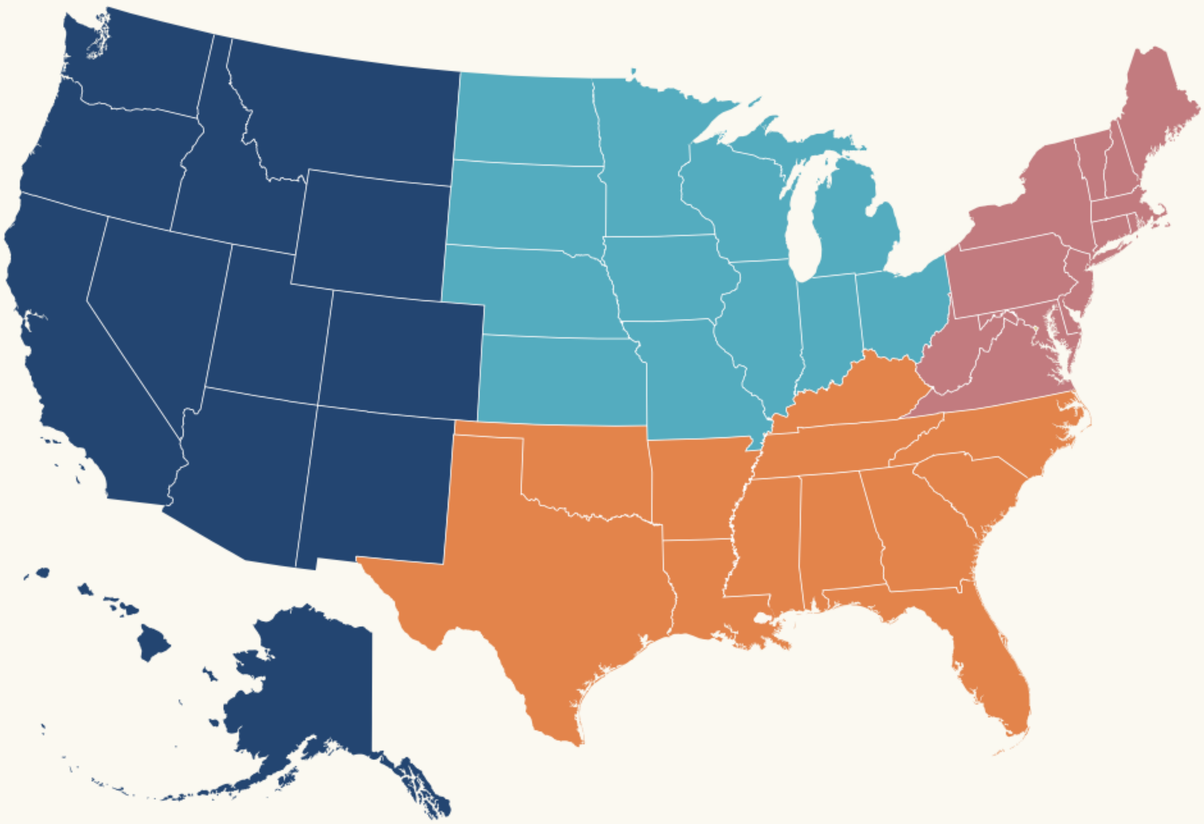
We've tried to work with Pew because we saw them backing off on state lobbying for "reforms" that are harmful to public pensions.

First of all, it's hard to be a public pension official and not have whiplash. If you diversify your portfolio, you are criticized for not investing in index funds, aka stocks. If you invest in stocks, you are criticized for taking any risks at all, which is impossible to do while investing in stocks. But we digress.

CONTINUED ON PAGE 6

NCPERS Around the Regions

This month, we will highlight Vermont, Missouri, Texas and Hawaii.



NORTHEAST: Vermont

A bill to strengthen Vermont's pension funds for teachers and state workers survived rejection by Republican Governor Phil Scott as both chambers of the legislature voted unanimously to overturn his May 2 veto.

The Senate voted 30-0 in favor of the veto override on May 4, followed two days later by a 148-0 House vote.

The legislation, which passed unanimously in both the House and Senate in April, is designed to shore up the Vermont State Teachers' Retirement System, which had $2.5 billion of assets and a 52.9% funded ratio at the end of 2021, and the Vermont State Employees' Retirement System, which had $2.75 billion of assets and 67.6%

Teachers and state employees will have to increase contributions gradually over three to five years and accept more modest cost-of-living adjustments, Pensions and Investments reported. The state would make a one-time $200 million payment to the pension systems to pay down unfunded liabilities in fiscal year 2022, plus ongoing additional payments beginning in 2024 that would eventually reach $15 million. The payments would continue at that level until the pension systems are 90% funded.

The measures are expected to reduce the combined $3 billion unfunded liability of the two pension systems by about $293 million, Pensions and Investments said. They would also reduce an estimated $2.75 billion retiree health-care benefit shortfall by about $1.73 billion.

CONTINUED ON PAGE 7

SEC CRYPTO CRIME ENFORCEMENT CONTINUED FROM PAGE 1

The development comes as public pensions have begun dipping a toe into blockchain-related companies. (Very briefly, Crypto is a medium of exchange – a currency or asset – that functions as digital money. A blockchain is the associated open ledger, which operates under strict rules.)

The first U.S. pension plans to make such an investment were the Fairfax County Police Officers Retirement System and the Fairfax County Employees. In February, they allocated $11 million (0.8% of assets) and $10 million (0.3% of assets), respectively. "As they would do with any investment, Fairfax's investment team determined that the expected returns from this investment were in line with the level of risk incurred," said Jeff Weiler, executive director of Fairfax County Retirement Systems, in a note published on the county website.

The two pension plans made blockchain-related investments through the Morgan Creek Blockchain Opportunities Fund. It is managed by the subsidiary of Morgan Creek Capital Management LLC, Morgan Creek Digital Assets. Morgan Creek funds have invested 85% of the capital under its management in blockchain-related companies.

The new SEC unit will aim to protect investors in the crypto markets, with a focus on investigating securities law violations related to crypto asset offerings, exchanges, and lending and staking products; decentralized finance, or DeFi, platforms; non-fungible tokens, or NFTs; and stablecoins, which are cryptocurrencies that set their values to other assets, such as the U.S. dollar.

"Crypto markets have exploded in recent years, with retail investors bearing the brunt of abuses in this space," said Gurbir S. Grewal, director of the SEC's enforcement division, in the news release. "Meanwhile, cyber-related threats continue to pose existential risks to our financial markets and participants. The bolstered crypto assets and cyber unit will be at the forefront of protecting investors and ensuring fair and orderly markets in the face of these critical challenges." ◆

(HELPS) CONTINUED FROM PAGE 2

John Thune (R-SD), Mark Warner (D-VA), and Chuck Grassley (R-IA) are original cosponsors of the bill. All four Senators are members of the Finance Committee. S. 4312 would change the direct payment requirement from mandatory to optional and create an alternative to the current method, namely allowing the retirement system to make the distribution to the retired public safety officer. The retiree can then make the premium payment to the provider and remain eligible for the tax exclusion.

In cases where the distribution is made to the retiree, the retiree must include with their tax return an attestation that the amount sought to be excluded from the pension distribution does not exceed the amount paid by the employee for qualified health insurance premiums for the taxable year.

The next step to enacting S. 4312 into law is for it to be included in a larger retirement bill that is expected to be considered by the Finance Committee at the end of June. This legislation is commonly referred to as the SECURE Act 2.0 and would make numerous changes to tax law to promote retirement savings and financial security. The proposals to increase the annual cap and index the cap in subsequent years may also be considered by the Committee.

Please be assured that NCPERS will keep its members up to date on any significant developments regarding HELPS or the SECURE Act 2.0 legislation. ◆

Tony Roda is a partner at the Washington, D.C. law and lobbying firm Williams & Jensen, where he specializes in federal legislative and regulatory issues affecting state and local governmental pension plans. He represents NCPERS and statewide, county, and municipal pension plans in California, Colorado, Georgia, Kentucky, Ohio, Tennessee, and Texas. He has an undergraduate degree in government and politics from the University of Maryland, J.D. from Catholic University of America, and LL.M (tax law) from Georgetown University.

EXECUTIVE DIRECTORS CORNER CONTINUED FROM PAGE 3

Back to Pew. All investments, as we know, are "risky." Or to put it differently, no investments are not risky. Are we clear on that?

What, then, do pension funds do with risk? We do what all professional asset managers do. We manage risk. We do this by determining our risk appetite, establishing a carefully calibrated investment strategy – which, by the way, is invariably a matter of public record, allocating assets across a diverse portfolio, monitoring and adjusting as needed, and keeping in mind at all times that pension investing is for the long haul.

It is, frankly, not for the faint of heart to ride up market ups and down with an eye on 20-, 25- and 30-year trajectories, but that in fact is what we do, and do it expertly.

The continued emphasis by Pew on the short term is therefore deeply disappointing. Is that because it reminds us that pension fund returns could decline? No, of course not. We all know how markets work from quarter to quarter and year to year. Markets go up; markets go down.

It's disappointing because it shows that Pew still doesn't get it and continues to focus on negative narratives packed with loaded words rather than delivering a complete picture.

"Market volatility since 2019" is the focus of Pew's latest fretting over the state of pension. That would be a three-year period marked by extraordinary volatility brought on in large part by an unprecedented global pandemic.

Yes, today's low interest rates and declining stock markets has impacted investment returns. But pensions are hardly alone in this respect. We are not the only institutional investors whose returns are expected to decline from the heady heights of 2021.

The fact is that public pension funds have adjusted their expected rates of return downward – they have been doings for several years. And boards and staff of state and local pension funds are managing assets in a prudent, well diversified manner that minimized investment risk. They have incorporated risk metrics into their asset allocation decisions. They are highly diversified, which is the best defense against risk. ◆

AROUND THE REGIONS CONTINUED FROM PAGE 4

MIDWEST: Missouri

An initiative to compel Missouri's public pensions to keep a portion of investment dollars close to home hasn't gained much traction, but it is worth watching.

Legislation is pending to require the state's public employee retirement systems to earmark a portion of investments for state-based assets. The bill, House Bill 2825, has not been scheduled for a vote in the House, and has gained no co-sponsors since its introduction in February. It was introduced by Rep. Michael O'Donnell, a former bond trader and a Republican who is vice chair of the Financial Institutions Committee and serves on the Pensions Committee.

Specifically, HB 2825 would require "an investment fiduciary to give appropriate consideration to investments that would enhance the general welfare of the state, and to ensure that at least 20% of the venture capital and real estate investments of the system are invested in Missouri-owned businesses and real estate," according to the bill summary. The Missouri State Employee's Retirement System (MOSERS) had $9.7 billion in net unrestricted assets at the end of its last fiscal year in June 2021.

During testimony before the House Pension Committee, O'Donnell cited the Russian invasion of Ukraine and its impact on investments as reason for requiring more investment dollars to remain home. "This is not a call to stop investing in emerging markets. We simply want to focus attention on investing in Missouri," he said, according to a report by the Center Square news service.

Missouri has experimented with similar restrictions before, the Center Square noted. A 1987 law required the Missouri Department of Transportation and Patrol Employees' Retirement System to invest between 3% and 5% of assets in certain Missouri-based small businesses, investment companies or venture capital firms, according to the bill's fiscal note. It was repealed in 1992, but a section was kept giving preference to Missouri-based companies in the selection of venture capital firms, consultants or fiduciaries.

"I don't like the idea of tying anybody's hands in the investment world to make the best investments possible," said Rep. Bill Owen, a Republican, the Center Square reported.

Maria Walden, executive director of the Missouri Retired Teachers Association, testified against the bill. "We just don't support any bill that would diminish or impair our board of trustees' authority to invest the funds as they see fit," Walden said, the Center Square reported.

CONTINUED ON PAGE 8

AROUND THE REGIONS CONTINUED FROM PAGE 7

SOUTH: Texas

The Employee Retirement System of Texas (ERS) cast proxy votes in favor of restricting new fossil fuel financing at four of the major banks in its investment portfolio.

All the proposals failed by a large margin. ERS said it was following the advice of its proxy adviser, Institutional Shareholder Services, and would be in touch with ISS "to resolve the matter going forward," according a report in The Texan, an online news publication. It said ERS voted in favor of net-zero financing proposals at the annual meetings of at least four banks – Bank of America, Citigroup, Goldman Sachs and Wells Fargo.

The net-zero policies were advanced by Environmental, Social, and Governance-focused (ESG) asset management firms and one environmental group. The Bank of America proposal was introduced by Trillium Asset Management; Citigroup's by Harrington Investments and Boston Asset Management; and both Goldman Sachs' and Wells Fargo's were introduced by the Sierra Club, one of the nation's foremost environmental groups, the Texas reported.

ERS's new Chief Information Officer had already identified the proxy voting process as an area for possible improvement and has formed a committee to review it and make, the report added.

Last year, The Texas noted, the legislature passed Senate Bill 13, which prevents state pension funds from investing in companies that are divesting from fossil fuels. It noted that the Texas comptroller is evaluating 19 companies for harboring oil and gas divestment policies and over 150 more for providing fossil fuel-boycotting investment funds. The office is assembling a list of entities from which the state could pull billions of dollars in pension investments because they are exiting fossil from fuels.

WEST: Hawaii

Hawaii has become the latest state to pass legislation authorizing the creation of a state-sponsored retirement program for employees of companies who do not offer such a benefit to workers.

The Hawaii Senate on May 3 voted unanimously, 25-0, to create the Hawaii Retirement Savings Plan. The bill was approved by the Hawaii House on April 12. At press time, it was awaiting the Governor's signature.

Multiple states have created auto-IRA programs in recent years, and the Hawaii plan would be substantially similar. A new Hawaii Retirement Savings Board would administer the plan, coordinating with the state's Department of Labor and Department of Budget and Finance.

The board would provide the state-facilitated payroll-deduction individual retirement savings plan to private-sector employees beginning on a date to be established by the future board. The legislation first authorizes an implementation and evaluation study, followed by a strategy and timetable.

According to AARP, the initiative would help about 215,000 Hawaii workers who can't save for retirement through payroll deduction, which has been demonstrated to be the easiest and most effective way to save. AARP also said the program is supported by 80 percent of Hawaii small businesses and workers who are registered voters.

In a first for an auto-IRA program, the Hawaii program received an appropriation to provide a $500 financial incentive, in the form of a match, for the first 50,000 enrollees who opt into the program. It also appropriated $2.2 million for project start up, marketing and outreach, bringing the total appropriation to $27 million.

Photo Illustration © 2022, shutterstock.com

Calendar of Events 2022

June

Chief Officers Summit
June 27 – 29, 2022
San Francisco, CA

August

Public Pension Funding Forum
August 21 – 23
Los Angeles, CA

October

Public Safety Conference
October 23 – 26
Nashville, TN

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The Voice for Public Pensions

The Monitor is published by the National Conference on Public Employee Retirement Systems.
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FUNDfire

Investors Want More Emerging Markets Debt, but War Adds Uncertainty

Institutional investors said they want to increase allocations to emerging market fixed income over the next 24 months, according to a study from Vontobel Asset Management.

By Lisa Fu | June 10, 2022

Institutional investors want to increase allocations to emerging markets fixed income over the long term, but the war in Ukraine and China's pandemic response has introduced new uncertainty.

"Institutional clients are certainly looking at emerging markets as a strategic asset class," said **William Beck**, senior vice president at **Wilshire Associates**. "It's been historically an under-invested asset class, especially for domestic clients."

Institutional investors across the world planned to increase their allocation to emerging markets debt over the next 24 months, more than any other asset class, including equity, developed markets fixed income, real asset equity, real asset debt or global unconstrained bonds, according to a recent study from **Vontobel Asset Management**. The firm, which surveyed more than 300 institutional investors in Europe, the Americas and Asia-Pacific in February, found 64% planned to increase exposure to emerging markets debt, 18% planned to make no changes and 18% planned to decrease their exposure to the asset class.

In comparison, 48% planned to increase equity allocation, 47% intended to increase developed markets fixed income exposure, 44% wanted more real asset equity, 39% planned to invest more in real asset debt and 29% wanted to increase allocations to global unconstrained bonds over the next 24 months.

Institutional allocations to emerging markets bonds have slowly increased over the last decade or so, moving from no exposure to around on average, 5%, for most institutional investors, said **Simon Lue-Fong**, head of Vontobel's fixed income boutique.

Institutional net flows into hard currency emerging markets fixed income, a universe with $221 billion in assets as of the first quarter, stayed largely positive over the last few quarters, according to **eVestment** data. The inflow streak started in the third quarter of 2020 and continued through the first quarter of 2022, aside from losing $118 million during the third quarter of last year. The category drew $12.6 billion in the first quarter of 2022.

PineBridge Investments has seen “a notable increase in demand” for the asset class from investors that need to hit sustainable investment objectives to achieve commitments to the Paris Agreement, said **Jonathan Davis**, client portfolio manager for the firm’s emerging markets fixed income team. “Typically, sustainable investment portfolios are materially underweight emerging markets, and we expect demand for sustainable [emerging markets] debt to continue to grow as investors look to close that underweight,” he said.

Fifty-four percent of respondents to the Vontobel survey selected increasing fixed income yields among their most important objectives over the next 24 months. Another 45% selected aligning fixed income assets with environmental, social and governance investment objectives. Investors were allowed to select more than one answer and also listed ensuring liquidity, diversification of bond holdings and capital preservations as priorities.

Related Content

June 9, 2022
GMO Severs Ties with Long-Tenured PM on $1.3B EM Strategy

“The survey results were positive for emerging markets fixed income, but, at the same time, [the war in Ukraine] is still ongoing,” said Lue-Fong. “I think it’s going to be quite a challenging period across not just emerging fixed income of course but across many asset classes. Eventually, emerging markets will settle into a level of risk premium that people feel comfortable with.”

Vontobel surveyed global institutional investors before and after Russia invaded Ukraine, Lue-Fong said. Prior to the invasion, investors listed inflation and interest rates as top concerns. After the news broke, investors said geopolitics was one of the biggest risks, which is a “natural reaction to the event,” Lue-Fong said. While optimism for global economic growth, inflation and bond yield premiums in 2022 for emerging markets in Europe fell from 72% prior to the invasion to 55% following the news, sentiment for emerging markets in other regions stayed mostly stable. Investor optimism for emerging markets in Asia-Pacific dipped slightly from 66% to 65%, while optimism for the Middle East and Africa remained the same at 68% and for Latin America increased from 62% to 68%.

“Headwinds are not impacting all emerging markets debt equally,” said **Vin Kravec**, director and head of fixed income at **Commonfund**. The firm is re-underwriting emerging markets positions on an ongoing basis and generally sees China and countries sensitive to fallout from Russia’s war on Ukraine as “less attractive” because investors are not being paid “adequately” to compensate for the level of risk, he added.

Despite the survey reflecting a desire to carry more emerging markets debt in portfolios over the long term, many institutional investors have yet to act.

For now, **NEPC** is not seeing any increases in allocations, but "we're not seeing kind of a broad pullback in the space either," said **Phil Nelson**, the firm's director of asset allocation**.** "We have a fairly cautious outlook on emerging markets debt, and we see that in our clients as well," he said. "It's almost a wait-and-see approach to see how some of the current turmoil plays out."

Heightened geopolitical risk from Russia's war on Ukraine and the subsequent disruption caused to the energy, wheat and grain sectors could disrupt the markets, Nelson said. For some countries, the war disrupted "the core food security," and "in past cycles, that would kick off an emerging markets crisis," but the situation is different this time, he said. Over the last 20 years, the balance sheets and monetary policies in many countries have "improved dramatically," and "you can't paint the same crisis response that you might have seen in the '80s," he added.

Global inflation presents another challenge. Historically, in this type of environment, countries' governance and monetary policy has led to suffering for the emerging markets asset class. "That said, we do see several [emerging markets] countries that have really sound monetary systems." He pointed to Mexico, Brazil and some countries in Southeast Asia as countries providing investors with confidence. "Those markets are relatively healthy places to continue to invest in or remain invested in."

Investors are also comparing the asset class's risk-return profile to other fixed income products like domestic credit, high-yield and investment grade bonds, Beck said. "Right now, the risk-return profile is probably more attractive closer to home or domestically, given the uncertainty," he said. "That said, with some significant negative returns that emerging markets have seen year-to-date…I think that there's some [investors] looking at those valuations and considering potential entry points. This volatility creates opportunity for active management."

Decade-High Yield Surge 'Restoring Value' to Bond Market: Pimco

Steep 10-year Treasury yields are helping to boost both potential income and "the margin for error for investors," said Pimco's Marc Seidner.

June 22, 2022

Yields on 10-year Treasurys surged last week to their highest level in more than a decade, a scenario that is "restoring value" to the bond market, **Pimco** said. So reports Bloomberg.

The increase, the highest since 2011, has left the investment outlook "more constructive, particularly for bonds," Pimco non-traditional strategies Chief Investment Officer **Marc Seidner** wrote in a note.

Ten-year Treasury yields climbed to about 3.5% last week, up from 1.5% at the end of 2021, Bloomberg reports.

The yield boost is especially welcome with the likelihood of a recession rising, Seidner said.

Some "relatively defensive areas of fixed income markets… are now offering more attractive yields than we have seen in some time," wrote Seidner. The yields are helping to boost both potential income and "the margin for error for investors," according to the note posted on Pimco's website.

Fixed income investors are nursing losses this year. Bloomberg's US Aggregate Bond Index is down more than 11% as the **Federal Reserve** embraces aggressive interest rate hikes in a bid to thwart inflation. The Fed raised interest rates by 75 basis points last week, Bloomberg notes.

"Recessionary periods" tend to favor bonds, said Seidner. According to his note, "if the Fed succeeds in bringing inflation lower, it could create an even stronger backdrop for fixed income investments," Bloomberg reports.

Last week's yield increase has "created a better starting point for new investments in terms of both potential income and diversification attributes – two of the bedrock reasons for owning bonds," wrote Seidner.

If the Fed can ease inflation "even close to its target" of 2%, Treasurys could deliver positive real yields "in a comparably safe and liquid asset," Seidner wrote.

By Kathleen Laverty

- To read the Bloomberg article cited in this story, go to https://www.bloomberg.com/news/articles/2022-06-21/pimco-says-bond-market-outlook-improves-after-historic-moves-l4o7b37o?sref=4PWVH3Ii

CALIFORNIA ASSOCIATION OF PUBLIC RETIREMENT SYSTEMS

CALAPRS

EDUCATION • COMMUNICATION • NETWORKING

UPDATE

SUMMER 2022

INSIDE THIS ISSUE

CALAPRS Update is published semi-annually by the California Association of Public Retirement Systems. The purpose of the publication is to keep readers informed about CALAPRS.

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HIGHLIGHTS FROM THE CALAPRS 2022 GENERAL ASSEMBLY

The California Association of Public Retirement Systems (CALAPRS) was pleased to host the Annual General Assembly, March 5 - March 8, 2022 in-person in sunny San Diego at the San Diego Mission Bay Resort. The General Assembly is an educational conference for retirement system trustees, senior staff, and our annual sponsors. Attendees learned from experts and peers, while getting the opportunity to greet their colleagues face-to-face and network. Here are some key takeaways from the educational sessions:

ISSUES FACING PENSION PLANS

Speaker: *Hank Kim, Esq., Executive Director and Counsel, National Conference on Public Employee Retirement Systems (NCPERS)*
Moderator: *Steve Delaney, CEO, Orange County Employees Retirement System (OCERS)*

Hank Kim and Steve Delaney discussed several public pension plan issues and trends during this fireside chat session. Funds continue to tighten assumptions: 70% of funds have lowered their assumed rates of return, and 12% report they are considering lowering their rate. Based on NCPERS' survey, the average assumed rate of return is 7.07%, down from 7.36% last year. Additionally, the average amortization period has decreased by about 1.3 years to 21.8 years.

It was also reported that public funds are continuing to become even more cost effective: the average cost (including administration and investment management fees) is 54 basis points, down from 60 bps last year.

Lastly, they reported that the average funded level is 74.7%. On average, investment earnings account for 68% of funds' sources of revenue; the remaining 32% come from employer and member contributions (up from 29% last year).

HOW INFLATION WILL IMPACT YOUR PORTFOLIO

Speaker: *Jack Ross, Managing Partner and Co-founder, Waterfall Asset Management*
Moderator: *Scott Hood, CEO, San Mateo County Employees' Retirement Association (SamCERA)*

Jack Ross highlighted how the consumer price index (inflation) has reached a forty-year high and

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PRESIDENT'S CORNER

BY CARL NELSON, SAN LUIS OBISPO COUNTY PENSION TRUST

Late-Stage Pandemic Greetings! - In 2020's CALAPRS President's newsletter I naively wrote of the expectation of a return to normal in 2021. In the 2021 President's newsletter I complimented our pension systems, CALAPRS as an organization and our sponsors on their resilience in the face of the pandemic. Now, in 2022, I think we can say that we are on a realistic path to some sort of normal operations as retirement systems. Nothing will be totally the same, but for the most part we are back to a full menu of services to our members and retirees. Our various CALAPRS member retirement systems all kept the lights on, paid retirees, processed new retirements and kept their focus on funding and investments. Congratulations!

How have we changed as retirement systems? - The last two years have taught our retirement systems flexibility in how they operate. With the majority of our staff working predominantly on Work From Home (WFH) schedules we learned that, for the most part, WFH functions well. While WFH has some problems with training new staff, and collaboration takes more planning, it worked well for most customer service functions. Our staffs liked the lack of a commute and most of our members and retirees readily took to videoconference-based interactions. No one seemed to mind when neckties left the dress code. And many of us miss seeing co-workers with a cat strolling across the Zoom screen or a dog woofing in the background. Many of our retirement systems upon their return-to-office transitions have kept some element of WFH in their operation which aids in staff recruitment and retention.

How have our members and retirees changed? - Our active members had their work lives changed significantly. Some information based workers dove into WFH duty including being isolated. Some put in long hours on the frontline of public health or as essential workers supporting health. Some put in stressful days in public safety or in maintaining important public services to our citizens. Some were afflicted with Covid, sometimes severely. All our active members seemed to gain an increased appreciation of the coming pension benefit they were working so hard towards.

Our retirees adapted to a constrained and often isolated change in their lives with the pandemic. Many retirees also faced being afflicted with Covid at significant danger to themselves. Many of our retirees rose to the crisis and helped others or returned as temporary workers to assist their former employer in staffing vaccination sites. Practically all learned new flexibility in using Zoom and similar systems to interact with the world.

How has CALAPRS changed? - CALAPRS mission is to provide training and networking so that our member retirement systems can thrive in how they deliver services to our members and retirees. Through the strength of our member retirement systems and the support of our sponsors we were able to provide most of the training needed in a virtual format. We learned that short, one day CALAPRS programs like the various Round Table meetings CALAPRS hosts through the year work well in a virtual form. Attendance at Trustee, Administrator, Benefits, Investments, Attorneys, Accounting, etc. Round Tables has never been higher. Likewise, for the shorter basic staff training programs like the Overview course, attendance in virtual sessions overflows the matrix of Zoom screens on the screen. We will continue to offer Round Tables and one-day trainings in a virtual format. Personally, I think attending CALAPRS Board of Directors meetings without traveling is a great idea.

We also learned that for longer trainings such as the Management Academy, Principles for Trustees, Advance Principles for Trustees, etc. the interim, virtual programs were okay, but only a partial substitute for the more extensive content and networking of in-person experience. For those programs CALAPRS is returning to in-person meetings.

Stay tuned for 2022 and 2023! - After the well-attended and well done 2022 General Assembly in San Diego, CALAPRS has on tap more quality training opportunities for 2022. The 2022 Principles for Trustees program normally held at Pepperdine will be at a new site this August because of facility scheduling constraints. For March 2023 the CALAPRS General Assembly will return to Monterey. Providing for solid fiduciary, investment, actuarial and operational knowledge is a foundational function of CALAPRS. Please visit www.calaprs.org to access the training and informational resources the organization can provide, including an updated program calendar.

Best wishes for 2022 and beyond!

discussed what pension systems should be aware of as they manage their portfolios during 2022.

Although the economy has rebounded quickly following the 2020 COVID collapse, the sharp V shaped recovery's inflationary pressures are not expected to persist as there are a variety of domestic and global workforce and economic factors which signal current inflationary pressures are transitory, and we should not expect a repeat of the 1970's and 1980's inflation scenarios. This includes avoiding stagflation. This is predicated on the easing of the current labor shortage through relaxed immigration policy and the Federal Reserve correctly navigating magnitude, timing, and communication policy decisions.

Public pension investors have an advantage as long-term investors with the ability to survive inflationary cycles. Those portfolios with the ability to shorten the duration of their fixed income portfolios, shift to value stocks, hold positive cash flow real estate, and have some ability to hedge inflation with commodities and TIPs may perform better in the short term than their pension system peers.

MACROECONOMIC OUTLOOK

Speaker: *Kristina Hooper, Chief Global Market Strategist, Invesco*
Moderator: *David Nelsen, CEO, Alameda County Employees' Retirement Association (ACERA)*

Kristina Hooper delivered an excellent keynote presentation regarding her beliefs on the economic climate moving forward. The key takeaway from her outlook is that our current inflationary environment will likely peak in mid- 2022, and slowly decrease from there. This may mean a growth slowdown for developed markets, rising interest rates, and a potential for expanded growth in emerging markets as a greater immunity to the coronavirus is acquired. However, during her presentation and question and answer period she was quick to point out a number of things that could impact her predictions. If inflation persists, if the military conflict spreads or the impact of that conflict worsens, or if supply chain issues persist longer than expected, then adverse outcomes could be felt.

SO YOUR SYSTEM IS FULLY-FUNDED – WHAT NOW?

Speakers: *Paul Angelo, Senior Vice President and Actuary, The Segal Group; Graham Schmidt, ASA, Consulting Actuary, Cheiron; Jeff MacLean, CEO, Verus; and Steve McCourt, CFA, Managing Principal / Co-CEO, Meketa*
Moderator: *David Nelsen, CEO, Alameda County Employees' Retirement Association (ACERA)*

With the always brilliant Dave Nelsen, Alameda, pinch hitting as moderator, we were treated to an intriguing discussion by both actuaries and investment consultants peering into what all of us hope to be the near future.

It was noted that with 81% of the CALAPRS systems in attendance at least 80% funded, and 45% over 90%, it was no longer a mere academic pipe dream that many of our systems may soon be facing the question of what if anything is to change in our approach to funding if we reach a fully-funded status.

System goals won't change, but the tools and processes to get there require some rethinking. An example of a policy that might need to be addressed – If policy treats surplus and UAAL in the same amortization manner, as in "Employer Contributions are normal cost + the amortization of UAAL", and a system is now in surplus, that will lead to employer contributions going down as a system would now be subtracting the amortization of surplus with no UAAL now present. That could create an unintended contribution holiday. It is best to create an asymmetry in how you treat surplus vs UAAL. Use the longest amortization possible for surplus, while using a shorter amortization for UAAL. It was also noted that with the passage of PEPRA, most public retirement systems in California would not be able to amortize their surplus until their funded ratio is in excess of 120% and after certain conditions in the Government Code are met.

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A number of other different policy questions were addressed, such as suggesting a system consider de-risking a subset of plan assets to cover the costs of the oldest retirees.

A closing caution was to recall that in the 90s when systems had surpluses, those were generally spent to lower contributions and increase benefits. The experts on this panel agreed that the lesson should have been learned, and the focus now should instead be on risk reduction.

DELEGATING TO THE INVESTMENT STAFF

Speakers: *Adele Tagaloa, Trustee, OCERS; Allan Emkin, Managing Principal / Consultant, Meketa Investment Group; Drew Lanza, San Jose City P&F Retirement Plan Chair; Prabhu Palani, CIO, San Jose City Retirement Plans; and Tim Price, CIO, Contra Costa County Employees' Retirement Association (CCCERA)*
Moderator: *Roberto Peña, CEO, San Jose City Retirement Plans*

This was a panel discussion concerning the evolution of governance structure and investments. In the past, treasurer's offices tended to handle pension investments. Boards in many cases would approve all transactions. Portfolio composition was less complicated, and the consultant's role was limited merely to performance measurement. In 1984, Proposition 21 deleted certain constitutional restrictions on corporate stock purchases. This proposition also indicated that public pension assets are trust funds and to be held for specific purposes. This made many new asset classes available to California public pensions and created new challenges.

In this more varied investment regime, some of the considerations trustees as fiduciaries face are complexity (extensive investment experience is needed to adequately balance risk with returns), quality (delegated model may provide for better decision making) and timeliness (more immediate investment decisions needed).

One solution to these challenges pursued by some CALAPRS members has been to delegate a portion of the investment implementation to staff. The degree of staff delegation is a spectrum rather than a single solution. Some plans started allowing investment staff to have discretion over smaller amounts, moving to larger amounts later. Some benefits of a delegated model include increased fiduciary oversight, institutional stability and possible access to top asset managers. Under delegated authority, the investment process can also be less impacted by trustee turnover. The Board is able to focus on more strategic decisions such as asset allocation compared to merely selection of stocks or managers. Oversight of the investment portfolio is a critical responsibility for the Board and can vary from plan to plan.

USING A.I. IN RETIREMENT ADMINISTRATION

Speakers: *Steve Delaney, CEO, Orange County Employees Retirement System (OCERS); Michael Baker, Senior Advisor, AltaML; and Neil Sahota, Artificial Intelligence (AI) Advisor, United Nations*

The application of Artificial intelligence technology is becoming widespread and even the staid business of retirement systems has use for this new tool. Moderated by Steve Delaney of OCERS (one of CALAPRS most enthusiastic technology cheerleaders) this session featured: Neil Sahota – AI Advisor to the United Nations; and, Michael Baker, Senior Advisor – AltaML. AI can be defined as cognitive computing and cognitive based systems that accelerate, enhance and scale human expertise by – learning and building knowledge, understanding natural language, and interacting more naturally with humans than traditional programmed systems. AI is intended to simulate how the human brain works and to help solve complex problems using the complexity of "Big Data". Importantly, AI doesn't forget information it has seen before so it can build on that complexity.

Examples of AI applications include tax preparation (talk about complexity…), and investment analysis. AI supplements and enhances human efforts. As Michael Baker noted about medicine and AI – "AI will not replace physicians, but physicians who use AI will replace physicians who don't use AI." Further examples include the use of AI in OCERS "Vision 2030" timeline that envisions retirement process "bots" integrated into new pension administration systems to accelerate and limit errors in complex retirement calculations. The advice of Messrs. Sahota, Baker and Delaney on AI is to start using it on small, easy first "wins" in projects. Also, leverage the advantages of AI in avoiding the human failing of forgetting information needed for complex jobs. It is important to approach AI applications with a fresh-start to avoid the old systems trap of "automating a bad process" – improve the process using AI instead.

DEATH VERIFICATION

Speakers: *Jacqueline Quintero, Survivor Benefits Training Manager; and Tiffany Triplett, Section Manager, Disability and Survivor Benefits Division, California Public Employees' Retirement System (CalPERS)*
Moderator: *Anthony Suine, Deputy Executive Officer, Customer Services & Support, California Public Employees' Retirement System (CalPERS)*

Timely detection of unreported deaths, and the resulting overpaid benefits, is an issue facing many sectors of the financial services industry including public pension systems. CalPERS provided an update on the steps that they are taking to identify unreported deaths, confirm the living status of benefit recipients, locate beneficiaries and collect overpayments.

SUCCESSION PLANNING IN THE PUBLIC PENSION SECTOR—DEVELOPING THE LEADERSHIP

Speakers: *Amy McDuffee, Founder and CEO, Mosaic Governance Advisors; Melissa Norcia, Chief Administrative Officer, CalSTRS; and Debra Smith, CEO, Montage Careers*
Moderator: *Johanna Shick, CEO, San Joaquin County Employees' Retirement Association(SJCERA)*

The moderator, Johanna Shick, quickly set the tone for the panel discussion: Succession Planning is a risk management strategy, and should be addressed as part of a continuity of operations plan. The panelists then provided insight as to how to approach that task.

The panel discussed the responsibility of the Board to have a CEO succession plan, and to ensure the CEO has succession plans for the organization. Even with the challenges of succession planning in a

GENERAL ASSEMBLY 2022

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civil service environment, practical tips were provided for what to focus on in your plan, such as building individual development plans, working on a network of peers and mentors, creating workforce measures, and focusing not just on diversity, but inclusion, to develop a positive work culture. Given our aging workforce, this panel was timely and highly informative.

CYBERSECURITY AND THE RETIREMENT SYSTEM – WHAT YOU CAN DO NOW TO PROTECT YOUR ORGANIZATION

Panelists: *Matt Eakin, CISSP, CCSP, CEH, Director of Cyber Security, Orange County Employees' Retirement System (OCERS); Harsh Jadhav, Chief of Internal Audit, Alameda County Employees' Retirement Association (ACERA); and James Vorhis, Co-Chair, Insurance Recovery & Counseling Group, Nossaman LLP*

Moderator: *Vijay Jagar, CTO, Alameda County Employees' Retirement Association (ACERA)*

On Tuesday morning, a session was conducted on how to protect our retirement systems from cyber crimes, especially now that we have transitioned to a fully virtual or hybrid workforce.

The presentation was focused on practical concepts you could take back to your organization to assess cybersecurity awareness and preparedness. It begins with roles and responsibilities and if your leadership team is clear aware who really owns cybersecurity in your organization. Can you answer who that is, if they are dedicated to it full time, how many people are dedicated to cybersecurity efforts and are they independent from Information Technology? When was your last cybersecurity assessment and when was it performed? Were there any issues, and how and when were they remediated? Coupled with that is your security awareness training for your organization. How are you training your teams, how often, do you include consultants and are you using phishing emails to drive the concepts home? One panel member shared they do this weekly in their organization with campaigns or tips on the latest trends in cybersecurity.

Written plans were identified as critical components. Assessing vulnerability management, utilizing 3rd parties for assessments, having established standards and knowing where your data resides on the network are critical to business continuity and preparing for an audit. Truly assessing your vulnerability will allow you to mitigate against increasing cyber threats and assessing the need for cyber insurance. You need to be conscious of deductibles and exceptions to any policy you enter into to ensure value.

Getting ahead of these issues before they occur is critical, and having a dedicated team to response planning will help mitigate the growing concerns with cybersecurity threats.

THANK YOU TO THE GENERAL ASSEMBLY COMMITTEE:

CHAIR: Johanna Shick - San Joaquin County Employees' Retirement Association

Steve Delaney - Orange County Employees' Retirement Association

Scott Hood - San Mateo County Employees' Retirement Assoc.

David Nelsen - Alameda County Employees' Retirement Assoc.

Roberto Peña - City of San Jose Federated/Fire & Police Retirement Systems

Kristen Santos - Merced County Employees' Retirement Association

Anthony Suine - California Public Employees' Retirement System

CALAPRS PROGRAM CALENDAR

The following programs are currently scheduled for our member retirement system Administrators, staff, and trustees. Detailed agendas and registration may be found on the CALAPRS website as it becomes available. Program dates are subject to change and the CALAPRS website will always contain the most up-to-date calendar.

2022

Management Academy, Module 2
June 13-15, 2022
Pasadena, CA

Administrative Assistants Round Table
Tuesday, June 21, 2022
Virtual Program

Administrators' Round Table
Friday, June 24, 2022
Virtual Program

Benefits' Round Table
Friday, June 24, 2022
Virtual Program

Management Academy, Module 3
July 25-27, 2022
Pasadena, CA

Principles of Pension Governance for Trustees
August 29 - September 1, 2022
Tiburon, CA

Investments Round Table
Thursday, September 8, 2022
Virtual Program

Accountants Round Table
Tuesday, September 13, 2022
Virtual Program

Benefits Round Table
Friday, September 16, 2022
Virtual Program

Attorneys' Round Table
Friday, September 16, 2022
Virtual Program

Administrators' Institute
Wednesday-Friday, September 28-30, 2022
Long Beach, CA

Course in Retirement Disability Administration
Friday, October 7, 2022
Virtual Program

Administrative Assistants Round Table
Tuesday, October 18, 2022
Virtual Program

Information Technology Round Table
Friday, October 21, 2022
Virtual Program

Trustees Round Table
Friday, October 28, 2022
Virtual Program

Intermediate Course in Retirement Plan Administration
Wednesday-Friday, November 2-4, 2022
San Francisco Bay Area

Advanced Course in Retirement Plan Administration
Wednesday-Friday, December 7-9. 2022
San Francisco Bay Area

2023

General Assembly
Sunday-Tuesday, March 4-7, 2023
Monterey, CA

2024

General Assembly
Sunday-Tuesday, March 2-5, 2024
Rancho Mirage, CA

PRINCIPLES OF PENSION GOVERNANCE FOR TRUSTEES

AUGUST 29 - SEPTEMBER 1, 2022

TIBURON, CA

Public Pension Fund Trustees bear a heavy fiduciary burden. On a cumulative basis, California's Constitution holds our members' 350 Trustees accountable for the stewardship of more than $450 Billion in retirement fund assets. 40 California public pension systems belong to CALAPRS. Over the past 20+ years, Trustees of our member retirement systems have participated in this unique training program presented exclusively for California public retirement system board members. This training focuses on the practical aspects of our Trustees' duties, and is designed for new trustees, or those seeking a refresher.

Previously held at the Pepperdine University Executive Center and on the Stanford University campus, CALAPRS continues to offer the same high-caliber coursework and faculty in an all-new location for 2022.

The three-day intensive program begins with a test what will be reviewed at the end of the course, then continues with a combination of team teaching, case studies, and mock board problem solving. All course materials are based on actual California public pension fund law, policies, practices, and problems.

The following topics are covered during this program:

- Fiduciary Duty and Sound Decision Making
- Required AB 1234 Ethics Training for Public Fund Trustees
- Benefits Provided and the Board's Role
- Key Issues in Disability Retirement
- Disability Case Study
- Addressing Pension Liabilities
- Investment Policy Basics
- Overseeing the Investment Program
- How a Board Should Function
- Stakeholder Case Study

WHY ATTEND?

- To gain insight into public pension policy issues
- To discuss alternative solutions to common problems
- To understand the complexities involved in administering public pension plans
- To appreciate the differences and similarities among California public pension plans
- To network with other Trustees and pension professionals
- To increase familiarity with pension terminology and concepts
- To receive the ethics training required for new Trustees

WHO SHOULD ATTEND THIS PROGRAM?

The course is for Trustees. Attendance is recommended within the first year after assuming office. Experienced Trustees will use the program as a comprehensive refresher course.

REGISTER NOW!

To learn more and to register by the July 30th deadline, visit ***www.calaprs.org/trusteeeducation***

NOTICE: CALAPRS ANNUAL BUSINESS MEETING

DURING THE ADMINISTRATORS' INSTITUTE

Friday, September 30, 2022
Hyatt Centric the Pike Long Beach
285 Bay St, Long Beach, CA 90802

BOARD NOMINATION PROCESS

A three-person Nominating Committee confirmed by the general membership at the meeting scheduled in September shall nominate members to serve on the Board of Directors. Representatives may place their name in nomination by notifying a member of the Nominating Committee. Nominations may also be submitted to the CALAPRS administrator for submission to the Nominating Committee prior to the close of the nominating period. Details may be found at calaprs.org/governance.

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CALAPRS NEWSLETTER

SUMMER 2022

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