San Joaquin County Employees Retirement Association

A G E N D A

BOARD MEETING
SAN JOAQUIN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
FRIDAY, DECEMBER 8, 2023
AT 9:00 AM

Location: SJCERA Board Room, 6 S. El Dorado Street, Suite 400, Stockton, California

The public may also attend the Board meeting live via Zoom by (1) clicking here https://us02web.zoom.us/j/87412169320 and following the prompts to enter your name and email, or (2) calling (669) 219-2599 or (669) 900-9128 and entering Meeting ID 81623753001#.

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 MEETING MINUTES

3.01 Minutes for Board Meeting of November 3, 2023 5

3.02 Minutes for the Administrative Committee Meeting November 29, 2023 9

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.

13.03 Legislative Summary Report - None; No changes since 11/2023

13.04 CEO Report 271

13.05 Board to receive and file reports

14.0 CORRESPONDENCE

14.01 Letters Received (0)

14.02 Letters Sent (0)

14.03 Market Commentary/Newsletters/Articles

01 FUNDfire 278
CALSTRS' Fees Grew While Assets Shrank in 2022
November 6, 2023

02 Chief Investment Officer 281
Why a Slowdown Might Not Be Too Bad, CIO's Say
October 30, 2023

03 NCPERS 283
Monitor
November 2023

04 Neuberger Berman 294
Solving for 2024
November 2023

05 Cohen & Steers Real Assets Institute 309
Regime shift in private real estate opens opportunities
August 2023

06 Lazard Asset Management 321
Biden-Xi Summit and the Outlook for US-China Relations
November 10, 2023

07 Institutional Investor 322
Public Pensions Frequently Change Their Private Equity Benchmarks. Why It Matters.
November 13, 2023

15.0 COMMENTS

15.01 Comments from the Board of Retirement

16.0 CALENDAR

16.01 Board Meeting January 12, 2024 at 9:00 a.m.

16.02 CEO Performance Review Committee, TBA

16.03 Board Meeting February 9, 2024 at 9:00 a.m.

16.04 Board Meeting March 8, 2024 at 9:00 a.m.

16.05 Audit Committee Meeting, March 8, 2024 immediately following Board meeting

16.06 Board Meeting April 12, 2024 at 9:00 a.m.

17.0 ADJOURNMENT

M I N U T E S

BOARD MEETING
SAN JOAQUIN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
FRIDAY, NOVEMBER 3, 2023
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, JC Weydert, Steve Moore (in at 9:03 a.m.), Steve Ding, Raymond McCray and Michael Restuccia, presiding

MEMBERS ABSENT: Chanda Bassett, Michael Duffy

STAFF PRESENT: Chief Executive Officer Johanna Shick, Assistant Chief Executive Officer Brian McKelvey, Retirement Investment Officer Paris Ba, Management Analyst III Greg Frank, Information Systems Analyst II Lolo Garza, Information System Specialist Jordan Regevig, Administrative Secretary Elaina Petersen

OTHERS PRESENT: Ashley Dunning of Nossaman, David Sancewich and Maya Ortiz de Montellano of Meketa

2.0 PLEDGE OF ALLEGIANCE

2.01 Led by Phonxay Keokham

3.0 MEETING MINUTES

3.01 Minutes for the Audit Committee Meeting of September 8, 2023

3.02 Minutes for the Board Meeting of October 11, 2023

3.03 Minutes for the Investment Roundtable Meeting of October 12, 2023

3.04 Minutes for the Administrative Committee Meeting of October 19, 2023

3.05 The Board voted unanimously (7-0) to approve the Minutes of the Audit Committee Meeting of September 8, 2023, the Minutes of the Board Meeting of October 11, 2023, the Minutes of the Investment Roundtable Meeting of October 12, 2023 and the Minutes of the Administrative Committee Meeting of October 19, 2023 (Motion: Goodman; Second: Weydert)

4.0 PUBLIC COMMENT

4.01 Public Comment from Jane Oatman, representative for Peter Markus, to address the Administrative Law Judge's finding that Mr. Markus is not eligible for permanent disability. Oatman requested that if the Board decides to deny Mr. Markus's service-connected disability retirement, that the denial be without prejudice, to enable Mr. Markus to file a new application at a later date.

NOTE: Item number 13.0 was taken next, out of order.

5.0 CONSENT ITEMS

5.01 Service Retirements (10)

5.02 The Board voted unanimously (7-0) to approve the consent items (Motion: Ding; Second: Weydert)

6.0 INVESTMENT CONSULTANT REPORTS

6.01 Presented by David Sancewich of Meketa Investment Group

01 Manager Performance Flash Report - September 2023

02 Economic and Market Update - September 2023

6.02 Roundtable Summary

01 Memo from Meketa

02 Roundtable Evaluation Results

6.03 The Board received and filed reports

7.0 PRIVATE CREDIT PORTFOLIO REVIEW

7.01 Presentation by Maya Ortiz de Montellano of Meketa Investment Group

01 SJCERA Private Credit Review

02 2024 Private Credit Investment Plan

7.02 The Board received and filed reports

8.0 EVALUATION OF CONSULTANTS

8.01 Consulting Actuary

8.02 Investment Consultant

8.03 The Board received and filed reports

9.0 SACRS BUSINESS MEETING

9.01 SACRS Business Meeting Materials - November 10, 2023

9.02 The Board voted unanimously (7-0) to direct the voting delegate to approve the 2024 Legislative proposals on SACRS' Business Meeting Agenda for November 10, 2023. (Motion: Weydert; Second: Nicholas)

10.0 STAFF REPORTS

10.01 Trustee and Executive Staff Travel

01 Conference and Events Schedule 2023/2024

02 Summary of Pending Trustee and Executive Staff Travel

03 Summary of Completed Trustee and Executive Staff Travel

a FIS Stanford - Brian McKelvey

b FIS Stanford - Paris Ba

10.02 The Board received and filed reports

10.03 Legislative Report

CEO Shick noted three of the five newly chaptered laws will affect SJCERA. The legislative implementation team, including counsel, will begin preparing for January 1 implementation.

10.04 CEO Report

In addition to her written report, CEO Shick noted 1) She will be initiating the Chief Counsel and CEO recruitments, with support from both an executive search firm and County Human Resources division; 2) Approval of the building permit for the new location is anticipated this month; 3) RPESJC's annual appreciation luncheon is coming in January - all Trustees and staff are encouraged to attend.

10.05 The Board received and filed reports

11.0 CORRESPONDENCE

11.01 Letters Received (0)

11.02 Letters Sent (0)

11.03 Market Commentary/Newsletters/Articles

01 NCPERS Monitor
October 2023

02 FUNDfire
Valuation Risk
October 13, 2023

03 Meketa
Whitepaper - Venture Capital Primer
September 2023

04 PIMCO
Cyclical Outlook
October 2023

05 NCPERS
PERSist
Fall 2023

06 Chief Investment Officer
Why Private Equity is Still Dogging It
October 24, 2023

07 Pensions & Investments
Private equity is past it's peak, warns Pulitzer Prize-winning author
October 23, 2023

08 Pensions & Investments
Long live public pension funds!
October 23, 2023

12.0 COMMENTS

12.01 Trustee Weydert commented that he found the Fiduciary Investors Symposium summaries(written by Assistant Chief Executive Officer Brian McKelvey and Retirement Investment Officer Paris Ba) very helpful.

13.0 CLOSED SESSION

The Chair convened Closed Session at 9:05 a.m. and adjourned Closed Session and reconvened Open Session at 9:11 a.m.

13.01 Personnel Matters
California Government Code Section 54957
Employee Disability Retirement Application(s) (2)

01 Consent Items

Counsel reported out of Closed Session

a Pete Markus
Highway Maintenance Worker
Public Works - Road Main - North

The Board voted unanimously (7-0) to accept the findings and proposed decision of the Administrative Law Judge and denied the application for a service-connected disability retirement without prejudice. (Motion: McCray; Second: Keokham)

b Thomas Wheelhouse
Accountant I
Behavioral Health Admin

The Board voted unanimously (7-0) to accept the findings and proposed decision of the Administrative Law Judge regarding the service-connected disability and denied the application for a service-connected disability retirement, retaining the November 7, 2022 effective date for the nonservice-connected disability retirement. (Motion: Weydert; Second: Keokham)

14.0 CALENDAR

14.01 Administrative Committee Meeting November 29, 2023 at 10:30 a.m.

14.02 Board Meeting December 8, 2023 at 9:00 a.m.

14.03 Board Meeting January 12, 2024 at 9:00 a.m.

14.04 Board Meeting February 9, 2024 at 9:00 a.m.

14.05 Board Meeting March 8, 2024 at 9:00 a.m.

15.0 ADJOURNMENT

15.01 There being no further business the meeting was adjourned at 10:39 a.m.

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
WEDNESDAY, NOVEMBER 29, 2023
AT 10:31 AM
Location: SJCERA Conference Room, 6 S. El Dorado Street, Suite 400, Stockton, California

1.0 ROLL CALL

1.01 **MEMBERS PRESENT:** Michael Restuccia, Jennifer Goodman, Phonxay Keokham and Michael Duffy presiding
MEMBERS ABSENT: None
STAFF PRESENT: Chief Executive Officer Johanna Shick, Assistant Chief Executive Officer Brian McKelvey, and Management Analyst III Greg Frank
OTHERS PRESENT: Counsel Ashley Dunning (Via Zoom)

2.0 PUBLIC COMMENT

2.01 There was no public comment.

3.0 CONSENT ITEMS

3.01 Staff Transportation and Travel Policy

01 Staff Transportation and Travel Policy - Mark-up

02 Staff Transportation and Travel Policy - Clean

3.02 Conflict of Interest Policy

01 Conflict of Interest Policy - Mark-up

02 Conflict of Interest Policy - Clean

3.03 Trustee and Executive Staff Travel Policy

01 Trustee and Executive Staff Travel Policy - Mark-up

02 Trustee and Executive Staff Travel Policy - Clean

3.04 Required Minimum Distributions - IRC 401(a)(9)

01 Required Minimum Distributions - IRC 401(a)(9) - Mark-up

02 Required Minimum Distributions - IRC 401(a)(9) - Clean

3.05 After discussion, the Committee approved the Consent Items in two separate motions as follows:

01 **The Committee reviewed Consent Items 3.02 - 3.04 and voted unanimously (4-0) to recommend the Board of Retirement adopt the policies (Motion: Goodman; Second: Restuccia)**

02 **The Committee reviewed Consent Item 3.01, provided an edit to the policy, and voted unanimously (4-0) to recommend the Board of Retirement adopt the policy with a revision (Motion: Goodman; Second: Restuccia)**

4.0 2024 ADMINISTRATIVE BUDGET

4.01 2024 Proposed Budget Summary

4.02 **The Committee reviewed, provided an edit to the budget, and voted unanimously (4-0) to recommend the Board of Retirement approve the proposed 2024 Administrative Budget with edits (Motion: Keokham; Second: Goodman)**

5.0 COMMENTS

5.01 There were no comments from the Committee.

6.0 ADJOURNMENT

6.01 There being no further business, the meeting was adjourned at 11:00 a.m.

Respectfully Submitted:

____
Michael Duffy, Committee Chairperson

5.01 Service Retirement Consent

01 JOHN M ALCANTARA
Office Supervisor
Hosp ER Registration

Member Type: General
Years of Service: 15y 05m 24d
Retirement Date: 10/21/2023

02 CHRISTINE C BECERRA
Management Analyst III
Neighborhood Preservation

Member Type: General
Years of Service: 35y 00m 15d
Retirement Date: 10/5/2023

03 MARIA V CORDERO
Office Assistant Specialist
Hosp Patient Accounting

Member Type: General
Years of Service: 15y 07m 06d
Retirement Date: 10/20/2023

04 JANICE L DANIELSON
Staff Nurse III -Inpatient
Correctional Health Services

Member Type: General
Years of Service: 05y 10m 29d
Retirement Date: 10/1/2023
Comments: Tier 2 member - eligible to retire with 5 years of service credit.

05 SHARON E HAWKINS
Accounting Technician II
Agricultural Commissioner

Member Type: General
Years of Service: 23y 05m 00d
Retirement Date: 9/25/2023

06 FRANK C HERNANDEZ
Eligibility Supervisor
HSA - Eligibility Staff

Member Type: General
Years of Service: 26y 02m 03d
Retirement Date: 10/21/2023

07 ELIZABETH K HOFFMAN
Employment Training Spec II
HSA - Gain

Member Type: General
Years of Service: 25y 03m 10d
Retirement Date: 10/21/2023

08 ANGELINA C HORNING
DialysisPatientCareTechnician
Hosp Hemodialysis Center

Member Type: General
Years of Service: 14y 01m 24d
Retirement Date: 10/1/2023

09 JILL M JACOY
Pharmacy Technician II
Mental Health Pharmacy

Member Type: General
Years of Service: 24y 11m 11d
Retirement Date: 10/21/2023

10 **JANAYE L JULIAN** — Child Support Officer III, Child Support Svs

Member Type: General
Years of Service: 17y 10m 11d
Retirement Date: 10/6/2023

11 **TAMI MATUSKA** — Employee Benefits Manager, Human Resources

Member Type: General
Years of Service: 06y 10m 12d
Retirement Date: 10/21/2023
Comments: Incoming reciprocity and concurrent retirement with CalPERS.

12 **DESI D RENO** — Integrated Waste Manager, Refuse Disposal Administration

Member Type: General
Years of Service: 17y 07m 09d
Retirement Date: 10/1/2023

13 **JULIE A RILEY** — Employment Training Spec II, Employment - Economic Developm

Member Type: General
Years of Service: 35y 00m 08d
Retirement Date: 9/30/2023

14 **MARCUS J SAENZ** — Correctional Officer, Sheriff-Stockton Unified Court

Member Type: General
Years of Service: 04y 04m 04d
Retirement Date: 10/14/2023

15 **MARCUS J SAENZ** — Correctional Officer, Sheriff-Stockton Unified Court

Member Type: Safety
Years of Service: 23y 01m 23d
Retirement Date: 10/14/2023

16 **BEVERLY A THOMPSON** — Mental Health Clinician I, Mental Health-Adult Outpatient

Member Type: General
Years of Service: 05y 03m 27d
Retirement Date: 10/16/2023
Comments: Member is Tier 2 - eligible to retire with 5 years of service credit.

17 **DEBORAH J THURLOW** — Social Worker IV, HSA - Services Staff

Member Type: General
Years of Service: 07y 01m 22d
Retirement Date: 10/21/2023
Comments: Deferred from SJCERA since December 2006. Member is Tier 1 with a membership date of July 5 , 1999. Member qualifies for retirement with 10 years of membership.

18 **ERMINIO URIAS** — Transfer Truck Driver, SW-Lovelace Transfer Op

Member Type: General
Years of Service: 10y 10m 26d
Retirement Date: 10/1/2023

19 **MARK D YOUNG**

DeptInformationSystemsManager
Information Systems Div - ISF

Member Type: General
Years of Service: 16y 02m 22d
Retirement Date: 10/21/2023

December 8, 2023 **Agenda Item 5.02**

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
***Staff Transportation and Travel* Policy**

As an independent governmental entity, SJCERA may adopt its own policies to address its unique needs. In the case of staff travel, SJCERA has maintained a separate policy; however, the policy is substantially the same as the County's. SJCERA staff are County employees, and their training needs and work-related travel are like those of other County employees. Given the similarity of the policies and the travel needs of SJCERA's Civil Service staff, staff proposes making the County policy applicable to SJCERA's Civil Service staff. The table below compares the key components of SJCERA's and the County's staff travel policies.

DESCRIPTION	SJCERA	COUNTY
Meals	$70 per day max.	Max. of Federal rate ($69)
Tips	20%	15%
Advances	Same	Same
Lodging	Same	Same
Mileage	Same	Same

Adopting the County's policy will streamline the review and approval process for the Auditor-Controller's office, simplify SJCERA's policy administration and oversight, and have virtually no impact on staff. While it is not anticipated that exceptions to the County policy will be needed, it may be prudent to preserve some flexibility by authorizing the CEO to approve limited exceptions if circumstances warrant. The proposed policy presented for the Committee's consideration includes this authority.

It should be noted that at this time, staff recommends retaining the SJCERA-unique travel policy for Board of Retirement trustees and executive staff. The travel needs required to fulfill their fiduciary duty to obtain education on public pension investments and administration, and to monitor the investments and administration of the Trust, can differ substantially from the travel needs of County employees more generally.

Policies Impacted by Chief Counsel Position

At the June 2 meeting, the Board approved establishing and filling an inhouse Chief Counsel position. The addition of this new position necessitates amendments to the following policies:

- *Conflict of Interest* Policy – Add Chief Counsel position to Disclosure Category in Attachment 1 and one non-substantive change.
- *Trustee and Executive Staff Travel* Policy – Update Executive Staff titles to include Chief Counsel position, increase the travel spending cap from $2,500 to $4,500 due to increased travel costs, and a non-substantive change.

The Board also suggested staff assess whether the Bylaws sections 5.1.C and/or 5.1.D should be amended in light of the addition of the Chief Counsel position. After reviewing these sections, discussing them with counsel, and consulting with other retirement systems, staff has determined that no changes are necessary.

Section 5.1.C defines the CEO as responsible for the engagement, management, oversight and termination of all staff employed by SJCERA. That includes the Chief Counsel position. Section 5.1.D requires Board concurrence on hiring and termination of the Assistant CEO and Investment Officer positions. Section 5.1.D only exists because statute specifically states the Assistant Administrator and Chief Investment Officer positions “shall serve at the pleasure of, and may be dismissed at the will of, the appointing board.” Statute does not have a similar requirement for Legal Counsel positions; therefore, no changes to the Bylaws are recommended.

***Required Minimum Distributions* Policy**

Secure Act 2.0 amended the Internal Revenue Code (IRC) Section 401(a)(9) and changed the required minimum distribution age. Staff worked with counsel to ensure the proposed policy amendments align SJCERA’s policy with the required changes.

ATTACHMENTS

Proposed revisions to Conflict of Interest Policy – Mark-up
Proposed revisions to Conflict of Interest Policy – Clean
Proposed revisions to Required Minimum Distributions Policy – Mark-up
Proposed revisions to Required Minimum Distributions Policy – Clean
Proposed revisions to Staff Transportation and Travel Policy – Mark-up
Proposed revisions to Staff Transportation and Travel Policy – Clean
Proposed revisions to Trustee and Executive Staff Travel Policy – Mark-up
Proposed revisions to Trustee and Executive Staff Travel Policy – Clean

J Shick
Johanna Shick
Chief Executive Officer

Greg Frank
Greg Frank
Management Analyst III

Staff Transportation and Travel Policy

I. Travel ~~Outside the State~~, Request Forms and Reimbursement

~~A. When such travel is considered in the best interest of SJCERA, approval must be obtained in advance from the Board of Retirement.~~ The County's Administrative Manual 3500 – Transportation, Travel & Meals policy shall apply to all non-executive staff travel approved on or after December 8, 2023.

~~1. 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.~~ The Chief Executive Officer (CEO) may approve exceptions to the County policy when one is required due to extenuating circumstances. Any request for an exception must document the circumstances, the need for the exception and the exception may apply only to the extent of actual costs incurred, provided such costs are deemed to be ordinary and necessary under the circumstances. The merit of any request for exception shall be based on the CEO's sole judgement and is not subject to appeal.

1. In the event a traveler cannot provide a receipt(s), the CEO may authorize reimbursement based on the use of a signed affidavit for the amount and the reason for no receipt.

~~B. 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.~~

2.

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 $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.~~

~~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

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
12/08/2023 Amended SJCERA specific travel requirement; require non-executive staff follow County's travel policy

Certification of Board Adoption:

12~~07~~/~~08~~08/202~~2~~3

Clerk of the Board Date

Staff Transportation and Travel Policy

I. Travel, Request Forms and Reimbursement

A. The County's Administrative Manual 3500 – Transportation, Travel & Meals policy shall apply to all non-executive staff travel approved on or after December 8, 2023.

B. The Chief Executive Officer (CEO) may approve exceptions to the County policy when one is required due to extenuating circumstances. Any request for an exception must document the circumstances, the need for the exception and the exception may apply only to the extent of actual costs incurred, provided such costs are deemed to be ordinary and necessary under the circumstances. The merit of any request for exception shall be based on the CEO's sole judgement and is not subject to appeal.

1. In the event a traveler cannot provide a receipt(s), the CEO may authorize reimbursement based on the use of a signed affidavit for the amount and the reason for no receipt.

II. 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.

III. 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.

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

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
12/08/2023	Amended SJCERA specific travel requirement; require non-executive staff follow County's travel policy

Certification of Board Adoption:

12/08/2023

Clerk of the Board Date

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. Statements of Economic Interest

A. Staff shall prepare an annual summary report of the Statements of Economic Interest filed with SJCERA pursuant to Section II.A. The report will be submitted to the Administrative Committee at its annual June meeting for receipt and filing.

IV. 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.

V. 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
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
01/20/2023	Amended to include Statements of Economic Interest procedure, clarify the Government Code reference, and update format
12/08/2023	Added Chief Counsel position to Disclosure Category, Group B - Designated Employees in Attachment 1 and a non-substantive change.

Certification of Board Adoption:

12/08/2023

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 Counsel
~~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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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. Statements of Economic Interest

A. Staff shall prepare an annual summary report of the Statements of Economic Interest filed with SJCERA pursuant to Section II.A. The report will be submitted to the Administrative Committee at its annual June meeting for receipt and filing.

IV. 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.

V. History

08/091991	First adopted by the Board of Retirement
02/09/1996	Disclosure Categories revised by Resolution No. 1996-02-02
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01/20/2023	Amended to include Statements of Economic Interest procedure, clarify the Government Code reference, and update format
12/08/2023	Added Chief Counsel position to Disclosure Category, Group B - Designated Employees in Attachment 1 and a non-substantive change.

Certification of Board Adoption:

12/08/2023

Clerk of the Board Date

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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 Counsel
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
<u>for Purposes of Section 87200 of the California Government Code</u>

<u>Positions of the Board of Retirement</u>:

First Member:	San Joaquin County Treasurer-Tax Collector
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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

Board Governance Policy

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 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~~Chief 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~~ $4,500 for the calendar year. Excluded from the allotted annual amount are the educational opportunities listed in section II.C of this policy. The Board may approve exceptions to the annual travel cap in accordance with section III.B of this policy.

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.

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.

III. 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/ride share services, shuttles, trains, buses, subways, etc., and customary gratuities, if any, up to 20 percent, as evidenced by receipts.
        i. Unreasonable fares are those that exceed by more than 10 percent the typical cost for transportation to that location.
        ii. Fares that are determined to be unreasonable will be reimbursed up to a maximum of 10 percent above the typical cost for transportation to that location.
    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 and Trustees elected by Retired Members will be to and from the Trustee's home address. Mileage reimbursements for Executive Staff and Trustees elected by Active Members 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 $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 $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. The calendar year-end report shall include each Trustee's total annual travel expenditures, as defined in section II.D. of this policy.

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

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.

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
07/12/2019	Added customary gratuities for ground travel and made various technical, non-substantive corrections
07/08/2022	Added annual travel spending cap, deleted due diligence, increased daily meal allowance, added law prevails section
01/20/2023	Clarified mileage reimbursement for retired Trustees, defined reasonable fares for ground transportation, added annual expenditure reporting requirement, added spending cap exceptions approval process
12/08/2023	Increased the travel spending cap to $4,500, updated titles of Executive Staff and corrected punctuation.

Certification of Board Adoption:

12/08/2023

Clerk of the Board Date

Board Governance Policy

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 on behalf SJCERA in or outside of the state of California.

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

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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 $4,500 for the calendar year. Excluded from the allotted annual amount are the educational opportunities listed in section II.C of this policy. The Board may approve exceptions to the annual travel cap in accordance with section III.B of this policy.

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.

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.

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    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/ride share services, shuttles, trains, buses, subways, etc., and customary gratuities, if any, up to 20 percent, as evidenced by receipts.
        i. Unreasonable fares are those that exceed by more than 10 percent the typical cost for transportation to that location.
        ii. Fares that are determined to be unreasonable will be reimbursed up to a maximum of 10 percent above the typical cost for transportation to that location.
    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 and Trustees elected by Retired Members will be to and from the Trustee's home address. Mileage reimbursements for Executive Staff and Trustees elected by Active Members 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 $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 $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. The calendar year-end report shall include each Trustee's total annual travel expenditures, as defined in section II.D. of this policy.

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

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.

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
07/12/2019	Added customary gratuities for ground travel and made various technical, non-substantive corrections
07/08/2022	Added annual travel spending cap, deleted due diligence, increased daily meal allowance, added law prevails section
01/20/2023	Clarified mileage reimbursement for retired Trustees, defined reasonable fares for ground transportation, added annual expenditure reporting requirement, added spending cap exceptions approval process
12/08/2023	Increased the travel spending cap to $4,500, updated titles of Executive Staff and corrected punctuation.

Certification of Board Adoption:

12/08/2023

Clerk of the Board　　　　　　　　　　　Date

Required Minimum Distributions – IRC 401(a)(9)

I. Purpose

This policy reaffirms and clarifies the existing practices of the Association with respect to the limit on minimum distribution requirements under Internal Revenue Code section 401(a)(9) and Treasury regulations issued thereunder.

II. General Rules

A. Reasonable Good Faith Interpretation of Code

In accordance with section 823 of the Pension Protection Act of 2006 ("PPA"), this policy is promulgated in accordance with a reasonable good faith interpretation of Code section 401(a)(9), and the Treasury regulations thereunder, as applicable to a governmental plan within the meaning of Code section 414(d). For purposes of Code section 401(a)(9), Code means the Code and applicable Treasury regulations as they apply under a reasonable good faith interpretation of section 401(a)(9).

B. Elections Under TEFRA § 242(b)(2)

Notwithstanding the other requirements of this policy to the contrary, distributions may be made under a designation made before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act.

III. Definitions

Capitalized terms used in this policy are defined below.

A. Annuity Starting Date

"Annuity Starting Date" means the first day of the first period for which a retirement benefit is payable as a Required Minimum Distribution (RMD) Annuity or, in the case of a retirement benefit not payable in the form of an RMD Annuity, the first day on which all events have occurred which entitle the Member to payment.

B. Applicable RMD Age

Applicable RMD Age means (a) age 70-1/2 if the Member attains age 70-1/2 prior to January 1, 2020; (b) age 72 if the Member attains age 70-1/2 on or after January 1, 2020 and age 72 before January 1, 2023; (c) age 73 if the Member attains age 72 on or after January 1, 2023 and age 73 before January 1, 2033; or (d) age 75 if the Member attains age 74 on or after January 1, 2033.

C. Designated Beneficiary

"Designated Beneficiary" means the individual who is designated by the

Member (or the Member's surviving Spouse) as the beneficiary of the Member's interest under the Association and who is also the designated beneficiary under Code section 401(a)(9) and section 1.401(a)(9)-4 of the Treasury regulations. Accordingly, entities other than individuals, such as the Member's estate or a trust, cannot be a Designated Beneficiary of a Member's interest in the Association. However, the individuals who are beneficiaries under a designated trust shall be treated as Designated Beneficiaries for purposes of determining the distribution period under this policy and Code section 401(a)(9) if all of the applicable requirements of Treasury regulation section 1.401(a)(9)-4, Q&A-5(b) are met. If all of such applicable requirements are not met, then the distribution of the Member's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

D. Distribution Calendar Year

"Distribution Calendar Year" means a calendar year for which a minimum distribution is required. For distributions beginning before the Member's death, the first Distribution Calendar Year is the calendar year immediately preceding the calendar year which contains the Member's Required Beginning Date. For distributions beginning after the Member's death, the first Distribution Calendar Year is the calendar year in which distributions are required to begin pursuant to Section VI.A herein.

E. Required Beginning Date

"Required Beginning Date," means April 1 of the calendar year following the later of the calendar year in which the Member attains the Applicable RMD Age or the calendar year in which the Member retires.

F. RMD Annuity

"RMD Annuity" means, for purposes of the required minimum distribution rules in Code section 401(a)(9), a distribution form providing for periodic payments for a specified period of time. "RMD Annuity" for purposes of this policy does not mean "annuity" as defined in the County Employees' Retirement Law, but instead means a retirement benefit that is payable by the Association.

G. Spouse

Effective June 26, 2013, consistent with Federal tax rules, the term "Spouse" means a person who is lawfully married under California law, including marriages recognized under California Family Code section 308 that were entered into in another jurisdiction (another state, the District of Columbia, a United States territory or a foreign jurisdiction) which also include marriages of same-sex individuals that were validly entered into in another jurisdiction whose laws authorize the marriage of two individuals of the same sex even if the married couple is domiciled in a jurisdiction that does not recognize the validity of same-sex marriage. In accordance with Federal tax rules, the term "Spouse" does not include individuals who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under the law of another jurisdiction that is not denominated as a marriage under the laws of that state (whether opposite-sex or same-sex relationships).

IV. Time and Manner of Distribution

A. Required Beginning Date

The Member's entire interest will be distributed, or begin to be distributed, no later than the Member's Required Beginning Date.

B. Form of Distribution

1. Periodic and Other Forms of Payments

A Member's entire interest in the Association shall be distributed in the form of RMD Annuity payments that meet the requirements of Section IV.B.2 or in the form of a single sum or an insurance company annuity contract that meets the requirements of Section IV.B.3.a. Payments may be made in a combination of these forms of payment and may include lump sum withdrawals of Member contributions or death benefits as provided in the CERL provided that these forms comply with a reasonable good faith interpretation of Code section 401(a)(9).

2. General Rules Regarding RMD Annuities

If the Member's interest is to be paid in the form of an RMD Annuity, the RMD Annuity must meet the following requirements:

a. Periodic

RMD Annuities must be paid over equal payment intervals, which intervals may not be longer than one year.

b. Distribution Period

RMD Annuities will be paid over the life or lives of the Member and a beneficiary or over a period certain that does not exceed the maximum length of the period described in Sections V or VI herein.

c. Increases

RMD Annuities may not increase over time except in accordance with the rules in Section VII.A

d. Change in Period Paid

The period over which an RMD Annuity is paid can be changed only in accordance with Q&A-13 of section 1.401(a)(9)-6 of the Treasury regulations.

e. Commencement

Payment of the RMD Annuity must start no later than the Required Beginning Date.

3. Other Forms

a. Annuity Contract

If the Member's interest is distributed in the form of an annuity contract purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Code section 401(a)(9).

b. Individual Account

Any part of the Member's interest which is in the form of an individual account described in section 414(k) of the Code will be distributed in a manner satisfying the requirements of Code section 401(a)(9) that apply to individual accounts.

C. Amount Required to be Distributed by Required Beginning Date and Later Payment Intervals

The amount that must be distributed on or before the Member's Required Beginning Date is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. All of the Member's benefit accruals as of the last day of the first Distribution Calendar Year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Member's Required Beginning Date. If the Member dies before distributions begin, the same rules apply with reference to the date distributions are required to begin under Section VI.A, paragraphs 1 or 2.

V. RMD Annuity Distributions Beginning During Member's Life

The following rules must be met to comply with the requirements of the Code and this policy for RMD Annuities that begin during the Member's lifetime.

A. Single Life RMD Annuity

An RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime only, with no benefits paid to any other person, meets the requirements of the Code and this policy.

B. Joint and Survivor RMD Annuity – Death of Member after Benefits Begin

If Member dies after RMD Annuity payments have commenced to the Member, then distributions must continue to be made over the remaining period over which distributions commenced in accordance with the schedule of payments made to the Member. Reasonable delay for administration may occur, but in this case payments that should have been made in accordance with the original payment schedule must be made with the first resumed payment.

C. Joint and Survivor RMD Annuity w~~W~~ith Spouse as the Sole Beneficiary

An RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime and the lifetime of the Member's surviving

Spouse, with no benefits paid to any other person, meets the requirements of the Code and this policy regardless of the difference in age of the Member and the Member's Spouse.

D. Joint and Survivor RMD Annuity When the Sole Beneficiary i~~I~~s n~~N~~ot the Member's Spouse

1. Limit on Percentage of Member's RMD Annuity Paid to Non-Spouse Beneficiary

   The survivor annuity percentage of an RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime and the lifetime of a beneficiary other than the Member's surviving Spouse must not at any time exceed the applicable percentage of the RMD Annuity payment during the Member's lifetime, using the table set forth in Treasury regulation section 1.401(a)(9)-6, Q&A-2(c)(2), as determined in the manner described in Q&A-2(c)(1). This Treasury Regulation requires that the RMD Annuity payable to the Member's beneficiary after the Member's death not exceed the percentage of the RMD Annuity payable to the Member during the Member's life specified in the table if the adjusted age difference between the Member and the beneficiary is more than 10 years.

2. Rule Regarding Children of Member

   Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if a survivor benefit is payable to a surviving child of the Member for a limited period of time (such as until the child reaches the age of 22), the survivor benefit shall be treated as payable solely to the surviving Spouse of the Member.

3. Rule Regarding Other Beneficiaries

   Solely to the extent required by Code section 401(a)(9) and under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(c) and taking into account the vested rights in retirement benefits created by the California Constitution, if a survivor benefit is payable to a person other than a surviving Spouse of the Member (or surviving child under paragraph 2 of this subsection D), the survivors allowance may not exceed the percentage of the Member's benefit established under the Applicable Percentage Table in Q&A-2 of Treasury regulations section 1.401(a)(9)-6 for the calendar year that contains the Annuity Starting Date. If the Member is younger than ~~age 70~~the applicable required minimum distribution age under Code section 401(a)(9) in that year, then the age difference used in the Table is reduced by the number of years that the Member is younger than the applicable required minimum distribution age under Code section 401(a)(9) ~~age 70~~ on the Member's birthday for that calendar year. If the Member is unable to elect Option 2 as result of a limitation under the Applicable Percentage Table, the Member will be allowed to elect an alternate allowance under Option 4, which will provide an actuarially equivalent benefit based on the highest survivor's allowance permissible under the Applicable Percentage Table payable to the Designated Beneficiary.

E. Period Certain RMD Annuity

1. Spouse i~~I~~s the Sole Beneficiary

If the Member's sole beneficiary is the Member's surviving Spouse, and the form of distribution is a period certain with no life annuity, the period certain may not exceed the joint life and last survivor expectancy of the Member and Spouse as determined in accordance with the Joint and Last Survivor Table set forth in section 1.401(a)(9)–9, Q&A-3, of the Treasury Regulations, using the Member's and Spouse's ages as of the Member's and Spouse's birthdays in the calendar year that contains the Annuity Starting Date.

2. Spouse i~~I~~s not the Sole Beneficiary

When the Member's surviving Spouse is not the sole beneficiary then the period certain may not exceed the period established under the Uniform Lifetime Table in Q&A-2 of Treasury regulations section 1.401(a)(9)-9 for the calendar year that contains the Annuity Starting Date. If the Member is younger than the applicable required minimum distribution age under Code section 401(a)(9) ~~age 70~~ in that year, then the distribution period for the Member is the distribution period for the applicable required minimum distribution age under Code section 401(a)(9) ~~age 70~~ increased by the difference between the applicable required minimum distribution age under Code section 401(a)(9) ~~70~~ and the age of the Member in the year of the Annuity Starting Date. Also see below regarding Designated Beneficiaries.

3. Rule Regarding Children of Member

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, the period certain distribution rules shall not apply to survivor benefits payable to children of the Member but the rules of section V.D above shall apply.

4. Rule Regarding Other Beneficiaries

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if a period certain survivor benefit is payable to a person other than a surviving Spouse of the Member, then the present value (if any) of any benefit that would be in excess of the amount that can be paid in accordance with such regulation shall be paid to such person in a lump sum payment no later than one year after such person becomes entitled to a survivor benefit.

VI. Distributions When Member Dies before Benefits Begin

If a Member dies before distributions begin, distributions after the death of the Member must meet the following requirements:

A. When Distributions Must Begin

1. Spouse is the Sole Designated Beneficiary

If the Member's sole Designated Beneficiary is the Member's surviving Spouse, then, except as provided in paragraph 5 of this Section VI.A, distributions to the surviving Spouse must begin by December 31 of the calendar year immediately following the calendar year in which the Member died or, if later, by December 31 of the calendar year in which the Member would have reached the Applicable RMD Age.

2. Spouse is not the Sole Designated Beneficiary

If the Member's sole Designated Beneficiary is not the Member's surviving Spouse, then, except as provided in paragraph 5 of this Section VI.A, distributions to the Designated Beneficiary must begin by December 31 of the calendar year immediately following the calendar year in which the Member died.

3. No Designated Beneficiary

If there is no Designated Beneficiary as of September 30 of the year following the year of the Member's death, then distributions of the Member's entire interest must be completed by December 31 of the calendar year that contains the fifth anniversary of the Member's death.

4. Death of Surviving Spouse Who Is the Sole Designated Beneficiary

If the Member's surviving Spouse is the Member's sole Designated Beneficiary and the surviving Spouse dies after the Member but before distributions to the surviving Spouse are required to begin, then this Section VI.A, other than Section VI.A.1, applies as if the surviving Spouse were the Member.

5. Election of Five-Year Rule

A Designated Beneficiary may elect, at the time and in the manner determined by the Association, to have the five-year rule of Section VI.A.3 apply, but solely to the extent that the Designated Beneficiary may elect, under the CERL, a benefit which will be paid in the required time period.

B. When Distributions a~~A~~re Considered to Begin

For purposes of this Section VI, unless Section VI.A.4 applies, distributions are considered to begin on the Member's Required Beginning Date. If Section VI.A.4 applies, distributions are considered to begin on the date distributions are required to begin to the surviving Spouse under Section VI.A.1. If distributions under an RMD Annuity meeting the requirements of this policy commence to the Member before the Member's Required Beginning Date (or to the Member's surviving Spouse before the date distributions are required to begin to the surviving Spouse under Section VI.A.1), the date distributions are considered to begin is the date distributions actually commence.

C. Length of Distribution Period

1. Member Is Survived by a Designated Beneficiary

a. General Rule

If a Designated Beneficiary survives the Member, the Member's entire interest in the Association shall be distributed over the life of the Designated Beneficiary or over a period certain that does not exceed the period specified in paragraph C.1.b below.

b. Period Certain

The period certain in paragraph C.1.a above may not exceed the Designated Beneficiary's life expectancy determined using the Single Life Table in Treasury regulations section 1.401(a)(9)-9, Q&A-1. If the Annuity Starting Date is in the first Distribution Calendar Year, the life expectancy shall be determined using the Designated Beneficiary's age as of the beneficiary's birthday in the calendar year immediately following the calendar year of the Member's death. If the Annuity Starting Date is before the first Distribution Calendar Year, then the life expectancy is determined using the Designated Beneficiary's age in the calendar year that contains the Annuity Starting Date.

2. No Designated Beneficiary

If there is no Designated Beneficiary as of the September 30 of the year following the year of the Member's death, distribution of the Member's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

3. Death of Surviving Spouse before Distributions to Spouse Begin

If the Member's surviving Spouse is the Member's sole Designated Beneficiary, and the surviving Spouse dies before distributions to the surviving Spouse begin, this Section V I .C shall apply as if the surviving Spouse were the Member, except that the time that distributions are required to begin is determined without regard to Section VI.A.1.

VII. Special Rules

A. RMD Annuity Payment Increases

RMD Annuity payments will either not increase over time or increase only as follows:

1. Cost of Living Adjustments

a. Annual COLA Increases

RMD Annuity payments may increase by an annual percentage that does not exceed the percentage increase in an eligible cost-of-living index, as defined in Q&A-14(b) of section 1.401(a)(9)-6 of the Treasury regulations, for a 12-month period ending in the year during which the increase occurs or a prior year.

b. Cumulative COLA Increases

RMD Annuity payments may increase by a percentage increase that occurs at specified times and does not exceed the cumulative total of annual percentage increases in an eligible cost-of-living index, as defined in the preceding paragraph since the Annuity Starting Date, or if later, the date of the most recent percentage increase.

c. Additional COLA Increases

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b) and taking into account the vested rights in retirement benefits created by the California Constitution, RMD Annuity payments may increase by a percentage or amount that is determined by the Association, in accordance with the CERL, to represent an appropriate amount to take account of cost-of-living increases affecting retirees or beneficiaries.

2. “Pop-Ups”

RMD Annuity Payments may increase to the extent of the reduction in the amount of the Member’s payments to provide for a survivor benefit, but only if there is no longer a survivor benefit because the beneficiary whose life was being used to determine the distribution period dies or is no longer the Member’s beneficiary pursuant to a domestic relations order under applicable state law.

3. Plan Amendment

Benefits may increase if they result from an amendment to, or interpretation of, the CERL, PEPRA, or any other applicable law governing benefits for Members or from an ordinance, resolution or regulation pursuant to such law.

4. Other Benefits

Benefits may increase (i) to the extent increases are permitted in accordance with paragraph (c) or (d) of Q&A-14 of section 1.401(a)(9)-6 of the Treasury regulations dealing with additional permitted increases for annuity payments under annuity contracts purchased from an insurance company and additional permitted increases for annuity payments from a qualified trust; (ii) pursuant to section 31691.1 of the CERL; and (ii) pursuant to sections 31681.1 et. seq., and 31739 et. seq. of the CERL.

B. Additional Accruals after First Distribution Calendar Year

Any additional benefits accruing to the Member in a calendar year after the first Distribution Calendar Year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such benefit accrues.

i. Domestic Relations Orders

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if Article 8.4 of the CERL applies (relating to the establishment of separate accounts under domestic relations orders), then both the Member and the Member's former Spouse shall be deemed to be separate Members of the Association for purposes of this policy and Code section 401(a)(9).

C. Reciprocal Member

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if a deferred Member is a current employee and a member of another retirement system with which the Association has reciprocity under California law, then for purposes of determining the Required Beginning Date under the Association the Member shall be treated as a current employee of the Association and as such, as if he or she had not retired, even if he or she has attained age 70½.

D. Public Safety Member Killed in Line of Duty

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, any additional retirement benefits paid under CERL section 31787.5 to the surviving Spouse of a public safety Member killed in the line of duty shall not be limited by Code section 401(a)(9) because they shall be treated as incidental death benefits.

E. Rollovers

Amounts that are required minimum distributions cannot be rolled over to another qualified retirement plan or other tax-favored vehicle. The amount that cannot be rolled over shall be determined in accordance with Treasury regulations section 1.402(c)-2, Q&A-7.

F. Payments to Surviving Child Treated as Made to Surviving Spouse

Solely to the extent required by Code section 401(a)(9) and under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(c) and taking into account the vested rights in retirement benefits created by the California Constitution, for purposes of Code section 401(a)(9) and is policy, payments to a Member's surviving child in accordance with the requirements of Q&A-15 of section 1.401(a)(9)-6 of the Treasury regulations shall be treated as if such payments had been made to the Member's surviving Spouse to the extent the payments become payable to the surviving Spouse upon the child's attainment of the age of majority, as determined in accordance with Q&A-15 of section 1.401(a)(9)-6 of the Treasury regulations, or upon the occurrence of such other event specified in Q&A-15 of section

1.401(a)(9)-6 of the Treasury regulations, or as otherwise specified in IRS guidance under Code section 401(a)(9).

VIII. This policy is intended to be in accordance with the Internal Revenue Code (Code) and the applicable Treasury regulations. To the extent there is a conflict between this policy and the Code and Treasury regulations, the applicable federal law will govern.

IX. 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.

X. History

01/01/2015	Effective Date of Bylaw Section 25
03/20/2018	Bylaw Section 25 Converted to Board Policy and Board of Supervisors approved Bylaws
07/06/2018	Staff updated format
09/11/2018	Annual review, deleted Article 5.5 reference
04/12/2019	Policy Review section amended to at least once every three years
04/10/2020	Policy amended to reflect federal law increasing RMD to 72
07/09/2021	Minor edits by tax counsel
04/14/2023	Policy amended to reflect federal law increasing RMD to 73 and 75
12/08/2023	Changed age references to "applicable RMD age" to accommodate future changes in federal age requirements, other non-substantive changes.

Certification of Board Adoption:

12/08/2023

Clerk of the Board Date

Required Minimum Distributions – IRC 401(a)(9)

I. Purpose

This policy reaffirms and clarifies the existing practices of the Association with respect to the limit on minimum distribution requirements under Internal Revenue Code section 401(a)(9) and Treasury regulations issued thereunder.

II. General Rules

A. Reasonable Good Faith Interpretation of Code

In accordance with section 823 of the Pension Protection Act of 2006 ("PPA"), this policy is promulgated in accordance with a reasonable good faith interpretation of Code section 401(a)(9), and the Treasury regulations thereunder, as applicable to a governmental plan within the meaning of Code section 414(d). For purposes of Code section 401(a)(9), Code means the Code and applicable Treasury regulations as they apply under a reasonable good faith interpretation of section 401(a)(9).

B. Elections Under TEFRA § 242(b)(2)

Notwithstanding the other requirements of this policy to the contrary, distributions may be made under a designation made before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act.

III. Definitions

Capitalized terms used in this policy are defined below.

A. Annuity Starting Date

"Annuity Starting Date" means the first day of the first period for which a retirement benefit is payable as a Required Minimum Distribution (RMD) Annuity or, in the case of a retirement benefit not payable in the form of an RMD Annuity, the first day on which all events have occurred which entitle the Member to payment.

B. Applicable RMD Age

Applicable RMD Age means (a) age 70-1/2 if the Member attains age 70-1/2 prior to January 1, 2020; (b) age 72 if the Member attains age 70-1/2 on or after January 1, 2020 and age 72 before January 1, 2023; (c) age 73 if the Member attains age 72 on or after January 1, 2023 and age 73 before January 1, 2033; or (d) age 75 if the Member attains age 74 on or after January 1, 2033.

C. Designated Beneficiary

"Designated Beneficiary" means the individual who is designated by the

Member (or the Member's surviving Spouse) as the beneficiary of the Member's interest under the Association and who is also the designated beneficiary under Code section 401(a)(9) and section 1.401(a)(9)-4 of the Treasury regulations. Accordingly, entities other than individuals, such as the Member's estate or a trust, cannot be a Designated Beneficiary of a Member's interest in the Association. However, the individuals who are beneficiaries under a designated trust shall be treated as Designated Beneficiaries for purposes of determining the distribution period under this policy and Code section 401(a)(9) if all of the applicable requirements of Treasury regulation section 1.401(a)(9)-4, Q&A-5(b) are met. If all of such applicable requirements are not met, then the distribution of the Member's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

D. Distribution Calendar Year

"Distribution Calendar Year" means a calendar year for which a minimum distribution is required. For distributions beginning before the Member's death, the first Distribution Calendar Year is the calendar year immediately preceding the calendar year which contains the Member's Required Beginning Date. For distributions beginning after the Member's death, the first Distribution Calendar Year is the calendar year in which distributions are required to begin pursuant to Section VI.A herein.

E. Required Beginning Date

"Required Beginning Date," means April 1 of the calendar year following the later of the calendar year in which the Member attains the Applicable RMD Age or the calendar year in which the Member retires.

F. RMD Annuity

"RMD Annuity" means, for purposes of the required minimum distribution rules in Code section 401(a)(9), a distribution form providing for periodic payments for a specified period of time. "RMD Annuity" for purposes of this policy does not mean "annuity" as defined in the County Employees' Retirement Law, but instead means a retirement benefit that is payable by the Association.

G. Spouse

Effective June 26, 2013, consistent with Federal tax rules, the term "Spouse" means a person who is lawfully married under California law, including marriages recognized under California Family Code section 308 that were entered into in another jurisdiction (another state, the District of Columbia, a United States territory or a foreign jurisdiction) which also include marriages of same-sex individuals that were validly entered into in another jurisdiction whose laws authorize the marriage of two individuals of the same sex even if the married couple is domiciled in a jurisdiction that does not recognize the validity of same-sex marriage. In accordance with Federal tax rules, the term "Spouse" does not include individuals who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under the law of another jurisdiction that is not denominated as a marriage under the laws of that state (whether opposite-sex or same-sex relationships).

IV. Time and Manner of Distribution

A. Required Beginning Date

The Member's entire interest will be distributed, or begin to be distributed, no later than the Member's Required Beginning Date.

B. Form of Distribution

1. Periodic and Other Forms of Payments

A Member's entire interest in the Association shall be distributed in the form of RMD Annuity payments that meet the requirements of Section IV.B.2 or in the form of a single sum or an insurance company annuity contract that meets the requirements of Section IV.B.3.a. Payments may be made in a combination of these forms of payment and may include lump sum withdrawals of Member contributions or death benefits as provided in the CERL provided that these forms comply with a reasonable good faith interpretation of Code section 401(a)(9).

2. General Rules Regarding RMD Annuities

If the Member's interest is to be paid in the form of an RMD Annuity, the RMD Annuity must meet the following requirements:

a. Periodic

RMD Annuities must be paid over equal payment intervals, which intervals may not be longer than one year.

b. Distribution Period

RMD Annuities will be paid over the life or lives of the Member and a beneficiary or over a period certain that does not exceed the maximum length of the period described in Sections V or VI herein.

c. Increases

RMD Annuities may not increase over time except in accordance with the rules in Section VII.A

d. Change in Period Paid

The period over which an RMD Annuity is paid can be changed only in accordance with Q&A-13 of section 1.401(a)(9)-6 of the Treasury regulations.

e. Commencement

Payment of the RMD Annuity must start no later than the Required Beginning Date.

3. Other Forms

a. Annuity Contract

If the Member's interest is distributed in the form of an annuity contract purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Code section 401(a)(9).

b. Individual Account

Any part of the Member's interest which is in the form of an individual account described in section 414(k) of the Code will be distributed in a manner satisfying the requirements of Code section 401(a)(9) that apply to individual accounts.

C. Amount Required to be Distributed by Required Beginning Date and Later Payment Intervals

The amount that must be distributed on or before the Member's Required Beginning Date is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. All of the Member's benefit accruals as of the last day of the first Distribution Calendar Year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Member's Required Beginning Date. If the Member dies before distributions begin, the same rules apply with reference to the date distributions are required to begin under Section VI.A, paragraphs 1 or 2.

V. RMD Annuity Distributions Beginning During Member's Life

The following rules must be met to comply with the requirements of the Code and this policy for RMD Annuities that begin during the Member's lifetime.

A. Single Life RMD Annuity

An RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime only, with no benefits paid to any other person, meets the requirements of the Code and this policy.

B. Joint and Survivor RMD Annuity – Death of Member after Benefits Begin

If Member dies after RMD Annuity payments have commenced to the Member, then distributions must continue to be made over the remaining period over which distributions commenced in accordance with the schedule of payments made to the Member. Reasonable delay for administration may occur, but in this case payments that should have been made in accordance with the original payment schedule must be made with the first resumed payment.

C. Joint and Survivor RMD Annuity with Spouse as the Sole Beneficiary

An RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime and the lifetime of the Member's surviving

Spouse, with no benefits paid to any other person, meets the requirements of the Code and this policy regardless of the difference in age of the Member and the Member's Spouse.

D. Joint and Survivor RMD Annuity When the Sole Beneficiary is not the Member's Spouse

1. Limit on Percentage of Member's RMD Annuity Paid to Non-Spouse Beneficiary

   The survivor annuity percentage of an RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime and the lifetime of a beneficiary other than the Member's surviving Spouse must not at any time exceed the applicable percentage of the RMD Annuity payment during the Member's lifetime, using the table set forth in Treasury regulation section 1.401(a)(9)-6, Q&A-2(c)(2), as determined in the manner described in Q&A-2(c)(1). This Treasury Regulation requires that the RMD Annuity payable to the Member's beneficiary after the Member's death not exceed the percentage of the RMD Annuity payable to the Member during the Member's life specified in the table if the adjusted age difference between the Member and the beneficiary is more than 10 years.

2. Rule Regarding Children of Member

   Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if a survivor benefit is payable to a surviving child of the Member for a limited period of time (such as until the child reaches the age of 22), the survivor benefit shall be treated as payable solely to the surviving Spouse of the Member.

3. Rule Regarding Other Beneficiaries

   Solely to the extent required by Code section 401(a)(9) and under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(c) and taking into account the vested rights in retirement benefits created by the California Constitution, if a survivor benefit is payable to a person other than a surviving Spouse of the Member (or surviving child under paragraph 2 of this subsection D), the survivors allowance may not exceed the percentage of the Member's benefit established under the Applicable Percentage Table in Q&A-2 of Treasury regulations section 1.401(a)(9)-6 for the calendar year that contains the Annuity Starting Date. If the Member is younger than the applicable required minimum distribution age under Code section 401(a)(9) in that year, then the age difference used in the Table is reduced by the number of years that the Member is younger than the applicable required minimum distribution age under Code section 401(a)(9) on the Member's birthday for that calendar year. If the Member is unable to elect Option 2 as result of a limitation under the Applicable Percentage Table, the Member will be allowed to elect an alternate allowance under Option 4, which will provide an actuarially equivalent benefit based on the highest survivor's allowance permissible under the Applicable Percentage Table payable to the Designated Beneficiary.

E. Period Certain RMD Annuity

1. Spouse is the Sole Beneficiary

If the Member's sole beneficiary is the Member's surviving Spouse, and the form of distribution is a period certain with no life annuity, the period certain may not exceed the joint life and last survivor expectancy of the Member and Spouse as determined in accordance with the Joint and Last Survivor Table set forth in section 1.401(a)(9)–9, Q&A-3, of the Treasury Regulations, using the Member's and Spouse's ages as of the Member's and Spouse's birthdays in the calendar year that contains the Annuity Starting Date.

2. Spouse is not the Sole Beneficiary

When the Member's surviving Spouse is not the sole beneficiary then the period certain may not exceed the period established under the Uniform Lifetime Table in Q&A-2 of Treasury regulations section 1.401(a)(9)-9 for the calendar year that contains the Annuity Starting Date. If the Member is younger than the applicable required minimum distribution age under Code section 401(a)(9) in that year, then the distribution period for the Member is the distribution period for the applicable required minimum distribution age under Code section 401(a)(9) increased by the difference between the applicable required minimum distribution age under Code section 401(a)(9) and the age of the Member in the year of the Annuity Starting Date. Also see below regarding Designated Beneficiaries.

3. Rule Regarding Children of Member

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, the period certain distribution rules shall not apply to survivor benefits payable to children of the Member but the rules of section V.D above shall apply.

4. Rule Regarding Other Beneficiaries

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if a period certain survivor benefit is payable to a person other than a surviving Spouse of the Member, then the present value (if any) of any benefit that would be in excess of the amount that can be paid in accordance with such regulation shall be paid to such person in a lump sum payment no later than one year after such person becomes entitled to a survivor benefit.

VI. Distributions When Member Dies before Benefits Begin

If a Member dies before distributions begin, distributions after the death of the Member must meet the following requirements:

A. When Distributions Must Begin

1. Spouse is the Sole Designated Beneficiary

   If the Member's sole Designated Beneficiary is the Member's surviving Spouse, then, except as provided in paragraph 5 of this Section VI.A, distributions to the surviving Spouse must begin by December 31 of the calendar year immediately following the calendar year in which the Member died or, if later, by December 31 of the calendar year in which the Member would have reached the Applicable RMD Age.

2. Spouse is not the Sole Designated Beneficiary

   If the Member's sole Designated Beneficiary is not the Member's surviving Spouse, then, except as provided in paragraph 5 of this Section VI.A, distributions to the Designated Beneficiary must begin by December 31 of the calendar year immediately following the calendar year in which the Member died.

3. No Designated Beneficiary

   If there is no Designated Beneficiary as of September 30 of the year following the year of the Member's death, then distributions of the Member's entire interest must be completed by December 31 of the calendar year that contains the fifth anniversary of the Member's death.

4. Death of Surviving Spouse Who Is the Sole Designated Beneficiary

   If the Member's surviving Spouse is the Member's sole Designated Beneficiary and the surviving Spouse dies after the Member but before distributions to the surviving Spouse are required to begin, then this Section VI.A, other than Section VI.A.1, applies as if the surviving Spouse were the Member.

5. Election of Five-Year Rule

   A Designated Beneficiary may elect, at the time and in the manner determined by the Association, to have the five-year rule of Section VI.A.3 apply, but solely to the extent that the Designated Beneficiary may elect, under the CERL, a benefit which will be paid in the required time period.

B. When Distributions are Considered to Begin

   For purposes of this Section VI, unless Section VI.A.4 applies, distributions are considered to begin on the Member's Required Beginning Date. If Section VI.A.4 applies, distributions are considered to begin on the date distributions are required to begin to the surviving Spouse under Section VI.A.1. If distributions under an RMD Annuity meeting the requirements of this policy commence to the Member before the Member's Required Beginning Date (or to the Member's surviving Spouse before the date distributions are required to begin to the surviving Spouse under Section VI.A.1), the date distributions are considered to begin is the date distributions actually commence.

C. Length of Distribution Period

1. Member Is Survived by a Designated Beneficiary

a. General Rule

If a Designated Beneficiary survives the Member, the Member's entire interest in the Association shall be distributed over the life of the Designated Beneficiary or over a period certain that does not exceed the period specified in paragraph C.1.b below.

b. Period Certain

The period certain in paragraph C.1.a above may not exceed the Designated Beneficiary's life expectancy determined using the Single Life Table in Treasury regulations section 1.401(a)(9)-9, Q&A-1. If the Annuity Starting Date is in the first Distribution Calendar Year, the life expectancy shall be determined using the Designated Beneficiary's age as of the beneficiary's birthday in the calendar year immediately following the calendar year of the Member's death. If the Annuity Starting Date is before the first Distribution Calendar Year, then the life expectancy is determined using the Designated Beneficiary's age in the calendar year that contains the Annuity Starting Date.

2. No Designated Beneficiary

If there is no Designated Beneficiary as of the September 30 of the year following the year of the Member's death, distribution of the Member's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

3. Death of Surviving Spouse before Distributions to Spouse Begin

If the Member's surviving Spouse is the Member's sole Designated Beneficiary, and the surviving Spouse dies before distributions to the surviving Spouse begin, this Section V I .C shall apply as if the surviving Spouse were the Member, except that the time that distributions are required to begin is determined without regard to Section VI.A.1.

VII. Special Rules

A. RMD Annuity Payment Increases

RMD Annuity payments will either not increase over time or increase only as follows:

1. Cost of Living Adjustments

a. Annual COLA Increases

RMD Annuity payments may increase by an annual percentage that does not exceed the percentage increase in an eligible cost-of-living index, as defined in Q&A-14(b) of section 1.401(a)(9)-6 of the Treasury regulations, for a 12-month period ending in the year during which the increase occurs or a prior year.

b. Cumulative COLA Increases

RMD Annuity payments may increase by a percentage increase that occurs at specified times and does not exceed the cumulative total of annual percentage increases in an eligible cost-of-living index, as defined in the preceding paragraph since the Annuity Starting Date, or if later, the date of the most recent percentage increase.

c. Additional COLA Increases

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b) and taking into account the vested rights in retirement benefits created by the California Constitution, RMD Annuity payments may increase by a percentage or amount that is determined by the Association, in accordance with the CERL, to represent an appropriate amount to take account of cost-of-living increases affecting retirees or beneficiaries.

2. “Pop-Ups”

RMD Annuity Payments may increase to the extent of the reduction in the amount of the Member’s payments to provide for a survivor benefit, but only if there is no longer a survivor benefit because the beneficiary whose life was being used to determine the distribution period dies or is no longer the Member’s beneficiary pursuant to a domestic relations order under applicable state law.

3. Plan Amendment

Benefits may increase if they result from an amendment to, or interpretation of, the CERL, PEPRA, or any other applicable law governing benefits for Members or from an ordinance, resolution or regulation pursuant to such law.

4. Other Benefits

Benefits may increase (i) to the extent increases are permitted in accordance with paragraph (c) or (d) of Q&A-14 of section 1.401(a)(9)-6 of the Treasury regulations dealing with additional permitted increases for annuity payments under annuity contracts purchased from an insurance company and additional permitted increases for annuity payments from a qualified trust; (ii) pursuant to section 31691.1 of the CERL; and (ii) pursuant to sections 31681.1 et. seq., and 31739 et. seq. of the CERL.

B. Additional Accruals after First Distribution Calendar Year

Any additional benefits accruing to the Member in a calendar year after the first Distribution Calendar Year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such benefit accrues.

i. Domestic Relations Orders

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if Article 8.4 of the CERL applies (relating to the establishment of separate accounts under domestic relations orders), then both the Member and the Member's former Spouse shall be deemed to be separate Members of the Association for purposes of this policy and Code section 401(a)(9).

C. Reciprocal Member

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if a deferred Member is a current employee and a member of another retirement system with which the Association has reciprocity under California law, then for purposes of determining the Required Beginning Date under the Association the Member shall be treated as a current employee of the Association and as such, as if he or she had not retired, even if he or she has attained age 70½.

D. Public Safety Member Killed in Line of Duty

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, any additional retirement benefits paid under CERL section 31787.5 to the surviving Spouse of a public safety Member killed in the line of duty shall not be limited by Code section 401(a)(9) because they shall be treated as incidental death benefits.

E. Rollovers

Amounts that are required minimum distributions cannot be rolled over to another qualified retirement plan or other tax-favored vehicle. The amount that cannot be rolled over shall be determined in accordance with Treasury regulations section 1.402(c)-2, Q&A-7.

F. Payments to Surviving Child Treated as Made to Surviving Spouse

Solely to the extent required by Code section 401(a)(9) and under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(c) and taking into account the vested rights in retirement benefits created by the California Constitution, for purposes of Code section 401(a)(9) and is policy, payments to a Member's surviving child in accordance with the requirements of Q&A-15 of section 1.401(a)(9)-6 of the Treasury regulations shall be treated as if such payments had been made to the Member's surviving Spouse to the extent the payments become payable to the surviving Spouse upon the child's attainment of the age of majority, as determined in accordance with Q&A-15 of section 1.401(a)(9)-6 of the Treasury regulations, or upon the occurrence of such other event specified in Q&A-15 of section

1.401(a)(9)-6 of the Treasury regulations, or as otherwise specified in IRS guidance under Code section 401(a)(9).

VIII. This policy is intended to be in accordance with the Internal Revenue Code (Code) and the applicable Treasury regulations. To the extent there is a conflict between this policy and the Code and Treasury regulations, the applicable federal law will govern.

IX. 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.

X. History

01/01/2015	Effective Date of Bylaw Section 25
03/20/2018	Bylaw Section 25 Converted to Board Policy and Board of Supervisors approved Bylaws
07/06/2018	Staff updated format
09/11/2018	Annual review, deleted Article 5.5 reference
04/12/2019	Policy Review section amended to at least once every three years
04/10/2020	Policy amended to reflect federal law increasing RMD to 72
07/09/2021	Minor edits by tax counsel
04/14/2023	Policy amended to reflect federal law increasing RMD to 73 and 75
12/08/2023	Changed age references to “applicable RMD age” to accommodate future changes in federal age requirements, other non-substantive changes.

Certification of Board Adoption:

12/08/2023

Clerk of the Board Date

December 8, 2023 **Agenda Item 5.03**

SUBJECT: SJCERA 2024 Proposed Administrative Budget
January 1 through December 31, 2024

SUBMITTED FOR: ___ CONSENT _X_ ACTION __ INFORMATION

RECOMMENDATION

The Administrative Committee recommends the Board approve the proposed 2024 Administrative Budget.

PURPOSE

To establish an administrative budget for calendar year 2024.

DISCUSSION

2023 Projected/Actual Expenses

The 2023 projected expenses of $6,352,490 include actual expenditures through September 2023 and projected expenditures through year-end. The 2023 projected expenses are 5.9% ($398,565) less than the 2023 budget of $6,751,055. Salaries and Benefits savings of $205,198 make up 51.5% of the difference. The remaining savings are primarily from:

- County Wide – Indirect Charges ($45,000)
- Professional and Specialized Services ($41,079)
- P.C. Equipment & Upgrades ($35,931)
- Professional and Specialized – Disability ($35,121)

The 2023 projected expenses are expected to exceed the 2022 actuals by 11.5%, primarily due to increased salaries. In October of 2022, the Board of Supervisors approved the following MOU base pay increases:

- 6% effective October 2022
- 5% effective July 2023
- 4% effective July 2024
- 3% effective July 2025

This salary cost impact was significant enough to be the primary contributor to the increased employer contribution rate in last year's actuarial valuation report. In addition to the Salaries and Benefits increase, the other primary increase is to harden SJCERA's cybersecurity. See the "Five Year Trend Analysis" for additional details (page 3 of the packet).

2024 Budget Compared to 2023 Projected/Actual Expenses

The 2024 budget is 18.8% ($1,192,724) greater than the 2023 projected expenses. The primary changes reflected in the proposed 2024 budget, as compared to 2023 projected expenses, follow.

Salaries and Benefits

The 2024 proposed Salaries and Benefits budget net increase is $904,082 (27.3%) and the primary drivers are as follows:

- Increase of $546,696 in salaries:
  - Filling the vacant Chief Counsel position ($228,195)
  - Filling the vacant Retirement Services Manager position ($113,021)
  - Raises due to step increases and new MOU contracts ($133,412)
  - Rolling Cafeteria Plan into salaries ($72,068)
- Increase of $249,426 in "Retirement – Employer Share" contributions:
  - New Chief Counsel and Retirement Services Manager positions ($160,851)
  - Due to increased salaries and the increased employer contribution rate ($88,575)
- Increase of $79,553 in Health Insurance due to eliminating the Cafeteria Plan and the addition of the two vacant positions mentioned above
- Increase of $47,038 in payroll taxes (OASDI and Medicare) due to increased salaries

The increases above are partially offset by the decrease in the Deferred Compensation/Cafeteria Plan ($54,334).

Services and Supplies

The 2024 budget for Services and Supplies net increase is $219,712 (11.4%) and the primary drivers are as follows:

- Increase of $70,305 for cybersecurity services (Linea Secure)
- Increase of $35,000 for legacy system support (MainSpring) primarily to assist with the Windows conversion
- Increase of $35,121 for disability processing due to increased medical exam costs and potential increased applications due to presumption changes
- Increase of $30,000 for the County's indirect cost charges due to two-year true-up allocations
- Increase of $20,000 for a two-year software license renewal (FileMaker)

Fixed Assets

The 2024 budget for PC Equipment and Upgrades is $68,931 higher than the 2023 projected expenses primarily due to additional windows server infrastructure needs and the co-location server hosting contingency plan.

Administrative Budget Adjustments

Government Code section 31580.2 excludes from the administrative expense limit, expenditures for “computer software, computer hardware and computer technology consulting services in support of these computer products.” Other excluded expenditures consist of the cost for SJCERA’s administration of the retiree health plan eligibility, enrollment, and premium collection and remittance. Health costs are reimbursed through the administrative fee incorporated into the premiums for retiree health, dental, and vision plans each plan year. The administrative fees received for the retiree health plan, offset a portion of salary expense.

The adjustment to the 2024 budget for excluded expenditures is shown on the Proposed 2024 Administrative Budget Summary. Detail for these adjustments is presented on the 2024 Budget Adjustments (page 24). These adjustments total $2,498,662, resulting in an adjusted 2024 Budget of $5,046,552.

Costs outside of the administrative budget, per Government Code section 31596.1, count as a direct charge to the fund and include: investment management fees, investment consulting services, master custody fees, actuarial services, and legal services.

Statutory Administrative Expense Limit

Government Code section 31580.2 limits the administrative budget to 0.21% of the Accrued Actuarial Liability (AAL).

The proposed 2024 Adjusted Budget (less exclusions) of $5,046,552 is 0.089% of SJCERA’s AAL as determined by the actuary in our January 1, 2023 valuation. This is less than half of the amount allowed by statute. Even if the excluded items were included, the proposed 2024 Total Budget of $7,545,095 is still well under at 0.133%.

The 2023 Adjusted Budget was 0.084% of the AAL determined by the actuary as of January 1, 2022. Actual expenses for 2023 will be measured against the AAL as of January 1, 2024, which will be reported by the actuary in Summer 2024.

ATTACHMENTS
Proposed 2024 Administrative Budget Summary

JOHANNA SHICK
Chief Executive Officer

GREG FRANK
Management Analyst III

SJCERA ADMINISTRATIVE BUDGET SUMMARY **January - December 2024**

Positions	2023 Allocated	2023 Actual	2024 Budget	2024 Allocated
Chief Executive Officer	1	1	1	1
Asst. Chief Executive Officer	1	1	1	1
Chief Counsel	**1**	**0**	**1**	**1**
Retirement Investment Officer	1	1	1	1
Departmental Info System Mngr	1	1	1	1
Retirement Financial Officer	1	1	1	1
Management Analyst III	1	1	1	1
Retirement Benefits Manager	**1**	**0**	**1**	**1**
Retirement Benefits Supervisor	1	1	1	1
Accountant III	1	1	1	1
Retirement Services Officer	2	0	0	2
Retirement Services Associate	2	2	2	2
Retirement Services/Technician	5	5	5	5
Information Systems Analyst II	1	1	1	1
Information Systems Specialist II	1	1	1	1
Accounting Technician I/II	1	1	1	1
Administrative Secretary	1	1	1	1
Communications Officer	1	1	1	1
Jr. Admin Asst.	1	0	0	1
Senior / Office Assistant	1	0	0	1
Total Positions:	26	20	22	26

		2023 Approved Budget	2023 Projected Actuals	2024 Total Budget	2024 Adjustments	2024 Adjusted Budget (Less Exclusions)
	Salaries and Benefits:					
901111a	Salaries & Wages - Regular	$ 2,007,222	1,890,192	$ 2,436,888		
901111h	Salaries & Wages - OT	1,000	970	1,000		
901112a	Salaries - Deferred Comp/Cafeteria	95,208	83,145	28,811		
901112b	Salaries - Car Allowance	7,020	7,020	7,020		
901112c	Admin Benefits (Vacation sell back)	15,024	15,000	38,568		
901113a	Unemployment Comp Insurance	1,560	1,469	1,846		
901113b	Health Insurance for Retirees - SLB	30,000	25,232	30,000		
901113c	Life Insurance	1,358	1,138	1,488		
901113d	Health Insurance	297,000	299,947	379,500		
901113e	Dental Insurance	8,849	5,557	11,307		
901113f	Vision Care	1,490	1,045	1,904		
901114a	Social Security-OASDI	117,946	101,899	141,043		
901114b	Social Security-Medicare	30,266	27,899	35,793		
901115a	Retirement - Employer Share	901,457	849,690	1,099,116		
	Subtotal:	**$ 3,515,401**	**$ 3,310,203**	**$ 4,214,285**	**$ (81,872)** *	**$ 4,132,413**
	Services & Supplies:					
901121a	Professional and Specialized Services	1,224,610	1,183,531	1,393,940	(1,136,790)	257,150
901121c	Professional and Specialized - Disability	175,000	139,879	175,000		175,000
901122	County Wide – Indirect Cost Chrgs	65,000	20,000	50,000		50,000
901141	SJC Mail Serv & Postage	15,500	15,983	16,500		16,500
901142	Telephone	16,000	17,717	18,500		18,500
901143	Travel / Training	67,050	67,362	71,800		71,800
901161	Rent – Structure & Grounds	225,210	224,210	107,689		107,689
901181a	Office Expense	$ 20,300	$ 20,726	$ 21,300		$ 21,300
901181d	Software and Related Licenses	83,300	62,456	95,500	(95,500)	0
901181e	Misc. Board Meeting Expenses	6,200	5,691	6,700		6,700
901181f	Information Syst Div–Indirect Chrgs	6,000	290	6,000		6,000
901181g	Publications and Legal Notices	0	0	0		0
901182	Subscriptionss & Periodicals	3,000	7,725	3,000		3,000
901183	Membership Dues	8,000	6,824	8,000		8,000
901184	Maintenance – Equipment	15,000	5,202	15,500		15,500
901186a	Insurance – Workers Compensation	6,000	8,500	8,500		8,500
901186b	Insurance – Liability & Fiduciary	137,983	135,622	143,500		143,500
	Subtotal:	**$ 2,074,153**	**$ 1,921,718**	**$ 2,141,429**	**$ (1,232,290)**	**$ 909,139**

** Adjustment for Retiree Health Administration 3/4 of one FTE for Retirement Tech*

		2023 Approved Budget	2023 Projected Actuals	2024 Total Budget	2024 Adjustments	2024 Adjusted Budget (Less Exclusions)
	Fixed Assets:					
901162	P.C. Equipment & Upgrades	1,156,500	1,120,569	1,184,500	$ (1,184,500)	0
901164	Equipment & Furniture	$ 5,000	$0	$ 5,000		$ 5,000
	Subtotal:	**$ 1,161,500**	**$ 1,120,569**	**$ 1,189,500**	**$ (1,184,500)**	**$ 5,000**
	Total Administrative Budget	**$ 6,751,055**	**$ 6,352,490**	**$ 7,545,214**	**$ (2,498,662)**	**$ 5,046,552**
	GC Section 31580.2 limits the funding for Admin Budget to 0.21% of Actuarial Accrued Liability (AAL): $5,674,662,702 x 0.21% = $11,916,792	**$ 11,916,792**	**$ 11,916,792**	**$ 11,916,792**		**$ 11,916,792**
	(as of 1/1/23)	**0.119%**	**0.112%**	**0.133%**		**0.089%**

SJCERA ADMINISTRATIVE ACTUALS **Five Year Trend Analysis**

	2019	% Inc	2020	% Inc	2021	% Inc	2022	% Inc	Projected 2023	% Inc
Salaries	1,532,974		1,620,868		1,647,813		1,726,017		1,891,162	
Cafeteria Allowance	98,878		101,260		91,419		94,808		83,145	
Car Allow	7,020		7,020		7,020		7,020		7,020	
Vacation Buyback	15,675		17,149		12,660		18,802		15,000	
Unemployment Ins	2,233		1,163		416		864		1,469	
Retirement	643,589		716,829		742,490		783,713		849,690	
Health Ins(Retirees)	25,688		28,848		22,566		24,670		25,232	
SS OASDI	86,156		93,630		93,321		99,063		101,899	
SS Medicare	22,119		23,995		23,998		25,547		27,899	
Life Insurance	1,102		1,101		1,141		1,158		1,138	
Health Insurance	253,971		261,209		258,567		289,486		299,947	
Dental Insurance	7,762		7,139		7,461		9,115		5,557	
Vision Care	1,329		1,018		1,054		2,294		1,045	
Salaries & Benefits	**2,698,496**	0.6%	**2,881,229**	6.8%	**2,909,926**	1.0%	**3,082,558**	5.9%	**3,310,203**	7.4%
Prof Serv	236,604		165,534		378,297		868,071		1,183,531	
Prof Serv - Disability	141,156		182,391		121,426		120,459		139,879	
County – Ind Costs	58,748		38,421		(32,856)		(5,022)		20,000	
SJC Mail Service	14,365		14,105		16,700		19,122		15,983	
Telephone	20,678		19,824		14,169		15,480		17,717	
Travel \ Training	46,102		40,966		12,430		50,087		67,362	
Rent	203,827		208,923		214,018		229,177		224,210	
Office Expense	22,285		14,090		16,895		20,866		20,726	
Software & License	29,262		156,274		36,996		46,078		62,456	
Misc. Board Mtg	5,503		1,450		380		7,819		5,691	
ISD–Indirect Chrgs	0		0		3,511		4,354		290	
Subs & Periodicals	2,087		1,816		2,093		8,339		7,725	
Membership Dues	6,935		6,845		5,268		8,052		6,824	
Maint – Equip	3,812		6,806		15,159		25,544		5,202	
Insurance – WC	4,483		4,947		5,258		8,276		8,500	
Insurance – Liab/Fid	82,614		85,847		121,517		117,875		135,622	
Service & Supplies	**878,460**	-22.0%	**948,238**	7.9%	**931,262**	-1.8%	**1,544,577**	65.9%	**1,921,718**	24.4%
Equip & Furn	0		0		11,555		0		0	
P.C. Equip & Upgrade	69,019		4,564		17,750		1,070,156		1,120,569	
Fixed Assets	**69,019**	7.3%	**4,564**	-93.4%	**29,305**	542.0%	**1,070,156**	3551.8%	**1,120,569**	4.7%
Total Actuals	**3,645,975**	-5.9%	**3,834,032**	5.2%	**3,870,493**	1.0%	**5,697,291**	47.2%	**6,352,490**	11.5%

POSITION TITLE	Incumbent	Union Code/Tier	SALARY	CAR ALLOW/ Parking	DEFERRED COMP	VAC CASH OUT	UN-EMPLOY-MENT	RETIREMENT	SLB (ACTIVES)	OASDI	MEDICARE	LIFE INS	HEALTH	DENTAL	VISION	EARNINGS	BENEFITS	TAX	TOTAL POSITION COST
Chief Executive Officer (5)	Johanna Shick	A / T1	85,100.32	1,620.00	4,336.02	19,719.00	78.61	49,164.32	N/A	6,868.07	1,543.37	64.69	16,500.00	491.63	82.80	110,775.34	66,303.43	8,490.06	185,568.83
Chief Executive Officer (4)	**Vacant**	**A / T1**	**205,012.86**	5,400.00	10,520.64	11,827.66	162.63	102,652.90	N/A	9,932.40	3,222.49	64.69	16,500.00	491.63	82.80	232,761.17	119,793.01	13,317.52	365,871.69
Asst. Chief Executive Officer (5)	Brian McKelvey	B / T1	228,174.08		4,563.48	0.00	171.13	105,393.61	N/A	9,932.40	3,308.52	64.69	16,500.00	491.63	82.80	232,737.56	122,533.72	13,412.05	368,683.33
Chief Counsel (3)	**Vacant**	**D / T1**	**228,194.52**		2,281.95	7,021.37	176.41	108,646.22	N/A	9,932.40	3,410.63	64.69	16,500.00	491.63	82.80	237,497.84	125,787.33	13,519.44	376,804.61
Retirement Investment Officer (5)	Paris Ba	B / T2	158,940.46		3,178.81	0.00	119.21	65,324.53	N/A	10,051.39	2,304.64	64.69	16,500.00	491.63	82.80	162,119.27	82,463.64	12,475.24	257,058.15
Retirement Financial Officer (5)	Carmen Murillo	C / T1	119,154.09		1,191.54		89.37	55,037.28	N/A	7,461.43	1,727.73	64.69	16,500.00	491.63	82.80	120,345.64	72,176.39	9,278.53	201,800.55
Dept Info Systems Manager (5)	Adnan Khan	C / T1	149,264.90		1,492.65		111.95	68,945.46	N/A	9,346.97	2,164.34	64.69	16,500.00	491.63	82.80	150,757.55	86,084.57	11,623.26	248,465.38
Mgmt Analyst III (5)	Greg Frank	C / T1	124,606.08		1,246.06		93.45	57,555.55	N/A	7,802.83	1,806.79	64.69	16,500.00	491.63	82.80	125,852.14	74,694.66	9,703.08	210,249.87
Administrative Secretary (5)	Elaina Petersen	G / T1	61,708.06				46.28	28,502.95	N/A	3,825.90	894.77	64.69	16,500.00	491.63	82.80	61,708.06	45,642.07	4,766.95	112,117.08
Administrative Assistant I (2 to 3)	Kendra Fenner	F / T2	67,328.98				50.50	27,672.21	N/A	4,174.40	976.27	64.69	16,500.00	491.63	82.80	67,328.98	44,811.32	5,201.16	117,341.46
Dept Info Sys Analyst II (5)	Eulogio Garza	E / T2	109,701.04				82.28	45,087.13	N/A	6,801.46	1,590.67	64.69	16,500.00	491.63	82.80	109,701.04	62,226.24	8,474.41	180,401.68
Dept Info Sys Spec II (5)	Jordon Regevig	F / T1	75,056.05				56.29	34,668.39	N/A	4,653.48	1,088.31	64.69	16,500.00	491.63	82.80	75,056.05	51,807.50	5,798.08	132,661.63
Accountant III (5)	Eve Cavender	F / T2	93,408.48				70.06	38,390.88	N/A	5,791.33	1,354.42	64.69	16,500.00	491.63	82.80	93,408.48	55,530.00	7,215.80	156,154.28
Accounting Tech II (5)	Marissa Smith	G / T1	70,019.43				52.51	32,341.97	N/A	4,341.20	1,015.28	64.69	16,500.00	491.63	82.80	70,019.43	49,481.09	5,409.00	124,909.52
Retirement Serv Manager (3)	**Vacant**	**C / T1**	**113,021.34**				84.77	52,204.56	N/A	7,007.32	1,638.81	64.69	16,500.00	491.63	82.80	113,021.34	69,343.67	8,730.90	191,095.92
Retirement Serv Supervisor (4 to 5)	Melinda De Oliveira	R / T1	95,846.75				71.89	44,271.61	N/A	5,942.50	1,389.78	64.69	16,500.00	491.63	82.80	95,846.75	61,410.73	7,404.16	164,661.64
Retirement Services Assoc (5)	Ron Banez	F / T2	72,119.02				54.09	29,640.92	N/A	4,471.38	1,045.73	64.69	16,500.00	491.63	82.80	72,119.02	46,780.03	5,571.19	124,470.24
Retirement Services Assoc (5)	Andrea Bonilla	F / T2	72,119.02				54.09	29,640.92	N/A	4,471.38	1,045.73	64.69	16,500.00	491.63	82.80	72,119.02	46,780.03	5,571.19	124,470.24
Retirement Technician (4 to 5)	Bethany Vavzincak	G / T2	59,483.88				44.61	24,447.87	N/A	3,688.00	862.52	64.69	16,500.00	491.63	82.80	59,483.88	41,586.99	4,595.13	105,665.99
Retirement Technician (3 to 4)	Leonor Sonley	G / T2	57,587.08				43.19	23,668.29	N/A	3,570.40	835.01	64.69	16,500.00	491.63	82.80	57,587.08	40,807.40	4,448.60	102,843.09
Retirement Technician (5)	Margarita Arce	G / T2	60,793.92				45.60	24,986.30	N/A	3,769.22	881.51	64.69	16,500.00	491.63	82.80	60,793.92	42,125.41	4,696.33	107,615.66
Retirement Technician (5)	Kathleen Goodwin	G / T1	60,793.92				45.60	28,080.71	N/A	3,769.22	881.51	64.69	16,500.00	491.63	82.80	60,793.92	45,219.82	4,696.33	110,710.07
Retirement Technician (3 to 4)	Vickie Monegas	G / T2	55,453.60				41.59	22,791.43	N/A	3,438.12	804.08	64.69	16,500.00	491.63	82.80	55,453.60	39,930.54	4,283.79	99,667.93
Retirement Board - Pd Memb - PerMtg			14,000.00													14,000.00	-	-	14,000.00
Retiree SLB									30,000.00							-	30,000.00	-	30,000.00
			2,436,887.87	7,020.00	28,811.15	38,568.03	1,846.09	1,099,116.00	30,000.00	141,043.21	35,792.90	1,487.81	379,500.00	11,307.38	1,904.40	2,511,287.05	1,523,319.59	178,682.20	4,213,288.84
																			-

SALARIES & WAGES-REGULAR	2,436,887.87
SALARIES-CAFETERIA (Deferred Comp)	28,811.15
SALARIES-CAR ALLOWANCE	7,020.00
ADMINISTRATION BENEFITS	38,568.03
SALARIES-LEAVE TIME PAYOFF	-
UNEMPLOYMENT COMP INSURANCE	1,846.09
RETIREMENT-EMPLOYER SHARE	1,099,116.00
HLTH INSUR FOR RETIREES-SLB (ACTIVE 'EES)	30,000.00
SALARIES/BENES - EXTRA HELP	-
SOCIAL SECURITY-OASDI	141,043.21
SOCIAL SECURITY-MEDICARE	35,792.90
LIFE INSURANCE	1,487.81
HEALTH INSURANCE	379,500.00
DENTAL INSURANCE	11,307.38
VISION CARE	1,904.40
OVERTIME	1,000.00
TOTAL	**4,214,284.84**
Diff	996.00 OT

Professional & Specialized Services **901121a**

Item	Comments	2023 Budget	2023 Estimated/Actual	2024 Proposed
Pension System Consulting	Linea	594,346.67	583,016.45	594,346.67
Office Layout		5,000.00	0.00	0.00
Data Conversion/Cleansing	MBS	212,943.00	200,851.03	212,943.00
Brown Armstrong	Annual Financial Audit	60,670.00	60,670.00	55,150.00
Finance Consultant		56,250.00	20,000.00	20,000.00
Registrar of Voters	Member Elections - Elected General #3; both retired	12,000.00	0.00	12,000.00
NT Retiree Payroll	Treasury passport/inserts	105,000.00	103,628.58	110,000.00
Verizon/Utility Comm	Internet Service & iPads	22,000.00	21,227.00	38,500.00
Mindwrap	Migration and training	10,000.00	0.00	15,000.00
Computer Link	Mac hardware	1,500.00	1,758.00	1,500.00
AT&T	Backup internet circuit	1,500.00	1,284.00	0.00
Mainspring	FileMaker support	15,000.00	14,500.00	45,000.00
IG, Inc.	Maintenance/new request	10,000.00	5.00	15,000.00
ISD Direct Support	Network maint & support	3,500.00	3,331.18	18,000.00
Linea Secure	Cybersecurity services	85,000.00	154,695.00	225,000.00
DropBox		3,900.00	4,140.00	5,500.00
Rolling Orange	Web content mgmt	10,000.00	3,774.67	10,000.00
Publication Design & Videos	CAFR/PAFR/Annual Stmts/Fact Sheets/Video	10,000.00	6,450.00	10,000.00
Misc. Professional Svcs	Alamo Burglar Alarm, Sound System Rental, Domain Registration	6,000.00	4,200.00	6,000.00
TOTAL:		**$ 1,224,609.67**	**$ 1,183,530.91**	**$ 1,393,939.67**

5 yr Average 666,911

Professional & Specialized - Disability **901121c**

Item	Comments	2023 Budget	2023 Estimated/Actual	2024 Proposed
Disability Processing	Hearing Officer Fees, Medical Examinations, Applicant Med Mileage Reimb, Court Reporter, Copy Serv	$175,000.00	$ 139,879.00	$ 175,000.00
TOTAL:		**$175,000.00**	**$ 139,879.00**	**$ 175,000.00**

5 yr Average 141,062

County Wide - Indirect Cost Charges **901122**

Item	Comments	2023 Budget	2023 Estimated/Actual	2024 Proposed
Auditor-Controller				
Human Resources				
Treasurer-Tax Collector				
County Counsel				
Purchasing/Support Srvs				
Facilities Management				
Information Systems				
Labor Relations				
Total all - billed together by Auditor-Controller		$ 65,000.00	$ 20,000.00	$ 50,000.00
Billed Quarterly				
TOTAL:		**$ 65,000.00**	**$ 20,000.00**	**$50,000.00**

5 yr Average 30,337

Office Expense - Postage **901141**

Item	Comments	2023 Budget	2023 Estimated/Actual	2024 Proposed
Postage	Member mass mailings, Office, Health Plan, Special Mailings, returned mail, Federal Express, County Support (Mailroom)	$ 15,500.00	$ 15,983.00	$ 16,500.00
TOTAL:		**$ 15,500.00**	**$ 15,983.00**	**$ 16,500.00**

5 yr Average 18,803

Telephone **901142**

Item	Comments	2023 Budget	2023 Estimated/Actual	2024 Proposed
Communications		$ 16,000.00	$ 17,717.00	$ 18,500.00
ie: County; Telecomm; AT& T				
TOTAL:		**$ 16,000.00**	**$ 17,717.00**	**$ 18,500.00**

5 yr Average 21,203

Travel / Training **901143**

Item	Comments	2023 Budget	2023 Estimated/Actual	2024 Proposed
SACRS	Spring/Fall Conf & Registration Fee	32,500.00	16,840.00	25,000.00
CALAPRS	General Assembly & Registration	9,000.00	2,331.00	7,000.00
Mileage Reimbursement	Trustee Board Meetings	2,300.00	1,135.52	2,300.00
Staff Training/Conferences	Non-investment related;	$ 11,000.00	$ 22,555.00	$ 22,500.00
	roundtables, mileage, etc.			
Trustee Training	SACRS/*UC Berkeley; IREI, Pension Bridges	12,250.00	24,500.00	15,000.00
** Note - UC Berkeley was $16,908 this year (Emily Nichols, Michael Duffy, JC Weydert and Brian McKelvey)*				
TOTAL:		**$ 67,050.00**	**$ 67,361.52**	**$ 71,800.00**

5 yr Average 53,351

Rent - Structures & Grounds **901161**

Item	Comments	2023 Budget	2023 Estimated/Actual	2024 Proposed
SPE FO Holdings, LLC	Lease - 4th Floor	225,209.92	224,209.92	107,689.44
	(Per Lease Agreement)			
** Actual expenses includes additional HVAC costs per lease agreement when staff is onsite outside normal building hours (Saturday afternoon or Sunday)*				
TOTAL:		**$225,209.92**	**$ 224,209.92**	**$107,689.44**

5 yr Average 262,911

Office Expense – General **901181a**

Item	Comments	2023 Budget	2023 Estimated/Actual	2024 Proposed
Office Supplies & Printing Services	Office Max, bus cards, ID badges, Boise orders; death certificates, People Finders, 1099R & envelope printing; annual member statement printing	17,500.00	17,944.65	18,500.00
Document Destruction	Shred It	2,800.00	2,781.35	2,800.00
TOTAL:		**$ 20,300.00**	**$ 20,726.00**	**$ 21,300.00**

5 yr Average 23,037

Software and Related Licenses **901181d**

Item	Comments	2023 Budget	2023 Estimated/Actual	2024 Proposed
Mindwrap (Oct)	Optix Maintenance	$ 18,000.00	$ 16,557.00	$ 20,000.00
CDWG (Oct/Nov))	Palo Alto Firewall	24,000.00	11,344.00	15,000.00
M365 (SST)	Office365, Azure	25,000.00	22,222.00	25,000.00
Filemaker	Client license renewal (2yr)	0.00	0.00	20,000.00
Other Software Support/License	Vicomsoft, Anti-Virus Protection, Pantheon, Quickbooks, Adobe Creative Suite, Zoom, Adobe Acrobat, CrowdStrike (ISD)	16,300.00	12,333.00	15,500.00
TOTAL:		$ 83,300.00	$ 62,456.00	$ 95,500.00

5 yr Average 86,838

Misc. Board Meeting Expense **901181e**

Item	Comments	2023 Budget	2023 Estimated/Actual	2024 Proposed
Annual Investment Roundtable	Breakfast/Lunch	5,000.00	5,066.23	5,500.00
Board/Committee Meetings	coffee; occasional lunches	1,200.00	625.00	1,200.00
TOTAL:		**$ 6,200.00**	**$ 5,691.23**	**$ 6,700.00**

5 yr Average 5,616

Information System Division Direct Charge **901181f**

Item	Comments	2023 Budget	2023 Estimated/Actual	2024 Proposed
ISD Services	Interface connections, maint.	$6,000.00	$ 289.91	$6,000.00
TOTAL:		**$ 6,000.00**	**$289.91**	**$6,000.00**

5 yr Average 1,631

Publications & Legal Notices 901181g

Item	Comments	2023 Budget	2023 Estimated/Actual	2024 Proposed
Publications or legal notices	Want-ads; newspaper legal notices	$0.00	$0.00	$0.00
TOTAL:		$ -	$ -	$ -

Subscriptions & Periodicals **901182**

Item	Comments	2023 Budget	2023 Estimated/Actual	2024 Proposed
Various Subscriptions & Periodicals	Zoom, WSJ*, Microsoft, Vvyond, Survey Monkey, Prime, Pension & Investments	$ 3,000.00	$ 7,725.09	$ 3,000.00
** Note - WSJ was $5,400 for a 2/yr subscription*				
TOTAL:		**$ 3,000.00**	**$ 7,725.09**	**$ 3,000.00**

5 yr Average 5,422

Membership Dues **901183**

Item	Comments	2023 Budget	2023 Estimated/Actual	2024 Proposed
SACRS	Annual Dues	$ 4,250.00	$ 4,000.00	$ 4,250.00
CALAPRS	Annual Dues	2,250.00	2,000.00	2,250.00
Miscellaneous Membership Dues	NCPERS, GFOA, Public Pension, CFA, American Express Annual Fee	1,500.00	824.00	1,500.00
TOTAL:		**$ 8,000.00**	**$ 6,824.00**	**$ 8,000.00**

5 yr Average 8,365

Maintenance - Equipment * **901184**

Item	Comments	2023 Budget	2023 Estimated/Actual	2024 Proposed
Comfort Air	Air Cond - Computer Rm	$ 1,500.00	$ 524.00	$ 1,000.00
Sound Equip	Meeting & Control Room Equip	7,500.00	0.00	7,500.00
Misc Equipment Maintenance including:	Door Locks (Digital), Scanner Maint/Warranty, Alarm System Maint, Time Stamp Machine, Durst	1,000.00	350.00	1,000.00
Copier		$ 5,000.00	$ 4,328.00	$ 6,000.00
TOTAL:		**$ 15,000.00**	**$ 5,202.00**	**$ 15,500.00**

5 yr Average 13,931

*This category not entirely based on estimated-actual as repair/maintenance of equipment cannot always be anticipated

Insurance - Worker's Compensation **901186a**

Item	Comments	2023 Budget	2023 Estimated/Actual	2024 Proposed
County Worker's Comp		$ 6,000.00	$ 8,500.00	$ 8,500.00
TOTAL:		**$ 6,000.00**	**$ 8,500.00**	**$ 8,500.00**

5 yr Average 7,397

Insurance - Liability & Fiduciary **901186b**

Item	Comments	2023 Budget	2023 Estimated/Actual	2024 Proposed
General Liability Insurance	December renewal	$9,200.00	$ 9,915.00	$10,500.00
Fiduciary Liability Insurance	August renewal	121,033.44	118,343.00	125,000.00
Cyber Liability	June renewal	$ 7,750.00	$ 7,364.00	$ 8,000.00
TOTAL:		**$137,983.44**	**$ 135,622.00**	**$143,500.00**

5 yr Average 123,422

PC Equipment & Upgrades **901162**

Item	Comments	2023 Budget	2023 Estimated/Actual	2024 Proposed
Disaster Recovery	Options & Pre-requisitions	35,000.00	0.00	20,000.00
Workstation Upgrades	New staff computers (2023)	45,000.00	42,000.00	10,000.00
Server Infrastructure	Hyperconverged windows server infrastructure - E-	9,500.00	6,600.00	45,000.00
Co-location Servers Hosting	Contingency plan-building upgrades	28,000.00	0.00	28,000.00
Back-up system upgrade	Baracuda server upgrade - SSP Data	7,500.00	7,092.00	7,500.00
Network equip & wireless bridge	Core network switch replacement - Cisco Smartnet	4,000.00	0.00	4,000.00
Server Room Hardware		5,000.00	3,400.00	5,000.00
Legacy data archive equip	Microfiche	7,500.00	0.00	0.00
Other	Hardware as needed, iPad, APC batteries, Maint kit, adapters, Monitors, WiFi upgrade, Extron conference bridge	15,000.00	11,477.38	15,000.00
IGI Legacy System	Purchase of Core-37	$ 1,000,000.00	$ 1,050,000.00	$ 1,050,000.00
(Note: For budget purposes only, the Standard Network Software account is being rolled up into this account)				
TOTAL:		$1,156,500.00	$1,120,569.38	$1,184,500.00

5 yr Average 459,449

Equipment & Furniture **901164**

Item	Comments	2023 Budget	2023 Estimated/Actual	2024 Proposed
Office furniture		$5,000.00	$0.00	$5,000.00
**note: fixed assets are defined as furniture/equipment with a unit cost of $1,000 or more.*				
TOTAL:		**$5,000.00**	**$0.00**	**$5,000.00**

5 yr Average 12,134

ADJUSTMENTS *(Excluded from statutory cap limit per Government Code sections 31580.2 and 31596.1)*

	Comments	2023 Budget	2023 Estimated/Actual	2024 Proposed	
SALARIES & BENEFITS:					
Adjustment for Retiree Health, 3/4 of one FTE for Payroll Tech				81,872.15	**$81,872**
Information Technology Related (various budget items):					
Linea	Pension System Consulting	594,346.67	583,016.45	594,346.67	
MBS	Data Conversion/Cleansing	212,943.00	200,851.03	212,943.00	
IG, Inc.	IT Contractor/Consultants	10,000.00	5.00	15,000.00	
MainSpring	FileMaker Support	15,000.00	14,500.00	45,000.00	
Rolling Orange	Website Development	10,000.00	3,774.67	10,000.00	
Computer Link & AT&T	Mac hardware & backup internet	1,500.00	1,758.00	1,500.00	
Mindwrap	Migration and training	10,000.00	0.00	15,000.00	
ISD Network Support	IT Security Audit	3,500.00	3,331.18	18,000.00	
Linea Secure	Cybersecurity services	85,000.00	154,695.00	225,000.00	
Mindwrap	Optix Maintenance	18,000.00	16,557.00	20,000.00	
Filemaker	Client license renewal (2yr)	0.00	0.00	20,000.00	
CDWG	Palo Alto Firewall	24,000.00	11,344.00	15,000.00	
M365	Office365, Azure	25,000.00	22,222.00	25,000.00	
Other Software Support/License		16,300.00	12,333.00	15,500.00	**$1,232,290**
FIXED ASSETS: **Information Technology Related:**					
Disaster Recovery		35,000.00	0.00	20,000.00	
Workstation Upgrades	New staff computers	45,000.00	42,000.00	10,000.00	
Server Infrastructure	Windows Virtual Server	9,500.00	6,600.00	45,000.00	
Co-location Server Hosting	Contingency plan	28,000.00	0.00	28,000.00	
Back-up system upgrade	Baracuda server upgrade	7,500.00	7,092.00	7,500.00	
Network/wireless bridge	Core network switch	4,000.00	0.00	4,000.00	
Server Hardware	Other hardware	5,000.00	3,400.00	5,000.00	
Legacy data archive equip	Microfiche	7,500.00	0.00	0.00	
IGI Legacy System	Purchase of Core-37	1,000,000.00	1,050,000.00	1,050,000.00	
Other	Recovery	15,000.00	11,477.38	15,000.00	**$1,184,500**
TOTAL ADJUSTMENTS					**$2,498,662**
FUND EXPENSES (Not Part of Administrative Budget)					
Vivian Shultz	Disability Counsel		50,258.80		
Rimon Law	Investment Counsel		95,138.40		
Buchalter	Tax Counsel		11,466.67		
Cheiron	Actuarial Services		145,808.33		
Nossaman	Fiduciary & Inv Counsel		200,773.05		
Northern Trust	Custodial Fees		133,318.36		
Meketa	Investment Consultant		349,000.00		
Investment Management Fees*			16,858,416.52		
TOTAL:			**19,989,136.83**		

*Investment Management fees - some are deducted from SJCERA account balances, some are paid by SJCERA pursuant to invoices. All are direct charged to the fund and are not part of the Administrative Budget.

2023 RETIREE HEALTH ADMINISTRATION ADJUSTMENT

(Non-pension expenses cannot be paid with pension assets. SJCERA's costs are covered by a member-paid administrative fee)

		Health	Dental	Vision	Total
2022	**Members ***	1,404	1,417	1,782	4,603
	Amt per Mem	*4.10*	*0.75*	*0.32*	*5.17*
	Rate Increase (%)	0.0%	0.0%	0.0%	0.0%
	Monthly Total	5,756	1,063	570	7,389
	Annual Total	69,077	12,753	6,843	**88,673**

Direct Overhead (3/4 FTE of Payroll Tech)	**78,362**
	2.2%
Variance	**10,311**

....

2024 RETIREE HEALTH ADMINISTRATION ADJUSTMENT

(Non-pension expenses cannot be paid with pension assets. SJCERA's costs are covered by a member-paid administrative fee)

		Health	Dental	Vision	Total
2023	**Members ***	1,341	1,444	1,816	4,601
	Amt per Mem	*4.10*	*0.75*	*0.32*	*5.17*
	Rate Increase (%)	0.0%	0.0%	0.0%	-99.9%
	Monthly Total	5,498	1,083	581	7,162
	Annual Total	65,977	12,996	6,973	**85,947**

Direct Overhead (3/4 FTE of Payroll Tech)	**81,872**
	4.5%
Variance	**4,074**

*Based on October Payroll Numbers (includes special districts)

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CELEBRATING A MILESTONE | 45 YEARS

San Joaquin County Employees' Retirement Association (SJCERA)

Q3 2023

Quarterly Report

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Introduction

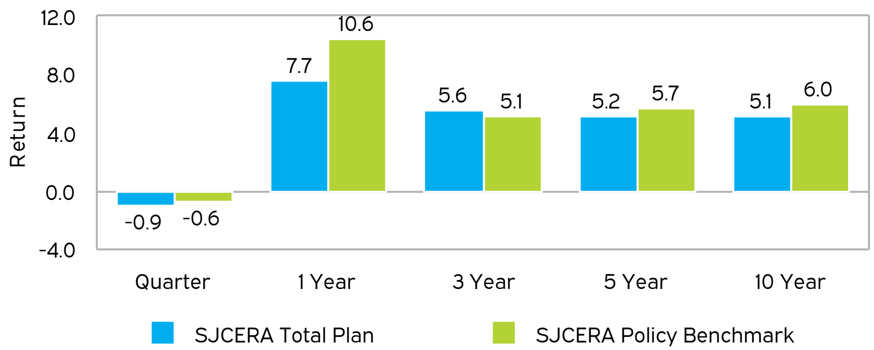
Introduction

The SJCERA Total Portfolio had an aggregate value of $4.01 billion as of September 30, 2023. During the latest quarter, the Total Portfolio decreased in value by $18.7 million, and over the one-year period, the Total Portfolio has increased by $339.5 million. The movements over the quarter and one-year periods were primarily driven by investment returns. In the third quarter, positive results in July were offset by declines in August and September. Key drivers were expectations for rates to stay higher for longer given elevated inflation and overall strong economic data plus a downgrade of US debt. Outside the US, weakening economic data in Europe plus a rate increase and continued weakness in China weighed on market sentiment. The Fed hiked rates 25 basis points to a range of 5.25% - 5.5% in July and paused in September. The markets are now largely expecting the Fed to keep rates at this level with a small chance of a 0.25% increase into early next year.

Recent Investment Performance

The Total Portfolio has underperformed the policy benchmark for the quarter, 1-, 5-, 10-, 15-, 20- and 25-year periods by (0.3%), (2.9%), (0.5%), (0.9%), (0.8%), (0.7%), and (0.1%), respectively; however, it has outperformed the policy benchmark over the 3-year period by 0.5%. Net of fees, the Plan outperformed the Median Public Fund for the quarter by 1.0%; however, it has trailed the median public over the 1-, 3-, 5-, 10-, 15-, 20-, and 25-year periods by (2.1%), (0.2%), (0.1%), (1.1%), (1.8%), (1.4%), and (0.7%), respectively. That said, it's important to view these returns in the context of the risk the portfolio is taking on relative to that of the median public plan. The annualized standard deviation of the Plan is 3.0% lower than the median public plan with over $1 billion in assets, (7.8% for the plan vs. 10.8% for the median public plan), and the Sharpe ratio of the Plan is 0.5 whereas the Sharpe ratio of the median public plan in the same category is 0.4.

Return Summary



Summary of Cash Flows

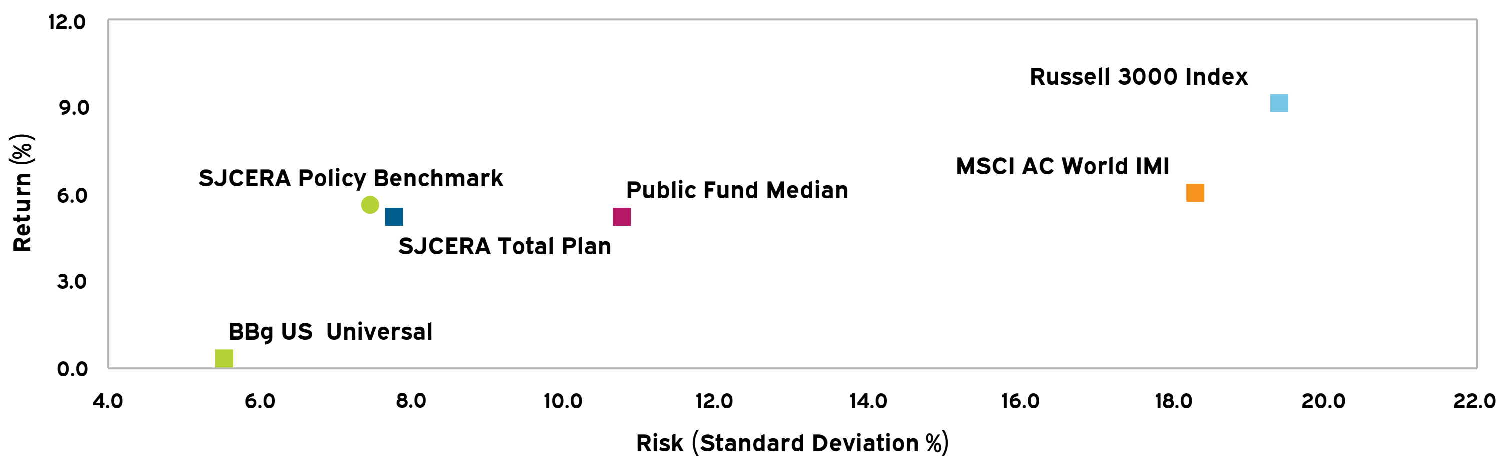
	Quarter	1 Year
SJCERA Total Plan		
Beginning Market Value	4,024,696,543	3,666,456,931
Net Cash Flow	18,835,451	55,287,563
Net Investment Change	-37,548,585	284,238,915
Ending Market Value	4,005,983,409	4,005,983,409

	Quarter	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	25 Years
SJCERA Total Plan - Gross	**-0.8**	**8.0**	**6.2**	**5.8**	**5.9**	**5.9**	**6.0**	**6.3**
SJCERA Total Plan - Net	**-0.9**	**7.7**	**5.6**	**5.2**	**5.1**	**5.1**	**5.4**	**5.7**
SJCERA Policy Benchmark	*-0.6*	*10.6*	*5.1*	*5.7*	*6.0*	*5.9*	*6.1*	*5.8*
Excess Return (Net)	-0.3	-2.9	0.5	-0.5	-0.9	-0.8	-0.7	-0.1
All Public Plans > $1B-Total Fund Median	*-1.9*	*9.8*	*5.8*	*5.3*	*6.2*	*6.9*	*6.8*	*6.4*

1 Investment Metrics Total Fund Public Universe >$1 Billion, net of fees.
2 Policy Benchmark composition is listed int he Appendix.

Risk Adjusted Return vs Peers	1 Yr	3 Yrs	5 Yrs	10 Yrs
SJCERA Total Plan - Net	7.66	5.64	5.23	5.15
Risk Adjusted Median	8.33	4.70	3.80	6.29
Excess Return	-0.67	0.94	1.44	-1.14

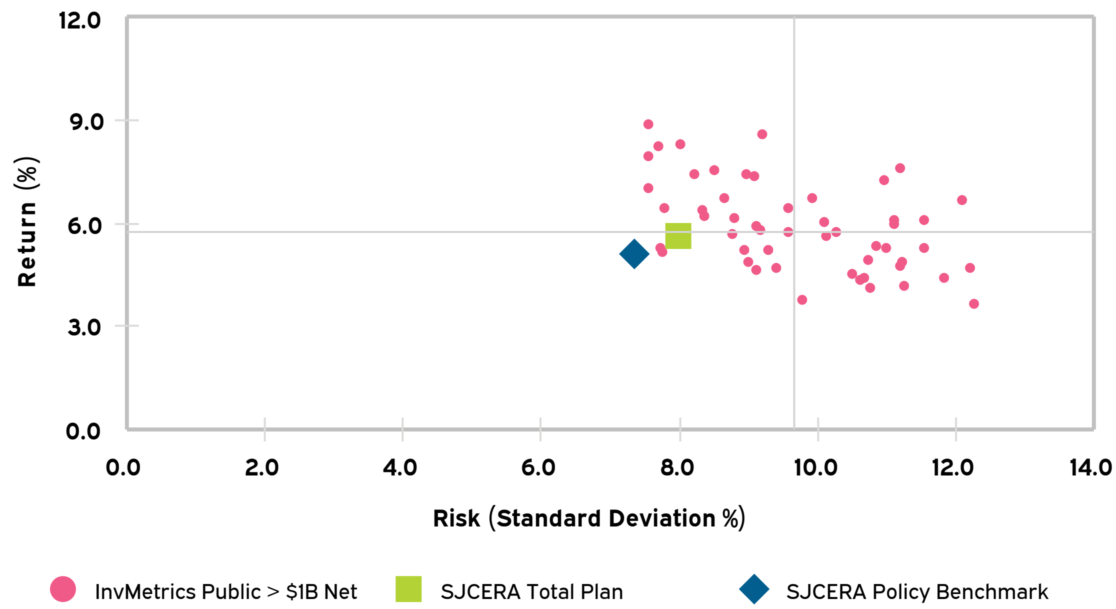
5-Year Annualized Risk/Return (Net of Fees)



	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
SJCERA Total Plan	5.2	7.8	0.5
SJCERA Policy Benchmark	5.7	7.4	0.5
Median Public Fund Median	5.3	10.8	0.4
Blmbg. U.S. Universal Index	0.3	5.5	-0.2
Russell 3000 Index	9.1	19.4	0.5
MSCI AC World IMI	6.1	18.3	0.3

InvMetrics Public > $1B Net

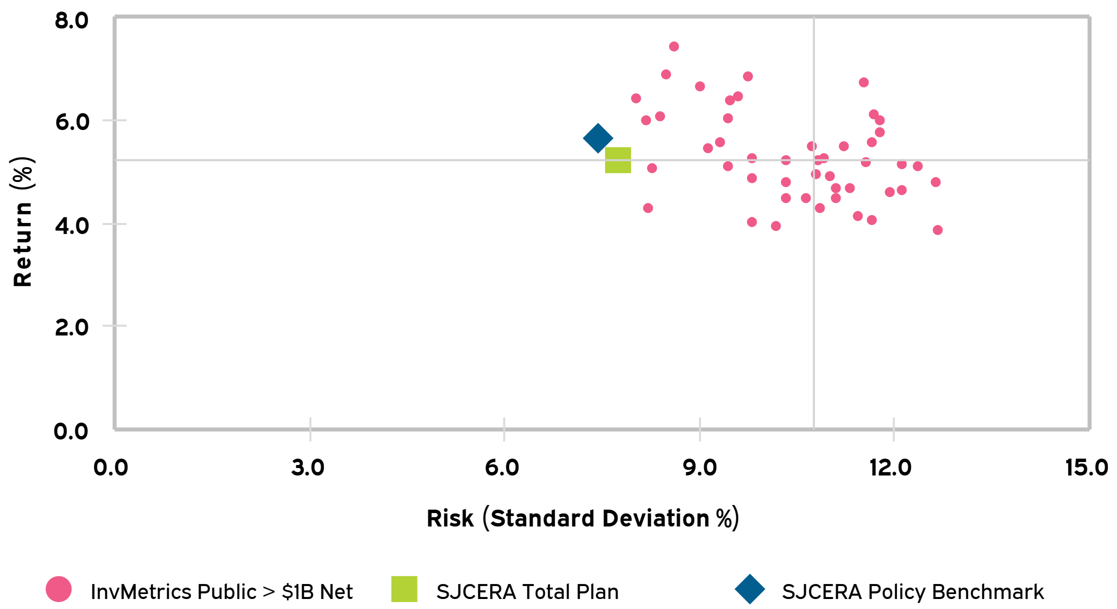
Total Fund Risk/Return Analysis
Latest 3 Years



	Return	Standard Deviation	Sharpe Ratio
SJCERA Total Plan	5.6	8.0	0.5
SJCERA Policy Benchmark	5.1	7.3	0.5
All Public Plans > $1B-Total Fund Median	5.8	9.7	0.4

1 Returns are net of fees.
2 Computed as annualized return less the risk free rate, divided by the annualized standard deviation.
3 Investment Metrics Total Fund Public Universe > $1 Billion, net of fees.

Total Fund Risk/Return Analysis
Latest 5 Years



	Return	Standard Deviation	Sharpe Ratio
SJCERA Total Plan	5.2	7.8	0.5
SJCERA Policy Benchmark	5.7	7.4	0.5
All Public Plans > $1B-Total Fund Median	5.3	10.8	0.4

1 Returns are net of fees.
2 Computed as annualized return less the risk free rate, divided by the annualized standard deviation.
3 Investment Metrics Total Fund Public Universe > $1 Billion, net of fees.

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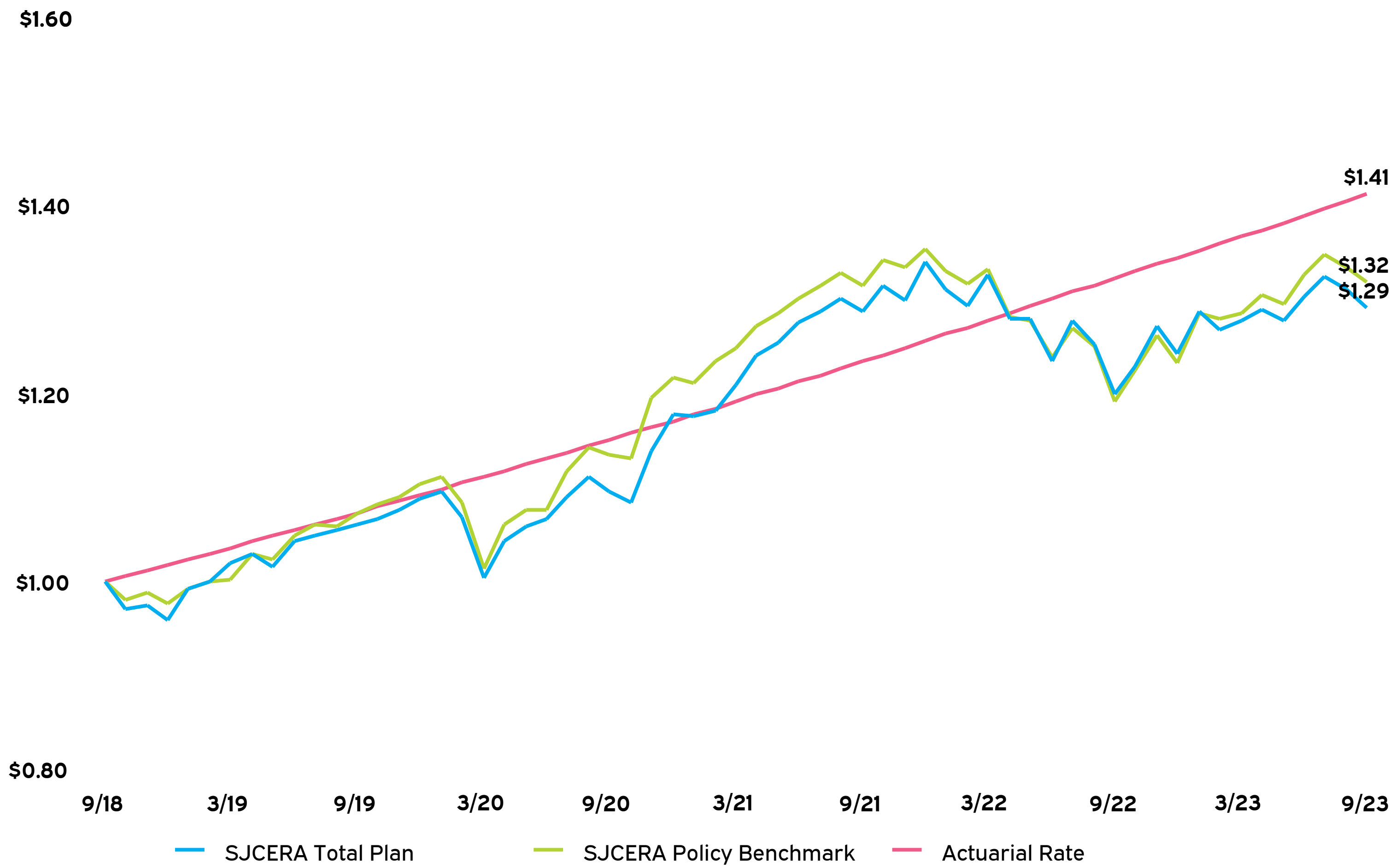
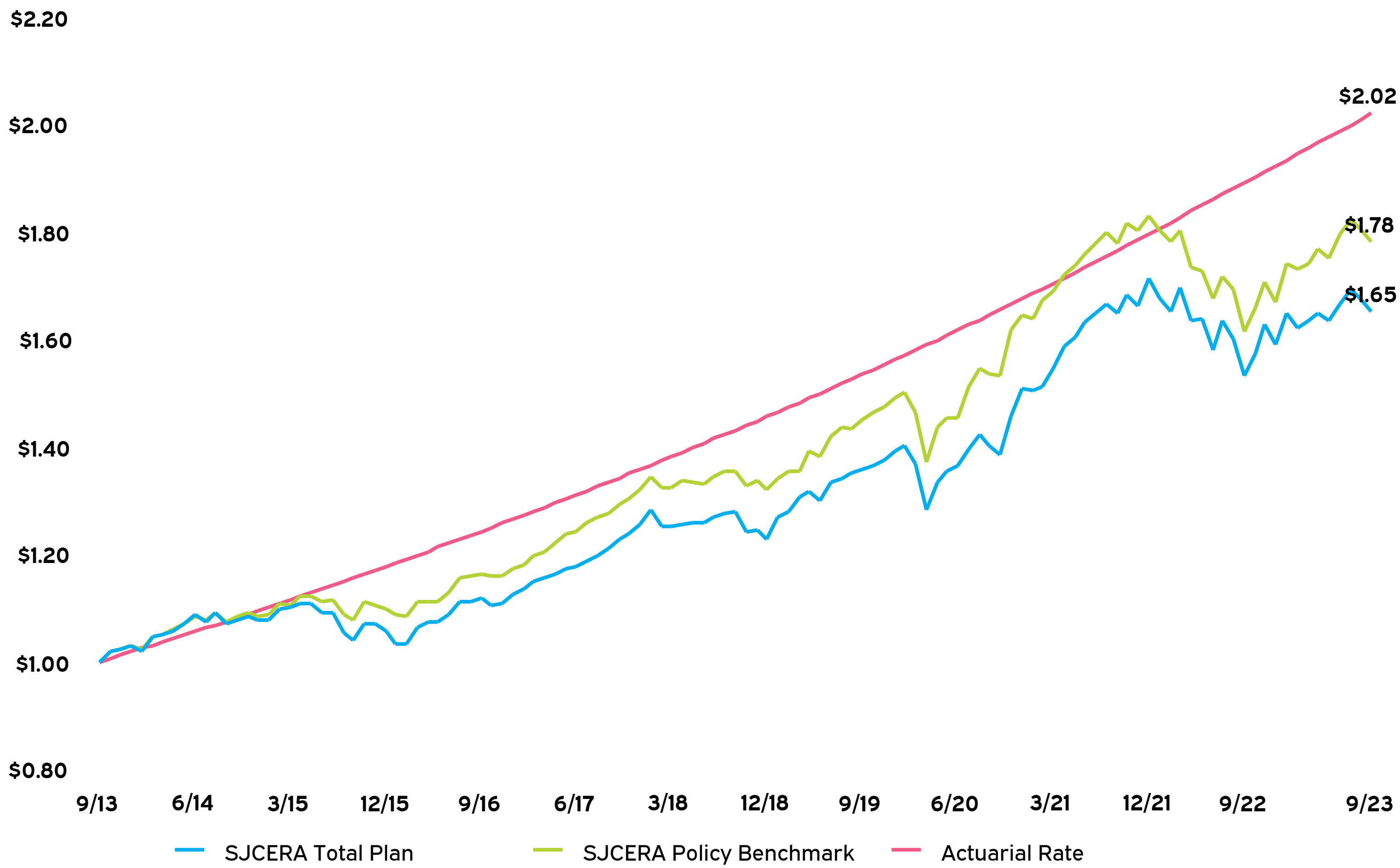
Growth of a Dollar - Latest 5 Years



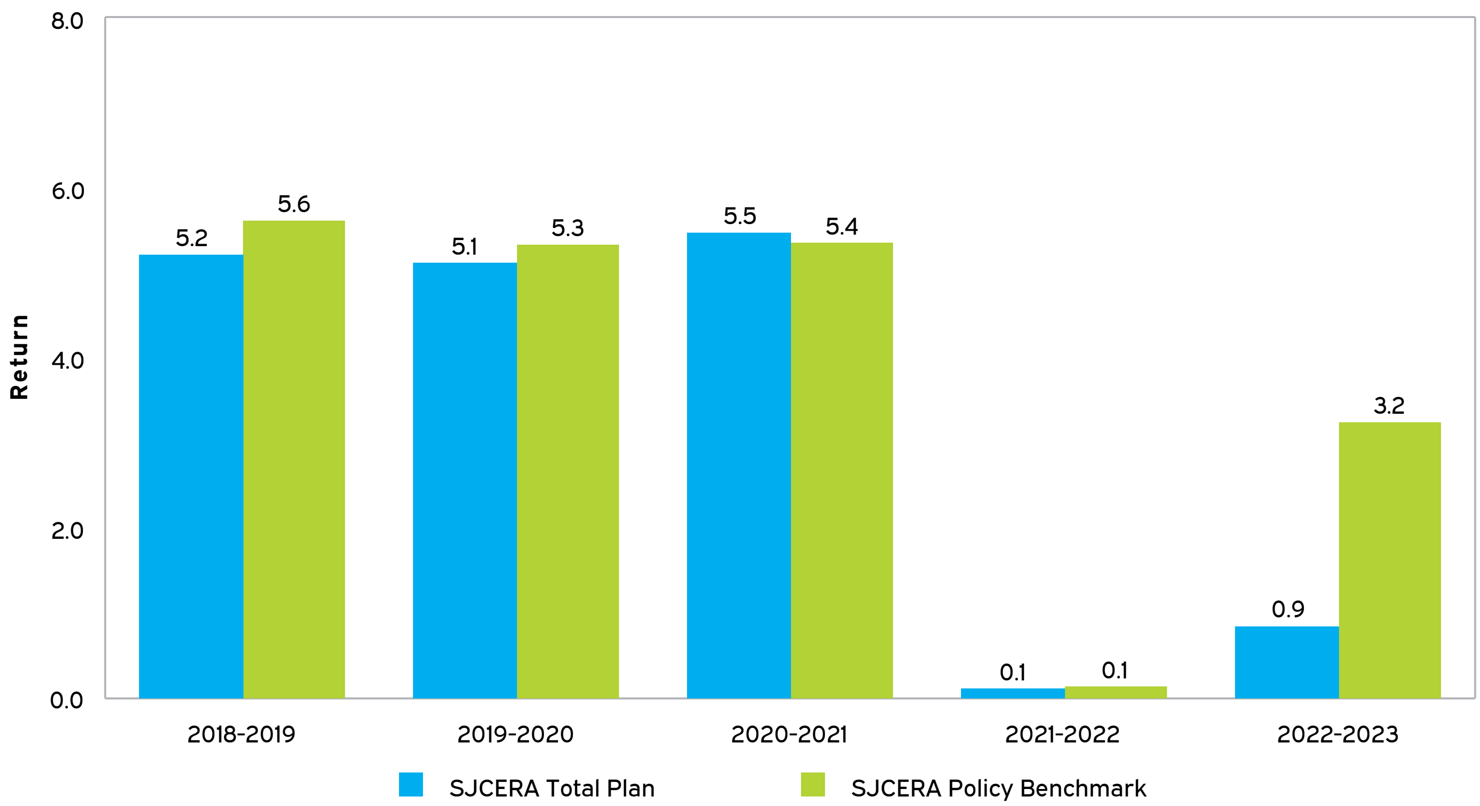
6.75% Actuarial Rate from 9/1/2022 to present. 7.0% Actuarial Rate from 1/1/2020 to 8/31/2022. 7.25% Actuarial Rate from 1/1/2018 to 12/31/2019. 7.4% Actuarial Rate from 8/1/2016 to 12/31/2017. 7.5% Actuarial Rate from 1/1/2012 to 7/31/2016. Previously 8.0%.

Growth of a Dollar - Latest 10 Years



6.75% Actuarial Rate from 9/1/2022 to present. 7.0% Actuarial Rate from 1/1/2020 to 8/31/2022. 7.25% Actuarial Rate from 1/1/2018 to 12/31/2019. 7.4% Actuarial Rate from 8/1/2016 to 12/31/2017. 7.5% Actuarial Rate from 1/1/2012 to 7/31/2016. Previously 8.0%.

12-month Performance Overview

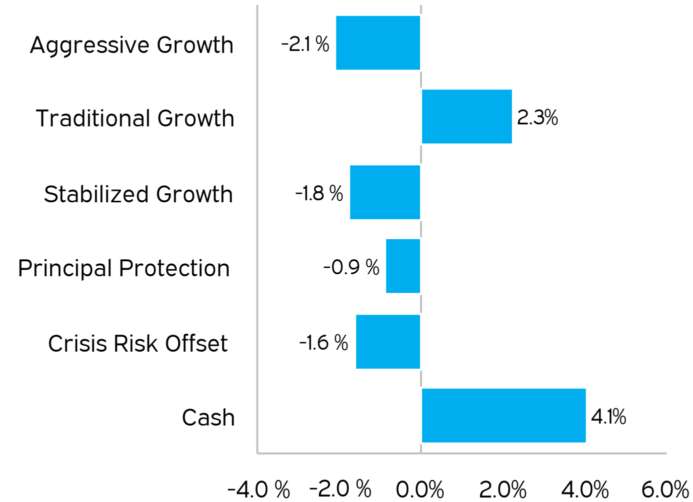


12-month absolute results have been positive the last five 12-month periods, net of fees. The SJCERA Total Portfolio matched or outperformed the policy target benchmark during two of these five periods, net of fees.

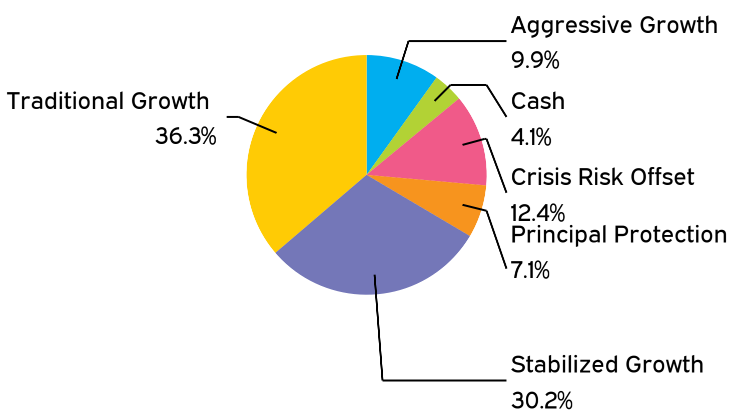
Q3 2023 Portfolio Review

	Current Balance ($)	Current Allocation (%)	Policy (%)	Difference (%)
Broad Growth	**$3,060,441,112**	**76.4**	**78.0**	**-1.6**
Aggressive Growth	$396,761,647	9.9	12.0	-2.1
Traditional Growth	$1,452,669,294	36.3	34.0	2.3
Stabilized Growth	$1,211,010,171	30.2	32.0	-1.8
Diversified Growth	**$781,596,737**	**19.5**	**22.0**	**-2.5**
Principal Protection	$284,644,491	7.1	8.0	-0.9
Crisis Risk Offset	$496,952,247	12.4	14.0	-1.6
Cash	**$163,945,559**	**4.1**	**0.0**	**4.1**
Cash	$163,945,559	4.1	0.0	4.1
Total	**$4,005,983,409**	**100.0**	**100.0**	**0.0**

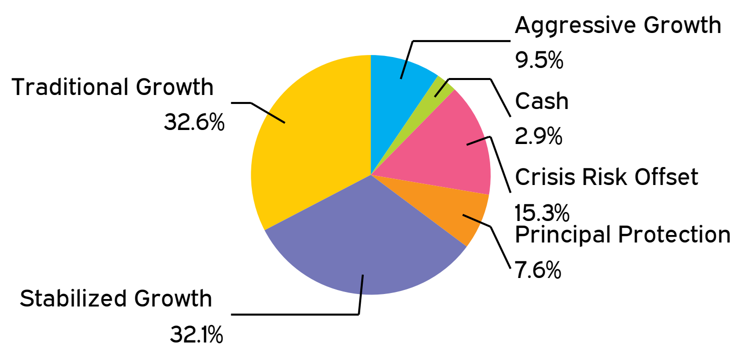
Variance vs Target Allocation (%)



As of September 30, 2023



As of September 30, 2022



Market values may not add up due to rounding
Cash asset allocation includes Parametric Overlay

Asset Class Performance Net-of-Fees | As of As of September 30, 2023

	Market Value $	% of Portfolio	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
SJCERA Total Plan	**4,005,983,409**	**100.0**	**-0.9**	**3.9**	**7.7**	**5.6**	**5.2**	**5.1**
SJCERA Policy Benchmark			*-0.6*	*6.9*	*10.6*	*5.1*	*5.7*	*6.0*
Broad Growth	**3,060,441,112**	**76.4**	**-1.6**	**3.9**	**9.6**	**7.2**	**5.9**	**6.1**
Aggressive Growth Lag	396,761,647	9.9	2.3	0.9	0.6	21.1	14.1	12.0
Aggressive Growth Blend			*2.1*	*7.2*	*4.3*	*16.6*	*8.3*	*8.7*
Traditional Growth	1,452,669,294	36.3	-3.1	10.1	21.1	8.0	5.3	6.7
MSCI ACWI IMI Net			*-3.4*	*9.4*	*20.2*	*6.9*	*6.7*	*8.0*
Stabilized Growth	1,211,010,171	30.2	-1.1	-1.7	0.7	3.0	4.4	3.9
SJCERA Stabilized Growth Benchmark			*1.2*	*4.1*	*6.6*	*5.3*	*5.0*	*5.4*
Diversifying Strategies	**781,596,737**	**19.5**	**1.7**	**3.0**	**0.1**	**1.3**	**3.1**	**3.2**
Principal Protection	284,644,491	7.1	-2.8	0.1	2.6	-2.8	0.2	2.0
Blmbg. U.S. Aggregate Index			*-3.2*	*-1.2*	*0.6*	*-5.2*	*0.1*	*1.1*
Crisis Risk Offset Asset Class	496,952,247	12.4	4.5	4.7	-1.0	4.4	5.2	5.3
CRO Benchmark			*-2.6*	*-0.6*	*-1.4*	*-0.1*	*3.4*	*3.5*
Cash and Misc Asset Class	**136,488,605**	**3.4**	**0.9**	**2.6**	**3.6**	**1.4**	**1.4**	**0.9**
90 Day U.S. Treasury Bill			*1.3*	*3.6*	*4.5*	*1.7*	*1.7*	*1.1*

1 Market values may not add up due to rounding.
2 Policy Benchmark composition is listed in the Appendix.
3 30% ICE BofAML US T-Bill + 4%; 52% 50% Bloomberg High Yield/50% S&P Leverage Loans; 18% NCREIF ODCE +1% Lag.
4 (1/3) Bloomberg Long Duration Treasuries; (1/3) BTOP50 Index; (1/3) 5% Annual.

	Market Value $	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Aggressive Growth Lag	**396,761,647**	**100.0**	**2.3**	**0.6**	**21.1**	**14.1**	**12.0**
Aggressive Growth Blend			*2.1*	*4.3*	*16.6*	*8.3*	*8.7*
Bessemer Venture Partners Forge Fund	487,420	0.1					
MSCI ACWI +2% Blend			--	--	--	--	--
Blackrock Global Energy and Power Lag	47,322,847	11.9	3.3	16.4	10.0	--	--
MSCI ACWI +2% Blend			*6.9*	*19.4*	*13.7*	--	--
BlackRock Global Infrastructure Fund IV, L.P.	8,974,945	2.3	1.5	--	--	--	--
MSCI ACWI +2% Lag			*6.9*	--	--	--	--
Lightspeed Venture Ptnrs Select V Lag	12,002,403	3.0	-2.7	-12.5	--	--	--
MSCI ACWI +2% Blend			*6.9*	*19.4*	--	--	--
Long Arc Capital Fund I	19,333,010	4.9	1.6	--	--	--	--
MSCI ACWI +2% Blend			*6.9*	--	--	--	--
Morgan Creek III Lag	4,587,353	1.2	5.1	3.8	-9.3	-11.1	--
MSCI ACWI +2% Blend			*6.9*	*19.4*	*13.7*	*10.2*	--
Morgan Creek V Lag	6,195,324	1.6	0.2	-5.9	12.4	10.0	12.3
MSCI ACWI +2% Blend			*6.9*	*19.4*	*13.7*	*10.2*	*9.6*
Morgan Creek VI Lag	22,269,233	5.6	-1.5	-7.7	16.4	14.5	--
MSCI ACWI +2% Blend			*6.9*	*19.4*	*13.7*	*10.2*	--

1 Market Values may not add up due to rounding.
2 Lagged 1 quarter.
3 Q123 data not available at the time of this report. Values reported reflect Q422 market value adjusted by Q123 cash flows.

Asset Class Performance Net-of-Fees | As of As of September 30, 2023

	Market Value $	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Ocean Avenue II Lag	35,799,288	9.0	2.1	1.1	41.6	25.8	17.7
MSCI ACWI +2% Blend			*6.9*	*19.4*	*13.7*	*10.2*	*9.6*
Ocean Avenue III Lag	53,852,901	13.6	4.6	4.1	30.3	25.2	--
MSCI ACWI +2% Blend			*6.9*	*19.4*	*13.7*	*10.2*	--
Ocean Avenue IV Lag	55,995,659	14.1	-1.1	29.5	37.0	--	--
MSCI ACWI +2% Blend			*6.9*	*19.4*	*13.7*	--	--
Ocean Avenue V Lag	2,660,274	0.7	-11.3	--	--	--	--
MSCI ACWI +2% Blend			*6.9*	--	--	--	--
Non-Core Real Assets Lag	88,523,362	22.3	5.9	-14.9	9.6	5.4	6.8
NCREIF ODCE +1% lag (blend)			*-2.6*	*-9.8*	*8.1*	*6.6*	*8.9*
Ridgemont Equity Partners IV, L.P.	4,203,827	1.1	-2.1	--	--	--	--
MSCI ACWI +2% Blend			*6.9*	--	--	--	--
Stellex Capital Partners II Lag	34,553,801	8.7	1.5	2.8	--	--	--
MSCI ACWI +2% Blend			*6.9*	*19.4*	--	--	--

1 Lagged 1 quarter.
2 Trailing Non-Core real estate performance includes returns provided by prior real estate consultant from inception through Q419.

Aggressive Growth

During the latest three-month period ending September 30, 2023, thirteen of SJCERA's fourteen aggressive growth portfolios trailed their respective benchmarks. Please note that return data for this asset class is lagged one quarter and the quarterly results for this portion of the portfolio reflect the delayed markdowns we would expect in many of these asset classes. Additionally, several of these managers which are newer are experiencing what is known as the "J-Curve Effect" while they are in the downward sloping portion of the curve.

Bessemer Venture Partners Forge Fund is a new addition to the Aggressive Growth sleeve which recently called capital and does not have performance data available at this point.

BlackRock Global Energy and Power, a fund with a focus on infrastructure, underperformed the MSCI ACWI +2% benchmark over the quarter, 1-, and 3-year periods by (3.6%), (3.0%) and (3.7%), respectively.

BlackRock Global Infrastructure Fund IV, a new addition to the Aggressive Growth sleeve which recently called capital, trailed the benchmark during the most recent quarter by (5.4%).

Lightspeed Venture Partners Select V, a venture capital fund that was recently added and is in the funding phase, underperformed its target benchmark over the quarter and trailing 1-year period by (9.6%) and (31.9%), respectively.

Long Arc Capital Fund I, a growth-oriented private equity manager which is new to the Aggressive Growth sleeve, recently called capital and trailed the benchmark by (5.3%) over quarter.

Morgan Creek III underperformed its benchmark over the quarter, 1-, 3- and 5-year periods by (1.8%), (15.6%), (23.0%) and (21.3%), respectively.

Morgan Creek V underperformed its benchmark over the quarter, 1-, 3- and 5-year periods by (6.7%), (25.3%), (1.3%), and (0.2%), respectively. However, it has outperformed the benchmark over the trailing 10-year period by 2.7%.

Morgan Creek VI trailed its benchmark over the quarter and 1-year periods by (8.4%) and (27.1%). However, the fund has outperformed its benchmark over the trailing 3- and 5-year periods by 2.7% and 4.3%, respectively.

Ocean Avenue II, trailed its benchmark over the quarter and 1-year period by (4.8%) and (18.3%), respectively; however, it outperformed the benchmark over the 3-, 5- and 10-year periods by 27.9%, 15.6%, and 8.1%, respectively.

Aggressive Growth (Continued)

Ocean Avenue III, trailed its benchmark over the quarter and 1-year period by (2.3%) and (15.3%), respectively; however, it outperformed the benchmark over the 3- and 5-year periods by 16.6% and 15.0%, respectively.

Ocean Avenue IV, trailed its benchmark during the quarter by (8.0%); however, it outperformed the benchmark over the 1- and 3-year periods by 10.1% and 23.3%, respectively.

Ocean Avenue V, a new Private Equity vintage of the veteran manager in this portfolio, recently called capital and trailed the benchmark over the most recent quarter by (18.2%).

Non-Core Real Assets underperformed its NCREIF ODCE +1% benchmark over the 1-, 5- and 10-year periods by (5.1%), (1.2%), (2.1%), respectively. That said, the manager outperformed the benchmark over the trailing quarter and 3-year periods by 8.5% and 1.5%, respectively.

Ridgemont Equity Partners, a new Private Equity manager within the asset class, trailed the benchmark over the quarter by (9.0%).

Stellex Capital Partners II, trailed its benchmark over the quarter and 1-year periods by (5.4%) and (16.6%), respectively.

Private Appreciation Investment Activity Statement for Since Inception by Fund										
Investment	Vintage Year	Original Inv. Commitment	Gross Contributions	Management Fees	Return of Capital	Distributions	Net Income	Unrealized Appreciation	Realized Gain	Ending Market Value
Bessemer Valley Forge	2022	50,000,000	1,000,000	401,099	-	-	(512,580)	-	-	487,420
Blackrock Global Energy & Power III	2019	50,000,000	46,132,384	3,352,744	1,425,739	7,449,635	2,626,842	5,633,471	1,805,524	47,322,847
Blackrock Global Infrastructure IV-D	2022	50,000,000	9,359,874	216,474	-	-	(703,511)	321,022	(2,440)	8,974,945
Lightspeed Venture Partners Select V	2021	40,000,000	13,600,000	1,020,000	-	-	(1,254,374)	(343,223)	-	12,002,403
Long Arc Capital I	2022	25,000,000	18,454,099	1,538,356	-	-	(126,145)	993,898	11,158	19,333,010
Morgan Creek III	2015	10,000,000	9,900,000	720,670	2,325,492	717,761	(1,404,289)	(1,215,178)	350,073	4,587,353
Morgan Creek V	2013	12,000,000	11,520,000	777,797	5,102,450	9,671,741	(1,735,633)	1,623,641	9,561,507	6,195,324
Morgan Creek VI	2015	20,000,000	18,200,000	3,800,126	6,864,868	7,768,335	(1,308,213)	13,812,122	6,198,527	22,269,233
Ocean Avenue II*	2013	40,000,000	36,000,000	6,030,771	5,875,189	52,815,969	22,952,205	12,665,249	22,872,992	35,799,288
Ocean Avenue III	2016	50,000,000	46,500,000	7,418,105	25,500,000	28,750,000	11,756,932	23,579,504	26,266,465	53,852,901
Ocean Avenue IV	2019	50,000,000	47,000,000	4,535,264	3,250,000	24,331,637	1,183,008	16,136,552	19,257,736	55,995,659
Ocean Avenue V	2022	30,000,000	3,000,000	93,493	-	-	(145,238)	(194,487)	-	2,660,274
Ridgemont	2021	50,000,000	3,879,532	500,000	-	-	(563,131)	887,426	-	4,203,827
Stellex II	2020	50,000,000	33,909,933	2,370,222	-	2,316,219	(1,554,063)	3,021,880	1,492,270	34,553,801
Total			**297,455,822**	**32,374,022**	**50,343,738**	**133,821,297**	**29,724,389**	**76,921,878**	**87,813,812**	**307,750,865**

* Ocean II commitment started at $30 Mil in Q213 and increased to $40 Mil in Q114.

Asset Class Performance Net-of-Fees | As of As of September 30, 2023

	Market Value $	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Traditional Growth	**1,452,669,294**	**100.0**	**-3.1**	**21.1**	**8.0**	**5.3**	**6.7**
MSCI ACWI IMI Net			*-3.4*	*20.2*	*6.9*	*6.7*	*8.0*
Northern Trust MSCI World	1,261,821,012	86.9	-3.5	21.8	8.3	--	--
MSCI World IMI Index (Net)			*-3.6*	*21.1*	*7.9*	--	--
PIMCO RAE Emerging Markets	85,865,750	5.9	1.9	29.8	14.3	5.0	4.6
MSCI Emerging Markets (Net)			*-2.9*	*11.7*	*-1.7*	*0.6*	*2.1*
GQG Active Emerging Markets	65,268,015	4.5	1.8	20.5	1.7	--	--
MSCI Emerging Markets (Net)			*-2.9*	*11.7*	*-1.7*	--	--
Invesco REIT	39,711,479	2.7	-8.3	-3.0	1.8	1.8	5.4
FTSE NAREIT Equity REIT Index			*-7.1*	*3.0*	*5.8*	*2.8*	*6.0*

Market Values may not add up due to rounding.

Traditional Growth

During the latest three-month period ending September 30, 2023, the traditional growth asset class outperformed its MSCI ACWI IMI benchmark by 0.3% with three of the four managers outperforming their benchmarks.

Northern Trust MSCI World, the Plan's Passive Global Equity manager, outperformed its benchmark over the past quarter by 0.1% and outperformed over the 1-year period by 0.7%. The fund has also outperformed over the trailing 3-year period by 0.4%

PIMCO RAE Emerging Markets, one of SJCERA's Active Emerging Markets Equity managers, outperformed its MSCI Emerging Markets Index benchmark for the quarter, 1-, 3-, 5- and 10-year trailing time periods by 4.8%, 18.1%, 16.0%, 4.4% and 2.5%, respectively.

GQG Active Emerging Markets, outperformed its MSCI Emerging Markets benchmark over the quarter, 1-, and 3-year periods by 4.7%, 8.8%, and 3.4%, respectively.

Invesco REIT, the Plan's Core US REIT manager, underperformed the FTSE NAREIT Equity REIT Index for the quarter, 1-, 3-, 5- and 10-year periods by (1.2%), (6.0%), (4.0%), (1.0%) and (0.6%), respectively.

Asset Class Performance Net-of-Fees | As of As of September 30, 2023

	Market Value $	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Stabilized Growth	**1,211,010,171**	**100.0**	**-1.1**	**0.7**	**3.0**	**4.4**	**3.9**
SJCERA Stabilized Growth Benchmark			*1.2*	*6.6*	*5.3*	*5.0*	*5.4*
Risk Parity Asset Class	**350,852,231**	**29.0**	**-5.1**	**3.3**	**-3.8**	**0.8**	**1.3**
ICE BofAML 3mo US TBill+4%			*2.3*	*8.6*	*5.8*	*5.8*	*5.2*
Bridgewater All Weather	181,895,261	15.0	-4.4	6.9	-2.0	1.2	2.7
Bridgewater All Weather (blend)			*2.3*	*8.6*	*5.8*	*5.8*	*5.2*
PanAgora Diversified Risk Multi Asset	168,956,970	14.0	-5.8	-0.3	-5.6	0.4	--
ICE BofAML 3mo US TBill+4%			*2.3*	*8.6*	*5.8*	*5.8*	--
Liquid Credit	**237,464,346**	**19.6**	**1.2**	**10.1**	**2.3**	**2.4**	**2.7**
50% BB US HY/50% S&P LSTA Lev Loan			*1.9*	*11.7*	*3.9*	*3.7*	*4.3*
Neuberger Berman	100,537,939	8.3	0.4	9.5	0.4	--	--
33% ICEBofAMLUSHY /33%JPMEMBI Global Div /33% S&P LSTALevLoan			*0.6*	*11.0*	*1.1*	--	--
Stone Harbor Absolute Return	136,926,408	11.3	1.8	10.3	3.8	3.1	2.9
ICE BofA-ML LIBOR			*1.3*	*4.6*	*1.7*	*1.9*	*1.3*
Private Credit Lag	**393,353,701**	**32.5**	**1.1**	**-1.2**	**4.8**	**3.3**	**2.8**
Credit Blend S&P/LSTA Lev Loan +3%			*3.9*	*14.0*	*10.7*	*9.3*	*9.1*
Blackrock Direct Lending Lag	87,614,283	7.2	6.3	8.7	8.1	--	--
Credit Blend S&P/LSTA Lev Loan +3%			*3.9*	*14.0*	*10.7*	--	--
Crestline Opportunity II Lag	11,692,153	1.0	-2.1	-15.6	-0.7	-2.7	--
Credit Blend S&P/LSTA Lev Loan +3%			*3.9*	*14.0*	*10.7*	*9.3*	--
Davidson Kempner Long-Term Distressed Opportunities Fund V, L.P. Lag	50,750,508	4.2	1.6	-1.4	--	--	--
Credit Blend S&P/LSTA Lev Loan +3%			*3.9*	*14.0*	--	--	--
HPS European Asset Value II, LP Lag	29,543,726	2.4	2.6	9.9	10.9	--	--
Credit Blend S&P/LSTA Lev Loan +3%			*3.9*	*14.0*	*10.7*	--	--

1 Market Values may not add up due to rounding.
2 30% ICE BofAML 3 month US T-Bill + 4%, 52% 50% BB High Yield/50% S&P Leverage Loans, 18% NCREIF ODCE +1% Lag.

Asset Class Performance Net-of-Fees | As of As of September 30, 2023

	Market Value $	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Medley Opportunity II Lag	2,640,470	0.2	0.0	0.0	-4.2	-9.0	-2.9
Credit Blend S&P/LSTA Lev Loan +3%			*3.9*	*14.0*	*10.7*	*9.3*	*9.1*
Mesa West IV Lag	31,032,997	2.6	-7.4	-18.0	-3.3	1.2	--
Credit Blend S&P/LSTA Lev Loan +3%			*3.9*	*14.0*	*10.7*	*9.3*	--
Oaktree Middle-Market Direct Lending Lag	37,093,455	3.1	2.3	1.1	11.8	12.0	--
Credit Blend S&P/LSTA Lev Loan +3%			*3.9*	*14.0*	*10.7*	*9.3*	--
Silver Rock Tactical Allocation Fund Lag	22,295,967	1.8	0.0	--	--	--	--
Credit Blend S&P/LSTA Lev Loan +3%			*3.9*	--	--	--	--
Raven Opportunity III Lag	54,043,608	4.5	-2.8	-5.9	7.3	6.5	--
Credit Blend S&P/LSTA Lev Loan +3%			*3.9*	*14.0*	*10.7*	*9.3*	--
White Oak Summit Peer Lag	25,089,436	2.1	1.9	-0.3	-1.3	1.4	--
Credit Blend S&P/LSTA Lev Loan +3%			*3.9*	*14.0*	*10.7*	*9.3*	--
White Oak Yield Spectrum Master V Lag	41,557,097	3.4	1.4	-2.3	1.2	--	--
Credit Blend S&P/LSTA Lev Loan +3%			*3.9*	*14.0*	*10.7*	--	--
Private Core Real Assets Lag	229,339,893	18.9	-1.1	-8.5	14.7	11.8	12.7
NCREIF ODCE +1% lag (blend)			*-2.6*	*-9.8*	*8.1*	*6.6*	*8.9*

1 Market values may not add up due to rounding.
2 NCREIF ODCE Net + 1% 10/1/2012-present. NCREIF Property Index previously.
3 Q422 data not available at the time of this report. Values reported reflect Q322 market value adjusted by Q422 cash flows.

Stabilized Growth

During the latest three-month period ending September 30, 2023, the Stabilized Growth sleeve of the Plan trailed its benchmark by (2.3%). Fourteen of SJCERA's sixteen Stabilized Growth managers underperformed their benchmarks while two outperformed. Several managers in this asset class are in the process of investing capital and may underperform as assets are invested (typically known as the J-curve effect). Included in this group is private core real assets, which outperformed its benchmark this quarter.

Bridgewater All Weather, one of the Plan's Risk Parity managers, trailed its benchmark over the quarter, 1-, 3-, 5- and 10-year periods by (6.7%), (1.7%), (7.8%), (4.6%), and (2.5%), respectively.

PanAgora DRMA, one of the Plan's Risk Parity managers, trailed its benchmark over the quarter, 1-, 3- and 5-year time periods by (8.1%), (8.9%), (11.4%), and (5.4%), respectively.

Neuberger Berman, one of the Plan's Liquid Credit managers, underperformed its benchmark for the quarter, 1- and 3-year time periods by (0.2%), (1.5%), and (0.7%), respectively.

Stone Harbor, the Plan's Absolute Return Fixed Income manager, outperformed the benchmark over the quarter, 1-, 3-, 5- and 10-year periods by 0.5%, 5.7%, 2.1%, 1.2%, and 1.6%, respectively.

BlackRock Direct Lending, one of the Plan's newer Private Credit managers, outperformed its benchmark over the quarter by 2.4%; however, it trailed the benchmark over the 1- and 3-year periods by (5.3%) and (2.6%), respectively.

Crestline Opportunity II, the Plan's Credit, Niche Alternatives and Hedge Fund Secondaries manager, trailed its benchmark over the quarter, 1-, 3- and 5-year periods by (6.0%), (29.6%), (11.4%) and (12.0%), respectively.

Davidson Kempner, the Plan's newest Private Credit manager, trailed its benchmark over the quarter and 1-year periods by (1.3%) and (15.4%), respectively.

Stabilized Growth (Continued)

HPS EU Value II, one of the Plan's newer Direct Lending managers, trailed its benchmark over the quarter and 1-year periods by (1.3%) and (4.1%), respectively; however, it outperformed over the 3-year period by 0.2%.

Medley Opportunity II, one of the Plan's Direct Lending managers, lagged its benchmark over the quarter, 1-, 3-, 5--and 10-year time periods by (3.9%), (14.0%), (14.9%), (18.3%), and (12.0%) respectively.

Mesa West RE Income IV, one of the Plan's Commercial Mortgage managers, trailed the benchmark by (11.3%), (32.0%), (14.0%) and (8.1%) over the quarter, 1-, 3- and 5-year periods, respectively.

Oaktree, a Middle-Market Direct Lending manager, trailed its benchmark over the quarter and 1-year periods by (1.6%) and (12.9%), respectively; however, it has outperformed over the trailing 3- and 5-year periods by 1.1% and 2.7%, respectively.

Silver Rock Tactical Allocation Fund is a new addition to the private credit allocation which recently called capital and trailed the benchmark by 3.9% over the most recent quarter.

Raven Opportunity III underperformed its target for the quarter, 1-, 3-, and 5-year periods by (6.7%), (19.9%), (3.4%), and (2.8%), respectively.

White Oak Summit Peer, one of the Plan's Direct Lending managers, underperformed its index over the trailing quarter, 1-, 3- and 5-year time periods by (2.0%), (14.3%), (12.0%) and (7.9%), respectively.

White Oak Yield Spectrum Master V underperformed its benchmark over the quarter, 1- and 3-year periods by (1.5%), (16.3%), and (9.5%).

Private Core Real Assets, exceeded its target over the quarter, 1-, 3-, 5- and 10-year time periods by 1.5%, 1.3%, 6.6%, 5.2%, and 3.8%, respectively.

Asset Class Performance Net-of-Fees | As of As of September 30, 2023

	Market Value $	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Principal Protection	**284,644,491**	**100.0**	**-2.8**	**2.6**	**-2.8**	**0.2**	**2.0**
Blmbg. U.S. Aggregate Index			*-3.2*	*0.6*	*-5.2*	*0.1*	*1.1*
Dodge & Cox Fixed Income	195,031,750	68.5	-2.6	3.5	-3.0	1.5	2.4
Blmbg. U.S. Aggregate Index			*-3.2*	*0.6*	*-5.2*	*0.1*	*1.1*
Loomis Sayles	89,611,400	31.5	-3.2	0.8	--	--	--
Blmbg. U.S. Aggregate Index			*-3.2*	*0.6*	--	--	--

1 Market Values may not add up due to rounding.

Principal Protection

During the latest three-month period ending September 30, 2023, SJCERA's two Principal Protection managers outperformed and matched the Bloomberg US Aggregate Index benchmark. The asset class as a whole outperformed the benchmark by 40 basis points for the quarter.

Dodge & Cox, the Plan's Core Fixed Income manager, saw a negative quarterly return of (2.6%); however, this outperformed the US Agg by 0.6%. It led its benchmark by 2.9%, 2.2%, 1.4% and 1.3% for the trailing 1-, 3-, 5- and 10-year periods, respectively.

Loomis Sayles, the Plan's newest Principal Protection manager, was funded in Q1 2022 and matched the US Agg over the most recent quarter returning (3.2%). The Manager has outperformed the benchmark over the trailing 1-year period by 0.2%

Asset Class Performance Net-of-Fees | As of As of September 30, 2023

	Market Value $	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Crisis Risk Offset Asset Class	**496,952,247**	**100.0**	**4.5**	**-1.0**	**4.4**	**5.2**	**5.3**
CRO Benchmark			*-2.6*	*-1.4*	*-0.1*	*3.4*	*3.5*
Long Duration	**103,499,447**	**20.8**	**-11.3**	**-8.1**	**-14.9**	**-2.6**	**--**
Blmbg. U.S. Treasury: Long			*-11.8*	*-9.1*	*-15.7*	*-2.8*	--
Dodge & Cox Long Duration	103,499,447	20.8	-11.3	-8.1	-14.9	-2.6	--
Blmbg. U.S. Treasury: Long			*-11.8*	*-9.1*	*-15.7*	*-2.8*	--
Systematic Trend Following	**253,059,842**	**50.9**	**6.3**	**-2.6**	**18.1**	**8.7**	**9.9**
BTOP 50 (blend)			*3.2*	*-0.9*	*11.4*	*7.3*	*4.2*
Graham Tactical Trend	123,375,504	24.8	4.0	-1.1	15.6	8.6	--
SG Trend			*0.8*	*-5.2*	*15.0*	*9.1*	--
Mount Lucas	129,684,338	26.1	8.6	-3.9	20.6	8.7	9.0
BTOP 50 (blend)			*3.2*	*-0.9*	*11.4*	*7.3*	*4.2*
Alternative Risk Premium	**140,392,957**	**28.3**	**16.4**	**7.9**	**6.2**	**5.3**	**3.7**
5% Annual (blend)			*1.2*	*5.0*	*5.0*	*5.0*	*6.5*
AQR Style Premia	66,510,624	13.4	14.9	35.7	23.2	3.7	--
5% Annual			*1.2*	*5.0*	*5.0*	*5.0*	--
P/E Diversified Global Macro	73,882,333	14.9	17.7	-10.2	5.1	7.1	--
5% Annual			*1.2*	*5.0*	*5.0*	*5.0*	--

1 Market Values may not add up due to rounding.
2 (1/3) BB Long Duration Treasuries, (1/3) BTOP50 Index, (1/3) 5% Annual.

Crisis Risk Offset

During the latest three-month period ending September 30, 2023, five out of five of SJCERA's Crisis Risk Offset managers outperformed their respective benchmarks. On the whole, the Crisis Risk Offset sleeve gained 4.5% over the most recent quarter, outperforming the benchmark by 7.1%.

Dodge & Cox Long Duration produced a negative quarterly return of (11.3%), which outperformed the Bloomberg US Long Duration Treasuries benchmark by 0.5%. The manager outperformed the benchmark over the 1-, 3- and 5- year periods by 1.0%, 0.8%, and 0.2% respectively.

Graham Tactical Trend, one of the Plan's Systematic Trend Following managers, outperformed the SG Trend Index for the quarter, 1- and 3-year periods by 3.2%, 4.1%, and 0.6%; however, it trailed the benchmark by (0.5%) over the 5-year period.

Mount Lucas, one of the Plan's Systematic Trend Following managers, outperformed the Barclays BTOP 50 Index over the quarter, 3-, 5- and 10-year periods by 5.4%, 9.2%, 1.4%, 4.8%, respectively; however, it underperformed the target over the 1-year period (3.0%).

AQR, one of the Plan's Alternative Risk Premium managers, outperformed its 5% Annual target for the quarter, 1- and 3-year periods by 13.7%, 30.7% and 18.2%, respectively. That said, it trailed the benchmark over the 5-year period by (1.3%).

P/E Diversified, one of the Plan's Alternative Risk Premium managers, outperformed its 5% Annual target for the quarter, 3-, and 5-year periods by 16.5%, 0.1% and 2.1%, respectively However, the manager trailed the benchmark over the 1-year period by (15.2%).

Benchmark History

From Date	To Date	Benchmark
SJCERA Total Plan		
09/01/2023	Present	8.0% Blmbg. U.S. Aggregate Index, 34.0% MSCI AC World IMI (Net), 16.0% 50% BB US HY/50% S&P LSTA Lev Loan, 12.0% MSCI ACW +2% Lag, 7.0% NCREIF ODCE +1% lag (blend), 9.0% ICE BofAML 3mo US TBill+4%, 14.0% CRO Benchmark
04/01/2023	09/01/2023	9.0% Blmbg. U.S. Aggregate Index, 33.0% MSCI AC World IMI (Net), 16.0% 50% BB US HY/50% S&P LSTA Lev Loan, 10.0% MSCI ACW +2% Lag, 7.0% NCREIF ODCE +1% lag (blend), 10.0% ICE BofAML 3mo US TBill+4%, 15.0% CRO Benchmark
08/01/2022	04/01/2023	9.0% Blmbg. U.S. Aggregate Index, 33.0% MSCI AC World IMI (Net), 16.0% 50% BB US HY/50% S&P LSTA Lev Loan, 10.0% MSCI ACW +2% Lag, 7.0% NCREIF ODCE +1% lag (blend), 10.0% ICE BofAML 3mo US TBill+4%, 15.0% CRO Benchmark
04/01/2020	08/01/2022	10.0% Blmbg. U.S. Aggregate Index, 32.0% MSCI AC World IMI (Net), 17.0% 50% BB US HY/50% S&P LSTA Lev Loan, 10.0% MSCI ACWI +2% Lag, 6.0% NCREIF ODCE +1% lag (blend), 10.0% ICE BofAML 3mo US TBill+4%, 15.0% CRO Benchmark
01/01/2016	04/01/2020	16.0% Blmbg. U.S. Aggregate Index, 37.0% MSCI AC World Index, 2.0% ICE BofA 3 Month U.S. T-Bill, 15.0% 50% BB US HY/50% S&P LSTA Lev Loan, 10.0% MSCI ACWI +2% Lag, 14.0% ICE BofAML 3mo US TBill+4%, 6.0% CRO Benchmark
01/01/1988	01/01/2016	100.0% SJCERA Policy Benchmark
Aggressive Growth Lag		
01/01/2021	Present	50.0% MSCI ACWI +2% Lag, 50.0% NCREIF ODCE +1% lag (blend)
01/01/1990	01/01/2021	100.0% MSCI ACWI +2% Blend
Stabilized Growth		
01/01/2010	Present	52.0% 50% BB US HY/50% S&P LSTA Lev Loan, 18.0% NCREIF ODCE +1% lag (blend), 30.0% ICE BofAML 3mo US TBill+4%
Crisis Risk Offset Asset Class		
01/01/1987	Present	33.3% Barclay BTOP 50, 33.3% Blmbg. U.S. Treasury: Long, 33.4% 5% Annual

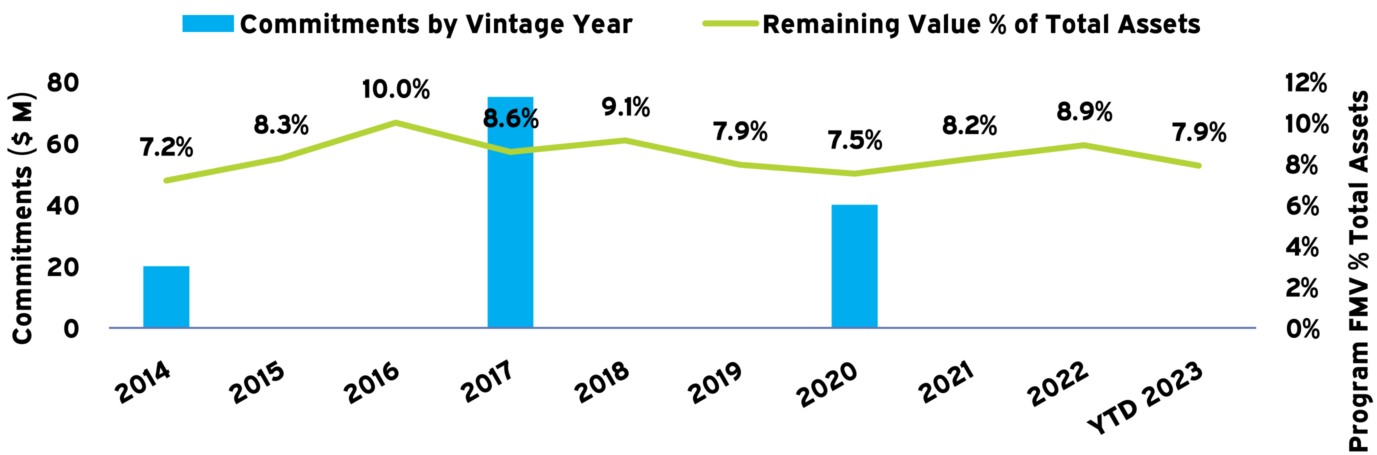
Real Estate Program

June 30, 2023

Table of Contents | As of June 30, 2023

Introduction

The Retirement Association's target allocation towards real estate assets is 17%. As of June 30, 2023, the Retirement Association had invested with 19 real estate managers (four private open-end and fifteen private closed-end). The aggregate reported value of the Retirement Association's real estate investments was $317.9 million at quarter-end.



Program Status

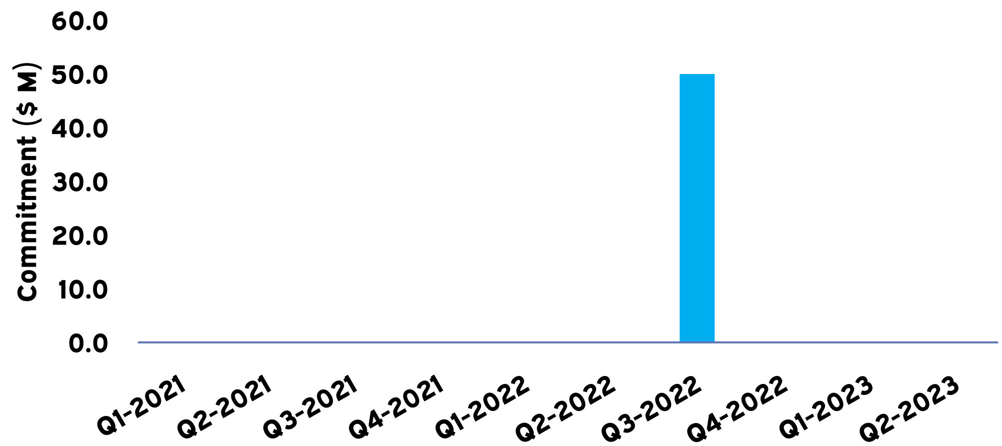
No. of Investments	19
Committed ($ M)	551.6
Contributed ($ M)	463.8
Distributed ($ M)	402.5
Remaining Value ($ M)	317.9

Performance Since Inception

	Program
DPI	0.87x
TVPI	1.55x
IRR	7.4%

Commitments

Recent Quarterly Commitments



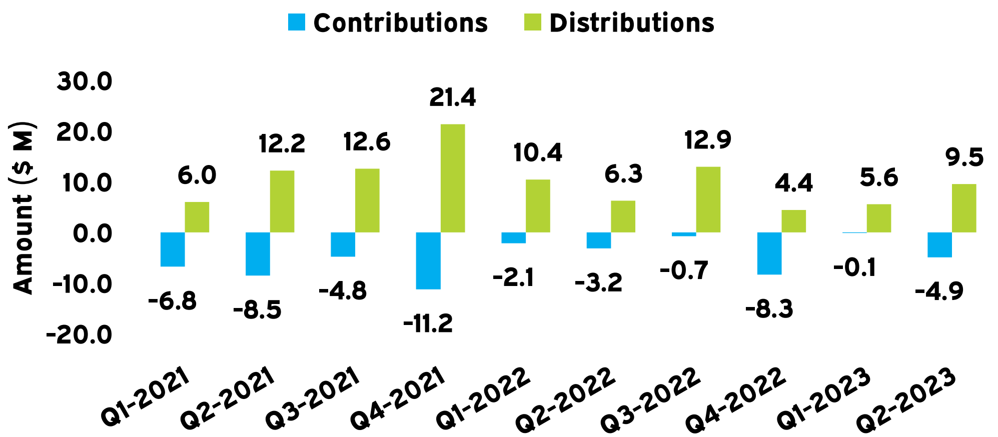
Commitments This Quarter

Fund	Strategy	Region	Amount (M)

None to report.

Cash Flows

Recent Quarterly Cash Flows



Largest Contributions This Quarter

Fund	Vintage	Strategy	Region	Amount ($M)
Berkeley V	2020	Value-Added	North America	3.27
Prologis Logistics	2004	Core	North America	0.91
Greenfield VIII	2017	Opportunistic	North America	0.72

Largest Distributions This Quarter

Fund	Vintage	Strategy	Region	Amount ($M)
Stockbridge RE III	2017	Value-Added	North America	5.56
Greenfield VIII	2017	Opportunistic	North America	2.05
Prologis Logistics	2004	Core	North America	0.91

Significant Events

→ During the second quarter, Principal USPA acquired thirteen additional homes within the existing scattered site single family rental portfolio. During the quarter, Principal USPA disposed of a non-strategic, older vintage, multi-tenant warehouse building in Tacoma, WA .

→ Prologis USLF acquired a small parcel of land that is used for parking adjacent to an existing building during the second quarter.

→ During the second quarter, RREEF America II closed on the acquisition of a recently constructed garden apartment community in Sarasota, FL, land for a 200-unit residential development located in Torrance, CA, and land for a build-for-rent 211-unit townhome development located in Winter Garden, FL.

→ Stockbridge Value Fund III sold 110 E Broward, the only remaining office asset in the Fund, for a 0.6x and -23.5% gross IRR.

→ Berkley Fund V closed on two acquisitions during the second quarter; single-tenant industrial property located in Aston, PA, and a two building infill light industrial portfolio in Dallas, TX.

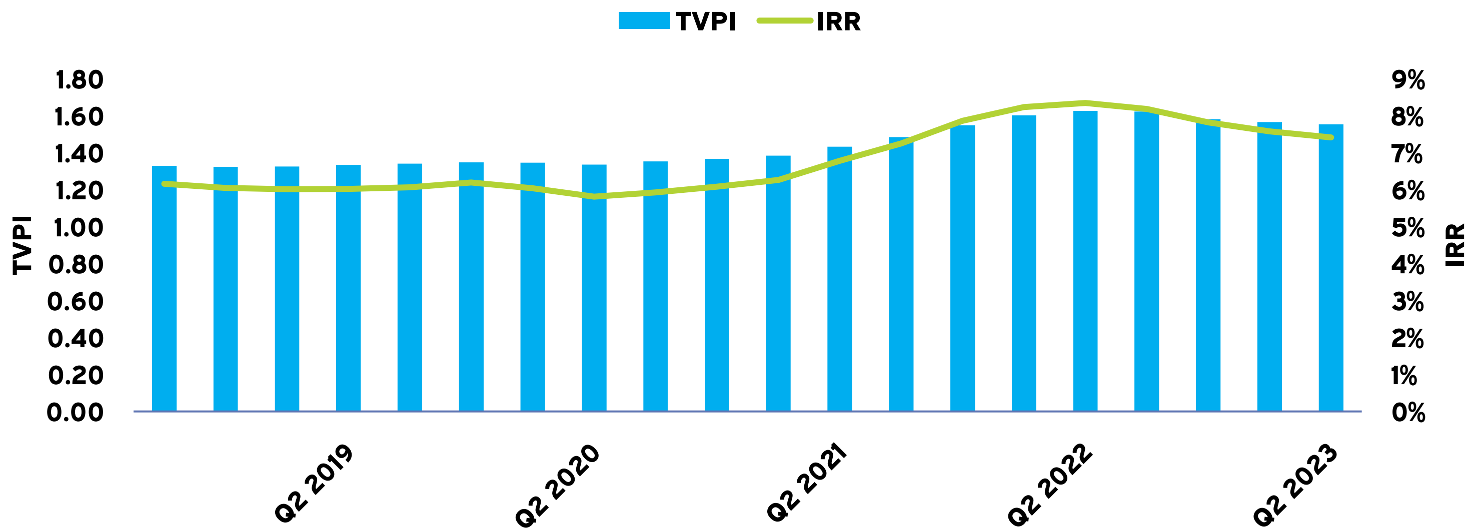
By Strategy

Group	Number	Committed ($ M)	Contributed ($ M)	Unfunded ($ M)	Distributed ($ M)	Remaining Value ($ M)	Exposure ($ M)	DPI (X)	TVPI (X)	IRR (%)
Core	4	170.5	128.7	50.0	35.5	229.3	279.3	0.28	2.06	8.3
Opportunistic	9	204.1	183.0	22.5	225.7	22.7	45.2	1.23	1.36	5.7
Value-Added	6	177.0	152.1	30.0	141.3	65.8	95.8	0.93	1.36	9.2
Total	**19**	**551.6**	**463.8**	**102.5**	**402.5**	**317.9**	**420.4**	**0.87**	**1.55**	**7.4**

By Vintage

Group	Number	Committed ($ M)	Contributed ($ M)	Unfunded ($ M)	Distributed ($ M)	Remaining Value ($ M)	Exposure ($ M)	DPI (X)	TVPI (X)	IRR (%)
Open-end Fund	4	170.5	128.7	50.0	35.5	229.3	279.3	0.28	2.06	8.3
2005	1	15.0	14.5	0.5	17.6	0.0	0.5	1.21	1.21	3.4
2006	1	30.0	30.0	0.0	20.8	0.6	0.6	0.69	0.71	-3.6
2007	4	96.0	84.0	12.0	116.2	6.6	18.6	1.38	1.46	7.4
2011	2	50.0	38.3	11.7	47.3	3.8	15.5	1.24	1.33	9.3
2012	2	36.0	33.9	2.9	49.0	0.0	2.9	1.45	1.45	12.5
2013	1	19.1	18.3	0.8	30.5	1.4	2.2	1.67	1.75	13.4
2014	1	20.0	19.0	1.8	14.7	8.5	10.2	0.77	1.22	4.6
2017	2	75.0	66.4	10.1	64.5	37.1	47.2	0.97	1.53	17.5
2020	1	40.0	30.9	12.8	6.4	30.5	43.3	0.21	1.20	13.5
Total	**19**	**551.6**	**463.8**	**102.5**	**402.5**	**317.9**	**420.4**	**0.87**	**1.55**	**7.4**

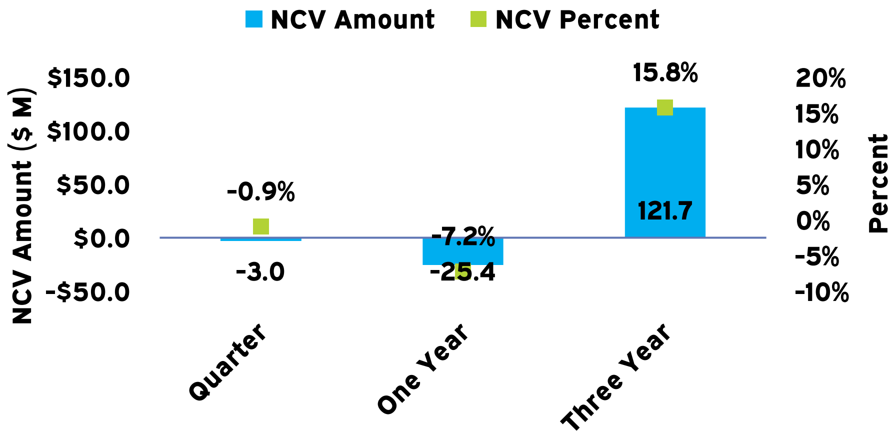
Since Inception Performance Over Time



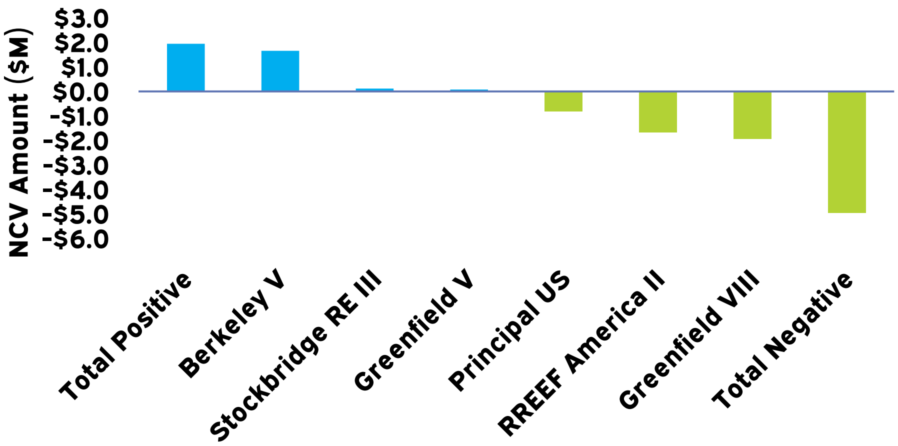
Horizon IRRs

	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Aggregate Portfolio	-7.2	15.3	10.4	10.7	7.4
Public Market Equivalent	-6.8	4.0	-1.0	1.1	2.1

Periodic NCV



1 Quarter Drivers Of NCV

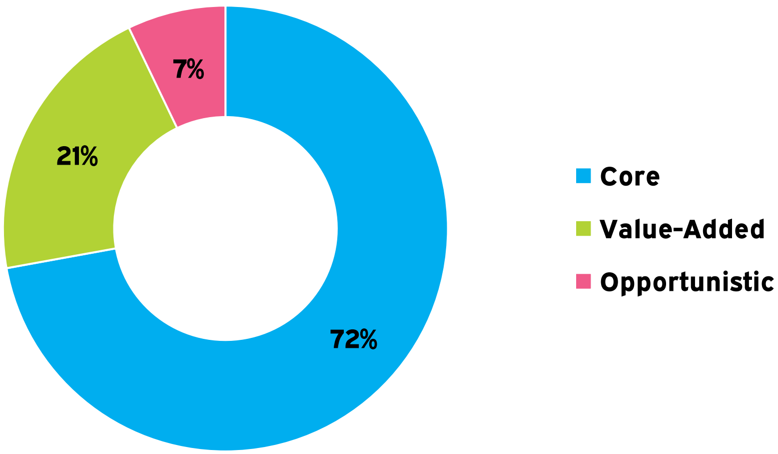


Fund Performance: Sorted By Vintage And Strategy

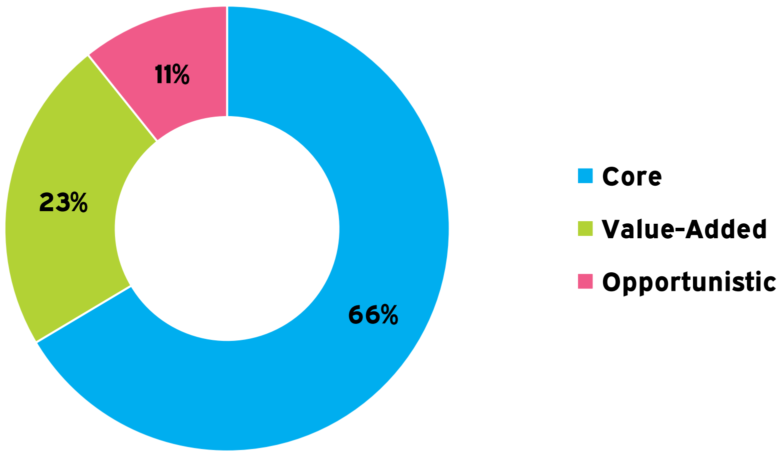
By Investment	Vintage	Strategy	Committed ($ MM)	Contributed ($ MM)	Unfunded ($ MM)	Distributed ($ MM)	Remaining Value ($ MM)	TVPI (X)	Peer TVPI (X)	IRR (%)	Peer IRR (%)
AEW EHF		Core	50.0	0.0	50.0	0.0	0.0	NM	NM	NM	NM
Principal US		Core	25.0	25.0	0.0	0.0	41.6	1.66	NM	7.0	NM
Prologis Logistics		Core	50.5	58.7	0.0	24.7	130.4	2.64	NM	8.9	NM
RREEF America II		Core	45.0	45.0	0.0	10.8	57.4	1.52	NM	6.7	NM
Miller GLobal Fund V	2005	Opportunistic	15.0	14.5	0.5	17.6	0.0	1.21	NM	3.4	NM
Walton Street V	2006	Opportunistic	30.0	30.0	0.0	20.8	0.6	0.71	NM	-3.6	NM
Greenfield V	2007	Opportunistic	30.0	29.6	0.4	40.7	0.0	1.38	NM	8.3	NM
Miller Global VI	2007	Opportunistic	30.0	21.1	8.9	33.4	0.0	1.58	NM	7.7	NM
Walton Street VI	2007	Opportunistic	15.0	13.3	1.7	15.2	6.6	1.64	NM	8.3	NM
Colony Realty III	2007	Value-Added	21.0	20.0	1.0	26.9	0.0	1.35	NM	5.3	NM
Greenfield VI	2011	Opportunistic	20.0	19.2	0.8	26.2	0.0	1.37	NM	9.6	NM
Almanac Realty VI	2011	Value-Added	30.0	19.1	10.9	21.2	3.7	1.30	NM	8.8	NM
Miller Global VII	2012	Opportunistic	15.0	12.1	2.9	16.1	0.0	1.33	NM	14.4	NM
Colony Realty IV	2012	Value-Added	21.0	21.7	0.0	32.9	0.0	1.51	NM	11.9	NM
Greenfield VII	2013	Opportunistic	19.1	18.3	0.8	30.5	1.4	1.75	NM	13.4	NM
AG Core Plus IV	2014	Value-Added	20.0	19.0	1.8	14.7	8.5	1.22	NM	4.6	NM
Greenfield VIII	2017	Opportunistic	30.0	25.0	6.4	25.3	14.0	1.57	NM	20.2	NM
Stockbridge RE III	2017	Value-Added	45.0	41.4	3.6	39.2	23.1	1.51	NM	16.0	NM
Berkeley V	2020	Value-Added	40.0	30.9	12.8	6.4	30.5	1.20	NM	13.5	NM
Total			**551.6**	**463.8**	**102.5**	**402.5**	**317.9**	**1.55**	**NM**	**7.4**	**NM**

By Strategy

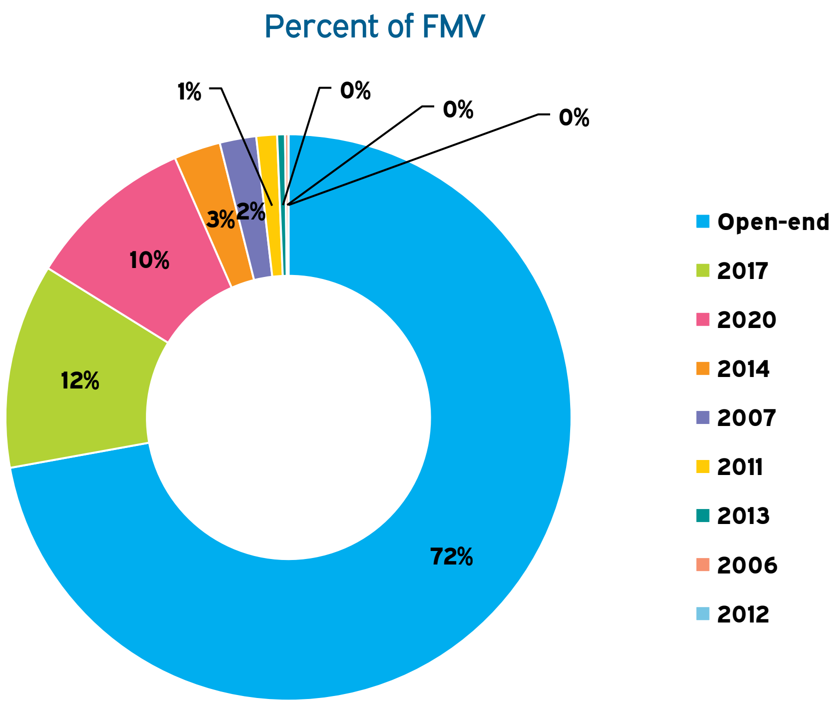
Percent of FMV

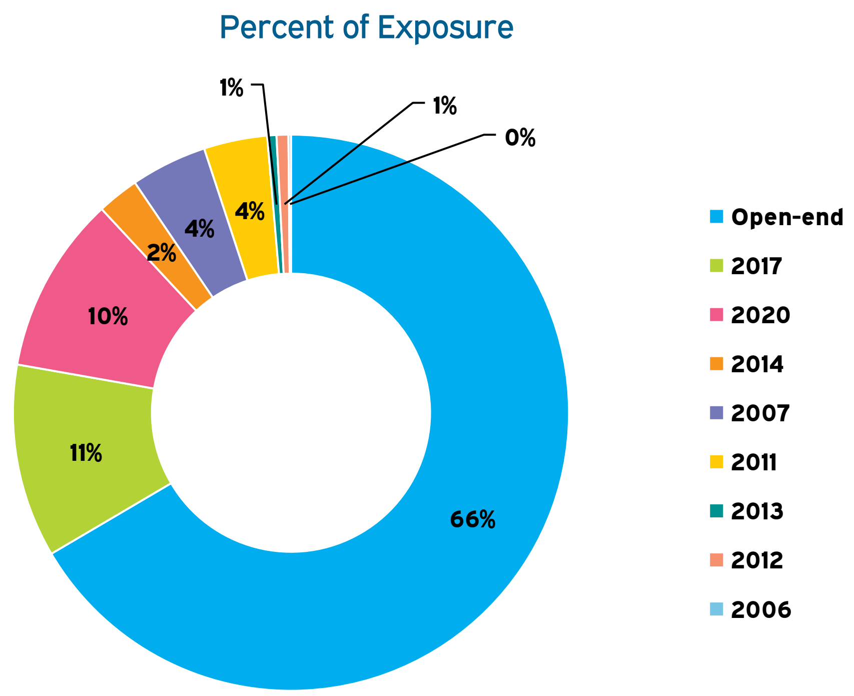


Percent of Exposure



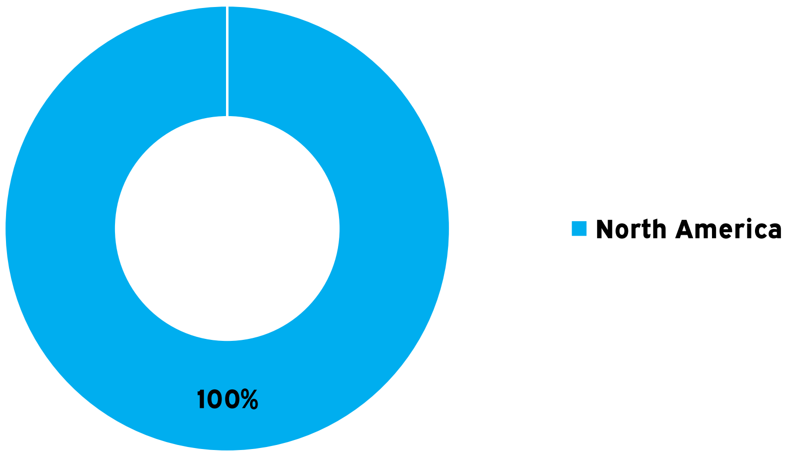
By Vintage


Percent of FMV
1%
0%
0%
0%
3%
2%
10%
12%
72%
Open-end
2017
2020
2014
2007
2011
2013
2006
2012

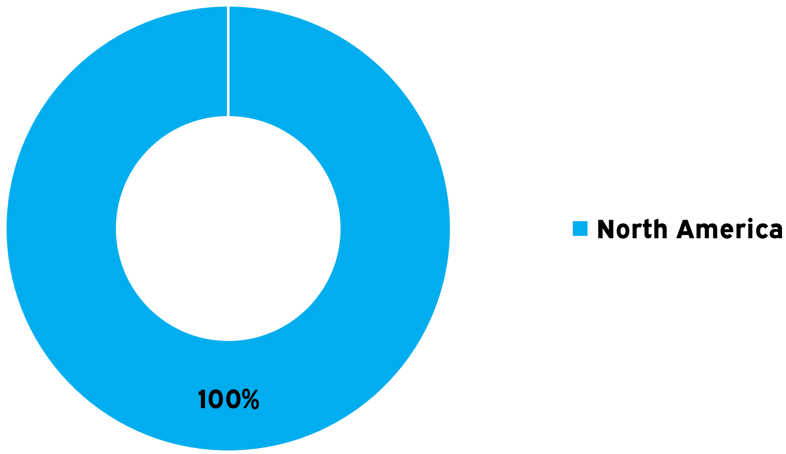

Percent of Exposure
1%
1%
0%
4%
4%
2%
10%
11%
66%
Open-end
2017
2020
2014
2007
2011
2013
2012
2006

By Geographic Focus

Percent of FMV



Percent of Exposure



Below are details on specific terminology and calculation methodologies used throughout this report:

Committed	The original commitment amount made to a given fund. Some funds may be denominated in non-USD currencies, and such commitment amounts represent the sum of fund contributions translated to USD at their daily conversion rates plus the unfunded balance translated at the rate as of the date of this report.
Contributed	The amount of capital called by a fund manager against the commitment amount. Contributions may be used for new or follow-on investments, fees, and expenses, as outlined in each fund's limited partnership agreement. Some capital distributions from funds may reduce contributed capital balances. Some funds may be denominated in non-USD currencies, and such aggregate contributions represent the sum of each fund contribution translated to USD at its daily conversion rate.
Distributed	The amount of capital returned from a fund manager for returns of invested capital, profits, interest, and other investment related income. Some distributions may be subject to re-investment, as outlined in each fund's limited partnership agreement. Some funds may be denominated in non-USD currencies, and such aggregate distributions represent the sum of each fund distribution translated to USD at its daily conversion rate.
DPI	Acronym for "Distributed-to-Paid-In", which is a performance measurement for Private Market investments. The performance calculation equals Distributed divided by Contributed. DPIs for funds and groupings of funds are net of all fund fees and expenses as reported to by fund managers to Meketa.
Exposure	Represents the sum of the investor's Unfunded and Remaining Value.
IRR	Acronym for "Internal Rate of Return", which is a performance measurement for Private Market investments. IRRs are calculated by Meketa based on daily cash flows and Remaining Values as of the date of this report. IRRs for funds and groupings of funds are net of all fund fees and expenses as reported by fund managers to Meketa.
NCV	Acronym for "Net Change in Value", which is a performance measurement for Private Market investments. The performance calculation equals the appreciation or depreciation over a time period neutralized for the impact of cash flows that occurred during the time period.
NM	Acronym for "Not Meaningful", which indicates that a performance calculation is based on data over too short a timeframe to yet be meaningful or not yet possible due to inadequate data. Meketa begins reporting IRR calculations for investments once they have reached more than two years since first capital call. NM is also used within this report in uncommon cases where the manager has reported a negative Remaining Value for an investment.

Peer Universe	The performance for a set of comparable private market funds. The peer returns used in this report are provided by Thomson ONE, based on data from Cambridge Associates as of the date of this report. Program-level peer universe performance represents the pooled return for a set of funds of corresponding vintages and strategies across all regions globally. Fund-level peer performance represents the median return for a set of funds of the same vintage and the program's set of corresponding strategies across all regions globally. Data sets that include less than five funds display performance as "NM". Meketa utilizes the following Thomson ONE strategies for peer universes: Infrastructure: Infrastructure Natural Resources: Private Equity Energy, Upstream Energy & Royalties, and Timber Private Debt: Subordinated Capital, Credit Opportunities, Senior Debt, and Control-Oriented Distressed Private Equity (including Private Debt): Venture Capital, Growth Equity, Buyout, Subordinated Capital, Credit Opportunities, Senior Debt, and Control-Oriented Distressed Private Equity (excluding Private Debt): Venture Capital, Growth Equity, and Buyout Real Assets (excluding Real Estate): Infrastructure, Private Equity Energy, Upstream Energy & Royalties, and Timber Real Assets (including Real Estate): Infrastructure, Private Equity Energy, Upstream Energy & Royalties, Timber, and Real Estate Real Estate: Real Estate
Public Market Equivalent ("PME")	A calculation methodology that seeks to compare the performance of a portfolio of private market investments with public market indices. The figures presented in this report are based on the PME+ framework, which represents a net IRR value based on the actual timing and size of the private market program's daily cash flows and the daily appreciation or depreciation of an equivalent public market index. Meketa utilizes the following indices for private market program PME+ calculations: Infrastructure: Dow Jones Brookfield Global Infrastructure Index Natural Resources: S&P Global Natural Resources Index Private Debt: Meryl Lynch High Yield Master II Bond Index Private Equity: MSCI ACWI Investable Market Index Real Assets (excluding Real Estate): Equal blend of Dow Jones Brookfield Global Infrastructure Index and S&P Global Natural Resources Index

	Real Assets (including Real Estate): Equal blend of Dow Jones Brookfield Global Infrastructure Index, S&P Global Natural Resources Index, and Dow Jones U.S. Select Real Estate Securities Index Real Estate: Dow Jones U.S. Select Real Estate Securities Index
Remaining Value	The investor's value as reported by a fund manager on the investor's capital account statement. All investor values in this report are as of the date of this report, unless otherwise noted. Some funds may be denominated in non-USD currencies, and such remaining values represent the fund's local currency value translated to USD at the rate as of the date of this report.
TVPI	Acronym for "Total Value-to-Paid-In", which is a performance measurement for Private Market investments. The performance calculations represents Distributed plus Remaining Value, then divided by Contributed. TVPIs for funds and groupings of funds are net of all fund fees and expenses as reported to by fund managers to Meketa.
Unfunded	The remaining balance of capital that a fund manager has yet to call against a commitment amount. Meketa updates unfunded balances for funds to reflect all information provided by fund managers provided in their cash flow notices. Some funds may be denominated in non-USD currencies, and such unfunded balances represent the fund's local currency unfunded balance translated to USD at the rate as of the date of this report.

Economic and Market Update

Data as of September 30, 2023

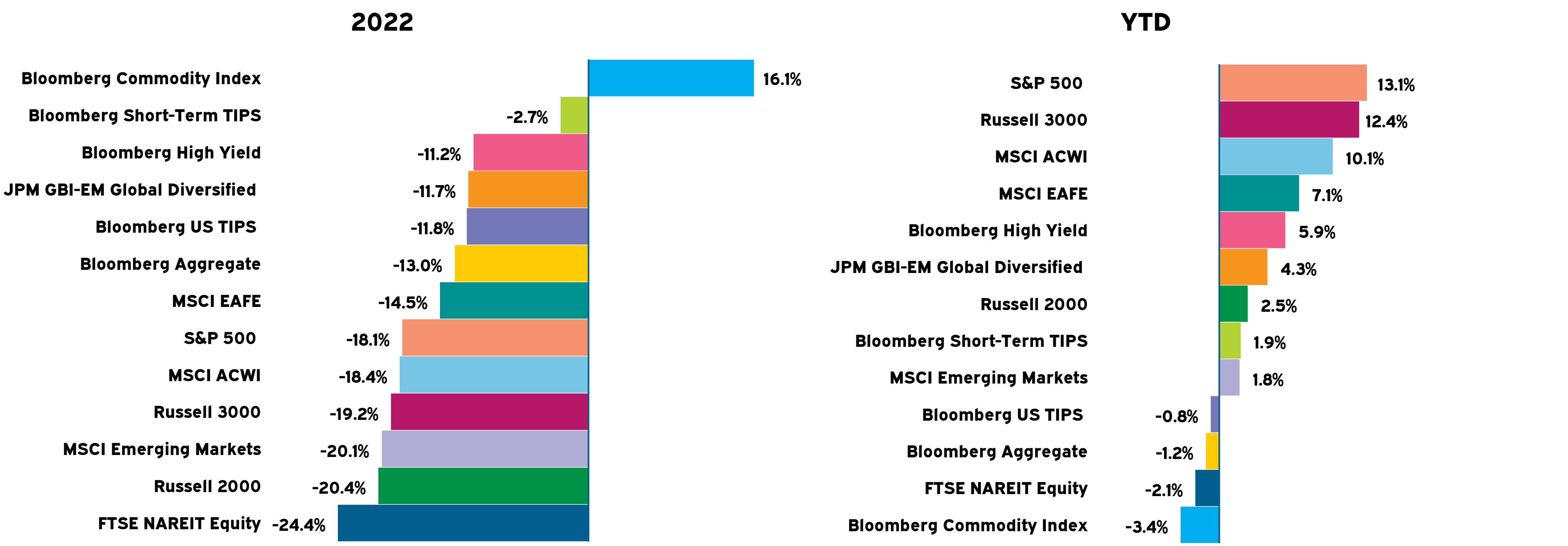
Commentary

→ After a strong July, global assets turned negative in August and September as expectations shifted to the Fed keeping interest rates higher for longer. Weakening economic data from Europe and China, as well as further instability in the Chinese real estate sector and a strong US dollar, weighed on results.

- The Federal Open Markets Committee (FOMC) increased policy rates in July by 0.25% to a range of 5.25% - 5.5% and kept rates at that level at their September meeting. Markets are now largely expecting the FOMC to maintain interest rates at this level through the first half of next year.
- US equity markets (Russell 3000 index) fell in the third quarter (-3.3%), bringing the year-to-date gains to 12.4%. The technology sector remains the key driver of results this year, helped by artificial intelligence optimism.
- Non-US developed equity markets declined more than the US in the third quarter (MSCI EAFE -4.1%) with the strength of the US dollar adding 2.8% to the quarterly declines. This widened the gap between US and international developed equities for the year (12.4% versus 7.1%).
- Emerging market equities experienced the smallest declines in the third quarter (-2.9%). Negative results were driven by China and again the strong US dollar. Emerging markets continue to significantly trail developed market equities year-to-date, returning just 1.8%, again driven by China.
- Interest rates generally rose over the quarter, particularly for longer-dated maturities. The broad US bond market fell (-3.2%) for the quarter and turned negative (-1.2%) year-to-date, as higher income has offset capital losses from rising rates.

→ For the rest of this year, the paths of inflation and monetary policy, slowing global growth, and the wars in Ukraine and Israel will all be key.

Index Returns[1]



→ After a particularly difficult 2022, most public market assets are up thus far in 2023, led by developed market equities.

→ While hopes for a soft landing remain in place, the prospect of higher interest rates for longer weighed on market sentiment in August and September.

[1] Source: Bloomberg. Data is as of September 30, 2023.

Domestic Equity Returns[1]

Domestic Equity	September (%)	Q3 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
S&P 500	-4.8	-3.3	13.1	21.6	10.2	9.9	11.9
Russell 3000	-4.8	-3.3	12.4	20.5	9.4	9.1	11.3
Russell 1000	-4.7	-3.1	13.0	21.2	9.5	9.6	11.6
Russell 1000 Growth	-5.4	-3.1	25.0	27.7	8.0	12.4	14.5
Russell 1000 Value	-3.9	-3.2	1.8	14.4	11.1	6.2	8.4
Russell MidCap	-5.0	-4.7	3.9	13.4	8.1	6.4	9.0
Russell MidCap Growth	-4.9	-5.2	9.9	17.5	2.6	7.0	9.9
Russell MidCap Value	-5.1	-4.5	0.5	11.0	11.0	5.2	7.9
Russell 2000	-5.9	-5.1	2.5	8.9	7.2	2.4	6.6
Russell 2000 Growth	-6.6	-7.3	5.2	9.6	1.1	1.6	6.7
Russell 2000 Value	-5.2	-3.0	-0.5	7.8	13.3	2.6	6.2

US Equities: The Russell 3000 Index fell 3.3% in the third quarter but is up 12.4% YTD.

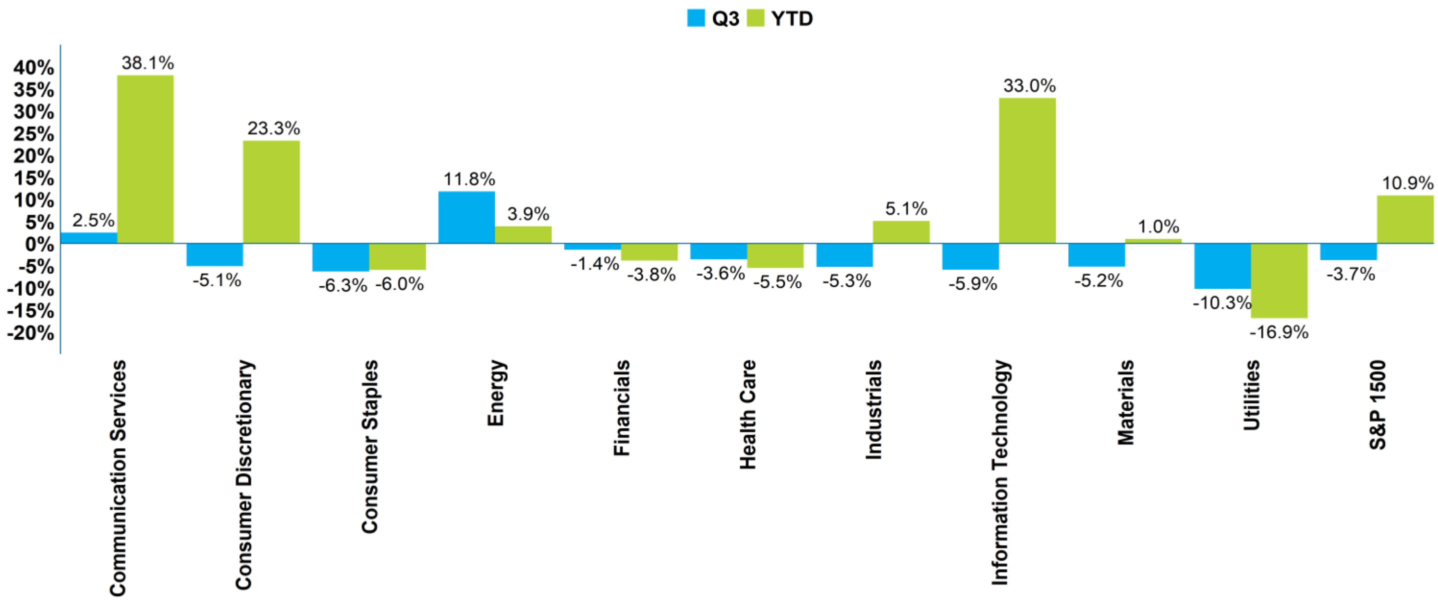
→ US stocks fell 3.3% in the third quarter as healthy economic data and comments from the Fed caused investors to expect interest rates to remain higher for longer.

→ Large cap stocks outperformed small cap stocks during the quarter, bringing their year-to-date outperformance to over 10%. The so called "Magnificent Seven" within the large cap market drove most of this outperformance despite a weak third quarter.

→ Energy strongly led the way during the quarter posting double-digit gains while most other sectors declined. Oil prices rose after Saudi Arabia and Russia extended output cuts.

[1] Source: Bloomberg. Data is as of September 30, 2023.

S&P 1500 Sector Returns[1]



→ Except for energy, which benefited from rising oil prices, all sectors were down in the third quarter.

→ So far in 2023, the communication services (+38.1%) and technology (+33.0%) sectors had the best results on artificial intelligence optimism. Given the continued strength in the US consumer the consumer discretionary sector followed (+23.3%), while more defensive sectors like utilities (-16.9%) and consumer staples (-6.0%) have trailed.

[1] Source: Bloomberg. Data is as of September 30, 2023.

Foreign Equity Returns[1]

Foreign Equity	September (%)	Q3 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
MSCI ACWI ex. US	-3.2	-3.8	5.3	20.4	3.7	2.6	3.3
MSCI EAFE	-3.4	-4.1	7.1	25.6	5.8	3.2	3.8
MSCI EAFE (Local Currency)	-1.1	-1.3	10.7	20.3	10.8	5.7	6.8
MSCI EAFE Small Cap	-4.4	-3.5	1.8	17.9	1.1	0.8	4.3
MSCI Emerging Markets	-2.6	-2.9	1.8	11.7	-1.7	0.6	2.1
MSCI Emerging Markets (Local Currency)	-1.8	-1.4	4.0	10.9	0.6	2.7	4.9
MSCI China	-2.8	-1.9	-7.3	5.2	-14.3	-4.2	1.7

Foreign Equity: Developed international equities (MSCI EAFE) fell 4.1% in the third quarter bringing the YTD gain to 7.1%. Emerging market equities (MSCI EM) fell 2.9% in the period, rising 1.8% YTD.

→ Outside of the US, equities were also weak during the third quarter with the continued strength of the US dollar being a key driver.

→ Eurozone shares felt pressure from slowing GDP growth and an interest rate hike by the ECB, although inflation continued to ease. By contrast, the UK saw modest gains amid promising economic data including slowing inflation and GDP back around pre-pandemic levels. Japan outperformed regional peers for the quarter due in part to strong earnings.

→ Emerging market performance, while negative, outpaced developed peers. Chinese markets saw losses in-line with other emerging market countries, driven largely by unease surrounding property company Evergrande and a continued lackluster reopening of the economy.

[1] Source: Bloomberg. Data is as of September 30, 2023.

Fixed Income Returns[1]

Fixed Income	September (%)	Q3 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Current Yield (%)	Duration (Years)
Bloomberg Universal	-2.4	-2.9	-0.6	1.6	-4.7	0.3	1.4	5.7	6.0
Bloomberg Aggregate	-2.5	-3.2	-1.2	0.6	-5.2	0.1	1.1	5.4	6.2
Bloomberg US TIPS	-1.8	-2.6	-0.8	1.2	-2.0	2.1	1.7	5.0	6.6
Bloomberg Short-term TIPS	-0.2	0.4	1.9	3.2	1.9	2.8	1.7	5.4	2.5
Bloomberg High Yield	-1.2	0.5	5.9	10.3	1.8	3.0	4.2	8.9	4.0
JPM GBI-EM Global Diversified (USD)	-3.4	-3.3	4.3	13.1	-2.7	0.0	-0.8	6.9	4.9

Fixed Income: The Bloomberg Universal index declined 2.9% in the third quarter and -0.6% YTD.

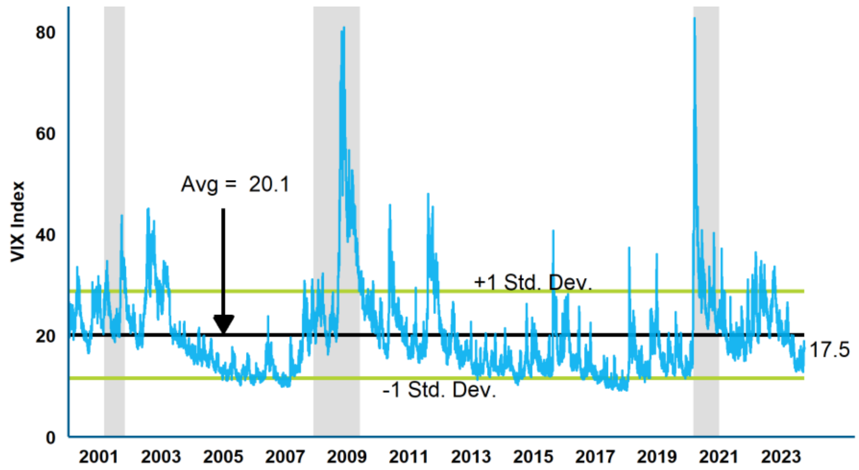
→ The downgrade of US government debt from AAA to AA+ by Fitch combined with expectations for higher borrowing put upward pressure on longer-term rates for the quarter and weighed on overall results. Expectations for policy rates to remain higher for longer than previously expected also contributed to the decline in bonds.

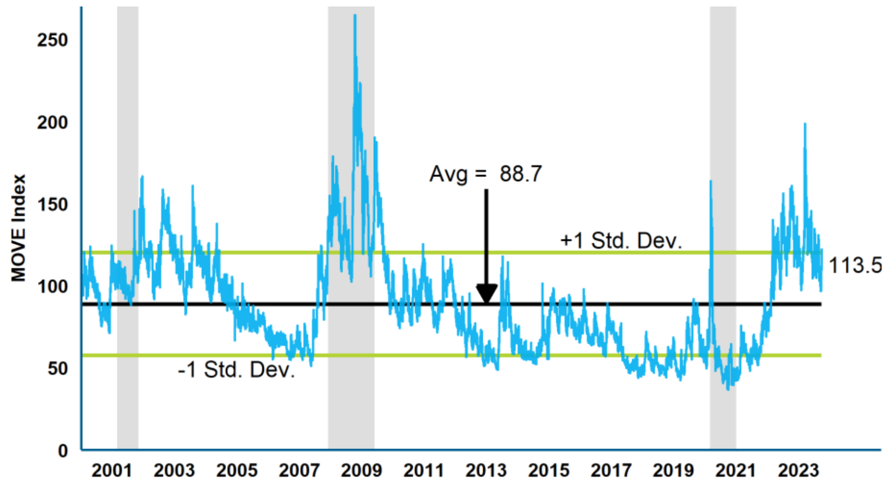
→ The broad US bond market (Bloomberg Aggregate) fell 3.2% for the quarter bringing YTD results into negative territory. The broader TIPS index fell by 2.6%, while the less interest-rate-sensitive short-term TIPS index outperformed most sectors, up 0.4%.

→ High yield bonds were the strongest quarterly performers, up 0.5%, while emerging market bonds were the weakest performer, falling 3.3%. The two asset classes remain the top performers for the year as risk appetite in credit markets remains robust.

[1] Source: Bloomberg. JPM GBI-EM data is from InvestorForce. Data is as of September 30, 2023. The yield and duration data from Bloomberg is defined as the index's yield to worst and modified duration respectively.

Equity and Fixed Income Volatility[1]



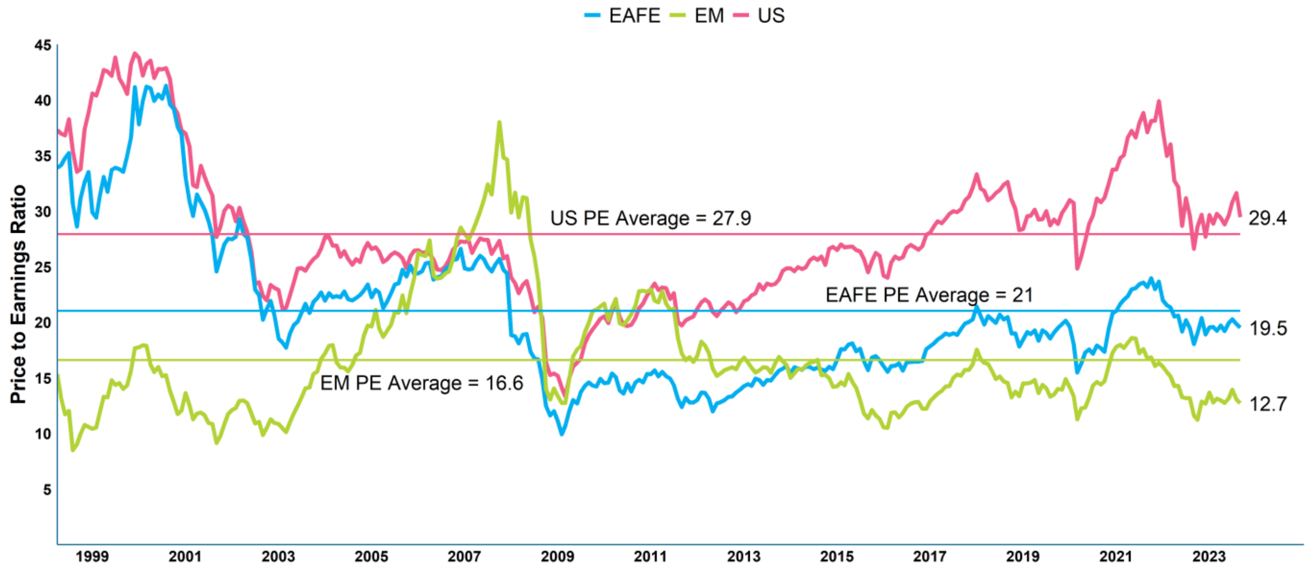


→ Volatility in equities (VIX) increased over the quarter but finished at a level below the long-term average. The recent increase in equity volatility has largely been driven by investors coming to terms that interest rates might remain higher for a longer period.

→ In comparison, volatility in the bond market (MOVE) remains well above its long-run average (88.7) after last year's historic losses and due to continued policy uncertainty. Over the quarter, fixed income volatility finished slightly higher compared to where it started, like equities, driven by expectations for rates to stay higher for longer.

[1] Equity Volatility – Source: FRED. 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 September 2023. The average line indicated is the average of the VIX and MOVE values between January 2000 and September 2023.

Equity Cyclically Adjusted P/E Ratios[1]

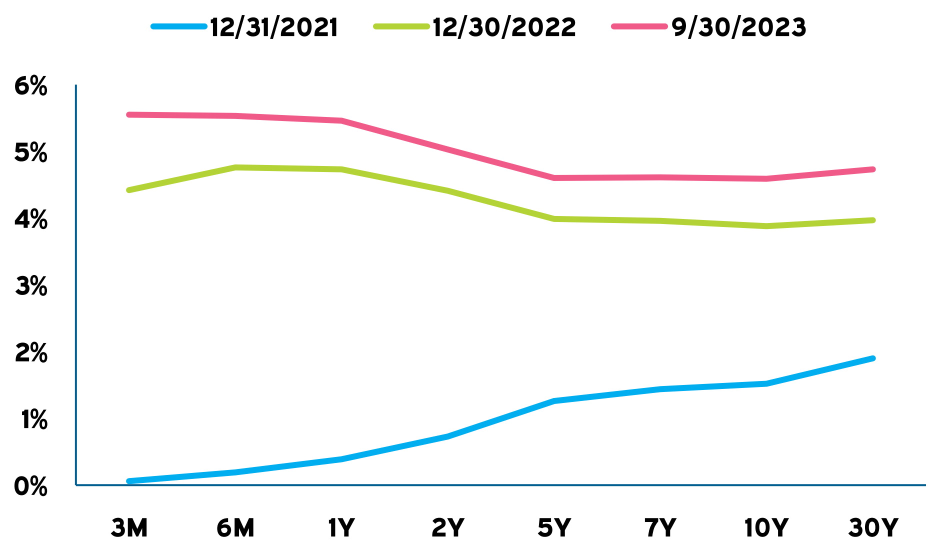


→ Given the strong technology-driven rally this year, the US equity price-to-earnings ratio increased above its long-run (21st century) average. With the equity market decline in August and September the P/E ratio fell from its recent peak.

→ International developed market valuations are below their own long-term average, with those for emerging markets the lowest and well under the long-term average (close to one standard deviation below).

[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: Bloomberg. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years. Data is as of September 2023. The average line is the long-term average of the US, EM, and EAFE PE values from April 1998 to the recent month-end respectively.

US Yield Curve[1]



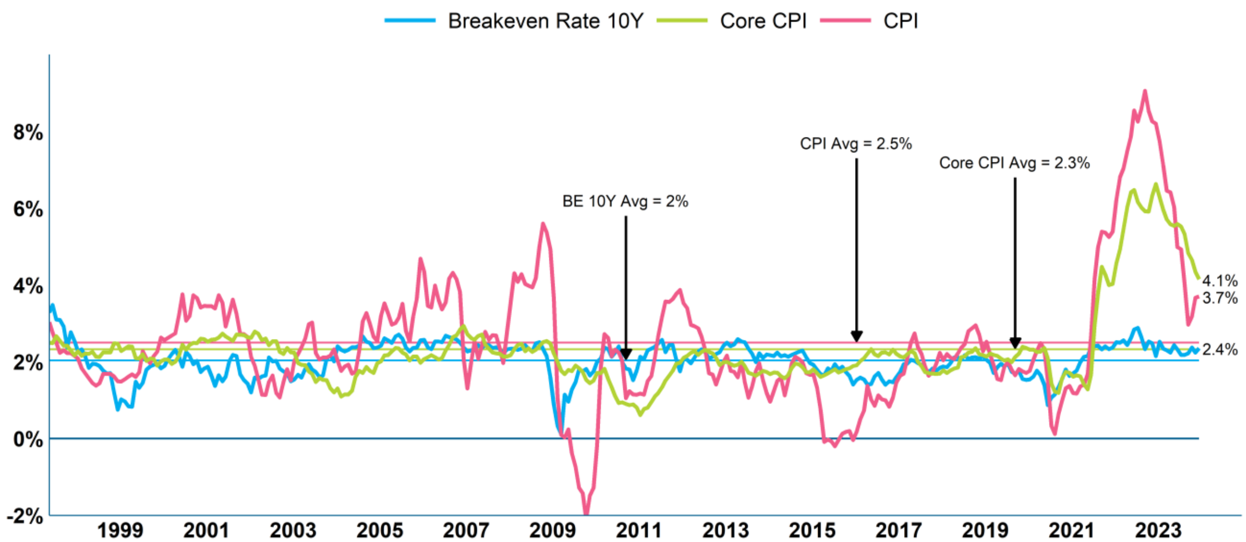
→ Overall rates have continued to increase this year, particularly at the policy sensitive front-end of the yield curve, but at much slower pace compared to last year.

→ Over the quarter, very short-term interest rates (two years or less) increased only slightly as monetary policy has likely reached close to its terminal rate for this cycle. By contrast, longer-term rates rose dramatically as US debt was downgraded and investors came to terms with rates remaining higher for longer. The ten-year Treasury yield increased from 3.8% to 4.6% over the quarter.

→ Because of the dynamic above, the yield curve's inversion decreased with the spread between two-year and ten-year Treasuries finishing the quarter at -0.47% (it started the quarter at -1.05%).

[1] Source: Bloomberg. Data is as of September 30, 2023.

Ten-Year Breakeven Inflation and CPI[1]

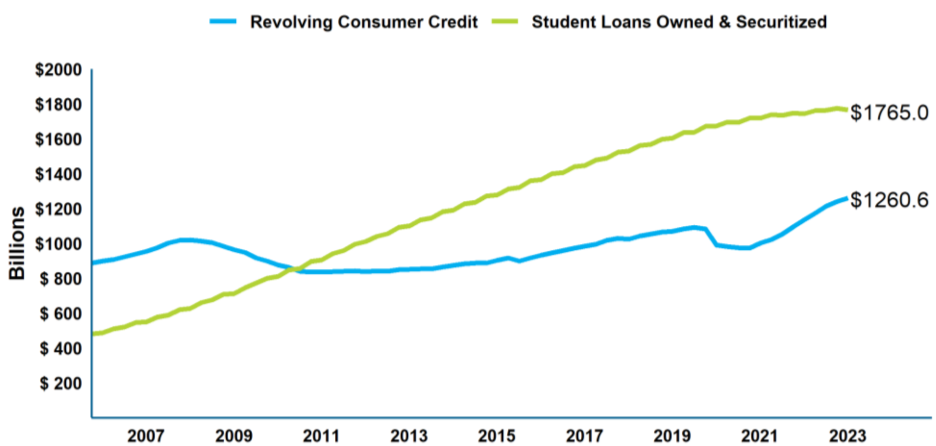


- → After the steady decline in inflation from the June 2022 peak, consumer prices recently increased driven by energy prices.
- → Year-over-year headline inflation was flat at 3.7% coming in slightly higher than expectations as improvements in energy prices were offset by higher shelter costs.
- → Core inflation – excluding food and energy – continued its decline (4.3% to 4.1%) year-over-year. It remains stubbornly high, though, driven by shelter costs (+7.2%), particularly owners' equivalent rent, and transportation services (+9.1%).
- → Inflation expectations (breakevens) remain well below current inflation as investors continue to expect inflation to track back toward the Fed's 2% average target.

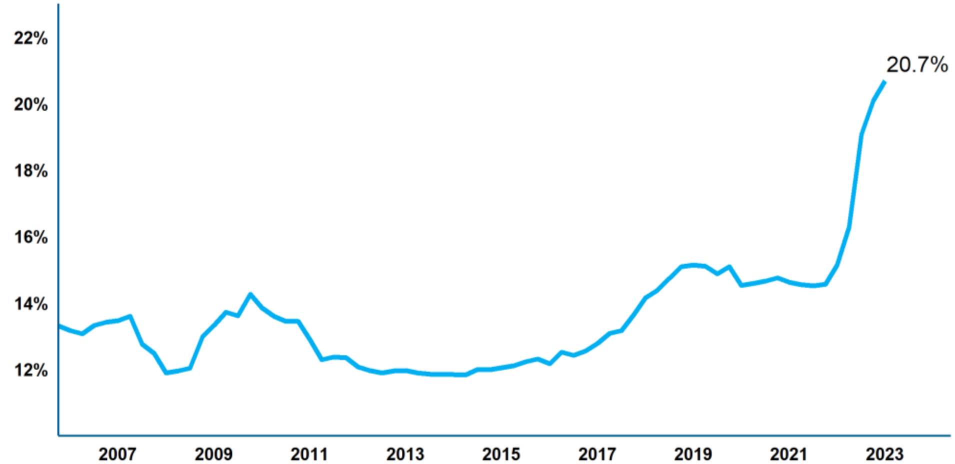
[1] Source: FRED. Data is as September 30, 2023. The CPI and 10 Year Breakeven average lines denote the average values from February 1997 to the present month-end, respectively. Breakeven values represent month-end values for comparative purposes.

US Consumer Under Stress[1]

Revolving Consumer Credit & Student Loans ($B)



Consumer Credit Card Interest Rates (%)



→ Despite the strong labor market and higher wages, pressures have started to build on the US consumer. This is an important consideration as consumer spending has been an important driver of economic growth.

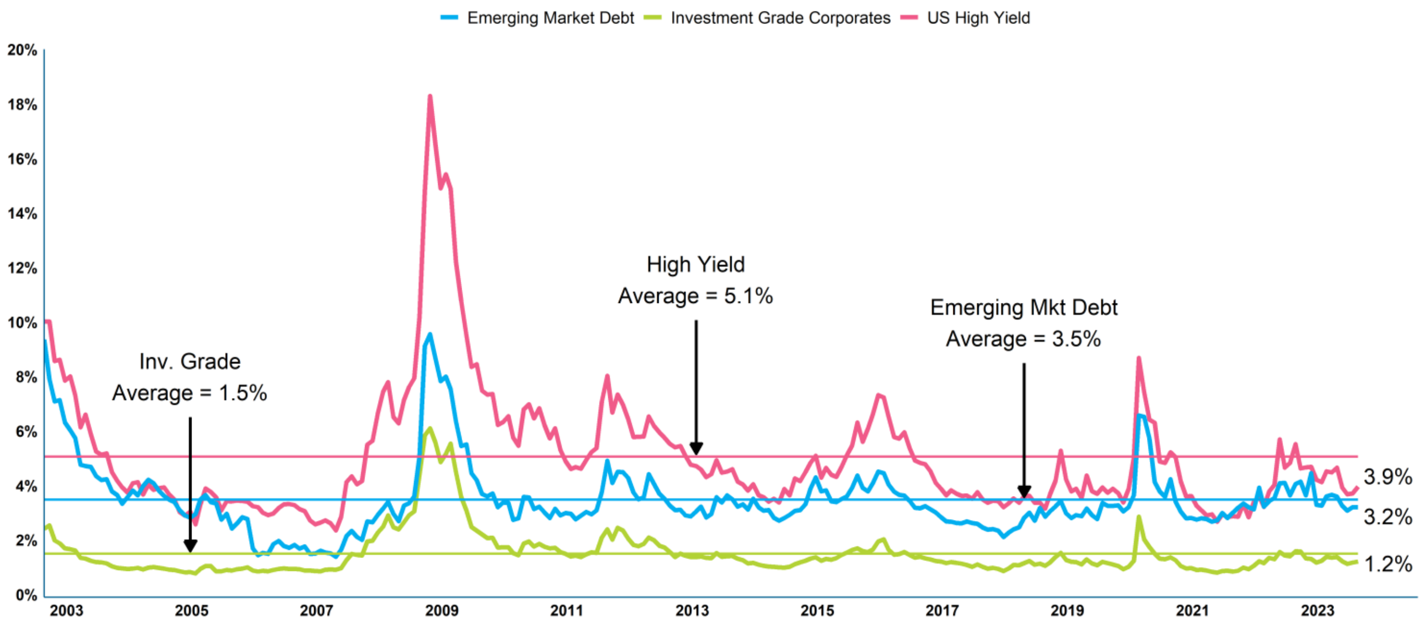
→ Revolving consumer credit surged to new highs in 2023 even as credit card interest rates hit levels not seen before (the prior peak was around 19% in the 1980s).

→ The return of student loan repayments after a three-year pandemic-related reprieve could add to pressures on consumers' budgets. This might be partially balanced by recently initiated repayment and forgiveness programs.

→ As we look ahead, the strength of the US consumers will remain key as they make up most of domestic growth (GDP).

[1] Source: FRED. The most recent data is as June 30, 2023. Revolving Consumer Credit data is seasonally adjusted to remove distortions during the holiday season.

Credit Spreads vs. US Treasury Bonds[1]

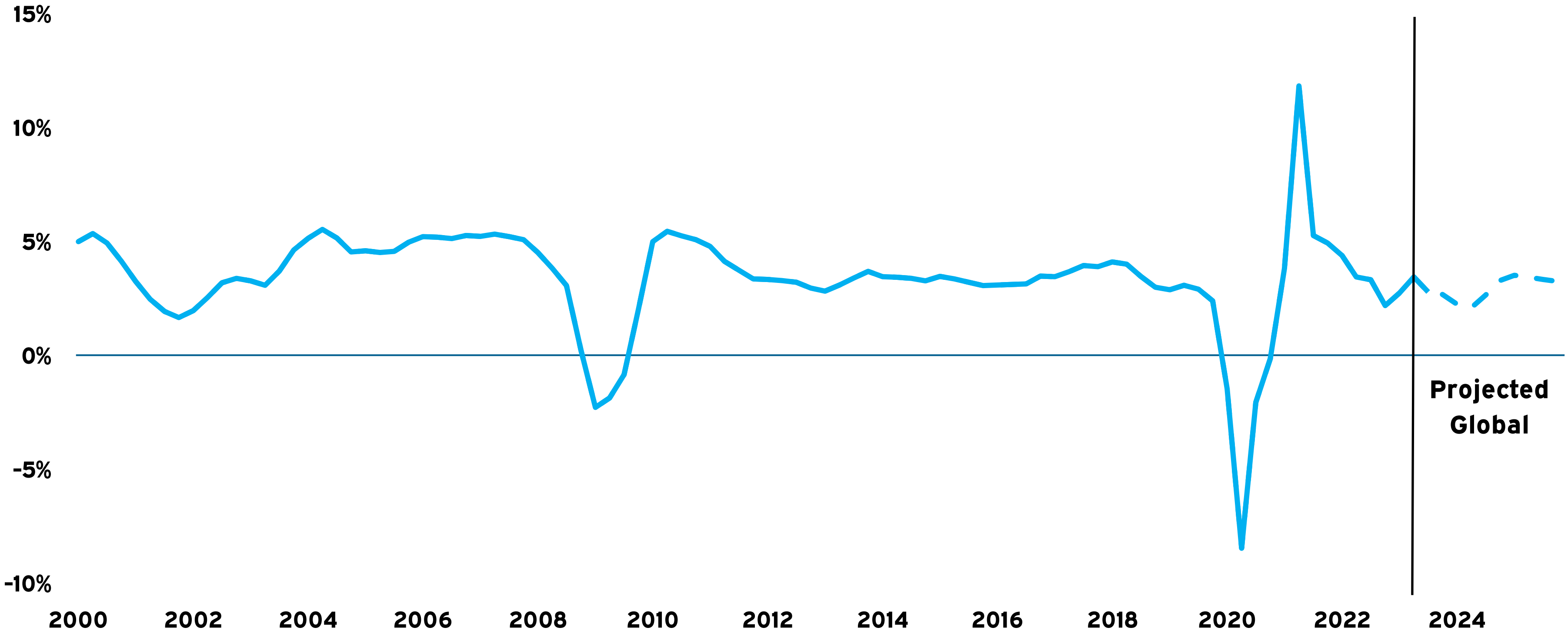


→ Credit spreads (the added yield above a comparable maturity Treasury) largely remained unchanged over the quarter.

→ High yield spreads remain well below the long-term average given the overall risk appetite this year. Investment grade and emerging market spreads are also below their respective long-term averages, but by smaller margins.

[1] Sources: Bloomberg. Data is as of September 30, 2023. Average lines denote the average of the investment grade, high yield, and emerging market spread values from September 2002 to the recent month-end, respectively.

Global Real Gross Domestic Product (GDP) Growth[1]

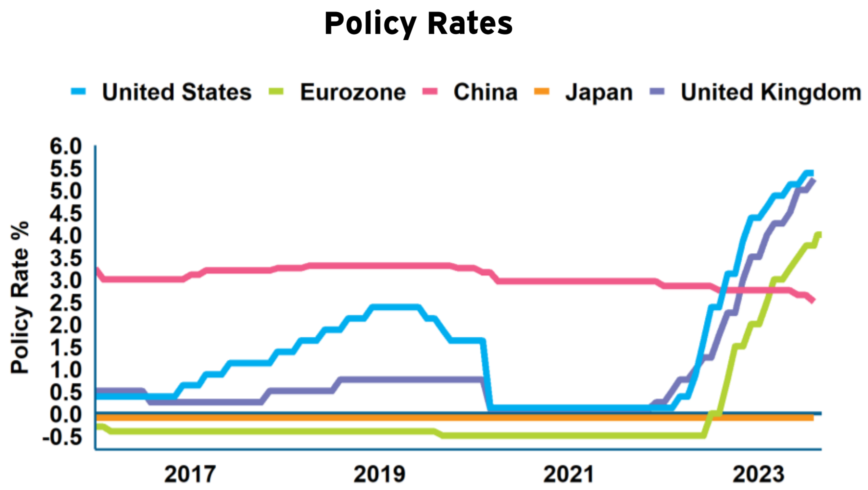


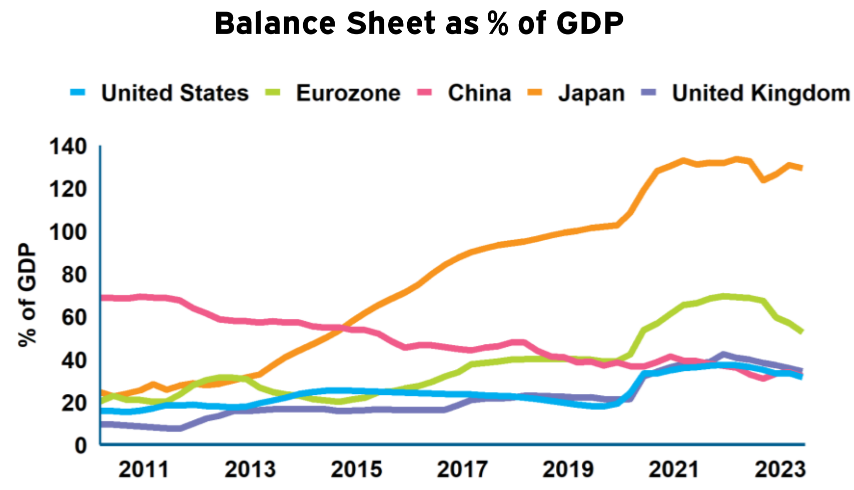
→ Global economies are expected to slow this year compared to 2022. The risk of recession remains elevated given policymakers' aggressive tightening, but optimism has started to grow over some central banks potentially navigating a soft landing.

→ The delicate balancing act of central banks trying to reduce inflation without dramatically disrupting labor markets and depressing economic growth, will remain key.

[1] Source: Oxford Economics (World GDP, US$ prices & PPP exchange rate, real, % change YoY). Updated September 2023.

Central Bank Response[1]

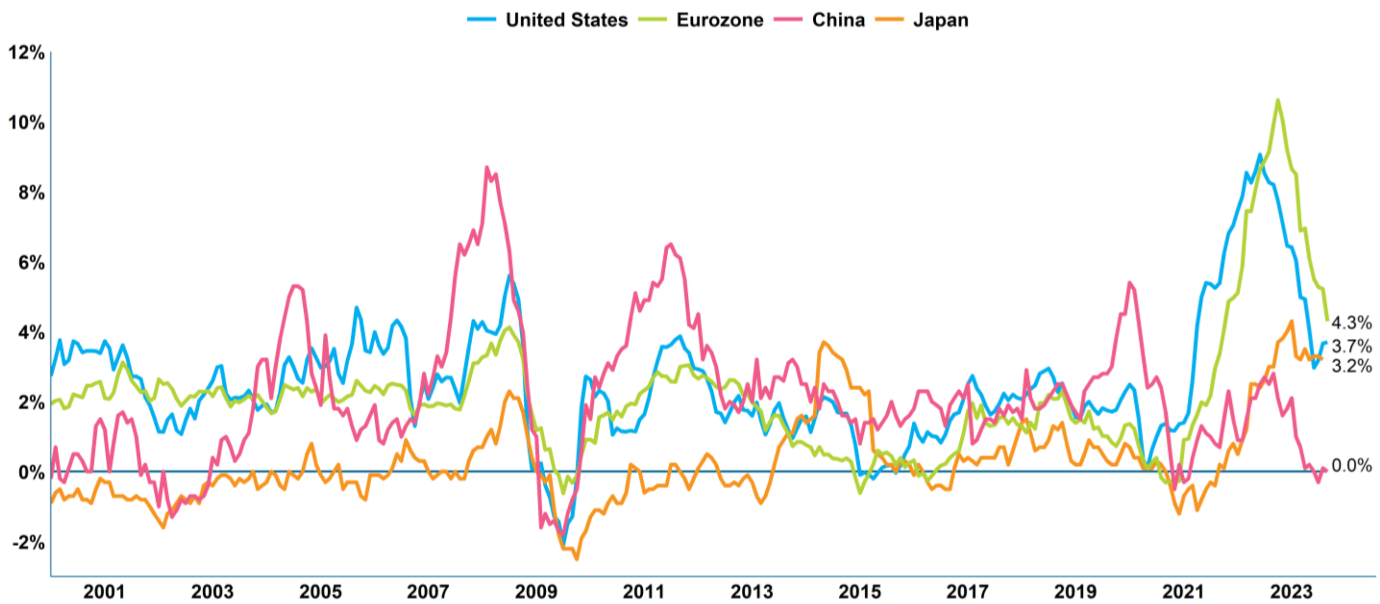




- → Slowing inflation and growth have led to expectations for a reduction in the pace of aggressive policy tightening.
- → In July the Fed raised rates another 25 basis points to a range of 5.25% to 5.50% and then kept rates at this level at their September meeting. Markets are expecting at most one more hike later this year.
- → The European Central Bank also increased rates in July, with an additional hike in September, but rates remain lower than in the US. In Japan, expectations have increased that the BOJ will end its negative interest rate policy due to rising inflation.
- → The central bank in China has continued to cut interest rates and inject liquidity into the banking system, as weaker than expected economic data appears to indicate a widespread slowdown.
- → Risks remain for a policy error as central banks attempt to balance bringing down inflation, maintaining financial stability, and supporting growth.

[1] Source: Bloomberg. Policy rate data is as of September 30, 2023. 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 June 30, 2023.

Inflation (CPI Trailing Twelve Months)[1]



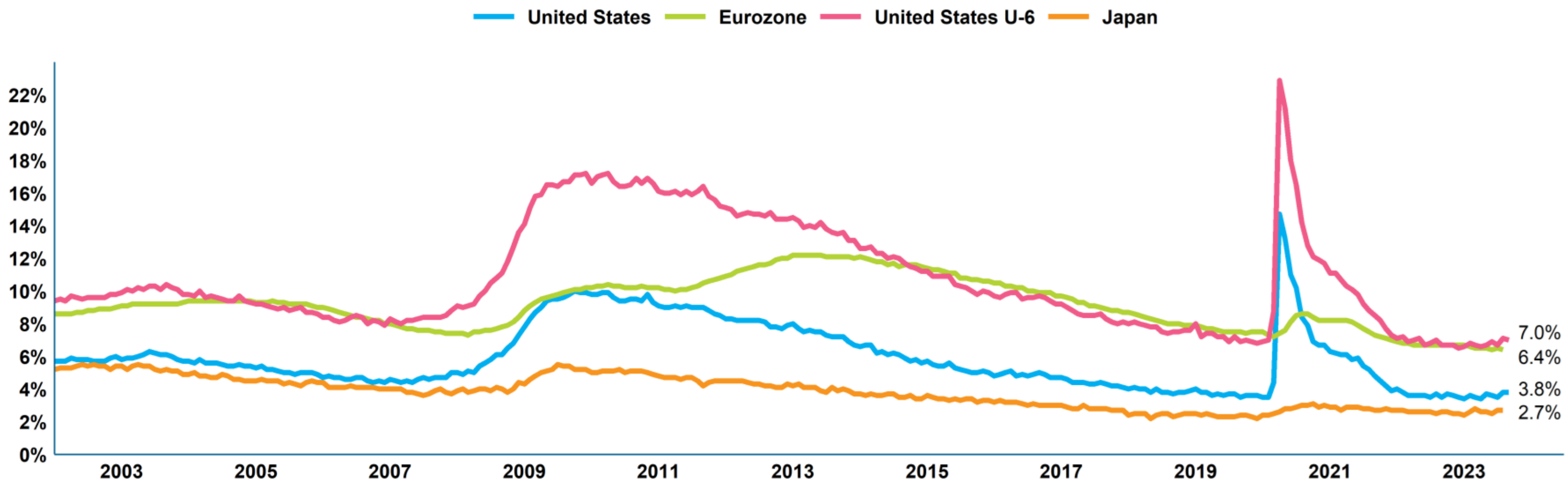
→ The inflation picture remains mixed across the major economies.

→ In the US, inflation was flat at 3.7%, influenced by rising shelter costs, while eurozone inflation remained higher than the US at 4.3%, a level well off its peak, however. Despite 2023's significant declines in the US and Europe, inflation levels remain elevated compared to central bank targets.

→ Inflation in Japan has increased to levels not seen in almost a decade largely driven by food and home related items. In China, deflationary pressures eased but prices were flat from a year prior.

[1] United States CPI and Eurozone CPI – Source: FRED. Japan CPI and China CPI - Source: Bloomberg. Data is as September 30, 2023. The most recent data for Japanese and Eurozone inflation is as of August 2023.

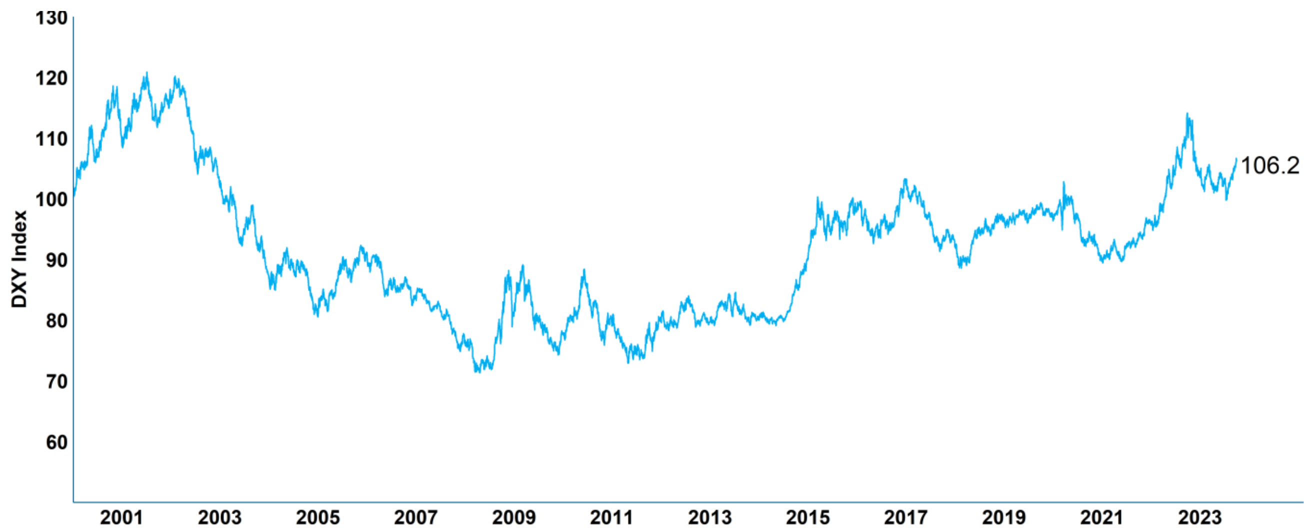
Unemployment[1]



- → Overall, the US labor market remains healthy with the unemployment rate relatively low, wage growth now positive in real terms, and initial claims for unemployment staying subdued. The pace of wage growth has slowed though, and despite remaining elevated, the number of job openings has declined from recent highs.
- → In September, unemployment remained at 3.8%, a level only 0.2% higher than the start of the quarter. The labor force participation rate remained at 62.8% well off the lows of the pandemic (60.1%) but not back to pre-pandemic levels (63.3%). Broader measures of unemployment (U-6) finished the quarter at 7.0% up only slightly from the end of June (6.9%).
- → Unemployment in Europe has also declined but remains higher than the US, while levels in Japan have been flat through the pandemic given less layoffs.

[1] Eurozone Unemployment - Source: Bloomberg. Japan, United States, United States U-6 Unemployment – Source: FRED. Data is as September 30, 2023, for the US. The most recent data for Eurozone unemployment is as of August 2023 and Japanese unemployment is as of August 2023.

US Dollar versus Broad Currencies[1]



- → After a strong 2022, the US dollar declined late last year and into early this year as weaker economic data and lower inflation led to investors anticipating the end of FOMC tightening.
- → Recently though, the dollar reversed course and appreciated against major currencies as relative growth remains strong and investors anticipate the FOMC keeping interest rates higher for longer.
- → For the rest of this year, the track of inflation across economies and the corresponding monetary policies will be key drivers of currency moves.

[1] Source: Bloomberg. Data as of September 30, 2023.

Summary

Key Trends:

→ The impact of inflation still above policy targets will remain key, with bond market volatility likely to stay high.

→ Global monetary policies could diverge going forward. The risk of policy errors remains elevated as central banks try to reduce persistent inflation while not tipping their economies into recession.

→ Growth is expected to slow globally this year, with many economies forecasted to tip into recession. However, optimism has been building that some economies could experience a soft landing. Inflation, monetary policy, and the war will all be key.

→ In the US, consumers could feel pressure as certain components of inflation remain high (e.g., shelter), borrowing costs are elevated, and the job market may weaken.

→ The key for US equities going forward will be whether earnings can remain resilient if growth continues to slow. Also, the future paths of the large technology companies that have driven market gains will be important.

→ Equity valuations remain lower in emerging and developed markets, but risks remain, including the potential for recent strength in the US dollar to persist, higher inflation weighing particularly on Europe, and China's sluggish economic reopening and on-going weakness in the real estate sector. Japan's recent hint at potentially tightening monetary policy along with changes in corporate governance in the country could influence relative results.

→ After month-end, heightened tensions in Israel could add to overall uncertainty and drive safe haven flows.

Disclaimer, Glossary, and Notes

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.

Credit Risk: Refers to the risk that the issuer of a fixed income security may default (i.e., the issuer will be unable to make timely principal and/or interest payments on the security).

Duration: Measure of the sensitivity of the price of a bond to a change in its yield to maturity. Duration summarizes, in a single number, the characteristics that cause bond prices to change in response to a change in interest rates. For example, the price of a bond with a duration of three years will rise by approximately 3% for each 1% decrease in its yield to maturity. Conversely, the price will decrease 3% for each 1% increase in the bond's yield. Price changes for two different bonds can be compared using duration. A bond with a duration of six years will exhibit twice the percentage price change of a bond with a three-year duration. The actual calculation of a bond's duration is somewhat complicated, but the idea behind the calculation is straightforward. The first step is to measure the time interval until receipt for each cash flow (coupon and principal payments) from a bond. The second step is to compute a weighted average of these time intervals. Each time interval is measured by the present value of that cash flow. This weighted average is the duration of the bond measured in years.

Information Ratio: This statistic is a measure of the consistency of a portfolio's performance relative to a benchmark. It is calculated by subtracting the benchmark return from the portfolio return (excess return), and dividing the resulting excess return by the standard deviation (volatility) of this excess return. A positive information ratio indicates outperformance versus the benchmark, and the higher the information ratio, the more consistent the outperformance.

Jensen's Alpha: A measure of the average return of a portfolio or investment in excess of what is predicted by its beta or "market" risk. Portfolio Return- [Risk Free Rate+Beta*(market return-Risk Free Rate)].

Market Capitalization: For a firm, market capitalization is the total market value of outstanding common stock. For a portfolio, market capitalization is the sum of the capitalization of each company weighted by the ratio of holdings in that company to total portfolio holdings; thus it is a weighted-average capitalization. Meketa Investment Group considers the largest 65% of the broad domestic equity market as large capitalization, the next 25% of the market as medium capitalization, and the smallest 10% of stocks as small capitalization.

Market Weighted: Stocks in many indices are weighted based on the total market capitalization of the issue. Thus, the individual returns of higher market-capitalization issues will more heavily influence an index's return than the returns of the smaller market-capitalization issues in the index.

Maturity: The date on which a loan, bond, mortgage, or other debt/security becomes due and is to be paid off.

Prepayment Risk: The risk that prepayments will increase (homeowners will prepay all or part of their mortgage) when mortgage interest rates decline; hence, investors' monies will be returned to them in a lower interest rate environment. Also, the risk that prepayments will slow down when mortgage interest rates rise; hence, investors will not have as much money as previously anticipated in a higher interest rate environment. A prepayment is any payment in excess of the scheduled mortgage payment.

Price-Book Value (P/B) Ratio: The current market price of a stock divided by its book value per share. Meketa Investment Group calculates P/B as the current price divided by Compustat's quarterly common equity. Common equity includes common stock, capital surplus, retained earnings, and treasury stock adjusted for both common and nonredeemable preferred stock. Similar to high P/E stocks, stocks with high P/B's tend to be riskier investments.

Price-Earnings (P/E) Ratio: A stock's market price divided by its current or estimated future earnings. Lower P/E ratios often characterize stocks in low growth or mature industries, stocks in groups that have fallen out of favor, or stocks of established blue chip companies with long records of stable earnings and regular dividends. Sometimes a company that has good fundamentals may be viewed unfavorably by the market if it is an industry that is temporarily out of favor. Or a business may have experienced financial problems causing investors to be skeptical about is future. Either of these situations would result in lower relative P/E ratios. Some stocks exhibit above-average sales and earnings growth or expectations for above average growth. Consequently, investors are willing to pay more for these companies' earnings, which results in elevated P/E ratios. In other words, investors will pay more for shares of companies whose profits, in their opinion, are expected to increase faster than average. Because future events are in no way assured, high P/E stocks tend to be riskier and more volatile investments. Meketa Investment Group calculates P/E as the current price divided by the I/B/E/S consensus of twelve-month forecast earnings per share.

Quality Rating: The rank assigned a security by such rating services as Fitch, Moody's, and Standard & Poor's. The rating may be determined by such factors as (1) the likelihood of fulfillment of dividend, income, and principal payment of obligations; (2) the nature and provisions of the issue; and (3) the security's relative position in the event of liquidation of the company. Bonds assigned the top four grades (AAA, AA, A, BBB) are considered investment grade because they are eligible bank investments as determined by the controller of the currency.

Sharpe Ratio: A commonly used measure of risk-adjusted return. It is calculated by subtracting the risk free return (usually three-month Treasury bill) from the portfolio return and dividing the resulting excess return by the portfolio's total risk level (standard deviation). The result is a measure of return per unit of total risk taken. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

STIF Account: Short-term investment fund at a custodian bank that invests in cash-equivalent instruments. It is generally used to safely invest the excess cash held by portfolio managers.

Standard Deviation: A measure of the total risk of an asset or a portfolio. Standard deviation measures the dispersion of a set of numbers around a central point (e.g., the average return). If the standard deviation is small, the distribution is concentrated within a narrow range of values. For a normal distribution, about two thirds of the observations will fall within one standard deviation of the mean, and 95% of the observations will fall within two standard deviations of the mean.

Style: The description of the type of approach and strategy utilized by an investment manager to manage funds. For example, the style for equities is determined by portfolio characteristics such as price-to-book value, price-to-earnings ratio, and dividend yield. Equity styles include growth, value, and core.

Tracking Error: A divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark, as defined by the difference in standard deviation.

Yield to Maturity: The yield, or return, provided by a bond to its maturity date; determined by a mathematical process, usually requiring the use of a "basis book." For example, a 5% bond pays $5 a year interest on each $100 par value. To figure its current yield, divide $5 by $95—the market price of the bond—and you get 5.26%. Assume that the same bond is due to mature in five years. On the maturity date, the issuer is pledged to pay $100 for the bond that can be bought now for $95. In other words, the bond is selling at a discount of 5% below par value. To figure yield to maturity, a simple and approximate method is to divide 5% by the five years to maturity, which equals 1% pro rata yearly. Add that 1% to the 5.26% current yield, and the yield to maturity is roughly 6.26%.

$$\frac{\text{5\% (discount)}}{\text{5 (yrs. to maturity)}} = \begin{array}{l}\text{1\% pro rata, plus}\\ \text{5.26\% (current yield)}\end{array} = \text{6.26\% (yield to maturity)}$$

Yield to Worst: The lowest potential yield that can be received on a bond without the issuer actually defaulting. The yield to worst is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call, or sinking fund, are used by the issuer.

NCREIF Property Index (NPI): Measures unleveraged investment performance of a very large pool of individual commercial real estate properties acquired in the private market by tax-exempt institutional investors for investment purposes only. The NPI index is capitalization-weighted for a quarterly time series composite total rate of return.

NCREIF Fund Index - Open End Diversified Core Equity (NFI-ODCE): Measures the investment performance of 28 open-end commingled funds pursuing a core investment strategy that reflects funds' leverage and cash positions. The NFI-ODCE index is equal-weighted and is reported gross and net of fees for a quarterly time series composite total rate of return.

Sources: Investment Terminology, International Foundation of Employee Benefit Plans, 1999.
The Handbook of Fixed Income Securities, Fabozzi, Frank J., 1991

Throughout this report, numbers may not sum due to rounding.

Returns for periods greater than one year are annualized throughout this report.

Values shown are in millions of dollars, unless noted otherwise.

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MEMORANDUM

TO: SJCERA Board of Retirement
FROM: Meketa Investment Group
DATE: December 8, 2023
RE: SJCERA Manager Certification Update: 3Q 2023 Overview and Responses

Summary of Responses

Meketa reviewed the SJCERA Quarterly Manager Certification Updates for the quarter ending September 30, 2023, from all funded managers. ***In Meketa's opinion, of the responses we have received, the manager information reported for the quarter presents no significant concerns to the SJCERA portfolio***. Meketa's opinion is based on the written responses and on Meketa's conversations with managers that reported senior investment personnel or management departures.

The managers' responses indicate that[1]:

→ All funded managers reported:

- Registered Investment Advisor in Good Standing, or are exempt,
- Compliance with Plan Investment Policy,
- Compliance with SJCERA's Manager Guidelines, or N/A,
- Reconciliation against the custodian, or N/A,
- Compliance with own internal risk management policies and procedures, and
- Delivered current ADV, SSAE-16 or equivalent Annual Financial Audits, as available.

→ Twelve managers reported litigation or regulatory investigation information:
Almanac, Angelo Gordon, Bessemer, BlackRock, GQG, HPS, Lightspeed, Loomis Sayles, Oaktree, Prologis, Stellex, and White Oak

→ Five managers reported investment team changes:
BlackRock, Crestline, GQG, Invesco, Oaktree, and White Oak

→ Six managers reported material management changes:
Angelo Gordon, AQR, BlackRock, Dodge & Cox, Graham, and Northern Trust

→ Three managers reported material business changes:
Angelo Gordon, AQR and GQG

→ Bridgewater, Davidson Kempner, Ocean Avenue, and PIMCO did not respond to the survey in time.

[1] Managers' responses to footnoted ("*") questions begin on page 6.

December 8, 2023

SJCERA Overview of Investment Mgr. Compliance Report

Manager	Sub-Segment	Q1 RIA in Good Standing; RIA	Q2 Complied with Plan Investment Policy	Q3 Complied w/ Mgr. Guidelines	Q4 Reconciled With Custodian	Q5 Litigation	Q6 Investment Personnel Changes	Q7 Mgmt. Changes	Q8 Material Business Changes	Q9 Complied Internal Risk Mgmt.	Q10 Sent Fncl Stmnts
Aggressive Growth											
BlackRock	Global Infrastructure	Yes	Yes	Yes	N/A	Yes*	Yes*	Yes*	No	Yes	Yes
BlackRock	Global Energy and Power	Yes	Yes	Yes	N/A	Yes*	Yes*	Yes*	No	Yes	Yes
Ocean Avenue**	PE Buyout FOF	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lightspeed Venture Partners	Growth Stage VC	Yes	Yes	Yes	N/A	Yes*	No	No	No	Yes	No
Morgan Creek	Multi-Strat FOF	Yes	Yes	Yes	N/A	No	No	No	No	Yes	Yes
Stellex Capital Partners	PE Special Situations	Yes	Yes	Yes	N/A	Yes*	No	No	No	Yes	No
AG Core Plus	Pvt. Non-core RE	Yes	Yes	Yes	N/A	Yes*	No	Yes*	Yes*	Yes	Yes
Almanac Realty	Pvt. Non-core RE	Yes	Yes	Yes	No*	Yes*	No	No	No	Yes	No
Greenfield/Grandview	Pvt. Non-core RE	Yes	N/A	Yes	N/A	No	No	No	No	Yes	Yes
Stockbridge	Pvt. Non-core RE	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes
Walton Street	Pvt. Non-core RE	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes
Long Arc Capital	Growth Stage VC	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes
Bessemer	Venture Capital	Yes	Yes	Yes	N/A	Yes*	No	No	No	Yes	Yes
Traditional Growth											
Northern Trust	All Cap Global	Yes	Yes	Yes	Yes	No*	No	Yes*	No	Yes	Yes
GQG	Emerging Mkts.	Yes	Yes	Yes	Yes	Yes*	Yes*	No	Yes*	Yes	Yes
PIMCO**	Emerging Mkts.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Invesco	REITS	Yes	Yes	Yes	Yes	No	Yes*	No	No	Yes	Yes
Stabilized Growth											
Bridgewater**	Risk Parity	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PanAgora	Risk Parity	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes
Neuberger Berman	Opp. Credit	Yes	Yes	Yes	Yes	No	No	No	No	Yes	No
Stone Harbor	Abs. Return	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes
Stone Harbor	Bank Loans	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes
BlackRock	Direct Lending	Yes	Yes	Yes	N/A	Yes*	Yes*	Yes*	No	Yes	Yes

December 8, 2023

Manager	Sub-Segment	Q1 RIA in Good Standing; RIA	Q2 Complied with Plan Investment Policy	Q3 Complied w/ Mgr. Guidelines	Q4 Reconciled With Custodian	Q5 Litigation	Q6 Investment Personnel Changes	Q7 Mgmt. Changes	Q8 Material Business Changes	Q9 Complied Internal Risk Mgmt.	Q10 Sent Fncl Stmnts
Aggressive Growth											
Medley**	Direct Lending	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mesa West	Comm. Mortgage	Yes	Yes	Yes	Yes	No	No*	No	No	Yes	No
Oaktree	Leveraged Direct	Yes	Yes	Yes	Yes	Yes*	Yes*	No	No	Yes	Yes
HPS	Direct Lending	Yes	Yes	Yes	No*	Yes*	No*	No	No	Yes	Yes
Raven Capital	Direct Lending	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes
White Oak	Direct Lending	Yes	Yes	Yes	Yes	Yes*	Yes*	No	No	Yes	Yes
Berkeley Partners	Value Add RE	Yes	Yes	Yes	N/A	No	No	No	No	Yes	Yes
Principal	Pvt. Core RE	Yes	Yes*	Yes	N/A*	No*	No	No	No	Yes	Yes
Prologis Targeted U.S.	Pvt. Core RE	N/A*	Yes	Yes	N/A*	Yes*	No	No	No	Yes	No
DWS / RREEF	Pvt. Core RE	Yes	N/A	Yes	N/A	No*	No	No	No	Yes	Yes
Principal Protection											
Dodge & Cox	Core Fixed Income	Yes	Yes	Yes	Yes	No*	No*	Yes*	No	Yes	Yes
Loomis Sayles	Core Fixed Income	Yes	Yes	Yes	Yes	Yes*	No	No	No	Yes	Yes
Crisis Risk Offset℠											
Dodge & Cox	Long Duration	Yes	Yes	Yes	Yes	No*	No*	Yes*	No	Yes	Yes
Mount Lucas	Syst. Trend Following	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes
Graham	Syst. Trend Following	Yes	Yes	Yes	Yes	No*	No	Yes*	No	Yes	Yes
AQR	Alt. Risk Premia	Yes	Yes	Yes	N/A	No*	No*	Yes*	Yes*	Yes	No
PE Investments	Alt. Risk Premia	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes
Overlay											
Parametric	PIOS Overlay Prgm	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes
Consultant											
Meketa	Consultant	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes

* Detailed written response provided below

** Manager declined to provide written responses.

Performance Information through September 30s, 2023								
		Inception			Ann. Excess (bps)		Peer Ranking	
Manager	Sub-Segment	Date	Status	Benchmark	3 Yrs	5 Yrs	3 Yrs	5 Yrs
Aggressive Growth								
BlackRock	Global Infrastructure	06/2023	Good Standing	MSCI ACWI +2%	n/a	n/a	n/a	n/a
BlackRock	Global Infrastructure	7/2019	Good Standing	MSCI ACWI +2%	-370	n/a	n/a	n/a
Bessemer Forge Fund	PE Buyout	09/2023	Good Standing	MSCI ACWI +2%	n/a	n/a	n/a	n/a
Lightspeed	Growth Stage VC	12/2023	Good Standing	MSCI ACWI +2%	n/a	n/a	n/a	n/a
Long Arc	Growth Stage VC	06/2023	Good Standing	MSCI ACWI +2%	n/a	n/a	n/a	n/a
Ocean Avenue II[1]	PE Buyout FOF	5/2013	Good Standing	MSCI ACWI +2%	2,790	1,560	n/a	n/a
Ocean Avenue III[1]	PE Buyout FOF	4/2016	Good Standing	MSCI ACWI +2%	1,660	1,500	n/a	n/a
Ocean Avenue IV	PE Buyout	12/2019	Good Standing	MSCI ACWI +2%	2,330	n/a	n/a	n/a
Ocean Avenue V	PE Buyout	06/2023	Good Standing	MSCI ACWI +2%	n/a	n/a	n/a	n/a
Morgan Creek III[4]	Multi-Strat FOF	2/2015	Good Standing	MSCI ACWI +2%	-2,300[4]	-2,130[4]	n/a	n/a
Morgan Creek V[1]	Multi-Strat FOF	6/2013	Good Standing	MSCI ACWI +2%	-130	-20	n/a	n/a
Ridgemont Equity	Special Situation PE	6/2023	Good Standing	MSCI ACWI +2%	n/a	n/a	n/a	n/a
Morgan Creek VI[1]	Multi-Strat FOF	2/2015	Good Standing	MSCI ACWI +2%	270	430	n/a	n/a
Stellex Capital II	PE – Special Situations	7/2021	Good Standing	MSCI ACWI +2%	n/a	n/a	n/a	n/a
AG Core Plus IV[3]	Pvt. Non-core RE	2014	Good Standing	Private RE Benchmark	-1,570	-980	n/a	n/a
Almanac Realty VI[3]	Pvt. Non-core RE	2011	Good Standing	Private RE Benchmark	190	150	n/a	n/a
Berkeley Partners V[3]	Pvt. Non-core RE	2020	Good Standing	Private RE Benchmark	n/a	n/a	n/a	n/a
Greenfield VII[3]	Pvt. Non-core RE	2013	Good Standing	Private RE Benchmark	110	-50	n/a	n/a
Grandview[3]	Pvt. Non-core RE	2018	Good Standing	Private RE Benchmark	480	n/a	n/a	n/a
Stockbridge III[3]	Pvt. Non-core RE	2017	Good Standing	Private RE Benchmark	1,160	450	n/a	n/a
Walton Street VI[3]	Pvt. Non-core RE	2007	Good Standing	Private RE Benchmark	50	-530	n/a	n/a
Traditional Growth								
Northern Trust	All Cap Global	10/2020	Good Standing	MSCI ACWI IMI	n/a	n/a	n/a	n/a
GQG	Emerging Mkts.	8/2020	Good Standing	MSCI Emerging Markets	n/a	n/a	n/a	n/a
PIMCO	Emerging Mkts.	4/2007	Good Standing	MSCI Emerging Markets	1,600	440	n/a	n/a
Invesco	REITS	8/2004	Good Standing	FTSE EPRA/NAREIT ex-US Equity	-400	-100	n/a	n/a
Stabilized Growth								
Bridgewater[2]	Risk Parity	3/2012	Good Standing	Bridgewater All Weather Blend	-780	-460	n/a	n/a
PanAgora	Risk Parity	4/2016	Good Standing	T-Bill +4%	-1,140	-540	n/a	n/a
Neuberger Berman[1]	Opp. Credit	2/2019	Good Standing	33% HY Const./33% S&P LSTA LL/ 33% JPMEMBI Glbl Div.	-70	n/a	n/a	n/a
Stabilized Growth (cont.)								

[1] Data is lagged 1 quarter.
[3] Annual Excess returns for Private Non-Core Real Estate are as of 09/30/2023, lagged 1 quarter.

December 8, 2023

Performance Information through September 30s, 2023								
		Inception			Ann. Excess (bps)		Peer Ranking	
Manager	Sub-Segment	Date	Status	Benchmark	3 Yrs	5 Yrs	3 Yrs	5 Yrs
Stone Harbor[1]	Abs. Return	4/2008	Good Standing	3-Month Libor	210	120	n/a	n/a
BlackRock	Direct Lending	05/2020	Good Standing	Custom Credit Benchmark	n/a	n/a	n/a	n/a
Silver Rock	Direct Lending	06/2023	Good Standing	Custom Credit Benchmark	n/a	n/a	n/a	n/a
Crestline[1]	Opportunistic	11/2013	Good Standing	CPI +6%	-1,140	-1,200	n/a	n/a
Davidson Kempner[1]	Opportunistic	10/2020	Good Standing	CPI +6%	n/a	n/a	n/a	n/a
Medley[1]	Direct Lending	7/2012	Good Standing	CPI +6%	-1,490	-1,830	n/a	n/a
Mesa West IV[1]	Comm. Mortgage	3/2017	Good Standing	CPI +6%	-1,400	-810	n/a	n/a
Oaktree[1]	Leveraged Direct	3/2018	Good Standing	MSCI ACWI +2%	110	n/a	n/a	n/a
HPS	Direct Lending	8/2020	Good Standing	CPI +6%	n/a	n/a	n/a	n/a
Raven Capital II[1]	Direct Lending	8/2014	Good Standing	CPI +6%	n/a	n/a	n/a	n/a
Raven Capital III[1]	Direct Lending	8/2015	Good Standing	CPI +6%	-340	-280	n/a	n/a
White Oak Summit[1]	Direct Lending	3/2016	Good Standing	CPI +6%	-1,200	-790	n/a	n/a
White Oak Yield Spectrum[1]	Direct Lending	3/2020	Good Standing	CPI +6%	-950	n/a	n/a	n/a
Principal[3]	Pvt. Core RE	10/2015	Good Standing	Private RE Benchmark	-410	-380	n/a	n/a
Prologis Targeted US[3]	Pvt. Core RE	9/2007	Good Standing	Private RE Benchmark	1,120	810	n/a	n/a
DWS / RREEF[3]	Pvt. Core RE	4/2016	Good Standing	Private RE Benchmark	-440	-360	n/a	n/a
Principal Protection								
Dodge & Cox	Core Fixed Income	10/1990	Good Standing	BB Aggregate Bond	220	140	n/a	n/a
Loomis Sayles	Core Fixed Income	4/2022	Good Standing	BB Aggregate Bond	n/a	n/a	n/a	n/a
Crisis Risk Offset[1]								
Dodge & Cox	Long Duration	2/2016	Good Standing	BB US Long Duration Treasury	80	20	n/a	n/a
Mount Lucas	Sys. Trend Following	1/2005	Good Standing	BTOP50 Index	920	140	n/a	n/a
Graham	Sys. Trend Following	4/2016	Good Standing	SG Trend	60	-50	n/a	n/a
AQR	Alt. Risk Premia	5/2016	Good Standing	5% Annual	1,820	-130	n/a	n/a
P/E Investments	Alt. Risk Premia	7/2016	Good Standing	5% Annual	-10	210	n/a	n/a
Other								
Northern Trust	Govt. Short Term	1/1995	Good Standing	US T-Bills	-10	-30	n/a	n/a
Parametric	Long Duration	1/2020	Good Standing	n/a	n/a	n/a	n/a	n/a

[1] Data is lagged 1 quarter.

Manager Responses to Highlighted Questions

This section includes the verbatim text of the manager's response to any highlighted questions to provide more detail to the table above.

Angelo Gordon Litigation

From time to time, the platform and its affiliates become involved in litigation, such as when a suit is brought against a portfolio company or a dispute relating to a transaction. We do not believe any of this litigation presents material liability to any of our funds or accounts.

Angelo Gordon Management Changes

Richa Gulati, Chief Compliance Officer and Associate General Counsel, resigned from Angelo Gordon to pursue another opportunity and her last day was Friday, October 6, 2023. The Compliance program is led by the CCO, Joann Harris, who reports to the firm's General Counsel (GC), Brad Berenson. Jenny Neslin, the AG Twin Brook Capital Income Fund ("TCAP") General Counsel & Secretary, has assumed the position of Chief Compliance Officer for TCAP.

Angelo Gordon Material Business Changes

Following the completion of our acquisition by TPG Inc. ("TPG") in November 2023, Angelo, Gordon & Co., L.P. ("TPG Angelo Gordon") is now a diversified credit and real estate investing platform within TPG. The responses provided herein reflect the business activities and operations of Angelo, Gordon & Co., L.P. prior to its acquisition. To the extent that any responses will need to be updated in light of the acquisition, these will be provided upon request when available.

Almanac Realty Reconciled with Custodian

The Fund relies on the audit exception to the Custody Rule by providing audited financials within 120 days. JP Morgan Chase is the custodian.

Almanac Realty Litigation

From time to time, Neuberger Berman and its employees are the subject of, or parties to examinations, inquiries and investigations conducted by US federal and state regulatory and other law enforcement authorities, non-US regulatory and other law enforcement authorities and self-regulatory organizations, including, but not limited to, the Securities and Exchange Commission ("SEC"), Financial Industry Regulatory Authority ("FINRA"), the National Futures Association ("NFA"), and the Municipal Securities Rulemaking Board (the "MSRB"). Neuberger Berman routinely cooperates freely with such examinations, inquiries and investigations. Neuberger Berman is also involved, from time to time, in actual or threatened civil legal proceedings and arbitration proceedings concerning matters arising in connection with the conduct of its business. Neuberger Berman believes that none of these matters either individually or taken together, will have a material adverse impact on the firm's business. All material proceedings in which there has been a final determination against any of Neuberger Berman's US registered investment advisers or its broker-dealer are disclosed in such affiliate's Form ADV Part 1 (if a registered investment adviser), Form BD (if a registered broker-dealer) or NFA Basic (if a CFTC registrant), each of which is publicly available through the SEC at http://www.adviserinfo.sec.gov, FINRA at http://www.finra.org, or the NFA at www.nfa.futures.org, respectively.

Manager Responses to Highlighted Questions (continued)

In December 2020, the Neuberger Berman Group 401(k) Plan Investment Committee (the "Plan IC") settled a class-action litigation related to a now-closed fund that had been previously offered in the Firm's 401(k) Plan. The settlement amount was $17 million dollars, and as part of the settlement all claims relating to the litigation against the Plan IC and Firm were released. The Plan IC denied, and continues to deny, all allegations of wrongdoing and all liability for the allegations and claims made in the litigation. The Firm remains proud of its 401(k) Plan, which offers participants a broad range of investment options, including leading third-party managers and a brokerage window. NBAA was not a party to the litigation.

With regard to current litigation related specifically to Almanac Realty Investors, on September 14, 2020, Almanac Realty Investors, LLC, and other Almanac-related entities (including ARS 5) and individuals (together, "Almanac"), were named as defendants in a complaint filed in Wisconsin State Court (the "Wisconsin Litigation") by VAT Master Corp. and VAT Master Limited Partnership (together "Vanta"). The original compliant asserted claims for breaches of contract, breaches of fiduciary duties, fraud, civil conspiracy, and unjust enrichment in connection with the management and liquidation of Vanta Commercial Properties LLC (f/k/a T. Wall Commercial Properties LLC) from 2007 until 2017.

On October 30, 2020, Almanac brought suit against Vanta in the Delaware Court of Chancery (the "Delaware Litigation") seeking to enjoin Vanta from pursuing the Wisconsin Litigation based on forum selection provisions from Vanta's operating agreement. The Delaware court entered an order granting plaintiffs' request for a permanent injunction as to eight of the nine counts in the Wisconsin Litigation and denying plaintiffs for a permanent injunction as to one remaining in the Wisconsin Litigation (the "Delaware Order"). Vanta filed a notice of appeal of the Order to the Delaware Supreme Court. On December 15, 2021, the Delaware Supreme Court summarily affirmed the Delaware Order.

On February 11, 2022, Vanta filed a first amended complaint in the Wisconsin Litigation. On March 3, 2022, Almanac moved to dismiss Vanta's remaining claim in the Wisconsin Litigation (the "Motion to Dismiss"). On August 5, 2022, the Wisconsin Court granted the Motion to Dismiss in part (as to two individual defendants), denied it in part (as to all other defendants except Almanac Realty Investors, LLC), and withheld ruling as to Almanac Realty Investors LLC pending plaintiffs' filing of a second amended complaint and further briefing. The Wisconsin Court ordered the plaintiffs in the Wisconsin Litigation to file a second amended complaint by September 6, 2022. On August 19, 2022, Almanac filed a petition for leave to appeal the Wisconsin Court's order denying the Motion to Dismiss with the Wisconsin Court of Appeals. On September 12, 2022, the Wisconsin Court of Appeals granted Almanac's petition for leave to appeal. On September 19, 2022, Vanta filed a notice of appeal of the Wisconsin Court's order granting the Motion to Dismiss with the Wisconsin Court of Appeals. On November 28, 2022, ARS 5 filed its opening brief in support of its appeal. On December 29, 2022, Vanta filed its responsive appellate brief. Almanac filed its combined reply in support of its appeal and response to VAT's appeal on January 30, 2023. VAT filed a reply in support of its appeal on February 14, 2023. The Wisconsin Court of Appeals heard oral argument on

Manager Responses to Highlighted Questions (continued)

Almanac's appeal to occur on April 14, 2023. On September 14, 2023, the Wisconsin Court of Appeals affirmed the Wisconsin Court's decision on the Motion to Dismiss on separate grounds. The cases presently remain on appeal.

AQR Litigation

To the best of our knowledge, neither AQR nor any of AQR's Principals or employees is or has been the subject of a legal proceeding, a government inquiry, or any regulatory actions during the past quarter ending September 30, 2023, that would materially impact AQR's financial condition, its management of client assets or its provision of investment advisory services. AQR routinely engages in correspondence with, and from time to time receives document requests and inquiries from, the US Securities and Exchange Commission, The US Commodities Futures Trading Commission, the US Department of Labor and other regulatory and law enforcement agencies from various US and non-US jurisdictions. At this time, we are not aware of any inquiries or investigations that would have a material adverse effect on AQR's ability to conduct its business. Please note the historical matters set forth in item 11 of AQR's part 1 of Form ADV.

AQR Personnel Changes

Within our Macro Strategies Group investment team, which supports the strategy, there have been no senior-level (Managing Director and above) investment professional additions and one departure over the past quarter ending June 30, 2023.

AQR Management Changes

Please note the following changes as of July 11, 2023:

John Howard has been named Head of US Wealth. As AQR's Co-COO and CFO, John has knowledge and relationships across all areas of AQR, has been deeply involved in the US Wealth business and is uniquely positioned to align the processes and functions to position us for optimal execution, efficiency and growth in US Wealth. Going forward, John will maintain his Co-COO responsibilities.

Pat Ryan has been named Chief Financial Officer. As AQR's Corporate Controller for the past decade, he has been responsible for the oversight of the Corporate Finance, Financial Reporting, Corporate Tax, Fund Treasury and Facilities teams.

Ted Pyne will focus on the Family Office and Principal channels within the US Wealth team.

AQR Material Business Changes

Please refer to our response directly above.

Manager Responses to Highlighted Questions (continued)

Bessemer Litigation

ONGOING MATTERS

Go Fig, Inc.

A former portfolio company in which the BVP VI Funds held a minority, non-controlling interest, Go Fig, Inc. ("Fig"), is currently engaged in bankruptcy proceedings pursuant to Chapter 7 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Missouri. A creditor, GE Money Bank ("GE"), served a number of discovery requests on various parties, including the BVP VI Funds. The BVP VI Funds produced documents responsive to the discovery requests and Robert Stavis, a BVP partner, who was a former director of Fig, appeared as BVP's representative for a deposition during mid-2008. In October 2009, Fig's bankruptcy trustee outlined by letter its claims (a) against the BVP VI Funds and Rob Stavis for "aiding and abetting a breach of fiduciary duty" by others and (b) against Rob Stavis for a breach of a duty of loyalty and good faith. Based on advice received from our outside special legal counsel in Delaware, Morris Nichols Arsht & Tunnell, and litigation counsel in Missouri, Stinson Leonard Street, we believe that any such claims would be difficult to pursue, are not supported by legal precedent and are without merit. In January 2014, the BVP VI Funds signed a settlement agreement with the bankruptcy trustee, providing for a full release of claims in exchange for a one-time payment by the BVP VI Funds of $95,000. While the settlement agreement is technically awaiting court approval, the matter has been dormant since 2014. If eventually approved, it would resolve all claims that have been, or could be, made against BVP, any BVP fund and Rob Stavis in the bankruptcy case. Approximately half of the settlement amount is expected to be reimbursed by Houston Casualty Company, the BVP VI Funds' insurer of record for the matter.

In addition, we also were advised in May 2008 that Attorneys General for the states of Texas, Georgia, Kansas, Missouri, Ohio, Kentucky, and California had separately asserted claims against Fig. Purportedly, the Attorneys General alleged that the officers and directors of Fig operated their business in violation of state and local laws governing medical practice and consumer protection statutes. No activity has occurred in such investigations of which we are aware, and neither the BVP VI Funds nor Rob Stavis have been contacted in any way by such Attorneys' General. There also were several letters threatening litigations delivered to former directors of Fig, including Rob Stavis, in the months since the initial bankruptcy filings by certain of Fig's former investors and customers. These letters generally alleged breaches of duties by directors. We believe all such claims are without merit and are not aware that any party who sent such a letter has taken any other steps to pursue litigation.

Pinterest

In November and December 2020, certain of Pinterest's executives and members of its board of directors, including BVP partner Jeremy Levine, were named as defendants in shareholder derivative lawsuits filed in the US District Court for the Northern District of California. Pinterest was also named as a nominal defendant. The lawsuits purport to assert claims for breach of fiduciary duty in connection with allegations of gender and racial discrimination at Pinterest. In addition, the lawsuits purport to assert claims for waste, abuse of control, aiding and abetting breaches of fiduciary duties, unjust enrichment, and violations of Section 14(a) of the Exchange Act. The complaints seek declaratory and

Manager Responses to Highlighted Questions (continued)

injunctive relief, corporate governance changes, monetary damages, interest, disgorgement, and fees and costs. On July 14, 2021, another shareholder derivative complaint with similar allegations was filed in the same court and was subsequently related to the earlier action. The cases were referred to a magistrate judge for mediation, and the proceedings were stayed during the pendency of that mediation. On November 24, 2021, the parties entered into a stipulation of settlement. A final approval for the settlement was granted on May 26, 2022. The court granted a portion of the attorneys' fees sought by Plaintiffs, while another portion remains contingent on certain conditions being fulfilled within two years of the settlement approval.

In March 2021, certain of Pinterest's executives and members of its board of directors (including BVP partner Jeremy Levine) were named as defendants in a shareholder derivative lawsuit filed in the Delaware Chancery Court. Pinterest was also named as a nominal defendant. The complaint alleged that executives and members of the board breached their fiduciary duties to the company in connection with allegations of gender and racial discrimination at Pinterest. The complaint sought damages, litigation costs, and interest. On May 10, 2021, the court stayed this lawsuit in light of the related pending case in the Northern District of California. On July 21, 2022 the matter was dismissed.

Pinterest has indemnified and provided a defense to Mr. Levine in connection with the above referenced matters.

Welltok

In December 2021, a portfolio company of the BVP VIII Funds, Welltok, Inc., received e-mails and letters threatening litigations in connection with Welltok's acquisition of Wellpass, Inc. These letters that have been delivered by or on behalf of the former stockholders of Wellpass, Inc., generally allege breaches of fiduciary duties and fraud by Welltok and its directors, including BVP partner Stephen Kraus. The BVP funds are not named in these matters. We believe that any such claims are without merit and no formal litigation has been filed as of this date.

Bright Health

On January 6, 2022, a putative securities class action lawsuit was filed against Bright Health Group and certain of its officers and directors, including BVP partner Stephen Kraus, in the Eastern District of New York. The case is captioned Marquez v. Bright Health Group, Inc. et al., 1:22- cv-00101 (E.D.N.Y.). The lawsuit alleges, among other things, that Bright Health Group made materially false and misleading statements regarding our business, operations, which in turn adversely affected our stock price. An amended complaint was filed on June 24, 2022, which expands on the allegations in the original complaint and alleges a putative class period of June 24, 2021 through March 1, 2022. The amended complaint also adds as defendants the underwriters of Bright Health Group's initial public offering. The Company has served a motion to dismiss the amended complaint, which has not yet been ruled on by the court.

By letter dated January 28, 2022, Bright Health Group received a demand from a purported shareholder to inspect its books and records pursuant to Delaware law. The demand sought information related to the December 6, 2021 Investment Agreement that the Company entered into with NEA and Cigna. The Company and the shareholder's counsel executed a confidentiality agreement, and

Manager Responses to Highlighted Questions (continued)

produced certain books and records in response to the demand. On June 3, 2022, the purported shareholder filed a putative class action complaint against the Company and its Board of Directors alleging that the standstill provisions and certain transfer restrictions in the Investment Agreement breached fiduciary duties to shareholders. The case is captioned Berger v. Adkins et al., 2022-0487 (Del. Ch.). The complaint seeks declaratory and injunctive relief, and an award of attorneys' fees, but does not allege damages. The Company filed a motion to dismiss the complaint, which has not yet been ruled on by the court. The parties are also currently preparing to exchange discovery.

Bright Health will indemnify and provide a defense to Mr. Kraus in connection with the above referenced matters.

Joseph Cima Derivatively on Behalf of OvaScience, Inc. v. Dipp et al.

On November 9, 2016, a purported shareholder derivative action was filed in Massachusetts State court (Cima v. Dipp) against OvaScience and certain former officers and directors of OvaScience (including BVP Partner Stephen Kraus) and OvaScience alleging breach of fiduciary duties, unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets for purported actions related to OvaScience's January 2015 follow-on public offering. As of September 12, 2022, the parties have reached an agreement in principle and have executed a term sheet in connection with a settlement. On September 13, 2022, the parties filed a joint motion to stay the case pending settlement. On September 15, 2022, the court issued a 90 day nisi order. The parties are in discussions regarding a potential attorney fee award. If the parties cannot reach a resolution regarding a fee award, any potential award will be determined by the Court. Any final settlement is subject to Court approval.

OvaScience has been indemnifying and providing a defense to Mr. Kraus in connection with the above referenced matters.

Hyde Park Venture Partners Fund III, L.P. vs. FairXchange, LLC

Hyde Park Venture Partners Fund III, L.P. is in litigation with FairXchange, LLC. In connection with this matter, FairXchange issued a non-party subpoena to BVP in January 2023. The subpoena requests production of certain categories of documents relating to certain BVP investment activities. Please note that FairXchange is not and was never a BVP portfolio company. BVP has engaged Lowenstein Sandler to assist with this matter.

Federal Trade Commission v. Meta Platforms, Inc.

The US Federal Trade Commission ("FTC") is in litigation with Meta Platforms, Inc. ("Meta"). In connection with this matter, Meta and the FTC each issued a non-party subpoena to BVP in March 2022 and May 2022, respectively. The subpoena requests production of certain categories of documents relating to certain BVP investment activities. We understand that a number of tech companies and venture funds may have received similar subpoenas from Meta and we believe that these requests are being made by Meta and FTC broadly to gather data for their respective cases. Please note that Meta is not and was never a BVP portfolio company. BVP has engaged Orrick Herrington and Sutcliffe to assist with this matter.

Manager Responses to Highlighted Questions (continued)

Holiday Travel Triangle

In December 2019, BVP partner Anant Vidur Puri was named, alongside certain other persons, in a Petition in the matter of: Sankalp Agarwal & Another versus Holiday Travel Triangle & Others in his capacity as a director of Holiday Travel Triangle. BVP was also named in such matter. The matter relates to the removal of the CEO from the Company and his petition to enjoin the majority shareholders from taking any action with respect to the Company (including but, not limited to, his removal from the CEO position). The defendants believe the petition to be without merit. The parties are actively working to settle the matter outside of court. To our knowledge, this matter remains unresolved at this time.

Rupify

In November 2022, BVP partner Vishal Gupta was named, alongside certain other persons, in a Petition in the matter of: Ankit Singh v. Rupify in his capacity as a director of Rupify. BVP was also named in such matter. The matter relates to the removal of an employee from the Company and its board and his petition for oppression and mismanagement as it relates to such action. The defendants believe the petition to be without merit. The parties are actively working to settle the matter outside of court. To our knowledge, this matter remains unresolved at this time.

Michael Green Matter

In September 2022, Michael Green contacted BVP claiming the BVP website violated certain of his private rights under EU GDPR and UK Data Protection Act. The matter was settled with Mr. Green in October 2022 for less than GBP2,000 and BVP's website was updated.

Jamey Smith Matter

In December 2022, we received a letter claiming that BVP erroneously filed a 1099B with respect to a share distribution to a Mr. Jamey Smith. This alleged error allegedly triggered an IRS notice and audit for Mr. Smith. After internal review and discussion with counsels for BVP and Mr. Smith, it was determined that the allegedly IRS notice was likely a phishing attempt. The lawyers for Mr. Smith have confirmed that they consider this matter to be closed with Bessemer.

Forge Global Trademark

In December 2022, BVP received a letter from Forge Global requesting that BVP discontinue the use of BVP Forge, ForgeEdge and Forge. BVP believes the request to be without merit and has engaged counsel to dispute the request.

BlackRock Litigation

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

Manager Responses to Highlighted Questions (continued)

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

BlackRock, Inc. and its various subsidiaries, including BFM, also have been subject to certain business litigation that has arisen in the normal course of their business. Our litigation has included a variety of claims, some of which are investment-related. None of BlackRock's prior litigation has had, and none of its pending litigation currently is expected to have, an adverse impact on BlackRock's ability to manage client accounts.

BlackRock Investment Personnel Changes

The BlackRock Direct Lending Fund team announced one departure at the Director level-**Kush Kothary**. There were no changes to the Voting Members of the Fund in which SJCERA is invested.

BlackRock Management Level Changes

John Kelly joins BlackRock as Global Head of Corporate Affairs, a senior executive with decades of experience working with global industry leaders like Microsoft and Starbucks building their brand, engaging stakeholder communities, and managing complex policy issues on a global scale. John is based in New York City and serves on the Global Executive Committee. Most recently, John was Senior Vice President for Brand, Communications & Corporate Affairs at the leading streaming platform, Roku.

Four investors named to the Global Executive Committee:

Rick Rieder, *Sr. Managing Director, CIO of Global Fixed Income, Head of Fundamental Fixed Income*

Raffaele Savi, *Sr. Managing Director, Global Head of BlackRock Systematic (BSYC) and Co-CIO and Co-Head of Systematic Active Equity (SAE)*

Samara Cohen, *Sr. Managing Director, CIO of ETF and Index Investments*

Susan Chan, *Sr. Managing Director, Deputy Head of Asia Pacific, Head of Greater Chia and Head of Trading, Liquidity & Lending Asia Pacific*

Amin Nasser Board Appointment: In July 2023, we announced the appointment of Amin Hassan Ali Nasser, the CEO of the Saudi Arabian Oil Company ("Aramco"), one of the world's largest integrated energy companies, to BlackRock's Board of Directors. Nasser brings to the Board his perspective as the CEO of a company at the center of some of the most important business trends globally. This includes oversight of the successful public listing of Aramco, which was the largest IPO in history. Nasser

Manager Responses to Highlighted Questions (continued)

has also established Aramco as a leader in the global energy transition, investing in cutting-edge technologies to address the challenge of balancing energy security and sustainability.

Crestline Litigation

Crestline is from time to time involved in various disputes or other litigation in connection with our business activities or as part of the investment process in particular, but without limitation, where transactions involve investments subject to a bankruptcy process. None of the foregoing are material.

Crestline Investment Personnel Changes

James Quinn joined in September 2023 as a Senior Analyst responsible for Asset Management.

DWS RREEF Litigation

DWS Group GmbH & Co. KGaA and its various subsidiaries (collectively "DWS"), which includes RREEF America L.L.C. (RREEF), are global financial institutions with numerous domestic and foreign affiliates. In the course of its businesses, these affiliates are, or may be subject to litigation and arbitration and to regulatory examinations, investigations and inquiries. To the best of our knowledge, none is currently expected to have a material adverse effect on the ability of DWS to execute its investment duties and responsibilities to your accounts. DWS reports these matters as required by law or regulation and disclose any significant legal proceedings, including litigation and regulatory matters in its annual reports. DWS Group's filings are available on its website at https://group.dws.com/ir/reports-and-events/. For RREEF, please refer to the Form ADV Part 1 for disclosures for these entities with respect to criminal, regulatory and civil actions, if applicable, against RREEF, its officers, directors and employees, and entities controlling, controlled by or under common control with either of those entities. Please note, we may be subject to confidentiality restrictions and prohibited from disclosing information concerning certain inquiries or investigations.

Dodge & Cox Litigation

Dodge & Cox, by the nature of its business, may receive third-party subpoenas in the normal course of doing business and may also become involved in civil litigation. Nevertheless, as of quarter end, Dodge & Cox and its officers/employees have not been involved in any material litigation during the relevant time period. Dodge & Cox has not been investigated by any regulator or involved in any regulatory enforcement action during the relevant time period.

Dodge & Cox Investment Personnel Changes

Dodge & Cox has experienced an extremely low level of personnel turnover throughout our history. There were no additions or departures related to the investment team responsible for SJCERA's portfolio during the past quarter.

Dodge & Cox Management Personnel Changes

Gradual and thoughtful transition of leadership is a hallmark of our firm. To ensure continuity of our investment philosophy, research process, and culture, we spend considerable time planning for leadership succession, and evolve the composition of our Investment Committees gradually. We select Investment Committee members based on their long-term contributions to our research and

Manager Responses to Highlighted Questions (continued)

investment processes as analysts and members of our Sector Committees, and their demonstrated interest in portfolio strategy.

As a reminder, on January 12, 2023, we announced the forthcoming changes to our leadership team, and two of our Investment Committees:

Investment Leadership

Tom Dugan, Senior Vice President and Director of Fixed Income, has decided to retire on December 31, 2023 after what will have been more than 30 years of distinguished service at Dodge & Cox. After Tom retires, **Lucy Johns**, Senior Vice President and Associate Director. Tom will leave the USFIIC when he retires.

GQG Litigation

In 1Q 2023, GQG Partners LLC (GQG) received a non-routine request letter from the staff of the US Securities and Exchange Commission (SEC) and a follow-up request in August 2023. GQG has responded to all requests for information received to date.

GQG Investment Team Changes

In 3Q23, three (3) analysts departed the Firm.

GQG Material Business Changes

In 3Q 2023, on July 27, 2023, GQG Partners Inc. announced that it intends to submit a non-binding indicative proposal to acquire all of the issued ordinary shares in Pacific Current Group (PAC) (ASX: PAC). GQG does not expect the proposed acquisition, if consummated, would have a material impact on the investment management services GQG provides its current clients.

Graham Litigation

To the best of the firm's knowledge, neither GCM nor any of its funds have been the subject of legal proceeding or investigation by a government agency or other regulatory body, other than with respect to inquiries of a routine or general nature, sweep examination, or audit, the effect of which was in each case immaterial to the financial condition or operations of GCM and its funds.

Graham Investment Team & Management Team Changes

Effective August 11, 2023, Tom Feng has been promoted to Chief Investment Officer – Quant Strategies. Tom has been a senior member of our Quantitative Strategies team since April 2009, making significant innovative contributions to Graham's quantitative solutions, including our Quant Macro program. Tom received his BS in Mathematics from Yale University and his Ph.D. in Mathematics from Princeton University. As the Chief Investment Officer – Quant Strategies, Tom is responsible for all areas of quantitative alpha generation, execution, and operations. Dr. Feng has been added to the Risk Committee and Investment Committee.

Ed Tricker has retired from the financial industry and Graham effective August 11, 2023. Ed will continue to work with the firm in a consulting capacity during a transition period through the end of 2024.

Manager Responses to Highlighted Questions (continued)

HPS Custodian Reconciliation

We expect SJCERA's account to be reconciled with the Fund's Administrator, Harmonic Fund Services, for the second quarter of 2023 by September 2023.

HPS Litigation

Yes, however, to our knowledge, there are no litigations involving the Firm that HPS believes will have a material adverse effect upon the Firm. No ongoing regulatory proceedings.

HPS Investment Personnel Changes

During the third quarter of 2023, there were no hires or departures at the level of Vice President or above to the dedicated Asset Value* team.

* Formerly known as European Asset Value.

Invesco Investment Personnel Changes

Effective July 5, 2023, Chip McKinley, Senior Portfolio Manager, is no longer with the firm.

Lightspeed Litigation

Litigation has become an increasingly common presence in the business and investing landscape. Our portfolio companies and their officers and directors, including Lightspeed partners who are serving as directors at a portfolio company, are sometimes named in lawsuits relating to the operations, financial results or other matters pertaining to such portfolio companies. Such litigation, which may also include our funds and other investors in a portfolio company, is currently ongoing. When these lawsuits occur, it is the firm's practice to retain outside counsel for the purpose of representing the firm's interests (including the interests of our partners and funds) in connection with such litigation.

Loomis Sayles Litigation

Loomis, Sayles & Company, L.P. is defendant in a civil complaint initially filed in April 2014. The complaint alleges that Loomis Sayles misclassified a software engineer as an independent contractor, when he should have been an employee of Loomis Sayles under applicable Massachusetts statute. The complaint purports to represent a class of unnamed technology contractors the plaintiff claims were misclassified as contractors. In its answer, Loomis denied all the allegations. Loomis believes the plaintiff's case has no merit, and intends to vigorously defend its position in this matter. The plaintiff represented and certified that he was an employee in fact of a sub vendor, and his employer represented and certified to Loomis Sayles that it complied with all state and federal tax and employment laws applicable to the employment of this individual. Depositions began in January 2015. Discovery ended in late May 2015 and dispositive motions, including a motion for class certification by the plaintiff and a motion for summary judgment by Loomis Sayles, were filed at the end of June 2015. A hearing on various motions was held in September 2016. The judge denied plaintiff's motion for class certification and Loomis Sayles' motion for summary judgment. In April 2018, the trial judge issued a directed verdict in Loomis Sayles' favor, and the plaintiff appealed the verdict in May 2018. The Massachusetts Court of Appeals heard oral arguments in the case in September 2019 and in January 2020 reversed the directed verdict, remanding the case for retrial. In February 2020,

Manager Responses to Highlighted Questions (continued)

Loomis Sayles appealed this decision to the Massachusetts Supreme Judicial Court. The appeal was denied. The retrial began on September 27, 2022 and concluded on October 4, 2022. A jury verdict in favor of Loomis Sayles on the dispositive first question (Standing) was rendered on October 5 and the judgment entered on October 19, 2022. The plaintiff appealed on November 16, 2022, and filed his appellate brief in May 2023. The plaintiff raised three issues on appeal: (i) the Superior Court's framing of a verdict question on standing, (ii) the Court's framing of jury instruction on standing, and (iii) the Court's jury instruction on damages. Loomis Sayles filed its responsive brief on June 30, 2023. Plaintiff-appellant's reply brief was filed on 11 August 2023. The parties now await the Appellate Court to set a date for oral argument.

In August 2022, Loomis Sayles Trust Company, LLC (LSTC) filed a class action complaint against Citigroup in the United States District Court for the Southern District of New York (the "Court") alleging Citigroup's failure to properly execute trades as LSTC's broker. On March 18, 2022, Loomis Sayles engaged Citigroup to execute certain transactions on behalf of the Loomis Sayles Growth Equity Strategies (GES) portfolios. The complaint alleges that Citigroup failed to achieve best execution in connection with two large orders among the transactions resulting in harm to certain of LSTC's funds and to certain clients of Loomis, Sayles & Company, L.P. (collectively with LSTC, "Loomis Sayles"). Loomis Sayles believes Citigroup failed to meet its legal obligations to take diligent and reasonable efforts to maximize the economic benefit to LSTC's affected funds and the clients of Loomis Sayles. In the complaint, LSTC alleges that Citigroup failed to discharge its fiduciary duty, including its duty of care, by failing to achieve best execution on these orders. The complaint further alleges that Citigroup's conduct resulted in significantly dislocated prices on the executed trades. It is important to note that this complaint is specific to the failed execution of two trades and does not extend to other aspects of Loomis Sayles' work with Citigroup. Loomis Sayles intends to continue to engage constructively with Citigroup on other client matters, but determined that litigation in this instance is necessary to protect clients that were impacted by these transactions. All fact discovery for the case, including depositions of each party, document production and expert depositions, has been completed. In November 2022, Citigroup filed a motion to dismiss the complaint, and pleadings on the motion were completed in December. In February 2023, the Court converted the motion to dismiss to a motion for summary judgment. On July 28, 2023, the Court denied Citigroup's converted motion for summary judgment (without prejudice to renew upon the submission of additional evidence). The Court also ordered the parties to engage in private mediation, which took place on 21 September 2023. The confidential mediation was unsuccessful. As with most large litigations, the parties are free to pursue mediation again as the litigation progresses. In early October 2023, the parties submitted case scheduling requests to the Court.

Mesa West Investment Personnel Changes

Turnover in the ordinary course of business has occurred among junior to mid-level employees.

Northern Trust Litigation

As one of the world's largest asset managers, NTI is occasionally named as a defendant in asset management-related litigation. NTI is not currently party to any litigation that has had (or will have) a material effect on its ability to perform services for its clients. At this time, there are no significant pending cases. Furthermore, NTI occasionally receives requests for information from government and regulatory agencies. NTI frequently does not know if such requests are related to a formal government

Manager Responses to Highlighted Questions (continued)

or regulatory investigations or, assuming an investigation is underway, whether NTI is a target of such investigation or simply thought to be in possession of information pertinent to such investigation. NTI is not currently involved in any government or regulatory investigation or proceeding that would have a material impact on its ability to provide advisory services to its clients.

Northern Trust Management Level Changes

Senior Management Changes

Asa result of the constantly changing landscape of asset management, we believe the occasional organizational changes are a natural progression and necessary in order to adapt to new market and regulatory environments. The most recent changes to senior personnel are the following.

2023

October Sunitha Thomas, CFA, rejoined NTAM after spending more than 15 years managing client portfolios for Northern Trust Wealth Management. In this newly created role, Sunitha will co-head our Wealth Client Group. She has a BA in Economics from the University of Chicago and an MBA from the Wharton School of the University of Pennsylvania. Sunitha will report directly to Daniel Gamba and join NTAM Executive Group.

June/July; Following the appointment of Daniel Gamba as NTAM President earlier in the year, the following changes have been announced to realign leadership:

Sheri Hawkins assumes the newly created role titled Head of Investment Platform Services. This group is designed to ensure investment process and client portfolio management excellence, including equity trading, client portfolio management, index services, ESG integration, stewardship, and an expanded mandate for our Office of the CIO to cover performance monitoring and alpha enhancements across investment teams. **Paula Kar,** Global Head of Product Strategy, assumes the role of Global Head of Product, replacing Sheri Hawkins. **John McCareins** becomes the Head of International Asset Management, where he has responsibility over our EMEA & APAC regions. **Marie Dzanis,** Head of EMEA for NTAM, will be pursuing other opportunities outside of Northern Trust. **Angelo Manioudakis**, Global Chief Investment Officer will also serve as interim CIO of global fixed income. **Tom Swaney,** CIO of global fixed income, is pursuing opportunities outside of Northern Trust.

Oaktree Litigation

With regards to regulatory exams, Oaktree is subject to the authority of a number of US and non-US regulators, including the US Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA"), and those authorities regularly conduct examinations of Oaktree and make other inquiries. No regulatory action to date has had a material adverse financial impact upon Oaktree or any of the funds it manages and Oaktree is not aware of any pending regulatory enforcement action that might reasonably be expected to have such an effect.

Manager Responses to Highlighted Questions (continued)

On April 6, 2023, FINRA commenced a routine examination of OCM Investments, LLC ("OCM Investments"), a wholly-owned subsidiary of Oaktree and a SEC-registered broker-dealer and member of FINRA.

Oaktree Investment Team Changes

Joseph Mignoli joined as Vice President in July 2023.

Principal Compliance with SJCERA IPS

Yes, we verify that the portfolio is currently, and has been during the past quarter, in compliance with the investment policy guidelines/offering document governing the management of the investment.

Principal Real Estate (the "Manager") is responsible for the day-to-day investment management of the Principal US Property Separate Account (the "US Property Account"). The Manager acknowledges and accepts that it is a fiduciary under ERISA for those assets under its management for the US Property Account, including certain assets of San Joaquin County Employees Retirement Association ("SJCERA"). The Trustees have decided to utilize the US Property Account as the investment instrument for certain assets of SJCERA. The Trustees acknowledge that the Investment Policy Statement of SJCERA differ from the exact investment objectives, policies and restrictions of the US Property Account. No material changes have been made to the investment policy guidelines governing the management of the US Property Account, though the guidelines are reviewed and potentially revised on at least an annual basis.

Principal Litigation

Given the size and scope of our operations we are occasionally involved in litigation, both as a defendant and as a plaintiff. However, management does not believe that nay pending litigation will have a material adverse effect on our business, financial position or net income. Please see our public filings for details. Also, regulatory bodies, such as the SEC, the Financial Industry Regulatory Authority, the Department of Labor and other regulatory bodies regularly make routine inquiries and conduct examinations or investigations concerning our compliance with, among other things, securities laws, ERISA and laws governing the activities of investment advisors. While the outcome of any regulatory matter cannot be predicted, management does not believe that any regulatory matter will have a material adverse effect on our business, financial position or our ability to perform our duties to clients.

Prologis Registered Investment Advisor Status

Investment advisors are required to register with the SEC as a Registered Investment Advisor (RIA) if they are in the business of providing advice or issuing reports or analyses regarding securities. The SEC has stated that direct interests in real estate are not securities. Prologis' vehicles invest in real estate directly. For example, USLF does not invest in the stock of other real estate companies or in other public or private funds that own real estate – USLF invests in real estate directly. Because USLF invests in real estate directly and because the SEC has stated that direct real estate investments are

Manager Responses to Highlighted Questions (continued)

not securities, we have with the advice of external legal counsel determined that Prologis is not required to register as an RIA.

The ultimate parent company of Prologis is Prologis, Inc. which is a publicly traded company on the NYSE. As a publicly traded company, Prologis is subject to SEC reporting and the corporate governance and legal requirements applicable to other US public companies. In addition, the general partner of USLF is Prologis, L.P., which is the operating subsidiary through which Prologis Inc. carries out the vast majority of its operations. Prologis, L.P. is large and well-capitalized.

Prologis Litigation

Yes - Prologis, Inc. is a publicly traded company with global operations. In the normal course of business, from time to time, Prologis may be involved in legal actions and environmental matters relating to the ownership and operations of its properties. Management does not expect that the liabilities, if any, that may ultimately result from such legal actions would have a material adverse effect on the financial position, results of operations or cash flows of Prologis. Except as has been previously disclosed in public filings and one Complaint arising out of the operations of one of our Customers, as of June 30, 2023, there were no material pending legal proceedings to which Prologis is a party or of which any of its properties is the subject, the determination of which Prologis anticipates would have a material adverse effect upon its financial condition and results of operations.

Stellex Litigation

Stellex is named in a litigation matter related to a portfolio company employee dispute. Stellex is purely a named party and there are no claims against Stellex. The case has been stayed by the plaintiff as the parties work towards a settlement.

White Oak Litigation

Other than as noted below or in White Oak's Form ADV, there is no present or pending regulatory action or litigation brought by or against the firm or any of its principals or investment professionals, other than routine regulatory examinations and legal proceedings in connection with the normal course of originating and managing a portfolio of direct loans.

On July 2, 2022, White Oak's former client filed a lawsuit in the Southern District of New York against White Oak's co-founders, Andre Hakkak and Barbara McKee. The former client's claims against Mr. Hakkak and Ms. McKee are duplicative of the claims that the former client raised against White Oak in the arbitration, which are discussed below. In the lawsuit, the former client alleges that Mr. Hakkak and Ms. McKee personally violated ERISA and participated in the breaches alleged against White Oak in the arbitration. Mr. Hakkak and Ms. McKee dispute the former client's claims, including that they violated ERISA or assisted White Oak in violating ERISA, and dispute that they have any liability to the former client. On August 3, 2023, the court granted Mr. Hakkak and Ms. McKee's motion to compel arbitration of the claims brought against them and the case was stayed.

Manager Responses to Highlighted Questions (continued)

White Oak Investment Team Changes

During 3Q23 the following departure and additions occurred at White Oak Global Advisors (this does not include changes at White Oak's financing affiliates):
a. Departure: Christopher Majorie (Complex Credit Associate)
b. Additions: Ali Abbas (Complex Credit Vice President), Nick Chen (Complex Credit Analyst) & Ross Goldberg (Complex Credit Analyst)

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SJCERA Quarterly Manager Review Schedule

Manager	Strategic Class	Sub-Segment	Under Review	Last Rvw	Next Rvw	Most Recent Visit to Meketa/SJCERA	Mgr. Meeting with SJCERA	Mgr. Location
AEW	Stablized Growth	Core Real Estate				10/6/2022		Boston, MA
Angelo Gordon	Aggressive Growth	Value Added Real Estate		May-23		10/6/2022		New York, NY
Almanac Reality VI	Aggressive Growth	Value Added Real Estate		May-21				New York, NY
AQR	Diversifying Strategies	Alternative Risk Premia		Jul-19		10/12/2023		Stamford, CT
BlackRock	Stabilized Growth, PC	Direct Lending		Mar-23		3/30/2023		San Francisco, CA
BlackRock	Aggressive Growth	Infrastructure				10/6/2022	8/22/2019	New York, NY
Berkeley Partners	Aggressive Growth	Private Real Estate		Jun-23		6/1/2023	6/1/2023	San Francisco, CA
Bridgewater (AW)	Stabilized Growth, RP	Risk Parity			Dec-23	7/29/2020	10/6/2017	Westport, CT
Crestline	Stabilized Growth, PC	Opportunistic		Feb-23		7/22/2020	6/7/2019	Fort Worth, TX
Davidson Kempner	Stabilized Growth, PC	Opportunistic		Aug-23		8/29/2023		New York, NY
Dodge & Cox	Diversifying Strategies, PP	Core Fixed Income		Oct-21		10/6/2022		San Francisco, CA
Dodge & Cox	Diversifying Strategies, CRO	Long Duration			Oct-23	6/3/2020		San Francisco, CA
GQG	Traditional Growth	Emerging Markets		Jan-23		10/12/2023		San Francisco, CA
Graham	Diversifying Strategies, CRO	Systematic Trend Following		Aug-23		10/6/2022		Rowayton, CT
Greenfield/Grandview V, VI, VII	Aggressive Growth	Opportunistic Real Estate		May-23		10/6/2022		Greenwich, CT
HPS EU	Stabilized Growth, PC	Direct Lending		Jun-23		10/12/2023		New York, NY
Invesco	Traditional Growth	REITs, Core US		Jun-23		10/12/2023		Atlanta, GA
LongArc Capital	Aggressive Growth	Private Equity		Nov-22		10/12/2023		New York, NY
Loomis Sayles	Principal Protection	Core Fixed Income		Oct-23		10/6/2022		Kansas City, MO
Lightspeed	Aggressive Growth	Private Equity				10/6/2022		Menlo Park, CA
Medley	Stabilized Growth, PC	Direct Lending		Nov-23		12/1/2022		San Francisco/New York
Mesa West III & IV	Stabilized Growth, PC	Comm. Mortgage		Oct-21	Jan-24	10/12/2023	8/22/2019	Los Angeles, CA
Miller Global VI, VII	Aggressive Growth	Opportunistic Real Estate		Mar-20	Jan-24			Denver, CO
Morgan Creek III, V, & VI	Aggressive Growth	Multi-Strat FOF		Oct-21	Dec-23	8/22/2019	8/22/2019	Chapel Hill, NC
Mount Lucas	Diversifying Strategies, CRO	Systematic Trend Following			Dec-23	10/12/2023	2/12/2021	Newton, PA
Northern Trust	Traditional Growth	MSCI World IMI				10/6/2022		Chicago, IL
Northern Trust	Cash	Collective Govt. Short Term				10/6/2022		Chicago, IL
Neuberger Berman	Stabilized Growth, LC	Global Credit		Oct-21	Jan-24	10/12/2023		Chicago, IL
Oaktree	Stabilized Growth, PC	Leveraged Direct Lending			Jan-24	10/12/2023		New York, NY
Ocean Avenue	Aggressive Growth	PE Buyout FOF		Oct-21		10/12/2023		Santa Monica, CA
P/E Diversified	Diversifying Strategies	Alternative Risk Premia		Sep-23		10/6/2022		Boston, MA
PanAgora	Stabilized Growth, RP	Risk Parity		Nov-23	Dec-23	10/6/2022		Boston, MA
Parametric	Cash	Cash Overlay		Apr-23		4/4/2023		Minneapolis, MN
PIMCO (RAE)	Traditional Growth	Emerging Markets				10/6/2022	8/1/2023	Newport Beach, CA
Principal US	Stabilized Growth, RE	Core Real Estate				10/6/2022		Des Moines, IA
Prologis	Stabilized Growth, RE	Core Real Estate		Oct-22	Feb-24	10/12/2023		San Francisco, CA
Raven III	Stabilized Growth, PC	Direct Lending		Feb-23	Mar-24		2/23/2018	New York, NY
Ridgemont	Aggressive Growth	Private Equity			Dec-23	10/12/2023		Charlotte, NC
RREEF America II	Stabilized Growth, RE	Core Real Estate		Jul-23		10/12/2023		Kansas City, MO
SilverRock	Stablized Growth, PC	Private Credit					12/1/2022	New York, NY
SilverPoint	Stablized Growth, PC	Private Credit				10/12/2023		Greenwich, CT
Stellex Capital	Aggressive Growth	Private Equity		Jul-23		10/12/2023	5/8/2020	New York, NY
Stockbridge RE III	Aggressive Growth	Value Added Real Estate		Jul-22	Sep-23			San Francisco, CA
Stone Harbor	Stabilized Growth, LC	Absolute Return		Apr-23		10/12/2023	2/3/2021	New York, NY
Walton Street	Aggressive Growth	Opportunistic Real Estate		Mar-20	Jan-24			Chicago, IL
White Oak Summit Peer	Stabilized Growth, PC	Direct Lending			Dec-23	7/24/2020		San Francisco, CA
White Oak Yield Spectrum	Stabilized Growth, PC	Direct Lending		Feb-19	Dec-23	7/24/2020	6/7/2019	San Francisco, CA

General Meketa Review LC = Liquid Credit; PC = Private Credit; PP = Principal Protection; CRO = Crisis Risk Offset; RP = Risk Parity;

Managers Approved - Waiting to be funded

Liquidated Managers

Liquidated Managers			Date Terminated	
KBI	Global Equity	Global Equity -Terminated	2016	Dublin, Ireland
Bridgewater	Risk Parity	Real Assets - Terminated	2016	Westport, CT
Parametric	Risk Parity	Risk Parity - Terminated	2016	Minneapolis, MN
Legato	Global Equity	Small Cap Growth -Terminated	2017	San Francisco, CA
Marinus	Credit	Credit HF - Terminated	2018	Westport, CT
Bridgewater	Crisis Risk Offset	Pure Alpha - Terminated	2019	Westport, CT
Stone Harbor	Credit	Bank Loans - Temrinated	2019	New York, NY
Prima	Principal Protection	Commercial MBS - Terminated	2020	Scarsdale, NY
BlackRock x4	Global Equity	US Equity x2; Non-US Developed; Non-US REIT -Terminated	2020	San Francisco, CA
Capital Prospects	Global Equity	Global Equity -Terminated	2020	Stamford, CT
PIMCO (RAFI)	Global Equity	Global Equity -Terminated	2019	Newport Beach, CA
DoubleLine	Principal Protection	Principal Protection -Terminated	2022	Los Angeles, CA
Raven	Opportunity Fund II	Stablized Growth - Fund Liquidated	2022	New York, NY
Lombard	Diversifying Strategies	Alternative Risk Premia	2023	New York, NY

San Joaquin County Employees' Retirement Association (SJCERA)

Preliminary Monthly Flash Report (Net)[1] October 2023

	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]			$ 3,940,931,809	100.0%	100.0%	-1.7	-4.1	2.2	3.3	5.4	5.5	7.4	Apr-90
Policy Benchmark [4]						*-1.1*	*-3.3*	*5.7*	*6.5*	*4.8*	*6.0*	*7.3*	
Difference:						-0.6	-0.8	-3.5	-3.2	0.6	-0.5	0.1	
75/25 Portfolio [5]						*-2.5*	*-8.5*	*4.5*	*8.7*	*3.5*	*6.2*	*6.5*	
Difference:						0.8	4.4	-2.3	-5.4	1.9	-0.7	0.9	
Broad Growth			$ 3,025,740,878	76.8%	78.0%	-1.9	-5.6	2.0	4.1	7.0	6.4	7.9	Jan-95
Aggressive Growth Lag[2]			$ 413,737,266	10.5%	12.0%	2.3	2.3	0.9	0.6	21.1	14.1	-1.9	Feb-05
Aggressive Growth Blend [6]						*1.6*	*2.1*	*7.2*	*4.3*	*16.6*	*8.3*	*0.0*	
Difference:						0.7	0.2	-6.3	-3.7	4.5	5.8	-1.9	
BlackRock Global Energy&Power Lag[3]	*$50,000*	*Global Infrastructure*	$ 47,322,847	1.2%		3.3	3.3	11.2	16.4	10.0	--	11.2	Jul-19
MSCI ACWI +2% Lag						*3.3*	*8.0*	*11.8*	*-5.1*	*18.2*	*--*	*11.4*	
Difference:						0.0	-4.7	-0.6	21.5	-8.2	--	-0.2	
BlackRock Infrastructure[3]	*$50,000*	*Global Infrastructure*	$ 14,361,984	0.4%		1.5	1.5	--	--	--	--	-7.7	Mar-23
MSCI ACWI +2% Lag						*6.0*	*6.9*	*--*	*--*	*--*	*--*	*15.4*	
Difference:						-4.5	-5.4	--	--	--	--	-23.1	
Bessemer Venture Partners Forge Fund[3]	*$50,000*	*PE Buyout*	$ 487,420	0.0%		--	--	--	--	--	--	--	Sep-23
MSCI ACWI +2% Lag						*--*	*--*	*--*	*--*	*--*	*--*	*--*	
Difference:						--	--	--	--	--	--	--	
Lightspeed Venture Ptr Select V Lag[3]	*$40,000*	*Growth-Stage VC*	$ 14,002,403	0.4%		-2.7	-2.7	-4.7	--	--	--	--	Jun-22
MSCI ACWI +2% Lag						*3.3*	*8.0*	*11.8*	*--*	*--*	*--*	*--*	
Difference:						-6.0	-10.7	-16.5	--	--	--	--	
Long Arc Capital Fund Lag[3]	*$25,000*	*Growth-Stage VC*	$ 19,333,010	0.5%		1.6	1.6	--	--	--	--	-6.2	Apr-23
MSCI ACWI +2% Lag						*3.3*	*8.0*	*--*	*--*	*--*	*--*	*19.2*	
Difference:						-1.6	-6.4	--	--	--	--	-25.4	
Ocean Avenue II Lag[3]	*$40,000*	*PE Buyout FOF*	$ 35,799,288	0.9%		2.1	2.1	-6.4	1.1	41.6	25.8	17.2	May-13
MSCI ACWI +2% Lag						*3.3*	*8.0*	*11.8*	*-5.1*	*6.6*	*8.0*	*-7.8*	
Difference:						-1.2	-5.9	-18.2	6.2	35.0	17.8	25.0	
Ocean Avenue III Lag[3]	*$50,000*	*PE Buyout FOF*	$ 53,852,901	1.4%		4.6	4.6	6.1	4.1	30.3	25.2	24.2	Apr-16
MSCI ACWI +2% Lag						*3.3*	*8.0*	*11.8*	*-5.1*	*18.2*	*9.2*	*9.1*	
Difference:						1.3	-3.4	-5.7	9.2	12.1	16.0	15.1	
Ocean Avenue IV Lag[3]	*$50,000*	*PE Buyout*	$ 55,995,659	1.4%		-1.1	-1.1	9.7	29.5	37.0	--	33.5	Dec-19
MSCI ACWI +2% Lag						*6.0*	*6.9*	*27.4*	*19.4*	*13.7*	*--*	*12.4*	
Difference:						-7.1	-8.0	-17.7	10.1	23.3	--	21.1	
Ocean Avenue V Lag[3]	*$30,000*	*PE Buyout*	$ 2,660,274	0.1%		-11.3	-11.3	--	--	--	--	-11.3	Jun-23
MSCI ACWI +2% Lag						*3.3*	*6.9*	*--*	*--*	*--*	*--*	*7.7*	
Difference:						-14.6	-14.6	--	--	--	--	-19.0	
Morgan Creek III Lag[3]	*$10,000*	*Multi-Strat FOF*	$ 4,587,353	0.1%		5.1	5.1	-1.6	3.8	-9.3	-11.1	-5.7	Feb-15
MSCI ACWI +2% Lag						*3.3*	*8.0*	*11.8*	*-5.1*	*18.2*	*9.2*	*9.1*	
Difference:						1.8	-2.9	-13.4	8.9	-27.5	-20.3	-14.8	
Morgan Creek V Lag[3]	*$12,000*	*Multi-Strat FOF*	$ 6,195,324	0.2%		0.2	0.2	-4.3	-5.9	12.4	10.0	12.3	Jun-13
MSCI ACWI +2% Lag						*3.3*	*8.0*	*11.8*	*-5.1*	*18.2*	*9.2*	*9.1*	
Difference:						-3.1	-7.8	-16.1	-0.8	-5.8	0.8	3.2	
Morgan Creek VI Lag[3]	*$20,000*	*Multi-Strat FOF*	$ 22,269,233	0.6%		-1.5	-1.5	-3.5	-7.7	16.4	14.5	9.0	Feb-15
MSCI ACWI +2% Lag						*3.3*	*8.0*	*11.8*	*-5.1*	*18.2*	*9.2*	*9.1*	
Difference:						-4.8	-9.5	-15.3	-2.6	-1.8	5.3	-0.1	

[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 9/30/23, and lagged 1 quarter.

[3] Manager returns are as of 9/30/23, and lagged 1 quarter. Since Inception date reflects one quarter lag.

[4] 9/1/23 to present benchmark is 34**%** MSCI ACWI IMI, 8**%** BB Aggregate Bond Index, **16%** *50%* BB High Yield/*50%* S&P Leveraged Loans, 7% NCREIF ODCE +1% lag; **9%** T-Bill +4%, **12%** MSCI ACWI +2% Lag, **14%** CRO Custom Benchmark. Prior to 9/1/23 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] 1/1/2021 to present **50%** MSCI ACWI +2%,**50%** NCREIF ODCE +1%

San Joaquin County Employees' Retirement Association (SJCERA)

Preliminary Monthly Flash Report (Net)[1] October 2023

	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
Aggressive Growth Lag (continued)													
Ridgemont Equity Partners Lag[3]	*$50,000*	*Special Situations PE*	$ 15,266,012	0.4%		-2.1	-2.1	--	--	--	--	8.4	Apr-23
MSCI ACWI +2% Lag						*3.3*	*8.0*	--	--	--	--	*19.2*	
Difference:						-5.4	-10.1	--	--	--	--	-10.8	
Stellex Capital Partners II Lag[3]	*$50,000*	*Special Situations PE*	$ 34,553,801	0.9%		1.5	1.5	2.5	2.8	--	--	1.9	Jul-21
MSCI ACWI +2% Lag						*6.0*	*6.9*	*27.4*	*19.4*	--	--	*3.0*	
Difference:						-4.5	-5.4	-24.9	-16.6	--	--	-1.1	
Non-Core Private Real Assets Lag[3]	*$341,100*	*Private Real Estate*	$ 87,049,757	2.2%		5.9	5.9	-4.3	-14.9	9.6	5.4	-2.5	Nov-04
NCREIF ODCE + 1% Lag Blend						*-2.8*	*-2.6*	*-10.3*	*-9.8*	*8.1*	*6.6*	*8.1*	
Difference:						8.7	8.5	6.0	-5.1	1.5	-1.2	-10.6	
Opportunistic Private Real Estate[4]			$ 22,706,094	0.4%									
Greenfield VII[3]	*$19,100*	*Opportunistic Pvt. RE*	$ 1,416,970	0.0%		2.4	2.4	-6.9	-1.3	13.2	11.3	12.1	Oct-14
NCREIF ODCE + 1% Lag Blend						*-1.9*	*-1.9*	*-8.2*	*-7.0*	*11.3*	*9.8*	*11.6*	
Difference:						4.3	4.3	1.3	5.7	1.9	1.5	0.5	
Grandview[3]	*$30,000*	*Opportunistic Pvt. RE*	$ 14,034,024	0.4%		-11.6	-11.6	-7.9	-8.4	16.1	--	16.3	Apr-18
NCREIF ODCE + 1% Lag Blend						*-1.9*	*-1.9*	*-8.2*	*-7.0*	*11.3*	*9.8*	*9.7*	
Difference:						-9.7	-9.7	0.3	-1.4	4.8	--	6.6	
Walton Street VI[3]	*$15,000*	*Opportunistic Pvt. RE*	$ 6,602,044	0.2%		1.0	1.0	8.6	11.5	11.8	4.5	8.1	Jul-09
NCREIF ODCE + 1% Lag Blend						*-1.9*	*-1.9*	*-8.2*	*-7.0*	*11.3*	*9.8*	*11.3*	
Difference:						2.9	2.9	16.8	18.5	0.5	-5.3	-3.2	
Value-Added Private Real Estate			$ 65,817,268	1.7%									
AG Core Plus IV[3]	*$20,000*	*Value-Added Pvt. RE*	$ 8,459,841	0.2%		-2.9	-2.9	-23.7	-28.0	-4.4	0.0	0.8	Sep-15
NCREIF ODCE + 1% Lag Blend						*-1.9*	*-1.9*	*-8.2*	*-7.0*	*11.3*	*9.8*	*11.1*	
Difference:						-1.0	-1.0	-15.5	-21.0	-15.7	-9.8	-10.3	
Almanac Realty VI[3]	*$30,000*	*Value-Added Pvt. RE*	$ 3,738,677	0.1%		2.4	2.4	-6.9	-1.3	13.2	11.3	12.1	Feb-13
NCREIF ODCE + 1% Lag Blend						*-1.9*	*-1.9*	*-8.2*	*-7.0*	*11.3*	*9.8*	*12.5*	
Difference:						4.3	4.3	1.3	5.7	1.9	1.5	-0.4	
Berkeley Partners Fund V, LP[3]	*$40,000*	*Value-Added Pvt. RE*	$ 30,504,298	0.8%		6.1	6.1	-1.5	-4.4	--	--	18.5	Aug-20
NCREIF ODCE + 1% Lag Blend						*-1.9*	*-1.9*	*-8.2*	*-7.0*	*11.3*	*9.8*	*11.9*	
Difference:						8.0	8.0	6.7	2.6	--	--	6.6	
Stockbridge RE III[3]	*$45,000*	*Value-Added Pvt. RE*	$ 23,114,451	0.6%		27.3	27.3	5.3	6.3	22.9	14.3	12.5	Jul-18
NCREIF ODCE + 1% Lag Blend						*-1.9*	*-1.9*	*-8.2*	*-7.0*	*11.3*	*9.8*	*9.9*	
Difference:						29.2	29.2	13.5	13.3	11.6	--	2.6	

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[2] MSCI ACWI IMI Net as of 4/1/2020, MSCI ACWI Gross prior.

[3] Manager returns are as of 9/30/23, and lagged 1 quarter. Since Inception date reflects one quarter lag.

[4] Market value includes Greenfield V $17,085; Greenfield VI $22,146, and Walton V $613,825

San Joaquin County Employees' Retirement Association (SJCERA)

Preliminary Monthly Flash Report (Net)[1] October 2023

	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
Traditional Growth[3]			$ 1,404,138,909	35.6%	34.0%	-3.3	-9.8	6.4	9.6	7.6	6.2	8.6	Jan-95
MSCI ACWI IMI Net[2]						-3.3	-10.1	5.7	9.4	6.5	7.7	7.4	
Difference:						0.0	0.3	0.7	0.2	1.1	-1.5	1.2	
Global Equity			$ 1,365,556,020	34.7%									
Northern Trust MSCI World IMI		*All Cap Global*	$ 1,221,171,943	31.0%		-3.2	-9.8	6.8	9.6	--	--	5.6	Sep-20
MSCI World IMI Net						-3.2	-9.9	6.6	9.2	--	--	5.2	
Difference:						0.0	0.1	0.2	0.4	--	--	0.4	
Emerging Markets			$ 144,381,042										
GQG Active Emerging Markets		*Emerging Markets*	$ 63,109,673	1.6%		-3.3	-6.9	12.9	15.0	--	--	1.2	Aug-20
MSCI Emerging Markets Index Net						-3.9	-12.2	-2.1	10.8	--	--	-2.6	
Difference:						0.6	5.3	15.0	4.2	--	--	3.8	
PIMCO RAE Fundamental Emerging Markets		*Emerging Markets*	$ 81,271,369	2.1%		-5.4	-10.6	7.0	19.0	12.4	5.5	4.6	Apr-07
MSCI Emerging Markets Index Net						-3.9	-12.2	-2.1	10.8	-3.7	1.6	2.3	
Difference:						-1.5	1.6	9.1	8.2	16.1	3.9	2.3	
REITS			$ 38,582,890	1.0%									
Invesco All Equity REIT		*Core US REIT*	$ 38,582,890	1.0%		-2.8	-12.5	-8.9	-7.5	1.9	1.8	6.8	Aug-04
FTSE NAREIT Equity Index						-4.4	-13.6	-6.4	-6.1	5.1	2.5	6.6	
Difference:						1.6	1.1	-2.5	-1.4	-3.2	-0.7	0.2	
Stabilized Growth			$ 1,207,864,702	30.6%	32.0%	-0.7	-2.7	-2.4	-0.8	2.9	4.6	3.5	Jan-05
Risk Parity			$ 343,267,742	8.7%		-2.2	-9.0	-4.1	-1.0	-4.1	1.2	2.5	
T-Bill +4%						0.8	2.4	7.5	8.9	5.9	5.8	4.9	
Difference:						-3.0	-11.4	-11.6	-9.9	-10.0	-4.6	-2.4	
Bridgewater All Weather		*Risk Parity*	$ 178,971,756	4.5%		-1.6	-8.4	-1.8	2.9	-2.1	1.5	2.7	Mar-12
T-Bill +4%						0.8	2.4	7.5	8.9	5.9	5.8	5.1	
Difference:						-2.4	-10.8	-9.3	-6.0	-8.0	-4.3	-2.4	
PanAgora Diversified Risk Multi-Asset		*Risk Parity*	$ 164,295,986	4.2%		-2.8	-9.6	-6.6	-5.0	-6.0	0.8	1.7	Apr-16
T-Bill +4%						0.8	2.4	7.5	8.9	5.9	5.8	5.6	
Difference:						-3.6	-12.0	-14.1	-13.9	-11.9	-5.0	-3.9	
Liquid Credit			$ 236,495,901	6.0%		-0.4	-0.6	5.1	8.5	2.1	2.4	2.0	
50% BB High Yield, 50% S&P/LSTA Leveraged Loans						-0.6	0.0	7.4	9.1	3.6	3.8	5.3	
Difference:						0.2	-0.6	-2.3	-0.6	-1.5	-1.4	-3.3	
Neuberger Berman		*Global Credit*	$ 99,783,638	2.5%		-0.8	-1.7	3.9	7.9	0.1	--	1.7	Feb-19
33% ICE BofA HY Constrained, 33% S&P/LSTA LL, 33% JPM EMBI Glbl Div.						-0.9	-1.8	5.0	8.7	0.7	--	2.1	
Difference:						0.1	0.1	-1.1	-0.8	-0.6	--	-0.4	
Stone Harbor Absolute Return		*Absolute Return*	$ 136,712,262	3.5%		-0.2	0.2	5.7	8.8	3.5	3.2	2.9	Oct-06
3-Month Libor Total Return						0.5	1.4	4.2	4.8	1.9	1.9	1.6	
Difference:						-0.7	-1.2	1.5	4.0	1.6	1.3	1.3	

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[2] MSCI ACW IMI Net as of 4/1/2020, MSCI ACWI Gross prior.

[3] Total Market Value includes DoubleLine $1,340 and SJCERA Transition $3,038.

San Joaquin County Employees' Retirement Association (SJCERA)

Preliminary Monthly Flash Report (Net)[1] — October 2023

	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[2]			$ 399,203,418	10.1%		1.1	1.1	-1.5	-1.2	4.8	3.3	3.4	
50% BB High Yield, 50% S&P/LSTA Leveraged Loans						*2.5*	*3.9*	*11.7*	*14.0*	*10.7*	*9.3*	*9.1*	
Difference:						-1.4	-2.8	-13.2	-15.2	-5.9	-6.0	-5.7	
Ares Pathfinder Fund II Lag[3]	*$62,500*	*Asset Backed*	$ -	0.0%		---	---	---	---	---	---	---	Feb-24
S&P/LSTA Leveraged Loans +3% Blend[4]						---	---	---	---	---	---	---	
Difference:						---	---	---	---	---	---	---	
BlackRock Direct Lending Lag[3]	*$100,000*	*Direct Lending*	$ 87,614,283	2.2%		6.3	6.3	6.3	8.7	---	---	8.1	May-20
S&P/LSTA Leveraged Loans +3% Blend[4]						*2.5*	*3.9*	*3.9*	*14.0*	---	---	*10.1*	
Difference:						3.8	2.4	2.4	-5.3	---	---	-2.0	
Mesa West RE Income IV Lag[3]	*$75,000*	*Comm. Mortgage*	$ 31,032,997	0.8%		-7.4	-7.4	-18.8	-18.0	-3.3	1.2	2.8	Mar-17
S&P/LSTA Leveraged Loans +3% Blend[4]						*2.5*	*3.9*	*11.7*	*14.0*	*10.7*	*9.3*	*9.2*	
Difference:						-9.9	-11.3	-30.5	-32.0	-14.0	-8.1	-6.4	
Crestline Opportunity II Lag[3]	*$45,000*	*Opportunistic*	$ 11,692,153	0.3%		-2.1	-2.1	-10.6	-15.6	-0.7	-2.7	2.4	Nov-13
S&P/LSTA Leveraged Loans +3% Blend[4]						*2.5*	*3.9*	*11.7*	*14.0*	*10.7*	*9.3*	*9.1*	
Difference:						-4.6	-6.0	-22.3	-29.6	-11.4	-12.0	-6.7	
Davidson Kempner Distr Opp V Lag[3]	*$50,000*	*Opportunistic*	$ 50,750,508	0.0%		1.6	1.6	-0.6	-1.4	--	--	16.5	Oct-20
S&P/LSTA Leveraged Loans +3% Blend[4]						*2.5*	*3.9*	*11.7*	*14.0*	--	--	*10.6*	
Difference:						-0.9	-2.3	-12.3	-15.4	--	--	5.9	
Oaktree Lag[3]	*$50,000*	*Leveraged Direct*	$ 37,093,455	0.9%		2.3	2.3	1.1	1.1	11.8	--	10.4	Mar-18
S&P/LSTA Leveraged Loans +3% Blend[4]						*2.5*	*3.9*	*11.7*	*14.0*	*10.7*	--	*9.3*	
Difference:						-0.2	-1.6	-10.6	-12.9	1.1	--	1.1	
HPS EU Asset Value II Lag[3]	*$50,000*	*Direct Lending*	$ 29,543,726	0.7%		2.6	2.6	7.8	9.9	--	--	5.3	Aug-20
S&P/LSTA Leveraged Loans +3% Blend[4]						*2.5*	*3.9*	*11.7*	*14.0*	--	--	*10.6*	
Difference:						0.1	-1.3	-3.9	-4.1	--	--	-5.3	
Raven Opportunity III Lag[3]	*$50,000*	*Direct Lending*	$ 54,043,608	1.4%		-2.8	-2.8	-7.5	-5.9	7.3	6.5	3.5	Nov-15
S&P/LSTA Leveraged Loans +3% Blend[4]						*2.5*	*3.9*	*11.7*	*14.0*	*10.7*	*9.3*	*9.2*	
Difference:						-5.3	-6.7	-19.2	-19.9	-3.4	-2.8	-5.7	
Medley Opportunity II Lag[2]	*$50,000*	*Direct Lending*	$ 2,640,470	0.1%		0.0	0.0	0.0	0.0	-4.2	-9.0	-2.0	Jul-12
S&P/LSTA Leveraged Loans +3% Blend[3]						*2.5*	*3.9*	*11.7*	*14.0*	*10.7*	*9.3*	*9.1*	
Difference:						-2.5	-3.9	-11.7	-14.0	-14.9	-18.3	-11.1	
Silver Point Credit III Lag[2]	*$62,000*	*Sub-Sector*	$ -	0.0%		--	--	--	--	--	--	--	Nov-23
S&P/LSTA Leveraged Loans +3% Blend[4]						--	--	--	--	--	--	--	
Difference:						--	--	--	--	--	--	--	
SilverRock Tactical Allocation Lag[2]	*$50,000*	*Direct Lending*	$ 26,575,446	0.7%		0.0	0.0	--	--	--	--	0.0	Jul-23
S&P/LSTA Leveraged Loans +3% Blend[4]						*2.5*	*3.9*	--	--	--	--	*9.3*	
Difference:						-2.5	-3.9	--	--	--	--	-9.3	
White Oak Summit Peer Fund Lag[2]	*$50,000*	*Direct Lending*	$ 24,904,641	0.6%		1.9	1.9	3.6	-0.3	-1.3	1.4	3.5	Mar-16
S&P/LSTA Leveraged Loans +3% Blend[3]						*2.5*	*3.9*	*11.7*	*14.0*	*10.7*	*9.3*	*9.2*	
Difference:						-0.6	-2.0	-8.1	-14.3	-12.0	-7.9	-5.7	
White Oak Yield Spectrum Master V Lag[2]	*$50,000*	*Direct Lending*	$ 43,312,130	1.1%		1.4	1.4	-2.7	-2.3	1.2	--	2.2	Mar-20
S&P/LSTA Leveraged Loans +3% Blend[3]						*2.5*	*3.9*	*11.7*	*14.0*	*10.7*	--	*10.1*	
Difference:						-1.1	-2.5	-14.4	-16.3	-9.5	--	-7.9	
Core Private Real Estate Lag			$ 228,897,643	5.8%									
Principal US[2]	*$25,000*	*Core Pvt. RE*	$ 41,585,242	1.1%		-1.9	-1.9	-11.0	-10.6	7.2	6.0	7.3	Jan-16
NCREIF ODCE + 1% Lag Blend						*-1.9*	*-1.9*	*-8.2*	*-7.0*	*11.3*	*9.8*	*10.6*	
Difference:						0.0	0.0	-2.8	-3.6	-4.1	-3.8	-3.3	
Prologis Logistics[2]	*$50,500*	*Core Pvt. RE*	$ 130,379,818	3.3%		0.0	0.0	-5.8	-5.6	22.5	17.9	12.5	Dec-07
NCREIF ODCE + 1% Lag Blend						*-1.9*	*-1.9*	*-8.2*	*-7.0*	*11.3*	*9.8*	*9.1*	
Difference:						1.9	1.9	2.4	1.4	11.2	8.1	3.4	
RREEF America II[2]	*$45,000*	*Core Pvt. RE*	$ 57,374,833	1.5%		-2.8	-2.8	-12.3	-13.0	6.9	6.2	7.0	Jul-16
NCREIF ODCE + 1% Lag Blend						*-1.9*	*-1.9*	*-8.2*	*-7.0*	*11.3*	*9.8*	*10.3*	
Difference:						-0.9	-0.9	-4.1	-6.0	-4.4	-3.6	-3.3	

[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] Total class returns are as of 9/30/23, and lagged 1 quarter.

[3] Manager returns are as of 9/30/23, 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.

San Joaquin County Employees' Retirement Association (SJCERA)

Preliminary Monthly Flash Report (Net)[1] — October 2023

	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
Diversifying Strategies			$ 772,465,273	19.6%	22.0%	-1.2	0.9	1.8	-0.7	1.1	2.9	6.0	Oct-90
Principal Protection			$ 279,692,612	7.1%	8.0%	-1.7	-4.7	-1.7	2.1	-3.3	-0.1	5.6	Oct-90
BB Aggregate Bond Index						*-1.6*	*-4.7*	*-2.8*	*0.4*	*-5.6*	*-0.1*	*5.1*	
Difference:						-0.1	0.0	1.1	1.7	2.3	0.0	0.5	
Dodge & Cox		*Core Fixed Income*	$ 191,596,497	4.9%		-1.8	-4.7	-1.3	2.7	-3.6	1.2	6.3	Oct-90
BB Aggregate Bond Index						*-1.6*	*-4.7*	*-2.8*	*0.4*	*-5.6*	*-0.1*	*5.1*	
Difference:						-0.2	0.0	1.5	2.3	2.0	1.3	1.2	
Loomis Sayles		*Core Fixed Income*	$ 88,096,114	2.2%		-1.7	-4.8	-2.5	0.6	--	--	-6.2	Mar-22
BB Aggregate Bond Index						*-1.6*	*-4.7*	*-2.8*	*0.4*	*--*	*--*	*-6.5*	
Difference:						-0.1	-0.1	0.3	0.2	--	--	0.3	
Crisis Risk Offset			$ 492,772,662	12.5%	14.0%	-0.8	4.4	3.8	-1.8	4.4	4.9	6.4	Jan-05
CRO Custom Benchmark[2]						*-1.7*	*-3.9*	*-2.3*	*-1.7*	*-0.3*	*3.4*	*4.5*	
Difference:						0.9	8.3	6.1	-0.1	4.7	1.5	1.9	
Long Duration			$ 98,701,193	2.5%		-4.6	-13.7	-11.8	-7.6	-15.4	-3.1	-2.9	
BB US Long Duration Treasuries						*-4.9*	*-14.3*	*-13.1*	*-8.5*	*-16.3*	*-3.2*	*-3.0*	
Difference:						0.3	0.6	1.3	0.9	0.9	0.1	0.1	
Dodge & Cox Long Duration		*Long Duration*	$ 98,701,193	2.5%		-4.6	-13.7	-11.8	-7.6	-15.4	-3.1	-2.9	Feb-16
BB US Long Duration Treasuries						*-4.9*	*-14.3*	*-13.1*	*-8.5*	*-16.3*	*-3.2*	*-3.0*	
Difference:						0.3	0.6	1.3	0.9	0.9	0.1	0.1	
Systematic Trend Following			$ 250,421,726	6.4%		-1.0	4.0	3.9	-4.8	17.1	9.1	9.0	
BTOP50 Index						*-0.7*	*1.9*	*2.0*	*-2.6*	*11.3*	*7.7*	*5.0*	
Difference:						-0.3	2.1	1.9	-2.2	5.8	1.4	4.0	
Mt. Lucas Managed Futures - Cash		*Systematic Trend Following*	$ 129,057,454	3.3%		-0.5	5.8	5.3	-3.2	18.9	9.0	8.5	Jan-05
BTOP50 Index						*-0.7*	*1.9*	*2.0*	*-2.6*	*11.3*	*7.7*	*5.0*	
Difference:						0.2	3.9	3.3	-0.6	7.6	1.3	3.5	
Graham Tactical Trend		*Systematic Trend Following*	$ 121,364,272	3.1%		-1.6	2.2	2.4	-6.4	15.3	9.1	4.7	Apr-16
SG Trend Index						*-0.1*	*2.3*	*0.9*	*-5.4*	*14.8*	*10.0*	*5.2*	
Difference:						-1.5	-0.1	1.5	-1.0	0.5	-0.9	-0.5	
Alternative Risk Premia			$ 143,649,742	3.6%		2.3	23.0	17.5	9.2	7.4	4.6	8.2	
5% Annual						*0.4*	*1.2*	*4.1*	*5.0*	*5.0*	*5.0*	*6.2*	
Difference:						1.9	21.8	13.4	4.2	2.4	-0.4	2.0	
AQR Style Premia		*Alternative Risk Premia*	$ 64,335,541	1.6%		-3.3	12.4	16.7	15.2	24.1	3.8	2.7	May-16
5% Annual						*0.4*	*1.2*	*4.1*	*5.0*	*5.0*	*5.0*	*5.0*	
Difference:						-3.7	11.2	12.6	10.2	19.1	-1.2	-2.3	
PE Diversified Global Macro		*Alternative Risk Premia*	$ 79,314,201	2.0%		7.4	33.2	18.1	1.9	5.9	6.1	5.3	Jun-16
5% Annual						*0.4*	*1.2*	*4.1*	*5.0*	*5.0*	*5.0*	*5.0*	
Difference:						7.0	32.0	14.0	-3.1	0.9	1.1	0.3	
Cash[3]			$ 115,651,456	2.9%	0.0%	0.3	0.8	2.9	3.6	1.5	1.4	2.4	Sep-94
US T-Bills						*0.4*	*1.4*	*4.1*	*4.8*	*1.8*	*1.8*	*2.3*	
Difference:						-0.1	-0.6	-1.2	-1.2	-0.3	-0.4	0.1	
Northern Trust STIF		*Collective Govt. Short Term*	$ 90,929,725	2.3%		0.4	1.2	3.8	4.3	1.7	1.5	2.6	Jan-95
US T-Bills						0.4	1.4	4.1	4.8	1.8	1.8	*2.3*	
Difference:						0.0	-0.2	-0.3	-0.5	-0.1	-0.3	0.3	
Parametric Overlay[4]		*Cash Overlay*	$ 27,074,202	0.7%		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.

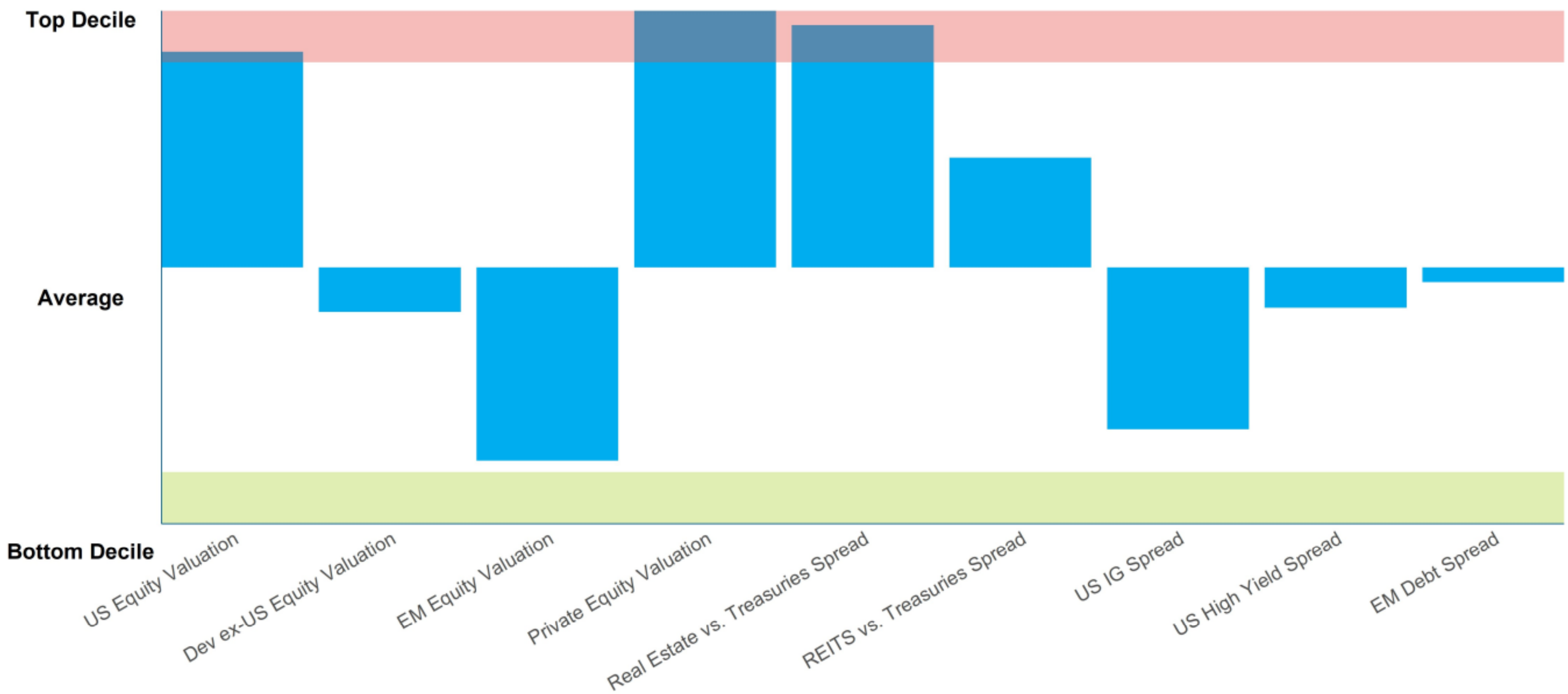
Capital Markets Outlook & Risk Metrics

As of October 31, 2023

Capital Markets Outlook

- → Third quarter GDP was reported in October, and US economic growth showed surprising resiliency, growing at a 4.9% annualized rate.
- → Headline inflation rose slightly (3.7% yoy); improvements in energy and food prices were offset by an increase in shelter costs.
- → The combination of higher rates and inflation seemingly leveling off above the Fed's target has the market forecasting higher interest rates for a longer period of time.
- → With the notable exception of gold (+6.7%), markets sold off in the US and outside the US in October.
- → The slowdown in China and Europe weighed on overseas equity markets.
- → While major stock markets posted negative returns in October, the US outperformed non-US stocks on a relative basis, and emerging market equities outperformed developed market equities.
- → US large cap growth stocks outperformed large cap value stocks, and while large cap equities outperformed small cap stocks, small cap value fared better than small cap growth.
- → Hopes for growth stabilization in China were dashed as new manufacturing and housing details indicated continuing weakness in the economy. This was despite the CCP promising more supportive policy measures like a debt swap for local governments, broader debt issuance allocations, and cutting bank reserve requirements.
- → In the US, long-dated Treasury yields rose and further narrowed the spread between 10-year Treasuries (4.9%) and 2-year Treasuries (5.06%).
- → Infrastructure, public real estate, and natural resource stocks declined in October, driven by higher interest rates and slowing growth prospects.

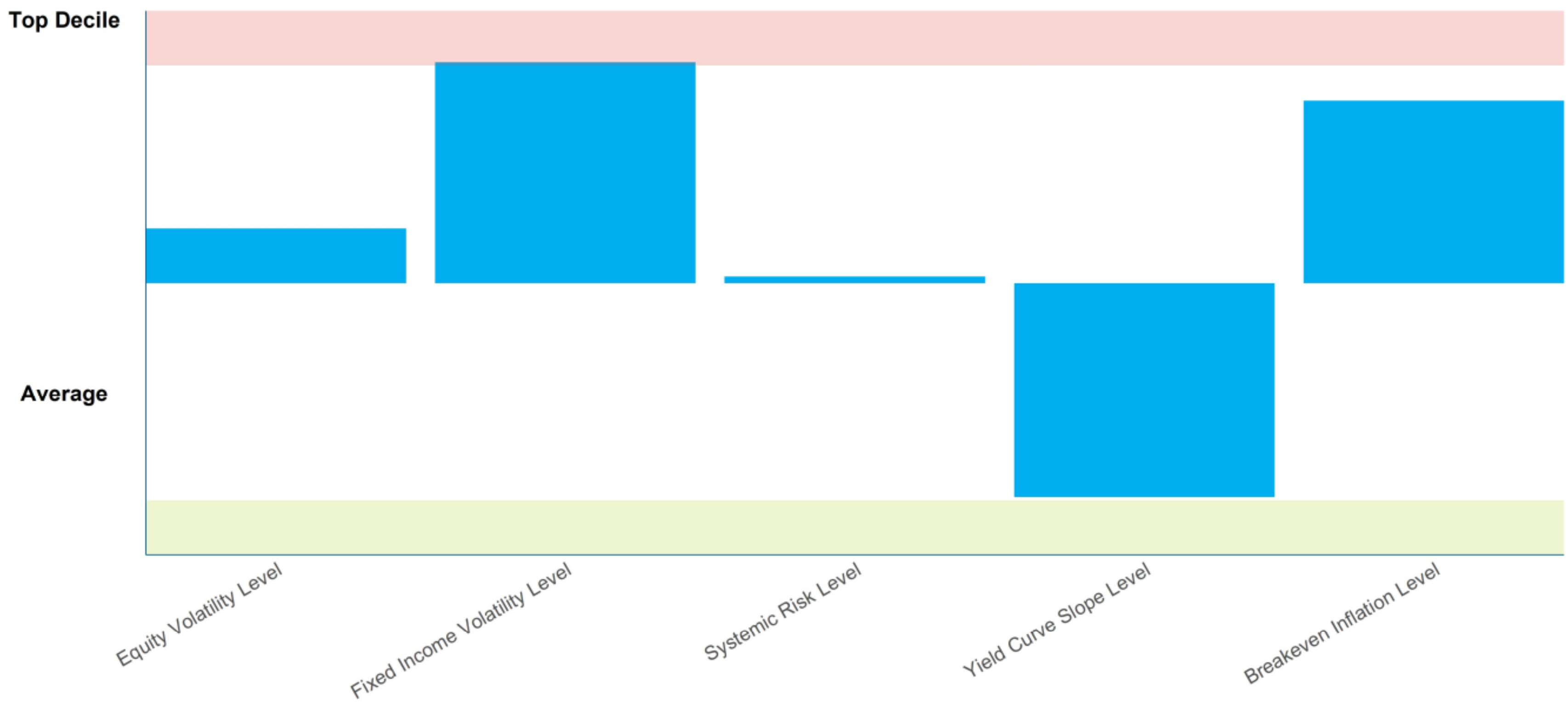
Risk Overview/Dashboard (1)
(As of October 31, 2023)[1]



→ Dashboard (1) summarizes the current state of the different valuation metrics per asset class relative to their own history.

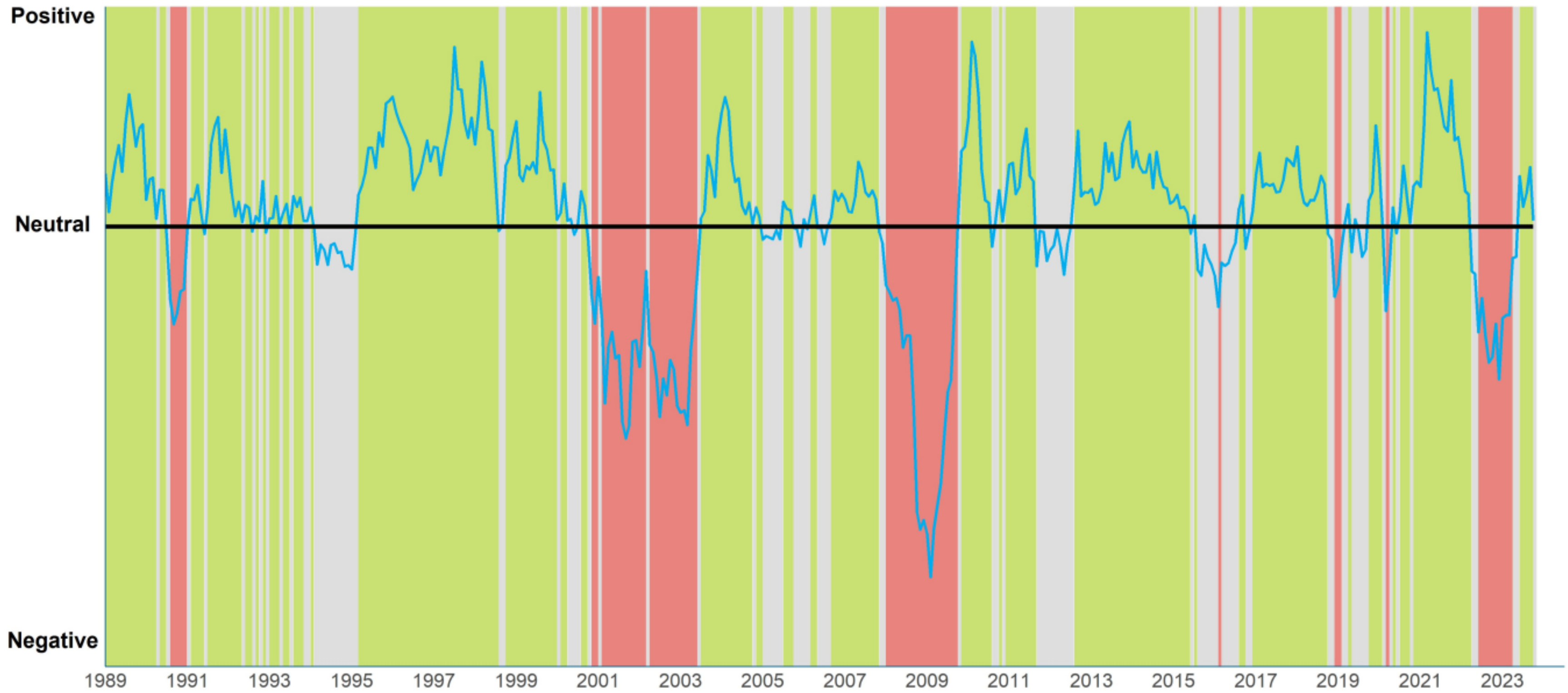
[1] With the exception of Private Equity Valuation, that is YTD as of December 31, 2022.

Risk Overview/Dashboard (2)
(As of October 31, 2023)

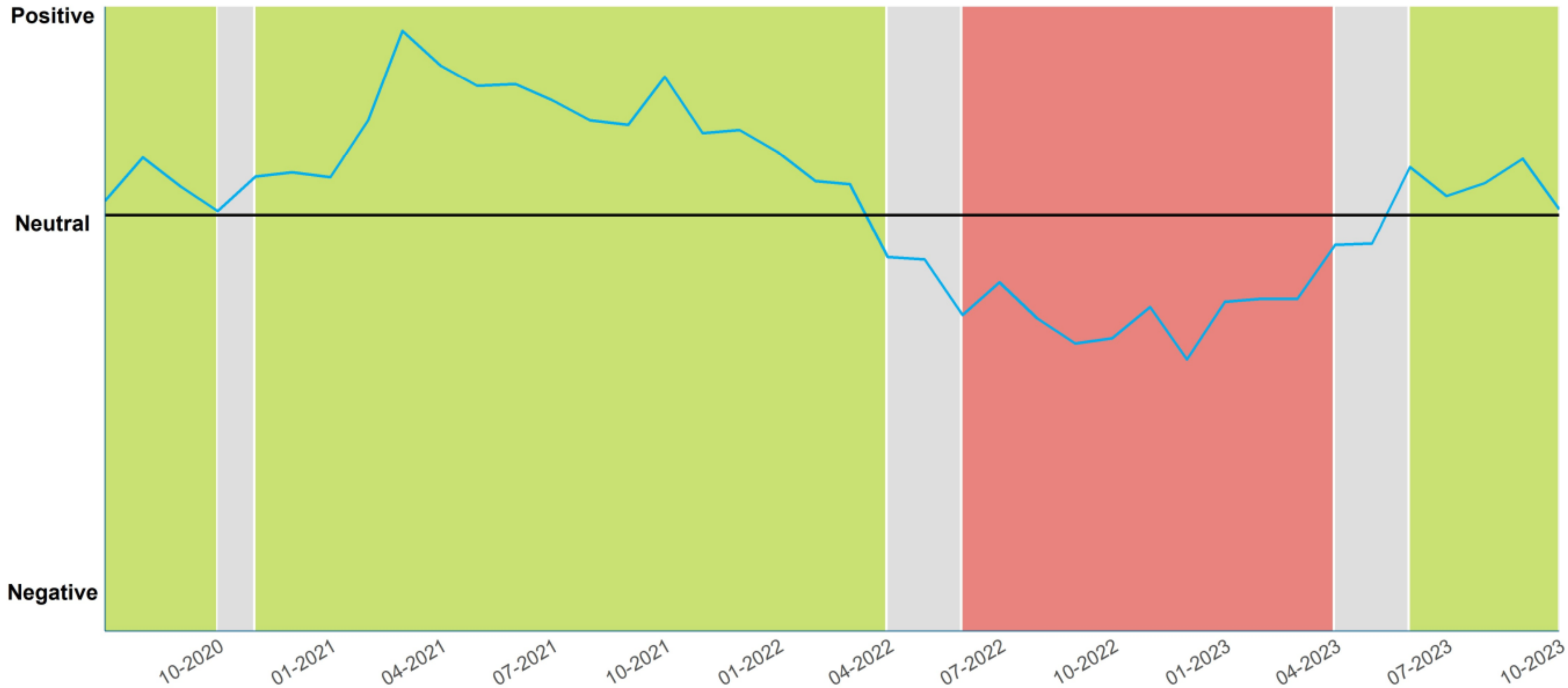


→ Dashboard (2) shows how the current level of each indicator compares to its respective history.

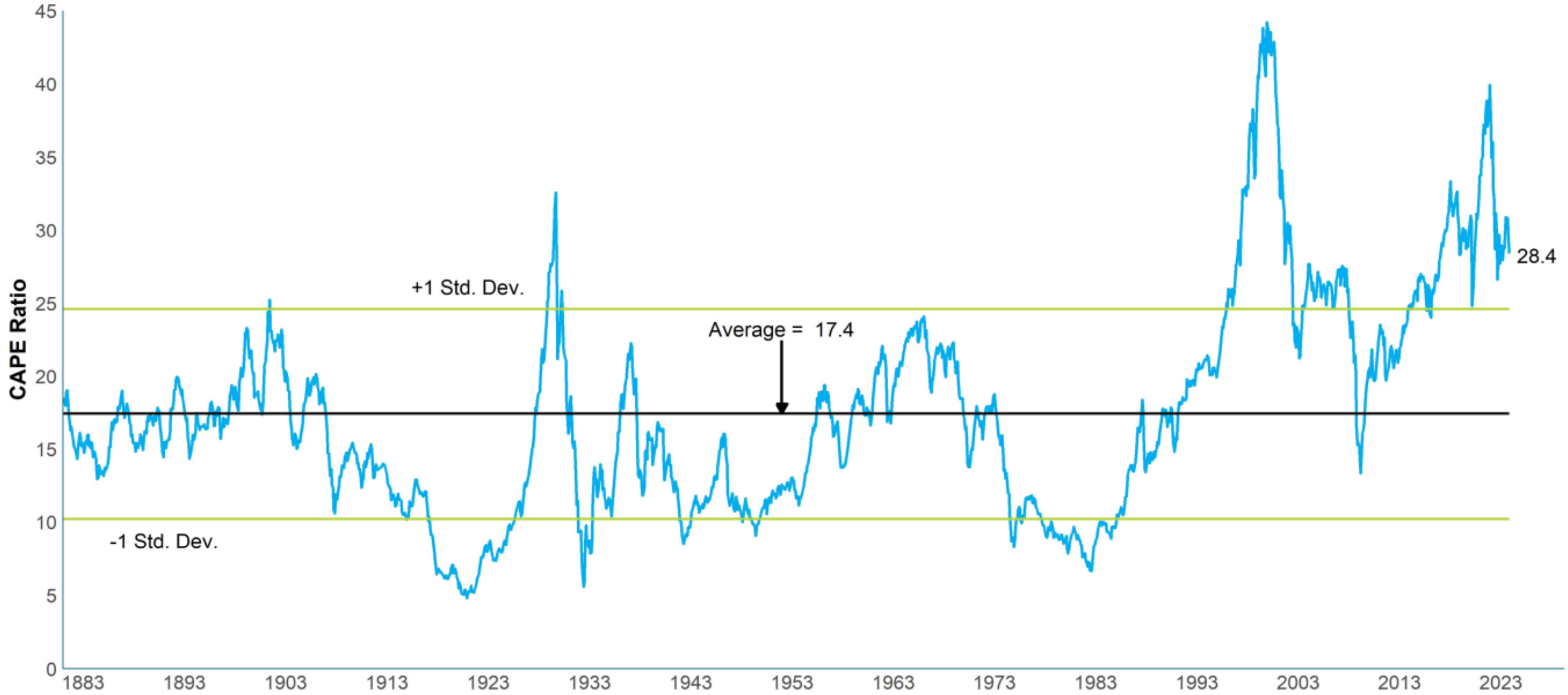
Market Sentiment Indicator (All History)
(As of October 31, 2023)



Market Sentiment Indicator (Last Three Years)
(As of October 31, 2023)



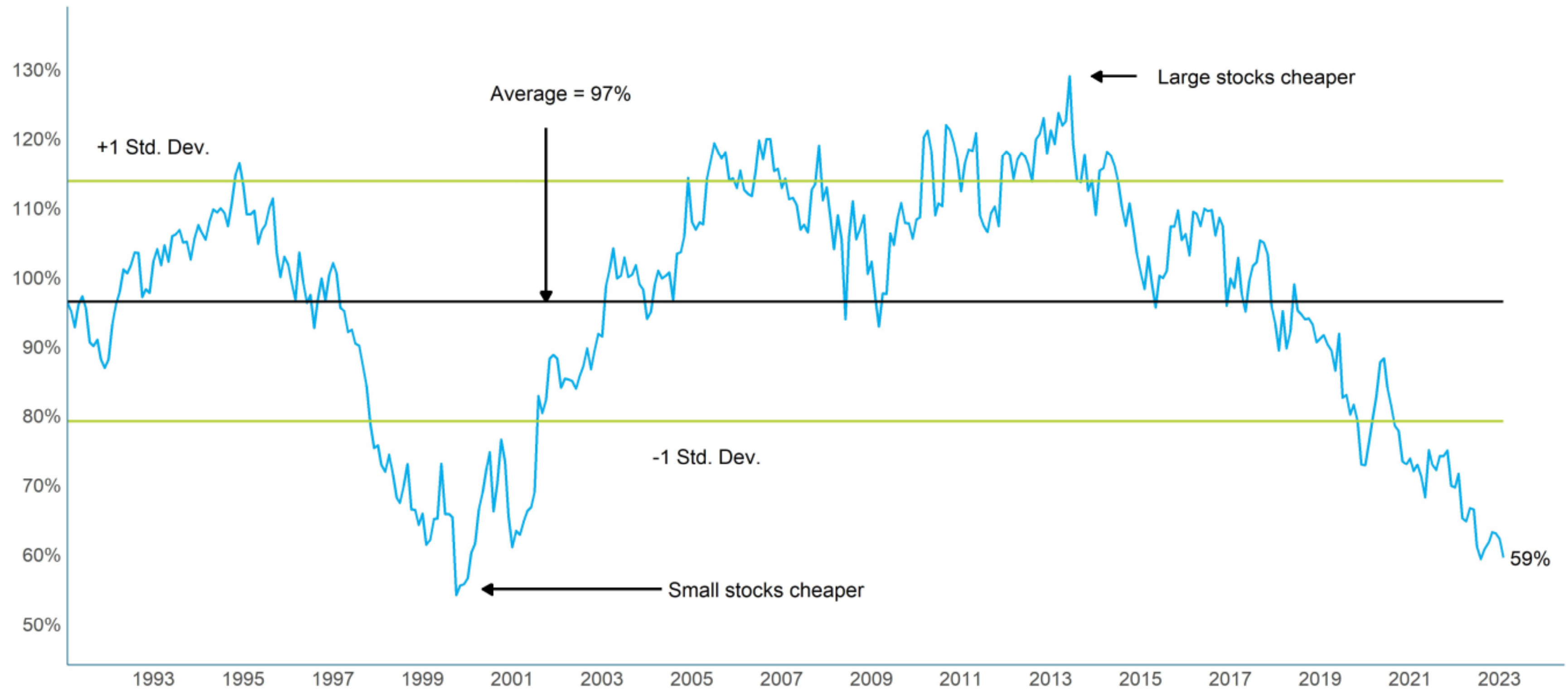
US Equity Cyclically Adjusted P/E[1]
(As of October 31, 2023)



→ This chart details one valuation metric for US equities. A higher (lower) figure indicates more expensive (cheaper) valuation relative to history.

[1] US Equity Cyclically Adjusted P/E on S&P 500 Index. Source: Robert Shiller, Yale University, and Meketa Investment Group.

Small Cap P/E vs. Large Cap P/E[1]
(As of October 31, 2023)



→ This chart compares the relative attractiveness of small cap US equities vs. large cap US equities on a valuation basis. A higher (lower) figure indicates that large cap (small cap) is more attractive.

[1] Small Cap P/E (Russell 2000 Index) vs. Large Cap P/E (Russell 1000 Index) - Source: Russell Investments and Bloomberg. Prior months unavailable on Bloomberg are backfilled with last reported earnings. Earnings figures represent 12-month "as reported" earnings.

Growth P/E vs. Value P/E[1]
(As of October 31, 2023)

→ This chart compares the relative attractiveness of US growth equities vs. US value equities on a valuation basis. A higher (lower) figure indicates that value (growth) is more attractive.

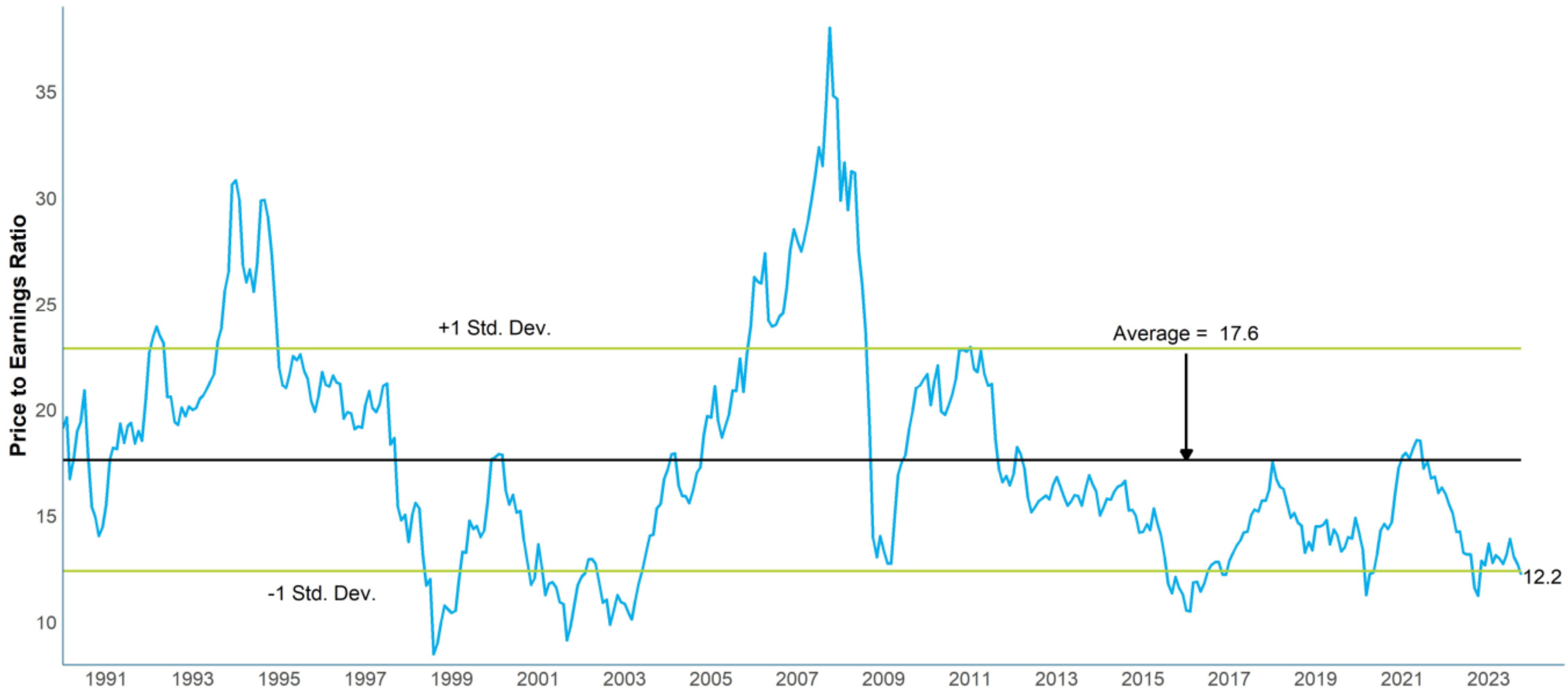
[1] Growth P/E (Russell 3000 Growth Index) vs. Value (Russell 3000 Value Index) P/E - Source: Bloomberg, MSCI, and Meketa Investment Group. Earnings figures represent 12-month "as reported" earnings.

Developed International Equity Cyclically Adjusted P/E[1]
(As of October 31, 2023)

→ This chart details one valuation metric for developed international equities. A higher (lower) figure indicates more expensive (cheaper) valuation relative to history.

[1] Developed International Equity (MSCI EAFE Index) Cyclically Adjusted P/E – Source: MSCI and Bloomberg. Earnings figures represent the average of monthly “as reported” earnings over the previous ten years.

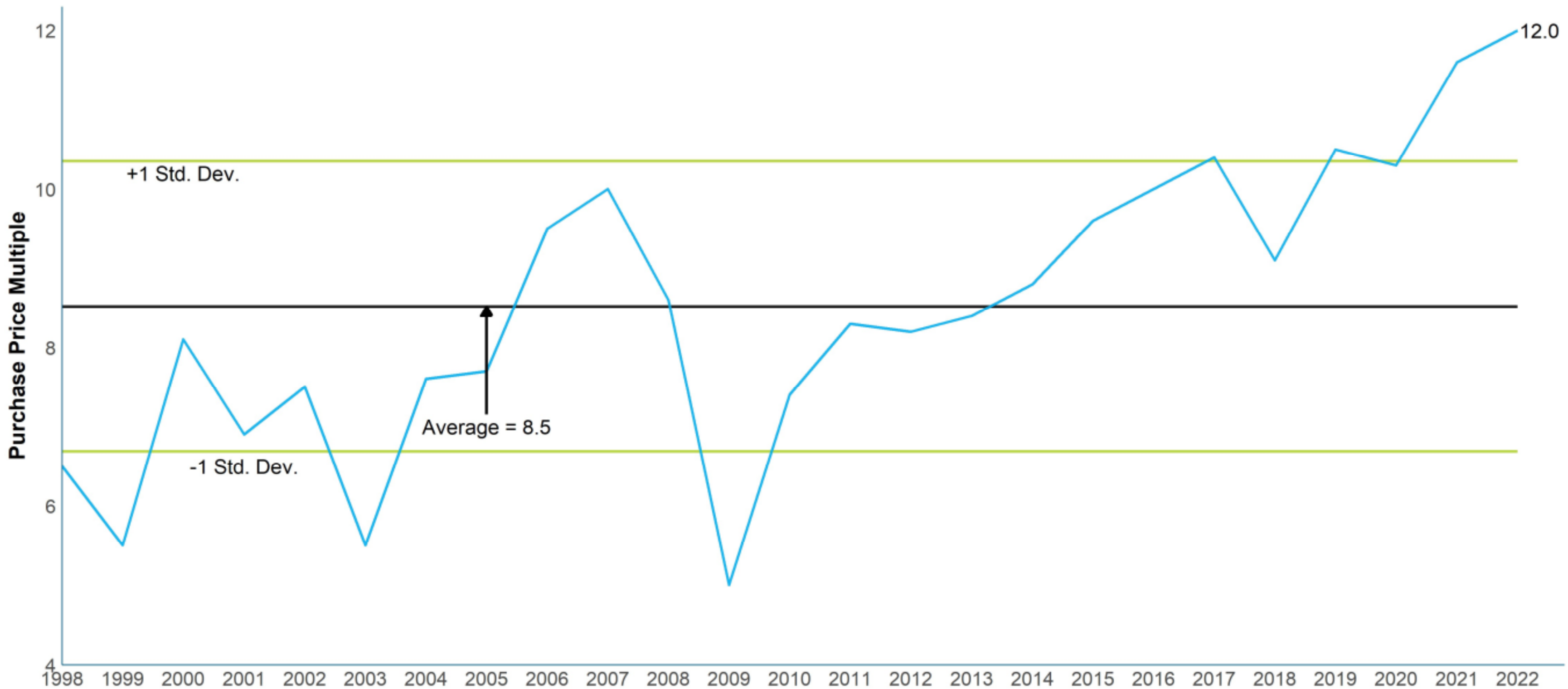
Emerging Market Equity Cyclically Adjusted P/E[1]
(As of October 31, 2023)



→ This chart details one valuation metric for emerging markets equities. A higher (lower) figure indicates more expensive (cheaper) valuation relative to history.

[1] Emerging Market Equity (MSCI Emerging Markets Index) Cyclically Adjusted P/E – Source: MSCI and Bloomberg. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years.

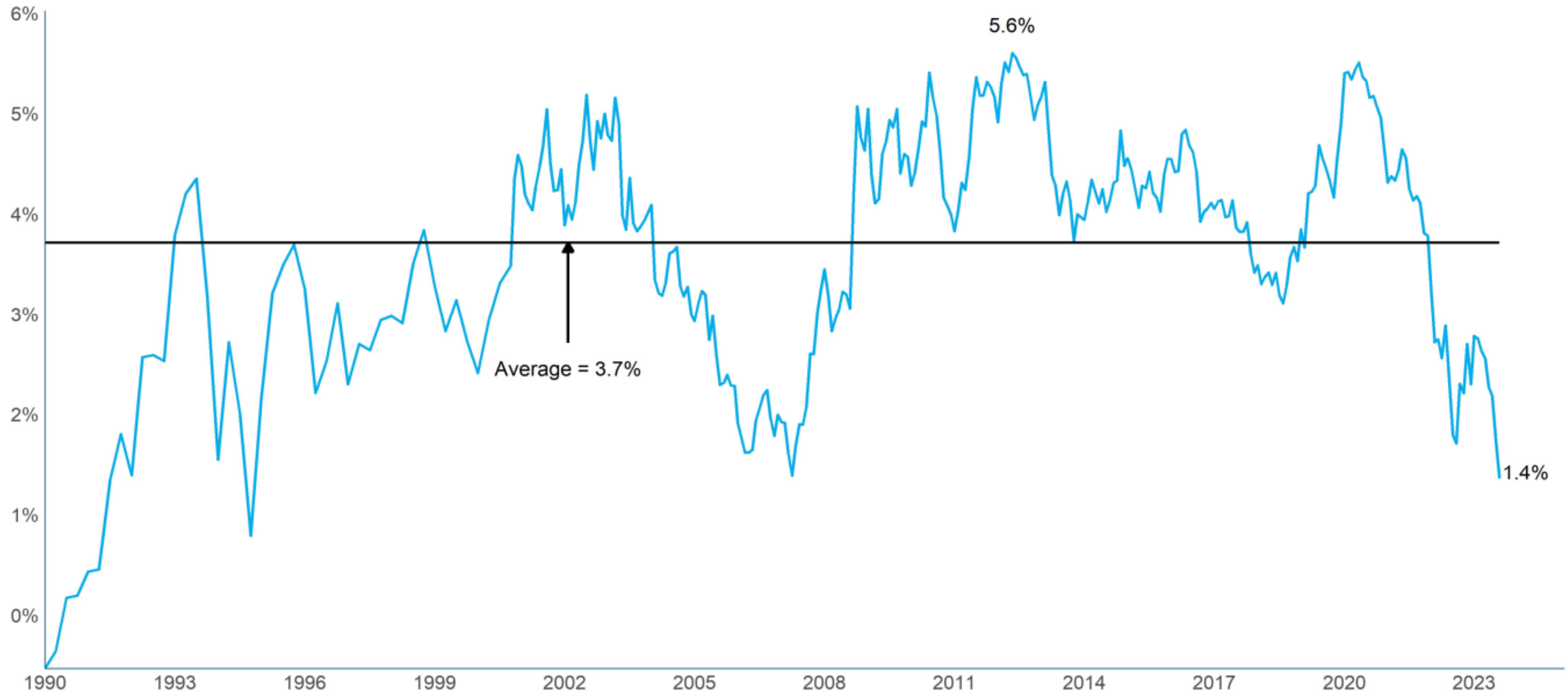
Private Equity Multiples[1]
(As of October 31, 2023)



→ This chart details one valuation metric for the private equity market. A higher (lower) figure indicates more expensive (cheaper) valuation relative to history.

[1] Private Equity Multiples – Source: Preqin Median EBITDA Multiples Paid in All LBOs.

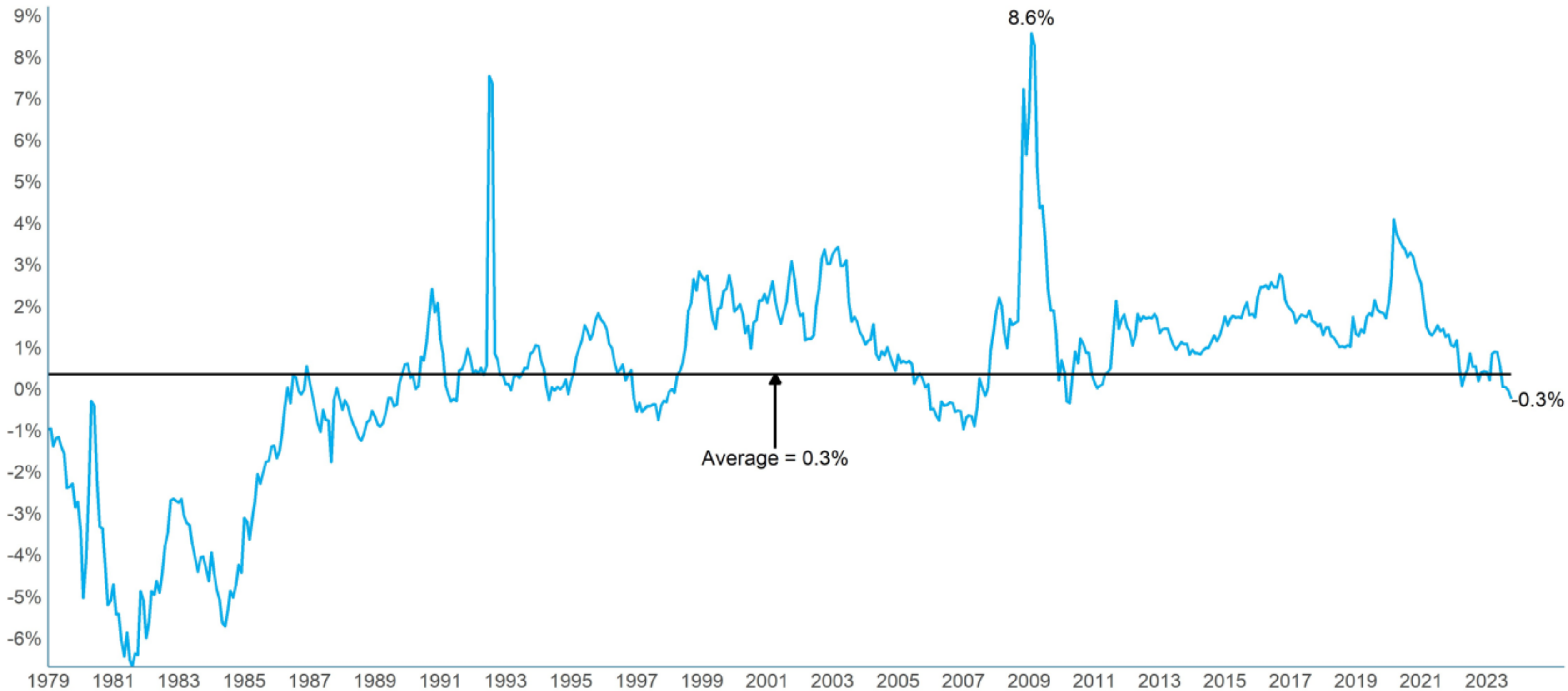
Core Real Estate Spread vs. Ten-Year Treasury[1]
(As of October 31, 2023)



→ This chart details one valuation metric for the private core real estate market. A higher (lower) figure indicates cheaper (more expensive) valuation.

[1] Core Real Estate Spread vs. Ten-Year Treasury – Source: Real Capital Analytics, FRED, Bloomberg, and Meketa Investment Group. Core Real Estate is proxied by weighted sector transaction-based indices from Real Capital Analytics and Meketa Investment Group.

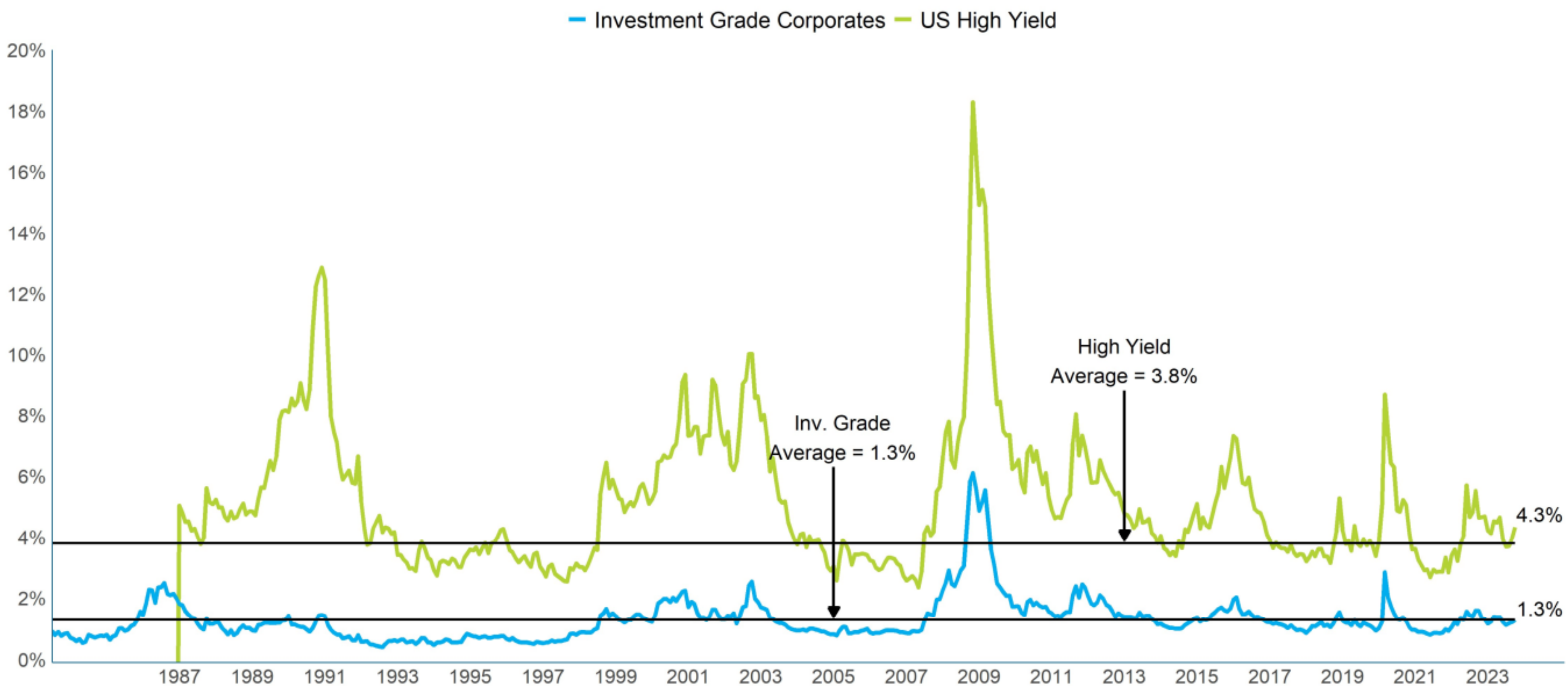
REITs Dividend Yield Spread vs. Ten-Year Treasury[1]
(As of October 31, 2023)



→ This chart details one valuation metric for the public REITs market. A higher (lower) figure indicates cheaper (more expensive) valuation.

[1] REITs Dividend Yield Spread vs. Ten-Year Treasury – Source: NAREIT, Bloomberg, US Treasury. REITs are proxied by the yield for the NAREIT Equity Index.

Credit Spreads[1]
(As of October 31, 2023)



→ This chart details one valuation metric for the US credit markets. A higher (lower) figure indicates cheaper (more expensive) valuation relative to history.

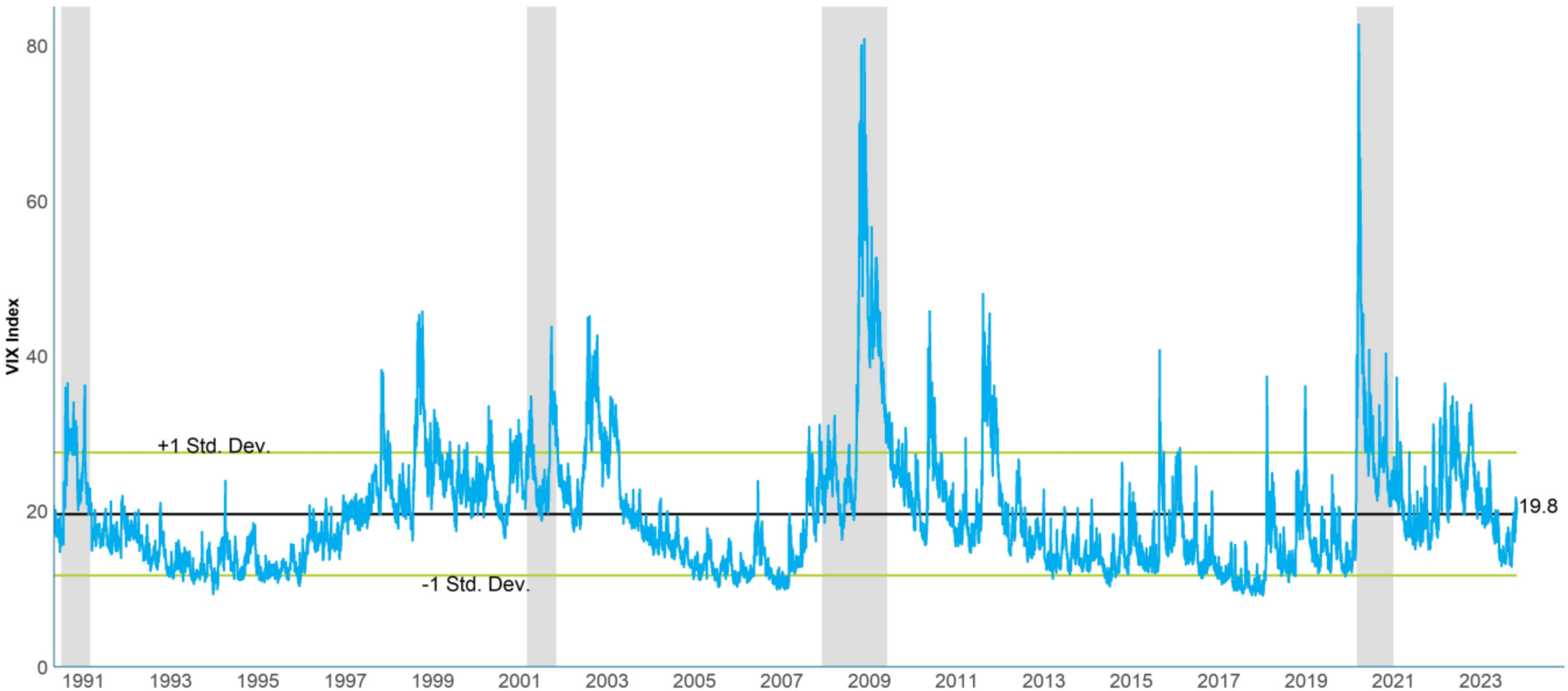
[1] Credit Spreads – Source: Bloomberg. High Yield is proxied by the Bloomberg High Yield Index and Investment Grade Corporates are proxied by the Bloomberg US Corporate Investment Grade Index. Spread is calculated as the difference between the Yield to Worst of the respective index and the 10-Year US Treasury yield.

Emerging Market Debt Spreads[1]
(As of October 31, 2023)

→ This chart details one valuation metric for the EM debt markets. A higher (lower) figure indicates cheaper (more expensive) valuation relative to history.

[1] EM Spreads – Source: Bloomberg. Option Adjusted Spread (OAS) for the Bloomberg EM USD Aggregate Index.

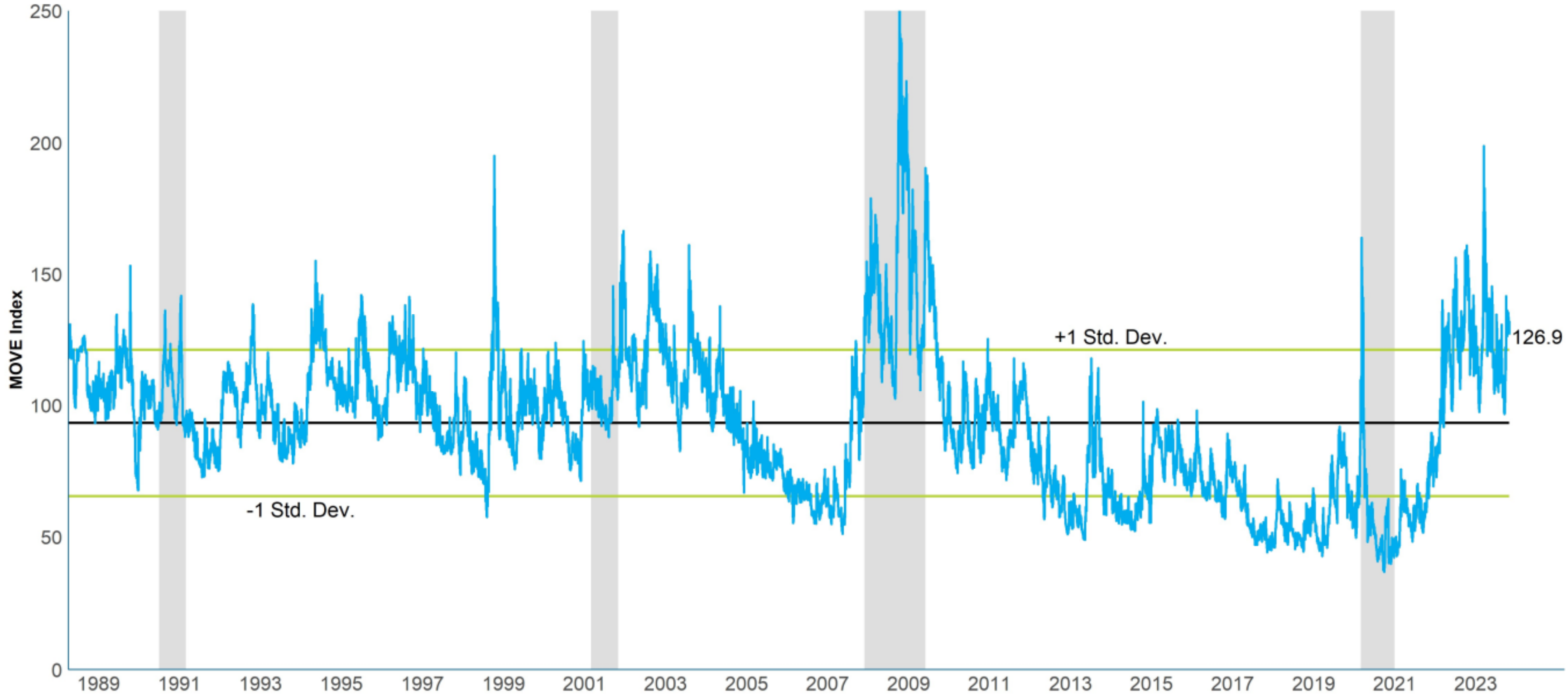
Equity Volatility[1]
(As of October 31, 2023)



→ This chart details historical implied equity market volatility. This metric tends to increase during times of stress/fear and while declining during more benign periods.

[1] Equity Volatility – Source: FRED, and Meketa Investment Group. Equity Volatility proxied by VIX Index, a Measure of implied option volatility for US equity markets.

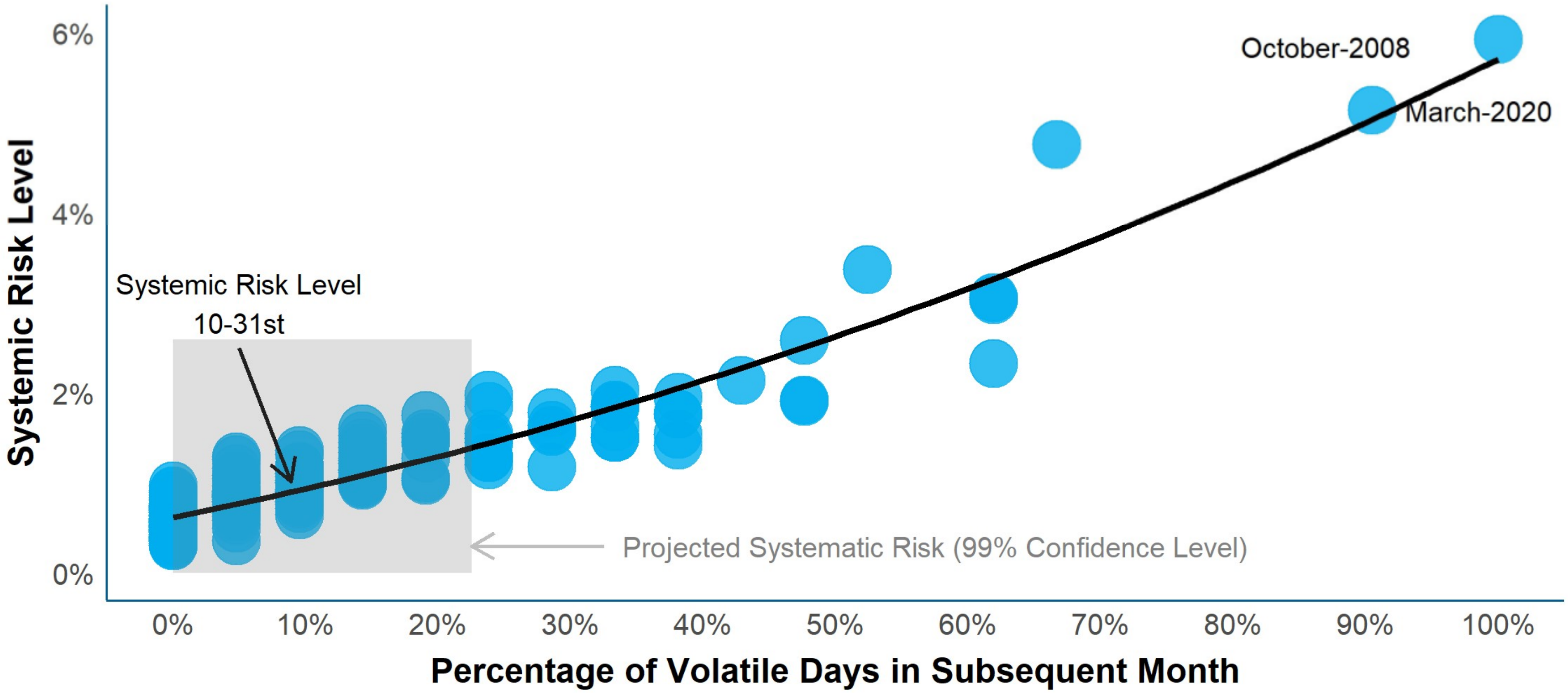
Fixed Income Volatility[1]
(As of October 31, 2023)



→ This chart details historical implied fixed income market volatility. This metric tends to increase during times of stress/fear and while declining during more benign periods.

[1] Fixed Income Volatility – Source: Bloomberg, and Meketa Investment Group. Fixed Income Volatility proxied by MOVE Index, a Measure of implied option volatility for US Treasury markets.

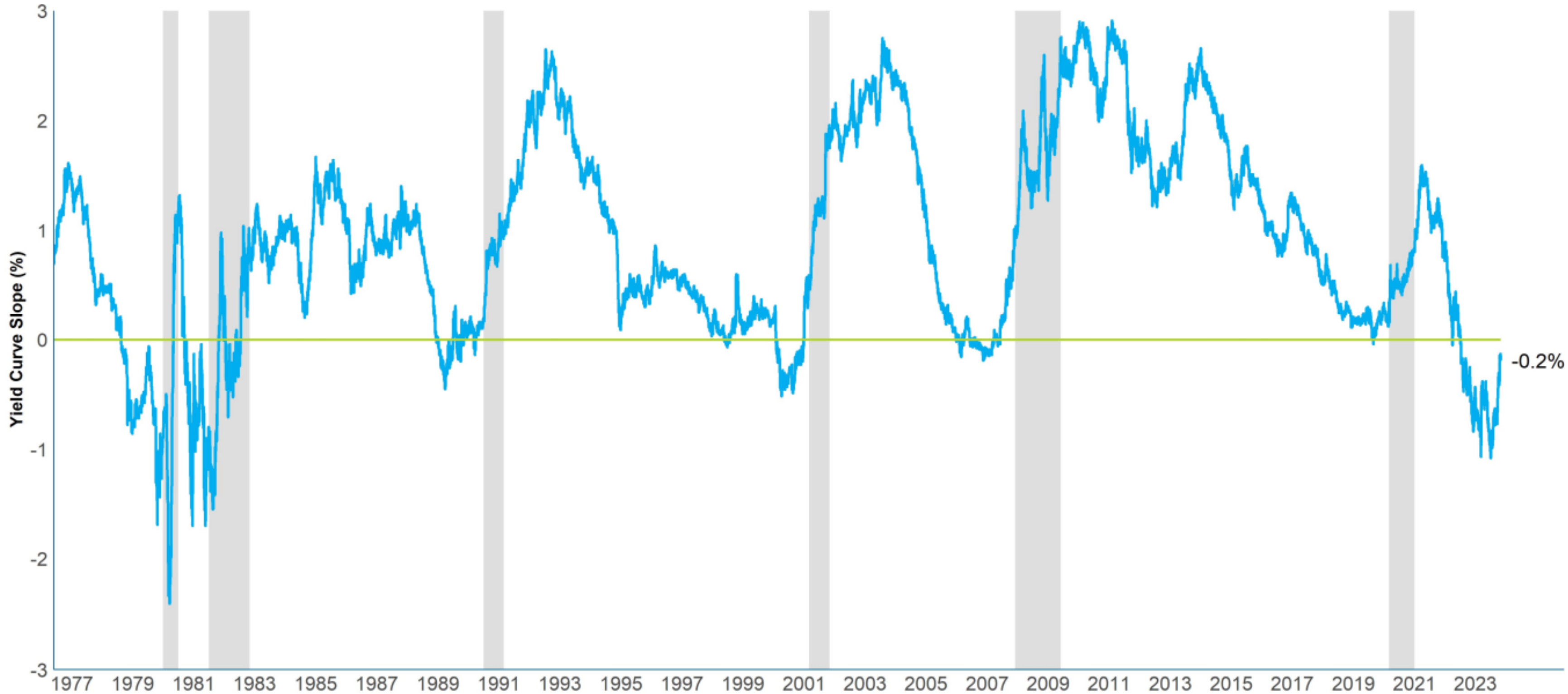
Systemic Risk and Volatile Market Days[1]
(As of October 31, 2023)



→ Systemic Risk is a measure of 'System-wide' risk, which indicates herding type behavior.

[1] Source: Meketa Investment Group. Volatile days are defined as the top 10 percent of realized turbulence, which is a multivariate distance between asset returns.

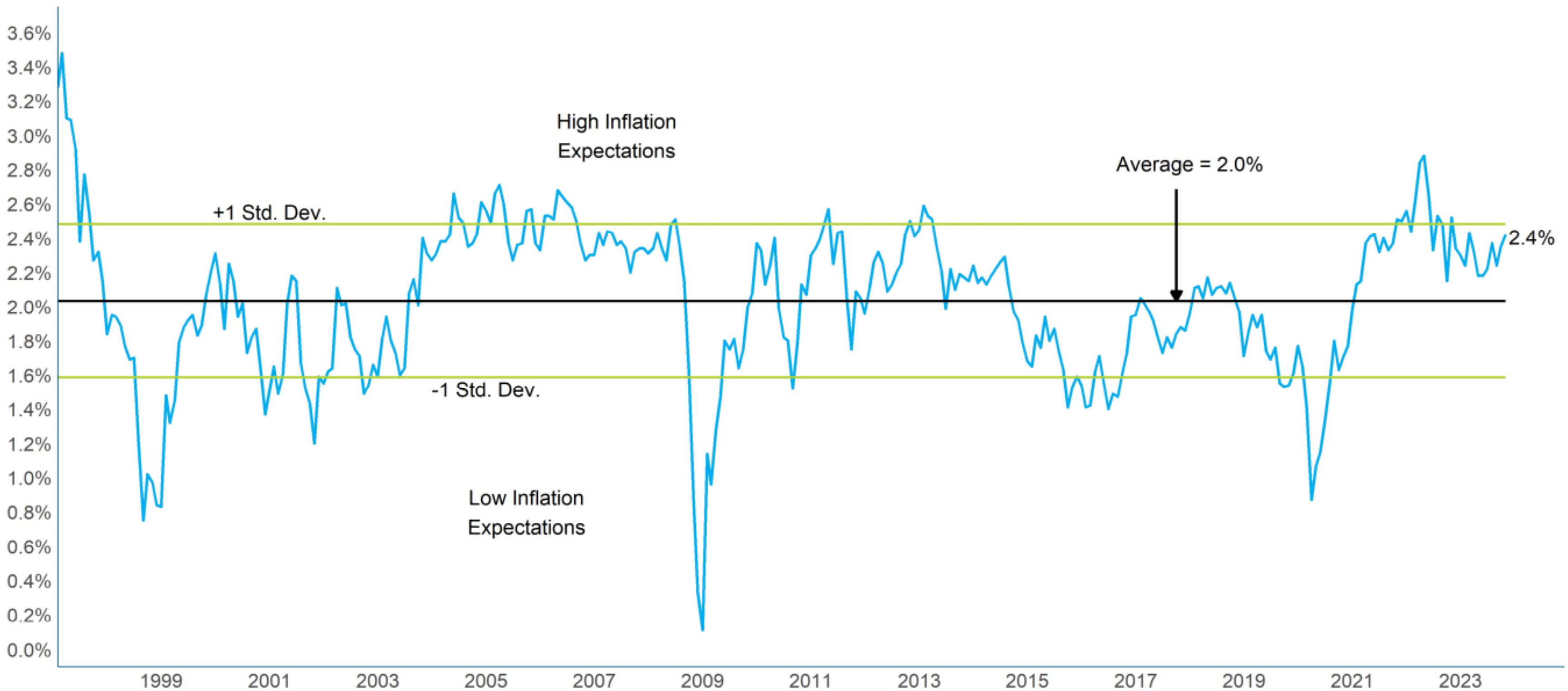
Yield Curve Slope (Ten Minus Two)[1]
(As of October 31, 2023)



→ This chart details the historical difference in yields between ten-year and two-year US Treasury bonds/notes. A higher (lower) figure indicates a steeper (flatter) yield curve slope.

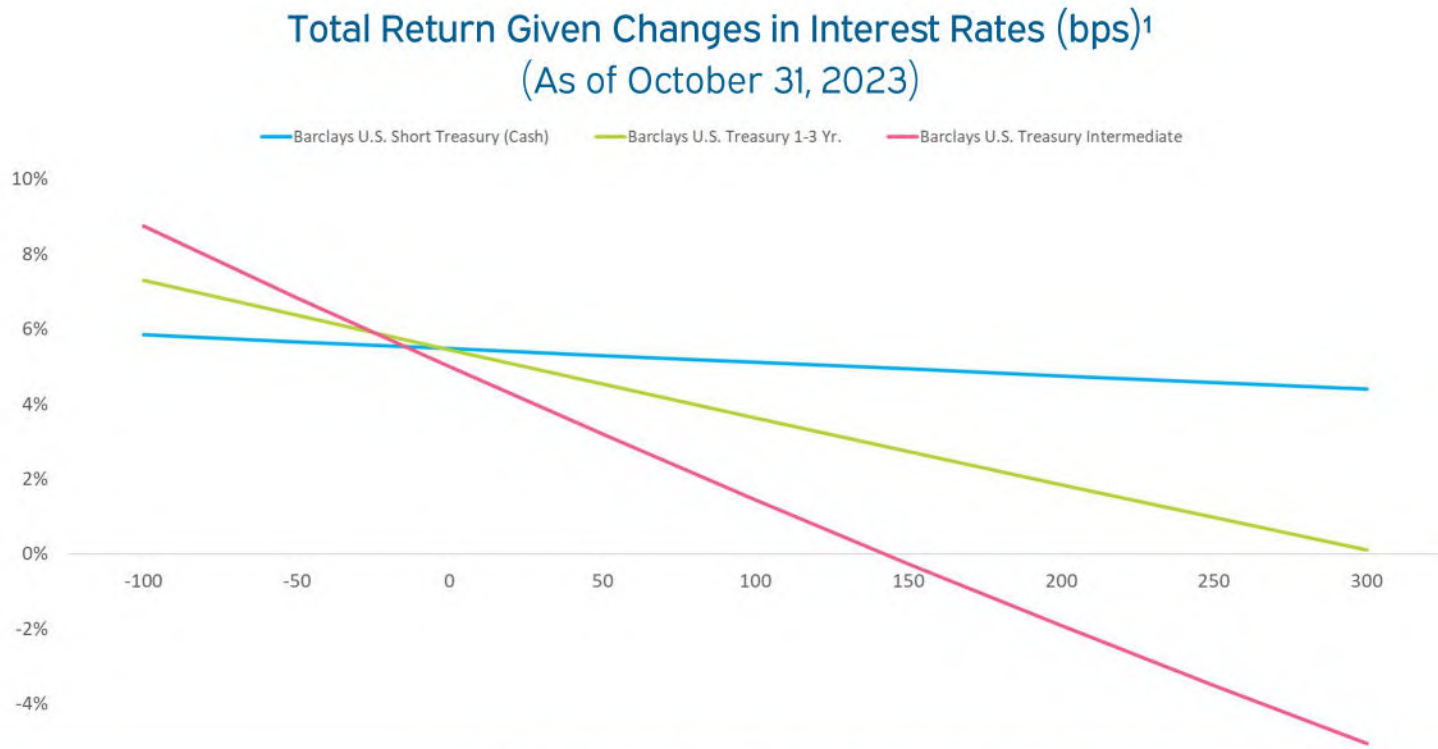
[1] Yield Curve Slope (Ten Minus Two) – Source: FRED. Yield curve slope is calculated as the difference between the 10-Year US Treasury Yield and 2-Year US Treasury Yield.

Ten-Year Breakeven Inflation[1]
(As of October 31, 2023)



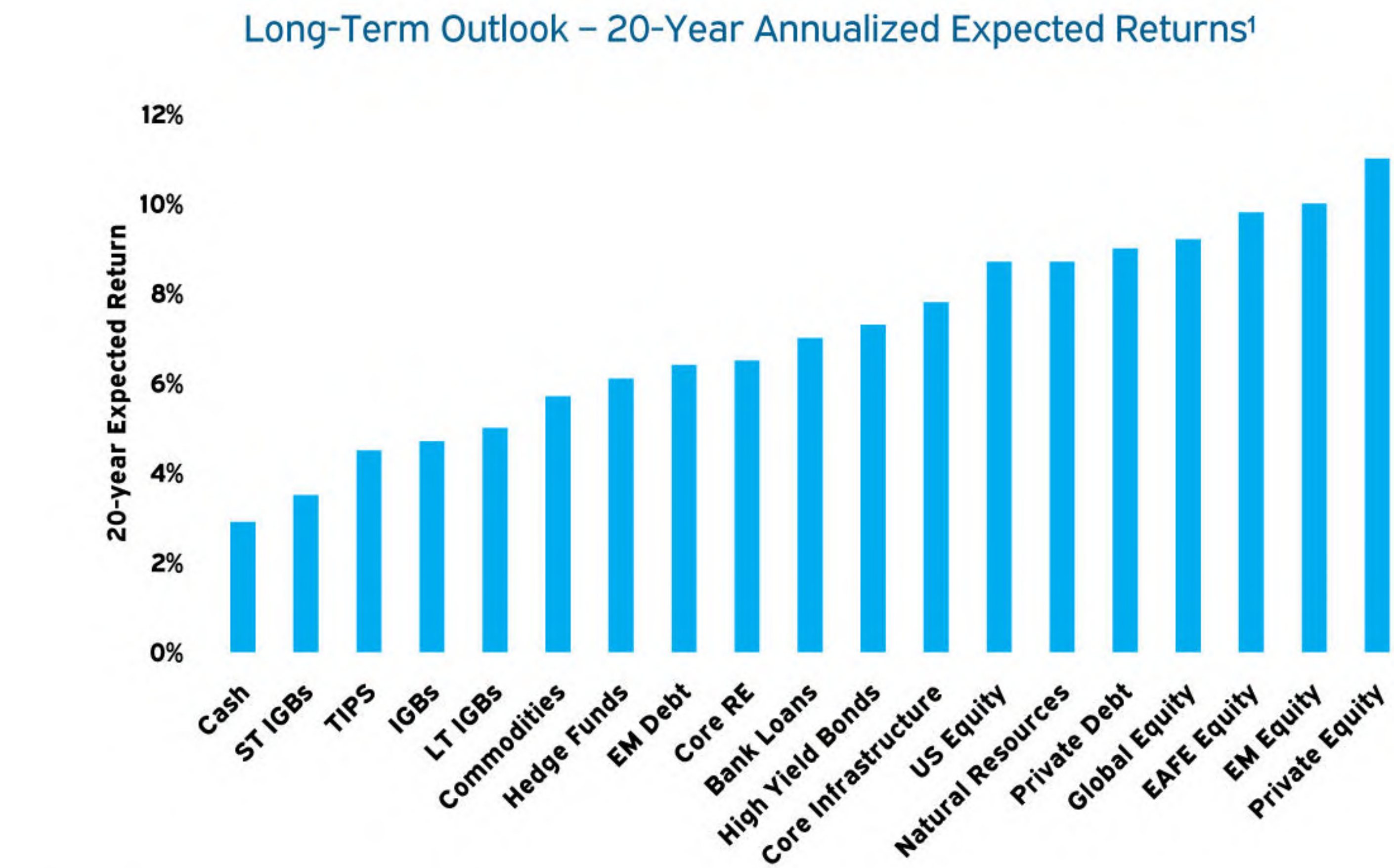
→ This chart details the difference between nominal and inflation-adjusted US Treasury bonds. A higher (lower) figure indicates higher (lower) inflation expectations.

[1] Ten-Year Breakeven Inflation – Source: US Treasury and Federal Reserve. Inflation is measured by the Consumer Price Index (CPI-U NSA).



	Total Return for Given Changes in Interest Rates (bps)									Statistics	
	-100	-50	0	50	100	150	200	250	300	Duration	YTW
Barclays US Short Treasury (Cash)	5.8%	5.7%	5.5%	5.3%	5.1%	4.9%	4.8%	4.6%	4.4%	0.37	5.48%
Barclays US Treasury 1-3 Yr.	7.3%	6.4%	5.4%	4.5%	3.6%	2.7%	1.8%	1.0%	0.1%	1.84	5.44%
Barclays US Treasury Intermediate	8.7%	6.8%	5.0%	3.2%	1.4%	-0.3%	-1.9%	-3.5%	-5.1%	3.65	4.99%
Barclays US Treasury Long	21.6%	13.0%	5.2%	-1.9%	-8.2%	-13.8%	-18.6%	-22.7%	-26.0%	14.9	5.22%

[1] Data represents the expected total return from a given change in interest rates (shown in basis points) over a 12-month period assuming a parallel shift in rates. Source: Bloomberg, and Meketa Investment Group.



→ This chart details Meketa's long-term forward-looking expectations for total returns across asset classes.

[1] Source: Meketa Investment Group's 2023 Asset Study.

Appendix

Data Sources and Explanations[1]

→ US Equity Cyclically Adjusted P/E on S&P 500 Index – Source: Robert Shiller and Yale University.

→ Small Cap P/E (Russell 2000 Index) vs. Large Cap P/E (Russell 1000 Index) - Source: Russell Investments. Earnings figures represent 12-month "as reported" earnings.

→ Growth P/E (Russell 3000 Growth Index) vs. Value (Russell 3000 Value Index) P/E - Source: Bloomberg, MSCI, and Meketa Investment Group. Earnings figures represent 12-month "as reported" earnings.

→ Developed International Equity (MSCI EAFE) Cyclically Adjusted P/E – Source: MSCI and Bloomberg. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years.

→ Emerging Market Equity (MSCI Emerging Markets Index) Cyclically Adjusted P/E – Source: MSCI and Bloomberg. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years.

→ Private Equity Multiples – Source: S&P LCD Average EBITDA Multiples Paid in All LBOs.

→ Core Real Estate Spread vs. Ten-Year Treasury – Source: Real Capital Analytics, US Treasury, Bloomberg, and Meketa Investment Group. Core Real Estate is proxied by weighted sector transaction-based indices from Real Capital Analytics and Meketa Investment Group.

[1] All Data as of October 31, 2023, unless otherwise noted.

Appendix

Data Sources and Explanations[1]

→ REITs Dividend Yield Spread vs. Ten-Year Treasury – Source: NAREIT, US Treasury. REITs are proxied by the yield for the NAREIT Equity Index.

→ Credit Spreads – Source: Bloomberg High Yield is proxied by the Bloomberg High Yield Index and Investment Grade Corporates are proxied by the Bloomberg US Corporate Investment Grade Index.

- Spread is calculated as the difference between the Yield to Worst of the respective index and the 10-Year Treasury Yield.

→ EM Debt Spreads – Source: Bloomberg, and Meketa Investment Group. Option Adjusted Spread (OAS) for the Bloomberg EM USD Aggregate Index.

→ Equity Volatility – Source: Bloomberg, and Meketa Investment Group. Equity Volatility proxied by VIX Index, a Measure of implied option volatility for US equity markets.

→ Fixed Income Volatility – Source: Bloomberg, and Meketa Investment Group. Equity Volatility proxied by MOVE Index, a Measure of implied option volatility for US Treasury markets.

→ Systemic Risk and Volatile Market Days – Source: Meketa Investment Group. Volatile days are defined as the top 10 percent of realized turbulence, which is a multivariate distance between asset returns.

→ Systemic Risk, which measures risk across markets, is important because the more contagion of risk that exists between assets, the more likely it is that markets will experience volatile periods.

[1] All Data as of October 31, 2023, unless otherwise noted.

Appendix

Data Sources and Explanations[1]

→ Yield Curve Slope (Ten Minus Two) – Source: Bloomberg, and Meketa Investment Group. Yield curve slope is calculated as the difference between the 10-Year US Treasury Yield and 2-Year US Treasury Yield.

→ Ten-Year Breakeven Inflation – Source: US Treasury and Federal Reserve. Inflation is measured by the Consumer Price Index (CPI-U NSA).

[1] All Data as of October 31, 2023, unless otherwise noted.

Meketa Market Sentiment Indicator

Explanation, Construction and Q&A

Meketa has created the MIG Market Sentiment Indicator (MIG-MSI) to complement our valuation-focused Risk Metrics. This measure of sentiment is meant to capture significant and persistent shifts in long-lived market trends of economic growth risk, either towards a risk-seeking trend or a risk-aversion trend.

This appendix explores:

→ What is the Meketa Market Sentiment Indicator?

→ How do I read the indicator graph?

→ How is the Meketa Market Sentiment Indicator constructed?

→ What do changes in the indicator mean?

Meketa has created a market sentiment indicator for monthly publication (the MIG-MSI – see below) to complement Meketa's Risk Metrics.

→ Meketa's Risk Metrics, which rely significantly on standard market measures of relative valuation, often provide valid early signals of increasing long-term risk levels in the global investment markets. However, as is the case with numerous valuation measures, the Risk Metrics may convey such risk concerns long before a market correction take place. The MIG-MSI helps to address this early-warning bias by measuring whether the markets are beginning to acknowledge key Risk Metrics trends, and / or indicating non-valuation-based concerns. Once the MIG-MSI indicates that the market sentiment has shifted, it is our belief that investors should consider significant action, particularly if confirmed by the Risk Metrics. Importantly, Meketa believes the Risk Metrics and MIG-MSI should always be used in conjunction with one another and never in isolation. The questions and answers below highlight and discuss the basic underpinnings of the Meketa MIG-MSI:

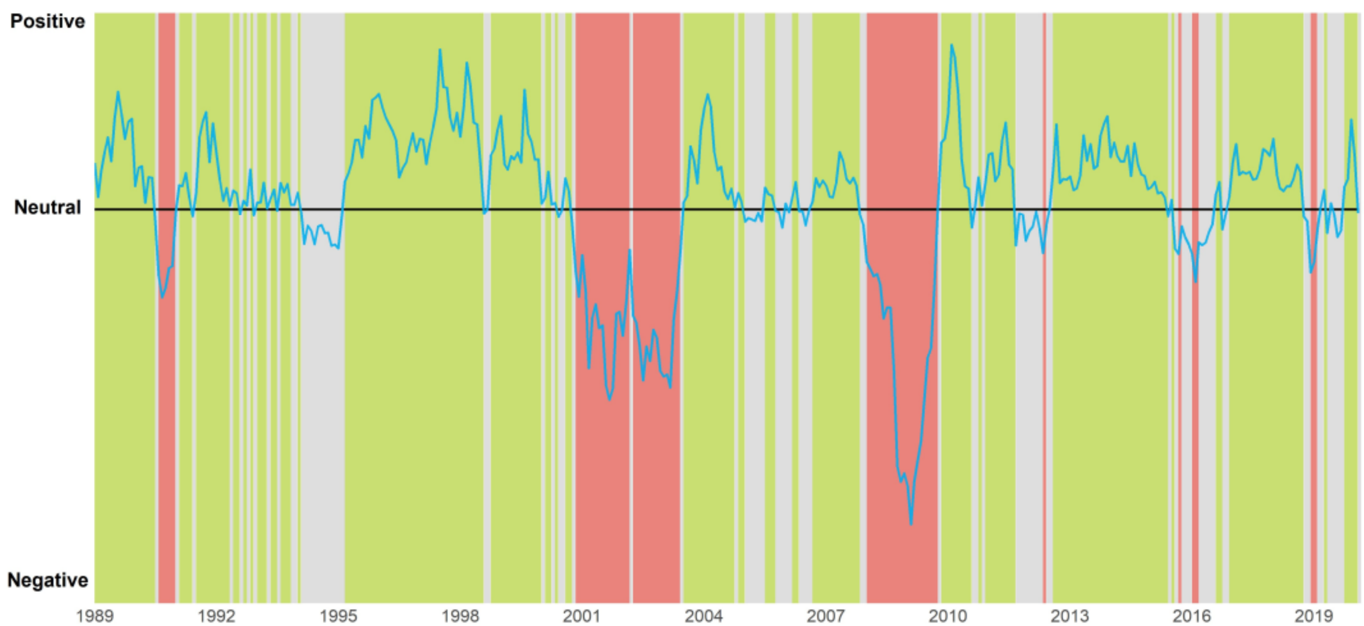
What is the Meketa Market Sentiment Indicator (MIG-MSI)?

→ The MIG-MSI is a measure meant to gauge the market's sentiment regarding economic growth risk. Growth risk cuts across most financial assets and is the largest risk exposure that most portfolios bear. The MIG-MSI takes into account the momentum (trend over time, positive or negative) of the economic growth risk exposure of publicly traded stocks and bonds, as a signal of the future direction of growth risk returns; either positive (risk seeking market sentiment), or negative (risk averse market sentiment).

How do I read the Meketa Market Sentiment Indicator graph?

→ Simply put, the MIG-MSI is a color-coded indicator that signals the market's sentiment regarding economic growth risk. It is read left to right chronologically. A green indicator on the MIG-MSI indicates that the market's sentiment towards growth risk is positive. A gray indicator indicates that the market's sentiment towards growth risk is neutral or inconclusive. A red indicator indicates that the market's sentiment towards growth risk is negative. The black line on the graph is the level of the MIG-MSI. The degree of the signal above or below the neutral reading is an indication the signal's current strength.

→ Momentum as we are defining it is the use of the past behavior of a series as a predictor of its future behavior.



How is the Meketa Market Sentiment Indicator (MIG-MSI) Constructed?

→ The MIG-MSI is constructed from two sub-elements representing investor sentiment in stocks and bonds:

- Stock return momentum: Return momentum for the S&P 500 Equity Index (trailing 12-months).
- Bond yield spread momentum: Momentum of bond yield spreads (excess of the measured bond yield over the identical duration US Treasury bond yield) for corporate bonds (trailing 12-months) for both investment grade bonds (75% weight) and high yield bonds (25% weight).
- Both measures are converted to Z-scores and then combined to get an "apples to apples" comparison without the need of re-scaling.

→ The black line reading on the graph is calculated as the average of the stock return momentum measure and the bonds spread momentum measure[1]. The color reading on the graph is determined as follows:

- If both stock return momentum and bond spread momentum are positive = GREEN (positive).
- If one of the momentum indicators is positive, and the other negative = GRAY (inconclusive).
- If both stock return momentum and bond spread momentum are negative = RED (negative).

[1] Momentum as we are defining it is the use of the past behavior of a series as a predictor of its future behavior.
"Time Series Momentum" Moskowitz, Ooi, Pedersen, August 2010. *http://pages.stern.nyu.edu/~lpederse/papers/TimeSeriesMomentum.pdf*

What does the Meketa Market Sentiment Indicator (MIG-MSI) mean? Why might it be useful?

→ There is strong evidence that time series momentum is significant and persistent. Across an extensive array of asset classes, the sign of the trailing 12-month return (positive or negative) is indicative of future returns (positive or negative) over the next 12-month period. The MIG-MSI is constructed to measure this momentum in stocks and corporate bond spreads. A reading of green or red is agreement of both the equity and bond measures, indicating that it is likely that this trend (positive or negative) will continue over the next 12 months. When the measures disagree, the indicator turns gray. A gray reading does not necessarily mean a new trend is occurring, as the indicator may move back to green, or into the red from there. The level of the reading (black line) and the number of months at the red or green reading, gives the user additional information on which to form an opinion, and potentially take action.

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MEMORANDUM

TO: SJCERA Board of Retirement
FROM: Meketa Investment Group (Meketa)
DATE: December 8, 2023
RE: Implementation Plan Update: 2022 Strategic Allocation Targets

Summary

At its June 2022 meeting, the SJCERA Board approved its current long-term strategic allocation policy for its investment assets (see table below). Based on the statistics highlighted in the table, the current policy should increase the likelihood of providing improved outcomes for SJCERA over the next 20 years.

Table 1: Comparison of SJCERA's current policy with previous Long-Term Allocation

Strategic Classes	Previous Policy (%)	Current L-T Policy (%)	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	**Previous Policy (%)**	**Current L-T Policy (%)**	**Change (%)**
Median Scenario Compound Return	8.26	8.60	0.34
Average Scenario Standard Deviation	10.6	11.8	1.2
Sharpe Ratio	0.50	0.49	-0.01

Following the adoption of the current long-term policy in 2022, Meketa discussed the significant change the portfolio required in regard to increasing private market exposure. This is from the perspective of updating and searching for new managers. The portfolios policy benchmark is also slated to change as well. The table below show the milestones that Meketa recommended in 2022.

Table 2: SJCERA's evolving policy with current Long-Term Allocation

Strategic Classes	Previous Allocation	8/1/2022-3/31/2023	4/1/2023-12/31/2023	1/1/2024-6/30/2024	Current L-T 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

Update on the Evolving Strategic Policy

As highlighted above, one feature of adopting the new strategic policy is that it will require a significant amount of change. Over the previous 18-months the SJCERA has been moving closer to its long-term policy but there is still work to be done.

Table 3: SJCERA's actual allocation compared to its Long-Term Allocation

Strategic Classes	9/30/2023 Allocation	4/1/2023-12/31/2023	1/1/2024-6/30/2024	Current L-T Target
Broad Growth	**76**	**78**	**80**	**80**
Aggressive Growth	10	12	14	16
Traditional Growth	36	34	34	34
Stabilized Growth	30	32	32	30
Risk Parity	*9*	*9*	*8*	*6*
Credit	*16*	*16*	*15*	*15*
Core Real Assets	*6*	*7*	*8*	*9*
Diversifying Strategies	**20**	**22**	**20**	**20**
Principal Protection	7	8	7	7
CRO	13	14	13	13
Cash	**4**	**0**	**0**	**0**

As seen in Table 3 above, the actual portfolio allocation is moving closer to its long-term targets. Meketa has been working closely with SJCERA's board and staff to continue allocating to the private markets (Real Estate, Equity, and Credit) portfolios through annual pacing studies and manager searches. Other asset buckets are at or near their long-term targets. Most notably diversifying strategies and the credit allocation within stabilized growth.

Meketa will continue to monitor this allocation as we move into 2024 and update the board as necessary.

DS/RF/mn

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MEMORANDUM

TO: SJCERA Board of Retirement
FROM: Meketa Investment Group
DATE: December 8, 2023
RE: Proposed 2024 Strategic Investment Plan

Approximately once a year, Meketa outlines the projects on which we expect to work closely with SJCERA to complete over the next 12+ months. The Proposed 2024 Investment Program Plan, presented as Table 1 on the following page, identifies the major strategic projects and expected completion dates planned for 2024. The biggest project(s) is continued search and education of the private market classes as a result of the updated 2023 pacing studies. Additionally, Meketa and SJCERA staff will work on reviewing the CRO class and the Diversifiers (Risk Premia) portion. In addition, Meketa will be educating the SJCERA Board on investment topics throughout the year. Meketa will also work with the Staff and Board to complete more routine tasks and projects inherent in the management of an institutional investment portfolio. Meketa welcomes any suggestions and/or modifications to the proposed projects and/or timeline.

The investment projects completed in 2023 are presented in Table 2 on page 3. Most of the work that Meketa and SJCERA staff conducted directly with the Board in 2023 was reviews and education of some the underlying classes within the portfolio. These reviews also potentially changed the long-term target allocations of the portfolio, resulting in updated pacing studies for all three of the private market portfolios (Private Equity, Real Estate, and Private Credit). In collaboration with SJCERA Staff, Meketa will be working on the 2024 roundtable. Additionally, Meketa will continue to conduct on-site reviews and manager due diligence with the SJCERA Board.

Table 1: Proposed 2024 Investment Program Plan

Task	Expected Completion	Comments	Status Update
Priority Projects			
2024 Capital Market Assumptions	1Q2024	Return and risk expectations given the 2024 capital market outlook.	
Private Equity Manager Search(s)	2024	Search for Private Equity managers as a result of the 2023 Pacing study	
Policy Benchmark Review	1Q2024	Review of the policy and asset class benchmarks	
Real Estate Market and portfolio review	2Q2024	Review of the Real Estate class and evaluation of current managers and weightings.	
Capital Markets - Portfolio Risk Review	1Q 2024	Discussion and review of SJCERA portfolio with 2024 Meketa capital market assumptions	
Risk Premia (diversifiers) Review	1Q2024	Education, review, and potential changes to, Risk Premia component of CRO.	
Real Estate Manager search	2024	Search in 2024 for a new Real Estate Manager	
Investment Policy Review	2024	Review and update of the Strategic Asset allocation policy.	
Other Projects			
Educational Topics (Inflation, China)	2024	Various educational topics for the SJCERA Board (DB plan outlook, etc.)	
Active vs. Passive Education	2Q2024	Review of active management in public equities.	
Review of SJCERA Fees	2Q2024	Manager rankings and ILPA fee report	
SJCERA Annual Investment Roundtable	October 2024	Annual Offsite with SJCERA members and investment partners	
Review of SJCERA Legacy Managers	2024	Evaluate timeline and options for SJCERA legacy portfolios.	
2024 Pacing study	2024	Updated pacing study for commitments of private investments, including Private Equity, Real Estate and Private Credit	
Investment Operation efficiency	2024	Evaluate the investment operations for the SJCERA portfolio.	
Private Credit Manager Search	2024	Search for a Private Credit manager	
SJCERA Manager Due Diligence Review	2024	Ongoing manager due diligence with Board presentations and Meketa on-sites; status report quarterly.	

Table 2: Investment Projects Completed in 2023

Task	Expected Completion	Comments	Status Update
Priority Projects			
2023 Capital Market Assumptions	1Q2023	Return and risk expectations given the 2023 capital market outlook	Completed
Capital Markets - Portfolio Risk Review	2Q 2023	Discussion and review of SJCERA portfolio with 2023 Meketa capital market assumptions	Completed
Private Equity Market and Portfolio Review	3Q2023	Review of the Private Equity class and evaluation of current managers and weightings.	Completed
Private Equity Manager Search	3-4Q2023	Potential changes as a result of Private Equity review	Completed
Policy Benchmark Review	1Q2023	Review of the policy and asset class benchmarks	Completed
Real Estate Market and Portfolio Review	2Q2023	Review of the Real Estate class and evaluation of current managers and weightings.	Completed
Real Estate Manager Search	2023	Search for Private Real Estate managers as a result of the 2023 Pacing study	Completed
Global Equity Asset Class Review	4Q2023	Education, review and potential changes to the Global Equity class.	Completed
Investment Policy Review	2023	Update of various policies regarding cash and ESG language	Completed
Other Projects			
Educational Topics (Inflation, ESG, Fixed Income)	2023	Various educational topics for the SJCERA Board (DB plan outlook, peer review, etc.)	
Review of SJCERA Fees	2Q2023	Manager rankings and ILPA fee report	Completed
SJCERA Annual Investment Roundtable	October 2023	Meketa will work with Board and Staff to develop a theme for the 2023 event	Completed
2023 Pacing study	4Q2023	Updated pacing study for commitments of private investments, including Private Equity, Real Estate and Private Credit	Completed
Private Credit Manager Search	2023	Search for new Private Credit managers as a result of the 2022 pacing study	Completed
SJCERA Manager Due Diligence Review	2023	Ongoing manager due diligence with Board presentations and Meketa on-sites; status report quarterly.	In Progress

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San Joaquin County Employees' Retirement Association

December 8, 2023

Global Equity Structure Review

Introduction

→ This presentation reviews SJCERA's Global Equity (Traditional Growth) class, SJCERA's largest allocation.

Approved Allocation Framework

New High-Level Class	New Mid-Level Component	Strategy
Broad Growth	Aggressive Growth	Private Equity / Non-Core Real Assets
	Traditional Growth	US Equity
		Non-US Equity
		REITs
	Stabilized Growth	Risk Parity
		Liquid Credit
		Private Credit
		Private Core Real Assets
Diversifying Strategies	Principal Protection	Core Fixed Income
	Crisis Risk Offset	Long Duration
		Systematic Trend Following
		Alternative Risk Premia

The International Countries as Listed by MSCI

Developed Markets			Emerging Markets			Frontier Markets		
Americas	EMEA	APAC	Americas	EMEA	APAC	Americas	EMEA	APAC
Canada USA	Austria Belgium Denmark Finland France Germany Ireland Israel Italy Netherlands Norway Portugal Spain Sweden Switzerland UK	Australia Hong Kong Japan New Zealand Singapore	Brazil Chile Colombia Mexico Peru	Czech Republic Egypt Greece Hungary Kuwait Poland Qatar Saudi Arabia South Africa Turkey UAE	China India Indonesia Korea Malaysia Philippines Taiwan Thailand	—	Bahrain Benin* Burkina Faso* Croatia Estonia Guinea-Bissau* Iceland Ivory Coast* Jordan Kazakhstan Kenya Latvia Lithuania Mali* Mauritius Morocco Niger* Nigeria Oman Romania Senegal* Serbia Slovenia Togo* Tunisia	Bangladesh Pakistan Sri Lanka Vietnam

Standalone Markets[1]		
Americas	EMEA[2]	APAC[3]
Argentina Jamaica Panama Trinidad and Tobago	Bosnia and Herzegovina Botswana Bulgaria Lebanon Malta Palestine Ukraine Zimbabwe	—

Source: MSCI.

Global Equity Asset Class - Defined

→ The Global Equity asset class is composed of stocks issued by corporations domiciled both inside and outside the United States based on their relative market capitalization.

→ Global Equity = International Equity + US Equity.

→ In aggregate, the value of the global equity markets is over 100 trillion

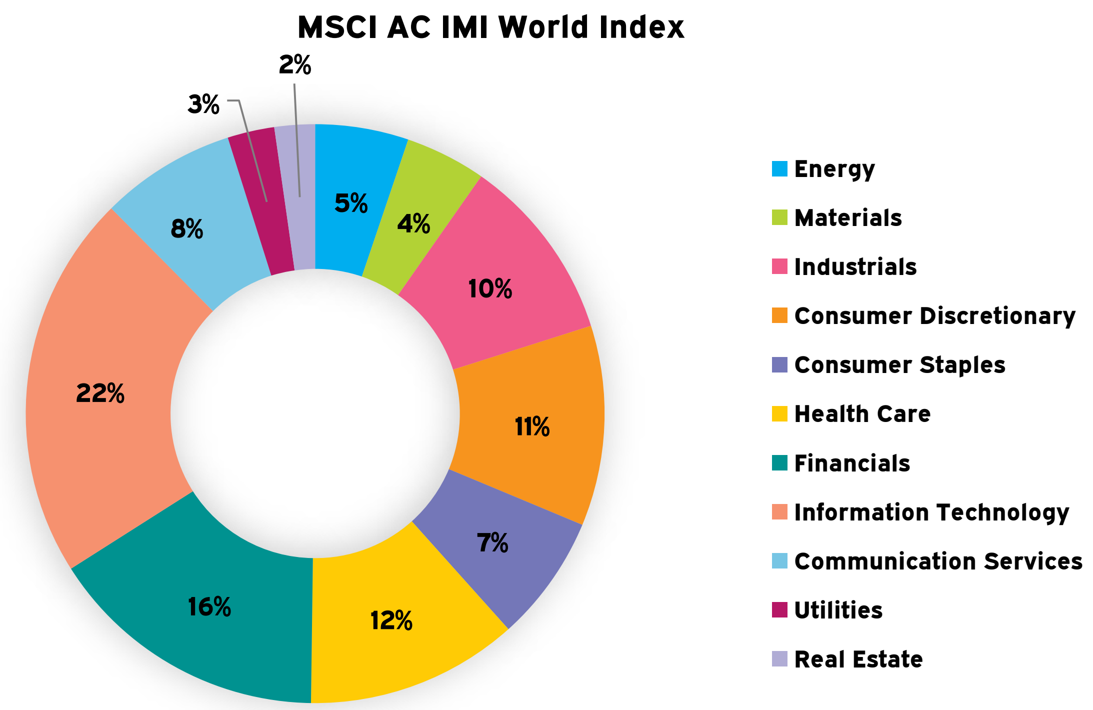
→ International equities represents approximately 40% of the investable universe yet are often underrepresented in investor's portfolios.

- Allocations less than the global market capitalization represent a "Home-Bias."
- Investors favor investments in their home country.

→ Allocations less than the global market capitalization represent an Active Bet on domestic securities within Policy framework.

- Often one of the largest Policy bets made by Policymakers.

The Global Opportunity Set[1]
MSCI All Country World Index
Regional Weights as of September 2023

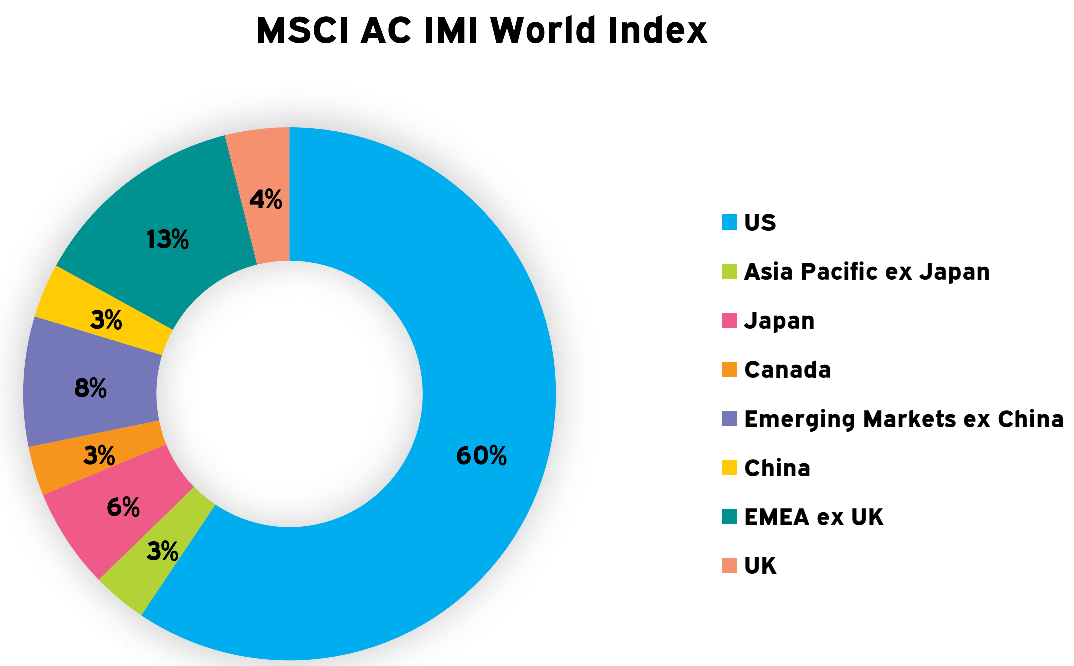


→ Roughly half of the world's public companies are based outside the US.

→ Hence, overseas investing significantly enhances an investor's opportunity set.

[1] Source: MSCI.

The Global Opportunity Set[1]
MSCI All Country World Index
Sector Weights as of September 2023



→ Technology is the largest sector in the MSCI ACWI index.

→ Real Estate (REITS) represent 2% of the world equity markets.

[1] Source: MSCI.

→ Investing in International equities opens up a much larger opportunity set than would be available to a US-biased investor.

→ Many large, household name, companies are headquartered outside the US.

→ Not having exposure to these companies greatly limits an investor's opportunity set.

→ International equities enables investors to gain exposure to different markets each with their own market dynamics.

- Different market conditions
- Different economic growth trends
- Different monetary and fiscal policy
- Different business cycle
- Different demographics
- Different industry concentrations

→ As economic globalization continues, there is strong evidence that global market integration continues to unfold.

→ Market liberalization has systematically reduced the barriers to capital mobility and enhanced the quality of market information and execution.

→ 75% of world GDP and 95% of world population is outside the US.

Equities are divided into segments: Developed and Emerging.

→ Developed markets are economies that exhibit relatively high income, openness to foreign ownership, ease of capital movement, and efficiency of market institutions.

→ Emerging markets are economies that exhibit intermediate relative income, moderate openness in capital controls, and institutional development.

Emerging market economies have experienced rapid growth over the past 30 years and now represent half of the global economy.

→ Exposure to International equities, both Developed and Emerging, allow investors to invest in this growth.

Emerging market equities experience significantly more volatility than Developed equities.

→ Due to:

- Less stable political environments
- Less developed capital markets
- More concentrated industry exposure
- Contagion
- Capital controls / capital flight

SJCERA Global Equity Allocation

SJCERA currently has exposure to the international public equity markets through four vehicles in the Traditional Growth Sleeve of the portfolio:

- → Northern Trust MSCI World (Passive)
- → PIMCO RAE Emerging Markets (Active)
- → GQG Active Emerging Markets (Active)
- → Invesco REIT (Active)

The objectives of the asset class is to:

- → Achieve a total return, net of fees, which exceeds the MSCI All Country World IMI Index.

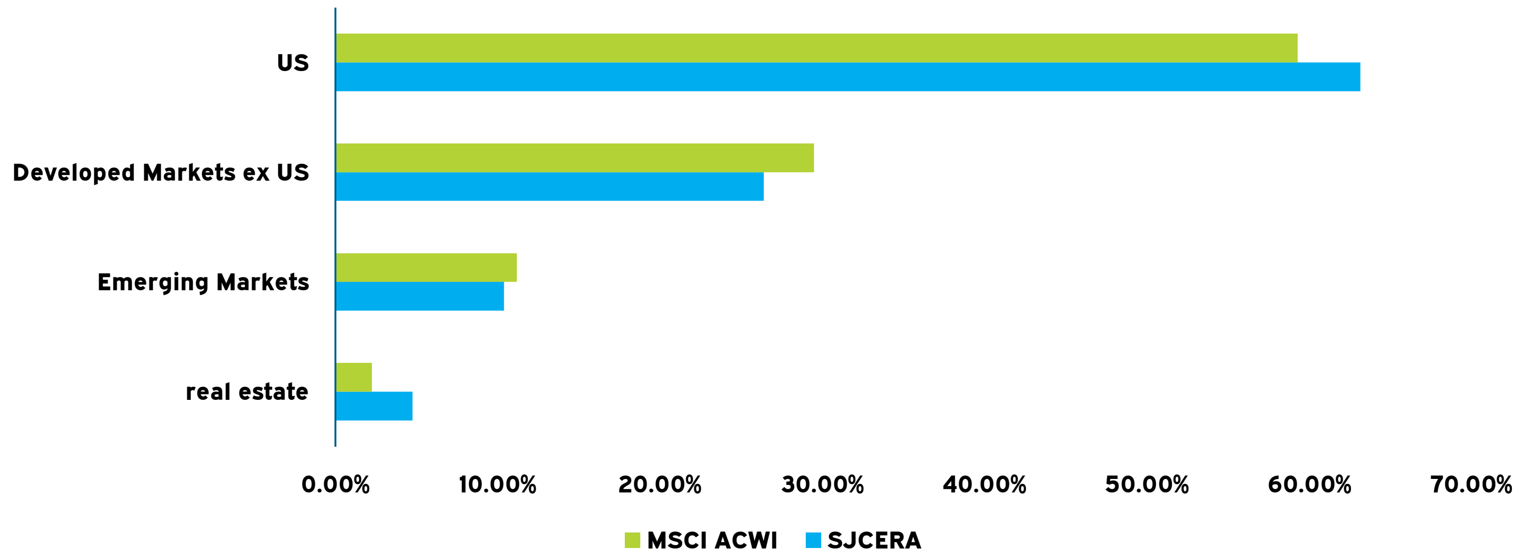
Structural Options

→ On a regular basis, it is important to review the structure and performance of the different asset classes that comprise the SJCERA portfolio.

→ This review should focus on the three factors listed below in order to determine if the asset class under review is accomplishing its role within the greater SJCERA portfolio.

1. Market Exposure: Are the managers providing the desired capital market exposure (e.g., to small cap equities) that they were hired to provide?
2. Diversification: Are the managers complementary to the other asset classes and to one another (exhibiting low correlation)?
3. Performance: Has the asset class produced satisfactory returns and have active managers outperformed their benchmarks?

SJCERA: Regional Exposure

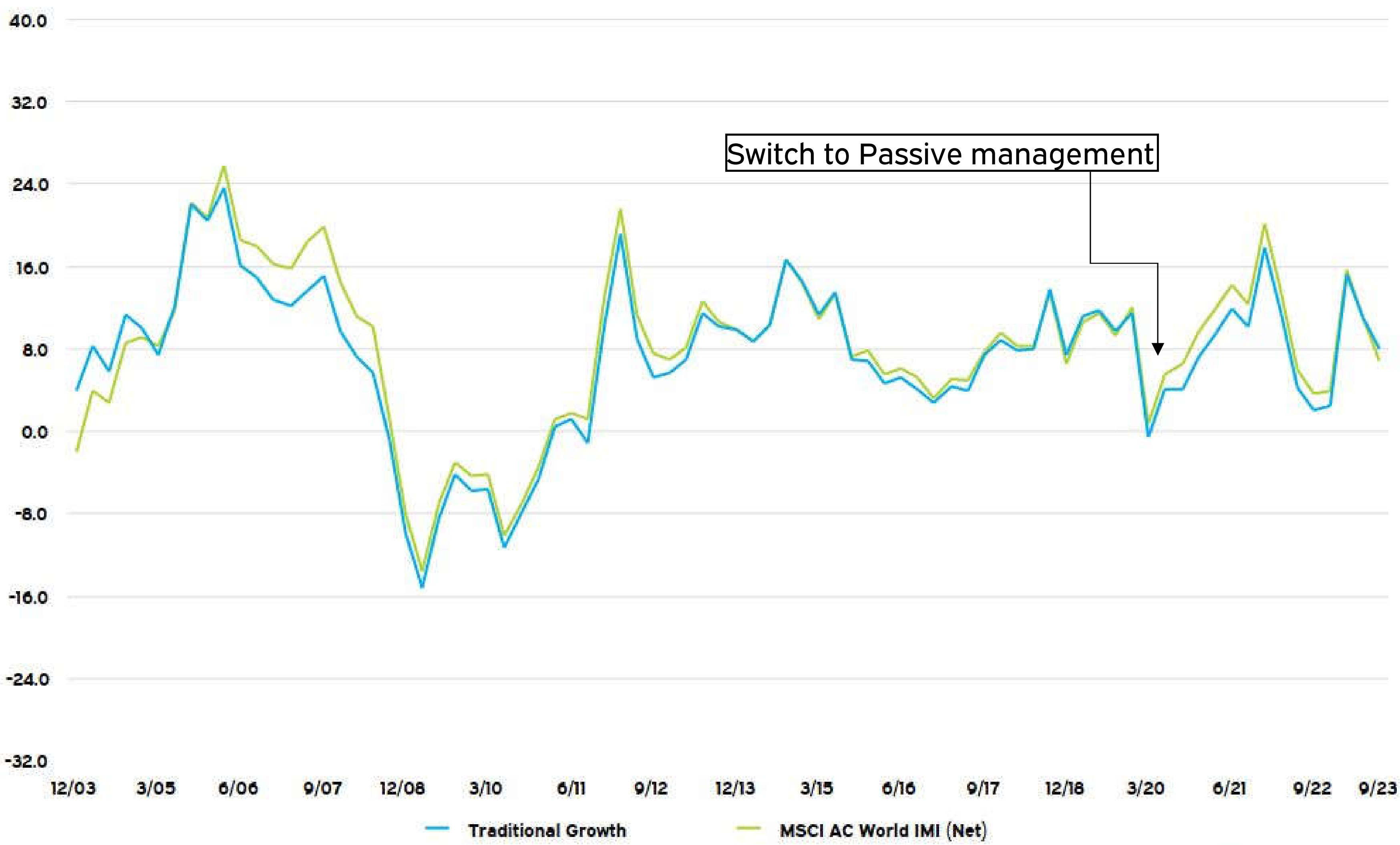


→ SJCERA is slightly overweight US Equities and slightly underweight Developed ex US and Emerging Markets relative to the benchmark.

→ Real Estate is slightly overweight relative to the MSCI ACWI Sector index weight

Rolling MPT Stats Chart | 12 Quarters Rolling Periods As of September 30, 2023

Rolling 3-Year Return



Annualized Performance – Net of Fees
(as of September 30, 2023)

	1-year (%)	3-year (%)	5-year (%)
Global Public Equity	**21.1**	**8.0**	**5.3**
MSCI AC World Index	20.2	6.9	6.7
excess	0.9	1.1	-1.4
Northern Trust MSCI World	**21.8**	**8.3**	**-**
MSCI World IMI Index	21.1	7.9	-
excess	0.7	0.4	-
PIMCO RAE Emerging Markets	**29.8**	**14.3**	**5.0**
MSCI Emergin Markets (Net)	11.7	-1.7	0.6
excess	18.1	16.0	4.4
GQG Active Emerging Markets	**20.5**	**1.7**	**-**
MSCI Emergin Markets (Net)	11.7	-1.7	-
excess	8.8	3.4	-
Invesco REIT	**-3.0**	**1.8**	**1.8**
FTSE NAREIT Equity REIT Index	3.0	5.8	2.8
excess	-6.0	-4.0	-1.0

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December 8, 2023

2023 Risk Parity Review

Agenda

1. Background and Introduction
2. Risk Parity Strategy Review
3. Risk Parity Manager Review
4. Summary

Background and Introduction

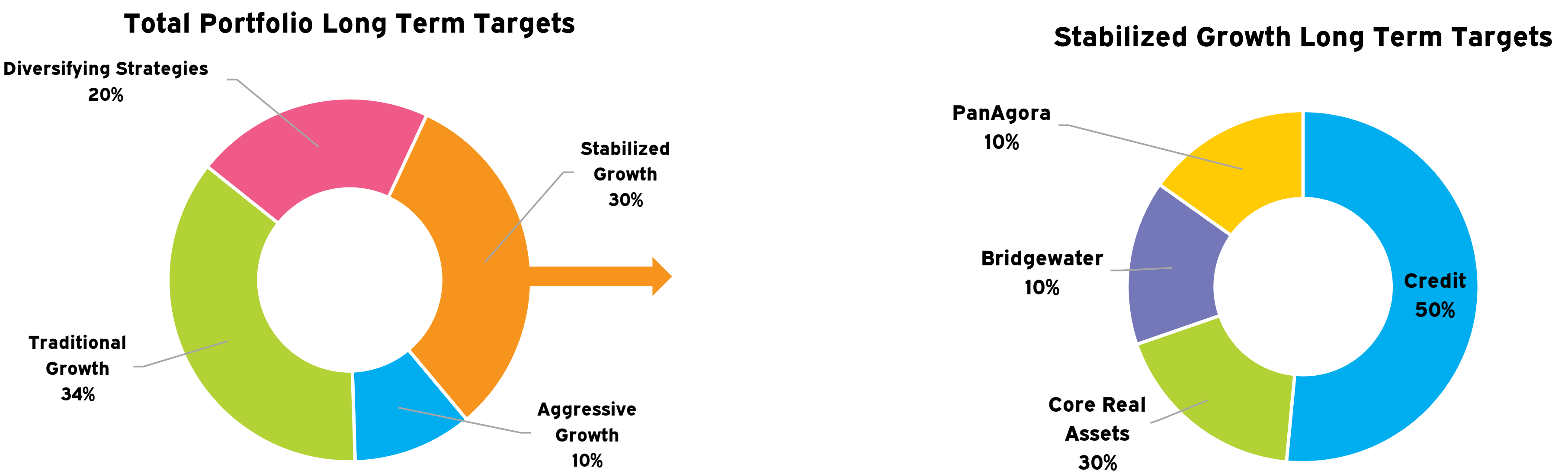
Role of Risk Parity

→ 6% of the target total asset allocation and ~20% of Stabilized Growth.

→ Target allocation of 6% reduced from 10%, approved in August 2022.

→ Role is to provide similar returns to a traditional allocation with less volatility.

- Equal risk distribution:
  - risk equally amongst a combination of asset classes.
- Reduced reliance on equity risk.
- Active and Passive management by the underlying managers.

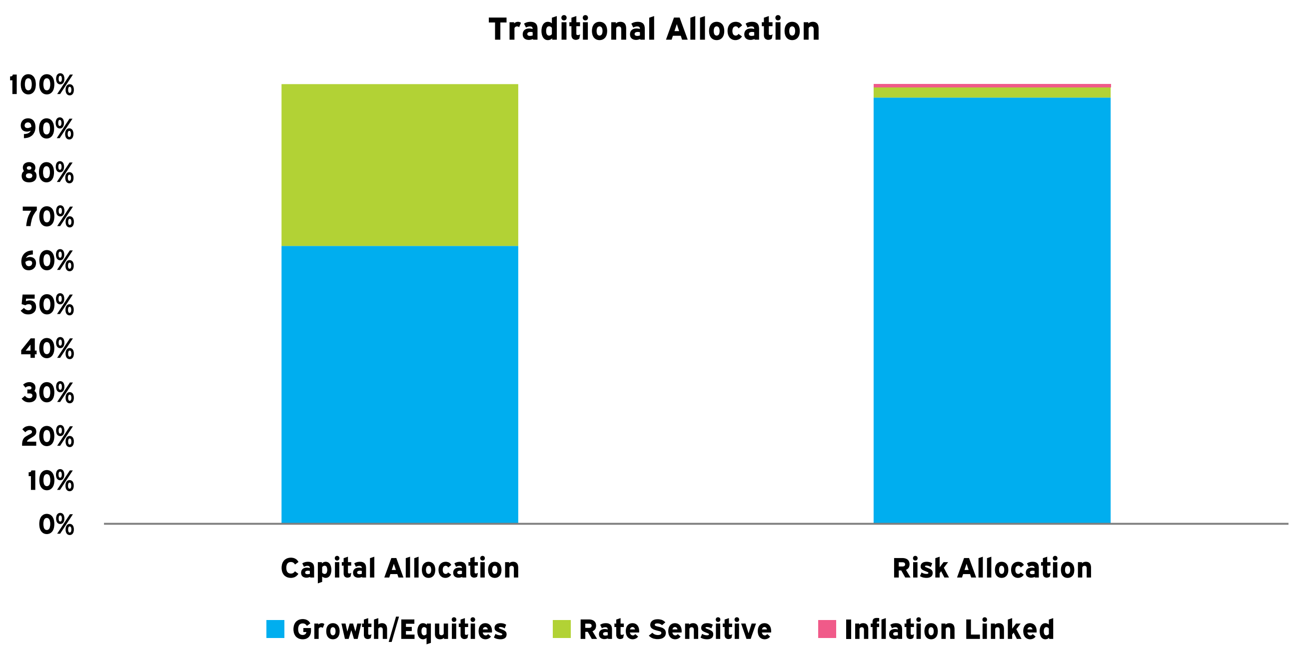


Risk Parity Strategy Review

The Considerations of a Typical Asset Allocation

→ Traditional allocations are tilted towards equities due to higher stand-alone expected returns.

→ This increases the volatility of the portfolio.



→ Because equities are more volatile than other asset classes, their contribution to volatility (>95%) is even higher than their share of capital (60%).

An Alternative Approach

→ Rather than having risk exposure be dominated by equity, another approach seeks balanced risk exposures (equities, fixed income, currencies, commodities).

	Global Equities	Core Bonds	Inflation-Linked Bonds
Expected Return (20-year)	9.2%	4.7%	4.5%
Standard Deviation	18.0%	4.0%	7.0%
Sharpe Ratio	**0.35**	**0.45**	**0.22**

→ These classes reward investors proportionally for the risk they are taking as measured by Sharpe Ratio.

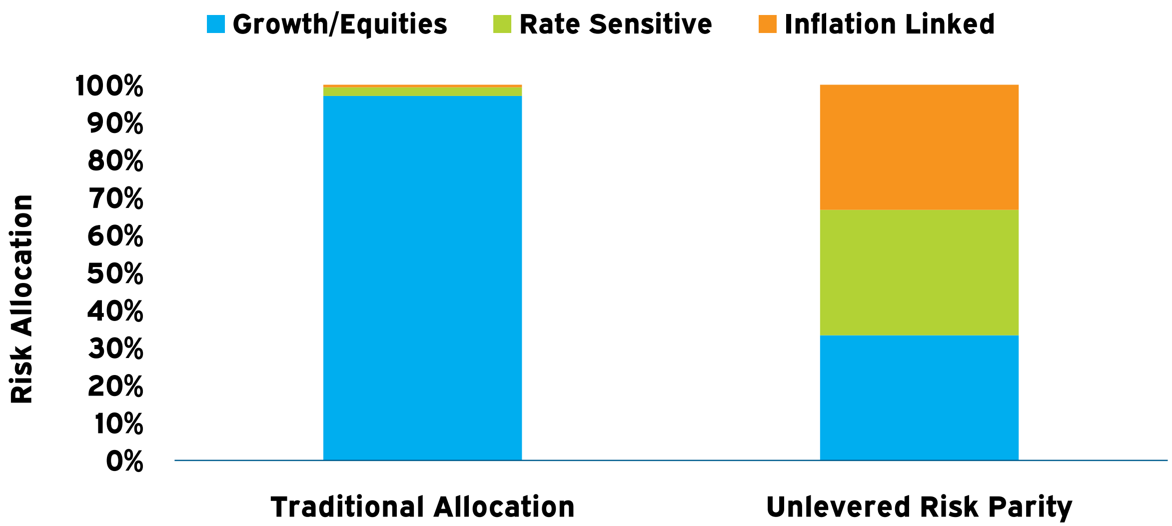
→ Sharpe ratio measures the amount of return you receive for the amount of risk you take.

→ A higher number means more return for the amount of risk that is taken.

→ Sharpe Ratio = the return of an investment in excess of cash (the risk-free rate) divided by volatility.

A Risk Parity Allocation

→ Balancing equity risk with other exposures results in a more diversified risk allocation.



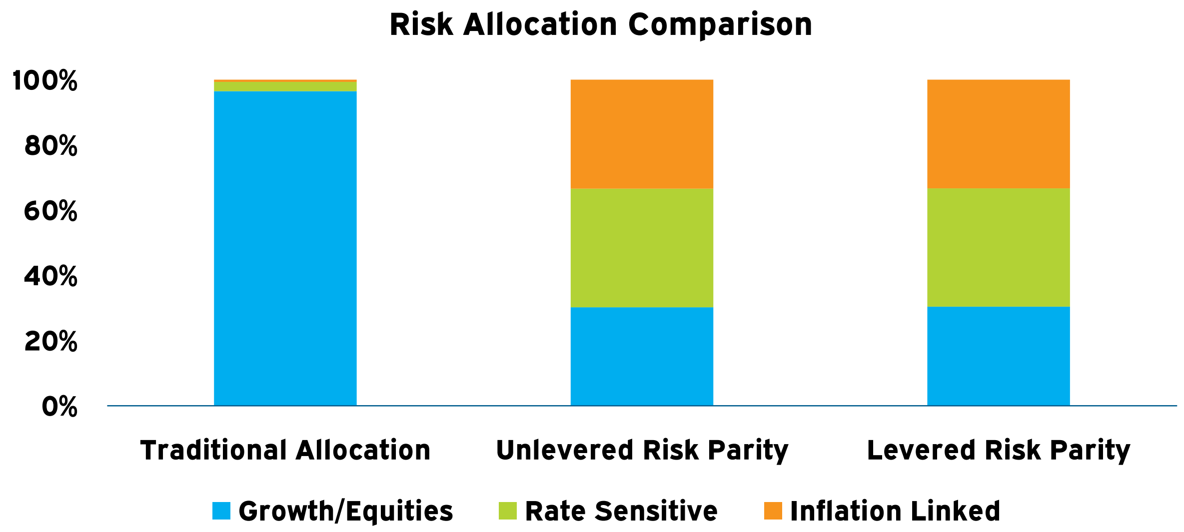
→ In this simple example each broad asset group's contributions to volatility are equal or at parity.

→ However, a higher allocation to lower returning assets (e.g. bonds) and the impact of low correlations across assets results in a much lower expected return.

	Traditional Allocation	Unlevered Risk Parity
Expected Return (20 Years)	5.8%	3.1%
Standard Deviation	10.4%	5.0%
Sharpe Ratio	**0.43**	**0.36**

A Risk Parity Allocation

→ By using leverage to magnify returns (and risk), a risk-parity portfolio can achieve similar returns to a traditional portfolios.



	Traditional Allocation	Unlevered Risk Parity	Levered Risk Parity
Expected Return (20-year)	5.8%	3.1%	5.0%
Standard Deviation	10.4%	5.0%	11.0%
Sharpe Ratio	**0.43**	**0.36**	**0.34**

Implementing Risk Parity

→ Risk Parity uses investment vehicles with inherent leverage to achieve its exposures.

→ In practice this means derivatives, usually futures contracts.

- Futures require investments of only a fraction of the economic exposure, called collateral.
  - For example, putting down only $5-10 in collateral could achieve exposure up to $100.
- Futures are traded on exchanges and are highly liquid.

→ The investible universe typically includes liquid contracts in equities, currencies, commodities, and fixed income.

- Other more illiquid asset classes such as private equity do not have futures and are typically foregone in Risk Parity portfolios, limiting the investable universe.

→ Investments are mostly made via futures, swaps, currency forwards.

The Considerations of Risk Parity

→ While Risk Parity greatly reduces the amount of equity exposure, it increases the exposure to other risks, notably interest-rate exposure.

→ Risk Parity managers must be highly skilled in managing leveraged positions through multiple market environments.

→ Peer Risk:

- Risk Parity is still very much an alternative method of portfolio construction.
- Path of returns may look very different than most of peers and broad equity markets.
  - Less equity exposure, more interest-rate exposure.
  - When stocks are declining and then bonds are gaining, Risk Parity earnings will beat a traditional asset allocation.
  - When stocks surge and then bonds retreat, Risk Parity will lag a traditional asset allocation.

The Benefits of Risk Parity

→ Compared to a typical asset allocation, risk parity is expected to deliver:

- Similar levels of expected return over the long-term (20-years)
- Increased diversification
- Less reliance on a single risk factor (equity)
  - Lower exposure to equity volatility
  - Reduction of large expected negative outcomes (i.e. left-tail risk)
  - Smoother return profile

	Global Equities	Core Bonds	Risk Parity
Expected Return (20-year)	9.2%	4.7%	7.7%
Standard Deviation	18.0%	4.0%	11.0%
Sharpe Ratio	**0.35**	**0.45**	**0.44**

Risk Parity Manager Review

Performance Review vs Benchmark – 9/30/2023

→ Both managers have underperformed significantly over the latest quarter and 3-year period.

→ Bridgewater and Panagora have trailed the equity and fixed income markets over various periods.

	Market Value S	% of Portfolio	1 Mo (%)	QTR (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Since Inception
PanAgora Diversified Risk Multi Asset	168,956,970		-5.0	-5.8	-0.3	-5.6	0.4	2.1
ICE BofAML 3mo US TBill+4%			*0.8*	*2.3*	*8.6*	*5.8*	*5.8*	*5.5*
Over/Under			-5.8	-8.1	-8.9	-11.4	-5.4	-3.4
S&P 500 Index (Net)			*-4.8*	*-3.4*	*21.0*	*9.6*	*9.3*	*11.7*
Over/Under			-0.2	-2.4	-21.3	-15.2	-8.9	-9.6
Blmbg. U.S. Aggregate Index			*-2.5*	*-3.2*	*0.6*	*-5.2*	*0.1*	*0.3*
Over/Under			-2.5	-2.6	-0.9	-0.4	0.3	1.8
Bridgewater All Weather	181,895,261		-4.6	-4.4	6.9	-2.0	1.2	2.9
ICE BofAML 3mo US TBill+4%			*0.8*	*2.3*	*8.6*	*5.8*	*5.8*	*5.0*
Over/Under			-5.4	-6.7	-1.7	-7.8	-4.6	-2.1
S&P 500 Index (Net)			*-4.8*	*-3.4*	*21.0*	*9.6*	*9.3*	*11.7*
Over/Under			0.2	-1.0	-14.1	-11.6	-8.1	-8.8
Blmbg. U.S. Aggregate Index			*-2.5*	*-3.2*	*0.6*	*-5.2*	*0.1*	*1.1*
Over/Under			-2.1	-1.2	6.3	3.2	1.1	1.8

Performance Review vs Benchmark – Calendar Years

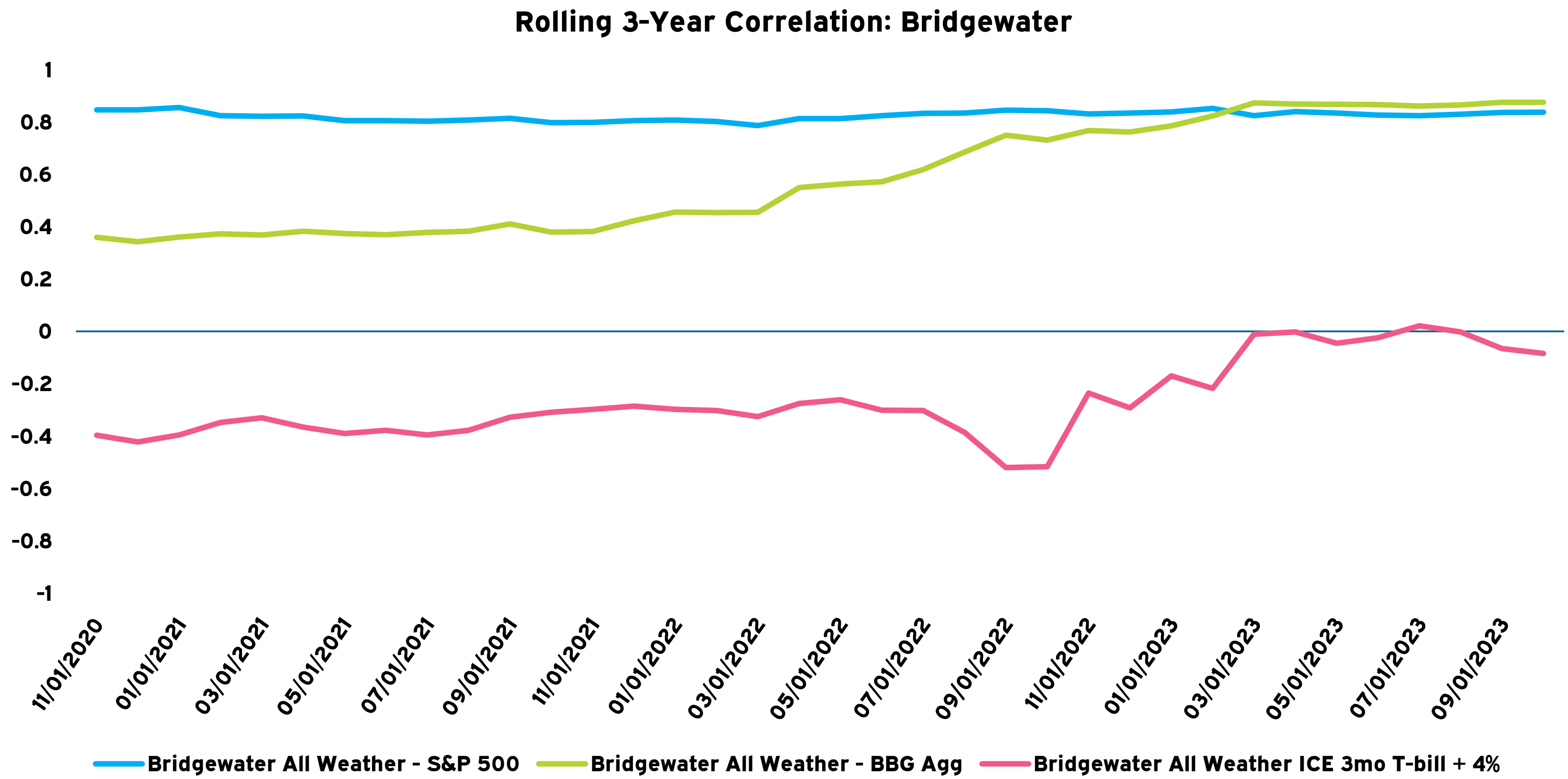
→ Both manager have produced similar returns although at differing degrees producing some diversification benefit.

→ 2022 and 2018 were negative years for the strategies.

	Market Value S	% of Portfolio	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)
PanAgora Diversified Risk Multi Asset	168,956,970		-26.3	8.3	13.6	22.1	-7.6
ICE BofAML 3mo US TBill+4%			*5.5*	*4.0*	*4.7*	*6.4*	*5.9*
Over/Under			-31.8	4.3	8.9	15.7	-13.5
S&P 500 Index (Net)			*-18.5*	*28.2*	*17.8*	*30.7*	*-4.9*
Over/Under			-7.8	-19.9	-4.2	-8.6	-2.7
Blmbg. U.S. Aggregate Index			*-13.0*	*-1.5*	*7.5*	*8.7*	*0.0*
Over/Under			-13.3	9.8	6.1	13.4	-7.6
Bridgewater All Weather	181,895,261		-22.0	11.7	9.6	16.6	-5.1
ICE BofAML 3mo US TBill+4%			*5.5*	*4.0*	*4.7*	*6.4*	*5.9*
Over/Under			-27.5	7.7	4.9	10.2	-11.0
S&P 500 Index (Net)			*-18.5*	*28.2*	*17.8*	*30.7*	*-4.9*
Over/Under			-3.5	-16.5	-8.2	-14.1	-0.2
Blmbg. U.S. Aggregate Index			*-13.0*	*-1.5*	*7.5*	*8.7*	*0.0*
Over/Under			-9.0	13.2	2.1	7.9	-5.1

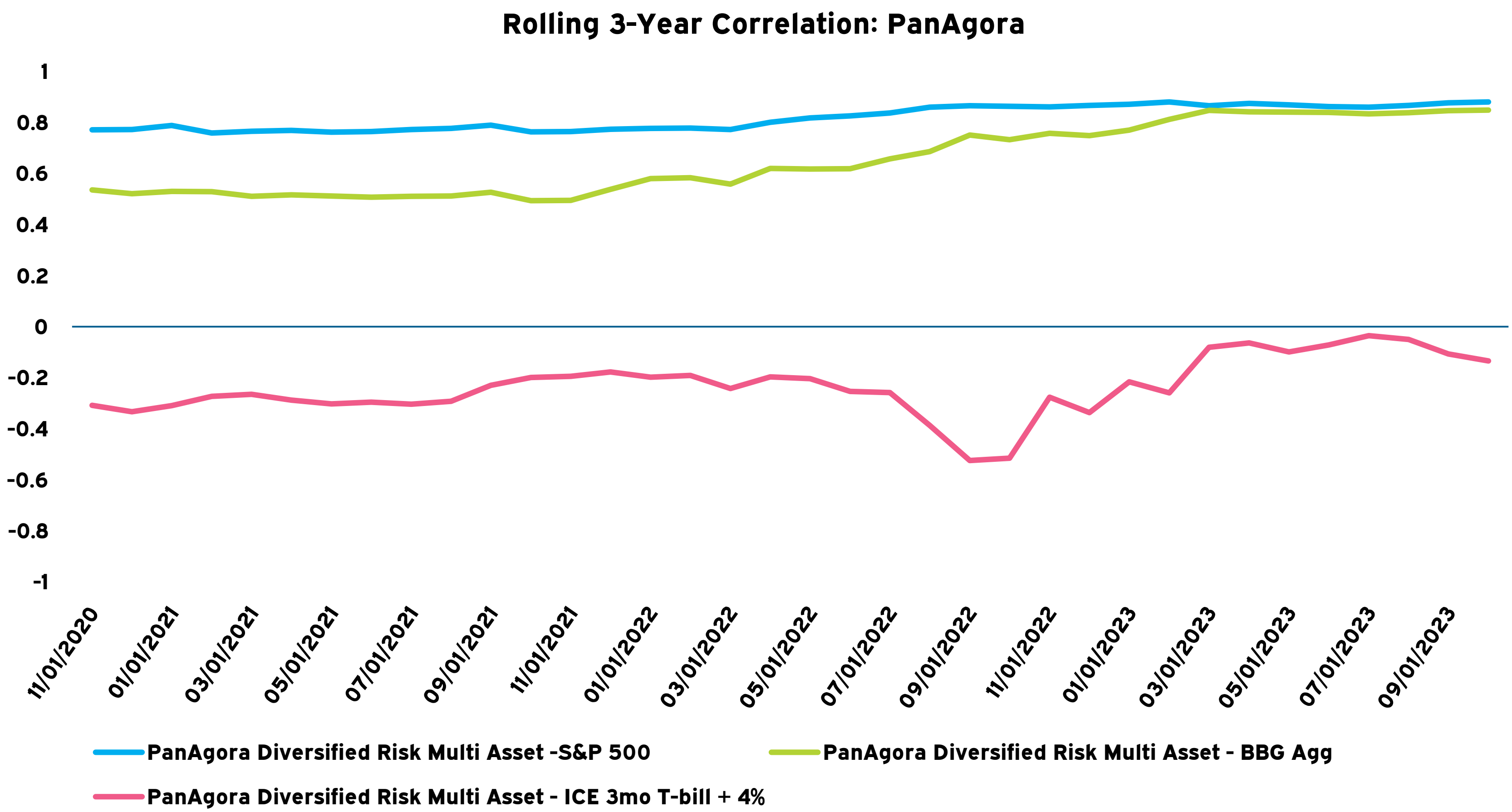
Manager Comparison Review - Bridgewater

→ Historical correlations of Bridgewater has varied but recent correlations have been higher against the BB Aggregate Index



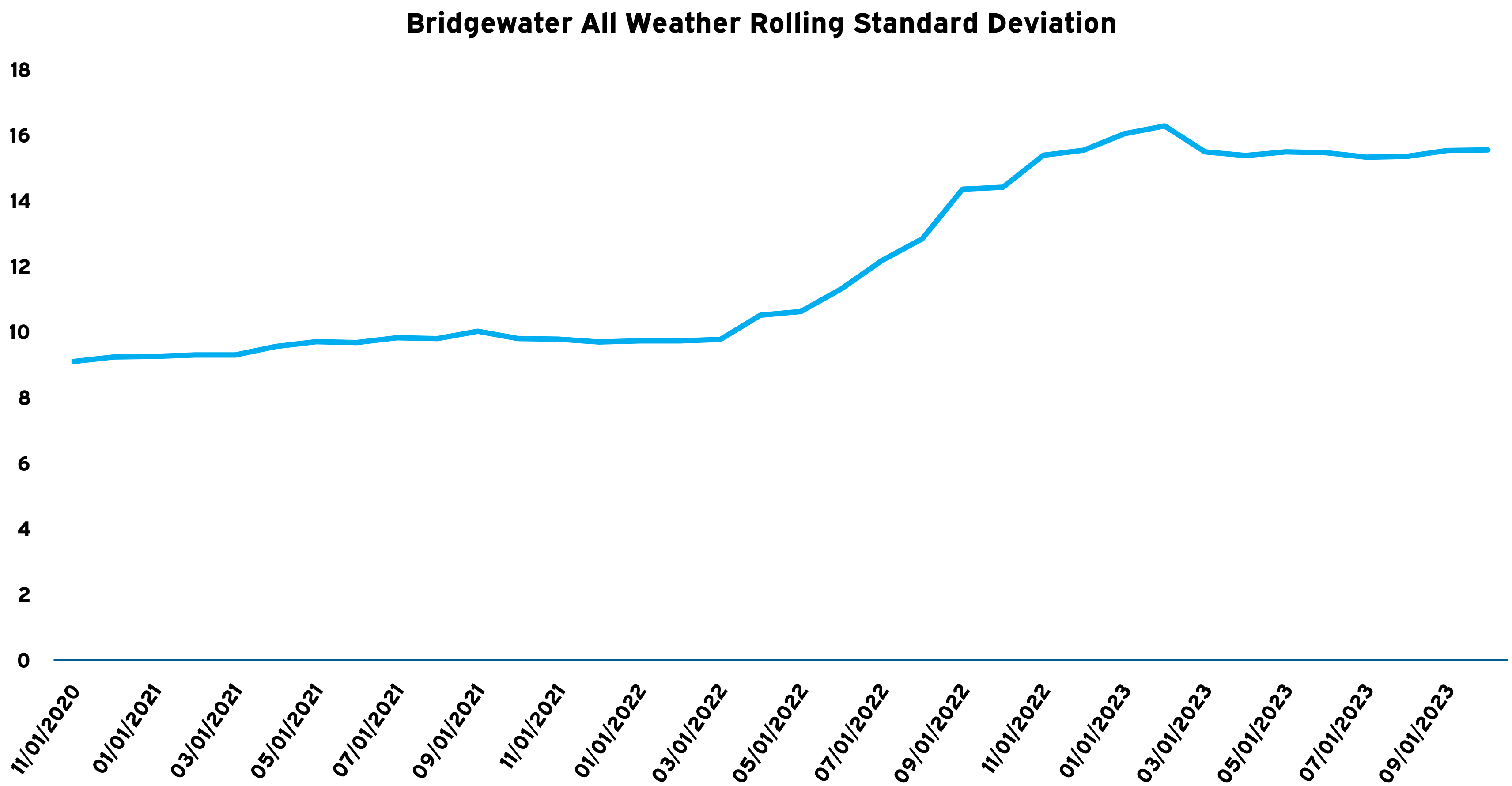
Manager Comparison Review - PanAgora

→ Similar to Bridgewater, PanAgora has shown high a recent high correlation to the BB Aggregate and S&P 500 index.



Manager Comparison Review (Risk)- Bridgewater

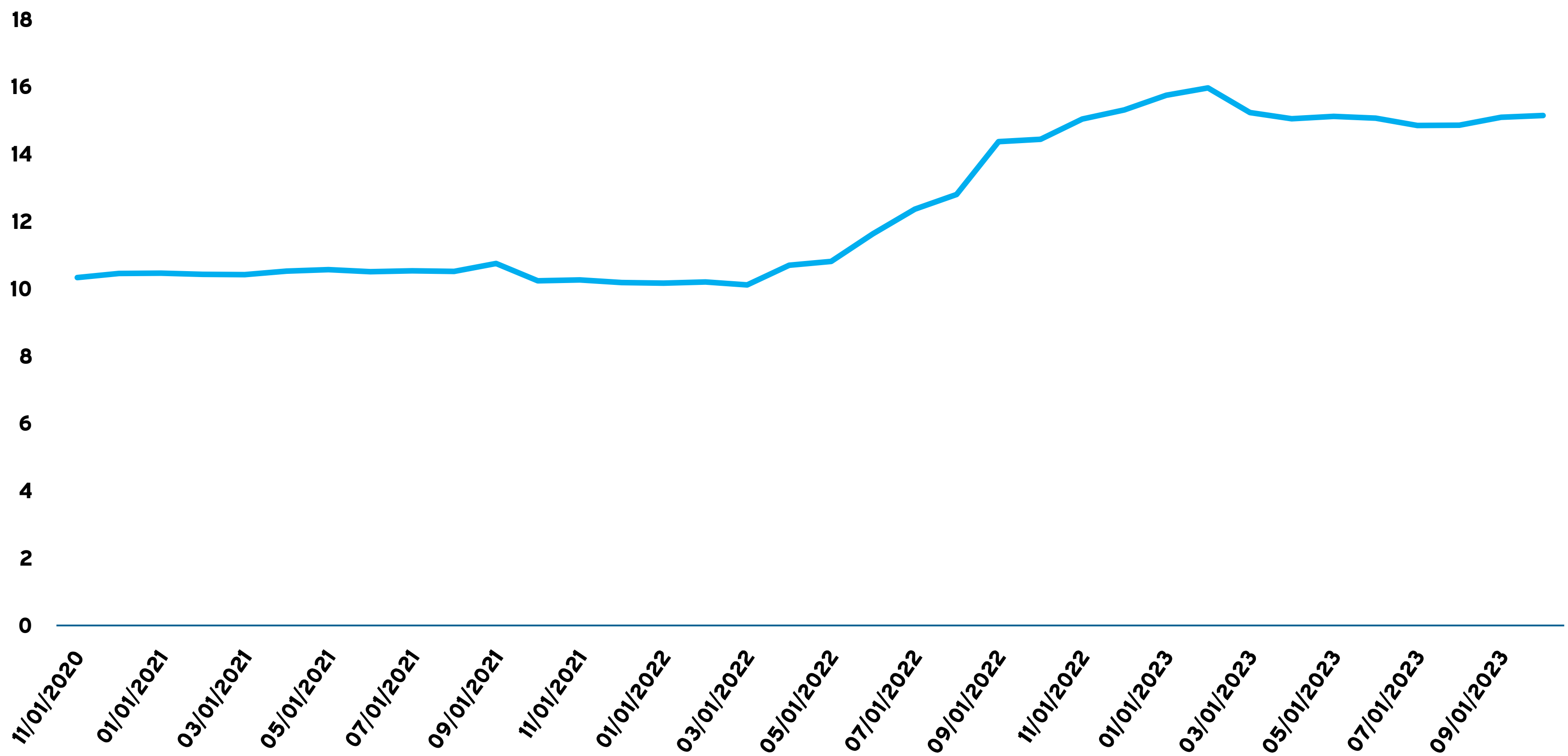
→ Not surprisingly, Bridgewater has experienced higher volatility (risk) given the recent equity and fixed income market environments).



Manager Comparison Review (Risk)- PanAgora

→ Similar to Bridgewater, PanAgora has experienced higher volatility (risk) given the recent equity and fixed income market environments).

PanAgora Diversified Risk Multi Asset Standard Deviation



Summary

Summary

Both managers have produced poor short-term results.

→ Many risk parity approaches are fairly similar and as such Bridgewater and PanAgora have produced broadly similar return profiles over time.

→ That said, given their risk allocation differences there has been a modest amount of diversification benefit in allocating to two managers with two different approaches.

→ Given the recent market environment for equities, fixed income and commodities both of SJCERA's Risk Parity managers have underperformed.

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.

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PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

2024 CONFERENCES AND EVENTS SCHEDULE

2024 EVENT DATES		EVENT TITLE	EVENT SPONSOR	LOCATION	REG. FEE	WEBLINK FOR MORE INFO	EST. BOARD EDUCATION HOURS
Jan 8	Jan 9	Public Funds Summit	Opal Group	Scottsdale, AZ	$0	opalgroup.net	8 hrs
Jan 22	Jan 24	Legislative Conference Education	NCPERS	Washington, DC	TBD	ncpers.org	TBD
Mar 2	Mar 5	General Assembly 2024	CALAPRS	Rancho Mirage, CA	TBD	calaprs.org	10.5*
May 7	May 10	SACRS Spring Conference	SACRS	Santa Barbara, CA	TBD	sacrs.org	11*
Jul 14	Jul 17	SACRS/UC Berkeley Program	SACRS	Berkeley, CA	$3000	sacrs.org	24 hrs

** Estimates based on prior agendas*

** Investors (must be allocators to 3rd party fund managers)

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

SUMMARY OF PENDING TRUSTEE AND EXECUTIVE STAFF TRAVEL

At this time there is no pending Trustee or Executive Staff Travel.

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

SUMMARY OF COMPLETED TRUSTEE AND EXECUTIVE STAFF TRAVEL

Event Dates 2023	Sponsor / Event Description	Location	Traveler(s)	Estimated Cost	Actual Cost	Event Report Filed
Jan 17-20	IREI 2023 Visions, insights & Perspectives America	Rancho Palos Verdes, CA	Michael Restuccia	$1,250.00	$1,736.78	2/10/2023
Feb 7	2023 Employee Benefits Update	Webinar	Johanna Shick	$0	$0	N/A
Feb 11	CALAPRS Administrators' Round Table	Online	Johanna Shick	$50.00	$50.00	N/A
Mar 4-7	CALAPRS General Assembly	Monterey	Johanna Shick, JC Weydert	$2,857	$2,788.65	N/A
Mar 29-31	Advanced Principles of Pension Governance for Trustees	Los Angeles	Steve Moore	$4,150	$3,707.19	N/A
Apr 17-19	Pension Bridge Annual Conference	San Francisco	Ray McCray, Paris Ba	$2,360	$1,849.74	6/2/2023 5/5/2023
May 9-12	SACRS Spring Conference	San Diego	JWeydert, Keokham, Goodman, Bassett, McCray, Shick, Ba, Morrish	$13,600	$12,260	N/A
Jul 16-19	SACRS/UC Berkeley Progam	Berkeley, CA	Brian McKelvey JC Weydert Emily Nicholas Michael Duffy	$20,000	$16,795	N/A
Sep 11-13	Stockridge Core and Value Advisors Annual Meeting	Atlanta, GA	Paris Ba	Cancelled - now Airline Credit	$1,208	N/A
Sep 12-14	IREI Editorial Advisory Board Meeting	Santa Monica	JC Weydert	$2,725.89	TBD	Pending
Sep 19-21	Fiduciary Investors Symposium	Stanford	Paris Ba, Brian McKelvey	$8,400	$7,407.66	11/3/23
Sep 27-29	CALAPRS Administrators Institute 2023	Carmel	Johanna Shick	$2,800	$2,673	N/A
Nov 7-10	SACRS Fall Conference	Rancho Mirrage, CA	Ray McCray, JC Weydert, Brian McKelvey	$4,950	TBD	N/A

Board Member	Travel (not including SACRS & CALAPRS)	Dates	Amount used of $2500:	Balance of $2500	
RESTUCCIA	IREI	1/2023	$1,736.00	$764	
BASSETT					
DING					
DUFFY					(Exception to annual travel cap approved 7/14/23)
GOODMAN					
KEOKHAM					
MCCRAY	Pension Bridge Annual Conference	4/2023	$798.77	$1,701.23	
NICHOLAS					
WEYDERT	IREI	9/2023	Pending		(Exception to annual travel cap approved 8/11/2023)
MOORE					

San Joaquin County Employees' Retirement Association

December 1, 2023

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

Review and confirm or refresh asset allocation

- *Initiate implementation of new asset allocation policy*

At the December Board of Retirement meeting, Meketa will provide an update on the status of implementing the revised *Strategic Asset Allocation* policy. Since adoption in June 2022, SJCERA's actual portfolio allocation has been moving closer to its long-term targets, and Meketa has been working closely with SJCERA's Board and staff to continue allocating to the private markets (Private Real Estate, Private Equity and Private Credit) through annual pacing studies and manager searches. Other asset buckets are at or near their long-term targets, and we are still on track to achieve our long-term target allocation in June 2024.

Optimize the investment manager lineup

- *Conduct Global Equity and Crisis Risk Offset asset class reviews, assessing managers'/mandates' alignment with our Strategic Asset Allocation policy and goals*

At the December Board of Retirement meeting, Meketa will conduct an asset class review of SJCERA's Global Equity allocation. Currently, SJCERA's portfolio is slightly overweight US Equities and slightly underweight Developed ex US and Emerging Markets relative to benchmark. Real Estate (REITS) is also slightly overweight relative to benchmark. There is no recommended change to the current Global Equity allocation. The Crisis Risk Offset (CRO) asset class review was conducted in February and March 2023 and the Board approved a search for a new manager in the Diversifier subcomponent of CRO, following the termination of one manager. In July, the Board reviewed a short list of potential CRO managers; the Board is scheduled to consider selecting one of those managers in early 2024.

- *Evaluate the portfolio for investment efficiency (e.g., fees, risk, return, consolidation)*

Almanac Annual Investor Meeting. Investment Officer Paris Ba attended the Almanac 2023 Annual Investor Meeting virtually. SJCERA made a $30 million commitment to Almanac Realty Fund VI in 2013, and the fund is in the final liquidation process, with a current market value of roughly $4 million. Almanac Realty Fund VI invested mostly in Hotel and Multi-family, with Loan to Value (LTV) of around 70% currently. Since inception, Fund VI has generated a Net IRR of 8.6%, and a Net Multiple of 1.3x. The real estate market has been volatile, and higher interest rates have increased balance sheet pressures and made refinancing more difficult. Debt markets are tightening as securitized lenders and regional banks pull back, further complicating refinancing. Almanac expects the Office sector to be challenged, with lack of clarity on performance going forward. Industrial, residential, storage and specialty sectors of real estate are well positioned.

Stockbridge Completed the Acquisition of Core and Value Advisors, LLC (CVA). Stockbridge announced that it has completed the acquisition of CVA and established a new, firm-wide equity and incentive program, with a focus on long-term succession and transition planning. Following the acquisition, Stockbridge and CVA will continue to operate as two separate investment advisors under one common ownership structure. Investment Officer Paris Ba and David Sancewich of Meketa have no concerns over this acquisition since all existing investment decision-making and operational protocols will remain the same for Stockbridge and CVA.

Medley Opportunity Fund II (MOF II) Liquidation Update. CEO Johanna Shick, Investment Officer Paris Ba and David Sancewich from Meketa attended the MOF II Third Quarter Liquidation update call. Since Upwelling assumed management of MOF II in November 2022, significant progress has been made in the liquidation of the legacy assets. Upwelling has distributed $35 million through the third quarter 2023, and they intend to make another $10 million distribution prior to year end, which in total will represent 93.6% of the total assumed Net Asset Value at the time of the transition. MOF II is still on track to wind down by the end of 2024, and staff and Meketa will continue to monitor the liquidation process.

Modernize the operations infrastructure
Implement Pension Administration System (PAS)

- *Complete refinement of business requirements on planned processes*

On November 16, Linea and SJCERA staff completed their last business requirements refinement meeting of the remaining three functional areas of Tax Reporting (including IRS *Form 1099-R*), Cost of Living Adjustment (COLA), Interest Posting, and Member Correspondence and Statements that was promised to be completed in the fourth quarter of 2023. Congratulations to Retirement Services Supervisor Melinda DeOliveira and Retirement Services Associate Ron Banez, who participated in all business requirement refinement meetings this year, sharing their in-depth knowledge of SJCERA's business processes and contributing the success of the project. With Linea Solutions' help, we have now completed 100% of the work on this 2024 goal.

Improve technology for business operations

- *Adopt industry standard business processes wherever possible*
  - *Plan transition from Mac to Windows*

On November 27-29, the IT team (Adnan Khan, Lolo Garza, and Jordan Regevig) coordinated and managed the upgrade and migration of SJCERA's document imaging system, Optix, from Mac to Windows. As reported previously, Optix and Core-37 were the two remaining major applications left to complete Phase 2 of the Mac to Windows infrastructure migration project. The work accomplished at the end of November enables staff to scan, access and generate workflows of member documents from both Mac and Windows desktop equipment, and improves document management and security features not previously available on the Mac platform.

In addition to the work being done for the Optix application, the IT team (Adnan Khan, Lolo Garza, and Jordan Regevig) is actively working with MainSpring, SJCERA's FileMaker Pro development vendor, on screen and correspondence changes, and updates necessary to seamlessly migrate our legacy pension administration system, Core-37, from Mac to Windows.

- *Adopt contemporary risk management, disaster recovery and business continuity practices*

Implement Phase 2 recommendation from 2021 cyber-security and disaster recovery plan assessments, including annual security assessment

IT Manager Adnan Khan, Management Analyst III Greg Frank, and SJCERA's cybersecurity vendor, Linea Secure, met with Synoptek Security Officer Paul Herring as a requirement to renew our annual PRISM cybersecurity insurance. A questionnaire, subsequent follow-up meeting, and a rating review meeting all took place between November 14-20, which resulted in SJCERA receiving an overall rating of "B". With our Third-Party Risk Assessment and other cybersecurity projects currently in progress, along with ongoing contracted cybersecurity services provided by Linea Secure, we expect this rating to increase to an "A" during the next cybersecurity insurance rating period.

<u>Improve employer experience</u>

- *Employer outreach*
  - Administrative Secretary Elaina Petersen distributed the 2024 Board meeting calendar to all employers and encouraged their participation. That email is attached for your reference.

Align resources and organizational capabilities

<u>Develop and implement a workforce planning process</u>

- *Address project staffing and training needs*
  - Implement strategies designed to support staff and maintain morale during PAS project

Lasagna, posole, meatballs, seven-layer dip, sandwiches, fruit, salad, cake, and more! The SJCERA Thanksgiving potluck was quite a feast! Staff brought their own traditions and style to the celebration resulting in a fabulous array of choices with something for everyone. We all gathered in the conference room and enjoyed a meal and conversation together, sharing our plans for the upcoming holiday. Of the many things I'm thankful for this year, the diversity, enthusiasm, espirit de corps of SJCERA's staff, as exemplified by the success of this potluck (with food that lasted for multiple days) is certainly one of them!

<u>Employee of the Month</u>

Congratulations to Jordan Regevig for being named Employee of the Month! Jordan's organizational skills keep her and the entire IT team on track to make certain nothing falls between the cracks. Jordan keeps her timelines and tasks scheduled to get them taken care of and is on the lookout to help the rest of her team should they need a hand. Her focus on the IT Team's success is noteworthy and an outstanding trait. Thank you, Jordan for making sure SJCERA keeps moving forward.

<u>Enhance education and development across all levels of the organization</u>

- *Offer training and development opportunities intended to strengthen staff's depth and breadth of knowledge and experience*

Administrative Secretary Elaina Petersen attended the Small Districts Risk Management Authority "Board Secretary/Clerk Conference" November 6–8; Assistant CEO Brian McKelvey attended the "SACRS Fall Conference" November 7–10; Retirement Investment Officer Paris Ba attended the "CALAPRS Investments Virtual Roundtable" November 30, and on December 1, Retirement Technicians Kathleen Goodwin, Leonor Sonley and Margarita Arce will attend the "CALAPRS Virtual Benefits Roundtable".

Retirement Services Associate Ron Banez took personal initiative back in July when he submitted his request to participate in the Chartered Financial Analyst Institutes' Investment Foundations course. Since then, he has been diligently working through the Investment Foundation's six-module, self-paced course, which requires 60-90 hours of total study time and passing a 100-question final assessment. Ron passed the exam, and on November 7, he received his Investment Foundations Certificate. Ron consistently exhibits initiative and takes personal accountability for high value projects and activities within the organization. Congratulations to Ron on this outstanding achievement!

CFA Institute

This is to certify that on 7 November 2023

Ron Banez

Has been awarded the CFA Institute Investment Foundations® Certificate, having successfully passed the Investment Foundations Assessment.

Certificate number:86431597

President and CEO

CFA Institute INVESTMENT FOUNDATIONS® CERTIFICATE

Maintain Business Operations

IT and Finance staff (Jordon Regevig, Adnan Khan, Marissa Smith, Eve Cavender, and Carmen Murillo) developed a project schedule that details the tasks needed to perform data analysis and coordination with other stakeholders ensuring SJCERA's 2023 IRS *Form 1099-R* information is accurate and delivered to members before the January 31 mailing deadline.

Assistant CEO, Brian McKelvey met with Moss Adams consultants to finalize the Finance Department Assessment project scope of work in preparation for the on-site project kick-off meeting in early December. The Finance Department Assessment Project aims to go beyond the scope of the annual audit to evaluate our processes, procedures, and internal controls to strengthen and improve departmental activity and increase processing efficiencies, as well as identify possible departmental improvement opportunities that may include changes in the systems and methodologies used in operational and investment accounting. This project is expected to start in December, and end in January 2024 with the final assessment and recommended next steps due by the end of the first quarter 2024.

Effectively Educate and Inform Members
Communications Officer Kendra Fenner wrote and distributed two emails to all Active members this month: the first marketing the *About to Retire* seminar, and the second educating members about Disability Retirement. Those emails are attached to this report for your reference.

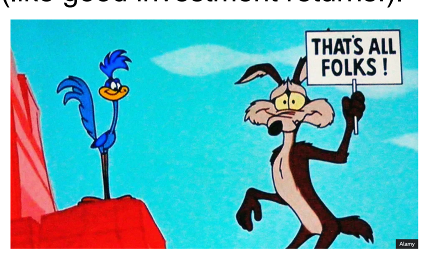
Provide Excellent Customer Service
A few quotes from our members:

- "Leonor is exceptionally helpful just like the other people I had contact with in your office"
- "Vickie (Monegas) was quite friendly and helpful. She reviewed my Retirement Request form, advised [me on] the dates to ensure timely processing of by last active [employee] check and first retirement check. She also directed me to Auditor's [Office] for follow up on [my leave] accruals. She sent additional info after for Health Coverage. Her email welcomed me to follow up with her. After our phone call, I felt a bit relieved as I know now more and what I need to do to prepare for retirement from the County."
- "Andrea Bonilla went above and beyond my expectations when answering my retirement inquiries. There was information given to me by her that I wasn't aware of that will be helpful for timing my retirement date."
- Kathleen is very prompt in answering my questions and is a joy to work with. I would go beyond the typical 5-star rating and give her a 5-diamond rating.

Manage Emerging Organizational Needs
The City of Stockton issued our building permit on November 30. The tenant improvement work in our new space will begin immediately and is expected to take about 90 days. We're aiming for a faster build out, given our February 29 expected move date.

Conclusion
There will only be 23 days left in 2023 when we meet. Deadlines for our Action Plan goals, the move, Windows conversion, two executive recruitments, and many other projects are fast approaching. Staff remain laser-focused on the tasks necessary to complete our projects on time (as well as having viable contingency plans). We will continue to keep you updated on our progress. With that, I thank you for your support and guidance throughout the year and I wish you and yours a very happy holiday season. May 2024 bring you good health, good cheer and much to be grateful for (like good investment returns!).

"Have fun over the holidays, but remember, we have a deadline for this project, so don't melt away."



Subject: 2024 SJCERA Board of Retirement Meeting Schedule
Date: Friday, November 3, 2023 at 3:47:38 PM Pacific Daylight Time
From: Board Assistant [SJCERA]
To: SJCERA Participating Employers
Attachments: image001.jpg, Board Calendar 2024.pdf

Good Afternoon,

Attached you will find the 2024 SJCERA Board of Retirement meeting Calendar. We encourage you to attend when you find an item of interest, or if would just like to join us to sit in on a meeting. We look forward to welcoming you in person to take advantage of our Public Comment availability by joining us in the Board Room to voice your concerns or opinions; at this time there is also a Zoom option to make a comment, if you prefer that method.

All the best,

Elaina Petersen
Administrative Secretary
6 South El Dorado Street, Suite 400 | Stockton, CA 95202
Direct 209.468.9950 | Office 209.468.2163 | www.SJCERA.org

San Joaquin County Employees' Retirement Association: 75 Years as Your Trusted Financial Steward

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Subject: Are You About to Retire?
Date: Wednesday, November 15, 2023 at 2:07:54 PM Pacific Standard Time
From: ISD Service Desk [ISD]
To: ISD Service Desk [ISD]
Attachments: image001.png

Sent on behalf of Johanna Shick, Chief Executive Officer, SJCERA:
(Sent to all County Employees)

About to Retire – Are you two years or less from retirement? This three-hour seminar is for you!

DECEMBER 7, 2023– 1:00 P.M. Join us for this virtual presentation explaining your SJCERA retirement benefit, San Joaquin County Health Care Benefits and MORE.

Click here to **register** for the **December 7, 2023 seminar** or visit the **Active Members - Seminars page** to register for events offered on other dates.

You will receive the Zoom link via email immediately after you complete your registration. Save the email with the Zoom link to access the seminar via your computer or mobile device. This virtual seminar is for those full-time civil service County employees and employees of SJCERA's other participating employers who are considering retiring within the next two years. This seminar is about three hours long and includes practical information intended to assist you as you prepare for your retirement.

Representatives will present information and be available to answer questions on the following:

• SJCERA Benefits
• San Joaquin County Health Care Benefits
• 457 Deferred Compensation
• Retired Employees Association

Thank you,

ISD Service Desk
Information Systems Division
San Joaquin County
209-953-HELP (4357)

Subject: Are You Eligible for Disability Retirement?
Date: Monday, November 13, 2023 at 2:22:37 PM Pacific Standard Time
From: ISD Service Desk [ISD]
To: ISD Service Desk [ISD]
Attachments: image001.png

Sent on behalf of Johanna Shick, Chief Executive Officer, SJCERA:
(Sent to all County Employees)

Are you eligible for disability retirement?

As a member of the San Joaquin County Employees' Retirement Association (SJCERA), if you have a substantial illness or injury permanently preventing you from performing the normal and usual duties of your job, you may apply for a disability retirement benefit.

There are two types of disability retirements: service-connected and non-service connected.

Service-Connected Disability Retirement
If your illness or injury is the result of your employment, you may be eligible for a service-connected disability retirement benefit. Your age and length of service are not factors in determining your eligibility.

Nonservice-Connected Disability Retirement
If your illness or injury is not related to your employment, and you have at least five years of service credit (including reciprocal retirement system service credit), you may be eligible for a nonservice-connected disability retirement benefit.

To find out more about disability retirement, refer to the Disability Retirement Benefit fact sheet or visit the active members page at www.sjcera.org.

Thank you,

ISD Service Desk
Information Systems Division
San Joaquin County
209-953-HELP (4357)

FUNDfire

Calstrs' Fees Grew While Assets Shrank in 2022

The $305 billion public pension saw its investment costs go up 9% in 2022 while the pension lost almost 7%.

By Justin Mitchell | November 6, 2023

The **California State Teachers' Retirement System**'s investment costs increased by about $280 million in 2022, which staff attributed to the $305 billion pension's continued push into private markets.

Overall portfolio costs for the pension, called Calstrs, increased by 9% to $3.3 billion from just under $3 billion in 2021, according to a report presented to its investment committee Thursday. Private markets costs accounted for roughly 92% of this total. Carried interest, the amount of a private investment's return that is kept by the manager, accounted for about $1.3 billion.

Calstrs' total portfolio lost 6.7% of its value in 2022, as reported. Over the 2023 fiscal year, which ended June 30, the portfolio returned 6.3%, according to a press release.

Three factors contributed to these costs, said Associate Portfolio Manager **Mike Dunigan**: private asset growth, strategic asset allocation and the "collaborative model," an initiative wherein Calstrs staff bring investment functions in house.

For the first time in the eight years staff has tracked investment costs, Calstrs' overall net asset value declined. At the same time, its private assets increased, which brought higher fees that counteracted any savings, Dunigan said. Calstrs also shifted assets from the public equity portfolio into private equity, real estate and inflation sensitive investments, he added.

The collaborative model consists primarily of co-investments, wherein an investor puts money toward a specific investment alongside a private manager, for which the investor is not charged fees. That part of Calstrs' investment activity has also grown considerably, bringing more cost due to operational expenses.

In another first, Calstrs' portfolio was more expensive than a peer universe of 14 other global institutional investors, though less than the average for public U.S. funds, Dunigan said.

The increased fees from the shift to private markets are giving Calstrs increased access to "strong investment opportunities," a spokesperson said in an email.

"Private market investments also have potentially higher returns that more than offset the related costs in the long run and are critical to our funding plan and the diversification of our portfolio," she wrote.

New York City's pensions also increased their spending on outside managers in recent months, paying out $1.7 billion to manage $253.3 billion in assets across five separate pensions funds, an increase of $150 million, as reported.

Unlike Calstrs, those numbers were as of June 30 and covered the 2023 fiscal year, not the 2022 calendar year. The pensions returned 8% over that period, their assets under management went up 6%, while investment costs went up 10%, Bloomberg reported. A spokesperson for New York City Comptroller **Brad Lander** did not respond to a request for comment by publication deadline.

Related Content

October 31, 2023
NYC Pensions Increased Outside Manager Spend by $150M in Past Year

July 1, 2021
Ohio Teachers' Pension Has 'Abandoned Transparency,' Critics Say

May 3, 2019
CalSTRS Plans to Add 15 New Staffers in Push to Bring Assets In-House

As public pensions continue to invest more in the private markets, an increase in fees is to be expected. But public reports should not be trusted because the amount of assets pensions actually have in private assets and the amount of fees they pay is often understated, said **Edward Siedle**, a former **Security and Exchange Commission** lawyer turned industry critic and whistleblower.

"There's not a public fund in America that is properly disclosing [its] fees," he said."

In 2021, Siedle performed an independent audit of the **State Teachers' Retirement System of Ohio** in which he charged staff was underreporting the costs of its investments. In a response, the pension said "many of the conclusions in the report are offered with little support other than the author's opinion."

Nevertheless, Siedle maintains that any reported returns or fees from pensions concerning private markets should be considering the "best-case scenario," and are likely significantly higher, but he also doubts reporting standards will improve.

"The fees at these funds will continue to grow as they allocate greater amounts to private equity and other alternative investments, and the fees will continue to be underreported [so] the allocation will continue to be underreported because it's in no one's interest to properly report," he said.

Much of the underreporting of fees comes from not reporting carried interest, on which Calstrs is "ahead of the curve," but there are other fees and expenses that may or may not be reported, said **Chris Flynn**, head of product development and research at **CEM Benchmarking**, which provides data and analysis for pension funds and other institutional investors.

Indeed, it can sometimes be difficult to ascertain what constitutes a fee, he added.

"Especially in the private market space, what is an investment fee blurs into what is an operating or business expense of entities that are companies," Flynn said. "The line is not blindingly obvious."

Many industry players, including Calstrs, have begun to push for more standardized reporting of fees, so that fund stakeholders can assess the costs in a way that is comparable to others, Flynn added.

"But, it's not a trivial exercise to get there," he said. "Definitions are still being worked on."

Research October 30, 2023

Why a Slowdown Might Not Be Too Bad, CIOs Say

At a Franklin Templeton webinar, finance chiefs describe corporate America's strengths.

By Larry Light

If the U.S. should fall into a recession, there are many strong points in the economy to mitigate any pain. That was the thrust of a webinar held by Franklin Templeton, featuring CIOs from three of the investment house's subsidiaries.

Whether a slowdown or a full-blown recession occurs, some kind of deceleration is likely, according to Scott Glasser, CIO of ClearBridge Investments; Ed Perks, CIO of Franklin Income Investors; and Michael Buchanan, co-CIO of Western Asset Management Co. Admittedly, the trio observed, a recession has been forecast for a long time and has not materialized—and indeed gross domestic product growth was up year-over-year by 4.9% in the third quarter.

"Corporate health is solid," Glasser noted. "Earnings have held up." At the same time, he acknowledged that they likely will not stay at current high levels, with 2.3% growth expected for the full year. He said he expects the figure to come in at half that and also pointed out that, for small companies, the picture is not as rosy, with 40% of the small-cap Russell 2000 not profitable.

Still, corporate cash this year is at an all-time high, said Buchanan: "Balance sheets are in good shape." A lot of company bond and loan refinancing occurred in recent years, when interest rates were very low, and that debt will come due in the next few years, with rates higher, but not high enough to be worrisome, he added.

Ticking off the indicators of a possible recession, Perks said the inverted yield curve—a longstanding warning sign of bad times ahead—has flattened lately, with yields clustered around 5%.

So what is the better route for investors, fixed income or equities? Perks pointed to fixed income due to how much yields have risen: "You're getting paid a lot more today," he said. Investment-grade bonds average 6.5% annually and high-yield 9.5%, with average bond prices at 85 cents on the dollar.

At the same time, if the Federal Reserve has finished tightening and yields do go down, bonds with lengthy durations will flourish in price terms, Buchanan said: "That's a good time to own them,"

Meanwhile, owing to the narrow breadth of the stock market, with shares of the five biggest capitalized companies occupying 25% of the S&P 500, the average stock is flat for the year, Glasser said: "They haven't done much."

That said, whatever the degree of an expected slowdown, higher quality debt should be the way to go, in Buchanan's view. A reassuring factor is that lower-rated investment-grade bonds, namely those at BBB-, are thought to be in good shape, with only 12% having a negative outlook regarding possible downgrades to junk, he said.

"A lot of lessons were learned" from the financial crisis of 2008 and 2009, Buchanan went on. Thus, he concluded, companies are more careful about risk nowadays.

THE NCPERS MONITOR

The Latest in Legislative News November 2023

NCPERS Executive Director's Corner

NCPERS Expands Pension Fund Roundtables to Create Space for HR Professionals

By Hank Kim, Executive Director and Counsel, NCPERS

Photo Illustration © 2023, istock.com

As our final in-person meeting of the year wrapped up last month, it was hard not to reflect on the importance of bringing industry members together for networking and learning. One of the things I love most about the public pension community is the willingness to share ideas and support one another. I continue to be impressed by our members' enthusiasm for helping their peers and working together to advance the industry as a whole.

When our in-person events were disrupted by the COVID-19 pandemic, we knew we needed to find a solution to continue to facilitate this networking and peer-to-peer learning. One way we filled this void was creating the CEO and CIO Roundtables—where pension leaders could regularly connect via Zoom in a vendor-free setting to ask questions and crowdsource solutions to their most pressing challenges.

Even after we returned to business as usual with our educational events, we recognized the value these virtual roundtables brought to our members. They can help bridge the gap between in-person events and provide answers to urgent questions throughout the year. They provide a safe space to share ideas and get feedback. Since their start in 2020, our roundtables have continued to grow and expand, and we realized more pension staff—not just CEOs and CIOs—could benefit from these peer groups.

In 2022, we created the Communications Roundtable as a virtual space for pension staff tasked with managing their fund's communications. Shortly after, roundtable members had the opportunity to connect in-person for the inaugural Pension Communications Summit. We're looking forward to bringing communications professionals together again in January for the 2024 summit.

Now, NCPERS is pleased to announce our latest addition: the HR Roundtable. What's interesting about the HR Roundtable is that unlike the other Roundtables, the HR Roundtable pre-dates COVID-19. A dedicated group of public pension HR professionals volunteered their time to organize events for their peers. However, as the group grew and the burdens of managing it become overwhelming, they decided to partner with NCPERS.

The HR Roundtable will meet virtually each quarter – in February, May, August, and November. The first meeting will take place via Zoom on Wednesday, Nov. 15, 2023 at 2:00pm ET. Whether you are a dedicated HR professional or it's just one of your many responsibilities, we encourage you to sign up here to learn more and participate.

To further support industry HR professionals, NCPERS will host an in-person educational conference – the HR Summit – in September 2024 to address the unique workforce challenges the public pension industry faces. The agenda will be set by peers (members of NCPERS HR Roundtable) and will feature peer-to-peer learning, networking opportunities, and hands-on training from industry experts.

It hasn't been an easy few years for HR professionals—from ongoing recruitment and retention issues to navigating remote work to integrating intergenerational teams. We hope this new roundtable and in-person event will help your team find solutions to current or future issues and create a network of peers to learn from and share ideas to help our industry grow.

If you have any questions about our roundtables, please don't hesitate to reach out directly at hank@ncpers.org. ◆

2023 Public Pension Compensation Survey: Mid- and Senior Level Staffing Trends

By: Lizzy Lees, Director of Communications, NCPERS

Photo Illustration © 2023, istock.com

Recognizing the unique challenges that pension funds face with recruitment and retention, NCPERS developed the annual Public Pension Compensation Survey to help pension funds benchmark compensation and benefits packages against their peers and ensure key positions are filled with skilled and qualified staff.

Following the success of last year's inaugural survey—which focused on nine c-suite positions—NCPERS partnered again with the non-profit research firm Cobalt Community Research to develop the 2023 Public Pension Compensation Survey. This year's survey focused on mid- and senior-level positions at public retirement systems. We received 176 responses to the survey, with data representing 425 public employee retirement systems.

In addition to the report, the data are presented online in an interactive dashboard created in Tableau. Funds are able to filter data in a number of ways to help optimize the mix of funds to which they would like to compare themselves. Filters include elements such as type of participants served, size of fund by participant, number of systems administered, number of fund staff, number of fund investment staff, and how assets are managed. In addition, each position can also be filtered by assets, tenure, full time/part time, and if the position has multiple roles. Based on feedback from the pilot study, we've also added the option to filter by state(s) to further refine comparisons.

The report have been made available at no cost to all survey participants. Survey participants that are NCPERS members also have access to the dashboard. If you didn't participate in the 2023 survey but are interested in purchasing it, please complete this form and return to info@ncpers.org.

NCPERS hosted a webinar last month to preview the 2023 survey findings and discuss broader hiring trends and creative strategies that smaller plans are implementing to attract and retain quality staff.

The results of the 2023 Public Pension Compensation Survey suggest the industry has made some progress with recruitment and retention efforts. Approximately 42 percent of respondents indicated they are having no problems attracting and retaining skilled staff, up from 38 percent in the previous year.

Lead researcher William SaintAmour noted that investment-focused positions, such as private equity and public equity portfolio managers, received the highest median salaries and bonuses. Conversely, positions like the Director of Customer Service had lower salaries and bonuses. Traditional benefits such as health plans, dental and vision coverage, defined benefit plans, and life insurance were found to be widespread. Consistent with the 2022 survey results, flexible and remote work continue to be popular benefits, he said, with approximately 54 percent of respondents providing these options to staff.

Fellow webinar panelists Tyler Grossman, executive director of the El Paso Firemen and Policemen's Pension Fund, and Dan Cummings, executive vice president and managing director of EFL, agreed that flexibility and remote work are highly valued benefits today that can help funds stay competitive. Grossman added that his organization has been offering a 4/10 schedule—Monday through Thursday with 10-hour days—since 2013. This helps accommodate fire and policemen's graveyard shifts while giving staff added flexibility. They've maintained a remote-first, hybrid schedule as well, he added.

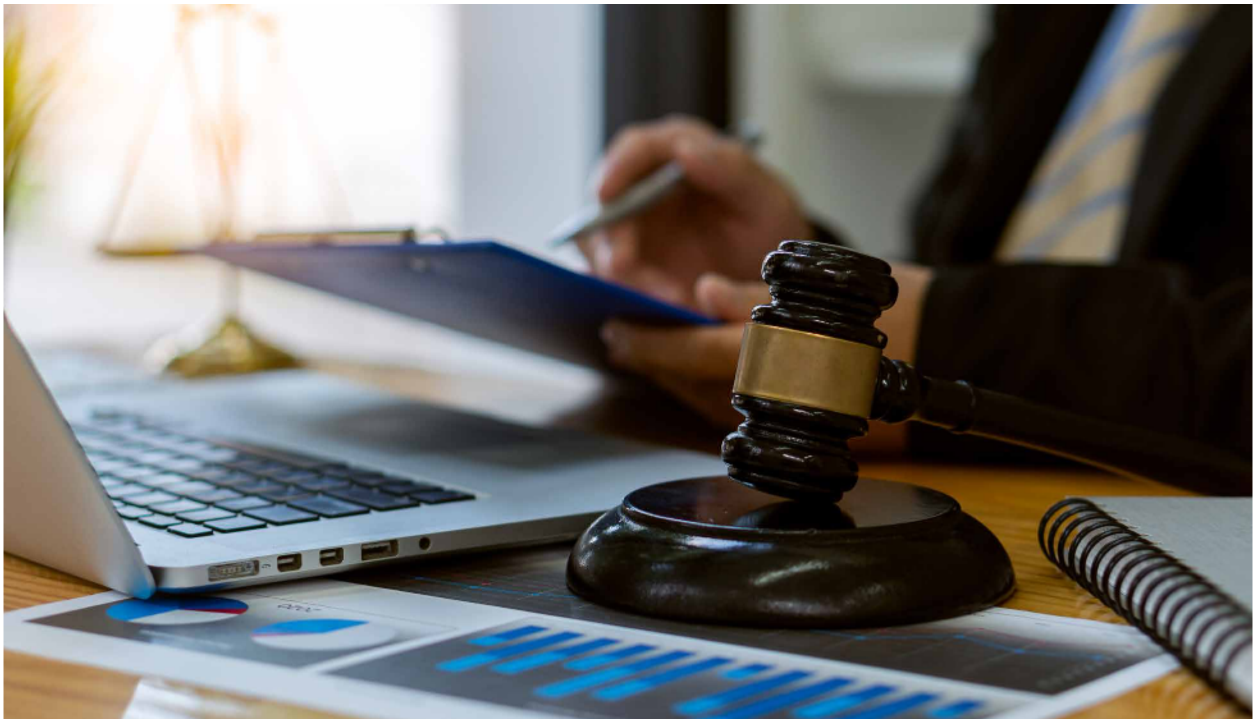
Turning to recruitment strategies, Cummings suggested pension funds consider implementing internship programs to support their talent pipelines. He also emphasized the importance of 'mission alignment' or exploring talent pools with previous public sector or service-oriented work experience. Grossman said his fund encourages staff retention by promoting from within, offering opportunities for tuition reimbursement, and frequently evaluating pay levels to stay competitive.

Wrapping up the webinar, moderator Hank Kim, executive director and counsel for NCPERS, shared additional insights into the short- and long-term goals of the survey. Most immediately, he said, the goal is to bring transparency and insight into compensation and benefits packages at state and local pension plans. The second, but more long-term goal, is to help policymakers, taxpayers, and the media understand that public sector pensions should not be viewed as just another state or local agency. "It is more akin to a financial services entity than a pure government agency and, as a result, compensation for public plans may need to be looked at with a different lens. We want to show policymakers and the public what resources plans need in order to attract and retain high-functioning and qualified staff," he said.

Watch the webinar recording [here](), and find out [how to order your copy of the Public Pension Compensation Survey](). ◆

SECURE Act 2.0 Regulatory Guidance

By: Tony Roda, Partner, Williams & Jensen



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On October 19, an attorney-adviser with the U.S. Department of the Treasury spoke to the American Bar Association's tax section and announced that "grab-bag" regulatory guidance is being prioritized and would be released soon. This guidance will be related to the major retirement legislation enacted at the end of 2022, which is commonly referred to as the SECURE Act 2.0.

There are over 90 provisions in SECURE 2.0 and collectively they touch on almost all parts of U.S. tax law related to retirement and pension plans and their plan participants. The expected "grab-bag" guidance will address provisions that are either effective already or will take effect soon. Possible examples are the optional treatment of employer matching or nonelective contributions as designated Roth contributions, the waiver of the early withdrawal penalty for public safety employees with 25 years of service, and distributions related to natural disasters.

According to the Treasury representative, the guidance will not touch on 401(k) contributions tied to student loan repayments, pension-backed emergency savings accounts (PLESA), automatic enrollment rules, and the 50 percent savers match.

Previous Treasury guidance has already addressed an issue related to the changes to required minimum distributions (RMD). This guidance, which is found in Treasury Notice 2023-54, provided relief to certain distributions made during 2023 to individuals that were characterized as RMDs but are not actually RMDs due to the age trigger changes contained in SECURE 2.0.

Likewise, in August, Treasury issued Notice 2023-62, which provides initial guidance on the new Roth catch up contribution requirement that applies to employees who participate in 401(k), 403(b) or governmental 457(b) plans and whose prior-year Social Security wages exceeded $145,000. In welcome news contained in the Notice, Treasury created a two-year administrative transition period to provide breathing room for retirement systems to implement the new law, which was originally set to take effect on January 1, 2024.

The Notice also clarified that the SECURE Act 2.0 does not prohibit plans from permitting catch up contributions. Therefore, plan participants who are age 50 and over can still make catch up contributions after 2023. The underlying statutory authority for catch ups was questioned by some tax experts because of what they believe is a drafting error in the SECURE Act 2.0.

Earlier this year, the Chairmen and Ranking Members of the House Ways and Means Committee and the Senate Finance Committee (commonly referred to as the “four corners” of Congressional tax jurisdiction), wrote to the Secretary of the Treasury and the IRS Commissioner to convey their intention to introduce technical corrections legislation to address the four items mentioned in the letter – RMD age trigger overlap for those born in 1959, underlying authority for the catch up, Roth contribution limit and its interrelation with SIMPLE IRA and SEP contributions, and the small employer pension startup credit. The letter also said that other technical issues might be addressed in the corrections bill.

As of this writing, technical corrections legislation has not yet been introduced in Congress. In addition, the actions taken by the Treasury Department in Notice 2023-62 to delay for two years the effective date of the Roth requirement on certain catch ups and to make clear that the underlying statutory authority for catch ups was not negated by SECURE 2.0 remove a great deal of the urgency for Congress to act this year.

The usual path for this type of legislation to move through Congress is for it to be attached to a larger, must-pass bill, such as an end-of-year funding measure. Given the uncertainty in the House on its leadership and priorities, it is unclear whether an end-of-year bill will be developed.

Please be assured that NCPERS will keep a close eye on any new regulatory guidance and technical corrections legislation related to the SECURE Act 2.0. As always, we will keep you apprised of any significant developments.

__Tony Roda__ is a partner at the Washington, D.C. law and lobbying firm __Williams & Jensen__, where he specializes in legislative, regulatory, and fiduciary matters affecting state and local pension plans. He represents the National Conference on Public Employee Retirement Systems and state-wide, 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 the Catholic University of America, and LL.M (tax law) from the Georgetown University Law Center.

Oklahoma PERS Weighs Next Move in Tussle Over ESG-Blacklist Law

The board of trustees of the $11.1 billion Oklahoma Public Employees Retirement System is scrambling to respond to Oklahoma Treasurer Todd Russ in an escalating squabble over a law requiring public pension funds to cut ties with firms perceived to be hostile to the oil and gas industry. Russ sent the board a scathing 17-page letter rebuking it for its decision to take a fiduciary exemption from having to comply with the law.

READ MORE *Source: Pensions & Investments*

NYC Pension Funds Argue ESG Lawsuit Hinges on 'Legal Errors'

New York City pension funds slammed their opposition's request for the New York State Supreme Court to reject the funds' motion to dismiss complaints brought against three of the five funds for allegedly jeopardizing the retirement security of participants by permitting environmental, social and governance factors to be considered in investment decisions.

READ MORE *Source: PlanSponsor*

PERS Plans to Ask for Funding from Mississippi Legislature

Concerns have been raised regarding the long-term financial stability of the pension fund. PERS Executive Director Ray Higgins said the PERS Board will reach out to the Mississippi Legislature for funding during the next session.

READ MORE *Source: WJTV*

Morningstar Added to Florida's Israel-boycott List

Florida State Board of Administration, Tallahassee, has added Morningstar to its list of "Scrutinized Companies that Boycott Israel." Trustee meeting materials did not provide any further information on the reason for inclusion on the list, except for a reference to Morningstar's ESG research subsidiary Sustainalytics.

READ MORE *Source: Pensions & Investments*

N.J. Public Worker Pension Fund Posts Surprisingly Strong Gains Despite Volatile Fiscal Year

New Jersey's public worker pension fund gained more than $5 billion in market value in the fiscal year that ended June 30, lifting its total value to about $91.4 billion as it continued to rebound from heavy losses in 2022. That amounted to a 9.1% gain on investments, outperforming the fund's benchmark and its long-term assumed rate of return.

READ MORE *Source: NJ Advance Media*

Photo Illustration © 2023, 123RF.com

Upcoming Events

January

Pension Communications Summit

January 21–22
Washington, DC

Legislative Conference

January 22–24
Washington, DC

May

NCPERS Accredited Fiduciary (NAF) Program

May 18–19
Seattle, W

Trustee Educational Seminar (TEDS)

May 18–19
Seattle, W

May

Annual Conference & Exhibition (ACE)

May 19–22
Seattle, W

June

Chief Officers Summit

June 17-19
Nashville, TN

August

Public Pension Funding Forum

ugust 18-20
Boston, M

View all upcoming NCPERS conferences at www.ncpers.org/future-conferences.

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The Monitor is published by the National Conference on Public Employee Retirement Systems.
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NEUBERGER BERMAN

OUR INVESTMENT PLATFORM

FIRM ASSETS UNDER MANAGEMENT $439bn

MULTI-ASSET STRATEGIES

	EQUITIES	FIXED INCOME	HEDGE FUNDS & LIQUID ALTERNATIVES	PUBLIC REAL ASSETS
PUBLIC MARKETS $313bn	Global U.S. EAFE / Japan Emerging Markets – China Quantitative Thematic Custom Direct Investing	Global Investment Grade Global Non-Investment Grade Emerging Markets Debt Municipals Multi-Sector Currency	Multi-Manager Hedge Funds Long/Short Event Driven Global Macro Risk Premia Options	Commodities Diversified Real Assets Global REITs U.S. REITs
	$120bn	$167bn	$23bn	$3bn
	PRIVATE EQUITY	**PRIVATE CREDIT**	**SPECIALTY ALTERNATIVES**	**PRIVATE REAL ASSETS**
PRIVATE MARKETS $125bn	Primaries Co-Investments Secondaries Specialty Strategies	Private Debt Capital Solutions Special Situations Residential Loans Specialty Finance Private Placement European Private Loans	Hedge Fund Co-Investments Insurance-Linked Strategies Late Stage Pre-IPO SPACs	Private Real Estate – Almanac Real Estate Secondaries Real Estate Primaries & Co-Investments Infrastructure
	$88bn	$25bn	$6bn	$7bn

ESG INTEGRATION | GLOBAL RESEARCH CAPABILITIES | DATA SCIENCE

SOLVING
FOR 2024

TEN FOR 2024

Each year, our investment leaders identify 10 key themes that they believe will be prominent in the markets over the next 12 months. The themes for 2024 are summarized below. A roundtable discussion of the themes begins on page 5.

MACRO: FROM SUPPORTING THE CONSUMER TO SUPPORTING INDUSTRY

1 GROWING CHALLENGES FOR THE CONSUMER

The resilience of the many economies during 2023, particularly that of the U.S. and others that are more services- than manufacturing-led, owed much to low unemployment and the excess savings that consumers built through the pandemic. Those excess savings, which were already skewed to wealthier consumers rather than those on middle and lower incomes, are running dry—and we think inflation will likely remain above targets, rates will remain high, housing costs will remain at multi-decade highs and job markets will soften in 2024. Expect a weaker consumer to be at the heart of next year's economic slowdown.

2 STICKIER INFLATION AND SLOWER GROWTH MAY NOT BE SO BAD FOR INVESTORS

Current projections for 2024 suggest the persistence of above-target inflation and higher rates even as real growth declines. Still, we are a long way from the stagflation extremes of the 1970s, and these conditions mean relatively high nominal growth compared with much of the past decade. This could be tricky for long-dated bonds and interest rate-sensitive equities, but more neutral for quality companies—those with strong balance sheets to shelter against the rising cost of capital, and the ability to sustain margins in a low real-growth environment.

3 MORE FISCAL POLICY DISPERSION (AND DEBT SUSTAINABILITY QUESTIONS)

A renewed rise in yields and the return of term premia in both the U.S. (where growth has been resilient) and Europe (where growth has faltered) suggests growing concern about debt sustainability. After three years of near-universal agreement on deficit spending to protect workers and consumers from the impact of the pandemic, debate is likely to open up on the impact of tight monetary policy and expansionary fiscal policy on deficits, and the right balance of entitlement spending, defense and security spending, industrial-policy and energy-transition spending, and interest costs. Some countries will continue to expand fiscal policy (likely reorienting it to finance industrial policy), some will choose to reassert fiscal discipline, and some will have discipline forced upon them by newly hawkish bond markets. A packed election calendar worldwide will likely complicate the decision-making.

4 THE "AWKWARD AGE" FOR ESG

As sustainable investing and environmental, social and governance (ESG) regulation becomes more prescriptive yet increasingly fragmented, investors themselves are becoming more pragmatic and solutions-oriented. These are tensions typical of the graduation from the simplicities of childhood to the complexities of adolescence. ESG and Sustainability will remain a key regulatory focus, but confused by diverging regional approaches. However, investors on the ground will become clearer on the difference between investing for sustainable or impact outcomes on the one hand, and incorporating financially material ESG factors into investment analysis on the other. This will favor asset managers that observe these distinctions internally, bring solutions rather than labels to clients, and have made the necessary investments in personnel and data to genuinely integrate ESG factors into their research and engagement capabilities.

EQUITIES: EXHAUSTED BETA

5 EARNINGS QUALITY AND BUSINESS RESILIENCE COMES TO THE FORE

In 2022, equity markets were driven mainly by rising real rates: longer-duration growth stocks were crushed. Through much of 2023, there was a lot of sideways drift, with one huge exception: a small number of mega-cap technology stocks benefitted from excess liquidity, a "buy the 2022 losers" momentum reversal, and exuberant sentiment around the potential of artificial intelligence. In 2024, we think the earnings headwinds that began in 2023 will continue to blow. Greater recognition of rising global macroeconomic uncertainties and draining liquidity will refocus attention on valuations, earnings quality and the broader resilience of business fundamentals to slowing growth. Large performance dispersion will likely follow, not just within and across sectors, but potentially also between active and passive management.

6 LAGGARDS FIND (RELATIVE) FAVOR

We have seen wide dispersion in the optimism being priced into regions (favoring developed over emerging markets), countries (India over China), styles (growth versus value) sectors (technology preferred to financials) and size (large caps over small caps). We believe markets with a greater degree of pessimism priced in are likely to perform better than those priced for perfection, should growth disappoint or the cost of capital continue to rise. The lurching back and forth between these investment categories that we have seen in 2022 and 2023 could be set to continue.

FIXED INCOME: THE LONG AND GRINDING ROAD

7 SUPPLY AND DEMAND OUTWEIGHS FUNDAMENTALS

Marginal changes in spreads and yields will continue to owe more to supply-and-demand technicals than fundamentals, much like they have in 2023. Modest issuance and keen appetite for higher yields kept credit spreads tight and range-bound through much of 2023. Rising supply of government bonds is impacting risk free yields, and the shape of yield curves. Similarly, high cash yields created strong technical demand for cash and short maturity investments, which is beginning to push the most attractive point for relative value out into intermediate maturities. These technical factors are unlikely to change significantly in 2024.

8 A SLOW RISE IN IDIOSYNCRATIC DEFAULTS, BUT ELEVATED TAIL RISK

As higher rates bite into the real economy, credit defaults are beginning to rise and will be a feature of 2024's credit landscape. We expect credit stresses to be idiosyncratic: companies with longer-dated fixed-rate debt and high-yielding cash on stronger balance sheets, and the ability to sustain and grow margins, are unlikely to experience substantial spread-widening. We also expect the default rate to be low relative to past cycles. But there are caveats. A significant amount of corporate lending has moved into private markets since 2008, and deteriorating credit metrics stretch broadly across real estate and consumer debt, so a low visible corporate default rate may not tell the whole story. And systemic tail risk will be high, given the scale and rapidity of the tightening cycle—as we saw in the mini-banking crisis in 2023.

ALTERNATIVES: DISRUPTION BRINGS OPPORTUNITY

9 WHERE CAPITAL IS CONSTRAINED, CAPITAL PROVIDERS CAN BE REWARDED

Even though fundraising is down, there is still a lot of dry powder in private markets, just not in all the right places. Exit bottlenecks mean that private equity firms are seeking to squeeze more growth out of their best existing companies, while also providing liquidity for investors that need it. That has led to a rise in demand for investor capital, not for new deals, but for secondaries, co-investments, private credit and capital solutions such as preferred or structured equity. We think these will continue to be the most attractive corners of private markets through 2024.

10 REAL ESTATE DIVIDES INTO THE HAVES AND HAVE-NOTS

Real estate owners and operators face historic increases in the cost of capital, structural changes in demand for office, industrial, residential and retail properties, and growing geographic dispersion of economic well-being. This will divide owners into the strong and the weak, and compound the advantages and disadvantages. Those experienced players with strong performance and robust balance sheets will be able to continue to cement their market leadership positions. In addition, we think haves, have-nots and volatility will combine to create opportunity in the real estate credit markets.

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Deputy Chief Investment Officer—Fixed Income

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Chief Investment Officer—Multi-Asset Class

NIALL O'SULLIVAN
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BRAD TANK
Chief Investment Officer—Fixed Income

SHANNON L. SACCOCIA
Chief Investment Officer—Private Wealth

ANTHONY D. TUTRONE
Global Head of Alternatives

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ROUNDTABLE DISCUSSION

STICKIER INFLATION AND SLOWER GROWTH

As 2023 ended, the leaders of our investment platforms gathered to talk about the evolution of the investment environment over the past 12 months and the key themes they anticipate for 2024.

Erik Knutzen: Last year, we expected the economic slowdown to trough in 2023. The eurozone, whose manufacturing-led economy is more sensitive to high rates and highly exposed to China, entered recession—but it now seems too early to call that the trough. U.S. GDP growth has strengthened through much of the year, but some indicators are now weakening. In both cases, the slowdown seems to have been elongated or delayed. We and many other market participants perhaps underestimated the persistent strength of the fiscal impulse and the consumer, especially in the U.S.

Shannon Saccocia: The cushion we all built for ourselves in the preceding years enabled us to digest the challenging inflation and interest-rate environment. Governments stepped in with support through the pandemic. Corporations termed out debt and held a lot of high-yielding cash. Households held record savings. That's why the U.S. consumer didn't tire as expected. This could be a decisive theme for 2024, however, as those excess savings begin to run dry. Delaying the slowdown is likely to make it milder, but I still think a slowdown is on the way and the weakening consumer will be at the center of it.

Ashok Bhatia: I agree this is going to be a consumption slowdown rather than a substantial corporate-investment, jobs-market or housing-market slowdown. After three years of pandemic payments and high wage growth, we will look back on 2023 as peak consumer.

Brad Tank: They're going to be left exposed to inflation, high rates and the least affordable housing market for decades.

Joseph Amato: People are starting to talk about stagflation. Is that where we are headed in 2024? Today's conditions don't feel like the extreme stagflation of the 1970s, which were characterized by high rates, slow growth but also high unemployment.

Knutzen: We've been discussing the growing structural forces of inflation for a long time now. Structural forces persist through all stages of the growth cycle, by definition, so that suggests slowdowns are now more likely to feel like stagflation. But, as Joe suggests, that term evokes the extremes of the 1970s. As my colleague Bob Surgent points out, the stagflation we are talking about could equally be characterized as structurally higher nominal GDP growth.

Amato: Right, and that's an important point. If real growth declines to 1% but inflation is at 3%, you get 4% nominal GDP growth, which is arguably better for investors than the 1 – 2% real growth, zero inflation and zero rates that we've had for much of the past decade.

Knutzen: It would be a difficult environment for government bonds, particularly at the long end of the curve, but it could take some of the sting out of high policy rates and high real rates in equity markets by helping to sustain earnings and valuations. An additional "long-the-strong" focus on quality companies is likely to be important, however, as investors begin to seek out businesses that can sustain margins in the face of these rising labor, resource, interest and capital costs. How does the fiscal policy outlook affect our view here? A bias to fiscal expansion is one of the forces we've identified behind structurally higher inflation, but on the other hand, there's been an immense transfer of wealth from the public to the private sector that will ultimately need to be rebalanced, presumably by fiscal consolidation.

> ***"The stagflation we are talking about could equally be characterized as structurally higher nominal GDP growth."***
>
> **– ERIK KNUTZEN**

Saccocia: My view is that, rather than meaningful fiscal consolidation, we will see a shift from fiscal spending directed at supporting the consumer toward fiscal spending directed at industry—and specifically security-related spending, in the light of the conflicts in Ukraine and the Middle East and tense U.S.-China relations. Food security, energy security, military security, supply-chain security. We have seen the beginnings of that in policies and legislation aimed at securing strategic industries in the U.S., Europe and China, and globally in policies designed to improve power transmission grids and ready them for renewable energy. The growing dominance of China in areas like electric vehicles, semiconductors and critical pharmaceuticals is beginning to feed into policy choices elsewhere. There will be positives out of this, but will running the necessary deficits come back to bite us?

Tank: I certainly think this is the year when debt sustainability comes into focus, as expansionary industrial policies and rising interest payments really start to widen deficits. The evidence suggests that it's this driving recent moves on yield curves, rather than rising inflation expectations.

Knutzen: We could see the concept of fiscal dominance enter the discussion, and sharper debates about the appropriate balance in the fiscal and monetary policy mix. Fiscal expansion combined with high rates is a recipe for ballooning interest costs and potentially unsustainable deficits.

Niall O'Sullivan: Politics and geopolitics are going to complicate this fiscal monetary-inflation picture. The election calendar is packed in 2024. It kicks off with Taiwan in January and ends with the U.S. and possibly the U.K. In between, we'll get elections in Russia, India, Pakistan, Mexico, South Africa, South Korea and many other countries, including elections to the European Parliament—there's even a vote planned in Ukraine. On the whole, I think the populist background supports fiscal expansion in pursuit of the security objectives outlined by Shannon. That is inflationary, all else being equal. Investors need to think about these geostrategic issues more and more, especially in industries like technology, materials and energy; they need to think about exposure to growing levels of intra-emerging markets trade; and they need to think about supply-chain resilience as an important aspect of quality.

Knutzen: A subject that comes up a lot in conversations with clients that we haven't addressed yet is ESG, sustainable and impact investing. Last year we said there would be more effort within the industry to clarify the terminology, and especially the distinction between investing processes, such as ESG integration, and investing outcomes, such as impact.

"As central banks drain liquidity from the market, above-target inflation meets slowing growth and the high cost of capital and labor starts to bite, earnings more than anything will drive stock price performance."

– JOSEPH AMATO

Amato: It's easy to be distracted by the politics and sometimes conflicting regulation, but behind all of that, investors and corporations have been moving in the direction we outlined. ESG is growing up, and that means growing pains, but the trend is increasingly to focus on financially material ESG factors as part of a broader effort to integrate them into the analytical process. If this trend persists, eventually we might be able to retire the term "ESG," talk about impact and sustainable investing on their own terms, and avoid much of the current confusion.

"Politics and geopolitics are going to complicate this fiscal monetary-inflation picture, and the election calendar is packed in 2024."

– NIALL O'SULLIVAN

O'Sullivan: I agree. I'd describe it as a turn to pragmatism, in general. Clients don't tend to come to us looking for "ESG" or "impact," they come looking for solutions. "The world looks to be on a path to net-zero emissions, and my board not only wants to know what our portfolio exposure is, but also wants to get that portfolio on its own path to net-zero." Sure, that's why we've integrated a Climate Value-at-Risk measure into the strategic asset allocation process, so you can adjust all your return estimates based on several global-warming scenarios. And we've developed a Net Zero Alignment Indicator to help assess whether individual companies are on a credible pathway: you can use this tool to adjust portfolio exposures or direct your engagement efforts. Those are the conversations happening on the ground.

EQUITIES: EXHAUSTED BETA

Amato: We've always considered ESG factors to be an integral part of active management. Which brings us to our market themes for the year ahead. It's been a frustrating year for active managers. We've had essentially flatlining earnings, but watched the S&P 500 Index rally strongly. And that rally was incredibly concentrated in the biggest stocks in the index. Earnings and business fundamentals seemed irrelevant next to excess liquidity, buying the big losers from 2022, and a sense that mega-cap tech stocks are defensive and beneficiaries of the artificial intelligence theme. I think that becomes more difficult to sustain as central banks drain liquidity from the market, above-target inflation meets slowing growth, and the high cost of capital and labor starts to bite. Earnings more than anything will drive stock price performance and investors will become more discerning and selective, in my view.

Saccocia: I call this the theme of "margin recapture." Do certain industries and companies have more profitability levers to pull than others? If artificial intelligence is the new productivity and profitability lever, and 2023 was the year when every business needed to show that AI was on its Vision Board, 2024 will be the year to set out AI-related capex and hiring programs. It's time to walk the walk on deploying AI to enhance productivity, rather simply talking the talk.

O'Sullivan: This informs our "long-the-strong" theme. Strong balance sheets shelter from rising interest costs, while low operational leverage, the ability to deploy technology and pricing power all help minimize and absorb high labor and input costs. By implication, we are short the weak: those with high financial or operating leverage, those less able to protect margins—but also those who benefited disproportionately from pandemic measures, those whose valuations are most dependent on a rapid reduction in rates, and those who are priced for perfection and fail to deliver.

Amato: The risk embedded in anything that's priced for perfection is likely to be an important theme across regions, countries, sectors and styles. Look for the laggards to find favor—at least on a relative basis. Have developed markets become expensive relative to emerging? Have investors become too pessimistic on China and too optimistic about India? Are financials now more attractive than tech stocks, is value going to reassert itself against growth? Small caps may not perform particularly strongly in the kind of environment we've described, but are large caps due a pullback after such dominant outperformance in 2023? Having pessimism already priced in can be a protective buffer in a downturn.

FIXED INCOME: THE LONG AND GRINDING ROAD

Tank: Turning to fixed income themes, it's notable that we tentatively mentioned bond vigilantes last year, which makes it tempting to announce their full return this year. But I think that is over-dramatic. Really, what we've been seeing recently is an extension of a theme we've seen through much of 2023: the ebbs and flows of spreads and nominal Treasury rates have been about shifts in supply and demand rather than fundamentals. For example, at the start of the year, credit spreads tightened even though virtually every strategist was forecasting a recession during 2023, simply because corporates that locked in lower rates a year earlier were no longer coming to market. In rates markets, government bond market yields broke out of their trading range when investors realized just how much and how quickly U.S. Treasury issuance was accelerating. That was a reaction to a higher-than-expected rise in government interest costs, lower-than-expected tax receipts and a resulting explosion of the deficit—as I mentioned earlier, it's not really about growth and inflation, it's about a flood of Treasury market supply. With many buyers of longer-dated bonds pulling back—including central banks, commercial banks and offshore buyers facing high currency-hedging costs—it's no wonder we have seen the return of some term premia in yield curves.

> ***"One can talk about 'bond vigilantes,' but really it's just that the ebbs and flows of spreads and nominal Treasury rates have been about shifts in supply and demand rather than fundamentals."***
>
> **– BRAD TANK**

Knutzen: We should mention Japan, in the context of these technical forces. If inflation proves sticky there, the Bank of Japan may have to abandon its yield-curve control policy—it has already signaled that it is gradually preparing to do so. That could set off a substantial re-allocation of capital out of international bond markets and back to Japan.

Bhatia: I think we have rightly drawn attention to the probability that term premia will go on being priced back into yield curves through 2024, but it's also worth noting that these technical forces can switch rapidly. What if some of the mountain of cash that investors are sitting on starts to find its way further out onto the curve? What if liability-driven investors start to move out on the corporate curve to lock in higher yields? Focus is on supply overwhelming demand now, but there is potential demand out there.

Knutzen: How does the dominance of technical forces inform our outlook for credit markets?

Bhatia: We think low supply in corporate credit markets will persist into 2024, and it will be relevant both for spread volatility and for the shape of the default cycle. There is little issuance because so many companies issued more than they needed to when rates were low back in 2021 and 2022, and that has also set back the date at which many will need to raise more debt, and lowered the amount of debt they are likely to have to raise. The longer rates remain high, the more those issuers get dragged into the same refinancing net as everyone else, but those cash holdings still provide a meaningful buffer. We expect defaults to rise, but these dynamics coming into the downturn are likely to make this default cycle longer than usual, and also more idiosyncratic. A relatively high proportion of defaulters are likely to be serial defaulters—they will have been less able to raise abundant cheap capital in 2021 and 2022, and that will now compound their fundamental weaknesses relative to the higher quality issuers. That said, the tail risk remains elevated, as the mini-banking crisis demonstrated earlier this year. Big moves in Treasury markets, like the one that occurred over recent weeks, raise those risks.

ALTERNATIVES: DISRUPTION BRINGS OPPORTUNITY

Tank: There has been a lot more corporate lending in private markets since the financial crisis, and in the private-equity and private-debt world, these stresses get fixed behind the scenes between a small number of parties. That could mean that a lot of defaults don't make it into the public eye, while some defaults will be avoided, in exchange for some parties having their returns suppressed through restructurings and recapitalizations.

Anthony Tutrone: It's certainly a real issue, although investors should note that equity is generally a bigger part of the capital structure of private equity transactions done since the Global Financial Crisis. That makes the ecosystem less vulnerable to rising rates. That said, higher rates could present issues for legacy portfolio companies with high leverage or weak operating performance. Secondary buyers need to be highly selective, and private credit investors looking to take advantage of these higher rates should be very selective when it comes to funds with existing investments.

O'Sullivan: Some of these stresses in legacy assets will be opportunities for liquidity and capital providers. As Brad implies, returns for equity holders become suppressed after these restructurings because they have to pay for the capital being provided by private credit or preferred stock investors. But these opportunities are not only about balance sheet stresses; in fact, for the most part, we are talking about growth capital for high-quality companies.

Tutrone: Yes, this is the issue of IPO and M&A activity being so constrained. When these exit routes are closed, investors who need liquidity have to find another way to sell assets, and investors who don't need liquidity will often want to raise new capital to finance the next stage of growth for their best companies—companies that they didn't plan to be owning at this stage. Investors who need liquidity may simply sell into the private equity secondaries market, where we are currently seeing very attractive value because there is a lot of demand for liquidity versus the available capital. We're seeing more and more "GP-led" secondaries, too, where the fund manager will put companies into a "continuation fund," take new investment from the secondary market to provide capital for portfolio companies and liquidity for exiting Limited Partners. Investors looking for growth capital to inject into companies are seeking out several types of provider: it might be a private debt fund; if they are up against their debt limits, they might offer a "mid-life" co-investment, where a new investor provides equity for an existing portfolio company; and if they are up against debt limits and don't want to dilute the equity, they may go to a specialist capital solutions provider for preferred or structured equity. For investors looking for tactical opportunities in this market, these areas have been very attractive over the past 18 months. We think they will continue to be so in 2024.

O'Sullivan: You mentioned the potential challenges that higher rates pose for legacy deals that were financed with floating rates when interest costs were low. But how do higher rates affect new transactions?

Tutrone: The main challenge is that private equity managers can no longer rely on cheap leverage and increasing valuation multiples to generate returns. Since the financial crisis, however, private equity firms have invested in the expertise and resources required to help portfolio companies accelerate revenue and earnings growth through effective strategic and operational-improvement plans. We think that means the returns that the best managers generate will be more idiosyncratic and less likely to be correlated with the wider market, which means more rides on selecting and having access to those managers. In short, higher rates will start to separate the best from the mediocre in terms of performance.

"Higher rates will start to separate the best private equity managers from the mediocre, in terms of performance."

– ANTHONY TUTRONE

Amato: Our colleagues on the Almanac Realty team have been making a similar point about the private real estate outlook, albeit compounded by the extraordinary cross-currents in that asset class. They point to the supportive long-term trends: structurally higher inflation and nominal growth is a positive because rent is paid in nominal dollars and nominal replacement costs are likely to limit new supply; and the industry is consolidating and institutionalizing, bringing more real estate under the control of operating companies. But you've got to survive long enough to benefit from those trends. With rates going up, valuations are coming down, refinancings are becoming more expensive, and so anyone with a weak balance sheet is under a lot of pressure. That means dividend cuts, or worse. And on the operational side, while industrial, residential, storage and other specialty assets are often benefitting from tailwinds, offices are struggling and it's difficult to know how that sector will look once the dust has settled. Retail and senior housing are going to be heavily affected by local economics, and regional divergence in economic well-being is widening. So, as in private equity, you need the right assets of the right quality in the right places to succeed, and you need to select operating companies with the skills and the balance sheets to deal with these complex market dynamics and higher rates.

Knutzen: I think that's a great place to wrap up. Long the strong in an environment of higher rates for longer is certainly a unifying theme across our 10 for 2024. While in many ways I'd say our economic outlook for the year ahead is less pessimistic than it was 12 months ago, the potential for volatility is just as high, and the full impact of monetary policy tightening still appears to be ahead of us.

SOLVING
FOR 2024

LOOKING BACK

Last November, our investment leaders identified their 10 key themes for 2023. As 2023 ends, we look back to see how well they anticipated the events of the year.

MACRO: BACK TO THE "OLD NORMAL"

1. A YEAR OF PEAKS AND TROUGHS WITH A RETURN TO THE "OLD NORMAL"

What we said: We think the next 12 months are likely to see this cycle's peaks in global inflation, central bank policy tightening, core government bond yields and market volatility, as well as troughs in GDP growth, corporate earnings growth and global equity market valuations. But we do not believe this will mark a reversion to the post-2008 "new normal". We see structural forces behind persistently higher inflation—and therefore a persistently higher neutral interest rate, a higher cost of capital and lower asset valuations.

What we've seen: Headline and core inflation rates in the U.S., Europe, China and Japan appear to have peaked between June 2022 and March 2023, but rising prices have been more persistent than many anticipated, supporting our structural view that we are returning to an "old normal." The U.S. Federal Reserve and European Central Bank have maintained their hawkish messaging even as inflation has declined: policy rates may hit their peaks before year-end, but further tightening into 2024 is a higher probability than we envisaged at the start of the year. In addition, the recent market sell-off raises doubts about whether 2023 will see the peaks in bond yields and market volatility. U.S. GDP growth has been strong this year, and while eurozone growth has weakened, it has avoided recession so far—the trough of the slowdown now looks likely to occur next year. Consensus estimates suggest that U.S. and European large-cap earnings troughed in the first quarter of 2023; however, given what we see as the delayed economic slowdown, we now think there is a further decline to come, potentially stretching into next year. Despite the recent correction, equity markets remain well above the lows of late 2023. We and many other market participants perhaps underestimated the persistent strength of the fiscal impulse and the consumer in 2023, especially in the U.S.

GRADE: ★★★☆☆

While our "old normal" call has been playing out, the economic slowdown is taking longer to manifest than we expected.

2. ADJUSTING TO HIGHER RATES CONTINUES TO DISRUPT

What we said: As rates rise and investors demand higher risk premia, the cost of capital goes up. This happens at some point in most cycles, but we believe the current adjustment is structural, and it is proving unusually large and rapid—raising the risk that it is disruptive. Many mortgage borrowers could be shocked when they refinance at 2023 rates. Many corporate capital structures built for a low-rate environment are in for a similar sharp adjustment. And with government debt exploding during the pandemic and "bond vigilantes" back on watch, some sovereigns may be forced into the kind of uncomfortable re-think recently forced upon the U.K. We think investors should be watchful for weak points that could cause broader disruption.

What we've seen: So far, the highest-profile examples of vulnerable businesses getting into difficulty because they were built for a low-rate environment have been Credit Suisse, Silicon Valley Bank and First Republic Bank. They failed after suffering deposit flight, compounded by having to crystalize steep losses in large holdings of Treasury bonds. Authorities appear to have acted swiftly to contain the fallout. While high yield issuers have so far been relatively resilient due to limited current refinancing pressures, defaults have been rising, and we are seeing considerable pressure in U.S. commercial real estate loans and floating-rate structures, in general—at a time when overall U.S. financial conditions have actually been easing, not tightening.

GRADE: ★★★★☆

The mini-banking crisis confirmed our fears.

3. MORE DEGLOBALIZATION

What we said: Manufacturing supply chains, commodity markets, financial systems, regulatory regimes, fiscal and monetary policy frameworks—we have seen them all become more integrated between 1980 and 2008, and more fragmented since. We see many and varied reasons, including the political backlash against the unequal outcomes of globalization; the shocks of the Great Financial Crisis and the pandemic; the waning internationalism of the U.S.; and increasing tensions as geopolitical blocs realign. We anticipate more landmarks on this journey in 2023, as it is driven by strong political, security and risk management imperatives.

What we've seen: Relations between the U.S. and China, in particular, have been strained, and those strains appear increasingly to coalesce around the emerging "Semiconductor Cold War." The ongoing war in Ukraine continues to complicate that relationship, as well as re-align relations between the U.S., Western Europe and the "Global South." Moreover, these are not issues solely among geopolitical competitors, but also among allies: witness the controversy in Europe over the U.S.'s Inflation Reduction Act, for example; and the beginnings of divergence within Europe, but also between Europe and the U.S., on the question of how to balance political and commercial relations with China. While the supply-chain shocks of the pandemic and the war in Ukraine have waned significantly, the underlying geopolitics continue to deteriorate.

GRADE: ★★★★☆

While Covid constraints continue to ease, geopolitical and protectionist stresses continue to accumulate.

4. REDOUBLED EFFORTS TO CLARIFY "ESG"

What we said: Environmental, social and governance (ESG) investing became increasingly politicized in 2022 as the crisis in Ukraine triggered strong outperformance from fossil fuel assets, and stoked fears that ESG investors were starving domestic energy providers of capital. To counter this politicization, we believe more clarity is needed on the distinction between investing processes and investing outcomes. ESG integration is a process designed to ensure that financially material ESG factors are considered, alongside others, in traditional investment analysis. Exclusions, sustainable investing and impact investing pursue a specific non-financial outcome, in a portfolio or in the real world, alongside managing financial return. We anticipate focus on this clarification from the industry and its regulators in 2023.

What we've seen: Continued noise, but not much more clarity. In the U.S., hearings in the House of Representatives in May and June confirmed that some are still muddying the debate for political ends. We do not expect the Security and Exchange Commission's forthcoming rules on ESG fund disclosures to fix that. As the rules proliferate, we also see growing divergence in regulation, enforcement and guidance across different jurisdictions. By contrast, we see a general convergence in attitudes and aims among both corporations and investors. Corporates are adopting either mandatory or voluntary disclosures in growing numbers, improving our ability to price for financially material ESG considerations. And the reason Neuberger Berman continues to invest to improve our ESG integration and sustainable investing is that our clients increasingly prioritize these capabilities in their manager selection.

GRADE: ★★★☆☆

The debate remains noisy and not much clearer, although corporations and investors continue to press forward.

FIXED INCOME: THE RETURN OF MARKET DISCIPLINE

5. PERSISTENT INFLATION SUGGESTS PERSISTENT BOND MARKET VIGILANCE

What we said: We enter 2023 with high inflation and extreme levels of government debt. Against this background, we see bond investors standing up more strongly for their interests against policymakers. Markets are punishing policy inconsistencies between fiscal and monetary authorities within sovereigns, and excessive fiscal or monetary policy divergences between sovereigns. We think core government bond yields may be range-bound where policies are consistent, but potentially higher and more volatile where policies are inconsistent. Despite the pace of policy adjustment and attendant market rate moves, outside the U.K. central banks have so far not had to intervene to maintain market liquidity—but an emergent policy conflict remains a tail risk for bond markets in 2023.

What we've seen: For much of 2023, bond yields traded in a range, with the top set by the volatility around the collapse of Silicon Valley Bank in March. When they broke out of that range in September, it appeared to be because investors became more worried about U.S. deficits and debt sustainability, as interest costs rose more than expected and tax revenues rose less than expected. This is what we meant by markets "punishing policy inconsistencies between fiscal and monetary authorities." Combined with the prospect of ongoing fiscal expansion, continued central bank hawkishness, despite declining inflation, is a real concern for deficit-watchers.

GRADE: ★★★★☆

The recent dramatic bond market sell-off has made this theme even more prominent and widespread than we anticipated.

6. ABILITY TO ABSORB HIGHER RATES LIKELY TO DOMINATE CREDIT

What we said: Over the course of a decade, many financial structures have been built around falling and ultimately near-zero rates, including a lot of debt structures. Floating-rate borrowers will need to adjust right away, but because we see structurally higher rates ahead, we think fixed-rate borrowers will eventually need to adjust, too. We do not anticipate a major uptick in defaults: the economy has historically been able to generate healthy growth with rates at these levels, balance sheets are generally strong and maturities are generally several years away, supporting a range of fixed income credit markets. That said, in our view, the sooner investors work higher-rates-for-longer into their credit analyses, the sooner they are likely to make what we regard as the necessary portfolio adjustments.

What we've seen: Despite an increasingly hawkish rates outlook through the year, index-level credit spreads have tightened. But that disguises substantial dispersion at the industry and issuer levels. Floating-rate structures are generally under pressure. Some sectors, such as U.S. regional banks and commercial mortgage-backed securities (CMBS), have struggled very publicly with higher rates, but trouble in industries like telecommunications suggests the challenges are more widespread. In high yield, the majority of industries are now experiencing deteriorating cash flow.

GRADE: ★★★★☆

We have seen the beginnings of dispersion based on creditworthiness.

EQUITIES: WINNERS AND LOSERS

7. EARNINGS ESTIMATES RECALIBRATE AND FAVOR THE FITTEST

What we said: Much of the equity bear market of the first half of 2022 appeared to be due to the application of higher discount rates to largely unchanged future earnings estimates. Consensus earnings growth estimates for 2023 did not fall in the same way as real GDP growth estimates, perhaps because high inflation has supported nominal GDP growth. As inflation turns downward but remains relatively high as the economy slows, we think earnings estimates are likely to be revised down. We also think dispersion will increase, favoring companies that are less exposed to labor and commodity costs, have more pricing power to maintain margins, and use less aggressive earnings accounting. We believe this will translate into greater dispersion of stock performance.

What we've seen: We have seen earnings estimates recalibrate. Consensus estimates for 2023 S&P 500 Index earnings have declined this year, but more modestly than we anticipated or believe is justified: they still project 1.8% growth over 2022 earnings. For the STOXX 600 Europe Index, the consensus estimate for 2023 earnings has actually increased since December, and would represent a 0.3% gain on 2022 earnings. Excluding the volatile energy sector, there was a 48-point range between the top and bottom S&P 500 sector for first-quarter earnings growth, and a full 85-point range in the second quarter. That range is typically 30 points. For the most part, however, the impact of earnings on market performance and dispersion has been muted by excess liquidity, and a sense that mega-cap tech stocks are defensive and beneficiaries of the artificial intelligence theme.

GRADE: ★★★☆☆

Earnings performance has dispersed, but sentiment and liquidity outweighed fundamentals in market performance.

8. MANAGEMENT TEAMS REFOCUS ON SHAREHOLDER VALUE

What we said: When equity investors demand higher risk premia and bond yields present a meaningfully higher return hurdle, one way to keep the cost of capital down is to re-focus on delivering tangible, near-term shareholder value. When the economic going gets tough, effective management teams typically start improving capital structures and balance sheets, spinning out lower-return divisions, acquiring strategic targets finding efficiencies, and engaging creatively with shareholders. In these conditions we tend to see the true potential of alignment between active shareholders and company management: 2023 could be a lively year in the boardroom.

What we've seen: While much of the outperformance of the "Magnificent Seven" appears to have been due to liquidity, technical flows and artificial intelligence, part of it was also due to management teams "getting religion" on shareholder value: these mega-cap enterprises have a lot of levers to pull, including redirecting capital from some ambitious investment plans and vanity projects—and the market rewarded them for doing so. U.S. regional banks, for example, face much tougher decisions, such as how much of their loan book to liquidate. In addition, it is notable that, while the Event-Driven family has been a mixed bag in the HFRI Hedge Fund Indices, the Event-Driven Activist Index has been one of the best performers. Many merger transactions are failing under the current uncertainty, but a pick-up in discussions underlines the urgency that management teams feel to make strategic changes when they lack confidence in simple multiple expansion.

GRADE: ★★★☆☆

We see the beginnings of this focus on shareholder value, but may have to wait to see it translate into broader corporate strategy.

ALTERNATIVES: CHALLENGES AHEAD, BUT OPPORTUNITIES FOR THE NIMBLE

9. MORE DISPERSION IN PRIVATE MARKETS PERFORMANCE

What we said: Private markets won't be impervious to the ongoing slowdown. Exits are more difficult in volatile public markets, and while private company valuations tend not to fall as far as public market valuations, we do think they are likely to decline. Such a challenging environment is likely to result in performance dispersion that tends to favor higher quality companies, especially where management has well-defined growth plans as opposed to relying on leverage and multiple expansion. It's also important to remember that private equity funds generally invest over multi-year periods, typically enabling new and recent-vintage funds with "dry powder" to seek opportunities as valuations decline through the slowdown.

What we've seen: Exits, which were already down more than 50% in the second half of 2022, have continued to decline through 2023. Where transactions are completing, we see valuations down 15 – 20% on comparable deals of recent years—and it is worth noting that, with private equity managers increasingly willing to walk away from deals that are not attractively priced, only higher-quality companies are currently being bought and sold. On average, we see private equity managers forecasting lower earnings multiples on exit for new deals, indicating that they think all their net return will come from growing earnings via acquisitions and business improvements. As such, we believe we will see the relative quality of the companies, company management and of private equity managers involved in current transactions reflected in greater valuation dispersion as those transactions mature.

GRADE: ★★★★☆

At this stage in the cycle, the highest-quality companies are almost the only ones being transacted.

10. A GROWING OPPORTUNITY SET FOR OPPORTUNISTIC INVESTORS

What we said: In a market downturn, liquidity providers can be selective across liquid and illiquid alternatives and niche opportunistic strategies as valuations decline—or even dislocate. Among liquid alternatives, we think global macro and other trading-oriented hedged strategies can continue to find opportunity amid volatility. We anticipate increasing opportunities to provide niche capital solutions at attractive or even stressed yields as debt structures are reworked. And on the illiquid side, we think private equity secondaries has become a buyers' market. Economic strains could also open up long-term value opportunities in inflation-sensitive real assets, in markets both liquid (e.g., certain commodities) and illiquid (e.g., real estate).

What we've seen: Returns data to the end of September suggest that 2023 has so far been a lackluster year for hedge funds. Among the major strategy families, according to HFR, Macro has struggled in an environment with range-bound bond markets and generally declining volatility—with currency-focused and short-term trading strategies bucking the trend. Equity Hedge has delivered positive returns, in general, but lagged the market as outperformance came from the mega-cap growth stocks that these strategies tend not to favor. Bearish trends in bonds and equities since September may enable some catch-up. Event-Driven has been a mixed bag, with Activist, Special Situations and Credit Arbitrage doing well, but Merger Arbitrage struggling. Insurance-Linked Strategies have been a bright spot within liquid alternatives, as premiums have been rising. We have been seeing a more opportunistic landscape in illiquid and semi-liquid markets, however. Yields on niche capital solutions have generally risen from low teens to high teens. As private equity and especially private real estate investors seek liquidity in the secondary market, attractive discounts have become common. Overall, however, the story of much of 2023 has been about liquid-market "beta," whether that be the currency carry trade or equity indices driven by high-quality, mega-cap technology stocks.

GRADE: ★★★☆☆

Trading-oriented strategies in liquid markets have disappointed, but providers of opportunistic capital have been well rewarded in illiquid and semi-liquid markets.

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Regime shift in private real estate opens opportunities

A 12-year investment cycle fueled by historically low rates is coming to an end as private real estate reprices

by **Jim Corl, Anthony Corriggio** and **Hamid Tabib**

KEY TAKEAWAYS

The impact of higher rates

Private real estate, faced with a slowing economy and higher financing costs (due to higher rates intended to tame inflation), has reached a pivotal moment.

Private real estate is lagging listed

Private real estate transaction volume has plummeted, and performance has lagged listed real estate for a third consecutive quarter. We expect a significant asset repricing to create favorable entry points for investors – but these will demand judgement and selectivity.

Coastal office to get hit hardest

We expect valuations to decline in the area of 20% overall, but this will vary across property types. The weakest properties (older properties in gateway coastal markets) will be hit hardest and the strongest properties (newer, amenity laden real estate in sunbelt locations) will be the most resilient.

Three drivers of private real estate repricing

For the first time since the Great Financial Crisis, private commercial real estate (CRE) valuations are experiencing sustained quarterly losses; prices fell 5% in the fourth quarter of 2022, 3.2% in the first quarter of 2023 and 2.7% in the second quarter, as measured by the NCREIF ODCE Index (Exhibit 1). To put this in perspective, the 4Q22 decline is the fifth largest since 1978, and the 1Q23 decline is the eighth largest.

And without knowing exact timeframes, we are expecting a weighted average drop of around 20% in CRE prices peak to trough with the weakest assets and capital structures falling first and furthest.

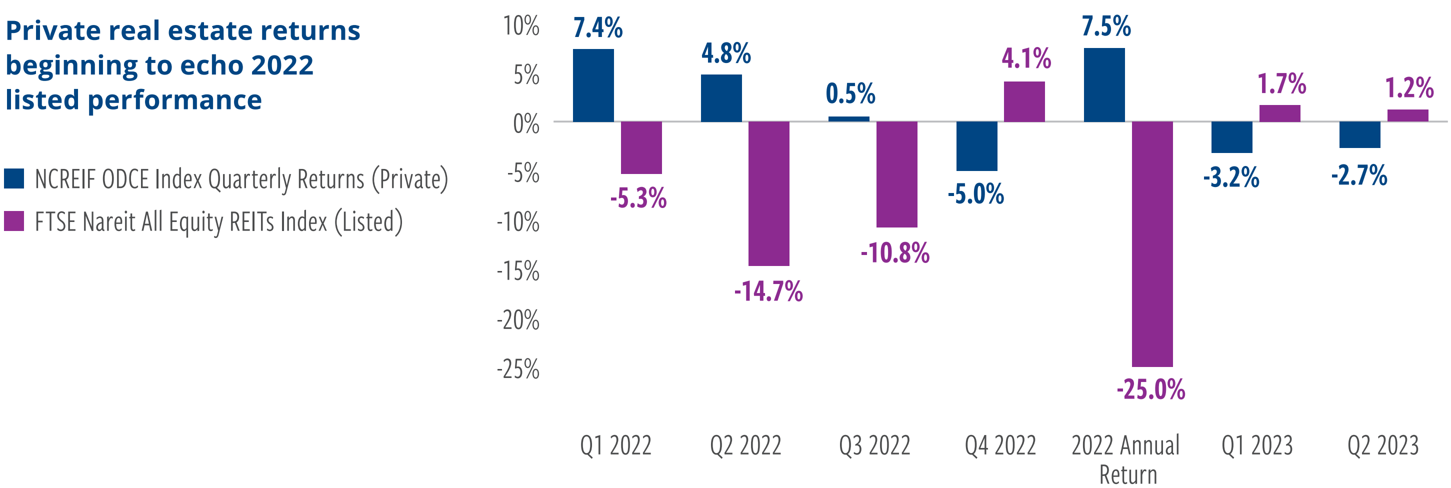
This repricing warrants a certain amount of caution from investors as we wait to see what the depth of the challenges will be. However, we believe this regime shift may create a multi-year period of markdowns and entry points for the discerning investor.

There are three notable drivers of this repricing:

- The Federal Reserve's aggressive rate hikes intended to tame inflation has led to both higher financing costs and slowing economic growth.
- Fundamental changes in how and where people live and work has had a profound impact on the usage patterns within the commercial real estate industry.
- Capital availability has shifted as 1) strong private real estate returns relative to other asset classes have created the so-called denominator effect in which investor portfolios appear overweight to private real estate, and, 2) capital that flowed into the financial markets in search of yield has been pulled out of the system toward more attractive fixed-income investments.

EXHIBIT 1

Private real estate returns beginning to echo 2022 listed performance



At June 30, 2023. Source: NCREIF, Cohen & Steers.
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Listed real estate, a leading indicator for private real estate, has foreshadowed these losses in the private space for several quarters, as listed tends to lead private in selloffs and recoveries due to its liquid and daily pricing.

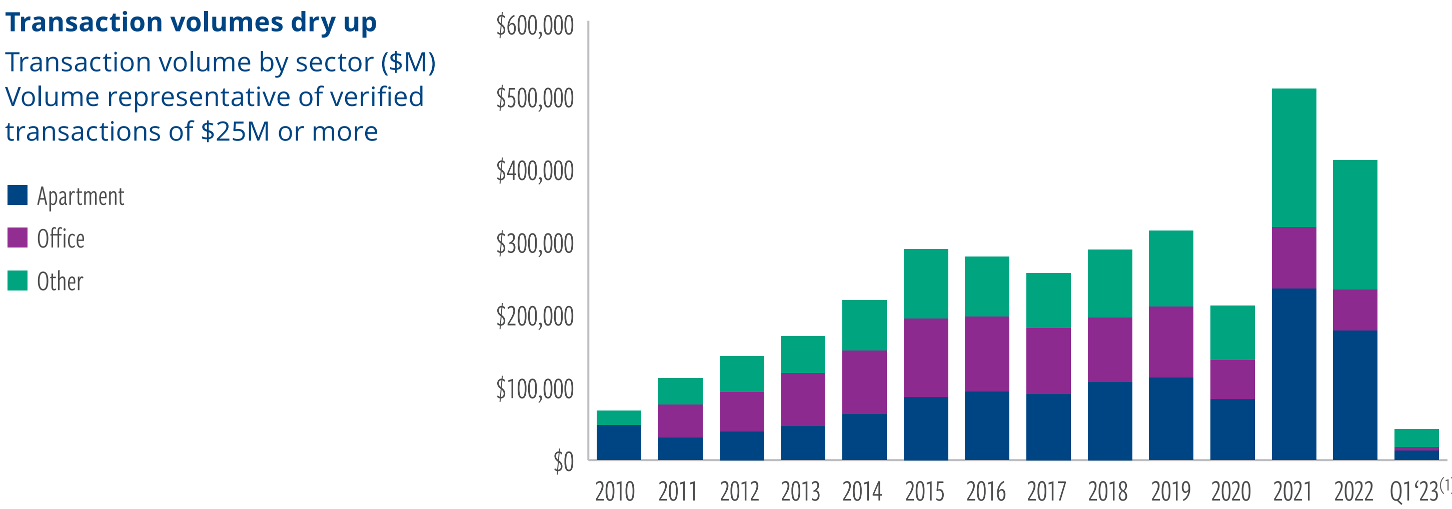
As private values decline, transaction volume is likewise declining (Exhibit 2), as sellers are reluctant to transact at the new, lower levels where buyers are interested. According to consulting firm McKinsey, real estate transaction volumes fell off in the second half of last year, ultimately dropping 20% in 2022 after surging at a record pace in the first half of the year.

In fact, transaction volume declined in each consecutive quarter throughout 2022, according to the firm. Sectors experiencing falloffs included multi-family and industrial, areas which had previously benefited from shifts in lifestyle and shopping patterns, boosting growth. Performance has fallen as the rapid increase in rents and occupancy witnessed over the past two years tapered off.

EXHIBIT 2

Transaction volumes dry up

Transaction volume by sector ($M)
Volume representative of verified transactions of $25M or more



At December 31, 2022. Source: Green Street.
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To that point, multi-family transactions fell 29% in 2022 after more than doubling the previous year, which accounts for nearly half of the decline in real estate deal activity, McKinsey states.

Buyers and sellers are at an impasse. Sellers would prefer not to sell into this down market, though some are being forced to transact. Buyers, for their part, are sifting their way through debt market conditions in which availability is uncertain. This standoff will persist until sellers' hands are forced and they acknowledge the new reality of lower prices. We have already begun to see motivated sellers revealing themselves as prices have begun to fall.

High lending costs cause price declines

What exactly is DSCR?

$$DSCR = \frac{\text{Net Operating Income}}{\text{Total Debt Service}}$$

$$DSCR = 1.33 = \frac{\$200{,}000 \text{ Net Operating Income}}{\$150{,}000 \text{ Total Debt Service}}$$

A **DSCR** of **1.33** indicates that the property's net operating income is **1.33** times greater than its total debt service.

Rising interest rates have had a sizable impact on CRE asset prices, which reduces the amount of debt borrowers can afford. In short, the entire universe of commercial real estate is repricing as investors come to terms with the new cost of capital.

One important metric that lenders are using is the debt service coverage ratio (DSCR), which assesses the creditworthiness of borrowers and the overall risks associated with a particular property. A higher DSCR indicates the property can generate enough income to cover its debt payments, while a lower DSCR can lead to difficulties securing favorable financing terms as it shows the property is more vulnerable to default or distress.

For example, a 1.0X DSCR indicates the loan can cover interest payments, while a 2.0X DSCR is indicative that it can cover two times the interest payments.

In a higher interest rate environment, CRE owners will likely see their DSCR's negatively impacted. Property valuations are marked lower due to higher financing costs and lenders become cautious about extending loans to properties with higher risk profiles. This occurs as investor confidence may falter and potentially lead to selloffs.

Conversely, a healthier DSCR profile can instill greater confidence in investors as it reflects stable cash flow and a property's capacity to meet debt obligations. A low DSCR places unstable properties at a distinct competitive disadvantage, intensifying the potential for a selloff due to lack of demand and inaccessible resources.

One potential outcome of these challenges is the need for borrowers to infuse more cash into newly refinanced loans. If a property has been discounted by 20%, the lender may want the investor to place 20% more equity into the loan to keep the loan-to-value (LTV) ratio constant, which is also called a cash-in-refi (refinancing).

It is clear the tightening of monetary policy by the Federal Reserve has begun to hit its intended target by reducing exuberant risk-taking capital from the market, which is generally a byproduct of lower rates.

Changing landscape causing (dis)stress

Spaces with fewer amenities in less desirable locations are experiencing pronounced markdowns.

Repricing is just getting underway with the weakest assets and capital structures failing first. Coastal, gateway office properties, for one, are on the leading edge of distress. In fact, some of the largest CRE asset managers in the industry have defaulted on billions of dollars worth of offices in New York and Los Angeles, two of the weakest gateway cities.

The one-two punch of rates pushing higher combined with many office tenants moving out of formerly coveted, coastal cities, has been too much for some investors to bear. The valuations of these assets were based on high multiples of rental income streams, which were boosted by low-cost financing. With office demand having softened and rates being higher, some CRE investors have been unable – or have chosen to forego – refinancing maturing debt.

Indeed, 16% of CRE loans will mature in 2023, of which office is the largest at 26% of that figure, followed by multi-family. From there, another 15% is maturing in 2024. As a result, pockets of distress will appear in the coming months. We do not believe this presents a systemic risk and will certainly not reach the depths of the GFC as fundamentals are on stronger footing while lending standards are much more conservative.

In short, spaces with fewer amenities in less desirable locations are experiencing pronounced markdowns.

While office is no longer a dominant component of the overall real estate investment trust (REIT) universe, these thematic changes will have a lasting impact. Similar to how housing in the U.S. was built for the baby boomer generation – big houses on large land plots in the suburbs of gateway cities – so too was U.S. office stock. As the millennial generation displaces baby boomers as the largest demographic in the U.S., transportation, affordable housing and the office environment are all evolving to meet new standards – shifting concentrations to locations such as Atlanta, Dallas, and Austin, with higher quality finishes, accompanying green space, and proximity to amenities.

Paradigm shift in how people live creates opportunity

As this repricing occurs, it will create select opportunities for selective investors amid what we believe may be a multi-year period of markdowns and entry points. The largest change in how people use real estate since the advent of the U.S. highway system is now underway.

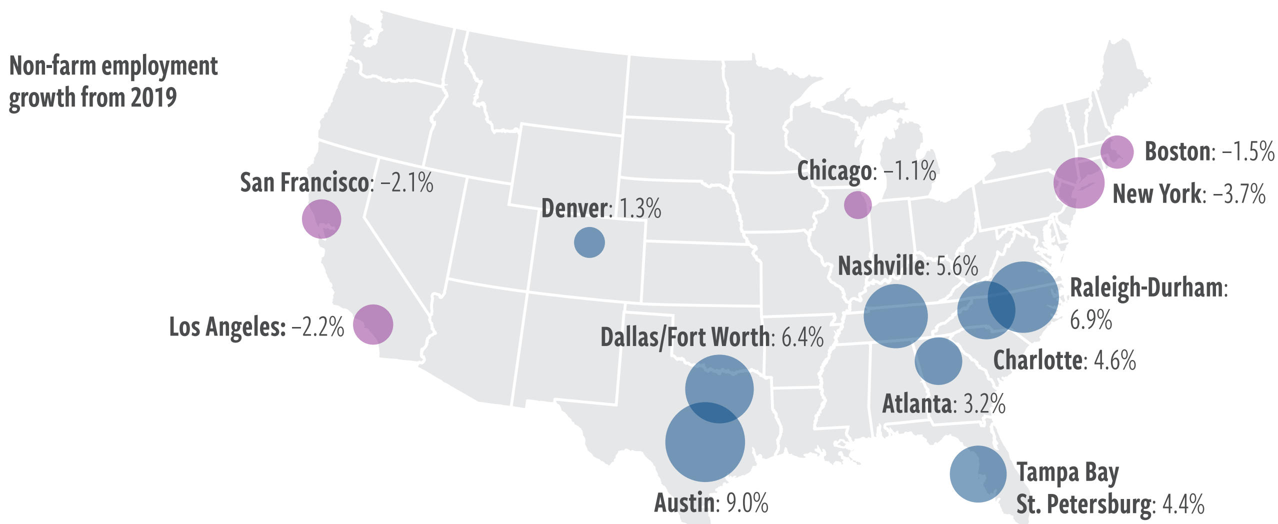
Cities and states that have long enjoyed power as centers of industry – such as New York City in finance or the San Francisco Bay Area in technology – have taken their monopoly status for granted for too long. Their value propositions have eroded due to high taxes, costly regulations, an increased concern about crime, aging transportation infrastructure and the inability to provide affordable and convenient housing.

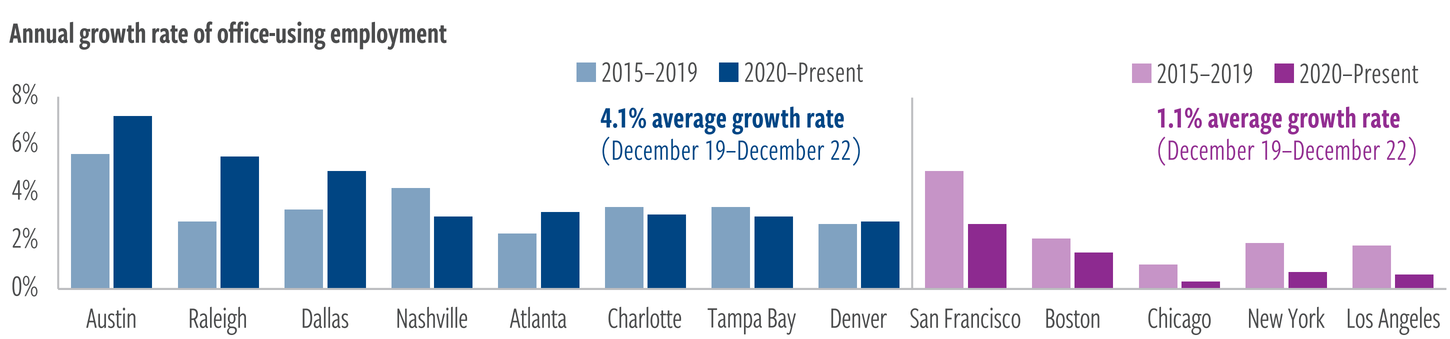
In addition, as technology allows for increasing adoption of remote work across many industries, workers today have more power to change locations while retaining their jobs.

EXHIBIT 3

Offices in growth cities benefit from migration

Sector highlight





At December 31, 2022. Source: Green Street.

The allure of temperate weather, shorter commute times, affordable housing, lower taxes, and an overall lower cost of living, has created tailwinds of economic growth across the Southeastern U.S., as well as the Sunbelt and Mountain West regions. The migration away from gateway cities underscores the structural change in how people live and has resulted in these markets outperforming gateway markets. To use one metric, office leasing activity in the Southeast is currently at 85% of pre-Covid levels, compared to just 60% in the gateway markets.

The reality is rent pricing is no longer the driving factor in the office leasing industry. Simply put, some buildings and locations will work in this new environment while many will not, regardless of how inexpensive the space is offered to tenants.

As companies and individuals continue to focus on cities such as Dallas, Austin, Atlanta, Raleigh and Nashville, among others, we see support for our thesis that medium- to high-density cities in the Southeast and Sunbelt regions will continue to outperform.

Shopping centers also stand to benefit from this migration trend and are increasingly adopting the role of last-mile warehouse, which are internet-resilient properties that have readily adapted to the growing 'click and collect' trend. This hybrid e-commerce model offers higher yield potential than the traditional warehouse in industrial areas.

And it's not just offices and shopping centers benefiting from this new, supportive backdrop in the Southeast, but also residential markets. Apartment rents and housing prices alike remain strong, which is a trend we expect to continue.

In our view, the residential sector is poised to benefit from the inadequate supply of homes for sale and affordability challenges, resulting in an increased demand for rental housing, particularly for single-family homes.

Office leasing activity in the Southeast is currently at 85% of pre-Covid levels, compared to just 60% in the gateway markets.

Capital availability leading to further pricing pressure

Further pricing pressure is being levied by a shift in capital as asset allocations are being shifted away from private real estate.

First, investors' asset allocation decisions have continued to shift because fixed income yields have become more attractive. Capital that was previously investing in alternatives, including private real estate, as investors sought yield, is now being pulled toward fixed income, where yields have been pushed higher by rising rates.

Second, is the so-called denominator effect, which refers to how changes in the overall portfolio value can impact the relative allocation or weighting of different asset classes, potentially affecting diversification and risk levels.

Private real estate's strong performance in 2022 relative to other asset classes is a prime example. The Bloomberg U.S. Aggregate Bond Index fell 13% in 2022. The S&P 500 dropped 19.4% for the year. Listed real estate fell 24.9% in 2022, as measured by the FTSE Nareit All Equity REITs index. Private real estate, by comparison, rose 7.5% over the same timeframe, as measured by the NCREIF ODCE Index.

Further pricing pressure is being levied by a shift in capital, as asset allocations are being shifted away from private real estate.

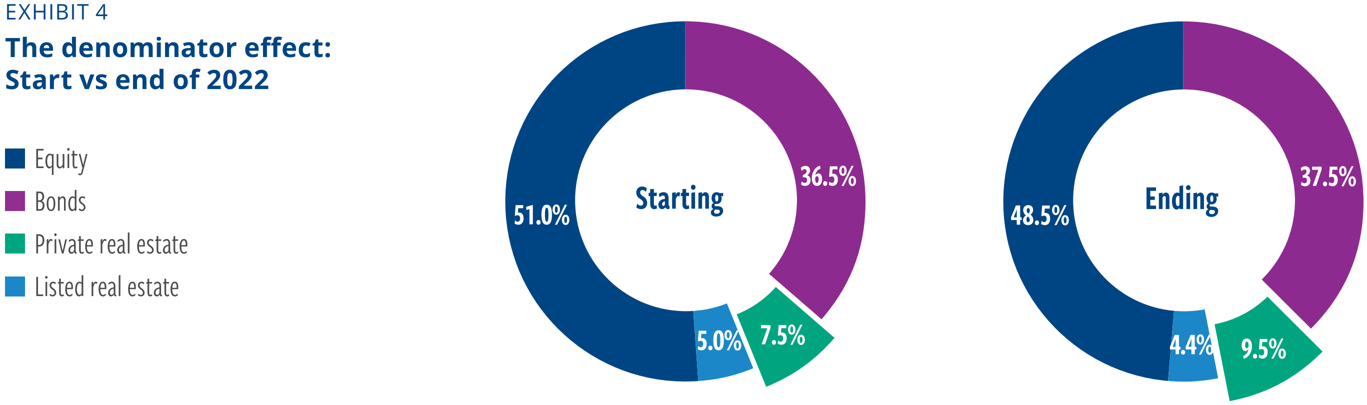
An example allocation for a moderate investor would be a target allocation of 51% U.S. equities, 36% bonds, 7.5% private real estate and 5.5% listed real estate. If an investor started 2022 with this asset mix, their allocation to private real estate would have climbed to 9.5% by the end of the year, as the overall value of the portfolio declined (the denominator) and performance of private estate climbed (Exhibit 4).

Even if the rebalancing away from private real estate doesn't force investors to redeem their private real estate allocations, it means that investors are not making significant new private real estate investments, lessening demand and further lowering prices for opportunistic investors.

Overall, changes in interest rates, usage patterns of real estate, and capital availability are creating what we believe are highly favorable opportunities to invest in private real estate over the next two to three years, and investors are beginning to recognize this backdrop.

EXHIBIT 4

The denominator effect: Start vs end of 2022



	Starting value in $100M portfolio	2022 returns(1)	Value at end of 2022
Equity	$51M	–19.4%	$41.1M
Bonds	$36.5M	–13.0%	$31.8M
Private real estate	$7.5M	+7.5%	$8.1M
Listed real estate	$5.0M	–24.9%	$3.8M
Total	$100M	–15.2%	$84.8M

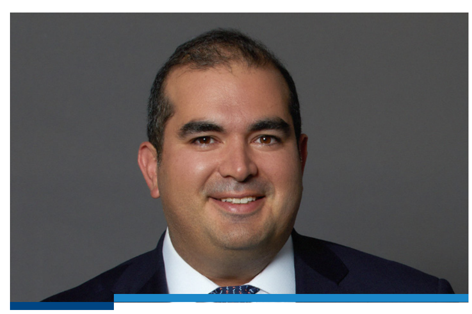
At December 31, 2022. Source: Bloomberg, Cohen & Steers.
For illustrative purposes only. The information presented should not be relied upon as investment advice, does not constitute a recommendation to buy or sell a security or other investment and is not intended to predict or depict performance of any investment. (1) 2022 returns represented by equity: S&P 500 Index; fixed income: Bloomberg U.S. Aggregate Bond Index; private real estate: NCREIF ODCE Index; listed real estate: FTSE Nareit All Equity REITs Index.

About the authors

Jim Corl, Executive Vice President, is Head of the Private Real Estate Group. He has 31 years of experience. Mr. Corl rejoined Cohen & Steers in 2020, having previously been with the firm for 11 years, serving as Chief Investment Officer—Real Estate from 2004 to 2008. More recently, he was head of real estate at Siguler Guff & Company, where he led a real estate investment group focused on private markets. Earlier in his career, Mr. Corl held real estate investment roles at Heitman Capital Management and Credit Suisse First Boston. He has an MBA from the University of Pennsylvania and a BA from Stanford University and is based in New York.

Anthony Corriggio, Senior Vice President, is a portfolio manager within the Cohen & Steers Private Real Estate Group. He has more than 25 years of real estate investment experience. Prior to joining the firm in 2022, Mr. Corriggio was a Managing Director at Siguler Guff, serving as a senior member of the company's distressed real estate investment team. Previously, he was a Senior Analyst at Coeus Capital Management LLC, a long/short equity hedge fund, and Chief Financial Officer of The St. Joe Company, a multi-billion dollar publicly traded residential and commercial land developer. He was also with Morgan Stanley, first as an investment banking officer and then as an acquisitions officer for the Morgan Stanley Real Estate Fund. Mr. Corriggio served as a Captain in the United States Air Force, Civil Engineering Squadron. He has an MBA and two BS degrees from the University of Pennsylvania and is based in New York.

Hamid Tabib, Senior Vice President, is Head of Real Estate Acquisitions, North America for the Cohen & Steers Private Real Estate Group. He has 17 years of experience. Prior to joining the firm in 2021, Mr. Tabib was with Siguler Guff & Company for nine years, most recently as a principal, serving as a senior member of an investment team focused on opportunistic direct real estate investing. Previously, he had various private real estate investment roles at Crocker Partners and CRT Properties. Mr. Tabib has an MBA from the University of Pennsylvania and a BS from New York University and is based in New York.



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Biden-Xi Summit and the Outlook for US-China Relations

- The planned Biden-Xi bilateral summit in San Francisco next Wednesday marks the two presidents' first meeting in a year, and takes place at a key juncture in US-China relations—both sides recognize the need to prevent rivalry from spiraling into open conflict, especially after a tense 2023.

- While we do not anticipate a fundamental reset in relations, we expect modest progress on some policy issues, including curbing the flow of fentanyl precursor chemicals into the US, collaborating on joint climate change initiatives, and establishing more diplomatic and economic working groups as well as a potential resumption of military-to-military dialogue

- This temporary thaw in US-China relations is both limited and tactical. Washington seeks to decrease the chances of a dangerous escalation in bilateral tensions but will maintain its posture of strategic competition towards China and reassure Indo-Pacific allies of its commitment as an economic and security partner. Beijing aims to leverage the summit to bolster President Xi Jinping's image on the global stage while also drawing firm lines on China's "core interests." Xi also seeks to arrest a collapse in business sentiment toward China by projecting a more constructive attitude toward the West

- Policy volatility in the US-China relationship is here to stay. In 2024, several flashpoints could undo any improvement in bilateral relations, including: Taiwan's presidential election in January 2024, the US presidential election in November 2024, as well as additional targeted policies from the US aimed at curtailing China's access to advanced technologies

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Finding a Floor: Summit Caps Months of Diplomacy

US President Joe Biden will meet with Chinese President Xi Jinping next Wednesday on the sidelines of the Asia-Pacific Economic Cooperation (APEC) leaders' summit in San Francisco, California. The meeting takes place at a key juncture in US-China relations, as Washington and Beijing attempt to build a floor under a relationship that appeared to be in freefall at the start of 2023. Over the past year, the two countries have repeatedly clashed over security and economic flashpoints: a Chinese surveillance balloon that floated across the US in February before it was shot down by an American fighter jet, US attempts to halt Chinese advancements in semiconductors through export controls and outbound-investment screening, and near collisions between the two countries' militaries in the Taiwan Strait and in the South China Sea.

However, both sides recognize the need to prevent rivalry from spiraling into open conflict. Biden and Xi's meeting will be the culmination of a steady crescendo of diplomacy over the past few months, which included a series of visits to China by US officials including Treasury Secretary Janet Yellen, Commerce Secretary Gina Raimondo, Secretary of State Antony Blinken, and Special Presidential Climate Envoy John Kerry. Chinese Foreign Minister Wang Yi and Vice Premier He Lifeng have also made visits to the United States over the past two weeks. Both Washington and Beijing are laying the groundwork for increased policy touchpoints and have established US-China working groups on economic and financial issues aimed at providing regular communication channels between officials across multiple levels of government, underscoring the two sides' commitment to building guardrails around the bilateral relationship.

While both the US and China are focused on stabilizing relations that can help uphold a commitment to "no surprises" in managing relations in the near- to medium-term, the two capitals have distinct approaches to the APEC summit:

- **The View from Washington:** Biden aims to increase dialogue with Beijing while attempting to convince other Indo-Pacific economies that the US is committed to long-term economic, diplomatic, and security

Institutional Investor

Public Pensions Frequently Change Their Private Equity Benchmarks. Why It Matters.

Beating or missing return expectations can affect how pension boards determine a plan's asset allocation.

Alicia McElhaney
November 13, 2023

Illustration by II

As public pensions have put more money into private equity, many have been working to identify benchmarks that will measure their successes and failures fairly.

Pension funds could compare their private equity portfolio's performance to what they would have earned in public markets, which would clarify the value of paying fees and carry. At the opposite end of the spectrum, pensions could choose a private equity index, which ostensibly would allow them to compare their managers to peers.

But there's a more fundamental problem. According to new research, the benchmarking approach a pension uses tends to change after they bring in new external consultants — which public plans do often.

The researchers found that these changes often lead to pensions choosing benchmarks that are easier to beat than the measures they had been using.

This matters: Beating or missing return expectations can affect how pension boards determine the plan's asset allocation. Consultants, meanwhile, gain more business when their pension clients beat the benchmarks.

Researchers Niklas Augustin and Matteo Binfare from the University of Missouri at Columbia and Elyas D. Fermand at Santa Clara University set out to learn more. They used data from the Center for Retirement Research at Boston College, including information on public pension funds' size, investment performance, consultants, and other factors. They tracked this data from 2001 through 2021 at 210 pension plans, encompassing most of the United States pension universe.

They found that two-thirds of public pension funds use a public market index, usually the S&P 500 or the Russell 3000. Beating the benchmark by about 3 percent is often the bar for success. Roughly a quarter of pension funds use private equity benchmarks, like the Cambridge Associates US Private Equity index. Others use customized benchmarks.

So why do benchmarks change? Public pension plans are often subject to state laws or internal policies that require them to run a search for consultants every so many years. This assessment naturally leads to turnover.

The researchers found that after a pension plan changes its general consultant, they are 8 percent more likely to change a benchmark in the following two years.

This is a boon to the consulting industry. "Our findings support this conjecture: consultants who change benchmarks are more likely to secure additional consulting contracts in the following years, allowing them to manage more assets for institutional investors," according to the paper.

According to the paper, over the 20-year sample period, pensions outperformed the new benchmarks by about 1.7 percentage points a year, 300 percentage points cumulatively.

"Consequently, benchmarks have become increasingly easier to beat over time, and this trend holds true across all pension funds," the paper said.

But the trend may not be apparent at first.

In the year that a benchmark change takes place, the average reported private equity return is 4.44 percentage points higher than the year prior. The benchmark itself increases by 3.67 percentage points for the same time period. This is, in part, due to timing. Public pensions tend to change their benchmarks following a recessionary period — usually around the time that they fire a consultant.

While the characteristics of a benchmark for private equity returns don't affect the actual performance, the hurdle does influence how much money gets invested in the asset class, the researchers found. "Instead, they likely serve as performance hurdles guiding the strategic decision-making process between public and private equity allocation at the policy (i.e., strategic) level," the paper said.