AGENDA

BOARD MEETING
SAN JOAQUIN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
FRIDAY, JANUARY 12, 2024
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/81212192342 and following the prompts to enter your name and email, or (2) calling (669) 219-2599 or (669) 900-9128 and entering Meeting ID 81212192342 #.

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 the Board Meeting of December 8, 2023 05

3.02 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.

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

14.04 Audit Committee Meeting March 8, 2024 immediately following Board Meeting

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

14.06 Board Meeting May 3, 2024 at 9:00 a.m.

15.0 ADJOURNMENT

San Joaquin County Employees Retirement Association

MINUTES

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

1.0 ROLL CALL

1.01 **MEMBERS PRESENT:** Phonxay Keokham, Emily Nicholas, JC Weydert, Steve Moore, Michael Duffy (out at 11:16 a.m.), Raymond McCray and Michael Restuccia, presiding

MEMBERS ABSENT: Chanda Bassett, Jennifer Goodman, Steve Ding

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 Manager Adnan Khan, Information Systems Analyst II Lolo Garza, Administrative Secretary Elaina Petersen

OTHERS PRESENT: Ashley Dunning of Nossaman, David Sancewich and Paola Nealon of Meketa

2.0 PLEDGE OF ALLEGIANCE

2.01 Led by JC Weydert

3.0 MEETING MINUTES

3.01 Minutes for Board Meeting of November 3, 2023

3.02 Minutes for the Administrative Committee Meeting November 29, 2023

3.03 The Board voted unanimously (7-0) to approve the Minutes of the Board Meeting of November 3, 2023, and the Administrative Committee Meeting of November 29, 2023 (Motion: McCray; Second: Keokham)

4.0 PUBLIC COMMENT

4.01 There was no public comment

5.0 CONSENT ITEMS

5.01 Service Retirements (18)

5.02 Board Policies with Recommended Amendments

01 Staff Transportation and Travel Policy

a Staff Transportation and Travel Policy - Mark-up

b Staff Transportation and Travel Policy - Clean

02 Conflict of Interest Policy

a Conflict of Interest Policy - Mark-up

b Conflict of Interest Policy - Clean

03 Trustee and Executive Staff Travel Policy

a Trustee and Executive Staff Travel Policy - Mark-up

b Trustee and Executive Staff Travel Policy - Clean

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

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

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

5.03 2024 Administrative Budget

01 2024 Administrative Budget Summary

5.04 The Board voted unanimously (7-0) to approve the consent items (Motion: Duffy; Second: Nicholas)

6.0 INVESTMENT CONSULTANT REPORTS

6.01 Presented by David Sancewich of Meketa Investment Group

01 Quarterly Reports from Investment Consultant for period ended September 30, 2023

a Quarterly Investment Performance Analysis

b Manager Certification Report

c Manager Review Schedule

02 Monthly Investment Performance updates

a Manager Performance Flash Report - October 2023

b Capital Markets Outlook and Risk Metrics - October 2023

6.02 The Board received and filed reports

7.0 STRATEGIC ASSET ALLOCATION IMPLEMENTATION UPDATE

7.01 The Board discussed and received and filed report

8.0 2024 STRATEGIC INVESTMENT PLAN

8.01 Presentation by David Sancewich of Meketa Investment Group

01 Memo from Meketa Investment Group

8.02 The Board discussed and received and filed report

9.0 GLOBAL EQUITY ASSET CLASS REVIEW

9.01 Presented by Paola Nealon of Meketa Investment Group

9.02 The Board discussed and received and filed report

10.0 RISK PARITY ASSET CLASS REVIEW

10.01 Presentation by David Sancewich of Meketa Investment Group

10.02 The Board received and filed report

11.0 CLOSED SESSION

The Chair called a break from 10:45 a.m. through 10:54 a.m. then convened Closed Session at 10:55 a.m. and adjourned Closed Session and reconvened Open Session at 11:21 a.m.

11.01 Purchase or Sale of Pension Fund Investment
California Government Code Section 54956.81

11.02 Personnel Matters
California Government Code Section 54957
Employee Disability Retirement Application(s) (4)

01 Heather Fontes
Service-Connected Disability Retirement
Probation Unit Supervisor
Probation

The Board voted unanimously (6-0) to grant the application for service connected disability retirement, effective 02/03/2023 (Motion: Keokham; Second: McCray)

02 Dave B. Konecny
Service-Connected Disability Retirement
Deputy Sheriff II
Sheriff - Stockton Unified Court

The Board voted unanimously (5-0) to grant the application for service connected disability retirement (Motion: Keokham; Second: McCray). Trustee Moore recused himself due to prior connection to this applicant.

03 Bryan Skinner
Service-Connected Disability Retirement
Food Service Worker I
Hospital Dietary

The Board voted unanimously (6-0) to grant the application for service connected disability retirement (Motion: Keokham; Second: McCray)

04 Stephen Whiteman
Service-Connected Disability Retirement
Equipment Operator I
Public Works - Road Main-East

The Board voted unanimously (6-0) to grant the application for service connected disability retirement (Motion: Keokham; Second: McCray)

11.03 Counsel noted that, other than 11.02-01-04 and what is reported in 12.01 there was nothing further to report out of Closed Session

12.0 REPORT OF CLOSED SESSION

12.01 On November 4, 2022, the Board voted unanimously to approve Resolution 2023-12-01 titled “Oaktree Special Situations Fund III” and to authorize the CEO to sign the necessary documents to invest $40 million in the fund.

13.0 STAFF REPORTS

13.01 Trustee and Executive Staff Travel

01 Conference and Event Schedule 2024

02 Summary of Pending Trustee and Executive Staff Travel

03 Summary of Completed Trustee and Executive Staff Travel

13.02 Trustee Restuccia requested to attend IREI 2024 Visions, Insights & Perspectives (VIP) Americas January 22-24, 2024. The Board voted unanimously (6-0) to approve this request (Motion: Keokham; Second: Weydert)
Trustee Weydert requested to attend IREI 2024 Visions, Insights & Perspectives (VIP) Americas January 22-24, 2024. The Board voted unanimously (6-0) to approve this request (Motion: Keokham; Second: Nicholas)

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

13.04 CEO Report

In addition to the written report, CEO Shick: reported 1) the building permit for the new office has been issued, demolition is 80% done, and electrical, framing, and HVAC starts December 11, 2023; 2) staff is developing contingency plans if the new office is not approved for occupancy by February 29, 2024, including all staff working remotely and using a small office space in the San Joaquin County Administration Building to serve customers; 3) the CEO recruitment opens December 11, 2023 through January 12, 2024 and the Chief Counsel recruitment will open December 22, 2023 and continue through January 26, 2024; and 4) she thanked Trustees for their commitment, leadership and focus in 2023, wished them Happy Holidays, and noted she is looking forward to what the New Year holds.

13.05 The Board received and filed reports

14.0 CORRESPONDENCE

14.01 Letters Received (0)

14.02 Letters Sent (0)

14.03 Market Commentary/Newsletters/Articles

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

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

03 NCPERS
Monitor
November 2023

04 Neuberger Berman
Solving for 2024
November 2023

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

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

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

15.0 COMMENTS

15.01 Trustee Restuccia thanked staff, counsel and the Board for how well everyone works together, and also requested staff distribute the executive recruitment brochures to trustees.

Trustee Duffy asked for information about how credit managers' analysis is changing given the changing interest rate environment, noting there could be losses, not just defaults.

Trustee Keokham thanked the team for their work in 2023 and encouraged everyone to keep up the good work. He also requested staff add the Wharton School's investment and portfolio management program to the list of conferences.

Trustee McCray requested additional analysis on SJCERA's returns given the portfolio's level of risk, and expressed interest in seeing 2-year returns, in addition to 3- and 5-year returns. He also noted that the SACRS conference was very good and he hopes for better attendance from SJCERA in the future.

Trustee Moore complimented ACEO Brian McKelvey for his assistance with a member concern regarding a breach of information related to PBI. Brian was able to verify the leak was unrelated to SJCERA.

Trustee Weydert thanked everyone for their support during this time and wished everyone a Merry Christmas. Chair Restuccia, dedicated the meeting to Mrs. Pam Weydert.

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

17.01 There being no further business the meeting was adjourned at 11:39 a.m.

Respectfully Submitted:

____
Michael Restuccia, Chair

Attest:

____
Raymond McCray, Secretary

San Joaquin County Employees Retirement Association

January 2024

5.01 Service Retirement Consent

01 CHRISTINE M ALVERSON
Legal Process Clerk III
Court-Oper-Criminal-Stkn

Member Type: General
Years of Service: 43y 09m 01d
Retirement Date: 10/24/2023

02 SHIRLEY M AVALOS
Child Support Program Manager
Child Support Svs

Member Type: General
Years of Service: 33y 05m 03d
Retirement Date: 10/23/2023

03 ESTHELA V BOYCE
Senior Office Assistant
Public Health-Admin Support

Member Type: General
Years of Service: 19y 08m 11d
Retirement Date: 11/8/2023

04 SUNAL CHAND
Housekeeping Service Worker
Hosp Environmental Services

Member Type: General
Years of Service: 13y 01m 18d
Retirement Date: 11/10/2023

05 TERRI C FALTYNSKI
Mail Clerk
Probation - Administration

Member Type: General
Years of Service: 16y 01m 04d
Retirement Date: 11/18/2023

06 RAMIR P GALELA
Crafts Worker III
Facilities Management

Member Type: General
Years of Service: 21y 06m 27d
Retirement Date: 11/4/2023

07 JEANNE L HOPKINS
Senior Office Assistant
HSA - Clerical Support

Member Type: General
Years of Service: 07y 04m 04d
Retirement Date: 10/21/2023
Comments: Tier 2 member - eligible to retire with 5 years of service credit.

08 GINA M JOHNSTON
Deferred Member
N/A

Member Type: General
Years of Service: 20y 07m 09d
Retirement Date: 10/28/2023
Comments: Deferred from SJCERA since February 2021. Outgoing reciprocity and concurrent retirement with ACERA.

09 JOHN E KESSELMAN
FD 112 HrEmplRate 1 SM NFICA
Waterloo - Morada Rural Fire

Member Type: Safety
Years of Service: 10y 00m 18d
Retirement Date: 11/18/2023

10 **DEBORA A KESTER** Accountant II
Neighborhood Preservation

Member Type: General
Years of Service: 16y 04m 24d
Retirement Date: 11/14/2023

11 **DEBORAH E LIDDIARD** Hospital Unit Clerk
Hosp Intensive Care Nursery

Member Type: General
Years of Service: 11y 00m 00d
Retirement Date: 11/1/2023

12 **ENEDINA LISITSIN** Legal Process Clerk III
Court - Oper-Civil-Stkn

Member Type: General
Years of Service: 24y 09m 16d
Retirement Date: 11/16/2023

13 **VANZE LUM** Deferred Member
N/A

Member Type: General
Years of Service: 07y 10m 22d
Retirement Date: 11/6/2023
Comments: Deferred from SJCERA since November 2018. Tier 1 member with a membership date of July 16, 2012. Eligible to retire with 10 years of membership.

14 **ROBERT B MCCULLOUGH** Automotive Mechanic
Fleet Services

Member Type: General
Years of Service: 21y 02m 26d
Retirement Date: 11/1/2023

15 **RUBEN G MENDEZ** Deferred Member
N/A

Member Type: General
Years of Service: 16y 05m 17d
Retirement Date: 11/7/2023
Comments: Deferred from SJCERA since November 2008.Outgoing reciprocity and concurrent retirement with CalPERS.

16 **ETHEL MIRANDA-MENDOZA** Legal Technician II
Public Defender

Member Type: General
Years of Service: 32y 05m 10d
Retirement Date: 11/6/2023

17 **ANGIE J NICHOLAS** Mental Health Clinician III
Mental Health-Childrens Srvc

Member Type: General
Years of Service: 20y 05m 11d
Retirement Date: 11/18/2023

18 **FIDEL RODRIGUEZ** Public Def Investigator II
Public Defender

Member Type: General
Years of Service: 06y 03m 01d
Retirement Date: 10/30/2023
Comments: Tier 2 member - eligible to retire with 5 years of service credit.

19 **TAMRA L SCHANZENBACH** Departmental Personnel Analyst
Health Care Services Admin

Member Type: General
Years of Service: 27y 11m 03d
Retirement Date: 9/30/2023

20 **ERIC B SESSIONS** Correctional Sergeant
Sheriff-Custody-Regular Staff

Member Type: General
Years of Service: 00y 04m 04d
Retirement Date: 11/4/2023

21 **ERIC B SESSIONS** Correctional Sergeant
Sheriff-Custody-Regular Staff

Member Type: Safety
Years of Service: 18y 09m 16d
Retirement Date: 11/4/2023

22 **DEBRA L SHIPP** Deferred Member
N/A

Member Type: General
Years of Service: 12y 02m 02d
Retirement Date: 11/7/2023
Comments: Deferred from SJCERA since January 2004.Outgoing reciprocity and concurrent retirement with CalPERS.

23 **DANIEL J STRINGARI** Deferred Member
N/A

Member Type: General
Years of Service: 03y 04m 01d
Retirement Date: 11/4/2023
Comments: Deferred from SJCERA since October 1993. Tier 1 member - eligible to retire on age 70 requirement.

24 **CLARENCE I TEEM** Deferred Member
N/A

Member Type: General
Years of Service: 05y 00m 02d
Retirement Date: 11/1/2023
Comments: Deferred from SJCERA since June 2005.Outgoing reciprocity and concurrent retirement with CalPERS.

2023 ANNUAL BOARD EDUCATION COMPLIANCE REPORT

Government Code Section 31522.8 requires Board Members to complete 24 hours of Board Member education within the first two years of assuming office and for every subsequent two-year period thereafter. Government Code Section 53235.1 requires at least two hours of Ethics training within one year of assuming office and every two years thereafter. Board Policy requires at least two hours of Sexual Harassment Prevention training within six months of assuming office and every two years thereafter.

TRUSTEE	TWO-YEAR PERIOD OF COMPLIANCE	EDUCATION HOURS COMPLETED*	REMAINING HOURS REQUIRED	Ethics Education	Sexual Harassment Prevention Training
Bassett, Chanda **Elected by Safety Members**	07/01/22-06/30/24	37.5	0.0	✓	✓
Duffy, Michael **Appointed by BOS**	01/01/23-12/31/24	37.1	0.0	✓	✓
Goodman, Jennifer **Elected by General Members**	07/01/23-06/30/25	9.2	14.8	✓	✓
Keokham, Phonxay **Ex-Officio Member**	09/17/22-09/16/24	30.4	0.0	✓	✓
McCray, Raymond **Appointed by BOS**	01/01/23-12/31/24	37.0	0.0	✓	✓
Nicholas, Emily **Elected by General Members**	07/01/22-06/30/24	57.6	0.0		✓
Moore, Steve **Alternate Retired Member**	07/9/23-07/8/25	11.2	12.8	✓	✓
Restuccia, Michael **Appointed by BOS**	01/01/23-12/31/24	27.7	0.0	✓	✓
Ding, Steve **Appointed by BOS**	1/10/2023-1/09/25	8.5	15.5	✓	X
Weydert, JC **Elected by Retired Members**	07/01/23-06/30/25	46.1	0.0	✓	✓

* Education hours are based whether the topics comply with GC Section 31522.8, 53235.1 and SJCERA's Trustee Education Policy.

Updated December 2023

Agenda Item 5.02-02

January 12, 2024

SUBJECT: Compensation Earnable and Pensionable Compensation for SJCERA Members

SUBMITTED FOR: __X_ CONSENT __ ACTION __ INFORMATION

RECOMMENDATION

Staff recommends the Board ratify the new 2023 retirement-eligible earnings codes in Attachment I.

PURPOSE

To ratify the 2023 earnings codes, which staff included as retirement-eligible compensation, pursuant to the *Retirement-Eligible Compensation* policy.

DISCUSSION

In accordance with the *Retirement-Eligible Compensation* policy, throughout the year staff reviewed compensation items received from participating employer(s) and included those compensation types that were substantially the same as other, previously Board-approved, Retirement Eligible Compensation.

The County Payroll Manager provided SJCERA staff the information required to evaluate the new 2023 earnings codes for retirement eligibility, as provided in Attachment I. Staff has evaluated the earnings codes in Attachment I and determined the earnings codes to be substantially the same as other codes the Board previously approved.

ATTACHMENTS

2023 Earnings Code Retirement-Eligible Ratification Report

JOHANNA SHICK
Chief Executive Officer

GREG FRANK
Management Analyst III

ATTACHMENT I

2023 Retirement-Eligible Earning Codes Ratification Report

Per the *Retirement-Eligible Compensation* policy, the Board shall annually adopt and revise a resolution designating which compensation types shall be included in Retirement-Eligible Compensation

DATE	EARNINGS PAY CODE	DESCRIPTION	COMPENSATION EARNABLE (Tier 1)	PENSIONABLE COMPENSATION (Tier 2 hired pre 1/1/2022)	PENSIONABLE COMPENSATION (Tier 2 hired on or after 1/1/2022)	WORKSHEET SUBMITTED BY COUNTY PAYROLL
Mar-23	WKD	Correctional Officer Unit - Weekend shift differential that pays $2 hour	Y	Y	N	Y
Mar-23	WKO	Overtime pay for correctional officer weekend shift differential (WKD)	N	N	N	Y
Apr-23	WKH	Holiday pay for correctional officer weekend shift differential (WKD)	Y	Y	N	Y
May-23	WKH	Holiday overtime pay for correctional officer weekend shift differential (WKD)	N	N	N	Y
Jun-23	A2L	HSA Court Services Supplement - 5% supplemental pay for HSA employees assigned to the Human Services Agency's Court Services Unit	Y	Y	N	Y
Jun-23	P2L	Overtime pay for HSA Court Services (A2L)	N	N	N	Y
Jun-23	Q2L	Holiday pay for HSA Court Services (A2L)	Y	Y	N	Y
Jun-23	R2L	Retro pay for HSA Court Services (A2L)	Y	Y	N	Y
Jul-23	A54	Facility Pay Supplement - 7.5% supplemental pay for Craft Worker I/II/III assigned to the Jail or Juvenile Hall, or both.	Y	Y	N	Y
Jul-23	P54	Overtime pay for Facility Pay (A54)	N	N	N	Y
Jul-23	Q54	Holiday pay for Facility Pay (A54))	Y	Y	N	Y
Jul-23	R54	Retro pay for Facility Pay (A54)	Y	Y	N	Y

RESOLUTION TITLE: **COMPENSATION EARNABLE AND PENSIONABLE COMPENSATION FOR SJCERA MEMBERS**

RESOLUTION NO. **2024-01-01**

WHEREAS, Government Code Section 31461 defines and specifies Compensation that is excluded from Compensation Earnable and establishes the Board of Retirement as responsible for determining Compensation Earnable for members of the San Joaquin County Employees' Retirement Association; and

WHEREAS, Government Code 7522.34 defines and specifies the compensation that is excluded from Pensionable Compensation and establishes the Board of Retirement as responsible for determining Pensionable Compensation for employees subject to the Public Employees' Pension Reform Act (PEPRA) of 2013; and

WHEREAS, Compensation Earnable and Pensionable Compensation are used to determine the retirement contributions payable to SJCERA and the benefits payable by SJCERA to members and beneficiaries; and

WHEREAS, in July 1995, the Board established guidelines for determining Compensation Earnable as adopted in Resolution 95-07-01; and

WHEREAS, in December 2012, the Board established guidelines for determining Pensionable Compensation for new members in Tier 2 as adopted in Resolution 2012-12-04; and

WHEREAS, in October 2020, the Board established guidelines pursuant to the *Alameda* decision, for determining Compensation Earnable for members in Tier 1 and Pensionable Compensation for members in Tier 2 as adopted in Resolution 2020-10-04; and

WHEREAS, in May 2021, the Board established the definition of Pensionable Compensation to be a member's "base pay" only for all individuals who become SJCERA members for the first time on or after January 1, 2022, and who do not establish reciprocity, as adopted in Resolution 2021-05-01; and

WHEREAS, the Board from time to time has amended its determination of Compensation Earnable and Pensionable Compensation due to changes in the compensation schedules of employers participating in SJCERA or changes in applicable law;

NOW, THEREFORE, BE IT RESOLVED that the Board of Retirement hereby updates its determination of Compensation Earnable for members of SJCERA Tier 1 and Pensionable Compensation for members of SJCERA Tier 2 to include the revised earnings codes as contained in Attachment I of the ratification report, which is hereby incorporated into and made a part of this Resolution 2024-01-01; and

BE IT FURTHER RESOLVED that the determinations made herein shall remain in effect until such time as this Board, the Legislature or the Courts take action that requires a different determination.

PASSED AND ADOPTED by the Board of Retirement of the San Joaquin County Employees' Retirement Association on the 12th day of January 2024.

AYES:

NOES:

ABSENT:

ABSTAIN:

MICHAEL RESTUCCIA, Chair

Attest:

RAYMOND McCRAY, Secretary

History:
Revised by Resolution No. 95-07-01
Revised by Resolution No. 96-06-03
Revised by Resolution No. 97-06-03
Revised by Resolution No. 98-03-01
Revised by Resolution No. 98-04-01
Revised by Resolution No. 98-10-01
Revised by Resolution No. 2000-07-01
Revised by Resolution No. 2000-10-01
Revised by Resolution No.2001-03-03
Revised by Resolution No. 2002-02-01
Revised by Resolution No. 2002-11-01
Revised by Resolution No. 2004-07-01
Revised by Resolution No. 2007-07-13
Revised by Resolution No. 2010-06-03
Revised by Resolution No. 2012-12-04
Revised by Resolution No. 2015-09-01
Revised by Resolution No. 2017-02-02
Revised by Resolution No. 2017-08-01
Revised by Resolution No. 2018-01-02
Revised by Resolution No. 2019-01-01
Revised by Resolution No. 2020-10-04
Revised by Resolution No. 2021-01-01
Revised by Resolution No. 2021-05-01

San Joaquin County Employees' Retirement Association (SJCERA)

Preliminary Monthly Flash Report (Net)[1] November 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]			$ 4,096,638,640	100.0%	100.0%	3.9	0.6	6.2	3.7	5.0	6.3	7.5	Apr-90
Policy Benchmark [4]						4.0	1.7	10.0	7.6	4.3	6.7	7.4	
Difference:						-0.1	-1.1	-3.8	-3.9	0.7	-0.4	0.1	
75/25 Portfolio [5]						8.2	1.5	13.1	9.9	3.0	7.7	6.7	
Difference:			.			-4.3	-0.9	-6.9	-6.2	2.0	-1.4	0.8	
Broad Growth			$ 3,200,358,314	78.1%	78.0%	5.2	0.9	7.3	4.5	6.4	7.3	8.1	Jan-95
Aggressive Growth Lag[2]			$ 421,026,553	10.3%	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*	$ 46,063,693	1.1%		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*	$ 16,402,403	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*	$ 35,429,288	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*	$ 53,102,901	1.3%		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*	$ 56,495,659	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	0.5%		-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] November 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	0.8%		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	
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	0.3%		-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	1.6%									
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%		-7.8	-7.8	-3.2	-3.3	0.7	-7.1	18.0	Feb-13
NCREIF ODCE + 1% Lag Blend						*-1.9*	*-1.9*	*-8.2*	*-7.0*	*11.3*	*9.8*	*12.5*	
Difference:						-5.9	-5.9	5.0	3.7	-10.6	-16.9	5.5	
Berkeley Partners Fund V, LP[3]	*$40,000*	*Value-Added Pvt. RE*	$ 30,504,298	0.7%		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] — November 2023

	Commitment ($000)	Sub-Segment	Market Value	Physical % of Total	Policy Target %	1-Mo	3-Mos	YTD	1-Yr	3-Yrs	5-Yrs	SI Return	SI Date
Traditional Growth[3]			**$ 1,534,918,159**	**37.5%**	**34.0%**	**9.3**	**1.3**	**16.4**	**11.3**	**6.6**	**7.8**	**8.9**	**Jan-95**
MSCI ACWI IMI Net[2]						*9.2*	*1.2*	*15.5*	*11.1*	*5.4*	*9.3*	*7.7*	
Difference:						0.1	0.1	0.9	0.2	1.2	-1.5	1.2	
Global Equity			$ 1,491,814,680	36.4%									
Northern Trust MSCI World IMI		*All Cap Global*	$ 1,336,309,714	32.6%		9.4	1.3	16.9	11.5	--	--	8.5	Sep-20
MSCI World IMI Net						*9.4*	*1.1*	*16.6*	*11.7*	*--*	*--*	*8.0*	
Difference:						0.0	0.2	0.3	-0.2	--	--	0.5	
Emerging Markets			$ 155,501,835										
GQG Active Emerging Markets		*Emerging Markets*	$ 67,810,425	1.7%		7.4	3.8	21.3	17.1	--	--	3.4	Aug-20
MSCI Emerging Markets Index Net						*8.0*	*1.1*	*5.7*	*4.2*	*--*	*--*	*-0.3*	
Difference:						-0.6	2.7	15.6	12.9	--	--	3.7	
PIMCO RAE Fundamental Emerging Markets		*Emerging Markets*	$ 87,691,410	2.1%		7.9	0.5	15.4	14.8	10.0	6.4	5.0	Apr-07
MSCI Emerging Markets Index Net						*8.0*	*1.1*	*5.7*	*4.2*	*-4.0*	*2.3*	*2.8*	
Difference:						-0.1	-0.6	9.7	10.6	14.0	4.1	2.2	
REITS			$ 43,103,479	1.1%									
Invesco All Equity REIT		*Core US REIT*	$ 43,103,479	1.1%		11.7	1.0	1.8	-2.9	3.6	3.2	7.4	Aug-04
FTSE NAREIT Equity Index						*10.6*	*-1.5*	*3.5*	*-1.9*	*5.0*	*3.6*	*7.1*	
Difference:						1.1	2.5	-1.7	-1.0	-1.4	-0.4	0.3	
Stabilized Growth			**$ 1,244,413,602**	**30.4%**	**32.0%**	**2.2**	**0.1**	**-0.3**	**-1.6**	**2.6**	**5.0**	**3.6**	**Jan-05**
Risk Parity			$ 362,609,002	8.9%		5.6	-1.6	1.3	-3.4	-4.4	2.1	2.8	
T-Bill +4%						*0.8*	*2.4*	*8.3*	*9.1*	*6.1*	*5.9*	*4.9*	
Difference:						4.8	-4.0	-7.0	-12.5	-10.5	-3.8	-2.1	
Bridgewater All Weather		*Risk Parity*	$ 190,547,039	4.7%		6.5	-0.1	4.6	0.2	-1.9	2.7	3.2	Mar-12
T-Bill +4%						*0.8*	*2.4*	*8.3*	*9.1*	*6.1*	*5.9*	*5.1*	
Difference:						5.7	-2.5	-3.7	-8.9	-8.0	-3.2	-1.9	
PanAgora Diversified Risk Multi-Asset		*Risk Parity*	$ 172,061,963	4.2%		4.7	-3.3	-2.2	-7.2	-6.9	1.4	2.3	Apr-16
T-Bill +4%						*0.8*	*2.4*	*8.3*	*9.1*	*6.1*	*5.9*	*5.6*	
Difference:						3.9	-5.7	-10.5	-16.3	-13.0	-4.5	-3.3	
Liquid Credit			$ 243,500,399	5.9%		3.0	2.1	8.2	8.7	2.0	3.2	2.1	
50% BB High Yield, 50% S&P/LSTA Leveraged Loans						*2.9*	*2.2*	*10.5*	*10.3*	*3.5*	*4.6*	*5.5*	
Difference:						0.1	-0.1	-2.3	-1.6	-1.5	-1.4	-3.4	
Neuberger Berman		*Global Credit*	$ 103,450,108	2.5%		3.7	1.9	7.8	7.9	0.1	--	2.4	Feb-19
33% ICE BofA HY Constrained, 33% S&P/LSTA LL, 33% JPM EMBI Glbl Div.						*3.8*	*1.9*	*8.9*	*8.9*	*0.9*	*--*	*2.9*	
Difference:						-0.1	0.0	-1.1	-1.0	-0.8	--	-0.5	
Stone Harbor Absolute Return		*Absolute Return*	$ 140,050,291	3.4%		2.4	2.3	8.3	9.1	3.5	3.8	3.0	Oct-06
3-Month Libor Total Return						*0.4*	*1.4*	*4.6*	*5.0*	*2.0*	*2.0*	*1.6*	
Difference:						2.0	0.9	3.7	4.1	1.5	1.8	1.4	

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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] November 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]			$ 409,406,558	10.0%		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	2.1%		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*	$ 49,974,044	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*	$ 35,968,455	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	1.3%		-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*	$ 3,006,300	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*	$ 14,004,937	0.3%		--	--	--	--	--	--	--	Nov-23
S&P/LSTA Leveraged Loans +3% Blend[4]						--	--	--	--	--	--	--	
Difference:						--	--	--	--	--	--	--	
SilverRock Tactical Allocation Lag[2]	*$50,000*	*Direct Lending*	$ 26,575,446	0.6%		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*	$ 24,823,062	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*	$ 41,127,546	1.0%		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	5.6%									
Principal US[2]	*$25,000*	*Core Pvt. RE*	$ 41,585,242	1.0%		-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	3.2%		-7.1	-7.1	-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:						-5.2	-5.2	2.4	1.4	11.2	8.1	3.4	
RREEF America II[2]	*$45,000*	*Core Pvt. RE*	$ 57,374,833	1.4%		-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] November 2023

	Commitment ($000)	Sub-Segment	Market Value	Physical % of Total	Policy Target %	1-Mo	3-Mos	YTD	1-Yr	3-Yrs	5-Yrs	SI Return	SI Date
Diversifying Strategies			**$ 767,863,128**	**18.7%**	**22.0%**	**-0.6**	**-0.7**	**1.2**	**0.1**	**1.2**	**2.8**	**6.0**	**Oct-90**
Principal Protection			**$ 293,353,832**	**7.2%**	**8.0%**	**4.9**	**0.6**	**3.1**	**2.9**	**-2.1**	**0.8**	**5.7**	Oct-90
BB Aggregate Bond Index						*4.5*	*0.3*	*1.6*	*1.2*	*-4.5*	*0.7*	*5.2*	
Difference:						0.4	0.3	1.5	1.7	2.4	0.1	0.5	
Dodge & Cox		*Core Fixed Income*	$ 201,198,387	4.9%		5.0	0.7	3.6	3.6	-2.6	2.2	6.5	Oct-90
BB Aggregate Bond Index						*4.5*	*0.3*	*1.6*	*1.2*	*-4.5*	*0.7*	*5.2*	
Difference:						0.5	0.4	2.0	2.4	1.9	1.5	1.3	
Loomis Sayles		*Core Fixed Income*	$ 92,155,445	2.2%		4.6	0.3	2.0	1.4	--	--	-3.3	Mar-22
BB Aggregate Bond Index						*4.5*	*0.3*	*1.6*	*1.2*	--	--	*-3.6*	
Difference:						0.1	0.0	0.4	0.2	--	--	0.3	
Crisis Risk Offset			**$ 474,509,295**	**11.6%**	**14.0%**	**-3.7**	**-1.4**	**0.0**	**-1.6**	**3.7**	**4.3**	**6.1**	**Jan-05**
CRO Custom Benchmark [2]						*2.3*	*-0.8*	*-0.1*	*-0.4*	*-0.1*	*3.7*	*4.6*	
Difference:						-6.0	-0.6	0.1	-1.2	3.8	0.6	1.5	
Long Duration			$ 107,314,409	2.6%		8.7	-3.6	-4.1	-6.3	-13.4	-1.8	-1.8	
BB US Long Duration Treasuries						*9.2*	*-3.8*	*-5.1*	*-6.7*	*-14.2*	*-1.8*	*-1.9*	
Difference:						-0.5	0.2	1.0	0.4	0.8	0.0	0.1	
Dodge & Cox Long Duration		*Long Duration*	$ 107,314,409	2.6%		8.7	-3.6	-4.1	-6.3	-13.4	-1.8	-1.8	Feb-16
BB US Long Duration Treasuries						*9.2*	*-3.8*	*-5.1*	*-6.7*	*-14.2*	*-1.8*	*-1.9*	
Difference:						-0.5	0.2	1.0	0.4	0.8	0.0	0.1	
Systematic Trend Following			$ 236,046,389	5.8%		-5.7	-3.2	-2.1	-3.0	14.7	8.3	8.6	
BTOP50 Index						*-2.8*	*-0.4*	*-1.0*	*-0.5*	*9.3*	*7.1*	*4.8*	
Difference:						-2.9	-2.8	-1.1	-2.5	5.4	1.2	3.8	
Mt. Lucas Managed Futures - Cash		*Systematic Trend Following*	$ 123,183,105	3.0%		-4.6	-1.2	0.5	1.3	17.9	8.1	8.2	Jan-05
BTOP50 Index						*-2.8*	*-0.4*	*-1.0*	*-0.5*	*9.3*	*7.1*	*4.8*	
Difference:						-1.8	-0.8	1.5	1.8	8.6	1.0	3.4	
Graham Tactical Trend		*Systematic Trend Following*	$ 112,863,284	2.8%		-7.0	-5.2	-4.8	-7.3	11.6	8.3	3.7	Apr-16
SG Trend Index						*-4.7*	*-1.3*	*-3.7*	*-3.9*	*12.6*	*9.4*	*4.5*	
Difference:						-2.3	-3.9	-1.1	-3.4	-1.0	-1.1	-0.8	
Alternative Risk Premia			$ 131,148,497	3.2%		-8.7	3.8	7.3	5.3	7.2	2.9	7.6	
5% Annual						*0.4*	*1.2*	*4.6*	*5.0*	*5.0*	*5.0*	*6.2*	
Difference:						-9.1	2.6	2.7	0.3	2.2	-2.1	1.4	
AQR Style Premia		*Alternative Risk Premia*	$ 64,499,679	1.6%		0.3	6.6	17.0	13.8	24.7	4.3	2.7	May-16
5% Annual						*0.4*	*1.2*	*4.6*	*5.0*	*5.0*	*5.0*	*5.0*	
Difference:						-0.1	5.4	12.4	8.8	19.7	-0.7	-2.3	
PE Diversified Global Macro		*Alternative Risk Premia*	$ 66,648,818	1.6%		-16.0	1.3	-0.8	-1.6	7.1	2.6	2.8	Jun-16
5% Annual						*0.4*	*1.2*	*4.6*	*5.0*	*5.0*	*5.0*	*5.0*	
Difference:						-16.4	0.1	-5.4	-6.6	2.1	-2.4	-2.2	
Cash[3]			**$ 100,018,456**	**2.4%**	**0.0%**	**0.4**	**0.9**	**3.3**	**3.7**	**1.6**	**1.4**	**2.4**	**Sep-94**
US T-Bills						*0.4*	*1.4*	*4.5*	*4.9*	*2.0*	*1.8*	*2.4*	
Difference:						0.0	-0.5	-1.2	-1.2	-0.4	-0.4	0.0	
Northern Trust STIF		*Collective Govt. Short Term*	$ 82,358,641	2.0%		0.5	1.3	4.3	4.6	1.9	1.6	2.6	Jan-95
US T-Bills						0.4	1.4	4.5	4.9	2.0	1.8	*2.4*	
Difference:						0.1	-0.1	-0.2	-0.3	-0.1	-0.2	0.2	
Parametric Overlay[4]		*Cash Overlay*	**$ 28,398,742**	**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.

MEKETA | 45 YEARS
CELEBRATING A MILESTONE

Economic and Market Update

November 2023 Report

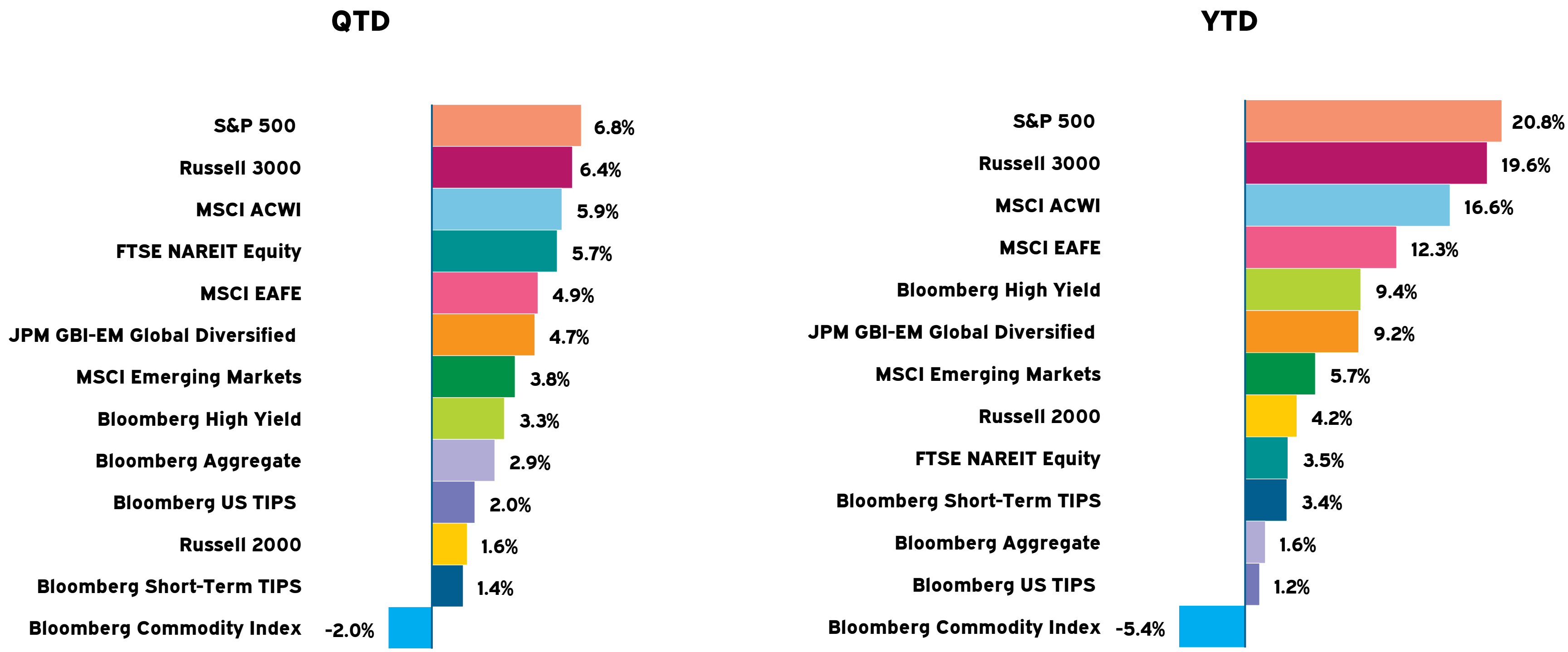
Commentary

→ After a few difficult months, global markets rallied in November on improving inflation data and optimism that central banks will not take rates higher.

- Major central banks have largely paused interest rates hikes. Markets are now largely expecting the FOMC to maintain interest rates at the current levels through most of the first half of next year, with cuts to follow.
- Inflation continued to fall in November in the US and Europe while China slipped further into disinflationary territory.
- US equity markets (Russell 3000 index) posted strong gains in November (9.3%) raising year-to-date gains to 19.6%. Most sectors rallied, with more defensive sectors lagging.
- Non-US developed equity markets matched the US in November (MSCI EAFE 9.3%), with the weakening of the US dollar boosting returns. This gap between US and international developed equities for the year remains wide (19.6% versus 12.3%).
- Emerging market equities were up 8.0% in November, also helped by a weaker dollar, but they trailed developed markets due to lagging returns in China (2.5%). Emerging markets continue to significantly trail developed market equities year-to-date, returning 5.7%, again driven by China (-9.0%).
- Interest rates generally fell in November, particularly for longer-dated maturities. The broad US bond market rallied (4.5%) in November, lifting year-to-date returns into positive territory (1.6%).

→ Looking to 2024, 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 weak stretch that started in July, both stocks and bonds rose in November, as declining inflation and a cooling job market sparked expectations that the Federal Reserve might really be done raising interest rates.

→ Strong results for the month led to all asset classes being in positive territory year-to-date, except commodities.

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

Domestic Equity Returns[1]

Domestic Equity	November (%)	QTD (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
S&P 500	9.1	6.8	20.8	13.8	9.8	12.5	11.8
Russell 3000	9.3	6.4	19.6	12.6	8.3	11.8	11.2
Russell 1000	9.3	6.7	20.6	13.6	8.7	12.2	11.6
Russell 1000 Growth	10.9	9.3	36.6	26.2	8.9	16.3	14.7
Russell 1000 Value	7.5	3.8	5.6	1.4	8.3	7.5	8.1
Russell MidCap	10.2	4.7	8.8	2.9	4.9	8.7	8.9
Russell MidCap Growth	12.2	6.5	17.0	10.0	0.4	10.0	10.1
Russell MidCap Value	9.4	4.0	4.6	-0.7	7.3	7.1	7.7
Russell 2000	9.1	1.6	4.2	-2.6	1.1	4.8	6.1
Russell 2000 Growth	9.1	0.7	6.0	-0.8	-4.3	4.2	6.2
Russell 2000 Value	9.0	2.5	2.0	-4.7	6.5	4.7	5.7

US Equities: The Russell 3000 rallied 9.3% in November and is up 19.6% year to date.

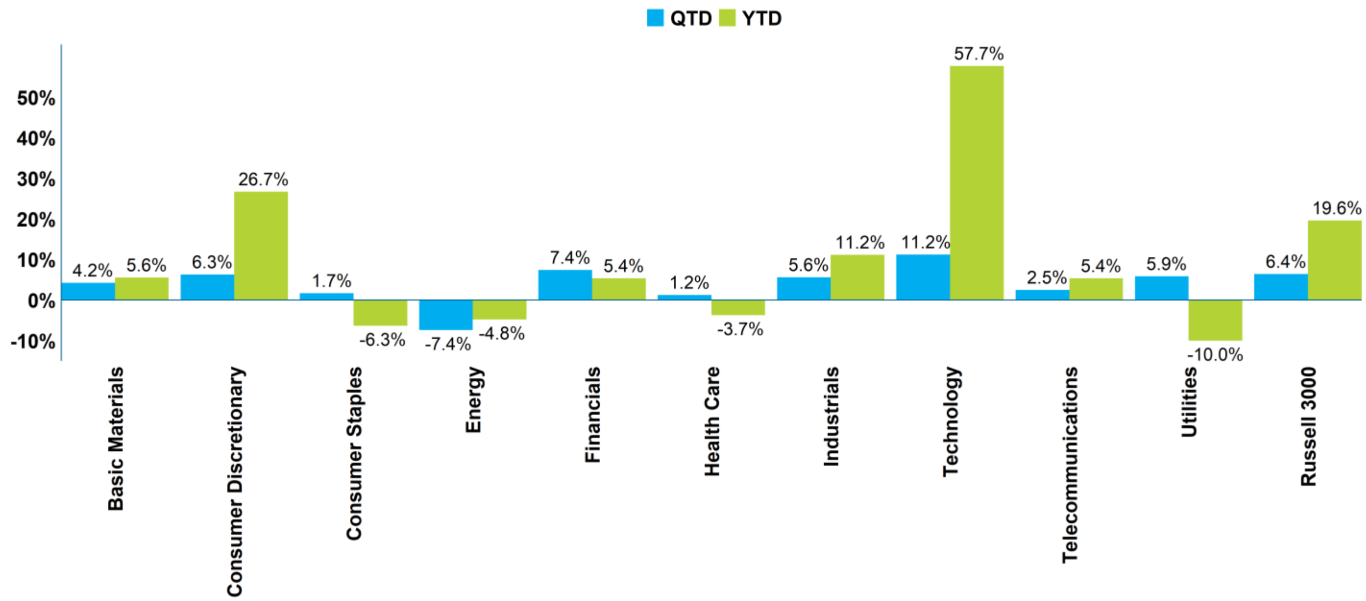
→ A weaker than expected October jobs report and fewer job openings jolted US stocks higher as markets repriced policy rate cuts for 2024.

→ Large and midcap growth stocks significantly outperformed value stocks with slight outperformance by growth in the small cap marketplace.

→ The rate sensitive technology sector particularly benefited from slowing inflation with the "Magnificent 7" stocks, continuing to drive the equity markets higher. As of the end of November, these seven stocks accounted for most of the gains in the Russell 3000 index year-to-date.

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

Russell 3000 Sector Returns[1]



→ All sectors have posted gains for the fourth quarter, except for energy given oil's recent declines.

→ So far in 2023, the technology (+57.7%) and consumer discretionary (+26.7%) sectors had the best results, helped by artificial intelligence optimism in the case of technology. More traditionally defensive sectors utilities (-10.0%), consumer staples (-6.3%), and health care (-3.7%) have trailed.

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

Foreign Equity Returns[1]

Foreign Equity	November (%)	QTD (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
MSCI ACWI ex. US	9.0	4.5	10.1	9.3	1.7	5.1	3.4
MSCI EAFE	9.3	4.9	12.3	12.4	3.8	6.0	3.9
MSCI EAFE (Local Currency)	5.6	2.1	12.9	9.5	8.5	7.6	6.5
MSCI EAFE Small Cap	10.1	3.6	5.5	6.6	-0.8	3.7	4.3
MSCI Emerging Markets	8.0	3.8	5.7	4.2	-4.0	2.3	2.1
MSCI Emerging Markets (Local Currency)	6.2	2.4	6.5	4.4	-1.6	4.2	4.8
MSCI China	2.5	-1.8	-9.0	-4.3	-17.0	-3.5	0.7

Foreign Equity: Developed international equities (MSCI EAFE) rallied 9.3% in November bringing the year-to-date gain to 12.3%. Emerging market equities (MSCI EM) rose 8.0% in the period and were up 5.7% year-to-date.

→ In November, non-US equities also reversed course from their three-month lull, with markets seeing their strongest monthly gains since November 2020.

→ Optimism around lower inflation and potentially peaking policy rates contributed to gains in the UK and Europe. Japan continued to see strong performance and remains the top performer year-to-date, although disappointing Q3 GDP data dampened November performance. Weakness in the US dollar also contributed to November results across developed markets.

→ Emerging markets also experienced strong performance in November but trailed developed markets. China weighed on relative results, up only 2.5% for the month on mixed economic data.

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

Fixed Income Returns[1]

Fixed Income	November (%)	QTD (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Current Yield (%)	Duration (Years)
Bloomberg Universal	4.5	2.9	2.3	1.9	-4.1	1.0	1.7	5.4	6.0
Bloomberg Aggregate	4.5	2.9	1.6	1.2	-4.5	0.7	1.4	5.1	6.2
Bloomberg US TIPS	2.7	2.0	1.2	0.1	-1.5	2.7	2.0	4.7	6.7
Bloomberg Short-term TIPS	1.0	1.4	3.4	3.2	2.3	3.2	1.8	5.0	2.4
Bloomberg High Yield	4.5	3.3	9.4	8.7	1.4	4.1	4.3	8.4	3.9
JPM GBI-EM Global Diversified (USD)	5.3	4.7	9.2	11.6	-3.1	0.8	-0.3	6.8	5.0

Fixed Income: The Bloomberg Universal index rose 4.5% in November and 2.3% YTD.

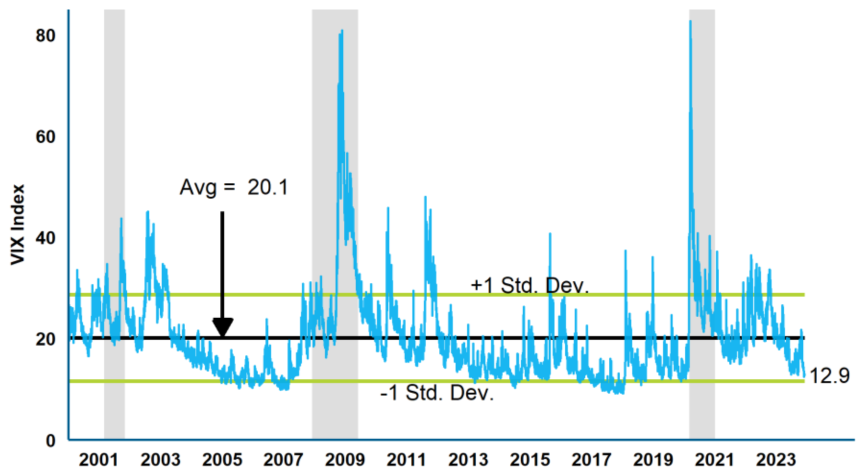
→ Policy rate expectations swung from pessimism to optimism in November. Signs of the labor market cooling and improving inflation led investors to bring forward expectations for interest rate cuts to early 2024.

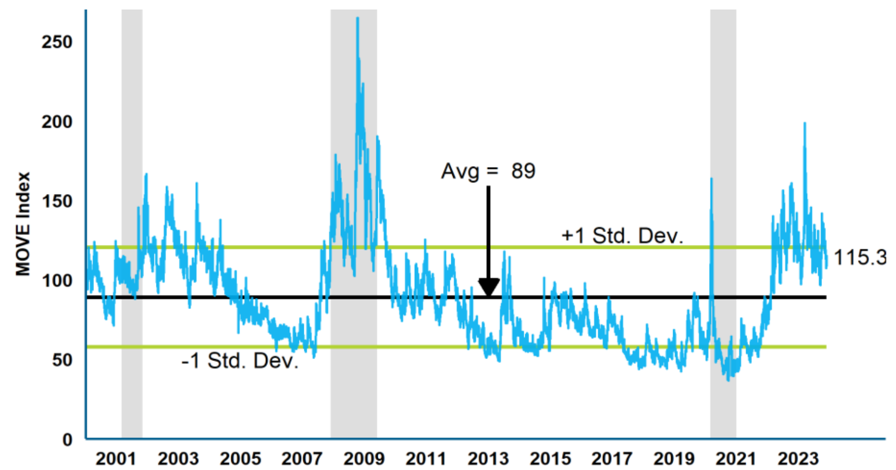
→ The broad US bond market (Bloomberg Aggregate) rallied 4.5% in the month, lifting year-to-date performance into positive territory (+1.6%). The broader TIPS index rose 2.7%, while the less interest-rate-sensitive short-term TIPS index rose 1.0%.

→ High yield bonds rallied on better risk sentiment (+4.5%), with emerging market bonds leading the way (+5.3%).

[1] Source: Bloomberg. JPM GBI-EM data is from InvestorForce. Data is as of November 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]



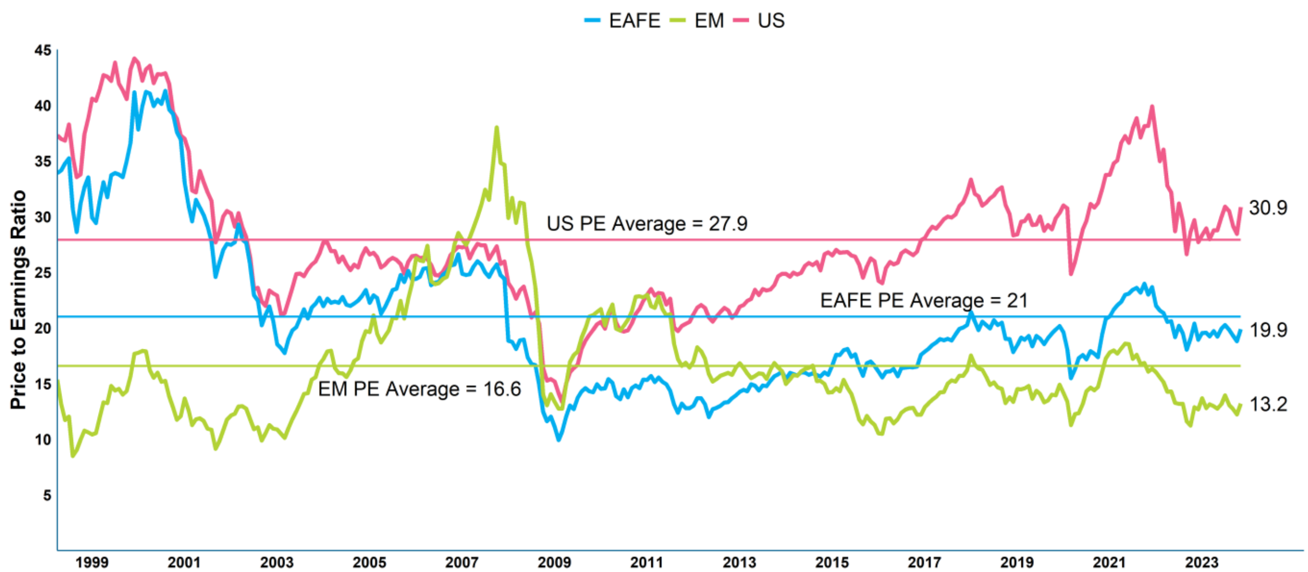


→ Volatility in equities (VIX) declined in November, well-below the long-term average as the focus shifted to peaking policy rates and the potential for a soft landing.

→ Volatility in the bond market (MOVE) also declined for the month but is still well above its long-run average (89). The bond market remains on edge after last year's historic losses and ultimate uncertainty on the path of interest rates going forward.

[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 November 2023. The average line indicated is the average of the VIX and MOVE values between January 2000 and November 2023.

Equity Cyclically Adjusted P/E Ratios[1]

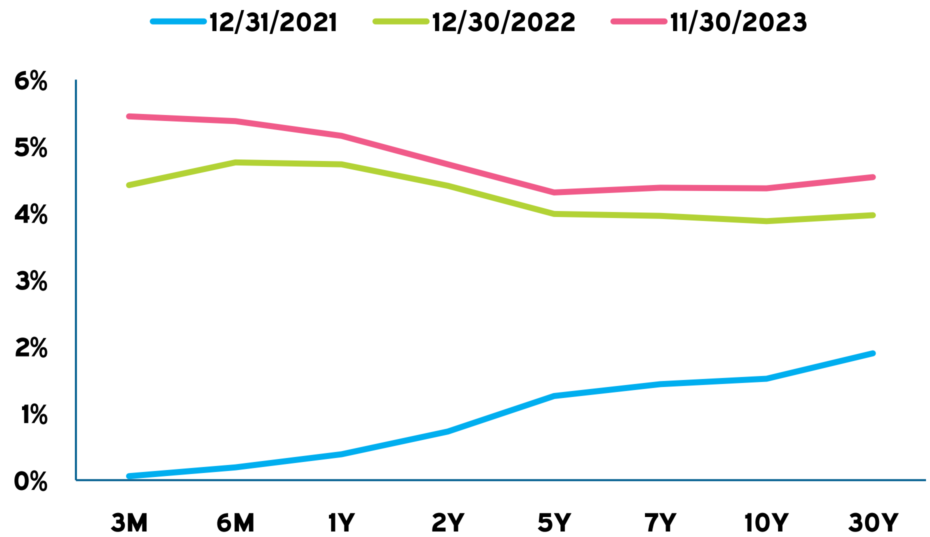


→ Given the strong technology-driven rally this year, the US equity price-to-earnings ratio increased above its long-run (21st century) average. The November gains brought valuations to their highest level for the year.

→ International developed market valuations also increased in November but remain well below the US and their respective long-term averages.

[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 November 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]



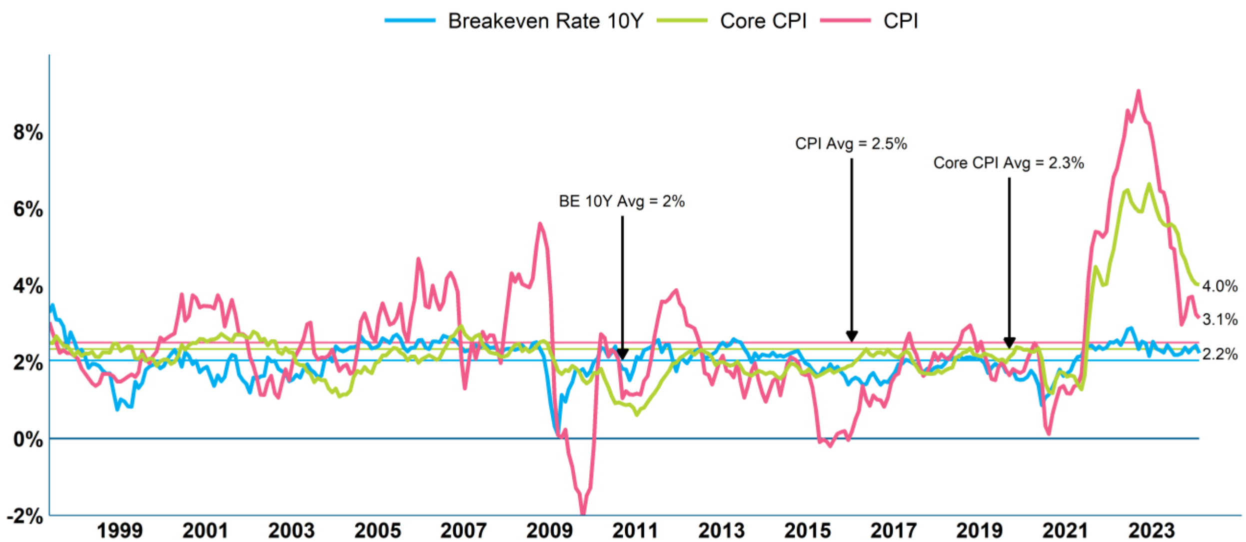
→ Overall US interest rates are higher this year. In November, rates dramatically fell, particularly at the longer-end of the yield curve, on declining inflation and speculation that the Federal Reserve is done with their rate increases.

→ In November, policy sensitive two-year Treasury yields fell from 5.1% to 4.7% while ten-year Treasury yields declined from 4.9% to 4.3%.

→ As longer-term rates fell the most over the month, the yield curve inverted further (from 0.15% to 0.35%) after a trend of flattening through October.

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

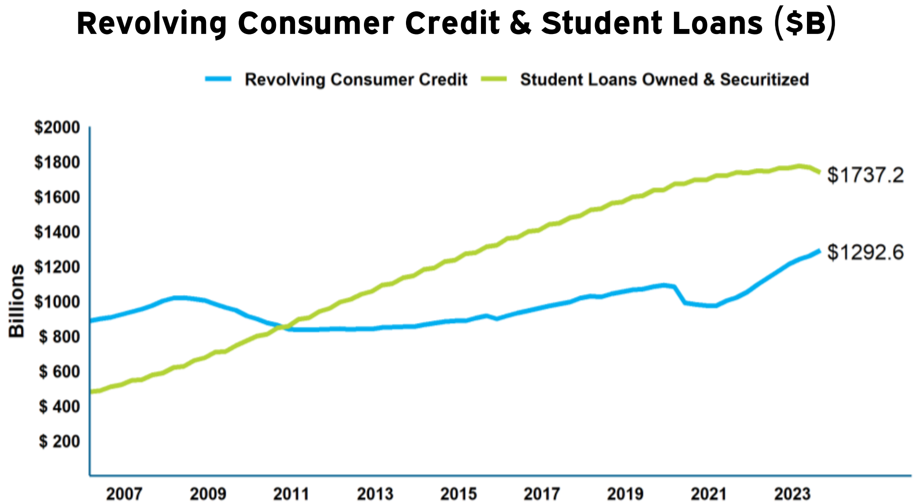
Ten-Year Breakeven Inflation and CPI[1]

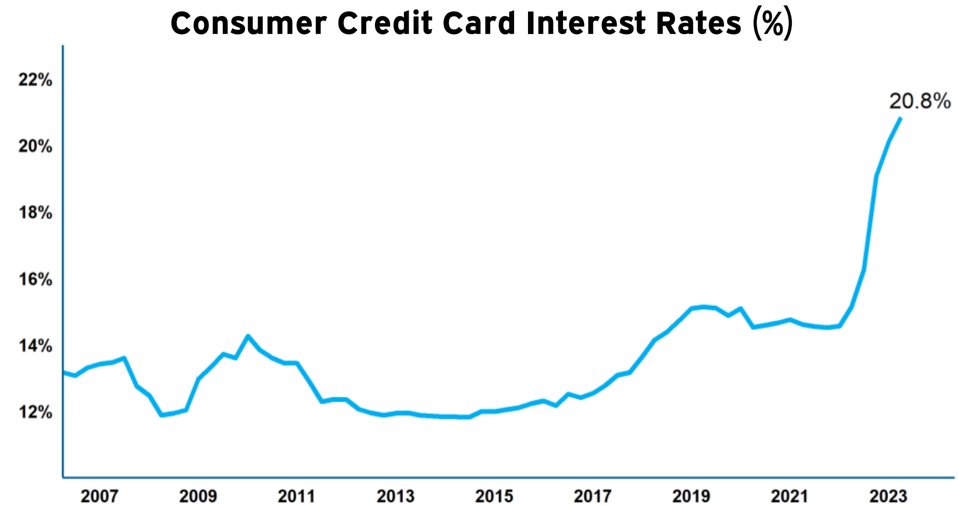


- → Year-over-year headline inflation fell slightly (3.2% to 3.1%) in November matching expectations. A decline in energy prices (-5.4%) was balanced by an increase in shelter (+5.5%) and transportation (+6.5%) costs. Month-over-month inflation ticked up (+0.1%) compared to expectations for a flat reading.
- → Core inflation - excluding food and energy – was unchanged in November at 4.0% year-over-year, where shelter costs accounted for 70% of the total core index increase.
- → Inflation expectations (breakevens) remain 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 November 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]





→ 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 a key driver of economic growth.

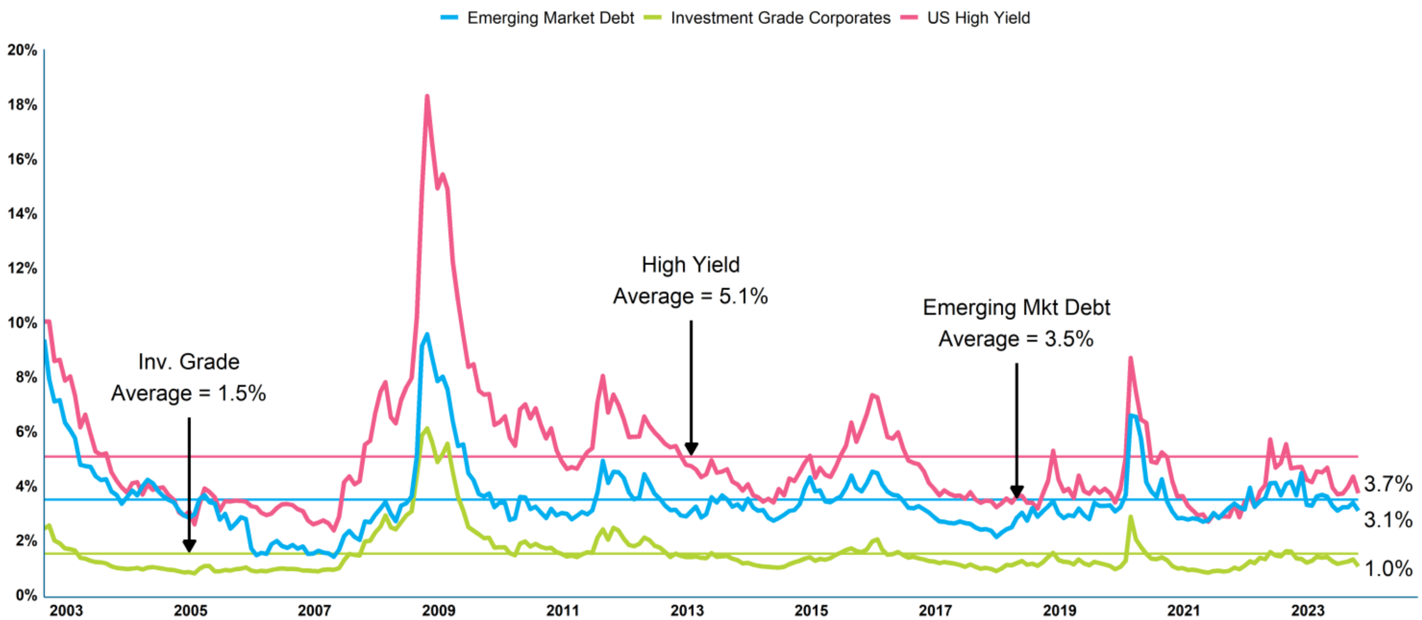
→ Revolving consumer credit surged to new highs in 2023 even as credit card interest rates hit levels not seen before (the prior peak was around 19% in the 1980s).

→ 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 consumer will remain key as this sector makes up most of the domestic economy (GDP).

[1]Source: FRED. Revolving Consumer Credit and Student Loans data is as of September 30,2023. Revolving Consumer Credit data is seasonally adjusted to remove distortions during the holiday season. Consumer Credit Card Interest Rates data is as of June 30,2023.

Credit Spreads vs. US Treasury Bonds[1]



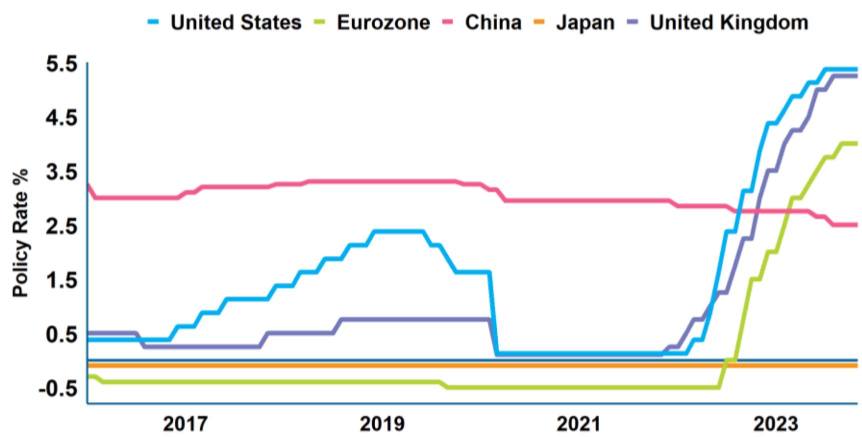
→ Expectations of peaking policy rates and the corresponding increase in risk appetite benefited credit in November with spreads (the added yield above a comparable maturity Treasury) narrowing. All spreads remain below their respective long run averages.

→ High yield spreads continue to be the furthest below their long-term average given the overall risk appetite this year and lower duration. Investment-grade corporate and emerging market spreads are also below their respective long-term averages, but by smaller margins.

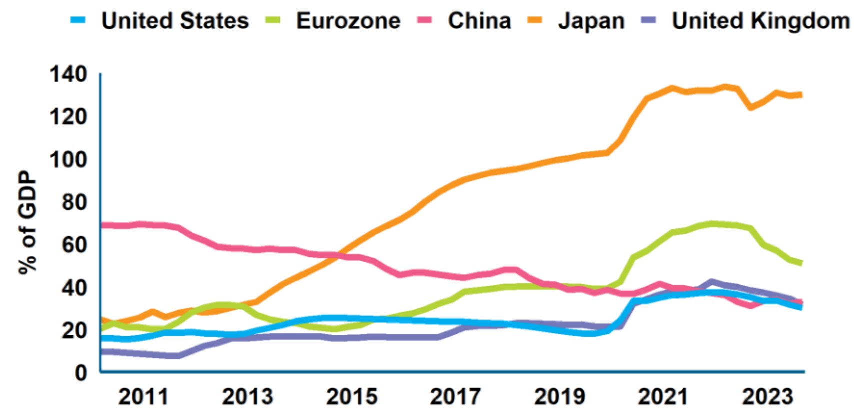
[1] Sources: Bloomberg. Data is as of November 30, 2023. Average lines denote the average of the investment grade, high yield, and emerging market spread values from September 2002 to the recent month-end, respectively.

Central Bank Response[1]

Policy Rates



Balance Sheet as % of GDP



→ 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 have kept them at this level since. Markets are not expecting any additional rate hikes. The key remains when will the Fed starting lower rates and at what pace.

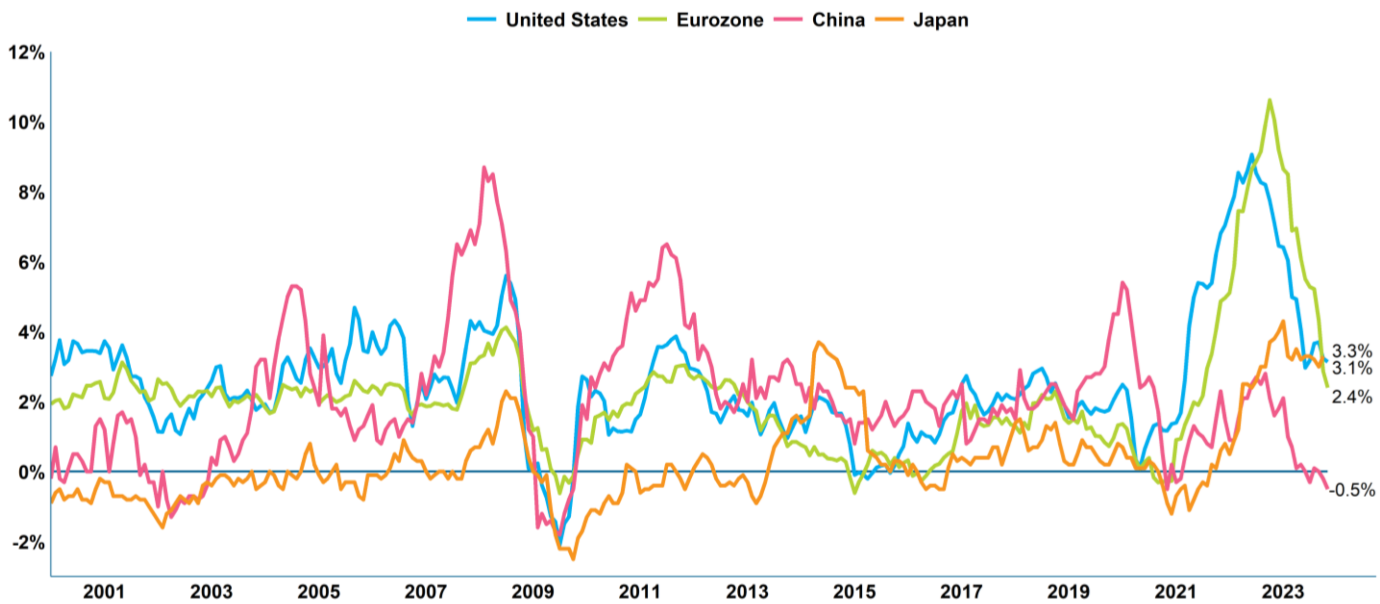
→ The European and UK central banks also recently paused their rate increases on slowing inflation. In Japan, the BoJ has further relaxed its yield curve control on the 10-year bond, and expectations for further policy normalization are rising.

→ 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 November 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 September 30, 2023.

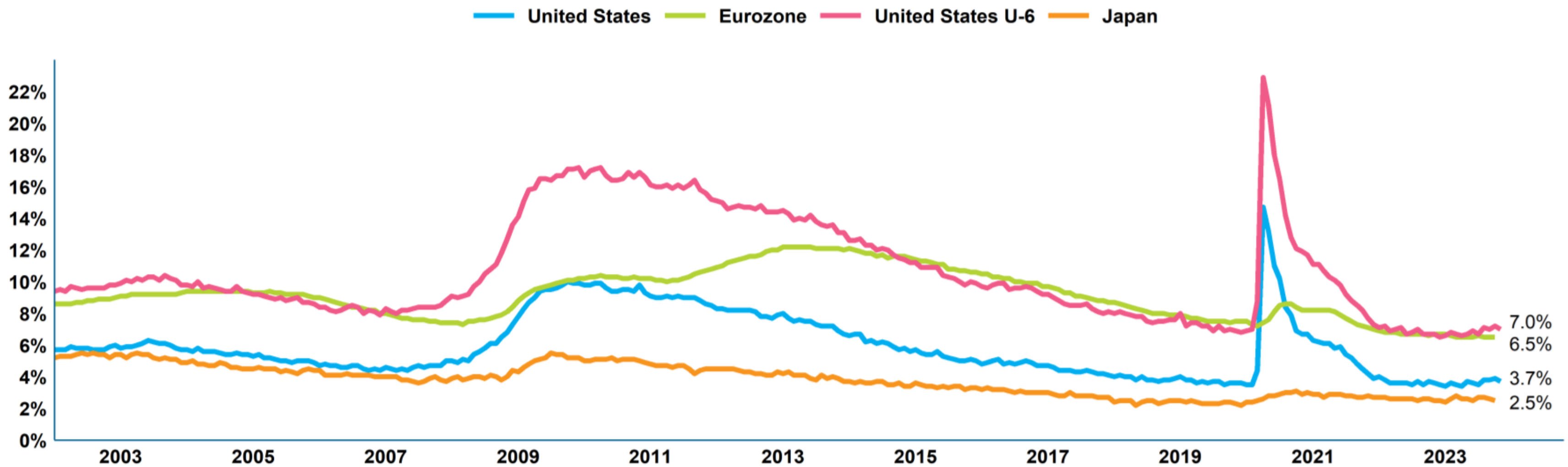
Inflation (CPI Trailing Twelve Months)[1]



- → Inflation is falling across major economies with China slipping into deflationary territory.
- → In the US, inflation fell from 3.2% to 3.1%, driven by falling energy prices. In the eurozone inflation experienced a dramatic decline in October (2.9% to 2.4%), to a level below the US, also driven by a decline in energy prices. 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, driven by food and home related items. In China, deflationary pressures returned in November, driven by declines in food prices.

[1] United States CPI and Eurozone CPI – Source: FRED. Japan CPI and China CPI - Source: Bloomberg. Data is as November 30, 2023. The most recent data for Japanese inflation is as of October 31, 2023.

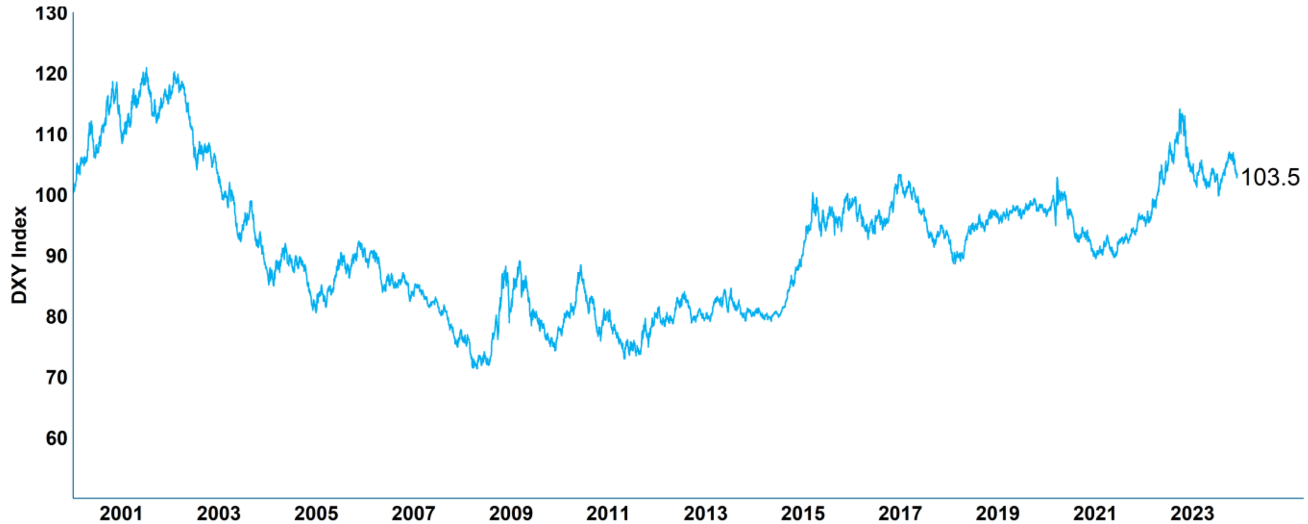
Unemployment[1]



- → 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 November, US unemployment came in stronger than expected with the overall rate declining (3.9% to 3.7%), with job gains of 199,000 (compared to a forecast of 185,000). The labor force participation remained relatively stable 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) fell slightly from 7.2% to 7.0%.
- → Unemployment in Europe (6.5%) remains higher than the US, while levels in Japan (2.5%) remained low through the pandemic given less layoffs.

[1]Eurozone Unemployment - Source: Bloomberg. Japan, United States, United States U-6 Unemployment – Source: FRED. Data is as November 30, 2023, for the US. The most recent data for Japanese and Eurozone unemployment is as of October 31, 2023.

US Dollar vs. 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 anticipated the FOMC keeping interest rates higher for longer.
- → More recently, the dollar has declined on expectations the Fed is done increasing interest rates for this cycle.

[1]Source: Bloomberg. Data as of November 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 next year, with some economies forecasted to tip into recession. However, optimism has been building that certain economies could experience soft landings. Inflation, monetary policy, and geopolitical issues will all be key.

→ In the US, consumers could feel pressure as certain components of inflation (e.g., shelter), remain high, 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 the US dollar to remain strong, 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.

→ Recent, heightened tensions in Israel could add to overall uncertainty and drive safe haven flows.

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Oaktree Middle-Market Direct Lending Strategy

January 2024

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This brochure does not constitute and should not be construed as investment, legal, or tax advice, or a recommendation or opinion regarding the merits of the Mezzanine Finance strategies of Oaktree (the "Strategy"). Each recipient of this brochure should consult its own counsel, accountant or investment adviser as to the legal, tax, and related matters concerning its investment. A potential investor considering an investment in any commingled investment vehicle available for the Strategies should read this brochure in conjunction with the separate private placement memorandum for such fund. Such private placement memorandum contains a more complete description of such fund's investment strategy, practices, terms and conditions, restrictions, risks and other factors relevant to a decision to invest in such fund, and also contains tax information and risk disclosures that are important to any investment decision. All information herein is subject to and qualified in its entirety by such private placement memorandum. The date of the information is indicated herein, and Oaktree has no duty to update such information.

Responses to any inquiry that may involve the rendering of personalized investment advice or effecting or attempting to effect transactions in securities will not be made absent compliance with applicable laws or regulations (including broker dealer, investment adviser, or applicable agent or representative registration requirements), or applicable exemptions or exclusions therefrom.
See Marketing Disclosures section of the Appendix for relevant marketing disclosures.

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None of the information contained herein has been filed with the U.S. Securities and Exchange Commission, any securities administrator under any state securities laws, or any other U.S. or non-U.S. governmental or self-regulatory authority. No governmental authority has passed on the merits of the Strategy or the adequacy of the information contained herein. Any representation to the contrary is unlawful.

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The information contained herein is unaudited and is being shared with you to help you obtain a better understanding of the investments and performance of the strategy. Oaktree makes no representation or warranty regarding the accuracy or completeness of the information contained herein or whether it will assist you in connection with your due diligence.

January 2024

Oaktree Middle-Market Direct Lending Strategy

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Oaktree Middle-Market Direct Lending

Performance – Middle Market Direct Lending Fund, LP.

Administrative Facts[1]

Commencement of Operations	3/21/2018
Investment Period End Date	3/27/2022
Fund Type	Closed-End
Total Committed Capital	220
Drawn	85.3%
Distributed	43.0%
Distributed Subject to Recall	*8.5%*
GP and Affiliates % of Fund	4.5%
Asset-Backed Credit Facility Balance ($mm)	184

Performance / Net Asset Value[2] ($ in millions)

	Gross	Net
Current Quarter Return	4.8%	4.2%
Year-to-Date Return	13.4%	10.7%
Since-Inception IRR	17.2%	12.8%
Multiple of Capital	1.4x	1.3x
Multiple of Capital Returned	n/a	0.4x
Fund Net Asset Value	n/a	165

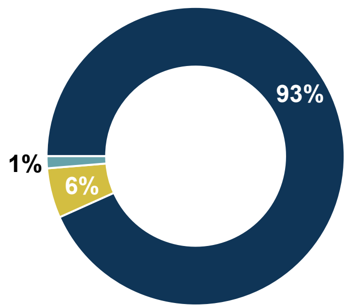
As of September 30, 2023

1. See appendix endnotes

Portfolio Characteristics – Middle-Market Direct Lending

Asset Mix

Middle-Market Direct Lending Fund has made 64 investments



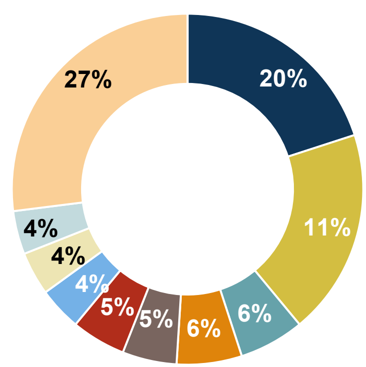
Senior Debt
Equity
Junior Debt

Yield and Structural Characteristics

Overall Portfolio Weighted Averages[1]	
Commitment Fees	1.8%
Coupon Rate	11.2%
Bank Debt Floor	1.0%
Deal Size (mm)	$8.6

Fund Diversification

Top 10 Industries[2]
Health Care Providers & Services
Commercial Services & Supplies
Distributors
Life Sciences Tools & Services
Wireless Telecommunication Services
Electrical Equipment
Containers &Packaging
Professional Services
Electric Utilities
Other



Diversification by Issuer:

	% of Committed Capital
Largest Investment	3.3%
Top 10 Investments	17.35%
Median / Average Investment Size	1.1% / 1.3%

Since inception on March 21, 2018 through the end of the investment period on March 27, 2022.
Note: All metrics include unrealized and realized investments, and reflect time of purchase.
1. Calculated based on face amount of principal and invested cost of equity.
2. Industry exposure is based on GICS. Securities are classified by industry using Level 3 of the GICS hierarchy. Level 4 classifications, or "Sub-Industry," are displayed for the largest segment of the portfolio to illustrate the underlying diversity of the actual end-markets. Calculated based on invested capital.

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Market Update

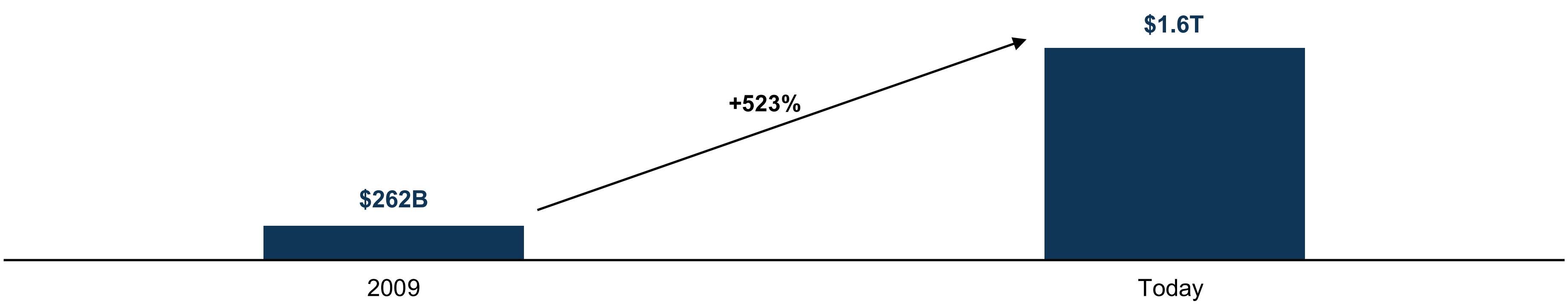
Direct Lending - The Past

Market Competing on Risk

- Compared to liquid strategies, direct lending funds were raised targeting an absolute return
  - The last 15 years therefore saw competition **primarily** based on risk instead of return
  - As risk increased, there was no penalty for taking such risk

- The peak Covid period dampened direct lending, but after the lull period, risk increased further
  - One element was lending to companies that were experiencing unsustainable "Covid bump" in their earnings

Direct Lending market has experienced substantial growth since the GFC



Even with increased risk, low losses make most direct lending managers look similar

Source: Preqin

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Direct Lending Today

1

Potential Legacy Portfolio Issues

- Portfolio was created using risk as a competitive differentiator
- The amount of debt historically incurred in a low interest rate environment may not be sustainable

2

Facing an Uncertain Economy

- Higher interest rates for longer = "Sea Change!"
- U.S. economic expansion is the longest in history
- Consumers may have accelerated purchases in the post peak-covid period leading to meaningful slow downs in certain sectors

3

How will Direct Lending managers fare?

- Few have experience dealing with an economic recession
- Legacy portfolio issues will be very distracting to managers

Investors will need to be more discriminating in choosing a direct lending manager

What's Next for Direct Lending?

1 Soft Landing / Rate Reversion

- Economy continues to perform well but interest rates decrease
- New investments refinance quickly, borrowers incur more debt
- Decent IRRs but low cost of capital and reinvestments made with higher risk

2 Soft Landing / Elevated Rates

- Economy continues to perform sluggishly but interest rates stay elevated
- Less room for underperformance requires proactive monitoring and more aggressive approach

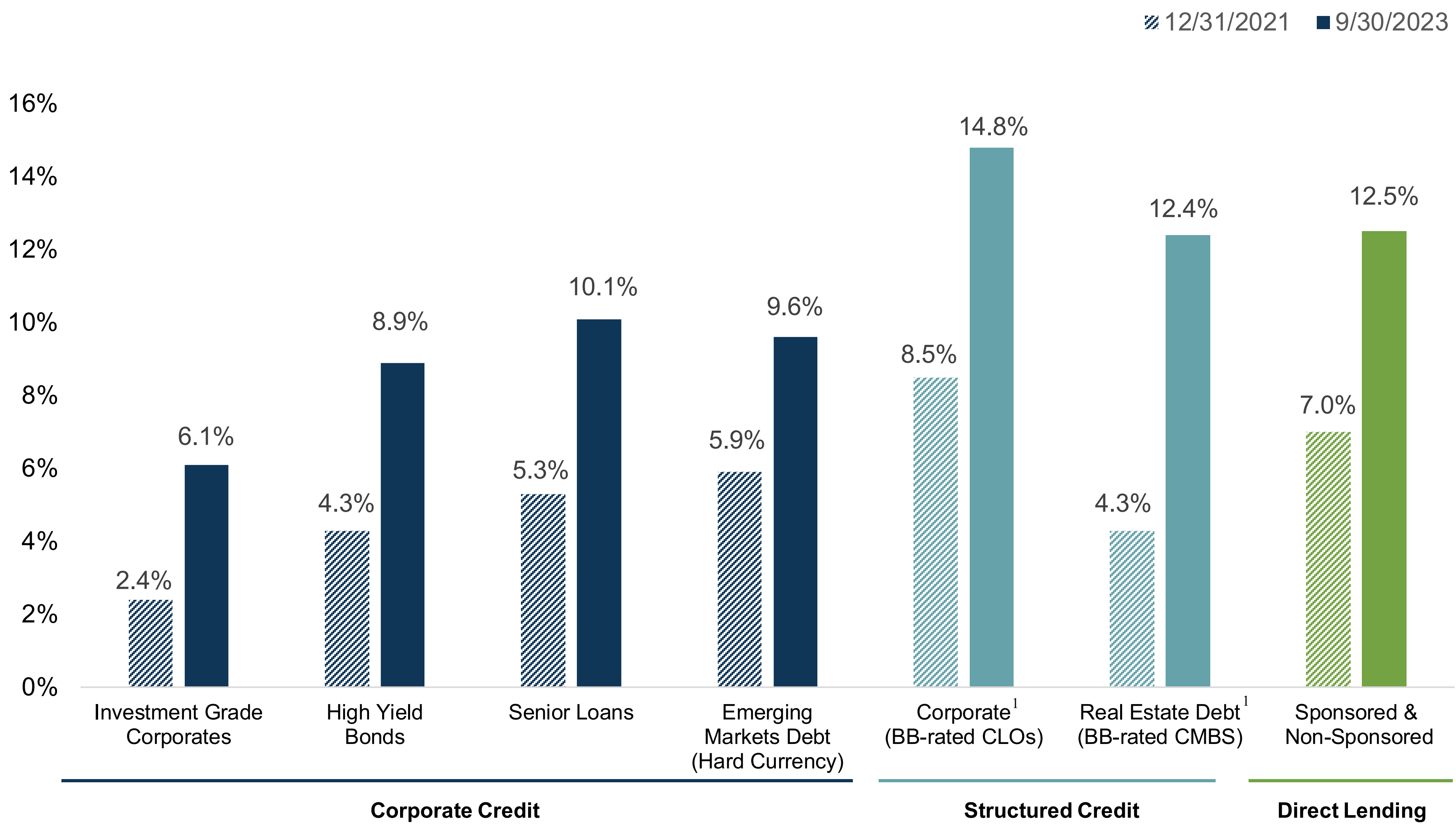
3 Hard Landing

- No direct evidence currently to suggest a hard landing but it remains a possibility

Managers must be able to navigate a variety of potential outcomes

Credit Markets Have Become More Attractive

Yields Today Are at Much More Attractive Entry Points



Source: ICE BAML, Bloomberg, JPMorgan, Oaktree market observations
Note: Yield represented by yield-to-worst unless otherwise noted
1. Yield represented by discount margin plus reference rate

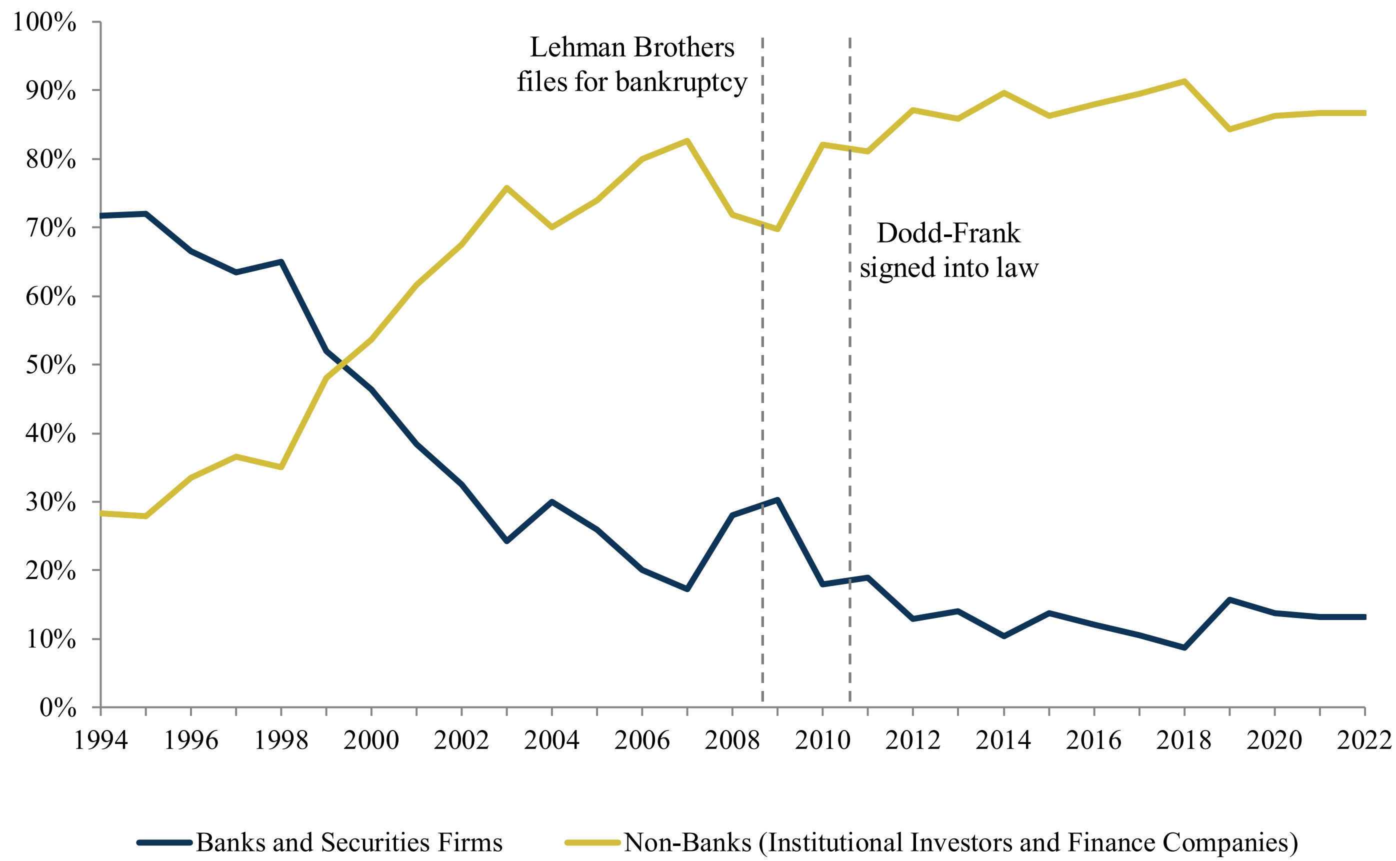
Banks Retreating from the LBO Market

Non-bank exposures to leveraged loans have been on the rise for many years

Recent acceleration in lending pullback from banks driven by market weakness has resulted in:

- **Hung LBO loans** sitting on bank balance sheets at mark-to-market losses
- Restrictions on banks' ability to **underwrite new LBO loans**
- **Greater regulatory scrutiny** following regional bank volatility and collapse of SVB

Share of Loan Market



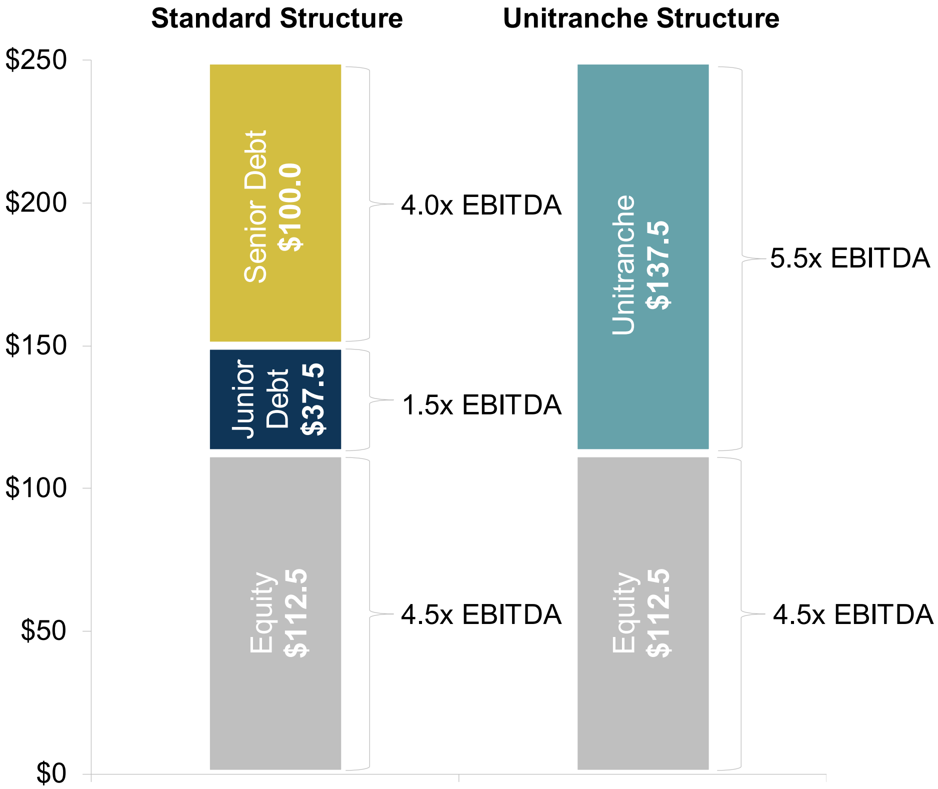
Banks have accelerated their retreat from the LBO markets due to strained balance sheets and hung loans

Source: Pitchbook LCD.

Typical Leveraged Buyout Structures and Yields

Representative Post-LBO Capital Structures

($ in millions)



LTM EBITDA = $25 million
Total Enterprise Value = $250 million = 10x EBITDA

Indicative Yields[1]

	All-in Coupon[2]	Upfront Fees/OID	Illustrative Return[3]
Senior Debt[4]	SOFR + 5.50-6.00%	2-2.5%	11-12%
Unitranche	SOFR + 6.00-7.00%	2-3%	12-13%
Junior Debt[5]			
Second Lien	SOFR + 8.25-8.75%	2-2.5%	13.5-14.5%
Mezzanine	12.5%+	2.5-3%	13+%
Equity	n/a	n/a	18-22%

As of September 30, 2023
Source: Oaktree estimates, S&P LCD
1. Yields currently seen in market.
2. All-in coupon is comprised of a floor, typically 1%, and a spread over SOFR (including a credit spread adjustment).
3. Investment-level targeted unlevered gross return is the total return including coupon rate and fee/OID.
4. Senior debt is most often structured as a first lien term loan.
5. Junior debt is most often structured as a second lien term loan, a senior subordinated term loan (mezzanine) or a senior unsecured note.

Appendices

Endnotes

Page 4

1. ADMINISTRATIVE FACTS

% Drawn is calculated as total paid-in capital ÷ total fund committed capital.

% Distributed is calculated as, during the investment period, total distributions ÷ total committed capital and, during the liquidation period, total distributions ÷ total contributed capital.

Cumulative distributions include distributions made in connection with the final closing, pursuant to the fund's Limited Partnership Agreement, in order to compensate partners who participated in earlier closings for having financed the operations of the fund pending the final closing, as well as the return of capital and additional return, which generally occur later in the fund's life.

Oaktree anticipates using the subscription line to borrow temporarily to bridge capital calls, fund investments made in currencies other than U.S. dollars, pay fund expenses and satisfy other obligations of the Partnership and the General Partner on a short-term basis.

2. PERFORMANCE/NET ASSET VALUE

Quarter and year-to-date performance metrics represent the time-weighted return for the period.

Multiple of capital is calculated as (Net Asset Value + Distributions) ÷ Paid-In Capital; also referred to as Investment Multiple.

Since-inception internal rate of return ("IRR") represents the annualized implied discount rate calculated from the fund-level cash flows.

IRR on realized investments represents the investment-level internal rate of return of fully realized investments net of direct expenses.

Gross figures represent returns/multiples of the partnership before giving effect to management fees and expenses, but after fund-level leverage costs, if applicable.

Net figures are after management fees and expenses, and reflect the returns/multiples of the partnership.

The gross returns presented take into account Fee Income (as defined in the fund's Limited Partnership Agreement, as amended) earned and received by the fund's general partner or any of its affiliates in connection with investments made by the fund. Such Fee Income is not received by the fund but instead offsets management fees paid to Oaktree on a one-for-one basis.

Performance Disclosures

The performance information contained herein is provided for informational purposes only. Oaktree makes no representation, and it should not be assumed, that past performance is an indication of future results. There can be no assurance that the Fund will be able to earn the rates of return indicated herein. Indeed, wherever there is the potential for profit, there is also the possibility of loss. In reviewing the performance information included herein, please note the following:

Investment Valuations

U.S. GAAP establishes a hierarchal disclosure framework, which prioritizes the inputs used in measuring financial instruments at fair value into three levels based on their market observability. Market price observability is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Financial instruments with readily available quoted prices from an active market or for which fair value can be measured based on actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment inherent in measuring fair value.

Financial assets and liabilities measured and reported at fair value are classified as follows:

- *Level I – Quoted unadjusted prices for identical instruments in active markets to which the applicable fund has access at the date of measurement. The types of investments in Level I include exchange-traded equities, debt and derivatives with quoted prices.*
- *Level II – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are directly or indirectly observable. Level II inputs include interest rates, yield curves, volatilities, prepayment risks, loss severities, credit risks and default rates. The types of investments in Level II generally include corporate bonds and loans, government and agency securities, less liquid and restricted equity investments, over-the-counter traded derivatives and other investments where the fair value is based on observable inputs.*
- *Level III – Valuations for which one or more significant inputs are unobservable. These inputs reflect the applicable general partner's assessment of the assumptions that market participants use to value the investment based on the best available information. Level III inputs include prices of quoted securities in markets for which there are few transactions, less public information exists or prices vary among brokered market makers. The types of investments in Level III include non-publicly traded equity, debt, real estate and derivatives.*

In some instances, an instrument may fall into different levels of the fair value hierarchy. In such instances, the instrument's level within the fair value hierarchy is based on the lowest of the three levels (with Level III being the lowest) that is significant to the value measurement. The assessment of the significance of an input requires judgment and considers factors specific to the instrument. Transfers of assets into or out of each fair value hierarchy level as a result of changes in the observability of the inputs used in measuring fair value are accounted for as of the beginning of the reporting period. Transfers resulting from a specific event, such as a reorganization or restructuring, are accounted for as of the date of the event that caused the transfer.

In the absence of observable market prices, the applicable general partner values Level III investments using valuation methodologies applied on a consistent basis. The quarterly valuation process for Level III investments begins with each portfolio company, or security being initially valued by the investment or valuation teams. The valuations are then reviewed and approved by the valuation team and the valuation committee of each investment strategy, which consists of senior members of the investment team. All Level III investment values are ultimately approved by the valuation committees and designated investment professionals as well as the valuation officer who is independent of the investment teams and reports directly to Oaktree's Chief Financial Officer. Results of the valuation process are evaluated each quarter, including an assessment of whether the underlying calculations should be adjusted or recalibrated. In connection with this process, the applicable general partner evaluates changes in fair value measurements from period to period for reasonableness, considering items such as industry trends, general economic and market conditions, and factors specific to the investment.

Certain assets are valued using prices obtained from brokers or pricing vendors. The applicable general partner obtains an average of one to two broker quotes. The applicable general partner seeks to obtain at least one price directly from a broker making a market for the asset and one price from a pricing vendor for the subject or similar securities. These investments may be classified as Level III because the quoted prices may be indicative in nature for securities that are in an inactive market, may be for similar securities, or may require adjustment for investment-specific factors or restrictions. Generally, the applicable general partner does not adjust any of the prices received from these sources, and all prices are reviewed by the applicable general partner. The applicable general partner evaluates the prices obtained from brokers or pricing vendors based on available market information, including trading activity of the subject or similar securities, or by performing a comparable security analysis to ensure that fair values are reasonably estimated. The applicable general partner also performs back-testing of valuation information obtained from brokers and pricing vendors against actual prices received in transactions. In addition to on-going monitoring and back-testing, the applicable general partner performs due diligence procedures over pricing vendors to understand their methodology and controls to support their use in the valuation process.

Non-publicly traded debt and equity securities and other securities or instruments for which reliable market quotations are not available are valued by the applicable general partner using valuation methodologies applied on a consistent basis. These securities may initially be valued at the acquisition price as the best indicator of fair value. The applicable general partner reviews the significant unobservable inputs, valuations of comparable investments and other similar transactions for investments valued at acquisition price to determine whether another valuation methodology should be utilized. Subsequent valuations will depend on facts and circumstances known as of the valuation date and the application of valuation methodologies further described below. The fair value may also be based on a pending transaction expected to close after the valuation date. These valuation methodologies involve a significant degree of management judgment. Accordingly, valuations do not necessarily represent the amounts which may eventually be realized from sales or other dispositions of investments. Fair values may differ from the values that would have been used had a ready market for the investment existed, and the differences could be material to the applicable fund's financial statements.

Performance Disclosures (continued)

Exchange-Traded Investments

Securities listed on one or more national securities exchanges are valued at their last reported sales price on the date of valuation. If no sale occurred on the valuation date, the security is valued at the mean of the last "bid" and "ask" prices on the valuation date. Securities that are not marketable due to legal restrictions that may limit or restrict transferability are generally valued at a discount from quoted market prices. The discount would reflect the amount market participants would require due to the risk relating to the inability to access a public market for the security for the specified period and would vary depending on the nature and duration of the restriction and the risk and volatility of the underlying securities. Securities with longer duration restrictions or higher volatility are generally valued at a higher discount. Such discounts are generally estimated based on put option models or analysis of market studies. Instances where discounts have been applied to quoted prices of restricted listed securities have been infrequent. The impact of such discounts is not material to the applicable fund's financial statements.

Credit-Oriented Investments

Investments in corporate and government debt which are not listed or admitted to trading on any securities exchange are valued at the mean of the last bid and ask prices on the valuation date based on quotations supplied by recognized quotation services or by reputable broker-dealers.

The market yield approach is considered in the valuation of non-publicly traded debt investments, utilizing expected future cash flows, discounted using estimated current market rates. Discounted cash flow calculations may be adjusted to reflect current market conditions and/or the perceived credit risk of the borrowers. Consideration is also given to a borrower's ability to meet principal and interest obligations; this may include an evaluation of collateral or the underlying value of the borrower utilizing techniques described below under "Non-Publicly Traded Equity Investments."

Non-Publicly Traded Equity Investments

The fair values of private equity investments are determined by using a market approach or income approach. A market approach utilizes valuations of comparable public companies or transactions and generally seeks to establish the enterprise value of the portfolio company using a market multiple approach. This approach takes into account a specific financial measure (such as EBITDA, adjusted EBITDA, free cash flow, net operating income, net income, book value or net asset value) believed to be most relevant for the given company. Consideration may also be given to such factors as acquisition price of the security, historical and projected operational and financial results for the portfolio company, the strengths and weaknesses of the portfolio company relative to its comparable companies, industry trends, general economic and market conditions and other factors deemed relevant. The income approach is typically a discounted cash flow method that incorporates expected timing and level of cash flows. It incorporates assumptions in determining growth rates, income and expense projections, discount rates, capital structure, terminal values and other factors. The applicability and weight assigned to market and income approaches are determined based on the availability of reliable projections and comparable companies and transactions.

The valuation of securities may be impacted by expectations of investors' receptiveness to a public offering of the securities, the size of the holding of the securities and any associated control, information with respect to transactions or offers for the securities (including the transaction pursuant to which the investment was made and the period of time elapsed from the date of the investment to the valuation date) and applicable restrictions on the transferability of the securities.

Valuation of Unrealized Investments

The performance information set forth herein contains valuations of investments in companies that have not been fully realized as of June 30, 2021 There can be no assurance that any of these valuations will be attained as actual realized returns will depend upon, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions upon which the valuations contained herein are based. Consequently, the actual realized returns may differ materially from the current returns indicated in this brochure. Nothing contained herein should be deemed to be a prediction or projection of future performance.

Performance Disclosures (continued)

Internal Rate of Return

The internal rates of return ("IRR") are the annualized implied discount rate calculated from a series of investment cash flows. It is the return that equates the present value of all capital invested in an investment to the present value of all returns of capital, or the discount rate that will provide a net present value of all cash flows equal to zero. Gross IRRs represent returns before the allocation of management fees, expenses and any incentive fees or "carried interest" paid, accrued or allocated to the general partner or investment manager of the funds and accounts, but after fund-level leverage costs, if applicable. Net IRRs represent returns to non-affiliated limited partners of the relevant funds after the allocation of management fees, all expenses of the funds and accounts and any incentive fees or "carried interest" paid, accrued or allocated to the general partner or investment manager of the funds and accounts. Fund level net IRRs presented herein exclude returns to the general partners and affiliated limited partners of the relevant funds. Because the "carried interest" allocated to the general partners of the relevant funds is not calculated on an investment-by-investment basis, but on an aggregate fund-by-fund basis only, comparable after-fee IRRs on an investment-by-investment basis are not available. As such, all net IRRs presented herein are on a fund-level basis only. The use of other calculation methodologies including different assumptions or methods may result in different and possibly lower IRRs. Furthermore, IRRs for funds or accounts in existence and investments held for less than one year may not be meaningful.

Subscription Line Financing

Calculations of net and gross IRRs in respect of investment and performance data included and/or referred to herein are based on the payment date of capital contributions received from limited partners, even in instances where a fund or account utilizes borrowings under a subscription-based credit facility. The use of a subscription-based credit facility (or other fund-level leverage) with respect to investments may result in a higher reported gross IRR and net IRR at the fund-level than if such subscription facility (or other fund-level leverage) had not been used and instead the investors' capital had been contributed at the inception of each such investment. This is due to the fact that calculations of gross IRR and net IRR are based on the relationship between investment gains and partners' capital employed. Therefore, if a subscription facility is used to fund an investment, capital may be called more slowly from the limited partners to repay such borrowings, which would shorten the time between such contribution and distribution and consequently increase gross IRR and net IRR. Please see "Capital Calls and Use of Subscription Lines and Asset-Backed Facilities" in the Fund's PPM for additional information.

No Benchmark

No benchmarks are presented in this presentation, as Oaktree is not aware of any benchmarks that, in Oaktree's opinion, provide a basis for measuring the performance of the relevant funds, particularly in light of the managers' investment philosophy, strategy and implementation.

Legal Disclosures

An investment in any fund or the establishment of an account within the Strategies is speculative and involves a high degree of risk. Such risks include, but are not limited to, those described below. An investment should only be made after consultation with independent qualified sources of investment, tax and legal advice. Prospective investors must review a particular fund's private placement memorandum prior to investing in such fund.

Calculation of Assets Under Management

References to total "assets under management" or "AUM" represent assets managed by Oaktree and a proportionate amount of the AUM reported by DoubleLine Capital LP ("DoubleLine Capital"), in which Oaktree owns a 20% minority interest. Oaktree's methodology for calculating AUM includes (i) the net asset value (NAV) of assets managed directly by Oaktree, (ii) the leverage on which management fees are charged, (iii) undrawn capital that Oaktree is entitled to call from investors in Oaktree funds pursuant to their capital commitments, (iv) for collateralized loan obligation vehicles ("CLOs"), the aggregate par value of collateral assets and principal cash, (v) for publicly-traded business development companies, gross assets (including assets acquired with leverage), net of cash, and (vi) Oaktree's pro rata portion (20%) of the AUM reported by DoubleLine Capital. This calculation of AUM is not based on the definitions of AUM that may be set forth in agreements governing the investment funds, vehicles or accounts managed and is not calculated pursuant to regulatory definitions.

Important Information about Investment Case Studies

The examples of investments presented herein are for informational purposes only. The purpose of this case study is to give an illustrative example of the types of investments made as well as an understanding of the amounts invested and the investment thesis. The investments presented may be more favorable than, and not representative of, all of the investments that may be made by the Strategies. As a result, these materials are not intended to be, and should not be read as, full and complete descriptions of each investment transaction within any particular Oaktree strategy. If the recipient would like additional detail regarding these investments, please contact an Oaktree marketing representative.

Information about Included Investments

The investments shown for Mezzanine Fund II, Oaktree Finance (BDC Seed Vehicle) and Middle-Market Senior Loan Fund (CLO Warehouse Vehicle) include all middle-market senior loans to North American issuers invested by the Oaktree Middle-Market Finance Group. These materials provide information as of the date of the applicable reports and will not necessarily be updated to reflect subsequent events or changes. Given the size and nature of certain investments, realizations may require a substantial period of time. The valuations of unrealized investments are unaudited and do not necessarily represent the ultimate realizable value of the selected investments. For purposes of all performance data set forth herein, all investments have been valued by Oaktree at "fair value" in accordance with generally accepted accounting principles. Please refer to the PPM for a complete discussion of Oaktree's valuation methodology.

Investments

The Strategies will involve investing in securities and obligations that entail substantial risk. There can be no assurance that such investments will increase in value, that significant losses will not be incurred or that the objectives of the Strategies will be achieved. In addition, investing in such securities and obligations may result in the incurrence of significant costs, fees and expenses, including legal, advisory and consulting fees and expenses, costs of regulatory compliance and costs of defending third-party litigation.

Investment Environment

Many factors affect the demand for and supply of the types of investments that the Strategies may target and their valuations. Interest rates and general levels of economic activity may affect the value of investments targeted by the Strategies or considered for investment. The investing activities of the Strategies could be materially adversely affected by instability in global financial markets or changes in market, economic, political or regulatory conditions, as well as by other factors outside the control of Oaktree or its affiliates.

Debt Securities

Investments in debt instruments entail normal credit risks (i.e., the risk of non-payment of interest and principal) and market risks (i.e., the risk that certain market factors will cause the value of the instrument to decline). A default on a loan or a sudden and extreme increase in prevailing interest rates may cause a decline in a portfolio holding such investments.

Fixed income securities may be subject to redemption at the option of the issuer. If a fixed income security is called for redemption, the holder may be required to permit the issuer to redeem the security, which could have an adverse effect on the holder's ability to achieve its investment objectives.

Legal Disclosures (continued)

Floating rate instruments such as bank loans pay interest based on EURIBOR or LIBOR. As a result, a significant decline in EURIBOR or LIBOR could negatively impact the expected return on such loans. While loans with EURIBOR or LIBOR interest rates are available at lower prices (ignoring those with EURIBOR or LIBOR floors), there can be no guarantee that such prices will offset losses in current income. Although the prices of floating rate instruments may be less sensitive to interest rate changes than the prices of fixed-rate obligations, interest rates on bank loans only reset periodically and may not perfectly correlate with prevailing interest rates, potentially subjecting floating-rate loans to the same fluctuations as fixed-rate obligations during the period in which their interest rates are fixed.

Leverage of Portfolio Companies
The Strategies' investments are expected to include companies whose capital structures may have significant leverage. Such investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates, creating a greater possibility of default or bankruptcy of the borrower.

Subordination
The Strategies' mezzanine debt and equity investments will typically be subordinated. Subordinated investments may be characterized by greater credit risks than those associated with the senior obligations of the same issuer.

Nature of Bankruptcy Proceedings
The Strategies' investments that could require substantial workout negotiations or restructuring in the event of a default or bankruptcy, which could entail significant risks, time commitments and costs.

International Investments
Investments in different countries involve risks and special considerations to which investors may not be accustomed. Such risks include (a) the risk of nationalization or expropriation of assets or confiscatory taxation, (b) social, economic and political uncertainty, including war and revolution, (c) dependence on exports and the corresponding importance of international trade, (d) price fluctuations, market volatility, less liquidity and smaller capitalization of securities markets, (e) currency exchange rate fluctuations, (f) rates of inflation, (g) controls on, and changes in controls on, non-U.S. investments and limitations on repatriation of invested capital and on the ability to exchange local currencies for the Strategies' base currency, (h) governmental involvement in and control over the economies, (i) governmental decisions to discontinue support of economic reform programs generally and impose centrally planned economies, (j) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers, (k) less extensive regulation of the securities markets, (l) longer settlement periods for securities transactions, (m) less developed corporate laws regarding fiduciary duties and the protection of investors, (n) less reliable judicial systems to enforce contracts and applicable law, (o) certain considerations regarding the maintenance of the portfolio securities and cash with sub-custodians and securities depositories in different countries, (p) restrictions and prohibitions on ownership of property by foreign entities and changes in laws relating thereto and (q) terrorism. These factors may increase the likelihood of potential losses being incurred in connection with such investments.

Currency Risks and Foreign Exchange
The Strategies may involve making investments denominated in currencies other than the base currency of the Strategies. Changes in the rates of exchange between such base currency and other currencies may have an adverse effect on the value of investments denominated in such other currencies and the performance of the Strategies. In addition, the costs may be incurred in converting investment proceeds from one currency to another. Oaktree may or may not attempt to hedge currency risk of the portfolio, but in any event it does not expect that the full risk of currency fluctuations can be eliminated due to the complexity of its investments and limitations in the foreign currency market.

Use of Leverage
The Strategies may involve the use of leverage, including through swaps. While leverage presents opportunities for increasing total return, it has the potential to increase losses as well. Accordingly, any event that adversely affects the value of an investment would be magnified to the extent leverage is used.

Contingent Liabilities on Disposition of Investments
Indemnification of the purchasers of investments that are sold may be required upon disposition of such investment. Such indemnity obligations may require the return of a portion of the sale proceeds.

Illiquidity of Investments
The Strategies' investments may consist of securities and obligations which are thinly traded, securities and obligations for which no market exists, or securities and obligations which are restricted as to their transferability. These factors may limit the ability to sell such securities at their fair market value.

Direct Lending
When a loan is originated, the lender expects to rely significantly upon representations made by the borrower. There can be no assurance that such representations are accurate or complete, and any misrepresentation or omission may adversely affect the valuation of the collateral underlying the loan, or may adversely affect the lender's ability to perfect or foreclose on a lien on the collateral securing the loan, or may result in the lender's liability to a subsequent purchaser of the loan.

Legal Disclosures (continued)

Regulatory Risks

Legal, tax and regulatory changes may adversely affect the Strategies' activities. The legal, tax and regulatory environment for investing in alternative investments is evolving, and changes in the regulation and market perception of alternative investments, including changes to existing laws and regulations and increased criticism of the private equity and alternative asset industry by some politicians, regulators and market commentators, may adversely affect the ability of the Strategies to pursue its investment strategy and the value of its investments.

Market disruptions and dramatic increases in capital allocated to alternative investment strategies have led to increased governmental and self-regulatory scrutiny of alternative investments. Greater regulation of the industry has been considered by both legislators and regulators. The effect of any future regulatory changes are impossible to predict, but could be substantial and adverse.

Market Conditions and Governmental Actions

The securities, futures and certain other derivatives markets are subject to comprehensive statutes, regulations and margin requirements. Government regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. Regulators have the ability to limit or suspend trading in securities, which could result in significant losses. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by governmental and judicial action. The effect of any future regulatory changes could be substantial and adverse.

In recent years, world financial markets have experienced extraordinary market conditions. In reaction to these events, regulators in various countries have undertaken and continue to undertake unprecedented action to stabilize markets. The Strategies may be adversely affected by unstable markets and significant new regulations could limit the Strategies' activities and investment opportunities or change the functioning of the capital markets. In the event of a severe economic downturn, significant losses could result.

Institutional Risk

The brokerage firms, banks and other institutions who serve as counterparties in the trading activities of the Strategies, or to which securities will be entrusted for custodial and prime brokerage purposes, may encounter financial difficulties, fail or otherwise become unable to meet their obligations. In addition, legal, regulatory, reputational or other risks affecting such institutions could have a material adverse effect on the Strategies.

Material Non-public Information

In connection with the Oaktree's activities, personnel of Oaktree may acquire material non-public information or otherwise be restricted from initiating transactions in certain securities. Oaktree will not be free to act upon any such information and may not be able to initiate a transaction that it otherwise might have initiated.

Potential Conflicts of Interest

Oaktree and its affiliates manage a number of different funds and accounts (and may form additional funds and accounts) that invest in, and in some cases have priority ahead of the Strategies with respect to, securities or obligations eligible for purchase. This presents the possibility of overlapping investments, and thus the potential for conflicts of interest. To the extent permitted by law, Oaktree reserves the right to cause funds and accounts it manages to take such steps as may be necessary to minimize or eliminate any conflict between Oaktree-managed funds and accounts even if that requires the divestiture of securities that, in the absence of such conflict, it would have continued to hold or otherwise take action that may benefit Oaktree or any other Oaktree-managed fund or account and that may not be in the best interests of another Oaktree-managed fund or account. Oaktree will seek to manage conflicts in good faith.

Tax Matters

There are a series of complex tax issues related to the investments that will be the focus of the Strategies. In addition, changes in the tax laws may adversely affect the Strategies' ability to efficiently realize income or capital gains and could materially and adversely affect the after-tax returns to investors. Prospective investors are urged to consult their own tax advisors regarding the possible tax consequences of an investment in the Strategies.

Lack of Diversification

The Strategies' portfolio may not be diversified among a wide range of issuers or industries. Accordingly, returns may be subject to more rapid changes than would be the case if the portfolio maintained a wide diversification among companies, industries and types of securities.

Legal Disclosures (continued)

Investments in Commingled Vehicles

A potential investor considering an investment in any commingled vehicle will be subject to the risks described above as well as the risks associated with an investment in a commingled vehicle. Interests of a commingled vehicle will generally be an illiquid investment and withdrawals from, and transfers of units of, a commingled vehicle may be subject to restrictions. The portfolio of a commingled vehicle may not be diversified among a wide range of issuers or industries which may make such portfolio subject to more rapid change in value than would be the case if the portfolio was more diversified. Investors also will not have the opportunity to participate in a commingled vehicle's management.

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CAPITOL MERIDIAN PARTNERS

SJCERA Discussion Materials

January 12, 2024

CMP Proprietary

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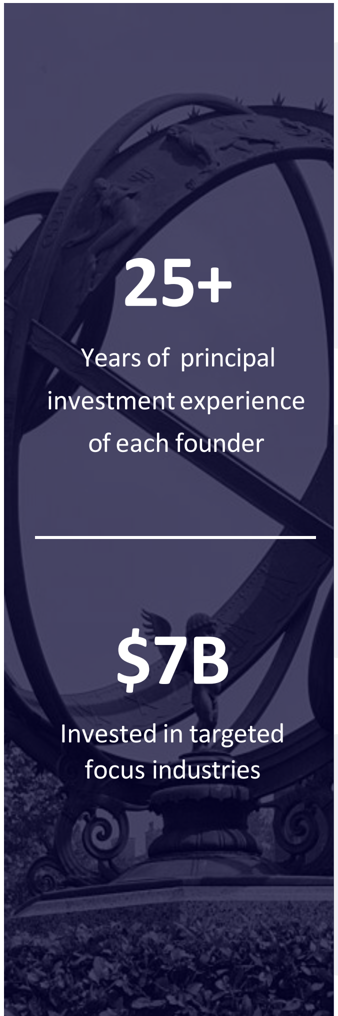
CAPITOL MERIDIAN PARTNERS

Executive Summary



Leadership Team	• Capitol Meridian Partners ("CMP") was established in 2021 by **Adam Palmer and Brooke Coburn (the "Founders")** • Served as Global Sector Head, Fund Head and on Management and Investment Committees during **25-year tenures at the Carlyle Group ("Carlyle")** • **Proactive long-standing relationships** with five global Operating Partners and a 50+ executive network (1) • Invested over **$7B of equity in 50 businesses across 5+ fund cycles** in CMP's focus sectors
Sector Focus	• **Operating at the nexus of government and commercial markets,** where U.S. Government spending alone exceeds $1.8T annually (2) • Focused on **Government Services, Government Technology ("GovTech"), and Aerospace & Defense** • Deep experience in **navigating the complex, esoteric and fluid regulatory environments**
Strategy	• **Attractive opportunity to modernize and transform targeted government sectors through flexible, control-oriented** investments in buyouts, carve-outs, platforms and partnerships • Proprietary ecosystem of long-standing relationships with operating executives provides **privileged access to off-market companies and proprietary sector insights** • Apply **sophisticated value creation resources and practices** to the Middle Market

See Disclaimer and "Other Important Disclosures - Prior Experience"
(1) Operating Partners and executive network individuals are not employees or members of CMP. CMP does not typically maintain formal or exclusive arrangements with Executive Network individuals, and Operating Partner arrangements are not fully exclusive
(2) Budgeted FY 2024 Federal Discretionary Spend Source: Deltek

Why CMP?

- An experienced team of specialists with 2+ decades of experience investing in our target markets / 50+ prior investments
- CMP's Target Markets are large and fragmented with defensive attributes / uncorrelated to GDP
- We are focused on a less efficient market segment in the $50-$200m equity investment size range with no intent to move "up market"
- Extensive executive network curated over 25+ years in the sector with several repeat CEO partners
- CMP applies "Large Fund" sophistication and resources to the middle market. Our value creation playbook was refined over 2+ decades and leverages differentiated executive and advisory networks
- Sourcing network remains highly active as demonstrated by our five initial investments (first three completed on a bilateral basis with unique positioning on our other two)
- Substantial GP commitment creates strong LP alignment

Firm and Organization Update

Team Overview

Long-tenured and cohesive team

- Partners with over 70 years of combined PE experience and >50 distinct investments
- Principals have complementary and relevant experience investing in CMP's target markets
- Team-first, collaborative approach with a history of investing together
- Proven investment approach and value creation playbook
- Partners to management – team-oriented mindset

Our Culture

- Transparent, low-ego operating style that seeks to promote active engagement and decision-making
- Flat-structured, entrepreneurial team of high-performing professionals adhering to our core principles of due diligence and value creation
- Firm-wide commitment to equity, inclusion, and community service

Adam Palmer
Founding Partner

Brooke Coburn
Founding Partner

Mike Gozycki
Partner

Andrea Pekala
Partner & CFO / CCO

Lee Goehring
Principal

Henry Johnson
Vice President

Mark Allen
Director of Finance

Henry Hart
Associate

Arjun Sharma
Associate

Elizabeth Musser
Associate

Larissa Swetlitschnyj
Manager of Office Ops.

Operating Partners[1,2]

Niloofar Razi Howe
Focus Area:
Technology & Cybersecurity

Tiffanny Gates
Focus Area:
National Security; Operations & Platform Integration

Jackie Roberts
Focus Area:
Environmental, Social, and Governance

Dennis Liberson
Focus Area:
Human Capital Optimization & Coaching

Peter Malone
Focus Area:
Government Services & Gov't Policy

- ➢ Core group of Operating Partners and executives with a long history of collaborating with CMP principals across investment cycles
- ➢ Four of the five Operating Partners have 10+ years of experience with CMP founders

Executive Network[1,2]

<u>Longstanding Network of 50+ Executives, including</u>:

- **25+** Former CEOs
- **10+** Government Specialists
- **20** Specialists in Human Capital, Operational Improvement, ESG, and M&A
- Numerous Other Experienced C-Suite Executives and Subject Matter Experts

(1) Operating Partners and executive network individuals are not employees or members of CMP. CMP does not typically maintain formal or exclusive arrangements with Executive Network individuals, and Operating Partner arrangements are not fully exclusive.

(2) Any compensation (including portfolio company incentive equity) and expense reimbursements of Operating Partners, Executive Network, and similar professionals are expected to be paid by the Fund and/or portfolio companies. Such compensation would not be expected to offset any Fund management fee. There can be no assurance such resource will be exclusive to the Firm.

Sector Outlook and Areas of Focus

Capitol Meridian Target Market

We believe the breadth of experience across diverse investment structures, combined with our network of operating resources, enable a flexible approach to identifying and capturing value

A Multi-Trillion Dollar Market

- The U.S. Government is the largest customer in the world, purchasing more than **$1.8T in products and services each year**.[1]
- Federal IT spending has grown >4% since 2017 and **topped $97B in FY22**. Federal Cloud and Cyber spending are growing **10%+ per year**.[2]
- Regulated industries within CMP's mandate such as Communications, Education, and Aviation hold **an additional $1T+ of opportunities**.

Experiencing Historic Disruption

- **Federal cloud migration is just beginning.** Cloud computing is the centerpiece of IT modernization and **will enable the next wave** of innovation in AI, Machine Learning, Edge Compute, Quantum, etc.
- Essential skill gaps: **"digital natives" under age 35 are scarce** in the Government workforce.
- Major challenges: chronic cyber vulnerabilities, accelerating "consumerization" of government services, global innovation race, new regulations.

Specialization Is Critical

- Opaque, acronym-intensive landscape with **high level of complexity** and **expansive layers of regulation.**
- Unearthing and executing on opportunities **requires a deep understanding of customer priorities** that may not be publicly available.
- Rigorous, highly regulated government procurement process is **unfamiliar territory for most commercial companies.**

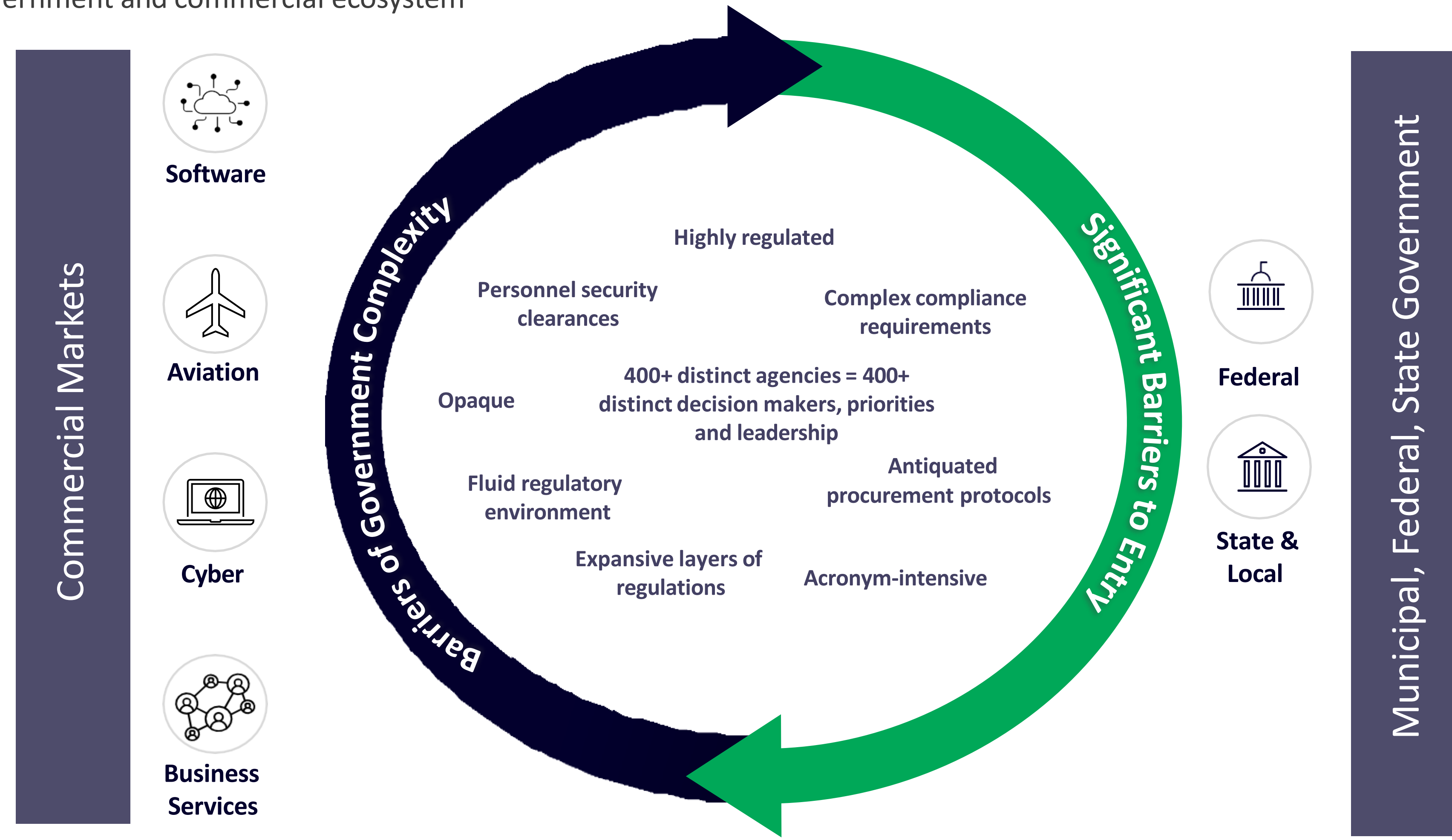
Our Market Values Trusted Partners

- With **50 years of experience** investing in our target markets, we are well known **and trusted by participants across the ecosystem.**
- We follow a **value creation playbook** developed and refined over 25 years of portfolio company work.
- **Knowledge and insights** from tapping our extensive network of CEOs, executives, functional specialists and subject matter experts.

Sources: (1) Deltek FY2024 Federal Budget Request Report. (2) OMB; DoD IT Budgets; Astralum proprietary research. Figures reflect unclassified spending only. Classified spending (Cybercom, NSA, CIA) is expected to grow at higher rates.

Nexus of Government and Commercial Markets

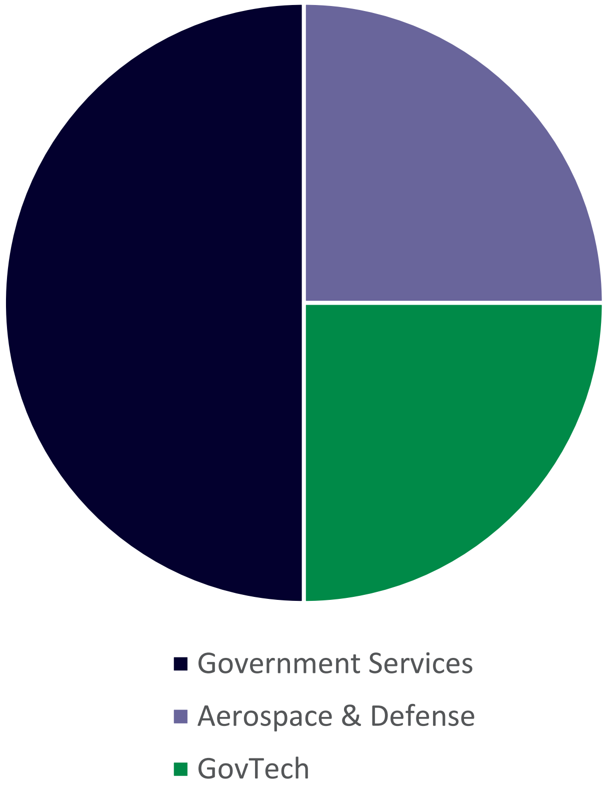
Requires specialized knowledge, relationships and security clearances to navigate the complex and opaque government and commercial ecosystem



5 Operating Partners – 50+ Executives

Portfolio Construction and Focus Areas

Sector Composition



Select Investment Themes

- **Government Services**
  - Citizen-facing services
  - Government-facing services
  - Efficiency initiatives
  - Cloud migration & digitization efforts
  - Data analytics & rapid software development
- **Aerospace & Defense**
  - Advanced manufacturing & supply chain optimization
  - Aviation services and MRO
  - Improved efficiency and de-carbonization
  - Near-peer threats and multi-domain operations
- **Government Software, Technology & Communications ("GovTech")**
  - Backend government software
  - Cybersecurity
  - Software and services for regulated industries (Education, Utilities, Infrastructure)

Any target sector allocation estimates herein regarding the number, size or type of investments that a CMP Fund may make (or similar estimates) are estimates based only on CMP's interest as of the date hereof and are subject to change due to market conditions and/or other factors.

Portfolio Review

Value Creation Playbook Refined Over 25 Years is a Differentiator

CMP brings the breadth and quality of "Big Firm" resources to the Middle Market

Two-part value creation plan for each investment during the underwriting and portfolio company onboarding process

Step 1: Acceleration Plan – First 100 Days	**Step 2:** Transformation Plan
• Establish pre-closing plan during due diligence, - Day 1 • Ensure short and long-term alignment of plan with management prior to closing • Allow for tactical follow-ups and solutions of issues identified in due diligence findings	• Formulate the key levers to drive value creation • Target human capital, operations, strategic growth, and capital investment initiatives that can take several years to implement • Identify key members of CMP network to implement and execute Transformation Plan

Value creation plans across B2G and Regulated Industries frequently have significant common elements, which we believe allows for replicable playbooks for value creation and knowledge sharing

Case Study

LMI

Company Overview

- **LMI** ("LMI" or the "Company") is a provider of technology-enabled management advisory, logistics, digital and analytics services and solutions to over 60 US federal agencies in the Defense & Space, Health & Civilian, Homeland Security and Intelligence markets
- Founded in the 1960s to help the Department of Defense resolve complex logistics management challenges, the Company continues to enable growth and transformation, enhance operational readiness and resiliency, and ensure mission success for US federal agencies
- CMP partnered with Declaration Partners (backed by the family office of David Rubenstein) and brought in 22C Capital (an investment firm specializing in technology and data analytics) to acquire LMI in a control transaction that closed in July 2022

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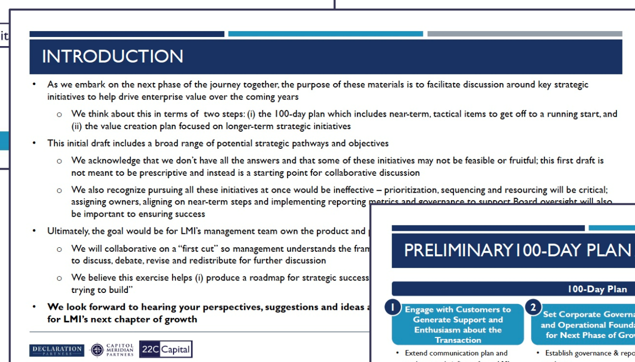
CAPITOL MERIDIAN PARTNERS

Key Metrics			
Investment Date:	July 2022	**Status:**	Active
Transaction Type:	Buyout / Platform	**Sector:**	Government Services

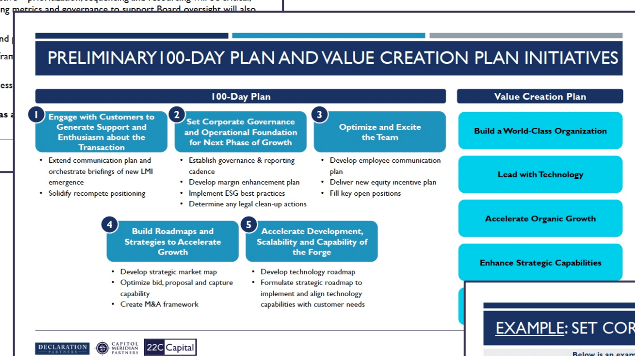
Transaction Overview	
Deal Sourcing	• Proprietary deal sourced via network relationship. No auction process. • LMI's Board and management team valued the investor group's blend of deep industry expertise and technology / data analytics resources to support the Company in achieving its strategic growth objectives
Investment Rationale	• **Franchise Market Positions / Strong Customer Relationships** – With its over 60-year legacy, the Company is well known in its franchise markets as a trusted partner to a range of federal agencies • **Aligned to Federal Market Growth Tailwinds** – The federal government is in the early stages of a generational digital transformation of IT infrastructure required to address a longstanding technology deficit, metastasizing cybersecurity threats, accelerating competition from geopolitical "near peers" (e.g., China and Russia) and growing demand for innovative digital services • **Platform Opportunity** – LMI represents a scaled platform from which to further acquire higher-value capabilities as well as new customer positions and access to contract vehicles to expand into additional agencies the Company does not serve today • **Operational Improvement Opportunities** – The Company has an opportunity to improve profitability with a greater focus on costs and increased scale. Due diligence included mapping the cost structure in detail and provided a basis to improve profitability
Value Creation Initiatives	• **Capabilities and expertise of CMP lines up well with opportunities for value creation:** ✓ Assemble a Strategic Advisory Board to support new business pursuits and proposals in the growing market for tech-enabled solutions and data analytics capabilities in the government ✓ Introduce seasoned executives from our respective networks to support, mentor and/or strengthen the leadership team as needed ✓ Accelerate the development, scalability and capability of LMI's in-house technology incubator and rapid prototyping lab to better serve its customers ✓ Establish best-in-class indirect cost targets and support the management team in its pursuit of these ✓ Execute a corporate acquisition strategy to add strategic capabilities, contract vehicles and customers

LMI Value Creation Plan Leverages Executive Network

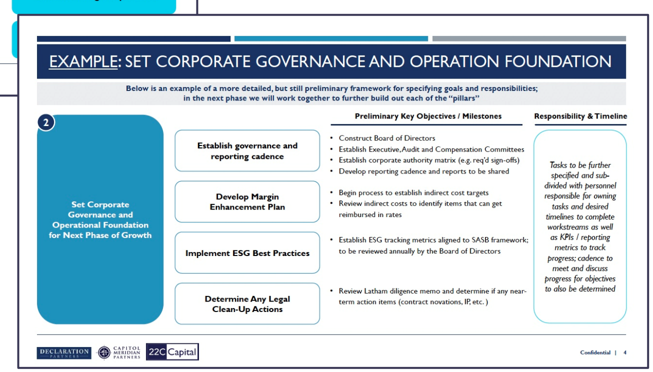
Formulating multi-pronged plan to accelerate the Company's transformation into a tech-enabled strategic partner to a broad array of Government agencies



Strategic plan to include customer engagement, top grading talent, re-organizing BPC function and scaling the Forge



First 100-Day priorities identified and being operationalized with CEO and leadership team



Optimizing governance to streamline and clarify decision-making

Operating Partner & Executive Roster:

1. Dennis Liberson (Human Capital)
2. Jackie Roberts (ESG)
3. Peter Malone (Gov't Expert)
4. Dr. Bruce Jette (Gov't Expert)
5. Phil Sweeney (Gov't Svcs CFO)
6. Others (To be discussed live)

Progress To-Date

LMI has made significant progress towards its value creation plan through Q3 2023

Summary

- Further invested in strengthening customer relationships and business development (BD) through senior growth-oriented hires and team build-out
- Pursuing margin enhancement opportunities via improved utilization and tech enablement
- Solidified M&A function; closed and fully integrated first add-on acquisition, adding key growth customer in Space market along with highly strategic capability set
- Strong initial performance against CMP underwriting case

Value Creation Plan Progress Highlights

1. Installed key industry veterans on LMI's Strategic Advisory Council, including General John W. Raymond (Space Force), Michael Morrell (Intelligence Community), Lt. Col. Jennifer Snow (Air Force), Mike Hayes (COO, VMWare), and Mark Esper (Former U.S. Secretary of Defense)
2. Created "Market CTO" role and hired/onboarded three Market CTOs: customer-facing technology experts enabling LMI's rapid delivery of tailor-made, technology-enabled solutions through the Forge
3. Top-graded leadership within LMI's Business Development organization, installing veteran LMI operator Josh Wilson as new President / SVP of Markets & Growth
4. Won key recompete with U.S. Customs and Border Protection - awarded five-year, $600mm PMOD contract (previous contract represented ~11% of FY2022A Revenue)

Case Study

altumint
AUTONOMOUS VISUAL INTELLIGENCE

Company Overview

- **Altumint, Inc.** ("Altumint" or the "Company"), based in Lanham, Maryland, is a provider of traffic safety and analytical solutions to state and local government customers. Altumint's integrated technology offering combines proprietary artificial intelligence software along with secure private cloud and back-end services to provide turnkey services to government customers.
- Capitol Meridian acquired a controlling stake in Altumint from the founder, Marcos Sirota, in an unbanked process, via a structured equity security with senior liquidation rights. CMP believes Altumint is a compelling platform from which to build a leading government solutions provider.

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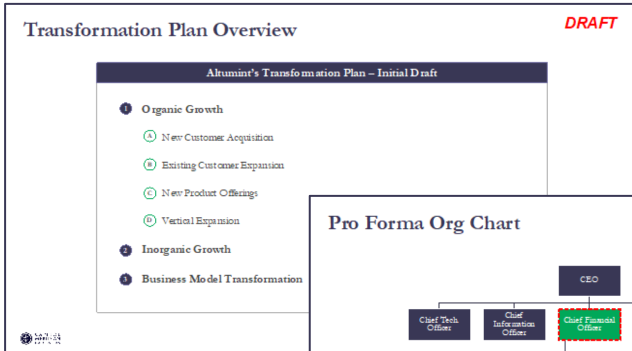
CAPITOL MERIDIAN PARTNERS

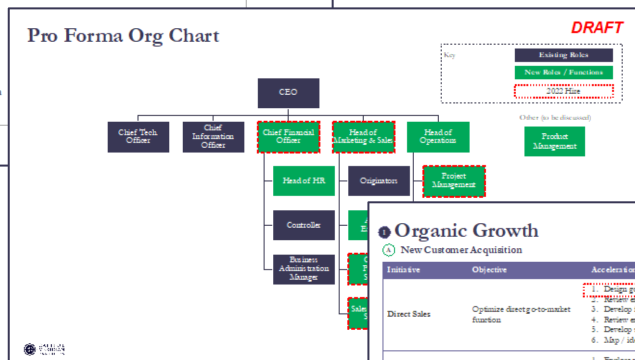
Key Metrics			
Investment Date:	April 2022	**Status:**	Active
Transaction Type:	Buyout / Platform	**Sector:**	Government / Tech Services

Transaction Overview	
Deal Sourcing	• Proprietary deal sourced via a network relationship. No banker was involved • Deal team leveraged insights from 6 executive advisers in our network to evaluate the opportunity holistically and develop a differentiated value creation plan to accelerate growth of Altumint organically and through acquisition
Investment Rationale	• **Large, Fragmented Market Opportunity** – Approximately half of US states have enabling legislation in place that supports Altumint's safety solutions, and there are more than 2,500 U.S. cities that have not yet deployed this infrastructure. There is an opportunity to build the leading player in Tier II/III market • **Compelling Value Proposition** – Altumint's turnkey solutions provide substantial safety benefits and a high ROI for governments driven by enhanced productivity and incremental revenue streams • **Tailwinds for Adoption** – Powerful tailwinds driving accelerating adoption including municipal government pressures from the pandemic, a 20-year trough in traffic safety concurrent with a spike in violent crime, and an ESG-driven push to leverage technology to reduce bias in traffic stops
Value Creation Initiatives	• **Strong Alignment with CMP Expertise and Capabilities:** ✓ 6 Executive resources, jointly sourced from Adam & Brooke's respective networks, with requisite specialty expertise to drive value creation across human capital, technology, sales & marketing, FP&A, and M&A ✓ Leveraging Motorola executive relationships to explore upside opportunities via law enforcement vertical channel partnerships ✓ Leveraged Government affairs expertise and relationships to pursue upside opportunities created by IIJA federal grants ✓ Homeland security – leveraging Adam's relationships to identify upside opportunities in homeland security and DoD

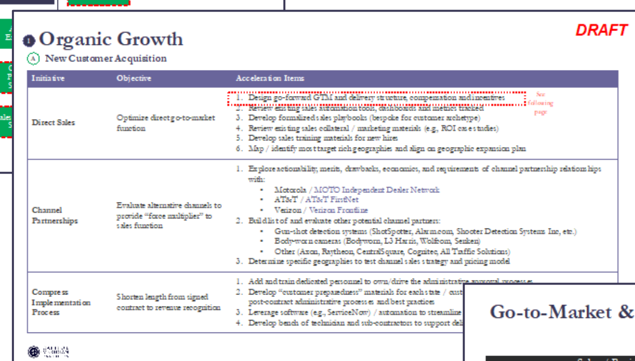
Value Creation Plan Leverages Executive Network



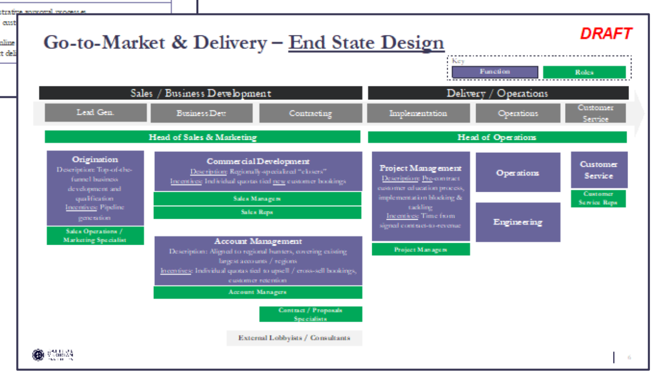
Bottoms-up game plan to drive Organic Growth, Inorganic Growth (M&A) and Business Model Optimization over CMP's holding period



Strategic plan to top grade human capital and build execution capacity in key operating roles. First searches underway pre-closing



Detailed plan to accelerate Direct Sales, develop Channel, and compress Sales Cycles



Optimized Go-to-Market Plan for State & Local Sales built by leading operator

Operating Partner & Executive Roster:

1. Dennis Liberson (Human Capital)
2. Jackie Roberts (ESG)
3. Sam Sliman (Chairman)
4. Mark Moon (Chair, Advisory Bd)
5. Bob Hannum (Go-to-Market)
6. Joann O'Connell (M&A)
7. Nik Gagvani (Technology)
8. Rich Whitlock (FP&A)

Progress To-Date

Altumint has made meaningful progress against its value creation plan objectives to date

Summary

- Installed seasoned operators to executive team and network resources to drive transformation plan initiatives
- Stood up Strategic Advisory Board consisting of law enforcement and state/local public safety luminaries
- Taken steps to professionalize a historically founder-owned and operated organization, including (i) establishing governance best-practices; (ii) enhancing real-time visibility on business health and momentum; and (iii) bolstering IT resiliency
- Performance tracking original CMP underwriting case

Value Creation Plan Progress Highlights

1 Organic Growth

- Recruited, hired and onboarded experienced Chief Commercial Officer (20+ years in State & Local technology sales roles)
- Hired 6 new sales reps to drive organic growth – have closed 20 new deals in 2023, representing ~200 systems across 15 new logos and 5 customer expansions
- Executed first 3 Speed and Red Light contracts in the State of Florida (Florida recently adopted legislation enabling automated traffic enforcement in July 2023)
- Secured first Pro-Automated Vehicle Recognition ("AVR") agreements in Florida and Georgia (AVR product not underwritten in original CMP base case)
- Altumint's addressable market has grown significantly since transaction closing in April 2022, with Florida, Connecticut and California recently passing legislation allowing for automated traffic enforcement

2 Inorganic Growth

- On December 7th, acquired portfolio of 12 automated traffic enforcement contracts (representing ~85 installed units) from Rekor Systems (NAS: REKR); 14 employees conveyed
- Acquisition brings immediate additional scale and revenue diversity, strengthens leadership position in Maryland – at time of acquisition:
  - Nearly doubled size of installed system base and recurring revenue base (as % of net revenue)
  - Provided entry point into State of New York
  - Accretive purchase price at 1.3x revenue & 4.9x Adjusted EBITDA

3 Business Transformation

- Recruited, hired and onboarded two highly-experienced C-Suite officers:
  - Chief Executive Officer (Holly Cooper): Public safety technology industry veteran with experience at large, public competitor; originally brought on as COO and promoted to CEO in August 2023
  - Chief Financial Officer (Sue Vestri): 30+ years of experience across high-growth PE-backed and publicly-traded companies

Case Study

PrimeFlight

Company Overview

- **PrimeFlight** (or the "Company") is a diversified aviation services platform serving the commercial, general aviation and cargo end markets, principally in North America and Europe
- The Company provides a broad portfolio of above-wing and below-wing on-ramp services to >800 customers across 235+ stations (airports) globally
- PrimeFlight is led by CEO Dan Bucaro – this is the third time CMP Principals have partnered with Dan, including prior successful investments in Landmark Aviation and the original formation of PrimeFlight
- CMP partnered with The Sterling Group to pursue an LBO of the Company; opportunistic entry valuation enabled via a broken auction process, as well as CMP's ability to move quickly and decisively through diligence, and secure committed financing in a challenging market

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CAPITOL MERIDIAN PARTNERS

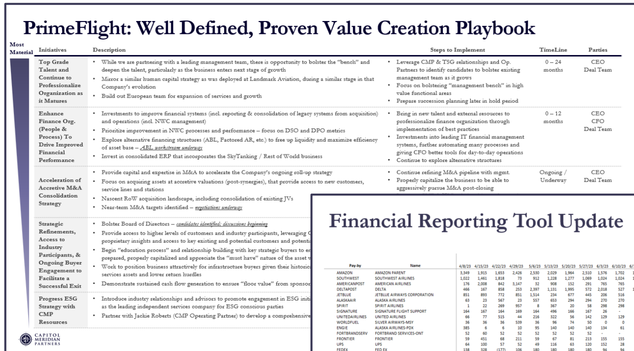
Key Metrics

Investment Date:	May 2023	**Status:**	Active
Transaction Type:	Buyout / Platform	**Sector:**	Aviation Services

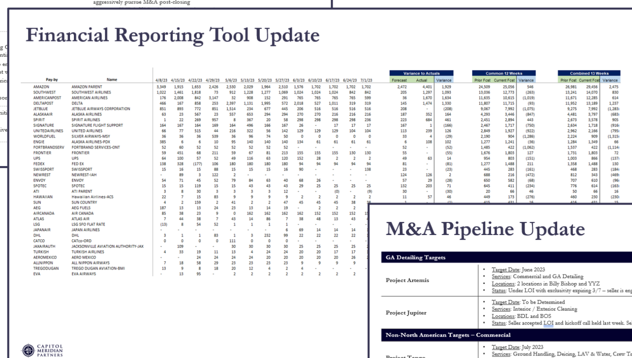
Transaction Overview

Deal Sourcing	• Sourced via broken auction process; proprietary angle stemming from prior history with the Company and management • CMP's longstanding history with management, sector knowledge and ability to move through the process with speed and certainty helped differentiate CMP as the "buyer of choice" • CMP believes it was able to acquire the Company at an attractive valuation given the macro environment and has numerous levers for value creation
Investment Rationale	• **World Class Management Team with a Deep Bench and Proven Ability to Deliver Value Creation** – Dan and his team have repeatedly demonstrated their ability to create value through improving operations, driving organic growth, and executing accretive M&A; demonstrated across multiple prior successful partnerships, including Landmark Aviation and PrimeFlight • **Favorable End Market Dynamics** – Growing and recession-resistant total addressable market supported by continued outsourcing trends (~40% of aviation services still performed in-house) and ongoing flight volume recovery post-COVID (typical GDP+ growth market is expected to grow at ~8% CAGR for next several years) • **Superior Operating Performance Driving Strong Customer Relationships and New Wins** – Market leading performance metrics, including delivery of flight critical services (>99% on-time) and contract retention (~96%) • **Proven M&A Growth Machine with Significant Consolidation Opportunity** – Proven M&A playbook and highly actionable pipeline of acquisition targets at accretive transaction values; completed 20 acquisitions from 2018 – 2022
Value Creation Initiatives	• **Value Creation Plan is Well Defined, Previously Demonstrated and Already Under Implementation:** ✓ Top grade talent and continue to professionalize organization as it matures ✓ Improvements within finance organization (people & processes) ✓ Strategic refinements, access to industry participants and ongoing buyer engagement to facilitate a successful exit ✓ Comprehensive ESG strategy leveraging CMP's network resources ✓ Acceleration of accretive M&A consolidation strategy

Value Creation Plan Leverages Executive Network

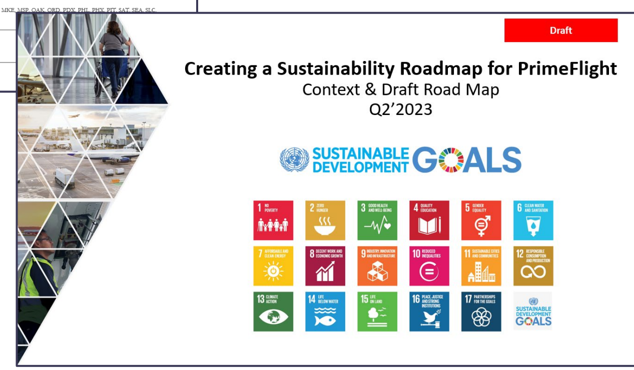


Well-defined, proven value creation playbook developed during diligence



Strategic plan includes top grading of management talent, enhancement of finance organization, and improvement of financial tools & capabilities

CMP actively engaged and providing ample resources to accelerate the Company's consolidation strategy of complementary assets at accretive values



Progressing the Company's ESG strategy to position Company as "ESG Aviation Service Provider of Choice"

Operating Partner & Executive Roster:

1. Dennis Liberson (Human Capital)
2. Jackie Roberts (ESG)
3. Andrea Newman (Market)
4. Jeff Martin (Market)
5. Rich Whitlock (FP&A)
6. David Barnes (Strategy /M&A)

Progress To-Date

PrimeFlight has achieved early progress against our value creation plan

Summary

- Leveraged atypical access to management during the interim sign-to-close period to get a head start on CMP's value creation initiatives
- Installed a $50mm ABL facility at closing to create ample liquidity to fund growth – ABL subsequently upsized to $70mm in connection with incremental M&A financing ($30mm financing)
- Early success top-grading certain talent (particular focus on FP&A function and SkyTanking), as well as re-invigorating the M&A pipeline
- Experiencing record commercial RFP volumes in both the US and Europe as the market recovers and outsourcing rates accelerate
- Won a new cargo handling site from Amazon Air (takeaway from large competitor) – expected to contribute ~$7mm of annualized EBITDA

Value Creation Plan Progress Highlights

1. Hired new Chief Accounting Officer, Corporate Controller and Director of Tax to enhance the Company's accounting, tax and FP&A capabilities
2. Engaged our network (Rich Whitlock) on comprehensive review of billing and collection processes to improve NWC performance (DSOs)
3. Completed seven strategic acquisitions, primarily focused on growing the Company's below wing service offerings in Europe and Rest of World – at a ~5x blended LTM EBITDA multiple (prior to synergies)
4. Hired new SVP of M&A from the CMP network; several new M&A targets being pursued or currently under LOI, at attractive valuations (and with strong industrial logic)
5. Engaged Jackie Roberts on comprehensive review of current – and development of future – ESG initiatives and capabilities, globally

Case Study

CLARITY

Company Overview

- **Clarity Innovations LLC** (“Clarity” or the “Company”) is a provider of software development services, AI/ML-based analytics solutions, and cyber operations software to the U.S. National Security community
- Founded in 2012, Clarity helps the government redefine its relationship with technology by blending national security mission expertise with commercial innovation to elevate warfighter effectiveness
- We believe Clarity represents a unique opportunity to partner with the Founders and existing management team to acquire a high-growth platform supporting strategic missions for the U.S. National Security community and leverage our experience and extensive network in these specific end markets to further grow, diversify, and scale the business

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CAPITOL MERIDIAN PARTNERS

Key Metrics

Investment Date:	November 2023	**Status:**	Active
Transaction Type:	Buyout / Platform	**Sector:**	Government Services

Transaction Overview

Deal Sourcing	• Sourced via targeted auction process (1 of 4 parties); proprietary angle stemming from relationship with Founders and management team (CMP first met in November 2022) • Clarity team was highly-focused on finding the right partner to help build and scale Clarity into a premier National Security platform • CMP’s deep domain expertise, network of resources, and partnership approach helped differentiate CMP as the preferred partner
Investment Rationale	• **Capabilities Well-Aligned to National Security Priorities and Growth Tailwinds** – Clarity’s capabilities (e.g., full-stack agile software development, data engineering and advanced AI/ML-based analytics solutions, cyber operations software) align closely with evolving National Security technology priorities and strategic objectives • **Serving "Leading Edge" National Security Customers** – Clarity is seen as a trusted partner to clients representing the forefront of the National Security Community (e.g., SOCOM, JSOC, USCYBERCOM, Various Classified Agencies) • **Attractive Competitive Positioning** – With its breadth of customer relationships, prime positions on key programs, differentiated IP and capabilities (CarbonReach), high customer satisfaction scores, strong reputation for technical execution, and attractive financial profile, Clarity compares highly-favorably to other National Security businesses • **Strong Alignment with CMP Capabilities** – The capabilities, expertise, and experience inherent within CMP and our operating partner and executive networks line up well with Clarity’s needs
Value Creation Initiatives	• **Capitalize on long-term investment in strategic missions for the U.S. National Security community, while executing against a clear Value Creation Plan focused on four key pillars:** ✓ Accelerate bid, proposal & capture flywheel to increase share of wallet in a growing customer set ✓ Invest in new technology development to continue to build integrated solutions that (i) anticipate the needs of current and future customers and their missions and (ii) stitch together the confluence of current Clarity capabilities ✓ Professionalize, develop, and scale historically founder-owned, founder-led business ✓ Acquire complimentary businesses that (i) accelerate customer expansion; (2) expand and complement current capability sets; and/or (iii) accelerate “down-range” product roadmaps

Team Biographies

Appendix: Team Bios

Brooke Coburn spent over 25 years with The Carlyle Group in investing roles in Carlyle's U.S. buyout and U.S. Growth/Middle Market teams and, more recently, in a senior management role as Deputy CIO of Carlyle's $65B Real Asset segment and a member of the firm's Management Committee. Prior to these responsibilities, he was a founding member of Carlyle's Technology, Media & Telecom (TMT) practice and Carlyle's U.S. Middle Market & Growth Private Equity Group, where he served as a Fund Head for more than a decade. Brooke has more than 25 years of experience investing in middle market companies with deep expertise in TMT and technology-enabled business services. Mr. Coburn played a leadership role with a number of Carlyle's investments including Gemcom Software, ECI Software, Coalfire Systems, Wyyerd Broadband, Worldstrides, Bredbandsbolaget, Prime Communications, Sonitrol, WCI Cable, Genesis Cable, Core Location, NetMotion Wireless, Catapult Learning, Neptune Communications, Pacific Telecom Cable, and a number of foundational data center assets that were combined to form Coresite (NYSE: COR).

Brooke serves on the boards of Wyyerd, TDF Ventures, WMVY Radio, the Institute of Citizens & Scholars (f/k/a Woodrow Wilson National Fellowship Foundation), and is the Chairman of the Washington National Cathedral, where he also chairs the investment committee of the WNC parent organization, the Protestant Episcopal Cathedral Foundation. He is a passionate ice hockey coach (USAH Level 4), avid endurance sport athlete (Clydesdale division), and devoted husband and father of three. He received an AB with honors from Princeton University.

Appendix: Team Bios

Adam Palmer spent over 25 years with The Carlyle Group, most recently as Managing Director/Partner and Head of the Global Aerospace, Defense and Government Services (ADS) investment team beginning in March 2011, and additionally as Fund Head of Carlyle's Equity Opportunity Fund I and II for the last 2 years before his departure. From the time he joined Carlyle in 1996, Mr. Palmer played an important role in a number of key investments in the ADS sector, including Aviall, Avio, Landmark Aviation I & II, RPK Capital, Vought Aircraft Industries, United Defense, U.S. Investigations Services, Wesco Aircraft Holdings and Novetta, as well as current investments in PrimeFlight, Titan, Sequa and StandardAero.

He currently serves as a board member of AeroDesign Labs, Parry Labs and LMI Consulting. Mr. Palmer received a BA in International Political Economy from Duke University.

Mr. Palmer currently serves as a member of the Board of Trustees of the Smithsonian Institution's Hirshhorn Museum and Sculpture Garden and is also a founding member of Halcyon Angels, a network of angel investors committed to fueling the growth of early-stage impact-focused ventures. He lives in Washington, D.C. with his wife and twin 10-year-old children.

Appendix: Team Bios

Mike Gozycki

Partner

Mike Gozycki spent over 15 years with The Carlyle Group, most recently as a Managing Director focused on a broad range of growth and middle market technology investments in both North America and Europe, where he was a senior leader within the firm's Government Technology ("GovTech") investment practice. Since joining Carlyle in 2007, Mr. Gozycki was a member of the Board of Directors while managing Carlyle's investments in Archive Systems (sold to Access Information Management), Coalfire Systems (sold to Apax Partners), ECi Software Solutions (sold to Leonard Green Partners), NetMotion Software (sold to Absolute Software (NASDAQ: ABST)), Primatics Financial (sold to SS&C Technologies (NASDAQ: SSNC)), Quorum Business Solutions (sold to Silver Lake Partners), Schoolnet (sold to Pearson plc (NYSE: PSO)), and Unison (sold to Madison Dearborn Partners), among others. Mr. Gozycki was most recently a member of the Board of Directors of Carlyle portfolio companies CNSI, Inc. and Net Health Systems.

Prior to joining Carlyle, Mr. Gozycki held a variety of roles with Staples, Inc., focusing on supply chain strategy, acquisition integration and fulfillment operations. Prior to Staples, Mr. Gozycki worked for Siebel Systems and directed the implementation of Customer Relationship Management (CRM) solutions for Fortune 50 clients in the aerospace, energy and telecommunications industries. Mr. Gozycki also worked in Arthur Andersen's Government Consulting Practice. Mr. Gozycki received an M.B.A. from the Tuck School of Business at Dartmouth, where he was a Research Fellow in the Glassmeyer/McNamee Center for Digital Strategies and a B.A. in History from the College of the Holy Cross.

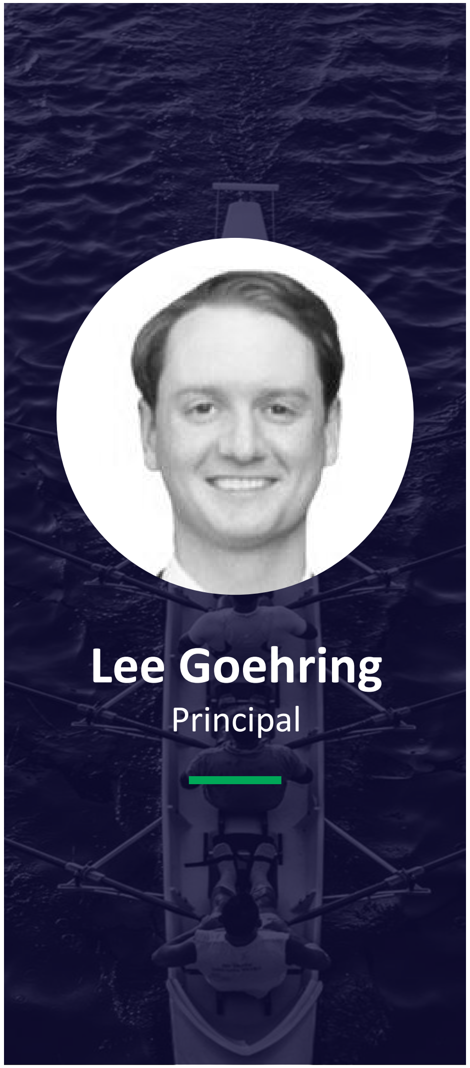
Appendix: Team Bios

Andrea Pekala

Partner & CFO/CCO

Andrea Pekala is the CFO and CCO of Capitol Meridian Partners. Andrea brings over 25 years of experience, most recently as the CFO and CCO of Martis Capital. Prior to Martis Capital, Andrea was a Principal at The Carlyle Group, serving as the Deputy Head of the Fund Management Group, overseeing the administration of Carlyle's U.S. Growth Buyout and Mexico funds, among others, and headed up the strategic operations group. Andrea started her career at PwC. She received a B.S. in Accounting from the University of Maryland and is a CPA (currently non-active).

Appendix: Team Bios



Lee Goehring spent more than five years with The Carlyle Group in investing roles in Carlyle's U.S. Buyout and U.S. Growth/Middle Market teams before joining Peak Rock Capital, where he served as Vice President in the U.S. Technology team. Lee has over seven years' experience in middle-market software and technology investing and has deployed over $1 billion in equity across eight buyside investments.

During his time at Carlyle, Lee played an important role in a number of platform investments including Coalfire Systems, ECi Software, Net Health Systems, and Unison Global (f/k/a Compusearch Software Systems). Lee was also selected to spend a year in Carlyle's Executive Group, where he supported Carlyle's C-Suite in executing various strategic initiatives across Carlyle's private equity and real asset business units. At Peak Rock Capital, Lee helped lead the firm's investment in Amtech Software, Peak Rock's first enterprise software platform investment.

Lee received a bachelor's degree of business administration in corporate finance from the Kenan- Flagler Business School at the University of North Carolina at Chapel Hill. He began his career with Morgan Stanley in their Investment Banking Division in New York. Originally from Northern Virginia, Lee lives in Washington, D.C. with his wife.

Appendix: Team Bios

Henry Johnson

Vice President

Henry Johnson spent three years with The Carlyle Group as an investment professional within U.S. Buyout, focused on the Aerospace, Defense and Government Services ("ADGS") sectors. In addition to pursuing new investment opportunities, Henry supported strategy and value creation for the existing portfolio of assets. Henry brings over seven years of cumulative ADGS industry experience. He is currently responsible for Capitol Meridian's investment in PrimeFlight, where he serves as a Director.

During his time at Carlyle, Henry played an important role in several platform investments and follow-on acquisitions, including Carlyle's acquisition of Loc Performance; Carlyle's preferred equity investment and refinancing of Sequa Corporation; Loc Performance's combination with Continental St. Marys; StandardAero's acquisition of Dallas Airmotive; StandardAero's acquisition of PTS Aviation; and StandardAero's acquisition of EB Airfoils. Additionally, Henry helped lead certain monetization events for Carlyle, including the sale of Precoat Metals and Chromalloy. He was also actively involved in U.S. Buyout's recruiting, hiring and training efforts.

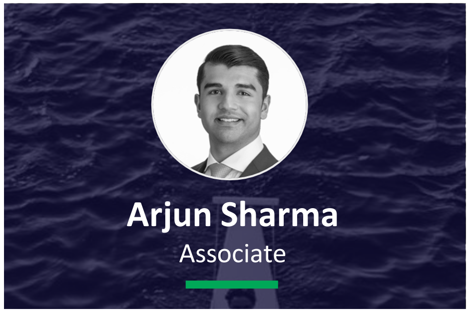
Henry began his career with Jefferies in New York, where he focused on investment banking opportunities in the Aerospace & Aviation sectors. Henry received a B.A in Economics from Wake Forest University. He lives in Washington, D.C. with his wife.

Appendix: Team Bios

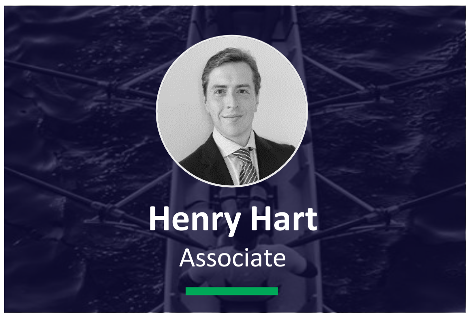
Mark Allen is the Director of Finance at Capitol Meridian Partners, bringing with him fifteen years of experience in finance, accounting, compliance, reporting and investor service. He spent the last twelve years with The Carlyle Group, most recently serving as the Corporate Tax Controller. Most of his tenure at The Carlyle Group was in the Partnership Accounting group, where he was the Fund Controller for the U.S. Buyout, U.S. Growth Buyout, Financial Services and strategic Managed Accounts funds.

Mark began his career at Deloitte in their audit practice, with clients primarily in the financial services and insurance industries. He received a B.S. in Accountancy and a B.S. in Business Administration (Management Information Systems) from the Villanova School of Business where he graduated Magna Cum Laude. He is a CPA, licensed in the Commonwealth of Pennsylvania (currently non-active). Originally from Maryland, he currently lives in Northern Virginia with his wife and two children.

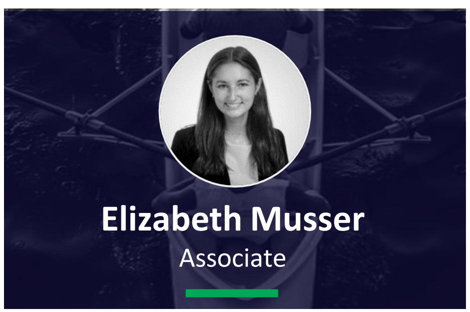
Appendix: Team Bios



<u>Arjun Sharma</u> is an Associate at Capitol Meridian Partners. Prior to joining CMP, Arjun was in Investment Banking at Houlihan Lokey, where he focused on structuring and executing M&A transactions in the Aerospace, Defense, and Government Services sectors. Arjun received a B.S. in Finance, with distinction, from the University of Maryland.



<u>Henry Hart</u> is an Associate at Capitol Meridian Partners. Prior to joining CMP, Henry was in Investment Banking at Guggenheim Partners, where he focused primarily on executing M&A transactions in the Technology and Industrial Technology sectors. Henry received a B.A. in History from Yale University.



<u>Elizabeth Musser</u> is an Associate at Capitol Meridian Partners. Prior to joining CMP, Elizabeth was in Investment Banking at Citi in New York, where she focused on opportunities in the Consumer and Retail sectors. Elizabeth received a B.A. in Physics and Computer Science from Georgetown University.

Appendix: Operating Partner Bios

Tiffanny Gates

Focus Area: National Security; Operations & Platform Integration

Tiffanny Gates is an Operating Partner focused on operations and platform integration, with particular expertise building and leading platforms in the National Security sector. As a Senior Managing Director and National Security portfolio lead at Accenture Federal Services, Tiffanny led teams of the industry's top data scientists, software engineers and analysts who deliver disruptive, technology-enabled solutions - including AI/ML, cyber, cloud and information exploitation - for defense, intelligence, and law enforcement clients.

Gates joined Accenture Federal Services through the acquisition of Novetta where she was President and CEO from 2017 to 2021 during which she doubled both the company's topline revenue and employee base. Under her leadership, Novetta pioneered innovative technologies in machine learning, data analytics, cyber, open-source analytics, cloud engineering, DevSecOps and multi-intelligence analytics to advance critical federal missions.

Prior to Novetta, Gates led cyber, software, and technology solutions divisions for Raytheon, Blackbird Technologies, and ManTech. She joined ManTech following the successful 2008 acquisition of Emerging Technologies Group, where she was President and CEO.

Earlier in her career, Tiffanny worked with the Naval Security Group and the National Security Agency. She served in the U.S. Navy as a Cryptologic Officer. She holds a Bachelor of Science from the United States Naval Academy.

Appendix: Operating Partner Bios

Niloofar Razi Howe

Focus Area: Technology & Cybersecurity

Niloofar Razi Howe has been an investor, executive and entrepreneur in the technology industry for the past 25 years, with a focus on Cybersecurity for the past 15. Ms. Howe is a Senior Operating Partner at Energy Impact Partners, a VC fund investing in companies shaping the energy landscape of the future. She also serves on the Board of Directors of Tenable (NASDAQ: TENB), Morgan Stanley Private Bank, NA and Morgan Stanley Bank, NA, Pondurance (as Executive Chair), Recorded Future, Swimlane, Tamr, and on the Board of Advisors of Dragos, Enveil, RangeForce, and Picnic Threat. She is a life member at the Council on Foreign Relations, a Fellow, International Security Initiative at New America, a nonprofit, nonpartisan think tank, and has served as an advisor to the Department of Defense. Her non-profit work includes serving on the board of IREX, an international development and education organization working in over 120 countries focused on promoting social justice and lasting change, as Chair and as a Member of the Board of Trustees of the Smithsonian National Museum of Asian Art.

Previously, Ms. Howe served as Chief Strategy Officer and SVP of Strategy and Operations at RSA, a global cybersecurity company where she led corporate strategy, corporate development and planning, business development, global program management, business operations, security operations and Federal business development. Prior to RSA, Ms. Howe served as the Chief Strategy Officer of Endgame, Inc., a leading enterprise software security company, where she was responsible for driving market and product strategy, as well as leading marketing, product management, corporate development and planning. Ms. Howe graduated with honors from Columbia College and holds a JD cum laude from Harvard Law School.

Appendix: Operating Partner Bios

Dennis Liberson

Focus Area: Organizational & Human Resource Strategies

Dennis H. Liberson is an Operating Partner focusing on organizational and human resource strategies, human capital planning, acquisition and development. He previously worked with Brooke Coburn as part of Carlyle's investment in WorldStrides and several other projects. Dennis is based in Washington, DC.

Previously, Liberson was Executive Vice President of Human Resources and Corporate Real Estate for Capital One Financial Corporation from 1995 to 2003, following its spin-off from Signet Bank. During this period, Capital One grew from fewer than 2,000 to over 24,000 associates. Liberson was the architect of Capital One's human resource strategy and programs, including recruitment, selection, and competency-based performance management, compensation, and employee development. He was also responsible for Capital One's capacity planning and corporate real estate functions.

Under Liberson's leadership, Training Magazine named Capital One its top company for human resource development in 2001. Workforce Magazine featured Capital One in a case study highlighting its talent acquisition strategies in December 2000. Liberson was regarded an innovator in organization and human resource strategies and was frequently asked to address professional groups.

Liberson received his Masters Degree in Labor and Industrial Relations (M.L.I.R.) from Michigan State University. He has a B.A. in Economics and Government from The College of William and Mary in Williamsburg, Virginia.

Appendix: Operating Partner Bios

Peter Malone

Focus Area: Government Services, Policy & Strategy

Peter Malone is an Operating Partner focused on the aerospace, defense and government services sectors. Mr. Malone currently serves on the boards of Dynamic Precision Group, Titan Holdings and The Fletcher School of Law and Diplomacy. He recently left the board of Novetta Solutions upon its sale to Accenture. He also sponsors the National Security Fellows program at Harvard's Kennedy School.

Between 1985 and 2013, Mr. Malone served as Senior Managing Director of CSP Associates, Inc., a firm he co-founded. CSP is a leading strategy advisory firm specializing in the aerospace, defense and information technology sectors. The firm provides strategic advisory services to major industrial corporations, foreign and domestic governments and financial investors. While continuing to lead CSP's defense practice—and retaining a strong interest in national security policy—Mr. Malone co-chaired the firm's very active transaction advisory practice. Since 1989, CSP Associates has provided advisory services with respect to approximately 700 aerospace, defense or information technology transactions.

Prior to joining CSP Associates, Mr. Malone practiced corporate and international law with the Boston firm of Hale and Dorr (now WilmerHale). He has also served as a Consultant to the Rand Corporation and a Research Fellow at Harvard's Center for Science and International Affairs (now the Belfer Center).

Mr. Malone holds a JD from Harvard Law School, a PhD from The Fletcher School of Law and Diplomacy and a BA from University of Massachusetts. He is the author of The British Nuclear Deterrent (New York: St. Martin's Press, 1984) as well as journal articles and numerous proprietary analyses.

Appendix: Operating Partner Bios

Jackie Roberts

Focus Area: Environmental, Social & Governance

Jackie Roberts joined AppHarvest in 2020 as Chief Sustainability Officer following an accomplished career in the field with leadership roles at both The Carlyle Group and Environmental Defense Fund. In her time at The Carlyle Group, Jackie oversaw the integration of Environmental, Social and Governance (ESG) concerns into the investment process, supporting both investment teams and investors. In her role as Chief Sustainability Officer, she also worked hands-on to support The Carlyle Group's portfolio companies in bringing together value creation and sustainability. In her work, she also engaged in the emerging field of impact investing.

At the Environmental Defense Fund, Jackie served as a Senior Director, Director and Program Manager, and oversaw the creation of a partnerships program that helped reduce environmental impact at global icons including McDonald's, Starbucks and FedEx. As recognition of her efforts, she received the White House Presidential Environment and Conservation Challenge Award. In addition to corporate sustainability, her work also focused on climate change issues, including clean energy solutions, innovative technologies and the connections between economic development and clean energy policy.

Beyond The Carlyle Group and Environmental Defense Fund, Jackie also has worked as an engineer for the U.S. Environmental Protection Agency's Superfund program and served as a Senior Research Fellow at Harvard Business School. She holds a bachelor's degree in chemical engineering from Yale University and master's degrees from both the Yale School of Management and Yale School of the Environment. Jackie has served on the boards of numerous nonprofits, including the Appalachian Mountain Club outdoors organization, Arizona State University's Global Institute of Sustainability, and Conservation International's Center for Environmental Leadership in Business.

Agenda Item 10.0

January 12, 2024

SUBJECT: Disability Retirement and Active Member Death Policy and Procedure

SUBMITTED FOR: __ CONSENT _X_ ACTION ___ INFORMATION

RECOMMENDATION

Adopt the proposed amendments to the *Disability Retirement and Active Member Death Policy and Procedure* to bring the policy into compliance with recent changes in state law.

PURPOSE

To amend the policy to comply with new state legislation that added additional disability presumptions as described below.

DISCUSSION

Assembly Bill 1020 was signed into law by the Governor on October 8, 2023. Effective January 1, 2024, this new legislation added the following additional safety member disability presumptions as follows:

- Post-traumatic stress disorder
- Tuberculosis
- Meningitis
- Skin cancer
- Lyme disease
- Lower back impairment and required to wear a duty belt
- Hernia or pneumonia

The policy amendments were approved by disability counsel.

ATTACHMENTS

Disability Retirement and Active Member Death Policy and Procedure – mark-up
Disability Retirement and Active Member Death Policy and Procedure – clean

BRIAN MCKELVEY
Asst. Chief Executive Officer

Disability Retirement and Active Member Death Policy and Procedure

I. Purpose

A. The purpose of this policy is to provide a procedure for acting upon applications to the Board for disability retirement and related rights, benefits and privileges inuring to Members of the San Joaquin County Employees' Retirement Association (SJCERA) and their designated beneficiaries. It is intended that applications be fairly and expeditiously processed, that the applicant and the Board have fair notice of any required hearing and consider sufficient facts to arrive at a true and fair decision on the application. For the purposes of a fair hearing, the Board shall act as an independent body, finding facts and applying law. Upon receipt of the recommendation from the SJCERA Chief Executive Officer (CEO), the Board may approve, dismiss, or deny the application, or take other appropriate action authorized by the California Employees Retirement Law of 1937 (CERL) and, if applicable, the Public Employees' Pension Reform Act of 2013 (PEPRA).

II. Definitions

A. Unless the context otherwise requires, the definitions in this section shall govern the construction of this policy and procedures.

1. "Interested Party" means any person, including an Applicant, a Member to whom an Application pertains, the Fund, and any authorized representatives of each of them, disclosed by the records of SJCERA or by the Application to have a legal interest in the subject matter of the Application.

2. "Applicant" means any person or entity that has filed an application for disability retirement benefits or a survivor allowance resulting from an active Member's death, which may include any Member of SJCERA, the head of the office or department in which the Member is or was last employed, the Board or its agents, or any other person claiming benefits, rights, or privileges under the CERL and, if applicable, PEPRA.

3. "Application" means a claim for disability or active member death benefits, rights, or privileges under CERL and, if applicable PEPRA, submitted to SJCERA by an Applicant on a form authorized by SJCERA for that purpose.

4. "Application Packet" means the documents that an Applicant is required to provide to SJCERA before an Application will be deemed submitted or filed for processing and evaluation. These documents include: a completed and signed application form, completed and signed questionnaires, signed authorizations for release of information, all relevant medical records and reports, and such other documents and information reasonably required by

SJCERA pursuant to this policy and procedure.

5. “Board” means the San Joaquin County Employees’ Retirement Association’s Board of Retirement.

6. “Board’s Counsel” means an employed staff attorney, an attorney from the Office of County Counsel, or other independent counsel designated by the Board pursuant to Government Code Section 31529.9.

7. “The Fund” means the trust fund governed by the Board pursuant to Government Code Section 31588 and administered under the CERL solely for the overall best interest of Members and their beneficiaries. The Fund shall be a real Party in interest at all disability hearings conducted under this policy and independent Fund Counsel, who does not advise the Board with respect to such proceedings, shall represent the Fund in such hearings.

8. “Disability Medical Provider” means medical, psychiatric, or other healthcare experts retained by SJCERA to examine Members and provide opinion evidence regarding permanent disability and causation issues.

9. “Retirement Office” means the physical office of SJCERA at the address posted on www.sjcera.org.

10. “Member” means the SJCERA member who is the subject of the Application or on whose behalf the Application is filed.

11. “Fund Counsel” means the attorney retained by SJCERA to represent the interests of the Fund in investigating and evaluating Applications, providing recommendations to SJCERA, and representing the Fund before the Board.

12. References to written notice or any notice in writing from or by SJCERA mean that such notice may be delivered electronically, by first class mail or certified mail at the discretion of the CEO.

III. Representation by Counsel

A. Any Interested Party, at that Party’s expense, may hire and be represented by an attorney subject to the provisions of this section. No Applicant is required to have an attorney at any time. It is advised, however, that Applicants consider retaining an experienced attorney knowledgeable in CERL and disability retirement matters.

B. If any Interested Party becomes represented by an attorney, either such Party or such attorney shall promptly file with the Retirement Office and serve upon all other Interested Parties written notice of such representation, including the attorney’s name, address, and telephone number. Unless appearing with an Interested Party at a hearing, an attorney shall not be deemed counsel of record until such notice of representation is duly filed and served. The Interested Party shall be deemed represented by said attorney until written notice of withdrawal or substitution of said attorney is filed with SJCERA and served on all other

Interested Parties.

C. The failure to retain an attorney or to provide written notice of representation by such attorney shall in no event be considered good cause, in and of itself, to delay any proceeding under this policy and procedure.

IV. Communication with Individual Board Members

A. The Board is the decision-maker for all Applications. As such, communications concerning the merits or substance of an Application between any Board member and any Interested Party or their representatives, other than the CEO, are forbidden until the Board's decision is final and the time to appeal by writ or otherwise has expired. This prohibition shall remain in effect during the pendency of any writ, appeal, and rehearing. A copy of the *Ex Parte Communication Policy* can be found at www.sjcera.org.

V. Confidential Records

A. All individual records of Members (including, but not limited to, reports, sworn statements, medical reports and records, applications, notices, orders, and findings and decision relating to an application for disability retirement) are confidential and shall not be disclosed by SJCERA to anyone except as set forth in these procedures, upon order of a court of competent jurisdiction, or upon written authorization by the Member.

VI. Application Process

A. Applications may be filed by SJCERA Members, the head of the office or department in which the Member is or was last employed, the Board or its agents, any other person acting on a Member's behalf, or as authorized by CERL.

B. <u>Claim</u>

1. A claim for disability retirement or survivor allowance shall be made by filing a complete Application Packet with the Retirement Office. The Application shall not be deemed complete or filed until the Applicant has submitted all of the following to the Retirement Office:

   a) An Application, on a form approved by SJCERA for that purpose, signed and complete with all requested information therein. The Application shall include a specific description of the injuries, conditions, and diagnoses that give rise to that alleged permanent incapacity.

   b) Signed authorizations for release of medical and other information deemed by SJCERA relevant to a full and complete evaluation of the Application.

c) A physician's statement dated no earlier than a year prior to the date of the Application, in a form approved by SJCERA for that purpose complete with all requested information therein, signed and dated by the physician, stating that the Member is permanently incapacitated.

d) Copies of all medical/psychiatric reports and records relevant to the claims made in the Application.

e) All other documents and information that support the granting of the Application.

C. Initial Review of the Application Packet

1. Within 30 days of receipt of an Application Packet for filing, SJCERA shall review the submitted Application Packet and determine whether the application is complete and acceptable for filing. If the Application is determined to be complete, SJCERA shall notify the Applicant electronically and/or by U.S. mail that the Application has been accepted for filing. A complete Application shall be deemed filed as of the date SJCERA received the Application.

2. If, during the 30-day review period in this section, the Application Packet is determined to be incomplete, SJCERA shall notify the Applicant of the deficiency(ies) and that the application has been rejected for filing as incomplete.

D. Further Information Required from Applicant

1. If at any time during the pendency of the Application, the Applicant changes, in any material way, the facts or claims set forth in the Application, the Applicant shall immediately file with the Retirement Office, and serve on all Parties, written notice of such change, including any changes in employment or accommodation and any medical evidence supporting such an amendment. The failure to do so, may, in the discretion of the Board, preclude the Applicant from asserting the facts so alleged or introducing evidence with respect thereto. Notice of any such amendment shall be given, in writing, to Retirement Office within ten (10) days of the date thereof, and in no event later than thirty (30) days prior to any proceeding before the Board or Referee.

2. At any time during the pendency of an Application or in connection with any re-evaluation of the Member’s disability status permitted under CERL, the Board or SJCERA may, by written notice to the Applicant, require that the Applicant produce within 30 days any or all of the following items. Said items shall be accompanied by a declaration (on a form approved by SJCERA for that purpose) signed by the Applicant under penalty of perjury affirming that the Applicant has made a diligent search and reasonable inquiry and that no other responsive items exist.

a) Copies of records, reports, notes, statements, documents, photographs, or other writings, within the definition of Evidence Code Section 250.

b) A narrative report of the Member's current medical condition, and a list of the names and contact information for all of the Member's healthcare providers.

c) Written responses to written questions concerning any matter that is reasonably calculated to lead to the discovery of evidence that would be admissible at a hearing. Said written responses shall be accompanied by a declaration (on a form approved by SJCERA for that purpose) signed by the Applicant under penalty of perjury affirming the truthfulness and completeness of the responses.

3. Any Interested Party shall be entitled to notice and take oral depositions in the manner prescribed by the California Code of Civil Procedure, except that there shall be no distinction between the depositions of expert and non-expert witnesses, and the provisions of the California Code of Civil Procedure pertaining to the depositions of expert witnesses shall not apply. The Party noticing a deposition shall pay any and all deposition costs and the fees to which a witness may be entitled.

E. Investigation and Evaluation

1. Before an administrative recommendation is made to the Board or a hearing before a Referee is set, the following shall be completed:

a.) Within 90 days after an Application is accepted for filing, SJCERA will request any and all records that may be relevant to the determination of the Application. These may include, but are not necessarily limited to, the following: medical, psychiatric, psychological, chiropractic, physical therapy, and acupuncture records; radiology and ultrasound records; electrodiagnostic testing records; laboratory (blood, urine, pathology, etc.) testing records; psychological testing records; personnel and human resources records, incident and injury reports; reports prepared by any law enforcement agency; the Member's complete worker's compensation file pertaining to the subject claim and other potentially related claims including all medical records, reports, deposition transcripts, etc.; HIV and alcohol treatment/testing records in cases where these conditions are at issue.

b.) SJCERA shall require a written statement from the employer/department regarding employment status, job duties, work restrictions and accommodations, if any.

c.) All reasonably pertinent records will be provided to the Disability Medical Provider and the Fund's Counsel.

d.) The Fund's Counsel and/or the Disability Medical Provider will review and summarize the records. The Fund's Counsel will coordinate independent medical examination(s) as necessary and appropriate.

e.) Additional records may be requested or subpoenaed of the Applicant or others.

f.) All medical examinations required of the Member are completed and reports thereof have been submitted to SJCERA.

g.) The Fund's Counsel will review medical findings and other evidence and make recommendations to the CEO.

h.) Applicant is notified of pending action.

i. If the Fund's Counsel determines based upon findings and SJCERA procedures that the Applicant has met their burden of proof to show eligibility for a disability retirement benefit, staff will place the matter on the closed session consent calendar at a Board of Retirement meeting with a recommendation to grant the application.

ii. If the Fund's Counsel determines based upon findings and SJCERA procedures that the Applicant has not met their burden of proof to receive a disability retirement benefit, the CEO will be notified. The Applicant will be notified and given the option to request a hearing. (See below.)

F. <u>Medical Examinations</u>

1. Members may be required to undergo one or more medical or psychiatric examinations by a physician or physicians of SJCERA's choice as necessary to evaluate the conditions and diagnoses presented in the Application. Such examinations may be unnecessary in the following cases: (1) where the Member has already been examined by at least one qualified medical expert and there is overwhelming and undisputed medical evidence that the Member is permanently incapacitated, such that referring the Member to another examination would be futile; and (2) where the Applicant has not submitted substantial medical evidence that the Member is permanently incapacitated, such that referring the Member to an examination would be unjustified.

2. Members must cooperate during the medical or psychiatric examination process and, if requested, must promptly provide additional medical records and information, or submit to additional examinations.

3. SJCERA shall at least fifteen (15) days before the appointment date, serve the Member (and if the Applicant is not the Member, the Applicant) with written notice of the date, time and place of the medical or psychiatric examination. Notice may be served electronically and/or by first-class mail through the US Postal Service. If the Member is unable to keep the

examination appointment, the Member or their attorney shall notify SJCERA or the Fund's Counsel in writing of such fact at least ten (10) calendar days before the scheduled examination. Failure to provide such notice and appear for the medical examination without good cause may result in the Board assessing medical cancellation fees against the Member and/or any other penalties for failure to comply with these Disability Retirement procedures.

4. The cost of such medical examinations shall be borne by SJCERA.
5. If the examination is at a facility located outside of San Joaquin County, Members may request SJCERA reimburse mileage costs incurred for travel between the examination address and either the San Joaquin County line or the Member's home address, whichever is less. SJCERA will not reimburse for out-of-state travel. Except as set forth in this paragraph, unless otherwise authorized by the Board, travel expenses that are incurred by Members or other Interested Parties relating to these procedures, including but not limited to appearances at hearings, Board meetings and medical examinations, are not eligible for reimbursement by SJCERA.

G. Penalties for Failure to Comply with Disability Retirement Procedures.

1. The failure of an Applicant to comply with the requirements set forth in these procedures may result in a recommendation to dismiss the Application. Upon the Board's own motion or a recommendation by the CEO, and 30 days' written notice to the Applicant without cure, the Board may:
   a) Dismiss any Application in which the Board finds the Applicant to be non-compliant with these procedures. Failure to comply includes, but is not limited to: failure to submit to a duly noticed medical examination, failure to cooperate with any medical examination without good cause, failure, or refusal to comply with, any notice or demand made pursuant to this policy, failure to cooperate in the formal hearing process, and failure to comply with any order of the Board or the Referee.
   b) Dismiss the Application with prejudice upon a finding of bad faith actions, dilatory or frivolous tactics causing undue delay in the proceedings, disobedience to a lawful order, and/or obstruction of the due course of a hearing proceeding.

H. CEO's Recommendation

1. The CEO may recommend to the Board that a Member be retired for service-connected or nonservice-connected disability retirement benefits. The recommendation shall be in writing and include:
   a) A determination of permanent physical or mental incapacity for the performance of the Member's duties;
   b) A determination whether the incapacity is the result of an injury or disease arising out of and in the course of the Member's employment

and whether such employment contributed substantially to the incapacity;

c) A summary of the evidence in support of the recommendation.

I. <u>Setting the Matter for Hearing</u>

1. If, after investigation, the CEO determines that the Applicant has failed to meet their burden of proof regarding any element legally necessary for the granting of the Application, the Applicant will be notified of its decision in writing, giving the Applicant the following options, if applicable:

   a) If the Applicant has met their burden of proof regarding permanent incapacity but not service connectedness:

      i. The Applicant may amend the Application from service-connected to nonservice-connected disability retirement or death to permit SJCERA to recommend that the Board grant a nonservice-connected disability retirement or death without need for hearing; or

      ii. The Applicant may request both of the following: a hearing on the issue of service-connection, and a request that the Board grant a nonservice-connected disability retirement or survivor allowance;

   b) Stipulate to waive the right to hearing and withdraw the Application.

   c) Request a hearing on all issues presented by the Application.

2. If a written response is not received from the Applicant within thirty (30) calendar days after issuing the written notice in section VI.I.1 above, SJCERA shall commence dismissal procedures under section VI.G for noncompliance.

3. In cases where, as set forth in section VI.I.1.a above, the Applicant has opted to amend the Application from service-connected to nonservice-connected disability retirement, or where the Applicant requests a nonservice-connected disability retirement or survivor benefit and a hearing on the issue of service-connection, SJCERA will recommend that the Board grant a nonservice-connected disability retirement or death benefit.

4. The Applicant may withdraw the Application at any time prior to the Board's final determination. Any withdrawal of an application prior to the assignment to a Referee shall be deemed a withdrawal without prejudice. A withdrawal without prejudice means that any re-submission of the withdrawn application will be considered a new application that must meet all filing requirements, including timely filing requirements. Any withdrawal of an application after the assignment to a Referee will be deemed to be with prejudice. An application withdrawn with prejudice precludes subsequent submission of the withdrawn application based on the same disability, injury or disease in the absence of new evidence.

VII. Hearings Before A Referee

A. Referral to Referee

1. If the Applicant timely requests a hearing, the matter shall be referred for hearing de novo before a Board-appointed Referee. The Referee shall be provided by the Office of Administrative Hearings of the State of California or by a prescreened panel of acceptable Referees selected by SJCERA. Compensation for the Referee shall be determined by the CEO and shall be paid by SJCERA.

B. Notification of Referral to Referee and Statement of Issues; Certification of Issues, Documents and Witnesses

1. Before a hearing date is set, the following notifications and certifications shall be provided:

    a) The Fund's Counsel shall notify the Applicant in writing that SJCERA has referred the matter to hearing before a Referee and that a Referee will be appointed and a hearing scheduled as soon as SJCERA receives the certification required by this section. The written notice will further advise that if SJCERA does not receive the required certification within 30 calendar days, SJCERA will commence dismissal procedures under section VI.G for noncompliance.

    b) The written notice will include the following:

        i. A list of issues to be determined at the hearing and the names and contact information of all witnesses that may be called by the Fund's Counsel to testify at the hearing.

        ii. A copy of SJCERA's Disability Retirement Policy and Procedures.

        iii. An electronic copy of all medical records, reports, and other nonprivileged documents in SJCERA's file that have been obtained as part of the disability retirement application process. If the Applicant is not the Member, such records shall not be disclosed to the Applicant unless authorized by the Member, the Referee or the Board of Retirement.

    c) Notwithstanding anything in this subdivision, unless otherwise ordered by the Referee or the Board, SJCERA shall only furnish psychiatric and/or other mental health reports and records to the Member's attorney or a treating physician designated by the Member in writing.

    d) Enclosed with the notice to the Applicant will be a form which will require the Applicant to certify the following:

        i. That there are no additional documents to introduce as evidence at the hearing other than those provided to the Applicant in electronic form along with SJCERA's letter. If there are additional documents, the Applicant must provide them to SJCERA along with the signed certification form. Unless otherwise ordered by the Referee or by stipulation of the parties, any documents not produced with the certification will be barred from introduction as evidence at hearing.

ii. Whether the Applicant will be represented by an attorney at the hearing and, if so, the name and contact information for the attorney.

iii. List the names and contact information for any witnesses the Applicant intends to call to testify at the hearing. Unless otherwise ordered by the Referee or by stipulation of the parties, any witnesses not identified by the Applicant on the certification shall be barred from testifying at the hearing.

C. Setting the Hearing Date

1. Within 30 days of the timely receipt of the Applicant's certification of documents and witnesses, the Fund's Counsel shall contact the Applicant or their attorney to select a mutually agreeable hearing date. The hearing date selected must be no later than 90 days after the filing of the Applicant's certification of documents and witnesses. If an Applicant fails to respond to SJCERA's reasonable requests to set a hearing date, SJCERA may either schedule a hearing date or notify the Applicant in writing that continued failure to confer on a hearing date may result in dismissal of the Application for noncompliance. If the Interested Parties cannot agree on a hearing date, either Interested Party may request a prehearing conference with the Presiding Judge of the Office of Administrative Hearings to set the hearing date.

D. Time and Place of Hearings

1. Unless the parties and the Referee agree otherwise, all hearings shall take place at the Retirement Office. When the date and time of the hearing are selected, SJCERA shall notify the parties and the Referee of the time and place of the hearing.
2. Unless the parties and the Referee agree otherwise, all hearings are deemed set for one full day, beginning at 9:30 a.m. Unless the parties and the Referee agree otherwise, hearings which are not completed by the end of the day shall be continued to the next agreeable hearing date which shall be no more than 30 days from the initial hearing date.

E. Prehearing Conferences

1. At the request of any Interested Party, a prehearing conference may be scheduled with the Referee for the purpose of resolving any evidentiary, discovery and/or other prehearing disputes or issues. Prehearing conferences may be conducted personally or telephonically. Following the prehearing conference, the Referee may issue any orders relating to briefing,

discovery, and/or the conduct of the hearing, including the final exchange of documents and witnesses.

2. Unless otherwise stipulated by the parties, a prehearing conference is mandatory in all cases where the Applicant is unrepresented by counsel.

F. Determining Issues

1. The Referee shall determine all issues presented by the Application by a preponderance of the evidence, including the following, if applicable:

    a) Whether the Member was employed prior to January 1, 1981, and was required as a condition to such employment to execute a waiver for the alleged disability under Government Code Section 31009;

    b) Whether the Member is disabled, that is, whether there is a substantial mental or physical incapacity to perform the Member's normal and usual employment duties ("incapacity");

    c) Whether the incapacity is permanent;

    d) Whether, for nonservice-connected disability, the Member has completed five (5) years of service;

    e) Whether for a service-connected disability:

        i. the incapacity is a result of injury or disease

        ii. the injury or disease arose out of and in the course of the Member's employment; and

        iii. the employment contributed substantially to the incapacity.

    f) Whether, for Members described in Government Code Sections 31720.5, 31720.6, 31720.7 or 31720.9 alleging heart trouble, cancer, blood-borne infectious disease, or illness due to exposure to biochemical substances:

        i. the Member has completed five (5) years of safety service, if required;

        ii. the Member has the condition alleged;

        iii. the Member is permanently incapacitated due to the condition alleged;

        iv. the condition developed while a qualified Member of SJCERA;

        v. and whether the presumption of the relevant Government Code Section has been rebutted

G. Conduct of Hearing

1. A stenographic reporter shall record the proceedings of all hearings

authorized by the Board at SJCERA's cost. Any transcription and copies shall be charged to the requesting Party. The hearing shall be considered closed to the public. The Referee shall mark for identification only, and not as evidence, all exhibits submitted by the parties, which should include:

a) the completed Application Packet;

b) the notice of hearing, with proof of service on the Applicant;

c) other documents required to be submitted by this policy including, without limitation, relevant medical reports, medical records, employment records, worker's compensation records, etc.

2. Hearing Process.

   a) Each Party may make an opening statement.

   b) Each other Party then shall present evidence, in the order determined by the Referee in accordance with each Party's burden of proof and burden of presenting evidence to establish such proof.

   c) Each Party may cross-examine witnesses.

   d) Rebuttal evidence may be presented.

   e) Each Party may make oral closing arguments.

   f) Upon the conclusion of all closing arguments, the Referee shall determine if all parties are ready to submit the matter for decision, and if so, or if the Referee otherwise orders for good cause, the Referee shall close the hearing and declare the matter submitted for decision.

H. Stipulations

1. Nothing in these procedures may be construed as preventing the parties from stipulating to lesser time requirements than prescribed in these procedures. The Referee may, upon written notice and for good cause shown, lengthen or shorten the times specified in these procedures.

VIII. Rules of Evidence

A. Burden of Proof

1. The Applicant has the burden of proving by a preponderance of the evidence each affirmative issue on which the Application depends. In addition, if the Applicant seeks to assert one or more of the legislative presumptions afforded by the Government Code ~~Sections 31720.5 (heart trouble), 31720.6 (cancer), 31720.7 (blood-borne infectious disease), or 31720.9 (illness due to exposure to biochemical substances),~~ then the Applicant first must establish their entitlement to invoke the asserted presumption by offering prima facie evidence of each foundational element required by the applicable Government Code section(s), and the

presumption(s) so invoked shall be rebuttable as provided in the applicable section(s).

B. Evidence

1. Oral evidence shall be taken only on oath or affirmation. Unless expressly waived by an opposing Party, all written evidence shall be sworn to or given under penalty of perjury, subject to Subsection E, below.

C. Witnesses

1. Each Party may call and examine witnesses, introduce exhibits, and cross-examine and impeach any witness on any matter relevant to the issues. If the Applicant or any other Party does not testify on that Party's own behalf, that Party may be called and examined as if under cross-examination under Evidence Code Section 776.

D. Refusal of Witness

1. Refusal by an Applicant or other Party to submit to examination or to answer relevant questions shall be grounds for considering those questions to be answered unfavorably to the refusing Party for the purpose of that hearing, and for denying the relief or benefits sought by the refusing Party.

E. Hearing Conduct

1. The hearing need not be conducted according to the technical rules of law relating to evidence and witnesses. Any relevant evidence shall be admitted if it is the sort of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rule that might make improper the admission of such evidence over objection in civil actions. Hearsay evidence may be used for the purpose of supplementing or explaining any direct evidence but shall not be sufficient in itself to support a finding unless it would be admissible over objection in civil actions.

F. Certified Copies

1. Certified copies of the reports and records of any governmental agency, division or bureau, will be accepted as evidence in lieu of the original thereof.

G. Deposition Transcripts/Video Recordings

1. Any Party may offer, and the Referee shall receive into evidence, any relevant deposition transcript and/or video recording thereof if: (1) the deposition was taken in the manner provided by law or by stipulation of the Parties; and (2) at least twenty (20) calendar days before the hearing the offering Party delivered a copy of the transcript and/or video recording of the deposition to all Parties along with notice of intent to introduce same into evidence. Nothing herein shall require or permit receiving into evidence any deposition testimony to which objection is properly raised if such

testimony would be inadmissible were the witness present and testifying at the hearing. Deposition transcripts/video recordings shall be admissible notwithstanding that the deponent is available to testify. Depositions of experts, including medical experts, may be introduced in lieu of live testimony pursuant to Code of Civil Procedure Section 2025.620(d)

H. Written Medical Reports As Evidence

1. A written medical report bearing the signature of the medical witness shall be admissible in evidence as the author's direct testimony. Such medical reports shall not be inadmissible on the basis that they constitute hearsay. Each Party has the right to cross-examine the authors of medical reports pursuant to a subpoena issued and served in compliance with these procedures.

I. Subpoena Powers and Witness Fees

1. Subpoena powers shall be vested in the Board officers, the CEO and the Referee in accordance with Government Code Section 31535. Subpoenas shall be requested through the Fund's Counsel who shall transmit the request to SJCERA. Subpoenas issued shall be transmitted to the Party requesting the subpoena. The requesting Party shall have the sole responsibility for serving and enforcing the subpoena and for paying all costs associated with the subpoena.

2. A written motion to quash a subpoena may be made to the Referee on one or more of the following grounds, which shall be clearly and fully stated in the motion and supported by declarations under penalty of perjury:

   a) Compliance will be unduly burdensome or against public policy.

   b) The things subpoenaed are privileged by law.

   c) The things subpoenaed are irrelevant or unnecessary to the proceedings.

   d) The things subpoenaed have not been described with sufficient clarity to enable the witness to comply. Before it commences or continues with the proceeding, the Referee shall wholly or partially grant or deny the motion to quash.

3. The Party calling a witness to testify (whether by subpoena or otherwise) shall be solely responsible for paying any expert or nonexpert witness fees, mileage charges, and other costs associated with the witness' testimony. Non-expert witness fees and mileage charges shall be calculated as provided by law.

J. Service of Proposed Findings of Fact and Recommended Decision

1. Within 30 days after closing the hearing, the Referee will prepare a summary of the evidence received, findings of fact, conclusions of law, and

a recommended decision. In accordance with the provisions of Government Code Section 31533, the findings of fact and proposed recommendation of the Referee shall be served on the CEO, who in turn shall distribute a copy to all parties.

2. Either Party may submit written objections to the Referee's recommended decision to SJCERA within ten (10) calendar days from the date SJCERA distributes the notice to all parties. The non-objecting Party may submit their response to the objections 10 days after the filing of the objections. The written objections and response shall be incorporated into the record submitted to the Referee's consideration.

K. <u>Board's Decision</u>

1. Upon receipt and review of the recommended decision of the Referee and any filed objections and responses, the Board may:

a.) Approve and adopt the recommended decision of the Referee, or

b.) Refer the Application to the Referee for further hearing and/or consideration, or

c.) Require a written transcript or summary of all testimony plus all other evidence received by the Referee to be submitted by the CEO to the Board. Following its receipt and review of the transcript and evidence, the Board shall:

i. Take action as is appropriate to the evidence and the provisions of the CERL, or

ii. Refer the matter back to the Referee with or without instruction for further proceedings; or

iii. Set the matter for hearing de novo before itself. The Board shall hear and decide the matter as if it had not been referred to the Referee. Unless otherwise allowed by the Board, the hearing shall be confined to the evidence, witnesses, and issues set forth in the certification and statement required by this policy. All hearings before the Board shall require the attendance of at least the same seven (7) members throughout the hearing and shall be conducted as if it were a hearing held before a Referee in accordance with this policy.

IX. Final Decision

A. The Board's decision shall become final upon notice of the decision on all parties, including the employer.

B. <u>Judicial Review.</u> In those cases where a Party or Applicant is entitled to judicial review of the proceedings before the Board, any petition for writ of mandate shall be filed with the superior court within ninety (90) days from the date the notice of this Board’s decision is mailed to the Party or Applicant or is delivered to the Party or Applicant.

X. Law Prevails

A. In the event a conflict between this policy and CERL, PEPRA, or other applicable statutes arises, the law shall prevail.

XI. Policy Review

A. Staff shall review this policy 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. Effective upon adoption.

XII. History

3/1/2018	Bylaw Sections 8, 9, 10 & 11 Converted to Board Policy and Board of Supervisor approved Bylaws
06/28/2018	Staff updated format
08/10/2018	Modified the definitions of Applicant and Application to conform with SJCERA’s adopted code sections
07/12/2019	Revised to include definitions, add requirements that an application must meet before being filed, allow the member to elect not to go to hearing, allow the use of depositions, clarify mileage reimbursement may be requested for out-of-county travel to SJCERA-scheduled examinations, and specify that SJCERA may determine an examination is not required in some cases.
7/10/2020	Amended to clarify the use of a Referee for hearings, the order of the prehearing and hearing process, subpoena options, and penalties for noncompliance.
07/14/2023	Updated to reflect current practices including non-Member Applicant role, travel reimbursement, deadline for Referee’s recommended decision, and other minor clarifications.
01/12/2024	Updated to reflect new legislation adding additional presumptions.

Certification of Board Adoption:

~~7~~1/1~~4~~2/202~~3~~4

Clerk of the Board Date

Disability Retirement and Active Member Death Policy and Procedure

I. Purpose

A. The purpose of this policy is to provide a procedure for acting upon applications to the Board for disability retirement and related rights, benefits and privileges inuring to Members of the San Joaquin County Employees' Retirement Association (SJCERA) and their designated beneficiaries. It is intended that applications be fairly and expeditiously processed, that the applicant and the Board have fair notice of any required hearing and consider sufficient facts to arrive at a true and fair decision on the application. For the purposes of a fair hearing, the Board shall act as an independent body, finding facts and applying law. Upon receipt of the recommendation from the SJCERA Chief Executive Officer (CEO), the Board may approve, dismiss, or deny the application, or take other appropriate action authorized by the California Employees Retirement Law of 1937 (CERL) and, if applicable, the Public Employees' Pension Reform Act of 2013 (PEPRA).

II. Definitions

A. Unless the context otherwise requires, the definitions in this section shall govern the construction of this policy and procedures.

1. "Interested Party" means any person, including an Applicant, a Member to whom an Application pertains, the Fund, and any authorized representatives of each of them, disclosed by the records of SJCERA or by the Application to have a legal interest in the subject matter of the Application.
2. "Applicant" means any person or entity that has filed an application for disability retirement benefits or a survivor allowance resulting from an active Member's death, which may include any Member of SJCERA, the head of the office or department in which the Member is or was last employed, the Board or its agents, or any other person claiming benefits, rights, or privileges under the CERL and, if applicable, PEPRA.
3. "Application" means a claim for disability or active member death benefits, rights, or privileges under CERL and, if applicable PEPRA, submitted to SJCERA by an Applicant on a form authorized by SJCERA for that purpose.
4. "Application Packet" means the documents that an Applicant is required to provide to SJCERA before an Application will be deemed submitted or filed for processing and evaluation. These documents include: a completed and signed application form, completed and signed questionnaires, signed authorizations for release of information, all relevant medical records and reports, and such other documents and information reasonably required by

SJCERA pursuant to this policy and procedure.

5. “Board” means the San Joaquin County Employees’ Retirement Association’s Board of Retirement.

6. “Board’s Counsel” means an employed staff attorney, an attorney from the Office of County Counsel, or other independent counsel designated by the Board pursuant to Government Code Section 31529.9.

7. “The Fund” means the trust fund governed by the Board pursuant to Government Code Section 31588 and administered under the CERL solely for the overall best interest of Members and their beneficiaries. The Fund shall be a real Party in interest at all disability hearings conducted under this policy and independent Fund Counsel, who does not advise the Board with respect to such proceedings, shall represent the Fund in such hearings.

8. “Disability Medical Provider” means medical, psychiatric, or other healthcare experts retained by SJCERA to examine Members and provide opinion evidence regarding permanent disability and causation issues.

9. “Retirement Office” means the physical office of SJCERA at the address posted on www.sjcera.org.

10. “Member” means the SJCERA member who is the subject of the Application or on whose behalf the Application is filed.

11. “Fund Counsel” means the attorney retained by SJCERA to represent the interests of the Fund in investigating and evaluating Applications, providing recommendations to SJCERA, and representing the Fund before the Board.

12. References to written notice or any notice in writing from or by SJCERA mean that such notice may be delivered electronically, by first class mail or certified mail at the discretion of the CEO.

III. Representation by Counsel

A. Any Interested Party, at that Party’s expense, may hire and be represented by an attorney subject to the provisions of this section. No Applicant is required to have an attorney at any time. It is advised, however, that Applicants consider retaining an experienced attorney knowledgeable in CERL and disability retirement matters.

B. If any Interested Party becomes represented by an attorney, either such Party or such attorney shall promptly file with the Retirement Office and serve upon all other Interested Parties written notice of such representation, including the attorney’s name, address, and telephone number. Unless appearing with an Interested Party at a hearing, an attorney shall not be deemed counsel of record until such notice of representation is duly filed and served. The Interested Party shall be deemed represented by said attorney until written notice of withdrawal or substitution of said attorney is filed with SJCERA and served on all other

Interested Parties.

C. The failure to retain an attorney or to provide written notice of representation by such attorney shall in no event be considered good cause, in and of itself, to delay any proceeding under this policy and procedure.

IV. Communication with Individual Board Members

A. The Board is the decision-maker for all Applications. As such, communications concerning the merits or substance of an Application between any Board member and any Interested Party or their representatives, other than the CEO, are forbidden until the Board's decision is final and the time to appeal by writ or otherwise has expired. This prohibition shall remain in effect during the pendency of any writ, appeal, and rehearing. A copy of the *Ex Parte Communication Policy* can be found at www.sjcera.org.

V. Confidential Records

A. All individual records of Members (including, but not limited to, reports, sworn statements, medical reports and records, applications, notices, orders, and findings and decision relating to an application for disability retirement) are confidential and shall not be disclosed by SJCERA to anyone except as set forth in these procedures, upon order of a court of competent jurisdiction, or upon written authorization by the Member.

VI. Application Process

A. Applications may be filed by SJCERA Members, the head of the office or department in which the Member is or was last employed, the Board or its agents, any other person acting on a Member's behalf, or as authorized by CERL.

B. <u>Claim</u>

1. A claim for disability retirement or survivor allowance shall be made by filing a complete Application Packet with the Retirement Office. The Application shall not be deemed complete or filed until the Applicant has submitted all of the following to the Retirement Office:

    a) An Application, on a form approved by SJCERA for that purpose, signed and complete with all requested information therein. The Application shall include a specific description of the injuries, conditions, and diagnoses that give rise to that alleged permanent incapacity.

    b) Signed authorizations for release of medical and other information deemed by SJCERA relevant to a full and complete evaluation of the Application.

c) A physician's statement dated no earlier than a year prior to the date of the Application, in a form approved by SJCERA for that purpose complete with all requested information therein, signed and dated by the physician, stating that the Member is permanently incapacitated.

d) Copies of all medical/psychiatric reports and records relevant to the claims made in the Application.

e) All other documents and information that support the granting of the Application.

C. Initial Review of the Application Packet

1. Within 30 days of receipt of an Application Packet for filing, SJCERA shall review the submitted Application Packet and determine whether the application is complete and acceptable for filing. If the Application is determined to be complete, SJCERA shall notify the Applicant electronically and/or by U.S. mail that the Application has been accepted for filing. A complete Application shall be deemed filed as of the date SJCERA received the Application.

2. If, during the 30-day review period in this section, the Application Packet is determined to be incomplete, SJCERA shall notify the Applicant of the deficiency(ies) and that the application has been rejected for filing as incomplete.

D. <u>Further Information Required from Applicant</u>

1. If at any time during the pendency of the Application, the Applicant changes, in any material way, the facts or claims set forth in the Application, the Applicant shall immediately file with the Retirement Office, and serve on all Parties, written notice of such change, including any changes in employment or accommodation and any medical evidence supporting such an amendment. The failure to do so, may, in the discretion of the Board, preclude the Applicant from asserting the facts so alleged or introducing evidence with respect thereto. Notice of any such amendment shall be given, in writing, to Retirement Office within ten (10) days of the date thereof, and in no event later than thirty (30) days prior to any proceeding before the Board or Referee.

2. At any time during the pendency of an Application or in connection with any re-evaluation of the Member's disability status permitted under CERL, the Board or SJCERA may, by written notice to the Applicant, require that the Applicant produce within 30 days any or all of the following items. Said items shall be accompanied by a declaration (on a form approved by SJCERA for that purpose) signed by the Applicant under penalty of perjury affirming that the Applicant has made a diligent search and reasonable inquiry and that no other responsive items exist.

a) Copies of records, reports, notes, statements, documents, photographs, or other writings, within the definition of Evidence Code Section 250.

b) A narrative report of the Member's current medical condition, and a list of the names and contact information for all of the Member's healthcare providers.

c) Written responses to written questions concerning any matter that is reasonably calculated to lead to the discovery of evidence that would be admissible at a hearing. Said written responses shall be accompanied by a declaration (on a form approved by SJCERA for that purpose) signed by the Applicant under penalty of perjury affirming the truthfulness and completeness of the responses.

3. Any Interested Party shall be entitled to notice and take oral depositions in the manner prescribed by the California Code of Civil Procedure, except that there shall be no distinction between the depositions of expert and non-expert witnesses, and the provisions of the California Code of Civil Procedure pertaining to the depositions of expert witnesses shall not apply. The Party noticing a deposition shall pay any and all deposition costs and the fees to which a witness may be entitled.

E. Investigation and Evaluation

1. Before an administrative recommendation is made to the Board or a hearing before a Referee is set, the following shall be completed:

a.) Within 90 days after an Application is accepted for filing, SJCERA will request any and all records that may be relevant to the determination of the Application. These may include, but are not necessarily limited to, the following: medical, psychiatric, psychological, chiropractic, physical therapy, and acupuncture records; radiology and ultrasound records; electrodiagnostic testing records; laboratory (blood, urine, pathology, etc.) testing records; psychological testing records; personnel and human resources records, incident and injury reports; reports prepared by any law enforcement agency; the Member's complete worker's compensation file pertaining to the subject claim and other potentially related claims including all medical records, reports, deposition transcripts, etc.; HIV and alcohol treatment/testing records in cases where these conditions are at issue.

b.) SJCERA shall require a written statement from the employer/department regarding employment status, job duties, work restrictions and accommodations, if any.

c.) All reasonably pertinent records will be provided to the Disability Medical Provider and the Fund's Counsel.

d.) The Fund's Counsel and/or the Disability Medical Provider will review and summarize the records. The Fund's Counsel will coordinate independent medical examination(s) as necessary and appropriate.

e.) Additional records may be requested or subpoenaed of the Applicant or others.

f.) All medical examinations required of the Member are completed and reports thereof have been submitted to SJCERA.

g.) The Fund's Counsel will review medical findings and other evidence and make recommendations to the CEO.

h.) Applicant is notified of pending action.

   i. If the Fund's Counsel determines based upon findings and SJCERA procedures that the Applicant has met their burden of proof to show eligibility for a disability retirement benefit, staff will place the matter on the closed session consent calendar at a Board of Retirement meeting with a recommendation to grant the application.

   ii. If the Fund's Counsel determines based upon findings and SJCERA procedures that the Applicant has not met their burden of proof to receive a disability retirement benefit, the CEO will be notified. The Applicant will be notified and given the option to request a hearing. (See below.)

F. Medical Examinations

1. Members may be required to undergo one or more medical or psychiatric examinations by a physician or physicians of SJCERA's choice as necessary to evaluate the conditions and diagnoses presented in the Application. Such examinations may be unnecessary in the following cases: (1) where the Member has already been examined by at least one qualified medical expert and there is overwhelming and undisputed medical evidence that the Member is permanently incapacitated, such that referring the Member to another examination would be futile; and (2) where the Applicant has not submitted substantial medical evidence that the Member is permanently incapacitated, such that referring the Member to an examination would be unjustified.

2. Members must cooperate during the medical or psychiatric examination process and, if requested, must promptly provide additional medical records and information, or submit to additional examinations.

3. SJCERA shall at least fifteen (15) days before the appointment date, serve the Member (and if the Applicant is not the Member, the Applicant) with written notice of the date, time and place of the medical or psychiatric examination. Notice may be served electronically and/or by first-class mail through the US Postal Service. If the Member is unable to keep the

examination appointment, the Member or their attorney shall notify SJCERA or the Fund's Counsel in writing of such fact at least ten (10) calendar days before the scheduled examination. Failure to provide such notice and appear for the medical examination without good cause may result in the Board assessing medical cancellation fees against the Member and/or any other penalties for failure to comply with these Disability Retirement procedures.

4. The cost of such medical examinations shall be borne by SJCERA.
5. If the examination is at a facility located outside of San Joaquin County, Members may request SJCERA reimburse mileage costs incurred for travel between the examination address and either the San Joaquin County line or the Member's home address, whichever is less. SJCERA will not reimburse for out-of-state travel. Except as set forth in this paragraph, unless otherwise authorized by the Board, travel expenses that are incurred by Members or other Interested Parties relating to these procedures, including but not limited to appearances at hearings, Board meetings and medical examinations, are not eligible for reimbursement by SJCERA.

G. <u>Penalties for Failure to Comply with Disability Retirement Procedures.</u>

1. The failure of an Applicant to comply with the requirements set forth in these procedures may result in a recommendation to dismiss the Application. Upon the Board's own motion or a recommendation by the CEO, and 30 days' written notice to the Applicant without cure, the Board may:
    a) Dismiss any Application in which the Board finds the Applicant to be non-compliant with these procedures. Failure to comply includes, but is not limited to: failure to submit to a duly noticed medical examination, failure to cooperate with any medical examination without good cause, failure, or refusal to comply with, any notice or demand made pursuant to this policy, failure to cooperate in the formal hearing process, and failure to comply with any order of the Board or the Referee.
    b) Dismiss the Application with prejudice upon a finding of bad faith actions, dilatory or frivolous tactics causing undue delay in the proceedings, disobedience to a lawful order, and/or obstruction of the due course of a hearing proceeding.

H. <u>CEO's Recommendation</u>

1. The CEO may recommend to the Board that a Member be retired for service-connected or nonservice-connected disability retirement benefits. The recommendation shall be in writing and include:
    a) A determination of permanent physical or mental incapacity for the performance of the Member's duties;
    b) A determination whether the incapacity is the result of an injury or disease arising out of and in the course of the Member's employment

and whether such employment contributed substantially to the incapacity;

c) A summary of the evidence in support of the recommendation.

I. Setting the Matter for Hearing

1. If, after investigation, the CEO determines that the Applicant has failed to meet their burden of proof regarding any element legally necessary for the granting of the Application, the Applicant will be notified of its decision in writing, giving the Applicant the following options, if applicable:

   a) If the Applicant has met their burden of proof regarding permanent incapacity but not service connectedness:

      i. The Applicant may amend the Application from service-connected to nonservice-connected disability retirement or death to permit SJCERA to recommend that the Board grant a nonservice-connected disability retirement or death without need for hearing; or

      ii. The Applicant may request both of the following: a hearing on the issue of service-connection, and a request that the Board grant a nonservice-connected disability retirement or survivor allowance;

   b) Stipulate to waive the right to hearing and withdraw the Application.

   c) Request a hearing on all issues presented by the Application.

2. If a written response is not received from the Applicant within thirty (30) calendar days after issuing the written notice in section VI.I.1 above, SJCERA shall commence dismissal procedures under section VI.G for noncompliance.

3. In cases where, as set forth in section VI.I.1.a above, the Applicant has opted to amend the Application from service-connected to nonservice-connected disability retirement, or where the Applicant requests a nonservice-connected disability retirement or survivor benefit and a hearing on the issue of service-connection, SJCERA will recommend that the Board grant a nonservice-connected disability retirement or death benefit.

4. The Applicant may withdraw the Application at any time prior to the Board's final determination. Any withdrawal of an application prior to the assignment to a Referee shall be deemed a withdrawal without prejudice. A withdrawal without prejudice means that any re-submission of the withdrawn application will be considered a new application that must meet all filing requirements, including timely filing requirements. Any withdrawal of an application after the assignment to a Referee will be deemed to be with prejudice. An application withdrawn with prejudice precludes subsequent submission of the withdrawn application based on the same disability, injury or disease in the absence of new evidence.

VII. Hearings Before A Referee

A. Referral to Referee

1. If the Applicant timely requests a hearing, the matter shall be referred for hearing de novo before a Board-appointed Referee. The Referee shall be provided by the Office of Administrative Hearings of the State of California or by a prescreened panel of acceptable Referees selected by SJCERA. Compensation for the Referee shall be determined by the CEO and shall be paid by SJCERA.

B. Notification of Referral to Referee and Statement of Issues; Certification of Issues, Documents and Witnesses

1. Before a hearing date is set, the following notifications and certifications shall be provided:

   a) The Fund's Counsel shall notify the Applicant in writing that SJCERA has referred the matter to hearing before a Referee and that a Referee will be appointed and a hearing scheduled as soon as SJCERA receives the certification required by this section. The written notice will further advise that if SJCERA does not receive the required certification within 30 calendar days, SJCERA will commence dismissal procedures under section VI.G for noncompliance.

   b) The written notice will include the following:

      i. A list of issues to be determined at the hearing and the names and contact information of all witnesses that may be called by the Fund's Counsel to testify at the hearing.

      ii. A copy of SJCERA's Disability Retirement Policy and Procedures.

      iii. An electronic copy of all medical records, reports, and other nonprivileged documents in SJCERA's file that have been obtained as part of the disability retirement application process. If the Applicant is not the Member, such records shall not be disclosed to the Applicant unless authorized by the Member, the Referee or the Board of Retirement.

   c) Notwithstanding anything in this subdivision, unless otherwise ordered by the Referee or the Board, SJCERA shall only furnish psychiatric and/or other mental health reports and records to the Member's attorney or a treating physician designated by the Member in writing.

   d) Enclosed with the notice to the Applicant will be a form which will require the Applicant to certify the following:

      i. That there are no additional documents to introduce as evidence at the hearing other than those provided to the Applicant in electronic form along with SJCERA's letter. If there are additional documents, the Applicant must provide them to SJCERA along with the signed certification form. Unless otherwise ordered by the Referee or by stipulation of the parties, any documents not produced with the certification will be barred from introduction as evidence at hearing.

ii. Whether the Applicant will be represented by an attorney at the hearing and, if so, the name and contact information for the attorney.

iii. List the names and contact information for any witnesses the Applicant intends to call to testify at the hearing. Unless otherwise ordered by the Referee or by stipulation of the parties, any witnesses not identified by the Applicant on the certification shall be barred from testifying at the hearing.

C. <u>Setting the Hearing Date</u>

1. Within 30 days of the timely receipt of the Applicant's certification of documents and witnesses, the Fund's Counsel shall contact the Applicant or their attorney to select a mutually agreeable hearing date. The hearing date selected must be no later than 90 days after the filing of the Applicant's certification of documents and witnesses. If an Applicant fails to respond to SJCERA's reasonable requests to set a hearing date, SJCERA may either schedule a hearing date or notify the Applicant in writing that continued failure to confer on a hearing date may result in dismissal of the Application for noncompliance. If the Interested Parties cannot agree on a hearing date, either Interested Party may request a prehearing conference with the Presiding Judge of the Office of Administrative Hearings to set the hearing date.

D. <u>Time and Place of Hearings</u>

1. Unless the parties and the Referee agree otherwise, all hearings shall take place at the Retirement Office. When the date and time of the hearing are selected, SJCERA shall notify the parties and the Referee of the time and place of the hearing.
2. Unless the parties and the Referee agree otherwise, all hearings are deemed set for one full day, beginning at 9:30 a.m. Unless the parties and the Referee agree otherwise, hearings which are not completed by the end of the day shall be continued to the next agreeable hearing date which shall be no more than 30 days from the initial hearing date.

E. <u>Prehearing Conferences</u>

1. At the request of any Interested Party, a prehearing conference may be scheduled with the Referee for the purpose of resolving any evidentiary, discovery and/or other prehearing disputes or issues. Prehearing conferences may be conducted personally or telephonically. Following the prehearing conference, the Referee may issue any orders relating to briefing,

discovery, and/or the conduct of the hearing, including the final exchange of documents and witnesses.

2. Unless otherwise stipulated by the parties, a prehearing conference is mandatory in all cases where the Applicant is unrepresented by counsel.

F. Determining Issues

1. The Referee shall determine all issues presented by the Application by a preponderance of the evidence, including the following, if applicable:

   a) Whether the Member was employed prior to January 1, 1981, and was required as a condition to such employment to execute a waiver for the alleged disability under Government Code Section 31009;

   b) Whether the Member is disabled, that is, whether there is a substantial mental or physical incapacity to perform the Member's normal and usual employment duties ("incapacity");

   c) Whether the incapacity is permanent;

   d) Whether, for nonservice-connected disability, the Member has completed five (5) years of service;

   e) Whether for a service-connected disability:

      i. the incapacity is a result of injury or disease

      ii. the injury or disease arose out of and in the course of the Member's employment; and

      iii. the employment contributed substantially to the incapacity.

   f) Whether, for Members described in Government Code Sections 31720.5, 31720.6, 31720.7 or 31720.9 alleging heart trouble, cancer, blood-borne infectious disease, or illness due to exposure to biochemical substances:

      i. the Member has completed five (5) years of safety service, if required;

      ii. the Member has the condition alleged;

      iii. the Member is permanently incapacitated due to the condition alleged;

      iv. the condition developed while a qualified Member of SJCERA;

      v. and whether the presumption of the relevant Government Code Section has been rebutted

G. Conduct of Hearing

1. A stenographic reporter shall record the proceedings of all hearings

authorized by the Board at SJCERA's cost. Any transcription and copies shall be charged to the requesting Party. The hearing shall be considered closed to the public. The Referee shall mark for identification only, and not as evidence, all exhibits submitted by the parties, which should include:

a) the completed Application Packet;

b) the notice of hearing, with proof of service on the Applicant;

c) other documents required to be submitted by this policy including, without limitation, relevant medical reports, medical records, employment records, worker's compensation records, etc.

2. Hearing Process.

   a) Each Party may make an opening statement.

   b) Each other Party then shall present evidence, in the order determined by the Referee in accordance with each Party's burden of proof and burden of presenting evidence to establish such proof.

   c) Each Party may cross-examine witnesses.

   d) Rebuttal evidence may be presented.

   e) Each Party may make oral closing arguments.

   f) Upon the conclusion of all closing arguments, the Referee shall determine if all parties are ready to submit the matter for decision, and if so, or if the Referee otherwise orders for good cause, the Referee shall close the hearing and declare the matter submitted for decision.

H. Stipulations

1. Nothing in these procedures may be construed as preventing the parties from stipulating to lesser time requirements than prescribed in these procedures. The Referee may, upon written notice and for good cause shown, lengthen or shorten the times specified in these procedures.

VIII. Rules of Evidence

A. Burden of Proof

1. The Applicant has the burden of proving by a preponderance of the evidence each affirmative issue on which the Application depends. In addition, if the Applicant seeks to assert one or more of the legislative presumptions afforded by the Government Code then the Applicant first must establish their entitlement to invoke the asserted presumption by offering prima facie evidence of each foundational element required by the applicable Government Code section(s), and the presumption(s) so invoked shall be rebuttable as provided in the applicable section(s).

B. Evidence

1. Oral evidence shall be taken only on oath or affirmation. Unless expressly waived by an opposing Party, all written evidence shall be sworn to or given under penalty of perjury, subject to Subsection E, below.

C. Witnesses

1. Each Party may call and examine witnesses, introduce exhibits, and cross-examine and impeach any witness on any matter relevant to the issues. If the Applicant or any other Party does not testify on that Party's own behalf, that Party may be called and examined as if under cross-examination under Evidence Code Section 776.

D. Refusal of Witness

1. Refusal by an Applicant or other Party to submit to examination or to answer relevant questions shall be grounds for considering those questions to be answered unfavorably to the refusing Party for the purpose of that hearing, and for denying the relief or benefits sought by the refusing Party.

E. Hearing Conduct

1. The hearing need not be conducted according to the technical rules of law relating to evidence and witnesses. Any relevant evidence shall be admitted if it is the sort of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rule that might make improper the admission of such evidence over objection in civil actions. Hearsay evidence may be used for the purpose of supplementing or explaining any direct evidence but shall not be sufficient in itself to support a finding unless it would be admissible over objection in civil actions.

F. Certified Copies

1. Certified copies of the reports and records of any governmental agency, division or bureau, will be accepted as evidence in lieu of the original thereof.

G. Deposition Transcripts/Video Recordings

1. Any Party may offer, and the Referee shall receive into evidence, any relevant deposition transcript and/or video recording thereof if: (1) the deposition was taken in the manner provided by law or by stipulation of the Parties; and (2) at least twenty (20) calendar days before the hearing the offering Party delivered a copy of the transcript and/or video recording of the deposition to all Parties along with notice of intent to introduce same into evidence. Nothing herein shall require or permit receiving into evidence any deposition testimony to which objection is properly raised if such testimony would be inadmissible were the witness present and testifying at the hearing. Deposition transcripts/video recordings shall be admissible

notwithstanding that the deponent is available to testify. Depositions of experts, including medical experts, may be introduced in lieu of live testimony pursuant to Code of Civil Procedure Section 2025.620(d)

H. Written Medical Reports As Evidence

1. A written medical report bearing the signature of the medical witness shall be admissible in evidence as the author's direct testimony. Such medical reports shall not be inadmissible on the basis that they constitute hearsay. Each Party has the right to cross-examine the authors of medical reports pursuant to a subpoena issued and served in compliance with these procedures.

I. Subpoena Powers and Witness Fees

1. Subpoena powers shall be vested in the Board officers, the CEO and the Referee in accordance with Government Code Section 31535. Subpoenas shall be requested through the Fund's Counsel who shall transmit the request to SJCERA. Subpoenas issued shall be transmitted to the Party requesting the subpoena. The requesting Party shall have the sole responsibility for serving and enforcing the subpoena and for paying all costs associated with the subpoena.

2. A written motion to quash a subpoena may be made to the Referee on one or more of the following grounds, which shall be clearly and fully stated in the motion and supported by declarations under penalty of perjury:

    a) Compliance will be unduly burdensome or against public policy.

    b) The things subpoenaed are privileged by law.

    c) The things subpoenaed are irrelevant or unnecessary to the proceedings.

    d) The things subpoenaed have not been described with sufficient clarity to enable the witness to comply. Before it commences or continues with the proceeding, the Referee shall wholly or partially grant or deny the motion to quash.

3. The Party calling a witness to testify (whether by subpoena or otherwise) shall be solely responsible for paying any expert or nonexpert witness fees, mileage charges, and other costs associated with the witness' testimony. Non-expert witness fees and mileage charges shall be calculated as provided by law.

J. Service of Proposed Findings of Fact and Recommended Decision

1. Within 30 days after closing the hearing, the Referee will prepare a summary of the evidence received, findings of fact, conclusions of law, and a recommended decision. In accordance with the provisions of Government Code Section 31533, the findings of fact and proposed recommendation of

the Referee shall be served on the CEO, who in turn shall distribute a copy to all parties.

2. Either Party may submit written objections to the Referee's recommended decision to SJCERA within ten (10) calendar days from the date SJCERA distributes the notice to all parties. The non-objecting Party may submit their response to the objections 10 days after the filing of the objections. The written objections and response shall be incorporated into the record submitted to the Referee's consideration.

K. Board's Decision

1. Upon receipt and review of the recommended decision of the Referee and any filed objections and responses, the Board may:

   a.) Approve and adopt the recommended decision of the Referee, or

   b.) Refer the Application to the Referee for further hearing and/or consideration, or

   c.) Require a written transcript or summary of all testimony plus all other evidence received by the Referee to be submitted by the CEO to the Board. Following its receipt and review of the transcript and evidence, the Board shall:

      i. Take action as is appropriate to the evidence and the provisions of the CERL, or

      ii. Refer the matter back to the Referee with or without instruction for further proceedings; or

      iii. Set the matter for hearing de novo before itself. The Board shall hear and decide the matter as if it had not been referred to the Referee. Unless otherwise allowed by the Board, the hearing shall be confined to the evidence, witnesses, and issues set forth in the certification and statement required by this policy. All hearings before the Board shall require the attendance of at least the same seven (7) members throughout the hearing and shall be conducted as if it were a hearing held before a Referee in accordance with this policy.

IX. Final Decision

A. The Board's decision shall become final upon notice of the decision on all parties, including the employer.

B. Judicial Review. In those cases where a Party or Applicant is entitled to judicial review of the proceedings before the Board, any petition for writ of mandate shall be filed with the superior court within ninety (90) days from the date the notice of this Board's decision is mailed to the Party or Applicant or is delivered to the Party or Applicant.

X. Law Prevails

A. In the event a conflict between this policy and CERL, PEPRA, or other applicable statutes arises, the law shall prevail.

XI. Policy Review

A. Staff shall review this policy 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. Effective upon adoption.

XII. History

3/1/2018	Bylaw Sections 8, 9, 10 & 11 Converted to Board Policy and Board of Supervisor approved Bylaws
06/28/2018	Staff updated format
08/10/2018	Modified the definitions of Applicant and Application to conform with SJCERA's adopted code sections
07/12/2019	Revised to include definitions, add requirements that an application must meet before being filed, allow the member to elect not to go to hearing, allow the use of depositions, clarify mileage reimbursement may be requested for out-of-county travel to SJCERA-scheduled examinations, and specify that SJCERA may determine an examination is not required in some cases.
7/10/2020	Amended to clarify the use of a Referee for hearings, the order of the prehearing and hearing process, subpoena options, and penalties for noncompliance.
07/14/2023	Updated to reflect current practices including non-Member Applicant role, travel reimbursement, deadline for Referee's recommended decision, and other minor clarifications.
01/12/2024	Updated to reflect new legislation adding additional presumptions.

Certification of Board Adoption:

1/12/2024

Clerk of the Board Date

2024 CONFERENCES AND EVENTS SCHEDULE

2024 EVENT DATES		EVENT TITLE	EVENT SPONSOR	LOCATION	REG. FEE	WEBLINK FOR MORE INFO	EST. BOARD EDUCATION HOURS
Jan 22	Jan 24	2024 Visions, Insights & Perspectives Americas	IREI	Carlsbad, CA	$0	irei.com	6
Jan 22	Jan 24	Legislative Conference Education	NCPERS	Washington, DC	$750	ncpers.com	11.5
Feb 7	Feb 9	Investment Education Symposium	Opal Group	New Orleans, LA	$0	opalgroup.net	11
Feb 8	Feb 8	Administrators Roundtable	CALAPRS	virtual	$50	calaprs.org	N/A
Feb 26	Feb 27	Pension Bridge Private Credit	withintelligence	Carlsbad, CA	$0	withintelligence.com	8.5
Mar 6	Mar 6	Real Estate West Forum	Markets Group	San Francisco	$0	marketsgroup.com	4
Mar 2	Mar 5	General Assembly 2024	CALAPRS	Rancho Mirage, CA	$250	calaprs.org	8.5-10.5
Mar 3	Mar 3	Investments Roundtable	CALAPRS	Rancho Mirage, CA	TBD	calaprs.org	N/A
Mar 27	Mar 29	Advanced Principles of Pension Governance for Trustees	CALAPRS	UCLA LUSKIN CENTER	$3250	calaprs.org	16
Apr 15	Apr 17	Pension Bridge The Annual 2024	withintelligence	Half Moon Bay	$0	withintelligence.com	12.5
Apr 15	Apr 18	PIMCO Institute Educational Seminar	PIMCO	Newport Beach, CA	$0	pimco.com	21.5 hrs
Apr 15	Apr 19	Investment Strategies and Portfolio Mgmt.	Wharton	Philadelphia, PA	$13250	executiveeducation.wharton.upenn.edu	40
May 3	May 3	Trustee Roundtable	CALAPRS	virtual	TBD	calaprs.org	TBD
May 7	May 10	SACRS Spring Conference	SACRS	Santa Barbara	TBD	sacrs.org	11*
May 19	May 22	2024 Annual Conference and Exhibit	NCPERS	Seattle, WA	$1110	ncpers.com	TBD
jun 21	Jun 21	Administrators Roundtable	CALAPRS	No. Cal	TBD	ncpers.com	N/A
Jul 14	Jul 17	SACRS/UC Berkeley Program	SACRS	Berkeley, CA	$3000	sacrs.org	24*
Aug 26	Aug 29	Priciples of Pension Governance for Trustees	CALAPRS	TBD	TBD	calaprs.org	TBD
Sep 17	Sep 19	Fiduciary Investors Symposium	top1000funds	Stanford	TBD	top1000funds.com	TBD
Sep 25	Sep27	Administrators Institute	CALAPRS	Carmel	TBD	calaprs.org	N/A
OCT 11	OCT 11	Trustee Roundtable	CALAPRS	TBD	TBD	calaprs.org	TBD
Oct 14	Oct 18	Investment Strategies and Portfolio Mgmt.	Wharton	Philadelphia, PA	$13250	executiveeducation.wharton.upenn.edu	40

** Estimates based on prior agendas*

National Conference on Public Employee Retirement Systems

The Voice for Public Pensions

Legislative Conference Education

FINAL AGENDA

As of 12/19/23

MONDAY, JANUARY 22

7:00 AM – 6:00 PM Registration

Potomac Ballroom Foyer

5:30 PM – 6:30 PM Joint Communications Summit and Legislative Conference Networking Reception

Potomac Ballroom 2

TUESDAY, JANUARY 23

7:00 AM – 6:00 PM Registration

Potomac Ballroom Foyer

7:00 AM – 8:00 AM Breakfast

Potomac Ballroom 2

8:00 AM – 12:00 PM General Session I

Potomac Ballroom 3

8:00 AM – 8:15 AM Welcoming Remarks

Speaker: Hank Kim

8:15 AM – 9:15 AM

The 2024 Presidential, Congressional, and State Elections: What's at Stake?

The stakes for the 2024 elections seemingly can't be higher. Will the Biden Administration get another four-year mandate? Will the majorities in Congress change? What will be the margins the status quo or the new majorities enjoy? These and other burning questions will be discussed and answered as our Washington Insiders rely on their years of experience covering and observing Washington for answers.
Speakers: Jonathan Capehart, Associate Editor for the Washington Post, and Matt Lewis, Senior Columnist for the Daily Beast

9:15 AM – 10:15 AM
Congressional Activities Impacting Public Pensions
This much-anticipated annual session is where you get to hear from and ask questions of staff counsels from Congressional Committees that have jurisdiction and oversight authority over U.S. Treasury Department and the Internal Revenue Service (IRS). As state & local entities, Treasury, IRS, and the Committees that oversee them are important to public plans because they are effectively the only federal oversight exposures we have to the federal government.
Speakers: Payson Peabody, Majority Tax Counsel, House Ways & Means Committee; Kara Getz, Minority Tax Counsel, House Ways & Means Committee; Jamie Cummins, Minority Tax Counsel, Senate Finance Committee; and Drew Crouch, Majority Tax Counsel, Senate Finance Committee

10:15 AM – 10:30 AM Networking Break
Potomac Ballroom 2

10:30 AM – 11:15 AM
Verifying Deaths: What are the Options and Alternatives?
With the recent high-profile data breaches, there's been renewed interest among public plans to find alternatives to verify participant deaths that are reliable and limit plan data exposures. Learn about our exploration into potential alternatives like the Social Security Administration's "full" master death files, U.S. Treasury's Do Not Pay system, and NAPHSIS Electronic Verification of Vital Events (EVVE) software.
Speakers: Tony Roda, Williams & Jensen, and Hank Kim, NCPERS

11:15 AM – 12:00 PM
The 2024 Agenda of the SEC's Office of the Investor Advocate
The Office of the Investor Advocate was established at the Securities and Exchange Commission in 2014. As institutional investors, public pensions have great interest in what this office does as it analyzes the potential impact on investors of proposed regulatory changes, identifies problems that investors have with investment products and financial service providers, and recommends changes to statutes and regulations for the benefit of investors. Find out what the Office of the Investor Advocate is prioritizing in 2024.
Speaker: Cristina Begoña Martin Firvida, Director, Office of the Investor Advocate

12:00 PM – 12:30 PM
NCPERS Federal Priorities
The legislative and regulatory priorities for NCPERS are described in detail in the annual Legislative Issues Book. This session provides an overview of all the issues NCPERS will be monitoring in 2024 and highlights a select number of high priority items. This session will prepare you for successful Congressional visits on Policy Day.
Speaker: Tony Roda, Williams & Jensen

12:30 PM – 1:30 PM Networking Lunch
Potomac Ballroom 2

1:45 PM – 5:00 PM General Session II
Potomac Ballroom 3

1:45 PM – 2:15 PM
NCPERS 2023 Policymaker of the Year Award
NCPERS honors policymakers at the federal, state, and local levels who have made meaningful impact to public pensions or retirement policy writ large. This year we honor the work of a man who has impacted both. The Honorable Michael Frerichs, Illinois State Treasurer, through his position as Vice-Chair on the Illinois State Investment Board and administering the Illinois Secure Choice Retirement Savings

Program is truly deserving of this recognition.
Speaker: The Honorable Michael Frerichs, Illinois State Treasurer

2:15 PM – 3:15 PM
Secure Choice: State-Sponsored Savings Programs for the Private Sector
This panel session will provide an update on three state-sponsored retirement savings programs for the private sector and offer outlooks on the future of this sector. Since the publication of the seminal Secure Choice Pension whitepaper in 2011, there are now six states with retirement savings programs with combined AUM of $1 billion dollars and a total of 19 states that have enacted Secure Choice programs.
Speakers: David Teykaerts, CalSavers; Christine Cheng, Illinois Secure Choice; Peter Thompson, RetirePath Virginia; and Honorable Michael Frerichs, Illinois State Treasurer (moderator)

3:15 PM – 3:30 PM Networking Break
Potomac Ballroom 2

3:30 PM – 4:30 PM
State Tax Policies and Their Impact on Funding Priorities
Too often public pensions have solely focused on the appropriations side of state and local budgets. We have largely ignored the revenue raising component, which funds appropriations. This session will examine state tax policies and their impact on the ability of states to appropriate money to fund their priorities, including fully paying the actuarially determined employer contributions (ADECs). The speakers will provide best practices and lessons learned to bring back to your state and locality as you consider whether to participate in the revenue raising debate.
Speakers: Greg LeRoy, Good Jobs First; Arlene Martinez, Good Jobs First; and Samantha Waxman, Center on Budget and Policy Priorities

4:30 PM – 5:00 PM
State Proposals Impacting State & Local Pensions
This session will provide an overview of proposals in state capitals that impact public pensions. Led by our strategic partners, the National Public Pension Coalition (NPPC), you will hear about the states they are monitoring and lobbying activities by state coalitions to promote and protect public pensions. NCPERS – along with 5 public-sector unions – has funded NPPC since its inception in 2007.
Speaker: Kendal Killian, NPPC

5:15 PM – 6:30 PM Networking Reception
Potomac Ballroom 2

WEDNESDAY, JANUARY 24

8:30 AM – 9:30 AM Policy Day Breakfast & Pre-Meeting
Meeting Rooms 8/9

9:30 AM – 5:00 PM Policy Day Lounge & Debriefing Room
1302 Longworth House Office Building, 15 Independence Ave, SE, Washington, DC

9:00 AM – 5:00 PM Meetings with Congress (Scheduled by NCPERS)

12:00 PM – 1:00 PM Policy Day Lunch
1302 Longworth House Office Building, 15 Independence Ave, SE, Washington, DC

4:00 PM – 6:00 PM Policy Day Closing Happy Hour

National Conference on Public Employee Retirement Systems
1201 New York Avenue, NW, Suite 850, Washington, DC 20005
202-601-2445 202-688-2387
info@ncpers.org

Opal Group

AGENDA

INVE$TMENT EDUCATION SYMPOSIUM

February 7-9, 2024

Royal Sonesta New Orleans, New Orleans, LA

In Conjunction with the LATEC

WEDNESDAY, **February 7, 2024**

10:30 AM - **1:00** PM	**Exhibit Set-Up**
10:30 AM	**Registration/Information Desk Opens** All confirmed pre-registered delegates must approach the Registration Desk to check in and pick up conference badges. Business Cards are required to retrieve badges.
11:30 AM - **12:45** PM	**Exhibit Hall / Session Rooms Open**
11:30 AM - **12:45** PM	**Closed Door Pre-Conference Workshop and Luncheon** ***(Investors ONLY)*** ***Topic:*** **Available For Sponsorship** **PRESENTED BY:**
1:00 PM	**Welcoming Remarks** **PRESENTED BY:** Frank Jobert, Jr. Executive Director, **Louisiana Trustee Education Council** and Trustee, **Transit Management of Southeast Louisiana Pension Plan (TMSEL)** Richard Hampton, Jr., President, **Louisiana Trustee Education Council (LATEC)**

1:15 PM

STANDALONE

PRESENTED BY:

1:40 PM

STANDALONE

PRESENTED BY:

2:00 PM

State of the US Retirement System: Future Geopolitical & Macroeconomic Forecast

- How much has the Fed Balance Sheet Impacted Equities and the Dollar?
- Would you say we have an Everything Bubble or is it Isolated?
- What are your Expectations for Inflation?
- Ukraine War & USA vs. China
- Slower Growth, Debt Levels, Leverage and Real Estate Forecast
- What are your Expectations for Equities and Bonds?
- Where have you seen the Most Speculative Excess or Froth in the Markets?
- What is the Single Largest Risk Factor or your Expectations for the Next Black Swan?
- DB plans need to be protected. What can we do differently to insure that they will be available to the next generation of workers?
- Should plans with stronger funded ratios get more or less aggressive?
- What is happening on Capitol Hill? Is it affecting your plan?

MODERATOR:
Justin Rodriguez, Chairman, **San Antonio Fire And Police Pension Fund**

PANELISTS:
Marco Vicenzino, Director, **Global Strategy Project**

2:50 PM

Fixed Income and Equity Allocations: Is The 60/40 Portfolio Something To Reconsider?

- Benefits of a long-term strategic allocation to the high yield asset class
- How to De-Risk a Pension with bonds
- Liability Beta Portfolio as the core bond portfolio
- What is the state of the equity market? What is the outlook for the future of equities?
- International vs. domestic equity landscape?
- Are International equities attractive on an absolute or relative basis?
- Given where we are in this cycle how should pensions be thinking of structuring their fixed income and credit assets? Differentiated approaches like flexibility in duration.
- Do Bonds Deserve a Second Chance?

- Navigating fundamentals and technical 's in fixed income as valuations have recently repriced.
- Is there an opportunity in fixed income outside of the US?
- Where are the (risks and) opportunities over the next 24 months?

MODERATOR:
William Beck, Senior Vice President**, Wilshire**

PANELISTS:
TBA, **Loop Capital Asset Management**

3:30 PM

STANDALONE

PRESENTED BY:

3:50 PM

Networking Refreshment Break
SPONSORED BY:

4:20 PM

Private Credit, Debt and Direct Lending: A Mature Asset Class for Pensions

- What type of debt/credit is expanding and what type of debt/credit is contracting?
- Inflation Expectations & Real Rate of Return

MODERATOR:

PANELISTS:
David Center, Managing Director, **Fund Evaluation Group LLC**
Jim Robertson, Executive Vice President – Private Debt, **ATEL Growth Capital**

5:10 PM

LP Roundtable: A Conversation with CEOs, CIOs, Executive Directors & State Treasurers

This panel will consist of investment officers, executive directors, & state treasurers from highly respected institutions. The panelists will discuss the investment strategies and industry sectors that they expect will drive their investments in the years to come, as well as a series of key issues facing plan sponsors in the current investment environment.

- Are you considering changes to your plan's asset allocation?
- If yes, what is driving that decision?
- Highlight your most successful and least successful investment decision.
- Do you use your plan's funded status to make asset allocation changes?
- Discuss how your fund approaches ESG/Sustainability/Diverse manager investing

MODERATOR:

PANELISTS:

6:00 PM - **8:00** PM

Annual Mardi Gras Extravaganza

Join us and unwind with fellow industry professionals for refreshment during our Mardi Gras Networking Extravaganza.

SPONSORED BY:

THURSDAY **February 8, 2024**

8:00 AM - **9:00** AM

Networking Breakfast & Registration Desk Opens

SPONSORED BY:
Thank you to our Sponsors

9:00 AM

Welcoming Remarks

PRESENTED BY:

9:10 AM

Alternative Ideas for Alternative Thinkers: Emerging, Niche, & Non-Correlated Alternative Strategies for Institutional Investors

- Defining today's niche strategies and how niche can become mainstream
- Investing early to build relationships for successor funds
- Finding scalable niche and emerging manager opportunities
- Underwriting newer firms, additional diligence steps: terms, team, track record, infrastructure
- Accessing the Implied Volatility Risk Premium Through the Writing of Index Options
- Artificial Intelligence
- How do emerging managers play into your portfolio allocation? Benefits?

MODERATOR:

PANELISTS:

10:00 AM

What's new in the world of securities litigation? Why does it matter and how did we get here?

The session will look at the current state of the securities market and provide an update on the trends as they pertain to the securities litigation space. It will examine new and forgotten tools that shareholders have in their corporate governance toolbox, and how shareholder litigation represents a real opportunity to effect change and maximize investment returns.

MODERATOR:
Henry Wilson, Chairman, **Wayne County Employees Retirement System**

PANELISTS:
Adam Savett, Of Counsel, **Wolf Popper, LLP**
TBA, **Motley Rice**
TBA, **Bernstein Litowitz Berger & Grossman**
Robert Kriner, Partner, **Chimicles Schwartz Kriner & Donaldson-Smith LLP**

11:00 AM

STANDALONE

PRESENTED BY:

11:20 AM

Real Estate, Infrastructure, & Real Asset Investing for the Next Decade

- In looking at the current landscape for Real Estate, what do you see as the greatest opportunity or threat? Where are we in the Real Estate Cycle?
- What are the biggest risks? Interest Rates. Slowing Economy?
- Technology and the commercial real estate landscape
- Is Single Family Housing in a bubble?
- Property Management and Demographics

MODERATOR:

PANELISTS:

12:10 PM

Networking Luncheon

SPONSORED BY:
Thank you to our Sponsors

1:20 PM

Investing In Private Equity and Venture Capital: Should You Be Overweight or Underweight?

- There seems to be a lot of money chasing opportunities within venture & private equity, how does this impact returns for these vintage years?
- Is bigger better or can you make money with smaller firm's/asset bases? How does your plan engage Emerging Managers?
- Do you need a robust IPO market to capture private equity returns?
- Are there opportunities in sectors outside of technology? If yes, examples.
- Does investing with fund of funds make sense?

MODERATOR:

PANELISTS:

2:10 PM

Portfolio & Investment Risk Management: What Are You Ignoring?

- Overview of the Transformation from an Asset Allocation-Centered Process to a More Comprehensive Risk Allocation-Based Process
- Using technology to monitor your portfolio and manage risk
- Top Risks we should be Most Wary of
- Risk - do you adjust depending on how well funded the plan?
- Drawdown Risk
- Transparency and Liquidity Risk – Basing it on a Cost/Benefit Evaluation
- What's the Best Approach to Liquidity Risk as it applies to Meeting Future Cash Flow Obligations?
- Leverage Risk – what are the Best Approaches to keep these Risks within Acceptable Parameters?

MODERATOR:

PANELISTS:

3:00 PM

Networking Refreshment Break
SPONSORED BY:

3:20 PM

Keynote Presentation: National Pension Law Update

PRESENTED BY:
Robert Klausner ESQ, Principal, **Klausner Kaufman Jensen & Levinson**

3:50 PM

STANDALONE

PRESENTED BY:

4:10 PM

ESG-related challenges currently facing institutional investors, and how are they beginning to grapple with them?

- What's the Difference Between ESG, Socially Responsible Investing, (SRI) and Impact Investing?
- Do we have Proof that ESG Integration Adds Value?
- ESG Fund Performance vs. Traditional Funds - Is there Real Money being put to work?
- How do you Approach ESG from a Fiduciary Standpoint and for the Development of your Plan's Investment Beliefs?
- Why are UN Sustainable Development Goals Important? What Ways are you using them to Help Investing in New Opportunities & Identify Areas of Risk?
- How should ESG be best Incorporated into the Investment and Due Diligence Process?
- What Tools, Data or Trends have we seen for ESG Implementation? What Initiatives are Focused on Driving Towards a Sustainable Global Economy?
- How can your Future Investment Returns Be Impacted by Climate Change? Aside from Assessing Risks to Real Estate in Rising Sea Level Coastal Areas, what Risk Factors should we be Analyzing?
- How should we approach Carbon Risk Management within an ESG Framework?
- Considerations for Investing in a Passive ESG Index – thoughts on Low Carbon Index? Combining ESG with Smart Beta?
- How are you Integrating ESG into your Real Estate, Private Equity and Infrastructure Investments?
- Understanding Relevant Benchmarks for ESG Risk Measurement
- What sort of practical challenges have experienced funds faced when implementing ESG into their business strategy, and is there anything they would have done differently?

MODERATOR:

PANELISTS:
Eric Newman CPA CGMA, Treasury Manager, **City of Stamford Conn**

4:50 PM - **6:00** PM

Networking Cocktail Reception

SPONSORED BY:
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FRIDAY, **February 9, 2024**

8:20 AM - **9:20** AM

Networking Breakfast & Registration Desk Opens

SPONSORED BY:

9:20 AM

Welcoming Remarks

PRESENTED BY:

9:30 AM

The Way Forward In Indexing For Institutional Investors

This discussion digs into the trends that are driving investor demand for indexes, Mutual Funds and ETFs to access markets and drive stable returns.

- Where do you see the risks and opportunities in indexing over the next 5-10 years?
- How are indices being used to measure related risk in companies?
- Market vs. reverse-cap weighting: Is cap weighting still optimal? How does the reverse-cap method work beyond a momentum cycle?
- What are the ramifications of the new communications services sector?
- How Active Strategies Are Reshaping the Mutual Fund & ETF Ecosystem?
- How do institutional investors use indexing and ETFs? What products are institutional investors gravitating toward? What benefits do small funds offer institutional investors? How are active managers building portfolios to suit the preferences of institutional investors?
- What is driving the increase in fund flows by institutional investors? Is this momentum likely to keep up?
- What allocation restrictions do portfolio managers face?

MODERATOR:
Greg Knoll, Beneficiary Trustee & Board Treasurer, **The Firefighters Pension Investment Fund**, Executive Director, **IPFA**

PANELISTS:

10:00 AM

Learning From Actuaries: Actuarial Science and your Pension Plan

- How do actuaries decide on whether return and inflation assumptions are reasonable?
- What horizon should be used for investment return forecasts when setting the return assumption? Short-term (0-5 yrs.), (10-20 yrs.) or long-term (30+ yrs.)
- What is the difference between the geometric expected mean and the arithmetic expected mean? Which is more appropriate for actuarial valuations?
- Which comes first: Return assumption or asset allocation?
- What can actuaries bring to the table on enterprise risk management?
- How long of a time period should be used/considered for smoothing of returns and phase in of other major assumption changes.

MODERATOR:
Kurt Vroman, Chairman, **Deltona Firefighters Pension Plan**

PANELISTS:
Kenny Herbold, Director of Actuarial Services, **Louisiana Legislative Auditor**
Shelley Johnson, Consulting Actuary, **Foster & Foster Inc**

10:40 AM

Cybersecurity Risk and Your Pension Plan: Best Practices Starts with You

MODERATOR:

PANELISTS:

11:20 AM

Practical Tools to Improve Governance, Fiduciary Responsibility & Avoid Conflicts

- Restrictions on food & drink and disclosure requirements
- Importance of process as a fiduciary
- Fundamental expectations for board meetings
- Importance of investment beliefs; facilitating board members to a shared set of beliefs, Freedom of Information - Open Meetings statutes
- Avoiding conflicts of interest (real & perceived): approaches?
- Board composition: “portfolio of viewpoints”, continuity vs. new perspectives
- Governance scorecards/benchmarking.
- Best Practices on Succession Planning

CO-FACILITATORS: TBA

12:00 PM

Closing Remarks

2024 CONFIRMED PARTICIPANTS

Board Members of the LOUISIANA TRUSTEE EDUCATION COUNCIL (LATEC)

Richard Hampton, Jr., President, Louisiana Trustee Education Council (LATEC)
Theodore “Theo” Sanders, VP of LATEC, Executive Director, Louisiana Asset Management Pool (LAMP)
Jesse Evans, Jr., Board Secretary of LATEC, Director, City of New Orleans Retirement System
Patricia Campbell, Treasurer, Louisiana Trustee Education Council (LATEC), Trustee, Transit Management of Southeast Louisiana (TMSEL)
Charles C. Foti, Jr., Board Member of LATEC, Retired, Sheriffs’ Pension and Relief Fund
Marina Kahn, Board Member of LATEC Trustee, City of New Orleans Retirement System
Darlene LeBlanc, Board Member, Louisiana Trustee Education Council (LATEC), Retired, Teachers Retirement System of Louisiana,
James Thompson, Board Member of LATEC, General Counsel, Denver Employees Retirement Plan (DERP),
Warner Tureaud, Board Member of LATEC, Retired, Harbor Police Retirement System

Advisory Board
Warren Lawrence, Vice-President Emeritus, LATEC, Retired, N.O. Sewerage and Water Board Pension

Staff
Frank L. Jobert, Jr., Executive Director, LATEC, Trustee, Transit Management of Southeast Louisiana
Peggy Melancon, Executive Assistant, Louisiana Trustee Education Council (LATEC)

Pensions / Plan Sponsors / Government / Taft Hartley

Board Chair, Alameda County Employees Retirement Association
Payroll Coordinator, City of Panama City
Pension Board Trustee, City of Panama City
Pension Board Trustee, City of Panama City
Pension Board Advisor, City of Panama City
Director, City of Baton Rouge Retirement System CPERS
Assistant Retirement Administrator, City of Baton Rouge Retirement System CPERS
Superintendent of Fire & Board member, New Orleans Firefighters Pension & Relief Fund
Chairman-Trustee, Wayne County Employees Retirement System
Executive Director, Firefighters' Retirement System of Louisiana
Deputy Director, Firefighters Retirement System of Louisiana
Trustee, Illinois Municipal Retirement Fund
Former Chairman, Burlington VT Employees Retirement System
Legislative Liaison, GA House Member
Payroll Coordinator, City of Panama City
Trustee, New Orleans Firefighters Pension and Relief Fund
Secretary Treasurer, New Orleans Firefighters Pension and Relief Fund
Trustee, New Orleans Firefighters Pension and Relief Fund
Trustee, New Orleans Firefighters Pension and Relief Fund
Director, New Orleans Firefighters Pension and Relief Fund
Trustee, City of Panama City
Treasury Manager, City of Stamford Conn
Beneficiary Trustee & Board Treasurer, The Firefighters Pension Investment Fund, Executive Director, IPFA
Public Pension Trustee, Lauderhill Firefighters Pension Fund
Trustee, Lauderhill Firefighters Retirement System
Chairman, Lauderhill Firefighters Retirement System
Trustee, New Orleans Firefighters Pension and Relief Fund
Chairman, Deltona Firefighters Pension Plan
Supplemental Retirement Pension Fund Board Member, City of Panama City
Trustee, Louisiana Assessors Retirement Fund
Fire Chief / Trustee, City of Crowley
Mayor / Trustee, City of Crowley
Portfolio Manager, Chicago Teachers Pension Fund

Consultants / Actuaries

Senior Investment, Wilshire
Financial Advisor, Raymond James
CCO / Senior Investment Consultant / Principal, The Hackett Robertson Tobe Group (HRTG)
Managing Director Senior Consultant, Verus

Director of Actuarial Services, Louisiana Legislative Auditor
Consulting Actuary, Foster & Foster Inc
Managing Director, Fund Evaluation Group LLC
Director, Global Strategy Project

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Capital Group/American Funds
Chimicles Schwartz Kriner & Donaldson-Smith LLP
KBI Global Investors
EnTrust Global
ATEL Growth Capital
Alignment Credit

2023 PAST PARTICIPANTS

Board Members of the LOUISIANA TRUSTEE EDUCATION COUNCIL (LATEC)

Officers and Board
Richard Hampton, Jr., President, Louisiana Trustee Education Council (LATEC)
Theodore "Theo" Sanders, VP of LATEC, Executive Director, Louisiana Asset Management Pool (LAMP)
Jesse Evans, Jr., Board Secretary of LATEC, Director, City of New Orleans Retirement System
Patricia Campbell, Treasurer, Louisiana Trustee Education Council (LATEC), Trustee, Transit Management of Southeast Louisiana (TMSEL)
Charles C. Foti, Jr., Board Member of LATEC, Retired, Sheriffs' Pension and Relief Fund
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Pensions/ Plan Sponsors/Government/Taft Hartley

Pensions / Plan Sponsors /Government / Taft Hartley
Pension Board Trustee, City of Panama City
Payroll Coordinator, City of Panama City
Pension Board Trustee, City of Panama City
Trustee, City of Panama City
Trustee, Firefighters' Retirement System of Louisiana
Chief Accountant, City of New Orleans Employees Retirement System
Treasury Manager, City of Stamford (Conn)
Chairman-Trustee, Wayne County Employees Retirement System
Trustee, Charter Township of Shelby Fire & Police
Board Member, Panama City employee Pension Board
Attorney IV, Sewerage and Water Board of New Orleans
Trustee, City of Panama City
Trustee, Municipal Employees' Annuity & Benefit Fund of Chicago
Trustee, City of New Orleans Employees' Retirement System
Chief Financial Officer, City of New Orleans Employees' Retirement System
Trustee, New Orleans Municipal Employees’ Retirement System
Board Member, City of New Orleans Employees' Retirement System
Director, City of New Orleans Employees' Retirement System
Director of Actuarial Services, Louisiana Legislative Auditor
CFO, SWBNO
Planning and Budget Director, New Orleans Sewerage & Water Board Pension
Assistant Retirement Administrator, City of Baton Rouge Retirement System (CPERS)
Director, The Panama City, Florida
Director, City of Baton Rouge Retirement System
MPERS Board – Trustee, Municipal Police Employees' Retirement System
Chair, City of Miami Beach Pension Fund for Firefighters
Supplemental Retirement Pension Fund Board, City of Panama City
Assessor, Vernon Parish Assessors Office
Trustee / 5th District Commissioner, Bay County General Employees / Bay County Board of County Commissioners
Trustee, West Palm Beach (FL) Police Pension Fund
Former Chairman, Burlington (VT) Employees' Retirement System
Chief Financial Officer, Sewerage & Water Board of New Orleans
Executive Director, IPFA, Beneficiary Trustee, Illinois Firefighters Pension Investment Fund
Chief Investment Officer, Louisiana School Employees Retirement System

Senior Portfolio Manager, Maryland State Retirement and Pension System
Trustee, Registrars of Voters Employees' Retirement System
Trustee, Registrars of Voters Employees' Retirement System
Trustee, The International Brotherhood of Electrical Workers
Vice Chair, Registrar of Voters Employees Retirement System
Trustee, Registrars of Voters Employees' Retirement System
Director, Registrars of Voters Employees' Retirement System
Treasurer & Board Member, Charter Township of Shelby Fire & Police Pension
Trustee, St. James Parish Assessor
Trustee, Livingston Parish Assessor's Office
Chair of the Board Of Trustees, Baton Rouge City-Parish
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Trustee, New Orleans Firefighter's Pension & Relief Fund
Trustee, New Orleans Firefighter's Pension & Relief Fund
Trustee, New Orleans Firefighter's Pension & Relief Fund
Deputy Director, New Orleans Firefighter's Pension & Relief Fund
Superintendent of Fire & Board member, New Orleans Firefighter's Pension & Relief Fund
Trustee, New Orleans Firefighter's Pension & Relief Fund
Trustee, New Orleans Firefighter's Pension & Relief Fund
Trustee, Lauderhill Firefighters Retirement System
Chairman, Shelby Township Fire & Police Retirement System
Trustee, The International Brotherhood of Electrical Workers
Executive Director, Chicago Teachers' Pension Fund
Trustee, The International Brotherhood of Electrical Workers
Trustee, El Paso Firemen and Policemen's Pension Fund
Trustee - Program Manager, Sewerage and Water Board of New Orleans
Trustee, Transit Management of Southeast Louisiana (TMSEL)
Trustee, Transit Management of Southeast Louisiana (TMSEL)
Trustee, Transit Management of Southeast Louisiana (TMSEL)
Trustee, Fulton Dekalb Hospital Authority
Mayoral Appointee, NYC Public Schools Board, Executive Board Member, NYC Board of Ed Retirement System
Assessor, St. John the Baptist Parish Assessor
Trustee, Illinois Municipal Retirement Fund
Benefits Manager, Sewerage and Water Board of New Orleans
Trustee, Beaumont Firemen's Relief & Retirement Fund
Trustee, Beaumont Firemen's Relief & Retirement Fun
Executive Assistant to Assessor, Orleans Parish Assessor's Office
Assessor, Louisiana Assessors Retirement Fund
Sr. Investment Portfolio Analyst, Chicago Teachers' Pension Fund

Consultants / Actuaries

Managing Director, Verus
Managing Director, Fund Evaluation Group, LLC
Associate, The Hackett Robertson Tobe Group (HRTG)

President. The Hackett Robertson Tobe Group (HRTG)
Founder, Manager Analysis Services
CEO/CIO, Paradigm Consulting Services, LLC
Principal & Chief Risk Officer, Sageview Advisory Group
Senior Portfolio Advisor, Aksia
Senior Vice President, Wilshire Associates Incorporated
Senior Investment Consultant, Tata Import
Senior Actuarial Analyst, Curran Actuarial Consulting, LTD

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Chief Executive Officer, Founder & Senior Investment Management Consultant, Equitas Capital Advisors
Chairman of the Investment Committee, Historical Society of Pennsylvania
Director, PFM Asset Management
Trustee, Pennsylvania State University
Trustee, New Orleans Museum of Art
Executive Director, Washington Square Health Foundation

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CFO, Rai Family Office (SFO)
Founder, Principal, Kings Mountain Capital Group, LLC

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Lazard Asset Management
Westwood Management Corp.
Barings
CapitalDynamics
Solyco Capital
Nuveen
Driehaus Capital Management
Capital Group/American Funds
Goldman Sachs & Co
Macquarie
Doubleline Capital
Columbia Threadneedle Investments
Leucadia Asset Management
Life Investors Management
GQG Partners

Elmtree Funds
Bridgeway Capital Management
BentallGreenOak
Voya Investment Management
Fin Capital
Cabrera Capital Markets LLC
CenterSquare Investment Management
Morgan Stanley Investment Management
KAHN SWICK & FOTI, LLC
Garcia Hamilton & Associates
ATEL Growth Capital
Manulife Investments
Zomedica
Cornerstone Investment Partners
Sango Capital
Glazer Capital
CBIZ
Madison Investments
RBC Global Asset Management
Virtus Investment Partners
Mesirow
Easterly Asset Management
MFS Investment Management
Newton Investment Management
Crestline Investors Inc

PRELIMINARY AGENDA
PENSION BRIDGE – PRIVATE CREDIT
February 26-27, 2024
PARK HYATT AVIARA, CARLSBAD, CA

Monday, February 26

12:00 PM - 1:00 PM PST (hour)
Registration and Networking Lunch

1:00 PM
1:00 PM - 1:05 PM PST (5min)
Welcoming Remarks

1:05 PM
1:05 PM - 1:25 PM PST (20 min)
Opening Keynote Talk
Prof. Isil Erel, Professor of Finance
David A. Rismiller Chair in Finance Academic Director, Risk Institute Ohio State University
Keynote

1:25 PM
1:25 PM - 2:05 PM PST (40 min)
The Fed's Next Moves, Distress and the Future of US Private Credit
Private credit is being affected by several macroeconomic forces. Rising rates and a global economic slowdown all create challenges and opportunities alike.

This session will gather major LPs to discuss:

- How "higher for longer" interest rates, with higher yield premiums, will affect both the buyside and sellside private credit industry
- What widening credit spreads mean for private credit's outlook
- How a sluggish M&A and private equity dealflow will affect the sector
- How a slowdown in IPOs should benefit the private credit space
- How frozen syndicated loan offerings are impacting private credit
- What the current levels of contraction in money supply will mean for credit risk
- To what extent current macroeconomic headwinds are affecting the continuation fund market
- Scenario setting: Back to the old normal—private credit in a world of low rates
- What do higher rates mean for the deterioration of fundamentals for borrowers?
- To what degree are defaults set to rise, and under what conditions?

Mike Krems, Partner, Private Equity Portfolio Strategies, Aksia

Brian Himot, Head of Structured Credit, SVP Global
Michael Lombardi, Director of Credit, New York State Common Retirement Fund
Upacala Mapatuna, Managing Director / President, Centerlane Partners

2:05 PM

2:05 PM - 2:45 PM PST (40 min)
Speaking Secondaries: Riding the Wave
The trade in second-hand stakes of private debt funds hit $17 billion in 2022, more than 30 times the total volume in 2012. The denominator effect looks to continue this growth, as LPs put a stop to increasing exposure to illiquid assets but continue to invest in private debt. This session will assess:

- To what extent will the secondaries market grow in 2024?
- How should LPs best capitalize on private credit secondaries?
- What proportion of private credit should be allocated to the secondaries market?
- Which risk profile do secondaries best serve?
- Which vintages should LPs allocate to on the secondaries market?

Paul Johnson, Deputy Managing Partner, Bridgepoint

2:45 PM

2:45 PM - 3:15 PM PST (30 min)
Headline Presentation

Pivoting Across the Credit Liquidity Spectrum

This session will assess:

- How should investors think about relative value across the credit liquidity spectrum and where to deploy the next marginal dollar?
- How do public and private credit markets intersect, and why is this dynamic evolving?
- How has the "illiquidity premium" evolved over time, and what are expectations going forward?
- Where do we see the most compelling opportunities in both public and private credit markets given today's market environment?
- What are necessary skills to navigate across public and private credit markets successfully?

3:15 PM

3:15 PM - 3:45 PM PST (30 min)
Networking Coffee Break

3:45 PM

3:45 PM - 4:25 PM PST (40 min)
Responsible Investing: All Just Hot Air?

While governance has always been a part of the private credit due diligence process, responsible investing in private credit is fraught with challenges. Most private credit funds are made up of middle market private companies with no obligation to disclose ESG credentials. Portfolio companies are diverse and data is weak. Yet times are changing. Changing LP requirements and downside risk mitigation, among others, are driving a maturation of ESG in private credit.

- What standardization frameworks are available for companies and investors alike?
- How should GPs consolidate portfolio company data on ESG, from carbon emissions to social issues?
- How can LPs articulate their responsible investing requirements to GP managers?
- Is private credit an effective asset class for fulfilling LP ESG requirements?
- As a relatively new asset class, is it unreasonable to expect robust ESG requirements in private credit?
- To what extent will a green private finance market emerge, as is in the case of public fixed income?
- How are GPs positioning themselves in a world where States are being partitioned on their ability to invest in ESG?
- To what extent is private credit affected by the politicization of ESG?

Leandro Festino, Managing Principal, Meketa
Cynthia Muller, Director, Mission Driven Investments, W.K. Kellogg Foundation
Sandro Naef, CEO, Co-Founder, Partner, Capital Four US

4:25 PM

4:25 PM - 5:05 PM PST (40 min)

Winners and Losers: Investing Through the Private Credit Spectrum

Investors have long favoured the middle market as a source of risk-adjusted returns in private credit. Yet the lower-middle segment is arguably the most underserved portion of the market and is ripest for returns. And proponents point to the fact that upper-middle-market companies have durable business models and are stable, even in times of difficulty. This session will:

- Determine which segment of the market is best suited to different LPs with different risk profiles
- Assess the outlook of direct lending in the US middle market segment
- Establish which middle-market sectors, such as industrials, logistics and more will offer the best risk-adjusted returns in times of downturn
- Analyse the volume of dealflow in each segment of the market
- Determine the outlook for middle-market CLOs
- Assessing the differences in sponsor and non-sponsor backed deals
- Evaluating the differences between lower and upper middle market opportunities
- To what extent are maturity walls coming up?

Logan Rahn, Portfolio Manager – Private Income, Alaska Permanent Fund Corporation
Devon Russell, Senior Managing Director, Senior Credit Private Markets Group, Manulife Investment Management
Chris Schiavone, 400 Capital, Head of Private Credit
Jason Walker, Chief Investment Officer, CQS

5:05 PM

5:05 PM - 6:35 PM PST (1 hour, 30 min)
Cocktail Reception

Tuesday, February 27

7:30 AM

7:30 AM - 8:30 AM PST (1 hour)
Breakfast and Registration / LP-Only Breakfast

8:30 AM

8:30 AM - 8:35 AM PST (5 min)
Welcome Remarks

8:35 AM

8:35 AM - 9:20 AM PST (45 min)
Pension Bridge Debates: How Would US Private Credit Fare in a Recession?
While much of the industry is bullish on private credit, sceptics remain. They point to the fact that most private credit funds have been set up since the global financial crisis of 2008-09 and have not experienced a recessionary environment, and that low loss ratios in good times are not the same as in bad. They argue that both public equities and fixed income fell in 2022 and that, given most private credit serves private equity deals, correlation is not as easily defined in private markets as some suggest. And that, should the world enter a recession, covenant-lite loans which have dominated the industry will highlight poor governance in the sector.

This session will pit LPs and GPs, contrarians and supporters alike, against each other in a debate environment to determine the true outlook of private credit.

Larry Witt, Principal, Consultant, Meketa Investment Group
Jeri Harman, Founder & Chairman, Avante Capital
Eunice McHugh, Director, Private Credit, San Francisco Employees' Retirement System (SFERS)
Michael Viteri, Chief Investment Officer, Arizona State Retirement System

9:20 AM

9:20 AM - 9:50 AM PST (30 min)
Headline Presentation

Jeff Levin, Managing Director, Portfolio Manager & Head of Direct Lending Morgan Stanley
Speaker

9:50 AM

9:50 AM - 10:30 AM PST (40 min)
Private Credit: A Defining Moment?
Asset classes go through defining moments. Think the move from active to passive management in global equities. As banks further retreat from lending to underserved businesses, private credit

will continue to fill the gap. And as borrowers continue to source capital in the private markets, traditional fixed income allocations will have to be assessed by major asset owners. Could this be the start of private credit taking over fixed income?

- To what extent will fixed income allocations be more barbell in the future?
- How can LP private credit professionals source more asset allocation?
- How are strategic allocation internal conversations changing with regards to private credit?
- How is the GP universe evolving?
- Private credit in 2030: To what degree will private credit have replaced traditional fixed income in 2030?
- Have there been any material changes to allocation definitions of private credit over the last two years, and what does this mean for future strategies?

Tom Cawkwell, Partner, Albourne Partners
Kerry Dolan, Managing Partner, Brinley Partners
Thomas Kim, Deputy Chief Investment Officer, Tennessee Consolidated Retirement System
Amy Mathews, Managing Director, Vista Credit Partners

10:30 AM

10:30 AM - 11:00 AM PST (30 min)
Networking break

11:00 AM

11:00 AM - 11:30 AM PST (30 min)
Headline Presentation

Randy Schwimmer, Senior Managing Director, Co-Head of Senior Lending Churchill Asset Management (Nuveen)
Speaker

11:30 AM

11:30 AM - 12:10 PM PST (40 min)
Manager Selection: Everybody Sounds the Same
As the threat of downturn lingers, manager selection in private credit has arguably never been more important. Few have the track record of recessionary environments that would assure LPs. This session will examine:

- Open vs. closed-end fund structures: Which best serves LP risk profile?
- How exposed are GPs to the risk of default losses?
- To what extent should LPs be concerned with covenant-lite assets?
- Should LPs focus their allocation to managers offering senior secured direct lending strategies or move down the risk profile in search of higher returns?
- How should LPs determine the right loan structures for their investment objectives?
- When entering emerging markets, how should investors balance local expertise vs global players with track record and scale?
- To what degree of diversification should investors look for in their GPs?

- How can LPs best assess GP governance provisions?

Richard Grimm, Managing Director, Pension Practice, Cambridge Associates
Brett Hickey, Founder & CEO, Star Mountain Capital
Ken Stemme, Senior Managing Director, Income Strategies, UAW Retiree Medical Benefits Trust
Jens Tonn, Head of DACH Region, ICG

12:10 PM

12:10 PM - 1:10 PM PST (1 hour)
Networking lunch

1:10 PM

Tue Feb 27, 1:10 PM - 1:50 PM PST (40 min)
Breakout Session: Spotlight on Asset-Based-Financing

Private credit is all the rage and as LPs seek to diversify their corporate exposure, many are turning to asset-based opportunities. US consumers continue to be a bright spot amid market volatility, flushed with savings and low employment numbers and US consumer assets are amortizing, short duration and resilient. How can LPs access this asset class? What do they need to know? Are all consumer assets the same?

TJ Durkin, Managing Director, TPG Angelo Gordon
Ivan Zinn, Founding Partner & Chief Investment Officer, Atalaya Capital Management

Tue Feb 27, 1:10 PM - 1:50 PM PST (40 min)
Breakout Session: Spotlight on Europe

Big changes are happening in European private credit. Higher input costs, lower valuations and rising cost of capital are pointing to increased dealflow, especially in the distressed market. The UK no longer dominates dealflow, with France and Germany poised to overtake it this year. This breakout session will assess where LPs should be allocating to on the continent, and in which capacity.

Fabian Chrobog, Founder and CIO, NorthWall Capital

1:50 PM

Tue Feb 27, 1:50 PM - 2:30 PM PST (40 min)
Breakout Session: Spotlight on Co-Investments

While large direct lending firms still make up the bulk of allocator allocations to private credit, co-investments are on the rise. Fee savings and increased returns are the driving force. This session will assess best-practices in co-investing in private credit, from developing a sophisticated-enough investment platform, to origination and pipeline creation, to screening and execution.

Dean D'Angelo, Founding Partner, Stellus Capital

Tue Feb 27, 1:50 PM - 2:30 PM PST (40 min)
Breakout Session: Spotlight on Distressed Debt
While the markets are predicting a recession in 2023, the questions of how long and how deep it will be remain unknown. Given very few companies have entered the environment with interest hedging tools, inflationary pressures and higher rates will cause multi-sector distress opportunities. This session will assess the extent to which a recessionary environment will create buying opportunities in distressed debt, which debt structures should LPs look to secure from their GPs, what origination strategies GPs are pursuing in identifying good companies with bad balance sheets, and more.

2:30 PM

2:30 PM - 3:10 PM PST (40 min)
Widening Your Exposure: Allocating Beyond Direct Lending
Private credit has an abundance of specialist strategies gaining traction with investors. Music royalties, aviation credit, NAV lending, intellectual property financing, litigation finance and non-QM mortgages are just a few of the specialist strategies emerging for LPs to examine.

- To what degree should specialist strategies be a focus for LPs in their private credit allocation?
- How should LPs conduct appropriate due diligence of specialist managers?
- Which areas of specialist private credit offering the best risk-adjusted returns?
- How can LPs identify the new emerging credit strategies of interest?

Cian Desmond, Senior Vice President, Portfolio Manager - Alternative Investments, Wilshire
Brandon Baer, Founder and Chief Investment Officer, TFG Asset Management
Evan Carruthers, Co-CEO & CIO, Castlelake
Bryan High, Head of Capital Solutions, Barings

3:10 PM

3:10 PM - 3:40 PM PST (30 min)
Networking break

3:40 PM

3:40 PM - 4:20 PM PST (40 min)
Real Estate Credit: Diamonds in the Rough
The global real estate industry is in a state of flux. Post-covid hybrid working styles and a rising cost of borrowing have upended the sector. Yet subsectors remain strong, especially in data centres and logistics. With rising rates comes opportunity and real estate credit offers high- and stable-income returns, downside protection and diversification. This session will assess the opportunities in investing in US real estate credit.

- To what extent will real estate debt be affected by a recessionary environment?

- Given a “higher-for-longer” rates prediction, what will be the main challenges for borrowers in the short-term?
- Which sectors should be prioritized by LP and GP investors in real estate debt?
- To what extent does real estate credit service responsible investment frameworks?

Faraz Shooshani, Managing Director | Senior Private Markets Consultant, Verus Investments
Michael Haynes, Portfolio Manager, Beach Point Capital Management
Matthew Nichols, Senior Managing Director and Co-Head of Residential Credit, Pretium
JR Pearce, Senior Investment Officer, Sacramento County Employees' Retirement System

4:20 PM

4:20 PM - 5:00 PM PST (40 min)
LP Roundtable

In this session a panel of Chief Investment Officers will reflect on the conference’s findings and determine how they will implement the insights into their portfolios, real time.

Catherine Beard, Senior Vice President, Alternatives Consulting, Callan LLC
Carina Coleman, Chief Investment Officer, SDCERS
Don Pierce, Chief Investment Officer, San Bernardino County Employees’ Retirement Association (SBCERA)

5:00 PM

5:00 PM - 6:30 PM PST (1 hour, 30 min)
Close of Conference and Cocktail Reception

MARKETS GROUP

8

REAL ESTATE WEST FORUM

MARCH 6, 2024 | JULIA MORGAN BALLROOM | SAN FRANCISCO

Dear Colleague,

The 8th Annual Real Estate West Forum was developed as an educationally focused one-day meeting focused on allocators and asset managers. The purpose of the meeting is to facilitate the dissemination of actionable investor content coupled with supporting the continued development of the real estate investment industry along the west coast.

The Real Estate West program's agenda has been specifically designed to provide relevant and topical educational content for people who manage, advise, allocate to, or oversee, real estate. The Real Estate West forum will offer exclusive access to the leading minds from throughout the institutional real estate investment industry who will in turn provide the latest information and insight on the future of opportunity zones, private equity, private debt, alternatives, residential, industrial, infrastructure, technology, allocation plans, and real asset investing.

The 8th Annual Real Estate West Forum will bring together executives to discuss allocations into real estate investment vehicles. We have developed the program to meet the needs of institutional and private wealth investors such as pension funds, foundations, endowments, RIAs, family offices, sovereign wealth funds, and real estate consultants.

We are looking forward to hosting you at the conference!

Best regards,

Pat Egan

Head of Real Estate Group

Markets Group

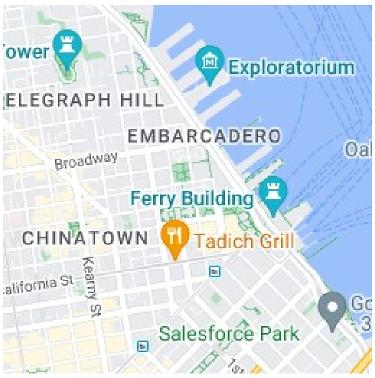
REAL ESTATE SERIES 2024

Real Estate Midwest Forum	**Real Estate Private Wealth Retreat**
Chicago | April 17	Miami | September 12
Real Estate South Forum	**Real Estate Europe Forum**
Austin | May 7	London | October 3
Real Estate Canada Forum	**Real Estate Global Forum**
Toronto | June 12	New York | December 4

VENUE

The Julia Morgan Ballroom

465 California St, San Francisco, CA 94014



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SPEAKERS

Stephen Biggs, *Managing Director, Head of Alternative Investments*, **The Mather Group**

As Managing Director, Head of Alternative Investments, Stephen applies his investment acumen and experience to assess and develop new investment offerings based on clients' investment goals, risk tolerance, and retirement needs. He joined The Mather Group through the acquisition of HC Financial Advisors in August 2022, where he operated as the Chief Investment Officer and a Principal. Prior to HC Financial Advisors, he was a Senior Analyst of Zacks Investment Research, Senior Equity Analyst of Manning & Napier, and Principal of Wells Capital Management. Stephen earned his MS in Business and Finance and BS in Business and Management from San Diego State University. He also holds the Chartered Financial Analyst® designation, Chartered Alternative Investment Analyst® designation, and is a CERTIFIED FINANCIAL PLANNER™ professional. Additionally, Stephen is Co-Chair of the Member Programming Advisory Council of the CFA Society of San Francisco.

Valerie Red-Horse Mohl, *Co-Founder & President*, **Known Holdings**

Valerie Red-Horse Mohl, of Cherokee ancestry, is Co-Founder and President of Known Holdings, a financial services growth platform led by Black, Indigenous, Latinx and Asian American leaders focused on eliminating the racial wealth gap. She is also the founder of both Red-Horse Financial Group and Red-Horse Native Productions. She is the former CFO of East Bay Community Foundation, She previously founded the first Native American owned investment bank and currently holds seven FINRA registrations. She has more than 25 years of senior leadership experience in the financial services, asset management and investment banking industries as well as in film and television production as a director, writer, and producer. Additionally, she serves as the Advisory Board Chair of Stanford University's Center for the Comparative Studies in Race and Ethnicity and teaches an undergraduate course on Entrepreneurship for Social Impact and Racial Equity at Stanford. She also serves as Board Chair for the National Boys and Girls Clubs Native Services.

Barbara Bernard, *Senior Vice President, Real Estate and Real Assets,* **Callan**

Barbara Bernard is a senior vice president in Callan's Real Assets Consulting Group. She is responsible for strategic planning, implementation and performance oversight of plan sponsor clients' real estate portfolios and the evaluation of managers and their respective real estate products for plan sponsor clients. In addition, she leads research efforts for real estate non-core strategies, as well as real estate debt and agriculture. Prior to joining Callan in 2017, Barbara held positions in real estate investment management for J.P. Morgan Investment Management and real estate development for Spaulding & Slye. Barbara received an MBA from the Kellogg Graduate School of Management, Northwestern University and a BS from West Virginia University.

Brendan MacDonald, *Partner,* **StepStone Group**

Prior to StepStone, Mr. MacDonald was a founding partner of Clairvue Capital Partners, a real estate investment manager which integrated with StepStone to establish StepStone Real Estate. At Clairvue, he was an investment committee member and focused on sourcing, underwriting and managing investments in the U.S., Europe and Latin America. Before Clairvue, he was a Director at Liquid Realty Partners, an investment manager focused on real estate private equity secondaries and held an acquisitions role at Babcock and Brown. Earlier in his career he completed GE Capital's Financial Management Program and was part of GE's Global Sponsor Finance business. Mr. MacDonald received an MBA from Harvard Business School and a BS from Indiana University.

SPEAKERS

Aaron C. Quach, *Vice President, Real Assets Consulting,* **Callan**

Aaron Quach is a vice president in Callan's Real Assets Consulting group. Aaron's role includes supporting senior members of the group with evaluation of managers and their respective real estate products for plan sponsor clients. This due diligence process includes meeting and coordinating with investment managers regarding various strategies, investment processes, track records, and organizational structures. Aaron is also responsible for collecting data from investment managers on various products and general real assets research. He is a member of Callan's ESG team and the NCREIF PREA Reporting Standards ESG Task Force. Aaron joined Callan in 2018 as an analyst in the Client Report Services group, where he was responsible for calculating investment returns and generating monthly and quarterly performance reports. Prior to Callan, Aaron worked for JPMorgan Chase Bank. Aaron earned an MS in finance from Saint Mary's College of California and a BS in business finance from San Francisco State University.

Jonathan Masse, *Senior Investment Strategist, Wealth Adviser*, **Perigon Wealth Management**

Jonathan Masse, CFA®, Sr. Investment Strategist / Wealth Advisor brings more than 25 years of experience to his role at Perigon. Jonathan's passion is to empower clients with proven financial strategies to accomplish their unique goals and help them "level up" and rise to the challenges ahead. His forte is alternative investing and options trading. His first seven years in finance were spent trading options on the floors of both the Chicago and Pacific Exchanges. He managed portfolios for the next seven years at Barclays Global Investors on the initial iShares Capital Markets team; later moving to the Institutional Portfolio Management team. In 2007, Jonathan began an 8-year emerging global markets project with Princeton's Burton Malkiel (author of the classic, "A Random Walk Down Wall Street"). In 2015, he consulted on three projects with firms producing six of ETF.com's "15 Most Important ETFs". Community and pro-bono work also energize Jonathan's work. He has coached 35+ seasons for youth sports teams and serves as an ASM for the Boy Scouts of America. He teaches CFA Exam Review courses (including Alternatives & Private Equity) and volunteers for the CFA-SF Continuing Education committee while also mentoring five finance professionals in the CFA Mentoring program. He is also a longtime Toastmasters member. As a father of a daughter, he has developed a special interest in empowering women of all ages to take control of their financial lives. Jonathan holds a degree in Finance from Boston College and an MBA from Santa Clara University.

Ryo Ishida, *Managing Director*, **Rainbow Capital Partners**

Ryo is a Managing Partner at Rainbow Capital Partners (www.rainbowcapitalpartners.com), which invests in underfunded operators in commercial real estate, primarily funding people of color, LGBTQ+, and females. At Rainbow Capital Partners, we believe there is arbitrage in funding a different network of deals. Previously, Ryo was a Vice President of Real Estate at Lyric, a technology-based hotel brand funded by Airbnb, NEA, and Starwood Hotels. Before Lyric, Ryo spent six years at Prudential Real Estate Investors, most recently responsible for covering PREI's East Coast development projects totaling $3.0+ billion. Prior to Prudential, Ryo was the second employee of Peter Linneman's private equity fund. Ryo has also worked as a residential developer with a focus on sustainable development. He is a graduate of the Wharton School at the University of Pennsylvania. Outside of work, he enjoys tennis, soccer and cooking Japanese food.

Tarrell Gamble, *Chair, Investment Committee*, **Alameda County Employees' Retirement Association**

Mr. Gamble joined Blaylock Van in 2001 and has over 18 years of capital markets, sales & trading and market analysis experience with the firm. In addition to his responsibilities in capital markets, Mr. Gamble leads the BV summer internship program. Mr. Gamble is the Chair of the Alameda County Employees Retirement Association and is the President of the Board of San Francisco Achievers scholarship program. Mr. Gamble earned a Bachelor of Science degrees in both Finance and Banking from San Francisco State University. He also holds Series 7, 55, 66 licenses.

SPEAKERS

David Hood, *Senior Real Assets Strategist, Managing Director*, **Sonen Capital**

David Hood leads the firm's private markets investment activities, with an emphasis on real assets portfolio strategies. Previously, Dave was a Managing Director at Stanford Management Company, where he oversaw the overall investment portfolio for $9B in AUM in real estate, private equity and natural resources investments for the Stanford University endowment. The investments were global in scope and included investments in public and private funds, direct investments in assets and operating companies and tactical overlays. Before joining Stanford, Dave was a Senior Managing Director of Real Assets for Sterling Stamos. Prior to joining Sterling Stamos, Mr. Hood was one of the founding partners at Lone Star Opportunity Fund, where he held various responsibilities, for over $1 billion in commercial mortgage debt and real estate portfolios. Mr. Hood also held a similar position as a founding member of Lone Star's predecessor company, Brazos Fund; a Robert M. Bass sponsored entity that, together with its related entities, acquired over $3 billion in real estate assets. Previously, Mr. Hood worked as a Partner at several real estate development firms including Trammell Crow, Hillman Properties and Barker Interests.

Owen DeHoff, *Managing Partner*, **Jasper Ridge Partners**

Owen DeHoff is a Managing Partner of Jasper Ridge Partners and has responsibility for secondary, direct and co-investments, as well as manager selection in real assets. Prior to joining Jasper Ridge Partners in 2010, Owen was a research analyst in Fortress Investment Group's Global Macro Fund. Previously, he held positions in investment banking at Lehman Brothers, where he focused on corporate finance and M&A advisory, and in the merchant banking group at Cohen Financial, a national commercial real estate lending platform. Owen earned a BA in Urban Studies from Brown University and an MBA from the Tuck School of Business at Dartmouth.

Ethan Doyle, *Managing Director*, **AlTi Tiedemann Global**

Ethan is a senior member of AlTi's Investment Group. Ethan is the co-head of the private equity program and leads the firm's co-investment and direct investment activities. Ethan has two decades of experience in the financial services industry mainly as an investment professional, but also including experience in Mergers and Acquisitions advisory. Prior to joining AlTi, Ethan worked as a portfolio manager for a San Francisco-based family office. Prior to that, Ethan co-founded and was Managing Partner of RDG Capital, a fundamental value-focused, activist hedge fund. Prior to joining RDG in 2009, Ethan worked at GCA Savvian Group, first in their mergers and acquisitions advisory business, then in their principal investing unit. Ethan earned a Bachelor of Arts degree in Political Economy from Princeton University, graduating with Honors.

Anil Daryani, *Managing Director*, **Citi Private Bank**

Anil Daryani, CFA is a Managing Director at Citi Private Bank. He has more than 15 years' experience in investment management leadership functions. Anil works closely with family offices, their principals, CIOs and investment committees across a wide range of topics including investment strategy, portfolio construction, diligence, risk analysis and investment selection. Prior to his role at Citi, Anil was Managing Director and Deputy Chief Investment Officer, Americas at HSBC, where he was a voting member of their Global Investment Committee (GIC). Earlier in his career, he held investment roles at UBS and BNY Mellon. Anil is a CFA Charterholder and holds a B.S. Business Administration and a B.A. Economics from University of California, Berkeley.

SPEAKERS

Dhinesh Ganapathiappan, *Senior Investment Officer, Head of Private Markets*, **City of San José**

Dhinesh joined the City of San José Investment Program in 2016 and currently oversees the private markets portfolios. Prior to joining the City of San José, he spent seven years at State Street, where he was an assistant vice president providing performance, attribution, and portfolio analytics solutions for institutional clients. Dhinesh graduated with a bachelor’s degree in economics from the University of California, Davis. He holds the Chartered Financial Analyst designation.

Jennifer Jones, *Head of Real Estate Partnerships, Multi-Managers Real Estate*, **UBS Asset Management**

Jennifer Jones joined UBS Asset Management, Real Estate & Private Markets (REPM) in 2005. Jennifer is the Senior Portfolio Manager of US GREFS, a global multi-manager core plus fund, is a member of the Management and Investment Committees of UBS Multi-Manager Real Estate (MMRE) and is the Head of MMRE Non Fund Investment Group, a team within MMRE that coordinates sourcing and executing semi direct investments globally. Jennifer has invested, managed and disposed of over USD 20 billion of real estate during her tenure with UBS across various structures. Prior to joining UBS, Jennifer had worked in acquisitions at other firms and founded and operated a residential development company in Western Canada building both multifamily and single-family homes. Jennifer has an MBA from Columbia University and a Bachelor of Commerce from the University of British Columbia.

SPONSOR SPEAKERS

Dan Norville, *Founder & Chief Executive Officer,* **Vivo Investments**

Dan's long career in real estate began with roles at investment banks and private equity before charting his own path as an investor and developer. Dan founded his first real estate company in 2012 and subsequently three more companies since then, and is responsible for overseeing underwriting, research, institutional capital raising, business development and deal negotiation. His career has encompassed the structuring, financing, acquisition, and disposition of over $1.0 billion in completed real estate transactions.

Cliff Booth, *Founder & Chairman* , **Westmount Realty Capital, LLC**

A native of Montreal, Canada, Cliff Booth is the founder and chairman of Westmount Realty Capital, LLC. He holds a B.A. Honors in Political Science from McGill University in Montreal and an M.Sc. in Economics from The London School of Economics. Cliff first moved to Dallas in 1979 and founded the Company shortly afterward. Under Cliff's leadership, Westmount has grown from a small local company to a national firm. Deals span markets across the country, and Westmount is now a driving force in cities in the Midwest, Southwest, Southeast, and Western regions. With over 35 years of industry experience, Cliff is recognized as an innovative and leading-edge investor. His relationship-driven approach towards investing has earned the trust of numerous U.S. and foreign institutional and private capital sources, many of which have been investing with Westmount for decades. In 2022, Cliff was named "Executive of the Year" by D CEO. Among his many notable achievements, he was one of the first to assemble a significant portfolio of flex industrial properties in the United States and also a pioneer investor of office and flex industrial in/around Downtown Dallas in the 1990s. In addition, Cliff has been investing in cold storage since the 1990s, long before the ecommerce revolution and the competitive market seen in the space today. To date, Cliff has led the Company to build a portfolio of more than 45 million square feet, representing $2.9BN of property investments. Cliff chairs the Investment Committee and directly oversees the strategic development and capital initiatives of Westmount. Through his involvement in the Urban Land Institute Board as a Governor and Industrial and Office Parks Council (IOPC-Silver), Cliff shares ideas and insights with other leaders in the real estate industry and is a frequent speaker at conferences and interviewee in the press.

March 6 – Pacific Time:

8:00 Registration & Morning Networking
Welcome to the 8th Annual Real Estate West Forum!

8:15 Breakfast Workshop *hosted by* **Vivo Investments**
Presenter:
Dan Norville, *Founder & Chief Executive Officer,* **Vivo Investments**

8:35 Markets Group Opening Remarks
Madeline Heckman, *Head of Real Estate Content,* **Markets Group**

8:40 Opening Keynote: American Real Estate Markets: Economic Overview
Keynote speaker to be announced

9:00 Panel Discussion: State of the Industry
From coast to coast, real estate markets are facing regulatory changes, extreme weather conditions, and fluctuating supply and demand. The Markets Group 8th Annual Real Estate West Forum will commence with a scene setting discussion addressing trends emerging across the industry. Our panelists will share noteworthy headwinds and tailwinds that are affecting real estate investors and managers alike.
Moderator:
Anil Daryani, *Managing Director*, **Citi Private Bank**
Panelists:
Jennifer Jones, *Head of Real Estate Partnerships, Multi-Managers Real Estate*, **UBS Asset Management**
Owen DeHoff, *Managing Partner*, **Jasper Ridge Partners**
Barbara Bernard, *Senior Vice President, Real Estate and Real Assets,* **Callan**
Brendan MacDonald, *Chief Operating Officer*, **Stepstone**
Speaker, *Managing Director*, **Rockwood Capital**

9:30 Panel Discussion: Examining Opportunities in Debt
Debt has been pushed to the top of board room discussions as opportunities continue to surface following the 2020 pandemic. Our panel of esteemed speakers will cover loan structures such as mezzanine loans, subordinated secured debt or B-notes, and CRE first mortgages, among others. This panel will also address the key considerations for investors looking to enter or expand their presence in the debt sphere.
Moderator:
Panelists:
Josh Tonderys, *Co-President and Head of Credit Investments*, **Colchis Capital Management**
Eoin Treacy, *Chair, Investment Committee, Board of Directors*, **Nevada Trust Company**

10:00 Panel Discussion: The Rise of Multifamily
In this dynamic panel discussion, our speakers will address the rapidly growing multifamily sector. What criteria are you utilizing to identify opportunities with upside? How are you approaching affordable housing versus amenity-rich developments? Which west coast regions are seeing more multifamily growth? What are the largest factors contributing to the rise of the multifamily sector? What is driving investor appetite for multifamily?
Moderator:
Panelists:
Brian Biggs, *Vice President, Research* , **Grosvenor**
Aaron C. Quach, *Vice President, Real Assets Consulting***, Callan**
Speaker, *Managing Director*, **Virtu**

10:30 Morning Networking Break

10:50 Panel Discussion: What's New with Niche Investment Strategies
Niche asset classes have become a critical component of many real estate portfolios. Among these asset classes are life sciences, student housing, self-storage facilities, data centers, film & television production studios, senior housing, manufactured housing, and medical office buildings. Which of these asset classes are the most favorable moving into 2024? Which asset classes' momentum has slowed? Are current yields and returns sustainable as we look to the year ahead?
Moderator:
Speaker, *Managing Director*, **Marcum**
Panelists:
Jessica Chumak, *Investment Officer, Private Markets*, **Los Angeles City Employees' Retirement System (LACERS)**
Ryo Ishida, *Managing Director*, **Rainbow Capital Partners**

11:20 Panel Discussion: Finding Value in Value-Add?
Real estate investors consider the risk factor as they build out their portfolios. While some favor Value-Add and Opportunistic, others remain confident in Core and Core Plus. Our panelists will share their insights into where investors can find the most value in the short and long terms. Given the current state of the economy and real estate markets, should investors bolster their portfolios with riskier investment strategies or opt to play it safe?
Moderator:
Tarrell Gamble, *Chair, Investment Committee*, **Alameda County Employees' Retirement Association**
Panelists:
Dhinesh Ganapathiappan, *Senior Investment Officer, Head of Private Markets*, **City of San José**

11:50 Breakout Sessions
In the format of roundtables, small self-selecting discussion groups are formed by topic. Take this opportunity to connect with peers and learn more about your respective topic.

Table 1: Why Single Family Residential Credit Is a Durable, Low Loss Investment Opportunity - h*osted by* **Colchis Capital Management**
Table 2: Identifying Best in Class Debt Opportunities
Table 3: International Market Headwinds
Table 4: Regulatory Updates Affecting Real Estate
Table 5: Adding Energy to the Equation

12:20 Networking Luncheon

1:30 Panel Discussion: Investing in West Coast Residential Real Estate
Residential housing markets have rapidly evolved year over year as housing trends, mortgage rates, and economic considerations continue to morph. Is reurbanization top of mind or will the great migration continue to bolster markets outside of cities? What trends unique to the west coast are affecting the investment selection process? What should investors seek and avoid as they approach this sector?
Moderator:
Speaker, *Managing Director*, **Lubin Olson**
Panelists:
Cindy Chavez, *Vice Chairperson, Board of Director, & Administration & Finance Committee,* **Santa Clara Valley Transportation Authority Retiree Trust Funds**

2:00 Panel Discussion: America's Economic Circulatory System: Industrial
With the rise of remote working, online shopping, and transient housing, industrial real estate has grown in economic importance. Americans rely on ecommerce (warehousing, distribution, and logistics parks) daily. As many Americans have left the traditional 9-5 in Midtown behind, flexible storage and self-storage has boomed. Our panel of industry experts will examine the trends affecting the supply and demand of industrial, as well as how developing smarter buildings and digital transformation may be the next phase of industrial.
Moderator:
Speaker, *Managing Director*, **Yardi**
Panelists:

2:30 Breakout Sessions
In the format of roundtables, small self-selecting discussion groups are formed by topic. Take this opportunity to connect with peers and learn more about your respective topic.

Table 1: Investing in Workforce Housing
Table 2: A New Wave of Tech in CRE
Table 3: Taking a Second Look at Storage
Table 4: The Secret to Success in Hospitality
Table 5: Deep Dive on Data Centers

3:00 Afternoon Networking Break

3:15 Panel Discussion: Private Wealth is Making Waves
Registered Investment Advisors and family offices face unique challenges while boasting unique strengths within the real estate investment ecosystem. When it comes to allocating to real estate funds, what advantages do family offices and RIAs have compared to that of an institutional investor? What can institutional allocators learn from the operations of private wealth investors? What have private wealth investors learned from institutional investors? Can the private wealth community leverage tax advantages, the 1031 exchange, and Qualified Opportunity Zones to stabilize their portfolios? What is the risk appetite of private wealth real estate investors?
Moderator:
Stephen Biggs, *Managing Director, Head of Alternative Investments*, **The Mather Group**
Panelists:
Jonathan Masse, *Senior Investment Strategist, Wealth Adviser*, **Perigon Wealth Management**
Ethan Doyle, *Managing Director*, **AlTi Tiedemann Global**

3:45 Panel Discussion: Putting a Price on Climate Risk
As ESG, Impact, and SRI have been top of mind for investors and managers, alike, climate is now a critical piece of nearly every real estate investment conversation. Climate is drastically affecting the demand for certain regions. As the west coast, specifically, has endured extreme weather conditions month after month, investors and managers are forced to diligently assess the physical risk of real estate investments. Flooding, fires, clean water accessibility, emissions, and land degradation are proving to be vital points of discussion in evaluating risk.
Moderator:
Panelists:
Valerie Red-Horse Mohl, *Co-Founder & President*, **Known Holdings**
David Hood, *Senior Real Assets Strategist, Managing Director*, **Sonen Capital**

4:15 Networking Reception
Join your colleagues, peers, and clients for a cocktail as we celebrate an engaging and dynamic event.

5:15 Concluding the 8th Annual Real Estate West Forum
We look forward to seeing you at our next Real Estate event!

GOLD SPONSORS

Marcum LLP is a top-ranked national accounting and advisory firm dedicated to helping entrepreneurial, middle-market companies and high net worth individuals achieve their goals. Marcum's industry-focused practices offer deep insight and specialized services to privately held and publicly registered companies, and nonprofit and social sector organizations. The Firm also provides a full complement of technology, wealth management, and executive search and staffing services. Headquartered in New York City, Marcum has offices in major business markets across the U.S. and select international locations.

Rockwood Capital is a privately held real estate investment management firm founded in 1995 that provides equity capital combined with real estate operating expertise for the repositioning, recapitalization, development and redevelopment of residential, office, research and development, retail and hotel space in key markets throughout the United States. Rockwood and its principals have invested on behalf of their clients approximately $28.4 billion of real estate through ten value-add vehicles and ten separate accounts. Today, Rockwood is a 76 person organization with offices in New York, NY, San Francisco, CA, and Los Angeles, CA that manages a portfolio of approximately $3.4 billion of net equity value in approximately $6.8 billion of gross real estate value as of 6/30/2018. Rockwood's investors include public and private pension funds, endowments, foundations, insurance companies, fund of funds, high net worth individuals and family offices.

Yardi is dedicated to the design, development, and support of real estate investment management and property management software. We offer full business solutions for every real estate market, including multifamily, single family, affordable, public, senior and military housing as well as office, industrial, and retail market segments. Yardi has the highest commitment to quality, innovation, responsiveness, and customer focus. With over 40 offices and 6,500 employees worldwide, Yardi is positioned to help you effectively manage your portfolio more efficiently and competitively.

CONTRIBUTING SPONSORS

Lubin Olson has developed a reputation as one of the top California law firms specializing in commercial real estate matters. We serve the needs of sophisticated clients including sponsors, investors, investment managers, private equity funds, and operators. In particular, the firm has been a leader in terms of equity and debt transactions involving multifamily and residential assets in San Francisco and throughout California. We provide a deep bench of experienced real estate professionals who are able to offer a multidisciplinary approach with an extensive complement of legal services to the real estate industry. Our lawyers bring a practical, results-oriented approach to every engagement.

Colchis Capital Management, L.P., based in San Francisco, CA, is a specialist alternative investment firm leveraging big data, analytics, technology and operational know-how to strategically invest in residential bridge loans, single family residential, specialty finance and venture capital. Together with its affiliates, Colchis has been successful in identifying investment themes catalyzed by market dislocations since its inception in 2005 and has proven capabilities in private credit, residential assets, venture capital and securitized assets. The firm's Co-Founders have been investing in real estate-related strategies since 2006, starting with shorting the subprime mortgage market, followed by investing long in distressed RMBS in 2009, and commencing real estate bridge loan investments in 2017 and single-family residential real estate rental investments in 2017. The firm has invested in more than 1,700 single family homes specifically in the MidWest since 2017.

Locust Point Capital is a credit-focused alternative asset manager that invests exclusively in the U.S. Seniors Housing sector. We provide custom financing solutions to companies seeking flexible, non-dilutive capital by filling the financing gap left by banks and traditional credit providers. We invest opportunistically in the U.S. seniors housing industry which has historically offered attractive uncorrelated returns. What makes Locust Point stand apart from other lenders is our experienced team of investment professionals, our extensive market knowledge, and the numerous long-term relationships that Locust Point's management team has cultivated over more than two decades

Westmount Realty Capital, LLC is a time-tested, privately held, Dallas-based commercial real estate company that has achieved exceptional performance, with a core team in place, for more than 35 years. Westmount is seen as an innovator and leading-edge company in the industry and is a relationship-driven trusted operating partner of numerous U.S. and foreign institutional and private capital sources. The company is active within the U.S., specializing in value add and opportunistic investments, and has navigated successfully through multiple market cycles. For additional information, contact www.westmountrc.com.

BREAKFAST SPONSOR

Vivo Investments LLC is a full-service private real estate investment company that specializes in revitalizing unused spaces into apartment communities. By adapting a reuse approach, we keep our carbon footprint small, while generating viable housing solutions for communities with unmet housing needs. Our resilient communities serve the neighborhoods they are a part of, while our resourceful approach turns low-demand, low-performing spaces into added value for investors.

NETWORKING SPONSOR

Bear Real Estate Advisors is a real estate investment services firm that connects people, property and capital. Having been intricately involved in nearly every facet of real estate deal-making, the firm leverages its vast experience, extensive database and trusted relationships to provide clients with unparalleled transaction representation, property sourcing and capital advisory services.

Forward Focus: Resilience Strategies for Public Pensions

CALAPRS
EDUCATION • COMMUNICATION • NETWORKING
California Association of Public Retirement Systems

GENERAL ASSEMBLY

March 2 – 5, 2024

The California Association of Public Retirement Systems (CALAPRS) invites you to attend the annual General Assembly, March 2 – March 5, 2024 at the Omni Rancho Las Palmas in Rancho Mirage, CA! The General Assembly is an educational conference for retirement system trustees, senior staff, and our annual sponsors. Attendees will learn from experts and peers, while getting the opportunity to network with colleagues.

REGISTRATION

Register online at www.calaprs.org/events

- Retirement System Fee: $250/person
- Sponsor Fee: $2,500 annual sponsorship includes registration for 2 representatives at no additional cost.

LODGING

CALAPRS has arranged for a discounted room rate at the meeting hotel, the Omni Rancho Las Palmas, 41000 Bob Hope Drive, Rancho Mirage, CA for the duration of the meeting. The room rate is $245/night, plus taxes and fees. The $38/night per room resort fee is waived for those who book a room within the CALAPRS room block.

- Book Online: https://bit.ly/CALAPRS_GA2024
- By Phone: 1-800-THE-OMNI (1-800-843-6664); use group code 030324calaprs2024gen

Cut-off Date: The room rate is available until **February 9, 2024** or until the block is sold out, whichever comes first.

HEALTH & SAFETY

CALAPRS is dedicated to providing a safe event experience for all participants involved including attendees, sponsors, staff, and guests. CALAPRS will conduct the General Assembly as advised by government (local, state, and national) regulations, CDC recommendations, and venue requirements at the time of the event. Read the fully in-person event policy here: www.calaprs.org/page/eventpolicy

register@calaprs.org | www.calaprs.org

General Assembly
Program

SATURDAY, MARCH 2

4:00 – 6:00 PM | Registration Open

SUNDAY, MARCH 3

9:30 AM – 5:00 PM | Registration

10:00 AM – Noon | AB1234 Ethics for Trustees
Presenter: Ashley Dunning, Partner & Co-chair Pension, Benefits & Investments Group, Nossaman LLP

2:00 – 2:15 PM | Opening Remarks

2:15 – 3:15 PM | Approaching the (Employer Contribution) Cliff – A Case Study with SamCERA
Presenters: Scott Hood, CEO, San Mateo County Employees' Retirement Association and Joe Abdou, CFA, Consultant, Verus Investments

3:15 – 3:30 PM | Networking Break

3:30 – 4:30 PM | AI Today and the Investment Opportunities Ahead
Presenter: Mark Casey, Portfolio Manager, Capital Group

7:00 – 9:30 PM | Strolling Dinner at the Omni Rancho Last Palmas

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MONDAY, MARCH 4

7:00 AM – 4:00 PM | Registration

7:15 – 8:15 AM | Breakfast

8:15 – 8:30 AM | Opening Remarks

8:30 – 9:30 AM | A Conversation with Francis Donald, Chief Global Economist & Strategist, Manulife
Moderator: Thomas Kim, Senior Investment Officer, San Bernardino County Employees' Retirement Association

9:30 – 10:00 AM | Networking Break

10:00 – 11:00 AM | Envisioning an AI Future for Public Pensions
Presenters: Joel Levinson, Vice-President, Member and Employer Experience, BC Pension Corporation and Steve Delaney, CEO, Orange County Employees' Retirement System

11:00 AM – 12:00 PM | Geopolitics and Investing
Presenter: Thomas Mucha, Geopolitical Strategist, Wellington Management

12:00 – 1:00 PM | Lunch

Share Create with Canva

MONDAY, MARCH 4 *(continued)*

1:30 – 2:30 PM | SEC New Rules on Private Markets
Presenters: Yuliya Nossaman, Partner & Co-chair Pensions, Benefits & Investments Group, Nossaman LLP and Jim Van Horn, Partner, Hills Stern & Morley LLP

2:30 – 3:00 PM | Networking Break

3:00 – 4:00 PM | Investment Trends in Public Plans
Presenters: Andrea Picard, Head of U.S. Pensions, Americas Institutional Business, Blackrock and Alison Romano, CEO & CIO, San Francisco Employees' Retirement System

5:00 – 6:00 PM | Hosted Reception at the Omni Rancho Las Palmas

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TUESDAY, MARCH 5

7:30 – 11:00 AM | Registration Open

7:30 – 8:30 AM | Breakfast

8:30 – 10:00 AM | Perspectives: CalPERS' CEO Discusses Pensions, Policy and Private Markets
Presenter: Marcie Frost, CEO, California Public Employees' Retirement System

10:00 – 10:15 AM | Networking Break

10:15 – 11:00 AM | Innovative Approaches to Stakeholder Outreach & Communications
Presenters: Pension Administrators/CEOs

11:00 AM | Closing Remarks & Program Adjourns

THANK YOU TO OUR 2024 GENERAL ASSEMBLY PLANNING COMMITTEE

Debby Cherney, CEO, San Bernardino County Employees' Retirement Association *(Chair)*
Greg Levin, CEO, Santa Barbara County Employees' Retirement System *(Co-Chair)*
Steve Delaney, CEO, Orange County Employees Retirement System
Scott Hood, CEO, San Mateo County Employees' Retirement Association
Kim Malm, Deputy Executive Officer of Customer Services and Support Branch, California Public Employees' Retirement System
Alison Romano, CEO & CIO · San Francisco Employees' Retirement System

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Pension Bridge the Annual 2024
Half Moon Bay, CA
April 15-16, 2024

Monday, April 15

12:30 PM - 1:00 PM PDT (30 min)
Analyst Workshop | Registration

Pension Bridge's inaugural Analyst Workshop will convene the region's best and brightest analysts for an afternoon of interactive content, networking and learning. The workshop will see panel discussions on market trends but also on best-in-class internal processes of how analysts can be effective in their day-to-day roles.

1:00 PM

1:00 PM - 1:40 PM PDT (40 min)
Analyst Workshop | Portfolio Construction: Building for the Future

Portfolio construction today is wracked with difficulties. Higher-for-longer rates have upended a decade-long sense of comfortable investing. Geopolitical fallout threatens how portfolios perform. The traditional 60/40 portfolio seems moribund in today and the future's economic environment. Analysts need to act nimbly if they are to maximize their value in contributing to portfolio construction. But how?

- How should analysts most effectively balance risk and liquidity considerations when making recommendations?
- How does data play its part in portfolio construction from an analyst's perspective?
- Which fund structures are preferential in today's environment?
- How should analysts approach diversification within their remit?

1:40 PM

1:40 PM - 2:20 PM PDT (40 min)
Analyst Workshop | Fund Research: Cutting the Wheat from the Chaff

Within an analyst's career, today, fund selection has never been more important. Most analysts have never been through a period of such economic uncertainty and managers have had a decade of low rates and the longest bull market on record in which to perform. As scrutiny intensifies, how can analysts pick the best managers for the portfolio's purpose?

2:20 PM

2:20 PM - 3:00 PM PDT (40 min)
Analyst Workshop | Analysts in the Hotseat

This closing session, moderated by an allocator Chief Investment Officer, will convene four leading allocator analysts to discuss the challenges facing them in today's environment, their career development goals, how they intend to achieve those goals, and how they see allocator organizations changing in the future, from both internal and external perspectives.

3:00 PM

3:00 PM - 3:55 PM PDT (55 min)
Registration and Refreshments

3:55 PM

3:55 PM - 4:05 PM PDT (10 min)
Opening remarks

4:05 PM

4:05 PM - 4:30 PM PDT (25 min)
Keynote Interview

4:30 PM

4:30 PM - 6:00 PM PDT (1 hour, 30 min)
Networking Cocktail Reception

7:00 PM

7:00 PM - 7:00 PM PDT (0 min)
End of Day One

Tuesday, April 16

7:30 AM- 8:30 AM

Breakfast – Different Groups:
Allocator-only Breakfast: Diversity, Inclusion and Talent
Breakfast and Trustee Exchange
Registration and Breakfast for All Attendees

8:30 AM

8:30 AM - 8:35 AM PDT (5 min)
Opening Remarks

8:35 AM

8:35 AM - 8:55 AM PDT (20 min)
Fireside Chat with Asset Owner CIO

John D. Skjervem, Chief Investment Officer, Utah State Retirement Systems
Janet Becker-Wold, CFA, Senior Vice President and Manager, Callan LLC

8:55 AM

8:55 AM - 9:30 AM PDT (35 min)
What-Landing? Portfolios and America's Economic Future

America's economy is forecasted to grow at 6% in the third quarter of 2023, a feat almost unheard of in the last 20 years. Retail sales, construction, manufacturing, and a hot labor market—all point to an economy steaming ahead. Yet the very success of the economy, growing at an alarming rate at a time of rising rates, raises questions for the future.

- To what extent would a 'no landing' cause a rebound in inflation?
- How will higher-for-longer rates drive changes in asset owner strategic allocation?
- How are asset owners pre-empting rate cuts and when do they expect the Fed to act?
- What does a buoyant period for US markets mean for equity allocations and risk mitigation strategies?
- Should policymakers hike inflation targets and what might this mean for portfolio construction?

9:30 AM

9:30 AM - 10:05 AM PDT (35 min)
Asset Allocation: A Material Change…

The denominator effect hasn't hit portfolio construction strategies as much as feared, given rebounds in equities and high yields in bond markets, although some LPs are still in a tough spot. But more generally the death of lower-for-longer rates and uncertain macroeconomic and geopolitical outlooks are triggering more fundamental discussions about longer term asset allocation mixes.

- Is there a material change required in how asset allocation considerations are thought of?
- How can asset owners maintain liquidity in an increasingly illiquid world?
- What is the successor to the 60/40 model of asset allocation given higher-for-longer rates?
- How are pension fund reforms and regulations affecting asset allocation strategies?
- How will the denominator effect alter exposure to private markets in the long-term?
- What role does risk parity play in today's uncertain market?
- To what extent do asset owners need to accept more risk premia to meet return targets for their stakeholders?
- Has current market uncertainty re-sparked the debate between active and passive strategies?
- Evaluating the tactics of investors who are looking to get more defensive

Eileen Neill, Managing Director, Senior Consultant, Verus Investments
Steve Davis, CFA, CAIA, Chief Investment Officer, Sacramento County Employees' Retirement System
James Nield, Chief Risk Officer, Senior Managing Director Risk & Portfolio Management, Teacher Retirement System of Texas
Mr. Toni Rinnevaara, Partner, Chief Investment Officer, American Industrial Partners

10:05 AM

10:05 AM - 10:25 AM PDT (20 min)

Headline Presentation

10:25 AM

10:25 AM - 10:55 AM PDT (30 min)
Networking Coffee

10:55 AM

10:55 AM - 11:30 AM PDT (35 min)
The Looming Credit Crisis: Fail to Prepare…

Moody's and S&P downgraded a string of banks in August, reminding markets that the banking crisis earlier in 2023 might not be over. Many institutions are sitting on risky loan books in areas such as real estate debt and as higher lending costs continue to pressure businesses, all eyes are on default rates.

- To what extent is the banking system well capitalized against future credit crises and what role will asset managers play?
- Would the government repeat its aggressive response that saw it manage the March 2023 crisis and if not, what would be the impact on asset owner portfolios?
- Discuss asset manager opportunities. Particularly in private credit.
- How will sustained high rates impact treasury and government-backed mortgage securities?
- How should asset owners hedge against credit and interest rate risk?

Connor Fitzgerald, Senior Managing Director, Partner, and Fixed Income Portfolio Manager
Wellington
Speaker

11:30 AM

11:30 AM - 12:05 PM PDT (35 min)
The Digitalization of Everything

Artificial intelligence (AI) enhances the investment and risk management function in myriad ways: From predicting future events, to identifying patterns in markets, and from automating operations to strengthening risk performance. Yet events in 2023 highlighted that the artificially intelligent Chief Investment Officer was caught off guard, with events like the banking crisis missed by quant funds and roboadvisors alike. How should asset owners define their relationship with artificial intelligence and where does it offer material value?

- Identifying the risks of machine learning in investing
- What material changes to asset owner portfolio construction is technology creating?
- To what extent will AI overhaul asset allocation in the future?
- How are active managers learning to use AI and data?
- How can AI result in better executions, lower transaction costs and faster investment of new cashflows in fixed income?
- How can customization through technology benefit asset owner portfolios?
- How can asset owners identify bona fide masters of AI?

12:05 PM

12:05 PM - 12:40 PM PDT (35 min)
Scenario Setting: Private Credit in a Recessionary Environment

Predictions on when the next recession will hit and how long and how deep it will be, are rampant in the public discourse. Given very few companies have entered today's environment with interest hedging tools, inflationary pressures and higher rates will cause multi-sector distress opportunities.

- To what extent will a recessionary environment create buying opportunities in private credit, particularly in distressed?
- How will the middle-to large-cap market react to a recession?
- How will covenant-lite deals fare in a world of skyrocketing refinancing costs?
- What debt structures should asset owners look at to secure from their GPs?
- What origination strategies are GPs pursuing in identifying good companies with bad balance sheets?
- What distressed-for-control opportunities are there for asset owners?
- How can asset owners most effectively choose their managers, where most funds have never operated through a downturn?
- How should an allocator decipher who will be the best at private credit?
- Do private credit firms have the infrastructure to take ownership of defaulting companies, and how might the lack of it affect asset owner sentiment in the asset class?
- How should allocators incorporate 'capital call' structures within their workings with GPs?

Alona Gornick, Managing Director, Senior Investment Strategist, Churchill Asset Management
Speaker

12:40 PM

12:40 PM - 1:40 PM PDT (1 hour)
Networking Lunch

1:40 PM

Tue Apr 16, 1:40 PM - 2:15 PM PDT (35 min)
Emerging Markets: Back from the Dead?

Emerging markets are in one of their longest bear markets. The MSCI Emerging Markets Index is down by about 40% of its February 2021 highs. China's economic woes have largely driven this poor performance, from lockdowns to deflation and dampened post-Covid growth to debt crises. Yet the long-term fundamentals remain bullish, driven by economic growth in Latin America, India and Southeast Asia, as well as an eventually resurgent China.

- Identifying divergent growth opportunities in EMs which have decoupled from the Fed

- An outlook on the US dollar and its effect on asset owner portfolios
- Assessing valuations of EM versus world stock markets
- How will China's continued economic woes affect allocation to emerging markets dependent on its growth?

Paul O'Brien, Board Member, Wyoming Retirement System

Tue Apr 16, 1:40 PM - 2:15 PM PDT (35 min)
Real Estate: Diamonds in the Rough

The commercial real estate industry is facing significant headwinds, as an estimated $1.5 trillion in debt maturity walls hit by 2025. Added to this are higher costs of refinancing and a glut of liquidity, driven by bank lending retrenchment in wake of March's bank failures.

- What opportunities do private equity-led acquisitions present for asset owners looking to tap distressed real estate equity and debt opportunities?
- To what degree does strong commercial real estate historicals trump short-term market disruptions?
- How can asset owners identify asset repricing opportunities in the sector?
- Which thematic diamonds in the rough, such as data centers and logistics, are driving investment?

Dhinesh Ganapathiappan, Senior Investment Officer, City of San Jose

2:15 PM

Tue Apr 16, 2:15 PM - 2:50 PM PDT (35 min)
Infrastructure: Defense is the Best Offense

Secular trends such as decarbonization and digitalization are driving infrastructure growth. That the asset class is inflation-hedging is a boon. Yet dry powder levels are high, competition for the best deals is rife, and long-duration fixed income products with higher yields threaten demand.

- How have asset owner hurdle rates changed in wake of rising financing costs?
- Given ample dry powder levels, how can asset owners access the best deals?
- To what degree will high long-duration treasury securities dampen demand in infrastructure?
- What is the outlook for US core and core-plus assets?
- How can asset owners access inflation-hedging assets at fair valuations?

George Emerson, Senior Investment Officer, SCERS

Tue Apr 16, 2:15 PM - 2:50 PM PDT (35 min)
The Hedge Fund Strikes Back

As macroeconomic and geopolitical environments continue to sow uncertainty in the world's financial markets. A protracted war in Ukraine, differing inflationary regimes and rising rates create difficulties for allocators. Yet well-positioned hedge funds stand to benefit.

- Which hedge funds strategies are best positioned to bloom?
- Assessing the right strategy: Macro, multi-strat, CTAs, relative value, credit, or long/short equity?
- Tactics for hard-to-access managers and should you be considering well pedigreed spinouts?
- Have hedge funds regained the power in the fee debate and how should LPs handle such conversations?
- Best practice for pass-through fee models and red flags to watch out for.
- How can asset owners identify the best emerging managers?

Tue Apr 16, 2:15 PM - 2:50 PM PDT (35 min)
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- How can asset owners identify the best emerging managers?

2:50 PM

Tue Apr 16, 2:50 PM - 3:25 PM PDT (35 min)
Carbon Credits: An Eye to 2050

According to the World Bank, carbon markets and Emission Trading Systems (ETS) reached a record high of $95 billion in 2023. Increased volumes in this space have led to renewed activity, with recent carbon credit auctions generating new opportunities for investors, but also risk as the carbon certification schemes behind many voluntary offset come under greater scrutiny.

- Existing carbon market plays—recent activity and opportunities
- How can asset owners avoid the financial, regulatory and reputational risks of voluntary carbon credits?
- Should asset owners push the portfolio to issue carbon pricing for net zero targets and what would this mean for asset allocation?
- What are the biggest reasons why carbon offsetting schemes fail to meet sustainability standards?

Tue Apr 16, 2:50 PM - 3:25 PM PDT (35 min)
Private Equity: Playing Heads and Tailwinds

As dealflow continues to slow, the private equity industry is facing a re-rating in valuations in 2024. And as higher-for-longer rates look increasingly likely, allocators must source managers who are able to identify winners and losers in an increasingly difficult environment.

- Assessing the outlook in mid-market and special situations
- How are higher financing costs impacting buyout valuations?
- How can LPs effectively negotiate terms in investments in the current environment?
- Determining the outlook of mega buyouts

Mark Braganza, Partner, EQT

3:25 PM

Tue Apr 16, 3:25 PM - 4:00 PM PDT (35 min)
Distressed: Hitting the Wall

The check for a decade-long borrowing binge is about to be cashed. Debt piles accumulated in the pandemic are due for repayment and with current high costs of financing, over-leveraged firms have little options, other than asset sales, to service their debt. But with pain comes opportunity.

- What is the outlook for distressed M&A as maturity walls are hit?
- What are the opportunities for private creditors in taking ownership of PE-backed distressed firms?
- With the highest share of lower-rated European debt maturing within the next three years since 2015, what are the opportunities for asset owners?
- What level of risk premium should asset owners take in buying commercial real estate distressed debt?
- To what extent should asset owners be using trigger funds to take advantage of timely opportunities?
- What is the ideal structure for investing in distressed credit?

Tue Apr 16, 3:25 PM - 4:00 PM PDT (35 min)
Talking Timber
Strong cash yields, decarbonization thematics, undeveloped housing needs in the US and the rest of the developed world and an increasing interest in carbon markets all point to solid fundamentals for timber going into 2024. Yet forestry investments carry currency, legal and environmental risks and costs.

- Assessing optimum access for asset owners: Open-ended funds, closed-end funds, or ETFs?
- To what extent will demand for carbon offsets exceed supply in the long term?
- How should asset owners assess timber as a defensive and strategic play in 2024?
- How does timber satisfy asset owner ESG objectives?
- To what extent does timber offer inflation-hedging strategies to asset owners?

4:00 PM

4:00 PM - 4:30 PM PDT (30 min)
Networking Coffee Break

4:30 PM

4:30 PM - 4:50 PM PDT (20 min)
Headline Presentation
Pivoting Across the Credit Liquidity Spectrum

This session will assess:

- How should investors think about relative value across the credit liquidity spectrum and where to deploy the next marginal dollar?
- How do public and private credit markets intersect, and why is this dynamic evolving?
- How has the "illiquidity premium" evolved over time, and what are expectations going forward?
- Where do we see the most compelling opportunities in both public and private credit markets given today's market environment?
- What are necessary skills to navigate across public and private credit markets successfully?

4:50 PM

4:50 PM - 5:25 PM PDT (35 min)
The GP-LP Relationship: The Times, they are A Changin'

New SEC rulings have the potential to overhaul the relationship between GPs and LPs in favor of the latter. Preferential treatment to certain LPs in a deal will be a thing of the past, and LPs will benefit from more transparency in general.

- How will new regulations determine what terms will or will not have a material negative impact on other investors?
- How much will preferential treatment disclosures disrupt LP/GP relationships?
- How will the SEC's ruling on third-party valuations of GP-led secondaries affect the market for LPs?
- Will the new rulings fundamentally alter asset allocations?

- To what degree will the growth in co-investments alter the GP-LP relationship?
- Is there a material growth in US pension fund direct investment, and to what extent will this develop in the future?
- How is fee-conscious investing changing the relationship between LPs and GPs?

5:25 PM

5:25 PM - 5:30 PM PDT (5 min)
Closing Remarks

5:30 PM

5:30 PM - 7:30 PM PDT (2 hours)
Wine Tasting Reception

7:30 PM

7:30 PM - 8:00 PM PDT (30 min)
End of Day Two

Wed Apr 17

7:40 AM

7:40 AM - 8:40 AM PDT (1 hour)
Breakfast for All Attendees

8:40 AM

8:40 AM - 8:45 AM PDT (5 min)
Welcome Remarks

8:45 AM

8:45 AM - 9:20 AM PDT (35 min)
Exit the Dragon: US-China Decoupling and Portfolios

The US-China relationship is under unprecedented pressure. The Biden's administration's decision to restrict US investment in key Chinese industries, tension over Taiwan, and China's drive to create a multipolar world all point to a continued decoupling. Investors must assess how their portfolios will be impacted by an increasingly complex relationship.

- To what extent will China's increasing ties with Saudi Arabia and other oil-producing countries lead to global dedollarization and how would that affect portfolios?
- Should China be forced to defend a weakening yuan, and sell off US treasuries—causing bond markets to skyrocket—what would be the effect on equity portfolios?
- Is there any future for US allocation to Chinese securities or assets and if so, where?
- How will China's real estate sector emerge from its astonishing debt problem?
- How will a stagnated China affect the asset owner exposure to emerging markets?
- Is an enlarged BRICS membership a threat to the hegemony of the Western world order and will a multipolar world threaten asset owner portfolios?
- Should dedollarization accelerate, what will be the outlook for gold?

Idanna Appio, Ph.D., Portfolio Manager and Senior Research Analyst, First Eagle Investments
Maxwell Gold, Head of Gold Strategy, State Street Global Advisors

9:20 AM

9:20 AM - 9:55 AM PDT (35 min)
Fixed Income: A Defining Moment…

After a decade of suppressed yields, fixed income is having a defining moment. High quality bonds are close to longer-term averages for equity returns, while offering less volatility and more downside protection.

- To what extent will higher-for-longer rates, through to 2025, affect allocator's exposure to fixed income?
- Short-duration vs long-duration corporate: Where to increase exposure?
- Assessing the market for high yield in an environment of higher costs of financing
- Investment grade core fixed income as a tool for risk-adjusted returns, capital appreciation, diversification and attractive yield opportunities in global fixed income portfolios

Steve Pulley, Senior Investment Officer, Arkansas State Treasury
Speaker

9:55 AM

9:55 AM - 10:15 AM PDT (20 min)
Headline Presentation

10:15 AM

10:15 AM - 10:50 AM PDT (35 min)
Secondaries Wave: Will the Surf Ever Stop?

The wave of secondaries deal making continues to be robust, driven by dry exit markets, asset owner liquidity needs and a frozen IPO market. But headwinds remain. Equity markets are back to near record levels, so mismatch in public vs private weight has balanced since 2022's skew. And higher-for-longer rates threaten growth across the board.

- How will macroeconomic forces effect secondary transaction volumes in the years to come?
- What are the current pricing discounts on offer across PE, venture, real estate, infra and private credit?
- Key considerations when looking at GP-led secondaries
- Assessing the growth of credit secondaries and how asset owners might capitalize
- What is the outlook for shorter-duration secondaries strategies that can exploit dislocations?
- How is the secondaries market developing in Europe and Asia?

Chason Beggerow, Global Leader – Co-investments and Secondaries, Mercer
Ben Perl, Global Co-Head of Secondary Private Equity, Neuberger Berman

10:50 AM

10:50 AM - 11:20 AM PDT (30 min)
Networking coffee break

11:20 AM

11:20 AM - 11:55 AM PDT (35 min)
Pension Bridge Debates: ESG and Fiduciary Duty—For or Against?

Proponents of ESG argue that firms and assets strong in environmental, societal and in good governance areas are beneficial for long-term financial performance and therefore fulfil fiduciary duty to stakeholders, whether they be pensioners or insurance policyholders. Detractors highlight that higher yields can be sought in non-ESG products and therefore that investing in ESG contravenes fiduciary duty. This session will convene opposing thought-leaders to determine the truth. Audience members will be polled at the beginning and the end of the session to determine sentiment.

Sarah Bernstein, Head of Sustainability, Managing Principal, Consultant, Meketa Investment Group
Andrew Collins, Director, ESG Investing, San Francisco Employees' Retirement System
Paul O'Brien, Board Member, Wyoming Retirement System

11:55 AM

11:55 AM - 12:15 PM PDT (20 min)
Keynote Interview

12:15 PM

12:15 PM - 1:15 PM PDT (1 hour)
Networking Lunch

1:15 PM

1:15 PM - 1:50 PM PDT (35 min)
Pension Bridge Trivia Round

To break up the content of the day, The Annual will launch its first Pension Bridge Trivia Round. Tables will be given the chance to compete against one another with local refreshments served.

1:50 PM

1:50 PM - 2:25 PM PDT (35 min)
The Energy Transition: Legislation, Legislation, Legislation

The Inflation Reduction Act (IRA) aims to put the United States' goal of a 50-52% reduction in GHG emissions relative to 2025 within reach. The effect on pension funds and other asset owners is clear. More bankable projects, larger ticket sizes and changing market conditions all point to increased allocation. Yet major barriers to investment remain.

- How should asset owners capture value in nascent technologies such as hydrogen, grid transmission, carbon capture, offshore wind, nuclear, battery storage and other industries receiving a boost by the IRA?

- To what extent is the IRA influencing increased ticket sizes more favourable for major asset owners, and in which areas do opportunities lie?
- How is the IRA's tax incentive restructuring aiding asset owners in allocating to associated projects?
- Addressing headwinds: Political barriers, local and national regulations, inflationary pressures and supply chain issues
- To what degree does the IRA represent an opportunity to overhaul asset owner portfolios in favour of more responsibly-sound investment?
- Will inconsistent state-led legislation prevent asset owners from capturing the full potential value?

2:25 PM

2:25 PM - 3:00 PM PDT (35 min)
Networking Coffee

3:00 PM

3:00 PM - 3:35 PM PDT (35 min)
Scenario Setting: Equities and the Fed

Wall Street has been predictable in only one thing recently: In forecasting the end of the Fed's rate hiking cycle incorrectly. The consensus now suggests that the central bank will start cutting at the end of 2023. But what if they're wrong?

- How will equity portfolios be impacted by higher-for-longer rates?
- How will a rate cutting cycle affect asset owner allocation strategies for the long-term?
- How will the proliferation of artificial intelligence affect US equities in the next five years?
- Will recession-mongers ever see their expected downturn, and how should asset owners react?
- Where do asset owners see opportunity in global equities?

3:35 PM

3:35 PM - 4:10 PM PDT (35 min)
CIO Closing Panel

The closing session will see some of the most progressive investors in the region discuss their long-term asset allocation strategies and the changes they expect will be made by 2030.

- How will portfolio construction strategies materially change by 2030?
- Which areas of the asset allocation process requires overhaul?
- What regulatory forces will impact risk premia levels?
- What will be the public-private mix in 2030 and how will investment committees get there?
- To what degree should or can American pension funds follow their Canadian counterparts in developing a more influential direct investment function, and how would that change the markets?

Don Walker , Executive Vice President/Chief Investment Officer, The Board of Pensions of the Presbyterian Church (U.S.A.)
Speaker

4:10 PM

4:10 PM - 4:20 PM PDT (10 min)
Closing Remarks

4:20 PM

4:20 PM - 5:50 PM PDT (1 hour, 30 min)
Cocktail Reception

2024 PIMCO Institute Educational Seminar
Monday, April 15 -Thursday, April 18, 2024
PIMCO Headquarters
650 Newport Center Drive
Newport Beach, CA 92660

Summary

Where academic perspective meets real world application...

You're invited to join us at our global headquarters in Newport Beach, California for the 2024 PIMCO Institute Client Education Seminar.

PIMCO Institute, exclusively available to PIMCO clients, is designed to help you capitalize on investment opportunities across the global capital structure. Each session offers an engaging mix of lectures, panel discussions and a dynamic portfolio simulation exercise.

Whether you're a seasoned professional, mid-career, or new to the industry, PIMCO Institute Client Education Seminars can help deepen your understanding of the global capital markets.

An optional 2.5 hour "Bond Boot Camp" will also be offered for those interested in an introduction to fixed income basics.

Session topics include:

- Portfolio Management Simulation Exercise
- Outlook for Global Financial Policy and Capital Markets
- Credit Markets and Capital Structure
- Evolution of Derivative Instruments
- Equity Portfolio Construction
- Critical Issues in Asset Allocation
- Emerging Markets: Issues and Opportunities
- Understanding Factor-Based Risk Metrics
- Managing Inflation Exposure
- Role of Alternatives and Absolute Return Investing

To conclude the seminar, we will be hosting a memorable dinner on the final evening, during which the winners of the portfolio simulation will be announced.

We hope you'll join us!

This seminar is by invitation only:

Before making any non-refundable travel plans, please wait to receive a confirmation email from PIMCO Events.

To maintain an optimum level of interaction between presenters and participants, space is limited and we request the registration of only one representative per organization. If your organization wishes to add an additional participant, please submit the individual's name for review.

Agenda

Subject to change

Monday, April 15, 2024

- Lunch

  11:30 AM - 1:00 PM

- Bond Boot Camp (optional)

  1:00 PM - 3:30 PM

- Welcome Mixer & Dinner Buffet

  The Pendry Hotel

  4:00 PM - 6:00 PM

Tuesday, April 16, 2024

- Breakfast

  8:00 AM - 8:30 AM

- General Sessions & Trade Simulation

  8:30 AM - 5:00 PM

- Cocktail Reception

  PIMCO Patio

5:00 AM - 7:00 PM

Wednesday, April 17, 2024

- Breakfast

  8:00 AM -8:30 AM

- General Sessions & Trade Simulation

  8:30 AM - 4:30 PM

- Offsite Dinner

  The Deck on Laguna Beach

  4:30 PM - 7:30 PM

Thursday, April 18, 2024

- Breakfast

  8:00 AM - 8:30 AM

- General Sessions & Trade Simulation

  8:30 AM - 4:30 PM

- Portfolio Simulation Awards Dinner

  Louie's by the Bay, Newport Beach

  4:30 PM - 7:30 PM

Location

PIMCO Headquarters

650 Newport Center Drive
Newport Beach, CA 92660

A Google Maps street map showing the location address.

Our Investment Process

Our clients rely on an investment process that has been tested in virtually every market environment.

Honed over more than five decades, our process has helped millions of investors manage risk and pursue returns over meaningful time periods.

Wharton Executive Education:

Investment Strategies and Portfolio Management

The market landscape as we understand it has undergone profound transformation. While the days of "unprecedented uncertainty" are seemingly in the rearview, investment professionals and portfolio managers now find themselves in a market that demands a fresh perspective, with exciting opportunities on the horizon for those at the ready. *Investment Strategies and Portfolio Management* is essential for anyone who wants a clear-eyed view of investing in this new era and how to come out on top.

In this program, participants will create optimal investment portfolios that suit their needs and solidly accommodate risk, including small-probability risk. They will also learn how to critically evaluate investment management options using new data and how to unpack the macroeconomic outlook in the U.S. and internationally. This timely finance program is expertly designed to help investment professionals and financial advisors interpret and understand the market data and capitalize on the investment opportunities that are emerging today.

Program Experience

Highlights and Key Outcomes

In *Investment Strategies and Portfolio Management*, you will:

- Receive new tools and techniques for creating profitable investment portfolios
- Critically evaluate investment managers using the latest research
- Gain a deeper understanding of how to account for financial risk, including the impact of unforeseen small-probability events like pandemics
- Learn how to assess the stock market's reactions to events using behavioral finance principles
- Get an expert view of the predicted length and shape of an economic recovery
- Understand the macroeconomic outlook both in the U.S. and globally

Experience & Impact

Investment Strategies and Portfolio Management provides financial professionals with a powerful new strategic approach based on the latest Wharton research. In this program, Wharton faculty, who are world-class thought leaders in the world of finance, will explore a wide variety of investing topics — from enhanced portfolio theory to bond management, from hedge funds to private equity.

Participants will acquire the latest tools and techniques for designing optimal investment portfolios that serve people's needs. You will also learn to effectively evaluate investment management options using newly available research data. Find out how investment managers are currently rated, what variables are used to assess their skills, and how to weigh these factors against the fees they charge. This is essential knowledge both for investors and for investment management firms looking to hire managers.

Risk management is a key topic in this program, including an analysis of small-probability, disaster-type events such as the global pandemic. Wharton professors will delve into why the standard measure of risk, often called volatility, is insufficient. They will discuss what is known as tail risk — extremely bad, infrequent occurrences — and describe how investment professionals can pick up early indicators and better manage such events.

Balancing the historical with the visionary — yet practical above all — this program enables you to access the best minds in finance so you can steer with confidence through this unique time.

Session topics include:

- The Asset Menu
- Enhanced Portfolio Theory
- Performance Measurement vs. Skill
- Evaluating and Rating Managers: Case
- Behavioral Finance
- Bond Management
- Stock Markets vs. Bond Markets: Case
- Advanced Asset Allocation
- Risk Management
- Private Equity
- International Markets
- Macroeconomic Outlook
- Hedge Funds
- Real Estate

Who Should Attend

Investment Strategies and Portfolio Management provides invaluable insights to different types of finance professionals and investment services providers. Specifically, this program is ideal for:

- Chief investment officers, asset managers, and investment analysts
- Portfolio managers for pension funds, sovereign wealth funds, institutional investors

- Family office representatives and other private wealth advisors to ultra-high-net-worth individuals and families
- High-net-worth individuals and others who manage their own investments or wish to become more knowledgeable on how to work with professional money managers
- CPAs, attorneys, and other professionals who advise institutional investors
- Employees of insurance companies
- Commercial bank employees with portfolio management responsibilities

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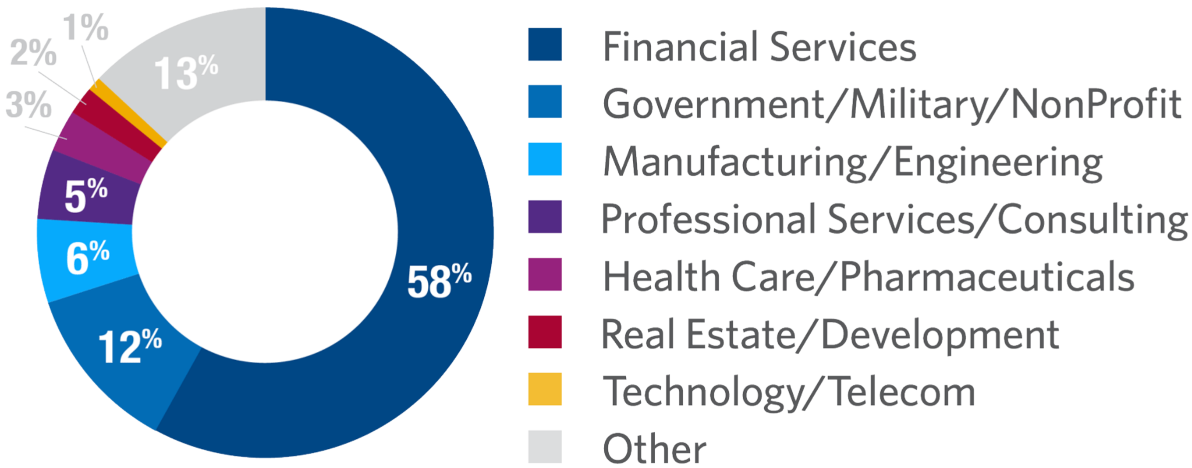
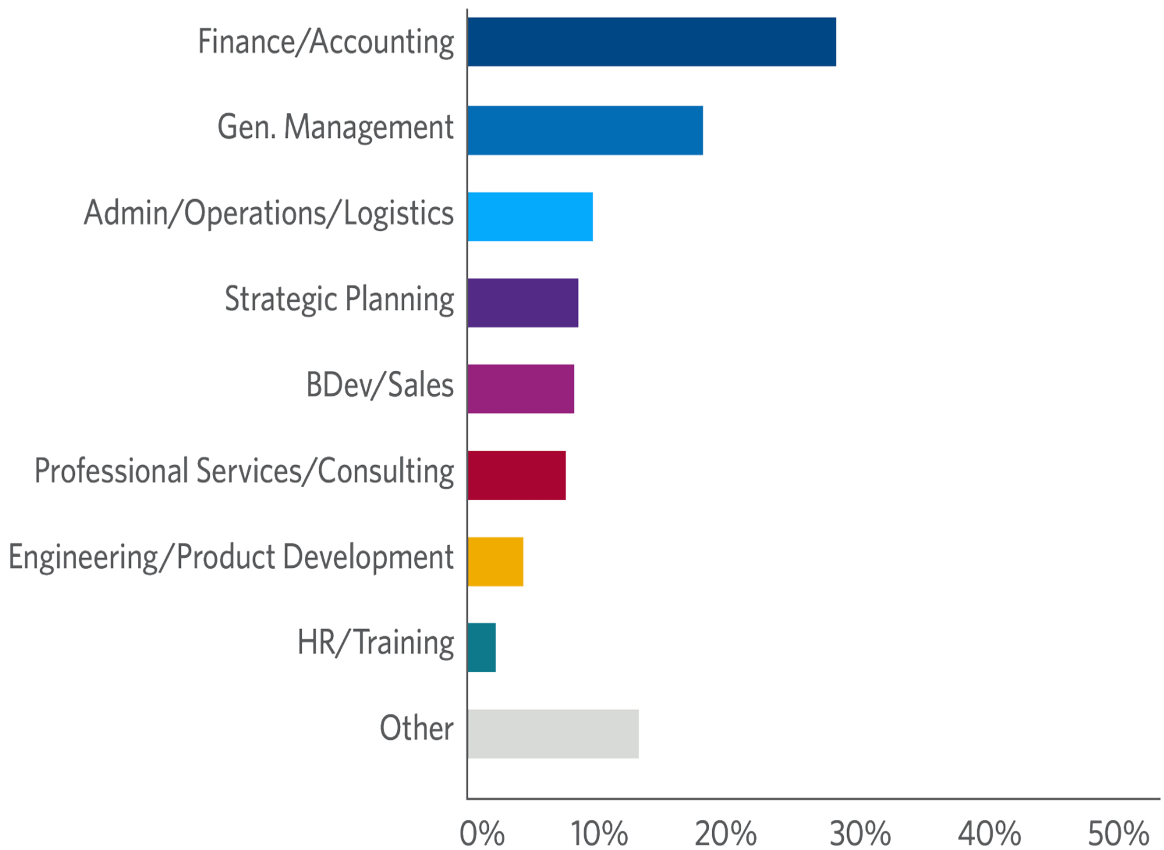
Participant Profile

Participants by Industry



Participants by Job Function


Finance/Accounting
Gen. Management
Admin/Operations/Logistics
Strategic Planning
BDev/Sales
Professional Services/Consulting
Engineering/Product Development
HR/Training
Other
0%
10%
20%
30%
40%
50%

FINANCE AND WEALTH MANAGEMENT

INVESTMENT STRATEGIES AND PORTFOLIO MANAGEMENT

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EXECUTIVE EDUCATION

Overview

The market landscape as we understand it has undergone profound transformation. While the days of "unprecedented uncertainty" are seemingly in the rearview, investment professionals and portfolio managers now find themselves in a market that demands a fresh perspective, with exciting opportunities on the horizon for those at the ready. ***Investment Strategies and Portfolio Management*** is essential for anyone who wants a clear-eyed view of investing in this new era and how to come out on top.

In this program, participants will create optimal investment portfolios that suit their needs and solidly accommodate risk, including small-probability risk. They will also learn how to critically evaluate investment management options using new data and learn how to unpack the macroeconomic outlook in the U.S. and internationally. This timely finance program is expertly designed to help investment professionals and financial advisors interpret and understand the market data and capitalize on the investment opportunities that are emerging today.

Fernando Beyruti
Global head of Itaú Private Bank

"The asset-management market in Brazil is huge (more than $1.5 trillion USD) and very sophisticated, but most of the assets are Brazilian based. However, the demand for international assets has been growing a lot and we need to be able to manage those types of assets. In addition, more global competition is coming to Brazil and we need to differentiate ourselves and understand the kinds of investment strategies that make sense to our clients.

Wharton's program has given me a much better understanding of the global market for asset management, even more in this volatile environment. The hedge fund session with Professor Chris Geczy was a major highlight. The tools he gave me for analyzing a hedge fund were very useful. Most of our funds are fixed income and equity. But the markets will change for more complex funds.

Itaú Asset Management is one of the biggest asset managers in Brazil (16.5 percent of market share). Today, 90 percent of our portfolio is Brazilian focused. We are expanding our presence in New York and are preparing to have more international assets in our funds. Wharton gave some great examples on how we can diversify our portfolio to expand our capacity beyond Brazilian assets."

Highlights and Key Outcomes

In *Investment Strategies and Portfolio Management*, you will:

- Receive new tools and techniques for creating profitable investment portfolios
- Critically evaluate investment managers using the latest research
- Gain a deeper understanding of how to account for financial risk, including the impact of unforeseen small-probability events like pandemics
- Learn how to assess the stock market's reactions to events using behavioral finance principles
- Get an expert view of the predicted length and shape of an economic recovery
- Understand the macroeconomic outlook both in the U.S. and globally

Investment Strategies and Portfolio Management provides financial professionals with a powerful new strategic approach based on the latest Wharton research. In this program, Wharton faculty, who are world-class thought leaders in finance, will explore a wide variety of investing topics—from enhanced portfolio theory to bond management, from hedge funds to private equity.

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Highlights and Key Outcomes (continued)

Session topics include:

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- Performance Measurement vs. Skill
- Evaluating and Rating Managers: Case
- Behavioral Finance
- Bond Management
- Stock Markets vs. Bond Markets
- Advanced Asset Allocation
- Risk Management
- Private Equity
- International Investing
- Macroeconomic Outlook
- Hedge Funds
- Real Estate
- ESG Investing in Today's Markets

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- High-net-worth individuals and others who manage their own investments or wish to become more knowledgeable on how to work with professional money managers
- CPAs, attorneys, and other professionals who advise institutional investors
- Employees of insurance companies
- Commercial bank employees with portfolio management responsibilities

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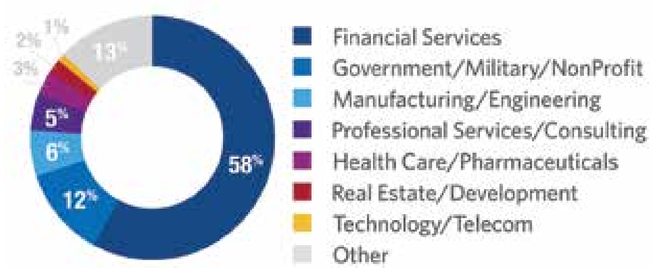
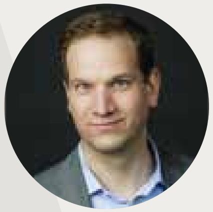
INDUSTRY



REGION

JOB FUNCTION

Faculty



Jules H. van Binsbergen, PhD

Academic Director
The Nippon Life Professor in Finance; Professor of Finance, The Wharton School

Jules van Binsbergen is the Nippon Life Professor in Finance and professor of finance at the Wharton School. He conducts theoretical and empirical research in finance and has won numerous research and teaching awards for his work. His current research is mostly in asset pricing and focuses on the relationship between financial markets and the macro economy and the organization, skill, and performance of financial intermediaries. Recent papers shed light on the real implications of stock market mispricing, the effectiveness of monetary policy, and measuring the skill of investment managers. Professor van Binsbergen's research has appeared in leading academic journals, such as the *American Economic Review*, the *Journal of Finance*, the *Journal of Financial Economics*, and the *Journal of Monetary Economics*. He received his PhD from the Fuqua School of Business at Duke University. He has previously taught at the Stanford Graduate School of Business and the Kellogg School of Management of Northwestern University. He is a research associate at the NBER and the CEPR, a former editor and current advisory editor of the *Review of Finance*, and an associate editor at the *Journal of Finance* and the *Journal of Financial Economics.*

ADDITIONAL FACULTY

Gordon Bodnar, PhD
Director, International Economics Program, SAIS, Johns Hopkins University

Christopher Geczy, PhD
Adjunct Professor of Finance; Academic Director, Wharton Wealth Management Initiative; Academic Director, Jacobs Levy Equity Management Center for Quantitative Financial Research, The Wharton School

A. Craig MacKinlay, PhD
Joseph P. Wargrove Professor of Finance, The Wharton School

Marina Niessner, PhD
Judith C. and William G. Bollinger Visiting Associate Professor of Finance, The Wharton School

Nikolai Roussanov, PhD
Moise Y. Safra Professor of Finance, The Wharton School

Todd Sinai, PhD
David B. Ford Professor; Professor of Real Estate; Professor of Business Economics and Public Policy; Chairperson, Real Estate Department, The Wharton School

Bilge Yilmaz, PhD
Wharton Private Equity Professor; Professor of Finance; Academic Director, Joshua J. Harris Alternative Investments Program, The Wharton School

Session Highlights

ENHANCED PORTFOLIO THEORY covers the fundamentals of portfolio theory, including the nature of risk, efficiency, diversification, asset allocation, market timing, beta coefficients, and time-weighted vs. value-weighted rates of return. It also explores the three cornerstones of modern portfolio theory: 1) the nature of risk, 2) efficient asset selection, and 3) beta.

BEHAVIORAL FINANCE examines how behavioral biases make investors, both individual and institutional, prone to investing mistakes. It covers overconfidence, regret and pride, house money effect, snakebite effect, get-even-itis, overreaction, under reaction, over choice, home bias, and naïve diversification.

EVALUATING AND RATING MANAGERS applies risk-adjusted performance measures in the context of evaluating managers. Key takeaways include: the importance of the choice of benchmark, the role of style integrity in manager selection, and the usefulness of the measures for insuring a diversified position when managers are pooled together.

PERFORMANCE MEASUREMENT VS. SKILL provides a high-level understanding of the uses of performance-related measures. It also considers the strengths and weaknesses of the measures along with possible misuses.

ADVANCED ASSET ALLOCATION focuses on the implications of a current and future world of compressed expected returns for investors, including the positives and negatives of taking on excess risk. Topics to be covered include factor-based investing, spending rules and distribution, tactical asset allocation, recent models of asset allocation, and the value of discretionary portfolios and how to present them to clients.

BOND MANAGEMENT discusses interest rate risks, which reflect the fluctuation of a bond's value with interest rate changes. It explores the two types of interest rate risk: reinvestment risk and price risk. Using examples, it covers topics of concern to portfolio managers: the concept of duration risk, short-run fluctuations in the portfolio's value, and future liabilities' consistency with current asset acquisition.

HEDGE FUNDS discusses performance measurement, the existence and measurement of styles among absolute returns strategies, manager incentives, and compensation and recent regulation changes for this murky area of investment management. In addition, recent evidence on performance persistence and "hot hands" will be addressed as part of a discussion on hedge fund asset allocation and manager selection.

PRIVATE EQUITY provides the PE framework and an overview of the PE industry. Key takeaways are: understanding the nature of private equity investment, understanding the limited partner-general partner dynamic, evaluation of PE investment opportunities as a limited partner, and evaluation of general partners.

INTERNATIONAL INVESTING considers the ability of international investments to offer enhanced diversification, asset-liability matching, or excess return. Participants are exposed to in-depth analysis of the implications of international investing for common asset-allocation decisions.

Session Highlights

REAL ESTATE views real estate through the lens of modern portfolio theory, discussing the return properties of various categories of real estate, the role of appraisal smoothing, and how to think about the appropriate portfolio allocation to the sector. It also examines real estate's role as a possible inflation hedge.

ESG INVESTING IN TODAY'S MARKETS
Environmental, social, and governance (ESG) investing has come a long way in the past decade. Once a niche investment sector, strategies that screen companies and other assets based on ESG criteria are attracting more money than ever. While responsible investing's reach is vast today, so too is confusion around the meaning of the concept. This is unsurprising, given the many different motives for and approaches to considering ESG factors and many different opinions about exactly what they include. In this session we will define ESG investing and examine the most prominent ESG concepts and datasets using a structured framework. We will also explore various ways of blending portfolios' financial and non-financial goals and look at whether investment returns need to be sacrificed for social benefit.

Investment Strategies and Portfolio Management

SAMPLE PROGRAM SCHEDULE*

ON CAMPUS
5-DAY PROGRAM

DAY 1	DAY 2	DAY 3	DAY 4	DAY 5
BREAKFAST				
Program Introduction	Behavioral Finance	Evaluating and Rating Managers	Private Equity	Risk Management
The Asset Menu				
BREAK	BREAK	BREAK		BREAK
Enhanced Portfolio Theory	Real Estate	Evaluating and Rating Managers Case		Investment Overview
LUNCH				
Enhanced Portfolio Theory Case	International Investing	Hedge Funds	Bond Management	Macroeconomic Outlook
BREAK	BREAK		BREAK	Open Floor and Program Wrap-Up
Performance Measurement vs. Skill	ESG Investing in Today's Markets		Stock Markets vs. Bond Markets	
			BREAK	
			Stock Markets vs. Bond Markets Case	
FREE TIME AND DINNER	FREE TIME AND DINNER	FREE TIME AND DINNER	DINNER	

SCHEDULE A CONSULTATION:

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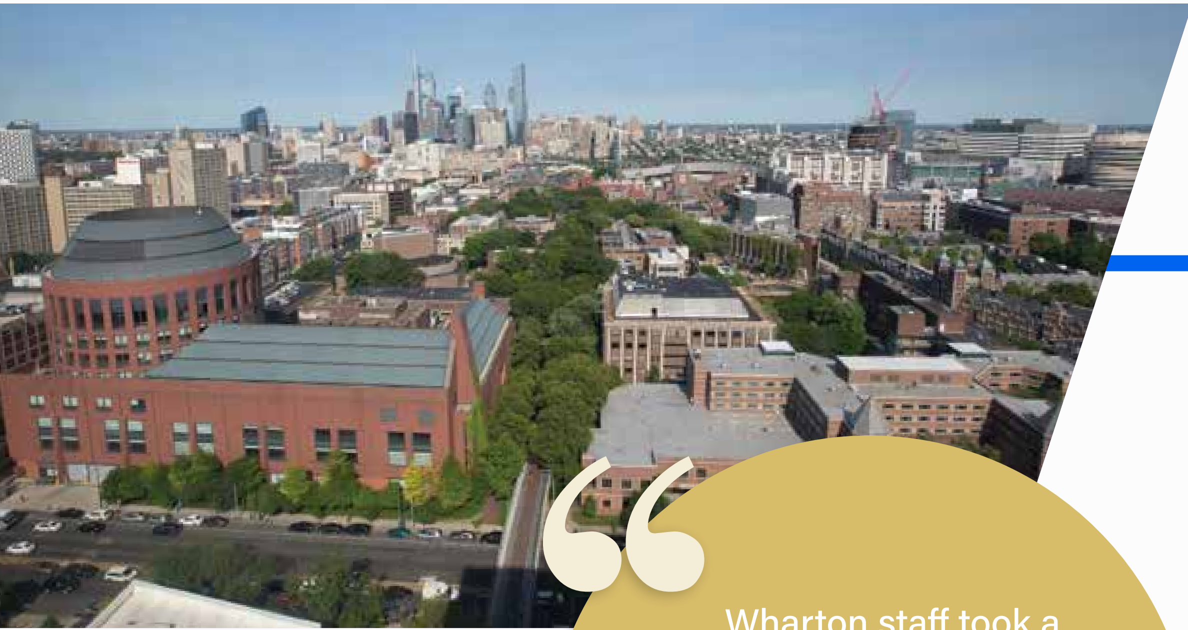
**Program start and end times are subject to change.*
Please DO NOT make travel arrangements based on this agenda.

CP-PF-1023



> “Wharton staff took a lot of the stress out of the logistical concerns so I could really focus on absorbing the course content.”
>
> **— Megan K.,**
> *Energy industry executive*

PLAN YOUR STAY WITH US

Most Wharton Executive Education programs are offered on the University of Pennsylvania campus in Philadelphia. Located between New York City and Washington D.C., Philadelphia is easily accessible from most major cities around the world.

HOTEL ACCOMMODATIONS

Your Philadelphia program fee includes hotel accommodations. Most participants stay at the Steinberg Conference Center, a 103-room full-service hotel and classroom facility on Penn's campus. There are also several other hotels available nearby, including the Hilton Inn at Penn.

MEALS DURING YOUR STAY

The majority of your meals are served in the Steinberg Conference Center and are included in your program fee. With advance notice, we can accommodate special dietary needs.

HISTORIC AND CULTURAL HUB

A historic and cultural powerhouse, Philadelphia offers numerous tourist attractions, including the Independence National Historical Park, the National Constitution Center, the Philadelphia Museum of Art, and the Barnes Foundation.

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SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

SUMMARY OF PENDING TRUSTEE AND EXECUTIVE STAFF TRAVEL

2023 Event Dates	Sponsor / Event Description	Location	Traveler(s)	Estimated Cost	BOR Approval Date
1/22-24/24	IREI - VIP Americas	Carlsbad, CA	M. Restuccia; JC Weydert	$2,500	12/8/2023 12/8/2023
3/2-5/24	General Assembly 2024	Rancho Mirage	B. McKelvey	$1,100	N/A
4/15-4/18/2024	PIMCO Institute Educational Seminar	Newport Beach, CA	P. Ba	$1,800	Pending

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	$1,858	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	$4,311.12	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				
GOODMAN				
KEOKHAM				
MCCRAY	Pension Bridge Annual Conference	4/2023	$798.77	$1,701.23
NICHOLAS				
WEYDERT	IREI	9/2023	$1,858.11	$641.89
MOORE				

Board of Retirement Meeting
San Joaquin County Employees' Retirement Association

Agenda Item 11.03-01

January 12, 2024

SUBJECT: Pending Member Accounts Receivable – 4th Quarter

SUBMITTED FOR: ___ CONSENT __ ACTION _X_ INFORMATION

RECOMMENDATION

This report is submitted for the Board's information.

PURPOSE

To report the quarterly summary of pending accounts receivables for SJCERA retired or deferred members as of December 31, 2023.

DISCUSSION

This quarter's Pending Accounts Receivable Report, below, includes all receivables owed by either retirees, beneficiaries or deferred members.

QUARTERLY SUMMARY REPORT OF PENDING ACCOUNTS RECEIVABLE - SJCERA MEMBERS

4th Quarter - October through December 2023

	Action Date	Total Receivable	Payments Began	Current Balance	Current Payment	Payment Description	Payment End Date	First Reported To Board
1	07/15/09	$11,475.48	05/01/11	$3,698.93	$163.00	Fixed Dollar Amount	10/01/25	Jul-11
2	05/19/02	$35,537.23	11/01/15	$10,472.39	$293.14	Fixed Dollar Amount	12/01/27	Jul-21
3	03/11/21	$12,035.49	06/01/21	$1,650.49	$335.00	Fixed Dollar Amount	05/01/24	May-21
4	12/31/22	$25,062.14	02/01/23	$18,455.35	$589.36	Fixed Dollar Amount	12/01/26	Apr-23
5	04/03/23	$8,494.56	04/03/23	$6,370.92	$235.96	Fixed Dollar Amount	04/01/26	Jul-23
	Total Accounts Receivable as of 12/31/2023			**$40,648.08**				

No new member accounts receivable in the fourth quarter of 2023.

BRIAN MCKELVEY
Asst. Chief Executive Officer

Pending Disability Application Statistics
4th Quarter 2023
Open Cases

SJCERA received 3 disability applications during Q4 2023

Time Elapsed From Application Date	
01 - 03 Months	2
04 - 06 Months	1
07 - 09 Months	2
10 - 12 Months	1
13 - 15 Months	1
16 - 18 Months	0
19 - 21 Months	1
22 - 24 Months	0
Over 24 Months	0
Total	**8**

Break Down By Application Type	
Service-Connected	6
Nonservice Connected	1
Service & Nonservice Connected	1
Total	**8**

Breakdown By Department	Service	Nonservice	Service & Nonservice	Total	SJCERA Members	Ratio
Courts	0	0	1	1	281	0.36%
Hospital	0	1	0	1	1,383	0.07%
Human Services Agency	3	0	0	3	1,238	0.24%
Mental Health	1	0	0	1	566	0.18%
Recreation	1	0	0	1	38	2.63%
Sheriff	1	0	0	1	759	0.13%
Totals	6	1	1	8	4,265	0.19%
Total SJCERA Active Members For All Departments As of 12/17/2023					**6,645**	**0.12%**
Total Number of Department Groups					**6**	

2023 Total Cases Resolved = 18

Goal #1 - 100% of applications that do not require a hearing will go to the Board within 9 months
Goal #2 - 80% of applications requiring a hearing will go to the Board within 18 months

Goal #1	75%	Completed within 9 months
Goal #2	50%	Completed with Hearing within 18 months

Of the six cases that were resolved in the fourth quarter of 2023, three were granted within the 9 month goal. Of the two cases that went to hearing, one was completed within the 18-month goal and one was completed outside of the 18-month goal defined in Goal #2. Staff and our disability attorney meet weekly and are taking action to ensure all cases move through the process as timely as possible.

Calendar Year Comparison
1/1 to 12/31

	2018	**2019**	**2020**	**2021**	**2022**	**2023**
New	41	13	7	16	14	14
Granted	21	19	10	8	12	13
Denied	3	2	4	3	3	3
Dismissed	4	6	2	0	0	1
Withdrawn	0	4	0	0	2	1
Rejected						3
Total Closed	28	31	16	11	17	21

Board of Retirement Meeting
San Joaquin County Employees' Retirement Association

Agenda Item 11.03-03

Q4 2023 - Pension System Project Status Report

	Overall Project Status
	The overall project is progressing as planned.
	Scope
	There have been no changes to project scope.
	Schedule
	No changes to overall project schedule.
	Risks / Issues
	No identifiable or foreseeable Risks or Issues.

LEGEND
- On track with no risk to schedule, scope, or cost
- Identified potential risk to schedule, scope, or cost
- Known delay or risk resulting in delay to schedule, change to project scope, or impact to cost

Schedule & Milestones

Phase 1 – Project Initiation – Completed April 10, 2023

Phase 2 – Infrastructure and Hosting Setup – Completed April 24, 2023

Phase 3 – PAS Implementation – Expected Completion March 2026

- August 2023 – Member Demographics – Completed August 2023
- February 2024 – Organization, Employment, Wages, Service Credit and Contributions Maintenance
- April 2024 – Membership, Service Purchase, Rates (Contribution, Interest, Tax) Maintenance, and Lump Sum Payments
- September 2024 – Employer Reporting
- November 2024 – Benefit Calculator
- March 2025 – Active and Deferred Workflow
- May 2025 – Service Purchase, Disability Retirement, and Death Calculations
- August 2025 – Retiree Payroll and Imaging Integration
- November 2025 – Retiree Workflow
- March 2026 – Accounting and General Ledger

Phase 4 – Imaging Integration – Expected Completion August 2025

Phase 5 – Member Portal – Expected Completion May 2026

Phase 6 – Partner Portal – Expected Completion May 2026

Phase 7 – System Readiness – Expected Completion July 2026

Go-Live – Expected Completion August 2026

Post Go-Live Warranty Support – Expected Completion August 2027

Activities Completed (Q4 – 2023)

1. 95% Complete Data Cycle 4 - Retirement Calculation and Payment History – final delivery to Tegrit mid–January 2024 – No impact to project schedule.
2. Completed – Review, edit, and approve delivered Business Systems Requirements (BSR) documents for Employers, Employer Reporting which includes earnings, employee and employer contributions, service credit, reciprocity, domestic relations orders (DROs), and service purchases.
3. Completed – Complete remaining 3 Requirements Revision Sessions with Linea.
4. Completed - Analyze and Map data in preparation for Data Cycle 5 to support PAS functionality expected to be delivered the first quarter of 2024.

Activities Planned (Q1 – 2024)

1. Deliver Data Cycle 4 - Retirement Calculation and Payment History
2. Work with Linea Solutions on the Target Operating Model document
3. Complete User Acceptance Testing (UAT) for Release 2 (February 2024)
4. Review, edit, and approve Business Systems Requirements (BSR) documents for Release 2
5. Deliver Data Cycle 5 in advance of Release 3 (April 2024)

Brian P. McKelvey
Assistant Chief Executive Officer

Agenda Item 11.03-04

Q4 2023 – Operational Metrics

"In God we trust; all others must bring data." - W. Edwards Deming

As part of SJCERA's efforts to make data-based decisions, the Retirement Services and IT units formalized its initial data collection in August 2023. This report represents the first full quarter we have data to report. Although in its beginning phases, the data is already informative for workload allocation and training decisions. As our data collection and analysis matures, we will analyze and report on trends over time.

Retirement Services

Completed Activities	Oct	Nov	Dec	Q4 Totals	Monthly Average[1]
Retirements	12	10	24	46	15
Deaths	0	17	20	37	12
Terminations	44	57	25	126	42
Refunds	27	17	27	71	24
New Employees	76	76	65	217	72
Estimates	35	33	17	85	28
Service Purchase Estimates	21	14	14	49	16
Service Purchases	8	2	11	21	7

Information Technology

Completed Activities	Oct	Nov	Dec	Q4 Totals	Monthly Average[1]
IT Support	175	190	145	510	170
Ongoing Production	178	176	135	489	163
Infrastructure Maintenance	43	31	22	96	32
Move related	24	29	33	86	29
Projects	80	56	49	185	62
Cybersecurity	57	54	51	162	54

Brian P. McKelvey
Assistant Chief Executive Officer

[1] Monthly Average values rounded to nearest whole number

San Joaquin County Employees' Retirement Association

January 5, 2024

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

- *Complete implementation of 2023 asset allocation policy*
  - Overweight Global Equity as Proxy for Private Equity. SJCERA's portfolio currently runs an overweight to the Global Equity asset class at roughly 38% vs. a target allocation of 34%. As you may recall, SJCERA Board elected to overweight the Global Equity asset class as a temporary proxy for the underweight in Private Equity asset class, because it generally takes time to allocate to the private managers and for the managers to start making capital calls. Meketa and staff will continue to work together on achieving the target allocation in 2024.

  - Consider New Private Equity Manager. In accordance with SJCERA's pacing plan for the Private Equity asset class, Capitol Meridian Fund, a Private Equity manager focused on government-related infrastructure and technology investments, will present at the January Board meeting for Board's consideration.

Optimize investment manager lineup

- *Evaluate the portfolio for investment efficiency (e.g., fees, risk, return, consolidation)*
  - SJCERA Portfolio up 6.2 percent as the end of November. For the period ending November 30, 2023, SJCERA's total portfolio increased a preliminary 6.2 percent year-to-date (the most recently available report). The portfolio benefited from the rise in equity prices and a rebound in the fixed income portfolio in the second half of the year. Capital markets were volatile in 2023, but SJCERA has created a diversified portfolio to help weather these volatile times. Based on year-end capital market performance, we anticipate SJCERA will meet or exceed our 6.75% assumed rate of return this year.

Modernize the operations infrastructure

Implement Pension Administration System (PAS)

- *Continue monitoring risk management plan*

  CEO, Johanna Shick and ACEO, Brian McKelvey participated in the Steering Committee Meeting with PAS Project Manager Linea Solutions on December 14. The meeting focused on topics including 2023 project accomplishments and progress, 2024 project plan review, risk review, and any changes needed to the PAS Staffing Plan for 2024. Risks discussed included, data conversion mapping progress and data cleanliness, existing SJCERA projects that may impact staff availability, and employer involvement on the project in 2024. In addition to the Quarterly Steering Committee Meetings, SJCERA and vendor teams identify and discuss risks during weekly project status meetings with MBS and monthly during the Monthly Project Management meeting with Tegrit. Currently, there are no risks that are impacting the PAS or Data Conversion project schedules or budgets.

- *Maintain functionality of legacy PAS until new PAS is implemented and stabilized*
  In addition to the work being done by MainSpring to allow CORE-37 to run on the Windows Infrastructure, SJCERA IT worked with IGI to implement the following updates:
  1. Added Automated Clearing House (ACH) processing in the off-cycle and lumpsum payroll processes. Previously these processes only issued check payments.
  2. Added functionality to import bulk notes to the Active Member System (AMS).
  3. Fixed the import of the Vision Service Plan (VSP) overpayment refunds and added bulk message for each member.
  4. Fixed service purchase error that affected Tier 2 members hired on/after January 1, 2022.
  5. Modified the system to allow staff to make changes for deferred or deceased members.
  6. Modified system security to remove functionality that allowed staff to delete payments and amounts to payments already made.

Improve technology for business operations

- *Adopt industry standard business processes wherever possible*
  - *Document adoption of standard industry practices in PAS requirements for 2024 planned processes*
    On Dec. 11, 2023, IT Manager, Adnan Khan and Peter Dewar with Linea Secure reviewed and updated the initial draft of System Security Plan for the new Pension Administration System, PRIME. Final review and approval of the plan is scheduled to be completed in the first quarter of 2024.

  - *Complete Mac to Windows transition*
    In 2023, SJCERA contracted with MainSpring to update CORE-37 to work properly in both the Mac and Windows environments. Work includes updating screens, member correspondence, integration with Optix, and back-end automations. The work is approximately 76% complete and will continue as a high priority in January. The goal is to have CORE-37 updated for Windows in advance of the February 29, 2024, move date. This will eliminate the need to move the Mac infrastructure to the new location as it would no longer be needed for production.

- *Adopt contemporary risk management, disaster recovery and business continuity practices*
  - *Implement recommendations for Third-Party Risk Assessment*
    Linea Secure completed their Third-Party Risk Assessment December 22 and issued the draft Third-Party Risk Assessment document to SJCERA for review. Once the document is reviewed and finalized in January 2024, ACEO Brian McKelvey and IT manager Adnan Kahn, will present their methodology, vendor assessments, and recommendations to the Board during Closed Session at the February 2024 Board Meeting.

  - *Engage an information security consultant to provide cybersecurity and remediation services, and ongoing cybersecurity maintenance*
    SJCERA engaged Linea Secure in September 2023 to provide cybersecurity services to strengthen our existing foundation, and enable us to identify and establish proper ongoing cybersecurity maintenance and remediation services. As of December 20, 2023, Linea Secure has completed an average of 94% of all activities and draft documents:

• Policies and Program Documentation	90% complete
• Security Awareness Management Program	95% complete
• Vulnerability Management Program	100% complete
• System Security Plan	95% complete
• Plan of Action and Milestones	95% complete
• Cybersecurity Governance	90% complete

Once Linea Secure completes these foundational items in January 2024, they will begin providing maintenance and remediation services for SJCERA throughout the year as agreed to in the cybersecurity maintenance and remediation services statement of work signed in December 2023.

Align resources and organizational capabilities

Develop and implement a workforce planning process

- *Address project staffing and training needs*
  - *Continue to implement strategies designed to support staff and maintain morale during PAS project and office move*

    On December 13, SJCERA staff joined together to celebrate our 2023 accomplishments and the completion of another successful year with lunch provided by Bud's Seafood Grill, a gift exchange (complete with the ability to steal gifts) and other festivities. SJCERA's resident game genius, Retirement Services Associate Ron Banez created and distributed a special edition of Clue: SJCERA-Whoville version, which required staff to use their knowledge of SJCERA and their co-workers to discover which SJCERA staff member was the Grinch. Retirement Technician Bethany Vavzincak was the first to figure it out! A great time was had by all and it was a well-deserved recognition of staff's contributions to SJCERA's accomplishments this year. None of our success would be possible without their efforts.

- *Implement CEO succession plan*
  - *Identify near-and long-term organizational leadership needs*

    Complete. The Succession Planning Ad Hoc Committee, Administrative Committee, recruitment firm and I worked together to identify the knowledge, skills, and characteristics SJCERA needs in its next CEO.

  - *Determine best recruitment/development strategy*

    Complete. The Administrative Committee authorized staff to solicit proposals from executive recruitment firms to assist with both the CEO and the Chief Counsel recruitments. After assessing the proposals, SJCERA contracted with WBCP, Inc., a recruitment firm the County of San Joaquin has used, and who has recently assisted with recruitments for Orange County Employees Retirement System.

  - *Implement recruitment/development strategy*

    The CEO recruitment was posted on December 12 and is scheduled to close on January 12. Based on a preliminary review of the applications, we will have a very competitive pool of highly qualified candidates. Interviews are planned to be held on January 30.

    In the event that the new CEO is not in place before my retirement, SJCERA's existing ACEO and I have traded a number of our duties. Thus, if there is a period where the CEO position is vacant, existing staff will be able to perform the critical duties, ensuring a smooth transition and business continuity.

Enhance education and development across all levels of the organization

- *Regularly inform staff of available training opportunities*

  On December 29, Elaina Peterson emailed SJCERA staff the January 2024 County Training Alert flyer identifying 22 courses the County is offering employees in January and the San Joaquin County 2024 Course Schedule. Additionally, I sent SJCERA supervisors and managers an announcement for a *Feedback without Fear: Coaching that Builds Employee Engagement and Retention* webinar, and encouraged their attendance.
  - *General technical training (Excel, Microsoft 365, PowerPoint, etc.)*

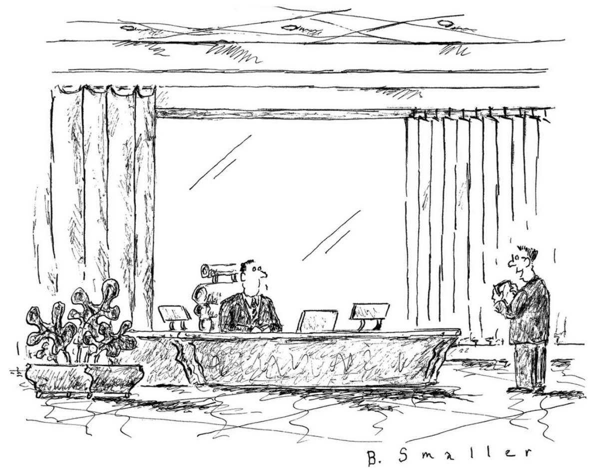
    The entire SJCERA staff completed Annual Cybersecurity Training 2023-24 (Linea Secure) course: "2024 Kevin Mitnick Security Awareness Training" by the December 20, 2023 deadline.

  - *Industry- or job-specific training (CALAPRS trainings/roundtables, customer service)*

    Management Analyst III Greg Frank attended the NCPERS Legislative webinar. Retirement Technician's Leonor Sonley and Margarita Arce completed the Mandatory Training course for Sexual Harassment and Discrimination Prevention, keeping our Mandatory Training in compliance.

On Friday, December 1, Leonor Sonley, Margarita Arce and Kathleen Goodwin attended the CALAPRS Benefits Roundtable. Agenda topics included a Disability and Workflow presentation by SBCERA, Managing Benefits Staff, Assisting Members with Cognitive Impairments, AI and Risk Mitigation, Reciprocity, Death Overpayments, and Required Minimum Distribution Processing.

Assistant Chief Executive Officer Brian McKelvey and Retirement Service Supervisor Melinda DeOliveira continued their training in the San Joaquin County Human Resources Leadership Academy.



"Better than an answer—I have a tremendous amount of data."

<u>Create a foundation of performance metrics and measurements</u>

- *Implement report on existing performance measures an incorporate in decision making*
  This month, ACEO Brian McKelvey has included existing metrics currently being tracked by Retirement Services and Information Technology divisions in the Fourth Quarter 2023 Quarterly Operations Report. Finance performance measures are being defined and documented through the Moss Adams Finance Assessment project and will be reported once a full quarter of performance measures are available no later than after second quarter 2024.

<u>Seamlessly manage move to new location</u>

- *Move in time to avoid diminishment of County payment and within budget*
  Tenant improvements are under way! Demolition is complete, the IT room has been hardened, and the electrical and framer subcontractors are hard at work. The general contractor is targeting February 29 to turn over the keys, and Management Analyst III, Greg Frank is closely monitoring progress.

  In the event there are construction delays, Greg has also begun putting a contingency plan in place that would allow SJCERA to move out of our current office on or before February 29, 2024. He has secured temporary office space on the fifth floor of the County Administration building, free of charge, from February 19, 2024 to June 30, 2024. The agreement to use the space will be presented to the Board of Supervisors at the January 23 meeting. Additionally, on Dec. 20, Management Analyst III, Greg Frank, Information Systems Analyst II, Lolo Garza and Information Systems Manager, Adnan Khan toured of the Board Room at San Joaquin Regional Transit District (RTD) to assess both suitability (both in terms of space and technological capabilities) as a potential temporary location for SJCERA's Board meetings. Having determined it would meet our needs on a temporary basis, staff secured the use of RTD's board room for the March through June Board meetings, free of charge. Hopefully neither of these spaces will be needed, but to avoid any possible disruption in services, staff is putting these contingency plans in place.

- *Maintain business operations without interruption*
  On Dec. 12, Information Systems Analyst II, Lolo Garza and Information Systems Manager, Adnan Khan met with County's Information Systems Division (ISD) network team to discuss the network requirements and draft a detailed plan for potentially moving SJCERA's server infrastructure (temporarily) to ISD's data center. A follow-up meeting is scheduled for the week of January 8, 2024.

<u>Employee of the Month</u>

I am pleased to announce SJCERA Employee of the Month, Information Systems Analyst II Lolo Garza! Lolo is part of all SJCERA's IT projects including, but not limited to, (1) the third-party risk assessment, (2) implementation of phase 2 cyber-security recommendations, (3) the Mac to Windows Migration, (4) SJCERA's office move (and back-up plans), (5) implementation of off-site back-up, infrastructure, and cloud solutions, and (6) laptop configuration and deployment. He's doing all that in addition to his day-to-day support and administration of our systems. Lolo exhibits a positive and proactive approach to his work and towards staff. He develops efficient, detailed-oriented, and effective solutions to all technical challenges encountered. His ability to take the lead and complete projects independently makes him a highly valued resource to IT and the overall organization! And…he makes it all this seem easy: he remains calm, takes time to explain things to staff in an understandable way, and when it's the user's error, he never makes anyone (me) feel dumb. He is truly deserving of this recognition, and I hope you'll join me in congratulating Lolo for being the December Employee of the month and thanking him for the support he provides staff and trustees alike.

Maintain Business Operations

Interest Posting

In compliance with Government Code Section 31591, SJCERA credits interest semiannually as of June 30 and December 31 to all contributions in the retirement fund that have been on deposit for six months immediately prior to such date. SJCERA's Reserve policy requires semiannual interest be credited to the Member Reserve before any other reserve using the rate which, when compounded, produces the annual actuarial assumed rate of investment return. The current assumed rate of return is 6.75 percent, and the semiannual rate is 3.32 percent. The December 31, 2023 interest was posted on January 4, 2024.

Year-End

On Dec. 21, Information Systems Specialist II, Jordan Regevig processed 2024 Federal and State tax rates and 1099-R data in CORE-37 for SJCERA finance team's final review and approval. Final steps and printing are scheduled to be completed by January 22. SJCERA's Finance Team (Carmen Murillo, Eve Cavender, and Marissa Smith) are completing their review and data analysis to ensure IRS *Form 1099-R* information is accurate and delivered to members before the January 31 mailing deadline.

End-of-year processing takes the entire team to complete accurately and timely. Working together, Marissa Smith, Jordan Regevig, Kathleen Goodwin, Margarita Arce, and Melinda DeOliveira, updated year-end processes including tax table and insurance premium updates to ensure accurate and timely payment of January retirement benefits.

Each year, SJCERA orders about 8,000 envelopes for mailing IRS *Form-1099-R* to payees. In anticipation of SJCERA's move to the new location, Financial Officer, Carmen Murillo ordered double window envelopes instead of printing envelopes with SJCERA's return address. The new envelopes display our return address (wherever that is at the time) as printed on the IRS *Form 1099-R* and cost slightly than the printed ones.

Effectively Educate and Inform Members

SJCERA has added a new Employer Notice to its library: Forfeiture of Benefits, which educates employers about the felony forfeiture provisions of the law and their responsibilities. Employer Notices help employer both comply with retirement-related requirements, but also provide their employees accurate information. In addition, Communications Officer Kendra Fenner wrote and distributed two emails to all Active members this month: the first educates members on what to do once they have decided to retire and the second was sent to employers regarding members' Forfeiture of Benefits Employer Notice. Those emails are attached to this report for your reference.

Provide Excellent Customer Service

A few quotes from our members:

"Ron [Banez] was extremely helpful and provided me with the information I requested…. It would be helpful to be able to access this information [pension verification/lifetime benefit letters] online."

Note: The member portal will enable members to generate these letters in the future.

"Marissa Smith was very helpful."

"Leonor [Sonley] was very fast emailing me the forms I needed. She also followed up with another email acknowledging that she received [the completed forms] from me via email."

Regarding Leonor Sonley, "Extremely helpful, knowledgeable, and professional. Pleasant communication skills"

Regarding Bethany Vavzincak, "She made it easy navigating through such a difficult confusing subject."

Conclusion

Having overcome the initial disorientation of starting the work week on a Tuesday after a holiday, and remembering to use the correct year on everything we date, we're off an running in the New Year! Lots to do, new goals to achieve, and I know just the team to do it! SJCERA is in good hands—our staff is capable, caring, and committed. Our members and stakeholders can count on them to handle whatever the New Year brings—just like they did in 2023, as documented in the impressive 2023 Action Plan Year-End Report. Congratulations to the team on last year's success and I know the results in 2024 will be equally as impressive.

"We're going to get this year off to a great start as soon as we figure out what day of the week it is."

Subject: Thinking About Retiring?
Date: Tuesday, December 19, 2023 at 10:12:35 AM 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)

Thinking about retiring?

January through March is a popular time to retire. Once you've decided to retire, follow these three simple steps:

1. **Choose Your Retirement Effective Date:** Your retirement effective date is usually the day after your last day on payroll and can by any day of the week. Additionally, your retirement effective date cannot be a date in the past: it must be on or after the date your retirement application is received by SJCERA.

2. **Request a Retirement Application:** Call 209.468.2163 or go online and complete and return the Request for Retirement Application form. After receipt, SJCERA will mail you a Retirement Packet that includes the forms and information needed to retire along with an estimate of your retirement benefit.

3. **Complete and Return Your Retirement Application:** Carefully read and complete your application. Return your completed application and the required documents noted in your packet instructions to SJCERA. SJCERA must receive your retirement application on or before your retirement effective date, but no earlier than 60 days before your retirement date. Remember to also inform your employer of your plans to retire!

It's as easy as that! Congratulations on your career and service to San Joaquin County. Prepare to enjoy the next chapter of your life. If all your records are in order, your first retirement payment will generally be deposited about two months following the effective date of retirement. Retirement Pay Schedule can be found on the Retirement Planning page.

Not ready to retire?

Use the Benefits Calculator at www.sjcera.org to estimate your monthly benefit or register for a Retirement Planning Seminar on the Active Members page.

Thank you,

Subject:	Employer Notice
Date:	Thursday, December 28, 2023 at 9:54:42 AM Pacific Standard Time
From:	Fenner, Kendra [SJCERA]
To:	San Joaquin County Superior Court - migreen, San Joaquin Historical Society - Phillip Merlo, Schroeder, John [LL], Stites, Mitzi [LAFCO], SJC Mosquito and Vector Control - EmilyN, Adamo, Nicole [MH], Tracy Cemetary, Lathrop Manteca Fire District - hsalazar, Waterloo Morada Fire District - ypalermo
Attachments:	2023.12.28 Forfeiture of Benefits .pdf, image001.jpg

Forfeiture of benefits occurs when certain conditions or actions result in the loss of accrued retirement benefits. The attached Employer Notice gives general information regarding what constitutes forfeiture of benefits, roles, responsibilities, and other considerations.

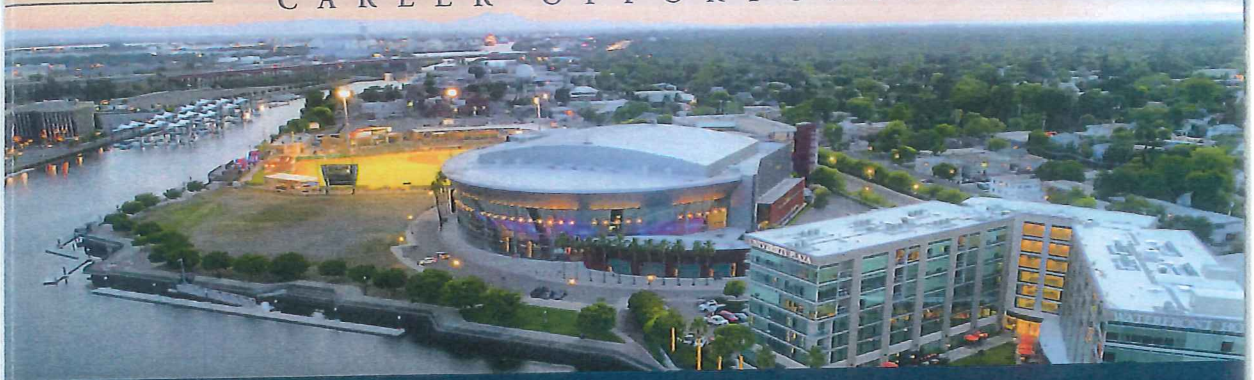
Save this notice for future reference or find it under Employer Notices at www.sjcera.org.

Thank you.

Kendra Fenner
Communications Officer
6 South El Dorado Street, Suite 400 | Stockton, CA 95202
Direct 209.468.8020 | Office 209.468.2163 | www.SJCERA.org

San Joaquin County Employees' Retirement Association: 75 Years as Your Trusted Financial Steward

CAREER OPPORTUNITY



CHIEF EXECUTIVE OFFICER (CEO)

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (SJCERA)

San Joaquin, California

Annual Salary: $224,955–$273,435 DOE/DOQ

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (SJCERA) is looking for an experienced pension executive and/or administrator (having administered benefits in California or another state) to step into the role of Chief Executive Officer (CEO). SJCERA is known for its operational stability, high-performing professional staff, and proven methods of business administration. The CEO will oversee operations and administration, including budget, data-driven reporting, goal setting, legal compliance, and staff development. They will have direct supervision of six reports and oversight of the entire 22-person staff and will oversee an annual budget of approximately $7.5 million, with fiduciary responsibility for $4 billion for the exclusive purpose of providing retirement and related benefits to SJCERA's 16,000 members. In this role, the CEO will act as an engaging partner with the Board of Retirement and maintain SJCERA's commitment to a cohesive, politically neutral environment. The ideal candidate is a visionary and confident leader with a strong understanding of the interrelation between benefit administration, information technology, and finance. They will have a strong commitment to customer service excellence and will be a strategic, collaborative leader, prepared to navigate the complexities of a multifaceted retirement institution. Join a thriving organization and further SJCERA's success in benefits administration—*apply today!*

View links throughout brochure by typing them into your browser.

THE COMMUNITY

Where You Can Live, Work, & Play

THE SJCERA OFFICE IS LOCATED in the city of Stockton, in San Joaquin County, California. The County encompasses the cities of Escalon, Lathrop, Lodi, Manteca, Ripon, Tracy, and the county seat of Stockton. *The City of Stockton is known for affordable and desirable California living!*

The County is home to approximately 780,000 diverse residents and spans an area of 1,426 square miles. Transportation and logistics are the fastest-growing industries in the County, represented by new Amazon fulfillment centers and innovative new Tesla semi-truck charging stations. The fertile soil of the region, fed by the waters of the San Joaquin River, sustains the area's robust agricultural sector – perfect for producing almonds, milk, grapes, and walnuts, with a gross value of $2.6 billion. The region experiences a Mediterranean climate with 184 sunny days per year and an average annual temperature of 74.6 degrees. With over 1,000 miles of waterways, it is a paradise for fishing, boating, kayaking, and birding. The community is home to Banner Island Ballpark and the Adventist Health Arena, which seats 12,000 fans and hosts festivals, performances, and sporting events.

Check out the city's exciting array of activities at: wbcpinc.link/77ac64

THE ORGANIZATION

SJCERA IS CELEBRATING 77 YEARS as a trusted partner, providing secure retirement, disability, and survivors' benefits to employees of **10 San Joaquin County public employers** (wbcpinc.link/09df0c)—totaling about 16,000 members. The organization also administers retiree eligibility and enrollment for group health, dental, and vision plans offered by San Joaquin County. The supportive nine-member Board of Retirement sets policy and direction for SJCERA and administers benefits in accordance with the provisions of the County Employees Retirement Law (CERL) of 1937, the Public Employees' Pension Reform Act (PEPRA) of 2013, and the Internal Revenue Code.

View SJCERA 2023 Organization Chart here: wbcpinc.link/80a959

See SJCERA 2022-2026 Strategic Plan here: wbcpinc.link/d9b166

Stockton Stats

1. According to 24/7 Wall Street reporting, 2021.
2. According to KRON4 News, 2022.
3. According to the *US News & World Report*, 2020.
4. Awarded by the National Civic League in 1999, 2004, 2015, 2017, and 2018.
5. According to Truth in Accounting data, 2021.
6. According to SJGov Business.

CURRENT PROJECTS

The next CEO will continue to champion SJCERA's process improvements, including:

PENSION ADMINISTRATION SYSTEM AND WEB PORTAL. SJCERA is in the first year of an exciting three- to five-year pension administration system implementation project, which will include member and employer web portals.

STAFF DEVELOPMENT. Mentor and empower staff, develop high-performing teams, and ensure proper succession planning.

PERFORMANCE TRACKING SYSTEM. Implement and use advanced data collection to collect valuable metrics; ensure that staff are trained to understand, interpret, and apply performance metrics.

DATA CLEANSING, CONVERSION, AND MAINTENANCE. Data cleansing and conversion are scheduled to be completed in early 2024. The new CEO will continue data integrity efforts by implementing and maintaining strong data hygiene and controls to support automation, accuracy, and efficiency.

DOCUMENT IMAGING SYSTEM UPGRADES. Fully integrate the imaging system and its workflow capabilities with the new pension administration system.

THE JOB & IDEAL CANDIDATE

THE CHIEF EXECUTIVE OFFICER REPORTS to the Board of Retirement and oversees six direct reports, a 22-person staff, and an annual budget of approximately $7.5 million, with total fiduciary responsibility of $4 billion in benefits. The CEO will oversee all aspects of operations and administration, including budget, goal setting, legal compliance, staff development, tax reporting, member statements and services, stakeholder management, and reporting. A strong background in finance administration is desired. The CEO will prepare and present recommendations to the Board, working collectively as a team to ensure the success of the organization. They will be a relationship builder who approaches issues with diplomacy and respect, ensuring that everyone feels heard. As a mentor and team leader, the CEO will seek out the strengths of each staff member, empowering them in their careers.

The CEO will be an experienced public sector, defined benefit pension executive and/or administrator (California or other state) able to effectively run operations, systems, and processes. They will ensure regulatory compliance, monitor legislation that impacts SJCERA, and be a strong generalist who has strong contract oversight, writing and negotiation skills and experience, excellent communication skills, and comfort with technology.

The ideal candidate will also demonstrate:

STRATEGIC LEADERSHIP. Collaborate with the Board to maintain and enhance SJCERA's stability, focusing on continuous process improvement and increasing efficiency, and making informed recommendations and administrative decisions in all aspects of operations including actuarial assumptions, investments, benefits, and legal compliance.

COMMUNICATION AND TRANSPARENCY. Keep the Board, employers, and members well-informed, foster collaboration, and demonstrate integrity and transparency while maintaining a strong commitment to execution.

MISSION FOCUS. Support SJCERA's mission and values, ensuring efficiency and excellence in customer service and administration of benefits.

RESULTS-ORIENTED LEADERSHIP. Continue the current vision, initiatives, and direction of the organization, continue to improve key performance indicators, and report results. Manage, lead, motivate, and develop staff toward organizational excellence.

INTERPERSONAL SKILLS. Demonstrate a collaborative leadership style, empathy, integrity, and a clear ability to communicate complex information to diverse stakeholders.

INFLUENCE. Effectively direct, persuade and motivate others, while being a collaborative, empowering and situational leader. Foster mutual trust, fairness, and honesty.

EMPLOYMENT STANDARDS

Education: Graduation from an accredited college or university with a major in public administration, business administration, finance, or a closely related area.

Experience: Five years of increasingly responsible administrative experience in public or private defined benefit retirement programs, or a similarly complex fiscal/operational environment, including at least two years of direct supervisory responsibilities.

HIGHLY DESIRED

Education: Master's degree in business administration.

SALARY & BENEFITS

An annual salary of **$224,955–$273,435 DOE/DOQ**, plus a generous benefits package that includes:

457 DEFERRED COMPENSATION. 5% employer contribution.

MEDICAL INSURANCE. The County contributes 80% of the premium and the employee contributes 20%.

VACATION. 15 days of vacation leave (with 20 days after 10 years and 23 days after 20 years). Vacation cash-out up to 15 days annually.

1937 ACT RETIREMENT PLAN. Including reciprocity **(wbcpinc.link/dc54e0)** with CalPERS and 19 other County retirement systems.

CAR ALLOWANCE. $7,020 annually.

125 FLEX BENEFITS PLAN

HEALTH SAVINGS ACCOUNT (HSA)

SICK LEAVE. 12 days sick leave annually—unlimited accumulation.

PAID HOLIDAYS. 14 per year.

ADMINISTRATIVE LEAVE. 10 days per year.

ADDITIONAL RECRUITMENT INCENTIVES. Visit **wbcpinc.link/d60476** for more information!

HOW to APPLY

For first consideration, apply by **JANUARY 12** at:
wbcpinc.com/job-board/

SECURE THE DATES

Qualified candidates will be interviewed as they apply. Initial interviews will be set for **JANUARY 30**. Additional interviews may be scheduled, if needed, in early **FEBRUARY 2024**.

Please contact Michael Lee, Principal Personnel Analyst, with any questions: **mlee@sjgov.org** | **209.468.3275**

WBCP
213 E Main Street, Rogue River, OR 97537

See the digital version of this brochure: **wbcpinc.link/8fecc7**

CAREER OPPORTUNITY

CHIEF COUNSEL

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (SJCERA)

SAN JOAQUIN COUNTY, CALIFORNIA

ANNUAL SALARY: $184,055–$223,720 DOE/DOQ

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (SJCERA) seeks to fill a newly created Chief Counsel position. This is the perfect opportunity for a confident advisor with knowledge and experience specific to the operation of a public defined benefit retirement system, including advising a multi-member governing body. This licensed attorney and active member of the State Bar of California will serve as in-house counsel, providing legal guidance and support to SJCERA staff and leadership, including the governing Board, on complicated operational and fiduciary matters so that staff and trustees can make informed decisions. They will be a key member of the executive team, closely collaborating with the CEO and Board in organizational decision-making, policy making, and leadership of the organization. Exceptional communication skills—both written and verbal—will be essential to successfully present technical information in an easily understood manner to all audiences. Creative problem-solvers who are resourceful in ascertaining information quickly and accurately and adept at finding a path through difficult issues will thrive in this environment. SJCERA is known for its operational stability, high-performing professional staff, and proven methods of business administration. Join us in our mission to provide the best possible service to our members while upholding the highest legal standards—*apply today!*

SAN JOAQUIN CAERA
SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

View links throughout brochure by typing them into your browser.

THE COMMUNITY

Where You Can Live, Work, & Play

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The County is home to approximately 780,000 diverse residents and spans an area of 1,426 square miles. Transportation and logistics are the fastest-growing industries in the County, represented by new Amazon fulfillment centers and innovative new Tesla semi-truck charging stations. The fertile soil of the region, fed by the waters of the San Joaquin River, sustains the area's robust agricultural sector—perfect for producing almonds, milk, grapes, and walnuts, with a gross value of $2.6 billion. The region experiences a Mediterranean climate with 184 sunny days per year and an average annual temperature of 74.6 degrees. With over 1,000 miles of waterways, it is a paradise for fishing, boating, kayaking, and birding. The community is home to Banner Island Ballpark and the Adventist Health Arena, which seats 12,000 fans and hosts festivals, performances, and sporting events.

Check out the city's exciting array of activities at: wbcpinc.link/77ac64

Stockton Stats

#1 FASTEST-GROWING CITY IN CALIFORNIA[1]

11th LARGEST CITY IN CALIFORNIA[2]

MOST RACIALLY DIVERSE CITY IN AMERICA[3]

All-America City 5X ALL-AMERICA CITY AWARD WINNER[4]

#4 MOST FISCALLY HEALTHY CITY IN AMERICA[5]

LARGEST INLAND SEAPORT IN CALIFORNIA[6]

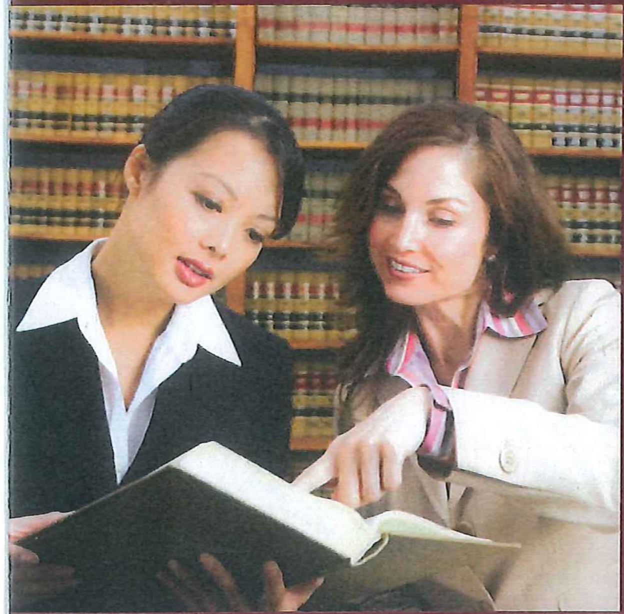
1. According to *24/7 Wall Street* reporting. 2021.
2. According to KRON4 News. 2022.
3. According to the *US News & World Report*. 2020.
4. Awarded by the National Civic League in 1999, 2004, 2015, 2017, and 2018.
5. According to Truth in Accounting data. 2021.
6. According to SJGov Business.

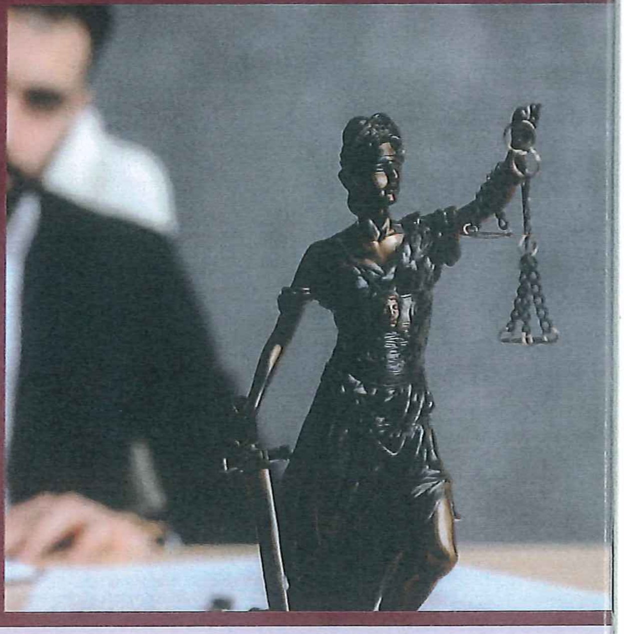
THE ORGANIZATION

SJCERA IS CELEBRATING 77 YEARS as a trusted partner, providing secure retirement, disability, and survivors' benefits to employees of **10 San Joaquin County public employers** (wbcpinc.link/09df0c)—totaling about 16,000 members. The organization also administers retiree eligibility and enrollment for group health, dental, and vision plans offered by San Joaquin County. The supportive nine-member Board of Retirement sets policy and direction for SJCERA and administers benefits in accordance with the provisions of the County Employees Retirement Law (CERL) of 1937, the Public Employees' Pension Reform Act (PEPRA) of 2013, and the Internal Revenue Code.

View SJCERA 2023 Organization Chart here: **wbcpinc.link/80a959**

See SJCERA 2022–2026 Strategic Plan here: **wbcpinc.link/d9b166**





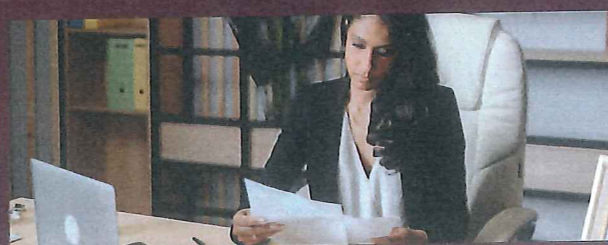
CURRENT PROJECTS

- Assess the efficacy and efficiency of SJCERA's use of external counsel.
- Review SJCERA's existing member and employer communications for legal compliance.
- Evaluate operational compliance with existing statutes and policies.
- Advise on the legal risks and mitigations of the Pension Administration System project's proposed procedural and business rule changes.

THE JOB & IDEAL CANDIDATE

THE CHIEF COUNSEL, REPORTING DIRECTLY TO THE CHIEF EXECUTIVE OFFICER, delivers invaluable legal guidance and support to SJCERA, navigating the intricacies of complex operational and fiduciary matters. They will be a persuasive leader who is confident in their legal advice and a detailed, strategic thinker who presents creative solutions. During the discussion and troubleshooting process, they will operate with a "yes, if" rather than a "no, because" mentality, remaining flexible and open to new ideas. They will be emotionally intelligent, ethical, and politically savvy with an ability to handle all situations with tact and professionalism. Someone who has a strong background in public defined benefit retirement systems is highly desirable.

The new Chief Counsel will be a strong legal strategist who keeps their finger on the pulse of current pension law and recent court decisions which will affect pension administration. The Chief Counsel will actively work to manage and minimize legal risk for SJCERA. In the event of a legal dispute, they will gather evidence and prepare strategies for successful litigation, representing the organization as a capable and confident attorney. They will have working knowledge of pertinent tax, disability, and investment matters, collaborating with external experts as needed for litigation defense and niche practice law. A strong attorney capable of navigating the intricacies of the County Employees' Retirement Law (CERL), the Public Employees' Pension Reform Act of 2013 (PEPRA), the California Constitution, conflict of interest, the Brown Act, and the Public Records Act is desired.



The ideal candidate will also possess the following core competencies:

WRITTEN AND VERBAL COMMUNICATION: Writes and speaks clearly and concisely, communicating complex legal concepts in a simple and easy-to-understand manner.

TRANSPARENCY: Keeps the Board, employers, and members well-informed, fosters collaboration, and demonstrates integrity and transparency while maintaining a strong commitment to execution.

PROBLEM-SOLVING: Identifies potential issues or conflicts and works toward solutions, demonstrating good judgment and initiative.

INDUSTRY KNOWLEDGE: Understands the fundamental inner workings of a retirement administration system.

STRATEGIC THINKING: Plans and makes legal decisions to ensure the success of SJCERA, with an understanding of the interrelation between all relevant policies, procedures, laws, and statutes.

HIGH STANDARDS: Supports SJCERA's mission and values by setting high standards of compliance.

EMPLOYMENT STANDARDS

Education: Juris Doctorate degree from a fully accredited school of law.

License: Current, active State Bar of California license.

Experience: Six (6) years of progressively responsible experience in a comparable legal environment that demonstrates the ability to perform the essential functions of the classification.

HIGHLY DESIRED

Retirement System Experience: Proven knowledge of California public retirement system law, particularly with respect to benefits, investment contracting, actuarial practices, general retirement system administration and management, disability adjudication, the County Employees Retirement Law (CERL), the Public Employees' Pension Reform Act (PEPRA) of 2013, open meeting law, conflict of interest law, civil and administrative law proceedings in diverse practice areas, public records act, and the Internal Revenue Code, probate, and family law as they pertain to administering benefits is highly desired.

SALARY & BENEFITS

An annual salary of **$184,055–$223,720 DOE/DOQ**, plus a generous benefits package that includes:

457 DEFERRED COMPENSATION. 1% employer contribution.

VACATION. 10 days of vacation leave (with 15 days after three years, 20 days after 10 years, and 23 days after 20 years). Vacation cash-out up to 8 days annually.

1937 ACT RETIREMENT PLAN. Including **reciprocity (wbcpinc.link/dc54e0)** with CalPERS and 19 other County retirement systems.

125 FLEX BENEFITS PLAN

HEALTH SAVINGS ACCOUNT (HSA)

SICK LEAVE. 12 days sick leave annually—unlimited accumulation.

PAID HOLIDAYS. 14 per year.

ADMINISTRATIVE LEAVE. 80 hours per fiscal year.

ADDITIONAL RECRUITMENT INCENTIVES. Visit **wbcpinc.link/d60476** for more information!

HOW *to* APPLY

For first consideration, apply by **JANUARY 26** at: **wbcpinc.com/job-board/**

SECURE THE DATES

Qualified candidates will be interviewed as they apply. Initial interviews will be set for **FEBRUARY 19**. Additional interviews may be scheduled, if needed, in late **FEBRUARY 2024**.

Please contact Michael Lee, Principal Personnel Analyst, with any questions:

mlee@sjgov.org | 209.468.3275

See the digital version of this brochure: **wbcpinc.link/c30d06**

WBCP
213 E Main Street, Rogue River, OR 97537

2023 Action Plan Results

San Joaquin County Employees' Retirement Association

1. Strengthen the long-term financial health of the Retirement Plan

a. Evaluate the appropriateness of actuarial assumptions

i. Implement adopted assumption changes. 100 percent complete.
SJCERA's actuary presented the valuation at the July Board meeting. Staff implemented the required system and procedural changes for the processes affected by the valuation results in time for the January 2024 implementation. Examples of affected processes include contribution rates, interest posting, interest charged on service purchases and over payments, benefit option calculations, and reserve calculations.

b. Review and confirm or refresh asset allocation

i. Initiate implementation of new asset allocation policy. 100 percent complete.
At the June 2022 meeting, the Board approved SJCERA's updated long-term strategic allocation. Implementation of the new asset allocation policy began in November 2022 with the pacing studies for Private Equity, Private Credit, and Private Real Estate, as well as manager searches and manager presentations to the Board throughout 2023:

- Silver Point Specialty Credit Fund II presentation – January 20 meeting
- Ares Pathfinder Fund II presentation – May 5 meeting
- Berkeley Partners VI presentation – July 14 meeting
- IPI Partners Fund III presentation – October 11 meeting

As mentioned in 1.d.i. below, the *Strategic Asset Allocation* policy was amended as part of the Crisis Risk Offset asset class review. Staff and consultant reviewed the rest of the policy and determined no additional changes were required.

Full implementation of the policy changes was originally targeted for June 2024, with flexibility to adjust for identification of appropriate opportunities and market trends. At the December Board meeting, the Board received a presentation reviewing the changes in the policy and status on implementation. As noted in the presentation implementation is proceeding well, with some changes ahead of schedule and full implementation expected later in 2024.

ii. Conduct benchmark review and implement new benchmarks as appropriate.
100 percent complete.
The benchmark review was presented at the February Board meeting and no changes were recommended. The Board accepted that recommendation.

iii. Deliver target investment return. 100 percent complete.
Stocks fell the first half of the year as the U.S. Federal Reserve continued to raise rates to combat high inflation. However, stocks have seen very strong returns in the second half of the year as investors began to focus on a soft economic landing for the U.S. economy.

For the period ending November 30, 2023, SJCERA's total portfolio increased a preliminary 6.2 percent year-to-date (the most recently available report). The portfolio benefited from the rise in equity prices and a rebound in the fixed income portfolio in the second half of the year. Capital markets were volatile in 2023, but SJCERA has created a diversified portfolio to help weather these volatile times. Based on year-end capital market performance, we anticipate SJCERA will meet or exceed our 6.75% assumed rate of return this year.

To assist the Board in understanding market conditions and making sound decisions about the portfolio, the annual Investment Roundtable included the following educational sessions: 1) keynote speaker on the conditions of world markets, 2) private markets investing, 3) inflation, 4) international markets, and 5) real estate markets investing. These educational presentations are supplemented monthly with a curated collection of articles included in the Board meeting materials.

c. Determine the future vision for the investment program operating model

i. Define and document SJCERA's views on environmental, social, and governance (ESG) matters for the organization and the investment portfolio. 100 percent complete.
At the September 1 Special Board meeting, the Board heard presentations on the fiduciary and investment considerations relative to ESG and proxy voting. Following the presentations, the Board discussed the issues and reached consensus on their views on ESG and proxy voting. To document its views on ESG and Proxy Voting the Board approved amendments to three policies: the *Strategic Asset Allocation* policy, *Proxy Voting* policy, and *Investment Manager Monitoring and Communications* policy.

ii. Define and document SJCERA's approach to proxy voting 100 percent complete.
See 1.c.i. above.

iii. Evaluate SJCERA's policy on liquidity/cash, and refresh as appropriate 100 percent complete.
Meketa conducted a liquidity and cash analysis, which was presented to the Board on April 14. The analysis showed the current portfolio would maintain sufficient liquidity to pay benefits and other expenses, even under extreme stress scenarios. Thanks to the additional employer contributions and high-quality bonds, SJCERA has sufficient cash to cover our liquidity needs.

In addition, given the rising rates of treasuries and the fixed income, the Board approved changing the Cash Overlay strategy from 75% equities (MSCI ACWI) and 25% bonds (U.S. Agg.) to 100% bonds (U.S. Agg.), with a duration target of three-years. On April 27, staff and Parametric successfully implemented this change.

d. Optimize the investment manager lineup

i. Conduct Global Equity and Crisis Risk Offset (CRO) asset class reviews, assessing managers'/mandates' alignment with our Strategic Asset Allocation (SSA) policy and goals.
100 percent complete.
Following the Crisis Risk Offset (CRO) asset class review presentation at the March meeting, the Board adopted the recommendation to change from a strategy framework to a functional framework to allow the CRO class to better adjust to current and future changes in market dynamics. Using a functional framework broadens the number of strategies that can be considered and could potentially lead to improved coverage across various market environments.

The Board also 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 diversifier managers for CRO, and directed staff and consultant to defer further consideration of one of those managers until early 2024. As a result, staff included reviewing diversifier strategies with potential consideration of a new manager as a goal on the 2024 Action.

The Global Equity asset class review was presented by Meketa at the December meeting, and no changes were recommended. The presentation:

- Defined the asset classes
- Analyzed the sector weights
- Stated the objective to achieve a total net-of-fee return, that meets or exceeds the MSCI All Country World IMI Index
- Reviewed the role of the global equity class
- Discussed current portfolio weights within the US, Developed, Emerging and Real Estate markets
- Reviewed the annualized performance

ii. Evaluate the portfolio for investment efficiency (e.g., fees, risk, return, consolidation).

100 percent complete.

At the March meeting, Meketa presented the 2023 capital market assumptions and a memo on the total portfolio expected return. These assumptions are developed using a multitude of quantitative and qualitative inputs. Based on the assumptions, the portfolio is well structured to perform above its 6.75% assumed rate over the long-term.

The annual investment manager fee report was presented at the July meeting.

Staff and Meketa met with six investment managers this year to discuss investment risk/return efficiency. The managers included Miller Global, BlackRock Direct Lending, Medley, Grandview, Almanac, and Davidson Kempner.

In addition to manager meetings, in June, staff initiated quarterly "existing manager presentations". These presentations provide the Board with timely updates, as well as the opportunity to ask questions and help managers understand the Board's priorities and concerns. The following firms participated in 2023:

- June PIMCO RAE Emerging Market
- September Loomis Sayles

Meketa presented the results of various asset class reviews during 2023.

- March Crisis Risk Offset (see Goal 1.d.i.)
- June Real Estate asset class review and pacing study
- August Private Equity review and pacing study
- November Private Credit review and pacing study
- December Global Equity and Risk Parity asset class reviews

At the October meeting, staff and investment counsel presented an educational session on business and legal diligence in private fund investments. Negotiation of private fund investment agreements affects fees and risks. Topics presented included:

- Fiduciary duties
- Investment delegation
- Business and legal due diligence
- Legal considerations
- Legal documents

2. Modernize the operations infrastructure

a. Implement Pension Administration System (PAS)

i. Finalize assessment of and manage project risks. 100 percent complete.

Tegrit's and MBS's project risks, developed as part of the Integrated Project Management Plan, were integrated into Linea's Risk Management Plan. The approach for managing project risks includes a methodical process by which the project team (1) identifies and assesses mitigation options, (2) chooses a mitigation option, and (3) regularly reviews risks to ensure they are satisfactorily managed. Project managers from Linea, MBS, Tegrit, and SJCERA contribute to a shared RAID (Risks, Action Items, Issues, Decisions) log which tracks risks; their effect (schedule or budget impacts), probability (High, Medium, Low), and Impact; identifies the risk owner and mitigation strategy/action; provides historical commentary, and assigns an overall Risk Score.

Data conversion risks are reviewed weekly with MBS during the status meeting. PAS-specific risks are reviewed monthly during the Tegrit Project Status Meeting. Any risk that rises to the level of schedule or budget impact is discussed during the Quarterly Steering Committee Meetings held with Linea Consultants and SJCERA CEO, ACEO, and Project Manager and would be escalated to the Board of Retirement as needed.

As of December 31, project teams have identified 25 project related risks across both Data Conversion and PAS projects; none have budget or schedule impact. The most critical risks facing these two projects are the number of planned and unplanned projects (SJCERA move, PBI data breach, etc.) that happen each year and the amount of SJCERA staff resources available to accomplish all organizational priorities.

ii. Complete refinement of business requirements on planned processes. 100 percent complete. Staff and Linea initiated the Business Process Alignment (BPA) project to refine business requirements on planned projects which included discussions to identify gaps in current process, review legislative changes requiring policy and/or procedure changes, and incorporate pension administration industry best practices. In the January project kick-off meeting, Linea and staff, identified 16 business processes to undergo refinement.

1) New Member Enrollment/Rehired Retirees.	Completed May 2023
2) Employer Reporting	Completed May 2023
3) Reciprocity	Completed May 2023
4) Service Credit Purchase	Completed May 2023
5) Data Maintenance	Completed May 2023
6) Death	Completed May 2023
7) DRO	Completed May 2023
8) Imaging	Completed May 2023
9) Termination Refunds/Lump Sum Payments	Completed May 2023
10) Disability	Completed June 2023
11) Retirement Benefit Estimates/Pre-Retirement Counseling	Completed June 2023
12) Service Retirement	Completed June 2023
13) Retiree Payroll	Completed June 2023
14) Tax Reporting (including IRS Form 1099-R)	Completed November 2023
15) COLA and Interest Posting	Completed November 2023
16) Member Statements	Completed November 2023

Staff subject matter experts participated in all business requirement refinement meetings this year, sharing their in-depth knowledge of SJCERA's business processes, and contributing the successful completion of this goal.

iii. Complete mapping documentation on planned processes. 100 percent complete. Two data areas were planned to be mapped and documented in 2023, and both were completed. Data Area 1 included Employer, Member Demographics, Employment History, Contributions, Earnings, Service Credit, and Service Purchases. Data Area 2 included Retiree Payroll, Refunds, Tax Reporting, Payroll Deductions, Retiree Health, and Imaging. To accomplish this goal SJCERA IT and Retirement Services staff participated in weekly mapping and data analysis sessions with MBS and Tegrit throughout the year to document the CORE-37 system and map data to the MBS data conversion database.

Staff exceeded the goal by implementing the data mapping in delivering the mapped data to Tegrit. Data Cycle 3 was delivered to Tegrit in September, and Data Cycle 4 is nearly ready for delivery, with only the final data refresh and physical file movement remaining. Final delivery of Data Cycle 4 is expected in January 2024.

iv. Deliver project milestones as scheduled on PAS project plan. 100 percent complete.
All milestones scheduled for calendar 2023 were completed on time.

Phase	**Milestone**	**Due Date**	**Completed**
1 - Initiation	Statement of Work Project Work Plan	4/10/2023	4/10/2023
2 - Hosting	Hosting Setup	4/24/2023	4/24/2023
3 - Implementation	Member Demographics	8/30/2023	8/10/2023

Since August, the project team has been working on requirements confirmation and process documentation in preparation for the next project milestone scheduled for February 2024.

v. Program/Test new PAS. 100 percent complete.
Staff and vendors completed programming and testing for all processes scheduled for 2023. Staff and Tegrit began programming and testing planned processes in March with requirements verification in the areas of Member Demographics, Employer Reporting, Benefit Calculations, and Service Purchase functionality. Tegrit began designing and programming Member Demographics functionality in April and completed their development and internal testing in early August. Member Demographics functionality was delivered for User Acceptance Testing (UAT), which was completed at the end of August.

Staff and Tegrit continued designing, documenting, and programming functionality for benefit calculators, employer maintenance, and participant Domestic Relations Orders (DROs) throughout the remainder of the 2023. UAT for those functional areas is scheduled to be completed in February 2024.

vi. Update/revise system-generated letters for planned processes. 100 percent complete.
The PAS project's processes planned for 2023 did not require updating any system-generated letters. However, staff updated two system-generated correspondence items within the existing system CORE-37. The *Beneficiary Designation* form and the *New Employee Welcome Packet* were updated to reflect legislative, policy, and/or procedural changes. These updates improved overall member communication by reducing complexity, and decreased staff workload by improving the accuracy and completeness of the forms members submit. These updates will also decrease the number of updates or revisions required when it's time to design and develop system-generated letters in the new PAS.

vii. Maintain functionality of legacy PAS until new PAS is implemented and stabilized.
100 percent complete.
Maintaining CORE-37 functionality is an organizational priority and much is done monthly to ensure the system remains current. IT staff worked closely with Retirement Services and Finance staff to ensure daily, monthly, quarterly, and annual calculations and system generated

correspondence work properly, and that member data is accurate. Additionally, staff implemented the necessary system changes to implement new legislative requirements, such as the changes to the Required Minimum Distribution rules.

In September, SJCERA IT staff began working with a new FileMaker Pro development vendor to help maintain functionality of CORE-37 as we transition completely to a Windows server infrastructure. Work focused on updating system screens, testing existing functionality, and ensuring system-generated correspondence displays properly. That work is expected to be completed in early 2024.

In addition to the work being done to allow CORE-37 to run on the Windows Infrastructure, SJCERA IT worked with the CORE-37's original developer to implement the following updates:

1) Added Automated Clearing House (ACH) processing to the off-cycle and lumpsum payroll processes. Previously these processes only issued check payments.
2) Added functionality to import bulk notes to the Active Member System (AMS).
3) Fixed the import of the Vision Service Plan (VSP) overpayment refunds and added bulk notes for each member.
4) Fixed service purchase error that affected Tier 2 members hired on/after January 1, 2022.
5) Modified the system to allow staff to make changes for deferred or deceased members.
6) Modified system security to remove functionality that allowed staff to delete payments and amounts of payments already made.

b. Enhance the member experience

i. <u>Improve content and organization of website</u>. 100 percent complete.

Evaluated the content on more than 15 web pages and implemented various improvements including:

- Rearranged topics into more logical groups
- Added pages for new content
- Enhanced layout for easier use
- Augmented the navigation bar
- Removed outdated information and links
- Updated links throughout the entire website to reference the new pages/content
- Added new content, including retirement-eligible pay codes, age factors used to calculate benefits, and a retirement eligibility page.

Implemented website analytics. Analytics identified, among other things, that SJCERA's benefit calculator, videos, and beneficiary designation form are among the top five most frequented areas of the website.

Improvements to website pages made this year comply with the American with Disabilities Act (ADA) accessibility guidelines for local government programs, services, and activities provided to the public online with a simple browser extension download. Accessible PDFs are available upon request.

ii. <u>Develop and implement online member education videos on prioritized topics</u>.
100 percent complete.

The Forms and Publications website page has been expanded to now include videos. The newly updated Forms, Publications and Videos page contains the following educational videos:

- *Benefit Calculator Tutorial*
- *How Retirement Benefits are Calculated*
- *Ready to Retire*

iii. Develop and initiate a plan to fulfill the conditions necessary to enable a full-service member portal. 100 percent complete.

Staff investigated the possibility of opening a basic member portal in January 2024 to provide payees online access to their annual IRS *Form 1099-R* and monthly earnings statements. Unfortunately, the cost to expedite implementation of the member portal exceeded the printing and postage cost savings.

SJCERA has set the expectation with the PAS vendor and contracted project manager that the member portal is to be designed and developed simultaneously with internal system functionality so that the member portal and PAS go live simultaneously. In the public pension industry, member portals typically are implemented, if at all, well after system functionality has been designed and deployed. Concerns of data cleanliness and anecdotal member resistance are the primary reasons for delayed deployment of member portal functionality. For SJCERA to obtain the full benefits of a PAS implementation, member portal implementation must be integrated into the internal PAS project schedule.

To align member portal delivery with the internal PAS functionality, the following schedule was created:

1) Obtain personal email addresses for all members (July 2023 – May 2026)
   a. Existing SJCERA forms have email address field, staff requests personal email on every form (July 2023 – May 2026)
   b. Active email gap data analysis and Active employee email campaign (August 2024 – May 2026)
   c. Deferred and retired members email collection on SJCERA website (July 2025 – May 2026)
2) Define member portal functionality road map for day one and beyond (January 2024 – May 2024)
3) Define and document member portal functionality processes and error management (January 2024 – May 2024)
4) Develop and implement a member and employer communications plan
   a. Employer Communications Plan (January 2024 – July 2024)
   b. Member Communications Plan (May 2025 – May 2026)
5) Develop and implement Acceptable Use Policy for member portal (August 2025 - November 2025)
6) Develop and implement Password Requirements policy and procedure (August 2025 - November 2025)
7) Implement user validation and verification methodologies (May 2025 – May 2026)
8) Implement multi-factor authentication methodology and tool (May 2025 – May 2026)
9) Evaluate and procure electronic signature tool (May 2025 – May 2026)
10) Define and implement file sharing upload and download capabilities (May 2025 – May 2026)
11) Develop and deploy member portal training for members and staff to include instructional videos, online help, customer service scripts, FAQ, etc. (January 2026 – May 2026)

c. Improve technology for business operations

i. Adopt industry standard business processes wherever possible.

1. Document adoption of standard industry practices in PAS requirements

100 percent complete.

Throughout the year while discussing and confirming functional requirements for the PAS solution, Tegrit consistently identified areas where SJCERA may not be applying industry standard business processes or methodologies when viewing, storing, or calculating benefits.

Three industry processes and methodologies were identified, reviewed, and adopted this year, including the calculations for final average compensation, service credit, and date difference (used, for example, in calculating age, age difference, and reciprocity eligibility). These calculations have impacts on multiple SJCERA processes such as service retirements, estimates, service purchases, and disability calculations. Each calculation methodology has been evaluated by SJCERA's actuary to ensure actuarial equivalence.

2. Implement off-site back-up and infrastructure solutions, and investigate further cloud presence 100 percent complete.

   Staff completed implementation of off-site back-up and infrastructure solutions and researched cloud options. In January, IT staff investigated and procured the hardware and professional services necessary to begin installation of our on-site backup with off-site immutable cloud synchronization solution.

   In March, the new enterprise backup system configuration and the data backup cloud synchronization for Windows productions servers was completed for the Apple Infrastructure.

   In June, the new enterprise backup system configuration and the data backup cloud synchronization for Windows productions servers project was completed.

   In November, IT staff completed their research on cloud off-site back-up automation for immutability, and evaluated whether alternative or supplementary cloud services are needed to improve efficiency system reliability. As a result, staff has chosen a disaster recovery as a service (DRAAS) vendor to provide our off-site backup and supplementary cloud services for disaster recovery. Contract review began in December with the expected services starting in January 2024.

3. Plan transition from Mac to Windows 100 percent complete.

   Staff completed development of the plan to transition from Mac to Windows in January and far exceeded the goal by completing nearly all the steps necessary to complete the transition. The following transition activities occurred in 2023:

   1) Migrated email to Microsoft M365, which provided enhanced email encryption and integrated management and security tools.
   2) Migrated one of two file servers to test cross compatibility with Mac desktops. Following successful test, migrated the second server. The two remaining Mac servers (which house Optics and CORE-37 data) are scheduled for migration in the future. As part of the migration, staff built 10 Windows servers.
   3) Rolled out Microsoft Teams, which has numerous communication and collaboration functions for immediate communication, file sharing, and video conferencing.
   4) Completed implementation of our new off-site backup solution. Regular testing of this backup solution continued throughout the year to ensure recovery works appropriately if ever needed.
   5) Completed evaluation and testing of three different Windows laptops with our current applications and infrastructure, to determine which laptop will best meet staff's needs when we fully transition to Windows and laptops replace staff's desktop computers.
      Procured 21 new Windows laptops; full deployment is planned to occur before we move to the new SJCERA office in February.
   6) Identified complexities with migrating CORE-37 to Windows and contracted with a software development vendor with the requisite knowledge, skills, and experience to help SJCERA complete the migration.

7) Completed implementation of Multi-Factor Authentication (a leading security verification process) and integration with Microsoft365 security services, which increased security of SJCERA's remote access.
8) Upgraded and migrated SJCERA's document imaging system, Optix, from Mac to Windows enabling staff to scan, access and generate workflows of member documents from both Mac and Windows desktop equipment. It also improves document management and security features not previously available on the Mac platform.

   The CORE-37 server migration is the last remaining task for the Mac to Window transition. As of December 31, the tasks necessary to migrate CORE-37 are 76% complete and staff is actively working with SJCERA's FileMaker Pro development vendor toward completion. Changes to application screens, correspondence, and server-side updates are necessary to seamlessly complete the migration.

ii. Adopt contemporary risk management, disaster recovery and business continuity practices

1. Implement Phase 1 of Enterprise-Wide Risk Management plan 100 percent complete. Based on the heat map matrix, staff assessed which risks had the highest severity/probability and identified the actions needed to further mitigate the identified high-risk items. The following actions to further mitigate these risks have been implemented.

   Cybersecurity Risk. Implemented the following mitigations to enhance SJCERA's cybersecurity. Additional cyber-attack prevention action items are ongoing and will be reported out in future CEO reports.
   1) Implemented an automated threat detection and response solution
   2) Updated the firewall and initiated periodic meetings with cybersecurity solution providers to assess and implement best practices
   3) Continued conducting ongoing cybersecurity training and awareness
   4) Continued conducting periodic meetings with the County Security Information Officer to stay abreast of the County's cybersecurity efforts
   5) Expanded the use of cybersecurity vendor resources, to include ongoing cybersecurity enhancement and maintenance efforts, such as third-party risk mitigation, and formalizing SJCERA's information security program, including documenting an incident response plan.
   6) Implemented remote access hardening protocols including multi-factor authentication, in alignment with the Cybersecurity and Infrastructure Security Agency's (CISA) best practices for remote access

   Illiquidity Risk. Meketa conducted an extreme stress test analyzing SJCERA's total fund liquidity. The results showed, even under various extremely negative scenarios, the current portfolio would maintain sufficient liquidity to pay benefits and other expenses. Because SJCERA is cash-flow positive, SJCERA has sufficient cash and high-quality bonds to cover the portfolio's liquidity needs without having to sell assets to meet its obligations.

   Risk of Non-Compliance with Federal and State Laws. At the June 2 meeting, the Board approved the staff recommendation to establish and fill an internal Chief Counsel position. A portion of their duties will include compliance related services such as reviewing member and employer communications for legal compliance, overseeing implementation of new legislation, reviewing of and reporting on compliance with policies, Bylaws, contracts, and overseeing contract administration. Although staff currently works closely with external

Counsel on many of these items, having an internal counsel who owns these tasks will strengthen the controls and accountability.

Risk of Receiving Incorrect Contributions. Implemented business workflow validations in CORE-37 to verify expected incoming employee and employer contributions for Active members. Discrepancies, if any, flow into the Queue Management System (QMS) for Benefits staff to review and to submit adjustments to the employer's payroll office, if necessary.

Staff assessed the types of exceptions being generated from the QMS report, and whether employer education would help reduce these exceptions. Based on the assessment, no additional education is required.

Check Fraud Prevention. Implemented the following mitigations to better manage the risk of theft or misdirection of mailed checks:

1) Contacted all vendors receiving payment via check. About 77% (23 out of 30) agreed to convert from check to direct deposit vendor; those changes have been implemented. The remaining seven vendors still receiving checks, will be mailed their payments directly from Northern Trust. Individually mailing checks to each vendor reduces the risk of batches of checks being stolen at once. Previously Northern Trust mailed checks in a batch to SJCERA, and SJCERA mailed them to vendors.
2) Implemented additional mail controls to ensure overnight mailing of any checks being sent to SJCERA. Internal processes now include daily tracking of overnight mail to ensure mailing delays are dealt with immediately, reducing the ability for stolen checks to be washed and cashed.
3) Implemented additional "positive pay" check verification controls to verify check numbers, dollar amounts and payees, which decreases the ability to alter check information and deposit it into a fraudulent account. Previously, SJCERA had implemented only two of the three available positive pay validations.

2. Implement Phase 2 recommendations from 2021 cyber-security and disaster recovery plan assessments, including annual security assessment 100 percent complete.
In September, staff met with Linea Secure to kick off the Third-Party Risk Assessment project and defined SJCERA's utilization of Linea's initial cybersecurity services. Key topics and activities included:
    - Third Party Risk Assessment
    - Security Policy Development
    - PAS Security Oversight
    - Incident Management & Reporting
    - Continuous Risk Monitoring and Management
    - Security and Awareness Training Program

The Third-Party Risk Assessment has been finalized, and with Security Policy Development, Incident Management and Reporting, and Security and Awareness Training Program are planned for completion during the first quarter of 2024. Once these programs are in place, SJCERA will evaluate the use of Linea Secure or other third-party security monitoring firms to provide ongoing monitoring and management of our IT security programs in 2024 and beyond.

In November, staff and Linea Secure met with a Synoptek security officer as a requirement to renew our annual PRISM cybersecurity insurance. A questionnaire, subsequent follow-up meeting, and a rating review meeting 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 the rating to increase to an "A" during the next cybersecurity insurance rating period.

d. Improve employer experience

i. Increase outreach and education to payroll/personnel staff at employers and/or County departments. 100 percent complete.

Throughout the year, staff sent 19 emails on the subjects listed below to employers and active members to educate them about the benefits and services SJCERA provides.

- January Understanding Your Retirement Seminar
- March Membership Waiver – Bylaw Change (sent to employers)
- April Financial Literacy Month
  Understanding Your Retirement Seminar
- May Special Power of Attorney
  About to Retire Seminar
- June Retirement Benefit Options
- July SJCERA 2022 Financial Update
  Understanding Your Retirement Seminar
- August Gravely or Terminally Ill Employees
  2024 Contribution Rates (sent to employers)
- October Divorce and the Effect on Your Retirement Benefits
  Understanding Your Retirement Seminar
- November 2024 Board Calendar (sent to employers)
  About to Retire Seminar
  Disability Retirement Eligibility
  2024 Compensation and Benefit Limits (sent to employers)
- December Thinking About Retiring
  Forfeiture of Benefits (sent to employers)

ii. Expand Employer Notice Library 100 percent complete.

Staff created an *Employer Handbook*, providing high-level instructions to employers and their payroll staff on SJCERA-related requirements, including:

- Mandatory and optional SJCERA membership (and cautions about "contractors")
- Establishing newly-eligible members
- Forms and documents required for new hires
- Establishing new position types
- Contribution and data reporting requirements including use of and establishment of earnings codes, employee termination reporting, contribution rate implementation, compensation limit administration, etc.
- Benefit-limit administration
- Sick leave bank/sick leave service credit administration
- Retirement benefit or compensation change requirements
- Retired member re-employment rules
- Forfeiture of benefits – employer notice requirements
- Declining employer payroll
- Employer termination
- Considerations for gravely ill employees

Staff created and distributed an Employer Notice on felony forfeiture of pension benefits, highlighting:

- Roles and responsibilities of the employer
- What to expect once the conviction is reported to SJCERA
- Return of member-paid contributions
- Returning to SJCERA-covered employment

3. Align resources and organizational capabilities

a. Develop and implement a workforce planning process

i. Address project staffing and training needs.

1. Implement a detailed project staffing plan based on the PAS project plan, that identifies which staff will be pulled onto the project at which phase, who will be assigned to cover their duties, and whether temporary staff will be needed. 100 percent complete.
Linea Solutions and staff developed a project staffing plan detailing the quantity, type, timing, and duration of staffing resources needed across all phases, activities, and functional areas of the PAS and Data Conversion projects. Staffing resources considered included temporary staff to back-fill operational responsibilities and assist with data cleanup, and consulting staff to assist during User Acceptance Testing. No additional staff resources were required for the PAS project in 2023.

2. Implement strategies designed to support staff and maintain morale during PAS project.
100 percent complete.
To support staff and maintain morale, management recognizes staff in the CEO reports and employee of the month recognitions. Each staff member named in the CEO report receives a handwritten thank you note from the CEO on a copy of the report, and the reported accomplishments are highlighted in staff meetings. Staff recognize each other through the SJCERA shout-out board, and the organization more broadly works to maintain morale by hosting various events throughout the year (see list below). In addition, staff has identified initial ideas for celebrating the completion of key PAS project milestones.
February: Random Acts of Kindness Day; Sports Day; Valentine's Day
March: Employee Appreciation Lunch; St. Patrick's Day Lunch; PAS Naming Award
April: Grilled Cheese Day; National Superhero Day
May: Star Wars Day; Cinco de Mayo; National Pizza Party Day
June: National Iced Tea Day
July: Independence Day potluck
August: Hot August Days (frozen treats)
September: Rice Crispy Treat Day
October: Hispanic Heritage; Halloween
November: Thanksgiving potluck
December: Year-end staff meeting, lunch and celebration of accomplishments

b. Enhance education and development across all levels of the organization

i. Offer training and development opportunities intended to strengthen SJCERA's on-boarding and succession planning. 100 percent complete.
All staff (20) members have attended training events this year, either in person or virtually. (See list)

- 16-hour cost accounting refresher course
- San Joaquin County Treasurer-Tax Collector Cybersecurity Symposium
- Public Retirement Information System Management Conference
- Fiduciary Investors Symposium

- Pension Bridge
- Prism Conference
- California Special Districts Association – Board Secretary/Clerk Conference
- SACRS and CALAPRS conferences
- SACRS U.C. Berkely Investment Management Program
- CALAPRS Management Academy
- CALAPRS Administrators Institute
- CALAPRS Roundtables
    - Accountants, Administrators, Benefits, Communications, Compliance, IT, Investments, Administrative Assistants
- Various online courses and webinars:
    - *Presentation Rules and Communications Myths Debunked*
    - *Standing out While Standing in*
    - *Using PowerPoint to Create Compelling Presentations for Virtual Learning Courses Online*
    - Secure 2.0
    - *State of the Banking Industry Panel Discussion*
    - Legislative and Regulatory Updates for Retirement Plans
    - Key Proxy Votes for Pensions to Watch
    - NCPERS Communications Roundtable
    - NCPERS 2024 Legislation Webinar
    - Memory Enhancement Techniques for Professional Development
    - Upgrade Your PowerPoint Presentations to Keep Staff Engaged During Training
    - Government Tech Webinar
    - Using AI to Design More Human Centered Learning
    - The Launch of Vyong Go: Creating Videos in Seconds
    - Creating Engaging eLearning with the Power of AI
    - ESG is Dead – Long Live ESG
    - 2024 Kevin Mitnick Security Awareness Training
    - CFA Investment Foundations Certificate
    - County ePad Users Group Meetings
    - County Department Training Processor Quarterly meetings
    - County Supervisors/Administrators Human Resources Leadership Academy Courses

In addition, staff completed 22 County mandatory training courses along with two special County training courses:

- Introduction to Incident Command System
- 2024 Kevin Mitnick Security Awareness Training

ii. <u>Document annual procedures and link to annual work plan</u> 100 percent complete.
The Leadership Team has documented and linked all (more than 75) of the annual procedures to the annual work plan, including 32 new procedures which were created to document the how to perform the annual work plan tasks.

c. Create a foundation of performance metrics and measurements

i. <u>Include performance metric requirements in PAS business requirements</u> 0 percent complete.
This goal was deferred to 2024 because the PAS project development is not yet ready to address performance metrics requirements. For example, development this year focused on, screen design and data maintenance for which there will be no need for ongoing performance metrics. In 2024, as workflow processes are designed and developed for Retirement Services and

Finance business processes, the teams will include performance metrics and reporting requirements during the design and testing phases. Active and Deferred Workflows are scheduled to be completed in February 2025 and Retiree Workflows and Processes are scheduled to be completed November 2025.

ii. Identify and establish best use of existing performance measures 100 percent complete. In August, staff began compiling existing performance measures and Retirement Services and IT staff continue to track the agreed upon performance metrics.

Beginning January 2024, the ACEO will include existing Retirement Services and Information Technology metrics in the Quarterly Operations Reports provided to the Board. Finance performance measures are being defined and documented through the Moss Adams Finance Assessment project and will be reported once a full quarter of performance measures are available, which is expected to be no later than second quarter 2024. As more data accumulates over time, staff will be able to analyze trends and use data to make decisions and set goals.

Manage Emerging Organizational Needs
In addition to the Action Plan Results, staff also coordinated and/or led to completion the following projects.

a. Financial Auditing Services RFP
At the September 8 meeting, the Audit Committee approved retaining Brown Armstrong for financial auditing services. The fully executed contract is for two years with three optional one-year extensions, and at a 9% savings compared to the prior contract.

b. Disability Retirement Education
At the April meeting, disability counsel conducted an educational session on disability retirement legal standards. The following topics were presented:

- Disability retirement application process
- Legal standards
- Permanent incapacity
- Service connection
- Effective date
- Reinstatement
- Supplemental benefit
- Case studies

c. Collected and Tracked Additional Employer Contributions
Three employers (the County, San Joaquin County Superior Court, and the Mosquito and Vector Control District (MCVD)) continued making voluntary additional contributions with the goal of decreasing their portion of the unfunded actuarial liability (UAL). In total, employers paid $25.6 million in additional contributions this year. These additional contributions demonstrate employers' fiscal prudence, their commitment to fulfilling the pension promise made to their employees, and their confidence in SJCERA as a good steward of those funds.

d. Move
On May 5, 2023, the Board authorized staff with the advice of counsel and the oversight of the Facilities Ad Hoc Committee to:

- Negotiate and enter into an amended lease agreement on SJCERA's current office location at 6 S. El Dorado Street, and
- Negotiate and enter into a lease for a new office space

Staff completed the negotiations on an amended lease for 6 S. El Dorado Street. The lease amendment accommodates the County's request for SJCERA to vacate its office prior to its lease expiration and is not anticipated to increase costs to SJCERA. The lease amendment was approved by the Board of Supervisors at its June 6, 2023 meeting, and the agreement was fully executed on June 13, 2023.

The lease amendment calls for the County to pay SJCERA $2 million if we vacate the premises by February 29, 2024. SJCERA may remain in the office beyond that date, subject to an increasing reduction in compensation for each month's delay through June 30, 2024. For example, if we do not move until June, SJCERA will receive $1.3 million instead of the $2 million we would have received if we had moved in February.

On August 15, 2023, staff executed a 10-year lease (with two five-year extensions at SJCERA's option) for 220 E. Channel Street. The location is in downtown Stockton, close to the County Administration building, and has a first-floor entrance. Additionally, the lease includes 25 parking spaces in the adjacent parking structure reserved for SJCERA's exclusive use.

The City of Stockton issued our building permit on November 30. The landlord estimates they will be able to complete tenant improvements by February 29, 2024, which aligns with the timeline for vacating the El Dorado Street location outlined above. Every effort will be made to enable SJCERA to move by February 29, 2024.

In the event there are construction delays, staff has also begun contingency planning. Staff has secured temporary office space on the fifth floor of the County Administration building, free of charge, from February 19, 2024 to June 30, 2024. The agreement for use of the space will be presented to the Board of Supervisors at the January 23 meeting. Additionally, staff has secured the use of San Joaquin Regional Transit District's board room for the March through June meetings, again, free of charge. Hopefully neither of these spaces will be needed, but to avoid any possible disruption in services, staff is putting contingency plans in place.

e. Delta Dental Data Security Incident

On December 14, SJCERA received an email from Delta Dental regarding a data security incident they experienced, which occurred between May 27 – 30, 2023. The incident exposed personal information, including protected health information ("PHI"), of 46 SJCERA members.

Because it was a breach affecting Delta Dental files, they are responsible for notifying affected members. However, because we could get a letter out more quickly, SJCERA staff took the initiative to immediately mail letters alerting affected SJCERA members and is working with Delta Dental, and our cybersecurity expert (Linea Secure) to ensure all vendors have proper protocols and procedures in place to protect member information.

Delta Dental is also notifying affected members and intends to provide those members with identity monitoring services.

LOOMIS | SAYLES

OCTOBER 2023

Investment Outlook

TOM FAHEY
Senior Global Macro Strategist,
Co-Director of Macro Strategies

We believe the US economy is late in the credit cycle as US Treasury bond yields move to highs not seen since 2007.

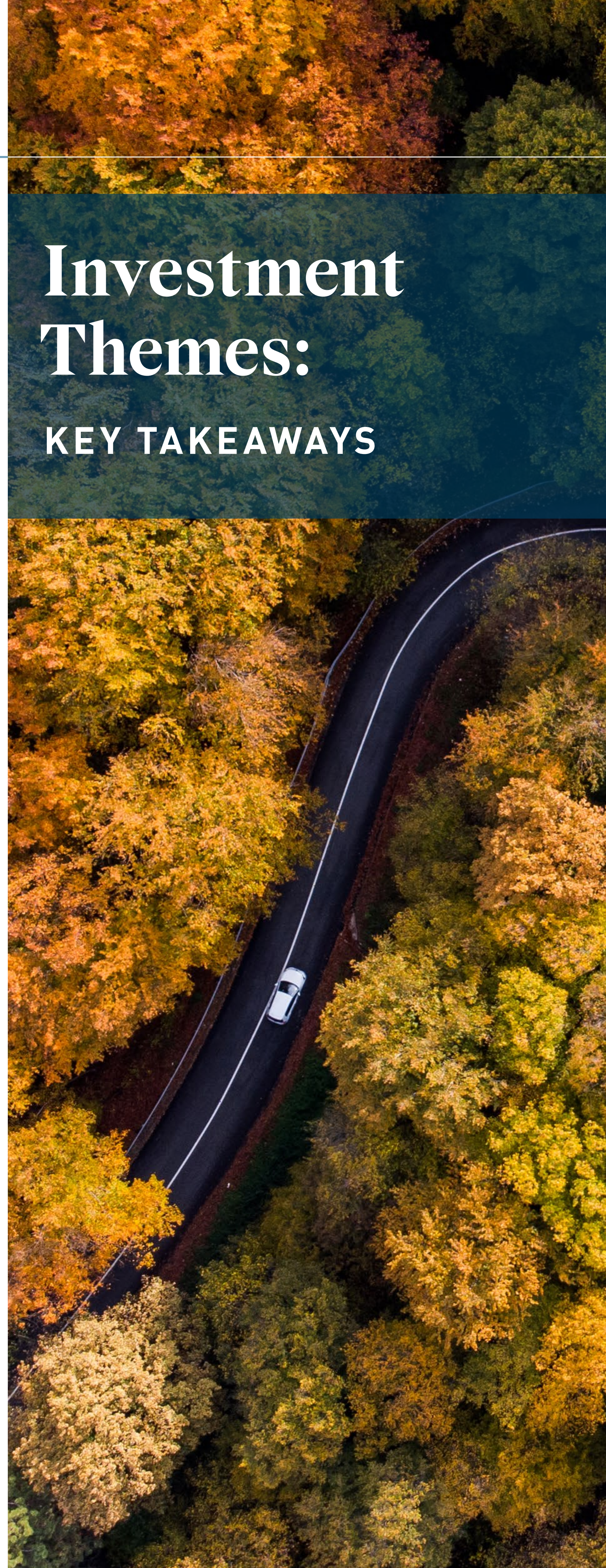
Mortgage rates have been forced higher and lending standards tighter, while oil prices have moved above $90 per barrel and the US dollar has hit new highs for the year. These factors will continue to tighten financial conditions and help move inflation back toward the Federal Reserve's (Fed's) goal of 2.0%.

Will these late-cycle dynamics lead to a soft landing, no landing or a hard landing? So far, US markets do not seem close to pricing in a hard landing given resilient GDP growth in 2023, elevated equity prices and tight credit spreads. However, European GDP growth has stagnated close to zero for three quarters while China's economy remains mired in deflation as its property bust continues. Can the US remain an island of stability in an increasingly unstable global economy?

We will explore these credit cycle dynamics to provide insights as we start to look toward 2024.

Investment Themes:

KEY TAKEAWAYS



PAGE 3 Macro Drivers

We see the US economy late in the credit cycle with heightened risks of heading into a downturn, while Europe appears on the brink of a downturn and China in a downturn.

PAGE 4 Corporate Credit

The Fed currently estimates 2024 US GDP to be 1.5%. Given the "risk-on" environment year to date, we view credit spreads as tight and likely to widen over the next six to twelve months. In our view, growth expectations seem too high.

PAGE 5 Government Debt & Policy

Economic growth expectations in the US have increased, contributing to investors anticipating a “higher for longer” fed funds rate.

PAGE 6 Currencies

Downturn phases of the credit cycle are most often associated with the US dollar outperforming foreign currencies. Recently, we have seen that interest rates in many markets have moved in favor of the US dollar.

PAGE 7 Equities

Notably, the market seems to be expecting a robust rebound in earnings for 2024, close to 10%. We expect a much more challenging earnings environment.

PAGE 8 Potential Risks

Most asset valuations are reflecting a soft landing scenario already. Our core view is that the global economy is currently in a vulnerable position and therefore at risk of entering the downturn phase of the credit cycle.

PAGE 8 Asset Class Outlook

We are constructive on duration and neutral on credit. We would look to add growth equity exposure on weakness.

Macro Drivers

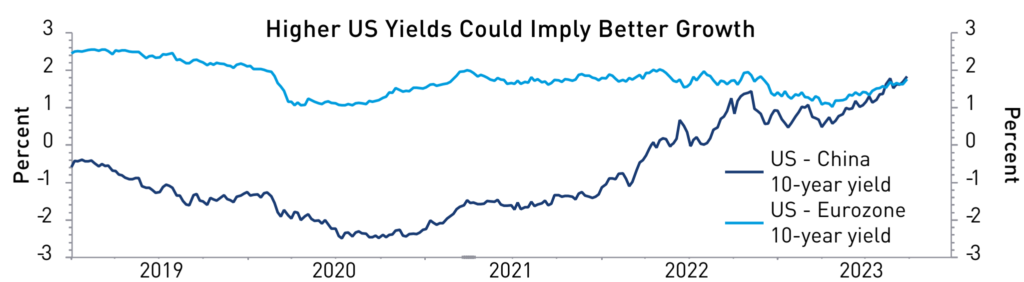
In our view, the shape of fiscal policy has been an important driver of where the major countries are currently in the global credit cycle. In terms of positioning, we see the US in late cycle with heightened risks of heading into a downturn, Europe on the brink of a downturn and China in a downturn.

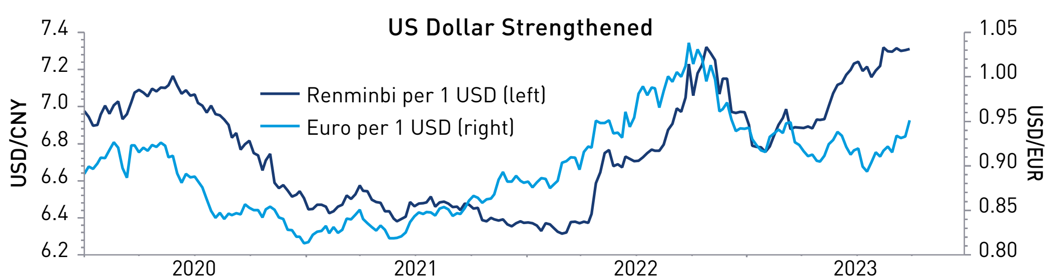
- Fiscal policy has provided significant support for the US consumer and corporate sector since the COVID-19 pandemic. In addition, both sectors took advantage of super-low interest rates in 2020 and 2021. These moves provided them with insulation during the most aggressive tightening cycle by the Fed since the early 1980s, which has brought the fed funds upper bound to 5.5%.
- Bond yields spiked higher in the third quarter largely due to economic growth optimism and uncertainty about necessary Treasury issuance to fund the growing fiscal deficit. The Fed confirmed the growth optimism by revising higher its 2023 GDP estimate to 2.1%, up from 1.0% in June.
- Postpandemic, European fiscal policy was generally geared toward incentivizing a green energy transition. This policy may have a longer-lasting impact on the economy as it incentivizes long-run energy investments, but it lacked the near-term shock and awe of direct payments. We believe that was a factor as to why eurozone GDP has only grown 0.5% in the last year, compared to 2.5% in the US (as of 30 June 2023).
- Chinese fiscal policy postpandemic was more oriented toward company production supports. Consumers have been forced to save to make up for lost incomes, plus the property bust is having a major impact on tertiary consumer spending. China is currently in a deflationary environment with consumer price inflation essentially at zero, producer prices deflating by 3% in the last year, the People's Bank of China cutting interest rates, government bond yields declining in 2023 and continued devaluing of the renminbi.

US YIELDS MOVED HIGHER YEAR TO DATE BASED ON ECONOMIC GROWTH AND UNCERTAINTY SURROUNDING FUNDING THE FISCAL DEFICIT

The focus of Chinese and European fiscal policies did not result in higher yields relative to those of the US.

Source: LSEG Datastream, data as of 27 September 2023.





Corporate Credit

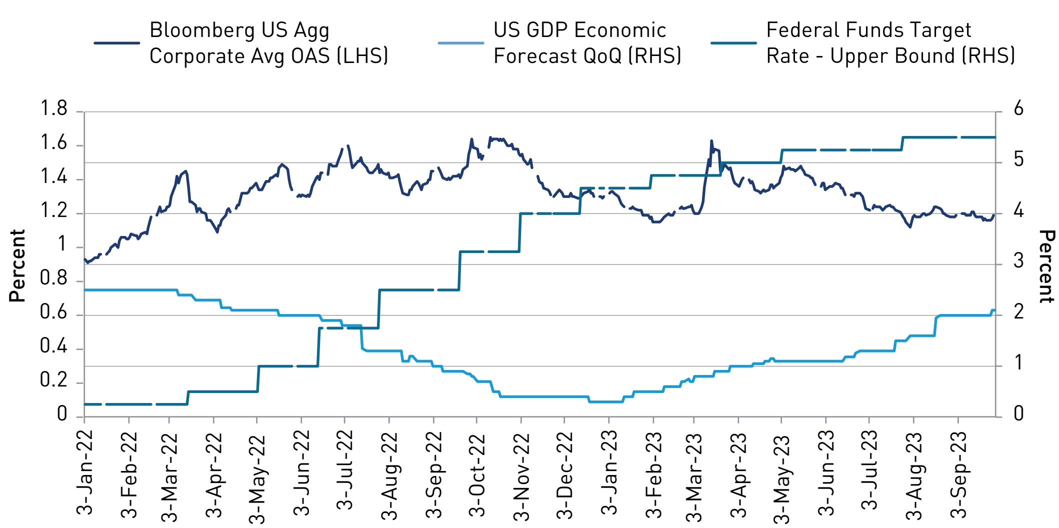
Despite the fed funds rate rising to an upper bound of 5.5%, GDP growth expectations for 2023 have steadily risen to 2.1%, which in our view has been a critical factor supporting riskier corporate credits.

- Credit spreads have tightened significantly during the past year. The US investment grade spread, represented by the Bloomberg US Aggregate Corporate Index average, peaked at 165 basis points (bps) on 12 October 2022, up from 116 bps as of 26 September 2023.
- As credit spreads to government bonds tightened, excess returns across the investment grade, high yield and bank loan sectors—in the US, Europe and emerging markets (EM)—were substantial.
- Looking back, when credit spreads peaked in October 2022, the Fed and other central banks were raising interest rates aggressively as economic growth expectations for 2023 were collapsing (see chart below). GDP growth expectations for 2023 collapsed to 0.4% by October 2022, very close to discounting an outright recession.
- So far, 2023 has been what we consider a "risk-on" environment with higher equity prices and tighter credit spreads. Even though S&P 500 earnings were negative for the past three quarters of 2023, they have not collapsed to the point where companies are shedding jobs, which typically heralds a downturn in the economy.
- We are watching 2024 GDP growth expectations closely. Bloomberg consensus estimates 0.9% for 2024 while the Fed currently estimates 1.5%. Currently, we would take the "under" on both those growth estimates. We view credit spreads as tight and likely to widen over the next six to twelve months. In our view, growth expectations seem too high as bond yields have surged, the US dollar has strengthened and energy prices have increased.

COUNTER TO EXPECTATIONS FOR 2023, AN ECONOMIC RECESSION DID NOT MATERIALIZE

When credit spreads peaked in October 2022 they coincided with a bottom in GDP growth expectations for 2023, setting up a risk-on environment.

Source: Bloomberg, data as of 28 September 2023.



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Government Debt & Policy

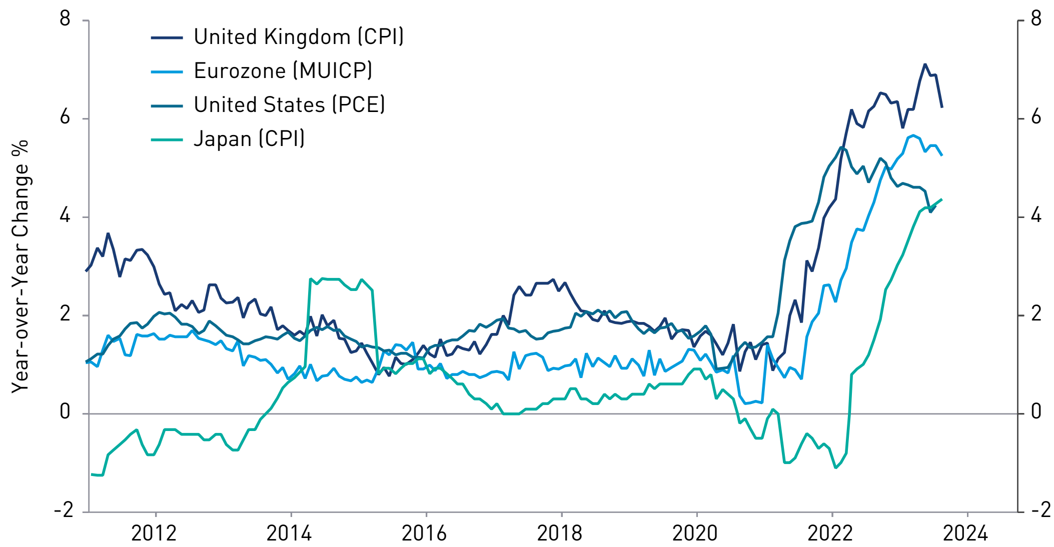
Economic growth expectations in the US have increased, contributing to investors anticipating a "higher for longer" fed funds rate.

- Current fed funds futures indicate only two cuts in 2024, compared to June 2023 when there were two cuts expected by the end of January 2024.
- Further bolstering the higher for longer view, the Fed's September Summary of Economic Projections raised 2023 and 2024 GDP growth forecasts, suggesting little to no risk of an economic downturn. The Fed also lowered its unemployment projections from 4.6% to 4.1% for 2024, which is the long-run equilibrium level.
- The Fed's September forecasts raised the median fed funds rate expected in 2024 from 4.6% to 5.1%.
- Large budget deficits coinciding with central banks reducing their government bond portfolios has led to much handwringing about who is going to purchase future Treasury supply.
- Globally, inflation remains far from the typical central bank's target range of +/- 2.0%. In our view, this adds to a growing belief that we are entering a higher for longer interest rate environment.
- Higher yields tend to tighten monetary conditions even further. We think this will eventually soften economic momentum, bring inflation down and help interest rates and bond yields fall as we move into 2024.

GLOBALLY, INFLATION RATES CONTINUE TO BE HIGHER THAN CENTRAL BANKS' PREFERRED TARGETS

Higher yields tend to tighten monetary conditions, which can undermine economic growth and slow inflation rates.

Source: LSEG Datastream, data as of 27 September 2023.



Currencies

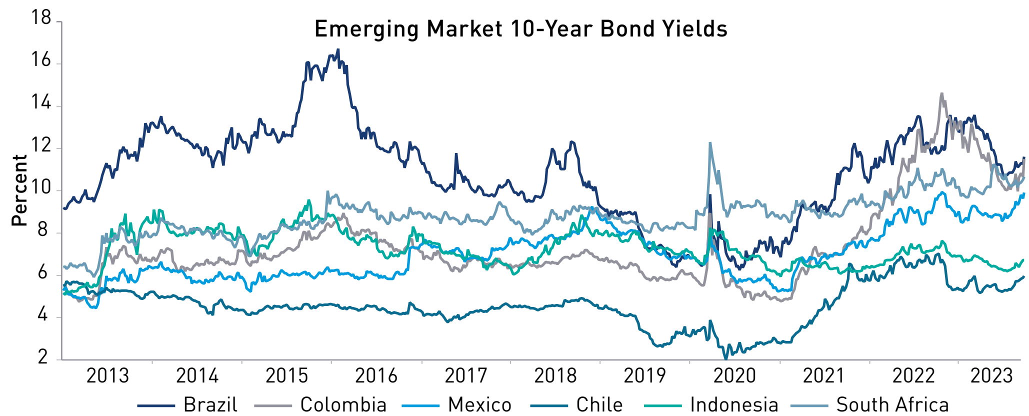
Downturn phases of the credit cycle are most often associated with the US dollar outperforming foreign currencies. We often remark that when bad things happen globally, the US dollar rallies.

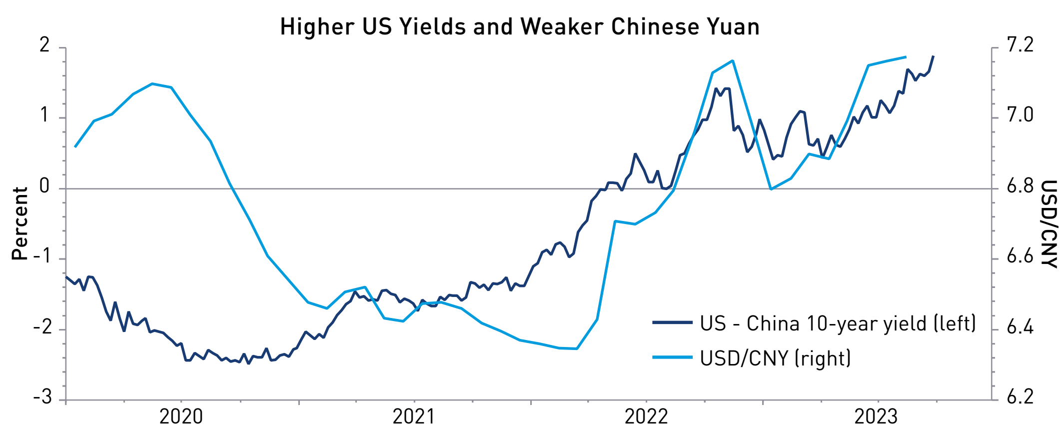
- Interest rates in many markets have moved in favor of the dollar more recently. We have seen this in the spread of US yields over China's. The Chinese renminbi is an important anchor for many EM currencies and could be considered an important bellwether. The currency is an important tool for China to help escape deflationary pressures.
- While European gas prices have collapsed from their highs of €80 to €11 per megawatt hour in 2022, they are still above prepandemic levels, which averaged around €6 per megawatt hour. An energy shock in Europe would likely be a negative trade shock relative to the US, which could add downward pressure on the euro as we move into 2024.
- Many EM countries currently have much higher interest rates compared to those of the US. We believe that should support their currencies in 2024, even if a global downturn occurs. Once inflation comes under control, the Fed and other central banks could be positioned to cut rates.

EMERGING MARKET COUNTRIES ARE CURRENTLY POSTING HIGHER RATES RELATIVE TO THAT OF THE US

The Chinese renminbi is an important anchor for many EM currencies and could be considered an important bellwether.

Source: LSEG Datastream, data as of 27 September 2023.





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Equities

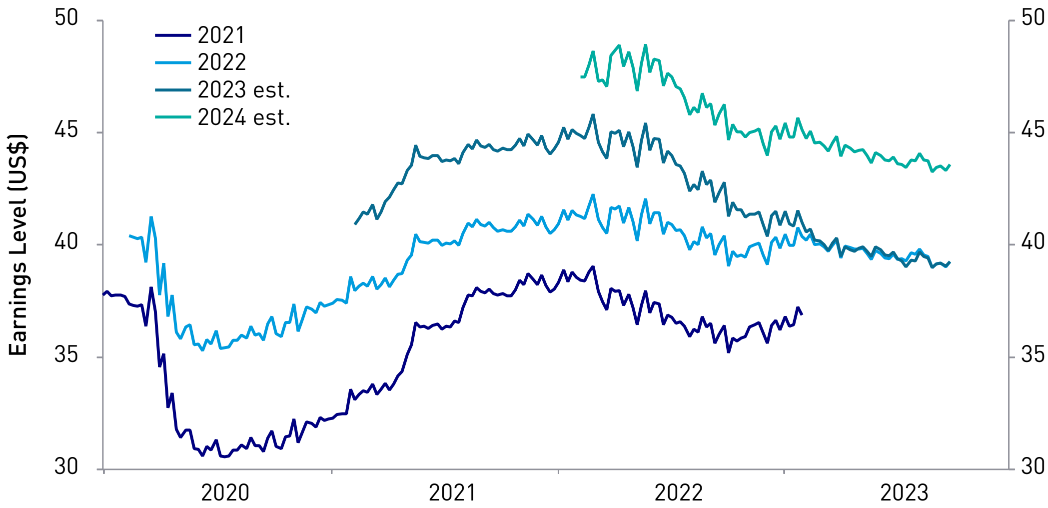
Notably, the market seems to be expecting a robust rebound in earnings for 2024, close to 10%. We expect a much more challenging earnings environment.

- Recent corrections in equity markets are coinciding with moves higher in bond yields, which in our view is not surprising as discounted cash flows decline with higher yields.
- Corporations have been losing pricing power and economic growth appears set to continue slowing. We believe top-line growth will be tougher to generate and we suspect further profit margin compression is ahead.
- Within the S&P 500, there is currently a huge divergence between the top-performing stocks and the rest. For example, year to date through 25 September, the equal-weighted S&P 500 Index returned 2.0%, versus 18% for the capitalization-weighted S&P 500 Index. Most stocks are seeing marginal performance in 2023.
- Equity market performance needs to broaden to include small-cap companies and less-defensive sectors, in our opinion. However, even if this were to occur, we would be reluctant to fully embrace such a trend at this late stage of the credit cycle.

CONSENSUS ESTIMATES FOR MSCI ALL COUNTRY WORLD EARNINGS

The consensus global earnings rebound of plus 10% for next year is very optimistic in our view.

Source: LSEG Datastream, IBES, data as of 27 September 2023.



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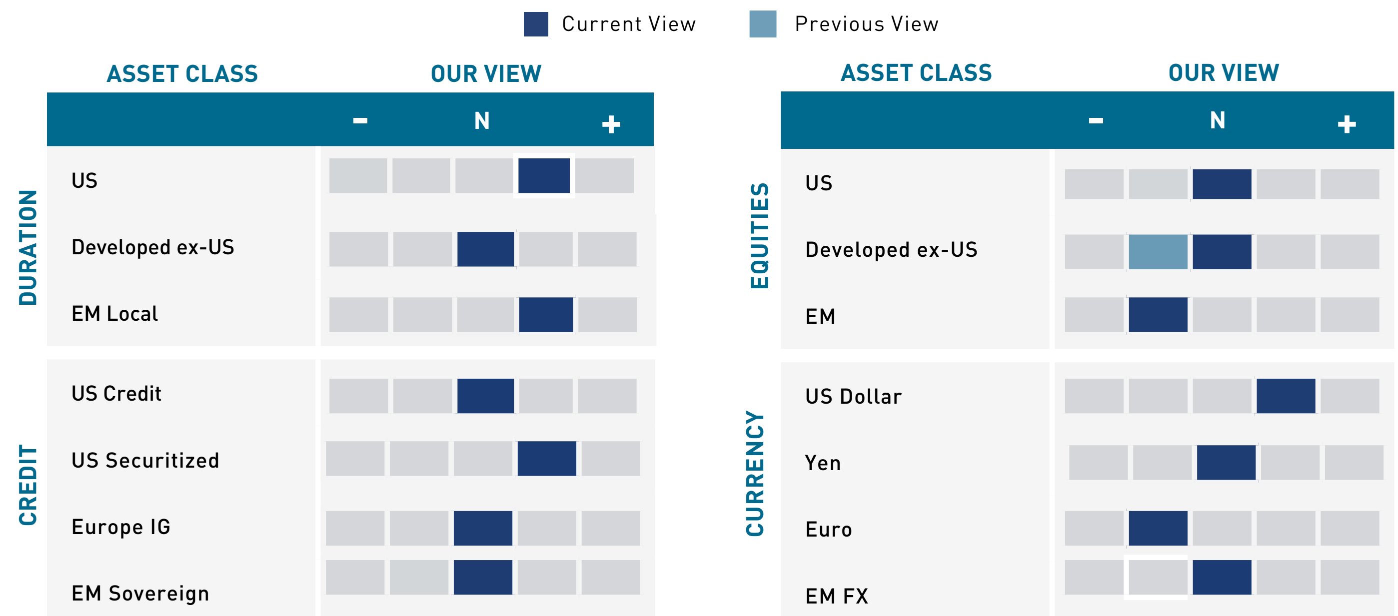
Potential Risks

In our view, a cautious asset allocation stance with a tilt toward fixed income is warranted given macroeconomic headwinds and a corporate profits recession appearing to take hold.

- Currently, our core view is that the global economy is in a vulnerable position and therefore at risk of entering the downturn phase of the credit cycle.
- Most asset valuations are reflecting a soft landing scenario already. We believe the probability of a soft landing is around 20% and therefore find markets optimistically priced.
- We anticipate a profits recession in the intermediate term. That said, corporations could find a way to manage through challenges and continue growing earnings despite economic weakness and higher interest rates.
- Inherent in a downturn scenario is a rising unemployment rate. If US unemployment doesn't head above 4.0%, then a soft landing could become the base case.
- Market performance suggests conditions are rosy. We are more cautious.

Asset Class Outlook

We are constructive on duration and neutral on credit. We would look to add growth equity exposure on weakness.



Third Quarter Review

INDEX RETURNS BY SECTOR
as of 30 September 2023

INDEX				
US BROAD MARKET	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US AGGREGATE BOND	-2.54	-3.23	-4.05	0.64
BBG US GOVERNMENT/CREDIT	-2.34	-3.00	-3.90	0.93

The broad fixed income market experienced a second consecutive quarter of negative returns, largely attributable to the hawkish tone set during the September Fed meeting and the growing consensus of higher-for-longer interest rates. In Q3, we saw two favorable core CPI reports where inflation trended lower, however, those alone were not enough to deter the Fed from its hawkish stance.

US GOVERNMENTS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US TREASURYS	-2.21	-3.06	-4.40	-0.81
3-MONTH T-BILLS	0.44	1.33	2.57	4.65
2-YEAR TREASURY	-0.08	0.57	-0.32	1.65
5-YEAR TREASURY	-1.24	-1.20	-2.87	0.61
10-YEAR TREASURY	-3.46	-5.12	-6.93	-2.82
30-YEAR TREASURY	-7.60	-12.72	-14.78	-12.05
BBG US TIPS	-1.85	-2.60	-3.98	1.25
BBG US AGENCY	-0.62	-0.24	-0.68	2.10

US Treasurys sold off to varying degrees this quarter based on duration. While the entire yield curve saw an upward shift, the long end rose significantly more than the short end. Long duration Treasury performance suffered as a result.

US MUNICIPALS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US MUNICIPALS	-2.93	-3.95	-4.05	2.66

Municipal bonds saw negative returns this quarter due largely to the prevailing interest rate environment. Munis underperformed Treasurys as challenges in the commercial real estate market persisted. The muted transit recovery and the ongoing work from home phenomenon continued to disrupt business districts.

US SECURITIZED	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG MBS	-3.19	-4.05	-4.67	-0.17
BBG ABS	-0.43	0.25	0.13	2.81
BBG CMBS	-1.19	-1.02	-1.62	1.19

The securitized market produced positive returns in ABS, but experienced negative returns in both MBS and CMBS during the quarter. Underperformance in the MBS market can be attributed to its longer duration, whereas the ABS market outperformed due to its shorter duration.

Data Sources: Bloomberg indices from Bloomberg Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

All returns in US dollars, unless noted.

Past performance is no guarantee of future results.

INDEX RETURNS BY SECTOR
as of 30 September 2023

INDEX CORPORATES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US INVESTMENT GRADE	-2.67	-3.09	-3.37	3.65
AAA	-4.40	-6.31	-7.23	-0.07
AA	-3.21	-4.25	-4.92	1.60
A	-2.73	-3.24	-3.63	2.85
BBB	-2.50	-2.71	-2.80	4.77
BBG EUROPEAN INVESTMENT GRADE *-LOCAL CURRENCY RETURNS*	-0.86	0.34	0.77	3.65
AAA	-2.20	-1.10	-0.22	1.28
AA	-0.92	0.06	-0.01	1.49
A	-0.98	0.14	0.39	2.83
BBB	-0.74	0.55	1.20	4.63
BBG STERLING INVESTMENT GRADE *-LOCAL CURRENCY RETURNS*	0.04	2.21	-1.28	8.11
AAA	-0.72	0.62	-3.44	1.64
AA	-0.07	1.72	-2.43	5.09
A	-0.08	1.86	-1.90	7.17
BBB	0.18	2.64	-0.52	9.54

Across Europe and the US, lower-quality bonds outperformed their higher-quality counterparts. This aligns with the fact that higher-quality bonds generally have longer duration and duration underperformed this quarter. Sterling corporates outperformed other developed markets in Q3. European markets experienced modest gains, while US-domiciled bonds underperformed across the board.

CORPORATES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US HIGH YIELD	-1.18	0.46	2.21	10.28
BB	-1.41	-0.39	0.49	8.42
B	-1.03	0.84	2.76	11.57
CCC	-0.79	2.51	6.80	12.66
BBG PAN-EURO HIGH YIELD *-LOCAL CURRENCY RETURNS*	0.29	1.88	3.76	11.78
BB	-0.08	1.33	3.02	10.70
B	0.35	2.70	5.28	14.81
CCC	3.82	3.78	5.75	10.12

US high yield bonds outperformed their investment grade counterparts, whereas European high yield bonds lagged behind investment grade securities. Consistent with investment grade corporates, both US and European high yield markets saw lower-quality names outperform during the quarter.

Data Sources: Bloomberg indices from Bloomberg Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

All returns in US dollars, unless noted.

Past performance is no guarantee of future results.

INDEX RETURNS BY SECTOR
as of 30 September 2023

INDEX				
BANK LOANS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
MORNINGSTAR LSTA US LEVERAGED LOAN	0.96	3.46	6.72	13.05
BB	0.63	2.21	5.09	11.36
B	1.06	3.85	7.22	14.31
CCC	1.59	6.05	10.70	12.46

Bank loans performed well in Q3. Bank loans typically have floating coupons that adjust with the market rate, resulting in lower duration. Given the significant increase in interest rates over the past quarter, bank loans continued to benefit from upward adjustments on floating coupons.

DEVELOPED COUNTRIES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
CITIGROUP WGBI *-LOCAL CURRENCY RETURNS*	-2.01	-2.71	-3.42	-1.26
CITIGROUP NON-USD WGBI	-1.87	-2.46	-2.72	-1.66
UNITED STATES	-2.20	-3.04	-4.36	-0.78
CANADA	-2.35	-3.56	-4.98	-2.31
JAPAN	-0.90	-4.28	-3.79	-3.10
AUSTRALIA	-2.35	-1.34	-5.33	-0.04
UNITED KINGDOM	-1.22	-1.06	-7.22	-3.55
EUROPEAN GBI	-2.69	-2.53	-2.49	-2.22
FRANCE	-2.54	-2.46	-2.63	-3.06
GERMANY	-2.36	-2.37	-2.72	-3.71
IRELAND	-2.48	-2.50	-2.49	-2.92
ITALY	-3.22	-2.71	-1.87	0.98
SPAIN	-2.44	-2.20	-2.41	-2.15

All countries within the Citigroup World Government Bond Index (WGBI) posted losses in the third quarter. Higher interest rates have been casting a shadow over the overall global outlook.

EMERGING MARKET BONDS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
JP MORGAN EMBIG *-SOVEREIGN/QUASI-SOVEREIGN, USD*	-2.81	-2.63	-1.14	8.61
JP MORGAN CEMBI BROAD DIVERSIFIED *-CORPORATES, USD*	-0.78	-0.26	1.12	8.25
JP MORGAN GBI-EM GLOBAL DIVERSIFIED *-GOVERNMENTS, LOCAL CURRENCY*	-1.31	-0.67	2.06	8.97

Emerging market debt incurred negative returns over the quarter, with the poorest performance seen in US-dollar-denominated debt. Emerging market corporates and local currency debt performed slightly better for the quarter even after losses in September.

Data Sources: Bloomberg indices from Bloomberg Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

All returns in US dollars, unless noted.

Past performance is no guarantee of future results.

INDEX RETURNS BY SECTOR
as of 30 September 2023

INDEX				
CURRENCY MARKETS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
DOLLAR BLOC				
CANADIAN DOLLAR	-0.51	-2.47	-0.45	1.86
AUSTRALIAN DOLLAR	-0.76	-3.44	-3.74	0.55
NEW ZEALAND DOLLAR	0.52	-2.07	-4.15	7.11
WESTERN EUROPE				
EURO	-2.49	-3.08	-2.45	7.87
NORWEGIAN KRONE	-0.60	0.39	-2.07	1.78
SWEDISH KRONA	0.38	-1.05	-4.65	1.63
SWISS FRANC	-3.49	-2.15	0.00	7.83
BRITISH POUND	-3.74	-3.97	-1.12	9.21
EMERGING EUROPE & AFRICA				
CZECH KORUNA	-3.93	-5.74	-6.29	8.58
HUNGARIAN FORINT	-4.60	-7.27	-4.85	17.15
POLISH ZLOTY	-5.68	-7.09	-1.31	13.26
RUSSIAN RUBLE	-1.89	-8.44	-20.33	-38.36
SOUTH AFRICAN RAND	-0.25	-0.39	-5.95	-4.42
TURKISH NEW LIRA	-2.65	-5.13	-30.06	-32.43
ASIA				
JAPANESE YEN	-2.56	-3.39	-11.05	-3.10
CHINESE RENMINBI	-0.54	-0.61	-5.82	-2.49
INDONESIAN RUPIAH	-1.46	-2.99	-2.98	-1.47
MALAYSIAN RINGGIT	-1.21	-0.61	-5.97	-1.23
PHILIPPINE PESO	0.01	-2.45	-3.93	3.63
SINGAPORE DOLLAR	-1.10	-1.01	-2.58	5.06
SOUTH KOREAN WON	-1.98	-2.35	-3.52	6.06
LATIN AMERICA				
ARGENTINE PESO	0.00	-26.65	-40.29	-57.91
BRAZILIAN REAL	-1.57	-4.94	0.58	7.58
CHILEAN PESO	-4.40	-10.01	-10.77	8.65
COLOMBIAN PESO	0.69	2.55	13.65	13.30
MEXICAN PESO	-2.21	-1.71	3.58	15.59
PERUVIAN NEW SOL	-2.51	-4.22	-0.58	5.24

The US dollar rallied this quarter as it appeared markets began to internalize the resilience of the US economy and growth faltered in China and Europe. This led to a decline in FX risk appetite. Foreign currencies posted negative returns with the exception of the Norwegian krone and Colombian peso, which benefited from rising oil prices.

Data Sources: Bloomberg indices from Bloomberg Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

All returns in US dollars, unless noted.

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GLOBAL EQUITY MARKETS
as of 30 September 2023

INDEX TOTAL RETURNS (%)

INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
S&P 500®	-3.27	21.62	10.12	9.88
MSCI ALL COUNTRY WORLD	-3.30	21.41	7.37	6.96
MSCI EUROPE	-4.91	29.69	7.87	4.57
MSCI JAPAN	-1.45	26.40	3.18	2.43
MSCI EMERGING MARKETS	-2.79	12.17	-1.34	0.93

Global equities experienced negative returns in the third quarter. Dispersion of returns across regions was limited. European markets performed the worst, while Japanese markets demonstrated relatively stronger performance.

US EQUITY MARKETS
as of 30 September 2023

INDEX TOTAL RETURNS (%)

INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
RUSSELL 1000®	-3.15	21.19	9.50	9.59
GROWTH	-3.13	27.72	7.95	12.37
VALUE	-3.16	14.44	11.02	6.20
RUSSELL MIDCAP®	-4.68	13.45	8.07	6.36
GROWTH	-5.22	17.47	2.60	6.94
VALUE	-4.46	11.05	10.95	5.16
RUSSELL 2000®	-5.13	8.93	7.14	2.39
GROWTH	-7.32	9.59	1.08	1.55
VALUE	-2.96	7.84	13.28	2.58

The US equities market experienced negative returns this quarter. Large-cap equities, represented by the Russell 1000 Index, displayed relatively stronger performance compared to mid- and small-cap equities. Within mid- and small-cap equities, growth stocks were more negatively impacted by rates than value stocks.

Data Source: FactSet. All returns quoted in US dollars. Performance for one- and multi-year periods is annualized. Sorted by index quarterly returns. Due to rounding, sector totals may not equal 100%.

Past performance is no guarantee of future results.

S&P 500 SECTORS
as of 30 September 2023

SECTOR PERFORMANCE ATTRIBUTION (%)				
INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
ENERGY	12.22	30.21	51.50	8.96
COMMUNICATION SERVICES	3.07	38.49	5.30	7.91
FINANCIALS	-1.13	14.26	14.42	6.52
HEALTHCARE	-2.65	8.22	8.64	8.22
MATERIALS	-4.76	18.05	9.38	8.55
CONSUMER DISCRETIONARY	-4.80	13.89	2.39	7.21
INDUSTRIALS	-5.16	24.71	11.42	7.27
INFORMATION TECHNOLOGY	-5.64	42.53	13.74	18.65
CONSUMER STAPLES	-5.97	7.00	5.99	8.44
REAL ESTATE	-8.90	-1.79	2.36	4.40
UTILITIES	-9.25	-7.02	2.91	5.65

Energy notably outperformed this quarter due to a surge in oil prices primarily driven by continued supply cuts from OPEC. While communication services also posted positive returns, all other nine sectors experienced negative returns.

Data Source: FactSet. All returns quoted in US dollars. Performance for one- and multi-year periods is annualized. Sorted by index quarterly returns. Due to rounding, sector totals may not equal 100%.

Past performance is no guarantee of future results.

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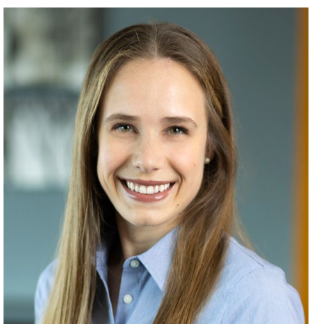

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Disclosure

All data and views are as of 30 September 2023, unless otherwise noted.

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Index Definitions

Bloomberg US Aggregate Bond Index *represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the US investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.*

Bloomberg US Government/Credit Index *includes securities in the government and credit indices. The government index includes treasuries -i.e., public obligations of the US Treasury that have remaining maturities of more than one year and agencies -i.e., publicly issued debt of US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US Government. The credit index includes publicly issued US corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.*

Bloomberg US Treasury Index *includes public obligations of the US Treasury with at least one year until final maturity, excluding certain special issues such as state and local government series bonds -SLGs, US Treasury TIPS and STRIPS.*

Bloomberg US Treasury Inflation Protected Securities Index *consists of inflation-protection securities issued by the US Treasury that have at least one year to maturity and at least $250 million par amount outstanding.*

Bloomberg US Agency Index *includes agency securities that are publicly issued by US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US Government -such as USAID securities.*

Bloomberg US Municipal Index *is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. The index has four main sectors: general obligation bonds, revenue bonds, insured bonds -including all insured bonds with a Aaa/AAA rating, and prerefunded bonds.*

Bloomberg Mortgage-Backed Securities -MBS Index *is a component of the Bloomberg Aggregate Index covering mortgage-backed pass-through securities of Ginnie Mae -GNMA, Fannie Mae -FNMA and Freddie Mac -FHLMC.*

The MBS Index is formed by grouping the universe of over 600,000 individual fixed rate MBS pools into approximately 3,500 generic aggregates.

Bloomberg Asset-Backed Securities -ABS Index *is a component of the Bloomberg US Aggregate Index including pass-through, bullet and controlled amortization structures. The ABS Index includes only the senior class of each ABS issue and the ERISA-eligible B and C tranche. Constituents must have an average life of at least one year and a deal size of at least 500 million.*

Bloomberg Commercial Mortgage-Backed Securities -CMBS ERISA-Eligible Index *is a component of the Bloomberg US Aggregate Index and the ERISA-eligible component of the Bloomberg CMBS Index. This index, which includes investment grade securities that are ERISA eligible under the underwriter's exemption, is the only CMBS sector that is included in the US Aggregate Index.*

Bloomberg US Corporate Index *contains publicly issued US corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity and quality requirements. To qualify, bonds must be SEC-registered. The index includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility, and Finance, which include both US and non-US corporations. The non-corporate sectors are Sovereign, Supranational, Foreign Agency, and Foreign Local Government.*

Bloomberg Euro-Aggregate Corporate Index *consists of bonds issued in the euro or the legacy currencies of the 16 sovereign countries participating in the European Monetary Union -EMU. All issues must be investment grade-rated, fixed-rate securities with at least one year remaining to maturity. The Euro-Aggregate Index excludes convertible securities, floating rate notes, perpetual notes, warrants, linked bonds, and structured products.*

Bloomberg Sterling Aggregate Corporate Index *is a broad-based benchmark that measures the investment grade, fixed-rate, taxable, corporate sterling-denominated bond market. Inclusion is based on the currency of the issue, not the domicile of the issuer. The index includes publically issued securities from industrial, utility, and financial companies that meet specified maturity, liquidity and quality requirements.*

Bloomberg US Corporate High-Yield Index *covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets -sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch are excluded, but Canadian and global bonds -SEC registered of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds -PIKs, as of October 1, 2009 are also included.*

Bloomberg Pan-European High-Yield Index *covers the universe of fixed-rate, sub-investment grade debt denominated in euros or other European currencies -except Swiss francs. Securities must be rated high-yield -Ba1/BB+ or lower by at least two of the following rating agencies: Moody's, S&P, Fitch. Excludes emerging markets.*

Morningstar LSTA US Leveraged Loan Index*, is a market value-weighted index designed to measure the performance of the US leveraged loan market based upon market weightings, spreads and interest payments.*

Citigroup World Government Bond Index -WGBI *measures the performance of fixed-rate, local currency, investment grade sovereign bonds. The WGBI is a widely used benchmark that currently comprises sovereign debt from over 20 countries, denominated in a variety of currencies. The WGBI provides a broad benchmark for the global sovereign fixed income market.*

JPMorgan Emerging Markets Bond Index Global -EMBIG *tracks total returns for US dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds.*

JPMorgan Corporate Emerging Markets Bond Index -CEMBI Broad Diversified *tracks total returns of US dollar-denominated debt instruments issued by corporate entities in emerging markets countries. The CEMBI Broad is the most comprehensive corporate benchmark followed by the CEMBI, which consists of an investable universe of corporate bonds.*

PIMCO

Prime Time for Bonds

In our 2024 outlook, bonds emerge as a standout asset class, offering strong prospects, resilience, diversification, and attractive valuations compared with equities.

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EXECUTIVE SUMMARY

- We strongly favor fixed income in multi-asset portfolios. Given current valuations and an outlook for challenging economic growth and diminishing inflation, we believe bonds have rarely appeared more compelling than equities. We also look to maintain portfolio flexibility in light of macro and market risks.
- Duration offers attractive value at current yields, and we hold overweight positions in the U.S. and also in Australia, Canada, the U.K., and Europe. In the credit space, we favor mortgage-backed assets and select securitized bonds.
- We maintain an overall neutral stance on equities, which appear richly valued by several measures, though they should return to more reasonable levels over time. An active approach can help us pinpoint opportunities in a differentiated stock market; we are focusing on quality and longer-term resilience.

The global economic outlook along with market valuations and asset class fundamentals all lead us to favor fixed income. Relative to equities, we believe bonds have rarely been as attractive as they appear today. After a turbulent couple of years of high inflation and rising rates that challenged portfolios, investors may see a return to more conventional behavior in both stock and bond markets in 2024 – even as growth is hindered in many regions.

In this environment, bonds appear poised to perform well, while equities could see lower (though still positive) risk-adjusted returns in a generally overvalued market. Risks still surround the macro and geopolitical outlook, so portfolio flexibility remains key.

MACRO OUTLOOK SUGGESTS A RETURN OF THE INVERSE STOCK/BOND RELATIONSHIP

In PIMCO's recent *Cyclical Outlook*, "Post Peak," we shared our baseline outlook for a slowdown in developed markets (DM) growth and, in some regions, the potential for contraction next year as fiscal support ends and monetary policy takes effect (after its typical lag). Our business cycle model indicates a 77% probability that the U.S. is currently in the "late cycle" phase and signals around a 50% probability of a U.S. recession within one year.

Growth has likely peaked, but so has inflation, in our view. As price levels get closer to central bank targets in 2024, bonds and equities should resume their more typical inverse relationship (i.e., negative correlation) – meaning bonds tend to do well when equities struggle, and vice versa. The macro forecast favors bonds in this trade-off: U.S. Treasuries historically have tended to provide attractive risk-adjusted returns in such a "post-peak" environment, while equities have been more challenged.

VALUATIONS AND CURRENT LEVELS MAY STRONGLY FAVOR FIXED INCOME

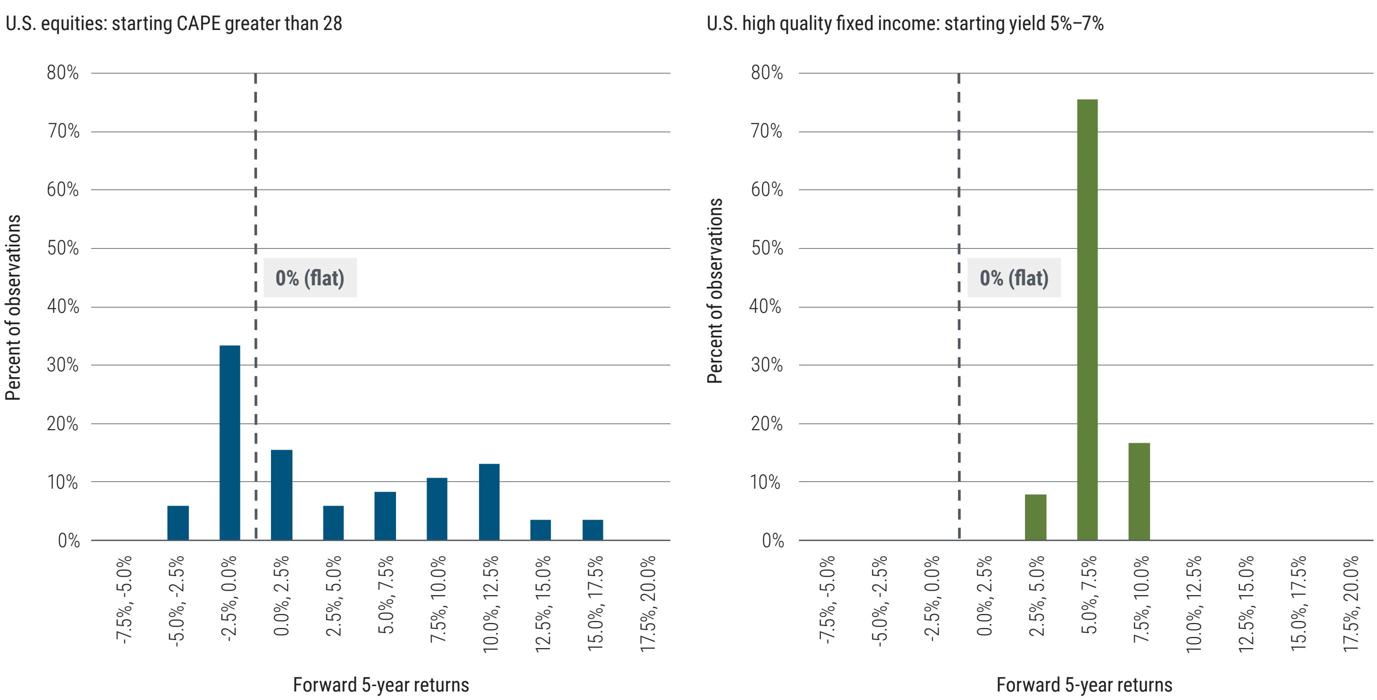
Although not always a perfect indicator, the starting levels of bond yields or equity multiples historically have tended to signal future returns. Figure 1 shows that today's yield levels in high quality bonds on average have been followed by long-term outperformance (typically an attractive 5%–7.5% over the subsequent five years), while today's level of the cyclically adjusted price/earnings (CAPE) ratio has tended to be associated with long-term equity underperformance.

Additionally, bonds have historically provided these return levels more consistently than equities – see the tighter (more "normal") distribution of the return outcomes. It's a compelling statement for fixed income.

Delving deeper into historical data, we find that in the past century there have been only a handful of instances when U.S. equities have been more expensive relative to bonds – such as during the Great Depression and the dot-com crash. One common way to measure relative valuation for bonds versus equities is the equity risk premium or "ERP" (there are several ways to calculate an ERP, but here we use the inverse of the price/earnings ratio of the S&P 500 minus the 10-year U.S. Treasury yield). The ERP is currently at just over 1%, a low not seen since 2007 (see Figure 2). History suggests equities likely won't stay this expensive relative to bonds; we believe now may be an optimal time to consider overweighting fixed income in asset allocation portfolios.

Figure 1: Looking ahead from here, starting levels favor fixed income over equities

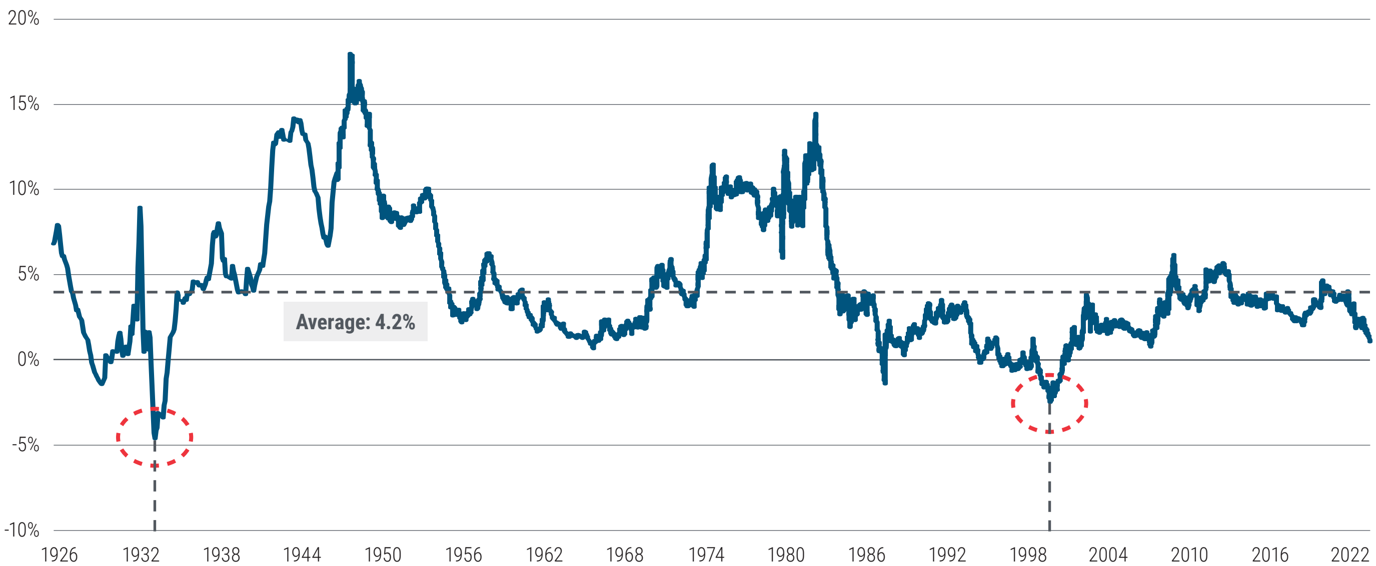
Historical forward return distribution by asset class for conditions similar to now



Source: Bloomberg, Barclays Live data (January 1976 – September 2023), PIMCO calculations. "Conditions similar to now" are defined as a cyclically adjusted price/earnings (CAPE) ratio of greater than or equal to 28 for the S&P 500 Index, and yield-to-worst in a range of 5%–7% for the Bloomberg U.S. Aggregate Index.

Figure 2: U.S. equities appear expensive relative to bonds

S&P 500 equity risk premium (ERP), 1926–2023



Source: Bloomberg, PIMCO calculations as of 13 October 2023. Equity risk premium (ERP) is calculated as the 10-year cyclically adjusted earnings yield of the S&P 500 (or S&P 90 prior to 1957) minus the 10-year U.S. Treasury real yield.

Price/earnings (P/E) ratios are another way that equities, especially in the U.S., are screening rich, in our view – not only relative to bonds, but also in absolute.

Over the past 20 years, S&P 500 valuations have averaged 15.4x NTM (next-twelve-month) P/E. Today, that valuation multiple is significantly higher, at 18.1x NTM P/E. This valuation takes into account an estimated increase of 12% in earnings per share (EPS) over the coming year, an estimate we find unusually high in an economy facing a potential slowdown. If we assume, hypothetically, a more normal level of 7% EPS growth in 2024, then the S&P today would be trading even richer at 18.6x NTM P/E, while if we are more conservative and assume 0% EPS growth in 2024, then today's valuation would rise to 19.2x NTM P/E. Such an extreme level, in our view, would likely drive multiple contraction (when share prices fall even when earnings are flat) if flat EPS came to pass.

We note, however, a crucial differentiation within the equity market: If we exclude the seven largest technology companies from this calculation, then the remainder of the S&P trades close to the long-term average at 15.6x NTM P/E. This differentiation could present compelling opportunities for alpha generation through active management.

Overall, we feel that robust forward earnings expectations might face disappointment in a slowing economy, which, coupled with elevated valuations in substantial parts of the markets, warrants a cautious neutral stance on equities, favoring quality and relative value opportunities.

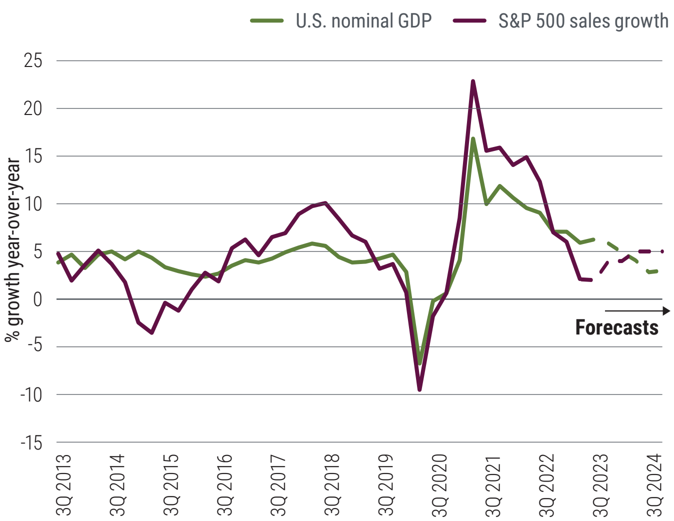
EQUITY FUNDAMENTALS SUPPORT CAUTIOUS STANCE

Our models suggest equity investors appear more optimistic on the economy than corporate credit investors. We use ERP, EPS, and CDX (Credit Default Swap Index) spreads to estimate recession probability implied by different asset classes, calculated by comparing today's levels with typical recessionary environments. The S&P 500 (via ERP and EPS spreads) is currently reflecting a 14% chance of a recession, which is significantly lower than the estimates implied by high yield credit at 42% (via CDX).

Such optimism is underscored by consensus earnings and sales estimates for the S&P 500, which anticipate a reacceleration rather than a slowdown (see Figure 3). We're concerned about a potential disconnect between our macro outlook and these equity earnings estimates and valuations. It reinforces our caution on the asset class.

Figure 3: Consensus sales estimates paint an optimistic outlook for U.S. equities

U.S. nominal GDP vs. S&P 500 sales growth (actual and forecast)



Source: U.S. Bureau of Economic Analysis, Haver Analytics, Goldman Sachs, PIMCO. Actual and forecast (bottom-up consensus) S&P 500 sales growth is as of October 2023 from Goldman Sachs. Actual U.S. nominal GDP growth data is from BEA and Haver Analytics, while the forecast is a PIMCO calculation using PIMCO's U.S. real GDP forecast and the market-implied U.S. Consumer Price Index (CPI) based on markets for U.S. Treasury Inflation-Protected Securities (TIPS). GDP data and forecasts are as of 3 November 2023. Forecasts are indicated by dashed lines.

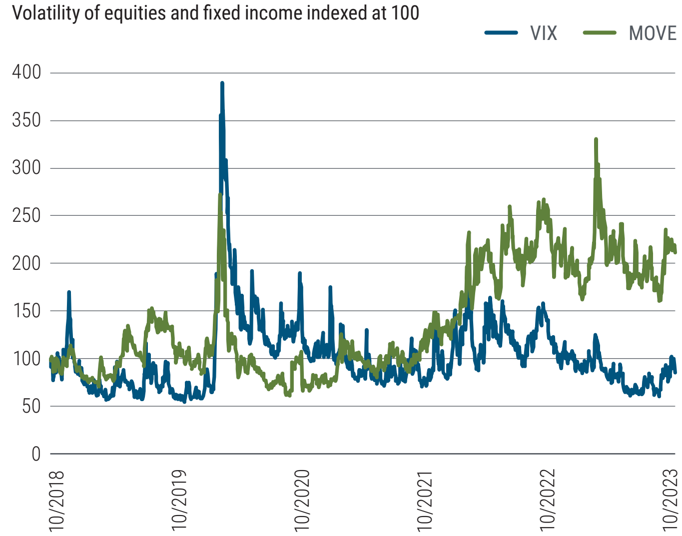
MANAGING RISKS TO THE MACRO BASELINE

We recognize risks to our outlook for slowing growth and inflation. Perhaps the resilient U.S. economy will stave off recession, but also drive overheating growth and accelerating inflation that prompts much more restrictive monetary policy. There's also potential for a hard landing, where growth and inflation fall quickly.

In light of these risk scenarios, we believe it's prudent to include hedges and to build optionality – and managing volatility, especially in equities, is attractively inexpensive (see Figure 4). For example, one strategy we favor is a "reverse seagull" – a put spread financed by selling a call option.

Figure 4: Relatively low volatility in equities vs. fixed income fosters attractively priced hedges

Volatility of equities and fixed income indexed at 100



Source: Bloomberg data from October 2018 – October 2023. VIX is the Chicago Board Options Exchange (CBOE) Volatility Index, a measure of volatility in the S&P 500. MOVE is the ICE Bank of America MOVE Index, a measure of volatility in fixed income markets. Both measures are indexed to 100 in October 2018.

INVESTMENT THEMES AMID ELEVATED UNCERTAINTY

Within multi-asset portfolios, we believe the case for fixed income is compelling, but we look across a wide range of investment opportunities. We are positioned for a range of macroeconomic and market outcomes, and we emphasize diversification, quality, and flexibility.

Duration: high quality opportunities

At today's starting yields we would favor fixed income on a standalone basis; the comparison with equity valuations simply strengthens our view. Fixed income offers potential for attractive returns and can help cushion portfolios in a downturn. Given macro uncertainties, we actively manage and diversify our duration positions with an eye toward high quality and resilient yields.

Medium-term U.S. duration is particularly appealing. We also see attractive opportunities in Australia, Canada, the U.K., and Europe. The first two tend to be more rate-sensitive as a large portion of homeowners have a floating mortgage rate, while the latter two could be closer to recession than the U.S. given recent macro data. Central bank policies in these regions could diverge, and we will monitor the bond holdings on their balance sheets for potential impact on rates and related positions.

In emerging markets, we hold a duration overweight in countries with high credit quality, high real rates, and attractive valuations and return potential. Brazil and Mexico, where the disinflation process is further along and real rates are distinctly high, stand out to us.

By contrast, we are underweight duration in Japan, where monetary policy may tighten notably as inflation heats up.

While we recognize cash rates today are more attractive than they've been in a long time, we favor moving out along the maturity spectrum in an effort to lock in yields and anchor portfolios over the medium term. If history is a guide, duration has significant potential to outperform cash especially at this stage of the monetary policy cycle.

Equities: relative value is key

Although the S&P 500 appears expensive in aggregate, we see potential for differentiation and opportunities for thematic trades. From a macro perspective, there's also the potential for economic resilience (such as a strong U.S. consumer) to support equity markets more than we currently forecast. Accordingly, we are neutral in equities within multi-asset portfolios. An active approach can help target potential winners.

In uncertain times, we prefer to invest in quality stocks. Historically, the quality factor has offered an attractive option for the late phase of a business cycle (see Figure 5). Within our overall neutral position, we are overweight U.S. equities (S&P 500), which present more quality characteristics than those in other regions, especially emerging markets. Also, European growth could be more challenged than in the U.S., so we are underweight the local equity market despite its more attractive valuation.

We also favor subsectors supported by fiscal measures that may benefit from long-cycle projects and strong secular tailwinds. The U.S. Inflation Reduction Act, for example, supports many clean energy sectors (hydrogen, solar, wind) with meaningful tax credits.

On the short side of an equity allocation, we focus on rate-sensitive industries, particularly consumer cyclical sectors such as homebuilders. Autos could also suffer from higher-for-longer interest rates; as supply normalizes, we think demand will struggle to keep up.

Figure 5: Quality stocks offer attractive risk-adjusted return potential late in the business cycle

Since 1984, equity factor Sharpe ratios by business cycle phase

Phase	Value	Quality	Momentum	Size	Low volatility	Low beta
Expansion – first third	0.80	(0.05)	(0.04)	0.69	(0.22)	(0.39)
Expansion – second third	0.16	0.52	(0.02)	(0.02)	0.16	0.15
Expansion – final third	**(0.06)**	**0.82**	**0.51**	**(0.35)**	**(0.07)**	**(0.05)**
Recession – first third	(1.68)	2.17	1.70	(1.02)	1.69	1.45
Recession – second third	1.43	1.40	(0.36)	0.76	1.76	0.86
Recession – final third	0.59	0.04	(1.85)	2.43	(1.56)	(1.91)
Cycle average	**0.28**	**0.53**	**0.11**	**0.19**	**0.04**	**(0.07)**

Source: PIMCO, Compustat, NBER (U.S. National Bureau of Economic Research) as of 24 October 2023. Sharpe ratios, a common measure of risk-adjusted returns, are calculated using data since 1984 and are based on the Fama–French definitions of value, quality, size, and momentum using the S&P 500. Recessions and expansions are defined by NBER.

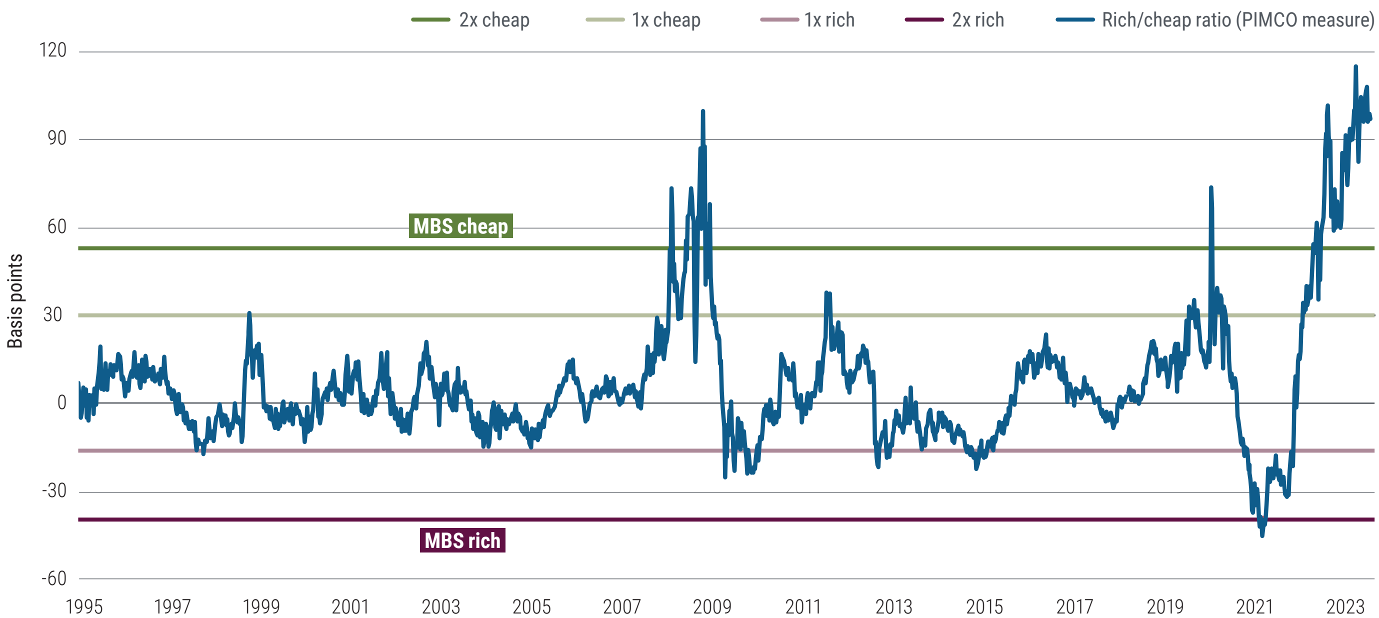
Credit and securitized assets

In the credit space we favor resilience, with an emphasis on relative value opportunities. We remain cautious on corporate credit, though an active focus on individual sectors can help mitigate risks in a downturn. We are underweight lower-quality, floating-rate corporate credit, such as bank loans and certain private assets, which remain the most susceptible to high rates and are already showing signs of strain.

In contrast to corporate credit, attractive spreads can be found in mortgages and securitized bonds. We have a high allocation to U.S. agency mortgage-backed securities (MBS), which are high quality, liquid, and trading at very attractive valuations – see Figure 6. We also see value in senior positions of certain securitized assets such as collateralized loan obligations (CLOs) and collateralized mortgage obligations (CMOs).

Figure 6: MBS investments offer attractive spreads

Volatility-adjusted U.S. agency mortgage-backed securities (MBS) spreads



Source: Bloomberg, PIMCO as of 30 September 2023. "1x rich" and "1x cheap" are defined as 1 standard deviation from average option-adjusted spread (OAS). "2x rich" and "2x cheap" defined as 2 standard deviations from average OAS. The terms "cheap" and "rich" as used herein generally refer to a security or asset class that is deemed to be substantially under- or overpriced compared to both its historical average as well as to the investment manager's future expectations.

KEY TAKEAWAY

Looking across asset classes, we believe bonds stand out for their strong prospects in the baseline macro outlook as well as for their resilience, diversification, and especially valuation. Given the risks to an expensive equity market, the case for an allocation to high quality fixed income is compelling.

Past performance is not a guarantee or a reliable indicator of future results.

All investments contain risk and may lose value. Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. **Currency rates** may fluctuate significantly over short periods of time and may reduce the returns of a portfolio. **Equities** may decline in value due to both real and perceived general market, economic and industry conditions. Investing in **foreign-denominated and/or -domiciled securities** may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. **High yield, lower-rated securities** involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. **Mortgage- and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and while generally supported by a government, government-agency or private guarantor, there is no assurance that the guarantor will meet its obligations. **U.S. agency mortgage-backed securities** issued by Ginnie Mae (GNMA) are backed by the full faith and credit of the United States government. Securities issued by Freddie Mac (FHLMC) and Fannie Mae (FNMA) provide an agency guarantee of timely repayment of principal and interest but are not backed by the full faith and credit of the U.S. government. References to Agency and non-agency mortgage-backed securities refer to mortgages issued in the United States. The value of **real estate** and portfolios that invest in real estate may fluctuate due to: losses from casualty or condemnation, changes in local and general economic conditions, supply and demand, interest rates, property tax rates, regulatory limitations on rents, zoning laws, and operating expenses. **Bank loans** are often less liquid than other types of debt instruments and general market and financial conditions may affect the prepayment of bank loans, as such the prepayments cannot be predicted with accuracy. There is no assurance that the liquidation of any collateral from a secured bank loan would satisfy the borrower's obligation, or that such collateral could be liquidated. **Diversification** does not ensure against loss.

The correlation of various indexes or securities against one another or against inflation is based upon data over a certain time period. These correlations may vary substantially in the future or over different time periods that can result in greater volatility.

The terms "**cheap**" and "**rich**" as used herein generally refer to a security or asset class that is deemed to be substantially under- or overpriced compared to both its historical average as well as to the investment manager's future expectations. There is no guarantee of future results or that a security's valuation will ensure a profit or protect against a loss.

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Principal Asset Management℠

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2024 Perspectives

The year of the pause and the pivot

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Executive letter

KAMAL BHATIA, CFA
Global Head of Investments

Investors entered 2023 facing the daunting conflagration of geopolitical risk in Eastern Europe, China's dramatically slowing economy, and the dawn of a new central banking era, as ten years of quantitative easing began to phase out. That the year saw global growth—propelled by a remarkably resilient U.S. economy and stock market—raises the bar even higher and, in 2024, investors need to brace for the very real potential of large market shocks.

As investors face a "new normal" with lower returns and higher volatility, they need better ways to diversify portfolios to generate returns for the future as well as timely insights that serve as a resource on where markets are headed. Our teams are keenly focused on delivering forward-looking solutions and insights to help you achieve your investment goals through our global and local teams and distribution partners.

This is not only an environment where active management is well-placed to deliver strong outcomes for investors, but also one where asset managers have a responsibility to help you—our clients—navigate this complex landscape and achieve your investment goals. As client demands evolve, we continue to expand the breadth and depth of our capabilities as well as key investment team hires to support. Alongside our clients, we have grown to nearly 860 investment professionals globally, with local analysts and investors in 25 markets.

Thank you again for your continued support and for trusting us to be your preferred partner. We wish you a happy end to your year and look forward to continued collaboration together.

MACRO

In 2024, expect challenges for the U.S. economy as resilience wanes amid rising household debt and job cuts. Global growth may slow, posing risks amid geopolitical tensions, but it could ease inflation pressures. Prepare for volatility, but also opportunities ahead.

Pivot, pivot, PIVOT

A slowing global economy in 2024 will be vulnerable to shocks and volatility

SEEMA SHAH | Chief Global Strategist

For the bulk of 2023, investors were almost universally surprised by global growth—by the extent of U.S. resilience, and, on the other side, the depth of China's weakness. Next year, the macro backdrop may look a little different.

The unprecedented policymaker actions designed to immunize the global economy during the height of the pandemic were extraordinarily effective—almost too effective, though, as they dulled the impact of central bank tightening. But the nuances of the post-pandemic economy only deferred, not canceled, the economic pain.

In 2024, the U.S. will likely present a challenging story for investors as economic resilience begins to fade. Post-pandemic excess savings are almost exhausted, while fixed-rate loans locked in at low rates are expiring, opening the door for a sharp rise in household debt servicing costs. Labor market cracks are starting to show as a growing number of firms announce headcount reductions and take a more cautious tone to expense discussions.

The Federal Reserve's (Fed) lending program at the height of the pandemic led to elevated debt issuance in 2020 and 2021 and at very low rates, limiting companies' refinancing needs. A higher percentage of corporate bonds will mature in 2024, requiring refinancing at significantly higher rates than most companies' existing loans. A rising number of households and corporates will no longer be cushioned from the higher interest rate environment and will face a higher net interest burden next year.

However, a sharp economic collapse in the U.S. is not in the cards. The 2001 and 2008 recessions were particularly deep due to a significant buildup of debt-related excesses. Unlike those recessions, household balance sheets are currently in reasonably good shape, and corporate balance sheets—although somewhat inflated—are not burdened by particularly concerning borrowing dynamics. Investors should be preparing for a historically short and shallow U.S. downturn.

> "However, policy rates are **not about to quickly march back down to zero**, as a soft slowdown only requires a soft cutting cycle."

In China, growth is already showing signs of bottoming, but the pace of recovery is uncertain and highly dependent on policy stimulus. Policymakers have pivoted away from their deleveraging campaign to a pro-growth policy, but the stimulus is unlikely to be sufficiently meaningful to deliver a significant boost to the property sector and, therefore, overall economic growth.

Even with strong contributions from economies such as India and Japan, tepid growth from the U.S. and China—and, by association, Europe—implies a slowdown in overall global growth in 2024. Nothing appalling, but it does render the global economy vulnerable to additional shocks. The recent rise in geopolitical tensions, oil prices, and the U.S. dollar will need to be watched carefully by investors. Indeed, risk assets may be set for a volatile period in early 2024. Yet, investors should also be encouraged that the slowing growth environment could drain out the most stubborn of inflationary pressures, opening the door to gradual policy easing in mid-2024 and reducing the discomfort that has plagued markets since rate liftoff last March.

However, policy rates are not about to quickly march back down to zero, as a soft slowdown only requires a soft cutting cycle. Central bankers will likely be reluctant cutters, wary of the structural inflation dynamics that have become gradually embedded in the global economy. Deglobalization, green energy initiatives, demographics, and geopolitical divisions all add up to a higher underlying inflation rate, a higher neutral interest rate, and a persistently watchful eye from central bankers.

Bond yields themselves face a higher-for-longer narrative. In addition to the structural inflation dynamics, Treasurys are also being confronted by a ballooning U.S. fiscal deficit, resulting in ongoing large-scale Treasury issuance. With the Bank of Japan's eventual move away from ultra-easy monetary policy drawing incremental demand away from U.S. Treasurys, the U.S. government will need to offer a higher interest rate on its bonds to attract buyers. Once slowing growth and peak Fed funds mark the high point for the recent bond rout, yields may ultimately settle at a more elevated level than in the past 15 years.

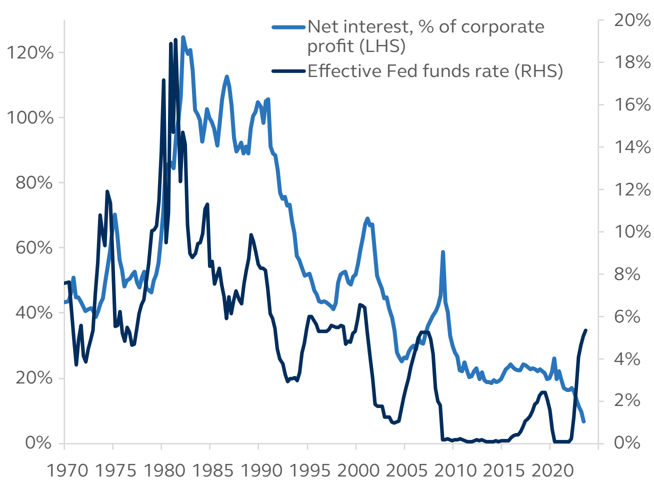
The year ahead will likely present a greater opportunity set than has been available in many years:

- The recent market pullback in several sectors and smaller cap sizes means cheaper valuations (providing investors with important opportunities to gain exposure to secular tailwinds).
- The approaching end to monetary tightening could open the door to a new cycle of equity gains.
- Higher bond yields imply greater volatility and lower long-term growth.
- Higher rates indicate that bonds can finally be more than a diversification tool—the "income" is back in fixed income.

2024 will be the year of the pause and the pivot. Investors should prepare for near-term volatility but also actively position for relief, stabilization, and recovery once global central banks start to cut rates.

Corporate interest payments and Fed funds rate

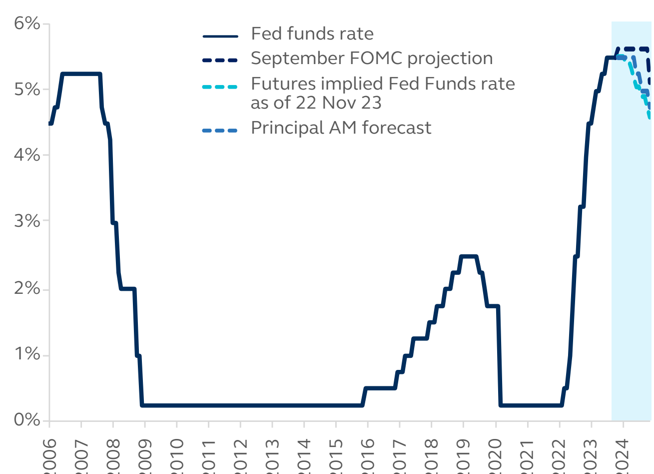
1970 - present



Source: Federal Reserve, Bureau of Economic Analysis, Principal Asset Management. Data as of September 30, 2023.

Federal Reserve policy rates path

Fed funds rate and September FOMC forecast



Source: Federal Reserve, Bloomberg, Principal Asset Management. Data as of November 22, 2023.

Japan's policy normalization

A shift in BOJ policy may start drawing funds away from U.S. Treasurys

HAN PENG, CFA | Director, Quantitative Strategist

Unlike the broad developed markets in which elevated inflation created stress and led to aggressive tightening in monetary policy, the Japanese economy is benefiting from a longed-for reflation. Japan's core inflation has risen above 2%, reaching 42-year highs in 2023 and increasing hopes that Japan could finally be out of its deflation nightmare.

> "Japan's core inflation has risen above 2%, **reaching 42-year highs in 2023** and increasing hopes that Japan could finally be out of its deflation nightmare."

In response to persistently depressed inflation pressures, the Bank of Japan (BOJ) adopted a negative interest rate policy in 2016, cutting official policy rates to -0.1% and introducing yield curve control (YCC) to keep long-term yields restricted to a tight band. In the last 12 months, the BOJ has responded to rising domestic inflation pressures by adjusting the YCC policy three times, effectively allowing higher Japanese government bond (JGB) yields. The central bank also indicated that additional evidence of sustainable inflation and wage growth will be required for further policy normalization. This cautious attitude implies that policy normalization is likely to be gradual, with the BOJ potentially choosing to maintain the YCC policy but increase the flexibility, permitting policy rates to rise back to zero but not higher.

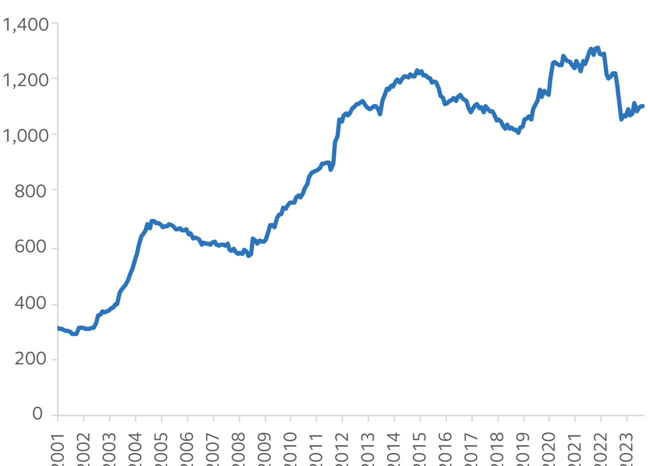
For decades, low interest rates and a lack of investment opportunities have prompted Japanese investors to look outside their economy, becoming major fund providers to global markets. Indeed, they are the largest foreign owners of U.S. Treasurys, holding over $1.1 trillion. However, the BOJ's new policy regime —allowing domestic yields to drift higher —may start changing that narrative. Higher JGB yields could gradually draw Japanese investors away from global bonds, particularly U.S. Treasurys, signaling a significant shift in the global investment landscape.

Rising volatility in global bond markets makes the impact of a BOJ policy shift difficult to predict. If U.S. Treasury yields remained elevated, BOJ policy normalization would likely reinforce and exacerbate a sharp global bond sell-off. If the BOJ unwinds its easy monetary policy at a time when global yields are already on a downward trend, the outcome would likely be less impactful on global bonds.

In either case, BOJ normalization risks de-anchoring global bonds, with global yields eventually settling at a higher level in the next decade than the prior one. For investors, keeping a close eye on Japan has become more critical than ever.

U.S. treasury bonds held by Japan

2023 year-to-date, total return in U.S. dollars



Source: U.S. Treasury Department, Principal Asset Management. Data as of August 31, 2023.

EQUITIES

Entering 2024, central bank policy changes, rising government debt, geopolitical tensions, and consumer vulnerabilities will likely challenge equity markets. Active managers may find opportunities in overlooked sectors like energy and materials. Amid uncertainty, focusing on investing fundamentals is crucial.

No crystal ball for 2024

Prioritize focusing on investment fundamentals

GEORGE MARIS, CFA | Chief Investment Officer, Global Equities

Going into 2024, visibility into equity fundamentals—and across almost all asset classes—is as opaque as it's been in years, making it challenging to know what is going to happen by the end of the week let alone next year.

At the end of 2023, the economic backdrop—especially in the U.S.—is more resilient, but ever more intertwined with central bank policy. While many investors have been focused on the historic degree of Fed rate hikes, the reversal of quantitative easing (QE), which is set to remove trillions of dollars from the Fed's balance sheet, will have an equally outsized impact on the economy in the years to come. To put it into perspective, the Fed's balance sheet was roughly $900 million prior to embarking on QE in the second half of 2008 and approximately $4.2 trillion prior to the onset of the pandemic at the end of February 2020; at the time of writing, it exceeds $7.9 trillion. Many global central banks are too tasked with tightening their massive balance sheets, including the European Central Bank and the Bank of Japan.

With that in mind, we are entering 2024 amid a backdrop of challenging monetary policy globally. Fiscal policy is unlikely to improve given rising government debt levels. With government interest burdens rising, governments will be constrained in spending their way out of economic challenges. Geopolitical concerns are a further headwind as governments will need to maintain a focus on defense spending, which is not only a pressure on budgets but also inflationary. Despite the more constrained capacities of governments to support growth, inflation remains at higher levels than in the past several years with wages and raw materials providing stickiness. Consumer strength—buoyed by low unemployment—helped drive economic growth this year. But with economic growth more challenged and inflation persistent, concern is increasing over the consumer's ability to weather these challenges. If the consumer falters, corporate earnings are likely to follow suit. As we glance into 2024, we see an equity market that is narrow and not particularly cheap, presenting challenges and opportunities.

"As we glance into 2024, we see an equity market that is narrow and not particularly cheap, **presenting challenges and opportunities**."

Despite a singly positive earnings season for the third quarter of 2023, companies are indicating a greater degree of caution for 2024, primarily driven by concerns relating to the consumer. Fiscal support provided by the government during the pandemic allowed most consumers to enter 2023 with reduced interest rate sensitivity. But these support structures are winding down, exposing consumers to the full burden of higher-for-longer rates. It is this higher-for-longer narrative that has caused much of the recent spike in global bond yields, challenging the equities markets' prediction and pricing in of a soft landing in 2024. With limited prospect of an upgrade to earnings expectations, equity market returns are likely to be muted until bond yields peak, leaving broad equity markets with little upside going into 2024.

The good news is that there are appealing pockets in the equity market for active managers for the year ahead, many of which are in places that have not recently been generating much attention, including energy and materials.

While there is certainly no shortage of uncertainty as we look to the new year, there is also opportunity and reason to maintain a balanced perspective. In this environment, what you buy and the price you pay matters. Merely buying the market, rather than seeking attractively valued companies that can weather and grow in uncertain times, is risky. As we head into an uncertain and unclear 2024, investors should return to focusing on investing fundamentals.

Amid a subdued economic climate in 2024, avoid speculative bets

Sound investment choices will give investors peace of mind during economic turbulence

SARAH RADECKI, CFA | Portfolio Manager, Equities

From our discussions with management teams, it's clear that economic activity has decelerated, and sales have been hindered by inventory destocking. Nevertheless, there are several encouraging developments, including improvements in supply chain disruptions, reduced freight expenses, and the moderation of raw material prices from elevated levels. For companies with differentiated product offerings and a prudent approach to financial health, the economic outlook is promising. However, the year ahead is likely to be defined by the ongoing tension between economic expansion, cost dynamics, and interest rates, presenting a spectrum of challenges and opportunities for investors.

Our investment strategy is based on fundamental research that enables us to identify quality businesses in each sector and participate in market appreciation while muting downside risk. Though this process likely means returns won't lead the way when the market is flying higher, our dedicated approach has consistently led to upside participation and downside risk mitigation through various market environments.

> "As investors enter **a more subdued economic climate in 2024**, it will be prudent to avoid speculative bets."

As investors enter a more subdued economic climate in 2024, it will be prudent to avoid speculative bets. Equally, however, there's risk associated with parking funds in fixed-return investments that may gradually erode due to inflation. Instead, investing in high-quality companies with sustainable competitive advantages, growing dividends, strong management teams, and robust balance sheets capable of withstanding challenging times should offer attractive relative returns—and the stability that comes with sound investment choices.

Tuning out short-term noise

Why owner-operators are positioned to succeed

HANS VANDER PLAATS, CFA | Client Portfolio Manager, Equities

For at least the last year, there's been no shortage of talk about the soon-to-arrive recession. For long-term investors, however, focusing on the key drivers of success at the company level, rather than attempting to time the market or make macro forecasts, is more impactful.

A backdrop of cheap money made it easier to run companies over the past several years. The rewards for being patient, frugal, and thoughtful about risk were less obvious. CEOs that remained disciplined—focusing less on shorter-term noise—placed their companies in a better position longer-term to navigate economic slowdowns and prosper, regardless of how the market shifts.

> "Looking ahead to 2024 and beyond, the **best CEOs will continue to stand out**."

Looking ahead to 2024 and beyond, the best CEOs will continue to stand out. Management always matters, but even more so in a landscape where economic tides may turn—and we especially appreciate investing with owner-operator CEOs when conditions become more difficult. These CEOs have large ownership stakes and specific characteristics—love for the business, unclouded motivations, and a long-term orientation when allocating capital—that make their companies impressively resilient.

FIXED INCOME

Despite 2023 ending on a strong note, 2024 brings expectations of economic slowdown. While inflation is likely to subside, higher borrowing costs will challenge consumers. Opt for high-quality, short-maturity yield assets amid a central bank rate pause.

Focus on the journey, not the destination

Fixed income investing during an economic slowdown

MICHAEL GOOSAY | Chief Investment Officer, Global Fixed Income

For the better part of 2023, investors were waiting for the other shoe to drop—for something to break and create the impetus for the coming recession. Many thought that this might happen with the mini-banking crisis in March, but the economy proved stubbornly resilient and has ended the year on strong footing. However, we've reached the point in the economic cycle where, historically, something starts to crack. Looking to 2024, we are anticipating an economic slowdown. We believe inflation will continue to slowly subside while higher borrowing rates will put a strain on consumers. And the Fed—along with other central banks globally—will pause their rate hiking campaign and hold rates at elevated levels for an extended amount of time.

The end of the rate hiking cycle and the impact of higher for longer

After experiencing a series of rate hikes that have impacted short- and long-term interest rates, the effects of higher-for-longer interest rates on growth, inflation, and the consumer are becoming evident. Historically, the end of the rate hiking cycle is an optimal time to add fixed-income investments and to consider taking on interest rate risk in the form of duration.

Shifting from money market investments, which have seen significant inflows in recent years, and extending out to short-term income, core and core plus fixed income can introduce high-quality spread assets that should benefit from the Fed's pause in 2024. With inflation rolling over and growth subsiding, moving further out the yield curve and taking more interest rate risk is prudent. This is not, however, a great environment for riskier asset classes such as high-yield emerging market debt and lower-quality investment-grade corporate bonds.

To this point, the U.S. consumer has been resilient

One of the major indicators to monitor for a potential recession is the consumer, who is currently facing risks due to increased borrowing costs and a shifting job market. Since 2020, U.S. consumers have been buoyed by relatively strong employment paired with excess savings stemming from the COVID-19 lockdowns and stimulus, resulting in spending levels that are not typical of this point in the cycle. Looking to 2024, pay close attention to weekly jobless claims and monthly employment reports, looking for any changes in hours worked and average hourly earnings; these are changes that could be viewed as early indicators of cracks starting to show in the labor market and could spell trouble ahead for consumers.

Ultimately, fixed income investing at this point in the cycle remains dependent on timing—and in the absence of complete clarity about the coming recession, owning high-quality, short-maturity, yield-oriented securities will be critical. Stay focused on the journey, rather than agonizing about the destination.

High yield? In this environment?

Five compelling reasons high yield could deliver in 2024

JOSH RANK, CFA | Portfolio Manager, Fixed Income

The fixed income market is poised for another year of volatility, but there are reasons to believe that high-yield bonds can deliver attractive returns in 2024.

1. Only $56 billion in high-yield bonds are set to mature in 2024, a mere 4.6% of the index. This is significant because maturities often correlate with bankruptcies, the principal drag on performance in the high-yield asset class. With such a small portion of high-yield bonds maturing in 2024, the risk of widespread defaults is significantly reduced.

2. Elevated starting yield can enhance medium- and long-term returns in the asset class. Since 2020, the median 12-month return has been 14.9% when starting yields are between 9-10%, suggesting that the current starting yield could be a harbinger of solid returns for investors in 2024.

3. While spreads in high yield may not currently reflect an imminent deep recession, any future spread volatility caused by macroeconomic factors will likely be offset by the historically elevated yield cushion of the asset class.

4. The quality of high-yield bonds has shown improvement, with CCC and below debt accounting for only 12% of the index, compared to historical levels exceeding 20%. This suggests healthier fundamentals and likely less jump-to-default risk for investors.

5. As pension funding status improves, there may be a shift from equities to fixed income—including high-yield investments—to decrease volatility in plan assets. High-yield bonds can provide a stable, income-generating component in an investment portfolio, particularly for pension funds seeking to manage risk while achieving their funding goals.

Under-owned and under-priced

Emerging market debt is poised for a rebound in 2024

DAMIEN BUCHET, CFA | Chief Investment Officer, Principal Finisterre

Emerging market debt (EMD) is entering 2024 similarly to 2023—under-owned and under-priced with risks being properly exposed and priced in. With the current landscape dominated by the U.S. economy, a U.S. economic slowdown in early 2024 could serve as a catalyst to entice a sustainable bounce in risk appetite and an increase in EMD allocations from historically low levels.

The economic story for many EMs, despite odds to the contrary, is reasonably strong. Growth and fiscal balances have held up better than most expectations, while EM central banks have been much more pre-emptive in managing inflation than their developed market counterparts. The default events and macro stresses have remained mostly confined to well-flagged countries with unmanageable debt loads or obvious policy credibility issues.

With limited investor ownership and subdued sentiment, EMD presents exciting opportunities. The income stream will remain a reliable component of returns via a diversified range of short-duration, high-yielding, commodity-sensitive sovereign credits in Africa, the Middle East, and Latin America; select high-yield corporates with low indebtedness and visible cashflows in Brazil, Mexico, and South Africa; and subordinated financials from better-rated Asian, Mexican, and Eastern European banks.

"With limited investor ownership and subdued sentiment, **EMD presents exciting opportunities**."

Beyond income, increased duration exposure makes sense once a U.S. slowdown is confirmed. This can come from EM USD long-duration credits or high-yielding local bonds that are overpricing future inflation risks through high real yields. The management of currency risk must remain tactical and selective, but the USD could see periods of weakness, allowing for possible capital gains from EM foreign exchange.

Finally, a selection of small positions in more distressed/restructuring situations can provide attractive optionality to an EMD portfolio, as the stepped-up support of the International Monetary Fund and multilaterals and a softening of China's creditor demands in some countries has allowed progress in several restructurings.

From TINA to TARA

Fixed income's shifting opportunity set in Asia

HOWE CHUNG WAN | Head of Asia Fixed Income

The 2024 investment outlook for fixed income investors in Asia suggests an increased focus on carry trades, a consideration of regime shifts in China and Southeast Asia, and a careful analysis of the winners and losers within fiscal activism measures.

The shift away from ultra-low interest rates makes carry trades more appealing than beta trades. It infers that fixed income investments now present a viable option for both savers and investors. The significant move from TINA (there is no alternative) to TARA (there are real alternatives) provides new opportunities for investors to park their money and generate returns.

While we approach China with macro caution, we remain micro-optimistic. Regime shifts in the global economic landscape, especially in China and Southeast Asia, will likely offer opportunities in the period ahead. For instance, investments centered around the middle-class consumption narrative and driven by e-commerce/digitalization are favored.

Green and sustainable prospects, along with companies diversifying away from China, should benefit countries like India, Malaysia, and Indonesia in the years ahead.

Fiscal activism is also likely to be an important driver of markets in the year ahead and should play a crucial role in offsetting monetary tightening. The fiscal easing measures implemented by central banks have had a positive impact broadly, but there will be winners and losers with these policies. In China, it will be crucial to closely monitor the support for state-owned enterprises and local government financing vehicles to avert a possible debt crisis stemming from property market challenges.

By staying attuned to these trends and factors, investors can position themselves to capitalize on emerging opportunities and navigate potential risks in the ever-evolving fixed income landscape in Asia.

Not your grandmother's preferreds market

Portfolio structure to remain paramount in 2024

PHIL JACOBY | Chief Investment Officer, Spectrum Asset Management

The landscape of preferred and capital securities has evolved significantly, departing from the traditional realm of fixed-rate perpetuals associated with utilities and railroads. Today's market is predominantly characterized by a "hybrid" approach, where over 75% of securities are adjustable rather than fixed rate for their entire lifespan.

> "Today's market is predominantly characterized by a "hybrid" approach, where over 75% of securities are adjustable rather than fixed rate for their entire lifespan."

One prevalent form of adjustable-rate capital security is the five-year fixed-to-refixed (FtR) format. These securities reset their terms after five years, aligning with the prevailing conditions in the market, specifically the yield on five-year Treasurys at that time.

During the issuance wave of 2020-2021 that coincided with a period of accommodative monetary policy, FtR hybrid securities were issued at relatively low coupons (e.g., 4%) but with substantial spreads (e.g., +300-325 basis points). However, these spreads were set to reset five years later. Today, these securities are trading at discounts of 10–15 basis points (bps) due to the Fed's subsequent increase in the federal funds rate of more than 500 bps in just under two years, raising the U.S. Treasury yield curve and negatively impacting the prices of fixed income instruments.

The behavior of these securities hinges on the width of the backend reset spreads. If the spreads are wide enough, the anticipated new coupon—calculated based on today's five-year UST yield—can act as a quasi-maturity because the securities are expected to be redeemed at par thanks to a more attractive current market spread. If the backend spread is narrower than the current market spread, while the coupon may reset higher, the paper is unlikely to be redeemed since the initial issuance spread is more favorable for the issuer to leave outstanding.

In either scenario, the security's price should rise or be "pulled toward par" as the coupon reset date approaches, since that reset will be based on the five-year UST rate at the time. From a price perspective, it becomes irrelevant whether Treasury yields rise or fall, as an increase in yields can lead to a higher coupon and decreasing yields tend to drive up bond prices.

In the period ahead, investors who can appropriately balance these FtR securities will likely be less susceptible to fluctuations in interest rates. Given the ongoing and expected volatility in fixed income markets, portfolio structure remains paramount.

Jeopardizing fully funded status? Better not be

Steering defined benefit plans toward continued stability

OWAIS RANA | Head of Investment Solutions

The substantial rise in the long-term U.S. Treasury yield curve combined with broad U.S. equity markets' impressive, albeit surprising, returns has provided a significant boost to the financial health of the U.S. corporate defined benefit (DB) pension sector. Heading into 2024, the pressing question for those responsible for these long-term obligations is whether they are willing to jeopardize their hard-won, fully funded status—an achievement that has taken nearly 15 years to accomplish. Their answer needs to be a resounding "no."

Assuming that the much-anticipated recession is both short and shallow in 2024 and that geopolitical tensions remain contained, we anticipate and hope that the U.S. corporate DB pension industry will persist in its de-risking strategy. This entails selling equity-like assets in favor of increasing bond investments, thereby solidifying their fully funded position. This decision should allow these sponsors to minimize the risk of putting more contributions into the pension plans if the markets turn. And given the potential surge in demand for long-dated U.S. Treasury and corporate bonds, it would be prudent to position at the forefront of the queue, especially considering the limited supply of these securities relative to the size of the DB pension market.

> "We anticipate and hope that the U.S. corporate **DB pension industry will persist in its de-risking strategy**."

Despite 2023's surprises, 2024's outlook is complex. Amid the uncertainty, strategic allocation and active management can create opportunities for investors in the year ahead.

Multi-asset investing in 2024

Investment hubris is unlikely to gain wins

TODD JABLONSKI, CFA | Global Head of Multi-Asset and Quantitative Investments

2023 has been a surprising year on many fronts. A year ago, many investors and pundits expected a recession in 2023 and advised positioning investments accordingly—favoring fixed income over equities while expecting sluggish equity performance, limited interest rate risk, and challenges in speculative credit.

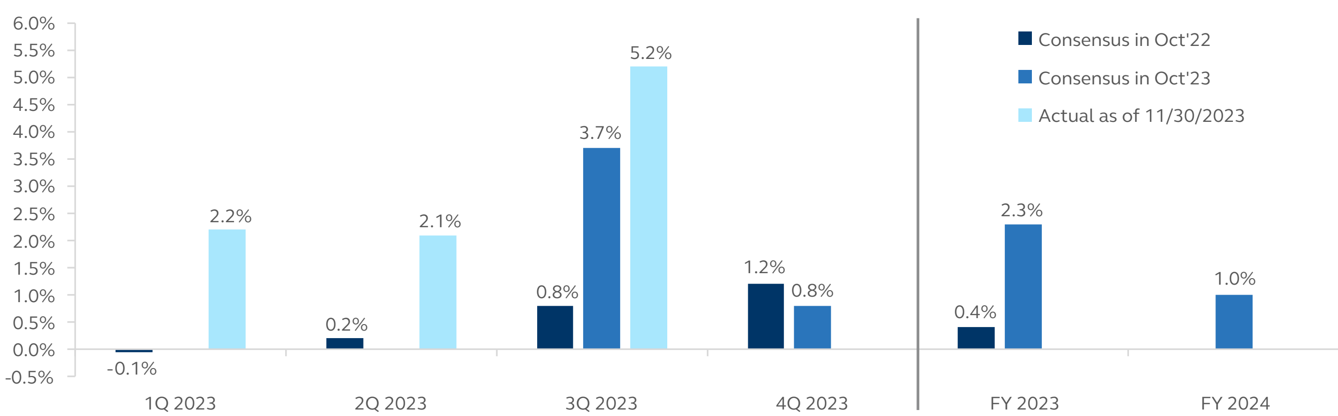
However, the U.S. economy has vastly exceeded expectations, with stronger GDP growth despite higher rates and tighter financial conditions. While Fed tightening has started to put pressure on inflation, it remains a concern for the inflation-wary Fed governors. In turn, interest rate risk has been quite high, while credit risk has generally been rewarded. The capital markets have also seen unexpected developments, such as very significant gains in a small group of technology-focused companies despite rising rates and stretched valuations, lifting U.S. indices and concealing weakness in large segments of the equity space. All these surprises create a complex outlook for 2024, raising questions about the appropriate asset allocation for the year ahead.

Tactical runs look unattractive. Rely on strategic diversification and active management.

Investors would be wise to limit tactical risk taking and instead maximize their strategic diversification and pursuit of issue selection returns. For starters, 2023's strange and surprising economic/market performance makes forecasting 2024 even more difficult. Throw in the increasing importance of non-market factors

2023-24 real GDP consensus estimates & 2023 actuals

Quarterly QoQ SAAR % & FY YoY%



Note: Consensus is median estimate of over 60 surveyed economists.
Source: Bureau of Economic Analysis, Principal Asset Management. Estimates as of October 31, 2023. Actuals as of November 30, 2023.

(e.g., fiscal policy, geopolitical conflicts, U.S./China trade tensions), and the ambiguity meter starts to tick relatively high. We're neutral among equities, fixed income, and alternatives in our multi-asset views, preferring to take advantage of long strategic asset allocation and active issue selection returns, positioning our portfolios for future opportunities.

Be prepared to respond if unforeseen events produce rare entry points.

An absence of rate cuts next year, expanding conflict in Europe and the Middle East, and Federal Reserve-market participant misalignment sit at the top of the list of risks capable of drawing down equity prices and widening credit spreads.

Despite economic slowdown risks, fundamental expectations at the end of October 2023 are fairly healthy.

- Worldwide and U.S. sales growth is forecasted to accelerate from 0% and +2%, respectively, in 2023 to +5% in 2024.
- S&P 500 earnings growth is forecasted to accelerate from +1% in 2023 to +12% in 2024.

As such, there is room for fundamentals to disappoint if the higher rates eventually slow the U.S. economy. In light of these risks that would put significant downward pressure on equities and other risk assets in 2024, having a plan in place to overweight risk assets and participate in the recovery is desirable. Both Latin American and U.S. small-cap equities have already achieved extremely low valuations and could be some of the first groups to rebound in sentiment.

Don't expect significant policy rescue in 2024.

After years of substantial fiscal stimulus, it is possible that fiscal policy spending worldwide could slow as rising debt levels attract market scrutiny and elevated interest rates challenge borrowers. We believe that expectations for significant U.S. rate cuts in 2024 will likely be unfilled, as stubborn inflation will require at least holding a hawkish line on short-term policy rates.

Subtle asset allocation enhancements can have significant impacts on portfolio risk exposures and diversify return drivers.

Heading into 2024, tactical preferences include:

- Investment grade corporate credit over U.S. Treasurys
- U.S. large-caps over U.S. small-caps
- Japan equities over Europe equities
- Brazil equities over China equities

Although the investment outlook for 2024 may be uncertain and challenging, there will likely be opportunities arising from valuation dispersion and macroeconomic variability. Expect strategic asset allocation and positive active management to drive performance in the next year.

Preparing for the influence of the Three Ds in 2024

Prioritize real assets for greater predictability of returns

MAY TONG, CFA | Portfolio Manager, Multi-Asset

Investors may be witnessing the initial phases of a structural macroeconomic transformation in which deglobalization, decarbonization, and demographics (the Three Ds) should emerge as significant influencers of asset class performance. Within this evolving landscape, the frequency of inflation shocks may rise, resulting in increased market volatility, higher interest rates, and stronger correlations between traditional stocks and bonds. As such, relying solely on commonly utilized inflation hedges such as REITs and TIPS may prove disappointing. Instead, prioritizing real assets in portfolios could prove to be a valuable strategic allocation.

> "Investors may be witnessing the initial phases of a structural macroeconomic transformation in which **deglobalization, decarbonization, and demographics (the Three Ds)** will emerge as significant influencers of asset class performance."

Diversification

With a minuscule overlap of only about 5% vs. a 60-40 benchmark, and backing by physical assets that provide essential services and are often assets to the economy, adding real assets can provide greater predictability of returns while lowering the overall risk profile for a portfolio.

Inflation mitigation

While most real assets possess contractual or implicit inflation linkages, sensitivity and effectiveness vary. Understanding the rolling correlations of real assets along with growth and interest rate interaction is critical.

Total return potential

A differentiated source of stable margins and recurring yields can aid in increased income and enhanced returns.

Real assets exhibit a diverse range of behaviors, each unique to different sectors (such as infrastructure, real estate, global natural resources, and commodities), asset classes (like debt and equity), and markets (public and private). These assets respond differently to shifts in economic growth, inflation, and interest rates, both in terms of timing and magnitude. In light of this diversity and the emergence of the Three Ds, strategically allocating to actively managed real asset exposures can offer valuable advantages, particularly in this new regime.

ALTERNATIVES

Alternative investments face challenges amid ongoing monetary policy measures. A potential U.S. recession and stricter banking sector regulatory oversight add complexity. However, opportunities do exist, and private equity, real estate, and inflation-sensitive assets may thrive in 2024.

Private market investing in 2024

Identifying opportunities as the tide of tightening recedes

TODD EVERETT | Global Head of Private Markets

Private market investments are undeniably tied to the use of leverage, so the sector is eagerly awaiting relief from the ongoing accumulation of monetary policy measures aimed at curbing inflation. Each rate increase has tested investor confidence, leading to the recalibration of asset valuations, delays in negotiations, heightened selectivity, and subdued capital mobilization. If the base economic scenario for 2024 is one of a shallow U.S. recession, additional consideration needs to be given to weakening demand. Although the cycle of monetary policy and its consequences will eventually conclude, stricter lending standards and increased regulatory oversight of the banking sector may just be beginning.

Opportunities across the private market sector

The current capital market landscape has left many investors feeling frustrated and uneasy. However, the private sector storyline does have reassuring elements, including still-sound market fundamentals (with a few exceptions, namely the office property type) and slowing construction starts in real estate. It is anticipated that private real estate asset values will hit bottom in 2024 as interest rates peak, presenting opportunities to engage in the new cycle at reevaluated price points. Within infrastructure, there is a significant demand for new infrastructure projects driven by themes of digitization, the need for energy generation, and transportation improvements.

For investors seeking more immediate opportunities, the debt markets offer a multitude of options to bridge the financing gaps left by a more constrained global banking sector. These opportunities encompass debt strategies in real estate, infrastructure, direct lending/private credit, and asset-backed securities. However, the windows for accessing debt at core or core-plus equity-like returns tend to be short-lived.

Investors with available capital to support project and entity-level recapitalization, cash infusion, and distressed asset purchases should thrive in the current environment. Factors favoring private equity investment include reduced competition, a slowdown in the pace of public offerings, and more reasonable purchase multiples. This trend also extends to real estate investment in the form of investments in real estate operating companies.

> "Investors should be prepared to **shift their focus to private equity real estate** as market conditions improve, anchoring their portfolios around structurally resilient property types and locations."

Investors should be prepared to shift their focus to private equity real estate as market conditions improve, anchoring their portfolios around structurally resilient property types and locations. These may include data centers, logistics facilities, apartments, life science properties, and student housing.

Client perspectives: Insights from our alternatives investments platform

Pension plans, the insurance sector, and a growing wealth sector are all turning to private capabilities as unique avenues to generate returns and mitigate risks.

On pension plans

Continued higher interest rates have made it more feasible for pension plans to help achieve critical actuarial return assumptions through public and private debt strategies. Alternative credit is a valuable complement to corporate debt within fixed income portfolios, providing higher risk-adjusted relative value, enhanced covenant protection, and superior structuring. A similar profile is observed in infrastructure debt. While real estate debt generally lacks substantial covenant protection, loans are being underwritten with significantly lower loan-to-value ratios and improved standards.

As inflation remains higher, inflation-sensitive investments are finding more appeal, and real returns are gaining a stronger position in benchmarking strategies. The "denominator effect" hasn't fully receded, and non-liquid investments are proving to be genuinely illiquid. This environment will likely continue to prompt pension funds to upgrade their holdings, managers, and strategic relationships to assure optimal liquidity potential.

Differentiated strategies and higher return opportunities will remain in high demand, particularly among larger plans seeking more direct and collaborative investment arrangements with their managers.

On insurance sector needs

Within the insurance sector, private debt alternatives are securing larger strategic portfolio allocations. Real estate debt remains a fixture in long-term allocations, while certain specialty strategies like construction lending are delivering attractive current values. Investments in direct lending and asset-backed securities are also highly regarded, with a particular emphasis on options that cater to both very short and very long durational needs.

On the developing wealth sector

Traditionally, private and alternative asset investments have been dominated by institutional investors, but the private wealth sector and retail investors now have an expanding array of opportunities. This new generation of vehicles is being managed by well-established institutions characterized by advanced management, strong governance, and strategies featuring more affordable fee structures.

Adjusting to higher-for-longer rates

Middle market direct lending stands to benefit

TIM WARRICK, CFA | Head of Alternative Credit

In 2023, tightening credit conditions, an uncertain economic environment, and declining enterprise value multiples slowed merger & acquisition and leveraged buyout (LBO) activity in the direct lending space. With fewer loan prepayments and refinancing activity and less natural deal flow from new LBOs, capital deployment for many lenders slowed significantly. Despite the slowing, middle market direct lending continued to fill the void left by commercial banks and the continued decline in syndicated loan market issuance.

> "While these trends are likely to play out further in 2024, investors have now **had over a year to embrace higher-for-longer interest rates**."

While these trends are likely to play out further in 2024, investors have now had over a year to embrace higher-for-longer interest rates. With less fear of "rate whiplash" and having had time to digest the denominator effect (the value of fixed rate instruments and equity falling in a correlated manner with rising rates), investor flows are likely to pick up considerably for middle market direct lending.

Although headwinds to the economy are expected, several supportive trends for middle market direct lending have an opportunity to enhance risk-adjusted returns relative to historic loan vintages.

- Increased focus on economically resilient business models: PE sponsor and lender focus will remain on the more cyclically resilient industries and borrowers that can generate steady financial performance through a cyclical downturn.
- More conservative leverage profile: Leverage expectations for sponsors and borrowers are considerably lower than levels targeted just a couple years ago in a much lower rate environment. Focus on the less competitive lower middle market borrower segment ($5-$15 million of EBITDA) can also provide the ability to set leverage levels below the broader middle market industry.
- Compelling valuation: Valuations remain attractive with not only the base SOFR rate remaining at a relatively high level, but the spread premium to public high yield loans is and will likely remain near the upper end of the range for much of the coming year.
- More lender friendly transaction terms: The structure of transactions should remain sound, with higher original issue discount, improved call protection, tighter financial covenants, and more conservative EBTIDA adjustments.
- Manageable default rates: Despite annual default rates potentially moving higher and approaching 3-4% for the private middle market, credit losses should remain in the 75-150 basis point range. In this scenario, the return to investors will be quite compelling, as the typical yield for performing first-lien, floating-rate middle market direct loans is over 12.5%.

Intentional industry exposure, coupled with disciplined credit structure, and a highly selective process to identify companies that exhibit steady performance through a down cycle, should result in more favorable risk-adjusted returns.

Private real estate equity

Attractive opportunities in resilient and niche sectors

JOHN BERG | Global Head of Private Real Estate

Private equity real estate generates returns through a combination of income and appreciation. With values falling, the current income component of return has become relatively more attractive compared to recent periods, generally in the range of 5-7%. Rents, particularly in sectors beyond offices, are expected to provide a reliable source of income due to healthy market fundamentals. Without the addition of appreciation, however, this level of return may not be as appealing as other investment options. Real estate investments will likely become more attractive once the Fed signals a pause or shift in monetary policy, resulting in lower yields for other asset classes and optimistic assumptions by real estate buyers, in turn increasing the likelihood of appreciation.

Irrespective of a potential Fed pivot, certain real estate strategies are expected to remain popular:

- From a diversified, multi-property sector perspective, funds that emphasize more resilient sectors like industrial and housing while reducing exposure to office should align well with investors' preferences.
- Single-sector strategies focusing on niche sectors with robust underlying fundamentals, such as data centers and manufactured housing, will likely attract capital.

Despite recent headwinds, investors who consider the potential for appreciation, favor resilient property sectors, and explore opportunities in niche sectors can find attractive options within private equity real estate.

Private real estate debt

A wall of maturities across the risk spectrum

CHRIS DUEY | Head of Private Debt Portfolio Management

Through its battle with inflation, the Fed has raised rates materially on the front end of the curve. In turn, the market has increased yields across the rest of the curve, significantly increasing the financing costs for the commercial real estate market.

The increase in the cost of capital has put pressure on commercial real estate valuations—especially office—and the availability of credit. While space market and property fundamentals are holding up reasonably well (absent office), the bar for financing is higher and the available liquidity is lower in today's market.

Although investment sales activity is off materially, there is a wall of maturities in 2024-2025 as loans come due into an environment of much higher interest rates, lower asset-level valuations, and tighter credit standards.

- For private debt investors, this is likely to create ample opportunities for attractive investments across the risk spectrum. Borrowing rates are at levels not seen in years, providing strong relative values compared to fixed income alternatives.
- For investors interested in the higher yielding space, so long as rates remain elevated and credit availability remains tight, providing financing to borrowers needing a recapitalization of their current capital structure will remain appealing.

REIT market outperformance?

A peak in long-term real yields often precedes growth

TODD KELLENBERGER | Client Portfolio Manager, Real Estate

Historically, the peak in long-term real yields is the catalyst for REIT market outperformance. When macro conditions get tough, REITs are often beneficiaries of investor rotation into risk assets that feature long-duration, defensive characteristics, and durable cash flows.

> "Notably, the valuations of public REITs have **corrected significantly since the Fed rate hike cycle** started and look attractive compared to broader equity markets."

Notably, the valuations of public REITs have corrected significantly since the Fed rate hike cycle started and look attractive compared to broader equity markets. Areas of concern for real estate, particularly office property types, are well-contained within REITs, as they generally possess high-quality balance sheets and minimal exposure to traditional U.S. office space.

Investors seeking exposure to the asset class should emphasize higher quality, demand resiliency, and exposure to structural growth drivers in light of the expected challenges in the broader macroeconomic landscape. Examples include:

- The non-traditional single-family rental sector, which has gained favor due to the prohibitively high costs of homeownership in the U.S.
- In healthcare, where senior housing enjoys demographic tailwinds of an aging U.S. population and low supply.
- Tower REITs, which are structurally benefiting from the long-term growth in mobile data usage and ever-increasing demand for mobile data services.

REITs that align with structural tailwinds are likely to see support in a climate where yields are peaking and there are expectations for attractive, above-average growth in cash flows.

Infrastructure stocks should benefit from companies' resilient fundamentals

Demand for essential services provides a consistent tailwind

EMILY FOSHAG , CFA | Portfolio Manager, Listed Infrastructure

Defensive stocks have borne the brunt of market fears over higher-for-longer rates in 2023, and listed infrastructure has been no exception. Notably, listed infrastructure now screens at historically cheap levels vs. global equities, creating a compelling entry point for investors to gain access to a fundamentally resilient asset class when the degree to which this rate hiking cycle will impact the economy remains uncertain.

Valuations matter

As infrastructure businesses are capital intensive, higher interest rates have had a modest impact on earnings. In fact, many market participants have revised valuations to reflect higher discount rates than assumed at the start of 2023. Heading into 2024, however, the magnitude of these headwinds is now more than reflected in the valuations of many listed infrastructure companies.

Listed infrastructure valuations generally reflect the current macroeconomic backdrop more than unlisted infrastructure valuations, and recent relative performance supports this hypothesis. While the long-term return drivers of listed infrastructure closely mirror those of unlisted infrastructure strategies and, as such, long-term investment returns have been comparable, listed infrastructure returns have trailed since early 2020. This underperformance is unlikely to persist indefinitely. When listed infrastructure has meaningfully underperformed comparable unlisted assets in prior periods, private equity infrastructure buyers have taken advantage of the price dislocation in the public markets and paid significant premiums in take-private transactions.

Resilient fundamentals

In 2024, infrastructure stocks should benefit from the companies' resilient fundamentals as economic growth slows and will be especially well-positioned should slowing growth coincide with unanticipated economic shocks or sharp downward pressure on bond yields.

Structural demand and sustainable focus

Infrastructure businesses deliver essential services, the demand for which is relatively insensitive to economic cycles. These companies also play a dominant role in supporting global sustainability agendas and are making critical investments in driving environmental, social, and economic progress. As a result, infrastructure businesses enjoy numerous contractual and regulatory protections that enable them to operate from positions of financial strength in various macroeconomic environments.

Structural growth drivers for listed infrastructure companies—such as the clean energy transition, demographic shifts, and technological innovation—will likely remain tailwinds in the period ahead and are positioned to meaningfully outlast today's macro concerns.

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THE NCPERS MONITOR

The Latest in Legislative News December 2023

NCPERS Executive Director's Corner

It's Time to Rethink Public Pension Compensation

By Hank Kim, Executive Director and Counsel, NCPERS

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While recruitment and retention challenges have only made headlines recently as they've impacted the private sector, the public sector has been dealing with these issues for decades. Public pensions in particular have struggled with retaining executives and senior-level investment professionals, as evidenced by several recent high-profile departures.

So, what's contributing to this turnover, and how can public pensions attract and retain top talent?

One simple answer is the aging workforce. The pandemic led many older workers to expedite their retirements and rethink their plans to return to the office. A recent study by MissionSquare found that 36 percent of HR managers at local government agencies are seeing an increase in retirements this year.

Compensation of course plays an important role, too, as public plans historically have not been able to compete with private sector salaries—especially for senior leaders and in-house investment positions.

Further, the work itself has changed substantially in recent years as public pensions operate in an increasingly politicized and polarizing environment. A growing number of public pensions are caught in the middle as politicians aim to earn points with voters through sweeping legislation and implement policies that ultimately restrict how plans can invest, without taking into consideration the complexities of retirement systems' portfolios or their fiduciary duties. Senior leaders at public pensions face scrutiny from all sides—about funding ratios, investment allocations, COLAs, and even staff bonuses—which may contribute to burnout and ongoing stress in these roles.

Tasked with investing billions of dollars, administering benefits to public servants, and advocating with policymakers and stakeholders, public pensions are unique compared to other public agencies. Approximately two-thirds of public pension revenue comes from investment earnings, and they ultimately have a net positive economic impact on local economies and revenues. Our research shows that in 2018, public pension funds generated $179.4 billion more in state and local revenues than taxpayers contributed to the funds. Further, the economy grows by $1,362 with the investment of each $1,000 of pension fund assets. So, clearly it's imperative to have top tier staff at the helm.

Offering compensation more in line with the private sector could help broaden the pool of applicants and retain top talent who enjoy the mission-driven work one finds at a public pension. And that's why it's time to rethink public pension compensation.

Public pensions are 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. One of NCPERS' goals in developing the Public Pension Compensation Survey is to bring transparency and insight into compensation and benefits packages at state and local pension plans. The second, more long-term goal, is to help show policymakers and the public what resources plans need in order to attract and retain high-functioning and qualified staff.

Despite the challenges, working for public pensions can be extremely rewarding. But in order to ensure continued efficiencies that allow them to provide vital benefits to public servants while contributing to the broader economy, compensation needs to be evaluated to reflect the evolving challenges public pensions face today. ◆

How Public Pensions Can Support Participants' Retirement Readiness Through Financial Education

By: Lizzy Lees, Director of Communications, NCPERS

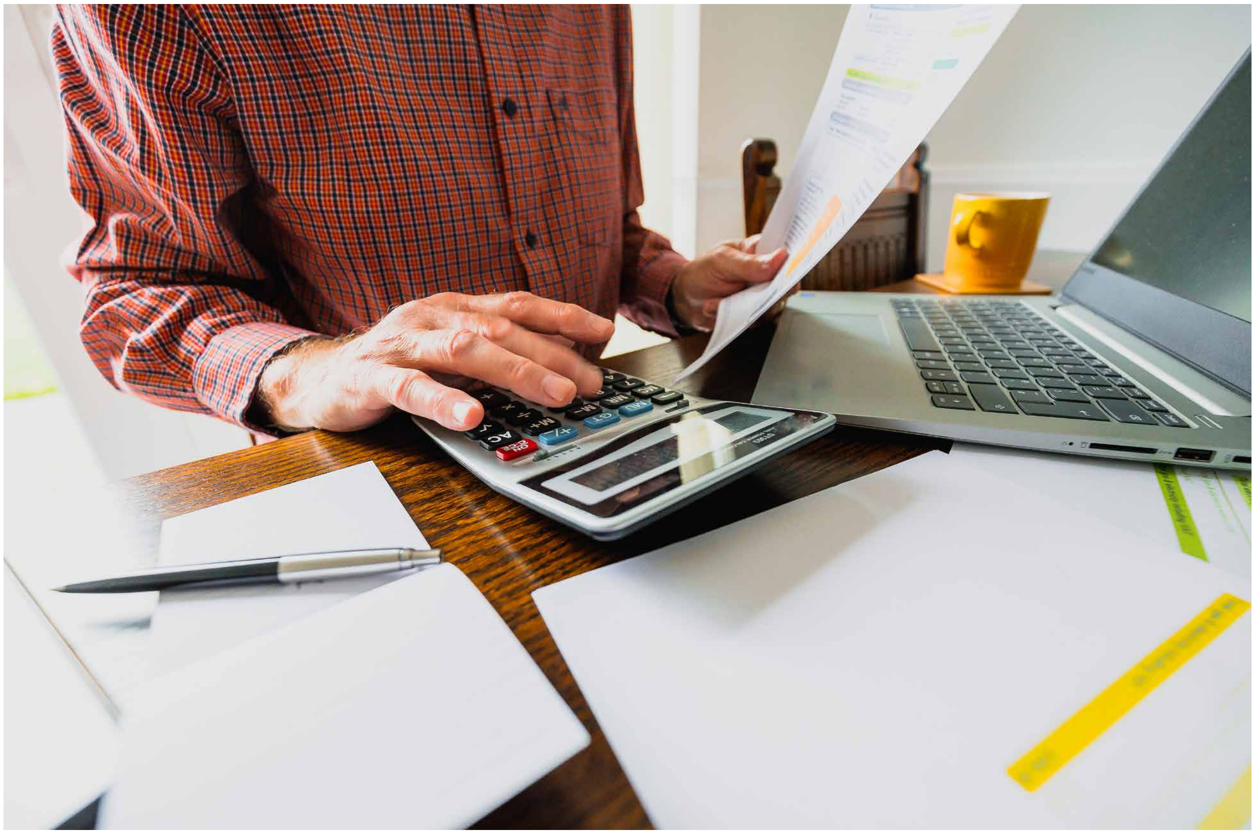

Photo Illustration © 2023, istock.com

Picture this: The U.S. is gearing up for Peak 65, a momentous time where a record-breaking wave of Americans will hit that retirement milestone we dream about for much of our working lives. With over 10,000 daily 65th birthday celebrations and a projected surge to over 12,000 daily by 2024, retirement planning—and the financial anxiety that surrounds it—is on many of our minds.

With high levels of inflation and housing affordability at its lowest point in decades, financial stress is having a real impact on the American workforce and retirees. Eight-five percent of Millennials and 69 percent of workers aged 45 and older worry about money every day. Nearly two-thirds of working Millennials and 62 percent of older workers with workplace retirement plans fear they won't be able to grow their retirement savings to the level they hoped, according to new Schroeders data.

Retirement should be something to look forward to, not feared. A pension is just one piece of the retirement planning puzzle, and it's crucial to help public sector employees of any age understand their benefits and develop the skills needed to effectively plan for a secure future and feel confident in their decision-making.

While each organization's approach to member education and engagement is different, NCPERS is here to help. Earlier this year, we launched NCPERS Retirement Security SmartBrief. This free, weekly newsletter features easy-to-read summaries of the latest news on issues impacting our financial wellbeing in retirement. Topics range from financial literacy resources, pension news, market trends, and more. We encourage you to share the signup link with your organization's staff and members so they can take advantage of this free educational resource as they plan for their own retirement.

At the 2024 Pension Communications Summit, held January 21-22 in Washington, DC, several sessions will focus on effective communication with members to support ongoing education and engagement efforts. During the "Tips for Communicating with Members at Various Life Stages" session, SBCERA's Olivia Applegate will share strategies for effectively communicating with members of all ages. We'll also have a session on breaking down complex topics for all audiences to help your team communicate clearly about complicated subjects such as investment strategies or pension administration. View the agenda and register now for early-bird pricing.

NCPERS pension fund roundtables are also a great place to learn how other organizations are approaching member education around financial wellness and retirement planning.

Understanding money isn't just about balancing a budget; it's about empowering ourselves, regardless of age or generation, with the know-how to navigate life's financial complexities. That confidence in our ability to handle financial decisions, known as self-efficacy, forms the backbone of financial capability. It's more than just knowing the ins and outs; it's about processing information and taking action. Research by the Consumer Financial Protection Bureau underscores this link between financial skill and self-efficacy, highlighting how they shape our financial behavior. A complete understanding of one's retirement benefits combined with ongoing financial education can help public sector workers be ready to celebrate—not fear—their own retirement milestone. ◆

Congressional Year End

By: Tony Roda, Partner, Williams & Jensen

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With the remaining days on Congress's 2023 calendar fast dwindling, the Congressional Leadership is trying to determine what pieces of legislation will be finalized and sent to President Biden for his signature by year's end.

Congress already removed much of the usual year-end pressure by passing a stop-gap funding measure for federal programs and agencies, commonly known as the Continuing Resolution (CR). This specific CR is unusual in that some federal spending will expire on January 19 while other programs and agencies will see their funding expire on February 2. This two-step CR is designed to break the funding debate into more manageable pieces, so that the disparate voices in Congress and the White House will have more opportunity to find common ground. However, differing views exist not only between Democrats and Republicans, but also within the Republican party. This intense controversy is leading some to conclude that it will be impossible to reach agreement on full-year spending bills and that Congress will have to limp along through the entire fiscal year 2024, which ends on September 30, 2024, by enacting additional stop-gap funding bills.

One measure that could see action this year is a technical corrections bill for the recently enacted SECURE Act 2.0. There are over 90 provisions in SECURE 2.0 and collectively they touch almost all parts of U.S. tax law related to retirement and pension plans and their plan participants. As with all new tax laws, the complexity of amending the tax code often leads to errors and inadvertent applications that need to be fixed by subsequent statutory changes.

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 certain issues discussed 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 a corrections bill.

As of this writing, technical corrections legislation has not yet been introduced in Congress, although work is being done behind the scenes by tax staff of the Committees. NCPERS will monitor this area closely for any end-of-year tax corrections legislation.

While not a matter that will be resolved in 2023, it is important to note that on November 20, the House Ways and Means Committee's Subcommittee on Social Security held a hearing entitled, Social Security's Disservice to Public Servants: How the Windfall Elimination Provision and Government Pension Offset Mistreat Government Workers. The hearing was the most recent in a series of field hearings on a variety of topics that the Committee has held this year. The November 20 hearing was held at the firehouse of the St. George Fire Department in Baton Rouge, Louisiana. The location reflects the strong support of firefighters, public safety employees, and public sector workers in general for the repeal of the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO).

The witnesses were Patrick Yoes, retired Louisiana Law Enforcement Officer, now National President of the Fraternal Order of Police, Ann Dugas, retired Louisiana state employee, Bernard "Bernie" Piro, retired Louisiana firefighter, and Paula Porter, retired Louisiana educator.

While no concrete timetable was announced for Committee action and the discussion did not dig into the high cost of repeal ($150 billion over 10 years and one year of trust fund solvency), Chairman Jason Smith (R-MO) stated that WEP and GPO have prevented Americans from getting the Social Security benefits they deserve. He said people are often unaware of the complexity of WEP and GPO and called on Congress to provide public servants with fair treatment. Chairman Smith emphasized that the hearing was the next step in the Committee's work to provide help to retirees.

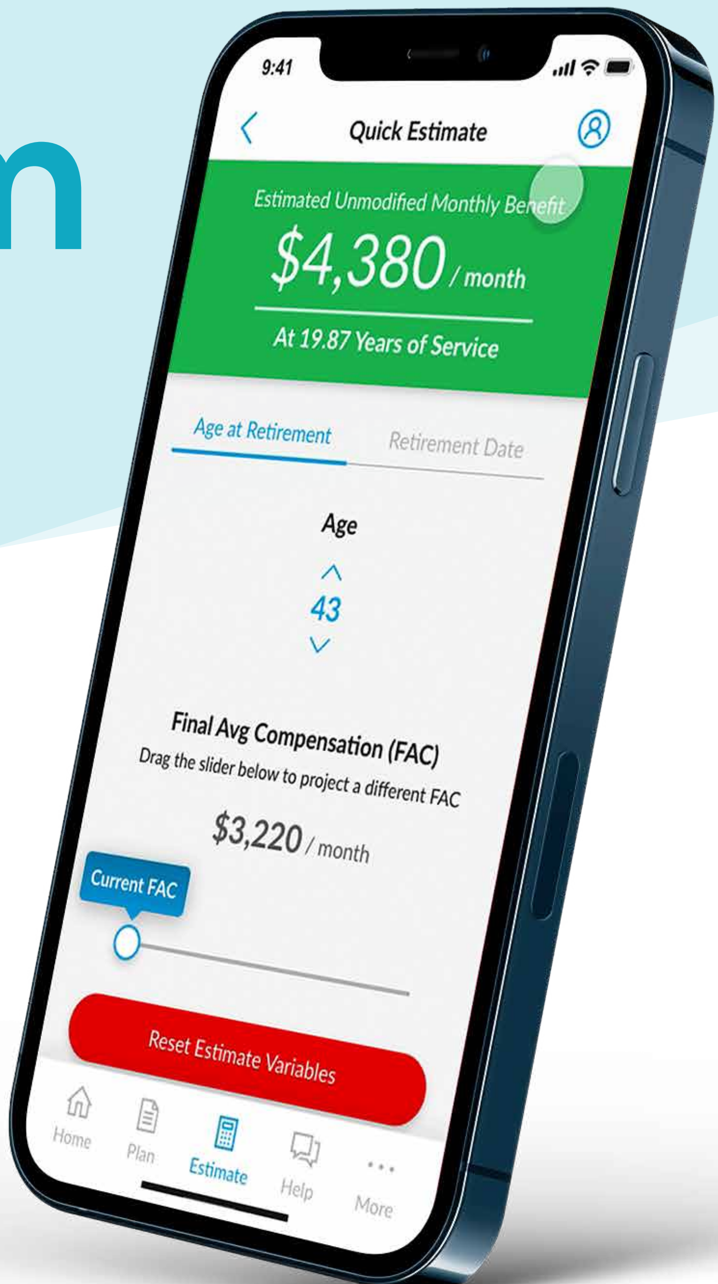
Representative Garrett Graves (R-LA), who is the author of legislation to repeal both WEP and GPO (H.R. 82), underscored that this issue has been ongoing for four decades and noted that his bill to repeal the two Social Security penalties is the third most cosponsored bill in the current Congress.

As the 118th Congress winds down for the year, NCPERS is looking forward to its 2024 Legislative Conference, which will be held in Washington, D.C., on January 22-24. We hope to see many of you there. NCPERS is planning a two-day program of speakers as well as a day dedicated to meetings on Capitol Hill.

As always, we will keep you apprised of any significant developments in Congress and the Executive Branch departments and agencies. ◆

__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.

NCPERS PensionX Digital Platform



NCPERS has partnered with Digital Deployment to offer its members a **10% DISCOUNT** on PensionX, the premier digital platform that securely enables pensions to engage with active and retired participants via a mobile self-service app and portal.

NCPERS 1941 | pensionX

Learn more about this new NCPERS member benefit at ncpers.org/pensionx

Public Pension Profiles: Exploring HR Challenges and Strategies with Shunne Powell, Chief Organizational Excellence Officer at TRS of Texas

NCPERS spoke with Shunne Powell, Chief Organizational Excellence Officer at the Teacher Retirement System of Texas (TRS), about challenges and opportunities for HR professionals, recruitment and retention strategies, and the talent pipeline at TRS. She is an active member of NCPERS newest roundtable for human resources professionals at public pensions.

"The strength of our mission resonates deeply—almost everyone here has been impacted by an educator or knows someone in education who's made a difference. Having that purpose drives us; it's something we can all rally behind," she said.

Read the full interview

Learn About the Latest Policy Developments Impacting Public Pensions at NCPERS Legislative Conference

Learn about the latest regulatory and policy developments affecting public pensions and acquire the skills to advocate effectively on their behalf at NCPERS Legislative Conference, held January 22-24 in Washington, DC.

As the premier event that shapes the advocacy agenda for public pensions, you'll have the opportunity to have your voice heard during targeted meetings on the Hill. Discover how to effectively navigate the political landscape and connect with like-minded professionals to forge valuable connections. Register now to be a part of the force that advocates for this vital industry.

Learn More

Public Pension Profiles: CalPERS Chief DEI Officer, Marlene Timberlake D'Adamo

Continuing our series of public pension executive profiles, NCPERS had the privilege to engage in a conversation with Marlene Timberlake D'Adamo, Chief Diversity, Equity, and Inclusion Officer at CalPERS. The discussion revolved around the profound impact of CalPERS' DEI framework and its intersection with various aspects of the organization, from investment strategy to employee satisfaction.

"What distinguishes our approach is the deliberate integration of DEI across all our processes, spanning our five pillars and throughout the organization. DEI isn't an isolated initiative; it's ingrained in our work," she said.

Read the full interview

NYC Pensions Increase Allocation to Emerging Managers Following Outperformance

New York City's pension funds announced they are expanding their emerging manager program after an analysis showed that the women-and minority-owned asset managers with whom they invest have outperformed their benchmarks net of fees in all asset classes since 2015.

READ MORE *Source: Chief Investment Officer*

Pennsylvania House OKs $1.8 Billion Pension Boost for Government and Public School Retirees

Democrats who control the state House of Representatives advanced an estimated $1.8 billion boost to the pensions of Pennsylvania state government and public school retirees, while some Republicans said taxpayers will unfairly shoulder the financial burden.

READ MORE *Source: Associated Press*

Pay Bump for Retired Texas Teachers Supported by Voters

Texas' retired teachers and public school employees are on track to receive a bump in their monthly pension checks as unofficial election returns show voters approving more than $3 billion to fund the cost-of-living increases.

READ MORE *Source: The Dallas Morning News*

California's Pensions are Getting Greener

The California Public Employees' Retirement System for years has resisted activists' calls to dump all its oil and gas holdings, saying it doesn't have the luxury of embracing "social responsibility" if there's a risk to members' pensions. But under a new proposal, the system would add new scrutiny of climate risks in its $444 billion portfolio while expanding investments in things like renewable energy, carbon capture and drought-resistant crops.

READ MORE *Source: Politico*

A State Retiree Seeks to Overturn Oklahoma's 'Woke' Investment Ban

A former state employee, backed by pension groups and an organization that represents public workers, is suing to overturn an Oklahoma law banning the state from doing business with financial firms accused of boycotting the fossil fuel industry.

READ MORE *Source: The Frontier*

Chicago's 2024 Budget Includes $2.8 Billion in Pension Contributions

Those contributions, include $307 million in advance payments and represent the third year in a row — and third in the city's history — it has made actuarially determined contributions. .

READ MORE *Source: Pensions & Investments*

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, WA

Trustee Educational Seminar (TEDS)

May 18–19
Seattle, WA

May

Annual Conference & Exhibition (ACE)

May 19–22
Seattle, WA

June

Chief Officers Summit

June 17-19
Nashville, TN

August

Public Pension Funding Forum

August 18-20
Boston, MA

View all upcoming NCPERS conferences at www.ncpers.org/future-conferences.

The Voice for Public Pensions

The Monitor is published by the National Conference on Public Employee Retirement Systems.
Website: www.NCPERS.org • E-mail: info@ncpers.org

Invesco

THE BALANCING ACT

2024 Investment Outlook

This marketing communication is for Professional Clients, Financial Advisers, Qualified Clients/Sophisticated Investors (as defined in the important information at the end); for Sophisticated or Professional Investors in Australia; Institutional Investors in the United States; in Canada, this document is restricted to Institutional Investors and Advisors; for Qualified Institutional Investors in Japan; for certain specific institutional investors in Malaysia upon request, in New Zealand for wholesale investors (as defined in the Financial Markets Conduct Act); for Professional Investors in Hong Kong, for Institutional Investors and/or Accredited Investors in Singapore, for certain specific sovereign wealth funds and/or Qualified Domestic Institutional Investors approved by local regulators only in the People's Republic of China, for certain specific Qualified Institutions and/or Sophisticated Investors only in Taiwan, for Qualified Professional Investors in Korea, for certain specific institutional investors in Brunei, for Qualified Institutional Investors and/or certain specific institutional investors in Thailand, for certain specific institutional investors in Indonesia and for qualified buyers in the Philippines for informational purposes only. It is not intended for and should not be distributed to or relied upon by the public or retail investors.

Macro Views

1 **Slowdown in first half, recovery thereafter**

- We expect a bumpy landing composed of a global growth slowdown in the first half of 2024.
- Individual economies vary: US most resilient, eurozone in flat growth, and Chinese growth stabilizing.

2 **Uneven but continued disinflation to end-2024**

- In our view, inflation trajectory is bumpy but disinflationary over the coming quarters.
- Inflation shocks are dissipating and stabilizing, especially from fiscal and monetary policy.

3 **Peak policy now, marginal easing late in H1**

- US easing to begin late H1 with disinflation and slowdown.
- UK may lead rate cuts in light of weakening economy.
- Uneven China recovery, PBOC to remain accommodative.
- Bank of Japan (BoJ) to undertake "dovish tightening."

4 **After slowdown, risk appetite likely to improve**

- "Good news is bad news" (and vice versa) likely as policy uncertainty and financial conditions remain volatile.
- Opportunities for duration amid fiscal focus.
- Market rotation likely as growth reaccelerates, policy pivots.

5 **Key risks and themes**

- Geopolitical risks remain elevated.
- Financial accidents likely in wake of tightening.

Note: There can be no assurance that Market Views will come to pass.

Market Views

Fixed Income

Slower growth and continued disinflation should help stem the global rise in rates. Any decline in interest rate volatility should unlock flows into fixed income.

Equities

As the slowdown materializes, a recovery trade should take shape, likely favoring equities that are more cyclical, value-oriented, and smaller cap.

US Dollar / Currencies

US dollar (USD) to weaken when US Federal Reserve (Fed) eases. Japanese Yen (JPY) extremely weak and could benefit if BOJ starts to normalize. Emerging market (EM) currencies and assets likely to benefit as Fed eases.

Alternatives

Direct lending and distressed credit poised to outperform. Higher rates continue to pressure real assets, but fundamentals are improving in certain areas.

Emerging markets

EM valuations are attractive; currencies and assets should benefit as US dollar weakens and as China recovers.

Kristina Hooper
Chief Global Market Strategist

“

We believe that early in 2024, markets will begin to discount an economic recovery; policy support should solidify and increase global risk appetite as the year progresses.

Executive summary

After nearly two years of policymakers fighting inflation, our 2024 outlook centers on the balance between growth durability versus the stickiness of inflation. Despite several quarters of restrictive monetary policy, the global economy — particularly in the US — has remained remarkably resilient. We think the global economy is entering a brief period of below-trend growth driven by recent monetary policy tightening, which we believe markets have already partially priced in. Questions remain over the path of inflation, however. In our view, the disinflation process will continue over our outlook horizon, and growth will slow further in H1 before starting to improve in H2, starting in the US. As inflation softens and policymakers begin to introduce rate cuts, we look for risk assets to see renewed strength.

We see inflation falling over the outlook horizon and nearing central bank targets by the end of 2024. With inflation having peaked and gradually falling and many major economies showing some signs of pressure from policy tightening, we believe monetary policymakers have now reached the end of their tightening cycles. As inflation falls, we expect real policy rates to rise and, in response, central bankers to cut rates to ease any additional pressure on growth, employment and wages. We expect this easing to begin late in the first half of 2024. We anticipate that rate cuts — combined with falling inflation — will set the stage for a recovery, putting the global economy on a path to trend growth accompanied by real wage growth in the second half of 2024.

We believe that early in 2024, markets will begin to discount an economic recovery; policy support should solidify and increase global risk appetite as the year progresses. However, we do not anticipate a significant rebound due to the shallowness of the slowdown.

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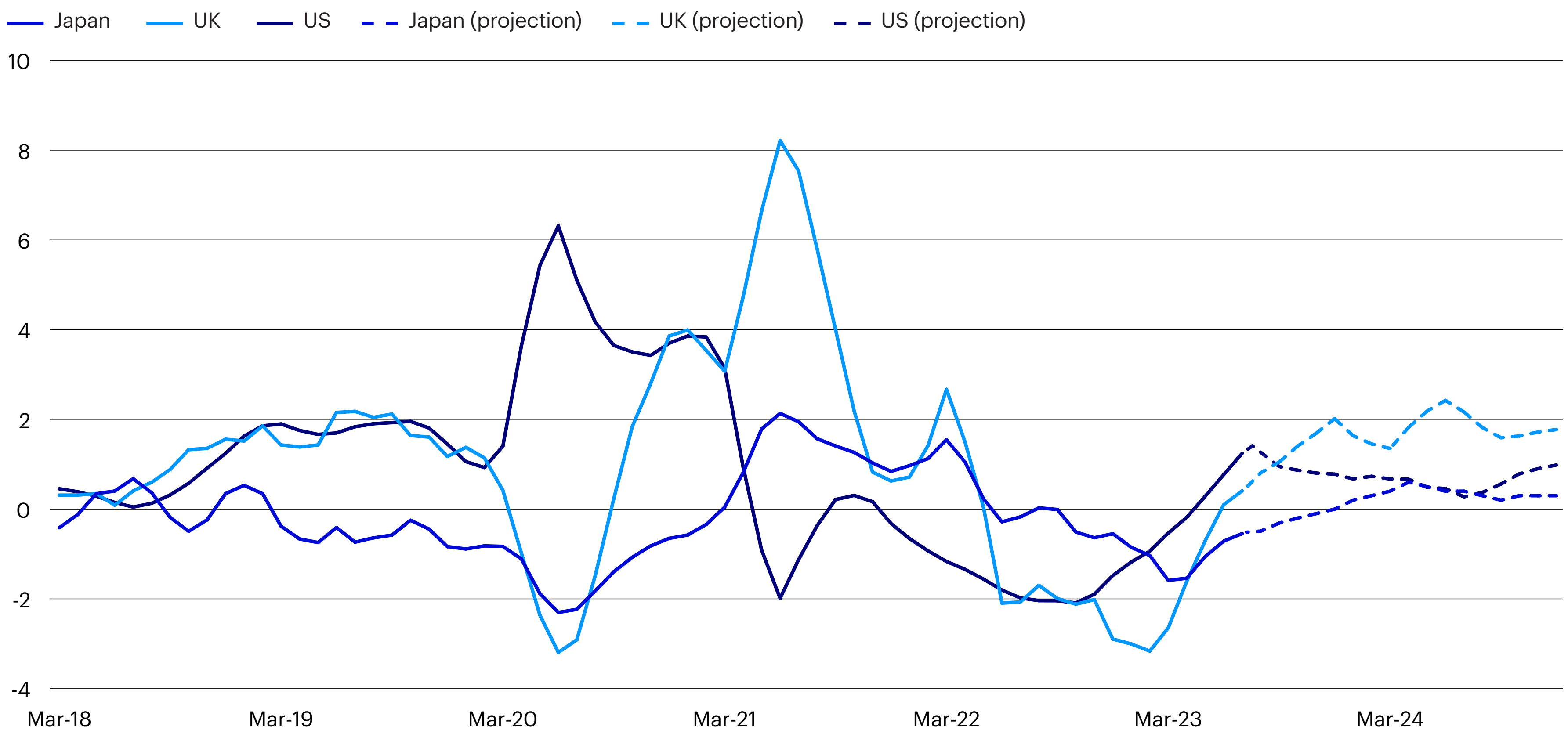
1 Slowdown in first half, recovery thereafter

We anticipate slowing activity into 2024 but improving in the second half

Restrictive policy is likely to cause a slowdown in the first half, but normalizing inflation should help real wage growth resume in the second half.

- Tight monetary policy, increasingly stretched consumers, and idiosyncratic growth shocks suggest that global growth is likely to continue to slow.
- As we move into 2024, we expect the global economy to slow marginally, resulting in a bumpy landing in major developed economies materializing in the first half of the year.
- However, we expect the slowdown to be shortened by a turn to easing monetary policy as inflation gradually subsides.
- Moving forward, we expect real wage growth in major developed economies to resume as inflation normalizes, helping to support a return to trend growth.

Real wage growth expected to improve in 2024



Note: There can be no assurance that any stated projections will be realized. Chart shows monthly real wage growth data for US, UK, and Japan from March 2018 to December 2024. Projections are from Invesco and are shown in dotted lines. Sources: Bloomberg L.P., OECD, and Invesco.
All data is latest available as of October 31, 2023.

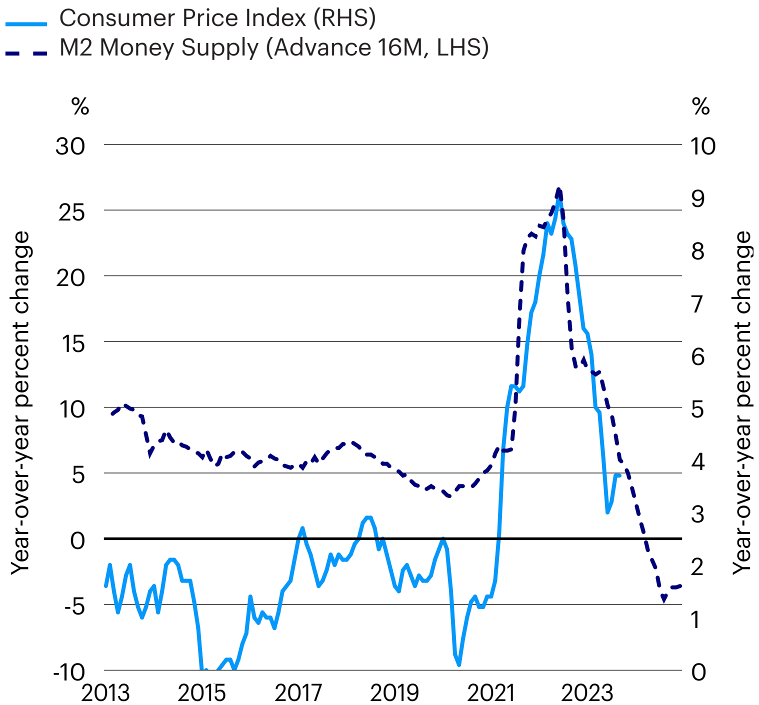
2 Uneven but continued disinflation to end-2024

Forward indicators suggest continued progress on US inflation

Money supply

Money supply appears to be leading inflation by 16 months

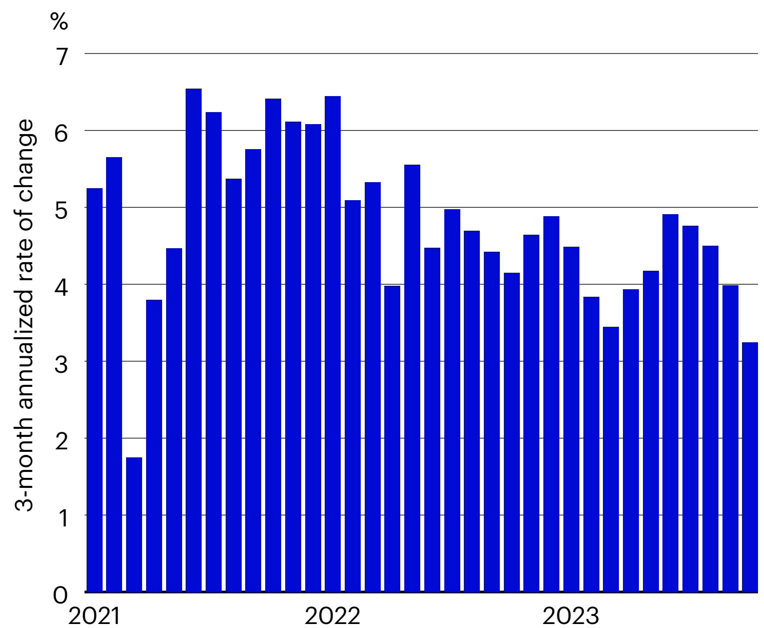
US M2 money supply and Consumer Price Index



Wages

Wage growth is moderating, moving closer to pre-pandemic levels

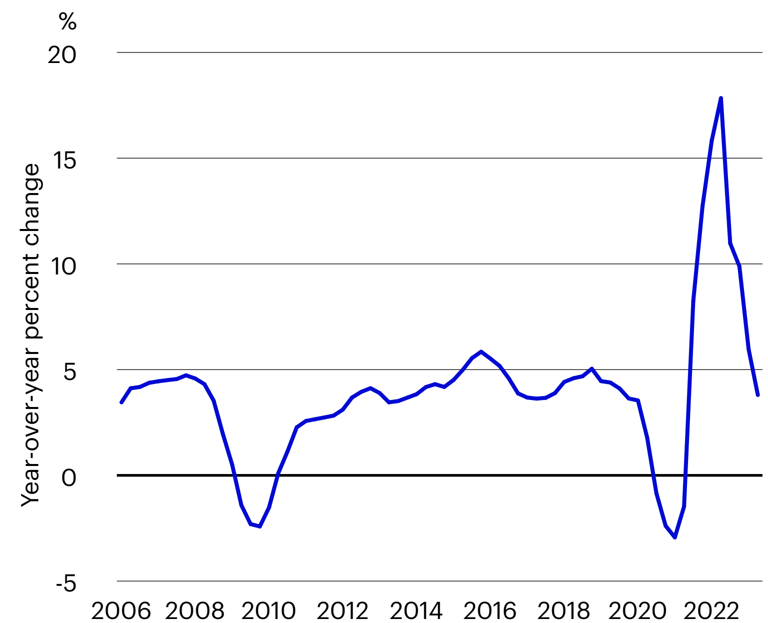
US average hourly earnings
Seasonally adjusted 3-month annualized rate



Rents

Rent inflation is moderating

US apartment real estate effective rates
(US metro, USD per square foot)



Sources: Left: Bloomberg L.P., US Federal Reserve, and US Census Bureau as of September 30, 2023. M2 is coins and notes in circulation plus short-term deposits in banks and certain money market funds. Middle: US Bureau of Labor Statistics and Macrobond, as of October 31, 2023. Right: Bloomberg L.P., Reis Inc., June 30, 2023. Latest data available.

2 Uneven but continued disinflation to end-2024

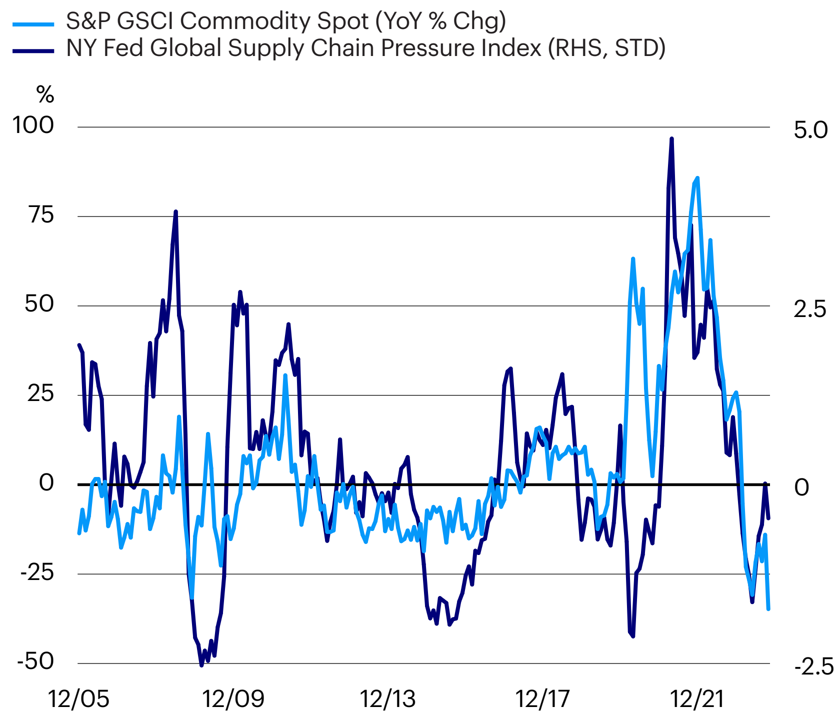
Global inflation factors are gradually dissipating, in our view

In contrast with fears about potentially entrenched inflationary forces, we believe we are in the middle of a bumpy disinflationary trend that will continue to play out in the coming quarters.

- In our view, recent spikes in inflation have largely been a byproduct of pandemic-induced imbalances rather than core economic forces.
- Many of these disruptive elements have meaningfully stabilized, including large-scale direct fiscal stimulus (facilitated by central banks), supply chain dislocations, pandemic-driven changes in consumption, and geopolitically induced shocks to key commodity supply chains.
- We believe we are on the path to normalization, allowing inflation rates to decline without a corresponding significant reduction in output.

Goods inflation — in commodities and supply chains — is back to normal

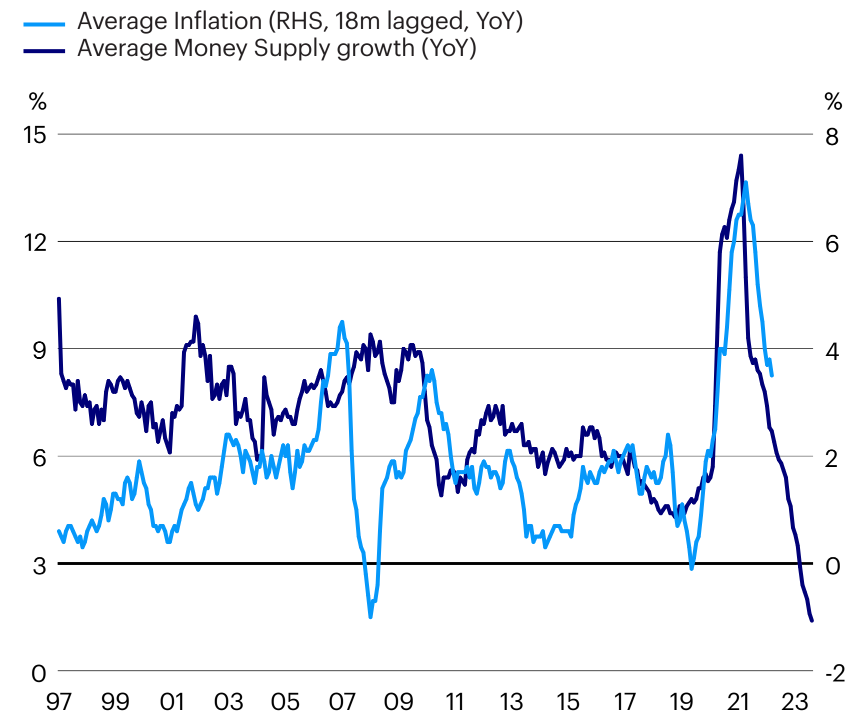
Global commodity prices and supply chain pressure



Sources: Monthly data from December 2005 to October 2023 (as of October 31, 2023). NY Fed Global Supply Chain Pressure Index tracks the state of global supply chains, shown as standard deviations from the historical mean. Sources: Federal Reserve Bank of New York, S&P GSCI, LSEG Datastream, and Invesco.

Normalizing money growth suggests more benign inflation environment ahead

Global money supply vs. inflation



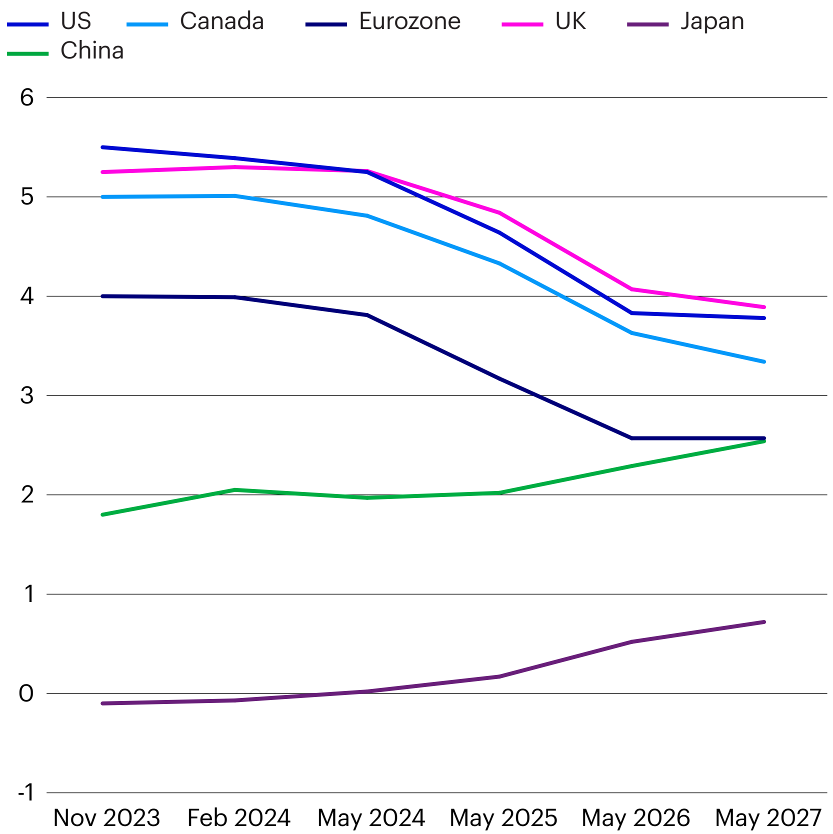
Sources: Datastream and Invesco, as of October 31, 2023 using monthly data. Global average money supply growth and average inflation includes figures from the US, China, eurozone, Japan, and United Kingdom. Both money supply and Consumer Price Index (CPI) measures show the average year-on-year growth across the countries covered since January 1997 (18-month lagged).

3 Peak policy now, marginal easing late in first half of 2024

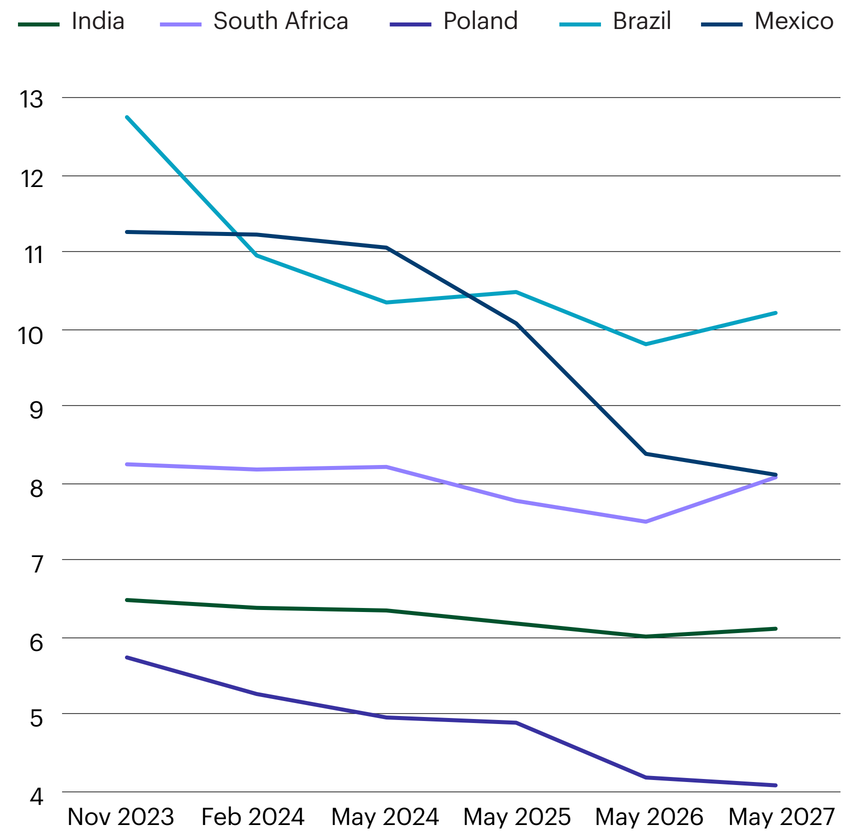
We believe monetary policymakers have now reached the ends of their tightening cycles, with the next step likely to be easing, which we expect to begin to unfold late in the first half of 2024.

- We expect easing to emerge late in the first half of 2024 as inflation continues to move towards acceptable rates and growth slows.
- Easing should help a recovery to take shape, returning the global economy toward trend growth in the second half of 2024 as real wage growth resumes as inflation normalizes.

Major Western economies priced for easing starting in 2024
Market-implied forward policy rates (%)



Emerging markets also expected to be easing gradually
Market-implied forward policy rates (%)



Note: There can be no assurance that forward-looking expectations will materialize. Chart shows market-implied policy rate paths for the central banks of the respective countries shown. Market-implied policy rate is based on overnight index swaps pricing available for the term structure shown. Source: Bloomberg L.P., as of November 3, 2023.

4 After slowdown, risk appetite likely to improve

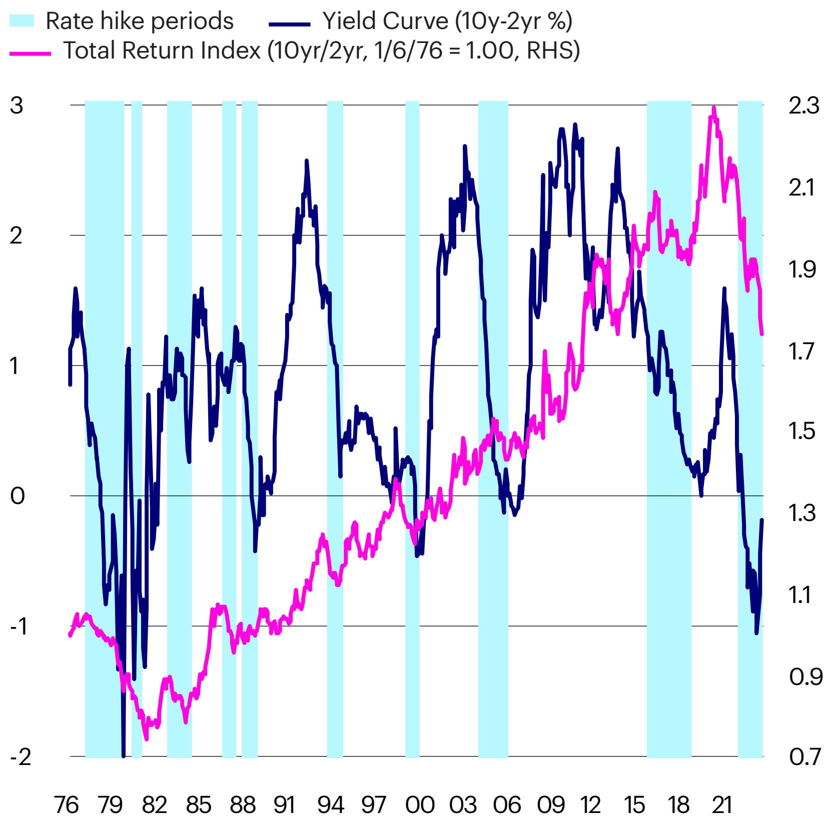
We expect peaking yields now, followed by bull steepening

In the near term, we expect yields to peak as the tightening cycle draws to a close, as we have seen in past tightening episodes.

- During this period, risk appetite should start to improve, but given that some policy uncertainty will remain around the timing of when rate cuts begin, there could be some volatility early in the year (a pattern of "bad macro news is good news for markets" and vice versa). We expect this environment will present opportunities for pursuing long-duration exposure.
- As growth and inflation cool, we expect bull steepening to prevail as the slowdown is realized.

When Fed eases and yield curve steepens, long-maturity bonds outperform

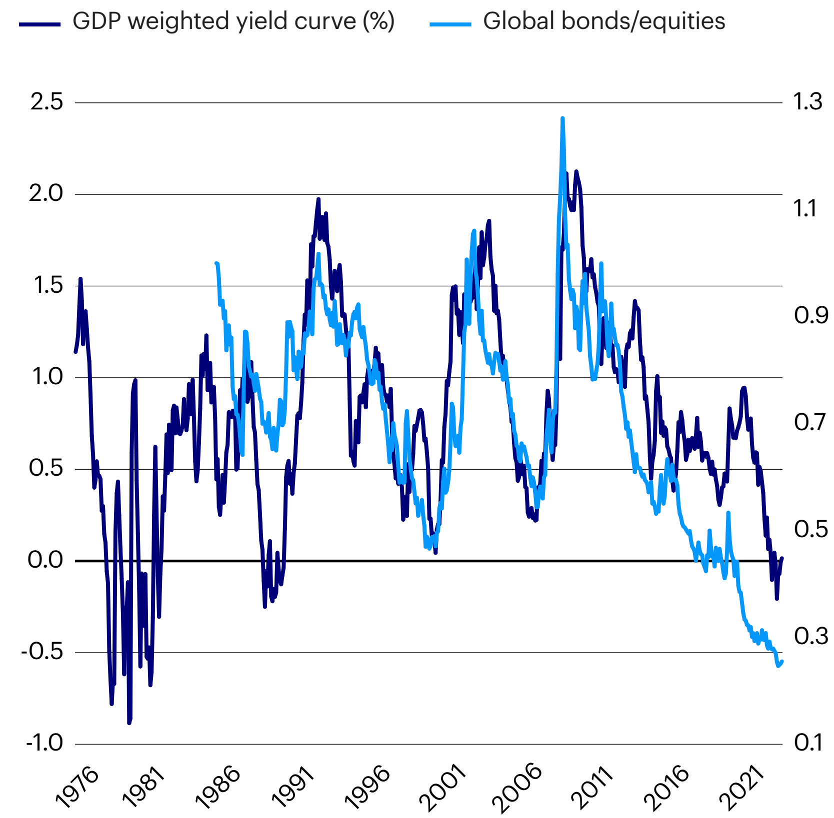
The Fed, yield curve, and bond returns



Notes: **Past performance is no guarantee of future results.** Series definitions may be found in Appendix I. Based on monthly data from June 1976 to October 2023. Sources: Refinitiv Datastream and Invesco Global Market Strategy office.

When yield curves steepen, bonds tend to outperform equities

G10 10y-2y yield curve and equities vs. bonds



Notes: **Past performance is no guarantee of future results.** Series definitions may be found in Appendix I. Based on monthly data from January 1976 to October 2023. Sources: ICE BofA, MSCI, Refinitiv Datastream, and Invesco.

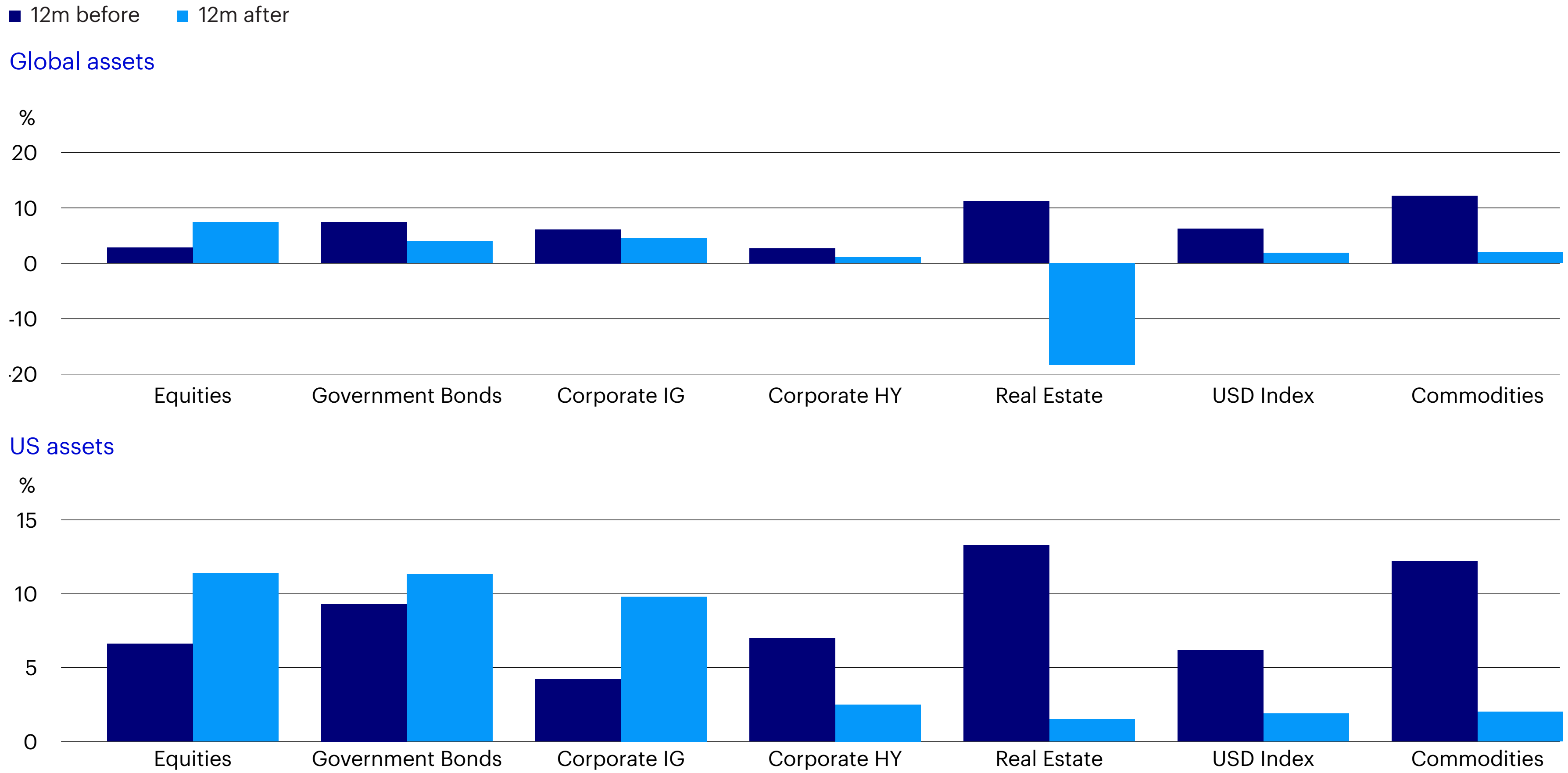
4 After slowdown, risk appetite likely to improve

Rate cuts should help boost risky assets

We expect risk assets to benefit when policy support emerges, which we anticipate occurring late in the first half of 2024.

- We note that risk assets have historically performed better in the run-up to the first rate cut compared to the period immediately after (except for equities). We think this is because central banks are usually easing when economies are weakening.
- However, this cycle is different because central banks were behind the curve when it came to tightening, and this may also be true when it comes to easing (they will be cutting rates late in the cycle).
- Though we anticipate volatility in risk assets as 2024 begins due to the ongoing global economic slowdown, we suspect the easing cycle will, this time, coincide with increased risk appetite. We think markets will already be looking ahead to economic recovery by mid-2024.

Asset average total returns (USD) around first cut in a Fed loosening cycle



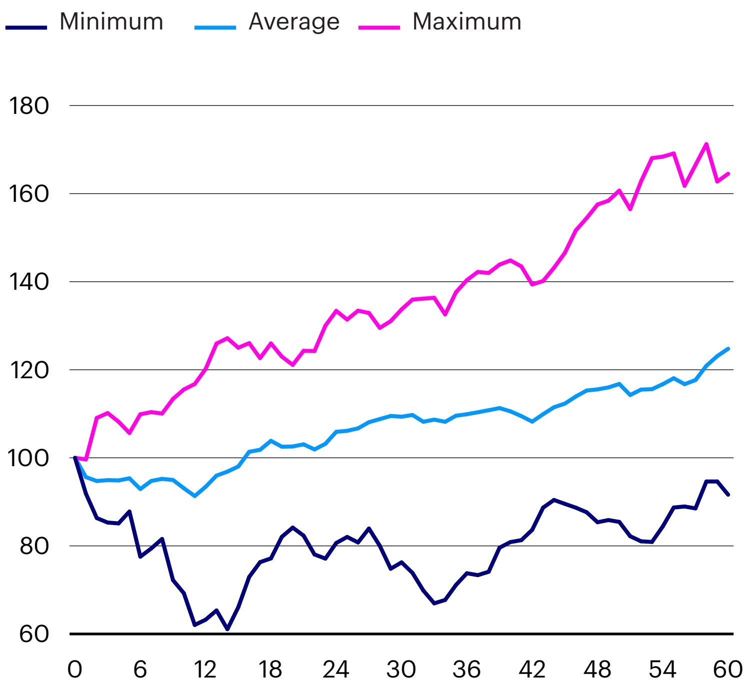
Notes: **Past performance is no guarantee of future results.** . "Gov Bonds" = government bonds; "Corp IG" = investment grade; "Corp HY" = high yield. Based on Federal Reserve interest rate cycles since 1974. Please see Appendix I for methodology and index definitions. Data as of August 31, 2023, covering the period from July 31, 1973, through July 31, 2020. Sources: ICE, ICE BofA, FTSE Russell, MSCI, S&P GSCI, Refinitiv, LSEG Datastream, and Invesco.

5 Key risks and themes

1) Geopolitical risks remain

Recent events in the Middle East have raised risks of regional escalation that may impact oil and natural gas markets. Other political risks range from the ongoing Russia-Ukraine war, US-China tensions over Taiwan, and the upcoming US election. Many of these events are likely to dominate 2024 headlines, but history suggests that stock market effects are transitory.

Wars often have less market impact than feared
Performance of S&P 500 across selected conflicts

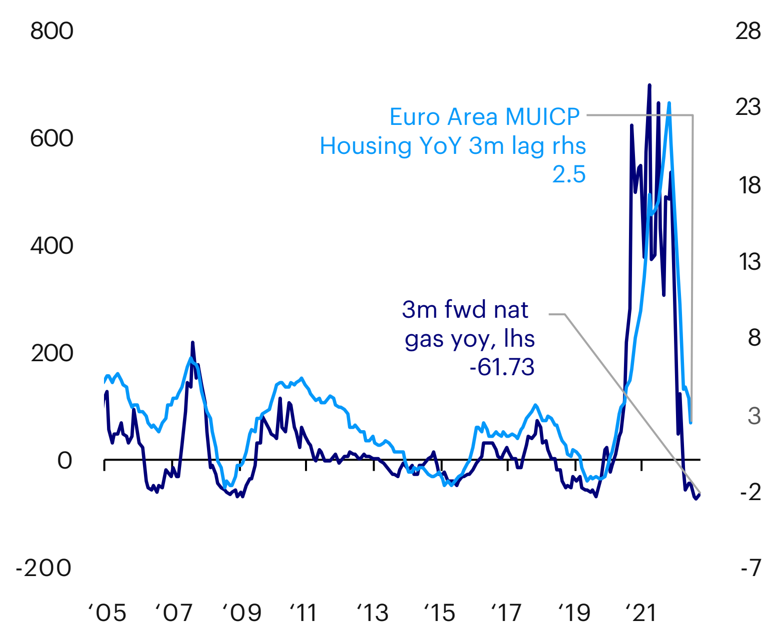


Notes: **Past performance is no guarantee of future results**. Based on the monthly performance of the S&P 500 (or US equity market equivalent prior to its existence as constructed by Robert Shiller) in the five years from the onset of selected tensions. For calculation details, see Appendix I. Sources: Robert Shiller, Bloomberg L.P., and Invesco.

2) Oil price shock risk elevated

As geopolitical risks climb, fears are elevated around an oil or other key commodity price shock that could force growth lower. For example, the Russia-Ukraine war sent European energy costs sharply higher, which has exerted downward pressure on European growth. A similar price crunch could shock growth.

Natural gas prices hit energy bills, inflation

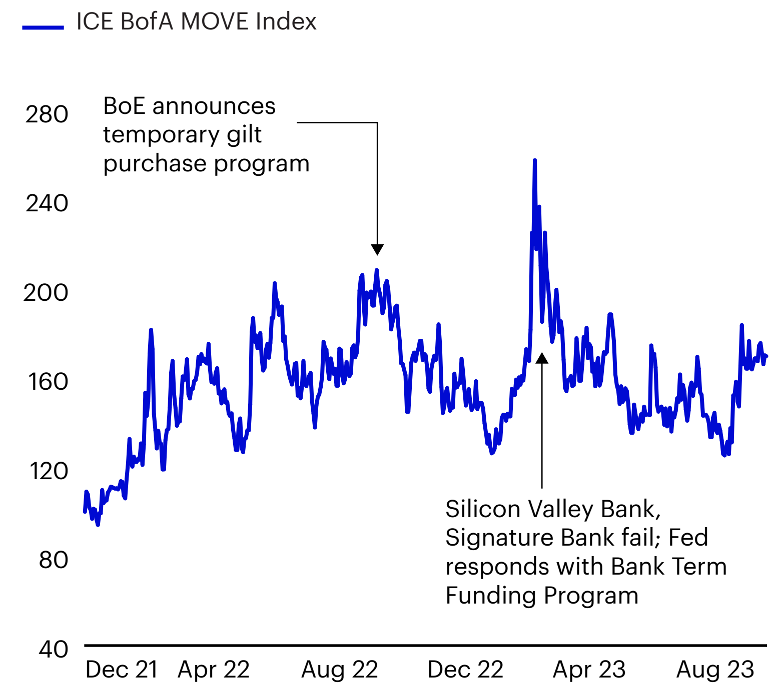


Sources: Invesco, Bloomberg L.P., and Macrobond, as of October 3, 2023. Note: Chart shows eurozone housing-related inflation, which includes energy and natural gas futures. MUICP = Monetary Union Index of Consumer Prices.

3) Financial accidents and stresses

With monetary policy tight, the risk of financial accidents and stresses is elevated, which may bring about a sudden shift in the stance of policy. However, in the recent past, such financial risks have been met with rapid, targeted support.

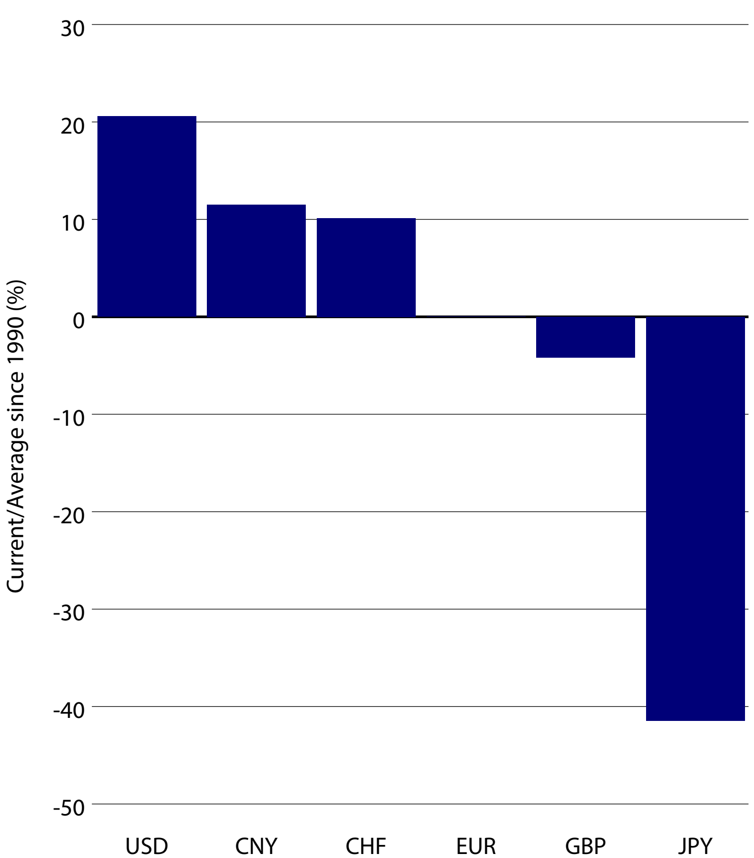
Policymakers have been responsive to crises



Sources: Macrobond and Invesco, as of October 31, 2023. Note: The ICE BofA MOVE Index is a measure of US bond market volatility based on the implied yield volatility of one-month at-the-money 2-, 5-, 10-, and 30-year constant maturity interest rate swaps.

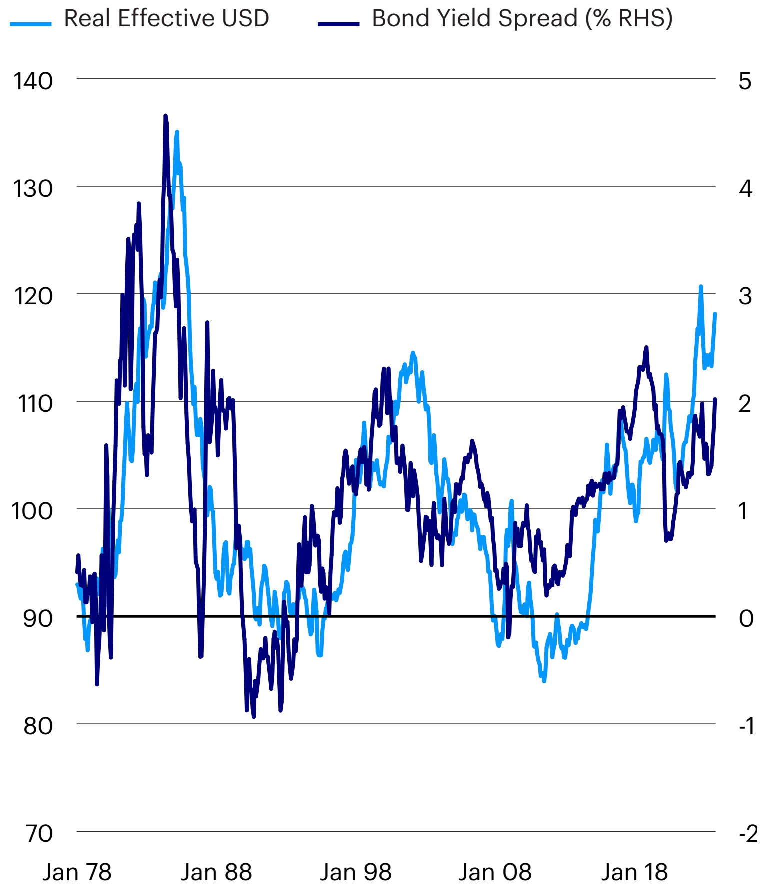
US Dollar/Currencies: USD looks expensive, and yield gaps are likely to move against it

Real effective exchange rates*



*Currency indices measured against a trade-weighted basket of currencies and adjusted for inflation differentials. Latest available data is for September, as of November 8, 2023. Sources: OECD, LSEG Datastream, and Invesco.

Real effective USD and yield spreads



Monthly data from January 1978 to October 2023. Real effective US dollar is an index calculated by the OECD as the trade-weighted value of the US dollar versus a basket of currencies and adjusted for CPI inflation differentials. Bond yield spread is the US 10-year Treasury yield minus the average of the 10-year government yields of: Germany, Japan, and the UK. As of November 8, 2023. Sources: OECD, LSEG Datastream, and Invesco.

Spotlight

The Opportunity

- The US dollar continues to be well above historical norms when measured in real trade-weighted terms. Such valuations can persist but not over the long term, in our opinion. Therefore, we expect the US dollar to weaken.

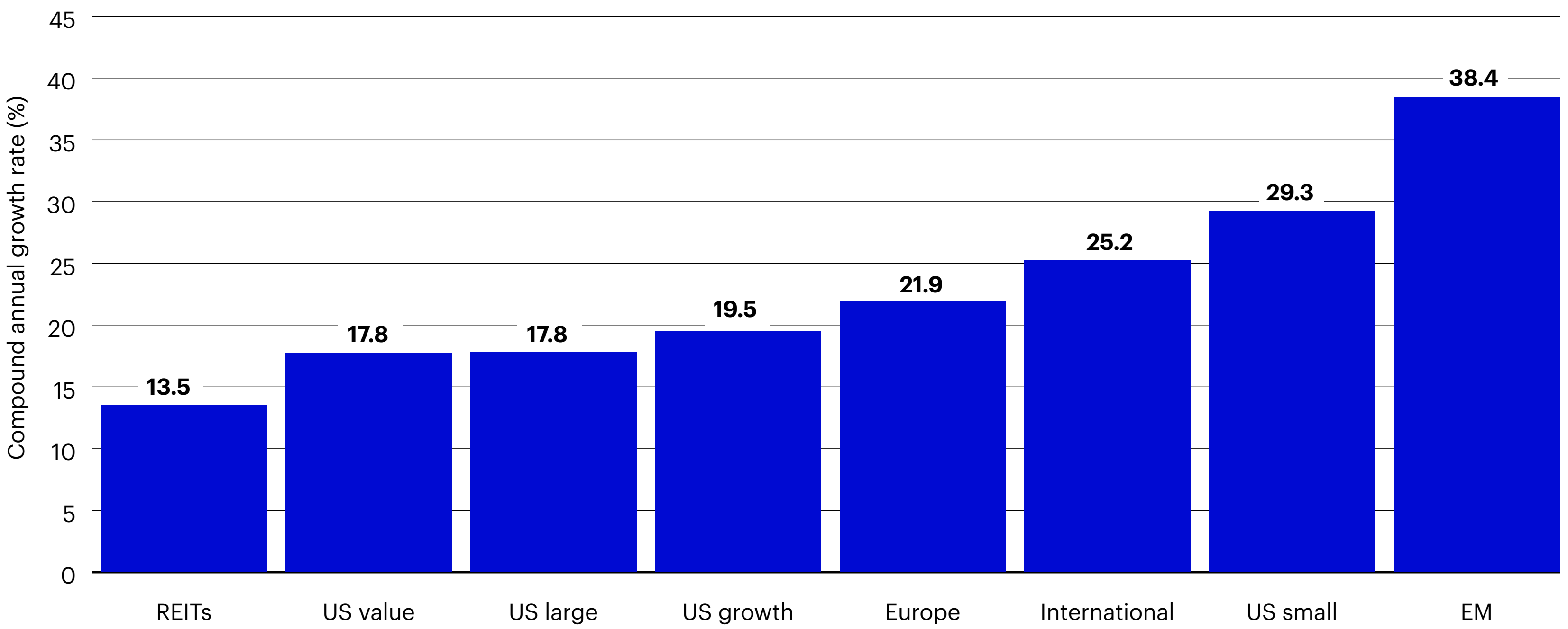
The Catalysts

- Yield differentials often drive short-term currency movements. USD was supported during 2022/23 by aggressive Fed tightening that increased the yield spread on US government bonds versus those elsewhere. However, as markets look ahead to Fed easing, we expect that yield spread to move against the dollar.
- Currencies are often thought to overshoot what is considered to be long-term fair value and to remain away from fair value for some time. Those overshootings are often explained by the fact that financial flows adapt to new circumstances more rapidly than flows of goods and services.

Equities

Recovery trade tends to favor non-US dollar assets and equities that are more cyclical, value-oriented, and smaller capitalization

Global equity performance since 1988 in periods when JP Morgan Global Manufacturing Purchasing Managers' Index was rising



Sources: Bloomberg L.P. and Invesco, December 31, 2022. Notes: REITs = FTSE NAREIT All Equity REITs Index. US value = Russell 1000 Value. US large = S&P 500. US growth = Russell 1000 Growth. Europe = MSCI Europe Index. International = MSCI ACWI ex USA. US small = Russell 2000. EM = MSCI Emerging Markets Index. Price returns in US dollars. See appendix for index definitions. Indexes cannot be purchased directly by investors. **Past performance does not guarantee future results.**

Spotlight

The Opportunity

- **Valuations are more attractive** – In recent years, the underperformance of global value stocks, including emerging markets, Europe, and small caps – has produced compelling opportunities.

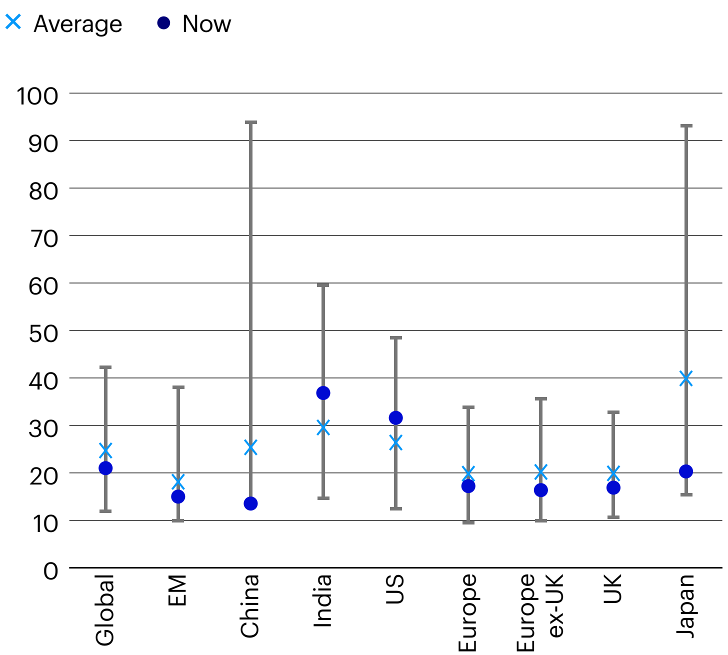
The Catalysts

- End of Fed tightening – Policymakers appear to be nearing the end of policy tightening.
- Second-half growth recovery – Rising worldwide output is typically a boon to more cyclically oriented risk assets. We expect the global value trade to regain investor interest amidst an improving operating climate.
- Weaker US dollar – The US Dollar Index (DXY) should begin to back off its current high levels, which should help boost non-US dollar assets.

Emerging Markets

Relatively good value

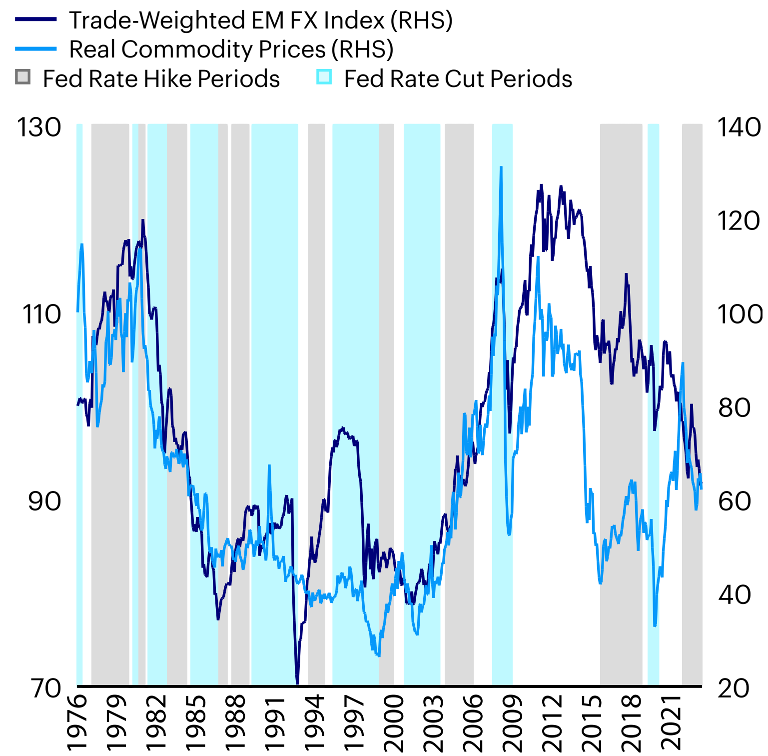
Cyclically adjusted price/earnings ratios within historical ranges



Note: Cyclically adjusted price/earnings uses a 10-year moving average of earnings. Based on daily data from January 3, 1983 (except for China from April 1, 2004, India from December 31, 1999, and EM from 3 January 2005), using Datastream indices. As of October 31, 2023.

Sources: LSEG Datastream and Invesco.

EM currencies, commodities, and the Fed



Note: **Past performance is no guarantee of future returns.** Monthly data from January 1976 to October 2023. Real trade-weighted EM FX index is a trade-weighted average of 18 national emerging market currencies versus US dollar. Real adjustments use national CPI indices versus those of the US. Real commodity price index is based on the S&P GSCI Commodity Spot Price Index, adjusted by the US CPI index. All indices rebased to 100 as of January 1976. As of October 31, 2023. Sources: IMF, OECD, Oxford Economics, S&P GSCI, Bloomberg L.P., Refinitiv Datastream, Invesco.

Spotlight

The Opportunity

- Emerging market assets are attractively valued compared to developed world counterparts, in our opinion. Whether looking at bonds or equities, we believe the valuation of EM assets offers the possibility of high returns over the medium term.

The Catalyst

- Fed easing has in the past been associated with poor EM asset performance (because it coincides with a weak global economy and falling commodity prices, in our opinion).
- We suspect that this cycle will continue to be atypical and expect Fed easing to weaken the US dollar, which could help EM currencies.
- EM currencies have weakened since the peaking of the commodity bubble around 2011. Commodity prices may weaken further in the short term, in our opinion, but we expect eventual global recovery to benefit commodities, EM currencies, and assets.

Fixed Income

Slowing growth and a central bank pause will likely be positive for rates

Global duration

- Global interest rates have risen sharply in recent months amid better-than-expected growth.
- Growth rates should slow, however, as policy tightening takes effect, potentially reducing pressure on interest rates.
- We expect Europe and China to outperform, as growth has already slowed and policy easing has already started or will likely start soon.
- Conversely, markets like Japan, with high monetary policy risk, and the US, with exceptionally strong growth, are more likely to underperform.

Credit views

- In investment grade credit, uncertainty over Fed policy has pressured spreads, but valuations now look interesting. Any rate stabilization could lead to greater allocation to investment grade.
- High quality high yield valuations also look attractive, but "higher rates for longer" could challenge the lower quality segment of high yield credit.
- Emerging market credit overall does not look compelling relative to investment grade and other credit sectors. We favor opportunities outside of the core universe, including high yield emerging markets.
- Valuations in municipals and agency mortgage-backed securities look attractive. Optimism about stabilizing interest rates and rate volatility should support these sectors.

Views from Invesco Fixed Income

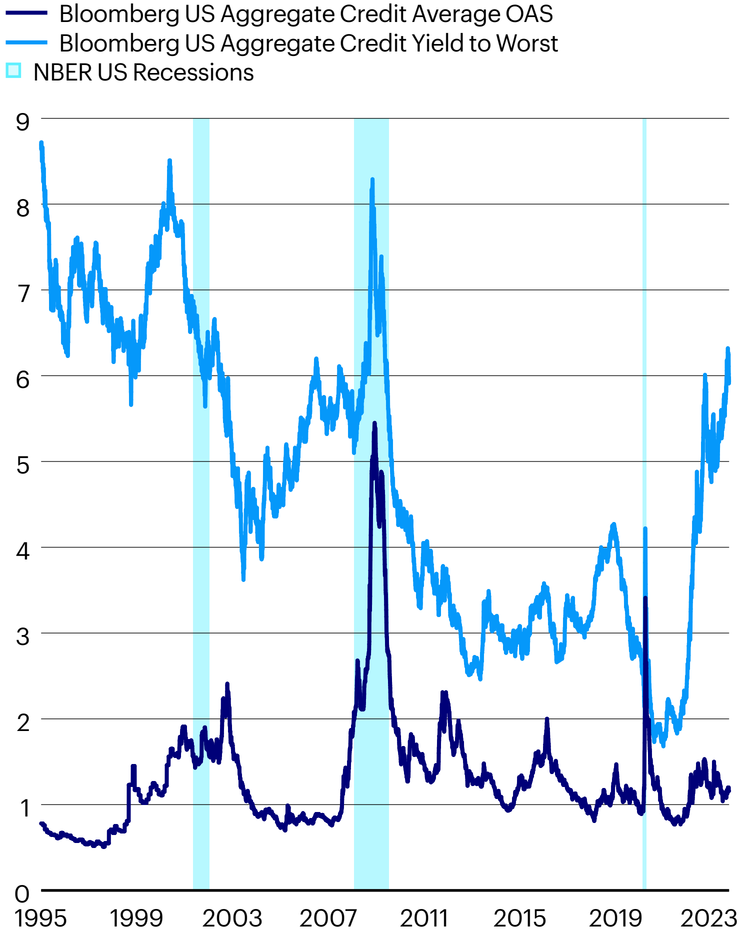
Rob Waldner, CFA®
Chief Strategist

"The Federal Reserve has paused interest rate hikes, and we believe it is likely done with this rate hiking cycle. Other central banks have indicated that they are at, or close to, the end of their rate hiking cycles as well, including the European Central Bank, the Bank of England, and the Reserve Bank of Australia. An end to the relentless rise in short-term rates among developed markets should lend some stability to the bond market and help reduce rate volatility. Our perceived proximity to this inflection point, combined with improved valuations, makes us more positive on risk-taking."

Fixed Income

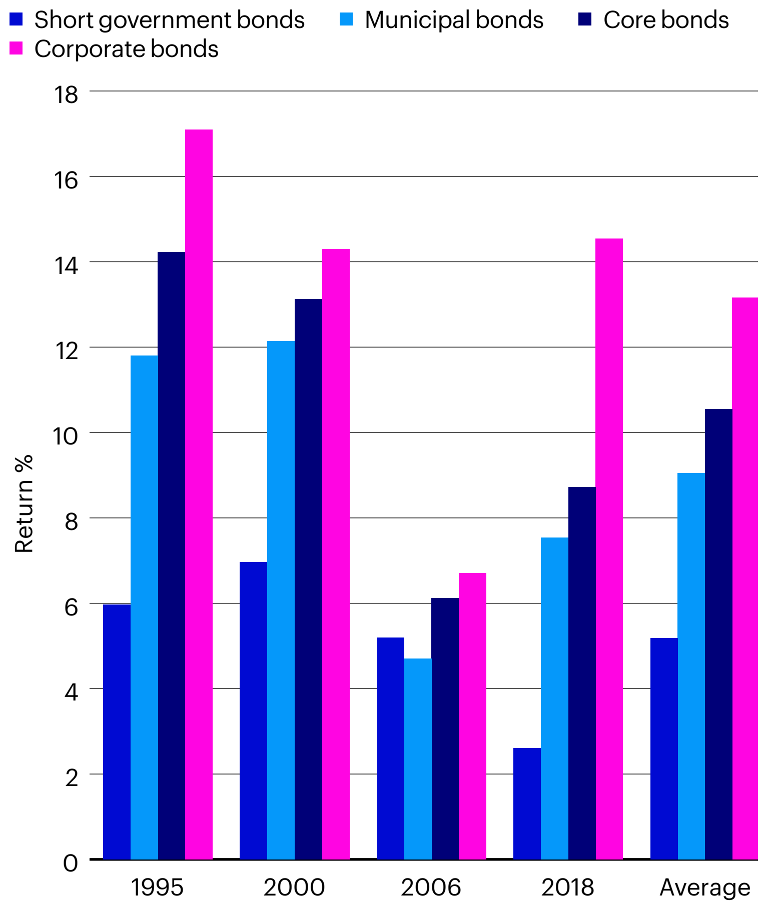
Bonds currently offer a compelling investment opportunity

Credit spreads are not cheap, but yields look attractive



Sources: Macrobond, Bloomberg L.P., and Invesco, as of October 31, 2023.

Credit, core, and municipal bonds outperformed short-term bonds following the end of rate hike cycles



Note: **Past performance is no guarantee of future returns.**

Source: Bloomberg L.P., July 31, 2023. See Appendix I for index definitions. Indexes cannot be purchased directly by investors.

Spotlight

The Opportunity

- We believe high quality credit offers a compelling investment opportunity.

The Catalyst

- **Inflation on the decline** – We believe inflation has peaked, and the US is in a disinflationary trend. We expect continued progress toward central bank targets in 2024.
- **End of monetary tightening** – We believe we are at, or close to, the end of central bank rate hiking cycles. Higher yields created by rate hikes and rate volatility are a buying opportunity, in our view.
- **Bumpy landing** – We would expect investment grade companies to perform well in an environment of slower growth and declining inflation and do not expect a recession. Corporate fundamentals are generally solid, and most companies are still benefiting from the low overall funding costs available before the recent move higher in rates.

Alternatives: Private market outlook

Jeff Bennett, CFA®
Head of Manager Selection
Invesco Solutions

Private credit

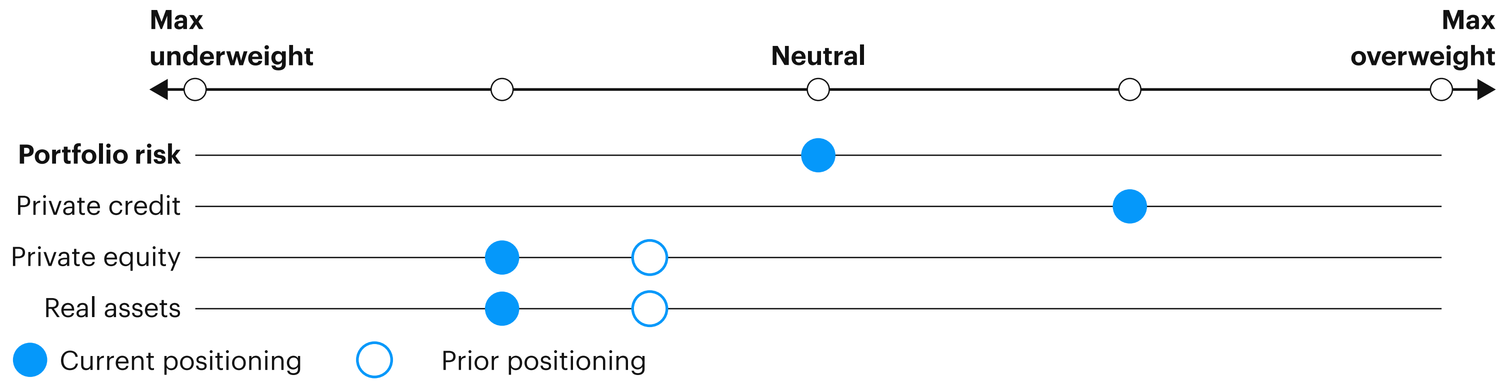
The current environment is extremely conducive to executing conservatively structured transactions. Leverage levels on new transactions across the market have declined, while loan-to-value (LTV) metrics have meaningfully improved. Given the improved structures, current transactions are being completed with significant equity in a first-loss position. We are anticipating an improved opportunity set with distressed and special situations debt as the $6 trillion market across leveraged credit is quite sizable on an absolute basis. Commercial real estate debt is anticipated to remain highly attractive, especially for those with favorable sources of financing.

Private equity

We have seen a heightened focus on growth equity strategies, illustrated growth equity representing roughly one out of every five deals during the quarter. The growth equity deal count is on pace to potentially exceed total LBO volume if you exclude add-on transactions. This highlights the continued theme reflecting a more favorable opportunity set for companies that can rely on organic growth to drive return relative to those that require the use of leverage, which comes at a high cost in the current environment.

Real assets

Capital markets are disrupted as yields and cap rates are increasing in reaction to elevated interest rates. While asset values continue to reprice, banks are focused on existing loan books and so offer limited new liquidity, thereby impacting the volume of real estate transactions in all key markets. For real estate occupational markets, while the combination of weak growth and cautious sentiment is likely to dampen some tenant demand, fundamentals should remain healthy for markets without excess supply. Within infrastructure, while historically, the level of dry powder remains elevated, and valuations, similar to those in real estate, have not backed up with base rates, near-term fundamentals are strong and secular tailwinds are supportive.



Source: Invesco Solutions, views as of September 30, 2023.

Alternatives: Commodities outlook

Jeff Bennett, CFA®
Head of Manager Selection
Invesco Solutions

David Gluch, CFA®
Client Portfolio Manager
Invesco Global Asset Allocation

Current attractive bias due to agriculture and energy despite weakness in metals

	Overall	Valuations	Fundamentals	Secular trend
Asset class	Attractive	Attractive	Attractive	Unattractive
Agriculture	Attractive	Attractive	Attractive	Attractive
Energy	Attractive	Attractive	Attractive	Unattractive
Industrial metals	Unattractive	Unattractive	Attractive	Unattractive
Precious metals	Unattractive	Attractive	Unattractive	Unattractive

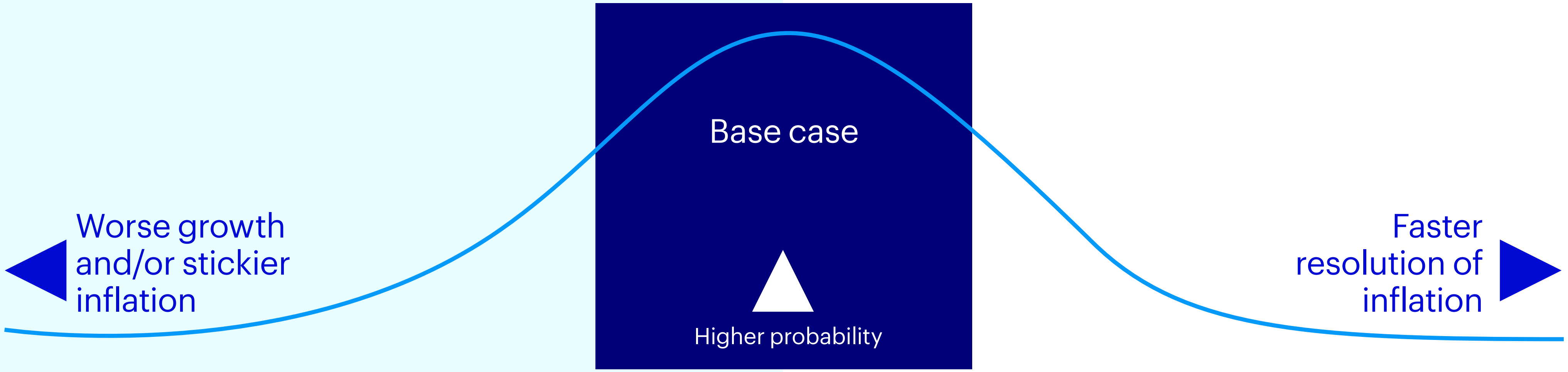
Commodity prices remain volatile and rangebound across most sub-complexes, and while our secular trend assessment is currently net attractive, we caution it is subject to sudden change. After being the worst-performing sub-complex for 2023 through May, energy staged a fierce rally from June through September that saw Brent crude test its key $100 per barrel psychological level. OPEC production cuts, coupled with lower Russian exports, and rising margins on refined products, drove prices higher, pulling the sub-complex out of its wide, rangebound trading pattern that formed in late 2022. The summertime rise in long-term interest rates against a broad central bank pause further hindered industrial metals that remain under pressure from a tepid Chinese economy and weaker demand for green energy manufacturing. Gold is the benchmark's top holding and has been impressively resilient, given rising real yields and the strong US dollar. The outbreak of conflict in the Middle East boosted the yellow metal due to safe-haven demand. El Nino's impact on tropical soft commodities, including sugar, has supported agriculture's overall attractive trend.

For valuation, a comparison of spot prices to exponentially weighted five-year average prices is utilized, and while scores are currently net attractive, they are only so by a small degree. Gold's price resiliency not only hurts precious metals but also the broader index, as gold is the top holding in the Bloomberg Commodity Index. Energy valuation remains attractive but to a lesser degree after a summer rally, while plummeting wheat prices allow agriculture to reach net attractiveness. Industrial metals have seen the most improvement due to broad price declines.

Fundamentals, as measured by annual carry, are net unattractive mainly due to the Bloomberg Index's large weight to natural gas and its top holding, gold, whose carry is unattractive given a persistently inverted yield curve. Carry remains highest in refined products and oil, as well as soybean meal, soybean oil, sugar, and coffee.

Source: Invesco Solutions, views as of Oct. 31, 2023. Views reflect the Bloomberg Commodity Index and do not translate directly to any Invesco commodity strategy.

Alternative scenarios



“Hard Landing”

- We believe a "hard landing" might have one of two potential drivers. In either case, the end result for investment implications will be similar, but the near-term experience will likely differ.

1. An already-committed policy mistake takes effect through the long and variable lags of policy tightening and proves to be too much for the US economy to handle. In this event, we expect considerably weaker growth and sooner policy easing.
2. Persistent inflation requires policymakers to keep rates higher for longer, resulting in a greater economic effect than we currently anticipate.

"Soft landing"

- We also consider an upside scenario for the US in which supply-side shocks dissipate or are already gone, and mild cooling on the demand side lowers inflation, which boosts the economy.
- In this “soft landing” scenario, the US economy would be presently in (or even exiting) a mid-cycle slowdown, from which the economy reaccelerates in the first half of 2024.
- We would expect core inflation to fall with more certainty and at a smoother trajectory versus the base case, enabling the Fed to ease sooner.
- Outside the US, we would expect surplus economies like the eurozone, as well as twin-deficit emerging markets to benefit in this environment.

Note: For illustrative purposes only.

Global Market Strategy Office

Favored assets in the period ahead

Hard Landing

Stickier inflation, lower growth

A hard landing may materialize either through long lags of policy tightening or persistent inflation that spurs additional tightening. In either case, the investment implications would be similar, but the near-term experience would likely differ – long-duration bonds and equities would likely outperform sooner in the early hard landing scenario but underperform in the persistent inflation version.

Our favorite picks...

- Cash
- Fixed income: Long-duration sovereigns
- Equities: Defensive equities, such as consumer staples and health care
- Currencies: Non-USD, non-commodity defensive currencies, such as CHF, JPY

Bumpy Landing

Disinflation through 2024, first half growth slowdown followed by second half reacceleration

Growth to slow to below-trend rates in the first half of 2024 but reaccelerates in the second half as inflation falls, policy easing begins, and real wage growth takes root. As early as Q4 '23, we are likely to see markets beginning to discount a slowdown and subsequent recovery beginning. Europe and the UK are in a relatively worse growth position. Chinese growth is likely to be challenged in the first half of 2024 but will improve later in the year.

Our favorite picks...

- Equities:
  - Cyclical equities, including value and small caps
  - EM Asian equities, including Chinese equities
- Fixed Income:
  - Long-duration positioning
  - US IG and EM Asia local bonds
- Currencies: Non-USD FX

Smooth Landing

Rapid disinflation, better growth

US supply-side shocks dissipate and mild cooling on the demand side lowers inflation, which boosts growth. In this case, the US is presently in (or in the process of exiting) a mid-cycle slowdown, from which we reaccelerate in the first half of 2024. US core inflation to fall with more certainty and at a smoother trajectory, enabling the Fed to ease sooner, with positive spillovers.

Our favorite picks...

- Fixed Income: High yield credit
- Equities
  - Europe and emerging markets
  - Value and small caps
  - Basic resources, industrials
- Currencies: AUD, CAD
- Commodities: Industrial commodities, especially metals

Source: Invesco, as of October 31, 2023.

Tactical asset allocation:

Macro framework

	Recovery	Expansion	Slowdown	Contraction
Economic regime	Growth ▼ **below** trend & ▲ **accelerating**	Growth ▲ **above** trend & ▲ **accelerating**	Growth ▲ **above** trend & ▼ **decelerating**	Growth ▼ **below** trend & ▼ **decelerating**
Monetary policy direction	**Still easy** **~ 15% of the business cycle**	**Tightening** **~ 35% of the business cycle**	**Tight** **~ 35% of the business cycle**	**Easing** **~ 15% of the business cycle**
Market leadership, ranked by expected outperformance ↓	**Risk credit** • High yield, bank loans • EM hard currency	**Equity** • Value, size, momentum • Emerging markets	**Equity** • Quality, low volatility • Defensives, developed markets	**Government bonds** • Long duration • Nominal bonds
	Equity • Size, value, cyclicals • Emerging markets	**Risk credit** • High yield, bank loans • EM hard currency	**Government bonds** • Long duration • Nominal bonds	**High-quality credit** • IG corporate • IG securitized
	High-quality credit • IG corporate • IG securitized	**High-quality credit** • IG corporate • IG securitized	**High-quality credit** • IG corporate • IG securitized	**Risk credit** • High yield, bank loans • EM hard currency
	Government bonds • Intermediate duration • Nominal bonds	**Government bonds** • Short duration • Inflation-linked bonds	**Risk credit** • High yield, bank loans • EM hard currency	**Equity** • Quality, low volatility, momentum • Defensives, developed markets

Note: Economies can move backward and forward in this framework.

For illustrative purposes only. We define policy easing as the US Federal Reserve lowering interest rates and/or expanding its balance sheet. Still easing suggests that the US Federal Reserve is maintaining the lower interest rate policy and/or continuing its bond-buying program. Tightening suggests that the US Federal Reserve is tapering asset purchases and/or beginning to raise interest rates. Tight policy suggests that the US Federal Reserve is raising rates in an effort to ease inflation concerns. There is no guarantee that these trends will continue in the future.

Appendix I

Notes for page 8 charts:

- When Fed eases, and yield curve steepens, long-maturity bonds outperform“Rate hike periods” show periods when the US Federal Reserve was raising its policy rate. “Yield Curve (10y-2y, %) shows the difference between the US Treasury 10-year yield and the US Treasury 2-year yield. “Tot Ret (10yr/2yr, 1/6/76 = 1.00)” shows the ratio between the total return index for 10-year US Treasuries and that of 2-year US Treasuries, rebased to 1.0 on June 1, 1976. Total returns are calculated using movements in the respective yields on a daily basis to derive price movements, which are added to income flows assuming daily sales and repurchases to maintain constant maturities). Sources: Refinitiv Datastream and Invesco Global Market Strategy.
- When yield curves steepen, bonds tend to outperform equities“GDP weighted yield curve” is the average 10-year yield minus 2-year yield comparison across 10 economies (Australia, Brazil, Canada, China, eurozone, India, Japan, Russia, UK, and US), weighted by GDP. “Bonds/equities” is based on total return indices in US dollars and is the MSCI World Index divided by the ICE BofA Global Government Index. Sources: ICE BofA, MSCI, Refinitiv Datastream, and Invesco.

Notes for page 9 charts:

- Data as of August 31, 2023. The top chart shows the total return on global assets in the 12 months before and after the first Fed rate cut in easing cycles since 1974, and the bottom chart shows the same but for US assets. Data doesn’t exist for all assets for every easing cycle. Sources: ICE, ICE BofA, FTSE Russell, MSCI, S&P GSCI, Refinitiv Datastream and Invesco Global Market Strategy Office. Government bonds: Historical and projected yields and returns are based on ICE BofA government bond indices with historical ranges starting on December 31,1985 for the Global and January 30, 1978 for the US indices. Corporate investment grade (IG) bonds: ICE BofA investment grade corporate bond indices with historical ranges starting on December 31, 1996 for the Global and January 31, 1973 for the US dollar index. Corporate high-yield (HY) bonds: Bank of America Merrill Lynch High-Yield indices with historical ranges starting on August 29, 1986 for the US dollar and December 31,1997 for the Global index. Equities: We use MSCI benchmark indices to calculate projected returns and calculate long-term total returns with historical ranges starting on December 31, 1969 for the Global and US indices. Real estate: We use FTSE EPRA/NAREIT indices with historical ranges starting on December 29, 1989 for the US and February 18, 2005 for the Global Index. Commodities: Standard and Poor’s Goldman Sachs Commodity Total Return Indices with historical ranges starting on December 31, 1969.

Notes for page 10 charts:

- Wars often have less market impact than fearedBased on the monthly performance of the S&P 500 (or US equity market equivalent prior to its existence as constructed by Robert Shiller) in the five years from the onset of tensions during WW1, WW2, the Cuban Missile Crisis, the Yom Kippur War, the Kuwait War, and the Iraq War. For each episode, the index is rebased to 100 at the outset (month zero) and is then calculated over the following 60 months. Sources: Robert Shiller, Bloomberg L.P., and Invesco.

Notes for page 15 charts:

- Credit, core and municipal bonds outperformed short-term bonds following the end of rate hike cyclesShort government bonds are represented by the S&P 0-1 Year US Treasury Index. Municipal bonds are represented by the Bloomberg US Municipal Bond Index. Core bonds are represented by the Bloomberg US Aggregate Bond Index. Corporate bonds are represented by the Bloomberg US Corporate Bond Index.

Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations), and investors may not get back the full amount invested.
Past performance is not a guide to future returns.

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All data as October 31, 2023, unless otherwise stated. All data is USD, unless otherwise stated.

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Pensions & Investments

PENSION FUNDS

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Expect familiar worries for 2024 as pension funds mull economy, interest rates

Rob Kozlowski

U.S. pension fund executives are taking a cautious approach to 2024, as they await the answer to how much the economy will slow and when and by how much the Federal Reserve may cut interest rates.

While much remains unknown, they are seeking returns in places like fixed income and real estate, where they believe the greatest opportunities loom.

There's also the matter of the upcoming U.S. presidential election.

Christopher Ailman, chief investment officer of the $304.9 billion California State Teachers' Retirement System, West Sacramento, summed up the overall uncertainty in 2024 in a Dec. 18

interview: “My Magic 8 ball is broken. It’s stuck in between tiles, so I don’t have a good prediction model for next year.”

"Usually, when the U.S. market, say the S&P 500 index, is up 25%, you rarely see it repeat that return in the following year," he added in a follow-up email. "You would only expect that in a raging strong economy, and we don't have that. So, I'm expecting the typical return in a presidential election year of something like a single-digit positive result."

"It really looks to me like (Federal Reserve Chairman Jerome) Powell has pulled off the soft landing," Ailman said in the interview.

Charles Van Vleet, assistant treasurer and CIO of pension investments at Textron, concurs.

He and his staff think 2024 will be another year of solid returns, the risk of recession will be low, and progress on reducing inflation will continue. He said in a written response to questions that recent breakthroughs in pharmaceuticals are the "tide that will lift all boats."

Van Vleet said in the Dec. 6 response: "Just consider that six weeks ago the FDA approved cellular meat, three months ago GLP-1 for weight loss, six months ago Nvidia introduced the H100 chip, five years ago we learned of CRISPR" gene-editing treatments. "All of these breakthroughs will power the markets with productivity and profits," he said.

Van Vleet said the greatest near-term opportunity is in real estate, particularly in publicly listed real estate investment trusts.

"The public real estate market has tossed the baby out with the bathwater by treating everything like office and shopping malls," he said. "There are solid fundamentals in data centers, cold storage, multifamily and industrial."

Van Vleet oversees over $13 billion in defined benefit and defined contribution plan assets for the company.

On the real estate side, Jase Auby, CIO of the $187.2 billion **Texas Teacher Retirement System**, Austin, said that "data centers remain a big focus of ours."

While the rise in interest rates has been the biggest investment-related theme over the past year, Auby said on a more thematic note, the rise of artificial intelligence is just as important.

"From our perspective, it's real and it really is translating into tangible demand for data center space, so that's something we're focused on and allocating to," Auby said.

Paul Colonna, president and CIO of Lockheed Martin Investment Management, said fixed income and real estate debt are areas where he and his staff see some opportunity. In his role, Colonna oversees more than $30 billion in frozen defined benefit plan assets of Lockheed Martin, Bethesda, Md.

At this time last year, Colonna expressed eagerness at the prospect of fixed income generating returns, given the rise in interest rates. But overall returns fell below expectations before a November boom in 2023.

The Bloomberg U.S. Aggregate Fixed Income index returned 4.5% during the month after returning -2.8% in the 10 months ended Oct. 31.

"We were adding to our fixed-income portfolio in 2023, and we were glad we did that," Colonna said. "We did that kind of thinking fixed-income returns would be compressed with equity returns, and that was more of a secular view, not just a view on '23. We still kind of believe that."

Colonna said that he and his staff think there is more compression between the equity and fixed-income markets ahead in 2024, certainly in the first part of the year before fixed-income returns might level off if there is a soft landing.

Colonna also said there is some significant opportunity in real estate debt.

"(In) commercial whole loans, credit tenant leases, some of the places in the real estate debt market where you're taking on some less leverage, there's opportunity for pretty strong returns if you do your underwriting correctly," he said.

Risks remain

Along with the opportunities for the coming year, pension fund executives anticipate the themes of the last two years will continue to dominate their thinking in 2024 and provide the key challenges for investors.

"I think still inflation and interest rates are going to be top of mind for most investors," said Angela Miller-May, CIO of the $50.2 billion **Illinois Municipal Retirement Fund**, Oak Brook.

"Really, when is the Fed going to cut rates? Whether it is the first quarter or the fourth quarter of next year, how many rate cuts? Between three to five cuts? Just trying to realize what the reality will be as opposed to what the expectations will be," she said.

Sriram Lakshminarayanan, CIO of the $41.1 billion **Iowa Public Employees' Retirement System**, Des Moines, said he thought the market navigated to a higher interest rate environment in 2023 surprisingly well, thanks to what he said was the might of the American consumer and the rise of artificial intelligence technology, typified by the extraordinary market performance of chipmaker Nvidia.

The same question applies though.

The Fed's actions "seemed to have reduced inflationary pressure enough that people are kind of happy that this is the nice place to be," Lakshminarayanan said. "What this means is the Fed is likely done increasing, and there is going to be a little bit of growth slowdown as it comes with higher interest rates. The bigger question for all of us is how is when is the Fed going to reverse that path and start reducing interest rates?"

Lakshminarayanan said if the slowdown remains gradual, then the Fed can take its time reducing interest rates rather than going for the "nuclear option" of immediate, back-to-back rate cuts.

Noted Andrew Junkin, CIO of the $105.9 billion **Virginia Retirement System**, Richmond: "It does feel like even if rates do come down as the Fed is projecting next year, a lot of it has already been priced in."

"Equity has really turned," he said. "U.S. stocks are not cheap, they're really the only place we're seeing consistent growth around the globe, certainly driven by the Magnificent Seven."

The Magnificent Seven — Apple, Microsoft, Alphabet, **Amazon.com**, Nvidia, Meta Platforms and Tesla — have driven much of the growth of the S&P 500 index in 2023.

"That concentration is one of the things that keeps me up at night," he said.

Weighing recession

Texas Teachers' Auby anticipates a recession in 2024, pointing out that the classic signals predicting recession are lining up, "flashing red as it were," including the yield curve inversion, banks tightening lending standards, and unemployment rising, putting out projections for the coming year at 4.2%, up from the current 3.7%.

Auby said it is difficult for him to see how there won't be a recession, although it's possible the U.S. may work its way out of it.

"Valuations are stretched in the equity market, but they're in a zone of overvaluation that can persist for a very long time," Auby said. "There's no reason why tomorrow they have to revert to their long-term average, and there's a very striking theme out there with AI and other forms of tech that are quite powerful and can feed that narrative."

Paul Matson, executive director of the $50.7 billion **Arizona State Retirement System**, Phoenix, said in a written response that he sees a return to a "more normal economic and political state" in 2024.

That includes "interest rate levels driven more by investor and borrower demand and supply than central authorities and policy makers; mitigation of global power politic rhetoric; mild reduction of trade frictions; and modest resolution or containment of global confrontations."

He added that he and his staff do not see a recession occurring in 2024, and "a modest growth scenario is more likely than a negative growth scenario."

Farouki Majeed, CIO of the $17.5 billion **Ohio School Employees Retirement System**, Columbus, projects some slowdown in the economy, although he can't say whether it will be called a recession.

"It is probably not likely to be severe," Majeed said. "At the same time we do expect some sort of rate cuts, maybe not to the extent that the market is currently discounting, perhaps to the latter part of 2024."

Meanwhile, CalSTRS' Ailman sees the slowing economy as perhaps something that will further divide the country.

"If I'm right in that we don't have a recession and it's a really slow recovery, we are already seeing the signs (of stress) at the bottom part of the income ranges," Ailman said. "There could be a real economic divide."

Election angst

Few things typify the concept of a divided country like the upcoming presidential election in 2024, which by all accounts is expected to feature a rematch between President Joe Biden and Donald Trump.

"It's an election year, which brings about its own set of uncertainties," VRS' Junkin said.

"With the two likely candidates, we kind of know the game plan, and the rhetoric and what we're going to see. Even here in a purple state, I almost threw my TV out the window after the state elections."

"(Regarding) the election, I'm old enough in age that that stuff just stresses me out," said CalPERS' Ailman. "Does it affect the market? Probably not. A president is going to want a decent economy. I think the Fed is going to go silent by August and not want to do anything in the last third of the year, but by the rhetoric? Who knows? It's weird. It feels like it's going to divide the country."

There's some data showing markets tend to rise in election years. And yet, Miller-May raised similar concerns.

"Really, what's going on, it scares me. The wars and the fact that we can't be on one accord in what should be the United States. I worry for my children. I worry for my nation. I worry for our economy because that's my job, and because it's what I love to do but (the election) will definitely make it more challenging."