

**Executive Team:**

**Dominic D. Brown, CPA, CFE**  
Chief Executive Officer

**Daryn Miller, CFA**  
Chief Investment Officer

**Jennifer Zahry, JD**  
Chief Legal Officer

**Matthew Henry, CFE**  
Chief Operations Officer



**Board of Retirement:**

Phil Franey, Chair  
David Couch, Vice-Chair  
Deon Duffey  
Juan Gonzalez  
Joseph D. Hughes  
Jordan Kaufman  
Rick Kratt  
John Sanders  
Tyler Whitezell  
Dustin Contreras, Alternate  
Chase Nunneley, Alternate  
Robb Seibly, Alternate

September 5, 2024

Members, Board of Retirement  
Employee Bargaining Units  
Requesting News Media  
Other Interested Parties

Subject: Meeting of the Kern County Employees' Retirement Association  
Board of Retirement

Ladies and Gentlemen:

A meeting of the Kern County Employees' Retirement Association Board of Retirement will be held on Wednesday, September 11, 2024 at 8:30 a.m. in the KCERA Boardroom, 11125 River Run Boulevard, Bakersfield, California, 93311.

**How to Participate: Listen to or View the Board Meeting**

To listen to the live audio of the Board meeting, please dial one of the following numbers (*landline recommended for best audio*) and enter ID# 810 6059 8243:

- (669) 900-9128; U.S. Toll-free: (888) 788-0099 or (877) 853-5247

To access live audio and video of the Board meeting, please use the following:

- <https://us02web.zoom.us/j/81060598243?pwd=bNi9XoL0KPIWVPxd1W7B0hmORUJOrd.1>
- Passcode: 923644

Items of business will be limited to the matters shown on the attached agenda. If you have any questions or require additional service, please contact KCERA at (661) 381-7700 or send an email to [administration@kcera.org](mailto:administration@kcera.org).

Sincerely,

Dominic D. Brown  
Chief Executive Officer

Attachments

**AGENDA:**

All agenda item supporting documentation is available for public review on KCERA's website at [www.kcera.org](http://www.kcera.org) following the posting of the agenda. Any supporting documentation that relates to an agenda item for an open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available for review at the same location.

**AMERICANS WITH DISABILITIES ACT  
(Government Code § 54953.2)**

Disabled individuals who need special assistance to listen to and/or participate in the meeting of the Board of Retirement may request assistance by calling (661) 381-7700 or sending an email to [administration@kcera.org](mailto:administration@kcera.org). Every effort will be made to reasonably accommodate individuals with disabilities by making meeting materials and access available in alternative formats. Requests for assistance should be made at least two (2) days in advance of a meeting whenever possible.

**CALL TO ORDER**

**ROLL CALL (IN PERSON)**

**SALUTE TO FLAG / MOMENT OF SILENCE**

**AB 2449 REMOTE APPEARANCE(S)**

*Items 1 and/or 2 withdrawn from agenda if no trustee(s) request to appear remotely:*

1. JUST CAUSE CIRCUMSTANCE(S):
  - a) The following Trustee(s) have notified the Board of a "Just Cause" to attend this meeting via teleconference. (See Government Code § 54953).
    - NONE
  - b) Call for Trustee(s) who wish to notify the Board of a "Just Cause" to attend this meeting via teleconference. (See Government Code § 54953) – RECEIVE/ HEAR REQUEST(S); NO BOARD ACTION REQUIRED
2. EMERGENCY CIRCUMSTANCE(S):
  - a) The following Trustee(s) have requested the Board approve their attendance of this meeting via teleconference due to an "Emergency Circumstance." (See Government Code § 54953).
    - NONE
  - b) Call for Trustee(s) requesting the Board approve their attendance of this meeting via teleconference due to an "Emergency Circumstance". (See Government Code § 54953) – TAKE ACTION ON REQUEST(S) FOR REMOTE APPEARANCE DUE TO EMERGENCY CIRCUMSTANCE

## **CONSENT MATTERS**

All items listed with an asterisk (\*) are considered to be routine and non-controversial by staff and will be approved by one motion if no member of the Board or public wishes to comment or ask questions. If comment or discussion is desired by anyone, the item will be removed from the consent agenda and will be considered in the listed sequence with an opportunity for any member of the public to address the Board concerning the item before action is taken. Staff recommendations are shown in caps after each item.

- \*3. Application for service-connected disability pension benefits for James Burchfield, Public Works-Public Ways (General) – ADOPT RECOMMENDATION OF SDAG TO GRANT SERVICE-CONNECTED DISABILITY PENSION
  - \*4. Application for service-connected disability pension benefits for Alfred Yanez, Sheriff (Safety) – ADOPT RECOMMENDATION OF SDAG TO GRANT SERVICE-CONNECTED DISABILITY PENSION
  - \*5. [Summary of proceedings of the following meetings:](#)
    - August 2, 2024 Investment Committee
    - August 14, 2024 Board of Retirement
- RECEIVE AND FILE
- \*6. [Report from the KCERA office on members retired from service for the month of August 2024 – RATIFY](#)
  - \*7. [Report from the KCERA office on deceased retirees for the month of August 2024 – RECEIVE AND FILE](#)
  - \*8. [Report of current disability retirement applications and appeals of KCERA Board decisions for the period ending August 31, 2024 – RECEIVE AND FILE](#)
  - \*9. [Securities Lending Earnings Summary Report for the period ending July 31, 2024 from Deutsche Bank – RECEIVE AND FILE](#)
  - \*10. [KCERA asset allocation, cash flow position, investment fees cash flow, and operating expense budget status reports for the month of July 2024 – RECEIVE AND FILE](#)
  - \*11. [Service provider evaluation period initiated pursuant to Evaluation Period Policy – RATIFY](#)
  - \*12. [Biennial Review of Conflict of Interest Code – RECEIVE AND FILE](#)
  - \*13. [Proposed revisions to KCERA's Overpayment and Underpayment of Member Benefits Policy – APPROVE PROPOSED CHANGES](#)

- \*14. [Proposed revisions to KCERA's Overpayment and Underpayment of Member Contributions Policy](#) – APPROVE PROPOSED CHANGES
- \*15. [Certificate of Achievement for Excellence in Financial Reporting for Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023](#) presented by the Government Finance Officers Association (GFOA) – RECEIVE AND FILE
- \*16. [Invitation from State Association of County Retirement Systems \(SACRS\) to Board of Directors to attend the SACRS Board of Directors Meeting September 17, 2024, in Sacramento, California](#) – APPROVE ATTENDANCE OF TRUSTEE JORDAN KAUFMAN
- \*17. [Invitation from Global ARC for Chief Investment Officer Daryn Miller, CFA, to attend the 21<sup>st</sup> Annual Global ARC Boston, October 21-23, 2024, in Boston, Massachusetts](#) – RECEIVE AND FILE
- \*18. [Invitation from NCPERS for Administrative Services Officer Aimee Morton, SHRM-CP, to attend the NCPERS HR Summit, September 24-26, 2024, in Denver, Colorado](#) – RECEIVE AND FILE

### **PUBLIC COMMENTS**

- 19. The public is provided the opportunity to comment on agenda items at the time those agenda items are discussed by the Board. This portion of the meeting is reserved for persons to address the Board on any matter not on this agenda but under the jurisdiction of the Board. Board members may respond briefly to statements made or questions posed. They may ask a question for clarification and, through the Chair, make a referral to staff for factual information or request staff to report back to the Board at a later meeting. Speakers are limited to two minutes. Please state your name for the record prior to making a presentation.

### **INVESTMENT MATTERS**

- 20. [Discussion and appropriate action on private credit fund recommendation](#) presented by Senior Investment Officer Geoff Nolan, Keirsten Lawton, Partner, Cambridge Associates<sup>1</sup>, and the Investment Committee – APPROVE UP TO \$25MM COMMITMENT TO MAGNETAR STRUCTURED SOLUTIONS FUND; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

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<sup>1</sup> Written materials and investment recommendations from the consultants, fund managers, and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code § 7928.710, § 7922.000, and §54957.5.

21. [Discussion and appropriate action on termination recommendations by Chief Investment Officer Daryn Miller, CFA, Senior Investment Officer Geoff Nolan, Scott Whalen, CFA, Verus, and the Investment Committee – A\) TERMINATE WESTERN ASSET CORE PLUS; AND B\) TERMINATE WESTERN ASSET HIGH YIELD](#)
22. [Presentation and trustee education regarding the 2<sup>nd</sup> Quarter Investment Performance Review period ending June 30, 2024 by Scott Whalen, CFA, and Brian Kwan, CFA, CAIA, Verus – RECEIVE AND FILE; RECEIVE EDUCATIONAL TRAINING \(10 MINUTES TRUSTEE EDUCATION CREDIT\)](#)
23. [Presentation on the 2<sup>nd</sup> Quarter 2024 Portfolio Review by John Shearman, Albourne America<sup>2</sup> – RECEIVE AND FILE](#)
24. [Presentation and trustee education regarding Currency Management by Chief Investment Officer Daryn Miller, CFA, Senior Investment Analyst Rafael Jimenez, and Scott Whalen, CFA, Ian Toner, CFA, and Thomas Garret, CFA, FRM, CAIA, Verus, – HEAR PRESENTATION; REFER TO INVESTMENT COMMITTEE; RECEIVE EDUCATIONAL TRAINING \(20 MINUTES TRUSTEE EDUCATION CREDIT\)](#)
25. [Discussion and appropriate action on recommendation from Investment Committee, Consultants, and KCERA Staff to approve updates to policies and charters outlining parameters and constraints of delegated authority for the Chief Investment Officer to select and terminate investment managers presented by Chief Executive Officer Dominic Brown, Chief Investment Officer Daryn Miller, CFA, Governance Consultants Julie Becker, Benita Falls Harper, and David Forman, Aon, Scott Whalen, CFA, Verus, and the Investment Committee – APPROVE UPDATES TO POLICIES AND CHARTERS REGARDING PARAMETERS AND CONSTRAINTS OF DELEGATED AUTHORITY](#)

### **ADMINISTRATIVE MATTERS**

26. [Presentation and trustee education regarding recent LACERA appellate court decision by Chief Executive Officer Dominic Brown, Governance Consultants Julie Becker, Benita Falls Harper, and David Forman, Aon – HEAR PRESENTATION; RECEIVE EDUCATIONAL TRAINING \(15 MINUTES TRUSTEE EDUCATION CREDIT\)](#)
27. [Discussion and appropriate action on KCERA's Compensation Policy presented by Chief Executive Officer Dominic Brown, Governance Consultants Julie Becker, Benita Falls Harper, and David Forman, Aon – ADOPT POLICY](#)

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<sup>2</sup> Written materials and investment recommendations from the consultants, fund managers, and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code §6254.26, §6255, and §54957.5.

28. [Trustee education regarding the Life Cycle of a Member presented by Chief Executive Officer Dominic Brown, Chief Legal Officer Jennifer Zahry, Chief Financial Officer Angela Kruger, and Deputy Chief Member Services Officer Sherry Willard – RECEIVE EDUCATIONAL TRAINING \(30 MINUTES TRUSTEE EDUCATION CREDIT\)](#)

### **STAFF REPORTS**

29. [Report from Chief Executive Officer](#)  
30. [Report from Chief Investment Officer](#)  
31. [Report from Chief Legal Officer](#)

### **COMMITTEE REPORTS**

32. Report from Committee Chairs:  
a. Administrative Committee: Contreras  
b. Finance Committee: Sanders  
c. Investment Committee: Whitezell

### **CALL FOR PUBLIC COMMENT ON EXECUTIVE SESSION ITEM(S)**

#### **EXECUTIVE SESSION**

*Items 3-4 are withdrawn from Executive Session if approved on the consent agenda:*

3. PUBLIC EMPLOYMENT (pursuant to Government Code § 54957) Application for service-connected disability pension benefits:  
James Burchfield                      Public Works-Public Ways                      General
4. PUBLIC EMPLOYMENT (pursuant to Government Code § 54957) Application for service-connected disability pension benefits:  
Alfred Yanez                                      Sheriff                                      Safety

### **RETURN TO PUBLIC SESSION**

### **ROLL CALL TO CONFIRM QUORUM**

### **REPORT OF EXECUTIVE SESSION ACTIONS, IF APPLICABLE**

### **REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS**

33. On their own initiative, Board members may make a brief announcement, refer matters to staff, subject to KCERA's rules and procedures, or make a brief report on their own activities.

**NEW BUSINESS**

34. Consider, discuss, and take possible action to agendize one or more items for future meetings of the Board of Retirement – CONSIDER, DISCUSS, AND TAKE ACTION ON WHETHER TO AGENDIZE PROPOSED ITEMS, IF ANY, FOR A FUTURE MEETING
35. Adjournment



**KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (KCERA)  
BOARD OF RETIREMENT**

**11125 River Run Boulevard, Bakersfield, California**

**SUMMARY OF PROCEEDINGS**

**Investment Committee  
August 2, 2024**

**8:33 a.m.**

Committee Members: Couch, Kaufman, Kratt, Sanders (Alternate) Chair Whitezell

**ROLL CALL**

Present: Couch, Kaufman, Kratt, Sanders

Absent: Whitezell

*NOTE: The vote is displayed in bold below each item. For example, Kratt-Couch denotes Trustee Rick Kratt made the motion and Trustee David Couch seconded the motion.*

*\*In Chair Tyler Whitezell's absence, Trustee David Couch was appointed to the Chair role for this meeting*

**AB 2449 REMOTE APPEARANCE(S)**

*Items 1 and 2 withdrawn from agenda. No trustees appeared via teleconference.*

**INVESTMENT MATTERS**

3. Discussion and appropriate action on private market fund recommendation presented by Maria Surina, Managing Director, Cambridge Associates<sup>1</sup>, and Chief Investment Officer Daryn Miller, CFA – MARIA SURINA, CAMBRIDGE ASSOCIATES, HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

**RECOMMENDED THE BOARD OF RETIREMENT APPROVE UP TO \$30MM COMMITMENT TO COVENANT FUND XII; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW**

**Kaufman-Kratt – 4 Ayes**

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1 Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code § 7928.710, § 7922.000, and §54957.5.



4. Discussion and appropriate action on private market fund recommendation presented by Maria Surina, Managing Director, Cambridge Associates<sup>1</sup>, and Senior Investment Analyst Jack Bowman – MARIA SURINA, CAMBRIDGE ASSOCIATES, HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD; SENIOR INVESTMENT ANALYST JACK BOWMAN HEARD

RECOMMENDED THE BOARD OF RETIREMENT APPROVE UP TO \$50MM COMMITMENT TO SCULPTOR FUND V AND UP TO \$10MM COMMITMENT TO SCULPTOR FUND V RELATED CO-INVESTMENT; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

**Sanders-Kratt – 4 Ayes**

5. Discussion and appropriate action on private market fund recommendation presented by Keirsten Lawton, Partner, Cambridge Associates<sup>2</sup>, and Senior Investment Officer Geoff Nolan – KEIRSTEN LAWTON, CAMBRIDGE ASSOCIATES, HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD; SENIOR INVESTMENT OFFICER GEOFF NOLAN HEARD

RECOMMENDED THE BOARD OF RETIREMENT APPROVE UP TO \$25MM COMMITMENT TO FORTRESS CREDIT OPPORTUNITIES FUND VI; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

**Sanders-Kratt – 4 Ayes**

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1 Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code § 7928.710, § 7922.000, and §54957.5.

2 Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code § 7928.710, § 7922.000, and §54957.5.

6. Update and response to referral directing staff to update policies to delegate manager selection and termination to the Chief Investment Officer within parameters selected by the Investment Committee presented by Scott Whalen, CFA, Verus, Governance Consultants Julie Becker, Benita Falls Harper, and David Forman, Aon, Chief Executive Officer Dominic Brown, and Chief Investment Officer Daryn Miller, CFA – SCOTT WHALEN, CFA, VERUS, HEARD; JULIE BECKER, BENITA FALLS HARPER, AND DAVID FORMAN, AON, HEARD; CHAIR DAVID COUCH HEARD; TRUSTEES JORDAN KAUFMAN AND RICK KRATT HEARD; CHIEF EXECUTIVE OFFICER DOMINIC BROWN HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

RECOMMENDED THE BOARD OF RETIREMENT APPROVE UPDATES TO THE FOLLOWING POLICIES AND CHARTERS: INVESTMENT POLICY STATEMENT, BOARD OF RETIREMENT CHARTER, INVESTMENT COMMITTEE CHARTER, CHIEF EXECUTIVE OFFICER CHARTER, DUE DILIGENCE AND SERVICE PROVIDER SELECTION POLICY, AND MONITORING AND REPORTING POLICY, WHICH ADDRESS THE PARAMETERS AND CONSTRAINTS OF DELEGATED AUTHORITY GRANTED TO THE CHIEF INVESTMENT OFFICER TO SELECT AND TERMINATE INVESTMENT MANAGERS

**Kratt-Kaufman – 4 Ayes**

7. Presentation on 2035 Initiative and strategic planning presented by Scott Whalen, CFA, Verus, and Chief Investment Officer Daryn Miller, CFA – SCOTT WHALEN, CFA, VERUS, HEARD; CHAIR DAVID COUCH HEARD; TRUSTEES RICK KRATT AND JOHN SANDERS HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

HEARD PRESENTATION

8. Discussion and appropriate action on emerging markets equity recommendations presented by Scott Whalen, CFA, Verus, Chief Investment Officer Daryn Miller, CFA, Senior Investment Analyst Rafael Jimenez, and Investment Analyst Melekte Yohannes (MJ) – SCOTT WHALEN, CFA, VERUS, HEARD; CHAIR DAVID COUCH HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD; SENIOR INVESTMENT ANALYST RAFAEL JIMENEZ HEARD; INVESTMENT ANALYST MELEKTE YOHANNES HEARD

RECOMMENDED THE BOARD OF RETIREMENT INVEST \$70MM IN ABS EMERGING MARKETS DIRECT PORTFOLIO AND \$70MM IN CARRHAE CAPITAL EMERGING MARKETS EQUITIES FUND; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

**Kratt-Kaufman – 4 Ayes**

THIS ITEM HEARD OUT OF ORDER

10. Discussion and appropriate action on core real estate recommendation presented by Scott Whalen, CFA, Verus, and Senior Investment Analyst Jack Bowman – SCOTT WHALEN, CFA, VERUS, HEARD; CHAIR DAVID COUCH HEARD; SENIOR INVESTMENT ANALYST JACK BOWMAN HEARD

RECOMMENDED THE BOARD OF RETIREMENT INVEST \$50MM IN ANGELO GORDON ESSENTIAL HOUSING FUND III; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

**Kratt-Kaufman – 4 Ayes**

9. Presentation on Core Real Estate deep dive presented by Scott Whalen, CFA, Verus, Senior Investment Officer Geoff Nolan, and Senior Investment Analyst Jack Bowman – SCOTT WHALEN, CFA, AND BRIAN KWAN, CFA, CAIA, VERUS HEARD; CHAIR DAVID COUCH HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD; SENIOR INVESTMENT OFFICER GEOFF NOLAN HEARD

HEARD PRESENTATION; RECEIVED EDUCATIONAL TRAINING (35 MINUTES TRUSTEE EDUCATION CREDIT)

**PUBLIC COMMENTS**

11. The public is provided the opportunity to comment on agenda items at the time those agenda items are discussed by the Committee. This portion of the meeting is reserved for persons to address the Committee on any matter not on this agenda but under the jurisdiction of the Committee. Committee members may respond briefly to statements made or questions posed. They may ask a question for clarification and, through the Chair, make a referral to staff for factual information or request staff to report back to the Committee at a later meeting. Speakers are limited to two minutes. Please state your name for the record prior to making a presentation – NONE

**REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS**

12. On their own initiative, Committee members may make a brief announcement refer matters to staff, subject to KCERA's rules and procedures, or make a brief report on their own activities – NONE

13. ADJOURNED – 11:06 A.M.

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Secretary, Board of Retirement

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Chair, Investment Committee

**KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (KCERA)  
BOARD OF RETIREMENT**

**11125 River Run Boulevard, Bakersfield, California**

**SUMMARY OF PROCEEDINGS**

**Board of Retirement Meeting  
August 14, 2024**

**8:32 a.m.**

Board Members: Contreras (Alternate), Vice-Chair Couch, Duffey, Chair Franey, Gonzalez, Hughes, Kaufman, Kratt, Nunneley (Alternate), Sanders, Seibly (Alternate), Whitezell

**ROLL CALL (IN PERSON)**

Present: Contreras, Duffey, Franey, Gonzalez, Kaufman, Sanders, Whitezell

Absent: Couch, Hughes, Kratt, Nunneley, Seibly

**SALUTE TO FLAG – TRUSTEE WHITEZELL**

**MOMENT OF SILENCE**

NOTE: The vote is displayed in bold below each item. For example, Sanders-Kaufman denotes Trustee John Sanders made the motion and Trustee Jordan Kaufman seconded the motion.

**AB 2449 REMOTE APPEARANCE(S)**

*Items 1 and 2 withdrawn from agenda. No trustees appeared via teleconference.*

**CONSENT MATTERS**

*All consent matter items listed below with an asterisk (\*) were considered to be routine and non-controversial by staff and approved by one motion, unless otherwise noted.*

- \*3. Application for service-connected disability pension benefits for Dolores Gregory, Sheriff (Safety) – **ADOPTED RECOMMENDATION OF SDAG TO GRANT SERVICE-CONNECTED DISABILITY PENSION**

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

- \*4. Application for service-connected disability pension benefits for James Morrison, Sheriff (Safety) – ADOPTED RECOMMENDATION OF SDAG TO GRANT SERVICE-CONNECTED DISABILITY PENSION

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

- \*5. Application for service-connected disability pension benefits for Jerry Rice, Fire (Safety) – ADOPTED RECOMMENDATION OF SDAG TO GRANT SERVICE-CONNECTED DISABILITY PENSION

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

- \*6. Proposed Decision and Findings of Fact submitted by Hearing Officer Barbara Kong-Brown for Brenda Martinez De Moore, Behavioral Health & Recovery (General) – ADOPTED PROPOSED FINDINGS OF FACT, CONCLUSIONS, AND RECOMMENDATION OF HEARING OFFICER TO DENY APPLICATION FOR SERVICE-CONNECTED DISABILITY

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

- \*7. Summary of proceedings of the following meetings:

- May 14, 2024 Investment Committee
- May 29, 2024 Finance Committee
- May 31, 2024 Investment Committee
- June 12, 2024 Board of Retirement
- June 24, 2024 Special Board of Retirement

RECEIVED AND FILED

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

- \*8. Report from the KCERA office on members retired from service for the months of June and July 2024 – RATIFIED

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

- \*9. Report from the KCERA office on deceased retirees for the months of June and July 2024 – RECEIVED AND FILED

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

- \*10. Report of current disability retirement applications and appeals of KCERA Board decisions for the periods ending June 30, 2024 and July 31, 2024 – RECEIVED AND FILED

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

- \*11. Securities Lending Earnings Summary Report for the periods ending May 31, 2024 and June 30, 2024 from Deutsche Bank – RECEIVED AND FILED

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

- \*12. KCERA asset allocation, cash flow position, investment fees cash flow, and operating expense budget status reports for the months of May and June 2024 – RECEIVED AND FILED

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

- \*13. KCERA Class Action Proceeds Report from April 1 through June 30, 2024 for the Northern Trust Company – RECEIVED AND FILED

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

- \*14. Corrections in Benefit Payments Report for the period January through June 2024 – RECEIVED AND FILED

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

- \*15. Corrections in Benefit Contributions Report for the period January through June 2024 – RECEIVED AND FILED

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

- \*16. Board of Retirement Semi-annual Trustee Education Report – RECEIVED AND FILED

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

- \*17. 2024 KCERA Retirement Benefit Statement and Cover Letter Sample – RECEIVED AND FILED; APPROVED

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

- \*18. Service provider evaluation period initiated pursuant to Evaluation Period Policy – RATIFIED

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

- \*19. Amendment to agreement for Actuarial Services with the Segal, effective August 14, 2024 – RECEIVED AND FILED; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

- \*20. Invitation from State Association of County Retirement Systems (SACRS) to Board of Directors to attend the SACRS Board of Directors Meeting July 18, 2024, in Berkeley, California – RATIFIED ATTENDANCE OF TRUSTEE JORDAN KAUFMAN

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

- \*21. Invitation from California Association of Public Retirement Systems (CALAPRS) to trustees to attend the CALAPRS Principles of Pension Governance for Trustees, August 26-29, 2024, in Tiburon, California – APPROVED ATTENDANCE OF TRUSTEES DEON DUFFEY AND JOHN SANDERS

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

- \*22. Invitation from Workiva for Member Services Manager Cory Pruett to attend the Amplify Conference, September 9-11, 2024, in Aurora, Colorado – RECEIVED AND FILED

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

- \*23. Invitation from SALT iConnections for Senior Investment Analyst Rafael Jimenez to attend the Global Alts Asia 2024 Conference, November 11-13, 2024, in Singapore – RECEIVED AND FILED

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*



- \*24. Letter from Chief Executive Officer Dominic Brown, dated June 26, 2024, to the Kern County Auditor-Controller-County Clerk regarding Board of Retirement Election for Second, Seventh, and Alternate Seventh Members – RECEIVED AND FILED

**Whitezell-Contreras – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

**PUBLIC COMMENTS**

25. The public is provided the opportunity to comment on agenda items at the time those agenda items are discussed by the Board. This portion of the meeting is reserved for persons to address the Board on any matter not on this agenda but under the jurisdiction of the Board. Board members may respond briefly to statements made or questions posed. They may ask a question for clarification and, through the Chair, make a referral to staff for factual information or request staff to report back to the Board at a later meeting. Speakers are limited to two minutes. Please state your name for the record prior to making a presentation – NONE

**INVESTMENT MATTERS**

26. Discussion and appropriate action on emerging markets equity recommendations presented by Brian Kwan, CFA, CAIA, Verus, Chief Investment Officer Daryn Miller, CFA, Senior Investment Analyst Rafael Jimenez, Investment Analyst, Melekte Yohannes (MJ), and the Investment Committee – BRIAN KWAN, CFA, CAIA, VERUS, HEARD; TRUSTEES JUAN GONZALEZ AND JORDAN KAUFMAN HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD; SENIOR INVESTMENT ANALYST RAFAEL JIMENEZ HEARD; INVESTMENT ANALYST MELEKTE YOHANNES HEARD

TRUSTEE CHASE NUNNELEY ARRIVED AT 8:37 A.M.

APPROVED (A) \$70MM INVESTMENT IN ABS EMERGING MARKETS DIRECT PORTFOLIO; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW; AND (B) \$70MM INVESTMENT IN CARRHAE CAPITAL EMERGING MARKETS EQUITIES FUND; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

**Duffey-Sanders – 7 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

27. Discussion and appropriate action on private market fund recommendation presented by Maria Surina, Managing Director, Cambridge Associates<sup>1</sup>, Chief Investment Officer Daryn Miller, CFA, and the Investment Committee – MARIA SURINA, CAMBRIDGE ASSOCIATES, HEARD; VICE-CHAIR DAVID COUCH HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

TRUSTEE DAVID COUCH ARRIVED 8:52 A.M.

APPROVED UP TO \$30MM COMMITMENT TO COVENANT FUND XII;  
AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL  
ADVICE AND REVIEW

**Whitezell-Couch – 8 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

28. Discussion and appropriate action on private market fund recommendation presented by Maria Surina, Managing Director, Cambridge Associates<sup>2</sup>, Senior Investment Analyst Jack Bowman, and the Investment Committee – MARIA SURINA, CAMBRIDGE ASSOCIATES, HEARD; VICE-CHAIR DAVID COUCH HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD; SENIOR INVESTMENT ANALYST JACK BOWMAN HEARD

APPROVED UP TO \$50MM COMMITMENT TO SCULPTOR FUND V AND UP  
TO \$10MM COMMITMENT TO SCULPTOR FUND V RELATED CO-  
INVESTMENT; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN,  
SUBJECT TO LEGAL ADVICE AND REVIEW

**Sanders-Couch – 8 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

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1 Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code § 7928.710, § 7922.000, and § 54957.5.

2 Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code § 7928.710, § 7922.000, and § 54957.5.

29. Discussion and appropriate action on private market fund recommendation presented by Mark Mallory, Investment Director, Cambridge Associates<sup>3</sup>, Senior Investment Officer Geoff Nolan, and the Investment Committee – MARK MALLORY, CAMBRIDGE ASSOCIATES, HEARD; VICE-CHAIR DAVID COUCH HEARD; TRUSTEE DUSTIN CONTRERAS HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD; SENIOR INVESTMENT OFFICER GEOFF NOLAN HEARD

APPROVED UP TO \$25MM COMMITMENT TO FORTRESS CREDIT OPPORTUNITIES FUND VI; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

**Couch-Kaufman – 8 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

30. Presentation on Core Real Estate deep dive presented by Brian Kwan, CFA, CAIA, Verus, Senior Investment Officer Geoff Nolan, Senior Investment Analyst Jack Bowman, and the Investment Committee – BRIAN KWAN, CFA, CAIA, VERUS, HEARD; CHAIR PHIL FRANEY HEARD; VICE-CHAIR DAVID COUCH HEARD; TRUSTEE JORDAN KAUFMAN HEARD; CHIEF EXECUTIVE OFFICER DOMINIC BROWN HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD; SENIOR INVESTMENT OFFICER GEOFF NOLAN HEARD

HEARD PRESENTATION; RECEIVED EDUCATIONAL TRAINING (20 MINUTES TRUSTEE EDUCATION CREDIT)

31. Discussion and appropriate action on core real estate recommendation presented by Brian Kwan, CFA, CAIA, Verus, Senior Investment Analyst Jack Bowman, and the Investment Committee – BRIAN KWAN, CFA, CAIA, VERUS, HEARD; CHAIR PHIL FRANEY HEARD; VICE-CHAIR DAVID COUCH HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD; SENIOR INVESTMENT ANALYST JACK BOWMAN

APPROVED \$50MM INVESTMENT IN ANGELO GORDON ESSENTIAL HOUSING FUND III; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

**Couch-Whitezell – 8 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Rick Kratt*

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<sup>3</sup> Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code § 7928.710, § 7922.000, and § 54957.5.

### **ADMINISTRATIVE MATTERS**

32. Trustee education regarding the Life Cycle of a Member presented by Chief Executive Officer Dominic Brown, Chief Legal Officer Jennifer Zahry, Chief Financial Officer Angela Kruger, and Deputy Chief Member Services Officer Sherry Willard – CHAIR PHIL FRANEY HEARD; TRUSTEES JORDAN KAUFMAN AND TYLER WHITEZELL HEARD; CHIEF EXECUTIVE OFFICER DOMINIC BROWN HEARD; CHIEF FINANCIAL OFFICER ANGELA KRUGER, CPFO, HEARD; DEPUTY CHIEF MEMBER SERVICES OFFICER SHERRY WILLARD HEARD

HEARD PRESENTATION; RECEIVED EDUCATIONAL TRAINING (26 MINUTES TRUSTEE EDUCATION CREDIT)

### **STAFF REPORTS**

33. Report from Chief Executive Officer:

CHIEF EXECUTIVE OFFICER DOMINIC BROWN REPORTED THE FOLLOWING:

- OFFICE UPDATE
- ELECTION UPDATE
- SOLAR UPDATE
- INVESTMENT DELEGATION
- LACERA DECISION
- COMPENSATION POLICY
- SEGAL CONTRACT UPDATE
- BUDGET VARIANCES AT YEAR-END
- FUTURE AI UTILIZATION BOARD PRESENTATION
- DISABILITY UPDATE
- RECRUITMENTS UPDATE
- MEMBER OUTREACH AND EDUCATION
- UPCOMING EVENTS

CHAIR PHIL FRANEY HEARD; TRUSTEE JUAN GONZALEZ HEARD

34. Report from Chief Investment Officer:

CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, REPORTED THE FOLLOWING:

- REBALANCING ACTIVITY – JUNE AND JULY
- POSITIONING – ACTUAL VS POLICY TARGET
- MARKET UPDATE
- KEY INITIATIVES
- UPCOMING INVESTMENT COMMITTEE MEETINGS

CHAIR PHIL FRANNEY HEARD; VICE-CHAIR DAVID COUCH HEARD

35. Report from Chief Legal Officer:

CHIEF LEGAL OFFICER JENNIFER ZAHRY AND DEPUTY CHIEF LEGAL OFFICER KRISTEN MCDONALD REPORTED THE FOLLOWING:

- LEGISLATIVE UPDATE
- LITIGATION UPDATE

CHAIR PHIL FRANNEY HEARD

**COMMITTEE REPORTS**

36. Report from Committee Chairs:

- a. Administrative Committee: CONTRERAS – NONE
- b. Finance Committee: SANDERS – NONE
- c. Investment Committee: WHITEZELL – NONE

**CALL FOR PUBLIC COMMENT ON EXECUTIVE SESSION ITEM(S) – NONE**

**EXECUTIVE SESSION**

37. CONFERENCE WITH LEGAL COUNSEL – INITIATION OF LITIGATION

Determination of whether to initiate litigation pursuant to paragraph (4) of subdivision (c) and (d) of Government Code § 54956.9. (Number of potential cases: one).

38. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

Paragraph (1) of subdivision (d) of Government Code § 54956.9. (*Reynolds v. Reynolds*, Kern County Superior Court Case No. BFL-20-001032).

**RETURN TO PUBLIC SESSION**

BOARD OF RETIREMENT RECONVENED IN PUBLIC SESSION AT 11:55 A.M.

**ROLL CALL**

*To establish quorum present upon resuming public session*

Present: Contreras, Couch, Duffey, Franey, Gonzalez, Kaufman, Nunneley Sanders,  
Whitezell

Absent: Hughes, Kratt, Seibly

**REPORT OF EXECUTIVE SESSION ACTIONS, IF APPLICABLE**

ITEM 37 – NO REPORTABLE ACTION

ITEM 38 – NO REPORTABLE ACTION

**REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS**

39. On their own initiative, Board members may make a brief announcement, refer matters to staff (subject to KCERA's rules and procedures), or make a brief report on their own activities – NONE

**NEW BUSINESS**

40. Consider, discuss, and take possible action to agendaize one or more items for future meetings of the Board of Retirement – NONE

41. ADJOURNED – 11:57 A.M.

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Secretary, Board of Retirement

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Chair, Board of Retirement



**Kern County Employees' Retirement Association  
New Retirees - August 01, 2024 to August 31, 2024**

**Employer Name: County Of Kern**

Member Last Name	Member First Name	Retirement Date	Membership Tier	Department Name
Aranda	Amelia	07/13/2024	General Tier I	5923 - Employers' Train Resource
Baker	George	07/27/2024	Safety Tier I	2415S - Fire
Barajas	Edgar	07/20/2024	Safety Tier I	2210S - Sheriff
Blackburn	Clint	12/19/2023	Safety Tier I	2210S - Sheriff
Briggs	David	07/27/2024	Safety Tier I	2210S - Sheriff
Cooper	Valerie	07/02/2024	General Tier I	5120 - Depart Of Human Services
Cramer	Keith	07/13/2024	General Tier I	2183 - Dept Of Child Support Svc
Duff	Aaron	07/13/2024	General Tier I	1610 - General Services Division
Gaslan	Milasol	07/17/2024	General Tier I	9149 - Air Pollution Control Dis
Goff	Deborah	07/27/2024	General Tier II PEPRA	2340 - Probation-Safety
Goff	Jeanmarie	07/27/2024	General Tier I	2190 - Public Defender
Halvorson	Tracey	06/29/2024	General Tier I	2415 - Fire
Khalsa	Gurujodha	07/25/2024	General Tier II	1210 - County Counsel
Lee	Boyd	07/27/2024	General Tier II PEPRA	8954 - Public Works-Public Ways
Leonard	Paul	07/13/2024	Safety Tier I	2210S - Sheriff
Mena	Aaron	07/18/2024	Safety Tier I	2415S - Fire
Moreno	Elizabeth	06/29/2024	General Tier I	2340 - Probation-Safety
Phipps	Richard	07/27/2024	General Tier I	1130 - Assessor



**Kern County Employees' Retirement Association  
New Retirees - August 01, 2024 to August 31, 2024**

Member Last Name	Member First Name	Retirement Date	Membership Tier	Department Name
Posey	Timothy	07/27/2024	Safety Tier I	2210S - Sheriff
Rivera	Rosemary	06/29/2024	General Tier I	5120 - Depart Of Human Services
Sanders Stubblefield	Misty	05/09/2024	General Tier I	5610 - Aging And Adult Services
Sprick	Doyle	07/13/2024	General Tier II	4122 - Environ Health Serv Div

**Employer Name: KC Superior Court**

Member Last Name	Member First Name	Retirement Date	Membership Tier	Department Name
Wyatt-Reyes	Patsy	07/06/2024	General Tier I	9410 - Superior Court

**Employer Name: Kern County Hospital Authority**

Member Last Name	Member First Name	Retirement Date	Membership Tier	Department Name
Cruz	Ma Isabel	06/29/2024	General Tier II	9460 - Kern County Hospital Authority
Mena	Rebecca	06/29/2024	General Tier II	9460 - Kern County Hospital Authority





**Kern County Employees' Retirement Association  
Decedents - August 01, 2024 to August 31, 2024**

**Pre-Retirement Deaths**

Last Name	First Name	Membership Type	Employer Name
Gonzales	Gabriel	Safety	County Of Kern
Medina	Andrea	General	County Of Kern
Reyes	Francisco	General	San Joaquin Valley APCD

**Post-Retirement Deaths**

Last Name	First Name	Membership Type	Employer Name
Bogue	Kathleen	General	County Of Kern
Bolinger	Mary	General	County Of Kern
Corley	Glen	General	County Of Kern
Cox	Steven	General	Kern County Hospital
De La Cruz	Felicitas	General	County Of Kern
Finch	Gwendolyn	General	County Of Kern
Foster	Kenneth	General	County Of Kern
Hahn	Jane	General	County Of Kern
Harris	Ernest	General	County Of Kern
Holden	Wilma	General	County Of Kern
Ireland	Michael	Safety	County Of Kern
Jacobs	Mary	General	County Of Kern
Kelley	Herman	General	County Of Kern
Low	Vera	General	County Of Kern
Lutes	Sharon	General	County Of Kern
Maloney	Lillian	General	County Of Kern
Manning	Steven	General	County Of Kern
Melroy-Sparks	Josephine	General	Kern County Hospital
Newton	Margie	General	County Of Kern
O'Neil	Lawrence	General	County Of Kern
Owens	Carole	General	County Of Kern
Pear	Thomas	General	County Of Kern
Quinlen	John	General	County Of Kern
Schneider	Verlaine	General	County Of Kern
Smith	Lonnie	General	County Of Kern
Torres	Jesus	General	County Of Kern



**Kern County Employees' Retirement Association  
Decedents - August 01, 2024 to August 31, 2024**

<b>Last Name</b>	<b>First Name</b>	<b>Membership Type</b>	<b>Employer Name</b>
Torres	Ramon	General	County Of Kern
Valdez	Constance	General	County Of Kern

**KCERA  
STATUS OF DISABILITY RETIREMENT APPLICATIONS  
AS OF AUGUST 31, 2024**

<b>NAME</b>	<b>PLAN SPONSOR/ DEPARTMENT</b>	<b>DATE FILED</b>	<b>DATE OF LAST CONTACT</b>
Chow-Garcia, Arianne	SHERIFF	7/31/2024	8/12/2024
Linch, Valentine	FIRE	7/22/2024	7/29/2024
Mena, Aaron	FIRE	7/16/2024	7/31/2024
Taylor, Andre	DEPARTMENT OF HUMAN SERVICES	6/20/2024	6/28/2024
Fadel, Jamal	PUBLIC WORKS	5/23/2024	5/31/2024
<b>NAME</b>	<b>PLAN SPONSOR/ DEPARTMENT</b>	<b>DATE FILED</b>	<b>MMRO ASSIGNED</b>
Riel, Elise	SHERIFF	5/9/2024	8/12/2024
Mock, Tiffany	SHERIFF	4/30/2024	7/17/2024
Stewart, Emily	DEPARTMENT OF HUMAN SERVICES	4/10/2024	7/2/2024
Miarta, Erica	SUPERIOR COURT	3/22/2024	7/2/2024
Geissel, Zachary	FIRE	2/28/2024	5/17/2024
Wells, Michael	FIRE	2/23/2024	5/8/2024
Sutherland, Darrell	SHERIFF	2/8/2024	5/8/2024
Beyeler, Shawn	PUBLIC WORKS	12/14/2023	5/6/2024
Harbour, Leslie	SHERIFF	11/13/2023	3/14/2024
Brazeau, Bradley	FIRE	10/23/2023	1/26/2024
Lindley, Jeffrey	FIRE	9/27/2023	1/12/2024
De La Rosa, Alfred	SHERIFF	9/18/2023	12/18/2023
Rickels, Adam	SHERIFF	8/11/2023	10/11/2023
Stephan, Daren	PUBLIC WORKS	7/7/2023	9/15/2023
Norris, David	SHERIFF	5/26/2023	8/11/2023
Meeks, Sandra	BEHAVIORAL HEALTH & RECOVERY SERVICES	5/1/2023	7/18/2023
Fulmer, Evon	DEPARTMENT OF HUMAN SERVICES	4/28/2023	7/18/2023
Muniz, Linda	BEHAVIORAL HEALTH & RECOVERY SERVICES	4/6/2023	6/26/2023
Romero, Anthony	FIRE	3/10/2023	6/19/2023
Gonzalez-Lopez, Rebecca	DEPARTMENT OF HUMAN SERVICES	3/9/2023	6/19/2023
Guivas Smith, Loida	AGING AND ADULT SERVICES	3/8/2023	6/19/2023

**KCERA  
STATUS OF DISABILITY RETIREMENT APPLICATIONS  
AS OF AUGUST 31, 2024**

<b>NAME</b>	<b>PLAN SPONSOR/ DEPARTMENT</b>	<b>DATE FILED</b>	<b>MMRO ASSIGNED</b>
Allen, Paul	SHERIFF	2/22/2023	4/25/2023
Miarta, Richard	SHERIFF	2/10/2023	4/25/2023
Harbour, Leslie	SHERIFF	2/9/2023	4/25/2023
Ramirez, Edward	SHERIFF	2/7/2023	4/25/2023
Lock, Ranna	SHERIFF	2/1/2023	4/25/2023
Inman Ferguson, Jill	KERN COUNTY SUPERIOR COURT	1/24/2023	4/10/2023
Monahan, Laura	KERN COUNTY WATER AGENCY	1/3/2023	4/6/2023
Kimbrell, Tamara	SHERIFF	11/29/2022	3/23/2023
Dunlap, James	SHERIFF	11/1/2022	2/8/2023
Perez, Manuelita	PROBATION	10/27/2022	1/17/2023
Yanez, Alfred	SHERIFF	10/3/2022	2/10/2022
Smith, Clifton	FIRE	8/15/2022	12/19/2022
Cockrell, June	DEPARTMENT OF HUMAN SERVICES	8/11/2022	10/18/2022
Gaetzman, Travis	SHERIFF	8/10/2022	11/22/2022
Hartley-Anders, Kim	KERN COUNTY SUPERIOR COURT	8/9/2022	11/22/2022
Hudson, Richard	SHERIFF	8/8/2022	11/22/2022
Carrillo, Aaron	SHERIFF	7/15/2022	9/30/2022
Roden, Jim	SHERIFF	6/22/2022	9/30/2022
Pena, Armando	PROBATION	5/27/2022	9/19/2022
Hill, Sheldon	SHERIFF	5/27/2022	8/19/2022
Cano, Emma	BEHAVIORAL HEALTH AND RECOVERY SERVICES	3/17/2022	8/19/2022
Fussel, Kathy	KERN COUNTY HOSPITAL AUTHORITY	11/3/2021	2/24/2022
Brannan, Derek	SHERIFF	7/14/2021	11/22/2021
Leon, Theresa	DEPARTMENT OF HUMAN SERVICES	7/7/2021	10/18/2021
Patton, Eric	SHERIFF	6/30/2021	11/22/2021
Sanders-Stubblefield, Misty	AGING AND ADULT SERVICES	2/25/2021	8/20/2021
McAdoo, John	SHERIFF	2/24/2021	8/20/2021

**KCERA  
STATUS OF DISABILITY RETIREMENT APPLICATIONS  
AS OF AUGUST 31, 2024**

COMPLETED IN 2024			
NAME	DEPARTMENT	FILED	DATE COMPLETED
Baker, Breanne	DEPARTMENT OF HUMAN SERVICES	4/2/2020	5/1/2024
Fleeman, Justin	SHERIFF	9/17/2020	6/12/2024
Cushman, Harris	SHERIFF	12/22/2020	2/14/2024
Smith, Thomas Jr.	SHERIFF	3/16/2021	2/14/2024
Williams, Theron	GENERAL SERVICES	5/12/2021	2/14/2024
Introini, Jessica	SHERIFF	6/18/2021	4/10/2024
Kauffman, Stephen	DISTRICT ATTORNEY	8/16/2021	6/12/2024
Guandique, Sandra	RISK MANAGEMENT	10/15/2021	4/10/2024
Gomez, Armando	INFORMATION TECHNOLOGY SERVICES	4/29/2022	2/14/2024
Fecke, Daniel	KERN COUNTY HOSPITAL AUTHORITY	6/15/2022	3/13/2024
Rodriguez, Mark	FIRE	6/21/2022	6/12/2024
Rice, Jerry	FIRE	7/7/2022	8/14/2024
Gregory, Dolores	SHERIFF	8/16/2022	8/14/2024
Morrison, James	SHERIFF	9/14/2022	8/14/2024
Schmidt, Mark	FIRE	10/26/2022	6/12/2024

**KCERA  
STATUS OF DISABILITY RETIREMENT APPLICATIONS: APPEALS  
AS OF AUGUST 31, 2024**

NAME	DEPARTMENT	DATE FILED	SDAG RECOMMENDATION	APPEAL RECEIVED	HEARING OFFICER SELECTED	STATUS
Burchfield, James	PUBLIC WORKS	11/17/2020	SDAG to grant SCD	1/12/2024	2/16/2024	Pending Board Decision
Bankston, Josh	SHERIFF	2/9/2021	SDAG to deny SCD	9/15/2023; 1/19/2024	3/1/2024	Post-Hearing briefs
Candelaria, Valorie	DEPARTMENT OF HUMAN SERVICES	6/23/2021	SDAG to deny SCD	12/21/2023	1/17/2024	With Hearing Officer

HEARINGS COMPLETED IN 2024					
NAME	DEPARTMENT	DATE FILED	DATE HEARING COMPLETED	BOARD DECISION	
Martinez de Moore, Brenda	BEHAVIORAL HEALTH AND RECOVERY SERVICES	12/10/2018	4/1/2024	Board Denied Service-Connected Disability	

**SECURITIES LENDING**

**Summary Earnings Report**

**Run Time:** 08-Aug-2024 10:58 EDT  
**Date Range:** 01-JUL-2024 To 31-JUL-2024  
**Location:** Not specified  
**Currency:** Not Specified  
**Client ID:** Not Specified  
**Master Client:** CAKERN  
**Grouping Type:** None  
**Level:** Individually

	Client ID	Average Contract Amount	Gross Earnings	DB Earnings	Client Earnings	Custody Account
KNCTY - Harvest Midstream	CAKE18	12,385,670.32	6,543.70	588.93	5,954.77	KNC15
KNCTY - PIMCO Midstream	CAKE19	22,235,918.50	6,896.32	620.67	6,275.65	KNC16
KNCTY PIMCO Core Plus	CAKE07	53,592,387.88	8,081.00	727.29	7,353.71	KNC11
KNCTY PIMCO EMD	CAKE08	851,334.65	430.63	38.76	391.88	KNC12
KNTCY - Alliance Bernstein	CAKE15	27,145,343.90	8,514.54	766.31	7,748.23	2664130
KNTCY - Geneva	CAKE16	13,763,320.70	3,885.29	349.68	3,535.61	2667336
KNTCY - Western Asset MGMT Co 01	CAKE03	5,097,081.83	2,503.96	225.36	2,278.61	KNC06
KNTCY - Western Asset MGMT Co 02	CAKE04	51,774,428.48	23,844.20	2,145.98	21,698.22	KNC08
<b>CCY Total USD:</b>		<b>186,845,486.25</b>	<b>60,699.64</b>	<b>5,462.97</b>	<b>55,236.67</b>	

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**KCERA ASSET ALLOCATION\***  
7/31/2024

Manager Name	Type	\$(000)	Current Allocation	Target Percentage	Variance Over Target (Under Target)	Variance Over Target (Under Target) (\$000)
AlianceBernstein	Small Cap Value	117,002	2.0%			
Geneva Capital	Small Cap Growth	63,042	1.1%			
Mellon Capital Management EB DV	Large Cap Passive	675,630	11.4%			
PIMCO StockPlus	Large Cap Enhanced	147,809	2.5%			
<b>Total Domestic Equity</b>		<b>\$1,003,483</b>	<b>16.9%</b>	<b>12 - 28%</b>	<b>16.9%</b>	<b>\$1,003,483</b>
American Century	International Small	64,559	1.1%			
Cevian Capital II LP	International Large	47,848	0.8%			
Daiton Japan Long Only	International Small	56,404	1.0%			
Lazard Japanese Equity	International Large	127,481	2.2%			
Mellon Capital Management-EB DV	International Large Passive	450,823	7.6%			
<b>Total International Developed Equity</b>		<b>\$749,115</b>	<b>12.6%</b>	<b>5 - 18%</b>	<b>12.6%</b>	<b>\$749,115</b>
DFA Emerging Markets Value Portfolio	Emerging Markets	95,559	1.6%			
Mellon Emerging Markets	Emerging Markets	119,234	2.0%			
<b>Total Emerging Market Equity</b>		<b>\$214,793</b>	<b>3.6%</b>	<b>0 - 9%</b>	<b>3.6%</b>	<b>\$214,793</b>
<b>TOTAL EQUITY</b>		<b>\$1,967,391</b>	<b>33.2%</b>	<b>33.0%</b>	<b>0.2%</b>	<b>\$11,494</b>
Mellon Capital Management Ag Bond	Core	169,196	2.9%			
PIMCO CP	Core Plus	175,103	3.0%			
Western Asset Management - CP	Core Plus	87,304	1.5%			
<b>Total Core</b>		<b>\$431,603</b>	<b>7.3%</b>	<b>15.0%</b>	<b>(7.7%)</b>	<b>(\$457,441)</b>
TCW Securitized Opportunities LP	Securitized Opportunities	92,123	1.8%			
Western Asset Management - HY	High Yield	172,209	2.9%			
PIMCO EM Beta	Emerging Markets	209,973	3.5%			
Stone Harbor Global Funds	Emerging Markets	40,852	0.7%			
<b>Total Credit</b>		<b>\$514,987</b>	<b>8.7%</b>	<b>10.0%</b>	<b>(1.3%)</b>	<b>(\$77,709)</b>
<b>TOTAL FIXED INCOME</b>		<b>\$946,590</b>	<b>16.0%</b>	<b>25.0%</b>	<b>(9.0%)</b>	<b>(\$535,150)</b>
Gresham Commodity Builder Fund	Active	34,827	0.6%			
Wellington Trust Company (WTC)	Active	193,163	3.3%			
<b>TOTAL COMMODITIES</b>		<b>\$227,990</b>	<b>3.8%</b>	<b>4.0%</b>	<b>(0.2%)</b>	<b>(\$9,088)</b>
Aristeia International Ltd	Hedge Fund - Direct	74,516	1.3%			
Brevan Howard Fund Limited	Hedge Fund - Direct	55,977	0.9%			
D.E. Shaw Composite Fund	Hedge Fund - Direct	63,533	1.1%			
Elliott Associates, LP	Hedge Fund - Direct	6,500	0.1%			
HBK Multi-Strategy Fund	Hedge Fund - Direct	50,668	0.9%			
Hudson Bay Enhanced Fund LP	Hedge Fund - Direct	84,394	1.4%			
Indus Pacific Opportunities Fund	Hedge Fund - Direct	80,856	0.9%			
PIMCO Commodity Alpha Fund LLC	Hedge Fund - Direct	63,285	1.4%			
Pharo Macro Fund LTD	Hedge Fund - Direct	70,976	1.2%			
Sculptor Enhanced Domestic Partners LP	Hedge Fund - Direct	40,599	0.7%			
<b>TOTAL HEDGE FUND</b>		<b>\$581,304</b>	<b>9.8%</b>	<b>10.0%</b>	<b>(0.2%)</b>	<b>(\$11,392)</b>
ASB Capital Management	Core	121,560	2.1%			
Blue Owl Real Estate Fund VI	Core	11,909	0.2%			
JPMCB Strategic Property Fund	Core	107,659	1.8%			
<b>TOTAL CORE REAL ESTATE</b>		<b>\$241,128</b>	<b>4.1%</b>	<b>5.0%</b>	<b>(0.9%)</b>	<b>(\$55,220)</b>
Davidson Kempner	Hedge Fund - Direct	60,025	1.0%			
Garda Fixed Income	Hedge Fund - Direct	65,056	1.1%			
HBK Multi-Strategy Fund	Hedge Fund - Direct	37,056	0.6%			
Hudson Bay Enhanced Fund LP	Hedge Fund - Direct	60,845	1.0%			
<b>TOTAL CE ALPHA POOL</b>		<b>\$222,982</b>	<b>3.8%</b>	<b>4.0%</b>	<b>(0.2%)</b>	<b>(\$14,096)</b>
Harvest Midstream	Midstream	165,300	2.8%			
PIMCO Midstream	Midstream	43,325	2.4%			
<b>TOTAL MIDSTREAM ENERGY</b>		<b>\$308,625</b>	<b>5.2%</b>	<b>5.0%</b>	<b>0.2%</b>	<b>\$12,277</b>
Aristeia Select Opportunities II LP	Opportunistic	43,669	0.7%			
Pharo Opportunities Fund SFC	Opportunistic	10,000	0.2%			
Hudson Bay Special Opportunities Fund	Opportunistic	2,902	0.0%			
River Birch International Ltd	Opportunistic	4,714	0.1%			
Sixth Street TAO Partners (D)	Opportunistic	91,550	1.5%			
<b>TOTAL OPPORTUNISTIC</b>		<b>\$152,835</b>	<b>2.6%</b>	<b>0.0%</b>	<b>2.6%</b>	<b>\$152,835</b>
Abbott Capital Funds	Private Equity Fund of Funds	13,924	0.2%			
Brighton Park Capital Fund I	Private Equity	42,087	0.7%			
Brighton Park Capital Fund II	Private Equity	5,678	0.1%			
Level Equity Growth Partners	Private Equity	18,306	0.3%			
LGT Crown Global V & VI	Private Equity	43,901	0.7%			
Linden Capital Partners	Private Equity	20,574	0.3%			
Longreach CAP Partners IV-JPY	Private Equity	4,023	0.1%			
Pantheon Funds	Private Equity Fund of Funds	7,356	0.1%			
Parthenon Investors VII	Private Equity	1,191	0.0%			
Peak Rock	Private Equity	19,777	0.3%			
OrbiMed Private Investments IX	Private Equity	2,717	0.0%			
Rubicon Technology Partners IV	Private Equity	9,997	0.2%			
Vista Foundation Fund IV	Private Equity	20,966	0.4%			
Warren Equity Partners Fund III and Fund IV	Private Equity	53,790	0.9%			
WEP IV TS Co-Investment LP	Private Equity	7,394	0.1%			
<b>TOTAL PRIVATE EQUITY</b>		<b>\$271,681</b>	<b>4.6%</b>	<b>5.0%</b>	<b>(0.4%)</b>	<b>(\$24,667)</b>
Ares Pathfinder Fund II	Private Credit	4,526	0.1%			
Blue Torch Credit Opportunites II	Private Credit	13,284	0.2%			
Blue Torch Credit Opportunities Fund III	Private Equity	23,889	0.4%			
Brookfield Real Estate Finance Fund V	Private Credit	15,983	0.3%			
Cerberus Levered Loan Opportunities Fund V LP	Private Credit	18,648	0.3%			
Colony Distressed Credit Fund	Private Credit	15,070	0.3%			
Fortress Credit Opportunities Fund V	Private Credit	30,891	0.5%			
Fortress Lending Fund II (A)	Private Credit	23,774	0.4%			
Fortress Lending Fund III (A)	Private Credit	29,408	0.5%			
H.I.G Bayside Loan Opportunity Fund	Private Credit	41,738	0.7%			
HPS Special Situations Opportunity Fund II	Private Credit	5,152	0.1%			
ITE Real Fund LP	Private Credit	25,424	0.4%			
Magnetar Constellation Fund V	Private Credit	22,524	0.4%			
Oak Hill Advisors Structured Products Fund III LP	Private Credit	13,858	0.2%			
OrbiMed Royalty & Credit Opportunities IV	Private Credit	10,010	0.2%			
Silver Point Specialty Credit Fund III	Private Credit	9,530	0.2%			
Sixth Street TAO Partners (B)	Private Credit	46,335	0.8%			
<b>TOTAL PRIVATE CREDIT</b>		<b>\$350,044</b>	<b>5.9%</b>	<b>8.0%</b>	<b>(2.1%)</b>	<b>(\$124,113)</b>
Covenant Apartment Fund X	Private Real Estate	27,956	0.5%			
Covenant Apartment Fund XI	Private Real Estate	23,270	0.4%			
Invesco Real Estate Funds III & IV	Private Real Estate	146	0.0%			
Juniper Capital IV LP & Juniper High Noon Partners	Private Real Estate	8,224	0.1%			
KSL Capital Partners VI LP and ITS Parallel Funds	Private Real Estate	5,345	0.1%			
LBA Logistics Value Fund IX	Private Real Estate	17,924	0.3%			
Landmark Real Estate Partners VIII & IX	Private Real Estate	33,292	0.6%			
Long Wharf Real Estate Partners VI	Private Real Estate	33,748	0.6%			
Merit Hill Self-Storage V, LP	Private Real Estate	14,505	0.2%			
Singerman Real Estate Opportunity Fund IV	Private Real Estate	18,063	0.3%			
<b>TOTAL PRIVATE REAL ESTATE</b>		<b>\$182,473</b>	<b>3.1%</b>	<b>5.0%</b>	<b>(1.9%)</b>	<b>(\$113,875)</b>
Northern Trust STIF	Short Term	112,937	1.9%			
BlackRock Short Duration	Short Term	247,156	4.2%			
Parametric	Overlay	97,526	1.6%			
Treasurers Pooled Cash	Short Term	14,729	0.2%			
Wells Fargo Bank	Short Term	1,292	0.0%			
<b>TOTAL CASH AND OVERLAY</b>		<b>\$473,640</b>	<b>8.0%</b>	<b>-4.0%</b>	<b>12.0%</b>	<b>\$710,718</b>
Transition Accounts	Liquidation	277	0.0%			
<b>Other</b>		<b>\$277</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>\$277</b>
<b>As Allocated to Managers **</b>		<b>\$5,926,960</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>\$0</b>

\*This report reflects the strategic asset allocation policy adopted by the Board of Retirement May 2024.

\*\*Physical securities market value only. Does not include notional market values of the overlay or capital efficiency program



**KCERA**  
**CASH FLOW POSITION**  
**JULY, 2024**  
**TREASURERS POOLED CASH**

<b>Beginning Cash Balance:</b>		<b>\$ 16,103,026</b>
Employer Contributions	32,182,262	
Employee Contributions	4,729,110	
Service Purchases	144,345	
<b>Total Receipts:</b>		<b>37,055,716</b>
Operating Expenses	(649,571)	
Investment Expenses	(780,424)	
Transfers-out	(37,000,000)	
<b>Total Disbursements:</b>		<u><b>(38,429,995)</b></u>
<b>Ending Cash Balance:</b>		<u><u><b>14,728,748</b></u></u>

**NORTHERN TRUST**

<b>Beginning Cash Balance:</b>		<b>\$ 165,608,287</b>
Private Markets - Distributions	2,003,209	
Commingled Funds - Distributions	4,220,598	
Hedge Funds - Distributions	8,544,266	
Dividend and Interest Income	1,547,387	
Interest	823,542	
Securities Lending Earnings (NET)	50,271	
<b>Total Receipts:</b>		<b>17,189,273</b>
Capital Calls      Fortress	(2,410,647)	
Capital Calls      Vista	(1,537,775)	
Capital Calls      Covenant	(2,250,000)	
Capital Calls      Warren	(245,927)	
Capital Calls      Hudson Bay	(1,816,505)	
Capital Calls      Elliott	(6,500,000)	
Capital Calls      Singerman	(131,250)	
Contribution      Wellington	(10,000,000)	
Contribution      PIMCO EM	(50,000,000)	
Pending Cash Transfers		
Other Expenses	(14,935)	
Transfers-out		
<b>Total Disbursements:</b>		<u><b>(74,907,040)</b></u>
<b>Ending Cash Balance:</b>		<u><u><b>\$ 107,890,520</b></u></u>

**KCERA  
CASH FLOW POSITION  
JULY, 2024**

**WELLS FARGO BANK**

<b>Beginning Cash Balance</b>		<b>\$ 1,375,477</b>
Transfer In Northern Trust		
Transfer In TPC - County	37,000,000	
ACH Returns / Deletes	33,523	
<b>Total Receipts:</b>		<b>37,033,523</b>
ACH Benefit Payments	(32,292,259)	
Total Checks Paid	(232,863)	
Taxes Withholding Deposits	(4,591,462)	
Bank Services	(579)	
<b>Total Disbursements:</b>		<b>(37,117,162)</b>
<b>WFB ending Balance</b>		<b><u>\$ 1,291,838</u></b>

**KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
INVESTMENT FEES CASH FLOW REPORT  
FOR THE MONTH ENDED JULY, 2024**


Description	July	Total
<b>Investment Base Fees:</b>		
Domestic Equity:		
AllianceBernstein	184,947.38	184,947.38
Henderson Geneva Capital		0.00
Mellon Capital		0.00
International Equity:		
BlackRock	128,989.29	128,989.29
Lazard	88,929.76	88,929.76
Fixed Income:		
Mellon Capital (Agg Bond)		0.00
Pacific Investment Management Company		0.00
Western Asset Management		0.00
Commodities:		
Wellington Trust Company		0.00
Real Estate:		
ASB Capital Management		0.00
Midstream Energy:		
Harvest Midstream	285,400.15	285,400.15
Overlay		
Parametric		0.00
<b>Subtotal</b>	<b>688,266.58</b>	<b>688,266.58</b>
<b>Investment Professional Fees:</b>		
Consulting:		
Abel Noser		0.00
Albourne America LLC	33,333.33	33,333.33
Cambridge Associates		0.00
Glass, Lewis & Co.	7,950.00	7,950.00
Nasdaq Evestment		0.00
Two Sigma	11,250.00	11,250.00
Verus	34,166.67	34,166.67
Consulting - Other Expenses		0.00
Custodial:		
The Northern Trust Co.		0.00
Legal:		
Foley & Lardner LLP		0.00
Hanson Bridgett LLP		0.00
Nossaman LLP	5,457.00	5,457.00
Due Diligence / Investment-Related Travel:		
<b>Subtotal</b>	<b>92,157.00</b>	<b>92,157.00</b>
<b>Total Investment Fees</b>	<b>780,423.58</b>	<b>780,423.58</b>

**KCERA**  
**Operating Expense Budget Status Report**  
**For the Month Ended July 31, 2024**

Expense Type	Budget FY 2024/25	Expenses	Over (Under)
<b>Personnel Costs</b>			
Salaries	4,531,471	319,630	(4,211,841)
Benefits	2,770,224	184,384	(2,585,840)
<b>Total Personnel Costs</b>	<b>7,301,695</b>	<b>504,014</b>	<b>(6,797,681)</b>
<b>Staff Development</b>			
Education & professional development	120,000	10,609	(109,391)
Staff appreciation	4,600	-	(4,600)
<b>Total Staff Development</b>	<b>124,600</b>	<b>10,609</b>	<b>(113,991)</b>
<b>Professional Services</b>			
Actuarial fees	250,000	-	(250,000)
Audit fees	202,875	-	(202,875)
Consultant fees	115,000	-	(115,000)
Disability services	575,000	-	(575,000)
Investment consultants	1,657,400	19,200	(1,638,200)
Legal fees	430,000	-	(430,000)
<b>Total Professional Services *</b>	<b>3,230,275</b>	<b>19,200</b>	<b>(3,211,075)</b>
<b>Office Expenses</b>			
Building expenses	158,000	4,630	(153,370)
Communication platforms	60,110	4,033	(56,077)
Equipment lease & maintenance	22,100	6,803	(15,297)
Member engagement	44,200	-	(44,200)
Subscriptions & memberships	35,000	4,000	(31,000)
Office supplies & misc. admin.	100,000	1,913	(98,087)
Payroll & accounts payable fees	25,000	-	(25,000)
Postage	30,000	497	(29,503)
Other services - Kern County	40,000	-	(40,000)
Utilities	18,000	-	(18,000)
<b>Total Office Expenses</b>	<b>532,410</b>	<b>21,876</b>	<b>(510,534)</b>
<b>Insurance</b>	<b>198,410</b>	<b>-</b>	<b>198,410</b>
<b>Information Technology Systems</b>			
Audit-security & vulnerability scan	15,000	-	(15,000)
Business continuity expenses	16,050	-	(16,050)
Hardware	78,211	9,647	(68,564)
Licensing & support	217,523	5,339	(212,184)
Special project - Accounting Software upgrades	35,000	-	(35,000)
Software	335,518	3,000	(332,518)
Website design & hosting	13,200	1,100	(12,100)
<b>Total Information Technology Systems</b>	<b>710,502</b>	<b>19,086</b>	<b>(691,416)</b>
<b>Board of Retirement</b>			
Board compensation	12,000	-	(12,000)
Board conferences & training	50,000	12,452	(37,548)
Board elections	75,000	-	(75,000)
Board meetings	8,500	-	(8,500)
<b>Total Board of Retirement</b>	<b>145,500</b>	<b>12,452</b>	<b>(133,048)</b>
<b>Depreciation</b>	<b>245,956</b>	<b>20,496</b>	<b>195,825</b>
<b>Total Operating Expenses</b>	<b>12,489,348</b>	<b>607,733</b>	<b>(11,063,510)</b>

\* Includes prior period adjustments for non-admin investment consulting and legal services.



**Date:** September 11, 2024  
**To:** Trustees, Board of Retirement  
**From:** Dominic D. Brown, Chief Executive Officer   
**Subject:** **Initiation of Service Provider Evaluation Period**

The Board of Retirement's Evaluation Period Policy was established to help ensure that decisions involving the selection, retention, or termination of KCERA service providers are consistent with fiduciary standards of conduct, and that service providers being considered by KCERA are treated fairly.

An "evaluation period" may be initiated by the Chief Executive Officer ("CEO") in the following situations:

- a) when a request for proposals (RFP) has been issued by KCERA or a short list of candidate firms has been identified for consideration by KCERA, or
- b) the Board otherwise deems it to be in the best interest of KCERA and its members and beneficiaries to do so.

The CEO has exercised his discretion and initiated the evaluation period for the following providers:

- 1) Magnetar Capital

Trustees are required to comply with the evaluation period restrictions upon receipt of this notification. (See Board Communications Policy).

During evaluation periods, trustees shall not communicate with the specified service providers, except during board meetings, committee meetings, or KCERA-authorized due diligence visits; nor shall they accept meals, travel, hotel, or other types of gifts from the specified service providers. Notwithstanding the above, Trustees who need to communicate with such service providers for reasons unrelated to KCERA business agree to disclose such need to the Board beforehand. If circumstances do not permit timely disclosure to the Board, the trustee shall provide disclosure of the intended communication to the CEO and to the Chair or Vice-Chair.

Service providers that breach this policy may be terminated by KCERA or disqualified from consideration in a search process. Board members who breach this policy may be sanctioned in accordance with the KCERA Code of Conduct.

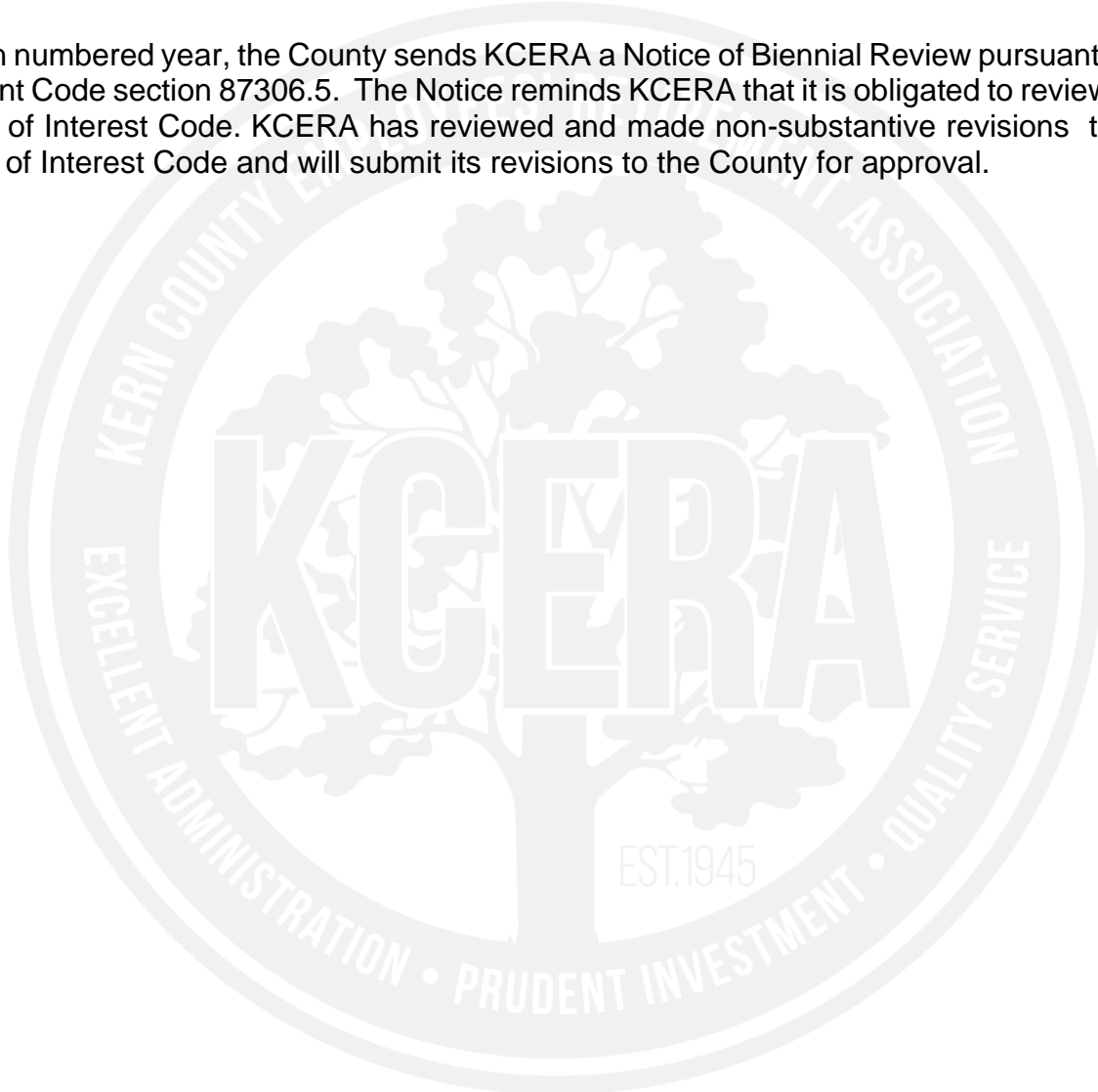
(See Evaluation Period Policy).

Pursuant to the aforementioned policies, your Board is asked to ratify the above evaluation period I recently initiated.

**Date:** September 11, 2024  
**To:** Trustees, Board of Retirement  
**From:** Jennifer Esquivel Zahry, Chief Legal Officer  
**Subject:** **Biennial Review of Conflict of Interest Code**



Every even numbered year, the County sends KCERA a Notice of Biennial Review pursuant to California Government Code section 87306.5. The Notice reminds KCERA that it is obligated to review and update its Conflict of Interest Code. KCERA has reviewed and made non-substantive revisions to portions of its Conflict of Interest Code and will submit its revisions to the County for approval.





## **CONFLICT OF INTEREST CODE** **KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

The Political Reform Act of 1974, Government Code Section 81000, et seq., requires state and local government agencies ~~to~~ adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation, 2 Cal. Code ~~of~~ Regs. ~~Section-section~~ 18730, which contains the terms of a standard conflict of interest code. It can be incorporated by reference and may be amended by the Fair Political Practices Commission after public notice and hearings to conform to amendments in the Political Reform Act. Therefore, the terms of 2 Cal. Code ~~of~~ Regs. ~~Section-section~~ 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference and, along with the attached APPENDI~~CES~~~~X~~ in which members and employees are designated and disclosure categories are set forth, constitute the ~~conflict~~ Conflict of ~~interest~~ Interest ~~code~~ Code of the Kern County Employees' Retirement Association.

The terms of the conflict of interest code amended or adopted and promulgated pursuant to 2 Cal. Code Regs. Section 18730 are as follows:

### Section (2) Designated Employees.

In addition to ~~The~~the public officials ~~persons holding positions~~ listed in APPENDIX A, specific enumerated positions within the agency are ("designated employees") are listed in APPENDIX B. It has been determined that these persons make or participate in the making of decisions which may foreseeably have a material effect on economic interests. Designated employees shall file statements of economic interests with Secretary ~~of~~ of the Board (see APPENDIX D) who will make the statement available for public inspections and reproduction. (Government Code section 81008.) Statements for all designated employees will be retained by the Secretary of the Board.

### Section (3) Disclosure Categories.

All public officials listed in APPENDIX A shall file pursuant to the disclosure category listed in that APPENDIX. All designated employees shall file pursuant to the disclosure categories set forth in APPENDIX B, which specify the kinds of economic interests that are reportable. Such a designated employee shall disclose in his or her statement of economic interest those economic interests he or

she has which are of the kind described in the disclosure categories to which he or she is assigned ~~in the APPENDIX B~~. It has been determined that the economic interests set forth in a designated employee's disclosure categories are the kinds of economic interests which he or she foreseeably can affect materially through the conduct of his or her office. The specific disclosure requirements applicable to each disclosure category are set forth in APPENDIX C.

~~This code does not establish any disclosure obligation for those designated employees who are also specified in Government Code section 87200.~~

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## **POLICY REVIEW AND HISTORY**

- 1) This policy was:



- a) Amended by the Board of Retirement on October 11, 2000; March 14, 2001; September 25, 2002; September 10, 2008; August 26, 2009; July 11, 2012; September 10, 2018; September 8, 2021; ~~and~~ September 14, 2022; and September 11, 2024.
- ~~Approved by the Board of Supervisors on November 6, 2018; September 28, 2021; and~~ November 29, 2022; and [Month DD, YYYY].

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b)

**APPENDIX A**  
**AGENCY POSITIONS PUBLIC OFFICIALS THAT WHO MANAGE PUBLIC INVESTMENTS**  
**FOR PURPOSES OF SECTION 87200 OF THE GOVERNMENT CODE**

	<b>DISCLOSURE CATEGORY</b>
<b>I. BOARD OF RETIREMENT TRUSTEES</b>	<b>5</b>
A. First Member (ex-officio)	<b>5</b>
B. Second Member Elected (General Member)	<b>5</b>
C. Third Member Elected (General Member)	<b>5</b>
D. Fourth Member Appointed (Board of Supervisors Member)	<b>5</b>
E. Fifth Member Appointed	<b>5</b>
F. Sixth Member Appointed	<b>5</b>
G. Seventh Member Elected (Safety Member)	<b>5</b>
H. Eighth Member Elected (Retired Member)	<b>5</b>
I. Ninth Member Appointed	<b>5</b>
J. Alternate First Member	<b>5</b>
K. Alternate Seventh Member Elected (Safety Member)	<b>5</b>
L. Alternate Eighth Member Elected (Retired Member)	<b>5</b>

**APPENDIX B**  
**DESIGNATED ENUMERATED POSITIONS REQUIRED BY GOVERNMENT CODE**  
**SECTION 87302 EMPLOYEES**

		DISCLOSURE CATEGORY
+	<b><u>BOARD OF RETIREMENT TRUSTEES</u></b>	<b>5</b>
	<b>II. EXECUTIVE / ADMINISTRATIVE GROUP</b>	
	A. Chief Executive Officer	1
	B. Chief Operations Officer	1
	C. Chief Investment Officer	1
	D. Deputy Chief Investment Officer	1
	E. Investment/Senior Investment Officer	1
	F. Investment/ <u>Senior Investment</u> Analyst I/II/ <u>Senior Investment Analyst</u>	1
	1	
	<b>III. LEGAL GROUP</b>	
	A. Chief Legal Officer	1
	B. Deputy/Senior Deputy Chief Legal Officer	1
	C. Paralegal/Senior Paralegal	1
	<b>IIIV. FINANCE GROUP</b>	
	A. Chief Financial Officer	1
	B. Deputy Chief Financial Officer	1
	<b>V. INVESTMENT CONSULTANTS</b>	
	A. All Investment Consultants	2
	<b>VI. CUSTODIAL SERVICES</b>	
	A. Custodian	2

## **APPENDIX C**

### **DISCLOSURE CATEGORIES**

#### **CATEGORY 1.**

Designated employees in this category shall disclose all sources of income, interests in real property, investments and business positions in business entities. Designated employees in this category shall complete all schedules of Form 700, if applicable.

#### **CATEGORY 2.**

Designated employees in this category shall disclose sources of income, investments, and business positions in business entities that provide services, supplies, materials, machinery or equipment of the type purchased or utilized by the department in which the designated employee is employed. Designated employees in this category shall complete all schedules of Form 700 except schedule C, if applicable.

#### **CATEGORY 3.**

Designated employees in this category shall disclose all sources of income, investments, and business positions in business entities that engage in land development, construction, or the acquisition or sale of real property, and shall disclose all interests in real property. Designated employees in this category shall complete all schedules of Form 700, if applicable.

#### **CATEGORY 4.**

Persons in this category shall disclose all investments, income, and business positions in business entities that are subject to the regulatory, permit, or licensing authority of the department in which the designated employee is employed. Designated employees in this category shall complete all schedules of Form 700 except schedule C, if applicable.

#### **CATEGORY 5.**

Persons in this category are required to make disclosure pursuant to Government Code Sections 87200 and 87202. No additional disclosure obligations are imposed under this code. Designated employees in this category shall complete all schedules of Form 700, if applicable.

**APPENDIX D  
FILING REQUIRMENTS**

Form 700 State of Economic Interests shall be filed with the Clerk of the Board of Retirement at the address below:

Kern County Employees' Retirement Association  
Attention: Clerk of the Board  
11125 River Run Boulevard  
Bakersfield, CA 93311

The Clerk of the Board will provide a copy of Form 700 to each statutory and designated individual annually, upon assuming office, and upon termination.



11125 River Run Blvd  
Bakersfield, CA 93311  
661.381.7700  
www.kcera.org

## **CONFLICT OF INTEREST CODE** **KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

The Political Reform Act of 1974, Government Code Section 81000, et seq., requires state and local government agencies adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation, 2 Cal. Code Regs. section 18730, which contains the terms of a standard conflict of interest code. It can be incorporated by reference and may be amended by the Fair Political Practices Commission after public notice and hearings to conform to amendments in the Political Reform Act. Therefore, the terms of 2 Cal. Code Regs. section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference and, along with the attached APPENDICES in which members and employees are designated and disclosure categories are set forth, constitute the Conflict of Interest Code of the Kern County Employees' Retirement Association.

The terms of the conflict of interest code amended or adopted and promulgated pursuant to 2 Cal. Code Regs. Section 18730 are as follows:

### **Section (2) Designated Employees.**

In addition to the public officials listed in APPENDIX A, specific enumerated positions within the agency ("designated employees") are listed in APPENDIX B. It has been determined that these persons make or participate in the making of decisions which may foreseeably have a material effect on economic interests. Designated employees shall file statements of economic interests with Secretary of the Board who will make the statement available for public inspections and reproduction. (Government Code section 81008.) Statements for all designated employees will be retained by the Secretary of the Board.

### **Section (3) Disclosure Categories.**

All public officials listed in APPENDIX A shall file pursuant to the disclosure category listed in that APPENDIX. All designated employees shall file pursuant to the disclosure categories set forth in APPENDIX B, which specify the kinds of economic interests that are reportable. Such a designated employee shall disclose in his or her statement of economic interest those economic interests he or

she has which are of the kind described in the disclosure categories to which he or she is assigned. It has been determined that the economic interests set forth in a designated employee's disclosure categories are the kinds of economic interests which he or she foreseeably can affect materially through the conduct of his or her office. The specific disclosure requirements applicable to each disclosure category are set forth in APPENDIX C.

PROPOSED

## **POLICY REVIEW AND HISTORY**

- 1) This policy was:
  - a) Amended by the Board of Retirement on October 11, 2000; March 14, 2001; September 25, 2002; September 10, 2008; August 26, 2009; July 11, 2012; September 10, 2018; September 8, 2021; September 14, 2022; and September 11, 2024.
  - b) Approved by the Board of Supervisors on November 6, 2018; September 28, 2021; November 29, 2022; and [Month DD, YYYY].

**APPENDIX A  
PUBLIC OFFICIALS WHO MANAGE PUBLIC INVESTMENTS FOR PURPOSES OF SECTION  
87200 OF THE GOVERNMENT CODE**

	<b>DISCLOSURE CATEGORY</b>
<b>I. BOARD OF RETIREMENT TRUSTEES</b>	<b>5</b>
A. First Member (ex-officio)	5
B. Second Member Elected (General Member)	5
C. Third Member Elected (General Member)	5
D. Fourth Member Appointed (Board of Supervisors Member)	5
E. Fifth Member Appointed	5
F. Sixth Member Appointed	5
G. Seventh Member Elected (Safety Member)	5
H. Eighth Member Elected (Retired Member)	5
I. Ninth Member Appointed	5
J. Alternate First Member	5
K. Alternate Seventh Member Elected (Safety Member)	5
L. Alternate Eighth Member Elected (Retired Member)	5

PROPOSED



**APPENDIX B**  
**ENUMERATED POSITIONS REQUIRED BY GOVERNMENT CODE SECTION 87302**

	<b>DISCLOSURE CATEGORY</b>
<b>I. EXECUTIVE / ADMINISTRATIVE GROUP</b>	
A. Chief Executive Officer	1
B. Chief Operations Officer	1
C. Chief Investment Officer	1
D. Deputy Chief Investment Officer	1
E. Investment/Senior Investment Officer	1
F. Investment/Senior Investment Analyst I/II	1
<b>II. LEGAL GROUP</b>	
A. Chief Legal Officer	1
B. Deputy/Senior Deputy Chief Legal Officer	1
C. Paralegal/Senior Paralegal	1
<b>III. FINANCE GROUP</b>	
A. Chief Financial Officer	1
B. Deputy Chief Financial Officer	1
<b>V. INVESTMENT CONSULTANTS</b>	
A. All Investment Consultants	2
<b>VI. CUSTODIAL SERVICES</b>	
A. Custodian	2

## **APPENDIX C DISCLOSURE CATEGORIES**

### **CATEGORY 1.**

Designated employees in this category shall disclose all sources of income, interests in real property, investments and business positions in business entities. Designated employees in this category shall complete all schedules of Form 700, if applicable.

### **CATEGORY 2.**

Designated employees in this category shall disclose sources of income, investments, and business positions in business entities that provide services, supplies, materials, machinery or equipment of the type purchased or utilized by the department in which the designated employee is employed. Designated employees in this category shall complete all schedules of Form 700 except schedule C, if applicable.

### **CATEGORY 3.**

Designated employees in this category shall disclose all sources of income, investments, and business positions in business entities that engage in land development, construction, or the acquisition or sale of real property, and shall disclose all interests in real property. Designated employees in this category shall complete all schedules of Form 700, if applicable.

### **CATEGORY 4.**

Persons in this category shall disclose all investments, income, and business positions in business entities that are subject to the regulatory, permit, or licensing authority of the department in which the designated employee is employed. Designated employees in this category shall complete all schedules of Form 700 except schedule C, if applicable.

### **CATEGORY 5.**

Persons in this category are required to make disclosure pursuant to Government Code Sections 87200 and 87202. No additional disclosure obligations are imposed under this code. Designated employees in this category shall complete all schedules of Form 700, if applicable.

**APPENDIX D  
FILING REQUIREMENTS**

Form 700 State of Economic Interests shall be filed with the Clerk of the Board of Retirement at the address below:

Kern County Employees' Retirement Association  
Attention: Clerk of the Board  
11125 River Run Boulevard  
Bakersfield, CA 93311


The Clerk of the Board will provide a copy of Form 700 to each statutory and designated individual annually, upon assuming office, and upon termination.

PROPOSED

**Date:** September 11, 2024

**To:** Trustees, Board of Retirement

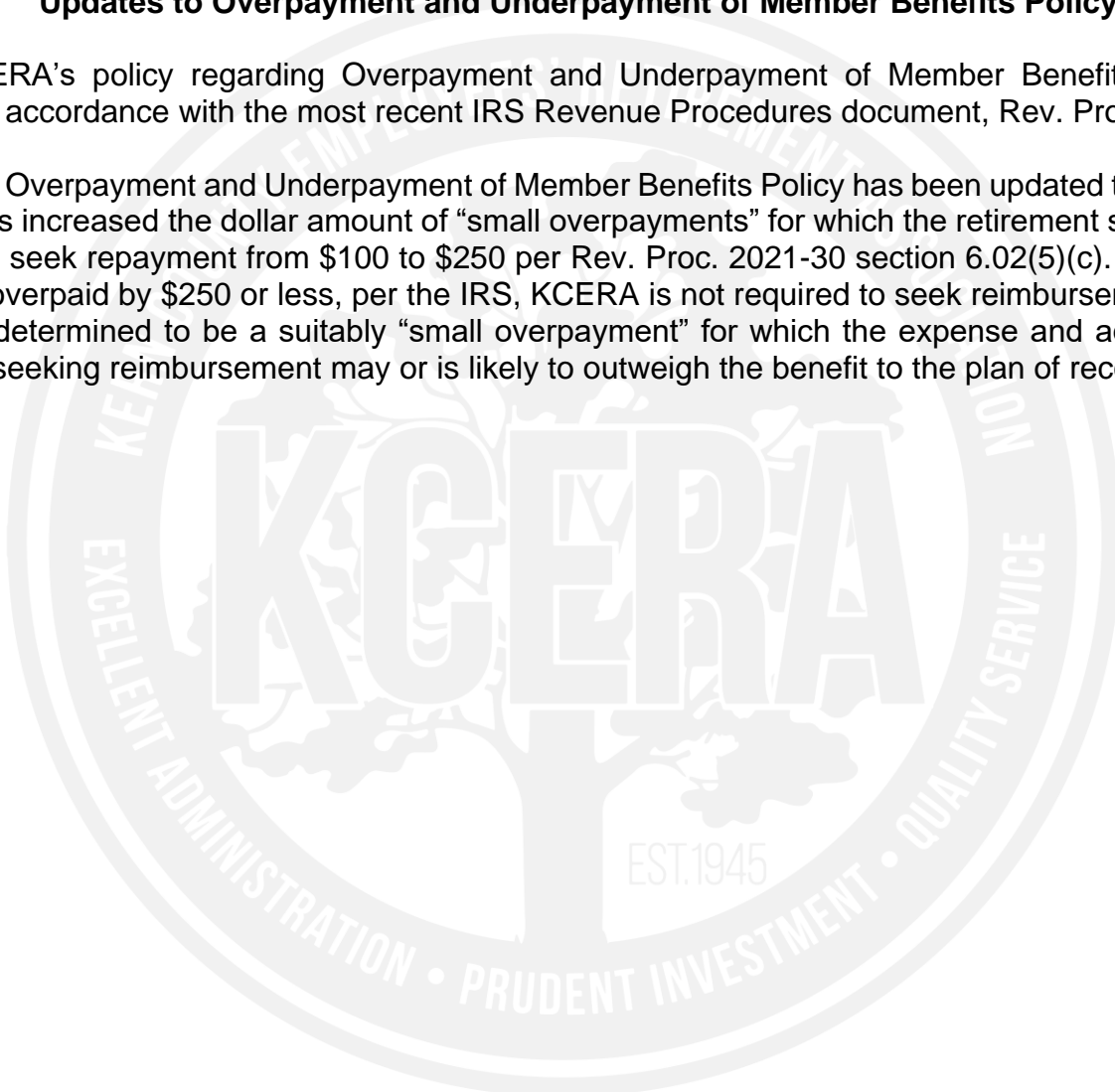
**From:** Jennifer Esquivel Zahry, Chief Legal Officer  
Kristen McDonald, Deputy Chief Legal Officer



**Subject: Updates to Overpayment and Underpayment of Member Benefits Policy**

KCERA's policy regarding Overpayment and Underpayment of Member Benefits has been updated in accordance with the most recent IRS Revenue Procedures document, Rev. Proc. 2021-30.

The Overpayment and Underpayment of Member Benefits Policy has been updated to reflect that the IRS has increased the dollar amount of "small overpayments" for which the retirement system is not required to seek repayment from \$100 to \$250 per Rev. Proc. 2021-30 section 6.02(5)(c). If a Member has been overpaid by \$250 or less, per the IRS, KCERA is not required to seek reimbursement, as this has been determined to be a suitably "small overpayment" for which the expense and administrative burden of seeking reimbursement may or is likely to outweigh the benefit to the plan of recovery.





11125 River Run Blvd  
Bakersfield, CA 93311  
661.381.7700  
www.kcera.org

## **OVERPAYMENT AND UNDERPAYMENT OF MEMBER BENEFITS POLICY**

*(formerly known as "Correction of Errors in Benefit Payments - Principles, Policy and Procedures")*

The Board of Retirement ("Board") has fiduciary and compliance obligations to the retirement fund and its members to conserve and protect fund assets for the benefit of Kern County Employees' Retirement Association's (KCERA's) members and beneficiaries.

### **POLICY STATEMENT**

To preserve KCERA's financial integrity and comply with its fiduciary responsibilities and IRS (Internal Revenue Service) provisions governing the correction of benefit overpayments and underpayments, it is KCERA's policy to review any overpayment or underpayment promptly and to make such reasonable, diligent, and systematic efforts as are appropriate under the circumstances to return to a Member the amount of any underpayment of benefits and to return to the Plan, the amount of any overpayment of benefits, consistent with this Policy, and procedures established by the Board and in compliance with [IRS qualification requirements, Revenue Procedure \("Rev. Proc."\) 2018-52](#)~~2021-30~~.

### **PURPOSE**

The purpose of this Policy is to provide guidelines and a process for evaluation and collection or repayment of funds owed to a Member<sup>1</sup> or KCERA. Therefore, when KCERA has paid a Member an amount under or in excess of that to which the Member is entitled under provisions of the KCERA defined benefit plan (the "Plan") or other applicable law, including the CERL (County Employees Retirement Law of 1937), every reasonable effort shall be made to pay or collect the amount of such underpayment or overpayment, consistent with this Policy and procedures established by the Board and in compliance with [IRS qualification requirements, Revenue Ruling 2018-52](#)~~2021-30~~.

This policy is designed for use when errors affect an individual Member's benefits. In the event of a system-wide Overpayment or Underpayment that affects multiple Members' benefits, the Board may implement a system-wide correction process it determines is appropriate after consideration of all of the facts and circumstances related to the error.

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<sup>1</sup> For purposes of this Policy, "Member" shall mean a member or beneficiary.

## GUIDELINES

<u>Underpayment(s)</u>	Any amount delivered to the Member by the Plan that is less than that to which the Member is entitled under the Plan.
<u>Overpayment(s)</u>	Mistaken or excess benefit payment(s) made to the Member by the Plan.
<u>Resolved</u>	<p>With regard to Underpayments, the issue is “Resolved” when the Plan has remitted the amount of the Underpayment(s), including interest, if applicable.</p> <p>With regard to Overpayments, the issue is “Resolved” when the Plan has received full payment of the amount of the Overpayment(s), including interest, if applicable. For purposes of this Policy, “full payment” may include an installment repayment plan for the full amount owed, including applicable interest.</p>
<u>SRBR Benefits</u>	The Board has statutory authority to determine the method of distribution of funds allocated to the Supplemental Retiree Benefit Reserve (“SRBR”). SRBR is funded out of “excess [investment] earnings” of the retirement system and supplemental benefits are not vested in that excess earnings cannot be guaranteed. In determining whether to recoup Overpayments of SRBR Benefits, the Board is not required to consider the constitutional and statutory principles applicable to recovery of overpaid vested benefits since those principles do not apply to SRBR <del>Benefits, but</del> <u>Benefits but</u> shall weigh the cost of recovery against the amount to be recovered and the likelihood of recovery.
<u>Appropriate Interest</u>	Consistent with Revenue Procedure 2018-52, interest on an Overpayment to a Member shall be due to KCERA, or to the Member in the case of an Underpayment, as set forth in this Policy.
<u>KCERA’s credited Interest rate</u>	The rate of interest credited to the Member Reserve in accordance with KCERA’s Interest Crediting Policy.
<u>Final Calculation</u>	Notification designated as “FINAL CALCULATION” by KCERA to Member regarding the total Overpayment or Underpayment—, including appropriate interest, as applicable.

## PROCEDURES

## A. General Procedures

### 1. Investigation

- a. When an Underpayment or Overpayment has been identified, the ~~Executive Director~~ Chief Executive Officer will initiate an investigation into the facts and circumstances surrounding the Overpayment or Underpayment to resolve the matter consistent with this Policy.
- b. When an Underpayment or Overpayment is discovered in the benefit payment(s) to one Member, KCERA staff shall carry out all reasonable analysis to determine whether such error may also affect any other Member(s) and shall take all reasonable actions set forth in this Policy.

### 2. Notification

- a. KCERA's ~~Executive Director~~ Chief Executive Officer shall report any Underpayment or Overpayment to a Member that exceeds \$10,000 in principal to the Board at the next regularly scheduled Board meeting.
- b. KCERA's ~~Executive Director~~ Chief Executive Officer shall provide the Board with a semi-annual, written report of any Underpayment or Overpayment in excess of the principal amount of \$1,000 that was resolved over the preceding six-month period, with a description of the actions taken to correct the Underpayment or Overpayment.

## B. Underpayment of Benefits by the Plan

### 1. Resolution

- a. When an Underpayment of benefits is discovered, KCERA shall, after appropriate written notice to the Member, make a prospective adjustment to the Member's benefit (if necessary) in order to correct the Member's benefit and shall repay any underpaid benefits through a retroactive lump sum payment, with interest (if applicable), subject to the provisions of this policy, applicable law, and IRS Regulations and guidance in place at the time the Underpayment is discovered.
  - (1) **Mistake in Fact** - In the case of an Underpayment that arises due to a mistake in fact (e.g., a calculation error), the Member shall be entitled to a retroactive lump sum payment in an amount equal to the amount underpaid since the Member's retirement, plus applicable interest identified in this Policy.

(2) **Mistake in Law** - In the case of an Underpayment that arises due to a mistake in law (e.g., excluding or including an item of pay from the definition of “compensation earnable” or “pensionable compensation,” as applicable, and such exclusion is later determined to be an incorrect application of law), the Member shall be entitled to a retroactive lump sum payment in the amount that would have been paid during the three year period prior to discovery of the error, plus applicable interest; offset by the contributions to KCERA that would have been paid by the Member but for the mistake in law, together with applicable interest.

2. Interest

- a. KCERA shall include interest in its repayment only if the Underpayment of benefits is not resolved within the same calendar year in which the Underpayment was made.
- b. Interest shall be calculated using KCERA’s credited interest rate during the period of the Underpayment.
- c. Interest will be charged on the Underpayment(s) from the time of the Underpayment until the time of the final calculation by KCERA.

3. Due Process

- a. If a member disagrees with Staff’s decision regarding resolution of the Underpayment of benefits, the Member shall be advised of their right to participate in an administrative appeal process provided by KCERA.

**C. Overpayment of Benefits by the Plan**

1. Resolution

- a. Whenever an Overpayment of benefits is discovered, KCERA shall, after appropriate written notice to the Member, make a prospective adjustment to the Member’s benefit (as necessary) in order to get the Member on the correct monthly benefit and shall take all reasonable steps to recover the full amount of all past Overpayment(s), with interest, subject to the provisions of this Policy and applicable law.
- b. KCERA will recover Overpayment(s) either by (a) lump sum payment from the Member or (b) additional amounts deducted from the Member’s future monthly benefit(s), over a period of time as determined by KCERA, unless KCERA, in its discretion and because of legal or practical considerations, determines that another process is warranted.



## 2. Overpayment Exceeding \$20,000

- a. Overpayment(s) for which the principal exceeds \$20,000 should result in a full payment of the overpaid amount, plus applicable interest. For purposes of this Policy, full payment may include an installment repayment plan for the full amount owed, including applicable interest. A resolution on these terms does not require Board approval.
- b. Overpayment(s) for which the principal exceeds \$20,000 and which do not result in an immediate full payment, including applicable interest, as described in the Section C.1.a., must be approved by the Board.

## 3. Overpayment of \$20,000 or less

- a. Overpayment(s) for which the principal amount does not exceed \$20,000, should result in a full payment of the overpaid amount, plus applicable interest. For purposes of this Policy, full payment may include an installment repayment plan for the full amount owed, including applicable interest. A resolution on these terms does not require Board approval.
- b. Subject to the procedures in the Policy, and IRS Regulations and guidance in place at the time the Overpayment is discovered, the Executive Director/Chief Executive Officer will have discretion to resolve any Overpayment of \$20,000 or less, excluding interest.
- c. Collection of Overpayments for principal amounts less than of \$100250 or less, or such other amount identified by the IRS as a small overpayment subject to exception from full correction (Rev. Proc. 2021-30 section 6.02(5)(c)), ~~is not required. shall only be pursued as directed by the Executive Director/Chief Executive Officer.~~

## 4. Interest

- a. Interest shall be calculated using KCERA's credited interest rate during the period of the Overpayment.
- b. KCERA shall charge the Member interest only if the Overpayment of benefits is not resolved within the same calendar year in which the Overpayment was made.
- c. Interest will be charged on the Overpayment(s) from the time of the Overpayment until the time of the final calculation by KCERA.

## 5. Due Process

- a. Prospective Corrections - KCERA will prospectively correct benefit Overpayment(s) to reflect the correct amount to which the Member is entitled or eligible after providing written notification to the Member.
  - b. Past Overpayment(s) - KCERA shall not further reduce a Member's benefit (whether vested or SRBR payments) as an offset to recoup Overpayments until the Member has 1) signed an Agreement to repay the Overpayment or 2) has been provided at least 30 days' notice of KCERA's intent to recoup the Overpayment(s) and been given an opportunity to participate in the administrative appeals process.
6. Procedures and Considerations for Evaluating Collection of Overpayment(s) in Certain Cases
- a. In situations where, upon review of the totality of the circumstances, KCERA determines that full payment is unreasonable, KCERA may settle (i.e., accept less than full repayment of overpaid benefits, including applicable interest) a claim for Overpayments of benefits, whether vested or non-vested, pursuant to the following guidelines:
    - (1) All settlements must be reasonably prudent under the circumstances of the particular case.
    - (2) The period for repayment under the settlement may be negotiated between KCERA and the affected Member, but such period shall not exceed twice the length of time over which the Overpayment of benefits occurred or five years, whichever is shorter.-

Settlement agreements may be signed by the ~~Executive Director~~Chief Executive Officer, or designee, in all cases except where the principal amount of the Overpayment(s) exceeds \$20,000. In cases where the principal amount exceeds \$20,000, the ~~Executive Director~~Chief Executive Officer, or designee, shall only sign a settlement agreement if authorized by the Board. In all cases, settlement agreements shall be approved as to legal form by KCERA's legal counsel.
  - b. In determining whether it is appropriate to settle a claim, KCERA shall consider the following factors:
    - (1) The total amount of the Overpayment (including applicable interest);
    - (2) The likelihood of success of recoupment at an administrative hearing or other judicial forum;
    - (3) KCERA's ability to collect from the Member;
    - (4) The anticipated cost of pursuing a claim against the Member measured against the amount to be collected;

- (5) Any other reasonable factors regarding KCERA's fiduciary obligations, its compliance considerations as a qualified plan, or other public policy considerations; and
  - (6) The ability of KCERA to collect the Overpayment from the plan sponsor or some other individual or entity.
- c. KCERA will abandon claims for collection of overpaid benefits only if it concludes that settlement is not possible and pursuing the claim is unreasonable under the totality of the circumstances.
- d. The ~~Executive Director~~Chief Executive Officer shall document in a memorandum to the file the bases for abandoning or settling a claim (whether in whole or in part).

DRAFT

## **POLICY REVIEW AND HISTORY**

- 1) This policy shall be reviewed at least every five (5) years.

- 1) — 2) This policy was:
- a. Adopted by the Board ~~in~~on March 22, 2000.
  - b. Reviewed and amended by the Board in February 12, 2014; ~~and on~~ April 10, 2019 and September 11, 2024.

DRAFT



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## **OVERPAYMENT AND UNDERPAYMENT OF MEMBER BENEFITS POLICY**

*(formerly known as "Correction of Errors in Benefit Payments - Principles, Policy and Procedures")*

The Board of Retirement ("Board") has fiduciary and compliance obligations to the retirement fund and its members to conserve and protect fund assets for the benefit of Kern County Employees' Retirement Association's (KCERA's) members and beneficiaries.

### **POLICY STATEMENT**

To preserve KCERA's financial integrity and comply with its fiduciary responsibilities and IRS (Internal Revenue Service) provisions governing the correction of benefit overpayments and underpayments, it is KCERA's policy to review any overpayment or underpayment promptly and to make such reasonable, diligent, and systematic efforts as are appropriate under the circumstances to return to a Member the amount of any underpayment of benefits and to return to the Plan, the amount of any overpayment of benefits, consistent with this Policy, and procedures established by the Board and in compliance with IRS qualification requirements. .

### **PURPOSE**

The purpose of this Policy is to provide guidelines and a process for evaluation and collection or repayment of funds owed to a Member<sup>1</sup> or KCERA. Therefore, when KCERA has paid a Member an amount under or in excess of that to which the Member is entitled under provisions of the KCERA defined benefit plan (the "Plan") or other applicable law, including the CERL (County Employees Retirement Law of 1937), every reasonable effort shall be made to pay or collect the amount of such underpayment or overpayment, consistent with this Policy and procedures established by the Board and in compliance with IRS qualification requirements.

This policy is designed for use when errors affect an individual Member's benefits. In the event of a system-wide Overpayment or Underpayment that affects multiple Members' benefits, the Board may implement a system-wide correction process it determines is appropriate after consideration of all of the facts and circumstances related to the error.

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<sup>1</sup> For purposes of this Policy, "Member" shall mean a member or beneficiary.

## **GUIDELINES**

Underpayment(s) Any amount delivered to the Member by the Plan that is less than that to which the Member is entitled under the Plan.

Overpayment(s) Mistaken or excess benefit payment(s) made to the Member by the Plan.

Resolved With regard to Underpayments, the issue is “Resolved” when the Plan has remitted the amount of the Underpayment(s), including interest, if applicable.

With regard to Overpayments, the issue is “Resolved” when the Plan has received full payment of the amount of the Overpayment(s), including interest, if applicable. For purposes of this Policy, “full payment” may include an installment repayment plan for the full amount owed, including applicable interest.

SRBR Benefits The Board has statutory authority to determine the method of distribution of funds allocated to the Supplemental Retiree Benefit Reserve (“SRBR”). SRBR is funded out of “excess [investment] earnings” of the retirement system and supplemental benefits are not vested in that excess earnings cannot be guaranteed. In determining whether to recoup Overpayments of SRBR Benefits, the Board is not required to consider the constitutional and statutory principles applicable to recovery of overpaid vested benefits since those principles do not apply to SRBR Benefits but shall weigh the cost of recovery against the amount to be recovered and the likelihood of recovery.

Appropriate Interest Consistent with Revenue Procedure 2018-52, interest on an Overpayment to a Member shall be due to KCERA, or to the Member in the case of an Underpayment, as set forth in this Policy.

KCERA’s credited Interest rate The rate of interest credited to the Member Reserve in accordance with KCERA’s Interest Crediting Policy.

Final Calculation Notification designated as “FINAL CALCULATION” by KCERA to Member regarding the total Overpayment or Underpayment, including appropriate interest, as applicable.

## PROCEDURES

### A. General Procedures

#### 1. Investigation

- a. When an Underpayment or Overpayment has been identified, the Chief Executive Officer will initiate an investigation into the facts and circumstances surrounding the Overpayment or Underpayment to resolve the matter consistent with this Policy.
- b. When an Underpayment or Overpayment is discovered in the benefit payment(s) to one Member, KCERA staff shall carry out all reasonable analysis to determine whether such error may also affect any other Member(s) and shall take all reasonable actions set forth in this Policy.

#### 2. Notification

- a. KCERA's Chief Executive Officer shall report any Underpayment or Overpayment to a Member that exceeds \$10,000 in principal to the Board at the next regularly scheduled Board meeting.
- b. KCERA's Chief Executive Officer shall provide the Board with a semi-annual, written report of any Underpayment or Overpayment in excess of the principal amount of \$1,000 that was resolved over the preceding six-month period, with a description of the actions taken to correct the Underpayment or Overpayment.

### B. Underpayment of Benefits by the Plan

#### 1. Resolution

- a. When an Underpayment of benefits is discovered, KCERA shall, after appropriate written notice to the Member, make a prospective adjustment to the Member's benefit (if necessary) in order to correct the Member's benefit and shall repay any underpaid benefits through a retroactive lump sum payment, with interest (if applicable), subject to the provisions of this policy, applicable law, and IRS Regulations and guidance in place at the time the Underpayment is discovered.

- (1) **Mistake in Fact** - In the case of an Underpayment that arises due to a mistake in fact (e.g., a calculation error), the Member shall be entitled to a retroactive lump sum payment in an amount equal to the amount underpaid since the Member's retirement, plus applicable interest identified in this Policy.

(2) **Mistake in Law** - In the case of an Underpayment that arises due to a mistake in law (e.g., excluding or including an item of pay from the definition of “compensation earnable” or “pensionable compensation,” as applicable, and such exclusion is later determined to be an incorrect application of law), the Member shall be entitled to a retroactive lump sum payment in the amount that would have been paid during the three year period prior to discovery of the error, plus applicable interest; offset by the contributions to KCERA that would have been paid by the Member but for the mistake in law, together with applicable interest.

2. Interest

- a. KCERA shall include interest in its repayment only if the Underpayment of benefits is not resolved within the same calendar year in which the Underpayment was made.
- b. Interest shall be calculated using KCERA’s credited interest rate during the period of the Underpayment.
- c. Interest will be charged on the Underpayment(s) from the time of the Underpayment until the time of the final calculation by KCERA.

3. Due Process

- a. If a member disagrees with Staff’s decision regarding resolution of the Underpayment of benefits, the Member shall be advised of their right to participate in an administrative appeal process provided by KCERA.

**C. Overpayment of Benefits by the Plan**

1. Resolution

- a. Whenever an Overpayment of benefits is discovered, KCERA shall, after appropriate written notice to the Member, make a prospective adjustment to the Member’s benefit (as necessary) in order to get the Member on the correct monthly benefit and shall take all reasonable steps to recover the full amount of all past Overpayment(s), with interest, subject to the provisions of this Policy and applicable law.
- b. KCERA will recover Overpayment(s) either by (a) lump sum payment from the Member or (b) additional amounts deducted from the Member’s future monthly benefit(s), over a period of time as determined by KCERA, unless KCERA, in its discretion and because of legal or practical considerations, determines that another process is warranted.

2. Overpayment Exceeding \$20,000

- a. Overpayment(s) for which the principal exceeds \$20,000 should result in a full payment of the overpaid amount, plus applicable interest. For purposes



of this Policy, full payment may include an installment repayment plan for the full amount owed, including applicable interest. A resolution on these terms does not require Board approval.

- b. Overpayment(s) for which the principal exceeds \$20,000 and which do not result in an immediate full payment, including applicable interest, as described in the Section C.1.a., must be approved by the Board.

### 3. Overpayment of \$20,000 or less

- a. Overpayment(s) for which the principal amount does not exceed \$20,000, should result in a full payment of the overpaid amount, plus applicable interest. For purposes of this Policy, full payment may include an installment repayment plan for the full amount owed, including applicable interest. A resolution on these terms does not require Board approval.
- b. Subject to the procedures in the Policy, and IRS Regulations and guidance in place at the time the Overpayment is discovered, the Chief Executive Officer will have discretion to resolve any Overpayment of \$20,000 or less, excluding interest.
- c. Collection of Overpayments for principal amounts of \$250 or less, or such other amount identified by the IRS as a small overpayment subject to exception from full correction (Rev. Proc. 2021-30 section 6.02(5)(c)), is not required. .

### 4. Interest

- a. Interest shall be calculated using KCERA's credited interest rate during the period of the Overpayment.
- b. KCERA shall charge the Member interest only if the Overpayment of benefits is not resolved within the same calendar year in which the Overpayment was made.
- c. Interest will be charged on the Overpayment(s) from the time of the Overpayment until the time of the final calculation by KCERA.

### 5. Due Process

- a. Prospective Corrections - KCERA will prospectively correct benefit Overpayment(s) to reflect the correct amount to which the Member is entitled or eligible after providing written notification to the Member.
- b. Past Overpayment(s) - KCERA shall not further reduce a Member's benefit (whether vested or SRBR payments) as an offset to recoup Overpayments until the Member has 1) signed an Agreement to repay the Overpayment or 2) has been provided at least 30 days' notice of KCERA's intent to recoup

the Overpayment(s) and been given an opportunity to participate in the administrative appeals process.

6. Procedures and Considerations for Evaluating Collection of Overpayment(s) in Certain Cases

a. In situations where, upon review of the totality of the circumstances, KCERA determines that full payment is unreasonable, KCERA may settle (i.e., accept less than full repayment of overpaid benefits, including applicable interest) a claim for Overpayments of benefits, whether vested or non-vested, pursuant to the following guidelines:

(1) All settlements must be reasonably prudent under the circumstances of the particular case.

(2) The period for repayment under the settlement may be negotiated between KCERA and the affected Member, but such period shall not exceed twice the length of time over which the Overpayment of benefits occurred or five years, whichever is shorter.

Settlement agreements may be signed by the Chief Executive Officer, or designee, in all cases except where the principal amount of the Overpayment(s) exceeds \$20,000. In cases where the principal amount exceeds \$20,000, the Chief Executive Officer, or designee, shall only sign a settlement agreement if authorized by the Board. In all cases, settlement agreements shall be approved as to legal form by KCERA's legal counsel.

b. In determining whether it is appropriate to settle a claim, KCERA shall consider the following factors:

(1) The total amount of the Overpayment (including applicable interest);

(2) The likelihood of success of recoupment at an administrative hearing or other judicial forum;

(3) KCERA's ability to collect from the Member;

(4) The anticipated cost of pursuing a claim against the Member measured against the amount to be collected;

(5) Any other reasonable factors regarding KCERA's fiduciary obligations, its compliance considerations as a qualified plan, or other public policy considerations; and

(6) The ability of KCERA to collect the Overpayment from the plan sponsor or some other individual or entity.

- c. KCERA will abandon claims for collection of overpaid benefits only if it concludes that settlement is not possible and pursuing the claim is unreasonable under the totality of the circumstances.
- d. The Chief Executive Officer shall document in a memorandum to the file the bases for abandoning or settling a claim (whether in whole or in part).

PROPOSED

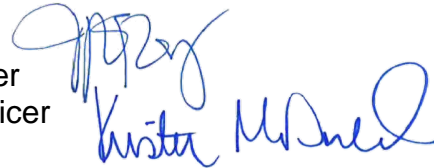
## **POLICY REVIEW AND HISTORY**

- 1) This policy shall be reviewed at least every five (5) years.
- 2) This policy was:
  - a. Adopted by the Board on March 22, 2000.
  - b. Reviewed and amended by the Board on February 12, 2014; April 10, 2019 and September 11, 2024.

**Date:** September 11, 2024

**To:** Trustees, Board of Retirement

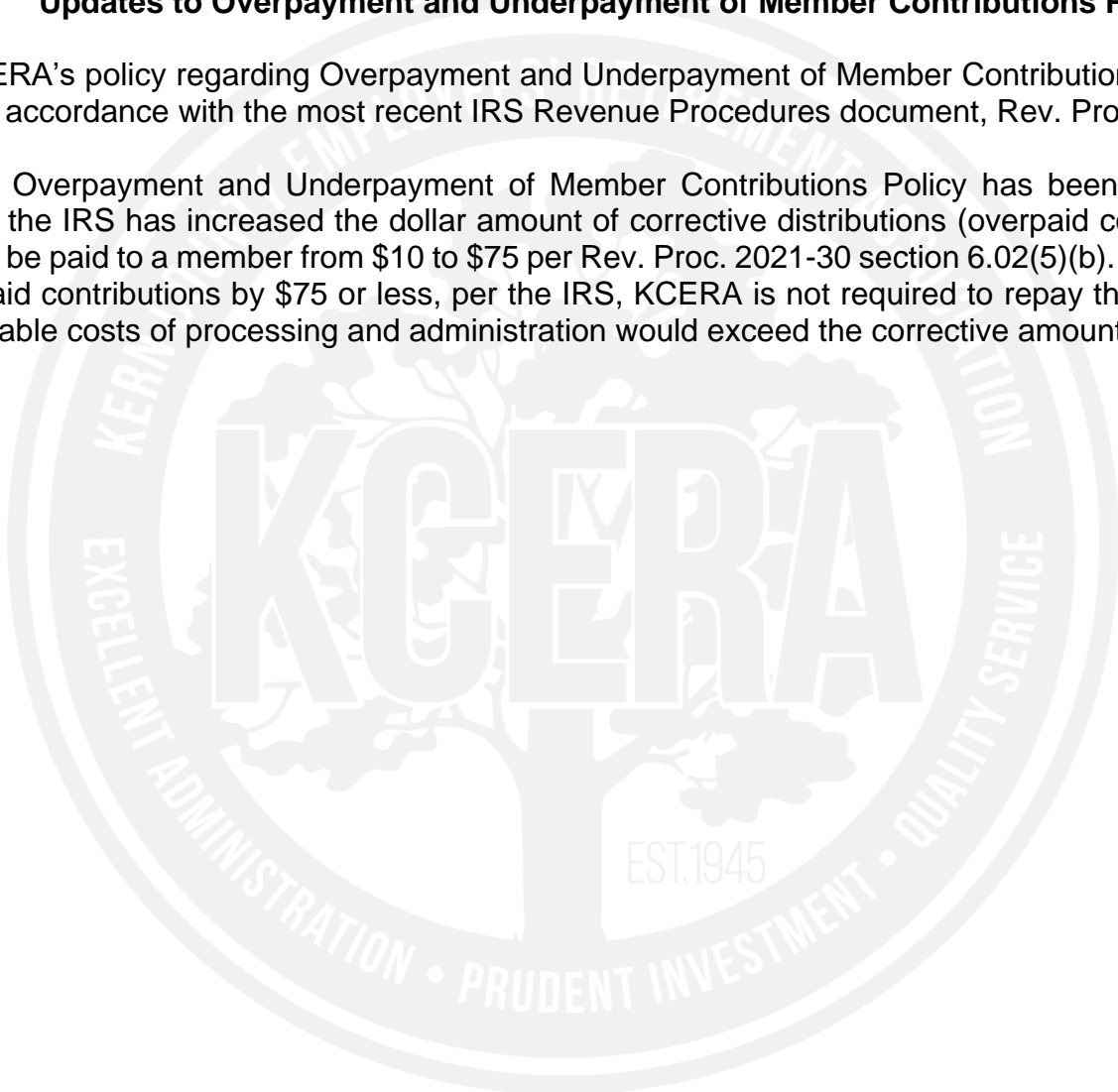
**From:** Jennifer Esquivel Zahry, Chief Legal Officer  
Kristen McDonald, Deputy Chief Legal Officer



**Subject: Updates to Overpayment and Underpayment of Member Contributions Policy**

KCERA's policy regarding Overpayment and Underpayment of Member Contributions has been updated in accordance with the most recent IRS Revenue Procedures document, Rev. Proc. 2021-30.

The Overpayment and Underpayment of Member Contributions Policy has been updated to reflect that the IRS has increased the dollar amount of corrective distributions (overpaid contributions) required to be paid to a member from \$10 to \$75 per Rev. Proc. 2021-30 section 6.02(5)(b). If a Member has overpaid contributions by \$75 or less, per the IRS, KCERA is not required to repay the Member if the reasonable costs of processing and administration would exceed the corrective amount.





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## **OVERPAYMENT AND UNDERPAYMENT OF MEMBER CONTRIBUTIONS POLICY**

The Board of Retirement (“Board”) has fiduciary and compliance obligations to the retirement fund and its Members to conserve and protect fund assets for the benefit of the Kern County Employees’ Retirement Association’s (“KCERA’s”) Members and beneficiaries.

### **POLICY STATEMENT**

To preserve KCERA’s financial integrity and comply with its fiduciary responsibilities and IRS (Internal Revenue Service) provisions governing the correction of contribution overpayments and underpayments, it is KCERA’s policy to review any overpayment or underpayment promptly and diligently and to make such reasonable, diligent, and systematic efforts as are appropriate under the circumstances to recover from a Member the amount of any underpayment of contributions and to remit to a Member the amount of any overpayment of contributions, consistent with this Policy, and procedures established by the Board and in compliance with [IRS qualification requirements Revenue Procedure \(“Rev. Proc.”\) 2018-52 2021-30](#).

### **PURPOSE**

The KCERA defined benefit plan (“the Plan”) establishes the required Member<sup>1</sup> contributions in accordance with applicable law, including the CERL (County Employees Retirement Law of 1937), dependent on membership tier and, as appropriate, in consultation with its actuary. Unfortunately, errors sometimes occur in the amount of contributions which a member owes to the Plan. However, the Board is committed to providing Members with accurate and reliable contribution information and treatment. The purpose of this policy is to provide guidelines and a process for evaluation and collection or repayment of contributions owed to a Member or the Plan.

This Policy is designed for use when errors affect an individual Member’s contributions. In the event of a system-wide error that affects multiple Members’ contributions, the Board may implement a system-wide correction process it determines is appropriate after consideration of ~~all of~~ all the facts and circumstances related to the error.

---

<sup>1</sup> For purposes of this Policy, “Member” shall mean a member or beneficiary.

## GUIDELINES

<u>Underpayment(s)</u>	Any amount delivered to the Plan by the Member through payroll contribution deductions that is less than that <u>to</u> which the Plan was entitled.
<u>Overpayment(s)</u>	Mistaken or excess employee contributions made to the Plan through the Member's payroll contribution deductions.
<u>Contributions</u>	For purposes of this Policy, Member contributions include amounts paid for purchases of service credit.
<u>Resolved</u>	<p>With regard to Overpayments, the issue is "Resolved" when the Plan has remitted the amount of the Overpayment(s).</p> <p>With regard to Underpayments, the issue is "Resolved" when the Plan has received full payment of the amount of the Underpayment(s), including interest, if applicable. For purposes of this Policy, "full payment" may include an installment repayment plan for the full amount owed, including applicable interest.</p>
<u>Appropriate Interest</u>	Consistent with <a href="#">IRS qualification requirements Revenue Procedure 2018-52</a> <del>2021-30</del> , interest on an Overpayment to a Member shall be due to the Plan, or to the Member in the case of an Underpayment, as set forth in this Policy.

## PROCEDURES

### A. General Procedures

#### 1. Investigation

- a. When an Underpayment or Overpayment has been identified, the ~~Executive Director~~ [Chief Executive Officer](#) will initiate an investigation into the facts and circumstances surrounding the Overpayment or Underpayment to resolve the matter consistent with this Policy.
- b. When an Underpayment or Overpayment is discovered in the contribution payment(s) to one Member, KCERA staff shall carry out all ~~reasonable analysis~~ [reasonable analysis](#) to determine whether such error may also affect any other Member(s) and shall take action as set forth in this Policy.

## 2. Notification

- a. KCERA's ~~Executive Director~~Chief Executive Officer shall report any Underpayment or Overpayment that exceeds \$5,000 in principal to the Board at the next regularly scheduled Board meeting.
- b. KCERA's ~~Executive Director~~Chief Executive Officer shall provide the Board with a semi-annual, written report of any Underpayment or Overpayment in excess of the principal amount of \$1,000 that was resolved over the preceding six-month period, with a description of the actions taken to correct the Underpayment or Overpayment.

## B. Underpayment of Contributions by Members

### 1. Resolution

- a. Whenever an Underpayment of contributions is discovered, KCERA shall, after appropriate written notice to the Member, make a prospective adjustment to the Member's contribution rate (if necessary) in order to get the Member on the correct contribution rate and shall take all reasonable steps to recover the full amount of all past Underpayments, with interest, subject to the provisions of this Policy and applicable law.
- b. KCERA will recover Underpayments either by (a) lump sum payment from the Member which is made on a post-tax basis or (b) additional amounts added to the Member's future contributions, over a period of time as determined by KCERA, unless KCERA, in its discretion and because of legal or practical considerations, determines that another process is warranted. Under option (b), the additional amounts will be paid to KCERA on a pre-tax basis.
- c. Collection of Underpayments of contributions are required to be made without regard to shall only be pursued in cases in which the cumulative total amount underpaid ~~exceeds \$10 (excluding interest)~~. (Rev. Proc. 2021-30 section 6.02(5)(b)).

### 2. Underpayment of Contributions Exceeding \$5,000

- a. Underpayment for which the principal exceeds \$5,000 should result in a full payment of the entire amount, plus interest, as applicable. For purposes of this Policy, full payment may include an installment payment for the full amount owed as described above, including applicable interest. A resolution on these terms does not require Board approval.
- b. Any resolution of an Underpayment exceeding \$5,000, that does not result in full payment of the entire amount, plus interest (as applicable under this Policy), must be approved by the Board.

3. Underpayment of Contributions \$5,000 or less
  - a. Underpayment for which the principal is \$5,000 or less should result in a full payment of the entire amount, plus applicable interest. For purposes of this Policy, full payment may include an installment payment for the full amount owed described in this Policy, including applicable interest. A resolution on these terms does not require Board approval.
  - b. The ~~Executive Director~~Chief Executive Officer shall have authority to resolve Underpayments in accordance with this Policy when the total principal amount of Underpayment (excluding the interest) to KCERA does not exceed \$5,000.
4. Interest
  - a. Interest shall be calculated using KCERA's credited interest rate during the period of the Underpayment, applied to the outstanding amount due until such amount is fully repaid.
  - b. KCERA shall charge the Member interest only if the Underpayment of benefits is not paid in full within the same calendar year in which the Underpayment was made.
5. Due Process
  - a. Prospective Corrections - KCERA will prospectively correct contribution Underpayment(s) to reflect the correct amount to which Plan is entitled after providing written notification to the Member.
  - b. Past Underpayment(s) - KCERA shall not add additional amounts owed to the Plan until the Member has 1) signed an Agreement to repay the Underpayment or 2) has been provided at least 30 days' notice of KCERA's intent to recoup the Underpayment(s) and been given an opportunity to participate in the administrative appeals process provided by KCERA, whichever occurs first.
6. Procedures and Considerations for Evaluating Collection of Underpayment of Contributions in Certain Cases
  - a. In situations where, upon review of the totality of the circumstances, KCERA determines that full payment of past underpaid contributions is unreasonable, KCERA may settle (i.e., accept less than full repayment, including applicable interest) a claim for Underpayments of contributions, pursuant to the following guidelines:



- (1) All settlements must be reasonably prudent under the circumstances of the particular case.
  - (2) The period for repayment under the settlement may be negotiated between KCERA and the affected Member, but such period shall not exceed twice the length of time over which the Underpayment of contributions occurred or five years, whichever is shorter.
  - (3) Settlement agreements may be signed by the ~~Executive Director~~Chief Executive Officer, or designee, in all cases except where the principal amount of the Underpayment(s) exceeds \$5,000. In cases where the principal amount exceeds \$5,000, the ~~Executive Director~~Chief Executive Officer, or designee, shall only sign a settlement agreement if authorized by the Board. In all cases, settlement agreements shall be approved as to legal form by KCERA's legal counsel.
- b. In determining whether it is appropriate to settle a claim, KCERA shall consider the following factors:
- (1) The total amount of the Underpayment (including applicable interest);
  - (2) The likelihood of success of recoupment at an administrative hearing or other judicial forum;
  - (3) KCERA's ability to collect from the Member;
  - (4) The anticipated cost of pursuing a claim against the Member measured against the amount to be collected;
  - (5) Any other reasonable factors regarding KCERA's fiduciary obligations, its compliance considerations as a qualified plan, or other public policy considerations; and
  - (6) The ability of KCERA to collect the Underpayment from the Member's employer or some other individual or entity.
7. The ~~Executive Director~~Chief Executive Officer shall document in a memorandum to the file the basis for settling a claim.
  8. To the extent KCERA is not able to fully recover the Underpayment from the Member prior to the Member's retirement, the Member's retirement benefit shall be adjusted actuarially to account for the outstanding Underpayment.
  9. KCERA may pursue all legal remedies to collect Underpayments, including making a claim on an estate or trust, if appropriate.

## C. Overpayment of Contributions by Members

### 1. Resolution

When a Member has overpaid contributions, the Member shall be notified of the Overpayment and that he/she is entitled to a prospective adjustment to his or her contribution rate, if appropriate, as well as a lump sum payment for all past Overpayments, with appropriate interest

### 2. Interest

- a. Interest shall accrue on each Overpayment from the date of the Overpayment to the date of the lump sum corrective payment.
- b. Interest shall be calculated using KCERA's credited interest rate during the period of the Overpayment.

(1) KCERA shall pay the Member interest only if the Overpayment of contributions is not corrected within the same calendar year in which the Overpayment was made.

### 3. Corrective Payment

- a. If the Overpayment is discovered in the same calendar year in which the Overpayment was made to the Plan, and if correction also is able to be made in the same calendar year, KCERA shall coordinate with the Member's employer and a corrective payment shall be made in the Member's pay from the Member's employer as soon as is reasonably practicable following KCERA's discovery of the Overpayment.
- b. If the Overpayment is discovered in a different calendar year from the calendar year in which the Overpayment was made to the Plan, KCERA shall make a corrective distribution to the Member in accordance with IRS qualification requirements Rev. Proc. 2018-52 2021-30.
- c. Overpayments (principal only) of \$10-75 or less corrective distribution is not required if the reasonable direct cost of processing and delivering the distribution would exceed the amount of the distribution. will only be refunded at the request of the Member. (Rev. Proc. 2021-30 section 6.02(5)(b)).

### 4. Due Process

If a member disagrees with Staff's decision regarding resolution of the Underpayment of contributions, the Member shall be advised of their right to participate in an administrative appeal process provided by KCERA.

## POLICY REVIEW AND HISTORY

- ~~1)~~ 1) This policy shall be reviewed at least every five (5) years.
- ~~2)~~ This policy was:
  - a) Adopted by the Board on February 13, 2019.
  - b) Amended [September 11, 2024.](#)

DRAFT



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## **OVERPAYMENT AND UNDERPAYMENT OF MEMBER CONTRIBUTIONS POLICY**

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### **PURPOSE**

The KCERA defined benefit plan (“the Plan”) establishes the required Member<sup>1</sup> contributions in accordance with applicable law, including the CERL (County Employees Retirement Law of 1937), dependent on membership tier and, as appropriate, in consultation with its actuary. Unfortunately, errors sometimes occur in the amount of contributions which a member owes to the Plan. However, the Board is committed to providing Members with accurate and reliable contribution information and treatment. The purpose of this policy is to provide guidelines and a process for evaluation and collection or repayment of contributions owed to a Member or the Plan.

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<sup>1</sup> For purposes of this Policy, “Member” shall mean a member or beneficiary.

## **GUIDELINES**

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<u>Appropriate Interest</u>	Consistent with IRS qualification requirements, interest on an Overpayment to a Member shall be due to the Plan, or to the Member in the case of an Underpayment, as set forth in this Policy.

## **PROCEDURES**

### **A. General Procedures**

#### **1. Investigation**

- a. When an Underpayment or Overpayment has been identified, the Chief Executive Officer will initiate an investigation into the facts and circumstances surrounding the Overpayment or Underpayment to resolve the matter consistent with this Policy.
- b. When an Underpayment or Overpayment is discovered in the contribution payment(s) to one Member, KCERA staff shall carry out all reasonable analysis to determine whether such error may also affect any other Member(s) and shall take action as set forth in this Policy.

#### **2. Notification**

- a. KCERA's Chief Executive Officer shall report any Underpayment or Overpayment that exceeds \$5,000 in principal to the Board at the next regularly scheduled Board meeting.

- b. KCERA's Chief Executive Officer shall provide the Board with a semi-annual, written report of any Underpayment or Overpayment in excess of the principal amount of \$1,000 that was resolved over the preceding six-month period, with a description of the actions taken to correct the Underpayment or Overpayment.

## **B. Underpayment of Contributions by Members**

### **1. Resolution**

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- c. Collection of Underpayments of contributions are required to be made without regard to the cumulative total amount underpaid. (Rev. Proc. 2021-30 section 6.02(5)(b)).

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- b. The Chief Executive Officer shall have authority to resolve Underpayments in accordance with this Policy when the total principal amount of Underpayment (excluding the interest) to KCERA does not exceed \$5,000.
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  - (3) KCERA's ability to collect from the Member;
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  - (5) Any other reasonable factors regarding KCERA's fiduciary obligations, its compliance considerations as a qualified plan, or other public policy considerations; and
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### **C. Overpayment of Contributions by Members**

#### **1. Resolution**

When a Member has overpaid contributions, the Member shall be notified of the Overpayment and that he/she is entitled to a prospective adjustment to his or her contribution rate, if appropriate, as well as a lump sum payment for all past Overpayments, with appropriate interest



## 2. Interest

- a. Interest shall accrue on each Overpayment from the date of the Overpayment to the date of the lump sum corrective payment.
- b. Interest shall be calculated using KCERA's credited interest rate during the period of the Overpayment.
  - (1) KCERA shall pay the Member interest only if the Overpayment of contributions is not corrected within the same calendar year in which the Overpayment was made.

## 3. Corrective Payment

- a. If the Overpayment is discovered in the same calendar year in which the Overpayment was made to the Plan, and if correction also is able to be made in the same calendar year, KCERA shall coordinate with the Member's employer and a corrective payment shall be made in the Member's pay from the Member's employer as soon as is reasonably practicable following KCERA's discovery of the Overpayment.
- b. If the Overpayment is discovered in a different calendar year from the calendar year in which the Overpayment was made to the Plan, KCERA shall make a corrective distribution to the Member in accordance with IRS qualification requirements.
- c. Overpayments (principal only) of \$75 or less corrective distribution is not required if the reasonable direct cost of processing and delivering the distribution would exceed the amount of the distribution. (Rev. Proc. 2021-30 section 6.02(5)(b)).

## 4. Due Process

If a member disagrees with Staff's decision regarding resolution of the Underpayment of contributions, the Member shall be advised of their right to participate in an administrative appeal process provided by KCERA.

## **POLICY REVIEW AND HISTORY**

- 1) This policy shall be reviewed at least every five (5) years.
- 2) This policy was:
  - a) Adopted by the Board on February 13, 2019.
  - b) Amended September 11, 2024.



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**Kern County Employees' Retirement Association  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2023

*Christopher P. Morill*

Executive Director/CEO

**Date:** September 11, 2024  
**To:** Trustees, Board of Retirement  
**From:** Dominic D. Brown, Chief Executive Officer  
**Subject:** **SACRS Board of Directors Meeting**  
**Sacramento, California**  
**September 17, 2024**



In accordance with the Travel Policy approved by the Board of Retirement on April 13, 2022, I have attached information concerning the above-captioned meeting, as follows:

- Specific information as to whether members of the Board will serve as a speaker or panel participant – None
- Specific information concerning the estimated total travel cost involved, including the estimated costs to be borne by KCERA and those costs borne by the meeting sponsor

The meeting topics are relevant to the administration of the retirement system. Accordingly, I recommend that the Board approve the attendance of Trustee Jordan Kaufman.

Attachment

<b>Travel Subject</b>	SACRS Board of Directors Meeting
<b>Sponsor</b>	SACRS
<b>Date(s)</b>	September 17, 2024
<b>Location</b>	Sacramento, CA
<b>Proposed Attendee(s)</b>	Jordan Kaufman
<b>Estimated Total Travel Cost</b>	<b>\$560.50</b>

Description	Computation	Kaufman	Totals	Borne By	
				KCERA	Sponsor
Registration fees		= -	-	-	
Lodging expense	1 nights @ \$ 300.00 /night	= 300.00	<b>300.00</b>	300.00	
Per diem meals reimbursement:	1 days @ \$ 74.00 /day	= 74.00			
Less meals provided by sponsor	1 Breakfast, 1 Lunch, 0 Dinner = \$34.50	= (\$34.50)			\$34.50
Total meals expense		=	<b>74.00</b>	39.50	
Shuttle/taxicab expense	Taxi Estimate	=	-	-	
Airfare	\$0.00	= \$0.00	<b>\$0.00</b>	-	
Vehicle-related expenses:		= -	-	-	
Parking	1 days @ 20.00 /day	= 20.00	<b>20.00</b>	20.00	
Mileage	miles @ /mile (Department Head)	= -	-	-	
	300 miles @ 0.67 /mile (Staff, Trustee)	= 201.00	<b>201.00</b>	201.00	
Rental car		= -	-	-	
Rental car gasoline		= -	-	-	
<b>Totals</b>		= 560.50	<b>\$ 595.00</b>	<b>\$ 560.50</b>	<b>\$ 34.50</b>

**Date:** September 11, 2024

**To:** Trustees, Board of Retirement

**From:** Dominic D. Brown, Chief Executive Officer

**Subject:** **21st Annual Global ARC Boston**  
**Boston, Massachusetts**  
**October 21-23, 2024**



I have attached information concerning the above-captioned meeting, as follows:

- Agenda and supporting information on the pertinence and relevance of the following staff attendance – Chief Investment Officer Daryn Miller, CFA
- Specific information as to whether staff will serve as a speaker or panel participant – None
- Specific information concerning the estimated total travel cost involved, including the estimated costs to be borne by KCERA and those costs borne by the conference sponsor

The topic list is timely and relevant to the administration of the retirement system. Therefore, it is recommended that your Board receive and file.

Attachments

**Travel Subject** 21st Annual Global ARC Boston  
**Date(s)** October 21-23, 2024  
**Location** Boston, Massachusetts  
**Proposed Attendee(s)** Daryn Miller

**Estimated Total Travel Cost** \$2,894.59

Description	Computation	Miller	Totals	Borne By	
				KCERA	Sponsor
Registration fees	\$0.00	= \$0.00	-	-	
Lodging expense	3 nights @ \$ 600.00 /night	= 1,800.00	<b>1,800.00</b>	1,800.00	
Per diem meals reimbursement:	3 days @ \$ 79.00 /day	= 237.00			
Less meals provided by sponsor	1 Breakfast, 2 Lunch, 0 Dinner = \$62.41	= (\$62.41)			\$62.41
Total meals expense		=	<b>237.00</b>	174.59	
Shuttle/taxicab expense		= 60.00	<b>60.00</b>	60.00	
Airfare		= \$800.00	<b>\$800.00</b>	800.00	
Vehicle-related expenses:		= -	-	-	
Parking	3 days @ 20.00 /day	= 60.00	<b>60.00</b>	60.00	
Mileage	miles @ 0.395 /mile (Department Head)	= -	-	-	
	miles @ 0.670 /mile (Staff, Trustee)	= -	-	-	
Rental car		= -	-	-	
Rental car gasoline		= -	-	-	
<b>Totals</b>		=	<b>2,894.59</b>	<b>\$ 2,957.00</b>	<b>\$ 2,894.59</b> <b>\$ 62.41</b>



# 21<sup>st</sup> Annual Global ARC Boston

Where the Global Investor and Alpha-Driven Manager Communities Meet

Updated September 4<sup>th</sup>: see pages 6 to 20 for detailed program running order



**Professor Mark Blyth**  
The William R. Rhodes '57 Professor of International Economics  
Director of the William R. Rhodes Center for International Economics and Finance  
**Brown University**



**Professor Joseph Nye**  
Former Assistant Secretary of Defense  
Former Chair of the National Intelligence Council  
**U.S. Federal Government**  
University Distinguished Service Professor, Emeritus  
**Harvard Kennedy School of Government**



**President Emerita Professor Susan Hockfield**  
Author of 'The Age of Living Machines: How Biology Will Build the Next Technology Revolution'  
President (2004-12) and President Emerita  
**Massachusetts Institute of Technology**



**Professor Nicole Boyson**  
Chair of the Department of Economics and Finance  
Professor of Finance  
**Northeastern University, D'Amore-McKim School of Business**



**Ambassador Robert D. Blackwill**  
Former Deputy National Security Advisor and former Ambassador to India  
**U.S. Federal Government**  
The Henry A. Kissinger Senior Fellow for U.S. Foreign Policy  
**Council on Foreign Relations**



**Professor Cass R. Sunstein**  
The Robert Walmsley University Professor  
Founder and Director of the Harvard Program on Behavioral Economics and Public Policy  
**Harvard Law School**



**Professor James Poterba**  
President, **National Bureau of Economic Research (NBER)**  
The Mitsui Professor of Economics  
**Massachusetts Institute of Technology**



**His Excellency Vijay Keshav Gokhale**  
Foreign Secretary, (2018-20) and Ambassador to China, (2016-17)  
**Government of India**  
Senior Non-Resident Fellow  
**The Carnegie Institute, India**



**Dr. Zongyuan Zoe Liu**  
Author: 'Sovereign Funds: How the Communist Party of China Finances Its Global Ambitions'  
**Council on Foreign Relations**



**Professor Hal Brands**  
Author: 'Danger Zone: The Coming Conflict with China'  
The Henry A. Kissinger Distinguished Professor of Global Affairs  
**Johns Hopkins University SAIS**



**Nobel Laureate Professor Frank Wilczek**  
2004 Nobel Prize Winner for Physics  
2022 Templeton Prize Winner  
The Herman Feshbach Professor of Physics  
**Massachusetts Institute of Technology**



**Professor Brett Christophers**  
Author: 'Our Lives in Their Portfolios: Why Asset Managers Own the World'  
Professor of Human Geography  
**Uppsala University, Sweden**

October 21<sup>st</sup> to 23<sup>rd</sup> 2024 • The InterContinental Boston, Massachusetts



## The 21<sup>st</sup> Annual **Global ARC Boston** October 21<sup>st</sup> – 23<sup>rd</sup> 2024 • The InterContinental Boston

Dear Executive,

Building upon the success of Global ARC 2023, which drew over 170 institutional investor attendees from 26 countries, Global ARC 2024 is shaping up to be another barnstormer of an event.

This year's 21<sup>st</sup> Annual Global ARC will gather the world's foremost academic thought leaders and the world's largest institutional investors to:

- Assess the impact of the politically turbulent 2024 U.S. election and its aftermath on financial markets.
- Analyse the long-term geopolitical consequences of a re-elected Democrat administration versus a new Republican administration.
- Examine whether the recent decline in inflation signifies a decisive turning point or a temporary respite.
- Delve into the prospects of China's ongoing economic slowdown and its implications for regional and global economic stability.
- Determine the ramifications of recent developments in the Russo-Ukraine war.
- Dissect whether market volatility and cross-asset class correlations will return or remain subdued in 2025, and how institutional investors anticipate adjusting their strategic and tactical asset allocations in the coming months.
- Compare the challenges and opportunities currently impacting public equity, public credit and private credit markets.
- Identify which high-alpha strategies are poised to outperform in the next twelve months.
- Investigate how the rapid advancements in AI will reshape the economy and present investment opportunities in the coming decade.

We look forward to welcoming you to Boston in October.

Yours Faithfully

*David Stewart*  
david@global-arc.net

*Samantha Allwork*  
samantha@global-arc.net

*Robert Bennett-Lovsey*  
robert@global-arc.net

## Four Key Differentiators

We believe that Global ARC possesses four key characteristics that differentiate it from its conference competitors:

### 1) **QUALITY of Investor Attendees**

Global ARC attracts the key decision makers - predominantly the Chief Investment Officer or Head of Asset Allocation - from multi-billion-dollar investors.

### 2) **RATIO of Investor Attendees**

At the vast majority of conferences, investors are heavily outnumbered by managers, leaving investors feeling harassed and reluctant to interact with the managers present.

In contrast, at Global ARC investors outnumber managers and a strict code of conduct is enforced on all manager delegates.

The resultant change in institutional investor behavior is profound: once investors know, that at Global ARC, they will be able to participate in civilized discussions with individual managers and that these managers will focus on educating investors, rather than hardcore pitching, the quality and the number of investor manager interactions increase exponentially.

### 3) **INTERNATIONAL BREADTH of Investor Attendees**

Approximately 40% of Global ARC's investor attendees are from outside the United States. Providing our manager attendees with access to a range of major investors rarely available at conferences.

### 4) **RETENTION RATE of Investor Attendees**

The programs of the vast majority of Global ARC's competitors' are completely devoid of top-tier thought-leaders.

This lack of intellectually stimulating content is one of the primary reasons why the majority of investors only attend their session at competitor conferences and then disappear off to a golf course for the remainder of the event.

In contrast, Global ARC's three-day event features over a dozen world-class academic speakers, drawn predominantly from amongst the World's top ten universities.

By purposefully back-loading the majority of these world-class academics into the second and third day we ensure that we retain our investors for the full three-days.



## Sponsors, Institutional Investors and Pension Consultants ONLY

Global ARC's Monday morning Investor Education Forum is a **closed-door session open only to Global ARC's sponsors and to major pension funds, sovereign wealth funds, foundations and endowments and to pre-approved pension consultants.**

The Global ARC Investor Education Forum will provide institutional investors with the opportunity to choose meetings from amongst a range of leading alternative investment firms.

The Forum will be structured around four customized twenty-minute small group roundtable meetings, covering the following high-alpha strategies: activist, biotech, commodities, currency, emerging and frontier markets, energy, equities, ESG, fixed income, hedge funds, infrastructure, managed futures, private credit, private equity, quantitative/systematic, real estate and venture capital.

If you are interested in discovering how your firm can participate in Global ARC's 2024 Investor Education Forum, please contact either: David Stewart [david@global-arc.net](mailto:david@global-arc.net) or Samantha Allwork via [samantha@global-arc.net](mailto:samantha@global-arc.net)

Global ARC wishes to thank the following sponsor-presenters at our Global ARC 2024 Investor Education Forum for their commitment to investor education:





# Day One: Monday October 21<sup>st</sup> 2024

## General Sessions

### 9.10am General sessions opening remarks

David Stewart, Founder

Global ARC, Australia

## The 2024 Election: the Case for [Guarded] Optimism

### 9.15am Placing the 2024 elections in historical perspective: the case for (guarded) optimism

Professor Joseph Nye has spent a lifetime illuminating our understanding of the changing contours of America power and world affairs. His many books on the nature of power and political leadership have rightly earned him his reputation as one of the most influential international relations scholars in the world today.

In this session he shares his own journey living through the American century, his time in the State Department, Pentagon, and Intelligence Communities, where he witnessed American power up close, shaping policy on key issues such as nuclear proliferation and East Asian security. Today American primacy may be changing and the domestic political, but Professor Nye offers a convincing case for guarded optimism about the future of the United States

(Chair) Christopher Holt Ph.D., Senior Advisor [Global ARC](#)

and Associate Director,

[Conrad School of Business, University of Waterloo, Canada](#)

#### Professor Joseph Nye

Author: *'A Life in the American Century'* and *'The Paradox of American Power'*

Former Assistant Secretary of Defense and former Chair of the National Intelligence Council

#### U.S. Federal Government

University Distinguished Service Professor, Emeritus

[Harvard Kennedy School of Government](#)



In a recent survey of international relations scholars, Professor Joseph Nye was ranked as *the* most influential scholar on American foreign policy. Professor Nye is currently University Distinguished Service Professor, Emeritus - having previously served as Dean from 1995 to 2004 - of Harvard's Kennedy School of Government. Outside of academia, Professor Nye has also had an illustrious career in the United Federal Government: having served as Assistant Secretary of Defense for International Security Affairs, Chair of the National Intelligence Council, and Deputy Under Secretary of State for Security Assistance, Science and Technology. Professor Nye pioneered the theory of 'soft power'. His notion of "smart power" ("the ability to combine hard and soft power into a successful strategy") became popular with members of both the Clinton and Obama Administrations. In October 2014, Secretary of State John Kerry appointed Nye to the Foreign Affairs Policy Board. He is also currently a member of the Defense Policy Board. He is the author of over a dozen books, including most recently: *'Do Morals Matter? Presidents and Foreign Policy from FDR to Trump'*; and *'A Life in The American Century.'* Joseph Nye studied Philosophy, Politics and Economics (PPE) as a Rhodes Scholar at Oxford University's Exeter College, and then obtained his PhD in political science from Harvard University.

## Correlations

"Having a spread of holdings that depend on different macroeconomic factors is a strategy at least as old as Wall Street. But it's all the more pertinent today, as so many investments get pulled into the tractor beam of huge benchmark indices, such as the US's S&P 500."

The Financial Times

### 10.00am In a period marked by an uncommon degree of correlation among diverse asset classes, which investment strategies still possess the potential to generate uncorrelated returns?

(Chair) Pete Drewienkiewicz, Chief Investment Officer

[Redington, United Kingdom](#)

Michael Gleason, Senior Vice President and Director, Equity Alternative Strategies

[Acadian Asset Management](#)

Michael Comparato, Head of Real Estate

[Benefit Street Partners - Alcentra](#)

Sengal Selassie, Co-Founder and Chief Executive Officer  
[Brightwood Capital Advisors](#)

Warren Naphtal, Co-Founder and Chief Investment Officer  
[P/E Investments](#)

Joseph Cavatoni, Senior Market Strategist, Americas  
[World Gold Council](#)

## Public Credit

### 10.50am Which segments of the structured finance and corporate bond markets presently provide the most favorable risk-adjusted rates of return?

(Chair) Tom Tull, Fellow

[AIF Global Institution](#)

Chris Hentemann, Managing Partner, Chief Investment Officer  
[400 Capital Management](#)

Dushyant Mehra, Co-Chief Investment Officer  
[Hildene Capital Management](#)

Steven Oh, Global Head of Credit and Fixed Income  
[Pinebridge Investments](#)

Udai Bishnoi, Global Head of Asset Based & Structured Credit  
[Sculptor Capital](#)

## The 2024 Election: the Case for [Reluctant] Pessimism

### 11.30am The 2024 election: the case for (reluctant) pessimism.

(Chair) Christopher Holt Ph.D., Senior Advisor [Global ARC](#) and Associate Director,

[Conrad School of Business, University of Waterloo, Canada](#)



# Day One: Monday October 21<sup>st</sup> 2024

## Professor Mark Blyth

Author: 'Austerity: the History of a Dangerous Idea'

The William R. Rhodes '57 Professor of International Economics  
Director of The William R. Rhodes Center for International  
Economics and Finance

**Brown University**



Professor Mark Blyth is The William R. Rhodes '57 Professor of International Economics and Director of the William R. Rhodes Center for International Economics and Finance, an interdisciplinary institute at Brown University dedicated to exploring how economics and finance impact the world we inhabit today. Mark Blyth is a political economist whose

research focuses upon how uncertainty and randomness impact complex systems, particularly economic systems, and why people continue to believe stupid economic ideas despite buckets of evidence to the contrary. Mark Blyth is the author of several books, including the award-winning 'Austerity: the History of a Dangerous Idea' (Oxford University Press) which examined the use of austerity around the world up to the early 2010s and tracing its intellectual lineage, the book argued that the case for increasing economic growth through austerity is grossly overstated, and is counterproductive when implemented during recessions, was also selected as by both The Financial Times and Bloomberg News as one of The Best Books of the Year. Mark Blyth is also the author of Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century (Cambridge University Press) completed his Ph.D. in Political Science from Columbia University in 1999.

**12.10pm Lunch**

## Public Equities

**1.20pm Which public equity strategies currently provide the most enticing investment opportunities?**

(Chair) Cameron Dawson, Chief Investment Officer

**NewEdge Wealth**

Peter Weidner, Head of Systematic Edge Equity

**Allspring Global Investments**

William Heard, Chief Executive Officer and Chief Investment Officer

**Heard Capital**

George P. Maris, Executive Managing Director - Chief Investment Officer and Global Head of Equities

**Principal Asset Management**

## Private Credit

“Despite its illiquidity, private credit offers attractive returns and relatively low volatility. With interest rates at their highest levels in more than a decade, private credit’s yield has become more enticing. “

**Investment Magazine**

**2.00pm What capabilities should institutional investors look out for when evaluating whether a private credit manager possesses the necessary expertise to thrive in current market conditions?**

(Chair) Russ Ivinjack, Global Chief Investment Officer

**Aon Investments**

Vivek Mathew, Head of Asset Management

**Antares Capital**

Randy Schwimmer, Vice Chairman, Investor Solutions

**Churchill Asset Management (Nuveen)**

Jason Van Dussen, Co-Head of Capital Markets

**Golub Capital**

Zia Uddin, President

**Monroe Capital**

Ryan Kelly, Senior Portfolio Manager and

Head of Special Situations

**PGIM Fixed Income**

**2.50pm As mid-market private credit markets mature, and institutional investors seek new and innovative sources of alpha, where do private credit managers see the next frontiers of this asset class emerging?**

(Chair) Russ Ivinjack, Global Chief Investment Officer

**Aon Investments**

Taylor Boswell, Head of Private Credit

**AGL Credit Management**

Jeffrey Griffiths, Co-Head Global Private Credit

**Campbell Lutyens**

Keith Williams, Managing Partner

and Co-Chief Investment Officer

**Crestline Investors**

Wouter Van Assche, Senior Portfolio Manager, Regulatory Capital

**Manulife Investment Management | CQS**

Christopher Taylor, Head of Private Credit

**Third Point**

**3.40pm Afternoon coffee**

**4.00pm Institutional investor perspectives: what are the strategic asset allocation and portfolio construction implications of the huge acceleration in the size and complexity of private markets?**

(Chair) Elena Manola-Bonthond Ph.D., Chief Investment Officer

**CERN Pension Fund, Switzerland**

Daniel Booth, Deputy Chief Investment Officer, Private Markets

**CalPERS**

Christoph Junge, Head of Alternatives

**Velliv, Denmark**

Joy Xu, Vice President of Strategic Asset Allocation and Fixed Income

**Verizon Investment Management Corp.**

Chung Ma, Managing Director, Portfolio Solutions Group

**Virginia Retirement System**

**4.40pm Where can investors find the most exciting investment opportunities in asset-based lending (ABL)?**

In a period of persistent inflation, the appeal of ABL to borrowers has increased due to its relatively attractive interest rates and greater lending flexibility. High-quality collateral provided by borrowers in carefully selected ABL transactions can provide attractive risk-adjusted rates of return for investors. The ABL market continues to



# Day One: Monday October 21<sup>st</sup> 2024

grow as it increasingly accommodates intangible assets such as licenses and patents for collateral.

What are the potential risks for institutional investors of investing in ABL? How can investors ensure that their ABL providers have the requisite experience, and skillsets to manage these risks?

(Chair) Pete Keliuotis, Head of Alternatives Consulting  
**Callan**

Jennifer Hartviksen, Head of Global Credit  
**IMCO (Investment Management Corporation of Ontario), Canada**

David Sherr, Founder and Chief Investment Officer  
**One William Street Capital Management**

Additional panelists tba

## How to Become Famous

### 5.10pm How to become famous: lost Einsteins, forgotten superstars, and how the Beatles came to be.

It's hard to imagine our world without its stars, icons, and celebrities. They are part of our culture and history, seeming permanent and preordained.

But in his forthcoming book *'How to Become Famous'* (Harvard University Press, 2024) Harvard law Professor Cass Sunstein shows that is far from the case.

Focusing on both famous and forgotten (or simply overlooked) artists and luminaries in music, literature, business, science, politics, Professor Sunstein examines recent research on informational cascades, network effects, and group polarization to probe the question of how people become famous. He explores what ends up in the history books and in the literary canon, and how this changes radically over time.

Professor Sunstein delves into the rich and entertaining stories of a diverse cast of famous characters, from John Keats, William Blake, and Jane Austen to Bob Dylan, Ayn Rand, and Stan Lee—as well as John, Paul, George, and Ringo.

(Chair) Christopher Holt Ph.D., Senior Advisor **Global ARC** and Associate Director,  
**Conrad School of Business, University of Waterloo, Canada**

### Professor Cass Sunstein

Author of *'How to Interpret the Constitution 'Legal Reasoning and Political Conflict'* and *'The World According to Star Wars'*

Founder and Director of the Harvard University Program on Behavioral Economics and Public Policy

The Robert Walmsley University Professor

### Harvard Law School



Professor Cass R. Sunstein is, by a wide margin, *the* most frequently cited legal scholar in the United States and, arguably, the most widely cited legal scholar in the world. In 2018, he received the Holberg Prize from the government of Norway, often described as the equivalent of the Nobel Prize for law and the humanities. In 2020, the World Health Organization (WHO) appointed him Chair of its technical advisory group on Behavioral Insights and Sciences for Health. From 2009 to 2012, he was Administrator of the Obama White House Office of Information and Regulatory Affairs, and after that, he served on the Pentagon's Defense Innovation Board. He has testified before congressional committees on many subjects, and he has advised officials at the United Nations, the World Bank, the European Commission, and many nations on issues of law and public policy. Professor Sunstein joined the Department of Homeland Security in February 2021 as an advisor to the Biden Administration on immigration policy. He is the author of dozens of books; the latter including *The New York Times* bestselling books *'The World According to Star Wars'* and most recently *'How to Interpret the Constitution'* '*Legal Reasoning and Political Conflict'* and *'How to Become Famous'*. He is now working on a variety of projects involving the regulatory state, "sludge" (defined to include paperwork and similar burdens), fake news, and freedom of speech. Professor Cass R. Sunstein holds a JD, magna cum laude, from Harvard Law School.

### 5.55pm Networking cocktails and canapés



## 7.30am Opening remarks by chair

Bill Kelly, Chief Executive Officer  
CAIA Association

## Asset Allocation

### 7.35am How are broad institutional investor strategic asset allocations and/or portfolio construction in 2030 likely to differ from today?

(Chair) Bill Kelly, Chief Executive Officer  
CAIA Association

Marcus Svedberg, Chief Economist  
Folksam, Sweden

Ellen Hung, State Investment Officer  
Nebraska Investment Council

Dan Mikulskis, Chief Investment Officer  
People's Partnership, United Kingdom

Aaron Bennett, Chief Investment Officer  
University Pension Plan Ontario, Canada

### 8.20am Which high-alpha strategies currently offer the most attractive investment opportunities? How should investors be reorientating their strategic asset allocations to take advantage of this?

(Chair) Bill Kelly, Chief Executive Officer  
CAIA Association

Razvan Tonea, Director, Public Markets  
CAAT Pension Fund, Canada

Shikha Gupta, Investment Director, Credit  
The Future Fund, Australia

Craig Heron, Director Public Markets  
Railpen, United Kingdom

## Risks and Opportunities

"[No-one] can really forecast the precise moments of market meltdowns. Yes, fundamental strains and cracks can be identified. But judging when these will cause a market earthquake is as hard as real geology; humility is required. And doubly so given that the rise of algorithmic trading is creating dramatically more price volatility and feedback loops."

The Financial Times

### 9.00am Which market risks, and attendant potential opportunities, are currently preoccupying institutional investors, and why?

(Chair) Tim McCusker, Partner, Chief Investment Officer  
NEPC

Songpol Chevapanyaroj, Secretary General  
Government Pension Fund of Thailand, Thailand

Michela Bariletti, Global Head of Investment Research  
Phoenix Insurance Group, United Kingdom

Kabelo Rikhotso, Chief Investment Officer and Executive Director  
Public Investment Corporation, South Africa

Farouki Majeed, Chief Investment Officer  
School Employees Retirement System of Ohio

### 9.45am Morning coffee

## Geopolitical Risk

" [Sovereign Funds: How the Communist Party of China Finances Its Global Ambitions'] takes up a particular aspect of China's economic statecraft, showing how it employs its financial resources to promote its interests abroad... It give[s] us a much better understanding of what needs to be done to restrain China abroad."

The Wall Street Journal

### 10.25am Sovereign funds: how the Communist Party of China finances its global ambitions.

*Sovereign Funds* shows how institutions such as China Investment Corporation, the State Administration of Foreign Exchange, and Central Huijin Investment have become mechanisms for power projection. China's sovereign funds are essential drivers of the national interest, shaping global markets, advancing the historic Belt and Road Initiative, and funneling state assets into strategic industries. In the era of President Xi, state-owned financial institutions have become powerful tools of political of influence worldwide.

(Chair) Michael Rosen, Chief Investment Officer  
Angeles Investments

#### Dr. Zongyuan Zoe Liu

Author: *Sovereign Funds: How the Communist Party of China Finances Its Global Ambitions'*

The Maurice R. Greenberg Senior Fellow for China Studies

#### The Council on Foreign Relations



Dr. Liu is The Maurice R. Greenberg Senior Fellow for China Studies at the Council of Foreign Relations and the author of two books: 'Can BRICS De-dollarize the Global Financial System?' (Cambridge University Press., 2021) and 'Sovereign Funds: How the Communist Party of China Finances its Global Ambitions' (Harvard University Press,

2023). 'Sovereign Funds' is the first in-depth account of the sudden growth of China's sovereign wealth funds and offers a comprehensive and up-to-date analysis of the evolution of the China Investment Corporation, the State Administration of Foreign Exchange, and Central Huijin Investment. She shows how these Chinese sovereign funds have become mechanisms not only for transforming low-reward foreign exchange reserves into investment capital but also for supercharging Chinese power projection and creating Chinese spheres of influence worldwide Dr. Liu holds a PhD in international relations from Johns Hopkins University.

" No less an authority than Paul Samuelson, the Nobel laureate in economics, who died in 2009, argued that markets are "micro-efficient" but "macro-inefficient." By that he meant that investors are good at quickly integrating new information about individual securities—but bad at sizing up geopolitical and macroeconomic developments that can affect entire categories of assets like stock, bonds or commodities."

The Wall Street Journal

## 11.10am Institutional investor perspectives on managing portfolio risk in a period of heightened geopolitical uncertainty.

(Chair) Michael Rosen, Chief Investment Officer  
**Angeles Investments**

Sebastian Vadakumcherry, Chief Risk Officer  
**Alaska Permanent Fund Corporation**

Vasilios Siokis Ph.D., Chief Risk Officer  
**Emirates Investment Authority, United Arab Emirates**

Arjen Pasma, Chief Fiduciary Investment Officer  
**PGGM Pension, The Netherlands**

Ju Hui Lee, Head of Investment Risk and Performance  
**United Nations Joint Staff Pension Fund**

Designated Investor Questioners:

Edgar Sosa, Chief Risk Officer  
**Afore Invercap Pension, Mexico**

Name, Position  
**Institutional Investor Organization**

## 12.00pm Lunch

“The leading contenders to be the next U.S. president present a choice between two radically different visions for the future world order. One, advanced [by the Democrats], places partners and partnerships at the front and center of U.S. strategy. The second, espoused by Trump, sees the existing order as antithetical to U.S. interests.... it embraces transactional policies and a with-us-or-against-us system that seeks to disrupt the international order.”

Foreign Policy Magazine

## 1.35pm The 2024 U.S. federal election: geopolitical implications and risks.

As the Biden administration approaches the end of its first term, how would our panelists assess its effectiveness in achieving its foreign policy objectives?

What impact might the outcome of the 2024 U.S. election have on the intricate network of military alliances maintained by the United States?

How might the results of the 2024 election influence: the already strained geopolitical relationship between China and the United States; and the, up till now, gradually warming geopolitical relationship between India and the United States?

(Chair) David Stewart, Founder  
**Global ARC Australia**

### His Excellency Vijay Keshav Gokhale

Foreign Secretary, (2018-20)  
and Ambassador to China, (2016-17)

**Government of India**  
and, Senior Non-Resident Fellow  
**The Carnegie Institute, India**



His Excellency Vijay Keshav Gokhale, served as the Foreign Secretary of India from 2018 to 2020. Prior to which, he had served as India's High Commissioner to Malaysia from 2010 to 2013, as Ambassador of India to Germany from 2013 to 2016, and as Ambassador of India to China from 2016 to 2017. He has also served as head of the India-Taipei Association, in Taiwan - the equivalent role of Ambassador to Taiwan - from 2003 to 2007. He has worked extensively on matters relating to the Indo-Pacific region with a special emphasis on Chinese politics and diplomacy. His Excellency Vijay Keshav Gokhale currently serves as a nonresident senior fellow at Carnegie India and as distinguished visiting faculty at the Rashtriya Raksha University. He is the author of three books on China: 'The Long Game: How the Chinese Negotiate with India', 'Tiananmen Square: The Making of a Protest' and, 'After Tiananmen: The Rise of China.' He holds an MA in History from University of Delhi and is fluent in Mandarin Chinese.

and

### Ambassador Robert D. Blackwill

Co-Author: '*Lost Decade: The U.S. Pivot to Asia and the Rise of Chinese Power*'

Former Deputy National Security Advisor  
and former U.S. Ambassador to India,

**U.S. Federal Government**

The Henry A. Kissinger Senior Fellow for U.S. Foreign Policy,  
**The Council on Foreign Relations**



Ambassador Robert D. Blackwill is the Henry A. Kissinger Senior Fellow for U.S. Foreign Policy at the Council on Foreign Relations and a Senior Fellow at Harvard Kennedy School. Prior to this, he served as Deputy National Security Advisor for strategic planning, under President George W. Bush, responsible for government-wide policy

planning for U.S. foreign policy, and as U.S. ambassador to India. Before re-entering government in 2001, he was the Belfer lecturer in international security and Associate Dean at Harvard's Kennedy School. Earlier in his career, he was he was Special Assistant to President George H.W. Bush for European and Soviet affairs, the U.S. ambassador to conventional arms negotiations with the Warsaw Pact and Director for European affairs at the National Security Council. Blackwill's best-selling book, 'Lee Kuan Yew: The Grand Master's Insights on China, the United States, and the World' coauthored with Graham Allison of the Harvard Kennedy School, has sold over 300,000 copies. His most recent book, coauthored with Richard Fontaine, 'Lost Decade: The U.S. Pivot to Asia and the Rise of Chinese Power', was published by Oxford University Press in June 2024, to widespread critical acclaim.

and

### Professor Hal Brands

Author: '*Danger Zone: The Coming Conflict with China*'

The Henry Kissinger Distinguished Professor of Global Affairs  
**Johns Hopkins University SAIS**



Professor Hal Brands is the Henry A. Kissinger Distinguished Professor of Global Affairs, a Senior Fellow at the Center for Strategic and Budgetary Assessments at the Johns Hopkins School of Advanced International Studies (SAIS) and a Senior Fellow at the American Enterprise Institute. He is the author or editor of numerous books, including

'Danger Zone: The Coming Conflict with China,' 'The Twilight Struggle: What the Cold War Teaches Us about Great-Power Rivalry Today', 'American Grand Strategy in the Age of Trump,' 'Making the Unipolar Moment: U.S. Foreign Policy and the Rise of the Post Cold War Order' 'What Good is Grand Strategy? Power and Purpose in American Statecraft' and 'From Berlin to Baghdad: America's Search for Purpose in the Post-Cold War World.' Hal Brands served as Special Assistant to the Secretary of Defense for Strategic Planning and as lead writer for the Commission on the National Defense Strategy for the United States and consulted with a range of government offices and agencies in the intelligence and national security communities. He earned a Ph.D. in history from Yale.

Designated investor questioners:

Name, Position  
**Institutional Investor Organization**



# Day Two: Tuesday October 22<sup>nd</sup> 2024

## Parallel Breakout Sessions

### 2.55pm Parallel breakout sessions commence

Delegates can customize Global ARC to their needs by choosing between several highly interactive parallel breakouts.

Some of these parallel breakouts are continuations of preceding plenary panel topics, whilst others provide delegates with the opportunity to explore fresh topics.

To allow for a more in-depth exploration of these subjects, each breakout session is approximately one and a half hours long.

The parallel 90-minute interactive breakout discussions currently scheduled for Tuesday October 22<sup>nd</sup> include:

### A. PARALLEL BREAKOUT

**Which geographical regions and industry sectors currently offer the most enticing public market investment opportunities, and which public market strategies can best exploit them?**

(Chair) Tom Tull, Fellow  
[AIF Global Institution](#)

#### Panellists

Peter Weidner, Head of Systematic Edge Equity  
[Allspring Global Investments](#)

William Heard, Chief Executive Officer  
[Heard Capital](#)

Steven Oh, Global Head of Credit and Fixed Income  
[PineBridge Investments](#)

George P. Maris, Executive Managing Director  
[Principal Asset Management](#)

#### Institutional Investor Discussants

Mateo Fernández, Chief Investment Officer  
[AFAP Itaú Pension Fund](#), Uruguay

Edwin Ridwan, Investment Director  
[BPJS Ketenagakerjaan Pension](#), Indonesia

Razvan Tonea, Director, Public Markets  
[CAAT Pension Fund](#), Canada

Eric Newman, Treasury Manager  
[City of Stamford](#)

Konstantinos Grigoriadis, Treasury Manager - Pension  
[DXC Technology](#)

Alex Neszvecsko, Portfolio Manager  
[European Patent Office, Reserve Funds](#), Germany

Scott Simon, Chief Investment Officer  
[Fire and Police Pension Association of Colorado](#)

Clemen Epalza, Chief Executive Officer  
[Fonditel](#), Spain

Steve Thompson, Executive Director Capital markets  
[Government of Alberta](#), Canada

Adam Ruddle, Chief Investment Officer  
[LV=](#), United Kingdom

Ellen Hung, State Investment Officer  
[Nebraska Investment Council](#)

Clemens Quast, Head of Treasury  
[Sächsische Aufbaubank – Förderbank](#), Germany

Farouki Majeed, Chief Investment Officer  
[School Employees Retirement System of Ohio](#)

### B. PARALLEL BREAKOUT

**What capabilities should institutional investors look out for when evaluating whether a private credit manager possesses the necessary expertise to thrive in current market conditions?**

(Chair) Pete Keliuotis, Head of Alternatives Consulting  
[Callan](#)

#### Panellists

Vivek Mathew, Head of Asset Management  
[Antares Capital](#)

Sengal Selassie, Co-Founder and Chief Executive Officer  
[Brightwood Capital Advisors](#)

Randy Schwimmer, Vice Chairman, Investor Solutions  
[Churchill Asset Management \(Nuveen\)](#)

Jason Van Dussen, Co-Head of Capital Markets  
[Golub Capital](#)

Dushyant Mehra, Co-Chief Investment Officer  
[Hildene Capital Management](#)

Zia Uddin, President  
[Monroe Capital](#)

Ryan Kelly, Senior Portfolio Manager and Head of Special Situations  
[PGIM Fixed Income](#)

Chris Hentemann, Managing Partner and Chief Investment Officer  
[400 Capital Management](#)

#### Institutional Investor Discussants

Howard Cooper, Founder  
[Cooper Family Office](#)

Elena Manola-Bonthond Ph.D., Chief Investment Officer  
[CERN Pension Fund](#), Switzerland

Vasilios Siokis, Chief Risk Officer  
[Emirates Investment Authority](#), United Arab Emirates

Jennifer Hartviksen, Managing Director and Head of Global Credit  
[Investment Management Corp. of Ontario \(IMCO\)](#), Canada

Sohel Hussain, Vice President, Investments and Finance  
[Meyer Memorial Trust](#)

Mohamed Elkordy Ph.D., Senior Investment Officer  
[New York State Common Retirement Fund](#)

Michela Bariletti, Global Head of Investment Research  
[Phoenix Insurance Group](#), United Kingdom



# Day Two: Tuesday October 22<sup>nd</sup> 2024

Elmer Huh, Chief Investment Officer  
**The M.J. Murdock Charitable Trust**

Veenita Bisaria, Manager, Investments and Risk  
**Tennessee Valley Authority Retirement System**

Brian Neale, Chief Investment Officer  
**University of Nebraska Foundation**

Aaron Bennett, Chief Investment Officer  
**University Pension Plan Ontario, Canada**

## C. PARALLEL BREAKOUT

**As mid-market private credit markets mature, and institutional investors seek new and innovative sources of alpha, where do private credit managers see the next frontiers of this asset class emerging?**

(Chair) Russ Ivinjack, Global Chief Investment Officer  
**Aon Investments**

### Panellists

Taylor Boswell, Head of Private Credit  
**AGL Credit Management**

Michael Comparato, Head of Real Estate  
**Benefit Street Partners - Alcentra**

Jeffrey Griffiths, Co-Head Global Private Credit  
**Campbell Lutyens**

Keith Williams, Managing Partner, and Co-CIO  
**Crestline Investors**

Wouter Van Assche, Senior Portfolio Manager, Regulatory Capital  
**Manulife Investment Management | CQS**

David Sherr, Founder and Chief Investment Officer  
**One William Street Capital Management**

Udai Bishnoi, Global Head of Asset Based and Structured Credit  
**Sculptor Capital**

Christopher Taylor, Head of Private Credit  
**Third Point**

### Institutional Investor Discussants

Ben Huang, Senior Investment Associate  
**Builders Vision**

Daniel Booth, Deputy Chief Investment Officer, Private Markets  
**CalPERS**

Kevin Edwards, Managing Director  
**Carnegie Mellon University Investment Office**

Corrado Pistarino, Chief Investment Officer  
**Forresters Friendly Society, United Kingdom**

Shikha Gupta, Investment Director  
**Future Fund, Australia**

Helen Liu PhD, Head of Investments  
**Gavi, the Vaccine Alliance**

Joe Aguilar, Chief Investment Officer  
**Illinois State Treasury**

Ashu Pal, Senior Portfolio Manager  
**Maryland State Retirement and Pension System**

Markus Schaen, Senior Fund Manager, Fixed Income  
**MN, The Netherlands**

Angelique Sellers, Managing Director, Investments  
**Penn State University Endowment**

Andy Greene, Chief Investment Officer  
**TTC Pension Plan, Canada**

## D. PARALLEL BREAKOUT

**Which investment strategies can still generate uncorrelated returns? How can investors mitigate ‘re-correlation’ risk in anticipation of any significant, correlated market unwind?**

(Chair) Pete Drewienkiewicz, Chief Investment Officer  
**Redington, United Kingdom**

### Panellists

Michael Gleason, Senior Vice President

### Acadian Asset Management

Warren Naphtal, Co-Founder and Chief Investment Officer  
**P/E Investments**

Joseph Cavatoni, Senior Market Strategist, Americas  
**World Gold Council**

### Institutional Investor Discussants

Krystle Healy, Risk and Governance Manager  
**Electricity Supply Board Pensions, Ireland**

Marcus Svedberg, Chief Economist  
**Folksam, Sweden**

Patricia Alejo, Quantitative Strategist and Portfolio Mgr.  
**Inter-American Development Bank**

Antonio Candia, Principal of Innovation  
**Latin-American Reserves Fund (FLAR / Fondo Latinoamericano de Reservas), Colombia**

Luiz Claudio Levy Cardoso, Chief Investment Officer  
**Nucleos-Instituto de Seguridade Social, Brazil**

Craig Heron, Director Public Market  
**Railpen, United Kingdom**

David Marcus, Chief Investment Officer  
**Stony Brook Foundation**

Christoph Junge, Head of Alternatives  
**Velliv Pension Fund, Denmark**

Joy Xu, Vice President of Strategic Asset Allocation and Fixed Income  
**Verizon Investment Management Corp.**

John Hurley, Chief Investment Officer, Alternatives  
**WorkSafe NB, Canada**

## E. PARALLEL BREAKOUT

**What will be the geopolitical implications of the 2024 election... continued..**





# Day Two: Tuesday October 22<sup>nd</sup> 2024

(Chair) David Stewart, Founder  
**Global ARC Australia**

## Academic Expert Panelists

### **Professor Mark Blyth**

The William R. Rhodes Professor  
of International Economics  
**Brown University**

### **Ambassador Robert D. Blackwill**

The Henry A. Kissinger Senior Fellow for U.S. Foreign  
Policy, **The Council on Foreign Relations**

### **Dr. Zongyuan Zoe Liu**

The Maurice R. Greenberg Senior Fellow for China Studies  
**Council on Foreign Relations**

### **His Excellency Vijay Keshav Gokhale**

Foreign Secretary, (2018-20)  
and Ambassador to China, (2016-17)  
**Government of India**

### **Professor Hal Brands**

The Henry Kissinger Distinguished Professor  
of Global Affairs  
**Johns Hopkins University SAIS**

## Institutional Investor Discussants:

Sebastian Vadakumcherry, Chief Risk Officer  
and Chief Compliance Officer  
**Alaska Permanent Fund Corporation**

Lan Kollengode, Chief Endowment Officer  
**Azim Premji Foundation, India**

Ricardo Martinelli, Senior Advisor  
**Banco Central do Brasil, Brazil**

Colleen Davis, State Treasurer  
**Delaware State Treasury**

Raivo Vanags, Head of Market Operations  
**Latvijas Banka (The Central Bank of Latvia), Latvia**

Steve Mahoney, Chief Investment Officer  
**Nova Scotia Pension Services Corporation, Canada**

Dan Mikulskis, Chief Investment Officer  
**People's Partnership – United Kingdom**

Arjen Pasma, Chief Fiduciary Investment Officer  
**PGGM Investments, The Netherlands**

Kabelo Rikhotso, Chief Investment Officer  
and Executive Director  
**Public Investment Corporation, South Africa**

Ernesto Francisco, Executive Vice President for  
Investments Sector  
**The Republic of Philippines Social Security System,**  
Philippines

Christopher Brockmeyer, Director of Employee Benefits  
**The Broadway League Inc**

Jorge Toro, Advisor  
**The Central Bank of Colombia, Colombia**

Bridget Uku, Investment Officer  
**UK Local Authority Pension Fund, United Kingdom**

Ju Hui Lee, Head of Investment Risk and Performance  
**United Nations Joint Staff Pension Fund**

## **F. PARALLEL BREAKOUT**

**What are the current best practice techniques for  
selecting your alternative and high-alpha  
managers?**

(Chair) Michael Nicks, Deputy Chief Investment Officer  
**Pepperdine University Endowment**

### Panellists

Clark Cheng, Chief Investment Officer  
**Merrimac Corp**

Mauricio Guzman, Head Investment Strategy  
**SURA Investments, Colombia**

### Institutional Investor Discussants

Veronica Wong, VP and Snr Portfolio Manager

## **Bank of Hawaii Investment Management Services**

David Achterhof, Vice President of Investments  
**Children's Hospital of Philadelphia**

Sandip Bhatt, Chief Investment Officer  
**Damac Capital, United Arab Emirates**

Anin Nandan, Head of Investments  
**DAR Holdings, Saudi Arabia**

Rafael Judar Vicchini, Chief Investment Officer  
and Chief Financial Officer

**Fundação Eletrosul de Previdência Complementar, Brazil**

Mamraj Chahar, Vice President, Investment  
**IG Insurance, Jordan**

Maria Garrahan, Director of Research  
**MassPRIM**

Arlete Nese Ph.D., Director  
**ON Valor Pension, Brazil**

Noriko Hayashi, Managing Director  
and Head of Private Equity Investments  
**ORIX Life Insurance Corp, Japan**

Patrícia Queiroz, Chief Investment Officer  
**Real Grandeza Pension, Brazil**

Ya Tung, Chief Investment Officer  
**The Jefferies Family Office**

Angie Cantillon, Vice President Investments  
and Corporate Treasury  
**The Wawanesa Mutual Insurance Company**

Joana Marfoh, Head of Treasury  
and Pension Fund Management  
**UK Local Authority Pension Fund, United Kingdom**

**4.25pm End of parallel breakout sessions**

## The Frontiers of Science

### 4.30pm Which scientific advances from the last twelve months have excited us the most, and why?

(Chair) Christopher Holt Ph.D., Senior Advisor, [Global ARC](#) and Associate Director  
[Conrad School of Business, University of Waterloo, Canada](#)

#### President Emerita Professor Susan Hockfield

Author: 'The Age of Living Machines: How Biology Will Build the Next Technology Revolution'  
 President (2004-12) and President Emerita  
[Massachusetts Institute of Technology](#)



Professor Susan Hockfield is one of the world's foremost neuroscientists. From 2004 through 2012, she served as the sixteenth President of Massachusetts Institute of Technology ('MIT') the first woman to hold this position. During her tenure as President, she shaped emerging national policy on energy technology and next-generation manufacturing, championing the breakthroughs in fields from clean energy to cancer emanating from the historic convergence of the life sciences and the engineering and physical sciences. Professor Hockfield pioneered the use of monoclonal antibody technology in brain research and discovered a gene that plays a critical role in the spread of cancer in the brain. Her book, 'The Age of Living Machines How Biology Will Build the Next Technology Revolution', describes how the convergence of biology with engineering will change our world for the better, and received the Science Communication Award from the American Institute of Physics. She is a fellow of the American Academy of Arts and Sciences and the American Association for the Advancement of Science; she recently served as president and chairman for the latter. She holds a Ph.D. in Neuroscience from the Georgetown University School of Medicine.

and

#### Nobel Laureate Professor Frank Wilczek

2004 Nobel Prize Winner for Physics  
 2022 Templeton Prize Winner  
 The Herman Feshbach Professor of Physics  
[Massachusetts Institute of Technology](#)



Professor Frank Wilczek is one of the world's most eminent theoretical physicists. He has received many prizes for his work, including: the 2004 Nobel Prize Winner for Physics, UNESCO's Dirac Medal, the American Physical Society's Sakurai Prize, the Michelson Prize from Case Western University, the 2005 King Faisal International Prize for Science and the Lorentz Medal of the Netherlands Academy and the 2022 Templeton Prize where he was "recognized for his examination into the fundamental laws of nature." He has made seminal contributions to fundamental particle physics, cosmology and the physics of materials. His current research includes work on Axions, Anyons, and Time Crystals. These are concepts in physics which he named and pioneered; each of which has become a major focus of research worldwide. Frank has authored several well-known books and writes a monthly "Wilczek's Universe" feature for The Wall Street Journal. His latest book, "Fundamentals: Ten Keys to Reality", distils the most profound and mind-expanding insights of modern science. Frank Wilczek currently serves as the Herman Feshbach Professor of Physics at MIT. He holds a Ph.D. in physics from Princeton.

### 5.40pm Networking cocktails & canapés



## 7.30am Opening remarks

(Chair) Cameron Dawson, Chief Investment Officer  
[NewEdge Wealth](#)

## Latest Alternatives Research

### 7.35am Alternative investments: an overview of the most interesting academic research published over the last twelve months.

A perennial delegate favorite, Professor Nicole Boyson of D'Amore-McKim School of Business, will return for her annual review of the most thought-provoking academic alternatives research from 2024.

(Chair) Cameron Dawson, Chief Investment Officer  
[NewEdge Wealth](#)

#### Professor Nicole Boyson

Chair of the Department of Economics and Finance and Professor of Finance  
[The D'Amore-McKim School of Business, Northeastern University](#)



Professor Nicole Boyson's research and teaching interests fall in the area of investments and corporate finance, with a particular focus on hedge fund management, hedge fund activism and regulatory arbitrage. Her most recently published research includes: 'Hostile Resistance to Hedge Fund Activism' in *The Review of Financial Studies* 'Activism Mergers' in *The Journal of Financial Economics*, 'Thawing Frozen Capital Markets and Backdoor Bailouts, 'Evidence from the Fed's Liquidity Programs' in *The Journal of Banking and Finance* and 'Liquidity Shocks and Hedge Fund Contagion' in *The Journal of Investment Management*. Her work 'The Performance of Female Hedge Fund Managers' findings that despite female hedge fund managers on average outperforming their male counterparts, that female managers struggled to raise capital received widespread attention in the financial press. She currently serves as a Co-Editor for *Financial Analysts Journal*. A CPA, Nicole Boyson's prior work experience includes eight years in industry, at

KPMG Peat Marwick, Third Federal Savings and Loan Association of Cleveland, Pension Consulting Services, and Ernst & Young. Nicole Boyson holds a PhD. in Finance from Ohio State University.

## ESG

"Brett Christophers book [ 'The Price is Wrong' ] is a radical one, that contravenes the received wisdom of not only the technocrats, mainstream economists and free marketeers who tout the wonders of the market, but also many on the left, for whom the problem with profits is typically their being far too high."

*The New Statesman*

### 8.15am What if our understanding of capitalism and climate is back to front? What if the problem is not that transitioning to renewables is too expensive, but that saving the planet is insufficiently profitable?

Today's consensus is that the key to curbing climate change is to produce green electricity and electrify everything possible. The main economic barrier in that project has seemingly been removed. But while prices of solar and wind power have tumbled, the golden era of renewables has yet to materialize.

Brett Christophers believes that the problem is that investment is driven by profit, not price, and operating solar and wind farms remains a marginal business, dependent everywhere on the state's financial support. The global economy is moving too slowly toward sustainability because the return on green investment is too low.

His iconoclastic argument is that we cannot expect markets to solve the climate crisis while the profits that are their lifeblood remain unappetizing. But there is an alternative to providing surrogate green profits through subsidies: to take energy out of the private sector's hands.

(Chair) Bill Kelly, Chief Executive Officer  
[CAIA Association](#)

#### Professor Brett Christophers

Author: *'The Price is Wrong: Why Capitalism Won't Save the Planet'*  
 Professor of Human Geography  
[Uppsala University, Sweden](#)



Professor Brett Christophers is professor in the Department of Social and Economic Geography at Uppsala University, Sweden. His research interests span various aspects of the political economy and economic geography of Western capitalism and has garnered widespread acclaim from critics. His most recent book *'The Price is Wrong: Why Capitalism*

*Won't Save the Planet'* (2024) challenges both orthodox left-wing and orthodox right-wing analysis of the factors influencing transition to greener forms of energy. Whilst his prior, and highly controversial recent book, *'Our Lives in Their Portfolios: Why Asset Managers Own the World'* (2023) outlined what he believes to be the negative consequences of the privatisation of society's infrastructure. Asset managers, he argues, are unlike traditional owners of essential infrastructure in that he believes the crux of their business model is not long-term investment and careful custodianship but making quick profits for themselves and their investors. He completed his undergraduate studies at Oxford University and holds a Ph.D. from University of Auckland.

"Nine in ten asset managers have seen an increase in ESG related spending in the last three years."

*Pensions & Investments*

### 8.55am Recent developments in, and ongoing challenges surrounding, ESG implementation: institutional investor perspectives.

(Chair) Bill Kelly, Chief Executive Officer  
[CAIA Association](#)

Michael Dittrich, Vice Secretary General  
[Deutsche Bundesstiftung Umwelt \(DBU\), Germany](#)

Joe Aguilar, Chief Investment Officer  
[Illinois State Treasury](#)

Curtis Loftis, State Treasurer  
[South Carolina Treasurer's Office](#)

### 9.35am Morning coffee

## The Retirement Challenge

“How does the U.S. retirement system rank globally? Mercer CFA Institute released this year’s stats in their Global Pension Index 2023. The study ranks the Netherlands, Iceland, Denmark, and Israel as having the best systems, receiving an A grade. The United States only ranked 22<sup>nd</sup> .... [and] received a lowly C+ grade, alongside Spain and Kazakhstan.”

Forbes Magazine

### 10.05am What are the most pressing structural challenges facing the United States retirement system and how can we begin to address them?

(Chair) Rich Nuzum, Executive Director, Investments, and Global Chief Investment Strategist  
**Mercer**

#### Professor James Poterba

President, **National Bureau of Economic Research (NBER)**  
The Mitsui Professor of Economics  
**Massachusetts Institute of Technology**



Professor James Poterba has served as President of the National Bureau of Economic Research (NBER) for 14-years. The NBER is the peak body for North American economists. It is a nonprofit research organization dedicated to conducting and disseminating nonpartisan economic research from

more than 1,700 affiliated scholars at North American colleges and universities to carry out research. Professor Poterba also serves as a trustee of the College Retirement Equity Fund (CREF) and the TIAACREF mutual funds. His main research themes focus on how taxation affects decision-making of firms and households, particularly involving saving and portfolio behaviour. He has a deep interest in retirement security and the instruments available and used by households in retirement savings programs. In 2014 he received the Daniel M. Holland Medal from the National Tax Association for the study and practice of public finance. His public service includes serving as an advisor to the Congressional Budget Office and serving on the President’s Advisory Panel on Federal Tax Reform. He holds a Ph.D. in economics from University of Oxford

### 10.45am Implementing these structural solutions: pension consultant perspectives.

Our panel of leading investment consultants will join Professor Poterba on stage to discuss the practical implications of the strategic retirement challenges, and the potential solutions, raised in Professor Poterba’s keynote address.

(Chair) Rich Nuzum, Executive Director, Investments and Global Chief Investment Strategist  
**Mercer**

Patrick Adelsbach, Partner, Co-Head of Advisory, Americas  
**Aksia**

Russ Ivinjack, Global Chief Investment Officer  
**Aon Investments**

Sarie Diloné, Vice President, Alternatives Consulting  
**Callan**

#### Professor James Poterba

President, **National Bureau of Economic Research (NBER)**  
The Mitsui Professor of Economics  
**Massachusetts Institute of Technology**

Tim McCusker, Partner and Chief Investment Officer  
**NEPC**

Nimisha Srivastava, Head of Investments, NA  
**Willis Towers Watson**

### 11.35am Champagne Lunch



## Why Do Societies Collapse?

“Extraordinary. . . Peter Turchin is a practitioner of "cliodynamics," an ambitious attempt to apply complexity theory and much else to human history. *End Times* is the culmination of many years of highly original and innovative work.”

Professor Niall Ferguson, Bloomberg

“*End Times* offers a... compelling analysis of why societies fail. . . Peter Turchin's theory represents the most persuasive analysis of the historical forces assailing society in the present.”

The Times of London

### 12.55pm Why do societies collapse and how vulnerable is our society to such a rupture?

What leads to political turbulence and social breakdown? How do elites maintain their dominant position? And why do ruling classes sometimes suddenly lose their grip on power?

For decades, complexity-scientist Professor Peter Turchin has been studying world history like no one else. Assembling vast databases mined from 10,000 years of human activity, and then developing new models, he has transformed the way we learn from the past.

The lessons, he argues, are clear. When the balance of power between the ruling class and the majority tips too far in favour of elites, income inequality surges. The rich get richer, the poor further impoverished. As more people try to join the elite, frustration with the establishment brims over, often with disastrous consequences. Elite overproduction led to state breakdown in imperial China, in medieval France, in the American Civil War - and it is happening now.

(Chair) Christopher Holt Ph.D., Senior Advisor **Global ARC** and Associate Director,  
**Conrad School of Business, University of Waterloo, Canada**

#### Professor Peter Turchin

Author: *‘End Times: Elites, Counter-Elites and the Path of Political Disintegration’*

Professor Emeritus, Ecology and Evolutionary Biology  
**University of Connecticut**



Professor Peter Turchin is a complexity-scientist who works in the field of historical social science that he and his colleagues call Cliodynamics. His research interests lie at the intersection of social and cultural evolution, historical macrosociology, economic history and cliometrics, mathematical modelling of long-term social processes. Currently he investigates a set of broad and interrelated questions: How do human societies evolve? What processes are responsible for the resilience of complex societies to external and internal shocks? What causes political communities to cohere and what causes them to fall apart? Currently his main research effort is directing the Seshat Databank project which builds and



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analyzes a massive historical database that enables us to empirically test predictions from theories attempting to explain why and how complex human societies evolved, and why they periodically experience political breakdown. Turchin has authored ten books, most recently 'End Times: Elites, Counter-Elites, and the Path of Political Disintegration.' Peter Turchin has also published over two-hundred articles in peer-reviewed journals, including a dozen in Nature, Science, and PNAS.

### Designated investor questioners:

Kevin Edwards, Managing Director  
**Carnegie Mellon University Investment Office**  
Ya Tung, Chief Investment Officer  
**The Jefferies Family Office**

## Parallel Breakout Sessions

### 1.45pm Parallel breakout sessions commence

Delegates can customize Global ARC to their needs by choosing between several highly interactive parallel breakouts.

Some of these parallel breakouts are continuations of preceding plenary panel topics, whilst others provide delegates with the opportunity to explore fresh topics.

To allow for a more in-depth exploration of these subjects, each breakout session is approximately one and a half hours long.

The parallel 85-minute interactive breakout discussions currently scheduled for Wednesday October 23<sup>rd</sup> are:

### A. PARALLEL BREAKOUT

**Wealth managers: how do we select which high-alpha products to offer to our clients?**

(Chair) Scott Lavelle, Head of Manager Research  
**PNC**

#### Wealth Manager Panellists

John Simmons, Head of Investment Research Group & Due Diligence  
**Ameriprise Financial**

Peter Chiappinelli, Chief Investment Officer  
**Ballentine Partners**

Ohm Srinivasan, Head of Manager Research and Alternative Investments  
**CIBC Private Wealth Management, U.S.**

Cameron Richards, Chief Investment Officer  
**Guardian Partners, Canada**

Laurie Goodman, Managing Director  
**Jefferies Private Wealth Management**

Saumen Chattopadhyay, Chief Investment Officer  
**OneDigital Retirement +Wealth Management**

Bradley Sussman, Vice President of Product Development and Research  
**Raymond James Global Wealth Solutions**

Doug Butler, Senior Vice President and Director of Research  
**Rockland Trust**

Alvina Lo, Chief Wealth Strategist and Executive Vice President  
**Wilmington Trust**

#### Institutional Investor Discussants

Anin Nandanan, Head of Investments  
**DAR Holdings, Saudi Arabia**

Mauricio Guzman, Head Investment Strategy  
**SURA Investments, Colombia**

### B. PARALLEL BREAKOUT

**Investment consultant perspectives: selecting your alternative investments - the role of a consultant or advisor.**

(Chair) Luke Webster, Chief Investment Officer  
**Greater London Authority, United Kingdom**

#### Investment Consultant Panelists

Patrick Adelsbach, Partner, Co-Head of Advisory, Americas  
**Aksia**

Russ Ivinjack, Global Chief Investment Officer  
**Aon Investments**

Sarie Diloné, Vice President, Alternatives Consulting  
**Callan**

Mary Bates, Managing Principal, Private Markets  
**Meketa Investment Group**

Rich Nuzum, Global Chief Investment Strategist  
**Mercer**

Tim McCusker, Partner, Chief Investment Officer  
**NEPC**

Pete Drewienkiewicz, Chief Investment Officer  
**Redington, United Kingdom**

Nimisha Srivastava, Head of Investments, NA  
**Willis Towers Watson**

#### Institutional Investor Discussants

Howard Cooper, Founder  
**Cooper Family Office**

Konstantinos Grigoriadis, Treasury Manager - Pension  
**DXC Technology**

Scott Simon, Chief Investment Officer  
**Fire and Police Pension Association of Colorado**

Clemen Epalza, Chief Executive Officer  
**Fonditel, Spain**

Ashu Pal, Senior Portfolio Manager  
**Maryland State Retirement and Pension System**

Steve Mahoney, Chief Investment Officer  
**Nova Scotia Pension Services Corporation, Canada**

Noriko Hayashi, Managing Director and Head of Private Equity Investments  
**ORIX Life Insurance Corp, Japan**

Farouki Majeed, Chief Investment Officer  
**School Employees Retirement System of Ohio**

Christopher Brockmeyer, Director of Employee Benefits  
**The Broadway League Inc**

Veenita Bisaria, Manager, Investments and Risk  
**Tennessee Valley Authority Retirement System**

Andy Greene, Chief Investment Officer  
**TTC Pension Plan, Canada**

#### Investment Consultant Discussants

Arlete Nese Ph.D., Director  
**ON Valor, Brazil**

## C. PARALLEL BREAKOUT

**Reviewing the most incisive recent academic research on finance and the finance industry.**

(Chair) Cameron Dawson, Chief Investment Officer  
**NewEdge Wealth**

#### Academic Panellist

**Professor Nicole Boyson**  
Chair of the Department of Economics and Finance and Professor of Finance  
**The D'Amore-McKim School of Business, Northeastern University**

#### Institutional Investor Discussants

Ricardo Martinelli, Senior Advisor  
**Banco Central do Brasil (The Central Bank of Brazil), Brazil**

Steve Thompson, Executive Director Capital Markets  
**Government of Alberta, Canada**

Mamraj Chahar, Vice President, Investment  
**IG Insurance, Jordan**

Maria Garrahan, Director of Research  
**MassPRIM**

Markus Schaen, Senior Fund Manager, Fixed Income  
**MN - The Netherlands**

Angelique Sellers, Managing Director, Investments  
**Penn State University Endowment**

Michael Nicks, Deputy Chief Investment Officer  
**Pepperdine University Endowment**

Kabelo Rikhotso, Chief Investment Officer and Executive Director  
**Public Investment Corporation, South Africa**

Ryan Johnston, Senior Analyst – Alpha Fund  
**State of Wisconsin Investment Board**

Elmer Huh, Chief Investment Officer  
**The M.J. Murdock Charitable Trust**

Joana Marfoh, Head of Treasury and Pension Fund Management  
**UK Local Authority Pension Fund, United Kingdom**

Brian Neale, Chief Investment Officer  
**University of Nebraska Foundation**

Aaron Bennett, Chief Investment Officer  
**University Pension Plan Ontario, Canada**

Joy Xu, Vice President of Strategic Asset Allocation and Fixed Income  
**Verizon Investment Management Corp.**

Chung Ma, Managing Director, Portfolio Solutions Group  
**Virginia Retirement System**

## D. PARALLEL BREAKOUT

**ESG strategies and implementation... continued**

(Chair) Bill Kelly, Chief Executive Officer  
**CAIA Association**

#### Academic Panellist

**Professor Brett Christophers**  
Author: *The Price is Wrong*  
Professor of Human Geography  
**Uppsala University, Sweden**

#### Institutional Investor Panellists

Michael Dittrich, Vice Secretary General  
**Deutsche Bundesstiftung Umwelt (DBU), Germany**

Joe Aguilar, Chief Investment Officer  
**Illinois State Treasurer's Office**

Curtis Loftis Jr., State Treasurer  
**South Carolina State Treasurer's Office**

#### Institutional Investor Discussants

Krystle Healy, Risk and Governance Manager  
**Electricity Supply Board Pensions, Ireland**

Alex Neszvecsko, Portfolio Manager  
**European Patent Office, Reserve Funds, Germany**

Corrado Pistarino, Chief Investment Officer  
**Foresters Friendly Society, United Kingdom**

Helen Liu PhD, Head of Investments  
**Gavi, the Vaccine Alliance**

Songpol Chevapanyaroj, Secretary General  
**Government Pension Fund of Thailand, Thailand**

Patricia Alejo, Quantitative Strategist and Portfolio Manager  
**Inter American Development Bank**

Adam Ruddle, Chief Investment Officer  
**LV=, United Kingdom**

Sohel Hussain, Vice President, Investments and Finance  
**Meyer Memorial Trust**

Michela Bariletti, Global Head of Investment Research  
**Phoenix Insurance Group, United Kingdom**

Ernesto Francisco, Executive Vice President for Investments Sector  
**The Republic of Philippines Social Security System, Philippines**

Clemens Quast, Head of Treasury  
**Sächsische Aufbaubank – Förderbank, Germany**

Jorge Toro, Advisor  
**The Central Bank of Colombia, Colombia**



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Angie Cantillon, Vice President,  
Investments and Corporate Treasury  
[The Wawanesa Mutual Insurance Company](#)  
John Hurley, Chief Investment Officer, Alternatives  
[WorkSafe NB, Canada](#)

## E. PARALLEL BREAKOUT

**A.I. and big data: an examination of the opportunities and challenges that these fast-accelerating scientific discoveries pose to the finance industry, investment strategies and institutional investors.**

(Chair) Mohamed Elkordy Ph.D., Senior Investment Officer  
[New York Common Retirement Fund](#)

### Institutional Investor Panellists

Elena Manola-Bonthond Ph.D., Chief Investment Officer  
[CERN Pension, Switzerland](#)

Antonio Candia, Principal of Innovation  
[Latin-American Reserves Fund \(FLAR\), Colombia](#)

Raivo Vanags, Head of Market Operations  
[Latvijas Banka \(The Central Bank of Latvia\), Latvia](#)

### Institutional Investor Discussants

Mateo Fernández, Chief Investment Officer  
[AFAP Itaú Pension, Uruguay](#)

Edgar Sosa, Chief Risk Officer  
[Afore Invercap Pension, Mexico](#)

Ramzi Bibi, Head of Investment and Treasury  
[Arabia Insurance, Saudi Arabia](#)

Veronica Wong, Vice President  
and Senior Portfolio Manager  
[Bank of Hawaii Investment Management Services](#)

Edwin Ridwan, Investment Director  
[BPJS Ketenagakerjaan Pension, Indonesia](#)

David Achterhof, Vice President, Investments  
[Children's Hospital of Philadelphia](#)

Eric Newman, Treasury Manager  
[City of Stamford](#)

Sandip Bhatt, Chief Investment Officer  
[Damac Capital, United Arab Emirates](#)

Colleen Davis, State Treasurer  
[Delaware State Treasury](#)

Vasilios Siokis, Chief Risk Officer  
[Emirates Investment Authority, United Arab Emirates](#)

Rafael Judar Vicchini, Chief Investment Officer  
and Chief Financial Officer  
[Fundação Eletrosul de Previdência Complementar, Brazil](#)

Clark Cheng, Chief Investment Officer  
[Merrimac Corporation](#)

Luiz Claudio Levy Cardoso, Chief Investment Officer  
[Nucleos-Instituto de Seguridade Social Pension, Brazil](#)

Patrícia Queiroz, Chief Investment Officer  
[Real Grandeza Pension, Brazil](#)

Bridget Uku, Investment Officer  
[UK Local Authority Pension Fund, United Kingdom](#)

### 3.10pm End of parallel breakout sessions

## Reflecting on 2024's Key Themes

### 3.15pm Reflecting on the key themes and takeouts from Global ARC 2024.

Join us for a comprehensive wrap-up where we delve into the unexpected insights and emergent themes from the conference.

What surprised us during the discussions? What valuable lessons can we take away with us? Which early-stage emerging trends and

themes have captured our attention and might shape our strategies in the coming years?

(Chair) Luke Webster, Chief Investment Officer  
[Greater London Authority, United Kingdom](#)

Elena Manola-Bonthond Ph.D., Chief Investment Officer  
[CERN Pension, Switzerland](#)

Alex Neszvecsko, Portfolio Manager  
[European Patent Office, Reserve Funds, Germany](#)

Steve Thompson, Executive Director, Capital Markets  
[Government of Alberta, Canada](#)

Elmer Huh, Chief Investment Officer  
[The M.J. Murdock Charitable Trust](#)

### 4.00pm Close of Global ARC 2024

We look forward to welcoming you back to Boston in 2025, to the:  
**22<sup>nd</sup> Annual Global ARC Boston October 20-22, 2025**

**Date:** September 11, 2024  
**To:** Trustees, Board of Retirement  
**From:** Dominic D. Brown, Chief Executive Officer  
**Subject:** **NCPERS HR Summit**  
**Denver, Colorado**  
**September 24-26, 2024**



I have attached information concerning the above-captioned meeting, as follows:

- Agenda and supporting information on the pertinence and relevance of the following staff attendance – Administrative Services Officer Aimee Morton, SHRM-CP
- Specific information as to whether staff will serve as a speaker or panel participant – None
- Specific information concerning the estimated total travel cost involved, including the estimated costs to be borne by KCERA and those costs borne by the conference sponsor

The topic list is timely and relevant to the administration of the retirement system. Therefore, it is recommended that your Board receive and file.

Attachments







## National Conference on Public Employee Retirement Systems *The Voice for Public Pensions*

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[Print Page](#)

## HR Summit Education

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### 2024 SCHEDULE OF EVENTS

As of August 22, 2024

Interested in contributing to the HR Summit's programming? [Click here to submit your topic suggestions.](#)

#### TUESDAY, SEPTEMBER 24

- |                   |  |
|-------------------|--|
| 2:00 PM–5:00 PM   | <b>REGISTRATION</b>  |
| 3:00 PM - 5:00 PM | <b>GENERAL SESSION I</b>   |
| 3:00 PM - 3:15 PM | <b>Welcome and Opening Address</b><br><i>Hank Kim, NCPERS</i>  |
| 3:15 PM - 4:00 PM | <b>Sparking Connections: Introductions, Expectations, and Goals</b><br>In this lively session, you'll have the chance to introduce yourself and express your expectations for this year's Summit. Join us as we kick off enthusiasm and camaraderie, setting the safe for impactful conversations.<br><i>Moderator: Hank Kim, NCPERS</i> |
| 4:00 PM - 5:00 PM | <b>NCPERS/CBIZ Compensation Survey Results</b><br>Get a sneak peek at the results of the 2024 Public Pension Compensation Survey. Conducted by NCPERS and CBIZ, this annual survey provides key insights to help benchmark your fund's compensation and benefits package.<br><i>Speakers: Joe Rice, CBIZ; Hank Kim, NCPERS</i>           |
| 5:00 PM - 5:30 PM | <b>Tour of the Renaissance Hotel</b><br>Enjoy a private tour of this iconic hotel, nestled within the storied walls of the Colorado National Bank building. Learn about the building's architectural heritage during this unique experience.   |
| 5:30 PM– 6:30 PM  | <b>WELCOME RECEPTION</b>   |

## WEDNESDAY, SEPTEMBER 25

- 7:00 AM–5:00 PM      **REGISTRATION**
- 7:00 AM–8:00 AM      **BREAKFAST**
- 8:00 AM–5:00 PM      **GENERAL SESSION II**
- 8:00 AM - 8:45 AM      **Legislative Outlook**  
Get the scoop on the latest legislative policies impacting public pensions, and find out what may be ahead in the coming year.  
*Speakers: Anthony Roda, Williams & Jenson PLLC; Angela Rowe, National Conference of State Legislatures*
- 8:45 AM - 9:45 AM      **Keynote/Fireside Chat**  
*Speaker: Cara Woodson-Welch, CEO, Public Sector HR Association*
- 9:45 AM - 10:45 AM      **AI in HR Update**  
In this session, attendees will learn how HR professionals are leveraging new technology, such as AI, for applicant screening and career coaching.  
*Speaker: Dr. Frank Olmos, DFO HR Consulting*
- 10:45 AM - 11:00 AM      **REFRESHMENT BREAK**
- 11:00 AM - 11:30 AM      **Hot Topics Breakout I**  
Participate in small group discussions to share ideas, discuss key topics impacting your organization, and learn from peers during the Hot Topics Breakouts.  
Compensation Survey Recap  
*Session Facilitator: Taylor Sprague, CBIZ*  
  
Expanding on AI and Emerging Technologies  
*Session Facilitator: Elaine Gorton, Fire & Police Pension Association of Colorado*
- 11:30 AM - 12:00 PM      **Roundtable Topic Report Back**
- 12:00 PM–1:00 PM      **NETWORKING LUNCH**
- 1:15 PM - 2:00 PM      **Diving Into Organizational Culture**  
Join us for an enlightening session on expanding the talent pipeline while building an environment of employee engagement and the impact it has had on the Texas TRS culture.  
*Session Facilitator: Shunne Powell, Teacher Retirement System of Texas*  
*Speaker: Kellie Sauls, Teacher Retirement System of Texas*
- 2:00 PM - 3:00 PM      **All Brains Welcome: Neurodiversity at Work**  
"All Brains Welcome" is all about getting the best from ourselves, our teams, and our time. This interactive workshop helps participants understand the basics of neurodiversity (such as ADHA or Autism Spectrum Disorder), how it shows up at work, and what HR practitioners can do to build more inclusive and fruitful teams/workplaces.  
*Speakers: Maddy Gabor, Betterment Works; Lauren Yee, Betterment Works*

- 3:00 PM–3:15 PM      **REFRESHMENT BREAK**
- 3:15 PM - 3:45 PM      **Hot Topics Breakout II**  
 Participate in small group discussions to share ideas, discuss key topics impacting your organization, and learn from peers during the Hot Topics Breakouts.  
 Adapting to a Multi-generational Workforce
- The Impacts of an Aging Population
- 3:45 PM - 4:15 PM      **Roundtable Topic Report Back**
- 4:15 PM - 5:00 PM      **Wellness Stage**  
 Choose between wellness activities like chair yoga and guided meditation to enjoy some time for yourself! Learn strategies for relaxation to take back to the office. Additional details forthcoming!
- 5:30 PM–8:30 PM      **RECEPTION & DINNER**

**THURSDAY, SEPTEMBER 26**

- 7:00 AM–12:00 PM      **REGISTRATION**
- 7:00 AM–8:00 AM      **BREAKFAST**
- 8:00 AM–12:00 PM      **GENERAL SESSION III**
- 8:00 AM - 8:45 AM      **Navigating Compliance Challenges**  
 Experts will provide invaluable insights into compliance strategies, best practices and potential pitfalls to navigate effectively through these evolving legal frameworks.  
*Speakers: Robin Bauknecht, Colorado Department of Labor and Employment; Lia Weiler, Arapahoe/Douglas Works*
- 8:45 AM - 9:30 AM      **Employment Laws and Regulations**  
 Learn about the latest employment laws and regulations that may impact your fund.  
*Speaker: Neil Reichenberg, Former executive director, International Public Management Association for Human Resources*
- 9:30 AM - 10:15 AM      **Hot Topics Breakout II**  
 Participate in small group discussions to share ideas, discuss key topics impacting your organization, and learn from peers during the Hot Topics Breakouts.  
 Succession Planning: Budget Oversight and Effective Hiring Practices
- Accommodation Requests
- 10:15 AM–10:30 AM      **REFRESHMENT BREAK**
- 10:30 AM - 11:00 AM      **Roundtable Topic Report Back**
- 11:00 AM - 11:45 AM      **The Future of Work**  
 What's next for HR? In a constantly evolving environment, it's hard to keep up with the latest tools for success. Find out what may be on the horizon and get the forecast for the future of work.  
*Speaker: Bob Lavigna, UKG for Public Sector*

**CONTINUING EDUCATION (CE) HOURS**

By attending the Public Pension HR Summit, you can earn up to **9** continuing education hours towards your Accredited Fiduciary (AF) recertification and/or state mandated continuing education requirements.

Attendees of the 2024 Public Pension HR Summit can earn up to **9** Professional Development Credits (PDCs) towards their SHRM-CP® or SHRM-SCP® recertification.

**CONTINUING EDUCATION (CE) SPONSOR**

NCPERS is accredited by the State Pension Review Board as a Minimum Educational Training (MET) sponsor for Texas public retirement systems. This accreditation does not constitute an endorsement by the Board as to the quality of our MET program. NCPERS is also recognized as a learning provider and is an accredited sponsor of continuing education in several states.

National Conference on Public Employee Retirement Systems (NCPERS) is recognized by SHRM to offer Professional Development Credits (PDCs) for SHRM-CP® or SHRM-SCP® recertification activities.

Questions? Please contact [education@ncpers.org](mailto:education@ncpers.org).

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Event Registration

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Annual Conference & Exhibition (ACE)

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Center for Online Learning

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Chief Officers Summit

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FALL Conference

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Legislative Conference

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NCPERS Accredited Fiduciary (NAF) Program

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NCPERS University

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Pension Communications Summit

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Program for Advanced Trustee Studies (PATS)

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Public Pension Funding Forum

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Public Pension HR Summit

- » About the HR Summit
- » Why Attend NCPERS Public Pension HR Summit?
- » HR Summit Education
- » HR Summit Registration
- » HR Summit Hotel Reservations

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Public Safety Conference

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Trustee Educational Seminar (TEDS)

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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](mailto:info@ncpers.org)

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**(California Government Code § 54957.5)**

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**DO NOT DISTRIBUTE**

**Date:** September 11, 2024

**To:** Trustees, Board of Retirement

**From:** Daryn Miller, CFA, Chief Investment Officer  
Geoff Nolan, Senior Investment Officer  
Jack Bowman, Senior Investment Analyst  
Rafael A. Jimenez, Senior Investment Analyst

**Subject:** **Fixed Income Manager Termination**



### **RECOMMENDATION**

Staff recommends the termination of Western Asset Management Company (“Western Asset” or “Manager”) from the Plan’s Fixed Income allocation. Western Asset is responsible for the management of two mandates, which include *Western Asset Core Plus* in the Core Fixed Income portfolio and *Western Asset High Yield* in the High Yield & Specialty Credit portfolio. Staff’s recommendation is consistent with the structural changes to the Fixed Income portfolio that were approved by the Board of Retirement in August 2023. Staff has arrived at this termination decision through an assessment of the investment characteristics of the Western Asset mandates relative to the target exposures following the approved restructuring. Western Asset has been subject to organizational changes in senior leadership and Staff believes it is prudent to terminate the manager in anticipation of the recomposition expected to take place over the following quarters.

### **FIXED INCOME ANALYSIS & TRANSITION**

In 2023, Staff undertook an analysis of the Fixed Income allocation with the purpose of measuring the efficacy of the portfolio to serve its role within the context of the broader Plan portfolio. Staff identified the objectives of the asset class, pursuant to the Investment Policy Statement (“IPS”), to be risk mitigation, liquidity, and portfolio diversification. Staff’s analysis demonstrated that the ability to meet the portfolio’s objectives could be enhanced through de-risking the portfolio.

In August 2023, the Board of Retirement approved an updated Strategic Asset Allocation which reflected structural shifts in the Fixed Income portfolio and revised the Fixed Income Policy Benchmark. The proposed changes relevant to the current investments with Western Asset include a transition from “Core Plus” mandates to “Core” and the replacement of “High Yield” credit mandates with dedicated Bank Loan and Securitized Product exposures. Changes to the Plan’s Strategic Asset Allocation (“SAA”) included an increase in the total target allocation to Fixed Income from 24% to 25% and the bifurcation of Fixed Income into “Core” and “Credit” allocations. The blended Fixed Income benchmark is detailed below:



Fixed Income	25.0%	Blend †
Core	15.0%	3% ICE BofAML 7-10 Year US Treasury Index 4% ICE BofAML US Treasury 10+ 4% Bloomberg Barclays US Aggregate Total Return Value Unhedged USD Index 4% Bloomberg US Corporate Credit 1-3 Year Index
Credit	10.0%	5% Securitized (50% Bloomberg Non-Agency CMBS Index; 33.33% Bloomberg ABS Index; 16.67% JP Morgan CLOIE AAA Index) 2.5% Morningstar LSTA Leverage Loan Index 2.5% JP Morgan Emerging Market Bond Index Global Diversified

Staff is currently conducting the necessary manager searches to fulfil the proposed Fixed Income changes and anticipates bringing manager recommendations to subsequent Investment Committee and Board of Retirement meetings.

**BACKGROUND**

**Western Asset Core Plus:** The Plan has maintained an investment in the strategy (“Core Plus”) since June 2004 and as of the end of Q2 2024, the market value of Core Plus was valued at \$85M and represented 1.5% of total Plan Assets. Western Asset’s investment process combines top-down and bottom-up analyses and begins with the Firm’s macro and credit investment outlook. The process is led by the US Broad Strategy Committee chaired by the Firm’s CIO, Michael Buchanan, and comprised of the Firm’s senior leaders. The committee, which formulates the Firm’s investment themes and strategies, has been subject to recent turnover including the departure of John Bellows and the leave of absence of former co-CIO, Kenneth Leech.

Core Plus is benchmarked to the Bloomberg US Aggregate Index, a market capitalization-weighted benchmark that measures the investment grade, US dollar-denominated taxable bond market. The index includes exposure to Treasury bonds, Agency bonds, and Corporate bonds that meet the minimum BBB rating threshold. The manager seeks to earn a premium above the benchmark while maintaining a level of risk that approximates the benchmark through interest rate duration, yield curve, sector allocation, country and currency strategies. In order to achieve its stated objective, the strategy allows for investments in high-yield, emerging markets and non-US-dollar denominated securities.

Staff believes that non-investment grade, emerging markets, and currency risk are not suitable for the “Core” mandate and is not aligned with the objective of risk reduction in the Fixed Income portfolio. Staff will seek to replace the strategy with a mandate that more closely resembles the composition and risk exposures of the Bloomberg US Aggregate Index.

**Western Asset High Yield:** The Plan has maintained an investment in the strategy (“High Yield”) since June 2005 and as of the end of Q2 2024, the market value of High Yield was valued at \$170M and represented 2.9% of total Plan Assets.

High Yield is benchmarked to the ICE Bank of America US High Yield Index, a market capitalization-weighted benchmark that tracks the performance of US dollar-denominated corporate debt rated below investment grade (BB and lower). The manager seeks to earn a premium above the benchmark over the course of a market cycle through issuer selection, quality positioning, and sector rotation.

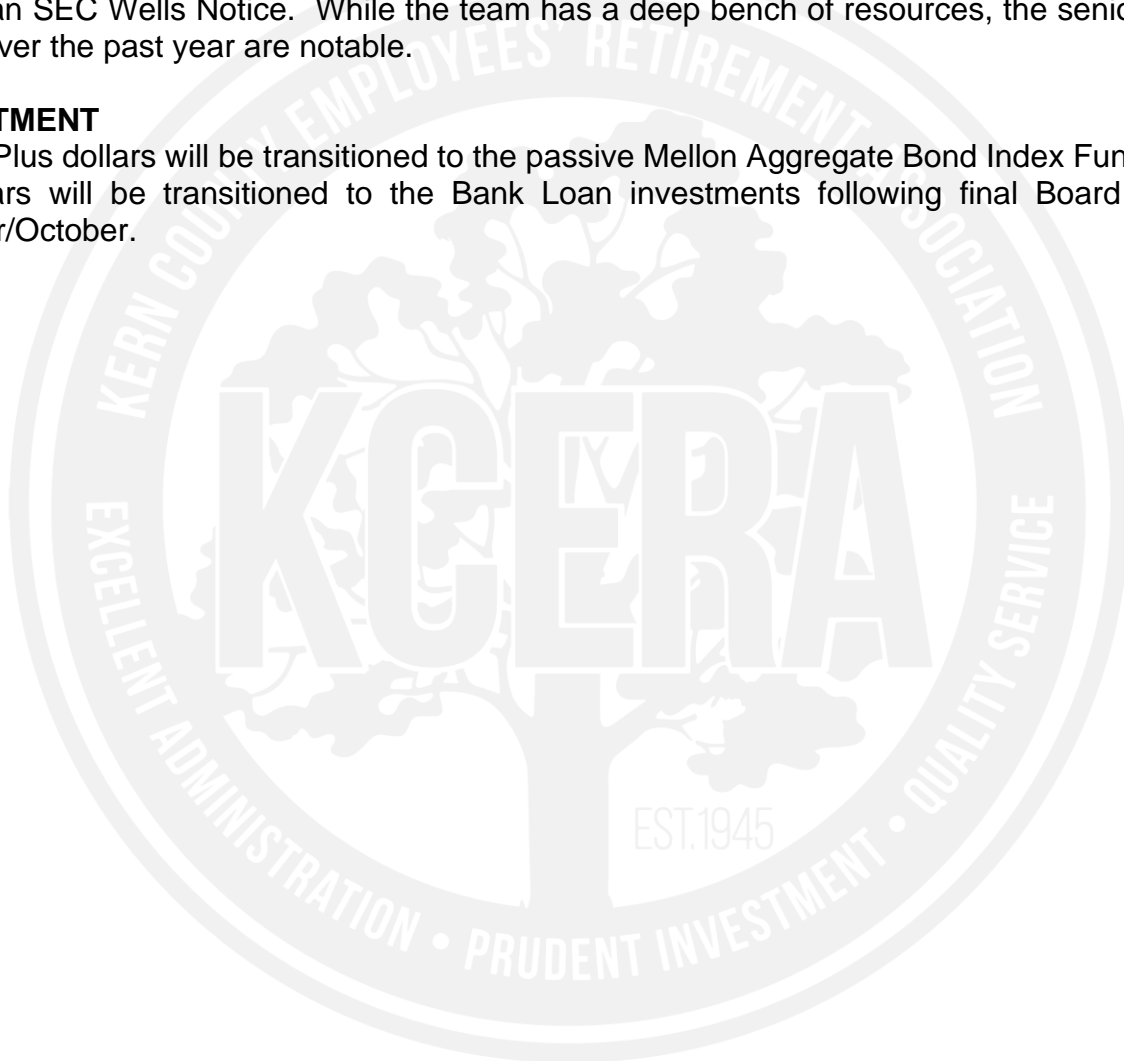
Per the Strategic Asset Allocation and Fixed Income review, Staff will replace the broader allocation to High Yield fixed income with dedicated exposure to Bank Loans and an increased allocation to Securitized Products.

### **RECENT ORGANIZATION CHANGES**

Western Asset has had multiple senior leadership changes over the past year. In the fall of 2023, Western established a co-CIO structure, and in May 2023 the co-portfolio manager of the Core Plus strategy abruptly left the firm. Most recently, co-CIO Kenneth Leech went on a leave of absence after receiving an SEC Wells Notice. While the team has a deep bench of resources, the senior leadership changes over the past year are notable.

### **REINVESTMENT**

The Core Plus dollars will be transitioned to the passive Mellon Aggregate Bond Index Fund. The High Yield dollars will be transitioned to the Bank Loan investments following final Board approval in September/October.





**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**



**PERIOD ENDING: JUNE 30, 2024**

Investment Performance Review for

**Kern County Employees' Retirement Association**

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Investment Landscape **TAB I**

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Investment Performance **TAB II**  
Review



**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**

3<sup>RD</sup> QUARTER 2024  
Investment Landscape

# Verus business update

## Since our last Investment Landscape webinar:

- Verus hired Dillon Kuk, Kacey Franich, Nico Caballero, and Sarah Khan as Performance Analysts, and Margie Lane as a Marketing Associate, in our Seattle office.
- The Los Angeles office relocated to N. Continental Blvd., 2 miles from our prior location.
- Verus hired Dawit Ewnetu as a Summer Intern in our Seattle office, in partnership with Rainier Scholars.
- Recent research, found at [verusinvestments.com/research](https://verusinvestments.com/research):
  - ***2024 Real Assets Outlook***
  - ***Mid-year Capital Markets Update***
  - ***Is the U.S. heading for a recession?***

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# Recent Verus research

Visit: [verusinvestments.com/research](https://verusinvestments.com/research)

## Thought leadership

### REAL ASSETS OUTLOOK

As inflation has moderated and interest rates have stabilized, the market has been eager for the Fed to pivot towards a looser monetary policy. Asset prices are broadly rich, pricing in an economic soft landing and a couple rate cuts by year-end. While we are less bearish this year across real assets, given more positive signs of a soft landing, rich asset valuations temper our enthusiasm.

### MID-YEAR CAPITAL MARKETS UPDATE

Equity forecasts fell across U.S., International, and Emerging markets. The cash forecast decreased slightly. High cash rates have mixed impacts, while model changes mitigated some effects. Falling yields and spread compression lowered fixed income forecasts, especially U.S. Treasury and emerging market debt. Real Estate forecasts increased due to rising capitalization rates and higher U.S. real GDP expectations.

### IS THE U.S. HEADING FOR A RECESSION?

Many market strategies have been predicting a U.S. recession since the start of 2023. This short video presents our team's analysis of key indicators to determine whether a recession is likely in the coming year.



# 2<sup>nd</sup> quarter summary

## THE ECONOMY

- U.S. inflation (CPI) fell to 3.0% YoY in June, following two consecutive months of flat prices (0.0% in May and -0.1% in June). The report reflected a slowing in shelter costs, which have been a primary hurdle for inflation reaching the 2% Federal Reserve target. If the slowing of shelter prices persists, inflation could fall rather quickly. Core inflation (ex-Food & Energy) was 3.3% year-over-year in June.
- The U.S. labor market remains strong, but recently some cracks of weakness have appeared. Unemployment jumped unexpectedly to 4.1% in June—a level not seen since 2021. Jobless claims have also been rising. This negative data could prove to be a continuation of the trend towards a more balanced labor market, though it will be important to monitor conditions closely.

## EQUITY

- Emerging market equities outperformed during Q2, up +5.0%, despite significant ongoing underperformance of China. U.S. equities were close behind (S&P 500 +4.3%), setting a new all-time-high price level. In contrast, international developed equities were flat.
- Small cap and value style investing underperformed. Small cap lagged large cap by -6.9% while value underperformed growth by -10.5%. The style premia performance gap was even wider over the past year, as small cap underperformed large cap by -13.8% and value underperformed growth by -20.4%.

## FIXED INCOME

- The 10-year U.S. Treasury yield increased slightly from 4.20% to 4.36% during Q2, resulting in near-zero or negative performance for high quality fixed income of a longer duration profile.
- Default activity in loans and credit reached a one-year low at the end of Q2. However, the gap between bank loan and high yield default activity has increased to a 10-year high, with total volume of distressed or defaults comprised of loans (80%) to bonds (20%) on pace for a record high.

## ASSET ALLOCATION ISSUES

- Many goods and services prices have been falling in areas such as autos, energy, and transportation. This trend has occurred alongside signs of weakness in the job market and consumer spending, and has reignited hopes for lower inflation, which would ease pressures on household budgets and allow for interest rate cuts. It is possible that an economic *soft landing* may be occurring, which would suggest lower rates and further gains for risk assets.
- Market-priced volatility (Cboe VIX Index) remained very low, ending at 12.4% in June. This has raised eyebrows, given a variety of risks that domestic equities face, but low volatility is typical of strongly up trending equity environments. Markets continue to present a unique environment of low equity volatility but high fixed income volatility. This gap has closed somewhat, as bond market implied volatility has receded.

Risk assets delivered moderate returns in Q2, while fixed income was flat to mildly positive, depending on duration profile.

*A soft landing appears possible for the U.S. economy.*

# What drove the market in Q2?

## “The US Economy is showing clear signs of a slowdown”

### Employment change, Non-farm payrolls

January	February	March	April	May	June
256k	236k	240k	108k	218k	206k

Article Source: Bloomberg, July 8<sup>th</sup>, 2024

## “Earnings bolster US stocks, but crucial inflation report looms”

### S&P 500 EPS Growth, Year-over-year

Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
+4.3%	-1.5%	-2.0%	-5.0%	+4.1%	+6.9%

Article Source: Reuters, May 14<sup>th</sup>, 2024

## “Slowing U.S. inflation fuels expectations of interest rate cuts”

### Consumer Price Index, Year-over-year change

Jan 23	Feb 24	March 24	April 24	May 24	June 24
3.1%	3.2%	3.5%	3.4%	3.3%	3.0%

Article Source: Wall Street Journal, June 28<sup>th</sup>, 2024

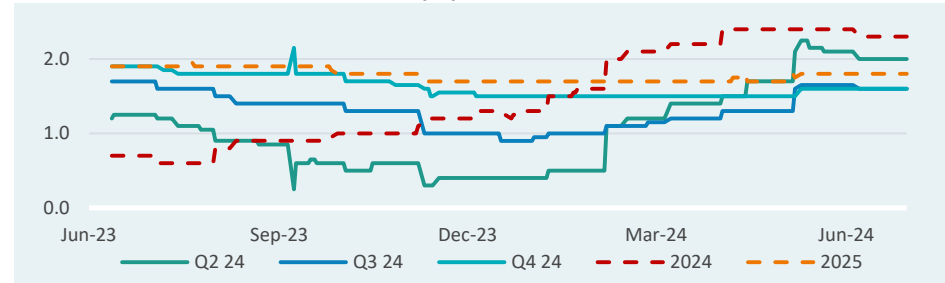
## “European Central Bank cuts interest rates for first time in 5 years”

### ECB Overnight Rate, Actual and Implied

March 24	June 24	Sep 24 (E)	Dec 24 (E)	March 25 (E)	June 25 (E)
4.0%	3.75%	3.45%	3.20%	2.98%	2.75%

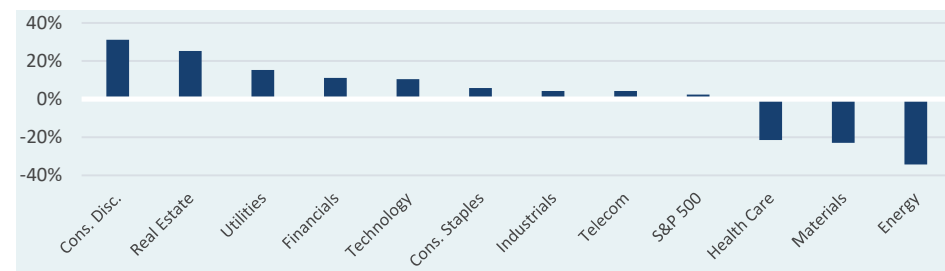
Article Source: Financial Times, June 6<sup>th</sup>, 2024

## US GDP GROWTH PROJECTIONS (%)



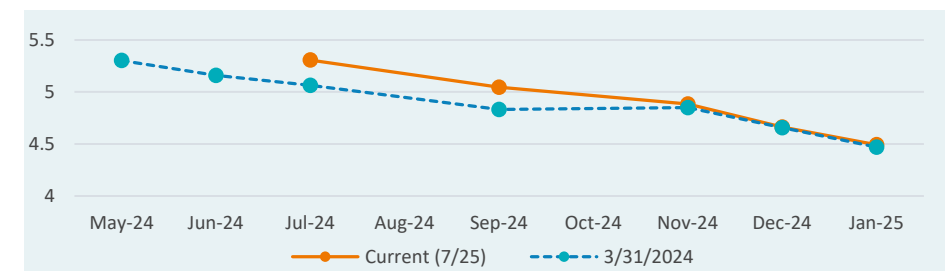
Source: Bloomberg, as of 6/30/24

## S&P 500 TRAILING 12M EARNINGS GROWTH, YOY



Source: Bloomberg, as of 6/30/24

## U.S. MARKET IMPLIED FUTURE INTEREST RATES (%)



Source: Bloomberg, as of 7/25/24

# Economic environment

# U.S. economics summary

- Real GDP growth was substantially higher than expected in Q2, rising 2.8% quarter-over-quarter (3.1% year-over-year), beating economist forecasts of a 2.0% increase on the quarter. The GDP release reflected an increase in consumer spending, as well as increased investment in inventories and capital goods. Residential fixed investment detracted from GDP growth, as did the trade deficit.
- U.S. inflation (CPI) fell to 3.0% YoY in June, following two consecutive months of flat prices (0.0% in May and -0.1% in June). The report reflected a slowing in shelter costs, which have been a primary hurdle for inflation reaching the 2% Federal Reserve target. If a slowing of shelter prices persists, inflation could fall rather quickly. Core inflation (e.g., Food & Energy) was 3.3% year-over-year in June.
- Inflation adjusted personal spending growth was 2.6% year-over-year in June, remaining in a 2-3% range for the past two years and suggesting more

moderate economic expansion in line with pre-pandemic conditions. Purchases of goods have been weaker than services, perhaps partly a reflection of higher interest rates, which impact the affordability of big-ticket items such as autos and homes.

- The U.S. labor market remains strong, but in recent months some cracks of weakness have appeared. Unemployment jumped unexpectedly to 4.1% in June—a level not seen since 2021. Jobless claims have also been rising. This negative data could prove to be a continuation of the trend towards a more balanced labor market.
- Consumer sentiment deteriorated in Q2, moving back towards the lows of 2022. The University of Michigan Consumer Sentiment survey dropped from 79.4 to 66.4 on concerns over high goods and services prices and the impacts of inflation on personal income. Household expectations for lower interest rates in the future helped to buoy the index somewhat.

	Most Recent	12 Months Prior
Real GDP (YoY)	3.1% 6/30/24	2.4% 6/30/23
Inflation (CPI YoY, Core)	3.3% 6/30/24	3.1% 6/30/23
Expected Inflation (5yr-5yr forward)	2.3% 6/30/24	2.3% 6/30/23
Fed Funds Target Range	5.25–5.50% 6/30/24	5.00–5.25% 6/30/23
10-Year Rate	4.20% 6/30/24	3.80% 6/30/23
U-3 Unemployment	4.1% 6/30/24	3.6% 6/30/23
U-6 Unemployment	7.4% 6/30/24	6.9% 6/30/23

# Inflation

U.S. inflation (CPI) fell to 3.0% year-over-year in June, following two consecutive months of flat prices (0.0% in May and -0.1% in June). The June report was the first which reflected slower shelter cost increases, which have been a large hurdle for inflation falling to the Fed's 2% target. If this slowing in shelter prices persists, inflation could fall much more quickly to the Fed's 2% target. Core inflation (ex-Food & Energy) dropped to 3.3% year-over-year in June. Many goods and services prices have been *falling* in recent months in areas such as automobiles, energy, and transportation services. This trend has occurred alongside

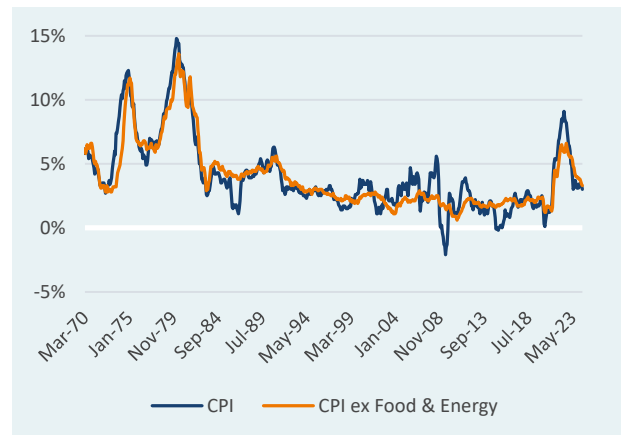
signs of weakness in the job market and other areas of the economy, and has reignited hopes for inflation to normalize, easing pressures on household budgets and allowing for interest rate cuts.

Investors have been watching monthly inflation reports very closely for potential signs of the future inflation path. If monthly inflation reports come in at a 0.2% to 0.3%, we can expect inflation to remain around today's level. However, if additional inflation reports come in at 0.1% or lower, inflation would fall rather quickly to 2%.

Inflation has fluctuated between 3-3.5% over the past year.

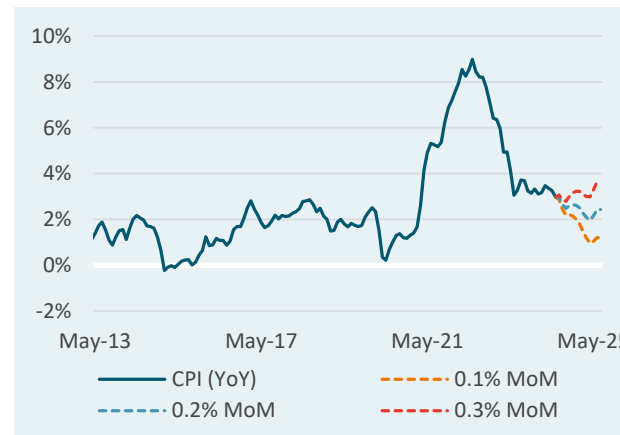
Shelter will likely need to slow further for inflation to reach 2%.

U.S. CPI (YOY)



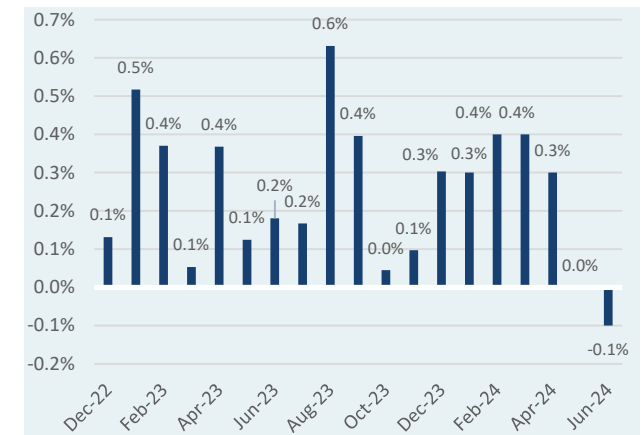
Source: BLS, as of 6/30/24

POTENTIAL INFLATION PATHS



Source: FRED, Verus, of 6/30/24

MONTHLY PRICE MOVEMENT (CPI)



Source: BLS, as of 6/30/24

# GDP growth

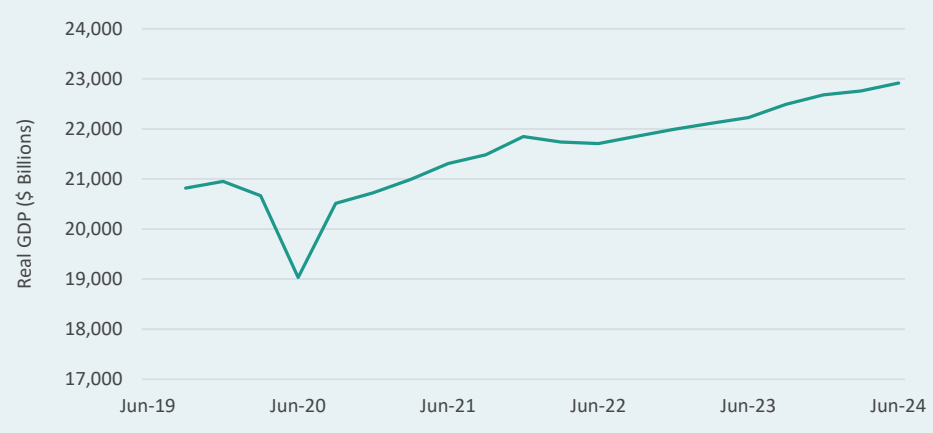
Real GDP growth was substantially higher than expected in Q2, rising 2.8% quarter-over-quarter (3.1% year-over-year), beating economist forecasts of a 2.0% increase on the quarter. The GDP release reflected an increase in consumer spending, as well as increased investment in inventories and capital goods. Residential fixed investment detracted from GDP growth, as did the trade deficit.

While consumption increased this quarter, economists are wary of the sustainability of consumer spending growth. Much of the increase in spending was concentrated in necessities, and with a cooling labor market and low savings rate, consumer spending could slow if these issues persist.

Recent economic data seems to reaffirm the idea that the U.S. economy is moving towards a more moderate growth phase after many quarters of surprisingly hot growth and spending. Unlike past periods of economic weakening, many trends today could reasonably be summarized as a *return to normalcy*. For example, following the pandemic, the domestic labor market was experiencing a historic mismatch between the number of jobs available and the number of workers available. Resolving that mismatch required a material weakening in the labor market from *extreme tightness to relatively strong*, but not a move (yet) towards anything that suggests recession.

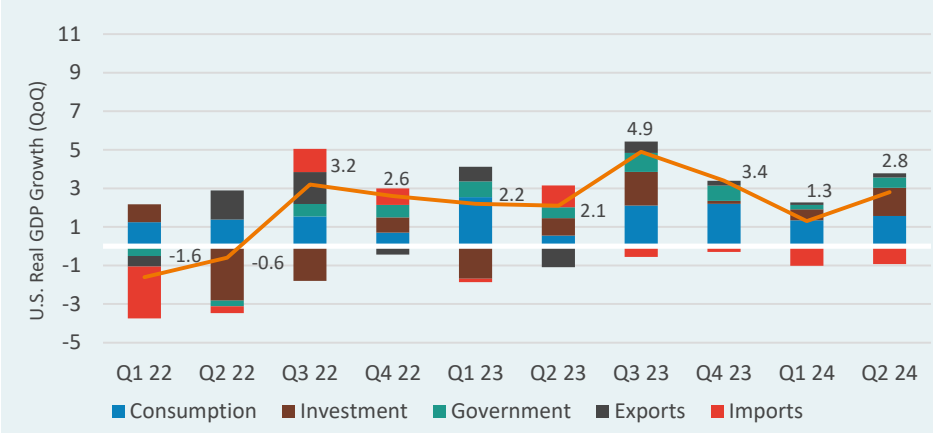
U.S. growth picked up in Q2, but concerns remain regarding the strength of the consumer.

U.S. REAL GROSS DOMESTIC PRODUCT



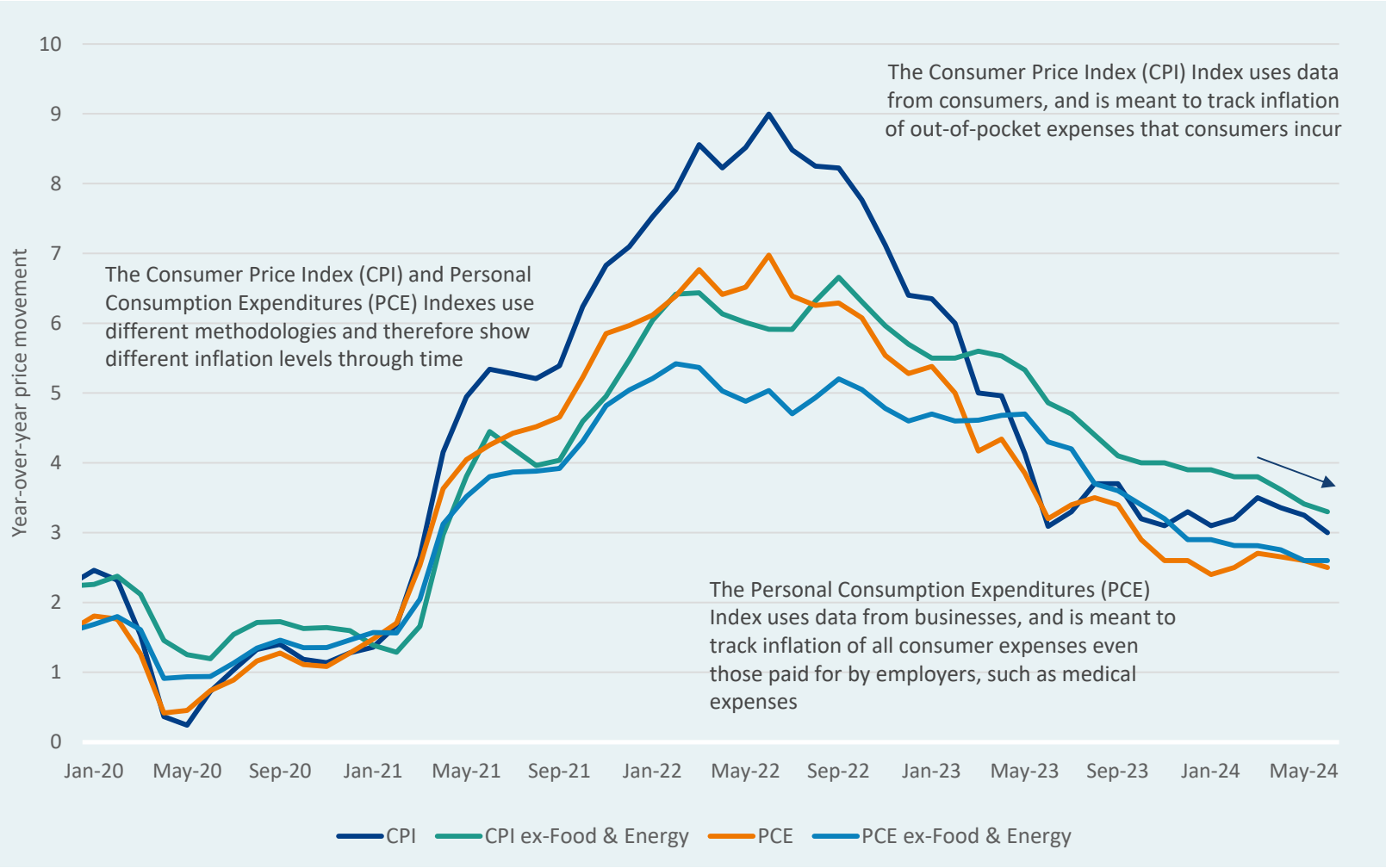
Source: FRED, as of 6/30/24

U.S. REAL GDP COMPONENTS (QOQ)



Source: FRED, as of 6/30/24

# Inflation conditions are normalizing



Moderating price pressures in recent months have helped to push year-over-year CPI inflation to 3.0%.

Source: FRED, Verus, as of 6/30/24

# Labor market

The U.S. labor market remains strong relative to history, but in recent months some cracks of weakness have appeared. The rate of unemployment jumped unexpectedly to 4.1% in June—a level not seen since 2021. Jobless claims have also been rising throughout the year. This negative data could prove to be a continuation of the trend towards a more balanced labor market, though it will be important to monitor conditions closely.

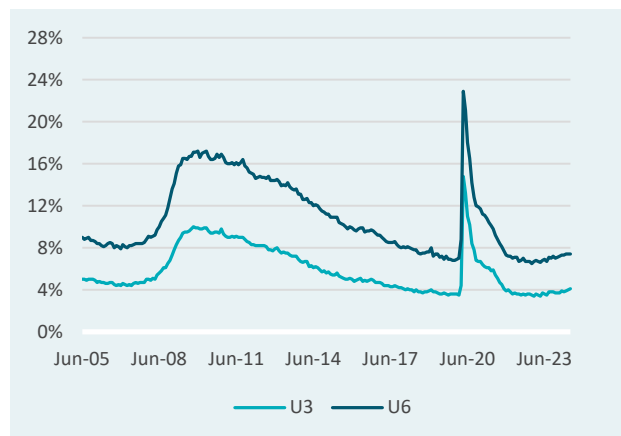
Average hourly earnings growth was 3.9% year-over-year in June, slightly outpacing the rate of inflation. As inflation has fallen, wage growth has also slowed, likely a reflection of a

more normal balance between jobs available and workers available, as well as less urgency for cost-of-living adjustments.

In many past instances of increasing unemployment, job losses were quick and accelerating, which often preceded recession. In contrast, more recently the rate of unemployment has more gradually moved up. Recessions have rarely occurred without a sharper downtrend in employment, which given current conditions might suggest we are seeing a moderation of economic growth rather than a move towards something worse.

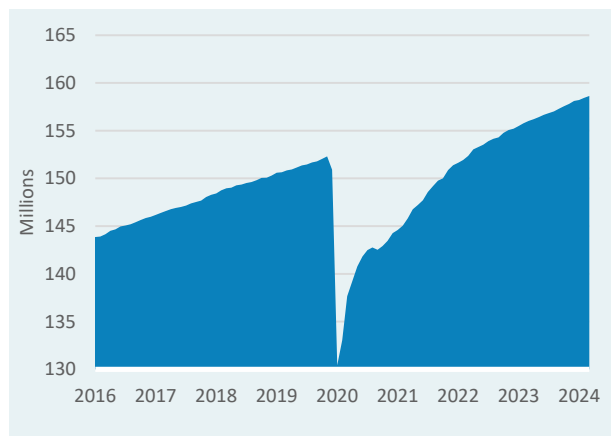
The labor market remains strong by historical standards, though conditions have moved in a weaker direction.

**U.S. UNEMPLOYMENT**



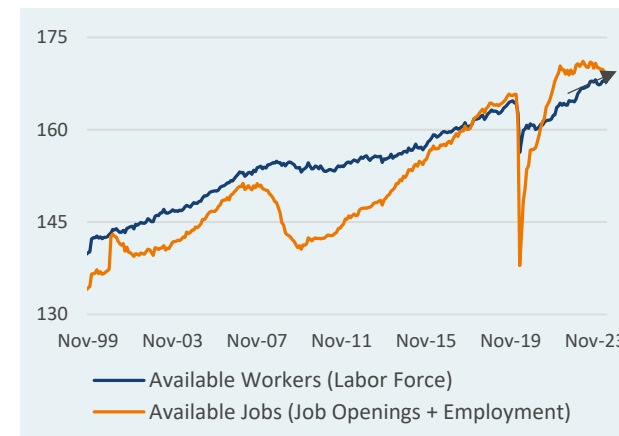
Source: FRED, as of 6/30/24

**TOTAL U.S. EMPLOYMENT**



Source: FRED, as of 6/30/24

**WORKERS AVAILABLE VS. AVAILABLE JOBS**

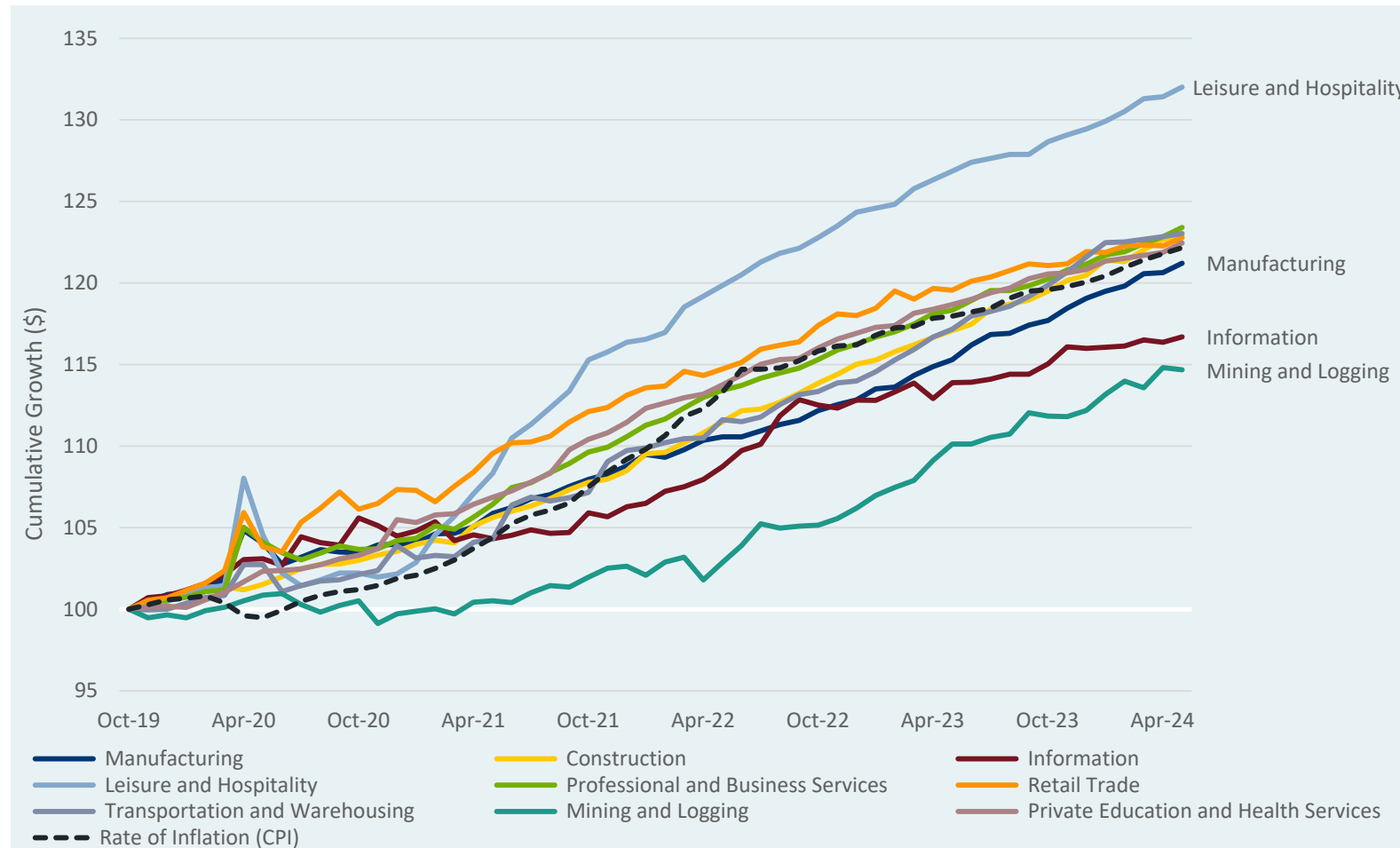


Source: BLS, Verus, as of 5/31/24



# Wage gains vs. rate of inflation

AVERAGE HOURLY EARNINGS



Over the past few years, inflation has eaten into wallets and resulted in shrinking pay for many types of work.

If inflation were to move higher, many households do not have much room to maneuver financially.

Source: FRED, Verus, as of 6/30/24

# The consumer

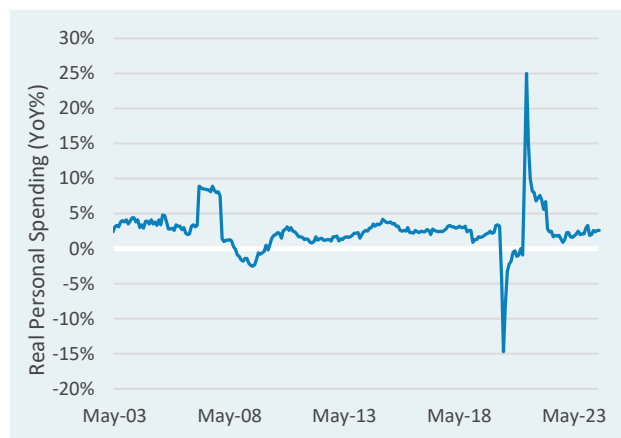
Inflation adjusted personal spending growth was 2.6% year-over-year in June, and has remained in a 2-3% range for the past two years. This rate indicates moderate economic expansion in line with pre-pandemic rates of growth. Purchases of goods have been much weaker than purchases of services, perhaps partly a reflection of higher interest rates which have impacted the affordability of big ticket items such as automobiles and homes.

Many Americans continue to spend rather freely despite higher costs of goods and services taking up a greater portion of take-home income,

and extreme discontent around inflation. However, certain non-essential spending such as for vacations has been robust. Total traveler volumes at U.S. airports in late June reached a record level.

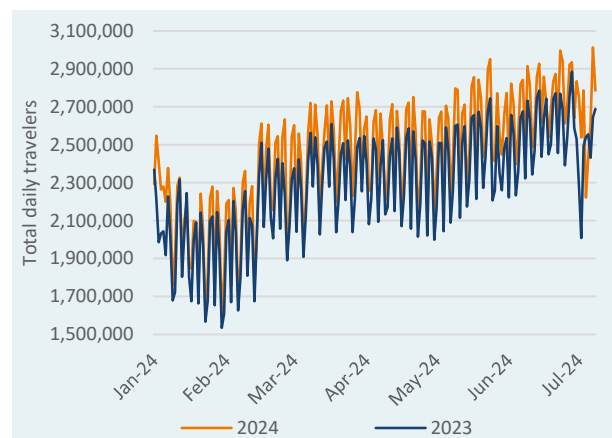
Personal savings rates improved slightly over the quarter, from 3.5% to 3.9%. It seems reasonable to assume that savings rates should improve if wage gains continue to outpace the rate of inflation, all else equal.

**REAL PERSONAL SPENDING**



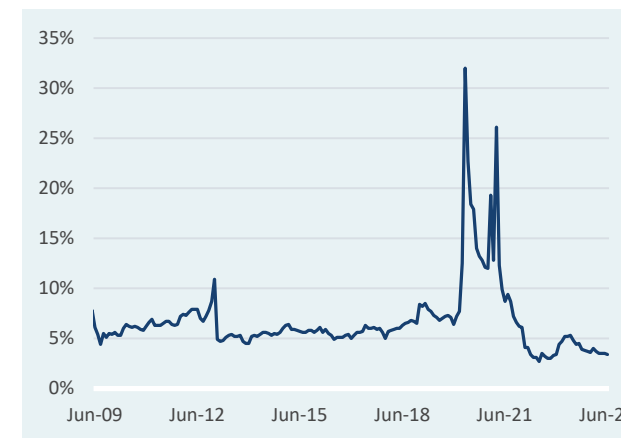
Source: FRED, as of 6/30/24

**U.S. TSA AIRPORT ACTIVITY**



Source: FRED, as of 7/8/24

**PERSONAL SAVINGS RATE**



Source: FRED, as of 6/30/24

# Sentiment

Consumer sentiment deteriorated over the quarter, moving back towards the lows of 2022. The University of Michigan Consumer Sentiment survey dropped from 79.4 to 66.4 on concerns over high goods and services prices and impacts of inflation on personal income. Household expectations for lower interest rates in the future helped to buoy the index somewhat.

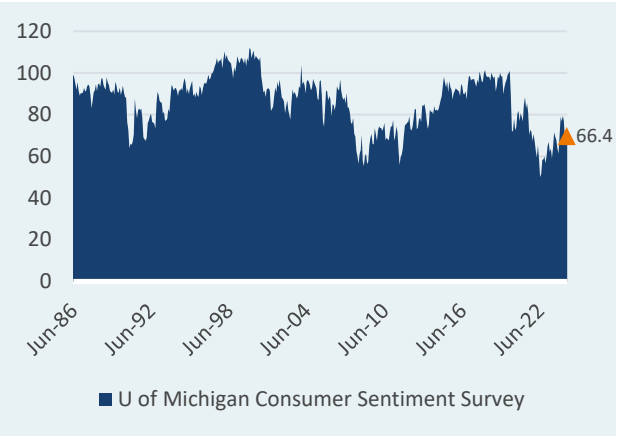
Poor consumer sentiment and the discontent around higher prices can only be partially captured by the rate of inflation. Higher prices of goods and services make life more difficult, but the jump in interest rates further exacerbated the problem, in some cases substantially. The total monthly loan cost of a car or a home has rocketed upward with increased prices for those items

and much higher interest costs baked into payments. For example, if a family had purchased an average home in 2021, the monthly payment would have been \$1,206. In early 2024, if the same family purchased an average home, the monthly payment for that home would be \$2,209 – an 83% increase!

The NFIB Small Business Optimism index was flat during the quarter, continuing to show an extremely poor reading. Inflation remains the top business concern. NFIB Chief Economist Bill Dunkelberg explained that “Increasing compensation costs has led to higher prices all around. Meanwhile, no relief from inflation is in sight for small business owners as they prepare for the uncertain months ahead.”

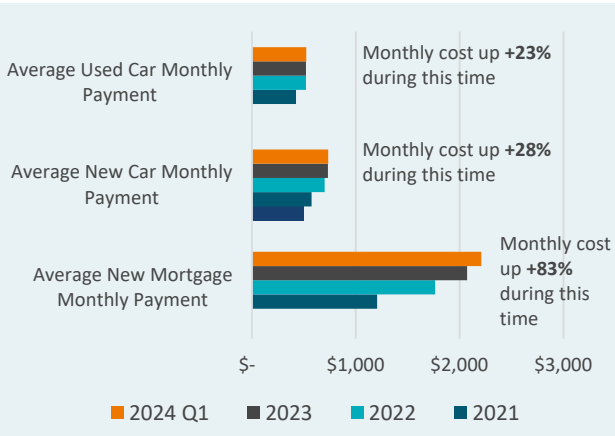
Consumer sentiment weakened during Q2, while small business optimism remained depressed.

### CONSUMER SENTIMENT



Source: University of Michigan, as of 6/30/24

### INFLATION EATING UP BUDGETS



Source: Edmunds, Verus, as of April 2024

### NFIB SMALL BUSINESS SENTIMENT



Source: NFIB, as of 6/30/24

# Housing

Imbalances in the U.S. housing market appear to be here to stay, at least for a while, as sharply lower home prices and/or lower mortgage rates (the conditions needed for reasonable affordability) seem unlikely. Affordability is extremely difficult for new homebuyers, currently near record lows, and has worsened as the average home price was up +5.8% year-over-year in May. The other saving grace for potential homebuyers would be lower mortgage rates, but Federal Reserve rate cuts are expected to be moderate and may not have a large impact on the longer end of the yield curve. A driver of ultra-low mortgage rates during the pandemic was government quantitative easing, much of which was focused on mortgage debt and therefore pushed mortgage interest rate spreads to unusually low levels. In short, mortgage rates may fall in the next few years but perhaps only mildly.

Fortunately, rent price growth has slowed considerably, up only 0.8% year-over-year in May, according to Redfin. As the cost of renting versus owning has dramatically shifted, a strong surge in activity towards renting and away from homeownership would not be surprising in the near future.

Depressed home sales activity reflects extreme unaffordability. Monthly home sales are at levels similar to that which followed the 2008-2009 housing bubble. Prior to that crisis, the mid-1990s were the most recent time that compares to this level of sales activity. On the other hand, *new home sales* activity has been fairly robust, which may provide some incremental easing to home prices through increased supply.

**30-YEAR MORTGAGE RATE (%)**



Source: Freddie Mac, as of 6/30/24

**EXISTING HOME SALES**



Source: FRED, as of 6/30/24

**HOUSING AFFORDABILITY**



Source: FRED, as of 3/31/24 – Housing affordability is calculated as the cost of a median priced single-family home at the current mortgage rate, as a percentage of the median family income

# International economics summary

- Global economic data continues to paint a picture of slower but positive growth—a move back to pre-pandemic rates of expansion in the United States and across emerging markets, but with concerning weakness in Europe and Japan. Moderating conditions have allowed for rate cut signaling from central banks, which will likely provide an incremental boost to activity in the near-term.
- Inflation has fallen to a 2-3% range for most developed countries. Big inflation trends have tended historically to rhyme across the developed world, as crises often impact prices of global goods and services in similar ways. Recently, pandemic effects such as global supply chain issues, government stimulus, and higher energy prices had resulted in a similar ebb and flow to prices across marketplaces.
- India’s economy continues to face uncertainty for this upcoming quarter.

In the last five out of six years, India’s real GDP growth rate has fallen short of the Economic Survey projections, but they have seen growth in private investments and infrastructure spending. Annual retail inflation rose to 5.1% in June compared to 4.8% from the previous month, primarily due to food prices. The Reserve Bank of India paused rate hikes, with the goal of not obstructing growth, and bringing inflation to its target rate of 4%.

- China year-over-year inflation was just 0.2% in June, as the country struggles with deflationary pressures, given a real estate slump, a weak job market, and generally poor economic conditions. According to some reports, excess manufacturing capacity and government incentives for overinvestment have created a situation where supply is outstripping demand. A declining population significantly adds to uncertainty around these issues.

Area	GDP (Real, YoY)	Inflation (CPI, YoY)	Unemployment
United States	3.1% 6/30/24	3.0% 6/30/24	4.1% 6/30/24
Eurozone	0.4% 3/31/24	2.5% 6/30/24	6.4% 5/31/24
Japan	(0.7%) 3/31/24	2.3% 6/30/24	2.8% 5/31/24
BRICS Nations	5.3% 3/31/24	1.9% 6/30/24	4.8% 12/31/22
Brazil	2.5% 3/31/24	4.2% 6/30/24	7.1% 5/31/24
Russia	5.4% 3/31/24	8.6% 6/30/24	2.6% 5/31/24
India	7.8% 3/31/24	5.1% 6/30/24	9.2% 6/30/24
China	4.7% 6/30/24	0.2% 6/30/24	5.0% 6/30/24

*NOTE: India lacks reliable government unemployment data. Unemployment rate shown above is estimated from the Centre for Monitoring Indian Economy. The Chinese unemployment rate represents the monthly surveyed urban unemployment rate in China.*

# International economics

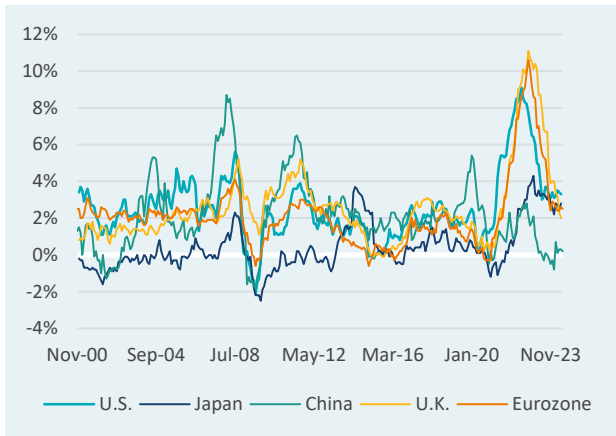
The global narrative appears to remain intact—that many economies are set to slow in 2024 but will likely avoid recession. The United States leads the developed world in growth with a 3.1% YoY real rate of GDP expansion. Europe and Japan have demonstrated anemic economic growth.

Inflation moderation continues, and in much of the world has normalized. Big inflation trends have tended historically to rhyme across developed countries, as crises often impact prices of global goods and services in similar ways. This seems to be at least partially the case recently, as pandemic effects such as global supply chain issues, government stimulus, and higher energy prices have followed global growth outpacing

expectations. This resulted in a similar ebb and flow in prices across most economies. If history is a guide, normal rates of inflation elsewhere may be a good sign for domestic inflation issues.

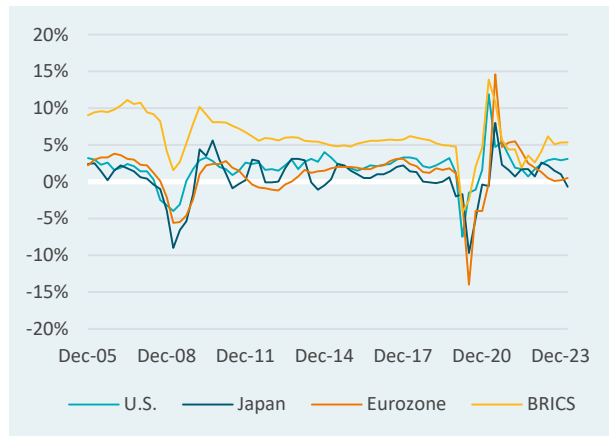
China year-over-year inflation was just 0.2% in June, as the country struggles with deflationary pressures, given a real estate slump, weak job market, and generally poor economic conditions. According to some reports, excess manufacturing capacity and government incentives for overinvestment have created conditions where supply has outstripped demand. A declining population significantly adds to uncertainty around these issues.

**INFLATION (CPI YEAR-OVER-YEAR)**



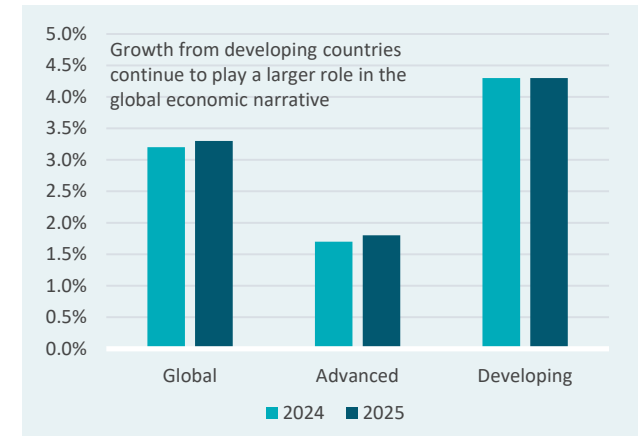
Source: Bloomberg, as of 6/30/24

**REAL GDP GROWTH (YEAR-OVER-YEAR)**



Source: Bloomberg, as of 6/30/24 – or most recent release

**IMF JULY 2024 GDP FORECASTS**



Source: IMF April World Economic Outlook, as of 7/17/24

# Fixed income rates & credit

# Fixed income environment

- The 10-year U.S. Treasury yield initially increased in Q2, rising from 4.20% to a peak of 4.70% before gradually falling to 4.36%, resulting in an overall increase in yields with a downward trend going into Q3. These movements resulted in near-zero performance for short to intermediate duration high quality fixed income and negative performance for longer duration.
- By comparison, most credit indices saw positive returns. High yield gained +1.1% (Bbg U.S. Corporate High Yield), while bank loans rose +1.9% (S&P/LSTA Leveraged Loan). Longer duration investment grade corporate bonds declined by -1.6% (Bloomberg U.S. Long Corporate Credit) as sensitivity to rising yields in April overwhelmed gradual returns in the latter half of the quarter. This reflects a continued concern in the market over inflation and higher-for-longer Fed policy.
- The U.S. yield curve, indicated by the 10-year minus the 2-year Treasury

yield, continues to remain inverted, marking over two years of continuous yield curve inversion (June 6th, 2022). The curve ended the quarter inverted by -35bps. While an inverted yield curve has been a common metric for predicting recessions, the recent continued economic resilience has increased public optimism of a potential soft-landing.

- Default activity in loans and credit reached a one-year low at the end of Q2. However, the gap between bank loan and high yield default activity has increased to a 10-year high, with total volume of distressed or defaults comprised of loans (80%) to bonds (20%) is on pace to be a record high proportion. During the period, a total of \$15.2 billion of bank loan and high yield bonds were impacted by default or distressed exchanges, down from \$20.6 billion in the prior quarter. Notably, default/distressed exchange volume averaged \$17.9 billion quarterly since 2020 and \$14 billion quarterly over the last 17.5 years.

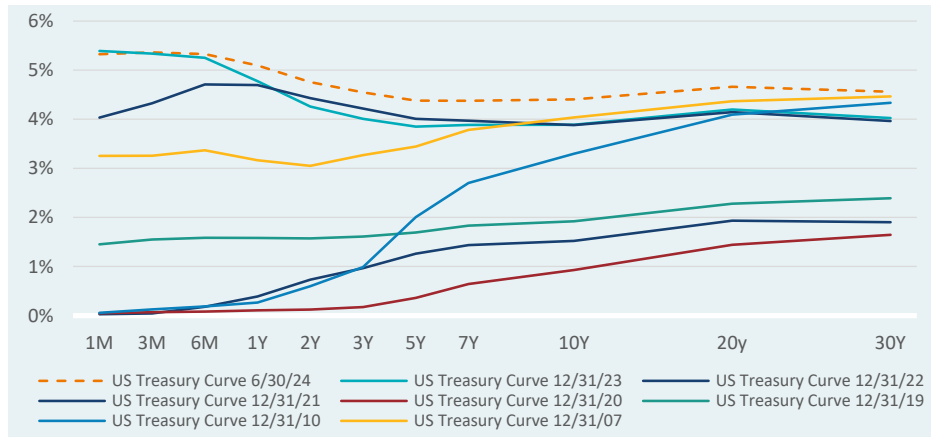
	QTD Total Return	1 Year Total Return
Core Fixed Income (Bloomberg U.S. Aggregate)	0.1%	2.6%
Core Plus Fixed Income (Bloomberg U.S. Universal)	0.2%	3.5%
U.S. Treasuries (Bloomberg U.S. Treasury)	0.1%	1.5%
U.S. Treasuries: Long (Bloomberg U.S. Treasury 20+)	(2.2%)	(7.2%)
U.S. High Yield (Bloomberg U.S. Corporate HY)	1.1%	10.4%
Bank Loans (S&P/LSTA Leveraged Loan)	1.9%	11.1%
Emerging Market Debt Local (JPM GBI-EM Global Diversified)	-1.6%	0.7%
Emerging Market Debt Hard (JPM EMBI Global Diversified)	0.3%	9.2%
Mortgage-Backed Securities (Bloomberg MBS)	0.1%	2.1%

Source: Bloomberg, as of 6/30/24

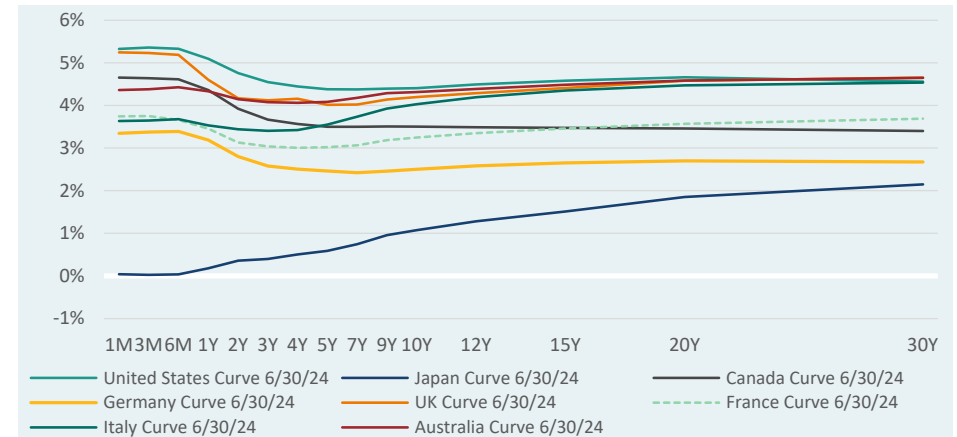


# Yield environment

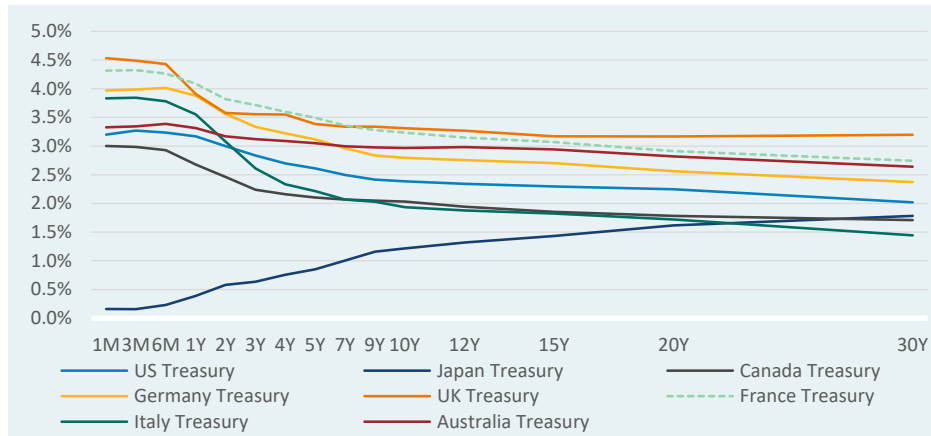
U.S. YIELD CURVE



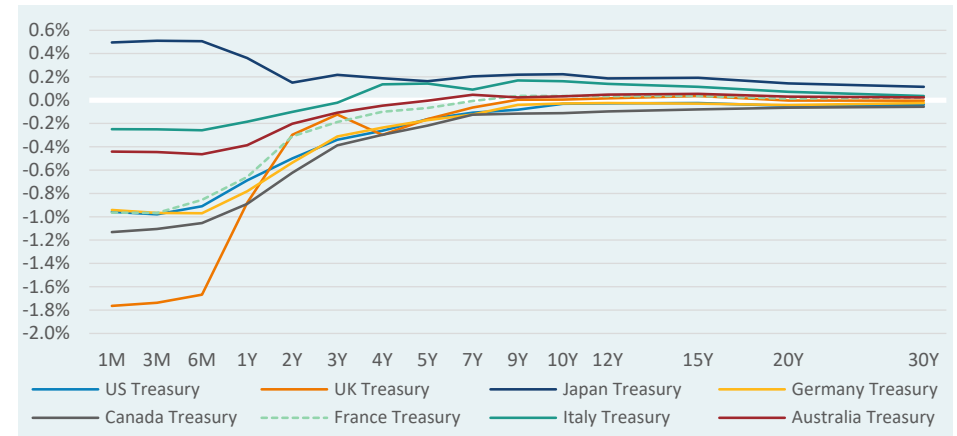
GLOBAL GOVERNMENT YIELD CURVES



YIELD CURVE CHANGES OVER LAST FIVE YEARS



IMPLIED CHANGES OVER NEXT YEAR



Source: Bloomberg, as of 6/30/24

# Credit environment

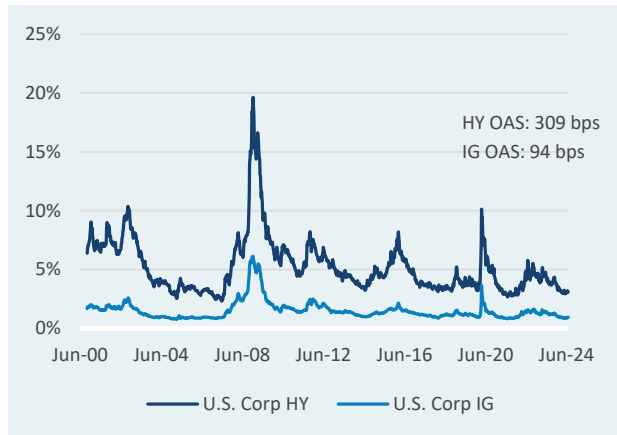
During the second quarter, credit markets delivered mostly positive returns with lower-quality credit such as high yield bonds and bank loans leading. Bank loans rose +1.9% (CS Leveraged Loans), while high yield bonds increased by +1.1% (Bbg U.S. Corporate High Yield). Longer duration investment grade corporate bonds (Bloomberg U.S. Long Corporate Credit) fell by -1.6% as concerns over rising interest rates and higher expected inflation acted as a headwind to performance.

Returns across credit ratings were broadly positive during Q2. Higher-quality BB-rated bonds returned +1.4% compared to +1.1% for B-rated, while non-distressed CCC's led with +2.0% returns. CCC-rated bonds including distressed lagged other credits with +0.2% returns. Higher-quality bank loans outperformed lower quality, with BB- and B- rated

loans returning +1.88% and +2.13%, while CCC-rated loans only returned +0.14%.

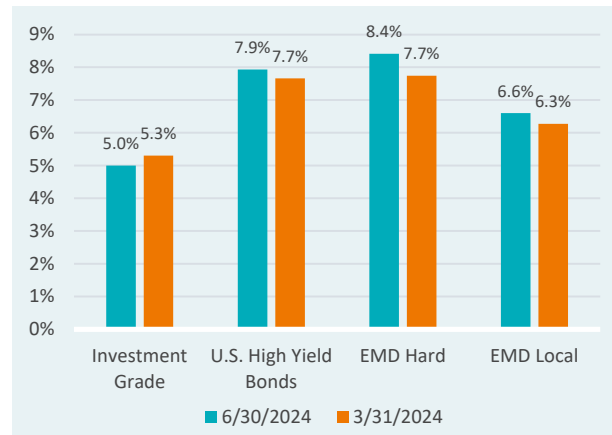
High quality credit spreads declined during the quarter while high yield spreads were mixed as recession concerns contended with further resilience in the corporate sector. Lower-quality high yield bond spreads rose by roughly 0.1% to 3.2%, while investment grade spreads continued to tighten by 0.3% to 0.9%. These trends continue to show spreads below long-term historical averages, suggesting that investors remain confident in the ability of most businesses to service debt. However, widening spreads and lower returns in CCC and distressed suggest that the highest risk credit sectors are beginning to show strain under the continued pressure of higher lending rates.

## SPREADS



Source: Barclays, Bloomberg, as of 6/30/24

## YIELD TO MATURITY



Source: Bloomberg, J.P. Morgan as of 6/30/24

## CREDIT SPREAD (OAS)

Market	6/30/24	6/30/23
Long U.S. Corp	1.2%	1.5%
U.S. Inv Grade Corp	0.9%	1.2%
U.S. High Yield	3.1%	3.9%
U.S. Bank Loans*	3.9%	3.8%

Source: Barclays, Credit Suisse, Bloomberg, as of 6/30/24

\*Discount margin (4-year life)

# Default & issuance

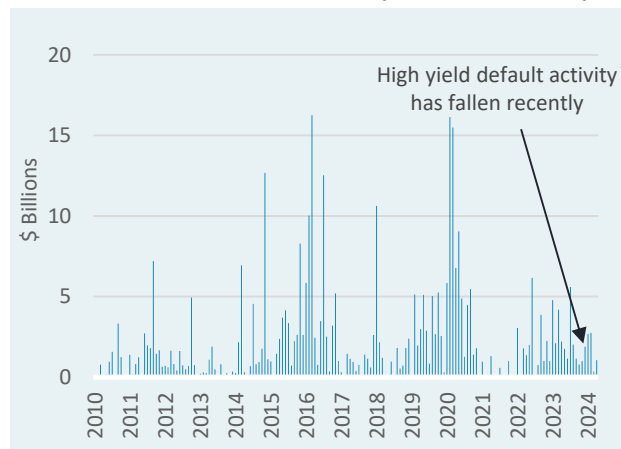
Default activity declined during the quarter as concerns around slowing economic growth abated. During the period, \$15 billion of bank loans and high yield bonds were affected by default or distressed exchanges, down from \$22 billion in the prior quarter. Year-to-date, 19 defaults and 23 distressed exchanges have occurred totaling more than \$37 billion, down roughly -14% from the same period last year.

The bank loan market has shown notable weakness compared to high yield bonds. Year-to-date, roughly 80%, or \$29.6 billion of loans, have either defaulted or resulted in distressed exchanges compared to \$7.5 billion for high yield bonds.

High yield bond default rates declined to roughly 1.8%, down from 2.7% a year ago, and are well below the long-term annual average of roughly 3.4%. High-yield default recovery rates ended the quarter at 38.8%, up significantly from 17.4% at the same time last year.

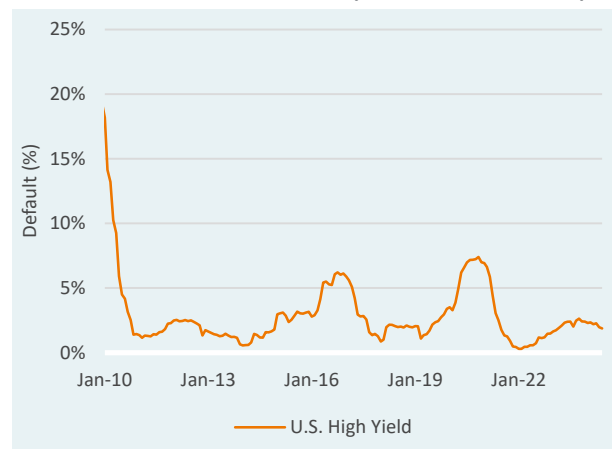
The issuance of investment grade credit declined significantly from the prior quarter, \$343 billion versus \$531 billion. Year-to-date issuance stands at \$874 billion, up 23% compared to last year at the same time. High yield bond issuance declined slightly to \$79.4 billion, down from \$86.6 billion during the previous quarter. Broadly, credit spreads remain near their recent lows, which despite the higher yield environment, allows companies to issue at more competitive rates.

**U.S. HY MONTHLY DEFAULTS (PAR WEIGHTED)**



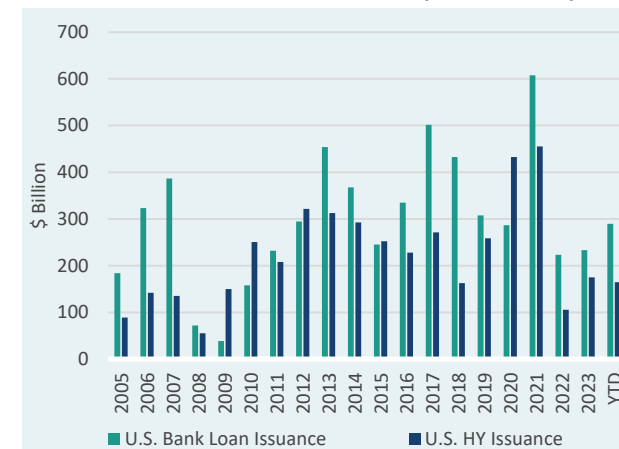
Source: BofA Merrill Lynch, as of 6/30/24

**U.S. HY SECTOR DEFAULTS (LAST 12 MONTHS)**



Source: BofA Merrill Lynch, as of 6/30/24 – par weighted

**DEVELOPED MARKET ISSUANCE (\$ BILLIONS)**



Source: BofA Merrill Lynch, all developed markets, as of 6/30/24

# Credit hedge funds

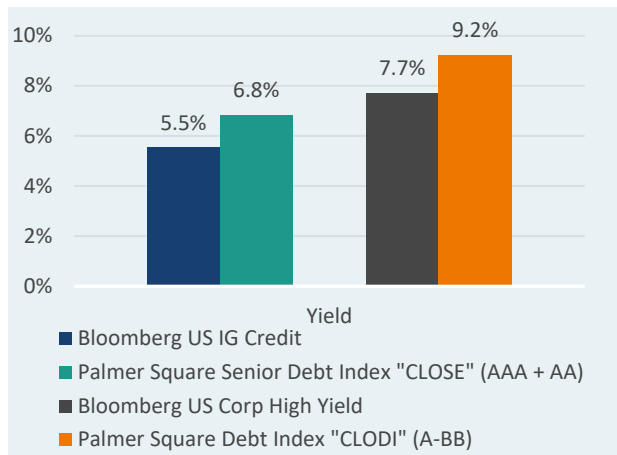
Credit hedge funds have outperformed high yield and leveraged loans through 2Q 2024, benefiting from high total yields and low duration.

Even though headline default numbers imply a benign opportunity set, according to JP Morgan, although default volume is lower year over year, the volume of distressed exchanges is already the third highest annual total since at least 2008. Additionally, the volume of Loan distressed transactions YTD is already the largest annual total on record for loans. Credit hedge funds are a natural participant in these types of transactions and are finding no shortage of actionable ideas even as broad markets are at or near highs.

Hedge funds focused on structured credit continue to take advantage of excess yield in CLO and other securitized markets. In the CLO market, an index of AAA and AA tranches (as proxied by the Palmer Square Indexes) are offering 1.3% excess yield over US Investment Grade Credit and A, BBB, and BB tranches are yielding 1.5% more than the Bloomberg US High Yield index.

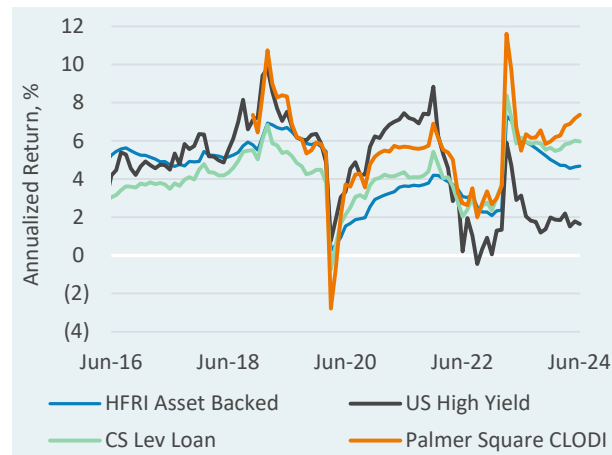
Distressed funds should continue to benefit from elevated levels of capital market activity in credit markets, with strong issuance in both HY and Loan markets set against a backdrop of tight credit spreads and low defaults.

**CLO VS CORPORATE BOND YIELDS AS OF JUNE 30**



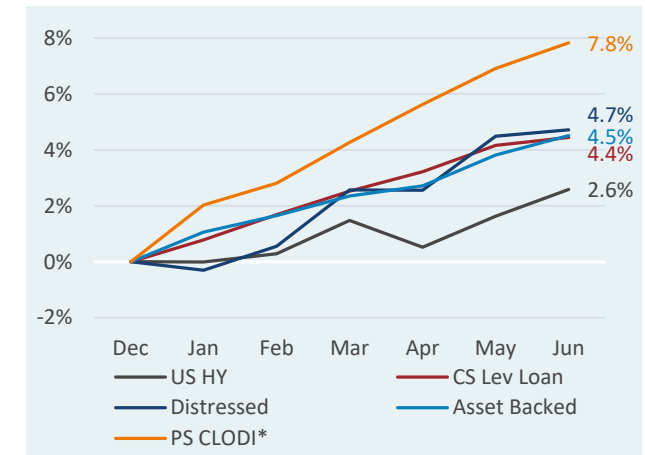
Source: MPI, Bloomberg, Palmer Square. As of 6/30/2024

**3 YEAR ROLLING RETURN**



Source: CS, HFR, Bloomberg, Palmer Square, MPI

**YTD RETURN**



Source: Bloomberg, Palmer Square, HFR, MPI

# Equity

# Equity environment

- Emerging market equities outperformed during Q2, up +5.0% (MSCI Emerging Markets), despite ongoing poor returns from China. U.S. equities were close behind (S&P 500 +4.3%), setting a new all-time-high price level. In contrast, international developed equities were relatively rangebound (MSCI EAFE -0.4%).
- Blended S&P 500 year-over-year Q2 earnings growth was +9.3% as of July 12th. If total reported earnings growth ends at this +9.3% rate, it would mark the largest year-over-year earnings growth rate since Q1 of 2022.
- The U.S. dollar rose moderately in value during Q2, resulting in losses for U.S. investors with unhedged foreign currency exposure. Given that the Federal Reserve is expected to engage in similar rate cuts as other developed economies, it is unclear the extent to which the global rate cutting path will impact relative currency

valuations. Unexpected central bank actions will likely have the greatest directional impact in the future.

- Small cap and value style investing drastically underperformed during Q1. Small cap lagged large cap by -6.9% (Russell 2000 -3.3% vs. Russell 1000 +3.6%), while value underperformed growth by -10.5% (Russell 1000 Value -2.2% vs. Russell 1000 Growth +8.3%). The style premia performance gap was even wider over the last year, as small cap underperformed large cap by -13.8% and value underperformed growth by -20.4%.
- Markets continue to present a unique environment of low equity volatility but high fixed income volatility. This gap has closed somewhat, as bond market implied volatility has moved a bit back towards normal levels since reaching a nearly all-time high 2023.

	QTD TOTAL RETURN		1 YEAR TOTAL RETURN	
	(unhedged)	(hedged)	(unhedged)	(hedged)
U.S. Large Cap (S&P 500)	4.3%		24.6%	
U.S. Small Cap (Russell 2000)	(3.3%)		10.1%	
U.S. Equity (Russell 3000)	3.2%		23.1%	
U.S. Large Value (Russell 1000 Value)	(2.2%)		13.1%	
US Large Growth (Russell 1000 Growth)	8.3%		33.5%	
Global Equity (MSCI ACWI)	2.9%	3.5%	19.4%	21.6%
International Large (MSCI EAFE)	(0.4%)	1.7%	11.5%	18.5%
Eurozone (EURO STOXX 50)	(2.8%)	(1.7%)	12.0%	16.3%
U.K. (FTSE 100)	3.8%	3.8%	12.1%	13.2%
Japan (TOPIX)	(4.3%)	3.0%	12.7%	32.5%
Emerging Markets (MSCI Emerging Markets)	5.0%	6.3%	12.5%	15.8%

Source: Russell Investments, MSCI, STOXX, FTSE, JPX, as of 6/30/24

# Domestic equity

U.S. equities further outperformed international developed equities, but lagged emerging market shares, with the S&P 500 finishing up +4.3% during the quarter. The artificial intelligence boom provided a tailwind to earnings of chip manufacturers and has likely helped to lift valuations more broadly. Signs of cooling in the labor market, as well as surprisingly weak inflation figures, helped reignite investor hopes for an economic *soft landing* and interest rate cuts.

Blended S&P 500 year-over-year Q2 earnings growth was +9.3% as of July 12<sup>th</sup>. If total reported earnings growth ends at this +9.3% rate, it would mark the largest year-over-year earnings growth rate since Q1 of 2022. Communication Services (+18.4%) and Information Technology

(+16.4%) were the earnings leaders, while Materials (-11.8%) and Industrials (-3.7%) lagged.

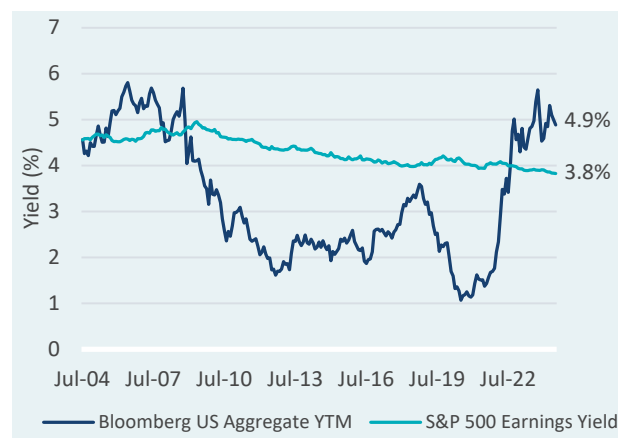
Strong price gains have moved valuations towards the richer side of the historical range. This effect, alongside higher interest rates and more attractive bond yields, has resulted in a regime shift regarding the attractiveness of equity and fixed income. Expensive equity prices have pushed total U.S. equity yield to below 4%, at a time when holding cash yields materially more than 5% and core fixed income yields 5%. This new regime is captured in institutional capital market assumptions which now tend to reflect mild future domestic equity returns and robust fixed income returns.

**S&P 500 PRICE INDEX**



Source: Bloomberg, as of 6/30/24

**RELATIVE YIELD: EQUITY VS FIXED INCOME**



Source: Bloomberg, Standard & Poor's, Verus, as of 6/30/24

**S&P 500 EPS GROWTH (YEAR-OVER-YEAR)**



Source: Bloomberg, Factset, Verus, as of 7/19/24

# Domestic equity size & style

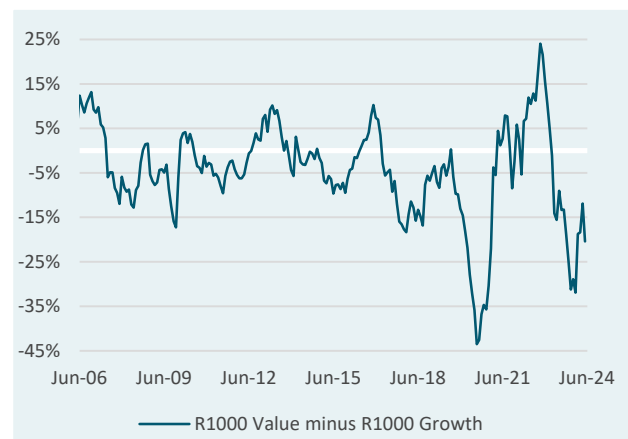
Small cap and value style investing drastically underperformed during Q1. Small cap lagged large cap by -6.9% (Russell 2000 -3.3% vs. Russell 1000 +3.6%), while value underperformed growth by -10.5% (Russell 1000 Value -2.2% vs. Russell 1000 Growth +8.3%). The style premia performance gap was even wider over the last year, as small cap underperformed large cap by -13.8% and value underperformed growth by -20.4%.

Much of the difference in style performance is driven by sector differences. Growth has a much greater exposure to mega cap technology companies, which continued to overshadow all other sectors in the second quarter. Nvidia extended its historic run, while Apple and Tesla bounced back from a poor first quarter. Technology and Communication companies led earnings

growth and this is expected to persist going forward. Per Factset, Communication Services and Technology companies within the S&P 500 are expected to provide earnings growth of 21% and 18.7%, respectively, leading all other sectors. This has translated into volatility between sectors, where Technology (+13.8%) and Communications (+9.4%) led the S&P 500 in Q2, while six out of eleven sectors declined in value over the quarter.

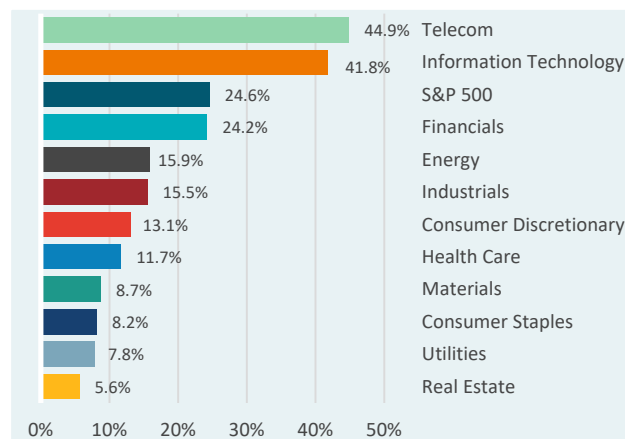
Unusually large disparities in style performance has been apparent, driven by sector trends and mega cap stock dominance. Market behavior continues to support our stance that short-term factor timing decisions should in most circumstances be pursued only in the rare occasion of obvious market mispricing and with a clear catalyst for price correction.

VALUE VS. GROWTH 1-YR ROLLING



Source: FTSE, Bloomberg, as of 6/30/24

S&P 500 SECTOR RETURNS (1 YEAR ROLLING)



Source: FTSE, Bloomberg, as of 6/30/24

1-YEAR SIZE & STYLE PERFORMANCE

	Value	Core	Growth
Large Cap	13.1%	23.9%	33.5%
Mid Cap	12.0%	12.9%	15.1%
Small Cap	10.9%	10.1%	9.1%

Source: FTSE, Bloomberg, as of 6/30/24



# International developed equity

International developed shares had a weak second quarter, trailing domestic and emerging markets equities. The MSCI EAFE Index returned +1.7% in U.S. dollar terms, while losing value (-0.4%) if the exposure remained unhedged. The ECB cut rates for the first time in five years in June, with the intention of stimulating a set of economies that had been otherwise stagnant, especially in comparison to the U.S. economy. The dollar's advance was likely fueled by this ECB rate cut, which increased the interest rate differential between the U.S. dollar and the Euro, providing a headwind for unhedged investors.

Some of the discrepancy in performance between U.S. and international developed equities can be attributed to sector

differences. U.S. equities are heavily concentrated in technology companies, while developed markets have a more diversified sector breakdown, with Financials and Industrials – two sectors that tilt towards value – more heavily weighted in developed markets. This lower exposure to technology companies has not helped developed equity performance over the past couple of years, but if richly valued U.S. tech companies have a pullback, it would provide a material boost.

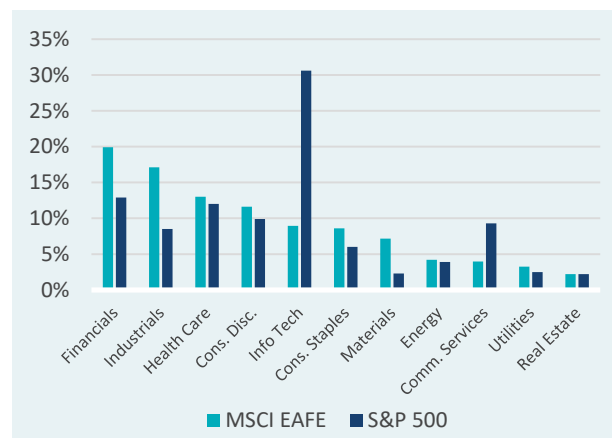
Markets will continue to watch the effect of adjustments to rate cut expectations, as European economies attempt to stimulate growth that has been lackluster this year without reigniting inflation.

**INTERNATIONAL DEVELOPED EQUITY**



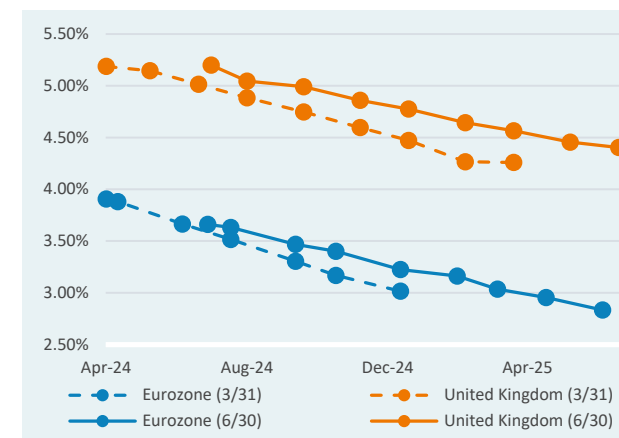
Source: MSCI, as of 6/30/24

**MSCI EAFE VS. S&P 500 SECTOR DISTRIBUTION**



Source: MSCI, S&P, as of 5/31/24

**ECB & BOE RATE EXPECTATIONS VS Q1**



Source: Bloomberg, as of 6/30/24

# Emerging market equity

Emerging market equities were the highest performing equity market in portfolios (MSCI EM +5.0%), outpacing the domestic market (S&P 500 +4.3%) and international developed equities (MSCI EAFE -0.4%).

Sector differences played out in Emerging Markets, much as they did in the U.S., with Info Tech (+11.9%) being the best performing sector in the MSCI EM Index. This growth was bolstered by Taiwan Semiconductor Manufacturing Company (TSMC), who reported earnings growth of +36% in Q2. TSMC works directly with several domestic mega cap tech companies and makes up nearly 10% of the MSCI EM index.

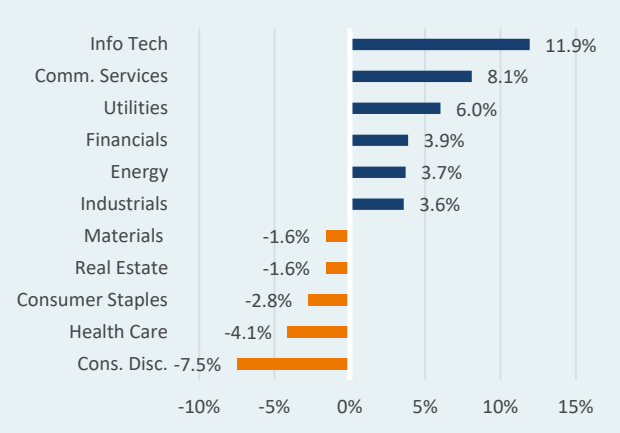
Chinese equities continue to be cheap from a valuation perspective but face serious structural issues which could further act as a drag on performance. Real estate market shakiness has come back to the forefront of many investors' minds. A large inventory of real estate sits empty, China's population is in decline and that decline is expected to accelerate, and a large portion of the economic boom has only been possible through ongoing real estate construction. It is difficult to imagine how these woes are resolved without a serious downward resetting of prices which would be incredibly painful for Chinese citizens who, on average, hold a large portion of their wealth in real estate.

**EMERGING MARKET EQUITY**



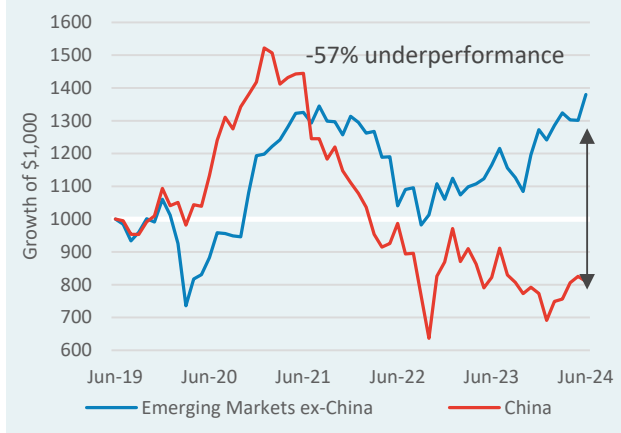
Source: MSCI, as of 6/30/24

**MSCI EM Q2 2024 SECTOR RETURNS (USD)**



Source: MSCI, J.P. Morgan, as of 6/30/24

**SUBSTANTIAL CHINA UNDERPERFORMANCE**



Source: MSCI, as of 6/30/24

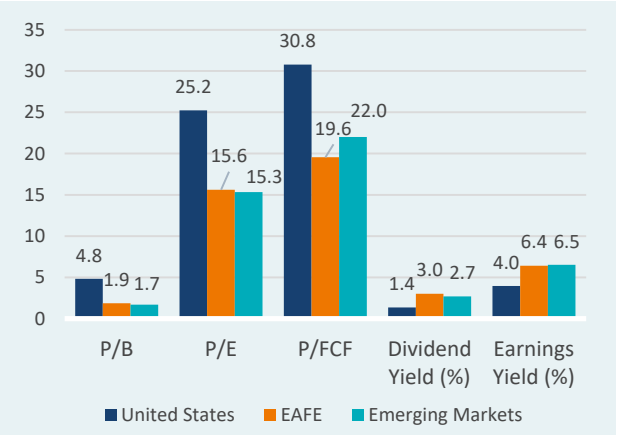
# Equity valuations

Valuations moved higher in Q2 across each market. The S&P 500 traded at a Forward P/E of 21.4 at the end of June and a Trailing P/E of 25.2. High valuations have pushed the U.S. dividend yield to a nearly all-time historic low of 1.4%.

Lofty prices, along with a much more attractive environment for fixed income, suggest to us that the next decade may look much different than the past decade of unusually strong U.S. equity performance. The past decade was made possible by a very low equity valuation starting point, the impressive rise of mega cap tech / social media / online

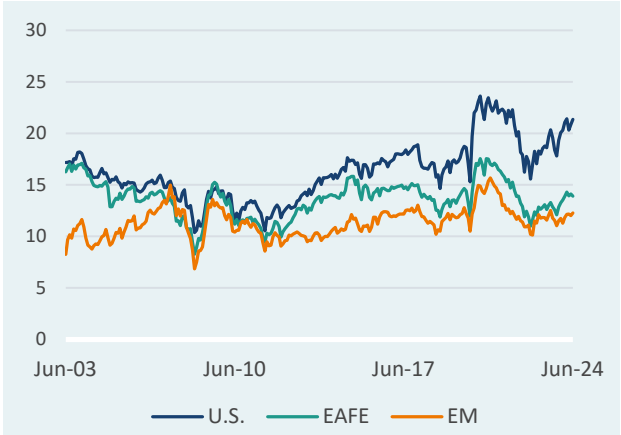
retailing businesses, extreme government stimulus pumped into the system, corporate tax cuts, and financial engineering following ultra low interest rates which contributed to a very large gain in corporate profit margins. Now, looking at the next 10 years, we are starting with high valuations, already high corporate profit margins, large debt burdens across many segments of the economy, and arguably a lower chance of future debt-driven stimulus. Fixed income may be very competitive with equity in terms of yields and prospective return over the next ten years. We believe this change in regime is noteworthy and may reasonably act as a theme for institutional asset allocation.

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



Source: Bloomberg, as of 6/30/24 – Trailing P/E

**FORWARD PRICE/EARNINGS RATIO**



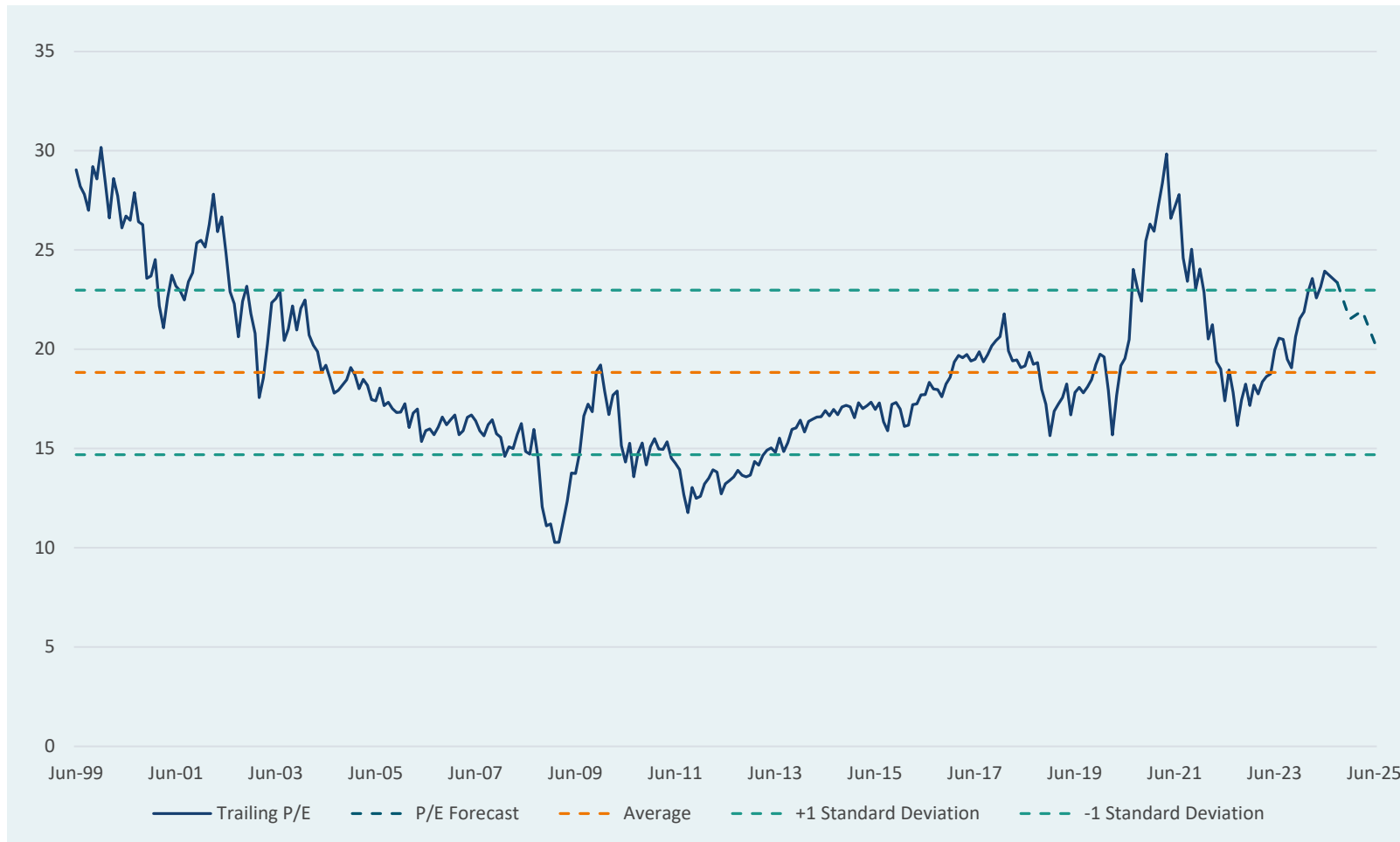
Source: MSCI, Bloomberg, as of 6/30/24

**S&P 500 HISTORICAL DIVIDEND YIELD**



Source: S&P, Bloomberg, as of 6/30/24

# U.S. valuations & expected earnings



If projected earnings growth rates hold over the next two years, and the market increases in price at a more moderate rate, then valuations will come down toward historical averages.

Source: Bloomberg, Verus, as of 7/19/24 – here we assume that both: a) the S&P 500 delivers earnings growth over the next two years in line with current estimates (11% in 2024 and 14.7% in 2025), and b) The S&P 500 delivers a total return in those years equivalent to the Verus 2024 CMA return estimate. If both of things occur, the S&P 500 Price/Earnings ratio will move back towards the historical average.

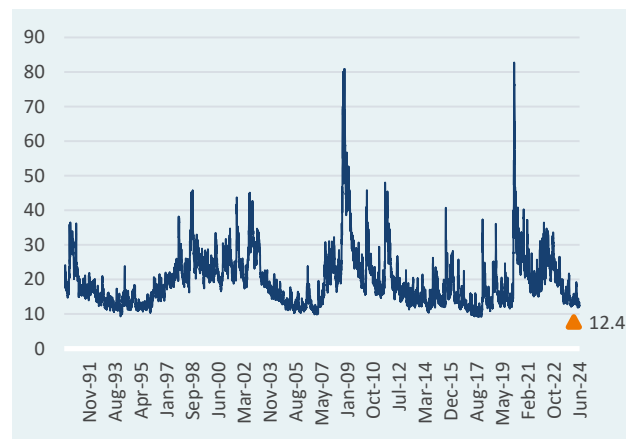
# Market volatility

Market-priced volatility (Cboe VIX Index) remained very low during the second quarter, ending at 12.4% in June. This has reasonably raised eyebrows, given a variety of risks that domestic equities face, but low volatility is typical of strongly up trending equity environments.

Recent realized one-year volatility has also been fairly mild across global markets, relative to history. Domestic, international developed, and emerging market equities have all delivered between 14.6% and 15.8% volatility during that time, with emerging markets marking the upper end of the range.

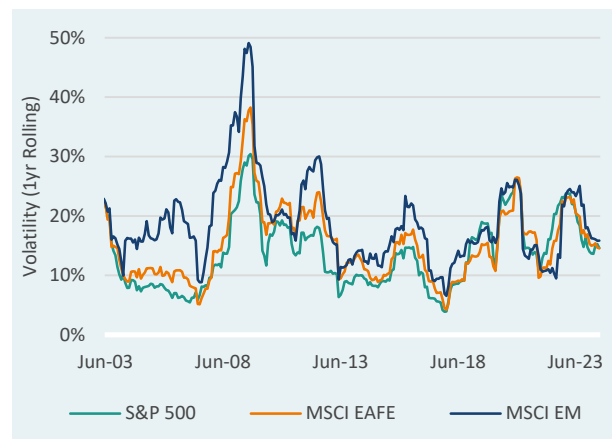
This asset allocation environment is unique in terms of low equity volatility but high fixed income volatility. This gap has closed somewhat, as bond market implied volatility has moved a bit back towards normal levels since reaching a nearly all time high in 2023. Bond characteristics are captured by the “MOVE” Index—which calculates the implied volatility of U.S. Treasury securities. As further clarity is gained around the path of the Federal Reserve, we would expect that bond volatility will further moderate.

**U.S. IMPLIED VOLATILITY (VIX)**



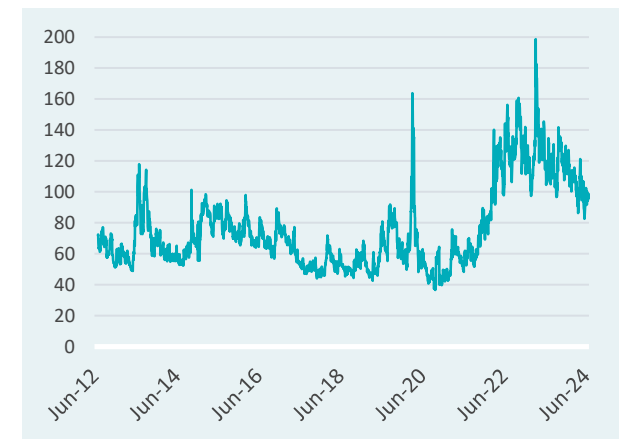
Source: Cboe, as of 6/30/24

**REALIZED VOLATILITY**



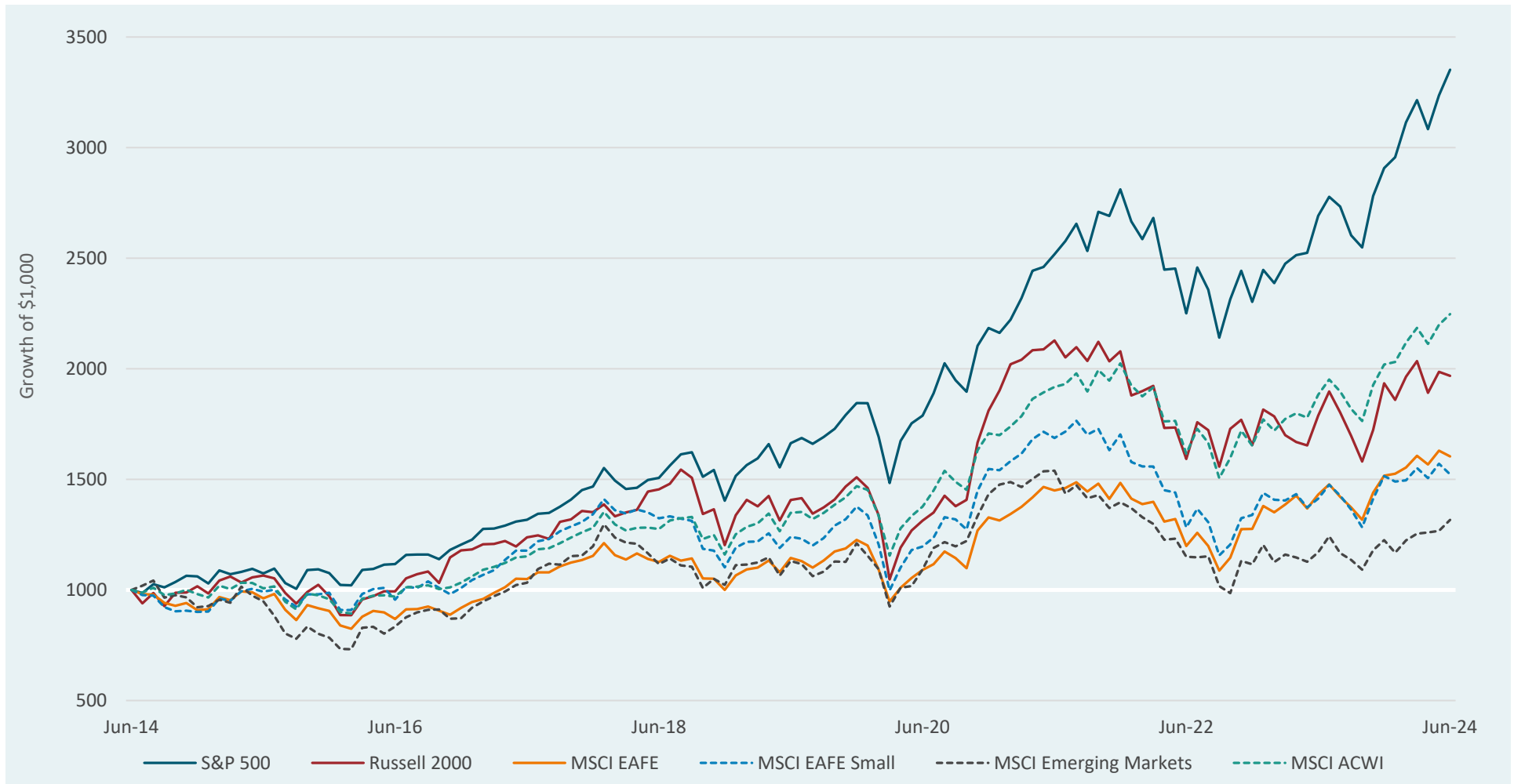
Source: S&P, MSCI, as of 6/30/24

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



Source: Bloomberg, as of 6/30/24

# Long-term equity performance



Source: MPI, as of 6/30/24

# Other assets

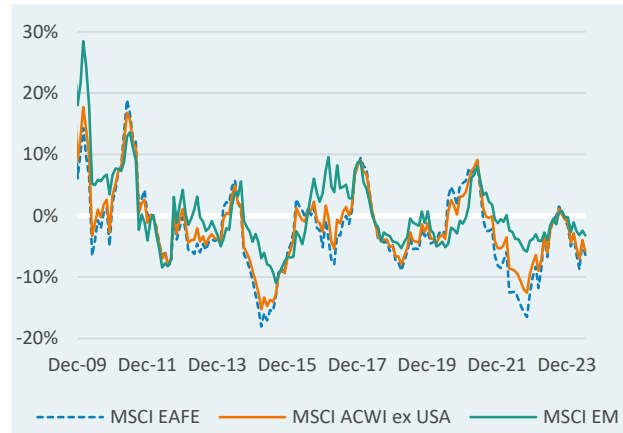
# Currency

The U.S. dollar rose modestly in value during Q2, resulting in losses for investors with unhedged foreign currency exposure. Given that the Federal Reserve is expected to engage in similar sized rate cuts as other developed central banks, it is unclear the extent to which the *rate cutting path* will impact relative currency valuations. Unexpected central bank actions will likely have the greatest directional impact in the future.

Investors without a currency hedging program lost -1.2% from their international developed equity exposure (MSCI EAFE) during Q2 due to currency movements and -7.0% over the past year. Losses from unhedged Japanese currency exposure have once again been extreme (-7.3% over the quarter, -19.8% over the past year, based on the TOPIX Index), while unhedged European equity exposure losses due to currency were milder (-1.1% over the quarter, -4.3% over the past year, EURO Stoxx 50 Index).

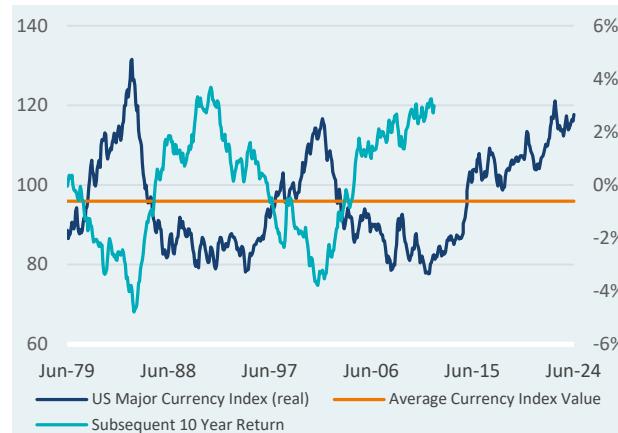
A more thoughtful portfolio approach to currency exposure has provided the dual benefit of lower portfolio volatility and also higher returns—a rare proposition in markets. This approach involves reducing the uncompensated risk of unhedged foreign currency exposure, and instead of unhedged exposure, making a passive investment in the currency market by investing in currencies with higher interest rates, currencies that are undervalued, and currencies that are showing positive price momentum. This approach, represented by the MSCI Currency Factor Mix Index—has offered a positive one-year rolling return over most periods with far lower volatility than the unhedged currency exposure that many investors hold. The past year is testament to this approach, this program would have far outperformed unhedged currency exposure, and with much less volatility.

**EFFECT OF CURRENCY (1-YEAR ROLLING)**



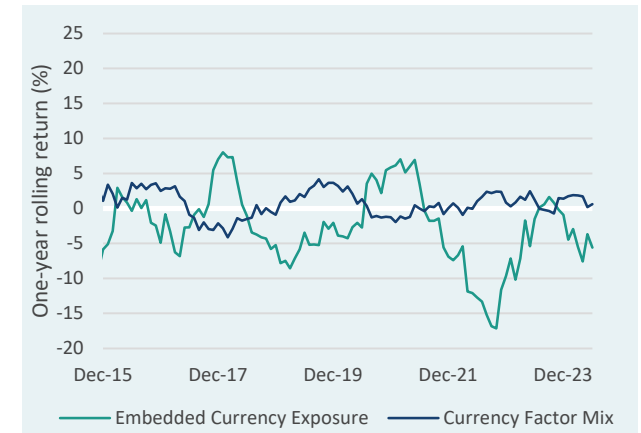
Source: MSCI, as of 6/30/24

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



Source: Bloomberg, as of 6/30/24

**EMBEDDED CURRENCY VS CURRENCY FACTORS**



Source: Bloomberg, MSCI, as of 6/30/24



# Appendix

# Periodic table of returns

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	5-Year	10-Year
Large Cap Growth	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	36.4	38.5	28.3	16.1	42.7	20.7	19.3	16.3
Large Cap Equity	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	31.4	34.6	27.6	9.4	26.5	14.2	14.6	12.5
Emerging Markets Equity	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	0.0	28.5	21.0	27.1	1.5	18.7	7.5	9.0	8.2
Large Cap Value	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	-1.5	26.5	20.0	26.5	-4.7	18.2	6.6	7.2	7.4
International Equity	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	-3.5	25.5	18.3	25.2	-7.5	16.9	5.3	7.1	7.0
60/40 Global Portfolio	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	-4.8	22.4	14.0	17.7	-13.0	15.4	5.3	6.9	6.4
Commodities	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	-6.0	22.0	10.3	14.8	-14.5	14.6	5.1	6.5	6.2
Hedge Funds of Funds	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	-8.3	18.6	7.8	11.3	-14.5	11.5	4.6	6.2	5.0
Small Cap Growth	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	18.4	7.5	8.9	-17.3	9.8	4.4	5.7	4.3
Cash	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	8.7	4.6	6.5	-19.1	6.3	2.6	4.8	3.5
Small Cap Equity	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	7.0	-11.2	7.8	2.8	2.8	-20.1	5.5	1.7	3.8	2.8
US Bonds	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-12.9	7.7	0.5	0.0	-20.4	5.0	-0.7	3.1	1.5
Small Cap Value	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-13.8	6.4	0.5	-1.5	-26.4	-7.9	-0.8	2.1	1.3
Real Estate	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-14.6	2.1	-3.1	-2.5	-29.1	-7.9	-1.0	-0.2	-1.3

Large Cap Equity

Large Cap Value

Large Cap Growth

Small Cap Equity

Small Cap Value

Small Cap Growth

International Equity

Emerging Markets Equity

US Bonds

Cash

Commodities

Real Estate

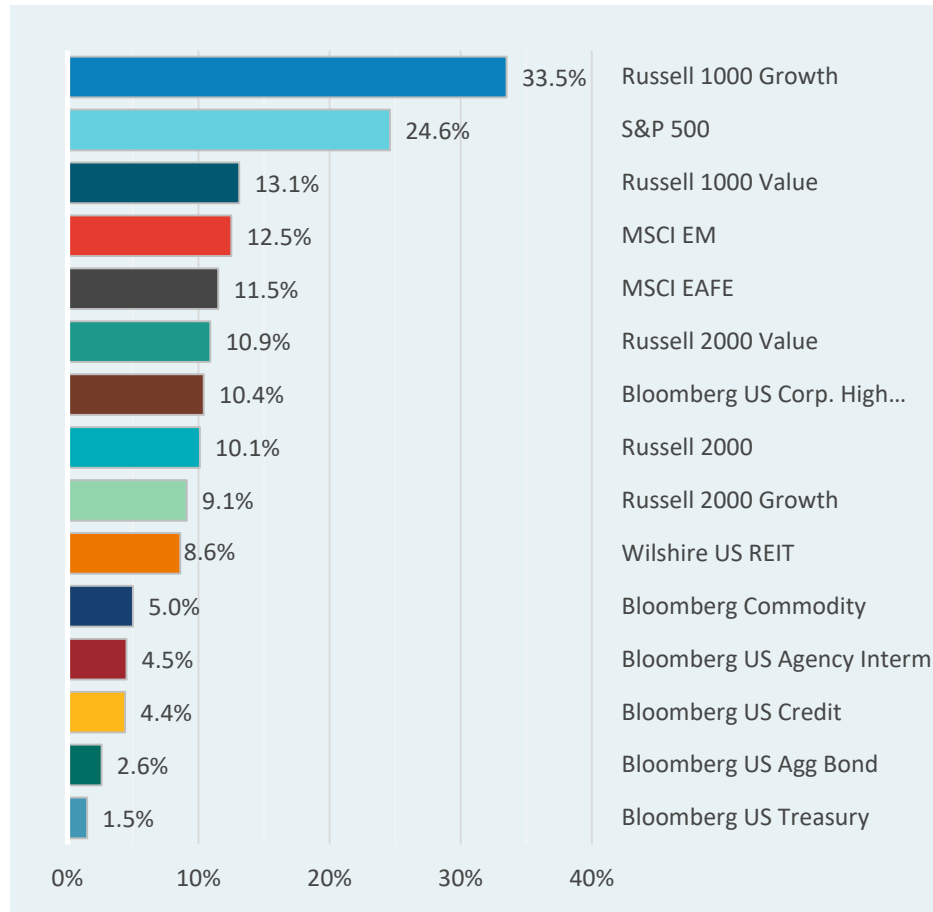
Hedge Funds of Funds

60% MSCI ACWI/40% Bloomberg Global Bond

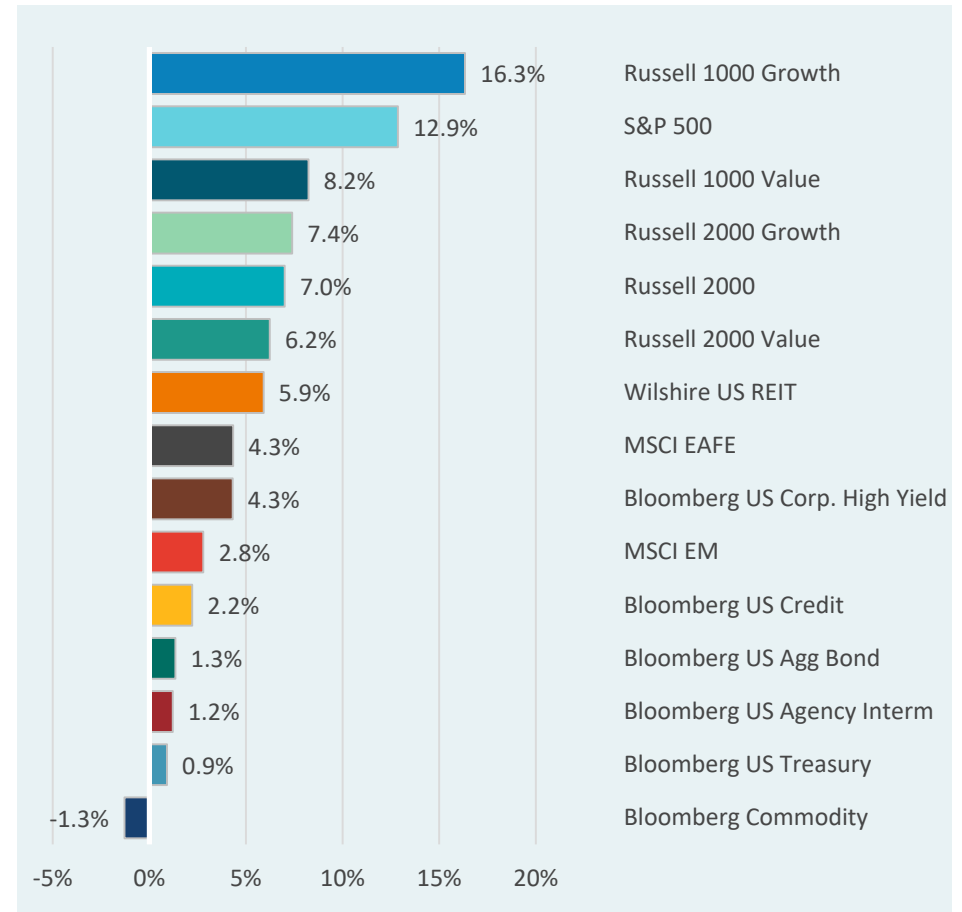
Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, Bloomberg US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, Bloomberg Global Bond. NCREIF Property Index performance data as of 12/31/23.

# Major asset class returns

ONE YEAR ENDING JUNE



TEN YEARS ENDING JUNE



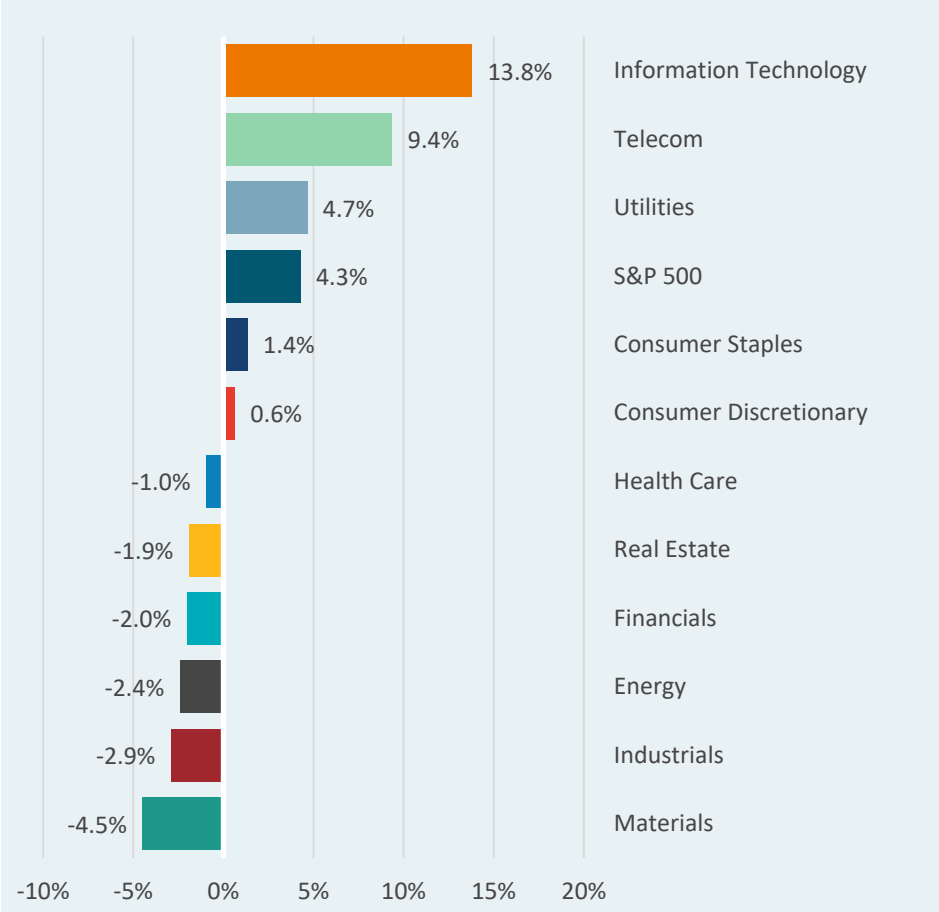
\*Only publicly traded asset performance is shown here. Performance of private assets is typically released with a 3- to 6-month delay.

Source: Morningstar, as of 6/30/24

Source: Morningstar, as of 6/30/24

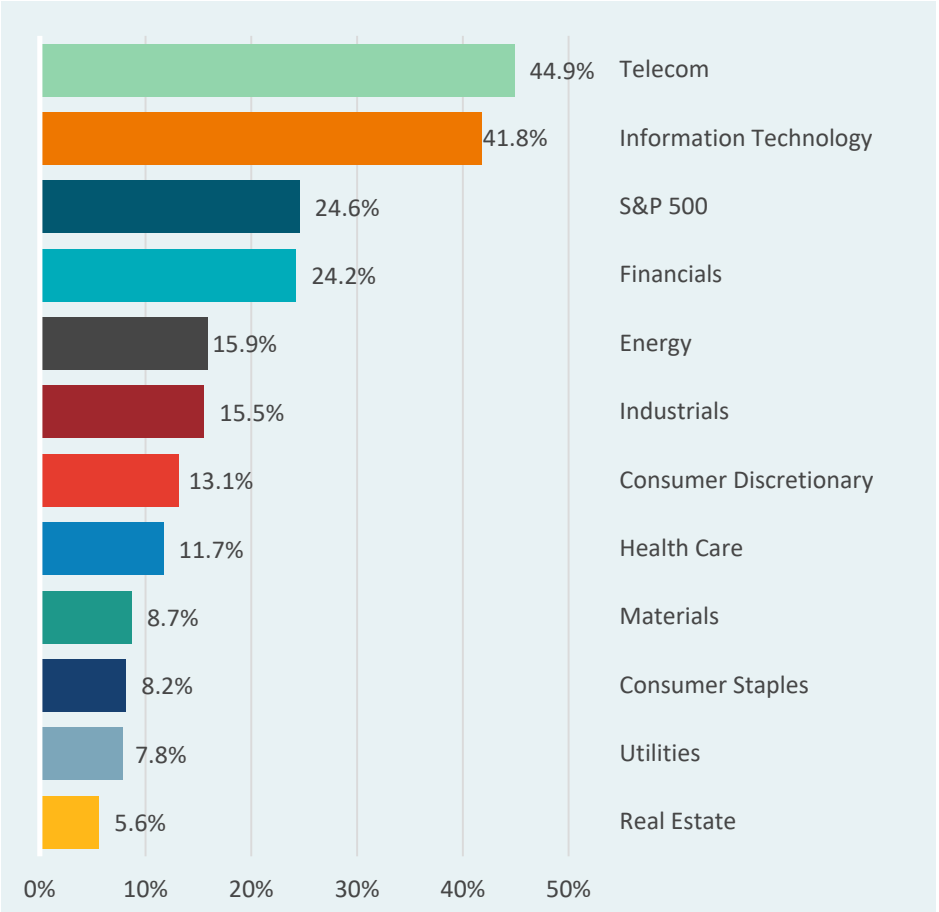
# S&P 500 sector returns

QTD



Source: Morningstar, as of 6/30/24

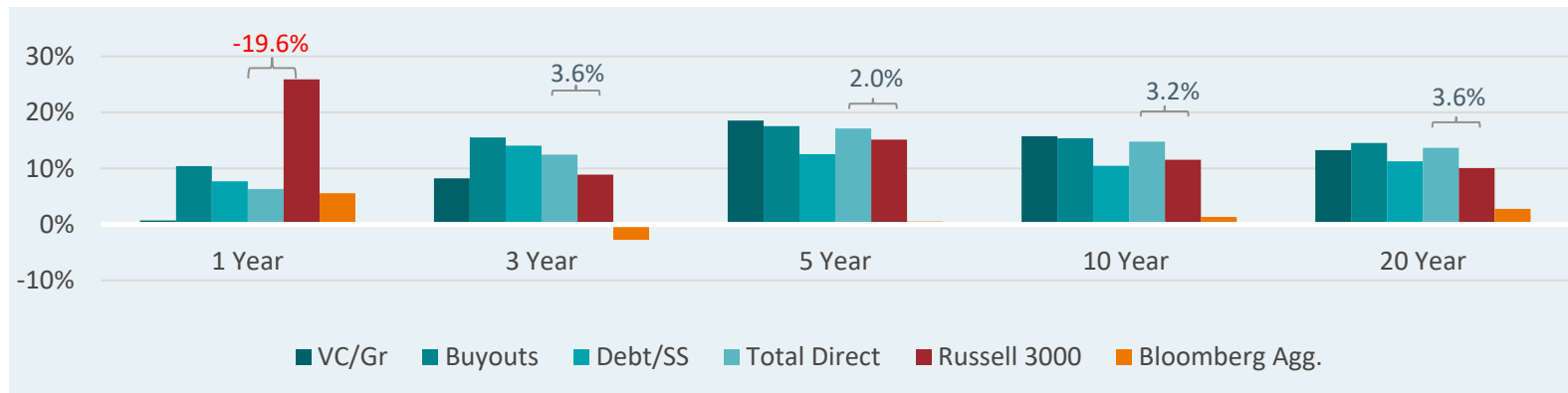
ONE YEAR ENDING JUNE



Source: Morningstar, as of 6/30/24

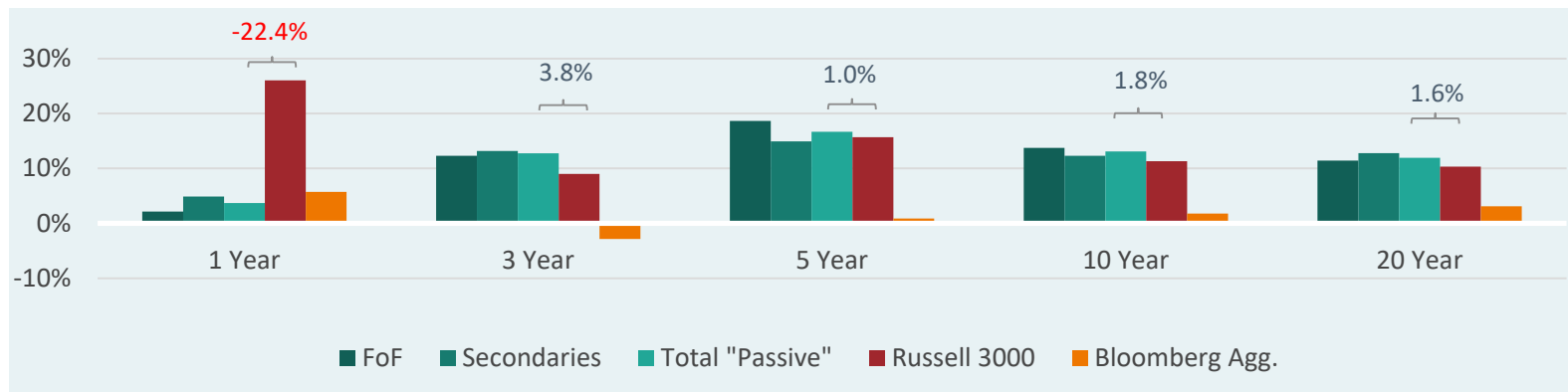
# Private equity vs. traditional assets performance

## DIRECT PRIVATE EQUITY FUND INVESTMENTS



Direct P.E Fund Investments outperformed comparable public equities across all time periods, aside from the 1-year.

## "PASSIVE" STRATEGIES

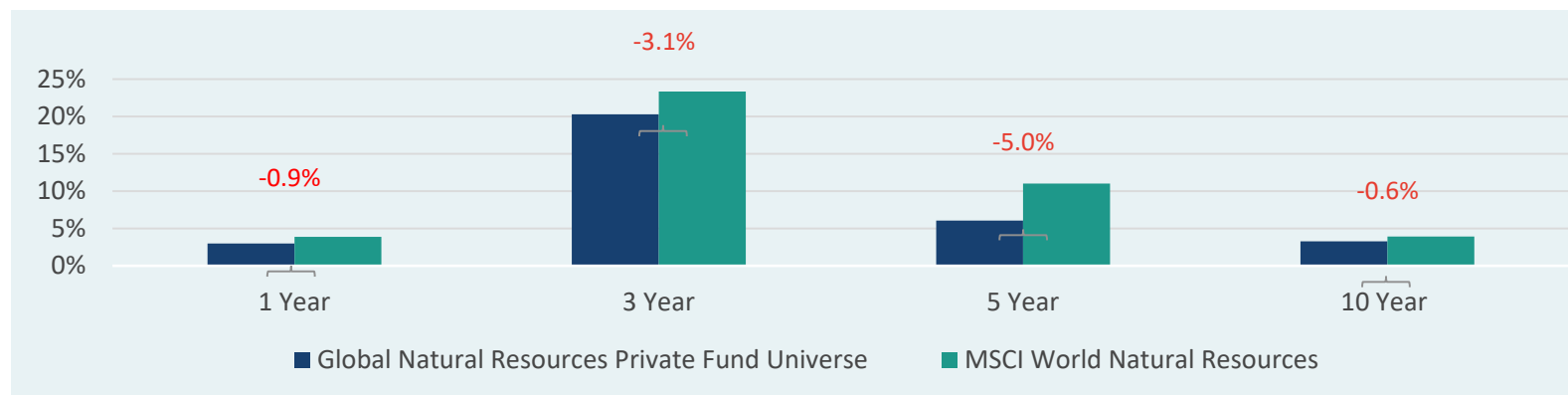


"Passive" strategies outperformed comparable public equities across all time periods, aside from the 1-year.

Sources: Refinitiv PME: U.S. Private Equity Funds sub asset classes as of September 30, 2023. Public Market Equivalent returns resulted from "Total Passive" and Total Direct's identical cash flows invested into and distributed from respective traditional asset comparable.

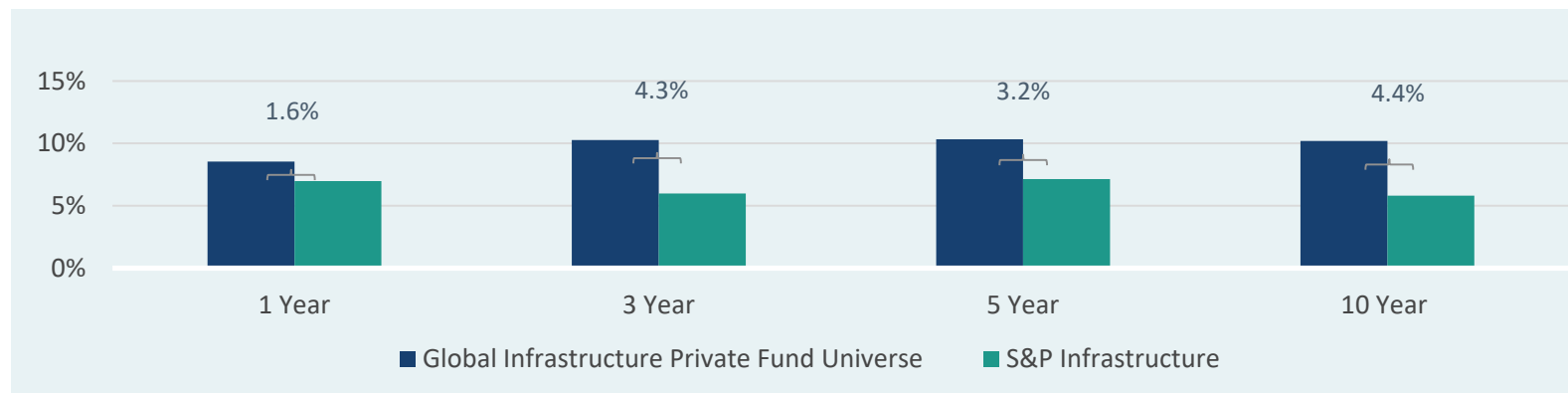
# Private vs. liquid real assets performance

## GLOBAL NATURAL RESOURCES FUNDS



N.R. funds underperformed the MSCI World Natural Resources benchmark across all periods.

## GLOBAL INFRASTRUCTURE FUNDS

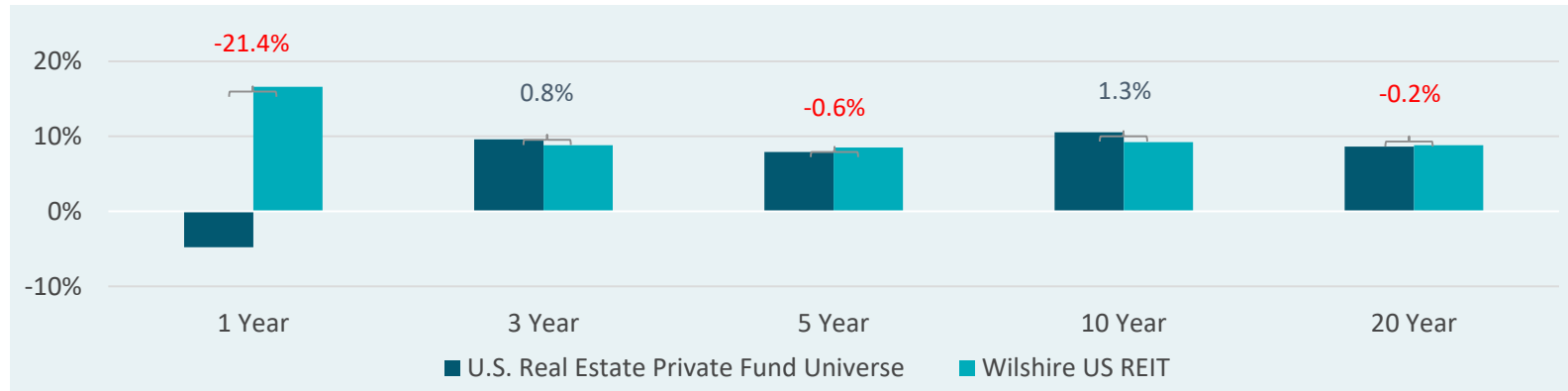


Infra. funds outperformed the S&P Infra. across all periods.

Sources: Refinitiv PME: Global Natural Resources (vintage 1999 and later, inception of MSCI World Natural Resources benchmark) and Global Infrastructure (vintage 2002 and later, inception of S&P Infrastructure benchmark) universes as of September 30, 2023. Public Market Equivalent returns resulted from identical cash flows invested into and distributed from respective liquid real assets universes.

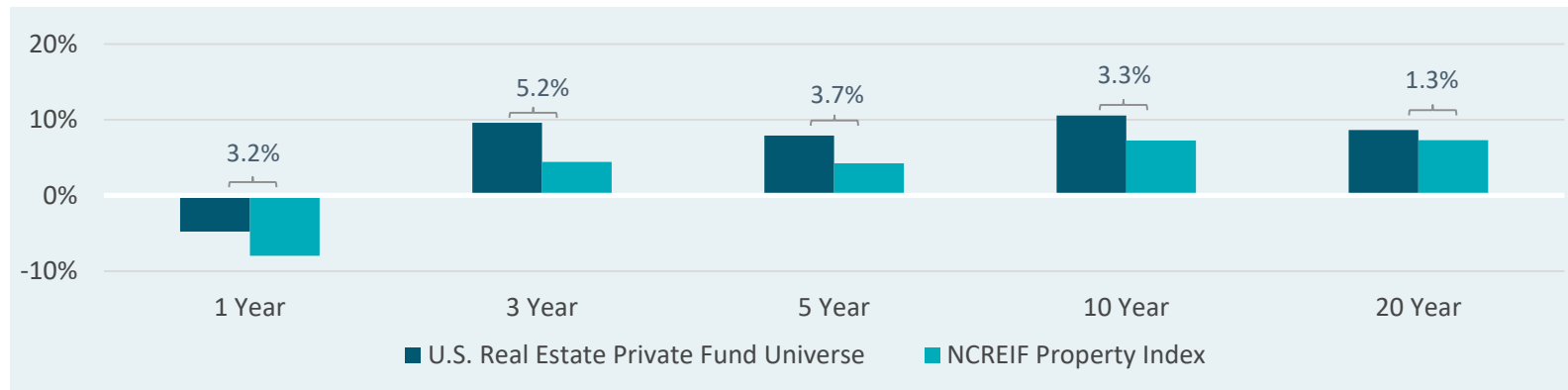
# Private vs. liquid and core real estate performance

## U.S. PRIVATE REAL ESTATE FUNDS VS. LIQUID UNIVERSE



U.S. Private R.E. fund performance vs. the Wilshire U.S. REIT Index has been mixed.

## U.S. PRIVATE REAL ESTATE FUNDS VS. CORE FUNDS



U.S. Private R.E. Funds outperformed the NCREIF Property Index across all time periods.

Sources: Refinitiv PME: U.S. Real Estate universes as of September 30, 2023. Public Market Equivalent returns resulted from identical cash flows invested into and distributed from respective liquid real estate universes.

# Detailed index returns

## DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Core Index</b>							
S&P 500	3.6	4.3	15.3	24.6	10.0	15.0	12.9
S&P 500 Equal Weighted	(0.5)	(2.6)	5.1	11.8	4.8	10.9	10.0
DJ Industrial Average	1.2	(1.3)	4.8	16.0	6.4	10.3	11.3
Russell Top 200	4.5	5.7	17.2	27.4	10.9	16.4	13.8
Russell 1000	3.3	3.6	14.2	23.9	8.7	14.6	12.5
Russell 2000	(0.9)	(3.3)	1.7	10.1	(2.6)	6.9	7.0
Russell 3000	3.1	3.2	13.6	23.1	8.1	14.1	12.1
Russell Mid Cap	(0.7)	(3.3)	5.0	12.9	2.4	9.5	9.0
<b>Style Index</b>							
Russell 1000 Growth	6.7	8.3	20.7	33.5	11.3	19.3	16.3
Russell 1000 Value	(0.9)	(2.2)	6.6	13.1	5.5	9.0	8.2
Russell 2000 Growth	(0.2)	(2.9)	4.4	9.1	(4.9)	6.2	7.4
Russell 2000 Value	(1.7)	(3.6)	(3.6)	10.9	(0.5)	7.1	6.2

## INTERNATIONAL EQUITY

<b>Broad Index</b>							
MSCI ACWI	2.2	2.9	11.3	19.4	5.4	10.8	8.4
MSCI ACWI ex US	(0.1)	1.0	5.7	11.6	0.5	5.5	3.8
MSCI EAFE	(1.6)	(0.4)	5.3	11.5	2.9	6.5	4.3
MSCI EM	3.9	5.0	7.5	12.5	(5.1)	3.1	2.8
MSCI EAFE Small Cap	(3.0)	(1.8)	0.5	7.8	(3.4)	4.2	4.3
<b>Style Index</b>							
MSCI EAFE Growth	(0.4)	(0.8)	6.2	9.4	0.1	6.5	5.4
MSCI EAFE Value	(2.8)	0.0	4.5	13.7	5.5	6.1	3.0
<b>Regional Index</b>							
MSCI UK	(1.8)	3.7	6.9	12.5	6.9	5.7	2.7
MSCI Japan	(0.7)	(4.3)	6.3	13.1	2.3	6.6	5.5
MSCI Euro	(3.3)	(2.8)	5.4	10.1	3.6	7.2	4.1
MSCI EM Asia	5.0	7.4	11.0	15.1	(5.5)	4.6	4.5
MSCI EM Latin American	(6.1)	(12.2)	(15.7)	(5.6)	0.9	0.1	(0.3)

## FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
Bloomberg US TIPS	0.8	0.8	0.7	2.7	(1.3)	2.1	1.9
Bloomberg US Treasury Bills	0.4	1.3	2.6	5.5	3.0	2.2	1.5
Bloomberg US Agg Bond	0.9	0.1	(0.7)	2.6	(3.0)	(0.2)	1.3
Bloomberg US Universal	0.9	0.2	(0.3)	3.5	(2.7)	0.1	1.6
<b>Duration</b>							
Bloomberg US Treasury 1-3 Yr	0.6	0.9	1.2	4.5	0.3	1.0	1.1
Bloomberg US Treasury Long	1.7	(1.8)	(5.0)	(5.6)	(10.5)	(4.3)	0.6
Bloomberg US Treasury	1.0	0.1	(0.9)	1.5	(3.3)	(0.7)	0.9
<b>Issuer</b>							
Bloomberg US MBS	1.2	0.1	(1.0)	2.1	(2.9)	(0.8)	0.9
Bloomberg US Corp. High Yield	0.9	1.1	2.6	10.4	1.6	3.9	4.3
Bloomberg US Agency Interm	0.7	0.8	1.0	4.5	(0.5)	0.6	1.2
Bloomberg US Credit	0.7	(0.0)	(0.5)	4.4	(2.9)	0.5	2.2

## OTHER

<b>Index</b>							
Bloomberg Commodity	(1.5)	2.9	5.1	5.0	5.7	7.2	(1.3)
Wilshire US REIT	3.0	(0.2)	(0.3)	8.6	0.3	4.0	5.9
CS Leveraged Loans	0.3	1.9	4.4	11.0	6.0	5.4	4.6
S&P Global Infrastructure	(2.9)	2.7	4.0	7.0	5.6	4.3	4.6
Alerian MLP	4.7	3.8	19.2	34.2	22.3	11.1	1.9
<b>Regional Index</b>							
JPM EMBI Global Div	0.6	0.3	2.3	9.2	(3.5)	0.6	3.2
JPM GBI-EM Global Div	(1.1)	(1.6)	0.7	0.7	(3.3)	(1.3)	(0.9)
<b>Hedge Funds</b>							
HFRI Composite	(0.2)	0.4	4.8	9.6	2.8	6.6	4.8
HFRI FOF Composite	0.1	0.4	4.6	8.4	2.0	4.8	3.5
<b>Currency (Spot)</b>							
Euro	(1.3)	(1.8)	(3.0)	(1.8)	(3.3)	(1.2)	(2.4)
Pound Sterling	(0.7)	0.3	(0.8)	(0.6)	(2.9)	(0.1)	(3.0)
Yen	(2.3)	(10.1)	(12.4)	(10.2)	(11.6)	(7.7)	(4.5)

Source: Morningstar, HFRI, as of 6/30/24



# Definitions

**Bloomberg US Weekly Consumer Comfort Index** - tracks the public's economic attitudes each week, providing a high-frequency read on consumer sentiment. The index, based on cell and landline telephone interviews with a random, representative national sample of U.S. adults, tracks Americans' ratings of the national economy, their personal finances and the buying climate on a weekly basis, with views of the economy's direction measured separately each month. ([www.langerresearch.com](http://www.langerresearch.com))

**University of Michigan Consumer Sentiment Index** - A survey of consumer attitudes concerning both the present situation as well as expectations regarding economic conditions conducted by the University of Michigan. For the preliminary release approximately three hundred consumers are surveyed while five hundred are interviewed for the final figure. The level of consumer sentiment is related to the strength of consumer spending. ([www.Bloomberg.com](http://www.Bloomberg.com))

**NFIB Small Business Outlook** - Small Business Economic Trends (SBET) is a monthly assessment of the U.S. small-business economy and its near-term prospects. Its data are collected through mail surveys to random samples of the National Federal of Independent Business (NFIB) membership. The survey contains three broad question types: recent performance, near-term forecasts, and demographics. The topics addressed include: outlook, sales, earnings, employment, employee compensation, investment, inventories, credit conditions, and single most important problem. (<http://www.nfib-sbet.org/about/>)

**NAHB Housing Market Index** – the housing market index is a weighted average of separate diffusion indices for three key single-family indices: market conditions for the sale of new homes at the present time, market conditions for the sale of new homes in the next six months, and the traffic of prospective buyers of new homes. The first two series are rated on a scale of Good, Fair, and Poor and the last is rated on a scale of High/Very High, Average, and Low/Very Low. A diffusion index is calculated for each series by applying the formula  $(\text{Good-Poor} + 100)/2$  to the present and future sales series and  $(\text{High/Very High-Low/Very Low} + 100)/2$  to the traffic series. Each resulting index is then seasonally adjusted and weighted to produce the HMI. Based on this calculation, the HMI can range between 0 and 100.

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# Kern County Employees' Retirement Association

Investment Performance Review

Period Ending: June 30, 2024



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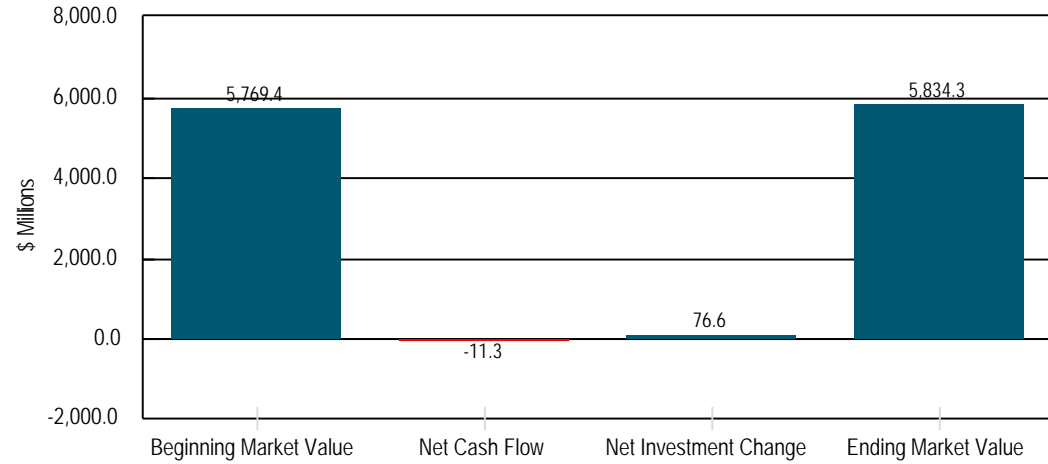
Total Fund  
Portfolio Reconciliation

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

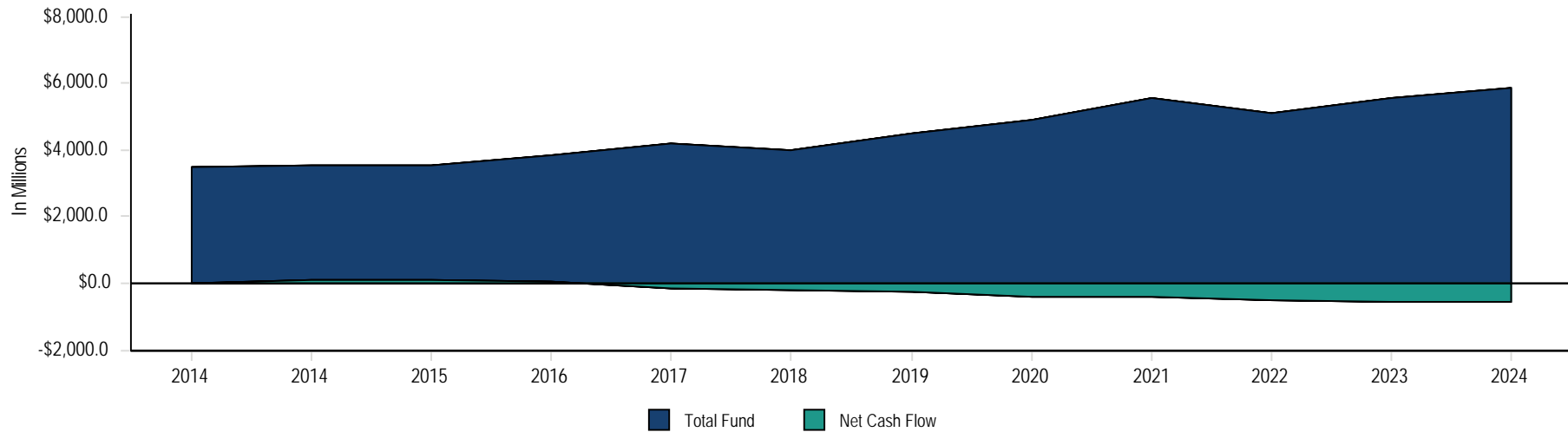
Portfolio Reconciliation

	Last Three Months
Beginning Market Value	\$5,769,420,481
Net Cash Flows	-\$11,254,346
Net Investment Change	\$76,602,006
Ending Market Value	\$5,834,270,434

Change in Market Value  
Last Three Months



Market Value History



# Total Fund

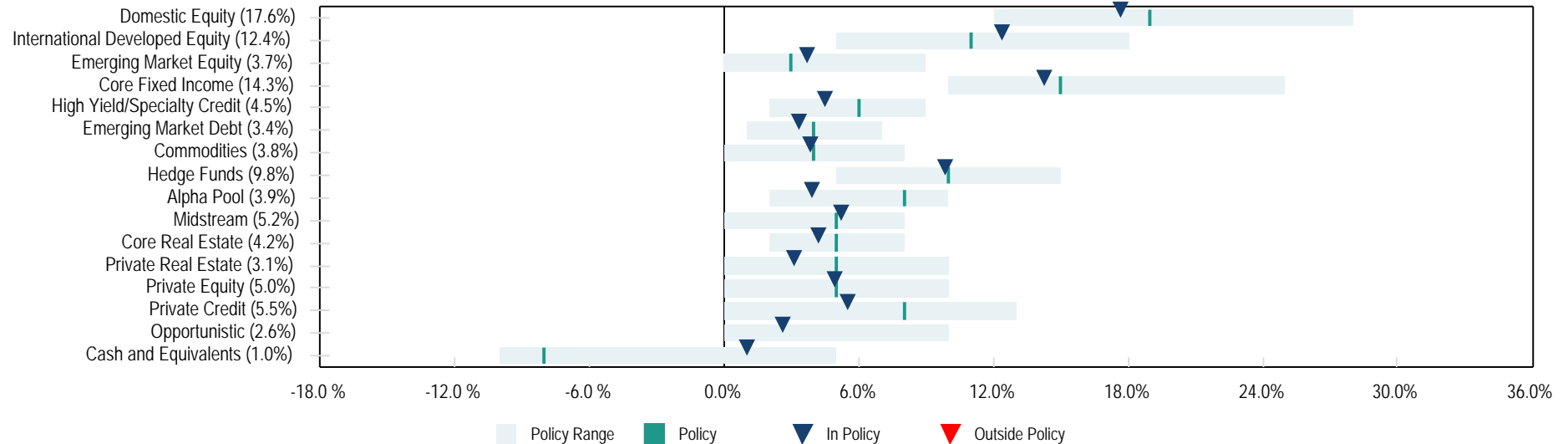
## Asset Allocation vs. Policy

# Kern County Employees' Retirement Association

## Period Ending: June 30, 2024

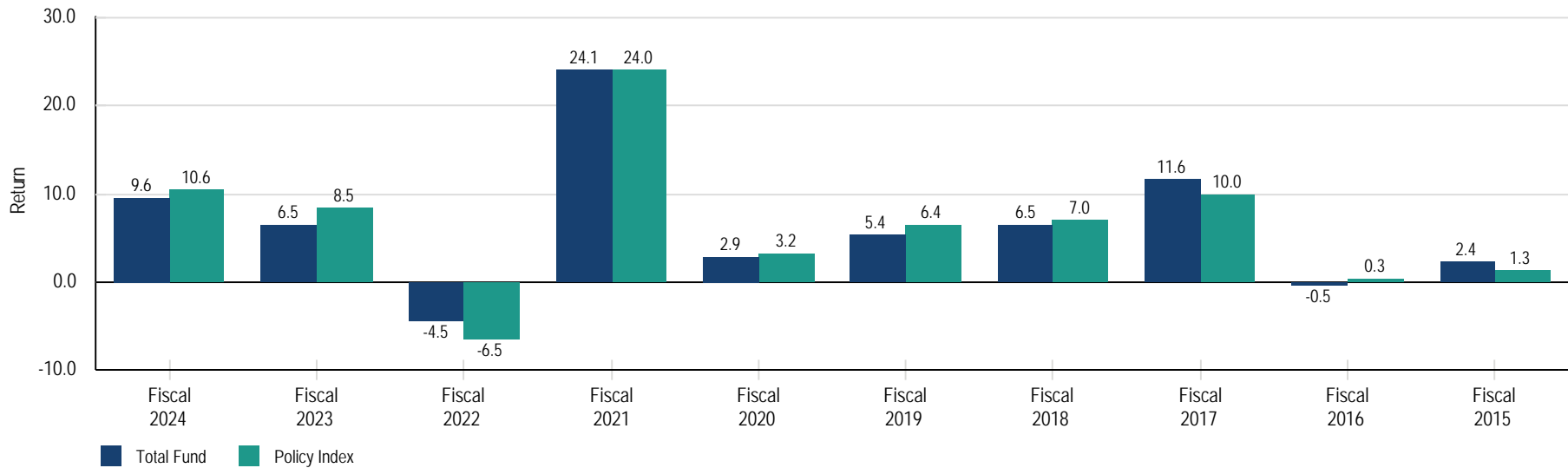
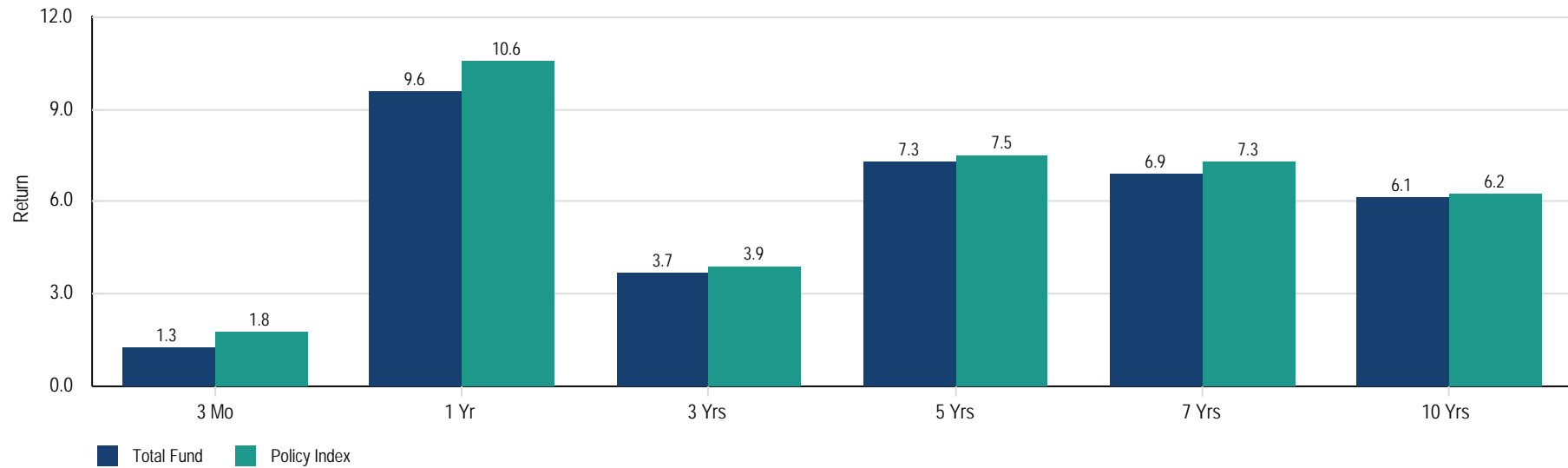
	Current Balance (\$)	Current Allocation (%)	Policy Allocation (%)	Excess Allocation (%)	Policy Range (%)	Within IPS Range?
Equity	1,967,821,735	33.7	33.0	0.7	23.0 - 45.0	Yes
Fixed Income	1,290,646,469	22.1	25.0	-2.9	15.0 - 35.0	Yes
Core Real Estate	245,562,202	4.2	5.0	-0.8	2.0 - 8.0	Yes
Hedge Funds	574,408,314	9.8	10.0	-0.2	5.0 - 15.0	Yes
Alpha Pool	228,281,533	3.9	8.0	-4.1	2.0 - 10.0	Yes
Private Equity	269,203,109	4.6	5.0	-0.4	0.0 - 10.0	Yes
Private Credit	339,602,834	5.8	8.0	-2.2	0.0 - 13.0	Yes
Private Real Estate	180,655,798	3.1	5.0	-1.9	0.0 - 10.0	Yes
Commodities	224,267,766	3.8	4.0	-0.2	0.0 - 8.0	Yes
Opportunistic	150,814,814	2.6	0.0	2.6	0.0 - 10.0	Yes
Midstream	302,472,317	5.2	5.0	0.2	0.0 - 8.0	Yes
Cash and Equivalents	60,533,543	1.0	-8.0	9.0	-10.0 - 5.0	Yes
<b>Total</b>	<b>5,834,270,434</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>		

### Executive Summary



Total Fund  
Performance vs. Policy (Net of Fees)

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024



Total Fund  
Executive Summary (Gross of Fees)

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

	Market Value	% of Portfolio	3 Mo	Fiscal YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Fiscal 2023	Fiscal 2022	Fiscal 2021	Fiscal 2020	Fiscal 2019
<b>Total Fund</b>	5,834,270,434	100.0	1.4	9.8	9.8	4.0	7.6	6.5	6.7	-4.2	24.4	3.2	5.7
<i>Policy Index</i>			1.8	10.6	10.6	3.9	7.5	6.2	8.5	-6.5	24.0	3.2	6.4
<i>InvMetrics Public DB &gt; \$1B Rank</i>			29	53	53	29	41	52	71	35	86	24	65
<b>Equity</b>	1,967,821,735	33.7	1.9	17.1	17.1	4.9	10.4	9.0	15.9	-14.9	41.2	0.7	5.3
<i>MSCI AC World IMI Index (Net)</i>			2.4	18.4	18.4	4.7	10.4	8.2	16.1	-16.5	40.9	1.2	4.6
<b>Domestic Equity</b>	1,029,665,533	17.6	3.3	22.4	22.4	8.3	14.1	12.7	17.8	-12.0	43.6	6.3	9.2
<i>MSCI USA IMI</i>			3.4	23.3	23.3	8.2	14.3	12.3	19.2	-13.7	44.4	6.7	9.0
<b>International Developed Equity</b>	724,007,149	12.4	-1.1	11.0	11.0	2.5	6.9	5.3	17.2	-17.2	37.0	-5.5	-0.6
<i>MSCI World ex U.S. IMI Index (Net)</i>			-0.7	10.8	10.8	2.0	6.3	4.2	16.3	-17.7	34.8	-5.1	0.2
<b>Emerging Markets Equity</b>	214,147,831	3.7	5.5	14.2	14.2	-1.9	3.4	3.0	5.3	-21.4	40.6	-10.9	0.4
<i>MSCI Emerging Markets IMI (Net)</i>			5.1	13.6	13.6	-4.1	3.9	3.1	3.2	-24.8	43.2	-4.0	0.5
<b>Fixed Income</b>	1,290,646,469	22.1	0.3	4.2	4.2	-2.1	1.1	2.1	3.1	-12.7	5.4	6.6	7.9
<i>Fixed Income Custom Benchmark</i>			0.3	4.8	4.8	-1.9	0.7	1.9	1.9	-11.6	4.0	5.2	8.4
<b>Core Fixed Income</b>	831,879,960	14.3	0.1	2.5	2.5	-3.4	-0.1	1.6	-0.9	-11.2	1.0	9.5	8.0
<i>Bloomberg U.S. Aggregate Index</i>			0.1	2.6	2.6	-3.0	-0.2	1.3	-0.9	-10.3	-0.3	8.7	7.9
<b>High Yield/ Specialty Credit</b>	262,323,475	4.5	1.7	8.0	8.0	1.7	3.7	3.4	7.9	-9.7	13.6	0.0	7.5
<i>ICE BoFA U.S. High Yield Index</i>			1.1	10.4	10.4	1.6	3.7	4.2	8.9	-12.7	15.6	-1.1	7.6
<b>Emerging Market Debt</b>	196,200,032	3.4	-0.7	6.4	6.4	-1.5	0.6	1.0	11.7	-19.6	9.4	-1.2	8.5
<i>50 JPM EMBI Global Div / 50 JPM GBI EM Global Div</i>			-0.7	4.9	4.9	-2.9	-0.6	0.9	9.4	-20.2	7.1	-1.1	10.8
<b>Commodities</b>	224,267,766	3.8	2.6	14.6	14.6	8.8	10.6	1.1	-6.3	20.1	43.5	-10.7	-6.2
<i>Bloomberg Commodity Index Total Return</i>			2.9	5.0	5.0	5.7	7.2	-1.3	-9.6	24.3	45.6	-17.4	-6.8
<b>Hedge Funds</b>	574,408,314	9.8	1.7	9.2	9.2	6.2	8.4	6.3	6.9	2.8	16.3	7.3	2.6
<i>75% 3-Month Treasury Bill +3% / 25% MSCI ACWI IMI (Net)</i>			2.3	11.5	11.5	6.8	7.5	6.5	10.1	-0.9	12.3	5.1	6.6
<b>Alpha Pool</b>	228,281,533	3.9	-0.4	0.7	0.7	0.5	-	-	-0.9	1.5	14.5	-	-
<i>3-Month Treasury Bill +3%</i>			2.1	8.6	8.6	6.1	-	-	6.7	3.2	3.1	-	-
<b>Midstream Energy</b>	302,472,317	5.2	5.0	30.6	30.6	19.8	-	-	20.1	9.6	-	-	-
<i>Alerian Midstream Energy Index</i>			5.4	26.7	26.7	16.5	-	-	12.2	11.4	-	-	-
<b>Core Real Estate</b>	245,562,202	4.2	-3.5	-19.3	-19.3	-3.7	-0.5	-	-11.9	25.6	6.6	2.3	6.1
<i>NCREIF ODCE</i>			-0.4	-9.3	-9.3	1.9	3.2	6.4	-10.0	29.5	8.0	2.2	6.4
<b>Private Real Estate</b>	180,655,798	3.1	-2.0	-6.4	-6.4	9.9	9.2	10.8	7.9	31.3	12.1	4.4	9.0
			-2.0	-6.4	-6.4	9.9	9.2	10.8	7.9	31.3	12.1	4.4	9.0
<b>Private Equity</b>	269,203,109	4.6	2.4	11.9	11.9	11.0	11.7	10.6	-0.6	23.0	41.7	-10.5	10.9
			2.4	11.9	11.9	11.0	11.7	10.6	-0.6	23.0	41.7	-10.5	10.9
<b>Private Credit</b>	339,602,834	5.8	4.1	13.2	13.2	5.7	5.5	-	3.2	1.2	4.8	5.5	9.7
			4.1	13.2	13.2	5.7	5.5	-	3.2	1.2	4.8	5.5	9.7

Policy Index: 33% MSCI ACWI IMI (Net), 17% Bloomberg US Aggregate, 6% Ice BoFA ML High Yield Master II Index, 2% JPM Emerging Markets Bond Index Global Diversified, 2% JPM Government Bond Index-Emerging Markets Global Diversified, 4% Bloomberg Commodity Index, 7.5% 3-Month Treasury Bill +3%, 2.5% MSCI ACWI (Net), 8% 3-Month Treasury Bill + 3%, 7% NCREIF-ODCE Gross Monthly, 5% actual time-weighted Private Equity Returns\*, 6% actual time-weighted Private Credit Returns\*, 3% actual time-weighted Private Real Estate Returns\*, 5% Alerian Midstream, 0% Assumed Rate of Return +3%, -8% 3-Month Treasury Bill. All data prior to 2021 has been provided by the investments managers. FY: 6/30. The Equity and Fixed Income Beta Exposure return includes overlay cash and an implied hurdle rate also applied to the Alpha pool.

Total Fund  
Executive Summary (Gross of Fees)

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

	Market Value	% of Portfolio	3 Mo	Fiscal YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Fiscal 2023	Fiscal 2022	Fiscal 2021	Fiscal 2020	Fiscal 2019
Opportunistic	150,814,814	2.6	-0.2	2.5	2.5	-0.8	-	-	0.6	-5.4	59.9	-	-
<i>Assumed Rate of Return +3%</i>			<i>2.4</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>	-	-	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>	-	-
Cash	433,731,277	7.4	1.5	6.4	6.4	2.8	1.9	2.1	2.3	-0.2	0.1	1.0	2.0
<i>3 Month T-Bill</i>			<i>1.3</i>	<i>5.4</i>	<i>5.4</i>	<i>3.0</i>	<i>2.2</i>	<i>1.5</i>	<i>3.6</i>	<i>0.2</i>	<i>0.1</i>	<i>1.6</i>	<i>2.3</i>

# Performance and Attribution

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Total Fund  
Performance (Net of Fees)

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

	Market Value	% of Portfolio	3 Mo	Fiscal YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Fiscal 2023	Fiscal 2022	Fiscal 2021	Fiscal 2020	Fiscal 2019	Inception	Inception Date
<b>Total Fund</b>	5,834,270,434	100.0	1.3	9.6	9.6	3.7	7.3	6.1	6.5	-4.5	24.1	2.9	5.4	6.7	Jun-11
<i>Policy Index</i>			1.8	10.6	10.6	3.9	7.5	6.2	8.5	-6.5	24.0	3.2	6.4	6.7	
<b>Equity</b>	1,967,821,735	33.7	1.8	16.9	16.9	4.7	10.1	8.7	15.7	-15.1	40.7	0.3	4.8	9.4	Jun-11
<i>MSCI AC World IMI Index (Net)</i>			2.4	18.4	18.4	4.7	10.4	8.2	16.1	-16.5	40.9	1.2	4.6	8.8	
<b>Domestic Equity</b>	1,029,665,533	17.6	3.2	22.1	22.1	8.0	13.9	12.3	17.6	-12.2	43.2	6.0	8.8	12.3	Jul-14
<i>MSCI USA IMI</i>			3.4	23.3	23.3	8.2	14.3	12.3	19.2	-13.7	44.4	6.7	9.0	12.3	
<b>Equity Beta Exposure</b>	51,902,100	0.9	4.2	24.1	24.1	9.6	-	-	19.2	-11.0	-	-	-	15.3	Aug-20
<i>S&amp;P 500 Index</i>			4.3	24.6	24.6	10.0	-	-	19.6	-10.6	-	-	-	15.8	
<b>Mellon DB SL Stock Index Fund</b>	667,508,966	11.4	4.3	24.5	24.5	10.0	15.0	-	19.6	-10.6	40.8	7.5	10.4	14.0	Oct-17
<i>S&amp;P 500 Index</i>			4.3	24.6	24.6	10.0	15.0	-	19.6	-10.6	40.8	7.5	10.4	13.9	
<b>PIMCO StocksPLUS</b>	146,190,170	2.5	4.2	25.6	25.6	9.2	14.7	12.7	18.8	-12.8	41.7	7.7	10.6	11.3	Jul-03
<i>S&amp;P 500 Index</i>			4.3	24.6	24.6	10.0	15.0	12.9	19.6	-10.6	40.8	7.5	10.4	10.6	
<b>AB US Small Cap Value Equity</b>	105,688,442	1.8	-2.5	9.1	9.1	-1.5	6.4	-	4.3	-16.1	77.5	-19.4	-6.9	6.6	Jul-15
<i>Russell 2000 Value Index</i>			-3.6	10.9	10.9	-0.5	7.1	-	6.0	-16.3	73.3	-17.5	-6.2	6.9	
<b>Geneva Capital Small Cap Growth</b>	58,375,855	1.0	-1.2	9.8	9.8	-0.4	8.2	-	15.6	-22.1	37.6	9.3	8.6	10.1	Jul-15
<i>Russell 2000 Growth Index</i>			-2.9	9.1	9.1	-4.9	6.2	-	18.5	-33.4	51.4	3.5	-0.5	6.7	
<b>International Developed Equity</b>	724,007,149	12.4	-1.1	10.9	10.9	2.4	6.7	5.0	17.1	-17.3	36.7	-5.7	-0.9	5.0	Jul-14
<i>MSCI World ex U.S. IMI Index (Net)</i>			-0.7	10.8	10.8	2.0	6.3	4.2	16.3	-17.7	34.8	-5.1	0.2	4.2	
<b>Mellon DB SL World ex-US Index Fund</b>	436,964,367	7.5	-0.3	11.7	11.7	3.4	7.2	-	17.9	-16.1	35.6	-5.5	-	6.2	Jul-18
<i>MSCI World ex U.S. IMI Index (Net)</i>			-0.7	10.8	10.8	2.0	6.3	-	16.3	-17.7	34.8	-5.1	0.2	5.1	
<b>Cevian Capital II</b>	47,349,726	0.8	1.5	21.8	21.8	11.9	13.6	-	25.3	-8.2	46.8	-8.2	-5.0	8.9	Dec-14
<i>MSCI Europe (Net)</i>			0.5	11.7	11.7	3.9	7.1	-	21.8	-17.6	35.1	-6.8	1.9	5.5	
<b>Lazard Japanese Equity</b>	118,573,007	2.0	-4.0	-	-	-	-	-	-	-	-	-	-	18.7	Nov-23
<i>TOPIX Net Total Return Index</i>			-4.3	-	-	-	-	-	-	-	-	-	-	15.4	
<b>American Century Non-US Small Cap</b>	64,559,071	1.1	-1.2	8.3	8.3	-5.3	-	-	7.9	-27.4	-	-	-	-0.6	Dec-20
<i>MSCI World ex U.S. Small Cap Growth Index (Net)</i>			-1.3	5.6	5.6	-6.2	-	-	9.5	-28.6	-	-	-	-2.1	
<b>Dalton Japan Long Only</b>	56,560,978	1.0	-3.2	-	-	-	-	-	-	-	-	-	-	13.1	Oct-23
<i>MSCI Japan Small Cap Index (Net)</i>			-5.8	-	-	-	-	-	-	-	-	-	-	10.8	
<b>Emerging Markets Equity</b>	214,147,831	3.7	5.5	13.8	13.8	-2.4	2.7	2.2	4.6	-21.9	39.5	-11.8	-0.6	2.2	Jul-14
<i>MSCI Emerging Markets IMI (Net)</i>			5.1	13.6	13.6	-4.1	3.9	3.1	3.2	-24.8	43.2	-4.0	0.5	3.1	
<b>DFA Emerging Markets Value I</b>	95,168,458	1.6	5.9	16.7	16.7	3.1	5.9	3.9	7.9	-12.9	47.6	-17.7	2.0	5.0	Mar-14
<i>MSCI Emerging Markets Value (Net)</i>			5.1	14.1	14.1	-1.1	2.9	2.0	4.1	-18.6	41.6	-15.7	5.0	2.9	
<b>Mellon Emerging Markets Stock Index Fund</b>	118,979,373	2.0	5.1	12.0	12.0	-5.4	-	-	1.6	-25.5	41.1	-	-	4.4	Jun-20
<i>MSCI Emerging Markets (Net)</i>			5.0	12.5	12.5	-5.1	-	-	1.7	-25.3	40.9	-	-	6.5	
<b>Fixed Income</b>	1,290,646,469	22.1	0.2	3.9	3.9	-2.4	0.8	1.8	2.9	-13.0	5.1	6.3	7.6	3.2	Jun-10
<i>Fixed Income Custom Benchmark</i>			0.3	4.8	4.8	-1.9	0.7	1.9	1.9	-11.6	4.0	5.2	8.4	3.0	
<b>Core Fixed Income</b>	831,879,960	14.3	0.1	2.4	2.4	-3.5	-0.2	1.5	-1.0	-11.4	0.8	9.3	7.9	1.5	Jul-14
<i>Bloomberg U.S. Aggregate Index</i>			0.1	2.6	2.6	-3.0	-0.2	1.3	-0.9	-10.3	-0.3	8.7	7.9	1.3	
<b>Fixed Income Beta Exposure</b>	410,419,101	7.0	0.2	1.7	1.7	-	-	-	-2.5	-	-	-	-	0.7	Jun-22
<i>Bloomberg U.S. Aggregate Index</i>			0.1	2.6	2.6	-	-	-	-0.9	-	-	-	-	0.0	
<b>Mellon DB SL Aggregate Bond Index Fund</b>	165,322,237	2.8	0.1	2.6	2.6	-3.1	-0.3	1.3	-0.9	-10.4	-0.4	8.8	7.9	2.0	Jan-11
<i>Bloomberg U.S. Aggregate Index</i>			0.1	2.6	2.6	-3.0	-0.2	1.3	-0.9	-10.3	-0.3	8.7	7.9	2.0	
<b>PIMCO Core Plus</b>	170,839,344	2.9	0.0	3.6	3.6	-2.5	0.4	1.6	-0.7	-9.9	1.1	8.7	6.3	2.3	Feb-11
<i>Bloomberg U.S. Aggregate Index</i>			0.1	2.6	2.6	-3.0	-0.2	1.3	-0.9	-10.3	-0.3	8.7	7.9	2.0	

*Policy Index: 33% MSCI ACWI IMI (Net), 17% Bloomberg US Aggregate, 6% Ice BoFA ML High Yield Master II Index, 2% JPM Emerging Markets Bond Index Global Diversified, 2% JPM Government Bond Index-Emerging Markets Global Diversified, 4% Bloomberg Commodity Index, 7.5% 3-Month Treasury Bill +3%, 2.5% MSCI ACWI (Net), 8% 3-Month Treasury Bill + 3%, 7% NCREIF-ODCE Gross Monthly, 5% actual time-weighted Private Equity Returns\*, 6% actual time-weighted Private Credit Returns\*, 3% actual time-weighted Private Real Estate Returns\*, 5% Alerian Midstream, 0% Assumed Rate of Return +3%, -8% 3-Month Treasury Bill. All data prior to 2Q 2011 has been provided by the investments managers. FY: 6/30. The Equity and Fixed Income Beta Exposure return includes overlay cash and an implied hurdle rate also applied to the Alpha pool.*

Total Fund  
Performance (Net of Fees)

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

	Market Value	% of Portfolio	3 Mo	Fiscal YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Fiscal 2023	Fiscal 2022	Fiscal 2021	Fiscal 2020	Fiscal 2019	Inception	Inception Date
Western Asset Core Plus	85,299,278	1.5	-0.4	2.7	2.7	-4.0	-0.2	1.8	0.8	-14.5	2.4	9.3	9.4	3.7	Jun-04
<i>Bloomberg U.S. Aggregate Index</i>			<i>0.1</i>	<i>2.6</i>	<i>2.6</i>	<i>-3.0</i>	<i>-0.2</i>	<i>1.3</i>	<i>-0.9</i>	<i>-10.3</i>	<i>-0.3</i>	<i>8.7</i>	<i>7.9</i>	<i>3.1</i>	
High Yield/ Specialty Credit	262,323,475	4.5	1.6	7.5	7.5	1.3	3.2	3.0	7.5	-10.2	13.1	-0.5	7.0	3.0	Jul-14
<i>ICE BofA U.S. High Yield Index</i>			<i>1.1</i>	<i>10.4</i>	<i>10.4</i>	<i>1.6</i>	<i>3.7</i>	<i>4.2</i>	<i>8.9</i>	<i>-12.7</i>	<i>15.6</i>	<i>-1.1</i>	<i>7.6</i>	<i>4.2</i>	
Western Asset High Yield Fixed Income	170,032,306	2.9	1.3	10.0	10.0	1.2	3.4	3.7	9.5	-14.1	16.5	-2.2	8.3	6.0	Jun-05
<i>Bloomberg US HY Ba/B 2% Cap TR</i>			<i>1.2</i>	<i>10.0</i>	<i>10.0</i>	<i>1.6</i>	<i>3.9</i>	<i>4.3</i>	<i>8.9</i>	<i>-12.4</i>	<i>13.4</i>	<i>2.1</i>	<i>8.8</i>	<i>6.2</i>	
TCW Securitized Opportunities	92,291,169	1.6	2.0	3.1	3.1	1.1	2.3	-	4.4	-4.0	6.4	2.2	5.2	3.4	Feb-16
<i>Bloomberg U.S. High Yield - 2% Issuer Cap</i>			<i>1.1</i>	<i>10.4</i>	<i>10.4</i>	<i>1.6</i>	<i>3.9</i>	<i>-</i>	<i>9.1</i>	<i>-12.8</i>	<i>15.3</i>	<i>0.0</i>	<i>7.5</i>	<i>6.3</i>	
Emerging Market Debt	196,200,032	3.4	-0.8	6.0	6.0	-1.9	0.2	0.5	11.2	-19.9	9.1	-1.7	7.9	0.5	Jul-14
<i>50 JPM EMBI Global Div / 50 JPM GBI EM Global Div</i>			<i>-0.7</i>	<i>4.9</i>	<i>4.9</i>	<i>-2.9</i>	<i>-0.6</i>	<i>0.9</i>	<i>9.4</i>	<i>-20.2</i>	<i>7.1</i>	<i>-1.1</i>	<i>10.8</i>	<i>0.9</i>	
Stone Harbor Emerging Markets Debt Blend Portfolio	39,809,109	0.7	-0.7	6.8	6.8	-2.2	0.1	0.6	10.8	-20.9	9.5	-1.8	8.2	0.5	Aug-12
<i>50 JPM GBI-EM Global Div/ 40 JPM EMBI Global Div/ 10 JPM Corporate EM Bond Idx</i>			<i>-0.5</i>	<i>4.9</i>	<i>4.9</i>	<i>-2.7</i>	<i>-0.4</i>	<i>1.0</i>	<i>9.2</i>	<i>-19.5</i>	<i>7.2</i>	<i>-0.8</i>	<i>10.6</i>	<i>1.3</i>	
PIMCO EMD	156,390,923	2.7	-0.9	5.6	5.6	-1.7	-	-	11.3	-19.2	8.7	-	-	-0.3	Feb-20
<i>50 JPM EMBI Global Div / 50 JPM GBI EM Global Div</i>			<i>-0.7</i>	<i>4.9</i>	<i>4.9</i>	<i>-2.9</i>	<i>-</i>	<i>-</i>	<i>9.4</i>	<i>-20.2</i>	<i>7.1</i>	<i>-</i>	<i>-</i>	<i>-1.6</i>	
Commodities	224,267,766	3.8	2.4	13.7	13.7	8.1	9.8	0.5	-7.0	19.4	42.5	-11.3	-6.7	0.8	Jul-13
<i>Bloomberg Commodity Index Total Return</i>			<i>2.9</i>	<i>5.0</i>	<i>5.0</i>	<i>5.7</i>	<i>7.2</i>	<i>-1.3</i>	<i>-9.6</i>	<i>24.3</i>	<i>45.6</i>	<i>-17.4</i>	<i>-6.8</i>	<i>-0.5</i>	
Gresham MTAP Commodity Builder Fund	36,237,197	0.6	2.4	5.9	5.9	5.4	7.5	-0.9	-11.5	24.7	46.8	-16.3	-9.0	-0.3	Oct-13
<i>Bloomberg Commodity Index Total Return</i>			<i>2.9</i>	<i>5.0</i>	<i>5.0</i>	<i>5.7</i>	<i>7.2</i>	<i>-1.3</i>	<i>-9.6</i>	<i>24.3</i>	<i>45.6</i>	<i>-17.4</i>	<i>-6.8</i>	<i>-0.5</i>	
Wellington Commodities	188,030,569	3.2	2.4	15.5	15.5	8.7	10.7	1.5	-5.2	17.2	40.2	-7.5	-5.4	1.6	Sep-13
<i>S&amp;P GSCI Commodity Equal Weighted</i>			<i>1.4</i>	<i>10.4</i>	<i>10.4</i>	<i>7.3</i>	<i>8.8</i>	<i>1.1</i>	<i>-6.0</i>	<i>19.0</i>	<i>40.9</i>	<i>-12.4</i>	<i>-3.5</i>	<i>1.3</i>	
Hedge Funds	574,408,314	9.8	1.6	9.2	9.2	6.2	8.3	5.8	6.8	2.8	16.1	7.0	2.5	6.1	Sep-10
<i>75% 3-Month Treasury Bill +3% / 25% MSCI ACWI IMI (Net)</i>			<i>2.3</i>	<i>11.5</i>	<i>11.5</i>	<i>6.8</i>	<i>7.5</i>	<i>6.5</i>	<i>10.1</i>	<i>-0.9</i>	<i>12.3</i>	<i>5.1</i>	<i>6.6</i>	<i>6.4</i>	
Aristeia International Limited	74,515,835	1.3	0.6	5.1	5.1	4.1	8.3	5.4	5.5	1.8	21.6	8.7	9.2	5.3	May-14
Brevan Howard Fund	55,977,238	1.0	0.6	3.1	3.1	5.5	8.5	7.3	-1.0	15.2	6.1	20.5	12.7	6.8	Sep-13
D.E. Shaw Composite Fund	63,532,971	1.1	1.9	12.9	12.9	17.4	17.3	14.2	11.0	29.0	19.0	15.6	11.5	14.1	Jul-13
HBK Fund II	50,031,498	0.9	1.7	11.1	11.1	7.0	6.7	4.8	7.9	2.3	11.0	1.5	5.5	5.1	Nov-13
Hudson Bay Cap Structure Arbitrage Enhanced Fund	79,731,148	1.4	0.7	4.0	4.0	6.5	9.9	-	7.7	7.7	14.2	16.2	-	9.8	Jun-19
Indus Pacific Opportunities Fund	49,087,530	0.8	1.3	5.8	5.8	-1.1	9.1	6.6	-0.4	-8.2	38.0	15.8	-19.2	6.6	Jul-14
Pharo Macro Fund	70,975,638	1.2	2.0	12.7	12.7	0.5	-	-	1.2	-11.1	3.5	-	-	1.8	Dec-19
PIMCO Commodity Alpha Fund	82,495,501	1.4	3.3	15.6	15.6	14.1	12.2	-	18.3	8.6	14.2	4.8	5.2	11.6	Jun-16
Enhanced Domestic Partners to Sculptor Master Fund	48,060,954	0.8	2.1	13.5	13.5	-0.3	4.3	-	8.8	-19.9	16.8	6.5	-	6.6	Feb-19
Alpha Pool	228,281,533	3.9	-0.4	0.7	0.7	0.5	-	-	-0.9	1.5	14.5	-	-	3.8	Jul-20
<i>3-Month Treasury Bill +3%</i>			<i>2.1</i>	<i>8.6</i>	<i>8.6</i>	<i>6.1</i>	<i>-</i>	<i>-</i>	<i>6.7</i>	<i>3.2</i>	<i>3.1</i>	<i>-</i>	<i>-</i>	<i>5.4</i>	
Hudson Bay - Alpha Pool	65,508,104	1.1	-0.9	-2.8	-2.8	0.8	-	-	-1.1	6.7	-	-	-	3.7	Aug-20
Davidson Kempner Institutional Partners	60,024,545	1.0	-0.4	1.2	1.2	-2.1	-	-	-4.1	-3.4	-	-	-	0.5	Dec-20
HBK Fund II	37,692,601	0.6	0.2	4.0	4.0	1.4	-	-	-1.0	1.3	-	-	-	2.6	Dec-20
Garda Fixed Income Relative Value Opportunity Fund	65,056,284	1.1	-0.4	1.8	1.8	-	-	-	3.6	-	-	-	-	3.8	Sep-21

Policy Index: 33% MSCI ACWI IMI (Net), 17% Bloomberg US Aggregate, 6% Ice BofA ML High Yield Master II Index, 2% JPM Emerging Markets Bond Index Global Diversified, 2% JPM Government Bond Index-Emerging Markets Global Diversified, 4% Bloomberg Commodity Index, 7.5% 3-Month Treasury Bill +3%, 2.5% MSCI ACWI (Net), 8% 3-Month Treasury Bill + 3%, 7% NCREIF-ODCE Gross Monthly, 5% actual time-weighted Private Equity Returns\*, 6% actual time-weighted Private Credit Returns\*, 3% actual time-weighted Private Real Estate Returns\*, 5% Alerian Midstream, 0% Assumed Rate of Return +3%, -8% 3-Month Treasury Bill. All data prior to 2Q 2011 has been provided by the investments managers. FY: 6/30. The Equity and Fixed Income Beta Exposure return includes overlay cash and an implied hurdle rate also applied to the Alpha pool.

Total Fund  
Performance (Net of Fees)

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

	Market Value	% of Portfolio	3 Mo	Fiscal YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Fiscal 2023	Fiscal 2022	Fiscal 2021	Fiscal 2020	Fiscal 2019	Inception	Inception Date
Midstream Energy	302,472,317	5.2	4.8	29.8	29.8	19.2	-	-	19.3	9.3	-	-	-	28.3	Sep-20
<i>Alerian Midstream Energy Index</i>			<i>5.4</i>	<i>26.7</i>	<i>26.7</i>	<i>16.5</i>	-	-	<i>12.2</i>	<i>11.4</i>	-	-	-	<i>25.6</i>	
Harvest Midstream	161,434,527	2.8	6.3	35.9	35.9	23.7	-	-	20.9	15.3	-	-	-	34.4	Aug-20
<i>Alerian Midstream Energy Index</i>			<i>5.4</i>	<i>26.7</i>	<i>26.7</i>	<i>16.5</i>	-	-	<i>12.2</i>	<i>11.4</i>	-	-	-	<i>25.0</i>	
PIMCO Midstream	141,037,790	2.4	3.1	23.6	23.6	13.9	-	-	16.9	2.2	-	-	-	22.7	Oct-20
<i>50/25/25 Alerian Midstream/ ICE BoFA US Pipeline/ ICE BoFA US HY Midstream</i>			<i>3.2</i>	<i>17.6</i>	<i>17.6</i>	<i>8.7</i>	-	-	<i>10.1</i>	<i>-0.7</i>	-	-	-	<i>15.7</i>	
Core Real Estate	245,562,202	4.2	-3.6	-19.7	-19.7	-4.3	-1.2	-	-12.4	24.8	5.6	1.4	5.9	3.5	Oct-14
<i>NCREIF ODCE</i>			<i>-0.4</i>	<i>-9.3</i>	<i>-9.3</i>	<i>1.9</i>	<i>3.2</i>	-	<i>-10.0</i>	<i>29.5</i>	<i>8.0</i>	<i>2.2</i>	<i>6.4</i>	<i>6.2</i>	
ASB Allegiance Real Estate Fund	122,471,881	2.1	-7.8	-23.9	-23.9	-6.7	-2.8	2.7	-13.3	23.0	5.4	1.5	6.8	3.3	Sep-13
<i>NCREIF ODCE</i>			<i>-0.4</i>	<i>-9.3</i>	<i>-9.3</i>	<i>1.9</i>	<i>3.2</i>	<i>6.4</i>	<i>-10.0</i>	<i>29.5</i>	<i>8.0</i>	<i>2.2</i>	<i>6.4</i>	<i>6.8</i>	
JPMCB Strategic Property Fund	111,134,693	1.9	1.1	-14.9	-14.9	-1.2	0.7	-	-11.4	27.9	5.9	1.3	5.0	4.4	Jul-14
<i>NCREIF ODCE</i>			<i>-0.4</i>	<i>-9.3</i>	<i>-9.3</i>	<i>1.9</i>	<i>3.2</i>	<i>6.4</i>	<i>-10.0</i>	<i>29.5</i>	<i>8.0</i>	<i>2.2</i>	<i>6.4</i>	<i>6.4</i>	
Blue Owl Real Estate Fund VI	11,955,628	0.2	-	-	-	-	-	-	-	-	-	-	-	0.0	May-24
<i>NCREIF ODCE</i>			<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-0.4</i>	
Private Real Estate	180,655,798	3.1	-2.0	-6.4	-6.4	9.9	9.2	10.4	7.9	31.3	12.1	4.4	9.0	10.9	Mar-11
			<i>-2.0</i>	<i>-6.4</i>	<i>-6.4</i>	<i>9.9</i>	<i>9.2</i>	<i>10.4</i>	<i>7.9</i>	<i>31.3</i>	<i>12.1</i>	<i>4.4</i>	<i>9.0</i>	<i>10.9</i>	
Private Equity	269,203,109	4.6	2.4	11.9	11.9	11.0	11.7	10.2	-0.6	22.9	41.7	-10.5	10.9	10.7	Sep-10
			<i>2.4</i>	<i>11.9</i>	<i>11.9</i>	<i>11.0</i>	<i>11.7</i>	<i>10.2</i>	<i>-0.6</i>	<i>23.0</i>	<i>41.7</i>	<i>-10.5</i>	<i>10.9</i>	<i>10.7</i>	
Private Credit	339,602,834	5.8	4.1	13.2	13.2	5.7	5.5	-	3.2	1.2	4.8	5.5	9.7	7.7	Jan-16
			<i>4.1</i>	<i>13.2</i>	<i>13.2</i>	<i>5.7</i>	<i>5.5</i>	<i>-</i>	<i>3.2</i>	<i>1.2</i>	<i>4.8</i>	<i>5.5</i>	<i>9.7</i>	<i>7.7</i>	
Opportunistic	150,814,814	2.6	-0.2	2.5	2.5	-0.9	-	-	0.6	-5.4	59.9	-	-	8.2	Jan-20
<i>Assumed Rate of Return +3%</i>			<i>2.4</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>	<i>-</i>	<i>-</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>	<i>-</i>	<i>-</i>	<i>10.0</i>	
River Birch International	4,666,492	0.1	-2.7	17.6	17.6	-	-	-	45.1	-	-	-	-	36.8	Jun-22
<i>Assumed Rate of Return +3%</i>			<i>2.4</i>	<i>10.0</i>	<i>10.0</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>10.0</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>10.0</i>	
Sixth Street TAO Partners (D)	89,786,388	1.5	1.6	11.3	11.3	8.4	-	-	4.4	9.6	39.6	-	-	14.5	Mar-20
<i>Assumed Rate of Return +3%</i>			<i>2.4</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>	<i>-</i>	<i>-</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>	<i>-</i>	<i>-</i>	<i>10.0</i>	
Aristeia Select Opportunities II	43,669,014	0.7	-4.6	-9.7	-9.7	-	-	-	-7.2	-	-	-	-	-4.2	Jul-21
<i>Assumed Rate of Return +3%</i>			<i>2.4</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>	<i>-</i>	<i>-</i>	<i>10.0</i>	<i>10.0</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>10.0</i>	
Hudson Bay Special Opportunities Fund LP	2,692,920	0.0	18.0	-	-	-	-	-	-	-	-	-	-	18.0	Feb-24
<i>Assumed Rate of Return +3%</i>			<i>2.4</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>3.5</i>	
Pharo Opportunities Fund SPC	10,000,000	0.2	-	-	-	-	-	-	-	-	-	-	-	0.0	Jun-24
<i>Assumed Rate of Return +3%</i>			<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>0.1</i>	
Cash	433,731,277	7.4	1.4	6.3	6.3	2.7	1.9	2.1	2.2	-0.2	0.1	1.0	2.0	1.7	Apr-11
<i>3 Month T-Bill</i>			<i>1.3</i>	<i>5.4</i>	<i>5.4</i>	<i>3.0</i>	<i>2.2</i>	<i>1.5</i>	<i>3.6</i>	<i>0.2</i>	<i>0.1</i>	<i>1.6</i>	<i>2.3</i>	<i>1.2</i>	

Policy Index: 33% MSCI ACWI IMI (Net), 17% Bloomberg US Aggregate, 6% Ice BoFA ML High Yield Master II Index, 2% JPM Emerging Markets Bond Index Global Diversified, 2% JPM Government Bond Index-Emerging Markets Global Diversified, 4% Bloomberg Commodity Index, 7.5% 3-Month Treasury Bill +3%, 2.5% MSCI ACWI (Net), 8% 3-Month Treasury Bill + 3%, 7% NCREIF-ODCE Gross Monthly, 5% actual time-weighted Private Equity Returns\*, 6% actual time-weighted Private Credit Returns\*, 3% actual time-weighted Private Real Estate Returns\*, 5% Alerian Midstream, 0% Assumed Rate of Return +3%, -8% 3-Month Treasury Bill. All data prior to 2Q 2011 has been provided by the investments managers. FY: 6/30. The Equity and Fixed Income Beta Exposure return includes overlay cash and an implied hurdle rate also applied to the Alpha pool.

Total Fund  
Total Private Equity

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

IRR Analysis as of IRR date												
Vintage Year	Manager/Fund	Estimated Market Value as of 06/30/2024	Total Commitment	Capital Called	% Called	Remaining Commitment	Capital Returned	Market Value as of IRR date	Distrib./ Paid-In (DPI) <sup>1</sup>	Tot. Value/ Paid-In (TVPI) <sup>2</sup>	Net IRR Since Inception <sup>3</sup>	IRR Date
<b>Private Equity</b>												
2008	Abbott Capital PE VI	\$13,773,543	\$50,000,000	\$49,750,000	100%	\$250,000	\$82,084,694	\$15,174,054	1.65x	1.93x	12.6%	03/31/24
2006	Pantheon Global III	\$540,212	\$50,000,000	\$47,300,000	95%	\$2,700,000	\$52,000,000	\$542,524	1.10x	1.11x	1.9%	03/31/24
2002	Pantheon USA V	\$30,817	\$25,000,000	\$24,350,000	97%	\$650,000	\$38,291,224	\$374,357	1.57x	1.57x	9.0%	12/31/23
2004	Pantheon USA VI	\$307,061	\$35,000,000	\$33,075,000	95%	\$1,925,000	\$50,623,827	\$329,223	1.53x	1.54x	6.7%	03/31/24
2006	Pantheon USA VII	\$6,473,929	\$50,000,000	\$46,600,000	93%	\$3,400,000	\$80,999,998	\$6,431,968	1.74x	1.88x	10.1%	03/31/24
2020	Vista Foundation Fund IV	\$19,775,303	\$25,000,000	\$19,970,294	80%	\$5,029,706	\$30,252	\$19,440,908	0.00x	0.99x	0.6%	03/31/24
2021	Crown Global Secondaries V Master S.C.Sp	\$42,308,607	\$50,000,000	\$32,250,000	65%	\$17,750,000	\$1,550,000	\$39,156,263	0.05x	1.36x	24.5%	03/31/24
2021	Brighton Park Capital Fund I	\$40,792,750	\$30,000,000	\$29,520,053	98%	\$479,947	\$1,888,187	\$41,250,646	0.06x	1.45x	13.1%	03/31/24
2021	Warren Equity Partners Fund III	\$37,184,375	\$32,500,000	\$28,344,462	87%	\$4,155,538	\$508,290	\$35,816,645	0.02x	1.33x	21.0%	03/31/24
2021	Peak Rock Capital Fund III	\$18,578,615	\$30,000,000	\$18,656,463	62%	\$11,343,537	\$6,286,731	\$16,945,661	0.34x	1.33x	26.1%	03/31/24
2021	Level Equity Growth Partners V	\$10,905,931	\$15,000,000	\$9,473,677	63%	\$5,526,323	\$0	\$8,532,754	0.00x	1.15x	10.0%	03/31/24
2021	Level Equity Opportunities Fund 2021	\$7,428,528	\$15,000,000	\$6,614,000	44%	\$8,386,000	\$0	\$6,565,113	0.00x	1.12x	11.1%	03/31/24
2022	Linden Capital Partners V LP	\$14,370,024	\$22,500,000	\$12,279,125	55%	\$10,220,875	\$0	\$13,779,144	0.00x	1.17x	12.1%	03/31/24
2022	Rubicon Technology Partners IV LP	\$9,997,253	\$30,000,000	\$10,757,463	36%	\$19,242,537	\$0	\$9,838,432	0.00x	0.93x	-21.0%	03/31/24
2022	OrbiMed Private Investments IV, LP	\$2,831,951	\$10,000,000	\$2,649,201	26%	\$7,350,799	\$0	\$2,039,772	0.00x	1.07x	31.9%	03/31/24
2022	Brighton Park Capital Fund II	\$6,099,408	\$30,000,000	\$6,992,652	23%	\$23,007,348	\$354,441	N/A	0.05x	0.92x	N/A	N/A
2022	Linden Co-Investment V LP	\$6,292,741	\$7,500,000	\$9,054,807	121%	-\$1,554,807	\$55,503	\$4,113,076	0.01x	0.70x	21.7%	12/31/23
2022	Warren Equity Partners Fund IV	\$17,361,164	\$32,500,000	\$11,689,634	36%	\$20,810,366	\$0	\$17,361,164	0.00x	1.49x	16.9%	06/30/24
2023	WEP Co-Invest IV	\$7,220,378	\$10,000,000	\$7,470,589	75%	\$2,529,411	\$173,170	N/A	0.02x	0.99x	N/A	N/A
2023	Crown Global Secondaries Fund VI	\$1,591,982	\$30,000,000	\$1,050,000	4%	\$28,950,000	\$0	N/A	0.00x	1.52x	N/A	N/A
2024	Accel-KKR Capital Partners VII	\$0	\$25,000,000	\$0	0%	\$25,000,000	\$0	N/A	N/A	N/A	N/A	N/A
2023	Parthenon Investors VII	\$1,484,445	\$30,000,000	\$1,449,377	5%	\$28,550,623	\$0	N/A	N/A	N/A	N/A	N/A
2024	Longreach Capital Partners	\$3,854,091	\$15,000,000	\$3,713,172	25%	\$11,286,828	\$0	N/A	N/A	N/A	N/A	N/A
<b>Total Private Equity</b>		<b>\$269,203,109</b>	<b>\$650,000,000</b>	<b>\$413,009,968</b>	<b>64%</b>	<b>\$236,990,032</b>	<b>\$314,846,318</b>	<b>\$237,691,704</b>	<b>0.76x</b>	<b>1.41x</b>		
<b>% of Portfolio (Market Value)</b>		<b>4.6%</b>										

<sup>1</sup>(DPI) is equal to (capital returned / capital called)

<sup>2</sup>(TVPI) is equal to (market value + capital returned) / capital called

<sup>3</sup>Net IRR is calculated on the cash flows of all the limited partners of the fund and is net of all fees. Each IRR is provided by the Fund manager and is reflective of the Fund IRR, rather than KCERA's specific IRR.

Total Fund  
Total Private Credit

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

IRR Analysis as of IRR date												
Vintage		Estimated Market Value	Total	Capital	%	Remaining	Capital		Distrib./	Tot. Value/	Net IRR	IRR
Year	Manager/Fund	6/30/2024	Commitment	Called	Called	Commitment	Returned	Market Value as of IRR date	(DPI) <sup>1</sup>	(TVPI) <sup>2</sup>	Since Inception <sup>3</sup>	Date
<b>Private Credit</b>												
2015	DC Value Recovery Fund IV <sup>4</sup>	\$15,070,043	\$74,380,749	\$73,340,099	99%	\$1,020,650	\$44,343,375	\$18,041,473	0.60x	0.81x	N/A	N/A
2017	Sixth Street TAO Partners (B)	\$46,335,052	\$108,035,958	\$89,095,779	82%	\$18,940,179	\$46,945,528	\$42,298,855	0.53x	1.05x	9.9%	3/31/24
2017	Brookfield Real Estate Finance Fund V	\$16,098,537	\$50,000,000	\$39,198,138	78%	\$10,801,862	\$31,444,596	\$16,098,537	0.80x	1.21x	8.0%	6/30/24
2018	Magnetar Constellation Fund V	\$23,206,748	\$60,000,000	\$56,445,318	94%	\$3,554,682	\$45,623,684	\$23,206,748	0.81x	1.22x	4.8%	6/30/24
2019	H.I.G Bayside Loan Opportunity Fund V	\$41,157,624	\$60,000,000	\$35,821,497	60%	\$24,178,503	\$22,319,918	\$41,157,624	0.62x	1.77x	15.9%	6/30/24
2020	Blue Torch Credit Opportunities Fund II	\$13,593,149	\$20,000,000	\$17,296,007	86%	\$2,703,993	\$8,502,603	\$15,532,183	0.49x	1.28x	13.1%	3/31/24
2020	Fortress Credit Opportunities Fund V Expansion	\$29,218,859	\$40,000,000	\$27,018,489	68%	\$12,981,511	\$2,417,001	\$24,853,353	0.09x	1.17x	20.1%	3/31/24
2021	Fortress Lending Fund II	\$24,386,253	\$40,000,000	\$34,937,851	87%	\$5,062,149	\$15,679,574	\$24,386,253	0.45x	1.15x	9.7%	6/30/24
2022	Blue Torch Credit Opportunities Fund III	\$23,889,429	\$40,000,000	\$32,999,891	82%	\$7,000,109	\$13,804,824	\$25,574,861	0.42x	1.14x	18.2%	3/31/24
2022	Fortress Lending Fund III	\$29,229,392	\$40,000,000	\$26,432,701	66%	\$13,567,299	\$5,590,556	\$29,229,392	0.21x	1.32x	11.9%	6/30/24
2022	OrbiMed Royalty & Credit Opportunities IV	\$10,256,472	\$30,000,000	\$8,983,980	30%	\$21,016,020	\$2,763,403	\$10,256,472	0.31x	1.45x	11.5%	6/30/24
2023	Cerberus Business Finance V	\$18,648,339	\$30,000,000	\$16,734,852	56%	\$13,265,148	\$0	\$18,403,624	0.00x	1.11x	19.7%	5/31/24
2023	Silver Point – Specialty Credit Fund III	\$9,756,659	\$30,000,000	\$11,124,002	37%	\$18,875,998	\$3,246,341	\$9,520,807	0.29x	1.17x	16.6%	3/31/24
2023	Ares Pathfinder II	\$4,830,058	\$30,000,000	\$4,525,972	15%	\$25,474,028	\$0	\$2,450,370	0.00x	1.07x	17.0%	12/31/23
2023	Oak Hill Advisors Structured Products Fund III, L.P.	\$13,906,378	\$25,000,000	\$12,420,411	50%	\$12,579,589	\$0	\$13,201,470	0.00x	1.12x	21.8%	3/31/24
2023	Ares Senior Direct Lending III	\$0	\$30,000,000	\$0	0%	\$30,000,000	\$0	\$0	N/A	N/A	N/A	N/A
2024	ITE Rail Fund, L.P.	\$20,019,841	\$40,000,000	\$20,000,000	50%	\$20,000,000	\$100,000	\$0	0.01x	1.01x	N/A	N/A 03/31/24
<b>Total Private Credit</b>		<b>\$339,602,834</b>	<b>\$747,396,707</b>	<b>\$506,374,985</b>	<b>68%</b>	<b>\$339,602,834</b>	<b>\$339,602,834</b>	<b>\$339,602,834</b>	<b>0.67x</b>	<b>1.34x</b>		
<b>% of Portfolio (Market Value)</b>		<b>5.8%</b>										

<sup>1</sup>(DPI) is equal to (capital returned / capital called)

<sup>2</sup>(TVPI) is equal to (market value + capital returned) / capital called

<sup>3</sup>Net IRR is calculated on the cash flows of all the limited partners of the fund and is net of all fees. Each IRR is provided by the Fund manager and is reflective of the Fund IRR, rather than KCERA's specific IRR.

<sup>4</sup>Name changed from Colony Distressed Credit fund to DC Value Recovery Fund IV

Total Fund  
Total Private Real Estate

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

IRR Analysis as of IRR date												
Vintage Year	Manager/Fund	Estimated Market Value 6/30/2024	Total Commitment	Capital Called	% Called	Remaining Commitment	Capital Returned	Market Value as of IRR date	Distrib./ Paid-In (DPI) <sup>1</sup>	Tot. Value/ Paid-In (TVPI) <sup>2</sup>	Net IRR Since Inception <sup>3</sup>	IRR Date
<b>Private Real Estate</b>												
2014	Invesco Real Estate Value-Add Fund IV	\$157,969	\$50,000,000	\$43,637,717	87%	\$6,362,283	\$56,824,750	\$157,969	1.30x	1.31x	11.6%	06/30/24
2017	Landmark Real Estate Partners VIII	\$33,048,887	\$60,000,000	\$45,109,466	75%	\$14,890,534	\$25,662,388	\$33,048,887	0.57x	1.30x	11.9%	06/30/24
2018	Long Wharf Real Estate Partners VI	\$33,431,828	\$50,000,000	\$50,000,000	100%	\$0	\$24,281,467	\$33,431,828	0.49x	1.15x	13.8%	06/30/24
2020	Covenant Apartment Fund X	\$29,338,245	\$30,000,000	\$25,507,333	85%	\$4,492,667	\$7,920,010	\$29,338,245	0.31x	1.46x	12.4%	06/30/24
2021	Singerman Real Estate Opportunity Fund IV	\$18,175,814	\$35,000,000	\$13,527,500	39%	\$21,472,500	\$0	\$18,175,814	0.00x	1.34x	19.9%	06/30/24
2022	LBA Logistics Value Fund IX, L.P.	\$17,923,620	\$40,000,000	\$14,230,769	36%	\$25,769,231	\$0	\$17,923,620	0.00x	1.26x	-4.2%	06/30/24
2022	Covenant Apartment Fund XI	\$21,061,180	\$30,000,000	\$15,600,000	52%	\$38,076,924	\$3,112	\$21,061,180	0.00x	1.35x	1.0%	06/30/24
2022	KSL Capital Partners VI	\$4,994,026	\$30,000,000	\$6,945,876	23%	\$23,054,124	\$212,603	\$4,994,026	0.03x	0.75x	-19.7%	06/30/24
2023	Merit Hill V	\$14,505,177	\$30,000,000	\$17,529,762	58%	\$12,470,238	\$2,062,594	N/A	0.12x	0.95x	N/A	N/A
2024	Juniper Capital IV, L.P.	\$4,467,289	\$30,000,000	\$5,115,008	17%	\$24,884,992	\$0	N/A	0.00x	0.87x	N/A	N/A
2024	Landmark Real Estate Partners IX	\$242,794	\$5,000,000	\$1,162,127	23%	\$3,837,873	\$0	N/A	0.00x	0.21x	N/A	N/A
2024	Juniper High Noon Partners, L.P.	\$3,308,969	\$40,000,000	\$3,309,091	8%	\$36,690,909	\$0	N/A	0.00x	1.00x	N/A	N/A
<b>Total Private Real Estate</b>		<b>\$180,655,798</b>	<b>\$430,000,000</b>	<b>\$241,674,649</b>	<b>56%</b>	<b>\$212,002,275</b>	<b>\$116,966,924</b>	<b>\$158,131,569</b>	<b>0.48x</b>	<b>1.23x</b>		
<b>% of Portfolio (Market Value)</b>		<b>3.1%</b>										

<sup>1</sup>(DPI) is equal to (capital returned / capital called)

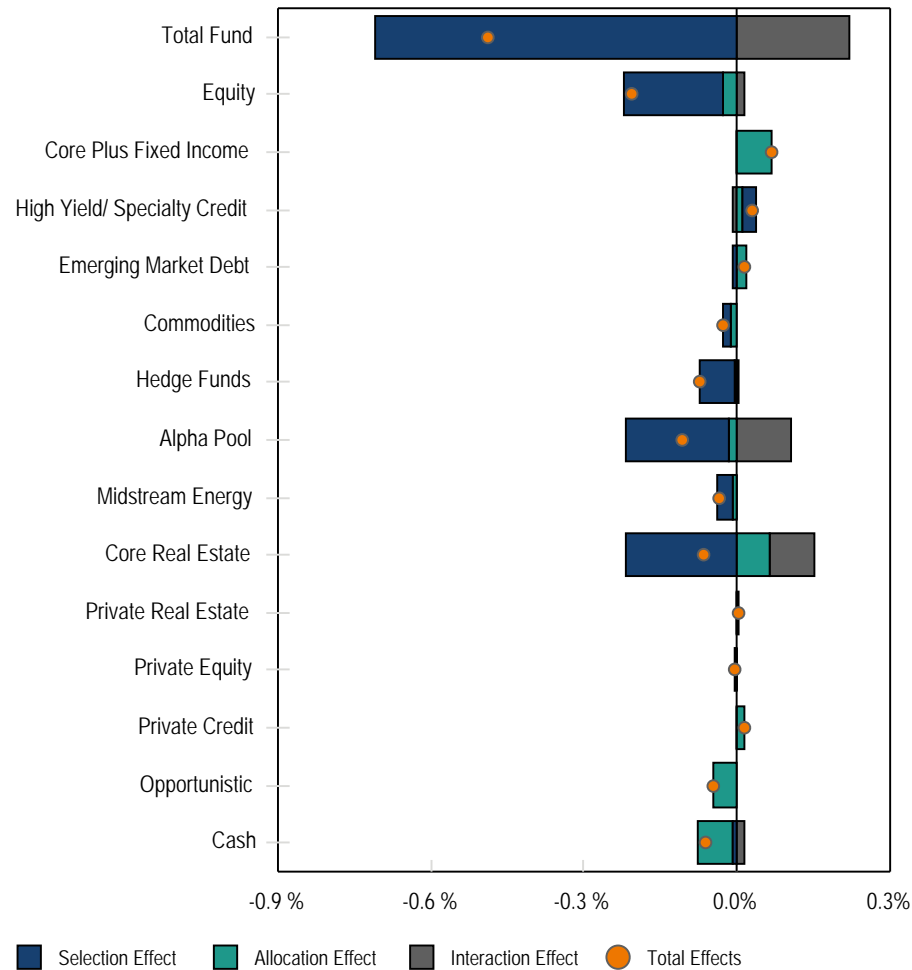
<sup>2</sup>(TVPI) is equal to (market value + capital returned) / capital called

<sup>3</sup>Net IRR is calculated on the cash flows of all the limited partners of the fund and is net of all fees. Each IRR is provided by the Fund manager and is reflective of the Fund IRR, rather than KCERA's specific IRR.

Total Fund  
Attribution Analysis - Asset Class Level (Net of Fees)

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

Attribution Effects  
Last Three Months



Performance Attribution

	Last Three Months
Wtd. Actual Return	1.3
Wtd. Index Return	1.8
<b>Excess Return</b>	<b>-0.5</b>
Selection Effect	-0.7
Allocation Effect	0.0
Interaction Effect	0.2

Attribution Summary  
Last Three Months

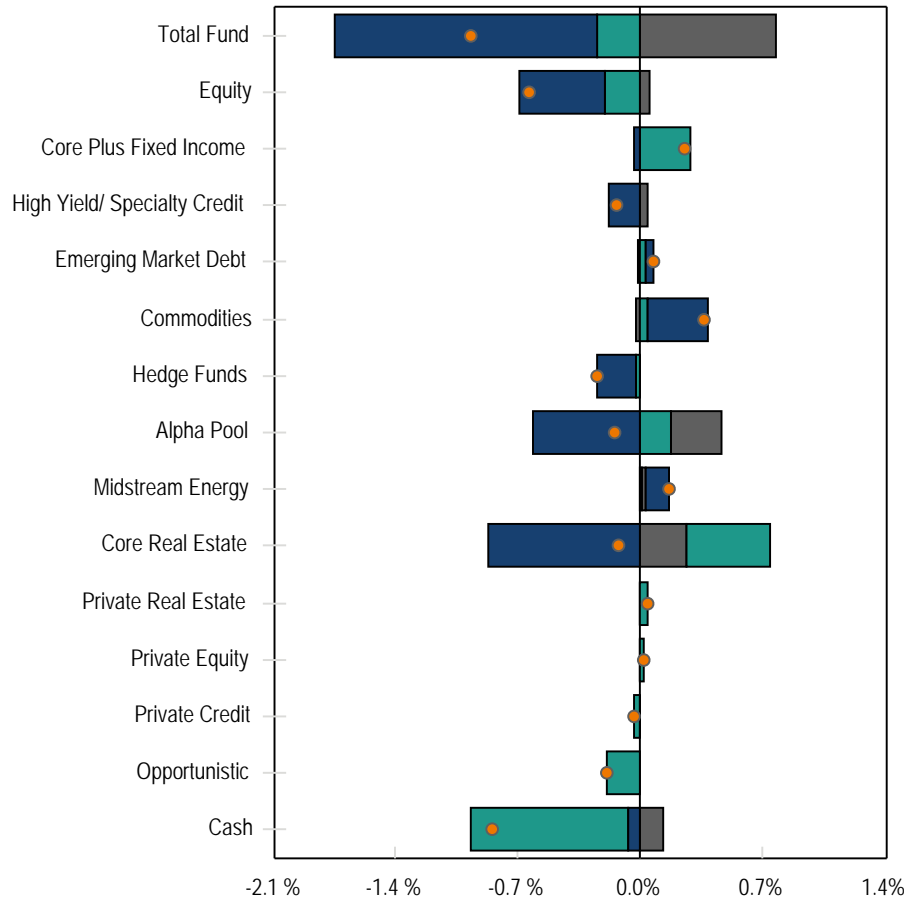
	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Equity	1.8	2.4	-0.6	-0.2	0.0	0.0	-0.2
Core Plus Fixed Income	0.1	0.1	0.0	0.0	0.1	0.0	0.1
High Yield/ Specialty Credit	1.6	1.1	0.5	0.0	0.0	0.0	0.0
Emerging Market Debt	-0.8	-0.7	-0.1	0.0	0.0	0.0	0.0
Commodities	2.4	2.9	-0.5	0.0	0.0	0.0	0.0
Hedge Funds	1.6	2.3	-0.7	-0.1	0.0	0.0	-0.1
Alpha Pool	-0.4	2.1	-2.5	-0.2	0.0	0.1	-0.1
Midstream Energy	4.8	5.4	-0.6	0.0	0.0	0.0	0.0
Core Real Estate	-3.6	-0.4	-3.1	-0.2	0.1	0.1	-0.1
Private Real Estate	-2.0	-2.0	0.0	0.0	0.0	0.0	0.0
Private Equity	2.4	2.4	0.0	0.0	0.0	0.0	0.0
Private Credit	4.1	4.1	0.0	0.0	0.0	0.0	0.0
Opportunistic	-0.2	2.4	-2.6	0.0	0.0	0.0	0.0
Cash	1.4	1.3	0.1	0.0	-0.1	0.0	-0.1
<b>Total Fund</b>	<b>1.3</b>	<b>1.8</b>	<b>-0.5</b>	<b>-0.7</b>	<b>0.0</b>	<b>0.2</b>	<b>-0.5</b>

Weighted returns shown in attribution analysis may differ from actual returns. Negative cash allocation unable to be shown in Attribution Summary table. Wtd. Index Returns calculated from benchmark returns and weightings of each component. Selection Effect includes Other Effect in the Performance Attribution table.

# Total Fund Attribution Analysis - Asset Class Level (Net of Fees)

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

Attribution Effects  
Fiscal YTD



Performance Attribution

	Fiscal YTD
Wtd. Actual Return	9.6
Wtd. Index Return	10.6
<b>Excess Return</b>	<b>-1.0</b>
Selection Effect	-1.5
Allocation Effect	-0.2
Interaction Effect	0.8

Attribution Summary  
FYTD

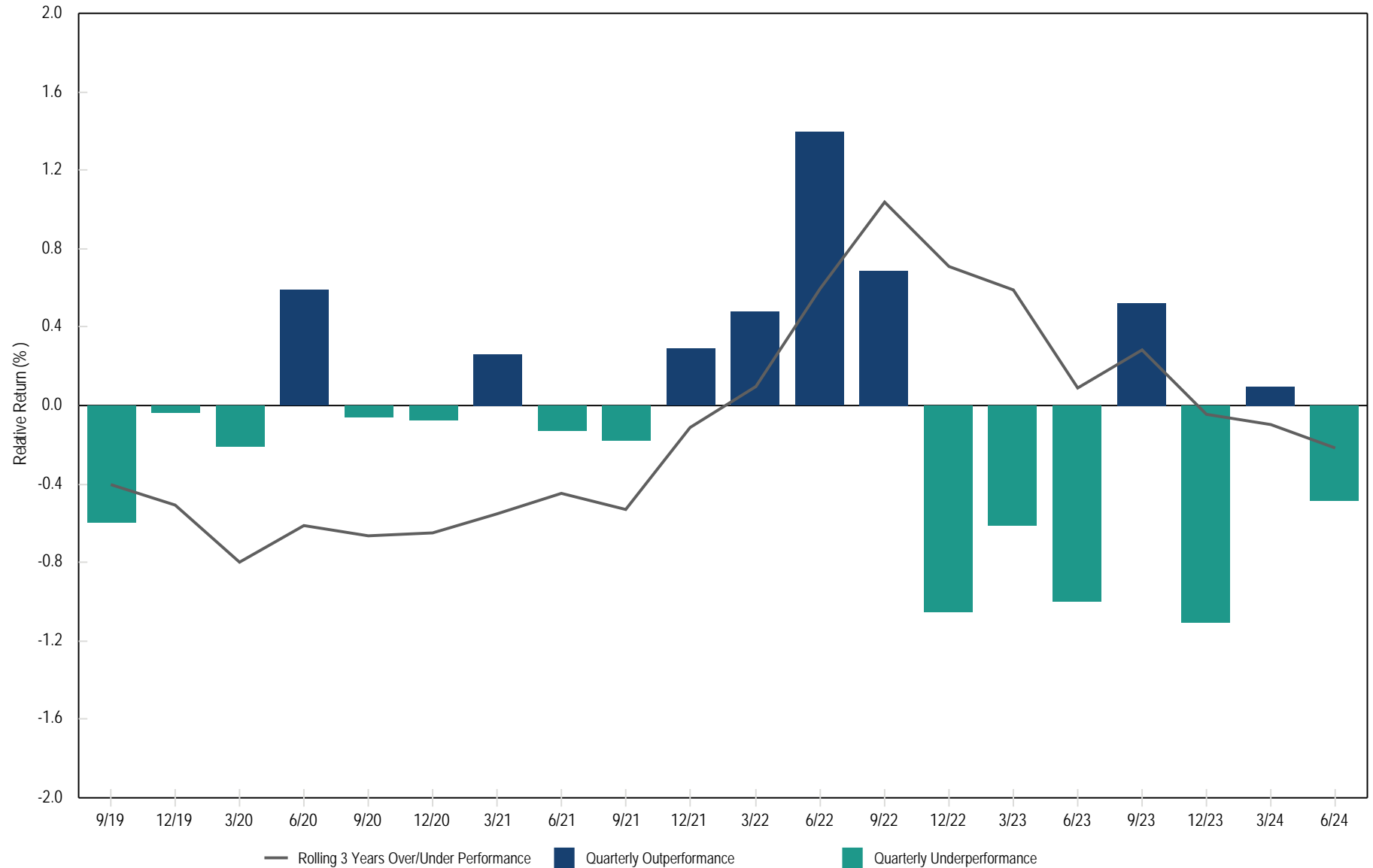
	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Equity	16.9	18.4	-1.5	-0.4	-0.2	0.1	-0.6
Core Plus Fixed Income	2.4	2.6	-0.2	0.0	0.3	0.0	0.3
High Yield/ Specialty Credit	7.5	10.4	-2.9	-0.2	0.0	0.0	-0.1
Emerging Market Debt	6.0	4.9	1.1	0.1	0.0	0.0	0.1
Commodities	13.7	5.0	8.7	0.4	0.0	0.0	0.4
Hedge Funds	9.2	11.6	-2.4	-0.2	0.0	0.0	-0.2
Alpha Pool	0.7	8.8	-8.1	-0.6	0.2	0.3	-0.1
Midstream Energy	29.8	26.7	3.1	0.2	0.0	0.0	0.2
Core Real Estate	-19.7	-9.3	-10.5	-0.8	0.5	0.3	-0.1
Private Real Estate	-6.4	-6.4	0.0	0.0	0.0	0.0	0.0
Private Equity	11.9	11.9	0.0	0.0	0.0	0.0	0.0
Private Credit	13.2	13.2	0.0	0.0	0.0	0.0	0.0
Opportunistic	2.5	10.0	-7.5	0.0	-0.2	0.0	-0.2
Cash	6.3	5.4	0.8	0.0	-0.9	0.1	-0.8
<b>Total Fund</b>	<b>9.6</b>	<b>10.6</b>	<b>-1.0</b>	<b>-1.5</b>	<b>-0.2</b>	<b>0.8</b>	<b>-1.0</b>

■ Selection Effect   ■ Allocation Effect   ■ Interaction Effect   ● Total Effects

Weighted returns shown in attribution analysis may differ from actual returns. Negative cash allocation unable to be shown in Attribution Summary table. Wtd. Index Returns calculated from benchmark returns and weightings of each component. Selection Effect includes Other Effect in the Performance Attribution table.



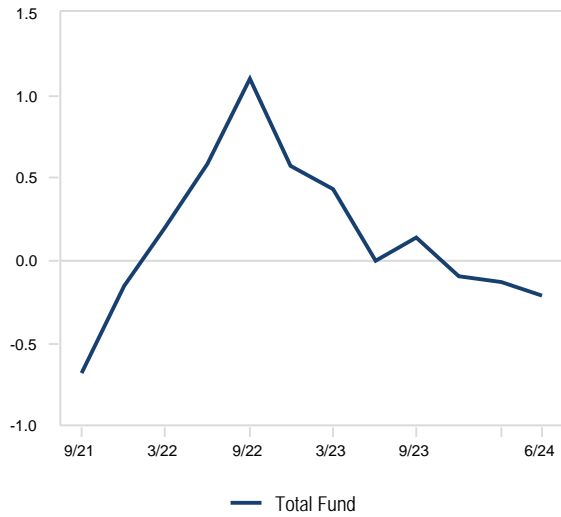
Rolling 3 Year Annualized Excess Performance



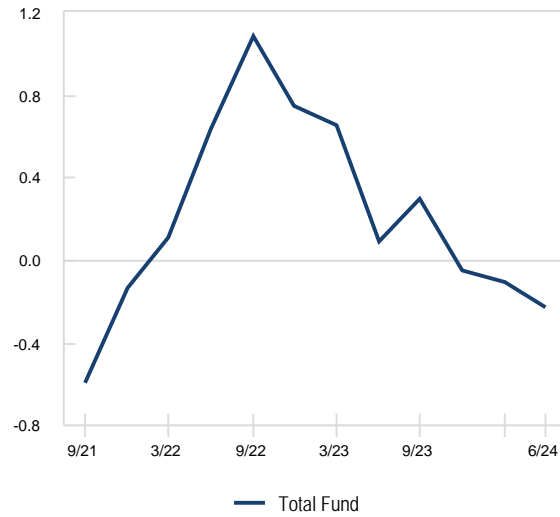
Total Fund  
Rolling Risk Statistics: 3 Years (Net of Fees)

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

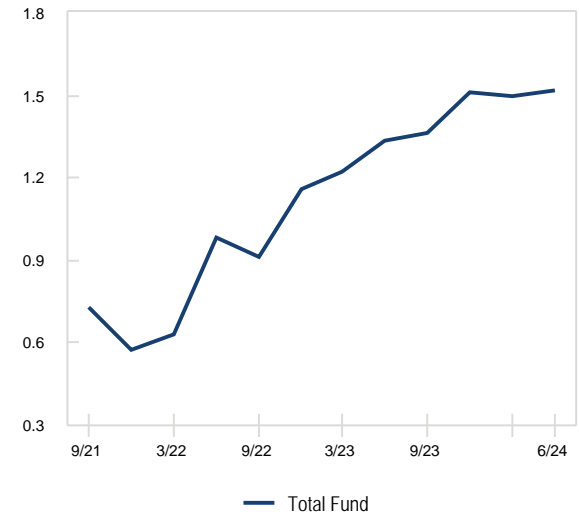
Rolling Information Ratio



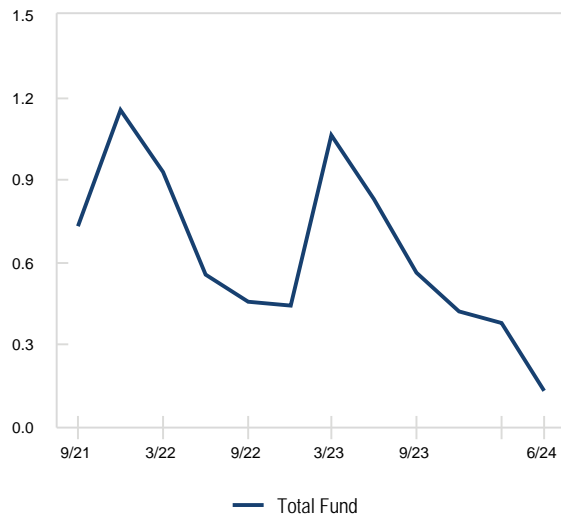
Rolling Annual Excess Benchmark Return



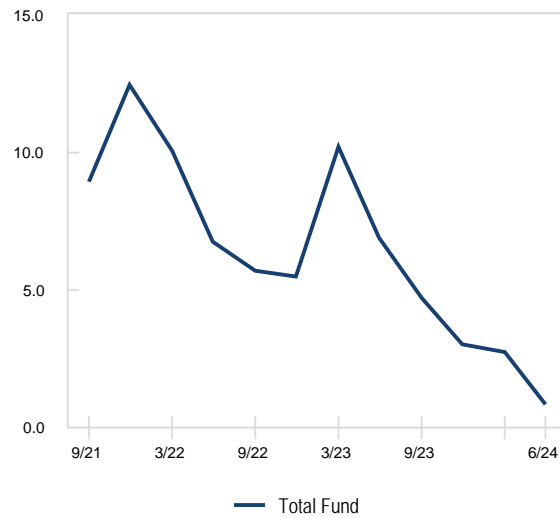
Rolling Tracking Error



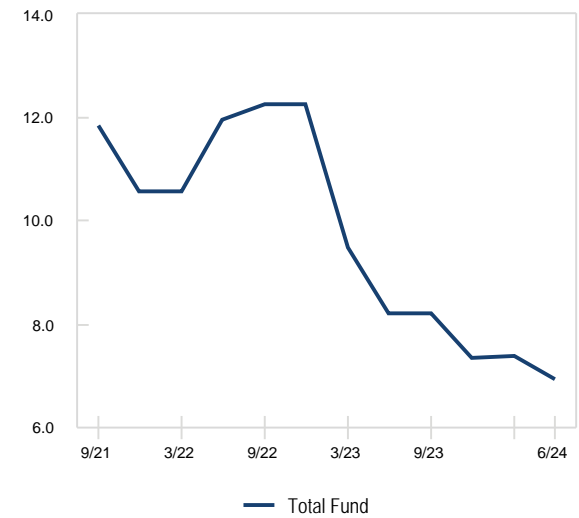
Rolling Sharpe Ratio



Rolling Annual Excess Risk Free Return



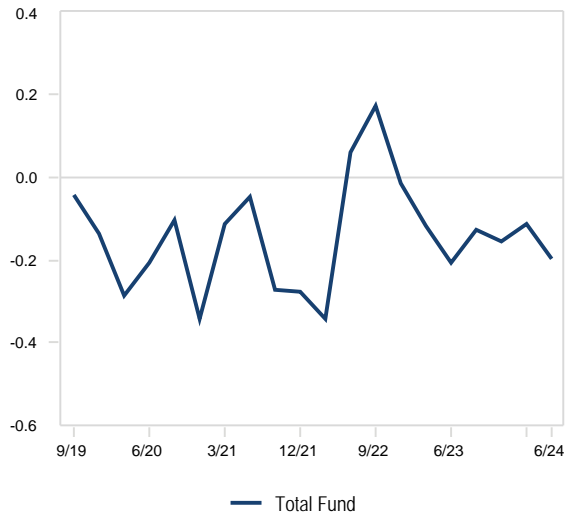
Rolling Annualized Standard Deviation



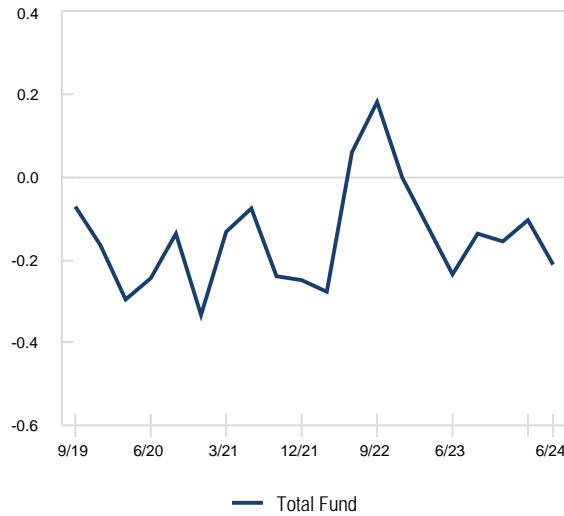
Total Fund  
Rolling Risk Statistics: 5 Years (Net of Fees)

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

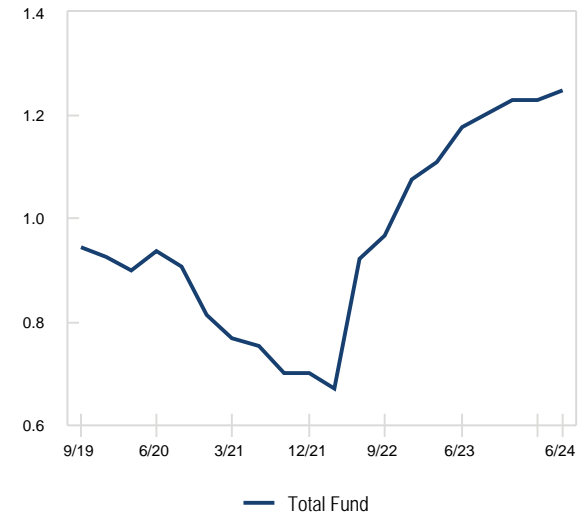
Rolling Information Ratio



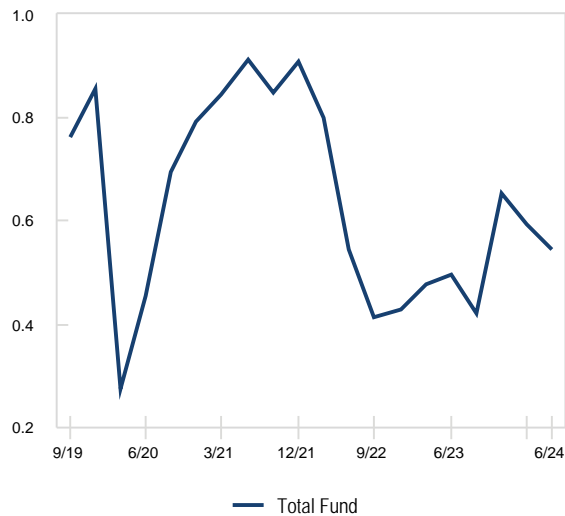
Rolling Annual Excess Benchmark Return



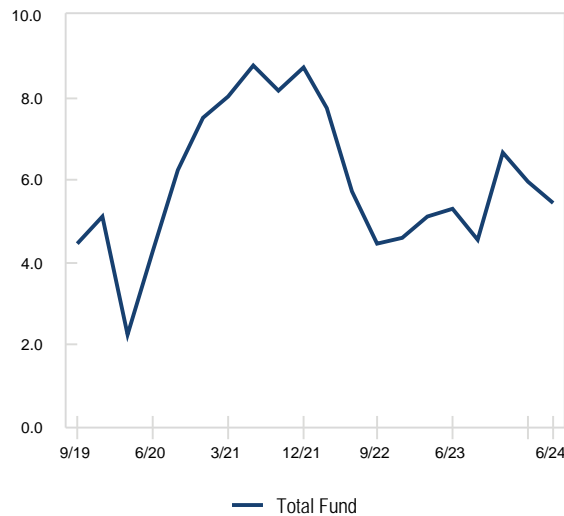
Rolling Tracking Error



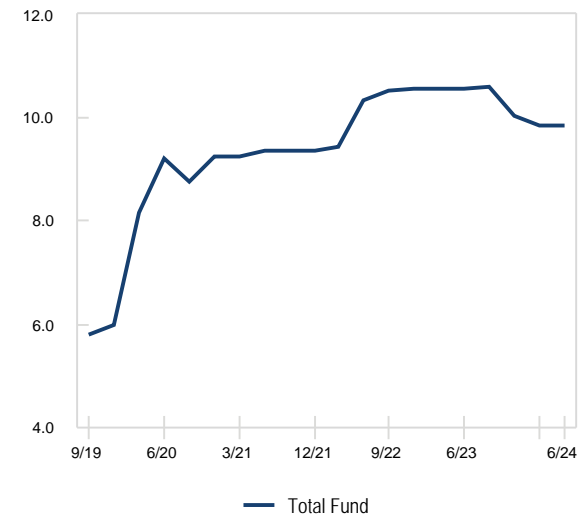
Rolling Sharpe Ratio



Rolling Annual Excess Risk Free Return



Rolling Annualized Standard Deviation



# Cash Flows

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Total Fund  
Net Cash Flow: Last 1 Quarter

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

	Estimated Beginning Market Value	Contributions	Withdrawals	Fees	Net Transfers	Net Investment Change	Estimated Ending Market Value
<b>Equity</b>	1,947,024,404	605,214	-25,681,271	-198,459	9,910,000	36,161,847	1,967,821,735
Equity Beta Exposure	74,849,850	605,214	-25,681,082		-90,000	2,218,118	51,902,100
Mellon DB SL Stock Index Fund	640,105,317					27,403,650	667,508,966
PIMCO StocksPLUS	140,270,349					5,919,822	146,190,170
AB US Small Cap Value Equity	97,451,717				10,000,000	-1,763,275	105,688,442
Geneva Capital Small Cap Growth	58,974,980		-190			-598,936	58,375,855
Mellon DB SL World ex-US Index Fund	438,411,988					-1,447,621	436,964,367
Cevian Capital II	46,636,862					712,864	47,349,726
Lazard Japanese Equity	123,534,244					-4,961,237	118,573,007
American Century Non-US Small Cap	65,312,790					-753,718	64,559,071
DFA Emerging Markets Value I	89,884,072					5,284,386	95,168,458
Mellon Emerging Markets Stock Index Fund	113,187,443					5,791,931	118,979,373
Dalton Japan Long Only	58,403,682			-198,459		-1,644,245	56,560,978
Transition Equity	1,111					111	1,221
<b>Fixed Income</b>	1,330,993,517	6,059,482	-1,202,011		-48,045,108	2,840,589	1,290,646,469
Fixed Income Beta Exposure	409,545,497	3,811,517	-530,462		-3,347,900	940,450	410,419,101
Mellon DB SL Aggregate Bond Index Fund	165,191,596					130,641	165,322,237
PIMCO Core Plus	170,876,531					-37,187	170,839,344
Western Asset Core Plus	125,987,988				-40,000,000	-688,710	85,299,278
Western Asset High Yield Fixed Income	170,504,476	117,397			-2,804,002	2,214,435	170,032,306
TCW Securitized Opportunities	90,272,008	2,130,568			-1,893,206	1,781,799	92,291,169
Stone Harbor Emerging Markets Debt Blend Portfolio	40,753,547		-671,549			-272,889	39,809,109
PIMCO EMD	157,613,905					-1,222,982	156,390,923
Transition Fixed Income	247,968					-4,968	243,001
<b>Commodities</b>	218,661,777					5,605,989	224,267,766
Gresham MTAP Commodity Builder Fund	35,387,098					850,099	36,237,197
Wellington Commodities	183,274,679					4,755,890	188,030,569
<b>Hedge Funds</b>	570,388,005				-5,000,000	9,020,308	574,408,314
Aristeia International Limited	74,092,689					423,146	74,515,835
Brevan Howard Fund	55,643,110					334,129	55,977,238
D.E. Shaw Composite Fund	62,332,223					1,200,748	63,532,971
HBK Fund II	49,186,197					845,301	50,031,498
Hudson Bay Cap Structure Arbitrage Enhanced Fund	79,215,595					515,553	79,731,148

Total Fund  
Net Cash Flow: Last 1 Quarter

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

	Estimated Beginning Market Value	Contributions	Withdrawals	Fees	Net Transfers	Net Investment Change	Estimated Ending Market Value
Indus Pacific Opportunities Fund	48,475,711					611,819	49,087,530
Pharo Macro Fund	69,581,938					1,393,700	70,975,638
PIMCO Commodity Alpha Fund	79,895,079					2,600,422	82,495,501
Enhanced Domestic Partners to Sculptor Master Fund	51,965,463				-5,000,000	1,095,491	48,060,954
<b>Alpha Pool</b>	<b>225,846,861</b>				<b>3,437,900</b>	<b>-1,003,227</b>	<b>228,281,533</b>
Hudson Bay - Alpha Pool	65,084,519				986,962	-563,378	65,508,104
Davidson Kempner Institutional Partners	59,379,556				902,581	-257,592	60,024,545
HBK Fund II	37,055,770				567,826	69,005	37,692,601
Garda Fixed Income Relative Value Opportunity Fund	64,327,016				980,530	-251,262	65,056,284
<b>Midstream Energy</b>	<b>292,089,375</b>				<b>-4,140,844</b>	<b>14,523,786</b>	<b>302,472,317</b>
Harvest Midstream	153,718,313				-2,296,021	10,012,235	161,434,527
PIMCO Midstream	138,371,062				-1,844,823	4,511,551	141,037,790
<b>Core Real Estate</b>	<b>247,841,190</b>			<b>-257,434</b>	<b>6,813,494</b>	<b>-8,835,049</b>	<b>245,562,202</b>
ASB Allegiance Real Estate Fund	133,800,042				-1,005,071	-10,323,091	122,471,881
JPMCB Strategic Property Fund	114,041,148			-257,434	-4,137,063	1,488,042	111,134,693
Blue Owl Real Estate Fund VI					11,955,628		11,955,628
<b>Private Real Estate</b>	<b>177,087,610</b>	<b>1,162,127</b>			<b>6,037,209</b>	<b>-3,631,148</b>	<b>180,655,798</b>
Invesco Real Estate Value-Add Fund IV	509,038				-298,828	-52,241	157,969
Landmark Real Estate Partners VIII	32,731,187				1,213,803	-896,103	33,048,887
Long Wharf Real Estate	34,458,333				-991,080	-35,425	33,431,828
Covenant Apartment Fund X	30,237,283				-81,468	-817,570	29,338,245
Singerman Real Estate Opportunity Fund IV	15,505,631				2,581,250	88,933	18,175,814
LBA Logistics Value Fund IX, L.P.	15,799,980				2,307,692	-184,052	17,923,620
Covenant Apartment Fund XI, LP	19,508,856				1,500,000	52,324	21,061,180
KSL Capital Partners VI	5,344,102				-194,160	-155,916	4,994,026
Merit Hill Self-Storage V, LP.	14,569,101					-63,924	14,505,177
Juniper Capital IV, L.P	5,115,008					-647,719	4,467,289
Landmark Real Estate Partners IX		1,162,127				-919,333	242,794
Juniper High Noon Partners, L.P	3,309,091					-122	3,308,969
<b>Private Equity</b>	<b>245,107,031</b>				<b>17,939,765</b>	<b>6,156,314</b>	<b>269,203,109</b>
Abbott VI	15,174,054				-1,250,000	-150,511	13,773,543

Total Fund  
Net Cash Flow: Last 1 Quarter

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

	Estimated Beginning Market Value	Contributions	Withdrawals	Fees	Net Transfers	Net Investment Change	Estimated Ending Market Value
Pantheon Secondary III	542,524					-2,312	540,212
Pantheon V	372,041				-341,224		30,817
Pantheon VI	329,223					-22,162	307,061
Pantheon VII	6,431,968					41,961	6,473,929
Vista Foundation Fund IV	19,440,908					334,395	19,775,303
Crown Global Secondaries V Master S.C.Sp	39,156,263				1,450,000	1,702,344	42,308,607
Crown Global Secondaries VI Master S.C.Sp	940,874				600,000	51,108	1,591,982
Brighton Park Capital Fund I	41,250,646				-559,496	101,600	40,792,750
Warren Equity Partners Fund III	35,816,645				646,212	721,518	37,184,375
Peak Rock Capital Fund III	16,945,661				479,090	1,153,864	18,578,615
Level Equity Growth Partners V	8,532,754				1,923,314	449,863	10,905,931
Level Equity Opportunities Fund 2021	6,565,113				825,581	37,834	7,428,528
Linden Capital Partners V LP	13,779,144				267,947	322,933	14,370,024
Rubicon Technology Partners IV L.P.	9,838,432					158,821	9,997,253
OrbiMed Private Investments IX, LP	2,039,772				499,201	292,978	2,831,951
Brighton Park Capital Fund II, L.P	3,391,755				2,463,291	244,362	6,099,408
Linden Co-Investment V LP	4,413,688				1,555,630	323,423	6,292,741
Warren Equity Partners Fund IV	12,910,057				4,076,750	374,357	17,361,164
WEP IV TS Co-Investment, L.P.	7,235,509					-15,131	7,220,378
Parthenon Investors VII	256,855				1,449,377	-221,787	1,484,445
Longreach Capital Partners					3,854,091		3,854,091
<b>Private Credit</b>	<b>338,443,874</b>				<b>-7,604,461</b>	<b>8,763,421</b>	<b>339,602,834</b>
DC Value Recovery Fund IV	18,041,473				-2,783,342	-188,088	15,070,043
Sixth Street TAO Partners (B)	42,298,855				3,034,599	1,001,598	46,335,052
Brookfield Real Estate Finance Fund V	12,698,028				3,178,221	222,288	16,098,537
Magnetar Constellation Fund V	25,053,561				-1,282,809	-564,004	23,206,748
H.I.G. Bayside Loan Opportunity Fund V	45,495,767				-5,564,517	1,226,374	41,157,624
Blue Torch Credit Opportunities Fund II	15,532,183				-2,177,126	238,092	13,593,149
Fortress Credit Opportunites Fund V Expansion	24,853,353				2,935,755	1,429,751	29,218,859
Fortress Lending Fund II	27,428,105				-3,734,355	692,503	24,386,253
Blue Torch Credit Opportunities Fund III	25,574,861				-2,696,124	1,010,692	23,889,429
Fortress Lending Fund III	29,132,881				-889,024	985,535	29,229,392
OrbiMed Royalty & Credit Opportunities IV	7,598,005				2,382,041	276,426	10,256,472
Cerberus Business Finance V	18,215,431					432,908	18,648,339
Silver Point Specialty Credit Fund III, L.P.	9,520,807				-771,417	1,007,269	9,756,659

Total Fund  
Net Cash Flow: Last 1 Quarter

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

	Estimated Beginning Market Value	Contributions	Withdrawals	Fees	Net Transfers	Net Investment Change	Estimated Ending Market Value
Ares Pathfinder II	3,799,094				863,636	167,328	4,830,058
Oak Hill Advisors Structured Products Fund III, L.P.	13,201,470					704,908	13,906,378
ITE Rail Fund, L.P.	20,000,000				-100,000	119,841	20,019,841
<b>Opportunistic</b>	<b>145,854,173</b>				<b>5,177,721</b>	<b>-217,080</b>	<b>150,814,814</b>
Sixth Street TAO Partners (D)	91,197,527				-2,835,733	1,424,594	89,786,388
Aristeia Select Opportunities II	45,787,157					-2,118,144	43,669,014
River Birch International - Opportunistic Investment	5,412,216				-600,252	-145,472	4,666,492
Hudson Bay Special Opportunities Fund LP	3,457,272				-1,386,294	621,942	2,692,920
Pharo Opportunities Fund SPC					10,000,000		10,000,000
<b>Cash</b>	<b>425,244,044</b>	<b>8,261,005</b>	<b>-21,459,601</b>	<b>-41,813</b>	<b>15,474,324</b>	<b>6,253,318</b>	<b>433,731,277</b>
Short Term Investment Funds	183,373,517	8,261,005	-21,459,601	-41,813	15,474,324	2,584,036	188,191,468
BlackRock Short Duration Fund	241,870,527					3,669,282	245,539,809
<b>Other</b>	<b>-395,161,380</b>	<b>130,863,986</b>	<b>-109,863,277</b>			<b>962,937</b>	<b>-373,197,734</b>
Parametric Cash Overlay	80,429,037	44,129,762	-43,910,196				80,648,603
Goldman Sachs Cash Account	-3,842,071	46,755,850	-44,919,914				-2,006,135
Futures Offset	-484,395,347	39,978,375	-18,867,167			962,937	-462,321,201
Collateral Cash	12,647,000		-2,166,000				10,481,000



Total Fund  
Cash Flow History

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

Portfolio Reconciliation

	3 Mo	Fiscal YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
Beginning Market Value	5,769,420,481	5,352,263,309	5,352,263,309	5,374,393,446	4,339,112,963	3,469,923,668
Contributions	335,898,490	1,790,443,526	1,790,443,526	8,266,127,493	13,411,588,988	19,597,295,151
Withdrawals	-347,152,836	-1,828,289,815	-1,828,289,815	-8,431,418,808	-13,734,654,370	-20,149,626,280
Fees	-497,706	-1,046,135	-1,046,135	-19,416,572	-48,485,169	-127,840,369
Net Cash Flows	-11,254,346	-37,846,289	-37,846,289	-165,291,315	-323,065,382	-552,331,129
Net Investment Change	76,104,300	519,853,414	519,853,414	625,168,304	1,818,222,853	2,916,677,895
Ending Market Value	5,834,270,434	5,834,270,434	5,834,270,434	5,834,270,434	5,834,270,434	5,834,270,434
Net Change \$	64,849,953	482,007,125	482,007,125	459,876,989	1,495,157,471	2,364,346,766

Contribution and withdrawals include transfers in and out of accounts. Ending market value is net of fees. Market value and flows do not include the Short Term Cash Account balance.

# Risk Metrics

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Total Fund  
Actual Correlation Matrix

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

Correlation Matrix  
3 Years Ending June 30, 2024

	A	B	C	D	E	F	G	H	I	J	K	L
A	1.00											
B	0.98	1.00										
C	0.95	0.98	1.00									
D	0.97	0.97	0.91	1.00								
E	0.78	0.79	0.68	0.80	1.00							
F	0.85	0.86	0.80	0.86	0.77	1.00						
G	0.74	0.76	0.71	0.76	0.68	0.97	1.00					
H	0.89	0.87	0.84	0.87	0.69	0.89	0.80	1.00				
I	0.84	0.86	0.77	0.88	0.87	0.91	0.80	0.80	1.00			
J	0.49	0.37	0.30	0.43	0.37	0.16	0.04	0.31	0.27	1.00		
K	0.42	0.40	0.39	0.41	0.23	0.24	0.11	0.39	0.33	0.21	1.00	
L	-0.21	-0.28	-0.23	-0.29	-0.35	-0.42	-0.41	-0.34	-0.41	0.07	-0.17	1.00

- A = Total Fund
- B = Equity
- C = Domestic Equity
- D = International Developed Equity
- E = Emerging Markets Equity
- F = Fixed Income
- G = Core Fixed Income
- H = High Yield/ Specialty Credit
- I = Emerging Market Debt
- J = Commodities
- K = Hedge Funds
- L = Core Real Estate

- Low Interaction
- Moderate Interaction
- Moderate to High Interaction
- High Interaction

Total Fund  
Risk Analysis - 3 Years (Net of Fees)

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

	Alpha	Beta	R-Squared	Return	Information Ratio	Excess Performance	Tracking Error	Sharpe Ratio	Excess Return	Standard Deviation	Sortino Ratio	Up Capture	Down Capture
Total Fund	0.3	0.8	1.0	3.7	-0.2	-0.2	1.7	0.1	0.9	8.0	0.2	86.6	84.6
Equity	0.1	1.0	1.0	4.7	0.0	0.0	1.1	0.2	3.0	16.3	0.3	98.7	98.5
Domestic Equity	-0.1	1.0	1.0	8.0	-0.2	-0.2	0.9	0.4	6.4	17.8	0.5	98.7	99.0
International Developed Equity	0.5	1.0	1.0	2.4	0.2	0.5	1.4	0.0	0.7	16.3	0.1	100.0	98.4
Emerging Markets Equity	1.5	0.9	1.0	-2.4	0.7	1.7	2.4	-0.3	-4.1	16.2	-0.4	97.2	90.9
Fixed Income	-0.5	1.0	1.0	-2.4	-0.6	-0.5	0.8	-0.7	-5.1	7.2	-0.9	98.4	103.1
Core Fixed Income	-0.5	1.0	1.0	-3.5	-1.1	-0.5	0.5	-0.9	-6.3	7.3	-1.0	97.4	102.5
High Yield/ Specialty Credit	0.0	0.7	0.9	1.3	-0.2	-0.4	2.7	-0.2	-1.5	6.4	-0.3	72.3	72.1
Emerging Market Debt	1.1	1.0	1.0	-1.9	1.2	1.0	0.9	-0.4	-4.4	10.6	-0.5	104.9	97.1
Commodities	3.1	0.9	0.9	8.1	0.4	2.4	5.1	0.4	5.7	13.5	0.6	88.7	71.7
Hedge Funds	4.9	0.2	0.2	6.2	-0.2	-0.8	3.9	1.6	3.1	2.0	2.9	43.0	-48.0
Alpha Pool	4.6	-0.6	0.0	0.5	-3.2	-6.7	2.0	-1.2	-2.5	1.8	-1.4	6.7	-
Midstream Energy	4.5	0.8	1.0	19.2	0.4	2.6	4.4	1.0	16.0	16.2	1.6	90.4	71.4
Core Real Estate	-5.7	0.8	0.8	-4.3	-1.4	-6.2	4.6	-0.8	-7.0	8.3	-1.0	63.9	144.8
Private Real Estate	0.0	1.0	1.0	9.9	-	0.0	0.0	0.9	6.7	6.8	2.2	100.0	100.0
Private Equity	0.0	1.0	1.0	11.0	-0.6	0.0	0.0	1.1	7.7	6.9	2.9	100.0	100.3
Private Credit	0.0	1.0	1.0	5.7	-0.6	0.0	0.0	0.6	2.7	4.4	1.4	99.9	100.0
Opportunistic	-	-	-	-0.9	-1.4	-10.9	7.1	-0.5	-3.6	7.1	-0.7	-6.3	-

Risk Return Statistics: Last Three Years

Period Ending: June 30, 2024

	Equity	MSCI AC World IMI (Net)	Core Plus Fixed Income	Bloomberg U.S. Aggregate Index	High Yield/ Specialty Credit	ICE BofA U.S. High Yield Index	Emerging Market Debt	3 Years 50 JPM EMBI Global Div/ 50 JPM GBI EM Global Div	Commodities	Bloomberg Commodity Index Total Return	Hedge Funds	75% 3 Month T-Bill +4% / 25% MSCI ACWI (net)	Core Real Estate	NCREIF ODCE- monthly
<b>RETURN SUMMARY STATISTICS</b>														
Up Market Periods	21	21	13	13	21	21	16	16	20	20	22	22	29	29
Down Market Periods	15	15	23	23	15	15	20	20	16	16	14	14	7	7
Maximum Return	8.39	9.24	4.23	4.53	4.80	6.02	7.56	7.35	7.67	8.78	1.46	2.89	5.39	7.97
Minimum Return	-9.42	-9.65	-4.27	-4.32	-5.04	-6.81	-5.99	-5.81	-8.90	-10.77	-0.75	-1.96	-6.33	-4.97
Return	4.73	4.70	-3.52	-3.02	1.26	1.65	-1.90	-2.91	8.09	5.65	6.23	7.02	-4.28	1.90
Excess Return	2.96	3.00	-6.31	-5.79	-1.54	-1.01	-4.35	-5.41	5.73	3.64	3.08	3.90	-7.01	-0.69
Excess Performance	0.02	0.00	-0.50	0.00	-0.39	0.00	1.01	0.00	2.44	0.00	-0.79	0.00	-6.18	0.00
<b>RISK SUMMARY STATISTICS</b>														
Beta	0.98	1.00	0.99	1.00	0.74	1.00	1.02	1.00	0.85	1.00	0.19	1.00	0.78	1.00
Upside Risk	12.28	12.49	4.94	5.08	4.74	6.11	7.28	6.97	10.60	11.01	2.55	4.23	5.00	7.85
Downside Risk	10.83	11.12	5.45	5.34	4.30	5.74	7.65	7.59	8.80	10.23	0.69	2.08	6.76	4.99
<b>RISK/RETURN SUMMARY STATISTICS</b>														
Standard Deviation	16.29	16.63	7.29	7.33	6.39	8.37	10.56	10.28	13.54	14.91	1.98	4.27	8.33	9.27
Alpha	0.10	0.00	-0.53	0.00	-0.01	0.00	1.12	0.00	3.10	0.00	4.90	0.00	-5.67	0.00
Sharpe Ratio	0.18	0.18	-0.88	-0.81	-0.25	-0.12	-0.42	-0.54	0.42	0.24	1.62	0.95	-0.80	-0.07
Excess Risk	16.16	16.49	7.15	7.19	6.24	8.21	10.33	10.05	13.62	15.07	1.91	4.10	8.80	9.65
Tracking Error	1.08	0.00	0.49	0.00	2.69	0.00	0.90	0.00	5.09	0.00	3.92	0.00	4.59	0.00
Information Ratio	-0.04	-	-1.05	-	-0.20	-	1.18	-	0.41	-	-0.21	-	-1.38	-
<b>CORRELATION STATISTICS</b>														
R-Squared	1.00	1.00	1.00	1.00	0.94	1.00	0.99	1.00	0.88	1.00	0.16	1.00	0.76	1.00
Actual Correlation	1.00	1.00	1.00	1.00	0.97	1.00	1.00	1.00	0.94	1.00	0.40	1.00	0.87	1.00

Risk Return Statistics: Last Two Years

	Midstream Energy	Alerian Midstream Energy Index	2 Yrs Opportunistic	Assumed Rate of Return +3%
<b>RETURN SUMMARY STATISTICS</b>				
Up Market Periods	13	13	24	24
Down Market Periods	11	11	0	0
Maximum Return	11.14	11.05	5.16	0.80
Minimum Return	-7.34	-9.86	-2.58	0.80
Return	24.44	19.20	1.53	10.00
Excess Return	18.73	14.71	-2.70	5.16
Excess Performance	5.24	0.00	-8.47	0.00
<b>RISK SUMMARY STATISTICS</b>				
Beta	0.85	1.00	-	-
Upside Risk	14.63	15.09	1.50	2.76
Downside Risk	6.98	9.47	3.43	0.00
<b>RISK/RETURN SUMMARY STATISTICS</b>				
Standard Deviation	14.76	16.94	6.21	0.00
Alpha	7.12	0.00	-	-
Sharpe Ratio	1.26	0.86	-0.43	13.51
Excess Risk	14.89	17.02	6.24	0.38
Tracking Error	4.18	0.00	6.21	0.00
Information Ratio	0.96	-	-1.27	-
<b>CORRELATION STATISTICS</b>				
R-Squared	0.95	1.00	-	-
Actual Correlation	0.97	1.00	-	-

Data for unavailable for positions held for less than two years.

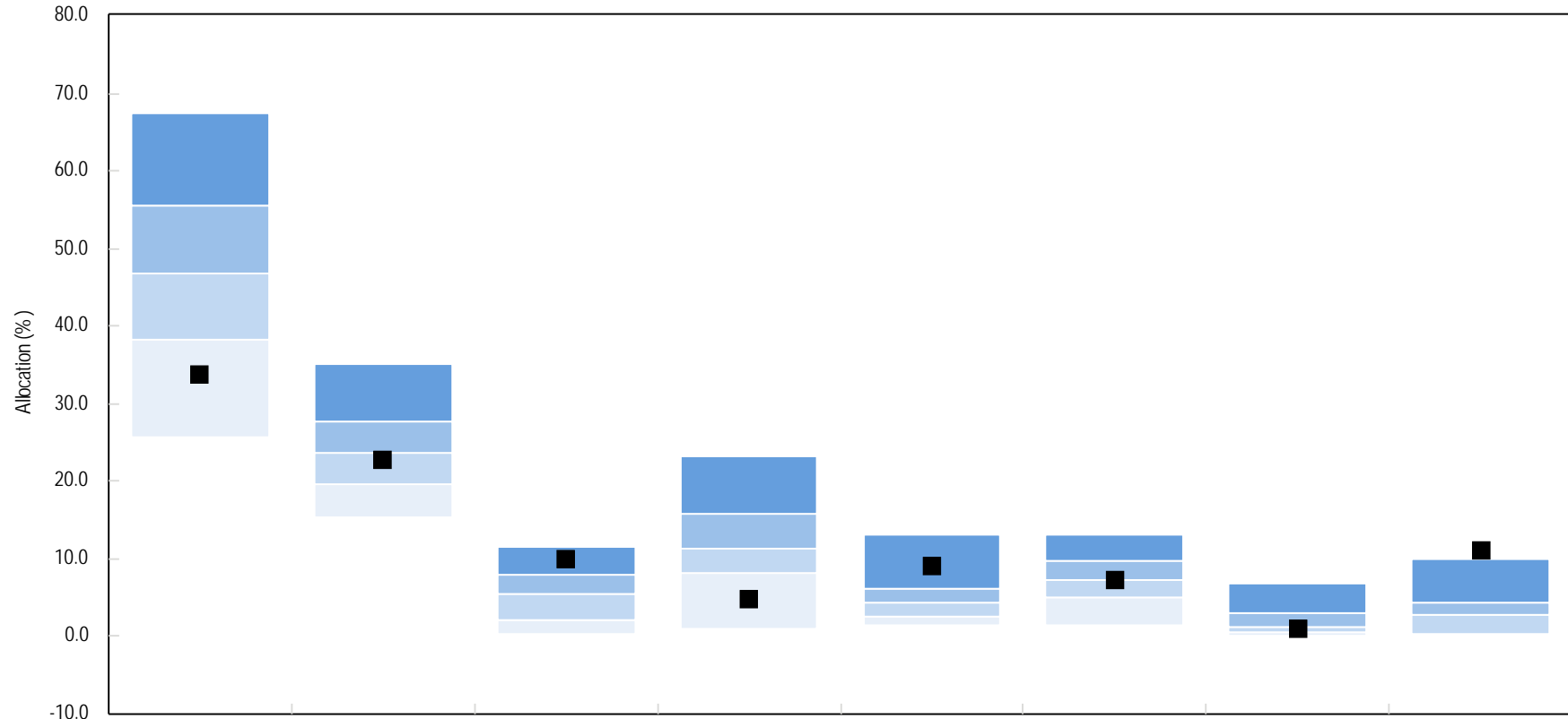
## Peer Comparison

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Total Fund  
Peer Universe Comparison: Asset Allocation

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

Total Plan Allocation vs. InvMetrics Public DB > \$1B  
As of June 30, 2024



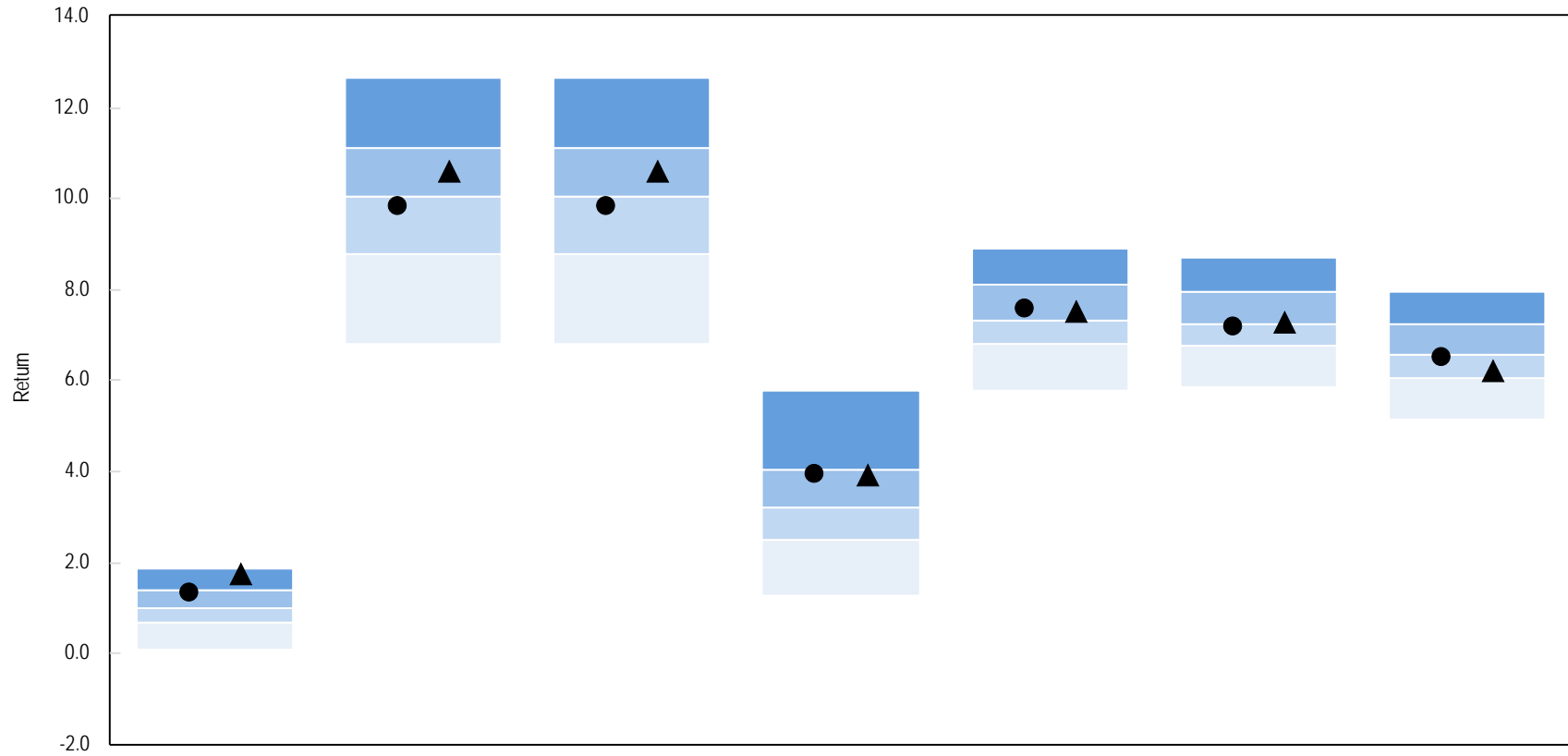
	Total Equity	Total Fixed Income	Hedge Funds	Private Equity	Real Assets/Commod	Real Estate - Private	Cash & Equivalents	Other
■ Total Fund	33.7 (88)	22.8 (59)	10.0 (11)	4.9 (86)	9.0 (16)	7.3 (48)	1.0 (59)	11.2 (1)
5th Percentile	67.3	35.0	11.5	23.1	13.1	13.0	6.9	10.1
1st Quartile	55.6	27.7	8.1	15.9	6.1	9.7	3.0	4.4
Median	46.8	23.7	5.5	11.3	4.4	7.3	1.3	2.7
3rd Quartile	38.2	19.6	2.2	8.2	2.6	5.0	0.7	0.3
95th Percentile	25.7	15.3	0.4	1.0	1.6	1.5	0.1	0.2
Population	97	98	42	83	60	76	91	14



Parentheses contain percentile rankings. Other contains Alpha Pool, Opportunistic, and Private Credit. Real Estate contains Private and Core Real Estate. Real Assets contain Commodities and Midstream.



Total Fund vs. InvMetrics Public DB > \$1B

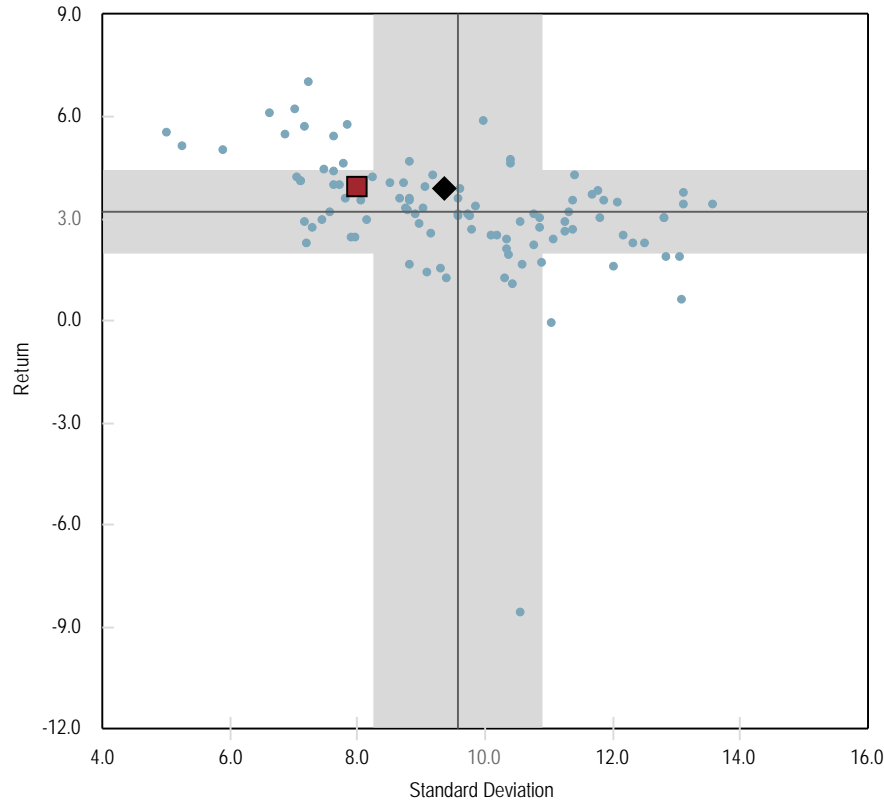


	Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years
● Total Fund	1.4 (29)	9.8 (53)	9.8 (53)	4.0 (29)	7.6 (41)	7.2 (53)	6.5 (52)
▲ Policy Index	1.8 (8)	10.6 (32)	10.6 (32)	3.9 (30)	7.5 (45)	7.3 (50)	6.2 (70)
5th Percentile	1.9	12.6	12.6	5.8	8.9	8.7	8.0
1st Quartile	1.4	11.1	11.1	4.1	8.1	7.9	7.2
Median	1.0	10.0	10.0	3.2	7.3	7.3	6.6
3rd Quartile	0.7	8.8	8.8	2.5	6.8	6.8	6.0
95th Percentile	0.1	6.8	6.8	1.3	5.8	5.9	5.2
Population	103	103	103	99	98	95	95

Total Fund  
Risk Analysis - 3 & 5 Year (Gross of Fees)

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

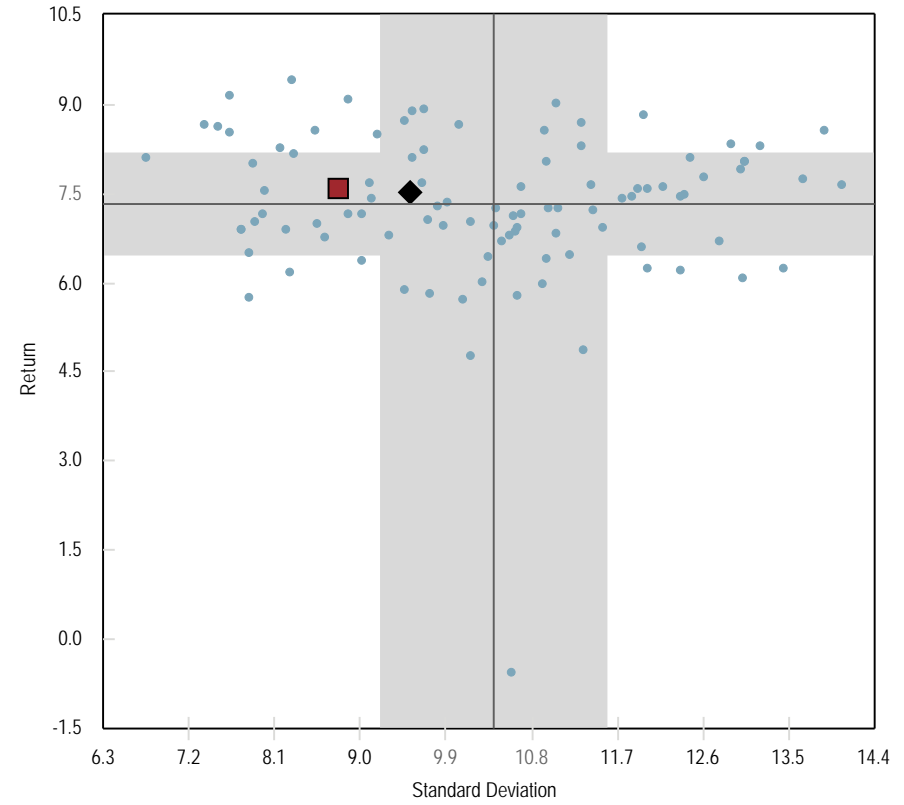
Annualized Return vs. Annualized Standard Deviation  
3 Years Ending June 30, 2024



● InvMetrics Public DB > \$1B

	Return	Standard Deviation
Total Fund	3.96	7.98
Policy Index	3.91	9.35
Median	3.21	9.57
Population	99	99

Annualized Return vs. Annualized Standard Deviation  
5 Years Ending June 30, 2024



● InvMetrics Public DB > \$1B

	Return	Standard Deviation
Total Fund	7.61	8.78
Policy Index	7.51	9.53
Median	7.33	10.41
Population	98	98

Other

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Total Fund  
Quarterly Historical Returns (Net of Fees)

Kern County Employees' Retirement Association  
Period Ending: June 30, 2024

	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3
Total Fund	1.3	3.8	5.1	-0.8	1.9	3.2	4.5	-3.1	-7.5	-0.8	3.6	0.5
Policy Index	1.8	3.7	6.2	-1.4	2.9	3.8	5.5	-3.8	-8.9	-1.3	3.3	0.7

	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3
Total Fund	5.5	3.5	8.8	4.4	10.7	-11.3	4.6	0.2	3.1	6.8	-6.4	2.3
Policy Index	5.7	3.3	8.8	4.5	10.1	-11.1	4.6	0.8	3.0	7.0	-5.5	2.2

	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3
Total Fund	0.3	-0.1	3.0	3.2	2.7	4.2	0.8	3.5	1.9	1.1	2.2	-5.4
Policy Index	0.7	-0.1	3.2	3.1	2.8	3.5	0.5	2.9	2.2	1.8	1.4	-4.9

# Total Fund Data Sources and Methodology

# Kern County Employees' Retirement Association Period Ending: June 30, 2024

## Performance Return Calculations

Performance is calculated using a Time Weighted Rates of Return (TWRR) methodology. Monthly returns are linked geometrically and annualized for periods longer than one year.

## Data Source

Verus is an independent third party consulting firm and calculates returns from best source book of record data. Returns calculated by Verus may deviate from those shown by the manager in part, but not limited to, differences in prices and market values reported by the custodian and manager, as well as significant cash flows into or out of an account. It is the responsibility of the manager and custodian to provide insight into the pricing methodologies and any difference in valuation.

## Illiquid Alternatives

Due to the inability to receive final valuation prior to report production, closed end funds (including but are not limited to Real Estate, Hedge Funds, Private Equity, and Private Credit) performance is typically reported at a one-quarter lag. Valuation is reported at a one-quarter lag, adjusted for current quarter flow (cash flows are captured real time). Closed end fund performance is calculated using a time-weighted return methodology consistent with all portfolio and total fund performance calculations. For Private Markets, performance reports also include Verus-calculated multiples based on flows and valuations (e.g. DPI and TVPI) and manager-provided IRRs.

## Manager Line Up

Investment Fund or Strategy	Fund Incepted	Data Source	Investment Fund or Strategy	Fund Incepted	Data Source
AB US Small Cap Value Equity	7/7/2015	Northern Trust	Linden Capital Partners V LP	7/19/2022	Linden
Abbott Capital PE VI	3/31/2008	Abbott Capital	Linden Co-Investment V LP	6/30/2022	Linden
American Century Non-US Small Cap	12/15/2020	American Century	Longreach Capital Partners	5/28/2024	Long Reach
Ares Pathfinder	10/1/2023	Ares	Long Wharf Real Estate	6/27/2019	Long Wharf
Aristeia International Limited	5/1/2014	Northern Trust	Magnetar Constellation	11/14/2018	Magnetar
ASB Real Estate	9/30/2013	ASB	Mellon Aggregate Bond Index Fund	1/14/2011	Mellon
Barclays Capital Aggregate Rebalancing Overlay	6/15/2022	Parametric	Mellon EB DV Stock Index	10/18/2017	Mellon
BlackRock Short Duration Fund	9/8/2021	BlackRock	Mellon EB DV World ex-US Index	8/1/2018	Mellon
Blue Owl Real Estate Fund VI	3/18/2024	Blue Owl	Merit Hill Self Storage	11/3/2023	Merit
Blue Torch Credit Opportunities	7/24/2020	Blue Torch	Myriad Opportunities Offshore	5/19/2016	Northern Trust
Brevan Howard	11/1/2013	Northern Trust	Oak Hill Advisors	12/22/2023	Oak Hill
Brighton Private Equity	3/28/2021	Brighton	OrbiMed Private Investments IV, LP	11/4/2022	OrbiMed
Brighton Park Capital Fund II, L.P.	9/30/2022	Brighton	OrbiMed Royalty & Credit Opportunities	9/12/2022	OrbiMed
Brookfield Real Estate Finance Fund V	12/18/2017	Northern Trust	Pantheon Global III	6/30/2000	Pantheon
Cerberus Business Finance V	8/25/2023	Cerberus	Pantheon USA V	6/30/2005	Pantheon
Cevian Capital II	12/30/2014	Northern Trust	Pantheon USA VI	3/31/2005	Pantheon
Covenant Apartment Fund X	10/29/2020	Covenant	Pantheon USA VII	3/31/2005	Pantheon
Crown Global Secondaries V Master S.C. Sp	2/1/2021	Crown	Parametric Overlay/ Cap Efficiency Program	7/31/2020	Parametric
Crown Global Secondaries Fund VI	2/1/2021	Crown	Peak Rock Capital Fund III	7/13/2021	Peak Rock
Dalton Japan Long Only	10/31/2023	Dalton	Pharo Opportunities Fund SPC	6/28/2024	Pharo
DC Value Recovery fund IV	12/28/2015	Colony	PIMCO Core Plus	1/21/2011	Northern Trust
D.E. Shaw	6/30/2013	Northern Trust	PIMCO Commodity Alpha	5/4/2016	PIMCO
DFA Emerging Markets Value I	3/7/2014	Northern Trust	PIMCO EMD	2/29/2020	Northern Trust
Fortress Credit Opportunities	12/17/2020	Fortress	PIMCO Midstream	10/9/2020	PIMCO
Fortress Lending Fund II	3/15/2021	Fortress	PIMCO StocksPLUS	7/14/2003	PIMCO
Garda Fixed Income Relative Value Opp	9/30/2021	Garda	Fidelity Non-US Small Cap Equity	6/10/2008	Northern Trust
Geneva Capital Small Cap Growth	7/22/2015	Geneva	River Birch	8/3/2015	Northern Trust
Gresham MTAP Commodity	9/3/2013	Gresham	Rubicon Technology Partners IV LP	11/30/2022	Rubicon
Harvest Midstream	9/28/2020	Harvest Midstream	Silver Point Specialty Credit Fund III, L.P.	10/4/2023	Singerman
HBK Fund II	11/1/2013	Northern Trust	Singerman Real Estate Opportunity Fund IV	10/27/2021	Sculptor
Henderson Smallcap Growth	7/22/2015	Northern Trust	Sculptor Enhanced Domestic Partners	3/26/2019	Northern Trust
H.I.G Bayside Loan Opportunities Fund V	7/24/2019	H.I.G. Capital	Short Term Cash Account	12/31/2000	Northern Trust
Hudson Bay	6/7/2019	Northern Trust	Short Term Investment Funds	6/30/2000	Stone Harbor
Hudson Bay Special Opportunities Fund	2/20/2024	Hudson Bay	Stone Harbor Emerging Markets Debt	8/8/2012	TPG Sixth Street
Indus Pacific Opportunities	6/30/2014	Northern Trust	TAO Contingent	4/16/2020	TCW
Invesco Real Estate III	6/30/2013	Invesco	TCW Securitized Opportunities	2/3/2016	Northern Trust
Invesco Real Estate IV	12/18/2015	Invesco	Transition Equity	9/30/2010	Northern Trust
ITE Rail Fund, L.P.	2/27/224	ITE Rail	Transition Fixed Income	9/30/2010	TPG Sixth Street
J.P. Morgan Strategic Property	7/2/2014	J.P. Morgan	TSSP Adjacent Opportunities Partners	11/17/2017	Vista Equity
Juniper High Noon Partners, L.P.	3/18/2024	Juniper	Vista Equity Partners	7/24/2020	Warren
Juniper Capital IV, L.P.	4/26/2023	Juniper	Warren Equity III	4/1/2021	Warren
KSL Capital Partners VI	4/26/2023	KSL Capital	Warren Equity IV	1/1/2023	Wellington
Landmark Real Estate Partners VIII	4/29/2018	Landmark	Wellington Alternative Investments	2/9/2023	Wellington
Landmark Real Estate Partners IX	4/1/2024	Landmark	WEP IV TS Co-Investment, L.P.	8/14/2023	Northern Trust
Lazard Japanese Equity	11/1/2023	Lazard	Western Asset Core Plus	5/31/2004	Northern Trust
LBA Logistics Value Fund IX, L.P.	2/22/2022	LBA	Western Asset High Yield Fixed income	5/31/2005	Western Asset
Level Equity Growth Partners V	11/1/2021	Level Equity			
Level Equity Opportunities Fund 2021	11/1/2021	Level Equity			
LGT Crown	2/1/2021	LGT			

# Total Fund Data Sources and Methodology

# Kern County Employees' Retirement Association Period Ending: June 30, 2024

## Policy & Custom Index Composition

Policy Index: 10/31/2023 - Present	33% MSCI ACWI IMI (Net), 15% Bloomberg US Aggregate, 6% Ice BofA ML High Yield Master II Index, 2% JPM Emerging Markets Bond Index Global Diversified, 2% JPM Government Bond Index-Emerging Markets Global Diversified, 4% Bloomberg Commodity Index, 7.5% 3-Month T-bill +3%, 2.5% MSCI ACWI (Net), 8% 90 Day T-Bill + 3%, 5% Alerian Midstream Energy Index, 5% NCREIF-ODCE Gross Monthly, 5% actual time-weighted Private Equity Returns*, 8% actual time-weighted Private Credit Returns*, 5% actual time-weighted Private Real Estate Returns*, 0% Assumed Rate of Return +3%, -8% 90 Day T-bill.
Policy Index: 4/1/2022-9/30/23	37% MSCI ACWI IMI (Net), 14% Bloomberg US Aggregate, 6% Ice BofA ML High Yield Master II Index, 2% JPM Emerging Markets Bond Index Global Diversified, 2% JPM Government Bond Index-Emerging Markets Global Diversified, 4% Bloomberg Commodity Index, 7.5% 3-Month T-bill +4%, 2.5% MSCI ACWI (Net), 8% 91 Day T-Bill + 4%, 5% NCREIF-ODCE Gross Monthly, 5% actual time-weighted Private Equity Returns*, 5% actual time-weighted Private Credit Returns*, 5% actual time-weighted Private Real Estate Returns*, 5% Alerian Midstream, 0% Assumed Rate of Return +3%, -8% 3-Month T-bill.
Policy Index: 7/1/2021-4/1/2022	37% MSCI ACWI IMI, 14% Bloomberg US Aggregate, 6% Ice BofA ML High Yield Master II Index, 2% JPM Emerging Markets Bond Index Global Diversified, 2% JPM Government Bond Index-Emerging Markets, 4% Bloomberg Commodity Index, 7.5% 3-Month T-bill +400bps, 2.5% MSCI ACWI, 5% NCREIF-ODCE, 2% actual time-weighted Private Equity Returns*, 4% actual time-weighted Private Credit Returns*, 1% actual time-weighted Private Real Estate Returns*, 3% MSCI ACWI*, 1% Bloomberg US Aggregate*, 4% Bloomberg US Aggregate, 5% Alerian Midstream, 5% 3-Month T-bill +400bps, 91 Day T-Bills, -5% 3-Month T-bill.
Policy Index: 1/1/2021-6/30/2021	37% MSCI ACWI IMI, 14% Bloomberg US Aggregate, 6% Ice BofA ML High Yield Master II Index, 2% JPM Emerging Markets Bond Index Global Diversified, 2% JPM Government Bond Index-Emerging Markets, 4% Bloomberg Commodity Index, 7.5% 3-Month T-bill +400bps, 2.5% MSCI ACWI, 5% NCREIF-ODCE, 1% actual time-weighted Private Equity Returns*, 4% actual time-weighted Private Credit Returns*, 1% actual time-weighted Private Real Estate Returns*, 4% MSCI ACWI*, 1% Bloomberg US Aggregate*, 4% Bloomberg US Aggregate, 5% Alerian Midstream, 5% 3-Month T-bill +400bps, 91 Day T-Bills, -5% 3-Month T-bill.
Policy Index: 7/1/2020-12/31/2020	37% MSCI ACWI IMI, 14% Bloomberg US Aggregate, 6% Ice BofA ML High Yield Master II Index, 2% JPM Emerging Markets Bond Index Global Diversified, 2% JPM Government Bond Index-Emerging Markets, 4% Bloomberg Commodity Index, 7.5% 3-Month T-bill +400bps, 2.5% MSCI ACWI, 5% NCREIF-ODCE, 1% actual time-weighted Private Equity Returns*, 4% actual time-weighted Private Credit Returns*, 1% actual time-weighted Private Real Estate Returns*, 4% MSCI ACWI*, 5% Bloomberg US Aggregate*, 1% Alerian Midstream, 4% Bloomberg US Aggregate
Policy Index: 4/1/2020-6/30/2020	37% MSCI ACWI IMI, 19% Bloomberg US Aggregate, 6% Ice BofA ML High Yield Master II Index, 2% JPM Emerging Markets Bond Index Global Diversified, 2% JPM Government Bond Index-Emerging Markets, 4% Bloomberg Commodity Index, 7.5% 3-Month T-bill +400bps, 2.5% MSCI ACWI, 5% NCREIF-ODCE, 1% actual time-weighted Private Equity Returns*, 4% actual time-weighted Private Credit Returns*, 1% actual time-weighted Private Real Estate Returns*, 3% MSCI ACWI*, 5% Bloomberg US Aggregate*
Policy Index: 1/1/2020-3/31/2020	37% MSCI ACWI IMI, 19% Bloomberg US Aggregate, 6% Ice BofA ML High Yield Master II Index, 2% JPM Emerging Markets Bond Index Global Diversified, 2% JPM Government Bond Index-Emerging Markets, 4% Bloomberg Commodity Index, 7.5% 3-Month T-bill +400bps, 2.5% MSCI ACWI, 5% NCREIF-ODCE, 2% actual time-weighted Private Equity Returns*, 4% actual time-weighted Private Credit Returns*, 1% actual time-weighted Private Real Estate Returns*, 3% MSCI ACWI*, 5% Bloomberg US Aggregate*
Policy Index: 10/1/2019-12/31/2019	37% MSCI ACWI IMI, 19% Bloomberg US Aggregate, 6% Ice BofA ML High Yield Master II Index, 2% JPM Emerging Markets Bond Index Global Diversified, 2% JPM Government Bond Index-Emerging Markets, 4% Bloomberg Commodity Index, 7.5% 3-Month T-bill +400bps, 2.5% MSCI ACWI, 5% NCREIF-ODCE, 2% actual time-weighted Private Equity Returns*, 3% actual time-weighted Private Credit Returns*, 1% actual time-weighted Private Real Estate Returns*, 3% MSCI ACWI*, 6% Bloomberg US Aggregate*
Policy Index: 7/1/2019-9/30/2019	37% MSCI ACWI IMI, 19% Bloomberg US Aggregate, 6% Ice BofA ML High Yield Master II Index, 2% JPM Emerging Markets Bond Index Global Diversified, 2% JPM Government Bond Index-Emerging Markets, 4% Bloomberg Commodity Index, 7.5% 3-Month T-bill +400bps, 2.5% MSCI ACWI, 5% NCREIF-ODCE, 2% actual time-weighted Private Equity Returns*, 4% actual time-weighted Private Credit Returns*, 1% actual time-weighted Private Real Estate Returns*, 3% MSCI ACWI*, 5% Bloomberg US Aggregate*
Policy Index: 4/1/2019-6/30/2019	37% MSCI ACWI IMI, 19% Bloomberg US Aggregate, 6% Ice BofA ML High Yield Master II Index, 2% JPM Emerging Markets Bond Index Global Diversified, 2% JPM Government Bond Index-Emerging Markets, 4% Bloomberg Commodity Index, 7.5% 3-Month T-bill +400bps, 2.5% MSCI ACWI, 5% NCREIF-ODCE, 2% actual time-weighted Private Equity Returns*, 3% actual time-weighted Private Credit Returns*, 1% actual time-weighted Private Real Estate Returns*, 3% MSCI ACWI*, 6% Bloomberg US Aggregate*
Policy Index: 1/1/2019-3/31/2019	37% MSCI ACWI IMI, 19% Bloomberg US Aggregate, 6% Ice BofA ML High Yield Master II Index, 2% JPM Emerging Markets Bond Index Global Diversified, 2% JPM Government Bond Index-Emerging Markets, 4% Bloomberg Commodity Index, 7.5% 3-Month T-bill +400bps, 2.5% MSCI ACWI, 5% NCREIF-ODCE, 2% actual time-weighted Private Equity Returns*, 3% actual time-weighted Private Credit Returns*, 2% actual time-weighted Private Real Estate Returns*, 3% MSCI ACWI*, 5% Bloomberg US Aggregate*
Policy Index: 10/1/2018-12/31/2018	37% MSCI ACWI IMI, 19% Bloomberg US Aggregate, 6% Ice BofA ML High Yield Master II Index, 2% JPM Emerging Markets Bond Index Global Diversified, 2% JPM Government Bond Index-Emerging Markets, 4% Bloomberg Commodity Index, 7.5% 3-Month T-bill +400bps, 2.5% MSCI ACWI, 5% NCREIF-ODCE, 2% actual time-weighted Private Equity Returns*, 2% actual time-weighted Private Credit Returns*, 2% actual time-weighted Private Real Estate Returns*, 3% MSCI ACWI*, 6% Bloomberg US Aggregate*
Policy Index: 7/1/2018-9/30/2018	37% MSCI ACWI IMI, 19% Bloomberg US Aggregate, 6% Ice BofA ML High Yield Master II Index, 2% JPM Emerging Markets Bond Index Global Diversified, 2% JPM Government Bond Index-Emerging Markets, 4% Bloomberg Commodity Index, 7.5% 3-Month T-bill +400bps, 2.5% MSCI ACWI, 5% NCREIF-ODCE, 3% actual time-weighted Private Equity Returns*, 2% actual time-weighted Private Credit Returns*, 1% actual time-weighted Private Real Estate Returns*, 2% MSCI ACWI*, 7% Bloomberg US Aggregate*
Policy Index: 1/1/2017- 6/30/2018	19% Russell 3000 Index, 18% MSCI ACWI ex US, 29% Bloomberg US Aggregate, 10% NCREIF-ODCE, 4% Bloomberg Commodity Index, 7.5% 91-day T-bills + 400bps, 2.5% MSCI ACWI, 5% Russell 3000 Index + 300 bps, 5% ICE BofA ML High Yield + 200 bps.
Policy Index: 4/1/2014-12/31/2016	23% Russell 3000 Index, 29% Bloomberg US Aggregate, 22% MSCI ACWI ex US,

## Other Disclosures

\*Private Asset actual weights, rounded to 1%, and actual time-weighted returns of Private Equity, Private Credit, Private Real Estate used in policy with the difference in weight versus target allocated to private market's public market "equivalent". Private Equity to Global Equity, Private Credit and Private Real Estate to Core Plus.

All data prior to 2Q 2011 has been provided by the investment managers.

## Glossary

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**Allocation Effect:** An attribution effect that describes the amount attributable to the managers' asset allocation decisions, relative to the benchmark.

**Alpha:** The excess return of a portfolio after adjusting for market risk. This excess return is attributable to the selection skill of the portfolio manager. Alpha is calculated as:  $\text{Portfolio Return} - [\text{Risk-free Rate} + \text{Portfolio Beta} \times (\text{Market Return} - \text{Risk-free Rate})]$ .

**Benchmark R-squared:** Measures how well the Benchmark return series fits the manager's return series. The higher the Benchmark R-squared, the more appropriate the benchmark is for the manager.

**Beta:** A measure of systematic, or market risk; the part of risk in a portfolio or security that is attributable to general market movements. Beta is calculated by dividing the covariance of a security by the variance of the market.

**Book-to-Market:** The ratio of book value per share to market price per share. Growth managers typically have low book-to-market ratios while value managers typically have high book-to-market ratios.

**Capture Ratio:** A statistical measure of an investment manager's overall performance in up or down markets. The capture ratio is used to evaluate how well an investment manager performed relative to an index during periods when that index has risen (up market) or fallen (down market). The capture ratio is calculated by dividing the manager's returns by the returns of the index during the up/down market, and multiplying that factor by 100.

**Correlation:** A measure of the relative movement of returns of one security or asset class relative to another over time. A correlation of 1 means the returns of two securities move in lock step, a correlation of -1 means the returns of two securities move in the exact opposite direction over time. Correlation is used as a measure to help maximize the benefits of diversification when constructing an investment portfolio.

**Excess Return:** A measure of the difference in appreciation or depreciation in the price of an investment compared to its benchmark, over a given time period. This is usually expressed as a percentage and may be annualized over a number of years or represent a single period.

**Information Ratio:** A measure of a manager's ability to earn excess return without incurring additional risk. Information ratio is calculated as: excess return divided by tracking error.

**Interaction Effect:** An attribution effect that describes the portion of active management that is contributable to the cross interaction between the allocation and selection effect. This can also be explained as an effect that cannot be easily traced to a source.

**Portfolio Turnover:** The percentage of a portfolio that is sold and replaced (turned over) during a given time period. Low portfolio turnover is indicative of a buy and hold strategy while high portfolio turnover implies a more active form of management.

**Price-to-Earnings Ratio (P/E):** Also called the earnings multiplier, it is calculated by dividing the price of a company's stock into earnings per share. Growth managers typically hold stocks with high price-to-earnings ratios whereas value managers hold stocks with low price-to-earnings ratios.

**R-Squared:** Also called the coefficient of determination, it measures the amount of variation in one variable explained by variations in another, i.e., the goodness of fit to a benchmark. In the case of investments, the term is used to explain the amount of variation in a security or portfolio explained by movements in the market or the portfolio's benchmark.

**Selection Effect:** An attribution effect that describes the amount attributable to the managers' stock selection decisions, relative to the benchmark.

**Sharpe Ratio:** A measure of portfolio efficiency. The Sharpe Ratio indicates excess portfolio return for each unit of risk associated with achieving the excess return. The higher the Sharpe Ratio, the more efficient the portfolio. Sharpe ratio is calculated as:  $\text{Portfolio Excess Return} / \text{Portfolio Standard Deviation}$ .

**Sortino Ratio:** Measures the risk-adjusted return of an investment, portfolio, or strategy. It is a modification of the Sharpe Ratio, but penalizes only those returns falling below a specified benchmark. The Sortino Ratio uses downside deviation in the denominator rather than standard deviation, like the Sharpe Ratio.

**Standard Deviation:** A measure of volatility, or risk, inherent in a security or portfolio. The standard deviation of a series is a measure of the extent to which observations in the series differ from the arithmetic mean of the series. For example, if a security has an average annual rate of return of 10% and a standard deviation of 5%, then two-thirds of the time, one would expect to receive an annual rate of return between 5% and 15%.

**Style Analysis:** A return based analysis designed to identify combinations of passive investments to closely replicate the performance of funds

**Style Map:** A specialized form or scatter plot chart typically used to show where a Manager lies in relation to a set of style indices on a two-dimensional plane. This is simply a way of viewing the asset loadings in a different context. The coordinates are calculated by rescaling the asset loadings to range from -1 to 1 on each axis and are dependent on the Style Indices comprising the Map.

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Verus receives universe data from InvMetrics, eVestment Alliance, and Morningstar. We believe this data to be robust and appropriate for peer comparison. Nevertheless, these universes may not be comprehensive of all peer investors/managers but rather of the investors/managers that comprise that database. The resulting universe composition is not static and will change over time. Returns are annualized when they cover more than one year. Investment managers may revise their data after report distribution. Verus will make the appropriate correction to the client account but may or may not disclose the change to the client based on the materiality of the change.



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**PERSPECTIVES  
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ENTERPRISE  
SUCCESS**



**SEPTEMBER 2024**

Framing the Currency Problem

**Kern County Employees' Retirement Association**

# What is currency risk?

## Denomination currency risk

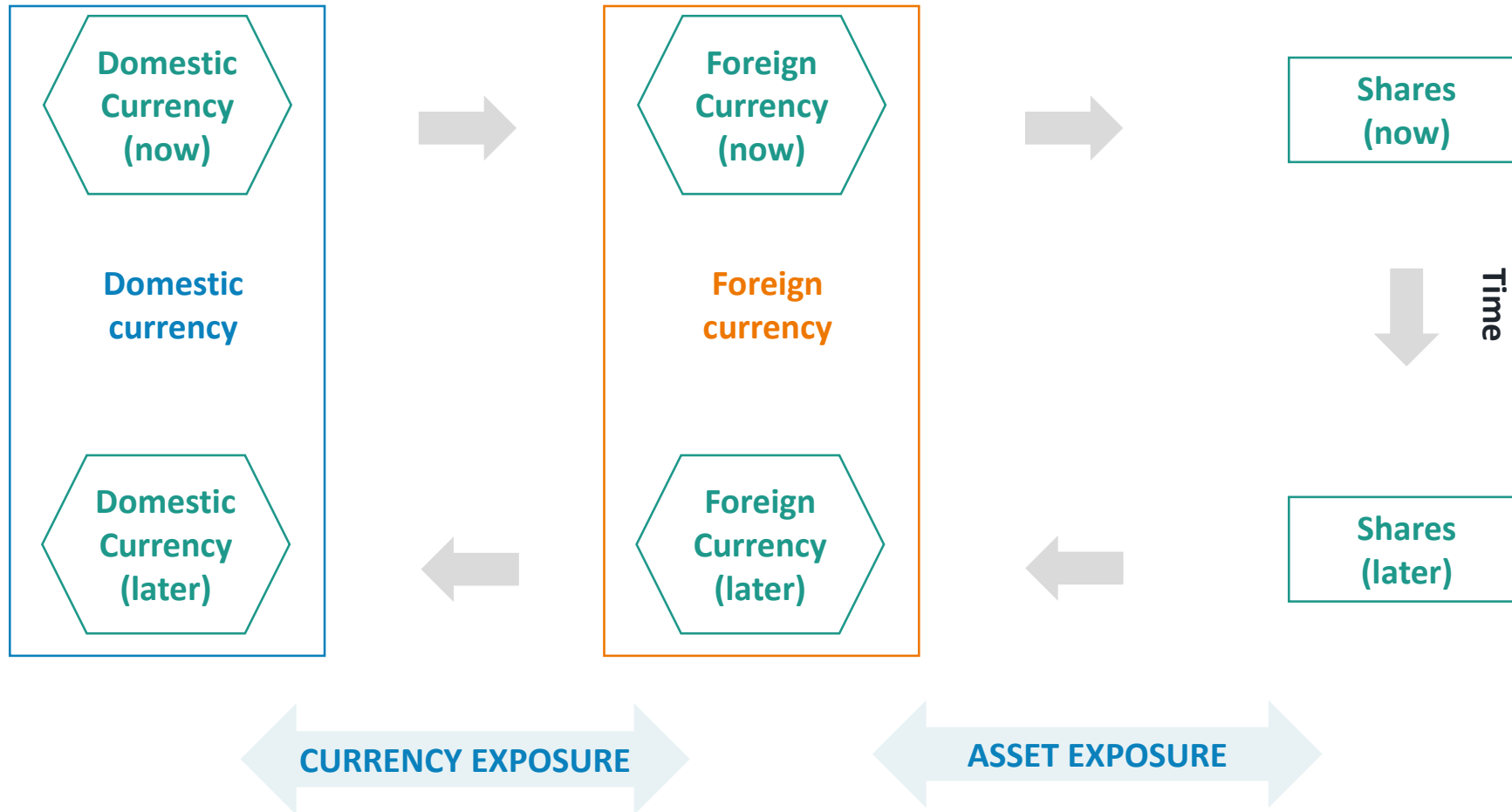
- The risk that the exchange rate between the currency in which an asset is denominated and the investor's domestic currency will change during the time in which the investor holds the asset
  - Such a movement would make the effective price of the asset change simply due to exchange rate movements
- This risk affects the PRICE of the security as observed by a foreign buyer

## Internal corporate currency risk

- The exposure that corporations have to a wide range of currency exposures
- Assets owned, staff employed, revenues earned, and costs incurred may all be priced in currencies other than the investor's domestic currency
- The corporate treasurer will typically own this problem, and will structure the business and transactions to avoid negative implications where possible
- This risk affects the VALUE of the security in its own currency of listing

**For portfolio construction purposes, this presentation, focuses on denomination currency risk.**

# Denomination currency risk

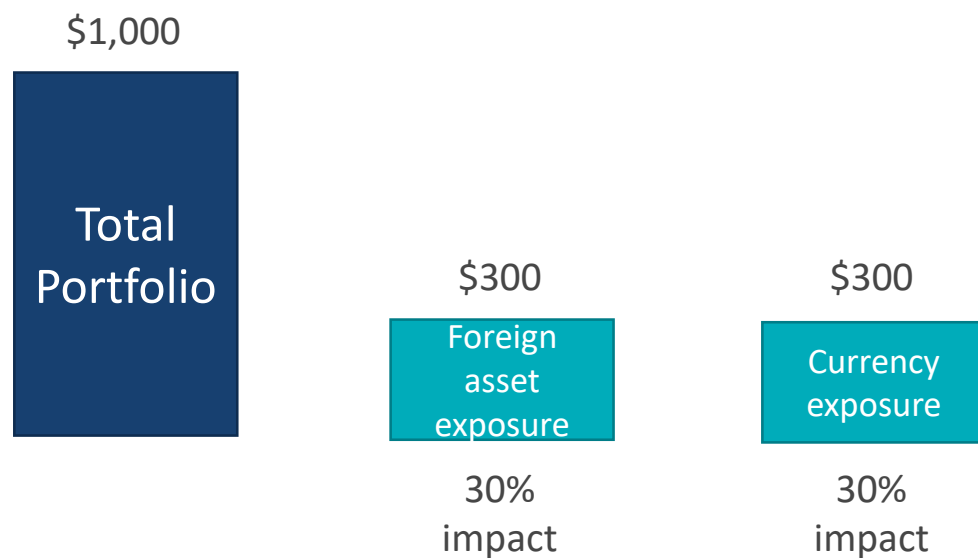


# Foreign currency exposure

**Non-U.S. dollar denominated assets should be thought of as two distinct exposures with different return drivers**

- The foreign asset in local currency terms
- An equal exposure to the foreign currency

**Movements in foreign exchange rates have the same impact on returns as movements in asset prices**

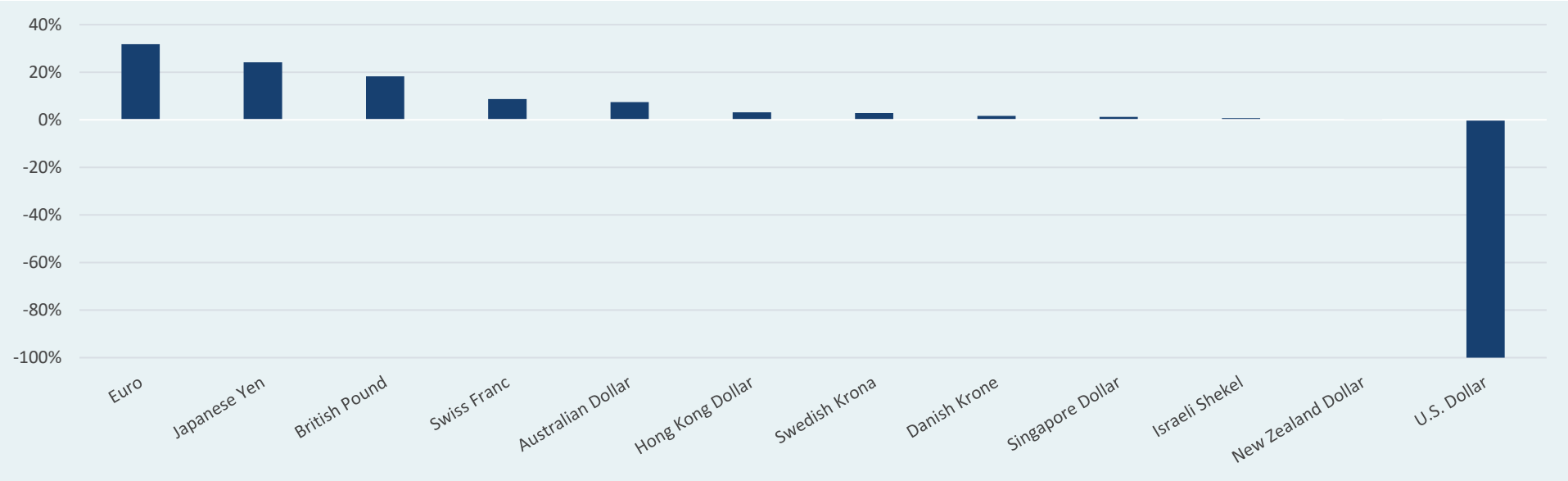


# Embedded currency portfolio

There are two important points about the currency exposure caused by foreign asset ownership (embedded currency)

- The long positions are determined by the market capitalization of the portfolio, and not based on insight into the currency market
- These positions are 100% funded by a short position to the U.S. dollar

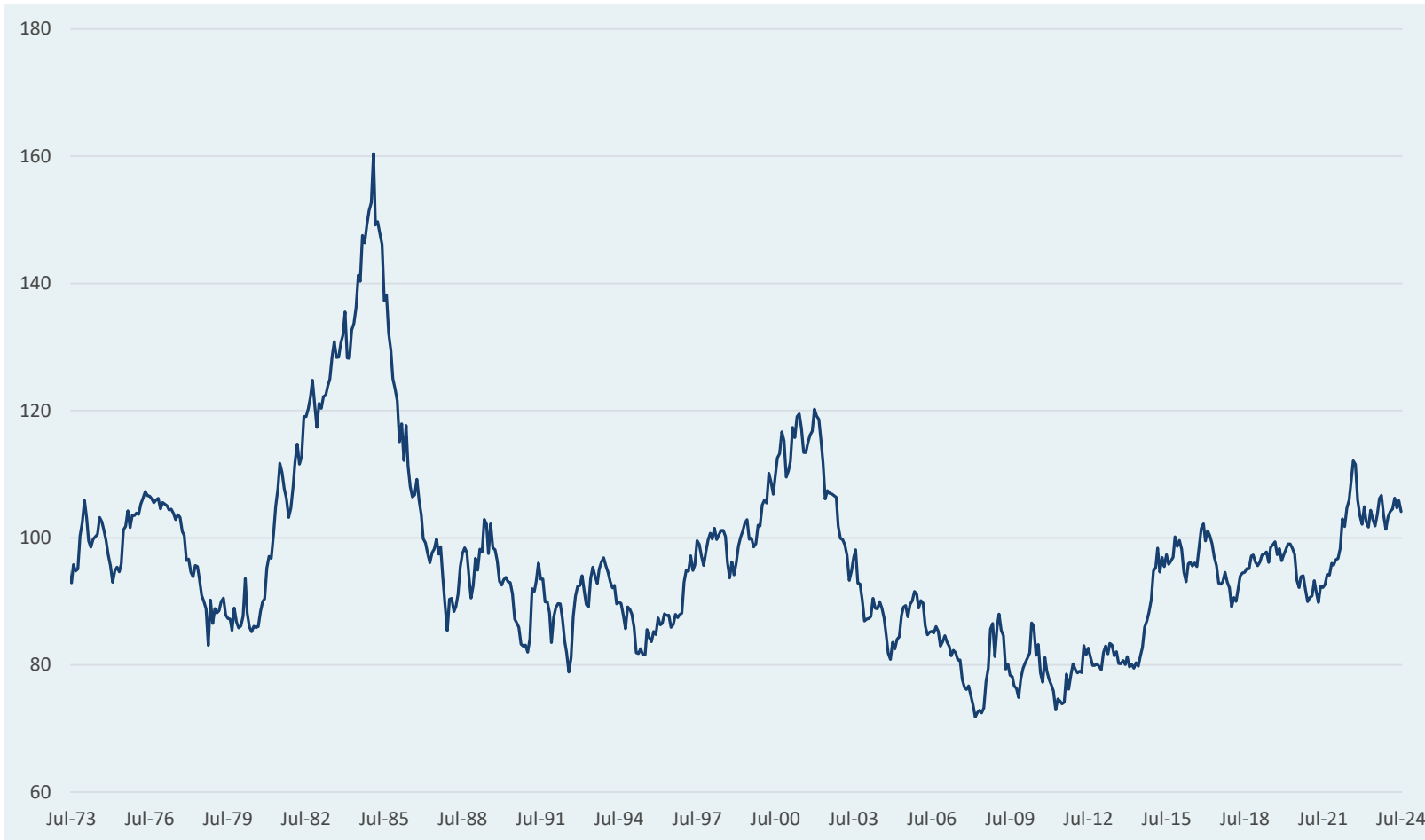
EMBEDDED CURRENCY PORTFOLIO EXAMPLE



Based on the MSCI EAFE Index

# U.S. dollar movements

DOLLAR INDEX SPOT (DXY INDEX)

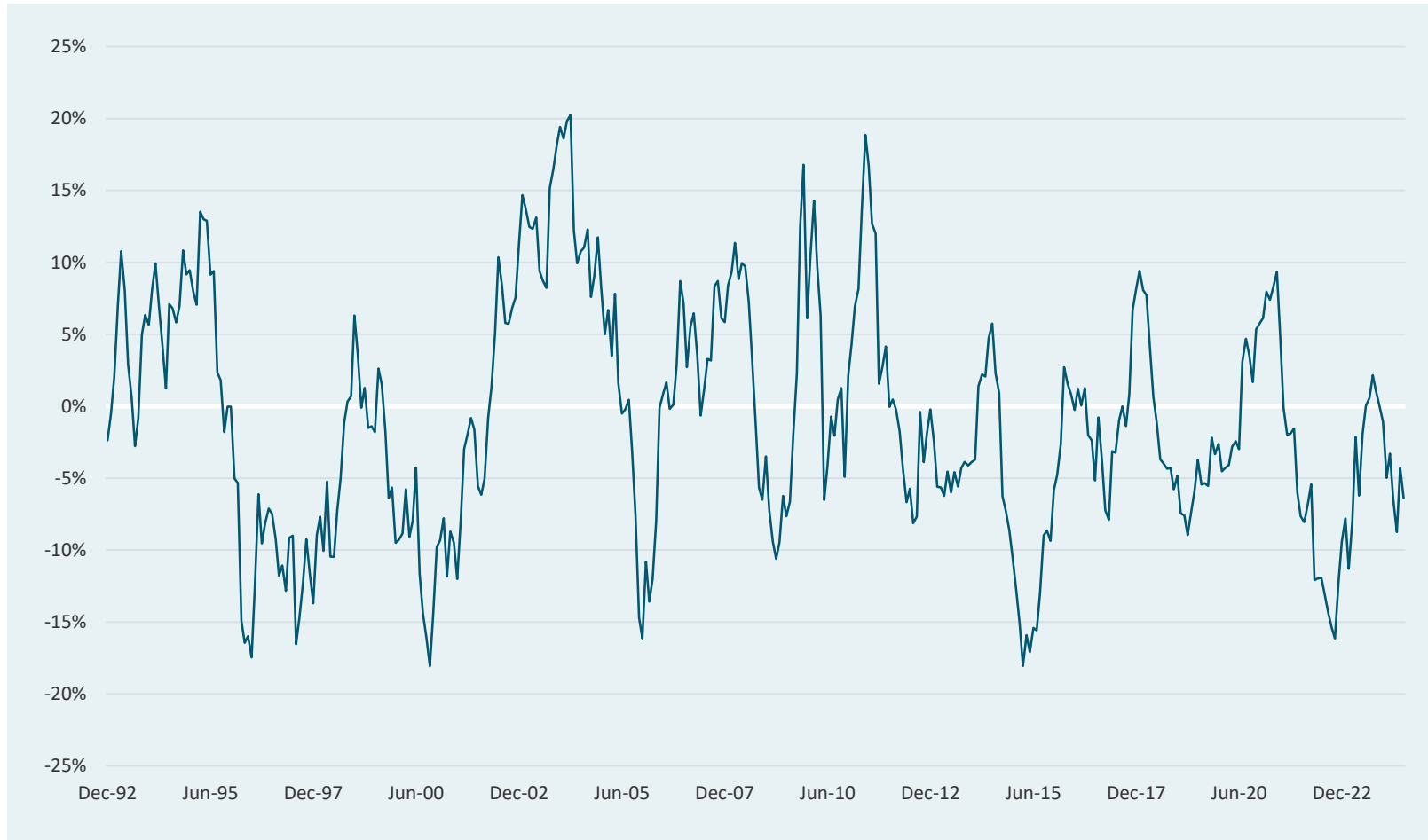


Volatility in the U.S. dollar can cause big swings in the performance of embedded currency

Source: Bloomberg, as of 7/31/24

# Impact of embedded currency

EMBEDDED CURRENCY 1-YEAR ROLLING PERFORMANCE (MSCI EAFE INDEX)



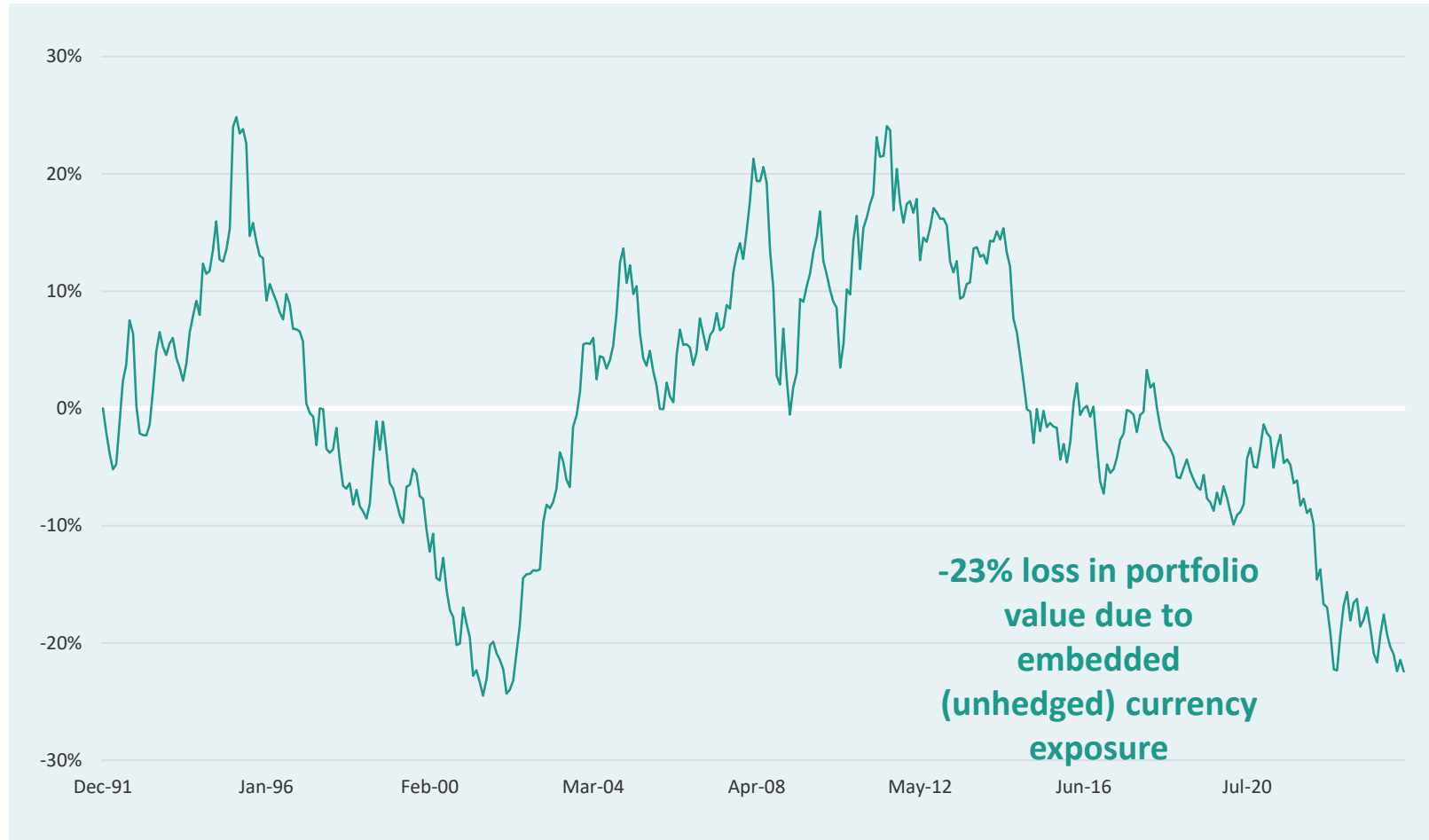
Embedded currency returns can have a big impact on portfolios

Source: Verus, MSCI, as of 6/30/24, based on the MSCI EAFE Index



# Long-term impact

EMBEDDED CURRENCY CUMULATIVE PERFORMANCE (MSCI EAFE INDEX)



Currency swings have been considerable and can last for extended periods

There is no reason to necessarily assume that losses will eventually be recouped

Source: Verus, MSCI, as of 6/30/24, based on the MSCI EAFE Index

# Embedded Currency - uncompensated risk

EMBEDDED CURRENCY 5-YEAR ROLLING RISK (MSCI EAFE INDEX)



Embedded currency has delivered significant volatility

Source: Verus, MSCI, as of 6/30/24, based on the MSCI EAFE Index

# Uncompensated risk

**There is no evidence to support the idea that a naively constructed currency portfolio (embedded currency) should demand a risk premium**

- While impossible to forecast, it is reasonable to expect a long-term return of zero from the **embedded currency exposure**
- This is not the case for risk – embedded currency exposure has historically added volatility to portfolios
- This experience suggests that embedded currency represents a source of uncompensated risk

# Approaches to currency investing

# Our views on currency

**Foreign currency exposure can have a material impact on portfolio risk and return, and we believe investors should understand and manage this exposure**

- **If a portfolio is constructed appropriately**, currency investing is not a wash, even in the long run
- Historically, foreign currency exposure embedded in international assets has added significant volatility to the total portfolio without compensation

**Investors should consider the following when investing in currency:**

- Know what you own
- Understand the tools available
- Determine the objective of the currency strategy
- Implement the strategy with a long-term timeframe in mind

# Possible approaches

## Leave currency risk unhedged (do nothing strategy)

- This strategy involves exposure to an uncompensated risk, and will be heavily impacted by U.S. dollar movements

## Hedge currency risk

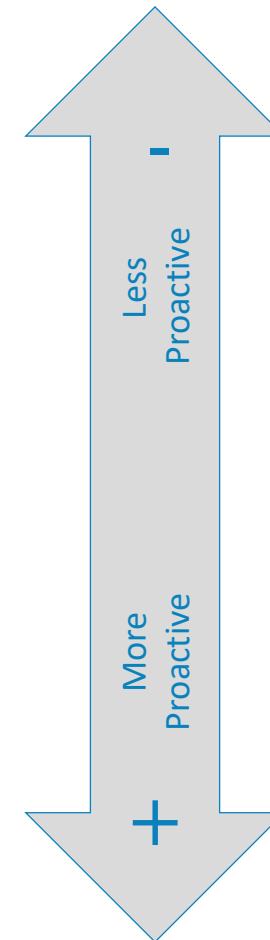
- Reduce risk by removing the exposure to foreign currency

## Currency Beta

- Change the nature of the currency exposure to reflect the currency market as a whole with the goal of improving portfolio risk adjusted performance

## Active Currency Management

- Build active currency insights into the portfolio, with the goal of improving portfolio performance and generating alpha



# Important considerations

# Other factors to consider

There are several common factors investors need to consider in each of these cases:

- **Use of derivatives** – Intentional currency investing involves the use of derivative contracts. While currency forwards have some non-derivative characteristics, investors with sensitivity to derivatives are likely to also have sensitivity to the use of forwards.
- **Liquidity needs** – Liquidity considerations are involved. The nature of the exposures implemented may have liquidity consequences, and investors should be sure that their liquidity risk profile is matched to the proposed solution.
- **Complexity** – Additional complexity is likely involved. This means that the Board must spend time in the lead up to adoption, and perhaps even on an ongoing basis (particularly when new members join the board) to ensure that decision-making stability is retained.
- **Peer risk** – A carefully thought-out intentional currency approach will most likely involve peer risk. Weighing the sensitivity of the Board to peer risk relative to the benefits of possible investment outcomes is an important part of adopting any approach.



# Timing

Some investors have expressed concern with the recent strength in the U.S. dollar over the past few years and are expecting a reversal in the medium-term trend. This expectation is being used as a reason to leave the embedded currency exposure unchanged. While not illogical, we disagree with this strategy for several reasons.

- Drivers of currency trends can be complex and understanding them requires expertise and insights
- One of the primary goals of a currency program is to take purposeful currency risk and improve risk-adjusted returns
- The embedded currency portfolio is an inefficient way to express these views
  - Are expectations of U.S. dollar movements uniform across currency pairs?
  - If a manager presented a product with the experience of the embedded currency portfolio (slides 7/8) would you invest in it because it was valued cheaply?
- A dynamic hedge may be an appropriate tool to allow a manager with expertise to adjust the hedge ratio depending on market conditions

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## **Currency Management**

Presented by:

**Daryn Miller, CFA**

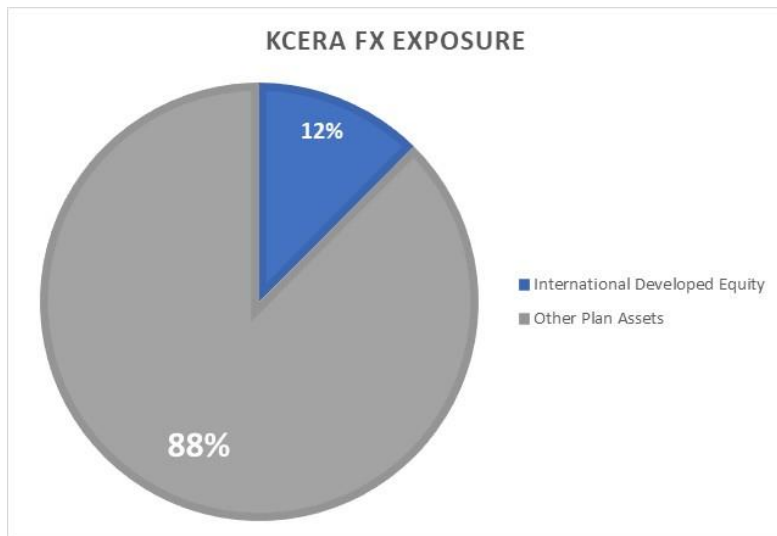
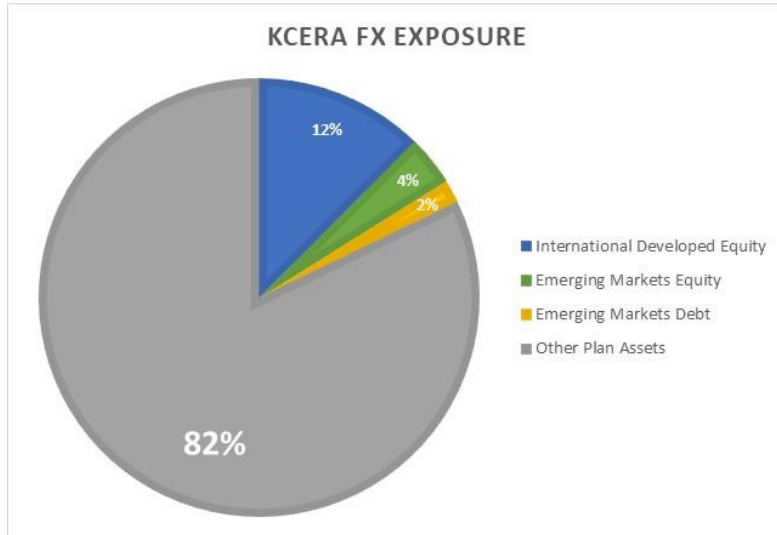
Chief Investment Officer

**Rafael A. Jimenez**

Senior Investment Analyst

# KCERA Foreign Currency (FX) Exposure

*How much FX exposure is in the KCERA Portfolio?*



- As of June 30<sup>th</sup>, 2024, 17.8% of the KCERA Portfolio's assets were dominated in a foreign currency
  - International Developed Equity 12.4%
  - Emerging Markets Equity 3.7%
  - Emerging Markets Debt 1.7%
- The return of these asset classes can be separated into the return earned on foreign securities and the return of the foreign currency relative to the US Dollar (USD)
- Fixed Income managers tend to form an assessment on FX and incorporate their view into investment decisions
  - The managers in the Emerging Markets Debt Portfolio select the currencies they want exposure to
- Equity managers tend to be agnostic to FX and do not incorporate a view into investment decisions under the premise that over a long-term horizon, FX is not expected to add or detract from performance

\*As of June 30<sup>th</sup>, 2024

# KCERA Foreign Currency (FX) Exposure, cont.

*How much FX volatility is the Plan's International Developed Equity Portfolio exposed to?*

*What benchmark is representative of the exposure?*

- As of June 30<sup>th</sup>, 2024, the Market Value of the International Developed Equity Portfolio was \$724M and represents 12.4% of Total Plan Assets
- The MSCI World ex-US Index can be used to represent the Plan's FX exposure
  - The Plan maintains an **overweight** to the Japanese Yen as a result of the dedicated Japanese Equity mandates
- The Plan's risk from FX exposure, using the MSCI World ex-US Index as a proxy, is 7.24% at the International Developed Equity Level and 0.90% at the Total Plan Level

Currency	MSCI World ex-US Currency Exposures (%)	Individual Currency Risk (%)	
EUR	Euro	29.84	9.63
JPY	Japanese Yen	20.34	9.61
GBP	British Pound	13.33	9.21
CAD	Canadian Dollar	10.48	9.09
CHF	Swiss Franc	8.67	10.12
AUD	Australian Dollar	6.71	12.84
DKK	Danish Krone	3.57	9.62
SEK	Swedish Krona	2.90	11.16
HKD	Hong Kong Dollar	1.59	0.52
SGD	Singapore Dollar	1.22	5.91
ILS	Israeli New Shekel	0.66	7.97
NOK	Norwegian Krone	0.53	12.45
NZD	New Zealand Dollar	0.16	13.87
<b>Total</b>	<b>100</b>	<b>7.24</b>	

*Volatility as of June 30th, 2024*

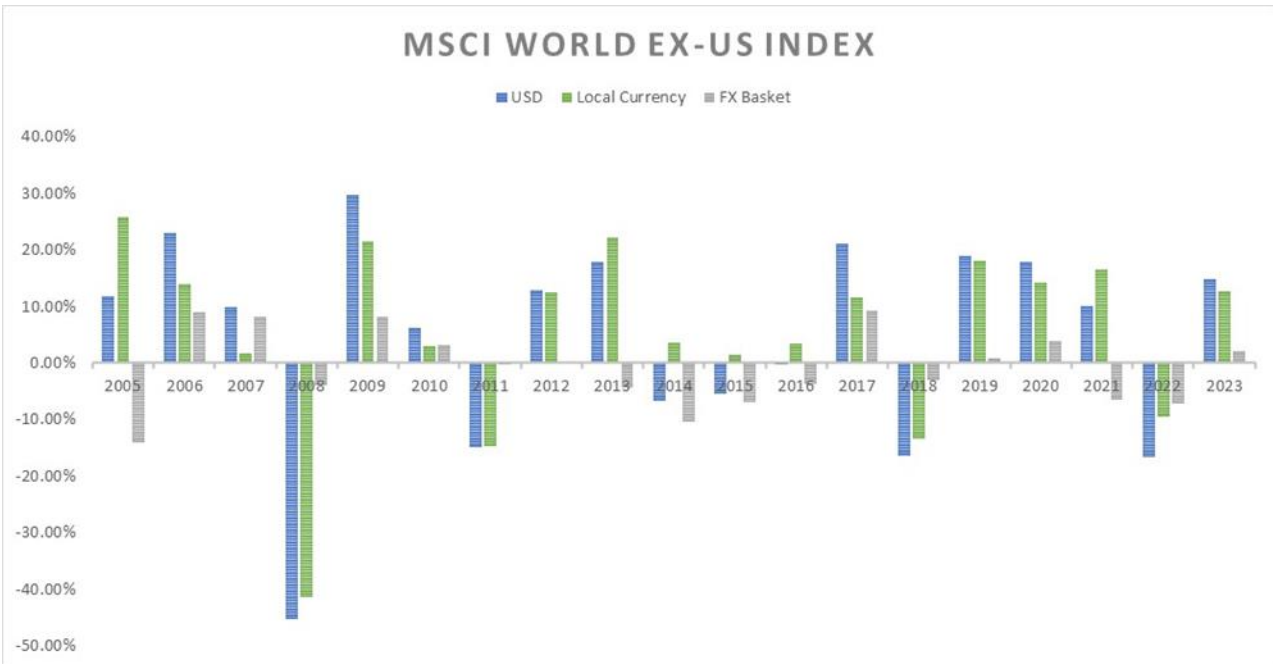
*Sources: MSCI and AL&P*

# Currency Management

## Historical Performance of Equity Market Return in Local Currency Index and USD Index

January 2005 - June 2024

	World ex-US, USD	World ex-US, Local Curr.	FX Basket
Annualized Return	2.33%	3.60%	-1.28%
Cumulative Return	56.59%	99.40%	-42.81%
Annualized Standard Deviation	16.89%	13.44%	6.85%
Return Per Unit of Risk	0.14	0.27	-0.19

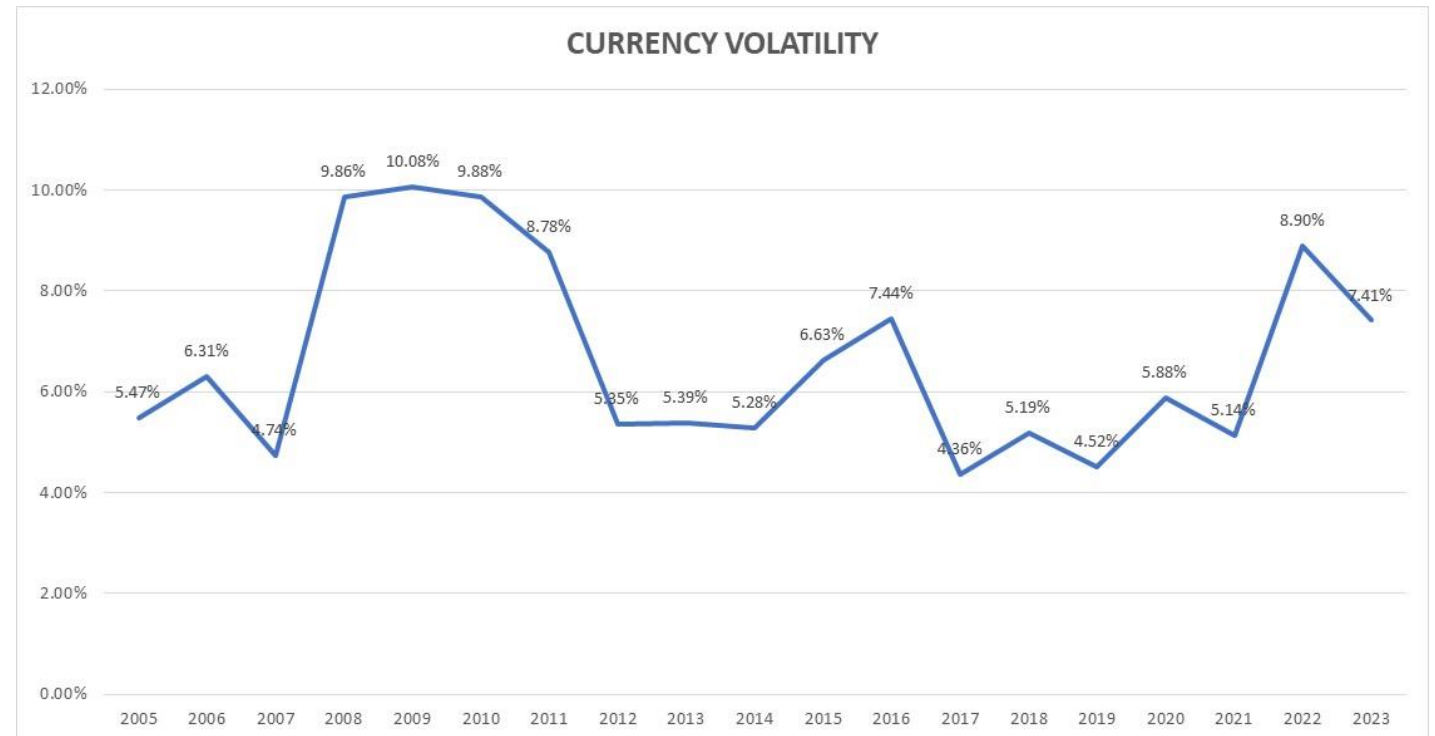


- The volatility of the index in USD, as measured by standard deviation, is *less than* the aggregate volatility of the local currency index + the FX Basket
- The return of the embedded currency portfolio is **not** perfectly correlated with the return of the index in local currency terms
  - The embedded currency portfolio provides investors with a degree of diversification

# Currency Management, cont.

## Historical Volatility of *Embedded Currency Portfolio*

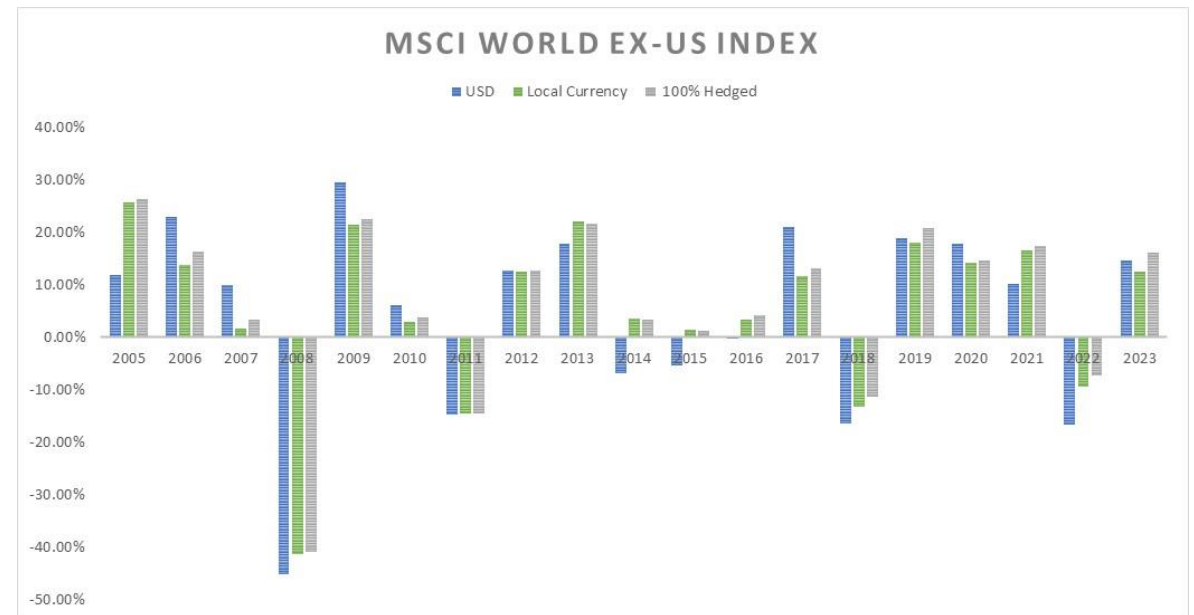
- Over a long-term investment horizon, the expected return of the embedded currency portfolio is 0
- Between 2005 – 2023, the annual return of the FX basket inherent in the MSCI World ex-US Index ranged between **-13.9%** and **9.3%**
- FX exposure is an *uncompensated risk* because it is a source of volatility and has a long-term expected return of 0



# Should FX Exposure be Managed?

- An investment manager can be used to separate  $R_{FC}$  (the return equity managers earn on foreign securities) and  $R_{FX}$  (the foreign currency return relative to USD)
  - The equity manager and currency manager can each focus on their area of expertise
- In periods of US Dollar strength, hedging foreign currency exposure can be additive
  - Staff has evaluated both *passive* and *active* approaches to currency management
- A currency management program can be structured to achieve the following objectives simultaneously:
  - Taking purposeful currency risk
  - Generating an incremental return

January 2005 - June 2024	World ex-US, USD	World ex-US, Local Curr.	World ex-US, 100% Hedged
<b>Annualized Return</b>	2.33%	3.60%	<b>4.77%</b>
<b>Cumulative Return</b>	56.59%	99.40%	<b>148.05%</b>
<b>Annualized Standard Deviation</b>	16.89%	13.44%	<b>13.36%</b>
<b>Return Per Unit of Risk</b>	0.14	0.27	<b>0.36</b>





# Questions





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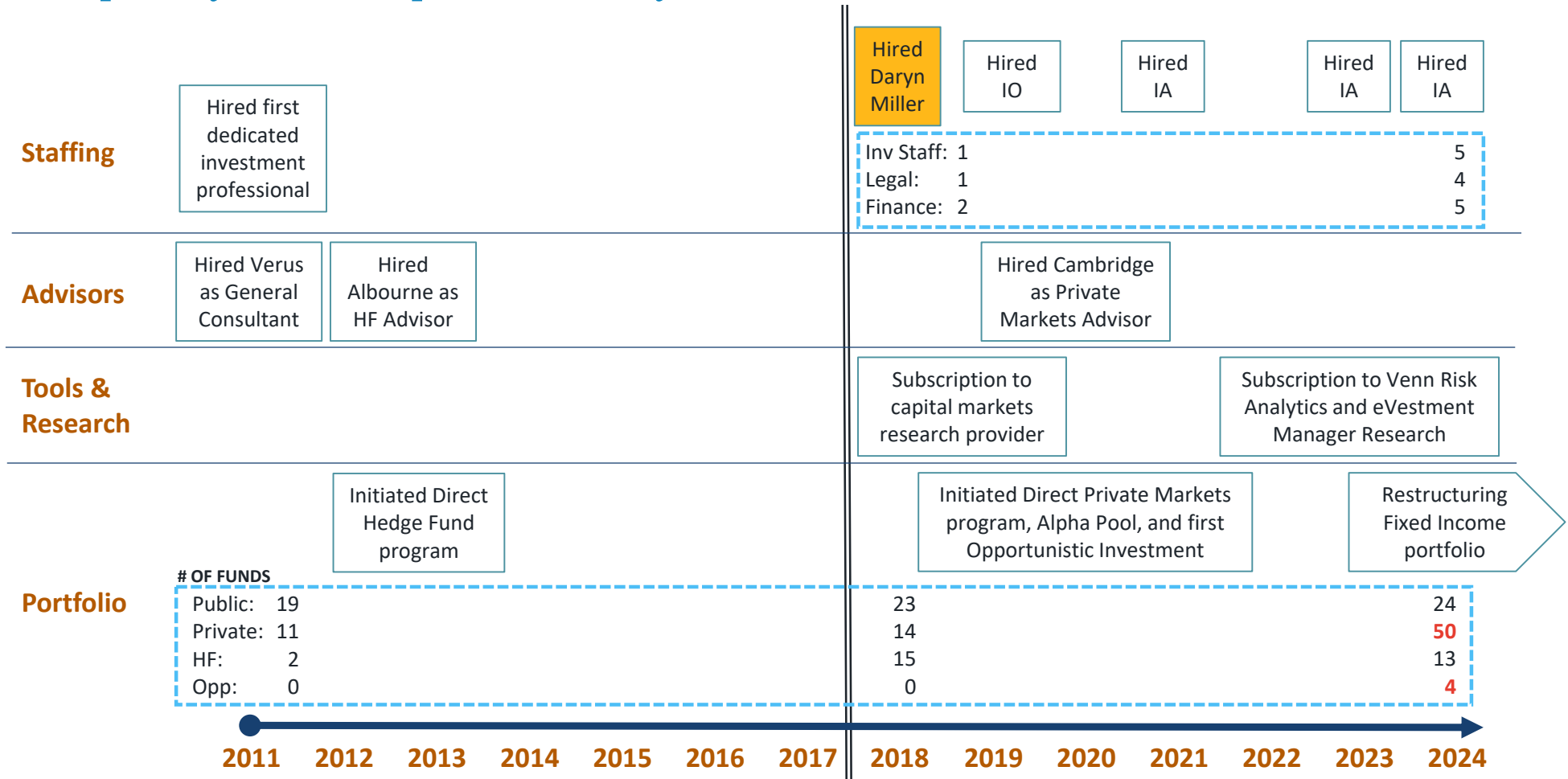
**SEPTEMBER 2024**

Perspectives on Governance – Delegation of Authority

**Kern County Employees' Retirement Association**

# Investment program evolution

KCERA's investment program has increased greatly in sophistication and complexity over the past several years



# Delegation survey

System*	Delegated Authority
Contra Costa County ERA	<ul style="list-style-type: none"> <li>• Rebalancing within target ranges</li> <li>• Manager selection up to \$150 mm per strategy</li> <li>• Manager termination</li> </ul>
Florida SBA	<ul style="list-style-type: none"> <li>• Rebalancing within target ranges</li> <li>• Manager selection / termination (public markets)</li> <li>• Manager selection (private markets)</li> </ul>
Fort Worth ERF	<ul style="list-style-type: none"> <li>• Rebalancing within target ranges</li> <li>• Manager selection / termination (public markets)</li> <li>• Manager selection (private markets)</li> </ul>
Illinois Police Officer’s Pension Investment Fund	<ul style="list-style-type: none"> <li>• Rebalancing within target ranges</li> </ul>
Imperial County ERS	<ul style="list-style-type: none"> <li>• Re-balancing through cash flow management</li> </ul>
Missouri State ERS	<ul style="list-style-type: none"> <li>• Rebalancing within target ranges</li> <li>• Manager selection / termination (public markets)</li> <li>• Manager selection (private markets)</li> </ul>
Sacramento County ERS	<ul style="list-style-type: none"> <li>• Re-balancing within target ranges</li> <li>• Manager selection (private markets)</li> </ul>
San Jose ORS	<ul style="list-style-type: none"> <li>• Manager selection / termination (public markets)</li> <li>• Manager selection (private markets)</li> </ul>
South Carolina RISC	<ul style="list-style-type: none"> <li>• Rebalancing / tactical allocation within target ranges</li> <li>• Manager selection / termination (public markets)</li> <li>• Manager selection (private markets)</li> </ul>
State of Wisconsin Investment Board	<ul style="list-style-type: none"> <li>• Rebalancing within target ranges</li> <li>• Manager selection / termination (public markets)</li> <li>• Manager selection (private markets)</li> </ul>

Many plans with sophisticated and properly resourced investment staffs have chosen to delegate key investment decision making authority

\*Data represents a random sample of responses from Verus Public Fund clients

# Observations / perspectives

- Many plans with sophisticated investment staff have broadly delegated authority
- No broadly accepted set of best practices has been established for the delegation of investment decision-making authority; nearly as many different governance structures and delegation levels exist as there are public pension plans
- Verus does not have a formal house view on delegation best practices. My personal view has been shaped over many years of experience and observation (much of which was formed following the work of Tom Iannucci from Cortex Applied Research)
- I believe a Board's highest, best use is to focus on setting and monitoring:
  - Enterprise objectives
  - Enterprise risk tolerance
  - Investment philosophy
  - Asset allocation
  - Investment guidelines (e.g., guardrails)
- I further believe all investment program implementation should be delegated to investment staff or qualified third parties with the critically important caveat that robust accountability and monitoring mechanisms are put in place

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Delegation

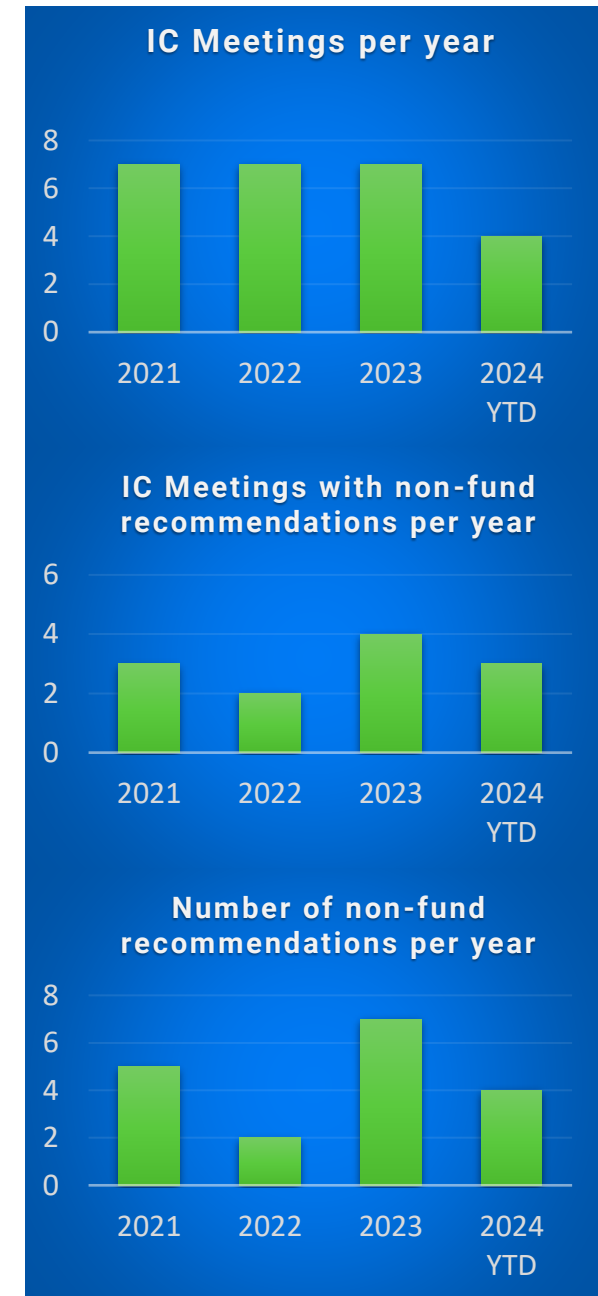
Presented by:

**Daryn Miller, CFA**

Chief Investment Officer

# Historical Perspective on IC Meetings

- From January 2021 through June 2024, the Investment Committee (IC) met 25 times
  - 7 times per year
- On average there were 3 IC meetings per year that included non-fund recommendation agenda items
  - A max of 4 meetings in 2023
  - And min of 2 meetings in 2022
- Looking at the number of non-fund recommendations per year, there were an average of 5 per year
  - A max of 7 in 2023
  - And min of 2 in 2022





# Historical Perspective on IC Meetings, cont.

- From January 2021 through June 2024, the Investment Committee (IC) met 25 times
  - There were 46 recommendations for new investments (selections) and 3 terminations
  - Of the 46 selections, the average size was \$35.7M
    - 45 of the 46 were within the proposed thresholds
  - Of the 3 terminations, the average size was \$138.3M

## Proposed thresholds

Asset Class	Selection	Termination
Hedge Funds	1.0%	Fully delegated
Private Markets	1.0%	Fully delegated
Opportunistic	1.0%	Fully delegated
Co-investments*	0.5%	Fully delegated
All other investments	1.0%	Fully delegated

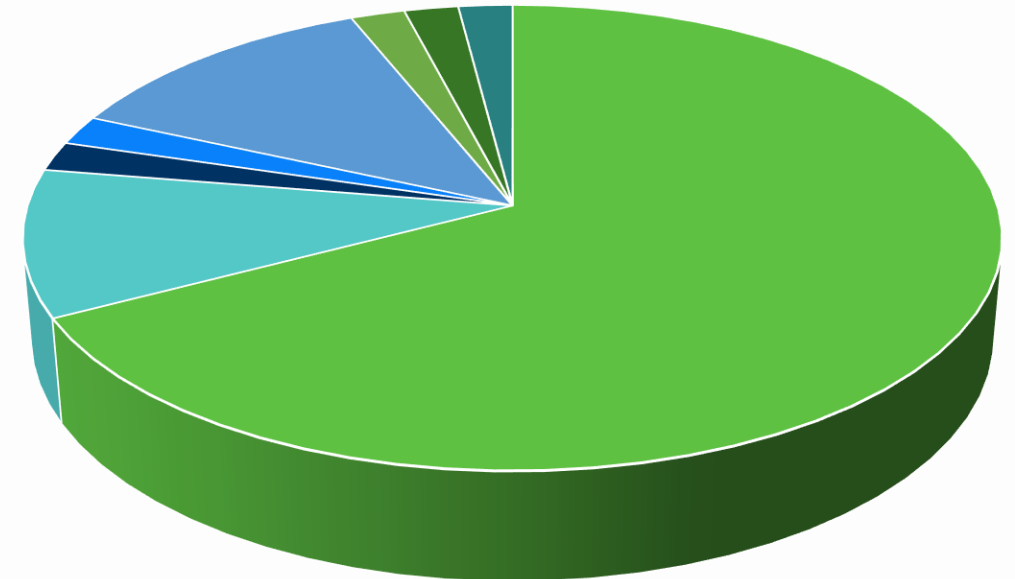


# Historical Perspective on IC Meetings, cont.

- From January 2021 through June 2024, there were **a total of 49 fund recommendations**
  - The majority (33) were in Private Markets
    - 13 Private Equity
    - 13 Private Credit
    - 7 Private Real Estate/Assets
  - The next most active allocation was Opportunistic (6)
    - Opportunistic has the highest proportion of non-traditional paths to approval, with 3 of the 6 recommendations skipping the IC and going to a Special Board meeting

Fund Recommendations (count) by Underlying Portfolio Allocation

49 in Total



- |                        |                     |
|------------------------|---------------------|
| ■ Private Market (33)  | ■ Public Equity (5) |
| ■ Core Real Estate (1) | ■ Cash (1)          |
| ■ Opportunistic (6)    | ■ Co-Investment (1) |
| ■ Hedge Fund (1)       | ■ Alpha Pool (1)    |

# Path to Approval

- From January 2021 through June 2024, there were **a total of 49 fund recommendations**
  - 43 recommendations followed the traditional path to approval
    - IC approves, then a recommendation is presented at a regular Board meeting for final approval
  - 1 recommendation skipped the IC and went straight to a regular Board meeting
  - 5 recommendations skipped the IC and went straight to a Special Board meeting



# Evolution of investment program

- The investment team has grown notably over the past several years
- Following the hiring of the CIO in 2018, the investment team has since grown to 5 individuals

Title	2018	2019	2020	2021	2022	2023	2024
CIO	[Solid blue bar]						
Investment Officer *	[Light blue bar]	[Light blue bar]	[Light blue bar]	[Light blue bar]	[Light blue bar]	[Light blue bar]	[Light blue bar]
Investment Analyst **				[Light blue bar]	[Light blue bar]	[Light blue bar]	[Light blue bar]
Investment Analyst **						[Light blue bar]	[Light blue bar]
Investment Analyst **							[Light blue bar]

\* includes Investment Officer and Senior Investment Officer positions

\*\* includes Investment Analyst I & II, and Senior Investment Analyst positions

# Forward Calendar

INVESTMENT COMMITTEE				
Meeting Month	Asset Allocation	Strategic Considerations	Asset Class Deep Dive	RFPs
Feb. 2024				
Mar. 2024				
Apr. 2024	- AA Review			
May. 2024			- Public Equity	
Jun. 2024		- 2035 Initiative - Delegation		
Aug. 2024		- 2035 Initiative - Delegation	- Core Real Estate	
Sep. 2024			- Midstream	
Oct. 2024		- FX Hedging		
Nov. 2024		- 2035 Initiative, cont.	- Opportunistic	
Dec. 2024			- Commodities	

*Proposed. Subject to change.*

# Forward Calendar, cont.

INVESTMENT COMMITTEE				
Meeting Month	Asset Allocation	Strategic Considerations	Asset Class Deep Dive	RFPs
Feb. 2025			- Commodities	
Mar. 2025		- 2035 Initiative, cont.		
Apr. 2025	- AA Review		- Hedge Fund & Alpha Pool	
May. 2025		- Capital Efficiency review		
Jun. 2025			- Cash	
Aug. 2025		- IPS review		
Sep. 2025		- Multi-asset framework	- Private Markets	
Oct. 2025				
Nov. 2025		- Multi-asset framework, cont.		
Dec. 2025			- Fixed Income	- Private Markets Consultant

*Proposed. Subject to change.*

# Investment Process

- Delegation shifts the steps in the investment process slightly
- The overall process remains largely intact

## Current Process

Investment Staff Diligence

Coordinate with appropriate investment consultant

Preliminary Internal Investment Committee (IIC)

Further investment due diligence

Investment consultant diligence

Staff and consultant internal documentation preparation

IIC Approval

Prepare IC/BOR materials

IC approval

Board approval

Legal review and negotiations

## Proposed Process

Investment Staff Diligence

Coordinate with appropriate investment consultant

Preliminary Internal Investment Committee (IIC)

Further investment due diligence

Investment consultant diligence

Staff and consultant internal documentation preparation

IIC Approval

Notify IC

Legal review and negotiations

Report investment to IC and Board via CIO Report

# Summary of Fund Recommendations 2021- June 2024

Date	Meeting Type	Comment	Allocation	Amount (\$M)	SELECTION		
					Threshold %	Threshold \$	in Threshold
1/15/2021	IC	<i>traditional</i>	Private Market	40.0	1.0%	52.6	Yes
1/15/2021	IC	<i>traditional</i>	Private Market	40.0	1.0%	52.6	Yes
2/5/2021	IC	<i>traditional</i>	Cash	100.0	2.0%	105.3	Yes
4/6/2021	IC	<i>traditional</i>	Private Market	22.5	1.0%	52.6	Yes
4/6/2021	IC	<i>traditional</i>	Private Market	7.5	1.0%	52.6	Yes
4/29/2021	IC	<i>traditional</i>	Private Market	15.0	1.0%	52.6	Yes
4/29/2021	IC	<i>traditional</i>	Private Market	15.0	1.0%	52.6	Yes
4/29/2021	IC	<i>traditional</i>	Alpha Pool	50.0	1.0%	52.6	Yes
6/2/2021	IC	<i>traditional</i>	Public Equity	-250.0	2.0%		
6/2/2021	IC	<i>traditional</i>	Public Equity	-112.0	2.0%		
6/28/2021	Special Board	Skipped IC > Special Board	Opportunistic	50.0	1.0%	52.6	Yes
9/22/2021	IC	<i>traditional</i>	Private Market	30.0	1.0%	52.6	Yes
12/14/2021	IC	<i>traditional</i>	Private Market	40.0	1.0%	52.6	Yes
12/14/2021	IC	<i>traditional</i>	Opportunistic	44.0	1.0%	52.6	Yes
2/4/2022	IC	<i>traditional</i>	Private Market	30.0	1.0%	52.2	Yes
2/28/2022	IC	<i>traditional</i>	Private Market	40.0	1.0%	52.2	Yes
2/28/2022	IC	<i>traditional</i>	Private Market	30.0	1.0%	52.2	Yes
4/27/2022	IC	<i>traditional</i>	Private Market	30.0	1.0%	52.2	Yes
4/27/2022	IC	<i>traditional</i>	Private Market	10.0	1.0%	52.2	Yes
4/27/2022	IC	<i>traditional</i>	Private Market	30.0	1.0%	52.2	Yes
5/22/2022	Special Board	Skipped IC > Special Board	Opportunistic	15.0	1.0%	52.2	Yes
6/1/2022	IC	<i>traditional</i>	Private Market	32.5	1.0%	52.2	Yes
8/3/2022	IC	<i>traditional</i>	Private Market	30.0	1.0%	52.2	Yes
8/3/2022	IC	<i>traditional</i>	Private Market	40.0	1.0%	52.2	Yes
12/12/2022	IC	<i>traditional</i>	Private Market	30.0	1.0%	52.2	Yes
2/27/2023	IC	<i>traditional</i>	Private Market	30.0	1.0%	53.1	Yes
2/27/2023	IC	<i>traditional</i>	Private Market	30.0	1.0%	53.1	Yes
4/5/2023	IC	<i>traditional</i>	Opportunistic	20.0	1.0%	53.1	Yes
6/1/2023	IC	<i>traditional</i>	Private Market	50.0	1.0%	53.1	Yes
6/1/2023	IC	<i>traditional</i>	Private Market	50.0	1.0%	53.1	Yes
6/1/2023	IC	<i>traditional</i>	Private Market	30.0	1.0%	53.1	Yes
6/14/2023	Regular Board	Skipped IC > Regular Board	Co-Investment	10.0	0.5%	26.6	Yes
8/8/2023	IC	<i>traditional</i>	Private Market	30.0	1.0%	53.1	Yes
8/8/2023	IC	<i>traditional</i>	Private Market	30.0	1.0%	53.1	Yes
8/8/2023	IC	<i>traditional</i>	Opportunistic	30.0	1.0%	53.1	Yes
9/5/2023	IC	<i>traditional</i>	Public Equity	100.0	2.0%	106.2	Yes
9/5/2023	IC	<i>traditional</i>	Public Equity	50.0	2.0%	106.2	Yes
10/18/2023	IC	<i>traditional</i>	Private Market	40.0	1.0%	53.1	Yes
10/18/2023	IC	<i>traditional</i>	Public Equity	-53.0	2.0%		
12/11/2023	IC	<i>traditional</i>	Private Market	25.0	1.0%	53.1	Yes
12/11/2023	IC	<i>traditional</i>	Private Market	25.0	1.0%	53.1	Yes
12/11/2023	IC	<i>traditional</i>	Core Real Estate	75.0	2.0%	106.2	Yes
2/5/2024	IC	<i>traditional</i>	Hedge Fund	65.0	1.0%	56.2	No
2/5/2024	IC	<i>traditional</i>	Private Market	50.0	1.0%	56.2	Yes
2/29/2024	Special Board	Skipped IC > Special Board	Private Market	25.0	1.0%	56.2	Yes
4/26/2024	Special Board	Skipped IC > Special Board	Private Market	15.0	1.0%	56.2	Yes
5/31/2024	IC	<i>traditional</i>	Private Market	55.0	1.0%	56.2	Yes
5/31/2024	IC	<i>traditional</i>	Private Market	25.0	1.0%	56.2	Yes
6/24/2024	Special Board	Skipped IC > Special Board	Opportunistic	10.0	1.0%	56.2	Yes



- # Questions?



## Kern County Employees' Retirement Association

### Governance — Delegation Policy Discussion

Julie Becker, Partner

Benita Falls Harper, Associate  
Partner

David Forman, Consultant

September 11, 2024

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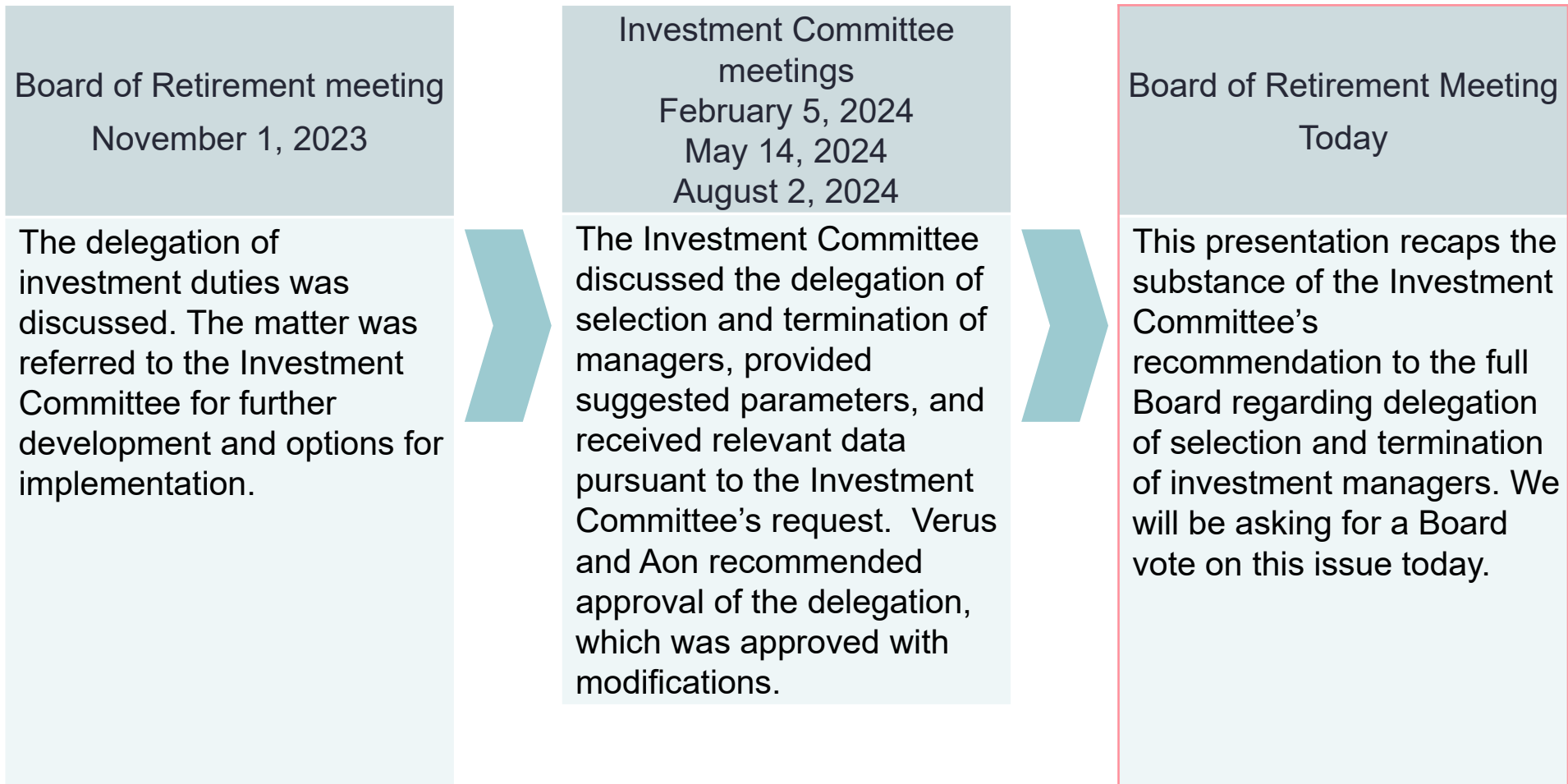


# Aon Recommendation

As the Board's Governance Consultant, Aon recommends that the Board approve delegating investment manager selection and termination for these key reasons:

- 1. Delegating tasks to qualified professionals is prudent, is permitted by California law and is encouraged under trust law principles, the Prudent Investor Act and ERISA.**
  - The Board trusts the expertise of Staff and Investment Consultants.
- 2. The proposed process ensures clear documentation of roles, responsibilities and appropriate parameters of the delegation.**
  - The Board sets guidelines and policies to ensure accurate implementation by Staff.
- 3. The recommended reporting and process are clear, with Staff providing regular reports and updates to the Board and Investment Committee.**
  - The Board has the ability to monitor the program and retains the discretion to revoke or revise the delegation.

# Background and Objectives



# Proposed Policy Revisions

We recommend that the below changes be made to policy documents to reflect the delegation policy and associated parameters and constraints. These edits have been made to the redlined and clean policy documents found in the Appendix.

Policy Document	Revisions
Investment Policy Statement	<ul style="list-style-type: none"><li>• Added that Board has delegated the authority to select and terminate investment managers</li><li>• Added parameters and constraints, including size thresholds and conditions for rescinding delegated authority</li><li>• Edited manager search process for both public and private markets</li><li>• Added language from Due Diligence and Service Provider Selection Policy related to reviewing decision and recommendation procedures</li><li>• Added that Board has fully delegated termination authority to the CIO</li></ul>
Board of Retirement Charter	<ul style="list-style-type: none"><li>• Edited the Board's responsibility to appoint investment managers to only include those that fall outside of parameters and constraints established in the IPS</li></ul>

## Proposed Policy Revisions (continued)

We recommend that the below changes be made to policy documents to reflect the delegation policy and associated parameters and constraints. These edits have been made to the redlined and clean policy documents found in the Appendix.

Policy Document	Revisions
Due Diligence and Service Provider Selection Policy	<ul style="list-style-type: none"><li>• Removed some manager due diligence language to avoid inconsistency, as this is covered in detail in the IPS</li><li>• Moved language to IPS related to reviewing investment manager decision and recommendation procedures</li></ul>
Monitoring and Reporting Policy	<ul style="list-style-type: none"><li>• Added that the CIO Report will include information about the investment changes made under the Chief Investment Officer's delegated authority</li></ul>

## Proposed Policy Revisions (continued)

We recommend that the below changes be made to policy documents to reflect the delegation policy and associated parameters and constraints. These edits have been made to the redlined and clean policy documents found in the Appendix.

Policy Document	Revisions
Investment Committee Charter	<ul style="list-style-type: none"><li>• Edited the Investment Committee’s responsibility to select investment managers that fall outside parameters and constraints</li><li>• Added full delegation of termination authority to the CIO</li></ul>
Chief Executive Officer Charter	<ul style="list-style-type: none"><li>• Added responsibility to ensure that delegated authority relative to the selection and termination of investment managers is exercised within the parameters and constraints set by the Board</li></ul>

# Thresholds for Selection and Termination

The authority delegated to the Chief Investment Officer by the Board to select investment managers will be constrained by a maximum investment size defined as a percentage of total plan assets. The delegation to the Chief Investment Officer for termination of investment managers is unlimited.

<b>Asset Class</b>	<b>Selection</b>	<b>Termination</b>
Hedge Funds	1.0%	Fully delegated
Private Markets	1.0%	Fully delegated
Opportunistic	1.0%	Fully delegated
Co-investments*	0.5%	Fully delegated
All other investments	1.0%	Fully delegated

\* Limited to co-investment opportunities where the Plan has previously made an investment with the investment manager.

For selection of managers above the threshold amounts, a recommendation memo will be presented to the Investment Committee, followed by a recommendation to the full Board for approval.



# Parameters and Constraints to Delegated Authority

Additional parameters are in place to ensure that the investment team has sufficient internal and external resources.

The authority delegated to the Chief Investment Officer by the Board to select and terminate investment managers may be rescinded for any of the following three reasons:

1

The current Chief Investment Officer either leaves the job position of Chief Investment Officer or leaves employment with KCERA.

2

The current consultant is replaced for an asset class (delegated authority will be rescinded for that asset class only).

3

If overall KCERA Investment Staff positions fall below 50% of authorized positions.

The Board maintains discretion to reinstitute delegated authority previously rescinded by the Board.

# Manager Search Process



# Investment Committee Notification

The Investment Committee will be notified when the Internal Investment Committee selects an investment, and the applicable investment consulting firm concurs with the investment.

The notification shall be provided promptly following concurrence of the investment by the applicable investment consultant.

Illustrative example of Investment Committee Notification:

- *On March 10, 2024 the Internal Investment Committee met and approved a \$30 million commitment to ABC Fund IV. Cambridge Associates completed due diligence and provided staff with a supporting recommendation memo for the investment.*
- *ABC Fund IV is a healthcare services focused middle-market buyout strategy and will be part of the KCERA private market program, specifically the Private Equity allocation.*

## Board of Retirement Notification

The CIO Report will be used as the formal communication tool to communicate changes in investments. A CIO Report will be implemented at the Investment Committee, where such report does not currently exist.

Illustrative example from the CIO Report:

- *On March 10, 2024, a \$30M commitment to ABC Fund IV was approved by the Internal Investment Committee. ABC Fund IV will be part of the Plan's Private Equity allocation.*

## Next Steps

1. If the Board accepts the Investment Committee's recommendations as outlined, we will work with Staff on any further proposed policy changes if necessary and submit revised policy documents to the Board for final approval.
2. Implement changes.
3. Per the Board's request, continue to research other potential areas of delegation.

# Appendix I Policy Documents – Redline



# Appendix II Policy Documents – Clean



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Aon Consulting, Inc.  
200 E. Randolph Street  
Suite 700  
Chicago, IL 60601

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## **BOARD OF RETIREMENT CHARTER**

### **INTRODUCTION**

- 1) The Board consists of nine members and two alternates. Subject to the provisions of the Act, the Board is responsible for the administration and oversight of KCERA and is committed to carrying out its responsibilities in a manner consistent with the highest standards of fiduciary practice. In keeping with this commitment, the Board has established this charter to guide its conduct and operations.

### **DUTIES AND RESPONSIBILITIES**

- 2) The Board has various powers and responsibilities under the Act. These include but are not limited to:
  - a) Making Regulations, consistent with the Act, which will become effective when approved by the Board of Supervisors. (§31525, §31526, & §31527)
  - b) Approving all qualified members who apply for service retirement or delegating the authority for such approvals to the Chief Executive Officer or other personnel<sup>1</sup>. (§31670)
  - c) Determining the merits of applications for disability benefits, making necessary determinations of service and permanency of injury. (§31720)
  - d) Annually approving cost-of-living adjustments. (§31870.1 & *Ventura* Settlement Agreement)
  - e) Approving the distribution of supplemental funds pursuant to the SRBR Policy. (§31618)
  - f) Approving the annual actuarial valuation and the actuarial assumptions contained therein, and the determination of supplemental funds, upon the advice of the actuary and other experts as required, and recommend adoption by the Board of Supervisors of such changes in the rates of interest, in the rates of contributions of members, and in county and district appropriations, as necessary. (§31611)
  - g) Ensuring a financial audit is conducted at least annually. (§31593)
  - h) Appointing an Chief Executive Officer. (§31522.2)
  - i) Appointing a custodian. (§31596)

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<sup>1</sup> The Board has elected to delegate such authority to the Chief Executive Officer. See *Chief Executive Officer Charter*.

- 3) The Board also has certain powers and responsibilities under Article XVI section 17 of the California Constitution.
- 4) The Board believes that effective governance demands that the Board, directly or through its committees, also carry out the added responsibilities set out in the remainder of this charter.

### **POLICY & DECISION MAKING**

- 5) The Board can most effectively oversee KCERA through the establishment of prudent policies and controls. Accordingly, the Board is responsible for adopting policies pertaining to material aspects of KCERA's activities. Examples of such policies appear throughout the remainder of this Charter.

### **GOVERNANCE**

- 6) The Board shall:
  - a) Approve, and amend as necessary, Regulations and governance policies to support and promote appropriate governance practices.
  - b) Approve charters describing the roles and responsibilities of key parties involved in the governance and management of KCERA.
  - c) Elect a Chair and a Vice Chair.
  - d) Designate a Secretary to the Board.<sup>2</sup>
  - e) Establish the committee structure of the Board.
  - f) Provide appropriate opportunities and resources for board education.
  - g) Evaluate the performance of the Board on a regular basis.

### **INVESTMENTS**

- 7) The Board has exclusive control of the administration and investment of the Fund and shall invest the assets of the Fund in accordance with the fiduciary standards imposed by law. In keeping with this requirement, the Board will:
  - a) Approve a written investment policy statement and all other material investment policies of the Fund.
  - b) Approve investment manager mandates (i.e. dollar amount and asset class).
  - c) Regularly review that any delegation of authority or discretion to investment staff, investment managers, the Investment Committee, and investment advisors is prudent and consistent with industry best practices.
- 8) The Board shall participate in asset allocation studies as required.

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<sup>2</sup> Under the Regulations, the Board has designated the Chief Executive Officer to serve as Secretary to the Board.

## **BENEFITS ADMINISTRATION**

- 9) The Board shall:
- a) Provide staff with strategic direction concerning the nature and quality of services and communications to be provided to plan members and beneficiaries.
  - b) Ensure appropriate processes and procedures are in place to provide for disability benefit hearings and appeals.
  - c) Approve policies and review any service quality benchmarks that may be established to guide the effective administration and delivery of member services.
  - d) Act on member appeals of decisions made by Management, as applicable.

## **PLANNING AND OPERATIONS**

- 10) The Board shall:
- a) Review and approve the strategic plan, and other material plans of KCERA, including for example, those pertaining to stakeholder relations and plan sustainability.
  - b) Approve the annual Operating Budget and any changes thereto.
  - c) Ensure that all required contributions to the Fund are collected in a timely manner.
  - d) Ensure that all required distributions from the Fund are made in a timely manner.
  - e) Approve the location of KCERA's operations and associated leases or purchase agreements.
  - f) Monitor that appropriate operational control policies are in place to provide secure, efficient and accurate delivery of member services and protect the confidentiality of member data.

## **FINANCIAL, ACTUARIAL AND ACCOUNTING**

- 11) The Board shall:
- a) Approve the establishment of accounting and actuarial policies and any changes thereto.
  - b) Approve the annual financial statements.
  - c) Review the qualifications and independence of the financial auditor.
  - d) Ensure actuarial valuations, experience studies, and audits are conducted on a regular basis.
  - e) Ensure special investigations or audits are performed, as necessary.

## **RISK MANAGEMENT**

- 12) The Board is responsible for ensuring Management establishes an appropriate system of risk management that addresses risks including but not limited to those pertaining to investments, funding, insurance, and technology.

## **LITIGATION**

- 13) The Board shall be responsible for approving the commencement, conduct, settlement, and termination of all material litigation involving KCERA, with the advice of the Chief Executive Officer and legal counsel.

## **HUMAN RESOURCES**

- 14) The Board shall:
- a) Appoint and may terminate the Chief Executive Officer.
  - b) When it believes it would be appropriate to do so, meet with finalist candidates identified by the Chief Executive Officer for the positions of Chief Operations Officer, Chief Investment Officer, and Chief Legal Officer and advise the Chief Executive Officer when he or she is selecting individuals for such positions.
  - c) Approve any human resource policies that may be developed and recommended to the Board by the Chief Executive Officer.
  - d) Regularly review with the Chief Executive Officer the staffing, compensation, and succession planning needs of KCERA.
  - e) Periodically review the performance of the Chief Executive Officer.

## **STAKEHOLDER COMMUNICATIONS**

- 15) The Board shall be responsible for adequate and appropriate communications between KCERA and its stakeholders. Accordingly, the Board will:
- a) Establish a spokesperson for KCERA or otherwise authorize individuals to communicate on behalf of the Board.
  - b) Establish policies or plans to guide material communications and disclosure to stakeholders.
  - c) Establish policies to guide Board proposals on state or local legislation.
  - d) Approve the Comprehensive Annual Financial Report.

## **SERVICE PROVIDERS**

- 16) The Board shall appoint, and may terminate the:
- a) Actuary.
  - b) Actuarial auditor.
  - c) Financial auditor.
  - d) Legal counsel.

- e) Custodian. (§31596)
- f) Investment managers for selection that fall outside the parameters and constraints that have been delegated to the Chief Investment Officer as set forth in the most recently adopted Investment Policy Statement (including investment managers and partners, transition managers, securities lending managers, and commission recapture brokers). The Board has fully delegated termination of investment managers to the Chief Investment Officer as set forth in the most recently adopted Investment Policy Statement.
- g) Investment consultants retained to advise the Board.
- h) Other service providers where the total value of the services to be rendered during a 12-month period exceeds \$50,000.

### **MONITORING AND REPORTING**

- 17) The Board shall work with staff to develop a system of reporting that effectively supports the Board in exercising its oversight responsibilities.
- 18) As part of the above, the Board shall establish a monitoring and reporting policy and any other necessary policies to set out the nature and frequency of reports to be provided to the Board and its committees by staff and service providers.

## **POLICY REVIEW AND HISTORY**

19) This charter shall be reviewed at least every five years.

20) This charter was:

- a) Adopted by the Board on November 14, 2001.
- b) Amended on January 28, 2004; June 23, 2004; September 27, 2006; August 27, 2008; July 28, 2010; December 12, 2012; April 13, 2016; March 11, 2020; August 11, 2021; and April 13, 2022.

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## **BOARD OF RETIREMENT CHARTER**

### **INTRODUCTION**

- 1) The Board consists of nine members and two alternates. Subject to the provisions of the Act, the Board is responsible for the administration and oversight of KCERA and is committed to carrying out its responsibilities in a manner consistent with the highest standards of fiduciary practice. In keeping with this commitment, the Board has established this charter to guide its conduct and operations.

### **DUTIES AND RESPONSIBILITIES**

- 2) The Board has various powers and responsibilities under the Act. These include but are not limited to:
  - a) Making Regulations, consistent with the Act, which will become effective when approved by the Board of Supervisors. (§31525, §31526, & §31527)
  - b) Approving all qualified members who apply for service retirement or delegating the authority for such approvals to the Chief Executive Officer or other personnel<sup>1</sup>. (§31670)
  - c) Determining the merits of applications for disability benefits, making necessary determinations of service and permanency of injury. (§31720)
  - d) Annually approving cost-of-living adjustments. (§31870.1 & *Ventura* Settlement Agreement)
  - e) Approving the distribution of supplemental funds pursuant to the SRBR Policy. (§31618)
  - f) Approving the annual actuarial valuation and the actuarial assumptions contained therein, and the determination of supplemental funds, upon the advice of the actuary and other experts as required, and recommend adoption by the Board of Supervisors of such changes in the rates of interest, in the rates of contributions of members, and in county and district appropriations, as necessary. (§31611)
  - g) Ensuring a financial audit is conducted at least annually. (§31593)
  - h) Appointing an Chief Executive Officer. (§31522.2)
  - i) Appointing a custodian. (§31596)

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<sup>1</sup> The Board has elected to delegate such authority to the Chief Executive Officer. See *Chief Executive Officer Charter*.

- 3) The Board also has certain powers and responsibilities under Article XVI section 17 of the California Constitution.
- 4) The Board believes that effective governance demands that the Board, directly or through its committees, also carry out the added responsibilities set out in the remainder of this charter.

### **POLICY & DECISION MAKING**

- 5) The Board can most effectively oversee KCERA through the establishment of prudent policies and controls. Accordingly, the Board is responsible for adopting policies pertaining to material aspects of KCERA's activities. Examples of such policies appear throughout the remainder of this Charter.

### **GOVERNANCE**

- 6) The Board shall:
  - a) Approve, and amend as necessary, Regulations and governance policies to support and promote appropriate governance practices.
  - b) Approve charters describing the roles and responsibilities of key parties involved in the governance and management of KCERA.
  - c) Elect a Chair and a Vice Chair.
  - d) Designate a Secretary to the Board.<sup>2</sup>
  - e) Establish the committee structure of the Board.
  - f) Provide appropriate opportunities and resources for board education.
  - g) Evaluate the performance of the Board on a regular basis.

### **INVESTMENTS**

- 7) The Board has exclusive control of the administration and investment of the Fund and shall invest the assets of the Fund in accordance with the fiduciary standards imposed by law. In keeping with this requirement, the Board will:
  - a) Approve a written investment policy statement and all other material investment policies of the Fund.
  - b) Approve investment manager mandates (i.e. dollar amount and asset class).
  - c) Regularly review that any delegation of authority or discretion to investment staff, investment managers, the Investment Committee, and investment advisors is prudent and consistent with industry best practices.
- 8) The Board shall participate in asset allocation studies as required.

### **BENEFITS ADMINISTRATION**

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<sup>2</sup> Under the Regulations, the Board has designated the Chief Executive Officer to serve as Secretary to the Board.



9) The Board shall:

- a) Provide staff with strategic direction concerning the nature and quality of services and communications to be provided to plan members and beneficiaries.
- b) Ensure appropriate processes and procedures are in place to provide for disability benefit hearings and appeals.
- c) Approve policies and review any service quality benchmarks that may be established to guide the effective administration and delivery of member services.
- d) Act on member appeals of decisions made by Management, as applicable.

### **PLANNING AND OPERATIONS**

10) The Board shall:

- a) Review and approve the strategic plan, and other material plans of KCERA, including for example, those pertaining to stakeholder relations and plan sustainability.
- b) Approve the annual Operating Budget and any changes thereto.
- c) Ensure that all required contributions to the Fund are collected in a timely manner.
- d) Ensure that all required distributions from the Fund are made in a timely manner.
- e) Approve the location of KCERA's operations and associated leases or purchase agreements.
- f) Monitor that appropriate operational control policies are in place to provide secure, efficient and accurate delivery of member services and protect the confidentiality of member data.

### **FINANCIAL, ACTUARIAL AND ACCOUNTING**

11) The Board shall:

- a) Approve the establishment of accounting and actuarial policies and any changes thereto.
- b) Approve the annual financial statements.
- c) Review the qualifications and independence of the financial auditor.
- d) Ensure actuarial valuations, experience studies, and audits are conducted on a regular basis.
- e) Ensure special investigations or audits are performed, as necessary.

## **RISK MANAGEMENT**

- 12) The Board is responsible for ensuring Management establishes an appropriate system of risk management that addresses risks including but not limited to those pertaining to investments, funding, insurance, and technology.

## **LITIGATION**

- 13) The Board shall be responsible for approving the commencement, conduct, settlement, and termination of all material litigation involving KCERA, with the advice of the Chief Executive Officer and legal counsel.

## **HUMAN RESOURCES**

- 14) The Board shall:
- a) Appoint and may terminate the Chief Executive Officer.
  - b) When it believes it would be appropriate to do so, meet with finalist candidates identified by the Chief Executive Officer for the positions of Chief Operations Officer, Chief Investment Officer, and Chief Legal Officer and advise the Chief Executive Officer when he or she is selecting individuals for such positions.
  - c) Approve any human resource policies that may be developed and recommended to the Board by the Chief Executive Officer.
  - d) Regularly review with the Chief Executive Officer the staffing, compensation, and succession planning needs of KCERA.
  - e) Periodically review the performance of the Chief Executive Officer.

## **STAKEHOLDER COMMUNICATIONS**

- 15) The Board shall be responsible for adequate and appropriate communications between KCERA and its stakeholders. Accordingly, the Board will:
- a) Establish a spokesperson for KCERA or otherwise authorize individuals to communicate on behalf of the Board.
  - b) Establish policies or plans to guide material communications and disclosure to stakeholders.
  - c) Establish policies to guide Board proposals on state or local legislation.
  - d) Approve the Comprehensive Annual Financial Report.

## **SERVICE PROVIDERS**

- 16) The Board shall appoint, and may terminate the:
- a) Actuary.
  - b) Actuarial auditor.
  - c) Financial auditor.
  - d) Legal counsel.

- e) Custodian. (§31596)
- f) Investment managers [for selection that fall outside the parameters and constraints that have been delegated to the Chief Investment Officer as set forth in the most recently adopted Investment Policy Statement](#) (including investment managers and partners, transition managers, securities lending managers, and commission recapture brokers). [The Board has fully delegated termination of investment managers to the Chief Investment Officer as set forth in the most recently adopted Investment Policy Statement.](#)
- g) Investment consultants retained to advise the Board.
- h) Other service providers where the total value of the services to be rendered during a 12-month period exceeds \$50,000.

### **MONITORING AND REPORTING**

- 17) The Board shall work with staff to develop a system of reporting that effectively supports the Board in exercising its oversight responsibilities.
- 18) As part of the above, the Board shall establish a monitoring and reporting policy and any other necessary policies to set out the nature and frequency of reports to be provided to the Board and its committees by staff and service providers.

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## **POLICY REVIEW AND HISTORY**

19) This charter shall be reviewed at least every five years.

20) This charter was:

- a) Adopted by the Board on November 14, 2001.
- b) Amended on January 28, 2004; June 23, 2004; September 27, 2006; August 27, 2008; July 28, 2010; December 12, 2012; April 13, 2016; March 11, 2020; August 11, 2021; and April 13, 2022.

## **CHIEF EXECUTIVE OFFICER CHARTER**

### **INTRODUCTION**

- 1) The Board of Retirement will appoint a Chief Executive Officer who will serve at its pleasure. The Chief Executive Officer is the most senior executive of KCERA and is not subject to county civil service and merit system rules.

### **DUTIES AND RESPONSIBILITIES**

#### Leadership and Policy Analysis

- 2) The Chief Executive Officer will provide leadership for staff in implementing the programs necessary to achieve the goals and objectives established by the Board. The Chief Executive Officer will manage the day-to-day affairs of KCERA in accordance with policies established by the Board, and may delegate duties to senior management and staff as necessary. In so doing, the Chief Executive Officer will solicit advice and counsel from the Board, the Chair, or individual trustees, as appropriate.
- 3) The Chief Executive Officer will provide support to the Board and its committees in establishing all policies of the Board including identifying and analyzing issues requiring Board policies or strategies, and providing well-supported recommendations for consideration by the Board or its committees. The Chief Executive Officer will be responsible for ensuring that all policies and strategies are properly implemented.

#### Authority

- 4) The Chief Executive Officer shall operate in a manner consistent with all Board policies and applicable legislation. Subject to any limitation set out in such policies and legislation, the Chief Executive Officer is authorized to:
  - a) Manage the day-to-day operations of KCERA;
  - b) Select and terminate the senior executives of KCERA including the Chief Operations Officer, Chief Investment Officer, and Chief Legal Officer; and, subject to review by legal counsel, offer employment to such personnel (see paragraph 12 below);
  - c) Develop and establish human resource staff positions and corresponding job specifications, as necessary for the proper administration and management of

KCERA and in furtherance of operational risk mitigation, which will be reported annually to the Administrative Committee as further set forth in the *Human Resources Report Protocol*, Appendix A of the Administrative Committee Charter.

- d) Hire service providers where:
  - i) The Board has not specifically retained the authority to hire such service providers; and
  - ii) The total value of the services to be rendered by the service provider over a 12-month period is not more than \$50,000 (see paragraph 16 below);
- e) Approve all qualified members who apply for service retirement and report such retirements to the Board at the next public meeting of the Board after retirement (§31670);
- f) Resolve and settle disputes involving the over- or under-payment of:
  - i) Benefit payments to a member, provided such payment does not exceed \$20,000, consistent with the *Overpayment and Underpayment of Member Benefits Policy* and subject to review by Legal Counsel.
  - ii) Contributions made by a member, provided such payment does not exceed \$5,000, consistent with the *Overpayment and Underpayment of Member Contributions Policy* and subject to review by Legal Counsel.
- g) Settling and compromising claims and controversies (not directly involving over or under payments) on behalf of the Board and/or KCERA relating to benefits, personnel, and other legal matters.
- h) Notwithstanding f) above, if the present value of the settlement, claim, or compromise to be made by KCERA exceeds \$20,000, or the settlement or compromise involves multiple current or future KCERA members or beneficiaries, then such settlement or compromise shall require Board approval.

#### Governance

- 5) The Chief Executive Officer will:
  - a) Recommend governance policies and charters to ensure appropriate board governance practices.
  - b) Assist the Board in implementing its governance policies, charters, and the Regulations.
  - c) Coordinate trustee education and travel.
  - d) Serve as Secretary to the Board.

### Risk Management

6) The Chief Executive Officer is responsible for monitoring, managing, and/or mitigating material risks to KCERA, including those pertaining to investments, funding, and operations. In keeping with this responsibility, the Chief Executive Officer will recommend risk management policies concerning all material aspects of KCERA, and oversee staff's implementation of such policies. The Chief Executive Officer will furthermore approve and implement any necessary risk management procedures to support the above policies.

### Investments

7) The Chief Executive Officer is responsible for the KCERA investment program and for providing oversight of investment staff.

8) The Chief Executive Officer, delegating to the Chief Investment Officer as appropriate, will:

- a) Recommend to the Board a written investment policy statement and other material investment policies necessary to properly invest the assets of KCERA.
- b) Coordinate asset allocation studies.
- c) Execute portfolio rebalancing and portfolio transitions.
- d) Ensure appropriate due diligence is performed in connection with investment managers and other investment-related service providers.
- e) Ensure that delegated authority relative to the selection and termination of investment managers is exercised within the parameters and constraints set by the Board.
- f) Remain abreast of investment trends, issues and opportunities that may have implications for the investment program of KCERA.

### Benefits Administration

9) The Chief Executive Officer will:

- a) Recommend to the Board, as necessary, policies and service quality benchmarks to ensure effective administration of member benefits.
- b) Ensure accurate payment of benefits to members, and address problems or errors in accordance with established policies and procedures (e.g. *Overpayment and Underpayment of Member Benefits Policy*).
- c) Prepare or oversee the preparation of all member communications in accordance with applicable policies and plans.
- d) Manage the disability application and appeal processes in accordance with applicable policies and procedures.
- e) Recommend annual cost-of-living adjustments to the Board.

- f) Maintain accurate records of member accounts.

### Operations

10) The Chief Executive Officer will:

- a) Recommend to the Board, as appropriate, policies to ensure effective operations.
- b) Develop and recommend a strategic plan and other material plans to the Board, including updates, as necessary.
- c) Recommend the annual Operating Budget to the Board.
- d) Authorize payments related to the administration of KCERA, consistent with the Operating Budget and internal controls of KCERA.
- e) Account for and ensure appropriate collection, deposit and distribution of funds as required.
- f) Develop and implement operational controls, and procedures.
- g) Ensure the appropriate design, acquisition, implementation, and maintenance of all technological systems required to administer KCERA.
- h) Maintain the records of KCERA in a permanent and readily accessible format.

### Finance, Actuarial and Accounting

11) The Chief Executive Officer will:

- a) Recommend to the Board, as appropriate, financial, accounting, and actuarial policies.
- b) Implement appropriate internal financial controls to safeguard the assets of KCERA.
- c) Coordinate financial audits, actuarial valuations, actuarial experience studies, actuarial audits, and any other audits that may be required.
- d) File in the office of the County Auditor and with the Board of Supervisors an Annual Comprehensive Financial Report which will exhibit the financial condition of KCERA at the close of the preceding June 30th and its financial transactions for the fiscal year ending on that day (§31597.1).

### Human Resources

12) The Chief Executive Officer is responsible for hiring, directing, and terminating all personnel of KCERA. This includes but is not limited to:

- a) Selecting and terminating the Chief Operations Officer, Chief Investment Officer, and Chief Legal Officer, providing an opportunity to the Board to interview candidates and provide input.
- b) When appropriate, and subject to review by legal counsel, offering employment to the above personnel.



- c) Ensuring KCERA's human resource practices are consistent with applicable legislation, agreements, and County requirements.
- d) Regularly assessing the human resource needs of KCERA and establishing human resource positions and corresponding job specifications, appropriate human resource programs, succession plans, and procedures to address them.

#### Litigation

13) The Chief Executive Officer will:

- a) Determine settlements and compromises within his/her authority as specified in paragraphs 4 e) and f) above and report to the Board accordingly.
- b) In consultation with the Chief Legal Officer, advise the Board concerning the commencement, conduct, settlement, and termination of all litigation involving KCERA that exceeds the authority of the Chief Executive Officer.
- c) Coordinate with the Chief Legal Officer on all legal proceedings involving KCERA.
- d) Develop and implement plans to comply with court rulings.

#### Communications

14) The Chief Executive Officer will:

- a) Ensure effective and timely communications with stakeholders on matters relating to the administration of KCERA.
- b) Recommend communications and disclosure-related plans or policies to the Board for approval.
- c) Serve as spokesperson for KCERA, conferring with the Chair in advance if the issue in question is significant.
- d) In consultation with the Chief Legal Officer, recommend for Board approval any legislative proposals to be initiated, supported or opposed by the Board.

#### Appointment of Service Providers

15) The Chief Executive Officer will perform or cause to be performed all due diligence for Board-appointed service providers, as listed in paragraph 16 of the Board Charter, and will provide the Board with appropriate recommendations.

16) The Chief Executive Officer may hire other service providers, consistent with the Operating Budget and other policies of the Board, provided that:

- a) The Board has not specifically retained the authority to hire such service providers; and
- b) The total value of the services to be rendered by the service provider over a 12-month period is not more than \$50,000.

### Monitoring and Reporting

- 17) The Chief Executive Officer will provide the Board with relevant, appropriate and timely information to enable it to properly carry out its oversight responsibilities. Furthermore, the Chief Executive Officer will apprise the Board in a timely manner of all significant issues, concerns, or developments pertaining to KCERA, and provide recommended courses of action as appropriate.
- 18) The Chief Executive Officer will regularly monitor and report to the Board on the following issues:
- a) Implementation and continued appropriateness of all KCERA policies.
  - b) The funded status of KCERA and all issues that may reasonably have a significant impact on such status.
  - c) The investment performance of the Fund, the component asset classes, and the investment managers retained to manage the assets of the Fund.
  - d) The findings of any internal audits that may be performed.
  - e) Compliance by employees and KCERA service providers with the policies of KCERA.
  - f) The activities and performance of key service providers including the actuary, the financial auditor, the investment consultant, legal counsel, and the custodian.
  - g) The performance of Management.
  - h) The accuracy and timeliness of all payments due to and payable by KCERA.
  - i) KCERA's compliance with applicable laws and regulations.
  - j) In conjunction with the Chief Legal Officer, the status of all legal proceedings involving KCERA.
  - k) The status of the strategic plan, and any other material plans.

### **POLICY REVIEW AND HISTORY**

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16) The Chief Executive Officer may hire other service providers, consistent with the Operating Budget and other policies of the Board, provided that:

- a) The Board has not specifically retained the authority to hire such service providers; and
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### Monitoring and Reporting

- 17) The Chief Executive Officer will provide the Board with relevant, appropriate and timely information to enable it to properly carry out its oversight responsibilities. Furthermore, the Chief Executive Officer will apprise the Board in a timely manner of all significant issues, concerns, or developments pertaining to KCERA, and provide recommended courses of action as appropriate.
- 18) The Chief Executive Officer will regularly monitor and report to the Board on the following issues:
- a) Implementation and continued appropriateness of all KCERA policies.
  - b) The funded status of KCERA and all issues that may reasonably have a significant impact on such status.
  - c) The investment performance of the Fund, the component asset classes, and the investment managers retained to manage the assets of the Fund.
  - d) The findings of any internal audits that may be performed.
  - e) Compliance by employees and KCERA service providers with the policies of KCERA.
  - f) The activities and performance of key service providers including the actuary, the financial auditor, the investment consultant, legal counsel, and the custodian.
  - g) The performance of Management.
  - h) The accuracy and timeliness of all payments due to and payable by KCERA.
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  - k) The status of the strategic plan, and any other material plans.

### **POLICY REVIEW AND HISTORY**

19) This charter will be reviewed at least every five years.

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## **DUE DILIGENCE & SERVICE PROVIDER SELECTION POLICY**

### **BACKGROUND**

- 1) KCERA retains many different types of service providers to assist with the investment and administration functions. Given the different services involved and their relative importance, the role of the Board and staff in selecting, appointing, and terminating service providers will differ. This policy is intended to provide general guidance concerning these roles.

### **GUIDELINES**

- 2) The roles involved in the procurement of service providers will be allocated in the manner illustrated in Table I.
- 3) In general, the Board or its committees will play a relatively more active role in the selection of those service providers that:
  - a) Advise or work with the Board directly; e.g. the actuary and independent fiduciary counsel.
  - b) Serve as an independent check on the operations of KCERA; e.g. the financial auditor.
  - c) May have a material impact on the performance of KCERA; e.g. investment managers.
- 4) In the interest of organizational efficiency and effectiveness, the Board recognizes that the Chief Executive Officer should be allowed autonomy and authority to select service providers that do not meet the criteria in paragraph 3 above, provided the Chief Executive Officer complies with applicable laws, policies, controls, and procedures.
- 5) The Board may depart from the prescribed allocation of roles (set out in Table 1) by formal motion when it determines that it is in the best interests of KCERA to do so.
- 6) In cases when the Board or a board committee appoints a service provider, staff will nevertheless be expected to provide the Board or committee with a recommendation. Staff may employ the services of consultants and advisors to assist staff in performing any due diligence supporting its recommendations.

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- 7) When recommending service providers for appointment, staff shall provide adequate background information and analysis to demonstrate that sufficient due diligence was performed, consistent with applicable policies, procedures, and fiduciary standards. In the case of investment manager recommendations, such information shall include a discussion of any relevant drawbacks of finalist firms that were not recommended, as appropriate. Any trustee seeking additional information about a finalist firm that was not recommended may review any available staff documentation and analysis at KCERA's office.
  - 8) Staff or consultants will conduct follow-up on-site due diligence for certain service providers that have been retained by KCERA with the general frequencies set out below:
    - a) Investment consultant – approximately every five years.
    - b) Other service providers – as deemed necessary by staff or the Board, reflecting perceived risk exposure.
  - 9) Staff shall annually provide the Board with a three-year calendar of scheduled due diligence meetings, and shall ensure the Board is provided a summary report on the results of each meeting.
  - 10) Where staff has the authority to appoint a service provider, staff shall nevertheless be responsible for ensuring:
    - a) All reasonable due diligence is performed reflecting the materiality of the services in question, and
    - b) All applicable policies and procedures are followed.
  - 11) The Board or the Chief Executive Officer shall establish an evaluation period in cases when it would be prudent to limit communications between current or prospective service providers and KCERA board members. (See the Board's *Evaluation Period Policy* for details.)

## POLICY REVIEW AND HISTORY

12) This policy will be reviewed at least every five years.

13) This policy was:

- a) Adopted by the Board on March 14, 2001.
- b) Amended on June 23, 2004; July 13, 2005; September 26, 2007; August 27, 2008; August 26, 2009; June 15, 2011; December 12, 2012; April 13, 2016; October, 10, 2018; August 11, 2021; and April 13, 2022.

<b>TABLE I: ROLES IN SERVICE PROVIDER SELECTION</b>					
SERVICE PROVIDER	CONDUCT DUE DILIGENCE	IDENTIFY INTERVIEW CANDIDATES	INTERVIEW FINALISTS, IF REQUIRED	RECOMMEND (APPOINTMENT & TERMINATION)	APPOINT/ TERMINATE
<b>AUDIT, ACTUARIAL, AND LEGAL</b>					
<b>Legal Counsel (Fiduciary)</b>	Staff	Staff	Board	Staff	Board
<b>Financial Auditor</b>	Staff	Finance Committee	Finance Committee	Finance Committee	Board
<b>Plan Actuary</b>	Staff	Staff	Board	Staff	Board
<b>Actuarial auditor</b>	Staff	Staff	Staff	Finance Committee	Board
<b>Accountants for special investigations by Finance Committee</b>	Staff or Finance Committee	Staff or Finance Committee	Finance Committee	N/A	Finance Committee
<b>INVESTMENTS</b>					
<b>Custodian (incl. securities lending &amp; commission recapture)</b>	Staff/Inv. Consultant	Staff/ Inv. Consultant	Staff/Inv. Consultant	Staff	Board
<b>Investment Consultants (incl. proxy voting)</b>	Staff	Investment Committee	Board	Staff	Board
<b>Investment Mgrs. (public &amp; private markets)</b>	Staff/ Inv. Consultant <sup>1</sup>	Staff/Inv. Consultant	Staff/Investment Committee	Staff/Consultant to IC IC to Board when applicable	Board/Staff where delegated
<b>HUMAN RESOURCES &amp; LEGAL</b>					
<b>HR Consultant (Director-related projects)</b>	Staff	Staff	Admin. Committee	N/A	Admin. Committee
<b>HR Consultant (Other projects)</b>	Staff	Staff	Chief Executive Officer	N/A	Chief Executive Officer
<b>OPERATIONS</b>					
<b>IT Consultants (material projects)</b>	Staff	Staff	Staff	Staff to Admin. Comm. Admin. Comm. to Board	Board

<sup>1</sup> To be performed jointly for prospective managers; staff may do so independently subsequent to the appointment of managers and outside of formal search processes.

<b>IT Consultants (non-material)<sup>2</sup></b>	Staff	Staff	Staff	Staff	Chief Executive Officer
<b>Other Service providers (non-material)<sup>2</sup></b>	Staff	Staff	Staff	Staff	Chief Executive Officer

PROPOSED

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<sup>2</sup> "Non-material" to include contracts with a cost not to exceed \$50,000.

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## **DUE DILIGENCE & SERVICE PROVIDER SELECTION POLICY**

### **BACKGROUND**

- 1) KCERA retains many different types of service providers to assist with the investment and administration functions. Given the different services involved and their relative importance, the role of the Board and staff in selecting, appointing, and terminating service providers will differ. This policy is intended to provide general guidance concerning these roles.

### **GUIDELINES**

- 2) The roles involved in the procurement of service providers will be allocated in the manner illustrated in Table I.
- 3) In general, the Board or its committees will play a relatively more active role in the selection of those service providers that:
  - a) Advise or work with the Board directly; e.g. the actuary and independent fiduciary counsel.
  - b) Serve as an independent check on the operations of KCERA; e.g. the financial auditor.
  - c) May have a material impact on the performance of KCERA; e.g. investment managers.
- 4) In the interest of organizational efficiency and effectiveness, the Board recognizes that the Chief Executive Officer should be allowed autonomy and authority to select service providers that do not meet the criteria in paragraph 3 above, provided the Chief Executive Officer complies with applicable laws, policies, controls, and procedures.
- 5) The Board may depart from the prescribed allocation of roles (set out in Table 1) by formal motion when it determines that it is in the best interests of KCERA to do so.
- 6) In cases when the Board or a board committee appoints a service provider, staff will nevertheless be expected to provide the Board or committee with a recommendation. Staff may employ the services of consultants and advisors to assist staff in performing any due diligence supporting its recommendations.

- 7) When recommending service providers for appointment, staff shall provide adequate background information and analysis to demonstrate that sufficient due diligence was performed, consistent with applicable policies, procedures, and fiduciary standards. In the case of investment manager recommendations, such information shall include a discussion of any relevant drawbacks of finalist firms that were not recommended, as appropriate. Any trustee seeking additional information about a finalist firm that was not recommended may review any available staff documentation and analysis at KCERA's office.
- 8) Staff or consultants will conduct follow-up on-site due diligence for certain service providers that have been retained by KCERA with the general frequencies set out below:
  - a) Investment consultant – approximately every five years.
  - ~~b) Investment managers – approximately every three years.~~
  - ~~e)b)~~ Other service providers – as deemed necessary by staff or the Board, reflecting perceived risk exposure.
- 9) Staff shall annually provide the Board with a three-year calendar of scheduled ~~on-site~~ due diligence ~~meetingsvisits~~, and shall ensure the Board is provided a summary report on the results of each ~~meetingvisit~~.
- ~~10) Every investment manager that the Staff and Investment Consultant recommend be appointed by the Board must have undergone an on-site due diligence visit, to be conducted jointly by the CIO and Investment Consultant. Exceptions to this requirement are as follows:
  - ~~a) The CIO and the Investment Consultant shall not be required to jointly hold an on-site due diligence meeting with a manager if they each have already independently performed on-site due diligence with the manager in question (in accordance with established procedures for on-site due diligence) not more than six months prior to recommending the manager to the Investment Committee for appointment.~~
  - ~~b) The CIO and the Investment Consultant, with the concurrence of the Chief Executive Officer, may hold separate on-site due diligence meetings with a prospective investment manager if they are unable to jointly do so for scheduling or other reasons, and re-scheduling the on-site due diligence meeting would unduly delay the search process.~~~~
- ~~11) Notwithstanding the above, Investment staff may:~~

- a) ~~In consultation with the Chief Executive Officer, and independently of the Investment Consultant, conduct on-site due diligence meetings with investment managers already retained by KCERA, for the purposes of ongoing oversight and monitoring;~~
- b) ~~Independently meet with any investment manager, outside of the context of a formal manager search, in order to become familiar with the manager's products, methods, or capabilities.~~

~~12) Staff will develop procedures describing the criteria and processes to be used in conducting investment manager due diligence, including on-site due diligence visits, and arriving at staff recommendations; and will review said procedures with the Investment Committee from time to time.~~

~~13)~~10) Where staff has the authority to appoint a service provider, staff shall nevertheless be responsible for ensuring:

- a) All reasonable due diligence is performed reflecting the materiality of the services in question, and
- b) All applicable policies and procedures are followed.

~~14)~~11) The Board or the Chief Executive Officer shall establish an evaluation period in cases when it would be prudent to limit communications between current or prospective service providers and KCERA board members. (See the Board's *Evaluation Period Policy* for details.)

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- b) Amended on June 23, 2004; July 13, 2005; September 26, 2007; August 27, 2008; August 26, 2009; June 15, 2011; December 12, 2012; April 13, 2016; October, 10, 2018; August 11, 2021; and April 13, 2022.

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<sup>2</sup> "Non-material" to include contracts with a cost not to exceed \$50,000.





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## **INVESTMENT COMMITTEE CHARTER**

### **INTRODUCTION**

- 1) The Board is responsible by law for the investment of the assets of KCERA and in doing so is subject to fiduciary duties. In keeping with its responsibilities, the Board will retain authority over all major investment policy decisions. It has, however, established the Investment Committee of the Board to assist in the development of investment policies and the selection and oversight of investment managers and investment consultants. The Investment Committee will be comprised of not less than four trustees and one alternate member.
- 2) This charter provides additional detail concerning the duties and operations of the Investment Committee.

### **COMMITTEE OPERATIONS**

- 3) The Investment Committee shall operate as follows:
  - a) The presence of a majority of Investment Committee members shall constitute a quorum.
  - b) All actions of the Investment Committee shall be approved by the Board to be effective, unless otherwise provided herein.
  - c) All actions of the Investment Committee shall be by an affirmative vote of a majority of the members present at a meeting of the Investment Committee, provided a quorum is present.
  - d) The Investment Committee shall meet as deemed necessary by the Investment Committee or Chair of the Investment Committee, in consultation with the Chief Executive Officer.
  - e) The meetings of the Investment Committee shall be open to the public and noticed and held in accordance with the Brown Act.
  - f) The Investment Committee shall keep minutes of its meetings.
  - g) The Chief Executive Officer will serve as the staff contact for the Committee.

## COMMITTEE RESPONSIBILITIES

### Investment Policy

- 4) The Investment Committee shall periodically review the investment policy statement and all other material investment policies of the Fund and provide recommendation to the Board, as appropriate.
- 5) The Investment Committee shall oversee periodic asset allocation studies.

### Selection of Investment Managers

- 6) The Investment Committee:
  - a) Shall review from time-to-time staff's procedures describing the criteria and processes to be used in conducting investment manager due diligence.
  - b) Shall review recommendations by staff and the investment consultant concerning the appointment of investment managers that fall outside the parameters and constraints that have been delegated to the Chief Investment Officer as set forth in the most recently adopted Investment Policy Statement and provide recommendations to the Board.

### Selection of Investment Consultants

- 7) The Investment Committee shall determine investment consultant finalists to be interviewed by the Board after considering the recommendations and analysis of staff.

### Termination of Investment Managers

- 8) The Chief Investment Officer has the fully delegated authority to terminate investment managers as set forth in the most recently adopted Investment Policy Statement.
- 9) The Chief Investment Officer will promptly report any investment manager termination carried out in accordance with paragraph 8 above.

### Other Duties

- 10) The Investment Committee shall:
  - a) Be available to advise the Board and staff as required.
  - b) Report regularly to the Board on its activities.
  - c) Perform any other duties assigned to it by the Board.

PROPOSED

### **POLICY REVIEW AND HISTORY**

- 8) This charter will be reviewed at least every five years.
- 9) This charter was:
  - a) Adopted by the Board on March 24, 2004.
  - b) Amended on June 23, 2004; September 27, 2006; September 12, 2012; April 13, 2016; August 11, 2021; and April 13, 2022.



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### Selection and Termination of Investment Managers

- 6) The Investment Committee:
  - a) Shall review from time-to-time staff's procedures describing the criteria and processes to be used in conducting investment manager due diligence.
  - b) Shall review recommendations by staff and the investment consultant concerning the appointment ~~and termination~~ of investment managers that fall outside the parameters and constraints that have been delegated to the Chief Investment Officer as set forth in the most recently adopted Investment Policy Statement and provide recommendations to the Board.
  - c) ~~May meet with any investment manager of the Fund to review any concerns about the manager's continued suitability to manage the assets of the Fund. Such meetings may be prompted by the Board, staff, investment consultant or the Investment Committee.~~

### Selection of Investment Consultants

- 7) The Investment Committee shall determine investment consultant finalists to be interviewed by the Board after considering the recommendations and analysis of staff.

### Termination of Investment Managers Emergency Situations

~~Notwithstanding paragraph 6 b) above, the Investment Committee may terminate an investment manager after considering the analysis and recommendations of the Chief Investment Officer, with concurrence of the Investment Consultant, if it is reasonable to expect that delaying such decision pending a Board meeting would likely put the Fund at undue risk.~~

- 8) The Chief Investment Officer has the fully delegated authority to terminate investment managers as set forth in the most recently adopted Investment Policy Statement. if it is reasonable to expect that delaying such a decision pending an Investment Committee meeting would

9) ~~The Chief Investment Officer~~~~The Investment Committee or staff shall~~ will promptly report ~~to the Board at the next available Board meeting~~ any investment manager termination carried out in accordance with paragraph 8 above.

#### Other Duties

10)The Investment Committee shall:

- a) Be available to advise the Board and staff as required.
- b) Report regularly to the Board on its activities.
- c) Perform any other duties assigned to it by the Board.

## **POLICY REVIEW AND HISTORY**

- 8) This charter will be reviewed at least every five years.
- 9) This charter was:
  - a) Adopted by the Board on March 24, 2004.
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Kern County Employees' Retirement Association

11125 River Run Boulevard  
Bakersfield, CA 93311

Tel (661) 381-7700 • Fax (661) 381-7799  
Toll Free (877) 733-6831  
TTY Relay (800) 735-2929  
[www.kcera.org](http://www.kcera.org)

## INVESTMENT POLICY STATEMENT

*September 2023*

PROPOSED



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## **MISSION STATEMENT AND PURPOSE**

### **Mission Statement**

The mission of the Kern County Employees' Retirement Association ("KCERA") is to prudently administer the retirement benefits, invest the assets of the Association, and provide quality membership services for eligible public employees, retirees and their beneficiaries.

### **Purpose**

This Investment Policy Statement establishes policies for the administration and investment of KCERA's plan assets ("Plan"). This policy formally documents the goals, objectives, and guidelines of the investment program, and is intended to allow for sufficient flexibility in the investment process to capture opportunities, yet ensure prudence, consistency, and care.

The purpose of this policy is to set forth in writing:

1. An appropriate set of goals and objectives regarding the investment of the Plan;
2. The position of KCERA's board ("Board) with respect to the Plan's investment risk/return posture, including asset allocation; and
3. The establishment of investment guidelines.

Further, this policy seeks to ensure the investment of the Plan in a manner consistent with the County Employees Retirement Law of 1937 (commonly known as "the CERL," Government Code Section 31450 et seq.) and other applicable state and federal statutes.

### **BACKGROUND**

KCERA is governed by the CERL. Sections 31594 and 31595 of the CERL provide for prudent person governance of the Plan. Under this law, the type and amount of Plan investments as well as the quality of securities is not specifically delineated, rather the investments made are assumed to be in the best interest of the Plan such that others with similar information would acquire similar investments. These statutory provisions are set forth below:

It is the intent of the Legislature, consistent with the mandate of the voters in passing Proposition 21 at the June 5, 1984, Primary Election, to allow the Board of any retirement system governed by this chapter to invest in any form or type of investment deemed prudent by the Board pursuant to the requirements of Section 31595. It is also the intent of the Legislature to repeal, or amend as appropriate, certain statutory provisions, whether substantive or procedural in nature, that restrict the form, type, or amount of investments that would otherwise be considered prudent under the terms of that section. This will increase the flexibility and range of investment choice available to these retirement systems, while ensuring protection of the interests of their beneficiaries.

(Cal. Gov. Code §31594).

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

The Board and its officers and employees shall discharge their duties with respect to the system:

- a) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.
- b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.
- c) Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

(Cal. Gov. Code §31595).

KCERA was established under the provisions of the CERL on January 1, 1945, by the Kern County Board of Supervisors, and its management is vested in a Board of retirement.

### **INVESTMENT OBJECTIVES**

The primary investment objectives for the Plan shall be:

1. Earn a long-term net of fees rate of return which is equal to or exceeds the Plan's assumed rate of return;
2. Earn a long-term net of fees rate of return which is equal to or exceeds the established benchmark ("Policy Benchmark"). The Policy Benchmark is identified in Appendix B; and
3. Earn a long-term net of fees rate of return which exceeds the long-term rate of inflation.

Rates of return are to be time-weighted total return.

## LONG-TERM STRATEGIC ASSET ALLOCATION

The long-term strategic asset allocation (herein referred to as “asset allocation”, “target asset allocation”, or “strategic asset allocation”) is one of the most important investment decisions the Board makes. The primary objective of the asset allocation decision is to establish an asset allocation which produces the highest expected investment return with a prudent level of risk.

The Board selects an asset allocation that is predicated on a number of factors, including:

1. Actuarial considerations of the Plan, including current and projected contributions, benefit payments, assets, liabilities, and funded status;
2. Appropriate levels of risk and return, as evidenced by various quantitative techniques, including mean-variance optimization, stress testing, and scenario analysis;
3. An assessment of potential future economic conditions;
4. Long-term capital market assumptions; and
5. Liquidity considerations.

The Board’s selected strategic asset allocation, including target weights and allowable ranges are illustrated in Appendix A.

### Rebalancing

From time to time the Plan’s actual asset allocation will deviate from the strategic asset allocation. Rebalancing can occur between asset classes, within an asset class, and between investment managers, with the objective of maintaining the strategic asset allocation exposures. Rebalancing or portfolio allocation changes can also occur in response to specific risks or anticipated changes in markets. The Chief Investment Officer shall determine appropriate rebalancing actions, and obtain the written consent of the Chief Executive Officer. The Chief Executive Officer has the authority to sign and execute any trade authorization, subscription, redemption, or related documentation in order to implement rebalancing actions. When rebalancing activity occurs, the Board shall be notified of such activity at the next regularly scheduled Board meeting. Rebalancing may occur through the buying and selling of physical investments or through the use of derivatives.

### Cash Flow Management

The Chief Investment Officer will monitor cash flow activity and maintain a cash flow forecast in order to ensure the payment of benefits, expenses, capital calls, and other investment activity, while also reducing friction from excess levels of cash. When liquidations of assets are necessary to meet cash flow needs, the Chief Investment Officer will determine the appropriate sources of liquidity and will obtain the written consent of the Chief Executive Officer. The Chief Executive Officer has the authority to sign and execute any trade authorization, redemption, or related documentation in order

to implement cash flow management actions. Investment managers should receive adequate notification so that cash can be raised efficiently.

## **INVESTMENT MANAGER GUIDELINES**

The Board has adopted the following guidelines to be used in limiting exposure to an investment manager (herein referred to as “Manager”). The Board may override these policies under special circumstances:

1. The maximum allocation to a single active Manager is 12% of the Plan;
2. The maximum allocation to a single active management product is 8% of the Plan; and,
3. No investment with any single investment strategy may exceed 10% of that Manager’s total assets under management.

There is no maximum allocation limitation for passive Managers or their passive investment products.

It is the intention of the Board to allow Managers full discretion within the scope of this policy, the operative fund documents, any Investment Management Agreement (“IMA”) or side letter agreement, and any laws or applicable federal and state statutes or regulations that supersede these documents. Investment guidelines for individual mandates are contained in each Manager’s IMA.

Unless specifically provided for in the manager’s operative fund documents or investment guidelines, the following transactions are generally prohibited: purchase of non-negotiable securities, short sales, transactions on margin, use of leverage and use of options.

## **RISK MANAGEMENT**

The Board recognizes it must accept risk to sufficiently grow assets to meet promised benefit payment obligations, and that taking risk needs to be balanced with capital preservation. The Board’s risk tolerance is a function of this perspective.

### **Risk**

Risk is a broad concept and can generally be thought of as the likelihood of an unfavorable outcome. Investment management is a process of taking risk (i.e. exposing assets to potentially unfavorable outcomes). A key component of taking risk is understanding the relationship between positive outcomes and negative outcomes, both in terms of likelihood and magnitude.

The Plan is exposed to numerous risks, and no single metric or measure encompasses the complexity of those risks. The risk management process identifies, measures, and evaluates risks, so that risks taken are intentional and prudent.

## **Risk Management Process**

The risk management process includes:

1. Identifying risk;
2. Measuring risk; and
3. Evaluating risk.

This process assists in determining what risks are acceptable and how to appropriately size them. The risk management process is integral to the investment process, whether it be selecting a strategic asset allocation, structuring an asset class, hiring a Manager, rebalancing the portfolio, or managing cash flows.

## **Risk Metrics**

The Board uses various metrics and tools to measure and understand risk. These are important elements in evaluating risk, and include standard deviation, tracking error, beta, upside capture, downside capture, stress testing, scenario analysis, and liquidity. In addition to specific metrics, various risk concepts can help understand and evaluate risk, including counterparty risk, operational risk, and execution risk.

## **Risk Reporting**

Risk metrics are included in the quarterly investment performance report. In addition, other measures of risk are presented to the Board on an ad hoc basis when deemed necessary by the Chief Investment Officer and the investment consultant. To appropriately evaluate risk, an understanding of economic, political, and financial market environments is helpful, thus an investment landscape with this type of information is presented to the Board in conjunction with the quarterly investment performance report.

## **INVESTMENT PERFORMANCE REVIEW**

The Board will review the investment results of the Plan quarterly. Investment performance reports will be prepared by the Plan's investment consultant. Performance will primarily be evaluated within the context of the Investment Objectives as set forth in this policy. Manager performance is to be evaluated as set forth in Appendix D.

## **CAPITAL EFFICIENCY**

The capital efficiency program seeks to improve the returns of the Plan by using derivatives in place of physical securities in traditional markets (equity, fixed income, commodities, etc.), and then utilizing a portion of the unencumbered cash to fund investments in the alpha pool. The capital efficiency program will add value when the alpha pool achieves net of fees and expenses returns that are above the cash funding rate. The Plan can use a third-party overlay provider to manage derivative exposure. The derivative exposure is collateralized with a combination of cash and investments.

## ASSET CLASSES

The Board has decided to invest in the following asset classes:

**PUBLIC EQUITY:** Publicly traded global equities is a core asset class and serves the primary goal of return generation. Regional exposures include domestic, international developed, and emerging markets (including frontier markets).

**FIXED INCOME:** Fixed income securities are a core asset class and serves the primary goals of liquidity as well as risk mitigation, at least to the extent that the inverse relationship between equities and bonds hold. A secondary goal is income generation and diversification.

Fixed income includes, but is not limited to, two broad sub-asset classes: core and credit. The core allocation emphasizes the primary fixed income goals of liquidity and risk mitigation, while the credit allocation emphasize the secondary objectives of income generation, and diversification.

**COMMODITIES:** The primary goals of the commodities allocation are return generation, positive correlation to inflation, and diversification.

**HEDGE FUNDS:** The primary goals of the hedge funds allocation are diversification, return generation, and downside protection. The hedge funds allocation will diversify across hedge fund strategies (relative value, event driven, equity long/short, and directional), and is expected to have low correlation to public equities and fixed income. The hedge funds allocation should be semi-liquid, with the majority of assets liquid within 1 year, and will generally not be considered a short-term liquidity source.

### Objectives

1. Annualized return expectation of:
  - a. 75% 3-Month Treasury Bill + 300bps; and
  - b. 25% MSCI All Country World Index (Total Return Net).
2. Annualized forecast volatility between 4% and 7%;
3. Sharpe Ratio greater than 1.0; and,
4. Forecast Beta to MSCI All Country World Index of less than 0.3.

### Guidelines

- |                      |          |
|----------------------|----------|
| 1. Strategy          | Ranges   |
| a. Relative Value    | 20 - 40% |
| b. Event Driven      | 15 - 35% |
| c. Equity Long/Short | 10 - 30% |
| d. Directional       | 15 - 35% |

*For purposes of investment strategy ranges, funds are decomposed into their underlying strategies.*

2. No investment with any single Manager can represent more than 15% of the hedge funds allocation.

**ALPHA POOL:** The primary goal of the alpha pool is to generate a cash-plus return through strategies that have low beta exposure, medium to high alpha, and expectations of downside protection. The alpha pool is expected to have low correlation to public equities and fixed income. The alpha pool is a key component of the capital efficiency program.

### **Objectives**

1. Annualized return expectation of 3-Month Treasury Bill + 300bps;
2. Annualized forecast volatility between 3% and 6%; and,
3. Forecast Beta to MSCI All Country World Index of less than 0.2.

**MIDSTREAM:** The primary goals of the midstream allocation are return generation, income generation, and diversification. A secondary goal is the potential for positive correlation to inflation.

**CORE REAL ESTATE:** The primary goals of the core real estate allocation are income generation, positive correlation to inflation, and diversification.

**OPPORTUNISTIC:** The primary goal of the opportunistic allocation is return generation. Opportunistic investments are intended to take advantage of specific market conditions, or investments that are opportunistic in nature, and may include expansion of investments in the current asset allocation or entry into strategies outside of the asset allocation following education regarding the potential investment.

### **Objectives**

- Return expectation at least 3% higher than the assumed rate of return

### **Guidelines**

- Individual investments may not exceed 3% of Plan at time of purchase.

**PRIVATE MARKETS:** The primary goals of the private market allocations are generally consistent with their public market counterparts noted herein, with the additional expectation of higher returns. The expectation of higher returns is a function of the illiquidity, differentiated sources of return, and increased complexity in private markets versus public markets. Private market investments are illiquid and investment horizons can reach 10-15 years or more.

Private markets include three broad sub-asset classes; private equity, private credit, and private real assets (including private real estate).



CASH: The primary goals of cash are liquidity and operational efficiency. Cash exposure is defined as physical cash adjusted by the net notional exposure of (a) overlay positions, and (b) derivatives positions for the capital efficiency program. Holding some level of physical cash is necessary for the smooth operation of the Plan. The cash exposure should be minimized and an overlay program may be utilized to reduce the potential drag on performance. Holding physical cash is an important component of the capital efficiency program.

## **ADMINISTRATIVE PRACTICES**

### **Review and Revisions**

The investment consultant or the Chief Investment Officer shall first advise the Chief Executive Officer and then the Board of any restrictions within this policy which may prevent the investment program from meeting the goals and objectives set forth herein. Any violation of this policy discovered by the investment consultant or the Chief Investment Officer shall be reported first to the Chief Executive Officer and subsequently to the Board at the next regularly scheduled Board meeting.

The Board reserves the right to amend this policy at any time deemed necessary, or to comply with changes in state or federal law, or regulations.

## **POLICY REVIEW AND HISTORY**

- 1) This policy was:
  - a) Adopted by the Board on April 9, 2014.
  - b) Amended by the Board on March 9, 2016; March 13, 2019; May 1, 2019; April 1, 2020; December 9, 2020; April 13, 2022; and September 13, 2023.

PROPOSED

## APPENDIX A – ASSET ALLOCATION AND ALLOWABLE RANGES

Asset Class	Target	Range
Public Equity	33%	23 – 45%
Domestic		12 – 28%
International Developed		5 – 18%
Emerging Market		0 – 9%
Fixed Income	25%	15 – 35%
Core	15%	10 – 25%
Credit	10%	5 – 10%
Commodities	4%	0 – 8%
Hedge Funds	10%	5 – 15%
Alpha Pool	8%	2 – 10%
Midstream	5%	0 – 8%
Core Real Estate	5%	2 – 8%
Opportunistic	0%	0 – 10%
Private Markets	18%	0 – 33%
Private Equity	5%	0 – 10%
Private Credit	8%	0 – 13%
Private Real Estate	5%	0 – 10%
Cash	-8%	-10 - 5%

## APPENDIX B – POLICY BENCHMARK

Asset Class	Weight	Benchmark
Equity	33.0%	MSCI All Country World Investable Market Index (Total Return Net)
Fixed Income	25.0%	Blend †
Core	15.0%	3% ICE BofAML 7-10 Year US Treasury Index 4% ICE BofAML US Treasury 10+ 4% Bloomberg Barclays US Aggregate Total Return Value Unhedged USD Index 4% Bloomberg US Corporate Credit 1-3 Year Index
Credit	10.0%	5% Securitized (50% Bloomberg Non-Agency CMBS Index; 33.33% Bloomberg ABS Index; 16.67% JP Morgan CLOIE AAA Index) 2.5% Morningstar LSTA Leverage Loan Index 2.5% JP Morgan Emerging Market Bond Index Global Diversified
Commodities	4.0%	Bloomberg Commodity Index
Hedge Funds	10.0%	7.5% 3-Month Treasury Bill + 300bps & 2.5% MSCI All Country World Index (Total Return Net)
Alpha Pool	8.0%	3-Month Treasury Bill + 300bps
Midstream	5.0%	Alerian Midstream Energy Index
Core Real Estate	5.0%	NCREIF-Open End Diversified Core Equity
Opportunistic	0.0%	Assumed rate of return + 300bps
Private Equity	5.0%	Actual time-weighted Private Equity returns ††
Private Credit	8.0%	Actual time-weighted Private Credit returns ††
Private Real Estate	5.0%	Actual time-weighted Private Real Estate returns ††
Cash	-8.0%	3-Month Treasury Bill

† Fixed Income Benchmark is a blend of the fixed income sub-asset class benchmarks and corresponding target weights.  
 †† The Policy Benchmark uses actual private market asset class weights each rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market's public market "equivalent" (private equity to public equity; private credit to core fixed income and private real estate to core real estate).

## APPENDIX C – INVESTMENT PHILOSOPHY

### Governance

- Governance is the process of establishing and maintaining effective decision-making authority, responsibility, and accountability.
- Effective governance adds value and is a critical element of a successful investment program.
- An effective governance framework includes delegation of decision-making authority to the most capable resources.
- An essential role of the Board is to establish, maintain, and monitor clear and consistent policies of operation.

### Risk

- The primary investment risk for the Plan is that long-term investment returns, together with reasonable and sustainable contributions, are insufficient to meet financial obligations over the long-term.
- Achieving investment goals requires investment risk taking and accepting that losses can and will likely occur.
- Investment management is risk management and the two are inherently linked. Risk and long-term returns are strongly correlated.
- Risk is multi-faceted and not fully quantifiable.
- Investment returns are fueled by multiple sources of risk.

### Asset Allocation

- The long-term strategic asset allocation is the key determinant of the Plan's overall risk and return. Structure and Manager selection impact returns on the margin.
- The liability profile, sponsor position, funded status, and tolerance for adverse outcomes, should form the basis for establishing an appropriate level of risk for the Plan.
- The global opportunity set is dynamic, and a tactical approach to identifying opportunities can add value. However, a well-defined and adequately resourced process needs to be present.

### Investment Horizon

- The long-term nature of the liabilities generally implies a long-term investment horizon. That said, at times short-term market conditions should be considered and balancing the short-term with the long-term is appropriate.
- Having a long-term investment horizon is an advantage, if utilized appropriately.
- A long-term investment horizon can lend itself to investing in illiquid assets and the opportunity to earn higher returns.

## **Diversification**

- Diversification improves the stability of investment returns and the long-term risk-adjusted return of the portfolio.
- Diversification spreads risk across many dimensions including but not limited to, asset class, strategy, industry, market, style, geography, timeframe, and economic sensitivity.

## **Market Efficiency, Structure, and Manager Selection**

- Structure should not cause an asset class to meaningfully deviate from its intended role or purpose.
- Markets are competitive and dynamic. Different markets have varying levels of efficiency, and some markets are more conducive to excess returns than others.
- Skill to generate active risk-adjusted returns over a benchmark (alpha) is rare and difficult to identify in advance and consistently capture.
- Value can be added through Manager selection, provided that Manager selection is well resourced with skill, experience, and focus, and utilizes a rigorous and consistent due diligence process.
- Passive investments reduce some forms of risk and cost, and potentially improve net returns. Utilizing passive investments in both efficient and inefficient markets can be an appropriate decision.

## **Costs**

- Fees, expenses, and transaction costs can have a significant impact on long-term compounded returns and must be clearly justified and carefully managed.
- Investments should be evaluated on an expected net of fees basis. However, an understanding that fees are certain, while returns are not, should be appreciated.

## **Other**

- Value is created by building an organization with in-depth knowledge and experience in global markets and draws on the expertise of a network of external partners.
- A successful investment program requires adequate resources, expertise, focus, and consistency in approach.
- Resources are constrained. Determining appropriate areas to focus and deploy resources is critical to adding value.
- The Plan's people and partners drive success. Develop and retain internal capital, foster a collaborative team-oriented culture that values integrity, excellence, and humility.
- Seek arrangements which ensure alignment of interest with agents and partners and collaborate broadly.
- Attractive risk-adjusted returns can be achieved by being an early adopter in strategies, assets, markets, technologies, and approaches.
- Derivatives and leverage can be efficient tools when utilized prudently.

## APPENDIX D – MANAGER DUE DILIGENCE, SELECTION, MONITORING AND TERMINATION

This policy establishes the guidelines for selecting, monitoring, and terminating Managers. This policy aims to retain a high degree of flexibility in how it is applied to Managers. The goal is to implement a process which finds a balance between two undesirable outcomes:

1. Retaining Managers with no value-adding capabilities; and,
2. Terminating Managers with value-adding capabilities

Due to the significant costs involved in replacing Managers, and due to the substantial probability of selecting a value-detracting Manager as a replacement for an existing Manager, this policy is somewhat biased toward avoiding terminating Managers with value-adding capabilities.

### Delegation

The Board has delegated the authority to select and terminate investment managers to the Chief Investment Officer, within the parameters and constraints set forth in this policy and with concurrence from the applicable investment consulting firm.

### Parameters and Constraints – Selection and Termination

The authority delegated to the Chief Investment Officer by the Board to select investment managers will be constrained by a maximum investment size defined as a percentage of total plan assets. The authority delegated to the Chief Investment Officer to terminate investment managers is not constrained and is fully delegated.

Asset Class	Selection Threshold	Termination
Hedge Funds	1.0%	Fully delegated
Private Markets	1.0%	Fully delegated
Opportunistic	1.0%	Fully delegated
Co-investments <sup>1</sup>	0.5%	Fully delegated
All other investments	2.0%	Fully delegated

<sup>1</sup>Co-investments must be with managers where the Plan has previously made an investment.

The authority delegated to the Chief Investment Officer by the Board to select and terminate investment managers may be rescinded by the Board for any of the following reasons:

- The current Chief Investment Officer either leaves the job position of Chief Investment Officer or leaves employment with KCERA.
- The current consultant is replaced for an asset class (delegated authority will be rescinded for that asset class only).
- If overall KCERA Investment Staff positions fall below 50% of authorized positions.

The Board maintains discretion to reinstitute delegated authority previously rescinded by the Board.

Staff will develop procedures describing the criteria and processes to be used in conducting investment manager due diligence, including due diligence meetings, and arriving at staff decisions and recommendations; and will review said procedures with the Investment Committee from time to time.

### **Manager Search Process – Public Markets**

1. **Initiation and Evaluation:** The Chief Investment Officer will coordinate with the investment consultant regarding due diligence. A written due diligence report will be produced, which articulates the opportunity, rationale, and risk of the investment. Due diligence may include on-site visits or may be performed virtually via video conference.
2. **Internal Investment Committee Approval:** Members of the investment team will review proposed investments presented by team members. The Chief Investment Officer will have the final decision-making authority to select an investment manager, subject to the parameters and constraints in this Appendix D, or recommend an investment to the Investment Committee and/or Board of Retirement.
3. **Investment Committee Notification:** For investments within the Chief Investment Officer's delegated authority, the Investment team will promptly notify Investment Committee members of the selected investment manager and confirm that the selection complies with the delegated authority described in this Appendix D.
4. **Board of Retirement Notification:** At the next available Regular Board meeting, the Chief Investment Officer will report the investment managers selected under delegated authority that have completed the contracting process.

### **Manager Search Process – Private Markets**

The Private Markets program will be managed according to an annual plan produced by the investment consultant whose main components will encompass an update on the private markets program, a recap of prior year activity, a review of the Plan's private market strategy, a review of the annual pacing plan, and a forward calendar of prospective Managers or strategies. The annual plan will serve as a guide to ensure that target allocations are managed, proper diversification is implemented, and overall private market investments are in line with portfolio goals. It is recognized that market environments can change and deviations from the annual plan may be necessary.

The overall search process will be generally in line with public markets:

1. **Initiation and Evaluation:** Guided by the pacing plan and forward calendar, the Chief Investment Officer will coordinate with the investment consultant regarding due diligence. A written due diligence report will be produced, which articulates



the opportunity, rationale, and risk of the investment. Due diligence may include on-site visits or may be performed virtually via video conference.

2. Internal Investment Committee Approval: Members of the investment team will review proposed investments presented by team members. The Chief Investment Officer will have the final decision-making authority to select an investment manager, subject to the parameters and constraints in this Appendix D, or recommend an investment to the Investment Committee and/or Board of Retirement.
3. Investment Committee Notification: For investments within the Chief Investment Officer's delegated authority, the Investment team will promptly notify Investment Committee members of the selected investment manager and confirm that the selection complies with the delegated authority described in this Appendix D.
4. Board of Retirement Notification: At the next available Regular Board meeting, the Chief Investment Officer will report the investment managers selected under delegated authority that have completed the contracting process.

### **Contracting – Public and Private Markets**

Managers shall acknowledge in writing their recognition and acceptance of their role as a fiduciary to the Plan and adherence to an industry-accepted standard of care, which may be established by contract or operation of law. Managers must further agree to adhere to appropriate federal and state legislation governing the Plan and agree to be covered by appropriate and adequate insurance coverage.

Managers retained by the Board shall be compensated by a formula contained in the manager's operative fund documents or Investment Management Agreement. No public markets Manager retained by the Board shall receive a payment of commission or other fees on a particular investment transaction; provided that, performance fees paid to Managers, as documented and agreed to by and between KCERA and the Manager are allowed. Further, Managers must disclose to staff any indirect compensation received in addition to its fees as a result of servicing the Plan. Additionally, alternative Managers will be required to disclose fee information per §7928.710 and §7514.7.

### **Ongoing Monitoring – Public and Private Markets**

Manager evaluation relies on the ongoing review of qualitative and quantitative factors. These factors will be monitored on an ongoing basis in order for the Chief Investment Officer and the investment consultant to apprise the Board of changes which could warrant a change in the Manager's suitability. A key objective of this policy is the timely identification of signs of adverse changes in a Manager's organization or investment process. Factors to monitor include performance, attribution, key contributors and detractors from performance, portfolio positioning and exposures, key positions and investment thesis, changes in the investment team or process, changes in investment product line-up, assets under management and capital flows, administrative or operational changes, and other potential changes in the business.

No less than quarterly the investment consultant reviews each traditional public market Manager of the Plan and produces a written summary, which is provided to staff. In the case of alternative Managers including private market Managers, a review and written summary is produced at least annually. In the case where no investment consultant formally covers the investment, staff will produce a written summary.

Value-adding Managers will experience adverse circumstances, such as underperformance, personnel changes, and loss of assets under management. When Managers experience such events, staff and the investment consultant will evaluate whether appropriate action was taken by the Manager, what impact the action could have, and what other actions may be considered.

### **Manager reporting requirements**

#### *All Managers*

- Updated Form ADV - Part 2 on an annual basis

#### *All public markets*

- Monthly account statement and NAV
- Monthly gross and net performance
- Performance commentary at least quarterly
- Positioning, exposure or risk report at least quarterly
- Audited Annual Financial Statements (for fund investments)

#### *Public market investments through separately managed accounts*

- Each quarter, managers shall provide a letter certifying compliance with the portfolio guidelines from the Investment Management Agreement, and compliance with regulatory requirements. Managers are required to advise staff and the investment consultant in writing of any violation.
- Annually, managers shall provide a written report detailing the name of each brokerage institution which received commissions from the Plan as the result of the discretionary trading authority bestowed upon the manager by the Board. The report shall also include for each brokerage firm: the number of shares, average cost per share traded, and the commissions paid.
- Managers are required to advise staff and the investment consultant in writing of any need for changes to the portfolio guidelines; and
- Managers are required to comply with the reporting requirements of the Trading Policy, as detailed in Appendix E
- Managers are required to comply with the reporting requirements of the Asset Pricing Policy, as detailed in Appendix G

#### *Private markets*

- Quarterly account statement and NAV
- Quarterly performance measures including IRR, and multiples
- Quarterly update of contributions, distributions, and uncalled capital

- Quarterly performance commentary
- Quarterly fund composition, positioning, or exposure reports
- Audited Annual Financial Statements (for fund investments)

PROPOSED

## APPENDIX E – TRADING POLICY

The Board has determined that trading costs represent a significant expense to the Plan. The Board has therefore established policies in order to control these costs, and to monitor the level and effectiveness of the trading activity of the Plan.

### Best Price and Execution Standard

1. Notwithstanding anything to the contrary, all trading of securities will be placed by Managers with broker-dealers with the aim of obtaining the best price and best execution, taking into account all factors influencing best execution, as well as the value of all services received or savings obtained by the Plan related thereto, or by the Managers, for the benefit of the Plan.
  - a. The policy of best price and best execution is intended to mean that Managers shall use professional judgment in the selection of broker-dealers and the commissions paid. Managers should be prepared to provide evidence that they are attempting to deliver investment results at the lowest possible level of transaction costs, including the market impact of their trades, and considering the value of all services provided to the Plan for its commission dollars.
  - b. The policy of best price and best execution is intended to provide the most favorable overall results for the Plan.
  - c. Broker-dealers, as referenced herein, include firms which customarily perform trades for an institutional clientele. Such broker-dealers may trade on the floor of the various national and regional stock exchanges or may trade in the third and fourth markets performing transactions outside of the securities exchanges.
2. Inasmuch as trading costs contribute to the gains and losses on the securities held by the Plan, and therefore contribute to the portfolio performance of each Manager, all trades will be placed by Managers at their discretion. Such trades may include fixed income transactions placed on an agency basis. All such trades will be placed within the following general guidelines, consistent with the best price and best execution standard.
  - a. Managers may direct a portion of total annual transactions to broker-dealers who provide the Managers with research. In selecting among these broker-dealers to execute transactions, the Managers shall consider all factors relative to best execution. Such factors should include, but are not limited to, the following:
    - i. price of security;
    - ii. the commission rate;
    - iii. size and difficulty of the order;
    - iv. reliability, integrity, and financial condition of broker-dealer;
    - v. general execution and operational capabilities or competing broker-dealers;

- vi. Manager's investment style; and
  - vii. brokerage and research services provided.
3. When placing trades with broker-dealers, Managers will emphasize minimizing commission costs directly and not seeking sources of value to the Plan through ancillary research services. In selecting these broker-dealers to execute transactions, the Manager will consider all factors relative best execution. Such factors should include, but are not limited to, the following:
- a. price of security;
  - b. the commission rate;
  - c. size and difficulty of the order;
  - d. reliability, integrity, and financial condition of broker-dealer;
  - e. general execution and operational capabilities or competing broker-dealers; and,
  - f. the Manager's investment style.

### **Trading Analysis**

For separately managed account investments, Managers will allow to be performed an analysis of the trading costs of their respective account with the various classes of trading described herein. The Board may engage third parties to independently evaluate the Manager's trading costs and practices to assess whether or not they are achieving best execution. This analysis will be provided to staff no less than every three years.

1. The analysis will summarize and evaluate the cost effectiveness of the various broker-dealers utilized by the Manager, specifically reporting commissions charged per share traded, and an estimate of the total costs incurred in these transactions.
2. The analysis will evaluate instances of higher commissions per share with respect to the many factors affecting best execution and shall consider other services or research provided to the Manager.
3. The analysis will report trading performance by broker-dealer and by investment management account.

## APPENDIX F – PROXY VOTING POLICY

Because the proxy vote is an asset of the Plan, it must be managed prudently and for the exclusive benefit of the Plan. It is the intent of this policy to lay out a broad set of guidelines within which proxies must be voted to maximize shareholder value.

### Guidelines

For all equity oriented separately managed accounts, a proxy voting service provider is retained to vote all proposals submitted to stockholders in accordance with this policy. All commingled investment fund proxies are voted by the respective Manager of each fund in accordance with the Manager's proxy guidelines.

Due to the significant resources required to properly manage a proxy voting program, the Board has chosen to delegate the proxy voting decision to a third-party provider of proxy voting services and to follow that provider's detailed proxy voting guidelines.

The obligations of the third-party provider are as follows:

1. With regard to timely execution of specified proxy votes on the Plan's behalf, including corporate account set up, vote execution reporting and record keeping, and compliance with U.S. SEC and Department of Labor ERISA standards, as applicable, the third party shall carry out its duties and obligations to vote the Plan's proxies in accordance with the standards of fiduciary responsibility set forth in the CERL;
2. The third-party shall cast votes after careful consideration of the issues; and
3. The third-party shall describe the rationale for its votes.

The overarching and universal guideline is that proxies must be voted in the best interest of the Plan and its beneficiaries and in order to maximize shareholder value. In following this broad, all-encompassing guideline, the third-party provider shall follow its own detailed guidelines, which provide specific instruction on how to vote proxies in alignment with and support of the following key principles:

1. A board of directors that serves shareholder interests;
2. Transparency and integrity in financial reporting;
3. A strong link between compensation and performance; and
4. A governance structure that clearly supports shareholder interests.

The third-party provider's detailed guidelines may change over time. A copy of the current guidelines shall be maintained by staff.

### Monitoring

The third-party service provider shall provide monthly reports to staff, which include a list of all proxies voted on behalf of the Plan, along with the rationale for the votes. On an

annual basis, staff will provide the Board with a consolidated report summarizing the previous year's proxy voting activity.

PROPOSED

## APPENDIX G – ASSET PRICING POLICY

This policy provides a process for the valuation of securities in separately managed accounts where the prices listed by the Plan's master custodian bank ("Custodian") are substantially different from the Manager's prices for those same securities. The Board recognizes that there are coverage limitations for security prices as provided by the Custodian's pricing matrix and third-party pricing provider prices. In those situations, where pricing is disputed between the Manager and the Custodian, the approach outlined in this policy will be implemented.

The Custodian will provide official pricing for all of the Plan's separately managed accounts with the following exceptions:

1. Issue specific market values may be priced by the Manager where no reliable third-party pricing source is available; and
2. Disputed issue prices may use the price provided by the Manager when the Manager provides the average of at least three dealer prices (bid-side).

In the case of disputed issue prices, staff may, in accordance with this policy, direct the Manager to provide its price to the Custodian and may direct the Custodian to accept the Manager's price as the official price for that issue. Valuation documentation should contain the following:

1. Sources and/or quantitative calculation used to determine the respective issue prices;
2. Percentage difference between Manager's price relative to the price generated by the master trustee bank; and
3. Aggregate percentage of the portfolio's market value for the securities priced by the Manager.

Monthly reports including the above documentation must be sent by the Manager to staff, the Custodian, and the investment consultant five days after receipt of the statement from the Custodian.

Securities held in commingled accounts are valued according to the pricing policy of the individual commingled fund Manager.

All Managers shall provide a copy of their pricing policy and pricing matrix to staff.



## **APPENDIX H – MANAGER RECONCILIATION REQUIREMENTS**

The Board seeks to ensure greater accuracy through the implementation of a reconciliation reporting process. The Plan's separately managed account Managers shall provide written acknowledgment of the accuracy of the Custodian's records, and it is the responsibility of the Manager to reconcile with the Custodian all discrepancies in cash and holdings. The reconciliation report will list the assets and liabilities of the account that have discrepancies for both the number of shares/par value and pricing. The Manager's reconciliation report must be received by staff within 30 days of the close of the reporting month.

For traditional Managers who charge incentive fees, the Managers are responsible for reconciling its portfolio return and benchmark calculation. The reconciliation report will provide the Manager's monthly returns as well as the incentive fee calculation for the quarter. The report will show both gross and net-of-fees returns. The manager's reconciliation report must be received by staff along with the invoice billed for the quarter.

PROPOSED



Kern County Employees' Retirement Association

11125 River Run Boulevard  
Bakersfield, CA 93311

Tel (661) 381-7700 • Fax (661) 381-7799

Toll Free (877) 733-6831

TTY Relay (800) 735-2929

[www.kcera.org](http://www.kcera.org)

## **INVESTMENT POLICY STATEMENT**

*September 2023*

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## **MISSION STATEMENT AND PURPOSE**

### **Mission Statement**

The mission of the Kern County Employees' Retirement Association ("KCERA") is to prudently administer the retirement benefits, invest the assets of the Association, and provide quality membership services for eligible public employees, retirees and their beneficiaries.

### **Purpose**

This Investment Policy Statement establishes policies for the administration and investment of KCERA's plan assets ("Plan"). This policy formally documents the goals, objectives, and guidelines of the investment program, and is intended to allow for sufficient flexibility in the investment process to capture opportunities, yet ensure prudence, consistency, and care.

The purpose of this policy is to set forth in writing:

1. An appropriate set of goals and objectives regarding the investment of the Plan;
2. The position of KCERA's board ("Board) with respect to the Plan's investment risk/return posture, including asset allocation; and
3. The establishment of investment guidelines.

Further, this policy seeks to ensure the investment of the Plan in a manner consistent with the County Employees Retirement Law of 1937 (commonly known as "the CERL," Government Code Section 31450 et seq.) and other applicable state and federal statutes.

### **BACKGROUND**

KCERA is governed by the CERL. Sections 31594 and 31595 of the CERL provide for prudent person governance of the Plan. Under this law, the type and amount of Plan investments as well as the quality of securities is not specifically delineated, rather the investments made are assumed to be in the best interest of the Plan such that others with similar information would acquire similar investments. These statutory provisions are set forth below:

It is the intent of the Legislature, consistent with the mandate of the voters in passing Proposition 21 at the June 5, 1984, Primary Election, to allow the Board of any retirement system governed by this chapter to invest in any form or type of investment deemed prudent by the Board pursuant to the requirements of Section 31595. It is also the intent of the Legislature to repeal, or amend as appropriate, certain statutory provisions, whether substantive or procedural in nature, that restrict the form, type, or amount of investments that would otherwise be considered prudent under the terms of that section. This will increase the flexibility and range of investment choice available to these retirement systems, while ensuring protection of the interests of their beneficiaries.

(Cal. Gov. Code §31594).

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

The Board and its officers and employees shall discharge their duties with respect to the system:

- a) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.
- b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.
- c) Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

(Cal. Gov. Code §31595).

KCERA was established under the provisions of the CERL on January 1, 1945, by the Kern County Board of Supervisors, and its management is vested in a Board of retirement.

### **INVESTMENT OBJECTIVES**

The primary investment objectives for the Plan shall be:

1. Earn a long-term net of fees rate of return which is equal to or exceeds the Plan's assumed rate of return;
2. Earn a long-term net of fees rate of return which is equal to or exceeds the established benchmark ("Policy Benchmark"). The Policy Benchmark is identified in Appendix B; and
3. Earn a long-term net of fees rate of return which exceeds the long-term rate of inflation.

Rates of return are to be time-weighted total return.

## LONG-TERM STRATEGIC ASSET ALLOCATION

The long-term strategic asset allocation (herein referred to as “asset allocation”, “target asset allocation”, or “strategic asset allocation”) is one of the most important investment decisions the Board makes. The primary objective of the asset allocation decision is to establish an asset allocation which produces the highest expected investment return with a prudent level of risk.

The Board selects an asset allocation that is predicated on a number of factors, including:

1. Actuarial considerations of the Plan, including current and projected contributions, benefit payments, assets, liabilities, and funded status;
2. Appropriate levels of risk and return, as evidenced by various quantitative techniques, including mean-variance optimization, stress testing, and scenario analysis;
3. An assessment of potential future economic conditions;
4. Long-term capital market assumptions; and
5. Liquidity considerations.

The Board’s selected strategic asset allocation, including target weights and allowable ranges are illustrated in Appendix A.

### Rebalancing

From time to time the Plan’s actual asset allocation will deviate from the strategic asset allocation. Rebalancing can occur between asset classes, within an asset class, and between investment managers, with the objective of maintaining the strategic asset allocation exposures. Rebalancing or portfolio allocation changes can also occur in response to specific risks or anticipated changes in markets. The Chief Investment Officer shall determine appropriate rebalancing actions, and obtain the written consent of the Chief Executive Officer. The Chief Executive Officer has the authority to sign and execute any trade authorization, subscription, redemption, or related documentation in order to implement rebalancing actions. When rebalancing activity occurs, the Board shall be notified of such activity at the next regularly scheduled Board meeting. Rebalancing may occur through the buying and selling of physical investments or through the use of derivatives.

### Cash Flow Management

The Chief Investment Officer will monitor cash flow activity and maintain a cash flow forecast in order to ensure the payment of benefits, expenses, capital calls, and other investment activity, while also reducing friction from excess levels of cash. When liquidations of assets are necessary to meet cash flow needs, the Chief Investment Officer will determine the appropriate sources of liquidity and will obtain the written consent of the Chief Executive Officer. The Chief Executive Officer has the authority to sign and execute any trade authorization, redemption, or related documentation in order

to implement cash flow management actions. Investment managers should receive adequate notification so that cash can be raised efficiently.

## **INVESTMENT MANAGER GUIDELINES**

The Board has adopted the following guidelines to be used in limiting exposure to an investment manager (herein referred to as “Manager”). The Board may override these policies under special circumstances:

1. The maximum allocation to a single active Manager is 12% of the Plan;
2. The maximum allocation to a single active management product is 8% of the Plan; and,
3. No investment with any single investment strategy may exceed 10% of that Manager’s total assets under management.

There is no maximum allocation limitation for passive Managers or their passive investment products.

It is the intention of the Board to allow Managers full discretion within the scope of this policy, the operative fund documents, any Investment Management Agreement (“IMA”) or side letter agreement, and any laws or applicable federal and state statutes or regulations that supersede these documents. Investment guidelines for individual mandates are contained in each Manager’s IMA.

Unless specifically provided for in the manager’s operative fund documents or investment guidelines, the following transactions are generally prohibited: purchase of non-negotiable securities, short sales, transactions on margin, use of leverage and use of options.

## **RISK MANAGEMENT**

The Board recognizes it must accept risk to sufficiently grow assets to meet promised benefit payment obligations, and that taking risk needs to be balanced with capital preservation. The Board’s risk tolerance is a function of this perspective.

### **Risk**

Risk is a broad concept and can generally be thought of as the likelihood of an unfavorable outcome. Investment management is a process of taking risk (i.e. exposing assets to potentially unfavorable outcomes). A key component of taking risk is understanding the relationship between positive outcomes and negative outcomes, both in terms of likelihood and magnitude.

The Plan is exposed to numerous risks, and no single metric or measure encompasses the complexity of those risks. The risk management process identifies, measures, and evaluates risks, so that risks taken are intentional and prudent.

## **Risk Management Process**

The risk management process includes:

1. Identifying risk;
2. Measuring risk; and
3. Evaluating risk.

This process assists in determining what risks are acceptable and how to appropriately size them. The risk management process is integral to the investment process, whether it be selecting a strategic asset allocation, structuring an asset class, hiring a Manager, rebalancing the portfolio, or managing cash flows.

## **Risk Metrics**

The Board uses various metrics and tools to measure and understand risk. These are important elements in evaluating risk, and include standard deviation, tracking error, beta, upside capture, downside capture, stress testing, scenario analysis, and liquidity. In addition to specific metrics, various risk concepts can help understand and evaluate risk, including counterparty risk, operational risk, and execution risk.

## **Risk Reporting**

Risk metrics are included in the quarterly investment performance report. In addition, other measures of risk are presented to the Board on an ad hoc basis when deemed necessary by the Chief Investment Officer and the investment consultant. To appropriately evaluate risk, an understanding of economic, political, and financial market environments is helpful, thus an investment landscape with this type of information is presented to the Board in conjunction with the quarterly investment performance report.

## **INVESTMENT PERFORMANCE REVIEW**

The Board will review the investment results of the Plan quarterly. Investment performance reports will be prepared by the Plan's investment consultant. Performance will primarily be evaluated within the context of the Investment Objectives as set forth in this policy. Manager performance is to be evaluated as set forth in Appendix D.

## **CAPITAL EFFICIENCY**

The capital efficiency program seeks to improve the returns of the Plan by using derivatives in place of physical securities in traditional markets (equity, fixed income, commodities, etc.), and then utilizing a portion of the unencumbered cash to fund investments in the alpha pool. The capital efficiency program will add value when the alpha pool achieves net of fees and expenses returns that are above the cash funding rate. The Plan can use a third-party overlay provider to manage derivative exposure. The derivative exposure is collateralized with a combination of cash and investments.



## ASSET CLASSES

The Board has decided to invest in the following asset classes:

**PUBLIC EQUITY**: Publicly traded global equities is a core asset class and serves the primary goal of return generation. Regional exposures include domestic, international developed, and emerging markets (including frontier markets).

**FIXED INCOME**: Fixed income securities are a core asset class and serves the primary goals of liquidity as well as risk mitigation, at least to the extent that the inverse relationship between equities and bonds hold. A secondary goal is income generation and diversification.

Fixed income includes, but is not limited to, two broad sub-asset classes: core and credit. The core allocation emphasizes the primary fixed income goals of liquidity and risk mitigation, while the credit allocation emphasize the secondary objectives of income generation, and diversification.

**COMMODITIES**: The primary goals of the commodities allocation are return generation, positive correlation to inflation, and diversification.

**HEDGE FUNDS**: The primary goals of the hedge funds allocation are diversification, return generation, and downside protection. The hedge funds allocation will diversify across hedge fund strategies (relative value, event driven, equity long/short, and directional), and is expected to have low correlation to public equities and fixed income. The hedge funds allocation should be semi-liquid, with the majority of assets liquid within 1 year, and will generally not be considered a short-term liquidity source.

### Objectives

1. Annualized return expectation of:
  - a. 75% 3-Month Treasury Bill + 300bps; and
  - b. 25% MSCI All Country World Index (Total Return Net).
2. Annualized forecast volatility between 4% and 7%;
3. Sharpe Ratio greater than 1.0; and,
4. Forecast Beta to MSCI All Country World Index of less than 0.3.

### Guidelines

- |                      |          |
|----------------------|----------|
| 1. Strategy          | Ranges   |
| a. Relative Value    | 20 - 40% |
| b. Event Driven      | 15 - 35% |
| c. Equity Long/Short | 10 - 30% |
| d. Directional       | 15 - 35% |

*For purposes of investment strategy ranges, funds are decomposed into their underlying strategies.*

2. No investment with any single Manager can represent more than 15% of the hedge funds allocation.

**ALPHA POOL:** The primary goal of the alpha pool is to generate a cash-plus return through strategies that have low beta exposure, medium to high alpha, and expectations of downside protection. The alpha pool is expected to have low correlation to public equities and fixed income. The alpha pool is a key component of the capital efficiency program.

### **Objectives**

1. Annualized return expectation of 3-Month Treasury Bill + 300bps;
2. Annualized forecast volatility between 3% and 6%; and,
3. Forecast Beta to MSCI All Country World Index of less than 0.2.

**MIDSTREAM:** The primary goals of the midstream allocation are return generation, income generation, and diversification. A secondary goal is the potential for positive correlation to inflation.

**CORE REAL ESTATE:** The primary goals of the core real estate allocation are income generation, positive correlation to inflation, and diversification.

**OPPORTUNISTIC:** The primary goal of the opportunistic allocation is return generation. Opportunistic investments are intended to take advantage of specific market conditions, or investments that are opportunistic in nature, and may include expansion of investments in the current asset allocation or entry into strategies outside of the asset allocation following education regarding the potential investment.

### **Objectives**

- Return expectation at least 3% higher than the assumed rate of return

### **Guidelines**

- Individual investments may not exceed 3% of Plan at time of purchase.

**PRIVATE MARKETS:** The primary goals of the private market allocations are generally consistent with their public market counterparts noted herein, with the additional expectation of higher returns. The expectation of higher returns is a function of the illiquidity, differentiated sources of return, and increased complexity in private markets versus public markets. Private market investments are illiquid and investment horizons can reach 10-15 years or more.

Private markets include three broad sub-asset classes; private equity, private credit, and private real assets (including private real estate).

|

CASH: The primary goals of cash are liquidity and operational efficiency. Cash exposure is defined as physical cash adjusted by the net notional exposure of (a) overlay positions, and (b) derivatives positions for the capital efficiency program. Holding some level of physical cash is necessary for the smooth operation of the Plan. The cash exposure should be minimized and an overlay program may be utilized to reduce the potential drag on performance. Holding physical cash is an important component of the capital efficiency program.

## **ADMINISTRATIVE PRACTICES**

### **Review and Revisions**

The investment consultant or the Chief Investment Officer shall first advise the Chief Executive Officer and then the Board of any restrictions within this policy which may prevent the investment program from meeting the goals and objectives set forth herein. Any violation of this policy discovered by the investment consultant or the Chief Investment Officer shall be reported first to the Chief Executive Officer and subsequently to the Board at the next regularly scheduled Board meeting.

The Board reserves the right to amend this policy at any time deemed necessary, or to comply with changes in state or federal law, or regulations.

## **POLICY REVIEW AND HISTORY**

- 1) This policy was:
  - a) Adopted by the Board on April 9, 2014.
  - b) Amended by the Board on March 9, 2016; March 13, 2019; May 1, 2019; April 1, 2020; December 9, 2020; April 13, 2022; and September 13, 2023.

## APPENDIX A – ASSET ALLOCATION AND ALLOWABLE RANGES

Asset Class	Target	Range
Public Equity	33%	23 – 45%
Domestic		12 – 28%
International Developed		5 – 18%
Emerging Market		0 – 9%
Fixed Income	25%	15 – 35%
Core	15%	10 – 25%
Credit	10%	5 – 10%
Commodities	4%	0 – 8%
Hedge Funds	10%	5 – 15%
Alpha Pool	8%	2 – 10%
Midstream	5%	0 – 8%
Core Real Estate	5%	2 – 8%
Opportunistic	0%	0 – 10%
Private Markets	18%	0 – 33%
Private Equity	5%	0 – 10%
Private Credit	8%	0 – 13%
Private Real Estate	5%	0 – 10%
Cash	-8%	-10 - 5%

## APPENDIX B – POLICY BENCHMARK

Asset Class	Weight	Benchmark
Equity	33.0%	MSCI All Country World Investable Market Index (Total Return Net)
Fixed Income	25.0%	Blend †
Core	15.0%	3% ICE BofAML 7-10 Year US Treasury Index 4% ICE BofAML US Treasury 10+ 4% Bloomberg Barclays US Aggregate Total Return Value Unhedged USD Index 4% Bloomberg US Corporate Credit 1-3 Year Index
Credit	10.0%	5% Securitized (50% Bloomberg Non-Agency CMBS Index; 33.33% Bloomberg ABS Index; 16.67% JP Morgan CLOIE AAA Index) 2.5% Morningstar LSTA Leverage Loan Index 2.5% JP Morgan Emerging Market Bond Index Global Diversified
Commodities	4.0%	Bloomberg Commodity Index
Hedge Funds	10.0%	7.5% 3-Month Treasury Bill + 300bps & 2.5% MSCI All Country World Index (Total Return Net)
Alpha Pool	8.0%	3-Month Treasury Bill + 300bps
Midstream	5.0%	Alerian Midstream Energy Index
Core Real Estate	5.0%	NCREIF-Open End Diversified Core Equity
Opportunistic	0.0%	Assumed rate of return + 300bps
Private Equity	5.0%	Actual time-weighted Private Equity returns ††
Private Credit	8.0%	Actual time-weighted Private Credit returns ††
Private Real Estate	5.0%	Actual time-weighted Private Real Estate returns ††
Cash	-8.0%	3-Month Treasury Bill

† Fixed Income Benchmark is a blend of the fixed income sub-asset class benchmarks and corresponding target weights.  
 †† The Policy Benchmark uses actual private market asset class weights each rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market's public market "equivalent" (private equity to public equity; private credit to core fixed income and private real estate to core real estate).

## APPENDIX C – INVESTMENT PHILOSOPHY

### Governance

- Governance is the process of establishing and maintaining effective decision-making authority, responsibility, and accountability.
- Effective governance adds value and is a critical element of a successful investment program.
- An effective governance framework includes delegation of decision-making authority to the most capable resources.
- An essential role of the Board is to establish, maintain, and monitor clear and consistent policies of operation.

### Risk

- The primary investment risk for the Plan is that long-term investment returns, together with reasonable and sustainable contributions, are insufficient to meet financial obligations over the long-term.
- Achieving investment goals requires investment risk taking and accepting that losses can and will likely occur.
- Investment management is risk management and the two are inherently linked. Risk and long-term returns are strongly correlated.
- Risk is multi-faceted and not fully quantifiable.
- Investment returns are fueled by multiple sources of risk.

### Asset Allocation

- The long-term strategic asset allocation is the key determinant of the Plan's overall risk and return. Structure and Manager selection impact returns on the margin.
- The liability profile, sponsor position, funded status, and tolerance for adverse outcomes, should form the basis for establishing an appropriate level of risk for the Plan.
- The global opportunity set is dynamic, and a tactical approach to identifying opportunities can add value. However, a well-defined and adequately resourced process needs to be present.

### Investment Horizon

- The long-term nature of the liabilities generally implies a long-term investment horizon. That said, at times short-term market conditions should be considered and balancing the short-term with the long-term is appropriate.
- Having a long-term investment horizon is an advantage, if utilized appropriately.
- A long-term investment horizon can lend itself to investing in illiquid assets and the opportunity to earn higher returns.

## **Diversification**

- Diversification improves the stability of investment returns and the long-term risk-adjusted return of the portfolio.
- Diversification spreads risk across many dimensions including but not limited to, asset class, strategy, industry, market, style, geography, timeframe, and economic sensitivity.

## **Market Efficiency, Structure, and Manager Selection**

- Structure should not cause an asset class to meaningfully deviate from its intended role or purpose.
- Markets are competitive and dynamic. Different markets have varying levels of efficiency, and some markets are more conducive to excess returns than others.
- Skill to generate active risk-adjusted returns over a benchmark (alpha) is rare and difficult to identify in advance and consistently capture.
- Value can be added through Manager selection, provided that Manager selection is well resourced with skill, experience, and focus, and utilizes a rigorous and consistent due diligence process.
- Passive investments reduce some forms of risk and cost, and potentially improve net returns. Utilizing passive investments in both efficient and inefficient markets can be an appropriate decision.

## **Costs**

- Fees, expenses, and transaction costs can have a significant impact on long-term compounded returns and must be clearly justified and carefully managed.
- Investments should be evaluated on an expected net of fees basis. However, an understanding that fees are certain, while returns are not, should be appreciated.

## **Other**

- Value is created by building an organization with in-depth knowledge and experience in global markets and draws on the expertise of a network of external partners.
- A successful investment program requires adequate resources, expertise, focus, and consistency in approach.
- Resources are constrained. Determining appropriate areas to focus and deploy resources is critical to adding value.
- The Plan's people and partners drive success. Develop and retain internal capital, foster a collaborative team-oriented culture that values integrity, excellence, and humility.
- Seek arrangements which ensure alignment of interest with agents and partners and collaborate broadly.
- Attractive risk-adjusted returns can be achieved by being an early adopter in strategies, assets, markets, technologies, and approaches.
- Derivatives and leverage can be efficient tools when utilized prudently.



## APPENDIX D – MANAGER DUE DILIGENCE, SELECTION, MONITORING AND TERMINATION

This policy establishes the guidelines for selecting, monitoring, and terminating Managers. This policy aims to retain a high degree of flexibility in how it is applied to Managers. The goal is to implement a process which finds a balance between two undesirable outcomes:

1. Retaining Managers with no value-adding capabilities; and,
2. Terminating Managers with value-adding capabilities

Due to the significant costs involved in replacing Managers, and due to the substantial probability of selecting a value-detracting Manager as a replacement for an existing Manager, this policy is somewhat biased toward avoiding terminating Managers with value-adding capabilities.

### Delegation

The Board has delegated the authority to select and terminate investment managers to the Chief Investment Officer, within the parameters and constraints set forth in this policy and with concurrence from the applicable investment consulting firm.

### Parameters and Constraints – Selection and Termination

The authority delegated to the Chief Investment Officer by the Board to select and terminate investment managers will be constrained by a maximum investment size defined as a percentage of total plan assets. The authority delegated to the Chief Investment Officer to terminate investment managers is not constrained and is fully delegated.

<u>Asset Class</u>	<u>Selection Threshold</u>	<u>Termination</u>
<u>Hedge Funds</u>	<u>1.0%</u>	<u>Fully delegated</u>
<u>Private Markets</u>	<u>1.0%</u>	<u>Fully delegated</u>
<u>Opportunistic</u>	<u>1.0%</u>	<u>Fully delegated</u>
<u>Co-investments<sup>1</sup></u>	<u>0.5%</u>	<u>Fully delegated</u>
<u>All other investments</u>	<u>2.0%</u>	<u>Fully delegated</u>

<sup>1</sup>Co-investments must be with managers where the Plan has previously made an investment.

The authority delegated to the Chief Investment Officer by the Board to select and terminate investment managers may be rescinded by the Board for any of the following reasons:

- The current Chief Investment Officer either leaves the job position of Chief Investment Officer or leaves employment with KCERA.
- The current consultant is replaced for an asset class (delegated authority will be rescinded for that asset class only).

- If overall KCERA Investment Staff positions fall below 50% of authorized positions.

The Board maintains discretion to reinstitute delegated authority previously rescinded by the Board.

Staff will develop procedures describing the criteria and processes to be used in conducting investment manager due diligence, including due diligence meetings, and arriving at staff decisions and recommendations; and will review said procedures with the Investment Committee from time to time.

## **Manager Search Process – Public Markets**

1. Initiation and Evaluation: The Chief Investment Officer will coordinate with the investment consultant regarding due diligence. A written due diligence report will be produced, which articulates the opportunity, rationale, and risk of the investment. Due diligence may include on-site visits or may be performed virtually via video conference.
2. Internal Investment Committee Approval: Members of the investment team will review proposed investments presented by team members. The Chief Investment Officer will have the final decision-making authority to select an investment manager, subject to the parameters and constraints in this Appendix D, or recommend an investment to the Investment Committee and/or Board of Retirement. A recommendation memo will be presented to the Investment Committee. With the guidance of the Chief Investment Officer and the investment consultant, the Investment Committee will determine whether to approve the investment and to recommend the investment to the Board. At times, timing considerations will require that an investment be recommended directly to the Board and will not be presented to the Investment Committee.
- 2.3. Investment Committee Notification: For investments within the Chief Investment Officer's delegated authority, the Investment team will promptly notify Investment Committee members of the selected investment manager and confirm that the selection complies with the delegated authority described in this Appendix D.
- 3.4. Board Approval/Board of Retirement Notification: At the next available Regular Board meeting, the Chief Investment Officer will report the investment managers selected under delegated authority that have completed the contracting process. A recommendation memo will be presented to the Board for final approval. It is generally understood that the approval is subject to negotiating acceptable terms and conditions with the Manager.

## **Manager Search Process – Private Markets**

The Private Markets program will be managed according to an annual plan produced by the investment consultant whose main components will encompass an update on the private markets program, a recap of prior year activity, a review of the Plan's private market strategy, a review of the annual pacing plan, and a forward calendar of prospective Managers or strategies. The annual plan will serve as a guide to ensure that target allocations are managed, proper diversification is implemented, and overall private market investments are in line with portfolio goals. It is recognized that market environments can change and deviations from the annual plan may be necessary.

The overall search process will be generally in line with public markets:

1. **Initiation and Evaluation:** Guided by the pacing plan and forward calendar, the Chief Investment Officer will coordinate with the investment consultant regarding due diligence. A written due diligence report will be produced, which articulates the opportunity, rationale, and risk of the investment. Due diligence may include on-site visits or may be performed virtually via video conference.
2. **Internal Investment Committee Approval:** Members of the investment team will review proposed investments presented by team members. The Chief Investment Officer will have the final decision-making authority to select an investment manager, subject to the parameters and constraints in this Appendix D, or recommend an investment to the Investment Committee and/or Board of Retirement. A recommendation memo will be presented to the Investment Committee. With the guidance of the Chief Investment Officer and investment consultant, the Investment Committee will determine whether or not to approve the investment and to recommend the investment to the Board. At times, timing considerations will require that an investment be recommended directly to the Board and not be presented to the Investment Committee.
3. **Investment Committee Notification:** For investments within the Chief Investment Officer's delegated authority, the Investment team will promptly notify Investment Committee members of the selected investment manager and confirm that the selection complies with the delegated authority described in this Appendix D.
- 2.4. **Board Approval/Board of Retirement Notification:** At the next available Regular Board meeting, the Chief Investment Officer will report the investment managers selected under delegated authority that have completed the contracting process. A recommendation memo, will be presented to the Board for final approval. It is generally understood that the approval is subject to negotiating acceptable terms and conditions with the Manager.

## **Contracting – Public and Private Markets**

Managers shall acknowledge in writing their recognition and acceptance of their role as a fiduciary to the Plan and adherence to an industry-accepted standard of care, which may be established by contract or operation of law. Managers must further agree to

adhere to appropriate federal and state legislation governing the Plan and agree to be covered by appropriate and adequate insurance coverage.

Managers retained by the Board shall be compensated by a formula contained in the manager's operative fund documents or Investment Management Agreement. No public markets Manager retained by the Board shall receive a payment of commission or other fees on a particular investment transaction; provided that, performance fees paid to Managers, as documented and agreed to by and between KCERA and the Manager are allowed. Further, Managers must disclose to staff any indirect compensation received in addition to its fees as a result of servicing the Plan. Additionally, alternative Managers will be required to disclose fee information per §7928.710 and §7514.7.

### **Ongoing Monitoring – Public and Private Markets**

Manager evaluation relies on the ongoing review of qualitative and quantitative factors. These factors will be monitored on an ongoing basis in order for the Chief Investment Officer and the investment consultant to apprise the Board of changes which could warrant a change in the Manager's suitability. A key objective of this policy is the timely identification of signs of adverse changes in a Manager's organization or investment process. Factors to monitor include performance, attribution, key contributors and detractors from performance, portfolio positioning and exposures, key positions and investment thesis, changes in the investment team or process, changes in investment product line-up, assets under management and capital flows, administrative or operational changes, and other potential changes in the business.

No less than quarterly the investment consultant reviews each traditional public market Manager of the Plan and produces a written summary, which is provided to staff. In the case of alternative Managers including private market Managers, a review and written summary is produced at least annually. In the case where no investment consultant formally covers the investment, staff will produce a written summary.

Value-adding Managers will experience adverse circumstances, such as underperformance, personnel changes, and loss of assets under management. When Managers experience such events, staff and the investment consultant will evaluate whether appropriate action was taken by the Manager, what impact the action could have, and what other actions may be considered.

### **Termination – Public Markets**

~~The Board may terminate a Manager for any reason. The Chief Investment Officer or investment consultant may recommend to the Investment Committee if a Manager should be terminated, and upon approval by the Investment Committee, a recommendation for termination will be presented to the Board for final approval.~~

~~Should a situation arise whereby a Manager is no longer deemed appropriate for the Plan by the Chief Investment Officer, with concurrence from the investment consultant, and there is insufficient time to present the issue to the Investment Committee or Board,~~

~~pursuant to the Board of Retirement Charter or Investment Committee Charter, the Board authorizes the Chief Investment Officer, with the written consent of the Chief Executive Officer and advice from the investment consultant, to terminate and replace the Manager with an appropriate “alternate strategy” as expeditiously as possible and in accordance with reasonable due diligence procedures. The “alternate strategy” is intended to be employed temporarily until a permanent replacement can be presented to the Board. When such activity occurs, the Board shall be notified as appropriate, either between Board meetings or at the next regularly scheduled Board meeting. For purposes of this document, “alternate strategy” refers to cash, derivatives, or a low cost index fund employing a similar investment objective as the terminated Manager.~~

## **Manager reporting requirements**

### *All Managers*

- Updated Form ADV - Part 2 on an annual basis

### *All public markets*

- Monthly account statement and NAV
- Monthly gross and net performance
- Performance commentary at least quarterly
- Positioning, exposure or risk report at least quarterly
- Audited Annual Financial Statements (for fund investments)

### *Public market investments through separately managed accounts*

- Each quarter, managers shall provide a letter certifying compliance with the portfolio guidelines from the Investment Management Agreement, and compliance with regulatory requirements. Managers are required to advise staff and the investment consultant in writing of any violation.
- Annually, managers shall provide a written report detailing the name of each brokerage institution which received commissions from the Plan as the result of the discretionary trading authority bestowed upon the manager by the Board. The report shall also include for each brokerage firm: the number of shares, average cost per share traded, and the commissions paid.
- Managers are required to advise staff and the investment consultant in writing of any need for changes to the portfolio guidelines; and
- Managers are required to comply with the reporting requirements of the Trading Policy, as detailed in Appendix E
- Managers are required to comply with the reporting requirements of the Asset Pricing Policy, as detailed in Appendix G

### *Private markets*

- Quarterly account statement and NAV
- Quarterly performance measures including IRR, and multiples
- Quarterly update of contributions, distributions, and uncalled capital

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- Quarterly performance commentary
- Quarterly fund composition, positioning, or exposure reports
- Audited Annual Financial Statements (for fund investments)

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## APPENDIX E – TRADING POLICY

The Board has determined that trading costs represent a significant expense to the Plan. The Board has therefore established policies in order to control these costs, and to monitor the level and effectiveness of the trading activity of the Plan.

### Best Price and Execution Standard

1. Notwithstanding anything to the contrary, all trading of securities will be placed by Managers with broker-dealers with the aim of obtaining the best price and best execution, taking into account all factors influencing best execution, as well as the value of all services received or savings obtained by the Plan related thereto, or by the Managers, for the benefit of the Plan.
  - a. The policy of best price and best execution is intended to mean that Managers shall use professional judgment in the selection of broker-dealers and the commissions paid. Managers should be prepared to provide evidence that they are attempting to deliver investment results at the lowest possible level of transaction costs, including the market impact of their trades, and considering the value of all services provided to the Plan for its commission dollars.
  - b. The policy of best price and best execution is intended to provide the most favorable overall results for the Plan.
  - c. Broker-dealers, as referenced herein, include firms which customarily perform trades for an institutional clientele. Such broker-dealers may trade on the floor of the various national and regional stock exchanges or may trade in the third and fourth markets performing transactions outside of the securities exchanges.
2. Inasmuch as trading costs contribute to the gains and losses on the securities held by the Plan, and therefore contribute to the portfolio performance of each Manager, all trades will be placed by Managers at their discretion. Such trades may include fixed income transactions placed on an agency basis. All such trades will be placed within the following general guidelines, consistent with the best price and best execution standard.
  - a. Managers may direct a portion of total annual transactions to broker-dealers who provide the Managers with research. In selecting among these broker-dealers to execute transactions, the Managers shall consider all factors relative to best execution. Such factors should include, but are not limited to, the following:
    - i. price of security;
    - ii. the commission rate;
    - iii. size and difficulty of the order;
    - iv. reliability, integrity, and financial condition of broker-dealer;
    - v. general execution and operational capabilities or competing broker-dealers;

- vi. Manager's investment style; and
  - vii. brokerage and research services provided.
3. When placing trades with broker-dealers, Managers will emphasize minimizing commission costs directly and not seeking sources of value to the Plan through ancillary research services. In selecting these broker-dealers to execute transactions, the Manager will consider all factors relative best execution. Such factors should include, but are not limited to, the following:
- a. price of security;
  - b. the commission rate;
  - c. size and difficulty of the order;
  - d. reliability, integrity, and financial condition of broker-dealer;
  - e. general execution and operational capabilities or competing broker-dealers; and,
  - f. the Manager's investment style.

### **Trading Analysis**

For separately managed account investments, Managers will allow to be performed an analysis of the trading costs of their respective account with the various classes of trading described herein. The Board may engage third parties to independently evaluate the Manager's trading costs and practices to assess whether or not they are achieving best execution. This analysis will be provided to staff no less than every three years.

- 1. The analysis will summarize and evaluate the cost effectiveness of the various broker-dealers utilized by the Manager, specifically reporting commissions charged per share traded, and an estimate of the total costs incurred in these transactions.
- 2. The analysis will evaluate instances of higher commissions per share with respect to the many factors affecting best execution and shall consider other services or research provided to the Manager.
- 3. The analysis will report trading performance by broker-dealer and by investment management account.



## APPENDIX F – PROXY VOTING POLICY

Because the proxy vote is an asset of the Plan, it must be managed prudently and for the exclusive benefit of the Plan. It is the intent of this policy to lay out a broad set of guidelines within which proxies must be voted to maximize shareholder value.

### Guidelines

For all equity oriented separately managed accounts, a proxy voting service provider is retained to vote all proposals submitted to stockholders in accordance with this policy. All commingled investment fund proxies are voted by the respective Manager of each fund in accordance with the Manager's proxy guidelines.

Due to the significant resources required to properly manage a proxy voting program, the Board has chosen to delegate the proxy voting decision to a third-party provider of proxy voting services and to follow that provider's detailed proxy voting guidelines.

The obligations of the third-party provider are as follows:

1. With regard to timely execution of specified proxy votes on the Plan's behalf, including corporate account set up, vote execution reporting and record keeping, and compliance with U.S. SEC and Department of Labor ERISA standards, as applicable, the third party shall carry out its duties and obligations to vote the Plan's proxies in accordance with the standards of fiduciary responsibility set forth in the CERL;
2. The third-party shall cast votes after careful consideration of the issues; and
3. The third-party shall describe the rationale for its votes.

The overarching and universal guideline is that proxies must be voted in the best interest of the Plan and its beneficiaries and in order to maximize shareholder value. In following this broad, all-encompassing guideline, the third-party provider shall follow its own detailed guidelines, which provide specific instruction on how to vote proxies in alignment with and support of the following key principles:

1. A board of directors that serves shareholder interests;
2. Transparency and integrity in financial reporting;
3. A strong link between compensation and performance; and
4. A governance structure that clearly supports shareholder interests.

The third-party provider's detailed guidelines may change over time. A copy of the current guidelines shall be maintained by staff.

### Monitoring

The third-party service provider shall provide monthly reports to staff, which include a list of all proxies voted on behalf of the Plan, along with the rationale for the votes. On an

|

annual basis, staff will provide the Board with a consolidated report summarizing the previous year's proxy voting activity.

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## APPENDIX G – ASSET PRICING POLICY

This policy provides a process for the valuation of securities in separately managed accounts where the prices listed by the Plan's master custodian bank ("Custodian") are substantially different from the Manager's prices for those same securities. The Board recognizes that there are coverage limitations for security prices as provided by the Custodian's pricing matrix and third-party pricing provider prices. In those situations, where pricing is disputed between the Manager and the Custodian, the approach outlined in this policy will be implemented.

The Custodian will provide official pricing for all of the Plan's separately managed accounts with the following exceptions:

1. Issue specific market values may be priced by the Manager where no reliable third-party pricing source is available; and
2. Disputed issue prices may use the price provided by the Manager when the Manager provides the average of at least three dealer prices (bid-side).

In the case of disputed issue prices, staff may, in accordance with this policy, direct the Manager to provide its price to the Custodian and may direct the Custodian to accept the Manager's price as the official price for that issue. Valuation documentation should contain the following:

1. Sources and/or quantitative calculation used to determine the respective issue prices;
2. Percentage difference between Manager's price relative to the price generated by the master trustee bank; and
3. Aggregate percentage of the portfolio's market value for the securities priced by the Manager.

Monthly reports including the above documentation must be sent by the Manager to staff, the Custodian, and the investment consultant five days after receipt of the statement from the Custodian.

Securities held in commingled accounts are valued according to the pricing policy of the individual commingled fund Manager.

All Managers shall provide a copy of their pricing policy and pricing matrix to staff.

## APPENDIX H – MANAGER RECONCILIATION REQUIREMENTS

The Board seeks to ensure greater accuracy through the implementation of a reconciliation reporting process. The Plan's separately managed account Managers shall provide written acknowledgment of the accuracy of the Custodian's records, and it is the responsibility of the Manager to reconcile with the Custodian all discrepancies in cash and holdings. The reconciliation report will list the assets and liabilities of the account that have discrepancies for both the number of shares/par value and pricing. The Manager's reconciliation report must be received by staff within 30 days of the close of the reporting month.

For traditional Managers who charge incentive fees, the Managers are responsible for reconciling its portfolio return and benchmark calculation. The reconciliation report will provide the Manager's monthly returns as well as the incentive fee calculation for the quarter. The report will show both gross and net-of-fees returns. The manager's reconciliation report must be received by staff along with the invoice billed for the quarter.

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## **MONITORING AND REPORTING POLICY**

### **BACKGROUND AND PURPOSE**

- 1) In keeping with the duty of the Board to oversee the activities and performance of KCERA, the Board has established this Monitoring and Reporting Policy, which sets out the Board's expectations concerning the routine reports it is to receive on a regular basis.

### **GUIDELINES**

- 2) The Board shall be provided with the routine reports outlined in Appendix 1 with a frequency also set out in Appendix 1. The Board may be provided other ad hoc reports as determined by Management or as directed by the Board.
- 3) Requests for the Board to be provided additional routine reports on a regular basis shall require board approval and an amendment to Appendix 1 of this policy.

### **POLICY REVIEW AND HISTORY**

- 4) This policy shall be reviewed at least every five years.
- 5) This policy was:
  - a) Adopted by the Board on July 13, 2005.
  - b) Amended on September 26, 2007; August 26, 2009; December 12, 2012; April 13, 2016; October 10, 2018; March 11, 2020; February 10, 2021; August 11, 2021; and April 13, 2022.

## APPENDIX 1

### GOVERNANCE

Report Name	Frequency	Prepared By	Description
1. Board Performance Evaluation	Annually	Governance Consultant	Summarizes the results of the Board's performance self-evaluation, including follow-up actions.
2. Chief Executive Officer Evaluation	Annually	Admin. Committee	Summarizes the performance assessment of the Chief Executive Officer.
3. Annual Governance Report	Annually	Governance Consultant	A summary confirmation of compliance with governance policies of the Board.
4. Trustee Education Report	Semi-Annually	Chief Executive Officer and Governance Consultant	Summarizes the activities of the Board with respect to education, including trustee compliance with the Board Education policy. Will be posted to the KCERA website as required by law.
5. Service Provider Evaluations	Periodically <sup>1</sup>	Varies according to provider	Where feasible, performance evaluations of key service providers will be performed by staff or outside experts.

### INVESTMENTS AND FUNDING

Report Name	Frequency	Prepared By	Description
6. Investments Reports	Monthly (consent agenda)	Chief Executive Officer	Report showing KCERA asset allocation, cash flow position, and investment fees for the month.
7. Investment Performance	Quarterly	Investment Consultant	Report on investment performance for total fund, for each asset class, and by investment manager. Provides analysis based on return over various periods (3 months, 1 year, 5 year, etc.), and seeks to identify sources of returns.
8. Investment Manager Compliance	Annually	Investment Managers	Affirmation by investment managers that they are investing the plan assets in accordance with their mandate, investment agreement, regulatory requirements, and KCERA policy.

<sup>1</sup> See the *Service Provider Evaluation Policy* for details on the time frame.

<b>Report Name</b>	<b>Frequency</b>	<b>Prepared By</b>	<b>Description</b>
9. Trading Cost Analysis	Every 3 years	3 <sup>rd</sup> party provider	Analysis of trading costs of manager accounts.
10. Report of the CIO	Monthly	CIO	Report on the status of the portfolio, including information about the investment changes within the Chief Investment Officer's delegated authority.
11. Proxy Voting	Annually	Chief Executive Officer	Confirms compliance with the Board's Proxy Voting Policy, and summarizes how KCERA exercised its voting rights in public companies.
12. Securities Lending	Monthly (consent agenda)	Custodian	Summary of KCERA's securities lending activities, including additional income earned, collateral received, and risk factors impacting collateral.
13. Class Action Securities Litigation and Proceeds Report	Quarterly (consent agenda)	Custodian	Summary of securities litigation class actions filed and of the proceeds received.
14. Actuarial Valuation	Annually	Actuary	Summarizes the results of the actuarial valuation for KCERA, together with any recommendations.
15. Asset/Liability Study	Every 3-5 years	Investment Consultant	A study of the relationship between KCERA's assets and liabilities.
16. Actuarial Experience Study	Every 3 years	Actuary	Review of appropriateness of long-term economic assumptions (e.g. investment return, wage & price inflation) and demographic assumptions (e.g. disability/mortality rates).
17. Actuarial Audit	Every 3-5 years**	3 <sup>rd</sup> party actuary	An independent review of the validity of the analyses and methodologies used in preparing KCERA's actuarial valuation.

\*\* And/or when a significant benefit or assumption change is adopted. A change in actuaries, however, shall satisfy the requirement for an actuarial audit.

## ADMINISTRATION AND OPERATIONS

Report Name	Frequency	Prepared By	Description
18. Benefits & Activities Report	Monthly (consent agenda)	Chief Executive Officer	Report on a) members retired from service, deceased retirees, and deceased active members; and b) production statistics concerning member service activities.
19. Service Retirement Application Approvals Report	At the next public meeting of the Board after retirement	Chief Executive Officer	Report on service retirement applications approved by the Chief Executive Officer. (§31670)
20. Strategic/ Business Plan Status	Annually	Chief Executive Officer	Summarizes the status of each initiative contained in business plan.
21. Budget Variance	Monthly (consent agenda)	Chief Executive Officer	Compares actual spending to the operating budget, including explanations for material variances.
22. External Financial Audit	Annually	Auditor	Confirms that the financial statements present fairly, in all material respects, the financial status of KCERA, in accordance with generally accepted accounting principles.
23. Annual Comprehensive Financial Report (ACFR)	Annually	Chief Executive Officer	Reviews the operations and activities of KCERA during the last fiscal year. The financial statements shall be part of the ACFR and indicate the financial position of KCERA
24. Cost Effectiveness	Annually	Chief Executive Officer	Reporting on cost effectiveness will include: <ul style="list-style-type: none"> <li>• KCERA's administrative costs in relation to the limits set out in the Act (i.e. the 21 basis point limit); and</li> <li>• Excerpt from the Annual Comprehensive Financial Report detailing all investment costs incurred by KCERA.</li> </ul>
25. Report of the Chief Executive Officer	Monthly	Chief Executive Officer	Update on all significant activities occurring within KCERA.



<b>Report Name</b>	<b>Frequency</b>	<b>Prepared By</b>	<b>Description</b>
26. Report of the Chief Legal Officer	Monthly	Chief Legal Officer	Update on significant litigation, potential litigation, and on changes or potential changes to legislation affecting KCERA; updates on lawsuits involving the other 37 Act Systems.
27. Corrections of Errors in Benefit Payments	At least annually	Chief Executive Officer	A summary of corrections made to benefit payments exceeding \$500.
28. Due Diligence Schedule	At least annually (consent agenda)	Chief Executive Officer	A three-year schedule of on-site due diligence visits of KCERA's service providers, as required by the Due Diligence & Service Provider Selection Policy.
29. Due Diligence Report	After each due diligence visit (consent agenda)	Investment Consultant or Chief Executive Officer	A report on each due diligence visit, undertaken by staff and/or the investment consultant, of KCERA's key service providers.
30. Reports on internal controls	Annually	Auditor or Chief Executive Officer	Update on KCERA financial and operational internal controls, including any significant changes and improvements to such over the year.
31. Disabilities Report	Monthly (consent agenda)	Chief Executive Officer	Report of current disability retirement applications and appeals of KCERA board decisions.

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## **Overview of LACERA v. County of Los Angeles (2024) 102 Cal. App. 5<sup>th</sup> 1167**

**Presented by:**

**Julie Becker, Partner, Aon**

**Benita Falls Harper, Associate Partner, Aon**

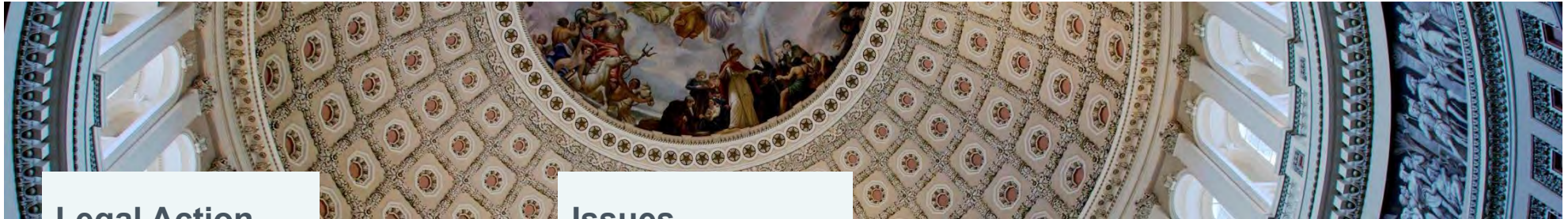
**September 11, 2024**

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# The Lawsuit



## Legal Action

Legal action brought by Los Angeles County Employees Retirement Association (LACERA) against the County of Los Angeles

## Issues

- Does the fiduciary board of a county public employee retirement system established under the County Employees Retirement Law of 1937 (Gov. Code, Section 31450 et seq. (CERL)) have authority under the California Constitution and relevant statutes to create employment classifications and set salaries for employees of the retirement system?
- Does Section 31522.1 impose a ministerial duty on a county board of supervisors to include in the county's employment classifications and salary ordinance the classifications and salaries adopted by the board of a county public employee retirement system for employees of that system?



# Ruling

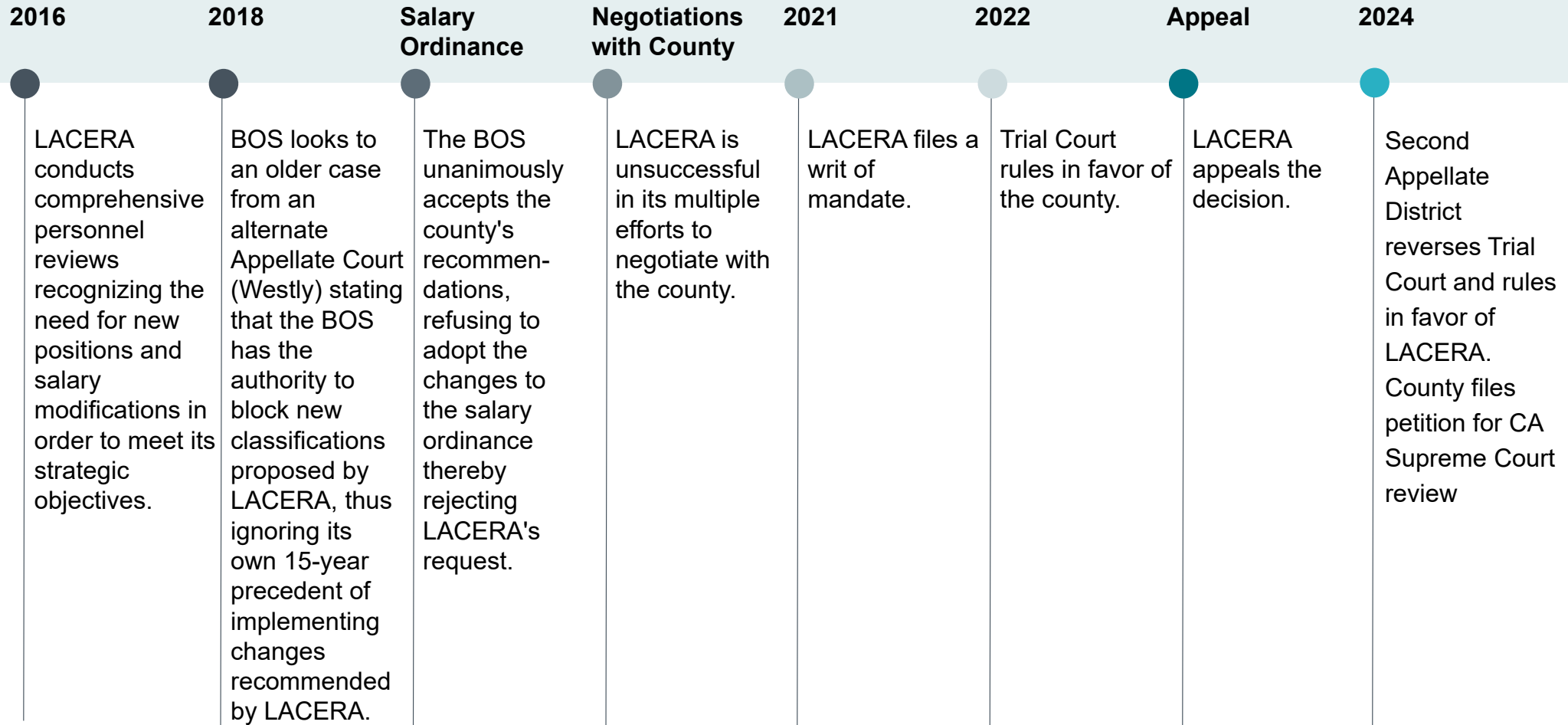
LACERA “owns the authority to set employment classifications and establish salaries for its employees, under both California Constitution and state statutes.”



Impact - Los Angeles County Board of Supervisors (BOS) must accept and incorporate LACERA recommended job classifications and salaries without lessening of dollar amounts.



# Background and Timeline



# Court's Reasoning

- › Voter initiative Proposition 162 (1992) explicitly conferred upon retirement boards fiduciary responsibility for both the investment of funds and the administration of the system.
- › Proposition 162 gave LACERA plenary authority to adopt employment classifications and set employee salaries.
- › The Court noted that in order to fulfill these responsibilities, retirement boards would need control over all system expenses, including employee classifications and salaries.
- › The Court emphasized that allowing a BOS, which may have differing responsibilities, priorities, and agendas, to veto the employment classifications and compensation set by a retirement board would undermine the board's ability to fulfill its duties under California Constitution Art. XVI Section 17 (added by Proposition 162).

# Court's Reasoning

› Such a veto power would also erode the fiduciary relationship between the retirement board and system participants and beneficiaries.

› Therefore, the Court found that the decision was inconsistent with the language, purpose, and intent of Proposition 162.

› The court also stated that section 31522.1 of the CERL imposed a ministerial duty on a county BOS to include in the county's employment classifications and salary ordinance the classifications and salaries adopted by the board of a county public employee retirement system for employees of that system.

› By ministerial the court alludes to functionary or without discretion or judgment.

# Impact of Case

Underscores the legal authority of LACERA's Boards to make final decisions for its own personnel needs, across all its administrative and investment responsibilities.

LACERA's Boards will be able to implement decisions promptly without alteration or delay from the BOS, subject to any adverse ruling by the CA Supreme Court should the County's petition for review be granted.

## IMPACT

Gives LACERA a solid framework to fulfill its fiduciary duty to members.

LACERA CEO Kreimann:  
"This ruling is a significant victory for LACERA, reinforcing its autonomy and authority to manage its personnel and financial responsibilities effectively, ensuring that it can fulfill its fiduciary duties to its members and beneficiaries."

# Moving Forward



➤ Two courts of equal status hold conflicting decisions: the Third District Court of Appeal (Westly) and the Second District Court of Appeal (LACERA) differ.

➤ The Fifth District, with jurisdiction for KCERA, has not ruled on this issue and, therefore, unknown if the 5th District would follow Westly or LACERA decision.

➤ Neither Court decision alters KCERA's proposed Compensation Policy, and KCERA's Compensation Policy remains valid under the reasoning of either Court decision.

# LA County's Petition to the California Supreme Court



➤ Petition filed August 2, 2024, by LA County.

➤ County seeks reconsideration of the June 24 ruling and asserts that the CA Supreme Court should find that LACERA does not have the authority to choose how much to pay its employees and how to classify those employees.

➤ **Unknown if the CA Supreme Court will agree to hear the case and resolve the divided lower courts.**

# Legal Disclosures and Disclaimers

Consulting services provided by Aon Consulting, Inc. (“ACI”). The information contained herein is given as of the date hereof and does not purport to give information as of any other date. The delivery at any time shall not, under any circumstances, create any implication that there has been a change in the information set forth herein since the date hereof or any obligation to update or provide amendments hereto.

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Aon Consulting, Inc.  
200 E. Randolph Street  
Suite 700  
Chicago, IL 60601

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## KCERA Compensation Policy Discussion

**Presented by:**  
**Julie Becker, Partner, Aon**  
**Benita Falls Harper, Associate Partner, Aon**

**September 11, 2024**

Fiduciary services provided by Aon Consulting, Inc.

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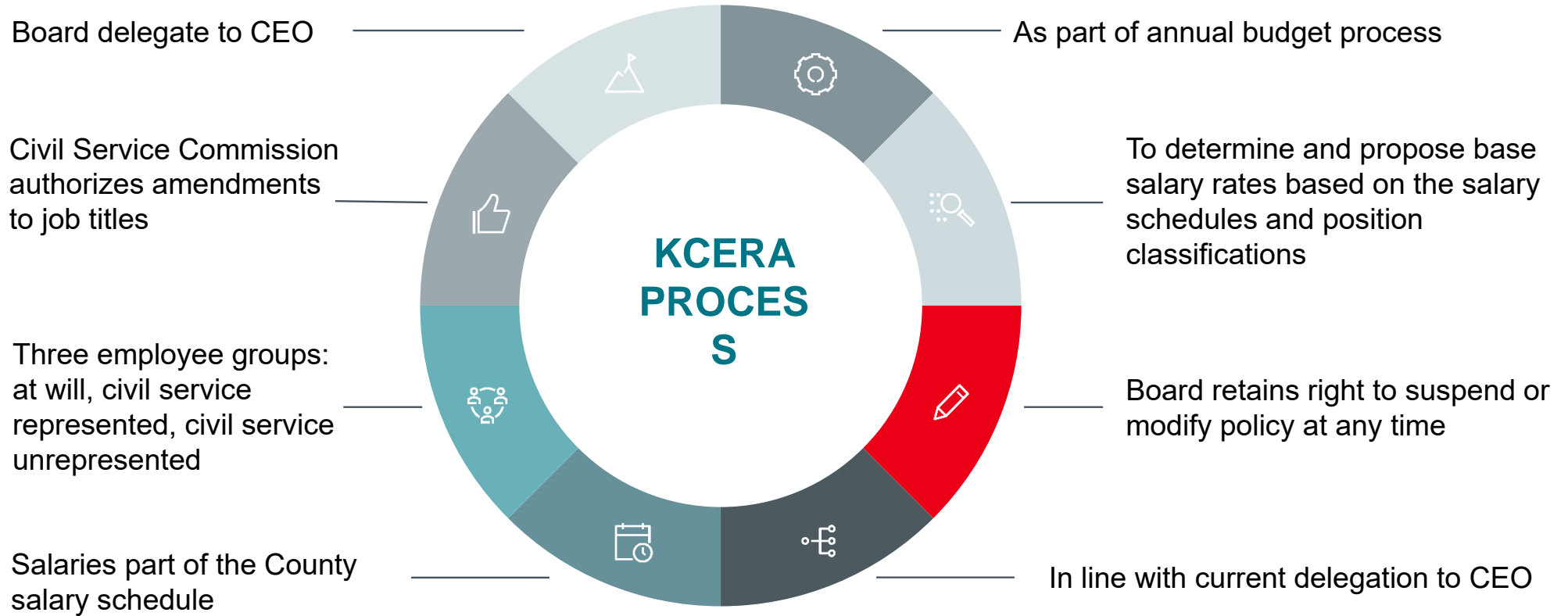


# Current KCERA Compensation Framework

- KCERA Board operates within a statutory framework in reviewing compensation.
  - Plenary authority, delegates authority to CEO and authorizes CEO to propose new or changed salary ranges to the County.
  - Salaries authorized by County HR to the Board of Supervisors.



# KCERA Process



# KCERA Compensation Philosophy

Conduct on a rolling basis

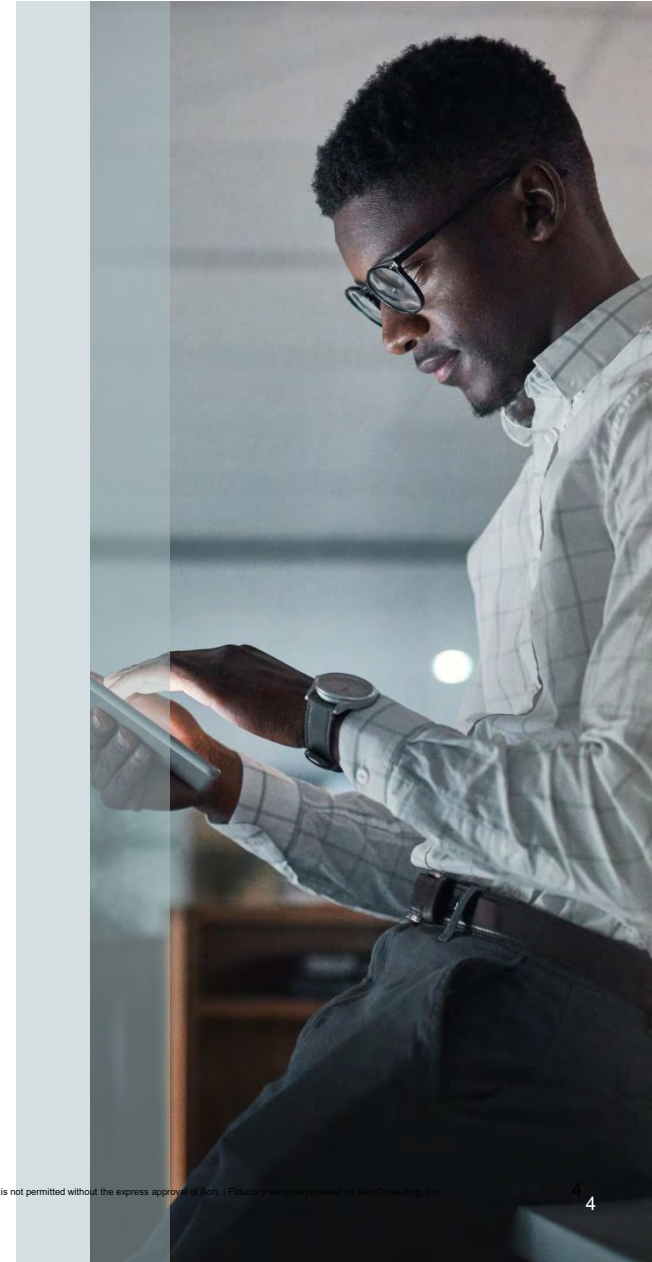
Compensation study provides wage benchmark

Market study shows market trends and value of certain positions

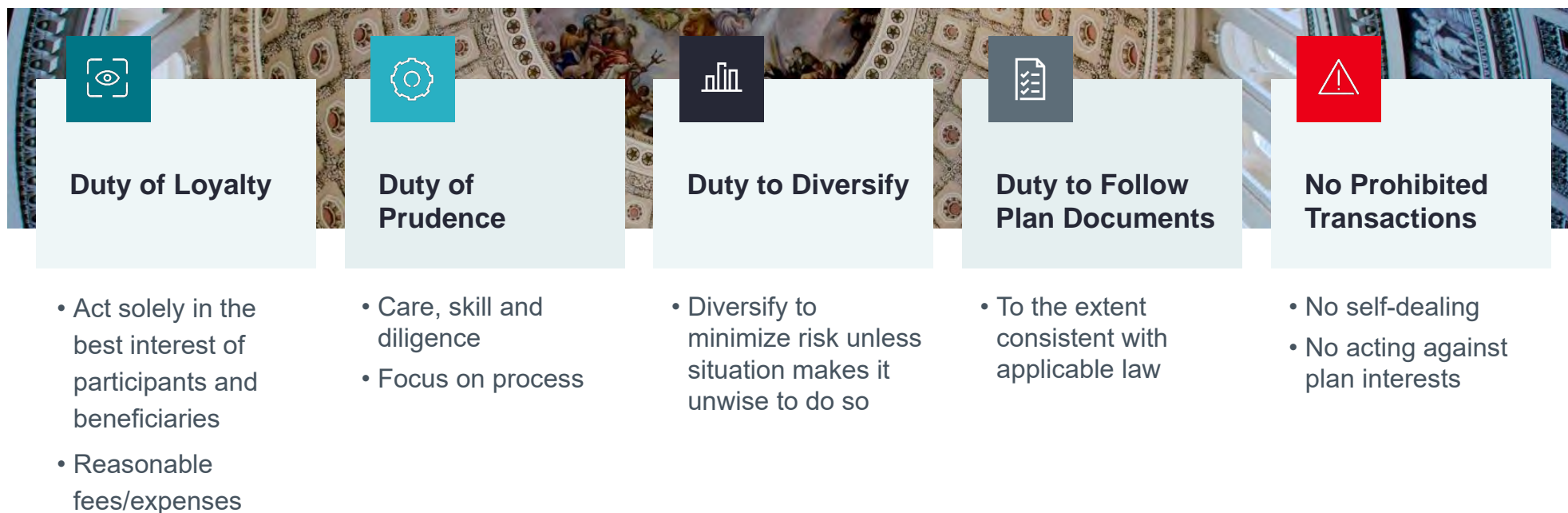
Consider outside vendor to conduct studies

Focus on CERL systems

Use variety, being pragmatic, realistic



# Compensation Policy in Line with Fiduciary Standards



# Duty of Loyalty

- Loyalty means fiduciaries must act solely in the interest — for the exclusive benefit of the participants and beneficiaries without regard to the interests of any other persons
- Balancing interests is not appropriate; “solely” does not mean “primarily”
- The duty of loyalty has not evolved — courts strictly interpret.
- Unlike the duty of prudence, the duty of loyalty has remained constant over time; it is very narrow and well defined.

# Legal Disclosures and Disclaimers

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Aon Consulting, Inc.  
200 E. Randolph Street  
Suite 700  
Chicago, IL 60601

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11125 River Run Blvd  
Bakersfield, CA 93311  
661.381.7700  
www.kcera.org

## **COMPENSATION POLICY**

### **PURPOSE**

- 1) The purpose of this policy is to establish a formal compensation directive by the Board of Retirement that identifies personnel needs for KCERA, including methodology of job classification, staff size, compensation, and other personnel-related items that are integral to KCERA's successful operation. The goal is to competitively position KCERA to attract and retain the human capital necessary to successfully carry out the mission of the organization, while maintaining accountability and transparency with stakeholders and ensuring cost-effective administration. This policy is intended to be consistent with and not in conflict with applicable law.

### **STRATEGY**

- 2) Salaries are structured to be competitive as recommended by the Chief Executive Officer (CEO) and reviewed by the Board of Retirement (Board), with individual base salaries dependent upon an employee's experience, education, knowledge, skills, and overall job performance. This policy seeks to lessen any lag in addressing salaries and provide regular and consistent review of the salary structure.
- 3) Policy objectives include:
  - a) Bolster the workforce and enhance retention
  - b) Attract new talent
  - c) Motivate employees and maintain internal equity
  - d) Lessen the likelihood of salary lag
  - e) Nimble react to market shifts
- 4) Policy objectives should be accomplished with adherence to all applicable laws and consistent with other relevant public retirement systems. This policy should be administered with the aim to effectively manage both the human and fiscal resources that support KCERA's mission and values.
- 5) Compensation studies will be utilized to determine KCERA's competitiveness with market practices. Labor markets fluctuate in response to the readiness of qualified workers for particular positions, as well as economic ups and downs. These changes



diverge, depending upon the geographic regions, industry, and employer types. A compensation study should provide KCERA with the necessary data to compensate without undue guesswork, better anticipate market fluctuations, create peer awareness, and provide transparency to the process.

- 6) Compensation studies should:
  - a) Collect and analyze salary and benefits data from employers similar to KCERA, meaning other public retirement systems, focusing on those with organizational and operational likeness.
  - b) Analyze comparable jobs within comparable employers.
  - c) Develop any necessary guidelines deriving from the study.
  - d) Provide a comprehensive analysis to compensate employees in a manner that promotes attracting and retaining talent necessary to successfully execute mission.
- 7) The CEO will make recommendations consistent with and in furtherance of the fiduciary duties of the Board in administering the retirement system, and in accordance with applicable law. Trends in the market should be considered, as significant salary changes do not usually occur year to year. The goal of the market study is to follow market trends and ensure salary adjustments accurately reflect the required salary to maintain a competitive position relative to the market and within KCERA.
- 8) The state-wide geographic vicinity of KCERA to other employers figures strongly in identifying the viable competitors in the same labor pool. It can be a strong identifier of those employers that directly compete with KCERA to recruit and retain personnel. Likewise, the economic fluctuations associated with a geographic area can be considered.
- 9) Comparisons to employers operating in other segments of the marketplace, such as corporate pension plans, or endowments and foundations, may be useful, as those employers may compete for employees with the same skills as those at KCERA.
- 10) Employer size should be viewed as an important factor in the compensation study. Choosing similarly situated employers, for example members served or assets under management, makes it more likely to find like positions within each organization to compare.
- 11) To keep ahead of market fluctuations and stay competitive, compensation studies will be conducted no less than every five years, with three years as the optimal time period.

- 12) Market studies will be used to note and interpret market trends and identify potential salary adjustments.
- 13) Pursuant to Government Code Section 31522.1, all KCERA employees are employees of Kern County and shall be included in the salary ordinance or resolution adopted by the Board of Supervisors for the compensation of county officers and employees. All KCERA employees are subject to Kern County Civil Service or merit system rules except for its at-will employees, who shall be directed by, shall serve at the pleasure of, and may be dismissed at the will of the Board of Retirement.

### **POLICY REVIEW AND HISTORY**

- 1) This policy shall be reviewed at least every five years.
- 2) This policy was:
- a) Adopted by the Board on \_\_\_\_\_.



## COMPENSATION POLICY

### PURPOSE

- 1) The purpose of this policy is to establish a formal compensation directive by the Board of Retirement that identifies personnel needs for KCERA, including methodology of job classification, staff size, compensation, and other personnel-related items that are integral to KCERA's successful operation. The goal of this policy is to ensure KCERA is competitively positioned KCERA to attract and retain the human capital necessary to successfully carry out the mission of the organization, while maintaining accountability and transparency with stakeholders and ensuring cost-effective administration. This policy is intended to be consistent with and not in conflict with applicable law.-

### STRATEGY

- 1)2) Salaries are structured to be competitive as recommendeddetermined by the Chief Executive Officer (CEO) and reviewed by the Board of Retirement (Board), with individual base salaries dependent upon an employee's experience, education, knowledge, skills, and overall job performance. This policy seeks to lessen any lag in addressing salaries and provide regular and consistent review of the salary structure.
- 2)3) Policy objectives include:
  - a) Bolster the workforce and enhance retention
  - b) Attract new talent
  - c) Motivate employees and maintain internal equity
  - d) Lessen the likelihood of salary lag
  - e) Nimble react to market shifts
- 3)4) Policy objectives should be accomplished with adherence to all applicable laws and consistent with other relevant public retirement systems. This policy should be administered with the aim to effectively manage both the human and fiscal resources that support KCERA's mission and values.
- 4)5) Compensation studies will be utilized to determine KCERA's competitiveness with market practices. Labor markets fluctuate in response to the readiness of qualified

workers for particular positions, as well as economic ups and downs. These changes diverge, depending upon the geographic regions, industry, and employer types. A compensation study should provide KCERA with the necessary data to compensate without undue guesswork, better anticipate market fluctuations, create peer awareness, and provide transparency to the process.

5)6) Compensation studies should:

- a) Collect and analyze salary and benefits data from employers similar to KCERA, meaning other public retirement systems, focusing on those with organizational and operational likeness.
- b) Analyze comparable jobs within comparable employers.
- c) Develop any necessary guidelines deriving from the study.
- d) Provide a comprehensive analysis to compensate employees in a manner that promotes attracting and retaining talent necessary to successfully execute mission.

6)7) The CEO will make recommendations consistent with and in furtherance of the fiduciary duties of the Board in administering the retirement system, and in accordance with applicable law. ~~The focus should be on internal equity, basing decisions on market data. Market data herein refers to a market based compensation study that identifies wage differences for employee classes.~~ Trends in the market should be considered, as significant salary changes do not usually occur year to year. The goal of the market study is to follow market trends and ensure salary adjustments accurately reflect the required salary to maintain a competitive position relative to the market and within KCERA.

7)8) The state-wide geographic vicinity of KCERA to other employers figures strongly in identifying the viable competitors in the same labor pool. It can be a strong identifier of those employers that directly compete with KCERA to recruit and retain personnel. Likewise, the economic fluctuations associated with a geographic area can be considered.

8)9) Comparisons to employers operating in other segments of the marketplace, such as corporate pension plans, or endowments and foundations, may be useful, as those employers may compete for employees with the same skills as those at KCERA.

9)10) Employer size should be viewed as an important factor in the compensation study. Choosing similarly situated employers, for example members served or assets under management, makes it more likely to find like positions within each organization to compare.

~~10)11)~~ To keep ahead of market fluctuations and stay competitive, compensation studies will be conducted no less than every five years, with three years as the optimal time period.

~~11)12)~~ Market studies will be used to note and interpret market trends and identify potential salary adjustments.

~~13)~~ Pursuant to Government Code Section 31522.1, all KCERA employees are employees of Kern County and shall be included in the salary ordinance or resolution adopted by the Board of Supervisors for the compensation of county officers and employees. All KCERA employees are subject to Kern County Civil Service or merit system rules ~~except for its~~ at-will employees, who shall be directed by, shall serve at the pleasure of, and may be dismissed at the will of the Board of Retirement.

~~12)~~ KCERA staff are classified as either:

- ~~a) Kern County Civil Service — The majority of staff are Kern County Civil Service employees, meaning their compensation is decided either through collective bargaining or Kern County guidelines and procedures. Compensation is then implemented through a salary resolution or Memorandum of Understanding adopted by the Board of Supervisors.~~
- ~~b) Non Civil Service — KCERA has at-will positions that exist outside the County Civil Service structure. Their positions, job duties, and compensation are established by the KCERA Board and salary adjustments are implemented through Kern County Human Resources, County Administrative Office, and the Board of Supervisors.~~

~~The goal of this policy is to ensure KCERA is competitively positioned to attract and retain the human capital necessary to successfully carry out the mission of the organization, while maintaining accountability and transparency with stakeholders and ensuring cost-effective administration.~~

## **POLICY REVIEW AND HISTORY**

~~13)1)~~ This policy shall be reviewed at least every five years.

~~14)2)~~ This policy was:

- a) Adopted by the Board on \_\_\_\_\_.



# Life Cycle of a Member

Chief Legal Officer

**Jennifer Zahry**

Chief Financial Officer

**Angela Kruger**

Deputy Chief Member Services Officer

**Sherry Willard**

# Life Cycle of a Member

## Kelly

- General Member
  - Nurse (Hospital)
- Single, no children



## Pat

- Safety Member
  - Sheriff Deputy
- Married, no children
- Prior Military service



# Life Cycle of a Member

## Presentation Topics:

- Enrollments
- **Divorce/Marriage**
- Purchases of Service
- Disability Retirement
- Service Retirement
- Death





# Life Cycle of a Member



- **Contact** – Pat contacts KCERA (6 years of service)
- **Request** – Estimate of Community Property Interest
  - Referred to Legal
  - Legal Consult:
    - Call member – review circumstances
    - Legal sends request form (Vested Member) to complete
    - Legal sends completed form to Member Services for calculations
    - Legal sends personalized letter to Member explaining calculations/limitations

**PAT**



# Life Cycle of a Member



## Submits new Beneficiary Designation form

(10 years of service)

- Triggers Legal review to confirm eligible beneficiary
- Review of marital/divorce documents on file with KCERA

**PAT**



## Obtained Divorce – Did Not Send Judgment to KCERA

- Divorce matters come to Legal for review in several ways
  - Staff emails Legal after conversations with member
  - Member emails Staff with questions about divorce or sends KCERA divorce documents or Beneficiary Designation form
  - Attorneys or non-member spouses reach out
  - Notice of Adverse Interest

# Life Cycle of a Member



## Member Counseling – Pat questioning why KCERA needs Judgment

- Staff counsels on Community Property Interest in KCERA Plan
  - Service performed during marriage is an asset of the community
  - Family Code – Plan can be liable for failure to preserve community property interest of spouse
  - Non-member spouse's interest – generally divided by Time Rule
  - Service purchases – Community Property interest depends on status of member at the time of service and time of payment – Pat has military service prior to marriage, not yet purchased
- Staff counsels on the KCERA Plan
  - Defined Benefit Plan – not 401k or Voya 457 Plan
  - No payment distribution before retirement

**PAT**



# Life Cycle of a Member



## Staff counsels on KCERA's need to follow the CERL

- Whether the judgment/DRO ordered KCERA to divide pension or ordered pension solely to member
- Whether the division can be administered under the CERL
  - Orders that require KCERA to pay more than the plan would normally provide – **cannot**
  - Orders that require payment distribution not allowed by plan (division before retirement) – **cannot**
  - Judgments that conflict with DRO
    - Option 2-4 – irrevocable; no ability to change beneficiary
    - Unmodified – no ability to change beneficiary
    - NOTE: separate accounts – elective CERL section

**PAT**



# Life Cycle of a Member



## Legal Documents Needed

- Joinder
- Judgment of Dissolution/Legal Separation
- Domestic Relations Order
  - Template – time rule
  - Gilmore election/Disability retirement
  - Option election
- Pat's DRO provides for Time Rule with Non-member spouse to be designated beneficiary for Option 4 (time rule percentage)

## Processes Differ Depending on Member Status

- Active
- Pending Retirement
- Retired

**PAT**



# Life Cycle of a Member



## Review Documents – Checklist

### Potential Judgment Issues:

- Old Judgment – filed and obtained years earlier and member provides it to KCERA right before retirement
- Incorrect Judgment – lists wrong name of plan, 457 plan, list lump sum benefit, based on contributions balance only
- Invalid Provisions in Judgment – conflicts with CERL
- Conflicting Orders – Judgment vs. DRO
- Silent Judgment – Pension not addressed
- Legal Separation Issues – surviving spouse status for non-member

# Life Cycle of a Member



## Non-standard Processes

- Overlapping marriages, invalid marriages, putative spouse
- Failure to follow court order
- Multiple marriages and divorces
- Reconciliation/remarriage
- Out-of-state divorces

# Life Cycle of a Member



## Legal – Correspondence

- Third parties
  - Member
  - Non-member spouse
  - Divorce/DRO Attorneys
  - Licensed Document Assistants
- Letter addressing document review
  - Letter describing issues to fix in documents
  - Initiation of hearing to set aside order



# Life Cycle of a Member



## Finance Team:

- Executes both spousal support orders and child support orders verifying that max thresholds are not exceeded (50% net income max threshold on spousal support orders)
- Records and reconciles withheld pension payments when QDROs are pending
- Reviews and adjusts software calculations for under/overpayments if necessary
- Verifies tax withholdings are properly taken and 1099Rs reflect actuals

# Life Cycle of a Member



## Member Services:

- Process all DRO Estimates
  - Estimate is provided to Legal
- Process all Beneficiary Updates
- Add notes to CPAS record
- Retirement
  - Calculates community property divisions
  - Detailed process will be addressed in a future episode
- Death of Member or Alternate Payee
  - Process will be addressed in a future episode

# Life Cycle of a Member



## Outreach:

- Counseling Sessions
- New Employee Orientations (NEO)
- Retirement Seminars
- Career Expos, Job and Health Fairs
- Plan Sponsor and/or Department Presentations including Podcasts
- Communications
  - Website
  - Kiosks (Pamphlets)

# Life Cycle of a Member



## Recap:

- Divorced and remarried
- Attempted to change beneficiary to new spouse
- Judgment and DRO obtained and reviewed by KCERA legal
  - Awards former spouse Time Rule share of pension
  - Military service not addressed in DRO
- Divorce Documents and beneficiary change form cleared by Legal
- Pat still active. No funds to former spouse until retirement

**PAT**



# Life Cycle of a Member

**Questions?**



# Chief Executive Officer's Report

Presented by: Dominic D. Brown, Chief Executive Officer

September 2024



## Office Update

- Election Update: Both Safety and General are going to ballot
- Artificial Intelligence utilization at KCERA will be presented to Board in near future
- Disability Update
- Staffing Update: Paralegal, Administrative Specialist
- November BOR: Interest Crediting Policy updates presented by Segal



# Operations Activity

- Member Services
  - 32 new retirements and calculations
  - 56 death benefit calculations
  - 57 service-credit purchase calculations
  - 63 retirement estimates
  - 109 new active members
  - 82 terminations with disposition packets
  - 19 in-person appointments
  - 161 walk-ins
  - 693 phone calls
  - 200 emails
- Accounting & Reporting
  - Service Purchases <30 days
  - ACFR audit ongoing
- Information Technology
  - Member Annual Statements almost ready to be sent out





# Member Outreach & Education

- 9/4 Payroll Clerk Training Kern County Behavioral Health
- 9/5 Kern County New Employee Orientation
- 9/10 Retired Employees of Kern County
- 9/12 Payroll Clerk Training Kern County Department of Human Services
- 9/14 Kern County Career Expo
- 9/19 Kern County Jobfest (Mojave)
- 9/26 KCERA End-of-Career Seminar
- 10/3 San Joaquin Air Pollution Control District Resource Fair (Modesto)
- 10/3 Kern County New Employee Orientation
- 10/8 Retired Employees of Kern County
- 10/10 San Joaquin Air Pollution Control District Resource Fair (Bakersfield)
- 10/23 Kern Medical Health & Wellness
- 10/14 KC Fire Dept. Arson Unit
- TBD Sheriff Academy
- TBD KC Fire Dept. Academy



# Upcoming Events

- Administrative Committee – Meeting to be scheduled to discuss election service provider and changes to policy
- Finance Committee – No meetings scheduled
- Investment Committee – No meetings scheduled
- Special Board of Retirement – To be scheduled later this month to consider time-sensitive investment opportunities
- Board of Retirement – Next regular monthly meeting will be October 9, 2024





# CIO REPORT

## INVESTMENT PROGRAM UPDATE

September 2024

Presented by:  
**Daryn Miller, CFA**  
Chief Investment Officer



# Rebalancing

## AUGUST ACTIVITY

- Fund Emerging Market Equity Mandates
  - Buy 70MM ABS Emerging Markets
  - Buy 70MM Carrhae Emerging Markets
  - Sell 100MM Mellon Emerging Markets
  - Sell 40MM DFA Emerging Markets
- Other Equity activity
  - Buy 15MM Lazard Japanese Equity
  - Sell 14MM Parametric S&P 500
  - Buy 10MM AB Small Cap
  - Buy 5MM Geneva Small Cap
- Fixed Income
  - Sell 70MM Parametric Rates
  - Sell 30MM WAMCO Core Plus
- Commodities
  - Buy 15MM Wellington Commodities
  - Buy 10MM Gresham Commodities
- Cash
  - Sell 10MM BlackRock Short Duration
- Hedge Funds
  - Sell 10MM Sculptor Domestic Partners

*Reporting period covers 08/01/2024 to 08/31/2024*



Public Equities: Increase public equity exposure to Japan and US Small Cap following market pull back in early August

Funded two new active Emerging Markets investments, with redemptions from Mellon & Dimensional EM

Sell Parametric S&P 500 end of August, following market rally to reduce overweight and move closer to target



Fixed Income: Reduce rates exposure following fixed income rally & redeploying into risk assets

Reduce core fixed income exposure to create liquidity for EM investments; Staff will opportunistically add passive fixed income exposure on weakness



Commodities: Increase exposure to commodities following recent weakness; moves target position to modest overweight



Cash: Sold Short Duration cash and moved proceeds cash to operating cash account to create liquidity for EM investment transition.



Hedge Funds: Reduce hedge fund exposure in anticipation of Elliott transition; Sculptor has quarterly redemption windows. An Equity Long Short fund will be added to the Hedge Fund allocation in the future, as part of the Elliott transition.

Asset Class	Actual	Policy Target	Adj. Policy Target	Diff. Act. vs. Adj. Pol.
Public Equities	34.0%	33.0%	33.4%	0.6%
Fixed Income	20.0%	25.0%	27.0%	-7.0%
Core	11.4%	15.0%	17.0%	-5.6%
Credit	8.6%	10.0%	10.0%	-1.4%
Commodities	4.2%	4.0%	4.0%	0.2%
Hedge Funds	9.8%	10.0%	10.0%	-0.2%
Alpha Pool	3.8%	4.0%	4.0%	-0.2%
Midstream Energy	5.3%	5.0%	5.0%	0.3%
Core Real Estate	4.0%	5.0%	7.0%	-2.9%
Private Real Estate	3.1%	5.0%	3.1%	0.0%
Private Equity	4.6%	5.0%	4.6%	0.0%
Private Credit	6.0%	8.0%	6.0%	0.0%
Opportunistic	2.6%	0.0%	0.0%	2.6%
Cash	2.6%	-4.0%	-4.0%	6.6%
Total	100.0%	100.0%	100.0%	0.0%

# Positioning

## ACTUAL VS POLICY TARGET

Public Equity: slight overweight to adjusted policy target.

Core Fixed Income: underweight relative adjusted policy target.

Credit: underweight high yield.

Exposures to Core Fixed Income and Credit have effectively been reallocated to Cash.

Core Real Estate: underweight relative to adjusted policy target.

Cash: **above the high-end of the policy range of 2%**. Excess cash was held at August month-end to facilitate the transition of the two new emerging market equity investments (ABS & Carrhae). The cash level will be reduced in September to bring the allocation within the policy range; will continue to maintain an overweight position to take advantage of weighted average cash returns of ~6%.



# Key Initiatives

Enhancing return while managing risk

- **2035 Initiative**
- **Asset Class Deep Dives**
  - Opportunistic
  - Commodities
- **Core Real Estate improvement**
- **Currency management**
- **Governance/Delegation**
- **Improve hedge fund program returns**
  - Equity long short
- **Opportunistic investments**
- **Private markets**
- **Repositioning fixed income**

# Investment Committee Meetings

## Next meeting October

The next IC meeting agenda will include the following items:

- Currency
- ST IG Credit

*The last IC meeting was held on September 5<sup>th</sup>.*



# Closed Investments

Contracting completed (all), and funded (non-private market investments)

- ABS EM Direct (Emerging Markets Equity) \*
- Carrhae Capital EM Equities (Emerging Markets Equity) \*
- Covenant Apartment Fund XII (Private Real Estate)
- Quantum Capital Solutions II & II-C (Private Credit)
- Sculptor Real Estate Fund V (Private Real Estate)

*Reporting Period covers 8/1/2024 to 8/31/2024*

*\* Indicates investment was also funded*

5

FUNDS

\$140M

FUNDED

\$127.5M

COMMITTED



# Investment Activity

## Passed Investments

The following investment opportunities were diligenced, but not pursued (last 4 quarters)

Description	Comments
Public Equity, emerging markets	Passed, lack of conviction in strategy
Public Equity, emerging markets	Passed, found opportunity with better risk-adjusted returns
Private Equity, secondaries	Passed, investment team turnover
Private Equity, Japan buyout	No access, fund oversubscribed
Private Equity, GP led secondaries	Passed, overlap with existing manager
Private Equity, Distressed	Passed, portfolio fit
Private Credit, special situations lending	Passed, lower-middle market exp.
Private Credit, opportunistic lending	Passed, portfolio fit
Private Credit, direct lending	Passed, lower-middle market exp.
Private Credit, aviation	Passed, portfolio fit
Private Credit, credit opportunities	Passed, found opportunity with better risk-adjusted returns
Private Credit, opportunistic lending	Passed, found opportunity with better risk-adjusted returns and portfolio fit
Private Credit, opportunistic lending	Passed, portfolio fit
Private Credit, direct lending	Passed, lower-middle market exp.
Private Credit, specialty lending	Passed, portfolio fit
Private Credit, opportunistic lending	Passed, portfolio fit
Private Credit, opportunistic lending	Passed, portfolio fit
Private Credit, direct lending	Passed, found opportunity with better risk-adjusted returns

Description	Comments
Private Credit, specialty lending	Passed, found opportunity with better risk-adjusted returns
Private Credit, direct lending	Passed, found opportunity with better risk-adjusted returns
Private Credit, real estate lending	Passed, found opportunity with better risk-adjusted returns
Private Credit, opportunistic lending	Passed, portfolio fit
Private Credit, opportunistic lending	Passed, portfolio fit
Private Real Estate, NNN	Passed, non-investment grade focus
Private Real Estate, alternative sectors	Passed, found opportunity with better risk-adjusted returns
Private Real Assets, energy	Passed, found opportunity with better risk-adjusted returns
Private Real Assets, energy	Passed, found opportunity with better risk-adjusted returns
Private Real Estate, opportunistic real estate	Passed, portfolio fit
Private Real Estate, opportunistic real estate	Passed, portfolio fit
Private Real Estate, opportunistic real estate	Passed, found opportunity with better risk-adjusted returns
Hedge Fund, equity market neutral	No access
Hedge Fund, multi-strategy	Passed, lack of conviction in strategy



# CLO Report September 2024

Jennifer Esquivel Zahry, Chief Legal Officer  
Kristen McDonald, Deputy Chief Legal Officer  
Maggie Peralta-Lee, KCERA Senior Paralegal  
Irma Chavez, KCERA Senior Legal Secretary

# Legislative Calendar

- **August 16th** – Fiscal Deadline - Bills had to pass out of Senate Appropriations Committee of 2d House
- **August 31st** – Deadline to pass any Bills off the floor of the 2d House and obtain concurrence from House of Origin
- **September 30<sup>th</sup>** – Governor's last day to act on bills passed by the Legislature

# Legislative Update

- AB 2284 – Adding Definition of “grade” to compensation earnable (subject to BOS election)
  - Last update: Passed both houses.
  - Enrolled 8/29/24
  - SACRS took oppose position; filed request to veto
  - Awaiting action by Governor

# Legislative Update

- AB 3025 – Benefit Corrections (potential payment by employers if pension later reduced for improper special pays by employer)
  - Last update: Passed both houses
  - Enrolled 8/28/24 and presented to the Governor
- AB 2715 – Closed Session item for threats to critical infrastructure relating to cybersecurity
  - Last update: 8/27/24 Enrolled and presented to Governor

# Executive Action

Proclamation of State of Emergency – Gold Complex Fire and Park Fire

Reinstatement and work hour limitations in PEPRA (Cal. Gov. Code § 7522.56, subds. (b),(d), (f) & (g)) for “all **state agencies and departments** with an assigned response and/or recover role.”

Clarity needed to determine if it applies to counties?

# Litigation Update

- KCERA Motion to Set Aside
  - Motion Granted
  - No response to KCERA pleading filed; Member believed Judge had jurisdiction to change community property division
  - Court explained that it had no ability to order KCERA to take action that is contrary to its retirement plan.
  - Portion of Stipulation conflicting w/ CERL set aside

# USERRA

## Uniformed Services Employment and Reemployment Rights Act

38 USC Ch. 43, §§ 4301-4335

- Federal law enacted 10/13/1994
- Establishes rights and responsibilities for uniformed service members and their civilian employers. Subject to rules and exceptions in the law, USERRA guarantees an employee returning from military service or training the right to be reemployed at their former job (or as nearly comparable a job as possible) with the same benefits.
- Applies to all US employers and employees.
- Protects the civilian job for up to 5 years of uniformed service in the armed forces. (There are specific exceptions for certain longer periods).
  - Reservists' required annual training and monthly drills don't count toward the 5 years.



# USERRA, cont.

- Employee is deemed to be on furlough or leave of absence while performing military duty. Kern County provides military leave for regular full or part time County employees.
- When they return and seek reemployment they must be “promptly reemployed” in the job they would have had if they’d never left (as long as they’re qualified or can become qualified from reasonable employer efforts).
  - This means if it’s reasonably certain they would have been promoted, they get the promotion, or if their position was downgraded or made redundant, they get the downgrade/layoff status.
    - This is the “Escalator Principle”, and the escalator can go up or down.
- Pension Contributions:
  - They must be treated as having never had a break in service
  - Military service must be considered service with an employer for vesting and benefit accruals
  - Employer contributions for the service period must be paid after return
  - Employee contributions for the service period must be paid after return if they want the benefit of those contributions

# CA Military & Veterans Code

- Separate from USERRA but related to military leave: California Military and Veterans Code (MVC) section 395.01
- MVC section 395.01: a public employee on temporary military leave of absence for military duty must be paid their same salary for the first 30 calendar days of the absence.
  - Must have been a public employee for at least one year prior
  - Period of military duty ordered must not exceed 180 calendar days
  - Can only receive the 30-day pay once in a fiscal year
  - Applicable MOU controls if there is conflict with this section
- County of Kern has a pay code in effect for employers to use: PML- Paid Military Leave. Hours are paid as “Regular” hours with all other special pays, benefits, and accruals continuing as if the person was still actively working.



## September Calendar

	Pending CLO/DCLO Review
Administrative Appeals	5
Board/ Committee Meetings/ Staff Meetings/ Conferences	13
Board Materials	3
Community Property Matters	5
Disability Matters	11
Investment/ Custodial Documents	7
Operational Contracts	2
Plan Sponsor Inquiries	2
Powers of Attorney	2
Staff Inquiries	34



TO: State Association of County Retirement Systems  
FROM: Cara Martinson, Public House Consulting  
Laurie Johnson, LJ Consulting & Advocacy  
RE: **Legislative Update – September 2024**

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## **Capitol Update**

The 2023-24 Legislative Session ended with some bangs but a lot of whimpers. There were the usual last week “gut and amends” that had many advocates running around the Capitol, but there were some high-profile packages, like the Pro-Tem’s clean energy bills and two major reparations bills that were stalled. Of note, that in the last hours of Session, the Governor called for a Special Session to address gas prices. While the Assembly adopted procedural rules and convened the Second Extraordinary Session, whereas Senate Leader McGuire said he would not convene a special session but is “working with Newsom and Speaker Rivas on the issue.” Time and power plays will tell what becomes of this effort, where 100 out 120 seats are up for election - legislators are eager to return to their districts to continue campaigning before the November election. The Governor has until Monday, September 30<sup>th</sup> to act on the hundreds of bills passed by the Legislature.

## **SACRS is tracking the following bills:**

- **SB 1189 (Limon)** – This bill authorizes the Ventura County Employees’ Retirement Association to appoint a Chief Technology Officer. Status: This bill was signed by the Governor on 7/15
- **SB 1379 (Dodd)** – This bill creates an exception to PEPRA from the 960-hour limitation on retired public employees working after retirement for hours worked in an appointment by Solano County Sheriff’s Office. Status: This bill was passed by the Legislature on 8/23 and is awaiting action by the Governor.
- **AB 2284 (Grayson)** – The bill amends the definition of “compensation earnable” to define a work classification “grade” to mean a number of employees considered together because they share similarities in job duties, schedules, unit recruitment requirements, work location, collective bargaining unit, or other logical work-related grouping. The bill was amended on 6/27 to include a provision that requires the Board of Supervisors to pass a resolution to allow for the language to become



operational within the jurisdiction. The SACRS Board met on July 18<sup>th</sup> and took an Oppose position. Status: This bill passed the Legislature and is awaiting action by the Governor.

- **AB 2301 (Nguyen)** – This bill, the Sacramento Area Sewer District Pension Protection Act of 2024, provides for the continuation of benefits and pension obligations for employees transferring from the County of Sacramento to the Sacramento Area Sewer District. Status: This bill was signed by the Governor on 7/2.
- **AB 2474 (Lackey)** – This is a SACRS-sponsored bill and was amended in Committee to allow LACERA-only to deposit retirement allowances into prepaid accounts until January 1, 2028, as a pilot program. The bill also provides clarity regarding the ability of a system to deposit pension payments in a member’s living trust bank account. The bill also clarifies potential consequences when a retiree exceeds the 960-hour post-retirement employment limit and provides systems with administrative flexibility on that matter. This bill was signed by the Governor on 7/15.
- **AB 2770 (Committee on Public Employment and Retirement)** – This is the annual housekeeping bill that includes various technical amendments for CalPERS, CalSTRS, and '37 Act systems. SACRS is a co-sponsor of the bill. The bill removes the “return receipt” requirements as part of current procedures in statute that systems must follow to locate members and beneficiaries. The bill also conforms the sunset date of January 1, 2025, to the Labor Code for the recently added disability presumption for post-traumatic stress disorder. Status: This bill was signed by the Governor on 7/15.
- **AB 3025 (Valencia)** – This bill creates a framework for making benefit corrections and contribution refunds when disallowed compensation is inadvertently included in pension calculations. This bill includes a penalty to be paid by the employer to the member if compensation is later determined to be disallowed. The bill also includes language that is intended to protect a system’s *Alameda* correction process currently underway. The SACRS Legislative Committee is working with the bill’s author and sponsor to ensure '37 Act systems can properly implement the bill, consistent with IRS regulations. The bill was amended on 6/27 to expressly state that confidential information is not subject to the California



Public Records Act. The author has also agreed to accept one last amendment that clarifies “Initiated a process” to mean a system has formally adopted a resolution “*or made an administrative determination*”. Status: The bill was passed by the Legislature on 8/22 and is awaiting action by the Governor.

SACRS is also monitoring the following bills that do not impact the '37 Act systems but are of interest:

- **SB 252 (Gonzalez)** – This bill prohibits CalPERS and CalSTRS from making new investments in a fossil fuel company and requires those systems to divest from fossil fuel companies by July 1, 2031, unless the board determines in good faith that the action is inconsistent with the board’s fiduciary responsibilities. Status: Dead. This bill was not taken up by the Assembly Public Employment and Retirement Committee.
- **SB 962 (Padilla)** – This bill provides that the California Public Employees’ Pension Reform Act permits a public employer to adopt a new defined benefit formula that is not consistent with PEPRA, if that formula is determined and certified by the chief actuary and the board of that employer’s retirement system to not have a greater risk or greater cost to the sponsoring employer than the defined benefit formula required by PEPRA. Approves a specified defined benefit formula applicable to employees of the San Diego Unified Port District. The bill was signed by the Governor on 7/15.
- **AB 817 (Pacheco)** -. The bill would have provided flexibility for local government agencies to conduct remote meetings under Open Meeting laws. Specifically, this bill would have allowed a subsidiary body of a local agency to teleconference their meetings without having to publicly notice or make all locations publicly available. Status: Dead. This bill did not pass out of the Senate Local Government Committee.
- **SB 1240 (Alvarado-Gil)** – This bill provides for the continuation of pension benefits for employees of El Dorado County Fire Protection District and the Diamond Springs Fire Protection District under a new consolidated district. Status: This bill was passed by the Legislature on 8/22 and is awaiting action by the Governor.
- **AB 2715 (Boerner)** – This bill allows a legislative body to discuss a



threat to critical infrastructure controls or critical infrastructure information relating to cyber security during a closed session. Status: This bill was passed by the Legislature on 8/20 and is awaiting action by the Governor.