



Asset Allocation Policy

Approved by the Board of Trustees

Initially Adopted: July 18, 2013
Last Revised: May 19, 2022

Asset Allocation

The Board of Trustees will have a strategic asset allocation plan that sets forth a list of asset categories and corresponding allocation percentages as described in Table 1 below. Typically, the Board will review the strategic asset allocation plan every three to five years, considering (1) opportunities to balance expected risks and returns by further diversification, (2) the existing allocation percentages and priorities, and (3) possible modification to the asset allocation plan and the list of asset categories. Tables 1 and 2 are updated by Board action to reflect changes of asset categories and allocation parameters.

Capital Market Assumptions

Concurrent with the annual review of strategic asset allocation plan or whenever changes are made to the asset allocation plan, the Board of Trustees will adopt a current set of capital market assumptions. Table 1 reflects the capital market assumptions as of the revision date.

Benchmarks

The *Long-Term Policy Benchmark* in Table 1 provides a gauge to evaluate the Fund's performance over the long term (10 years or longer). It is designed to answer the question of how the Fund performed relative to a passive, principally public markets-focused implementation approach of the strategic asset allocation. Individual asset class components are weighted at the respective target weights.

The *Long-Term Performance Objective* outlined in Table 2 describes the performance target for individual investment funds. For public markets investments, performance evaluation becomes meaningful over a period of at least three to five years, and for private markets investments, over an even longer window.

TABLE 1
Asset Allocation: Targets and Asset Class Benchmarks

Asset Class	Target (%)	Min %	Max %	Long-Term Policy Benchmarks ¹
<i>Fixed Income</i>	26	11	37	
Cash	1	0	5	<i>ICE BofAML 90-day U.S. T-Bills</i>
U.S. Core Fixed Income	7	3	11	<i>Bloomberg U.S. Aggregate</i>
U.S. Long Gov't Bonds	3	0	10	<i>Bloomberg LT Gov't Bonds</i>
U.S. TIPS	5	0	10	<i>Bloomberg U.S. TIPS</i>
U.S. High Yield	2	0	4	<i>Bloomberg U.S. High Yield</i>
Bank Loans	2	0	4	<i>CS Leveraged Loan</i>
Foreign Bonds	2	0	4	<i>Bloomberg Global ex U.S. Aggregate</i>
Emerging Markets Bonds	4	0	8	<i>50% JPM GBI-EM Global Diversified / 50% JPM EMBI Global Diversified</i>
<i>Public Equities</i>	46	34	58	
U.S. Equities	20	15	25	<i>Russell 3000</i>
Int'l. Dev. Markets Eq.	16	12	20	<i>MSCI World ex U.S. ND</i>
Emerging Markets Eq.	10	7	13	<i>MSCI Emerging Markets ND</i>
<i>Private Equity</i>	9	4	14	<i>67% Russell 3000 22% MSCI World e.x. US ND 11% MSCI Emerging Markets ND</i>
<i>Private Credit</i>	3	0	8	<i>Bloomberg US High Yield</i>
<i>Real Assets</i>	16	10	20	
Real Estate	8	6	10	<i>FTSE EPRA NAREIT Global Index (net)</i>
Infrastructure	6	4	8	<i>25% MSCI World ex-U.S. ND 25% FTSE EPRA NAREIT Global Index (net) 25% Bloomberg U.S. Aggregate 25% Bloomberg U.S. TIPS</i>
Natural Resources	2	1	3	<i>S&P Global Natural Resources Index</i>

¹ Long-Term Policy Benchmarks for private assets classes (private equity, private debt, and real assets) are lagged by a calendar quarter to align with fund valuations.

TABLE 2
Manager Structure: Investment Manager Portfolio Parameters

Asset Class	Investment Manager	Style	Long-Term Performance Objective
<i>Fixed Income</i>			
Cash	NTAM	Active	Outperform ML 90-day U.S. Treasury Bills
U.S. Core Fixed Income	Blackrock	Passive	Replicate Bloomberg Aggregate Bond before fees
U.S. Long Gov't Bonds	Blackrock	Passive	Replicate Bloomberg U.S. LT Gov't Bonds before fees
U.S. TIPS	Blackrock	Passive	Replicate Bloomberg U.S. TIPS before fees
U.S. High Yield Bonds	DDJ	Active	Net excess returns >150 bps over custom index (80% BofA US High Yield Master II, 20% CSFB Leveraged Loan Index) and net returns in the top quartile of the eVestment Alliance U.S. High Yield Fixed Income Universe over 3-5 year periods
Bank Loans	Beach Point	Active	Net returns in excess of the custom index (20% BofA US High Yield Master II, 80% CSFB Leveraged Loan) over 3-5 year periods
International Bonds	Mondrian	Active	Net returns in excess of Bloomberg Global Aggregate ex U.S. over 3-5 year periods
Emerging Markets Bonds	Stone Harbor	Active	Net returns in excess of JPM GBI-EM Global Diversified over 3-5 year periods
	Wellington Blended Opportunistic Emerging Markets Debt	Active	Net returns in excess of 50% JPM GBI-EM Global Diversified / 50% JPM EMBI Global Diversified over 3-5 year periods
<i>Public Equities</i>			
U.S. Equities			
Core	NTAM	Passive	Replicate Russell 3000 before fees
Small Cap Value	Channing	Active	Net returns in excess of Russell 2000 Value over 3-5 year periods
Small/Mid Cap Core	EARNEST	Active	Net returns in excess of Russell 2500 Core over 3-5 year periods
Large Cap Growth	Sands	Active	Gross excess returns >200 bps over Russell 1000 Growth over 3-5 year periods
Int'l. Dev. Markets Equities	SSgA	Passive	Replicate MSCI World ex U.S. ND before fees
	Altrinsic	Active	Net returns in excess of MSCI EAFE ND over 3-5 year periods
Emerging Markets Equities	SSgA	Passive	Replicate MSCI Emerging Markets ND before fees
	LSV	Active	Net returns in excess of MSCI Emerging Markets ND over 3-5 year periods

<i>Private Equity</i>	Portfolio	Active	Net excess returns in excess of public equity markets (1QLag) and Cambridge Global Private Equity median over 10-year periods
<i>Private Credit</i>	Portfolio	Active	Net returns in excess of Bloomberg US HY Index (1QLag) and CA Private Credit median over 10-year periods
<i>Real Assets</i>			
Private Real Estate	Portfolio	Active	Net returns in excess of Cambridge Real Estate median over 10-year periods
Global REITs	NTAM	Passive	Replicate FTSE EPRA/NAREIT Global (net) before fees
Infrastructure	Portfolio	Active	Net returns in excess of Cambridge Infrastructure median over 10-year periods
Natural Resources	Portfolio	Active	Net returns in excess of Cambridge Energy Upstream & Royalties and Private Equity Energy median over 10-year periods

TABLE 3
Twenty-Year Return and Volatility Forecast

The below data reflects Meketa's 2022 Asset Study (annual forecast of returns, volatility, and correlations), last updated in January 2022.

Asset Class	Annualized Compounded Return (%)	Annualized Standard Deviation (%)
Rate Sensitive		
Cash Equivalents	1.7	1.0
Investment Grade Bonds	2.4	4.0
Long-term Government Bonds	2.8	12.0
TIPS	2.4	7.0
Credit		
High Yield Bonds	4.4	11.0
Bank Loans	4.0	10.0
Emerging Market Debt (local)	4.6	13.0
Private Debt	7.3	16.0
Equities		
US Equity	6.8	18.0
Developed Non-US Equity	7.5	19.0
Emerging Non-US Equity	8.4	24.0
Global Equity	7.2	18.0
Private Equity	10.0	28.0
Real Assets		
Real Estate	7.4	17.0
Infrastructure	7.7	16.0
Commodities	4.6	17.0
Other		
Hedge Funds	4.4	7.0
Inflation	2.2	3.0

TABLE 4
Fifteen-Year Correlation Expectations for Major Asset Classes

The below data reflects Meketa’s 2022 Asset Study (annual forecast of returns, volatility, and correlations), last updated in January 2022.

	Inv. Grade Bonds	Long- term Gov’t Bonds	TIPS	High Yield Bonds	US Equity	Dev. Non-US Equity	Em. Market Equity	Private Equity	Real Estate	Commod.	Infra.	Hedge Funds
Investment Grade Bonds	1.00											
Long-term Government Bonds	0.83	1.00										
TIPS	0.76	0.53	1.00									
High Yield Bonds	0.22	-0.22	0.41	1.00								
US Equity	0.02	-0.31	0.20	0.74	1.00							
Developed Non-US Equity	0.09	-0.28	0.26	0.76	0.89	1.00						
Emerging Market Equity	0.14	-0.23	0.34	0.76	0.77	0.87	1.00					
Private Equity	0.00	-0.10	0.05	0.70	0.85	0.80	0.75	1.00				
Real Estate	0.20	0.05	0.10	0.50	0.50	0.45	0.40	0.45	1.00			
Commodities	0.00	-0.29	0.31	0.55	0.53	0.61	0.65	0.30	0.15	1.00		
Infrastructure	0.29	0.09	0.31	0.64	0.63	0.65	0.58	0.50	0.57	0.41	1.00	
Hedge Funds	0.03	-0.34	0.26	0.77	0.86	0.87	0.85	0.60	0.45	0.69	0.65	1.00