



Asset Allocation Policy

Approved by the Board of Trustees

Initially Adopted: July 18, 2013
Last Revised: September 23, 2021

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	2021 Capital Market Assumptions		Target (%)	Min %	Max %	Long-Term Policy Benchmarks ¹
	Exp. Return	Std. Dev.				
Fixed Income			24	11	37	
Cash	1.1	1.0	1	0	5	ICE BofAML 90-day U.S. T-Bills
U.S. Core Fixed Income	1.8	4.0	7	3	11	BC U.S. Aggregate
U.S. Long Gov't Bonds	2.5	12.0	3	0	10	BC LT Gov't Bonds
U.S. TIPS	1.8	7.0	4	0	10	BC U.S. TIPS
U.S. High Yield	4.2	11.0	2	0	4	BC U.S. High Yield
Bank Loans	4.0	9.0	2	0	4	CS Leveraged Loan
Foreign Bonds	1.7	8.0	2	0	4	BC Global ex U.S. Aggregate
Emerging Markets Bonds	3.9	14.0	4	0	8	50% JPM GBI-EM Global Diversified / 50% JPM EMBI Global Diversified
Public Equities			46	34	58	
U.S. Equities	6.8	18.0	20	15	25	Russell 3000
Int'l. Dev. Markets Eq.	7.1	19.0	16	12	20	MSCI World ex U.S. ND
Emerging Markets Eq.	8.1	24.0	10	7	13	MSCI Emerging Markets ND
Absolute Return	4.3	7.0	2	0	5	ICE BofAML 90-day U.S. T-Bills
Private Equity	9.1	28.0	9	4	14	67% Russell 3000 22% MSCI World ex. US ND 11% MSCI Emerging Markets ND
Private Credit	6.8	16.0	3	0	8	BC US High Yield
Real Assets			15	10	20	
Real Estate	6.9	17.0	7	4	10	FTSE EPRA NAREIT Global Index (net)
Infrastructure	7.0	14.0	6	4	8	25% MSCI World ex-U.S. ND 25% FTSE EPRA NAREIT Global Index (net) 25% BC U.S. Aggregate 25% BC U.S. TIPS
Natural Resources	8.3	23.0	2	1	3	S&P Global Natural Resources Index

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 BC Aggregate Bond before fees
U.S. Long Gov't Bonds	Blackrock	Passive	Replicate BC U.S. LT Gov't Bonds before fees
U.S. TIPS	Blackrock	Passive	Replicate BC 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 BC 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
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>Absolute Return</i>	Portfolio	Active	Net returns in excess of the HFRI Fund-Weighted Composite 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 BC US HY Index (1QLag) and CA Private Credit median over 10-year periods
Real Assets			
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