



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 22

MEETING DATE: October 20, 2021

SUBJECT: Asset Class Restructuring: Fixed Income

SUBMITTED FOR: ___ Consent X Deliberation and Action ___ Receive and File

RECOMMENDATION

Staff recommends the Board approve the proposed implementation plan and revisions to the structure of the Fixed Income asset class as presented by Verus and SCERS' Investment Staff. The specific recommendations include:

- Establish range of +/- 4% around the new 16% target allocation (12% - 20%).
- Adopt a revised structure for the Fixed Income asset class comprised of:
 - A dedicated U.S. Treasury mandate at a 4% target allocation
 - Two core plus fixed income mandates at 4% target allocations each
 - Addition of a third core plus fixed income mandate at a 4% target allocation.
- Adopt a new benchmark for the Fixed Income asset class, comprised of 75% Bloomberg Barclays U.S. Aggregate Bond Index and 25% Bloomberg Barclays U.S. Treasury Index.
- Authorize Staff and Verus to conduct an investment manager search for a recommended additional core plus fixed income mandate.
- Direct staff to make conforming changes to the Diversifying Asset Category and Master Investment Policy Statements for approval by the Board at a future meeting.

PURPOSE

This item supports the implementation of the revised strategic asset allocation, which calls for Staff and consultants to identify structuring considerations and implementation plans for each major asset class.

FIXED INCOME STRATEGIC CHANGES

SCERS' Board approved a revised strategic asset allocation for SCERS in August 2021, which resulted in changes to the Fixed Income asset class. The Fixed Income changes include:

- Created a single Fixed Income asset class rather than the prior asset allocation’s separate allocations for core plus fixed income, U.S. treasuries, and global fixed income.
- Removed the dedicated global fixed income segment from the Fixed Income asset class.
- Adopted a 16% target allocation for the Fixed Income asset class.
 - The prior allocation to U.S. Treasuries and core plus fixed income was 15% (18% including the global fixed income mandate).

The Fixed Income asset class resides within the Diversifying asset category, and the asset class target allocations are shown below:

Asset Class	Prior Target Allocation	Revised Target Allocation	Actual Allocation
<u>Diversifying Asset Category</u>	<u>26.0%</u>	<u>24.0%</u>	
Fixed Income	15.0%	16.0%	12.3%
Global Fixed Income	3.0%	0.0%	
Diversifying Absolute Return	7.0%	7.0%	
Cash	1.0%	1.0%	

The current allocation to Fixed Income is 12.3% as of June 30, 2021. The continued strong performance of equities relative to fixed income over extended periods has moved the Fixed Income portfolio below the target. This is particularly the case over the past fiscal year (July 1, 2020 to June 30, 2021), when SCERS’ public equity portfolio returned 41.6% versus SCERS’ core plus fixed income return of 2.6% and U.S. Treasury return of -3.0%. SCERS performed some physical rebalancing in early 2021 by adding capital to one of SCERS’ core plus fixed income managers; however, the strong performance of equities relative to fixed income during the remainder of 2021 has moved the Fixed Income portfolio farther from the target. The Overlay Program utilizes a combination of U.S. treasury futures and mortgage TBAs to rebalance this segment of the portfolio to its policy target allocation, as part of a broader Diversifying asset category proxy.

The ‘Fixed Income Implementation Plan’ section below will cover the plan to move the actual allocation towards the new 16% target.

RECOMMENDED FIXED INCOME STRUCTURE REVISIONS

Recommendations related to the structure of SCERS’ Fixed Income asset class are shown below. The recommended changes will go into effect upon Board approval; however, they will not be reflected in the investment policy statement until a later date. Fixed Income resides within a broader Diversifying asset category IPS, along with Diversifying Absolute Return and Cash. Staff will present a revised Diversifying asset category IPS at a later date that incorporates the proposed revisions to the Fixed Income asset class, as well as the other Diversifying asset

classes, once they are all approved by the Board. The Master IPS will also be updated accordingly.

Fixed Income Target and Range:

The prior Fixed Income target allocation had a range of +/- 4% around the 15% target (excluding the global fixed income mandate) as shown below:

Fixed Income	Prior Target %	Current Range
	15%	11% - 19%
Core Plus	10%	8% - 12%
U.S. Treasury	5%	3% - 7%

Staff and Verus recommend maintaining the Fixed Income range at +/- 4% around the new 16% target allocation, as show below.

Fixed Income	New Target %	Recommended Range
	16%	12% - 20%
Core Plus	12%	9% - 15%
U.S. Treasury	4%	3% - 5%

* 16% target allocation approved in August 2021

Fixed Income Sub-Strategy Diversification Guidelines:

Staff and Verus recommend the following changes to the Fixed Income asset class:

- Maintain the existing two core plus mandates and the one U.S. treasury mandate, but revise the target allocations to each:
 - Each existing core plus mandate moves from a 5% to a 4% target allocation.
 - The existing U.S. Treasury mandate moves from a 5% to a 4% target allocation.
- Add an additional core plus fixed income mandate to the existing Fixed Income lineup with a 4% target allocation.

Fixed Income Sub-Strategy	Recommended Target %
U.S. Treasury - Neuberger Berman	25%
Core Plus 1 - TCW	25%
Core Plus 2 - Prudential	25%
Core Plus 3 - <i>to be determined</i>	25%
	100%

When evaluating a revised fixed income structure, Verus and Staff evaluated the spectrum of fixed income strategies in the universe, and identified those that fit the role and objectives of fixed income. The spectrum of fixed income strategies include:

- Short duration government bonds and credit
- U.S. TIPS
- Longer duration U.S. treasuries
- Core/core plus
- Long duration credit
- Global bonds
- Banks loans/high yield
- Emerging markets debt (EMD)

The broad objectives of the Diversifying asset category include:

- Preserve capital in periods of market distress
- Enhance diversification by exhibiting low or negative correlation with both equity and credit markets
- Maintain a positive return profile over time

The objective of SCERS' fixed income portfolio is:

- Moderate income and cash flow generation
- Diversification for SCERS' portfolio, and in particular, as an "anchor to safety" in periods such as a recession, when growth/risk assets fall
- A source of return enhancement
- Liquidity

Within the spectrum of fixed income strategies, there are only a few that fit the objectives of the Diversifying asset category and Fixed Income asset class. On one end of the spectrum, short duration government bonds and credit strategies do not have sufficient levels of income/cash flow and return enhancing characteristics. On the other end, bank loans/high yield and EMD have a higher risk profile and do not provide enough preservation of capital, and have a higher correlation to equity markets. SCERS allocates to bank loans and high yield credit within the Growth asset category. Related to global bonds, SCERS recently eliminated this dedicated allocation from the asset allocation due to its muted return expectations and less defined role. U.S. TIPS (Treasury Inflation-Protected Securities) have a role in SCERS' portfolio; however, they reside in the Liquid Real Return strategies within SCERS' Real Return asset category.

That leaves longer duration treasuries and core/core plus bonds as the primary candidates for the Fixed Income portfolio. Verus and Staff believe that continuing with a combination of U.S. treasuries and core plus fixed income represents a prudent structure for the asset class going forward. U.S. treasuries are the most liquid component of SCERS' total portfolio, outside of cash, and represents a pure play anchor-to-safety when in periods of market distress. Core plus fixed income offers a combination of income, capital preservation, and return enhancement through the plus sectors in particular. A combination of U.S. treasuries and core plus fixed income has

worked well for SCERS in the past, so Staff and Verus believe that a combination of the two should continue in the structure going forward, with core plus representing the majority of the Fixed Income allocation, complemented by a smaller U.S. treasury mandate, which is more sensitive to a rising interest rate environment.

Verus modeled several scenarios with this combination and Staff and Verus concluded that maintaining the existing three mandates within the new 16% Fixed Income target allocation would create too much investment manager concentration. Therefore, Staff and Verus propose adding a fourth mandate (core plus), and having equal allocations to each underlying mandate makes sense. That would equate to a 4% allocation to U.S. treasury and three separate 4% allocations to core plus.

Fixed Income Benchmark:

SCERS' current benchmark for Fixed Income is a blend of benchmarks for the core plus fixed income, U.S. treasury, and the global fixed income mandates. With the elimination of the global fixed income mandate, Staff and Verus recommend maintaining a weighted blend of the Bloomberg Barclays Aggregate Bond Index for the core plus mandates, and the Bloomberg Barclays U.S. Treasury Index for the U.S. treasury mandate, weighted to the sub-strategy weights within the Fixed Income structure. The Bloomberg Barclays Aggregate Bond Index includes a range of securities from treasury securities, government agency bonds, and investment grade corporate bonds.

Current Fixed Income Benchmark:

Fixed Income Sub-Strategy	Benchmark	Weighting (relative to total Fixed Income)
Core Plus Fixed Income	Bloomberg Barclays Aggregate Bond Index	55.6%
U.S. Treasury	Bloomberg Barclays U.S. Treasury Index	27.8%
Global Fixed Income	80% Citi WGBI/20% JPM GBI-EM Index	16.7%
		100%

Recommended Fixed Income Benchmark:

Fixed Income Sub-Strategy	Benchmark	Weighting (relative to total Fixed Income)
Core Plus Fixed Income	Bloomberg Barclays Aggregate Bond Index	75%
U.S. Treasury	Bloomberg Barclays U.S. Treasury Index	25%
		100%

PROPOSED CORE PLUS MANDATE

If the Board approves the proposed Fixed Income structure, Staff and Verus recommend conducting an investment manager search for an additional core plus fixed income manager. The additional core plus mandate will be expected to serve as a complement to SCERS' two existing core plus mandates. Core plus strategies have meaningful latitude to earn active returns versus the passive/core Bloomberg Barclays Aggregate Index benchmark. While a core plus strategy's foundation is to the core bond sectors (treasuries, agency government bonds, investment grade credit), it can also allocate in moderate amounts to the 'plus' sectors, including high yield, bank loans, mortgage-backed securities, and non-U.S. securities. Investment managers take very different approaches to implementing a core plus mandate. Among SCERS' existing core plus managers, TCW is considered a more defensive strategy that tends to differentiate itself within the mortgage markets when opportunity exists. SCERS' other core plus manager, Prudential, tends to be more yield focused, and will generally hold higher allocations to the spread and credit sectors. Both managers have generated strong returns for SCERS relative to the benchmark index.

There are also core plus strategies that allocate less to the spread sectors, and instead focus more on managing interest rate risk by having greater flexibility to adjust duration. A strategy like this would hold lower levels to credit and spread sectors, but add credit exposure opportunistically when spreads widen. In a low interest rate environment like the one we are in now, having greater flexibility to manage duration and interest rates could be additive to SCERS' portfolio, and be a greater source for active returns. The additional core plus mandate will be expected to serve as a diversifier and anchor to safety, particularly within stressed market environments, but would also have enough flexibility to move toward yield and enhanced returns opportunistically when warranted.

FIXED INCOME IMPLEMENTATION PLAN

SCERS' current allocation to Fixed Income is ~12.3% (as of June 30, 2021), which is below the new 16% target allocation. With the addition of a third core plus mandate, Staff and Verus have evaluated a path to bring the actual Fixed Income allocation to the new 16% target allocation.

The current Fixed Income portfolio is comprised of the following:

Investment Manager	Sub-Strategy	Current %	Target %	Difference
Neuberger Berman	U.S. Treasury	3.9%	4.0%	0.1%
TCW	Core Plus	4.2%	4.0%	-0.2%
Prudential	Core Plus	4.2%	4.0%	-0.2%
<i>To Be Determined</i>	Core Plus	-	4.0%	4.0%
Total		12.3%	16.0%	3.7%

As proposed in the 'Fixed Income Structure Revisions' section above, the revised Fixed Income asset class will consist of four mandates (three core plus and one U.S. treasury), each receiving a 4% target allocation. As show in the table above, the existing core plus and U.S. treasury

mandates have current allocations fairly close to their proposed 4% target allocations. Therefore, these three existing mandates would not need any rebalancing at this time.

The proposed new core plus fixed income mandate, with a 4% target allocation, would make up most of the difference between the current 12.3% allocation and the 16% target Fixed Income asset class allocation. Upon selection of the new core plus investment manager and implementation of the mandate, the Fixed Income allocation would be right around the 16% target allocation.

The funding for the new core plus fixed income mandate, which would equate to ~\$500 million, would come from a combination of sources, including:

- The existing global fixed income mandate: ~\$285 million.
 - This mandate has been eliminated from the new strategic asset allocation.
 - A recommendation to redeem from this strategy will be made concurrently with the new core plus fixed income investment manager recommendation at a later date.
- Domestic equity physical rebalancing: ~\$150-250 million overweight.
- SCERS' non-dedicated cash account to fill remaining funding gap, if any.

NEXT STEPS

- Upon Board approval, conduct a search for an additional core plus fixed income manager.
- Incorporate approved Fixed Income structure changes into the Diversifying asset category and Master IPSs.

ATTACHMENTS

- Board Order
- Verus Fixed Income Implementation Presentation

Prepared by:

/S/

Steve Davis
Chief Investment Officer

Reviewed by:

/S/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

**Before the Board of Retirement
October 20, 2021**

MOTION:

Asset Class Restructuring: Fixed Income

THE BOARD OF RETIREMENT hereby accepts the recommendation of staff to approve to approve the implementation plan and make the following revisions to the structure of the Private Credit asset class:

- Establish range of +/- 4% around the new 16% target allocation (12% - 20%).
- Adopt a revised structure for the Fixed Income asset class comprised of:
 - A dedicated U.S. Treasury mandate at a 4% target allocation
 - Two core plus fixed income mandates at 4% target allocations each
 - Addition of a third core plus fixed income mandate at a 4% target allocation.
- Adopt a new benchmark for the Fixed Income asset class, comprised of 75% Bloomberg Barclays U.S. Aggregate Bond Index and 25% Bloomberg Barclays U.S. Treasury Index.
- Authorize Staff and Verus to conduct an investment manager search for a recommended additional core plus fixed income mandate.
- Direct staff to make conforming changes to the Diversifying Asset Category and Master Investment Policy Statements for approval by the Board at a future meeting.

I HEREBY CERTIFY that the above order was passed and adopted on October 20, 2021 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

Richard B. Fowler II
Board President

Eric Stern
Chief Executive Officer and
Board Secretary

Item 22



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**



OCTOBER 2021

Fixed Income Implementation

Sacramento County Employees' Retirement System

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VERUSINVESTMENTS.COM

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I. Introduction

Summary

- In August, the Board approved the new Fixed Income structure which eliminated the Global Fixed Income allocation and increased the remaining Fixed Income allocation by 1%.
- The new allocation also consolidated the Core Plus and Treasury allocation into a single line item called “Fixed Income” with the intention of coming back to the Board to approve an implementation plan that would set new targets to Core/Core Plus and Treasury mandates
- Staff and Verus recommend that the 16% allocation to Fixed Income should be split as follows, with the accompanying ranges:

	Target %	Ranges +/-
Fixed Income	16.0%	+/- 4%
Core/Core Plus	12.0%	+/- 3%
US Treasury	4.0%	+/- 1%

Fixed Income allocation – Old Policy

Public Fixed Income	Allocation
U.S. Treasuries	5.0%
Core Plus Fixed Income	10.0%
Global Fixed Income	3.0%
Total	18%



Fixed Income allocation – New Policy

Public Fixed Income	Allocation
Fixed Income	16.0%
Global Fixed Income	3.0%
Total	16%

Benchmark

- Current benchmark for Fixed Income is a blend of benchmarks for the core plus fixed income, U.S. Treasury, and the global fixed income mandates
- With the elimination of the global fixed income mandate, Staff and Verus recommend maintaining a weighted blend of the Bloomberg Barclays Aggregate Bond Index for the core plus mandates, and the Bloomberg Barclays U.S. Treasury Index for the U.S. Treasury mandate

Current Fixed Income Benchmark

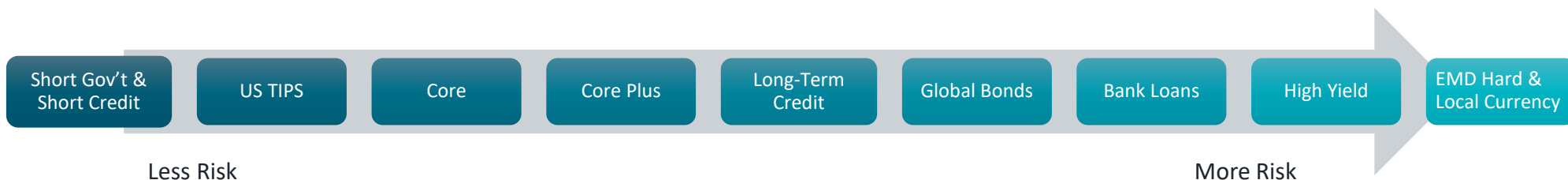
Fixed Income Sub-Strategy	Benchmark	Weighting (relative to total Fixed Income)
Core Plus Fixed Income	Bloomberg Barclays Aggregate Bond Index	55.6%
U.S. Treasury	Bloomberg Barclays U.S. Treasury Index	27.8%
Global Fixed Income	80% Citi WGBI/20% JPM GBI-EM Index	16.7%
		100%



Recommended Fixed Income Benchmark

Fixed Income Sub-Strategy	Benchmark	Weighting (relative to total Fixed Income)
Core Plus Fixed Income	Bloomberg Barclays Aggregate Bond Index	75%
U.S. Treasury	Bloomberg Barclays U.S. Treasury Index	25%
		100%

Spectrum of fixed income opportunities



VERUS' 10-YEAR RETURN & RISK ASSUMPTIONS

Asset Class	Index Proxy	Ten Year Return Forecast		Standard Deviation Forecast	Sharpe Ratio (g) Forecast	Sharpe Ratio (a) Forecast	Ten Year Historical Sharpe	Ten Year Historical Sharpe
		Geometric	Arithmetic					
Fixed Income								
Cash	30 Day T-Bills	0.2%	0.2%	1.2%	-	-	-	-
Short-Term Credit	BbgBarc US Credit 1-3 Yr	1.0%	1.1%	3.6%	0.21	0.23	1.23	1.22
Short-Term Gov't/Credit	BbgBarc US Gov't/Credit 1-3 Yr	0.7%	0.8%	3.6%	0.14	0.16	1.23	1.22
US TIPS	BbgBarc US TIPS 5-10Yr	1.1%	1.2%	5.3%	0.15	0.18	0.66	0.67
Core Fixed Income	BbgBarc US Aggregate Bond	1.5%	1.6%	4.0%	0.31	0.36	1.02	1.01
US Treasury	BbgBarc Treasury 7-10Yr	0.7%	0.9%	6.7%	0.07	0.10	0.67	0.68
Global Credit	BbgBarc Global Credit	0.3%	0.6%	7.4%	0.01	0.05	0.63	0.64
Core Plus Fixed Income	BbgBarc US Corporate IG	2.2%	2.3%	4.0%	0.49	0.50	1.13	1.12
Long-Term Credit	BbgBarc Long US Corporate	2.2%	2.6%	9.3%	0.21	0.25	0.76	0.77
Global Sovereign ex US	BbgBarc Global Treasury ex US	0.2%	0.6%	9.6%	-0.01	0.04	0.09	0.12
Bank Loans	S&P/LSTA	2.9%	3.2%	9.5%	0.28	0.32	0.66	0.67
High Yield Corp. Credit	BbgBarc US Corp High Yield	3.4%	4.0%	11.3%	0.28	0.34	0.82	0.83
Private Credit	High Yield + 200 bps	4.6%	5.2%	11.8%	0.39	0.45	-	-
Emerging Markets Debt (Hard)	JPM EMBI Global Diversified	5.2%	6.0%	12.7%	0.39	0.45	0.60	0.63
Emerging Markets Debt (Local)	JPM GBI EM Global Diversified	4.3%	5.0%	12.2%	0.33	0.39	-0.01	0.05

Sharpe Ratio (g) refers to geometric average. Sharpe Ratio (a) refers to arithmetic average.

Role of fixed income asset classes

Assessing fixed income levers

ASSET CLASSES	CAPITAL PRESERVATIO		INCOME	LEVERS CREDIT PREMIUM	TENOR PREMIUM	LIQUIDITY	DIVERSIFICATION ABSOLUTE VOLATILITY	& VOLATILITY CORRELATION TO EQUITIES	FACTORS
	Elements of Return for Asset Class								
SHORT DURATION								Short-end exposure; less sensitive to moves in rates.	
US TIPS								Diversify nominal bonds, hedge against inflation.	
CORE								Diversified exposure to Treasuries, agencies, MBS, CMBS and corporates.	
CORE PLUS								Increased exposure to spread sectors adds credit exposure.	
LONG DURATION								Long duration, higher credit exposure.	
GLOBAL SOVEREIGN & CREDIT								Unhedged portfolios add currency beta: expands bond opportunity set.	
BANK LOANS								Below-investment grade, floating rate, LIBOR floor, very low duration.	
HIGH YIELD								Below-investment grade, high credit and default risks, high YTM.	
EMD HARD & LOCAL CURRENCY								Local currency adds currency beta: increased geopolitical, credit and default risk.	



High



Medium High



Medium



Low



None

II. Implementation

Steps in the process

- Staff and Verus took a fresh look at the newly approved Fixed Income allocation of 16.0% and reviewed several different implementation options
- We believe that Fixed Income needs to be a source of stability, liquidity and diversification for the SCERS Plan
 - We already have exposure to credit in the Growth segment of the portfolio and adding Developed International Bond exposure reduces the expected return while also increasing risk
 - In addition, we wanted to maintain adequate interest rate exposure as that is the best protection against an equity market drawdown, thus we eliminated adding short duration strategies to the mix
- Lastly, the current allocation to Treasuries and Core Plus fixed income has worked well so we modeled a few different variations on exposures to those two strategies and concluded that having an equal allocation to 4 strategies was an ideal structure

Fixed Income	16.0%
<i>Core/Core Plus</i>	
TCW	4.0%
PGIM	4.0%
<i>To Be Determined</i>	4.0%
<i>Treasuries</i>	
Neuberger Berman	4.0%

Fixed Income allocations

			<u>CMA's (10 Yr)</u>			
	Mix 1	Mix 2	Return (g)	Return (a)	Standard Deviation	Sharpe Ratio (a)
Total Equity	0	0				
Core Fixed Income	81.3	75.0	1.5	1.6	4.0	0.36
Unconstrained (Core Plus)	0.0	0.0	2.2	2.3	4.0	0.50
US Treasury	18.8	25.0	0.7	0.9	6.7	0.10
Short-Term Gov't/Credit	0.0	0.0	0.7	0.8	3.6	0.16
Short-Term Credit	0.0	0.0	1.0	1.1	3.6	0.23
Long-Term Credit	0.0	0.0	2.2	2.6	9.3	0.25
High Yield Corp. Credit	0.0	0.0	3.4	4.0	11.3	0.34
Bank Loans	0.0	0.0	2.9	3.2	9.5	0.32
Global Sovereign ex-US	0.0	0.0	0.2	0.6	9.6	0.04
Global Credit	0.0	0.0	0.3	0.6	7.4	0.05
Emerging Market Debt (Hard)	0.0	0.0	5.2	6.0	12.7	0.45
Emerging Market Debt (Local)	0.0	0.0	4.3	5.0	12.2	0.39
US TIPS	0.0	0.0	1.1	1.2	5.3	0.18
Total Fixed Income	100	100				
Total Allocation	100	100				

	Mix 1	Mix 2
Mean Variance Analysis		
Forecast 10 Year Return	1.3	1.3
Standard Deviation	4.9	5.0
<i>Return/Std. Deviation</i>	<i>0.3</i>	<i>0.3</i>
<i>1st percentile ret. 1 year</i>	<i>-9.4</i>	<i>-9.7</i>
Sharpe Ratio	0.25	0.23

When expected returns across asset classes are as compressed as they are today, small allocation differences will not materially change the models output

Mix 1 is a 13.0% and 3.0% allocation to Core Plus and Treasuries, respectively

Mix 2 is a 12.0% and 4.0% allocation to Core Plus and Treasuries, respectively

New manager search criteria

- Assuming that the Board agrees with the new implementation structure, we recommend conducting a manager search to fill the open 4.0% allocation to Core/Core Plus fixed income
- We plan to retain the existing managers in the portfolio so the focus would be on finding a manager that compliments the strategies that both TCW and PGIM employ
 - TCW is a more defensive strategy than most core-plus managers. This strategy tends to overweight Mortgages where they have historically had a trading expertise.
 - PGIM is a yield-focused manager that tends to overweight credit sectors as their primary source of “alpha”.
- Based on our assessment of TCW and PGIM, we believe a complimentary strategy would utilize interest rate/duration management as a primary source of “alpha” and maintain low exposure to credit in benign spread environments
 - But can opportunistically add to credit when spreads are attractive

Implementation

Investment Manager	Sub-Strategy	Current %	Target %	Difference
Neuberger Berman	U.S. Treasury	3.9%	4.0%	0.1%
TCW	Core Plus	4.2%	4.0%	-0.2%
Prudential	Core Plus	4.2%	4.0%	-0.2%
<i>To Be Determined</i>	Core Plus	-	4.0%	4.0%
Total		12.3%	16.0%	3.7%

- Current Fixed Income allocation is underweight the new target of 16%
- Existing strategies are fairly in line with their revised target allocations
- Proposed new core plus mandate, when implemented, would make up the difference between current and target: ~\$500 million
- The funding for the additional mandate will come from:
 - Existing global mandate - will seek Board approval to redeem when recommending the core plus manager
 - Domestic Equity rebalancing – currently overweight to target
 - Current cash balance

IV. Conclusion/Next Steps

Conclusion/Next Steps

- Staff and Verus are recommending the Board adopt the new target allocation, ranges, and benchmark within Fixed Income
- Authorize Staff and Verus to conduct a search to fill the open 4.0% in Core/Core Plus fixed income
- The recommended Fixed Income changes go into effect upon Board approval
 - The Diversifying asset category IPS and Master IPS will be revised at a later date