



# COUNTY OF TULARE BOARD OF RETIREMENT

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**AGENDA OF THE BOARD OF RETIREMENT  
REGULAR RETIREMENT BOARD MEETING  
Wednesday, August 11, 2021 at 8:30 a.m.  
TCERA Board Room, 136 N. Akers Street, Visalia, CA 93291**

## **NOTICE OF TEMPORARY PROCEDURES FOR BOARD OF RETIREMENT MEETINGS**

On March 17, 2020, California Governor Gavin Newsom issued Executive Order N-29-20, relating to the convening of public meetings in light of the COVID-19 pandemic. The Tulare County Employees' Retirement Association (TCERA) hereby provides notice that it will continue to convene its regularly scheduled public meetings of the Board of Retirement in the Board Room at 136 N. Akers Street, Visalia, as provided in the publicly posted agenda notice, and until further notice.

Persons who wish to address the Board of Retirement during public comment or regarding an item that is on the agenda may address the Board of Retirement in person at the meeting. Members of the public may also submit public comment via email to [BORPublicComment@tcera.org](mailto:BORPublicComment@tcera.org) before the meeting. The comments received via email before the meeting will be read to the Board of Retirement in open session during the meeting as long as the comments meet the requirements for Public Comments as posted in the agenda. Persons wishing to listen to the meeting and/or participate in public comment remotely may call the TCERA Office during regular business hours (Monday through Friday, 8:00 a.m. to 5:00 p.m.) within 48 hours of the meeting at 559-713-2900 for login information. Public comments are limited to any item of interest to the public that is within the subject matter jurisdiction of the Board of Retirement. (Gov't Code Section 54954.3(a).)

***As a courtesy to those in attendance, all individuals are requested to place cell phones and other electronic devices in the non-audible alert mode.***

### **I. CALL TO ORDER**

### **II. ROLL CALL**

### **III. PLEDGE OF ALLEGIANCE**

### **IV. PUBLIC COMMENT**

At this time, members of the public may comment on any item not appearing on the agenda. Under state law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public is invited to make comments at the time the item comes up for Board consideration. Any person addressing the Board will be limited to a maximum of five (5) minutes so that all interested parties have an opportunity to speak. Please state your name for the record.

## **V. X-AGENDA ITEMS**

### **VI. DISABILITIES**

1. Closed session to be held regarding disability matters listed on this agenda.
2. In the matter of the disability application of Mark Chambers, consider and take action regarding the application for a disability retirement.
3. In the matter of the disability application of Randolph Nieburgs, consider and take action regarding the application for a disability retirement.
4. Accept as filed the Disability Status Report Overview.

### **VII. CONSENT CALENDAR**

1. Approve Minutes of the following meetings:
  - a. Retirement Board Minutes of July 28, 2021.
2. Approve payments to:
  - a. Franklin Templeton – invoice for investment management services in the amount of \$76,128.10 for the quarter ended June 30, 2021.
  - b. Waddell & Reed – invoice for investment management services in the amount of \$108,128.94 for the quarter ended June 30, 2021.
  - c. William Blair – invoice for investment management services in the amount of \$84,157.44 for the quarter ended June 30, 2021.
  - d. Boston Partners – invoice for investment management services in the amount of \$97,292.45 for the quarter ended June 30, 2021.
3. Pension Board Reports and Actions
  - a. Ratify Retirement Administrator actions regarding Retirement Application approvals and Option Selections for the month of July 2021.
  - b. Approve Reports regarding Retirement Applications, Option Selections and Deceased Pensioners and 30-Year Members for the month of July 2021.

### **VIII. ADMINISTRATIVE COMMITTEE REPORT**

1. Update by Dave Kehler regarding the Administrative Committee meeting of July 28, 2021.  
Discussion and possible action regarding the following items:
  - a. Retirement Board Meeting Access and Participation Considerations.

### **IX. INVESTMENTS**

1. Presentation from DoubleLine regarding TCERA's investment allocation to core plus fixed income. Discussion and possible action.
2. Presentation from Franklin Templeton regarding TCERA's investment allocation to global credit. Discussion and possible action.
3. Discussion and possible action regarding additional commitment to Pathway Fund 10 in lieu of new commitment to Fund 11.
4. Discussion and possible action regarding TCERA's Asset/Liability study and strategic asset allocation (continued from meeting of July 28, 2021).
5. Discussion and possible action regarding TCERA's strategic investment allocation and investment managers, including performance, contracts, and fees.

### **X. EDUCATION ITEMS**

1. Discussion and possible action regarding Summary Education Reports as filed:
  - a. Cass Cook – Verus Third Quarter Investment Landscape, July 27, 2021, 1 hour.

- b. Paul Sampietro – Investment Consultant RFP Due Diligence – Boston/Seattle, July 6-9, 2021, 10.5 hours.
  - c. Paul Sampietro – Verus Third Quarter Investment Landscape, July 27, 2021, 1 hour.
  - d. Leanne Malison – Investment Consultant RFP Due Diligence – Boston/Seattle, July 6-9, 2021, 10.5 hours.
2. Discussion and possible action regarding available educational events.

## **XI. COMMUNICATIONS**

1. Litigation of Interest to TCERA. Discussion and possible action regarding County Counsel Report dated July 15, 2021.

## **XII. UPCOMING MEETINGS**

- 1. Investment Committee Meeting August 11, 2021, 10:30 a.m.
- 2. Board of Retirement Meeting August 25, 2021, 8:30 a.m.
- 3. Administrative Committee Meeting August 25, 2021, 10:30 a.m.

## **XIII. TRUSTEE/STAFF COMMENTS**

Under state law, matters presented under this item cannot be discussed or acted upon by the Board at this time.

## **XIV. ADJOURNMENT**

*In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Secretary of the Board of Retirement at (559) 713-2900. Notification 48 hours prior to the meeting will help enable staff to make reasonable arrangements to ensure meaningful access. Documents related to the items on this Agenda submitted after distribution of the Agenda packet are available for public inspection at TCERA, 136 N. Akers Street, Visalia, CA. during normal business hours.*

## **DISABILITY STATUS REPORT**

*Status as of August 3, 2021  
(18 Active Disability Applications)*

### **02 - Pending Receipt of Medical Records**

**7/16/21 Boren, Rosemarie (Christene Brown)** **Sher-Op-Marijuana Suppression/General Member Orthopedic/Service Connected Disability**

**Active**

**Eligible for Service Retirement = Yes**

7/16/21 Disability Application Packet Received and Reviewed

7/16/21 DMS Notified of Disability Application Filing

7/23/21 Disability Application Documents Scanned

7/23/21 Disability File Folder Created

7/23/21 Infolinx Setup

8/3/21 Employment Records Requested

8/3/21 Tulare County Health Centers Records Received

Additional Remarks : Not a patient

**4/29/19 Hoogeveen, Sonja (Adriana Gonzales-Chang)** **Library-Visalia/General Member Disease/Service Connected Disability**

**Retired**

**Eligible for Service Retirement = Yes**

4/30/19 Disability Application Documents Scanned

4/30/19 Disability File Folder Created

4/30/19 Infolinx Setup

5/14/19 Disability Application Packet Received and Reviewed

5/15/19 DMS Notified of Disability Application Filing

5/15/19 Employment Records Requested

Additional Remarks : due 6/14/19; reminder sent to TCHC, records due 7/25/19; 7/12/19 All dept records received, pending medical records from appl; 7/24/19 mailed 1st reminder to appl for pending med recs; 7/6/21 mailed 2nd reminder for medical records, due 8/17/21

5/30/19 Risk Management Records Received

7/10/19 County Department Records Received

Additional Remarks : Library Dept

7/10/19 HR & D Records Received

**6/23/21 Franks, Ixchel (Christene Brown)**

**TCSO-Youth Services/Safety Member  
Orthopedic/Service Connected Disability**

**Presumptive Indicator: N**



## DISABILITY STATUS REPORT

Status as of August 3, 2021  
(18 Active Disability Applications)

### Active

Eligible for Service Retirement = No

6/23/21 DMS Notified of Disability Application Filing  
6/23/21 Disability Application Packet Received and Reviewed  
6/24/21 Disability Application Documents Scanned  
6/24/21 Disability File Folder Created  
6/24/21 Infolinx Setup  
6/29/21 Benefit Estimate Sent to DMS  
7/2/21 Employment Records Requested  
Additional Remarks : due 7/30/21  
7/6/21 Tulare County Health Centers Records Received  
Additional Remarks : None on file

5/7/21 Chabrajez, John (Christene Brown)  
Presumptive Indicator: N

Sher-Dt-Main Jail/Safety Member

### Active

Eligible for Service Retirement = No

5/7/21 DMS Notified of Disability Application Filing  
5/7/21 Disability Application Packet Received and Reviewed  
5/18/21 Disability Application Documents Scanned  
5/18/21 Disability File Folder Created  
5/18/21 Infolinx Setup  
5/25/21 Employment Records Requested  
7/6/21 HR & D Records Received  
7/20/21 Risk Management Records Received  
7/20/21 Tulare County Health Centers Records Received  
Additional Remarks : Certificate of No Records received

10/29/20 Lack, Tonnya (Adriana Gonzales-Chang)

Prob-Juvenile Detention/Safety Member

Presumptive Indicator: N

### Active

Eligible for Service Retirement = Yes

11/5/20 Disability Application Packet Received and Reviewed  
11/18/20 Disability Application Documents Scanned  
11/18/20 Disability File Folder Created  
11/18/20 Infolinx Setup  
12/2/20 Employment Records Requested  
Additional Remarks : 7/6/21 mailed reminder for medical records, due 8/17/21

## **DISABILITY STATUS REPORT**

*Status as of August 3, 2021  
(18 Active Disability Applications)*

1/8/21 County Department Records Received  
Additional Remarks : Probation Dept  
1/8/21 Disability Findings Summary Prepared  
1/8/21 HR & D Records Received  
1/8/21 Tulare County Health Centers Records Received  
Additional Remarks : No records  
6/10/21 Risk Management Records Received

**7/12/21 Palma, Irma (Christene Brown)**      **HHS-HS-Lindsay District Off/General Member  
Orthopedic/Service Connected Disability**

**Active**      **Eligible for Service Retirement = Yes**

7/13/21 Disability Application Packet Received and Reviewed  
7/13/21 DMS Notified of Disability Application Filing  
7/13/21 Disability Application Documents Scanned  
7/13/21 Disability File Folder Created  
7/13/21 Infolinx Setup  
7/14/21 Employment Records Requested  
Additional Remarks : Dept recs due 8/13/21, med recs due 8/23/21  
7/20/21 Tulare County Health Centers Records Received  
Additional Remarks : Certificate of No Records received

**3/25/21 Fernandez, Gene (Christene Brown)**      **Prob-Admin-Visalia/Safety Member**  
**Presumptive Indicator: N**  
**Retired**      **Eligible for Service Retirement = Yes**

3/31/21 Disability Application Packet Received and Reviewed  
Additional Remarks : TPS had white out- Leanne stated we can accept packet and date stamp,  
but he will need to provide a clean TPS. Letter sent to physician and member contacted by JBurks  
3/31/21 Disability Interview/Application Packet Provided  
3/31/21 Member Sent Authorization and Questionnaire  
4/21/21 Disability Application Documents Scanned  
4/21/21 Disability File Folder Created  
4/21/21 Infolinx Setup  
6/18/21 County Department Records Received  
6/18/21 Employment Records Requested  
6/18/21 HR & D Records Received

## **DISABILITY STATUS REPORT**

*Status as of August 3, 2021  
(18 Active Disability Applications)*

6/18/21 Risk Management Records Received  
6/18/21 Tulare County Health Centers Records Received  
7/7/21 IME Appointment Scheduled  
Additional Remarks : IME Appt on 8/6/21 in Bakersfield  
7/7/21 IME Appointment Letter to Member Sent

**7/24/20 Minor, Bryan (Adriana Gonzales-Chang)**  
**Presumptive Indicator: Y**  
**Retired**

**Sher-Op-Porterville/Safety Member Disease/  
Non-Service Connected Disability**

**Eligible for Service Retirement = Yes**

7/28/20 Disability Application Packet Received and Reviewed  
7/28/20 Disability Application Documents Scanned  
7/28/20 Disability File Folder Created  
7/28/20 Infolinx Setup  
8/3/20 Employment Records Requested  
Additional Remarks : due 8/31/2020; All dept recs received. pending med recs; 12/9/20 mailed reminder to member re: pending medical records; 4/1/21 Notified member of pending medical records; 6/18/21 called member re pending records and mailed letter, records due 7/16/21  
8/14/20 DMS Notified of Disability Application Filing  
8/14/20 Tulare County Health Centers Records Received  
Additional Remarks : none on file  
11/5/20 County Department Records Received  
Additional Remarks : Sheriff Dept  
11/5/20 HR & D Records Received  
11/5/20 Risk Management Records Received  
Additional Remarks : none on file

**5/6/21 Mahler, Tina (Christene Brown)**

**County Counsel/General Member**

**Retired**

**Eligible for Service Retirement = Yes**

5/6/21 Disability Application Packet Received and Reviewed  
5/6/21 Member Sent Authorization and Questionnaire  
5/18/21 Disability Application Documents Scanned  
5/18/21 Disability File Folder Created  
5/18/21 Infolinx Setup  
5/25/21 Employment Records Requested  
7/6/21 HR & D Records Received  
7/6/21 Risk Management Records Received

## DISABILITY STATUS REPORT

Status as of August 3, 2021  
(18 Active Disability Applications)

Additional Remarks : Dept records received, pending workers comp records; 7/9/21 Workers Comp recs received

### 04 - IME Scheduled/Pending Report

**12/11/20 Corazzini, Tracie (Adriana Gonzales-Chang)** **Tulare County Fire Dept/Safety Member**  
**Presumptive Indicator: N** **Orthopedic/Service Connected Disability**  
**Active** **Eligible for Service Retirement = No**

12/21/20 Disability Application Documents Scanned  
12/21/20 Disability Application Packet Received and Reviewed  
12/23/20 Benefit Estimate Sent to DMS  
12/23/20 DMS Notified of Disability Application Filing  
12/23/20 Employment Records Requested  
Additional Remarks : due 1/21/21  
12/23/20 Disability File Folder Created  
12/23/20 Infolinx Setup  
2/9/21 Tulare County Health Centers Records Received  
Additional Remarks : Declaration of Custodian of Records received  
2/9/21 Risk Management Records Received  
2/9/21 HR & D Records Received  
2/9/21 County Department Records Received  
Additional Remarks : Fire Department  
7/13/21 IME Appointment Scheduled  
Additional Remarks : 6/9/21 Request for appt sent; IME Appt scheduled on 8/25/21 in Clovis  
7/13/21 IME Appointment Letter to Member Sent

**1/25/21 Carlson, Jerry (Adriana Gonzales-Chang)** **RMA-TR-Fleet Central Shop/General Member**  
**Active** **Orthopedic/Service Connected Disability**  
**Eligible for Service Retirement = Yes**

1/26/21 Disability Application Packet Received and Reviewed  
1/26/21 DMS Notified of Disability Application Filing  
2/8/21 Disability Application Documents Scanned  
2/8/21 Infolinx Setup  
2/8/21 Disability File Folder Created

## **DISABILITY STATUS REPORT**

*Status as of August 3, 2021  
(18 Active Disability Applications)*

### **2/8/21 Employment Records Requested**

Additional Remarks : due 3/10/21; 4/15/21 letter sent to member re pending med recs, Risk Management records are still pending; 4/21/21 - Risk Management records received, pending written request from member to be excused from obtaining remaining medical records; 4/28/21 Case added to 5/5/21 IRC agenda; 5/14/21 Second request to be excused from obtaining medical records, under review; 5/19/21 letter sent to member regarding pending med recs with instructions, order submitted for previous PCP records.; 7/16/21 All medical records received.

### **2/8/21 Tulare County Health Centers Records Received**

Additional Remarks : Declaration of Custodian of Records received 2/8/21

### **3/10/21 County Department Records Received**

Additional Remarks : RMA Dept

### **3/10/21 HR & D Records Received**

### **4/23/21 Risk Management Records Received**

### **8/3/21 IME Appointment Scheduled**

Additional Remarks : 7/16/21 IME Requested; 8/2/21 Appt scheduled on 9/14/21 in Visalia, pending add'l appt details to send notice to applicant

## **05 - Accommodation Request/Pending Response**

**4/3/19 Lujano, Rose (Adriana Gonzales-Chang)**

**HHS-HS-Visalia District Off/General Member**

**Retired**

**Eligible for Service Retirement = Yes**

4/3/19 Disability Application Documents Scanned

4/3/19 Disability File Folder Created

4/3/19 Infolinx Setup

4/9/19 DMS Notified of Disability Application Filing

4/9/19 Employment Records Requested

7/10/19 County Department Records Received

Additional Remarks : HHSA Dept

7/10/19 HR & D Records Received

7/10/19 Risk Management Records Received

4/21/21 IME Appointment Scheduled

Additional Remarks : App scheduled on 5/26/21 in Clovis

5/19/21 IME Appointment Letter to Member Sent

Additional Remarks : Sent on 4/23/21

6/10/21 IME Reports Received

6/18/21 Accommodation Memo Sent

Additional Remarks : due 7/9/21

8/3/21 Accommodation Response Received

**DISABILITY STATUS REPORT**  
*Status as of August 3, 2021*  
*(18 Active Disability Applications)*

8/3/21 IRC Meeting Scheduled  
Additional Remarks : On 8/25/21 IRC agenda

**7/28/20 Perez, Clorinda (Adriana Gonzales-Chang)**      **Ag Commissioner/Sealer/General Member**

**Active**      **Eligible for Service Retirement = No**

7/28/20 Disability Application Packet Received and Reviewed  
8/14/20 Disability Application Documents Scanned  
8/14/20 Disability File Folder Created  
8/14/20 Infolinx Setup  
10/27/20 DMS Notified of Disability Application Filing  
10/27/20 Employment Records Requested  
Additional Remarks : Due 9/14/20; 10/27/20 - All County records received, member notified by phone of pending medical records; 12/9/20 letter mailed to applicant re: pending medical records; 3/10/21 All records have been received. Medical records sent for summarization  
10/27/20 County Department Records Received  
Additional Remarks : Ag Comm  
10/27/20 HR & D Records Received  
10/27/20 Risk Management Records Received  
10/27/20 Tulare County Health Centers Records Received  
Additional Remarks : None on file.  
4/28/21 IME Appointment Letter to Member Sent  
4/28/21 IME Appointment Scheduled  
Additional Remarks : 4/23/21 - IME appt requested; Appt scheduled on 6/19/21 in Clovis  
7/16/21 IME Reports Received  
7/16/21 Accommodation Memo Sent  
Additional Remarks : Due 8/6/21  
7/28/21 Accommodation Response Received  
7/28/21 IRC Meeting Scheduled  
Additional Remarks : On 8/25/21 IRC agenda

**08 - Board Agenda/Pending Decision**

**5/11/20 Nieburgs, Randolph (Adriana Gonzales-Chang)**      **Aud-General Accounting/General Member  
Neurological/Non-Service Connected Disability**

**Retired**      **Eligible for Service Retirement = Yes**

5/11/20 Disability Application Packet Received and Reviewed

**DISABILITY STATUS REPORT**  
*Status as of August 3, 2021*  
*(18 Active Disability Applications)*

5/11/20 Disability Interview/Application Packet Provided  
5/13/20 DMS Notified of Disability Application Filing  
5/13/20 Disability Application Documents Scanned  
5/13/20 Disability File Folder Created  
5/13/20 Infolinx Setup  
5/13/20 Employment Records Requested  
Additional Remarks : due 6/10/20; 6/22/20 - All dept records received. Pending medical records from applicant; 11/6/20 - called member re: pending medical records; 12/9/20 - mailed letter to member re: pending medical records; 4/1/21 - All medical records received, pending summarization  
6/2/20 Risk Management Records Received  
Additional Remarks : 5/11/20 - No Risk records available, pending Workers Comp records  
6/22/20 County Department Records Received  
Additional Remarks : Auditors  
6/22/20 HR & D Records Received  
4/1/21 Tulare County Health Centers Records Received  
Additional Remarks : none on file  
4/29/21 IME Appointment Letter to Member Sent  
4/29/21 IME Appointment Scheduled  
Additional Remarks : Appt on 6/16/21 in Fresno  
7/21/21 IME Reports Received  
7/21/21 IRC Meeting Scheduled  
Additional Remarks : Added to 7/28/21 agenda  
7/28/21 Added to Board Meeting Agenda  
Additional Remarks : Added to 8/11/21 agenda

**5/8/20 Chambers, Mark (Christene Brown)**      **RMA-TR-Porterville Rd Yd 1/General Member  
Orthopedic/Service Connected Disability**

**Retired**      **Eligible for Service Retirement = Yes**

5/8/20 Disability Application Packet Received and Reviewed  
5/8/20 Disability Interview/Application Packet Provided  
5/8/20 Member Sent Authorization and Questionnaire  
6/2/20 DMS Notified of Disability Application Filing  
6/2/20 Disability Application Documents Scanned  
6/2/20 Disability File Folder Created  
6/2/20 Employment Records Requested  
Additional Remarks : 06-27-2020 dept records due, Sent new request 9-10-20  
6/2/20 Infolinx Setup

## **DISABILITY STATUS REPORT**

*Status as of August 3, 2021  
(18 Active Disability Applications)*

9/10/20 County Department Records Received

Additional Remarks : No records

9/10/20 Risk Management Records Received

Additional Remarks : No records / No interactive processes have been held.

9/25/20 Tulare County Health Centers Records Received

Additional Remarks : No records

11/9/20 HR & D Records Received

Additional Remarks : Received 11-10-20 after three request.

2/3/21 IME Appointment Scheduled

Additional Remarks : Appointment 4-13-2021

2/12/21 IME Appointment Letter to Member Sent

5/11/21 IME Reports Received

Additional Remarks : Accommodation letter to department sent 05-11-21. Received response 07-02-2021..

7/6/21 Accommodation Response Received

7/21/21 IRC Meeting Scheduled

Additional Remarks : On 7/28/21 agenda

7/30/21 Added to Board Meeting Agenda

Additional Remarks : Scheduled for the 08-11-2021 Board of Retirement

### **09 - Referred to Hearing/Pending HO Recommendation**

**7/31/19 Hays, Mark (Adriana Gonzales-Chang) TC Association of Governments/General Member**

**Retired**

**Eligible for Service Retirement = Yes**

3/9/15 Disability Interview/Application Packet Provided

8/1/19 Disability Application Documents Scanned

8/1/19 Disability Application Packet Received and Reviewed

8/1/19 Disability File Folder Created

8/1/19 Infolinx Setup

8/7/19 DMS Notified of Disability Application Filing

8/7/19 Employment Records Requested

8/8/19 Tulare County Health Centers Records Received

Additional Remarks : No records for this member.

8/8/19 Disability Findings Summary Prepared

8/21/19 County Department Records Received

11/12/19 Employment Records Reviewed

11/12/19 IME Appointment Letter to Member Sent



## DISABILITY STATUS REPORT

Status as of August 3, 2021  
(18 Active Disability Applications)

11/12/19 IME Appointment Scheduled  
Additional Remarks : NDE Dr. Klassen in Fresno.

1/30/20 HR & D Records Received

1/30/20 IME Notify Letter Sent to TPMSP

1/30/20 IME Reports Received  
Additional Remarks : Received 12/16/2020

1/30/20 Risk Management Records Received

7/3/20 Accommodation Memo Sent  
Additional Remarks : Accommodation letter sent to Risk on 5/4/2020, due 5/26/20; 6/23/20 -  
Update: Risk is pending additional info from dept, report is still pending

8/3/20 Accommodation Response Received

8/3/20 IRC Meeting Scheduled  
Additional Remarks : On 8/26/2020 agenda

9/24/20 Accommodation Response Reviewed

11/30/20 Added to Board Meeting Agenda  
Additional Remarks : On Retirement Board Agenda for 11/18/2020.

11/30/20 Board Decision Letter Sent to Applicant  
Additional Remarks : Board denied SCDR on 11/18/2020.

11/30/20 Board Meeting Notification Letter Sent

11/30/20 Hearing Request Form Received  
Additional Remarks : formal hearing

5/6/21 County Counsel Client Request Form Sent

5/6/21 Exhibits Prepared and Sent  
Additional Remarks : deadline to submit list of additional records is 3/4/21; 3/3/21 Hearing  
scheduled on 7/7/21, notice sent out; Received list of designated records, physical records due  
5/3/21; 5/6/21 list of witnesses sent to hearing office and parties

5/12/21 Augmented Exhibits Prepared and Sent, if applicable  
Additional Remarks : Still pending add'l designated recs, admin approved to send later; 6/8/21  
second set of augmented exhibits delivered, Still pending add'l designated recs, admin approved  
to send later; 6/24/21 Hearing rescheduled to 9/15/21, notice sent out; 0/7/13/21 Last set of  
augmented exhibits delivered

**11/12/19 Milton, Sheryl (Adriana Gonzales-  
Chang)**

**HHS-Admin Human Resources/General Member  
Multiple/Service Connected Disability**

**Active**

**Eligible for Service Retirement = No**

11/13/19 Disability Application Packet Received and Reviewed  
Additional Remarks : received by mail 11/12/19

11/14/19 Disability Application Documents Scanned

11/14/19 Disability File Folder Created

## **DISABILITY STATUS REPORT**

*Status as of August 3, 2021  
(18 Active Disability Applications)*

11/14/19 Infolinx Setup

11/15/19 DMS Notified of Disability Application Filing

11/15/19 Employment Records Requested

Additional Remarks : Due 12/16/19; 1/6/20 - All dept records received, pending medical recs from member; 3/12/2020 all records received, medical record summary ordered, due 4/2/2020

1/6/20 County Department Records Received

Additional Remarks : HHSA

1/6/20 HR & D Records Received

1/6/20 Risk Management Records Received

5/15/20 IME Appointment Scheduled

Additional Remarks : Ortho appt scheduled 5/28/20 in Clovis, CA, IME Cancelled because of high cost, added to 6/24/20 Board agenda for approval; Cost approved, IME rescheduled on 7/21/20 in Clovis

5/15/20 IME Appointment Letter to Member Sent

9/9/20 IRC Meeting Scheduled

Additional Remarks : On 2/26/20 IRC agenda; On 9/9/2020 IRC agenda

11/5/20 Added to Board Meeting Agenda

Additional Remarks : Added to 12/9/20 Board agenda; 12/7/20 Case removed from Board agenda and placed on 12/16/20 IRC agenda; Added to 1/13/21 Board agenda

12/29/20 Board Meeting Notification Letter Sent

1/15/21 Board Decision Letter Sent to Applicant

Additional Remarks : hearing request due 1/25/21

1/27/21 Hearing Request Form Received

Additional Remarks : Formal Hearing Request

1/27/21 County Counsel Client Request Form Sent

Additional Remarks : Parties have been assigned, Hearing Officer Assignment notice mailed on 2/26/21. Deadline for distribution of exhibits is 4/12/21.

4/8/21 Exhibits Prepared and Sent

Additional Remarks : Designation of records due 5/10/21; Atty notice received from applicant; 5/7/21 amended letter re initial exhibits sent to parties with notice of hearing (9/17/21); Received list of designated, physical records due on 7/7/21

7/21/21 Augmented Exhibits Prepared and Sent, if applicable

Additional Remarks : 7/21/21 - 1st set of augmented exhibits sent (still pending more designated records), also sent new Notice of Hearing (hearing rescheduled on 10/19/21)

### **11 - Writ Received**

**11/15/18 Iftimie, Mara (Adriana Gonzales-Chang)**

**Active**

**HHS-HLTH-Visalia Hlth Ctr/General Member  
Orthopedic/Service Connected Disability**

**Eligible for Service Retirement = No**

## **DISABILITY STATUS REPORT**

*Status as of August 3, 2021  
(18 Active Disability Applications)*

12/3/18 Disability Application Documents Scanned  
12/3/18 Disability Application Packet Received and Reviewed  
Additional Remarks : Filed application for SCDR 11/15/18  
12/3/18 Disability File Folder Created  
12/3/18 Disability Findings Summary Prepared  
12/3/18 Employment Records Requested  
Additional Remarks : due 1/2/19; Only pending Risk records, to be submitted asap (per Risk 2/12/19)  
12/3/18 Infolinx Setup  
12/3/18 DMS Notified of Disability Application Filing  
2/12/19 County Department Records Received  
Additional Remarks : HHSA Dept  
2/12/19 HR & D Records Received  
2/12/19 Tulare County Health Centers Records Received  
4/9/19 IME Appointment Letter to Member Sent  
Additional Remarks : Scheduled through NDE on 4/18/19.  
4/9/19 IME Appointment Scheduled  
5/14/19 IME Reports Received  
5/14/19 IRC Meeting Scheduled  
Additional Remarks : Added to 5/22/19 IRC agenda  
8/30/19 Accommodation Response Received  
8/30/19 Accommodation Response Reviewed  
8/30/19 Added to Board Meeting Agenda  
8/30/19 Board Meeting Notification Letter Sent  
Additional Remarks : On 9/25/19 Board Agenda.  
8/30/19 Employment Records Reviewed  
8/30/19 Risk Management Records Received  
10/16/19 County Counsel Client Request Form Sent  
10/16/19 Hearing Request Form Received  
2/11/20 Augmented Exhibits Prepared and Sent, if applicable  
2/11/20 Exhibits Prepared and Sent  
4/27/20 Brief Notification/Required Correspondence Complete  
4/27/20 Findings of Fact and Recommendations Received  
4/27/20 Findings of Fact and Recommendations Sent to All Parties by HO  
4/27/20 Objection Period Expired  
Additional Remarks : Case added to 5/13/20 Board agenda; 5/6/20 Notice regarding upcoming board meeting mailed to applicant; 5/13/20 - Board referred case back to hearing officer; 6/8/20 - Letter sent to hearing officer requesting clarification on decision; 6/12/20 - Copy of 6/8 letter sent to applicant and county counsel; 6/22/2020 - Amended Hearing Officer's Decision received. Deadline to file objections is 7/2/2020; 6/23/20 - Applicant's objection filed



# COUNTY OF TULARE

## BOARD OF RETIREMENT

**Leanne Malison**  
Retirement Administrator

136 N AKERS STREET  
VISALIA, CALIFORNIA 93291

TELEPHONE (559) 713-2900  
FAX (559) 730-2631  
[www.tcera.org](http://www.tcera.org)

### MINUTES OF THE BOARD OF RETIREMENT REGULAR RETIREMENT BOARD MEETING Wednesday, July 28, 2021 at 8:30 a.m. TCERA Board Room, 136 N. Akers Street, Visalia, CA 93291

#### I. CALL TO ORDER

The meeting was called to order at 8:30 a.m. by Wayne Ross, Chair.

#### II. ROLL CALL

Voting Trustees Present:	Laura Hernandez, Wayne Ross, Gary Reed, Jim Young, Cass Cook, Dave Kehler, Ty Inman
Voting Trustee Participating Remotely:	Pete Vander Poel
Voting Alternate Present:	David Vasquez voting in the absence of Nathan Polk
Voting Trustees Absent:	Nathan Polk
Alternate Trustees Present:	George Finney, Paul Sampietro
Staff Members Present:	Leanne Malison, Retirement Administrator, Mary Warner, Assistant Retirement Administrator, Susie Brown, Office Assistant III
Board Counsel Participating Remotely:	Jennifer Shiffert, Deputy County Counsel Aaron Zaheen, Deputy County Counsel
Consultants Present:	Scott Whalen and Mike Kamell, Verus

#### III. PLEDGE OF ALLEGIANCE

#### IV. PUBLIC COMMENT

At this time, members of the public may comment on any item not appearing on the agenda. Under state law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public is invited to make comments at the time the item comes up for Board consideration. Any person addressing the Board will be limited to a maximum of five (5) minutes so that all interested parties have an opportunity to speak. Please state your name for the record.

Mr. Ross introduced the recently elected Board trustee, Ty Inman. Ms. Malison announced Susie Brown has been promoted to Secretary I.

#### V. X-AGENDA ITEMS

None

## VI. CONSENT CALENDAR

1. Approved Minutes of the following meetings:
  - a. Retirement Board Minutes of July 14, 2021.
2. Approved payments to:
  - a. LMCG – invoice for investment management services in the amount of \$75,538.77 for the quarter ended June 30, 2021.
  - b. Cheiron – invoice for actuarial services in the amount of \$11,726.25 for the quarter ended June 30, 2021.
3. Pension Board Reports and Actions
  - a. Approve reinstatement of deferred status and contributions for member in unclaimed status – Laura Rodriguez.
  - b. Approve reinstatement of deferred status and contributions for member in unclaimed status – Dawn Richards (Cooksey).

Motion to approve the Consent Calendar as presented.

Motion: Cook

Second: Hernandez

Ayes: Cook, Hernandez, Ross, Reed, Young, Kehler, Vander Poel, Vasquez

Noes: None

Abstain: Inman

Motion passed 8/0/1

## VII. INVESTMENT COMMITTEE REPORT

1. Update by Gary Reed regarding the Investment Committee meeting of July 14, 2021. Discussion and possible action regarding the following items:

- a. Asset Allocation Status

Mr. Reed reported the Committee discussed the report and private equity had reached the 5% target.

- b. 2021 Investment Committee Goals and Objectives Timeline and 2021 Education Calendar.

Mr. Reed reported the timeline and calendar have been updated to reflect recent changes.

- c. Amendment to PGIM Management Fee Schedule.

Motion to approve the amendment to the PGIM Management Fee Schedule.

Motion: Reed

Second: Hernandez

Ayes: Cook, Hernandez, Ross, Reed, Young, Kehler, Vander Poel, Vasquez

Noes: None

Abstain: Inman

Motion passed 8/0/1

- d. Amendment to Franklin Templeton Management Fee Schedule.

Motion to approve the amendment to the Franklin Templeton Management Fee Schedule

Motion: Reed

Second: Cook

Ayes: Cook, Hernandez, Ross, Reed, Young, Kehler, Vander Poel, Vasquez

Noes: None

Abstain: Inman

Motion passed 8/0/1

e. Frequency of Investment Manager Fee Analysis.

Mr. Reed reported that the Committee discussed how often investment management fees should be formally reviewed. The Committee agreed that an annual review is preferred.

Motion to direct the investment consultant to prepare a formal investment manager fee analysis on an annual basis.

Motion: Reed

Second: Hernandez

Ayes: Cook, Hernandez, Ross, Reed, Young, Kehler, Vander Poel, Vasquez

Noes: None

Abstain: Inman

Motion passed 8/0/1

f. Investment Managers

1) Verus Flash Report – All Managers

Mr. Reed reported that the Committee reviewed the May report. Mr. Kehler noted that all measurement periods are above the 7% investment return assumption.

Mr. Kehler inquired if there was information available comparing the capital market assumptions from ten years ago to the actual ten year performance experienced by the plan. Mr. Kamell indicated that the information could be provided but the comparison would be skewed because the asset allocation has changed several times during the last ten years.

Mr. Cook asked if ten years is the standard for capital markets assumptions. Mr. Whalen explained that Verus establishes ten-year and thirty-year assumptions and that this is fairly standard in the industry.

2) Managers of Interest

a) Franklin Templeton – Manager Review

Mr. Reed reported that the press release regarding Tom Fisher's departure from the firm was discussed. Mr. Whalen indicated that his position was primarily sales in nature and would not affect TCERA's portfolio management.

Ms. Malison reminded the Board that Franklin Templeton will be presenting at the next Board meeting.

## VIII. INVESTMENTS

1. Amended agreement and fee schedule for BlackRock Financial Management, TCERA fixed income portfolio. Discussion and possible action.

Ms. Malison reminded the Board that they have already approved the changes to the agreement and fee schedule. This document is the final version submitted for approval.

Motion to accept the amended agreement and fee schedule for BlackRock.

Motion: Reed  
Second: Vasquez

Ayes: Cook, Hernandez, Ross, Reed, Young, Kehler, Vander Poel, Vasquez  
Noes: None  
Abstain: Inman

Motion passed 8/0/1

2. Review of TCERA's private markets investments. Discussion and possible action.

Mr. Whalen made the presentation commenting that the next three items are inter-related. In addition to the review of TCERA's current private markets allocation, Mr. Whalen included education on private markets to set the stage for the discussion. The pacing schedule presented illustrated the need for additional commitments in order for the plan to maintain its 5% allocations to private equity and private credit. Mr. Kamell reviewed recommendations for additional commitments.

Motion to make the following commitments:

\$20 million to Pathway Fund 11  
\$20 million to Ocean Avenue Fund V  
\$20 million to Sixth Street Partners Growth Fund II  
\$20 million to Sixth Street Partners CMS Fund IV

Motion: Kehler  
Second: Young  
Ayes: Cook, Hernandez, Young, Kehler, Vander Poel  
Noes: Ross, Reed, Vasquez  
Abstain: Inman

Motion passed 5/3/1

3. Educational presentation from Verus regarding risk as defined by standard deviation.

Mr. Kamell reviewed the presentation materials providing concepts on risk vs. return. He provided information on uncertainty with volatility and standard deviation.

4. TCERA's Asset/Liability study and strategic asset allocation – updated information. Discussion and possible action.

Mr. Whalen and Mr. Kamell reviewed the materials with new allocation mixes of risk profiles as requested by the Board. Discussion centered on the risk/reward considerations of increasing TCERA's targets for private markets. Mr. Reed asked what other '37 Act plans have as a maximum allocation to private markets. Mr. Whalen indicated that the highest allocation is 35% with others ranging in lower percentages.

Motion to accept Mix 2 as presented.

Motion: Cook  
Motion failed for lack of a second.

Motion to table item and request Consultant to return to next Board meeting, August 11, 2021, for continued discussion and possible action.

Motion: Vander Poel  
Second: Reed

Ayes: Hernandez, Ross, Reed, Young, Kehler, Vander Poel, Vasquez  
Noes: Cook  
Abstain: Inman

Motion passed 7/1/1

The Chair authorized 2.25 hrs. of education for presentations.

5. TCERA's strategic investment allocation and investment managers, including performance, contracts, and fees. Discussion and possible action.

No discussion or action.

## **IX. NEW BUSINESS**

1. June 30, 2021 Continuing Education Report for trustees and staff, discussion and possible action.

Motion to approve report as presented.

Motion: Cook  
Second: Hernandez

Ayes: Cook, Hernandez, Ross, Reed, Young, Kehler, Vander Poel, Vasquez  
Noes: None  
Abstain: Inman

Motion passed 8/0/1

2. TCERA's Investment Consultant Request for Proposal – Report from due diligence team. Discussion and possible action.

The due diligence team included Mr. Vander Poel and Mr. Sampietro as trustee representatives and Ms. Malison as the Staff representative. Ms. Malison reported on the due diligence trip with the team, noting three firms were evaluated, Verus, NEPC, and Meketa. All three firms are well-qualified and presented themselves well during the visits. After thorough discussion among the team members, it was agreed that Verus and NEPC would be good fits as the investment consultant for TCERA. Ms. Malison reminded the Board of the impact that a change would have on staff and the Board. She noted for the trustees that from an administrative perspective, Verus has provided excellent service. She expressed that if the Board has confidence and trust in the current consultant, she would recommend retaining Verus. If the trustees have lost confidence the ability of Verus to meet the expectations of the Board, then NEPC would be an excellent choice for a replacement.

Mr. Sampietro reported his views of the trip and agreed with Ms. Malison's comments. He had contacted other counties to get their perspectives on their experience with the firms under consideration.



Mr. Vander Poel thanked the team and reported all firms were impressive. He agreed with comments provided and stated the importance of having faith and confidence in the consultant.

The trustees discussed their impressions of the firms and their history with the current consultant. It was emphasized that the consultant needs to understand that the investment decisions are the responsibility of the Board and that the consultant is charged with providing guidance in those decisions.

3. Selection of TCERA's Investment Consultant. Discussion and possible action.

Motion to retain Verus as TCERA's Investment Consultant under the terms of the Request for Proposal.

Motion: Cook

Second: Hernandez

Ayes: Cook, Hernandez, Reed, Young, Kehler, Vander Poel, Vasquez

Noes: Ross

Abstain: Inman

Motion passed 7/1/1

Mr. Reed asked if there was a policy regarding the review of TCERA's consultants. He expressed concern that the investment consultant had not been reviewed since the hire date. Ms. Malison reminded the Board that, although the Board chose not to issue an RFP at the time, Verus was reviewed by the Board approximately five years after hire. She also indicated that other consultants such as the actuary and independent auditor are also reviewed periodically. Mr. Ross directed that this matter go to the Administrative Committee for discussion regarding a policy for reviewing consultants.

## **X. EDUCATION ITEMS**

1. Summary Education Reports as filed. Discussion and possible action.

a. Mary Warner – CALAPRS Administrators' Roundtable, June 25, 2021, 4 hours.

Motion to the accept Summary Education Report as presented.

Motion: Kehler

Second: Reed

Ayes: Cook, Hernandez, Reed, Ross, Young, Kehler, Vander Poel, Vasquez

Noes: None

Abstain: Inman

Motion passed 8/0/1

2. Educational events. Discussion and possible action.

No discussion or action.

## **XI. COMMUNICATIONS**

1. SACRS Legislative Update – July 2021. Discussion and possible action.

Ms. Malison reported this update includes matters important to the Board regarding the Brown Act. The information regarding AB 826 is also one of interest. It does not directly affect TCERA, but

there is concern that it weakens the authority of the Board regarding compensable earnings. The Board may want to consider sending a letter to the state legislature and/or governor. Ms. Shiffert indicated that she will be in communication with her colleagues at an upcoming seminar and she will have more information regarding a united response from some of the SACRS counties regarding this piece of legislation.,

2. TCERA Trustee Election -- Statement of Vote, Tulare County Employees' Retirement Association Special Election – July 20, 2021

Ms. Malison reported on the election results.

## **XII. UPCOMING MEETINGS**

1. Administrative Committee Meeting, July 28, 2021, 10:30 a.m.
2. Board of Retirement Meeting August 11, 2021, 8:30 a.m.
3. Investment Committee Meeting August 11, 2021, 10:30 a.m.
4. Board of Retirement Meeting, August 25, 2021, 8:30 a.m.
5. Administrative Committee Meeting August 25, 2021, 10:30 a.m.

## **XIII. TRUSTEE/STAFF COMMENTS**

Under state law, matters presented under this item cannot be discussed or acted upon by the Board at this time.

Mr. Reed expressed concern that TCERA's actuary had not participated in the discussions regarding the strategic asset allocation. Ms. Malison reminded the Board that Graham Schmidt from Cheiron participated remotely in two of the presentations and discussions held by the Board.

Ms. Hernandez asked if the training seminars of TCERA will continue as Zoom presentations and how was attendance. Ms. Malison indicated that TCERA does track attendance at the meetings but did not have the numbers at hand other than for the most recent seminar. In-person seminars are limited in the number of participants because of space considerations. She indicated that because of the Zoom format, 70 employees were able to participate in the most recent seminar. It is her intention to have staff continue with this format rather than return to in-person seminars because of the greater accessibility for employees. In-person seminars may be re-evaluated at a later date.

Ms. Hernandez expressed concern with the mailing costs of the special election and asked how much TCERA was charged for the election. Ms. Malison reported that the invoice had not been received from the elections office but would be noted in a future financial report. She also indicated that it is TCERA's intention to mail all ballots in the future to ensure the security of the ballots for the voting process.

Mr. Ross reported that Mr. Inman would be assigned to a Board Committee. He will give the matter consideration and report back on the appointment.

## **XIV. ADJOURNMENT**

The meeting was adjourned at 12:00 Noon

---

Wayne Ross, Chair



**FRANKLIN  
TEMPLETON**

One Franklin Parkway  
San Mateo, CA 94403-1906  
Tel (650) 312-2000  
www.franklintempleton.com

Attn: Mary Warner  
Tulare County Employees Retirement Association  
MKWarner@tularecounty.ca.gov  
MCARDENAS1@tularecounty.ca.gov  
FMartin@tularecounty.ca.gov, MSMANNING@tularecounty.ca.gov

## Invoice

July 6, 2021

Account Number	Account Name
Invoice Number	Fee Description
<i>All the amounts are in USD</i>	
<i>For the Period Ending June 30, 2021</i>	
Current Invoice Amounts	
CT436240	Tulare County Employees Retirement Association
S14800874249	Quarterly Investment Management Fee
	Based on a market value of: 85,116,320.78
Customer Invoice Amount Total :	
Payable Upon Receipt :	

Amounts

76,128.10

76,128.10

76,128.10

CHECKED:

JS  
Initial

7/14/21  
Date

VERIFIED:

CS  
Initial

7/28/21  
Date

APPROVED:

\_\_\_\_\_  
Initial

\_\_\_\_\_  
Date

PAID:

\_\_\_\_\_  
Wired

\_\_\_\_\_  
Date

Please contact [accountsreceivable@franklintempleton.com](mailto:accountsreceivable@franklintempleton.com) if there are any questions regarding your invoice.  
Part II of form ADV available upon request

*Please include a copy of this invoice with your remittance.*

**REMIT PAYMENT TO:**

Fiduciary Trust International of the South  
13938 Collections Center Drive  
Attn: Lockbox Processing  
Chicago IL 60693-0139  
Reference Account Number  
Reference Invoice Number

**WIRE INSTRUCTIONS :**

Fiduciary Trust International of the South  
Bank of America  
ABA: 026009593  
Acct: 12333-08630  
Reference Account Number  
Reference Invoice Number



Invoice No. :	307474
Invoice Date :	07/27/2021
Terms :	Due Upon Recpt
Customer No. :	1256

**Bill To:**

Tulare County E.R.A.  
Ms. Leanne Malison  
136 N. Akers Street  
Visalia, CA 93291

**Remit To:**

Bank: UMB Kansas City ABA: 101000695  
Beneficiary's Name: Ivy Investment Mgmt Co  
Beneficiary's Account Number: 9871404617  
Beneficiary's Address: 6300 Lamar Avenue,  
Attn: Corporate Treasury Dept  
Shawnee Mission, KS 66201-9217

339 - Tulare County Employees Retirement Association

Line #	Description	Amount
1	Investment Management Fees for the Second Quarter of 2021	108,128.94

Total	108,128.94
-------	------------

**CHECKED:**

JS 7/28/21  
Initial Date

**VERIFIED:**

CS 7/28/21  
Initial Date

**APPROVED:**

\_\_\_\_\_  
Initial Date

**PAID:**

\_\_\_\_\_  
Wired Date

# William Blair

Leanne Malison  
Tulare County Employees' Retirement Association  
136 N. Akers  
Visalia, CA 93291

## SUMMARY FOR INVESTMENT SERVICES

Invoice Date	15 July 2021
Invoice Number	20210630-414-A

**Billing Period** 01 April 2021 to 30 June 2021

**Billing Portfolios** 793628 - TULARE COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Custodian Account #	Account Name	Fee
793628	TULARE COUNTY EMPLOYEES RETIREMENT ASSOCIATION	84,157.44

<b>Total Amount Due</b>	<b>\$84,157.44</b>
-------------------------	--------------------

\* See attached worksheet for calculation details

<b>CHECKED:</b>	<u>2021</u> Initial	<u>7/20/21</u> Date
<b>VERIFIED:</b>	<u>CS</u> Initial	<u>7/26/21</u> Date
<b>APPROVED:</b>	<u>          </u> Initial	<u>          </u> Date
<b>PAID:</b>	<u>          </u> Wired	<u>          </u> Date

## PAYMENT DUE UPON RECEIPT

PLEASE ENCLOSE COPY OF INVOICE IN RETURN ENVELOPE

### Wire or ACH Funds To:

Bank Account: 8900619929  
ABA: 021000018  
Bank of New York  
Further Credit: Account Name and Number

### Mail Remittance To:

William Blair  
Accounts Receivable  
150 North Riverside Plaza  
Chicago, IL 60606

IMPORTANT NOTICE: Never trust wire/ACH instructions sent via email. Cyber criminals are hacking email accounts and If you have any questions, please contact your client service representative.

Ms. Leanne Malison, Retirement Administrator  
Tulare County Employees' Retirement Association  
136 North Akers Street  
Visalia, CA 93291-5121

**Invoice Date:** 06/30/2021  
**Invoice Number:** 20210630-246-A  
**Billing Portfolio(s):** D709 - Tulare County Employees' Retirement  
**Billing Period:** 04/01/2021 to 06/30/2021

SUMMARY FOR INVESTMENT SERVICES

<b>Current Period Amount Due:</b>	<b>\$ 97,292.45</b>
-----------------------------------	---------------------

QUARTEREND Fee	Invoice	Current Period Due	30-60 Days	60-90 Days	Over 90 Days	Total
Tulare County Employees' Retirement	20210630-246-A	97,292.45				97,292.45
Total Amount Due		97,292.45				97,292.45

Please contact James Vitelli directly at 212-908-0149 with any billing inquiries. As always, you may also direct any questions to your Relationship Manager.

We would appreciate receiving your payment along with the remittance slip within 30 days of receipt of this invoice.

**WIRE / TRANSFER FUNDS TO:**

JP Morgan Chase; ABA #021000021; ACCT #066-654610  
REFERENCE: Boston Partners  
Ref Acct #: D709

**MAIL REMITTANCES TO:**

Accounts Receivable  
Boston Partners  
One Grand Central Place, 60 East 42nd Street, Suite 1550  
New York, NY 10165

Email [jvitelli@boston-partners.com](mailto:jvitelli@boston-partners.com) Thank You

CHECKED:

JS 7/20/21  
Initial Date

VERIFIED:

CS 7/26/21  
Initial Date

APPROVED:

\_\_\_\_\_  
Initial Date

PAID:

\_\_\_\_\_  
Wired Date

**TULARE COUNTY EMPLOYEES'  
APPLICATIONS AND DEATHS  
July 31, 2021  
RETIREMENT APPLICATIONS**

Name Department Status - Tier	Option Type Govt. Code	Date of Retirement Age at Retirement	Length of Service Continuance From
BROCKWAY JACQUELINE	Option 2	06/03/2021	1.9333 years
Unknown Safety - Tier II	§31762	63	BROCKWAY KREG
CEBREROS JOSE Prob-Juvenile Detention General - Tier III	Unmodified Option Service §31760.1	06/23/2021 57	13.0769 years N/A
COX CONNIE Board of Supervisors General - Tier III	Unmodified Option §31760.1	06/17/2021 62	11.9231 years COX PHILLIP
FAGUNDES KEITH DA-Visalia Courthouse General - Tier III	Option 2 Service §31762	06/11/2021 50	5.1538 years N/A
HUTCHESON MICHELLE HHS-HS-IMAGING UNIT General - Tier III	Unmodified Option Service §31760.1	06/19/2021 52	20.5004 years N/A
MORALEZ DONNA HHS-HLTH-Tulare Public CCS General - Tier II	Unmodified Option Service §31760.1	06/26/2021 62	30.4618 years N/A
ORTEGA SHARIE Unknown General - Tier II	Unmodified Option §31760.1	05/24/2021 58	9.0861 years ORTEGA RICK
ROCKHOLT DAVID HHS-Admin Human Services General - Tier III	Unmodified Option Service §31760.1	03/31/2021 55	8.9615 years N/A
RUIZ ROSEMARY Child Support Services Dept General - Tier III	Unmodified Option Service §31760.1	06/30/2021 65	20.8867 years N/A
SHELTON REGINA HHS-HS-Hyde IHSS General - Tier III	Unmodified Option Service §31760.1	06/30/2021 68	6.3462 years N/A
WEDDLE SANDRA J Unknown General - Tier I	Unmodified Option §31760.1	02/19/2021 80	10.5861 years WEDDLE THOMAS
WHITENDALE DAVID RMA-TR-Fleet Central Shop General - Tier III	Unmodified Option Service §31760.1	06/25/2021 65	17.2042 years N/A
WILLIAMS LEANNE Prob-Admin-Visalia Safety - Tier II	Unmodified Option Service §31760.1	06/05/2021 55	30.7024 years N/A

**TULARE COUNTY EMPLOYEES'  
APPLICATIONS AND DEATHS  
July 31, 2021  
DECEASED ACTIVE EMPLOYEES**

Name	Type	Date of Death	Length of Service
Department		Age at Death	Paid Continuance
Status - Tier			Death Benefit



**TULARE COUNTY EMPLOYEES'  
APPLICATIONS AND DEATHS  
July 31, 2021  
DECEASED PENSIONERS**

Name Department Status - Tier	Option Type Govt. Code	Date of Retirement Date of Death Age at Death	Length of Service Paid Continuance to Age at Retirement
BROCKWAY KREG Unknown Safety - Tier II	Option 2 Service §31762	06/10/2000 06/02/2021 71	1.9333 years BROCKWAY JACQUELINE 50
COX PHILLIP Board of Supervisors General - Tier III	Unmodified Option Service §31760.1	01/04/2017 06/16/2021 64	11.9231 years COX CONNIE 59
FRANEY RUBY  General - Tier II	Unmodified Option Service §31760.1	07/29/1990 06/10/2021 93	10.0667 years  62
NOELL BEVERLY Prob-Youth Facility General - Tier III	Unmodified Option Service §31760.1	12/12/2015 03/10/2021 70	15.6538 years  65
ORTEGA RICK Unknown General - Tier II	Unmodified Option Service §31760.1	09/29/2007 05/23/2021 75	9.0861 years ORTEGA SHARIE 61
WEDDLE THOMAS Unknown General - Tier I	Unmodified Option Service §31760.1	03/27/1999 02/18/2021 83	10.5861 years WEDDLE SANDRA J 61

## 30 Year Member Report

July 2021

First Name	Last Name	Effective Date	Department	Year Member?
Ginger	Peck	12/10/2017	Purchasing	No
Martina	Navarro	10/11/2020	HHS-MH-SCIU	No
Andy	Phetsada	7/8/2018	HHS-MH-Visalia Adult Clinic	No
Rodney	Parker	4/16/2017	Sher-Op-Pixley	No
Eric	Petersen	3/14/2021	Information Technology	No
CINDY	HOLWAY	10/25/2020	Court Reporters	No
Linda	Cantu	3/29/2020	Assessor-Clerk/Recorder	No
Steven	Brown	6/20/2021	Ag Commissioner/Sealer	No
Karen	Baldwin	7/5/2020	HHS-Admin Fiscal A/R	No
Jane	Nystrem	2/16/2020	TCSO-Inmate Programs Unit	No
Patricia	Stanley	9/2/2018	Public Defender	No
Robert	Hurtado	10/25/2020	HHS-Admin Health Services	No
Craig	Anderson	2/14/2021	RMA-MG#2-Design,Const,Develop	No
Samantha	Franks	9/29/2019	RMA-LP-Geographic Info Systems	No
Joel	Martens	5/14/2017	HHS-HLTH-Environmental Health	No
Connie	Cordeiro	3/8/2015	HHS-HS-CWS Creekside	No
Helen	Gonzalez	2/4/2018	HHS-HLTH-Fville WIC	No
Ermerejildo	Saucedo	12/6/2020	Tulare County Fire Dept	No
MARTINA	DELGADO	11/10/2019	Ab 1058 Commissioner	No
Maria	Pasillas	1/31/2021	HHS-MH-Visalia AOD Inter_Prev	No
KATHY	CORREIA	7/17/2011	Court Reporters	No
Rosie	DeLeon	9/27/2020	HHS-HS-PDO	No
Maria	Gutierrez	12/22/2019	HHS-Admin Mental Health Svs	No
Cleopatra	Juarez	12/9/2007	Child Support Services Dept	No
Andrew	Pacheco	7/28/2013	RMA-Project Processing	No
Sylvia	Munoz	9/15/2019	HHS-HS-Dinuba District Off	No
Rebecca	Lopez	3/8/2015	HHS-HS-Visalia District Off	No
Ursula	Ihl	9/29/2019	DA-Visalia Courthouse	No
AMBER	MATTHEWS	2/18/2018	Pre Trial Facility	No
Anthony	Boland	12/10/2017	RMA-TR-Operations	No
LUCIA	CANABA-GONZALEZ	8/2/2020	Court Reporters	No
Karen	Whited	2/24/2013	HHS-HS-CWS S Mooney Blvd	No
Michael	Boudreaux	5/28/2017	Sher-Op-Sheriff's Office	No
Jesusita	Vasquez	1/31/2021	HHS-HLTH-Environmental Health	No
Lisa	Dougherty	5/17/2015	CAO-GS-Printing Services	No
Angelina	Stanfill	5/28/2017	HHS-HS-Dinuba District Off	No
Rachel	Cazares	10/11/2020	HHS-HS-Dinuba District Off	No
Nancy	Chavira	3/28/2021	County Counsel	No
Robert	Haines	10/12/2008	Ag Commissioner/Sealer	No
Sharon	Rowton	11/18/2012	RMA-TR-Fleet Central Shop	No
SUSAN	EMBREY	9/3/2017	Collections Division	No
Cheryl	Fallert	8/16/2020	DA-Visalia Courthouse	No
Scott	O'Neill	6/11/2017	Sher-Op-Porterville	No
Julie	Poochigian	6/22/2008	Assessor-Clerk/Recorder	No
William	Clark	2/14/2021	Information Technology	No

## 30 Year Member Report

July 2021

First Name	Last Name	Effective Date	Department	Year Member?
Angela	Rose	11/22/2020	County Counsel	No
Katherine	Reim	10/13/2019	Prob-Admin-Visalia	No
Nora	Barrera	11/27/2005	Assessor-Clerk/Recorder	No
PATRICIA	MARTENS	10/27/2019	Visalia Division	No
Brenda	Tyler	6/20/2021	HHS-HLTH-Tulare Public CCS	No
Patricia	McCurry	10/11/2020	HHS-Admin Human Resources	No
John	Mauro	4/17/2016	HHS-Admin Human Services	No
Lance	Heiden	11/11/2018	Sher-Dt-Main Jail	No
Melodee	Krenk	5/10/2020	Prob-Electronic Monitor Ctr	No
John	Gonzalez	11/27/2016	Sher-Op-Captains	No
John	Rozum	3/31/2019	County Counsel	No
Cheri	Lehner	12/25/2016	Sher-Op-Sheriff's Office	No
Judith	Garcia	7/18/2021	HHS-HLTH-Visalia Hlth Ctr	Yes
Sabrina	Robinson	5/15/2016	Information Technology	No
Alma	Villarreal	1/20/2019	HHS-HS-CWS S Mooney Blvd	No
Raul	Martin	7/24/2016	Solid Waste Visalia	No
Eric	Grant	4/16/2017	DA-Visalia Courthouse	No
Tina	Salmon	6/20/2021	HHS-HS-Ben Elg Sup Team	No
Gracie	Delgadillo-Johnson	12/8/2019	TCSO-Youth Services	No
David	Winters	4/28/2019	Sher-Dt-Bob Wiley Det. Fac.	No
Jay	Jones	1/19/2020	Information Technology	No
James	Russell	9/1/2019	CAPITAL PROJ-Facilities	No
Stella	Velasquez	2/9/2014	Sher-Op-Communications	No
Johnny	Wong	6/10/2018	RMA-TR-Operations	No
Patricia	Mendoza	10/19/2014	HHS-HS-CWS Creekside	No
Judith	Sanchez-Duran	3/1/2020	HHS-HLTH-Hillman Lab	No
Bernice	Soto	8/2/2020	HHS-HS-IMAGING UNIT	No
Carlene	Estes	7/18/2021	WID-Administration	Yes
Sandra	Maldonado	2/2/2020	HHS-HLTH-Visalia Hlth Ctr	No
SUSAN	MILLER	1/31/2021	Family Court Services	No
LESIA	MERVIN	5/3/2015	Court Reporters	No
Phillip	Kelly	3/1/2020	Prob-Center Street	No
Vickie	Rabago	1/15/2012	DA-Visalia Courthouse	No
Steffany	Bischel	3/4/2018	HHS-HS-MCal Proc Center	No
Bertha	Martinez	11/18/2012	CAO-GS-Property Management	No
Keith	Jahnke	4/28/2019	HHS-HLTH-Environmental Health	No
David	Case	8/6/2018	Ag Commissioner/Sealer	No
Bruce	Bigham	10/11/2020	Ag Commissioner/Sealer	No
Nelda	Sell	8/19/2007	RMA-TR-Visalia Rd Yd 2	No
Rebecca	Garcia	11/8/2020	HHS-HS-Dinuba District Off	No
Steven	Noland	4/1/2018	RMA-TR-Fleet Central Shop	No
Lori	Catuto	6/24/2018	HHS-Admin-Project Management	No
Robert	Dempsie	7/22/2018	DA-Visalia Courthouse	No
Sandra	Burnitzki	1/19/2020	HHS-Admin Human Resources	No
DAVID	WOOTEN	10/14/2018	Judicial Officers	No

30 Year Member Report  
July 2021

First Name	Last Name	Effective Date	Department	Year Member?
Karen	Trevino	5/26/2019	HHS-HS-Hyde Adopt/Special	No
Socorro	Munoz	4/26/2020	HHS-HLTH-Visalia Hlth Ctr	No
Gregory	Scroggins	6/24/2018	Prob-Electronic Monitor Ctr	No
Sherry	Franco	6/6/2010	Child Support Services Dept	No
Mike	Betzinger	10/15/2017	Solid Waste Visalia	No
LOUISE	NELSON	11/12/2017	Family Court Services	No
Kimberly	Hernandez	9/27/2020	Child Support Services Dept	No



# COUNTY OF TULARE

## BOARD OF RETIREMENT

**Leanne Malison**  
Retirement Administrator

136 N AKERS STREET  
VISALIA, CALIFORNIA 93291

TELEPHONE (559) 713-2900  
FAX (559) 730-2631  
[www.tcera.org](http://www.tcera.org)

### **TCERA, Board of Retirement Administrative Committee**

#### **Agenda Item # IV.2.a**

**Agenda Date:** July 28, 2021

**Subject:** Retirement Board Meeting Access and Participation Considerations

#### **Requests:**

That the Administrative Committee:

1. Discuss the Board's options for meeting access and participation when the Brown Act provisions are reinstated.
2. Provide a recommendation to the Board regarding meeting access and participation.

#### **Summary:**

In response to the COVID pandemic, the Governor of California temporarily removed certain restrictions under California's Ralph M. Brown Act that governs TCERA's Board meetings. Under these changes, TCERA has implemented remote access, via Zoom or WebEx, for meeting participation for trustees, staff, and members of the public. The original restrictions will be reinstated as of September 30, 2021. Staff is requesting guidance regarding Board meeting access and participation for meetings held after September 30, 2021.

The most significant change for trustees will affect remote participation in meetings. TCERA Board members will no longer be able to participate in Board meetings remotely unless the location of the trustee is posted as a meeting site with public access. TCERA will no longer be required to provide remote access and participation options for members of the public.

Possible options for Board meeting access and participation allowed under the reinstated restrictions include:

1. Return to pre-pandemic procedures – No remote access, no live stream, no recording posted on website. All public comment must be made in person. An audio recording of the meeting is available to the public for 30 days after the meeting.
2. Continue with full remote access and participation for the public. An audio recording of the meeting is available to the public for 30 days after the meeting.
3. Continue with full remote access and participation for the public. An audio recording of the meeting is posted to TCERA's website.

4. Eliminate the remote access and participation for the public except for vendor presentations pre-approved by the Board of Retirement. Initiate a non-interactive live stream for the public with a recording to be posted to the website after the meeting. Public comment must be made in person.
5. Eliminate the remote access and participation except for vendor presentations pre-approved by the Board of Retirement. Members of the public could participate via phone and e-mail. Initiate a non-interactive live stream for the public with a recording to be posted to the website after the meeting. Public comment must be made in person.
6. Eliminate the Zoom access and participation except for vendor presentations pre-approved by the Board of Retirement. Record the meeting (audio and video) with the recording to be posted to the website after the meeting. Public Comment must be made in person.
7. Eliminate the Zoom access and participation except for vendor presentations pre-approved by the Board of Retirement. Record the meeting (audio and video) with the recording to be posted to the website after the meeting. Members of the public could participate via phone and e-mail.
8. Items 3-6 above with no posting of a recording to the website.
9. Other combinations of the above.

**Prepared by:** Leanne Malison



# Core Plus Fixed Income CIT Fund

One-on-One Client Review Presentation to:

## Tulare County Employees' Retirement Association

**August 11, 2021**

This presentation was prepared exclusively for Tulare County Employees' Retirement Association at its request. It may not be used or distributed to any other parties.

333 S. Grand Ave., 18th Floor || Los Angeles, CA 90071 || (213) 633-8200

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## II. Tulare County Employees' Retirement Association (TCERA) Portfolio Review

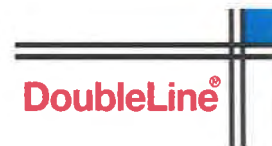
## III. Appendix



# TAB I

## DoubleLine Overview

# DoubleLine Overview



## Founded in 2009

- DoubleLine CEO Jeffrey Gundlach's departure from a previous firm prompted 45 employees to follow him to establish DoubleLine<sup>1</sup>

## Consistency of Philosophy and Process

- Portfolio managers have worked together an average of 15 years and have 23 years average industry experience
- Team has successfully navigated several market and credit cycles

## Assets Under Management

- Over \$137 billion

## DoubleLine Manages

- Mutual Funds
- Separate Accounts
- CLOs
- UCITS
- Private Funds
- ETFs

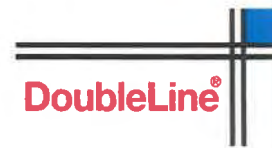
## Structure

- Privately owned and employee controlled
- 280 employees, with 108 investment professionals

As of June 30, 2021

<sup>1</sup> DoubleLine includes DoubleLine Group, DoubleLine Capital LP and DoubleLine Alternatives LP. DoubleLine Group LP is not a registered investment adviser; it provides personnel. Doubleline Capital LP and DoubleLine Alternatives LP are investment advisers registered under the Investment Advisers Act of 1940.

# DoubleLine Awards & Accolades



## DoubleLine Team

- 2018 - Awarded Chief Investment Officer Magazine's "Asset Management and Servicing Winner - Fixed Income/Credit"
- 2016 - Awarded Institutional Investor's "U.S. Fixed Income - Core Plus Fixed Income"
- 2016, 2014 and 2013 - Awarded Institutional Investor's "U.S. Fixed Income - Mortgage Backed Securities"
- 2016 - Awarded Risk Magazine's "Institutional Investor of the Year" for Shiller Enhanced CAPE®
- 2015 - Awarded Risk Magazine's "Asset Manager of the Year"

## Deputy Chief Investment Officer, Jeffrey Sherman

- 2020 - Jeffrey Sherman's, The Sherman Show Podcast (@shermanshowpod) named one of the "10 Must-Listen Podcasts" by Business Insider
- 2018 - Named one of the "10 Fund Managers to Watch" by Money Management Executive

## Director of International Fixed Income, Luz Padilla

- 2020 - Named one of the "100 Most Influential Women in U.S. Finance" by Barron's
- 2019 - Named one of the "Top 10 Women in Asset Management" by Money Management Executive
- 2018 and 2016 - Named one of the "20 Top Female Portfolio Managers in the U.S." by Citywire, USA

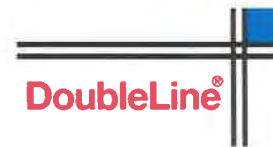
## Chief Investment Officer, Jeffrey Gundlach

- 2017 - Inducted into the FIASI Fixed Income Hall of Fame
- 2016, 2015 and 2012 - Named "50 Most Influential" by Bloomberg Markets' Magazine
- 2014 - Named one of "Most Powerful People" by Forbes'
- 2013 - Named "Money Manager of the Year" by Institutional Investor
- 2009 - Morningstar Nominee Fixed Income Manager of the Decade
- 2007 - Morningstar's Fixed Income Manager of the Year Keynote Address:  
"Subprime is a total unmitigated disaster and it's going to get worse."

As of June 30, 2021  
Please see the Appendix for information regarding awards and accolades.

# Assets Under Management by Strategy

As of June 30, 2021



<b>Fixed Income</b>	<b>\$123,809,806,060</b>
<b>Asset Allocation Strategies</b>	<b>\$46,191,076,524</b>
Core Fixed Income <sup>1</sup>	\$21,820,513,920
Flexible Income <sup>1</sup>	\$3,902,684,214
Income Solutions <sup>2</sup>	\$2,624,901,061
Low Duration	\$8,574,712,822
Opportunistic Income	\$3,643,533,773
Short Intermediate Plus	\$160,417,031
Total Return Tactical <sup>1</sup>	\$4,181,721,843
Yield Opportunities	\$1,282,591,860
<b>Sector Concentrated Strategies</b>	<b>\$77,618,729,536</b>
<b>Corporate &amp; Leveraged Credit Strategies</b>	<b>\$2,890,209,377</b>
Collateralized Loan Obligation	\$2,459,749,073
Floating Rate	\$302,623,270
Investment Grade Credit	\$127,837,034
<b>Infrastructure Strategies</b>	<b>\$756,534,538</b>
Global Infrastructure Debt	\$756,534,538
<b>International Strategies</b>	<b>\$3,954,468,976</b>
Emerging Markets Fixed Income	\$2,514,838,371
Emerging Markets Fixed Income Local Currency	\$9,860,709
Global Bond	\$841,757,186
Low Duration Emerging Markets Fixed Income	\$588,012,709
<b>Structured Product Strategies</b>	<b>\$70,017,516,645</b>
Agency MBS	\$598,516,511
Commercial MBS/Commercial Real Estate	\$112,486,176
Income	\$469,311,383
Long Duration Total Return	\$3,658,176,988
Mortgage Opportunities	\$445,428,107
Opportunistic Credit <sup>2</sup>	\$350,420,428
Securitized Income <sup>1</sup>	\$1,675,202,684
Strategic MBS <sup>1</sup>	\$1,501,195,952
Total Return	\$61,206,778,416

<b>Equity Strategies</b>	<b>\$12,620,876,236</b>
Large Cap Value	\$48,330,612
Shiller Enhanced CAPE®	\$12,478,151,713
Shiller Enhanced International CAPE®	\$78,906,654
Real Estate and Income	\$15,487,257
<b>Multi-Asset Strategies</b>	<b>\$164,532,402</b>
Multi-Asset Growth <sup>1</sup>	\$161,539,891
Multi-Asset Trend	\$2,992,511
<b>Commodities Strategies<sup>3</sup></b>	<b>\$229,112,287</b>
Strategic Commodity	\$229,112,287
<b>Enhanced Cash Strategies</b>	<b>\$226,305,863</b>
Ultra Short	\$226,305,863

**Total Firm AUM** **\$137,050,632,847**

Subject to change without notice.

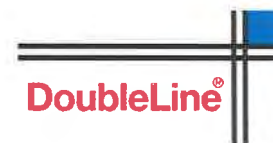
Assets are shown at the master strategy level.

<sup>1</sup>Includes multiple strategies with similar mandates.

<sup>2</sup>Includes leverage.

<sup>3</sup>DoubleLine Alternatives LP is the investment adviser for the Commodity strategy listed in the table.

# DoubleLine Portfolio Management & Operational Structure



As of June 30, 2021

## DoubleLine Portfolio Managers

Average Industry Experience: 23 years

Average of working together with Jeffrey Gundlach: 15 years

Jeffrey Gundlach, Chief Investment Officer Jeffrey Sherman, Deputy Chief Investment Officer <sup>1</sup>						
Structured Products	Global Developed Credit	International Fixed Income	Macro Asset Allocation	U.S. Government Securities	Equities	
<b>Vitaliy Liberman</b> (19) <i>Agency RMBS</i> 7 members	<b>Sam Garza<sup>1</sup></b> (21) <i>CLO</i> 3 members	<b>Robert Cohen</b> (25) <i>Investment Grade &amp; Leveraged Finance</i> 27 members	<b>Luz Padilla</b> (27) <i>Emerging Markets</i> 13 members	<b>Jeffrey Sherman<sup>1</sup></b> (20) & <b>Sam Garza<sup>1</sup></b> (21) <i>Macro Asset Allocation</i> 10 members	<b>Gregory Whiteley</b> (37) <i>U.S. Treasury &amp; Municipals</i> 3 members	<b>Emidio Checcone</b> (29) <i>Equities</i> 6 members
<b>Ken Shinoda</b> (18) <i>Non-Agency RMBS</i> 7 members	<b>Morris Chen</b> (18) <i>CMBS</i> 10 members		<b>Bill Campbell</b> (17) <i>International Sovereign</i> 5 members			
<b>Andrew Hsu</b> (21) <i>ABS/Infrastructure</i> 6 members						

Jeffrey Gundlach, Chief Executive Officer Ron Redell, President <sup>1</sup>								
Investor Services	Human Resources	Global Relationship Management	Risk Management	Legal	Compliance	Finance	Operations	Information Technology
<b>Barbara VanEvery</b> <i>Director</i> 25 members	<b>Joan Elam</b> <i>Director</i> 3 members	<b>Ron Redell<sup>1</sup></b> <i>President</i> 27 members	<b>Cris Santa Ana</b> <i>Chief Risk Officer</i> 20 members	<b>Earl Lariscy</b> <i>General Counsel</i> 12 members	<b>Youse Guia</b> <i>Chief Compliance Officer</i> 17 members	<b>Henry Chase</b> <i>Chief Financial Officer</i> 18 members	<b>Patrick Townzen</b> <i>Director</i> 20 members	<b>Casey Moore</b> <i>Chief Technology Officer</i> 27 members

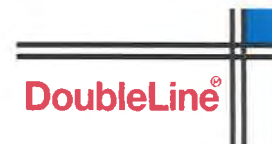
<sup>1</sup> Director/Portfolio Manager listed more than once  
Years of industry experience indicated by parentheses  
Administration & Facilities personnel not shown

# TAB II

## TCERA Portfolio Review

# TCERA Portfolio Performance Summary

As of June 30, 2021 (Returns are net of fees)



	Month to Date	Quarter to Date	Year To Date	One Year	Annualized Three Years	Annualized Five Years	Annualized Since Inception
<b>TCERA Portfolio</b> (NT Coll Core Plus Fixed Income Fund - Doubleline Tier 1 Net)	0.73%	1.98%	-0.16%	3.16%	4.91%	3.37%	4.05%
Bloomberg Barclays U.S. Aggregate Index	0.70%	1.83%	-1.60%	-0.33%	5.34%	3.03%	3.69%

Past Performance is no guarantee of future results.

\*TCERA Portfolio Inception Date: December 3, 2015

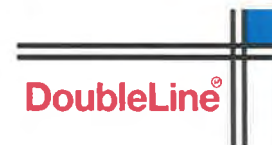
Fiscal Year-End Date is June 30

The returns have been calculated and provided solely by The Northern Trust. These returns have not been verified by DoubleLine.



# TCERA Portfolio Characteristics

As of June 30, 2021



**Number of Issues: 921**

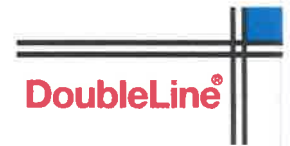
	TCERA Portfolio	Bloomberg Barclays U.S. Aggregate Bond Index
Coupon	3.03%	2.55%
YTM	2.37%	1.51%
Duration	4.79	6.58
WAL	6.90	8.53
Average Price	\$102.95	\$106.24

Please review the Important Information in the Appendix section of this presentation.  
The statistics are on the portfolio level and is an accurate representation of the client's portfolio composition.

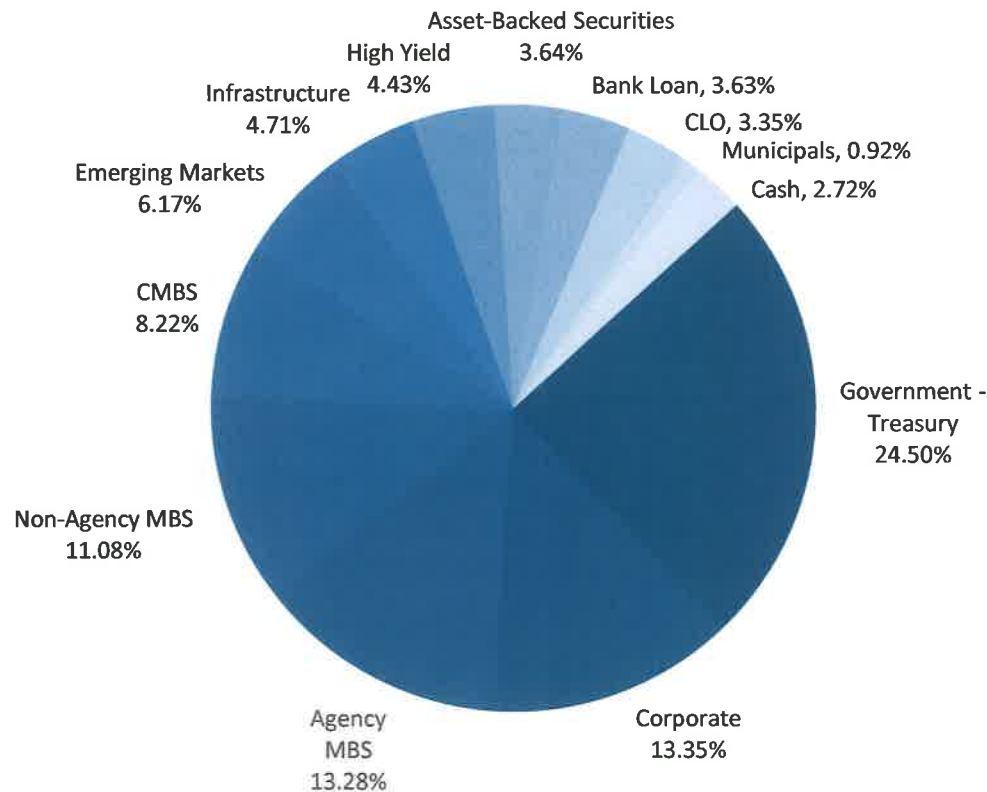


# TCERA Portfolio Composition

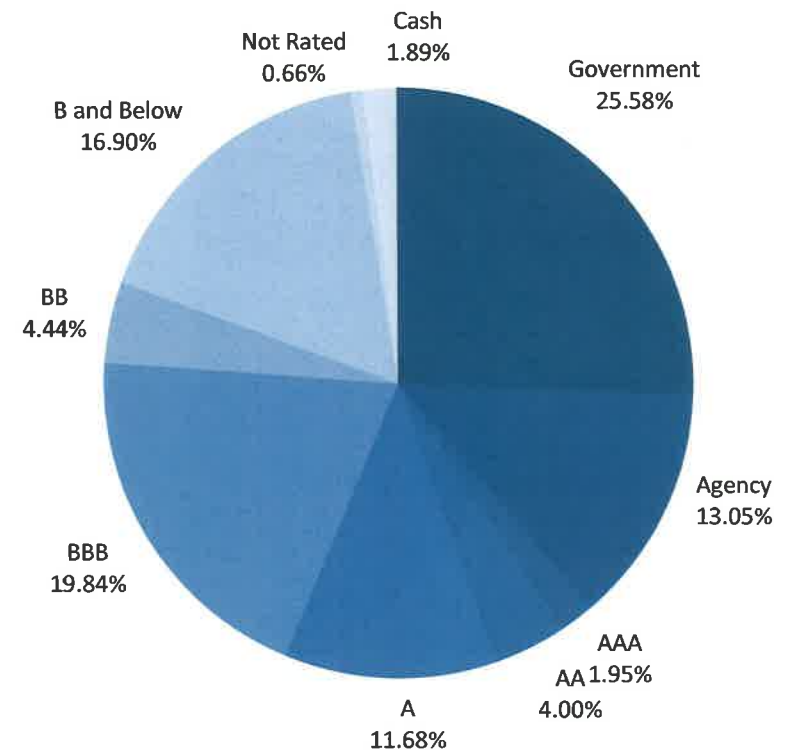
As of June 30, 2021



## Sector Breakdown



## Credit Quality Breakdown



Please review the Important Information in the Appendix section of this presentation.  
The statistics are on the portfolio level and is an accurate representation of the client's portfolio composition.

# TAB III

## Appendix

# Biographies

## **Barbara Ziegler**

Relationship Manager, Institutional West

Ms. Ziegler joined DoubleLine in 2016 where she specializes in institutional sales and client relations. Prior to joining DoubleLine, she was a Client Service Executive with Western Asset Management, having joined the organization in 1996. Prior to that, she spent 6 years with TCW Group. Ms. Ziegler graduated from the University of Southern California with a B.S. in Business Administration. She holds Series 7 and Series 63 licenses.

## **Samuel Lau**

Fixed Income Asset Allocation Strategist and Portfolio Manager

Mr. Lau joined DoubleLine in 2009. He is a Strategist on the Fixed Income Asset Allocation (FIAA) Committee and a contributing member on the Global Asset Allocation and Macro committees where he provides macro economic and sector commentary. Mr. Lau is a Portfolio Manager on DoubleLine's strategic commodity strategy while working in portfolio management and trading for derivatives-based and multi-asset strategies. His research has contributed to the development of DoubleLine's smart-beta strategies including the Shiller Enhanced CAPE® and Shiller Enhanced International CAPE® along with DoubleLine's strategic commodity strategy. Mr. Lau continues to represent DoubleLine as a featured panelist and guest speaker at industry and client events, as well as co-host the Sherman Show. Prior to DoubleLine, he was a Vice President at TCW where he worked under Jeffrey Gundlach as a Research Analyst in the Mortgage Group. Mr. Lau holds a BS from the University of Wisconsin, Madison and an MBA from the Marshall School of Business at the University of Southern California.

# Awards and Accolades

## Additional Information



### DoubleLine Team

**Chief Investment Officer Magazine, Asset Management and Servicing Winner - Fixed Income/Credit.** CIO Magazine seeks nominations through its website. Received approximately 300 nominations. DoubleLine was nominated by CIOs themselves. The staff researches the nominees by, among other things, reaching out to "asset owners in the community." The magazine chose a list of finalists and then chose a winner based on recommendations from the CIOs.

**Institutional Investor, U.S. Fixed Income – Core Plus Fixed Income.** Institutional investor U.S. Fixed Income—Mortgage Backed Securities award winners are chosen by the editorial staff of Institutional Investor magazine based on their market intelligence, performance data and additional information received from the industry following a public call for nominations.

**Institutional Investor, U.S. Fixed Income – Mortgage-Backed Securities.** Institutional investor award winners are chosen by the editorial staff of Institutional Investor magazine based on their market intelligence, performance data and additional information received from the industry following a public call for nominations.

**Risk Magazine, Institutional Investor of the Year.** Institutional investor award winners are chosen by the editorial staff of Institutional Investor magazine based on their market intelligence, performance data and additional information received from the industry following a public call for nominations.

**Risk Magazine, Asset Manager of the Year.** Winners of the Risk Awards in the end-user categories were nominated because they demonstrate best practice in risk management/derivatives trades, have made significant improvements to risk management, have executed an innovative trade or, in the case of hedge funds, posted good returns in a difficult environment.

### Deputy Chief Investment Officer, Jeffrey Sherman

**Business Insider, 10 Must-Listen Investing Podcasts.** Competiello, Christopher. "These 10 must-listen podcasts can help you master investing, from day-trading to real estate." Business Insider. 5 March, 2020. Opinion based article.

**Money Management Executive, 10 Fund Managers to Watch.** Managers were chosen based on factors including long-and short-term performance in their specific categories, individual strategies and their length of time in the business. All funds considered were led by single managers.

### Director of International Fixed Income, Luz Padilla

**Barron's, 100 Most Influential Women in U.S. Finance.** Barron's, 100 Most Influential Women in U.S. Finance. Honorees were chosen by a panel of Barron's writers and editors, based on external and Barron's nominations. It includes chief financial officers at major U.S. companies, leading executives at some of the nation's largest banks and brokerages, stellar investment managers and securities analysts, and public servants and policy makers.

**Money Management Executive, Top 10 Women in Asset Management.** Money Management Executive used a nomination process that sought industry participation. Editors then reviewed candidate qualifications in order to select the final choices. The 10 women chosen have made noteworthy contributions to their firms, the broader asset management industry and their communities.

**Citywire, USA, 20 Top Female Portfolio Managers in the U.S.** Citywire chose women who had top-quartile absolute returns in their discipline and the highest levels of risk-adjusted returns over the past three years.

### Chief Investment Officer, Jeffrey Gundlach

**Fixed Income Analysts Society, Inc. (FIASI), Fixed Income Hall of Fame.** In 1995, the Fixed Income Analysts Society established a Hall of Fame to recognize the lifetime achievements of outstanding practitioners in the advancement of the analysis of fixed-income securities and portfolios. Inductees will have made major contributions to the advancement of fixed-income analysis and portfolio management. These contributions may be academic, business-related or FIASI-related. The Board of Directors determines the annual inductees.

**Bloomberg Markets Magazine, 50 Most Influential.** Markets 50 Most Influential magazine editors favor recent accomplishments above lifetime achievements to build their list. They rely on the rankings, profiles, and cover stories they publish throughout the year in Bloomberg Markets.

**Forbes, Most Powerful People.** A panel of Forbes editors ranked all candidates in each of these four dimensions of power, and those individuals rankings were averaged into a composite score. 1) Power over lots of other people, 2) Financial resources controlled by each person measuring company's assets and revenues. 3) Powerful in multiple spheres or areas 4) Candidates actively using that power.

**Institutional Investor, Money Manager of the Year.** Manager winners are selected by the editors of the magazine based on the results of a survey conducted of U.S. institutional investors.

**Morningstar, Finalist for Fixed Income Manager of the Decade.** Manager of the Decade award considers the risks assumed to achieve those results and takes into account the strength of the manager, strategy and firm's stewardship.

**Murray Coleman and Jonathan Burton.** "Subprime woes aren't over, fund manager warns." Market Watch. Market Watch, Inc. 27 June 2007.

### Important Information Regarding This Material

Issue selection processes and tools illustrated throughout this presentation are samples and may be modified periodically. These are not the only tools used by the investment teams, are extremely sophisticated, may not always produce the intended results and are not intended for use by non-professionals.

DoubleLine has no obligation to provide revised assessments in the event of changed circumstances. While we have gathered this information from sources believed to be reliable, DoubleLine cannot guarantee the accuracy of the information provided. Securities discussed are not recommendations and are presented as examples of issue selection or portfolio management processes. They have been picked for comparison or illustration purposes only. No security presented within is either offered for sale or purchase. DoubleLine reserves the right to change its investment perspective and outlook without notice as market conditions dictate or as additional information becomes available. This material may include statements that constitute “forward-looking statements” under the U.S. securities laws. Forward-looking statements include, among other things, projections, estimates, and information about possible or future results related to a client’s account, or market or regulatory developments.

### Important Information Regarding Risk Factors

Investment strategies may not achieve the desired results due to implementation lag, other timing factors, portfolio management decision-making, economic or market conditions or other unanticipated factors. The views and forecasts expressed in this material are as of the date indicated, are subject to change without notice, may not come to pass and do not represent a recommendation or offer of any particular security, strategy, or investment. All investments involve risks. Please request a copy of DoubleLine’s Form ADV Part 2A to review the material risks involved in DoubleLine’s strategies. Past performance is no guarantee of future results.

### Important Information Regarding DoubleLine

To receive a copy of DoubleLine’s current Form ADV (which contains important additional disclosure information, including risk disclosures), please contact DoubleLine’s Client Services.

### Important Information Regarding DoubleLine’s Investment Style

DoubleLine seeks to maximize investment results consistent with our interpretation of client guidelines and investment mandate. DoubleLine cannot guarantee that DoubleLine will outperform a client’s specified benchmark or the market or that DoubleLine’s risk management techniques will successfully mitigate losses. Additionally, the nature of portfolio diversification implies that certain holdings and sectors in a client’s portfolio may be rising in price while others are falling or that some issues and sectors are outperforming while others are underperforming. Such out or underperformance can be the result of many factors, such as, but not limited to, duration/interest rate exposure, yield curve exposure, bond sector exposure, or news or rumors specific to a single name.

DoubleLine is an active manager and will adjust the composition of clients’ portfolios consistent with our investment team’s judgment concerning market conditions and any particular sector or security. The construction of DoubleLine portfolios may differ substantially from the construction of any of a variety of market indices. As such, a DoubleLine portfolio has the potential to underperform or outperform a bond market index. Since markets can remain inefficiently priced for long periods, DoubleLine’s performance is properly assessed over a full multi-year market cycle.

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RESPONSE TO INVESTMENT MANAGERS ANNUAL PRESENTATION FORMAT FROM  
Tulare County Employees' Retirement Association

Franklin Templeton Global Bond Plus Trust

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## I. BRIEF REVIEW OF CHANGES TO FIRM

### Ownership changes

The shareholder structure of Franklin Resources, Inc. has remained fairly consistent over the past five to ten years, with approximately 23.2% of outstanding shares held by directors and officers of the firm, and the majority of remaining shareholders consisting of various institutional investors.

The firm has been listed on the New York Stock Exchange since December 5, 1986.

### Organizational changes

On July 31, 2020, Franklin Templeton announced it completed the acquisition of Legg Mason, Inc. and its specialist investment managers, establishing Franklin Templeton as one of the world's largest independent, specialized investment managers with assets under management of US\$1.4 trillion. The combined footprint significantly deepened the firm's presence in key geographies and created an expansive investment platform well balanced between institutional and retail client AUM. The transaction, originally announced in February, also brought notable added leadership and strength in core fixed income, equities and alternatives, and expanded Franklin Templeton's multi-asset solutions capabilities. Legg Mason's specialist investment managers (SIMs) offer complementary strengths to Franklin Templeton's investment teams, providing clients with a broader and more diversified range of strategies to meet their specific needs.

Each of these SIMS or investment groups, operates autonomously, each according to the guiding principles of its own investment philosophy. This enables Franklin Templeton to provide our clients with access to a broad range of investment strategies and one of the most comprehensive product lines in the world.



## II. BRIEF DESCRIPTION OF ASSET CLASS

Please see below for an overview of our Global Bond strategy:

The Templeton Global Bond strategy is managed by the Templeton Global Macro group. Templeton Global Macro has been a pioneer of unconstrained global fixed income investing since the launch of their flagship fund, the Templeton Global Bond Fund, in 1986. Templeton Global Macro provides clients with return-seeking, macroeconomic research-led fixed income strategies which have historically been lowly correlated with traditional (benchmark-aware) strategies and market indices.

The Franklin Templeton Global Bond Plus Trust is not constructed with reference to a benchmark—only investments in which we have the highest conviction are held. We focus primarily on overall volatility and potential total return, rather than tracking error against an index. However, because the strategy invests in debt issued by governments and government agencies located around the world, the JP Morgan Global Government Bond Index is an appropriate benchmark for performance comparison.

The Franklin Templeton Global Bond Plus Trust invests predominantly in bonds issued by governments and government agencies located around the world. The strategy invests globally, in both developed and emerging markets, and investments may be denominated in any currency and be of any maturity. The investment in below investment grade securities is generally limited to 25%.

For purposes of pursuing its investment goals, the Fund maintains significant positions in currency-related derivatives, principally currency and cross-currency forwards, although currency and currency index futures contracts may also be used. The Fund may also enter into various other transactions involving derivatives, including interest rate/bond futures and swap agreements (which may include interest rate and credit default swaps). Derivatives may be used for hedging purposes, to enhance returns, or to obtain net long or net negative (short) exposure to selected currencies, countries, and interest rates.

### Investment Approach

Templeton Global Macro strategies use a **fundamental research-driven** investment approach to identify potential sources of **total return**. Templeton Global Macro runs only unconstrained, **benchmark-agnostic** strategies which give portfolio managers the flexibility to actively exploit opportunities globally that offer the highest expected risk-adjusted returns.

Portfolio managers and analysts conduct global macroeconomic and country research to identify the most compelling investment opportunities, independently evaluating three sources of potential return—currencies, interest rate strategies, and credit opportunities. Portfolio managers build portfolios within a defined risk budget, which evolves over the economic or credit cycle to reflect the relative attractiveness of each potential alpha source. Portfolios are built from the bottom-up, using a mosaic of risk metrics which seek to give the investment team a keen awareness of the level and sources of risk.

### Investment Philosophy

Templeton Global Macro uses a fundamental research-driven investment approach that integrates global macroeconomic analysis with in-depth country research to identify and exploit long-term economic imbalances. We believe that while various factors can cause markets to trade independently of their underlying macroeconomic fundamentals for periods of time, markets are efficient in the long-term and such imbalances should be self-correcting.

We believe that an unconstrained approach to fixed income investing enhances long-term value potential, so the strategy looks beyond the constituents of traditional market benchmarks for the most compelling investment

opportunities. Templeton Global Macro strategies invest in only those countries and securities in which we have the highest conviction.

Within the strategy, risk is allocated across three independent sources of return—interest rates, currency and credit risk. This delivers diversification benefits and the potential to generate positive returns during all phases of the investment cycle, which strengthens the strategy's ability to provide more consistent returns over the long run.

Templeton Global Macro has had the same investment philosophy and has been applying the same broad fixed income investment process since 1986.

### **Competitive Advantages**

We believe that the following factors represent our strengths in the management of global bond portfolios and provide us with an advantage versus our competitors:

#### *An Unconstrained Worldview*

The strategy is actively managed and benchmark agnostic. This provides unconstrained access to a vast universe of potential investments across global fixed income and currency markets. Templeton Global Macro uses its extensive research to forecast expected changes in interest rates, foreign exchange rates, and credit spreads (yield premiums) in global bond markets.

#### *A Truly Global Research Platform*

Investors in Templeton Global Macro strategies benefit from the resources and experience of one of the largest and well-established global fixed income groups in the industry. We bring the best ideas from around the globe, using the insights of portfolio managers, global macroeconomic and country researchers, quantitative analysts, and traders. Templeton Global Macro carries out extensive on-the-ground research in countries we invest in, and routinely meets with central bank officials, government policy makers, and regional local business leaders to assess fundamental economic prospects and market trends. In addition, the group draws on the breadth of Franklin Templeton's global fixed income capabilities, in particular, the expertise of regional fixed income investment professionals around the world. This structure enables Templeton Global Macro to gain a truly global perspective of the interaction between global economies and the world's bond markets.

#### *A High-Conviction Process*

The strategy has an established track record across a wide variety of market environments and has delivered solid risk-adjusted absolute and relative returns over time. Our investment process relies on multiple research lenses—in-depth country analysis, macroeconomic modeling, and a local perspective. This deep understanding of the global economy and the world's bond markets allows us to identify economic imbalances and perceived mispricing. Only the opportunities in which we have the highest conviction are included in portfolios, which are constructed to capture specific risks that we expect to be rewarded.

### III. GUIDELINE CONFIRMATION & FEE SCHEDULE UPDATE

There are no issues with the guidelines governing the Franklin Templeton Global Bond Plus Trust that Tulare is invested in for the period of June 1, 2020, till June 30, 2021.

The Total AUM <sup>(1)</sup> for Tulare County Employees' Retirement Association as of June 30, 2021, is US \$84,50 million.

<sup>(1)</sup> This information relating to assets under management (AUM) is being provided in response to the particular request contained in the Due Diligence Questionnaire and the figures provided may, therefore, be categorized differently than those reported for regulatory or other disclosure purposes. AUM includes assets for which the firm provides various investment management services as described in Franklin Resources, Inc.'s current Form 10K (See Item I, "Business". A copy of the current Form 10K as well as the most recent Annual Report can be located at [www.franklinresources.com](http://www.franklinresources.com)). The way we calculate our AUM may change from time to time based on such factors as changes in industry standards, regulatory requirements or specific requests.

#### Fee Schedule

Please refer to the below table for the latest available fee schedules for Franklin Templeton Global Bond Plus Trust.

	Mgmt Fees	All-in Capped Fees	Actual All-in Fees <sup>(1)</sup>
First \$50M	47 bps	57 bps	52 bps
Next \$50M	36 bps	46 bps	41 bps
Balance	30 bps	40 bps	35 bps

<sup>(1)</sup> As of most recent financial statements.

#### Effective Fee Rate

Effective Fee Rate (EFR): 51 bps based on most recent AUM as of June 30, 2021.

## IV. REVIEW OF ACHIEVEMENT OF PERFORMANCE OBJECTIVES

## a. TCERA Performance

As of June 30, 2021	1 Mth	QTD	1 Qtr	YTD	1 Yr	3 Yrs <sup>(1)</sup>	5 Yrs <sup>(1)</sup>	31-Mar-12 to 30-Jun-21 <sup>(1)</sup>
Franklin Templeton Global Bond Plus Trust (Gross)	-0.53	0.56	0.56	-2.23	-1.76	-2.81	4.11	16.91
Franklin Templeton Global Bond Plus Trust (Net)	-0.53	0.47	0.47	-2.40	-2.18	-4.30	1.52	11.53
JP Morgan Global Government Bond Index	-0.82	1.07	1.07	-4.64	-0.01	11.18	8.08	14.40
JP Morgan Global Government Bond Index Relative Return	0.29	-0.61	-0.61	-2.17	-2.17	-5.05	-1.27	-0.74
JP Morgan Global Govt. Bond (Hedged Into USD) Index	0.58	0.94	0.94	-2.44	-1.79	13.54	13.54	37.75

<sup>(1)</sup> Annualized Rate of Return.

## b. Absolute &amp; Relative Performance Commentary (1 year)

In the 12-months ending June 30, 2021, Templeton Global Bond Plus Trust's negative absolute performance was primarily due to currency positions. Interest-rate strategies contributed to absolute results, while sovereign credit exposures had a largely neutral effect. Among currencies, positions in Latin America (the Argentine peso) detracted from absolute performance, as did net-negative positions in the Australian dollar and the euro. However, positions in northern European currencies (the Norwegian krone and Swedish krona) against the euro contributed. The strategy maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets. Select duration exposures in Latin America (Argentina and Mexico) and Africa (Ghana) contributed to absolute results.

In the 12-months ending June 30, 2021, Templeton Global Bond Plus Trust's relative underperformance was primarily due to currency positions. Interest-rate strategies contributed to relative results, while sovereign credit exposures had a largely neutral effect. Among currencies, overweighted positions in Latin America (the Argentine peso) detracted from relative performance, as did net-negative positions in the Australian dollar and the euro. However, positions in northern European currencies (the Norwegian krone and Swedish krona) against the euro contributed. The strategy maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets. Select overweighted duration exposures in Latin America (Argentina and Mexico) and Africa (Ghana) contributed to relative results.



## V. STOCK SELECTION PROCESS & SELL DISCIPLINE

### a. Provide an Example of a Successful Investment/Stock Selection

The investment team relies on three key factors to determine whether to sell an investment:

- (1) There is substantially greater value in another name or investment opportunity,
- (2) A position reaches a sell target set by analysts, or
- (3) Fundamentals change and warrant a revaluation of the expected return of a holding.

### b. Provide an Example of a Successful Sell Decision

#### **Brazil (2015 onwards)**

In late 2015, Brazil was in the midst of an economic crisis driven by previous pro-cyclical and overly aggressive fiscal and monetary policies during the commodity boom. This was compounded by a political crisis arising from a corruption scandal. However, we saw significant potential for improvement in governance in the country, as Brazilians began to reject the failed policies of the past. We significantly increased our position in local currency government bonds in the fourth quarter of 2015 (the 10-year Brazilian bond was yielding around 16.5% on December 31, 2015). President Dilma Rousseff was impeached, and the country began to embark on a new era of more responsible policies. The new Brazilian government pushed forward with the first steps toward consolidation, lowering the ceiling on public spending and readying a possible reform of social security. The market viewed these developments favorably, and both bond prices and the Brazilian real recovered meaningfully. Jair Bolsonaro's victory in the presidential election in 2018 represented a clear move away from the failed socialist politics of the prior decade. Brazil's economy rebounded in 2019, buoyed by a historical monetary easing cycle, and the government stuck to constitutional spending constraints, passed a landmark pension reform bill, and oversaw record privatizations. By December 31, 2019, the 10-year Brazilian bond was yielding around 6.1%.

Despite the positive developments in 2019, the country experienced a significant contraction in economic activity during 2020 due to the COVID-19 pandemic, while also becoming one of the world's largest virus hotspots. In response to the virus, the central bank lowered its policy rate and unveiled liquidity support measures. On the fiscal side, the government passed funds for informal and self-employed workers and approved a new parallel budget, which allowed for emergency spending in the short term while not technically breaching the constitutional spending caps. Many critical reforms for fiscal sustainability were delayed as a result of political disputes and the pandemic. We partially hedged our Brazilian real exposure in April 2020 and reduced our local currency bond positions on strengthening valuations in December 2020 (the 10-year Brazilian bond was yielding around 6.3% on Dec 31st), before fully exiting positions in the first quarter 2021 due to sharply rising debt levels and political uncertainty over the path of fiscal consolidation.

The position was added back in April 2021 (the 10-year Brazilian bond was yielding around 9.12 % on April 30) as political compromises in the spring and better-than-expected economic figures supported an improved outlook. Additionally, Banco Central do Brasil (BCB) has maintained its independence and responded to inflation pressures by hiking its policy rate by 75 bps in March, May, and June to 4.25%, helping to stabilize the country's financial markets and bolster its currency. Heightened risk aversion across the country's financial markets in the spring created compelling medium-term valuations for re-entry into the local currency sovereign bond markets. Nonetheless, we continue to monitor conditions given the lack of containment of the pandemic and ongoing political and fiscal risks.

**c. Provide an Example of an Unsuccessful Sell/Hold Decision**

We built up a position in the Malaysian ringgit during the Global Financial Crisis (GFC), as we were encouraged by the country's strong recovery due to broad based fiscal, monetary and financial policy responses. We expected further growth to be well supported by the diversified nature of the Malaysian economy across electronics and commodities, a current account surplus, and strong ties to growth in China. When EM currencies including the ringgit came under intense pressure in 2015 due to the collapse in commodity prices, we added to our position. Given the strength of Malaysia's diversified export base and the country's unchanged credit fundamentals, we thought the market reaction was overdone. Central Bank (Bank Negara Malaysia) Governor Zeti Akhtar Aziz had run responsible monetary policy during her tenure from 2000 to 2016, lowering rates in response to the GFC, but prudently raising rates after the subsequent recovery. However, a change in leadership at the Central Bank in May 2016 led to a gradual change in monetary policy direction. This, together with increasing concerns about potential trade disruptions with China in light of the 2016 US presidential election led to a reevaluation of our holding. Despite the continued undervaluation of the Malaysian ringgit, we decided to re-focus the portfolio toward more domestically oriented countries such as India and Indonesia. We exited our position in Malaysia in early 2017.

## VI. CURRENT MARKET CONDITIONS & MARKET OUTLOOK

### a. Effects of Current Market Conditions on Portfolio

- While our defensive positioning heading into the March 2020 lockdowns initially provided extraordinary downside protection, we maintained a cautious stance through the remainder of the year, given our concerns for second and third waves of COVID-19, notably in the fall and winter months. Tragically, the third wave not only arrived in the fall and winter but proved to be the most catastrophic contagion and morbidity levels to date. Nonetheless, many risk assets continued to perform well, not on underlying fundamentals, but due to massive monetary and fiscal support programs. Our cautious stance from April through the end of the year became the primary source of underperformance for 2020, as our defensive approach directly restrained returns as risk assets continued to rally while the US dollar broadly weakened from May through December.
- However, two significant developments in the waning months of 2020 reshaped our outlook for 2021. The first was the development and distribution of highly effective vaccines against COVID-19, and the second is a return to more orthodox diplomacy in the US, which lowers the risks for a geopolitical shock. We expect these changes to incrementally open-up significant investment opportunities in emerging markets in particular. A tremendous amount of value was locked up in 2020 due to ongoing shocks and persistent uncertainty. Conditions were unstable at the beta level: broad-based risk dynamics, access to funding, capital account access, global commodity prices, global growth and open trade were all profoundly disrupted. With baseline beta factors normalizing, the idiosyncratic alpha potential of individual countries is re-emerging. We are actively evaluating macro fundamentals and ESG factors to identify specific countries that are improving in ways that offer medium to longer-term value.
- We shifted the emphasis of the strategy at the end of 2020 to focus on specific currencies that show medium-term value against the euro and the USD, and we have incrementally expanded that positioning year-to-date in 2021. We also continue to focus on compelling risk-adjusted yields in various local-currency bond markets, specifically in countries with resilient economies and strong trade dynamics. We continue to largely avoid developed market duration exposures in preference for higher yields available in select emerging markets. We continue to add attractive risk-adjusted opportunities to the portfolio, and we believe our absolute and relative returns will continue to improve.

### b. Market Outlook

- We expect broadly improving macroeconomic conditions as vaccines are progressively distributed around the world. It will take time to achieve critical immunity levels in many regions, but we expect a continued surge in economic activity in the second half of 2021 as people increasingly re-engage with the world. Economic recoveries are likely to remain uneven as countries are at different stages of containing the pandemic. Additionally, regional risks have resurfaced with the proliferation of various COVID variants, such as the delta variant. We continue to monitor policy responses, health conditions and macro environments around the world. Overall, we remain largely constructive in a number of markets, focusing on three core themes for upcoming quarters: (1) weakness in the euro and USD, on excessive fiscal and monetary policies in Europe and the US, against currencies in countries with strong trade dynamics, current account surpluses, better fiscal management and stronger growth potential, notably in Asia; (2) avoiding interest-rate risks in low-yielding developed markets; and (3) pursuing sovereign bonds with relatively higher yields in a select set of resilient emerging markets.

- We continue to be constructive in a number of regions, with a particular focus on areas of Asia that have addressed the health and economic crises more effectively. However, it remains crucial to be highly selective as there is wide variance in not only how well countries are containing COVID-19 and distributing vaccines, but also how well countries have handled fiscal and monetary policy and supported their economies. We expect staggered timelines for specific investment opportunities given the divergent conditions in regional and local markets.
- The growth outlook for much of Asia looks compelling as several countries have managed the health crisis and their fiscal responses more effectively than other parts of the world. Not only are these countries in a stronger position to recover, they are also better guarded against potential setbacks should COVID variants cause the pandemic to relapse. Fiscal deficits are also generally lower across Asia, while interest rates are higher than in developed markets. Several growth drivers in the region are also aligned with trending sectors such as pharmaceuticals, digitalization, big data and high tech, notably in places like South Korea. We see value in specific Asian currencies against the USD and the euro, particularly in countries with resilient trade and current account surpluses.
- The other major factor across Asia is the strength of China's economy and its currency orbit, as regional trade and asset ownership are increasingly denominated in the yuan. China is leading the way in the digitalization of its currency, which has the potential to accelerate its trend towards becoming a reserve currency, challenging the USD's dominance. Broadly speaking, China's outward expansion should continue to have a substantial effect on the global economy through the Belt and Road initiative, financing of capital markets in other parts of the world, expansion of trade and growing territorial influence. Policy continuity and the opening of China's bond markets to foreign investors should also have a stabilizing effect regionally that we expect to be supportive of growth. In contrast to the fiscal and monetary prudence amongst many Asian countries, the US and much of the advanced world are running deficits that are unequalled since the post-World War II reconstruction era, with governments deploying record levels of fiscal support. Widening income inequality and ongoing economic damage from the pandemic will likely necessitate additional fiscal spending and ongoing monetary accommodation, increasing longer-term structural risks and weakening the USD and the euro.
- Central banks have come to be seen as the policymaker of first and last resort during a crisis in many parts of the world, with extreme monetary policy becoming the norm in developed economies. Stronger institutions in developed countries enable more extreme measures, albeit not without consequences. Massive fiscal deficits and persistently low rates to minimize debt financing should lead to currency depreciations, notably in the EA and the US. However, emerging markets typically have less ability to pursue and stick with ultra-accommodative policies given the amplified risks to price stability and their exchange rates. The necessity to maintain higher monetary standards in emerging markets should have the benefit of bolstering valuations in developing countries that have stronger underlying fundamentals and an appropriate monetary policy response. We continue to pursue investment opportunities in countries with these types of qualities.
- During the second quarter of 2021, many central banks began considering when and at what pace to begin normalizing policy. Specific countries with inflation concerns have already begun raising rates, such as Brazil and Mexico, while others are looking towards normalizing policy to keep ahead of the curve, based on strengthening economic conditions. A number of countries are indicating that rate hikes and/or asset-buying program adjustments could arrive in the second half of 2021. We expect a growing divergence on the monetary policy front as certain developed market central banks trend



towards policy normalization ahead of others, while certain emerging market central banks are compelled to tighten policy to contend with rising inflationary pressures.

### IMPORTANT NOTES

This response (the Response) is based on the information provided in the Due Diligence Questionnaire (the Questionnaire). To the extent any such information in the Questionnaire is incomplete or inaccurate, Franklin Templeton reserves the right to alter, amend or delete any information it has provided in the Response. Franklin Templeton has prepared the Response in good faith and, to the best of its knowledge, all information provided in the Response is accurate as of the date submitted. Information, including all data, provided in the Response is unaudited, unless otherwise indicated. Additionally, any information relating to assets under management (AUM) is being provided in response to the particular request contained in the Questionnaire and the figures provided may, therefore, be categorized differently than those reported for regulatory or other disclosure purposes. AUM includes assets for which the firm provides various investment management services as described in Franklin Resources, Inc.'s current Form 10K (See Item I, "Business"). A copy of the current Form 10K as well as the most recent Annual Report can be located at [www.franklintempleton.com](http://www.franklintempleton.com)). The way we calculate our AUM may change from time to time based on such factors as changes in industry standards, regulatory requirements or specific requests. Any information from third-party sources is believed to be reliable, but Franklin Templeton cannot guarantee its accuracy or completeness. Information set forth in the Response is subject to change and Franklin Templeton does not undertake any duty to update the Response after its issuance nor does it accept responsibility for any modifications made to the Response after its date of issue. Responses may include a general description of the types of services Franklin Templeton may provide to its clients and may not be applicable or tailored to the Questionnaire. Data shown for currency exposure, country exposure, maturity, duration, coupon allocation, sector allocation and asset allocation may reflect certain derivatives held in the portfolio (or their underlying reference assets). Breakdowns may not total 100% or may be negative due to rounding, use of derivatives, unsettled trades or other factors. When performance for either the portfolio or its benchmark has been converted into another currency, different foreign exchange (FX) closing rates may be used for the conversion of the portfolio and benchmark performance.

The information contained in the Response is solely for the purpose of responding to the Questionnaire, shall be treated as confidential, and shall be distributed internally on an as-needed basis only. Subject to applicable regulatory requirements, it shall not be distributed or otherwise communicated to third parties (other than any consultant engaged by the issuer of the Questionnaire to assist in connection therewith) without the prior written consent of Franklin Templeton. Any such consultant shall likewise be obligated to treat the Response as confidential.

Investing may involve a high degree of risk. The issuer of the Questionnaire is deemed to be an experienced institutional investor or consultant and is expected to make its own independent assessment of the appropriateness and the associated risks of investing. Franklin Templeton shall not be held liable for any losses or damages arising out of any person's reliance upon the information contained in the Response. Except as expressly provided in the Response, no person, firm, or corporation has been authorized to give any information or to make any representation other than those contained in the Response.

All investors should inform themselves as to the legal and other requirements applicable to them with respect to any investments, holdings, and/or disposition of any investments. Franklin Templeton takes no responsibility for informing or advising investors of any applicable laws or regulations.

Views or opinions expressed in the Response do not constitute investment, legal, tax, financial or other advice. The Response is neither an offer for a particular security nor a recommendation to purchase any investments. The way Franklin Templeton implements its investment strategies and the resulting portfolio holdings may change depending on a variety of factors such as market and economic conditions, as well as client account guidelines and restrictions, if applicable. The information provided in the Response is not a complete analysis of every aspect of any market, country, industry, security, strategy or portfolio. Past performance does not guarantee future results and results may differ over future time periods.

By accepting these materials, you confirm your acceptance of the above terms.



Data as of June 30, 2021

# Franklin Templeton Global Bond Plus Trust

TULARE COUNTY EMPLOYEES RETIREMENT ASSOCIATION

| August 11, 2021

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Institutional Relationship Manager  
Franklin Templeton Institutional

The Franklin Templeton Global Bond Plus Trust is a collective investment trust maintained by Fiduciary Trust International of the South, as trustee of the fund.

This material is intended solely for ERISA pension or profit-sharing plans, governmental plans, certain deferred compensation plans, or other organizations eligible to invest in the fund referenced above as described in its Declaration of Trust. It shall not be distributed to the general public. Please see the Important Disclosures for additional details. To request the offering documents of the Fund or obtain a GIPS Pooled Fund Report, please contact [clientservicesrequests@franklintempleton.com](mailto:clientservicesrequests@franklintempleton.com). The offering documents include information regarding investment objectives, risks, expenses and other information that you should read and consider carefully before investing.

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**Not FDIC Insured | May Lose Value | No Bank Guarantee**

## Franklin Templeton Global Bond Plus Trust

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Franklin Templeton (FT) is a global investment management firm with investment advisors that are registered in different countries. For purposes of complying with the GIPS standards, business entities within FT, including Legg Mason, are defined as separate business entities. For a list of business entities which claim GIPS compliance, please contact Franklin Templeton at 1-800-321-8563.

For more information, including risks and specific product details, please see the "Summary" slide, and if shown as a separate slide, the "What Are the Risks?" slide.

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## Franklin Templeton Global Bond Plus Trust

**Franklin Templeton Is a Global Leader In Asset Management Serving Clients In Over 160 Countries**



**We are the sixth largest independent asset manager in the world, with<sup>1</sup>:**

**70+**

years of asset  
management experience

**\$1.5 Trillion**

(USD) total assets  
under management

**1,250+**

investment professionals<sup>2</sup>

**10,900+**

employees globally

**We have one of the industry's broadest global footprints**

**34**

Countries  
with Offices



**The strength and experience  
of a global leader**

- We are the world's top cross-border fund manager<sup>3</sup>
- Located in countries representing 84% of the world's GDP<sup>4</sup>

1. As of 06/30/2021. Franklin Templeton acquired Legg Mason on 07/31/2020.

2. Investment professionals include portfolio managers, research analysts, research associates, investment support and executives of Franklin Templeton, Legg Mason and subsidiary investment management groups.

3. As of March 2021. Franklin Templeton was ranked first in the cross-border management group category by PwC in their 2021 Benchmark Your Global Fund Distribution Report, which ranks asset managers on the number of countries in which their cross-border funds are distributed.

4. Based on information from the International Monetary Fund, World Economic Outlook Database, October 2020.

## Everything We Do Has a Single Focus: Seeking To Deliver Better Client Outcomes



### We aim to offer the best of both worlds: global strength and boutique specialization.

Providing real customization backed by the scale and resources of a large company.  
All driven by our single focus on delivering better client outcomes.



#### Nimble where it matters

- **Autonomous investment teams** where entrepreneurial, independent professionals practice true specialization
- **1,250+ research and investment professionals**, giving us differentiated insights and an “ear to the ground” in 20+ countries
- **At-scale capabilities** in analytics, data and servicing combined with empowered teams makes us uniquely agile



#### Unparalleled in our ability to customize

- **Strategy- and vehicle-agnostic approach** to solving client needs
- **Tailored support** through a global distribution platform, technological tools and value-added services, provides more than just investment returns
- **Multi-asset capabilities** that advance portfolio construction and provide true solutions



#### Guided by long-term value creation

- **Closely-held public firm with a strong balance sheet**, allowing us to invest with a long-term horizon
- **Track record of product and technological innovations** fueled by our Silicon Valley roots
- **Values-based culture**, we do the right thing for our clients and our people

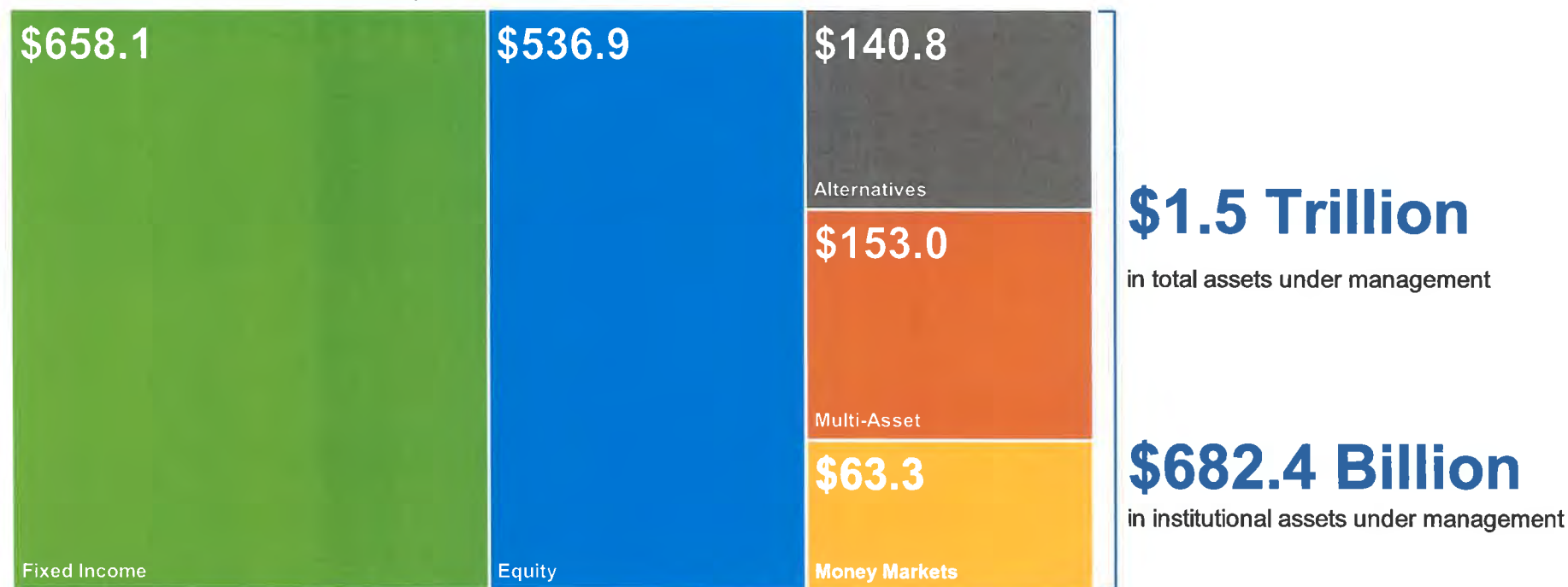
As of June 30, 2021.

## Franklin Templeton Global Bond Plus Trust

We are One of the World's Largest Independent Investment Managers



### AUM Asset Mix ( Billion USD)



### AUM by Region



### AUM by Client Type



All data as of June 30, 2021. Assets under management represent combined assets of Franklin Templeton, Legg Mason, and subsidiary investment management groups. Franklin Templeton acquired Legg Mason on 07/31/2020.

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## Franklin Templeton Global Bond Plus Trust

### We Offer a Full Range of Investment Strategies Across Asset Classes and Geographies



#### Our investment capabilities

##### Equity

Value  
Deep Value  
Core Value  
Blend  
GARP  
Growth  
Convertibles  
Sector  
Shariah  
Smart Beta  
Thematic

##### Fixed Income

Government  
Municipals  
Corporate Credit  
Bank Loans  
Securitized  
Multi-Sector  
Currencies  
Sukuk

##### Multi-Asset Solutions

Income  
Real Return  
Balanced/Hybrid  
Total Return  
Target Date/Risk  
Absolute Return  
Tactical Asset Allocation  
Managed Volatility

##### Alternatives

Private Debt  
Hedge Funds  
Private Equity  
Real Estate  
Infrastructure

#### Our investment brands

Franklin Templeton (1947)				
Western Asset (1971)				
ClearBridge Investments (2005)				
Brandywine Global (1986)				
Clarion Partners (1982)				
Benefit Street Partners (2008)				
Martin Currie (1881)				
QS Investors (1999)				
K2 Advisors (1994)				
Royce (1972)				

# 1250<sup>+</sup>

investment professionals in over 20 countries

As of June 30, 2021. Investment Professionals include portfolio managers, portfolio managers/analysts and research analysts of Franklin Templeton, Legg Mason and subsidiary investment management groups.

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## Franklin Templeton Global Bond Plus Trust

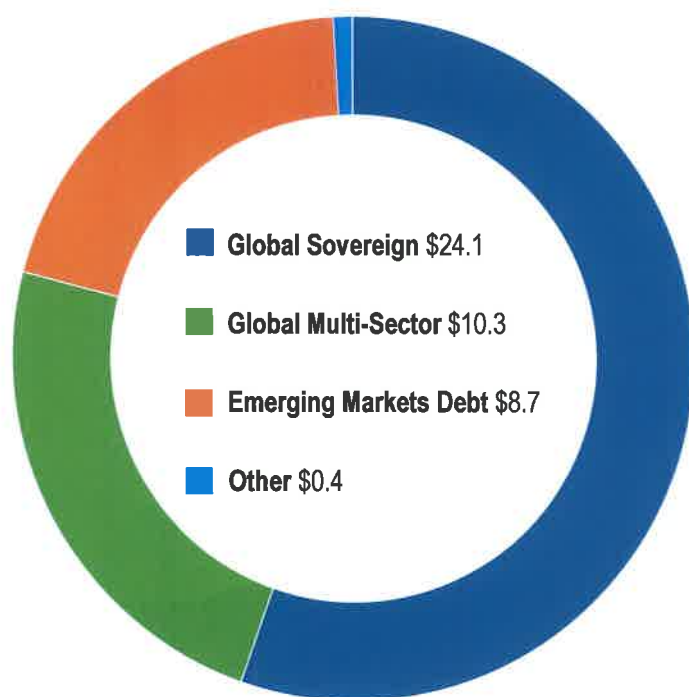
### Templeton Global Macro—Assets Under Management



#### Assets Under Management

Billions (USD) as of June 30, 2021

**Templeton Global Macro has managed unconstrained strategies since 1986**



**Templeton Global  
Macro Total Assets:  
\$43 billion**

Total combined Templeton Global Macro Assets Under Management. AUM includes discretionary and advisory accounts, including pooled investment vehicles, separate accounts and other vehicles, as well as some accounts that may not be eligible for inclusion in composites as defined by the firm's policies. AUM may also include advisory accounts with or without trading authority. In addition, assets for which certain FT advisers provide limited asset allocation advisory services, and assets that are not allocated to FT products are not included in the AUM figures shown.

## Franklin Templeton Global Bond Plus Trust

### Strategy Overview



#### Strategy Summary<sup>1</sup>

- Seek to maximize total investment return consisting of a combination of interest income, currency gains and capital appreciation
- Utilize a benchmark agnostic approach to take advantage of an unconstrained worldview
- Seeks to maintain a longer term volatility profile that is commensurate with that of a traditional global government bond index

#### Investment Focus

- Focus on global government and government-related debt securities, global currencies and related derivatives
- Limit below-investment grade country exposure typically to no more than 25%
- May include allocations to both developed and emerging markets

#### Potential Sources of Value Added

- May utilize three independent sources of alpha potential:
  - Yield Curve
  - Currencies
  - Sovereign Credit

#### For investors who seek to:

- Diversify a fixed income allocation or an overall portfolio via an unconstrained global bond strategy that has historically had low to moderate correlations to other asset classes
- Achieve solid, long-term, risk adjusted returns in diverse market conditions by capturing potential alpha opportunities in global fixed income and currencies

1. There is no assurance that the strategy will achieve its investment objectives. The strategy is managed in a benchmark unconstrained manner.

## Franklin Templeton Global Bond Plus Trust

### A Different Perspective



#### An Unconstrained Worldview

- Focuses only on potential long-term value without reference to traditional benchmarks
- Actively manages three independent potential sources of alpha

#### A Truly Global Research Platform

- One of the largest, most well-established global fixed income teams

#### A High-Conviction Process

- Alignment among multiple research lenses—in-depth country analysis, ESG considerations, macroeconomic modeling and local perspective—can lead to high-conviction opportunities
- Research seeks to identify economic imbalances and isolate only desired risk exposures

» A Different Perspective Can Lead to a Contrarian Approach to Global Fixed Income

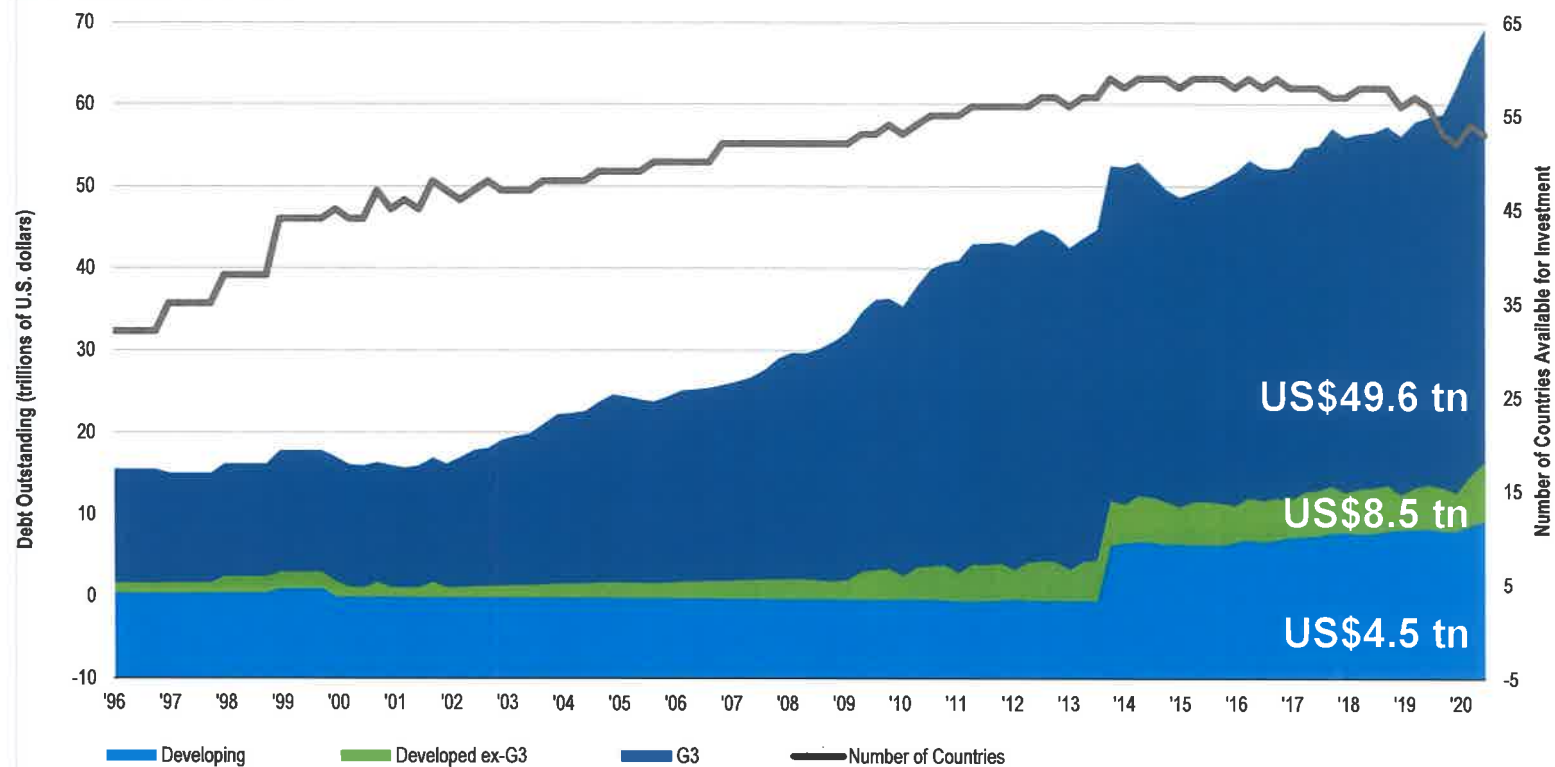
## Franklin Templeton Global Bond Plus Trust

### Expanding Opportunity Set



#### Total Government Debt Outstanding: US\$62.6 trillion

As of December 31, 2020



Source: FactSet. Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com). G3 includes U.S., Japan and Eurozone. Developed and developing countries are based on IMF lists. All nations may not be included due to data availability. Data from January 1996 through December 1999 is reported annually.

Charts are for illustrative and discussion purposes only.

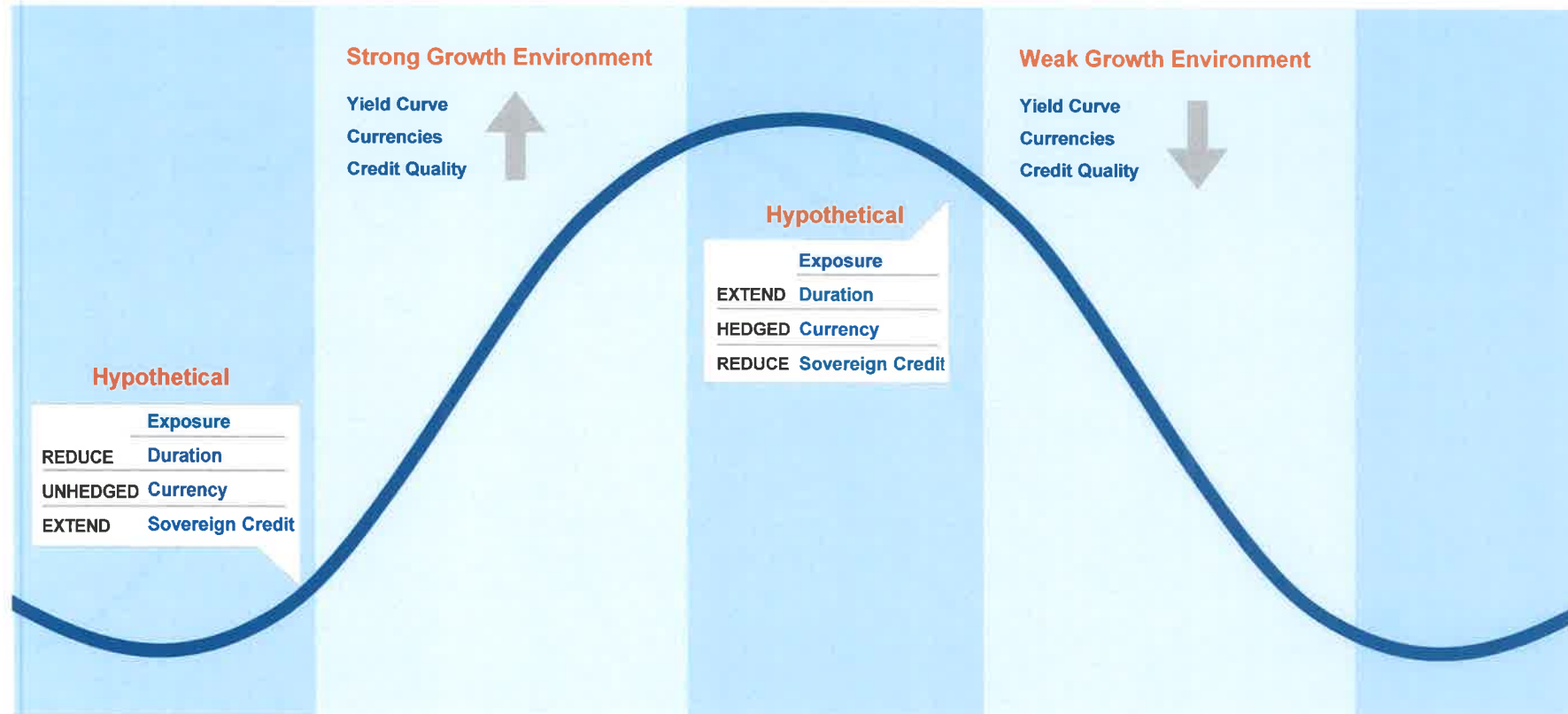
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## Franklin Templeton Global Bond Plus Trust

### Navigating Global Divergence



#### Potential Alpha Sources Can Vary from Country to Country with the Economic Cycle



**Yield Curve** Seeking to position the portfolio to benefit from declining interest rates or to help mitigate the potential impact to the portfolio during periods of rising rates.

**Currencies** Seeking to position the portfolio in currencies we view as the most attractive and hedge currency risks.

**Sovereign Credit** Seeking to capture opportunities for strong growth and improving credit quality in select countries, which may occur during periods of rising inflation and growth.

This is a hypothetical example intended solely to illustrate our investment process. It is for illustrative purposes only and is not intended to reflect any actual positioning of the portfolio and does not constitute investment advice.  
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## Franklin Templeton Global Bond Plus Trust

### On-the-Ground Research



### One of the World's Largest Global Fixed Income and Equity Platforms



1. Includes individuals that are not employees of Franklin Resources, Inc. (FRI) or wholly owned subsidiaries of FRI. However, these individuals are part of our joint venture or strategic partnership relationships worldwide and are an integral component of our overall fixed income research efforts.

2. This unit is comprised of investment professionals located in affiliates of and joint venture partners with Franklin Templeton.

3. Includes the Templeton Global Equity Group and Franklin Templeton Emerging Markets Equity.

As of June 30, 2021.

## Franklin Templeton Global Bond Plus Trust

### Insight and Information Sharing Around the Globe



Over 160 global fixed income and 130 global equity investment professionals.



1. This unit is comprised of investment professionals located in affiliates of and joint venture partners with Franklin Templeton. Investment professionals include portfolio managers, research analysts, research associates, investment support and executives. \*Represents number of years of industry experience. As of June 30, 2021.



## Franklin Templeton Global Bond Plus Trust

### Templeton Global Macro—A Team of Global Fixed Income Experts



**Michael Hasenstab, Ph.D.**  
Executive VP & Chief Investment Officer  
26 Years of Experience

#### Diverse Global Team

- 24 investment professionals including 6 Ph.D. economists
- 14 different nationalities represented across 6 continents: Australia, China, Costa Rica, Ethiopia, France, Germany, Hong Kong, India, Netherlands, Peru, Poland, Romania, South Korea, U.S.
- 17 different languages spoken

Research	Portfolio Construction & Quantitative Analysis	Trading	Institutional Portfolio Management
<b>Calvin Ho, Ph.D.</b> SVP, Director of Research & Portfolio Manager 16 Years of Experience	<b>Christine Yuhui Zhu</b> SVP, Director Portfolio Construction & Trading 18 Years of Experience		<b>Elsa Goldberg</b> SVP, Institutional Portfolio Manager 25 Years of Experience
<b>Hyung C. Shin, Ph.D.</b> VP, Deputy Director of Research 29 Years of Experience	<b>Ryan Ferster, CFA</b> Senior Quantitative Research Analyst 16 Years of Experience	<b>Matthew Henry</b> Senior Trader 14 Years of Experience	<b>Richard Herbert, CFA</b> Institutional Portfolio Manager 10 Years of Experience
<b>Diego Valderrama, Ph.D.</b> VP, Senior Global Macro & Research Analyst 18 Years of Experience	<b>Jaap Willems</b> Senior Quantitative Research Analyst, ESG Specialist 12 Years of Experience	<b>Andrew Mesic</b> Senior Trader 14 Years of Experience	<b>Christopher Kennedy</b> Institutional Portfolio Communications Manager 22 Years of Experience
<b>Attila Korpos, Ph.D.</b> Senior Global Macro & Research Analyst 20 Years of Experience	<b>Adam Drutel, CFA</b> Quantitative Research Analyst 13 Years of Experience	<b>Michael Sheehan</b> Senior Trader, Derivatives 16 Years of Experience	
<b>Jens Waechter, Ph.D.</b> Senior Global Macro & Research Analyst 22 Years of Experience	<b>Bartosz Adamiak</b> Senior Software Engineer 8 Years of Experience	<b>Christopher Myers</b> Trader 17 Years of Experience	
		<b>Kevin Nest</b> Trader 14 Years of Experience	

#### Additional Resources

<b>Gerett Blouin, CFA</b> Senior Investment Risk Manager 18 Years of Experience	<b>Maciej Borucki, CAIA, CIPM</b> Senior Investment Risk Analyst 8 Years of Experience	<b>Kai Teng, CFA, FRM</b> Senior Investment Risk Analyst 10 Years of Experience	<b>Łukasz Młynarczyk, CFA</b> Investment Risk Analyst 1 Year of Experience	<b>Jason LaRocco, CFA, CAIA</b> VP, Director, Global Product Management 18 Years of Experience	<b>Emily Lammers</b> VP, Product Manager 15 Years of Experience
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As of June 30, 2021.

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## Franklin Templeton Global Bond Plus Trust

### Investment Philosophy



#### Beliefs and Guiding Principles

- An unconstrained approach to global fixed income investing can lead to long-term value potential
- Integrating global macroeconomic analysis and ESG indicators with in-depth country research can help identify long-term economic imbalances
- Actively allocating risk across three independent potential sources of alpha can deliver diversification benefits and the potential for more consistent returns in diverse markets

## Franklin Templeton Global Bond Plus Trust

### ESG—Going Beyond Traditional Macroeconomic Indicators



#### Key Beliefs

- ESG issues can affect sovereign bond spreads and can be material to a country's long-term economic sustainability
- We believe in-depth macroeconomic research and ESG considerations provide a better understanding of a country's risk and creditworthiness
  - Soft factors capture the “willingness” vs. the “ability” of a country to service its obligations and deal with the challenges of the future
- ESG integration seeks to improve investment decision making and long-term risk-adjusted returns
  - Allows us to identify potential upside opportunities and early transformation stories
  - Deepens sovereign risk assessment
- ESG considerations align with our medium to long-term investment horizon

## Franklin Templeton Global Bond Plus Trust

### A Proprietary ESG Index—TGM-ESGI



#### Integral to our Country Macroeconomic Research Process

Templeton Global Macro ESG Index (TGM-ESGI) is an aggregate metric comparable to macroeconomic indicators

- **Transparent**—uses a wide range of qualitative indicators produced by international institutions and non-governmental organizations (e.g. World Bank, United Nations, Yale)
- **Comprehensive**—enables comparison across a broad investment universe of developed and emerging countries
- **Measurable**—a systematic measurement of ESG factors score is attributable to each country and monitored by our analyst team
- **Forward-looking**—ESG risk projections are calculated by our team of country macro-economists
- **Embedded**—In-depth macroeconomic research and ESG considerations are an inseparable part of our country risk assessment

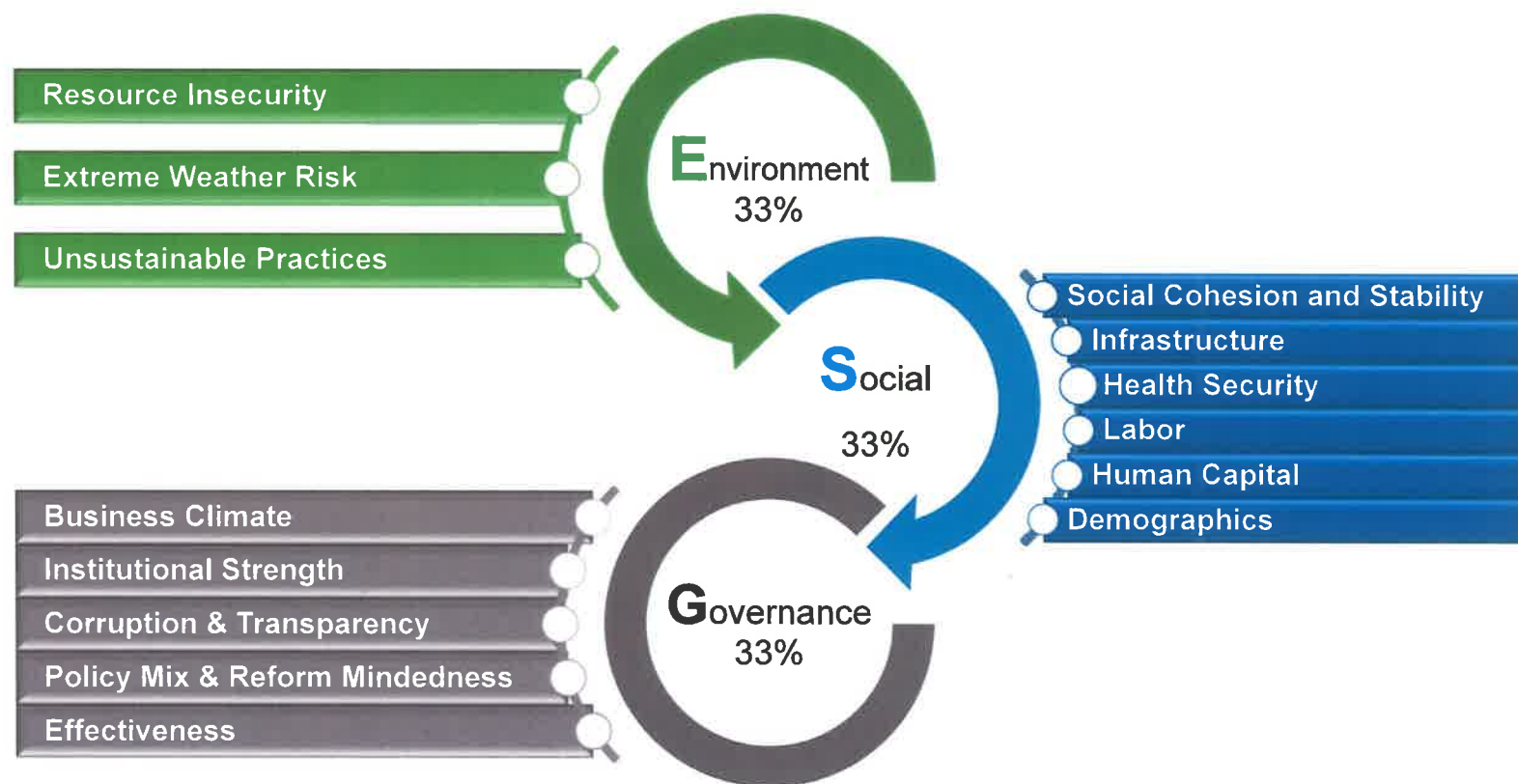
## TGM—ESGI Centers Around 14 Indicators



Indicators that we believe would have the most economic and valuation impact

### Summary of index components

- We assign each country a current and projected score on the 14 indicators (scale from 0 to 100, with 100 being the highest)

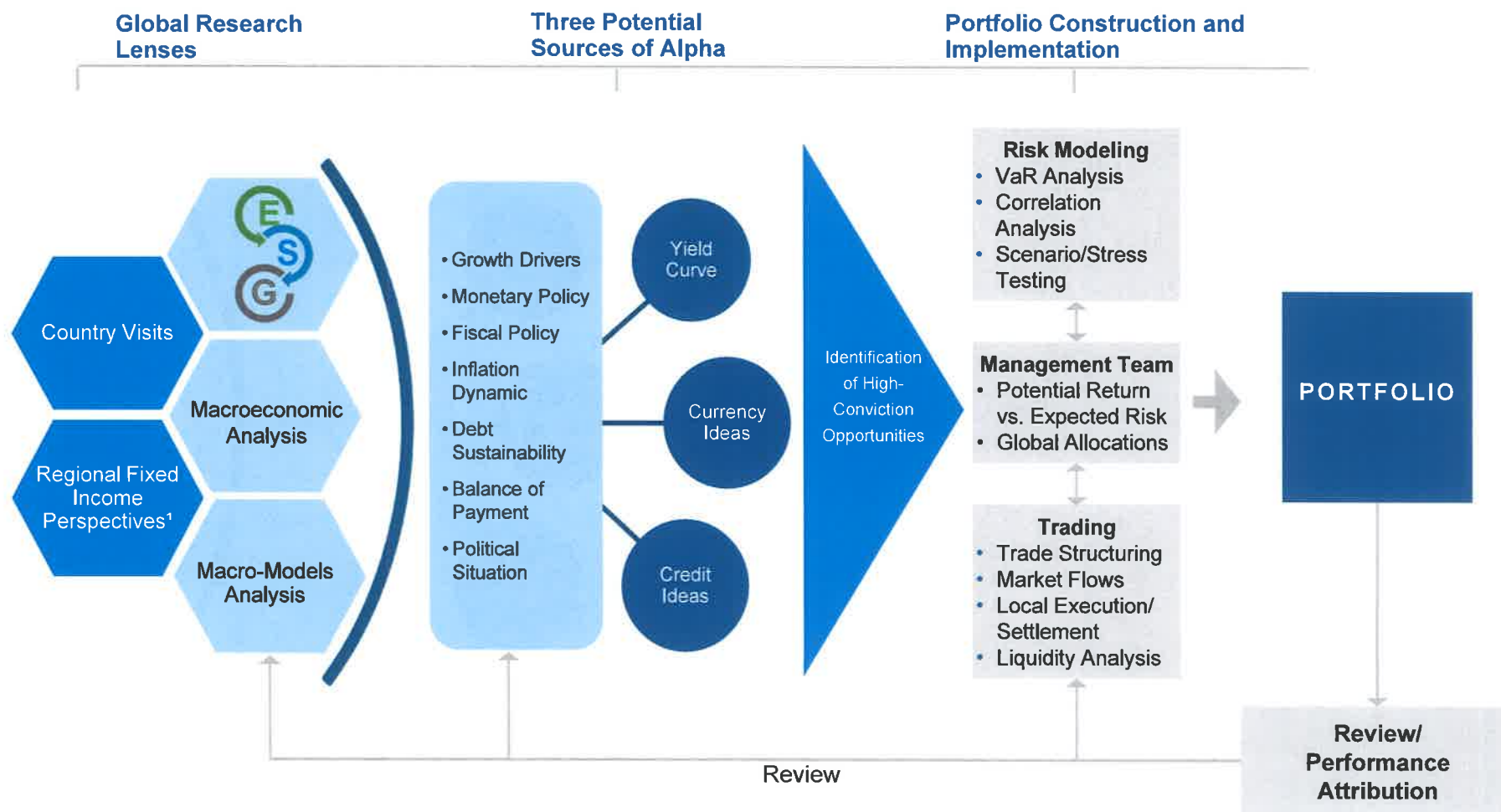


## Franklin Templeton Global Bond Plus Trust

### Investment Process



#### Multiple Research Lenses Can Lead to High-Conviction Opportunities



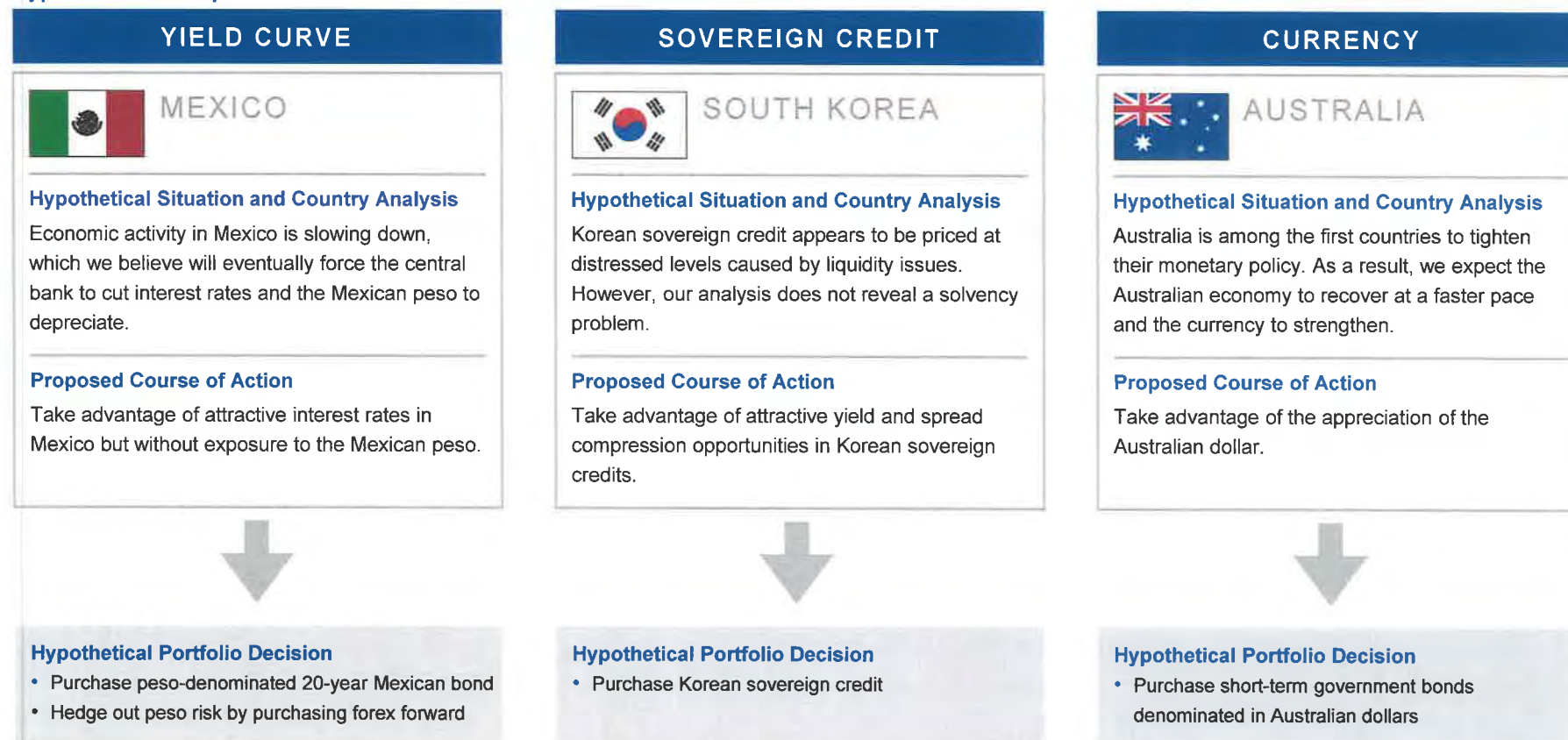
1. This unit is comprised of investment professionals located in affiliates of and joint venture partners with Franklin Templeton. The above chart is for illustrative and discussion purposes only.  
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## Country Research Can Help to Identify Potential Alpha Sources



### Goal of Isolating Desired Risks

#### Hypothetical Examples



These hypothetical examples are for illustrative purposes only to demonstrate our investment process. They are not intended to reflect any past, current or future holdings of the portfolio and should not be considered as investment advice or an investment recommendation.

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## Franklin Templeton Global Bond Plus Trust

### Portfolio Construction



#### Portfolio Positioning

- The portfolio invests across developed and emerging countries in areas where we see potential value
- There are typically a few overarching macro views that are expressed using a variety of instruments
- Individual views are expressed using currency, interest rate, or credit positions

#### Position Sizing

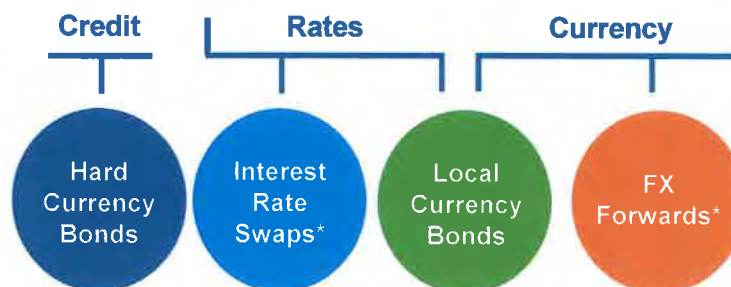
- Position size is based on our view of attractiveness, valuation, conviction level and risk, as well as size and liquidity of the market
- Long country exposures typically range from approximately 4–8%, expressed using some combination of currency, rates and credit; extremely high conviction positions may constitute around 20%

#### Implementation

- Views are implemented primarily via local currency bonds, currency forwards, interest rate swaps, hard currency bonds, or a combination thereof
- The makeup of a position depends on the exposure, valuation, liquidity, and correlation to the remainder of the portfolio

#### Barbell Approach

- The various investment positions in the portfolio seek to balance downside risk, expected return and liquidity



\*The fund may use other derivatives to generate similar exposures, such as futures. Please consult the fund's offering documents for a list of all derivatives that may be used by the fund.

The portfolio composition, characteristics and the number of exposures held by the fund will vary due to a variety of factors, such as, but not limited to, market conditions, asset size, interest rates, currency fluctuations, economic instability and political developments. All information provided on this slide is for illustrative purposes only, is subject to change without notice and does not constitute investment constraints or guidelines.

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## Franklin Templeton Global Bond Plus Trust

### Investment Risk Management at Franklin Templeton



As stewards of our clients' capital, we are constantly searching for **greater transparency** into the drivers of investment risk in our strategies and assuring **alignment** with **investment team convictions** and **client expectations**.

Investment risk management at Franklin Templeton:

- **Begins with the portfolio management team's research process** and the assessment of market and active risk
- **Is supported by integrated risk analytics** for the portfolio management team's use

Integrated

- Is **strengthened** by an independent team of risk specialists **reporting to the CFO**—independent of any portfolio management team
- Serves multiple stakeholders including **investors, portfolio managers, fund boards** and **regulators**

Independent

- Is **powered by actionable insights** from 20 risk consultants with an average of 19 years experience and 65+ risk analysts located around the globe
- Combines a **mosaic of analytics, oversight protocols** and **collaborative consultation** with portfolio managers

Insightful

As of June 30, 2021

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## Franklin Templeton Global Bond Plus Trust

### Summary of Advantages



#### The Foundation of Our Long-Term Track Record

- An Unconstrained Worldview
- A Truly Global Research Platform
- A High-Conviction Process

## Franklin Templeton Global Bond Plus Trust

## Templeton Global Macro—Quarterly Portfolio Update



### Assets Under Management

Billions (USD)

	March 31, 2021		June 30, 2021
Global Sovereign	27.1	Global Sovereign	24.1
Global Multi-Sector	11.5	Global Multi-Sector	10.3
Emerging Markets Debt	8.9	Emerging Markets Debt	8.7
Other	0.4	Other	0.4
Total	47.9	Total	43.5

### Investment Team Updates

Quarter Ending June 30, 2021

#### Additions

**Colin Johnson**  
Research Associate

**Bartosz Adamiak**  
Senior Software Engineer

#### Departures

### Investment Process Updates

Quarter Ending June 30, 2021

None

Total combined Templeton Global Macro Assets Under Management combines the U.S. and non-U.S. AUM. AUM includes discretionary and advisory accounts, including pooled investment vehicles, separate accounts and other vehicles, as well as some accounts that may not be eligible for inclusion in composites as defined by the firm's policies. AUM may also include advisory accounts with or without trading authority. In addition, assets for which certain FT advisers provide limited asset allocation advisory services, and assets that are not allocated to FT products are not included in the AUM figures shown.

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## Franklin Templeton Global Bond Plus Trust

### Summary



### Franklin Templeton Global Bond Plus Trust

As of June 30, 2021

Fund Inception Date	July 25, 2011
Investment Style	Global Fixed Income
Benchmark	JP Morgan Global Government Bond Index
Minimum Investment	\$10,000,000
Valuation	Daily
Total Net Assets (USD)	292,154,626
Asset Allocation (Market Value)	Fixed Income: 92.73%
	Cash & Cash Equivalents: 7.27%

### Fund Description

The Fund's principal investment objective is to maximize total investment return consisting of a combination of interest income, capital appreciation and currency gains. The Fund will employ a long-term, fundamental, research-driven approach. Under normal market conditions, the Fund will invest in a portfolio of fixed and floating rate debt securities and debt obligations of governments or government-related issuers worldwide, as well as derivatives.

### Portfolio Manager(s)

Michael Hasenstab, PhD	United States
Christine Yuhui Zhu	United States

Market value figures reflect the trading value of the investments. Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change.

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## Franklin Templeton Global Bond Plus Trust

### What Are the Risks?



All investments involve risks, including possible loss of principal. Changes in interest rates will affect the value of the fund's portfolio and its unit price and yield. Bond prices generally move in the opposite direction of interest rates. Thus, as the prices of bonds in the fund adjust to a rise in interest rates, the fund's share price may decline. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with their relatively small size and lesser liquidity. The fund's use of derivatives and foreign currency techniques involve special risks as such techniques may not achieve the anticipated benefits and/or may result in losses to the fund. The fund has no limit on the concentration of its investments in particular securities, industries or sectors, which involves the risk of greater price fluctuation than a more diversified portfolio. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. The fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. These and other risk considerations are discussed in the fund's Plan of Operation and Supplemental Risk Disclosure.

## Franklin Templeton Global Bond Plus Trust

### Historical Performance



#### Franklin Templeton Global Bond Plus Trust

Returns (%) June 30, 2021 (unless otherwise noted)

	Month to Date (1 M)	Fiscal Quarter to Date (3 M)	Fiscal year to Date	Calendar Year to Date (YTD)	Prior Fiscal year to 6/30/20	Three Fiscal year Annualized to 6/30/20	Five Fiscal year Annualized to 6/30/20	Annualized Since Fund Inception 7/25/2011
<b>Franklin Templeton Global Bond Plus Trust—Net of Fees</b>	<b>-0.53</b>	<b>0.47</b>	<b>-2.18</b>	<b>-2.40</b>	<b>-7.96</b>	<b>-1.26</b>	<b>0.16</b>	<b>0.73</b>
JP Morgan Global Government Bond Index	-0.82	1.07	-0.01	-4.64	5.24	4.18	3.81	1.47

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The Fund's investment return and principal value will change with market conditions, and investors may have a gain or a loss when they sell their shares. Please call Franklin Templeton Investments at (800) DIAL BEN/(800) 342-5236 or visit [franklintempleton.com](http://franklintempleton.com) for the most recent month-end performance. Changes in interest rates will affect the value of the fund's portfolio and its share price and yield. Bond prices generally move in the opposite direction of interest rates. Thus, as the prices of bonds in the fund adjust to a rise in interest rates, the fund's share price may decline. Currency rates may fluctuate significantly over short periods of time, and can reduce returns. Derivatives, including currency management strategies, involve costs and can create economic leverage in the portfolio which may result in significant volatility and cause the fund to participate in losses (as well as enable gains) on an amount that exceeds the fund's initial investment. The fund may not achieve the anticipated benefits, and may realize losses when a counterparty fails to perform as promised. Special risks are associated with foreign investing, which may be heightened in developing markets, including currency rate fluctuations, economic instability and political developments. The fund is also non-diversified, which involves the risk of greater price fluctuation than a more diversified portfolio. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. The fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. These and other risk considerations are discussed in the fund's Declaration of Trust and Plan of Operation.

The Franklin Templeton Global Bond Plus Trust is a collective investment trust maintained by Fiduciary Trust International of the South, as trustee of the fund.

Each participant invested in a collective investment trust pays a customized management fee that is based upon the fee schedule described in the Terms and Conditions for Participation and the size of the participant's investment. Net of fee returns are calculated by deducting investment management/trustee fees and other fund expenses. Net of fees returns are calculated net of brokerage commissions paid by the collective investment trust. Prior to April 2001, investment management fees were assessed at a standard rate for all investors. Following that date, a standard fee schedule with breakpoints was introduced, with the result that some investors may now pay a different fee than others depending on the size of their investment.

Client since inception was calculated based on net asset value (net of standard total expenses) and does not reflect any client subscriptions, redemptions, or client specific fee agreements. Actual performance for each investor may vary based on differences in share classes, client subscriptions and redemptions, or client specific fee agreements.

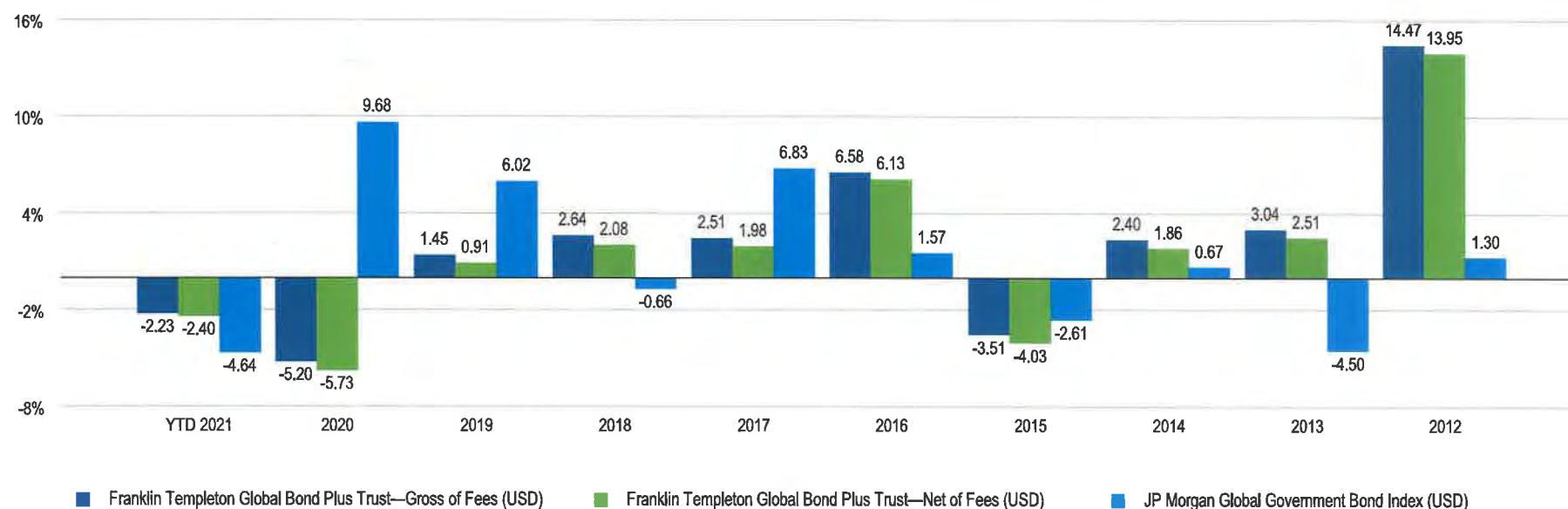
## Franklin Templeton Global Bond Plus Trust

### Calendar Year Returns



#### Franklin Templeton Global Bond Plus Trust

As of June 30, 2021



Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton at (800) 321-8563 for the most recent month-end performance.

Please see the GIPS Pooled Fund Report and Important Disclosures page in the Appendix.

Each participant invested in a collective investment trust pays a customized management fee that is based upon the fee schedule described in the Terms and Conditions for Participation and the size of the participant's investment. Fund gross of fees returns are calculated by adding in actual invoiced trustee/investment management fees and other fund expenses, and fund net of fees returns are calculated by deducting trustee/investment management fees and other fund expenses. Management fees accrue typically the month after each quarter end. Fund gross and net of fees returns are calculated net of brokerage commissions and include any dividends, interest income, capital gains or other earnings of the collective investment trust. Investment returns and principal value fluctuate, so that a participant's trust units, when sold, may be worth more or less than their original value. Prior to Jan 2016, fund gross of fees returns were calculated by adding back actual invoiced trustee/investment management fees and audit expenses (if applicable) and fund net of fee returns were calculated by deducting trustee/investment management fees, fund expenses and audit fees (if applicable).

**Past performance is not an indicator or a guarantee of future performance.**

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## Franklin Templeton Global Bond Plus Trust

### Currency and Sector Performance



#### Currency Spot Performance vs. USD

As of June 30, 2021

	Q2 2021	YTD
<b>Americas</b>		
Argentina Peso	-3.90%	-12.09%
Brazilian Real	13.36%	4.61%
Canadian Dollar	1.32%	2.64%
Chilean Peso	-2.09%	-3.08%
Mexican Peso	2.49%	-0.11%
Peru Nuevo Sol	-3.17%	-6.41%
Uruguayan Peso	1.40%	-2.88%
<b>Asia</b>		
Australian Dollar	-1.32%	-2.55%
Chinese Yuan	1.48%	1.09%
Indian Rupee	-1.64%	-1.70%
Indonesian Rupiah	0.17%	-3.10%
Japanese Yen	-0.35%	-7.07%
Korean Won	0.51%	-3.53%
Malaysian Ringgit	-0.10%	-3.10%
Philippine Peso	-0.57%	-1.60%
Singapore Dollar	-0.04%	-1.73%
Sri Lanka Rupee	-0.24%	-7.04%
Thai Baht	-2.47%	-6.56%
<b>Europe/Africa</b>		
Euro	1.09%	-2.93%
Ghanaian Cedi	-1.62%	0.17%
Hungarian Forint	4.15%	0.21%
Israeli New Shekel	2.56%	-1.44%
Norwegian Krone	-0.62%	-0.29%
Polish Zloty	3.59%	-2.08%
Pound Sterling	0.35%	1.18%
Swedish Krona	2.10%	-3.78%
Ukrainian Hryvnia	2.08%	3.87%
Swiss Franc	2.01%	-4.30%

#### Sector Performance

As of June 30, 2021

	Q2 2021	YTD
<b>Bloomberg Barclays Multiverse USD</b>	<b>1.45%</b>	<b>-2.95%</b>
<b>Bloomberg Barclays Global Aggregate USD</b>	<b>1.31%</b>	<b>-3.21%</b>
<b>Bloomberg Barclays Global High Yield USD</b>	<b>3.06%</b>	<b>2.08%</b>
Bloomberg Barclays U.S. Corporate High Yield USD	2.74%	3.62%
Bloomberg Barclays Pan Euro High Yield EUR	2.30%	0.37%
FTSE World Government Bond Index USD	0.98%	-4.75%
FTSE World Government Bond Index NonUSD USD	0.45%	-6.00%
JP Morgan Global Bond Index Global Traded USD	1.07%	-4.64%
JP Morgan Emerging Markets Bond Index Global USD	3.93%	-1.00%
JP Morgan Government Bond Index—Emerging Markets Global Composite USD	3.63%	-1.64%
<b>Bloomberg Barclays U.S. Agg Bond USD</b>	<b>1.83%</b>	<b>-1.60%</b>
Bloomberg Barclays U.S. Treasury Notes&Bonds USD	0.24%	0.44%
Bloomberg Barclays U.S. Corp IG USD	3.55%	-1.27%

Source: Bloomberg Barclays Indices, Morningstar, Inc. Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com).

Past performance is not an indicator or a guarantee of future performance.

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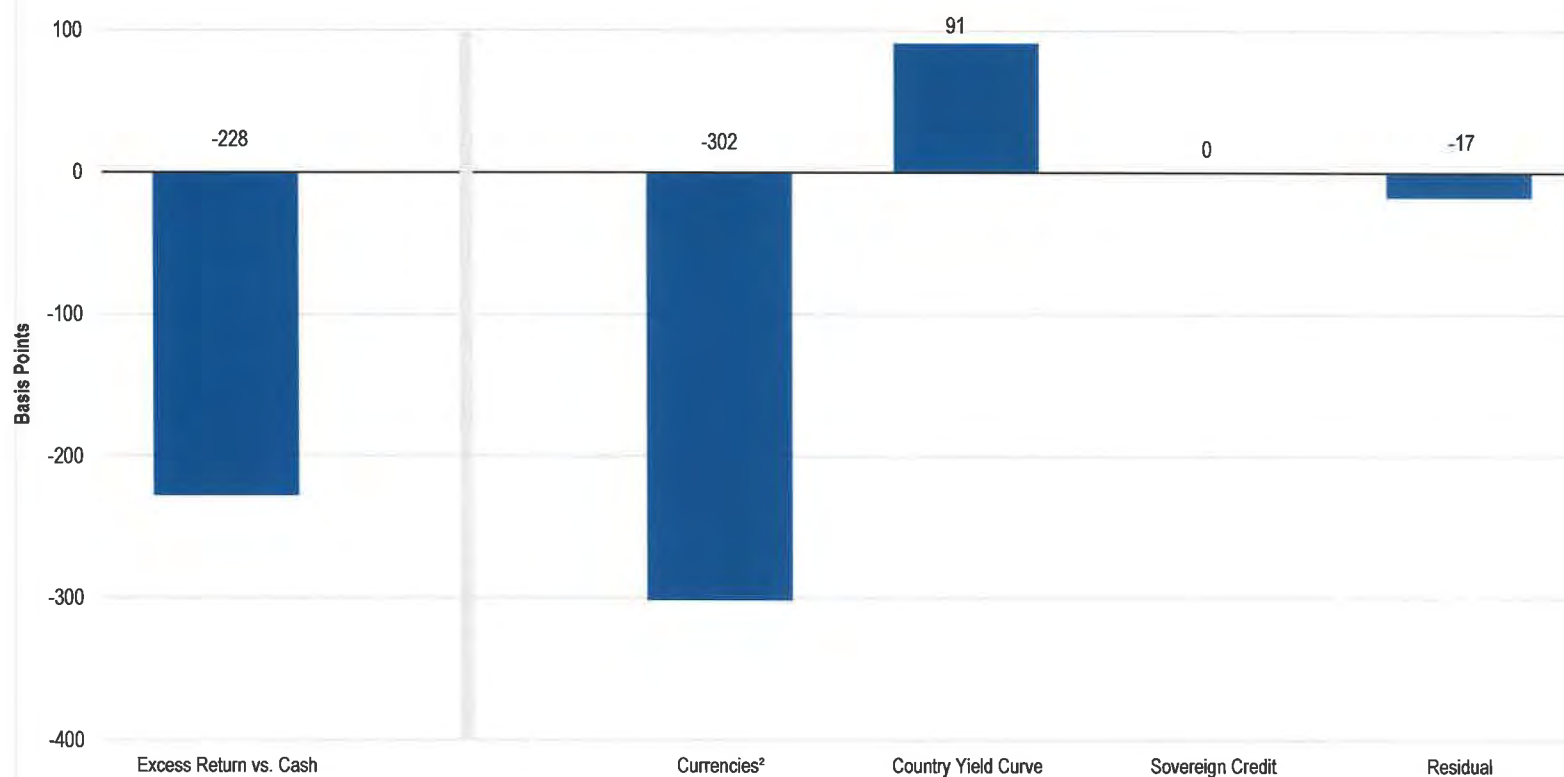
## Franklin Templeton Global Bond Plus Trust

### Year to Date Performance Attribution vs. Cash



#### Franklin Templeton Global Bond Plus Trust vs. Cash<sup>1</sup>

Year to Date as of June 30, 2021



If fund expenses, management fees and trustee fees had been included, returns would have been lower. Performance attribution is calculated in the base currency of the portfolio.

1. Performance attribution may change depending on factors such as market and economic conditions.

2. Currencies can be overstated because they can be used to hedge out certain market risks, such as interest rate risk, due to the negative correlation between the exchange rate and the factor that the team is attempting to hedge. A particular factor might also affect positions that are attributed to one or both of the other categories. Therefore, decomposing the attribution into these categories, without regard to hedging, could lead currencies to be overstated.

Residual is defined as the amount of performance that can not be applied to the other three categories.

Past performance is not an indicator or a guarantee of future performance.

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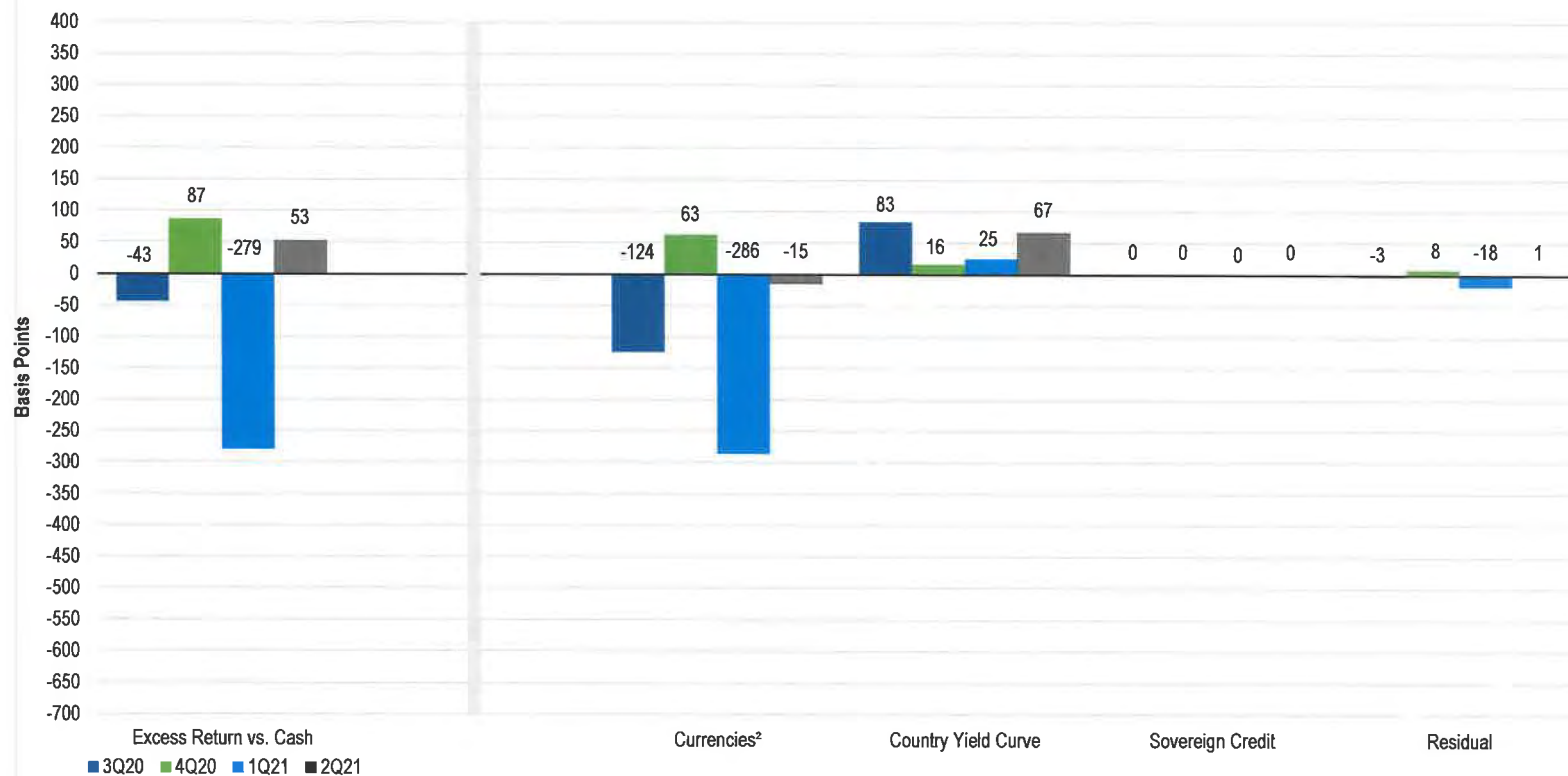
## Franklin Templeton Global Bond Plus Trust

### Quarterly Performance Attribution vs. Cash



#### Franklin Templeton Global Bond Plus Trust vs. Cash<sup>1</sup>

As of June 30, 2021



If fund expenses, management fees and trustee fees had been included, returns would have been lower. Performance attribution is calculated in the base currency of the portfolio.

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## Franklin Templeton Global Bond Plus Trust

### Quarterly Performance Attribution vs. Cash (continued)

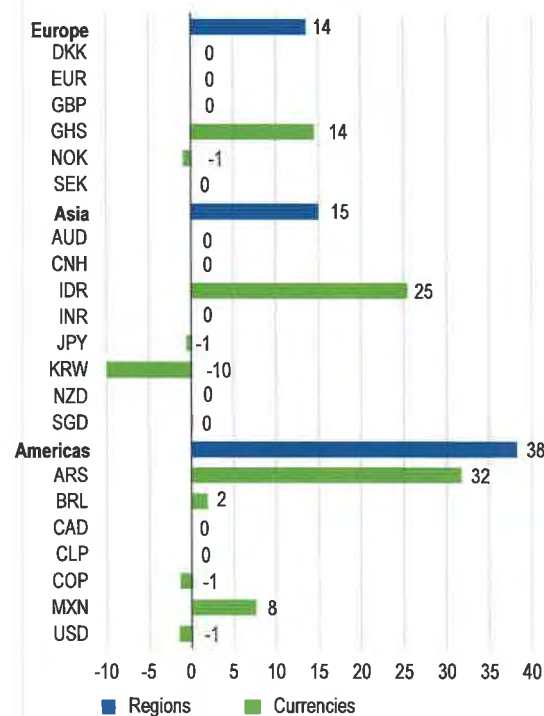


#### Franklin Templeton Global Bond Plus Trust vs. Cash<sup>1</sup>

January 1, 2021–June 30, 2021

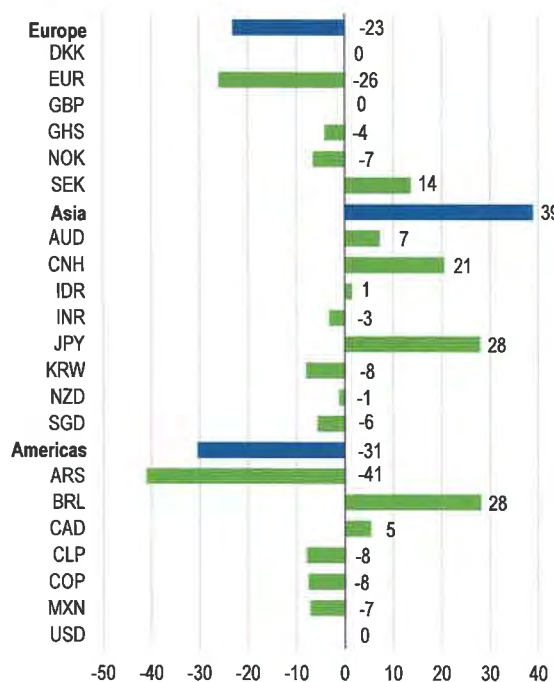
##### Country Yield Curve

Basis Points



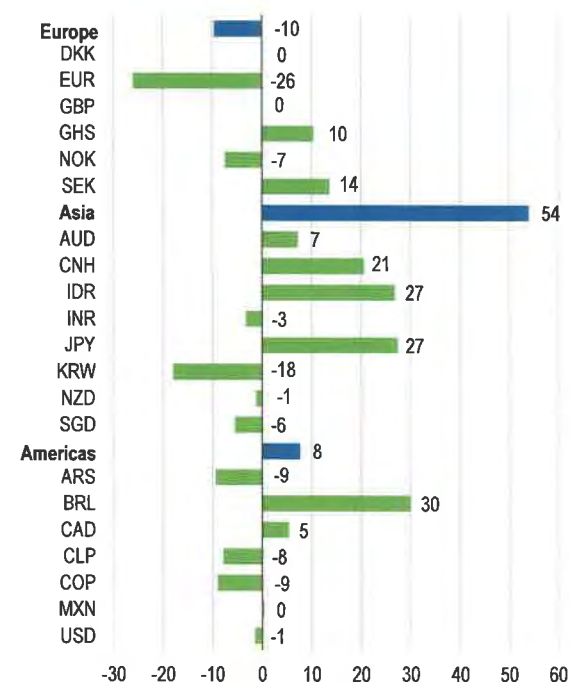
##### Currency<sup>2</sup>

Basis Points



##### Total Return

Basis Points



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## Franklin Templeton Global Bond Plus Trust

### Quarterly Performance Attribution vs. Benchmark

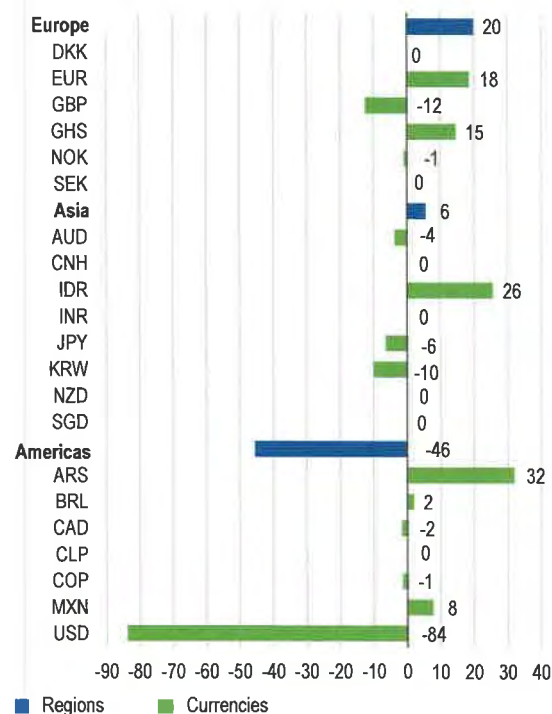


#### Franklin Templeton Global Bond Plus Trust vs. JP Morgan Global Government Bond Index<sup>1</sup>

January 1, 2021—June 30, 2021

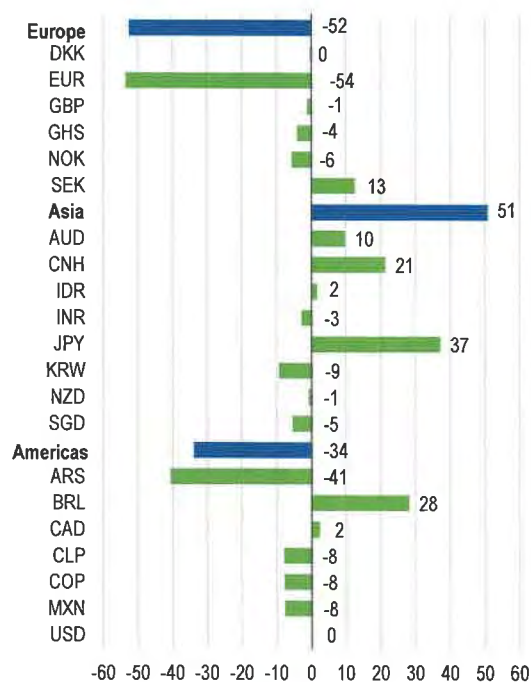
##### Country Yield Curve

Basis Points



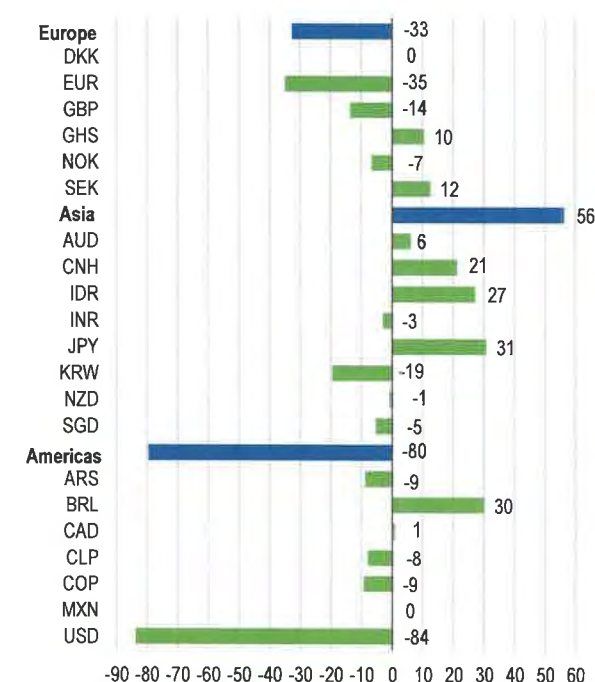
##### Currency<sup>2</sup>

Basis Points



##### Total Return

Basis Points



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## Franklin Templeton Global Bond Plus Trust

### Calendar Year Performance Attribution vs. Cash



#### Diverse Return Sources in Diverse Markets

#### Franklin Templeton Global Bond Plus Trust vs. Cash<sup>1</sup>

2015–June 30, 2021

	Q3-19	Q4-19	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21	YTD	2015	2016	2017	2018	2019	2020
Fund Gross Return	-314	127	-618	54	-41	89	-277	55	-224	-350	659	252	265	145	-522
Cash Return	53	41	29	2	2	2	2	2	4	14	42	104	189	213	35
Excess Return	-367	87	-647	52	-43	87	-279	53	-228	-364	618	148	76	-69	-557
Currencies <sup>2</sup>	-53	-41	-305	-207	-124	63	-286	-15	-302	-484	316	-94	82	281	-569
Europe	137	-46	-96	64	-66	26	88	-23	65	245	137	-444	263	150	-74
Asia	25	-54	74	-180	33	36	-360	39	-323	-314	-36	-36	-17	104	-36
Americas	-215	60	-283	-91	-91	2	-14	-31	-44	-415	215	387	-163	27	-460
Country Yield Curve	-312	140	-277	218	83	16	25	67	91	31	288	164	-111	-352	31
Europe	6	-1	20	26	9	2	13	14	27	51	-5	47	9	28	57
Asia	29	23	5	32	19	-12	-19	15	-4	7	81	149	22	135	42
Americas	-347	118	-302	159	56	26	31	38	69	-28	212	-32	-142	-515	-68
Sovereign Credit	-17	10	-5	0	0	0	0	0	0	107	22	24	3	-8	-5
Residual	15	-23	-59	42	-2	8	-18	1	-17	-17	-9	54	102	10	-13

Basis Points

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## Franklin Templeton Global Bond Plus Trust

### Calendar Year Performance Attribution vs. Benchmark



#### Diverse Return Sources in Diverse Markets

#### Franklin Templeton Global Bond Plus Trust vs. JP Morgan Global Government Bond Index<sup>1</sup>

2015–June 30, 2021

	Q3-19	Q4-19	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21	YTD	2015	2016	2017	2018	2019	2020
Fund Gross Return	-314	127	-618	54	-41	89	-277	55	-224	-350	659	252	265	145	-522
Benchmark Return	113	-53	310	145	254	227	-566	106	-466	-261	158	683	-66	600	969
<b>Excess Return</b>	<b>-427</b>	<b>180</b>	<b>-928</b>	<b>-91</b>	<b>-295</b>	<b>-138</b>	<b>289</b>	<b>-52</b>	<b>242</b>	<b>-89</b>	<b>502</b>	<b>-432</b>	<b>331</b>	<b>-455</b>	<b>-1491</b>
<b>Currencies<sup>2</sup></b>	<b>141</b>	<b>-155</b>	<b>-183</b>	<b>-301</b>	<b>-354</b>	<b>-162</b>	<b>-60</b>	<b>-36</b>	<b>-94</b>	<b>-90</b>	<b>486</b>	<b>-575</b>	<b>363</b>	<b>417</b>	<b>-1022</b>
Europe	303	-161	15	2	-228	-136	184	-52	135	569	357	-863	512	262	-355
Asia	49	-42	80	-198	-14	-17	-223	51	-176	-279	-111	-112	-22	132	-150
Americas	-211	48	-278	-106	-112	-8	-21	-34	-53	-381	241	399	-127	23	-516
<b>Country Yield Curve</b>	<b>-577</b>	<b>339</b>	<b>-679</b>	<b>159</b>	<b>75</b>	<b>20</b>	<b>359</b>	<b>-20</b>	<b>342</b>	<b>-81</b>	<b>-6</b>	<b>57</b>	<b>-137</b>	<b>-898</b>	<b>-441</b>
Europe	-160	104	-36	-36	-13	-39	130	20	150	-12	-186	0	-59	-275	-126
Asia	-9	39	6	46	18	-10	-1	6	4	-21	-16	113	-55	13	61
Americas	-408	196	-649	149	70	69	230	-46	188	-49	197	-55	-23	-636	-376
<b>Sovereign Credit</b>	<b>-16</b>	<b>10</b>	<b>-5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>105</b>	<b>23</b>	<b>25</b>	<b>3</b>	<b>-7</b>	<b>-5</b>
<b>Residual</b>	<b>25</b>	<b>-14</b>	<b>-61</b>	<b>51</b>	<b>-15</b>	<b>4</b>	<b>-10</b>	<b>4</b>	<b>-6</b>	<b>-22</b>	<b>-2</b>	<b>62</b>	<b>102</b>	<b>33</b>	<b>-23</b>

Basis Points

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## Franklin Templeton Global Bond Plus Trust

### Portfolio Characteristics



#### Franklin Templeton Global Bond Plus Trust vs. JP Morgan Global Government Bond Index

As of June 30, 2021

	Portfolio	Index
Average Duration	1.47 Yrs	8.14 Yrs
Average Weighted Maturity	1.68 Yrs	9.67 Yrs
Yield to Maturity	2.79%	0.53%
Yield to Worst	2.79%	0.53%

Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change.

Average Duration, Average Weighted Maturity, Yield to Maturity and Yield to Worst figures reflect certain derivatives held in the portfolio (or their underlying reference assets).

Yield figures quoted should not be used as an indication of the income that has or will be received. Yield figures are based on the portfolio's underlying holdings and do not represent a payout of the portfolio.

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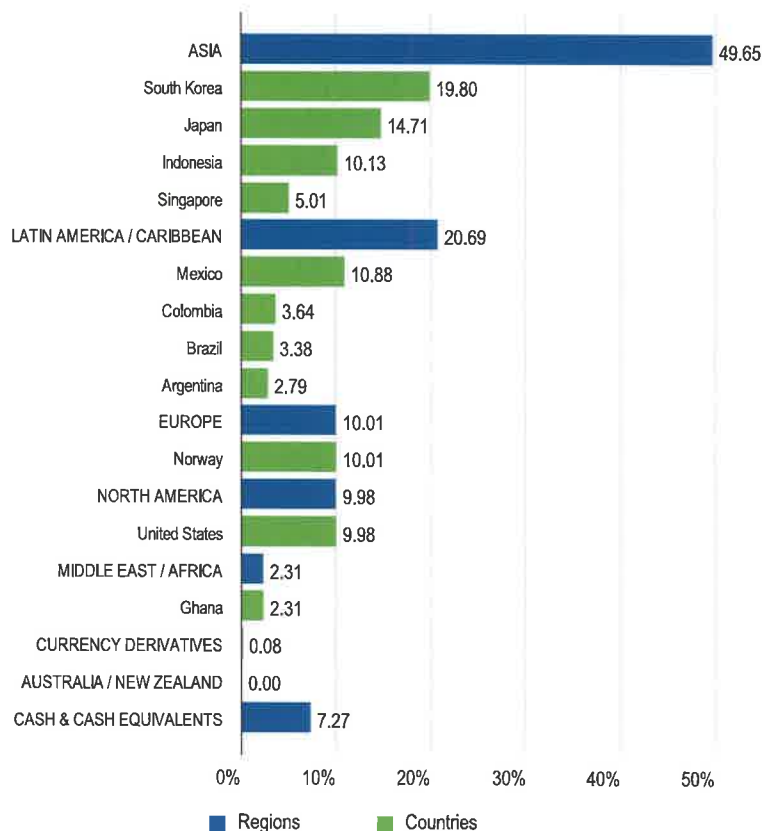
## Franklin Templeton Global Bond Plus Trust

### Geographic Allocation



#### Franklin Templeton Global Bond Plus Trust vs. JP Morgan Global Government Bond Index

As of June 30, 2021 — Market Value



	Portfolio %	Index %	Over/Under %
<b>ASIA</b>	<b>49.65</b>	<b>18.68</b>	<b>30.97</b>
South Korea	19.80	0.00	19.80
Japan	14.71	18.68	-3.97
Indonesia	10.13	0.00	10.13
Singapore	5.01	0.00	5.01
<b>LATIN AMERICA / CARIBBEAN</b>	<b>20.69</b>	<b>0.00</b>	<b>20.69</b>
Mexico	10.88	0.00	10.88
Colombia	3.64	0.00	3.64
Brazil	3.38	0.00	3.38
Argentina	2.79	0.00	2.79
<b>EUROPE</b>	<b>10.01</b>	<b>32.98</b>	<b>-22.97</b>
Norway	10.01	0.00	10.01
United Kingdom	0.00	7.28	-7.28
France	0.00	7.06	-7.06
Italy	0.00	6.48	-6.48
Germany	0.00	4.58	-4.58
Spain	0.00	4.05	-4.05
Belgium	0.00	1.64	-1.64
Netherlands	0.00	1.30	-1.30
Denmark	0.00	0.34	-0.34
Sweden	0.00	0.25	-0.25
<b>NORTH AMERICA</b>	<b>9.98</b>	<b>46.51</b>	<b>-36.52</b>
United States	9.98	44.50	-34.51
Canada	0.00	2.01	-2.01
<b>MIDDLE EAST / AFRICA</b>	<b>2.31</b>	<b>0.00</b>	<b>2.31</b>
Ghana	2.31	0.00	2.31
<b>CURRENCY DERIVATIVES</b>	<b>0.08</b>	<b>0.00</b>	<b>0.08</b>
<b>AUSTRALIA / NEW ZEALAND</b>	<b>0.00</b>	<b>1.83</b>	<b>-1.83</b>
Australia	0.00	1.83	-1.83
<b>CASH &amp; CASH EQUIVALENTS</b>	<b>7.27</b>	<b>0.00</b>	<b>7.27</b>

Market value figures reflect the trading value of the investments. Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors. Weightings as percent of total. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change.

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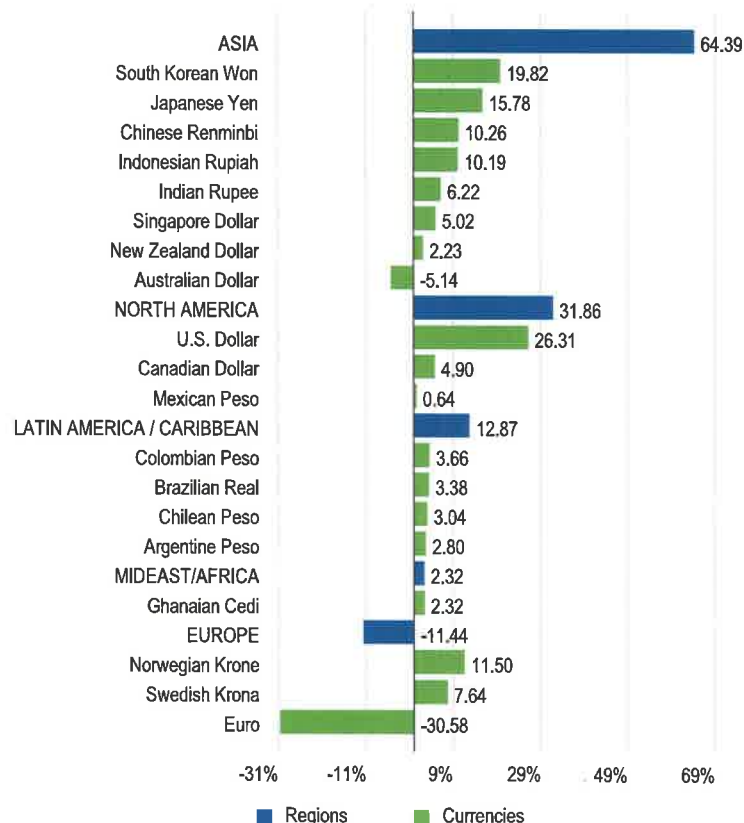
## Franklin Templeton Global Bond Plus Trust

### Currency Exposure



#### Franklin Templeton Global Bond Plus Trust vs. JP Morgan Global Government Bond Index

As of June 30, 2021 — Notional Exposure



	Portfolio %	Index %	Over/Under %
<b>ASIA</b>	<b>64.39</b>	<b>20.51</b>	<b>43.88</b>
South Korean Won	19.82	0.00	19.82
Japanese Yen	15.78	18.68	-2.90
Chinese Renminbi	10.26	0.00	10.26
Indonesian Rupiah	10.19	0.00	10.19
Indian Rupee	6.22	0.00	6.22
Singapore Dollar	5.02	0.00	5.02
New Zealand Dollar	2.23	0.00	2.23
Australian Dollar	-5.14	1.83	-6.97
<b>NORTH AMERICA</b>	<b>31.86</b>	<b>46.51</b>	<b>-14.65</b>
U.S. Dollar	26.31	44.50	-18.18
Canadian Dollar	4.90	2.01	2.89
Mexican Peso	0.64	0.00	0.64
<b>LATIN AMERICA / CARIBBEAN</b>	<b>12.87</b>	<b>0.00</b>	<b>12.87</b>
Colombian Peso	3.66	0.00	3.66
Brazilian Real	3.38	0.00	3.38
Chilean Peso	3.04	0.00	3.04
Argentine Peso	2.80	0.00	2.80
<b>MIDEAST/AFRICA</b>	<b>2.32</b>	<b>0.00</b>	<b>2.32</b>
Ghanaian Cedi	2.32	0.00	2.32
<b>EUROPE</b>	<b>-11.44</b>	<b>32.98</b>	<b>-44.41</b>
Norwegian Krone	11.50	0.00	11.50
Swedish Krona	7.64	0.25	7.40
British Pound	0.00	7.28	-7.28
Danish Krone	0.00	0.34	-0.34
Euro	-30.58	25.11	-55.69

Notional exposure figures are intended to estimate the portfolio's exposure, including any hedged or increased exposure through certain derivatives held in the portfolio (or their underlying reference assets). Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

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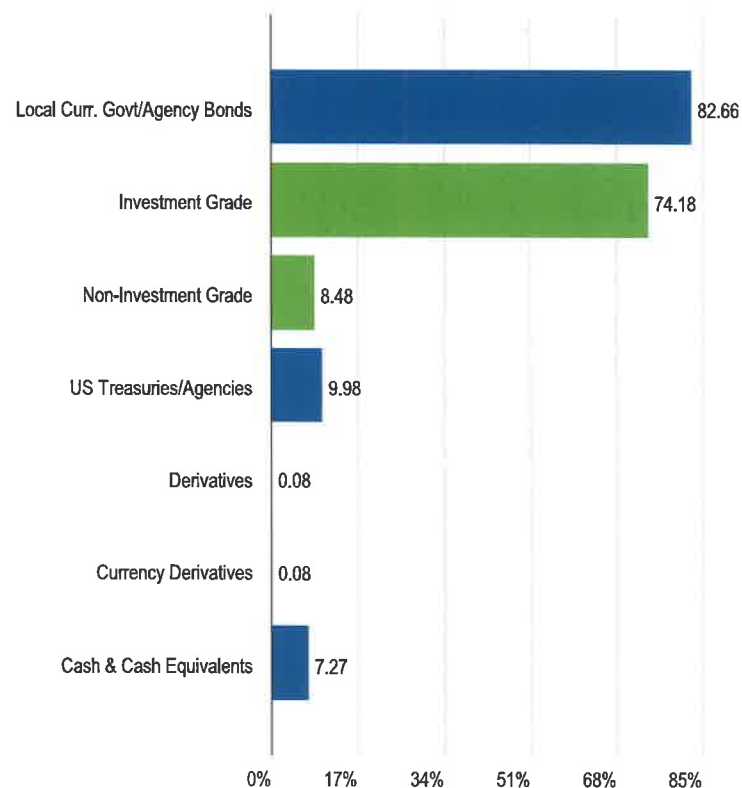
## Franklin Templeton Global Bond Plus Trust

### Sector Allocation



### Franklin Templeton Global Bond Plus Trust vs. JP Morgan Global Government Bond Index

As of June 30, 2021 — Market Value



	Portfolio %	Index %	Over/Under %
<b>Local Curr. Govt/Agency Bonds</b>	<b>82.66</b>	<b>55.50</b>	<b>27.16</b>
Investment Grade	74.18	55.50	18.68
Non-Investment Grade	8.48	0.00	8.48
<b>US Treasuries/Agencies</b>	<b>9.98</b>	<b>44.50</b>	<b>-34.51</b>
<b>Derivatives</b>	<b>0.08</b>	<b>0.00</b>	<b>0.08</b>
Currency Derivatives	0.08	0.00	0.08
<b>Cash &amp; Cash Equivalents</b>	<b>7.27</b>	<b>0.00</b>	<b>7.27</b>

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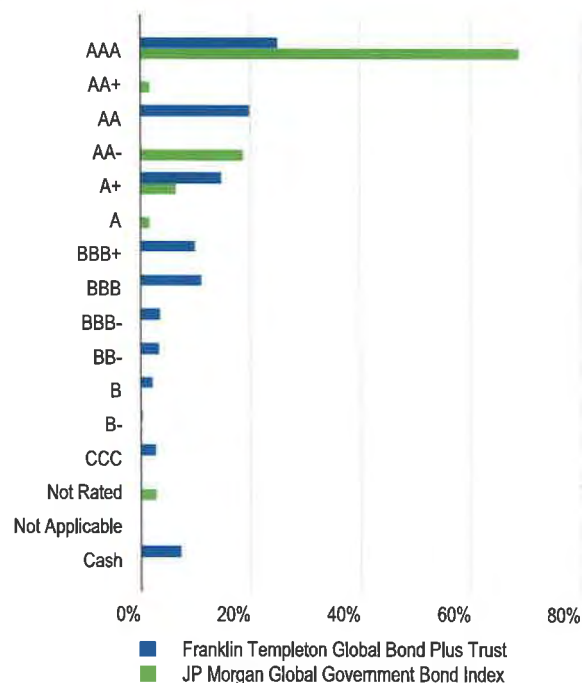
## Franklin Templeton Global Bond Plus Trust

### Credit Quality Allocation



#### Franklin Templeton Global Bond Plus Trust vs. JP Morgan Global Government Bond Index

As of June 30, 2021 — Market Value



	Portfolio %	Index %	Over/Under %
AAA	25.01	68.83	-43.82
AA+	0.00	1.64	-1.64
AA	19.80	0.00	19.80
AA-	0.00	18.68	-18.68
A+	14.71	6.48	8.23
A	0.00	1.64	-1.64
BBB+	9.92	0.00	9.92
BBB	11.10	0.00	11.10
BBB-	3.62	0.00	3.62
BB-	3.38	0.00	3.38
B	2.16	0.00	2.16
B-	0.16	0.00	0.16
CCC	2.79	0.00	2.79
Not Rated	0.00	2.73	-2.73
Not Applicable	0.08	0.00	0.08
Cash	7.27	0.00	7.27
<b>Investment Grade</b>	<b>84.16</b>	<b>97.27</b>	<b>-13.11</b>
<b>Non-Investment Grade</b>	<b>8.48</b>	<b>2.73</b>	<b>5.76</b>
<b>Not Applicable</b>	<b>0.08</b>	<b>0.00</b>	<b>0.08</b>
<b>Cash</b>	<b>7.27</b>	<b>0.00</b>	<b>7.27</b>

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Ratings shown are assigned by one or more Nationally Recognized Statistical Rating Organizations ("NRSRO"), such as Standard & Poor's, Moody's and Fitch. The ratings are an indication of an issuer's creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). When ratings from all three agencies are available, the middle rating is used; when two are available, the lowest rating is used; and when only one is available, that rating is used. Foreign government bonds without a specific rating are assigned the country rating provided by an NRSRO, if available. The Not Rated category consists of ratable securities that have not been rated by an NRSRO. The Not Applicable category consists of nonratable securities (e.g., equities). Cash includes equivalents, which may be rated.

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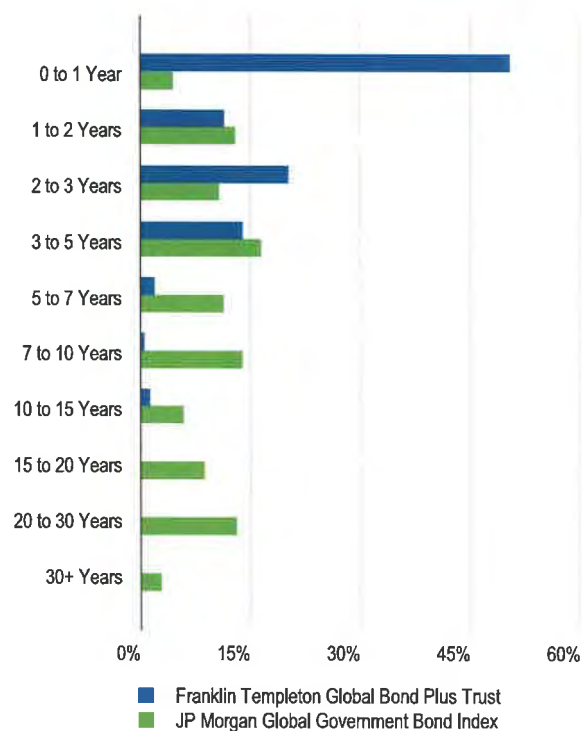
## Franklin Templeton Global Bond Plus Trust

### Maturity Allocation



#### Franklin Templeton Global Bond Plus Trust vs. JP Morgan Global Government Bond Index

As of June 30, 2021 — Market Value



	Portfolio %	Index %	Over/Under %
0 to 1 Year	50.43	4.49	45.94
1 to 2 Years	11.44	12.96	-1.52
2 to 3 Years	20.28	10.68	9.60
3 to 5 Years	13.95	16.38	-2.43
5 to 7 Years	1.92	11.31	-9.39
7 to 10 Years	0.63	13.85	-13.23
10 to 15 Years	1.36	5.82	-4.46
15 to 20 Years	0.00	8.72	-8.72
20 to 30 Years	0.00	13.05	-13.05
30+ Years	0.00	2.75	-2.75

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## Franklin Templeton Global Bond Plus Trust

### Performance Risk Statistics



#### Franklin Templeton Global Bond Plus Trust

As of June 30, 2021

#### Performance Risk Statistics

	1 Yr	3 Yrs*	5 Yrs*
Standard Deviation (%):			
Franklin Templeton Global Bond Plus Trust	2.17	6.20	5.70
JP Morgan Global Government Bond Index	5.37	4.66	4.93
Tracking Error (%)^^	4.39	8.51	8.43
Information Ratio^^	-0.49	-0.59	-0.15
Sharpe Ratio	-1.03	-0.43	-0.14

Risk statistics are calculated using net of fees performance.

^^Measured against the JP Morgan Global Government Bond Index.

\*Annualized.

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## Franklin Templeton Global Bond Plus Trust

### Measuring Risk: Extreme Market Events

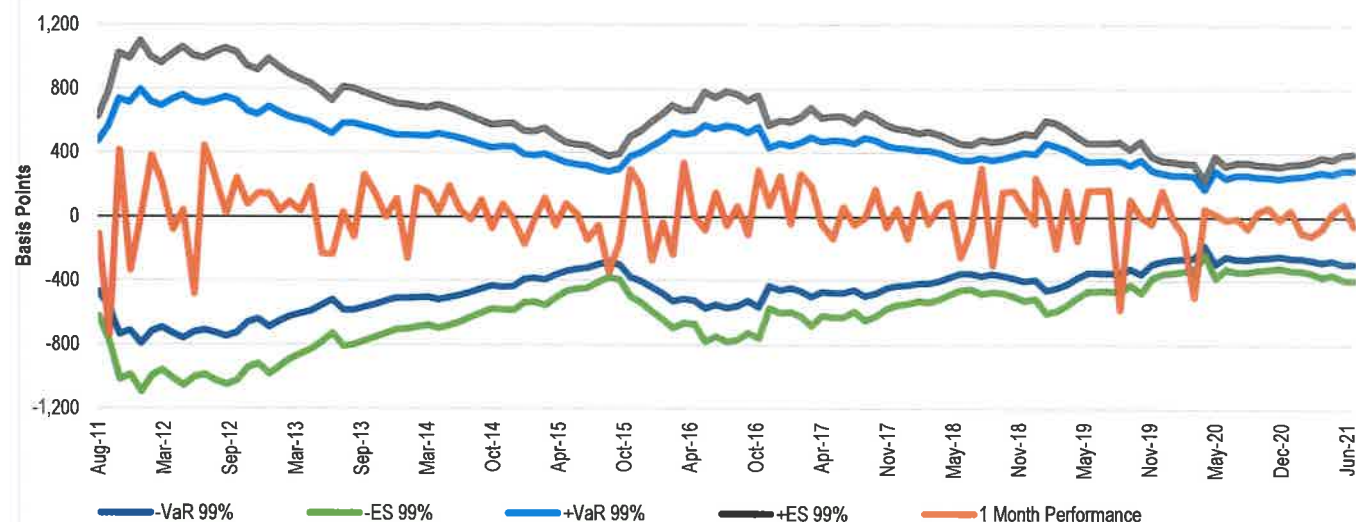


- Measuring low-frequency, high-impact events—“tail risk”—is an important element of our investment risk management program
- We cannot predict when, but we can seek to estimate magnitude and key contributors, and thus help portfolio teams better understand tail risks
- Our risk models have proven useful in estimating the monthly loss amount in challenging periods such as September 2011 and August 2015

#### Franklin Templeton Global Bond Plus Trust

August 2011–June 2021

VaR 99% and ES 99% (bps)



At a 99% confidence interval, it is reasonable to expect that a monthly return may exceed the VaR in at least 1 out of 100 periods.

**Value at Risk (VaR):** VaR is a predicted monthly loss amount, based on the historical volatility of the current portfolio positions, that can be expected 99% of the time. Assuming normal markets and no trading, actual losses over the following month can be expected to be less than VaR roughly 99% of the time. 1% of the time monthly losses can be expected to be worse than VaR. It is important to note that in stressed financial markets losses can be larger and more frequent than predicted by VaR.

**Expected Shortfall (ES):** ES represents the estimated average loss that the current portfolio can be expected to incur over one month, once the 99% VaR loss has been exceeded. It is important to note that ES represents the average loss during the worst 1% of months and is not the “worst case” loss scenario. Actual monthly losses can be larger than ES in very stressed financial markets.

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## Management Profile



### **ELSA GOLDBERG**

Vice President  
Institutional Portfolio Manager  
Templeton Global Macro  
Franklin Advisers, Inc.  
San Mateo, California, United States

Elsa Goldberg is a vice president and institutional portfolio manager for Templeton Global Macro. As an integrated member of the Templeton Global Macro team, Ms. Goldberg is the principal conduit to provide perspective and understanding regarding the team's investment strategies to a broad range of clients globally. Ms. Goldberg has over 22 years of experience in the investment industry. Previously, she was director of the Global Fixed Income Product Management team at Franklin Templeton.

Prior to joining Franklin Templeton Investments in 2007, Ms. Goldberg worked at BNP Paribas Asset Management in Paris, France (2000-2006), where she served as a senior product manager responsible for international equity products. Ms. Goldberg began her career at Exane BNP Paribas, Paris in 1996 as an equity sell-side analyst covering the insurance and banking sector. She also worked as a credit analyst for BNP Paribas in Athens, Greece.

Ms. Goldberg holds a bachelor's degree in econometrics from the University of Paris Pantheon-Sorbonne and a master's degree in money, banks and finance from the University of Paris Pantheon-Assas. Ms. Goldberg is a certified European Financial Analyst and holds FINRA Series 3 license.

## Franklin Templeton Global Bond Plus Trust

### Management Profile



#### **LYNNE GOODWIN**

Senior Vice President  
Senior Institutional Relationship Manager  
Franklin Templeton Institutional, LLC  
Leawood, Kansas, United States

Lynne Goodwin is Senior Vice President, Institutional Relationship Manager, covering the south central United States.

Ms. Goodwin entered the investment industry in 1990, and joined Franklin Templeton in March of 2018.

Prior to joining Franklin Templeton, Ms. Goodwin was an institutional relationship manager at Waddell & Reed Asset Management in Overland Park, KS. She also worked in institutional relationship management for American Century Investments in Kansas City, MO.

Ms. Goodwin holds a B.S. in Business Administration from the University of Kansas. She holds FINRA Series 6, 7 and 63 licenses and NFA Series 3. In addition, Ms. Goodwin holds a Certified Pension Consultant (CPC) designation from the American Society of Pension Professionals & Actuaries.



## Franklin Templeton Global Bond Plus Trust

### Management Profile



#### **MARNIE MACIARIELLO**

Vice President  
Institutional Relationship Manager  
Franklin Templeton Institutional  
New York, United States

Marnie B. Maciariello, vice president, is an institutional relationship manager, who joined Franklin Templeton in January, 2018. Ms. Maciariello is responsible for managing Institutional client relationships and accounts across the United States, primarily in the Western region.

Prior to joining Franklin Templeton in 2018, Ms. Maciariello worked at Putnam Investments where she served as the Sr. Institutional Sales Associate for the Western region; responsible for business development in the 2 billion and below institutional market. She also served as Account Manager on a variety of client relationships. Prior to her sales role, she previously held the title of Client Service and Relationship Manager for North America.

Ms. Maciariello has been in the industry since 2010 and received her B.S. in Finance from Siena College (Loudonville, NY). She also holds FINRA Series 7, 6 and 63 licenses, and NFA Series 3.



## Franklin Templeton Global Bond Plus Trust

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# Memorandum

**To:** Board of Trustees, Tulare County Employees' Retirement Association  
**From:** Scott J. Whalen, CFA, CAIA, Executive Managing Director|Senior Consultant  
**Date:** August 11, 2021  
**RE:** Pathway Commitment

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## Background

*At the Board meeting held on July 28<sup>th</sup>, the TCERA Board of Retirement approved a \$20 million commitment to the Pathway Private Equity Fund 11 ("Fund 11") in order to continue to fund the Private Equity program and maintain the current target allocation.*

*When we notified Pathway of the additional commitment, they introduced the possibility of adding to the current commitment to Pathway Fund 10 ("Fund 10"), rather than making a new commitment to Fund 11. After reviewing the relevant and available information, we recommend the Board change its commitment to Fund 10 from Fund 11. This memo describes the opportunity and relevant decision points and explains the reasoning behind our recommendation.*

## Opportunity Description

Currently (as of 3/31/21), TCERA has made the following commitments to Pathway Funds.

Fund	Vintage Year	Commitment
Fund 8	2016	\$20 million
Fund 9	2017	\$20 million
Fund 10	2020	\$10 million

During our annual review this year, we recommended and the Board approved an additional commitment to the next fund in the Pathway series, Fund 11. However, we have subsequently learned additional capacity remains in Fund 10, and TCERA has been given the opportunity to increase its commitment to an existing fund with investments already in the ground.

## Potential Benefit

The primary benefit of increasing the commitment to a current fund, rather than a new fund, is the potential transparency an investor gets of the investments already made and the gains that have accrued to those investments. While Pathway is prohibited from communicating the specific valuation of the investments in the Fund outside its normal reporting cycle, the inference is that substantial gains exist and TCERA could increase its share of these gains in proportion to its additional commitment. In other words, instead of investing in a new fund

(Fund 11) that has no investments and no return history, TCERA can invest in an existing fund (Fund 10) that has investments in the ground with substantial expected (if unrealized) gains. A corollary would be like buying a stock today at yesterday's price with the knowledge that the stock market has significantly increased in value.

### **Potential Drawbacks**

#### Compensation to Current Investors

In order for an investor to come into a fund during a later round of fundraising, the investor must compensate the investors already in the fund. This is a standard and very reasonable industry practice that aligns the interests of investors across the different rounds of fundraising for a given fund. The interest rate charged to later investors in Fund 10 is Prime + 2%.

#### Vintage Year Diversification

By making another commitment to a current fund with current investments, TCERA will be modestly reducing its vintage year diversification by increasing its holdings in investments already made, rather than committing to future investments. This is mitigated somewhat by the fact that Fund 10 will still be making future investments as well, just not to the same degree, and that TCERA is also planning a \$20 million commitment to the next fund in Ocean Avenue fund series, which will be coming to market later this year.

#### Uncertain Future

This is the most significant potential drawback in our opinion, and we explain it best by returning to the stock example introduced above. Even though we may be able to buy a stock today at yesterday's price, we don't know what will happen to the stock tomorrow. If the market falls, our unrealized gain would likely fall with it. If the market falls enough, the unrealized gain could turn into an unrealized loss. Extending this metaphor to our TCERA's situation, it would have been better to make the commitment in Fund 11, rather than Fund 10, because the investment would be made at an even lower cost basis than the current investment in Fund 10 in the event of a significant market drawdown.

### **Time Sensitivity**

Based on the pre-established timeline, the fundraising phase of Fund 10 will close on Monday, August 16<sup>th</sup>. If the Board decides to increase its commitment to Fund 10 at the Board of Retirement meeting held on August 11<sup>th</sup>, we anticipate being able to complete the required paperwork (which is minimal relative to a new fund investment) by the deadline. If not, we would expect TCERA's commitment to simply revert to Fund 11, as currently planned.

### **Recommendation and Next Steps**

Based on our assessment of the potential benefits and drawbacks described above, we believe TCERA should change its current \$20 million commitment from Fund 11 to Fund 10. We believe the potential benefit associated with making an investment today at yesterday's price outweighs the potential drawbacks of the interest cost of buying into the investment, the

modestly reduced vintage year diversification, and the risk associated with buying in even cheaper in the event of a significant market drawdown.

If the Board agrees with our recommendation, we will work with TCERA Staff and Pathway to complete the steps required to make the investment by the August 16 deadline.



# **PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS**



**MAY 2021**

Asset/Liability Study

**Tulare County Employees' Retirement Association**

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# I. Introduction



# Session objectives

- Confirm/adjust the Board's enterprise risk tolerance
- Develop an intuitive sense of how different investment strategies lead to different investment outcomes
- Lay groundwork for investment strategy selection

Asset / liability analysis is best used to evaluate the impact of broad strategic shifts, rather than small asset allocation adjustments

# A complex problem

- Asset allocation is typically the most important decision an investor can make
- There is an infinite number of possible asset allocation mixes

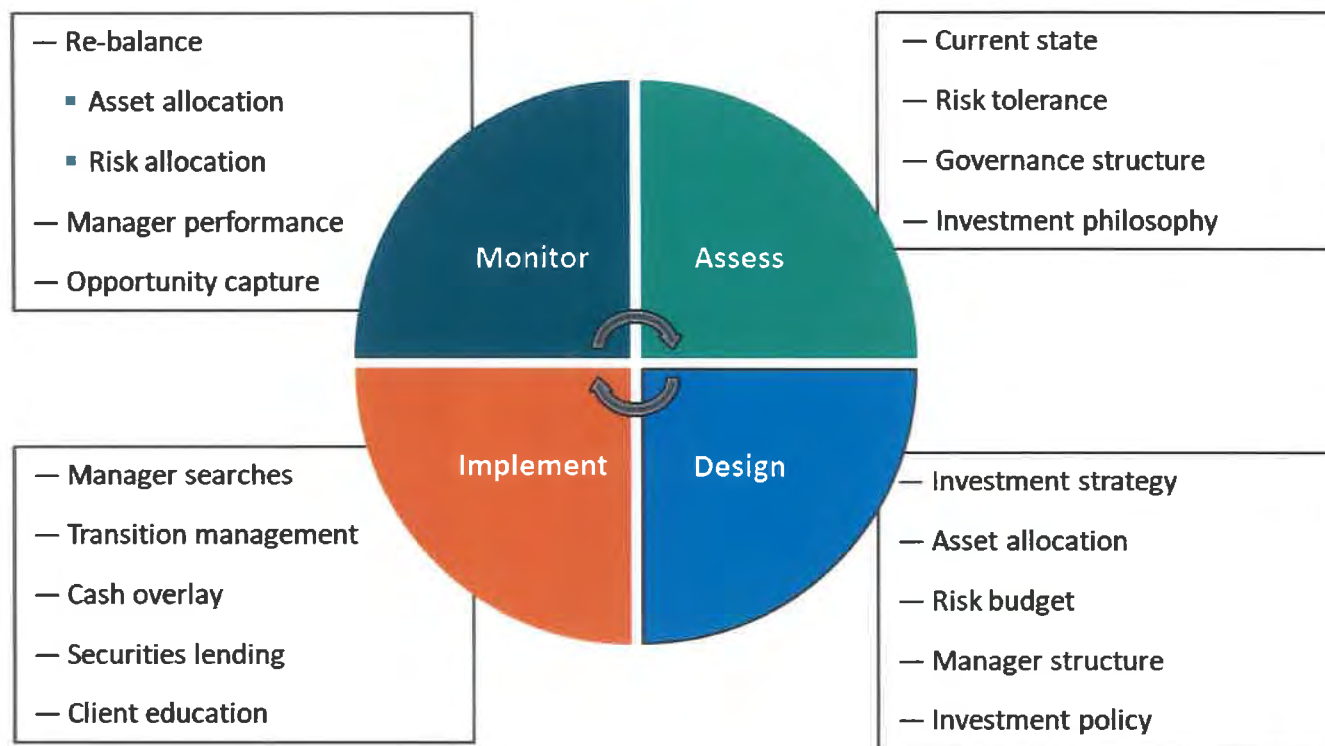
**How can we address the asset allocation question to ensure we get a solution that fits?**

- Disciplined, repeatable process
- Logical, intuitive framework



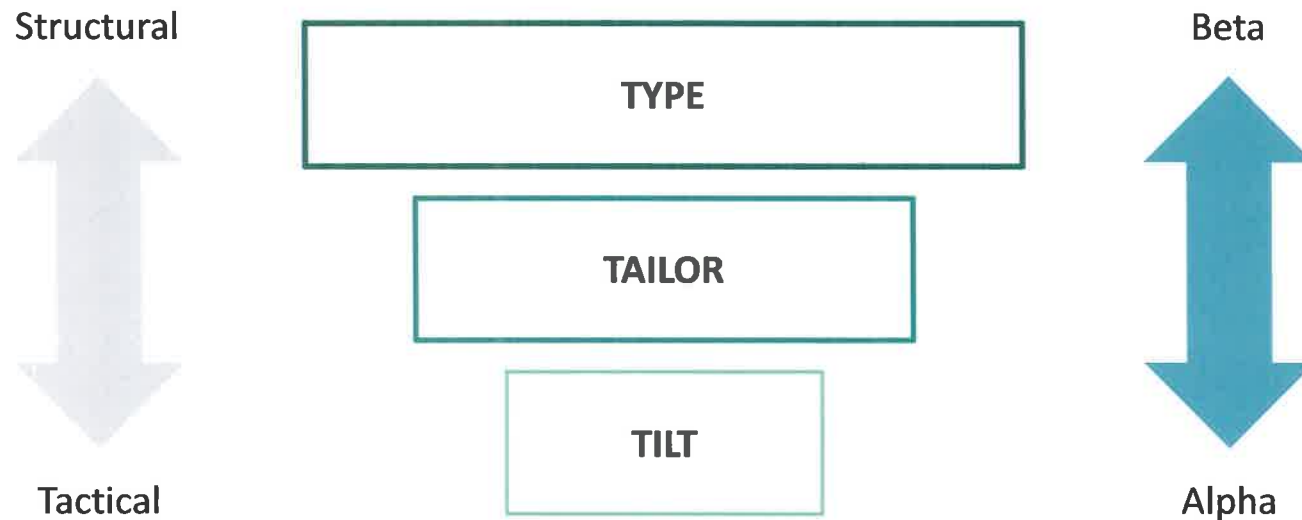
Source: [www.instructables.com](http://www.instructables.com)

# Process



TCERA has been following this disciplined approach since we began working with the fund in 2011

# Framework: type, tailor, tilt



Which conversation are we having today?

# Type, Tailor, Tilt

- What is our basic portfolio structure, or ‘type’?
- ‘Type’ of portfolio should have the greatest impact on results.
- ‘Type’ decisions are made infrequently - *perhaps only once*.
- An institution may not be able to change its ‘type’ due to peer risk or the expectations of its constituents.

‘Type’ is a beta decision



Source: Wiki Commons

# Type, *Tailor*, Tilt

- Now that portfolio type is decided, how are unique needs and preferences integrated?
- ‘Tailoring’ of the portfolio should have material impacts on results, but less of an impact than portfolio type
- ‘Tailoring’ decisions are also made less frequently – perhaps on an annual basis

‘Tailor’ is a beta decision, but might also involve alpha



Source: Wiki Commons



# Type, Tailor, *Tilt*

- The portfolio is now complete and the IPS is decided.
- ‘Tilt’ decisions are typically more tactical in nature.
- ***‘Tilts’ must be large enough in size to make a difference in performance, and governance surrounding these decisions is very important.***



‘Tilt’ decisions are typically focused on alpha

Source: Wiki Commons

# Where to begin?

## **Needs/restrictions**

- Risk tolerance
- Return target
- Liquidity

## **Preferences**

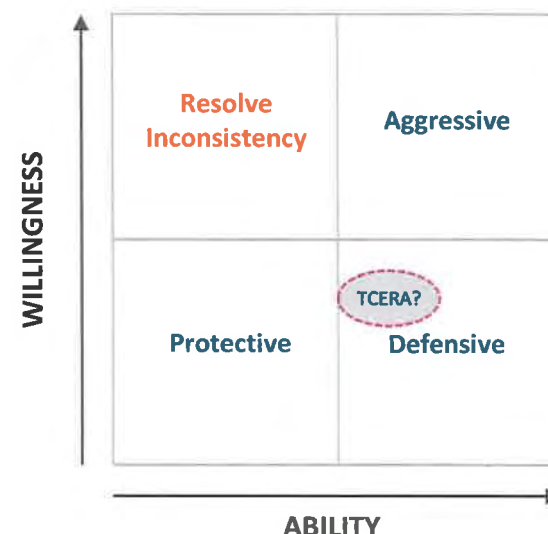
- Active or passive management?
- Fee sensitivity?
- Efficient beta, or greater pursuit of alpha?



# II. Risk tolerance assessment

# Enterprise risk tolerance in context

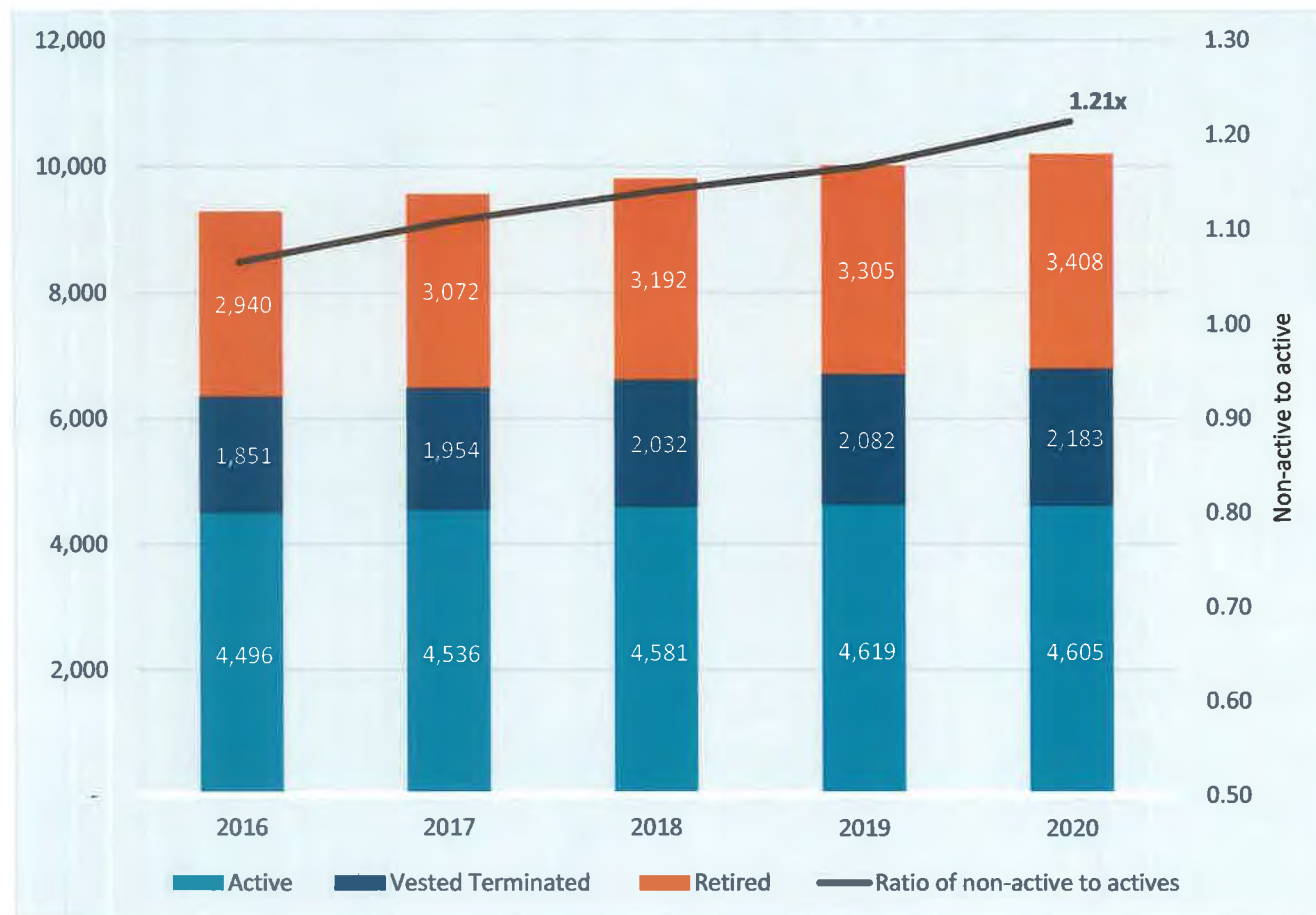
- Properly assessing Enterprise Risk Tolerance has important and practical implications for investment strategy development
- It involves assessing the Board's willingness and the Plan's ability to incur risk
- Although the Board's fiduciary duty is to Plan Members, understanding how the Plan Sponsor's financial situation impacts its ability to make contributions cannot be overlooked
- Historically, the Board has been more focused on downside protection than upside participation, although we view the Board's willingness to incur risk as moderate, based on a variety of factors



# TCERA plan review

# Plan demographics

## TCERA MEMBER POPULATION



As of June 30, 2020, there were 4,605 active members, 3,408 inactive members, and 2,183 vested terminated members

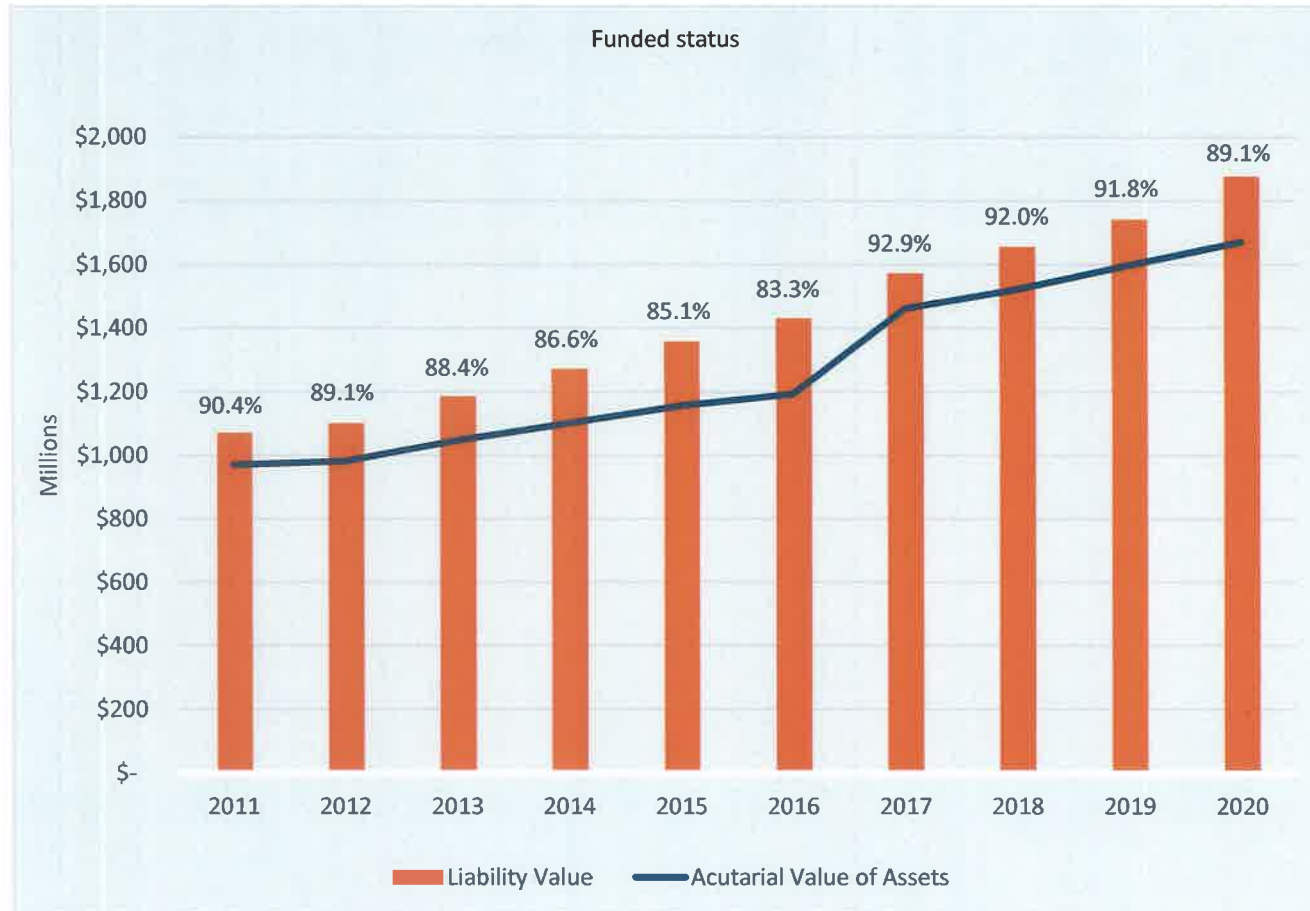
For every 1 active employee there are 1.21 inactive employees

Since 2016, the active population has grown by 2.4% while in-actives have grown by 16.7%

Source: Chevron - TCERA Actuarial Valuation Report as of June 30, 2020

# Funded status

## TCERA HISTORICAL FUNDED STATUS

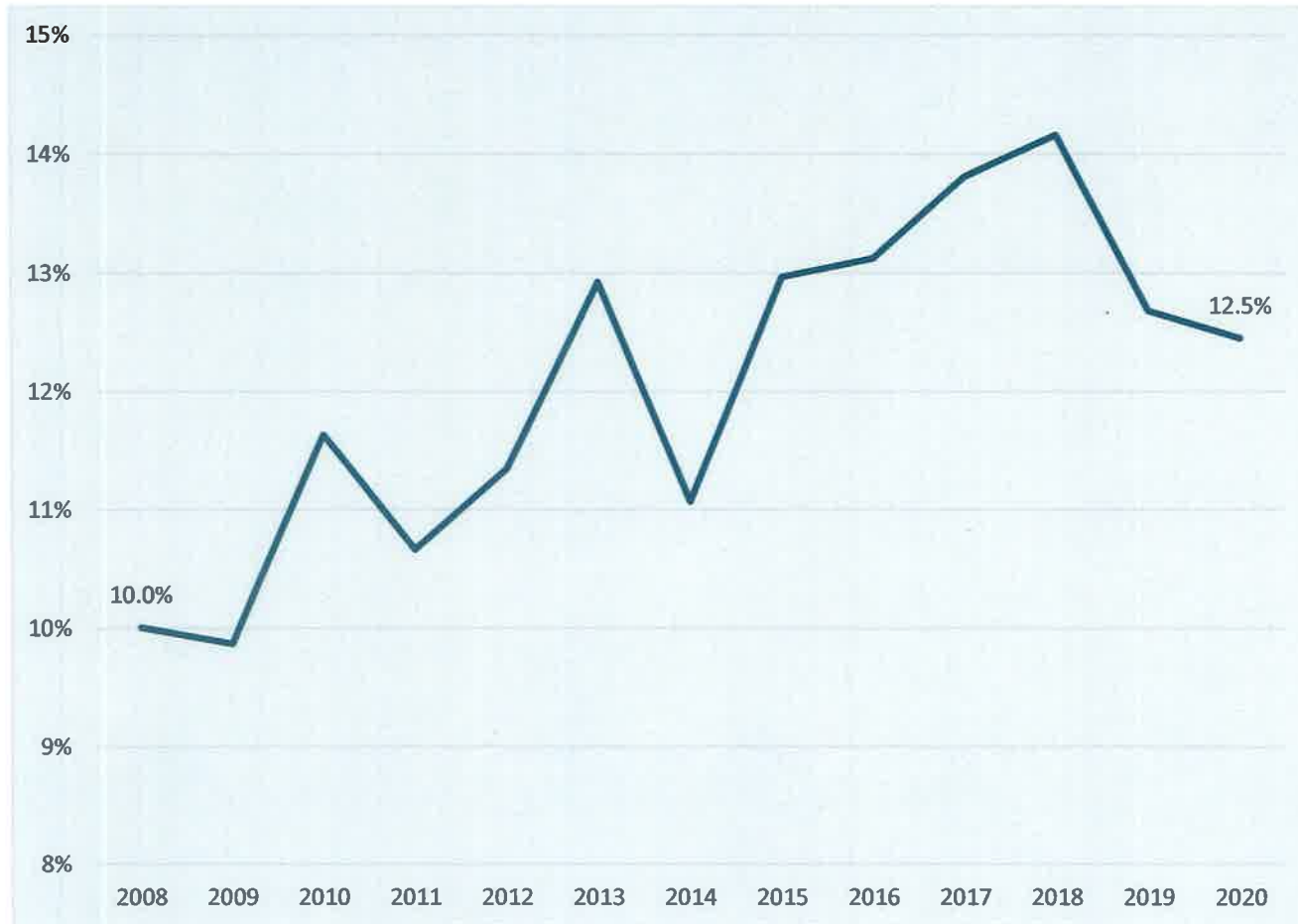


Tulare county issued \$250mm in pension obligation bonds in 2018 to reduce the plan's unfunded accrued actuarial liability (UAAL)

Source: Cheiron – TCERA Actuarial Valuation Reports 2015 to June 30, 2020, Buck Consultants - TCERA Actuarial Valuation Reports 2011 to 2014

# Historical employer contributions

HISTORICAL CONTRIBUTIONS AS A % OF COVERED PAYROLL

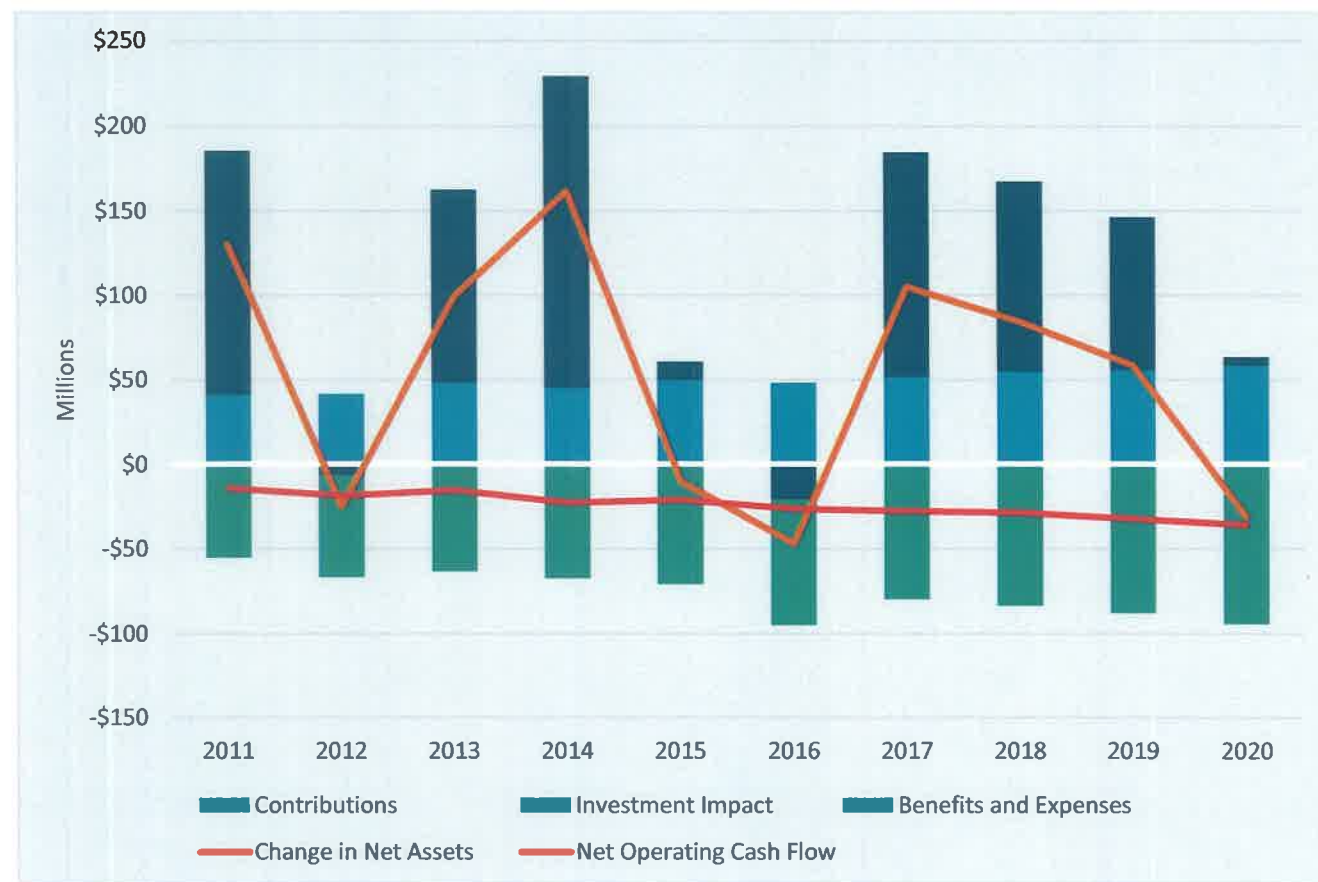


Plan Sponsor contributions relative to the county's payroll have remained relatively low and somewhat consistent

Source: 2020 Tulare County CAFR as of June 30, 2019

# Historical cash flows

NET CASH FLOW (\$) AND NET OPERATING CASH FLOWS (\$)



Annual net asset gains has averaged \$52.5mm over the past decade

Net operating cash flow has trended lower over the past 10-years, reflective of a maturing plan

Market volatility can have a greater impact on negative cash flow plans, as there is less principal to reinvest during favorable return periods

Source: Cheiron – TCERA Actuarial Valuation Reports 2015 to June 30, 2020, Buck Consultants - TCERA Actuarial Valuation Reports 2011 to 2014

Note: Net asset flow considers investment impact; investment impact consists of interest, dividends, unrealized and realized gains/losses

\*Contributions do not include pension obligation bond proceeds



# Plan sponsor review



# Peer group

1937 Act Systems	Population	Median Household Income
Los Angeles	10,039,107	\$ 68,044
San Diego	3,338,330	\$ 78,980
Orange	3,175,692	\$ 90,234
San Bernadino	2,180,085	\$ 63,362
Alameda	1,671,329	\$ 99,406
Sacramento	1,552,058	\$ 67,151
Contra Costa	1,153,526	\$ 99,716
Fresno	999,101	\$ 53,969
Kern	900,202	\$ 53,350
Ventura	846,006	\$ 88,131
San Mateo	766,573	\$ 122,641
San Joaquin	762,148	\$ 64,432
Stanislaus	550,660	\$ 60,704
Sonoma	494,336	\$ 81,018
<b>Tulare</b>	<b>479,997</b>	<b>\$ 49,687</b>
Santa Barbara	446,499	\$ 74,624
Merced	277,680	\$ 53,672
Marin	258,826	\$ 115,246
Imperial	181,215	\$ 47,622
Mendocino	86,749	\$ 51,416

For the purposes of this study, a peer group was created by identifying four counties within the SACRS county system that are similar in population, geographic location, household income, and sources of economic revenue. Tulare county's peer group includes:

- San Joaquin County
- Stanislaus County
- Santa Barbara County
- Merced County

To ensure 'fair' comparisons, financial data was collected and reviewed from each county's most recent CAFR. That said, we recognize each county has unique characteristics that make perfect apples-to-apples comparisons impossible.

Source: U.S. Consensus Bureau as of 2019

# Credit ratings

## Tulare's credit ratings are similar to its peers

- Tulare County has been assigned high general credit ratings from 2 of the 3 national rating agencies:
  - Moody's A1
  - S&P AA
- Credit ratings are generally specific to certain types of debt issued by municipality
  - Tulare currently has Pension Obligation Bonds and Revenue Bonds in circulation
- Higher credit ratings lead to a lower cost of borrowing for the plan sponsor

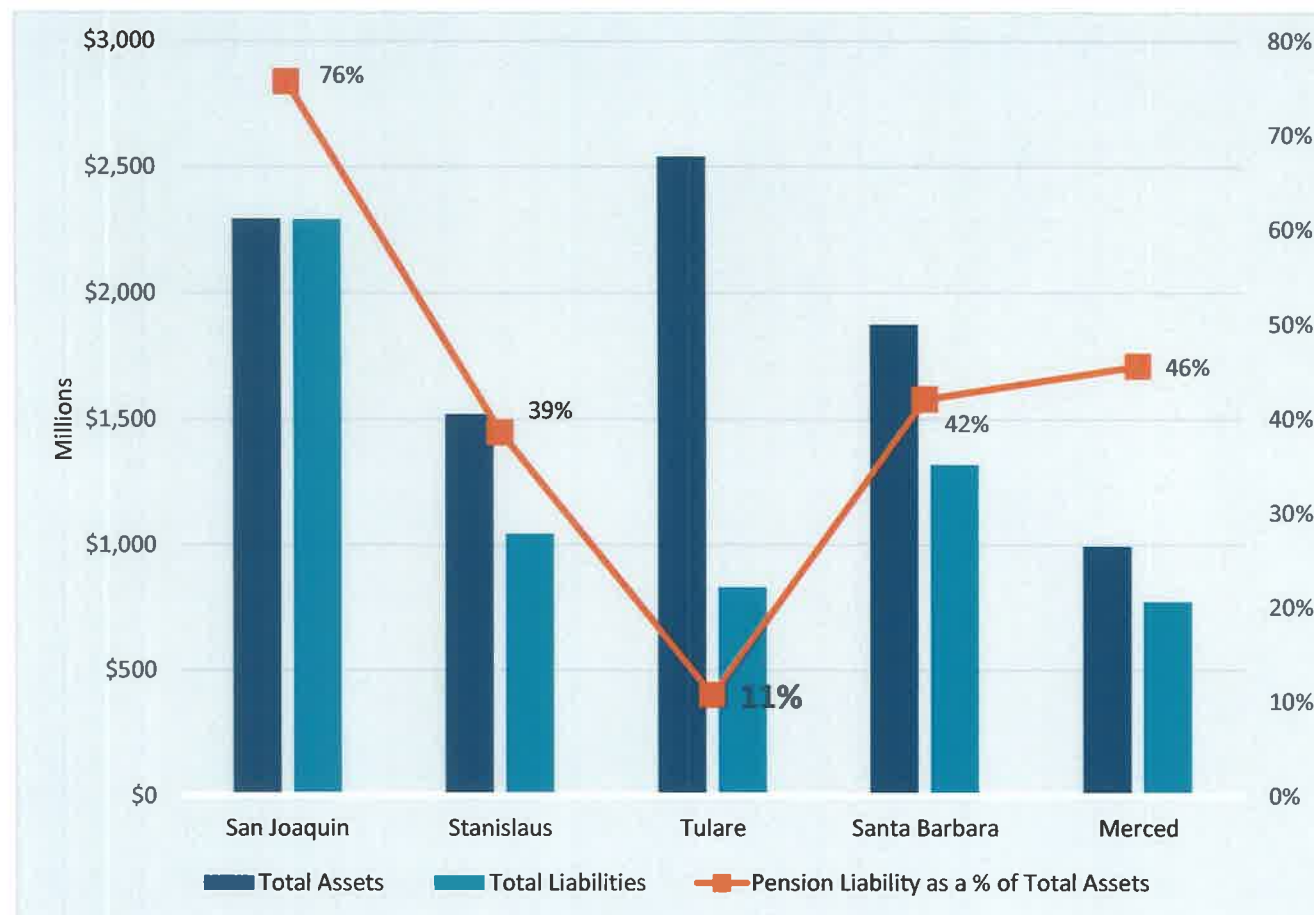
County	Moody's	S&P	Market Value Funded Status	Actuarial Value of Plan Assets (000s)	Total County Revenue (000s)	Population	Per Capita Income	Average Unemployment Rate (FY2019)	CAFR As of Date
Tulare	A1	AA	89.1%	\$ 1,670,786	\$ 915,354	479,997	\$ 49,687	9.6%	6/30/2020
San Joaquin	Aa3	AA	64.5%	\$ 5,013,632	\$ 1,640,380	762,148	\$ 64,432	5.9%	6/30/2019
Stanislaus	A1	AA-	76.3%	\$ 2,100,300	\$ 1,305,743	550,660	\$ 60,704	6.0%	6/30/2020
Santa Barbara	A1	AA	74.3%	\$ 3,193,932	\$ 995,130	446,499	\$ 74,624	3.7%	6/30/2020
Merced		AA	65.1%	\$ 919,800	\$ 557,126	277,680	\$ 53,672	8.1%	6/30/2020

Sources: Each County's respective CAFR, BLS.GOV, Respective credit ratings sourced from Franklin Templeton

Note: Santa Barbara and Merced actuarial value of assets are equal to market value of assets

# Balance sheet by county

## ASSETS AND LIABILITIES



Source: County CAFR's as of 6/30/20. San Joaquin County CAFR as of 6/30/19. Includes both governmental and business-type activities.

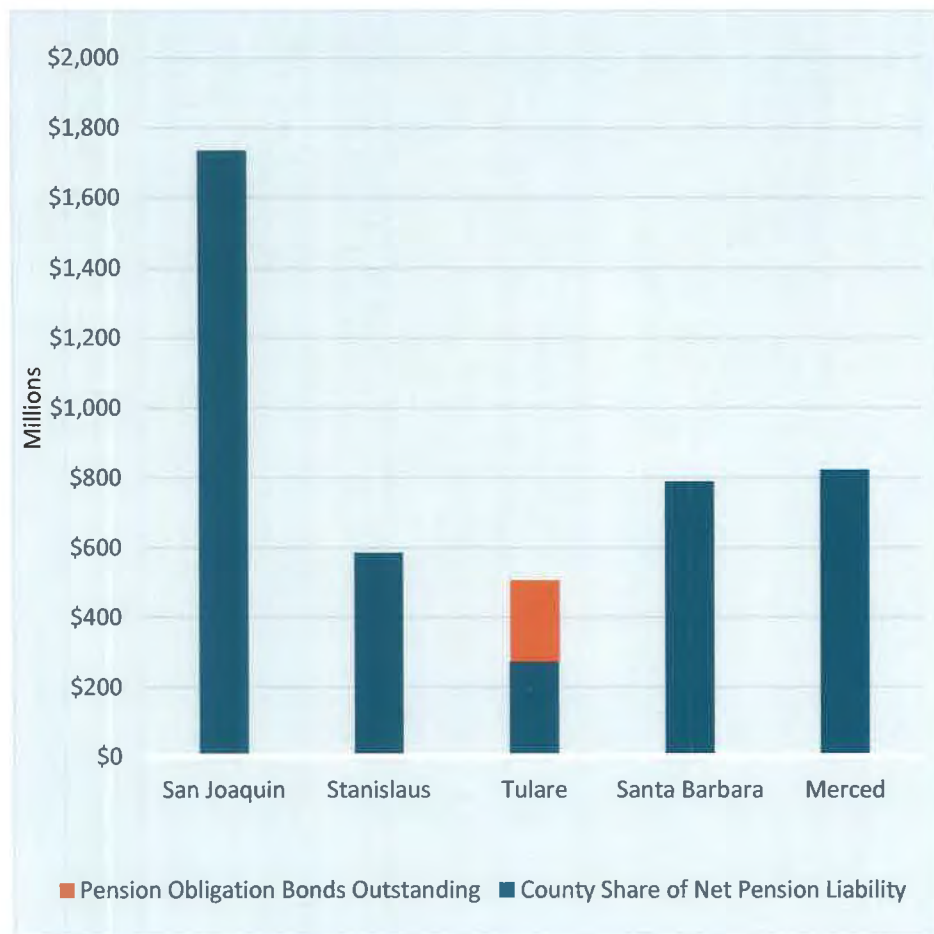
Note: TCERA's proportionate share of the pension liability excludes pension obligation bonds

Tulare County's balance sheet is favorable compared to its peer group.

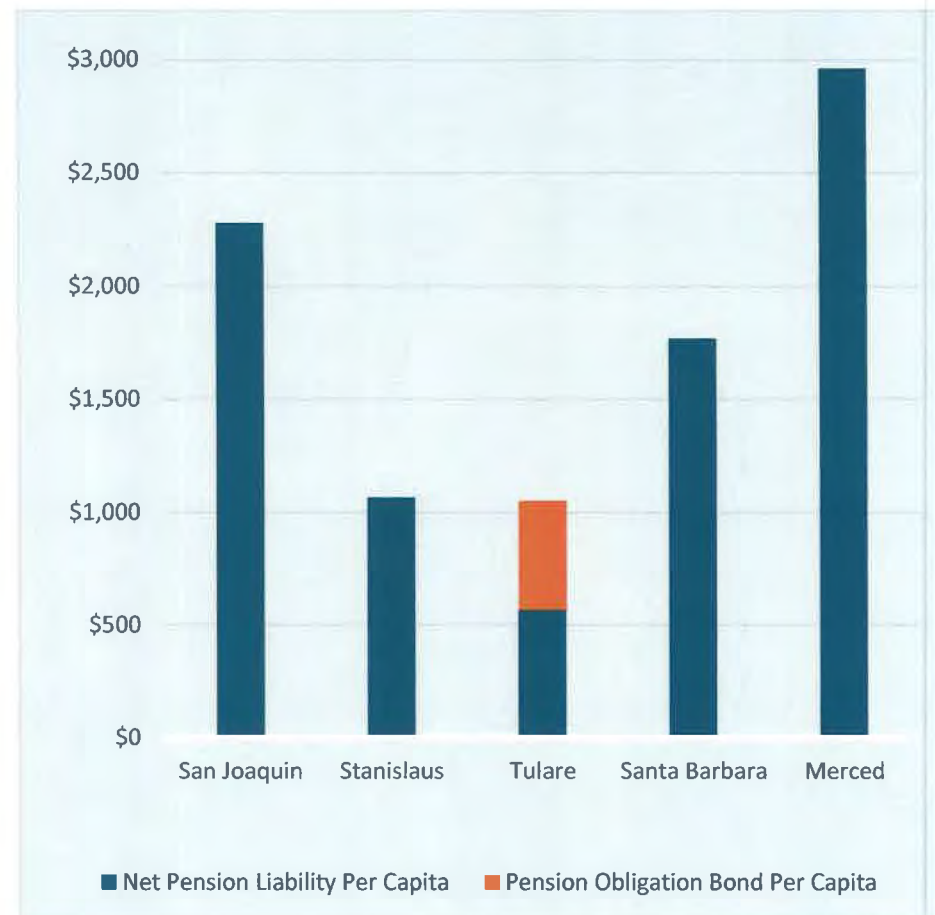
The county's proportionate share of the net pension liability is 11% of its total assets. The lowest of its peers.

# County's pension liability

"TRUE" COST OF PENSION LIABILITY



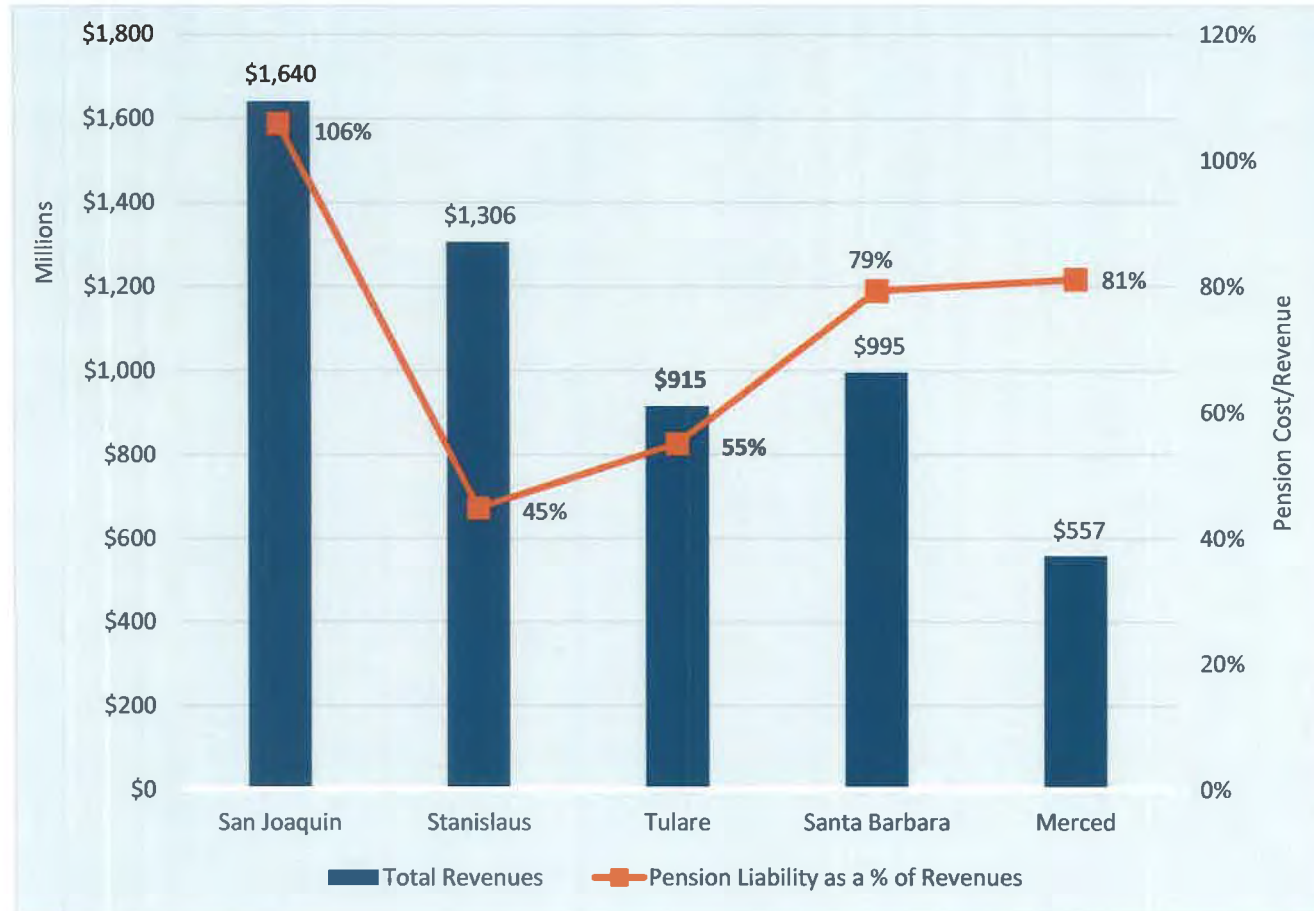
PENSION LIABILITY PER CAPITA



Source: County CAFR's as of 6/30/20. San Joaquin County CAFR as of 6/30/19.

# County revenues

REVENUES BY COUNTY



Source: County CAFR's as of 6/30/20. San Joaquin County CAFR as of 6/30/19

Tulare County's total revenue for fiscal year end 2020 was \$915 million.

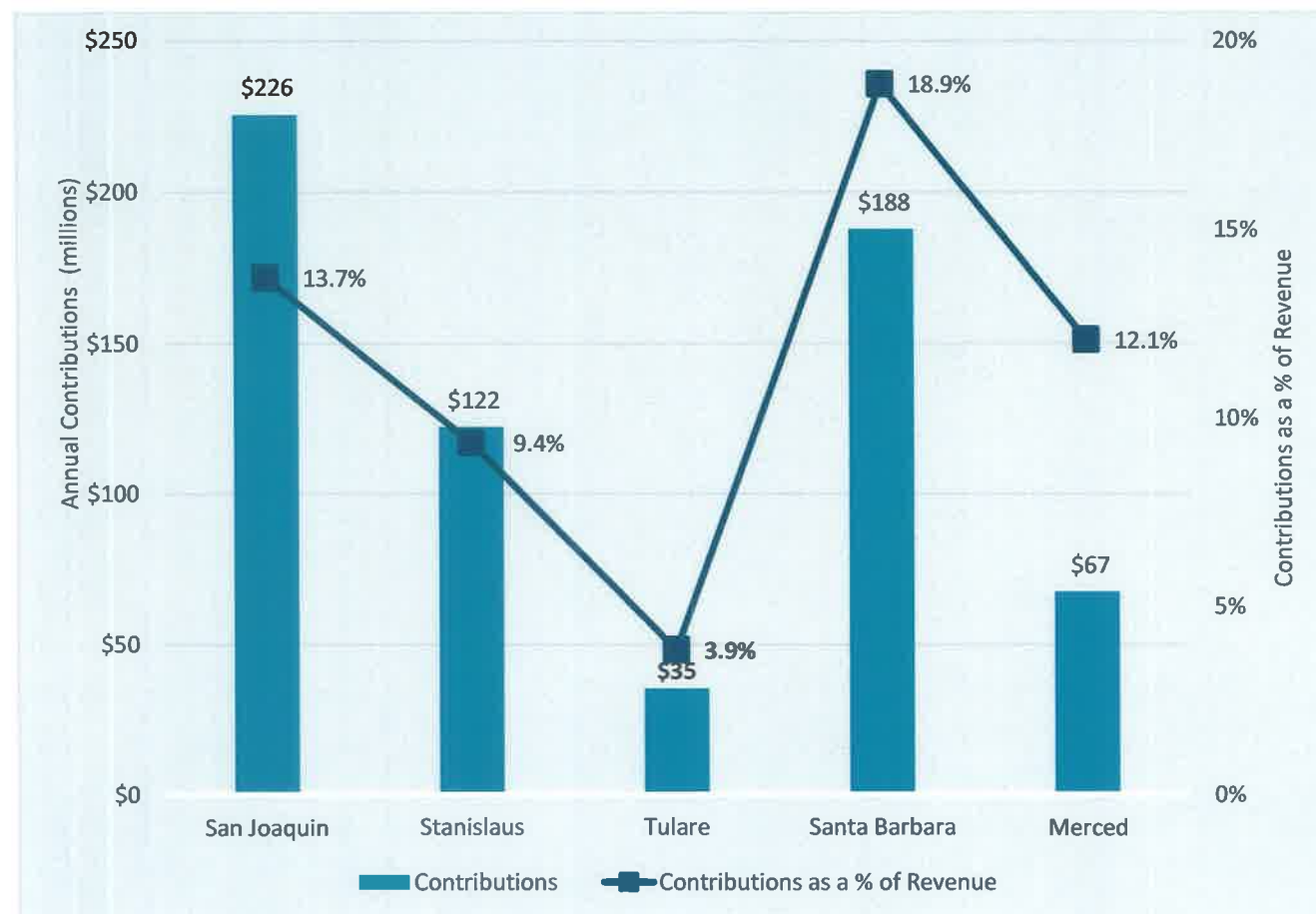
The "true" pension cost (county's proportionate share of the pension liability + POBs outstanding) was \$505 million.

Tulare's pension liability as a percent of total revenue was second lowest among its peers.



# County contributions

2020 CONTRIBUTIONS BY COUNTY



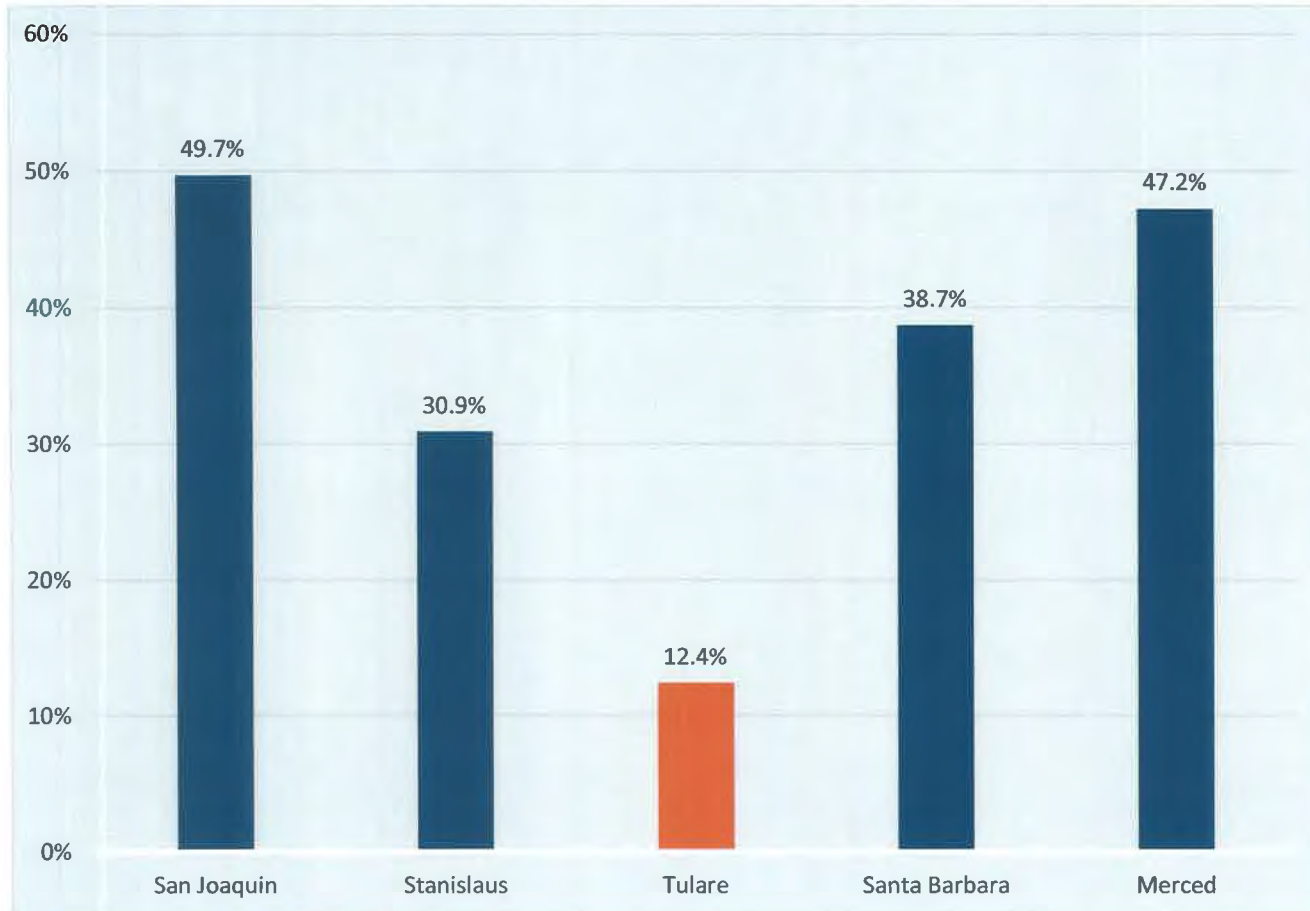
Tulare had the lowest absolute contribution amount and lowest contributions as a percent of revenue out of its peer group.

Both statistics are indicative of a relatively less burdensome plan on the county.

Source: County CAFR's as of 6/30/20. San Joaquin County CAFR as of 6/30/19

# Contributions

## EMPLOYER CONTRIBUTIONS AS A % OF PAYROLL



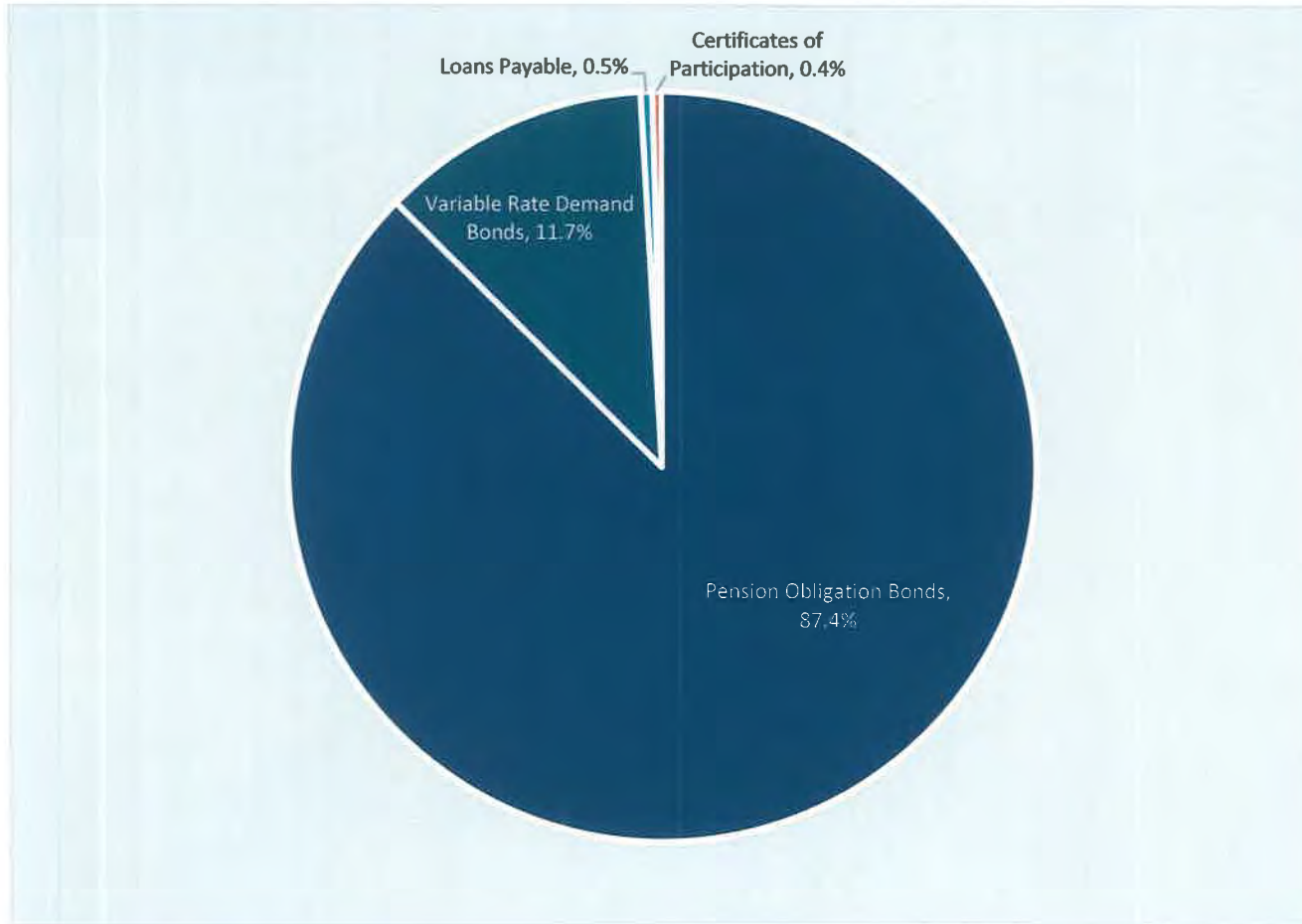
Tulare had the lowest measure of contributions as a percentage of payroll.

This gives county employers flexibility to potentially increase future contribution amounts

Source: County CAFR's as of 6/30/20. San Joaquin County CAFR as of 6/30/19

# Debt structure

## TULARE COUNTY LONG-TERM OUTSTANDING DEBT



~87% of Tulare County's debt structure are pension obligation bonds issued in 2018. The proceeds were used to reduce the plan's UAAL.

POB's account for ~28% of the county's total liabilities

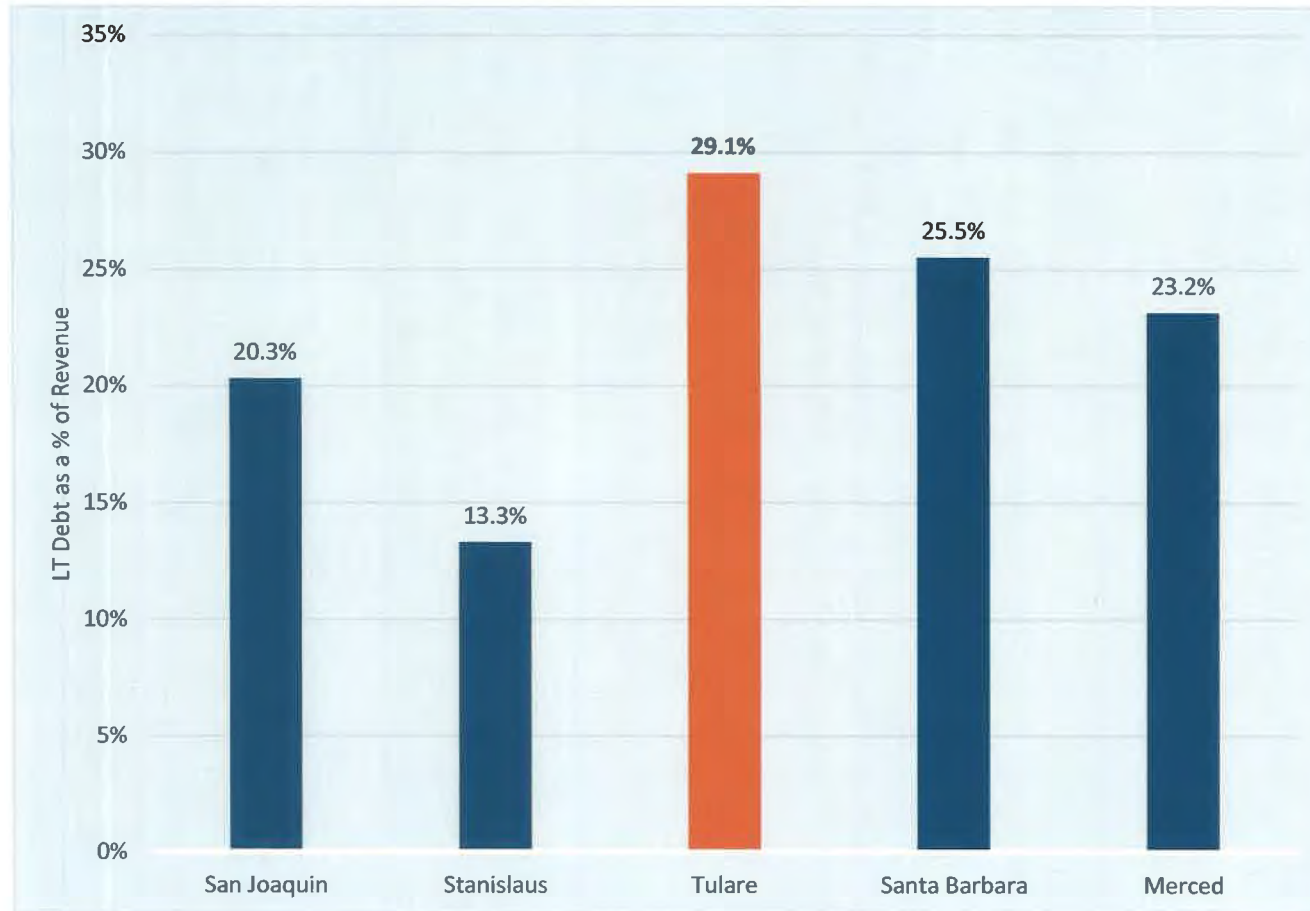
None of TCERA's peers currently has POB's outstanding

Source: County CAFR's as of 6/30/20. San Joaquin County CAFR as of 6/30/19



# Debt vs. revenue

TOTAL LONG-TERM DEBT AS A PERCENTAGE OF REVENUE



Debt relative to total county revenues is highest among its peer group

At 29%, this is still reasonably low and could positively fluctuate year-over-year as revenue increases or long-term debt is paid down

Source: County CAFR's as of 6/30/20, San Joaquin County CAFR as of 6/30/19

# Debt vs assessed property values

TOTAL LONG-TERM DEBT TO ASSESSED VALUE OF PROPERTY



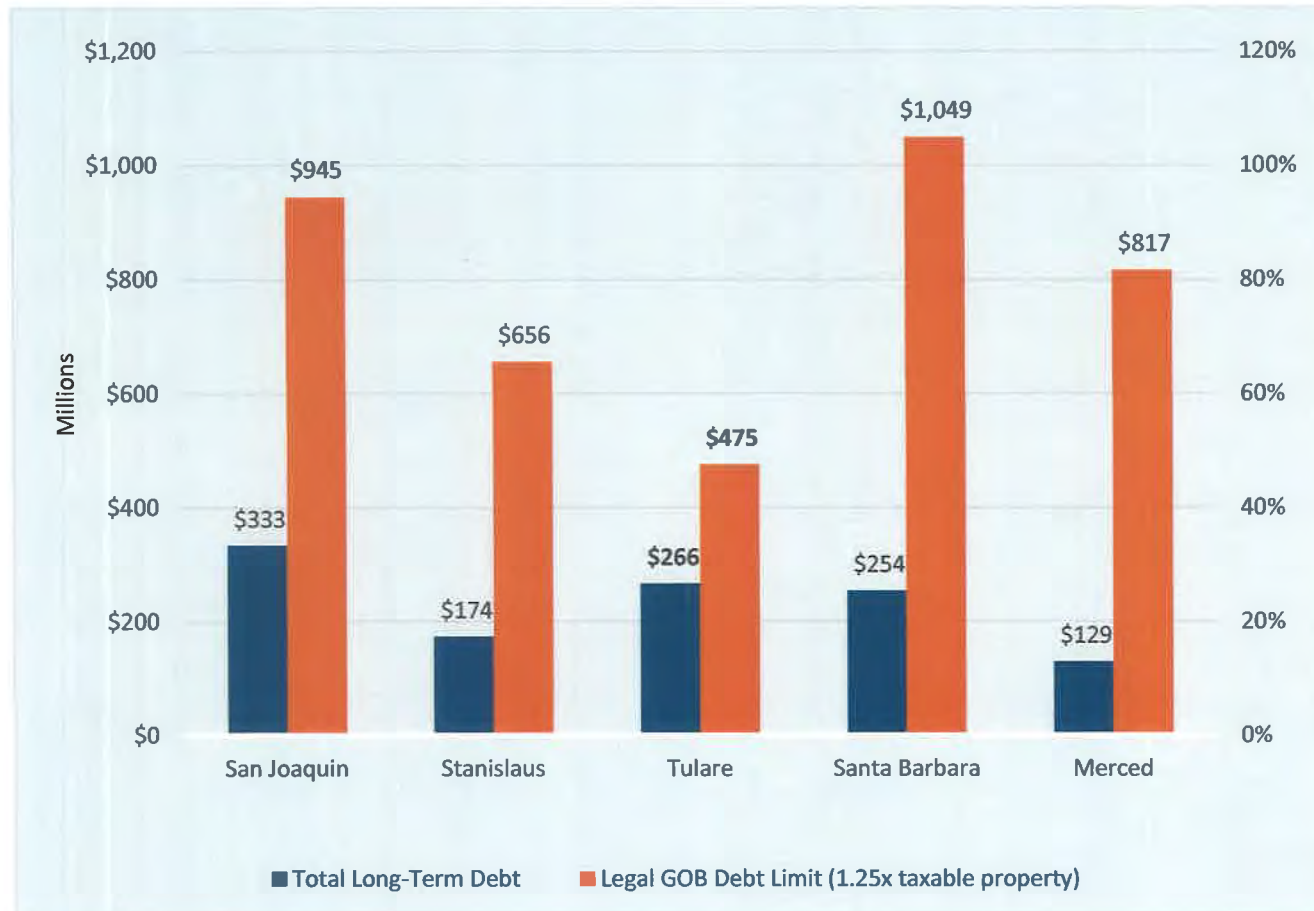
Debt relative to assessed property value is highest among its peers but still relatively in line

This indicates a reasonable level of leverage

Source: County CAFR's as of 6/30/20. San Joaquin County CAFR as of 6/30/19

# Debt vs legal debt limit

LONG-TERM DEBT VS LEGAL DEBT LIMIT



The California government imposes a legal debt limit for GO bond indebtedness to 1.25% of taxable property value

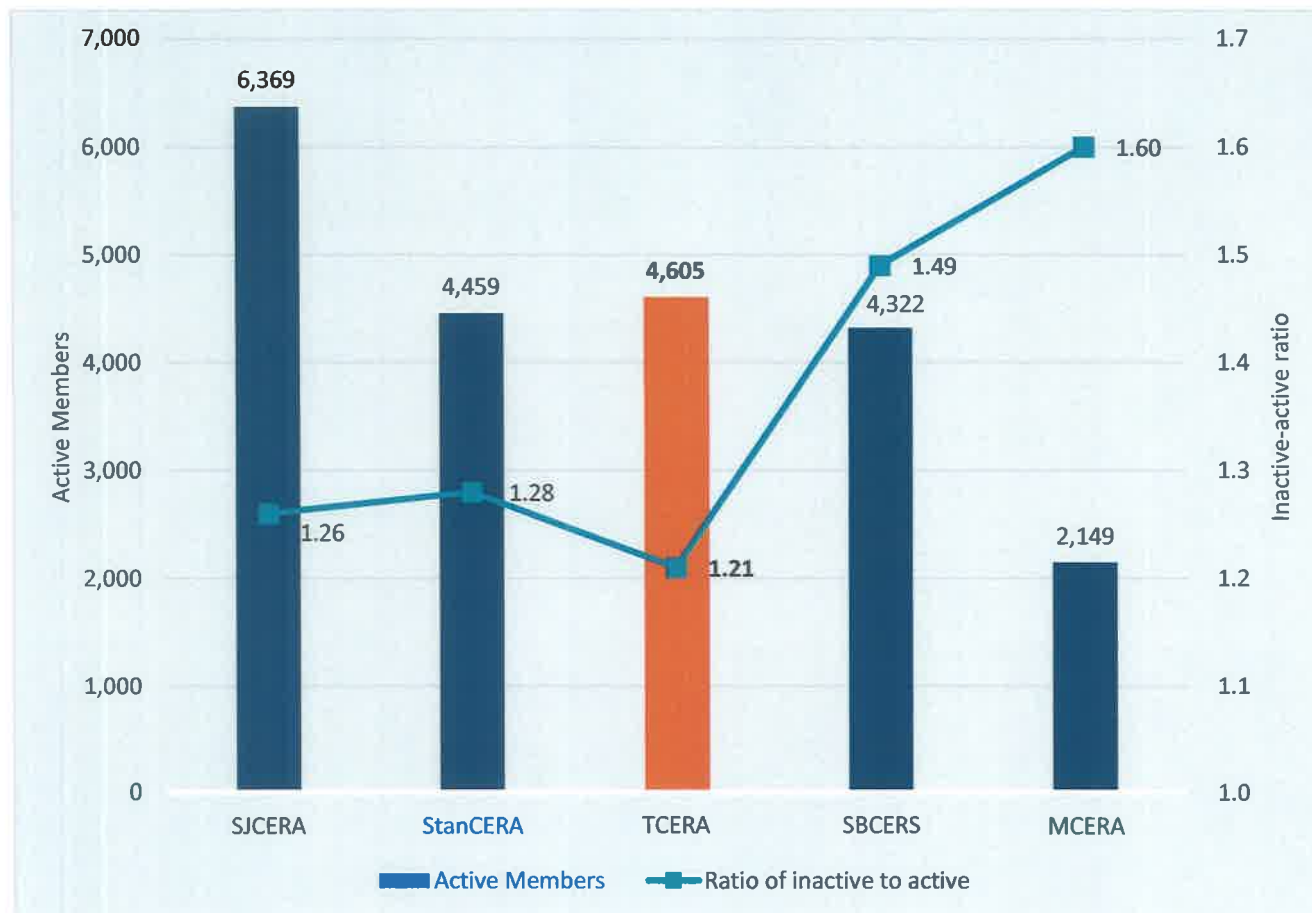
Tulare county does not currently have any GO bonds outstanding and thus are well under their legal limit

The county's relatively small taxable property value is the biggest detractor to its legal debt limit

Source: County CAFR's as of 6/30/20. San Joaquin County CAFR as of 6/30/19

# Member population

ACTIVE MEMBER POPULATION BY PLAN



TCERA has the second highest number of active members and the lowest ratio of inactive-to-active members.

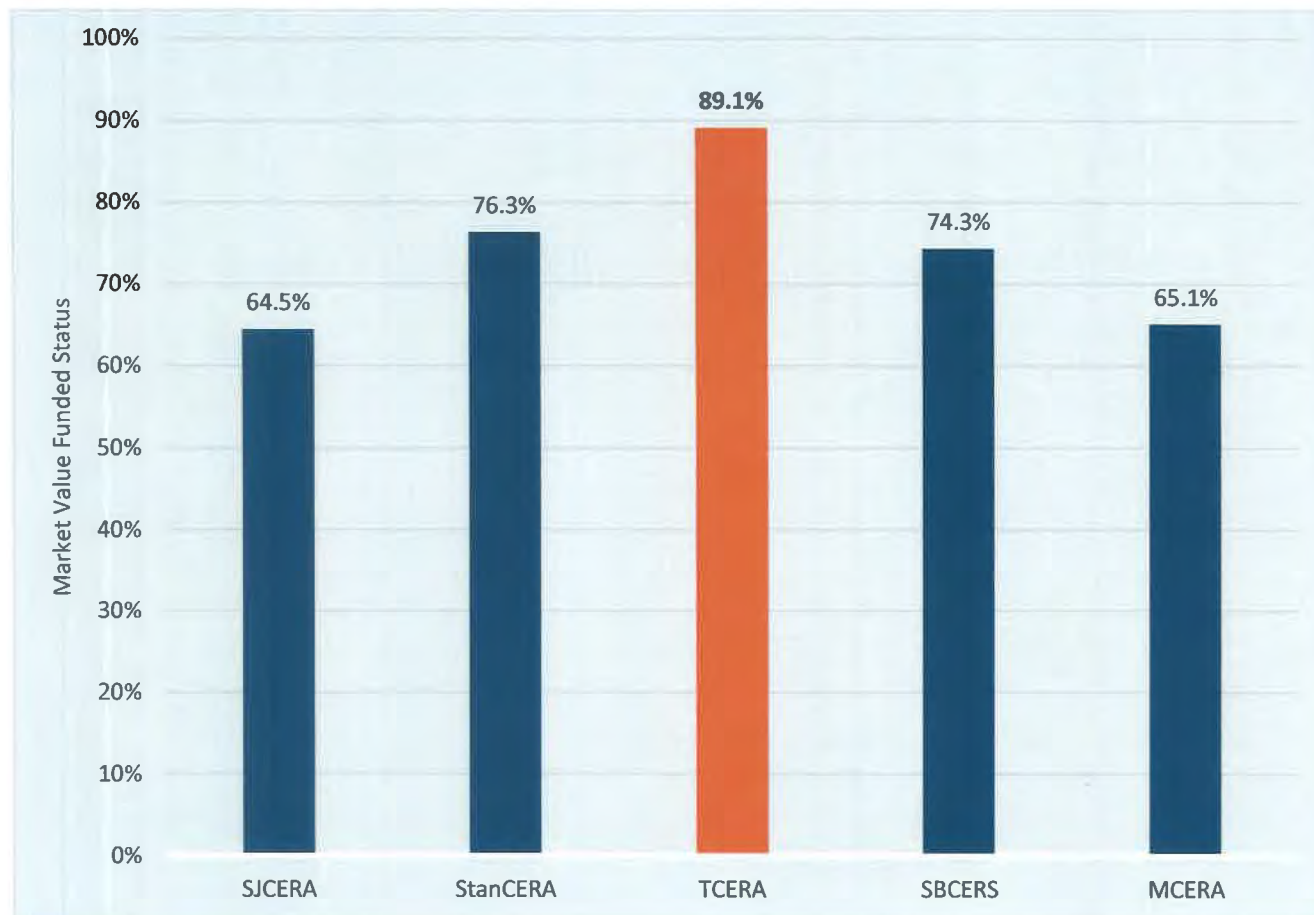
Although TCERA's dependency ratio has grown since 2016, the ratio remains low relative to peers

A greater proportion of contributing active members helps support the plan

Source: County CAFR's as of 6/30/20. San Joaquin County CAFR as of 6/30/19

# Funded status

## MARKET VALUE FUNDED STATUS



TCERA's plan funded status is relatively high compared to peers

\$250mm of POB's issued by the county in 2018 is a contributing factor

Source: Each plan's respective actuarial report as of 6/30/20; StanCERA actuarial report as of 6/30/19

# Summary observations

- Tulare county enjoys favorable financial conditions, based on its low leverage ratios, favorable credit rating, and relatively strong funded status.
- Furthermore, the county's pension plan is a relatively low burden on County resources, as liability and contribution indicators are mostly favorable relative to its peers.
- This is offset somewhat by the county's relatively concentrated economic base, which is heavily dependent on agriculture, slower economic growth, and relatively unfavorable employment picture.
- Overall, we view TCERA's ability to incur risk as moderate.



# III. Asset/liability study

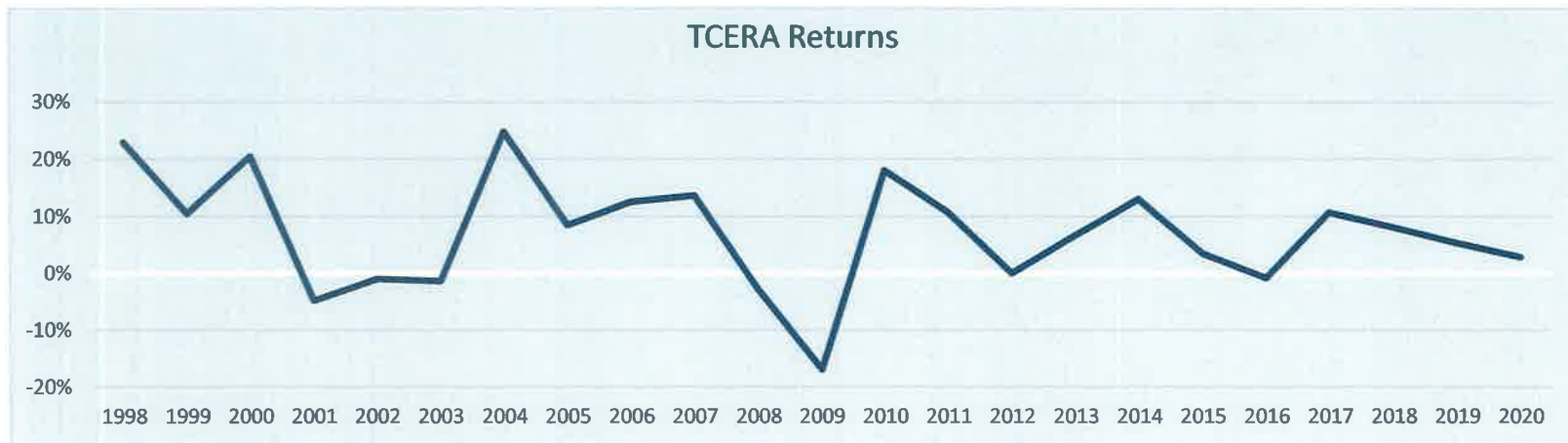


# Summary observations

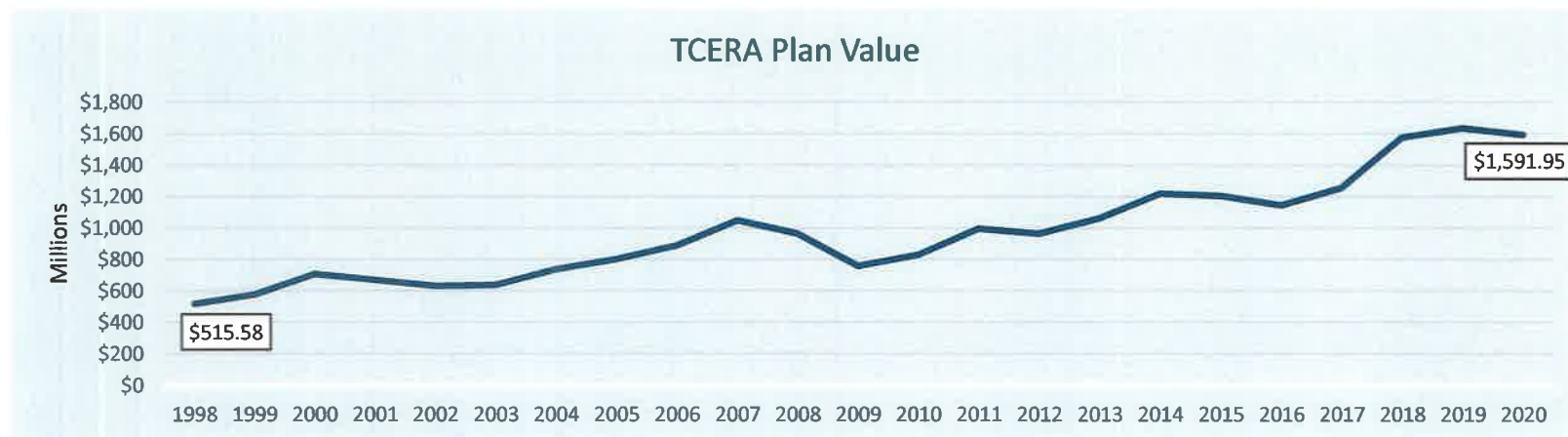
- Capital market assumptions continue to be affected by expectations of a low-return environment, with global equity and core fixed income expected to return just 5.2% and 1.5%, respectively, per year over the next 10 years
- Based on this, we observe the following:
  - Of 14 asset mixes modeled, expected returns range from approximately 5.0% - 8.77% with expected volatility (risk) ranging from 9.2% - 13.2%
  - If current actuarial assumptions hold, the Plan will become fully funded in 2040
  - The current Policy portfolio is expected to generate a 5.2% return over the next 10 years
  - The median forecasted funded ratios of the portfolios modeled range from 78.4% to 88.7% over the 10-year forecast period.
  - The median employer contribution as a % of pay in year 10 ranges from 18.9% to 22.3% over the same period.
- Each ¼ point drop in the actuarial assumption rate leads to approximately \$7 million in additional annual employer contributions

# Setting the stage

# Returns and plan value

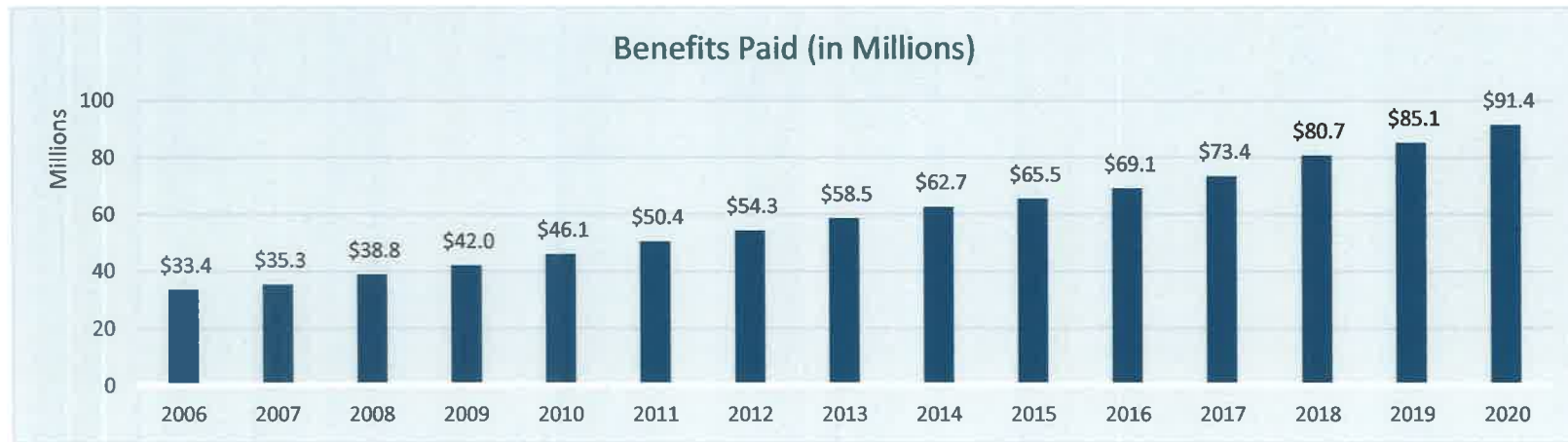


Although historical returns have not consistently met the assumed rate, assets have recovered significantly since the Global Financial Crisis.

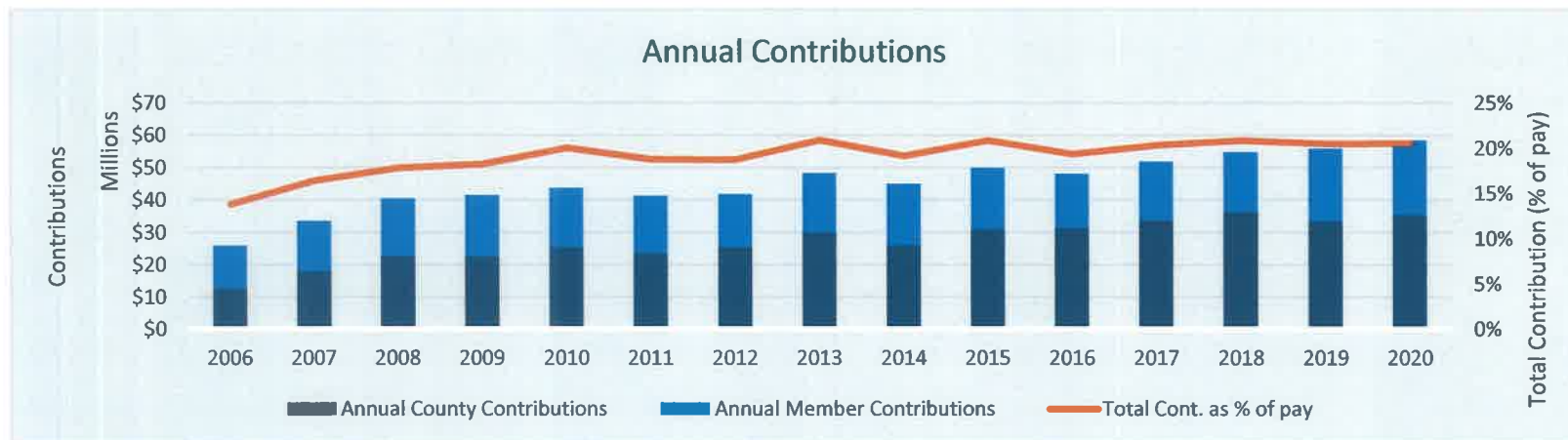


Fiscal Year Starting Q2 1997 - Q2 1998

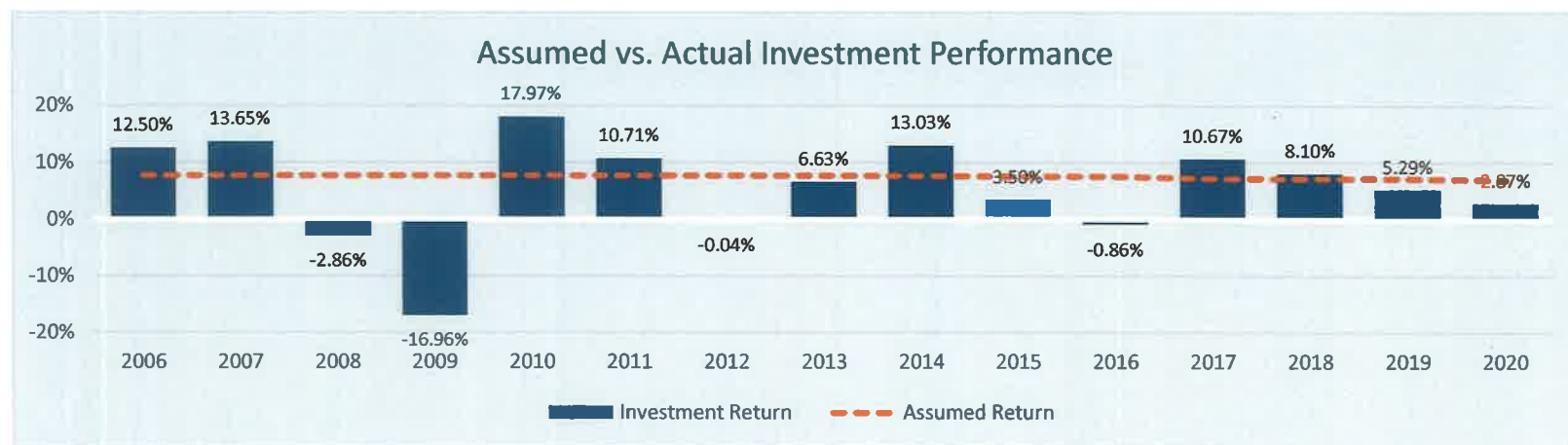
# Benefit payments and contributions



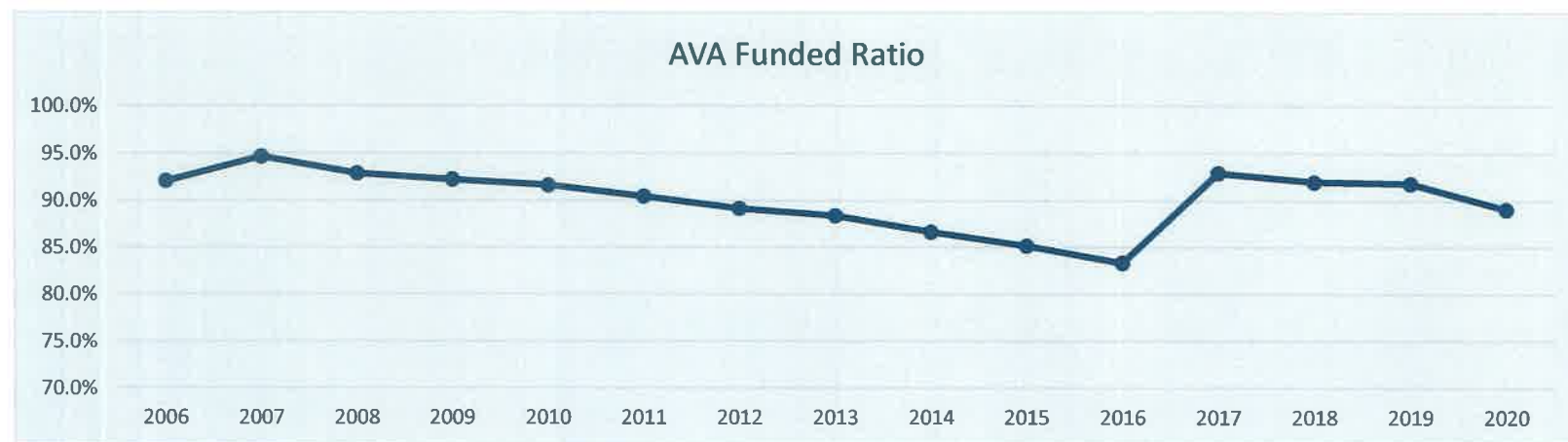
Aggregate benefits have increased steadily, and plan sponsor contributions have risen as well.



# Returns and funding

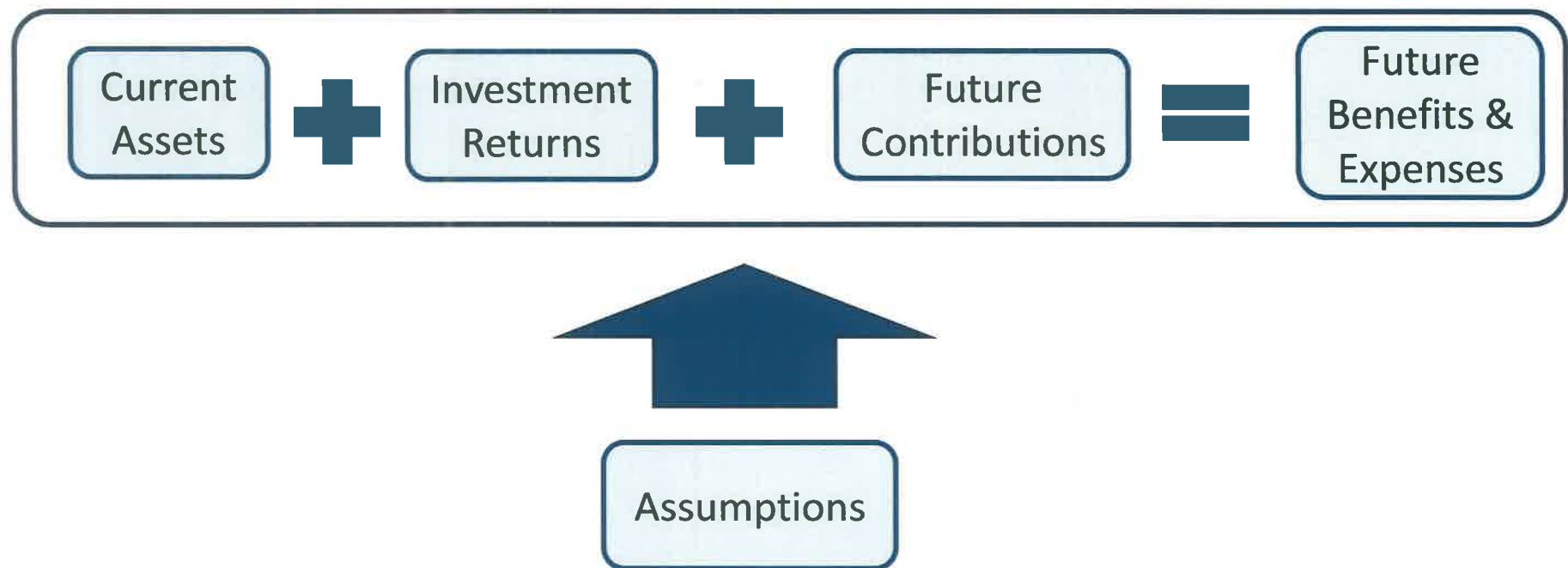


Market returns below the assumed rate has led to declining liability coverage.



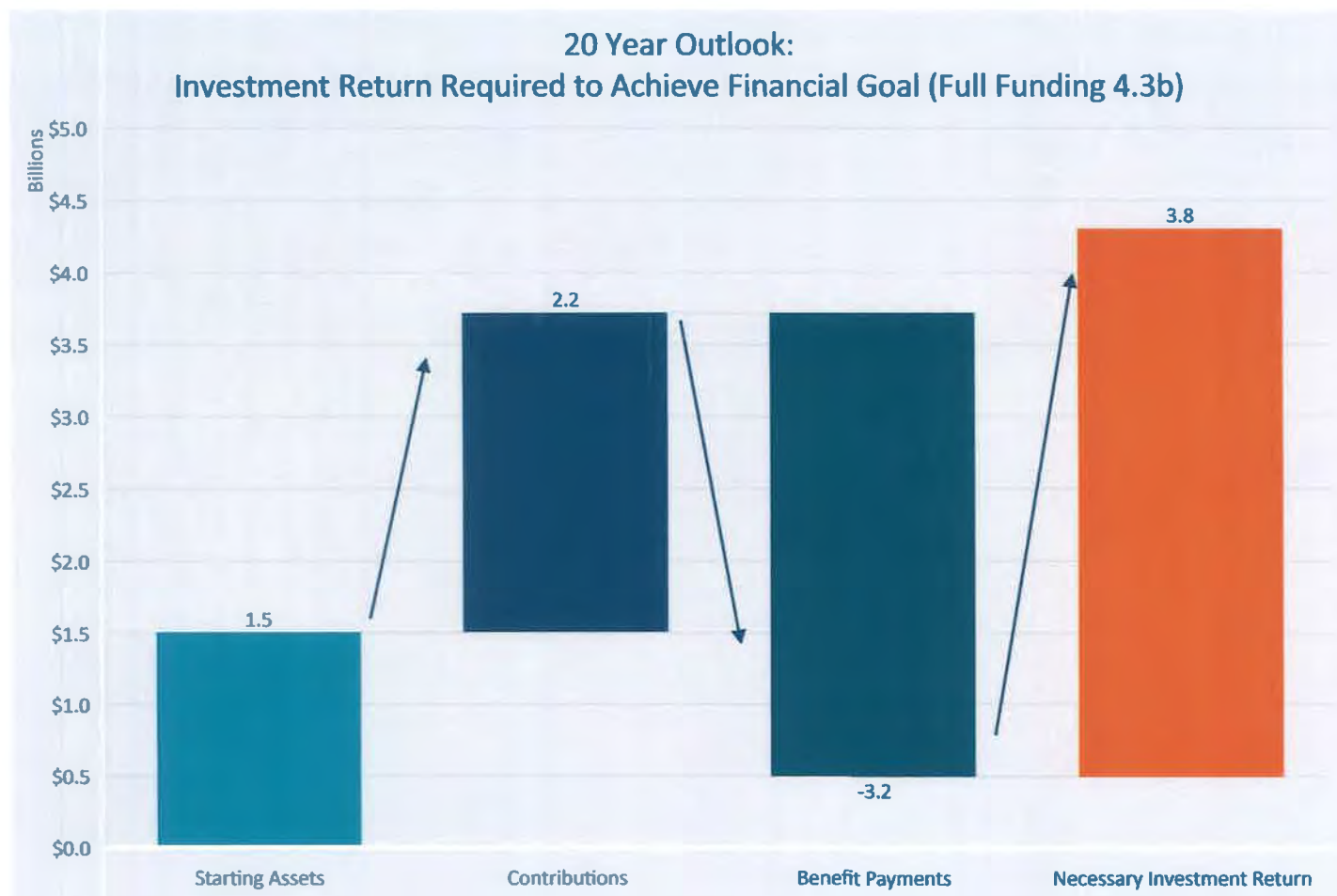
# Deterministic projections

# The pension equation





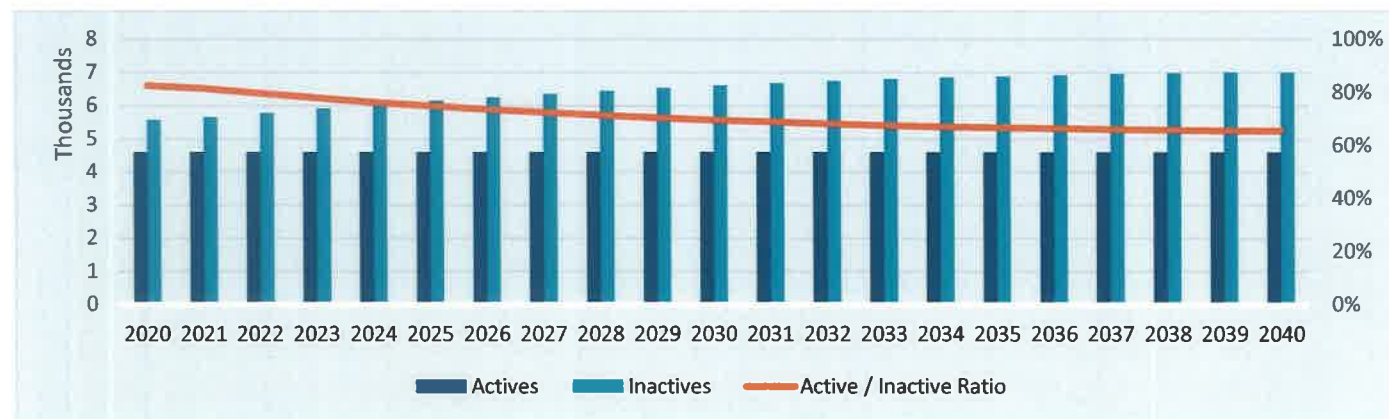
# The pension equation in action



Under the current funding policy, the Plan will require approx. \$3.8b of investment returns to become fully funded by 2040.

# Impact of plan demographics

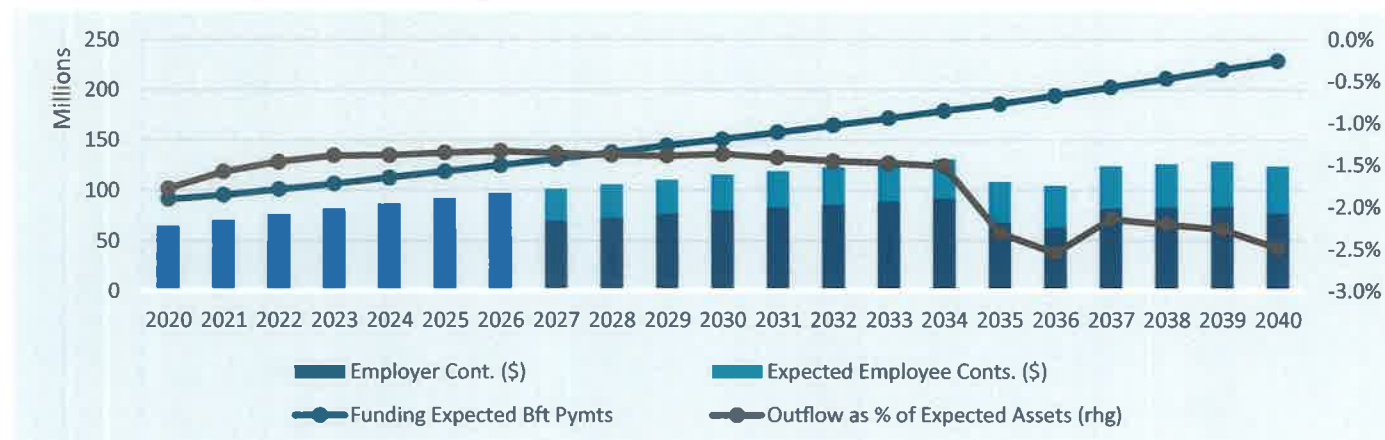
## ACTIVE TO INACTIVE RATIO



Inactive count includes retirees, beneficiaries, and terminated vested members.

Assuming zero plan growth, the proportion of active members to retirees declines steadily over the next 10 years before stabilizing around 2035.

## BENEFIT PAYMENTS, CONTRIBUTIONS, AND OUTFLOW

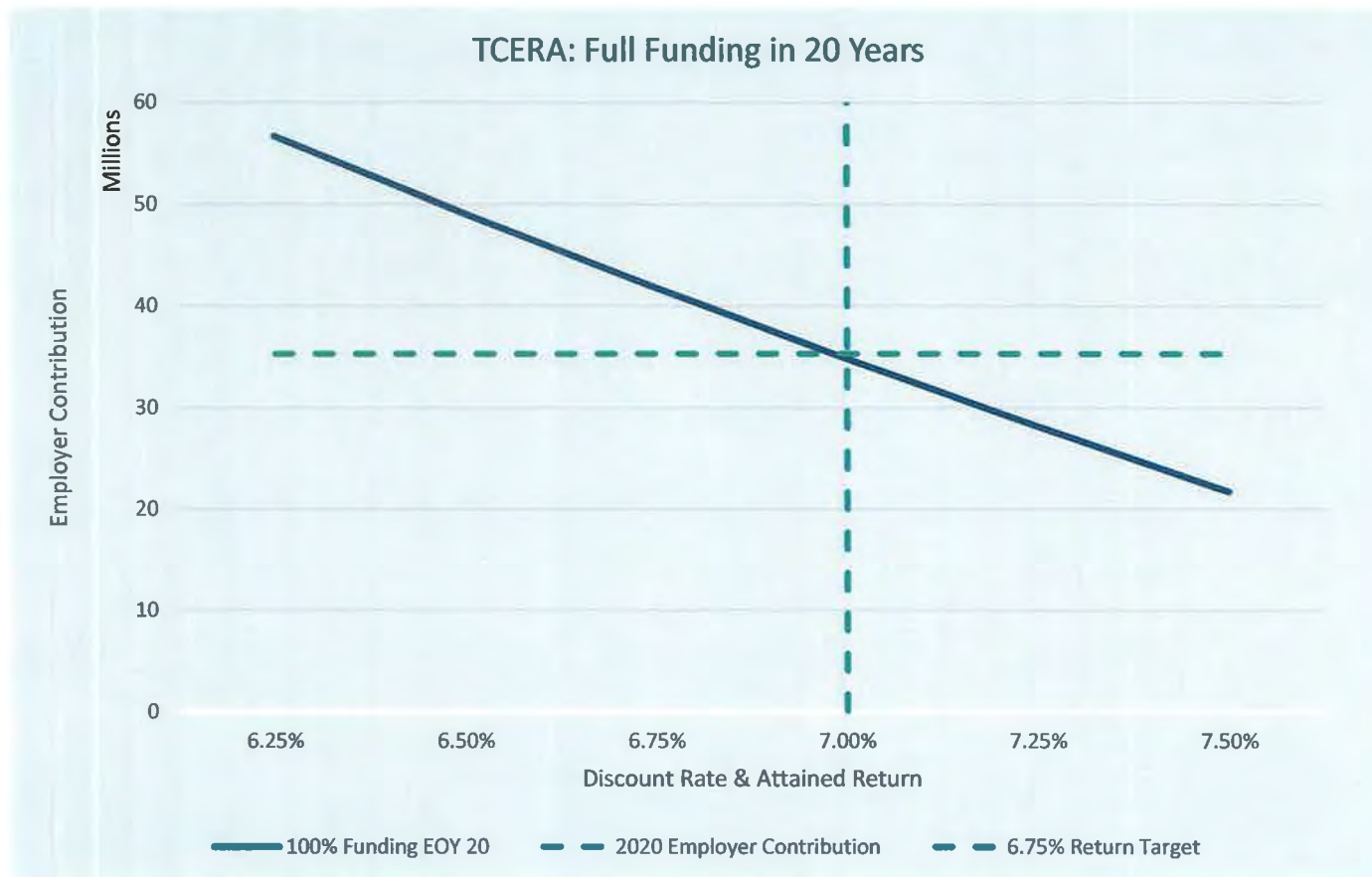


Includes employer and employee contributions projected at a return of 7.0%. Modeled at the actuarial assumed inflation rate of 2.75%

As the plans funding improves and inactive pool grows larger, there is a greater reliance on investments to meet cashflow needs.

# Cost of de-risking

## THE COST OF DE-RISKING

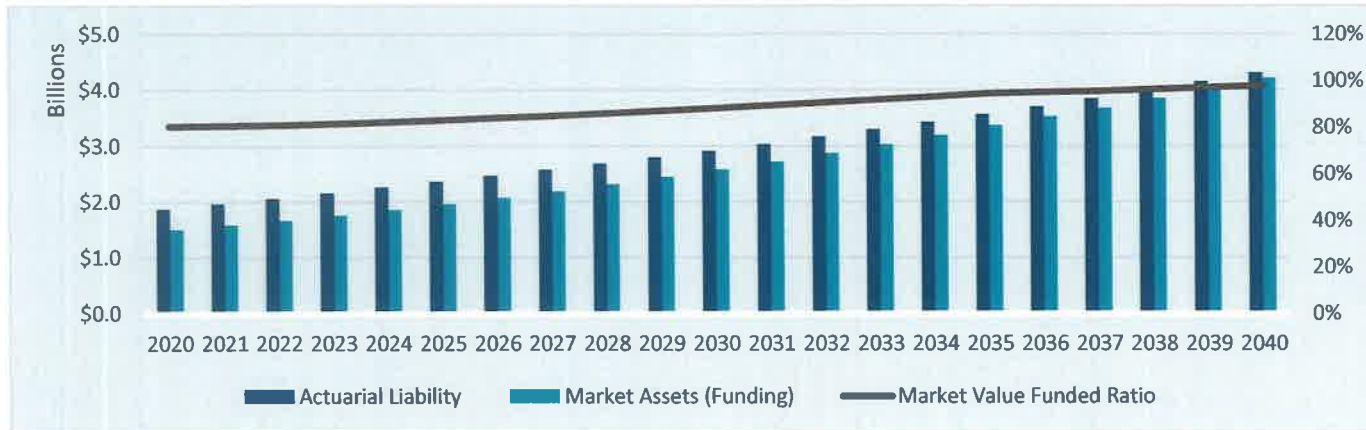


Assuming the current funding policy, a 0.25% change in the discount rate results in a change of roughly \$7mm in employer contributions.

*Data displayed in this chart assumes investment returns equal the discount rate for the entire modeling period and all other assumptions (mortality, disability, plan growth, etc.) are met exactly.*

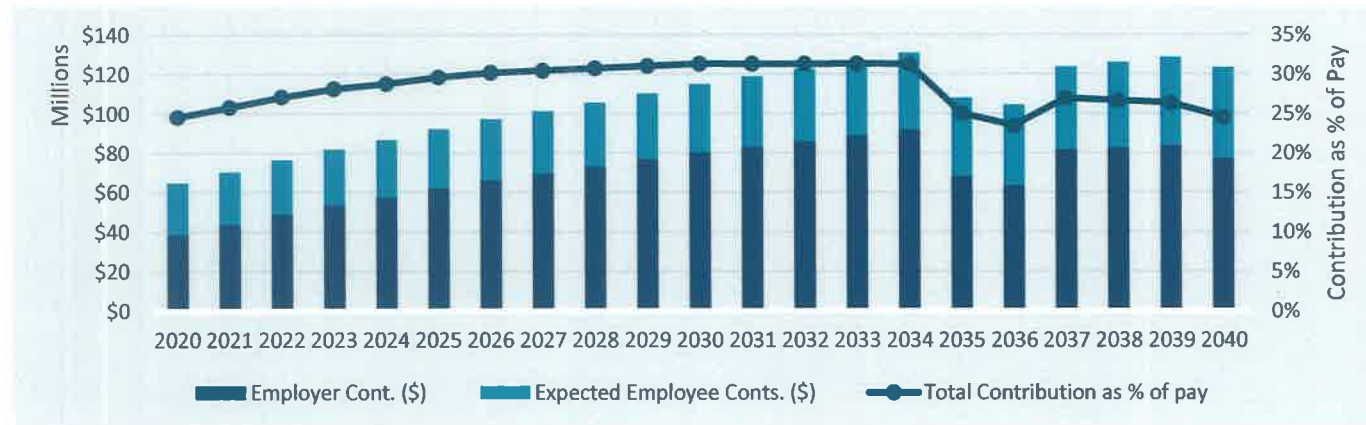
# Deterministic Scenario: 7.0%

## BASELINE PROJECTION: 7.0% RETURN SCENARIO



Assuming the plan meets its actuarial assumed rate of return, the plan achieves fully funded status in roughly 20 years.

## CONTRIBUTIONS

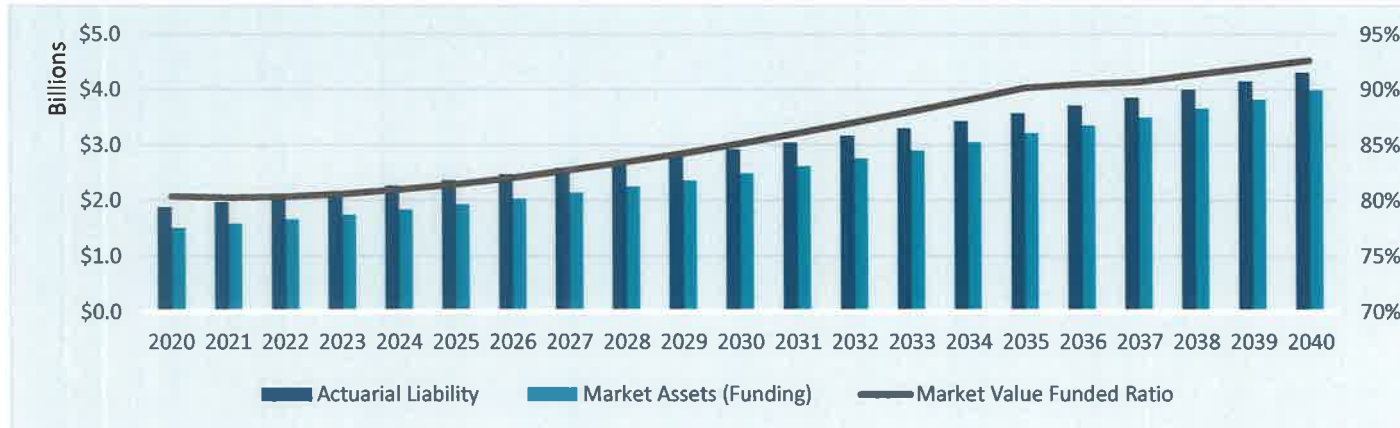


Contributions as a % of pay increase before declining around 2035.

Modeled at the actuarial assumed inflation rate of 2.75%

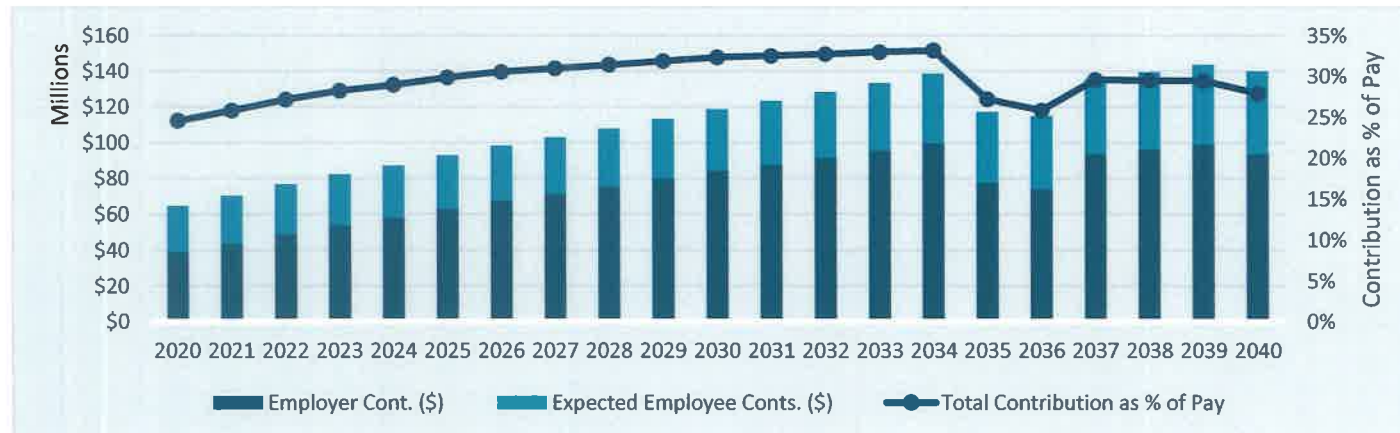
# Deterministic Scenario: 6.6%

## BASELINE PROJECTION: 6.6% RETURN SCENARIO



A 6.6% return results in gradual funding improvements for the pension.

## CONTRIBUTIONS



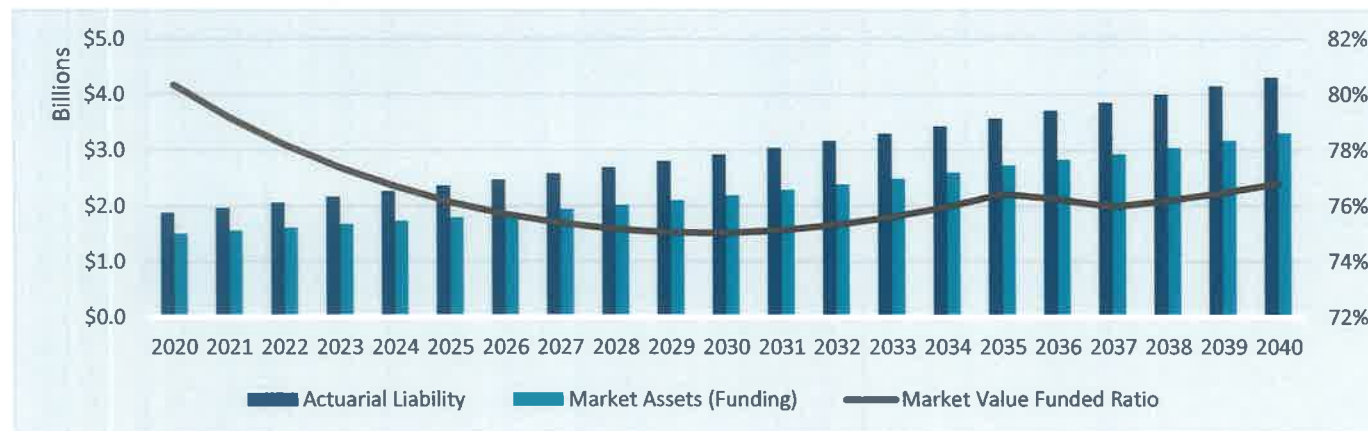
However, contributions continue to increase before stabilizing in 2035.

Modeled at the actuarial assumed inflation rate of 2.75%



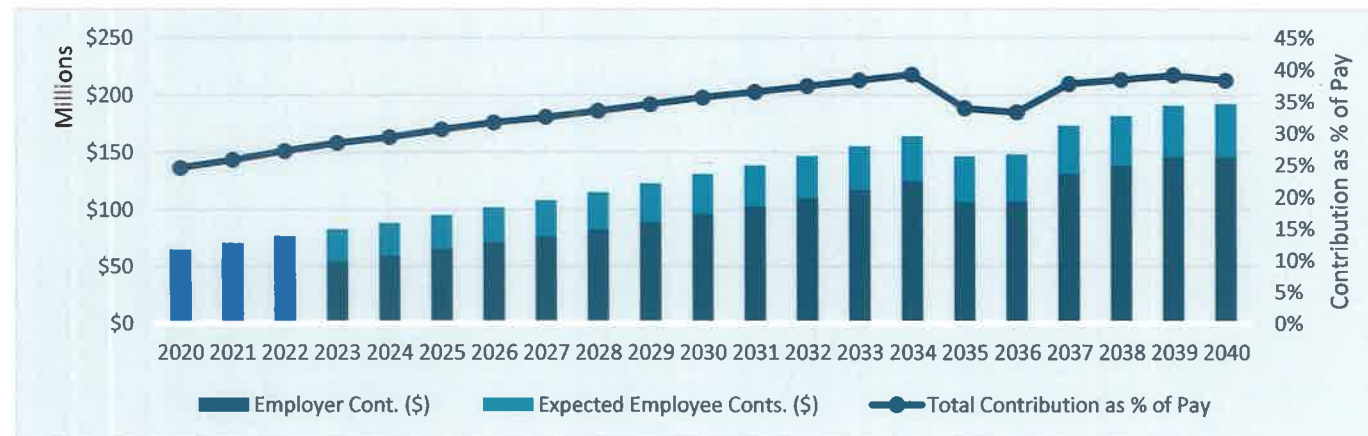
# Deterministic Scenario: 5.2%

## BASELINE PROJECTION: 5.2% RETURN SCENARIO



A 5.2% return is challenging for the plan to recover from. Funded status declines before remaining roughly stable around 77%.

## CONTRIBUTIONS

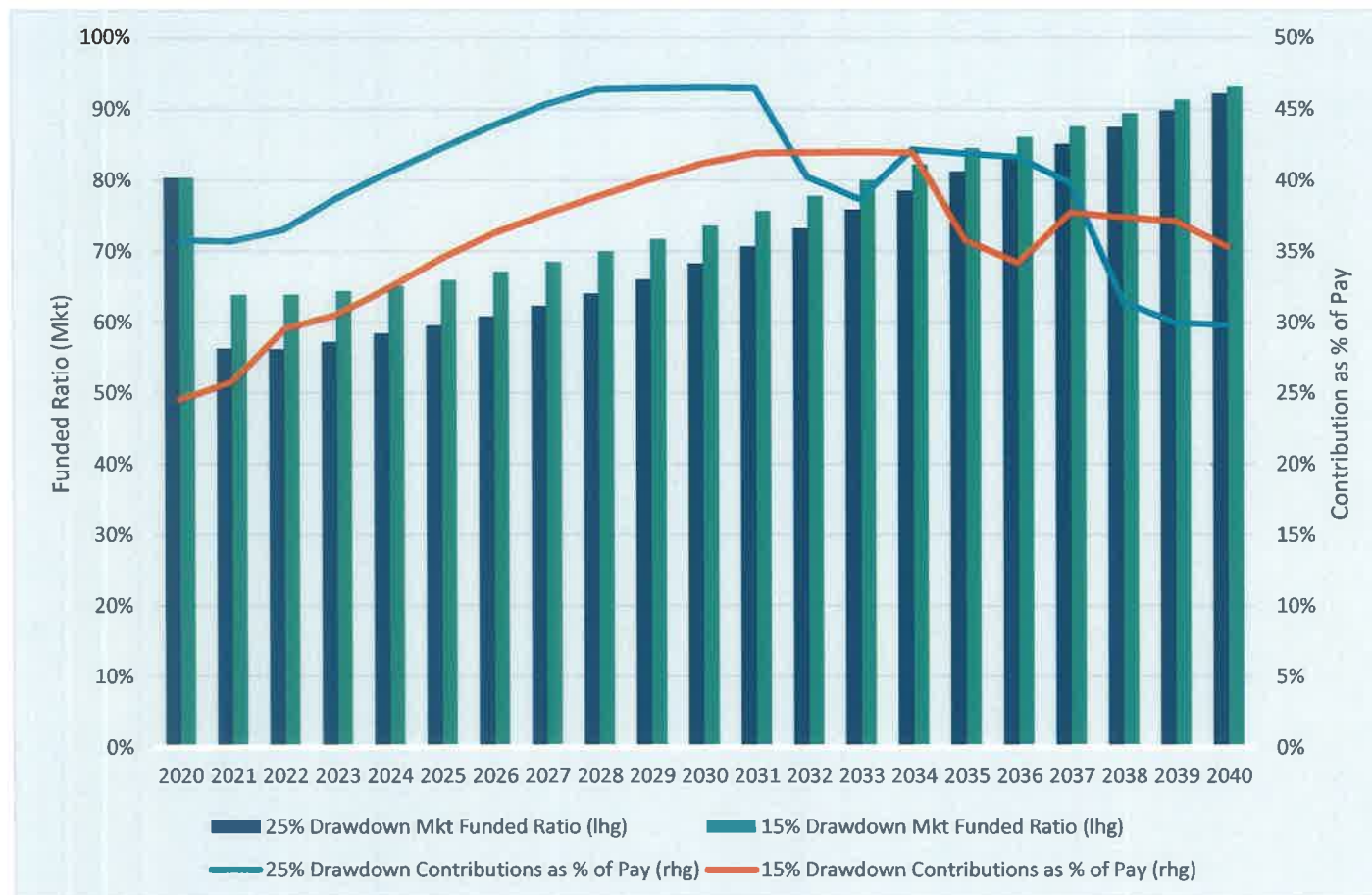


Similarly, contributions continue to climb, nearly doubling what they are today on a % of pay basis.

Modeled at the actuarial assumed inflation rate of 2.75%

# Cost of a drawdown

## IMPACT OF DRAWDOWN ON CONTRIBUTIONS AND FUNDED STATUS



A significant drawdown may require an adjustment to the current funding policy.

Assumes annual compound rate of return of 7.0% after the one-year drawdown of either 25% or 15%. Modeled at the actuarial assumed inflation rate of 2.75%



# Stochastic projections

# 10-year return & risk assumptions

Asset Class	Index Proxy	Ten Year Return Forecast		Standard Deviation Forecast	Sharpe Ratio Forecast (g)	Sharpe Ratio Forecast (a)	10-Year Historical Sharpe Ratio (g)	10-Year Historical Sharpe Ratio (a)
		Geometric	Arithmetic					
Equities								
U.S. Large	S&P 500	5.1%	6.3%	15.7%	0.31	0.38	0.99	0.99
U.S. Small	Russell 2000	5.2%	7.3%	21.4%	0.23	0.33	0.51	0.58
International Developed	MSCI EAFE	5.2%	6.7%	17.9%	0.28	0.36	0.27	0.34
International Small	MSCI EAFE Small Cap	4.4%	6.7%	22.4%	0.19	0.29	0.43	0.49
Emerging Markets	MSCI EM	5.4%	8.3%	25.5%	0.20	0.32	0.11	0.19
Global Equity	MSCI ACWI	5.2%	6.6%	17.3%	0.29	0.37	0.58	0.62
Private Equity*	Cambridge Private Equity	9.3%	12.1%	25.7%	0.35	0.46	-	-
Fixed Income								
Cash	30 Day T-Bills	0.2%	0.2%	1.2%	-	-	-	-
U.S. TIPS	BBgBarc U.S. TIPS 5-10	1.1%	1.2%	5.3%	0.15	0.18	0.66	0.67
U.S. Treasury	BBgBarc Treasury 7-10 Year	0.7%	0.9%	6.7%	0.07	0.10	0.67	0.68
Global Sovereign ex U.S.	BBgBarc Global Treasury ex U.S.	0.2%	0.6%	9.6%	-0.01	0.04	0.09	0.12
Global Aggregate	BBgBarc Global Aggregate	1.1%	1.3%	6.1%	0.14	0.17	0.38	0.39
Core Fixed Income	BBgBarc U.S. Aggregate Bond	1.5%	1.6%	4.0%	0.31	0.36	1.02	1.01
Core Plus Fixed Income	BBgBarc U.S. Universal	2.2%	2.3%	4.0%	0.49	0.50	1.13	1.12
Short-Term Gov't/Credit	BBgBarc U.S. Gov't/Credit 1-3 Year	0.7%	0.8%	3.6%	0.14	0.16	1.23	1.22
Short-Term Credit	BBgBarc Credit 1-3 Year	1.0%	1.1%	3.6%	0.21	0.23	1.23	1.22
Long-Term Credit	BBgBarc Long U.S. Corporate	2.2%	2.6%	9.3%	0.21	0.25	0.76	0.77
High Yield Corp. Credit	BBgBarc U.S. Corporate High Yield	3.4%	4.0%	11.3%	0.28	0.34	0.82	0.83
Bank Loans	S&P/LSTA Leveraged Loan	2.9%	3.2%	9.5%	0.28	0.32	0.66	0.67
Global Credit	BBgBarc Global Credit	0.3%	0.6%	7.4%	0.01	0.05	0.63	0.64
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
Private Credit	Bank Loans + 175bps	4.6%	5.2%	11.2%	0.39	0.45	-	-
Other								
Commodities	Bloomberg Commodity	2.2%	3.4%	15.9%	0.13	0.20	-0.47	-0.41
Hedge Funds*	HFRI Fund Weighted Composite	3.8%	4.1%	7.8%	0.46	0.49	0.47	0.49
Real Estate Debt	BBgBarc CMBS IG	2.2%	2.5%	7.5%	0.26	0.30	1.18	1.17
Core Real Estate	NCREIF Property	5.8%	6.5%	12.6%	0.44	0.50	2.06	1.99
Value-Add Real Estate	NCREIF Property + 200bps	7.8%	9.1%	17.1%	0.44	0.52	-	-
Opportunistic Real Estate	NCREIF Property + 400bps	9.8%	11.8%	21.6%	0.44	0.54	-	-
REITs	Wilshire REIT	5.8%	7.5%	19.3%	0.29	0.38	0.46	0.52
Global Infrastructure	S&P Global Infrastructure	7.8%	9.4%	18.8%	0.40	0.49	0.28	0.35
Risk Parity	Risk Parity	5.2%	5.9%	10.0%	0.50	0.56	-	-
Currency Beta	MSCI Currency Factor Index	1.2%	1.3%	3.5%	0.28	0.30	0.15	0.16
Inflation		2.0%	-	-	-	-	-	-

Investors wishing to produce expected geometric return forecasts for their portfolios should use the arithmetic return forecasts provided here as inputs into that calculation, rather than the single-asset-class geometric return forecasts. This is the industry standard approach but requires a complex explanation only a heavy quant could love, so we have chosen not to provide further details in this document – we will happily provide those details to any readers of this who are interested.

\*Return expectations differ depending on method of implementation

# Asset mixes

	Policy	Current 3-31-21	Increased Risk		Diversified			Simple Risk-Based			MVO - All Asset Classes		MVO - ex Risk Parity		2021 CMA's (10 Yr)		
			Higher Risk - Pub Mkt Equity	Higher Risk - Priv Mkt	Additional Private Markets	Additional Priv Mkt + Infra.	Barbell Risk	80/20	70/30	60/40	7% Return Target	12.5% Risk Target	7% Return Target	12.5% Risk Target	Return	Risk	Sharpe
US Large	19.0	20.8	25.0	16.0	19.0	19.0	15.0	80.0	70.0	60.0	0.0	0.0	0.0	0.0	5.1	15.7	0.38
US Small	6.0	6.7	10.0	4.0	4.0	4.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.2	21.4	0.33
<b>Total Domestic Equity</b>	<b>25</b>	<b>28</b>	<b>35</b>	<b>20</b>	<b>23</b>	<b>23</b>	<b>18</b>	<b>80</b>	<b>70</b>	<b>60</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>			
International Developed	12.0	13.4	15.0	12.0	10.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.2	17.9	0.36
Emerging Markets	3.0	3.3	5.0	3.0	2.0	2.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.4	25.5	0.32
<b>Total Int'l Equity</b>	<b>15</b>	<b>17</b>	<b>20</b>	<b>15</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>			
Global Equity	3.0	4.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.2	17.3	0.37
<b>Total Equity</b>	<b>43</b>	<b>48</b>	<b>60</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>30</b>	<b>80</b>	<b>70</b>	<b>60</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>			
Core Fixed Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.0	30.0	40.0	0.0	0.0	0.0	0.0	1.5	4.0	0.36
Core Plus Fixed Income	17.0	20.6	10.0	15.0	30.0	25.0	0.0	0.0	0.0	0.0	25.0	0.0	46.0	32.0	2.2	4.0	0.50
US Treasury	0.0	0.0	0.0	0.0	0.0	0.0	8.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	6.7	0.10
Short-Term Gov't/Credit	0.0	0.0	0.0	0.0	0.0	0.0	13.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	3.6	0.16
Bank Loans	0.0	0.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	9.5	0.32
Global Aggregate	5.0	4.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	6.1	0.17
Emerging Market Debt (Hard)	2.5	2.3	2.5	2.5	2.5	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.2	12.7	0.45
Emerging Market Debt (Local)	2.5	2.3	2.5	2.5	2.5	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.3	12.2	0.39
US TIPS	0.0	0.0	0.0	0.0	0.0	0.0	7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	5.3	0.18
<b>Total Fixed Income</b>	<b>27</b>	<b>30</b>	<b>20</b>	<b>20</b>	<b>35</b>	<b>30</b>	<b>28</b>	<b>20</b>	<b>30</b>	<b>40</b>	<b>25</b>	<b>0</b>	<b>46</b>	<b>32</b>			
Real Estate Debt	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.2	7.5	0.30
Core Real Estate	10.0	9.0	5.0	5.0	7.0	7.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.8	12.6	0.50
Value Add Real Estate	5.0	0.8	5.0	5.0	4.0	4.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.8	17.1	0.52
Opportunistic Real Estate	0.0	0.0	0.0	5.0	4.0	4.0	0.0	0.0	0.0	0.0	27.0	36.0	29.0	35.0	9.8	21.6	0.54
Infrastructure	0.0	0.0	0.0	5.0	0.0	5.0	5.0	0.0	0.0	0.0	0.0	0.0	7.0	12.0	7.8	18.8	0.49
<b>Total Real Assets</b>	<b>20</b>	<b>10</b>	<b>10</b>	<b>20</b>	<b>15</b>	<b>20</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27</b>	<b>36</b>	<b>36</b>	<b>47</b>			
Risk Parity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	36.0	44.0	0.0	0.0	5.2	10.0	0.56
Private Equity	5.0	4.7	5.0	0.0	9.0	9.0	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.3	28.1	0.46
Private Equity (Direct)	0.0	0.0	0.0	15.0	0.0	0.0	0.0	0.0	0.0	0.0	12.0	20.0	18.0	21.0	10.3	28.1	0.41
Private Credit	5.0	5.4	5.0	10.0	6.0	6.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.6	11.2	0.45
<b>Total Non-Public Investments</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>25</b>	<b>15</b>	<b>15</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>48</b>	<b>64</b>	<b>18</b>	<b>21</b>			
Cash	0.0	2.2	0.0	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	1.2	-
<b>Total Allocation</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>			

Source: MPI, Verus

Note: Higher Risk –Private Market Mix assumes a direct private markets program will be established.

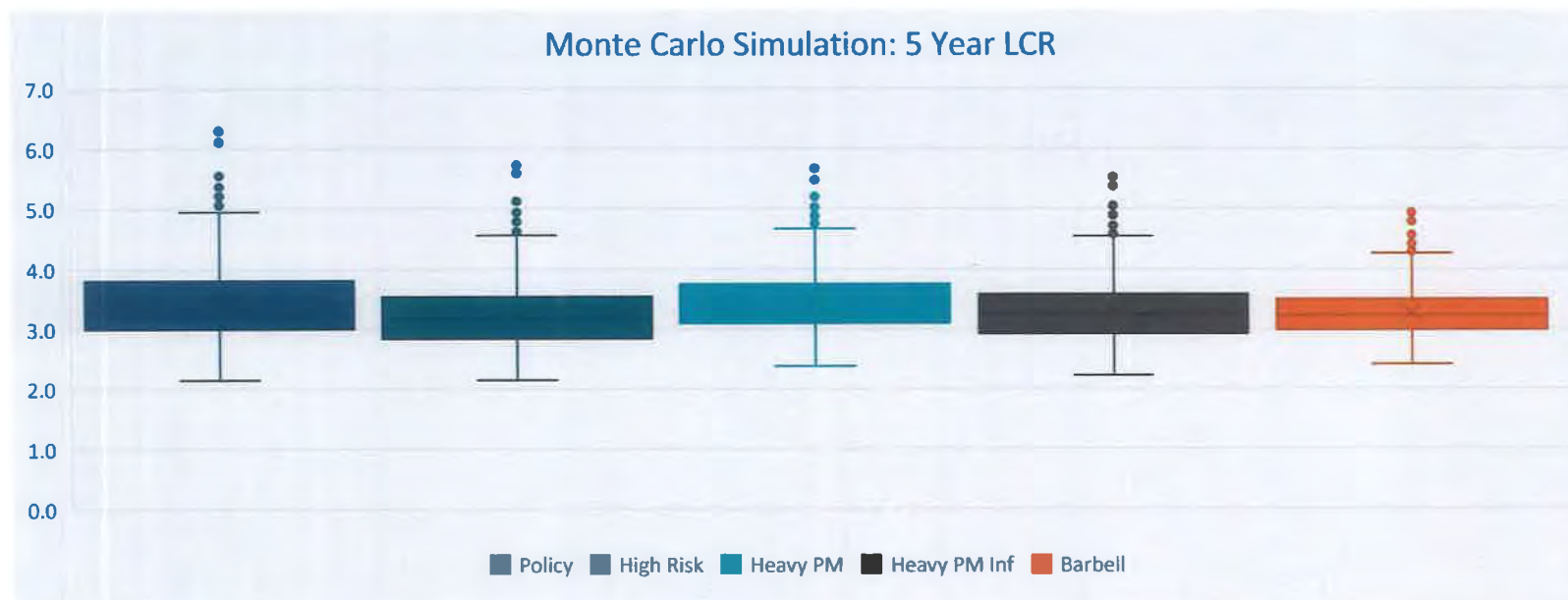
# Mean-variance analysis

			Increased Risk		Diversified			Simple Risk-Based			MVO - All Asset Classes		MVO - ex Risk Parity	
	Policy	Current 3-31-21	Higher Risk -		Additional	Additional					7% Return	12.5% Risk	7% Return	12.5% Risk
			Pub Mkt Equity	Higher Risk - Priv Mkt	Private Markets	Priv Mkt + Infra.	Barbell Risk	80/20	70/30	60/40	Target	Target	Target	Target
Mean Variance Analysis														
Forecast 10 Year Return	5.2	5.0	5.6	6.6	5.5	5.8	5.4	4.6	4.3	4.0	7.0	8.7	7.0	8.1
Standard Deviation	10.6	10.8	13.2	12.5	10.1	10.9	10.4	12.6	11.0	9.5	9.2	12.5	10.2	12.5
Return/Std. Deviation	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.8	0.7	0.7	0.6
1st percentile ret. 1 year	-16.7	-17.2	-20.9	-18.7	-15.5	-16.6	-16.2	-20.7	-18.2	-15.8	-12.2	-16.6	-14.1	-17.2
Sharpe Ratio	0.50	0.48	0.45	0.55	0.55	0.54	0.52	0.40	0.41	0.43	0.76	0.72	0.69	0.67

Source: MPI, Verus



# Liquidity Coverage Ratio (LCR)



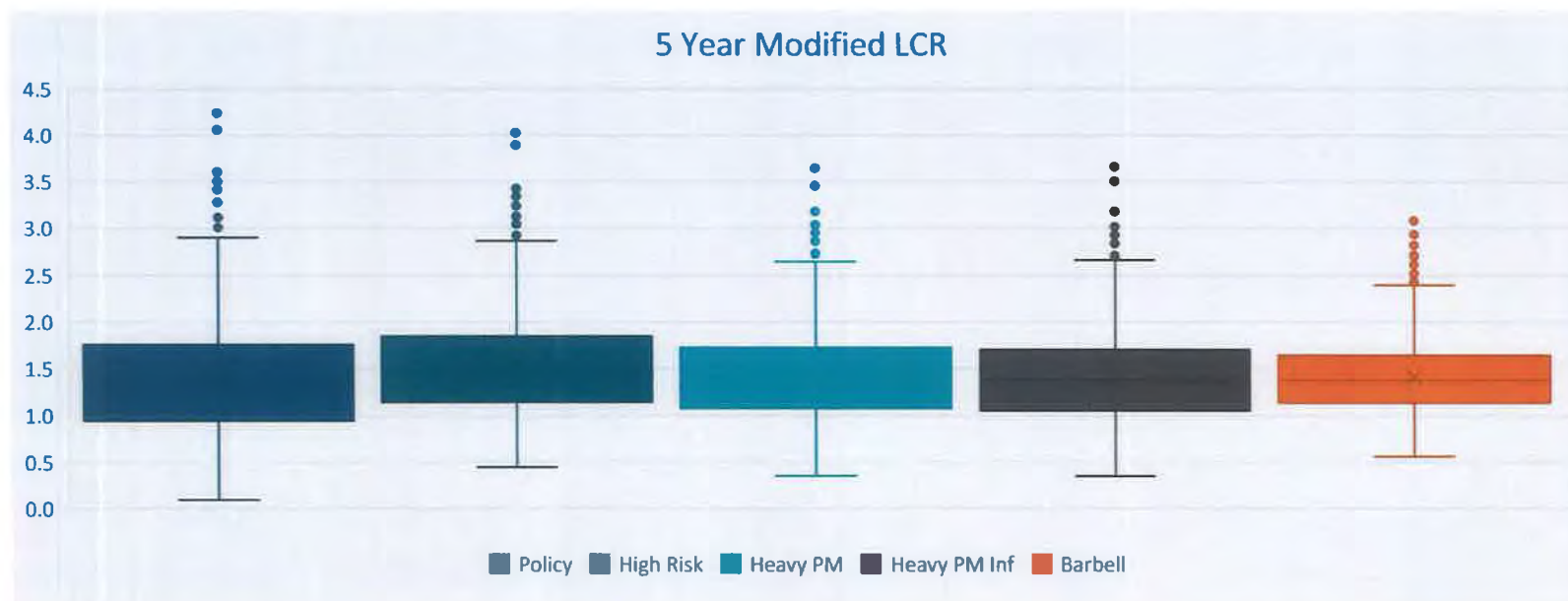
The 5-year LCR measures if the portfolio has the necessary liquidity to cover expected plan outflows over the next 5 years, allowing for the potential sale of investment assets to cover cash needs.

A value greater than 1 indicates it does.

	Policy	Higher Risk – Private Markets	Additional Private Markets	Additional Private Markets + Infrastructure	Barbell Risk
Maximum (100%)	6.3	5.7	5.7	5.5	4.9
Best Case (95%)	4.6	4.2	4.4	4.2	4.0
Upper Quartile (75%)	3.8	3.5	3.7	3.6	3.5
Median Outcome (50%)	3.4	3.2	3.4	3.2	3.2
Lower Quartile (75%)	3.0	2.8	3.1	2.9	3.0
Worst Case (5%)	2.6	2.5	2.7	2.6	2.7
Minimum (0%)	2.2	2.1	2.4	2.2	2.4

Source: MPI, Verus

# Modified Liquidity Coverage Ratio (MLCR)



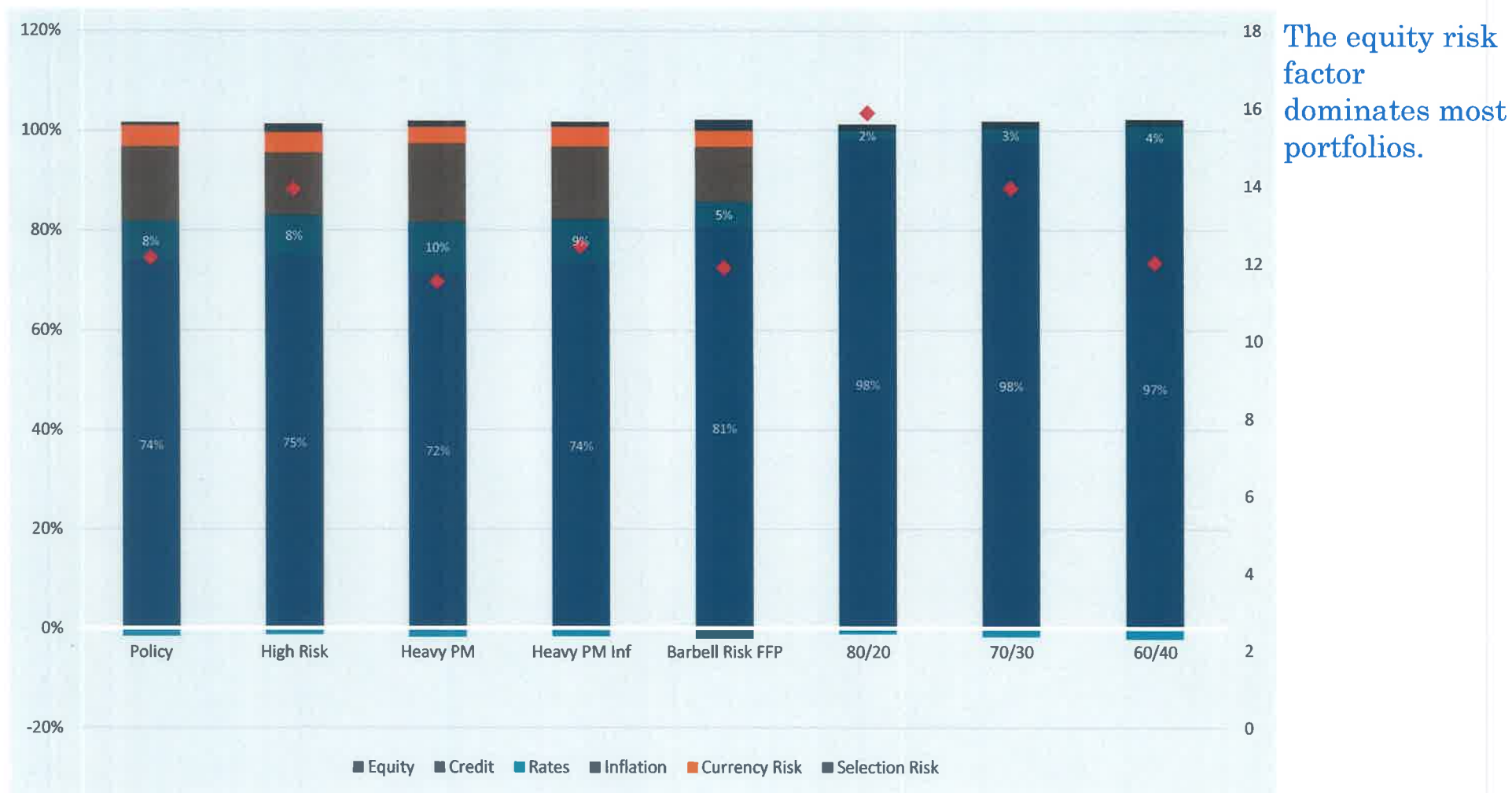
The 5-year MLCR measures if the portfolio's investment return provides the necessary liquidity to cover expected plan outflows over the next 5 years without liquidating invested assets.

A value greater than 1 indicates it does.

	Policy	Higher Risk – Private Markets	Additional Private Markets	Additional Private Markets + Infrastructure	Barbell Risk
Maximum (100%)	4.2	4.0	3.6	3.7	3.1
Best Case (95%)	2.5	2.5	2.4	2.4	2.1
Upper Quartile (75%)	1.8	1.8	1.7	1.7	1.6
Median Outcome (50%)	1.3	1.5	1.4	1.4	1.4
Lower Quartile (75%)	0.9	1.1	1.1	1.1	1.1
Worst Case (5%)	0.5	0.8	0.7	0.7	0.8
Minimum (0%)	0.1	0.4	0.4	0.4	0.6

Source: MPI, Verus

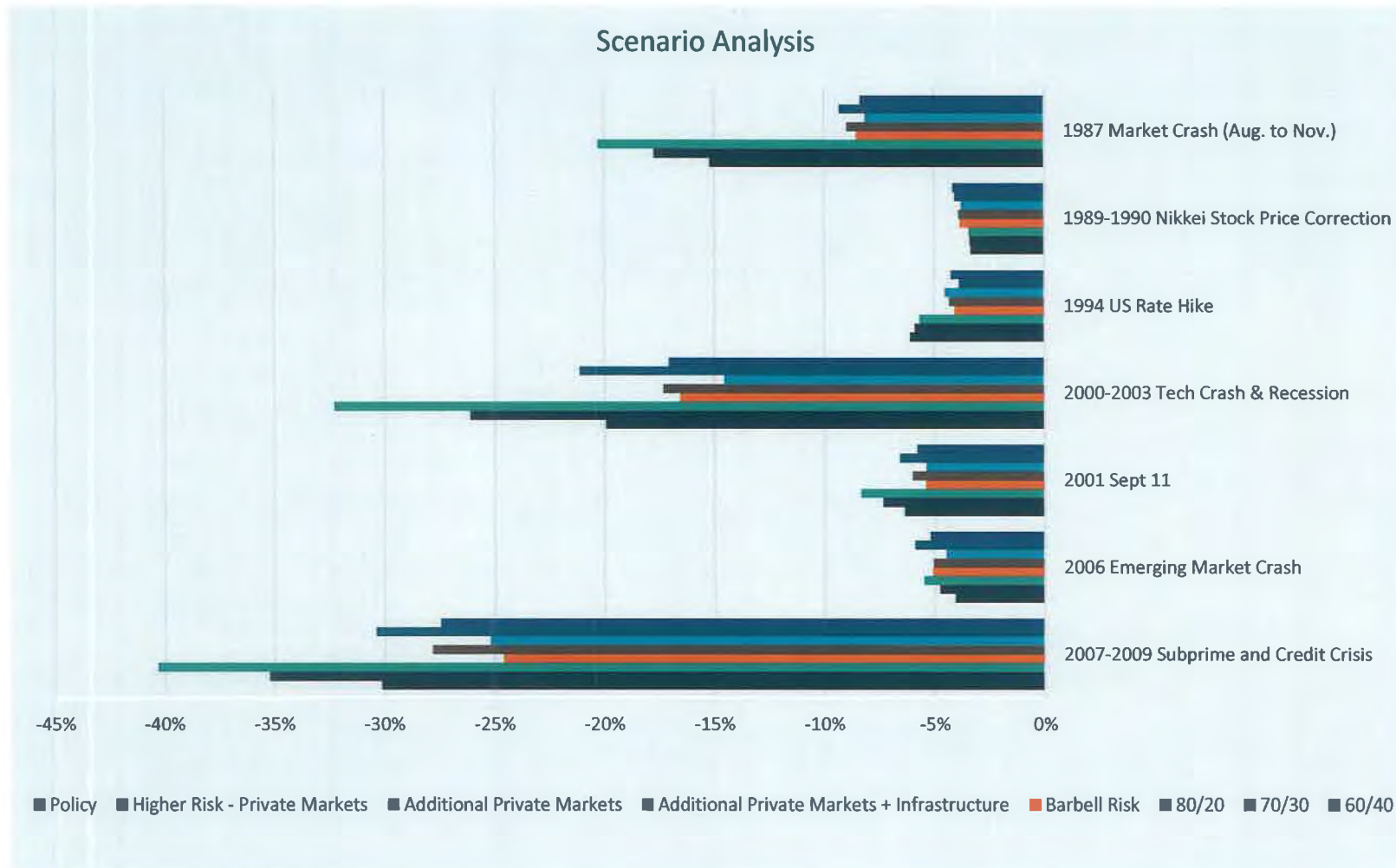
# Risk decomposition



Source: Barra, Ex-Ante Volatility

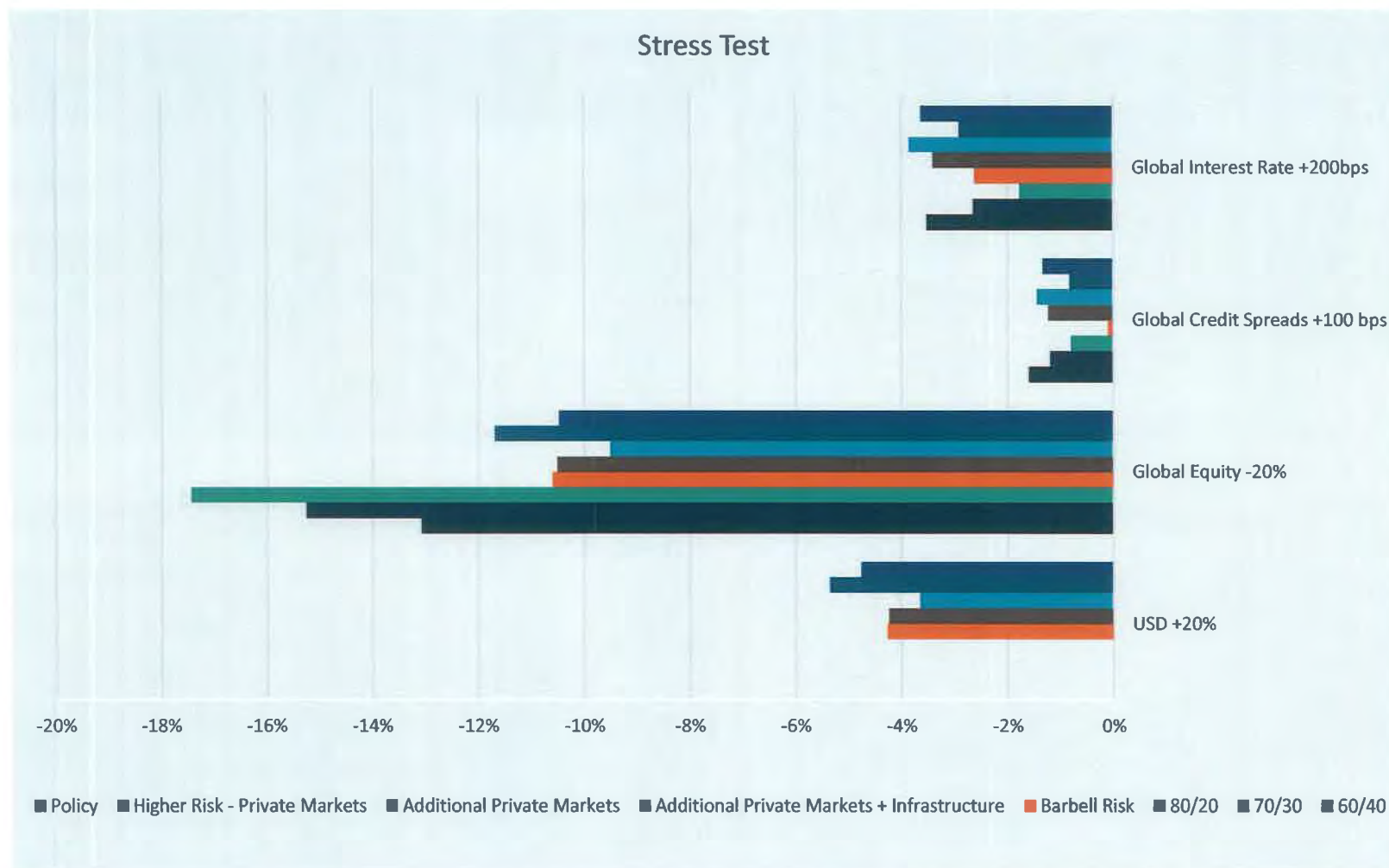


# Scenario analysis



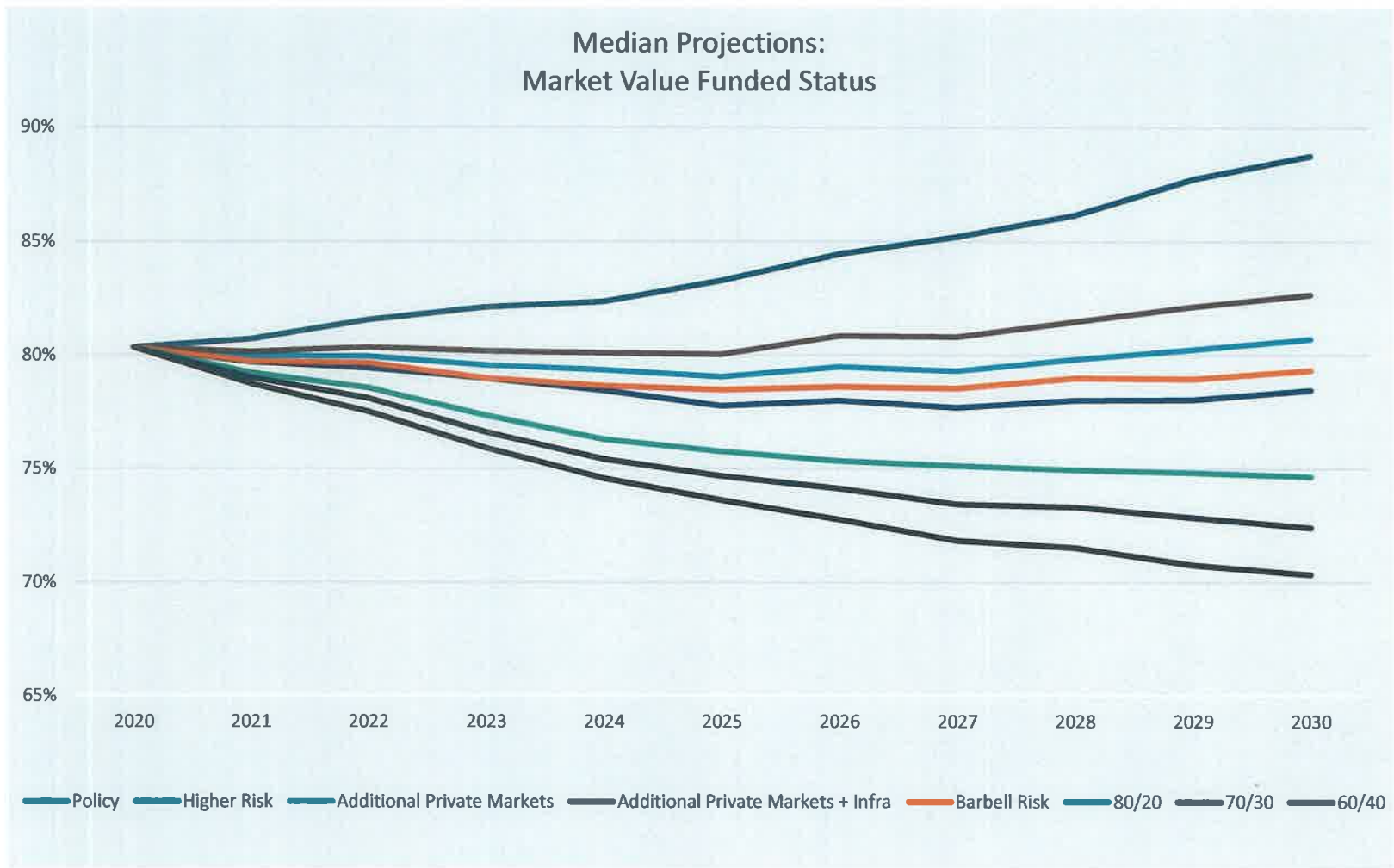
Source: Barra

# Stress tests



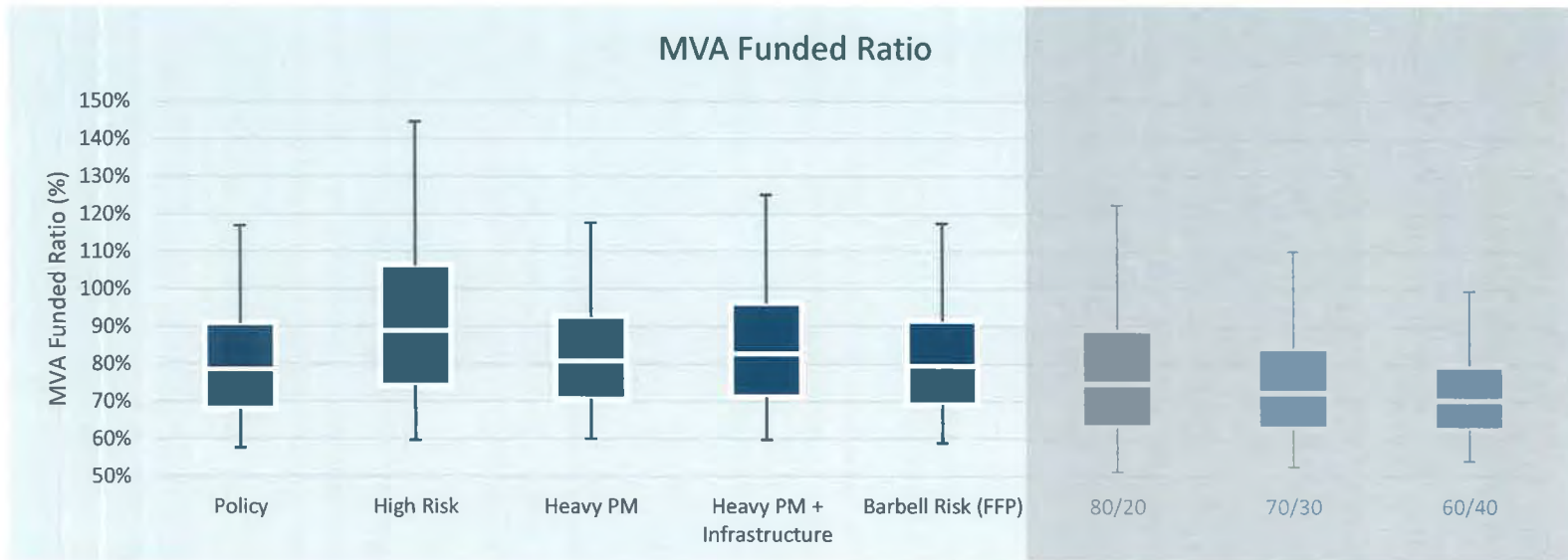
Source: Barra

# Median Projections



Source: ProVal, Verus. Modeled at the Verus CMA assumed inflation rate of approximately 2.0%.

# Funded status: 10-year forecast

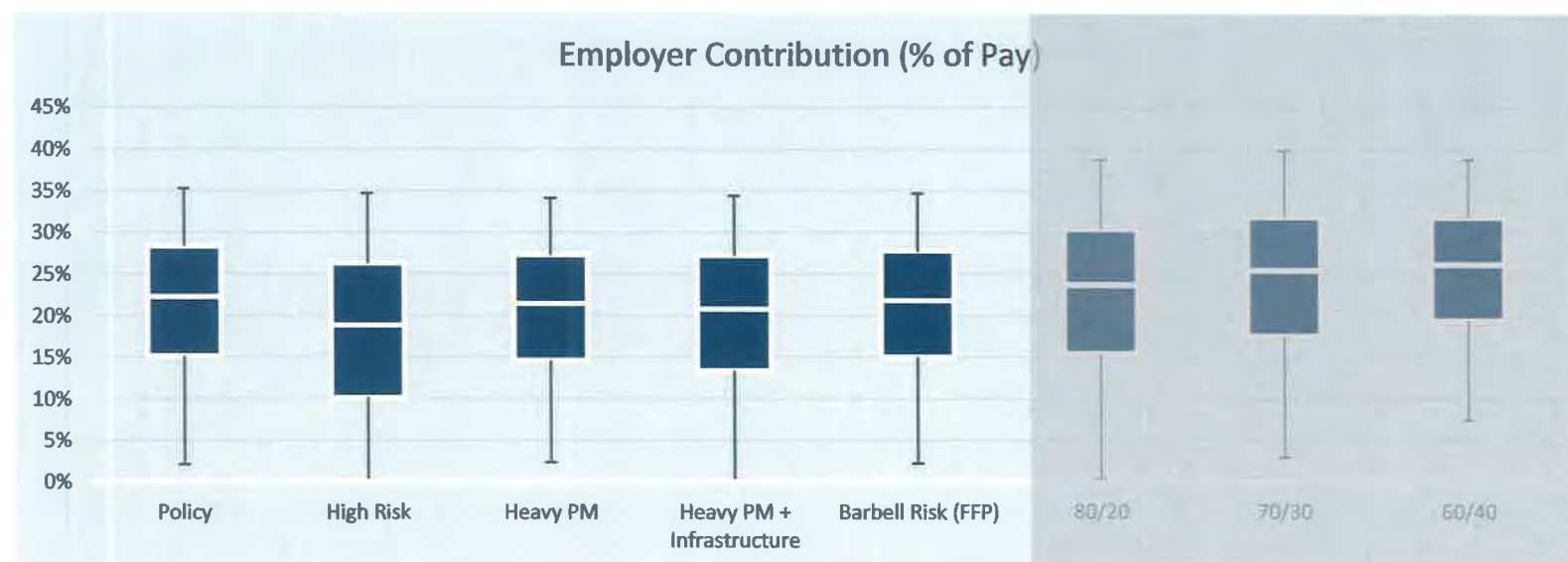


## FUNDED STATUS – STOCHASTIC OUTCOMES IN 10 YEARS

	Policy	Higher Risk – Private Markets	Additional Private Markets	Additional Private Markets + Infrastructure	Barbell Risk	80/20	70/30	60/40
Best Case (95%)	117.0%	144.6%	117.6%	125.2%	117.5%	122.3%	110.2%	99.5%
Upper Quartile (75%)	90.9%	106.3%	92.6%	96.2%	91.5%	89.1%	84.4%	79.6%
Median Outcome (50%)	78.4%	88.7%	80.7%	82.7%	79.3%	74.6%	72.4%	70.4%
Lower Quartile (25%)	67.9%	74.1%	70.5%	71.2%	69.1%	63.1%	62.8%	62.5%
Worst Case (5%)	57.6%	59.6%	59.9%	59.7%	58.9%	51.3%	52.7%	54.2%

Source: ProVal, Verus. Modeled at the Verus CMA assumed inflation rate of approximately 2.0%.

# Employer contributions: 10-year forecast



## EMPLOYER CONTRIBUTIONS – STOCHASTIC OUTCOMES IN 10 YEARS

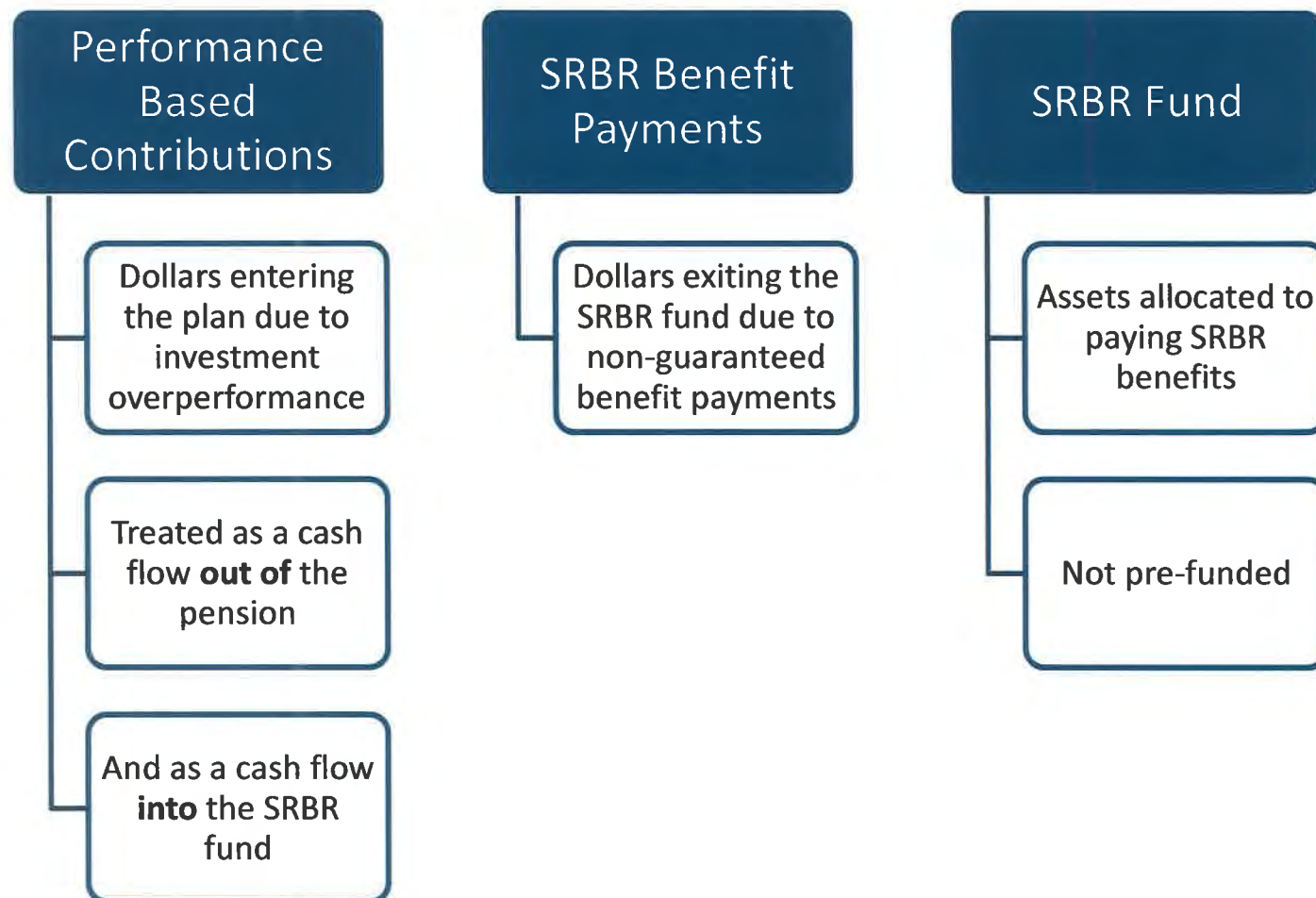
	Policy	Higher Risk – Private Markets	Additional Private Markets	Additional Private Markets + Infrastructure	Barbell Risk	80/20	70/30	60/40
Worst Case (95%)	35.3%	34.7%	34.2%	34.4%	34.7%	38.7%	39.9%	38.8%
Upper Quartile (75%)	28.3%	26.3%	27.3%	27.2%	27.8%	30.4%	31.9%	31.9%
Median Outcome (50%)	22.3%	18.9%	21.4%	20.8%	21.8%	23.7%	25.5%	26.2%
Lower Quartile (25%)	15.1%	10.1%	14.6%	13.4%	15.0%	15.4%	17.6%	19.5%
Best Case (5%)	2.1%	0.0%	2.3%	0.0%	2.2%	0.3%	3.0%	7.5%

Source: ProVal, Verus. Modeled at the Verus CMA assumed inflation rate of approximately 2.0%.



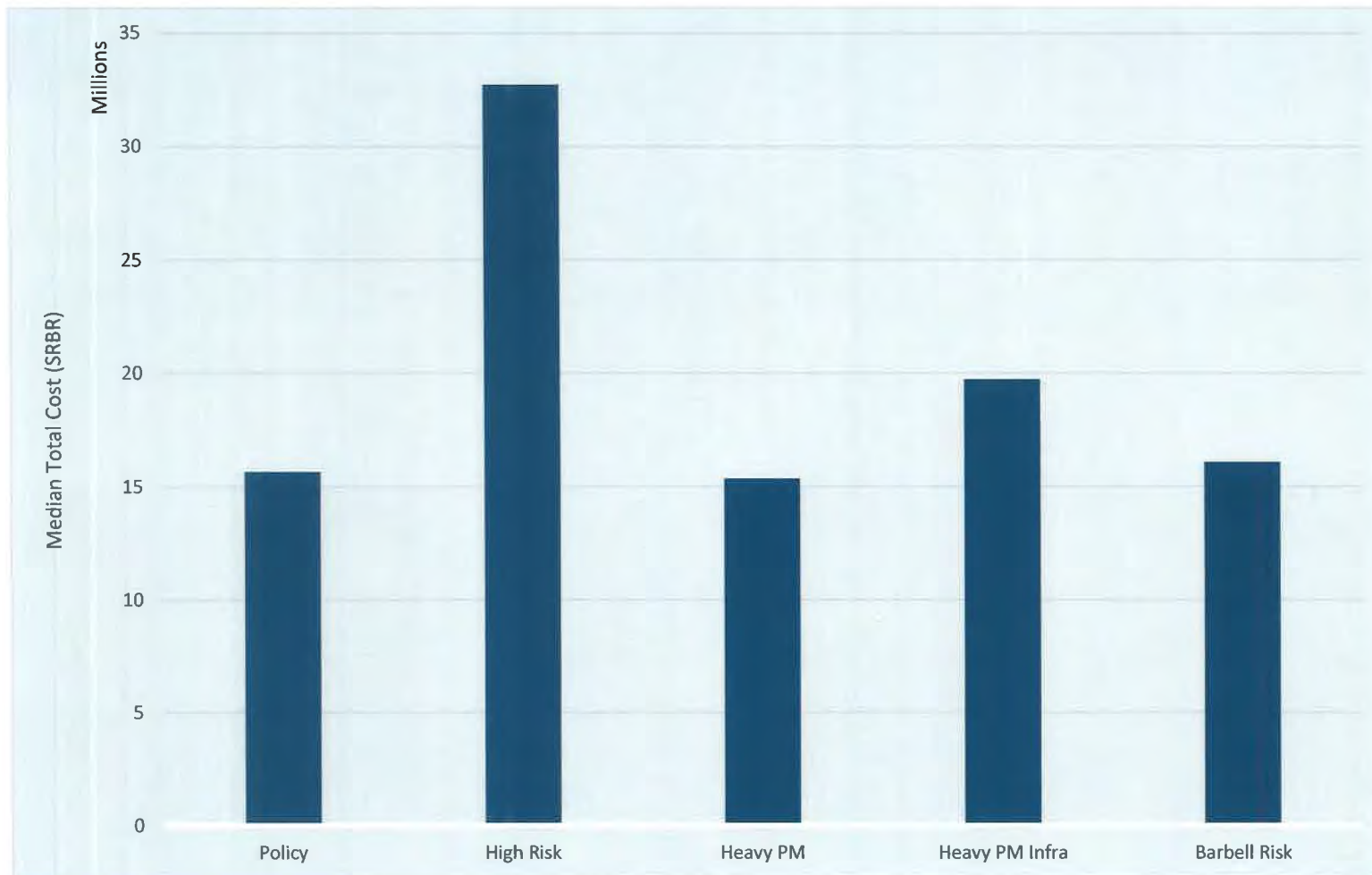
# SRBR Impacts

# Overview of Supplemental Retiree Benefit Reserve (SRBR)





# SRBR Performance Based Contributions: Median 10 Year Horizon

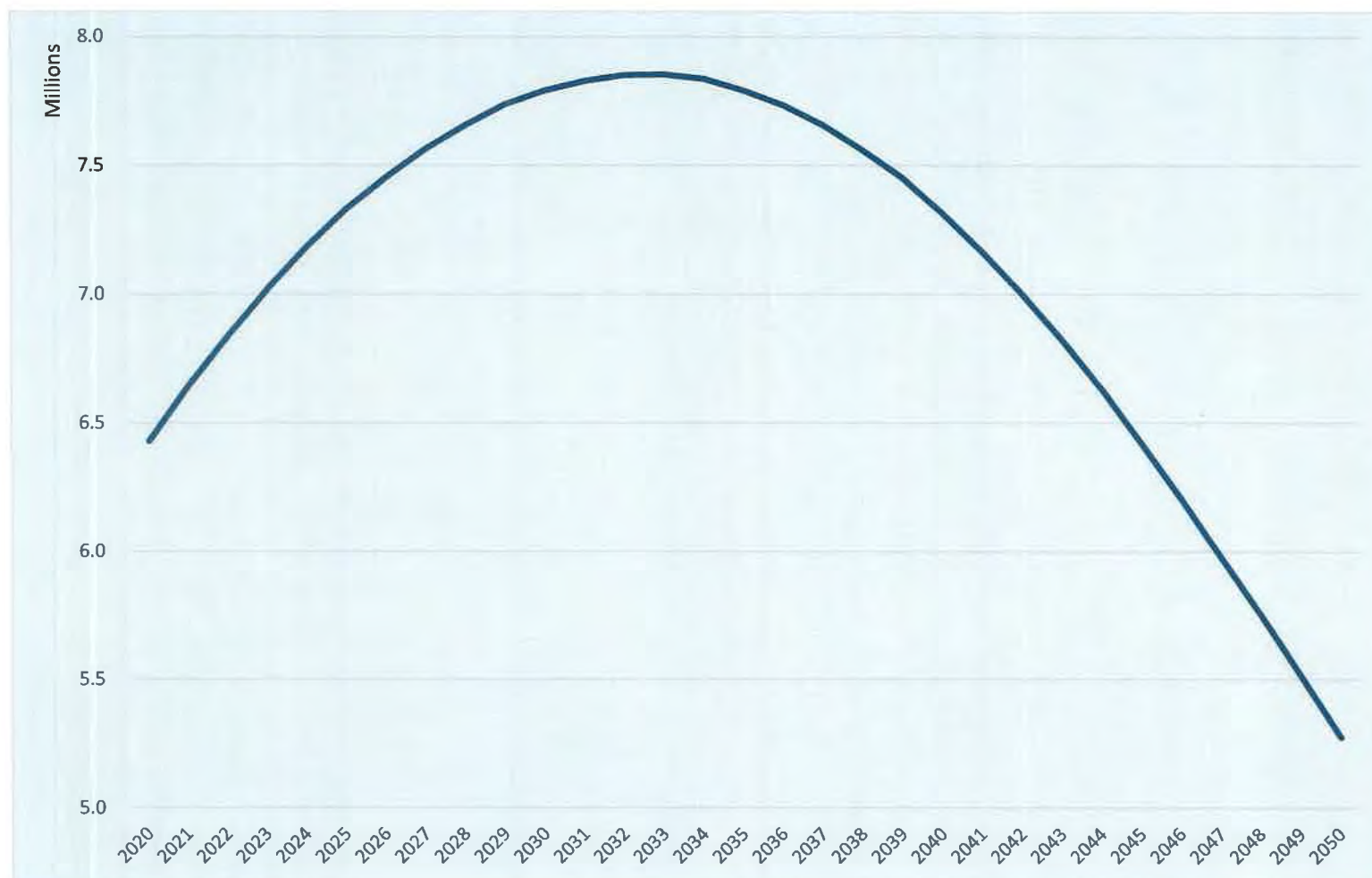


SRBR investment cost is defined as the monies taken from the investment account during times of overperformance. This cost is primarily driven by projected portfolio volatility.

We expect a total, median cost of 15-20m over a 10 year period.

*Total cost calculated as the sum of all projected contributions to SRBR fund over a 10-year period excluding any actuarial gain obtained from the \$250,000,000 POB contribution in 2018.*

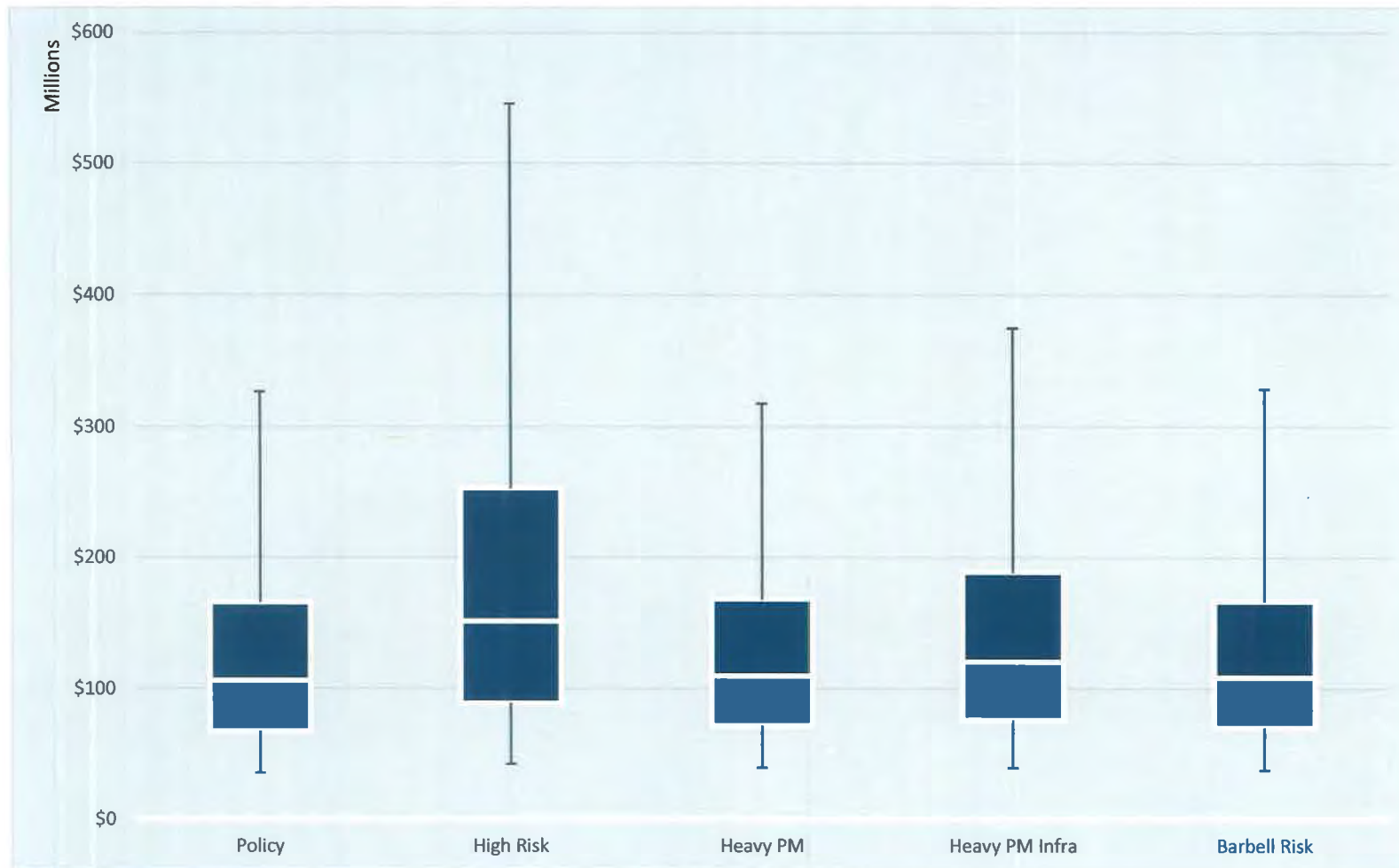
# SRBR Benefit Payments (expected)



SRBR expenses calculated are meant to be rough approximations. We expect withdrawals for benefit payments to increase over the next 20 years before gradually decreasing.

*Projected SRBR expenses are based on the existing benefits of the SRBR which are assumed to remain constant.*

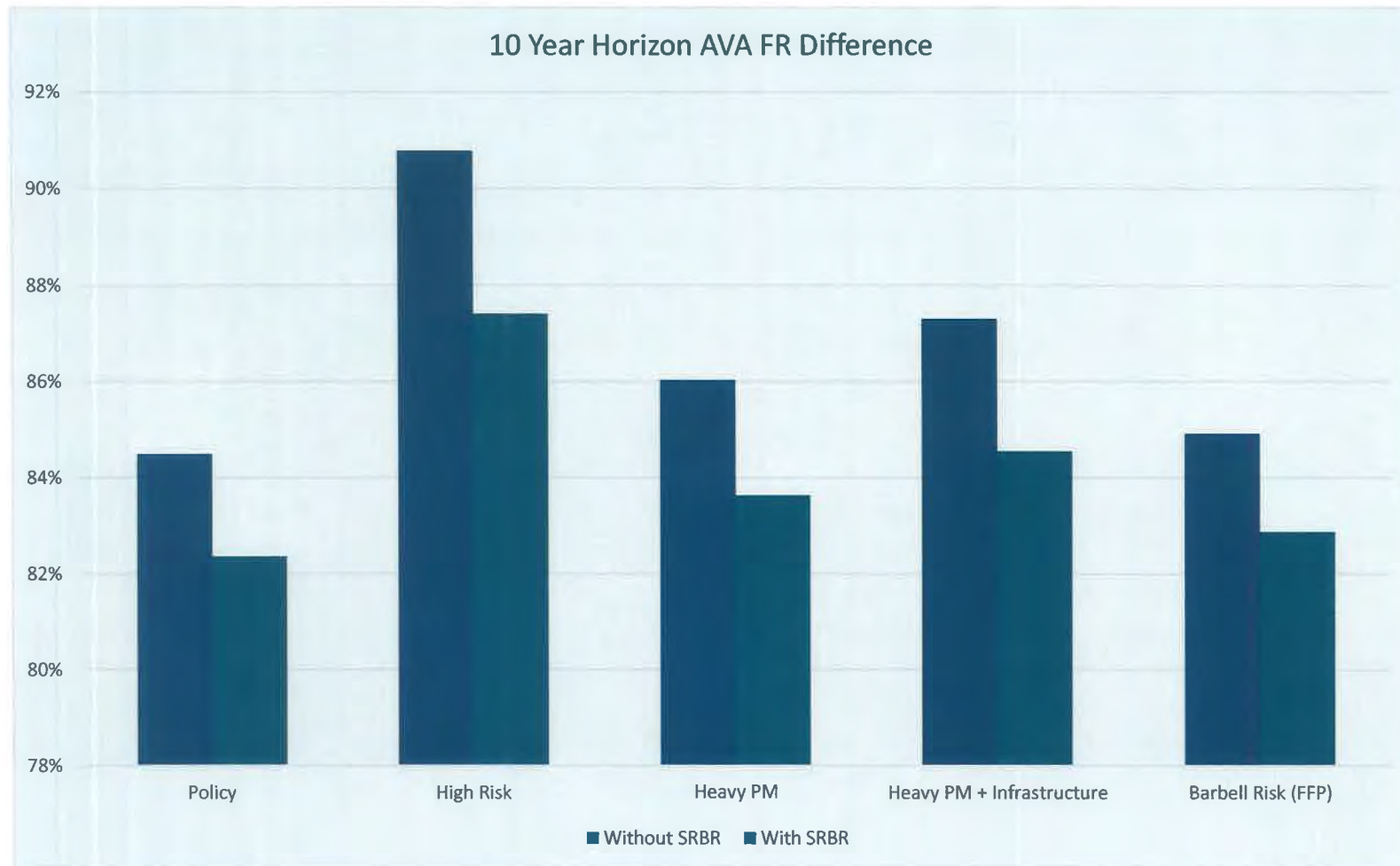
# SRBR Fund Value: 10 Year Horizon



The SRBR fund is expected grow over a 10 year horizon, likely remaining solvent in the near future.

*Expected SRBR fund value inclusive of SRBR contributions and simulated asset performance. Inclusive of SRBR benefit payments projection.*

# SRBR Fund Impact: Median Funded Status 10 Year Horizon



The SRBR's impact on the projected, median, actuarial funded ratio over a 10 year horizon is roughly 2-3.4%

*Compares the projected, median 10-year actuarial funded ratio outcomes both with and without SRBR impacts. Assumes total cost calculated as the sum of all projected contributions to SRBR fund over a 10-year period.*

# Recommended next steps

- Confirm / revise Enterprise Risk Tolerance
- Identify preferred investment strategy
- Conduct additional (asset-only) analysis
- Identify Board education needs
- Conduct education
- Select strategic asset allocation
- Implement



# III. Asset/liability study

# Notes

- Assumed return: 7.0%
  - 2.75% inflation
  - 4.25% real return
- Plan projections assume constant population (zero plan growth)
- COLA: Plan contains a COLA which changes based on the CPI on maximums which differ based on benefit tier.
  - Tier 1 Maximum = 3%, Tier 2-4 Maximum = 2%
  - Actuarial inflation assumption is 2.75% which is reflected in all deterministic scenarios. Verus inflation assumption is 2.0% which is reflected in all CMA driven, stochastic scenarios.
- Amortization: fixed period of 19 years since 2015. Deviations in experience from assumptions is amortized over a new closed 19-year period.
- Asset growth projections are supplied by Verus' 2021 Capital Market Assumptions



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# **PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS**



**JUNE 23, 2021**

Asset-Liability Study Phase 2 – Selecting an Asset Allocation

**Tulare County Employees' Retirement Association**

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# I. A/L study recap

# Introduction

## Key takeaways from asset-liability study

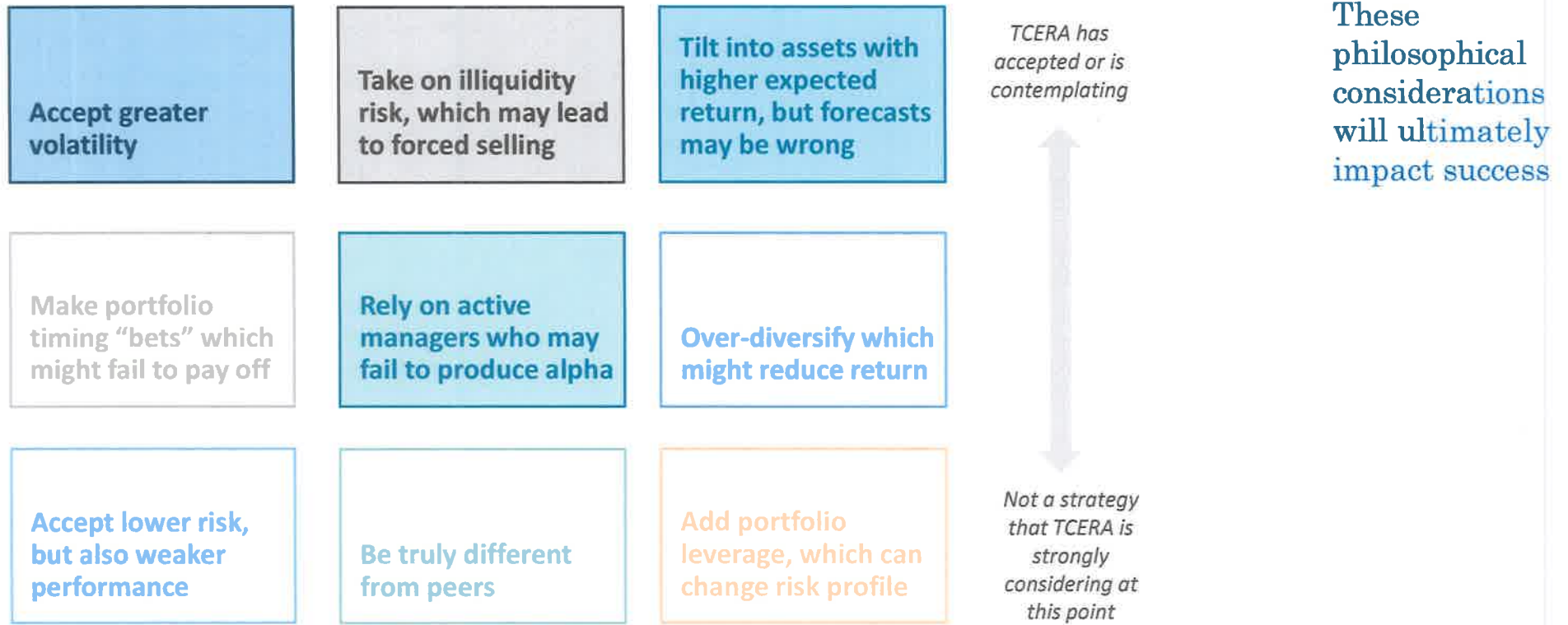
- At the May 26<sup>th</sup> Board of Retirement meeting, Verus reviewed:
  - Demographics, contribution rates, cash flows, credit ratings, & plan sponsor financial strength vs. peers
  - Verus' Capital Market assumptions
  - Stochastic & deterministic asset-liability projections for several preliminary asset allocations.
- As a result of that discussion, there appeared to be unanimous support for exploring adoption of a higher risk portfolio

The goal of today's discussion is to help the Board identify a go-forward asset allocation, recognizing there are different ways to increase risk, with different tradeoffs associated with each.



## II. Approaches and implications of adding risk

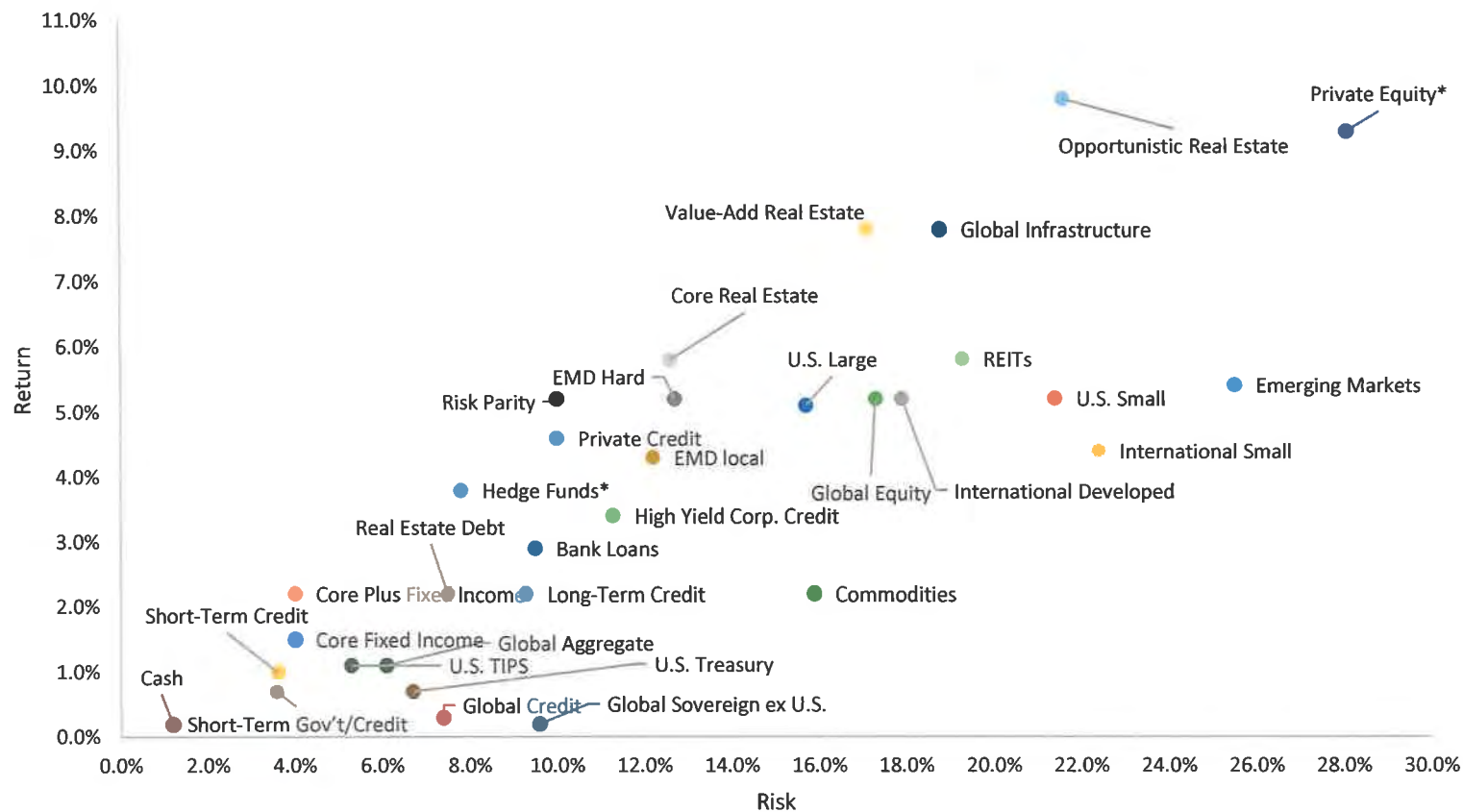
# Which overall risks should an investor accept?





# Adding volatility & illiquidity

Increasing risk does not guarantee higher returns... but it's a starting point



Currently, the asset classes with the highest projected returns are illiquid strategies.

Based on the Verus 2021 Capital Market Assumptions (10 year, returns are geometric)

# Ways to increase projected volatility

Method	Pros	Cons
<b>More Public Equity</b> <ul style="list-style-type: none"> <li>domestic, international, EM equity</li> </ul>	Easy to implement. Very liquid & low cost. Little peer risk.	Based on current projections, does not meaningfully increase <u>projected return</u> .
<b>More Liquid Credit</b> <ul style="list-style-type: none"> <li>bank loans, high yield, EMD</li> </ul>	Also easy to implement. Less volatility relative to adding equity.	Liquid fixed income typically serves a capital preservation role. Limited upside at current prices. Unlikely to meaningfully improve return.
<b>More Private Markets</b> <ul style="list-style-type: none"> <li>private equity, private credit</li> </ul>	Based on projections, most effective method of adding return.	Expensive and time-consuming to build out the exposure. Illiquid, very long lockups.
<b>More Private Real Assets</b> <ul style="list-style-type: none"> <li>Value-add &amp; opportunistic real estate, global infrastructure</li> </ul>	Depending on strategies pursued, relative to traditional private markets, may offer: <ul style="list-style-type: none"> <li>better downside protection</li> <li>real return (inflation-hedging)</li> <li>slightly better liquidity</li> </ul>	Likely to offer less upside return relative to traditional private markets.  Relative to public equity, expensive, time-consuming to build out, & illiquid (though less so than private markets)

While these options are not necessarily mutually exclusive, because of liquidity constraints it isn't practical to pursue all of them.

# Public equity: forward looking projections

	U.S. Large	U.S. Small	EAFE	EM
Index	S&P 500	Russell 2000	MSCI EAFE Large	MSCI EM
Current Shiller P/E Ratio	30.8	43.1	17.0	11.2
Regular P/E Ratio	26.0	13,764**	34.6	20.1
2020 Shiller P/E Change	+6.2%	-4.4%	-2.9%	+6.7%
2020 Regular P/E Change	+33.3%	+33,571%	+207.1%	+51.1%
Current Shiller P/E Percentile Rank	86%	91%	32%	34%
Current Regular P/E Percentile Rank	94%	100%	97%	93%
Average of P/E Methods' Percentile Rank	90%	95%	64%	63%
2020 YTD Return	5.6%	-8.7%	-7.1%	-1.2%
Shiller PE History	1982	1988	1982	2005
Long-Term Average Shiller P/E	23.1	31.4	22.4	14.8

## Verus Building Block Approach

Current Dividend Yield	1.8%	1.3%	2.8%	2.3%
Long-Term Average Real Earnings Growth	2.4%	2.9%	1.8%	1.4%
Inflation on Earnings	2.0%	2.0%	0.8%	2.0%
Repricing Effect (Estimate)	-1.0%	-1.0%	-0.3%	-0.3%
<b>Nominal Return</b>	<b>5.1%</b>	<b>5.2%</b>	<b>5.2%</b>	<b>5.4%</b>

Data as of 9/30/20

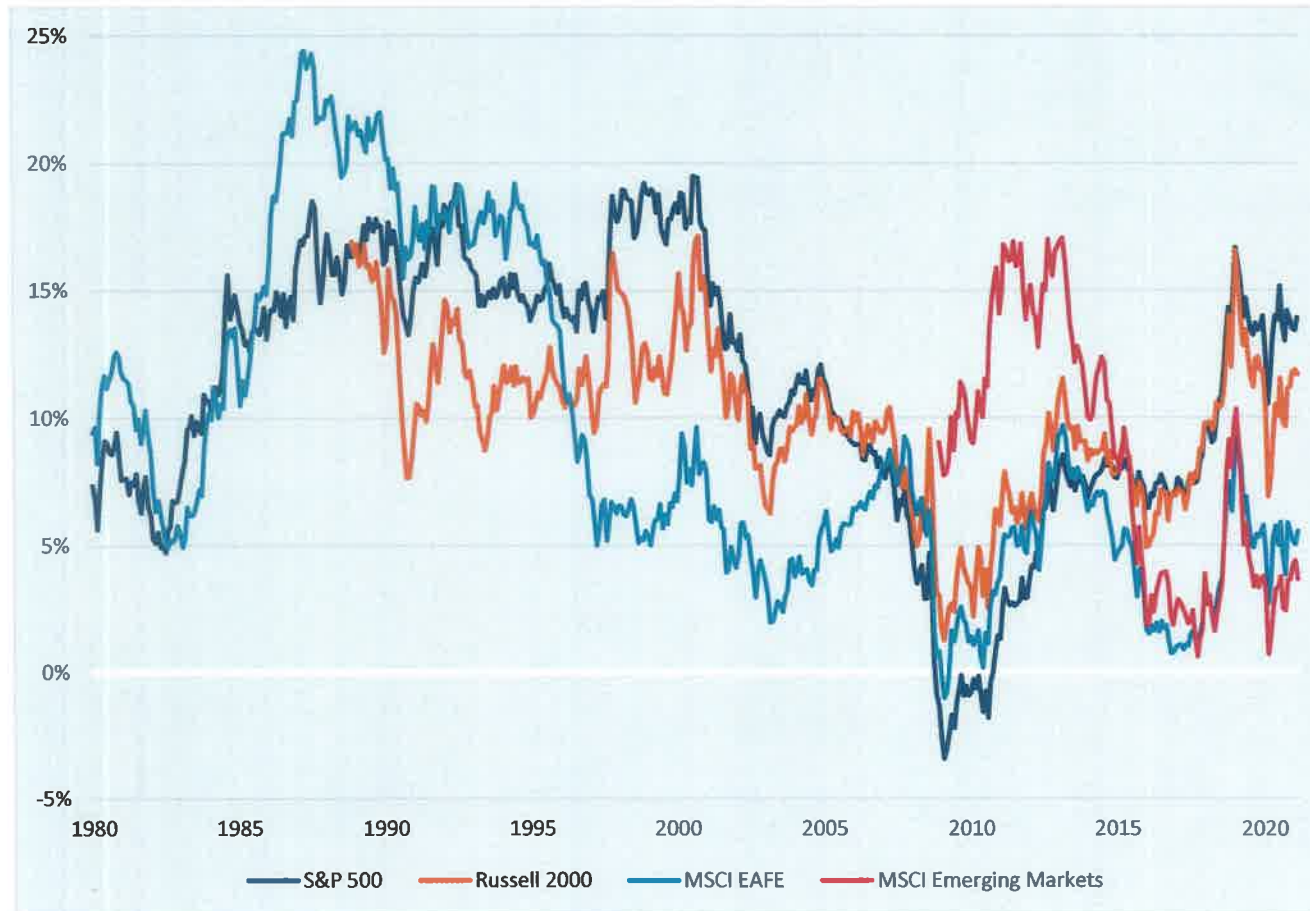
\*Average trailing P/E from previous 12 months is used

\*\*Earnings have fallen to nearly zero, which is the cause of this extremely high figure (the denominator of the Price/Earnings equation is nearly zero)

NOTE: For all equities, we exclude data prior to 1972, which allows for a more appropriate comparison between data sets

# Public equity: a historical perspective

## ROLLING 10-YEAR RETURNS



Source: eVestment. Monthly rolling 10-year intervals.

Note: Returns as of 3/31/2021

Past performance is not indicative of future returns....

We need to balance humility in forecasting with trying to mitigate natural behavioral biases

### Percent of 10-year periods with returns below 5%

S&P 500	11.1%
Russell 2000	7.2%
MSCI EAFE	24.0%
MSCI EM	37.8%

# III. Asset allocation analysis



# 10-year return & risk assumptions

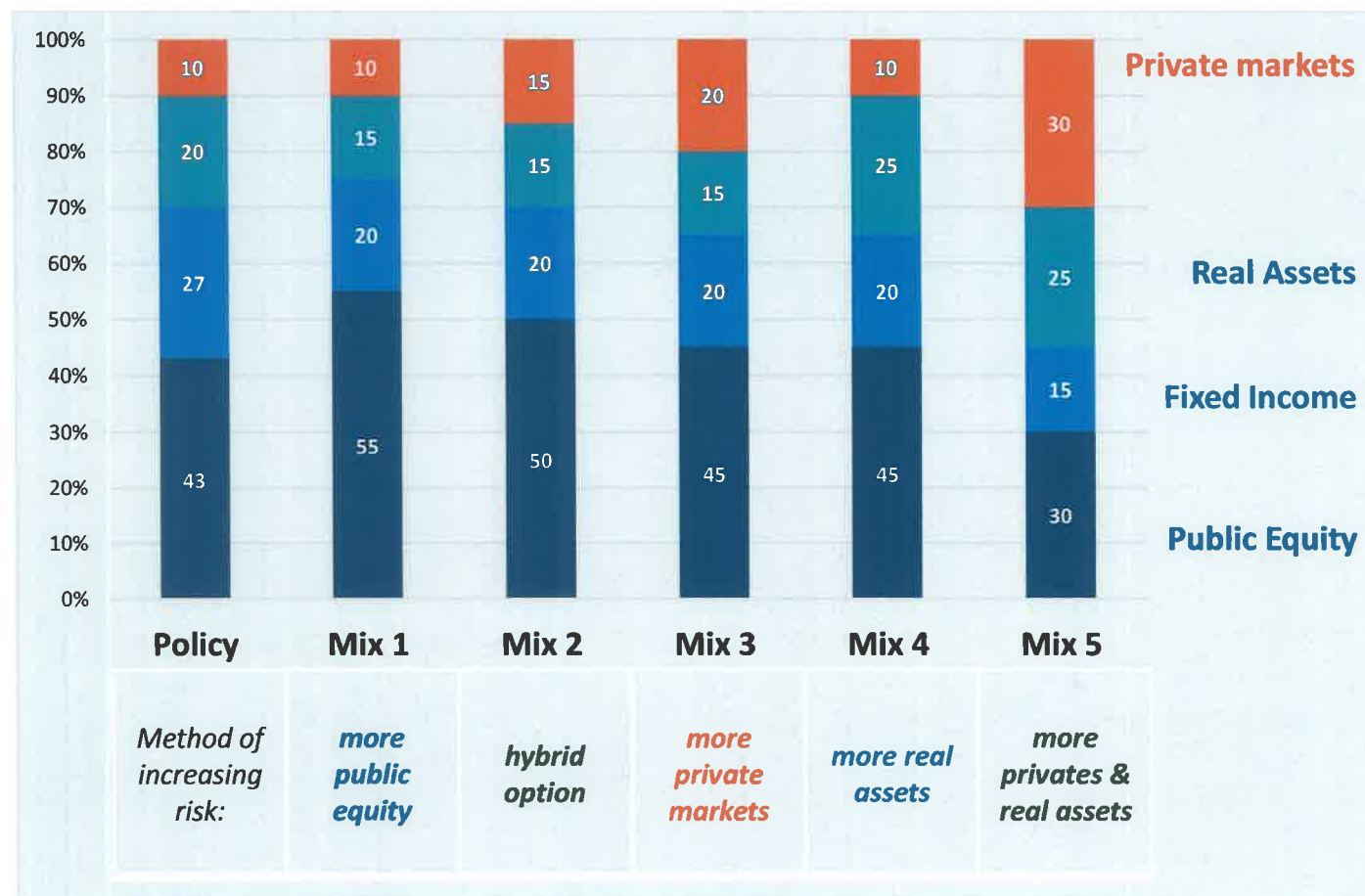
Asset Class	Index Proxy	Ten Year Return Forecast		Standard Deviation Forecast	Sharpe Ratio Forecast (g)	Sharpe Ratio Forecast (a)	10-Year Historical Sharpe Ratio (g)	10-Year Historical Sharpe Ratio (a)
		Geometric	Arithmetic					
Equities								
U.S. Large	S&P 500	5.1%	6.3%	15.7%	0.31	0.38	0.99	0.99
U.S. Small	Russell 2000	5.2%	7.3%	21.4%	0.23	0.33	0.51	0.58
International Developed	MSCI EAFE	5.2%	6.7%	17.9%	0.28	0.36	0.27	0.34
International Small	MSCI EAFE Small Cap	4.4%	6.7%	22.4%	0.19	0.29	0.43	0.49
Emerging Markets	MSCI EM	5.4%	8.3%	25.5%	0.20	0.32	0.11	0.19
Global Equity	MSCI ACWI	5.2%	6.6%	17.3%	0.29	0.37	0.58	0.62
Private Equity*	Cambridge Private Equity	9.3%	12.1%	25.7%	0.35	0.46	-	-
Fixed Income								
Cash	30 Day T-Bills	0.2%	0.2%	1.2%	-	-	-	-
U.S. TIPS	BBgBarc U.S. TIPS 5-10	1.1%	1.2%	5.3%	0.15	0.18	0.66	0.67
U.S. Treasury	BBgBarc Treasury 7-10 Year	0.7%	0.9%	6.7%	0.07	0.10	0.67	0.68
Global Sovereign ex U.S.	BBgBarc Global Treasury ex U.S.	0.2%	0.6%	9.6%	-0.01	0.04	0.09	0.12
Global Aggregate	BBgBarc Global Aggregate	1.1%	1.3%	6.1%	0.14	0.17	0.38	0.39
Core Fixed Income	BBgBarc U.S. Aggregate Bond	1.5%	1.6%	4.0%	0.31	0.36	1.02	1.01
Core Plus Fixed Income	BBgBarc U.S. Universal	2.2%	2.3%	4.0%	0.49	0.50	1.13	1.12
Short-Term Gov't/Credit	BBgBarc U.S. Gov't/Credit 1-3 Year	0.7%	0.8%	3.6%	0.14	0.16	1.23	1.22
Short-Term Credit	BBgBarc Credit 1-3 Year	1.0%	1.1%	3.6%	0.21	0.23	1.23	1.22
Long-Term Credit	BBgBarc Long U.S. Corporate	2.2%	2.6%	9.3%	0.21	0.25	0.76	0.77
High Yield Corp. Credit	BBgBarc U.S. Corporate High Yield	3.4%	4.0%	11.3%	0.28	0.34	0.82	0.83
Bank Loans	S&P/LSTA Leveraged Loan	2.9%	3.2%	9.5%	0.28	0.32	0.66	0.67
Global Credit	BBgBarc Global Credit	0.3%	0.6%	7.4%	0.01	0.05	0.63	0.64
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
Private Credit	Bank Loans + 175bps	4.6%	5.2%	11.2%	0.39	0.45	-	-
Other								
Commodities	Bloomberg Commodity	2.2%	3.4%	15.9%	0.13	0.20	-0.47	-0.41
Hedge Funds*	HFRI Fund Weighted Composite	3.8%	4.1%	7.8%	0.46	0.49	0.47	0.49
Real Estate Debt	BBgBarc CMBS IG	2.2%	2.5%	7.5%	0.26	0.30	1.18	1.17
Core Real Estate	NCREIF Property	5.8%	6.5%	12.6%	0.44	0.50	2.06	1.99
Value-Add Real Estate	NCREIF Property + 200bps	7.8%	9.1%	17.1%	0.44	0.52	-	-
Opportunistic Real Estate	NCREIF Property + 400bps	9.8%	11.8%	21.6%	0.44	0.54	-	-
REITs	Wilshire REIT	5.8%	7.5%	19.3%	0.29	0.38	0.46	0.52
Global Infrastructure	S&P Global Infrastructure	7.8%	9.4%	18.8%	0.40	0.49	0.28	0.35
Risk Parity	Risk Parity	5.2%	5.9%	10.0%	0.50	0.56	-	-
Currency Beta	MSCI Currency Factor Index	1.2%	1.3%	3.5%	0.28	0.30	0.15	0.16
Inflation		2.0%	-	-	-	-	-	-

Investors wishing to produce expected geometric return forecasts for their portfolios should use the arithmetic return forecasts provided here as inputs into that calculation, rather than the single-asset-class geometric return forecasts. This is the industry standard approach but requires a complex explanation only a heavy quant could love, so we have chosen not to provide further details in this document – we will happily provide those details to any readers of this who are interested.

\*Return expectations differ depending on method of implementation

# Asset mixes for consideration

## HIGH-LEVEL ASSET ALLOCATION



All mixes increase projected risk & return, but in different ways.



# Mean-variance analysis

	Policy	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Return (g)	Return (a)	Standard Deviation	Sharpe Ratio (a)
US Large	19.0	24.0	23.0	20.0	20.0	12.0	5.1	6.3	15.7	0.38
US Small	6.0	8.0	7.0	6.0	6.0	3.0	5.2	7.3	21.4	0.33
<b>Total Domestic Equity</b>	<b>25</b>	<b>32</b>	<b>30</b>	<b>26</b>	<b>26</b>	<b>15</b>				
International Developed	12.0	15.0	13.0	13.0	13.0	10.0	5.2	6.7	17.9	0.36
Emerging Markets	3.0	5.0	4.0	3.0	3.0	5.0	5.4	8.3	25.5	0.32
<b>Total Int'l Equity</b>	<b>15</b>	<b>20</b>	<b>17</b>	<b>16</b>	<b>16</b>	<b>15</b>				
Global Equity	3.0	3.0	3.0	3.0	3.0	0.0	5.2	6.6	17.3	0.37
<b>Total Equity</b>	<b>43</b>	<b>55</b>	<b>50</b>	<b>45</b>	<b>45</b>	<b>30</b>				
Core Plus Fixed Income	17.0	15.0	15.0	15.0	15.0	15.0	2.2	2.3	4.0	0.50
Global Aggregate	5.0	0.0	0.0	0.0	0.0	0.0	1.1	1.3	6.1	0.17
Emerging Market Debt (Hard)	2.5	2.5	2.5	2.5	2.5	0.0	5.2	6.0	12.7	0.45
Emerging Market Debt (Local)	2.5	2.5	2.5	2.5	2.5	0.0	4.3	5.0	12.2	0.39
<b>Total Fixed Income</b>	<b>27</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>15</b>				
Real Estate Debt	5.0	5.0	5.0	4.0	4.0	0.0	5.3	6.3	15.0	0.41
Core Real Estate	10.0	5.0	5.0	6.0	6.0	5.0	5.8	6.5	12.6	0.50
Value Add Real Estate	5.0	5.0	5.0	3.0	6.0	5.0	7.8	9.1	17.1	0.52
Opportunistic Real Estate	0.0	0.0	0.0	2.0	5.0	10.0	9.8	11.8	21.6	0.54
Infrastructure	0.0	0.0	0.0	0.0	4.0	5.0	7.8	9.4	18.8	0.49
<b>Total Real Assets</b>	<b>20</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>25</b>	<b>25</b>				
Private Equity	5.0	5.0	10.0	12.0	5.0	20.0	9.3	12.1	28.1	0.46
Private Credit	5.0	5.0	5.0	8.0	5.0	10.0	4.6	5.2	11.2	0.45
<b>Total Non-Public Investments</b>	<b>10</b>	<b>10</b>	<b>15</b>	<b>20</b>	<b>10</b>	<b>30</b>				
Cash	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	1.2	-
<b>Total Allocation</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>				

Projected returns increase from 5.4% to 7%, depending on the mix.

Projected standard deviation increase from 10.7% to 13.2%.

	Policy	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
<b>Mean Variance Analysis</b>						
<b>Forecast 10 Year Return</b>	<b>5.4</b>	<b>5.6</b>	<b>5.8</b>	<b>6.0</b>	<b>6.0</b>	<b>7.0</b>
Standard Deviation	10.7	12.3	12.3	12.2	12.0	13.2
Return/Std. Deviation	0.5	0.5	0.5	0.5	0.5	0.5
1st percentile ret. 1 year	-16.7	-19.2	-19.0	-18.7	-18.4	-19.5
Sharpe Ratio	0.51	0.48	0.50	0.51	0.52	0.56

Source: MPI, Verus

# Verus scenario analysis

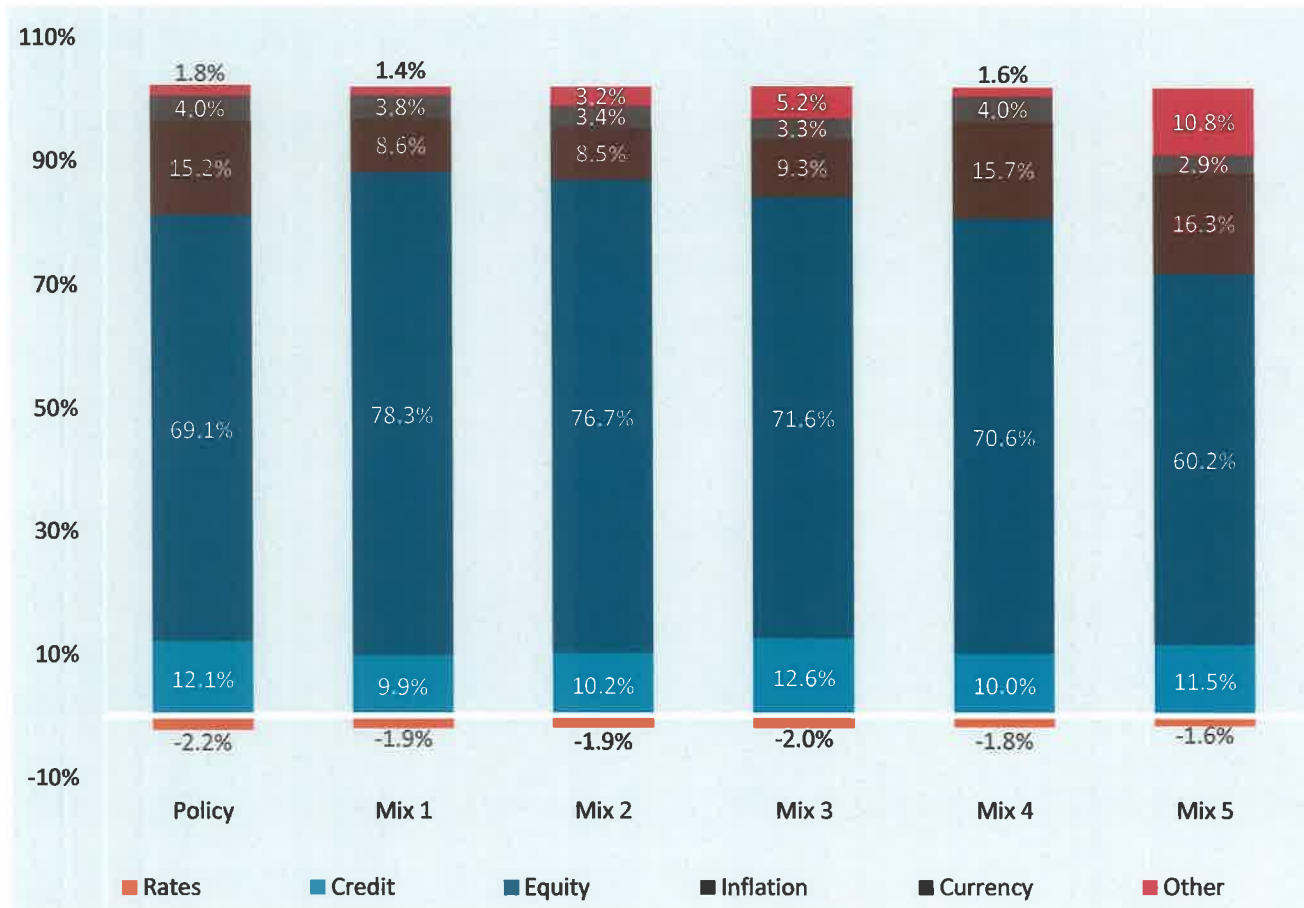
The scenario analysis dimensions return projections across different economic regimes.

	Policy	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
<b>10 Year Return Forecast</b>						
Stagflation	3.7	3.3	3.5	3.3	4.4	3.6
Weak	0.7	0.1	0.3	0.3	1.0	0.4
<b>Base CMA</b>	<b>5.5</b>	<b>5.7</b>	<b>6.0</b>	<b>6.1</b>	<b>5.9</b>	<b>6.6</b>
Strong	11.1	12.3	12.6	12.6	11.7	13.6
<b>Range of Scenario Forecast</b>	<b>10.3</b>	<b>12.2</b>	<b>12.3</b>	<b>12.4</b>	<b>10.7</b>	<b>13.2</b>
<b>Shock (1 year)</b>	<b>-21.4</b>	<b>-25.9</b>	<b>-26.7</b>	<b>-25.9</b>	<b>-22.4</b>	<b>-25.9</b>
<b>10 Year Real Return Forecast</b>						
Stagflation	-2.4	-2.8	-2.6	-2.8	-1.7	-2.5
Weak	-0.4	-1.0	-0.8	-0.8	-0.1	-0.7
<b>Base CMA</b>	<b>3.4</b>	<b>3.6</b>	<b>3.9</b>	<b>4.0</b>	<b>3.8</b>	<b>4.5</b>
Strong	8.5	9.7	10.0	10.0	9.1	11.0
<b>Range of Scenario Forecast</b>	<b>10.8</b>	<b>12.5</b>	<b>12.5</b>	<b>12.8</b>	<b>10.8</b>	<b>13.6</b>

Source: MPI & Verus

# Risk decomposition

RISK CONTRIBUTION BY RISK FACTOR



Equity risk is the largest single risk factor for all mixes.

Credit risk is a function of fixed income.

Currency risk a function of international investments.

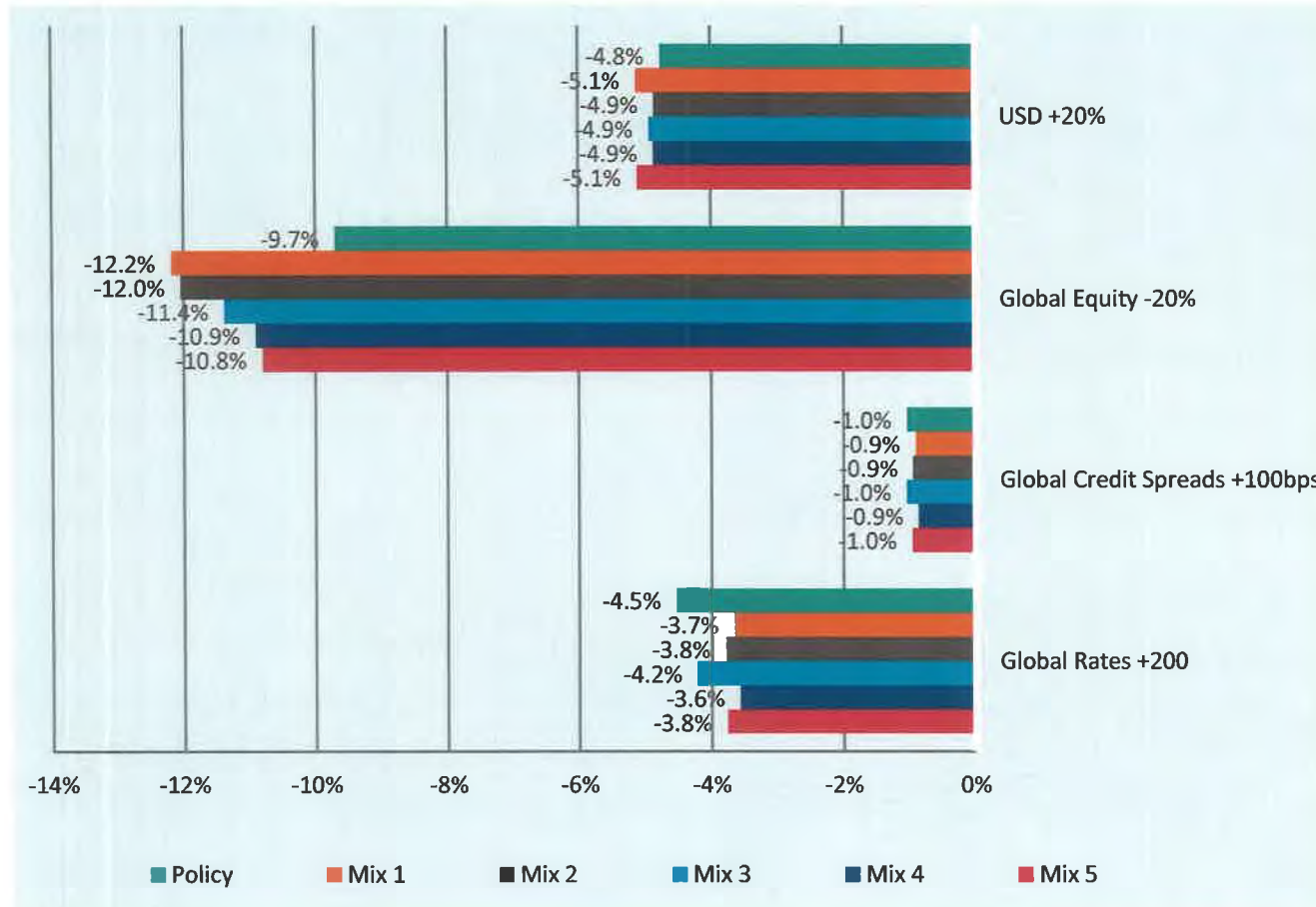
Inflation risk is a function of real assets.

“Other” are risks inherent within private markets.

Source: Barra, Ex-Ante Volatility

# Stress tests

## TAIL RISK – STRESS TEST

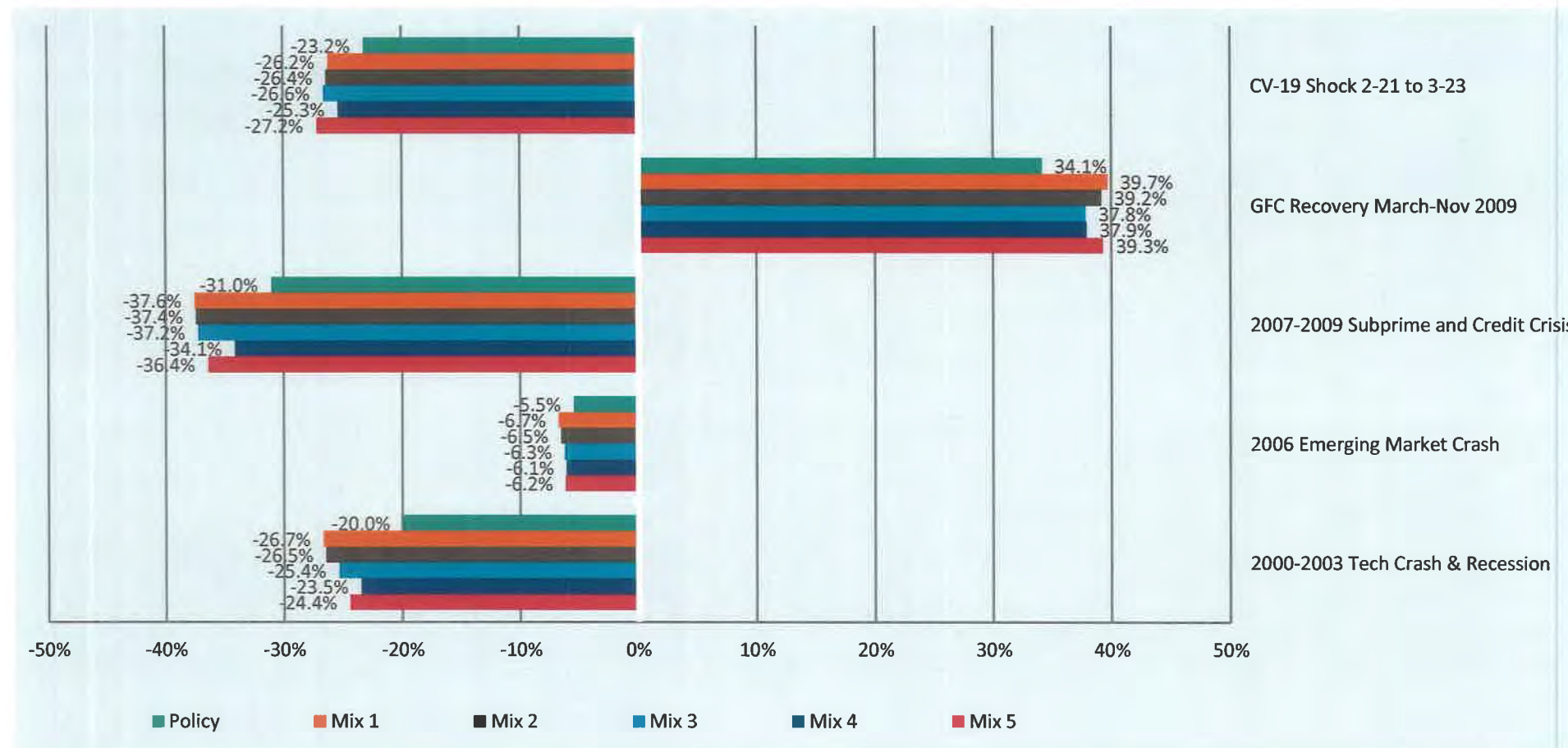


This analysis is based on how the risk factors inherent in the current index holdings react in those environments.

Source: Barra

# Scenario analysis

## TAIL RISK – SCENARIO ANALYSIS

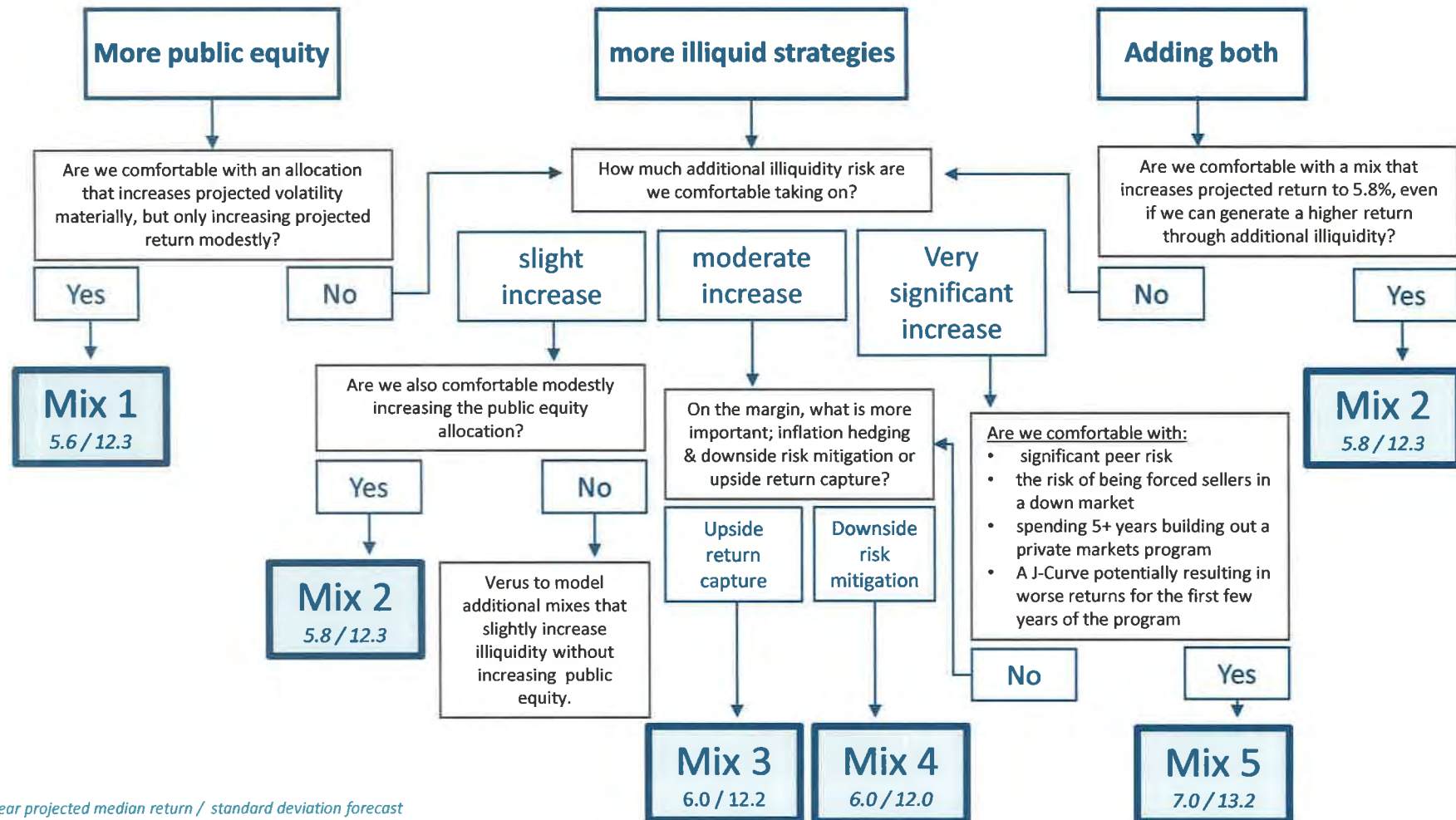


Source: Barra



# Decision framework

How are we, as Trustees, most comfortable adding risk in pursuit of higher returns?



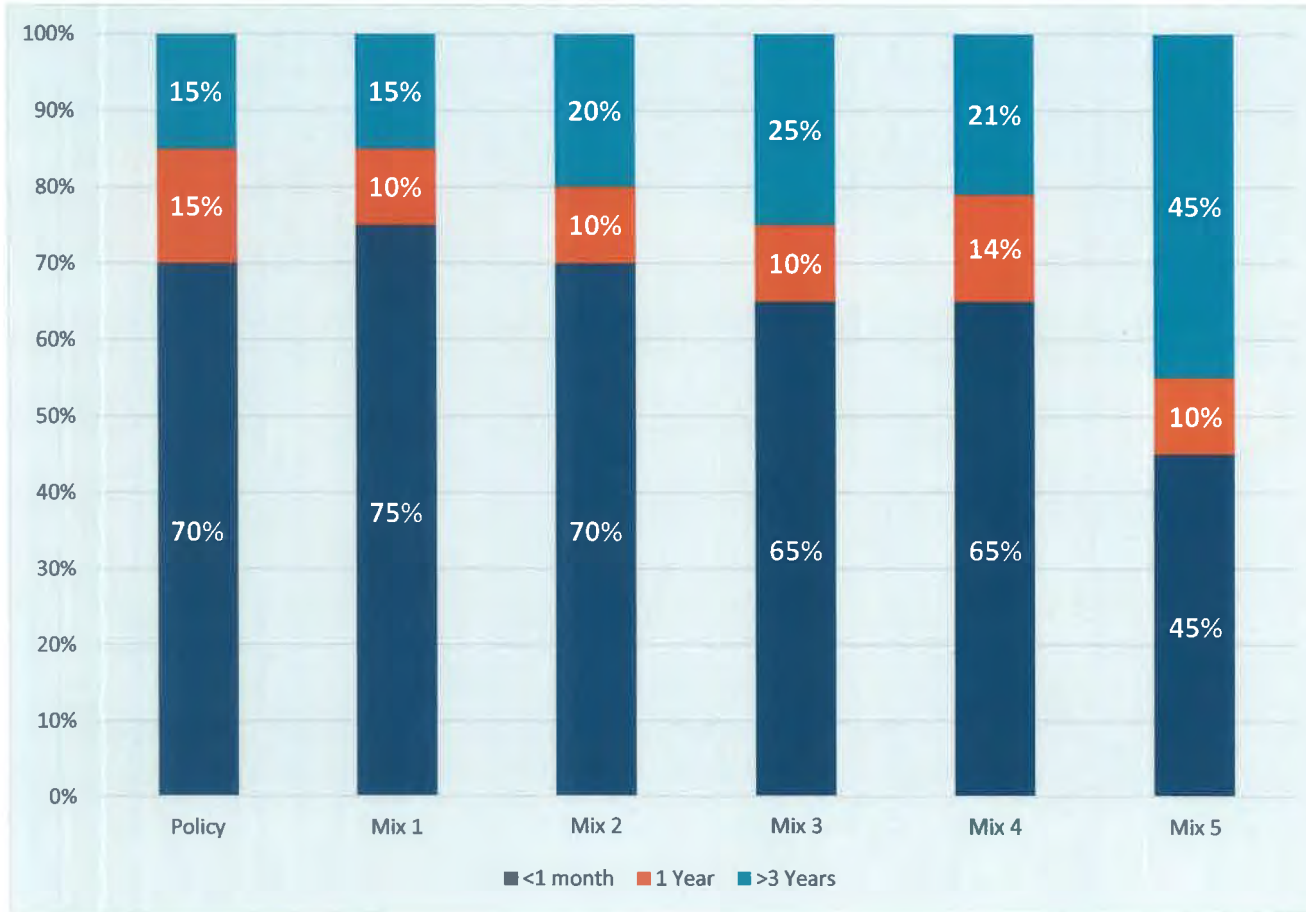
10 year projected median return / standard deviation forecast

# IV. Liquidity analysis



# Contextualizing liquidity

## “NORMAL MARKET” LIQUIDITY BUCKETING



Liquidity refers to how quickly an asset can be converted to cash.

In distressed markets, assets' liquidity can become impaired.

A distressed liquidity estimate:\*

“<1 month” → 1-3 months

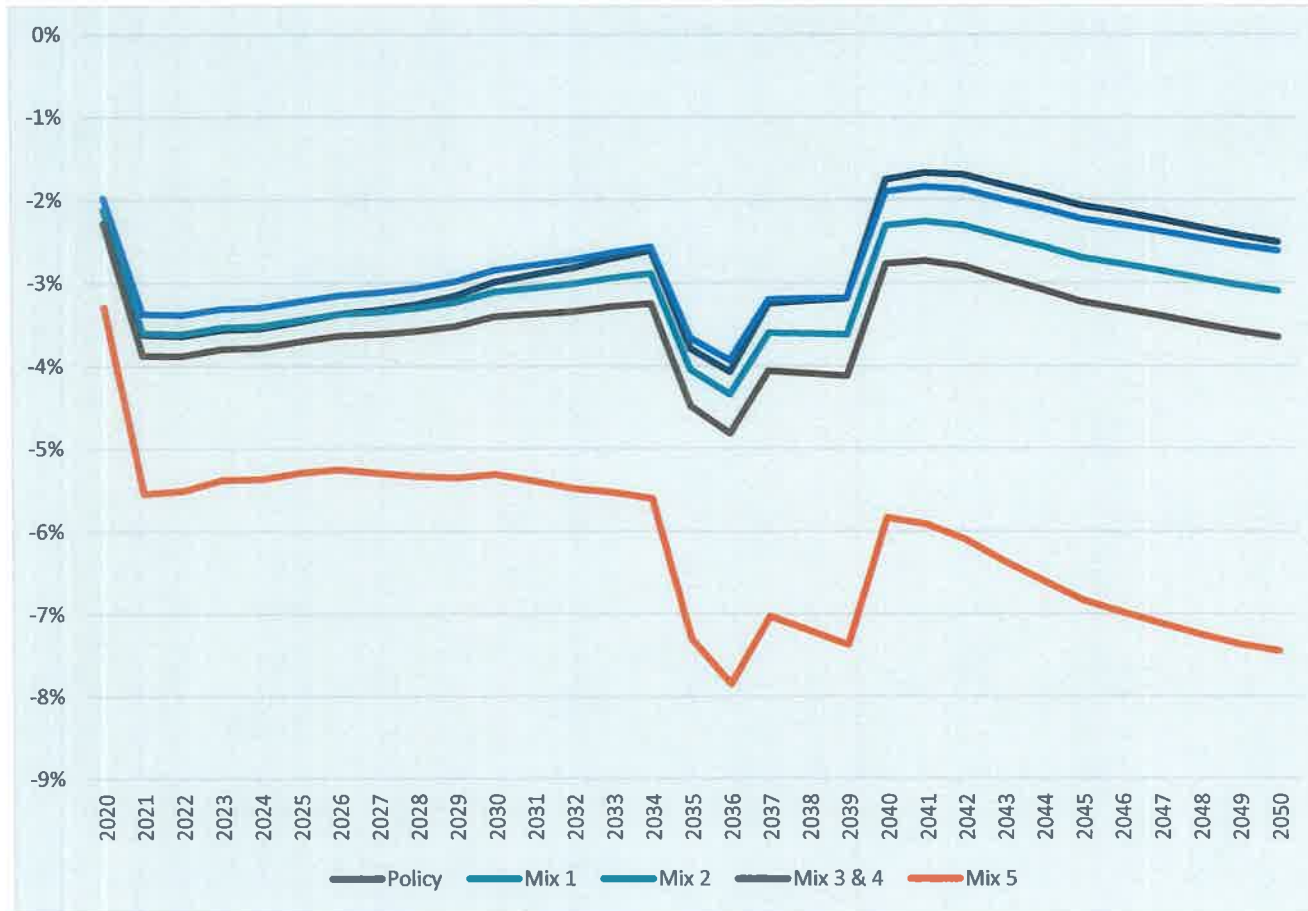
“1 Year” → 1-3 years

“>3 years” → ???

\*Liquidity is in some cases a subjective estimate.

# Paying benefit payments: baseline

NET OPERATIONAL CASH OUTFLOWS AS A PERCENTAGE OF LIQUID ASSETS: BASELINE

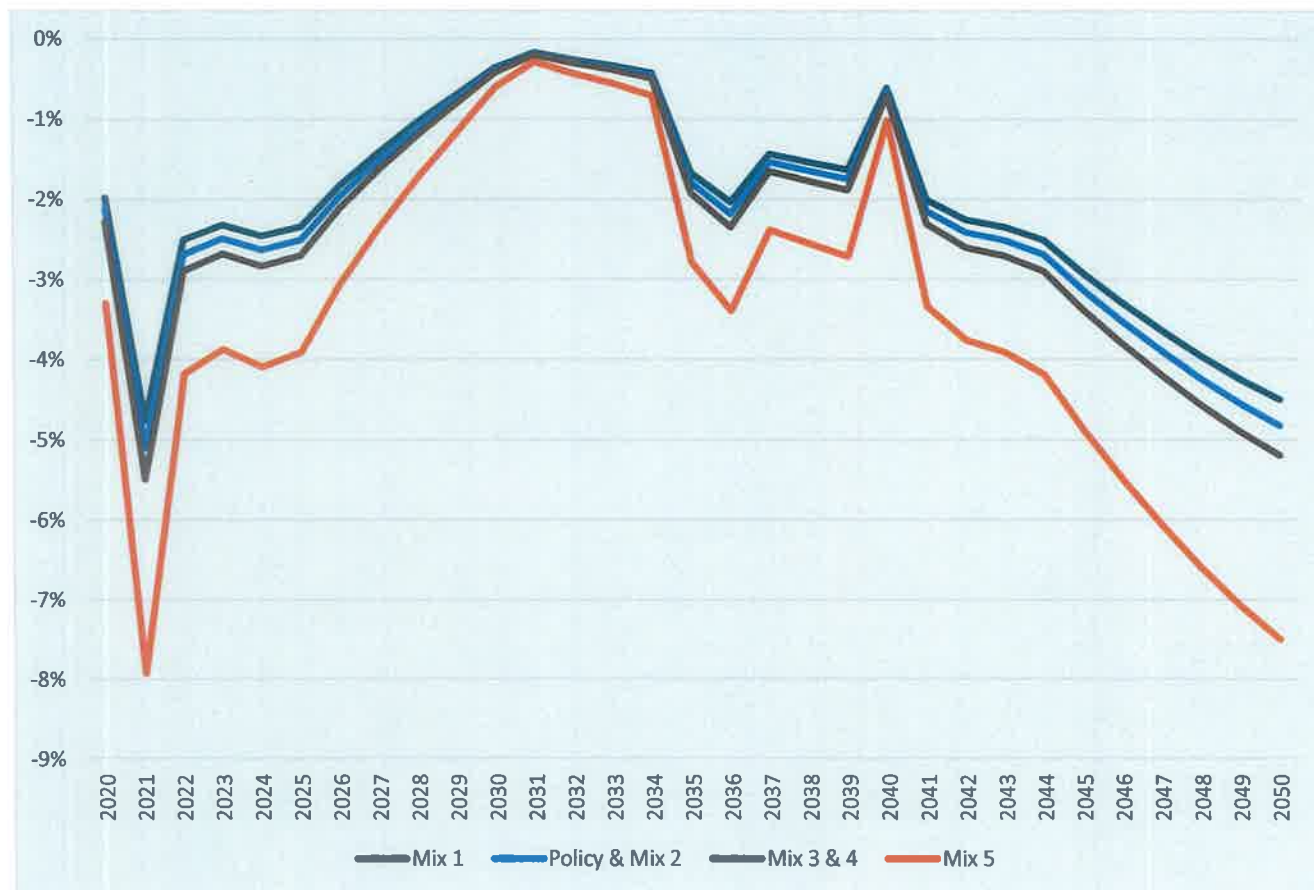


How much liquid assets will TCERA retain to fund benefit payments?

Assumes starting value of \$1.8B, current TCERA contribution funding policy, Versus annual return projections for each mix, as well as each mix's allocation to liquid assets (defined as liquidity greater than 1 month). Because Mix 3 & Mix 4 have the same overall allocation to liquid assets, and the same return projection, their outcomes are identical in this projection.

# Paying benefit payments: drawdown

NET OPERATIONAL CASH OUTFLOWS AS A PERCENTAGE OF LIQUID ASSETS: 25% DRAWDOWN

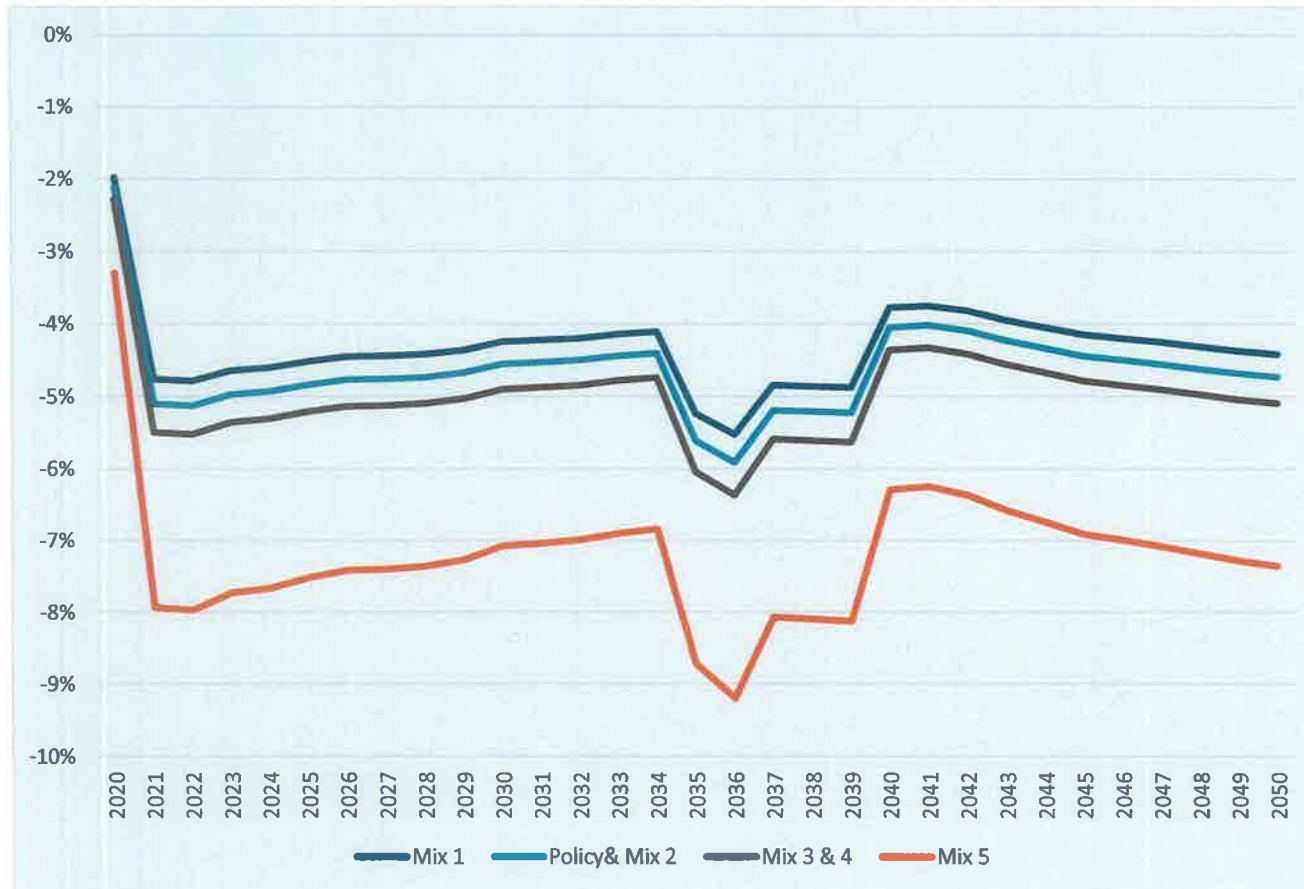


Paradoxically, in a significant drawdown event, the higher employer contribution rates offset the loss in liquidity caused by a drawdown.

Assumes starting value of \$1.8B, current TCERA contribution funding policy, as well as each mix's allocation to liquid assets (defined as liquidity greater than 1 month). For this scenario, all mixes assume a 25% drawdown in year 1 followed by a 7% return each year thereafter. Because Policy & Mix 2 both have a 70% liquid allocation, the projections are identical here. Likewise, because Mix 3 & Mix 4 both have a 65% liquid allocation, their projections are identical here.

# Paying benefit payments: drawdown v2

NET OPERATIONAL CASH OUTFLOWS AS A PERCENTAGE OF LIQUID ASSETS: 25% DRAWDOWN, ER CONTRIBUTIONS LOCKED AT PRE-DRAWDOWN LEVELS

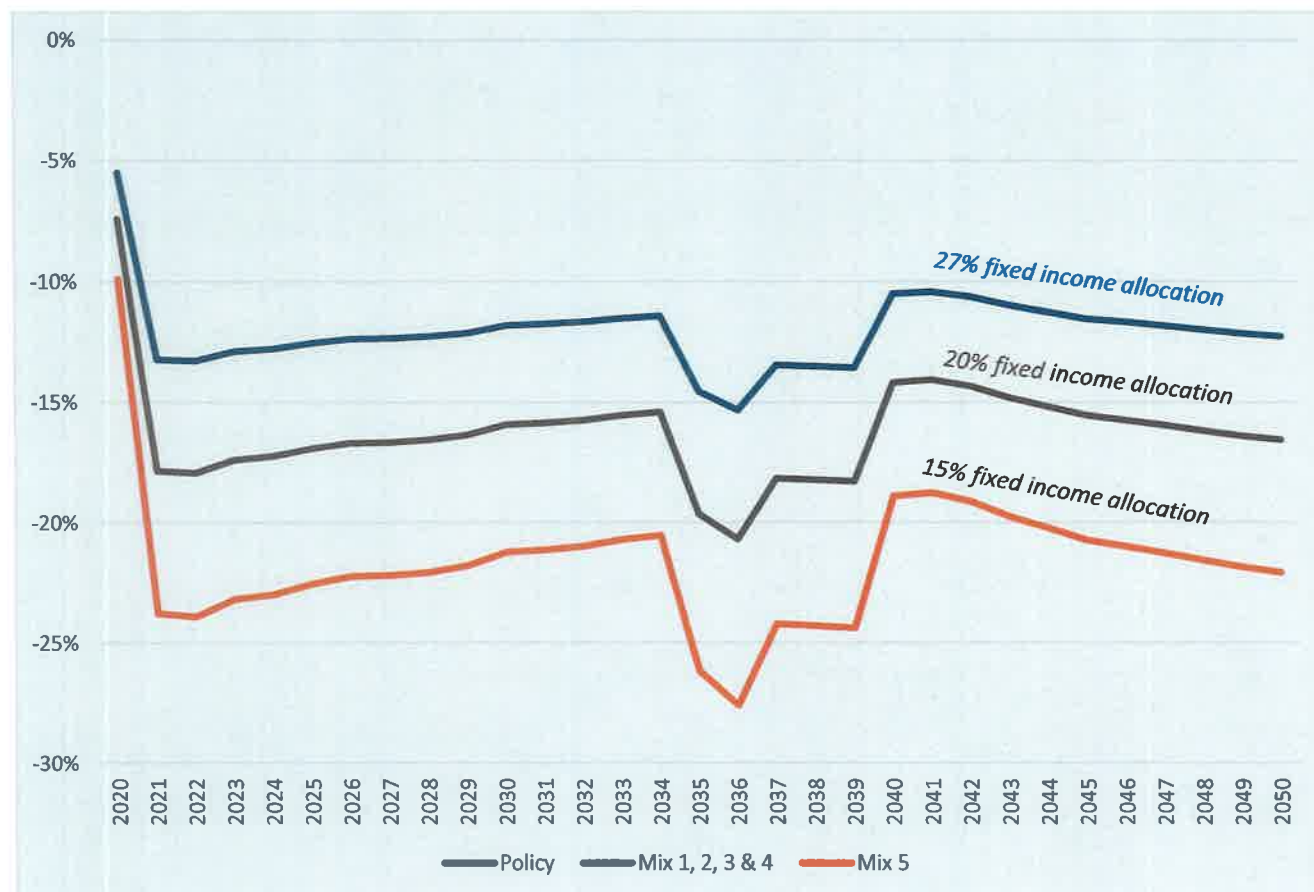


If we hold employer contributions static at the current projection levels, liquidity becomes a more significant issue during a drawdown.

Assumes starting value of \$1.8B, current TCERA contribution funding policy, as well as each mix's allocation to liquid assets (defined as liquidity greater than 1 month). For this scenario, all mixes assume a 25% drawdown in year 1 followed by a 7% return each year thereafter. Because Policy & Mix 2 both have a 70% liquid allocation, the projections are identical here. Likewise, because Mix 3 & Mix 4 both have a 65% liquid allocation, their projections are identical here.

# Paying benefit payments: drawdown v3

NET OPERATIONAL CASH OUTFLOWS AS A PERCENTAGE OF FIXED INCOME ASSETS: 25% DRAWDOWN, ER CONTRIBUTIONS LOCKED AT PRE-DRAWDOWN LEVELS



In a drawdown scenario, it is disadvantageous to be a forced seller of risk assets.

This analysis looks at liquidity needs, focusing just on how large the System's liquidity needs are relative to fixed income assets.

Assumes starting value of \$1.8B, current TCERA contribution funding policy, as well as each mix's allocation to fixed income. For this scenario, all mixes assume a 25% drawdown in year 1 followed by a 7% return each year thereafter. This scenario applies the same static employer contribution assumption as the prior slide. Because Mix 1,2,3, & 4 all have a 20% fixed income allocation, their outcome under this analysis is identical.



# V. Appendix: private markets & real assets information

# What are private markets?

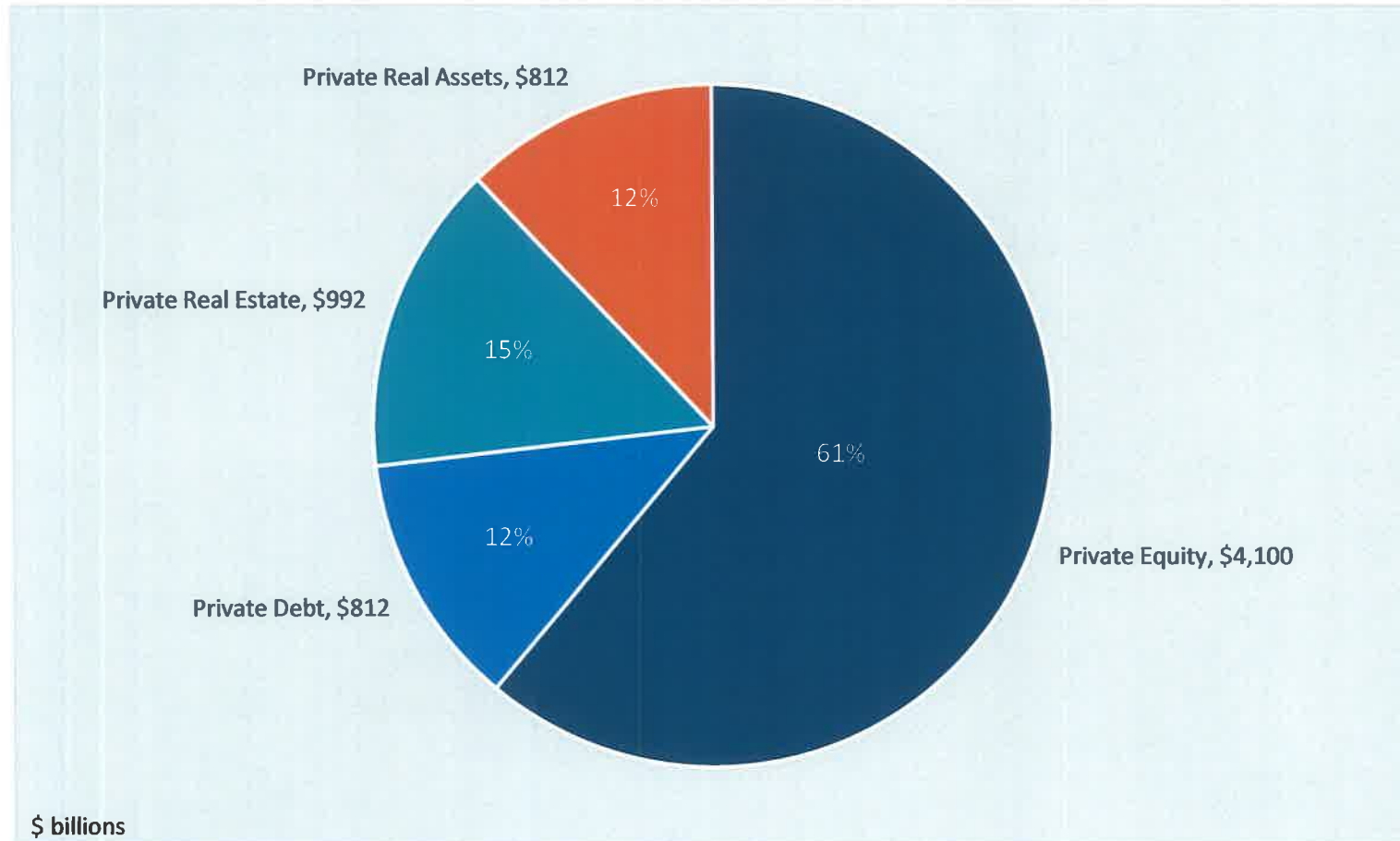
Private Equities	Private Debt	Private Real Estate	Private Real Assets
Venture Capital Early Stage Growth Stage	Direct Lending	Core	Infrastructure
Buyouts	Real estate/real asset debt	Value-add	Natural resources
Secondaries	Distressed	Opportunistic	Agriculture
			Intellectual property

- Private markets investments are not listed on market exchanges
- These are institutional investments not available to retail investors and which have large minimum investment sizes (i.e.,  $\geq$  \$5million)
- Investments are made via subscription agreements with extensive contract provisions



# What is the size of private markets?

**TOTAL PRIVATE MARKETS \$6,716 BILLION**



Source: Preqin Alternatives in 2020 Report

# Who invests in private markets?

Investor Type	Average Allocation
Public Pension Funds	12%
Corporate Pensions	4.3%
Endowment/Foundation	17%
Insurance	13%
Family Office	19%
High Net Worth*	35-52%

Source: P&I, WillisTowersWatson, KKR, Peltz International

\* High net worth range includes high net worth and ultra high net worth

# Why invest in private markets?

- Access to large and diverse set of investment opportunities not available in public markets
- Higher expected returns versus public markets from:
  - Sourcing and structuring investments
    - Opacity of private markets benefits managers with sourcing expertise
  - Operational expertise
    - Provision of resources and expertise to improve investment company/property, etc. through value creation activities
      - Earnings growth
      - Multiple expansion
      - Debt reduction
  - Flexibility in deployment of capital
    - Call capital when attractive investment opportunities are identified
  - Utilization of leverage (buyouts and real assets)
  - Illiquidity “premium”

# Comparison of private markets key variables

	Private Credit	Private Equity	Private Real Estate	Private Real Assets
Typical Fund Life	5 – 7 years	10 – 12 years	7 – 10 years	10 – 20+ years
Typical Investment Period	3 – 4 years	5 – 6 years	3 – 4 years	5-7 years
Management Fee	0.5% - 2% on invested capital	1.5% - 2% on committed capital	1.25% - 1.50%	1.25% - 2.0%
GP Carry	10% - 15%	15% - 20%	20%	15-20%
Admin Fee / Fee Offset	Yes	Yes	Yes	Yes
Preferred Hurdle	5%-8%	8%	8-9%	6-8%
Distributions	Quarterly distribution of interest income	Distributions are lumpy and subject to exit	Distributions are lumpy and subject to exit	Distributions are lumpy and subject to exit
GP Commitment	> 1%	> 2%	1-5%	1-2%
Typical Fund Leverage	Yes, 0x – 2x	No	Yes, 40 – 70%	No
Target Return	8%-12% net	15%+ net	11-14% net (value-added), 15%+ net (opportunistic)	8%-15%+

# Private markets – differences from public markets

## Investment Vehicles

- Commingled pools (partnerships) or separate accounts
- Manager is 'general partner' which manages assets (active role); will invest alongside limited partners
- Investor is 'limited partner' and provides bulk of capital (passive role); has limited controls

## Fees

- ***Fees are generally paid on committed capital during investment period (~1%+)***
- ***After investment period, fees are charged on invested capital (~1%+)***
- Incentive fees apply depending on strategy (~10%-20%), usually earned only after investors receive preferred return

## Liquidity

- ***Investors commit capital upfront which will be drawn over time***
- *Partnerships have lock ups as long as 10-12 years*
- ***Usually broken up by a 3-5 year investment period and 5+ years harvesting period***
- Once invested, only exits are fruition of partnership or sale of interest to secondary investor

## Diversification

- Diversify by general partners, strategies, geographies, industries and vintage years.

# Risks of private markets

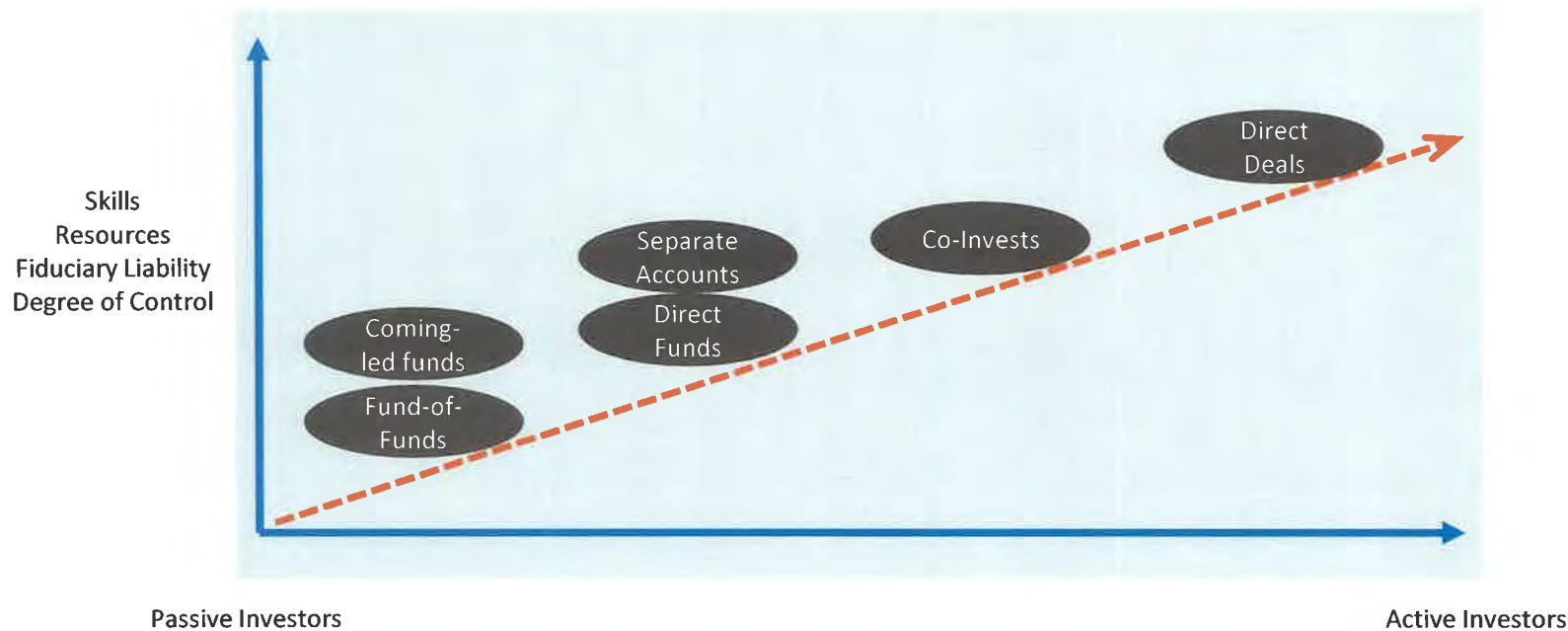
- *Capital risk* – Loss of capital due to investment in speculative strategies or other factors such as credit events
- *Illiquidity risk* – no access to capital after investment period has begun
- *Operational risk* – losses from inadequate processes and systems supporting the GP's investment process
- *Market risk* – volatility driven by broader risk factors such as equity, inflation, interest rates, etc.
- *Financial structure risk* – complexity, leverage, and different rights of varying investors

# Implementation approaches to private markets

Implementation approach driven by each investor's:

- Investment objectives
- Internal skills and resources
- Tolerance for control, risks, cost

ACTIVE-PASSIVE INVESTOR SPECTRUM





# Benchmark issues – private markets

## THREE PRIMARY TYPES OF BENCHMARKS FOR PRIVATE MARKETS

Benchmark	Public markets “plus”	Peer group	Public markets equivalent (“PME”)
Definition	Published public markets benchmark plus a premium (e.g. S&P 500 +4%)	Universe of limited partner private markets funds across sectors and vintage years	Internal rate of return calculated using published public market index and partnership cash flows
Calculation Methodology	Time weighted rate of return (“TWRR”)	Internal rate of return (“IRR”)	IRR
How commonly used?	Most commonly used among plan sponsors	Typically used by larger, more sophisticated plan sponsors	Used by private market fund of funds and consultants and beginning to be employed by plan sponsors
Quality	Low	Low to Moderate	Moderate to High
Comments	—Easiest to use and understand	— Less misfit risk. Better alignment due to IRR calculation	—Allows direct comparison between public markets and private markets
	—Currently employed by MOSERS for private equities in Old Portfolio	—Currently employed by MOSERS for private equities in New Portfolio	—More complex to understand and to calculate relative to others
	—Benchmark misfit risk is largest compared to others	—Subject to typical peer group cons such as survivorship and selection biases	—Least amount of benchmark misfit risk

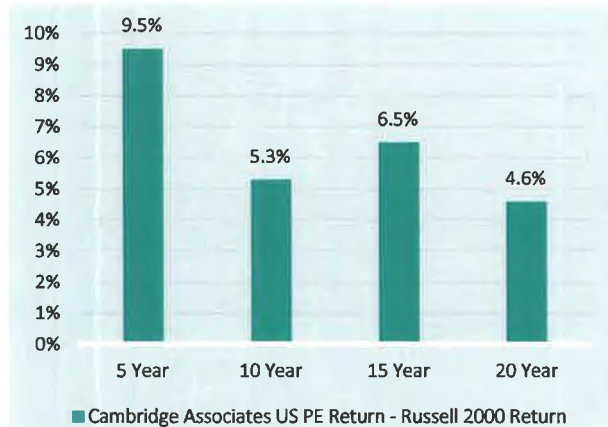
# Private equity

Private equity and public equity returns have been correlated historically because the underlying economic forces driving these asset class returns are quite similar. The return relationship between the two can vary in the short-term, but over the long-term investors have received a premium, driven by leverage, concentrated factor exposure (smaller and undervalued companies), skill, and possibly illiquidity.

Historically, the beta of private equity relative to public equities has been high. We use a beta assumption of 1.85 to U.S. large cap equities in our capital market forecast.

Private equity performance typically differs based on the implementation approach. We provide a 10-year forecast for the entire private equity universe of 9.3%. Direct private equity programs have historically outperformed the broader universe by approximately 1.0%, and we forecast direct private equity accordingly with a forecast of 10.3%. Private equity fund-of-fund (FoF) programs have historically lagged the universe by 1.0%, and we forecast private equity fund-of-funds at 8.3% to reflect this drag.

## PRIVATE EQUITY EXCESS RETURN (PE – U.S. SMALL CAP EQUITY)



Source: Cambridge, Russell, as of 3/31/20

## PRIVATE EQUITY IMPLEMENTATION FORECASTS

10-Year Forecast	
Private Equity Universe Forecast	9.3%
Private Equity FoF Forecast	8.3%
Private Equity Direct Forecast	10.3%

Source: Verus, as of 9/30/20

## PRIVATE EQUITY UNIVERSE FORECAST

10-Year Forecast	
U.S. Large Cap Forecast	+5.1%
1.85 Beta Multiplier	+4.2%
Nominal Return	9.3%
Inflation Forecast	-2.0%
Real Return	7.3%

Source: Verus, as of 9/30/20

# Overview of private equity

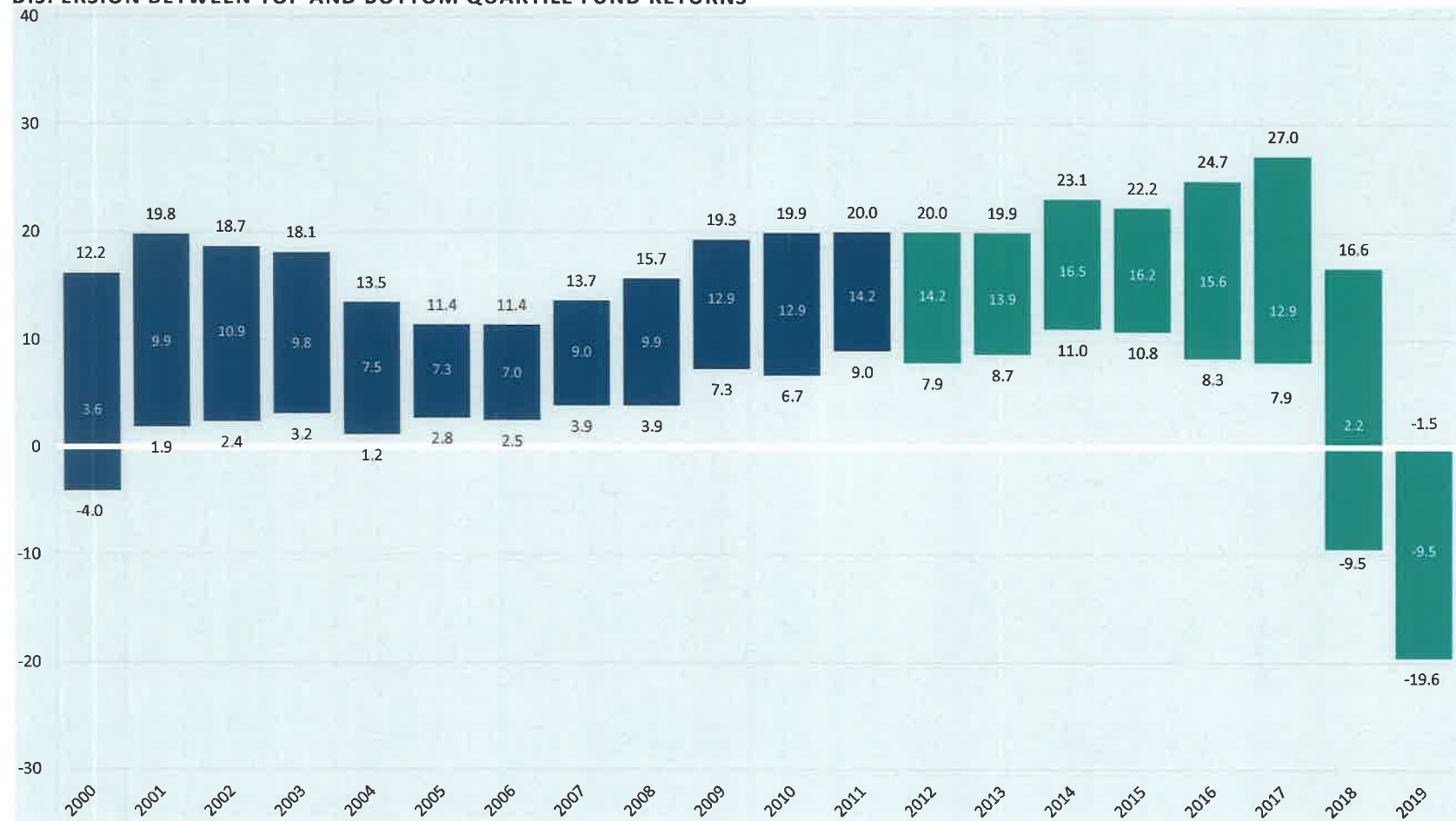
- Investments in privately held companies:
  - Generally illiquid / limited liquidity
  - Few established industry benchmarks
  - Sub-classes differ in cash-flow and performance attributes
- Long term investment horizon: 3-12+ years
- Primary reason to invest: **Return Enhancement**

	1 Year	3 Years	5 Years	10 Years	20 Years
Venture Capital	18.6%	16.8%	12.9%	15.1%	7.2%
Buyouts	16.9%	16.1%	13.3%	14.1%	11.7%
Growth Equity	18.3%	17.2%	13.6%	13.9%	11.5%
Secondaries	12.4%	13.6%	10.5%	12.6%	12.0%
<b>All Private Equity</b>	<b>17.3%</b>	<b>16.3%</b>	<b>13.1%</b>	<b>14.2%</b>	<b>10.6%</b>
S&P 500	31.5%	15.3%	11.7%	13.6%	6.1%
Russell 3000	31.0%	14.6%	11.2%	13.4%	6.4%
Bloomberg Barclays Aggregate	8.7%	4.0%	3.1%	3.6%	5.0%
Cash	2.3%	1.7%	1.1%	0.6%	1.7%

Source: Cambridge Associates and eVestment as of December 31, 2019.

# Manager selection is critical to results

DISPERSION BETWEEN TOP AND BOTTOM QUARTILE FUND RETURNS



Mature funds avg. dispersion: 12.7%

Active funds avg. dispersion: 12.2%

Source: Thomson Reuters CJA Global All Private Equity returns, as of 12/31/19

For illustrative purposes only as dispersion of returns varies by sub-asset class. Mature funds defined as those whose 80% or more of total value has been distributed.

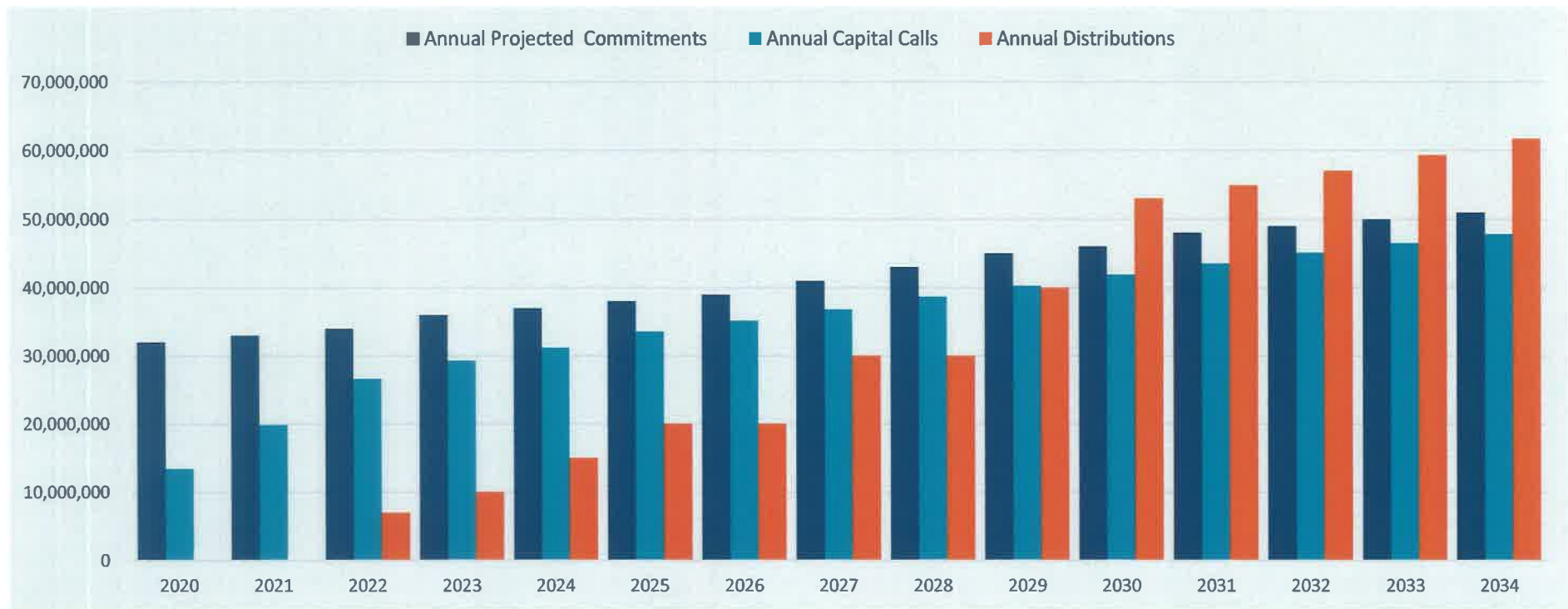
# Pacing model example

For private market investments, commitments are made up front but are generally called over 3-5 years.

The chart below illustrates how the capital calls are less than the annual commitment.

Within private markets, capital is returned to investors via distributions. In order to maintain a private market program, investors must continue to commit to new strategies.

PROJECTED ANNUAL DOLLAR VALUE OF COMMITMENTS, CAPITAL CALLS AND DISTRIBUTIONS





# The rationale for overcommitment

Due to the gradual flow of investments by fund managers, which generally lasts multiple years from a fund's inception, cash (distributions) will typically begin to flow back to an investor before the full commitment amount is drawn down.

For this reason, even when a fund's commitment is fully drawn down, an investor's investment exposure would generally net to anywhere from 65% to 75%.

To overcome the offsetting nature of cash flows and reach a target exposure to the asset class, investors need to adopt an overcommitment strategy.

Figure 2 illustrates a 1.65x commitment. The maximum investment amount reaches the target in year five.

Committed does not mean invested.

Private equity programs generally require five to seven years to reach a target allocation.

FIGURE 1: \$100 MILLION GOAL AND \$100 MILLION COMMITMENT

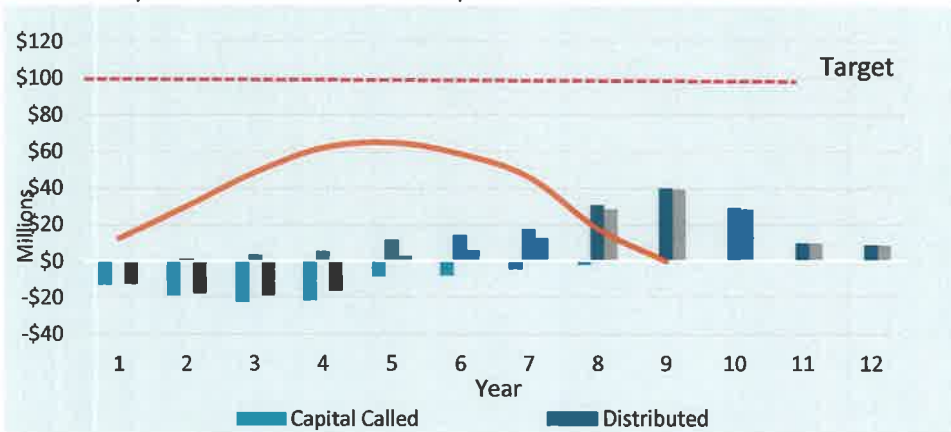
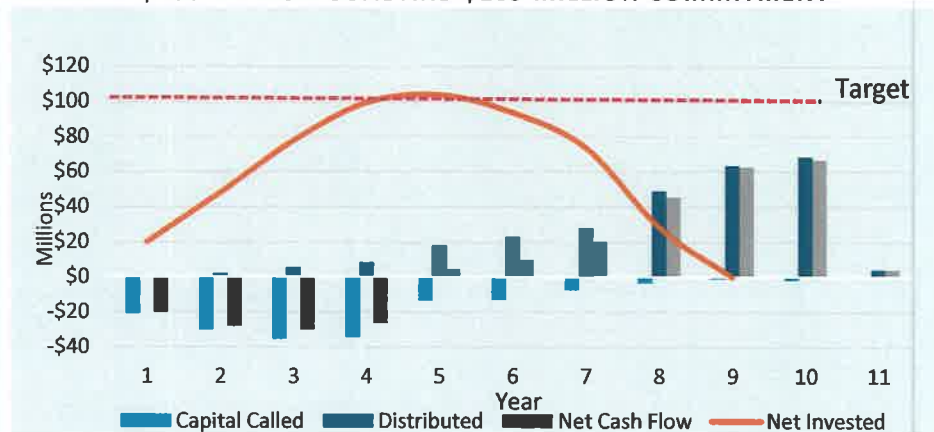
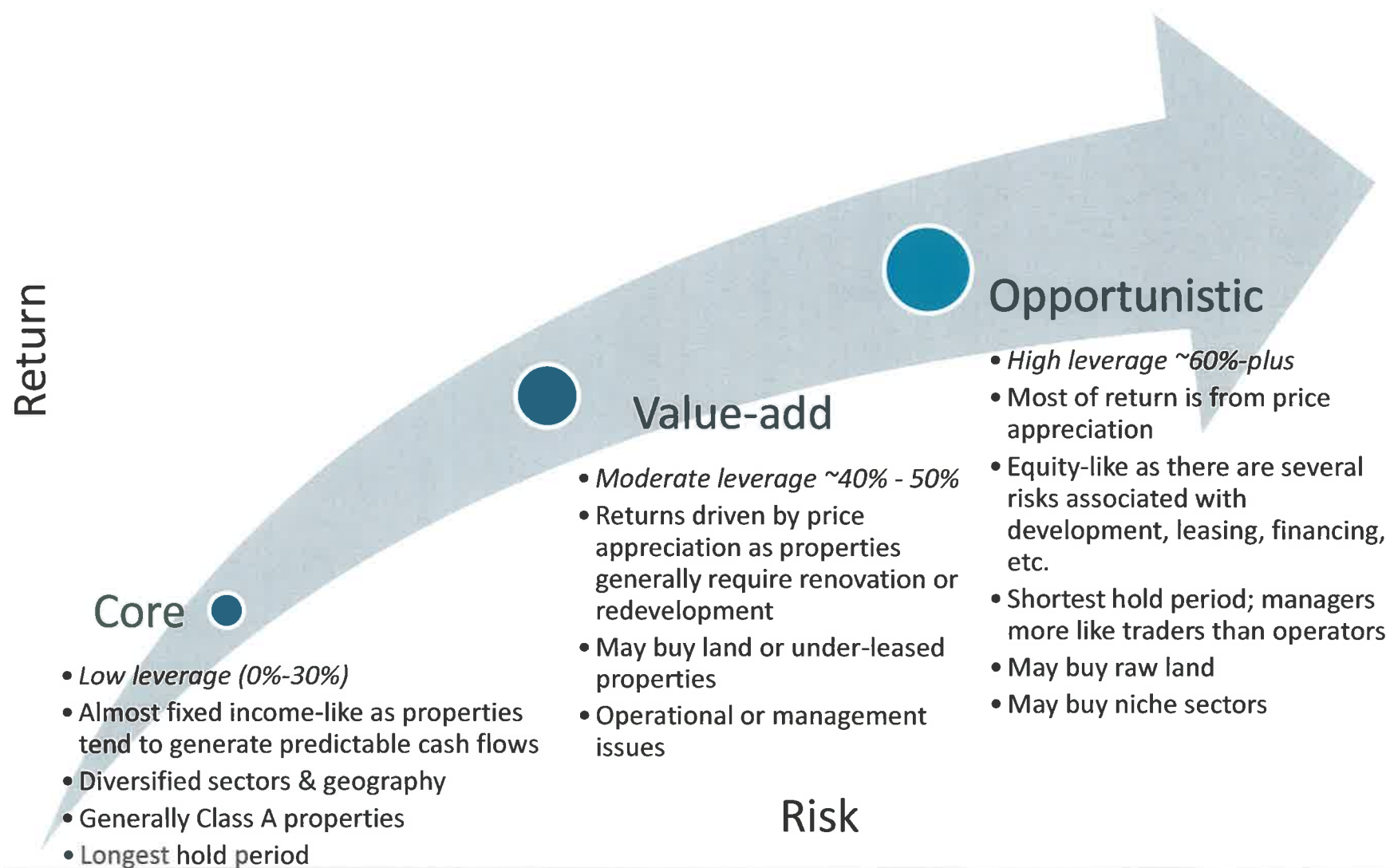


FIGURE 2: \$100 MILLION GOAL AND \$165 MILLION COMMITMENT



# Private real estate return/risk





# Real estate attributes

Attribute	Core	Value-add	Opportunistic
Property type	Offices, apartments, retail, industrial	Core property types plus hospitality, assisted living, low-income housing, specialty retail and storage	Raw, undeveloped land, speculative properties
Occupancy	High	Moderate	Low
Life cycle phase	Fully operational	Operational, but may not be fully leased	New construction, land development
Leverage	Low	Moderate	High
Rollover	Low	Moderate	High
Investment structure	Direct control	Moderate control with security or preferred liquidation position	Minimal control; often an LP with unsecured positions

# Value-add & opportunistic real estate

Value-add real estate includes properties which are in need of renovation, repositioning, and/or lease-up. Properties may also be classified as value-add due to their lower quality and/or location. Opportunistic real estate can also include development and distressed or very complex transactions. Greater amounts of leverage are usually employed within these strategies. Leverage increases beta (risk) by expanding the purchasing power of property managers via a greater debt load, which magnifies gains or losses. Increased debt also results in greater interest rate sensitivity. An increase/decrease in interest rates may result in a write-up/write-down of fixed rate debt, since debt holdings are typically marked-to-market.

Performance of value-add real estate is composed of the underlying private

## CAP RATE SPREADS



Source: NCREIF, Bloomberg, as of 6/30/20

real estate market returns, plus a premium for additional associated risk, which is modeled here as 200 bps above our core real estate return forecast. Performance of opportunistic real estate strategies rests further out on the risk spectrum, and is modeled as 400 bps above the core real estate return forecast.

Additional expected returns above core real estate are justified by the higher inherent risk of properties which need improvement (operational or physical), price discounts built into properties located in non-core markets, illiquidity, and the ability of real estate managers to potentially source attractive deals in this less-than-efficient marketplace.

## FORECAST

	Value-Add 10-Year Forecast	Opportunistic 10-Year Forecast
Premium above core	+2.0%	+4.0%
Current Cap Rate	+4.1%	+4.1%
Real Income Growth	+1.7%	+1.7%
Capex Assumption	-2.0%	-2.0%
Inflation	+2.0%	+2.0%
Nominal Return	7.8%	9.8%
Inflation Forecast	-2.0%	-2.0%
Real Return	5.8%	7.8%

Source: Verus, as of 9/30/20

# Infrastructure

Infrastructure includes a variety of investment types across a subset of industries. There is not one definition for what can be included within infrastructure. The asset class has grown dramatically during the last decade as investors sought assets that might provide more attractive yield relative to fixed income along with the potential for inflation protection.

Similar to real estate investment, income plays a significant role in the returns which investors receive. Income yields are currently lower than average due to higher prices and competition in the space, which

might reasonably be expected to translate into lower expected future returns.

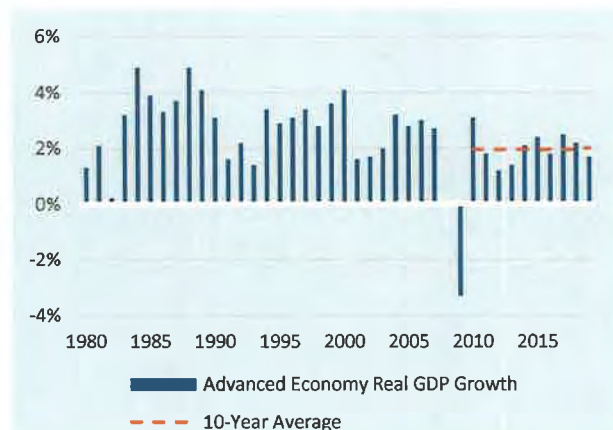
Due to the discount rate effect, infrastructure asset valuations would generally be negatively affected by material increases in interest rates. Because leverage is used in this space, higher interest rates would also impact investors in the form of higher borrowing costs.

5-YR ROLLING RETURN COMPOSITION



Source: S&P Global Infrastructure Index, as of 9/30/20

ADVANCED ECONOMY REAL GDP GROWTH



Source: IMF, as of 9/30/20

FORECAST

	10-Year Forecast
Inflation	1.7%
Yield	4.1%
Income Growth	2.0%
Nominal Return	7.8%
Global Inflation Forecast	-1.7%
Real Return	6.2%

Source: Verus, as of 9/30/20



# **PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS**



**JULY 28, 2021**

Asset-Liability Study Phase 3 – Selecting an Asset Allocation

**Tulare County Employees' Retirement Association**

# Introduction

- At the May 26<sup>th</sup> Board Meeting, we initiated a strategic portfolio review that began with an Asset-Liability Study.
  - The primary outcome of the discussion was a Board commitment to moderately increase overall portfolio risk.
- At the June 23<sup>rd</sup> Board Meeting, we reviewed alternative methods by which risk could reasonably be increased (public equities, private markets strategies, and real assets strategies).
  - Verus reviewed the liquidity implications of increasing allocations to private markets and real assets strategies.
  - The Board requested additional options for consideration that include various levels of higher allocations to private market investments.
- **The focus of today's discussion is to continue to review the asset allocation question in light of these additional mixes.**



# Additional mixes for discussion

		Heavy Public Markets	Hybrid Option	Heavy Private Markets	Heavy Real Assets	New Mixes for Discussion				"7% attempt"	2021 CMA's (10 Yr)			
	Policy	Mix 1	Mix 2	Mix 3	Mix 4	Mix 4.1	Mix 4.2	Mix 4.3	Mix 4.4	Mix 5	Return (g)	Return (a)	Standard Deviation	Sharpe Ratio (a)
US Large	19	24	23	20	20	20	23	21	18	12	5.1	6.3	15.7	0.38
US Small	6	8	7	6	6	6	5	4	4	3	5.2	7.3	21.4	0.33
<b>Total Domestic Equity</b>	<b>25</b>	<b>32</b>	<b>30</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>28</b>	<b>25</b>	<b>22</b>	<b>15</b>				
International Developed	12	15	13	13	13	13	13	13	12	10	5.2	6.7	17.9	0.36
Emerging Markets	3	5	4	3	3	3	3	4	4	5	5.4	8.3	25.5	0.32
<b>Total Int'l Equity</b>	<b>15</b>	<b>20</b>	<b>17</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>17</b>	<b>16</b>	<b>15</b>				
Global Equity	3	3	3	3	3	3	3	3	2	0	5.2	6.6	17.3	0.37
<b>Total Equity</b>	<b>43</b>	<b>55</b>	<b>50</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>47</b>	<b>45</b>	<b>40</b>	<b>30</b>				
Core Plus Fixed Income	17	15	15	15	15	17	15	15	15	15	2.2	2.3	4.0	0.50
Global Aggregate	5	0	0	0	0	0	0	0	0	0	1.1	1.3	6.1	0.17
Emerging Market Debt (Hard)	3	3	3	3	3	1.5	1.5	0		0	5.2	6.0	12.7	0.45
Emerging Market Debt (Local)	3	3	3	3	3	1.5	1.5			0	4.3	5.0	12.2	0.39
<b>Total Fixed Income</b>	<b>27</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>18</b>	<b>15</b>	<b>15</b>	<b>15</b>				
Real Estate Debt	5	5	5	4	4	3	3	4	4	0	5.3	6.3	15.0	0.41
Core Real Estate	10	5	5	6	6	3	3	4	5	5	5.8	6.5	12.6	0.50
Value Add Real Estate	5	5	5	3	6	4	3	4	5	5	7.8	9.1	17.1	0.52
Opportunistic Real Estate	0	0	0	2	5	4	3	4	6	10	9.8	11.8	21.6	0.54
Infrastructure	0	0	0	0	4	4	3	4	3	5	7.8	9.4	18.8	0.49
<b>Total Real Assets</b>	<b>20</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>25</b>	<b>18</b>	<b>15</b>	<b>20</b>	<b>23</b>	<b>25</b>				
Private Equity	5	5	10	12	5	12	15	15	15	20	9.3	12.1	28.1	0.46
Private Credit	5	5	5	8	5	5	5	5	7	10	4.6	5.2	11.2	0.45
<b>Total Non-Public Investments</b>	<b>10</b>	<b>10</b>	<b>15</b>	<b>20</b>	<b>10</b>	<b>17</b>	<b>20</b>	<b>20</b>	<b>22</b>	<b>30</b>				
Cash	0	0	0	0	0	0	0	0	0	0	0.2	0.2	1.2	-
<b>Total Allocation</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>				
	Policy	Mix 1	Mix 2	Mix 3	Mix 4	Mix 4.1	Mix 4.2	Mix 4.3	Mix 4.4	Mix 5				
<b>Mean Variance Analysis</b>														
<b>Forecast 10 Year Return</b>	<b>5.4</b>	<b>5.6</b>	<b>5.8</b>	<b>6.0</b>	<b>6.0</b>	<b>6.1</b>	<b>6.2</b>	<b>6.4</b>	<b>6.5</b>	<b>7.0</b>				
Standard Deviation	10.7	12.3	12.3	12.2	12.0	12.5	13.0	13.0	12.7	13.2				
Return/Std. Deviation	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5				
1st percentile ret. 1 year	-16.7	-19.2	-19.0	-18.7	-18.4	-19.1	-19.8	-19.6	-19.0	-19.5				
Sharpe Ratio	0.51	0.48	0.50	0.51	0.52	0.52	0.51	0.52	0.54	0.56				

# Verus scenario analysis

	Mix 4.1	Mix 4.2	Mix 4.3	Mix 4.4
<b>10 Year Return Forecast</b>				
Stagflation	3.6	3.2	3.5	3.7
Weak	0.3	-0.1	0.1	0.3
<b>Base CMA</b>	<b>6.0</b>	<b>6.2</b>	<b>6.3</b>	<b>6.3</b>
Strong	12.6	13.2	13.4	13.2
<i>Range of Scenario Forecast</i>	<i>12.2</i>	<i>13.3</i>	<i>13.3</i>	<i>12.9</i>
<i>Shock (1 year)</i>	<i>-26.1</i>	<i>-28.3</i>	<i>-28.1</i>	<i>-26.4</i>
<b>10 Year <u>Real</u> Return Forecast</b>				
Stagflation	-2.5	-2.9	-2.6	-2.5
Weak	-0.8	-1.2	-1.0	-0.8
<b>Base CMA</b>	<b>3.9</b>	<b>4.1</b>	<b>4.2</b>	<b>4.2</b>
Strong	10.0	10.6	10.8	10.6
<i>Range of Scenario Forecast</i>	<i>12.5</i>	<i>13.5</i>	<i>13.4</i>	<i>13.0</i>

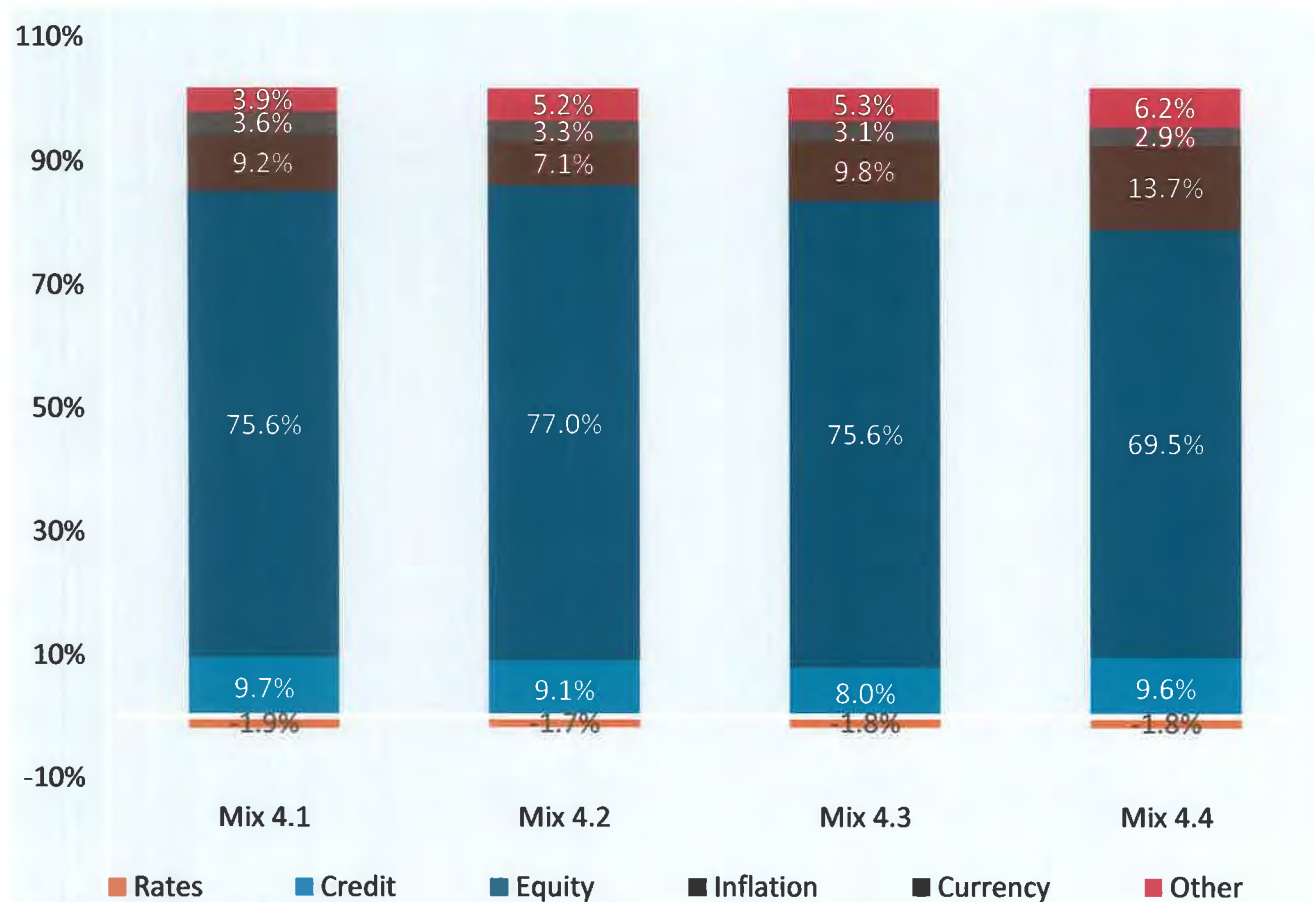
The scenario analysis dimensions return projections across different economic regimes.

Source: MPI, Verus



# Risk decomposition

RISK CONTRIBUTION BY RISK FACTOR



Source: Barra, Ex-Ante Volatility

Equity risk is the largest single risk factor for all mixes.

Credit risk is a function of fixed income.

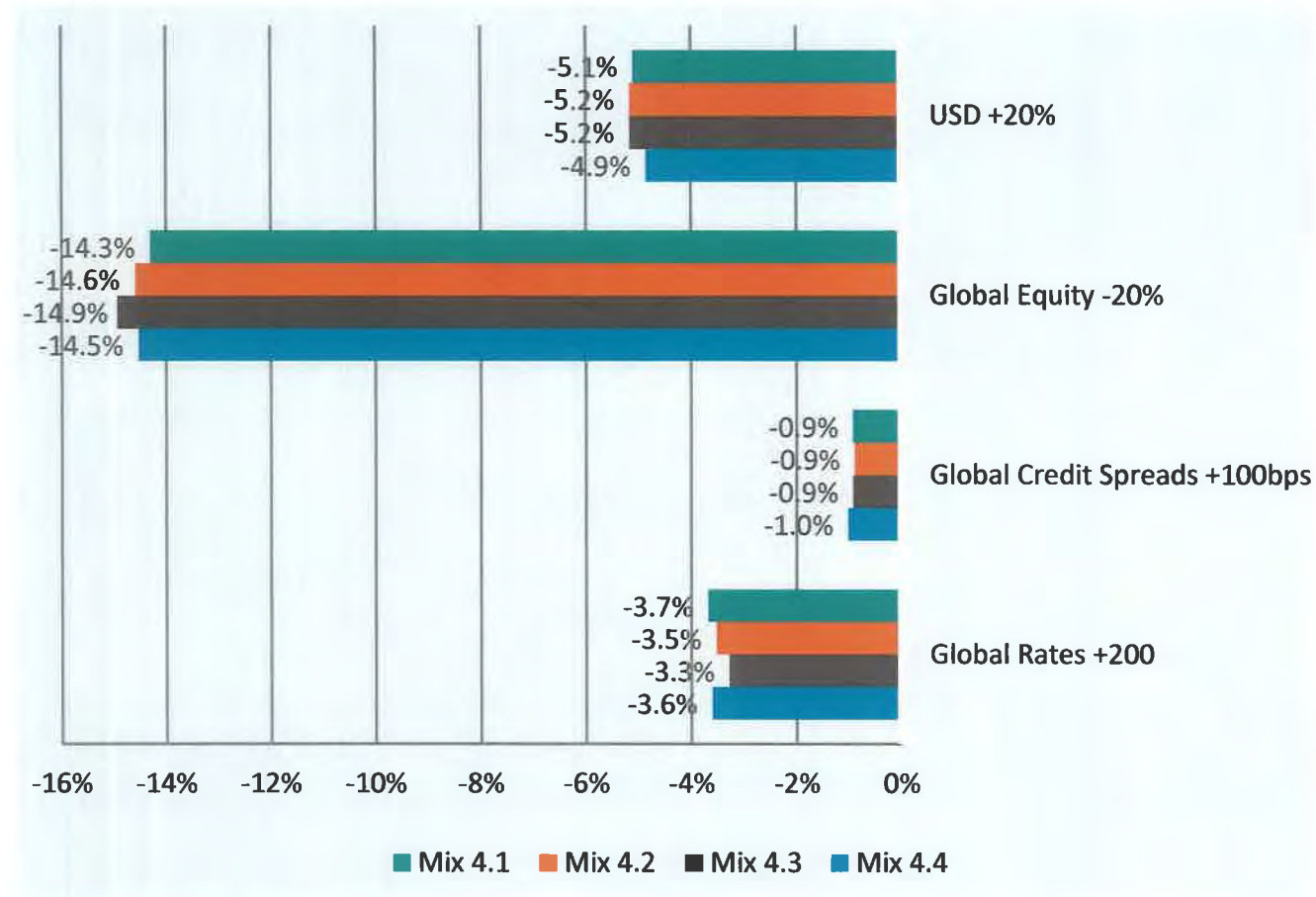
Currency risk is a function of international investments.

Inflation risk is a function of real assets.

“Other” are risks inherent within private markets.

# Stress tests

## TAIL RISK – STRESS TEST

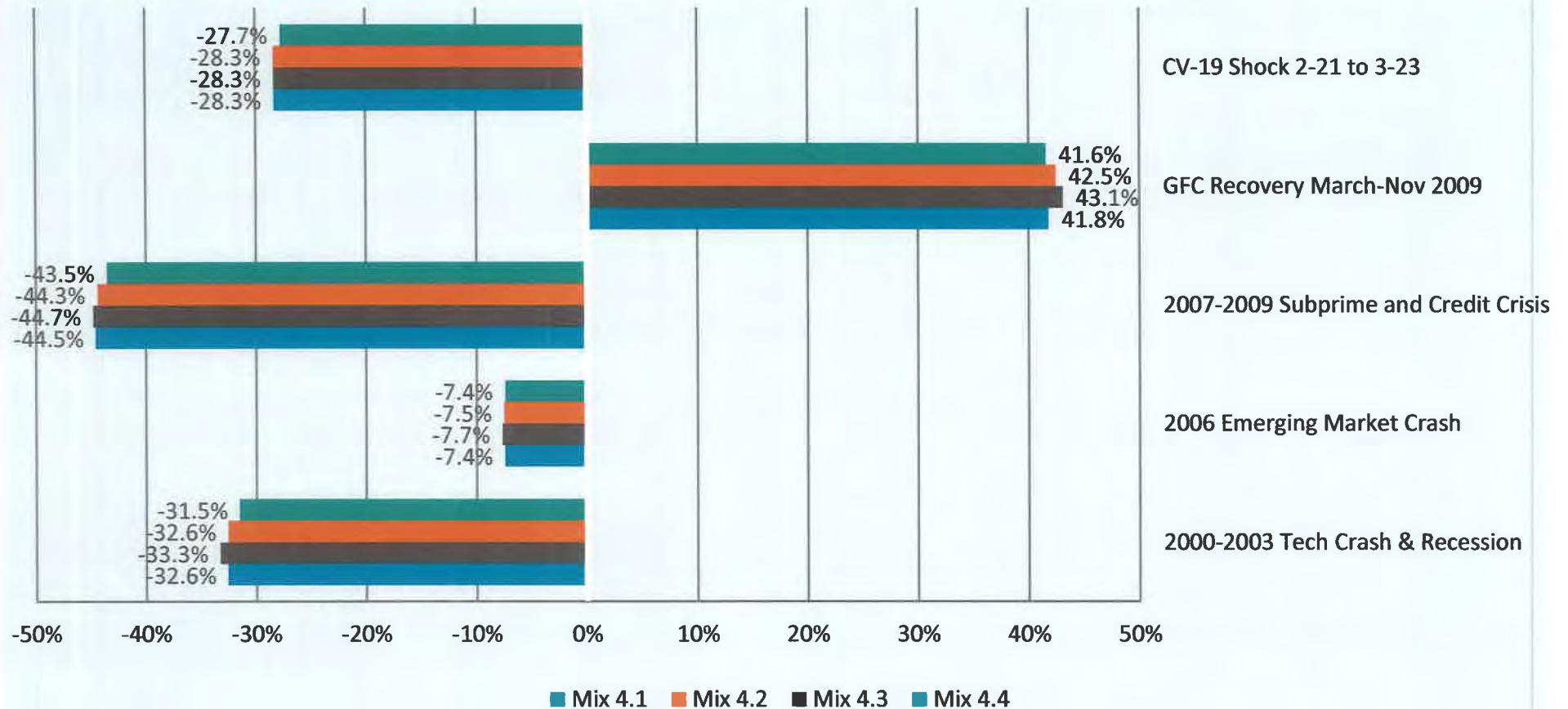


This analysis is based on how the risk factors inherent in the current index holdings react in those environments.

Source: Barra

# Scenario analysis

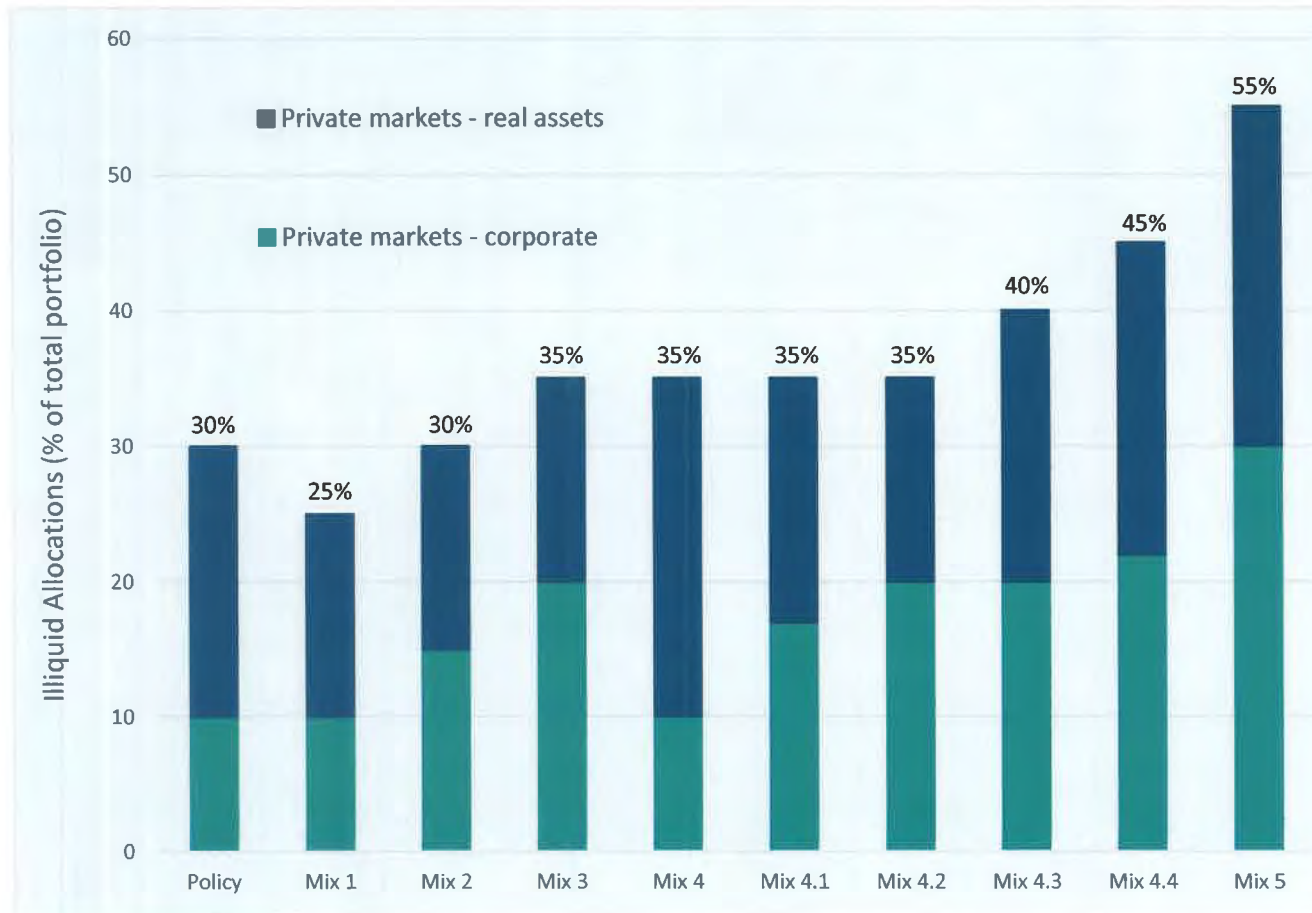
## TAIL RISK – SCENARIO ANALYSIS



Source: Barra

# Allocations to illiquid strategies

ALLOCATIONS TO ILLIQUID ASSETS BY TYPE

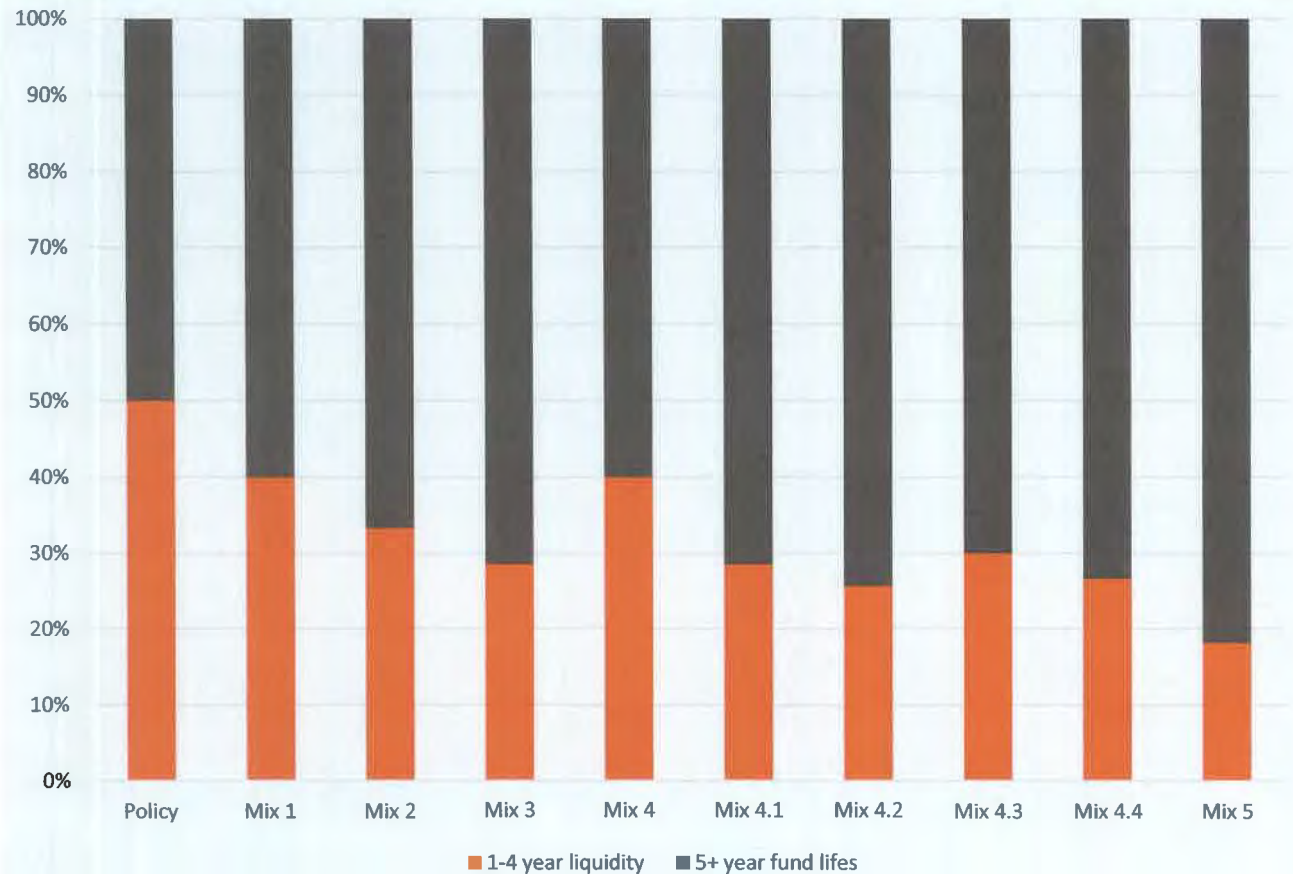


Mixes 3 through 5 have significant allocations to illiquid investments.

It will take at least 5 years to fully implement these targets.

# Framing illiquidity

COMPOSITION OF ILLIQUID ASSET CLASSES

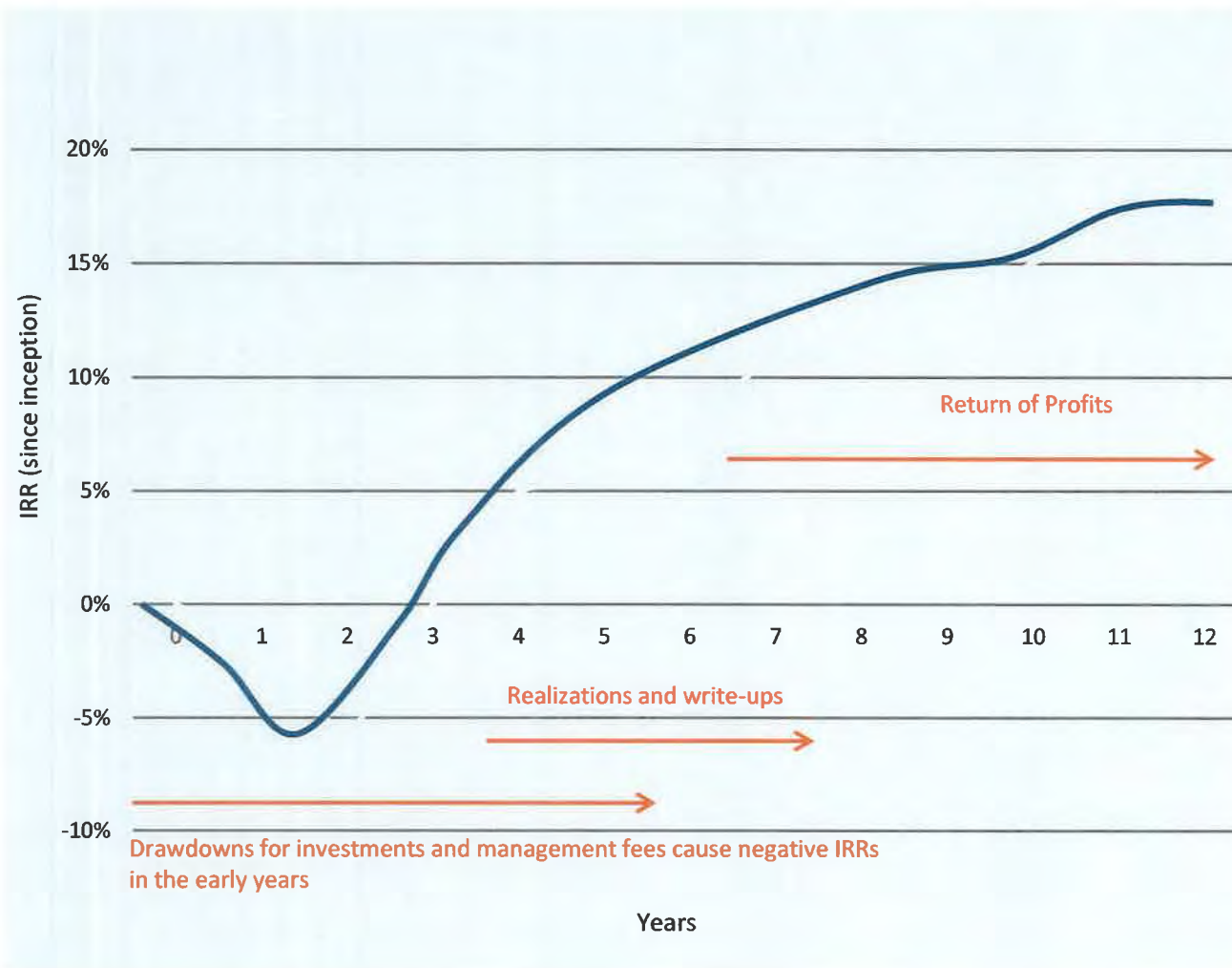


“1-4 year liquidity” includes RE debt, core RE, and infrastructure. “5+ year fund lives” includes private equity, private credit, value-add RE, and opp. RE.

The more aggressive mixes not only have larger illiquid allocations, but the duration of those lock-ups is generally longer.



# Private equity: the “J-curve” effect



Private equity returns are generally negative during the first few years of an investment – primarily due to the realization of early losses and fee payments – though the degree varies by asset type.

As investments mature and are realized, returns become positive, resulting in the “J-Curve” Effect.

# Appendix: Phase II discussion materials



# Introduction

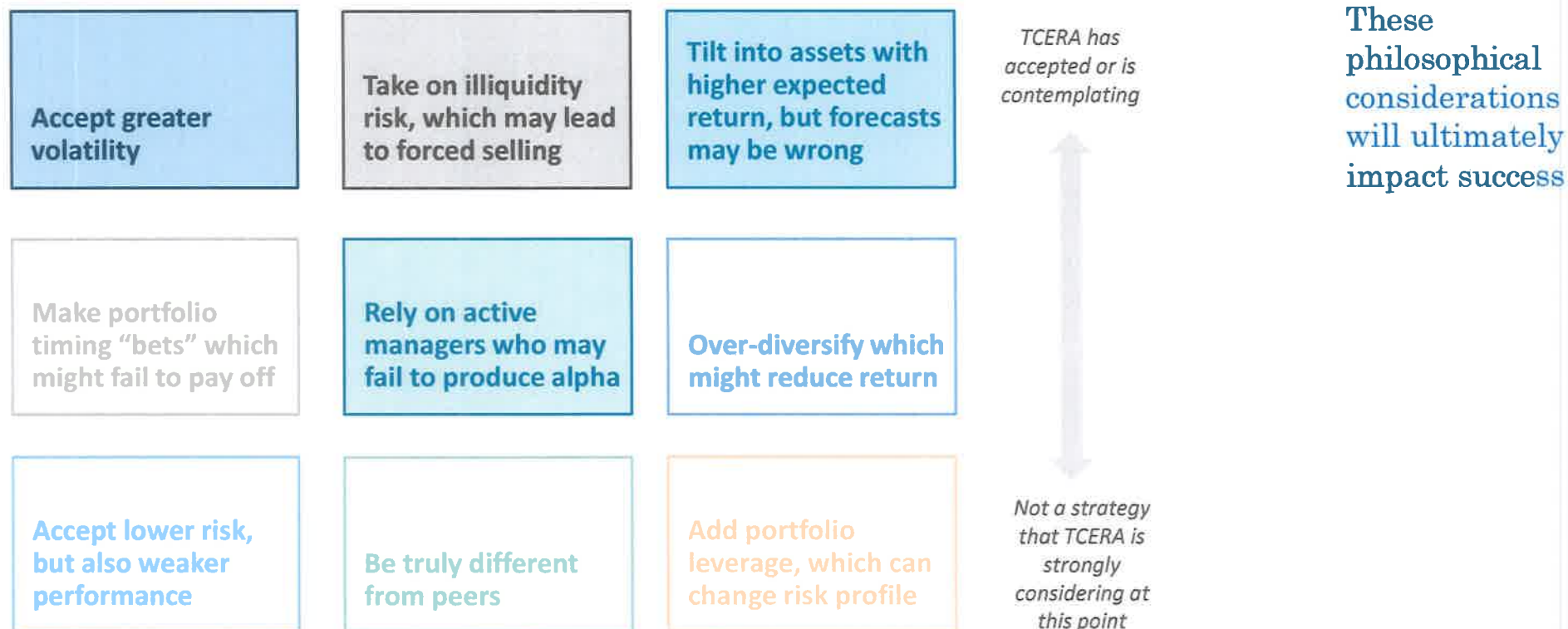
## Key takeaways from asset-liability study

- At the May 26<sup>th</sup> Board of Retirement meeting, Verus reviewed:
  - Demographics, contribution rates, cash flows, credit ratings, & plan sponsor financial strength vs. peers
  - Verus' Capital Market assumptions
  - Stochastic & deterministic asset-liability projections for several preliminary asset allocations.
- As a result of that discussion, there appeared to be unanimous support for exploring adoption of a higher risk portfolio

The goal of today's discussion is to help the Board identify a go-forward asset allocation, recognizing there are different ways to increase risk, with different tradeoffs associated with each.

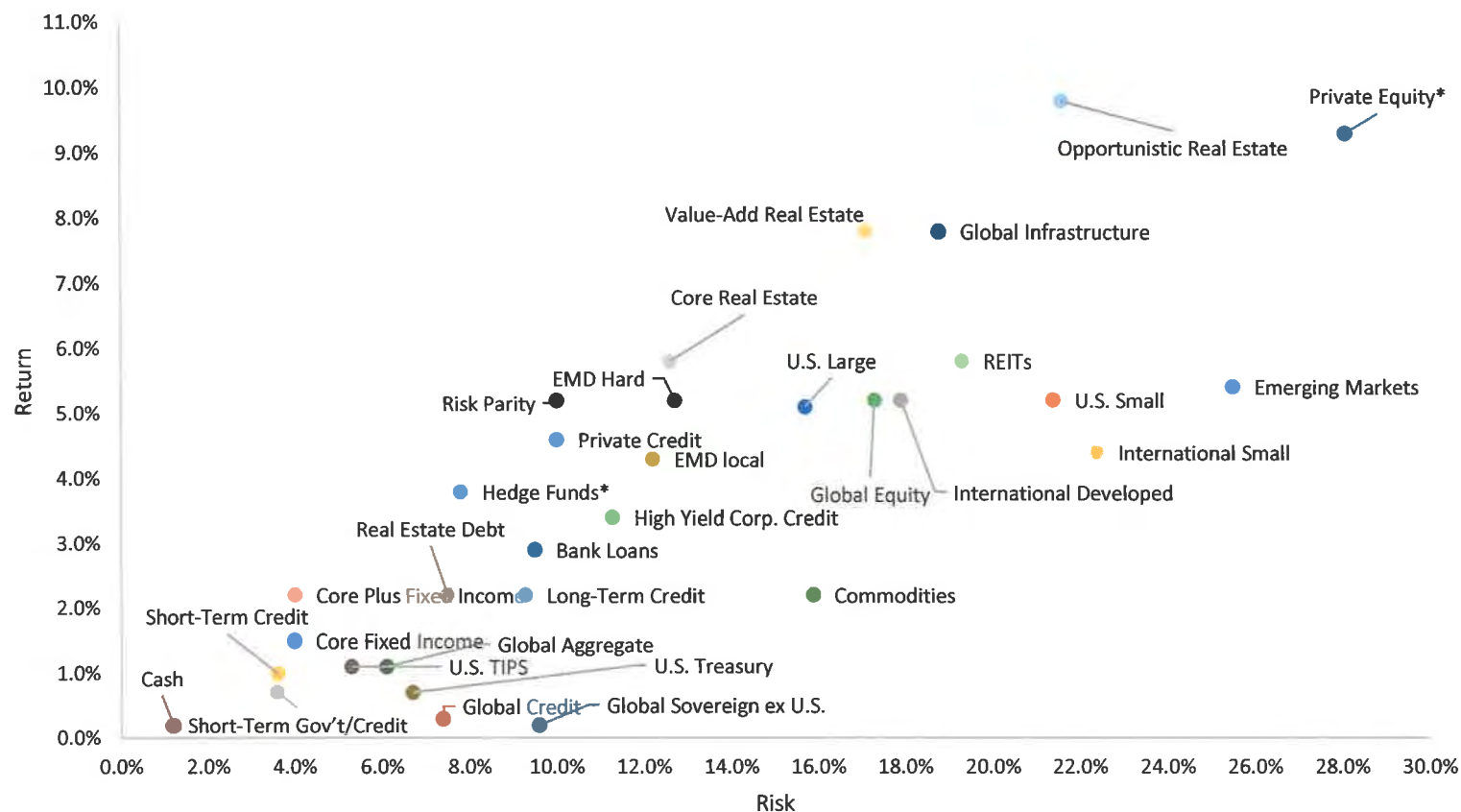


# Which overall risks should an investor accept?



# Adding volatility & illiquidity

Increasing risk does not guarantee higher returns... but it's a starting point



Currently, the asset classes with the highest projected returns are illiquid strategies.

Based on the Verus 2021 Capital Market Assumptions (10 year, returns are geometric)

# Ways to increase projected volatility

Method	Pros	Cons
<b>More Public Equity</b> <ul style="list-style-type: none"> <li>domestic, international, EM equity</li> </ul>	Easy to implement. Very liquid & low cost. Little peer risk.	Based on current projections, does not meaningfully increase <u>projected return</u> .
<b>More Liquid Credit</b> <ul style="list-style-type: none"> <li>bank loans, high yield, EMD</li> </ul>	Also easy to implement. Less volatility relative to adding equity.	Liquid fixed income typically serves a capital preservation role. Limited upside at current prices. Unlikely to meaningfully improve return.
<b>More Private Markets</b> <ul style="list-style-type: none"> <li>private equity, private credit</li> </ul>	Based on projections, most effective method of adding return.	Expensive and time-consuming to build out the exposure. Illiquid, very long lockups.
<b>More Private Real Assets</b> <ul style="list-style-type: none"> <li>Value-add &amp; opportunistic real estate, global infrastructure</li> </ul>	Depending on strategies pursued, relative to traditional private markets, may offer: <ul style="list-style-type: none"> <li>better downside protection</li> <li>real return (inflation-hedging)</li> <li>slightly better liquidity</li> </ul>	Likely to offer less upside return relative to traditional private markets.  Relative to public equity, expensive, time-consuming to build out, & illiquid (though less so than private markets)

While these options are not necessarily mutually exclusive, because of liquidity constraints it isn't practical to pursue all of them.

# Public equity: forward looking projections

	U.S. Large	U.S. Small	EAFE	EM
Index	S&P 500	Russell 2000	MSCI EAFE Large	MSCI EM
Current Shiller P/E Ratio	30.8	43.1	17.0	11.2
Regular P/E Ratio	26.0	13,764**	34.6	20.1
2020 Shiller P/E Change	+6.2%	-4.4%	-2.9%	+6.7%
2020 Regular P/E Change	+33.3%	+33,571%	+207.1%	+51.1%
Current Shiller P/E Percentile Rank	86%	91%	32%	34%
Current Regular P/E Percentile Rank	94%	100%	97%	93%
Average of P/E Methods' Percentile Rank	90%	95%	64%	63%
2020 YTD Return	5.6%	-8.7%	-7.1%	-1.2%
Shiller PE History	1982	1988	1982	2005
Long-Term Average Shiller P/E	23.1	31.4	22.4	14.8
<b>Verus Building Block Approach</b>				
Current Dividend Yield	1.8%	1.3%	2.8%	2.3%
Long-Term Average Real Earnings Growth	2.4%	2.9%	1.8%	1.4%
Inflation on Earnings	2.0%	2.0%	0.8%	2.0%
Repricing Effect (Estimate)	-1.0%	-1.0%	-0.3%	-0.3%
<b>Nominal Return</b>	<b>5.1%</b>	<b>5.2%</b>	<b>5.2%</b>	<b>5.4%</b>

Data as of 9/30/20

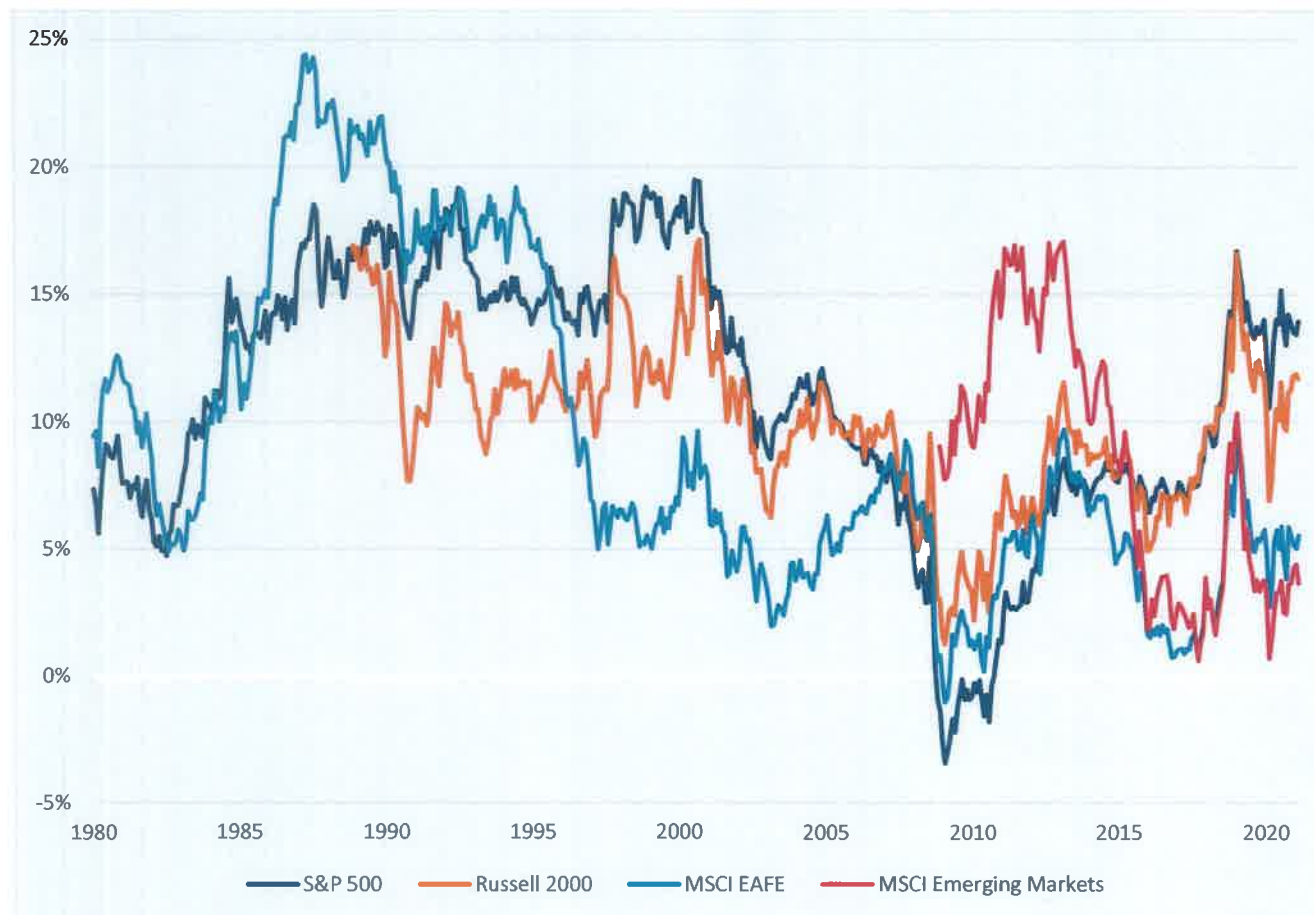
\*Average trailing P/E from previous 12 months is used

\*\*Earnings have fallen to nearly zero, which is the cause of this extremely high figure (the denominator of the Price/Earnings equation is nearly zero)

NOTE: For all equities, we exclude data prior to 1972, which allows for a more appropriate comparison between data sets

# Public equity: a historical perspective

## ROLLING 10-YEAR RETURNS



Source: eVestment. Monthly rolling 10-year intervals.

Note: Returns as of 3/31/2021

Past performance is not indicative of future returns....

We need to balance humility in forecasting with trying to mitigate natural behavioral biases

### Percent of 10-year periods with returns below 5%

S&P 500	11.1%
Russell 2000	7.2%
MSCI EAFE	24.0%
MSCI EM	37.8%



# 10-year return & risk assumptions

Asset Class	Index Proxy	Ten Year Return Forecast		Standard Deviation Forecast	Sharpe Ratio Forecast (g)	Sharpe Ratio Forecast (a)	10-Year Historical Sharpe Ratio (g)	10-Year Historical Sharpe Ratio (a)
		Geometric	Arithmetic					
Equities								
U.S. Large	S&P 500	5.1%	6.3%	15.7%	0.31	0.38	0.99	0.99
U.S. Small	Russell 2000	5.2%	7.3%	21.4%	0.23	0.33	0.51	0.58
International Developed	MSCI EAFE	5.2%	6.7%	17.9%	0.28	0.36	0.27	0.34
International Small	MSCI EAFE Small Cap	4.4%	6.7%	22.4%	0.19	0.29	0.43	0.49
Emerging Markets	MSCI EM	5.4%	8.3%	25.5%	0.20	0.32	0.11	0.19
Global Equity	MSCI ACWI	5.2%	6.6%	17.3%	0.29	0.37	0.58	0.62
Private Equity*	Cambridge Private Equity	9.3%	12.1%	25.7%	0.35	0.46	-	-
Fixed Income								
Cash	30 Day T-Bills	0.2%	0.2%	1.2%	-	-	-	-
U.S. TIPS	BBgBarc U.S. TIPS 5-10	1.1%	1.2%	5.3%	0.15	0.18	0.66	0.67
U.S. Treasury	BBgBarc Treasury 7-10 Year	0.7%	0.9%	6.7%	0.07	0.10	0.67	0.68
Global Sovereign ex U.S.	BBgBarc Global Treasury ex U.S.	0.2%	0.6%	9.6%	-0.01	0.04	0.09	0.12
Global Aggregate	BBgBarc Global Aggregate	1.1%	1.3%	6.1%	0.14	0.17	0.38	0.39
Core Fixed Income	BBgBarc U.S. Aggregate Bond	1.5%	1.6%	4.0%	0.31	0.36	1.02	1.01
Core Plus Fixed Income	BBgBarc U.S. Universal	2.2%	2.3%	4.0%	0.49	0.50	1.13	1.12
Short-Term Gov't/Credit	BBgBarc U.S. Gov't/Credit 1-3 Year	0.7%	0.8%	3.6%	0.14	0.16	1.23	1.22
Short-Term Credit	BBgBarc Credit 1-3 Year	1.0%	1.1%	3.6%	0.21	0.23	1.23	1.22
Long-Term Credit	BBgBarc Long U.S. Corporate	2.2%	2.6%	9.3%	0.21	0.25	0.76	0.77
High Yield Corp. Credit	BBgBarc U.S. Corporate High Yield	3.4%	4.0%	11.3%	0.28	0.34	0.82	0.83
Bank Loans	S&P/LSTA Leveraged Loan	2.9%	3.2%	9.5%	0.28	0.32	0.66	0.67
Global Credit	BBgBarc Global Credit	0.3%	0.6%	7.4%	0.01	0.05	0.63	0.64
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
Private Credit	Bank Loans + 175bps	4.6%	5.2%	11.2%	0.39	0.45	-	-
Other								
Commodities	Bloomberg Commodity	2.2%	3.4%	15.9%	0.13	0.20	-0.47	-0.41
Hedge Funds*	HFRI Fund Weighted Composite	3.8%	4.1%	7.8%	0.46	0.49	0.47	0.49
Real Estate Debt	BBgBarc CMBS IG	2.2%	2.5%	7.5%	0.26	0.30	1.18	1.17
Core Real Estate	NCREIF Property	5.8%	6.5%	12.6%	0.44	0.50	2.06	1.99
Value-Add Real Estate	NCREIF Property + 200bps	7.8%	9.1%	17.1%	0.44	0.52	-	-
Opportunistic Real Estate	NCREIF Property + 400bps	9.8%	11.8%	21.6%	0.44	0.54	-	-
REITs	Wilshire REIT	5.8%	7.5%	19.3%	0.29	0.38	0.46	0.52
Global Infrastructure	S&P Global Infrastructure	7.8%	9.4%	18.8%	0.40	0.49	0.28	0.35
Risk Parity	Risk Parity	5.2%	5.9%	10.0%	0.50	0.56	-	-
Currency Beta	MSCI Currency Factor Index	1.2%	1.3%	3.5%	0.28	0.30	0.15	0.16
Inflation		2.0%	-	-	-	-	-	-

Investors wishing to produce expected geometric return forecasts for their portfolios should use the arithmetic return forecasts provided here as inputs into that calculation, rather than the single-asset-class geometric return forecasts. This is the industry standard approach but requires a complex explanation only a heavy quant could love, so we have chosen not to provide further details in this document – we will happily provide those details to any readers of this who are interested.

\*Return expectations differ depending on method of implementation



# Mean-variance analysis

	Policy	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Return (g)	Return (a)	Standard Deviation	Sharpe Ratio (a)
US Large	19.0	24.0	23.0	20.0	20.0	12.0	5.1	6.3	15.7	0.38
US Small	6.0	8.0	7.0	6.0	6.0	3.0	5.2	7.3	21.4	0.33
<b>Total Domestic Equity</b>	<b>25</b>	<b>32</b>	<b>30</b>	<b>26</b>	<b>26</b>	<b>15</b>				
International Developed	12.0	15.0	13.0	13.0	13.0	10.0	5.2	6.7	17.9	0.36
Emerging Markets	3.0	5.0	4.0	3.0	3.0	5.0	5.4	8.3	25.5	0.32
<b>Total Int'l Equity</b>	<b>15</b>	<b>20</b>	<b>17</b>	<b>16</b>	<b>16</b>	<b>15</b>				
Global Equity	3.0	3.0	3.0	3.0	3.0	0.0	5.2	6.6	17.3	0.37
<b>Total Equity</b>	<b>43</b>	<b>55</b>	<b>50</b>	<b>45</b>	<b>45</b>	<b>30</b>				
Core Plus Fixed Income	17.0	15.0	15.0	15.0	15.0	15.0	2.2	2.3	4.0	0.50
Global Aggregate	5.0	0.0	0.0	0.0	0.0	0.0	1.1	1.3	6.1	0.17
Emerging Market Debt (Hard)	2.5	2.5	2.5	2.5	2.5	0.0	5.2	6.0	12.7	0.45
Emerging Market Debt (Local)	2.5	2.5	2.5	2.5	2.5	0.0	4.3	5.0	12.2	0.39
<b>Total Fixed Income</b>	<b>27</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>15</b>				
Real Estate Debt	5.0	5.0	5.0	4.0	4.0	0.0	5.3	6.3	15.0	0.41
Core Real Estate	10.0	5.0	5.0	6.0	6.0	5.0	5.8	6.5	12.6	0.50
Value Add Real Estate	5.0	5.0	5.0	3.0	6.0	5.0	7.8	9.1	17.1	0.52
Opportunistic Real Estate	0.0	0.0	0.0	2.0	5.0	10.0	9.8	11.8	21.6	0.54
Infrastructure	0.0	0.0	0.0	0.0	4.0	5.0	7.8	9.4	18.8	0.49
<b>Total Real Assets</b>	<b>20</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>25</b>	<b>25</b>				
Private Equity	5.0	5.0	10.0	12.0	5.0	20.0	9.3	12.1	28.1	0.46
Private Credit	5.0	5.0	5.0	8.0	5.0	10.0	4.6	5.2	11.2	0.45
<b>Total Non-Public Investments</b>	<b>10</b>	<b>10</b>	<b>15</b>	<b>20</b>	<b>10</b>	<b>30</b>				
Cash	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	1.2	-
<b>Total Allocation</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>				

Projected returns increase from 5.4% to 7%, depending on the mix.

Projected standard deviation increase from 10.7% to 13.2%.

	Policy	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
<b>Mean Variance Analysis</b>						
<b>Forecast 10 Year Return</b>	<b>5.4</b>	<b>5.6</b>	<b>5.8</b>	<b>6.0</b>	<b>6.0</b>	<b>7.0</b>
Standard Deviation	10.7	12.3	12.3	12.2	12.0	13.2
Return/Std. Deviation	0.5	0.5	0.5	0.5	0.5	0.5
1st percentile ret. 1 year	-16.7	-19.2	-19.0	-18.7	-18.4	-19.5
Sharpe Ratio	0.51	0.48	0.50	0.51	0.52	0.56

Source: MPI, Verus

# Verus scenario analysis

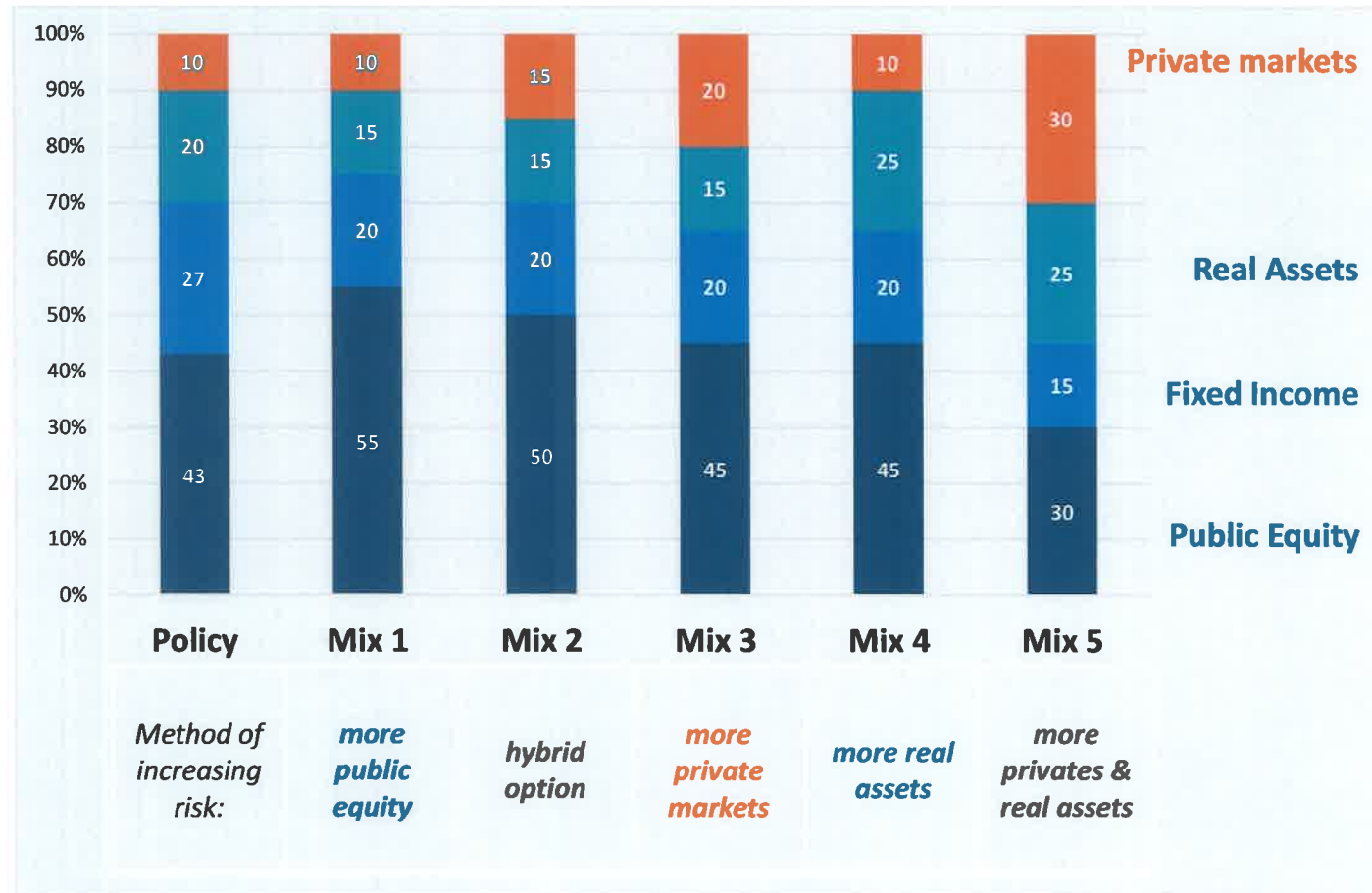
The scenario analysis dimensions return projections across different economic regimes.

	Policy	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
<b>10 Year Return Forecast</b>						
Stagflation	3.7	3.3	3.5	3.3	4.4	3.6
Weak	0.7	0.1	0.3	0.3	1.0	0.4
<b>Base CMA</b>	<b>5.5</b>	<b>5.7</b>	<b>6.0</b>	<b>6.1</b>	<b>5.9</b>	<b>6.6</b>
Strong	11.1	12.3	12.6	12.6	11.7	13.6
<i>Range of Scenario Forecast</i>	<i>10.3</i>	<i>12.2</i>	<i>12.3</i>	<i>12.4</i>	<i>10.7</i>	<i>13.2</i>
<i>Shock (1 year)</i>	<i>-21.4</i>	<i>-25.9</i>	<i>-26.7</i>	<i>-25.9</i>	<i>-22.4</i>	<i>-25.9</i>
<b>10 Year <u>Real</u> Return Forecast</b>						
Stagflation	-2.4	-2.8	-2.6	-2.8	-1.7	-2.5
Weak	-0.4	-1.0	-0.8	-0.8	-0.1	-0.7
<b>Base CMA</b>	<b>3.4</b>	<b>3.6</b>	<b>3.9</b>	<b>4.0</b>	<b>3.8</b>	<b>4.5</b>
Strong	8.5	9.7	10.0	10.0	9.1	11.0
<i>Range of Scenario Forecast</i>	<i>10.8</i>	<i>12.5</i>	<i>12.5</i>	<i>12.8</i>	<i>10.8</i>	<i>13.6</i>

Source: MPI & Verus

# Asset mixes for consideration

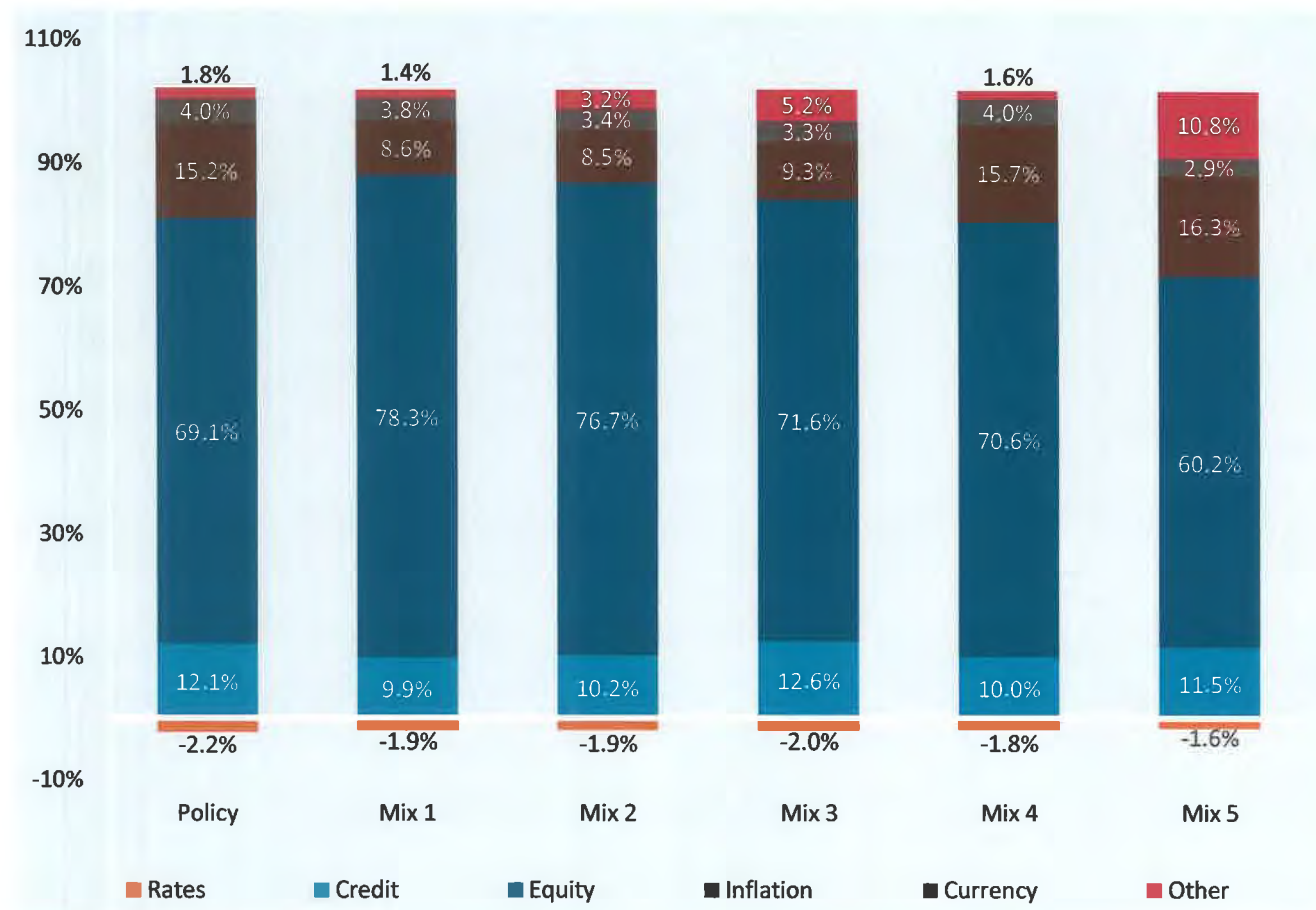
## HIGH-LEVEL ASSET ALLOCATION



All mixes increase projected risk & return, but in different ways.

# Risk decomposition

RISK CONTRIBUTION BY RISK FACTOR



Equity risk is the largest single risk factor for all mixes.

Credit risk is a function of fixed income.

Currency risk a function of international investments.

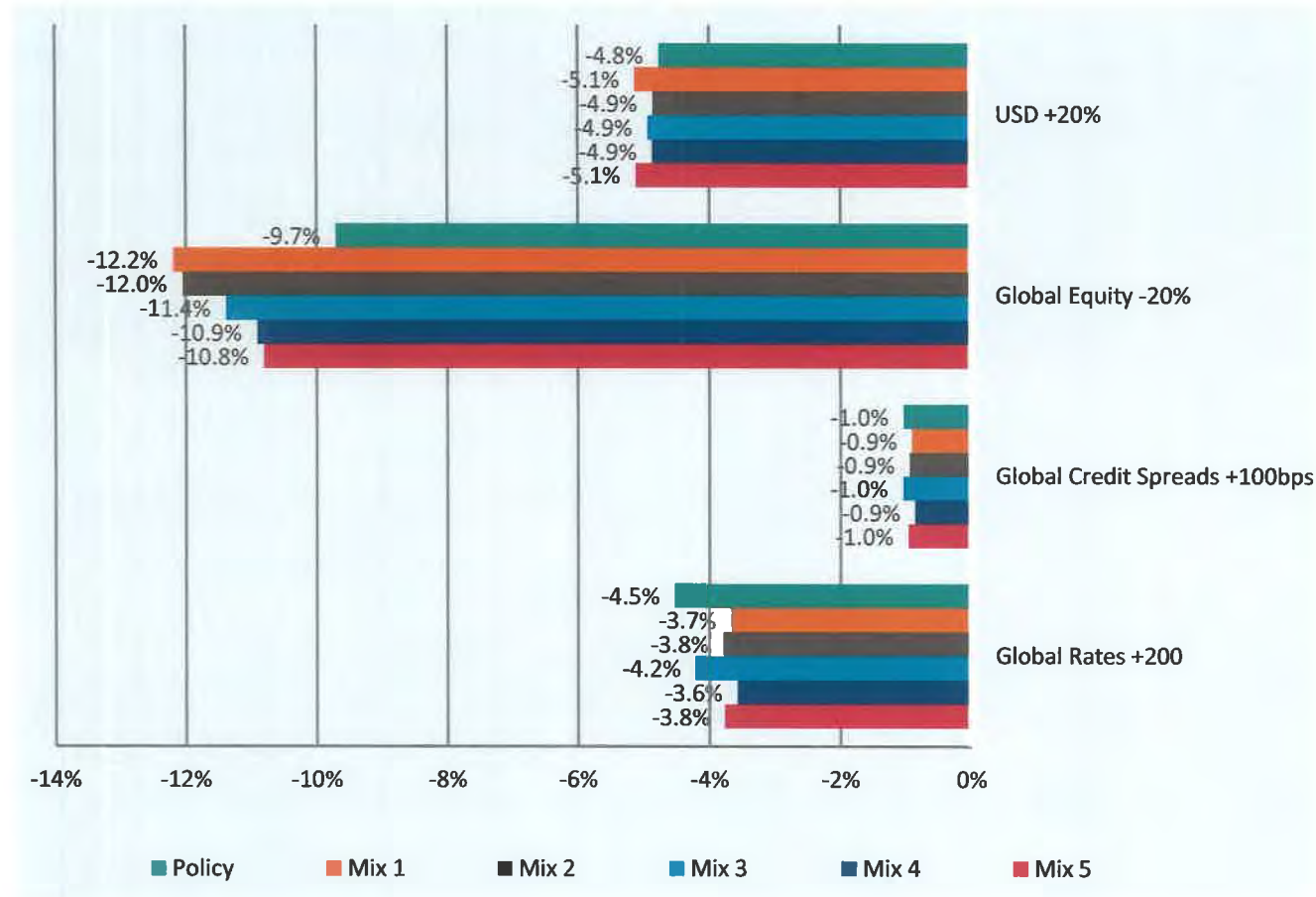
Inflation risk is a function of real assets.

“Other” are risks inherent within private markets.

Source: Barra, Ex-Ante Volatility

# Stress tests

## TAIL RISK – STRESS TEST



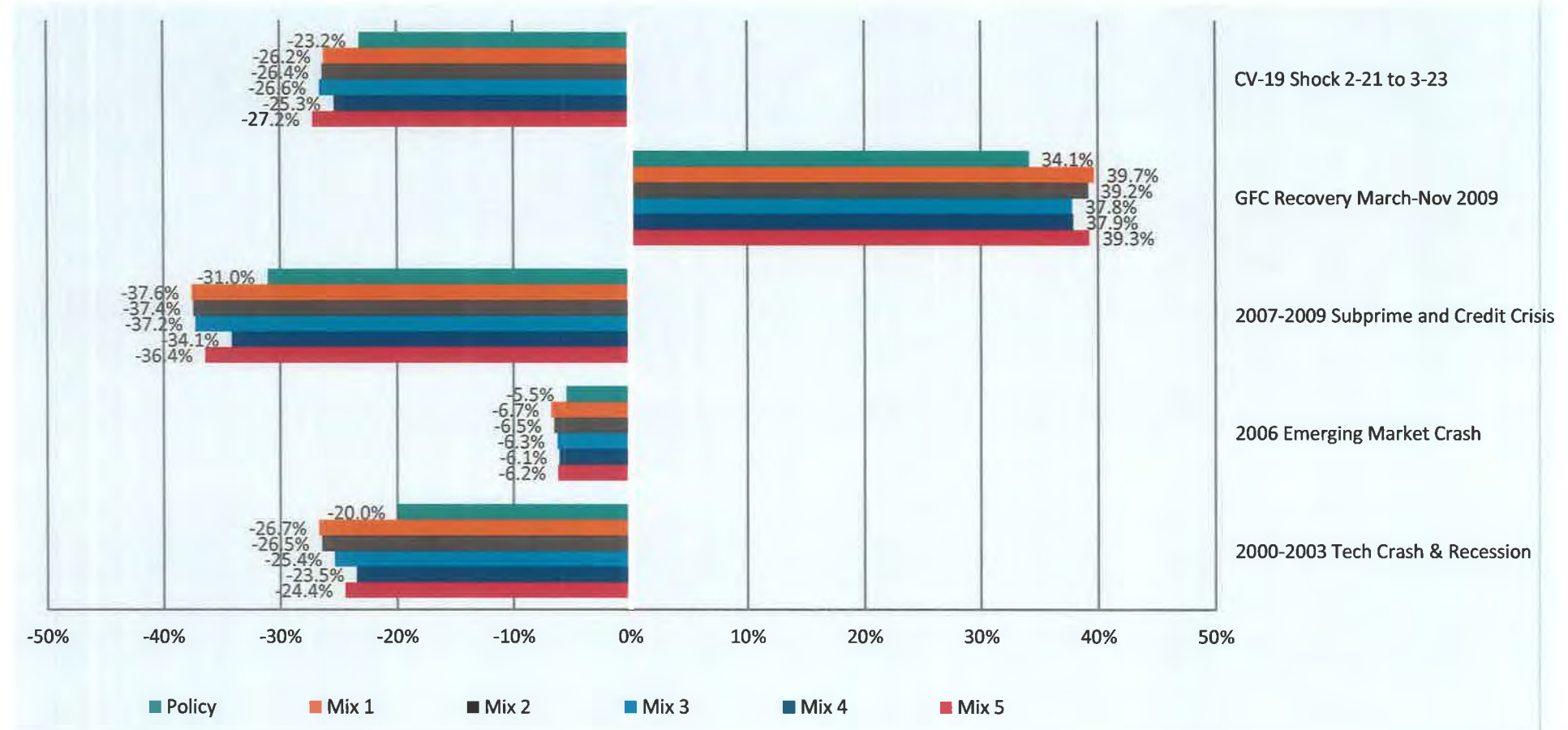
This analysis is based on how the risk factors inherent in the current index holdings react in those environments.

Source: Barra



# Scenario analysis

## TAIL RISK – SCENARIO ANALYSIS

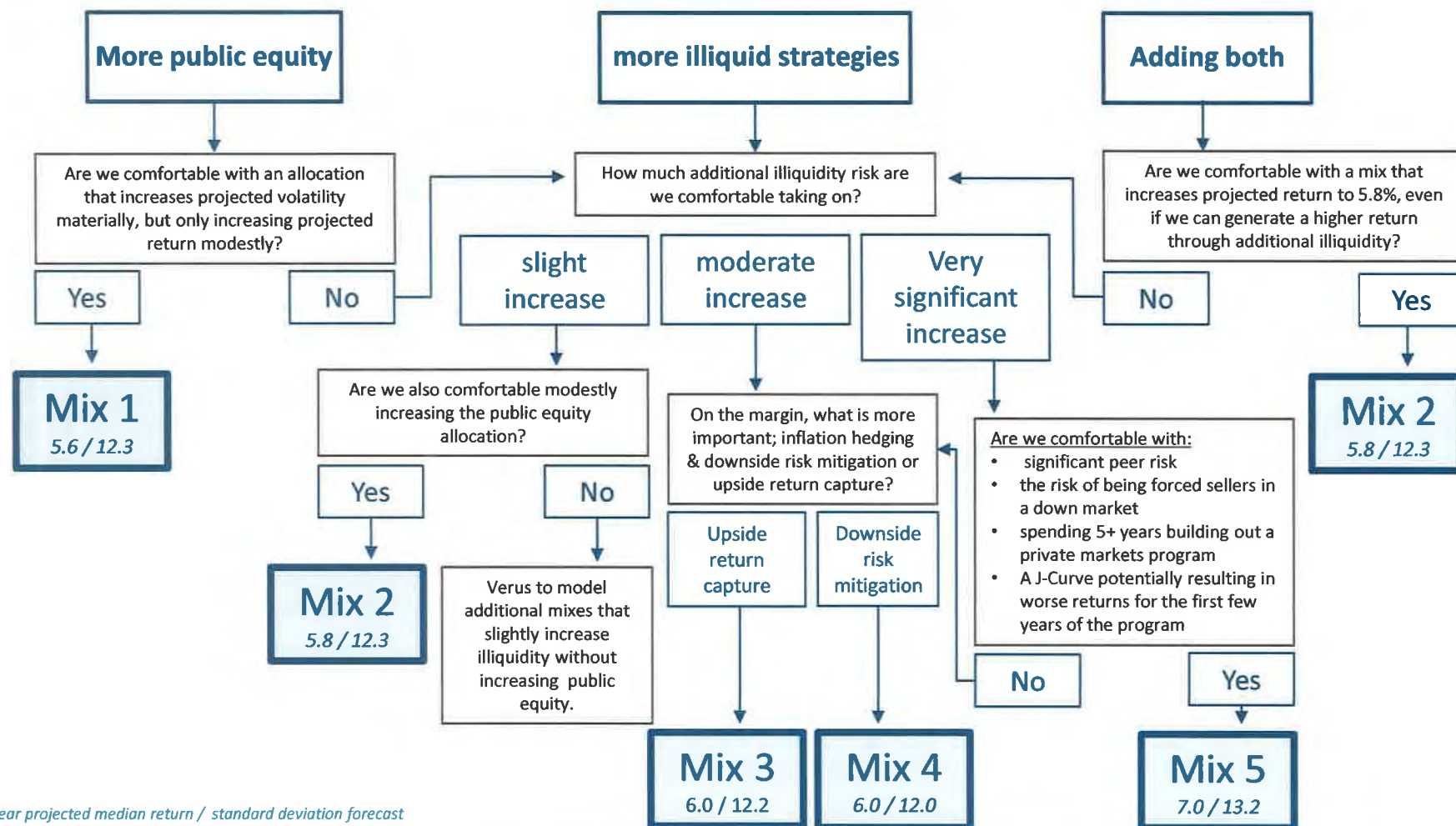


Source: Barra



# Decision framework

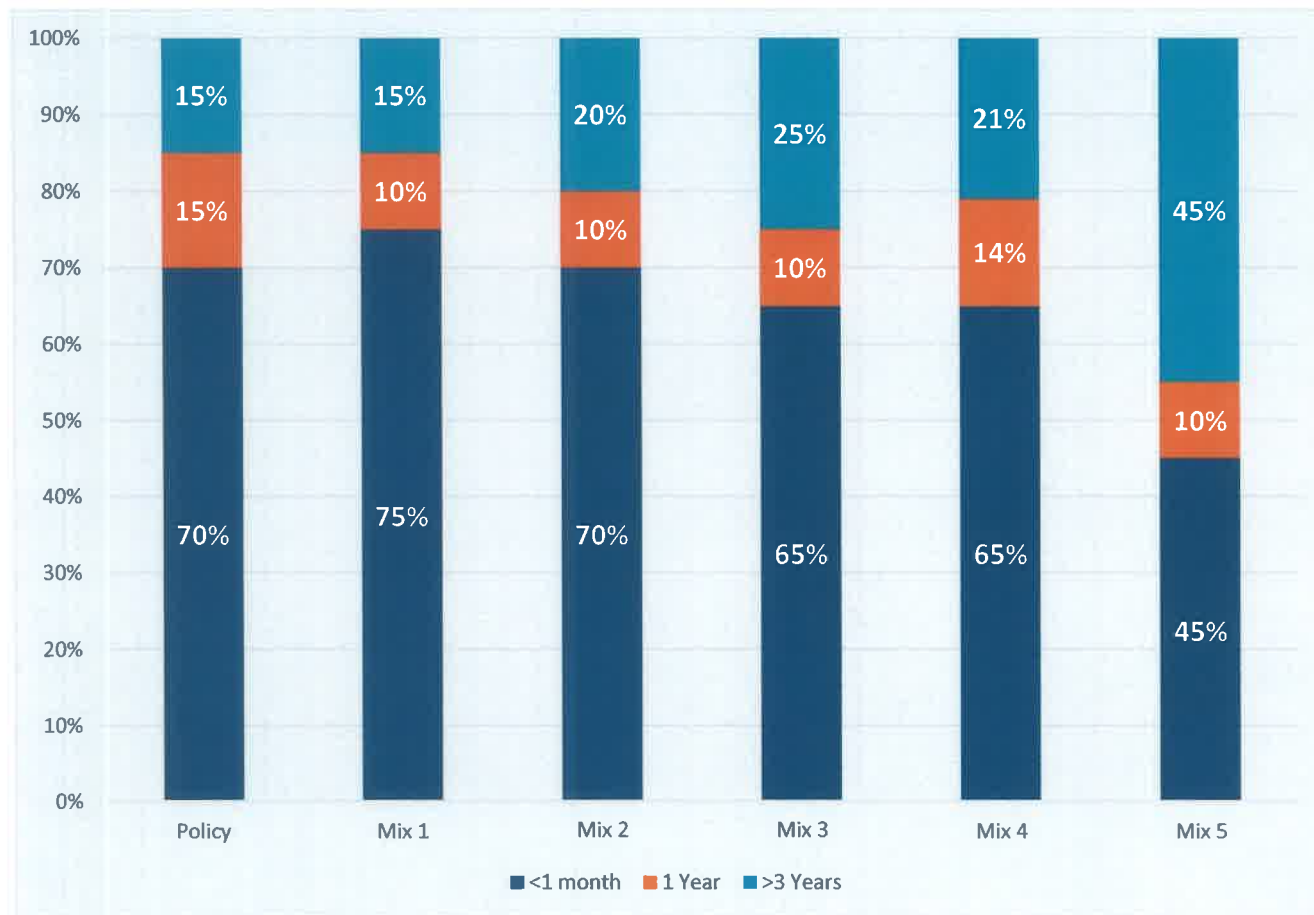
How are we, as Trustees, most comfortable adding risk in pursuit of higher returns?



10 year projected median return / standard deviation forecast

# Contextualizing liquidity

## “NORMAL MARKET” LIQUIDITY BUCKETING



Liquidity refers to how quickly an asset can be converted to cash.

In distressed markets, assets' liquidity can become impaired.

A distressed liquidity estimate:\*

“<1 month” → 1-3 months

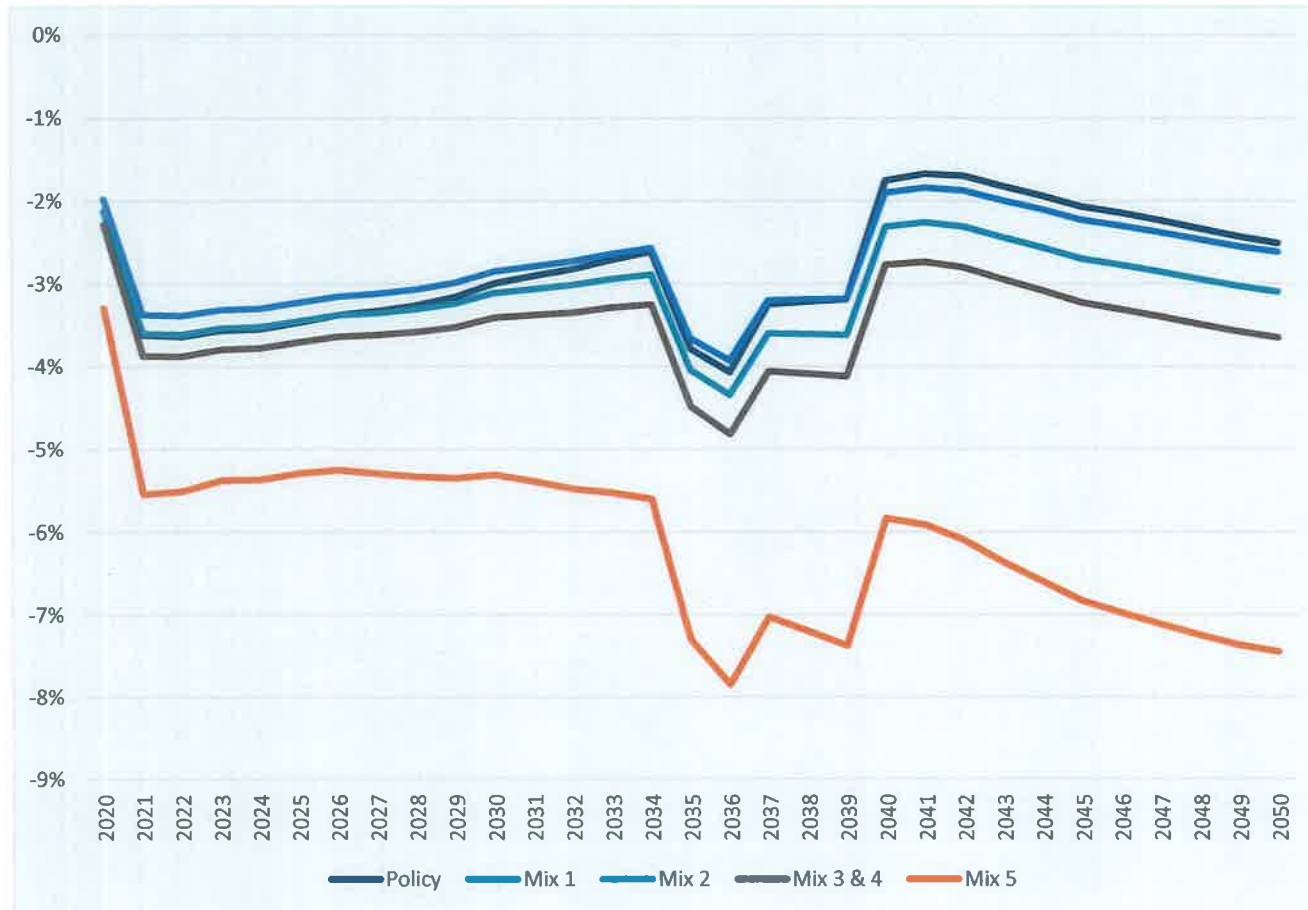
“1 Year” → 1-3 years

“>3 years” → ???

\*Liquidity is in some cases a subjective estimate.

# Paying benefit payments: baseline

NET OPERATIONAL CASH OUTFLOWS AS A PERCENTAGE OF LIQUID ASSETS: BASELINE

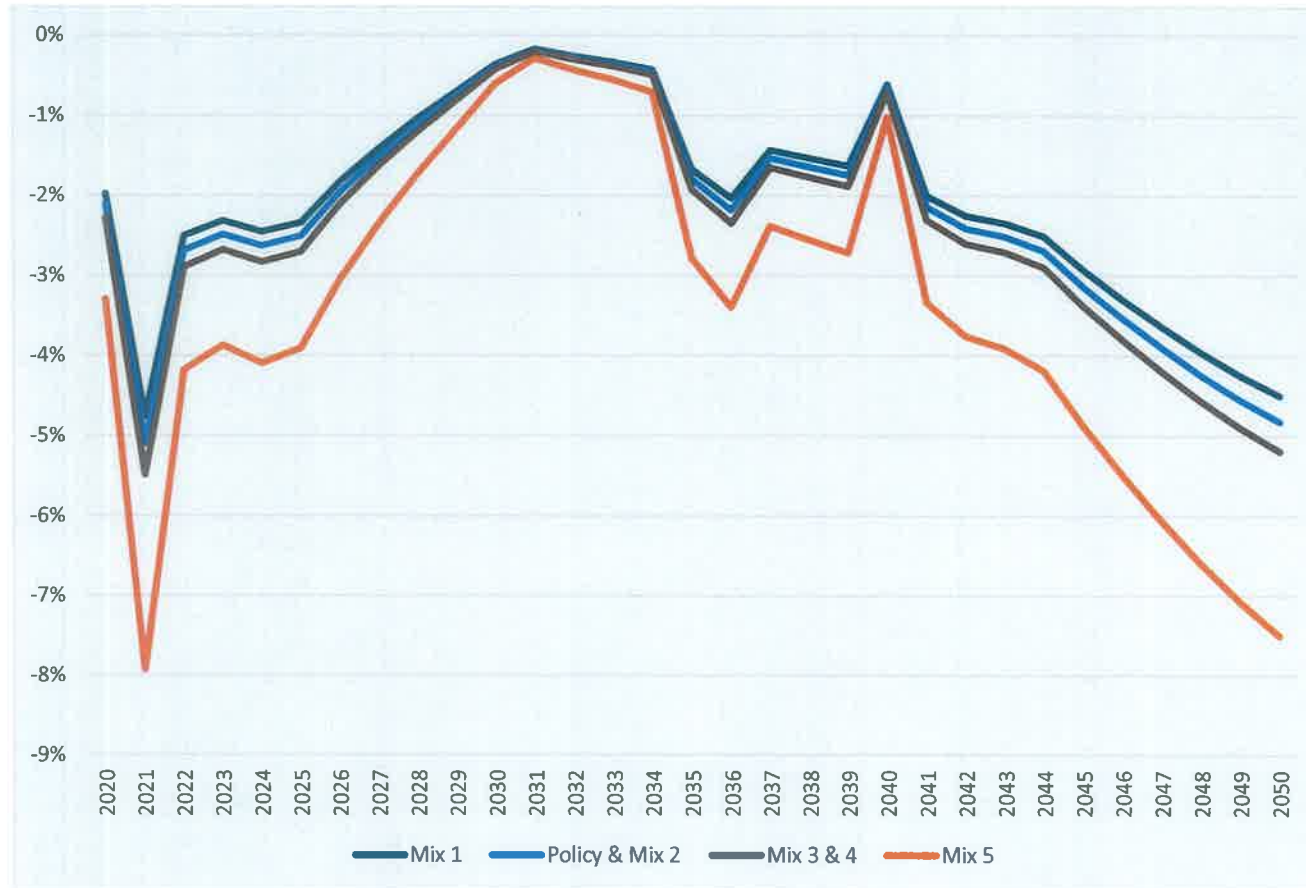


How much liquid assets will TCERA retain to fund benefit payments?

Assumes starting value of \$1.8B, current TCERA contribution funding policy, Verus annual return projections for each mix, as well as each mix's allocation to liquid assets (defined as liquidity greater than 1 month). Because Mix 3 & Mix 4 have the same overall allocation to liquid assets, and the same return projection, their outcomes are identical in this projection.

# Paying benefit payments: drawdown

## NET OPERATIONAL CASH OUTFLOWS AS A PERCENTAGE OF LIQUID ASSETS: 25% DRAWDOWN

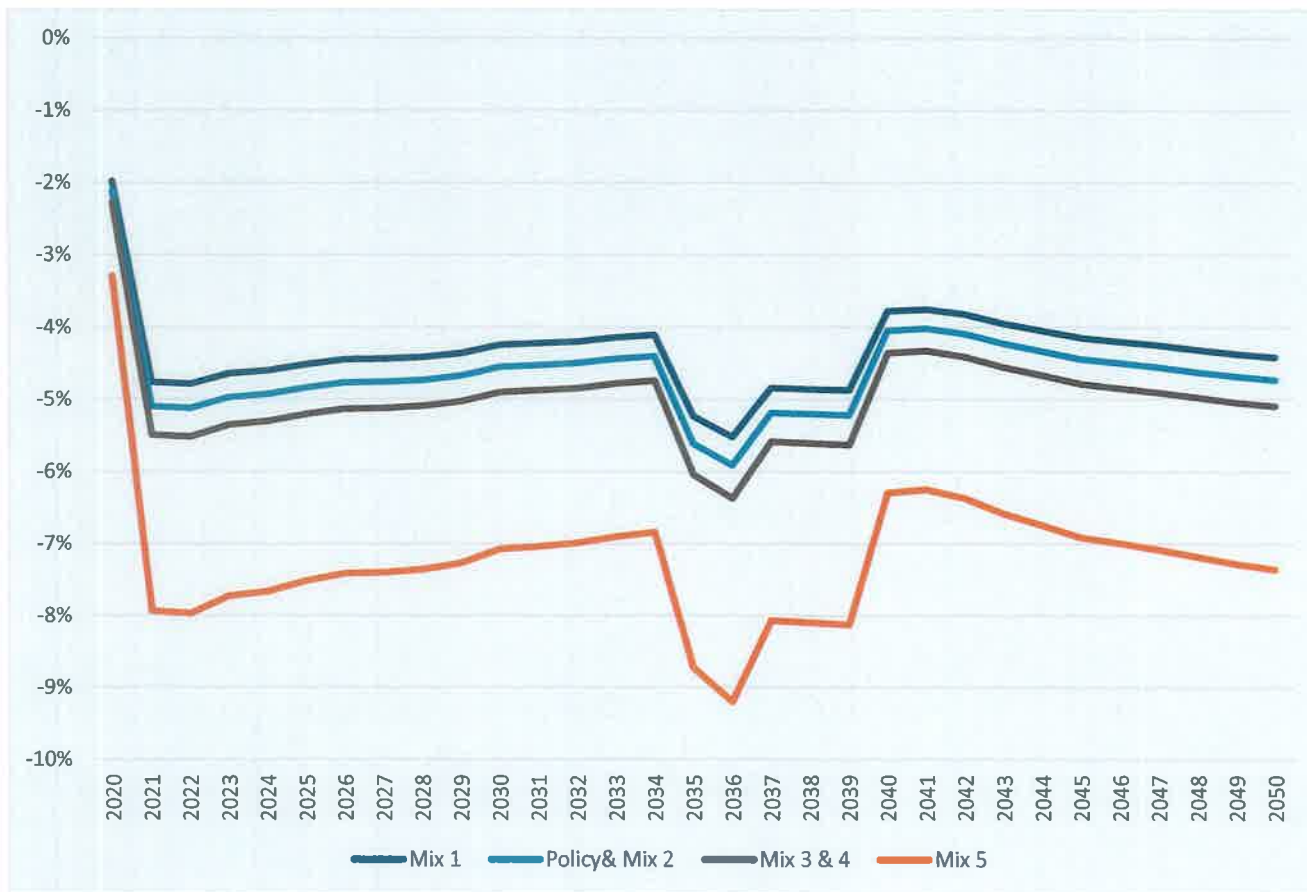


Paradoxically, in a significant drawdown event, the higher employer contribution rates offset the loss in liquidity caused by a drawdown.

Assumes starting value of \$1.8B, current TCERA contribution funding policy, as well as each mix's allocation to liquid assets (defined as liquidity greater than 1 month). For this scenario, all mixes assume a 25% drawdown in year 1 followed by a 7% return each year thereafter. Because Policy & Mix 2 both have a 70% liquid allocation, the projections are identical here. Likewise, because Mix 3 & Mix 4 both have a 65% liquid allocation, their projections are identical here.

# Paying benefit payments: drawdown v2

NET OPERATIONAL CASH OUTFLOWS AS A PERCENTAGE OF LIQUID ASSETS: 25% DRAWDOWN, ER CONTRIBUTIONS LOCKED AT PRE-DRAWDOWN LEVELS



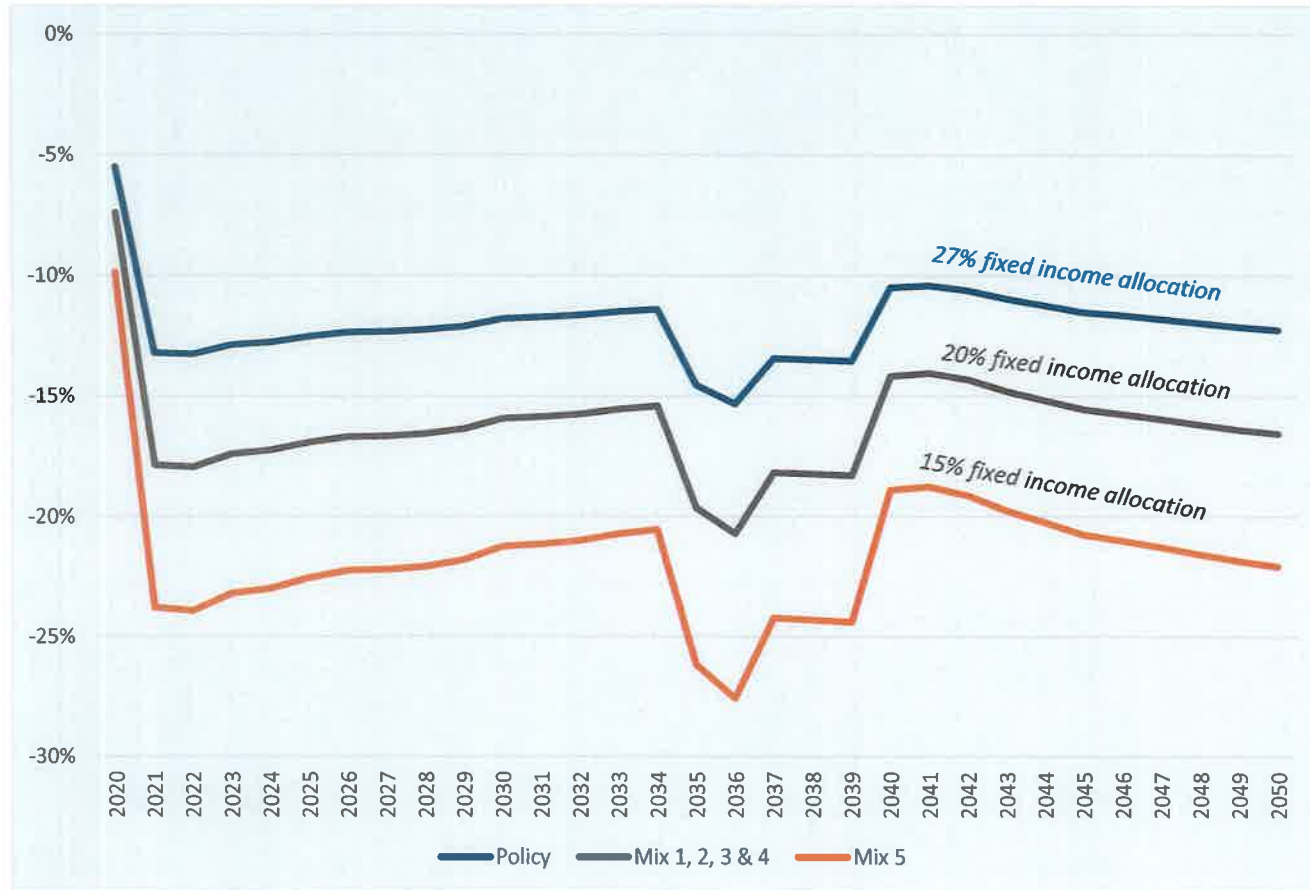
If we hold employer contributions static at the current projection levels, liquidity becomes a more significant issue during a drawdown.

Assumes starting value of \$1.8B, current TCERA contribution funding policy, as well as each mix's allocation to liquid assets (defined as liquidity greater than 1 month). For this scenario, all mixes assume a 25% drawdown in year 1 followed by a 7% return each year thereafter. Because Policy & Mix 2 both have a 70% liquid allocation, the projections are identical here. Likewise, because Mix 3 & Mix 4 both have a 65% liquid allocation, their projections are identical here.



# Paying benefit payments: drawdown v3

NET OPERATIONAL CASH OUTFLOWS AS A PERCENTAGE OF FIXED INCOME ASSETS: 25% DRAWDOWN, ER CONTRIBUTIONS LOCKED AT PRE-DRAWDOWN LEVELS



In a drawdown scenario, it is disadvantageous to be a forced seller of risk assets.

This analysis looks at liquidity needs, focusing just on how large the System's liquidity needs are relative to fixed income assets.

Assumes starting value of \$1.8B, current TCERA contribution funding policy, as well as each mix's allocation to fixed income. For this scenario, all mixes assume a 25% drawdown in year 1 followed by a 7% return each year thereafter. This scenario applies the same static employer contribution assumption as the prior slide. Because Mix 1,2,3, & 4 all have a 20% fixed income allocation, their outcome under this analysis is identical.



# TULARE COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

## SUMMARY EDUCATION REPORT

(Due at the next meeting. Attach copy of Agenda)

NAME OF ATTENDEE: Cass Cook \_\_\_\_\_

CONFERENCE/SEMINAR ATTENDED: VERUS 3<sup>RD</sup> QUARTER INVESTMENT LANDSCAPE \_\_\_\_\_

DATES ATTENDED: 7/27/21 \_\_\_\_\_

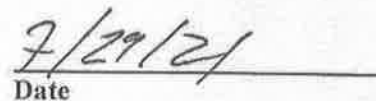
NUMBER OF CONTINUING EDUCATION HOURS OBTAINED: 1 \_\_\_\_\_

TOPICS OF DISCUSSION: THE STATE OF THE ECONOMY WAS REVIEWED. TOPICS ALSO INCLUDED THE DELTA VARIANT, INFLATION EXPECTATIONS AND THE LABOR MARKET \_\_\_\_\_  
\_\_\_\_\_

REASON MEETING WAS BENEFICIAL TO RETIREMENT SYSTEM: The webinar was educational and increased my knowledge of different factors to look at when evaluating the health of the economy. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

RECOMMENDATION REGARDING FUTURE ATTENDANCE: (i.e., should we send a representative in the future? If so, who should attend?) \_\_\_\_ If trustees have the time, the webinars can be very informative. \_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Signature

  
Date

Members of a legislative body shall provide brief reports on meetings attended at the expense of the local agency at the next regular meeting of the legislative body. (Gov. Code, § 53232.3, subd. (d).)

NOTE: Attachments to this report will be held on file in the Retirement Office for review by interested parties, but will not be photocopied for the Retirement Board.

# TULARE COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

## SUMMARY EDUCATION REPORT

*(Due at the next meeting. Attach copy of Agenda)*

NAME OF ATTENDEE: Paul Sampietro

CONFERENCE/SEMINAR ATTENDED: DUE DILIGENCE BOSTON/SEATTLE & VERUS SEMINAR

DATES ATTENDED: 7/7/21, 7/9/21, 7/27/21

NUMBER OF CONTINUING EDUCATION HOURS OBTAINED: 3.5 + 3.5 + 3.5 + 1 = 11.5

TOPICS OF DISCUSSION: On the due diligence visit to Boston and Seattle we learned extensively about the business practices of three different investment consulting firms. We covered topics such as the formation of capital market assumptions, risk management, performance measurement, and asset allocation. During the one-hour Verus online seminar we learned about China exposure and how to think about it from an investment management perspective. Also we learned about the effects on the markets of the Federal Reserve tapering its policy of quantitative easing.

REASON MEETING WAS BENEFICIAL TO RETIREMENT SYSTEM: The due diligence visit was not only beneficial to the retirement system in educating those who attended, but crucial to the system as the decision will likely affect the next 5-10 years of decision making, and therefore the next 10-20 years of asset allocation and performance of the plan. The Verus seminar was beneficial because it helped keep this alternate trustee a little more up to date on some recent developments in China.

RECOMMENDATION REGARDING FUTURE ATTENDANCE: *(i.e., should we send a representative in the future? If so, who should attend?)* I believe all trustees should be engaged in the governance of the plan, and so any opportunity to be on a due diligence visit not only broadens one's knowledge, but serves to engage the trustee in the details of important decisions. As far as seminars offered by our consultant, I believe it should also be taken advantage of, especially since they are essentially already paid for.

Signature



Date

7/29/2021

*Members of a legislative body shall provide brief reports on meetings attended at the expense of the local agency at the next regular meeting of the legislative body. (Gov. Code, § 53232.3, subd. (d).)*

NOTE: Attachments to this report will be held on file in the Retirement Office for review by interested parties, but will not be photocopied for the Retirement Board.

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# TULARE COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

## SUMMARY EDUCATION REPORT

NAME OF ATTENDEE: Leanne Malison

CONFERENCE/SEMINAR ATTENDED: INVESTMENT CONSULTANT RFP DUE DILIGENCE

DATES ATTENDED: JULY 6-9, 2021

NUMBER OF CONTINUING EDUCATION HOURS OBTAINED: 10.5

TOPICS OF DISCUSSION: The due diligence included on site visits to NEPC (Boston, MA), Maketa (Boston, MA), and Verus (Seattle, WA). Topics of discussion with the consultants included investment policy, asset allocation, research, risk management, performance measurement, and capital markets assumptions. The due diligence team also had the opportunity to meet integral members of the team and tour the offices of the consultants.

REASON MEETING WAS BENEFICIAL TO RETIREMENT SYSTEM: On site due diligence is an important part of the fiduciary duties of the Board of Retirement to ensure decisions are made with comprehensive information.

RECOMMENDATION REGARDING FUTURE ATTENDANCE: *(I.E., SHOULD WE SEND A REPRESENTATIVE IN THE FUTURE? IF SO, WHO SHOULD ATTEND?)*

Trustees should take advantage of due diligence visits as both an educational opportunity and a chance to glean additional information regarding managers and consultants.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

NOTE: Attachments to this report will be held on file in the Retirement Office for review by interested parties, but will not be photocopied for the Retirement Board.

## **EDUCATIONAL EVENTS - Board of Retirement**

### **2021**

1. **CALAPRS**, Principles of Pension Governance for Trustees, Sept 28 - Oct 1 – Virtual
2. **CALAPRS**, Trustees Round Table, October 29, 2021 – Virtual
3. **SACRS**, Fall Conference, Nov. 9-12, 2021, Lowes Hollywood Hotel.
4. **PIMCO**, Fall Seminar, Nov. 15-18, 2021. More information is forthcoming.

### **2022**

1. **DWS**, America Real Assets Investor Conference, April 26-28, Balboa Bay Resort, Newport Beach, CA. Topics: Key trends impacting real estate investing through a series of panels from their research, transactions and portfolio mgmt. teams.

**OFFICE MEMORANDUM \* TULARE COUNTY \* COUNTY COUNSEL**

**(559) 636-4950**  
**Fax # (559) 737-4319**

To: Leanne Malison, Administrator  
Retirement Board

Date: July 15, 2021

From: Jennifer Shiffert,  
Deputy County Counsel

Subject: Litigation of Interest to TCERA  
RETBD-General

Pursuant to your request, this non-confidential memorandum provides a quarterly update of pending and published cases of interest to TCERA. These are cases to which TCERA is not a party. This memo deletes cases discussed in the prior memo which were final at the time, and has updated status information, when available, for cases that remain pending.

**PENDING STATE CASES**

None.

**FINAL STATE CASE(S)**

**Designated Beneficiary**

***Manderson-Saleh v. Regents of Univ. of California (2021) 60 Cal.App.5<sup>th</sup> 674***

California Court of Appeal held that the pensioner substantially complied with the Regents' pension rules and the Regents abused its discretion in failing to consider and apply the substantial compliance doctrine in pensioner's claim.

(In this case, pensioner was dying and gave her daughter Power of Attorney to act on her behalf pertaining to all future retirement and pension decisions. After multiple sets of paperwork were submitted designating daughter as beneficiary, one last set of paperwork was signed and received by Regents after pensioner's death and Regents denied daughter/beneficiary's claim.)

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**Property Characterization**

***In re Marriage of Kelp* (2021) 64 Cal.App.5<sup>th</sup> 103**

California Court of Appeal held that a lump-sum payment under a qualified defined benefit retirement plan through husband's work was husband's separate property. The Court rejected an argument that husband's right to receive the benefit accrued during the marriage by virtue of the years of service needed to qualify for the payout as husband was not eligible for the benefit until becoming a partner and husband became a partner after the date of separation.

**Felony Forfeiture**

***Wilmot v. Contra Costa County Employees' Retirement Association* (2021) 60 Cal.App.5<sup>th</sup> 631, review denied (May 12, 2021)**

California Court of Appeal held that employee who applied for service retirement in 2012 and chose a 2012 effective date of retirement was still subject to felony forfeiture under PEPRA, since retirement board did not formally approve his retirement until after PEPRA became effective on January 1, 2013.

(This is the case where firefighter stole everything at firehouse that wasn't nailed down.)

**Update 9/23/20:** This case was transferred to the Court of Appeal, First Appellate District, Division Two, with directions to vacate its decision and to reconsider the cause in light of the *Alameda* Decision. The court is directed to address and resolve petitioner's claim under the contract clause of the California Constitution.

**Update 1/25/21:** This case was subject of a presentation and separate memo to your Board (Subject: *Wilmot v. CCERA*, dated November 30, 2020). On January 15, 2021, the court granted itself additional time for review due to the complicated nature of the case. The question before the Court is primarily whether the application of the PEPRA felony forfeiture rule to a legacy member violates the Contracts Clause of the California Constitution

**Update 7/14/21:** The California Supreme Court denied review on May 12, 2021.

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***Hipsher v. Los Angeles County Employees Retirement Association* (Jun. 19, 2018) 24 Cal.App.5th 740 (review granted September 12, 2018, No. S250244).**

California Court of Appeal held that:

1. Felony forfeiture under PEPRA does not violate either contracts clause or ex post facto clause of either state or federal constitutions.
2. However, someone needed to provide due process to member before concluding that he had committed work-related felony and should forfeit appropriate share of his pension.
3. That someone should be retirement plan, not employer.

(This is the case where firefighter was running gambling ring out of firehouse.)

**Update 9/23/20:** This case was transferred to the Court of Appeal, Second Appellate District, Division Four, with directions to vacate its decision and to reconsider the cause in light of *Alameda*.

**Update 1/25/21:** The Court of Appeal issued an order making two clarifying edits but otherwise making no changes to the original judgment. Theoretically, Hipsher could seek Supreme Court review, however, it is unlikely to be granted.

**Update 7/14/21:** The California Supreme Court denied review on March 17, 2021.

**PENDING FEDERAL CASE(S)**

None.

**PUBLISHED FEDERAL CASES<sup>1</sup>**

None.

JMS/7/14/2021/RETBD-General/1650751

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<sup>1</sup> Trial court decisions in federal court are often published whether or not the decision may be appealed. Accordingly, cases listed under this section are not described as “final.”