County of Riverside
Pension Advisory Review Committee (PARC)

December 15, 2022
10:00 a.m.

Zoom Link: https://us06web.zoom.us/j/87023846885?pwd=WkErN0FDUTZBWldZVWlDN2pmc05QUT09
Meeting ID: 870 2384 6885
Passcode: 671785

IMPORTANT NOTICE REGARDING PARC MEETING

This meeting is being conducted utilizing teleconferencing and electronic means. This is consistent with State of California Executive Order N-29-20 dated March 17, 2020, regarding the COVID-19 pandemic.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact Jen Kammerer at (951) 955-1136. Notification 48 hours prior to the meeting will enable us to make reasonable arrangements to ensure accessibility to the meeting [28 CFR 35.102.35.104 ADA Title II].

Submission of Public Comments: For those who wish to make public comments at this meeting, please submit your comments by email to Jen Kammerer at jkammerer@rivco.org prior to 9:00 a.m. on December 15, 2022. All email comments shall be subject to the same rules as would otherwise govern speaker comments at the meetings. All email comments shall not exceed three (3) minutes and will be read out loud at the meeting and become part of the record of the meeting.

A G E N D A

1. Call to Order and Self-Introductions……………………………………………Executive Office

2. Approval of Resolution No. 2022-003 a Resolution of the Pension Advisory Review Committee authorizing remote teleconference meetings of the legislative bodies of the Pension Advisory Review Committee for the period of December 15, 2022 to January 14, 2023 pursuant to the Ralph M. Brown Act……………………………………….Executive Office

3. Approval of the Meeting Minutes from November 9, 2022……………………..Executive Office

4. Section 115 Pension Trust Investment Report for the period ended 6/30/22…………..PARS

5. Section 115 OPEB Trust Investment Report for the period ended 6/30/22…………...CERBT

6. County of Riverside – Part-Time and Temporary Employees' Retirement Plan Investment Report for the period ended 6/30/22…………………………………………………..US Bank

7. Draft 2023 PARC Annual Report

8. New Business

9. Public Comment

10. Next Meeting Date - TBD

11. Adjourn

RESOLUTION NO. 2022-003

A RESOLUTION OF THE PENSION ADVISORY REVIEW COMMITTEE AUTHORIZING REMOTE TELECONFERENCE MEETINGS OF THE LEGISLATIVE BODIES OF THE PENSION ADVISORY REVIEW COMMITTEE FOR THE PERIOD OF DECEMBER 15, 2022 THROUGH JANUARY 14, 2023 PURSUANT TO THE RALPH M. BROWN ACT.

WHEREAS, all meetings of the Pension Advisory Review Committee and its legislative bodies are open and public, as required by the Ralph M. Brown Act (Cal. Gov. Code §§ 54950 – 54963), so that any member of the public may attend, participate, and view the legislative bodies conduct their business; and

WHEREAS, the Brown Act, Government Code section 54953(e), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, without compliance with the requirements of Government Code section 54953(b)(3), subject to the existence of certain conditions and requirements; and

WHEREAS, a required condition of Government Code section 54953(e) is that a state of emergency is declared by the Governor pursuant to Government Code section 8625, proclaiming the existence of conditions of disaster or of extreme peril to the safety of persons and property within the state caused by conditions as described in Government Code section 8558(b); and

WHEREAS, a further required condition of Government Code section 54953(e) is that state or local officials have imposed or recommended measures to promote social distancing, or, the legislative body holds a meeting to determine or has determined by a majority vote that meeting in person would present imminent risks to the health and safety of attendees; and

WHEREAS, on March 4, 2020, Governor Newsom issued a Proclamation of a State of Emergency declaring a state of emergency exists in California due to the threat of COVID-19, pursuant to the California Emergency Services Act (Government Code section 8625); and,

WHEREAS, on June 11, 2021, Governor Newsom issued Executive Order N-07-21, which formally rescinded the Stay-at-Home Order (Executive Order N-33-20), as well as the framework for a gradual, risk-based reopening of the economy (Executive Order N-60-20, issued on May 4, 2020) but did

FORM APPROVED COUNTY COUNSEL
BY KRISTINE BELL-VALDEZ DATE

not rescind the proclaimed state of emergency; and,

WHEREAS, on June 11, 2021, Governor Newsom also issued Executive Order N-08-21, which set expiration dates for certain paragraphs of the State of Emergency Proclamation dated March 4, 2020 and other Executive Orders but did not rescind the proclaimed state of emergency; and,

WHEREAS, as of the date of this Resolution, neither the Governor nor the state Legislature have exercised their respective powers pursuant to Government Code section 8629 to lift the state of emergency either by proclamation or by concurrent resolution the state Legislature; and,

WHEREAS, the California Department of Industrial Relations has issued regulations related to COVID-19 Prevention for employees and places of employment. Title 8 of the California Code of Regulations, Section 3205(5)(D) specifically recommends physical (social) distancing as one of the measures to decrease the spread of COVID-19 based on the fact that particles containing the virus can travel more than six feet, especially indoors; and,

WHEREAS, the Pension Advisory Review Committee finds that state or local officials have imposed or recommended measures to promote social distancing, based on the California Department of Industrial Relations' issuance of regulations related to COVID-19 Prevention through Title 8 of the California Code of Regulations, Section 3205(5)(D); and,

WHEREAS, as a consequence, the Pension Advisory Review Committee does hereby find that it and its legislative bodies shall conduct their meetings by teleconferencing without compliance with Government Code section 54953 (b)(3), pursuant to Section 54953(e), and that such legislative bodies shall comply with the requirements to provide the public with access to the meetings as prescribed by Government Code section 54953(e)(2).

NOW, THEREFORE, BE IT RESOLVED, FOUND AND ORDERED by the Pension Advisory Review Committee in regular session assembled on December 15, 2022 does hereby resolve as follows:

<u>Section 1</u>. <u>Recitals</u>. All of the above recitals are true and correct and are incorporated into this Resolution by this reference.

<u>Section 2</u>. <u>State or Local Officials Have Imposed or Recommended Measures to Promote Social Distancing</u>. The Pension Advisory Review Committee hereby proclaims that state officials have imposed or recommended measures to promote social (physical) distancing based on the California Department of

Industrial Relations' issuance of regulations related to COVID-19 Prevention through Title 8 of the California Code of Regulations, Section 3205(5)(D).

Section 3. Remote Teleconference Meetings. The Pension Advisory Review Committee and any of its legislative bodies are hereby authorized and directed to take all actions necessary to carry out the

intent and purpose of this Resolution including, conducting open and public meetings in accordance with Government Code section 54953(e) and other applicable provisions of the Brown Act.

Section 4. Effective Date. This Resolution shall take effect immediately upon its adoption and shall be effective until the earlier of (i) January 14, 2023, or (ii) such time the Pension Advisory Review Committee adopts a subsequent resolution in accordance with Government Code section 54953(e)(3) to extend the time during which its legislative bodies may continue to teleconference without compliance with Section 54953(b)(3).

ADOPTED this 15th day of December, 2022 by the Pension Advisory Review Committee, by the following vote:

YES:

NO:

ABSENT:

ABSTAIN:

County of Riverside
Pension Advisory Review Committee

MINUTES OF MEETING

November 9, 2022
10:00 a.m.

Members Present:

Don Kent	Chairman, County Executive Office
Mike Bowers	Human Resources
Undersheriff Donald Sharp	Sheriff
Matt Jennings	Treasurer-Tax Collector

Members Absent:

Paul Angulo	Auditor-Controller

Staff and Guests Present:

Bradley Au	Aon
Steven Kilbride	Aon
Tanya Harris	Auditor-Controller
Jonathan Jensen	Auditor-Controller
Kristine Valdez	County Counsel
Imelda Delos Santos	Executive Office
Jen Kammerer	Executive Office
Darrylenn Brockington	Flood Control
Mary Beth Redding	Foster and Foster
Bianca Lin	Foster and Foster
Amy Onopas	Human Resources
Jasmen Torres Barrera	Human Resources
Sonia Moreno	Human Resources
Michael Alferez	Parks
Austin Kent	Public Member
Aileen Yan	Riverside Courts
Carol Waterhouse-Tejada	Riverside Courts
Giovane Pizano	Treasurer-Tax Collector
Sandra Green	Waste Resources

1. Call to Order and Self-introductions:

Chairman Don Kent called the meeting to order at 10:00 a.m. Self-introductions were given by Committee members.

2. Approval of the Resolution No. 2022-002 for November 9, 2022:
MOTION: Don Kent moved to approve resolution.
Seconded by Mike Bowers Motion approved unanimously

3. Approval of the Recommendation of Undersheriff Don Sharp as a PARC Member:
MOTION: Don Kent moved to approve the Recommendation.
Seconded by Matt Jennings Motion approved unanimously

4. Approval of the Minutes for January 20, 2022:
MOTION: Matt Jennings moved to approve the Minutes.
Seconded by Don Kent Motion approved unanimously

5. CalPERS Miscellaneous and Safety Plans – Independent Actuarial Report 06/30/2021 Valuation – Preliminary Results

Mary Beth Redding from Foster and Foster reported that the 20-year and 30-year average CalPERS return rates as of 6/30/2022 are 6.9% and 7.7% respectively. The Miscellaneous Plan for 2022 is projected to have a $2.4 billion shortfall, while the Safety Plan is projected to be underfunded by $987 million. For the Miscellaneous Plan, 8,073 employees are in Tier 1 and 8,990 are in PEPRA. For the Safety Plan, 2,037 are in Tier 1 and 1,187 are in PEPRA. The projected funded ratio for June 30, 2022 in the Miscellaneous Plan is 76.2% and 78.8% for Safety.

The 2005 Pension Obligation Bonds (POBs), which only have about another 10+years remaining, are estimated to have earned $469 million, with the County paying $278 million in interest payments. The net estimated gain is $187 million.

The 2020 POBs are estimated to have earned in a short time $134 million, with $62 million being paid in interest. The net estimated gain is $68 million.

As of 6/30/21, the County had a combined unfunded balance of $1.9 billion and a funded ratio of 86.6%. If you add in the remaining balance of the POBs, the funded ratio is 80.4%. If you add in the Section 115 Pension Trust balances of $51.5 million, the ratio goes up to 80.7%.

For the 2022 projection, the unfunded liability is a combined $3.4 billion and a funded ratio of 77%. If you add in the remaining balance of the POBs, the funded ratio is estimated to be 71.5%. If you add the Section 115 Trust balances of $62.4 million, the ratio goes up to 71.9%. The Section 115 Trust balances are growing and helping the funded status.

Report was received and filed.

6. Actuarial Valuation Report – Postretirement Benefits Plan as of June 30, 2022

Steven Kilbride from Aon reported that the Unfunded AAL decreased from $76.2 million in 2021 to $61.9 million in 2022, a $14.3 million improvement. This resulted in an increase of 11% in the funded status from 47.2% to 58.2%. The required funding contribution decreased from $14.1 million in 2021 to $6.4 million in 2022. Looking at the GASB 75 Accounting results, the net OPEB liability decreased from $186.6 million to $171.1 million, a $5.5 million reduction. There was a slight improvement in the funding position of 2.6%.

Report was received and filed.

Chair Don Kent reminded Committee Members that the policy seeks to maintain a minimum funded status of 80% and currently we are in the 50+% range.

He asked for approval of keeping the same recommendation as last year of approximately 1.1% of payroll blended (Miscellaneous and Safety), or, $16.9 million in additional funding contributions into the OPEB Plan to get the County to 80% funded status within 5 years.

MOTION: Don Kent moved to approve recommendation.
Motion approved unanimously.

7. Actuarial Valuation Report – Part-time and Temporary Employees' Retirement Plan as of July 1, 2022

Steven Kilbride from Aon reported that the unfunded AAL as of July 1, 2022 is $12.6 million and funded status is 81.6%. The GASB 68 Expense discount rate is 6%. GASB 68 Accounting Net Pension Liability was $10.2 million which was an increase of $11.7 million from 2021. There was an 8% increase in participant counts for 2022.

Report was received and filed.

Chair Don Kent asked for approval of keeping the same recommendation as last year of approximately 5.58% of payroll.

MOTION: Don Kent moved to approve recommendation.
Motion approved unanimously.

8. New Business

No new business to address.

9. Public Comment:

No public comment.

10. Future Meeting Date:

Next meeting is scheduled for December 15, 2022 at 10:00 a.m.

11. Adjourn:

With no further business, Don Kent adjourned the Pension Advisory Review Committee Meeting at 11:55 a.m.

PUBLIC AGENCY RETIREMENT SERVICES | PARS

TRUSTED SOLUTIONS. LASTING RESULTS.

RIVERSIDE COUNTY

PARS 115 Trust – Pension Rate Stabilization Program Review

December 15, 2022

CONTACTS

PUBLIC AGENCY RETIREMENT SERVICES PARS
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HIGHMARK® CAPITAL MANAGEMENT

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PARS 115 TRUST TEAM

Trust Administrator & Consultant

PUBLIC AGENCY RETIREMENT SERVICES PARS
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- Serves as record-keeper, consultant, and central point of contact
- Sub-trust accounting
- Coordinates all agency services
- Monitors plan compliance (IRS/GASB/State Government Code)
- Processes contributions/disbursements
- Hands-on, dedicated support teams

38	2,000+	1,000+	490+	500K+	$6.1B
Years of Experience (1984-2022)	Plans under Administration	Public Agency Clients	115 Trust Clients	Plan Participants	Assets under Administration

Trustee

usbank

- 5th largest commercial bank and one of the nation's largest trustees for Section 115 trusts
- Safeguard plan assets
- Oversight protection as plan fiduciary
- Custodian of assets

159	$9.0T
Years of Experience (1863-2022)	Assets under Trust Custody

Investment Manager

HIGHMARK® CAPITAL MANAGEMENT

- Investment sub-advisor to trustee U.S. Bank
- Investment policy assistance
- Uses open architecture
- Active and passive platform options
- Customized portfolios (with minimum asset level)

103	$17.6B
Years of Experience (1919-2022)	Assets under Management & Advisement

SUMMARY OF AGENCY'S PENSION PLAN

Plan Type:	IRC Section 115 Irrevocable Exclusive Benefit Trust
Trustee Approach:	Discretionary
Plan Effective Date:	October 1, 2016
Plan Administrators:	County Director of Finance
Current Investment Strategy:	General - Moderate Index PLUS (Passive) Strategy; Individual Account
	POB (Series 2020) - Moderate Index PLUS (Passive) Strategy; Individual Account

AS OF JUNE 30, 2022:

Initial Contribution:	November 2016: $2,099,212
Additional Contributions:	$57,999,376
Total Contributions:	$60,098,588
Disbursements:	$0
Total Investment Earnings:	$2,886,850
Account Balance:	$62,363,070

SUMMARY OF AGENCY'S SUBACCOUNTS

GENERAL, AS OF JUNE 30, 2022:

Initial Contribution:	November 2016: $2,099,212
Additional Contributions:	$32,719,376
Total Contributions:	$34,818,588
Disbursements:	$0
Total Investment Earnings:	$4,970,040
Account Balance:	$39,232,037

POB (SERIES 2020), AS OF JUNE 30, 2022:

Initial Contribution:	October 2020: $2,000,000
Additional Contributions:	$23,280,000
Total Contributions:	$25,280,000
Disbursements:	$0
Total Investment Earnings:	($2,083,190)
Account Balance:	$23,131,033

Riverside County

June 30, 2022

Presented by
Keith Stribling, CFA

HighMark® Capital Management

DISCUSSION HIGHLIGHTS – Riverside County

Investment objective – Moderate Index Plus

Asset Allocation: PARS/Moderate Index Plus(As of 6-30-22)

- Allocation Target – 46.43% stocks (40-60% range), 48.01% bonds (40-60% range), 5.55% cash (0-20% range)
- Large cap 25.76%, Mid-cap 4.50%, Small cap 7.06%, International 7.32%; REIT's 1.79%

Performance: Riverside County- Pension xxxxxx3200

(as of 6-30-22) gross of investment management fees, net of fund fees

- 3 month: -9.45%
- 6 months (YTD): -14.36%
- 1 year: -11.68%
- 3 years: 3.44%
- 11/1/2016 (ITD): 5.03%

Asset Allocation: PARS/Moderate Index Plus(As of 6-30-22)

- Allocation Target – 46.43% stocks (40-60% range), 48.01% bonds (40-60% range), 5.55% cash (0-20% range)
- Large cap 25.76%, Mid-cap 4.50%, Small cap 7.06%, International 7.32%; REIT's 1.79%

Performance: Riverside County- POBS xxxxxx3202

(as of 6-30-22) gross of investment management fees, net of fund fees

- 3 month: -9.17%
- 6 months (YTD): -14.02%
- 1 year: -11.47%
- 10/1/2020 (ITD): .72%

Asset Allocation:

- Recently lowered equities
- Favoring value style over growth
- Recently lowered high yield

Economic Review

- Aggressive fiscal policy…stoking inflation
- Monetary policy changing…pullback on QE
- Rate hikes to curb inflation expectations
- Vaccines & now antiviral pills…even as covid surges possible light at the end of the covid tunnel?
- Eventually global economies will improve…but Beijing lockdowns and the Moscow war hampering global recovery
- Recession risks rising as yield curve steepens and inverts
- Risks: Inflation…Inflation...inflation…still more covid hurdles; Fed tapering & Russian aggression with Ukraine & NATO; China slowing

PARS/COUNTY OF RIVERSIDE 115P-PENSION (**053200)**
Performance Report

As of: June 30, 2022

HighMark® Capital Management

	3 Months	Year to Date (6 Months)	1 Year	3 Years	5 Years	Inception to Date 11/01/2016
Cash Equivalents	.14	.15	.16	.49	.94	.88
Lipper Money Market Funds Index	.13	.14	.14	.47	.91	.85
Total Fixed Income	-4.09	-9.29	-9.43	-.68	.89	1.15
Bloomberg US Aggregate Bd Index (USD)	-4.69	-10.35	-10.29	-.93	.88	.77
Total Equities	-15.58	-20.18	-15.50	6.62	7.44	8.70
Large Cap Funds	-16.05	-19.73	-10.49	10.25	10.82	11.61
S&P 500 Composite Index	-16.10	-19.96	-10.62	10.60	11.31	12.77
Mid Cap Funds	-16.91	-21.72	-17.52	6.33	7.63	8.56
Russell Midcap Index	-16.85	-21.57	-17.30	6.59	7.96	9.68
Small Cap Funds	-17.28	-23.60	-25.41	3.84	4.64	5.53
Russell 2000 Index (USD)	-17.20	-23.43	-25.20	4.21	5.17	7.96
International Equities	-11.66	-17.52	-19.25	1.23	2.21	4.93
MSCI EAFE Index (Net)	-14.51	-19.57	-17.77	1.07	2.20	4.54
MSCI EM Free Index (Net USD)	-11.45	-17.63	-25.28	.57	2.18	4.18
Real Estate - ETFs / Sctr Fds	-14.95	-20.01	-7.36	5.86	6.64	7.07
Wilshire REIT Index	-18.48	-21.64	-6.70	4.01	5.26	5.60
Total Managed Portfolio	-9.45	-14.36	-11.68	3.44	4.51	5.03

Returns are gross of fees not including account level advisory fees unless otherwise stated. Gross returns are presented before management and custodial fees but after all trading expenses, embedded and reflect the reinvestment of dividends and other income. Net returns are net of investment management fees in effect for the respective time period. Returns for periods over one year are annualized. An investor cannot invest directly in unmanaged indices. The information presented has been obtained from sources believed to be accurate and reliable. Past performance is not indicative of future returns Securities are not FDIC insured have no bank guarantee and may lose value.

ASSET ALLOCATION – Riverside County PENSION

Moderate Index Plus

Current Asset Allocation		Investment Vehicle	
Equity			**46.43%**
Large Cap Core	IVV	iShares S&P 500 Index Fund	13.83%
Large Cap Value	IVE	iShares S&P 500 Value Fund	6.36%
Large Cap Growth	IVW	iShares S&P 500 Growth Fund	5.57%
Mid Cap Value	IWR	iShares Russell MidCap ETF	4.50%
Small Cap Value	IWN	iShares Russell 2000 Value ETF	3.53%
Small Cap Growth	IWO	iShares Russell 2000 Growth ETF	3.53%
International Core	IEFA	Ishares TR ETF	4.40%
Emerging Markets	VWO	Vanguard MSCI Emerging Markets ETF	2.92%
REIT	VNQ	Vngrd Index Tr Reit Viper Shs	1.79%
Fixed Income			**48.01%**
Short-Term	VFSUX	Vanguard Short-Term Corp Adm Fund	10.70%
Intermediate-Term	AGG	iShares Barclays Aggregate Bond Fund	36.30%
High Yield	VWEAX	Vanguard High Yield	1.01%
Cash			**5.55%**
	FGZXX	First American Govt Obligations Fund	5.55%
TOTAL			**100.00%**

HIGHMARK®
CAPITAL MANAGEMENT

PARS/COUNTY OF RIVERSIDE 115P-POBS (**053202)**
Performance Report

As of: June 30, 2022

	3 Months	Year to Date (6 Months)	1 Year	Inception to Date 10/01/2020
Cash Equivalents	.14	.15	.16	.10
Lipper Money Market Funds Index	.13	.14	.14	.08
Total Fixed Income	-4.01	-9.21	-9.39	-5.61
Bloomberg US Aggregate Bd Index (USD)	-4.69	-10.35	-10.29	-6.53
Total Equities	-15.50	-20.04	-15.40	6.12
Large Cap Funds	-15.99	-19.58	-10.44	8.88
S&P 500 Composite Index	-16.10	-19.96	-10.62	8.60
Mid Cap Funds	-16.85	-21.71	-17.44	6.48
Russell Midcap Index	-16.85	-21.57	-17.30	8.47
Small Cap Funds	-17.14	-23.23	-24.92	6.04
Russell 2000 Index (USD)	-17.20	-23.43	-25.20	8.58
International Equities	-11.63	-17.44	-18.95	1.71
MSCI EAFE Index (Net)	-14.51	-19.57	-17.77	2.18
MSCI EM Free Index (Net USD)	-11.45	-17.63	-25.28	-2.25
Real Estate - ETFs / Sctr Fds	-14.17	-19.01	-6.64	15.49
Wilshire REIT Index	-18.48	-21.64	-6.70	14.49
Total Managed Portfolio	-9.17	-14.02	-11.47	.72

Returns are gross of fees not including account level advisory fees unless otherwise stated. Gross returns are presented before management and custodial fees but after all trading expenses, embedded and reflect the reinvestment of dividends and other income. Net returns are net of investment management fees in effect for the respective time period. Returns for periods over one year are annualized. An investor cannot invest directly in unmanaged indices. The information presented has been obtained from sources believed to be accurate and reliable. Past performance is not indicative of future returns Securities are not FDIC insured have no bank guarantee and may lose value.

ASSET ALLOCATION – Riverside County POBS

Moderate Index Plus

Current Asset Allocation		Investment Vehicle	
Equity			**46.43%**
Large Cap Core	IVV	iShares S&P 500 Index Fund	13.83%
Large Cap Value	IVE	iShares S&P 500 Value Fund	6.36%
Large Cap Growth	IVW	iShares S&P 500 Growth Fund	5.57%
Mid Cap Value	IWR	iShares Russell MidCap ETF	4.50%
Small Cap Value	IWN	iShares Russell 2000 Value ETF	3.53%
Small Cap Growth	IWO	iShares Russell 2000 Growth ETF	3.53%
International Core	IEFA	Ishares TR ETF	4.40%
Emerging Markets	VWO	Vanguard MSCI Emerging Markets ETF	2.92%
REIT	VNQ	Vngrd Index Tr Reit Viper Shs	1.79%
Fixed Income			**48.01%**
Short-Term	VFSUX	Vanguard Short-Term Corp Adm Fund	10.70%
Intermediate-Term	AGG	iShares Barclays Aggregate Bond Fund	36.30%
High Yield	VWEAX	Vanguard High Yield	1.01%
Cash			**5.55%**
	FGZXX	First American Govt Obligations Fund	5.55%
TOTAL			**100.00%**

HighMark® CAPITAL MANAGEMENT

Riverside County

For Period Ending June 30, 2022

Fund Name	1-Month Return	3-Month Return	Year-to-Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
LARGE CAP EQUITY FUNDS							
Columbia Contrarian Core Inst3	-7.86	-16.27	-18.76	-12.91	11.28	10.53	13.12
Vanguard Growth & Income Adm	-8.77	-15.78	-19.06	-9.83	10.87	11.32	13.00
Dodge & Cox Stock I	-9.31	-12.42	-11.53	-7.57	11.27	9.92	13.09
iShares S&P 500 Value ETF	-8.25	-11.32	-11.51	-5.04	8.05	8.01	10.78
Harbor Capital Appreciation Retirement	-7.93	-25.46	-35.59	-32.06	8.25	12.14	13.69
T. Rowe Price Growth Stock I	-8.62	-25.40	-36.60	-34.11	4.36	8.70	12.52
S&P 500 TR USD	**-8.25**	**-16.10**	**-19.96**	**-10.62**	**10.60**	**11.31**	**12.96**
MID CAP EQUITY FUNDS							
iShares Russell Mid Cap TR USD	-9.99	-16.88	-21.63	-17.43	6.42	7.81	11.11
Russell Mid Cap TR USD	**-9.98**	**-16.85**	**-21.57**	**-17.30**	**6.59**	**7.96**	**11.29**
SMALL CAP EQUITY FUNDS							
Vanguard Small-Cap Growth ETF	-8.00	-20.44	-29.94	-31.77	2.34	6.81	9.82
Undiscovered Managers Behavioral Val R6	-9.94	-11.05	-7.91	-3.11	10.76	8.19	11.83
Russell 2000 TR USD	**-8.22**	**-17.20**	**-23.43**	**-25.20**	**4.21**	**5.17**	**9.35**
INTERNATIONAL EQUITY FUNDS							
Dodge & Cox International Stock I	-8.77	-9.49	-10.02	-10.93	3.52	2.14	6.11
DFA Large Cap International I	-9.31	-13.22	-17.50	-15.71	2.48	3.01	5.62
MFS International Growth R6	-6.78	-12.24	-19.38	-17.98	3.33	5.71	7.08
MSCI EAFE NR USD	**-9.28**	**-14.51**	**-19.57**	**-17.77**	**1.07**	**2.20**	**5.40**
Hartford Schroders Emerging Mkts Eq F	-6.94	-12.08	-19.78	-28.42	0.75	2.70	3.53
MSCI EM NR USD	**-6.65**	**-11.45**	**-17.63**	**-25.28**	**0.57**	**2.18**	**3.06**
REAL ESTATE FUNDS							
Vanguard Real Estate ETF	-7.51	-15.47	-20.52	-8.07	4.73	5.69	7.47
BOND FUNDS							
DoubleLine Core Fixed Income I	-2.01	-5.50	-10.11	-10.18	-1.24	0.74	2.08
PIMCO Total Return Instl	-2.07	-5.46	-11.31	-11.11	-0.77	0.99	1.87
PGIM Total Return Bond R6	-2.59	-6.71	-12.78	-12.53	-1.34	1.08	2.56
Vanguard Short-Term Investment-Grade Adm	-1.30	-1.86	-5.58	-6.10	0.22	1.25	1.70
Bloomberg US Agg Bond TR USD	**-1.57**	**-4.69**	**-10.35**	**-10.29**	**-0.93**	**0.88**	**1.54**
PIMCO High Yield Instl	-6.81	-9.69	-13.94	-12.68	-0.62	1.53	3.92
ICE BofA US High Yield Mstr II Index	**-6.81**	**-9.97**	**-14.04**	**-12.66**	**-0.04**	**1.95**	**4.44**

Source: SEI Investments, Morningstar Investments

Returns less than one year are not annualized. Past performance is no indication of future results. The information presented has been obtained from sources believed to be accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.

CERBT Account Update

County of Riverside

December 15, 2022

CERBT Account Summary – Strategy 2

As of June 30, 2022	Strategy 2
Initial contribution (11/30/2007)	$10,411,404
Additional contributions	$30,775,984
Disbursements	($6,140,923)
CERBT expenses	($433,578)
Investment earnings	$30,431,573
Transfers out (to CERBT Strategy 1)	($58,525,114)
Total assets	$6,519,346
Money-weighted annualized net rate of return (11/30/2007 – 6/30/2022 = 14.59 Years)	6.95%

In PEMHCA: Yes
CERBT agreement effective date: 11/7/2007

Cash Flow Summary by Fiscal Year (Strategy 2)

Fiscal Year	Contributions	Disbursements	Cumulative Net Contributions	Cumulative Investment Gains (Losses)	Cumulative Fees	Transfers Out	Cumulative Ending Assets	Fiscal Year Net Rate of Return	Cumulative Net Rate of Return
2007-08	$10,411,404	$0	$10,411,404	($580,157)	($5,768)		$9,825,479	-	-
2008-09	$2,258,597	$0	$12,670,001	($2,785,366)	($12,297)		$9,872,338	-22.44%	-17.85%
2009-10	$2,868,341	$0	$15,538,342	($1,231,045)	($23,463)		$14,283,835	15.79%	-4.36%
2010-11	$1,608,611	$0	$17,146,953	$2,370,654	($58,010)		$19,459,596	25.29%	5.02%
2011-12	$3,041,000	$0	$20,187,953	$2,464,664	($80,609)		$22,572,008	0.48%	3.77%
2012-13	$1,553,285	$0	$21,741,238	$5,139,862	($117,518)		$26,763,582	11.96%	5.64%
2013-14	$2,418,282	$0	$24,159,520	$10,096,412	($158,153)		$34,097,778	18.54%	8.07%
2014-15	$2,533,810	($2,026,142)	$24,667,188	$10,011,411	($192,570)		$36,512,171	-0.25%	6.56%
2015-16	$1,410,000	($2,098,716)	$23,978,472	$10,364,453	($221,062)		$36,220,579	1.02%	5.69%
2016-17	$1,084,058	($2,016,065)	$23,046,465	$13,990,513	($251,324)		$36,785,654	17.99%	6.32%
2017-18	$1,000,000	$0	$24,046,465	$16,347,830	($284,071)		$40,110,224	6.48%	6.33%
2018-19	$2,000,000	$0	$26,046,465	$19,183,079	($318,386)		$44,911,158	7.15%	6.41%
2019-20	$5,600,000	$0	$31,646,465	$21,726,398	($358,691)		$51,014,172	5.48%	6.31%
2020-21	$3,400,000	$0	$35,046,465	$32,029,580	($408,137)	($14,439,658)	$52,228,250	19.66%	7.53%
2021-22	$0	$0	$35,046,465	$30,431,573	($433,578)	($44,085,456)	$6,519,346	-5.46%	6.95%

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CERBT Portfolio Transfer

- At its PARC meeting on January 13th of 2021, after receipt and discussion of the OPEB Trust Report Strategy Review and Recommendation, the Committee approved investment into CERBT Strategy 1.
- Since that time, the following new investments have occurred, which includes monthly transfers out of CERBT Strategy 2 into CERBT Strategy 1 which concluded in August of 2022.

CERBT Account Summary – Strategy 1

As of June 30, 2022	Strategy 1
Initial contribution (3/1/2021)	$600,000
Additional contributions	$20,090,000
Disbursements	$0
CERBT expenses	($44,323)
Investment earnings	($9,278,344)
Transfers in (from CERBT Strategy 2)	$58,525,114
Total assets	$69,892,447
Money-weighted annualized net rate of return (3/1/2021 – 6/30/2022 = 1.33 Years)	-17.32%

In PEMHCA: Yes
CERBT agreement effective date: 11/7/2007

Cash Flow Summary by Fiscal Year (Strategy 1)

Fiscal Year	Contributions	Disbursements	Cumulative Net Contributions	Cumulative Investment Gains (Losses)	Cumulative Fees	Transfers In	Cumulative Ending Assets	Fiscal Year Net Rate of Return	Cumulative Net Rate of Return
2020-21	$6,200,000	$0	$6,200,000	$760,003	($2,904)	$14,439,658	$21,396,758	22.92%*	22.92%*
2021-22	$14,490,000	$0	$20,690,000	($9,278,344)	($44,323)	$44,085,456	$69,892,447	-19.55%	-17.32%

*The first contribution was received March 1, 2021.

CERBT Account Summary – 1&2 Blended Results

As of June 30, 2022	Blended
Initial contribution (11/30/2007)	$10,411,404
Additional contributions	$51,465,984
Disbursements	($6,140,923)
CERBT expenses	($477,901)
Investment earnings	$21,153,230
Total assets	$76,411,793
Money-weighted annualized net rate of return (11/30/2007 – 6/30/2022 = 14.59 Years)	4.87%

In PEMHCA: Yes
CERBT agreement effective date: 11/7/2007

Cash Flow Summary by Fiscal Year (1&2 Blended Results)

Fiscal Year	Contributions	Disbursements	Cumulative Net Contributions	Cumulative Investment Gains (Losses)	Cumulative Fees	Cumulative Ending Assets	Fiscal Year Net Rate of Return	Cumulative Net Rate of Return
2007-08	$10,411,404	$0	$10,411,404	($580,157)	($5,768)	$9,825,479	-	-
2008-09	$2,258,597	$0	$12,670,001	($2,785,366)	($12,297)	$9,872,338	-22.44%	-17.85%
2009-10	$2,868,341	$0	$15,538,342	($1,231,045)	($23,463)	$14,283,835	15.79%	-4.36%
2010-11	$1,608,611	$0	$17,146,953	$2,370,654	($58,010)	$19,459,596	25.29%	5.02%
2011-12	$3,041,000	$0	$20,187,953	$2,464,664	($80,609)	$22,572,008	0.48%	3.77%
2012-13	$1,553,285	$0	$21,741,238	$5,139,862	($117,518)	$26,763,582	11.96%	5.64%
2013-14	$2,418,282	$0	$24,159,520	$10,096,412	($158,153)	$34,097,778	18.54%	8.07%
2014-15	$2,533,810	($2,062,142)	$24,667,188	$10,011,411	($192,570)	$34,486,029	-0.25%	6.56%
2015-16	$1,410,000	($2,098,716)	$23,978,472	$10,364,453	($221,062)	$34,121,863	1.02%	5.69%
2016-17	$1,084,058	($2,016,065)	$23,046,465	$13,990,513	($251,324)	$36,785,654	17.99%	6.32%
2017-18	$1,000,000	$0	$24,046,465	$16,347,830	($284,071)	$40,110,224	6.48%	6.33%
2018-19	$2,000,000	$0	$26,046,465	$19,183,079	($318,386)	$44,911,158	7.15%	6.41%
2019-20	$5,600,000	$0	$31,646,465	$21,726,398	($358,691)	$53,014,172	9.8%	6.74%
2020-21	$9,600,000	$0	$41,246,465	$32,789,583	($411,041)	$73,625,008	15.69%	7.61%
2021-22	$14,490,000	$0	$55,736,465	$21,153,230	($477,901)	$76,411,793	-14.58%	4.87%

2022 CERBT Projected Returns & Volatility

2022 Capital Market Assumptions	CERBT Strategy 1	CERBT Strategy 2	CERBT Strategy 3
Projected Compound Return 1-5 Years[1] (General Inflation Rate Assumption of 2.4%)	5.1%	4.2%	3.5%
Projected Compound Return 1-20 Years[1] (General Inflation Rate Assumption of 2.3%)	**6.0%**	**5.5%**	**5.0%**
Projected Compound Return 6-20 Years[1] (General Inflation Rate Assumption of 2.3%)	6.3%	5.9%	5.5%
Projected Volatility (20-Year Standard Deviation of Projected Returns)	12.1%	9.9%	8.4%

[1] Projected Compound Return for each CERBT Strategy is time-weighted and net of all fees.

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CERBT Portfolio Options

Portfolios	CERBT Strategy 1		CERBT Strategy 2		CERBT Strategy 3	
Capital Market Assumptions as of	2018	2022	2018	2022	2018	2022
Expected Return	7.59%	6.0%	7.01%	5.5%	6.22%	5.0%
Standard Deviation	11.83%	12.1%	9.24%	9.9%	7.28%	8.4%

CERBT Portfolio Details

Asset Classification	Benchmark	CERBT Strategy 1		CERBT Strategy 2		CERBT Strategy 3	
Capital Market Assumptions as of		2018	2022	2018	2022	2018	2022
Global Equity	MSCI All Country World Index	59% ±5%	49% ±5%	40% ±5%	34% ±5%	22% ±5%	23% ±5%
Fixed Income	Bloomberg Capital Long Liability Index	25% ±5%	23% ±5%	43% ±5%	41% ±5%	49% ±5%	51% ±5%
Global Real Estate (REITs)	FTSE EPRA/NAREIT Developed Liquid Index	8% ±5%	20% ±5%	8% ±5%	17% ±5%	8% ±5%	14% ±5%
Treasury Inflation Protected Securities (TIPS)	Bloomberg Capital Global Real: US TIPS Index	5% ±3%	5% ±3%	5% ±3%	5% ±3%	16% ±3%	9% ±3%
Commodities	S&P GSCI Total Return Index	3% ±3%	3% ±3%	4% ±3%	3% ±3%	5% ±3%	3% ±3%
Cash	3-Month Treasury Bill	0% +2%	0% +2%	0% +2%	0% +2%	0% +2%	0% +2%
Expected Return	N/A	7.59%	6.0%	7.01%	5.5%	6.22%	5.0%
Standard Deviation	N/A	11.83%	12.1%	9.24%	9.9%	7.28%	8.4%

CERBT Investment Returns Outperform Benchmarks

Periods Ended June 30, 2022

Fund	Assets	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years	10 Years	ITD
CERBT Strategy 1 (Inception June 1, 2007)	$12,805,762,723	-6.65%	-12.97%	-13.35%	-13.35%	4.60%	5.60%	6.86%	4.86%
Benchmark		-6.71%	-13.07%	-13.55%	-13.55%	4.32%	5.32%	6.51%	4.45%
CERBT Strategy 2 (Inception October 1, 2011)	$1,750,235,674	-5.53%	-11.49%	-12.54%	-12.54%	3.35%	4.66%	5.69%	6.29%
Benchmark		-5.57%	-11.54%	-12.66%	-12.66%	3.15%	4.43%	5.37%	6.02%
CERBT Strategy 3 (Inception January 1, 2012)	$747,065,965	-4.56%	-9.82%	-10.72%	-10.72%	2.56%	3.91%	4.55%	4.81%
Benchmark		-4.59%	-9.84%	-10.77%	-10.77%	2.41%	3.73%	4.22%	4.53%
CERBT Total	**$15,303,064,362**								

Time weighted return reports the performance of the investment vehicle, not of the employer assets. Returns are gross. Historical performance is not necessarily indicative of actual future investment performance or of future total program cost. Current and future performance may be lower or higher than the historical performance data reported here. Investment return and principal value may fluctuate so that your investment, when redeemed, may be worth more or less than the original cost. The value of an employer's fund shares will go up and down based on the performance of the underlying funds in which the assets are invested. The value of the underlying funds' assets will, in turn, fluctuate based on the performance and other factors generally affecting the securities market.

Questions? Where to Get Trust Fund Information?

Name	Title	E-mail	Desk	Mobile
Matt Goss	Outreach & Support Program Manager	Matthew.Goss@calpers.ca.gov	(916) 795-9071	(916) 382-6487
Karen Lookingbill	Outreach & Support Manager	Karen.Lookingbill@calpers.ca.gov	(916) 795-1387	(916) 501-2219
Colleen Cain-Herrback	Administration & Reporting Program Manager	Colleen.Cain-Herrback@calpers.ca.gov	(916) 795-2474	(916) 505-2506
Robert Sharp	Assistant Division Chief	Robert.Sharp@calpers.ca.gov	(916) 795-3878	(916) 397-0756

Program E-mail Addresses	Prefunding Programs Webpages
CERBT4U@calpers.ca.gov – Questions & Document Submittal	www.calpers.ca.gov/CERBT
CEPPT4U@calpers.ca.gov – Questions & Document Submittal	www.calpers.ca.gov/CEPPT
CERBTACCOUNT@calpers.ca.gov – Online Record Keeping System	

CalPERS

June 30, 2022

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES' RETIREMENT PLAN

U.S. Bank Institutional Asset Management

Your U.S. Bank Team

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Table of Contents

PORTFOLIO REVIEW

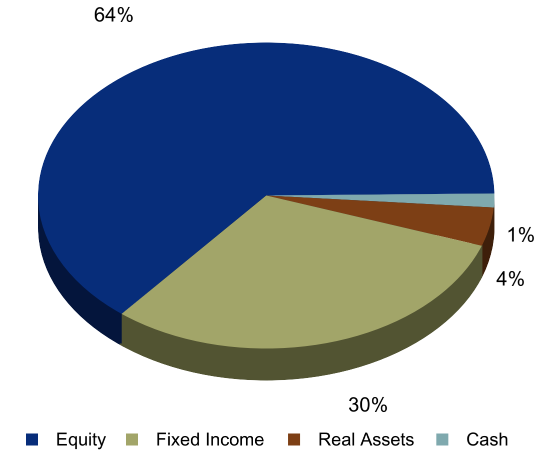
Account: XXXXX6550 *Holdings Method: Direct* *Report Date: 06/30/2022*

Portfolio Summary

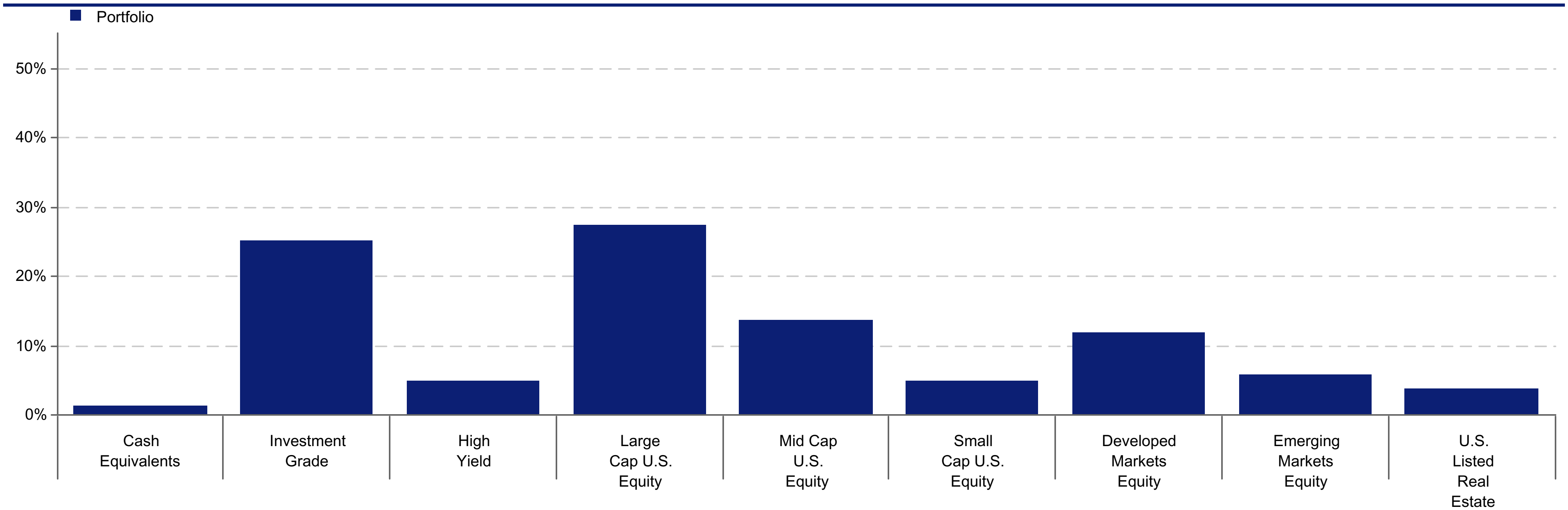
Inv. Objective	Balanced/Nontaxable-1
Total Portfolio Value	$50,991,307
Net Realized Cap Gains YTD	$-303,384
Annual Income Projected	$1,051,859
Current Yield	2.06%
Number of Securities	15
Portfolio Mgr.	Rick Rosenthal

Portfolio Asset Allocation

Equity	$32,760,248	64.25%
Fixed Income	$15,473,887	30.35%
Real Assets	$2,045,701	4.01%
Cash	$711,472	1.40%
Invested Total	**$50,991,307**	**100.00%**



Portfolio Model Allocation



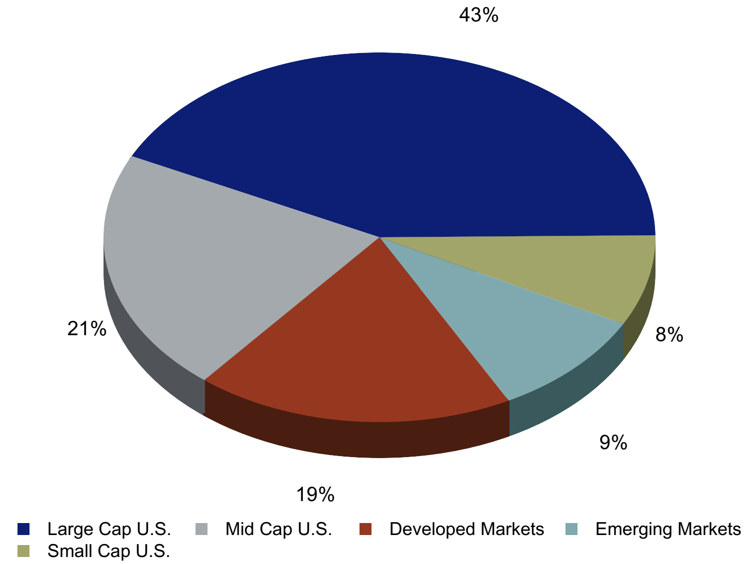
Holdings Date: 6/30/2022

Equity Summary

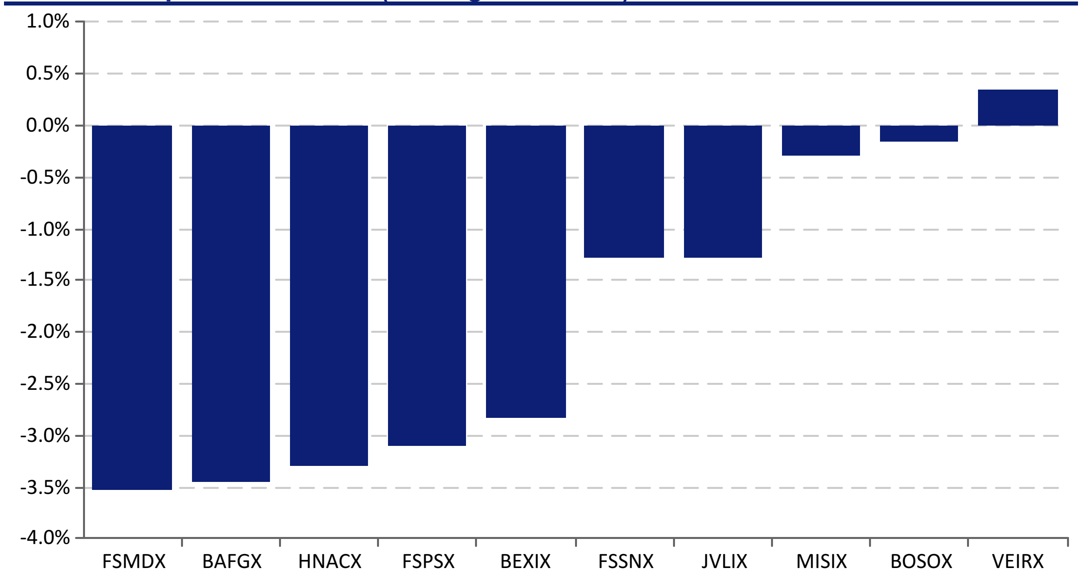
Inv. Objective	Balanced/Nontaxable-1
Total Equity Value	$32,760,248
Current Yield	1.48%
Annual Income Projected	$484,671
Number of Securities	8
Portfolio Mgr.	Rick Rosenthal

Equity Asset Allocation

Large Cap U.S.	$14,026,875	42.82%
Mid Cap U.S.	$7,000,211	21.37%
Developed Markets	$6,097,583	18.61%
Emerging Markets	$3,064,836	9.36%
Small Cap U.S.	$2,570,743	7.85%



Bottom 5/ Top 5 Contributors (Trailing 12 Months)



Equity Global Distribution

Equity Country Distribution

Holdings Date: 6/30/2022

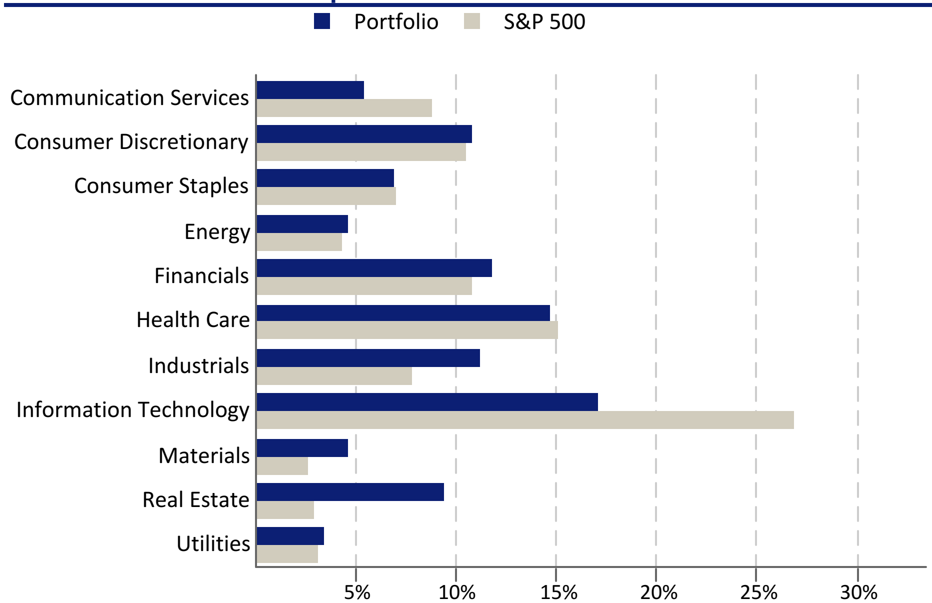
Top 10 Common Stock Holdings

	Equity (%)	Port (%)	Yield (%)	YTD Return (%)	52 Wk Return (%)
Microsoft Corporation	1.18	0.76	1.20	-23.3	-4.4
Amazon.com, Inc.	0.99	0.64	0.00	-36.3	-38.3
Alphabet Inc. Class C	0.84	0.54	0.00	-24.4	-12.7
Johnson & Johnson	0.83	0.54	2.60	5.1	10.5
Tesla Inc	0.82	0.53	0.00	-36.3	-0.9
Apple Inc.	0.77	0.50	0.60	-22.8	0.4
Mastercard Incorporated Class...	0.70	0.45	0.60	-12.0	-13.1
Alphabet Inc. Class A	0.64	0.42	0.00	-24.8	-10.8
Estee Lauder Companies Inc....	0.63	0.41	1.20	-30.9	-19.3
UnitedHealth Group Incorporat...	0.62	0.40	1.20	3.0	30.0

Common Stock Characteristics

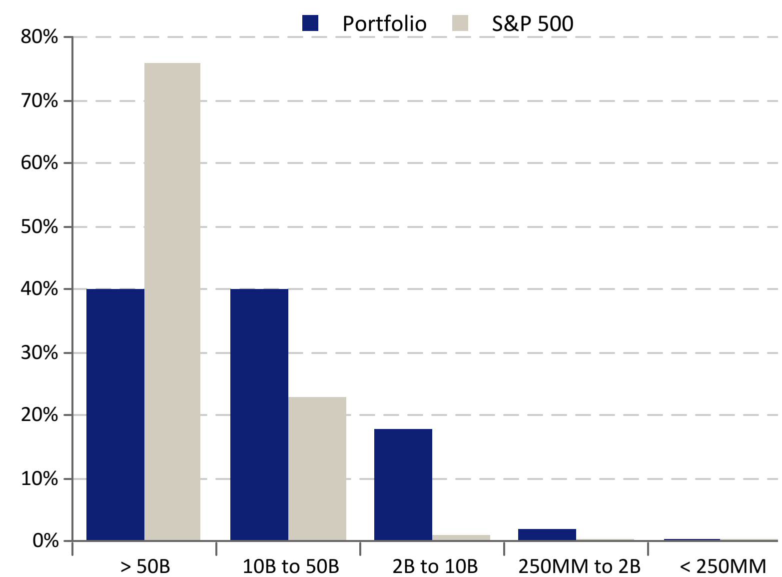
	Portfolio	S&P 500
Market Cap - Wtd Avg	$148.1B	$481.6B
Market Cap - Median	$10.2B	$27.4B
Dividend Yield (%)	2.02	1.71
P/E NTM	14.9	15.9
P/E LTM	16.4	18.7
ROE (%)	20.1	27.3
1 Yr Beta vs. S&P Composite	.83	.97
Est 3-5 Yr EPS Growth (%)	14.2	12.4
Hist 3 Yr EPS Growth (%)	15.0	18.8
Number of Securities	2037	503

Common Stock Sector Exposures



	Portfolio	S&P 500
Communication Services	5.46	8.87
Consumer Discretionary	10.86	10.54
Consumer Staples	6.88	6.99
Energy	4.63	4.35
Financials	11.82	10.84
Health Care	14.69	15.14
Industrials	11.17	7.81
Information Technology	17.05	26.84
Materials	4.66	2.60
Real Estate	9.37	2.92
Utilities	3.40	3.10

Common Stock Market Cap Distribution



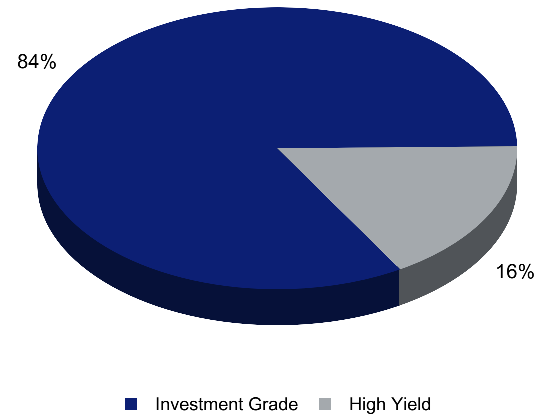
***Specific to the security - does not represent performance in the portfolio.**

Fixed Income Summary

Inv. Objective	Balanced/Nontaxable-1
Total Fixed Income Value	$15,473,887
Current Yield	3.28%
Annual Income Projected	$507,886
Number of Securities	5
Portfolio Mgr.	Rick Rosenthal

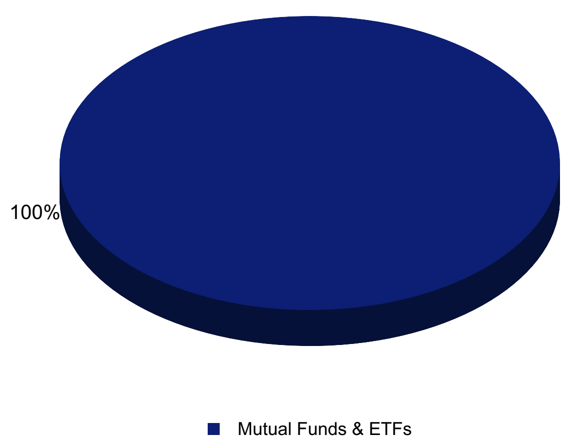
Fixed Income Asset Allocation

Investment Grade	$12,922,126	83.51%
High Yield	$2,551,761	16.49%

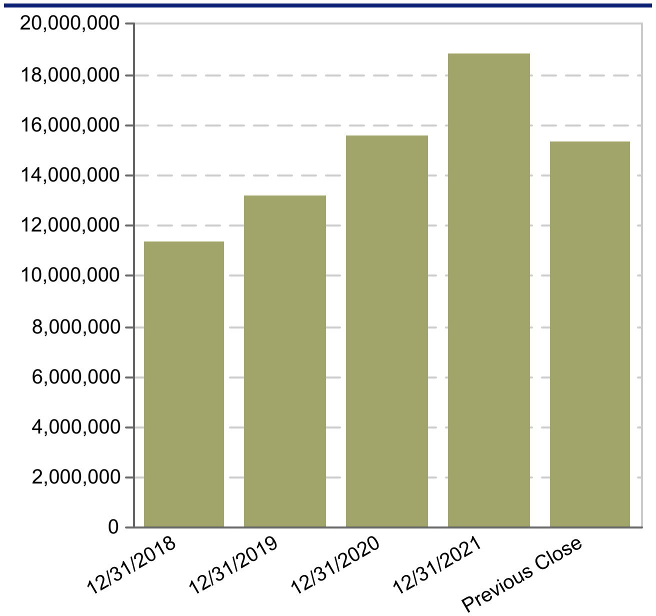


Fixed Income Sector Exposures

Mutual Funds & ETFs	$15,473,887	100.00%



Fixed Income Market Value



Holdings Date: 6/30/2022

Selected Period Performance

	Market Value	3 Months	Year to Date (6 Months)	1 Year	3 Years	5 Years	10 Years	Inception to Date 10/01/2010
Total Portfolio Gross of Fees	51,036,248	-12.35	-18.37	-17.14	4.21	5.34	6.45	5.99
Total Portfolio Net of Fees	51,036,248	-12.44	-18.53	-17.45	3.83	4.96	6.07	5.66
Balance/Nontaxable-1		-12.40	-15.97	-12.91	3.62	4.99	5.69	5.52
Total Equity	32,760,248	-15.29	-21.86	-20.56	6.98	7.69	9.43	8.65
S&P 500 Index (Total Return)		-16.10	-19.96	-10.62	10.60	11.31	12.96	12.96
S&P MidCap 400 Index		-15.42	-19.54	-14.64	6.87	7.02	10.90	10.94
S&P SmallCap 600 Index		-14.11	-18.94	-16.81	7.30	7.20	11.26	11.74
MSCI EAFE Index (Net)		-14.51	-19.57	-17.77	1.07	2.20	5.40	4.25
MSCI Emerging Markets Index (Net)		-11.45	-17.63	-25.28	.57	2.18	3.06	1.78
Total Fixed Income	15,518,580	-5.21	-10.47	-10.15	-1.97	.23	1.53	2.04
BBARC 1-5 Year US Government/Credit Index		-1.14	-4.55	-5.20	.12	1.08	1.18	1.32
BBARC Intermediate US Government/Credit Index		-2.37	-6.77	-7.28	-.16	1.13	1.45	1.78
BBARC US Aggregate Bond Index		-4.69	-10.35	-10.29	-.93	.88	1.54	2.05
Total Real Assets	2,045,701	-16.99	-20.29	-8.09	2.96	5.01		
S&P Global REIT Index (Gross)		-17.00	-20.00	-9.83	1.43	3.87	6.26	7.32
Total Cash Equivalents	711,720	.08	.08	.09	.37	.77	.41	.35
FTSE 3 Month Treasury Bill Index		.14	.17	.19	.61	1.09	.62	.54

For performance and rate of return methodologies, as well as other important information, please refer to the Appendix/Disclosures provided.

	Symbol	% of Port.	Price	Shares/ Units	Portfolio Value	Cost Basis	Unrealized Gain/Loss	Current Yield	Projected Annual Income
Total		**100.0**			**50,991,307**	**56,769,685**	**-5,778,377**	**2.06**	**1,051,859**
Cash		**1.40**			**711,472**	**711,472**	**.00**	**0.99**	**7,049**
Cash Equivalents		**1.40**			**711,472**	**711,472**	**.00**	**0.99**	**7,049**
FIRST AM GOVT OB FD CL Y	31846V203	1.40	1.00	711,472	711,472	711,472	.00	0.99	7,049
Fixed Income		**30.35**			**15,473,887**	**17,141,356**	**-1,667,470**	**3.28**	**507,886**
Investment Grade		**25.34**			**12,922,126**	**14,557,145**	**-1,635,019**	**2.71**	**350,060**
Mutual Funds & ETFs		**25.34**			**12,922,126**	**14,557,145**	**-1,635,019**	**2.71**	**350,060**
DoubleLine Total Return Bond Fund Class I	DBLTX	6.32	9.35	344,872	3,224,555	3,710,517	-485,962	3.41	110,014
Fidelity U.S. Bond Index Fund	FXNAX	6.37	10.64	305,140	3,246,694	3,754,794	-508,100	2.09	67,741
PGIM Total Return Bond Fund Class R6	PTRQX	6.24	12.44	255,856	3,182,845	3,761,335	-578,490	3.59	114,112
TIAA-CREF Short-Term Bond Fd Institutio...	TISIX	6.41	9.94	328,776	3,268,032	3,330,500	-62,467	1.78	58,193
High Yield		**5.00**			**2,551,761**	**2,584,211**	**-32,450**	**6.18**	**157,826**
Mutual Funds & ETFs		**5.00**			**2,551,761**	**2,584,211**	**-32,450**	**6.18**	**157,826**
Artisan High Income Fund - Institutional Sh...	APHFX	5.00	8.65	295,001	2,551,761	2,584,211	-32,450	6.18	157,826
Equity		**64.25**			**32,760,248**	**36,410,827**	**-3,650,579**	**1.48**	**484,671**
Large Cap U.S. Equity		**27.51**			**14,026,875**	**16,293,589**	**-2,266,714**	**1.01**	**141,848**
Mutual Funds & ETFs		**27.51**			**14,026,875**	**16,293,589**	**-2,266,714**	**1.01**	**141,848**
Brown Advisory Growth Equity Fd - Instituti...	BAFGX	6.83	23.83	146,178	3,483,412	5,036,416	-1,553,004	0.00	0
Harbor Capital Appreciation Fund - Retire...	HNACX	6.78	64.99	53,205	3,457,786	4,515,730	-1,057,943	0.00	0
John Hancock Fds III Disciplined Value Fu...	JVLIX	6.92	20.93	168,666	3,530,189	3,956,915	-426,726	1.06	37,444
Vanguard Equity Income Fund Admiral Sha...	VEIRX	6.97	84.32	42,167	3,555,489	2,784,529	770,959	2.94	104,405
Mid Cap U.S. Equity		**13.73**			**7,000,211**	**7,026,674**	**-26,463**	**1.47**	**102,936**
Mutual Funds & ETFs		**13.73**			**7,000,211**	**7,026,674**	**-26,463**	**1.47**	**102,936**
Fidelity Mid Cap Index Fund	FSMDX	13.73	24.89	281,246	7,000,211	7,026,674	-26,463	1.47	102,936
Small Cap U.S. Equity		**5.04**			**2,570,743**	**2,584,211**	**-13,468**	**0.33**	**8,567**
Mutual Funds & ETFs		**5.04**			**2,570,743**	**2,584,211**	**-13,468**	**0.33**	**8,567**
Boston Trust Walden Small Cap Fund	BOSOX	5.04	15.27	168,352	2,570,743	2,584,211	-13,468	0.33	8,567
Developed Markets Equity		**11.96**			**6,097,583**	**7,353,896**	**-1,256,313**	**3.79**	**231,319**
Mutual Funds & ETFs		**11.96**			**6,097,583**	**7,353,896**	**-1,256,313**	**3.79**	**231,319**
Fidelity International Index Fund	FSPSX	11.96	39.83	153,090	6,097,583	7,353,896	-1,256,313	3.79	231,319

	Symbol	% of Port.	Price	Shares/ Units	Portfolio Value	Cost Basis	Unrealized Gain/Loss	Current Yield	Projected Annual Income
Emerging Markets Equity		**6.01**			**3,064,836**	**3,152,457**	**-87,621**	**0.00**	**0**
Mutual Funds & ETFs		**6.01**			**3,064,836**	**3,152,457**	**-87,621**	**0.00**	**0**
Baron Emerging Markets Fd Inst Shs	BEXIX	6.01	13.54	226,354	3,064,836	3,152,457	-87,621	0.00	0
Real Assets		**4.01**			**2,045,701**	**2,506,029**	**-460,329**	**2.55**	**52,253**
U.S. Listed Real Estate		**4.01**			**2,045,701**	**2,506,029**	**-460,329**	**2.55**	**52,253**
iShares Core U.S. REIT ETF	USRT	4.01	53.40	38,309	2,045,701	2,506,029	-460,329	2.55	52,253

INVESTMENT POLICY

The County of Riverside Temporary and Part-Time Employees' 401(a) Defined Benefit Retirement Plan Investment Policy and Guidelines

SUMMARY

Organization:	County of Riverside
Plan IRS Tax Identification:	95-6000930
Targeted Return – annualized:	6%

INTRODUCTION

The Temporary/Part-Time Employees' Retirement Plan ("Plan") is a defined benefit pension. The Plan was implemented by the County of Riverside effective April 1, 1999. The purpose of the Plan is to provide eligible employees with an additional source of income upon retirement.

Employees are required to participate in the Plan if they are designated as a temporary or part-time employee and are not eligible for participation in CalPERS. This Plan is offered in lieu of Social Security. The County's contribution to the plan is based on an annual actuarial valuation.

Retirement benefits of the Plan are based on an employee's eligible earnings (not on employee's contributions). The Plan is based on a fiscal year beginning July 1st and ending June 30th.

STATEMENT OF OBJECTIVES

This Investment Policy Statement (IPS) has been formalized through the consideration of the County of Riverside Deferred Compensation Advisory Committee (the "Committee") and Trustee and it describes the prudent investment process the Committee and Trustee deem appropriate. This process includes offering various asset classes and investment management styles that, in total, are expected to offer a sufficient level of overall diversification and total investment return over the long-term. The objective is to:

- Maintain an appropriate asset allocation based on a total return policy that is compatible with the County's policies, while still having the potential to produce positive real returns.

Performance Expectations

In general, the Committee and Trustee would like the Portfolio to earn a targeted gross investment return (before fees and expenses) of at least 6%.

Risk Tolerances

The Committee and Trustee recognize that in order to achieve the long-term investment objectives of the Portfolio, there are risks and complexities associated with contemporary investment markets.

Taxes

The Plan is an IRS Section 401(a) defined benefit plan and as such is not subject to taxes under U.S. tax laws.

Permitted Investments

Cash and Cash Equivalents:

- Bank Deposits (A1/P1)
- Domestic Certificates of Deposit (A1/P1)
- Domestic Commercial Paper (A1/P1)
- Demand Notes (A1/P1)
- Bankers' Acceptances (A1/P1)
- U.S. Treasury or Government Agency Securities
- Collateralized Repurchase Agreements (102% Collateralized)
- Eurodollar Time Deposits (A1/P1)
- Prime Money Market Mutual Funds (Aaa/AAA)

Fixed Income Investments

- Treasury Inflation Protection Security Bonds (TIPS)
- Domestic Certificates of Deposit
- U.S. Government Bonds
- U.S. Government Agency Bonds
- Corporate Bonds - investment grade (BBB or better)
- Mortgage backed bonds, Asset backed bonds
- Bond mutual funds (Open and Closed)
- International Government Bonds
- International Corporate Bonds - investment grade (BBB or better)
- Convertible Bonds/Securities
- Diversified High Yield Bonds

Equity Investments

- Common Stocks
- Preferred Stocks
- American Depository Receipts (ADRs)
- Domestic and International Equity Mutual funds (Open and Closed)
- Exchange Traded Index Funds (ETFs)
- Emerging Market Equity Funds or Exchange Traded Funds (ETFs)
- REIT Investments or REIT Mutual Funds
- Commodities Mutual funds or Exchange Traded Notes (ETNs)

Prohibited Investments

- Private Equity or Private Equity Fund of Funds
- Private Placements
- Hedge Fund of Funds – registered or non-registered
- Hedge Funds - registered or non-registered
- Direct Real Estate
- Venture Capital
- Sector or limited themed strategy in concentration to entire Portfolio of greater than 5%
- Non-registered investment cooperative or pooled fund
- Derivative investment or securities
- Partnerships unless investing in Master Limited Partnerships invested in a mutual fund and limited in scope and allocation of Portfolio based on asset class limitations of table above
- Letter stock and other unregistered securities
- Short sales or margin transactions
- Investments in the equity securities of any company with a record of less than three years continuous operation, including the operation of any predecessor
- Investments for the purpose of exercising control of management

DUTIES AND RESPONSIBILITIES

The Human Resources Director is the Plan Administrator ("Administrator")

As a Plan Administrator and fiduciary, the Human Resources Director will have the discretionary authority and duty to construe the terms of the Plan document, determine eligibility for Plan benefits, and to perform all other acts reasonably necessary to administer the Plan.

County of Riverside Deferred Compensation Advisory Committee ("Committee")

On behalf of the County, the Committee will be responsible for:

- Recommending the appointment of a Trustee and Investment Manager to the Board of Supervisors.
- Amending the Plan Investment Policy and Guidelines as needed.
- Monitoring and supervising the investment performance of the plan.

Trustee

The Trustee will be a discretionary trustee and will assume responsibility as Trustee and Investment Manager. On behalf of the County, the Committee and the Human Resources Director the Trustee will be responsible for carrying out the activities described in the Trust Agreement. Such activities will include but not be limited to:

- Custody of Assets
- Monitoring asset allocation and rebalancing the entire Portfolio
- Monitoring Portfolio returns
- Distribute benefit payments
- Report, withhold and pay all appropriate taxes as required by each tax agency schedule including:
    - Tax withholding and reporting for federal taxes;
    - Tax withholding and reporting for all required states;
    - Tax withholding and reporting for non-resident alien;
    - Process all 1099s and related tax payments for retirees in the plan. Produce 1099R, 1099MISC, 1099INT, 1099DIV, W2 and 1042 tax forms and mail them no later than January 31.
- Reporting quarterly to the County for performance reviews, investment updates, market conditions and to explore new opportunities.
- Value the holdings.
- Collect all plan contributions, income and dividends owed to the Portfolio.
- Settle all transactions (buy-sell orders) initiated by the Investment Manager (s).
- Provide monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall Portfolio since the previous report.
- Assist in the development of investment guidelines.
- Meet with County representatives to review investment performance in Riverside at least four times a year.
- Provide quarterly account statements within ten business days following the end of the quarter.
- Provide Investment reports (return calculations) within five weeks of the end of the quarter.
- Provide current activity and historical information on the same day via their online Trust Now system.
- Through the U.S. Bank Benefit Payment system, provide the County:
- Control and account for all investment, recordkeeping and administrative expenses associated with the Portfolio.
- Avoid prohibited transactions and conflicts of interest.

Investment Manager

The Investment Manager will be responsible for guiding the Committee through a disciplined and rigorous investment process to enable the Committee to prudently manage fiduciary duties and responsibilities.

The responsibilities of the Investment Manager are to:

- Exercise full investment discretion with regard to buying, managing, and selling assets held in the portfolios.
- Communicate all significant changes pertaining to the fund it manages or the firm itself including but not limited to changes in ownership, organizational structure, financial condition, and professional staff.
- Effect all transactions for the Portfolio subject "to best price and execution." If a manager utilizes brokerage from the Portfolio assets to effect "soft dollar" transactions, detailed records will be kept and communicated to the Trust.
- Use the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like portfolios with like aims in accordance and compliance with all applicable laws, rules, and regulations.

ASSET CLASS GUIDELINES

Long-term investment performance, in large part, is primarily a function of asset class mix.

All investments made shall have good overall marketability, clear and acceptable pricing sources, and ability to liquidate in timely manner.

It is the policy of the County of Riverside to diversify the plan's assets among major asset classes.

The Trustee and Investment Manager will receive funds in kind from the County and deploy assets into the targeted allocation at the manager's discretion. Due to the current market environment and opportunities for risk-adjusted returns, the manager will fully invest the fixed income portion as soon as practical. The equity portion will be invested gradually as opportunities present themselves during market volatility, so as to minimize loss of principal. Asset allocation will be made depending on developing market conditions using the dollar cost averaging method.

Rebalancing of Strategic Allocation

Asset allocations will be reviewed periodically. When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the Portfolio.

IMPLEMENTATION

The Trustee and Investment Manager will apply the following due diligence guidelines in selecting each money manager or mutual fund.

1. Regulatory oversight: Each investment option should be managed by: (a) a bank; (b) an insurance company; (c) a registered investment company (mutual fund); or, (d) a registered investment adviser.
2. Correlation to style or peer group: The investment option should be highly correlated to the asset class being implemented. This is one of the most critical parts of the analysis since most of the remaining due diligence involves comparisons of the investment option to the appropriate peer group.
3. Performance relative to a peer group: The investment option's performance should be evaluated against the peer group's median manager return, for 1-, 3- and 5-year cumulative periods. Performance should be above the peer group median for 1-, 3-, and 5-year periods.
4. Performance relative to assumed risk: The investment option's risk-adjusted performance (Alpha and/or Sharpe Ratio) should be evaluated against the peer group's median manager's risk-adjusted performance. Risk-adjusted performance should be above the peer group median.
5. Minimum track record: The investment option should have sufficient history so that performance statistics can be properly calculated. Inception date for the investment option should be 3-years or more.
6. Assets in the product: The investment option should have sufficient assets so that the portfolio manager can properly trade the account. The investment option should have at least $75 million under management (can include assets in related share classes).
7. Holdings consistent with style: The underlying securities of the investment option should be consistent with the associated broad asset class. At least 80% of the underlying securities should be consistent with the broad asset class. For example, a Large-Cap Growth product should not hold more than 20% in cash, fixed income and/or international securities.
8. Expense ratios/fees: The investment option's fees should be fair and reasonable. Fees should not be in the bottom quartile (most expensive) of the peer group.
9. Stability of the organization: There should be no perceived organizational problems. The same management team should be in place for at least two years.

MONITORING

Performance Objectives

Periodically the Trustee will review whether each investment option continues to conform to the search criteria outlined in the Implementation section; specifically:

- The investment option's adherence to investment guidelines;
- Material changes in the investment option's organization, investment philosophy and/or personnel;
- Any legal, SEC and/or other regulatory agency proceedings affecting the investment option's organization

Performance Reporting; Measurement Periods

For comparative purposes, the Investment Manager shall measure and report to the Human Resources Director and Committee, the Portfolios' year to date performance as of March 31, June 30, September 30 and December 31, the preceding three months performance and the compound return since the inception date of each account. With respect to each measurement period, the Investment Manager shall calculate and report the Portfolio Benchmark return net of fees for the Portfolios. The Investment Manager shall also provide the Benchmark Indices' returns over the aforementioned periods.

Benchmarks

Performance objectives must be established for each investment option by the Trustee and Investment Manager. Performance will be evaluated in terms of an appropriate market index (e.g. the S&P 500 stock index for large-cap domestic equity manager) and the relevant peer group (e.g. the large-cap growth mutual fund universe for a large-cap growth mutual fund).

Watch list Procedures

The Investment Manager will evaluate and recommend investment options to be placed on a Watch list. Thorough review and analysis of the investment option will be conducted and the Committee and Trustee will determine to retain or terminate an investment option.

Measuring Costs – Investment Related

The Committee and Trustee will review periodically all costs associated with the management of the Portfolio, including:

- Expense ratios of each investment option against the appropriate peer group.
- Administrative Fees; costs to administer the Plan, including: (a) record keeping; (b) custody; (c) trust services.
- The proper identification and accounting of all parties receiving soft dollars and/or 12b-1 fees generated by the Portfolio.

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ECONOMIC OUTLOOK

Market analysis

October 24, 2022

This informational material is provided by U.S. Bank Asset Management Group who provides analysis and research to U.S. Bank and its affiliate U.S. Bancorp Investments. Contact your wealth professional for more details.

At a glance

Equities rallied despite somewhat disappointing earnings results. Economic data remains mixed as global central bank rate increases work their way through the economy.

Number of the week

67%

The percentage of S&P 500 companies that will release earnings reports over the next two weeks.

Term of week

Profit margin – The difference between a product or service's selling price and the cost of production, or the ratio of profit to revenue.

"U.S. housing market data provide significant evidence Fed interest rate hikes are slowing at least some elements of the economy. Homebuilder sentiment, according to the National Association of Home Builders Housing Market Index, slid to the lowest level since May 2020, with builders concerned about current and future sales and slowing buyers' traffic in the wake of higher mortgage rates. September housing starts contracted; housing completions improved as builders tried to move inventory through the market."
- **Robert Haworth,** Senior Vice President, Senior Investment Strategy Director, U.S. Bank

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[1] Important disclosures provided on page 4.

Global economy

Quick take: Housing market softness points to the impact of Fed rate hikes, but the rest of economy maintains a modest pace of growth.
Our view: Our U.S. Health Check highlights positive but below-trend economic activity and decelerating momentum as the Federal Reserve (Fed) tightens monetary policy to combat elevated inflation. Outside the U.S., our foreign scores are below median and slowing.

- **Broad U.S. economic data point to some moderation in growth, though not yet a contraction.** Industrial production rose 0.4% in September, reversing August's decline, supported by strength in mining and oil production, as well as defense and consumer goods. Additionally, weekly jobless claims dropped to 214,000 last week, slowing from 226,000 the prior week, indicating a still-solid labor market. In contrast, the Conference Board Leading Economic Index, which averages 10 data series to anticipate turning points in the business cycle, fell 0.4% in September and has declined 2.8% for the past six months, consistent with rising risk of an economic contraction.
- **U.S. housing market data provide significant evidence Fed interest rate hikes are slowing at least some elements of the economy**. Homebuilder sentiment, according to the National Association of Home Builders Housing Market Index, slid to the lowest level since May 2020, with builders concerned about current and future sales and slowing buyers' traffic in the wake of higher mortgage rates. September housing starts contracted; housing completions improved as builders tried to move inventory through the market.
- **Market turmoil in the wake of proposed tax cuts led United Kingdom (U.K.) Prime Minister Truss to resign her party leadership after just 45 days in office**. She will continue to serve as Prime Minister until her party, the U.K. Conservatives, can elect a new leader. U.K. stocks and the British Pound strengthened as long-term interest rates declined in the wake of the news.

Equity markets

Quick take: Equities are rallying early in the fourth quarter, even as third quarter earnings releases trend modestly below low expectations. It is unlikely equities trend meaningfully higher until inflation subsides, interest rate hikes slow and earnings visibility improves.
Our view: Inflation, interest rates and earnings are key to equity returns. At present, inflationary trends, hawkish Fed commentary and a slower earnings growth pace in 2023 are key contributors weighing on investor sentiment and equity prices.

- **Third quarter earnings releases are trending modestly below expectations.** As of Friday's close, roughly 20% of S&P 500 companies have reported third quarter results, with sales advancing 7.3% over year-ago levels, modestly below expectations at the start of the quarter for growth of 8.5%. Earnings are in negative territory, declining 1.7% year-over-year, below expectations for growth of 2.7%, according to Bloomberg and FactSet Research Systems.
- **The bulk of third quarter releases occur this week and next.** Roughly 67% of S&P 500 companies are slated to release results over the next two weeks, according to Bloomberg. While profit margins appear to be holding up reasonably well, we expect some compression, particularly among select Information Technology Consumer Discretionary companies.
- **Consumer and business spending remains solid,** though personal computer and related component sales are soft. The Financials sector is weighing on overall results due to loan loss reserves, but the underlying trends are generally favorable. Loan loss reserves have contributed to the Financials sector posting negative earnings growth (-11.9%), with 48% of companies in the sector reporting. Consumer Staples is the second most-reported sector, according to Bloomberg, with 28% of companies in that sector reporting so far.
- **Consensus analysts' earnings estimates for 2022 and 2023 are trending lower,** while valuations remain near long-term average levels. Consensus estimates for 2022 and 2023 are about 5% below early-year highs — currently roughly $222 and $237, respectively, according to Bloomberg, FactSet and S&P Capital IQ. At these levels, as of Friday's close, the S&P 500 trades at roughly 16.9 times 2022 estimates and 15.8 times 2023 projections, both near historical norms during periods of similar economic conditions, thus providing a measured level of valuation support.

Bond markets

Quick take: Treasury yields continued increasing last week, causing a decline in bond prices. Large drawdowns in asset prices this year dampened investor risk appetite and created the opportunity for a slight recovery in high yield corporate bond and bank loan prices, which rose in tandem with equities last week. Global central bank interest rate increases and investor expectations for more have placed persistent upward pressure on bond yields this year.

Our view: Tightening financial conditions from rising interest rates, volatile currency markets and slowing economic growth remain headwinds for riskier assets. We prefer defensively positioning portfolios with slightly above-normal allocations to high-quality bonds but are watching for signs of oversold conditions. High-quality bonds now offer attractive income and typically help offset equity risk.

- **Central bank guidance calls for additional rate hikes, driving bond yields higher across the globe.** High inflation prompted central banks around the world to raise interest rates in 2022. We track 60 central banks for policy actions and documented a record 90 interest rate hikes in the third quarter, with only three cuts. Investors expect the Bank of Japan to remain an outlier when it meets this week, continuing accommodative monetary policy that anchors bond yields at low levels. At meetings this week, investors expect the Bank of Canada and European Central Bank to deliver 0.75% rate hikes, with the Fed following along at its November 2 meeting. Sovereign bond yields (bonds issued by foreign governments) remain volatile as investors digest the potential impact of this extraordinary, synchronized tightening of financial conditions by global central banks.
- **High yield corporate bond prices rose last week.** High yield corporate bonds offer an extra 5% over Treasury yields in compensation for their lower credit quality. This extra yield is slightly above the long-term average, but the difficult economic backdrop risks further price declines in low-quality bonds that offset their extra income. Major credit analysts expect high yield corporate bond defaults to rise, but strong credit fundamentals and limited near-term maturities help contain default risk.

Real assets

Quick take: Broad commodities traded poorly despite an increase in crude oil prices, hurt by a stronger dollar and rising interest rates. Infrastructure and Real Estate traded better, but still lagged the S&P 500, due to interest rates at levels not seen in almost 15 years. Typically, defensive sectors trail the broader market in a more aggressive market environment like we saw last week.

Our view: We continue to see value in real assets' defensive sectors. Infrastructure should outperform on a relative basis over a six- to 12-month horizon with investors favoring tangible assets with stable cash flows as we move past peak earnings growth. Additionally, defensive assets should continue to be favored in a generally "risk-off" market regime.

- **Real Estate trailed the S&P 500 by 1.5% last week** as interest rates rose to the highest level in almost 15 years. Data centers and retail properties were the top-performing sectors while cell towers and offices lagged. Real estate investment trust prices reflect much lower property valuations than private market pricing, though rising interest rates will likely hurt forward returns.
- **Infrastructure trailed the S&P 500 by 2% last week**. Performance was led by midstream energy, which beat the broader market by 0.5%, while Utilities trailed by 2%. Railroads were the main detractor from performance, trailing the S&P 500 by 6%.
- **Crude oil prices rose 1% as domestic inventories declined**. We see the crude market as undersupplied, which should be supportive for prices over a longer time horizon, but acknowledge downside exists if the economy continues to slow.

This information represents the opinion of U.S. Bank Wealth Management. The views are subject to change at any time based on market or other conditions and are current as of the date indicated on the materials. This is not intended to be a forecast of future events or guarantee of future results. It is not intended to provide specific advice or to be construed as an offering of securities or recommendation to invest. Not for use as a primary basis of investment decisions. Not to be construed to meet the needs of any particular investor. Not a representation or solicitation or an offer to sell/buy any security. Investors should consult with their investment professional for advice concerning their particular situation. The factual information provided has been obtained from sources believed to be reliable, but is not guaranteed as to accuracy or completeness. U.S. Bank is not affiliated or associated with any organizations mentioned.

Based on our strategic approach to creating diversified portfolios, guidelines are in place concerning the construction of portfolios and how investments should be allocated to specific asset classes based on client goals, objectives and tolerance for risk. Not all recommended asset classes will be suitable for every portfolio. Diversification and asset allocation do not guarantee returns or protect against losses.

Past performance is no guarantee of future results. All performance data, while obtained from sources deemed to be reliable, are not guaranteed for accuracy. Indexes shown are unmanaged and are not available for direct investment. The **S&P 500 Index** consists of 500 widely traded stocks that are considered to represent the performance of the U.S. stock market in general. The **Conference Board Leading Economic Index** is used to predict the direction of global economic movements in future months. The index is composed of 10 economic components whose changes tend to precede changes in the overall economy. The **NAHB/Wells Fargo Housing Market Index** (HMI) is a monthly sentiment survey of members of the National Association of Home Builders. The index measures sentiment among builders of U.S. single-family homes and is a widely watched gauge of the U.S. housing sector. The **Employment Cost Index** is a quarterly economic series published by the U.S. Bureau of Labor Statistics that details the growth of total employee compensation.

Equity securities are subject to stock market fluctuations that occur in response to economic and business developments. **International investing** involves special risks, including foreign taxation, currency risks, risks associated with possible differences in financial standards and other risks associated with future political and economic developments. Investing in **emerging markets** may involve greater risks than investing in more developed countries. In addition, concentration of investments in a single region may result in greater volatility. Investing in **fixed income securities** are subject to various risks, including changes in interest rates, credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors. Investment in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Investments in **high yield bonds** offer the potential for high current income and attractive total return, but involve certain risks. Changes in economic conditions or other circumstances may adversely affect a bond issuer's ability to make principal and interest payments. The **municipal bond market** is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issues of municipal securities. Interest rate increases can cause the price of a bond to decrease. Income on municipal bonds is free from federal taxes, but may be subject to the federal alternative minimum tax (AMT), state and local taxes. There are special risks associated with investments in **real assets** such as commodities and real estate securities. For commodities, risks may include market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors. Investments in real estate securities can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates and risks related to renting properties (such as rental defaults).

Important disclosures, definitions of terms and index descriptions

If you have questions regarding this information or wish to receive definitions of any additional terms or indexes used in this report, please contact your Portfolio Manager.

Important disclosures (page 1 of 4)

The information provided here is not intended to replace your account statement. Your account statement is the official record of your account.

EQUAL HOUSING LENDER Equal Housing Lender. Credit products are offered by U.S. Bank National Association and subject to normal credit approval. Deposit products offered by U.S. Bank National Association. Member FDIC.

For use in one-on-one meetings/presentations.

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Past performance is no guarantee of future results. All performance data, while obtained from sources deemed to be reliable, are not guaranteed for accuracy. Indexes shown are unmanaged and are not available for direct investment, nor are they subject to fees and expenses.

Performance reports included may show performance results gross of fees and expenses. If fees and expenses were included, the performance would be lower. If you have any questions, please speak with your relationship manager for additional information.

Based on our strategic approach to creating diversified portfolios, guidelines are in place concerning the construction of portfolios and how investments should be allocated to specific asset classes based on client goals, objectives and tolerance for risk. Not all recommended asset classes will be suitable for every portfolio. **Diversification and asset allocation do not guarantee returns or protect against losses.**

Important disclosures (page 2 of 4)

Equity securities are subject to stock market fluctuations that occur in response to economic and business developments. **Stocks of small-capitalization companies** involve substantial risk. These stocks historically have experienced greater price volatility than stocks of larger companies and may be expected to do so in the future. **Stocks of mid-capitalization companies** can be expected to be slightly less volatile than those of small-capitalization companies, but still involve substantial risk and may be subject to more abrupt or erratic movements than large-capitalization companies. The value of **large-capitalization stocks** will rise and fall in response to the activities of the company that issued them, general market conditions and/or economic conditions. **Growth investments** focus on stocks of companies whose earnings/profitability are accelerating in the short term or have grown consistently over the long term. Such investments may provide minimal dividends, which could otherwise cushion stock prices in a market decline. Stock value may rise and fall significantly based, in part, on investors' perceptions of the company, rather than on fundamental analysis of the stocks. Investors should carefully consider the additional risks involved in growth investments. **Value investments** focus on stocks of income-producing companies whose price is low relative to one or more valuation factors, such as earnings or book value. Such investments are subject to risks that their intrinsic values may never be realized by the market, or such stocks may turn out not to have been undervalued. Investors should carefully consider the additional risks involved in value investments.

International investing involves special risks, including foreign taxation, currency risks, risks associated with possible differences in financial standards and other risks associated with future political and economic developments. Investing in **emerging markets** may involve greater risks than investing in more developed countries. In addition, concentration of investments in a single region may result in greater volatility.

Investments in **real estate securities** can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates and risks related to renting properties (such as rental defaults). There are special risks associated with an investment in **commodities**, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors.

Investments in **fixed income securities** are subject to various risks, including changes in interest rates, credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors. Investment in fixed income securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term securities. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Investments in **high yield bonds** offer the potential for high current income and attractive total return, but involve certain risks. Changes in economic conditions or other circumstances may adversely affect a bond issuer's ability to make principal and interest payments.

Important disclosures (page 3 of 4)

The **municipal bond** market is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issues of municipal securities. Interest rate increases can cause the price of a bond to decrease. Income on municipal bonds is free from federal taxes, but may be subject to the federal alternative minimum tax (AMT), state and local taxes. **Treasury Inflation-Protected Securities (TIPS)** offer a lower return compared to other similar investments and the principal value may increase or decrease with the rate of inflation. Gains in principal are taxable in that year, even though not paid out until maturity.

Non-financial **specialty assets**, such as real estate, farm, ranch and timber properties, oil, gas and mineral interests or closely-held business interests are complex and involve unique risks specific to each asset type, including the total loss of value. Special risk considerations may include natural events or disasters, complex tax considerations and lack of liquidity. Specialty assets may not be suitable for all investors.

Alternative investments very often use speculative investment and trading strategies. There is no guarantee that the investment program will be successful. Alternative investments are designed only for investors who are able to tolerate the full loss of an investment. These products are not suitable for every investor even if the investor does meet the financial requirements. It is important to consult with your investment professional to determine how these investments might fit your asset allocation, risk profile and tax situation. **Hedge funds** are speculative and involve a high degree of risk. An investment in a hedge fund involves a substantially more complicated set of risk factors than traditional investments in stocks or bonds, including the risks of using derivatives, leverage and short sales, which can magnify potential losses or gains. Restrictions exist on the ability to redeem or transfer interests in a fund. **Exchange-traded funds (ETFs)** are baskets of securities that are traded on an exchange like individual stocks at negotiated prices and are not individually redeemable. ETFs are designed to generally track a market index and shares may trade at a premium or a discount to the net asset value of the underlying securities. **Private equity** investments provide investors and funds the potential to invest directly into private companies or participate in buyouts of public companies that result in a delisting of the public equity. Investors considering an investment in private equity must be fully aware that these investments are illiquid by nature, typically represent a long-term binding commitment and are not readily marketable. The valuation procedures for these holdings are often subjective in nature. **Private debt** investments may be either direct or indirect and are subject to significant risks, including the possibility of default, limited liquidity and the infrequent availability of independent credit ratings for private companies. **Structured products** are subject to market risk and/or principal loss if sold prior to maturity or if the issuer defaults on the security. Investors should request and review copies of Structured Products Pricing Supplements and Prospectuses prior to approving or directing an investment in these securities.

Important disclosures (page 4 of 4)

Mutual fund investing involves risk and principal loss is possible. Investing in certain funds involves special risks, such as those related to investments in small- and mid-capitalization stocks, foreign, debt and high-yield securities and funds that focus their investments in a particular industry. Please refer to the fund prospectus for additional details pertaining to these risks. An investment in **money market funds** is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although these funds seek to preserve the value of an investment at $1.00 per share, it is possible to lose money by investing in these funds.

Holdings of First American Funds: U.S. Bancorp Asset Management, Inc. is a registered investment advisor and subsidiary of U.S. Bank National Association. U.S. Bank National Association is a separate entity and wholly owned subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, performance or services of U.S. Bancorp Asset Management. U.S. Bancorp Asset Management, Inc. serves as an investment advisor to First American Funds. **Holdings of Nuveen mutual funds**: Firstar Capital Corporation (Firstar Capital), an affiliate of U.S. Bancorp, holds a less-than-10 percent ownership interest in Windy City Investments Holdings, LLC which was formerly the parent of Windy City Investment Inc. and the indirect parent of Nuveen Fund Advisors, LLC which is the investment advisor to the Nuveen Mutual Funds. On October 1, 2014, Windy City Investments, Inc. was sold to Teachers Insurance and Annuity Association of America. As a result of the sale, U.S. Bancorp no longer has an indirect ownership interest in Nuveen Fund Advisors, LLC. Depending on the outcome of certain factors, Firstar Capital might in the future receive an earn-out payment in respect of its interest in Windy City Investment Holdings, LLC, under the terms of the sale. **Non-proprietary mutual funds**: U.S. Bank may enter into agreements with other non-proprietary mutual funds or their service providers whereby U.S. Bank provides shareholder services and/or sub-transfer agency, custodial and other administrative support services and receives compensation for these services. Compensation received by U.S. Bank directly or indirectly from mutual funds does not increase fund fees and expenses beyond what is disclosed in the fund prospectuses. For more information, review the fund prospectus.

Definitions of report and statement terms (page 1 of 5)

Accredited Investor: Private placement securities generally require that investors be accredited due to the additional risks and speculative nature of the securities. For natural persons, the criteria is met by a net worth of more than $1 million (excluding primary residence) or an income of more than $200,000 individually ($300,000 jointly) for the two most recent years and a reasonable expectation for the same in the current year. For other entities, such as corporations, partnerships, trusts and employee benefit plans, the criteria is met with at least $5 million in assets. See full definition in Rule 501 of Regulation D under the Securities Act of 1933.

Alpha: A measure of risk-adjusted performance. A statistic measuring that portion of a stock, fund or composite's total return attributable to specific or non-market risk. Alpha measures non-market return and indicates how much value has been added or lost. A positive Alpha indicates the fund or composite has performed better than its Beta would predict (i.e., the manager has added value above the benchmark). A negative Alpha indicates a fund or composite has underperformed given the composite's Beta.

Alternative Investments: As used by U.S. Bank, an investment considered to be outside of the traditional asset classes of long-only stocks, bonds and cash. Examples of alternative investments include hedge funds, private equity, options and financial derivatives.

Annualized Excess Return: Shows the difference between the annualized linked returns of a portfolio and the model benchmark. Performance reports provided annualize only periods greater than one year.

Annualized or Annual Rate of Return: Represents the average annual change in the value of an investment over the periods indicated.

Batting Average: Shows how consistently the portfolio return met or beat the market.

Beta: A measure of your portfolio's risk relative to a benchmark. A portfolio with a beta of 1.5, for example, would be expected to return roughly 1.5 times the benchmark's return. A high Beta indicates a riskier portfolio.

Bond Credit Rating: A grade given to bonds by a private independent rating service that indicates their credit quality. Ratings are the opinion of Standard & Poor's or other agencies as noted and not the opinion of U.S. Bank.

Consumer Price Index (CPI): A measure of the average change in prices over time in a market basket of goods and services and is one of the most frequently used statistics for identifying periods of inflation and deflation.

Convexity to Stated Maturity: A measure of the curvature in the relationship between bond prices and bond yields that demonstrates how the duration of a bond changes as the interest rate changes. Convexity is used as a risk-management tool and helps to measure and manage the amount of market risk to which a portfolio of bonds is exposed. This version of convexity measures the rate change in duration of a bond as the yield to (stated) maturity changes.

Definitions of report and statement terms (page 2 of 5)

Cost basis/book value: The original value of an asset at the time it was acquired. This is normally the purchase price or appraised value at the time of acquisition. This data is for information purposes only.

Cumulative Excess Return: Shows the difference between the annualized linked returns of a portfolio and the model benchmark. Performance reports provided use unannualized returns in periods up to one year, but annualized returns for periods exceeding one year.

Downside Capture: The downside capture ratio reflects how a portfolio compares to a benchmark during periods when the benchmark is down. A downside capture ratio of 0.80 (or 80 percent) means the portfolio has historically declined only 80 percent as much as the benchmark during down markets.

Downside Deviation: The deviation of returns that fall below a minimum acceptable return (MAR). Although the numerator includes only returns below the MAR, the denominator includes all returns in the performance period. This risk statistic is similar to the downside standard deviation except the sum is restricted to returns less than the MAR instead of the mean.

Downside Standard Deviation: The deviation of returns that fall below the mean return. Although the numerator includes only returns below the mean, the denominator includes all returns in the performance period. This risk statistic is similar to the downside deviation except the sum is restricted to returns less than the mean instead of the minimum acceptable return (MAR).

Effective Maturity: The date of a bond's most likely redemption, given current market conditions, taking into consideration the optional and mandatory calls, the optional, mandatory and recurring puts, and the stated maturity.

Estimated annual income: The amount of income a particular asset is anticipated to earn over the period indicted. The shares multiplied by the annual income rate.

Gain/loss calculation: If an asset was sold, the difference between the proceeds received from the sale compared to the cost of acquiring the asset. If the value of the proceeds is the higher of the two numbers, then a gain was realized. If the value of the proceeds is the lower of the two numbers, a loss was incurred. This data is for information purposes only.

Information Ratio: The information ratio compares the average excess return of the portfolio over its associated benchmark divided by the tracking error.

M-Squared: The hypothetical return of the portfolio after its risk has been adjusted to match a benchmark.

Definitions of report and statement terms (page 3 of 5)

Market Value: Publicly traded assets are valued using market quotations or valuation methods from financial industry services believed by us to be reliable. Assets, that are not publicly traded, may be reflected at values from other external sources or special valuations prepared by us. Assets for which a current value is not available may be reflected as not valued, at par value, or at a nominal value. Values shown do not necessarily reflect prices at which assets could have been bought or sold. Values are updated based on internal policy and may be updated less frequently than statement generation.

Market Value Over Time: Many factors can impact the portfolio value over time, such as contributions to the account, distributions from the account, the investment of dividends and interest, the deduction of fees and expenses, and market performance.

Modified Duration to Effective Maturity: A formula that expresses the measurable change in the value of a security in response to a change in interest rates. This version of Modified Duration takes into consideration a “horizon date/price” that is, given current conditions, the most likely redemption date/price using the set of calls/puts, as well as stated maturity.

Modified Duration to Stated Maturity: A formula that expresses the measurable change in the value of a security in response to a change in interest rates. This version of Modified Duration uses stated maturity as the “horizon date/price” and ignores any potential call/put/pre-refunding, even if they are mandatory.

Price/Earnings Ratio (P/E): The P/E ratio of a company is calculated by dividing the price of the company’s stock by its trailing 12-month earnings per share. A high P/E usually indicates that the market is paying a premium for current earnings because it believes in the firm’s ability to grow its earnings. A low P/E indicates the market has less confidence that the company’s earnings will increase. Within a portfolio, P/E is the weighted average of the price/earnings ratios of the stocks in the portfolio.

Qualified Purchaser: Some private placement securities require that investors be Qualified Purchasers in addition to being Accredited Investors. For natural persons, the criteria is generally met when the client (individually or jointly) owns at least $5 million in investments. For other entities, such as corporations, partnerships, trusts and employee benefit plans, the criteria is met with at least $25 million in investments though there are other eligibility tests that may apply. See full definition in Section 2(a)(51) of the Investment Company Act of 1940.

R-Squared: Measures the portion of the risk in your portfolio that can be attributed to the risk in the benchmark.

Realized and Unrealized Gains/Losses: Are calculated for individual tax lots based on the records we have available. Some data may be incomplete or differ from what you are required to report on your tax return. Some data used in these calculations may have been obtained from outside sources and cannot be verified by U.S. Bank. The data is intended for informational purposes only and should not be used for tax reporting purposes. Please consult with your tax or legal advisor for questions concerning your personal tax or financial situation.

Definitions of report and statement terms (page 4 of 5)

Residual Risk: The amount of risk specific to the assets in a portfolio distinct from the market, represented by a benchmark.

Return: An indication of the past performance of your portfolio.

Sharpe Ratio: Measures of risk-adjusted return that calculates the return per unit of risk, where risk is the Standard Deviation of your portfolio. A high Sharpe ratio indicates that the portfolio is benefiting from taking risk.

Sortino Ratio: Intended to differentiate between good and bad volatility. Similar to the Sharpe ratio, except it uses downside deviation for the denominator instead of standard deviation, the use of which doesn't discriminate between up and down volatility.

Spread: The difference between the yields of two bonds with differing credit ratings (most often, a corporate bond with a certain amount of risk is compared to a standard traditionally lower risk Treasury bond). The bond spread will show the additional yield that could be earned from a bond which has a higher risk.

Standard Deviation: A measure of the volatility and risk of your portfolio. A low standard deviation indicates a portfolio with less volatile returns and therefore less inherent risk.

Time-weighted Return: The method used to calculate performance. Time-weighted return calculates period by period returns that negates the effect of external cash flows. Returns for periods of greater than one year are reported as an annualized (annual) rate of return. Returns of less than one year are reported on a cumulative return basis. Cumulative return is the aggregate amount an investment has gained or lost over time, independent of the period involved.

Tracking Error: A divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark. This is often in the context of a hedge or mutual fund that did not work as effectively as intended, creating an unexpected profit or loss instead.

Traditional Investments: As used by U.S. Bank, an investment made in equity, fixed income or cash securities, mutual funds or exchange-traded funds (ETFs) where the investor buys at a price with the goal that the investment will go up in value.

Top 10 Holdings: The 10 assets with the highest market values in the account.

Total Portfolio Gross of Fees: Represents all assets included in the calculation of the portfolio, before the deduction of trust and asset management fees, and is inclusive of all applicable third-party security fees and expenses. Details of those fees and expenses are provided in the security's prospectus or offering documents.

Definitions of report and statement terms (page 5 of 5)

Total Return: The rate of return that includes the realized and unrealized gains and losses plus income for the measurement period.

Treynor Ratio: Measures the performance of a sector relative to risk by dividing the return of the sector in excess of the risk-free return by the sector's Beta. The higher the Treynor ratio, the better the return relative to risk.

Turnover Percent: Indicates how frequently asset are bought and sold within a portfolio.

Turnover Ratio: The percentage of a mutual fund's or other investment vehicle's holdings that have been "turned over" or replaced with other holdings in a given year.

Unrealized gain (loss) — The difference between the current market value (at the end of the statement period) and the cost to acquire the asset. If the current market value is higher than the cost, a gain is reflected. If the current market value is lower than the cost paid, a loss is reflected. This data is for information purposes only.

Upside Capture: The upside capture ratio reflects how a portfolio compares to the selected model benchmark during periods when the benchmark is up. An upside capture ratio of 1.15 (or 115 percent) means the portfolio has historically beat the benchmark by 15 percent during up markets.

Yield: The annual rate of return on an investment, expressed as a percentage. For bonds, it is the coupon rate divided by the market price. For stocks, it is the annual dividend divided by the market price.

Frequently used indexes (page 1 of 5)

Bloomberg Barclays 1-3 year U.S. Treasury Index: Measures the performance of the U.S. government bond market and includes public obligations of the U.S. Treasury with a maturity between one year and up to (but not including) three years.

Bloomberg Barclays 1-5 year U.S. Treasury Index: Includes all publicly issued, U.S. Treasury securities that have a remaining maturity of greater than or equal to one year and less than five years, are rated investment grade and have $250 million or more of outstanding face value.

The Bloomberg Barclays 1-5 year Municipal Index: Measures the performance of municipal bonds with time to maturity of more than one year and less than five years.

Bloomberg Barclays 7-year Municipal Index: Includes municipal bonds with a minimum credit rating of Baa that have been issued as part of a transaction of at least $50 million, have a maturity value of at least $5 million and a maturity range of four to six years.

Bloomberg Barclays Global Aggregate Index ex-U.S. Index: Measure of global investment grade debt from 24 local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Global Treasury ex-U.S. Index: Includes government bonds issued by investment-grade counties outside the United States, in local currencies, that have a remaining maturity of one year or more and are rated investment grade.

Bloomberg Barclays High Yield Municipal Bond Index: An unmanaged index made up of bonds that are non-investment grade, unrated or below Ba1 bonds.

Bloomberg Barclays Intermediate Aggregate Index: Consists of one- to 10-year governments, one- to 10-year corporate bonds, all mortgages and all asset-backed securities within the Aggregate Index.

Bloomberg Barclays Mortgage-Backed Securities Index: Covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid adjustable-rate mortgages) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

Bloomberg Barclays U.S. Aggregate Bond Index: Measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities.

Bloomberg Barclays U.S. Corporate Bond Index: Measures the investment grade, fixed-rate, taxable corporate bond market and includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Frequently used indexes (page 2 of 5)

Bloomberg Barclays U.S. Corporate High Yield Bond Index: Measures the U.S. dollar denominated, high yield, fixed-rate corporate bond market.

Bloomberg Barclays U.S. Municipal Bond Index: Measures the investment grade, U.S. dollar-denominated, fixed tax-exempt bond market. The index includes state and local general obligation, revenue, insured and pre-refunded bonds.

Bloomberg Barclays U.S. Treasury Index: Measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury.

Bloomberg Barclays U.S. Treasury Inflation-Protected Securities (TIPS) Index: An unmanaged index includes all publicly issued, U.S. TIPS that have at least one year remaining to maturity, are rated investment grade, and have $250 million or more of outstanding face value.

Cambridge U.S. Private Equity Index: This index is based on returns data compiled for U.S. private equity funds (including buyout, growth equity and mezzanine funds) that represent the majority of institutional capital raised by private equity partnerships formed since 1986. Returns may be delayed by up to six months. Quarterly performance is prorated based on the cube root for the months of the quarter.

Citigroup 3-Month Treasury Bills: An unmanaged index and represents monthly return equivalents of yield averages of the last three-month Treasury Bill issues.

Citigroup 6-Month Treasury Bills: An unmanaged index and represents monthly return equivalents of yield averages of the last six-month Treasury Bill issues.

Credit Suisse Leverage Loan Index: Represents tradable, senior-secured, U.S. dollar-denominated non-investment grade loans.

Dow Jones Industrial Average (DJIA): The price-weighted average of 30 significant U.S. stocks traded on the New York Stock Exchange and NASDAQ. The DJIA is the oldest and single most watched index in the world.

Dow Jones Select REIT Index: Measures the performance of publicly traded REITs and REIT-like securities in the U.S. and is a proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

HFRI Indices: The Hedge Fund Research, Inc. (HFRI) indexes are a series of benchmarks designed to reflect hedge fund industry performance by constructing composites of constituent funds, as reported by the hedge fund managers listed within the HFR Database.

Frequently used indexes (page 3 of 5)

HFRI Equity Hedge Total Index: Uses the HFR (Hedge Fund Research) database and consists only of equity hedge funds with a minimum of $50 million assets under management or a 12-month track record and that reported assets in U.S. dollars.

HFRI Relative Value Fixed Income Corporate Index: Uses the HFR (Hedge Fund Research) database and consists of only relative value fixed income corporate funds with a minimum of $50 million assets under management or a 12-month track record and that reported assets in U.S. dollars.

ICE BofAML 1-3 Year Corporate Index: Tracks U.S. dollar-denominated investment grade public debt issued in the U.S. bond market with maturities of one to three years.

ICE BofAML 1-5 Year Corporate and Government Index: Tracks the performance of short-term U.S. investment grade government and corporate securities with maturities between one and five years.

ICE BofAML U.S. 7-10 Year Index: Tracks the performance of U.S. dollar denominated investment grade rated corporate debt publicly issued in the U.S. domestic market and includes all securities with a remaining term to maturity of greater than or equal to seven years and less than 10 years.

ICE BofAML Global Broad Market Index: Tracks the performance of investment grade public debt issued in the major domestic and Eurobond markets, including global bonds.

ICE BofAML U.S. High Yield Master II Index: Commonly used benchmark index for high yield corporate bonds and measures the broad high yield market.

J.P. Morgan Emerging Markets Bond Index Global (EMBI Global): Tracks total returns for traded external debt instruments in the emerging markets.

London Interbank Offered Rate (LIBOR) 3-months: The interest rate offered by a specific group of London banks for U.S. dollar deposits with a three-month maturity.

London Interbank Offered Rate (LIBOR) 9-months: The interest rate offered by a specific group of London banks for U.S. dollar deposits with a nine-month maturity.

MSCI All Country World Index (ACWI): Designed to measure the equity market performance of developed and emerging markets.

Frequently used indexes (page 4 of 5)

Russell 2000 Value Index: Measures companies in the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index includes the 2,000 firms from the Russell 3000 Index with the smallest market capitalizations.

Russell 3000 Index: Measures the performance of the 3,000 largest U.S. securities based on total market capitalization.

Russell Midcap Index: Measures the 800 smallest companies in the Russell 3000 Index.

Russell Midcap Growth Index: Measures companies in the Russell Midcap Index having higher price-to-book ratios and higher forecasted growth values.

Russell Midcap Value Index: Measures companies in the Russell Midcap Index having lower price-to-book ratios and lower forecasted growth values.

MSCI All County World ex-U.S. Index (ACWI, excluding United States): Tracks the performance of stocks representing developed and emerging markets around the world that collectively comprise most foreign stock markets. U.S. stocks are excluded from the index.

MSCI EAFE Index: Includes approximately 1,000 companies representing the stock markets of 21 countries in Europe, Australasia and the Far East.

MSCI Emerging Markets (EM) Index: Designed to measure equity market performance in global emerging markets.

MSCI World Index: Tracks equity market performance of developed markets through individual country indices.

NAREIT Index: Includes REITs (Real Estate Investment Trusts) listed on the New York Stock Exchange, NASDAQ and American Stock Exchange.

NASDAQ Composite Index: A market capitalization-weighted average of roughly 5,000 stocks that are electronically traded in the NASDAQ market.

NCREIF Property Index (NPI): Measures the investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

Russell 1000 Index: Measures the performance of the 1,000 largest companies in the Russell 3000 Index and is representative of the U.S. large capitalization securities market.

Frequently used indexes (page 5 of 5)

Russell 1000 Growth Index: Measures companies in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values. It includes the largest 1,000 firms in the Russell 3000 Index.

Russell 1000 Value Index: Measures companies in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth values. It includes the largest 1,000 firms in the Russell 3000 Index.

Russell 2000 Index: Measures the performance of the 2,000 smallest companies in the Russell 3000 Index and is representative of the U.S. small capitalization securities market.

Russell 2000 Growth Index: Measures companies in the Russell 2000 Index having higher price-to-book ratios and higher forecasted growth values. and is representative of U.S. securities exhibiting growth characteristics. The Russell 2000 Index includes the 2,000 firms from the Russell 3000 Index with the smallest market capitalizations.

S&P 500 Index: Consists of 500 widely traded stocks that are considered to represent the performance of the U.S. stock market.

S&P Global ex-U.S. Property Index: Measures the investable universe of publicly traded property companies domiciled in developed and emerging markets excluding the United States. The companies included are engaged in real estate related activities such as property ownership, management, development, rental and investment.

S&P GSCI: A composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities.

S&P/Case-Shiller Home Price Indexes: A group of indexes that track changes in home prices throughout the United States. Case-Shiller produces indexes representing certain metropolitan statistical areas (MSA) as well as a national index.

Swiss Re Global Cat Bond Total Return Index: Tracks the aggregate performance of all U.S. dollar-denominated euros and Japanese yen-denominated catastrophe bonds, capturing all ratings, perils and triggers.

U.S. Dollar Index: Indicates the general international value of the U.S. dollar by averaging the exchange rates between the U.S. dollar and six major world currencies.

Wilshire 5000 Index: Composed of more than 6,700 publicly-traded U.S. companies and is designed to track the overall performance of the American stock markets.

Pension Advisory Review Committee

2023

Annual Report

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EXECUTIVE SUMMARY

In accordance with Board of Supervisors Policy B-25, the Pension Advisory Review Committee (PARC) presents this annual report to provide a comprehensive status of the County's defined benefit pension plans (CalPERS Miscellaneous and Safety, as well as the Part-time and Temporary Employees' Retirement Plan - TAP), its associated investment trust accounts held outside the pension plans (Section 115 Pension Trusts and TAP), and, the County's Other Post Employment Obligations (OPEB). Independent analysis has been provided by Foster & Foster, Inc. (see Attachment 1), AON and Fieldman, Rolapp & Associates. Included are the most recent annual valuation reports from CalPERS (Attachments 2 & 3) as well as AON (Attachments 4 & 5).

In summary, despite the past year's market reversals experienced by most long-term investors, the County's retirement plans are on a solid footing as measured by funding status, and the long-term trends are projected to remain intact for that key indicator of pension plan health. In addition, even in the face of annual cost increases, prior pension reform measures of the past decade are expected to keep those costs under control and bend the cost curve downward in the coming years.

Highlights – for the reporting period ended June 30, 2021, from the prior year there is a:

- **10.2% combined *increase* in CalPERS funded status from 76.4% to 86.6%.**
- **$14.5 million *additional investment* in the Section 115 Pension Trust from Series 2020 POBs savings** (1)
- **$68.1 million *net estimated gain* on Series 2020 POBs** (2)
- **$1.19 billion combined *decrease* in CalPERS unfunded actuarial accrued liability (UAAL)**
- **$2.24 billion combined *increase* in the CalPERS market value of assets (MVA)**

This report also addresses other areas including status on the:

- Series 2005 A and Series 2020 Pension Obligation Bonds (POBs)
  - **Combined POB proceeds total net estimated gain of $256 million ($114 million YoY decrease)** (2)
- Section 115 Trusts (3)
  - **$62.3 million in combined Pension Trust balances ($10.9 million YoY increase)**
  - **$76.4 million OPEB Trust balance ($2.7 million YoY increase)**
- Other Post-Employment Benefits (OPEB) (Attachment 4) (3)
  - **58.2% funded status (11% YoY increase)**
- Part-time and Temporary Employees' Retirement Plan (Attachment 5) (4)
  - **81.6% funded status (0.1% YoY increase)**
- Special District Plans found in the latter portion of this report

(1) Savings attributable to the issuance of Series 2020 POBs for the period ended 6/30/22.
(2) Projected as of the next POBs interest payment due date, 2/15/23. Source: Attachment 1, Slide #89 & #92. County of Riverside - CalPERS Miscellaneous and Safety Plans. Independent Actuarial Report - 6/30/21 Valuation, Foster & Foster, Inc. Year-to-year performance will vary based on CalPERS' investment return.
(3) Actual, as of June 30, 2022.
(4) Actual, as of July 1, 2022.

FY 23/24 Budgetary Impact – **The projected total year-over-year rate increase for FY 23/24 as a percentage of payroll for the Miscellaneous and Safety Plans (which includes CalPERS' rates and POB debt service), as well as OPEB contributions, is shown below**:

Year-over-Year Increase

For the fiscal year	FY 21/22	FY 22/23	**FY 23/24**
Miscellaneous Plan	2.20%	1.82%	**1.19%**
Safety Plan	1.62%	1.59%	**1.01%**

Although lesser than FY 22/23, the nominal rate increases for FY 23/24 are an additional payroll expense to the budgets across all County departments. **<u>The modest decline in the rate of growth</u> is primarily due to the payoff of certain amortization bases (separate payment schedules) from the proceeds of the Series 2020 Pension Obligation Bonds, reducing the unfunded liability portion of the contribution rate.**

Annual Pre-payment – **For FY 23/24, CalPERS will offer an early payment discount of approximately 3.2%** on the unfunded liability portion due for the fiscal year, **thereby reducing the total amount owed by potentially over $5 million**. This is in lieu of periodic payments that coincide with payroll disbursements.

In order to fund the initial payment, the County typically includes a substantial portion of the pre-payment amount as part of the annual Tax and Revenue Anticipation Notes (TRANs) cash flow financing. The other alternative would be to borrow internally by drawing down General Fund cash. The TRAN financing typically carries a lower cost. A final recommendation regarding the pre-payment will be made in conjunction with the FY 23/24 TRANs.

Recent news of interest:

- **November 3, 2022 - Moody's Investors Service upgrades County of Riverside Series 2005 A and Series 2020 Pension Obligation Bonds from A1 to Aa2.**
- **July 20, 2022 – CalPERS announces preliminary net investment return of -6.1% for the 2021-22 fiscal year.**

Conclusion - **Over the next five years, the Miscellaneous and Safety pension plan contribution rates are projected to increase by a total of 1.8%, and 5.4% respectively (see discussion on page 9). Based upon several factors, the long-term pension outlook remains favorable, with increases projected to peak early in the next decade. The funded status is now anticipated to be more than 80% within ten years, which has suffered a setback due to the negative returns experienced in FY 21/22. Projections will be tempered by year-to-year financial market performance impacting investment returns, especially given the current backdrop of the U.S economy and with the U.S. Federal Reserve determined to tamp down forty plus year highs in inflation.**

Staff and the PARC will continue to look for strategic options for managing its long-term costs of the County's pensions and related liabilities.

RECOMMENDATIONS

1. Receive and file the 2023 PARC Annual Report.
2. Direct staff and PARC to report back with any additional updates or recommendations on the County's pension plans, Other Post-Employment Benefits (OPEB), or any other item as noted in Board Policy B-25 including pension debt reduction strategies.
3. Direct staff to review the annual CalPERS unfunded liability pre-payment for FY 23/24 and to have such recommendations presented in conjunction with either the approval of the annual Tax and Revenue Anticipation Notes (TRANs) cash flow financing, or, with the FY 23/24 budget.

STATUS OF THE COUNTY'S MISCELLANEOUS AND SAFETY PLANS - COMBINED

For the annual valuation report ended June 30, 2021, the $2.24 billion increase in MVA, $1.19 billion decrease in UAAL, and, corresponding 10.2% increase in funded status to 86.6% (1) with CalPERS was primarily due to a combination of the deposit of the 2020 POB proceeds, and CalPERS' investment performance. There is an offset to the corresponding debt owed to bondholders as shown in the net Funded Status, albeit at a substantially lower interest cost.

		Actual	Projected	
For the valuation report ended June 30 ($ in billions)	2020	**2021**	2022	2023
Total actuarial accrued liability (AAL)	$13.03	**$14.08**	$14.82	$15.59
Total market value of assets (MVA)	$9.96	**$12.20**	$11.41	$12.16
Total unfunded actuarial accrued liability (UAAL)	$3.08	**$1.88**	$3.41	$3.43
Funded Status – gross	76.4%	**86.6%**(1)	77.0%	78.0%
Funded Status – net	69.2%	**80.4%**(2)(3)	71.5%(3)	73.2%

(1) Does not include POB liability. Miscellaneous Plan is 85.6%, Safety Plan is 88.9%.
(2) Includes POB liability. Miscellaneous Plan is 80.3%, Safety Plan is 80.5%.
(3) Amounts exclude Section 115 Pension Trust balances of $51.5 million at 6/30/2021, and, $62.4 million at 6/30/22. If included, the net funded status would be 80.7% and 71.9% at 6/30/21 and 6/30/22, respectively.

The CalPERS annual valuation reports have a one-year lag. **For the period ending June 30, 2022, Foster & Foster, Inc. rolls forward the report with actual investment performance data as published by CalPERS and is projecting a substantial decrease in MVA, increase in UAAL and decrease in funded status as a result of the -6.1% preliminary net investment return earned by CalPERS.** For the period ending June 30, 2023, the projection is based on CalPERS' 7% assumed rate of return. This will be further updated after the close of the fiscal year when the next report is produced.

For comparison, an analysis of the average gross funded ratio of all other counties that participate in CalPERS was performed for the period ended June 30, 2021. The research shows the average of thirty-three other counties in the Miscellaneous Plan was 77.8%, vs. the County at 85.6% (+7.8%), while seventeen other counties in the Safety Plan was 76.7%, vs. the County at 88.9% (+12.2%).

CALPERS INVESTMENT RETURNS

The primary driver of the rate formula is CalPERS' investment performance. For a given benefit level, actuarial and demographic assumptions impact the rate, but far less than performance. Since the County's benefit levels have been essentially frozen since the adoption of PEPRA in 2012, variation in funding levels and employer rate have been primarily attributable to investment returns. Current projections assume no deviation from the current three benefit levels.

Poor investment performance following the 2008-2009 financial crisis significantly increased the County's unfunded liability, driving up the required payments. Likewise, strong investment performance such as CalPERS' 21.3% return for the period ended June 30, 2021 (the highest level in over twenty years – see table below) had a substantial positive impact on the County's MVA, UAAL and funded status.

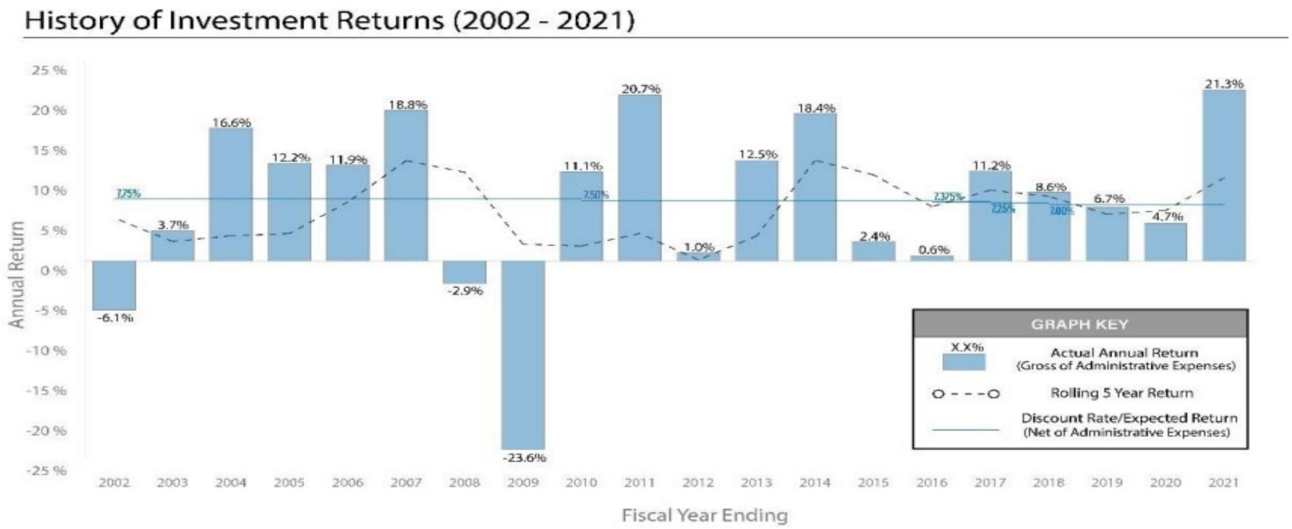
For the fiscal year ending June 30, 2022, CalPERS' preliminary net investment return of -6.1% will show up in next years' annual valuation report and the 2024 PARC Annual Report. The investment loss attributable to FY 21/22 virtually cancelled out any gains from the prior year. Per CalPERS, there will be a five-year phase-in of the FY 20/21 investment gain, as well as the FY 21/22 investment loss.

The table below provides annual returns from the most recent CalPERS Annual Valuation Report as of June 30, 2021.

History of CalPERS Compound Annual Rates of Return

<u>1 year</u>	<u>5 year</u>	<u>10 year</u>	<u>20 year</u>	<u>30 year</u>
21.3%	**10.3%**	**8.5%**	**6.9%**	**8.4%**

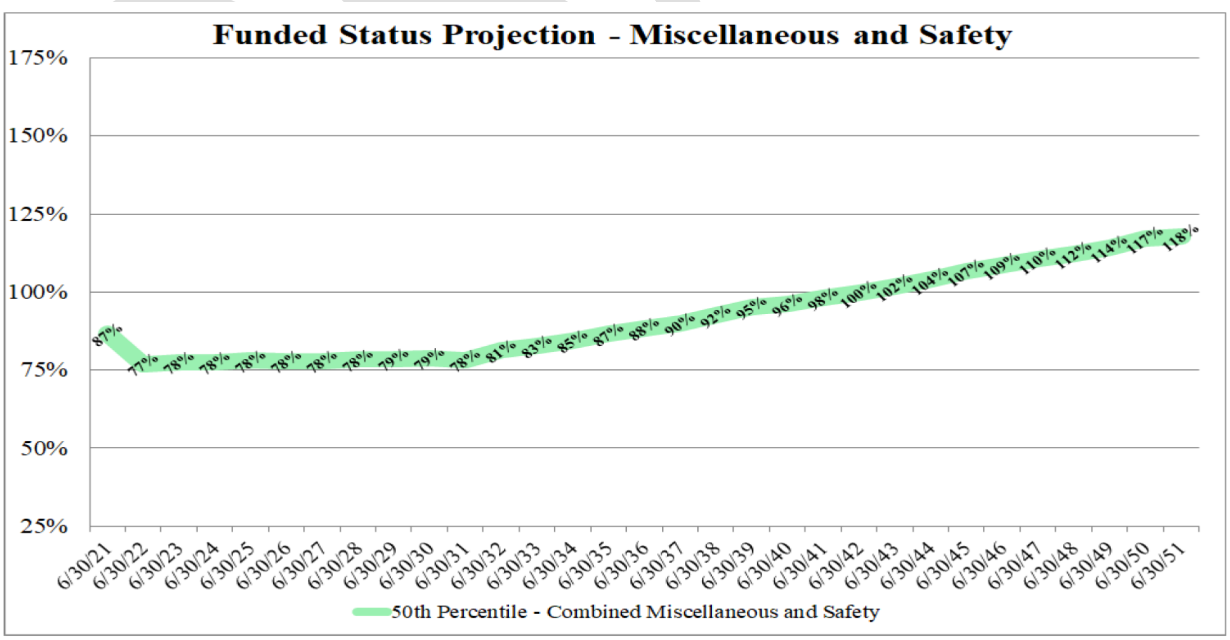
The graph below illustrates the 20-year historical annual returns each fiscal year ending June 30.



Source: CalPERS Annual Valuation Report as of June 30, 2021.

FUNDED STATUS

While recent investment underperformance will cause a reduction in the combined funded status in the near term, **the chart below suggests a return to 80% within the next decade while maintaining a strong funded position until that point.** The trajectory is the same on a net basis as POB debt service declines every single year through final maturity in 2038. Based upon these updated projections, the Plans would reach 100% funding in 2042.



Source: Attachment 1, Slide #83. County of Riverside - CalPERS Miscellaneous and Safety Plans.
Independent Actuarial Report - 6/30/21 Valuation, Foster & Foster, Inc.
50th percentile assumes CalPERS earns 7% through 6/30/23, 6.80% beginning 7/1/23 and gradually declining to 6% within twenty years.

EMPLOYER CONTRIBUTION RATE OUTLOOK

The FY 23/24 employer contribution rate as a percent of pay for the Miscellaneous Plan is 28.20% (a 0.20% increase from prior year), **while the Safety Plan is 48.2%** (a 1.00% increase from prior year) as shown in the table below. **Note the significant projected increase in rates (particularly the Safety Plan) vs. the prior PARC Report for the period FY 23/24 – FY 32/33 which is attributable to the -6.1% investment return earned by CalPERS in FY 21/22.**

Graphical representation of these rates for both plans follow on pages 7 - 11.

	Miscellaneous Plan			Safety Plan		
FY	**Rate [1]**	**Change from prior FY (+/-)**	**Difference from 2022 PARC Report projection**	**Rate [2]**	**Change from prior FY (+/-)**	**Difference from 2022 PARC Report projection**
17/18	19.40%[3]	0.30%	N/A	30.30%[3]	1.50%	N/A
18/19	21.20%[3]	1.80%	N/A	33.70%[3]	3.40%	N/A
19/20	23.90%[3]	2.70%	N/A	39.70%[3]	6.00%	N/A
20/21	26.30%[3]	2.40%	0.00%	43.40%[3]	3.70%	0.00%
21/22	27.60%[3]	1.30%	0.00%	46.20%[3]	2.80%	0.00%
22/23	28.00%[3]	0.40%	-1.00%	47.20%[3]	1.00%	-1.30%
23/24	**28.20%[3]**	**0.20%**	**0.10%**	**48.20%[3]**	**1.00%**	**1.10%**
24/25	28.40%	0.20%	1.70%	49.10%	0.90%	4.10%
25/26	27.90%	-0.50%	2.90%	49.10%	0.00%	6.10%
26/27	28.90%	1.00%	4.20%	51.00%	1.90%	8.60%
27/28	29.80%	0.90%	5.70%	52.60%	1.60%	11.00%
28/29	32.20%	2.40%	7.20%	56.70%	4.10%	13.40%
29/30	32.90%	0.70%	7.10%	58.20%	1.50%	13.60%
30/31	33.50%	0.60%	6.70%	59.10%	0.90%	13.00%
31/32	33.50%	0.00%	6.20%	59.90%	0.80%	12.00%
32/33	34.00%	0.50%	6.00%	60.10%	0.20%	11.10%
33/34	33.90%	-0.10%	N/A	60.00%	-0.10%	N/A

(1) Includes Miscellaneous Plan POBs debt service which ranges from 1.4% to 5.1% of the total rate from FY 22/23 to FY 33/34.
(2) Includes Safety Plan POBs debt service which ranges from 4.9% to 10.9% of the total rate from FY 22/23 to FY 33/34.
(3) Actual rates shown for FY 17/18 through FY 23/24.

EMPLOYER CONTRIBUTION RATE OUTLOOK (continued)

For the Miscellaneous and Safety plans, the following pages show a comparison of the most recent valuation report, 2021 vs. prior year 2020 for:

- projected employer contribution rates expressed as a percentage with the three components that comprise the total amount (POBs debt service, normal cost and unfunded liability), over the next decade
- projected employer contribution rates with a longer-term view of thirty years
- projected employer contributions expressed in dollars over the next decade

In most instances of comparisons vs. the prior year, there is substantial change in the trajectory of projected contributions. The negative investment return earned by CalPERS in FY 21/22 is having an adverse impact. As shown on page 12, for the period of FY 22/23 through FY 32/33, the cumulative Miscellaneous and Safety payments are projected to increase by $152 million.

The projections of CalPERS rates going forward are based upon Foster & Foster's model which incorporates the expected return, a less than expected return, and an above average return. **In all of the 2021 contribution rate charts, 50th percentile (bold green line) assumes CalPERS earns 7% through 6/30/23, 6.80% (which is the new discount rate) beginning 7/1/23, and gradually declines to 6% within twenty years, a conservative projection given current trends. All include both 2005 and 2020 POB proceeds invested with CalPERS, as well as the POBs associated debt service. Note, that even with very poor investment returns (represented in the 25th percentile on pages 7 & 10) the projected rates exhibit a long-term decline which begins in the mid 2030's.** These long-term projections reflect the increasing impact of the changes made to the benefit formulas in the last decade, as more of the employee population becomes subject to Tier III Public Employees' Pension Reform Act (PEPRA) as well as the unfunded liability being paid down.

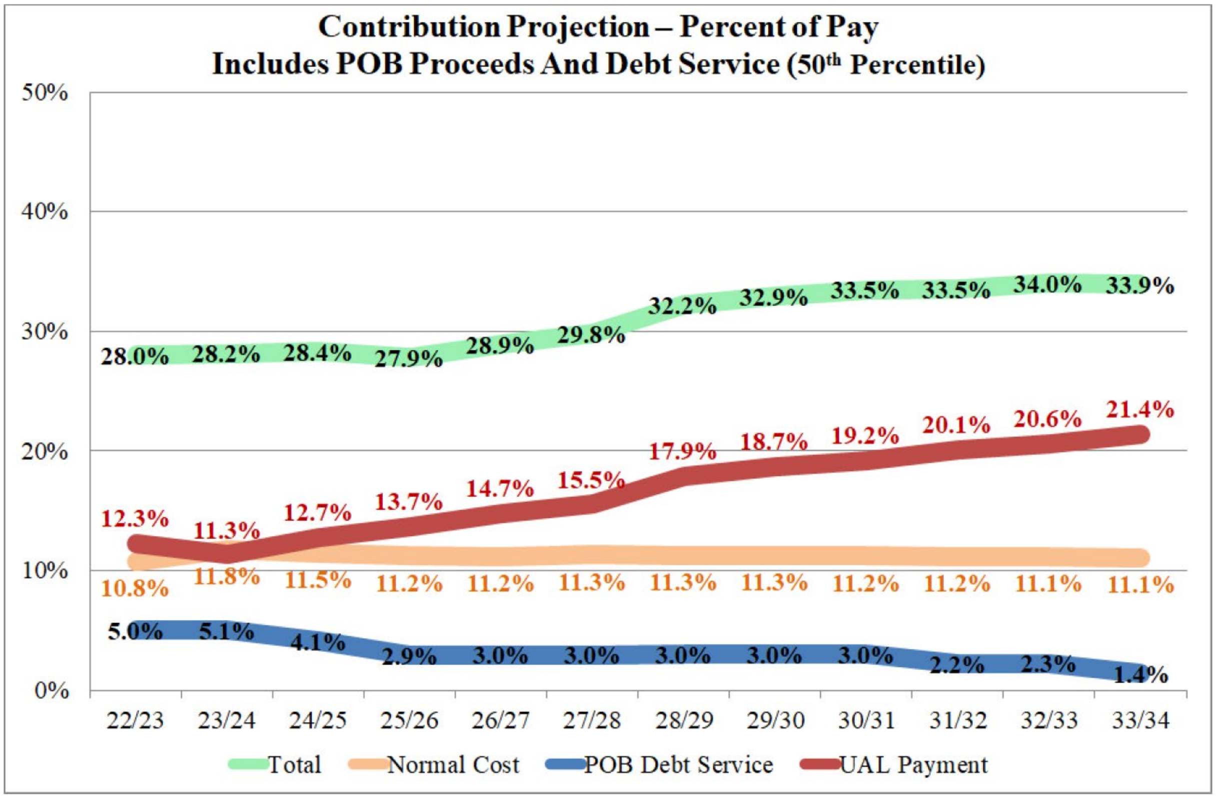
In analyzing the trends, it is helpful to focus on the three components of the rate: debt service on the POBs, the normal cost, and the UAAL payment. The POB debt service is derived from a fixed schedule and shows declines over the period with final maturities of 2035 and 2038 reflected in the thirty-year projection. Debt service of both series of bonds is also incorporated in the charts on pages 8 & 11. The normal cost is relatively constant with modest declines reflecting the transition to a greater number of lower benefit Tier III employees. Currently, the UAAL reflects scheduled payments to amortize net losses (which are a combination of investment gains and losses), and any demographic changes which resulted in a gain or loss. At the end of each year, CalPERS "trues up" its actual versus projected performance, and books gains or losses which are then amortized over time. In the following pages, year over year comparisons of the rate components for both the Miscellaneous and Safety Plans are included. The charts make it plain to see that the vast majority of year over year increase is caused by the higher payment necessary to amortize the UAAL.

Miscellaneous Rates

Short-term - Over the decade the contribution rate is projected to average 31.2% with a low of 27.9% in 2025, and a peak of 34% in 2032 (as shown on page 7).

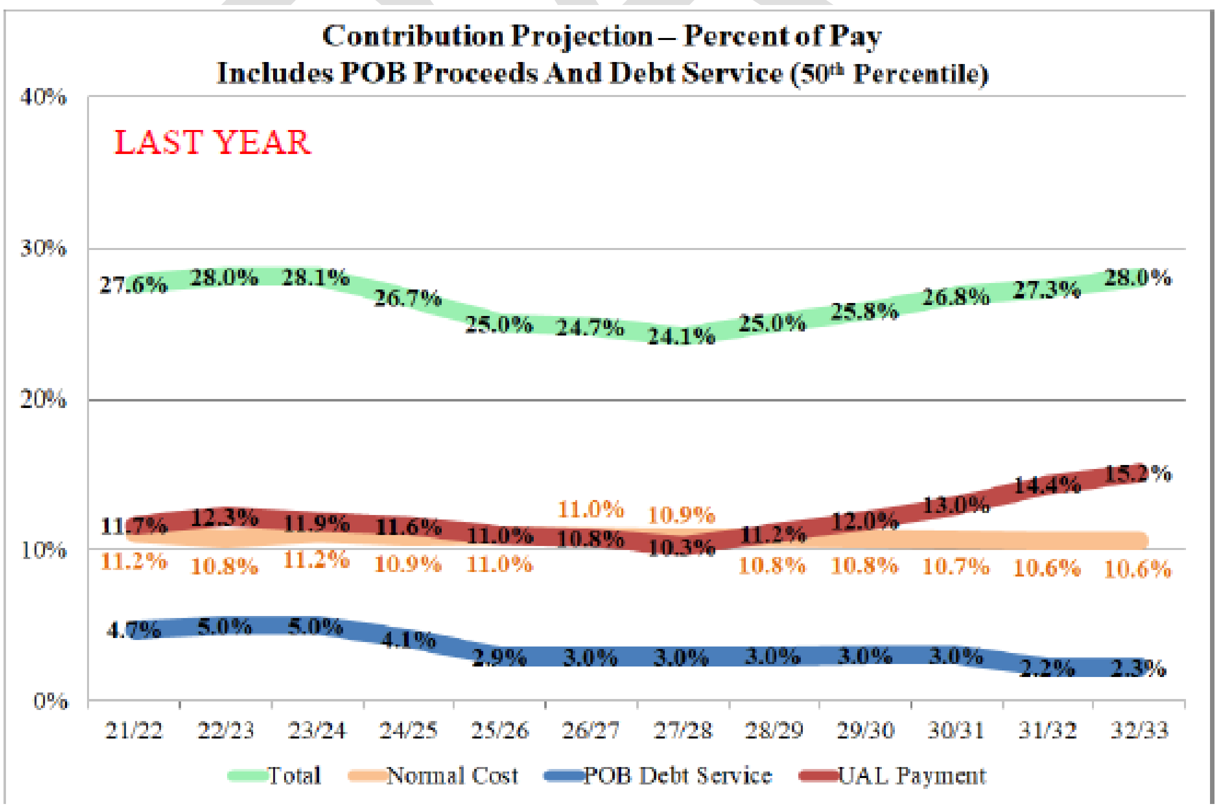
Long-term - In looking at the long-term forecast as shown on page 8, there is a substantial drop in rates beginning eleven years out under all three return scenarios. Even under the 25th percentile (poor performance scenario), rates peak at approximately 43.6% in 2032 and then decline thereafter to reach approximately 15.2% in 2052. This is due to three factors. The first is the final repayments of POBs in 2035 and 2038. The second is the amortization (paydown) of the exiting UAAL schedules over the next thirty years. In the poor performance scenario, the old UAAL is replaced by a new UAAL to reflect future CalPERS investment underperformance. The third is the ultimate retirement of the higher cost Tier I employees and their replacement with much lower cost Tier III employees. For the expected return scenario (50th percentile), the rate will rise modestly until 2032 at which point, they begin a rapid decline until stabilizing in 2042. At that point, the rate is comprised of only the normal cost of approximately 10% since all of the POBs have been retired, and the UAAL has been fully amortized.

Miscellaneous Plan – 2021



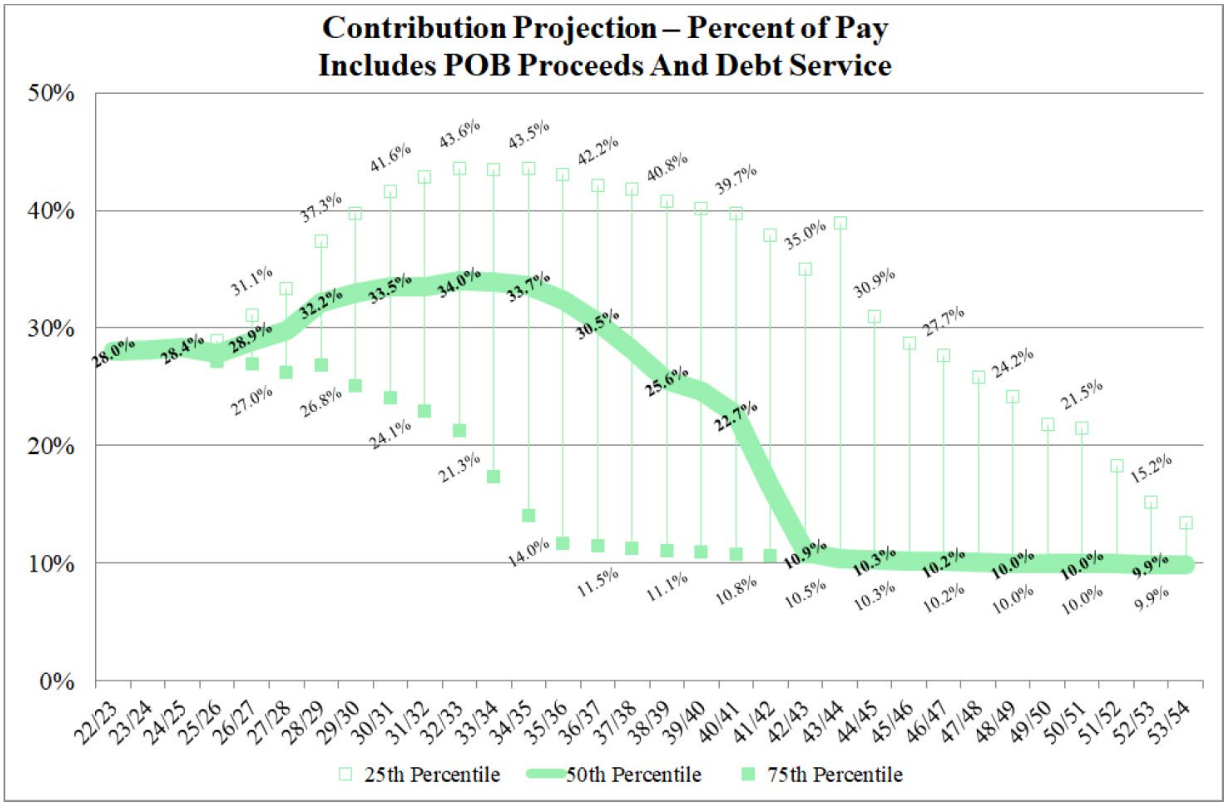
Source: Attachment 1, Slide #41. County of Riverside - CalPERS Miscellaneous and Safety Plans Independent Actuarial Report - 6/30/21 Valuation, Foster & Foster, Inc.

Miscellaneous Plan – 2020



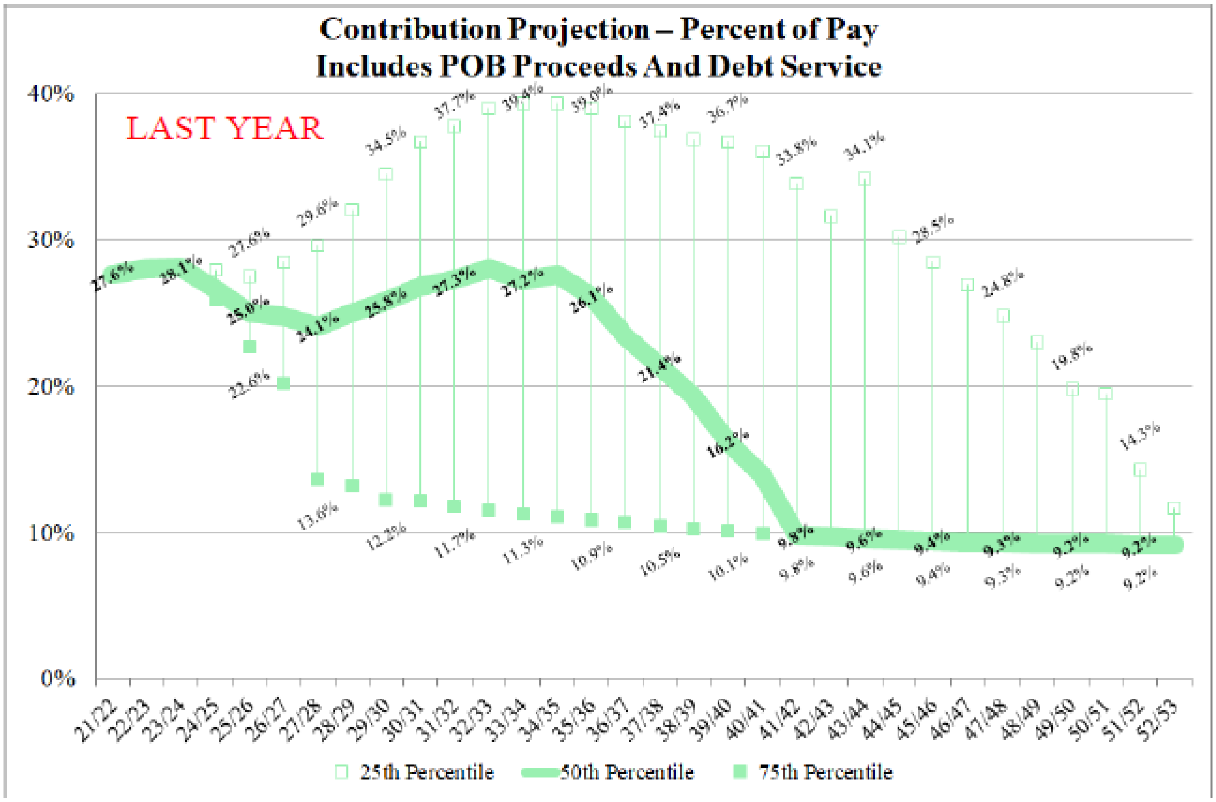
Source: Attachment 1, Slide #42. County of Riverside - CalPERS Miscellaneous and Safety Plans Independent Actuarial Report - 6/30/20 Valuation, Foster & Foster, Inc.

Miscellaneous Plan – 2021



Source: Attachment 1, Slide #39. County of Riverside - CalPERS Miscellaneous and Safety Plans Independent Actuarial Report - 6/30/21 Valuation, Foster & Foster, Inc.

Miscellaneous Plan – 2020



Source: Attachment 1, Slide #40. County of Riverside - CalPERS Miscellaneous and Safety Plans Independent Actuarial Report - 6/30/20 Valuation, Foster & Foster, Inc.

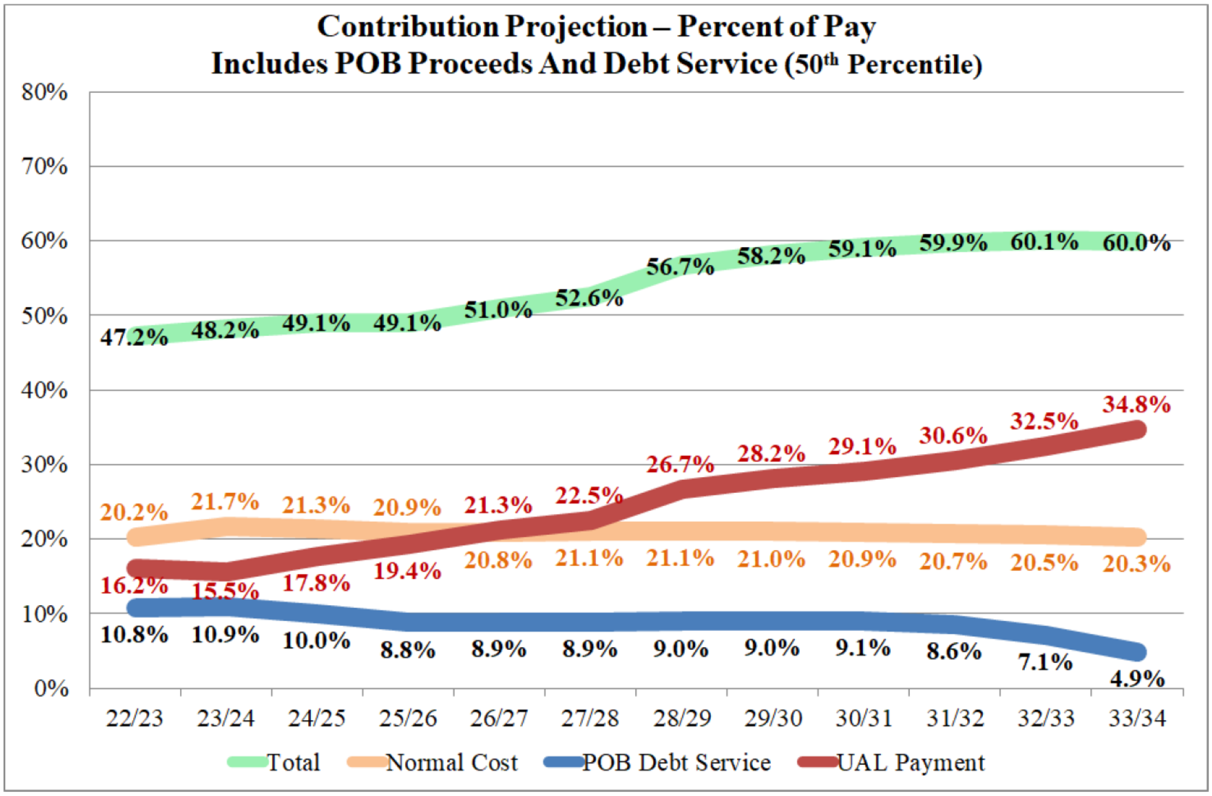
Safety Rates

Short-term – As shown on page 10, over the next decade, Safety rates exhibit a very similar pattern to Miscellaneous rates. **While averaging 54.9%, Safety rates are not projected to dip slightly like that of Miscellaneous due to a combination of factors including earlier applicable retirement ages and other demographics. In comparing the year-over-year projections, as seen in the two charts which follow, the major difference is in the UAL payment. Instead of peaking at 21.6% in 2032 (as shown in the red line - bottom chart), the UAAL peaks at 34.8%.** It is important to note here that a greater share of the Safety Plan costs are borne as a Net County Cost.

Long-term - As shown on page 11, longer term Safety rates show the same downward trend as the Miscellaneous Plan under all performance scenarios, although coming from a higher peak. As is the case with Miscellaneous, even in the poor performance (25th percentile) scenario, after rates peak in 2032, they begin a steady decline returning to the current rate of approximately 43% in 2037 and continuing to fall thereafter.

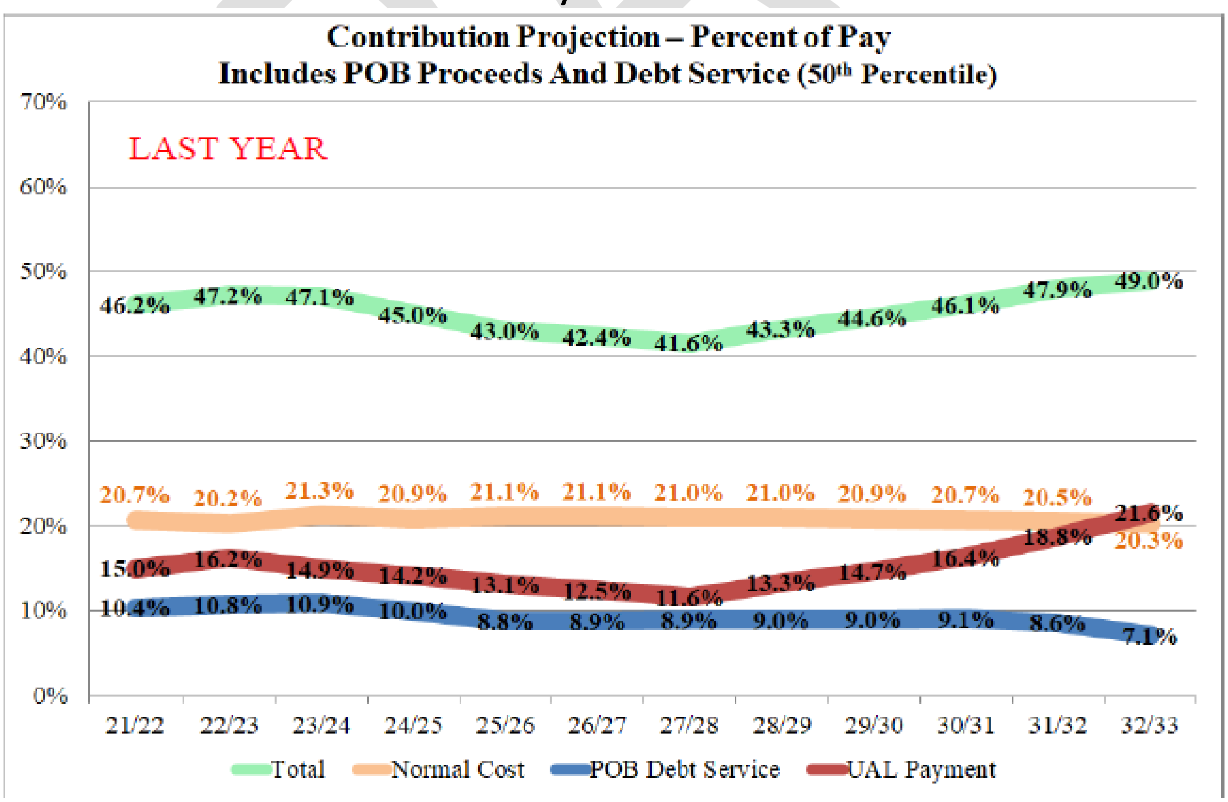
Under the expected performance (50th percentile) **rates peak at 60.1% in 2032 and fall steadily to under 20% (less than one-third of the current rate) in 2042**, due to the same factors discussed above regarding the Miscellaneous Plan.

Safety Plan – 2021



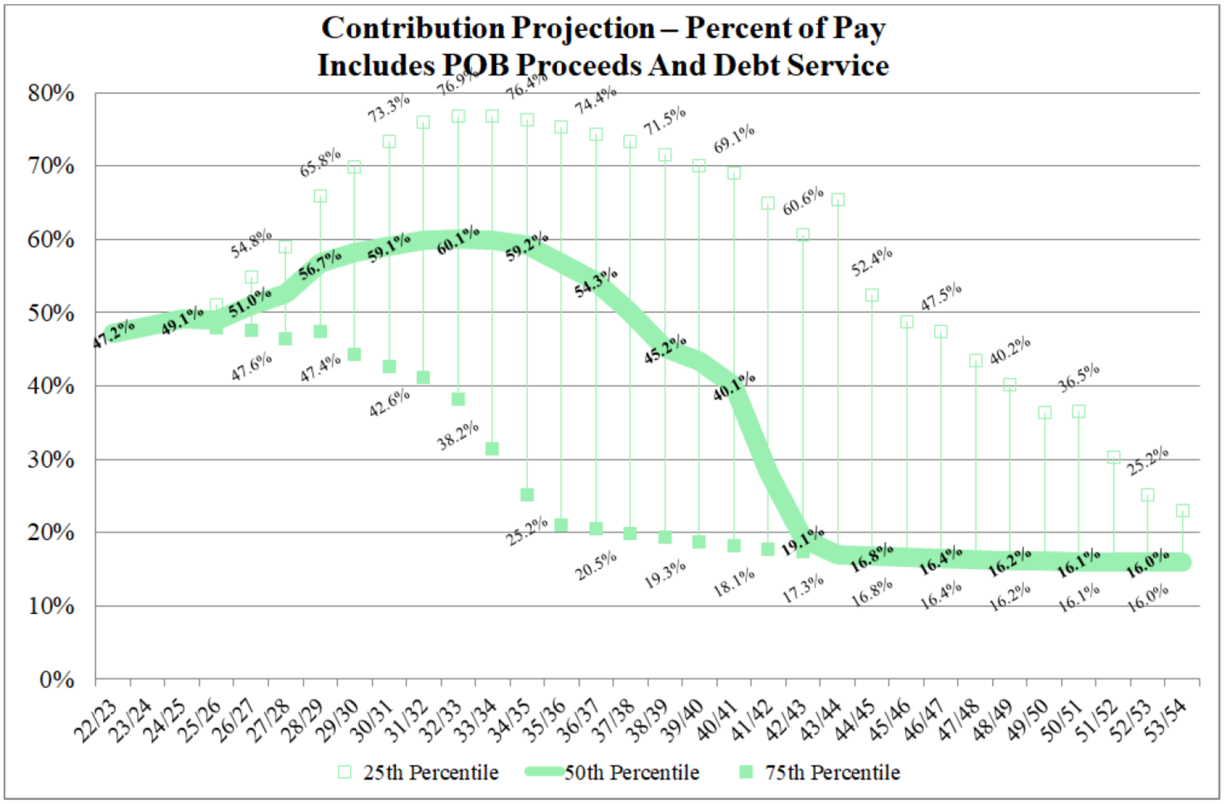
Source: Attachment 1, Slide #73. County of Riverside - CalPERS Miscellaneous and Safety Plans Independent Actuarial Report - 6/30/21 Valuation, Foster & Foster, Inc.

Safety Plan – 2020



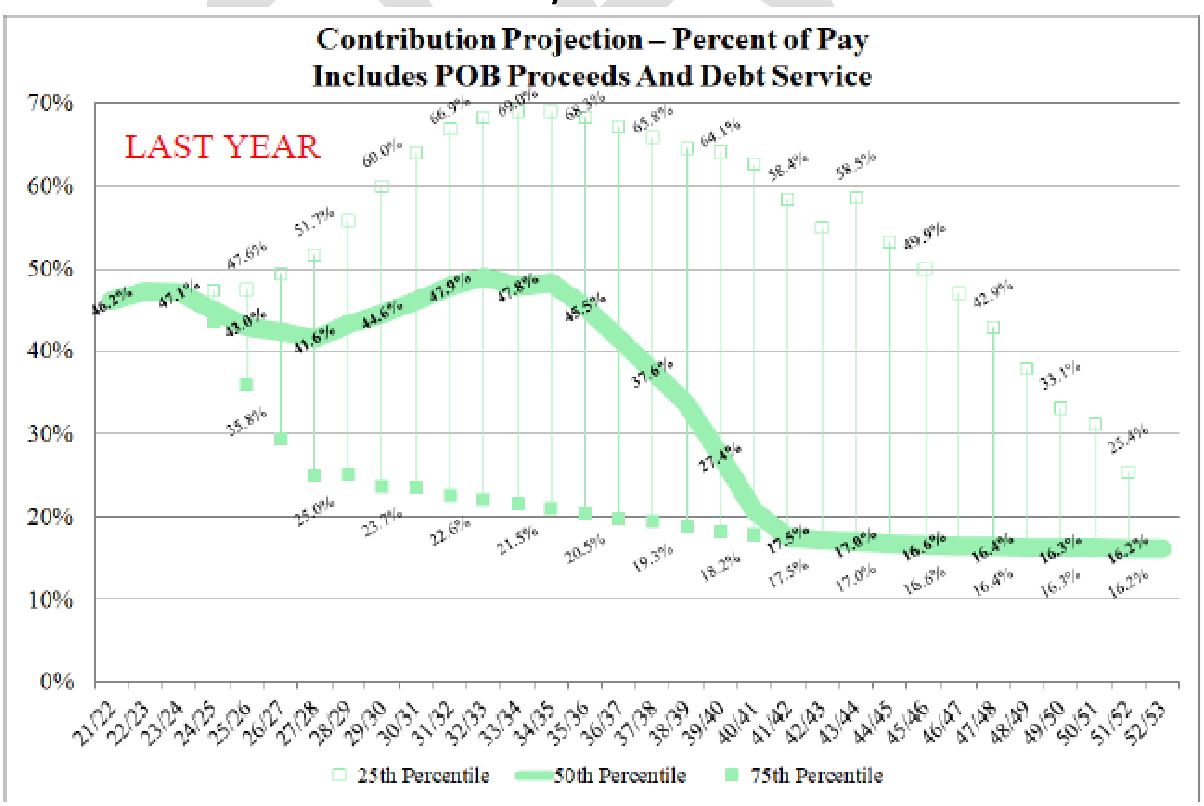
Source: Attachment 1, Slide #74. County of Riverside - CalPERS Miscellaneous and Safety Plans Independent Actuarial Report - 6/30/20 Valuation, Foster & Foster, Inc.

Safety Plan – 2021



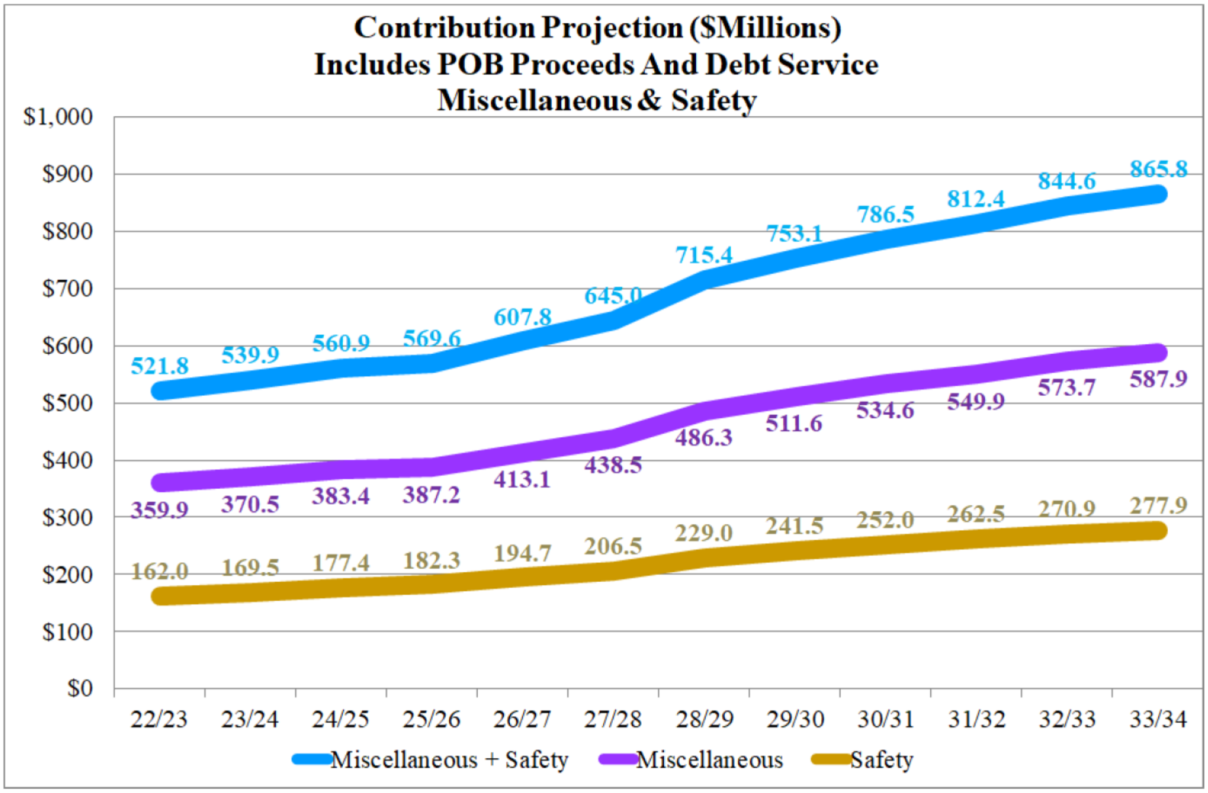
Source: Attachment 1, Slide #71. County of Riverside - CalPERS Miscellaneous and Safety Plans Independent Actuarial Report - 6/30/21 Valuation, Foster & Foster, Inc..

Safety Plan – 2020



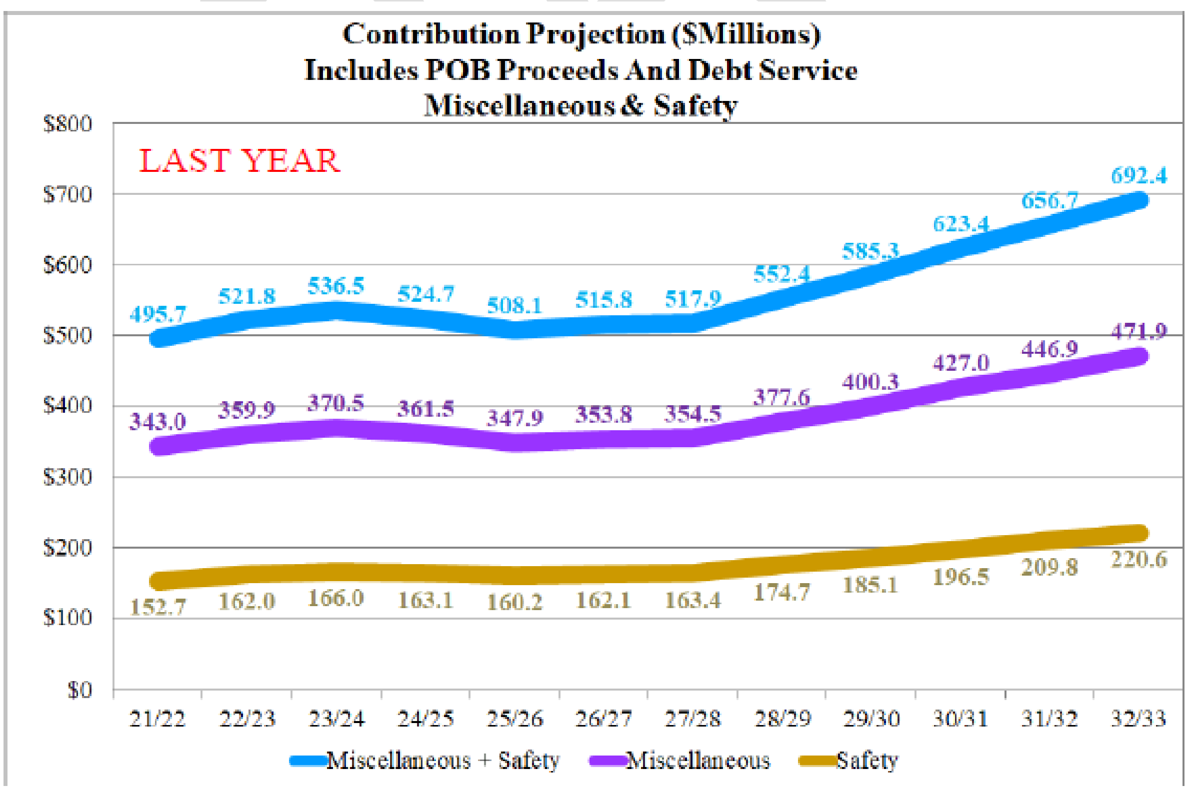
Source: Attachment 1, Slide #72. County of Riverside - CalPERS Miscellaneous and Safety Plans Independent Actuarial Report - 6/30/20 Valuation, Foster & Foster, Inc.

Combined – 2021



Source: Attachment 1, Slide #79. County of Riverside - CalPERS Miscellaneous and Safety Plans
Independent Actuarial Report - 6/30/21 Valuation, Foster & Foster, Inc..

Combined – 2020



Source: Attachment 1, Slide #80. County of Riverside - CalPERS Miscellaneous and Safety Plans
Independent Actuarial Report - 6/30/20 Valuation, Foster & Foster, Inc.

PENSION OBLIGATION BONDS (POBs)

Series 2005 A – In February 2005, the County issued its Series 2005 A POBs in the principal amount of $400 million to lock in an all-in borrowing cost of 4.91%, refinancing its prior unfunded liability, which was then carrying a 7.5% rate (a spread of 2.59%). At the same time, the County converted its repayment schedule from a rolling thirty-year amortization to a fixed amortization of thirty and twenty-five years for the Miscellaneous and Safety Plans. This further reduced interest cost as a result of paying down the debt faster. Upon deposit of the bond proceeds with CalPERS, the County's rate on that portion of its liability was reduced and replaced by the lower amount of the bond's debt service.

The POBs still maintain a relatively low break-even rate of 4.91% versus CalPERS' current rate of 7%, (a spread of 2.09%). Even if CalPERS were to earn a rate slightly below the POBs rate for the remaining term to maturity of 2035, the County can still expect to show net estimated gains.

Foster & Foster's analysis is projecting that as of February 15, 2023 (2) there will be $187.5 million in net estimated gains as a result of the sale of the bonds*,* with an outstanding balance owed of $126.9 million (3).

Series 2020 – In April 2020, the efforts to reduce interest cost on a portion of the unfunded liability continued with the Board of Supervisors authorizing a second POB issuance in the amount of $720 million at an all-in borrowing cost of 3.53%. The bond proceeds ($716 million, net of the cost of issuance) were used to refund up to approximately 20% of the total unfunded liability, split between the Miscellaneous and Safety Plans.

The County prepaid $371.5 million to CalPERS for deposit to the Miscellaneous Plan, and, $344.2 million for the Safety Plan which reflected a discount for prepayment of the selected bases. These bond proceeds served as a one-time additional discretionary payment into the plans. To be clear, the $716 million that was owed to CalPERS is now owed to bondholders, albeit at a much-reduced rate.

This series of POBs has an even lower break-even rate of 3.53% vs. CalPERS' interest cost on the unfunded liability of 7.0% (a spread of 3.47%). To capture the savings (payment reductions) of nearly $231 million through the eighteen-year life of the POBs to 2038, per Board direction, a dedicated Section 115 Pension Trust account was established and is now being funded with those savings.

Foster & Foster's analysis is projecting that as of February 15, 2023 (2) there will be $68.1 million in net estimated gains (3) as a result of the sale of the bonds, with an outstanding balance owed of $621.7 million.

Shown in the table below are net estimated gains on both series of POBs which includes the next interest payments.

Status of POBs ($ in millions)	**Projected**		
Estimated gains through 2/15/23	**Series 2005A**	**Series 2020**	**Total**
CalPERS investment earnings on POB proceeds (1)	**$469.1**	**$134.3**	**$603.4**
less POB interest payments (2)	**$278.5**	**$62.1**	**$340.6**
less Cost of issuance	**$3.1**	**$4.1**	**$7.2**
Net estimated gains(3)	**$187.5**	**$68.1**	**$255.6**

(1) Accumulated earnings since issuance based on actual CalPERS investment return for each year.
(2) Includes POB interest payments to date.
(3) Source: Attachment 1, Slide #89 and #92. County of Riverside - CalPERS Miscellaneous and Safety Plans - Independent Actuarial Report - 6/30/21 Valuation, Foster & Foster, Inc.

SECTION 115 PENSION TRUSTS

The first Section 115 Pension Trust was established in 2016 to help the County independently mitigate CalPERS' contribution rate volatility and act as a buffer in the future for budgeting purposes as funds accumulate.

Excess funds from the Liability Management Fund (LMF) and the Other Post-Employment Benefits (OPEB) Trust were placed in the Section 115 Pension Trust to fund the initial deposit. Additionally, funds collected as a result of the difference between CalPERS' multi-year projected payroll, based on actuarial assumptions, and, the County's actual payroll, are restricted and invested in the County Treasurer's Pooled Investment Fund (TPIF). Funds are then dollar-cost averaged from the TPIF and placed into the Trust.

The second Section 115 Pension Trust, as mentioned above, was established with the 2020 POBs. The Trusts are administered by Public Agency Retirement Services (PARS), with HighMark Capital Management serving as investment manager. The current investment strategy is Moderate Index PLUS (Active) which has an approximate 46% equity/48% fixed income allocation mix.

Unlike assets in the CalPERS defined benefit plans, funds in the Trust can be managed in a manner consistent with a risk profile of the County's choosing in a combination of equity investments, fixed income and cash.

Status of 2016 Section 115 Pension Trust

For the investment report period ended 6/30	2020	2021	**2022**
Account balance ($ in millions)	$29.92	$41.82	**$39.2**
Total accumulated investment earnings to date	$3.80	$10.80	**$4.9**
Annual rate of return	4.48%	19.93%	**-11.68%**
Annualized rate of return since inception (1)	6.20%	9.00%	**5.03%**

(1) Inception date November 2016.

Status of 2020 Section 115 Pension Trust

For the investment report period ended 6/30	2021	**2022**
Account balance ($ in millions)	$13.95	**$23.1**
Total accumulated investment earnings to date	$0.84	**-$2.0**
Annual rate of return	N/A	**-11.47%**
Annualized rate of return since inception (1)	14.39%	**0.72%**

(1) Inception date October 2020.

Over time these assets will become more significant as they accumulate and cannot be used for any other purposes except for making additional discretionary payments directly to CalPERS to pay down a portion of the unfunded liability, or for reimbursing the County for CalPERS contributions. **Within five years there will be more than $130 million in contributions made to the 2016 and 2020 Trust accounts combined, and within ten years, more than $200 million.**

These Trusts have the potential to provide two significant benefits to the County. The first is the accumulation of assets to pay down the liability with CalPERS. The second is to serve as a "rate stabilization fund" in the event of a dramatic increase in CalPERS rates. Should the long-term projections come to fruition with employer rates peaking in the next decade, the County could accumulate a much larger balance by capturing a portion of the decline and deposit additional funds into the Trusts. This could allow for faster amortization of the County's unfunded liability. On the other hand, should CalPERS' long-term performance come close to projections, full funding could be reached within twenty years.

A downside to full funding is that under current rules the County would be required to make its full required payment, albeit at a fraction of the current rate. In such a case, funds in the 115 Trusts could be drawn upon to make a portion of the required payment, mitigating the impact of excess funding.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Background – OPEB are benefits other than pensions provided to retired employees. In the County's case, this is a monthly contribution to retirees for health care. The Governmental Accounting Standards Board (GASB) Statement No. 45, released in 2004, substantially modified the reporting requirements for OPEB provided by state and local governments.

In summary, GASB 45 dictated that the present value of these benefits should be quantified and reported in the Supplementary Information section of County's Annual Comprehensive Financial Report (ACFR). This reporting requirement did not trigger a funding requirement. Per GASB 45, the County's liability is comprised of two components; the present value of the amount payable for retirees and the amount attributable to the "implicit subsidy." The implicit subsidy is defined as the difference between the true cost of coverage for the retiree medical plan and the actual rate paid. Such a difference arises if retirees and active employees are in the same rate class.

The County's Response – The initial calculation of the County's retirement health liability was $390 million as of January 1, 2005. Upon the recommendation of PARC, the County took two steps to reduce this liability over time. The first step was to establish an OPEB Trust in 2007 which reduced the actual and nominal liability. The second step was to virtually eliminate the implicit subsidy by revamping the County's healthcare rate structure to separate pre-Medicare retirees from active employees.

GASB 75 – In June 2015, GASB released Statement No. 75, which was initially effective for the fiscal year ending June 30, 2018. GASB 75 addresses accounting and financial reporting issues by government employers, previously covered by GASB 45. Per GASB 75, employers are now required to disclose the total OPEB liability on the balance sheet (Statement of Net Position) alongside its other long-term liabilities (i.e., bond debt, lease obligations, pension liabilities, etc.). This change now highlights the liability.

The Move to CalPERS Health Plans – In 2019 the County embarked upon a multi-year process to restructure its health care offerings with an eye towards controlling costs and providing a fuller range of plan options for employees and retirees alike. The OPEB impacts of the move to CalPERS include a return of the implicit subsidy which did not exist under the County's own rate structure as an increase of the actual benefit paid to certain retirees, and a greater number of retirees now purchasing their insurance through the County since the offerings are more attractive.

Under CalPERS health plans, retirees receive benefits prior to age 65 by paying premiums that are developed by blending active and retiree costs. Since retirees are older and generally cost more than actives, the premium paid by the retiree is less than the "true cost" of coverage for retirees. For example, under the Blue Shield Access Plus, the estimated "true cost" for an age 60 retiree is $1,085.29 per month, while the required premium is only $738.29 per month in 2023. Subsidization can also occur for post 65 benefits due to demographic differences between the County retirees and the CalPERS population used to develop premiums. This implicit subsidy is considered an employer obligation under the Actuarial Standards of Practice (ASOP) No. 6 requirements and is included in the OPEB actuarial valuation.

Based on the AON - County of Riverside Actuarial Valuation Report Postretirement Benefits Plan as of June 30, 2022 (Attachment 4, page ii), the value of that benefit (subsidy) to employees is $148 million (actuarial accrued liability, or AAL). Nevertheless, inclusion of implicit subsidy in the total net OPEB liability without any offset is specifically required.

An additional financial implication of transferring to the CalPERS health plans is the requirement under the Public Employees' Medical and Hospital Care Act (PEMHCA) to provide a minimum monthly contribution for retiree health premiums, currently $151 (which increases annually with medical CPI).

This requirement has an effect of increasing the monthly benefit and the cost to the County for those employees whose negotiated or non-represented benefit is less than $151. The monthly amount is either $151 or $256 and is based on the employee's representation at the time of retirement.

This increase in the monthly cost to provide the benefit is currently paid by departments on a pay-as-you-go basis and increases the OPEB liability. In addition to the PEMHCA effect, the County is expecting higher participation rates in its plans by retirees which will increase the expected and actual payout for those enrolled in a health plan. To the extent retirees have better options, such as paid spousal coverage from another employer, they receive no monthly benefit from the County and no liability is recorded.

In contrast to the CalPERS defined benefit pension plan liability, there is no direct connection between the implicit subsidy portion of the OPEB liability and the County's cost of providing the retiree healthcare benefit, thus the County does not directly pay for the implicit subsidy. It is for this reason that many employers have chosen not to fund this portion of their liability since it is not owed to retirees unlike the monthly benefit payment. Recognizing this, the Board adopted Policy B-25, Section III (A) Other Post-Employment Benefits (OPEB) which states, "the County seeks to maintain a minimum funding level of 80% in its OPEB plan, excluding any implicit subsidy liability." There could be some advantages to taking steps to funding a portion of the implicit subsidy in the future; staff and PARC will monitor the issue and bring any recommendations to the Board.

Status of OPEB ($ in millions)

For the annual valuation report period ended 6/30	2020	2021	**2022**
AAL - excluding implicit subsidy (1)	$139	$144	**$148**
Smoothed value of plan assets (MVA) (2)	$53	$68	**$86**
Total unfunded actuarial accrued liability (UAAL)	$86	$76	**$61**
Funded Status (3)	38.20%	47.20%	**58.20%**
Market value of plan assets	$53	$73	**$76**
Annual net rate of return	5.48%	19.60%	**-14.58%**
Annualized net rate of return inception to date (4)	6.31%	7.53%	**4.87%**

(1) Total AAL is the retiree health care liability comprised of the retiree benefit amount and implicit subsidy. Implicit subsidy is the difference between the true cost of coverage for the retiree medical plan and the actual rate paid.
(2) Asset smoothing recognizes market gains and losses gradually overs several years.
(3) Funded status is calculated by dividing the smoothed value of plan assets by AAL (excluding implicit subsidy). Source of (1) and (2) above: Attachment #4, page iv. Actuarial Valuation Report - County of Riverside Postretirement Benefits Plan as of June 30, 2022 – AON.
(4) Inception date November 2007.

County staff requested a review from AON of a multi-year plan to achieve an 80% funded status for the retiree benefit portion of the OPEB liability. **The current actuarial schedule projects 80%, excluding implicit subsidy, would be reached in 2026 if approximately $16.1 million were to be charged to departments for FY 23/24. Due to recent market volatility, at its November 9, 2022 meeting, PARC unanimously approved the recommendation of implementing the strategy to stay on target with the current year's contribution amount of $16.9 million, which was approximately 1.1% of payroll.**

PART-TIME AND TEMPORARY EMPLOYEES' RETIREMENT PLAN

Background – The County of Riverside established the Part-Time and Temporary Employees' Retirement Plan (TAP), April 1, 1999, to provide retirement benefits to eligible employees as a substitute for benefits under Social Security, as allowed under Omnibus Budget Reconciliation Act of 1990 (OBRA '90). The Plan is an IRS Section 401(a) defined benefit plan. The Plan actuary calculates the minimum recommended employer contribution rate through preparation of an actuarial valuation report. Participants are required to contribute 3.75% of their compensation to the Plan.

As of September 1, 2010, the investments have been managed in a balanced account strategy with an expected rate of return of 6%. Although the Plan experienced a return of -17.45%, the funded status increased by 0.1% due to the strategy of maintaining the employer contribution rate of 5.58% from the prior year.

Status of Part-time and Temporary Employees' Retirement Plan ($ in millions)

For the annual valuation report period ended 7/1	2020	2021	**2022**
Total actuarial accrued liability (AAL)	$58.5	$64.9	**$68.9**
Smoothed value of plan assets (MVA) [1]	$45.4	$52.9	**$56.2**
Total unfunded actuarial accrued liability (UAAL)	$13.1	$12.0	**$12.6**
Funded Status [2]	77.7%	81.5%	**81.6%**
Market value of plan assets	$45.4	$61.4	**$51.0**
Annual net rate of return	3.72%	30.81%	**-17.45%**
Annualized net rate of return inception to date [3]	6.02%	8.11%	**5.66%**

(1) Asset smoothing recognizes market gains and losses gradually overs several years.
(2) Source: Attachment #5, page iii. Actuarial Valuation Report - County of Riverside Part-time and Temporary Employees' Retirement Plan as of July 1, 2022 – AON
(3) Inception date September 2010.

Although AON projects an 85.1% funded status by June 30, 2023, at its November 9, 2022 meeting, PARC unanimously approved the recommendation to continue to stay on target with the current year employer rate of approximately 5.58% as a percentage of payroll for FY 23/24, the same as FY 22/23 due to recent market volatility.

SPECIAL DISTRICT PLANS

The County's Regional Park and Open-Space District and Waste Resources Management District participate in what CalPERS refers to as the Risk Pool, designed to accommodate smaller employers whose size is not enough to develop individual actuarial assumptions with participation occurring if a rate plan has less than 100 active members on any valuation date. The process involves combining assets and liabilities across employers to produce large, risk sharing pools that reduce or eliminate large fluctuations in an employer's retirement contribution rate caused by unexpected demographic events.

Although the desired 80% minimum funded status for the Special Districts are not specifically mentioned in Board Policy B-25, as is the case with the County's defined benefit pension plans, it is a prudent target (see below additional information for each District). Similar to the County's Miscellaneous and Safety Plans, additional discretionary payments would be required to increase the funded status, thereby having budgetary impacts on the Districts (Parks and Flood), as well as the Department of Waste Resources, that may, or may not be feasible at this time.

Highlights – for the CalPERS actuarial valuation report period ended June 30, 2021:

- ✓ **Riverside County Regional Park and Open-Space District**
  - 81.3% funded status Tier I (9.4% YoY increase)
  - 108.8% funded status Tier II (12.2% YoY increase)
  - 109.2% funded status Tier III (12.5% YoY increase)
- ✓ **Riverside County Flood Control and Water Conservation District**
  - 81.0% funded status (15.1% YoY increase)
- ✓ **Riverside County Waste Resources Management District**
  - 79.4% funded status (10.9% YoY decrease)

The Riverside County Regional Park and Open-Space District has three rate plans. As of the annual valuation report(s) for June 30, 2021, the funded status of Tier I was 81.3%, Tier II was 108.8%, and Tier III was 109.2% (see tables below for additional details).

Status of Tier I ($ in millions)

For the annual valuation report ended 6/30	2019	2020	**2021**
Total actuarial accrued liability (AAL)	$46.9	$48.2	**$50.6**
Total market value of assets (MVA)	$34.5	$34.6	**$41.1**
Total unfunded accrued liability (UAAL)	$12.4	$13.6	**$9.5**
Funded Status	73.5%	71.9%	**81.3%**

Status of Tier II

For the annual valuation report ended 6/30	2019	2020	**2021**
Total actuarial accrued liability (AAL)	$398,743	$459,277	**$561,086**
Total market value of assets (MVA)	$358,502	$443,835	**$610,455**
Total unfunded accrued liability (UAAL)	$40,241	$15,442	**($49,369)**
Funded Status	89.9%	96.6%	**108.8%**

Status of Tier III

For the annual valuation report ended 6/30	2019	2020	2021
Total actuarial accrued liability (AAL)	$1.40(*)	$1.85(*)	**$2.47(*)**
Total market value of assets (MVA)	$1.30(*)	$1.78(*)	**$2.69(*)**
Total unfunded accrued liability (UAAL)	$0.14(*)	$60,525	**($226,517)**
Funded Status	90.0%	96.7%	**109.2%**

*$ in millions.

The District will continue making the annual UAAL prepayment for Tier I, thereby receiving an early payment discount from CalPERS.

The Riverside County Flood Control and Water Conservation District's annual valuation report for June 30, 2021, shows a funded status of 81% (see table below for additional details).

Status of Riverside County Flood Control and Water Conservation District ($ in millions)

For the annual valuation report ended 6/30	2019	2020	2021
Total actuarial accrued liability (AAL)	$213.9	$220.7	**$233.7**
Total market value of assets (MVA)	$136.3	$145.4	**$189.3**
Total unfunded accrued liability (UAAL)	$77.6	$75.3	**$44.4**
Funded Status	63.7%	65.9%	**81.0%**

The District developed a long-term plan that included making additional discretionary payments to CalPERS in an effort to bring the funded status at or above 80% by fiscal year 2025. The District accomplished this goal in fiscal year 2021. Currently, the funded status increased by 15.1%, from 65.9% to 81%, as reflected in the June 30, 2021 valuation report. To achieve this funded status, the District made an additional discretionary payment of $12.6 million in FY 20/21, and intends to continue making additional discretionary payments based on its ongoing assessments of its fiscal outlook for future years. The District will also continue making the annual UAAL prepayment option, thereby receiving an early payment discount from CalPERS.

The Riverside County Waste Resources Management District was dissolved in 1998, with the exception of existing employees at that time electing to maintain their District status. All new hires or transfers are designated as County employees; no new District employees have been added since 1998. The District's annual valuation report for June 30, 2021, shows a funded status of 79.4% (see table below for additional details).

Status of Riverside County Waste Resources Management District ($ in millions)

For the annual valuation report ended 6/30	2019	2020	2021
Total actuarial accrued liability (AAL)	$53.4	$54.5	**$56.4**
Total market value of assets (MVA)	$37.5	$37.3	**$44.7**
Total unfunded accrued liability (UAAL)	$15.9	$17.2	**$11.6**
Funded Status	70.1%	68.5%	**79.4%**

The District has developed a long-term plan that includes making additional discretionary payments to CalPERS in an effort to bring the funded status at or above 80% by fiscal year 2025, assuming all other factors remain constant.

An additional discretionary payment of $3.3 million was paid in FY 20/21. The funded status as of June 30, 2021 is 79.4% (an increase of 10.9% from the June 30, 2020 valuation report). The District intends to continue making additional discretionary payments based on its ongoing assessment of its fiscal outlook for future years. The District will also continue making the annual UAAL prepayment option, thereby receiving an early payment discount from CalPERS.

MANAGEMENT OF PENSION AND OTHER LIABILITIES

County's Response - Several steps have been taken to address the management of its liabilities over the last two decades:

- ✓ In 2003 the Pension Advisory Review Committee (PARC) was formed to guide policy decisions regarding retirement benefits.

- ✓ In 2004 PARC first recommended taking advantage of CalPERS' early payment discount in lieu of periodic payments.

- ✓ In 2005 the County issued $400 million in POBs reducing the all-in true interest cost to 4.91%, increased its funding status and created the Liability Management Fund (LMF), whereby some of the excess savings has been sent to CalPERS to reduce the unfunded liability. The current practice has been to send a portion of the savings to the Section 115 Pension Trust, and that will continue.

- ✓ In 2007 in an effort to reduce its OPEB liability over time, the County established its Section 115 OPEB Trust with the California Public Employers' Retirement Benefit Trust (CERBT) with CalPERS.

- ✓ In 2012, the County took the lead in initiating pension reform with its bargaining units in advance of any action by the state. As a result of collective bargaining, employees agreed to pay their own member contributions eliminating the Employer Paid Member Contribution (EPMC). Additionally, Tier II was implemented with a lower benefit formula, which became effective on August 24, 2012.

County Plan		Retirement Formula	Employee Contribution	Earliest Retirement Age	Number of Actives 6/30/2022	Percentage in each Tier 6/30/2022	PEPRA Comp. Limits (1)	Final Comp. Period	Effective Date
Tier I	**Misc**	3% at 60	8%	50	**6,677**	**39%**	N/A	12 mos.	7/11/2002
	Safety	3% at 50	9%	50	**1,895**	**55%**	N/A	12 mos.	6/28/2001
Tier II	**Misc**	2% at 60	7%	50	630	4%	N/A	36 mos.	8/24/2012
	Safety	2% at 50	9%	50	165	5%	N/A	36 mos.	8/24/2012
Tier III - PEPRA	**Misc**	2% at 62	7.25%	52	**9,738**	**57%**	$146,042	36 mos.	1/1/2013
	Safety	2.7% at 57	12.50%	50	**1,358**	**40%**	$175,250	36 mos.	1/1/2013

(1) 2023 PEPRA Compensation Limits are indexed annually.

The passage of Assembly Bill 340 on September 12, 2012 created the Public Employees' Pension Reform Act (PEPRA), implementing a new lower retirement benefit formula (Tier III), which became effective January 1, 2013. Since that time, there have not been any significant updates on the pension reform front worthy of note.

In September 2020, however, the Governor signed into law Assembly Bill 2967 which prevents cities and counties from excluding groups of employees from CalPERS defined benefit pension plans when they are offered for other groups, thereby effectively blocking the ability to offer a hybrid style or deferred compensation only plan.

Staff and PARC continue to monitor any developments in this area and will bring any items of significance that would lead to cost reduction to the Board's attention on a timely basis.

- ✓ In November 2016, the first Section 115 Pension Trust was established to help the County independently mitigate CalPERS' contribution rate increases and act as a buffer in the future for budgeting purposes as funds accumulate.

- ✓ In February 2020 the Board approved agenda Item 3.15, Pension Debt Reduction Strategies. Two actions have occurred since that time, as seen below:

  - ➢ In April 2020 the Board authorized a second POB issuance of $720 million, reducing the all-in true interest cost to 3.53%, vs. the 7% that would have been paid to CalPERS on the unfunded liability portion.

    In connection with the 2020 POB issuance, per Board direction, a second dedicated Section 115 Pension Trust account was established to capture the resulting payment reductions (savings) of nearly $231 million through 2038 - the eighteen-year life of the POBs. For the period ended June 30, 2022, there was an ending account balance of $23.1 million.

  - ➢ In December 2020, the Board of Supervisors approved agenda Item 3.1, amending and restating the agreement for services between the Western Riverside County Regional Conservation Authority (RCA) and the County of Riverside. Effective January 1, 2021, the Riverside County Transportation Commission began to provide the staffing and management agency role for RCA. As a result, a lump sum payment of $3.9 million was received from RCA as a pro-rata share of their unfunded pension liability obligation as well as any amounts owed for OPEB and the Replacement Benefit Plan. The payoff of $2.6 million for the unfunded liability portion was made to CalPERS on January 20, 2021.

- ✓ In November 2022, the PARC approved to maintain the current rates of approximately 1.1% of payroll for OPEB in an effort to achieve a projected funded ratio of 80% by June 30, 2026.

- ✓ In November 2022, the PARC approved to maintain the current rates of approximately 5.58% (for those departments that utilize TAP) for the Part-Time and Temporary Employees' Retirement Plan in an effort to maintain a funded ratio of 80% or greater.

Summary - Staff and PARC will continue to look for strategic options for managing its long-term costs of the County's pensions and related liabilities. Within the next five years, the Miscellaneous and Safety pension plan contribution rates are projected to increase by 1.8%, and 5.4% respectively. Based upon several factors, the <u>long-term</u> pension outlook remains favorable, with increases projected to peak early in the next decade. This will be tempered, however, by year-to-year financial market performance. The funded status of the County's Miscellaneous and Safety Plans with CalPERS is projected to be more than 80% within ten years which has suffered a setback due to the negative returns experienced in FY 21/22.

ATTACHMENTS

1. County of Riverside - CalPERS Miscellaneous and Safety Plans
   Independent Actuarial Report - 6/30/21 Valuation, Foster and Foster, Inc.
2. CalPERS - Miscellaneous Plan - County of Riverside Annual Valuation Report as of June 30, 2021
3. CalPERS - Safety Plan - County of Riverside Annual Valuation Report as of June 30, 2021
4. Actuarial Valuation Report - County of Riverside Postretirement Benefits Plan as of June 30, 2022 - AON
5. Actuarial Valuation Report - County of Riverside Part-time and Temporary Employees' Retirement Plan as of July 1, 2022 – AON