Sacramento Regional Transit District

Agenda

SPECIAL COMBINED MEETING OF THE
RETIREMENT BOARDS FOR THE EMPLOYEES AND RETIREES OF THE
SACRAMENTO REGIONAL TRANSIT DISTRICT
WEDNESDAY, OCTOBER 23, 2024 AT 1:00 P.M.
SACRAMENTO REGIONAL TRANSIT Q STREET AUDITORIUM
1102 Q STREET, 4TH FLOOR, SUITE 4600
(13th Street Light Rail Station)

Website Address: www.sacrt.com

MEETING NOTE: ***This is a joint and concurrent meeting of the five independent Retirement Boards for the pension plans for the employees and retirees of the Sacramento Regional Transit District. This single, combined agenda designates which items will be subject to action by which board(s). Members of each board may be present for the other boards' discussions and actions, except during individual closed sessions.***

ROLL CALL

ATU Retirement Board:	Directors: Kennedy, Li, McGee Lee, Scott Alternates: Valenton, Smith
IBEW Retirement Board:	Directors: Kennedy, Li, Bibbs, Pickering Alternates: Valenton, D. Thompson
AEA Retirement Board:	Directors: Kennedy, Li, Devorak, McGoldrick Alternates: Valenton, Santhanakrishnan
AFSCME Retirement Board:	Directors: Kennedy, Li, Guimond, L. Thompson Alternates: Valenton, Elder
MCEG Retirement Board:	Directors: Kennedy, Li, Bobek, Hinz Alternates: Valenton, Flores

NEW BUSINESS

		ATU	IBEW	AEA	AFSCME	MCEG
1. Information:	Additional Review of Asset/Liability Study(ALL). (Johnson)	☒	☒	☒	☒	☒
2. Motion:	Approve New Fixed Income Manager Search by Investment Consultant (ALL). (Johnson)	☒	☒	☒	☒	☒
3.Information:	Consider Increasing Fiduciary Liability Insurance Limits for Retirement Boards (ALL). (Gobel)	☒	☒	☒	☒	☒

REPORTS, IDEAS AND COMMUNICATIONS

		ATU	IBEW	AEA	AFSCME	MCEG
4. Information:	Senior Manager, Pension & Retirement Services, Verbal Update (ALL). (Gobel)	☒	☒	☒	☒	☒

ADJOURN

AGENDA FOR 10/23/2024 SPECIAL MEETING OF THE RETIREMENT BOARDS FOR THE EMPLOYEES AND RETIREES OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT

NOTICE TO THE PUBLIC

It is the policy of the Boards of Directors of the Sacramento Regional Transit District Retirement Plans to encourage participation in the meetings of the Boards of Directors. At each open meeting, members of the public shall be provided with an opportunity to directly address the Board on items of interest to the public that are within the subject matter jurisdiction of the Boards.

This agenda may be amended up to 72 hours prior to the meeting. An agenda, in final form, is posted to SacRT's website at www.sacrt.com and at the front of the Sacramento Regional Transit District building on 1102 Q Street. Persons requiring accessible formats of the agenda or assisted listening devices/sign language interpreters should contact the Retirement Services Administrator at (916) 261-1198 (voice) or (916) 483-4327 (TDD) at least 72 business hours in advance of the Board meeting.

Any staff reports or other documentation submitted for items on the agenda are available online at www.sacrt.com, on file with the Retirement Services Administrator and the Clerk to the Board of Directors of the Sacramento Regional Transit District, and available for public inspection at 1102 Q Street, Suite 3200, Sacramento, CA. Persons with questions regarding those materials should contact the Retirement Services Administrator (916) 261-1198.

Agenda Item 1

RETIREMENT BOARD STAFF REPORT

DATE: October 23, 2024

TO: Sacramento Regional Transit Retirement Boards - All

FROM: Jason Johnson - VP, Finance/CFO

SUBJ: ADDITIONAL REVIEW OF ASSET/LIABILITY STUDY

RECOMMENDATION

No Recommendation - For Information Only.

RESULT OF RECOMMENDED ACTION

No recommended action.

FISCAL IMPACT

There is no fiscal impact associated with this informational presentation.

DISCUSSION

During the quarterly meeting on June 12, 2024, the Retirement Boards' investment consultant, Callan LLC, presented the Asset/Liability Study for the Retirement Plans and an amended Statement of Investment Objectives and Policy Guidelines (Investment Policy). For background, Callan explained that the Retirement Boards generally conduct an Asset/Liability Study every five years. Callan further explained that the goal of the Asset/Liability Study is to establish a long-term strategic asset allocation target for the Retirement Plans that aligns with the Investment Policy, and reflects the liabilities and demographics reported for the Retirement Plans in the Actuarial Valuation Reports.

While discussing the Asset/Liability Study, Gary Chang from Callan's Capital Markets Research Group noted that the expected return for the current asset allocation is 7.40%. Given that this expected return exceeds the Retirement Plans' discount rate of 6.75%, Mr. Chang maintained that it would be reasonable to preserve the current investment mix but opined that the Retirement Boards could also consider reducing risk by looking at alternative mixes.

At the conclusion of Callan's June 12th presentation, the Retirement Boards voted to receive and file the completed Asset/Liability Study and expressed an interest in further discussing the alternative mixes presented therein. In line with that interest, staff has asked Callan to meet with the Retirement Boards on October 23rd to resume the conversation regarding alternative mixes and gauge if they wish to retain or modify the existing allocation to Fixed Income (which the Retirement Boards reduced following the addition of the Real Estate asset class in 2019).

In addition to ensuring that the Retirement Boards have adequate time and information to discuss the possibility of modifying the current investment mix (which Callan continues to characterize as reasonable and capable of achieving full funding for the Retirement Plans in ten years), Callan will also solicit feedback on potential investment topics for the 2025 calendar year. These topics may include an educational presentation on Private Credit, the option of adding a growth manager within the Domestic Large Cap asset class, and the impact of Emerging Markets investments (where China represents nearly 30% of the weighted benchmark) on the International Equity portfolio.

ATTACHMENT #1

Callan

October 23, 2024

Sacramento Regional Transit District

Asset Allocation Review

Anne Heaphy
Fund Sponsor Consulting

Uvan Tseng, CFA
Fund Sponsor Consulting

Asset Allocation Overview

Summary of the Asset-Liability Study from the June meeting:

The liability and demographic profile suggest SacRT has a long time horizon

- Plan is open and accruing benefits

Liquidity needs are manageable

- Net outflows have been under 2% over the past several years and are expected to remain low
- 10% allocation to private Real Estate in the current target does not impede cash flow needs

SacRT is ~72% Funded and is expected to be 103% Funded at the end of 10 years under the Current Target

The current target (25% Fixed Income) is diversified across stocks, bonds, and real estate and is reasonable to retain going forward

- Risk/return stance should be sufficient to meet the long-term goals and funding needs of the Plan
- 10-year expected return of 7.4% exceeds the discount rate of 6.75%

Some ideas the Board wanted to explore further:

A modest increase in Fixed Income to 30% is an alternative that could be considered

- A modest increase of 5% in Fixed Income is expected to have a 10-year return of 7.3% at a lower risk level than the policy target
- Small increase in expected cost, and lower worse-case cost than the current target

Education on private credit

Domestic equity structure – add more growth exposure?

International equity structure – reduce emerging markets exposure?

Goals of the Asset-Liability Study

- The goal of the asset-liability project is to establish a long-term strategic asset allocation target
- An appropriate asset allocation will depend on SacRT's investment objectives
  - Minimize costs over the long run (long-term goal)
    - *How much return generation is necessary to lower contributions and/or improve funded status?*
  - Minimize funded status volatility (short-term goal)
    - *How much risk reduction to reduce contribution/funded status volatility?*
- Asset allocation will vary by the unique circumstances
  - *No "one-size-fits-all" solution exists*
- The asset-liability study will help SacRT quantify the impact that different strategies might have on relevant metrics

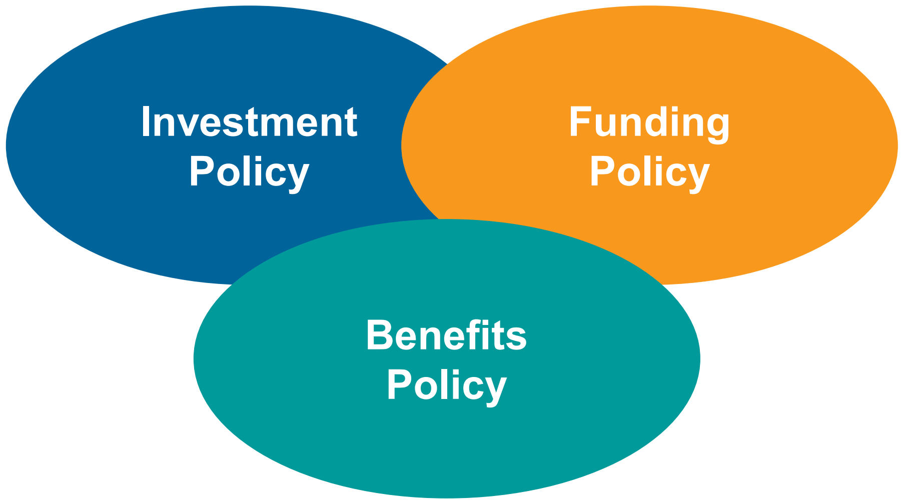
Factors to consider:

- Liability characteristics
- Funded status
- Contribution policy
- Time horizon
- Liquidity needs
- Risk Tolerance

Where Does Asset Allocation Fit In?

Evaluate the interaction of three key policies to identify an appropriate investment policy

Investment Policy
- 65% Public Equity
- 25% Fixed Income
- 10% Real Estate



Funding Policy
- Normal Cost plus Amortization of unfunded liability
- Largest layer of unfunded liability (established in 2019) has 9 years of amortization remaining
- Effective 7/1/20, changes in UAL amortized over new 20-year bases
- 2024 employer contributions = $27 million (31% of payroll)

Benefits Policy
- ~$30 million per year
- ~8% of the market value of assets

Discount Rate: 6.75%

Contributions + Investment Earnings = Benefits Paid + Expenses

Summary of Financial Position and Actuarial Assumptions

Combined Plans (ATU, IBEW, Salaried)

Data is based on the 7/1/2023 actuarial valuation report from Cheiron

Demographics:

- Plan is open to new entrants
- 2,401 members: 1,044 active members, 1,357 inactive members (retirees, beneficiaries, inactive vested)

Key actuarial assumptions:

- 6.75% investment return assumption
- 2.5% price inflation

2023 Funded Ratio is 72% (on a Market Value of Assets basis)

July 1, 2023 Actuarial Valuation	ATU, IBEW, Salaried Combined Plans
Actuarial Liability (AL)	$518 million
Market Value of Assets (MVA)	$372 million
Actuarial Value of Assets (AVA)	$379 million
Market Funded Status (MVA/AL)	72%
Actuarial Funded Status (AVA/AL)	73%
Employer Contribution ($)	$27 million
Employer Contribution (%)	31%
Normal Cost ($)	$13 million

Key Assumptions	Actuarial Assumption	Callan 10-year Expectation
Investment Return	6.75%	7.4%*
Price Inflation	2.5%	2.5%

*Based on Callan's 10-year capital market assumptions applied to the Fund's target asset allocation

Sacramento Regional Transit Asset Allocation

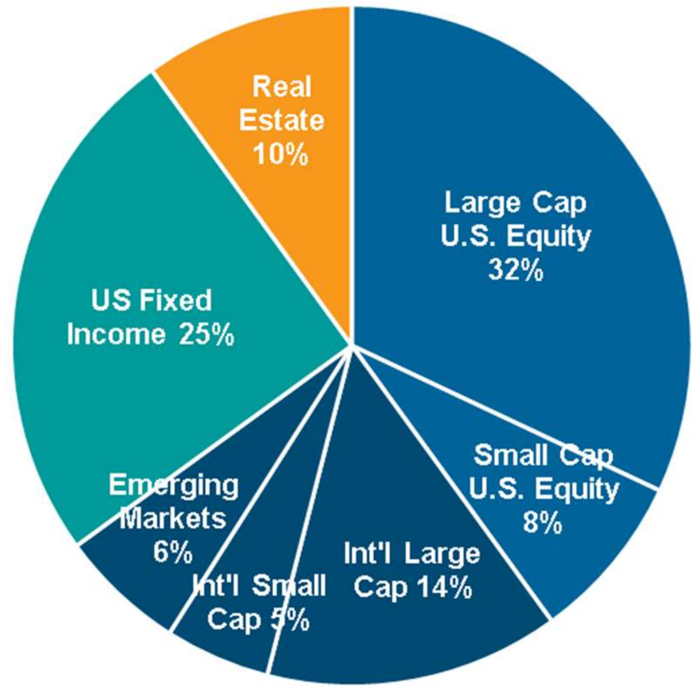
Target Asset Allocation

Diversified Structure with investments in Private Real Estate

65% Public Equity

25% Fixed Income

10% Real Estate



Expected Return* = 7.4%

Expected Risk = 12.4%

*10 year geometric return

Callan's Long-Term Capital Market Assumptions (2024-2033)

Asset Class	Index	Projected Return*	Projected Risk
Equities			
Broad US Equity	Russell 3000	7.65%	17.40%
Large Cap US Equity	S&P 500	7.50%	17.00%
Small/Mid Cap US Equity	Russell 2500	7.70%	22.00%
Global ex-US Equity	MSCI ACWI ex USA	7.65%	21.40%
Developed ex-US Equity	MSCI World ex USA	7.50%	20.15%
Emerging Market Equity	MSCI Emerging Markets	7.70%	25.60%
Fixed Income			
Short Duration Gov't/Credit	Bloomberg Barclays 1-3 Yr G/C	4.25%	2.40%
Core US Fixed	Bloomberg Barclays Aggregate	5.25%	4.25%
Long Gov't/Credit	Bloomberg Barclays Long G/C	6.00%	11.70%
TIPS	Bloomberg Barclays TIPS	5.05%	5.40%
High Yield	Bloomberg Barclays High Yield	6.85%	11.75%
Global ex-US Fixed	Bloomberg Barclays Glbl Agg xUSD	3.15%	9.80%
EMD	EMBI Global Diversified	6.35%	10.65%
Alternatives			
Core Real Estate	NCREIF ODCE	6.00%	14.00%
Private Infrastructure	MSCI Glb Infra/FTSE Dev Core 50/50	6.35%	15.20%
Private Equity	Cambridge Private Equity	8.75%	27.60%
Private Credit	N/A	7.40%	15.70%
Hedge Funds	Callan Hedge FoF Database	6.05%	8.20%
Commodities	Bloomberg Commodity	3.90%	18.05%
Cash Equivalents	90-Day T-Bill	3.00%	0.90%
Inflation	CPI-U	2.50%	1.60%

* 10-Year annualized return

Asset classes in **blue** are part of the Plan's current target investment allocation

Most capital market expectations represent passive exposure (beta only); however, return expectations for private investments reflect active management because no effective market proxies exist

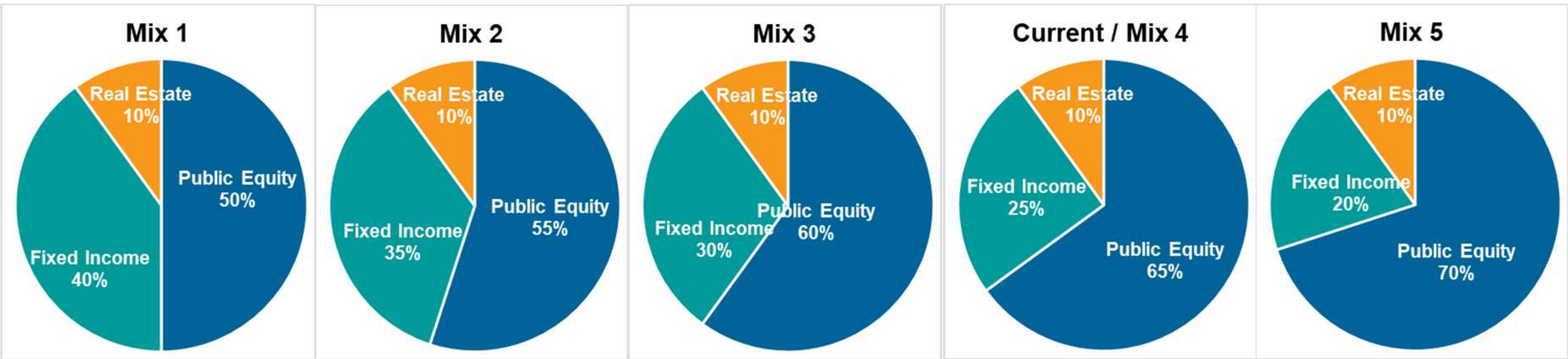
All return expectations are net of fees

2024 Correlations

		Lg Cap	Sm/Mid	Dev ex-US	Emerge	Sht Dur	Core Fix	Long G/C	TIPS	Hi Yield	GlobxFix	EMD	Core RE	Pvt Infra	Pvt Eqt	Pvt Cred	Hedge Fd	Comm	Cash Eq	Inflation
1	Large Cap U.S. Equity	1.00																		
2	Small/Mid Cap U.S. Equity	0.87	1.00																	
3	Developed ex-U.S. Equity	0.70	0.81	1.00																
4	Emerging Market Equity	0.81	0.88	0.92	1.00															
5	Short Duration Gov't/Credit	0.05	0.01	0.04	-0.01	1.00														
6	Core U.S. Fixed	0.09	0.03	0.06	0.00	0.78	1.00													
7	Long Government/Credit	0.23	0.19	0.21	0.19	0.69	0.88	1.00												
8	TIPS	-0.02	-0.05	-0.04	-0.07	0.55	0.70	0.58	1.00											
9	High Yield	0.74	0.74	0.71	0.74	0.13	0.15	0.26	0.06	1.00										
10	Global ex-U.S. Fixed	0.12	0.11	0.14	0.10	0.50	0.50	0.52	0.40	0.16	1.00									
11	EM Sovereign Debt	0.59	0.60	0.61	0.65	0.17	0.23	0.32	0.11	0.62	0.17	1.00								
12	Core Real Estate	0.33	0.33	0.33	0.33	0.17	0.22	0.22	0.12	0.30	0.14	0.22	1.00							
13	Private Infrastructure	0.47	0.47	0.45	0.47	0.14	0.18	0.24	0.08	0.34	0.18	0.32	0.65	1.00						
14	Private Equity	0.79	0.77	0.76	0.76	-0.04	-0.04	0.11	-0.12	0.55	0.07	0.44	0.46	0.52	1.00					
15	Private Credit	0.67	0.67	0.64	0.68	0.04	0.06	0.17	-0.05	0.55	0.11	0.47	0.26	0.27	0.65	1.00				
16	Hedge Funds	0.60	0.50	0.50	0.50	0.28	0.39	0.42	0.23	0.50	0.24	0.47	0.24	0.31	0.34	0.47	1.00			
17	Commodities	0.20	0.20	0.20	0.20	-0.04	-0.05	-0.03	0.00	0.18	0.05	0.15	0.16	0.15	0.16	0.14	0.17	1.00		
18	Cash Equivalents	-0.02	-0.07	-0.08	-0.08	0.27	0.16	0.09	0.14	-0.03	0.10	-0.02	0.02	-0.04	-0.04	-0.04	0.00	-0.02	1.00	
19	Inflation	0.00	0.02	0.00	0.02	-0.20	-0.22	-0.27	0.25	-0.03	-0.12	-0.04	0.20	0.10	0.04	-0.04	-0.01	0.35	0.02	1.00

Range of Alternative Asset Mixes

Asset Class	Mix 1	Mix 2	Mix 3	Current Target (Mix 4)	Mix 5
Public Equity	**50%**	**55%**	**60%**	**65%**	**70%**
US Large Cap	24%	26%	29%	32%	33%
US Small Cap	5%	6%	6%	8%	8%
Int'l Large Cap	11%	12%	13%	14%	15%
Int'l Small Cap	4%	4%	4%	5%	5%
Emerging Markets	6%	7%	8%	6%	9%
Fixed Income	**40%**	**35%**	**30%**	**25%**	**20%**
US Fixed Income	40%	35%	30%	25%	20%
Alternatives	**10%**	**10%**	**10%**	**10%**	**10%**
Real Estate*	10%	10%	10%	10%	10%
Expected Return	**7.1%**	**7.2%**	**7.3%**	**7.4%**	**7.5%**
Expected Risk	**9.9%**	**10.8%**	**11.6%**	**12.4%**	**13.4%**

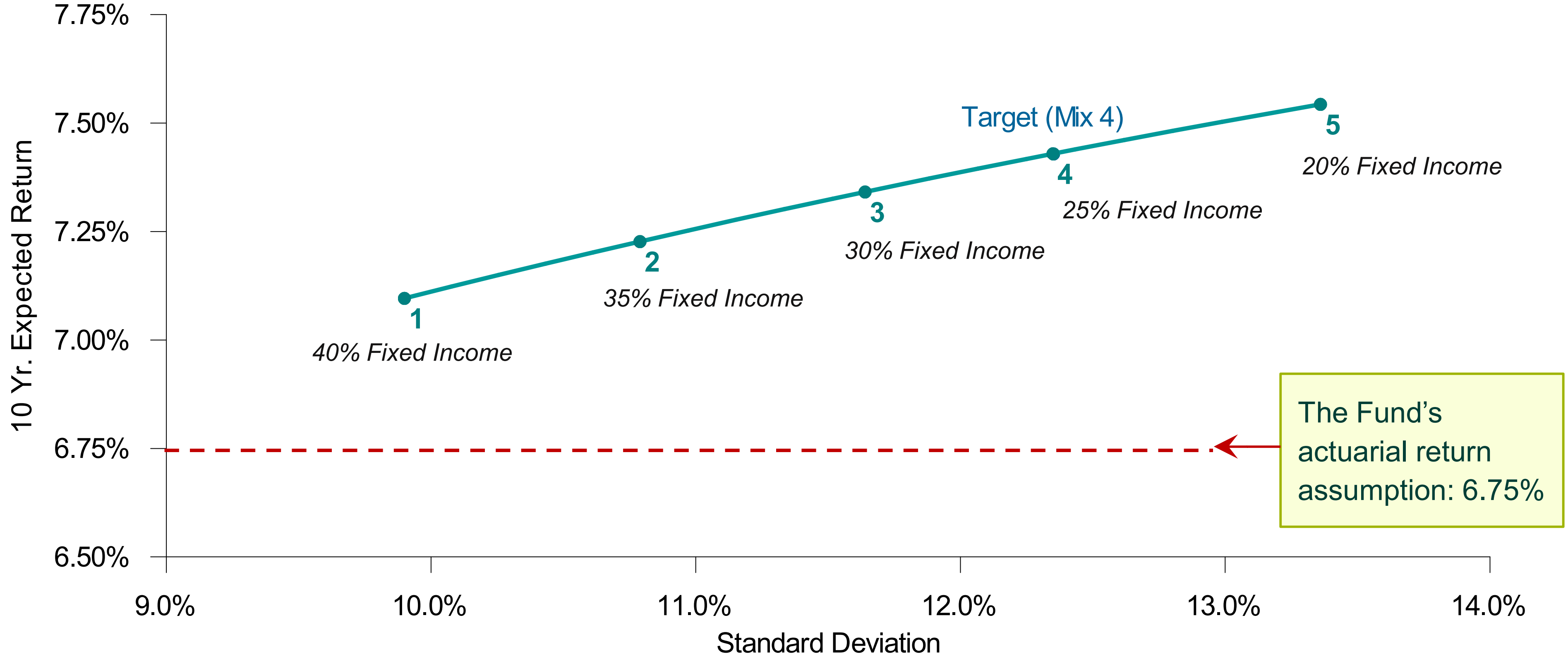


- The optimal mixes are constructed with decreasing allocations to fixed income (from 40% to 20%)
- As fixed income decreases, the expected return increases and annual portfolio risk reaches over 13%

* Mixes constrained to a maximum of 10% in Real Estate

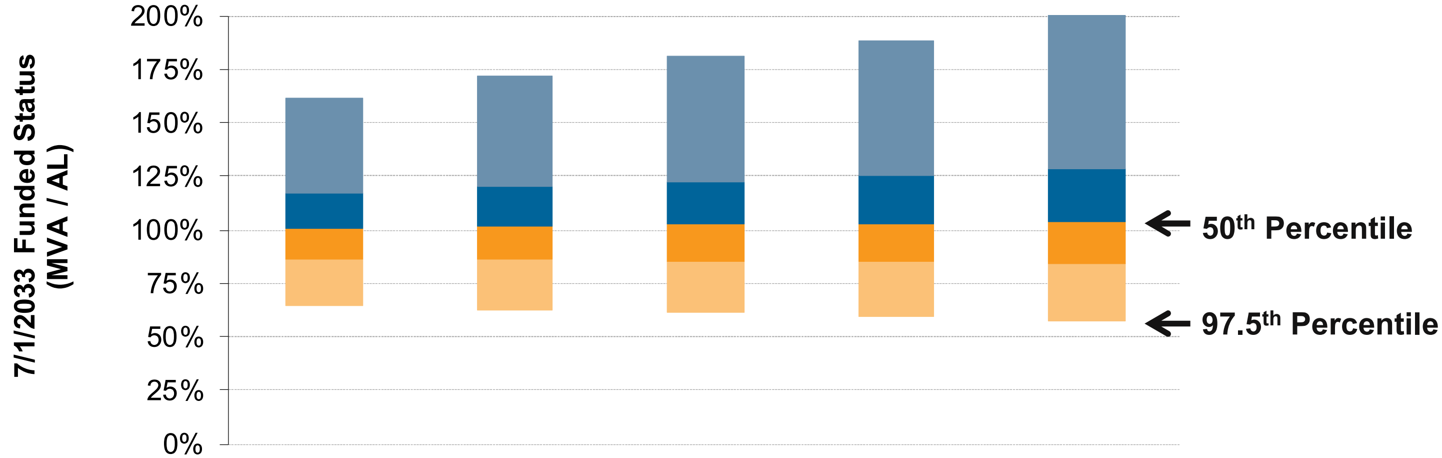
Efficient Frontier

Current Asset Classes Only



- Efficient frontier represents mixes which optimally trade off between expected return and expected risk
- The current target lies on the efficient frontier

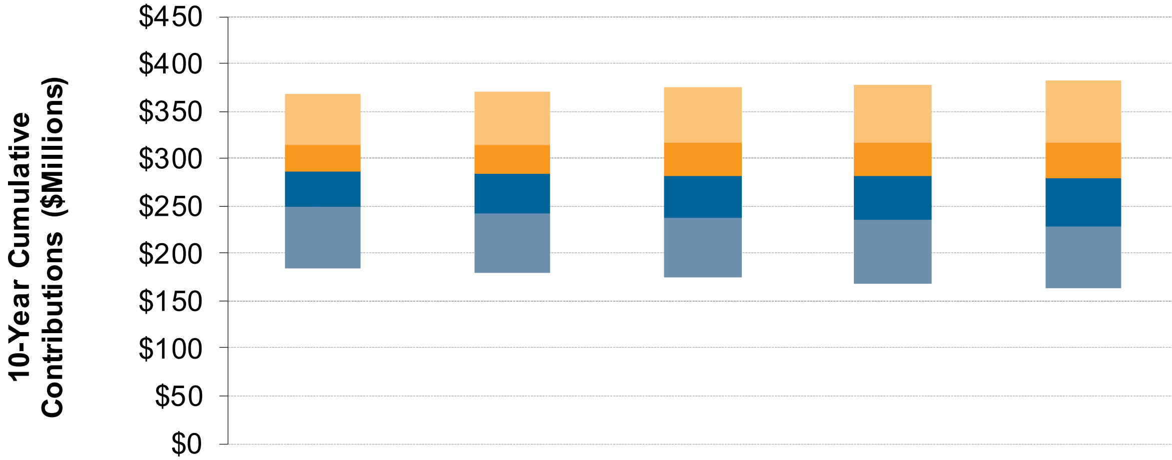
Market Funded Ratio in 2033 (10 Years)



Percentile	Mix 1	Mix 2	Mix 3	Target / Mix 4	Mix 5
2.5th	161%	172%	180%	188%	202%
25th	117%	120%	123%	125%	128%
50th	100%	101%	102%	103%	104%
75th	86%	86%	86%	85%	85%
97.5th	65%	63%	62%	60%	58%
Expected Return	7.1%	7.2%	7.3%	7.4%	7.5%
Standard Deviation	9.9%	10.8%	11.6%	12.4%	13.4%
Prob. Full Funding	51%	52%	54%	55%	55%

- Funded status is expected to improve over the next 10 years for all asset mixes
  - 7/1/2023 starting funded status of 72%
  - Between 51% and 55% probability of full funding in 10 years across mixes
- Mix 3 with 30% fixed income is expected to have a modestly lower funded ratio (50th percentile at 102% vs. 103%) but will have a slightly higher funded status in a worse-case scenario (97.5th percentile at 62% vs. 60%)

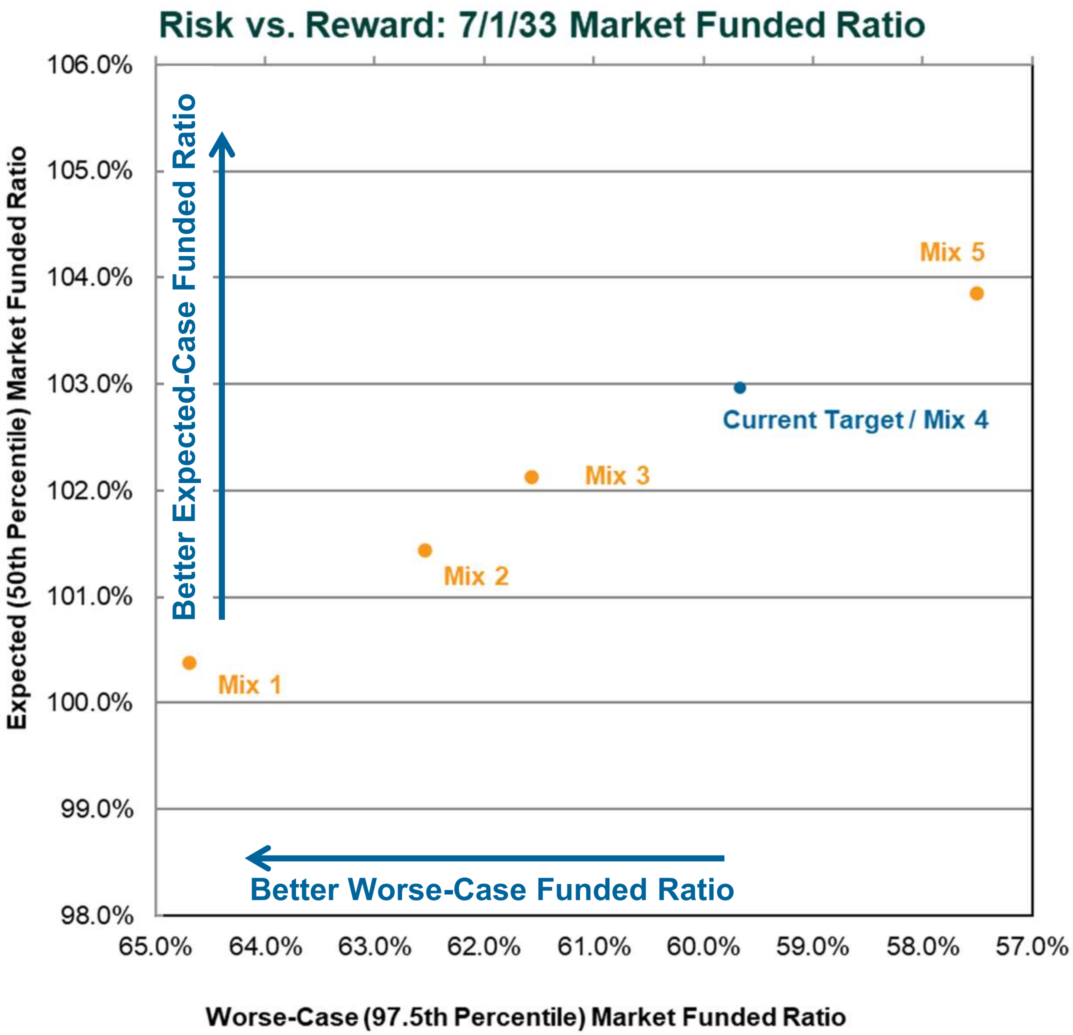
Cumulative Employer Contributions (7/1/23 – 7/1/33)



Percentile	Mix 1	Mix 2	Mix 3	Target / Mix 4	Mix 5
97.5th	$367	$370	$374	$377	$382
75th	$314	$315	$316	$316	$317
50th	$286	$284	$283	$281	$279
25th	$250	$243	$238	$235	$228
2.5th	$186	$180	$174	$169	$164
Expected Return	7.1%	7.2%	7.3%	7.4%	7.5%
Standard Deviation	9.9%	10.8%	11.6%	12.4%	13.4%

- The chart illustrates total employer contributions over the next 10 years
  - Expected contributions are approximately $280 million ($28 million/year) across all mixes
- Mix 3 with 30% fixed income is expected to have a modestly higher expected contribution (50th percentile at $283 vs. $281) but will have a slightly lower worse-case contribution (97.5th percentile at $374 vs. $377)

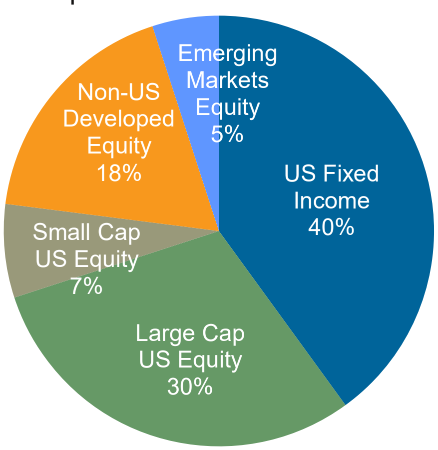
Risk vs. Reward in Market Funded Status at July 1, 2033



- Upper left is the desired location
  - Would mean higher funded ratio in both the expected and worse-case scenarios
- The results of the mixes represent a tradeoff between expected case funded ratio and worse-case funded ratio

What RT Has Accomplished Since the 2014 Asset/Liability Study

2014 Policy Target
Actuarial Expected Return: 7.75% Expected Geometric Return: 6.3%
Expected Standard Deviation: 11.5%



2014
- Conducted full A/L Study
- Lowered fixed income from 40% to 35%

2015
- Lowered actuarial expected return from 7.75% to 7.65%
- Broadened fixed income from Core to Core Plus

2016
- Lowered actuarial expected return from 7.65% to 7.50%
- Developed Non-US Small Cap Search (hired AQR)

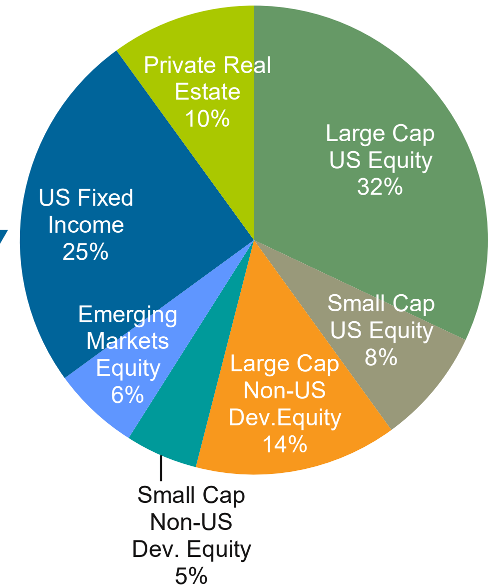
2017
- Developed Non-US Large Cap Manager Search (Pyrford was hired to replace JP Morgan)

2018
- Lowered actuarial expected return from 7.50% to 7.25%

2019
- Conducted full A/L Study
- Formed Ad-hoc Committee to conduct education and search for private core real estate

2020-2021
- Lowered fixed income from 35% to 25%
- Added 10% to private core real estate – hired Clarion and Morgan Stanley
- Lowered actuarial expected return from 7.25% to 6.75%

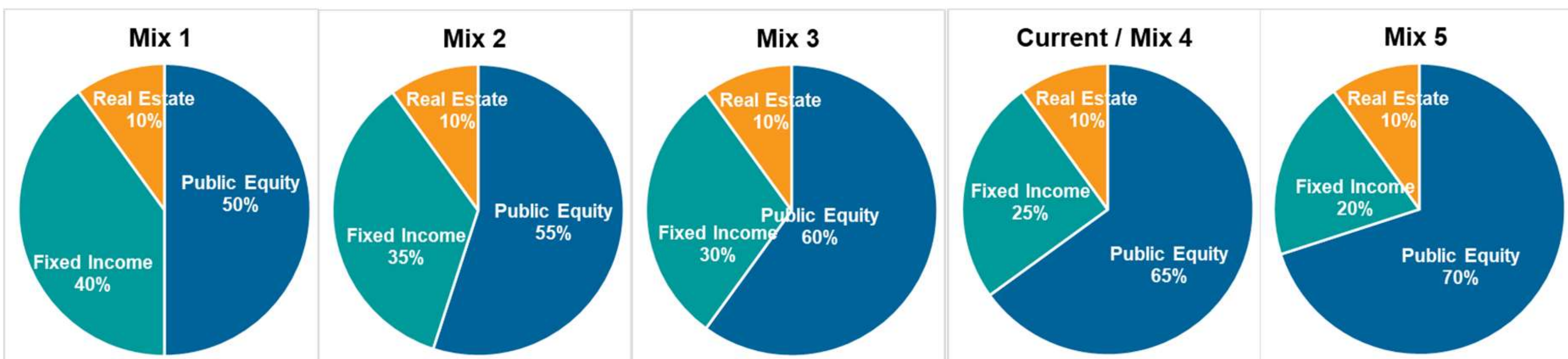
2024 Policy Target
Actuarial Expected Return: 6.75%
Expected Geometric Return: 7.4%
Expected Standard Deviation: 12.4%



Areas to Explore

Range of Alternative Asset Mixes (same chart as before – compare to next page)

Asset Class	Mix 1	Mix 2	Mix 3	Current Target (Mix 4)	Mix 5
Public Equity	**50%**	**55%**	**60%**	**65%**	**70%**
US Large Cap	24%	26%	29%	32%	33%
US Small Cap	5%	6%	6%	8%	8%
Int'l Large Cap	11%	12%	13%	14%	15%
Int'l Small Cap	4%	4%	4%	5%	5%
Emerging Markets	6%	7%	8%	6%	9%
Fixed Income	**40%**	**35%**	**30%**	**25%**	**20%**
US Fixed Income	40%	35%	30%	25%	20%
Alternatives	**10%**	**10%**	**10%**	**10%**	**10%**
Real Estate*	10%	10%	10%	10%	10%
Expected Return	**7.1%**	**7.2%**	**7.3%**	**7.4%**	**7.5%**
Expected Risk	**9.9%**	**10.8%**	**11.6%**	**12.4%**	**13.4%**



- The optimal mixes are constructed with decreasing allocations to fixed income (from 40% to 20%)
- As fixed income decreases, the expected return increases and annual portfolio risk reaches over 13%

* Mixes constrained to a maximum of 10% in Real Estate

Alternative Asset Mixes

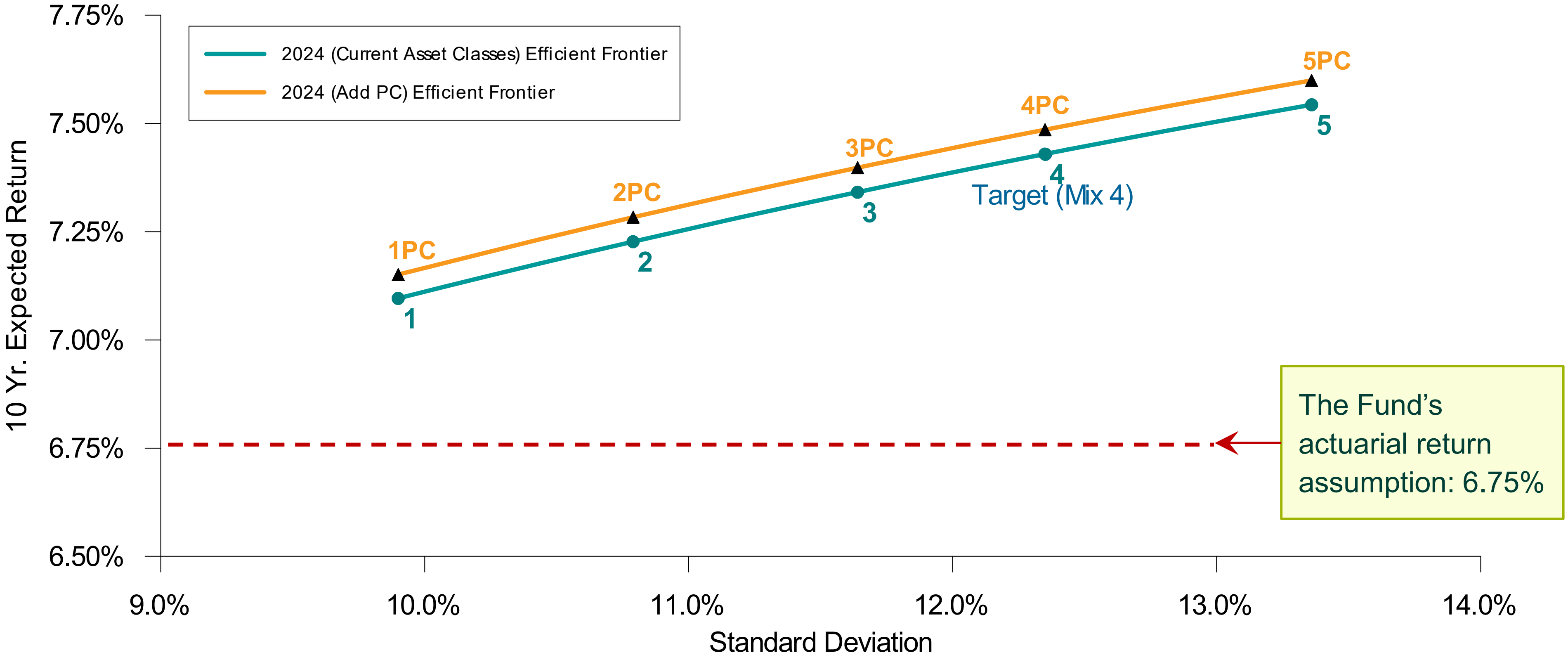
Adding Private Credit

Asset Class	Mix 1PC	Mix 2PC	Mix 3PC	Mix 4PC	Mix 5PC
Public Equity	**46%**	**50%**	**55%**	**59%**	**65%**
US Large Cap	22%	24%	26%	28%	31%
US Small Cap	5%	5%	6%	6%	7%
Int'l Large Cap	10%	11%	12%	13%	14%
Int'l Small Cap	4%	3%	4%	4%	5%
Emerging Markets	5%	6%	7%	8%	8%
Fixed Income	**37%**	**32%**	**27%**	**23%**	**17%**
US Fixed Income	37%	32%	27%	23%	17%
Alternatives	**17%**	**18%**	**18%**	**18%**	**18%**
Real Estate	9%	10%	10%	10%	10%
Private Credit	8%	8%	8%	8%	8%
Expected Return	**7.2%**	**7.3%**	**7.4%**	**7.5%**	**7.6%**
Expected Risk	**9.9%**	**10.8%**	**11.6%**	**12.4%**	**13.4%**

- Mixes above optimized to have the same level of risk as Mixes 1 – 5 presented on the previous slide
- Mix 4PC has the same expected risk as your current target. The resulting impact on total portfolio return is an increase of ~5-6 bps (at the same level of risk)

Real Estate is constrained to 10% and Private Credit is constrained to 8% of the portfolios

Impact of Adding Private Credit



- Adding Private Credit (Mixes 1PC through 5PC) improves portfolio efficiency modestly
  - 8% additional private credit results in an improvement in expected return of 5-6bps at the same level of risk

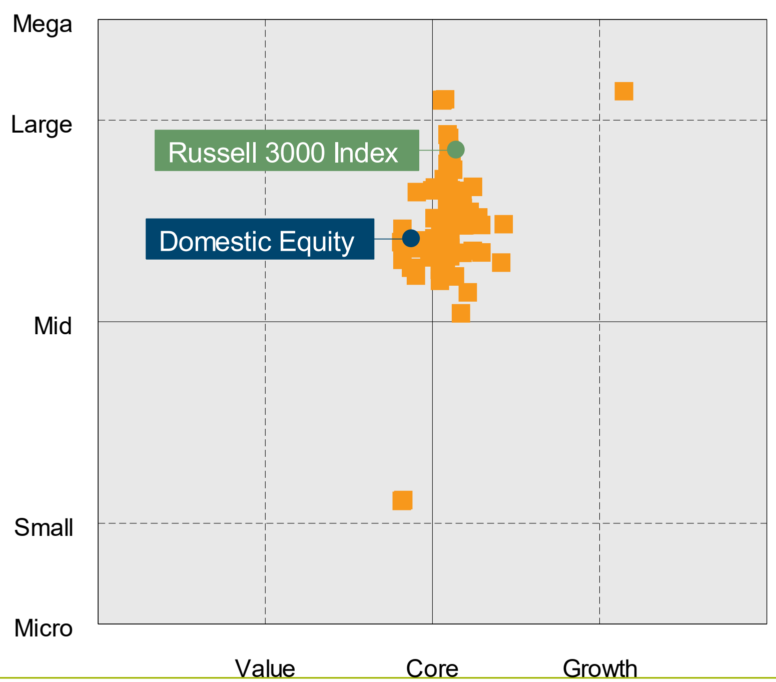
Private Credit Investment Challenges

Illiquidity	Capital locked up for 5+ years
Implementation	Manager selection critical as mistakes are long-lasting and cannot be easily liquidated
Fees	Management Fee (1.25%-2.5%) + Carried Interest (20% of profits)
Performance Calculation & Benchmarking	Reliance on internal rate of return (IRR) and multiples of invested capital (e.g., total value / paid-in capital, or TVPI), rather than time-weighted returns (TWR) used for public markets Data often lagged, creating a timing issue for reporting No perfect benchmark exists; investors use a variety of methodologies (e.g., S&P/LSTA Leveraged Loan Index + 2.5%). Performance data is only available in a small number of private market databases, making peer group rankings difficult.
J-Curve Effect	Negative returns during the investment phase as the portfolio is invested and developed These are eventually offset by potentially outsized investment gains in the latter years
Program Complexity	Investors cannot rebalance private credit to move it closer to target

Domestic Equity Structure

- The domestic equity structure has a modest value overweight. The Board has traditionally been more conservative and focused on downside protection.
  - The current structure consists of: 80% large cap equity and 20% small cap equity
  - The large cap component is benchmarked to the S&P 500. It is roughly split between two managers: SSGA (passive S&P 500 Index) and Boston Partners (active large cap value). The small cap component is a single active portfolio run by Atlanta Capital.
- The Plan's relative performance generally trails during strong, growth-driven market rallies.
  - Plus, the concentration of a few large cap growth names driving recent performance of the U.S. market has made the underweight in growth names more pronounced over the past few years.
- We can review the domestic equity structure and look at adding more growth exposure if desired.

Average Style Map vs Plan- Dom Equity
Holdings for Five Years Ended June 30, 2024

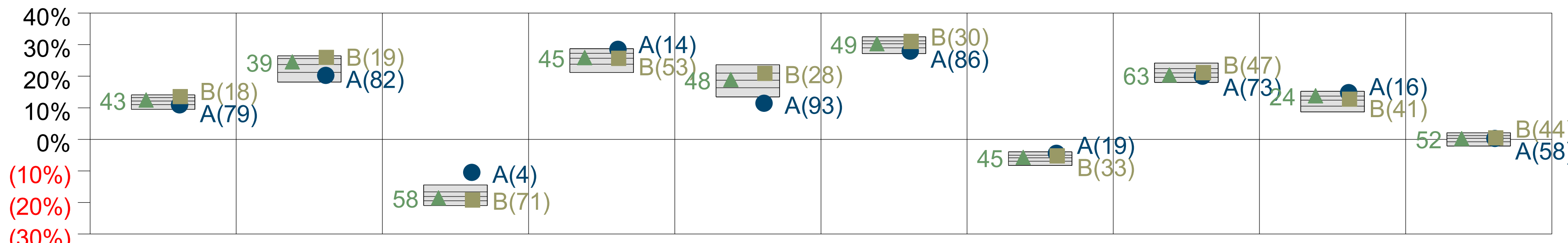


Average Style Exposure Matrix
Holdings for Five Years Ended June 30, 2024

	Value	Core	Growth	Total
Large	23.4% (96) 19.3% (97)	20.9% (96) 20.6% (96)	23.9% (87) 38.6% (103)	**68.3% (279)** **78.5%** (296)
Mid	4.2% (105) 4.6% (164)	6.1% (84) 5.1% (207)	6.2% (57) 5.5% (223)	**16.5% (246)** **15.2%** (594)
Small	1.3% (10) 1.5% (298)	5.7% (21) 2.3% (506)	7.9% (24) 2.0% (383)	**14.9% (55)** **5.7%** (1187)
Micro	0.0% (0) 0.2% (314)	0.2% (1) 0.3% (415)	0.1% (1) 0.1% (162)	**0.4% (2)** **0.7%** (891)
Total	**28.9% (211)** **25.6% (873)**	**32.9% (202)** **28.3% (1224)**	**38.1% (169)** **46.2% (871)**	**100.0% (582)** **100.0%** (2968)

Domestic Equity Calendar Year Performance

Performance vs Fund Spnsor - Domestic Equity (Gross)



	12/23- 6/24	2023	2022	2021	2020	2019	2018	2017	2016	2015
10th Percentile	14.08	26.45	(14.43)	28.72	23.65	32.53	(3.93)	24.18	15.22	2.07
25th Percentile	13.24	25.56	(16.65)	27.26	21.00	31.21	(5.01)	22.38	13.70	1.17
Median	12.16	23.71	(18.09)	25.72	18.70	30.28	(5.85)	21.03	12.42	0.33
75th Percentile	11.00	21.19	(19.47)	23.81	16.36	28.97	(6.91)	19.62	10.54	(0.76)
90th Percentile	9.52	18.14	(20.95)	21.16	13.44	27.17	(8.28)	18.03	8.66	(2.10)
Domestic Equity ● A	10.70	20.03	(10.71)	28.28	11.16	27.71	(4.64)	19.78	14.58	0.06
Russell 3000 Index ■ B	13.56	25.96	(19.21)	25.66	20.89	31.02	(5.24)	21.13	12.74	0.48
Domestic Equity Benchmark ▲	12.50	24.55	(18.54)	25.93	18.94	30.32	(5.69)	20.41	13.85	0.26

- As noted, the domestic equity composite protected during the down markets of 2022 and 2018, but generally trails during strong market rallies.

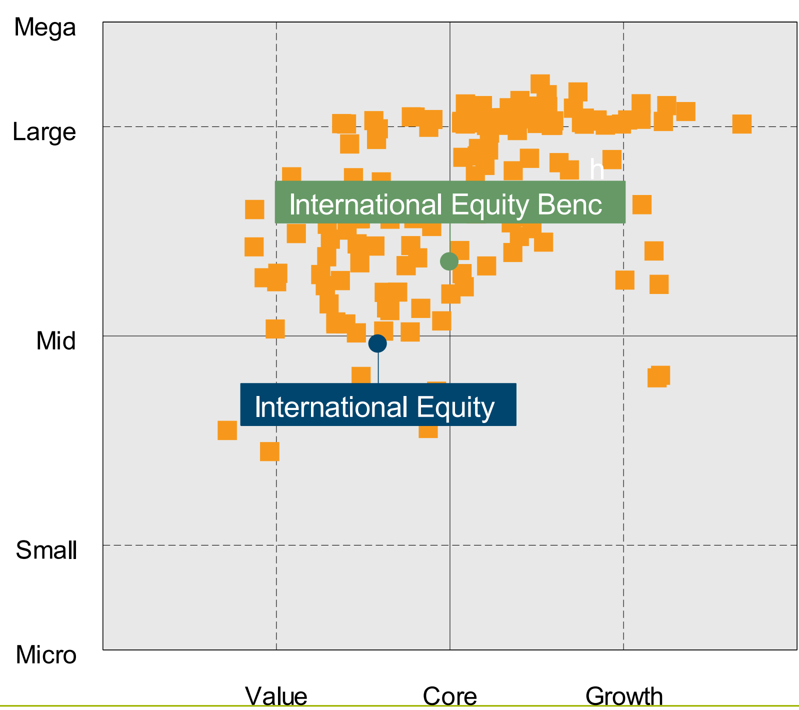
Domestic Equity Manager Performance

	2 Qtrs. 2024	2023	2022	2021	2020	2019	2018	2017	2016
Domestic Equity	**10.70**	**20.03**	**(10.71)**	**28.28**	**11.16**	**27.71**	**(4.64)**	**19.78**	**14.58**
Domestic Equity Benchmark	12.50	24.55	(18.54)	25.93	18.94	30.32	(5.69)	20.41	13.85
SSGA S&P 500	**15.28**	**26.29**	**(18.10)**	**28.70**	**18.36**	**31.50**	**(4.39)**	**21.86**	**12.03**
S&P 500 Index	15.29	26.29	(18.11)	28.71	18.40	31.49	(4.38)	21.83	11.96
Boston Partners	**11.44**	**13.26**	**(3.17)**	**31.78**	**2.99**	**23.91**	**(8.27)**	**20.32**	**14.71**
Russell 1000 Value Index	6.62	11.46	(7.54)	25.16	2.80	26.54	(8.27)	13.66	17.34
Atlanta Capital	**0.32**	**22.65**	**(11.15)**	**21.00**	**11.67**	**27.38**	**1.78**	**15.01**	**19.17**
Russell 2000 Index	1.73	16.93	(20.44)	14.82	19.96	25.52	(11.01)	14.65	21.31

International Equity Structure

- The international equity structure has a modest overweight to emerging markets equity as well as a value bias.
  - The current structure consists of 56% Non-US Large Cap Developed, 20% Non-US Small Cap Developed, and 24% Emerging Markets
- We can explore decreasing the allocation to emerging markets.
  - Emerging markets performance has been more volatile and has trailed the developed markets in many periods (though the forward expected returns are higher than developed markets).
- The value bias has been more favorable in international equity as these markets have fewer tech growth companies than the US.

Average Style Map vs Callan NonUS Eq Holdings for Five Years Ended June 30, 2024

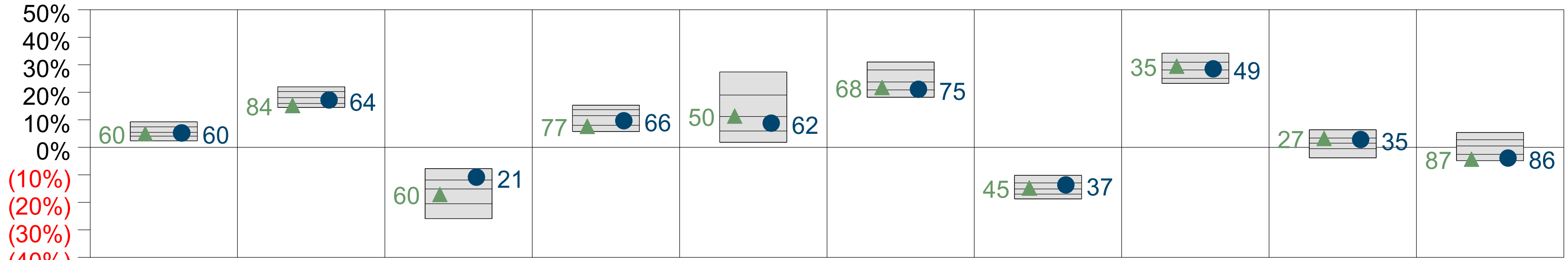


Average Style Exposure Matrix Holdings for Five Years Ended June 30, 2024

	Value	Core	Growth	Total
Europe/ Mid East	17.3% (238) 13.2% (466)	16.3% (198) 14.6% (522)	11.1% (187) 18.7% (489)	**44.7% (623)** **46.5% (1477)**
N. America	0.0% (1) 0.0% (1)	0.2% (6) 0.0% (4)	0.0% (0) 0.0% (1)	**0.2% (7)** **0.0% (6)**
Pacific	12.2% (274) 9.3% (544)	9.0% (212) 9.5% (550)	6.9% (173) 10.8% (526)	**28.0% (659)** **29.6% (1620)**
Emerging/ FM	9.9% (2328) 6.2% (451)	9.2% (1949) 7.8% (427)	8.0% (1372) 9.9% (447)	**27.1% (5649)** **23.9% (1325)**
Total	**39.4% (2841)** **28.7% (1462)**	**34.7% (2365)** **31.9% (1503)**	**26.0% (1732)** **39.4% (1463)**	**100.0% (6938)** **100.0% (4428)**

Calendar Year Performance

Performance vs Callan Non-US Equity (Gross)



	12/23- 6/24	2023	2022	2021	2020	2019	2018	2017	2016	2015
10th Percentile	9.25	22.01	(7.71)	15.32	27.39	31.03	(10.17)	34.21	6.37	5.38
25th Percentile	7.47	20.25	(11.84)	13.69	19.00	28.11	(12.89)	30.96	3.40	2.76
Median	5.43	18.09	(15.11)	11.50	11.19	23.78	(15.12)	28.16	1.50	0.54
75th Percentile	4.09	15.97	(20.51)	7.98	5.93	20.88	(17.01)	25.08	(0.47)	(2.53)
90th Percentile	2.36	14.53	(25.95)	5.73	1.81	18.19	(18.73)	23.28	(3.82)	(4.89)
International Equity ●	4.98	16.93	(11.12)	9.38	8.48	20.83	(13.93)	28.25	2.55	(4.17)
International Benchmark ▲	4.96	15.23	(17.10)	7.67	11.39	21.78	(14.76)	29.51	3.26	(4.30)

- While the overweight to emerging markets has been a headwind over the near term, the overall International Equity composite has generally outperformed the benchmark on a calendar year basis.
  - Prior to 2020, DFA's underweight to China was a detractor but since 2020, the underweight has been additive given China's underperformance.

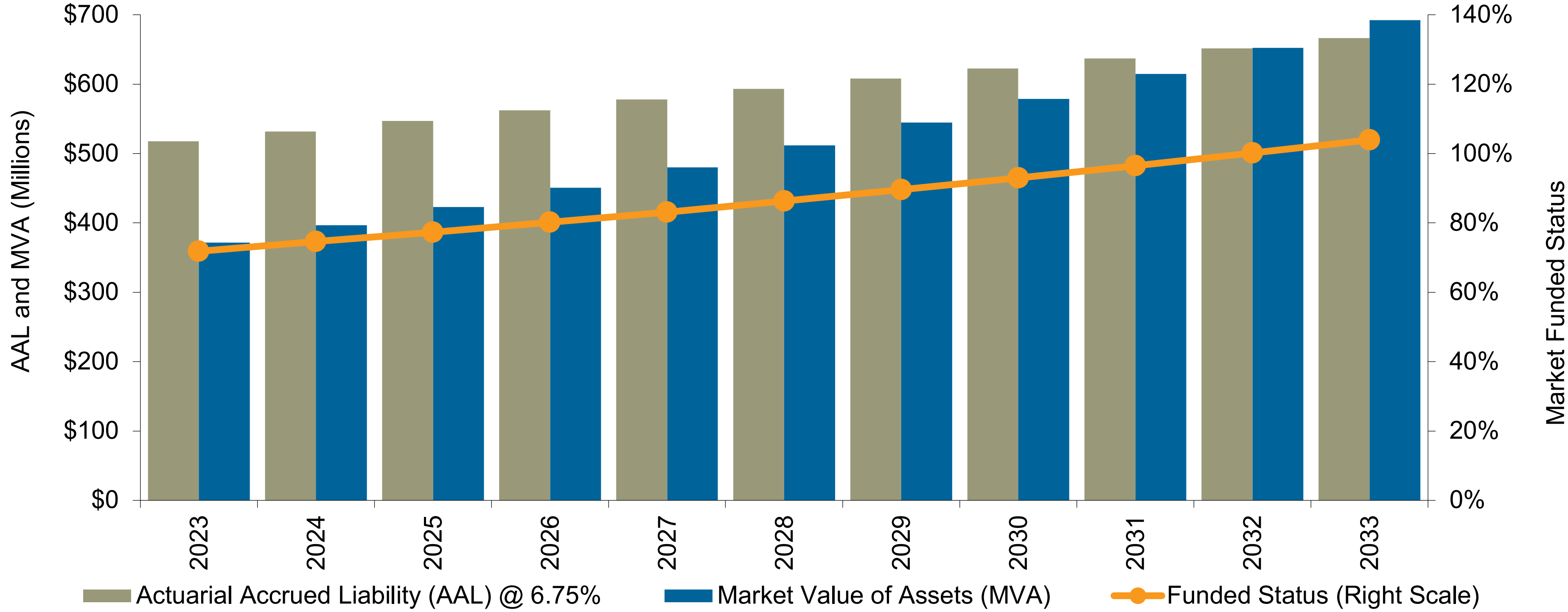
International Equity Manager Performance

	2 Qtrs. 2024	2023	2022	2021	2020	2019	2018	2017	2016
International Equity	**4.98**	**16.93**	**(11.12)**	**9.38**	**8.48**	**20.83**	**(13.93)**	**28.25**	**2.55**
International Benchmark	5.34	18.24	(14.45)	11.26	7.82	22.01	(13.79)	25.03	1.00
Pyrford	**1.94**	**14.97**	**(6.49)**	**8.22**	**4.09**	**22.30**	**(10.31)**	**--**	**--**
SSGA EAFE	**5.55**	**18.60**	**(14.08)**	**11.52**	**8.27**	**22.49**	**(13.49)**	**25.47**	**1.37**
MSCI EAFE Index	5.34	18.24	(14.45)	11.26	7.82	22.01	(13.79)	25.03	1.00
AQR	**6.16**	**20.15**	**(10.51)**	**13.52**	**7.35**	**21.73**	**(19.94)**	**33.76**	**--**
MSCI EAFE Small Cap Index	0.51	13.16	(21.39)	10.10	12.34	24.96	(17.89)	33.01	2.18
DFA	**8.30**	**15.91**	**(16.06)**	**6.25**	**14.40**	**16.64**	**(14.80)**	**37.32**	**12.99**
MSCI Emerging Markets Index	7.49	9.83	(20.09)	(2.54)	18.31	18.44	(14.57)	37.28	11.19

Appendix

Market Assets, Liabilities, and Funded Status

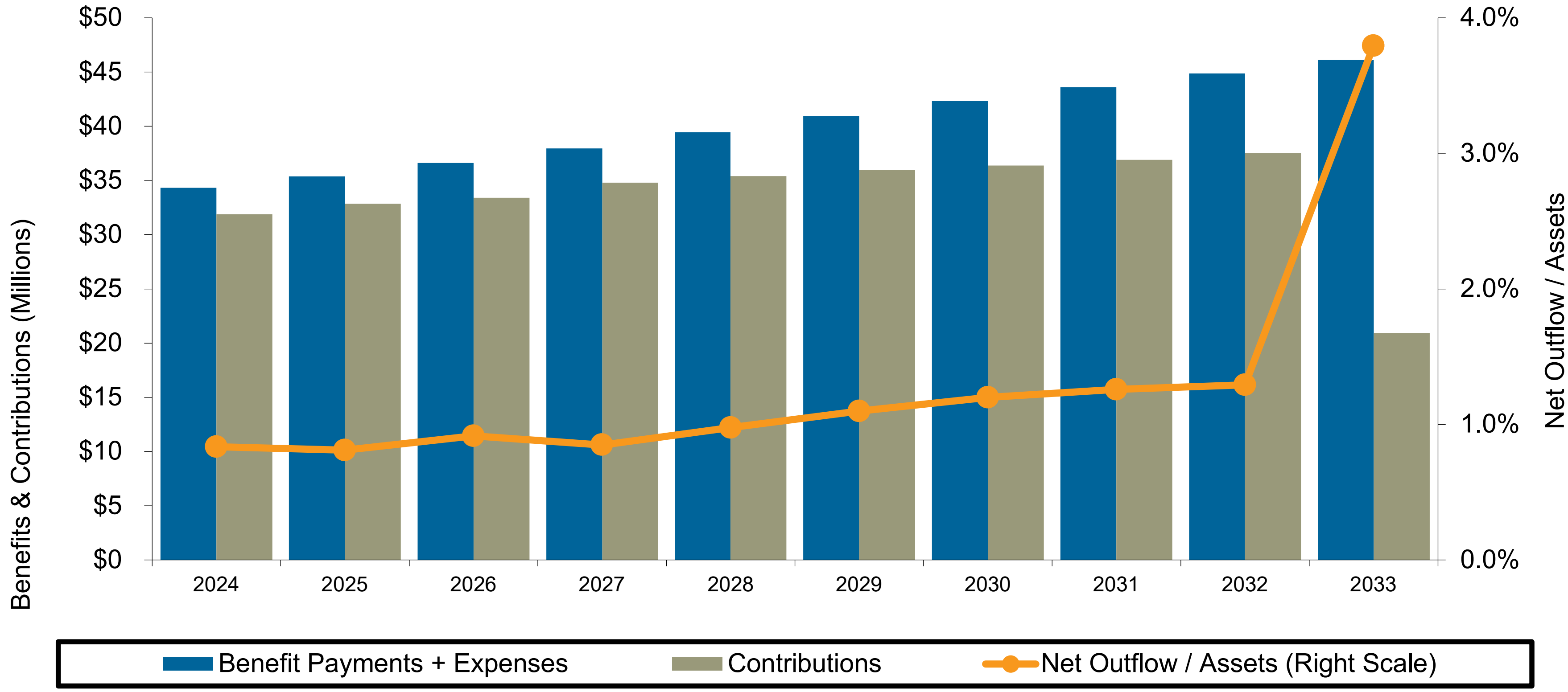
Baseline Projection: 7.4% Return and 2.5% Inflation



- Growth in assets outpaces liability growth leading to improvement in the funded status over the next 10 years
  - Change in assets considers both investment returns (7.4%) and net cash outflows (contributions net of benefit payments and expenses)
- Projected funding depends on adherence to the contribution policy

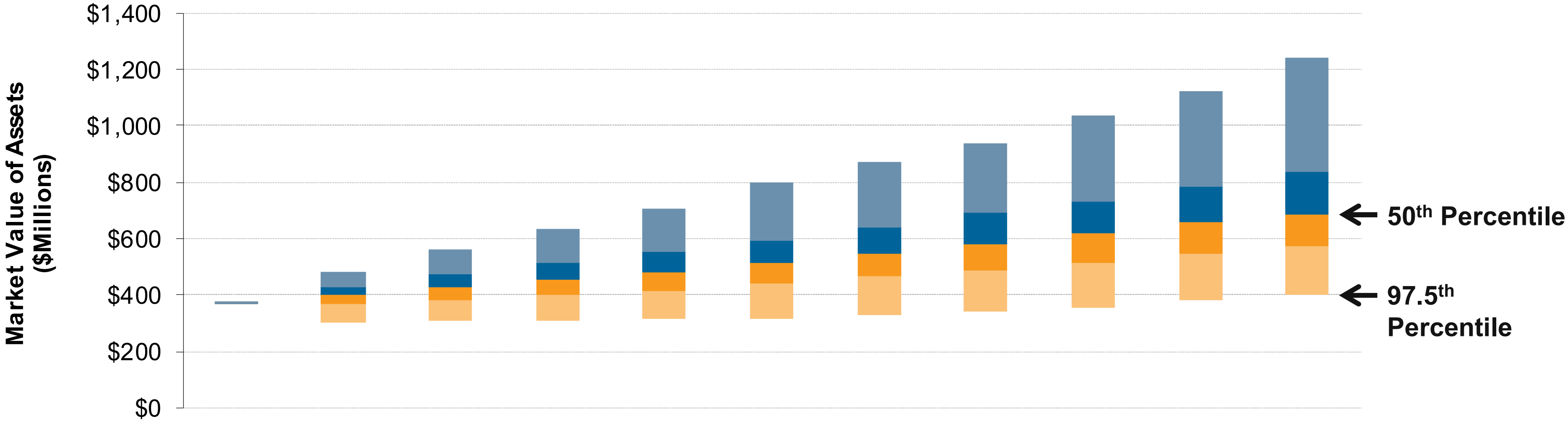
Cash Flows and Liquidity

Baseline Projection



- Net Outflow = Benefit Payments + Expenses – Employer Contributions – Employee Contributions
- Plan has low and manageable net outflows on the range of 1-4% per year
  - Amortization payments on the 2019 unfunded liability cease in 2033 which causes contributions to decrease and net outflow to increase slightly
- The projection assumes the current contribution policy is maintained

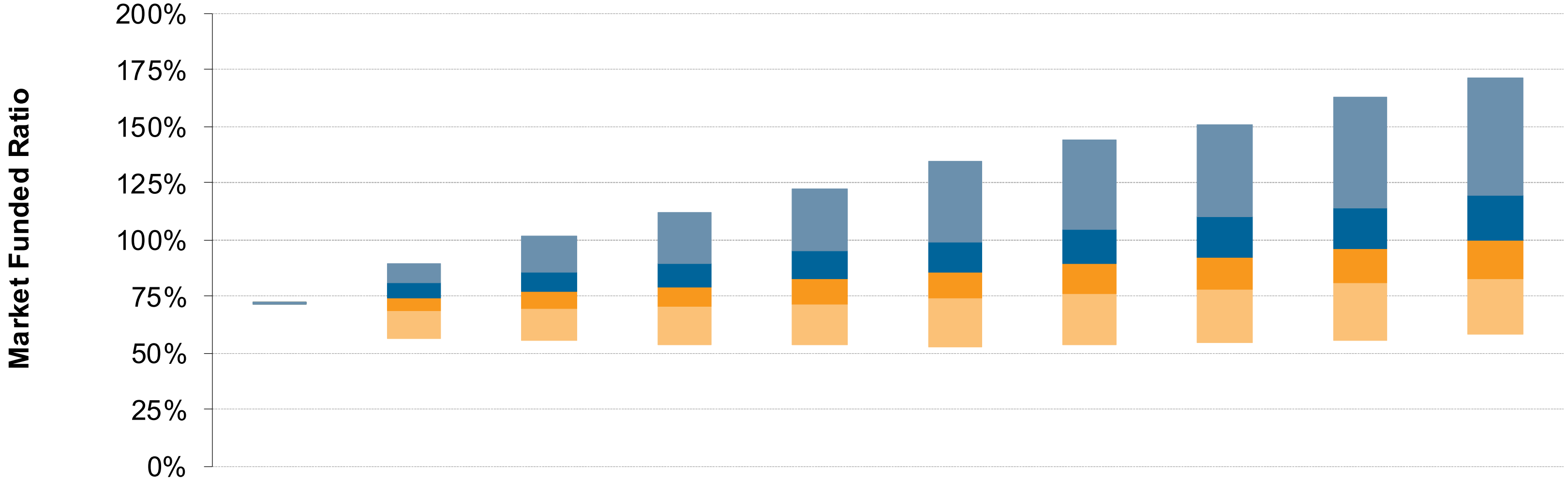
Market Value of Assets – Target Mix



Percentile	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Ann. Growth
2.5th	$372	$480	$558	$632	$707	$800	$871	$940	$1,034	$1,122	$1,242	12.8%
25th	372	431	472	512	554	595	643	694	734	784	836	8.4%
50th	372	401	428	453	483	515	546	580	617	657	690	6.4%
75th	372	371	384	402	419	443	470	490	516	546	573	4.4%
97.5th	372	305	307	310	317	317	332	341	358	385	401	0.8%
Range	0	176	251	322	390	483	539	599	676	737	841	

- Plan assets are expected to grow to just under $700 million in the median outcome (6.4% annualized growth)
- The expected (median) outcome is the 50th percentile
  - There is a 50% chance that asset values will be above the value shown and a 50% chance they will be below the value shown
- A worse-case scenario is the 97.5th percentile
  - There is a 1-in-40 chance (2.5% probability) that the 7/1/2033 market value of assets will be $401 million or less

Market Funded Ratio



Percentile	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
2.5th	72%	90%	102%	112%	123%	135%	144%	151%	163%	172%	188%
25th	72%	81%	85%	90%	95%	99%	105%	110%	115%	120%	125%
50th	72%	75%	77%	80%	82%	86%	89%	93%	96%	100%	103%
75th	72%	69%	69%	71%	71%	74%	77%	78%	81%	83%	85%
97.5th	72%	57%	56%	54%	54%	53%	54%	55%	56%	58%	60%

- Market Funded Ratio = Market Value of Assets / Accrued Liability
- Funded ratio expected to improve from 72% to 103% in ten years
- In a worse-case scenario, funded ratio could be 60% in ten years
- Asset volatility is the key contributor to the wide range of outcomes

Summary of Key Metrics

	Mix 1	Mix 2	Mix 3	Mix 4 (Target)	Mix 5
Asset Allocation					
Fixed Income	40%	35%	30%	25%	20%
Public Equity	50%	55%	60%	65%	70%
Real Estate	10%	10%	10%	10%	10%
Asset-Only Metrics					
10 Year Geometric Return	7.1%	7.2%	7.3%	7.4%	7.5%
Standard Deviation	9.9%	10.8%	11.6%	12.4%	13.4%
Asset-Liability Metrics					
Market Funded Ratio after 10 Years					
Median (50th %ile)	100%	101%	102%	103%	104%
Worse-Case (97.5th %ile)	65%	63%	62%	60%	58%
Probability > 100%	51%	52%	54%	55%	55%
Cumulative Contributions over 10 years ($M)					
Median (50th %ile)	$286	$284	$283	$281	$279
Worse-Case (97.5th %ile)	$367	$370	$374	$377	$382
Ultimate Net Cost					
Median (50th %ile)	$281	$270	$262	$255	$247
Worse-Case (97.5th %ile)	$588	$603	$617	$628	$644

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Past performance is no guarantee of future results.

RETIREMENT BOARD STAFF REPORT

DATE: October 23, 2024

TO: Sacramento Regional Transit Retirement Boards - All

FROM: Jason Johnson - VP, Finance/CFO

SUBJ: APPROVE NEW FIXED-INCOME MANAGER SEARCH BY INVESTMENT CONSULTANT

RECOMMENDATION

Approve a motion to direct Callan to proceed with a fixed income manager search.

RESULT OF RECOMMENDED ACTION

Direct staff to work with Callan and a committee of the Retirement Boards to conduct a fixed income manager search for a core-plus strategy.

FISCAL IMPACT

None. Callan will treat the cost of the manager search as already included in its contract with the Retirement Boards.

DISCUSSION

The Retirement Boards selected MetWest to manage their fixed income portfolio back in 2001 and key personnel from MetWest have continued to manage the portfolio since the firm was acquired by TCW in 2010. As noted in the latest performance report presented by the Retirement Boards' investment consultant, Callan LLC, TCW manages a $94.9 million domestic fixed income portfolio for the Retirement Boards, which represents approximately 25% of the $412.9 million in assets held by the Retirement Plans on June 30, 2024. As of that date, the investment returns reported for TCW included .03% for the quarter, 2.76% for a 1-year period, and an annualized return of -2.96% for a rolling 3-year period. For comparison, those returns were 4 basis points lower than the Bloomberg Aggregate Index for the quarter, 13 basis points higher than the index for a 1-year period, and 6 basis points higher than the index for a 3-year period.

Due to qualitative factors like the planned retirement of two Generalist Portfolio Managers (on top of other senior level retirements), Callan recommended and the Retirement Boards concurred with placing TCW on the Watch List as of June 30, 2023. Within performance reports prepared for subsequent quarters, Callan also cited quantitative factors to justify TCW's presence on the Watch List, including the fact that the active manager has not outperformed the benchmark in a material way over a rolling 3-year period (with the concern being that organizational changes may be impacting performance).

Within the performance report prepared for June 30, 2024, Callan articulated their current position regarding TCW as follows:

> Recommended Action
>
> Callan continues to monitor the strategy and team. Performance continues to be challenged especially versus peers. Callan suggests looking at other managers to potentially complement or replace TCW.

At this special meeting, Callan will provide additional information for the Retirement Boards to consider in determining whether to conduct a search for another fixed income manager. Callan also will review the process employed by the Retirement Boards for prior searches and offer an approximate timeline for completion of a search. At a high level, that process will require forming a committee of Directors to screen potential fixed income managers, scheduling finalist interviews with the full Retirement Boards, and transitioning some or all of the assets currently managed by TCW to a new fixed income manager who enters into a contract with the Retirement Boards.

ATTACHMENT #1

Callan

October 23, 2024

Sacramento Regional Transit District

TCW Fixed Income Review and Fixed Income Manager Search

Anne Heaphy
Fund Sponsor Consulting

Uvan Tseng, CFA
Fund Sponsor Consulting

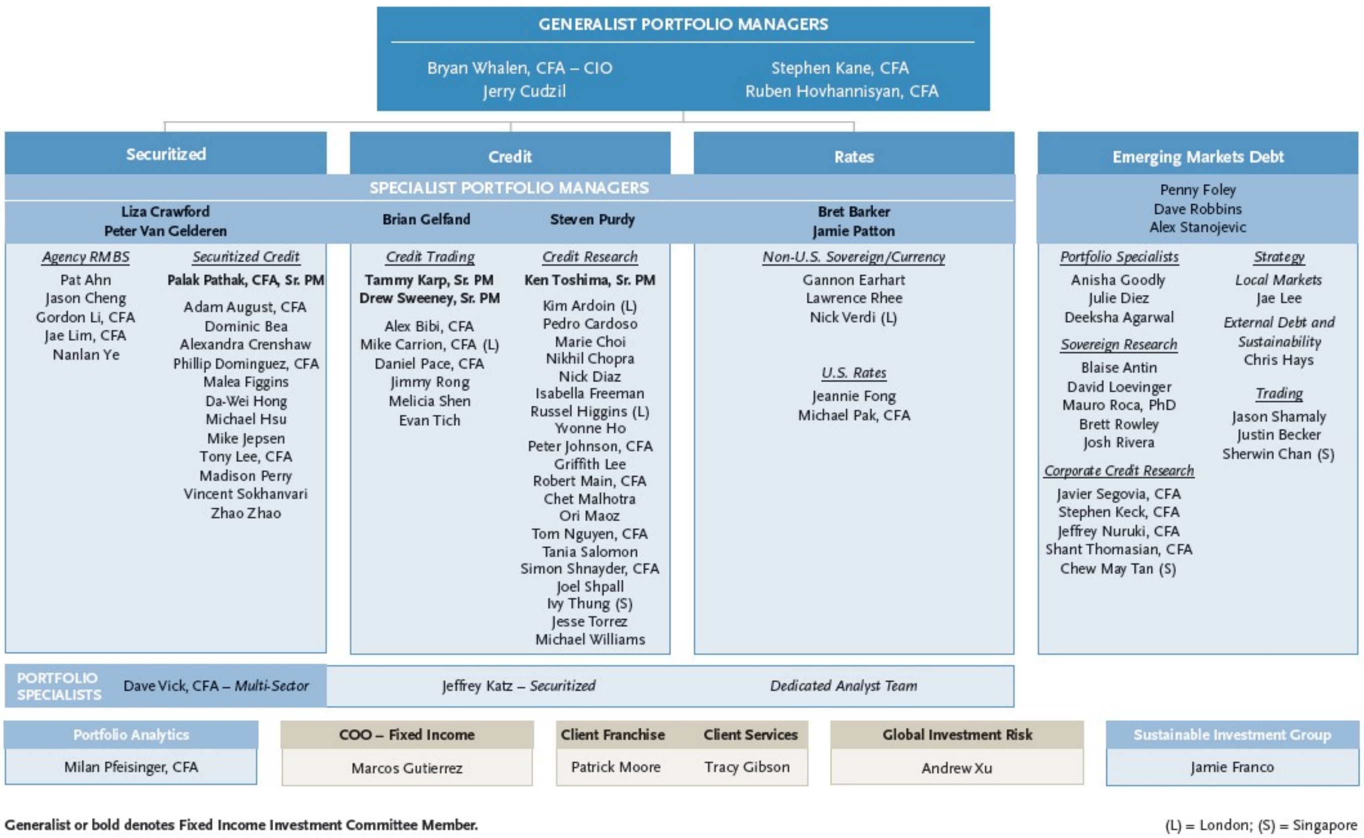
Overview

- TCW acquired MetWest in 2010 but put the senior leadership of MetWest in charge of TCW.
- The longer-term track record was built by the MetWest team but over the last few years, those investment professionals have started to retire. As such, TCW was put on watch in the third quarter of 2023. Around the same time, performance started to lag peers and look less competitive versus the index.
- While we can’t say for certain that those retirements are the reason behind the recent lackluster performance, it does us pause given the seniority and tenure of those departing.
- TCW is the sole fixed income manager in the portfolio and has 25% of total plan assets.
- As such, it may be a good idea to search for a new fixed income manager as either a complement to TCW or a direct replacement.
  - If hired as a complement, we would have a replacement manager ready to go in the event that TCW performance does not improve.
  - Even if we do not end up replacing TCW, it would be a good idea to diversify the manager risk as TCW is the Plan’s single largest manager and the only fixed income manager.

TCW (MetWest) Fixed Income

Team

- Tad Rivelle, Fixed Income CIO and Generalist Portfolio Manager, retired at the end of 2021.
- Laird Landmann, Generalist Portfolio Manager, retired at the end of 2023.
- Steve Kane, co-CIO and Generalist Portfolio Manager, will retire at the end of 2024.
- Bryan Whalen, Generalist Portfolio Manager and co-CIO of Fixed Income with Kane, will continue to lead the team.
- Jerry Cudzil and Ruben Hovhannisyan have been promoted to Generalist Portfolio Managers.
- Expansion of Fixed Income Investment Committee to advise Generalist Portfolio Managers.

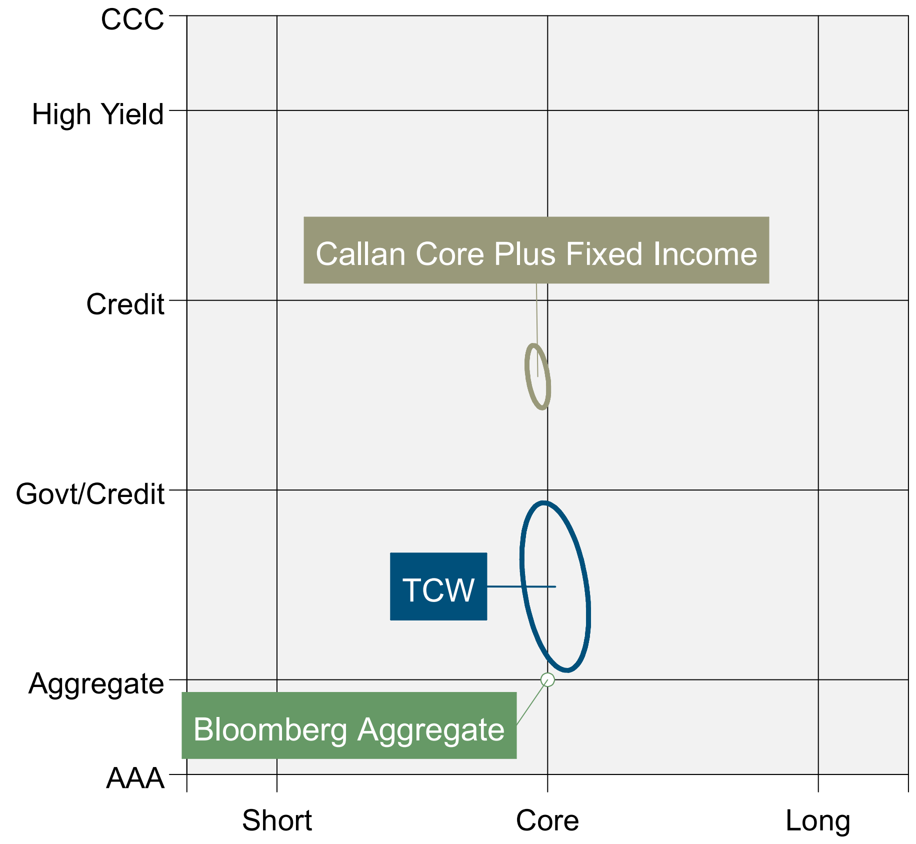


Org chart as of May 2024

Investment Process

- The strategy is a relative return-oriented strategy that seeks to outperform the broad market primarily through security selection and sector rotation.
- The team embraces a fundamental, value-oriented research process to build portfolios. Duration is generally +/- one year, relative to the benchmark.
- TCW can invest up to 20% in below investment grade securities and non-dollar securities.
  – Non-dollar securities have not historically been a part of the opportunity set, but more recently TCW has included modest amounts in US dollar-denominated emerging markets debt.
- The generalist portfolio management team's quarterly long-term economic outlook is the primary driver of duration and other top-down decisions while bottom-up security selection and sector rotation have been primary sources of alpha generation.
- Conservative approach with a preference to stay in higher quality securities; strategy is also more domestically oriented relative to peers.
- Managed to Bloomberg Aggregate Index; seeks 100-150 bps of excess return with 150-200 bps of tracking error.

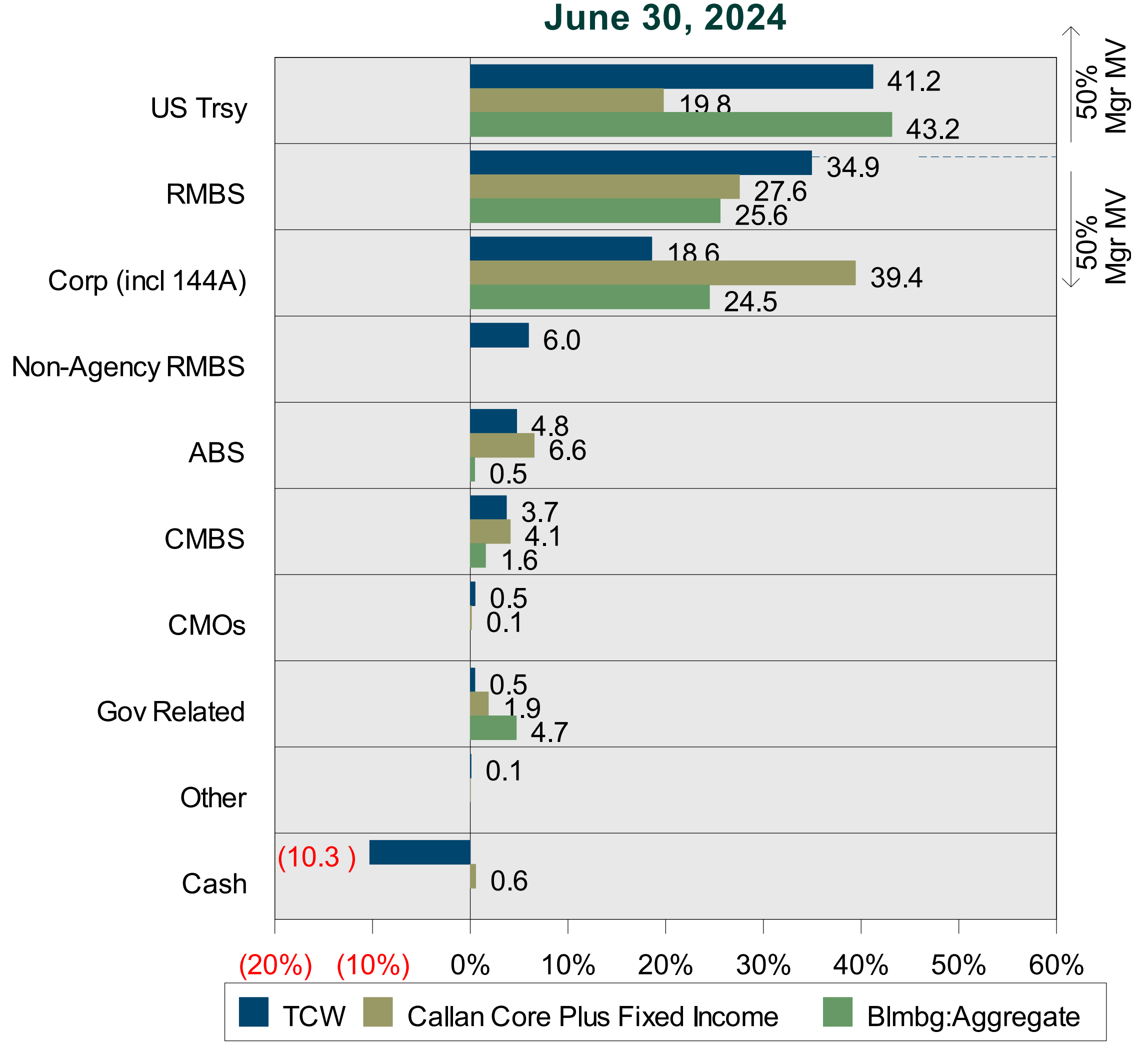
Fixed Income Style Map for 5 Years Ended June 30, 2024



Portfolio Characteristics

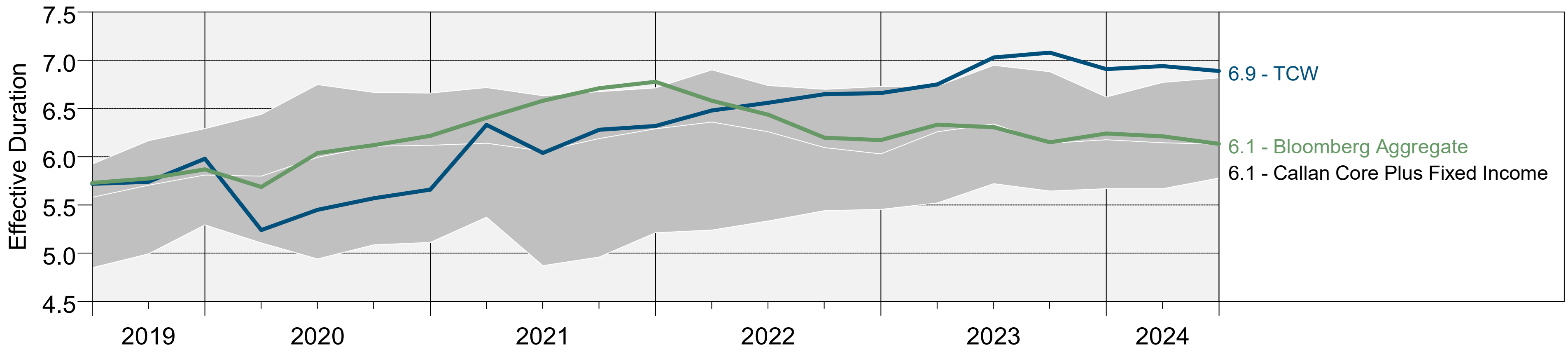
- Tends to have a higher allocation to treasurys versus peers, resulting in a more defensive profile that tends to outperform during risk-off markets and lag peers during risk-on ones.
- The allocation to high yield (included in “Corp”) is capped at 20%, with exposure generally maintained in the higher-quality tier (B and BB rated).
- Traditionally, non-dollar securities have not been a part of the opportunity set; however, in the past few years, the team has opportunistically invested modest amounts (5% or less) in US dollar-denominated emerging markets debt.
- The strategy primarily invests in cash bonds but may also use derivatives to manage duration and/or curve exposure (which is why cash appears as negative).

Sector Allocation
June 30, 2024

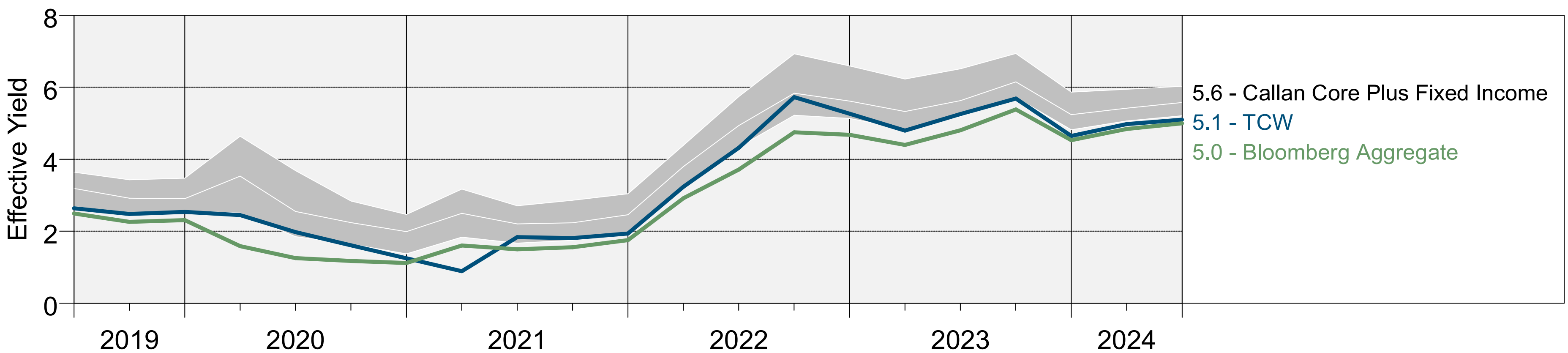


Duration Positioning and Portfolio Yield

Duration



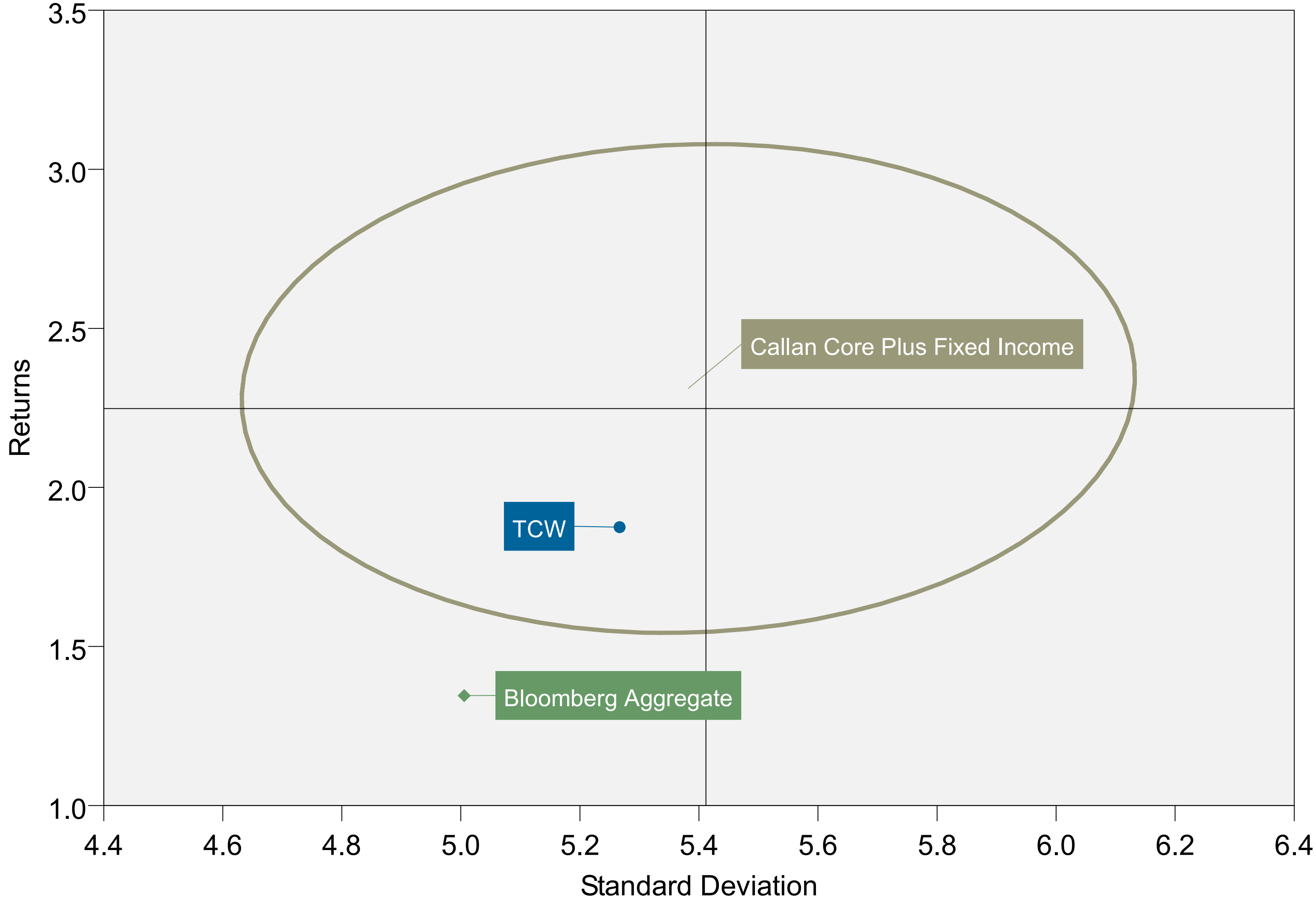
Yield



- Duration measures interest rate risk: at 6.9 years of duration, a 1% rise in yields would be expected to detract about 6.9% from returns.
  - With the recent rise in interest rates, TCW's higher duration has been a major headwind to relative performance.
- Yield indicates the sustainable potential return if bonds are held to maturity without experiencing default

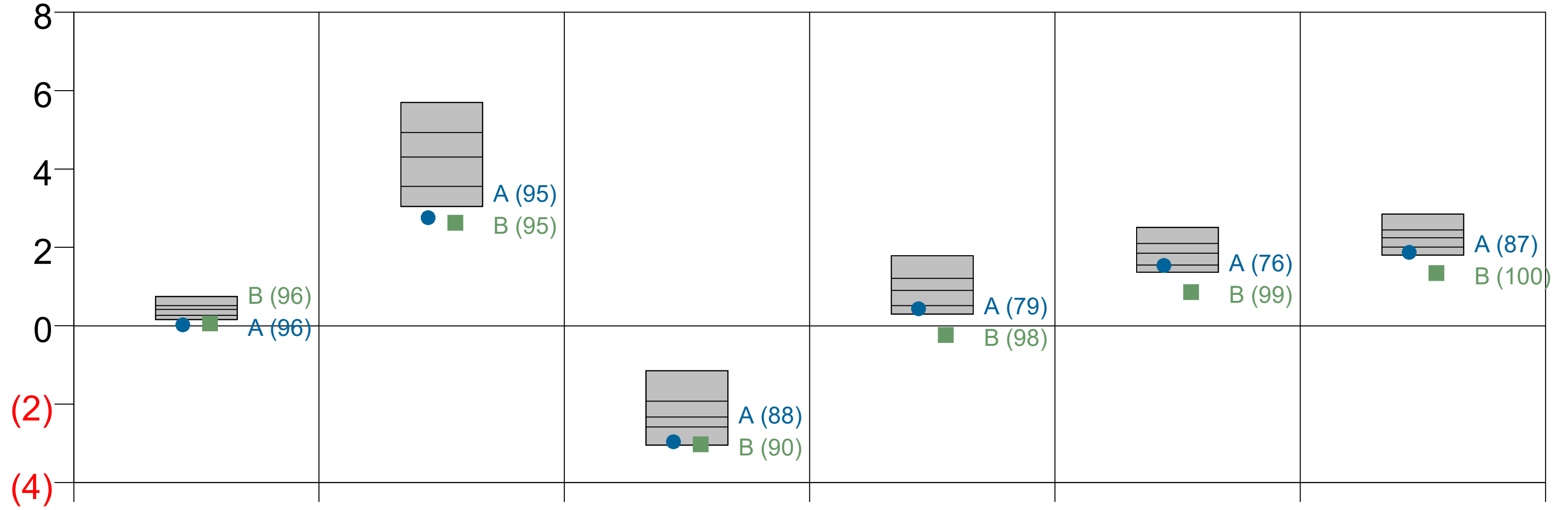
Return vs. Standard Deviation

For 10 Years Ended June 30, 2024



Annualized Performance

Returns for Periods Ended June 30, 2024
Group: Callan Core Plus Fixed Income

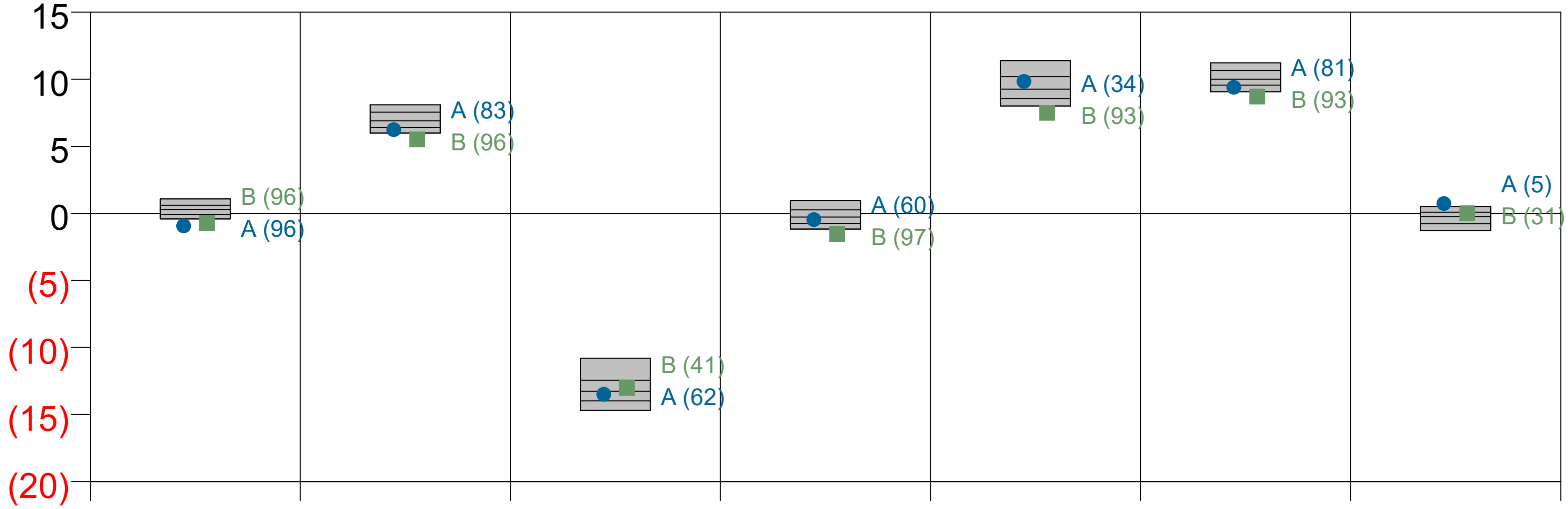


		Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile		0.75	5.70	(1.14)	1.79	2.51	2.85
25th Percentile		0.52	4.93	(1.92)	1.21	2.10	2.45
Median		0.42	4.31	(2.33)	0.91	1.85	2.25
75th Percentile		0.27	3.56	(2.58)	0.52	1.55	2.01
90th Percentile		0.16	3.05	(3.04)	0.30	1.37	1.81
TCW	● A	0.03	2.76	(2.96)	0.44	1.54	1.88
Bloomberg Aggregate	■ B	0.07	2.63	(3.02)	(0.23)	0.86	1.35

- The performance objective for your managers is to achieve a net of fees return greater than the Bloomberg U.S. Aggregate Index and rank in the top half of the comparative universe of peers, gross of fees.

Calendar Year Performance

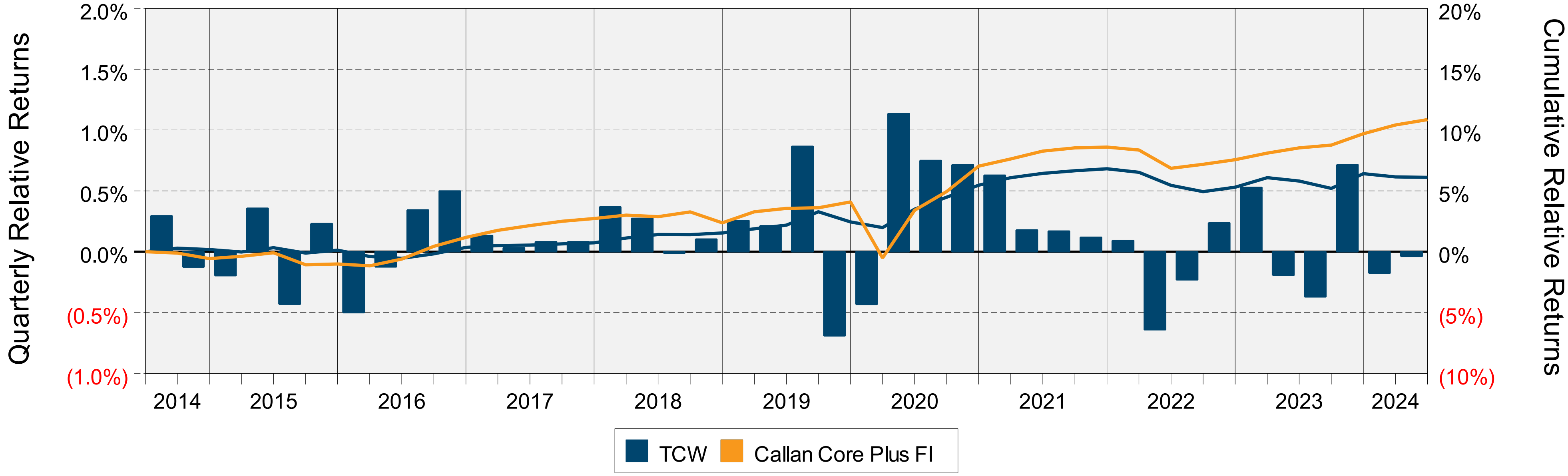
Calendar Year Performance
Group: Callan Core Plus Fixed Income



	2 Qtrs. 2024	2023	2022	2021	2020	2019	2018
10th Percentile	1.08	8.11	(10.80)	0.97	11.41	11.23	0.52
25th Percentile	0.62	7.55	(12.44)	0.27	10.22	10.66	0.10
Median	0.31	6.90	(13.27)	(0.27)	9.27	10.01	(0.24)
75th Percentile	(0.08)	6.42	(13.97)	(0.73)	8.58	9.56	(0.77)
90th Percentile	(0.41)	5.99	(14.69)	(1.16)	8.00	9.08	(1.27)
TCW ● A	(0.92)	6.24	(13.48)	(0.46)	9.85	9.41	0.75
Bloomberg Aggregate ■ B	(0.71)	5.53	(13.01)	(1.54)	7.51	8.72	0.01

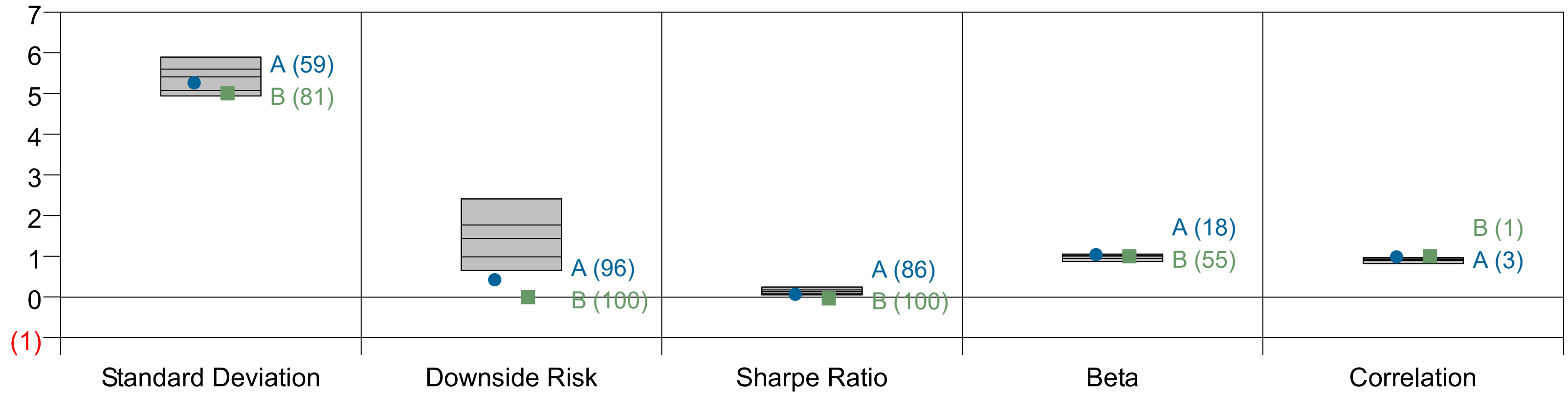
Relative Returns

Cumulative and Quarterly Relative Returns vs Bloomberg Aggregate Index



Return-Based Risk Statistics

Statistics for 10 Years Ended June 30, 2024
Group: Callan Core Plus Fixed Income



	Standard Deviation	Downside Risk	Sharpe Ratio	Beta	Correlation
10th Percentile	5.90	2.41	0.25	1.06	0.97
25th Percentile	5.60	1.77	0.17	1.03	0.96
Median	5.41	1.44	0.14	1.01	0.92
75th Percentile	5.08	0.99	0.10	0.95	0.90
90th Percentile	4.94	0.66	0.06	0.88	0.82
TCW ● A	5.27	0.43	0.07	1.04	0.99
Bloomberg Aggregate ■ B	5.01	0.00	(0.03)	1.00	1.00

Definitions

Standard deviation - variability in returns from the mean portfolio return. A higher standard deviation equates to higher portfolio risk.

Downside risk – measures the standard deviation of returns that are below the benchmark.

Sharpe ratio – represents the return gained per unit of risk taken. Generally, a higher Sharpe ratio is better.

Beta – measures the portfolio's sensitivity to the market. The market beta is 1.0. A portfolio with a beta above 1.0 has greater volatility than the market. A portfolio with a beta below 1.0 has lower volatility than the market.

Correlation – measures how the portfolio moves in relation to the benchmark. Correlations range from -1 to +1, where -1 indicates perfect negative correlation and +1 indicates perfect positive correlation.

Manager Search Process Overview

Manager Search Process

- Client and Manager Profiles
- Quantitative Screening
- Qualitative Screening
- Manager Search Committee
- Semi-Finalist Review
- Finalists

The Process:

- Every search starts from scratch, no pre-determined "approved" or "buy" lists
- Backed by extensive due diligence and accumulated knowledge of specialist and generalist consultants
- Disciplined and consistent
- Client driven, customized
- Utilizes peer review—Manager Search Committee to ensure quality control

The Outcome:

- The identification of the managers and products that are the best fit for the investment program and the specific mandate

Client Participation:

- Sacramento RT creates an Ad-Hoc Committee
- Callan will review ~3 to 5 candidates with the Ad-Hoc Committee, and the Committee will select ~2 to present to the Board
- The Board will make the final decision

Manager Search and Due Diligence

Qualitative Analysis

Philosophy/Process

What is the firm's investment philosophy and process? Has it remained consistent over time?

How is research conducted and incorporated into the investment process?

Performance

Is there a rational explanation for periods of large out/underperformance?

People/Organization

What are the investment professionals' qualifications and experience?

Have there been any significant changes in ownership, personnel or assets under management?

Portfolio Construction

How are portfolios constructed and what are the parameters?

Quantitative Analysis

Historical Performance

How has strategy performed relative to peers and benchmarks over various measures and time periods? (cumulative, calendar year, rolling periods, rising/declining markets, stylistically extreme periods)

Risk Adjusted Returns

Have the returns generated by the portfolio been in line with the risks being taken?

Portfolio Characteristics

Has the managers' holdings been consistent with their stated style over time?

How do these characteristics compare to peers and to stated benchmarks? Does this help explain historical performance patterns given market environment?

Attribution

What are the sources of relative performance? Is this consistent with stated philosophy, process, and objectives?

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RETIREMENT BOARD STAFF REPORT

DATE: October 23, 2024

TO: Sacramento Regional Transit Retirement Boards - All

FROM: John Gobel – Senior Manager, Pension and Retirement Services

SUBJ: CONSIDER INCREASING FIDUCIARY LIABILITY INSURANCE LIMITS FOR RETIREMENT BOARDS

RECOMMENDATION

No Recommendation - For Information Only.

RESULT OF RECOMMENDED ACTION

No recommended action.

FISCAL IMPACT

There is no fiscal impact associated with this informational presentation.

DISCUSSION

At the quarterly Retirement Board meeting on September 11, 2024, Andrew Loewen of Alliant, Sacramento Regional Transit District's insurance broker, presented an educational session on the fiduciary liability policy that covers the Directors and Alternate Directors of all Retirement Boards. The presentation included coverage information for the current policy year and examples of covered claims.

As a follow-up to the presentation on September 11th, Jason Hunter, Risk Manager at SacRT, will remind the Retirement Boards of the assessment shared by Mr. Loewen and answer any further questions. As the Retirement Boards may recall, Mr. Loewen indicated that the current policy limit of $10 million was adequate for a group of 18 trustees who oversee three defined benefit plans with assets in excess of $400 million, but opined that it would also be reasonable to consider increasing total coverage up to $15 million.

If the Retirement Boards express an interest in securing a higher limit for the next policy year (which begins May 6, 2025), then Mr. Hunter can work with John Gobel, Senior Manager of Pension and Retirement Services, to obtain a quote through Alliant. Otherwise, Mr. Gobel will work directly with Mr. Loewen to renew the fiduciary lability policy at the existing coverage level.

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SACRAMENTO REGIONAL TRANSIT

Retirement Boards Fiduciary Liability Insurance

October 2024

FIDUCIARY LIABILITY INSURANCE

1. Coverage Summary
2. Loss Exposures
3. Considerations

Review: Fiduciary Liability Coverage

- Coverage applies to legal defense costs for a Wrongful Act committed, attempted, or allegedly committed or attempted by Retirement Board(s) or Directors – examples: breach of duty of prudence in managing assets; breach of duty of loyalty in plan administration

- Insurance Limits of Coverage:
  - (A) Each Loss: $10,000,000
  - (B) Each Policy Period: $10,000,000 (aggregate)

  Policy Deductible = $25,000

  FY25 Annual Premium = $45,121

CLAIMS MADE POLICY = CLAIMS FILED <u>DURING</u> POLICY PERIOD

Loss Exposures

- Fiduciary Liability arises under California Constitution
- Public Retirement Boards must:
  (1) Exercise sole and exclusive responsibility over Plan assets.
  (2) Exercise sole and exclusive responsibility to administer the Plans in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries.
  (3) Hold Plan assets in trust for the exclusive purposes of providing benefits to Plan participants and their beneficiaries, and defraying reasonable expenses of administering the Plan.
  (4) Consistent with the exclusive fiduciary responsibilities vested in the Boards, exercise sole and exclusive power to provide for actuarial services to assure the competency of the assets of the Plans.

Loss Exposures

- ERISA (non-governmental) Fiduciary Liability Insured Losses (2020-2023):
  - 130 cases settled $1M or greater.
  - 55 cases settled $10M or greater.

- Most Common Claims:
  1. Excessive fees charged to participants in individual account plans
  2. Failure to monitor fees paid from Plan assets
  3. Unreasonable service provider compensation

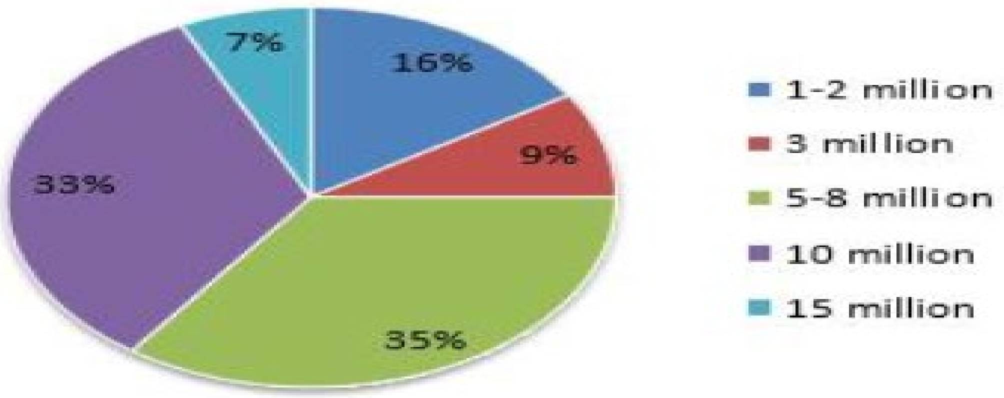
- $400M assets managed by SacRT Plans

Retirement Board Considerations

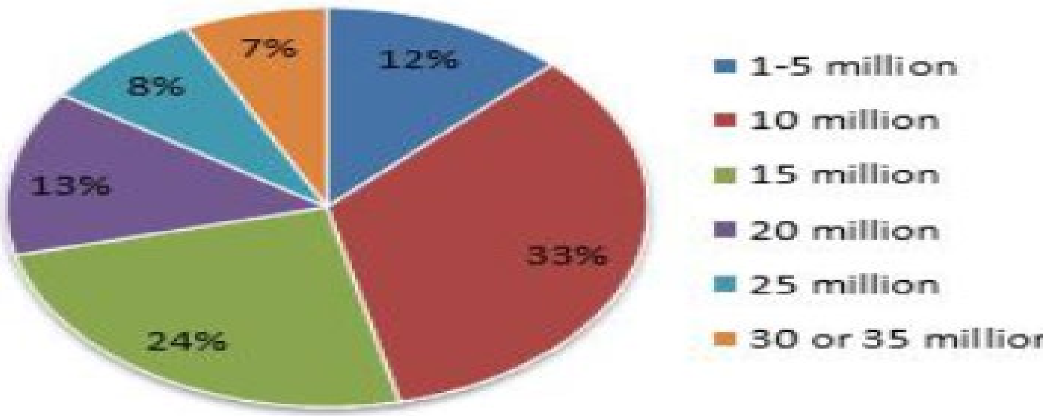
- SacRT Retirement Plans and Boards are considered "adequately insured"
- Additional annual premium is currently estimated to be $4,400 for each $1,000,000 of increased liability coverage limits
- OPTION: Direct SacRT Risk Management Department to obtain FY25-26 insurance policy renewal quotes to include increased fiduciary liability coverage limits.
- Anticipated annual premium increase = $22,000

Fiduciary Liability Insurance
2020-2023 Benchmarking Data

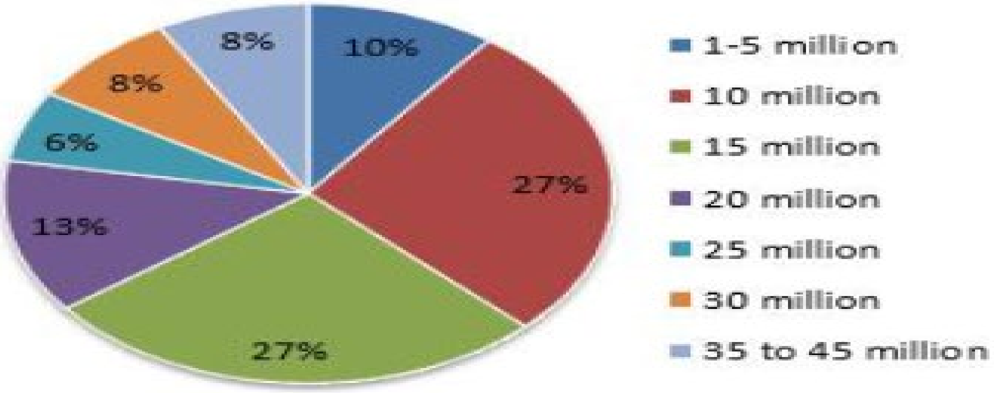
Assets size of group - $100 to $150 million
Limits of Fiduciary Liability Purchased



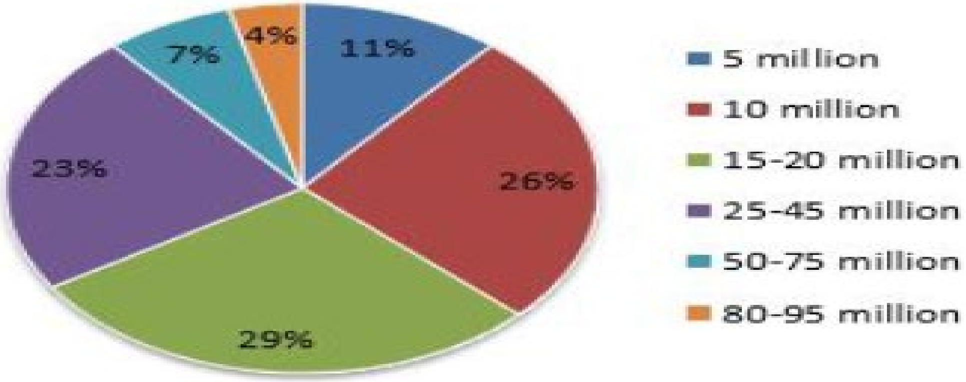
Assets size of group - $475 to $800 million
Limits of Fiduciary Liability Purchased



Assets size of group - $1 to $1.5 billion
Limits of Fiduciary Liability Purchased



Asset size of group -- $2.5 billion or more
Limist of Fiduciary Liability Purchased



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SACRAMENTO REGIONAL TRANSIT

Questions & Answers

Risk Management Department