

AGENDA

INVESTMENT COMMITTEE OF THE EL CAMINO HOSPITAL BOARD OF DIRECTORS

Monday, November 11, 2019 – 5:30 pm
 El Camino Hospital | Conference Room A (ground floor)
 2500 Grant Road Mountain View, CA 94040

Jack Po, MD, PhD will be participating via teleconference from 8120 Wisconsin Ave, Bethesda, MD 20814.

PURPOSE: To develop and recommend to the El Camino Hospital Board of Directors the organization's investment policies, maintain current knowledge of the management and investment of the invested funds of the hospital and its pension plan(s), provide guidance to management in its investment management role, and provide oversight of the allocation of the investment assets.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
1. CALL TO ORDER / ROLL CALL	Gary Kalbach, Chair		5:30 – 5:31pm
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Gary Kalbach, Chair		information 5:31 – 5:32
3. PUBLIC COMMUNICATION a. Oral Comments <i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not covered by the agenda.</i> b. Written Correspondence	Gary Kalbach, Chair		information 5:32 – 5:35
4. CONSENT CALENDAR <i>Any Committee Member may remove an item for discussion before a motion is made.</i> Approval a. Minutes of the Open Session of the Investment Committee Meeting (8/12/2019) b. Minutes of the Open Session of the Joint Special Meeting of the Finance and Investment Committee (10/21/2019) Information c. FY20 Pacing Plan d. CFO Report Out – Open Session FC Materials e. Progress Against FY20 IC Goals	Gary Kalbach, Chair	<i>public comment</i>	motion required 5:35 – 5:37
5. REPORT ON BOARD ACTIONS ATTACHMENT 5	Gary Kalbach, Chair		information 5:37 – 5:42
6. ROTATING TOPICS a. Capital Markets Review and Portfolio Performance b. Tactical Asset Allocation Positioning and Market Outlook ATTACHMENT 6	Antonio DiCosola and Chris Kuhlman, Pavilion, a Mercer Practice		information 5:42 – 6:41
7. INVESTMENT POLICY REVIEW ATTACHMENT 7	Iftikhar Hussain, CFO	<i>public comment</i>	possible motion 6:41 – 7:01
8. ADJOURN TO CLOSED SESSION	Gary Kalbach, Chair	<i>public comment</i>	motion required 7:01 – 7:02
9. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Gary Kalbach, Chair		information 7:02 – 7:03

A copy of the agenda for the Regular Meeting will be posted and distributed at least seventy-two (72) hours prior to the meeting. In observance of the Americans with Disabilities Act, please notify us at 650-988-7504 prior to the meeting so that we may provide the agenda in alternative formats or make disability-related modifications and accommodations.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
10. CONSENT CALENDAR <i>Any Committee Member may remove an item for discussion before a motion is made.</i> Approval <i>Gov't Code Section 54957.2:</i> a. Minutes of the Closed Session of the Investment Committee Meeting (8/12/2019)	Gary Kalbach, Chair		motion required 7:03 – 7:05
11. ADJOURN TO OPEN SESSION	Gary Kalbach, Chair		motion required 7:05 – 7:06
12. RECONVENE OPEN SESSION / REPORT OUT	Gary Kalbach, Chair		information 7:06 – 7:07
To report any required disclosures regarding permissible actions taken during Closed Session.			
13. ADJOURNMENT	Gary Kalbach, Chair	<i>public comment</i>	motion required 7:07 – 7:08

Upcoming Meetings:

Regular Meetings: January 27, 2020 (Joint with Finance Committee), February 10, 2020, May 11, 2020

Education Sessions: April 22, 2020



**Minutes of the Open Session of the
Investment Committee of the Board of Directors
Monday, August 12, 2019
El Camino Hospital, 2500 Grant Road, Mountain View, California
Conference Room A**

Members Present

Nicola Boone, Vice Chair
Gary Kalbach, Chair
Julia E. Miller
Brooks Nelson
Jack Po, MD

Members Absent

John Conover

Members Excused

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Investment Committee of El Camino Hospital (the "Committee") was called to order at 6:05pm by Committee Chair Gary Kalbach. Mr. John Conover was absent. All other Committee members were present.	<i>None</i>
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Kalbach asked if any Committee member or anyone in the audience believes that a Committee member may have a conflict of interest on any of the items on the agenda. No conflict of interest was reported.	<i>None</i>
3. PUBLIC COMMUNICATION	Chair Kalbach asked if there was any public communication to present. None were noted.	<i>None</i>
4. CONSENT CALENDAR	<p>Chair Kalbach asked if any Committee member wished to remove any items from the consent calendar for discussion. No items were pulled.</p> <p>Motion: To approve the consent calendar: (a) Open Minutes of the May 13, 2019 Investment Committee Meeting; and for information: (b) FY20 Pacing Plan, (c) Progress Against FY20 Committee Goals; (d) CFO Report Out on Open Session Finance Committee Materials; and (e) Article of Interest.</p> <p>Movant: Boone Second: Nelson Ayes: Boone, Kalbach, Miller, Nelson, Po Noes: None Abstentions: None Absent: Conover Recused: None</p>	<i>Consent Calendar approved</i>
5. REPORT ON BOARD ACTIONS	There were no questions about the Report on Board Actions.	
6. APPOINTMENT OF VICE CHAIR	Chair Kalbach appointed Committee member Nikki Boone as Vice Chair of the Committee.	
7. ALTERNATIVE INVESTMENT	Chair Kalbach reported that the Fogarty Institute is considering raising approximately \$100 million for a venture capital fund and has asked El Camino Hospital if it would be interested in committing \$10 million, which has a drawdown schedule similar to other private equity funds. Chair Kalbach explained that the Institute would hire an experienced general partner to manage the fund, which will invest in seed stage companies that are hosted within the Fogarty Institute. In response to questions, Iftikhar Hussain CFO reported that ECH has not made this type of investment before and that ECH's Investment Policy may need to be revised to permit this type of investment should the	

Agenda Item	Comments/Discussion	Approvals/ Action
	<p>Hospital want to move forward. Chair Kalbach also noted that part of the due diligence process would include looking at other companies that had incubated at the Institute and understand what the returns would have been. The Committee discussed whether strategic or financial considerations should weigh more heavily in making the decision whether to invest in the fund or not. Chair Kalbach noted that the timeline for a decision is at least six to twelve months.</p> <p>The Committee asked staff to bring the Investment Policy to the November meeting for review if it would need to be revised to provide the flexibility to permit this kind of investment.</p>	
8. INVESTMENT REVIEW ITEMS	<p><u>Capital Markets Review & Portfolio Performance and Tactical Asset Allocation Positioning and Market Outlook</u></p> <p>Chris Kuhlman of Pavilion provided an update on capital markets, noting that interest rates have continued to fall and stocks and bonds have performed well through June 30, 2019. He explained that primary performance drivers have been the Fed's signaling of future interest rate cuts, offset by continued slowing of global economic growth, and uncertainty resulting from rising trade tensions. U.S. equities have continued to outperform their developed and emerging markets counterparts, partially due to a strong U.S. dollar.</p> <p>Antonio DiCosola of Pavilion reviewed the Investment Committee Scorecard reporting that as of June 30, 2019, Surplus Cash portfolio performance was 2.9% (Q2), 5.4% (FYTD) and 5.6% (since inception annualized). He also reported that Cash Balance Plan performance was 3.1% (Q2), 6.0% (FYTD) and 7.8% (since inception annualized). ECH's total Surplus Cash Assets as of June 30, 2019 was nearly \$1.2 billion, which includes \$83 million in debt reserves and \$41 million in District assets that are in short term fixed income.</p> <p>Mr. DiCosola reviewed the Performance Summary with the Committee as provided in the meeting materials. Mr. DiCosola reported that the Surplus Cash Portfolio ex District and Debt Reserves returned 9.8% Calendar YTD through June 30, 2019, while the Cash Balance Plan returned 11.8% during the same period. He also reviewed the composite asset allocation within the portfolio with the Committee including total equity, fixed income and total alternatives. He reported that manager performance overall has been strong. He also reviewed the Cash Balance Plan composite asset allocation and performance with the Committee.</p> <p>Mr. DiCosola presented Pavilion's investment outlook and discussed current positioning of the Surplus Cash and Cash Balance Plan, noting that Pavilion did not recommend any strategic or tactical changes at this time.</p> <p>Mr. DiCosola reported that in July, ECH received a majority of the proceeds from the Chatham Asset Management High Yield Offshore Fund redemption. Pavilion recommended a \$10 million initial investment in Waterfall Eden Fund, Ltd. Mr. DiCosola reviewed the recommended investment with the Committee noting that the fund invests primarily within the structured credit markets, specifically within ABS. He explained that the fund has one of the longest track records in the ABS space and is supported by a seasoned team of investment professionals. There was no disagreement with the recommendation.</p>	
9. ENVIRONMENTAL, SOCIAL & CORPORATE GOVERNANCE	<p>Mr. Kuhlman provided an educational report to the Committee on Environmental, Social & Governance (ESG) Investing. He reported that investors are increasingly incorporating ESG considerations into their investment process. He also noted studies have shown a positive connection</p>	

Agenda Item	Comments/Discussion	Approvals/ Action
INVESTING	<p>between ESG and corporate financial performance. Mr. Kuhlman explained Mercer's ESG Ratings, which assess how well managers integrate ESG factors into their investment process using a scale of 1 (most active in ESG) to 4 (little or no integration of ESG). The managers which ECH currently invests are primarily rated ESG2 or ESG3 by Mercer. Currently less than 17% of the strategies rated by Mercer achieve ESG1 or ESG2.</p> <p>The Committee requested information on (1) the screening of companies involved with the manufacturing of opioids and (2) examples of what other hospitals and health systems are doing in terms of ESG investing and social screening.</p>	
10. ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 7:51pm.</p> <p>Movant: Nelson</p> <p>Second: Boone</p> <p>Ayes: Boone, Kalbach, Miller, Nelson, Po</p> <p>Noes: None</p> <p>Abstentions: None</p> <p>Absent: Conover</p> <p>Recused: None</p>	<i>Adjourned to Closed Session at 7:51pm</i>
11. AGENDA ITEM 14: RECONVENE OPEN SESSION	<p>Agenda Items 11 -13 were conducted in closed session. The Closed Session Minutes of the May 13, 2019 meeting were approved by a unanimous vote of all members present (Boone, Kalbach, Miller, Nelson, and Po) Mr. Conover was absent.</p>	
12. AGENDA ITEM 15: INVESTMENT ADVISOR REVIEW	<p>The Committee discussed ECH's investment strategy prior to bringing Pavilion in. Iftikhar Hussain, CFO, commented that ECH's investment performance has improved since bringing Pavilion on in 2012 and reported that the Committee did a five year review of Pavilion two years ago. Ms. Boone commented that the conclusion at that time was that the Committee was satisfied with performance and to continue the relationship with Pavilion.</p>	
13. AGENDA ITEM 16: ADJOURNMENT	<p>Motion: To adjourn at 8:11pm.</p> <p>Movant: Nelson</p> <p>Second: Boone</p> <p>Ayes: Boone, Kalbach, Miller, Nelson, Po</p> <p>Noes: None</p> <p>Abstentions: None</p> <p>Absent: Conover</p> <p>Recused: None</p>	<i>Adjourned at 8:11pm</i>

Attest as to the approval of the Foregoing minutes by the Investment Committee of El Camino Hospital:

 Gary Kalbach,
 Chair, Investment Committee



**Minutes of the Open Session of the Joint Meeting
of the Finance Committee and the Investment Committee
of the El Camino Hospital Board of Directors
Monday, October 21, 2019
El Camino Hospital | Conference Room E
2500 Grant Road, Mountain View, CA 94040**

Members Present

Finance Committee

John Zoglin, Chair
Joseph Chow
Boyd Faust**
William Hobbs**
Richard Juelis
Gary Kalbach

Investment Committee

Nicola Boone
Gary Kalbach, Chair
Julia E. Miller
Brooks Nelson

Members Absent

Finance Committee

Don Watters

Investment Committee

Jack Po, MD, PhD
John Conover

**via teleconference

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session of the Joint Meeting of the Finance Committee and Investment Committee of El Camino Hospital was called to order at 5:30pm by Finance Committee Chair John Zoglin. Roll call was taken. Boyd Faust and William Hobbs participated via teleconference. Don Watters, Jack Po, MD, PhD, and John Conover were absent. All other members were present.	
2. POTENTIAL CONFLICT OF INTEREST	Chair Zoglin asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were reported.	
3. PUBLIC COMMUNICATION	There were no comments from the public.	
4. CONSENT CALENDAR	<p>Chair Zoglin asked if any member of the Finance Committee wished to remove an item from the consent calendar.</p> <p>Motion: To approve the consent calendar: Minutes of the Open Session of the Finance Committee Meeting (9/23/2019) and for information: Pacing Plan.</p> <p>Pacing Plan: Cindy Murphy, Director of Governance Services, reported that staff would like to move the Maternal Child Health Service Line Report to January along with the SVMD Report, or alternatively to move the SVMD Report to March and HVI Report to April. Chair Zoglin commented that MCH could be moved to January as long as the meeting could still be concluded by 8:00pm, but that extending the Service Line Reports into April would not be acceptable.</p> <p>Movant: Kalbach Second: Chow Ayes: Chow, Faust, Hobbs, Juelis, Kalbach, Zoglin Noes: None Abstentions: None Absent: Watters</p>	Consent Calendar approved.

	Recused: None	
5. REPORT ON BOARD ACTIONS	There were no questions about the report.	
6. PROPOSED HEDGE RELATED TO 2015 REVENUE BONDS AND POSSIBLE NEW ISSUANCE OF DEBT	<p>Iftikhar Hussain, CFO, explained that El Camino Hospital (ECH) is evaluating a hedge to lock interest rates for future refinancing of the 2015 bonds as well as new debt for funding construction projects which will be discussed with the Board in the near future. He reported that interest rates have declined dramatically over the last two months and are near record lows. Mr. Hussain also explained that ECH can lock rates to refund the Series 2015A bonds and achieve interest rate savings when the bonds are callable in 2025, currently \$17 million or 15% of outstanding par. He reported that ECH already has an interest rate swap in place which is the same structure being contemplated today. With interest rates near all-time lows and forward premiums also being at all-time lows ECH can lock in rates today for future needs. No payments would be exchanged until the interest rate swap would become effective at a future which ECH can choose (anywhere from 1 week to 5 years forward). ECH will issue floating rate debt, the same as the Series 2009A bonds. If no future debt is needed or issued, then ECH can terminate the swap at any time and make/receive a payment based on the market at the time of termination.</p> <p>Chad Kenan of CitiGroup reviewed current market conditions, the Municipal Market Condition in historical context, an overview of ECH's current debt (revenue bonds and GO bonds) and the potential risks/benefits of the proposed transactions.</p> <p>The Committee members discussed the risk of "paper losses" of \$40 million on the Series 2015A bonds if interest rates continued to fall over the life of the bonds after a new rate is locked, as well as the likelihood that rates will fall further than the current historically low point. The Committee also discussed whether to recommend the Board approve giving management authority to enter into the hedge transaction with respect to only the Series 2015A Bonds or also with respect to potentially borrowing additional funds for later projects.</p> <p>Motion: To recommend that the Board approve Draft Resolution 2019-12 Authorizing Forward Starting Interest Rate Hedge as Drafted (Re-Funding and Future Issuance).</p> <p>Movant: Kalbach Second: Hobbs Ayes: Boone, Chow, Hobbs, Kalbach, Zoglin Noes: Faust, Juelis, Nelson Abstentions: Miller Absent: Conover, Po, Watters Recused: None</p>	<i>Financials recommended for approval</i>
7. ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 7:10pm.</p> <p>Movant: Kalbach Second: Zoglin Ayes: Boone, Chow, Faust, Hobbs, Juelis, Kalbach, Miller, Nelson, Zoglin Noes: None Abstentions: None Absent: Conover, Po, Watters</p>	<i>Adjourned to closed session at 7:10pm</i>

	Recused: None	
8. AGENDA ITEM 12: RECONVENE OPEN SESSION/ REPORT OUT	The open session reconvened at 7:11pm. Agenda Items 8-11 were covered in closed session. During the closed session, the Finance Committee approved the Minutes of the Closed Session of the Finance Committee (September 23, 2019) by a unanimous vote of all members present (Chow, Faust, Hobbs, Juelis, Kalbach, Zoglin). Mr. Watters was absent.	
9. AGENDA ITEM 13: CLOSING COMMENTS	None.	
10. AGENDA ITEM 14: ADJOURNMENT	Motion: To adjourn at 7:12pm. Movant: Kalbach Second: Juleis Ayes: Boone, Chow, Faust, Hobbs, Juelis, Kalbach, Miller, Nelson, Zoglin Noes: None Abstentions: None Absent: Conover, Po, Watters Recused: None	<i>Meeting adjourned at 7:12pm</i>

Attest as to the approval of the foregoing minutes by the Finance and Investment Committees of El Camino Hospital:

John Zoglin
Chair, Finance Committee

Gary Kalbach
Chair, Investment Committee

INVESTMENT COMMITTEE PACING PLAN
Revised 05/13/2019

FY 2020: Q1		
JULY – NO MEETING	AUGUST 12, 2019 Meeting	SEPTEMBER – NO MEETING
N/A	<ul style="list-style-type: none"> Capital Markets Review and Portfolio Performance Tactical Asset Allocation Positioning and Market Outlook Education Topic: Env./Social Governance CFO Report Out – Open Session Finance Committee Materials 	N/A
FY 2020: Q2		
OCTOBER – NO MEETING	NOVEMBER 11, 2019 Meeting	DECEMBER – NO MEETING
<i>October 23, 2019 – Board and Committee Educational Session</i>	<ul style="list-style-type: none"> Capital Markets Review and Portfolio Performance Tactical Asset Allocation Positioning and Market Outlook Investment Policy Review CFO Report Out – Open Session Finance Committee Materials 	N/A
FY 2020: Q3		
JANUARY 27, 2020	FEBRUARY – 10, 2020 Meeting	MARCH – NO MEETING
<i>Joint Finance Committee and Investment Committee meeting.</i>	<ul style="list-style-type: none"> Capital Markets Review and Portfolio Performance Tactical Asset Allocation Positioning and Market Outlook CFO Report Out – Open Session Finance Committee Materials Proposed FY 2021 Goals/Pacing Plan/Meeting Dates 	N/A
FY 2020: Q4		
APRIL – NO MEETING	MAY 11, 2020 Meeting	JUNE – NO MEETING
<i>April 22, 2020 – Board and Committee Educational Session</i>	<ul style="list-style-type: none"> Capital Markets Review and Portfolio Performance Tactical Asset Allocation Positioning and Market Outlook Asset Allocation Review and ERM Framework CFO Report Out – Open Session Finance Committee Materials 403(b) Investment Performance Approve FY 21 Committee Goal Review status of FY20 Goals 	N/A

**EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING COVER MEMO**

To: Investment Committee
From: Iftikhar Hussain, CFO
Date: November 11, 2019
Subject: Review of Investment Policies

Purpose: To update the Investment Committee on the work of the Finance Committee.

Summary:

1. **Situation:** The Finance Committee meets 7 times per year; the Committee's last regular meeting was on September 23, 2019 and it held a special meeting on October 21, 2019. Its next meeting is on November 25, 2019.
2. **Authority:** N/A
3. **Background:** Here is a summary of activities at the meeting:
 - Reviewed the FY20 Period 2 Financial Report; strong operating margin was driven by higher than expected growth and favorable revenue cycle operations. Operating margin was \$7.9 million ahead of budget.
 - Reviewed post-implementation report of the PACS (picture archiving and communication systems – imaging) project
 - Reviewed the patient billing process
4. **Assessment:** N/A
5. **Other Reviews:** The Finance Committee forwarded a recommendation to approve \$24.9 million for the Mountain View campus completion plan, which was approved by the Hospital Board on October 10, 2019 and District Board on October 22, 2019.
6. **Outcomes:** N/A

List of Attachments: The Finance Committee open session materials may be accessed by clicking [here](#).

Suggested Committee Discussion Questions: None, this is a consent item.

FY20 COMMITTEE GOALS

Investment Committee

PURPOSE

The purpose of the Investment Committee is to develop and recommend to the El Camino Hospital (ECH) Board of Directors ("Board") the investment policies governing the Hospital's assets, maintain current knowledge of the management and investment funds of the Hospital, and provide oversight of the allocation of the investment assets.

STAFF: **Iftikhar Hussain**, Chief Financial Officer (Executive Sponsor)

The CFO shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair's consideration. Additional members of the Executive Team or hospital staff may participate in the meetings upon the recommendation of the CFO and at the discretion of the Committee Chair. The CEO is an ex-officio member of this Committee.

GOALS	TIMELINE	METRICS
1. Review performance of consultant recommendations of managers and asset allocations	Each quarter - ongoing	Committee to review selection of money managers and make recommendations to the CFO
2. Education Topic: Environmental and Social Governance	FY20 Q1	Complete by the August 2020 meeting COMPLETE
3. Asset Allocation, Investment Policy Review and ERM framework including Efficient Frontier	Q4	Completed by May 2020

SUBMITTED BY:

Chair: Jeffrey Davis, MD

Executive Sponsor: Iftikhar Hussain

Approved by the ECH Board of Directors 6/12/2019



**EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING COVER MEMO**

To: Investment Committee
From: Cindy Murphy, Director of Governance Services
Date: November 11, 2019
Subject: Report on Board Actions

Purpose:

To keep the Committee informed with regards to actions taken by the El Camino Hospital and El Camino Healthcare District Boards.

Summary:

1. **Situation:** It is important to keep the Committees informed about Board activity to provide context for Committee work. The list below is not meant to be exhaustive, but includes agenda items the Board voted on that are most likely to be of interest to or pertinent to the work of El Camino Hospital's Board Advisory Committees.
2. **Authority:** This is being brought to the Committees at the request of the Board and the Committees.
3. **Background:** Since the last Investment Committee Meeting the Hospital Board has met three times and the District Board has met once. In addition, since the Board has delegated certain authority to the Compliance and Audit Committee, the Finance Committee and the Executive Compensation Committee those approvals are also noted in this report.

A. ECH Board Actions: August 21, 2019:

- Approved the FY20 El Camino Hospital Board Member Competency Matrix
- Approved the FY20 Board Education Plan
- Completed FY19 CEO Performance Evaluation
- Approved Cardiothoracic Surgery On-Call Panel Renewal
- Approved Colorectal Surgeon Physician Income Guarantee
- Approved FY19 Year-End Financial Report
- Approved FY20 and 21 Medical Staff Development Plan
- Approved Radiation Oncology Equipment Replacement
- Approved ED Remodel Project
- Approved Revised Medical Staff Bylaws
- Appointed Terrigal Burn, MD; Caroline Currie, Alyson Falwell and Krutica Sharma, MD to the Quality, Patient Care and patient Experience Committee

September 11, 2019: No approvals of significance to the Committee

October 10, 2019:

- Approved FY20 Periods 1 & 2 Financials
- Approved FY19 Audit (to ECHD on 10/22/19)
- Approved FY19 Organizational Goal Score
- Approved FY20 Organizational Goal Metrics

Report on Board Actions
November 11, 2019

- Approved \$24.9 Million Partial Funding for MV Campus Completion Project (To ECHD on 10/22/19)
- Approved FY20 CEO Base Salary
- Approved FY19 CEO Incentive Payment
- Approved FY19 CASO Incentive Payment
- Approved Cardiology Call Panel (LG) Renewal

B. ECHD Board Actions: October 22, 2019:

- Approved FY19 Audit
- Approved FY19 Year End Consolidated and Stand-Alone Financials
- Approved FY20 YTD (P2) ECHD Financials
- Approved \$24.9 Million Partial Funding for MV Campus Completion Project
- Approved FY19 Community Benefit Report
- Re-Elected Julie Kliger, RN and Bob Rebitzer to the El Camino Hospital Board of Directors for a second 3-year term effective July 1, 2020.
- Appointed Julia Miller as Chair and Peter Fung as a member of an Ad Hoc Committee tasked with bringing back recommendations regarding the ECHD Community Benefit Grant Program to the Board for consideration.

C. Finance Committee Actions: September 23, 2019:

- Approved Employee Wellness & Health Professional Services Agreement
- Approved Maternal Child Health Professional Services Agreement
- Approved NICU Consulting Agreement.

D. Compliance and Audit Committee: None since last report.

E. Executive Compensation Committee Actions: September 19, 2019:

- Executive Incentive Program Payments Approved Pending Board Approval of Organizational Goal Score.
- FY20 Annualized Base Salary for ECH Foundation President Approved.

4. Assessment: N/A

5. Other Reviews: N/A

6. Outcomes: N/A

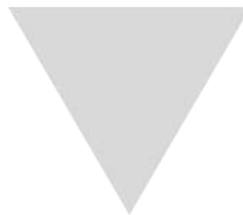
List of Attachments: None.

Suggested Committee Discussion Questions: None.

El Camino Hospital

Performance Evaluation Report

September 30, 2019

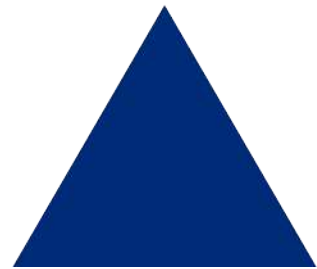
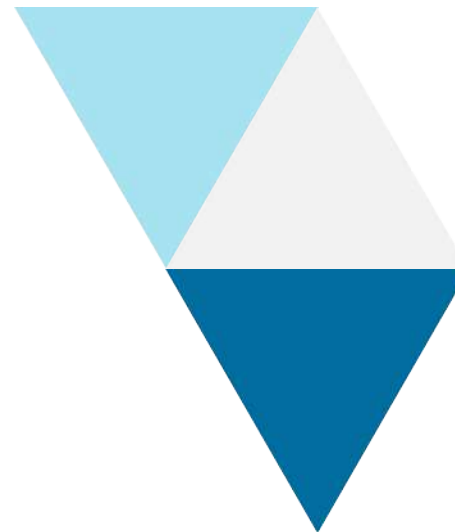


PAVILION
a Mercer Practice



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Follow-up From Past Meetings



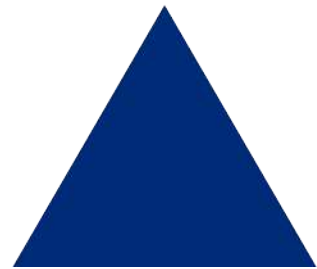
SCREENING OPIOID INVESTMENTS

- During the August 12, 2019 Investment Committee meeting, the Committee requested information on the potential to screen companies involved with the manufacturing of opioids from the investment portfolio.
- Pavilion has conducted an analysis using companies singled out by Investors for Opioid Accountability (IOA), a coalition comprised of institutional investors representing faith-based communities and health care systems, unions, public pension funds, and global asset managers with \$4 trillion in collective assets under management and advisement. The IOA engages with companies and files shareholder resolutions that focus on governance strategies to strengthen board risk oversight, compensation incentives and a compliant and ethical culture in support of improved opioid management. Since formation in 2017, the IOA has engaged with the companies below.
- The companies below represent approximately 3.5% of the S&P 500 Index. Specific to the El Camino Surplus Cash Total Equity Composite, these companies represent approximately 1.5% of the \$422 million as of June 30, 2019 (manufacturers represent approximately 1.0%, or \$4.2 million). However, it should be noted that this exposure is primarily in the passive Vanguard S&P 500 mutual fund, which securities are not able to be screened. Only two securities, Johnson & Johnson and CVS Health Corp, are separate account holdings, both owned by large-cap value manager Barrow Hanley and accounting for 0.4% of the Surplus Cash Total Equity Composite. The international and emerging markets equity mutual funds have no exposure to the names below.

<div>S&P 500 Index constituents = Vanguard S&P 500 Index Fund holdings</div>	Manufacturers 2.8% of S&P 500	Distributors 0.2% of S&P 500	Retail Pharmacies 0.5% of S&P 500
	<ul style="list-style-type: none"> • Abbott Labs • AbbVie • Allergan • Assertio Therapeutics • Endo International • Insys Therapeutics • Johnson & Johnson • Mallinckrodt • Mylan • Teva 	<ul style="list-style-type: none"> • AmerisourceBergen • Cardinal Health • McKesson 	<ul style="list-style-type: none"> • CVS Health • Rite Aid • Walgreens

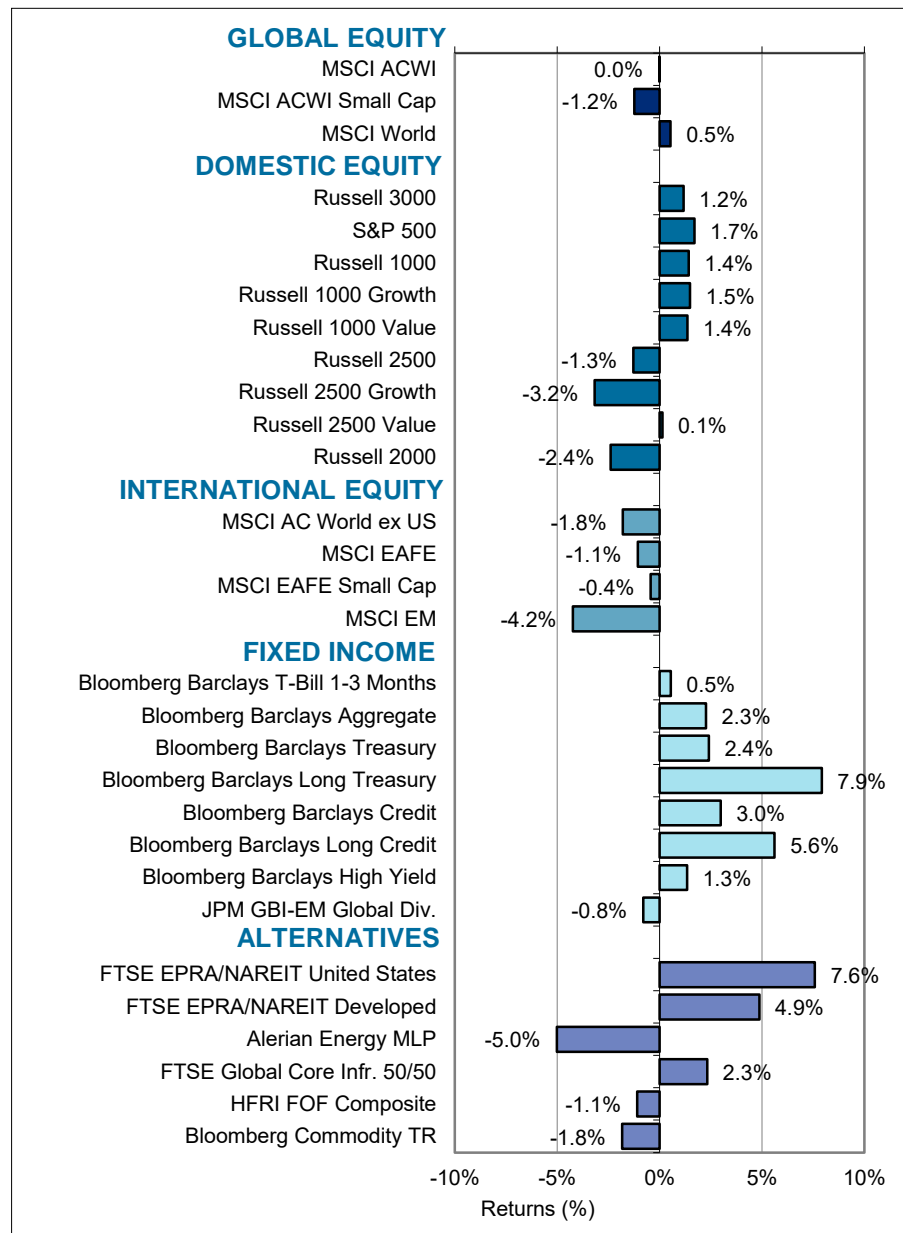
Sources: S&P Dow Jones Indices, Investment Metrics, and Investors for Opioid Accountability (IOA) Two-Year Progress Report published in 2019 – https://www.iccr.org/sites/default/files/page_attachments/iaa_two_year_summary_report.pdf

Capital Markets Review

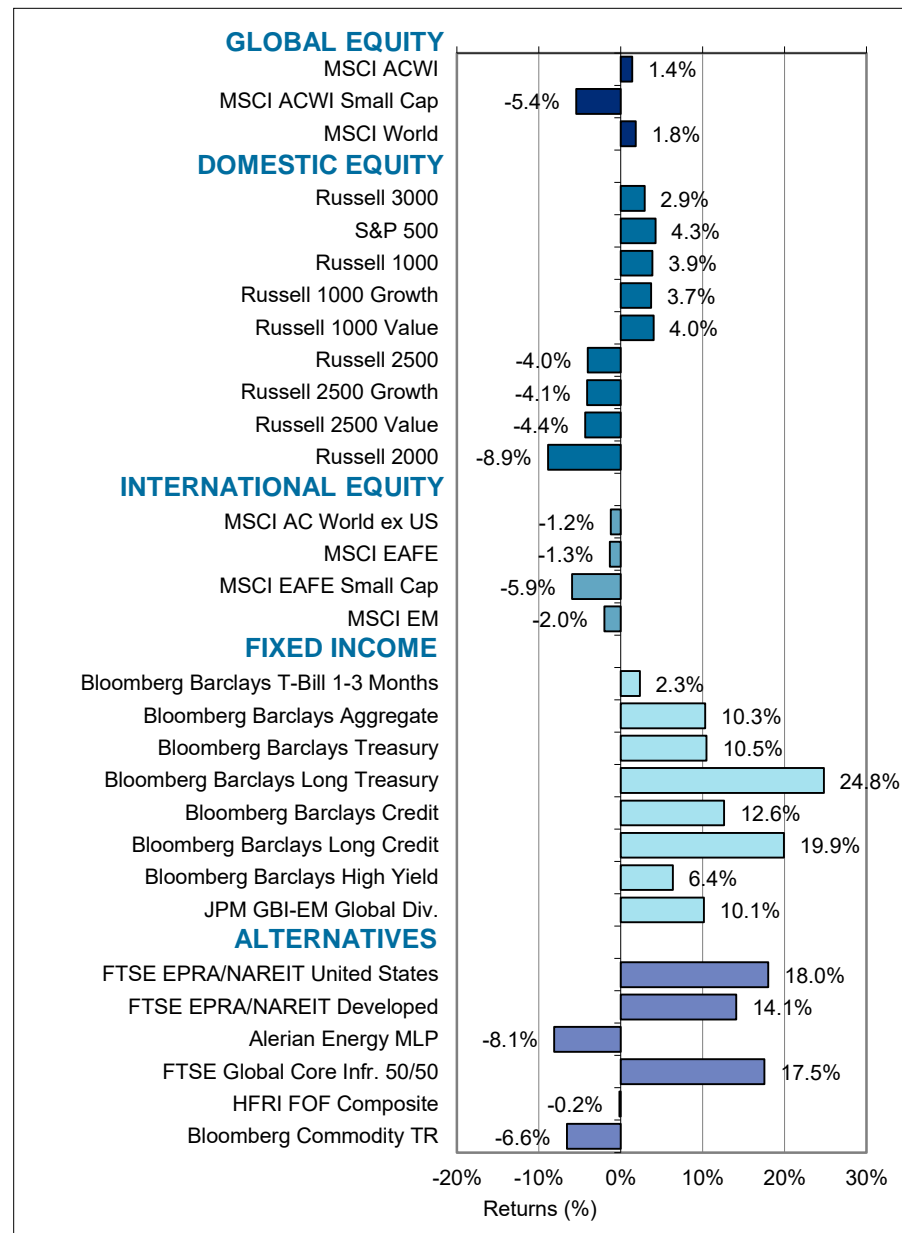


PERFORMANCE SUMMARY

Market Performance Third Quarter 2019



Market Performance 1-Year



Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg

© MERCER 2019

Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg

PERFORMANCE DRIVERS

1. Global growth slowdown continues

- Manufacturing is in a mild recession across the globe. Service indicators are reasonably stable, but have started to show some signs of weakness.
- The weakness in manufacturing and business investment is currently being offset by strong consumption spending, which has been underpinned by solid job and wage growth, and supportive monetary policy.
- There are concerns that the downturn could become more broad-based and start affecting employment growth as corporate profits come under pressure.
- **Mercer View:** We expect the global economy to stabilize and recover toward trend as the recent loosening in financial conditions should offset the uncertainty over trade. However, the risks of a global recession appear to be rising.

2. The Fed cut rates twice

- The Fed cut rates by 25 bps in its July and September meetings, citing concerns over the global growth slowdown and below-target inflation. The median dot in the “dot-plot” suggests no additional cuts, although 8 of 17 voting members are projecting at least one more cut by the end of 2020.
- The bond market continues to be more dovish than the Fed, pricing three additional rate cuts by the end of 2020.
- **Mercer View:** The Fed has clearly become more dovish in 2019 as growth has shown signs of weakness and inflation has shown few signs of accelerating. Nevertheless, the number of cuts priced by the bond market seems unlikely absent further deterioration in the macro outlook.

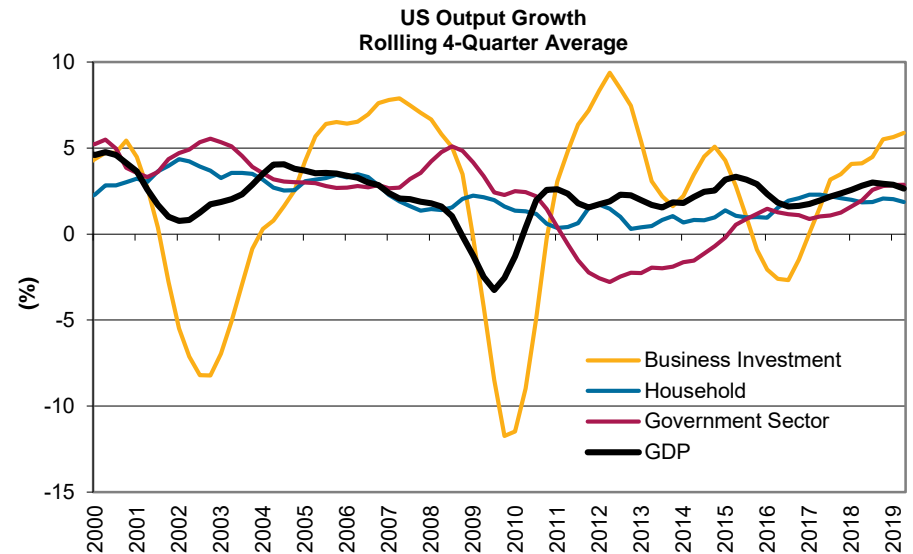
3. Trade tensions and geopolitical risks continue to cause uncertainty

- House Speaker Pelosi has announced an impeachment inquiry into President Trump. The Senate is unlikely to vote to remove the President, which argues for a limited impact on markets. However, it could have implications for the 2020 election.
- Trade remains a key risk and developments in the US-China trade negotiations continue to move markets. As we move closer to US elections in 2020, a major agreement seems unlikely, but we may see a short-term deal.
- The UK is currently scheduled to leave the EU on October 31st. Parliament has legislated that PM Johnson must request an extension if a deal is not reached, but a “no-deal” Brexit remains a risk.
- **Mercer View:** Geopolitical risks remain elevated, and continue to be a source of volatility and downside risk.

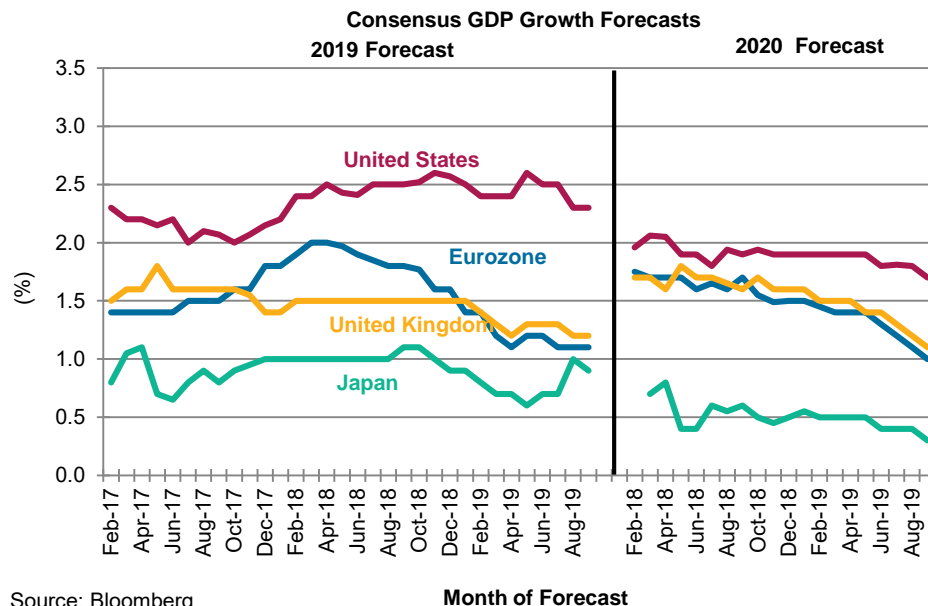
ECONOMIC FUNDAMENTALS

GROWTH IS SOFTENING, BUT SHOULD STABILIZE DUE TO CENTRAL BANK EASING

- US economic growth remains moderate, with weakness in manufacturing being offset by solid personal consumption. The concern is that manufacturing weakness and weaker profit margins could begin to weigh on employment.
- Growth forecasts for the Eurozone have declined significantly due to weakness in manufacturing. The ECB has limited ability to stimulate, and a 'no deal' Brexit remains a risk.
- Emerging market central banks have begun to ease, although the uncertain trade situation continues to weigh on market sentiment.



Source: Bureau of Economic Analysis



Source: Bloomberg

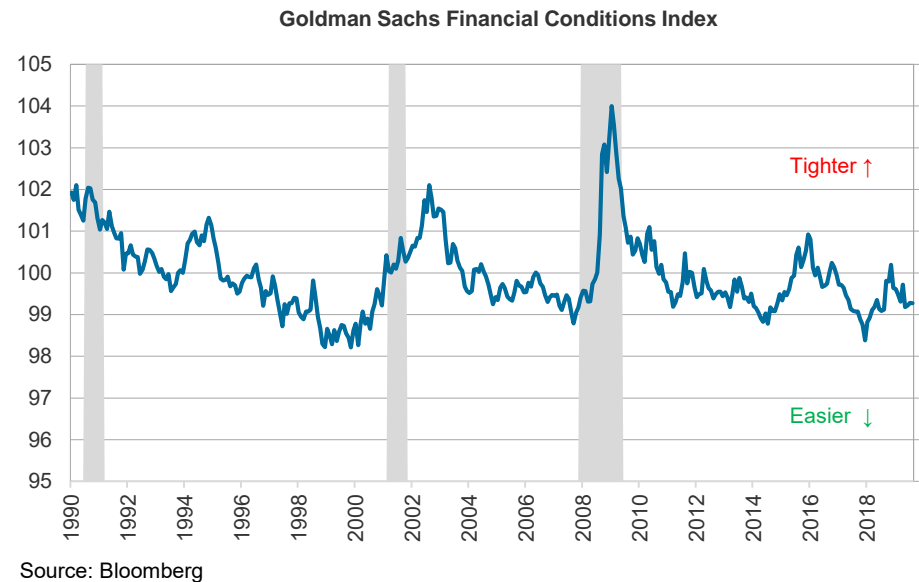
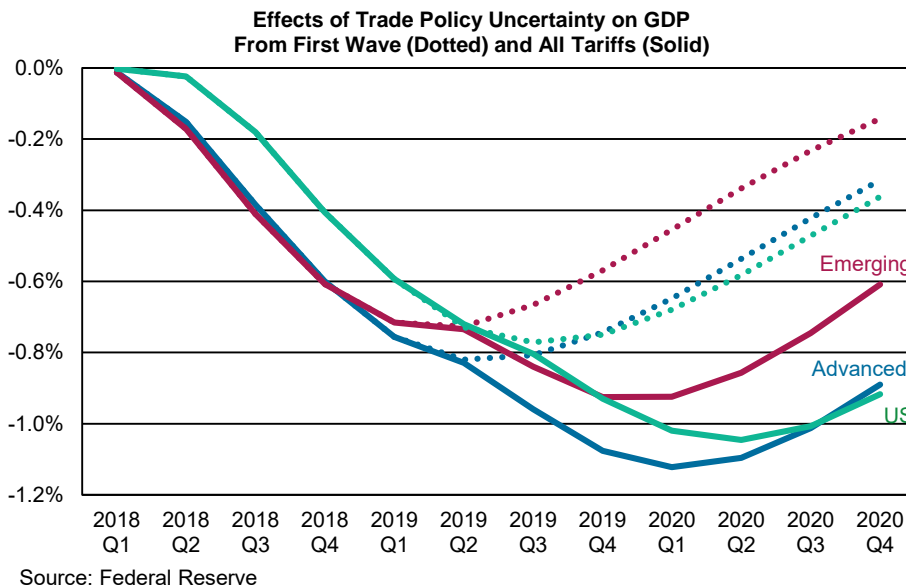
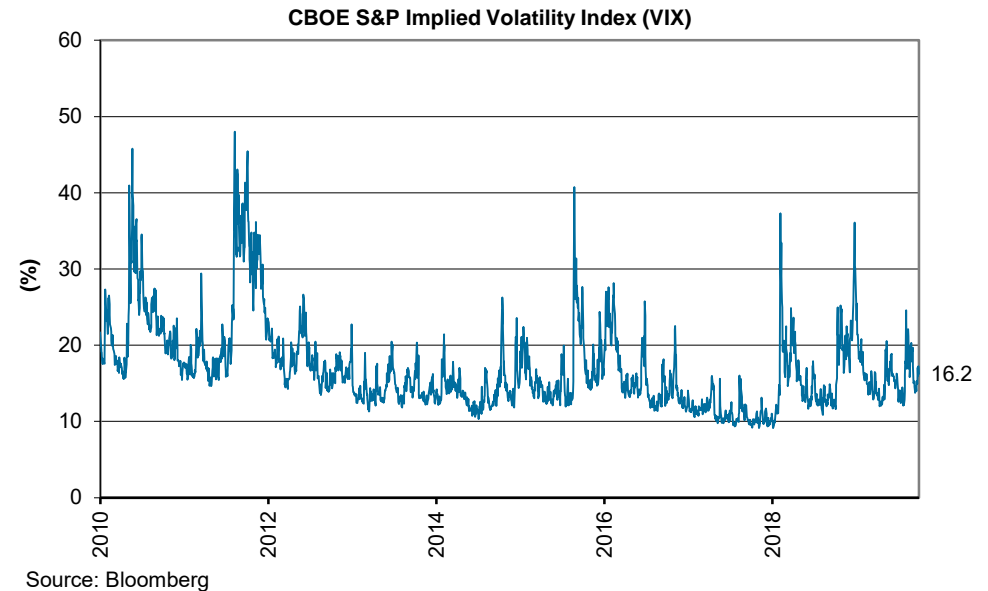


Source: Bloomberg

RISK FACTORS

TRADE CONCERNS REMAIN A KEY RISK

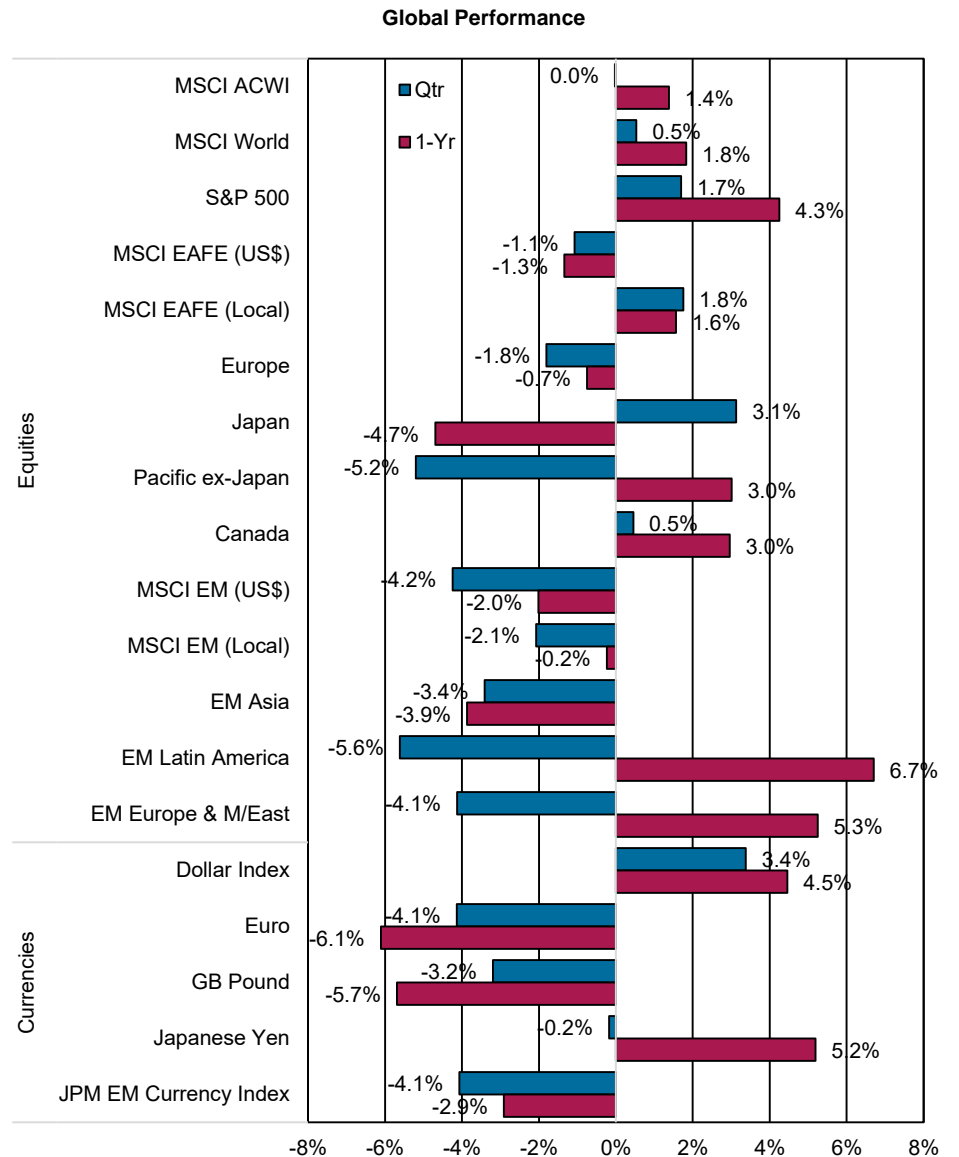
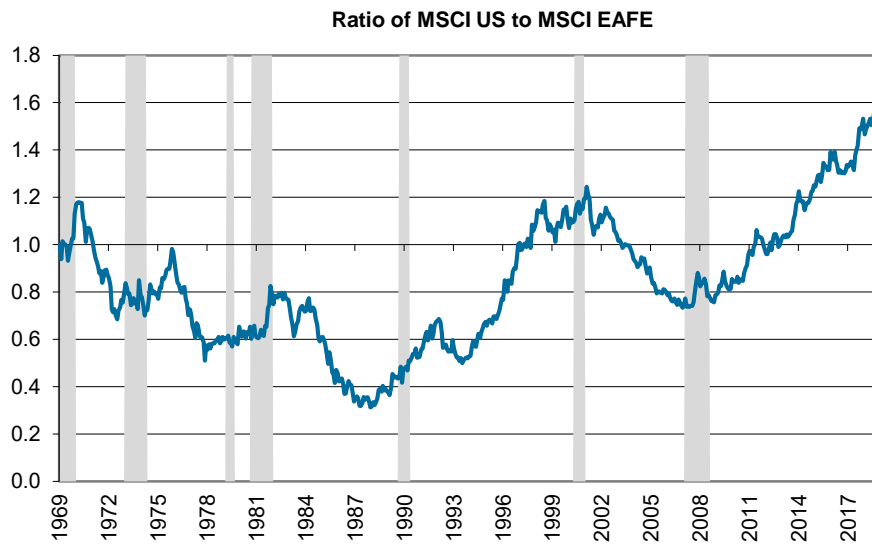
- Financial conditions eased somewhat during the quarter as interest rates fell. Spreads and equity valuations ended the quarter mostly unchanged. Bond yields finished the quarter slightly below Q2 levels.
- The VIX index moved slightly higher during the quarter, especially during August as renewed trade tensions surfaced.
- Trade relations, particularly between the US and China, continue to be the key risk for the global economy. Brexit negotiations also present risks, primarily for European economies.



REGIONAL EQUITY RETURNS

EMERGING MARKETS CONTINUE TO STRUGGLE

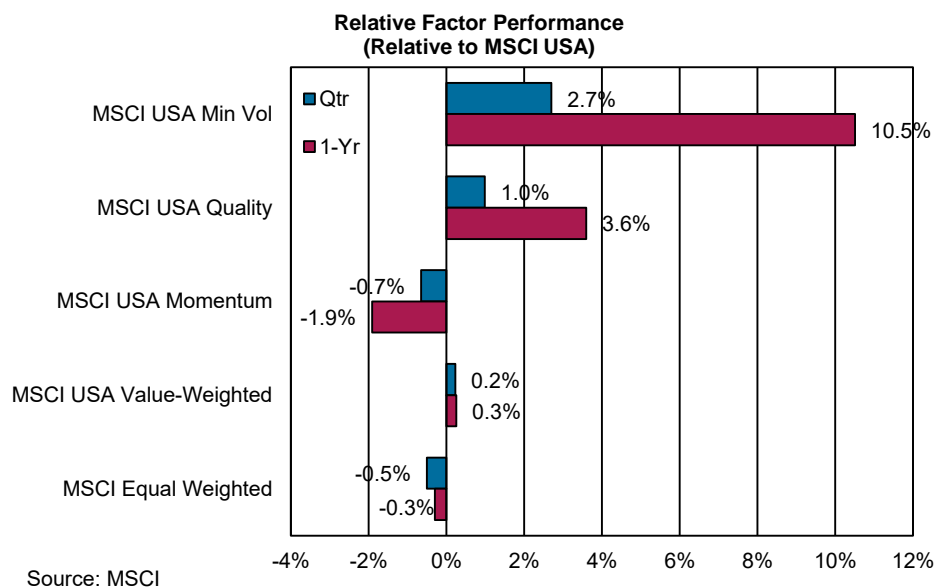
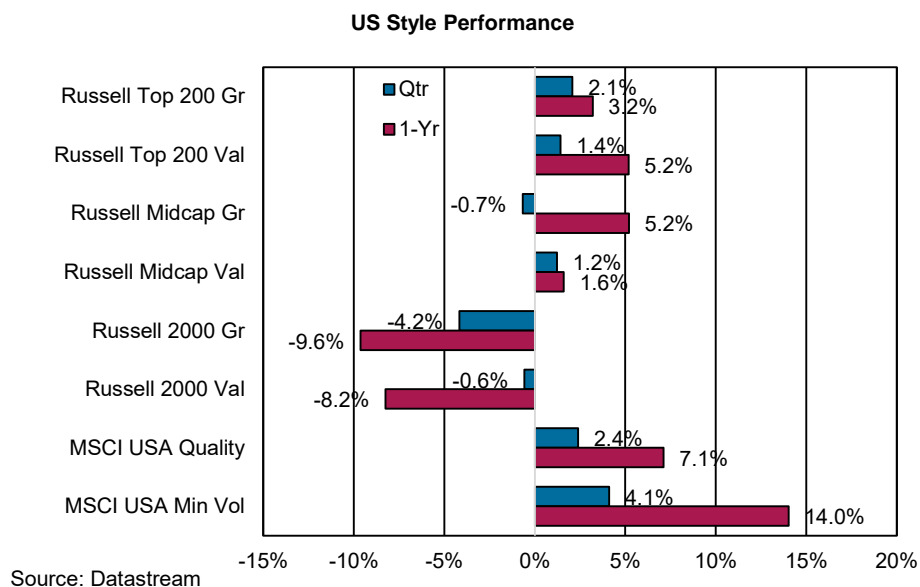
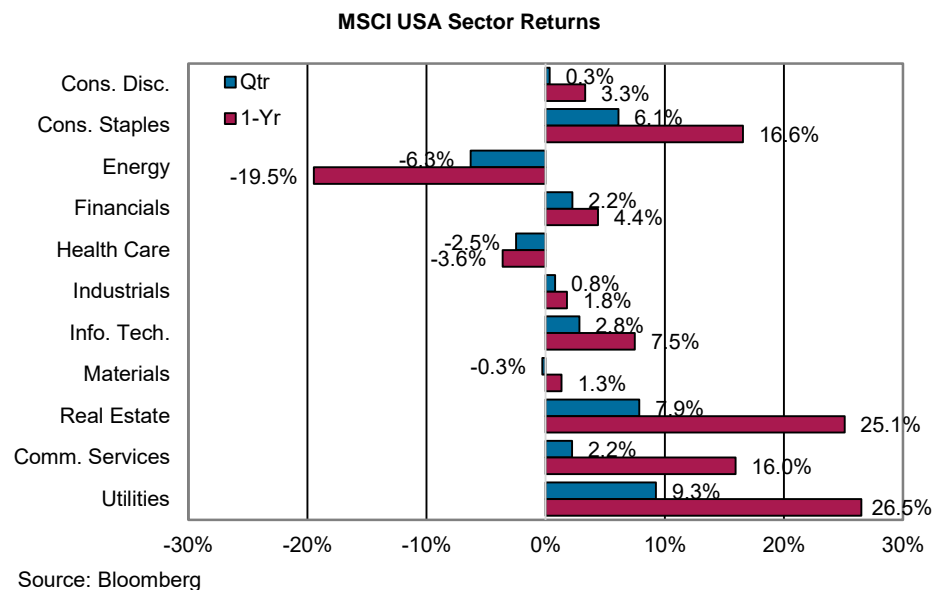
- Global equities were flat during the quarter as easier monetary policy generally offset trade and growth concerns.
- US markets outperformed, as the S&P 500 returned 1.7% in Q3. US stocks have returned 4.3% over the past 1-year.
- International developed stocks declined 1.1% during the quarter and 1.3% over the past year. A stronger dollar has weighed on returns for US investors.
- Emerging market equities declined 4.2% in Q3, lagging developed markets by 470 bps on slowing global growth and trade concerns.



US EQUITY FACTOR AND SECTOR RETURNS

LOW VOLATILITY AND QUALITY STOCKS OUTPERFORM

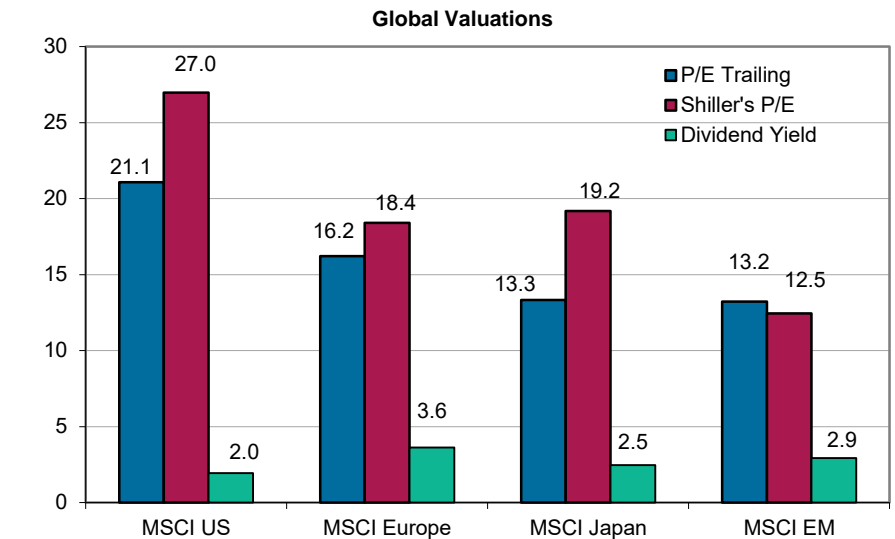
- Style performance was mixed during the quarter as value outperformed among small- and mid-caps, but growth stocks outperformed within large caps. Utilities were the best performing sector, returning 9.3%.
- Large-cap stocks continued to outperform mid- and small-cap stocks during Q3.
- Low volatility and quality stocks outperformed the broad market during the quarter, while momentum stocks lagged. Over the past year, low volatility stocks have outperformed the broad market by over 10 percentage points.



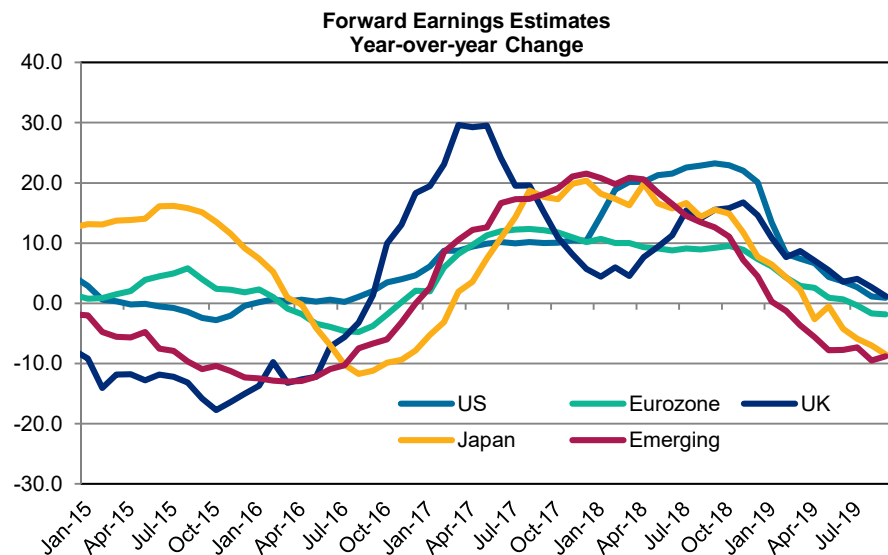
EQUITY VALUATIONS

VALUATIONS MOSTLY UNCHANGED

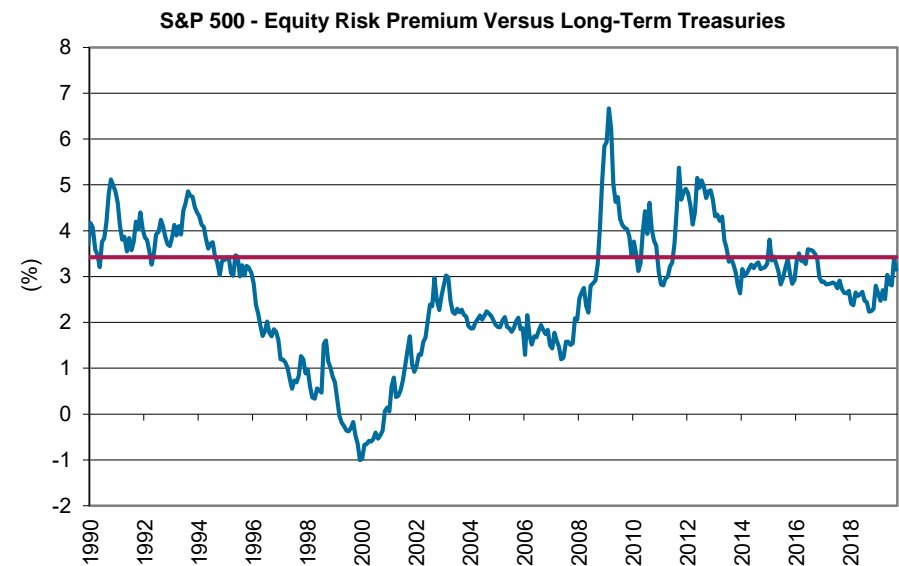
- The market gains during the quarter slightly outpaced earnings, lifting the P/E ratio on the MSCI US from 20.9x to 21.1x. Our estimate of the equity risk premium over long-term Treasuries rose 32 bps to 3.15% due to the decline in long-term rates.
- International developed stocks remain more reasonably valued, although they face a more challenging macro environment.
- Emerging markets have better valuations and arguably better earnings prospects than developed markets. However, those factors continue to be obscured by the uncertainty surrounding trade.



Source: Bloomberg, Datastream, Mercer



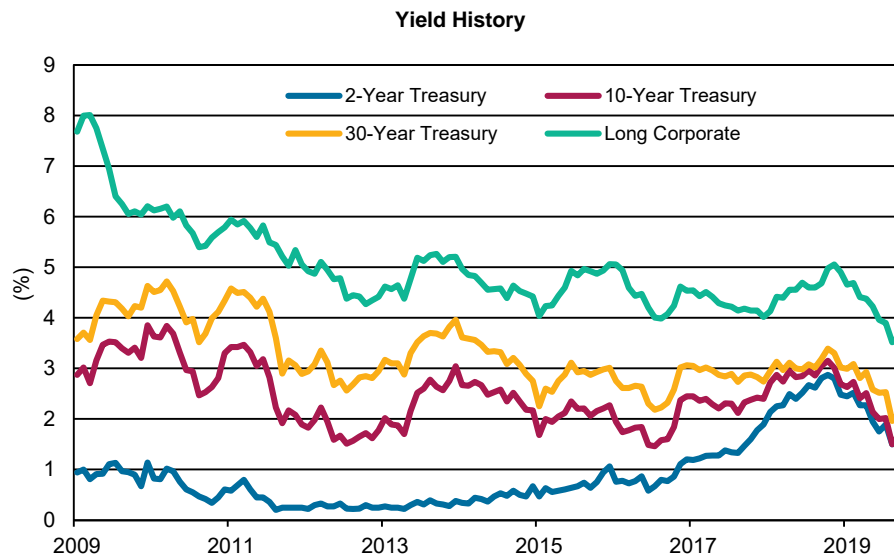
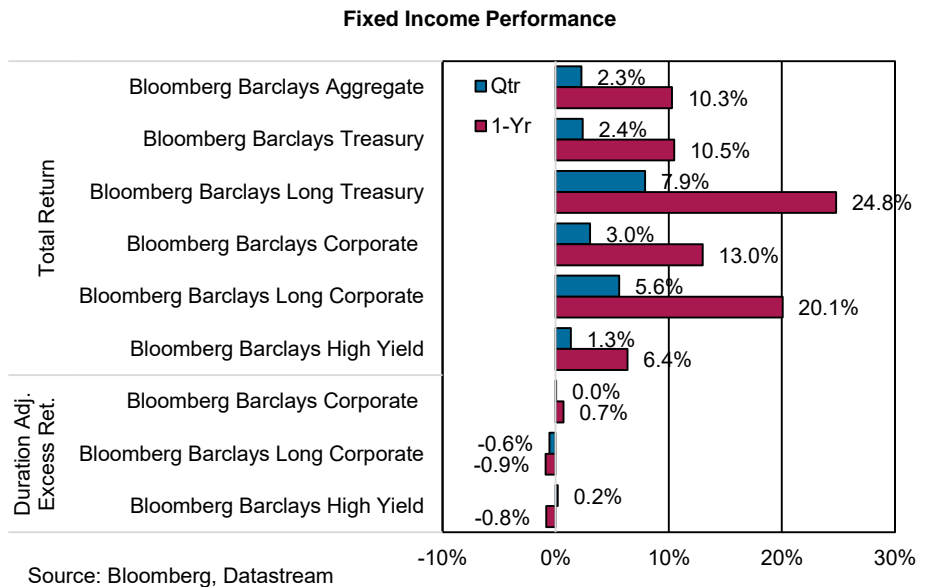
Source: Datastream



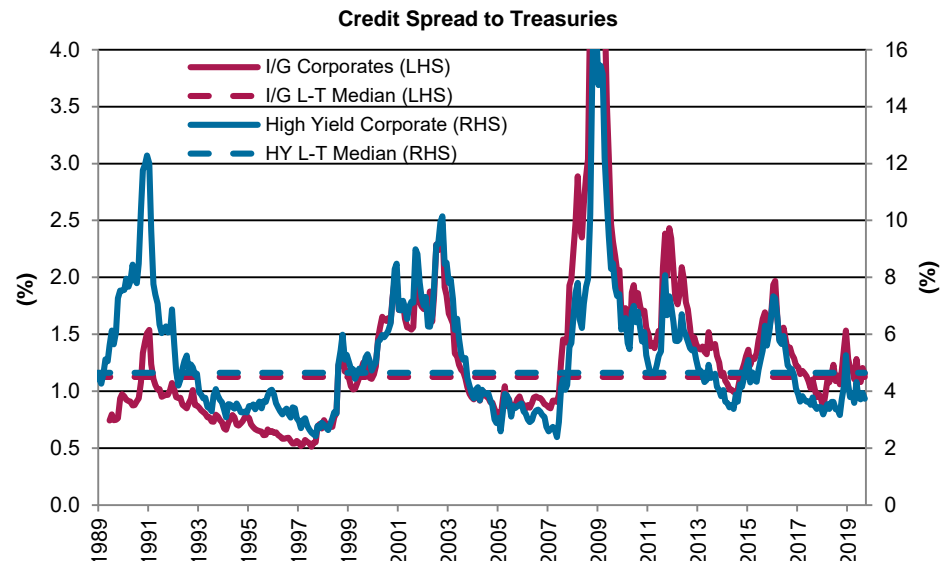
Source: MSCI, Datastream, Mercer

INTEREST RATES AND FIXED INCOME FIXED INCOME PERFORMED WELL AS RATES DECLINED

- The Bloomberg Barclays Aggregate returned 2.3% in Q3 and is now up 10.3% over the past year. Interest rates declined in August as renewed trade tensions and weaker growth drove investors to price more monetary easing. Long Treasuries have gained almost 25% over the past year.
- Investment-grade corporate bond spreads were unchanged during the quarter at 115 bps, slightly above their long-term median level.
- High yield bonds gained 1.3% during the quarter as yields declined by 22 bps. Credit spreads narrowed by 3 bps during the quarter.



Source: Bloomberg, Federal Reserve

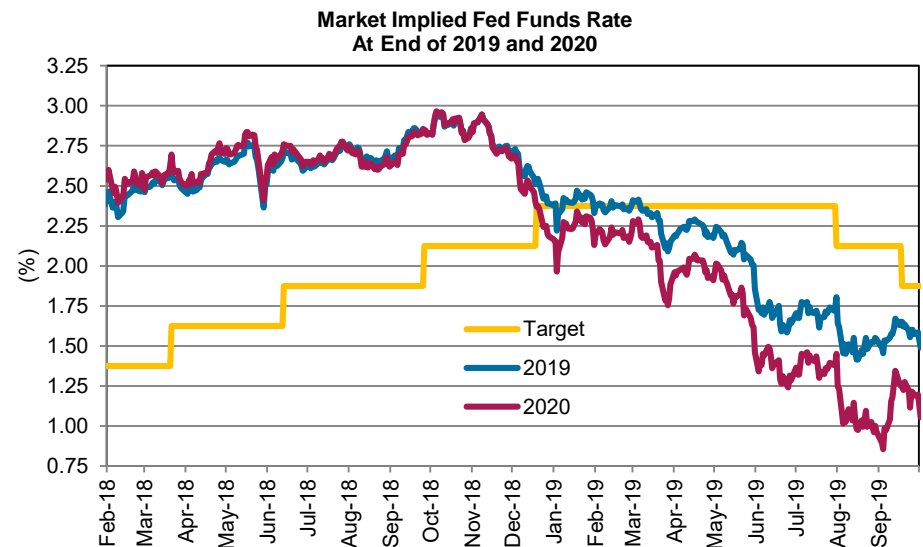


Source: Bloomberg

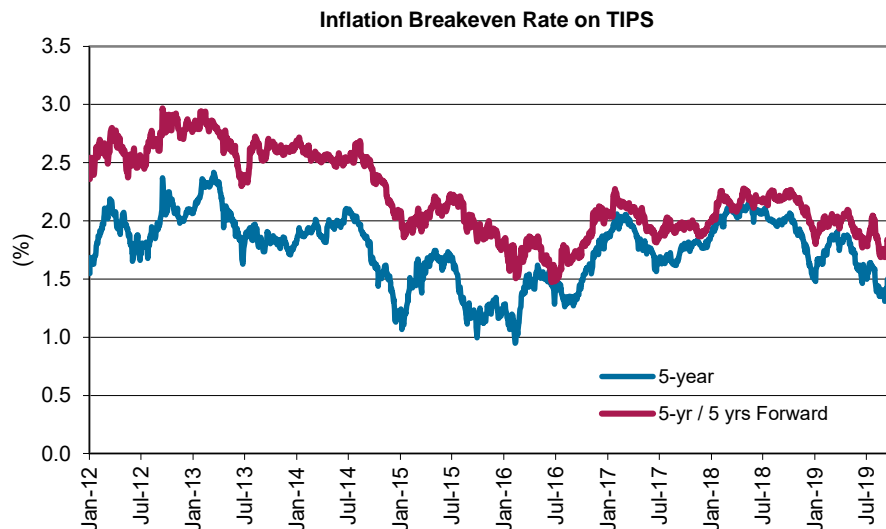
MONETARY POLICY

THE FED CUT RATES

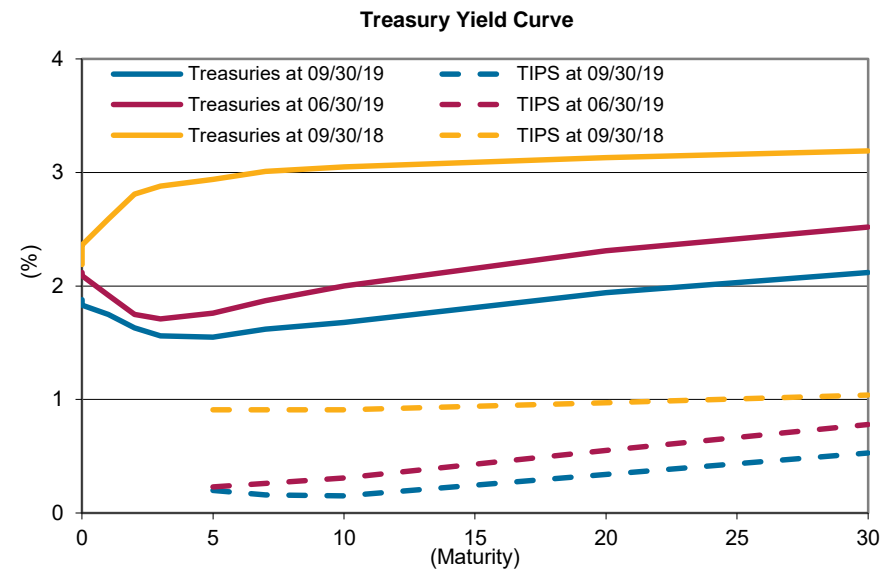
- The Fed cut rates twice during Q3, but signaled uncertainty about additional cuts, with the median voting member projecting that rates will stay at their current level through 2020.
- The bond market continues to suggest a more dovish path for monetary policy, with three additional rate cuts priced through the end of 2020.
- The front end of the yield curve remains inverted. This may not yet signal a recession given the market's expectation that the Fed will cut rates in an attempt to lift inflation and as insurance against slowing growth.



Source: Bloomberg



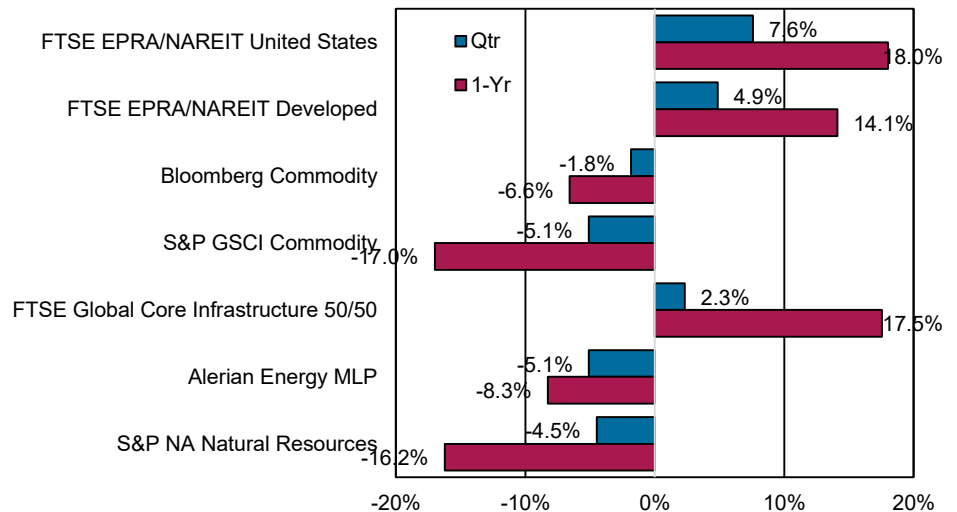
Source: Bloomberg, Mercer



ALTERNATIVE INVESTMENT PERFORMANCE REITS AND INFRASTRUCTURE OUTPERFORM

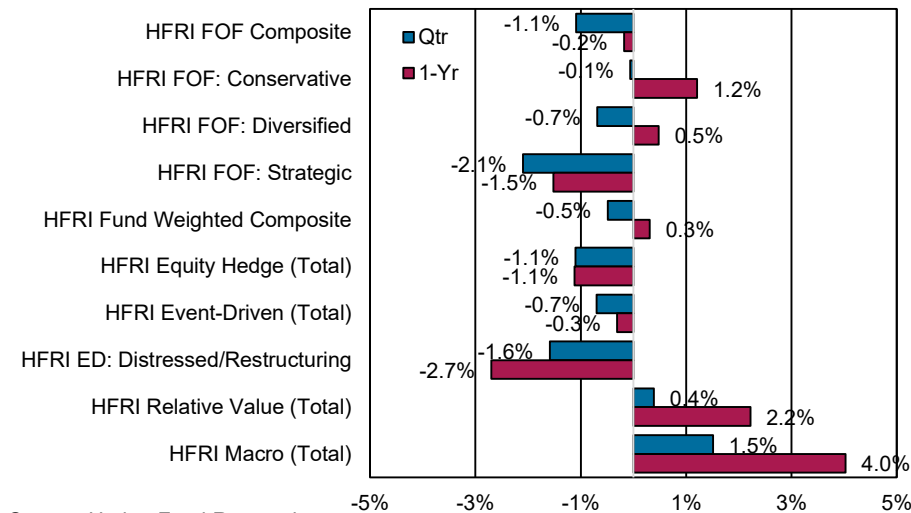
- REITs and infrastructure outperformed the broader market during the quarter as rates fell. Over the past year, REITs and infrastructure have meaningfully outperformed as investors have sought out lower volatility stocks and yield.
- Natural resource stocks declined 4.5% during the quarter, with oil and other commodities declining as global growth slowed.
- Hedge funds declined 1.1% during the quarter.
- Global private equity outperformed global developed stocks by a wide margin over most trailing periods.

Real Asset Performance



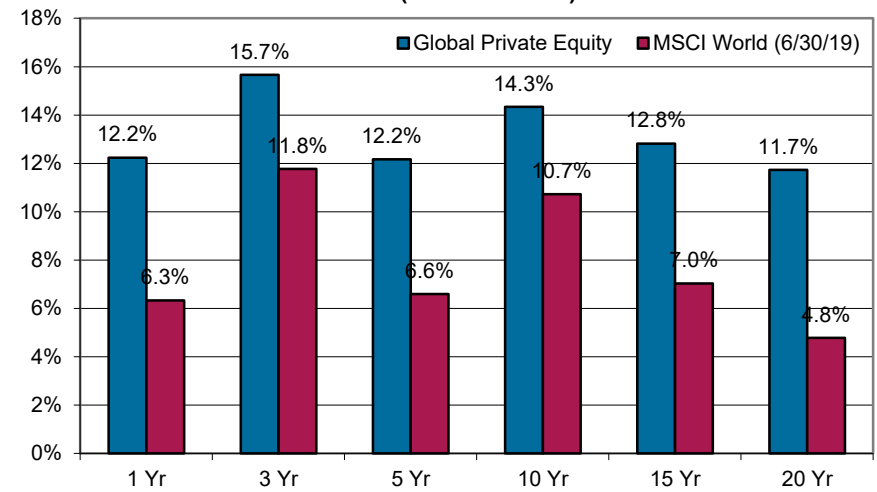
Source: Bloomberg, Datastream

Hedge Fund Performance



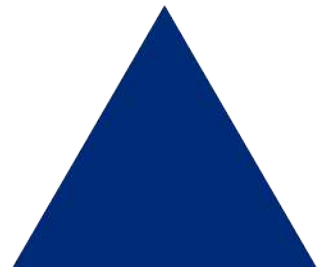
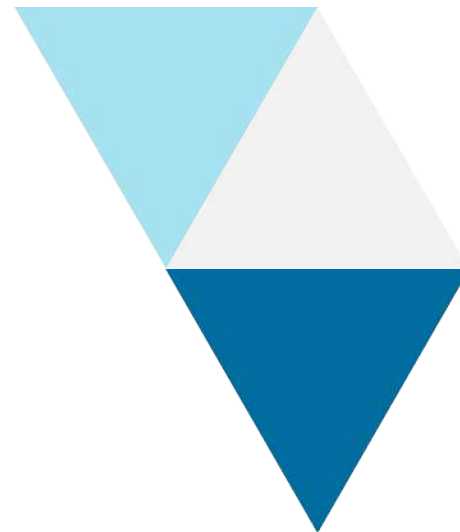
Source: Hedge Fund Research

Global Private Equity vs. Global Public Equities
(as of 06/30/2019)



Source: Burgiss, Bloomberg

Portfolio Review



Investment Scorecard

As of September 30, 2019

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY19 Year End Budget	Expectation Per Asset Allocation
Investment Performance		3Q 2019		Fiscal Year-to-date		6y 11m Since Inception (annualized)			2019
Surplus cash balance*		\$1,046.2	--	--	--	--	--	\$892.9	--
Surplus cash return		0.8%	0.6%	0.8%	0.6%	5.6%	5.4%	3.2%	5.6%
Cash balance plan balance (millions)		\$278.3	--	--	--	--	--	\$276.9	--
Cash balance plan return		0.2%	0.6%	0.2%	0.6%	7.5%	6.9%	6.0%	6.0%
403(b) plan balance (millions)		\$516.7	--	--	--	--	--	--	--
Risk vs. Return		3-year				6y 11m Since Inception (annualized)			2019
Surplus cash Sharpe ratio		0.92	0.88	--	--	1.01	0.99	--	0.34
Net of fee return		6.4%	6.0%	--	--	5.6%	5.4%	--	5.6%
Standard deviation		5.3%	5.1%	--	--	4.8%	4.7%	--	8.7%
Cash balance Sharpe ratio		0.91	0.87	--	--	1.08	1.04	--	0.32
Net of fee return		7.6%	6.9%	--	--	7.5%	6.9%	--	6.0%
Standard deviation		6.7%	6.1%	--	--	6.2%	5.9%	--	10.3%
Asset Allocation		3Q 2019							
Surplus cash absolute variances to target		10.2%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target		7.7%	< 10%	--	--	--	--	--	--
Manager Compliance		3Q 2019							
Surplus cash manager flags		15	< 24 Green < 30 Yellow	--	--	--	--	--	--
Cash balance plan manager flags		20	< 27 Green < 34 Yellow	--	--	--	--	--	--

*Excludes debt reserve funds (~\$64 mm), District assets (~\$32 mm), and balance sheet cash not in investable portfolio (~\$109 mm). Includes Foundation (~\$35 mm) and Concern (~\$13 mm) assets. Budget adds back in current Foundation and Concern assets and backs out current debt reserve funds.

Total Surplus Cash Assets

As of September 30, 2019

September 30, 2019

	Allocation		Performance								
	Asset \$	%	3 Month	Fiscal YTD	CYTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
Total Surplus Cash (1)	1,142,100,812	100.0	0.8	0.8	9.5	3.9	5.5	4.5	5.4	5.1	Nov-2012
Total Surplus Cash ex District / Debt Reserves (1)	1,046,158,095	91.6	0.8	0.8	10.7	3.8	6.4	5.1	5.7	5.6	Nov-2012
<i>Surplus Cash Total Benchmark</i>			<i>0.6</i>	<i>0.6</i>	<i>10.6</i>	<i>4.4</i>	<i>6.0</i>	<i>5.0</i>	<i>5.5</i>	<i>5.4</i>	
Total Surplus Cash ex District / CONCERN / Debt Reserves (1)	1,032,723,084	90.4	0.8	0.8	10.7	3.7	6.5	5.1	5.8	5.6	Nov-2012
<i>Surplus Cash Total Benchmark</i>			<i>0.6</i>	<i>0.6</i>	<i>10.6</i>	<i>4.4</i>	<i>6.0</i>	<i>5.0</i>	<i>5.5</i>	<i>5.4</i>	
Total CONCERN	13,435,011	1.2	2.1	2.1	8.7	10.3	3.2	-	-	3.7	Feb-2016
<i>CONCERN Total Benchmark</i>			<i>2.1</i>	<i>2.1</i>	<i>8.3</i>	<i>10.1</i>	<i>2.9</i>	<i>-</i>	<i>-</i>	<i>3.5</i>	
Met West Total Return Bond Plan - CONCERN	13,348,213	1.2	2.3	2.3	8.9	10.5	3.2	3.4	-	3.8	Feb-2016
<i>Blmbg. Barc. U.S. Aggregate</i>			<i>2.3</i>	<i>2.3</i>	<i>8.5</i>	<i>10.3</i>	<i>2.9</i>	<i>3.4</i>	<i>3.7</i>	<i>3.6</i>	
Cash Account - CONCERN	86,798	0.0	0.2	0.2	0.8	1.1	0.8	-	-	0.7	Feb-2016
<i>90 Day U.S. Treasury Bill</i>			<i>0.6</i>	<i>0.6</i>	<i>1.8</i>	<i>2.4</i>	<i>1.5</i>	<i>1.0</i>	<i>0.5</i>	<i>1.3</i>	
District - Barrow Hanley	32,019,436	2.8	0.8	0.8	3.2	4.2	1.5	1.3	1.2	1.0	Nov-2012
<i>Blmbg. Barc. 1-3 Govt</i>			<i>0.6</i>	<i>0.6</i>	<i>3.1</i>	<i>4.4</i>	<i>1.5</i>	<i>1.3</i>	<i>1.2</i>	<i>1.1</i>	
Total Debt Reserves	63,923,282	5.6	0.6	0.6	1.9	2.4	1.7	-	-	1.3	May-2015
<i>90 Day U.S. Treasury Bill</i>			<i>0.6</i>	<i>0.6</i>	<i>1.8</i>	<i>2.4</i>	<i>1.5</i>	<i>1.0</i>	<i>0.5</i>	<i>1.1</i>	
Ponder Debt Reserves - 2015	3,562,627	0.3	0.6	0.6	1.8	2.3	1.6	-	-	1.2	May-2015
<i>90 Day U.S. Treasury Bill</i>			<i>0.6</i>	<i>0.6</i>	<i>1.8</i>	<i>2.4</i>	<i>1.5</i>	<i>1.0</i>	<i>0.5</i>	<i>1.1</i>	
Ponder Debt Reserves - 2017	60,360,655	5.3	0.6	0.6	1.8	2.4	-	-	-	1.8	Mar-2017
<i>90 Day U.S. Treasury Bill</i>			<i>0.6</i>	<i>0.6</i>	<i>1.8</i>	<i>2.4</i>	<i>1.5</i>	<i>1.0</i>	<i>0.5</i>	<i>1.7</i>	

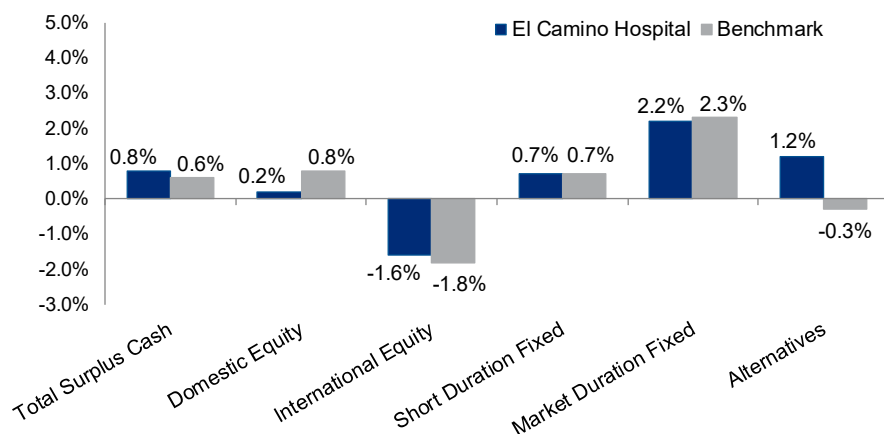
Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized. (1) Includes Foundation assets.

Surplus Cash Executive Summary

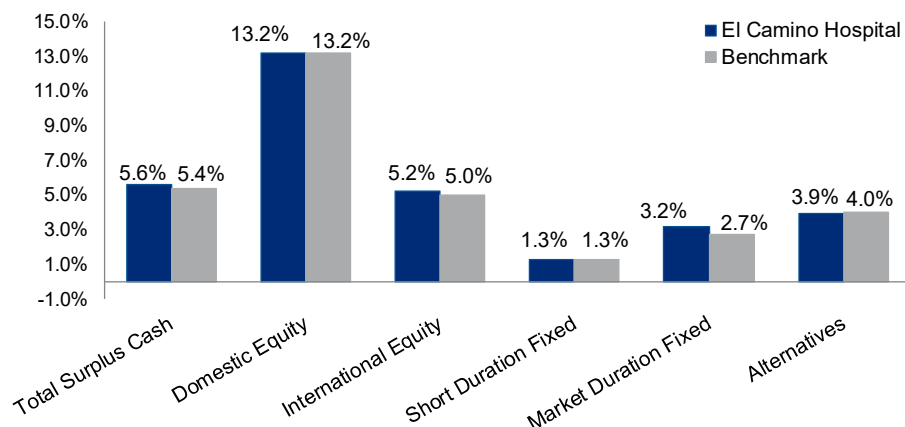
Dashboard

As of September 30, 2019

Performance: Most Recent Quarter



Performance: Since Inception¹



¹ Reflects the date Pavilion's recommended portfolio was implemented (November 1, 2012).

Asset Allocation

Manager	Total Assets (\$ mil.)	Percent of Total	Target Allocation	Variance to Target	Target Range	Within Policy Range
Domestic Equity	\$275.8	26.4%	25.0%	+ 1.4%	20-30%	Yes
International Equity	\$144.7	13.8%	15.0%	- 1.2%	10-20%	Yes
Short-Duration Fixed	\$125.2	12.0%	10.0%	+ 2.0%	8-12%	Yes
Market-Duration Fixed	\$332.0	31.7%	30.0%	+ 1.7%	25-35%	Yes
Alternatives	\$168.5	16.1%	20.0%	- 3.9%	17-23%	No
Total (X District)	\$1,046.2	100.0%				

Portfolio Updates

Manager News/Issues

- The Surplus Cash Portfolio returned +0.8% for the quarter, outperforming its benchmark by approximately 20 bps. Over the trailing one-year period, the Portfolio returned +3.8%, trailing the benchmark by 60 bps.
- Manager results added value during the quarter, particularly within the hedge fund composite.
- The strongest performers on both an absolute and relative basis were hedge fund managers Renaissance RIDGE (+7.0%), Transtrend (+4.7%) and Palestra (+3.6%), which significantly outperformed the HFRI Fund of Funds Composite Index (-0.9%).
- Other notable relative outperformers included large cap value manager Barrow Hanley (+3.1%) and small cap value manager Wellington (+1.4%).

Second Quarter Funding News/Issues

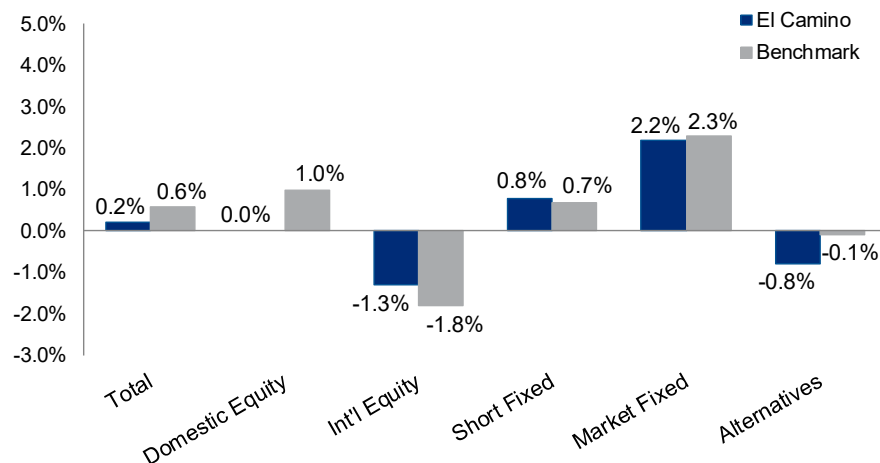
- Received \$9.4 million in redemption proceeds from Chatham in July.
- \$7.8 million in cash and securities was transferred in-kind from the Barrow Hanley Short-Term District account to the Barrow Hanley Short-Term Surplus Cash account in August.
- A \$10 million investment in Waterfall Eden was made October 1, 2019, which will bring the Alternatives allocation within policy range.
- Oaktree distributed \$0.3 million.
- Walton Street VII distributed approximately \$0.6 million.
- Walton Street VIII called \$0.1 million in capital, which was offset by a distribution from the fund, amounting to a total capital distribution of \$0.4 million.
- Angelo Gordon Realty Value Fund X called \$1.3 million of capital in October.

Cash Balance Plan Executive Summary

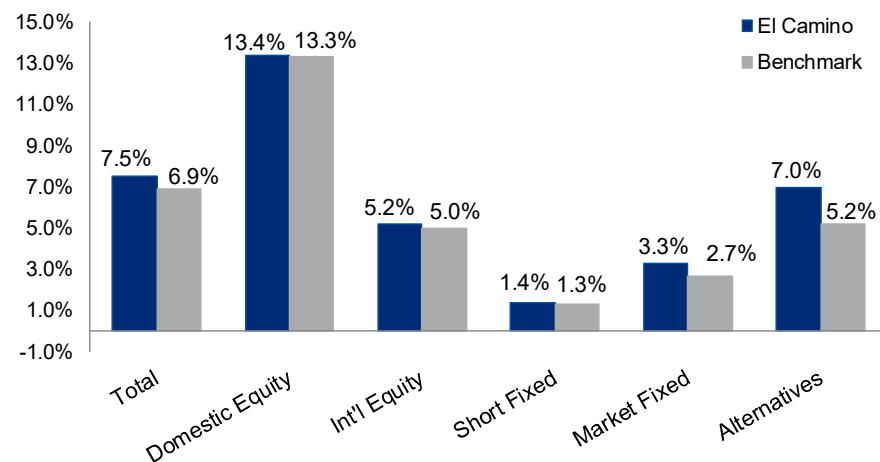
Dashboard

As of September 30, 2019

Performance: Most Recent Quarter



Performance: Since Inception¹



¹ Reflects the date Pavilion's recommended portfolio was implemented (November 1, 2012).

Asset Allocation

Manager	Total Assets (\$ mil.)	Percent of Total	Target Allocation	Variance to Target	Target Range	Within Policy Range
Domestic Equity	\$ 94.2	33.8%	32.0%	+ 1.8%	27-37%	Yes
International Equity	\$ 48.2	17.3%	18.0%	- 0.7%	15-21%	Yes
Short-Duration Fixed	\$ 10.2	3.7%	5.0%	- 1.3%	0-8%	Yes
Market-Duration Fixed	\$ 75.2	27.0%	25.0%	+ 2.0%	20-30%	Yes
Alternatives	\$ 50.4	18.1%	20.0%	- 1.9%	17-23%	Yes
Total	\$278.3	100.0%				

Portfolio Updates

Manager News/Issues

- The Cash Balance Plan returned +0.2% for the quarter, trailing its benchmark by 40 bps. Over the trailing one-year period, the Plan returned +3.4%, underperforming its benchmark by approximately 60 bps.
- Relative underperformance during the third quarter was driven by manager results, particularly within the domestic equity composite.
- Large cap growth manager Sands (-5.3%) was the largest detractor during the quarter, trailing the Russell 1000 Growth Index by approximately 680 bps.
- Notable relative outperformers include large cap value manager Barrow Hanley (+3.1%) and small cap value manager Wellington (+1.3%).

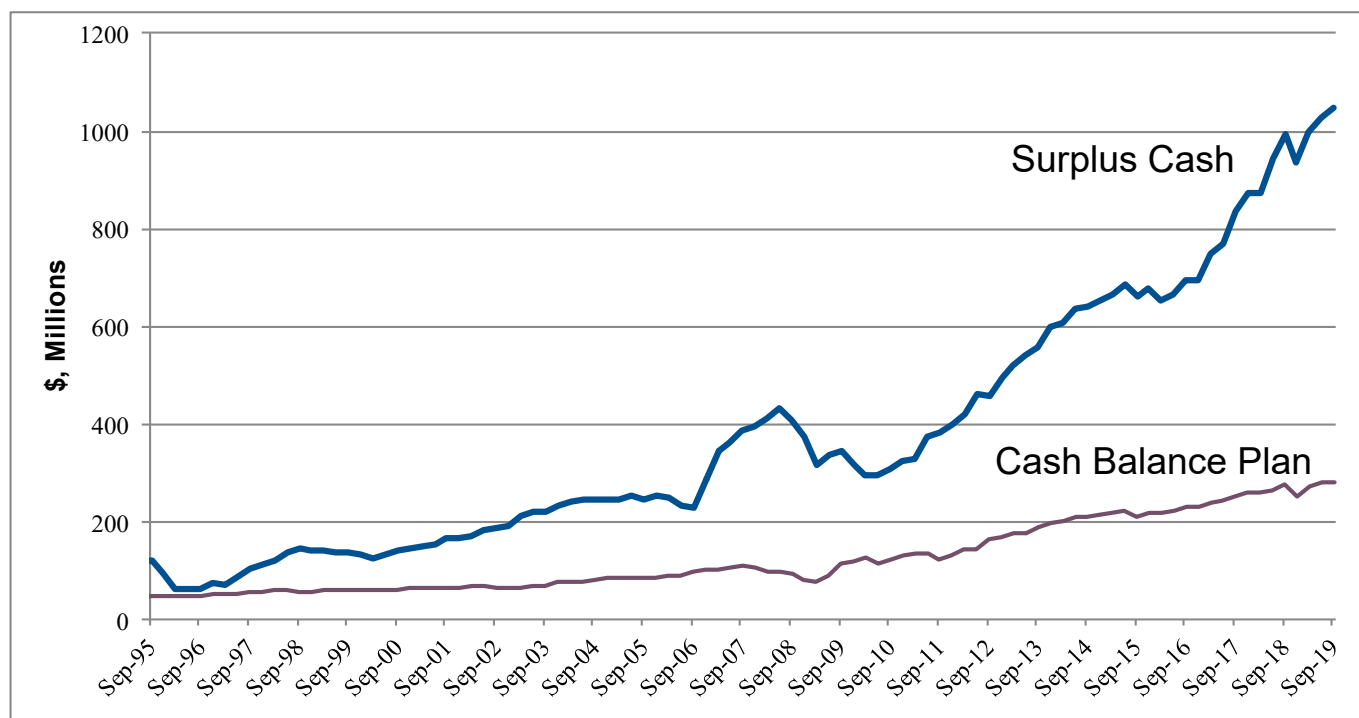
Third Quarter Funding News/Issues

- Oaktree Real Estate VI distributed \$0.2 million.
- Walton Street VII distributed \$0.4 million.
- Walton Street VIII called \$0.1 million in capital, which was offset by a distribution from the fund, amounting to a total distribution of \$0.3 million.
- An employer contribution of \$3.2 million was made during July.

Calendar Year Market Value Reconciliation

As of September 30, 2019

\$ in Millions	Surplus Cash					Cash Balance Plan				
	2015	2016	2017	2018	YTD 2019	2015	2016	2017	2018	YTD 2019
Beginning Market Value	\$651.6	\$677.5	\$694.7	\$872.3	\$934.4	\$213.7	\$216.8	\$228.1	\$259.3	\$250.1
Net Cash Flow	\$27.0	(\$17.5)	\$89.0	\$83.1	\$1.7	\$0.6	\$0.4	(\$0.8)	(\$3.9)	(\$2.4)
Income	\$12.6	\$12.4	\$14.2	\$18.1	\$14.5	\$3.3	\$3.4	\$3.6	\$4.1	\$3.3
Realized Gain/(Loss)	\$4.4	\$7.1	\$9.6	\$14.1	\$5.6	\$2.0	\$4.5	\$2.2	\$10.0	\$1.8
Unrealized Gain/(Loss)	(\$18.0)	\$15.1	\$64.8	(\$53.2)	\$89.9	(\$2.7)	\$3.0	\$26.2	(\$19.4)	\$25.5
Capital App/(Dep)	(\$1.0)	\$34.6	\$88.6	(\$21.0)	\$110.0	\$2.5	\$10.9	\$32.0	(\$5.3)	\$30.7
End of Period Market Value	\$677.5	\$694.7	\$872.3	\$934.4	\$1,046.2	\$216.8	\$228.1	\$259.3	\$250.1	\$278.3
Return Net of Fees	-0.2%	5.2%	11.8%	-2.6%	10.7%	1.1%	4.9%	14.5%	-2.8%	12.2%



Fund Name	Excess Performance (3Yr)	Excess Performance (5Yr)	Peer Return Rank (3Yr)	Peer Return Rank (5Yr)	Sharpe Ratio (5Yr)	Information Ratio (5Yr)
Sands Large Cap Growth (Touchstone) - Both Plans	✗	✗	✓	✗	✗	✗
Barrow Hanley Large Cap Value - Surplus Cash	✓	✓	✓	✓	✓	✓
Barrow Hanley Large Cap Value - Pension	✓	✓	✓	✓	✓	✓
Wellington Small Cap Value - Surplus Cash	✗	✓	✓	✓	✓	✓
Wellington Small Cap Value - Pension	✗	✓	✓	✓	✓	✓
Conestoga Small-Cap Fund I - Both Plans	✓	✓	✓	✓	✓	✓
BNY Mellon International Stock - Both Plans	✓	✓	✓	✓	✓	✓
Causeway International Value - Both Plans	✗	✗	✓	✗	✗	✗
Harding Loevner Inst. Emerging Markets I - Both Plans	✗	✓	✓	✓	✓	✓
Barrow Hanley Short Fixed - Surplus Cash	✓	✓	✗	✓	✓	✓
Barrow Hanley Short Fixed - Pension	✓	✗	✗	✗	✗	✗
Dodge & Cox Fixed - Surplus Cash	✓	✓	✓	✓	✓	✓
Dodge & Cox Fixed - Pension	✓	✓	✓	✓	✓	✓
MetWest Fixed - Surplus Cash	✓	✗	✓	✓	✓	✗
Met West Fixed - Pension	✓	✗	✓	✓	✓	✗
Lighthouse Diversified - Pension	✗	✓	-	-	✓	✓
Pointer Offshore LTD - Pension	✓	✓	-	-	✓	✓

- ✓ Goals met or no material change
- ✗ Goals not met or material change

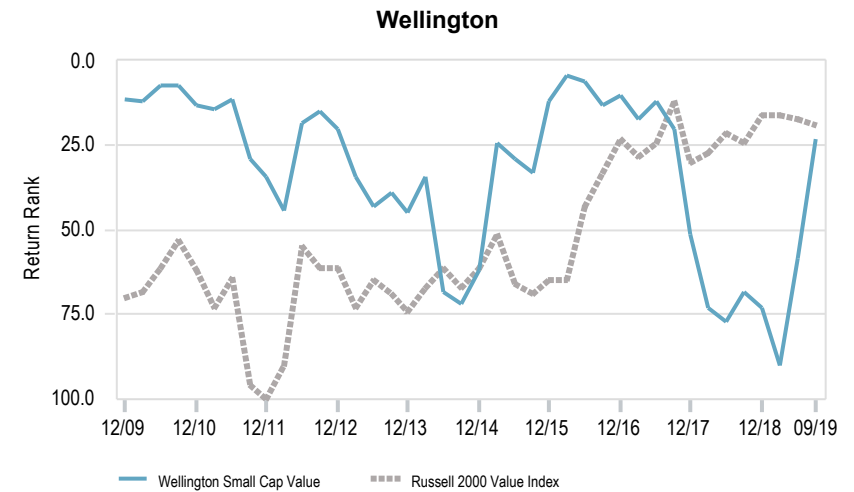
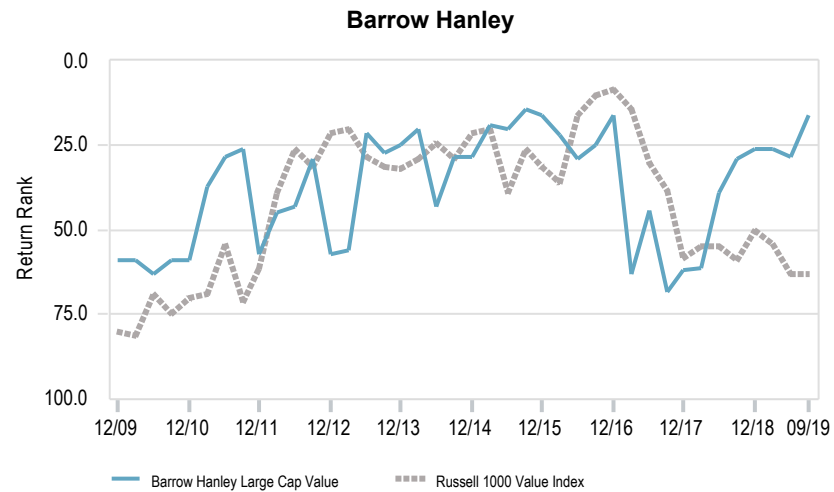
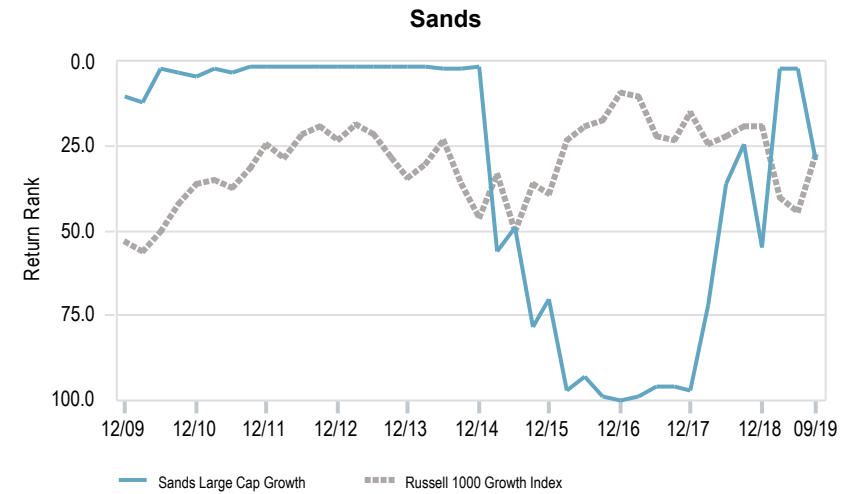
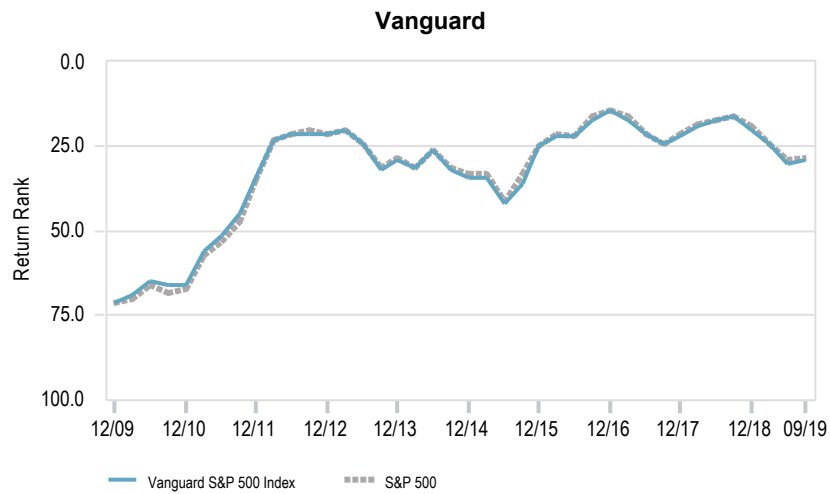
Excess Performance - The fund must outperform its benchmark over the trailing 3 / 5 year period.
Peer Return Rank - The fund's Return Rank must be in the top 51% of its peer group over the trailing 3 / 5 year period.
Sharpe Ratio (5YR) The fund's Sharpe Ratio must be greater than the benchmark over the trailing 5-year period.
Information Ratio (5Yr) The fund's Information Ratio must be greater than 0% over the trailing 5-year period.

Manager	Comments
Causeway International Value (both plans)	As previously announced, Portfolio Manager Foster Corwith resigned from the firm in June. Causeway's other eight fundamental portfolio managers remain in place. This news does not impact our existing ratings for Causeway's fundamental strategies, as we continue to view Sarah Ketterer and Harry Hartford as the key drivers of the philosophy, process and portfolios.
Barrow Hanley Large Cap Value (both plans)	On September 25, 2019, Barrow, Hanley, Mewhinney & Strauss (BHMS) announced the resignation of Jeff Fahrenbruch, US Large Cap Value strategy portfolio manager (since 2013) and Health Care analyst (Pharmaceuticals). Fahrenbruch has agreed to remain available as a resource through the end of 2019. This news does not impact our existing rating on the Large Cap Value strategy, as the strategy has a deep breadth of experienced portfolio managers that can assume Fahrenbruch's responsibilities without disruption.

Manager Performance Evaluation

Rolling 3 Year Rankings vs. Peers

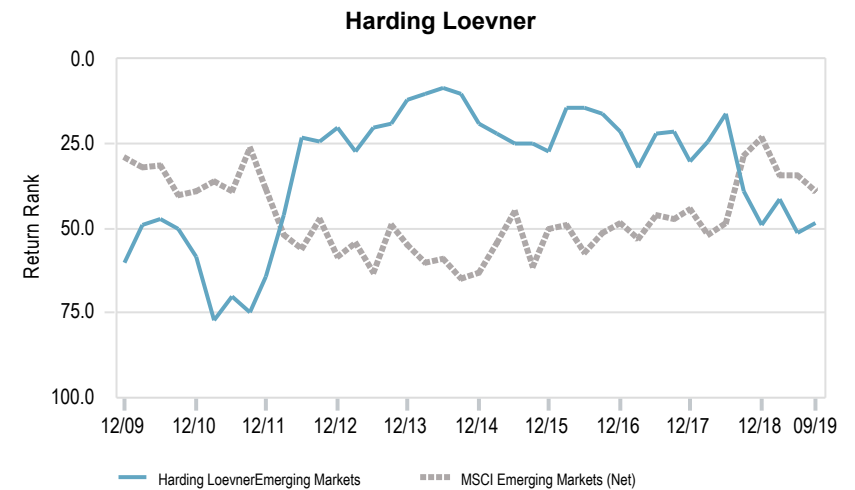
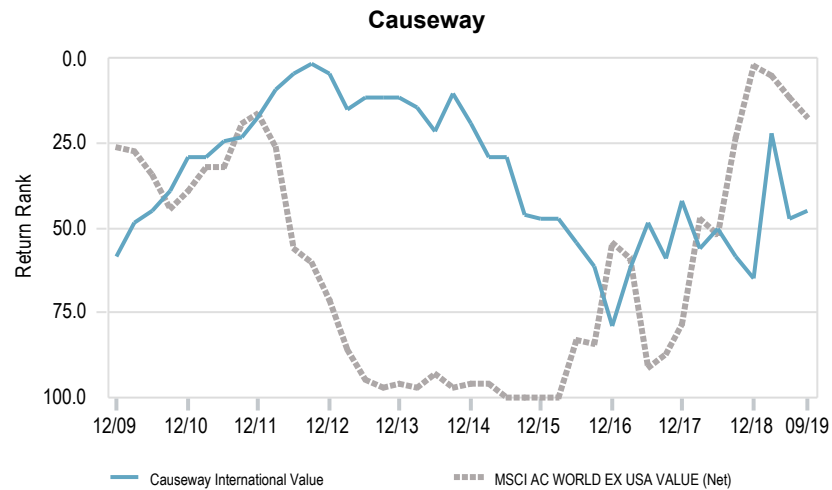
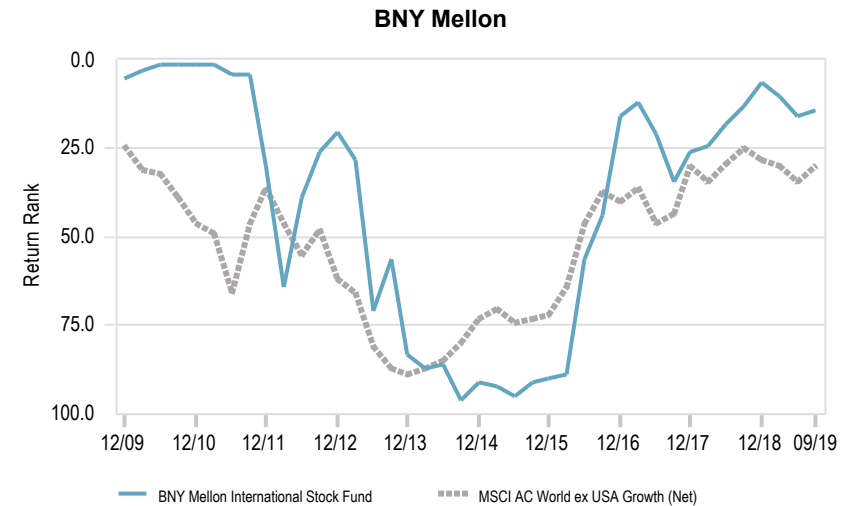
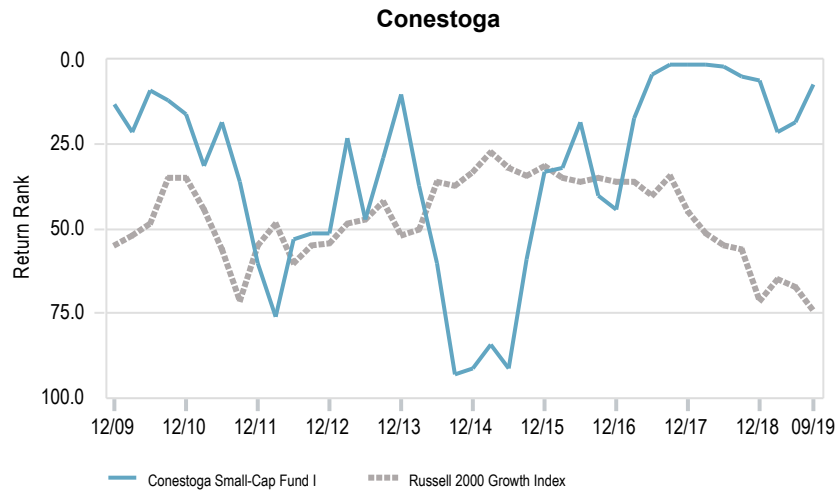
As of September 30, 2019



Manager Performance Evaluation

Rolling 3 Year Rankings vs. Peers

As of September 30, 2019

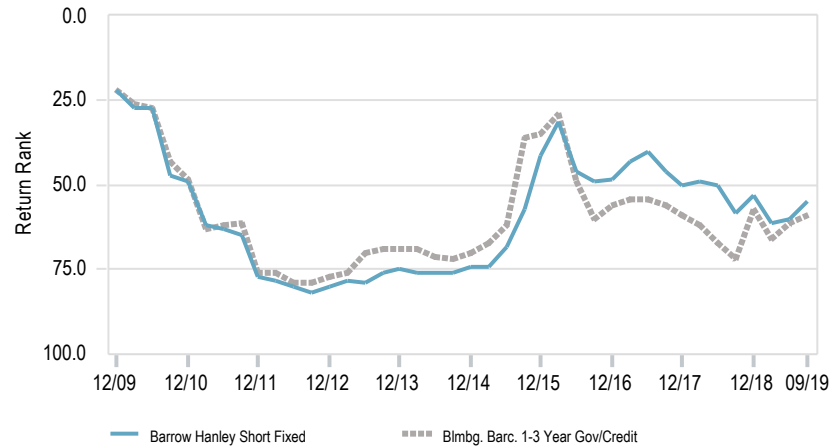


Manager Performance Evaluation

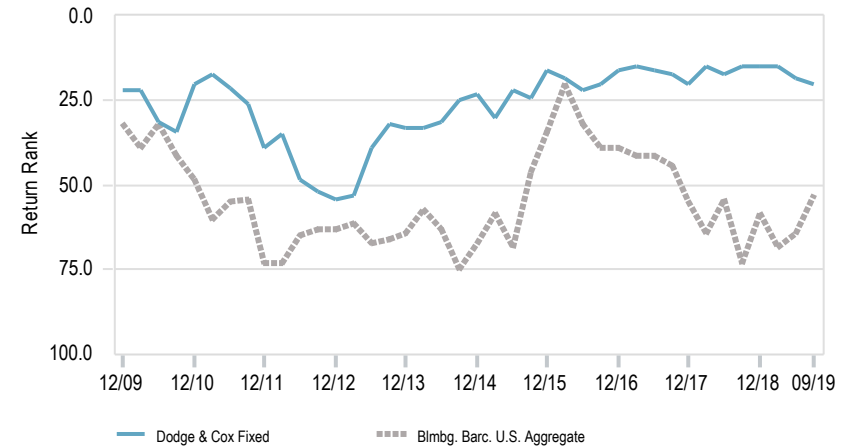
Rolling 3 Year Rankings vs. Peers

As of September 30, 2019

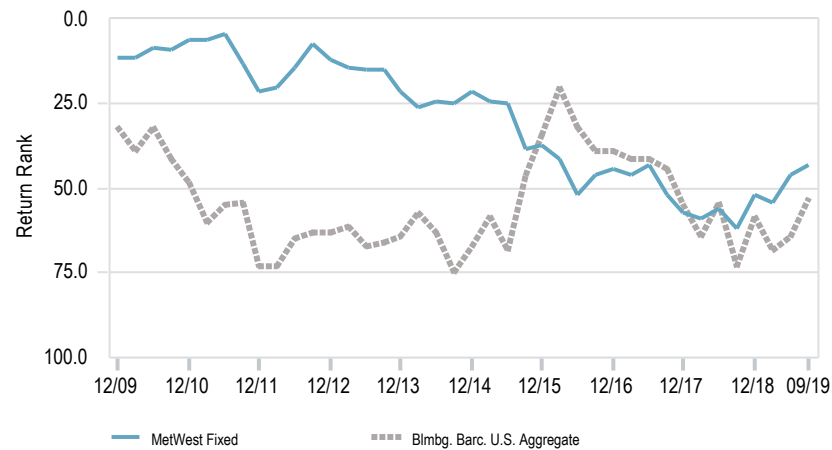
Barrow Hanley Fixed



Dodge & Cox



MetWest



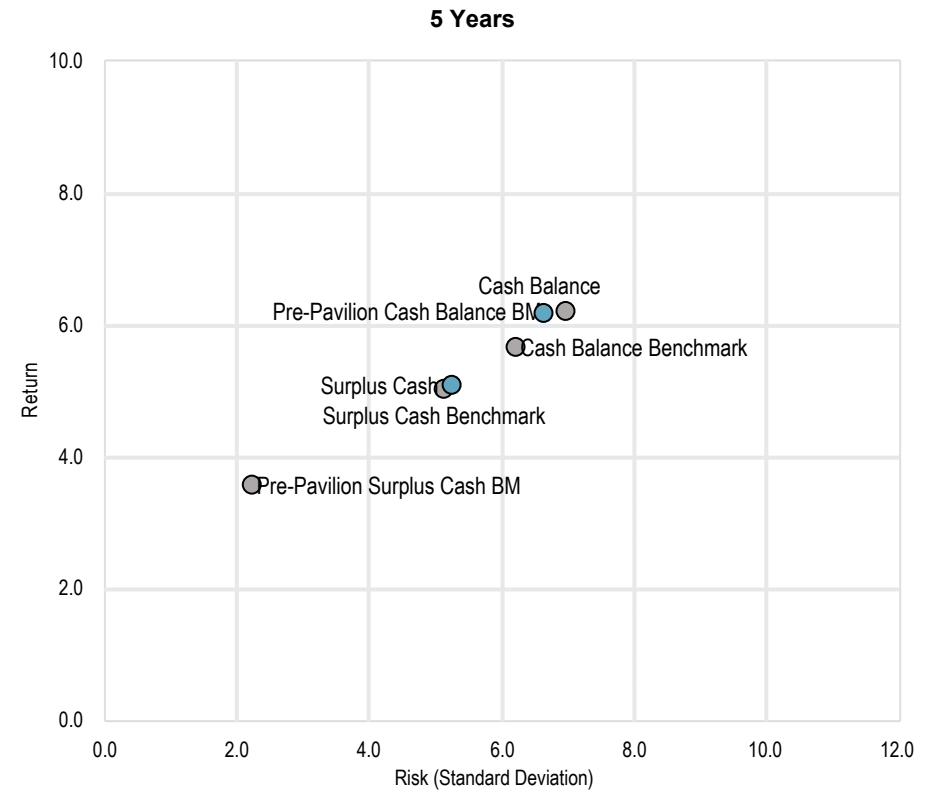
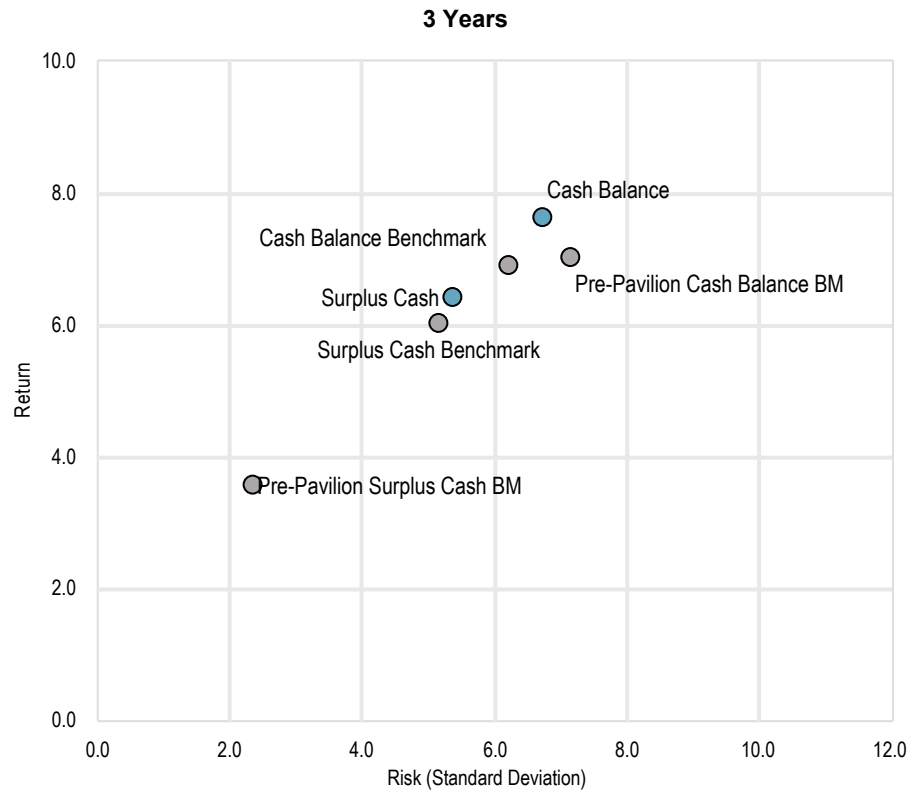
Performance Summary



Surplus Cash and Cash Balance Plan

Risk and Return Summary (Net of Fees)

As of September 30, 2019



Surplus Cash Portfolio ex District

Composite Asset Allocation & Performance

September 30, 2019

	Allocation		Performance								
	Asset \$	%	3 Month	Fiscal YTD	CYTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
Total Surplus Cash X District	1,046,158,095	100.0	0.8	0.8	10.7	3.8	6.4	5.1	5.7	5.6	Nov-2012
<i>Surplus Cash Total Benchmark</i>			0.6	0.6	10.6	4.4	6.0	5.0	5.5	5.4	
<i>Pre-Pavilion Surplus Cash Total Benchmark</i>			1.6	1.6	8.2	7.8	3.6	3.6	4.4	3.7	
Total Surplus Cash X District X Privates	1,026,891,445	98.2	0.8	0.8	10.9	3.8	6.5	5.0	5.6	5.4	Nov-2012
<i>Surplus Cash Total Benchmark x Privates</i>			0.7	0.7	10.9	4.5	6.1	5.1	5.6	5.4	
Total Equity Composite	420,476,860	40.2	-0.4	-0.4	17.1	0.8	10.5	8.1	10.9	10.5	Nov-2012
<i>Total Equity Benchmark - Surplus</i>			-0.2	-0.2	16.3	0.5	10.1	7.6	10.6	10.3	
Domestic Equity Composite	275,824,800	26.4	0.2	0.2	19.5	1.5	13.2	10.3	12.8	13.2	Nov-2012
<i>Domestic Equity Benchmark - Surplus</i>			0.8	0.8	19.3	1.4	12.3	10.3	12.6	13.2	
Large Cap Equity Composite	226,760,779	21.7	0.5	0.5	19.8	2.8	13.6	10.3	13.1	13.7	Nov-2012
<i>Large Cap Equity Benchmark</i>			1.6	1.6	20.6	4.1	13.3	10.7	13.0	13.7	
Small Cap Equity Composite	49,064,021	4.7	-1.3	-1.3	17.9	-4.2	11.7	10.4	-	11.5	Nov-2012
<i>Small Cap Equity Benchmark</i>			-2.3	-2.3	14.1	-8.9	8.2	8.2	11.2	10.9	
International Equity Composite	144,652,060	13.8	-1.6	-1.6	13.0	-0.5	5.8	4.0	-	5.2	Nov-2012
<i>MSCI AC World ex USA (Net)</i>			-1.8	-1.8	11.6	-1.2	6.3	2.9	4.5	5.0	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Surplus Cash Portfolio ex District

Composite Asset Allocation & Performance

September 30, 2019

	Allocation		Performance								
	Asset \$	%	3 Month	Fiscal YTD	CYTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
Total Fixed Income Composite	457,225,150	43.7	1.8	1.8	7.3	8.4	3.0	3.1	3.5	2.7	Nov-2012
<i>Total Fixed Income Benchmark - Surplus</i>			1.9	1.9	7.2	8.9	2.7	3.0	3.2	2.4	
 Short Duration Fixed Income Composite	 125,216,822	 12.0	 0.7	 0.7	 3.4	 4.3	 1.8	 1.6	 2.2	 1.3	 Nov-2012
<i>Short Duration Fixed Income Benchmark - Surplus</i>			0.7	0.7	3.4	4.6	1.8	1.6	2.1	1.3	
 Market Duration Fixed Income Composite	 332,008,328	 31.7	 2.2	 2.2	 8.8	 9.9	 3.5	 3.6	 4.6	 3.2	 Nov-2012
<i>Blmbg. Barc. U.S. Aggregate</i>			2.3	2.3	8.5	10.3	2.9	3.4	3.7	2.7	
 Total Alternatives Composite	 168,456,085	 16.1	 1.2	 1.2	 4.8	 0.2	 4.6	 3.0	 -	 3.9	 May-2013
<i>Total Alternatives Benchmark - Surplus</i>			-0.3	-0.3	5.1	1.6	4.1	3.6	-	4.0	
 Real Estate Composite	 20,519,575	 2.0	 0.0	 0.0	 0.5	 1.0	 4.4	 7.6	 -	 8.5	 Sep-2013
<i>NCREIF Property Index</i>			1.4	1.4	4.8	6.2	6.8	8.6	9.8	9.0	
 Hedge Fund Composite	 147,936,509	 14.1	 1.4	 1.4	 5.5	 0.1	 4.7	 1.9	 -	 2.9	 May-2013
<i>HFRI Fund of Funds Composite Index</i>			-0.9	-0.9	5.2	0.0	3.2	1.9	2.7	2.6	

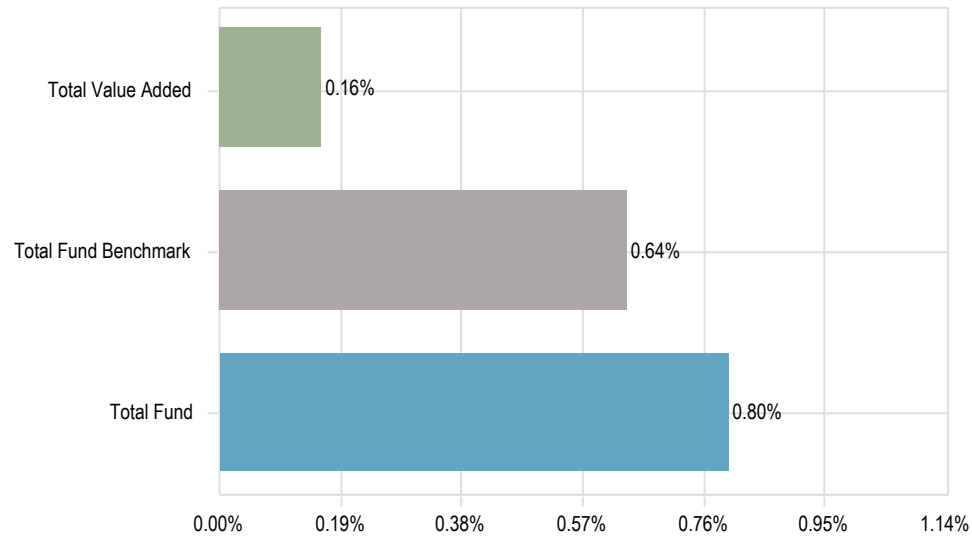
Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Surplus Cash Portfolio ex District

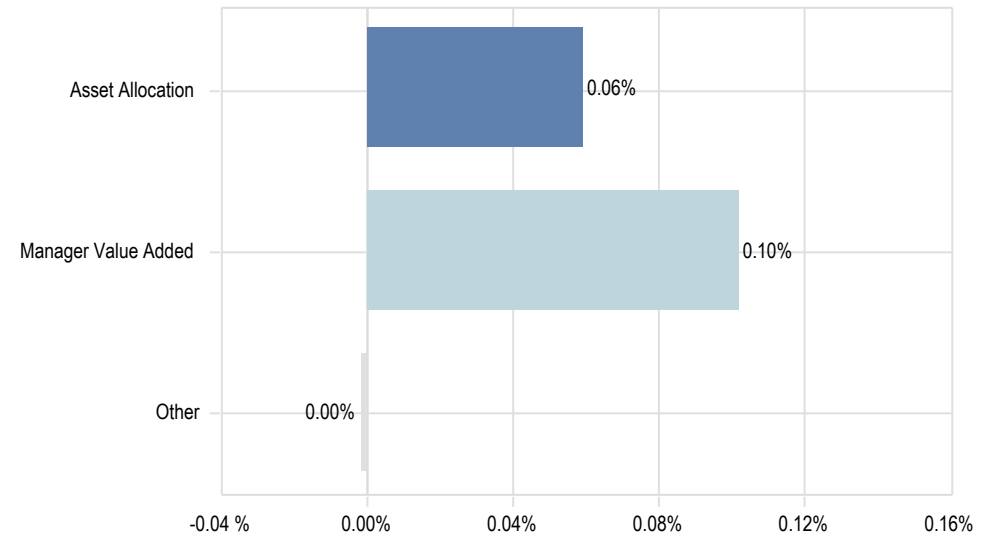
Attribution Analysis

1 Quarter Ending September 30, 2019

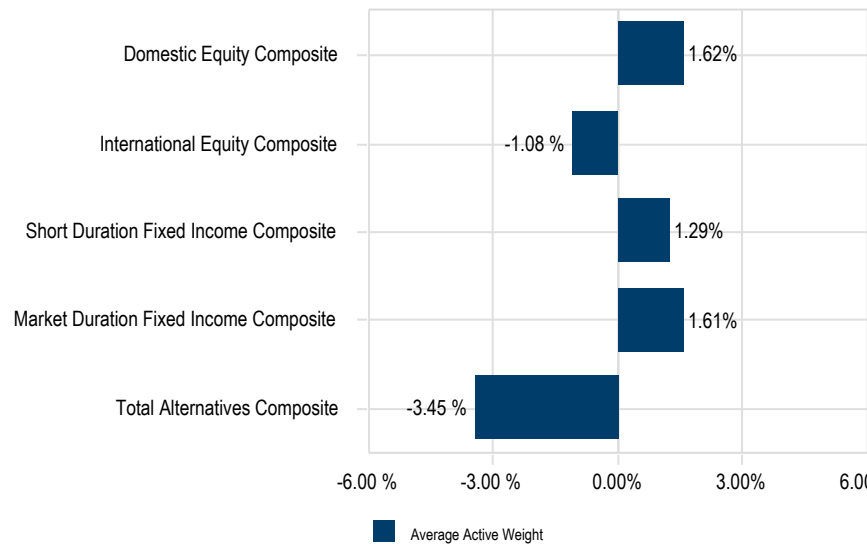
Total Fund Performance



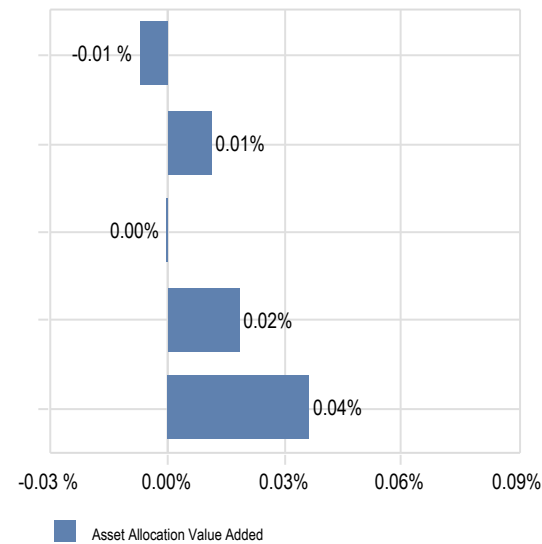
Total Value Added:0.16%



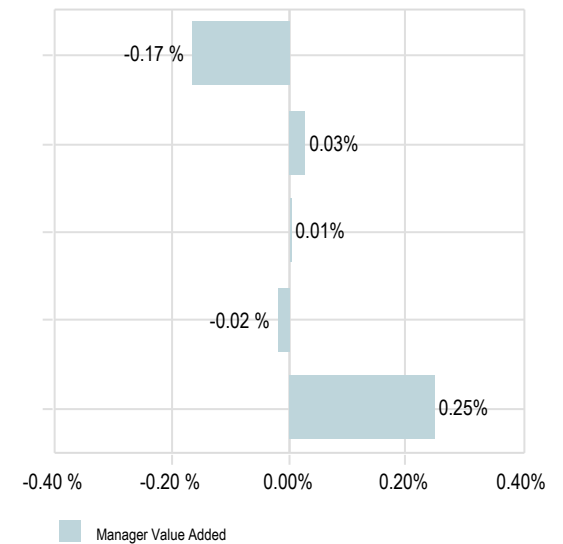
Average Active Weight



Asset Allocation Value Added:0.06%



Total Manager Value Added:0.10%



"Other" includes the effects of all other factors on the Fund's relative return, including rebalancing and other trading activity.

Surplus Cash Portfolio ex District

Manager Asset Allocation & Performance

September 30, 2019

	Allocation		Performance									Inception Date
	Asset \$	%	3 Month	Fiscal YTD	CYTD	1 Year	3 Year	5 Year	10 Year	Inception		
Large-Cap Equity												
Vanguard S&P 500 Index	136,879,750	13.1	1.7 (43)	1.7 (43)	20.6 (38)	4.2 (42)	13.4 (29)	10.8 (18)	13.2 (14)	13.7 (19)	Nov-2012	
S&P 500			1.7 (43)	1.7 (43)	20.6 (38)	4.3 (42)	13.4 (28)	10.8 (18)	13.2 (13)	13.7 (19)		
Mercer Mutual Fund US Equity Large Cap Core Median			1.5	1.5	19.6	3.2	12.5	9.6	12.1	12.7		
Sands Large Cap Growth (Touchstone)												
Russell 1000 Growth Index	45,187,758	4.3	-5.3 (99)	-5.3 (99)	20.2 (64)	-1.1 (85)	16.8 (29)	10.4 (81)	15.6 (6)	14.4 (55)	Nov-2012	
Mercer Mutual Fund US Equity Large Cap Growth Median			1.5 (16)	1.5 (16)	23.3 (22)	3.7 (32)	16.9 (27)	13.4 (22)	14.9 (15)	15.7 (22)		
			-0.3	-0.3	21.0	2.2	15.6	12.0	13.7	14.6		
Barrow Hanley Large Cap Value												
Russell 1000 Value Index	44,693,271	4.3	3.1 (7)	3.1 (7)	17.2 (44)	2.7 (43)	11.3 (16)	8.4 (16)	12.1 (14)	9.1 (4)	Aug-2000	
Mercer Mutual Fund US Equity Large Cap Value Median			1.4 (52)	1.4 (52)	17.8 (32)	4.0 (29)	9.4 (63)	7.8 (42)	11.5 (27)	7.1 (47)		
			1.4	1.4	16.6	1.5	10.0	7.5	10.8	7.0		
Small-Cap Equity												
Wellington Small Cap Value	23,831,150	2.3	1.4 (19)	1.4 (19)	16.8 (10)	-5.1 (14)	6.2 (23)	7.6 (10)	11.2 (13)	10.0 (25)	Nov-2012	
Russell 2000 Value Index			-0.6 (44)	-0.6 (44)	12.8 (37)	-8.2 (32)	6.5 (19)	7.2 (14)	10.1 (37)	9.7 (35)		
Mercer Mutual Fund US Equity Small Cap Value Median			-0.9	-0.9	12.0	-10.3	4.9	4.7	9.7	8.6		
Conestoga Small Cap Growth												
Russell 2000 Growth Index	25,232,871	2.4	-3.6 (47)	-3.6 (47)	19.0 (47)	-3.4 (28)	17.5 (7)	16.0 (1)	14.8 (9)	18.3 (15)	Jul-2016	
Mercer Mutual Fund US Equity Small Cap Growth Median			-4.2 (53)	-4.2 (53)	15.3 (68)	-9.6 (69)	9.8 (74)	9.1 (65)	12.2 (61)	12.0 (70)		
			-3.9	-3.9	18.4	-6.0	12.2	10.0	12.7	14.0		
International Equity												
Causeway International Value	46,741,238	4.5	-2.3 (71)	-2.3 (71)	7.9 (56)	-8.0 (64)	3.9 (45)	0.7 (68)	4.9 (15)	-7.7 (54)	May-2018	
MSCI AC World ex USA (Net)			-1.8 (55)	-1.8 (55)	11.6 (9)	-1.2 (6)	6.3 (3)	2.9 (12)	4.5 (25)	-3.3 (7)		
MSCI AC WORLD EX USA VALUE (Net)			-2.8 (85)	-2.8 (85)	6.9 (71)	-4.5 (20)	5.2 (17)	0.9 (56)	3.1 (72)	-6.3 (33)		
Mercer Mutual Fund World ex US/EAFE Equity Large Cap Value Median			-1.7	-1.7	8.3	-6.6	3.8	1.2	3.6	-7.5		
BNY Mellon International Stock Fund												
MSCI AC World ex USA (Net)	62,015,125	5.9	0.1 (13)	0.1 (13)	17.7 (37)	5.2 (12)	9.5 (14)	6.9 (14)	6.7 (22)	6.8 (31)	Nov-2012	
MSCI AC World ex USA Growth (Net)			-1.8 (67)	-1.8 (67)	11.6 (89)	-1.2 (56)	6.3 (55)	2.9 (76)	4.5 (77)	5.0 (77)		
Mercer Mutual Fund World ex US/EAFE Equity Large Cap Growth Median			-0.8 (34)	-0.8 (34)	16.2 (47)	2.0 (26)	7.4 (30)	4.9 (32)	5.8 (41)	6.4 (40)		
			-1.4	-1.4	15.9	-0.5	6.5	3.8	5.6	6.0		
Harding Loevner Emerging Markets												
MSCI Emerging Markets (Net)	35,895,697	3.4	-3.4 (45)	-3.4 (45)	12.1 (21)	0.8 (41)	5.6 (48)	3.1 (29)	5.0 (22)	8.0 (36)	Sep-2015	
Mercer Mutual Fund Emerging Markets Equity Median			-4.2 (68)	-4.2 (68)	5.9 (65)	-2.0 (69)	6.0 (39)	2.3 (46)	3.4 (52)	7.6 (41)		
			-3.6	-3.6	7.8	-0.5	5.5	2.2	3.5	7.2		

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized. Peer group percentile ranks are shown in parentheses.

Surplus Cash Portfolio ex District

Manager Asset Allocation & Performance

September 30, 2019

	Allocation		Performance								
	Asset \$	%	3 Month	Fiscal YTD	CYTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
Short Duration Fixed Income											
Barrow Hanley Short Fixed	114,137,282	10.9	0.8 (43)	0.8 (43)	3.6 (53)	4.5 (41)	1.9 (55)	1.7 (42)	1.5 (73)	4.6 (18)	Apr-1991
Blmbg. Barc. 1-3 Year Gov/Credit			0.7 (58)	0.7 (58)	3.4 (57)	4.6 (30)	1.8 (59)	1.6 (54)	1.5 (69)	4.1 (30)	
Mercer Mutual Fund US Fixed Short Median			0.7	0.7	3.7	4.2	2.0	1.6	1.9	3.9	
Cash Composite											
90 Day U.S. Treasury Bill	11,079,540	1.1	0.3	0.3	0.5	0.7	0.5	0.4	-	0.2	Nov-2012
			0.6	0.6	1.8	2.4	1.5	1.0	0.5	0.7	
Market Duration Fixed Income											
Dodge & Cox Fixed	162,928,184	15.6	2.2 (35)	2.2 (35)	8.9 (38)	9.3 (48)	3.8 (20)	3.9 (19)	4.6 (25)	3.6 (20)	Nov-2012
Blmbg. Barc. U.S. Aggregate			2.3 (30)	2.3 (30)	8.5 (46)	10.3 (27)	2.9 (53)	3.4 (41)	3.7 (58)	2.7 (50)	
Mercer Mutual Fund US Fixed Core Median			1.9	1.9	8.3	9.2	3.0	3.2	4.0	2.7	
MetWest Fixed											
Blmbg. Barc. U.S. Aggregate	155,731,931	14.9	2.2 (32)	2.2 (32)	8.7 (41)	10.5 (20)	3.2 (43)	3.3 (42)	5.0 (18)	2.9 (45)	Nov-2012
			2.3 (30)	2.3 (30)	8.5 (46)	10.3 (27)	2.9 (53)	3.4 (41)	3.7 (58)	2.7 (50)	
Mercer Mutual Fund US Fixed Core Median			1.9	1.9	8.3	9.2	3.0	3.2	4.0	2.7	
Met West Total Return Bond Plan - CONCERN											
Blmbg. Barc. U.S. Aggregate	13,348,213	1.3	2.3 (32)	2.3 (32)	8.9 (37)	10.5 (19)	3.2 (41)	3.4 (41)	-	3.8 (51)	Feb-2016
			2.3 (30)	2.3 (30)	8.5 (46)	10.3 (27)	2.9 (53)	3.4 (41)	3.7 (58)	3.6 (59)	
Mercer Mutual Fund US Fixed Core Median			1.9	1.9	8.3	9.2	3.0	3.2	4.0	3.8	
Real Estate											
AG Realty Value Fund X, LP	1,252,926	0.1	0.0	0.0	-	-	-	-	-	-16.5	Jun-2019
NCREIF Property Index			1.4	1.4	4.8	6.2	6.8	8.6	9.8	1.9	
Oaktree Real Estate Opportunities Fund VI											
NCREIF Property Index	5,432,104	0.5	0.0	0.0	0.4	0.4	3.7	6.1	-	7.1	Sep-2013
			1.4	1.4	4.8	6.2	6.8	8.6	9.8	9.0	
Walton Street Real Estate Fund VII, L.P.											
NCREIF Property Index	4,812,242	0.5	0.0	0.0	-1.1	-2.6	3.7	8.7	-	11.5	Nov-2013
			1.4	1.4	4.8	6.2	6.8	8.6	9.8	9.0	
Walton Street Real Estate Fund VIII, L.P.											
NCREIF Property Index	9,022,303	0.9	0.0	0.0	4.6	7.6	-	-	-	12.5	Jun-2017
			1.4	1.4	4.8	6.2	6.8	8.6	9.8	6.7	
Hedge Funds											
Hedge Fund Composite	147,936,509	14.1	1.4	1.4	5.5	0.1	4.7	1.9	-	2.9	May-2013
HFRI Fund of Funds Composite Index			-0.9	-0.9	5.2	0.0	3.2	1.9	2.7	2.6	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized. Peer group percentile ranks are shown in parentheses.

Surplus Cash Portfolio ex District

Manager Asset Allocation & Performance

September 30, 2019

	Allocation		Performance								
	Asset \$	%	3 Month	Fiscal YTD	CYTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
Total Plan											
Total Surplus Cash X District	1,046,158,095	100.0	0.8	0.8	10.7	3.8	6.4	5.1	5.7	5.6	Nov-2012
<i>Total Surplus Cash Benchmark</i>			<i>0.6</i>	<i>0.6</i>	<i>10.6</i>	<i>4.4</i>	<i>6.0</i>	<i>5.0</i>	<i>5.5</i>	<i>5.4</i>	
<i>Pre-Pavilion Total Surplus Cash Benchmark</i>			<i>1.6</i>	<i>1.6</i>	<i>8.2</i>	<i>7.8</i>	<i>3.6</i>	<i>3.6</i>	<i>4.4</i>	<i>3.7</i>	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Cash Balance Plan

Composite Asset Allocation & Performance

September 30, 2019

	Allocation		Performance								
	Asset \$	%	3 Month	Fiscal YTD	CYTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
Total Cash Balance Plan	278,278,553	100.0	0.2	0.2	12.2	3.4	7.6	6.2	8.1	7.5	Nov-2012
<i>Total Cash Balance Plan Benchmark</i>			0.6	0.6	11.8	4.0	6.9	5.7	7.7	6.9	
<i>Pre-Pavilion Total Cash Balance Plan Benchmark</i>			1.8	1.8	14.3	7.0	7.0	6.2	8.6	8.1	
Total Cash Balance Plan X Private Structures	265,258,799	95.3	0.2	0.2	12.8	3.4	7.8	6.0	8.0	7.4	Nov-2012
<i>Cash Balance Plan Total X Privates Benchmark</i>			0.5	0.5	12.1	3.7	6.9	5.5	7.6	6.7	
Total Equity Composite	142,424,239	51.2	-0.5	-0.5	17.2	0.7	10.8	8.0	10.5	10.5	Nov-2012
<i>Total Equity Benchmark</i>			0.0	0.0	16.6	0.9	10.3	7.7	10.6	10.3	
Domestic Equity Composite	94,178,287	33.8	0.0	0.0	19.4	1.4	13.5	10.3	12.5	13.4	Nov-2012
<i>Domestic Equity Benchmark</i>			1.0	1.0	19.6	2.0	12.5	10.4	12.7	13.3	
Large Cap Equity Composite	79,511,554	28.6	0.2	0.2	19.6	2.5	13.9	10.3	12.7	13.7	Nov-2012
<i>Large Cap Equity Benchmark</i>			1.6	1.6	20.6	4.1	13.3	10.7	13.0	13.7	
Small Cap Equity Composite	14,666,732	5.3	-1.2	-1.2	17.9	-4.3	11.6	10.4	-	11.5	Nov-2012
<i>Small Cap Equity Benchmark</i>			-2.3	-2.3	14.1	-8.9	8.2	8.2	11.2	10.9	
International Equity Composite	48,245,953	17.3	-1.3	-1.3	13.1	-0.7	6.0	3.9	-	5.2	Nov-2012
<i>MSCI AC World ex USA (Net)</i>			-1.8	-1.8	11.6	-1.2	6.3	2.9	4.5	5.0	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Cash Balance Plan

Composite Asset Allocation & Performance

September 30, 2019

	Allocation		Performance								Inception Date
	Asset \$	%	3 Month	Fiscal YTD	CYTD	1 Year	3 Year	5 Year	10 Year	Inception	
Total Fixed Income Composite	85,416,323	30.7	2.0	2.0	8.2	9.1	3.3	3.3	4.3	3.0	Nov-2012
<i>Total Fixed Income Benchmark</i>			2.0	2.0	7.7	9.3	2.8	3.0	3.5	2.4	
Short Duration Fixed Income Composite	10,183,675	3.7	0.8	0.8	3.4	4.4	2.0	1.7	-	1.4	Nov-2012
<i>Short Duration Fixed Income Benchmark</i>			0.7	0.7	3.4	4.6	1.8	1.6	1.0	1.3	
Market Duration Fixed Income Composite	75,232,648	27.0	2.2	2.2	8.9	9.8	3.5	3.5	4.6	3.3	Nov-2012
<i>Blmbg. Barc. U.S. Aggregate</i>			2.3	2.3	8.5	10.3	2.9	3.4	3.7	2.7	
Total Alternatives Composite	50,437,991	18.1	-0.8	-0.8	6.1	1.6	4.8	5.3	-	7.0	Nov-2012
<i>Total Alternatives Benchmark</i>			-0.1	-0.1	5.1	2.1	4.4	4.1	-	5.2	
Hedge Fund of Fund Composite	37,418,237	13.4	-1.1	-1.1	7.9	1.2	4.8	3.9	-	5.9	Nov-2012
<i>HFRI Fund of Funds Composite Index</i>			-0.9	-0.9	5.2	0.0	3.2	1.9	2.7	3.3	
Real Estate Composite	13,019,754	4.7	0.0	0.0	2.0	2.8	4.9	7.9	-	8.9	Jan-2013
<i>NCREIF Property Index</i>			1.4	1.4	4.8	6.2	6.8	8.6	9.8	9.2	

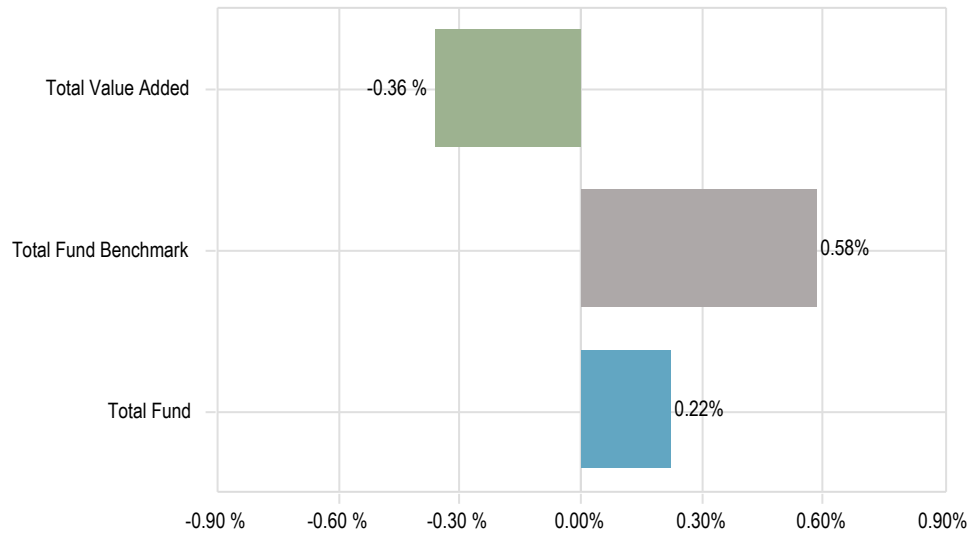
Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Cash Balance Plan

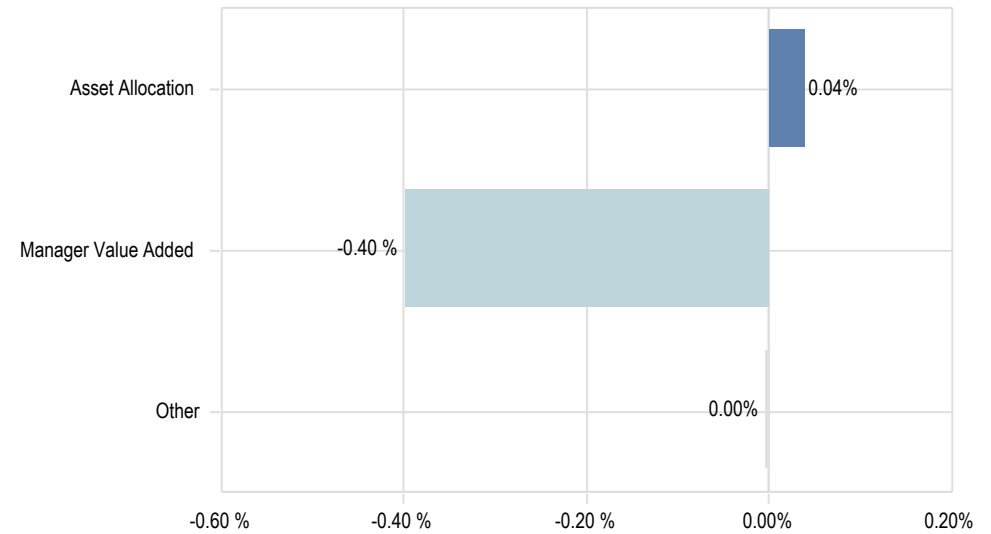
Attribution Analysis

1 Quarter Ending September 30, 2019

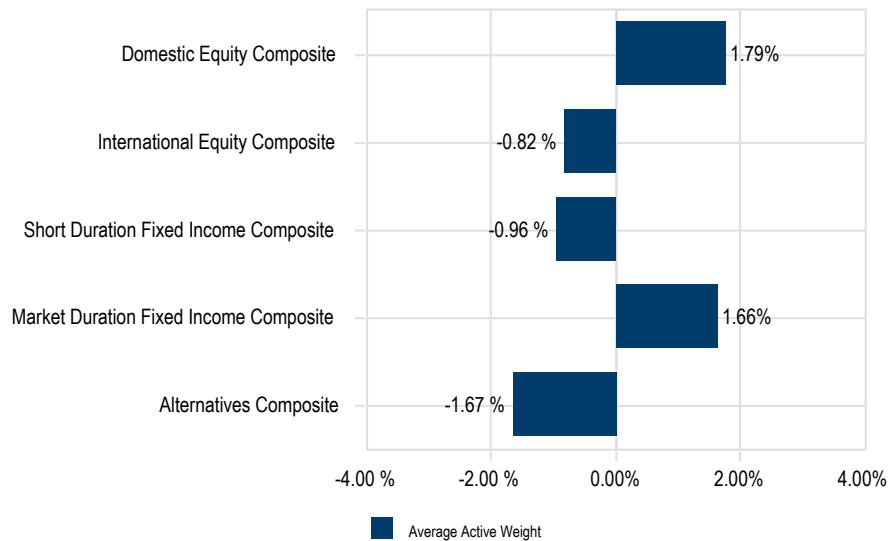
Total Fund Performance



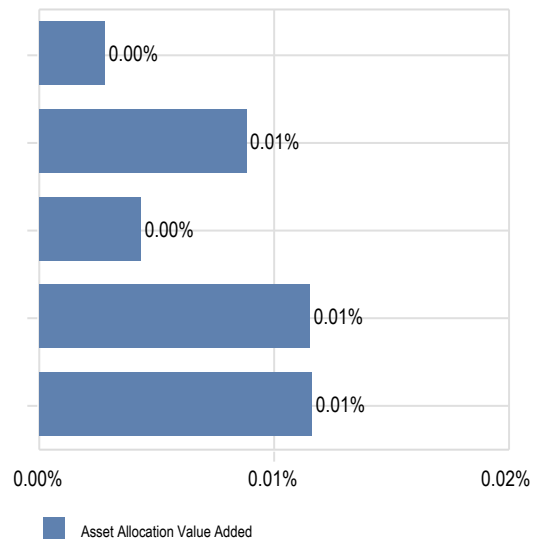
Total Value Added:-0.36 %



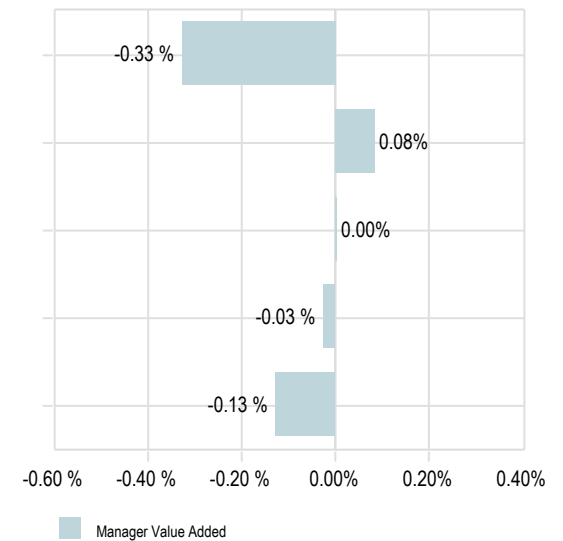
Average Active Weight



Asset Allocation Value Added:0.04%



Total Manager Value Added:-0.40 %



"Other" includes the effects of all other factors on the Fund's relative return, including rebalancing and other trading activity.

Cash Balance Plan

Manager Asset Allocation & Performance

September 30, 2019

	Allocation		Performance									
	Asset \$	%	3 Month	Fiscal YTD	CYTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date	
Large-Cap Equity												
Vanguard Institutional Index Fund	38,730,221	13.9	1.7 (43)	1.7 (43)	20.6 (38)	4.2 (42)	13.4 (29)	10.8 (18)	13.2 (14)	13.7 (19)	Nov-2012	
S&P 500			1.7 (43)	1.7 (43)	20.6 (38)	4.3 (42)	13.4 (28)	10.8 (18)	13.2 (13)	13.7 (19)		
Mercer Mutual Fund US Equity Large Cap Core Median			1.5	1.5	19.6	3.2	12.5	9.6	12.1	12.7		
Sands Large Cap Growth (Touchstone)												
Russell 1000 Growth Index	19,839,647	7.1	1.5 (16)	1.5 (16)	23.3 (22)	3.7 (32)	16.9 (27)	13.4 (22)	14.9 (15)	15.7 (22)	Nov-2012	
Mercer Mutual Fund US Equity Large Cap Growth Median			-0.3	-0.3	21.0	2.2	15.6	12.0	13.7	14.6		
Barrow Hanley Large Cap Value												
Russell 1000 Value Index	20,941,686	7.5	1.4 (52)	1.4 (52)	17.8 (32)	4.0 (29)	9.4 (63)	7.8 (42)	11.5 (27)	11.5 (34)	Nov-2012	
Mercer Mutual Fund US Equity Large Cap Value Median			1.4	1.4	16.6	1.5	10.0	7.5	10.8	11.0		
Small-Cap Equity												
Wellington Small Cap Value	7,388,708	2.7	1.3 (19)	1.3 (19)	16.7 (10)	-5.2 (14)	6.0 (32)	7.5 (11)	11.1 (15)	9.9 (27)	Nov-2012	
Russell 2000 Value Index			-0.6 (44)	-0.6 (44)	12.8 (37)	-8.2 (32)	6.5 (19)	7.2 (14)	10.1 (37)	9.7 (35)		
Mercer Mutual Fund US Equity Small Cap Value Median			-0.9	-0.9	12.0	-10.3	4.9	4.7	9.7	8.6		
Conestoga Small Cap Growth												
Russell 2000 Growth Index	7,278,024	2.6	-4.2 (53)	-4.2 (53)	15.3 (68)	-9.6 (69)	9.8 (74)	9.1 (65)	12.2 (61)	12.0 (70)	Jul-2016	
Mercer Mutual Fund US Equity Small Cap Growth Median			-3.9	-3.9	18.4	-6.0	12.2	10.0	12.7	14.0		
International Equity												
Causeway International Value	18,001,215	6.5	-2.3 (71)	-2.3 (71)	7.9 (56)	-8.0 (64)	3.9 (45)	0.7 (68)	4.9 (15)	-7.7 (54)	May-2018	
MSCI AC World ex USA (Net)			-1.8 (55)	-1.8 (55)	11.6 (9)	-1.2 (6)	6.3 (3)	2.9 (12)	4.5 (25)	-3.3 (7)		
MSCI AC WORLD EX USA VALUE (Net)			-2.8 (85)	-2.8 (85)	6.9 (71)	-4.5 (20)	5.2 (17)	0.9 (56)	3.1 (72)	-6.3 (33)		
Mercer Mutual Fund World ex US/EAFE Equity Large Cap Value Median			-1.7	-1.7	8.3	-6.6	3.8	1.2	3.6	-7.5		
BNY Mellon International Stock Fund												
MSCI AC World ex USA (Net)	23,724,842	8.5	-1.8 (67)	-1.8 (67)	11.6 (89)	-1.2 (56)	6.3 (55)	2.9 (76)	4.5 (77)	5.0 (77)	Nov-2012	
MSCI AC World ex USA Growth (Net)			-0.8 (34)	-0.8 (34)	16.2 (47)	2.0 (26)	7.4 (30)	4.9 (32)	5.8 (41)	6.4 (40)		
Mercer Mutual Fund World ex US/EAFE Equity Large Cap Growth Median			-1.4	-1.4	15.9	-0.5	6.5	3.8	5.6	6.0		
Harding Loevner Inst. Emerging Markets I												
MSCI Emerging Markets (Net)	6,519,896	2.3	-4.2 (68)	-4.2 (68)	5.9 (65)	-2.0 (69)	6.0 (39)	2.3 (46)	3.4 (52)	6.1 (40)	Nov-2016	
Mercer Mutual Fund Emerging Markets Equity Median			-3.6	-3.6	7.8	-0.5	5.5	2.2	3.5	5.5		

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized. Peer group percentile ranks are shown in parentheses.

Cash Balance Plan

Manager Asset Allocation & Performance

September 30, 2019

	Allocation		Performance									Inception Date
	Asset \$	%	3 Month	Fiscal YTD	CYTD	1 Year	3 Year	5 Year	10 Year	Inception		
Short Duration Fixed Income												
Barrow Hanley Short Fixed	6,778,860	2.4	0.9 (17)	0.9 (17)	3.8 (42)	4.8 (23)	1.8 (56)	1.6 (56)	1.4 (73)	1.3 (54)	Nov-2012	
Blmbg. Barc. 1-3 Year Gov/Credit			0.7 (58)	0.7 (58)	3.4 (57)	4.6 (30)	1.8 (59)	1.6 (54)	1.5 (69)	1.3 (51)		
Mercer Mutual Fund US Fixed Short Median			0.7	0.7	3.7	4.2	2.0	1.6	1.9	1.4		
Cash Composite												
90 Day U.S. Treasury Bill	3,404,815	1.2	0.6	0.6	1.8	2.3	2.5	2.6	-	2.0	Nov-2012	
			0.6	0.6	1.8	2.4	1.5	1.0	0.5	0.7		
Market Duration Fixed Income												
Dodge & Cox Income Fund	37,389,416	13.4	2.1 (42)	2.1 (42)	8.8 (39)	9.1 (51)	3.8 (21)	3.7 (25)	4.5 (27)	6.7 (14)	Jan-1989	
Blmbg. Barc. U.S. Aggregate			2.3 (30)	2.3 (30)	8.5 (46)	10.3 (27)	2.9 (53)	3.4 (41)	3.7 (58)	6.2 (36)		
Mercer Mutual Fund US Fixed Core Median			1.9	1.9	8.3	9.2	3.0	3.2	4.0	6.1		
Met West Total Return Fund PI												
Blmbg. Barc. U.S. Aggregate	37,843,231	13.6	2.3 (32)	2.3 (32)	8.9 (37)	10.5 (20)	3.2 (42)	3.3 (42)	5.3 (14)	3.2 (28)	Nov-2012	
Mercer Mutual Fund US Fixed Core Median			2.3 (30)	2.3 (30)	8.5 (46)	10.3 (27)	2.9 (53)	3.4 (41)	3.7 (58)	2.7 (50)		
			1.9	1.9	8.3	9.2	3.0	3.2	4.0	2.7		
Hedge Fund of Funds												
Lighthouse Diversified	18,618,643	6.7	-1.0	-1.0	3.7	0.4	2.6	2.5	4.3	4.5	Nov-2012	
HFRI Fund of Funds Composite Index			-0.9	-0.9	5.2	0.0	3.2	1.9	2.7	3.3		
Pointer Offshore LTD												
HFRI Fund of Funds Composite Index	18,799,594	6.8	-1.3	-1.3	12.4	2.0	7.3	5.4	7.7	7.4	Jan-2013	
			-0.9	-0.9	5.2	0.0	3.2	1.9	2.7	3.1		
Real Estate												
Oaktree RE Opportunities Fund VI	3,199,480	1.1	0.0	0.0	0.4	0.4	4.0	6.3	-	7.7	Feb-2013	
NCREIF Property Index			1.4	1.4	4.8	6.2	6.8	8.6	9.8	9.2		
Walton Street Real Estate Fund VII, L.P.												
NCREIF Property Index	2,880,041	1.0	0.0	0.0	-0.9	-2.4	3.8	8.8	-	11.1	Jul-2013	
			1.4	1.4	4.8	6.2	6.8	8.6	9.8	9.1		
Walton Street Real Estate Fund VIII, L.P.												
NCREIF Property Index	6,940,234	2.5	0.0	0.0	4.6	7.6	-	-	-	12.5	Jun-2017	
			1.4	1.4	4.8	6.2	6.8	8.6	9.8	6.7		
Total Plan												
Total Cash Balance Plan	278,278,553	100.0	0.2	0.2	12.2	3.4	7.6	6.2	8.1	7.5	Nov-2012	
Total Cash Balance Plan Benchmark			0.6	0.6	11.8	4.0	6.9	5.7	7.7	6.9		
Pre-Pavilion Total Cash Balance Plan Benchmark			1.8	1.8	14.3	7.0	7.0	6.2	8.6	8.1		

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized. Peer group percentile ranks are shown in parentheses.

Private Real Estate Summary

(\$ in Millions)

As of September 30, 2019

Partnership	Vintage Year	Committed Capital	Paid-in Capital	Unfunded Commitment	Market Value ¹	Distributions	Total Value	Net IRR ²	TV / PI	D / PI
Surplus Cash										
Oaktree RE Opportunities VI	2012	\$14.0	\$14.0	\$0.0	\$5.4	\$14.4	\$19.8	9.6%	1.4	1.0
Walton Street RE Fund VII	2012	\$14.0	\$12.4	\$1.6	\$4.8	\$13.0	\$17.8	11.8%	1.4	1.0
Walton Street RE Fund VIII	2017	\$13.0	\$9.3	\$3.7	\$9.0	\$1.8	\$10.8	11.1%	1.2	0.2
Angelo Gordon Realty Value Fund X	2018	\$20.0	\$1.5	\$18.5	\$1.3	\$0.0	\$1.3	n/a	n/a	n/a
Total		\$61.0	\$37.2	\$23.8	\$20.5	\$29.1	\$48.4		1.3	0.8
Cash Balance										
Oaktree RE Opportunities VI	2012	\$8.4	\$8.4	\$0.0	\$3.2	\$8.9	\$12.1	9.2%	1.4	1.1
Walton Street RE Fund VII	2012	\$8.4	\$7.7	\$0.7	\$2.9	\$8.0	\$10.8	11.7%	1.4	1.0
Walton Street RE Fund VIII	2017	\$10.0	\$7.1	\$2.9	\$6.9	\$1.3	\$8.3	11.0%	1.2	0.2
Total		\$26.8	\$23.3	\$3.5	\$13.0	\$18.2	\$31.3		1.3	0.8

¹ If a market value has not yet been released for a particular fund, the previous quarter's value is adjusted according to subsequent contributions and distributions.

² Net IRR is through the previous quarter end.

Asset Class Diversification

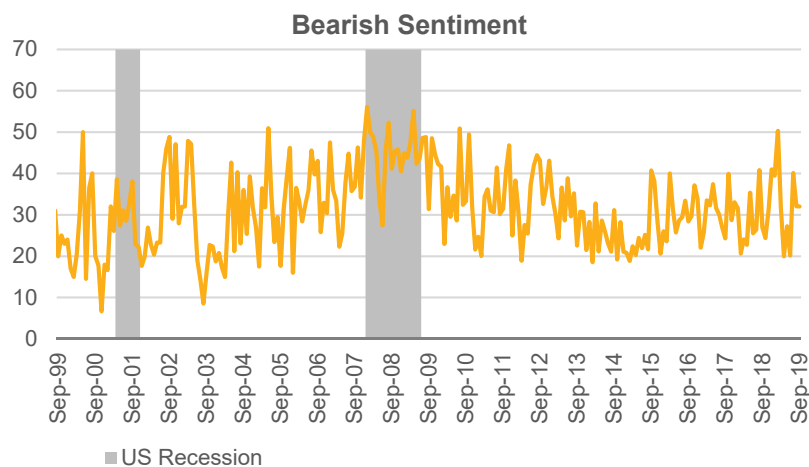


SUMMARY

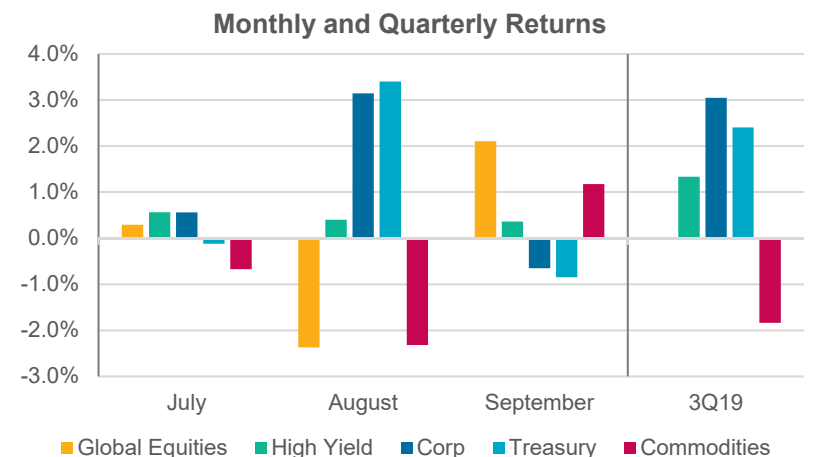
- **Global central banks further increased accommodation during the quarter, pushing rates lower, but elusive trade progress continued to weigh growth expectations, driving price swings across markets.**
 - Equities largely treaded water during the quarter, as markets whipsawed. Elevated uncertainty kept risk aversion high and defensive sectors rallied, but equities overall saw widening risk premiums.
 - Declining yields supported fixed income assets, and unlike equities, spreads finished the quarter near initial levels.
 - Commodities experienced general weakness, as participants continued to wrestle with global economic growth prospects.
- **Since peaking in the first half of 2018, global growth has been slowing, but remains positive. Participants continue to look for signs that manufacturing weakness is spreading to the broader economy, but thus far, a strong consumer and stimulative monetary policy has prolonged the cycle. The question becomes, can the economy thread the needle and avoid a recession?**
 - Growth: The near-term outlook remains cloudy, but longer-term indicators and interest rate sensitive sectors have begun to turn more positive.
 - Risk aversion: Heightened levels of risk aversion likely will continue contributing to aggressive market moves, both positive and negative, as participants gauge incoming data for inflection points.
- **Market participants are proceeding with caution. Forward yield curves and defensive market segment appreciation reflects more conservative positioning from negative news, and while bouts of volatility are likely, portfolio positioning should seek capture risk premiums and participate in incremental positive announcements.**
 - While the equity risk premium is relatively wide, valuations are not necessarily cheap, and risks are not evenly distributed. Defensive market segments have become more expensive, creating valuation differences across geographies and sectors.
 - Declines in risk-free rates year-to-date now suggest that yields are normalizing below levels implied by fundamentals and the Federal Reserve. These deviations are likely to drive interest rate volatility in the intermediate-term.

QUARTER RECAP

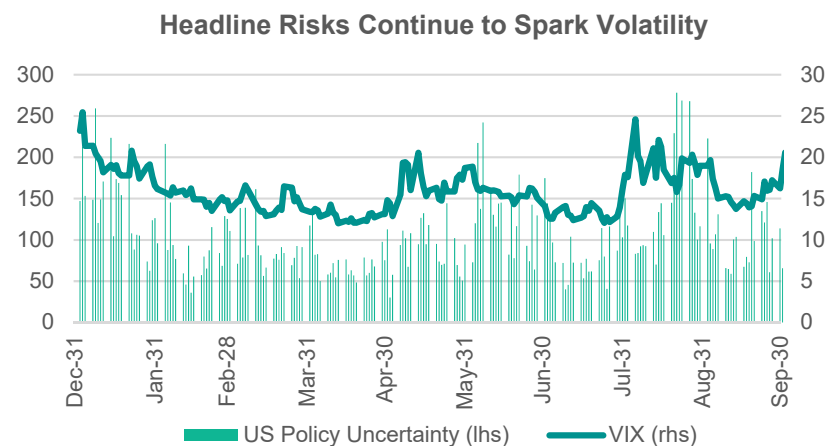
- Duration and defensive positioning was rewarded during the quarter, as markets anticipated further monetary easing and demand for downside protection rose.
- While the quarter began on a relatively calm note, global political tensions came to a boil in August with US/China trade at the forefront. The tit-for-tat escalation spurred flight-to-quality across markets and pushed the 30-year Treasury yield to all time lows.
- Risk aversion partially subsided in September, economic growth persisted, and trade rhetoric softened, which helped reverse some of August's market declines.



Source: Bloomberg, AAI Survey



Source: Bloomberg
Proxies Global Equities, MSCI ACWI; High Yield, Bloomberg US HY; Corp, Bloomberg US Corporate; Treasury, Bloomberg US Treasury; and Commodities, Bloomberg Commodities.



Source: St. Louis FRED & Economic Policy Uncertainty

WHERE ARE WE IN THE CYCLE



Broad Indicators

- Global growth: **Near trend**
- Inflation risks: **Normalizing, wage strength**
- Interest rates: **Inverted belly, upward sloping beyond 5-yr**
- Volatility: **Near normal, potential aggressive bouts of volatility, as there is significant fear in the market**
- Accommodation: **Positive**
- Earnings: **Bottoming in some markets**
- Valuations: **Near long-term levels**

GLOBAL GROWTH HOLDS POSITIVE TREND

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
Global	53.8	53.9	54.0	54.3	54.6	54.8	53.3	53.8	54.0	54.2	53.7	53.4	52.8	52.9	53.1	52.7	52.1	52.6	52.8	52.2	51.2	51.2	51.6	51.3	51.2
Developed	54.6	55.0	54.8	54.8	54.9	55.4	53.6	54.4	54.8	55.0	54.2	54.0	53.3	53.6	53.3	52.7	52.3	52.9	52.7	52.0	51.1	51.3	51.7	51.0	50.7
Emerging	51.9	51.5	51.9	53.0	53.6	53.3	52.3	52.4	52.2	52.3	52.4	51.8	51.6	51.3	52.6	52.5	51.6	51.7	52.9	52.4	51.3	50.9	51.5	51.8	51.8
United States	54.8	55.2	54.5	54.1	53.8	55.8	54.2	54.9	56.6	56.2	55.7	54.7	53.9	54.9	54.7	54.4	54.4	55.5	54.6	53.0	50.9	51.5	52.6	50.7	51.0
Canada*	55.0	54.3	54.4	54.7	55.9	55.6	55.7	55.5	56.2	57.1	56.9	56.8	54.8	53.9	54.9	53.6	53.0	52.6	50.5	49.7	49.1	49.2	50.2	49.1	51.0
U.K	54.0	55.9	54.9	54.8	53.4	54.5	52.4	53.2	54.4	55.1	53.5	54.2	54.1	52.1	50.8	51.4	50.3	51.5	50.0	50.9	50.9	49.7	50.7	50.2	49.3
Euro Zone	56.7	56.0	57.5	58.1	58.8	57.1	55.2	55.1	54.1	54.9	54.3	54.5	54.1	53.1	52.7	51.1	51.0	51.9	51.6	51.5	51.8	52.2	51.5	51.9	50.1
Germany	57.7	56.6	57.3	58.9	59.0	57.6	55.1	54.6	53.4	54.8	55.0	55.6	55.0	53.4	52.3	51.6	52.1	52.8	51.4	52.2	52.6	52.6	50.9	51.7	48.5
France	57.1	57.4	60.3	59.6	59.6	57.3	56.3	56.9	54.2	55.0	54.4	54.9	54.0	54.1	54.2	48.7	48.2	50.4	48.9	50.1	51.2	52.7	51.9	52.9	50.8
Italy	54.3	53.9	56.0	56.5	59.0	56.0	53.5	52.9	52.9	53.9	53.0	51.7	52.4	49.3	49.3	50.0	48.8	49.6	51.5	49.5	49.9	50.1	51.0	50.3	50.6
Spain	56.4	55.1	55.2	55.4	56.7	57.1	55.8	55.4	55.9	54.8	52.7	53.0	52.5	53.7	53.9	53.4	54.5	53.5	55.4	52.9	52.1	52.1	51.7	52.6	51.7
Greece*	52.8	52.1	52.2	53.1	55.2	56.1	55.0	52.9	54.2	53.5	53.5	53.9	53.6	53.1	54.0	53.8	53.7	54.2	54.7	56.6	54.2	52.4	54.6	54.9	53.6
Ireland	57.6	56.0	57.7	60.2	59.0	56.8	53.7	57.6	57.7	58.1	56.8	58.4	58.4	56.1	56.6	55.5	53.3	55.4	54.1	53.4	54.1	54.4	51.8	51.8	51.0
Australia	54.4	51.2	57.0	57.0	58.2	56.4	62.5	58.6	56.8	55.6	52.5	55.9	57.1	54.7	50.8	50.0	52.5	54.0	51.0	54.8	52.7	49.4	51.3	53.1	54.7
Japan	51.7	53.4	52.2	52.2	52.8	52.2	51.3	53.1	51.7	52.1	51.8	52.0	50.7	52.5	52.4	52.0	50.9	50.7	50.4	50.8	50.7	50.8	50.6	51.9	51.5
China	51.4	51.0	51.6	53.0	53.7	53.3	51.8	52.3	52.3	53.0	52.3	52.0	52.1	50.5	51.9	52.2	50.9	50.7	52.9	52.7	51.5	50.6	50.9	51.6	51.9
Indonesia*	50.4	50.1	50.4	49.3	49.9	51.4	50.7	51.6	51.7	50.3	50.5	51.9	50.7	50.5	50.4	51.2	49.9	50.1	51.2	50.4	51.6	50.6	49.6	49.0	49.1
S. Korea*	50.6	50.2	51.2	49.9	50.7	50.3	49.1	48.4	48.9	49.8	48.3	49.9	51.3	51.0	48.6	49.8	48.3	47.2	48.8	50.2	48.4	47.5	47.3	49.0	48.0
Taiwan*	54.2	53.6	56.3	56.6	56.9	56.0	55.3	54.8	53.4	54.5	53.1	53.0	50.8	48.7	48.4	47.7	47.5	46.3	49.0	48.2	48.4	45.5	48.1	47.9	50.0
India	51.1	51.3	50.3	53.0	52.5	49.7	50.8	51.9	50.4	53.3	54.1	51.9	51.6	53.0	54.5	53.6	53.6	53.8	52.7	51.7	51.7	50.8	53.9	52.6	49.8
Brazil	51.1	49.5	48.9	48.8	50.7	53.1	51.5	50.6	49.7	47.0	50.4	47.8	47.3	50.5	51.6	52.4	52.3	52.6	53.1	50.6	48.4	49.0	51.6	51.9	52.5
Mexico*	52.8	49.2	52.4	51.7	52.6	51.6	52.4	51.6	51.0	52.1	52.1	50.7	51.7	50.7	49.7	49.7	50.9	52.6	49.8	50.1	50.0	49.2	49.8	49.0	49.1
Russia	54.8	53.2	56.3	56.0	54.8	55.2	53.2	54.9	53.4	52.0	51.7	52.1	53.5	55.8	55.0	53.9	53.6	54.1	54.6	53.0	51.5	49.2	50.2	51.5	51.4

Source: Bloomberg, JP Morgan, composite indices illustrated except for *, which indicates manufacturing PMI data

Key

Contraction

Expansion

MANUFACTURING IS BROADLY CONTRACTING

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
Global	53.2	53.4	53.9	54.4	54.3	54.0	53.2	53.4	53.0	52.9	52.7	52.5	52.1	52.0	51.9	51.4	50.7	50.6	50.5	50.4	49.8	49.4	49.3	49.5	49.7
Developed	54.6	55.2	55.8	56.2	56.3	55.7	54.8	55.1	54.7	54.4	54.0	53.8	53.6	53.2	52.8	52.3	51.8	50.4	49.9	50.2	49.2	48.9	48.6	48.8	48.6
Emerging	51.4	51.2	51.5	52.1	51.8	51.9	51.3	51.3	51.1	51.2	51.0	50.8	50.3	50.5	50.7	50.2	49.5	50.6	51.0	50.5	50.4	49.9	50.1	50.4	51.0
United States	53.1	54.6	53.9	55.1	55.5	55.3	55.6	56.5	56.4	55.4	55.3	54.7	55.6	55.7	55.3	53.8	54.9	53.0	52.4	52.6	50.5	50.6	50.4	50.3	51.1
Canada	55.0	54.3	54.4	54.7	55.9	55.6	55.7	55.5	56.2	57.1	56.9	56.8	54.8	53.9	54.9	53.6	53.0	52.6	50.5	49.7	49.1	49.2	50.2	49.1	51.0
U.K	55.5	56.6	58.2	55.7	55.2	55.3	54.8	53.8	54.3	54.0	53.9	52.9	53.7	51.1	53.3	54.3	52.8	52.1	55.1	53.1	49.4	48.0	48.0	47.4	48.3
Euro Zone	58.1	58.5	60.1	60.6	59.6	58.6	56.6	56.2	55.5	54.9	55.1	54.6	53.2	52.0	51.8	51.4	50.5	49.3	47.5	47.9	47.7	47.6	46.5	47.0	45.7
Germany	60.6	60.6	62.5	63.3	61.1	60.6	58.2	58.1	56.9	55.9	56.9	55.9	53.7	52.2	51.8	51.5	49.7	47.6	44.1	44.4	44.3	45.0	43.2	43.5	41.7
France	56.1	56.1	57.7	58.8	58.4	55.9	53.7	53.8	54.4	52.5	53.3	53.5	52.5	51.2	50.8	49.7	51.2	51.5	49.7	50.0	50.6	51.9	49.7	51.1	50.1
Italy	56.3	57.8	58.3	57.4	59.0	56.8	55.1	53.5	52.7	53.3	51.5	50.1	50.0	49.2	48.6	49.2	47.8	47.7	47.4	49.1	49.7	48.4	48.5	48.7	47.8
Spain	54.3	55.8	56.1	55.8	55.2	56.0	54.8	54.4	53.4	53.4	52.9	53.0	51.4	51.8	52.6	51.1	52.4	49.9	50.9	51.8	50.1	47.9	48.2	48.8	47.7
Greece	52.8	52.1	52.2	53.1	55.2	56.1	55.0	52.9	54.2	53.5	53.5	53.9	53.6	53.1	54.0	53.8	53.7	54.2	54.7	56.6	54.2	52.4	54.6	54.9	53.6
Ireland	55.4	54.4	58.1	59.1	57.6	56.2	54.1	55.3	55.4	56.6	56.3	57.5	56.3	54.9	55.4	54.5	52.6	54.0	53.9	52.5	50.4	49.8	48.7	48.6	48.7
Australia	54.4	51.2	57.0	57.0	58.2	56.4	62.5	58.6	56.8	55.6	52.5	55.9	57.1	54.7	50.8	50.0	52.5	54.0	51.0	54.8	52.7	49.4	51.3	53.1	54.7
Japan	52.9	52.8	53.6	54.0	54.8	54.1	53.1	53.8	52.8	53.0	52.3	52.5	52.5	52.9	52.2	52.6	50.3	48.9	49.2	50.2	49.8	49.3	49.4	49.3	48.9
China	51.0	51.0	50.8	51.5	51.5	51.6	51.0	51.1	51.1	51.0	50.8	50.6	50.0	50.1	50.2	49.7	48.3	49.9	50.8	50.2	50.2	49.4	49.9	50.4	51.4
Indonesia	50.4	50.1	50.4	49.3	49.9	51.4	50.7	51.6	51.7	50.3	50.5	51.9	50.7	50.5	50.4	51.2	49.9	50.1	51.2	50.4	51.6	50.6	49.6	49.0	49.1
S. Korea	50.6	50.2	51.2	49.9	50.7	50.3	49.1	48.4	48.9	49.8	48.3	49.9	51.3	51.0	48.6	49.8	48.3	47.2	48.8	50.2	48.4	47.5	47.3	49.0	48.0
Taiwan	54.2	53.6	56.3	56.6	56.9	56.0	55.3	54.8	53.4	54.5	53.1	53.0	50.8	48.7	48.4	47.7	47.5	46.3	49.0	48.2	48.4	45.5	48.1	47.9	50.0
India	51.2	50.3	52.6	54.7	52.4	52.1	51.0	51.6	51.2	53.1	52.3	51.7	52.2	53.1	54.0	53.2	53.9	54.3	52.6	51.8	52.7	52.1	52.5	51.4	51.4
Brazil	50.9	51.2	53.5	52.4	51.2	53.2	53.4	52.3	50.7	49.8	50.5	51.1	50.9	51.1	52.7	52.6	52.7	53.4	52.8	51.5	50.2	51.0	49.9	52.5	53.4
Mexico	52.8	49.2	52.4	51.7	52.6	51.6	52.4	51.6	51.0	52.1	52.1	50.7	51.7	50.7	49.7	49.7	50.9	52.6	49.8	50.1	50.0	49.2	49.8	49.0	49.1
Russia	51.9	51.1	51.5	52.0	52.1	50.2	50.6	51.3	49.8	49.5	48.1	48.9	50.0	51.3	52.6	51.7	50.9	50.1	52.8	51.8	49.8	48.6	49.3	49.1	46.3

Source: Bloomberg & JP Morgan

Key

Contraction

Expansion

SERVICES REMAIN IN EXPANSION

	Sep-19	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
Global	53.8	54.1	53.7	53.8	54.2	54.8	53.2	53.8	54.3	54.6	54.0	53.5	52.9	53.4	53.7	53.0	52.7	53.3	53.7	52.7	51.6	51.9	52.5	51.8	51.6
Developed	54.6	54.9	54.4	54.1	54.3	55.3	53.4	54.2	54.9	55.2	54.3	54.1	53.2	53.9	53.7	52.8	52.5	53.7	53.7	52.6	51.6	52.0	52.6	51.5	51.3
Emerging	51.4	51.6	51.5	52.8	53.8	53.5	52.5	52.7	52.5	52.6	52.9	51.6	52.1	51.9	53.7	53.6	52.9	52.1	53.7	53.2	51.7	51.5	52.1	52.3	51.8
United States	55.3	55.3	54.5	53.7	53.3	55.9	54.0	54.6	56.8	56.5	56.0	54.8	53.5	54.8	54.7	54.4	54.2	56.0	55.3	53.0	50.9	51.5	53.0	50.7	50.9
Canada	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
U.K	53.6	55.6	53.8	54.2	53.0	54.5	51.7	52.8	54.0	55.1	53.5	54.3	53.9	52.2	50.4	51.2	50.1	51.3	48.9	50.4	51.0	50.2	51.4	50.6	49.5
Euro Zone	55.8	55.0	56.2	56.6	58.0	56.2	54.9	54.7	53.8	55.2	54.2	54.4	54.7	53.7	53.4	51.2	51.2	52.8	53.3	52.8	52.9	53.6	53.2	53.5	51.6
Germany	55.6	54.7	54.3	55.8	57.3	55.3	53.9	53.0	52.1	54.5	54.1	55.0	55.9	54.7	53.3	51.8	53.0	55.3	55.4	55.7	55.4	55.8	54.5	54.8	51.4
France	57.0	57.3	60.4	59.1	59.2	57.4	56.9	57.4	54.3	55.9	54.9	55.4	54.8	55.3	55.1	49.0	47.8	50.2	49.1	50.5	51.5	52.9	52.6	53.4	51.1
Italy	53.2	52.1	54.7	55.4	57.7	55.0	52.6	52.6	53.1	54.3	54.0	52.6	53.3	49.2	50.3	50.5	49.7	50.4	53.1	50.4	50.0	50.5	51.7	50.6	51.4
Spain	56.7	54.6	54.4	54.6	56.9	57.3	56.2	55.6	56.4	55.4	52.6	52.7	52.5	54.0	54.0	54.0	54.7	54.5	56.8	53.1	52.8	53.6	52.9	54.3	53.3
Greece	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Ireland	58.7	57.5	56.0	60.4	59.8	57.2	56.5	58.4	59.3	59.5	57.4	58.0	58.7	57.2	57.1	56.3	54.2	55.9	55.3	54.7	57.0	56.9	55.0	54.6	53.1
Australia	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Japan	51.0	53.4	51.2	51.1	51.9	51.7	50.9	52.5	51.0	51.4	51.3	51.5	50.2	52.4	52.3	51.0	51.6	52.3	52.0	51.8	51.7	51.9	51.8	53.3	52.8
China	50.6	51.2	51.9	53.9	54.7	54.2	52.3	52.9	52.9	53.9	52.8	51.5	53.1	50.8	53.8	53.9	53.6	51.1	54.4	54.5	52.7	52.0	51.6	52.1	51.3
Indonesia	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
S. Korea	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Taiwan	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
India	50.7	51.7	48.5	50.9	51.7	47.8	50.3	51.4	49.6	52.6	54.2	51.5	50.9	52.2	53.7	53.2	52.2	52.5	52.0	51.0	50.2	49.6	53.8	52.4	48.7
Brazil	50.7	48.8	46.9	47.4	50.0	52.7	50.4	50.0	49.5	47.0	50.4	46.8	46.4	50.5	51.3	51.9	52.0	52.2	52.7	49.9	47.8	48.2	52.2	51.4	51.8
Mexico	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Russia	55.2	53.9	57.4	56.8	55.1	56.5	53.7	55.5	54.1	52.3	52.8	53.3	54.7	56.9	55.6	54.4	54.9	55.3	54.4	52.6	52.0	49.7	50.4	52.1	53.6

Source: Bloomberg & JP Morgan

Key

Contraction

Expansion

PROGRESSION OF THE US-CHINA TRADE WAR: A SNAPSHOT

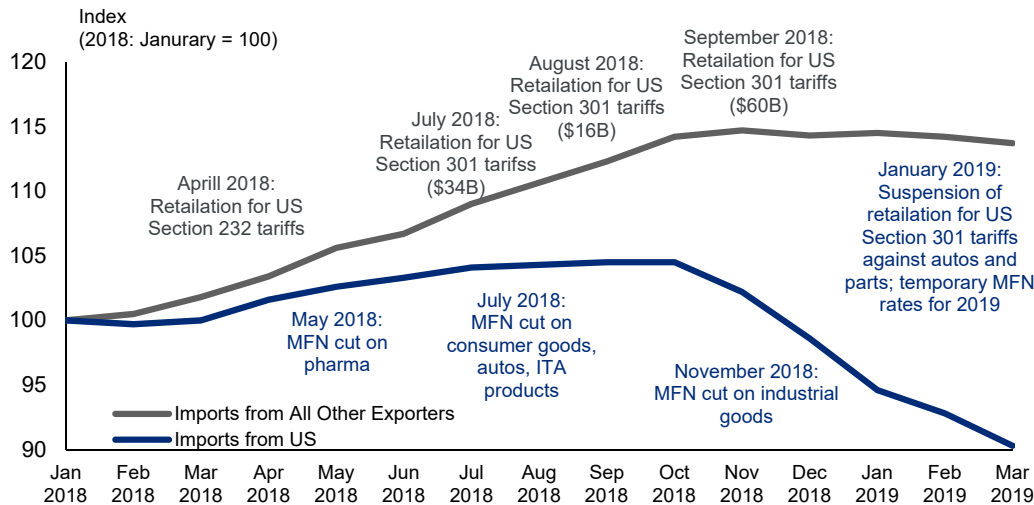


- President Trump's trade plan announced August 23rd would almost double the average US tariff on imports from China between June 14th and December 15th.
 - Over the first half of 2019, China has retaliated in tandem with US tariffs, raising the rate from 16.5% to 25.9%.
- Upcoming US and China tariffs are anticipated to be large and swift.
 - Since early 2018, the trade war has proceeded in four stages, with the latest phase starting June 1, 2019.

Source: Chad P. Bown. *The Trade War Is Suddenly Getting Worse*. PIIE Chart, Peterson Institute for International Economics (26 August 2019).

US-CHINA TRADE WAR: IMPACT ON COMMERCE

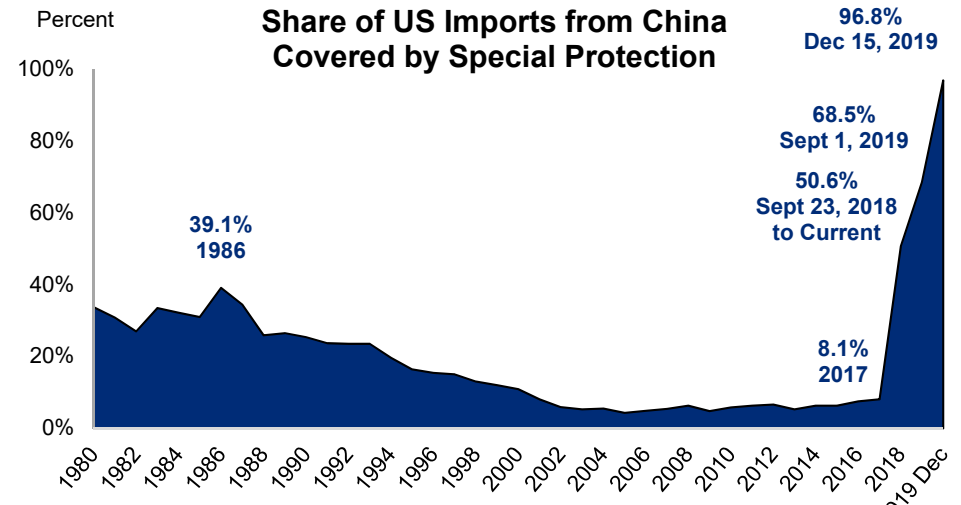
China's Imports from U.S. and the Rest of the World



Source: International Trade Centre.

- Imports from the US into China fell significantly after China retaliated for US Section 301 tariffs in mid-2018.

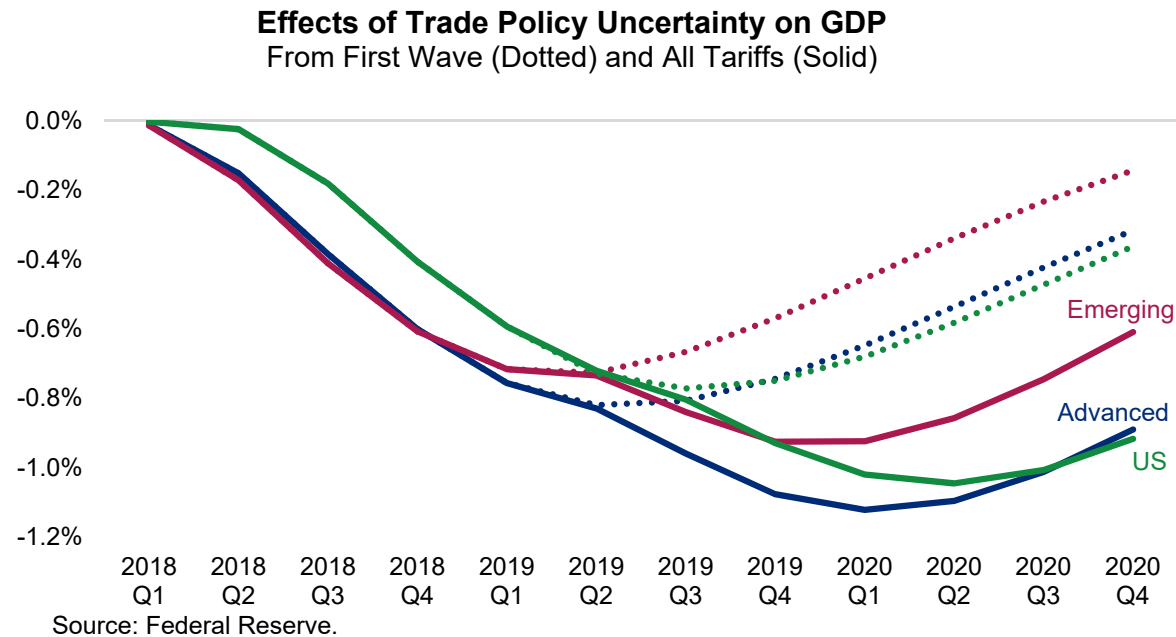
Share of US Imports from China Covered by Special Protection



Note: Bown (PIIE, 2019). Trade-weighted average tariffs computed from product-level tariff and trade data, weighted by China's exports to the world in 2017. Special trade protection includes tariff and non-tariff protection under Section 301, 232, 201, anti-dumping and countervailing duties, and other forms of voluntary export restraints.

- The share of US imports from China covered by special trade protection has increased exponentially since the initiation of the trade war in 2018.
 - If Trump's new tariff schedule is implemented, virtually all imports from China will be fully covered by the end of the year.

TRADE POLICY UNCERTAINTY: IMPACT ON GDP



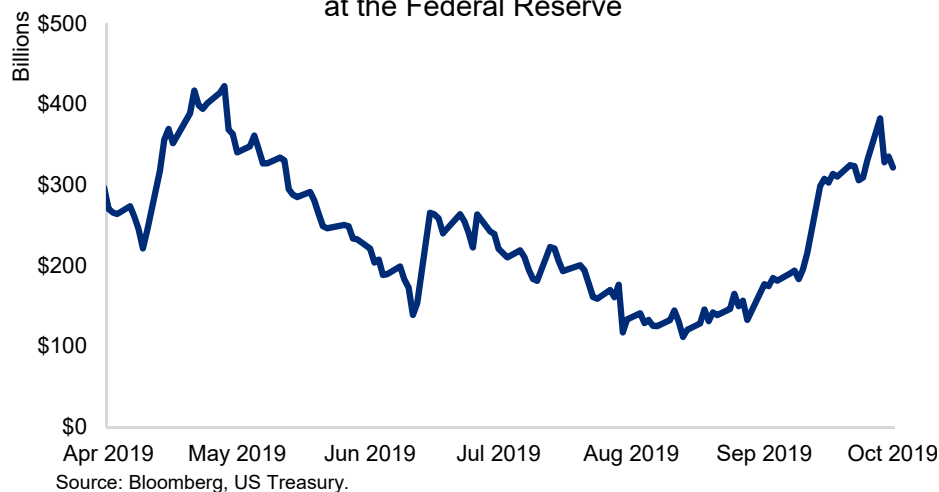
- A recent publication by the Federal Reserve quantified the impact of trade policy uncertainty estimates to determine the potential lag on global GDP.
 - Higher uncertainty could lead to delays in corporate investment, which could result in reduced hiring and lower consumer confidence and spending, ultimately curbing economic activity.

Source: Caldara, et al. *Does Trade Policy Uncertainty Affect Global Economic Activity?* Federal Reserve (04 September 2019).

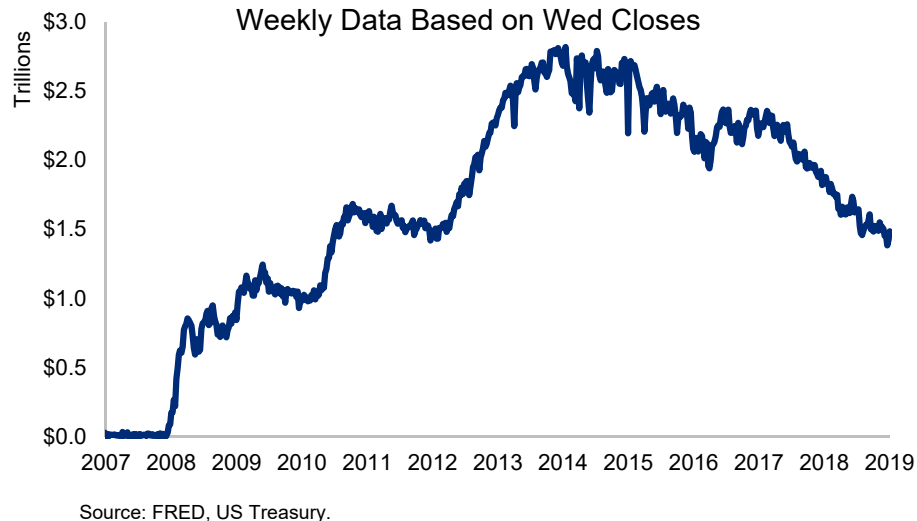
Note: The analysis above was published by the Federal Reserve. The authors estimated trade policy uncertainty (TPU) shocks from the VAR from 2018M1 to construct a counterfactual path for the variables in the VAR, assuming only TPU shocks are active. GDP estimates were then constructed using the historical sensitivity of GDP growth to IP growth (estimated elasticity of GDP to IP is 0.33 for the United States, 0.32 for the AFEs, and 0.51 for the EMEs). The projection period begins in 2019Q2.

REPO RATE

US Treasury Cash Balance
at the Federal Reserve



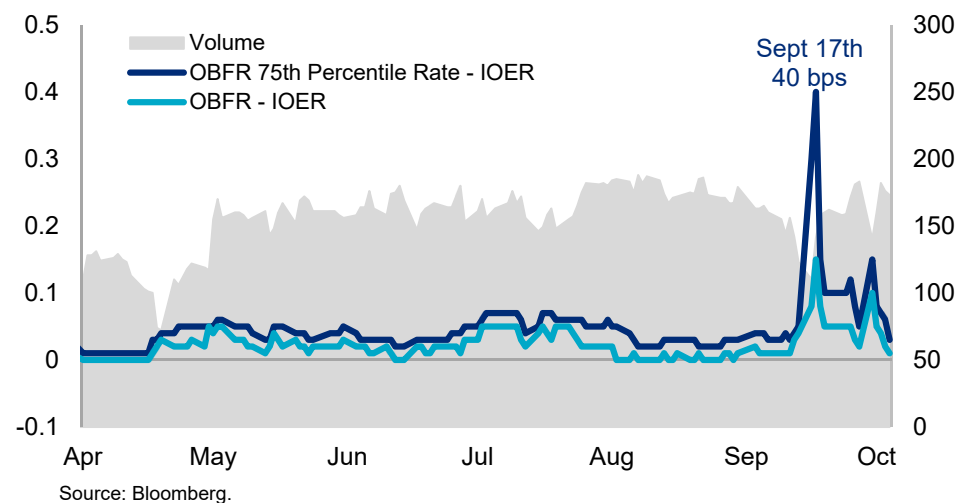
Reserve Balances with the Fed
Weekly Data Based on Wed Closes



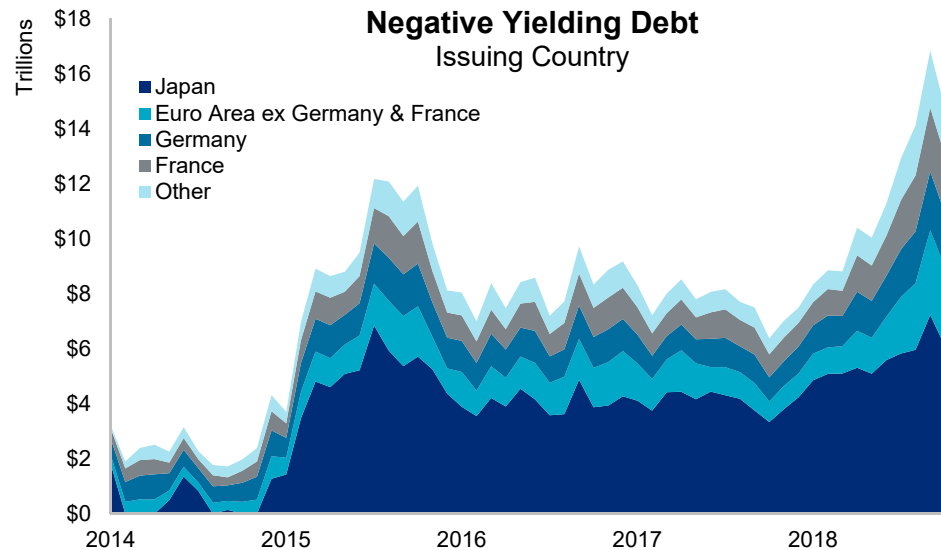
- Shrinkage in the Fed balance sheet over the last year has reduced bank liquidity.
 - The US Treasury cash balance declined to \$112B in mid-August, before rising to \$308B in mid-September; this reflects close to a \$200B increase over the month.
 - A large portion occurred due to corporate tax receipts.
 - The abrupt drainage in reserves put upward pressure on money market rates.

Source: FRED, US Treasury, Bloomberg.

Overnight Bank Funding Rate



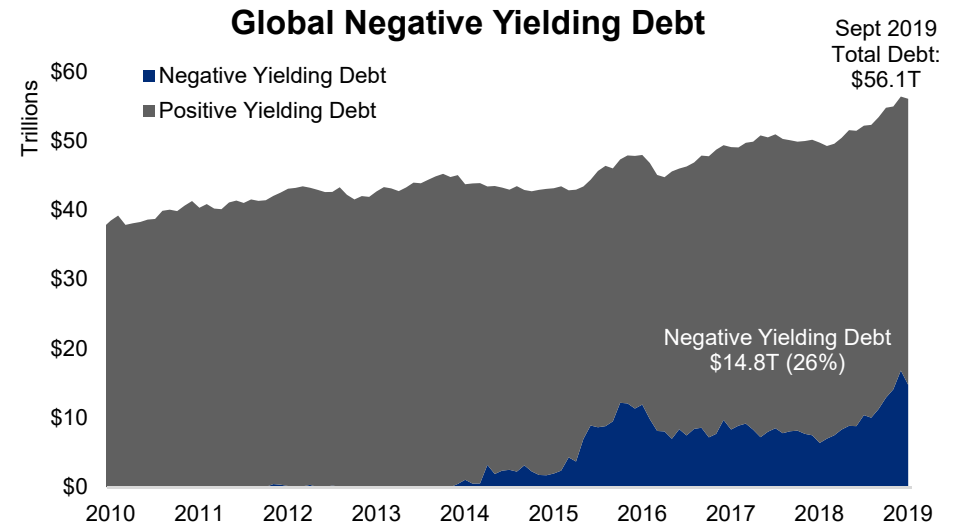
NEGATIVE YIELD BONDS



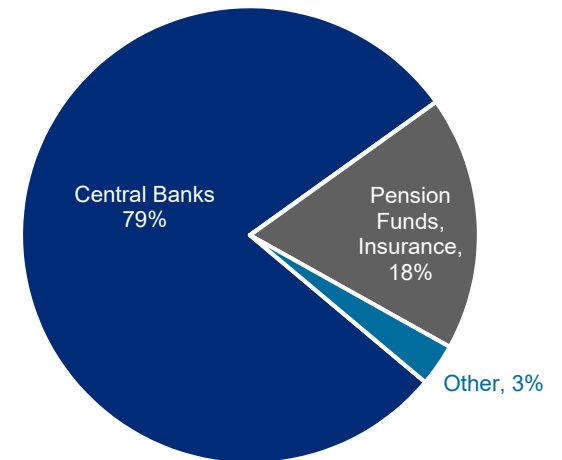
Source: Bloomberg

- Total global negative yielding debt has reached record levels following a resurgence in easy global monetary policy in 2019.
 - Approximately half of all European government bonds are currently trading at negative yields.

Source: Bloomberg.

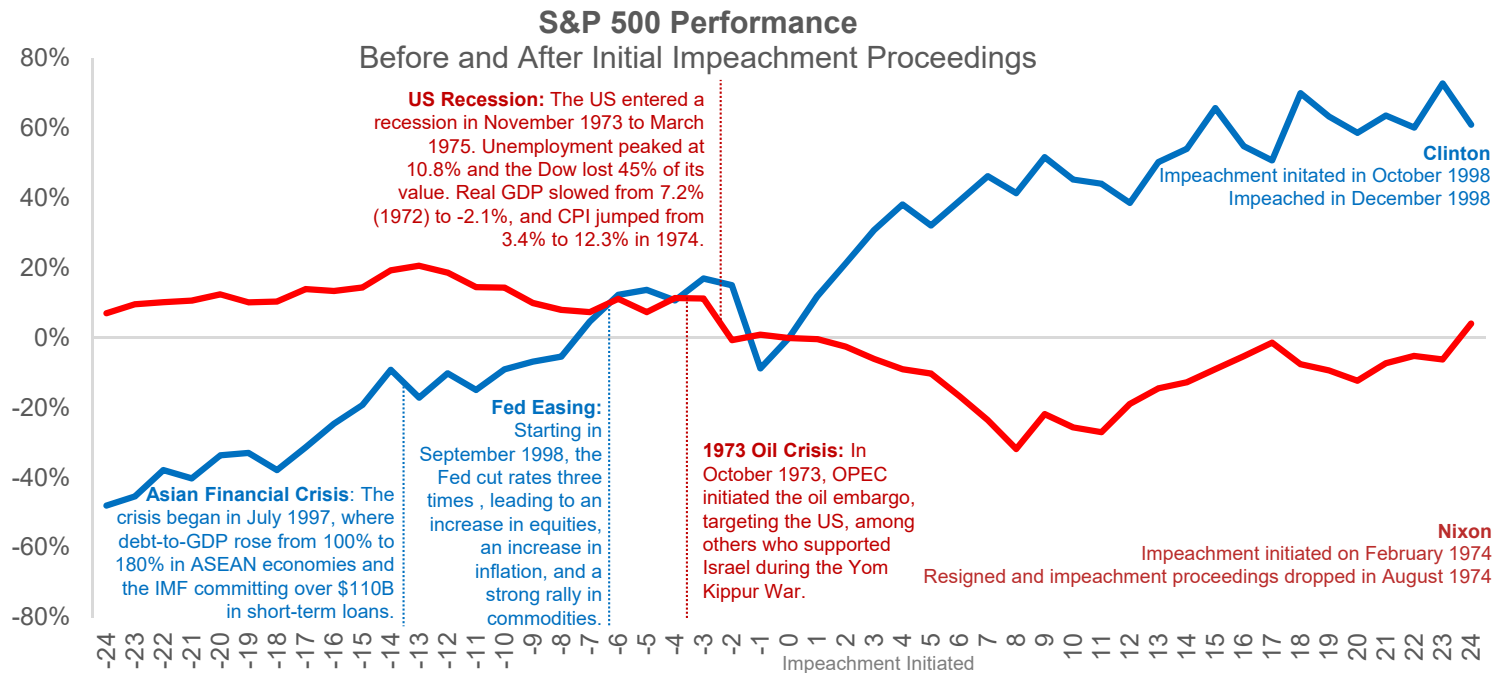


Holders of Negative Yielding Debt



Source: Deutsche Bank Research, Bloomberg, as of September 2019.

IMPEACHMENT & THE MARKET



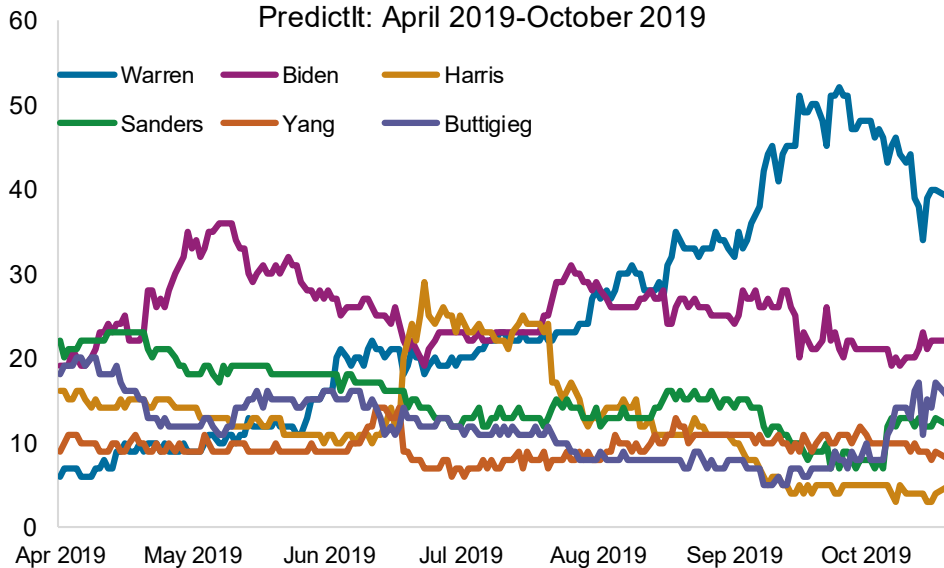
- Examining the last impeachment proceedings under the Nixon and Clinton Administrations, it is difficult to discern the true effects on markets.
 - In November 1973, the US economy entered the 1973 recession under the Nixon Administration
 - Noted contributors include the aftershocks of the collapse of Bretton Woods and the oil embargo initiated by the Arab-Israeli conflict.
 - Under the Clinton Administration, markets were continuing to recover after the Asian Financial Crisis and were supported by several rate cuts by the Fed.

Source: Bloomberg.

ELECTION 2020: RACE TO THE WHITE HOUSE

Democratic Nomination

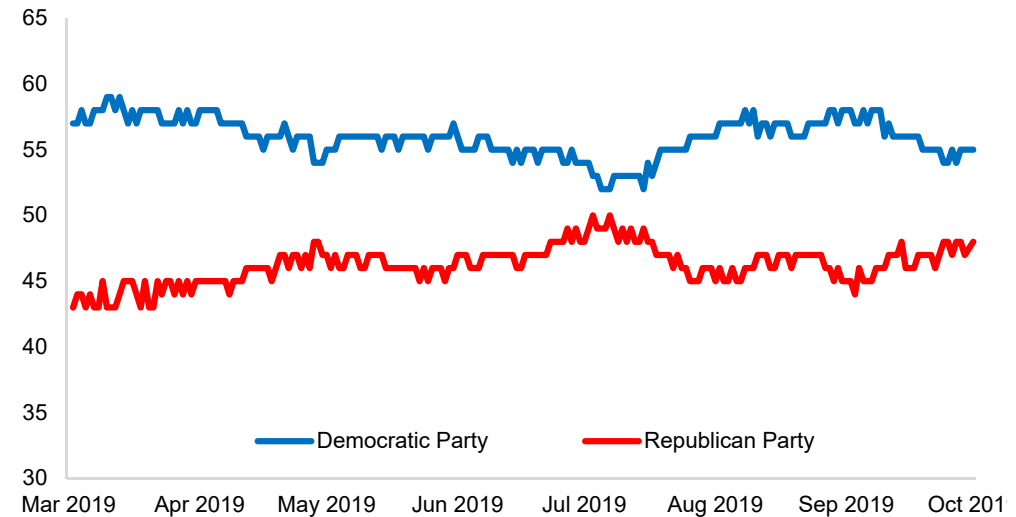
PredictIt: April 2019-October 2019



- According to PredictIt, Senator Warren remains (D-MA) ahead in the polls, at least 10 points over the next opponent, Senator Biden (D-DE).

2020 Presidential Winning Party

PredictIt: April 2019-October 2019

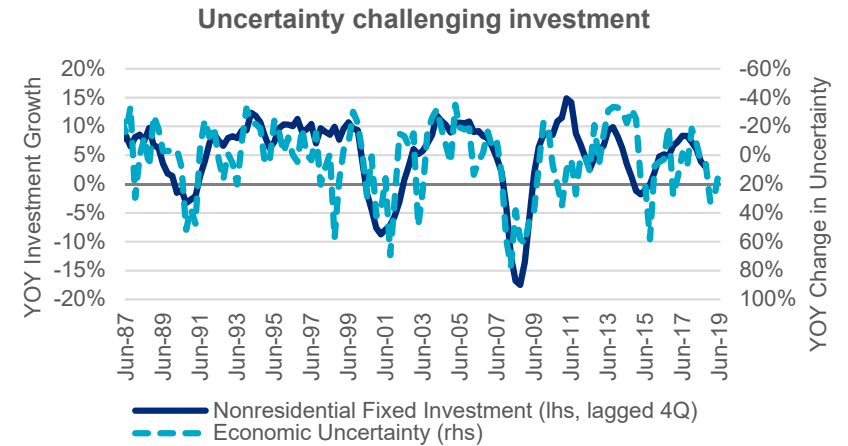
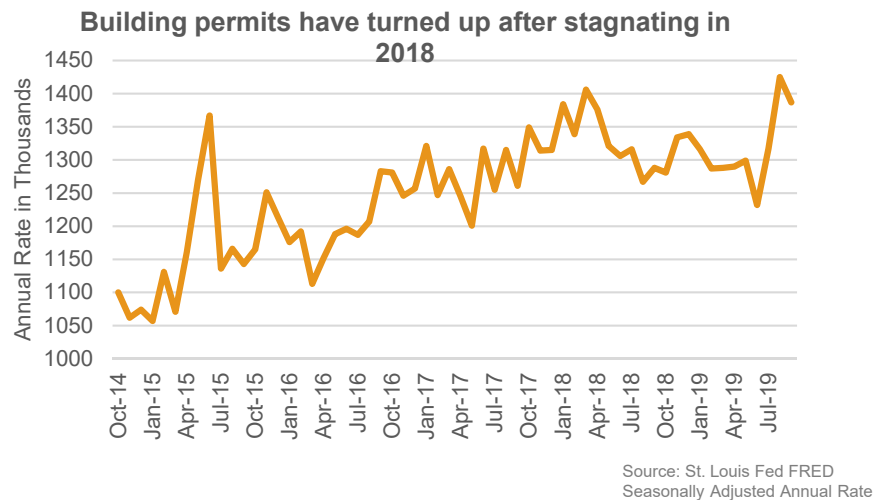


- Betting market results from PredictIt suggest Democrats have remained in the lead.
 - Most recent results suggest a 7-point lead over Republicans to take the White House.

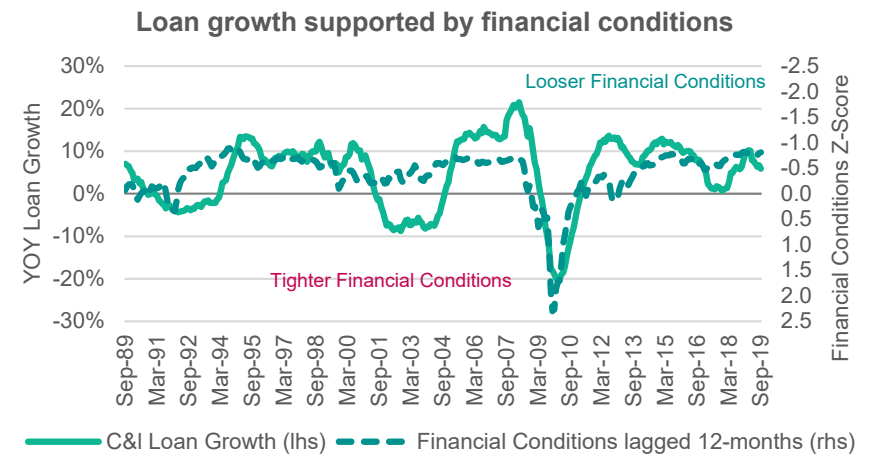
Note: Results presented are taken from PredictIt, a New Zealand-based prediction market launched in November 2014 by Victoria University of Wellington, and offers prediction exchanges on political and financial events. PredictIt uses a double auction to sell shares for each event in its markets, grouping related predictions into a market.

CAN GROWTH THREAD THE NEEDLE?

- Global growth remained positive in 2019. A robust consumer has been critical to stabilizing economic growth while business investment has proceeded more cautiously amid heightened uncertainty. Tensions are unlikely to dissipate quickly, but incremental progress could help, similar to the recently announced Phase I of the US/China trade negotiations.
- Global central bank policy has reinforced credit access and lowered the cost of capital, benefiting loan growth and interest rate sensitive markets, like housing.



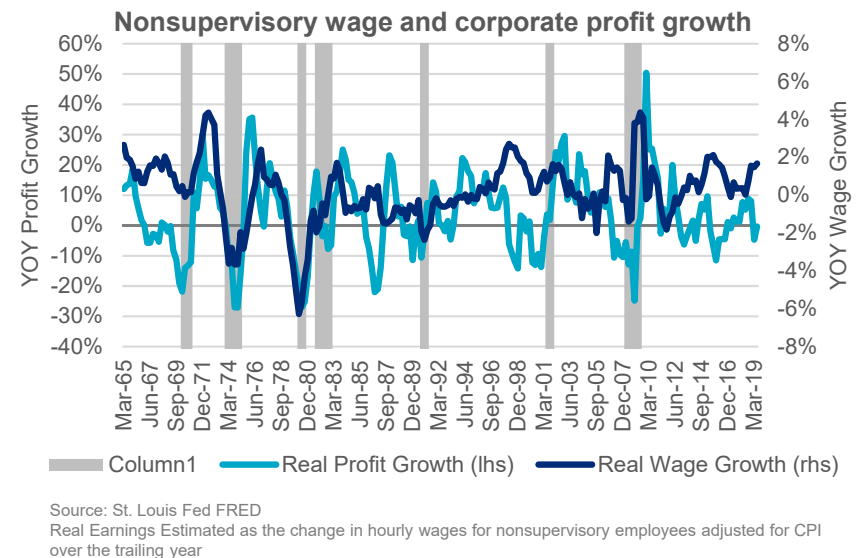
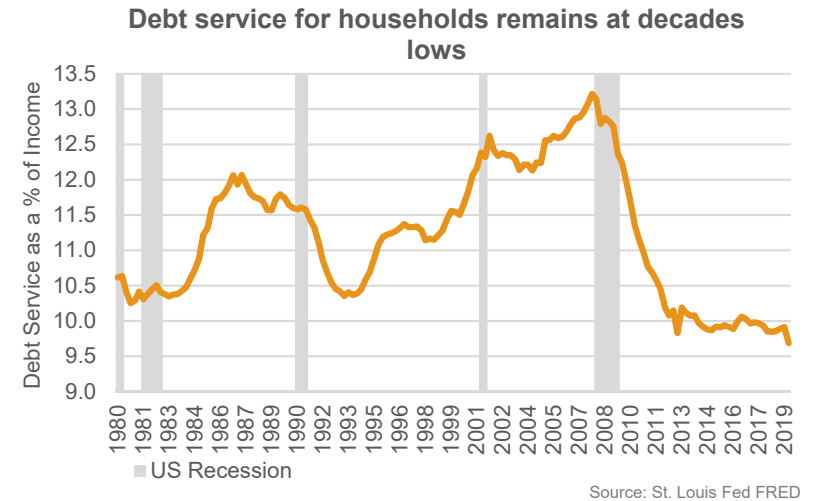
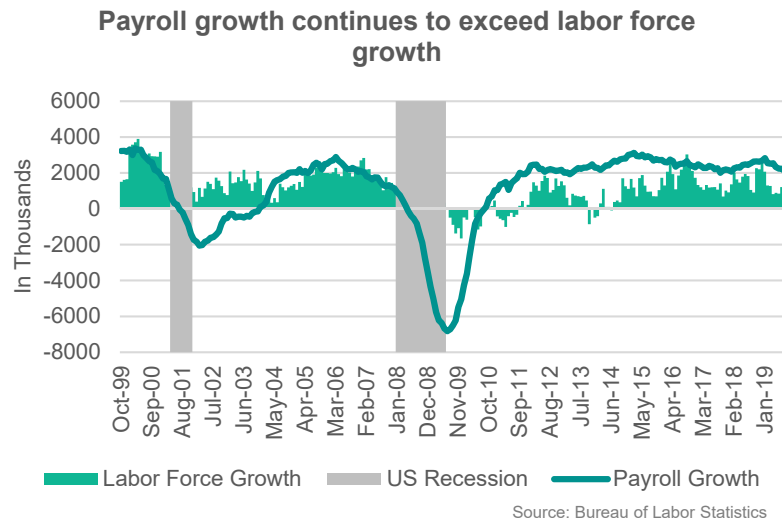
Source: St. Louis FRED & Economic Policy Uncertainty



Source: St. Louis FRED

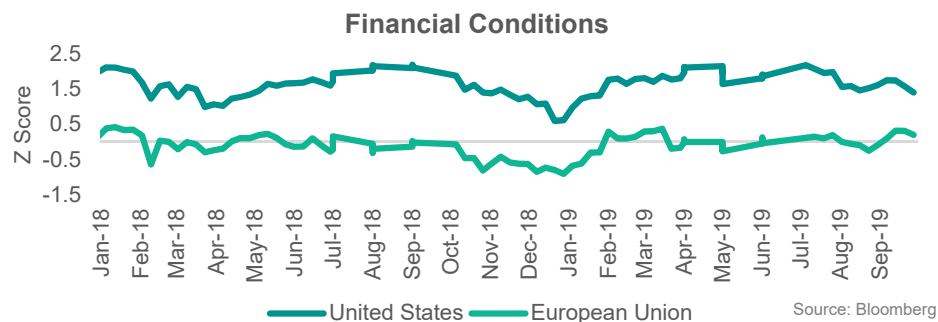
FULL EMPLOYMENT AND A HIGH PRESSURE ECONOMY

- The consumer remains in good shape. Low initial unemployment claims, real earnings growth, and continued credit access have maintained consumers' capacity to spend while keeping delinquency rates near multi-decade lows. Consumer balance sheets have been bolstered since the financial crisis, which should help sustain spending patterns through uncertain environments.
- Payroll growth has been slowing, labor markets are tightening, and real incomes are rising. Improving incomes, particularly for nonsupervisory personnel, should further stimulate spending, and while higher compensation may temper margins, revenues typically rise with incomes.

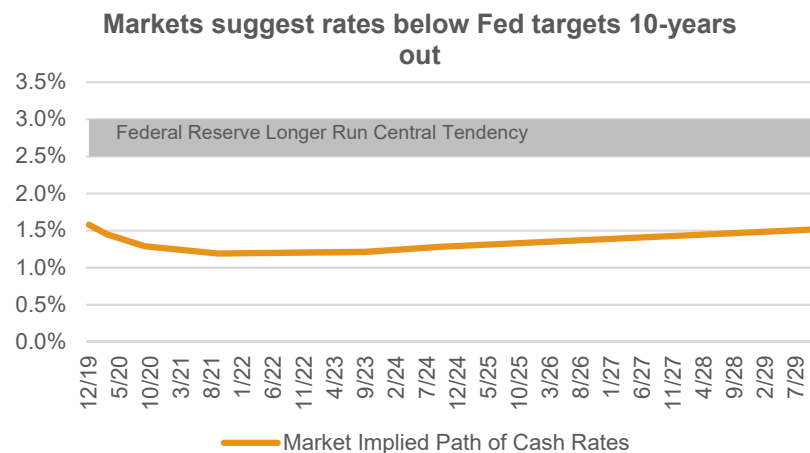
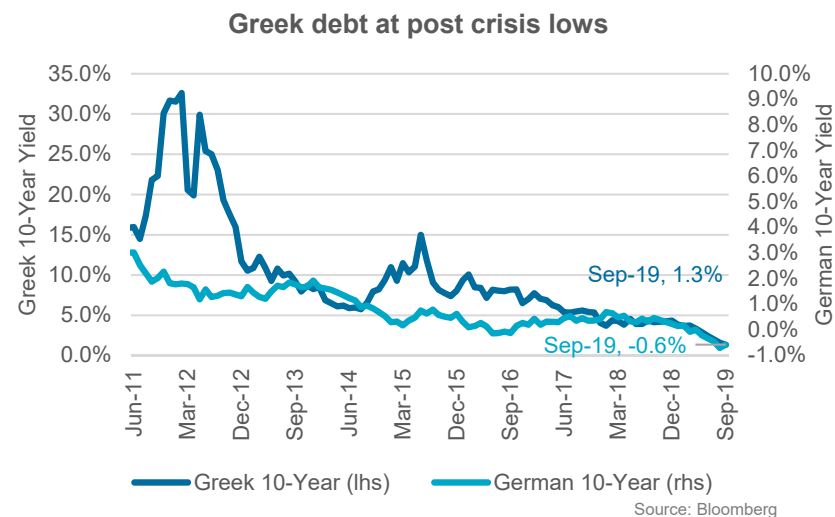


LOWER, FOR HOW LONG?

- Financial conditions have loosened globally, as central banks altered forward guidance, cut interest rates, conducted refinancing operations, and restarted quantitative easing. Benefits of lower funding costs have even extended to periphery countries, like Greece, which have struggled since the financial crisis. Additionally, the ECB* has updated its tiered interest rate policy, which should help the financial sector that has been unable to fully pass through the costs of negative funding rates.
- While the Fed** cut rates twice during the third quarter, policymakers are divided regarding the necessity and advisability of future rate cuts. Alternatively, the yield curve implies further rate cuts through 2022 and a cash rate below the Fed's longer run central tendency. Restrictive policies are unlikely in the near-term, but these deviations may produce bouts of volatility, as the two converge over time.



*European Central Bank
**Federal Reserve

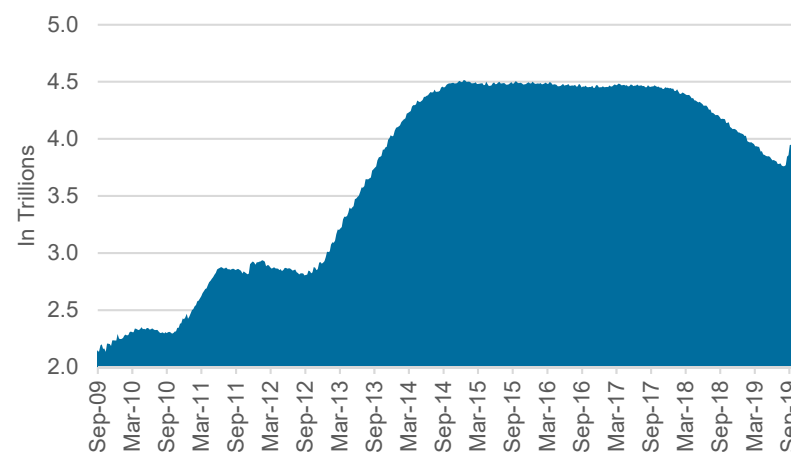


Source: Bloomberg

EVOLVING MARKET LIQUIDITY

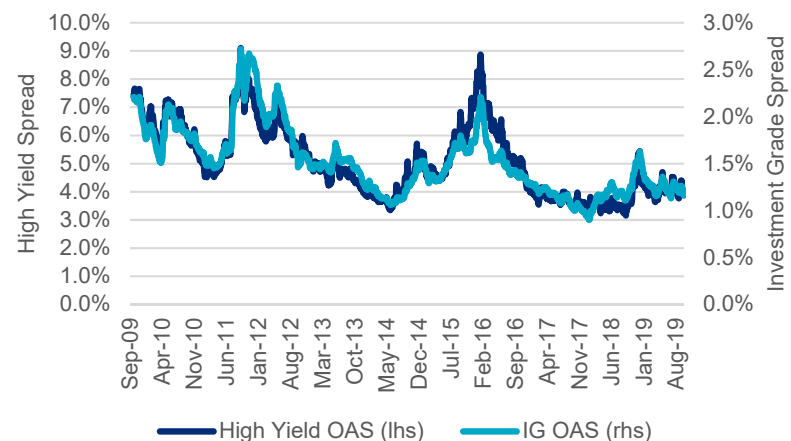
- Since the financial crisis, the Fed's balance sheet has grown significantly. Two factors that drove the expansion included quantitative easing programs and the recapitalization of financial institutions requiring increased excess reserves that have risen by \$1.3 trillion as of September 30, 2019.
- While the Fed's balance sheet had been decreasing in recent years, policymakers anticipated that they would have to grow it once again to maintain market liquidity.* The exact timing of this transition was unknown, but policymakers had observed growing quarter-end cash demands particularly during the third quarter as large tax payments came due and served as a turning point.
- The Fed will seek to maintain liquidity, but open market operations will not prevent flight-to-quality environments like 2016 and the fourth quarter of 2018.

Federal Reserve Assets



Source: St. Louis FRED

Option Adjusted Spreads

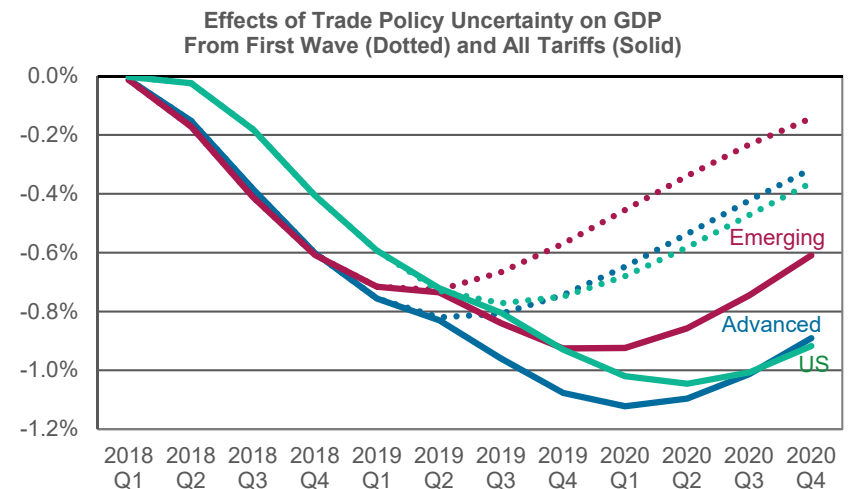


Source: Bank of America Merrill Lynch

*Balance Sheet Normalization Principles and Plans – March 2019 (note: not the earliest comments)

CHIPPING AWAY AT THE WALL OF WORRY

- Uncertainty has slowed the global economy, and a grand resolution to outstanding political concerns is unlikely. Incremental resolutions, however, are possible and are more likely. Markets will be quick to reprice incoming information, so portfolios will need to bear intermediate-term volatility to capture these moves.
- The recent Phase I moves on trade by the US and China are incremental positives and may imply the future path to incremental successes over time, with plenty of positives and negative headlines along the way.
- Progress on BREXIT by its very nature is incremental, as any withdrawal agreement or lack thereof will set the stage for the trade negotiations that follow, and while negotiations have been volatile during Boris Johnson's tenure, incremental steps have helped reduce the probability of a no deal BREXIT.*
- Tensions in the Middle East once again rose with drone attacks temporarily shutting down Saudi Arabia's oil production. While conflicts in this region will influence global oil prices, US production has reduced reliance on foreign oil, which may dampen future shocks.



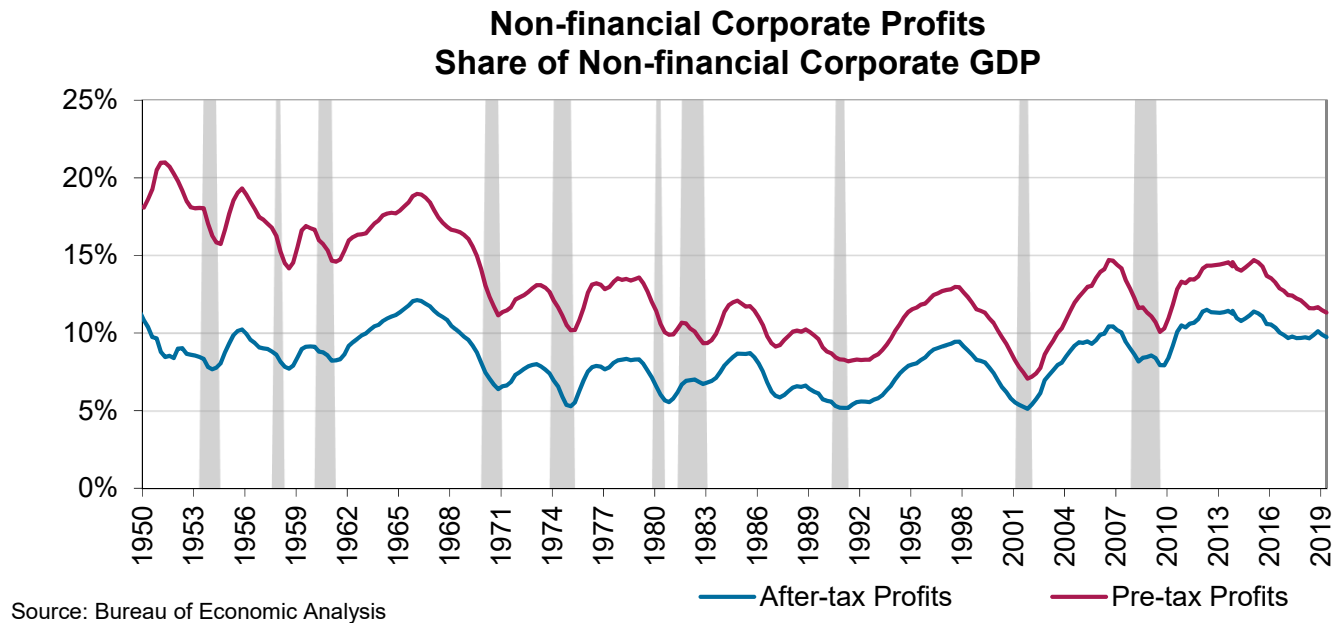
Source: Federal Reserve

Change in production and consumption of liquid fuels						
Production, consumption and inventories, millions of barrels per day						
Production	2016	2017	2018	2019	2020	Growth Since '16
US	14.8	15.7	17.9	19.7	21.3	43.6%
OPEC	37.5	37.4	37.3	35.2	34.7	-7.6%
Global	97.5	98.1	100.8	100.8	102.4	5.1%
Consumption						
US	19.7	20.0	20.5	20.5	20.8	5.4%
China	12.8	13.4	13.9	14.4	14.9	16.3%
Global	97.0	98.6	99.9	100.8	102.1	5.3%
Inventory Change	0.5	-0.5	0.9	0.0	0.3	

Source: EIA Short-Term Energy Outlook 10/2019 & JPMorgan

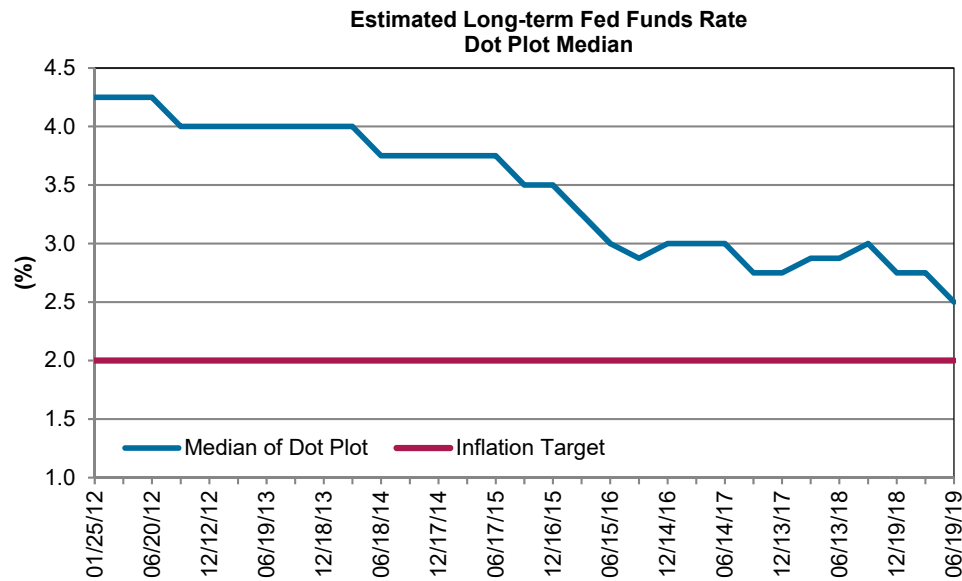
As of 10/23/2019, the due date for an agreement with the EU is set for 10/31

CORPORATE PROFITS SHOW LATE-CYCLE RISKS

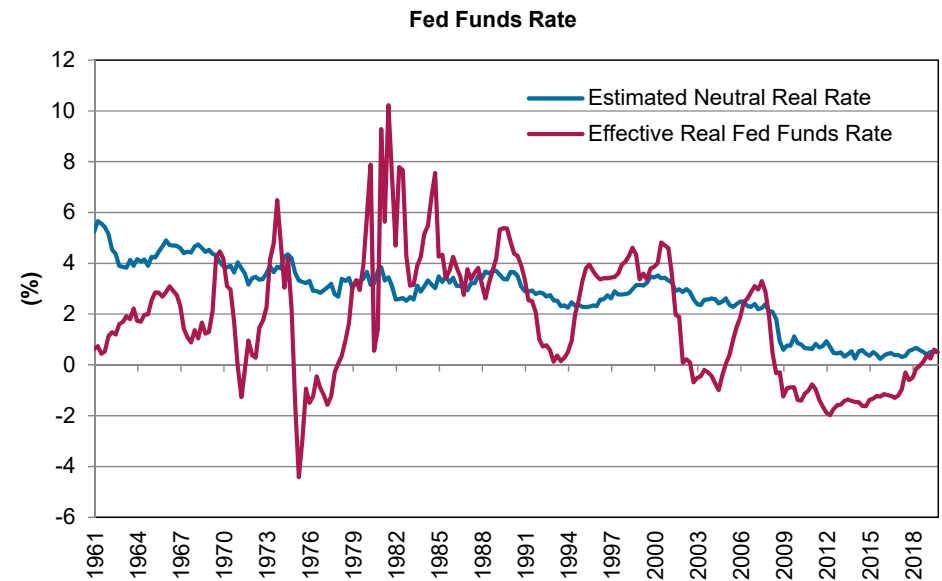


- A decline in profit margins is a late cycle indicator.
 - It suggests a tight labor market makes it less profitable for businesses to expand.
- Historically, margins have peaked an average of two years prior to recessions, ranging from less than a year (1973) to four years (1969).
- In the current cycle, pre-tax profit margins peaked in 2015. While this has been an abnormally long cycle, it indicates that recession risks are rising.

LOWER FOR LONGER: LOWER NEUTRAL RATE



Source: Bloomberg



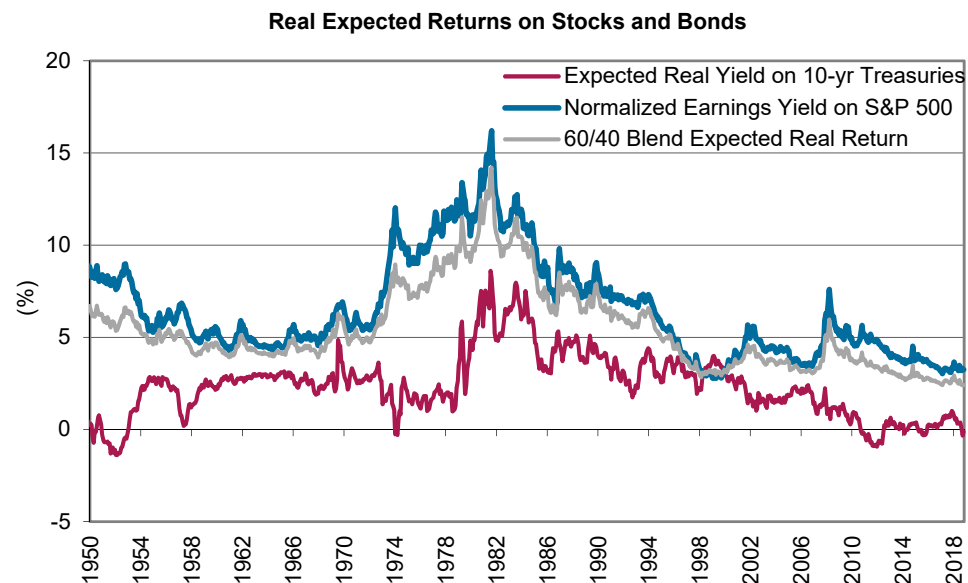
Source: Bloomberg, NY Fed

- One factor may be the market's evolving view on the neutral rate of interest.
- Slower growth, a reduction in capital intensity and demographics may have pushed the real neutral rate towards zero.
- Data published by the New York Federal Reserve pegs the neutral rate of interest at only 0.5%. The long-term rate from the FOMC's dot-plot is at a similar level.

LOWER FOR LONGER: IMPLICATIONS



Source: Bloomberg



Source: S&P, Bloomberg, Mercer

- The message from the bond market is concerning for economic growth prospects. Low long-term rates suggest weak long-term economic growth.
- This is potentially negative for equities due to weaker implied earnings growth, but it also allows equities to trade at higher valuations.
- For investors, a lower for longer world suggests lower expected returns on balanced portfolios, making it more difficult to meet long-term obligations.

CONCLUSIONS

- **Since peaking in the first half of 2018, global growth has been slowing, but remains positive. Participants continue to look for signs that manufacturing weakness is spreading to the broader economy, but thus far, a strong consumer and stimulative monetary policy has prolonged the cycle. The question becomes one of whether the economy can thread the needle and avoid a recession.**
 - Growth: The near-term outlook remains cloudy, but longer-term indicators and interest rate sensitive sectors have begun to turn more positive.
 - Risk aversion: Heightened levels of risk aversion likely will continue contributing to aggressive market moves, both positive and negative, as participants gauge incoming data for inflection points.
- **Market participants are proceeding with caution. Forward yield curves and defensive sector appreciation reflects more conservative positioning from negative news, and while bouts of volatility are likely, portfolio positioning should seek to capture risk premiums and participate in incremental positive announcements.**
 - While the equity risk premium is relatively wide, valuations are not necessarily cheap. Risks, however, are not evenly distributed and defensive market segments have become more expensive, creating valuation differences across geographies and sectors.
 - Declines in risk-free rates year-to-date now suggest that yields are normalizing below levels implied by fundamentals and the Federal Reserve. These deviations are likely to drive interest rate volatility in the intermediate-term.

Asset Class Diversification

Surplus Cash Investment Program Structure

As of September 30, 2019

Manager	Asset Class/Type	Total Assets (\$ mil.)	Percent of Total	Target Allocation	Weighting Relative to Target	Target Range
Large-Cap Domestic Equity		\$226.8	21.7%	20.0%	+ 1.7%	20-30%
Vanguard S&P 500 Index	Large-Cap Index	\$136.9	13.1%	10.0%	+ 3.1%	
Sands	Large-Cap Growth	\$ 45.2	4.3%	5.0%	- 0.7%	
Barrow Hanley	Large-Cap Value	\$ 44.7	4.3%	5.0%	- 0.7%	
Small-Cap Domestic Equity		\$ 49.1	4.7%	5.0%	- 0.3%	
Conestoga	Small-Cap Growth	\$ 25.2	2.4%	2.5%	- 0.1%	10-20%
Wellington	Small-Cap Value	\$ 23.8	2.3%	2.5%	- 0.2%	
International Equity		\$144.7	13.8%	15.0%	- 1.2%	
Causeway	International Value	\$ 46.7	4.5%			
BNY Mellon	International Growth	\$ 62.0	5.9%			
Harding Loevner	Emerging	\$ 35.9	3.4%			
Short-Duration Fixed Income		\$125.2	12.0%	10.0%	+ 2.0%	8-12%
Barrow Hanley	Short Duration	\$114.1	10.9%			25-35%
Cash	Money Market	\$ 11.1	1.1%			
Market-Duration Fixed Income		\$332.0	31.7%	30.0%	+ 1.7%	
Dodge & Cox	Market Duration	\$162.9	15.6%	15.0%	+ 0.6%	
MetWest	Market Duration	\$169.1	16.2%	15.0%	+ 1.2%	
Alternatives		\$168.5	16.1%	20.0%	- 3.9%	17-23%
Angelo Gordon Realty Value X	Real Estate	\$ 1.3	0.1%			
Oaktree RE Opps VI	Real Estate	\$ 5.4	0.5%			
Walton Street RE VII	Real Estate	\$ 4.8	0.5%			
Walton Street RE VIII	Real Estate	\$ 9.0	0.9%			
Direct Hedge Fund Composite	Hedge Fund	\$147.9	14.1%			
Total (X District)		\$1,046.2	100.0%			
District Assets - Barrow Hanley	Short Duration	\$ 32.0				
Debt Reserves - Ponder	Short Duration	\$ 63.9				
Total Surplus Cash		\$1,142.1				

*Totals may not add due to rounding.

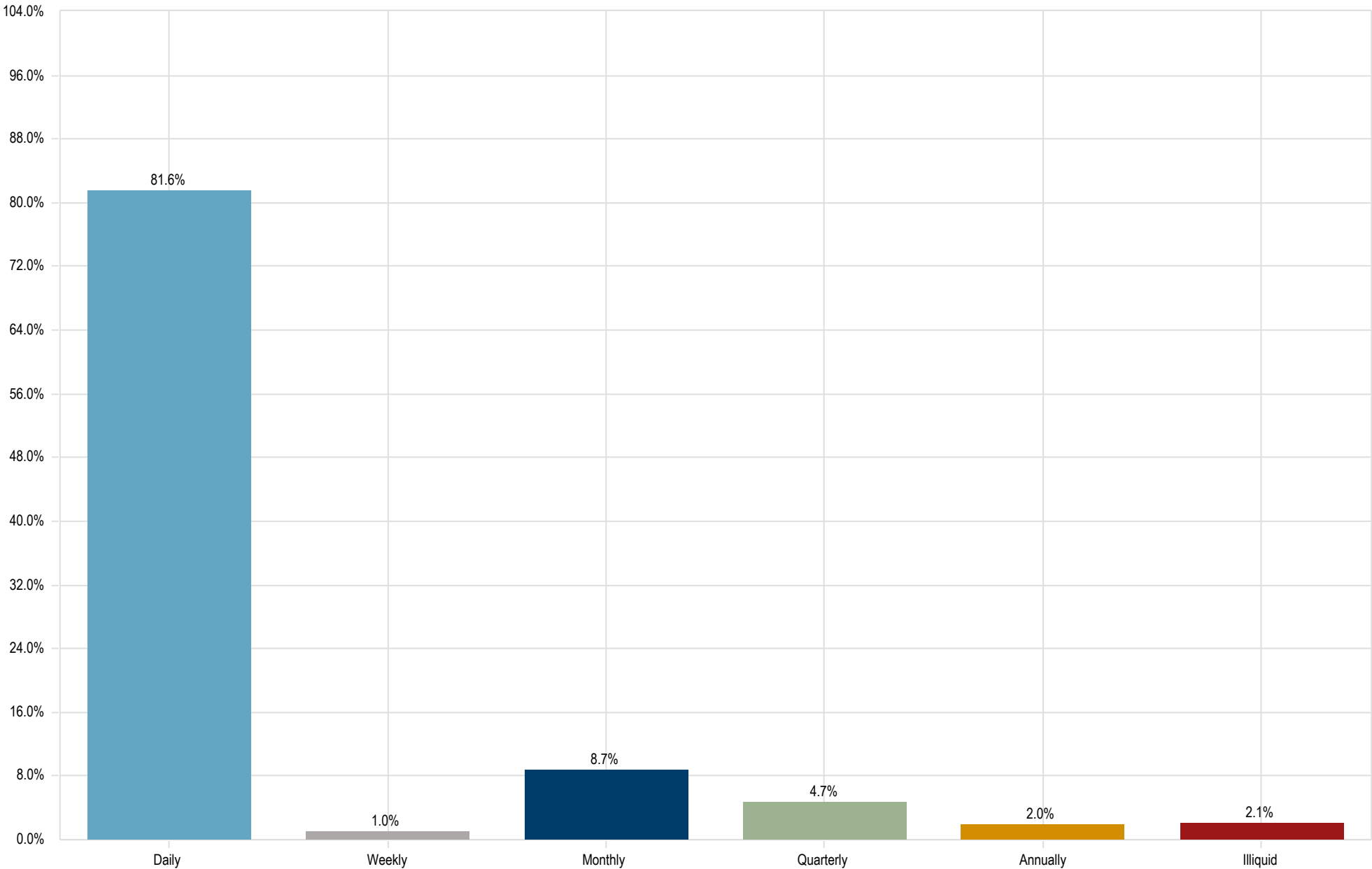
El Camino Hospital

Liquidity Schedule

September 30, 2019

Investments	Market Value	Daily	Weekly	Monthly	Quarterly	Annually	Illiquid	Redemptions	Notes
Vanguard S&P 500 Index	136,879,750	136,879,750	-	-	-	-	-	Daily	Daily, No Lock-Up
Sands Large Cap Growth (Touchstone)	45,187,758	45,187,758	-	-	-	-	-	Daily	Daily, No Lock-Up
Barrow Hanley Large Cap Value	44,693,271	44,693,271	-	-	-	-	-	Daily	Daily, No Lock-Up
Wellington Small Cap Value	23,831,150	-	-	23,831,150	-	-	-	Monthly	10 Day Notice, No Lock-Up
Conestoga Small-Cap Fund I	25,232,871	25,232,871	-	-	-	-	-	Daily	Daily, No Lock-Up
BNY Mellon International Stock Fund	62,015,125	62,015,125	-	-	-	-	-	Daily	Daily, No Lock-Up
Causeway International Value	46,741,238	46,741,238	-	-	-	-	-	Daily	Daily, No Lock-Up
Harding Loevner Inst. Emerging Markets I	35,895,697	35,895,697	-	-	-	-	-	Daily	Daily, No Lock-Up
Barrow Hanley Short Fixed	114,137,282	114,137,282	-	-	-	-	-	Daily	Daily, No Lock-Up
Cash Account	957,820	957,820	-	-	-	-	-	Daily	Daily, No Lock-Up
Cash Account - CONCERN	86,798	86,798	-	-	-	-	-	Daily	Daily, No Lock-Up
Hedge Funds Cash	10,034,922	10,034,922	-	-	-	-	-	Daily	Daily, No Lock-Up
Dodge & Cox Fixed	162,928,184	162,928,184	-	-	-	-	-	Daily	Daily, No Lock-Up
MetWest Fixed	155,731,931	155,731,931	-	-	-	-	-	Daily	Daily, No Lock-Up
Met West Total Return Bond Plan - CONCERN	13,348,213	13,348,213	-	-	-	-	-	Daily	Daily, No Lock-Up
AG Realty Value Fund X, LP	1,252,926	-	-	-	-	-	1,252,926	Illiquid	Illiquid
Oaktree Capital Management RE Opportunities Fund VI	5,432,104	-	-	-	-	-	5,432,104	Illiquid	Illiquid
Walton Street Real Estate Fund VII, L.P.	4,812,242	-	-	-	-	-	4,812,242	Illiquid	Illiquid
Walton Street Real Estate Fund VIII, L.P.	9,022,303	-	-	-	-	-	9,022,303	Illiquid	Illiquid
Bloom Tree Offshore Fund Ltd.	11,467,896	-	-	-	11,467,896	-	-	Quarterly	45 Day Notice, No Lock-Up
Capeview Azri 2X Fund USD B - U	3,763,740	-	-	3,763,740	-	-	-	Monthly	30 Day Notice, No Lock-Up
Capeview Azri Fund USD B - UV	6,325,742	-	-	-	6,325,742	-	-	Quarterly	30 Day Notice, 2.5% Redemption Penalty
Chatham Asset High Yield Offshore Fund, Ltd	1,045,842	-	-	-	1,045,842	-	-	Quarterly	45 Day Notice, 20% Fund level gate
DK Distressed Opportunities International, Ltd.	10,867,834	-	-	-	-	10,867,834	-	Annually	90 Day Notice, No Lock-Up
EMSO Saguaro, Ltd.	10,526,715	-	-	10,526,715	-	-	-	Monthly	60 Day Notice, 15% Fund level gate
Fir Tree International Value Fund (Non-US), L.P.[CE]	207,713	-	-	-	-	-	207,713	Illiquid	Redemption in Progress
Indus Japan Fund Ltd.	8,874,296	-	-	-	8,874,296	-	-	Quarterly	30 Day Notice, No Lock-up
Luxor Capital Partners Offshore, Ltd.[CE]	734,918	-	-	-	-	-	734,918	Illiquid	Redemption in Progress
Man Alternative Risk Premia SP Fund	10,351,310	-	10,351,310	-	-	-	-	Weekly	7 Day Notice, No Lock-Up
Marshall Wace Eureka Fund Class B2	10,418,496	-	-	10,418,496	-	-	-	Monthly	30 Day Notice, No Lock-Up
Moore Macro Managers Fund[CE]	10,178,622	-	-	-	10,178,622	-	-	Quarterly	60 Day Notice, No Lock-Up
Palestra Capital Offshore	11,049,551	-	-	-	11,049,551	-	-	Quarterly	60 Day Notice, 12 mth soft lock
Pine River Fund Ltd.[CE]	46,907	-	-	-	-	-	46,907	Illiquid	Redemption in Progress
Renaissance RIDGE	10,658,760	-	-	10,658,760	-	-	-	Monthly	45 Days Notice, No Lock-Up
Carlson Black Diamond Arbitrage Ltd.[CE]	10,690,328	-	-	10,690,328	-	-	-	Monthly	45 Day Notice, No Lock-Up
Robeco Transtrend Diversified Fund LLC	10,870,713	-	-	10,870,713	-	-	-	Monthly	5 Day Notice, No Lock-Up
Stone Milliner Macro Inc Class A NI	10,154,713	-	-	10,154,713	-	-	-	Monthly	60 Day Notice, 25% Master Fund level gate
York Credit Opportunities Unit Trust[CE]	9,702,414	-	-	-	-	9,702,414	-	Annually	60 Day Notice, No Lock-Up
Total (\$)	1,046,158,095	853,870,860	10,351,310	90,914,615	48,941,948	20,570,248	21,509,114		
Total (%)	100.0	81.6	1.0	8.7	4.7	2.0	2.1		

Liquidity Schedule Summary



Investment Management Fees

Surplus Cash Investment Program Structure

As of September 30, 2019

	Total Assets (\$ millions)	Committed Capital (\$ millions)	Contributed Capital (\$ millions)	Management Fee (%)	Mercer Mutual Fund Peer Group	Mercer Mutual Fund Peer Group Median (%)
Domestic Equity						
Vanguard S&P 500 Index	\$136,879,750			0.035	Mercer Mutual Fund US Equity Large Cap Index	0.19
Sands Large Cap Growth (Touchstone)	\$45,187,758			0.80	Mercer Mutual Fund US Equity Large Cap Growth Median	0.69
Barrow Hanley Large Cap Value	\$44,693,271			0.38	Mercer Mutual Fund US Equity Large Cap Value Median	0.65
Wellington Small Cap Value	\$23,831,150			0.90	Mercer Mutual Fund US Equity Small Cap Value Median	0.97
Conestoga Small Cap Growth	\$25,232,871			0.90	Mercer Mutual Fund US Equity Small Cap Growth Median	0.91
International Equity						
Causeway International Value	\$46,741,238			0.88	Mercer Mutual Fund World ex US/EAFE Equity Large Cap Value Median	0.81
BNY Mellon International Stock Fund	\$62,015,125			0.91	Mercer Mutual Fund World ex US/EAFE Equity Large Cap Growth Median	0.85
Harding Loevner Emerging Markets	\$35,895,697			1.27	Mercer Mutual Fund Emerging Markets Equity Median	0.95
Short Fixed Income						
Barrow Hanley Short Fixed	\$114,137,282			0.18	Mercer Mutual Fund US Fixed Short Median	0.40
Market Duration Fixed Income						
Dodge & Cox Fixed	\$162,928,184			0.33	Mercer Mutual Fund US Fixed Core Median	0.44
MetWest Total Return	\$155,731,931			0.28	Mercer Mutual Fund US Fixed Core Median	0.44
MetWest Total Return - CONCERN	\$13,348,213			0.37	Mercer Mutual Fund US Fixed Core Median	0.44
Cash						
Cash Account	\$11,079,540			N/A	N/A	N/A
Hedge Funds¹						
Bloom Tree Offshore Fund Ltd.	\$11,467,896			1.50	N/A	N/A
CapeView Azri Fund Ltd.	\$6,325,742			1.35	N/A	N/A
CapeView Azri 2x Fund	\$3,763,740			2.00	N/A	N/A
Indus Japan Fund	\$8,874,296			1.50	N/A	N/A
Luxor Capital Partners	\$734,918			1.50	N/A	N/A
Pine River Fund	\$46,907			1.50	N/A	N/A
Fir Tree International	\$207,713			1.50	N/A	N/A
Marshall Wace Eureka Fund Class B2	\$10,418,496			2.00	N/A	N/A
Palestra Capital Offshore	\$11,049,551			1.50	N/A	N/A
Chatham Asset High Yield Offshore	\$1,045,842			1.50	N/A	N/A
DK Distressed Opportunities International	\$10,867,834			1.75	N/A	N/A
York Credit Opportunities	\$9,702,414			1.50	N/A	N/A
BP Transtrend Diversified Fund	\$10,870,713			1.00	N/A	N/A
EMSO Saguaro	\$10,526,715			1.50	N/A	N/A
Moore Macro Managers Fund	\$10,178,622			2.50	N/A	N/A
Stone Milliner Macro Fund	\$10,154,713			2.00	N/A	N/A
Carlson Black Diamond Arbitrage	\$10,690,328			1.00	N/A	N/A
Renaissance RIDGE	\$10,658,760			1.00	N/A	N/A
Man Alternative Risk Premia	\$10,351,310			1.00	N/A	N/A
Total (ex Private Real Estate)	\$1,025,638,519			0.56%		
Private Real Estate²						
AG Realty Value Fund X	\$1,252,926	\$ 20.0	\$ 1.5	1.50	N/A	N/A
				Of committed Capital ²		
Oaktree Real Estate Opportunities VI	\$5,432,104	\$ 14.0	\$ 14.0	1.50	N/A	N/A
				Of committed Capital ²		
Walton Street Real Estate VII	\$4,812,242	\$ 13.0	\$ 12.4	1.50	N/A	N/A
				Of committed Capital ²		
Walton Street Real Estate Fund VIII	\$9,022,303	\$ 13.0	\$ 9.3	1.50	N/A	N/A
				Of committed Capital ²		
Total	\$1,046,158,094					

1. Hedge fund fees do not include incentive fees.

2. Private Real Estate fees do not include carried interest.

Asset Class Diversification

Cash Balance Plan Investment Program Structure

As of September 30, 2019

Manager	Asset Class/Type	Total Assets (\$ mil.)	Percent of Total	Target Allocation	Weighting Relative to Target	Target Range
Large-Cap Domestic Equity		\$ 79.5	28.6%	27.0%	+ 1.6%	27-37%
Vanguard S&P 500 Index	Large-Cap Index	\$ 38.7	13.9%	13.5%	+ 0.4%	
Sands	Large-Cap Growth	\$ 19.8	7.1%	6.8%	+ 0.3%	
Barrow Hanley	Large-Cap Value	\$ 20.9	7.5%	6.8%	+ 0.7%	
Small-Cap Domestic Equity		\$ 14.7	5.3%	5.0%	+ 0.3%	
Conestoga	Small-Cap Growth	\$ 7.3	2.6%	2.5%	+ 0.1%	15-21%
Wellington	Small-Cap Value	\$ 7.4	2.7%	2.5%	+ 0.2%	
International Equity		\$ 48.2	17.3%	18.0%	- 0.7%	
Causeway	International Value	\$ 18.0	6.5%			
BNY Mellon	International Growth	\$ 23.7	8.5%			
Harding Loewner	Emerging Markets	\$ 6.5	2.3%			
Short-Duration Fixed Income		\$ 10.2	3.7%	5.0%	- 1.3%	0-8%
Barrow Hanley	Short Duration	\$ 6.8	2.4%			20-30%
Cash	Money Market	\$ 3.4	1.2%			
Market-Duration Fixed Income		\$ 75.2	27.0%	25.0%	+ 2.0%	
Dodge & Cox	Market Duration	\$ 37.4	13.4%	12.5%	+ 0.9%	
MetWest	Market Duration	\$ 37.8	13.6%	12.5%	+ 1.1%	
Alternatives		\$ 50.4	18.1%	20.0%	- 1.9%	17-23%
Lighthouse	HFOF	\$ 18.6	6.7%			
Pointer	HFOF	\$ 18.8	6.8%			
Oaktree RE Opps VI	Real Estate	\$ 3.2	1.1%			
Walton Street RE VII	Real Estate	\$ 2.9	1.0%			
Walton Street RE VIII	Real Estate	\$ 6.9	2.5%			
Total		\$278.3	100.0%			

*Totals may not add due to rounding.

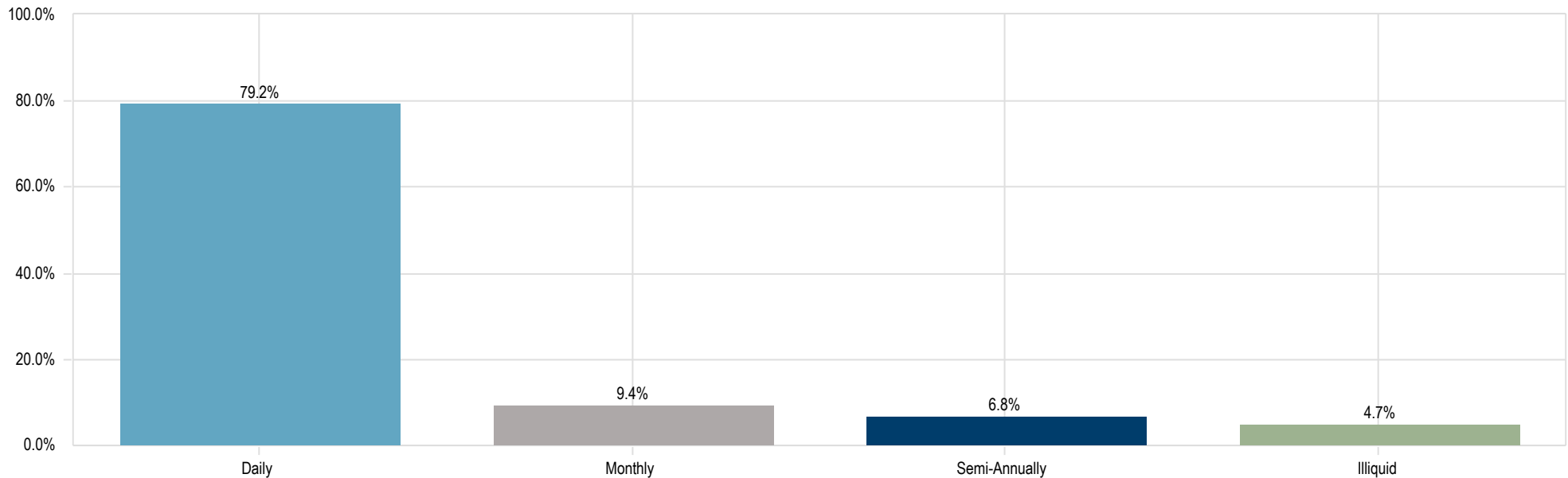
Liquidity Schedule - Cash Balance

Liquidity Schedule

September 30, 2019

Investments	Market Value	Daily	Monthly	Semi-Annually	Illiquid	Subscriptions	Redemptions	Notes
Vanguard Institutional Index Fund	38,730,221	38,730,221	-	-	-	Daily	Daily	Daily, No Lock-Up
Sands Large Cap Growth (Touchstone)	19,839,647	19,839,647	-	-	-	Daily	Daily	Daily, No Lock-Up
Barrow Hanley Large Cap Value	20,941,686	20,941,686	-	-	-	Daily	Daily	Daily, No Lock-Up
Conestoga Small-Cap Fund I	7,278,024	7,278,024	-	-	-	Daily	Daily	Daily, No Lock-Up
Wellington Small Cap Value	7,388,708	-	7,388,708	-	-	Monthly	Monthly	10 Day Notice, No Lock-Up
Causeway International Value	18,001,215	18,001,215	-	-	-	Daily	Daily	Daily, No Lock-Up
BNY Mellon International Stock Fund	23,724,842	23,724,842	-	-	-	Daily	Daily	Daily, No Lock-Up
Harding Loevner Inst. Emerging Markets I	6,519,896	6,519,896	-	-	-	Daily	Daily	Daily, No Lock-Up
Barrow Hanley Short Fixed	6,778,860	6,778,860	-	-	-	Daily	Daily	Daily, No Lock-Up
Cash Account	3,404,815	3,404,815	-	-	-	Daily	Daily	Daily, No Lock-Up
Dodge & Cox Income Fund	37,389,416	37,389,416	-	-	-	Daily	Daily	Daily, No Lock-Up
Met West Total Return Fund PI	37,843,231	37,843,231	-	-	-	Daily	Daily	Daily, No Lock-Up
Lighthouse Diversified	18,618,643	-	18,618,643	-	-	Monthly	Monthly	90 Day Notice, No Lock-Up
Pointer Offshore LTD	18,799,594	-	-	18,799,594	-	Semi-Annually	Semi-Annually	Notice by Mar 15/Sept 15
Oaktree RE Opportunities Fund V	3,199,480	-	-	-	3,199,480	Illiquid	Illiquid	Illiquid
Walton Street Real Estate Fund VII, L.P.	2,880,041	-	-	-	2,880,041	Illiquid	Illiquid	Illiquid
Walton Street Real Estate Fund VIII, L.P.	6,940,234	-	-	-	6,940,234	Illiquid	Illiquid	Illiquid
Total (\$)	278,278,553	220,451,854	26,007,351	18,799,594	13,019,754			
Total (%)	100.0	79.2	9.4	6.8	4.7			

Liquidity Schedule Summary



Investment Management Fees

Cash Balance Investment Program Structure

As of September 30, 2019

	Total Assets (\$ millions)	Committed Capital (\$ millions)	Contributed Capital (\$ millions)	Management Fee (%)	Mercer Mutual Fund Peer Group	Mercer Mutual Fund Peer Group Median (%)
Domestic Equity						
Vanguard S&P 500 Index	\$38,730,221			0.035	Mercer Mutual Fund US Equity Large Cap Index	0.19
Sands Large Cap Growth (Touchstone)	\$19,839,647			0.80	Mercer Mutual Fund US Equity Large Cap Growth Median	0.69
Barrow Hanley Large Cap Value	\$20,941,686			0.38	Mercer Mutual Fund US Equity Large Cap Value Median	0.65
Wellington Small Cap Value	\$7,388,708			0.90	Mercer Mutual Fund US Equity Small Cap Value Median	0.97
Conestoga Small Cap Growth	\$7,278,024			0.90	Mercer Mutual Fund US Equity Small Cap Growth Median	0.91
International Equity						
Causeway International Value	\$18,001,215			0.88	Mercer Mutual Fund World ex US/EAFE Equity Large Cap Value Median	0.81
BNY Mellon International Stock Fund	\$23,724,842			0.91	Mercer Mutual Fund World ex US/EAFE Equity Large Cap Growth Median	0.85
Harding Loevner Emerging Markets	\$6,519,896			1.27	Mercer Mutual Fund Emerging Markets Equity Median	0.95
Short Fixed Income						
Barrow Hanley Short Fixed	\$6,778,860			0.18	Mercer Mutual Fund US Fixed Short Median	0.40
Market Duration Fixed Income						
Dodge & Cox Income Fund	\$37,389,416			0.42	Mercer Mutual Fund US Fixed Core Median	0.44
MetWest Total Return	\$37,843,231			0.37	Mercer Mutual Fund US Fixed Core Median	0.44
Cash						
Cash Account	\$3,404,815			N/A	N/A	N/A
Hedge Funds¹						
Lighthouse Diversified	\$18,618,643			1.00	N/A	N/A
Pointer Offshore	\$18,799,594			1.00	N/A	N/A
Total (ex Private Real Estate)	\$265,258,799			0.55%		
Private Real Estate²						
Oaktree Real Estate Opportunities VI	\$3,199,480	\$ 8.4	\$ 8.4	1.50	N/A	N/A
				Of committed Capital ²		
Walton Street Real Estate VII	\$2,880,041	\$ 8.4	\$ 7.7	1.50	N/A	N/A
				Of committed Capital ²		
Walton Street Real Estate Fund VIII	\$6,940,234	\$ 10.0	\$ 7.1	1.50	N/A	N/A
				Of committed Capital ²		
Total	\$278,278,553					

1. Hedge Fund fees do not include incentive fees.

2. Private Real Estate fees do not include carried interest.

Surplus Cash Equity Portfolio Characteristics

Total Equity Composite vs. MSCI AC World IMI (Net)

September 30, 2019

Portfolio Characteristics

	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap \$000	144,828,673	141,017,131
Median Mkt. Cap \$000	17,334,580	1,642,929
Price / Earnings	20.35	17.28
Price / Book	3.28	2.81
5 Yr. EPS Growth Rate (%)	14.38	12.78
Current Yield (%)	2.02	2.53
Beta (5 Years, Monthly)	1.01	1.00
Number of Holdings	818	8,820

Top 10 Holdings

	Portfolio	Benchmark	Return
Amazon.com Inc	1.86	1.37	-8.33
Microsoft Corp	1.73	1.91	4.14
Visa Inc	1.38	0.56	-0.75
Apple Inc	1.26	1.94	13.59
Alibaba Group Holding	1.12	0.45	-1.31
Alphabet Inc	1.11	0.69	12.78
Facebook Inc	1.01	0.81	-7.73
Chevron Corp	0.94	0.43	-3.71
ServiceNow Inc	0.92	0.09	-7.55
JPMorgan Chase & Co	0.85	0.72	6.01

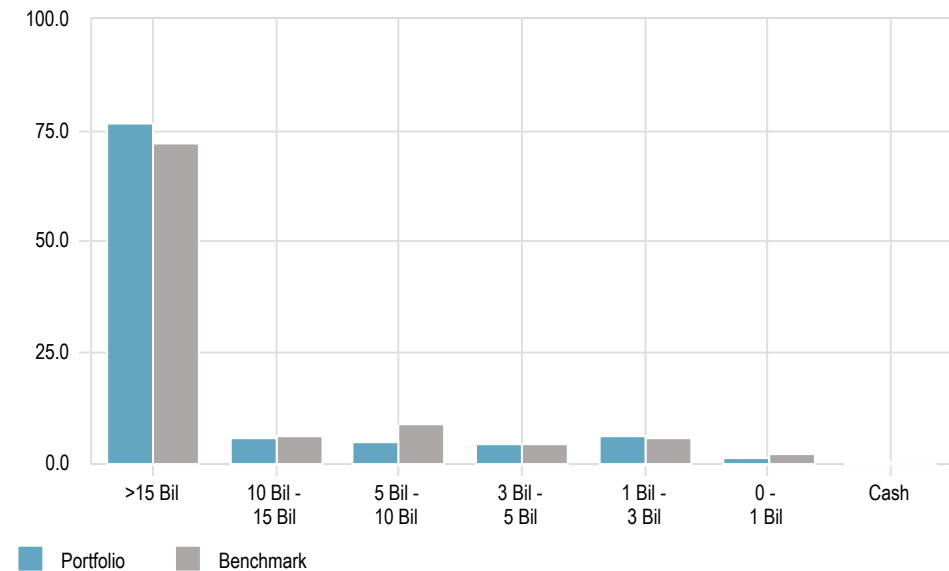
Top Contributors

	Portfolio	Benchmark	Return	Contribution
Apple Inc	1.15	1.75	13.59	0.16
Alphabet Inc	0.97	0.61	12.78	0.12
Edwards Lifesciences Corp	0.50	0.07	19.04	0.09
Cobham PLC	0.17	0.01	42.48	0.07
Microsoft Corp	1.68	1.83	4.14	0.07

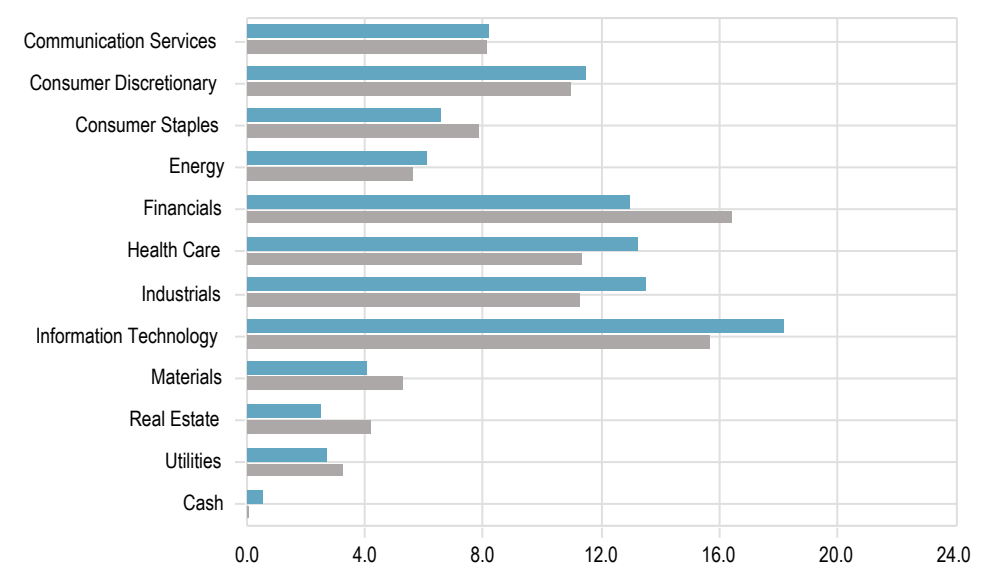
Top Detractors

	Portfolio	Benchmark	Return	Contribution
Netflix Inc	0.95	0.30	-27.14	-0.26
Amazon.com Inc	2.00	1.48	-8.33	-0.17
Align Technology Inc	0.32	0.04	-33.90	-0.11
SAP SE	0.69	0.25	-14.40	-0.10
AIA Group Ltd	0.80	0.24	-12.08	-0.10

Distribution of Market Cap



Sector Allocation



Surplus Cash Equity Portfolio - Country/Region Allocation

Total Equity Composite vs. MSCI ACWI IMI Index

September 30, 2019

	Total Equity Composite	MSCI AC World IMI (Net)
Canada	1.2	3.2
United States	61.4	53.2
Australia	0.7	2.1
Hong Kong	3.4	2.3
New Zealand	0.0	0.1
Singapore	0.0	0.4
Pacific ex Japan	4.1	5.0
Japan	5.4	7.7
Austria	0.0	0.1
Belgium	0.0	0.4
Bermuda	0.2	0.2
Denmark	1.0	0.5
Finland	0.4	0.4
France	2.3	2.9
Germany	2.0	2.4
Ireland	1.9	1.2
Italy	0.4	0.7
Luxembourg	0.2	0.1
Netherlands	1.1	1.8
Norway	0.0	0.2
Portugal	0.1	0.1
Spain	0.4	0.8
Sweden	0.0	0.9
Switzerland	3.5	3.0
Europe ex UK	13.5	15.7
United Kingdom	5.7	4.9
Israel	0.0	0.2
Middle East	0.0	0.2
Developed Markets	91.3	90.0

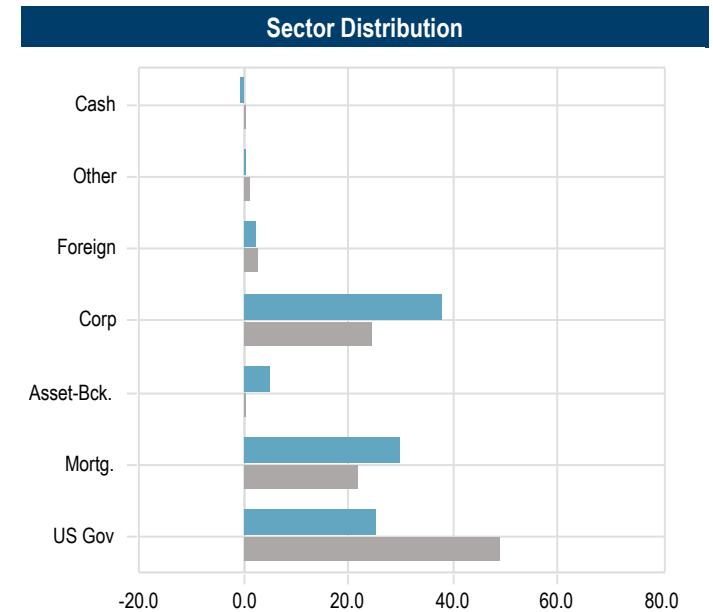
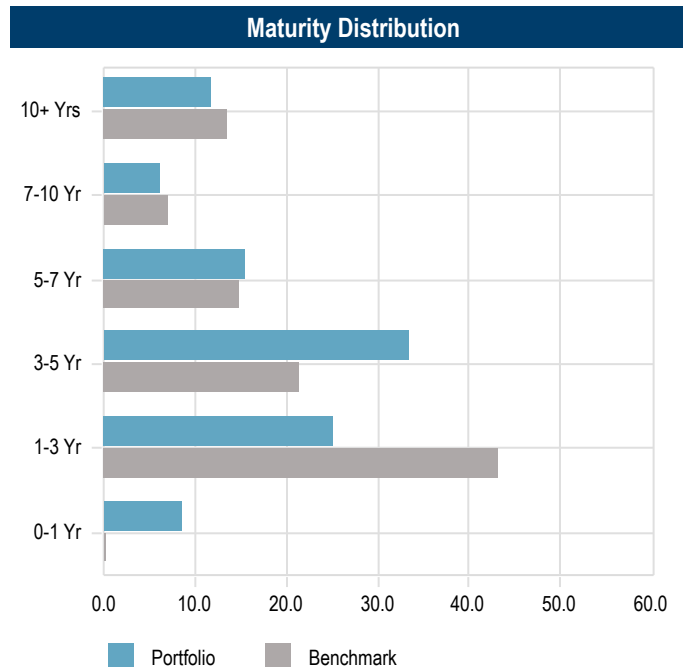
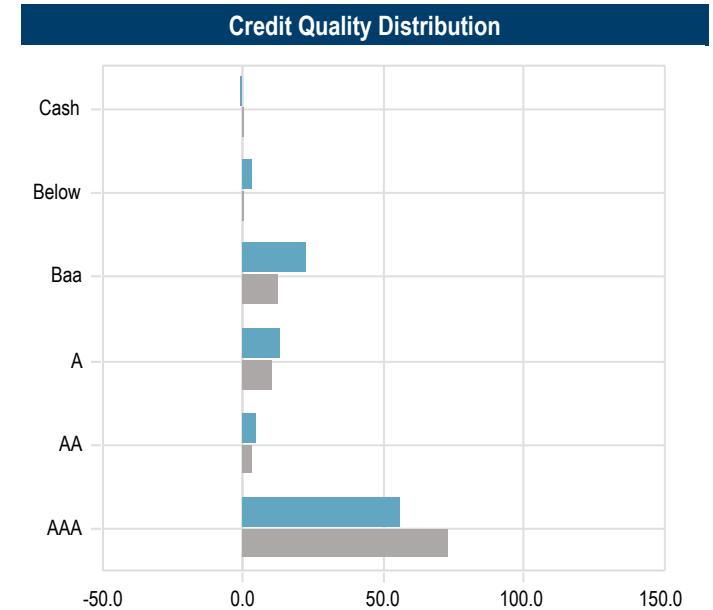
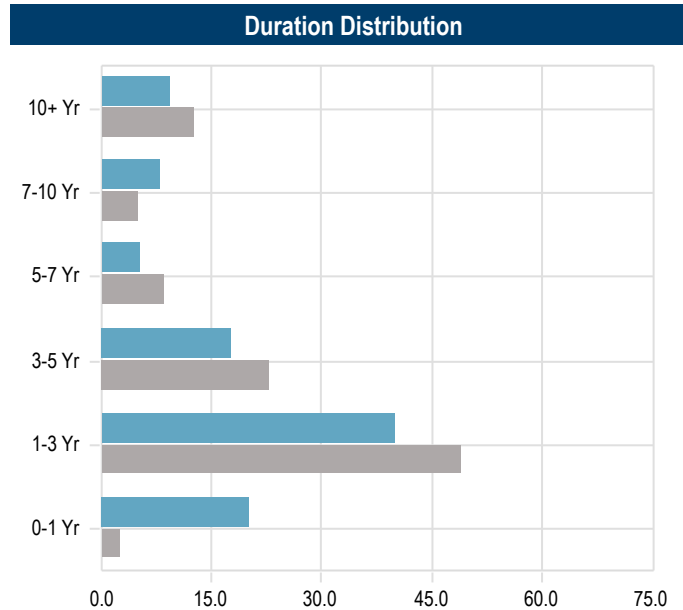
	Total Equity Composite	MSCI AC World IMI (Net)
China	2.1	2.0
India	0.6	1.1
Indonesia	0.3	0.2
Korea	1.1	1.4
Malaysia	0.0	0.2
Pakistan	0.0	0.0
Philippines	0.0	0.1
Taiwan	1.1	1.4
Thailand	0.1	0.4
EM Asia	5.4	6.8
Czech Republic	0.1	0.0
Greece	0.0	0.0
Hungary	0.0	0.0
Iceland	0.0	0.0
Poland	0.0	0.1
Russia	0.7	0.4
Turkey	0.1	0.1
EM Europe	0.9	0.7
Argentina	0.0	0.1
Brazil	0.7	0.9
Cayman Islands	0.0	0.0
Chile	0.0	0.1
Colombia	0.1	0.0
Mexico	0.4	0.3
Peru	0.0	0.0
Virgin Islands	0.0	0.0
EM Latin America	1.2	1.4
Egypt	0.1	0.0
Qatar	0.0	0.1
Saudi Arabia	0.0	0.3
South Africa	0.3	0.5
United Arab Emirates	0.1	0.1
EM Mid East+Africa	0.5	1.1
Emerging Markets	7.9	10.0
Frontier Markets	0.1	0.0
Cash	0.3	0.0
Other	0.3	0.1
Total	100.0	100.0

Surplus Cash Fixed Income Portfolio Characteristics

Total Fixed Income Composite vs. Total Fixed Income Benchmark - Surplus

September 30, 2019

	Portfolio	Benchmark
Portfolio Characteristics		
Avg. Maturity	6.10	6.40
Avg. Quality	AA	AA
Avg. Coupon	-	-
Current Yield	-	-
Yield To Maturity (%)	2.40	2.20
Number of Issues	-	-
Duration Distribution		
0-1 Yr	20.1	2.4
1-3 Yr	40.0	49.0
3-5 Yr	17.7	22.7
5-7 Yr	5.1	8.4
7-10 Yr	7.9	5.0
10+ Yr	9.2	12.5
Maturity Distribution		
0-1 Yr	8.4	-
1-3 Yr	25.0	43.3
3-5 Yr	33.3	21.4
5-7 Yr	15.5	14.8
7-10 Yr	6.0	6.9
10+ Yrs	11.8	13.6
Quality Distribution		
AAA	56.3	73.0
AA	4.5	3.7
A	13.5	10.6
Baa	22.9	12.8
Below	3.3	-
Cash	-0.6	-
Sector Distribution		
US Gov	25.4	49.0
Mortg.	29.8	21.9
Asset-Bck.	5.2	0.3
Corp	37.7	24.6
Foreign	2.6	2.8
Other	0.0	1.4
Cash	-0.6	-



Cash Balance Plan Equity Portfolio Characteristics

Total Equity Composite vs. MSCI AC World IMI (Net)

September 30, 2019

Portfolio Characteristics

	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap \$000	143,959,104	141,017,131
Median Mkt. Cap \$000	17,334,580	1,642,929
Price / Earnings	20.53	17.28
Price / Book	3.29	2.81
5 Yr. EPS Growth Rate (%)	14.41	12.78
Current Yield (%)	2.00	2.53
Beta (5 Years, Monthly)	1.01	1.00
Number of Holdings	818	8,820

Top 10 Holdings

	Portfolio	Benchmark	Return
Amazon.com Inc	1.96	1.37	-8.33
Microsoft Corp	1.62	1.91	4.14
Visa Inc	1.61	0.56	-0.75
Alphabet Inc	1.21	0.69	12.78
ServiceNow Inc	1.19	0.09	-7.55
Alibaba Group Holding	1.18	0.45	-1.31
Chevron Corp	1.14	0.43	-3.71
Apple Inc	1.06	1.94	13.59
Facebook Inc	1.05	0.81	-7.73
JPMorgan Chase & Co	0.90	0.72	6.01

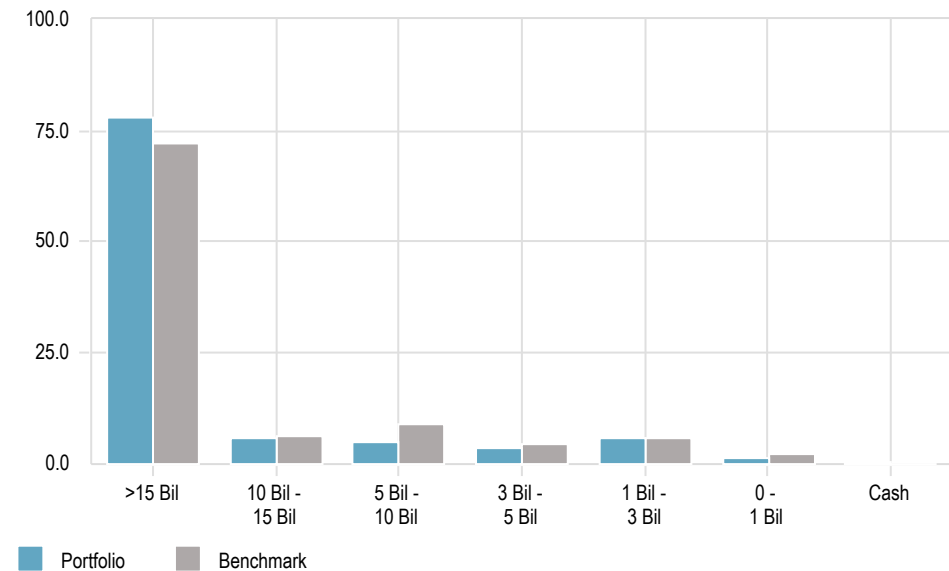
Top Contributors

	Portfolio	Benchmark	Return	Contribution
Alphabet Inc	1.06	0.61	12.78	0.14
Apple Inc	0.97	1.75	13.59	0.13
Edwards Lifesciences Corp	0.62	0.07	19.04	0.12
Dollar General Corporation	0.50	0.07	17.87	0.09
Cobham PLC	0.19	0.01	42.48	0.08

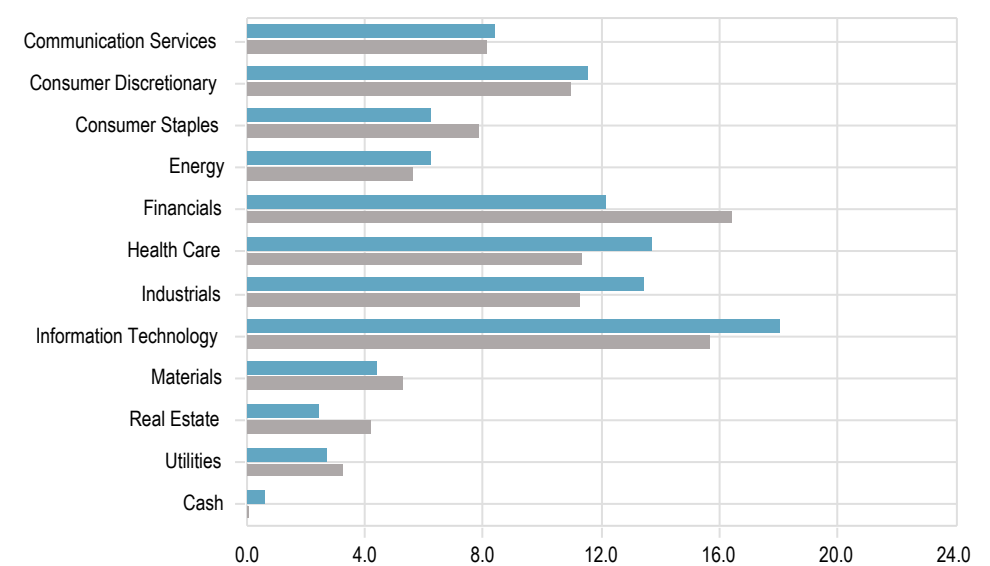
Top Detractors

	Portfolio	Benchmark	Return	Contribution
Netflix Inc	1.13	0.30	-27.14	-0.31
Amazon.com Inc	2.12	1.48	-8.33	-0.18
Align Technology Inc	0.40	0.04	-33.90	-0.14
Sarepta Therapeutics Inc	0.24	0.02	-50.43	-0.12
Illumina Inc	0.68	0.10	-17.37	-0.12

Distribution of Market Cap



Sector Allocation



Cash Balance Plan Equity Portfolio - Country/Region Allocation

Total Equity Composite vs. MSCI ACWI IMI Index

September 30, 2019

	Total Equity Composite	MSCI AC World IMI (Net)
Canada	1.3	3.2
United States	61.4	53.2
Australia	0.8	2.1
Hong Kong	3.0	2.3
New Zealand	0.0	0.1
Singapore	0.0	0.4
Pacific ex Japan	3.8	5.0
Japan	6.1	7.7
Austria	0.0	0.1
Belgium	0.0	0.4
Bermuda	0.2	0.2
Denmark	1.1	0.5
Finland	0.4	0.4
France	2.6	2.9
Germany	2.2	2.4
Ireland	2.1	1.2
Italy	0.5	0.7
Luxembourg	0.1	0.1
Netherlands	1.3	1.8
Norway	0.0	0.2
Portugal	0.2	0.1
Spain	0.5	0.8
Sweden	0.0	0.9
Switzerland	4.0	3.0
Europe ex UK	15.0	15.7
United Kingdom	6.4	4.9
Israel	0.0	0.2
Middle East	0.0	0.2
Developed Markets	93.9	90.0

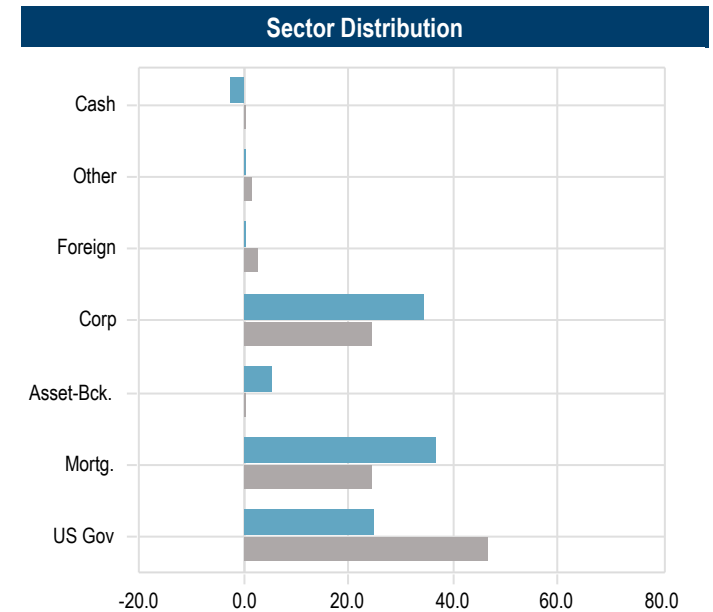
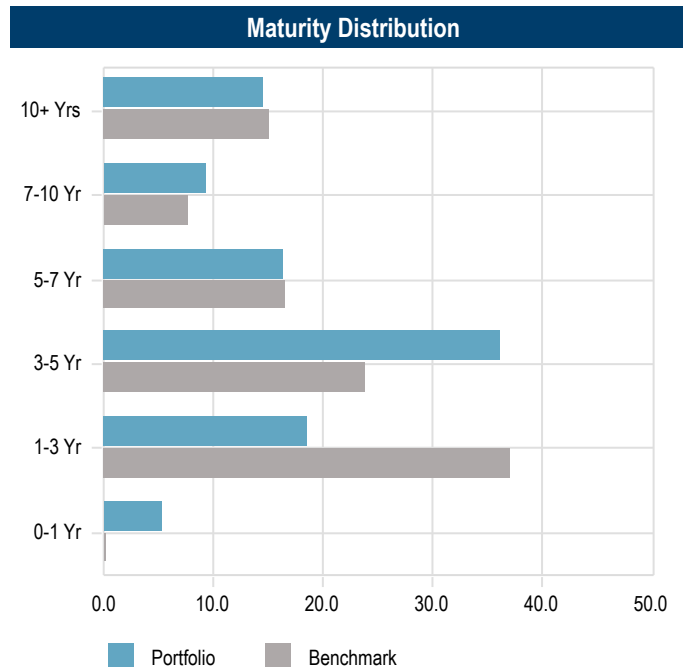
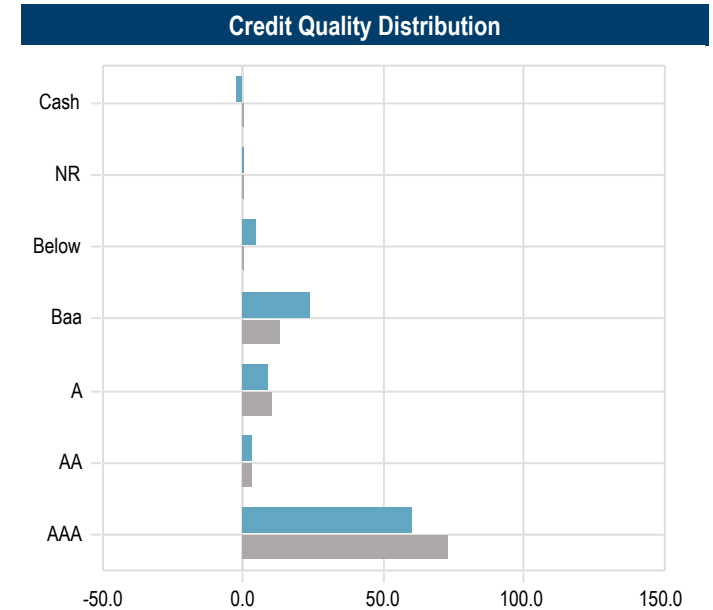
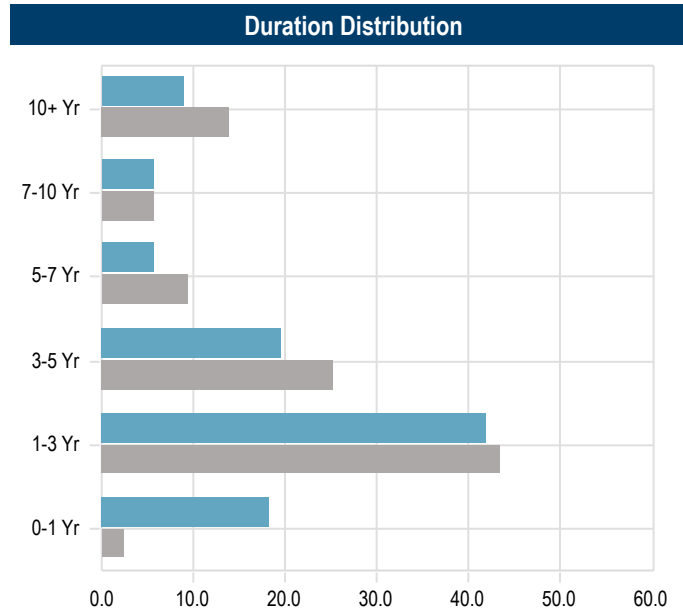
	Total Equity Composite	MSCI AC World IMI (Net)
China	1.8	2.0
India	0.4	1.1
Indonesia	0.2	0.2
Korea	0.8	1.4
Malaysia	0.0	0.2
Pakistan	0.0	0.0
Philippines	0.0	0.1
Taiwan	0.8	1.4
Thailand	0.1	0.4
EM Asia	4.1	6.8
Czech Republic	0.0	0.0
Greece	0.0	0.0
Hungary	0.0	0.0
Iceland	0.0	0.0
Poland	0.0	0.1
Russia	0.4	0.4
Turkey	0.1	0.1
EM Europe	0.5	0.7
Argentina	0.0	0.1
Brazil	0.4	0.9
Cayman Islands	0.0	0.0
Chile	0.0	0.1
Colombia	0.1	0.0
Mexico	0.2	0.3
Peru	0.0	0.0
Virgin Islands	0.0	0.0
EM Latin America	0.7	1.4
Egypt	0.0	0.0
Qatar	0.0	0.1
Saudi Arabia	0.0	0.3
South Africa	0.2	0.5
United Arab Emirates	0.1	0.1
EM Mid East+Africa	0.2	1.1
Emerging Markets	5.5	10.0
Frontier Markets	0.1	0.0
Cash	0.4	0.0
Other	0.2	0.1
Total	100.0	100.0

Cash Balance Plan Fixed Income Portfolio Characteristics

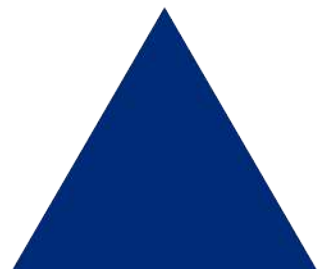
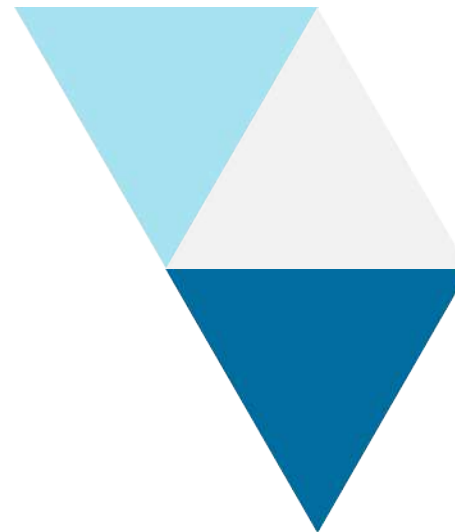
Cash Balance Fixed Income Composite vs. Total Fixed Income Benchmark

September 30, 2019

	Portfolio	Benchmark
Portfolio Characteristics		
Avg. Maturity	7.80	6.90
Avg. Quality	AA	AA
Avg. Coupon	-	-
Current Yield	-	-
Yield To Maturity (%)	2.60	2.20
Number of Issues	-	-
Duration Distribution		
0-1 Yr	18.3	2.5
1-3 Yr	41.9	43.5
3-5 Yr	19.6	25.2
5-7 Yr	5.6	9.4
7-10 Yr	5.6	5.6
10+ Yr	9.0	13.9
Maturity Distribution		
0-1 Yr	5.2	-
1-3 Yr	18.5	37.0
3-5 Yr	36.2	23.8
5-7 Yr	16.4	16.5
7-10 Yr	9.2	7.7
10+ Yrs	14.5	15.0
Quality Distribution		
AAA	60.3	73.0
AA	3.7	3.4
A	9.1	10.6
Baa	24.3	13.0
Below	4.9	-
NR	0.0	-
Cash	-2.3	-
Sector Distribution		
US Gov	24.8	46.4
Mortg.	36.8	24.4
Asset-Bck.	5.6	0.4
Corp	34.5	24.7
Foreign	0.7	2.7
Other	0.3	1.5
Cash	-2.6	-

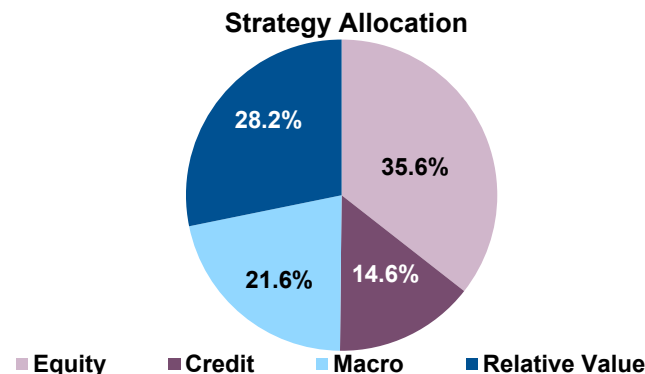
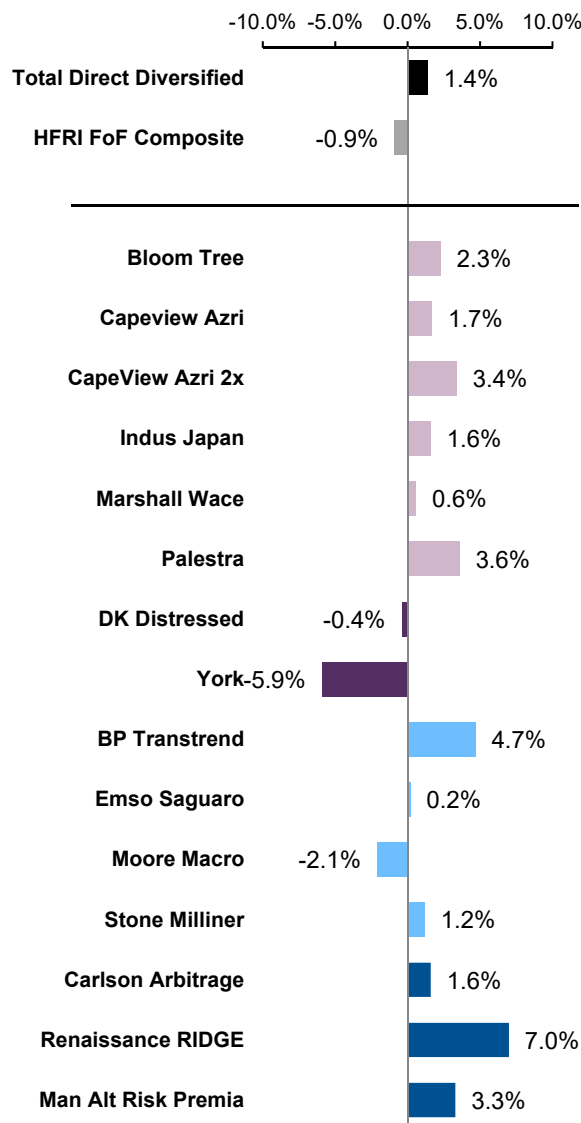


Direct Hedge Fund Portfolio



Direct Hedge Fund Portfolio

Strategy Performance: 3Q 2019



Program Comments:

The *Direct Hedge Fund Portfolio* returned +1.4% during the third quarter, outpacing peers as measured by the *HFRI Fund of Funds Composite Index* (-0.9%), but trailing equity and bond indices. Muted overall performance was driven partly by the portfolio's low-beta stance and a rally in rates, which buoyed bonds but did not help the duration-neutral HF Portfolio. Overall, managers contributed positively to returns and continued to behave in an uncorrelated fashion.

Equity-oriented strategies posted strong alpha during the quarter. While many long/short equity managers were negatively affected by a technical unwind of crowded positions which saw a large decline in momentum names, equity managers in the program were largely unaffected due to their global nature and differentiated positioning. US-focused managers **Bloom Tree** and **Palestra** fared particularly well during the August unwind. While **Marshall Wace's** diversified program has been susceptible to these pull-backs in the past, it still posted profits during the quarter.

Credit performance was mixed amid strong HY markets with poor performance of low-quality credits and energy-related names. Commonly-held positions in PG&E and Argentina generally hurt the average credit manager. **York** incurred larger losses than peers due to idiosyncratic positioning and concentrated exposures in energy credits. Macro managers had divergent performance. Trend-following manager **Transtrend** gained most, boosted by long stock and bond positioning and gaining broadly across trades. Losses in Argentine bonds due to President Macri's primary loss to Peronist Alberto Fernandez hurt discretionary macro managers disproportionately. EM debt-focused manager **Emso** gained modestly, and discretionary managers **Stone Milliner** and **Moore** had divergent performance.

All Relative Value managers gained in Q3. **Renaissance RIDGE** profited from its quantitative alpha models and its exposure to the low volatility factor (high quality and low beta stocks outperformed low quality and high beta stocks). Alternative risk premia manager **Man** performed well, and merger-arbitrage focused **Carlson** posted gains.

Portfolio Changes:

\$10 million was allocated to **Man Alternative Risk Premia Fund** as of July 1, 2019.

\$9.4 million proceeds from **Chatham** redemptions received July 2019 with a \$1 million audit holdback remaining.

\$10 million was allocated to **Waterfall Eden Fund** as of October 1, 2019

Direct Hedge Fund Portfolio Asset Allocation & Performance

September 30, 2019

	Allocation		Performance							
	Asset \$	%	3 Month	Fiscal YTD	CYTD	1 Year	3 Year	5 Year	Since Invested	Inception Date
Hedge Fund Composite	147,936,509	100.0	1.4	1.4	5.5	0.1	4.7	1.9	2.9	May-2013
<i>HFRI Fund of Funds Composite Index</i>			-0.9	-0.9	5.2	0.0	3.2	1.9	2.6	
<i>El Camino HF Composite Benchmark</i>			-0.5	-0.5	5.9	0.1	3.7	2.6	3.2	
Equity HF Composite	52,634,638	35.6	2.1	2.1	8.7	-0.2	5.9	1.6	2.7	May-2013
<i>HFRI Equity Hedge (Total) Index</i>			-1.1	-1.1	8.0	-1.2	4.8	3.5	4.3	
Credit HF Composite	21,616,090	14.6	-2.7	-2.7	-0.4	-4.6	5.4	1.9	4.3	May-2013
<i>HFRI ED: Distressed/Restructuring Index</i>			-1.6	-1.6	3.1	-2.8	4.4	1.9	3.0	
Macro HF Composite	41,730,764	28.2	1.0	1.0	4.7	-0.6	1.3	1.9	1.6	May-2013
<i>HFRI Macro (Total) Index</i>			1.5	1.5	6.5	4.0	1.2	1.3	1.1	
Relative Value HF Composite	31,955,018	21.6	3.9	3.9	6.7	6.2	5.8	2.3	3.3	May-2013
<i>HFRI RV: Multi-Strategy Index</i>			-0.1	-0.1	3.6	1.4	3.0	2.9	3.2	

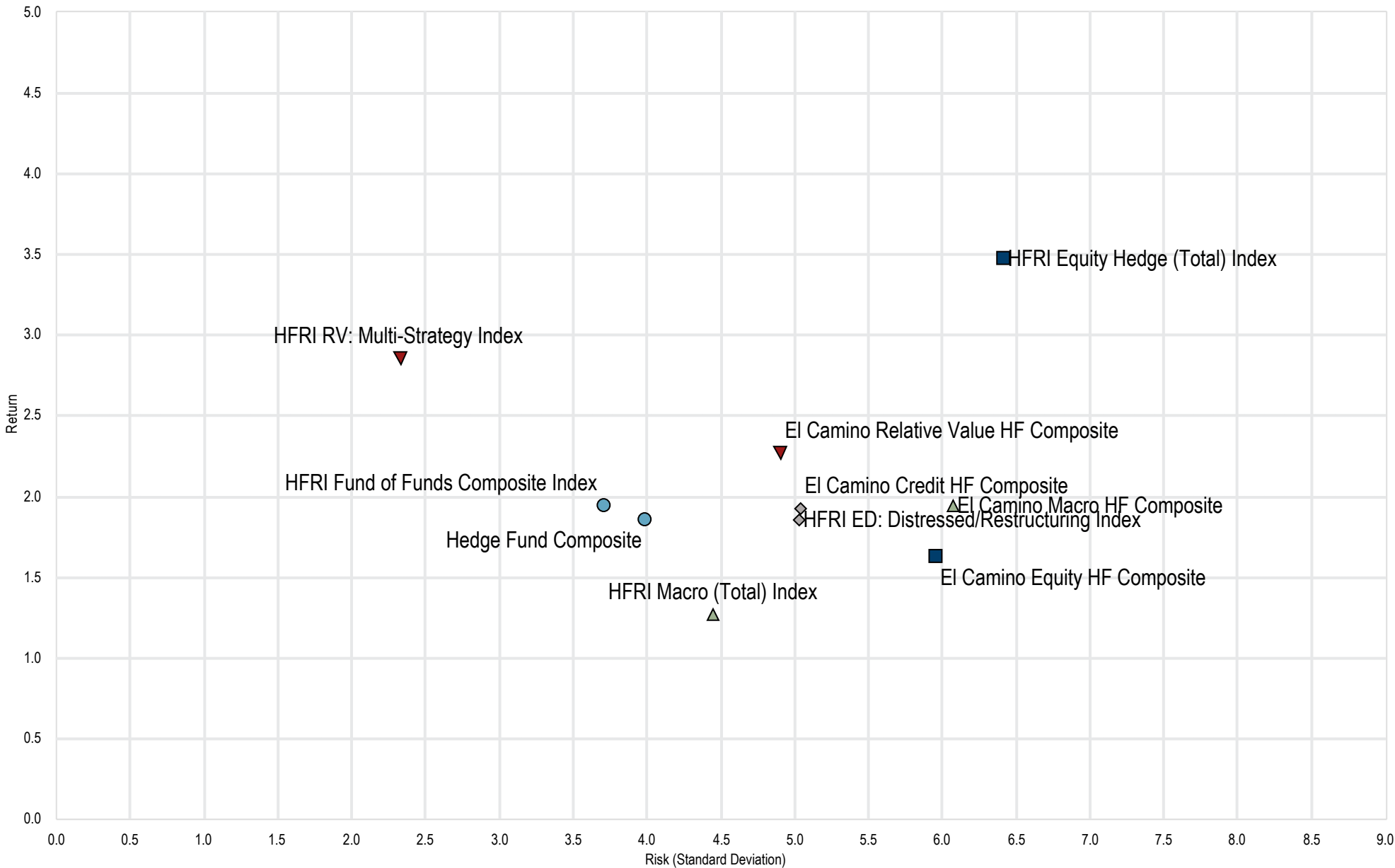
Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.

The El Camino HF Composite Benchmark consists of 40% HFRI Equity Hedge (Total) Index, 20% HFRI ED: Distressed/Restructuring Index, 20% HFRI Macro (Total) Index, and 20% HFRI RV: Multi-Strategy Index.

Direct Hedge Fund Portfolio

Risk and Return Summary (Net of Fees)

5 Years



Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.

	Since Inception Return	Since Inception Standard Deviation	Since Inception Maximum Drawdown	Since Inception Best Quarter	Since Inception Worst Quarter	Since Inception Sharpe Ratio	Since Inception Sortino Ratio	Inception Date
Total Portfolio								
Hedge Fund Composite	2.9	3.8	-9.5	4.9	-5.7	0.6	0.8	May-2013
HFRI Fund of Funds Composite Index	2.6	3.6	-7.6	4.6	-4.9	0.5	0.7	
Equity Long/Short								
El Camino Equity HF Composite	2.7	5.5	-14.3	5.7	-8.2	0.4	0.5	May-2013
HFRI Equity Hedge (Total) Index	4.3	6.2	-10.3	7.6	-8.5	0.6	0.9	
Credit								
El Camino Credit HF Composite	4.3	5.1	-18.5	7.0	-6.6	0.7	1.1	May-2013
HFRI ED: Distressed/Restructuring Index	3.0	4.9	-17.5	7.4	-6.4	0.5	0.7	
Macro								
El Camino Macro HF Composite	1.6	5.9	-7.4	7.9	-5.0	0.2	0.2	May-2013
HFRI Macro (Total) Index	1.1	4.2	-6.8	6.3	-4.0	0.1	0.2	
Relative Value								
El Camino Relative Value HF Composite	3.3	4.6	-13.8	5.3	-8.1	0.6	0.8	May-2013
HFRI RV: Multi-Strategy Index	3.2	2.3	-4.2	2.9	-2.4	1.1	1.8	

Asset Class Diversification

Hedge Fund Portfolio
As of September 30, 2019

Manager	Asset Class/Type	Total Assets (\$, mil.)	Percent of Total	Target Allocation	Weighting Relative to Target
Equity Hedge Funds		\$ 52.6	35.6%	40.0%	- 4.4%
Luxor	Event Driven Equity	\$ 0.7	0.5%		
CapeView 1x	European Equity	\$ 6.3	4.3%		
CapeView 2x	European Equity	\$ 3.8	2.5%		
Bloom Tree	Global Equity	\$ 11.5	7.8%		
Marshall Wace Eureka	Global Equity	\$ 10.4	7.0%		
Indus Japan	Japanese Equity	\$ 8.9	6.0%		
Palestra	Long/Short Equity	\$ 11.0	7.5%		
Credit Hedge Funds		\$ 21.6	14.6%	20.0%	- 5.4%
Davidson Kempner	Distressed Credit	\$ 10.9	7.3%		
York	Multi-Strategy Credit	\$ 9.7	6.6%		
Chatham Asset	High Yield	\$ 1.0	0.7%		
Macro Hedge Funds		\$ 41.7	28.2%	20.0%	+ 8.2%
BP Transtrend	Systematic Macro	\$ 10.9	7.3%		
Moore	Discretionary Macro	\$ 10.2	6.9%		
Stone Milliner	Discretionary Macro	\$ 10.2	6.9%		
EMSO Saguaro	Discretionary Macro	\$ 10.5	7.1%		
Relative Value Hedge Funds		\$ 32.0	21.6%	20.0%	+ 1.6%
Renaissance RIDGE	Quantitative Market Neutral	\$ 10.7	7.2%		
Fir Tree	Multi-Strategy	\$ 0.2	0.1%		
Pine River	Multi-Strategy	\$ 0.0	0.0%		
Black Diamond Arbitrage	Event/Merger Arbitrage	\$ 10.7	7.2%		
Man Alternative Risk Premia	Alternative Risk Premia	\$ 10.4	7.0%		
Total Hedge Fund Portfolio		\$147.9	100.0%		

*Totals may not add due to rounding.

Direct Hedge Fund Performance Summary

September 30, 2019

	3 Month	Fiscal YTD	CYTD	1 Year	3 Year	5 Year	Since Invested	2018	2017	2016	2015	2014	2013	Inception Date
Total Portfolio														
Hedge Fund Composite	1.4	1.4	5.5	0.1	4.7	1.9	2.9	-1.4	7.2	1.0	-1.6	2.2	-	May-2013
<i>HFRI Fund of Funds Composite Index</i>	<i>-0.9</i>	<i>-0.9</i>	<i>5.2</i>	<i>0.0</i>	<i>3.2</i>	<i>1.9</i>	<i>2.6</i>	<i>-4.0</i>	<i>7.8</i>	<i>0.5</i>	<i>-0.3</i>	<i>3.4</i>	<i>9.0</i>	
<i>El Camino HF Composite Benchmark</i>	<i>-0.5</i>	<i>-0.5</i>	<i>5.9</i>	<i>0.1</i>	<i>3.7</i>	<i>2.6</i>	<i>3.2</i>	<i>-4.1</i>	<i>7.7</i>	<i>6.7</i>	<i>-2.1</i>	<i>2.2</i>	<i>9.9</i>	
Equity Long/Short														
Equity HF Composite	2.1	2.1	8.7	-0.2	5.9	1.6	2.7	-3.7	12.1	-8.0	2.0	-0.4	-	May-2013
<i>HFRI Equity Hedge (Total) Index</i>	<i>-1.1</i>	<i>-1.1</i>	<i>8.0</i>	<i>-1.2</i>	<i>4.8</i>	<i>3.5</i>	<i>4.3</i>	<i>-7.1</i>	<i>13.3</i>	<i>5.5</i>	<i>-1.0</i>	<i>1.8</i>	<i>14.3</i>	
Bloom Tree Offshore Fund, Ltd.	2.3	2.3	12.2	10.6	8.4	4.8	5.1	0.5	8.6	-3.8	6.3	3.0	12.8	Apr-2014
<i>HFRI Equity Hedge (Total) Index</i>	<i>-1.1</i>	<i>-1.1</i>	<i>8.0</i>	<i>-1.2</i>	<i>4.8</i>	<i>3.5</i>	<i>3.3</i>	<i>-7.1</i>	<i>13.3</i>	<i>5.5</i>	<i>-1.0</i>	<i>1.8</i>	<i>14.3</i>	
CapeView Azri Fund Limited	1.7	1.7	2.5	-1.1	3.7	2.7	3.4	0.6	7.6	-8.3	9.8	4.6	11.4	Jul-2013
<i>HFRI Equity Hedge (Total) Index</i>	<i>-1.1</i>	<i>-1.1</i>	<i>8.0</i>	<i>-1.2</i>	<i>4.8</i>	<i>3.5</i>	<i>4.5</i>	<i>-7.1</i>	<i>13.3</i>	<i>5.5</i>	<i>-1.0</i>	<i>1.8</i>	<i>14.3</i>	
CapeView Azri 2X Fund	3.4	3.4	4.4	-3.8	6.9	5.3	6.8	-0.4	16.2	-15.9	21.6	9.8	24.4	Jul-2013
<i>HFRI Equity Hedge (Total) Index</i>	<i>-1.1</i>	<i>-1.1</i>	<i>8.0</i>	<i>-1.2</i>	<i>4.8</i>	<i>3.5</i>	<i>4.5</i>	<i>-7.1</i>	<i>13.3</i>	<i>5.5</i>	<i>-1.0</i>	<i>1.8</i>	<i>14.3</i>	
Indus Japan Fund Ltd.	1.6	1.6	6.5	-14.7	4.0	0.4	1.2	-20.1	21.6	-7.5	1.8	6.3	45.0	Dec-2013
<i>HFRI Equity Hedge (Total) Index</i>	<i>-1.1</i>	<i>-1.1</i>	<i>8.0</i>	<i>-1.2</i>	<i>4.8</i>	<i>3.5</i>	<i>3.5</i>	<i>-7.1</i>	<i>13.3</i>	<i>5.5</i>	<i>-1.0</i>	<i>1.8</i>	<i>14.3</i>	
Marshall Wace Eureka Fund Class B2	0.6	0.6	8.0	1.8	7.1	7.6	5.9	-0.2	12.0	1.3	11.7	8.1	21.1	Aug-2017
<i>HFRI Equity Hedge (Total) Index</i>	<i>-1.1</i>	<i>-1.1</i>	<i>8.0</i>	<i>-1.2</i>	<i>4.8</i>	<i>3.5</i>	<i>2.6</i>	<i>-7.1</i>	<i>13.3</i>	<i>5.5</i>	<i>-1.0</i>	<i>1.8</i>	<i>14.3</i>	
Palestra Capital Offshore	3.6	3.6	21.1	9.8	10.3	11.1	10.5	-2.3	14.9	8.7	11.4	5.3	23.9	Apr-2019
<i>HFRI Equity Hedge (Total) Index</i>	<i>-1.1</i>	<i>-1.1</i>	<i>8.0</i>	<i>-1.2</i>	<i>4.8</i>	<i>3.5</i>	<i>0.4</i>	<i>-7.1</i>	<i>13.3</i>	<i>5.5</i>	<i>-1.0</i>	<i>1.8</i>	<i>14.3</i>	

Direct Hedge Fund Performance Summary

September 30, 2019

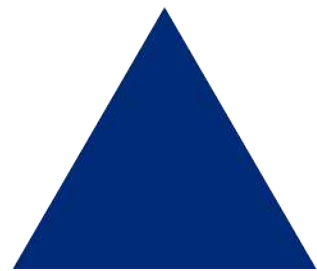
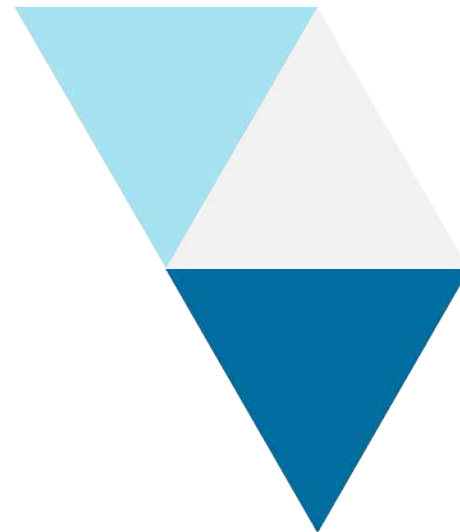
	3 Month	Fiscal YTD	CYTD	1 Year	3 Year	5 Year	Since Invested	2018	2017	2016	2015	2014	2013	Inception Date
Credit														
Credit HF Composite	-2.7	-2.7	-0.4	-4.6	5.4	1.9	4.3	0.7	9.9	14.7	-8.2	2.8	-	May-2013
<i>HFRI ED: Distressed/Restructuring Index</i>	-1.6	-1.6	3.1	-2.8	4.4	1.9	3.0	-1.7	6.3	15.1	-8.1	-1.4	14.0	
DK Distressed Opportunities International (Cayman) Ltd.	-0.4	-0.4	2.9	-2.4	6.9	4.7	6.7	2.7	9.5	21.4	-6.2	3.2	21.7	May-2013
<i>HFRI ED: Distressed/Restructuring Index</i>	-1.6	-1.6	3.1	-2.8	4.4	1.9	3.0	-1.7	6.3	15.1	-8.1	-1.4	14.0	
York Credit Opportunities Unit Trust[CE]	-5.9	-5.9	-4.4	-10.6	2.6	-1.5	1.4	-4.8	12.5	4.1	-7.9	3.4	15.6	May-2013
<i>HFRI ED: Distressed/Restructuring Index</i>	-1.6	-1.6	3.1	-2.8	4.4	1.9	3.0	-1.7	6.3	15.1	-8.1	-1.4	14.0	
Macro														
Macro HF Composite	1.0	1.0	4.7	-0.6	1.3	1.9	1.6	-4.0	0.1	5.0	1.0	7.7	-	May-2013
<i>HFRI Macro (Total) Index</i>	1.5	1.5	6.5	4.0	1.2	1.3	1.1	-4.1	2.2	1.0	-1.3	5.6	-0.4	
BP Transtrend Diversified Fund LLC	4.7	4.7	10.5	-1.0	1.0	3.5	3.7	-7.2	1.4	8.2	-1.1	18.9	0.6	May-2013
<i>HFRI Macro (Total) Index</i>	1.5	1.5	6.5	4.0	1.2	1.3	1.1	-4.1	2.2	1.0	-1.3	5.6	-0.4	
EMSO Saguaro, Ltd.	0.2	0.2	5.4	3.7	2.6	4.7	1.5	-4.6	7.7	10.2	6.2	2.6	2.7	Aug-2017
<i>HFRI Macro (Total) Index</i>	1.5	1.5	6.5	4.0	1.2	1.3	2.0	-4.1	2.2	1.0	-1.3	5.6	-0.4	
Moore Macro Managers Fund Ltd.[CE]	-2.1	-2.1	1.2	-4.5	1.0	0.8	1.1	-3.3	0.6	0.0	3.1	5.4	13.4	Apr-2014
<i>HFRI Macro (Total) Index</i>	1.5	1.5	6.5	4.0	1.2	1.3	1.8	-4.1	2.2	1.0	-1.3	5.6	-0.4	
Stone Milliner Macro Fund Inc.	1.2	1.2	1.7	-0.3	0.9	2.7	1.0	1.2	-5.5	4.9	5.7	14.3	11.2	Mar-2015
<i>HFRI Macro (Total) Index</i>	1.5	1.5	6.5	4.0	1.2	1.3	0.3	-4.1	2.2	1.0	-1.3	5.6	-0.4	

Direct Hedge Fund Performance Summary

September 30, 2019

	3 Month	Fiscal YTD	CYTD	1 Year	3 Year	5 Year	Since Invested	2018	2017	2016	2015	2014	2013	Inception Date
Relative Value														
Relative Value HF Composite	3.9	3.9	6.7	6.2	5.8	2.3	3.3	5.3	4.4	-0.4	-4.0	1.6	-	May-2013
<i>HFRI RV: Multi-Strategy Index</i>	-0.1	-0.1	3.6	1.4	3.0	2.9	3.2	-0.2	4.1	6.4	0.7	3.4	7.9	
(Carlson) Black Diamond Arbitrage Ltd.[CE]	1.6	1.6	4.3	6.1	6.8	7.8	6.1	6.4	6.8	10.8	10.5	3.9	7.5	Sep-2018
<i>HFRI ED: Merger Arbitrage Index</i>	1.0	1.0	4.3	4.3	4.5	3.8	4.3	3.3	4.3	3.6	3.3	1.7	4.7	
<i>HFRI RV: Multi-Strategy Index</i>	-0.1	-0.1	3.6	1.4	3.0	2.9	1.6	-0.2	4.1	6.4	0.7	3.4	7.9	
Renaissance RIDGE	7.0	7.0	8.5	11.9	10.7	16.8	9.2	10.4	12.4	13.3	25.6	17.0	7.7	Nov-2017
<i>HFRI EH: Equity Market Neutral Index</i>	0.6	0.6	2.0	0.1	2.5	2.7	1.0	-1.0	4.9	2.2	4.3	3.1	6.5	
<i>HFRI RV: Multi-Strategy Index</i>	-0.1	-0.1	3.6	1.4	3.0	2.9	2.1	-0.2	4.1	6.4	0.7	3.4	7.9	
Man Alternative Risk Premia SP Fund	3.3	3.3	7.5	3.4	5.6	7.9	3.3	-3.5	10.2	6.8	7.8	28.0	14.9	Jul-2019
<i>HFRI RV: Multi-Strategy Index</i>	-0.1	-0.1	3.6	1.4	3.0	2.9	-0.1	-0.2	4.1	6.4	0.7	3.4	7.9	

Appendix



Surplus Cash

Surplus Cash Total Benchmark

Beginning March 2015, the Surplus Cash Total Benchmark consists of 40% Total Equity Benchmark - Surplus, 30% Barclays Capital Aggregate, 10% Short Duration Fixed Income Benchmark - Surplus, and 20% Total Alternatives Benchmark - Surplus. From April 2014 to February 2015, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 10% Short Duration Fixed Income Benchmark - Surplus, and 20% Total Alternatives Benchmark - Surplus. From August 2013 to March 2014, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 20% Short Duration Fixed Income Benchmark - Surplus, and 10% Total Alternatives Benchmark - Surplus. During July 2013, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 21% Short Duration Fixed Income Benchmark - Surplus, and 9% Total Alternatives Benchmark - Surplus. From May 2013 to June 2013, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 22% Short Duration Fixed Income Benchmark - Surplus, and 8% HFRI Fund of Funds Composite Index. From November 2012 to April 2013, the Surplus Cash Total Benchmark consists of 30% Total Equity Benchmark - Surplus and 70% Total Fixed Income Benchmark - Surplus. From January 2007 to October 2012, the Surplus Cash Total Benchmark consisted of 15% Total Equity Benchmark - Surplus and 85% Total Fixed Income Benchmark - Surplus. From August 2000 to December 2006, the Surplus Cash Total Benchmark consisted of 2% Total Equity Benchmark - Surplus and 98% Total Fixed Income Benchmark - Surplus. From April 1991 to July 2000, the Surplus Cash Total Benchmark consisted of 100% Total Fixed Income Benchmark - Surplus.

Surplus Cash Total Benchmark X Privates

Beginning March 2015 the Surplus Cash Total Benchmark consists of 42.1% Total Equity Benchmark - Surplus, 31.6% Barclays Capital Aggregate, 10.5% Short Duration Fixed Income Benchmark - Surplus, and 15.8% Total Alternatives Benchmark - Surplus. From April 2014 to February 2015 the Surplus Cash Total Benchmark consisted of 31.6% Total Equity Benchmark - Surplus, 42.1% Barclays Capital Aggregate, 10.5% Short Duration Fixed Income Benchmark - Surplus, and 15.8% Total Alternatives Benchmark - Surplus. From August 2013 to March 2014, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 20% Short Duration Fixed Income Benchmark - Surplus, and 10% Total Alternatives Benchmark - Surplus. During July 2013, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 21% Short Duration Fixed Income Benchmark - Surplus, and 9% Total Alternatives Benchmark - Surplus. From May 2013 to June 2013, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 22% Short Duration Fixed Income Benchmark - Surplus, and 8% HFRI Fund of Funds Composite Index. From November 2012 to April 2013, the Surplus Cash Total Benchmark consists of 30% Total Equity Benchmark - Surplus and 70% Total Fixed Income Benchmark - Surplus. From January 2007 to October 2012, the Surplus Cash Total Benchmark consisted of 15% Total Equity Benchmark - Surplus and 85% Total Fixed Income Benchmark - Surplus. From August 2000 to December 2006, the Surplus Cash Total Benchmark consisted of 2% Total Equity Benchmark - Surplus and 98% Total Fixed Income Benchmark - Surplus. From April 1991 to July 2000, the Surplus Cash Total Benchmark consisted of 100% Total Fixed Income Benchmark - Surplus.

Pre-Pavilion Surplus Cash Total Benchmark

Beginning January 2007, the Pre-Pavilion Surplus Cash Total Benchmark consists of 15% Total Equity Benchmark - Surplus and 85% Total Fixed Income Benchmark - Surplus. From August 2000 to December 2006, the Pre-Pavilion Surplus Cash Total Benchmark consisted of 2% Total Equity Benchmark - Surplus and 98% Total Fixed Income Benchmark - Surplus. From April 1991 to July 2000, the Pre-Pavilion Surplus Cash Total Benchmark consisted of 100% Total Fixed Income Benchmark - Surplus.

Total Equity Benchmark - Surplus

Beginning March 2015, the Total Equity Benchmark - Surplus consists of 50% Large Cap Equity Benchmark, 12.5% Small Cap Equity Benchmark, and 37.5% MSCI AC World ex USA (Net). From November 2012 to February 2015, the Total Equity Benchmark - Surplus consisted of 50% Large Cap Equity Benchmark, 16.67% Small Cap Equity Benchmark, and 33.33% MSCI AC World ex USA (Net). From April 1991 to October 2012, the Total Equity Benchmark - Surplus consisted of 100% Large Cap Equity Benchmark.

Domestic Equity Benchmark - Surplus

Beginning March 2015, the Domestic Equity Benchmark - Surplus consists of 80% Large Cap Equity Benchmark and 20% Small Cap Equity Benchmark. From November 2012 to February 2015, the Domestic Equity Benchmark - Surplus consisted of 75% Large Cap Equity Benchmark and 25% Small Cap Equity Benchmark. From April 1991 to October 2012, the Domestic Equity Benchmark - Surplus consisted of 100% Large Cap Equity Benchmark.

Large Cap Equity Benchmark

Beginning November 2012, the Large Cap Equity Benchmark consists of 25% Russell 1000 Value Index, 25% Russell 1000 Growth Index, and 50% S&P 500 Index. From April 1991 to October 2012, the Large Cap Equity Benchmark consisted of 100% Russell 1000 Value Index.

Small Cap Equity Benchmark

Beginning November 2012, the Small Cap Equity Benchmark consists of 50% Russell 2000 Growth Index and 50% Russell 2000 Value Index.

Total Fixed Income Benchmark - Surplus

Beginning March 2015, the Total Fixed Income Benchmark - Surplus consists of 75% Barclays Capital Aggregate and 25% Short Duration Fixed Income Benchmark - Surplus. From April 2014 to February 2015, the Total Fixed Income Benchmark - Surplus consisted of 80% Barclays Capital Aggregate and 20% Short Duration Fixed Income Benchmark - Surplus. From August 2013 to March 2014, the Total Fixed Income Benchmark - Surplus consisted of 66.67% Barclays Capital Aggregate and 33.33% Short Duration Fixed Income Benchmark - Surplus. During July 2013, the Total Fixed Income Benchmark - Surplus consisted of 65.57% Barclays Capital Aggregate and 34.43% Short Duration Fixed Income Benchmark - Surplus. From May 2013 to June 2013, the Total Fixed Income Benchmark - Surplus consisted of 64.52% Barclays Capital Aggregate and 35.48% Short Duration Fixed Income Benchmark - Surplus. From November 2012 to April 2013, the Total Fixed Income Benchmark - Surplus consisted of 57.14% Barclays Capital Aggregate and 42.86% Short Duration Fixed Income Benchmark - Surplus. From January 2007 to October 2012, the Total Fixed Income Benchmark - Surplus consisted of 40% Barclays Capital Aggregate and 60% Short Duration Fixed Income Benchmark - Surplus. From April 1991 to December 2006, the Total Fixed Income Benchmark - Surplus consisted of 100% Short Duration Fixed Income Benchmark - Surplus.

Short Duration Fixed Income Benchmark - Surplus

Beginning in November 2012, the Short Duration Fixed Income Benchmark - Surplus consists of 100% Barclays Capital 1-3 Year Gov't/Credit. From January 2007 to October 2012, the Short Duration Fixed Income Benchmark - Surplus consisted of 66.67% Barclays Capital Intermediate Aggregate and 33.33% Barclays Capital Gov't 1-3 Year. From May 2001 to December 2006, the Short Duration Fixed Income Benchmark - Surplus consisted of 84.69% Barclays Capital Intermediate Aggregate and 15.31% Barclays Capital Gov't 1-3 Year. From April 1991 to April 2001, the Short Duration Fixed Income Benchmark - Surplus consisted of 100% Barclays Capital Gov't 1-3 Year.

Total Alternatives Benchmark - Surplus

Beginning April 2014 the Total Alternatives Benchmark - Surplus consists of 75% HFRI Fund of Funds Composite Index and 25% NCREIF Property Index. From May 2013 to March 2014, the Total Alternatives Benchmark - Surplus consisted of 100% HFRI Fund of Funds Composite Index.

Cash Balance Plan

Cash Balance Plan Total Benchmark

Beginning July 2017, the Cash Balance Plan Total Benchmark consists of 50% Total Equity Benchmark, 30% Total Fixed Income Benchmark, and 20% Alternatives Benchmark. From January 2013 to June 2017, the Cash Balance Plan Total Benchmark consisted of 50% Total Equity Benchmark, 35% Total Fixed Income Benchmark, and 15% Alternatives Benchmark. From November 2012 to December 2012, the Cash Balance Plan Total Benchmark consisted of 50% Total Equity Benchmark, 45% Total Fixed Income Benchmark, and 5% Alternatives Benchmark. From October 1990 to October 2012, the Cash Balance Plan Total Benchmark consisted of 60% Russell 1000 Value Index and 40% Barclays Capital Aggregate.

Cash Balance Plan Total X Privates Benchmark

Beginning July 2017, the Cash Balance Plan Total Benchmark X Privates consists of 33.68% Domestic Equity Benchmark, 18.95% MSCI AC World ex USA Net, 26.31% Barclays Capital Aggregate, 5.27% Short Duration Fixed Income Benchmark, and 15.79% HFRI FOF Composite. From January 2013 to June 2017, the Cash Balance Plan Total Benchmark X Privates consisted of 33.68% Domestic Equity Benchmark, 18.95% MSCI AC World ex USA Net, 26.31% Barclays Capital Aggregate, 10.53% Short Duration Fixed Income Benchmark, and 10.53% HFRI FOF Composite. From November 2012 to December 2012, the Cash Balance Plan Total Benchmark X Privates consisted of 50% Total Equity Benchmark, 45% Total Fixed Income Benchmark, and 5% HFRI FOF Composite. From October 1990 to October 2012, the Cash Balance Plan Total Benchmark X Privates consisted of 60% Russell 1000 Value Index and 40% Barclays Capital Aggregate.

Pre-Pavilion Cash Balance Plan Total Benchmark

Beginning October 1990, the Cash Balance Plan Total Benchmark consists of 60% Russell 1000 Value Index and 40% Barclays Capital Aggregate.

Total Equity Benchmark

Beginning November 2012, the Total Equity Benchmark consists of 54% Large Cap Equity Benchmark, 10% Small Cap Equity Benchmark, and 36% MSCI AC World ex USA (Net). From October 1990 to October 2012, the Total Equity Benchmark consisted of 100% Large Cap Equity Benchmark.

Domestic Equity Benchmark

Beginning November 2012, the Domestic Equity Benchmark consists of 84.38% Large Cap Equity Benchmark and 15.62% Small Cap Equity Benchmark. From October 1990 to October 2012, the Domestic Equity Benchmark consisted of 100% Large Cap Equity Benchmark.

Large Cap Equity Benchmark

Beginning November 2012, the Large Cap Equity Benchmark consists of 25% Russell 1000 Value Index, 25% Russell 1000 Growth Index, and 50% S&P 500 Index. From October 1990 to October 2012, the Large Cap Equity Benchmark consisted of 100% Russell 1000 Value Index.

Small Cap Equity Benchmark

Beginning November 2012, the Small Cap Equity Benchmark consists of 50% Russell 2000 Growth Index and 50% Russell 2000 Value Index.

Total Fixed Income Benchmark

Beginning July 2017, the Total Fixed Income Benchmark consists of 83.3333% Barclays Capital Aggregate and 16.6667% Short Duration Fixed Income Benchmark. From January 2013 to June 2017, the Total Fixed Income Benchmark consisted of 71.43% Barclays Capital Aggregate and 28.57% Short Duration Fixed Income Benchmark. From November 2012 to December 2012, the Total Fixed Income Benchmark consists of 55.56% Barclays Capital Aggregate and 44.44% Short Duration Fixed Income Benchmark. From October 1990 to October 2012, the Total Fixed Income Benchmark consisted of 100% Barclays Capital Aggregate.

Short Duration Fixed Income Benchmark

Beginning November 2012, the Short Duration Fixed Income Benchmark consists of 100% Barclays Capital 1-3 Year Gov't/Credit. From October 1990 to October 2012, the Short Duration Fixed Income Benchmark consisted of 100% 90 Day U.S. Treasury Bills.

Total Alternatives Benchmark

Beginning January 2013, the Alternatives Benchmark consists of 66.67% HFRI Fund of Funds Composite Index and 33.33% NCREIF Property Index. From November 2012 to December 2012, the Alternatives Benchmark consisted of 100% HFRI Fund of Funds Composite Index.

Glossary of Terms for Scorecard

As of September 30, 2019

Key Performance Indicator	Definition / Explanation
Investment Performance	
Surplus cash balance (millions)	The Surplus Cash portfolio outperformed the benchmark for the quarter with a +0.8% return. The portfolio has outgained its benchmark by 20 bps per annum since inception (Nov. 1, 2012) with a return of +5.6% annualized. The assets within the Surplus Cash account excluding debt reserves, balance sheet cash and District assets but including Foundation and Concern assets ended the quarter at \$1,046.2 million, \$17.5 million higher than the beginning of the quarter. The adjusted fiscal year 2019 Surplus Cash projected balance at fiscal year end 2019 was \$892.9 million.
Surplus cash return	
Cash balance plan balance (millions)	The Cash Balance Plan's performance lagged its benchmark by 40 bps for the quarter with a return of +0.2%, but has outperformed its benchmark since inception. The since inception annualized return stands at +7.5%, 60 basis points ahead of its benchmark per year. The assets within the Cash Balance Plan ended the quarter at \$278.3 million. The estimated expected amount for fiscal year 2019 is \$276.9 million.
Cash balance plan return	
403(b) plan balance (millions)	The 403(b) balance grew modestly during the quarter and now stands at \$516.7 million, an increase of \$2.6 million or 0.5% from the June 30, 2019 value.
Risk vs. Return	
Surplus cash 3-year Sharpe ratio	The Sharpe ratio is the excess return of an investment over the risk free rate (US Treasuries) generated per unit of risk (standard deviation) taken to obtain that return. The higher the value, the better the risk-adjusted return. It is important to view returns in this context because it takes into account the risk associated with a particular return rather than simply focusing on the absolute level of return.
3-year return	
3-year standard deviation	Sharpe ratio = (actual return - risk free rate) / standard deviation
Cash balance 3-year Sharpe ratio	The Surplus Cash portfolio's 3-year Sharpe ratio was above that of its benchmark and significantly higher than the expected Sharpe ratio modeled. This was due primarily to muted volatility over the period in comparison to what was modeled. The Cash Balance Plan's 3-year Sharpe ratio significantly exceeded modeling expectations and was above its benchmark as well. Both accounts have demonstrated strong risk-adjusted returns since inception.
3-year return	
3-year standard deviation	
Asset Allocation	
Surplus cash absolute variances to target	This represents the sum of the absolute differences between the portfolio's allocations to various asset classes and the target benchmark's allocations to those asset classes. The higher the number, the greater the portfolio's allocations deviate from the target benchmark's allocations, indicating a higher possibility for the portfolio's risk and return characteristics to differ from the Board's expectations.
Cash balance absolute variances to target	The threshold for an alert "yellow" status is set at 10% and the threshold for more severe "red" status is set at 20%. The Surplus Cash portfolio was above the 10% threshold as cash flows from hedge fund manager changes and real estate capital calls were not fully invested over quarter-end. This was adjusted shortly after quarter-end.
Manager Compliance	
Surplus cash manager flags	This section represents how individual investment managers have fared and draws attention to elevated concerns regarding performance and risk-adjusted performance all at the individual manager level. The number of flags are aggregated and a percentage of the total is used to highlight an alert "yellow" status (40% of the flags) and a more severe "red" status (50%). In total there are 60 potential flags for the Surplus Cash account and 68 for the Cash Balance Plan.
Cash balance plan manager flags	Currently, both the Surplus Cash Portfolio and the Cash Balance Plan are in the "green" status.

The **Equity Strategy** is comprised of Equity Long/Short strategies. Equity hedge strategies typically have a directional bias (long or short) and trade in equities and equity-related derivatives. Managers seek to buy undervalued equities with improving fundamentals and short overvalued equities with deteriorating fundamentals.

Trade Example: Long a basket of energy stocks and short a basket of consumer electronics stocks.

The **Credit Strategy** is comprised of Distressed Securities, Credit Long/Short, Emerging Market Debt and Credit Event Driven. Credit strategies typically have a directional bias and involve the purchase of various types of debt, equity, trade claims and fixed income securities. Hedging using various instruments such as Credit Default swaps is frequently employed.

Trade Example: Buying the distressed bonds of a company which has defaulted and participating in the corporate restructuring.

The **Macro Strategy** consists of Global Macro, Managed Futures, Commodities and Currencies. Macro strategies usually have a directional bias (which can be either long or short) and involve the purchase of a variety of securities and/or derivatives related to major markets. Managed futures strategies trade similar instruments but are typically implemented by computerized systems.

Trade Example: Long the US Dollar and short the Japanese Yen.

The **Relative Value Strategy** typically does not display a distinct directional bias. Relative Value encompasses a range of strategies covering different asset classes. Arbitrage strategies focus on capturing movements or anomalies in the price spreads between related or similar instruments. The rationale for Arbitrage trades is the ultimate convergence of the market price relationship to a known, theoretical or equilibrium relationship.

Trade Example: Long the stock of a merger bid target and short the stock of the acquirer.

Statistical Definitions

Risk Statistics
September 30, 2019

Statistics	Definition
Alpha	- A measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by beta. It is a measure of the portfolio's historical performance not explained by movements of the market, or a portfolio's non-systematic return.
Best Quarter	- The best of rolling 3 months(or 1 quarter) cumulative return.
Beta	- A measure of the sensitivity of a portfolio to the movements in the market. It is a measure of a portfolio's non-diversifiable or systematic risk.
Consistency	- The percentage of quarters that a product achieved a rate of return higher than that of its benchmark. The higher the consistency figure, the more value a manager has contributed to the product's performance.
Downside Risk	- A measure similar to standard deviation, but focuses only on the negative movements of the return series. It is calculated by taking the standard deviation of the negative set of returns. The higher the factor, the riskier the product.
Excess Return	- Arithmetic difference between the managers return and the risk-free return over a specified time period.
Information Ratio	- Measured by dividing the active rate of return by the tracking error. The higher the Information Ratio, the more value-added contribution by the manager.
Maximum Drawdown	- The drawdown is defined as the percent retrenchment from a fund's peak value to the fund's valley value. It is in effect from the time the fund's retrenchment begins until a new fund high is reached. The maximum drawdown encompasses both the period from the fund's peak to the fund's valley (length), and the time from the fund's valley to a new fund high (recovery). It measures the largest percentage drawdown that has occurred in any fund's data record.
Return	- Compounded rate of return for the period.
Sharpe Ratio	- Represents the excess rate of return over the risk free return divided by the standard deviation of the excess return. The result is the absolute rate of return per unit of risk. The higher the value, the better the product's historical risk-adjusted performance.
Sortino Ratio	- A ratio developed by Frank A. Sortino to differentiate between good and bad volatility in the Sharpe ratio. This differentiation of upwards and downwards volatility allows the calculation to provide a risk-adjusted measure of a security or fund's performance without penalizing it for upward price changes.
Standard Deviation	- A statistical measure of the range of a portfolio's performance, the variability of a return around its average return over a specified time period.
Tracking Error	- A measure of the standard deviation of a portfolio's performance relative to the performance of an appropriate market benchmark.
Worst Quarter	- The worst of rolling 3 months(or 1 quarter) cumulative return.

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**EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING COVER MEMO**

To: Investment Committee
From: Antonio DiCosola, Pavilion
Iftikhar Hussain, CFO
Date: November 11, 2019
Subject: Review of Investment Policies

Purpose: To perform annual review of the El Camino Hospital's ("ECH") Investment Policies and, if necessary, recommend appropriate changes to the ECH Board.

Summary:

1. **Situation:** The Investment Committee pacing plan calls for an annual review of the investment policies. At the Committee's August 12, 2019 meeting there was discussion about ECH potentially committing \$10 million to a \$100 million (approximately) venture capital fund that the Fogarty Institute is considering. The investment policy would have to be modified to allow this investment. However, we will evaluate the change to the policy at the February 10, 2020 meeting when we have more information about the Fogarty Institute investment. The current policies are attached and at this meeting, management is not recommending any changes.
2. **Authority:** It is within the Investment Committee's Charter to make recommendations to the ECH Board regarding revisions to the Investment Policy. Ultimately the Board would need to approve any revisions.
3. **Background:** N/A
4. **Assessment:** N/A
5. **Other Reviews:** None.
6. **Outcomes:** N/A

List of Attachments:

1. Finance: Cash Balance Pension Investments Policy
2. Finance: Surplus Cash Investment Policy

Suggested Committee Discussion Questions:

1. What revisions to the policy, if any, might be required to permit the type of investment described above?

POLICY/PROCEDURE TITLE: Finance: Cash Balance Pension Investments**CATEGORY: Administrative****LAST APPROVAL DATE: 01/2016**

SUB-CATEGORY: Finance**ORIGINAL DATE: 5/90****COVERAGE:**

All El Camino Hospital staff

PURPOSE:

This policy has been developed to provide a prudent framework for the management and oversight of the assets of the Cash Balance pension plan (the "Plan"). The overall goal of the Plan's investment program is to achieve the highest possible investment return, and the resulting positive impact on asset values, funded status, contributions and benefits, without exceeding a prudent level of risk. The structure of the Plan's investment program was developed after evaluating the implications of increased investment return versus increased variability of return for a number of potential asset allocations with varying commitments to equity, fixed income, alternative and cash equivalent investments.

STATEMENT:

The El Camino Hospital Cash Balance Plan ("Plan") seeks to provide post-retirement benefits to the covered employees of El Camino Hospital ("Sponsor"). The Plan's overall goal is to pay benefits as promised by the Plan in such a way that the cost (defined as contributions) and risk (defined as Funded Status volatility) are manageable for the Sponsor. The purpose of this Investment Policy Statement ("Statement") is to establish guidelines for the Plan's investment portfolio ("Portfolio"). The Statement also incorporates standards that will be used to monitor the progress of the Portfolio's investment program and to evaluate the contributions of the manager(s) hired on behalf of the Plan and its beneficiaries.

POLICY/PROCEDURE TITLE: Finance: Cash Balance Pension Investments**PROCEDURE:**

1. Objectives and Purpose

- a. The policy will be to invest Plan assets in a diversified investment portfolio that targets capital appreciation without assuming undue risk to principal. The primary objectives of the retirement Plan shall be:

- (1) The preservation of capital in real terms with a focus on meeting future benefit payments.
- (2) Obtaining the maximum return within reasonable and acceptable levels of risk.

2. Delegation of Responsibility

- a. Within the financial activities of the organization, it is necessary to provide a prudent framework for the regular supervision of the management of invested funds. A hospital board Investment Committee (the “Committee”) has been established to review and monitor investment performance of the Cash Balance Plan. The Committee bears primary responsibility as detailed in section 2.e. below for oversight of the independent Investment Consultant and the overall Plan investment program. In addition, a Retirement Plan Administrative Committee (the “RPAC”) administers the Hospital's pension plan including employee communication and education, eligibility, and distributions.
- b. The members of the Investment Committee are appointed by the hospital board of directors. The RPAC shall be composed of the Chief Financial Officer, Controller, Chief Human Resources Officer, Director Compensation and Benefits, and others appointed by the Chief Executive Officer,
- c. Management (“Management”) shall be defined as the Chief Executive Officer, Chief Financial Officer and Controller. The Plan Administrator (“Plan Administrator”) shall be defined as any one of the following: Chief Executive Officer, Chief Financial Officer, Chief Human Resources Officer, Controller or Director Compensation and Benefits.
- d. Those authorized to execute investment and financial transactions include the Chief Executive Officer, Chief Financial Officer, Controller, and investment advisor(s) approved by the Committee.

e. Responsibilities of the board Investment Committee

POLICY/PROCEDURE TITLE: Finance: Cash Balance Pension Investments

- (1) Establish and recommend revisions to the investment policy, as appropriate.
- (2) Review compliance with policy.
- (3) Determine allocations across investment styles and investment managers that are consistent with this investment policy.
- (4) Assure that implementation of each investment program is consistent with its overall investment objectives and risk tolerances.
- (5) Monitor and evaluate the performance of investment managers through reports provided by the Investment Consultant no less frequently than annually.

f. Responsibilities of Investment Management

- (1) Select, contract with, and when appropriate, terminate investment managers who manage the investment programs' assets.
- (2) Select, contract with, and when appropriate, terminate custodian banks/brokers that are responsible for the custody of the Plan's assets.
- (3) Select, contract with, and when appropriate, terminate an investment consultant.
- (4) Evaluate on a regular basis the investment performance objectives of each of the investment programs' investment managers.
- (5) Provide each investment manager with specific investment objectives and guidelines consistent with overall objectives.
- (6) Implement allocations across investment styles and investment managers that are consistent with this investment policy.
- (7) Oversee the operational investment activities of the funds subject to this investment policy.
- (8) Work with the independent, external Investment Consultant in developing and/or reviewing investment recommendations for presentation to the Committee and Board.
- (9) Review the projected cash flow requirements of the Plan at least annually.

POLICY/PROCEDURE TITLE: Finance: Cash Balance Pension Investments

g. Responsibilities of the Retirement Plan Administrative Committee

- (1) Review compliance testing. Receive annual compliance update from plan consultants. Engage and select legal advisers and consultants.
- (2) Oversee processes used to determine employee eligibility, vesting, and benefits. Receive annual contribution report.
- (3) Review annual budget regarding plan administrative and benefit costs. Review 403(b) fee policy annually. Recommend changes to policy. Ensure Hospital complies with Fee Disclosure regulations to participants.
- (4) Purchase and maintain appropriate fidelity bond. Ensure that RPAC members sign fiduciary acknowledgment and conflict of interest forms annually.
- (5) Review annual budgets including projected funding. Ensure that annual funding notices are sent to participants.
- (6) Retain, evaluate, and remove record-keepers, non-investment advisers and consultants.
- (7) Approve non-material plan changes related to administrative and regulatory changes. Review draft resolutions. Ensure implementation of plan document changes.
- (8) Review human resources and administrative policies on retirement annually. Update and recommend policy changes based on input from investment committee, plan consultants, and regulatory changes.
- (9) Each management member of the RPAC will be authorized to act as a plan administrator to effectively administrate the plan. Such authority will be documented in writing by at least two members of the RPAC.

h. Responsibilities of the independent Investment Consultant

- (1) Review the Plan's investment policies and objectives and suggest appropriate changes.
- (2) Monitor long-term capital market trends and recommend appropriate asset allocation strategies to the Committee.
- (3) Provide Management and the Committee with ongoing asset allocation, investment manager allocation recommendations, and total portfolio

POLICY/PROCEDURE TITLE: Finance: Cash Balance Pension Investments

context.

- (4) Provide assistance concerning the allocation of new contributions as well as periodic asset allocation rebalancing.
 - (5) On an annual basis, provide to the Plan's Investment Managers a list of securities that are prohibited by the Plan's investment policy under section 10.b.
 - (6) Recommend which investment management firms should receive increased or decreased allocations and, when warranted, recommend firms that should be dismissed.
 - (7) Research and recommend investment management firms and custodian(s) appropriate to implement the Plan's investment policies and objectives.
 - (8) Measure, evaluate, and report each investment manager's performance on a quarterly basis.
 - (9) Monitor adherence of each investment manager to its stated investment philosophy and style.
 - (10) Monitor each investment manager's adherence to the guidelines and investment policies contained in this Investment Policy and specific manager guidelines, if applicable.
 - (11) Maintain contact with and report to Management and the Committee on changes within each investment manager's organization including but not limited to investment professional turnover and ownership changes.
 - (12) Communicate promptly with Management and the Committee regarding significant changes in the Investment Consultant's ownership, organizational structure, and professional staffing.
 - (13) Communicate promptly to the Committee any financial arrangements between the Investment Consultant and money management firms.
- i. **Responsibilities of the Custodian Bank as directed by a Plan Administrator**
- (1) Provide complete and accurate accounting records and prompt monthly reports to reflect all transactions, cash flows, and assets held.

POLICY/PROCEDURE TITLE: Finance: Cash Balance Pension Investments

- (2) Disburse and receive cash flows and investments as directed by investment managers to the extent of their authority or authorized by a Plan Administrator.
 - (3) Issue monthly reports of holdings and transactions priced in accordance with industry standards.
 - (4) Provide monthly reports showing individual asset holdings with sufficient descriptive detail to include units, unit price cost, market value, CUSIP number (where available) and any other information requested by the direction of a Plan Administrator . Principal cash transactions, including dividends, interest and principal payments received, deposits and withdrawals, securities purchased, sold, and matured, and fee payments will also be listed.
 - (5) Expeditiously transfer funds into and out of specified accounts.
 - (6) Promptly forward all proxy materials received to the appropriate investment manager or a Plan Administrator.
- j. **Responsibilities of the Investment Managers**
- (1) Manage the portfolio's assets with full discretion, in accordance with the investment objectives and guidelines stated in this Investment Policy and specific investment manager guidelines.
 - (2) Communicate promptly with Management and the Investment Consultant regarding all significant matters such as:
 - major changes in the investment manager's investment outlook and strategy,
 - shifts in portfolio construction (asset mix, sector emphasis, etc.),
 - changes in the investment manager's ownership, organizational structure, or professional staffing (additions and departures), and
 - other changes of a substantive nature.
 - (3) Comply with all laws and regulations that involve the Plan as they pertain to the investment manager's duties, functions, and responsibilities as a fiduciary.
 - (4) Vote the proxies on the securities held in the investment manager's portfolio in accordance with the manager's fiduciary duties and professional judgment.
 - (5) Provide Management and the Investment Consultant with monthly performance and organizational updates and other information as

POLICY/PROCEDURE TITLE: Finance: Cash Balance Pension Investments

requested.

(6) Provide periodic presentations to the Committee and RPAC as requested.

3. Reporting and Evaluation Process:

- a. The achievement of investment objectives will be reviewed by the Committee annually and recommended to the Board of Directors for approval. This review will focus on the continued feasibility of achieving the objectives and the continued appropriateness of the investment policy.
- b. The Investment Consultant will be responsible for reporting the status of investments to the Committee and Management no less frequently than annually.
- c. On a quarterly basis, the Investment Consultant will provide a summary of the Plan's investment performance to the Committee and CFO. The following will be reviewed:
 - (1) The Plan's asset allocation relative to the target asset allocation.
 - (2) The total fund, segment and investment manager returns relative to the stated investment objectives.
 - (3) Other items pertaining to the Plan.
- d. All major liability assumptions regarding workforce, benefit levels and actuarial assumptions will be subject to, at a minimum, an annual review by the RPAC. This review will focus on an analysis of major differences between the Plan's assumptions and actual experience.
- e. Management will report the Plan's projected cash flow requirements to the Committee on an annual basis.

4. Review and/or Modification of Policy:

The Committee as assisted by Management and the Investment Consultant will be responsible for reviewing and modifying investment guidelines as conditions warrant, subject to approval by the Board of Directors.

5. Return and Risk Parameters:

The Committee has established the following return and risk parameters that will guide the investment of the Plan assets.

POLICY/PROCEDURE TITLE: Finance: Cash Balance Pension Investments

- a. The Committee will review the risk tolerance and asset allocation of the Plan within the context of the expected cash flow needs and benefit obligations of the Plan.
- b. The Plan will be actively invested to achieve growth of capital through appreciation of securities held and through the accumulation and reinvestment of dividend and interest income.
- c. The Plan will be strategically allocated among asset classes and investment styles in order to enhance investment returns and diversify correlating risk factors. This strategic allocation must at all times be within investment policy allocation ranges.
- d. The Plan is to be sufficiently diversified in order to reduce volatility.
- e. Diversification of assets may be achieved by:
 - allocating assets to multiple asset classes,
 - allocating assets among various investment styles, and
 - retaining multiple investment management firms with complementary investment philosophies, styles, and approaches.
- f. The time horizon for evaluating total fund investment performance shall be long-term, which is understood generally to be ten-year periods. The time frame for evaluating the performance of investment managers generally will be rolling five-year periods.

6. Target Asset Allocation

- a. The Target Asset Allocation represents the Plan's normal risk/reward orientation. This orientation has been determined by the Plan's ability to assume risk, the Plan's expected cash needs and the Committee's risk preferences.
- b. The Target Asset Allocation and individual asset class allocation ranges are outlined in the following table:

POLICY/PROCEDURE TITLE: Finance: Cash Balance Pension Investments

ASSET CLASS	ASSET ALLOCATION	
	Neutral	Rebalancing Range
Domestic Equities	32%	27% to 37%
International Equities	18%	15% to 21%
Alternatives	20%	17% to 23%
Broad Fixed Income	25%	20% to 30%
Cash	5%	0% to 8%
Total Fund	100%	---

- c. The Plan's allocations may be allowed to be outside of the Rebalancing Ranges specified above until the plan is rebalanced, which will take place at least quarterly, if necessary, and in the following circumstances on a temporary basis:
- (1) The Plan is in the process of implementing new investments within asset classes specified above to which asset classes the Plan does not currently have exposure.
 - (2) The Plan experiences significant inflows or outflows over a short time frame or is expected to experience significant inflows or outflows over a specified time frame.
- d. Investments within "Alternatives" may include the following investments:
- (1) Open-ended and closed-ended real estate investment vehicles and core, value-added and opportunistic real estate investments.
 - (2) Hedge fund of funds strategies that are of institutional quality and are managed by highly skilled investment professionals with robust risk management and operational due diligence processes in place. The following contractual terms are required for hedge fund of funds investments:
 - A. Maximum lockup – 2 years
 - B. Minimum liquidity/redemption period – annually after initial lock-up
 - C. Frequency of valuation – monthly

POLICY/PROCEDURE TITLE: Finance: Cash Balance Pension Investments

7. Rebalancing Procedure

- a. Plan assets will be monitored by Management to keep the asset allocation in line with the target asset allocations outlined in Section 6.
- b. The Investment Consultant will provide rebalancing recommendations to Management and the Committee on a quarterly basis, at minimum.
- c. In circumstances specified under section D.6.c. where Management and the Investment Consultant believe it to be necessary for the Plan's allocations to be temporarily outside of the Rebalancing Ranges, Management will provide a written recommendation to the Investment Committee detailing the requested deviation from the Rebalancing Ranges and the reasons for the deviation.

8. Investment Manager Selection

- a. As stated under Delegation of Responsibilities, Management appoints investment managers who will manage, acquire or dispose of the Plan assets. In selecting an investment manager, Management will use appropriate methods to exercise due diligence and to evaluate the appropriateness and merits of the investment manager. The Committee has delegated to the Investment Consultant the task of researching and recommending investment managers.
- b. In investigating potential managers, the Investment Consultant must, at a minimum, use the following procedures:
 - (1) Identify a range of possible investment manager candidates.
 - (2) Obtain relevant information about the investment manager's experience, qualifications and investment approach.
 - (3) Evaluate experience, qualifications and investment approach. Included in this evaluation will be an analysis of past performance, risk characteristics, and investment management fees.
 - (4) Document the selection process.

9. Investment Objectives

Investment objectives are necessary to properly measure and evaluate the success of the Plan's investment program.

POLICY/PROCEDURE TITLE: Finance: Cash Balance Pension Investments

Total return for the Plan's assets and the investment managers, is defined as interest and/or dividends plus (or minus) realized and unrealized capital gains (or losses) minus investment management fees.

- a. The investment objectives of the Total Plan are as follows:
 - (1) Outperform the Composite Benchmark over rolling five-year periods.
 - A. The Composite Benchmark shall be composed of relevant indices combined in a proportion reflective of the underlying target asset allocation.
 - (2) Outperform the median of a composite fund manager universe over five-year periods.
- b. The investment objectives of the Investment Managers are as follows:
 - (1) Outperform a passive, style-specific index over rolling five-year periods.
 - (2) Outperform the median of a style-specific peer group over rolling five-year periods if available.
 - (3) Assume a level of risk no greater than is appropriate for the investment manager's specific investment mandate.

10. Investment Restrictions

- a. This section details the investment restrictions for separate account investment managers. In the case of pooled investment vehicles (mutual funds, commingled funds and limited partnerships), the investment guidelines and restrictions defined and detailed by the vehicle will apply. Management and the Investment Consultant are responsible for the review of such guidelines and restrictions prior to investment.
- b. The purchase of the securities of companies described below is prohibited; however, as specified in section 10.a. this prohibition is waived in the case of pooled investment vehicles. For the purposes of this section, Investment Managers are expected to rely upon a list of companies engaged in such activities as provided by the Investment Consultant, who will provide such a list on a best efforts basis. In instances where companies that engage in the activities below are inadvertently purchased or held by an Investment Manager, the Investment Manager will divest of the security within 90 days of being made aware of the violation unless the Investment Manager receives a written exception to this section of the investment policy from the Investment Committee.

POLICY/PROCEDURE TITLE: Finance: Cash Balance Pension Investments

- (1) Companies whose major product is tobacco (greater than 50% of company revenues).
- (2) Companies who engage in the manufacture of firearms that are illegal for sale to or possession by civilians in the state of California.

c. Equity Manager Guidelines

- (1) The domestic and international equity segments may be diversified across a spectrum of market capitalizations by allowing investments in small-, medium-, and large-capitalization stocks.
- (2) Unless specified otherwise in writing, equity holdings should be readily marketable and diversified by issuer, industry, and sector.
- (3) An individual security position may not exceed 10% of an equity manager's portfolio market value.
- (4) Investments in money market instruments and bonds, as a surrogate for cash reserves, are allowed subject to a maximum of 10% of total allocation.
- (5) Investments in options, futures and other derivatives are allowed only for hedging purposes or as a substitute for actual securities in cases where the derivative instrument is a more efficient means of gaining exposure to the underlying securities. Derivatives may not be used in a speculative manner or to leverage the portfolios.

d. Fixed Income Manager Guidelines

- (1) Fixed income holdings should be readily marketable and diversified by issuer, sector, coupon and quality.
- (2) No more than 5% of the Investment Manager's bond portfolio at the time of purchase shall be invested in the securities of any one issuer. There shall, however, be no such limit on U.S. Government securities, U.S. Agency securities, or government sponsored entities, U.S. Agency mortgage backed securities, or other sovereign issues rated "AAA" or "Aaa".
- (3) For managers benchmarked against the Barclays Capital U.S. Aggregate Bond Index, up to 20% of the portfolio's market value at the time of purchase may be invested in high yield debt. For split-rated securities, the higher rating will be used in determining compliance

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with these guidelines.

- (4) For managers benchmarked against the Barclays Capital U.S. Aggregate Bond Index, emerging markets debt shall be limited to no more than 15% of the portfolio's market value at the time of purchase.
- (5) For managers benchmarked against the Barclays Capital U.S. Aggregate Bond Index, exposure to non-U.S. dollar assets shall be limited to no more than 20% of the portfolio's market value at the time of purchase.
- (6) The portfolio's weighted average effective duration determines a bond portfolio's sensitivity to interest rate changes. A manager's market value weighted effective duration, adjusted for expected life and call provision, cannot be more than +/- 30% of the benchmark's effective duration.
- (7) Permissible Holdings include the following:
 - A. Debt securities issued or guaranteed by the United States or U.S. government sponsored entities (including U.S. Government sponsored Agency mortgage backed securities, and inflation linked bonds).
 - B. Non-agency and commercial mortgage-backed securities, including collateralized mortgage obligations and whole loans.
 - C. Corporate bonds, debentures and other forms of corporate debt obligations, including equipment trust certificates, Eurobonds, Insurance Surplus Notes, and Capital Securities.
 - D. Municipal securities (up to 20% of the portfolio).
 - E. Asset-backed securities.
 - F. Indexed notes, floaters, and other variable rate obligations.
 - G. 144A securities without registration rights (up to 20% of the portfolio).
 - H. Bank collective funds.
 - I. Certificates of deposit ("CD's") and other money market instruments from banks also issuing bankers acceptances and with current commercial paper ratings of at least A 1 (by Standard & Poor's) or P 1 (by Moody's Investors Service).

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- J. Mutual funds or commingled pools.
 - K. U.S. dollar-denominated sovereign, supranational, provincial, and municipal securities issued by foreign entities.
 - L. Non-U.S. dollar-denominated sovereign securities.
 - M. On a temporary basis, securities received in exchange offers or other similar situations (subject to approval by the Committee after notification by the investment manager of the receipt of such securities).
 - N. Hedging with futures contracts and options on futures contracts are permitted to offset price risks (which include interest rates, currency fluctuations and the general price level of certain financial markets) incidental to the portfolio's principal mandate. Transactions in futures contracts and options on futures contracts are restricted to those contracts that are substitutes for assets that the portfolio could own, and that are economically appropriate to the reduction of risks in the conduct/management of the portfolio. In no way will futures or options on futures be used to leverage the portfolio.
- e. Exceptions to these restrictions may only be made upon prior approval of the Committee.

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f.

APPROVAL	APPROVAL DATES
Originating Committee or UPC Committee:	
_____ Medical Committee (if applicable):	
ePolicy Committee:	10/2015
Pharmacy and Therapeutics (if applicable):	
Finance Committee:	11/2015
Board of Directors:	01/2016

Historical Approvals:

5/90, 5/03, 03/05, 11/06, 5/07, 5/12, 6/13

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CATEGORY: Administrative
LAST APPROVAL: 3/2019

TYPE: ☐ Policy ☐ Protocol ☐ Practice Guideline ☐ Standardized
☒ Procedure ☐ Plan ☐ Scope of Service/ADT Procedure
SUB-CATEGORY: Finance
OFFICE OF ORIGIN: Finance
ORIGINAL DATE:

I. COVERAGE:

El Camino Hospital Surplus Cash

II. Reviewed/Revised

6/98, 11/00, 6/01, 9/02, 1/04, 3/05, 5/06, 06/09, 05/12, 06/13, 2/15, 3/19

III. Policy Summary:

It is the policy of the El Camino Hospital Board of Directors that cash funds of El Camino Hospital, El Camino Hospital Foundation, CONCERN: EAP, and other affiliates be prudently invested with a focus on preserving the liquidity and principal necessary to meet known and reasonably unforeseen operational and capital needs. Funds will be invested in a diversified portfolio that balances the need for liquidity with a long-term investment focus in order to improve investment returns and the organization's financial strength.

IV. POLICY:

1. Objectives and Purpose

- a. The policy will be to invest the Surplus Cash assets in a diversified investment portfolio that targets capital appreciation without assuming undue risk to principal. The primary objectives of the overall Surplus Cash pool shall be (1) preservation of capital, (2) capital growth, (3) maintenance of liquidity, and (4) avoidance of inappropriate concentration of investments.
- b. The assets subject to this Investment Policy include the commingled funds of the Hospital, Foundation, CONCERN, and the El Camino Hospital Foundation Gift Annuity Fund.
- c. The El Camino Hospital Foundation Gift Annuity Fund is also managed according to the following restrictions: investments shall be managed in a diversified and prudent manner and in compliance with and subject to the criteria set forth under California Insurance Code Section (CICS) 1192.9, including Section 11521.2 to 11521.3.

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2. Delegation of Responsibility

- a. Within the financial activities of the organization, it is necessary to provide a prudent framework for the regular supervision of the management of invested funds. The Board of Directors ("the Board") has the overall fiduciary responsibility for the Surplus Cash assets. The Board shall appoint an Investment Committee ("the Committee") that bears primary responsibility as detailed in section 2.d. below for oversight of El Camino Hospital management ("Management"), the independent Investment Consultant, and the overall Surplus Cash investment program. The Board shall delegate the specific management of the Surplus Cash pool's investments to Management as detailed in section 2.e. below.
- b. Management shall be defined as the Chief Executive Officer, the Chief Financial Officer, Controller, and Finance Director.
- c. Those authorized to execute transactions include the Chief Executive Officer, Chief Financial Officer, Controller, and investment advisor(s) approved by Management.

d. **Responsibilities of the Investment Committee**

- (1) Establish and recommend revisions to the investment policy, as appropriate.
- (2) Review compliance with policy.
- (3) Approve allocations across investment styles and investment managers that are consistent with this investment policy.
- (4) Assure that implementation of each investment program is consistent with its overall investment objectives and risk tolerances.
- (5) Monitor performance of investment managers through reports provided by the Investment Consultant.

e. **Responsibilities of Management**

- (1) Select, contract with, and when appropriate, terminate investment managers who manage the investment programs' assets.
- (2) Evaluate the investment performance objectives of each of the investment programs' investment managers.
- (3) Select, contract with, and when appropriate, terminate custodian banks/brokers that

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are responsible for the custody of the investment programs' assets.

- (4) Select, contract with, and when appropriate, terminate an investment consultant.
- (5) Provide each investment manager with specific investment objectives and guidelines consistent with overall objectives.
- (6) Determine and implement allocations across investment styles and investment managers that are consistent with this investment policy.
- (7) Oversee the operational investment activities of the funds subject to this investment policy and other operating procedures and policies of El Camino Hospital.
- (8) Work with the independent, external Investment Consultant in developing and/or reviewing investment recommendations for presentation to the Committee and Board.

f. Responsibilities of the independent Investment Consultant

- (1) Review the Surplus Cash pool's investment policies and objectives and suggest appropriate changes.
- (2) Monitor long-term capital market trends and recommend appropriate asset allocation strategies to Management and the Committee.
- (3) Provide Management and the Committee with ongoing asset allocation, investment manager allocation recommendations, and total portfolio context.
- (4) Provide assistance concerning the allocation of new contributions as well as periodic asset allocation rebalancing.
- (5) On an annual basis, provide to the Surplus Cash pool's Investment Managers a list of securities that are prohibited by the Surplus Cash pool's investment policy under section 10.b.
- (6) Recommend which investment management firms should receive increased or decreased allocations and, when warranted, recommend firms that should be dismissed.
- (7) Research and recommend investment management firms and custodian(s) appropriate to implement the Surplus Cash pool's investment policies and objectives.
- (8) Measure, evaluate, and report each investment manager's performance on a quarterly basis.

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- (9) Monitor adherence of each investment manager to its stated investment philosophy and style.
- (10) Monitor each investment manager's adherence to the guidelines and investment policies contained in this Investment Policy and specific manager guidelines, if applicable.
- (11) Maintain contact with and report to Management and the Committee on changes within each investment manager's organization including but not limited to investment professional turnover and ownership changes.
- (12) Communicate promptly with the Management and the Committee regarding significant changes in the Investment Consultant's ownership, organizational structure, and professional staffing.
- (13) Communicate promptly to the Committee any financial arrangements between the Investment Consultant and money management firms.

g. Responsibilities of the Custodian Bank as directed by Management

- (1) Provide complete and accurate accounting records and prompt monthly reports to reflect all transactions, cash flows, and assets held.
- (2) Disburse and receive cash flows and investments as directed by investment managers to the extent of their authority or by authorized Management.
- (3) Issue monthly reports of holdings and transactions priced in accordance with industry standards.
- (4) Provide monthly reports showing individual asset holdings with sufficient descriptive detail to include units, unit price cost, market value, CUSIP number (where available) and any other information requested by the direction of Management. Principal cash transactions, including dividends, interest and principal payments received, deposits and withdrawals, securities purchased, sold, and matured, and fee payments will also be listed.
- (5) Expeditiously transfer funds into and out of specified accounts.
- (6) Promptly forward all proxy materials received to the appropriate investment manager or Management.

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h. Responsibilities of the Investment Managers

- (1) Manage the portfolio's assets with full discretion, in accordance with the investment objectives and guidelines stated in this Investment Policy and specific investment manager guidelines.
- (2) Communicate promptly with Management and the Investment Consultant regarding all significant matters such as:
 - major changes in the investment manager's investment outlook and strategy,
 - shifts in portfolio construction (asset mix, sector emphasis, etc.)
 - changes in the investment manager's ownership, organizational structure, or professional staffing (additions and departures), and
 - other changes of a substantive nature.
- (3) Comply with all laws and regulations that involve the Surplus Cash pool as they pertain to the investment manager's duties, functions, and responsibilities as a fiduciary.
- (4) Vote the proxies on the securities held in the investment manager's portfolio in accordance with the manager's fiduciary duties and professional judgment.
- (5) Provide Management and the Investment Consultant with monthly performance and organizational updates and other information as requested.
- (6) Provide periodic presentations to the Investment Committee as requested.

3. Reporting and Evaluation Process:

- a. Management and the Investment Consultant will be responsible for reporting the status of investments to the Committee on a regular basis.
- b. Annual reports by Management should include a complete listing of securities held and must be verified (audited) by the District's auditors.
- c. On a quarterly basis, the Committee will evaluate investment performance. The following will be reviewed:
 - (1) The Surplus Cash pool's asset allocation relative to the target asset allocation.
 - (2) The total fund, segment and investment manager returns relative to the stated investment objectives.
 - (3) Other items pertaining to Surplus Cash pool.

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(4) Management will provide minutes of each meeting to the Committee.

4. Review and/or Modification of Policy:

- a. The Committee as assisted by Management and the Investment Consultant will be responsible for reviewing and modifying investment guidelines as conditions warrant, subject to approval by the Board of Directors.
- b. A copy of this policy will be rendered to the Board of Directors annually.

5. Return and Risk Parameters:

- a. The Committee has established the following return and risk parameters that will guide the investment of the Surplus Cash assets.
 - (1) The Committee will review the risk tolerance of the Surplus Cash pool's assets within the context of El Camino's long-term financial plan.
 - (2) The Surplus Cash pool will be actively invested to achieve growth of capital through appreciation of securities held and through the accumulation and reinvestment of dividend and interest income.
 - (3) The Surplus Cash pool will be strategically allocated among asset classes and investment styles in order to enhance investment returns and diversify correlating risk factors. This strategic allocation must at all times be within investment policy allocation ranges.
 - (4) The Surplus Cash pool is to be sufficiently diversified in order to reduce volatility.
 - (5) Diversification of assets may be achieved by:
 - allocating assets to multiple asset classes,
 - allocating assets among various investment styles, and
 - retaining multiple investment management firms with complementary investment philosophies, styles, and approaches.
 - (6) The time horizon for evaluating total fund investment performance shall be long-term. The time frame for evaluating the performance of investment managers generally will be rolling five-year periods.

6. Target Asset Allocation

- a. The Target Asset Allocation represents the Surplus Cash pool's normal risk/reward orientation. This orientation has been determined by the Surplus Cash pool's ability to assume risk and the Committee's risk preferences.
- b. The Target Asset Allocation and individual asset class allocation ranges are outlined in the following table:

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<u>ASSET CLASS</u>	<u>ASSET ALLOCATION</u>	
	<u>Neutral</u>	<u>Range</u>
Domestic Equities	25%	20% to 30%
International Equities	15%	10% to 20%
Alternatives	20%	17% to 23%
Broad Fixed Income	30%	0% to 35%
Short Term Fixed Income	10%	8% to 40%
Total Fund	100%	---

c. The Plan's allocations may be allowed to be outside of the Rebalancing Ranges specified above until the Plan is rebalanced, which will take place at least quarterly, if necessary, and in the following circumstances on a temporary basis:

- (1) The Plan is in the process of implementing new investments within asset classes specified above to which asset classes the Plan does not currently have exposure.
- (2) The Plan experiences significant inflows or outflows over a short time frame or is expected to experience significant inflows or outflows over a specified time frame.

d. Investments within "Alternatives" may include the following investments:

- (1) Open-ended and closed-ended real estate investment vehicles and core, value-added and opportunistic real estate investments.
- (2) Hedge fund of funds and diversified pools of direct hedge fund strategies that are of institutional quality and are managed by highly skilled investment professionals with robust risk management and operational due diligence processes in place. The following contractual terms are required for hedge fund of funds investments:
 - A. Maximum lockup – 2 years
 - B. Minimum liquidity/redemption period – annually after initial lock-up
 - C. Frequency of valuation – monthly
 - D. No more than 15% of hedge fund pool can be allocated to a single direct hedge fund at time of purchase

7. Rebalancing Procedure

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- a. Surplus Cash pool assets will be monitored by Management to keep the asset allocation in line with the target asset allocations outlined in Section 6.
- b. The Investment Consultant will provide rebalancing recommendations to Management and the Committee on a quarterly basis, at minimum.
- c. In circumstances specified under section D.6.c. where Management and the Investment Consultant believe it to be necessary for the Plan's allocations to be temporarily outside of the Rebalancing Ranges, Management will provide a written recommendation to the Investment Sub-Committee detailing the requested deviation from the Rebalancing Ranges and the reasons for the deviation.

8. Investment Manager Selection

- a. As stated under Delegation of Responsibilities, Management appoints investment managers who will manage, acquire or dispose of the Surplus Cash assets. In selecting an investment manager, Management will use appropriate methods to exercise due diligence and to evaluate the appropriateness and merits of the investment manager. Management has delegated to the Investment Consultant the task of researching and recommending investment managers.
- b. In investigating potential managers, the Investment Consultant must, at a minimum, use the following procedures:
 - (1) Identify a range of possible investment manager candidates.
 - (2) Obtain relevant information about the investment manager's experience, qualifications and investment approach.
 - (3) Evaluate experience, qualifications and investment approach. Included in this evaluation will be an analysis of past performance, risk characteristics, and investment management fees.
 - (4) Document the selection process.

9. Investment Objectives

Investment objectives are necessary to properly measure and evaluate the success of the Surplus Cash pool's investment program.

Total return for the Surplus Cash pool's assets and the investment managers, is defined as interest and/or dividends plus (or minus) realized and unrealized capital gains (or losses) minus

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investment management fees.

a. The investment objectives of the Total Surplus Cash Pool are as follows:

(1) Outperform the Composite Benchmark over rolling five-year periods.

A. The Composite Benchmark shall be composed of relevant indices combined in a proportion reflective of the underlying target asset allocation.

(2) Outperform the median of a composite fund manager universe over five-year periods.

b. The investment objectives of the Investment Managers are as follows:

(1) Outperform a passive, style-specific index over rolling five-year periods.

(2) Outperform the median of a style-specific peer group over rolling five-year periods if available.

(3) Assume a level of risk no greater than is appropriate for the investment manager's specific investment mandate.

10. Investment Restrictions

a. This section details the investment restrictions for separate account investment managers. In the case of pooled investment vehicles (mutual funds, commingled funds and limited partnerships), the investment guidelines and restrictions defined and detailed by the vehicle will apply. Management and the Investment Consultant are responsible for the review of such guidelines and restrictions prior to investment.

b. The purchase of the securities of companies described below is prohibited; however, as specified in section 10.a., this prohibition is waived in the case of pooled investment vehicles. For the purposes of this section, Investment Managers are expected to rely upon a list of companies engaged in such activities as provided by the Investment Consultant, who will provide such a list on a best efforts basis. In instances where companies that engage in the activities below are inadvertently purchased or held by an Investment Manager, the Investment Manager will divest of the security within 90 days of being made aware of the violation unless the Investment Manager receives a written exception to this section of the investment policy from the Investment Committee.

(1) Companies whose major product is tobacco (greater than 50% of company revenues).

(2) Companies who engage in the manufacture of firearms that are illegal for sale to or possession by civilians in the state of California.

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c. Equity Manager Guidelines

- (1) The domestic and international equity segments may be diversified across a spectrum of market capitalizations by allowing investments in small-, medium-, and large-capitalization stocks.
- (2) Unless specified otherwise in writing, equity holdings should be readily marketable and diversified by issuer, industry, and sector.
- (3) An individual security position may not exceed 10% of an equity manager's portfolio market value.
- (4) Investments in money market instruments and bonds, as a surrogate for cash reserves, are allowed subject to a maximum of 10% of total allocation.
- (5) Investments in options, futures and other derivatives are allowed only for hedging purposes or as a substitute for actual securities in cases where the derivative instrument is a more efficient means of gaining exposure to the underlying securities. Derivatives may not be used in a speculative manner or to leverage the portfolios.

d. Fixed Income Manager Guidelines

- (1) Fixed income holdings should be readily marketable and diversified by issuer, sector, coupon and quality.
- (2) No more than 5% of the Investment Manager's bond portfolio at the time of purchase shall be invested in the securities of any one issuer. There shall, however, be no such limit on U.S. Government securities, U.S. Agency securities, or government sponsored entities, U.S Agency mortgage backed securities, or other sovereign issues rated "AAA" or "Aaa".
- (3) For managers benchmarked against the Barclays Capital U.S. Aggregate Bond Index, the average credit quality of the fixed income portfolio shall be "A-" or higher. Up to 15% of the portfolio's market value at the time of purchase may be invested in high yield debt. For split-rated securities, the higher rating will be used in determining compliance with these guidelines.
- (4) For managers benchmarked against the Barclays Capital U.S. Aggregate Bond Index, emerging markets debt shall be limited to no more than 15% of the portfolio's market value at the time of purchase.
- (5) For managers benchmarked against the Barclays Capital U.S. Aggregate Bond Index,

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exposure to non-U.S. dollar assets shall be limited to no more than 20% of the portfolio's market value at the time of purchase.

(6) The portfolio's weighted average effective duration determines a bond portfolio's sensitivity to interest rate changes. A manager's market value weighted effective duration, adjusted for expected life and call provision, cannot be more than +/- 30% of the benchmark's effective duration.

(7) Permissible Holdings include the following:

- A. Debt securities issued or guaranteed by the United States or U.S. government sponsored entities (including U.S. Government sponsored Agency mortgage backed securities, and inflation linked bonds).
- B. Non-agency and commercial mortgage-backed securities, including collateralized mortgage obligations and whole loans.
- C. Corporate bonds, debentures and other forms of corporate debt obligations, including equipment trust certificates, Eurobonds, Insurance Surplus Notes, and Capital Securities.
- D. Municipal securities (up to 20% of the portfolio).
- E. Asset-backed securities.
- F. Indexed notes, floaters, and other variable rate obligations.
- G. 144A securities without registration rights (up to 20% of the portfolio).
- H. Bank collective funds.
- I. Certificates of deposit ("CD's") and other money market instruments from banks also issuing bankers acceptances and with current commercial paper ratings of at least A 1 (by Standard & Poor's) or P 1 (by Moody's Investors Service).
- J. Mutual funds or commingled pools.
- K. U.S. dollar-denominated sovereign, supranational, provincial, and municipal securities issued by foreign entities.
- L. Non-U.S. dollar-denominated sovereign securities.
- M. Hedging with futures contracts and options on futures contracts are permitted to

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offset price risks (which include interest rates, currency fluctuations and the general price level of certain financial markets) incidental to the portfolio's principal mandate. Transactions in futures contracts and options on futures contracts are restricted to those contracts that are substitutes for assets that the portfolio could own, and that are economically appropriate to the reduction of risks in the conduct/management of the portfolio. In no way will futures or options on futures be used to leverage the portfolio.

- (8) Exceptions to these restrictions may only be made upon prior approval of the Committee.

V. APPROVAL:

APPROVING COMMITTEES AND AUTHORIZING BODY	APPROVAL DATES
ePolicy Committee:	
Pharmacy and Therapeutics:	
Medical Executive Committee:	
Board of Directors:	3/2019
Historical Approvals:	

VI. ATTACHMENTS: N/A