



Merced County Employees' Retirement Association

**AGENDA
RETIREMENT BOARD MEETING**

Thursday, November 9, 2023, 8:30 A.M.

Location: Merced County Administration Building
2222 M Street, Merced, CA
Los Banos and Livingston Conference Rooms, Basement
Zoom Conference Information:

<https://us06web.zoom.us/j/93030195748?pwd=NGhFeGltSVhaSTIsK2JGWE83TVFydz09>

Dial In Number: 669-900-6833, MEETING ID: 930 3019 5748, PASSCODE: 095484

(For use only if Zoom Connection Malfunctions)

Telephone Number: 1-310-372-7549, Conference Code: 975839

1. Call to Order- 8:30 A.M.

The Retirement Board may discuss and take action on the following:

2. Roll Call

3. Teleconference Request

Trustee Teleconference Request (Govt. Code §54953(f)(2)(A)(i)).

4. Approval of Minutes – October 26, 2023.

5. Public Comment

Members of the public may comment on any item under the Board's jurisdiction including items on the Board's agenda. Matters presented under this item will not be discussed or acted upon by the Board at this time. Persons addressing the Board will be limited to a maximum of five (5) minutes in total. Please state your name for the record.

6. Consent Calendar

Consent matters are expected to be routine and may be acted upon, without discussion, as one unit. If an item is taken off the Consent Calendar for discussion, it will be heard as the last item(s) of the Open Session as appropriate:

a. Retirements: Pursuant to Govt. Code § 31663.25 or § 31672.

<u>Name</u>	<u>Effective Date</u>
Julie Jamero-Hada	11/01/2023
Kalisa Rochester	11/04/2023
Mary Friesen	10/28/2023
Jennifer Andrade	11/01/2023

b. Monthly Budget Report Submitted.

7. Closed Session

As provided in the Ralph M. Brown Act, Government Code sections 54950 et seq., the Board may meet in closed session with members of its staff, county employees and its attorneys. These sessions are not open to the public and may not be attended by members of the public. The matters the Board will meet on in closed session are identified below. Any public reports of action taken in the closed session will be made in accordance with Government Code sections 54957.1:

a. Discussion and possible action regarding investments (Govt. Code § 54956.81) in recommended funds by Cliffwater LLC.



Merced County Employees' Retirement Association

8. Report Out of Closed Session

9. Open Session

- a. Discussion on Macroeconomic Overview and Outlook by Meketa – Orray Taft, Meketa Group.
- b. Discussion and possible action to approve 2024 MercedCERA Board Meeting dates – Staff.
- c. Discussion on MercedCERA Building Update – Staff.

10. Travel Request (items not preapproved in MercedCERA Bylaws)

None.

11. Information Sharing & Agenda Item Requests

- Next MercedCERA Board meeting will be December 14, 2023.

12. Adjournment

The Agenda and supporting documentation, including any material that was submitted to the Merced County Employees' Retirement Association Board after the distribution of the Agenda, are available online at www.mercedcera.com.

All supporting documentation for Agenda items, including any material that was submitted to the retirement board after the distribution of the Agenda, is also available for public inspection Monday through Friday from 8:00 a.m. to 5:00 p.m. at the administrative office for the Merced County Employees' Retirement Association located at 3199 M Street, Merced, California 95348.

Persons who require accommodation for a disability in order to review an agenda, or to participate in a meeting of the Merced County Employees' Retirement Association per the American Disabilities Act (ADA), may obtain assistance by requesting such accommodation in writing addressed to Merced County Employees' Association, 3199 M Street, Merced, CA 95348 or telephonically by calling (209) 726-2724. Any such request for accommodation should be made at least 48 hours prior to the scheduled meeting for which assistance is requested.

Persons who require accommodation for any audio, visual or other disability or Spanish or Hmong interpretation in order to review an agenda, or to participate in a meeting of the Merced County Employees' Retirement Association per the American Disabilities Act (ADA), may obtain assistance by requesting such accommodation. Please address your written request to Merced County Employees' Association, 3199 M Street, Merced, CA 95348 or telephonically by calling (209) 726-2724. Any such request for accommodation should be made at least 48 hours prior to the scheduled meeting for which assistance is requested.

Spanish and Hmong interpreters are available.

Interpretes de espanol y hmong estan disponibles.

Peb muaj tug paab txhais lug Mev hab Hmoob.



Merced County Employees' Retirement Association

**MINUTES
RETIREMENT BOARD MEETING**

Thursday, October 26, 2023, 8:30 A.M.

Location: Merced County Administration Building
2222 M Street, Merced, CA
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(For use only if Zoom Connection Malfunctions)

Telephone Number: 1-310-372-7549, Conference Code: 975839

1. Call to Order- 8:31 A.M.

2. Roll Call

Board Members Present: Scott Johnston, Mike Harris, Dave Ness (arrived 8:34 A.M.), Corrina Brown, Aaron Rosenberg, Alfonse Peterson, Karen Adams, Scott Silveira (arrived 8:35 A.M.) and Ryan Paskin. Absent: Janey Cabral. Counsel: Tom Ebersole. Staff: Kristen Santos, Martha Sanchez Barboa, Khue Xiong, Patrick Armendarez, Mark Harman, Brenda Mojica, Monica Gallegos, Sheri Villagrana, Nikki Barraza, Kristy Barajas, Marissa Coelho.

3. Teleconference Request

Trustee Teleconference Request (Govt. Code §54953(f)(2)(A)(i)).

No Requests.

4. Approval of Minutes – September 28, 2023 and October 10, 2023.

1st- Johnston / 2nd- Brown, passes 6-0.

5. Public Comment

Members of the public may comment on any item under the Board's jurisdiction including items on the Board's agenda. Matters presented under this item will not be discussed or acted upon by the Board at this time. Persons addressing the Board will be limited to a maximum of five (5) minutes in total. Please state your name for the record.

None.

6. Consent Calendar

Consent matters are expected to be routine and may be acted upon, without discussion, as one unit. If an item is taken off the Consent Calendar for discussion, it will be heard as the last item(s) of the Open Session as appropriate:

a. Retirements: Pursuant to Govt. Code § 31663.25 or § 31672.

<u>Name</u>	<u>Effective Date</u>
Margaret Kohn	10/07/2023
John Gee	09/30/2023
Ray Anaya	10/23/2023

b. Monthly expenditures report - Submitted.

c. Approval of non-pensionable pay code TST-TECH STPNP for Merced Superior Court.

d. Monthly investment performance report from Meketa.

Motion to approve the consent calendar as presented:

1st- Brown / 2nd- Adams, passes 6-0.



Merced County Employees' Retirement Association

7. Closed Session

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- a. Disability Retirement Applications: Personnel exceptions (Govt. Code § 54957, 31532; Cal Const. art I § 1).
 1. Initial Disability Application Recommendation – Roland Brooks
Motion to deny a service connected disability and grant a non-service connected disability to Roland Brooks.
1st- Brown / 2nd- Johnston, passes 8-0.
 2. Consideration of Hearing Officer Recommendation – Michael Cureton
Motion to adopt the recommendation of the Administrative Hearing Officer's Recommendation and deny a service connected disability to Michael Cureton.
1st- Silveira / 2nd- Brown, passes 8-0.

8. Open Session

- a. Discussion and possible action to approve the proposed capital budget for the MercedCERA alternative portfolio as presented by Cliffwater, LLC – Cliffwater.
The Board voted unanimously to approve the proposed capital budget for the MercedCERA alternative portfolio as presented by Cliffwater, LLC.
1st- Silveira / 2nd- Peterson, passes 8-0.
- b. Discussion and possible action to approve the SACRS business meeting agenda and designate Scott Johnston as the voting delegate with Janey Cabral as the alternate – Staff.
The Board voted unanimously to approve the SACRS business meeting agenda and designated Scott Johnston as the voting delegate with Janey Cabral as the alternate.
1st- Adams / 2nd- Peterson, passes 8-0.
- c. Discussion on the status of the MercedCERA Headquarter Building – Staff.
No action taken.

9. Travel Request (items not preapproved in MercedCERA Bylaws)

None.

10. Information Sharing & Agenda Item Requests

-Trustee Brown requested an agenda item to discuss the future of the Chief Investment Officer position.
-Kristie introduced new MercedCERA Support Services Analyst staff, Khue Xiong and Patrick Armendarez, as well as the new Accountant staff, Kristy Barajas.
-Kristie announced the recruitment of the Assistant Plan Administrator was completed and Martha Sanchez Barboa, the current MercedCERA Benefits and Administration Manager, had been selected to fill the Assistant position. She also announced a recruitment would be completed to fill the Benefits and Administration Manager position Martha currently holds.



Merced County Employees' Retirement Association

11. Adjournment at 9:01 A.M.

Accepted By,

Trustee Name/Position	Signature	Date
Ryan Paskin/Chair		
Al Peterson/Secretary		

Merced County Employees' Retirement Association
Non-Administrative Expenditures Report (Preliminary)
For the Month Ended October 31, 2023

Non-Administrative Expenses		Original Projection	Current Projection	Expended 10/2023	Expended YTD	Bal Remaining	% Exp YTD
21800 - Investment Expenses		3,740,500.00	3,740,500.00	340,614.00	475,460.93	3,265,039.07	13%
10/2/2023	Golden Valley Engineering - Nov 2023 Security Svcs			13,111.25			
10/03/2023	Reimb for Meketa Inv Grp Meeting Travel			634.30			
10/06/2023	Meketa - Jul-Sep 2023 Consulting Svcs			54,133.50			
10/06/2023	Driehaus - 2023-Q3 Mgt Fees			28,611.00			
10/17/2023	Office Payroll 2023 PP 21 - Non-Administrative Allocation			30,719.11			
10/17/2023	GSO EOF - Cap Call - Int Expense			5,388.00			
10/17/2023	GSO EOF - Cap Call - Operating Expense			162.00			
10/18/2023	Cliffwater - 2023-07 Consulting Svcs			33,333.33			
10/18/2023	Cliffwater - 2023-08 Consulting Svcs			33,333.33			
10/18/2023	Cliffwater - 2023-09 Consulting Svcs			33,333.33			
10/24/2023	Reimb for Blmbrg & Inst Investors Forum Travel			2,097.25			
10/27/2023	Reimb for Barclays Conf Travel			351.68			
10/27/2023	Office Payroll 2023 PP 22 - Non-Administrative Allocation			105,405.92			
Total 21800 - Investment Expenses				340,614.00			
21802 - Actuarial Services		175,000.00	175,000.00	-	-	175,000.00	0%
Total 21802 - Actuarial Services				-			
21812 - Data Processing		102,000.00	102,000.00	6,189.65	24,082.10	77,917.90	24%
1	10/23/2023 Comcast - October 2023 Svcs			303.11			
1	10/30/2023 2023-09 IS Billing			5,483.54			
1	10/30/2023 2023-09 Cradlepoint Chgs			403.00			
Total 21812 - Data Processing				6,189.65			
21834 - Legal Services		430,000.00	430,000.00	38,333.47	96,604.86	333,395.14	22%
10/02/2023	Weldon Mattos Jr - Hearing Offcr Svcs May-Sep 23			5,500.00			
10/16/2023	2023-10 Cost Alloc - Co Couns			5,632.50			
10/17/2023	Ted Cabral - 2023-09 Legal Svcs			709.55			
10/17/2023	Ted Cabral - 2023-09 Legal Svcs			1,535.50			
10/17/2023	Ted Cabral - 2023-09 Legal Svcs			5,622.50			
10/17/2023	Ted Cabral - 2023-09 Legal Svcs			180.00			
10/17/2023	Ted Cabral - 2023-09 Legal Svcs			1,454.50			
10/17/2023	Ted Cabral - 2023-09 Legal Svcs			2,262.92			
10/17/2023	Ted Cabral - 2023-09 Legal Svcs			200.00			
10/17/2023	Ted Cabral - 2023-09 Legal Svcs			7,303.50			
10/17/2023	Ted Cabral - 2023-09 Legal Svcs			370.00			
10/17/2023	Weldon Mattos Jr - Hearing Offcr Svcs Aug-Oct 23			7,562.50			
Total 21834 - Legal Services				38,333.47			
21840 - Custodial Banking Services		150,000.00	150,000.00	923.26	6,548.01	143,451.99	4%
10/04/2023	2023-09 Northern Trust STIF Income Custodial Fee			758.26			
10/26/2023	2023-06 Wire Fees			165.00			
Total 21840 - Custodial Banking Services				923.26			
22350 - Software and Technology		505,000.00	505,000.00	24,112.01	173,349.35	331,650.65	34%
10/02/2023	CPAS - 2023-10 Hosting			6,107.00			
10/06/2023	Spriggs - INV176775 - 2023-Q4 Contract Base Rate			1,284.81			
10/06/2023	PensionX - 2023-10 Svc Program & SLA			900.00			
10/11/2023	Pitney Bowes - Postal Meter			3,742.22			
10/17/2023	Roger J Wyan Photography - Head Shots of Trustees & Staff			1,484.00			
10/17/2023	LexisNexis - 2023-09 Accurint & Batch Svcs			593.98			
10/17/2023	FRSecure - 2023-24 IR Retain Hrs - prepd			10,000.00			
Total 22350 - Software and Technology				24,112.01			
Depreciation Expense		250,000.00	250,000.00	-	-	250,000.00	
Total Non-Administrative Items		5,352,500.00	5,352,500.00	410,172.39	776,045.25	4,576,454.75	14%

Merced County Employees' Retirement Association
Non-Administrative Expenses Prev Year Comparison (Preliminary)
10/31/2023

Expense	<u>October 2023</u>	<u>October 2022</u>	<u>\$ Change</u>	<u>% Change</u>
62025 · Non-Administrative Expenses				
21800 · Investment Expenses	\$ 340,614.00	\$ 274,472.95	\$ 66,141.05	24.10%
21802 · Actuarial Services	-	36,086.25	(36,086.25)	-100.00%
21812 · Data Processing	6,189.65	5,103.27	1,086.38	21.29%
21834 · Legal Services	38,333.47	17,995.74	20,337.73	113.01%
21840 · Custodial Banking Services	923.26	26,757.97	(25,834.71)	-96.55%
22350 · Software and Technology	24,112.01	2,941.66	21,170.35	719.67%
Depreciation Expense	-	-	-	
Total 62025 · Non-Administrative Expenses	<u>\$ 410,172.39</u>	<u>\$ 363,357.84</u>	<u>\$ 46,814.55</u>	12.88%

Merced County Employees' Retirement Association
Administrative Expenditures Report (Preliminary)
For the Month Ended October 31, 2023

Administrative Budget		Adopted	Current Budget	Expended 10/2023	Expended YTD	Bal Remaining	% Exp YTD
10110 · Salaries & Wages		1,975,000.00	1,975,000.00	130,193.94	347,583.20	1,627,416.80	18%
10/13/2023	Office Payroll 2023 PP 21 - Administrative Allocation			43,196.72			
10/27/2023	Office Payroll 2023 PP 22 - Administrative Allocation			43,998.62			
Total 10110 · Salaries & Wages				87,195.34			
20600 · Communications		9,800.00	9,800.00	748.80	2,251.06	7,548.94	23%
10/06/2023	AT&T - 2023-09 CALNET			156.10			
10/30/2023	2023-09 Comm Chgs			329.70			
10/30/2023	2023-09 Cell Chgs			263.00			
Total 20600 · Communications				748.80			
20900 · Household Expense		15,750.00	15,750.00	940.00	4,487.12	11,262.88	28%
10/17/2023	Bob's Pest Control - 2023-09 Pest Control			40.00			
10/25/2023	Geil Enterprises - 2023-10 Janitorial Svcs			900.00			
Total 20900 · Household Expense				940.00			
21000 · Insurance - Other		105,000.00	105,000.00	-	101,995.00	3,005.00	97%
Total 21000 · Insurance - Other				-			
21301 · Maintenance Structure Improvement		16,000.00	16,000.00	-	1,804.00	14,196.00	11%
Total 21301 · Maintenance Structure Improvement				-			
21500 · Membership		8,000.00	8,000.00	305.00	4,305.00	3,695.00	54%
10/17/2023	NCPERS - Member Renewal Thru 12/31/24			305.00			
Total 21500 · Membership				305.00			
21700 · Office Expense - General		19,275.00	19,275.00	1,007.61	8,008.27	11,266.73	42%
10/17/2023	First Choice - 2023-10 Water Svcs			79.27			
10/27/2023	First Choice - 2023-08-30 Water Svcs			45.23			
10/30/2023	2023-09 Stores Billing			883.11			
Total 21700 · Office Expense - General				1,007.61			
21710 · Office Expense - Postage		20,000.00	20,000.00	1,553.90	4,762.50	15,237.50	24%
10/17/2023	Reimb for Express Mail			28.75			
10/30/2023	2023-09 Mailroom Chgs			1,525.15			
Total 21710 · Office Expense - Postage				1,553.90			
21805 · Audits		65,000.00	65,000.00	-	-	65,000.00	0%
Total 21805 · Audits				-			
21808 · Board Membership		10,000.00	10,000.00	1,400.00	1,400.00	8,600.00	14%
Total 21808 · Board Membership				-			

Merced County Employees' Retirement Association
Administrative Expenditures Report (Preliminary)
For the Month Ended October 31, 2023

Administrative Budget	Adopted	Current Budget	Expended 10/2023	Expended YTD	Bal Remaining	% Exp YTD
21900 · Publications & Legal Notices	5,000.00	5,000.00	-	3,759.57	1,240.43	75%
Total 21900 · Publications & Legal Notices			<u>-</u>			
22300 · Spec Dept Exp - Other	750.00	750.00	-	38.99	711.01	5%
Total 22300 · Spec Dept Exp - Other			<u>-</u>			
22310 · Election Expense	30,000.00	30,000.00	-	-	30,000.00	0%
Total 22310 · Election Expense			<u>-</u>			
22327 · Spec Dept Exp - Cost Allocation	40,000.00	40,000.00	3,298.50	13,194.00	26,806.00	33%
10/16/2023 2023-10 Cost Alloc			3,298.50			
Total 22327 · Spec Dept Exp - Cost Allocation			<u>3,298.50</u>			
22500 · Transportation & Travel	250.00	250.00	52.86	52.86	197.14	21%
10/06/2023 Reimb for Disability Hearing 9/6/23			52.86			
Total 22500 · Transportation & Travel			<u>52.86</u>			
22505 · Trans & Travel - Staff Development	4,000.00	4,000.00	-	149.00	3,851.00	4%
Total 22505 · Trans & Travel - Staff Development			<u>-</u>			
22515 · Trans & Travel - In State	40,000.00	40,000.00	860.00	1,010.00	38,990.00	3%
10/30/2023 SACRS Conf Reg - 4 attendees			480.00			
10/30/2023 Nossaman Forum Regist			380.00			
Total 22515 · Trans & Travel - In State			<u>860.00</u>			
22516 · Trans & Travel - Out of State	7,500.00	7,500.00	-	2,040.54	5,459.46	27%
Total 22516 · Trans & Travel - Out of State			<u>-</u>			
22600 · Utilities	20,000.00	20,000.00	2,225.24	6,272.18	13,727.82	31%
10/02/2023 PG&E - Sep 2023 Svcs			1,987.84			
10/17/2023 City of Merced - Oct 2023 WS&G			237.40			
Total 22600 · Utilities			<u>2,225.24</u>			
Depreciation Expense	27,000.00	27,000.00	-	-	27,000.00	
Total Administrative Budget	2,418,325.00	2,418,325.00	98,187.25	503,113.29	1,915,211.71	21%

Merced County Employees' Retirement Association

November 9, 2023

Meeting Materials

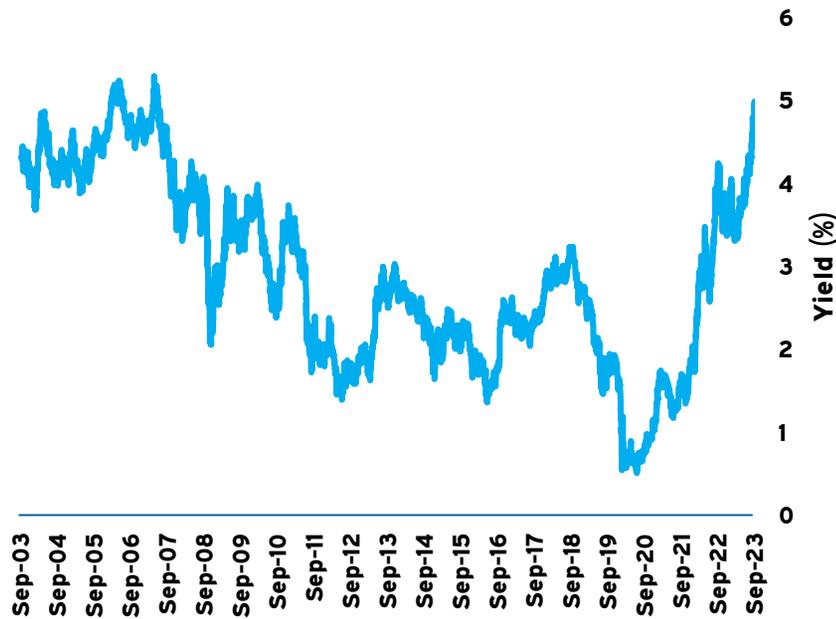
- 1. Forward Looking Calendar**
- 2. Macroeconomic Overview & Outlook Presentation**
- 3. Disclaimer, Glossary, and Notes**

Forward-Looking Calendar

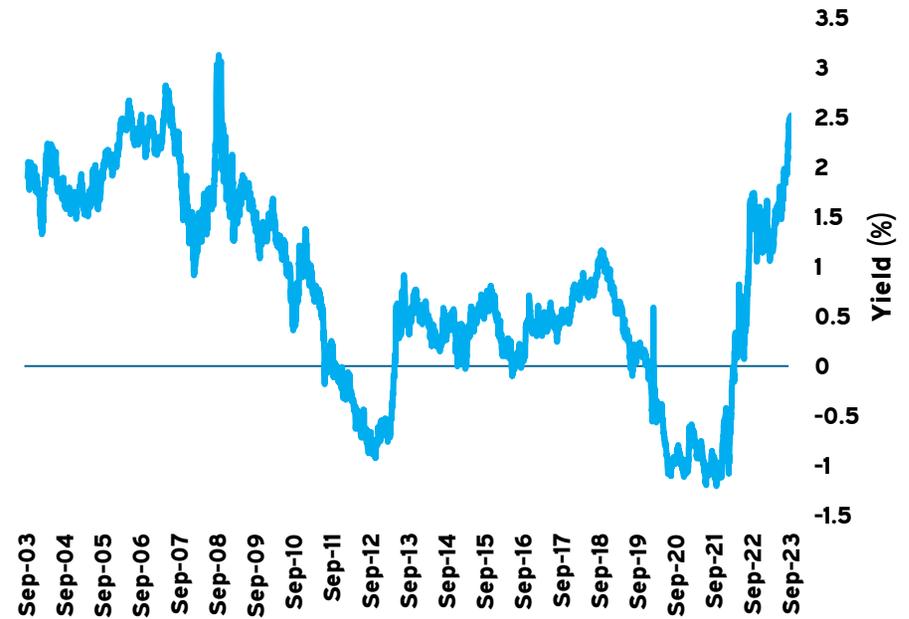
Status	Meeting	Topic 1	Topic 2	Topic 3
Completed	January	Performance Review (November)	GQG International Watch Memo	
	February	Quarterly Performance Review (22Q4)	Meketa's Capital Market Expectations	
	March	Performance Review-Consent (January)	Silicon Valley Bank Memo	
	April	Performance Review-Consent (February)		
	May	Quarterly Performance Review (23Q1)	US Fixed Income Manager Update	
	June	Performance Review-Consent (April)		
	July	Performance Review-Consent (May)		
	August	Quarterly Performance Review (23Q2)	Update on GQG Partners Understanding China	CIO Introductions
	September	Performance Review-Consent (July)		
	October	Performance Review-Consent (August)		
Current	November	Macroeconomic Update		
Future	December	Quarterly Performance Report (23Q3)	Macroeconomic Review	China Exposure Update

Macroeconomic Overview & Outlook Presentation

10-Year Nominal Treasury



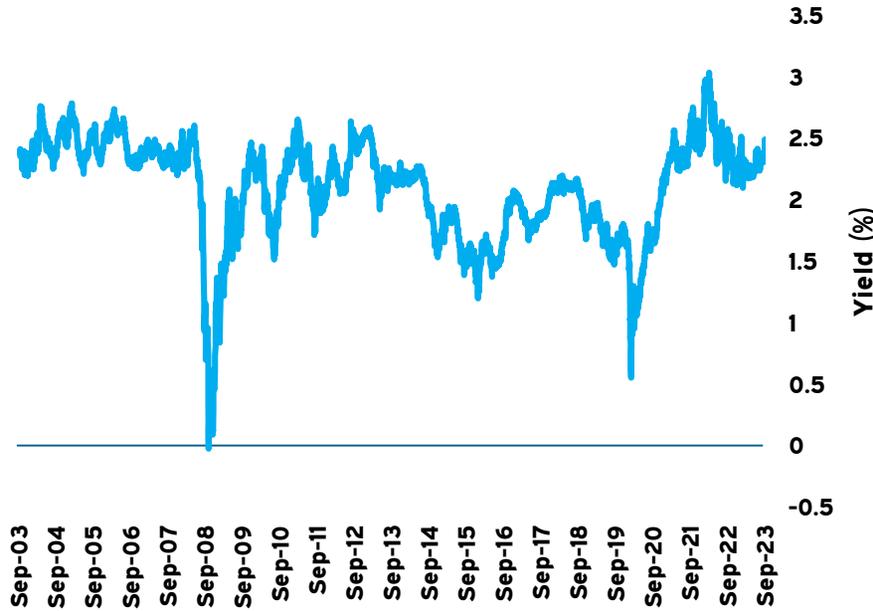
10-Year TIPS (Real Rate Proxy)



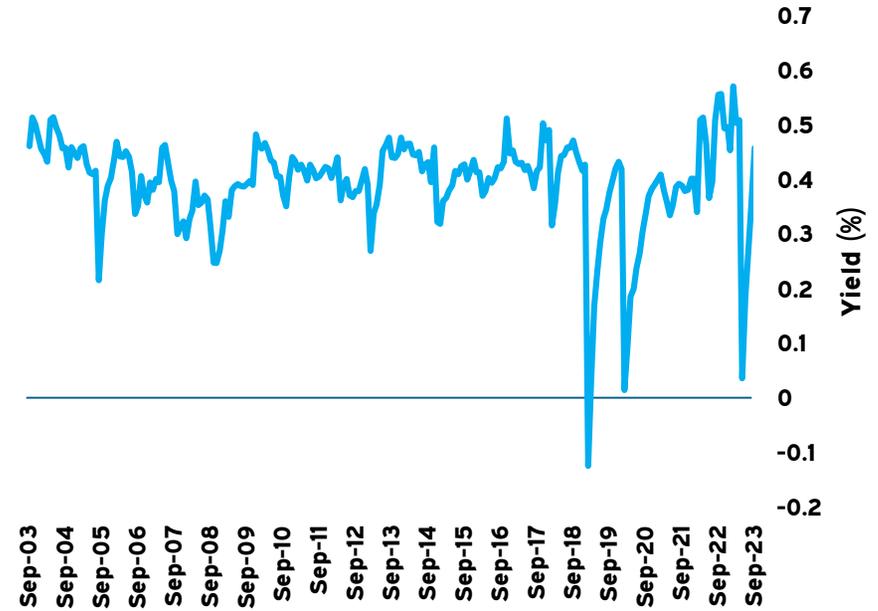
- The recent rise in global interest rates, particularly in the US, has been exceptional and material
- Both nominal and real interest rates are trading at multi-year highs
- But what's driving the selloff?

¹ Source: Bloomberg.

10-Year Breakeven Inflation



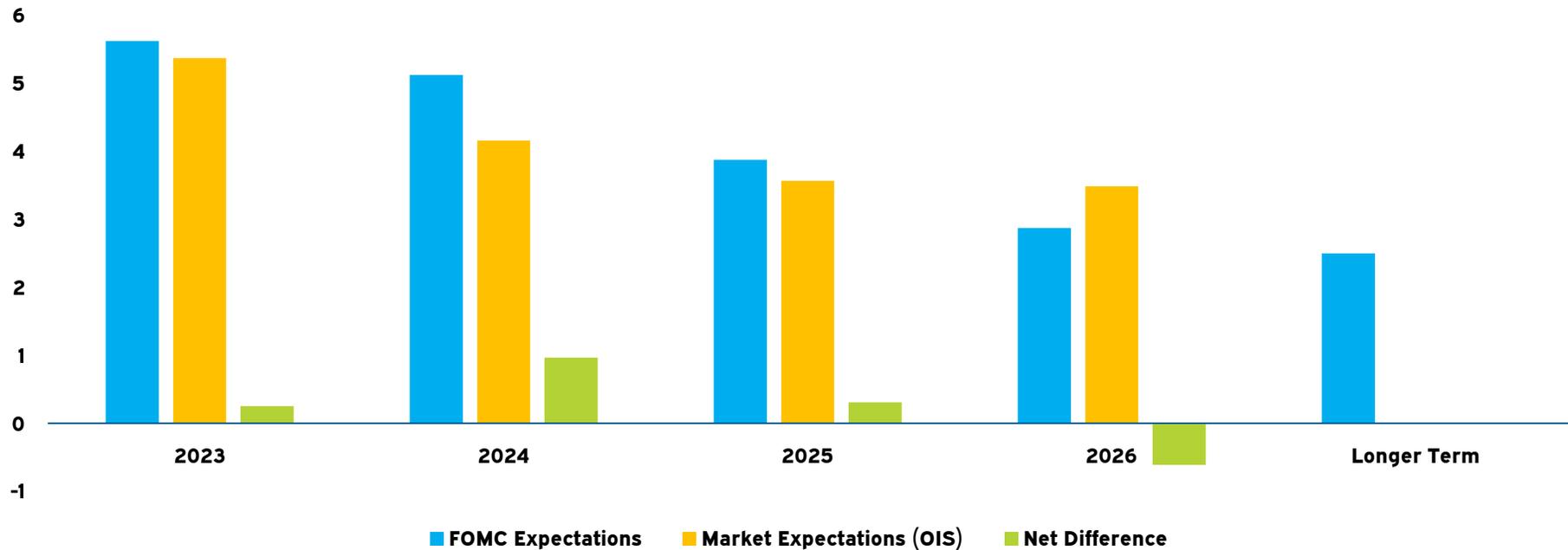
10-Year Inflation Risk Estimate



- NOT necessarily concerns about inflation
- Inflation expectations (breakevens) (left chart) fairly well contained
- Inflation risk estimates (right chart) have been volatile, but also within historical expectations

¹ Source: Bloomberg and Federal Reserve Bank of Cleveland.

Policy Expectations: FOMC Rate Projections vs Market Implied



→ **NOT** necessarily concerns about monetary policy rates

- Terminal rate expected in 2023
- Cuts in 2024 and 2025 expected by both “parties”

→ But **YES** on “lower for longer” expectations

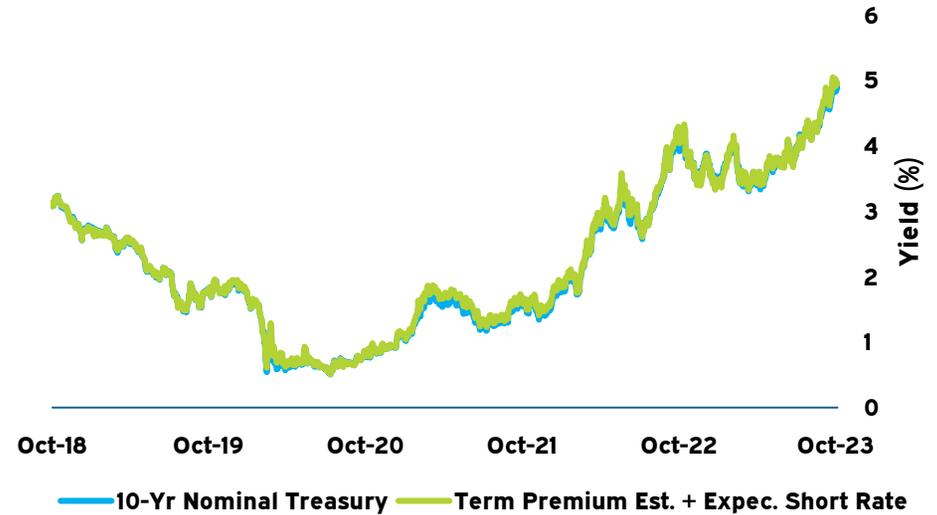
- Big divergence between FOMC and Market

¹ Source: Bloomberg.

10-Yr Nominal Treasury = Term Premium Est. + Exp. Short Rate



10-Yr Nominal Treasury = Term Premium Est. + Exp. Short Rate



→ YES regarding concerns about yields being higher in the future

- Short-rate expectations (think policy rates) largely unchanged (blue line, left chart)
- Term premium (fear, or compensation required by investors) driving most of the recent rise in yields (orange line, left chart)

→ But why?????

¹ Source: Federal Reserve Bank of New York; Adrian, Crump, and Moench term premia model.

Chart 1

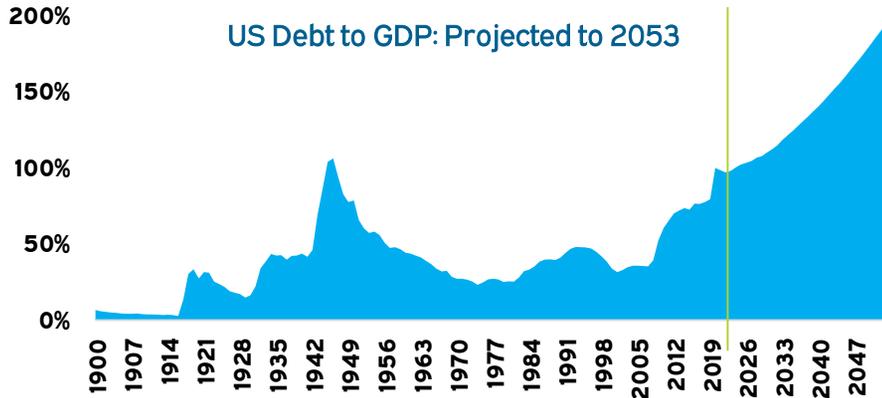
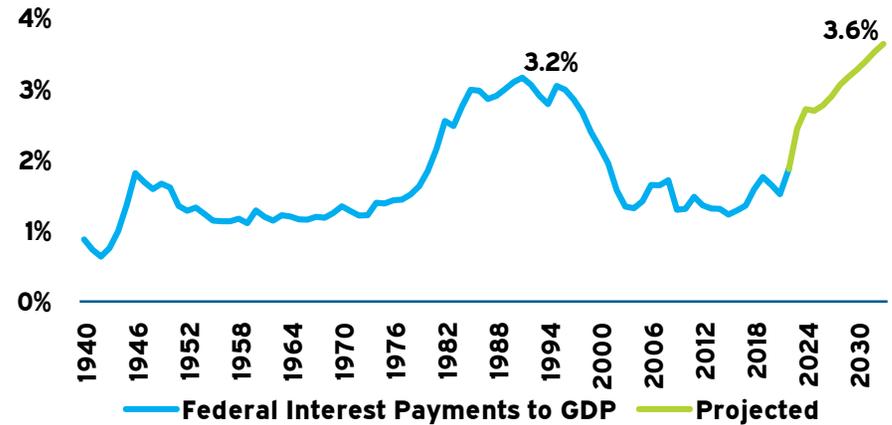


Chart 2



- US sovereign debt vs GDP at near-record levels (chart 1)
- Economic fragility increases as debt rises (chart 2)
- Research suggests this *could* impact future economic growth (chart 3)

Chart 3

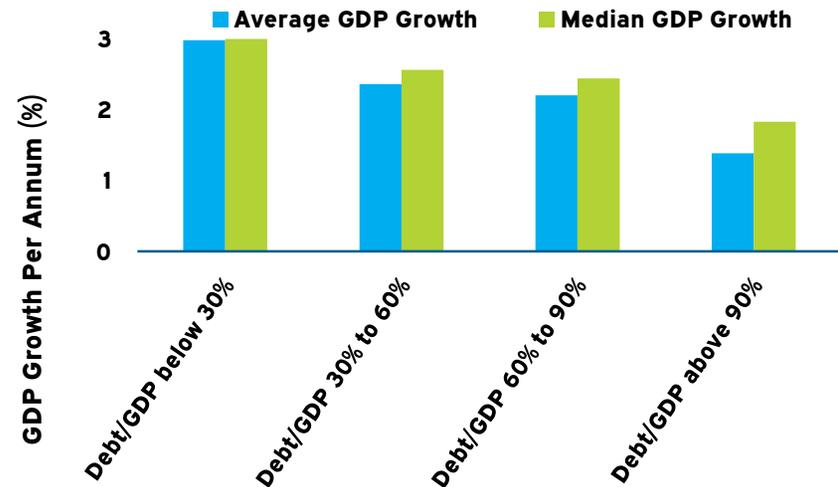


Chart 1 Source: Congressional Budget Office.

Chart 2 Source: Congressional Budget Office.

Chart 3 Source: Chart reflects data updated through 2022 using a similar approach to that Carmen Reinhart and Kenneth Rogoff used in "Growth in a Time of Debt," May 2010. Source: Oxford Economics, annual data as of April 2023. Measurements used: gross government debt (including state debt) as a % of GDP and real GDP growth. Dataset includes 21 developed countries as defined by the World Economic Situation and Prospects.

Disclaimer, Glossary, and Notes

WE HAVE PREPARED THIS REPORT (THIS "REPORT") FOR THE SOLE BENEFIT OF THE INTENDED RECIPIENT (THE "RECIPIENT").

SIGNIFICANT EVENTS MAY OCCUR (OR HAVE OCCURRED) AFTER THE DATE OF THIS REPORT AND THAT IT IS NOT OUR FUNCTION OR RESPONSIBILITY TO UPDATE THIS REPORT. ANY OPINIONS OR RECOMMENDATIONS PRESENTED HEREIN REPRESENT OUR GOOD FAITH VIEWS AS OF THE DATE OF THIS REPORT AND ARE SUBJECT TO CHANGE AT ANY TIME. ALL INVESTMENTS INVOLVE RISK. THERE CAN BE NO GUARANTEE THAT THE STRATEGIES, TACTICS, AND METHODS DISCUSSED HERE WILL BE SUCCESSFUL.

INFORMATION USED TO PREPARE THIS REPORT WAS OBTAINED FROM INVESTMENT MANAGERS, CUSTODIANS, AND OTHER EXTERNAL SOURCES. WHILE WE HAVE EXERCISED REASONABLE CARE IN PREPARING THIS REPORT, WE CANNOT GUARANTEE THE ACCURACY OF ALL SOURCE INFORMATION CONTAINED HEREIN.

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PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

Credit Risk: Refers to the risk that the issuer of a fixed income security may default (i.e., the issuer will be unable to make timely principal and/or interest payments on the security).

Duration: Measure of the sensitivity of the price of a bond to a change in its yield to maturity. Duration summarizes, in a single number, the characteristics that cause bond prices to change in response to a change in interest rates. For example, the price of a bond with a duration of three years will rise by approximately 3% for each 1% decrease in its yield to maturity. Conversely, the price will decrease 3% for each 1% increase in the bond's yield. Price changes for two different bonds can be compared using duration. A bond with a duration of six years will exhibit twice the percentage price change of a bond with a three-year duration. The actual calculation of a bond's duration is somewhat complicated, but the idea behind the calculation is straightforward. The first step is to measure the time interval until receipt for each cash flow (coupon and principal payments) from a bond. The second step is to compute a weighted average of these time intervals. Each time interval is measured by the present value of that cash flow. This weighted average is the duration of the bond measured in years.

Information Ratio: This statistic is a measure of the consistency of a portfolio's performance relative to a benchmark. It is calculated by subtracting the benchmark return from the portfolio return (excess return), and dividing the resulting excess return by the standard deviation (volatility) of this excess return. A positive information ratio indicates outperformance versus the benchmark, and the higher the information ratio, the more consistent the outperformance.

Jensen's Alpha: A measure of the average return of a portfolio or investment in excess of what is predicted by its beta or "market" risk. $\text{Portfolio Return} - [\text{Risk Free Rate} + \text{Beta} * (\text{market return} - \text{Risk Free Rate})]$.

Market Capitalization: For a firm, market capitalization is the total market value of outstanding common stock. For a portfolio, market capitalization is the sum of the capitalization of each company weighted by the ratio of holdings in that company to total portfolio holdings; thus it is a weighted-average capitalization. Meketa Investment Group considers the largest 65% of the broad domestic equity market as large capitalization, the next 25% of the market as medium capitalization, and the smallest 10% of stocks as small capitalization.

Market Weighted: Stocks in many indices are weighted based on the total market capitalization of the issue. Thus, the individual returns of higher market-capitalization issues will more heavily influence an index's return than the returns of the smaller market-capitalization issues in the index.

Maturity: The date on which a loan, bond, mortgage, or other debt/security becomes due and is to be paid off.

Prepayment Risk: The risk that prepayments will increase (homeowners will prepay all or part of their mortgage) when mortgage interest rates decline; hence, investors' monies will be returned to them in a lower interest rate environment. Also, the risk that prepayments will slow down when mortgage interest rates rise; hence, investors will not have as much money as previously anticipated in a higher interest rate environment. A prepayment is any payment in excess of the scheduled mortgage payment.

Price-Book Value (P/B) Ratio: The current market price of a stock divided by its book value per share. Meketa Investment Group calculates P/B as the current price divided by Compustat's quarterly common equity. Common equity includes common stock, capital surplus, retained earnings, and treasury stock adjusted for both common and nonredeemable preferred stock. Similar to high P/E stocks, stocks with high P/B's tend to be riskier investments.

Price-Earnings (P/E) Ratio: A stock's market price divided by its current or estimated future earnings. Lower P/E ratios often characterize stocks in low growth or mature industries, stocks in groups that have fallen out of favor, or stocks of established blue chip companies with long records of stable earnings and regular dividends. Sometimes a company that has good fundamentals may be viewed unfavorably by the market if it is an industry that is temporarily out of favor. Or a business may have experienced financial problems causing investors to be skeptical about its future. Either of these situations would result in lower relative P/E ratios. Some stocks exhibit above-average sales and earnings growth or expectations for above average growth. Consequently, investors are willing to pay more for these companies' earnings, which results in elevated P/E ratios. In other words, investors will pay more for shares of companies whose profits, in their opinion, are expected to increase faster than average. Because future events are in no way assured, high P/E stocks tend to be riskier and more volatile investments. Meketa Investment Group calculates P/E as the current price divided by the I/B/E/S consensus of twelve-month forecast earnings per share.

Quality Rating: The rank assigned a security by such rating services as Fitch, Moody's, and Standard & Poor's. The rating may be determined by such factors as (1) the likelihood of fulfillment of dividend, income, and principal payment of obligations; (2) the nature and provisions of the issue; and (3) the security's relative position in the event of liquidation of the company. Bonds assigned the top four grades (AAA, AA, A, BBB) are considered investment grade because they are eligible bank investments as determined by the controller of the currency.

Sharpe Ratio: A commonly used measure of risk-adjusted return. It is calculated by subtracting the risk free return (usually three-month Treasury bill) from the portfolio return and dividing the resulting excess return by the portfolio's total risk level (standard deviation). The result is a measure of return per unit of total risk taken. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

STIF Account: Short-term investment fund at a custodian bank that invests in cash-equivalent instruments. It is generally used to safely invest the excess cash held by portfolio managers.

Standard Deviation: A measure of the total risk of an asset or a portfolio. Standard deviation measures the dispersion of a set of numbers around a central point (e.g., the average return). If the standard deviation is small, the distribution is concentrated within a narrow range of values. For a normal distribution, about two thirds of the observations will fall within one standard deviation of the mean, and 95% of the observations will fall within two standard deviations of the mean.

Style: The description of the type of approach and strategy utilized by an investment manager to manage funds. For example, the style for equities is determined by portfolio characteristics such as price-to-book value, price-to-earnings ratio, and dividend yield. Equity styles include growth, value, and core.

Tracking Error: A divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark, as defined by the difference in standard deviation.

Yield to Maturity: The yield, or return, provided by a bond to its maturity date; determined by a mathematical process, usually requiring the use of a “basis book.” For example, a 5% bond pays \$5 a year interest on each \$100 par value. To figure its current yield, divide \$5 by \$95—the market price of the bond—and you get 5.26%. Assume that the same bond is due to mature in five years. On the maturity date, the issuer is pledged to pay \$100 for the bond that can be bought now for \$95. In other words, the bond is selling at a discount of 5% below par value. To figure yield to maturity, a simple and approximate method is to divide 5% by the five years to maturity, which equals 1% pro rata yearly. Add that 1% to the 5.26% current yield, and the yield to maturity is roughly 6.26%.

$$\frac{5\% \text{ (discount)}}{5 \text{ (yrs. to maturity)}} = 1\% \text{ pro rata, plus } 5.26\% \text{ (current yield)} = 6.26\% \text{ (yield to maturity)}$$

Yield to Worst: The lowest potential yield that can be received on a bond without the issuer actually defaulting. The yield to worst is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call, or sinking fund, are used by the issuer.

NCREIF Property Index (NPI): Measures unleveraged investment performance of a very large pool of individual commercial real estate properties acquired in the private market by tax-exempt institutional investors for investment purposes only. The NPI index is capitalization-weighted for a quarterly time series composite total rate of return.

NCREIF Fund Index - Open End Diversified Core Equity (NFI-ODCE): Measures the investment performance of 28 open-end commingled funds pursuing a core investment strategy that reflects funds' leverage and cash positions. The NFI-ODCE index is equal-weighted and is reported gross and net of fees for a quarterly time series composite total rate of return.

Sources: [Investment Terminology](#), International Foundation of Employee Benefit Plans, 1999.
[The Handbook of Fixed Income Securities](#), Fabozzi, Frank J., 1991

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Throughout this report, numbers may not sum due to rounding.

Returns for periods greater than one year are annualized throughout this report.

Values shown are in millions of dollars, unless noted otherwise.



Merced County Employees' Retirement Association

DATE: November 9, 2023

TO: MercedCERA Board of Retirement

FROM: Kristie Santos, Plan Administrator

SUBJECT: 2024 Board Meeting Calendar

ITEM NUMBER: Open Session Item b

ITEM TYPE: **Action**

STAFF RECOMMENDATION:

1. Approve the 2024 Board Meeting Calendar.

DISCUSSION:

On December 8, 2022, the Merced County Employees' Retirement Association (MercedCERA) Board of Retirement voted unanimously to hold one meeting per month. Meetings will be held on the fourth Thursday of each month except for meetings held in November and December, which will likely be held on the second Thursday of the month due to holidays. Below is the meeting calendar for 2024.

Board Meeting Dates for 2024
January 25, 2024
February 22, 2024
March 28, 2024
April 25, 2024
May 23, 2024
June 27, 2024
July 25, 2024
August 22, 2024
September 26, 2024
October 24, 2024
*November 14, 2024
*December 12, 2024
*Meetings on 2 nd Thursday of the month due to holidays.

Staff is recommending the Board adopt the 2024 Board Meeting Calendar.