MERCEDCERA
Merced County Employees' Retirement Association

AGENDA
MercedCERA INVESTMENT SUBCOMMITTEE MEETING

Thursday, July 16, 2026, 2:00 P.M.

Location: Merced County Employees' Retirement Association
690 W. 19th Street, Merced, CA, 95340
2nd Floor, Trustee Conference Room
Zoom Conference Information:
https://us06web.zoom.us/j/93030195748?pwd=NGhFeGltSVhaSTIsK2JGWE83TVFydz09
Dial In Number: 669-900-6833, MEETING ID: 930 3019 5748, PASSCODE: 095484

1. **Call to Order – 2:00 P.M.**

The Investment Subcommittee may discuss and take action on the following:

2. **Roll Call**

3. **Approval of Minutes** – December 11, 2025

4. **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.

5. **Open Session**
   a. Review and discuss schedule of investment topics for 2026 and first half of 2027 – Staff.
   b. Discuss potential educational topics for 2027 – Staff.

6. **Information Sharing & Agenda Item Requests**

7. **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 690 W 19th Street, Merced, California 95340.

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Spanish and Hmong interpreters are available.

Interpretes de espanol y hmong estan disponibles.
Peb muaj tug paab txhais lug Mev hab Hmoob.

MERCEDCERA
Merced County Employees' Retirement Association

MINUTES
MercedCERA INVESTMENT SUBCOMMITTEE MEETING

Thursday, December 11, 2025, 11:00 A.M.

Location: Merced County Employees' Retirement Association
690 W. 19th Street, Merced, CA, 95340
2nd Floor, Trustee Conference Room
Zoom Conference Information:

https://us06web.zoom.us/j/93030195748?pwd=NGhFeGItSVhaSTIsK2JGWE83TVFydz09
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 – 11:00 A.M.**
   The Investment Subcommittee may discuss and take action on the following:

2. **Roll Call**
   Board Members Present: Scott Johnston and Karen Adams. ***Absent:*** Janey Cabral and Bayani Manilay. ***Staff:*** Martha Sanchez Barboa and Pete Madrid.

3. **Approval of Minutes – October 1, 2025**
   The subcommittee approved the October 1, 2025, subcommittee minutes.
   Adams/Johnston, passes 2/0

4. **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

5. **Open Session**
   a. Update on the Specialty Investment Consultant request for proposal (RFP) process and discussion of next steps – Staff.
   Staff provided an update regarding the Specialty Investment Consultant RFP. Question were received and have been responded to by Staff. The submission date was extended from December 18th to December 30th to allow more time for submission due to the holidays. This will shorten the RFP review period by a week. Pete and Martha will review the RFPs submitted, in addition to the Investment Subcommittee trustees and meet to discuss them in February. Onsite visits will be scheduled with the finalists, as schedules allow.

6. **Information Sharing & Agenda Item Requests**
   Trustees recommended the March Trustee Education meeting consist of a discussion regarding cashflows and liquidity.

7. **Adjourned at 11:33 A.M.**

Trustee Name/Position	Signature	Date
Bayani Manilay/ Chair		

MERCEDCERA
Merced County Employees' Retirement Association

DATE: July 16, 2026

TO: MercedCERA Investment Subcommittee

FROM: Pete Madrid, Assistant Plan Administrator - Investments

SUBJECT: Proposed 2026-2027 Strategic Investment Reviews

ITEM NUMBER: **Open Item a**

ITEM TYPE: **Information Only**

DISCUSSION:

Establishing a formal investment review calendar for MercedCERA is essential, as it ensures a disciplined, transparent, and proactive oversight process that aligns with the Board's fiduciary responsibilities. A structured calendar provides clarity on when key portfolio components such as asset allocation, liquidity, performance benchmarks, and investment risk will be evaluated. This helps trustees anticipate decisions and allocate sufficient time for thoughtful deliberation and education, if needed.

Establishing an investment review calendar also supports consistent communication with Staff and our consultants, strengthens governance practices, and reduces the risk of reactionary decision-making driven by short-term market conditions. Staff provides the attached investment review calendar, inclusive of the rest of calendar year 2026, as well as the first half of 2027, for discussion with the Investment Committee.

MERCEDCERA STRATEGIC PLAN

PROPOSED 2026-2027 STRATEGIC INVESTMENT REVIEWS

July 2026

More Impact

Less Impact

	2026 Q1 (Jan-Feb-Mar)	2026 Q2 (Apr-May-June)	2026 Q3 (July-Aug-Sept)	2026 Q4 (Oct-Nov-Dec)
Investment Policy	• Trustee risk & objectives survey • Pension risk & liability aware investing • Functional framework (Intro)		• Functional framework (Cont.)	• Future liquidity needs & cash flow modeling • Benchmarking review • Investment policy review →
Strategic Long-Term Targets	• Capital market expectations & risk/return profile	• Risk mitigation strategies	• Roles of asset classes	• Pacing recommendations for 2027
Asset Class / Manager Structure	• Cash flow strategies • Private credit risk review	• Private markets expenses • Active-passive study → • US large cap equity review → • Hedge fund portfolio review →		• Active / passive study • US equity review • Hedge fund portfolio review
Other			• CA required disclosure of management fees paid	

	2026 Q3 (July-Aug-Sept)	2026 Q4 (Oct-Nov-Dec)	2027 Q1 (Jan-Feb-Mar)	2027 Q2 (Apr-May-June)
Investment Policy	• Functional framework	• Future liquidity needs & cash flow modeling • Benchmarking review	• Investment policy review	• Asset-Liability study (2027/2028)
Strategic Long-Term Targets	• Roles of asset classes	• Pacing recommendations for 2027	• Private market secondary sale review • Asset allocation recommendation	• Future asset allocation recommendation
Asset Class / Manager Structure		• Active / passive study • US equity review • Hedge fund portfolio review	• Private equity portfolio review	• US fixed income / opp. credit review
Other	• CA required disclosure of management fees paid			

More Impact ↕ Less Impact

	2026 Q3 (July-Aug-Sept)	2026 Q4 (Oct-Nov-Dec)	2027 Q1 (Jan-Feb-Mar)	2027 Q2 (Apr-May-June)
Investment Policy High-level policy discussions are the most critical component of the Board's investment responsibilities. The Board is responsible for establishing the objectives for the Plan as well as the guidelines and risk limits around liquidity and how the objectives are achieved. The work done at the policy level ensures that decision-making is aligned with Plan goals and the assets are prudently managed.	**Functional framework – *Meketa* (Aug)** We will revisit Meketa's proposal to adopt the Functional Framework that splits the portfolio into two components: growth assets and preservation assets. Adoption of the framework requires no changes to the current portfolio. It is simply a different approach to discussing the portfolio in a way that categorizes investments by their role in the portfolio rather than by just the asset class.	**Future liquidity needs & cash flow modeling – *Meketa* (Oct)** Meketa will conduct an analysis of the future liquidity and cash flow needs of the Plan as contributions from the County are set to normalize. The objective of this analysis is to determine the appropriate future strategic asset allocation, especially private markets, as the Plan enters a period of negative cash flows. **Benchmarking review – *Staff* (Nov)** We will review the investment performance benchmarks to ensure they continue to align with the overall objectives of the Plan.	**Investment policy review – *Staff* (Jan)** The Board must review the Plan's investment policy statement on a periodic basis. Staff may propose revisions, in collaboration with our consultants, to clarify investment guidelines or processes, and to improve the overall usability of the investment policy for Board decision making. Any changes adopted by Board (e.g., Functional Framework, benchmarking changes, etc.) will be incorporated into the proposed revisions.	**Asset-Liability study (2027-2028) *Meketa*** A public pension asset-liability study is a comprehensive financial review that models how a pension plan's investment strategy aligns with its long-term obligation to pay member retirement benefits. It works by projecting future market conditions and demographic changes to test how different asset allocations affect the plan's funding level and contribution requirements over several decades. This analysis is critical because it helps retirement boards balance the need for investment growth against the risk of funding shortfalls, ensuring the plan remains sustainable for future generations of public servants

	2026 Q3 (July-Aug-Sept)	2026 Q4 (Oct-Nov-Dec)	2027 Q1 (Jan-Feb-Mar)	2027 Q2 (Apr-May-June)
Strategic Long-Term Targets Once the Board has established the Plan's goals and investment guidelines, the Portfolio is reviewed to ensure it is appropriately constructed to meet its objectives while providing for the Plan's liquidity needs.	**Roles of asset classes – *Meketa* (Sept)** Discussion will be focused on the role of each asset class in meeting the Plan's objectives. By clarifying the role of the asset classes, we can make better decisions about the investments made in those areas of the portfolio.	**Private markets pacing for 2027 – *Cliffwater* (Dec)** Cliffwater will present the recommended pacing of investment in private markets for calendar year 2027. The pacing acts as a guide for the amount the Board commits to private investments during the year.	**Private market secondary sale review – *Cliffwater* (Jan)** The Board will review the process, as well as the merits and challenges, of selling private market investments on the secondary market. **Asset allocation recommendation – *Meketa* (Feb)** The strategic asset allocation is the greatest driver of returns in the Portfolio, accounting for approximately 90% of the return behavior. Meketa will present potential adjustments to the mix of assets to ensure the Portfolio is appropriately designed to meet the Plan's objectives.	**Future asset allocation recommendation – *Meketa* (Apr)** The Plan will experience a significant change to its monthly cash needs in the coming years as County contributions are reduced to normal levels. The Board must determine the appropriate level of private market investments when the Plan's cash needs change. Private investments carry long lock-up periods (5 to 15 years) so if we are targeting a smaller private markets portfolio in the next 5 to 7 years, we must initiate a slower pacing to private investments.

	2026 Q3 (July-Aug-Sept)	2026 Q4 (Oct-Nov-Dec)	2027 Q1 (Jan-Feb-Mar)	2027 Q2 (Apr-May-June)
Asset Class / Manager Structure While decisions made at the manager level are less impactful to the overall performance, the Board must ensure that investment managers are meeting expectations and continue to fit their role in the Portfolio.		**Active / passive study – *Meketa* (Oct)** The active-passive study examines the areas of the market that show active management can add value (i.e., beat the benchmark) and other areas where outperforming the benchmark is more difficult. **US equity review – *Staff/Meketa* (Nov)** Following the active-passive discussion, Staff and/or Meketa may recommend changes to the US equity managers. **Hedge fund portfolio review – *Cliffwater* (Dec)** As part of the strategic asset allocation setting process, we will reaffirm the role hedge funds play (e.g., defensive, return seeking, etc.) in the portfolio. This hedge fund review will examine our current portfolio to ensure it aligns with its role - otherwise, changes may be recommended.	**Private equity portfolio review – *Cliffwater* (Mar)** Cliffwater will review the positioning of the private equity portfolio to ensure it remains aligned with its role in the portfolio. We will review in detail the risks associated with the portfolio.	**US fixed income opportunistic credit review – *Staff/Meketa* (Apr)** We will present the positioning and risk/return profile of the US fixed income and opportunistic credit portfolio. Staff and/or Meketa may recommend changes to either portfolio to ensure they align with their intended role in the Portfolio.

	2026 Q3 (July-Aug-Sept)	2026 Q4 (Oct-Nov-Dec)	2027 Q1 (Jan-Feb-Mar)	2027 Q2 (Apr-May-June)
Other	**CA required disclosure of management fees paid – *Cliffwater* (Sept)** Per California Government Code Section 7514.7, MercedCERA is required to report on management fees and partnership expenses paid to private market investments. Cliffwater presents this report annually in September.			

Merced County Employees' Retirement Association

DATE: July 16, 2026

TO: MercedCERA Investment Subcommittee

FROM: Pete Madrid, Assistant Plan Administrator - Investments

SUBJECT: 2027 Educational Topics Discussion

ITEM NUMBER: **Open Item b**

ITEM TYPE: **Information Only**

DISCUSSION:

The MercedCERA Board of Retirement is tasked with making high-stakes decisions on a range of investment topics that directly impact the long-term results of the Plan's investment portfolio. Proactive education bridges the gap between varying levels of investment experience on the Board, ensuring that Trustees can critically evaluate staff and consultant recommendations.

Staff continue to work on providing the Board with the most important knowledge and information needed to make decisions regarding the investment portfolio, and other areas of Board review. In the past year, we have coordinated education on pension derisking, functional portfolio framework, risk-mitigating strategies, and fiduciary responsibility and conflicts of interest. We are now beginning the process of scheduling and coordinating educational training for 2027. While Staff and our consultants are collaborating on potential education, we also ask the Investment Subcommittee to share potential education topics to ensure the educational training remains helpful and aligned with the needs of the Trustees.

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