

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: September 15, 2016

MEMO TO: Members of the Retirement Board

THROUGH: Laura Brunson, Manager of Human Resources

FROM: Lisa Sorani, Manager of Employee Services *LS*

SUBJECT: Retirement Board Regular Meeting – September 15, 2016

A regular meeting of the Retirement Board will convene at 8:30 a.m. on Thursday, September 15, 2016 in the Training Resource Center (TRC1) of the Administration Building.

Enclosed are the agenda for the September 15, 2016 meeting and the minutes for the July 21, 2016 regular meeting. The package also includes the following: **(1) ACTION** items: Declaring the Results of the Election of the Retired Member of the Retirement Board, Determine the Method of Proxy Voting: Overview and Options; **(2) INFORMATION** items: 2nd Quarter Performance Review as of June 30, 2016, Determining ERS' Climate Change Exposure, Training Module: Risk Offset Investment Class & Goal Based Investing; **(3) REPORTS FROM THE RETIREMENT BOARD.**

LS:eg

Enclosures

AGENDA

EBMUD EMPLOYEES' RETIREMENT SYSTEM

September 15, 2016

Training Resource Center (TRC1) 8:30 a.m.

ROLL CALL:

PUBLIC COMMENT: The Retirement Board is limited by State Law to providing a brief response, asking questions for clarification, or referring a matter to staff when responding to items that are not listed on the agenda.

CONSENT CALENDAR:

1. Approval of Minutes – Regular meeting of July 21, 2016
2. Ratifying and Approving Investment Transactions by Counselors for June 2016 and July 2016 (R.B. Resolution No. 6846)
3. Ratifying and Approving Short-Term Investment Transactions by Treasurer for June 2016 and July 2016 (R.B. Resolution No. 6847)
4. Approving Treasurer's Statement of Receipts and Disbursements for June 2016 and July 2016

ACTION:

5. Declaring the results of the election of the Retired Member of the Retirement Board (Resolution No. 6848) – E. Grassetti
6. Determine the Method of Proxy Voting: Overview and Options – S. Skoda

INFORMATION:

7. 2nd Quarter Performance Review as of June 30, 2016 – S. Skoda
8. ERS' Climate Change Exposure – S. Skoda
9. Training Module: Risk Offset Investment Class & Goal Based Investing – S. Skoda

REPORTS FROM THE RETIREMENT BOARD:

10. Brief report on any course, workshop, or conference attended since the last Retirement Board meeting.
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ITEMS TO BE CALENDARED:

Study on Timing of Retirement Option Election
Training: Non-core Fixed Income Asset Class Review

MEETING ADJOURNMENT:

The next regular meeting of the Retirement Board will be held at 8:30 a.m. on Thursday, November 17, 2016.

2016 Retirement Board Meetings

November 17, 2016

MINUTES OF THE RETIREMENT BOARD

July 21, 2016

A regular meeting of the Retirement Board convened on Thursday, July 21, 2016 at 8:35 a.m. in the Large Training Resource Center (TRC) Room. The meeting was called to order by President Doug Higashi.

Roll Call – The following Retirement Board Members were present: Alex Coate, Doug Higashi, Tim McGowan, Frank Mellon, Lisa Ricketts and Marguerite Young

The following staff members were present: Dari Barzel, Xanthe Berry, Laura Brunson, Elizabeth Grassetti, Sophia Skoda, and Lisa Sorani.

PUBLIC COMMENT

None.

CONSENT CALENDAR

1 - 4. **Consent Calendar** – A motion was made by Frank Mellon and seconded by Doug Higashi to approve the Consent Calendar. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (None).

ACTION

5. **Declaring the Results of the Election of the Employee Member of the Retirement Board** – Elizabeth Grassetti presented the results of the Retirement Board election for the seat currently held by Tim McGowan, who was re-elected for a two-year term beginning June 24, 2016. Alex Coate made the motion to certify the results and Frank Mellon seconded the Motion. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (None).

6. **Declaring the Interest Rate on Member Contributions for the Period Ending June 30, 2016** Elizabeth Grassetti presented the resolution to approve the annual rate of interest to be credited to Member contributions. The interest rate to be credited is the lesser of the actuarially assumed rate of return of 7.5% or the five-year average rate of return as of December 31, 2015 which was 9.0%. Therefore, the prorated interest rate to be credited is 3.75%. Marguerite Young made the motion to approve the resolution and Alex Coate seconded. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (None).

INFORMATION

7. **WAMCO Presentation** – Frances Coombes and T. J. Settel provided an update on WAMCO, highlighting its recent performance. They discussed the recent underperformance, and how the fund has had a turnaround starting in mid-February. They reviewed the two portfolios that

EBMUD has with them, the Bank Loan Portfolio and the Short-Date High-Yield Portfolio. The Bank Loan Portfolio returned negative (0.6%) for the one year and 5.3% year to date. They were over-weight in crude oil, but they are reducing position in energy now. The Short-Term High-Yield portfolio returned negative (9.3%) for the 1-year, and 2.7% for the year-to-date. They expected consumer cyclicals and healthcare sectors would do well but they lagged.

8. **Draft Mission Statement and Investment Beliefs** - Sophia Skoda and Dari Barzel presented the draft mission statement and took direction from the Board on changes. Based on input received, the draft was changed to read “EBMUD ERS serves as fiduciary and responsible steward of its assets, to deliver promised benefits to Members, their survivors and beneficiaries.”

The board then reviewed the draft investments beliefs. They made the following changes:

The System:

- a. Ensures accountability/transparency
- b. Committed to excellence and leadership

Recognize that Risk:

- a. Is multi-dimensional and cannot be captured solely through quantitative analysis
- b. Can change over time

9. **Training Module: ESG and Passive Investment** – Sarah Bernstein from Pension Consulting Alliance (PCA) provided an in-depth training on how investment strategies can address ESG risks through passively managed portfolios. She discussed ESG benchmarks and index funds that are available. She explained that indexes can be constructed to screen in or screen out companies, incorporate ESG facts on financial impact and asset allocation objectives, or through the impact generated by the investments along with the financial returns. She then compared returns for ESG indexes benchmarks to their non-ESG peers. ESG benchmarks can have similar returns to standard benchmarks, but their sector weighting tends to be different. She then discussed implementation, the cost of using the ESG indexes, and other considerations which should be included in deliberations regarding ESG implementation.

10. **Capital Market Assumption** – Neil Rue from PCA presented a memo on updated capital market assumptions. PCA looks at capital market assumptions from a different angle than the actuaries. PCA expects difficulty in achieving the current assumed rate of return of 7.5% going forward. They expect a rate of return of approximately 6.6% over ten years.

11. **Articles Requested by Board Members** – Per the Board’s request at the May 19, 2016 meeting, staff provided articles on demand for oil and CalPERS’ recent tobacco divestment.

12. **SEC Comment Letter** – Staff penned a letter to the Securities and Exchange Commission (SEC) in response to a request for comments on proposed changes to disclosure requirements on environmental, social, and governance (ESG) concerns.

13. **Low Income Adjustments for Retired Members and Surviving Spouses** – Staff provided a memo to the Board regarding the Low Income Adjustment provision. There were no applications from eligible retirees or surviving spouses this year.

REPORTS FROM THE RETIREMENT BOARD:

14. Brief report on any course, workshop, or conference attended since the last Retirement Board meeting.

Tim McGowan reported on his attendance at the CALAPRS Trustee Round Table on June 10, 2016. He reported that small systems are not implementing ESG. He also mentioned that one of the larger systems (Los Angeles County) is acting as its own developer as part of its real estate investments. Tim also discussed how Castro Valley Sanitary District's normal cost, and therefore employee contributions, are lower than EBMUD's by about 2% which could put EBMUD at a disadvantage in recruiting. Tim also asked that the Asset volatility ratio and Liability volatility ratio be added to actuarial study.

ITEMS TO BE CALENDERED / UPCOMING ITEMS

- Non-core Fixed Income Asset Class Review
- On-going retirement communications

ADJOURNMENT – Marguerite Young moved to adjourn the meeting at 12:09 p.m. and Doug Higashi seconded the motion; the motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (None).

President

ATTEST: _____
Secretary

09/15/2016

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: August 19, 2016

MEMO TO: Members of the Retirement Board

FROM: Sophia D. Skoda, Director of Finance 

SUBJECT: Investment Transactions by Retirement Fund Managers for June 2016 and July 2016

The attached Investment Transactions by Retirement Fund Managers report for the months of June 2016 and July 2016 is hereby submitted for Retirement Board approval.

Attachment

SDS:DSK:oy

INVESTMENT TRANSACTIONS BY RETIREMENT FUND MANAGERS

June 2016

	PURCHASES	SALES	PORTFOLIO VALUE
FIXED INCOME			
Western Asset Management Co.-IG	\$309,990	\$0	\$66,034,562
Western Asset Management Co.-HI	\$0	\$33,773	\$31,799,932
Western Asset Management Co.-HY	\$0	\$26,518	\$28,124,164
C.S. McKee	\$23,802,885	\$11,566,523	\$140,275,333
TOTAL	\$24,112,874	\$11,626,814	\$266,233,992
DOMESTIC EQUITY			
Barrow Hanley	\$2,360,052	\$1,760,095	\$156,972,207
Opus Capital	\$3,160,859	\$3,406,574	\$29,870,085
Russell 1000 Growth Index Fund	\$0	\$17,941	\$237,709,584
Russell 2000 Growth Index Fund	\$0	\$4,588	\$23,703,092
INTECH	\$3,982,241	\$5,831,176	\$70,551,673
T. Rowe Price	\$2,056,660	\$2,353,024	\$65,341,956
Total Domestic Equity	\$11,559,811	\$13,373,397	\$584,148,596
COVERED CALLS			
Parametric (BXM)	\$2,372,545	\$2,061,952	\$101,224,504
Parametric (Delta-Shift)	\$757,828	\$450,537	\$101,999,198
Van Hulzen	\$22,756,682	\$23,132,644	\$96,441,482
Total Covered Calls	\$25,887,055	\$25,645,133	\$299,665,183
INTERNATIONAL EQUITY			
Franklin/Templeton	\$779,354	\$0	\$82,183,907
Fisher Investments	\$985,830	\$905,281	\$89,850,315
Total International Equity	\$1,765,184	\$905,281	\$172,034,223
REAL ESTATE EQUITY			
RREEF America II	\$0	\$0	\$32,224,879
CenterSquare	\$1,534,903	\$7,048,302	\$50,914,877
Total Real Estate	\$1,534,903	\$7,048,302	\$83,139,756
TOTAL ALL FUND MANAGERS	\$64,859,827	\$58,598,927	\$1,405,221,749

July 2016

	PURCHASES	SALES	PORTFOLIO VALUE
FIXED INCOME			
Western Asset Management Co.-IG	\$409,641	\$51,202	\$66,126,049
Western Asset Management Co.-HI	\$0	\$0	\$32,204,021
Western Asset Management Co.-HY	\$0	\$0	\$28,760,846
C.S. McKee	\$16,312,650	\$3,273,362	\$141,212,512
TOTAL	\$16,722,291	\$3,324,564	\$268,303,428
DOMESTIC EQUITY			
Barrow Hanley	\$3,136,541	\$3,417,683	\$162,090,095
Opus Capital	\$272,834	\$0	\$31,505,906
Russell 1000 Growth Index Fund	\$0	\$0	\$246,790,298
Russell 2000 Growth Index Fund	\$0	\$0	\$25,257,159
INTECH	\$1,379,689	\$1,177,079	\$72,324,508
T. Rowe Price	\$1,025,587	\$1,700,355	\$69,365,138
Total Domestic Equity	\$5,814,651	\$6,295,117	\$607,333,104
COVERED CALLS			
Parametric (BXM)	\$3,906,987	\$3,626,282	\$102,566,611
Parametric (Delta-Shift)	\$872,304	\$545,256	\$105,268,291
Van Hulzen	\$18,783,928	\$19,384,683	\$97,679,001
Total Covered Calls	\$23,563,219	\$23,556,221	\$305,513,903
INTERNATIONAL EQUITY			
Franklin/Templeton	\$4,277,757	\$4,669,674	\$85,520,295
Fisher Investments	\$0	\$0	\$95,840,016
Total International Equity	\$4,277,757	\$4,669,674	\$181,360,310
REAL ESTATE EQUITY			
RREEF America II	\$273,531	\$0	\$32,858,761
CenterSquare	\$3,227,310	\$3,375,237	\$53,054,893
Total Real Estate	\$3,500,841	\$3,375,237	\$85,913,654
TOTAL ALL FUND MANAGERS	\$53,878,759	\$41,220,812	\$1,448,424,399

Prepared By:

Matt Houck
Matt Houck, Accounting Technician

Date:

8-19-16

R.B. RESOLUTION NO. 6846

RATIFYING AND APPROVING INVESTMENT TRANSACTIONS BY THE COUNSELORS
FOR MONTHS OF JUNE, 2016 AND JULY, 2016

Introduced by: ; Seconded by:

WHEREAS, Retirement Board Rule No. B-5 provides for investment transactions without prior specific approval by the Retirement Board; and

WHEREAS, investment transactions have been consummated during June, 2016 and July, 2016, in accordance with the provisions of said rule and in securities designated as acceptable by Retirement Board Resolution No. 4975, as amended;

NOW, THEREFORE, BE IT RESOLVED that the investment transactions appearing on the following exhibits are hereby ratified and approved.

President

ATTEST:


Secretary


09/15/2016

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: July 28, 2016

MEMO TO: Members of the Retirement Board

THROUGH: Sophia D. Skoda, Director of Finance 

FROM: D. Scott Klein, Controller 

SUBJECT: Short Term Investment Transactions for June 2016

The attached Short Term Investment Transactions report for the month of June 2016 is hereby submitted for Retirement Board approval.

Attachment

SDS:DSK:mh

**EBMUD EMPLOYEES' RETIREMENT SYSTEM
SHORT TERM INVESTMENT TRANSACTIONS
CONSUMMATED BY THE TREASURER
MONTH OF JUNE 2016**

<u>COST/ FACE VALUE</u>	<u>DESCRIPTION</u>	<u>DATE OF PURCHASE</u>	<u>DATE OF SALE/MATURITY</u>	<u>YIELD (%)</u>
\$ 3,300,000.00	Local Agency Investment Fund	3-Jun-16		0.576
2,000,000.00	Local Agency Investment Fund	16-Jun-16		0.576
3,300,000.00	Local Agency Investment Fund	16-Jun-16		0.576
<u>(7,600,000.00)</u>	Local Agency Investment Fund		29-Jun-16	0.576
<u>\$ 1,000,000.00</u>	Net Activity for Month			

SUBMITTED BY

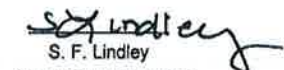


D. Scott Klein
Controller

DATE

7-29-16



 Semadar Barzel
 Treasury Manager



 S. F. Lindley
 Acctg. Systems Supvr.
 prepared by mhouch

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: August 18, 2016

MEMO TO: Members of the Retirement Board

THROUGH: Sophia D. Skoda, Director of Finance 

FROM: D. Scott Klein, Controller 

SUBJECT: Short Term Investment Transactions for July 2016

The attached Short Term Investment Transactions report for the month of July 2016 is hereby submitted for Retirement Board approval.

Attachment

SDS:DSK:MH

**EBMUD EMPLOYEES' RETIREMENT SYSTEM
SHORT TERM INVESTMENT TRANSACTIONS
CONSUMMATED BY THE TREASURER
MONTH OF JULY 2016**

<u>COST/ FACE VALUE</u>	<u>DESCRIPTION</u>	<u>DATE OF PURCHASE</u>	<u>DATE OF SALE/MATURITY</u>	<u>YIELD (%)</u>
\$ 8,000,000.00	Local Agency Investment Fund	8-Jul-16		0.588
5,938.04	Local Agency Investment Fund	15-Jul-16		0.588
3,300,000.00	Local Agency Investment Fund	15-Jul-16		0.588
<u>(7,600,000.00)</u>	Local Agency Investment Fund		25-Jul-16	0.588
<u>\$ 3,705,938.04</u>	Net Activity for Month			


SUBMITTED BY _____


D. Scott Klein
Controller

DATE _____


8-22-16


Semadar Barzel
Treasury Manager


S. F. Lindley
Acctg. Systems Supvr.
prepared by MHouck

R.B. RESOLUTION NO. 6847

RATIFYING AND APPROVING INVESTMENT TRANSACTIONS BY THE TREASURER
FOR JUNE, 2016 AND JULY, 2016

Introduced by:

; Seconded by:

WHEREAS, Retirement Board Rule No. B-7 provides for the temporary investment of retirement system funds by the Treasurer or Assistant Treasurer in securities authorized by Sections 1350 through 1366 of the Financial Code or holding funds in inactive time deposits in accordance with Section 12364 of the Municipal Utility District Act; and

WHEREAS, investment transactions during June 2016, and July, 2016 have been made in accordance with the provisions of the said rule;

NOW, THEREFORE, BE IT RESOLVED that the investment transactions consummated by the Treasurer and included on the attached Exhibit A for June 2016, and July, 2016 are hereby ratified and approved.



President

ATTEST:

Secretary

09/15/2016

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: July 28, 2016
MEMO TO: Members of the Retirement Board
THROUGH: Sophia D. Skoda, Director of Finance 
FROM: D. Scott Klein, Controller 
SUBJECT: Statement of Receipts and Disbursements for June 2016

The attached Statement of Receipts and Disbursements report for the month of June 2016 is hereby submitted for Retirement Board approval.

Attachment

SDS:DSK:mh

**STATEMENT OF RECEIPTS AND DISBURSEMENTS
EMPLOYEES' RETIREMENT FUND
MONTH OF JUNE 2016**

CASH BALANCE at May 31, 2016 **\$ 590,115.03**

Receipts

Employees' Contributions	\$	1,222,571.74	
District Contributions		5,899,395.68	
LAIF Redemptions		7,600,000.00	
Northern Trust Redemptions		10,000,000.00	
Refunds and Commission Recapture		<u>44,394.05</u>	
TOTAL Receipts			24,766,361.47

Disbursements

Checks/Wires Issued:			
Service Retirement Allowances	\$	6,820,018.15	
Disability Retirement Allowances		141,597.91	
Health Insurance Benefit		857,336.36	
Payments to Retiree's Resigned/Deceased		60,992.18	
LAIF Deposits		8,600,000.00	
Administrative Cost		<u>249,365.04</u>	
TOTAL Disbursements			(16,729,309.64)

CASH BALANCE at June 30, 2016 **\$ 8,627,166.86**

LAIF **1,022,051.21**

LAIF and Cash Balance at June 30, 2016 **\$ 9,649,218.07**

Domestic Equity

Barrow Hanley	\$	156,972,206.54	
Russell 1000 Index Fund		237,709,583.70	
Russell 2000 Growth Index Fund		23,703,091.88	
Opus		29,870,085.04	
Intech		70,551,672.89	
T. Rowe Price		<u>65,341,955.93</u>	
Subtotal Domestic Equity		584,148,595.98	

Covered Calls

Parametric (BXM)	\$	101,224,503.63	
Parametric (Delta-Shift)		101,999,197.73	
Van Hulzen		<u>96,441,481.90</u>	
Subtotal Covered Calls		299,665,183.26	

International Equity

Franklin Templeton	\$	82,183,907.19	
Fisher Investments		<u>89,850,315.48</u>	
Subtotal International Equity		172,034,222.67	

Real Estate

RREEF America REIT II	\$	32,224,879.00	
Center Square		<u>50,914,876.53</u>	
Subtotal Real Estate		83,139,755.53	

Fixed Income

CS Mckee	\$	140,275,332.58	
Western Asset Mgt Co-Short Term Inv Grade		66,034,562.43	
Western Asset Mgt Co-Short Term High Income		31,799,932.39	
Western Asset Mgt Co-Short Term High Yield		<u>28,124,164.12</u>	
Subtotal Fixed Income		266,233,991.52	

Total for Domestic and International Equities **1,405,221,748.96**

MARKET VALUE of ASSETS at June 30, 2016 **\$ 1,414,870,967.03**

Respectfully submitted,


D. Scott Klein
Controller


Semadar Barzel
Treasury Mgr.


S. F. Lindley
Acctg Sys Supvr.
prepared by mhouch

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: August 18, 2016
MEMO TO: Members of the Retirement Board
THROUGH: Sophia D. Skoda, Director of Finance *SDS*
FROM: D. Scott Klein, Controller *DSK*
SUBJECT: Statement of Receipts and Disbursements for July 2016

The attached Statement of Receipts and Disbursements report for the month of July 2016 is hereby submitted for Retirement Board approval.

Attachment

SDS:DSK:MH


**STATEMENT OF RECEIPTS AND DISBURSEMENTS
EMPLOYEES' RETIREMENT FUND
MONTH OF JULY 2016**

CASH BALANCE at June 30, 2016		\$	8,627,166.86
<u>Receipts</u>			
Employees' Contributions	\$	1,823,996.36	
District Contributions		8,778,573.55	
LAIF Redemptions		7,600,000.00	
Refunds and Commission Recapture		<u>35,103.08</u>	
TOTAL Receipts			18,237,672.99
<u>Disbursements</u>			
Checks/Wires Issued:			
Service Retirement Allowances	\$	7,115,092.67	
Disability Retirement Allowances		141,597.91	
Health Insurance Benefit		856,367.92	
Payments to Retiree's Resigned/Deceased		8,437.16	
LAIF Deposits		11,300,000.00	
Administrative Cost		<u>107,138.33</u>	
TOTAL Disbursements			(19,528,633.99)
CASH BALANCE at July 31, 2016		\$	<u>7,336,205.86</u>
LAIF			<u>4,727,989.25</u>
LAIF and Cash Balance at July 31, 2016		\$	<u>12,064,195.11</u>
<u>Domestic Equity</u>			
Barrow Hanley	\$	162,090,095.11	
Russell 1000 Index Fund		246,790,297.75	
Russell 2000 Growth Index Fund		25,257,159.23	
Opus		31,505,905.99	
Intech		72,324,508.12	
T. Rowe Price		<u>69,365,138.26</u>	
Subtotal Domestic Equity			607,333,104.46
<u>Covered Calls</u>			
Parametric (BXM)	\$	102,566,611.34	
Parametric (Delta-Shift)		105,268,290.70	
Van Hulzen		<u>97,679,001.45</u>	
Subtotal Covered Calls			305,513,903.49
<u>International Equity</u>			
Franklin Templeton	\$	85,520,294.59	
Fisher Investments		<u>95,840,015.57</u>	
Subtotal International Equity			181,360,310.16
<u>Real Estate</u>			
RREEF America REIT II	\$	32,858,761.21	
Center Square		<u>53,054,892.65</u>	
Subtotal Real Estate			85,913,653.86
<u>Fixed Income</u>			
CS Mckee	\$	141,212,511.63	
Western Asset Mgt Co-Short Term Inv Grade		66,126,048.72	
Western Asset Mgt Co-Short Term High Income		32,204,020.81	
Western Asset Mgt Co-Short Term High Yield		<u>28,760,846.36</u>	
Subtotal Fixed Income			268,303,427.52
Total for Domestic and International Equities			<u>1,448,424,399.49</u>
MARKET VALUE of ASSETS at July 31, 2016		\$	<u>1,460,488,594.60</u>

Respectfully submitted,


D. Scott Klein
Controller


Semadar Barzel
Treasury Mgr.


S. F. Lindley
Acctg Sys Supvr.
prepared by mhuck

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: September 15, 2016

TO: Members of the Retirement Board

FROM: Elizabeth Grassetti, Sr. Human Resource Analyst

SUBJECT: Declaring Results of the Election of a Retiree Member of the Retirement Board

The election of a retiree member to the District Retirement Board has been completed. The District Retirement System Election Committee has certified the following results:

A total of xxx ballots were cast in the 2016 election of a retiree member to the Retirement Board. Valid ballots totaling xxx were tallied by the Election Committee.

The results of the tally are as follows:

Lisa Ricketts	xxx votes
Other	votes

The xx ballots not tallied did not follow directions.

I hereby certify that Lisa Ricketts has been elected to the Retirement Board for a two-year term beginning September 15, 2016.

EG:eg

R.B. RESOLUTION NO. 6848

DECLARING THE RESULTS OF AN ELECTION OF A RETIREE MEMBER OF THE
RETIREMENT BOARD

Introduced by: ; Seconded by:

WHEREAS, Section 4(a) of the Retirement Ordinance provides for election by and from membership of the Retirement System to fill a vacancy on the Retirement Board created by the expiration of the term of an elected Retirement Board member, and the Secretary of the Retirement Board has certified that Lisa Ricketts has been elected by the membership of the Retirement System as a member of the Retirement Board pursuant to an election conducted for said purpose;

NOW, THEREFORE, BE IT RESOLVED that Lisa Ricketts is hereby declared a member of the Retirement Board and that said member shall serve a period of two years commencing September 15, 2016.

President

ATTEST:


Secretary

09/15/16

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: September 15, 2016

MEMO TO: Members of the Retirement Board

FROM: Sophia D. Skoda, Director of Finance 

SUBJECT: Proxy Voting: Overview and Options

The EBMUD Employee Retirement System (ERS) Investment Policy currently gives staff: “Authority to vote proxies in stocks held by the System” and directs that “Proxies will be voted with Management unless otherwise directed by the Board.” The ERS board requested staff and Pension Consulting Alliance (PCA) to review alternatives for proxy voting. PCA’s attached memo discusses options for proxy voting and recommends that the Board amend the proxy voting policy. Broadly, the options discussed by PCA are:

1. Delegate proxy voting authority to investment managers, or
2. Retain a third-party service provider.

1. Delegate Proxy Voting Authority to Investment Managers

Delegating authority to investment managers appears to be the option most commonly taken by comparably-sized systems (those with \$2.5 billion assets under management or less). There are different ways in which this option can be implemented. Investment managers can be asked to vote proxies pursuant to:

- (a) the investment manager’s own guidelines (generally no cost),
- (b) standardized guidelines offered by third-party service providers (generally some cost), or
- (c) customized guidelines as could be developed by the Board (highest cost, if feasible).

Based on PCA’s survey, all ERS managers are able to accommodate the first option - voting the Retirement System’s proxies in accordance with the firm’s own proxy voting guidelines. PCA notes, however, that different investment managers faced with the same proxy question for the same holding might vote differently based upon their individual firms’ guidelines.

Some, but not all, of the System’s managers would be able to offer options (b) and (c). Managers offering option (b) would give the Retirement System the choice of several standardized guidelines from which to choose, such as the “Public Fund Proxy Voting Guidelines” and the “Sustainability Proxy Voting Guidelines” designed by Institutional Shareholder Services (ISS). Fewer of the System’s managers are able to accommodate option (c), voting in accordance with customized guidelines developed by the Board. In some cases they are willing to do so, but at an additional cost.

2. Retaining Third-Party Service Provider

Third party service providers offer a wide variety of services in the arena of proxy voting. The major firms currently offering these services are ISS and Glass Lewis. (The Board received

training from ISS in January of this year.) These service providers will vote the System's proxies, either:

- (a) based on one of the standardized guidelines offered by the provider (about \$15,000 to \$30,000 annually) or
- (b) pursuant to the client's customized guidelines (about \$30,000 to \$40,000 annually).

The firms are also available to consult in developing custom guidelines and to "engage" as activist shareholders on behalf of their clients, generally for an additional fee.

Staff from PCA will be available at the Board meeting to present and discuss the Board's proxy voting options.

Attachment

SDS:DB

Date: September 15, 2016

To: East Bay Municipal Utility District ("EBMUD" of the "Plan") Retirement Board

From: Pension Consulting Alliance, LLC (PCA)

RE: Proxy Voting Policy Discussion

PCA recommends that EBMUD revise its proxy voting policy to strengthen the Plan's ability to manage its proxies prudently and to the exclusive benefit of the Plan's beneficiaries.

Introduction

As an equity investor, EBMUD is a shareholder of the stocks of corporations that issue proxies for shareholders to vote upon. The proxy is an asset of the Plan and therefore must be managed prudently and for the exclusive benefit of the Plan beneficiaries. Within this context, it is considered part of a pension plan's fiduciary duty to vote the proxies or to delegate voting authority to investment advisors to vote on the plan's behalf in the best interests of the plan. Prudent management of the proxy voting process typically includes monitoring the votes to ensure compliance with the Plan's proxy voting guidelines and reporting to the Board.

The market offers a range of potential proxy voting implementation methods that EBMUD might consider. The option that requires the least expense and least time by Board and Staff – delegating to managers to vote according to the manager guidelines – results in votes that are expected to benefit each managers' investors but that may result in different votes on the same proposal by managers with different guidelines. Likely the most costly approach may be to hire sufficient staff to develop internally (with third party service provider assistance) complex EBMUD custom proxy voting guidelines, then have staff vote and monitor the proxies, and monitor institutional investor trends in proxy voting guidelines. Outside of such an extensive approach, the likely most costly and most time intensive approach would be to hire a service provider to help EBMUD develop its own custom proxy voting guidelines and retain the service provider to vote the EBMUD proxies and report regularly on the results to EBMUD.

As mentioned above, delegating the plan's voting authority to its investment advisors is the least costly option. Only some managers will vote proxies according to a Plan's customized guidelines. All managers can and will vote the Plan's proxies according to their own guidelines, if asked, and report on their votes to the Plan. The Securities and Exchange Commission ("SEC") requires that advisors delegated this authority must: vote the proxies, adopt policies and procedures reasonably designed to ensure that the advisor vote proxies in the best interests of clients, disclose information to clients about those policies and procedures, and disclose to clients how they may obtain information on how the advisor has voted their proxies as well as maintain certain records relating to proxy voting.

Not all types of investment vehicles lend themselves to allowing the plan to vote its proxies according to custom guidelines. Broadly, the types of investment vehicles for the management of publicly held equities by institutional investors are: separately managed accounts ("SMA") and comingled funds ("Com"). The ballots of stocks held in comingled funds are voted together on behalf of all clients according to the guidelines set by the manager. Separately managed accounts have the capacity, but not the obligation, to vote proxies in a manner unique to a given client's proxy voting guidelines.

With these parameters in mind, today we provide information to facilitate the Board's review of its proxy voting policy and implementation. In what follows, we:

- Summarize EBMUD's current proxy voting policy and implementation.
- Summarize the proxy voting capabilities of EBMUD's current managers.
- Report proxy voting survey results of EBMUD's peers, and larger CalPERS.
- Highlight potential advantages and disadvantages of different implementation options.
- Present preliminary bids from proxy voting service providers.

EBMUD Proxy Voting Policy Today

Currently, EBMUD Staff votes the proxies for all accounts that hold equities, except for its two comingled passively managed domestic equity funds run by Northern Trust and an active small cap value fund managed by Opus. Except for these three accounts, Staff casts EBMUD's ballots according to the Plan's proxy guideline. The EBMUD proxy voting guideline directs that votes be cast in line with company management recommendations.

EBMUD Proxy Voting By Manager (June 30, 2016)									
EBMUD Manager	Mandate	Assets Under Management		No. of Stocks	Style	Vehicle Type	Staff Votes Proxies	Manager Votes Proxies According to Guidelines of	
		\$Millions	% of total					EBMUD	Manager
Total Portfolio		\$1,406.0	100%						
Total Voting Portfolio		\$1,139.0	80.9%						
Domestic Equity		584.1	41.5%						
Northern Trust	LCap C	237.7	16.9%	1,000	Passive	Com	-	-	Yes
Intech	LCap G	70.6	5.0%	232	Active	SMA	Yes	-	-
T Rowe	LCap G	65.3	4.6%	100	Active	SMA	Yes	-	-
Barrow Hanley	LCap V	157.0	11.2%	42	Active	SMA	Yes	-	-
Northern Trust	SCap G	23.7	1.7%	1,171	Passive	Com	-	-	Yes
Opus	SCap V	29.9	2.1%	74	Active	SMA	-	-	Yes
Intl Equity		172.0	12.2%						
Fisher	ex-US	90.0	6.4%	70	Active	SMA	Yes	-	-
Franklin	ex-US	82.2	5.8%	89	Active	SMA	Yes	-	-
Covered Calls		300.0	21.3%						
Parametric	US	203.2	14.5%	506	Active	SMA	Yes	-	-
Van Hulzen	US	96.4	6.9%	72	Active	SMA	Yes	-	-
REITS		82.9	5.9%						
RFEEF America II	US	32.0	2.3%	1	Active	Com	Yes	-	-
CenterSquare	US	50.9	3.6%	59	Active	SMA	Yes	-	-

As shown above, EBMUD holds equity securities in Domestic Equity, International Equity, Covered Calls, and REITS. In total, EBMUD equities accounted for 80.9% of total Assets under Management ("AUM") as of June 30, 2016. By manager, the greatest number of individual stocks were held in the two passively managed indexed accounts. Each account held respectively approximately 1,000 securities. Opus, who also votes EBMUD proxies in accordance with the manager's guidelines, held 74 small cap stocks as of June 30, 2016.

EBMUD Staff votes the rest of the SMA proxies through the ProxyEdge voting platform. ProxyEdge, by Broadridge, is a voting platform used by issuers to make investors aware of annual meetings. It is used by U.S. banks, brokers and custodians to distribute ballots to the appropriate voting authorities for each investor to cast votes. EBMUD's custodian, Northern Trust, provides the ProxyEdge voting platform to EBMUD as part of its annual bundled service fee.

For the votes that EBMUD staff casts, the Plan accesses reporting information through ProxyEdge. As shown below, during the fiscal year July 1, 2015 – June 30, 2016, EBMUD cast 19,769 votes with management and zero votes against management, as per its policy. There may be circumstances under which the Board may wish to consider more nuanced proxy voting guidelines. For example, in the table below, we highlight types of proposals that focus primarily, though not exclusively, on some Environmental, Social and Governance (ESG) questions: executive compensation, election of directors, and some shareholder proposals ("SH Proposal"), regarding corporate governance, independent chair, executive compensation, separate Chairman/CEO, and Environmental and Report/Reduce Greenhouse Gas Emissions.

Proposal	No. of Meetings	For Votes	Against Votes	Against Management	With Management
Total FY2016-2017 Votes per Current Policy	3,122	18,586	1,192	0	19,769
Examples FY2016-17 Votes per Current Policy	1,510	13,510	759	0	14,262
14A Executive Compensation	619	1,252	0	0	1,252
Election of Directors	191	2,198	0	0	2,198
Election of Directors (Majority Voting)	462	10,056	0	0	10,053
Shareholder ("SH") Proposals					
S/H Proposal - Access To Proxy	45	2	107	0	109
S/H Proposal - Corporate Governance	89	2	324	0	322
S/H Proposal - Environmental	32	0	119	0	119
S/H Proposal - Establish Independent Chairman	38	0	108	0	108
S/H Proposal - Executive Compensation	23	0	70	0	70
S/H Proposal - Report/Reduce Greenhouse Gas Emissions	9	0	27	0	27
S/H Proposal - Separate Chairman/Coe	2	0	4	0	4

Together, these types of proposals accounted for over 13,100 of EBMUD's total 19,769 votes during FY 2015-16, ending June 30, 2016. For example, among the stocks for which staff voted the proxies, 1,252

management proposals came up regarding executive compensation. Executive compensation can be an issue for which management is conflicted, since it concerns payment to the executives involved in making the company's proposal. In all cases, EBMUD voted with management in favor of executive compensation proposals. As a second example, management typically votes against shareholder proposals. Among the 119 shareholder proposals concerning environmental issues, and the 27 shareholder proposals to report/reduce greenhouse gases, EBMUD voted in concert with management against all proposals.

As mentioned above, staff votes all SMA proxies excluding Opus. EBMUD ProxyEdge reporting includes the votes cast by EBMUD staff, but the reports cannot identify which manager holds the stocks whose proxies are being voted. The votes cast by EBMUD Com Investment Managers and Opus may differ from staff's votes. Reports are available from the EBMUD advisors that vote on behalf of EBMUD.

EBMUD Manager Proxy Voting Offerings

PCA queried all EBMUD managers to find out which managers would vote EBMUD proxies on behalf of the Plan, should EBMUD change its proxy voting process. As shown in the table below, every manager would comply with EBMUD if the Plan asked them vote according to their own guidelines. Responses varied regarding their ability to vote based upon EBMUD guidelines. Two of the twelve investment accounts that hold stocks would be unable to accommodate a custom guideline because they are commingled funds. Some of the SMAs' replies are detailed below.

When asked about its proxy voting capabilities, Intech replied that the firm is unable to implement EBMUD custom proxy voting guidelines but does offer a choice of standardized guidelines designed by Institutional Shareholder Services (ISS): Benchmark Proxy Voting Guidelines, Taft-Hartley Proxy Voting Guidelines, Public Fund Proxy Voting Guidelines, Socially Responsible Investing Proxy Voting Guidelines, Sustainability Proxy Voting Guidelines, or Catholic Proxy Voting Guidelines.

Franklin Templeton responded that generally, the answer would be 'no' [EBMUD would not be able to delegate voting to Franklin to vote using a custom EBMUD proxy voting policy], as typically Franklin Templeton either votes proxies per its own proxy voting policies or the client retains voting themselves. The only other option would be to put a customized policy in place for EBMUD with ISS (Franklin's voting agent); however, there is a cost associated with that – roughly \$6,500 per year.

T. Rowe Price (large cap growth) and Fisher (non-U.S. equities) both stated that they generally can accept their client's custom guidelines, but cannot guarantee in advance that they can meet every requirement. The managers would review EBMUD's proxy voting policy and if it was approved, both managers would vote their proxies in accordance with EBMUD's policy.

Parametric answered that for such custom proxy voting, "[Parametric] typically hires an outside service to vote and report on the proxies. Customarily this cost is passed through to the client. A rough approximation on S&P 500 portfolios such as EBMUD's, using a third party vendor such as ISS, is approximately \$17,000." Similarly, CenterSquare noted that they use ISS to vote proxies and follow the ISS general guidelines. If EBMUD requires a specific or custom policy, EBMUD would be responsible for the cost of the guidelines to be implemented.

EBMUD Proxy Voting Capability By Manager							
EBMUD Manager	Mandate	Assets	No. of Stocks	Style	Vehicle Type	Would Vote Proxies if Delegated According to Guidelines	
		% of total				EBMUD	Manager
Total Portfolio		100%					
Total Voting Portfolio		80.9%					
Domestic Equity		41.5%					
Northern Trust	LCap C	16.9%	1,000	Passive	Com	No	Yes
Intech	LCap G	5.0%	232	Active	SMA	No	Yes
T Rowe	LCap G	4.6%	100	Active	SMA	Yes	Yes
Barrow Hanley	LCap V	11.2%	42	Active	SMA	Yes	Yes
Northern Trust	SCap G	1.7%	1,171	Passive	Com	No	Yes
Opus	SCap V	2.1%	74	Active	SMA	Yes	Yes
Intl Equity		12.2%					
Fisher	ex-US	6.4%	70	Active	SMA	Yes	Yes
Franklin	Ex-US	5.8%	89	Active	SMA	No	Yes
Covered Calls		21.3%					
Parametric	US	14.5%	506	Active	SMA	Yes	Yes
Van Huzen	US	6.9%	72	Active	SMA	Yes	Yes
REITS		5.9%					
RREEF America II	US	2.3%	1	Active	Com	Yes	Yes
CenterSquare	US	3.6%	59	Active	SMA	Yes	Yes

Should EBMUD reduce its actively managed equities and increase its allocation to commingled passively managed equity accounts, the Plan's allocation to assets that could be voted according to custom EBMUD proxy voting guidelines would be reduced accordingly.

Peer Pension Plan Proxy Voting Implementation

In our survey of ten public pension plans on behalf of EBMUD, we found that the plans that are closest to EBMUD in total assets under management and in the number of total dedicated investment staff, tend to adopt a proxy voting implementation process that delegates voting to managers to vote according to the manager's proxy voting guidelines.

	EBMUD	TCER A	SLO CPT	SCERA	SJ CERA	SCERS	CFRS	KCERA	VPIC	LACERS	CalPERS
AUM (\$ Billions)	\$1.4	\$1.2	\$1.2	\$2.3	\$2.4	\$2.4	\$2.5	\$3.8	\$3.8	\$14.0	\$280
Dedicated Investment Staff	0	0	0	2	1	4	0	1	3	7	300
Vote Proxies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Annual Staff Proxy Voting Time	22hrs	NM*	>5hrs	4hrs	8hrs	20hrs	NM*	30hrs	8hrs	24hrs	4 Full Time Staff
Annual Service Fee (\$000's)	\$0	\$0	\$0	\$0	\$0	\$5-10	\$0	NA	\$62	\$80	NA
PROXY VOTING METHOD											
Staff Votes Custom Guidelines	Yes	-	-	-	-	-	-	-	-	-	Yes
Managers Vote Using Guidelines from:											
Manager	-	Yes	Yes	Yes	Yes	-	Yes	-	-	-	-
Custom for Plan	-	-	-	-	-	-	-	-	-	-	-
Service Providers Selected by Plan	-	-	-	-	-	Yes	-	-	-	-	-
Delegated to Service Provider to vote using guidelines from:											
Plan	-	-	-	-	-	-	-	-	Yes	Yes	-
Service Provider	-	-	-	-	-	-	-	Yes	-	-	-
Proxy Vote Reporting/Monitoring by:											
Staff	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Service Provider	Yes	-	-	-	-	Yes	-	Yes	Yes	Yes	-
Managers & Custodian	-	Yes	-	Yes	Yes	-	Yes	-	-	-	-

Source: Staff and websites of included pension plans

*NM indicates not meaningful.

As shown above, five California plans among the six plans surveyed with assets under management of \$2.5 billion or less, delegate their proxy voting to their investment managers. This proxy voting implementation results in the plans spending \$0 dollars on outsourced proxy voting service providers, and minimal staff hours on proxy voting, monitoring and reporting (estimated Not Meaningful ("NM") to eight hours per year). These plans include Tulare County Employee Retirement Association ("TCERA"), San Luis Obispo County Pension Trust ("SLOCPT"), Sonoma County Employees Retirement Association ("SCERA"), San Joaquin County Employee Retirement Association ("SJCERA"), and City of Fresno Retirement System ("CFRS"). A number of these plans indicate that the vast majority of their equities are managed through passive, comingled funds. For example, SJCERA reports that it currently holds just 18% of its equity assets in separately managed accounts. SLOCERS retains only one

separately managed equity account. Thus, the monitoring and reporting on separately managed accounts is minimal.

Seattle City Employees Retirement System ("SCERS"), with \$2.4 billion in AUM and four full time investment staff, directs SCERS' investment managers to vote according to ISS Public Fund proxy voting guidelines and receives regular reports from ISS for an estimated \$5,000 to \$10,000 per year.

Kern County Employees Retirement Association (KCERA), with \$3.8 billion AUM and one dedicated investment professional, outsources the proxy guideline development (with a few KCERA tweaks), proxy voting and reporting to service provider Glass Lewis. Staff devotes an estimated 30 hours per year to proxy voting. Each of the other three larger plans surveyed have adopted custom policies. Each plan pays for outsourced proxy voting services, and either delegates the voting to an outside proxy voting service provider, or staff votes all proxies. Vermont Pension Investment Committee ("VPIC"), with \$3.8 billion AUM and three investment staff, retains ISS as its proxy service provider to: assist the plan in developing its own custom proxy voting guidelines, vote according to VPIC's custom guidelines, and monitor and report the votes. VPIC states that the annual cost for these services is approximately \$62,000 per year. As of 2016, VPIC staff began conducting their own internal review of the votes based on the ISS reported data to supplement the ISS reports. VPIC reports an estimated eight hours per year of staff time is devoted strictly to proxy voting (collecting and summarizing year-end reports). In addition, VPIC estimates that now, with their ESG proxy voting and engagement with companies in the portfolio around proxy voting particular issues, the total staff time devoted to proxy voting and engagement related issues is at least one-third Full-Time Equivalent ("FTE"). This includes responding to inquiries from third parties, including press, and discussing with ISS unexpected ISS votes based on VPIC policy. Such votes seem to involve gray areas of interpretation of the policy.

The Los Angeles City Employees Retirement System ("LACERS"), with approximately \$10 billion AUM and seven investment staff, retains ISS to assist in developing LACERS' custom proxy voting guidelines and in voting, monitoring, and reporting on the plan's proxy voting. LACERS reports an annual proxy voting fee of approximately \$80,000 and estimates that annual staff time required is approximately 24 hours per year. California Public Employees Retirement System ("CalPERS"), with over \$280 billion AUM and 300 investment staff, develops its own custom proxy voting policy. Staff votes all of the proxies on behalf of the plan. CalPERS equities that are managed passively, are managed internally, rather than in comingled funds by outside investment managers. CalPERS relies on the Glass Lewis proxy voting platform to allow staff to monitor and generate reports on the proxies voted. The CalPERS investment team includes four full-time staff that manage CalPERS proxy voting efforts and a full corporate governance team that actively engages with corporate managements on concerns particularly regarding ESG issues.

This sample of EBMUD peers indicates that plans with assets under management nearer in size to EBMUD often delegate voting authority to their managers and allow the managers to vote according to each manager's guidelines, which results in the least plan staff time and external costs involved in proxy voting. For these plans, the investment managers report regularly to plan staff (quarterly or annually) on the proxies they voted on behalf of the Plan.

Please see the Appendix for examples of peer's policies that: 1) delegate voting to the plan's managers (SJCERA); 2) delegate to a proxy service provider the authority to develop and maintain proxy guidelines, vote the plan's proxies, and monitor and report to the plan on the votes (KCERA); and 3) retain a proxy service provider to assist in the development of custom guidelines for the plan, vote the proxies, and monitor and report on the proxies (VPIC).

Pros and Cons of Different Proxy Voting Implementation Options for Separately Managed Accounts

The fiduciary duty to vote the proxies of a plan in the best interest of its beneficiaries further implies the obligation to monitor and report to the Board the outcomes of votes to ensure that the plan's votes are being cast in compliance with a plan's proxy voting policy. There is no single 'right way' to manage proxies, just as there is no single 'right answer' to how a particular plan should allocate its assets.

Each approach to implementing a proxy voting process carries tradeoffs between the degree of customization and attention the plan decides to devote to voting their proxies and the time required by Board and staff, along with potential expenses to pay an external service provider to carry out the steps involved in voting proxies (i.e., developing and keeping proxy guidelines current, voting the proxies, monitoring the votes, and reporting to the Board). The more customized the guidelines, the more time and costs involved.

Some plans decide to supplement their proxy voting positions by implementing an engagement policy. Plans develop an engagement policy to pursue additional interaction with the management of the companies in their portfolio in the interests of discovering more about a particular issue or concern and encouraging management to act on a given issue. Engagement may take many forms. It may include such activities as participating in a letter writing campaign, attending informal meetings with a company, preparing and presenting shareholder proposals, and representing the plan at a company's annual meeting of shareholders.

The table below summarizes the potential advantages and challenges involved in different methods for implementing a proxy voting policy for separately managed accounts, including the degree of customization and the expected practical responsibilities of board and staff time, along with expected external costs under each scenario.

Proxy Voting Implementation Options for Separately Managed Accounts		
	Potential Advantages	Potential Challenges
Vote Using Managers Guidelines		
Managers vote and report to staff	<ul style="list-style-type: none"> No extra costs Minimal board and staff time developing and reviewing policy 	<ul style="list-style-type: none"> May not reflect EBMUD's Mission & Invest. Beliefs Potential manager voting conflicts Disparate manager reporting Higher staff monitoring time Challenge to engage consistently
Managers vote and service provider reports	<ul style="list-style-type: none"> Lower fees than full voting service Staff monitoring burden reduced 	<ul style="list-style-type: none"> May not reflect EBMUD Mission & Invest. Beliefs Potential manager voting conflicts Challenge to engage consistently
Vote Using Service Provider Guidelines		
Manager votes and service provider reports	<ul style="list-style-type: none"> Can generally reflect EBMUD Mission & Invest. Beliefs Minimizes potential manager voting conflicts Minimal board guideline development time Minimal staff time Extra external costs limited to reporting by service provider EBMUD may engage consistently 	<ul style="list-style-type: none"> Some outside reporting costs EBMUD may disagree with some votes
Service Provider votes and reports	<ul style="list-style-type: none"> Can generally reflect EBMUD Mission & Invest. Beliefs Assistance monitoring institutional investor guideline trends Minimizes potential manager voting conflicts Minimal board guideline development time Minimal staff time EBMUD may engage consistent with policy 	<ul style="list-style-type: none"> Additional external costs for guidelines, voting and reporting expertise EBMUD may disagree with some votes
Votes Using Custom Plan Guidelines		
Staff votes and monitors	<ul style="list-style-type: none"> Reflects EBMUD Mission & Investment Beliefs Direct oversight of voting decisions Eliminates potential manager voting conflicts Can engage consistently 	<ul style="list-style-type: none"> High plan time plus provider costs to help develop guidelines High staff research, voting and monitoring time Lack of internal expertise
Managers vote; Staff monitors	<ul style="list-style-type: none"> Reflects EBMUD Mission & Investment Beliefs Minimal staff voting time Can engage consistently 	<ul style="list-style-type: none"> High plan time plus external development costs High staff research, voting and monitoring time Managers may interpret guidelines differently
Service provider votes and reports	<ul style="list-style-type: none"> Reflects EBMUD Mission & Investment Beliefs Help developing and monitoring guidelines and trends Can engage consistently 	<ul style="list-style-type: none"> Highest external costs for full service May be gray areas that service provider interprets differently than plan in actual voting

Proxy voting through comingled funds

For comingled funds, plans do not have the option of implementing custom, or a specific service provider's, proxy voting guidelines. In addition to maintaining their own proxy voting guidelines and voting proxies on behalf of clients, some investment managers develop engagement policies and actively engage with portfolio companies on different proxy issues they deem central to shareholder value through discussions with management, letter writing, and other means. For comingled accounts, plans may analyze differences in the manager's proxy voting and engagement policies as one aspect of their manager selection.

Proxy Service Provider Ballpark Fee Estimates

PCA received ballpark fee estimates from three service providers: Glass Lewis, ISS, and Marco Consulting Group ("MCG"). The fees are based on EBMUD's June 30, 2016 aggregate number of stocks held by separate account managers, roughly 1,000 securities.

Most providers have their policies on their website. Clients may download them at no cost and, should they wish, tailor them to create their own custom policy. For example, Glass Lewis has its standard guidelines, socially responsible guidelines, and guidelines geared to Taft-Hartley plans available on its website. The fees to develop a custom EBMUD policy, excluding the other services, range from no fee to \$10,000 depending on the complexity of the policy and the service provider (complex custom is most expensive).

Proxy Voting Options: Approximate Fee Estimates for EBMUD	
	Annual Fee
Custom proxy guideline development	
Glass Lewis	\$5,000-\$10,000 1 time
ISS	\$7,500-\$10,000 1 time
MCG	No fee
Full vote agency service includes guideline development (or use agency guidelines), voting and reporting; least expensive options use already developed guidelines by service provider.	
Glass Lewis	\$15,000-\$30,000
ISS	\$20,000-\$27,500
MCG	\$30,000-\$40,000
Engagement	
Glass Lewis engages as an independent as part of its business	-
ISS offers pooled engagement	\$10,000-\$15,000
MCG offers individual client engagement-up to 10 companies/ year	\$20,000

Source: Glass Lewis, ISS and MCG.

Full vote agency services include policy guideline development (or adoption of service provider guidelines), voting, monitoring and reporting. The estimated full agency services annual costs range from: \$15,000 to \$40,000 (least expensive relies on already developed guidelines of service provider; most expensive develops fully custom guidelines for client). The annual fees for voting, monitoring and reporting are geared to the number of aggregate stocks voted. Should EBMUD reduce the number of separately managed accounts, (e.g., if the passively managed equity assets are increased), the aggregate number of voting shares in SMAs would likely be lower.

Appendix

Below please find examples of three peer proxy voting policies that range from delegating full voting authority to managers, to retaining a proxy service provider to develop customize plan proxy guidelines and to vote, monitor and regularly report on the guidelines:

San Joaquin County Employee Retirement Association: delegate voting to the plan's managers.

Kern County Employees Retirement Association: delegate to a proxy service provider the authority to develop and maintain proxy guidelines, vote the plan's proxies, and monitor and report to the plan on the votes.

Vermont Pension Investment Committee: retain a proxy service provider to assist in the development of custom guidelines for the plan, vote the proxies, and monitor and report on the proxies.

Available website links to additional proxy voting policies from among the peers surveyed include:

CalPERS: <https://www.calpers.ca.gov/docs/policy-global-governance.pdf>;

CFRS: http://www.cfrs-ca.org/Employee/Investment/documents/16Feb23_IOPS%20FINAL.pdf;

LACERS: <http://www.lacers.org/aboutlacers/board/board-governance-files/Article%20III,%20Section%201.1%20Investment%20Policy.pdf>;

SCERA: <http://scetire.org/Administration/Investment-Policy-Statement/>;

SCERS:

<http://www.seattle.gov/Documents/Departments/Retirement/Board/Governance%20docs/InvestmentPolicy2015.pdf>

SLOPT: <http://www.slocounty.ca.gov/Assets/PT/pdf/Publications/Fiduciary/Fiduciary+Vol+31+Num+1+-+Dec+2015+v5+-+final.pdf>

TCERA: <http://tcera.org/policies/>

SJCERA PROXY VOTING POLICY

The Board of Retirement of the San Joaquin County Employees' Retirement Association has the significant responsibility of participating in all equity fund proxy voting. Careful review and research is necessary to make voting decisions in the best interest of the Fund and timely filing of proxy votes is essential. The Board of Retirement delegates the filing of all proxy votes to the Fund's Investment Managers, with the following requirements:

- 1) Investment Managers will review and timely cast all proxy votes on behalf of the Retirement Board;
- 2) Investment Managers will be responsible to insure that their reasons for voting on behalf of the Fund will primarily result in supporting or improving the shareholder's interest.
- 3) When significant or unusual issues arise on proxy voting matters that would directly impact the shareholder's interest, the Investment Managers will timely contact the Chief Executive Officer or Chief Investment Officer regarding the issue and make a recommendation on the proxy vote.
- 4) Should the Chief Executive Officer or Chief Investment Officer disagree with the recommendation, the Chair of the Retirement Board will be contacted and his or her decision shall be final.

Approved by the Board of Retirement on November 1, 1991
Revised September 24, 2010 for format and title changes only

KCERA Investment Policy Statement: APPENDIX E – PROXY VOTING POLICY

Purpose

Because the proxy is an asset of KCERA, it must be managed prudently and for the exclusive benefit of the Plan beneficiaries. It is the intent of this Proxy Voting Policy to lay out a broad set of guidelines within which investor proxies must be voted to maximize shareholder value.

Guidelines

Due to the significant resources required to properly manage a proxy voting program, KCERA has chosen to delegate the proxy voting decision to a third-party provider of proxy voting services and to follow that provider's detailed proxy voting guidelines.

The obligations of the third-party provider are as follows:

1. With regard to timely execution of specified proxy votes on KCERA's behalf, including corporate account set up, vote execution reporting and record keeping, and compliance with U.S. SEC and Department of Labor ERISA standards, as applicable, the third party shall carry out its duties and obligations to vote KCERA's proxies in accordance with the standards of fiduciary responsibility set forth in the CERL;
2. The third-party shall cast votes after careful consideration of the issues; and
3. The third-party shall describe the rationale for its votes.

The overarching and universal guideline is that proxies must be voted in the best interest of the Plan and its beneficiaries and in order to maximize shareholder value. In following this broad, all-encompassing guideline, the third-party provider shall follow its own detailed guidelines, which provide specific instruction on how to vote proxies in alignment with and support of the following key principles:

1. A board of directors that serves shareholder interests;
2. Transparency and integrity in financial reporting;
3. A strong link between compensation and performance; and
4. A governance structure that clearly supports shareholder interests.

The third-party provider's detailed guidelines may change over time. A copy of the current guidelines shall be maintained by KCERA Staff and are incorporated herein by reference.

Monitoring

The third-party service provider shall provide monthly reports to KCERA, which include a list of all proxies voted on behalf of KCERA, along with the rationale for the votes made. On an annual basis, KCERA Staff will provide the Board with a consolidated report summarizing the previous year's proxy voting activity.

VPIC CUSTOM DOMESTIC PROXY VOTING POLICY STATEMENT & GUIDELINES

Effective May 28, 2013

(Amended and re-adopted: November 25, 2014)

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VERMONT PENSION INVESTMENT COMMITTEE DOMESTIC PROXY VOTING POLICY STATEMENT AND GUIDELINES

This document sets forth the domestic proxy voting policy and guidelines of the Vermont Pension Investment Committee, herein referred to as "Vermont." All investment managers for Vermont, herein referred to as "managers," responsible for the voting of our owned common stock are expected to take the following proxy voting policy and guidelines into consideration before making proxy voting decisions.

We expect our investment managers to vote our proxies solely in the best interest of plan participants and beneficiaries, and Vermont citizens. Investment managers are expected to act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

The execution of proxy-voting rights at shareholder meetings is a required duty of pension fund fiduciaries. The U.S. Department of Labor (DOL) has stated that the fiduciary act of managing plan assets that are shares of corporate stock includes the voting of proxies appurtenant to those shares of stock and that trustees may delegate this duty to an investment manager.

Our proxy voting guidelines are designed to help ensure that Vermont fulfills its statutory and common law obligations governing proxy voting, with the intent of maximizing the long-term economic benefits

of its plan participants, beneficiaries, and citizens. This includes an obligation to vote our proxies in a manner consistent with sound corporate governance and responsible corporate practices. In our view, sound corporate governance and responsible corporate practices lead to increased shareholder value.

While these guidelines often provide explicit guidance on how we would like our proxies voted on specific types of issues, investment managers are expected to analyze each question on a case-by-case basis, informed by the guidelines elaborated herein, subject to the requirement that all votes shall be cast solely in the long-term interest of the participants and beneficiaries of the plans. Each proxy issue should be subject to a rigorous analysis of the economic impact of the issue on the long-term share value.

Vermont does not intend for these guidelines to be exhaustive. Hundreds of issues appear on proxy ballots every year, and it is neither practical nor productive to fashion voting guidelines and policies which attempt to address every eventuality. Rather, these guidelines are intended to cover the most significant and frequent proxy issues that arise. Issues not covered by the guidelines shall be voted in the interest of the participants and beneficiaries of the plan. Vermont will revise its guidelines as circumstances warrant.

These proxy voting guidelines address a broad range of issues, including the election of directors, executive compensation, proxy contests, mergers and acquisitions, and tender offer takeover defenses – voting items that can have great significance to the long-term value of pension fund assets. In addition to governance issues, these guidelines address broader issues of corporate citizenship that can also have a direct impact on corporate performance and important stakeholder interests, including the environment, job security and wage levels, local economic development and stability, and workplace safety and health issues. In accordance with state law, the policies take into consideration actions that promote good corporate citizenship through the proxy process.

Investment managers for Vermont are expected to provide quarterly vote summary reports on proxy votes cast on its behalf. These reports will be used to demonstrate consistency of manager voting with Vermont's stated policy. A copy of the *Domestic Proxy Voting Policy Statement & Guidelines* will be provided to each manager. Revised copies of this proxy voting policy statement and guidelines will be provided to managers whenever significant revisions have been made. Copies are also available online at our website: <http://www.vermonttreasurer.gov/retirement>.

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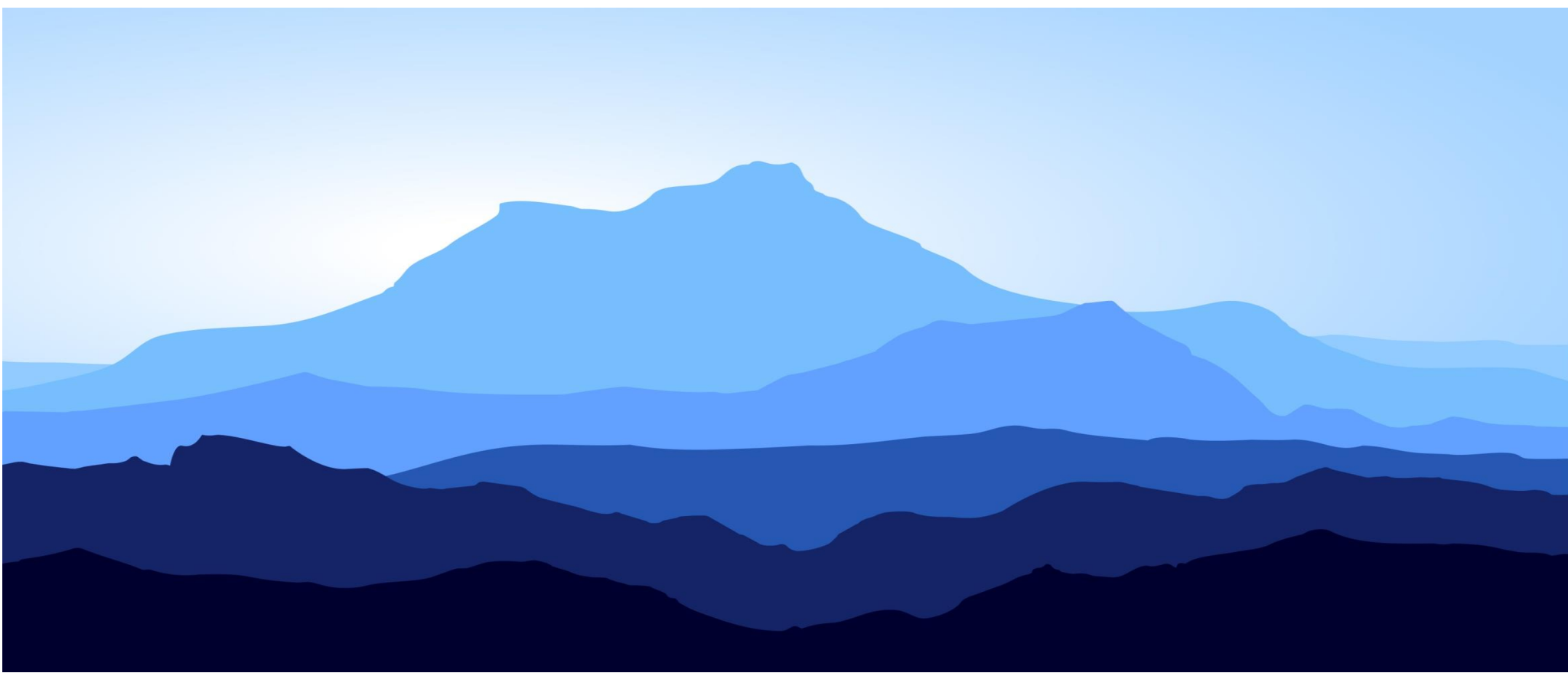
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An investment in the Fund is speculative and involves a degree of risk and no assurance can be provided that the investment objectives of the Fund will be achieved. Investment in the Fund is suitable only for sophisticated investors who are in a position to tolerate such risk and satisfy themselves that such investment is appropriate for them. The Fund may lack diversification, thereby increasing the risk of loss, and the Fund's performance may be volatile. As a result, an investor could lose all or a substantial amount of its investment. The Fund's governing documents will contain descriptions of certain of the risks associated with an investment in the Fund. In addition, the Fund's fees and expenses may offset its profits. It is unlikely that there will be a secondary market for the shares. There are restrictions on redeeming and transferring shares of the Fund. In making an investment decision, you must rely on your own examination of the Fund and the terms of the offering.

2Q 2016

EAST BAY MUNICIPAL UTILITY DISTRICT QUARTERLY REPORT



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	APPENDIX
	EBMUD Performance – Net of Fees Returns
	Glossary of Terms
	EBMUD Policy Benchmark Composition
	Definition of Benchmarks
	Risk Metric Description

INTRODUCTION

The EBMUD Total Portfolio had an aggregate value of \$1.4 billion as of June 30, 2016. During the latest quarter, the Total Portfolio increased in value by \$10.6 million and over the latest year, the Total Portfolio increased in value by \$1.6 million. Markets were relatively static through most of the second quarter of 2016 until the surprise results of the Brexit vote in late June introduced a new round of volatility. Despite the late shock to the markets, most U.S. Equity indices recorded gains for the quarter as a partial rebound in oil prices allowed the Energy segment to gain nearly 12%. International Equity markets saw steep sell-offs after the Brexit vote which, despite a slight rebound, led to the major international indices (EAFE, ACWI) posting losses for the quarter. The pain that equity markets experienced after the Brexit vote was Fixed Income's gain as sell-offs of riskier assets, and the expectation that the Fed would hold off on future rate hikes, boosted Fixed Income prices as investors retreated to safe haven assets. Rising oil prices during the quarter also benefited High Yield and Emerging Market bonds. Moving forward, continuing geopolitical uncertainty as a result of the Brexit vote has many experts expecting that the recently elevated market volatility will continue into the third quarter.

Asset Allocation Trends

With respect to policy targets, the Total Portfolio ended the latest quarter overweight Domestic Equity, Covered Calls, and Real Estate, while underweight International Equity and Total Fixed Income. The asset allocation targets (see table on page 22) reflect those elected by the Board in September 2013.

Recent Investment Performance

For the quarter and 1-year period ending June 30, 2016, the EBMUD Total Portfolio underperformed the Policy Benchmark by (20) and (50) basis points, respectively. Security selection by the Plan's International Equity managers detracted from results over both periods, while stock selection within Domestic Equity was also a drag on results over the 1-year period. The Total Portfolio exceeded the benchmark over the 3-, 5, and 10-year periods by 70, 50, and 30 basis points per annum, respectively, while results over the extended 20-year period was in-line with the benchmark. Trailing 10-year results lagged EBMUD's 7.75%* actuarial rate, while 20-year results was in-line with the expectation.

The Total Portfolio exceeded the Median Public Fund return over each time period measured. For the short-term periods, overall asset allocation differences versus the Median Public Fund contributed to relative outperformance; this was partially offset by security selection, notably in International Equity.

Recent Investment Performance, Gross of Fees

	Quarter	1 Year	3 Year	5 Year	10 Year	20 Year
Total Portfolio	2.1	1.3	8.4	8.2	6.5	7.6
<i>Policy Benchmark¹</i>	<i>2.3</i>	<i>1.8</i>	<i>7.7</i>	<i>7.7</i>	<i>6.2</i>	<i>7.5</i>
Excess Return	-0.2	-0.5	0.7	0.5	0.3	0.1
Total Portfolio, Net ²	2.1	1.0	8.1	7.9	---	---

	Quarter	1 Year	3 Year	5 Year	10 Year	20 Year
Total Portfolio	2.1	1.3	8.4	8.2	6.5	7.6
<i>Median Public Fund³</i>	<i>1.9</i>	<i>0.9</i>	<i>6.7</i>	<i>6.5</i>	<i>5.7</i>	<i>7.1</i>
Excess Return	0.2	0.4	1.7	1.7	0.8	0.5

* The current actuarial rate is 7.5%. Figure shown is a blended 10-year average figure rounded to the nearest ¼ percentage point.

¹ Policy Benchmark consists of 40% Russell 3000 (blend), 15% MSCI ACWIU.S. (blend), 20% CBOE BXM, 10% BC Aggregate, 5% BC US 1-3 Year Government/Credit, 2.5% BC 1-5 Year U.S. High Yield Cash Pay, 2.5% S&P/LSTA Performing Loans, 2.5% NCREIF (lagged), and 2.5% FTSE NAREIT Equity REITs index 4/1/14-present; see Appendix for historical Policy Benchmark composition.

² Historical net returns for the Total Portfolio aggregate are currently available from 2Q2011.

³ Mellon Total Fund Public Universe.

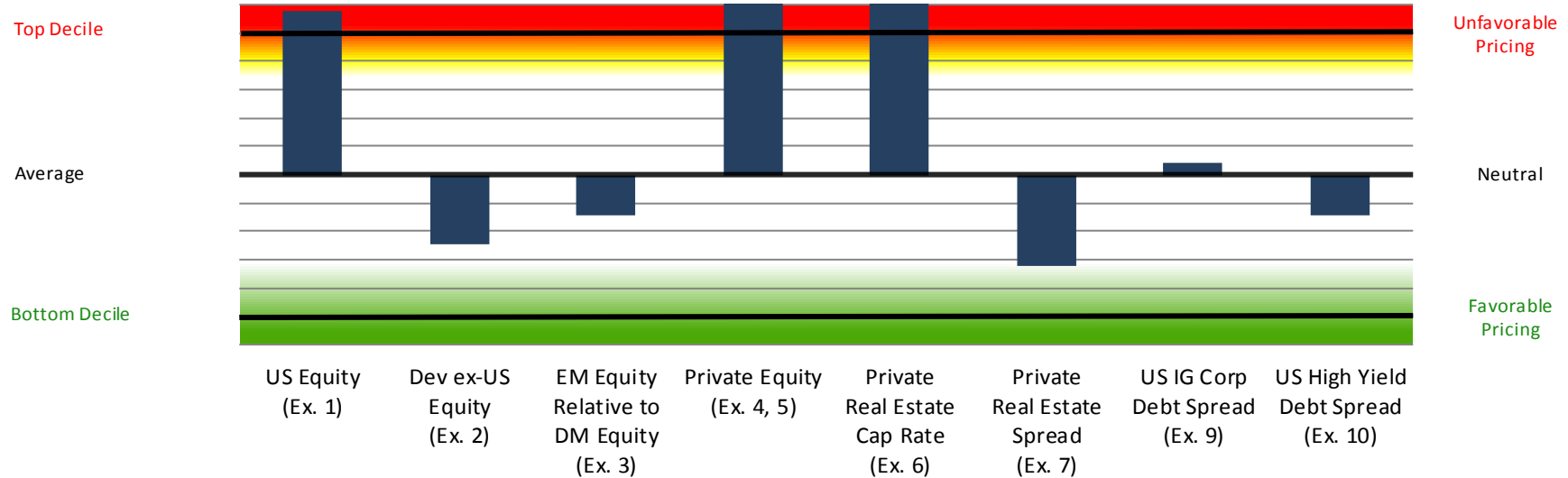
INVESTMENT MARKET RISK METRICS⁴**Takeaways**

- From a review of June's beginning and month end market levels, it appears that nothing happened in equity markets. While BREXIT introduced a lot of turmoil and volatility into the markets, U.S. and global equity markets ended the month much where they started.
- 10-year Treasury interest rates plummeted as Treasuries rallied hard on BREXIT uncertainty. Unlike equity markets, the 10-year interest rate fell 40 basis points (bond prices move inversely to yields) and did not revert, ending the month at a multi-year low of 1.46%.
- U.S. equity valuations remain extended.
- U.S. private market valuations (PE and RE) also remain extended.
- Non-U.S. developed and emerging market valuations are historically cheap.
- Bond spreads reverted to beginning of month levels (much like equities) after intra-month BREXIT volatility.
- 10-year breakeven inflation fell precipitously, hitting 1.4% at month end (bottom decile territory).
- Somewhat surprisingly, the PCA Market Sentiment Indicator remained **neutral** at the end of June after the mid-month volatility.
- The yield curve flattened more as the 10-year Treasury yield declined, and the 1-year yield hardly moved.

⁴ See Appendix for the rationale for selection and calculation methodology used for the risk metrics.

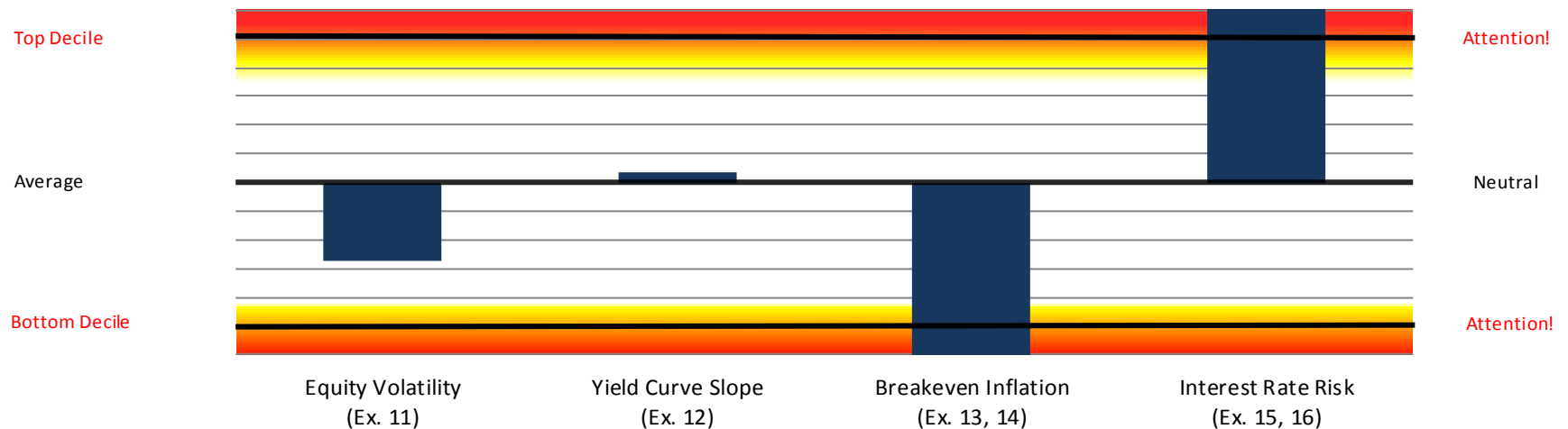
Valuation Metrics versus Historical Range

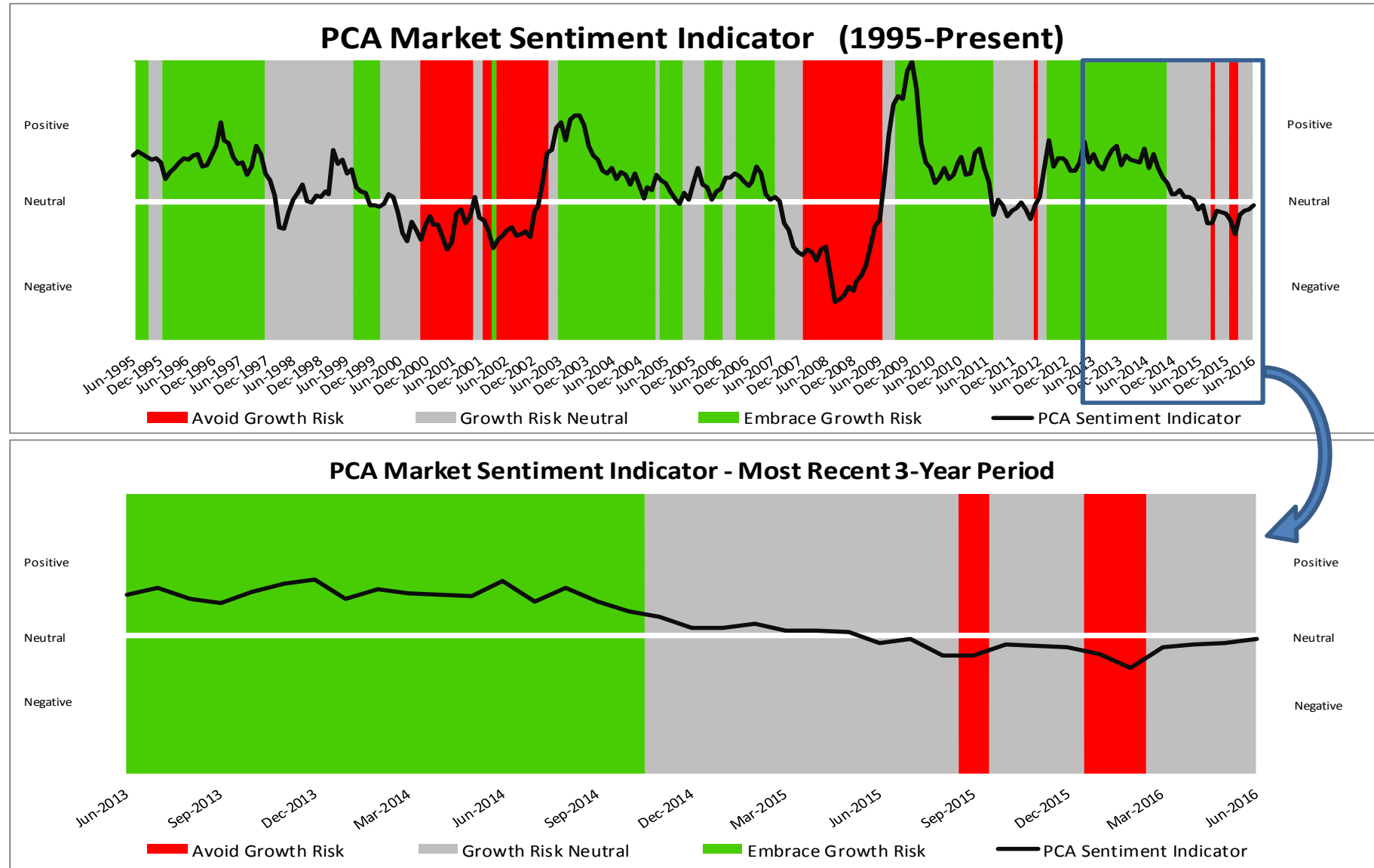
A Measure of Risk



Other Important Metrics within their Historical Ranges

Pay Attention to Extreme Readings





Information Behind Current Sentiment Reading

Bond Spread Momentum Trailing-Twelve Months

Equity Return Momentum Trailing-Twelve Months

Agreement Between Bond and Equity Momentum Measures?

Negative

Positive

Disagree

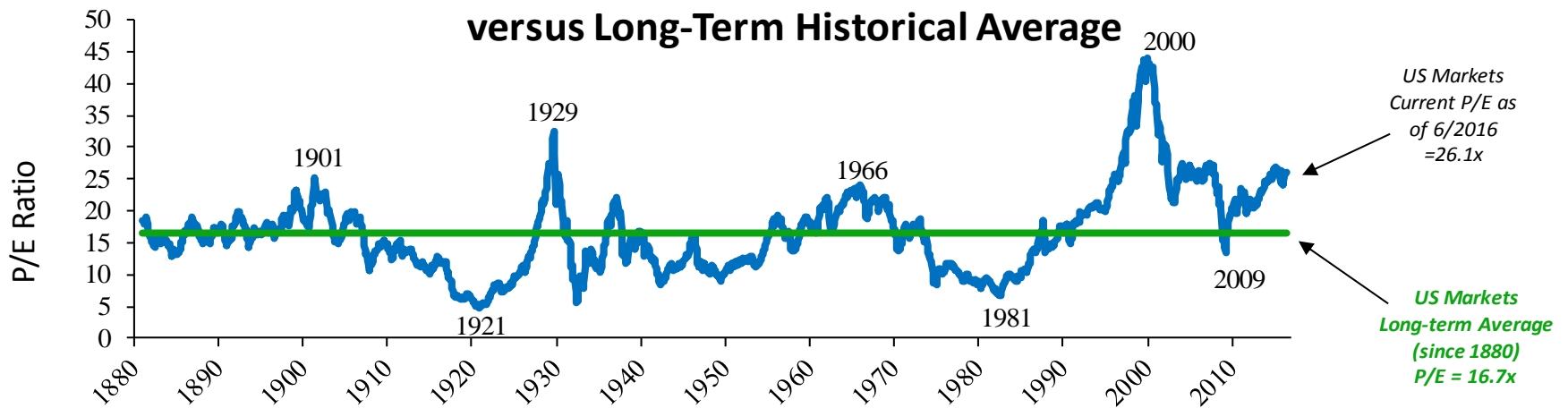
Growth Risk Visibility (Current Overall Sentiment)

Neutral

Developed Public Equity Markets

Exhibit 1

U.S. Equity Market P/E Ratio¹ versus Long-Term Historical Average

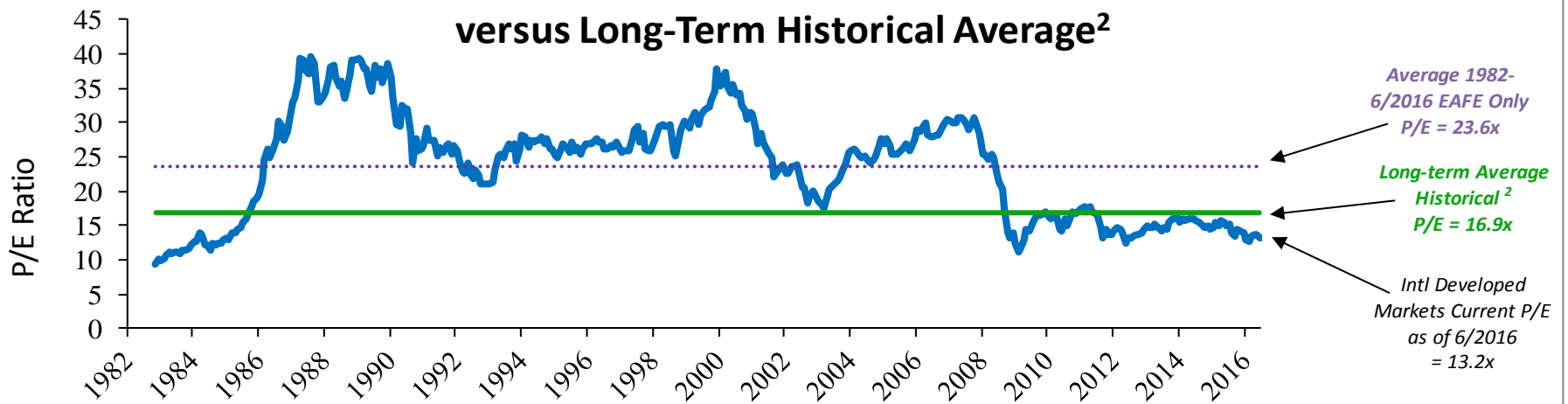


¹ P/E ratio is a Shiller P/E-10 based on 10 year real S&P 500 earnings over S&P 500 index level.

(Please note different time scales)

Exhibit 2

Developed ex-U.S. Equity Market P/E Ratio¹ versus Long-Term Historical Average²

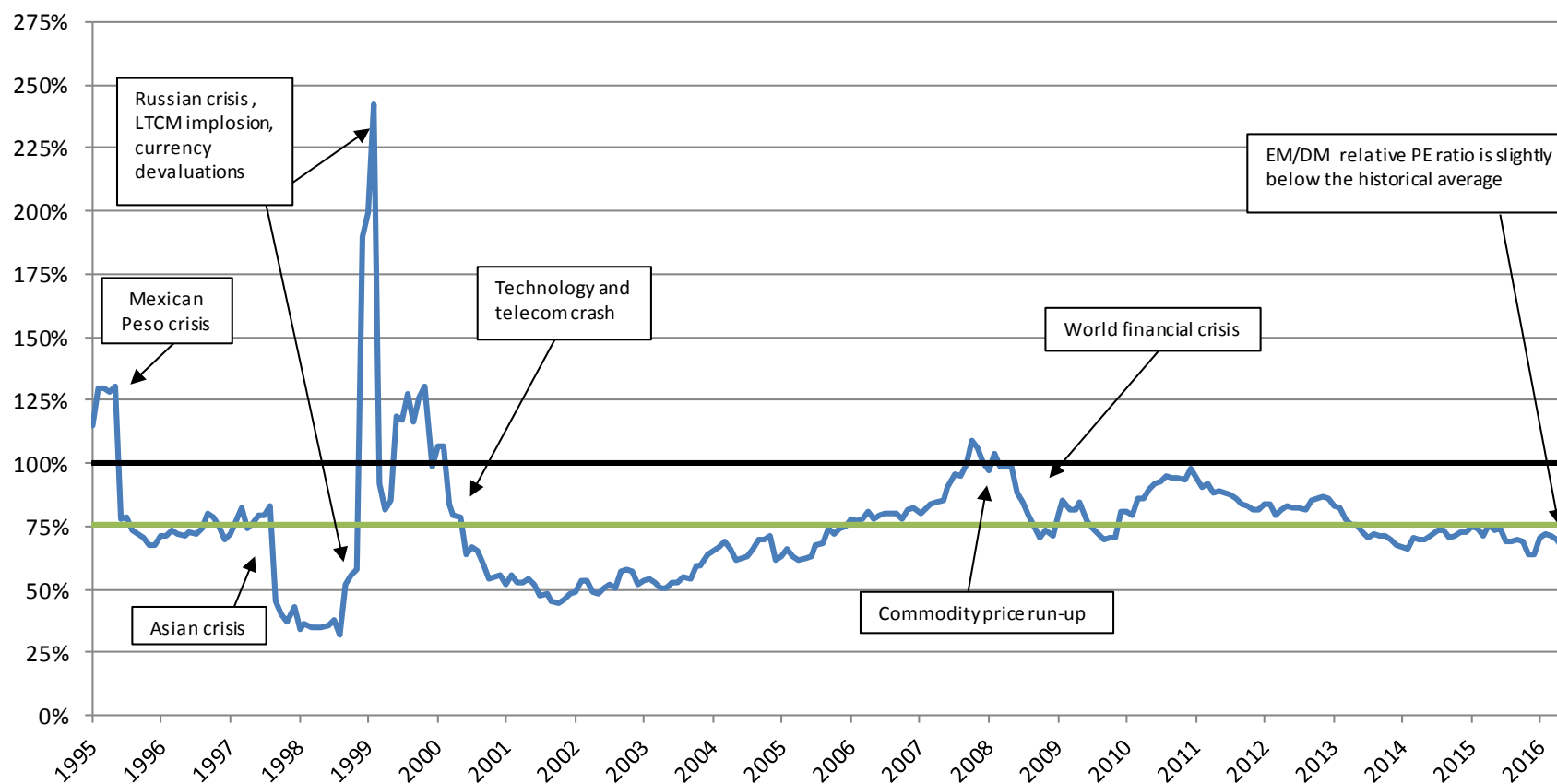


¹ P/E ratio is a Shiller P/E-10 based on 10 year real MSCI EAFE earnings over EAFE index level.

² To calculate the LT historical average, from 1881 to 1982 U.S. data is used as developed market proxy. From 1982 to present, actual developed ex-US market data (MSCI EAFE) is used.

Emerging Markets Public Equity Markets

Exhibit 3

**Emerging Markets PE / Developed Markets PE
(100% = Parity between PE Ratios)**

Source: Bloomberg, MSCI World, MSCI EMF

— EM/DM PE

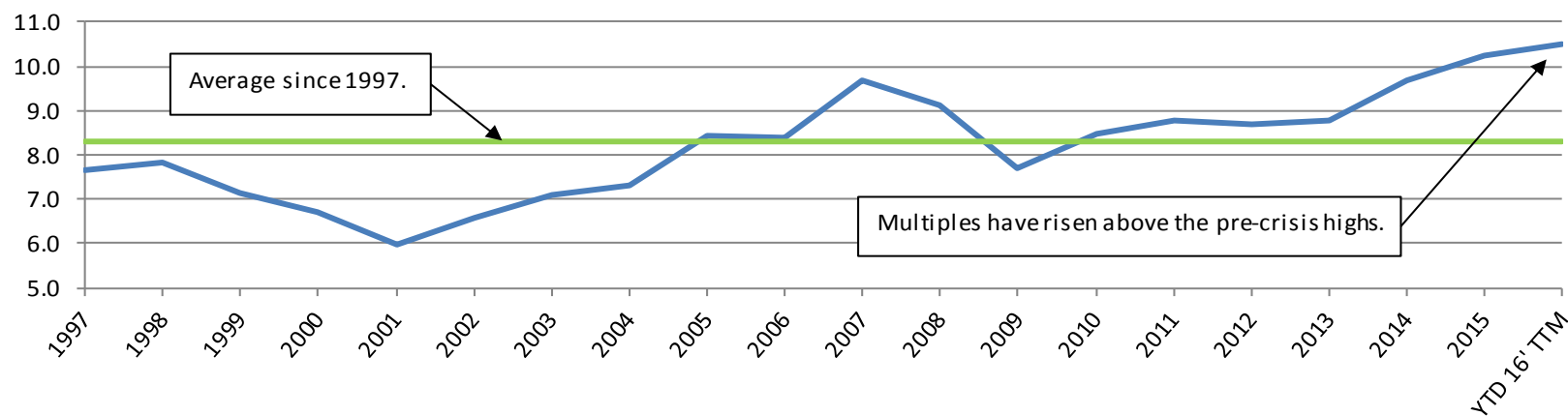
— Average EM/DM PE

— Parity

U.S. Private Equity Markets

Exhibit 4

Price to EBITDA Multiples Paid in LBOs

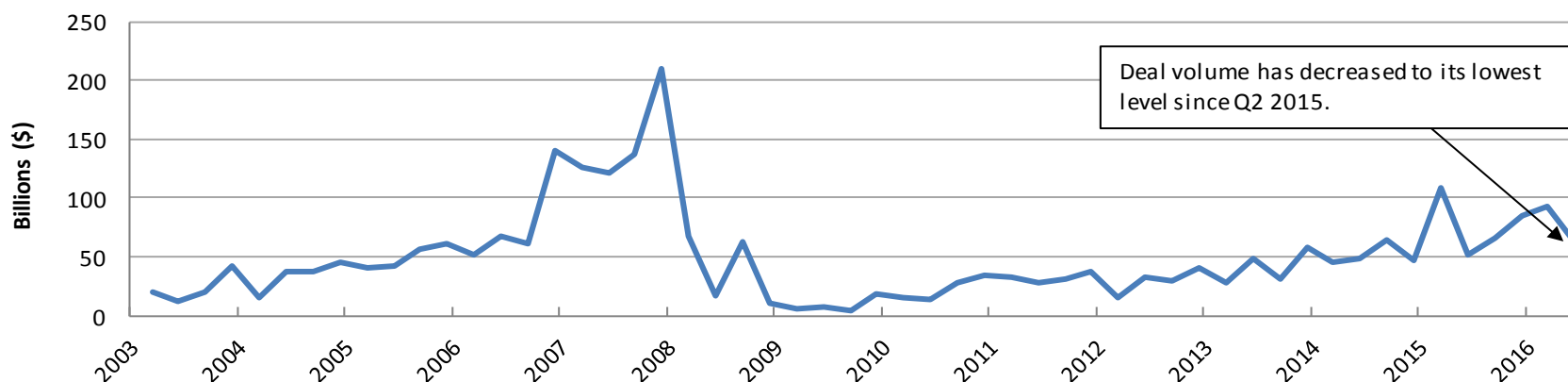


Source: S&P LCD study

(Please note different time scales)

Exhibit 5

Disclosed U.S. Quarterly Deal Volume*



Source: Thomson Reuters Buyouts

* quarterly total deal size (both equity and debt)

Private Real Estate Markets

Exhibit 6

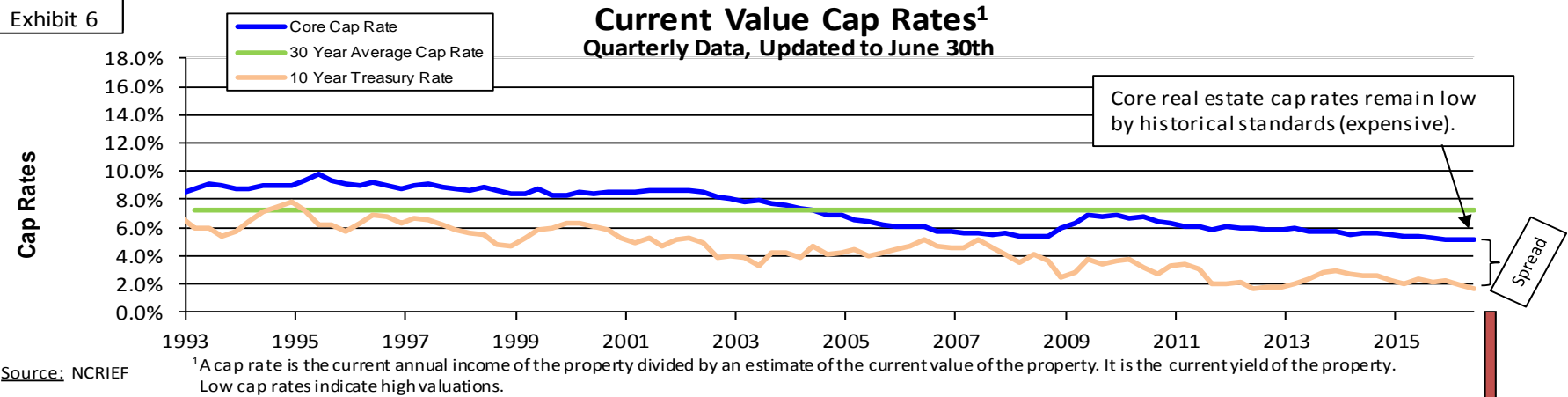


Exhibit 7

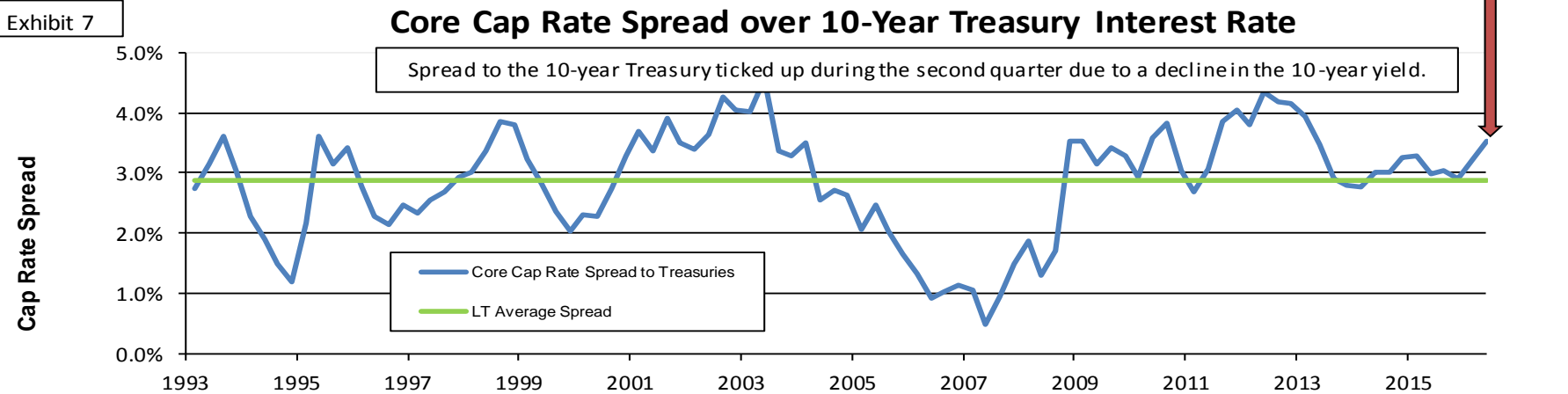
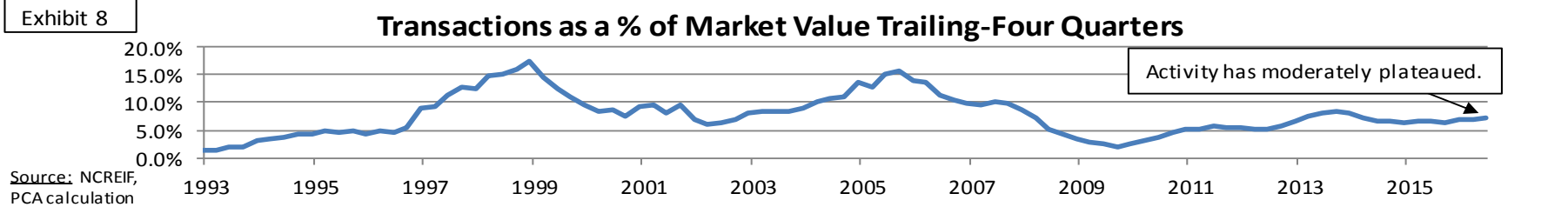


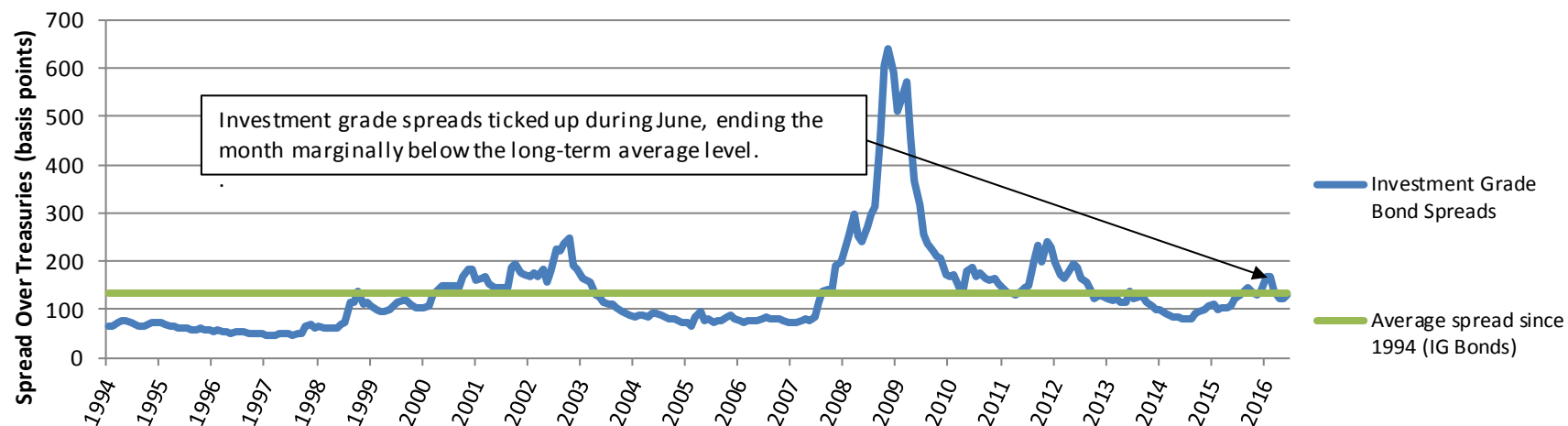
Exhibit 8



Credit Markets U.S. Fixed Income

Exhibit 9

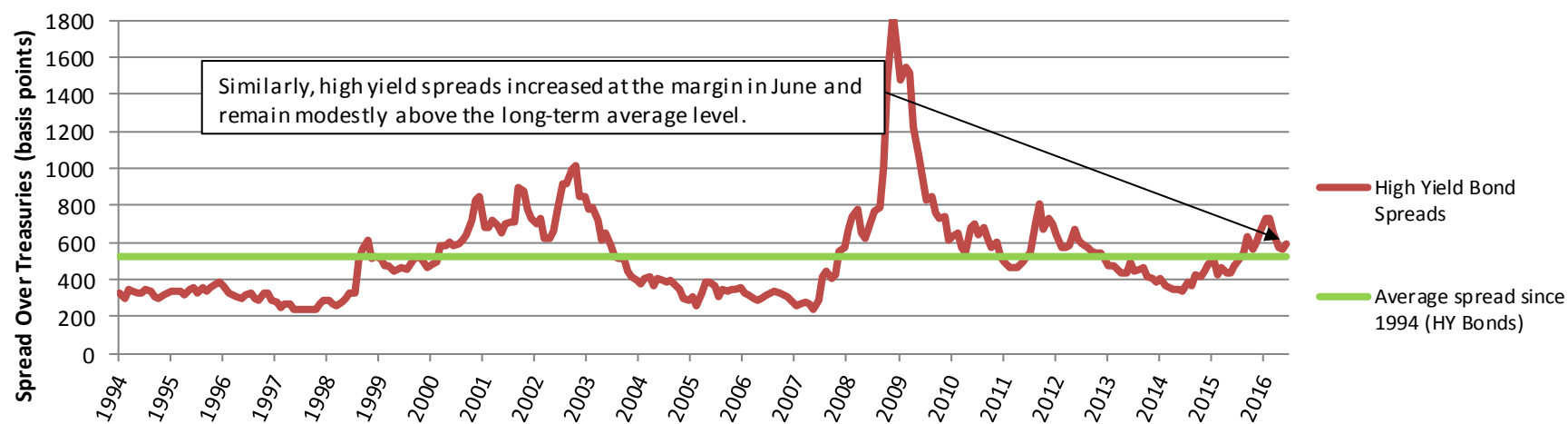
Investment Grade Corporate Bond Spreads



Source: LehmanLive: Barclays Capital US Corporate Investment Grade Index Intermediate Component.

Exhibit 10

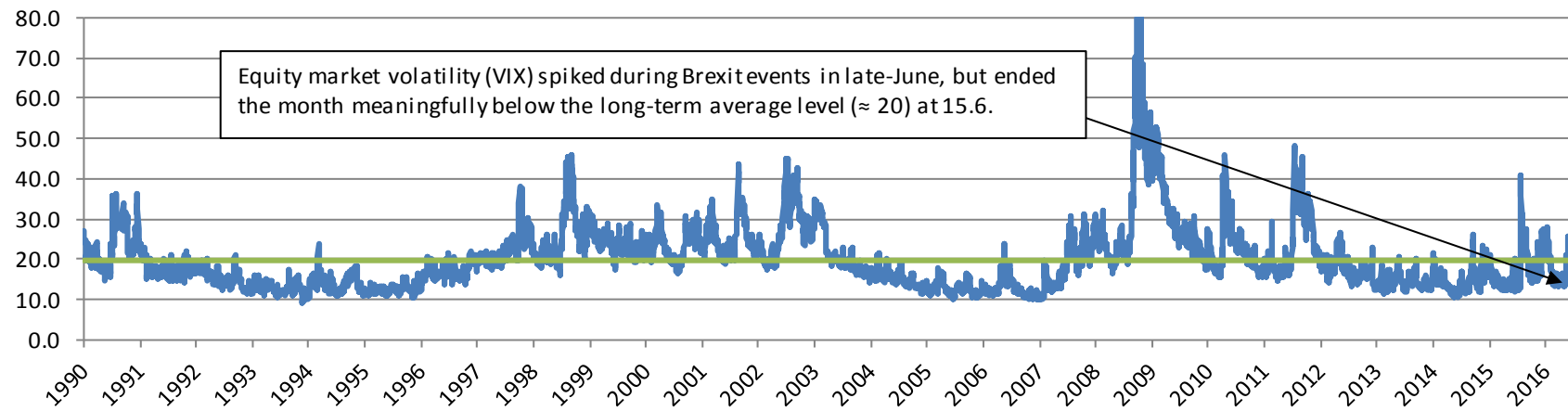
High Yield Corporate Bond Spreads



Source: LehmanLive: Barclays Capital U.S. Corporate High Yield Index.

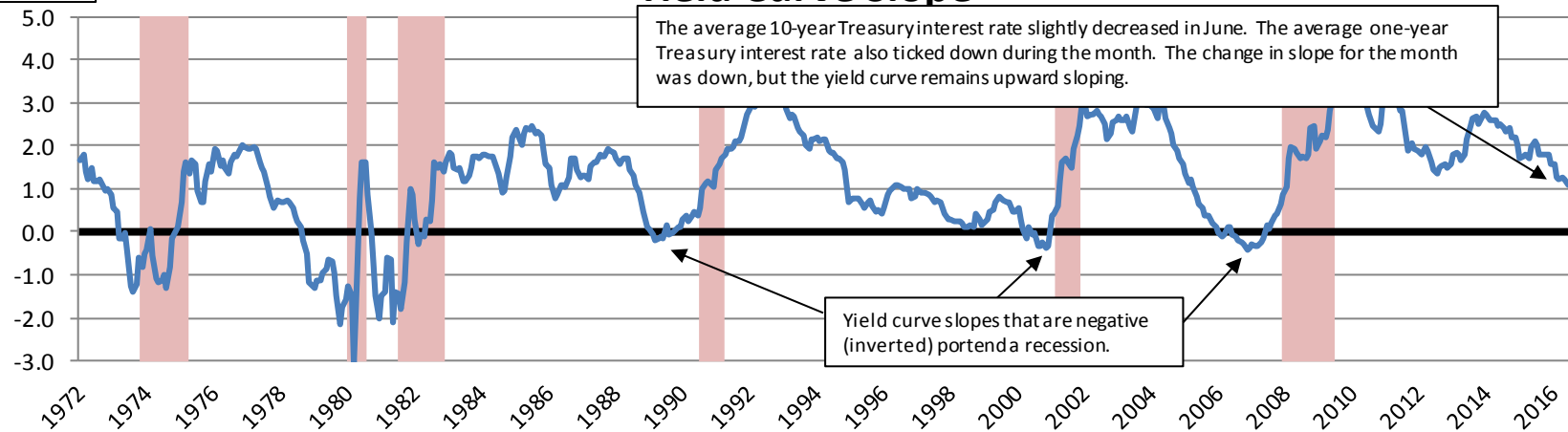
Other Market Metrics

Exhibit 11

VIX - a measure of equity market fear / uncertainty

Source: <http://www.cboe.com/micro/vix/historical.aspx>

Exhibit 12

Yield Curve Slope

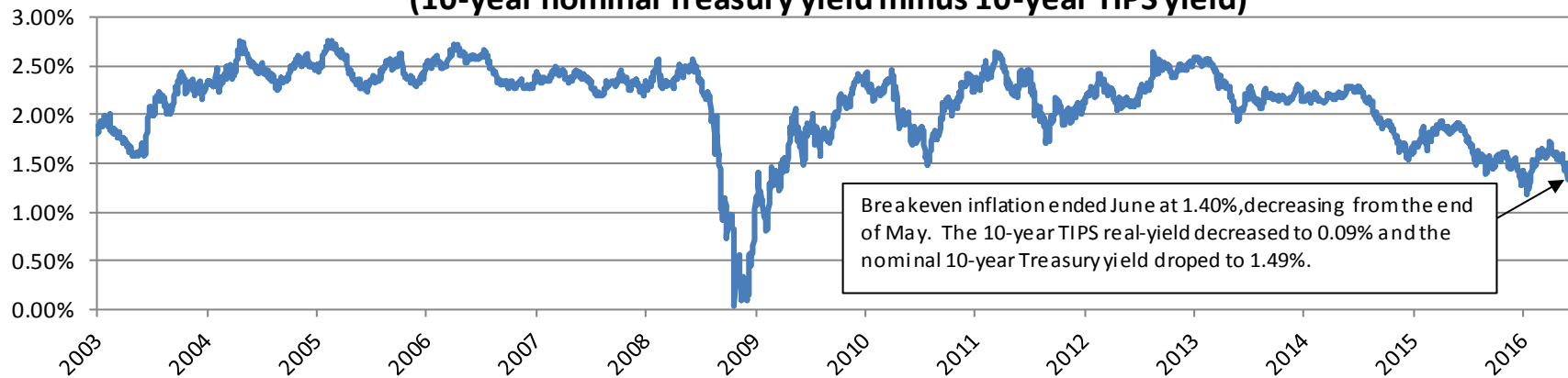
Source: www.ustreas.gov (10-year treasury yield minus 1-year treasury yield)

Recession Dating: NBER <http://www.nber.org/cycles.html>

Measures of Inflation Expectations

Exhibit 13

10-Year Breakeven Inflation (10-year nominal Treasury yield minus 10-year TIPS yield)



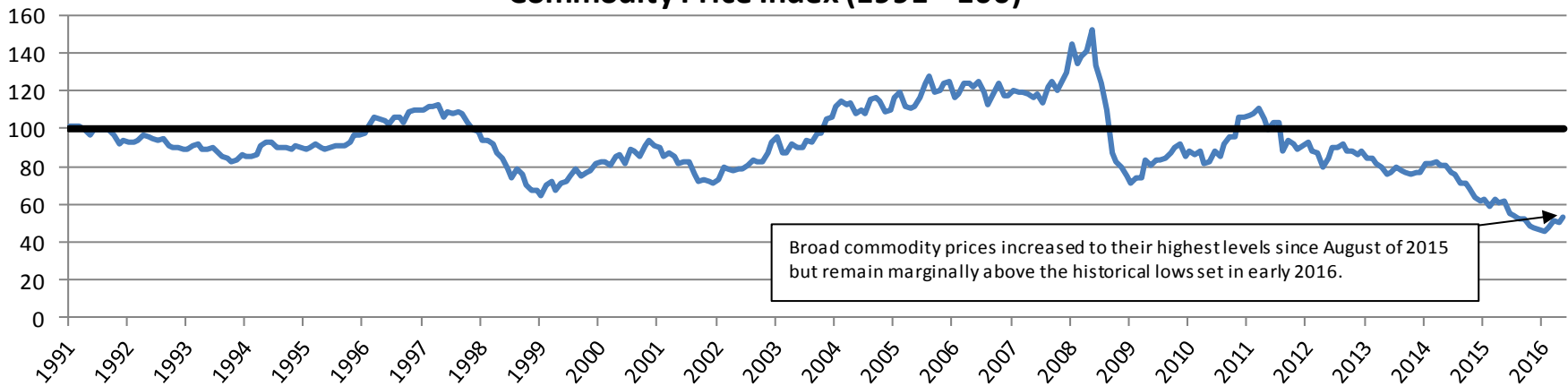
Source: www.ustreas.gov

Daily Yield Curve Rates (10-year nominal treasury yield minus 10-year TIPS yield)

(Please note different time scales)

Exhibit 14

Inflation Adjusted Bloomberg Commodity Price Index (1991 = 100)

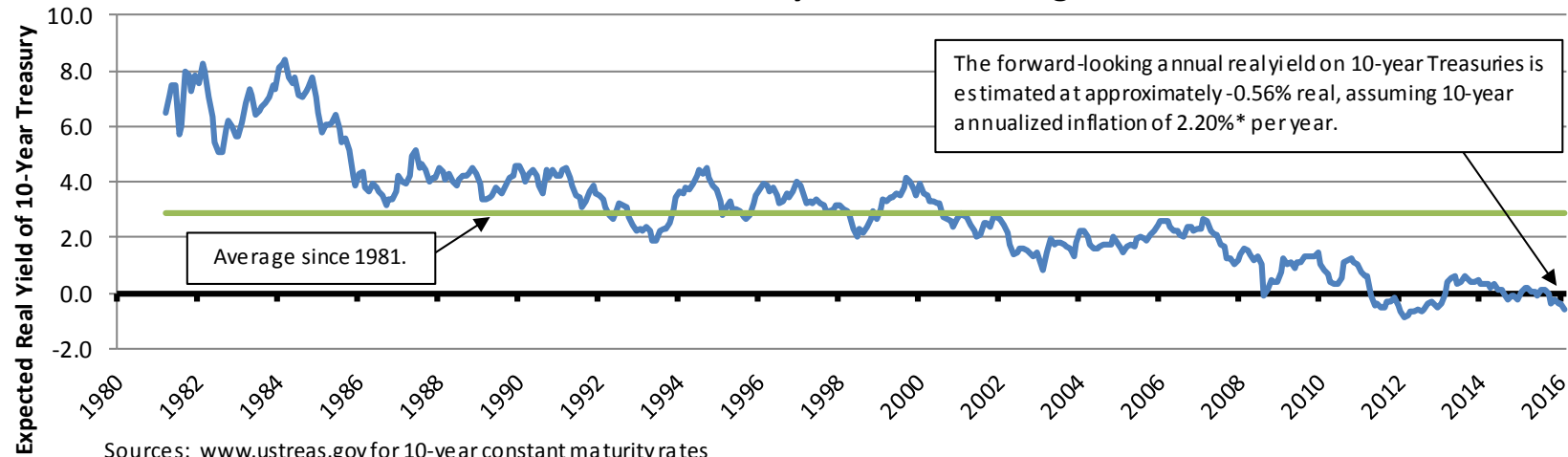


Source: Bloomberg Commodity Index, St. Louis Fed for US CPI all urban consumers.

Measures of U.S. Treasury Interest Rate Risk

Exhibit 15

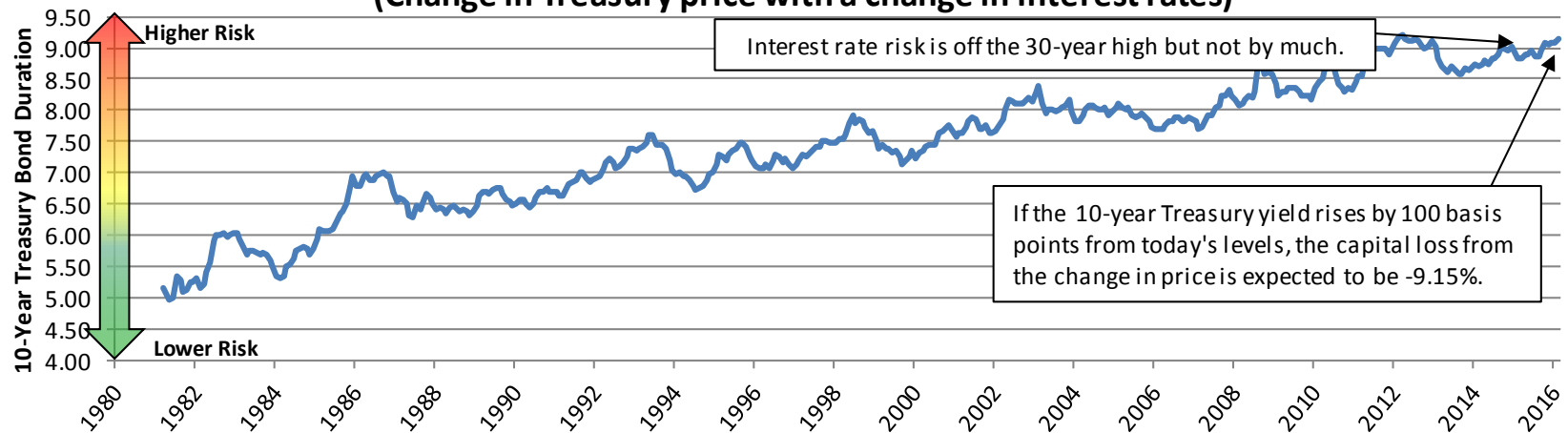
Estimate of 10-Year Treasury Forward-Looking Real Yield



Sources: www.ustreas.gov for 10-year constant maturity rates

*Federal Reserve Bank of Philadelphia survey of professional forecasts for inflation estimates

Exhibit 16

10-Year Treasury Duration
(Change in Treasury price with a change in interest rates)

Source: www.ustreas.gov for 10-year constant maturity rates, calculation of duration

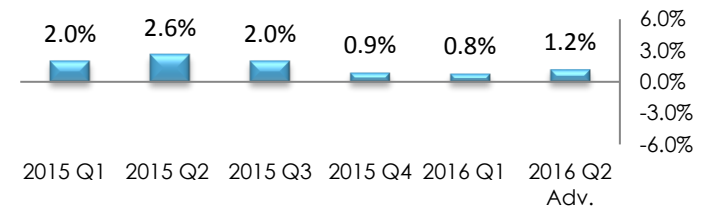
ECONOMIC OVERVIEW

US GDP growth increased from the prior quarter (advanced estimate) but has slowed relative to quarterly growth from one-year ago (2.6% in 2Q 2015 vs. 1.2% in 2Q 2016). GDP growth during the second quarter was driven mostly by consumer spending on goods and services. The unemployment rate remained unchanged since the prior quarter at 4.9%. The seasonally adjusted Consumer Price Index for All Urban Consumers increased by 3.4% on an annualized basis in the quarter, its largest quarterly increase since the third quarter of 2012. Commodities continued to improve during the quarter and are now up 15.1% since the end of February. Global equities were slightly positive during the quarter returning 1.2% (MSCI ACWI) despite a volatile quarter end, resulting from the UK's "leave" vote in the Brexit referendum. The referendum result also put downward pressure on the British Pound, decreasing by -8.3% versus the US dollar during the quarter - almost all of which came in the last two weeks. Bond markets had a strong positive quarter as the BC Universal increased by 2.5% and yields fell.

Economic Growth

- Real GDP increased at an annualized rate of 1.2 percent in the second quarter of 2016.
- Consumer spending was the biggest contributor to real GDP growth in the quarter driven by spending on durable goods, nondurable goods, and services (mostly health care and housing).
- GDP growth gains were partially offset during the quarter by a decline in business and housing investments.

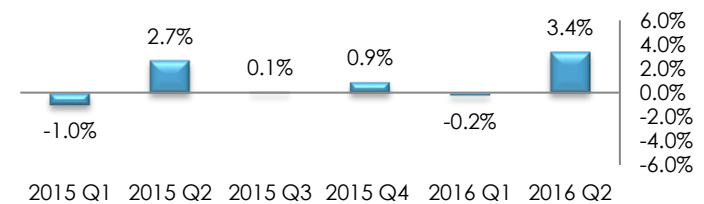
Annualized Quarterly GDP Growth



Inflation

- The Consumer Price Index for All Urban Consumers (CPI-U) increased by 3.4 percent in the quarter on an annualized basis after seasonal adjustment.
- Quarterly percentage changes may be adjusted between data publications due to periodic updates in seasonal factors.
- Core CPI-U increased by 2.3 percent for the quarter on an annualized basis.
- Over the last 12 months, core CPI-U increased 2.2 percent after seasonal adjustment.

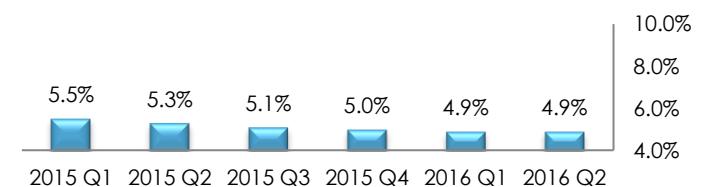
CPI-U After Seasonal Adjustment



Unemployment

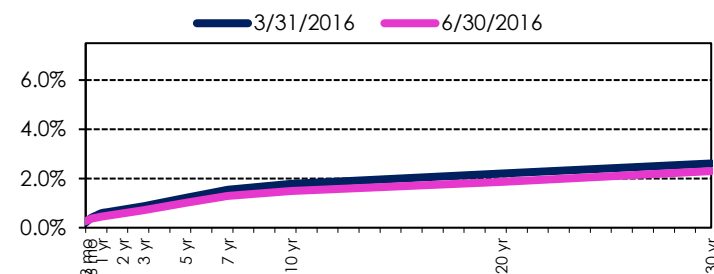
- The US economy gained approximately 442,000 jobs in the quarter.
- The unemployment rate remained at 4.9% at quarter end.
- The majority of jobs gained occurred in education and health services, health care and social assistance, and professional and business services. The majority of jobs lost occurred in goods-producing, mining and logging, and construction.

Unemployment Rate



Interest Rates & US Dollar

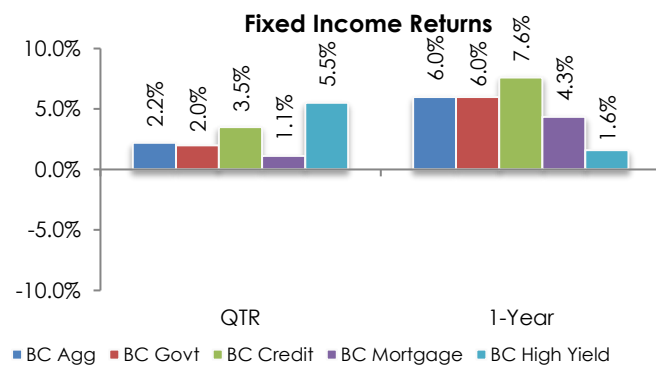
- US Treasury yields fell on average over the quarter.
- The Federal Reserve has maintained the federal funds rate between 0.25 percent and 0.50 percent.
- The US dollar depreciated against the Yen by -8.0% and appreciated against the Pound and Euro by 7.3% and 2.4%, respectively.

Treasury Yield Curve Changes

Source: US Treasury Department

Fixed Income

- US bond markets delivered positive returns for the quarter with high yield, returning 5.5%, performing the best, while MBS performed the worst at 1.1%.
- Despite a strong second quarter, high yield continued to trail all other bond sectors over the trailing 1-year period. Credit provided the strongest returns with 7.6%.

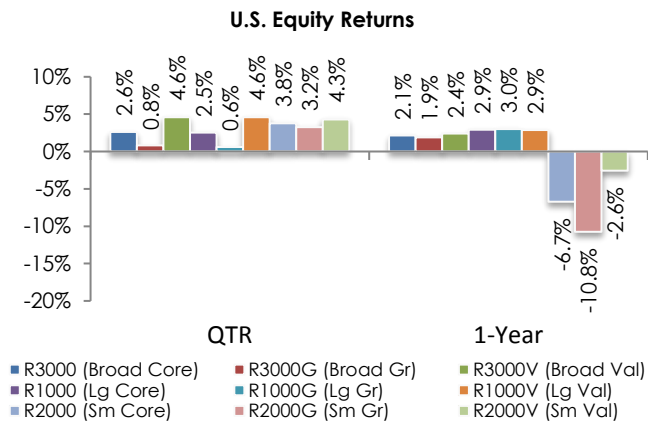


US Fixed Income Sector Performance (BC Aggregate Index)			
Sector	Weight	QTR	1 Year
Governments*	40.7%	2.0%	6.0%
Agencies	4.0%	1.3%	3.9%
Inv. Grade Credit	25.4%	3.5%	7.6%
MBS	27.7%	1.1%	4.3%
ABS	0.6%	1.2%	2.7%
CMBS	1.7%	2.2%	6.2%

*US Treasuries and Government Related

US Equities

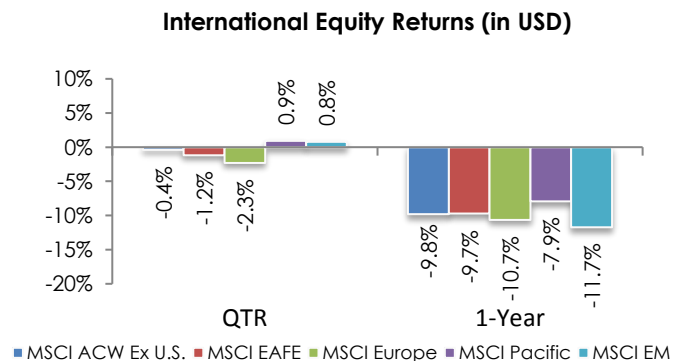
- During the quarter, value stocks were the top performers, while growth trailed all other styles. In terms of market capitalization, broad and large cap had the strongest returns each with 4.6%, but small cap stocks had the most consistent returns across styles.
- During the 1-year period, large cap stocks performed well, while small cap stocks trailed all other capitalizations. Value stocks proved to be reliable as they outperformed core and growth in both broad and small cap with returns of 2.4% and (2.6%), respectively.



US Equity Sector Performance (Russell 3000 Index)			
Sector	Weight	QTR	1 Year
Information Tech.	19.2%	-0.8%	8.5%
Financials	17.4%	3.4%	2.9%
Health Care	14.4%	7.5%	1.9%
Consumer Disc.	12.9%	0.0%	7.2%
Industrials	10.2%	2.4%	7.7%
Consumer Staples	9.4%	5.3%	19.9%
Energy	6.8%	12.8%	-1.7%
Utilities	3.7%	7.6%	35.3%
Materials	3.3%	6.7%	3.5%
Telecomm. Serv.	2.7%	-7.8%	24.3%

International Equities

- International equities performed poorly over the quarter with the exception of the Pacific and Emerging Markets, which posted slightly positive returns of 0.9% and 0.8%, respectively.
- Over the 1-year period, international equities were negative across the board. The Pacific had the least negative results, while emerging markets performed the worst with (7.9%), and (11.7%), respectively.



International Equity Region Performance (in USD) (MSCI ACW Index ex US)			
Sector	Weight	QTR	1 Year
Europe Ex. UK	31.3%	-3.0%	-10.0%
Emerging Markets	22.7%	0.8%	-11.7%
Japan	16.5%	1.0%	-8.6%
United Kingdom	13.9%	-0.7%	-12.1%
Pacific Ex. Japan	8.7%	0.7%	-6.6%
Canada	6.9%	3.6%	-5.5%

Market Summary – Long-term Performance*

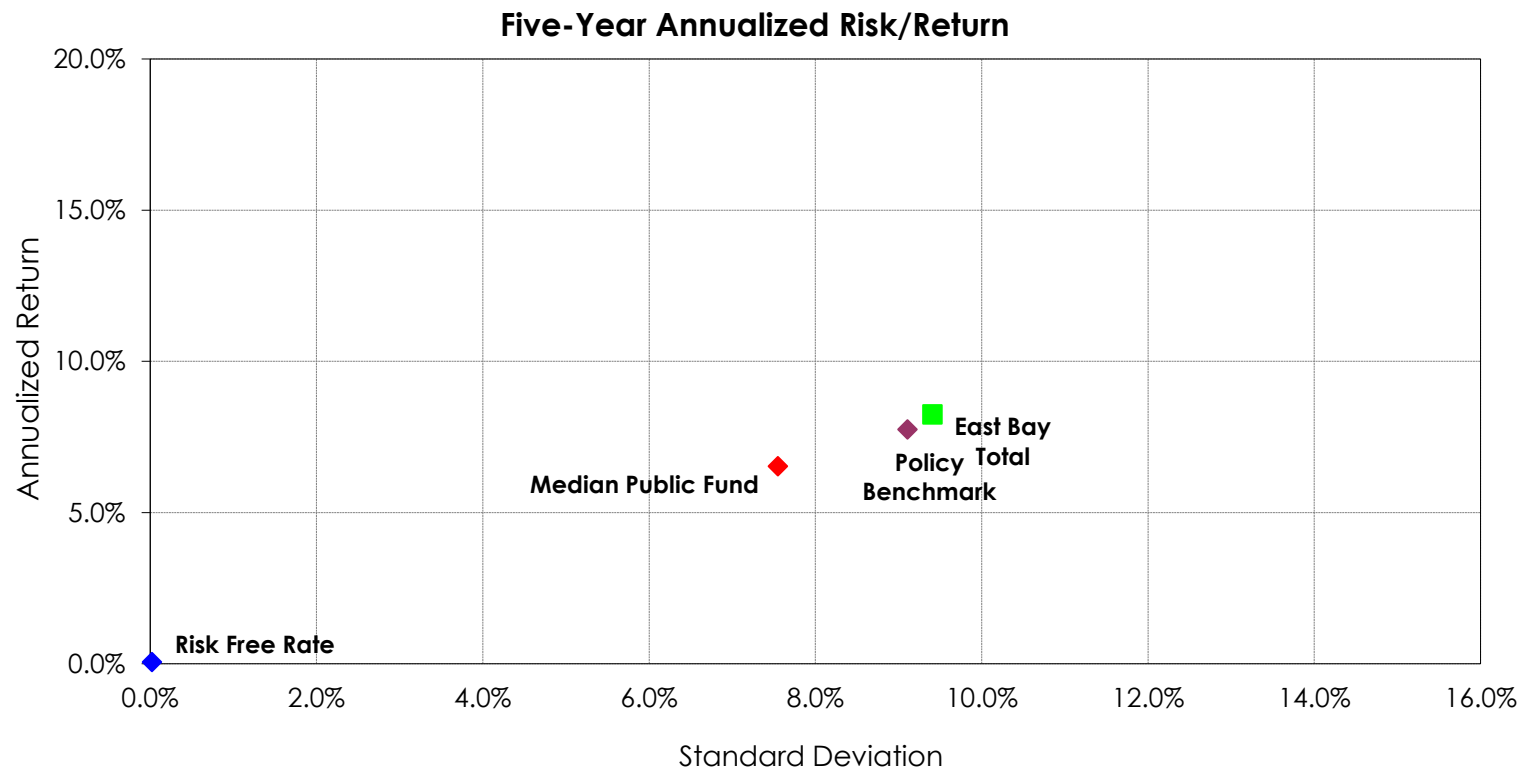
Indexes	Month	Quarter	1 Year	3 Years	5 Years	10 Years	20 Years
Global Equity							
MSCI AC World Index	-0.6%	1.2%	-3.2%	6.6%	6.0%	4.8%	6.1%
Domestic Equity							
S&P 500	0.3%	2.5%	4.0%	11.7%	12.1%	7.4%	7.9%
Russell 3000	0.2%	2.6%	2.1%	11.1%	11.6%	7.4%	8.0%
Russell 3000 Growth	-0.4%	0.8%	1.9%	12.7%	12.0%	8.7%	6.9%
Russell 3000 Value	0.8%	4.6%	2.4%	9.6%	11.1%	6.1%	8.5%
Russell 1000	0.2%	2.5%	2.9%	11.5%	11.9%	7.5%	8.0%
Russell 1000 Growth	-0.4%	0.6%	3.0%	13.1%	12.4%	8.8%	7.1%
Russell 1000 Value	0.9%	4.6%	2.9%	9.9%	11.4%	6.1%	8.5%
Russell 2000	-0.1%	3.8%	-6.7%	7.1%	8.4%	6.2%	7.6%
Russell 2000 Growth	-0.5%	3.2%	-10.8%	7.7%	8.5%	7.1%	5.6%
Russell 2000 Value	0.3%	4.3%	-2.6%	6.4%	8.2%	5.2%	9.1%
CBOE BXM Index	1.2%	3.2%	4.0%	7.2%	7.0%	4.6%	6.9%
International Equity							
MSCI AC World Index ex USA	-1.5%	-0.4%	-9.8%	1.6%	0.6%	2.3%	4.7%
MSCI EAFE	-3.3%	-1.2%	-9.7%	2.5%	2.2%	2.1%	4.4%
MSCI Pacific	-1.3%	0.9%	-7.9%	2.4%	3.2%	1.9%	1.7%
MSCI Europe	-4.4%	-2.3%	-10.7%	2.5%	1.6%	2.1%	6.2%
MSCI EM (Emerging Markets)	4.1%	0.8%	-11.7%	-1.2%	-3.4%	3.9%	5.3%
Fixed Income							
BC Universal	1.8%	2.5%	5.8%	4.2%	4.0%	5.3%	5.8%
Global Agg. - Hedged	1.9%	2.5%	7.4%	5.2%	4.8%	5.0%	5.7%
BC Aggregate Bond	1.8%	2.2%	6.0%	4.1%	3.8%	5.1%	5.7%
BC Government	2.1%	2.0%	6.0%	3.5%	3.4%	4.7%	5.4%
BC Credit Bond	2.3%	3.5%	7.6%	5.3%	5.2%	6.1%	6.3%
BC Mortgage Backed Securities	0.8%	1.1%	4.3%	3.8%	3.0%	5.0%	5.5%
BC High Yield	0.9%	5.5%	1.6%	4.2%	5.8%	7.6%	7.0%
BC WGIL All Maturities - Hedged	4.4%	4.4%	7.7%	5.1%	4.5%	5.2%	---
Emerging Markets Debt	2.9%	4.7%	7.8%	6.0%	6.0%	7.7%	9.4%
Real Estate							
NCREIF UNLAGGED	0.7%	2.0%	10.6%	11.6%	11.5%	7.4%	9.9%
FTSE NAREIT All Equity Index	6.7%	7.4%	22.7%	13.1%	12.3%	7.0%	10.7%
Commodity Index							
Bloomberg Commodity Index (formerly DJUBS)	4.1%	12.8%	-13.4%	-10.6%	-10.8%	-5.6%	1.0%

* Performance is annualized for periods greater than one year.

EBMUD PORTFOLIO REVIEW

EAST BAY RISK/RETURN ANALYSIS

Period ending June 30, 2016



*Median Fund is the Mellon Total Fund Public Universe.

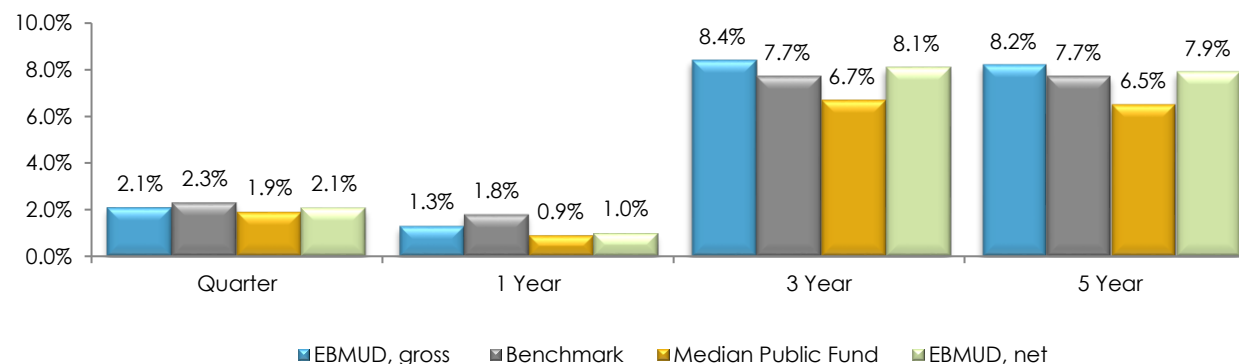
EBMUD PORTFOLIO PERFORMANCE

This section includes an overview of the performance of the EBMUD investment portfolio and a detailed analysis of asset classes and specific mandates.

Portfolio Performance Overview

The EBMUD Total Portfolio's results underperformed its policy target benchmark⁵ over the quarter and 1-year periods by (20) and (50) basis points, respectively, while outperforming over the 3- and 5-year periods by 70 and 50 basis points per annum, respectively. Relative to the Median Public Fund⁶, the EBMUD Total Portfolio outperformed over each time period measured.

Periods Ending June 30, 2016 (annualized)

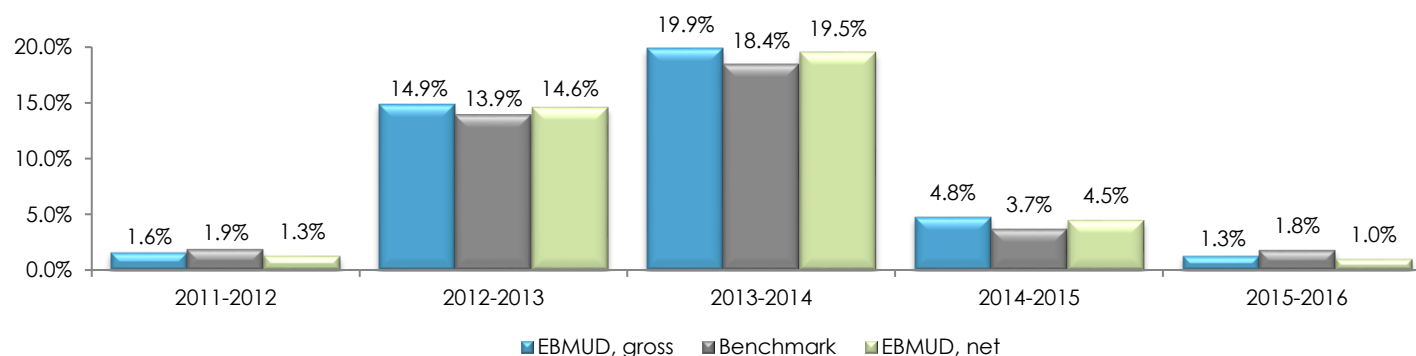


⁵Policy Benchmark consists of 40% Russell 3000 (blend), 15% MSCI ACWIxU.S. (blend), 20% CBOE BXM, 10% BC Aggregate, 5% BC US 1-3 Year Government/Credit, 2.5% BC 1-5 Year U.S. High Yield Cash Pay, 2.5% S&P/LSTA Performing Loans, 2.5% NCREIF (lagged), and 2.5% FTSE NAREIT Equity REITs index 4/1/14-present; see Appendix for historical Policy Benchmark composition.

⁶Mellon Total Fund Public Universe.

Trailing 12-month absolute results (gross of fees) have been positive over each of the last five discrete 12-month periods ending June 30th. The EBMUD Total Portfolio outperformed the policy target benchmark over three of these five periods, gross of fees.

12-month Performance – Periods Ending June 30



Portfolio Valuation

The EBMUD Total Portfolio had an aggregate value of \$1.4 billion as of June 30, 2016. During the latest quarter, the Total Portfolio increased in value by \$10.6 million. Over the latest year, the Total Portfolio increased in value by \$1.6 million.

Portfolio Valuation as of June 30, 2016

(in millions \$)

	June 30, 2016	Mar. 31, 2016	Quarterly Change	Percentage Change*	June 30, 2015	Annual Change	Percentage Change*
EBMUD	\$1,406.0	\$1,395.4	\$10.6	0.8%	\$1,404.4	\$1.6	0.1%

*Percentage change in value due to both investment results and cash flows.

ASSET ALLOCATION**Actual vs. Target Allocations**

With respect to policy targets, the Total Portfolio ended the latest quarter overweight Domestic Equity, Covered Calls, and Real Estate, while underweight International Equity and Total Fixed Income. Target allocations represent those elected by the Board in September 2013, which took effect in March 2014 upon the funding of the new Covered Calls asset class and Non-Core Bonds allocation within Total Fixed Income.

As of June 30, 2016

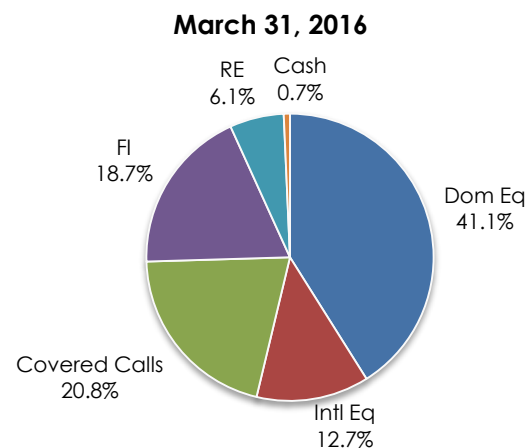
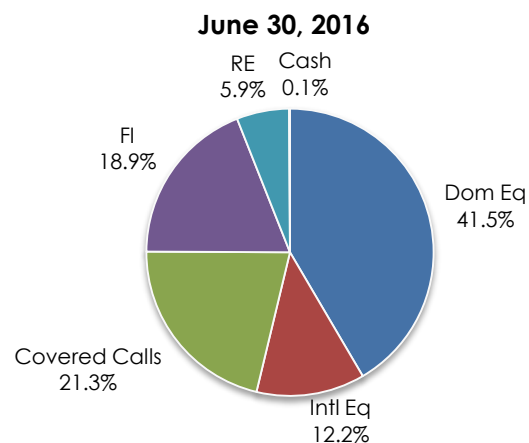
Segment	Actual \$(000)	Actual %	Target %	Variance	Rebalancing Ranges**
Total Portfolio	1,405,980	100%	100%	---	---
Domestic Equity	584,149	41.5%	40.0%	1.5%	-/+ 5%
International Equity	172,034	12.2%	15.0%	-2.8%	-/+ 3%
Covered Calls	299,670	21.3%	20.0%	1.3%	-/+ 4%
Total Fixed Income	266,234	18.9%	20.0%	-1.1%	
Core	140,275	10.0%	10.0%	0.0%	-/+ 2%
Non-Core	125,959	9.0%	10.0%	-1.0%	-/+ 3%
Real Estate*	82,871	5.9%	5.0%	0.9%	-/+ 2%
Cash	1,022	0.1%	0.0%	0.1%	---

*RREEF performance results and allocation are lagged one-quarter.

**Policy rebalancing ranges shown are for non-turbulent market periods. The Plan also has established rebalancing ranges to be in effect during turbulent market periods.

Actual Asset Allocation Comparison

During the latest quarter, the actual allocation to Covered Calls increased 0.5%, while the allocations to International Equity and Cash decreased by (0.5%) and (0.6%), respectively. Actual allocation to the other asset classes were relatively unchanged (variance < 0.5%).



Asset Class Performance (Gross of Fees)

The Domestic Equity asset class tracked the Russell 3000 (blend) Index over the recent quarter while underperforming over the 1-year period by (1.0%). Only one of EBMUD's four active domestic equity managers outperformed its respective benchmark over the 1-year period. The portfolio performed in-line with the benchmark over the 3-, 5-, and 10-year periods but trailed over the 20-year period by (1.1%) per annum.

The International Equity portfolio underperformed the MSCI ACWI x U.S. (blend) Index over the quarter, 1-, and 3-year periods by (2.4%), (3.0%), and (0.5%), respectively. Both of the Plan's international equity manager trailed their respective benchmarks over the short-term periods. The International Equity portfolio outperformed the benchmark over the extended time periods measured.

The Total Fixed Income asset class performed in-line with the Custom Fixed Income (blend) benchmark over the latest quarter. Over the 1- and 3-year periods the asset class trailed the benchmark by (1.1%) and (0.4%), respectively; relative underperformance over the latest year can be attributed to the non-core fixed income sub-segment. Performance over the extended time periods were in-line with the benchmark.

Periods ending June 30, 2016

Asset Class	Quarter	1 Year	3 Year	5 Year	10 Year	20 Year
Total Portfolio	2.1	1.3	8.4	8.2	6.5	7.6
<i>Policy Benchmark[^]</i>	2.3	1.8	7.7	7.7	6.2	7.5
Domestic Equity	2.7	1.1	11.0	11.5	7.2	7.8
<i>Russell 3000 (blend)*</i>	2.6	2.1	11.1	11.6	7.4	8.9
International Equity	-2.8	-12.8	1.1	0.9	3.0	6.0
<i>MSCI ACWI x U.S.(blend)**</i>	-0.4	-9.8	1.6	0.6	2.3	4.3
Covered Calls	3.2	5.3	---	---	---	---
<i>CBOE BXM</i>	3.2	4.0	---	---	---	---
Total Fixed Income	2.3	2.5	2.8	3.6	5.0	5.9
<i>Fixed Income benchmark (blend)***</i>	2.4	3.6	3.2	3.4	5.0	5.6
Real Estate	5.1	21.3	15.2	14.6	---	---
<i>50/50 NCREIF/FTSE NAREIT All Equity****</i>	4.6	18.2	13.1	13.4	---	---
Cash	0.1	0.4	0.3	0.3	1.6	---
<i>Citigroup T-bills</i>	0.1	0.1	0.1	0.1	1.0	---

[^] Policy Benchmark consists of 40% Russell 3000 (blend), 15% MSCI ACWIxU.S. (blend), 20% CBOE BXM, 10% BC Aggregate, 5% BC US 1-3 Year Government/Credit, 2.5% BC 1-5 Year U.S. High Yield Cash Pay, 2.5% S&P/LSTA Performing Loans, 2.5% NCREIF (lagged), and 2.5% FTSE NAREIT Equity REITs index 4/1/14-present; see Appendix for historical Policy Benchmark composition.

*Russell 3000 as of 10/1/05. Prior: 30% S&P500, 10% S&P400, 10% Russell 2000 (4/1/05-9/30/05); 33% S&P500, 10% S&P400, 10% Russell 2000 (9/1/98-3/31/05); 30% S&P500, 15% Wilshire 5000 (4/1/96-8/31/98)

**MSCI ACWIxU.S. as of 1/1/07; MSCI EAFE ND thru 12/31/06

***50% BC Aggregate, 25% BC US 1-3 Year Government/Credit, 12.5% BC 1-5 Year U.S. High Yield Cash Pay, and 12.5% S&P/LSTA Performing Loans index 4/1/14-present; 75% BC Aggregate, 12.5% BC 1-5 Year U.S. High Yield Cash Pay, and 12.5% S&P/LSTA Performing Loans index 3/1/14-3/31/14; BC Universal 1/1/08-2/28/14; BC Aggregate thru 12/31/07

****50% NCREIF (lagged), 50% FTSE NAREIT Equity REITs Index as of 11/1/11; NCREIF (lagged) thru 10/31/11

MANAGER PERFORMANCE

(Gross of Fees)

Domestic Equity – Periods ending June 30, 2016 (Gross of Fees)

Manager	Mkt Value (\$000)	Asset Class	Management Style	Quarter	1 YR	3 YR	5 YR	Estimated Annual Fee (bps) ⁷	Current Monitoring Status
Northern Trust Co.	237,710	Large Cap Core	Passive	2.5	3.0	11.5	11.9	3	---
<i>Russell 1000 Index</i>	---	---	---	<i>2.5</i>	<i>2.9</i>	<i>11.5</i>	<i>11.9</i>	---	---
Intech	70,552	Large Cap Growth	Active	3.0	6.4	14.6	12.9	5 bps + 12.5% on excess returns	Watch 12/2014
T. Rowe Price	65,342	Large Cap Growth	Active	-0.5	-2.0	13.1	12.7	49	---
<i>Russell 1000 Growth Index</i>	---	---	---	<i>0.6</i>	<i>3.0</i>	<i>13.1</i>	<i>12.3</i>	---	---
Barrow Hanley	156,972	Large Cap Value	Active	4.2	0.1	9.3	10.6	31	---
<i>Russell 1000 Value Index</i>	---	---	---	<i>4.6</i>	<i>2.9</i>	<i>9.9</i>	<i>11.4</i>	---	---
Northern Trust Co.	23,703	Small Cap Growth	Passive	3.4	-10.4	8.1	8.9	8	---
<i>Russell 2000 Growth Index</i>	---	---	---	<i>3.2</i>	<i>-10.8</i>	<i>7.7</i>	<i>8.5</i>	---	---
Opus	29,870	Small Cap Value	Active	1.5	-4.1	6.5	7.8	5 bps + 25% on excess returns	Watch 12/2012
<i>Russell 2000 Value Index</i>	---	---	---	<i>4.3</i>	<i>-2.6</i>	<i>6.4</i>	<i>8.1</i>	---	---

During the latest three-month period ending June 30, 2016, three of EBMUD's six Domestic Equity managers either matched or outperformed their respective benchmarks.

Northern Trust, EBMUD's passive large cap manager, performed in-line with its Russell 1000 Index target over all time periods measured and was within tracking error expectations.

Intech, one of EBMUD's two large cap growth managers, outperformed the Russell 1000 Growth Index return by 2.4% over the quarter. The strategy benefitted from positive selection in Information Technology and Financials, as well as its smaller cap bias. The portfolio exceeded the benchmark over the 1-, 3-, and 5-year periods by 3.4%, 1.5%, and 0.6%, respectively. The portfolio's outperformance is a demonstration of "positive trending," which, according to Intech, occurs when the proportion of the overweighted stocks with a positive relative return is above that of the underweights. Intech was placed on "Watch" status as of December 2014, as the portfolio's performance fell below EBMUD's performance thresholds.

T. Rowe Price, EBMUD's other large cap growth manager, underperformed the Russell 1000 Growth Index over the latest quarter and 1-year period by (1.1%) and (5.0%), respectively. Stock selection in Industrials & Business Services and Healthcare drove relative

⁷ Reviewed annually. Last reviewed June 30, 2016.

underperformance during the quarter, while selection in Healthcare and an underweight to Consumer Staples detracted from 1-year results. The portfolio matched the benchmark return over the 3-year period and outperformed the benchmark by 40 basis points per annum over the 5-year period.

Barrow Hanley, EBMUD's large cap value manager, trailed the Russell 1000 Value Index over the recent quarter, 1-, 3-, and 5-year periods by (0.4%), (2.8%), (0.6%), and (0.8%), respectively. Security selection in Financials was the primary driver of relative underperformance over the latest year.

Northern Trust, the portfolio's passive small cap growth manager, modestly outperformed the Russell 2000 Growth Index over each time period measured.

Opus, EBMUD's active small cap value manager, trailed the Russell 2000 Value Index over the quarter and 1-year period by (2.8%) and (1.5%), respectively. Sector allocation, notably the portfolio's underweight to Utilities, primarily accounted for relative short-term underperformance. An underweight to Energy over the recent quarter was also a significant drag of the recent quarter's results. The portfolio modestly outperformed the benchmark by 10 basis points per annum over the 3-year period, but trailed the benchmark by (30) basis points annually over the 5-year period. Opus was placed on "Watch" status as of December 2012, as the portfolio's performance fell below EBMUD's performance thresholds.

International Equity – Periods ending June 30, 2016 (Gross of Fees)

Manager	Mkt Value (\$000)	Asset Class	Management Style	Quarter	1 YR	3 YR	5 YR	Estimated Annual Fee (bps) ⁸	Current Monitoring Status
Franklin Templeton ⁹	82,184	ACWI x U.S.	Active	-3.6	-14.8	-0.3	0.7	57	---
Fisher Investments	89,850	ACWI x U.S.	Active	-2.1	-10.8	2.6	1.0	65	---
MSCI ACWI x U.S. (blend)*	---	---	---	-0.4	-9.8	1.6	0.6	---	---

*As of January 1, 2007, the benchmark changed from MSCI EAFE to MSCI ACWI x U.S.

During the latest three-month period ending June 30, 2016, both of EBMUD's International Equity managers underperformed the MSCI ACWI x U.S. (blend) Index.

The **Franklin Templeton** account trailed the MSCI ACWI x U.S. (blend) Index over the quarter, 1- and 3-year periods by (3.2%), (5.0%), and (1.9%), respectively. For the quarter and 1-year period, the portfolio struggled with poor stock selection in Financials, Industrials, and Consumer Staples. Stock selection in Materials also hurt results for the quarter, while stock selection in Telecommunication Services and an underweight to Consumer Staples were additional drags on 1-year results. Relative underperformance for the 3-year period was due to overall security selection, notably within Consumer Staples and Information Technology. Over the 5-year period the portfolio performed in-line with the benchmark.

Fisher underperformed the MSCI ACWI x U.S. (blend) Index by (1.7%) and (1.0%) over the recent quarter and 1-year period, respectively. An overweight to and selection with Consumer Discretionary, as well as an underweight and selection within Canada detracted from results from the quarter. For the 1-year period, an underweight to and selection within Japan and an underweight to Consumer Staples were drags on relative results. The portfolio outperformed the benchmark over the 3- and 5-year periods by 1.0% and 0.4% per annum, respectively; performance was driven by an overweight to, and selection within, Information Technology.

⁸ Reviewed annually. Last reviewed June 30, 2016.

⁹ Franklin Templeton's historical returns are reported net of fees (inception – 6/30/2011). The Franklin Templeton institutional mutual fund account was liquidated in June 2011 and moved to a transition account, which later funded the Franklin Templeton new separate account in the same month. The Q2-2011 return is an aggregate of the institutional mutual fund account, Franklin transition account, and new separate account.

Covered Calls – Periods ending June 30, 2016 (Gross of Fees)

Manager	Mkt Value (\$000)	Asset Class	Management Style	Quarter	1 YR	3 YR	5 YR	Estimated Annual Fee (bps) ¹⁰	Current Monitoring Status
Parametric – BXM	101,225	Covered Calls	Replication	3.5	5.9	---	---	19	---
Parametric – Delta Shift	101,999	Covered Calls	Semi-Active	3.1	4.3	---	---	34	---
Van Hulzen	96,446	Covered Calls	Fully Active	2.9	5.6	---	---	25	---
CBOE BXM	---	---	---	3.2	4.0	7.2	7.0	---	---

Over the latest quarter ending June 30, 2016, one of EBMUD's three Covered Calls mandates exceeded the CBOE BXM Index.

The **Parametric BXM** strategy outperformed the CBOE BXM Index over the latest quarter and 1-year period by 0.3% and 1.9%, respectively. Outperformance can be attributed to the strategy diversifying option expiration dates to reduce path dependency versus the passive index. The **Parametric Delta Shift** strategy slightly trailed the benchmark by (10) basis points for the quarter but outperformed the benchmark by 30 basis points over the 1-year period.

EBMUD's other Covered Calls manager, **Van Hulzen**, underperformed the CBOE BXM Index over the quarter by (0.3%) but exceeded the benchmark by 1.6% over the 1-year period. Over the last year the portfolio has experienced less volatility than both its benchmark and the S&P 500 Index, while producing a higher return.

¹⁰ Reviewed annually. Last reviewed June 30, 2016.

Total Fixed Income – Periods ending June 30, 2016 (Gross of Fees)

Manager	Mkt Value (\$000)	Asset Class	Management Style	Quarter	1 YR	3 YR	5 YR	Estimated Annual Fee (bps) ¹¹	Current Monitoring Status
CORE FIXED INCOME									
CS McKee	140,275	Core	Active	1.9	6.5	4.3	4.3	20	---
<i>BC Aggregate</i>	---	---	---	2.2	6.0	4.1	3.8	---	---
NON-CORE FIXED INCOME									
WAMCO – Short Duration	66,035	Non-Core	Active	1.1	1.9	---	---	16	---
<i>BC U.S. 1-3 Yr Govt/Credit</i>	---	---	---	0.7	1.6	1.2	1.1	---	---
WAMCO – Short-Term HY	28,124	Non-Core	Active	5.3	-9.3	---	---	40	Watch 4/2016
<i>BC 1-5 Yr U.S. HY Cash Pay</i>	---	---	---	5.8	0.3	3.1	4.9	---	---
WAMCO – Bank Loans	31,800	Non-Core	Active	4.4	-1.0	---	---	45	Watch 4/2016
<i>S&P/LSTA Performing Loans</i>	---	---	---	2.8	1.5	3.1	4.0	---	---

Over the latest three-month period ending June 30, 2016, two of EBMUD's four Fixed Income mandates outperformed their respective benchmarks.

East Bay's core fixed income manager, **CS McKee**, underperformed the BC Aggregate Index during the latest quarter by (30) basis points, while outperforming the benchmark over the 1-, 3-, and 5-year periods by 50, 20, and 50 basis points, respectively.

Within the non-core fixed income aggregate, the **WAMCO Short Duration** portfolio exceeded its benchmark, the BC U.S. 1-3 Year Government/Credit Index, during the quarter and 1-year period by 40 and 30 basis points, respectively.

The **WAMCO Short-Term High Yield** portfolio underperformed the BC 1-5 Year U.S. High Yield Cash Pay Index by (0.5%) for the quarter and (9.6%) over the 1-year period. The fund's quality positioning towards lower rated securities hurt results over the latest year, as lower rated securities trailed higher rated securities. Additionally, sub-sector biases, most significantly the portfolio's exposure to Energy, and issue selection within commodity-related sectors also detracted from results for the year.

The **WAMCO Bank Loans** portfolio outperformed the S&P/LSTA Performing Loans benchmark over the quarter by 1.6%. Quality positioning, notably an underweight to BBs and overweight to CCCs, and sector biases, such as the portfolio's overweight to Energy and underweight to Technology, benefitted results over the recent quarter; however, these factors were detractors over the 1-year period. Opportunistic exposure to high yield bonds also contributed to results for the quarter. Issue selection, primarily due to positioning in select underperforming issuers in certain commodities-related sectors, was an additional drag on 1-year performance.

¹¹ Reviewed annually. Last reviewed June 30, 2016.

Real Estate – Periods ending June 30, 2016 (Gross of Fees)

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Estimated Annual Fee (bps) ¹²	Current Monitoring Status
RREEF II*	31,956	Real Estate	2.0	14.2	14.7	13.8	95	---
NCREIF*	---	---	2.2	11.8	11.9	11.9	---	---
CenterSquare (formerly Urdang)	50,915	Real Estate	6.9	26.1	15.8	---	27.5 bps + 15% on excess returns	---
FTSE NAREIT Equity REITs	---	---	7.0	24.0	13.6	12.6	---	---

*Results are lagged one quarter.

East Bay's Real Estate manager, **RREEF II**, slightly trailed its benchmark, the NCREIF Property Index, during the quarter by (0.2%), while outperforming the benchmark over the 1-, 3-, and 5-year periods by 2.4%, 2.8%, and 1.9%, respectively. During the lagged quarter, RREEF America REIT II operations generated an income return of 1.1% before fees, decreasing slightly from the previous quarter. Same store net operating income for the 1-year period ending March 31, 2016, increased 4% from the prior year, extending the trend of improving same store income from operations. Occupancy at the end of the quarter improved to 93 percent overall.

CenterSquare, East Bay's REIT manager, performed in-line with the FTSE NAREIT Equity REITs Index over the quarter and outperformed the benchmark over the 1- and 3-year periods by 2.1% and 2.2%, respectively. At the end of the period, the portfolio was overweight Industrials, with the expectation that fundamentals will remain favorable, and net lease REITs, which offer defense against a slowing macro-economy. Conversely, the portfolio was underweight Hotel REITs due to slowing fundamentals and decelerating growth.

¹² Reviewed annually. Last reviewed June 30, 2016.

**EBMUD Total Fund Universe Rankings
as of June 30, 2016**

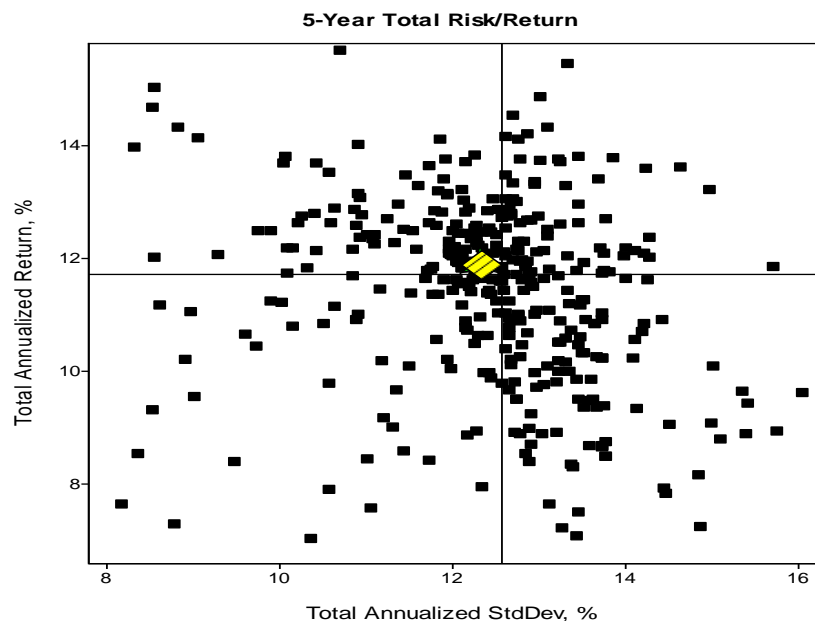
Mellon Total Funds – Public Universe

	Quarter	1-Year	3-Year	5-Year	10-Year
Maximum	3.6	6.0	9.3	9.5	7.2
Percentile 25	2.1	1.7	7.3	7.3	6.1
Median	1.9	0.9	6.7	6.5	5.7
Percentile 75	1.6	-0.3	5.8	5.8	5.1
Minimum	0.2	-3.4	0.6	0.4	1.6
# of Portfolios	131	122	114	106	88
EBMUD Total					
Return	2.1	1.3	8.4	8.2	6.5
Quartile Rank	1 st	2 nd	1 st	1 st	1 st

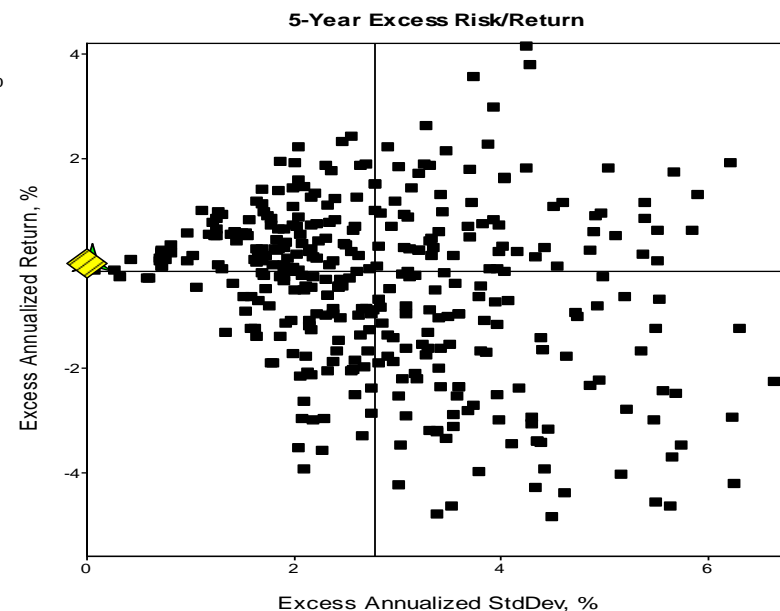
Notes:

Sources: Universe Information; Mellon Total Public Funds
All performance is shown **gross of fees**.

EBMUD Large Cap Manager Comparisons as of June 30, 2016

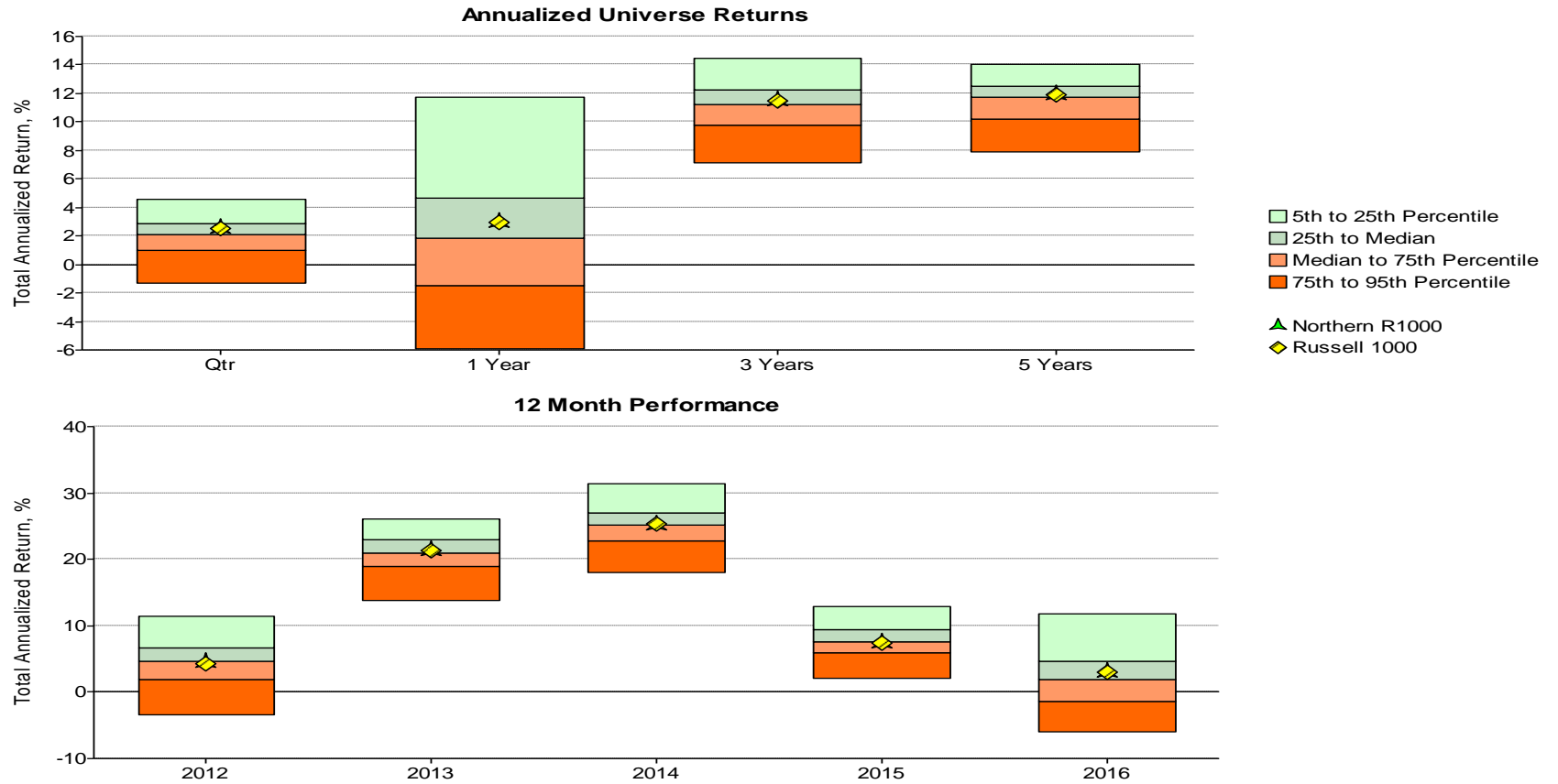


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Northern R1000	11.91	12.32	0.97
Russell 1000	11.88	12.33	0.96
Large Cap Universe Median	11.72	12.56	0.95

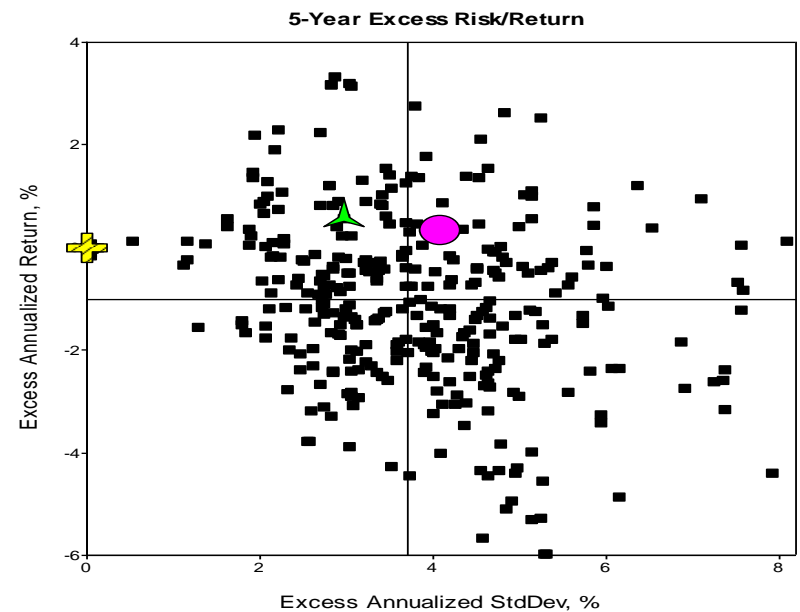
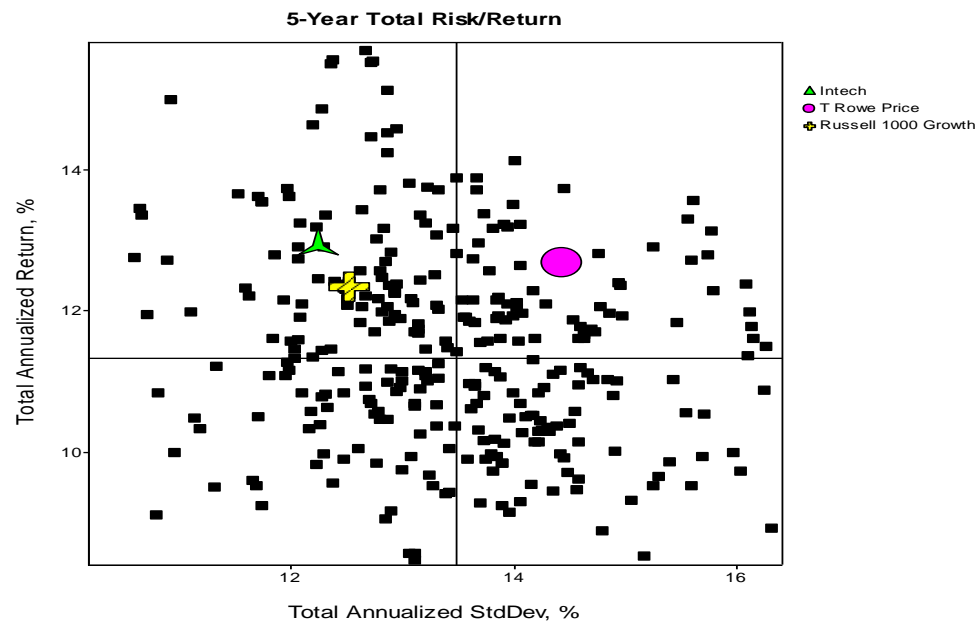


	Annualized Excess Return, %	Annualized Excess StDev, %	Sharpe Ratio, Excess
Northern R1000	0.02	0.06	0.41
Russell 1000	0.00	0.00	NA
Large Cap Universe Median	-0.16	2.79	-0.07

EBMUD Large Cap Manager Comparisons as of June 30, 2016



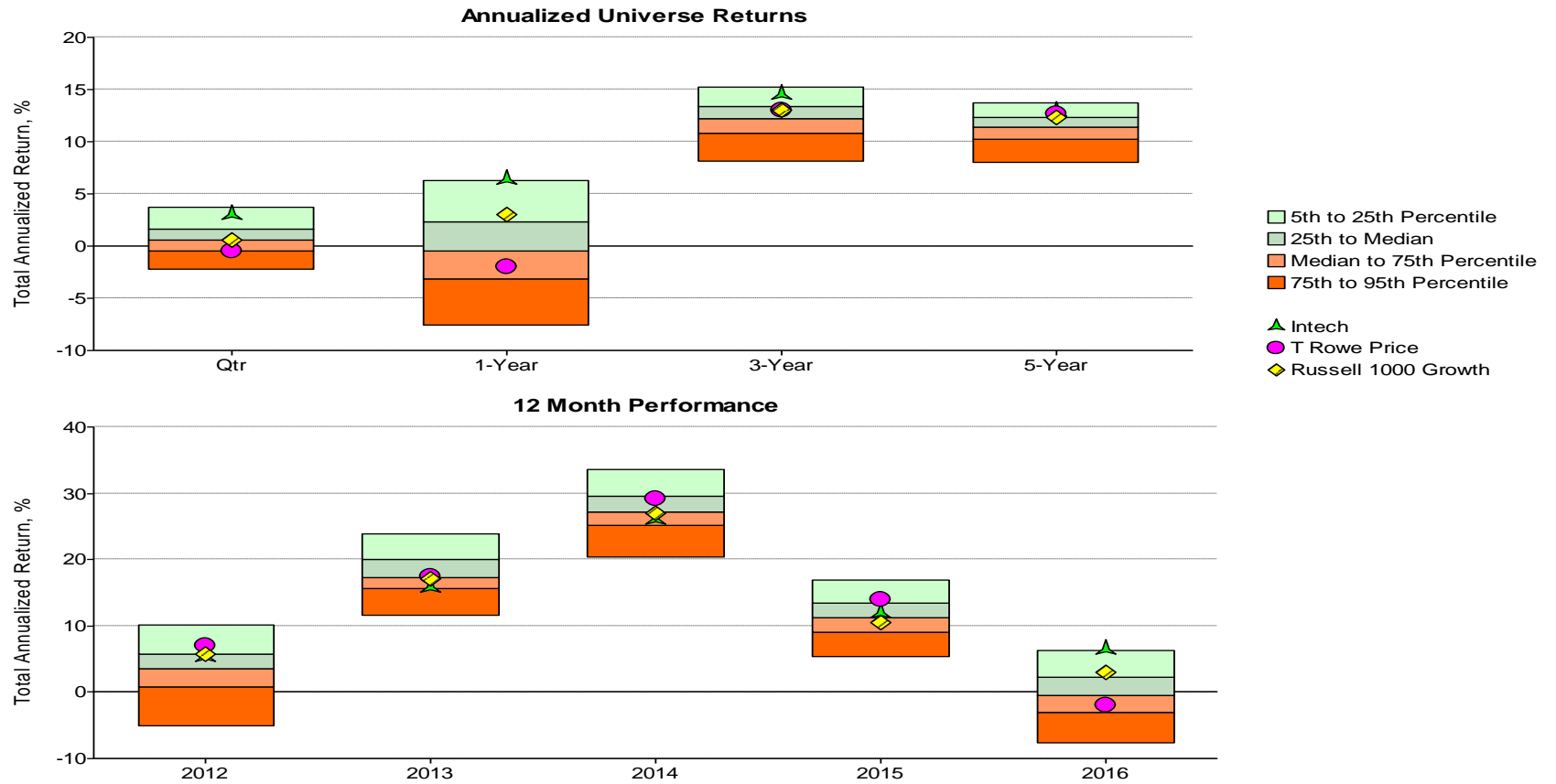
EBMUD Large Cap Growth Manager Comparisons as of June 30, 2016



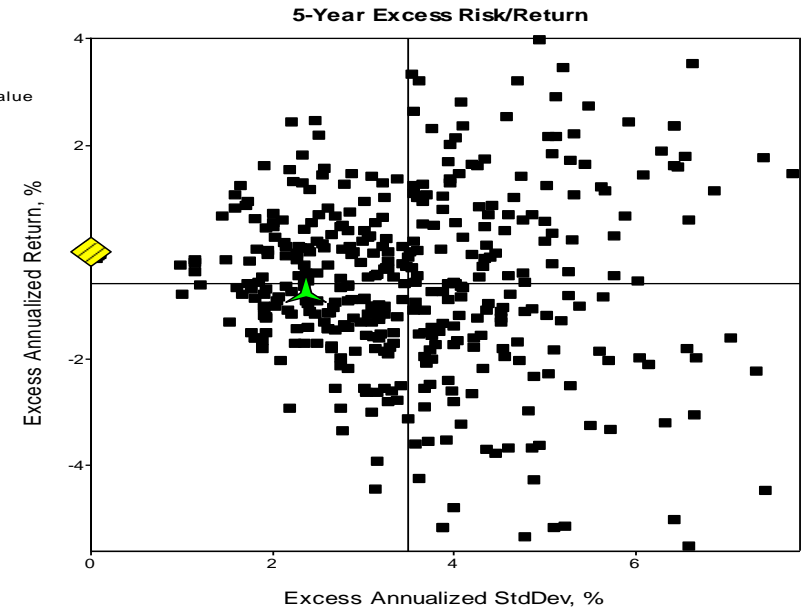
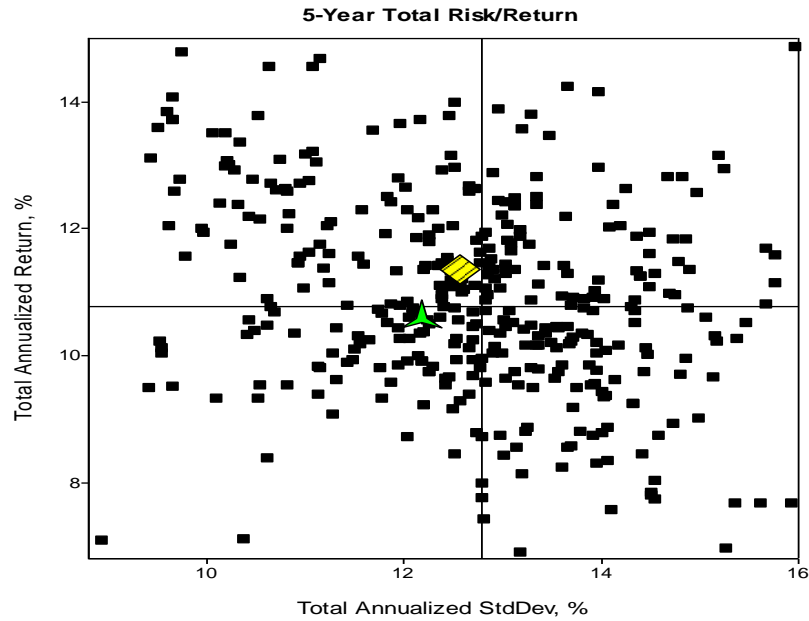
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Intech	12.93	12.24	1.06
T Rowe Price	12.68	14.43	0.88
Russell 1000 Growth	12.35	12.53	0.99
Large Growth Manager Universe Median	11.34	13.48	0.84

	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Intech	0.59	2.97	0.20
T Rowe Price	0.34	4.09	0.08
Russell 1000 Growth	0.00	0.00	NA
Large Growth Manager Universe Median	-1.01	3.70	-0.29

EBMUD Large Cap Growth Manager Comparisons as of June 30, 2016



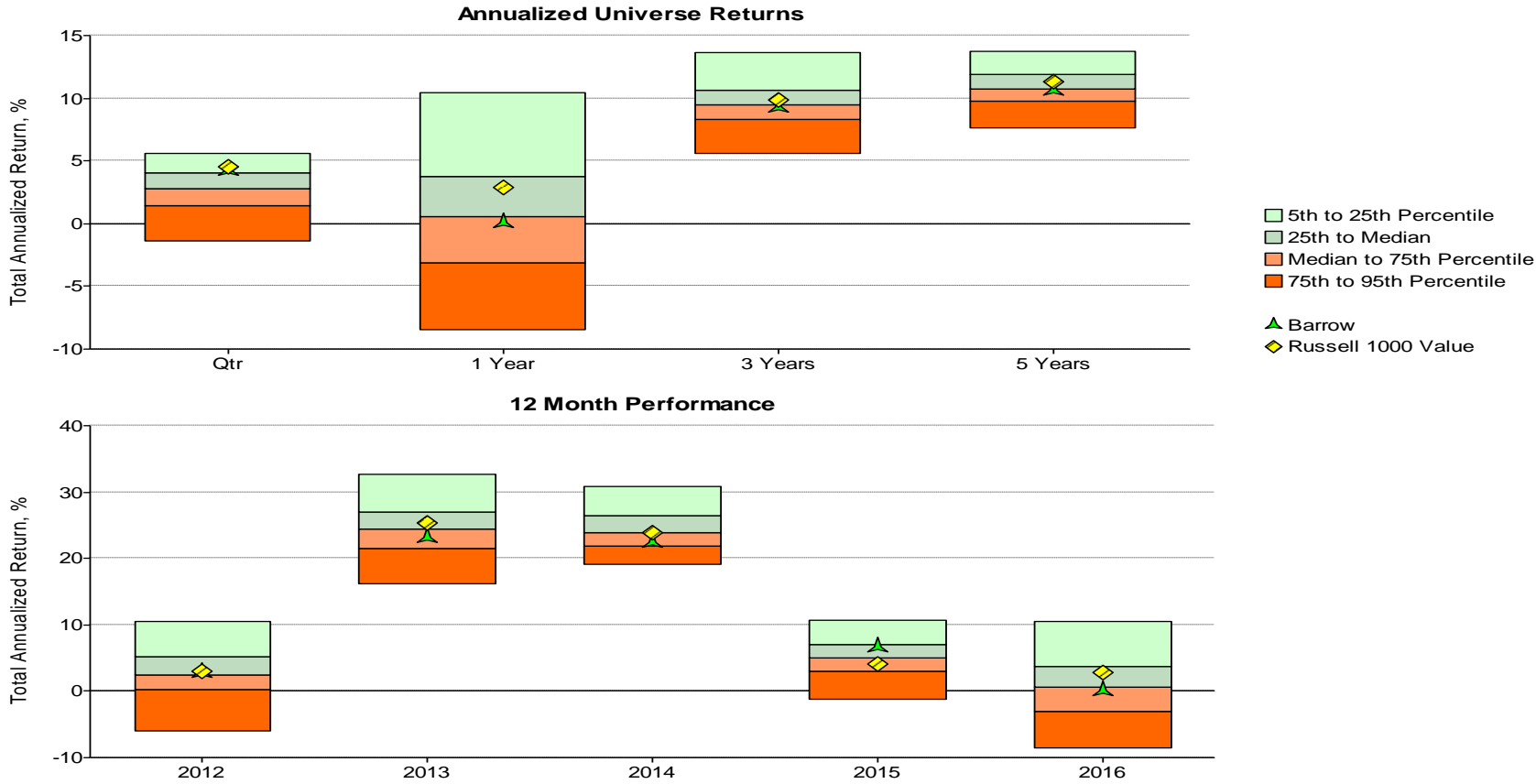
EBMUD Large Cap Value Manager Comparisons as of June 30, 2016



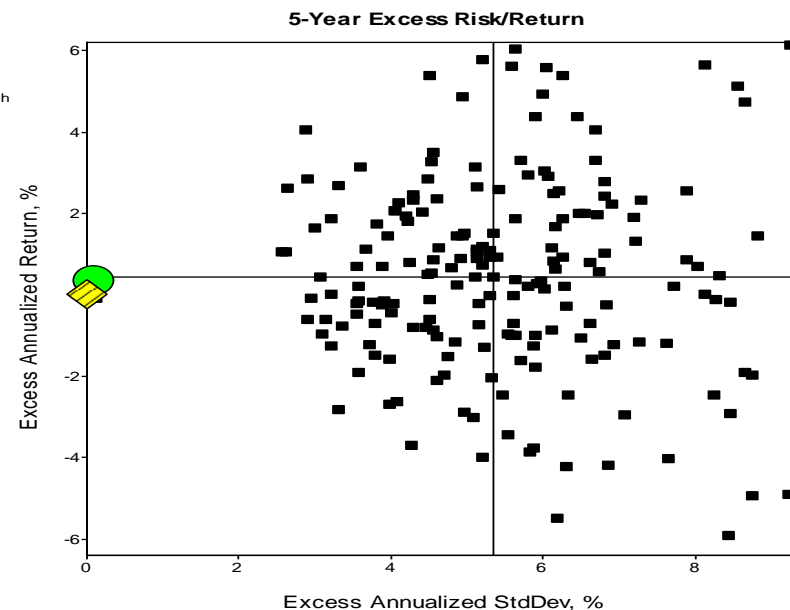
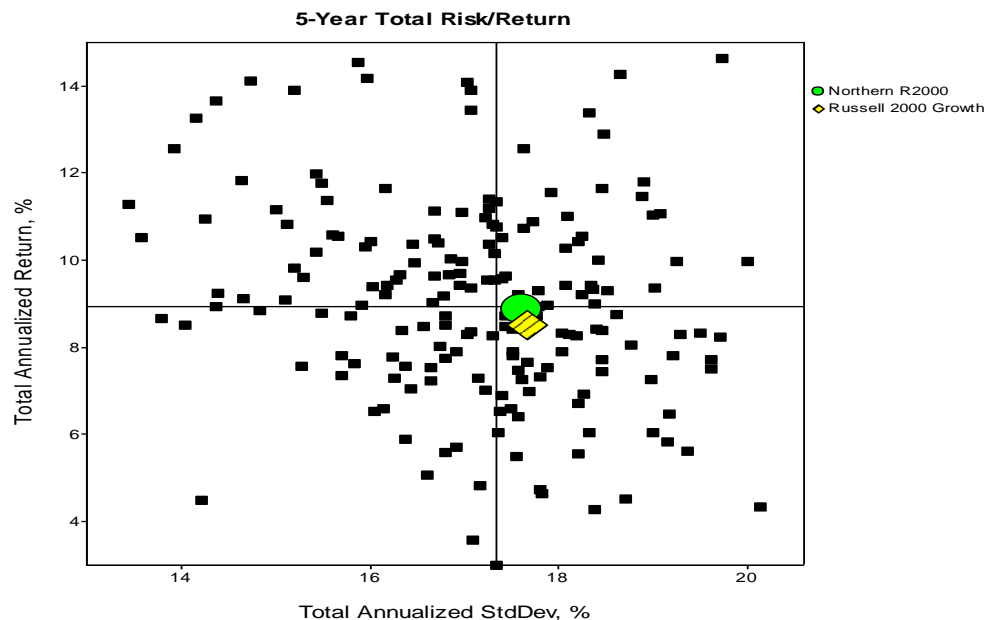
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Barrow	10.59	12.18	0.87
Russell 1000 Value	11.35	12.57	0.90
Large Cap Value Universe Median	10.77	12.79	0.86

	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Barrow	-0.76	2.38	-0.32
Russell 1000 Value	0.00	0.00	NA
Large Cap Value Universe Median	-0.59	3.49	-0.19

**EBMUD Large Cap Value Manager Comparisons
as of June 30, 2016**



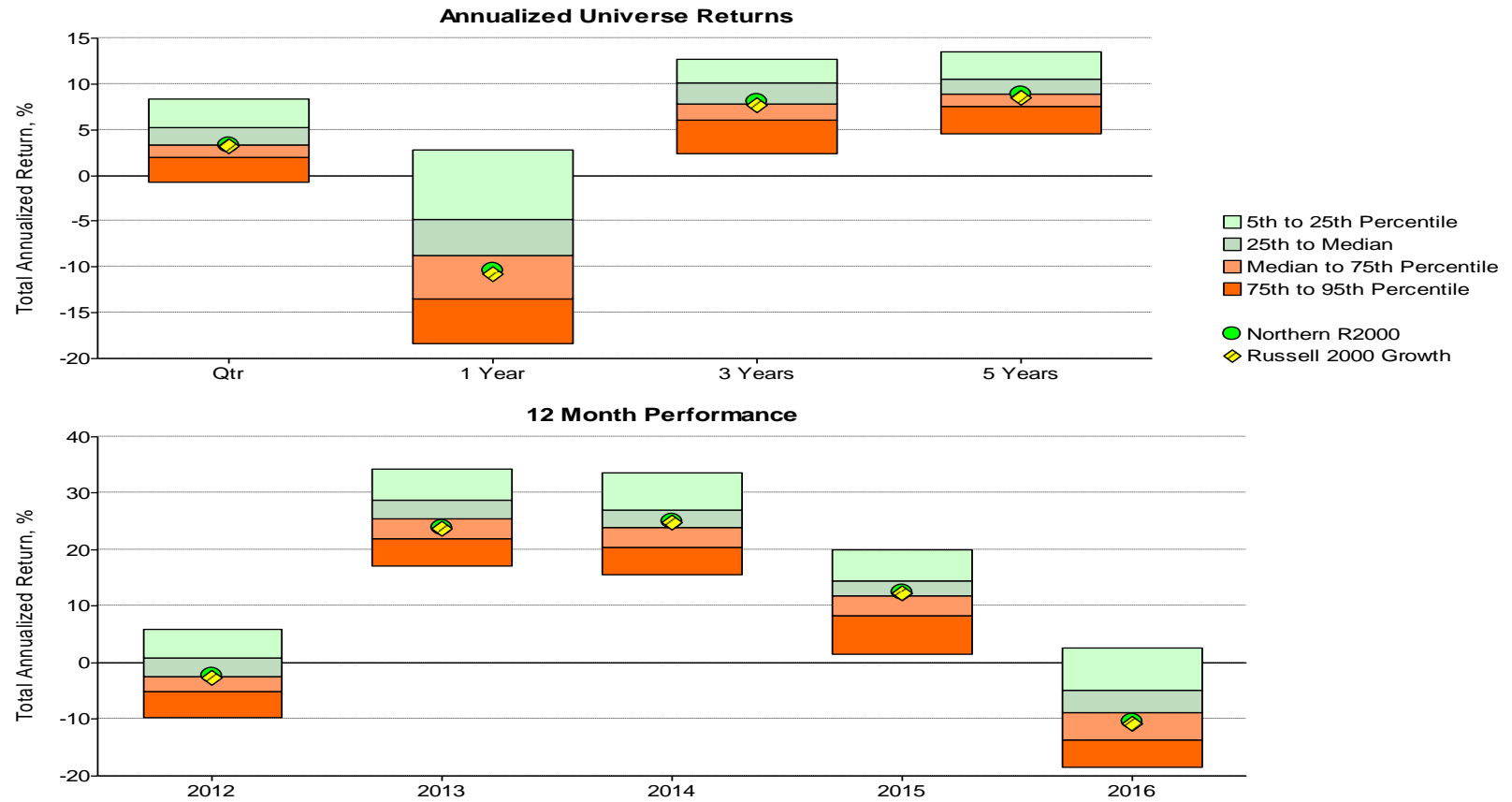
EBMUD Small Cap Growth Manager Comparisons as of June 30, 2016



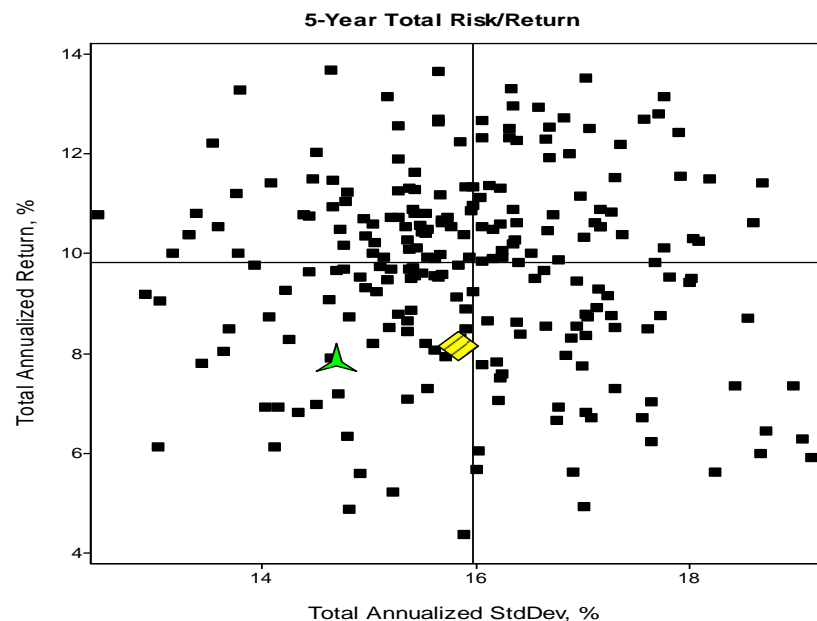
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Northern R2000	8.87	17.62	0.50
Russell 2000 Growth	8.51	17.68	0.48
Small Cap Growth Manager Universe Median	8.93	17.33	0.51

	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Northern R2000	0.35	0.09	3.77
Russell 2000 Growth	0.00	0.00	NA
Small Cap Growth Manager Universe Median	0.42	5.34	0.08

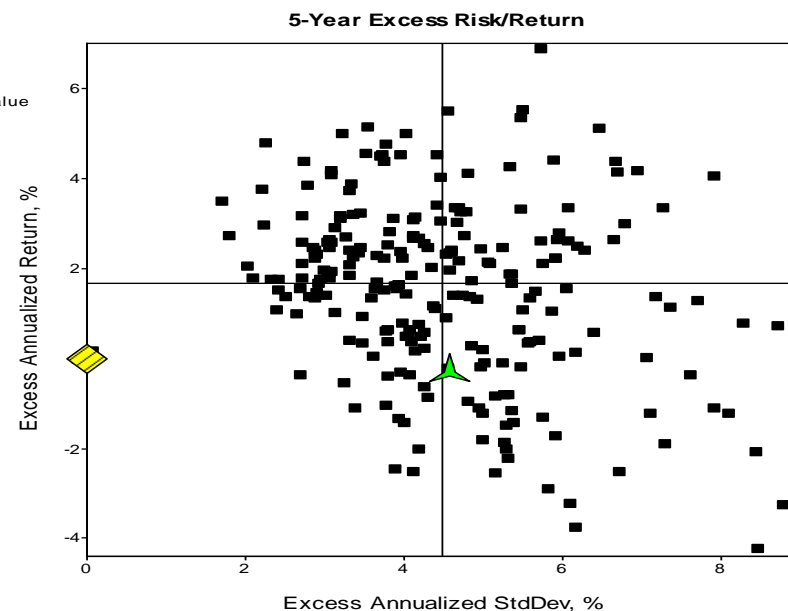
EBMUD Small Cap Growth Manager Comparisons as of June 30, 2016



EBMUD Small Cap Value Manager Comparisons as of June 30, 2016

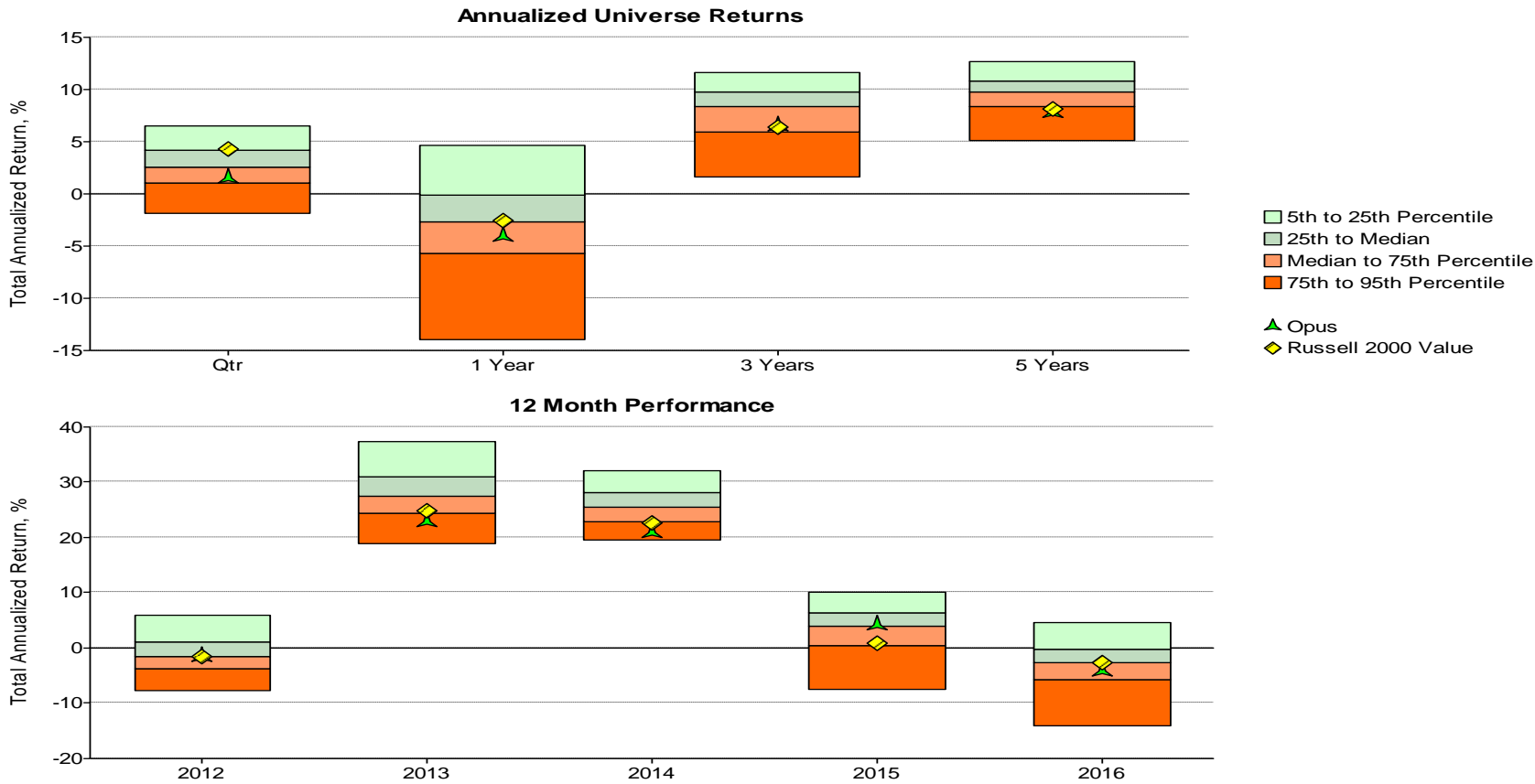


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Opus	7.84	14.70	0.53
Russell 2000 Value	8.15	15.84	0.51
Small Cap Value Universe Median	9.81	15.96	0.62

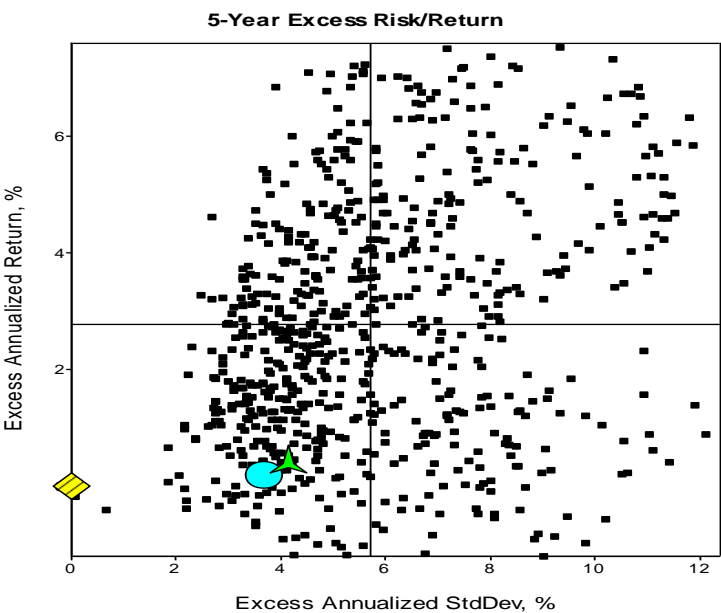
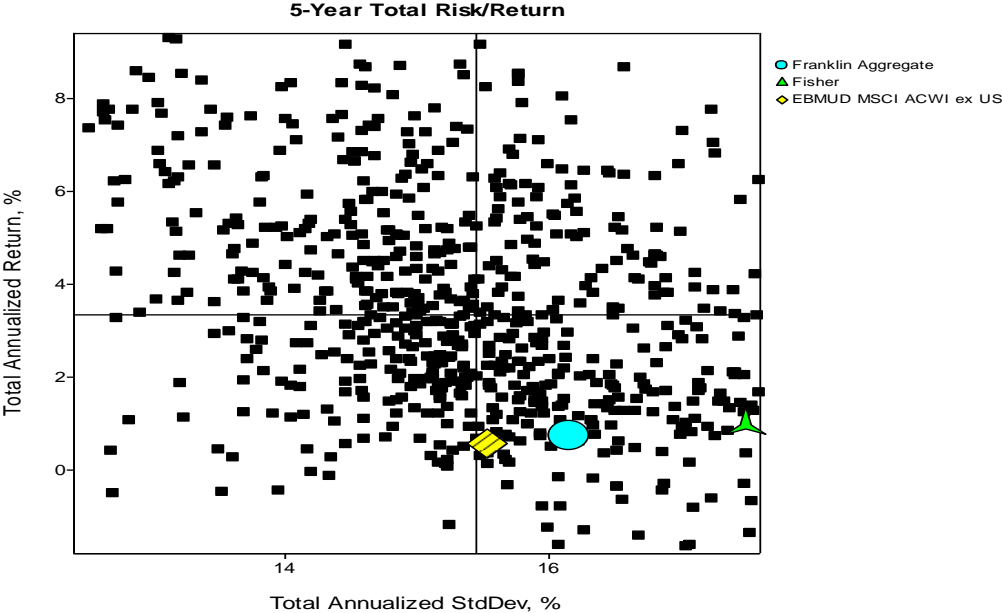


	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Opus	-0.31	4.58	-0.07
Russell 2000 Value	0.00	0.00	NA
Small Cap Value Universe Median	1.67	4.49	0.41

EBMUD Small Cap Value Manager Comparisons as of June 30, 2016



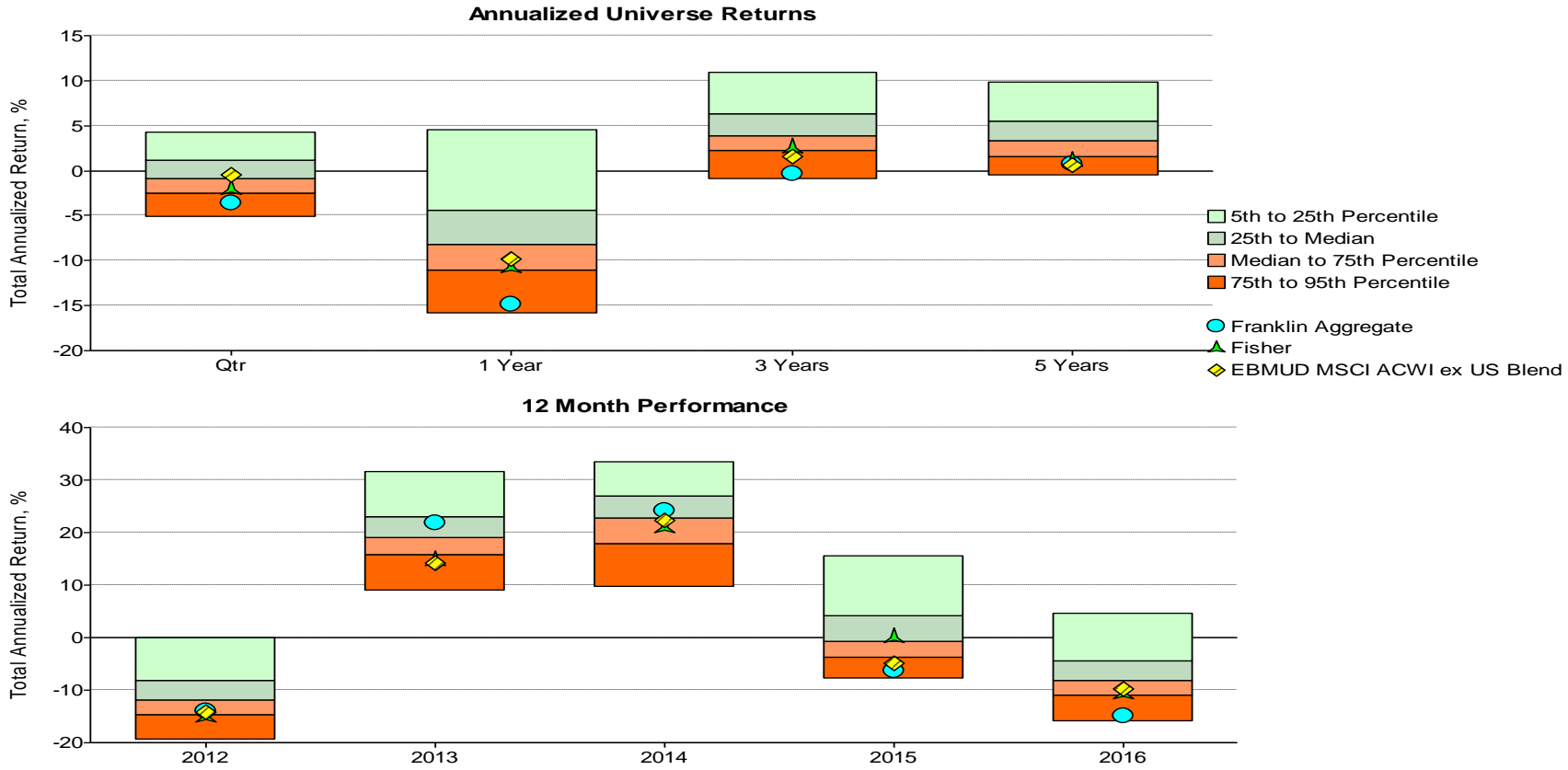
EBMUD International Equity Manager Comparisons as of June 30, 2016



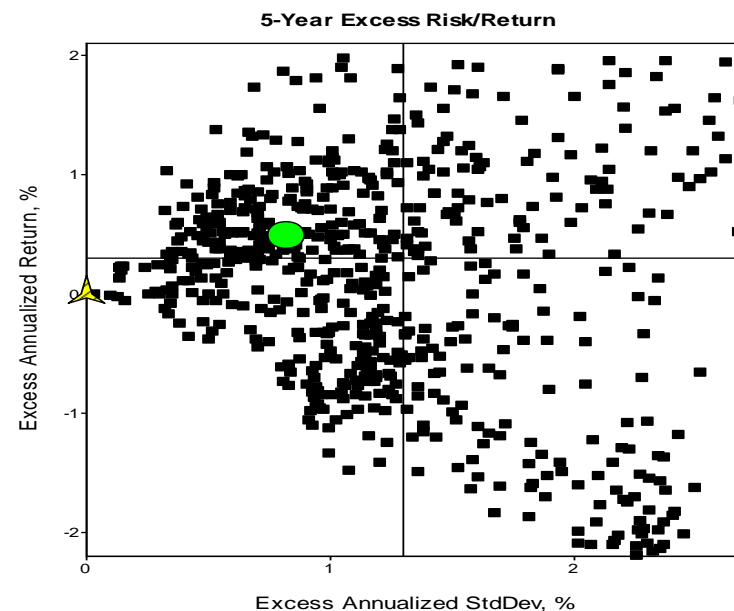
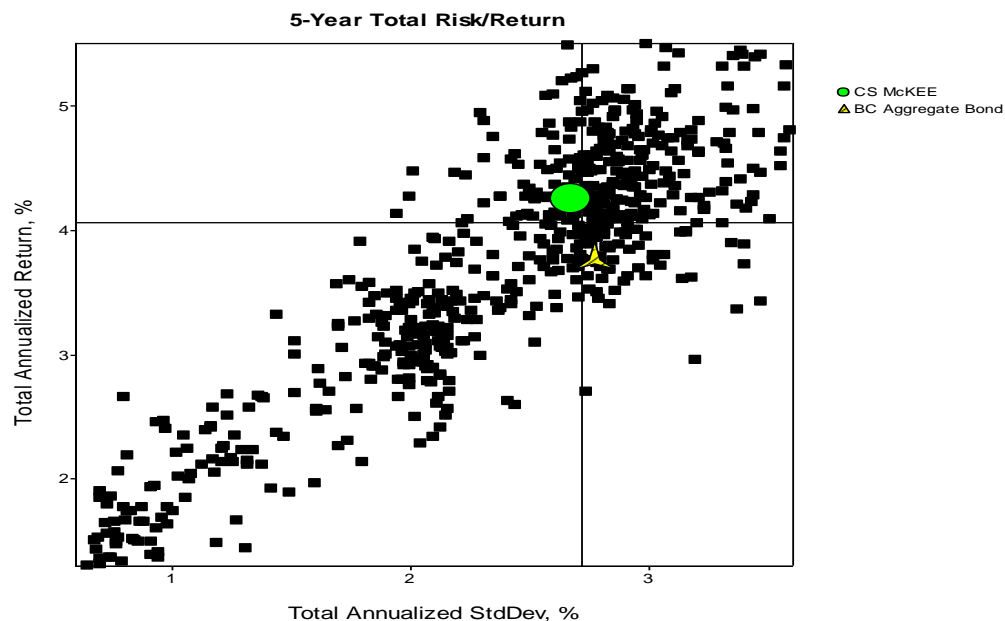
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Franklin Aggregate	0.74	16.15	0.05
Fisher	0.96	17.49	0.05
MSCI ACWI xUS Blend	0.56	15.53	0.04
International Equity Manager Universe Median	3.34	15.45	0.21

	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Franklin Aggregate	0.18	3.70	0.05
Fisher	0.40	4.13	0.10
ACWI xUS Blend	0.00	0.00	NA
International Equity Manager Universe Median	2.78	5.72	0.50

EBMUD International Equity Manager Comparisons as of June 30, 2016



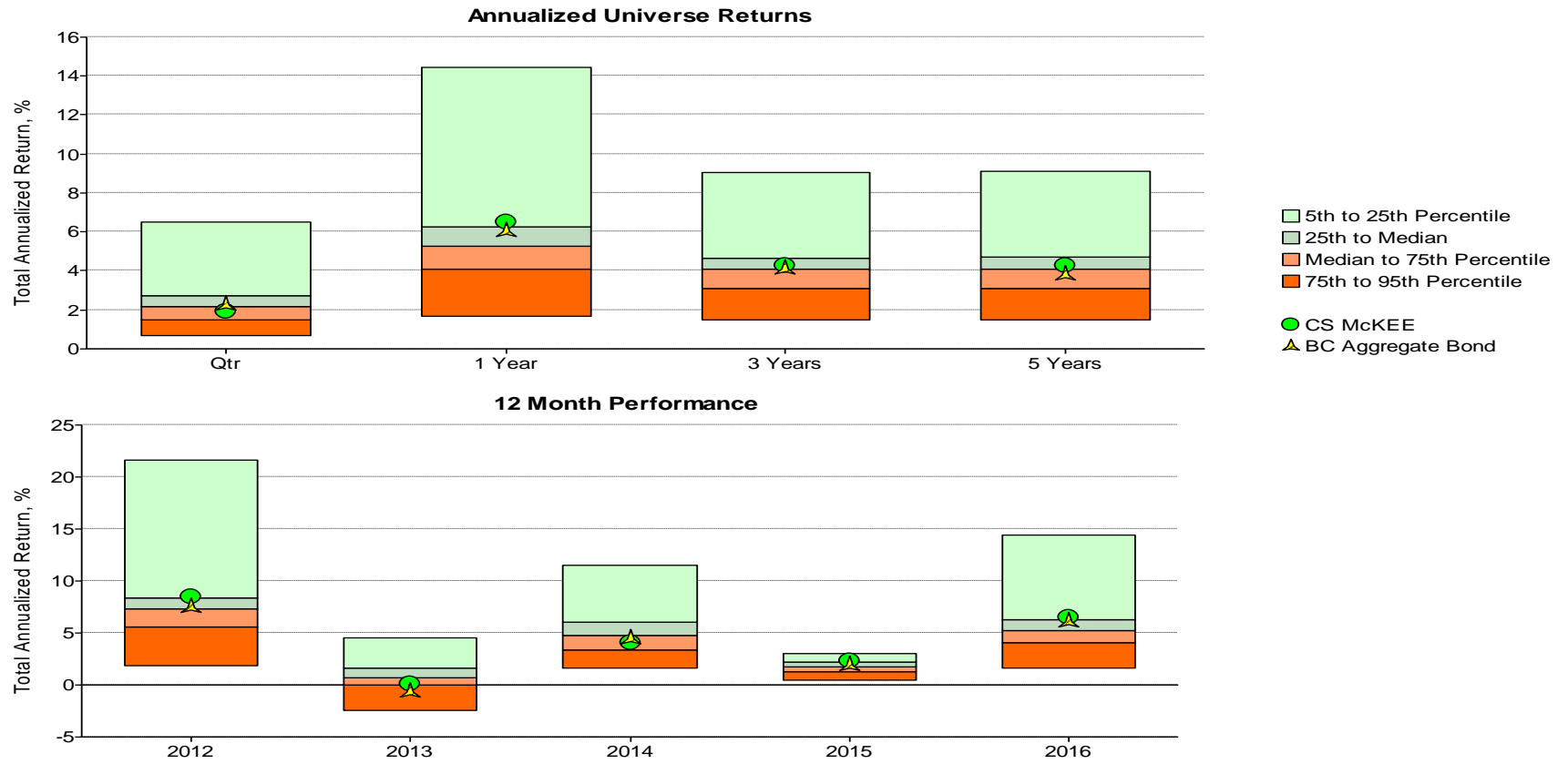
EBMUD Fixed Income Manager Comparisons as of June 30, 2016



	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
CS McKEE	4.26	2.67	1.59
BC Aggregate Bond	3.76	2.77	1.36
US Fixed Income Univ Median	4.06	2.71	1.54

	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
CS McKEE	0.49	0.82	0.60
BC Aggregate Bond	0.00	0.00	NA
US Fixed Income Univ Median	0.30	1.30	0.29

EBMUD Fixed Income Manager Comparisons as of June 30, 2016



PERFORMANCE MONITORING SUMMARY

Portfolio	Violation Type (Window)*	Date of Initial Violation	Correction Action(s)	CURRENT STATUS			
				Current Status	Est. Beg. Date of Current Status	Months Since Est. Beg. Date	Performance Since Est. Beg. Date**
WAMCO-Short-Term HY	N/A	N/A	Placed on Watch (Mar-16)	Watch	04/01/2016	3	5.3
<i>BC 1-5Yr US HY Cash Pay</i>							5.8
WAMCO-Bank Loans	N/A	N/A	Placed on Watch (Mar-16)	Watch	04/01/2016	3	4.4
<i>S&P/LSTA Perf. Loans</i>							2.8
Intech	Long-Term	9/30/2014	Placed on Watch (Nov-14)	Watch	12/01/2014	19	6.5
<i>Russell 1000 Growth</i>				---			3.7
Opus	Short-Term	9/30/2012	Placed on Watch (Nov-12), (Mar-14)	Watch	12/01/2012	43	10.2
<i>Russell 1000 Value</i>				---			10.6

*Defined as: Short-Term (12 months), Medium-Term (36 months), Long-Term (60 months)

**Annualized for periods greater than 12 months

- The Board placed the WAMCO Short-Term High Yield account and the WAMCO Bank Loans account on Watch as of April 2016 due to performance concerns. Although the accounts had not breached the Manager Watch Criteria, the accounts' continued benchmark and peer-relative underperformance since its funding in early 2014 raised concern. Since its Watch period began, WAMCO Short-Term High Yield produced a 5.3% 3-month return, which underperformed the benchmark by (0.5%) and WAMCO Bank Loans produced a 4.4% 3-month return, which outperformed the benchmark by 1.6%.
- The Board placed Intech on Watch as of December 2014 due to performance concerns. Since its Watch period began, Intech produced a 6.5% 19-month return, which outperformed the benchmark by 2.8%.
- The Board placed Opus on Watch as of December 2012 due to performance concerns. Since its Watch period began, Opus produced a 10.2% 43-month return, which underperformed the benchmark by (40) basis points.
- As of the end of the latest quarter, no new managers are recommended for Watch due to performance or material qualitative concerns (please refer to Sections 5 and 6).

MANAGER WATCH SCREENS – Quantitative Compliance Monitoring per Watch Criteria

ACTIVE MANAGEMENT CRITERIA

- Active investment managers are expected to outperform their respective passive benchmarks related to both their asset class and investment style.
- Relative excess performance that falls below the red acceptable threshold stated in the Watch Criteria for six consecutive months may be a trigger for Watch status.

PASSIVE MANAGEMENT CRITERIA

- Passive investment managers are expected to track the performance of their respective passive benchmarks related to both their asset class and their investment style.
- Tracking error is a measure of how closely a portfolio follows the index to which it is benchmarked.
- For short- and medium-term performance monitoring, a portfolio with tracking error that is above the red acceptable threshold stated in the Watch Criteria for six consecutive months may be a trigger for Watch status.
- For long-term performance monitoring, relative excess performance that falls below the red acceptable threshold stated in the Watch Criteria for six consecutive months may be a trigger for Watch status.

Quantitative Monitoring Results - Overall Status Summary

	Prior Qtr Status	Current Qtr Status
Northern Trust – R1000	Acceptable	Acceptable
Intech	Acceptable	Acceptable
T.Rowe Price	Acceptable	Acceptable
Barrow Hanley	Acceptable	Acceptable
Northern Trust – R2000G	Acceptable	Acceptable
Opus	Acceptable	Acceptable
Franklin Templeton	Acceptable	Acceptable
Fisher Investments	Acceptable	Acceptable
Parametric – BXM	Caution	Caution
Parametric – Delta Shift	Acceptable	Acceptable
Van Hulzen	Acceptable	Acceptable
CS McKee	Acceptable	Acceptable
WAMCO – Short Duration	Acceptable	Acceptable
WAMCO – Short-Term HY	Acceptable	Acceptable
WAMCO – Bank Loans	Acceptable	Acceptable

*N/A – the manager has not yet reached the 12-month threshold for quantitative monitoring

Investment Performance Criteria by Asset Class

Asset Class	Short-term (rolling 12-month periods)	Medium-term (rolling 36-month periods)	Long-term (60+ months)
Domestic Equity - Active	Fund return < benchmark return - 3.5%	Fund annualized return < benchmark annualized return -1.75% for 6 consecutive months	VRR < 0.97 for 6 consecutive months
Domestic Equity - Passive	Tracking error > 0.30%	Tracking error > 0.25% for 6 consecutive months	Fund annualized return < benchmark annualized return -0.40% for 6 consecutive months
International Equity - Active	Fund return < benchmark return - 4.5%	Fund annualized return < benchmark annualized return -2.0% for 6 consecutive months	VRR < 0.97 for 6 consecutive months
Covered Calls - Active	Fund return < benchmark return - 3.5%	Fund annualized return < benchmark annualized return -1.75% for 6 consecutive months	VRR < 0.97 for 6 consecutive months
Covered Calls - Replication	Tracking error > 0.30%	Tracking error > 0.25% for 6 consecutive months	Fund annualized return < benchmark annualized return - 0.40% for 6 consecutive months
Fixed Income - Core – Active	Fund return < benchmark return - 1.5%	Fund annualized return < benchmark annualized return -1.0% for 6 consecutive months	VRR < 0.98 for 6 consecutive months
Fixed Income - Core – Passive	Tracking error > 0.25%	Tracking error > 0.20% for 6 consecutive months	Fund annualized return < benchmark annualized return - 0.30% for 6 consecutive months
Fixed Income - Non-Core	Fund return < benchmark return - 4.5%	Fund annualized return < benchmark annualized return - 2.0% for 6 consecutive months	VRR < 0.97 for 6 consecutive months

All criteria are on an annualized basis.

VRR – Value Relative Ratio – is calculated as: manager cumulative return / benchmark cumulative return.

Northern R1000 - Domestic Equity: Large Cap Core

Manager Performance

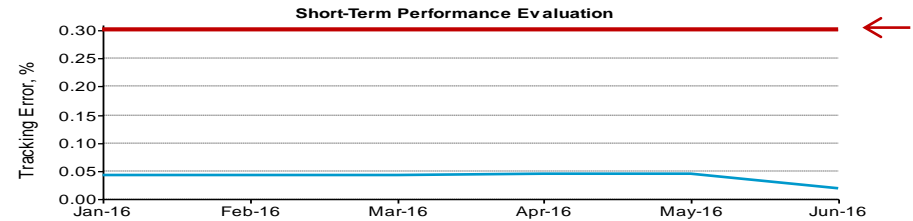
	Quarter	1 Year	3 Year	5 Year
Northern R1000	2.5	3.0	11.5	11.9
Russell 1000	2.5	2.9	11.5	11.9

Overall Status: **Acceptable**

Short-Term Criteria (rolling 12-month periods)

Tracking error > 0.30% for 6 consecutive months

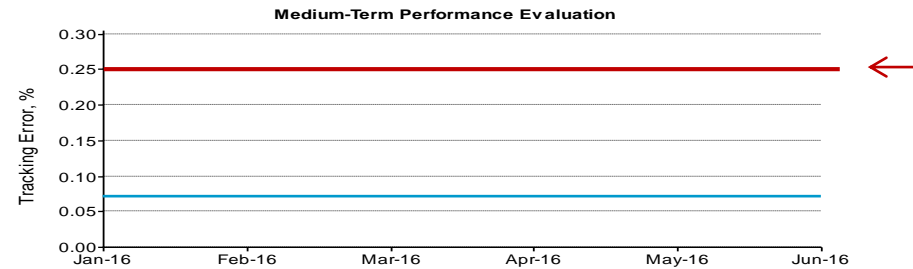
Current Status: **Acceptable**



Medium-Term Criteria (rolling 36-month periods)

Tracking error > 0.25% for 6 consecutive months

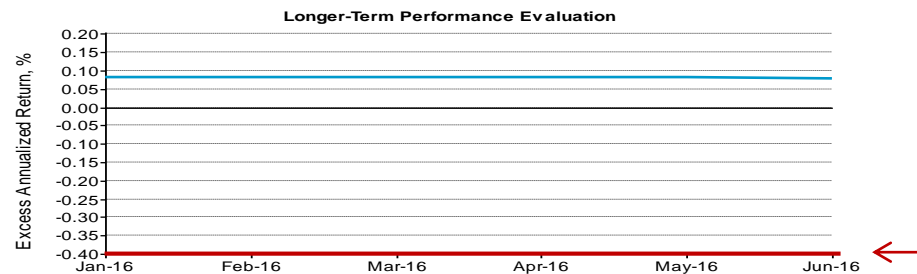
Current Status: **Acceptable**



Long-Term Criteria (60+ months)

Fund annualized return < benchmark annualized return -0.40% for 6 consecutive months

Current Status: **Acceptable**



Intech - Domestic Equity: Large Cap Growth

Manager Performance

	Quarter	1 Year	3 Year	5 Year	Watch-19 mon
Intech	3.0	6.4	14.6	12.9	6.5
Russell 1000 Growth	0.6	3.0	13.1	12.3	3.7

Overall Status: **Acceptable**

Short-Term Criteria (rolling 12-month periods)

Fund return < benchmark return -3.5% for 6 consecutive months

Current Status: **Acceptable**

Medium-Term Criteria (rolling 36-month periods)

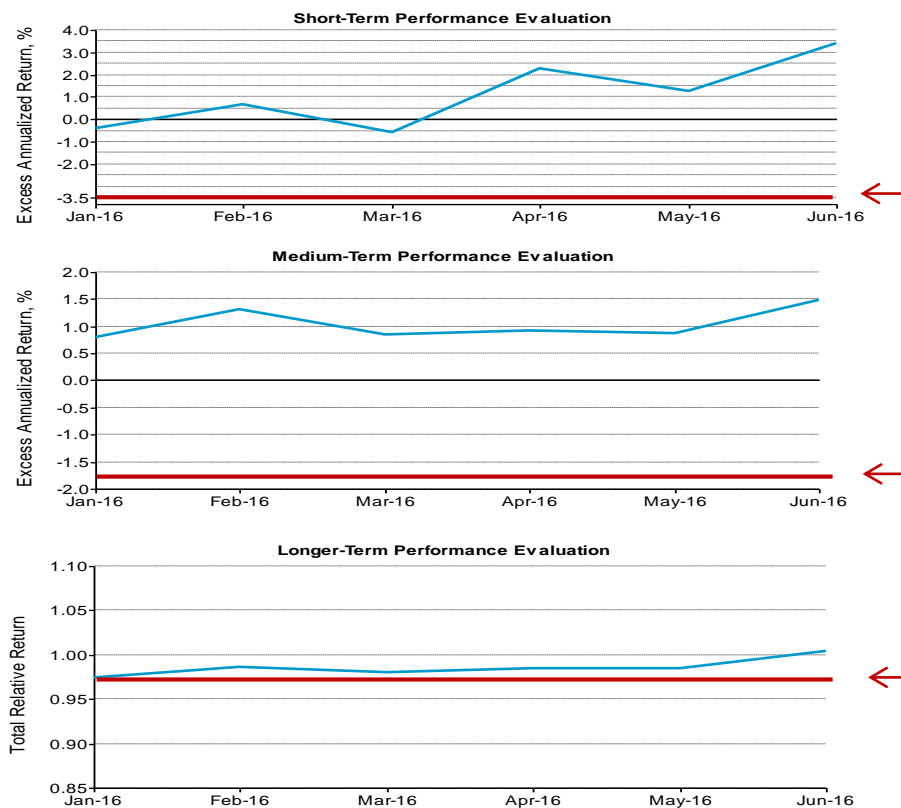
Fund annualized return < benchmark annualized return -1.75% for 6 consecutive months

Current Status: **Acceptable**

Long-Term Criteria (60+ months)

VRR < 0.97 for 6 consecutive months

Current Status: **Acceptable**



T. Rowe Price - Domestic Equity: Large Cap Growth

Manager Performance

	Quarter	1 Year	3 Year	5 Year
T Rowe Price	-0.5	-2.0	13.1	12.7
Russell 1000 Growth	0.6	3.0	13.1	12.3

Overall Status: **Acceptable**

Short-Term Criteria (rolling 12-month periods)

Fund return < benchmark return -3.5% for 6 consecutive months

Current Status: **Acceptable**

Medium-Term Criteria (rolling 36-month periods)

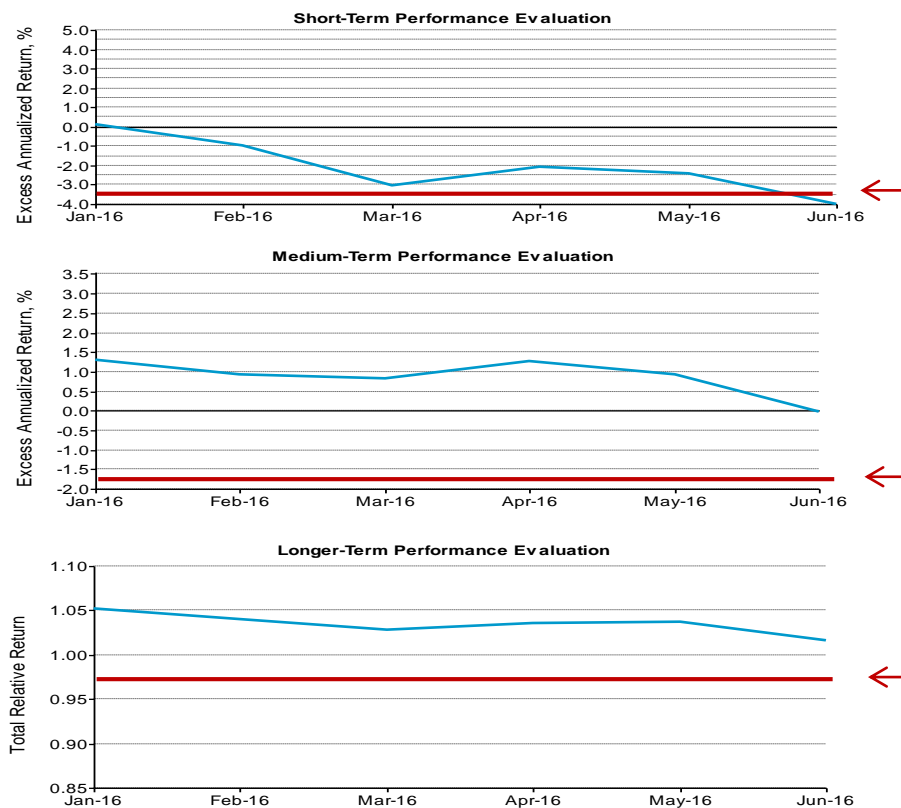
Fund annualized return < benchmark annualized return -1.75% for 6 consecutive months

Current Status: **Acceptable**

Long-Term Criteria (60+ months)

VRR < 0.97 for 6 consecutive months

Current Status: **Acceptable**



Barrow Hanley - Domestic Equity: Large Cap Value

Manager Performance

	Quarter	1 Year	3 Year	5 Year
Barrow	4.2	0.1	9.3	10.6
Russell 1000 Value	4.6	2.9	9.9	11.4

Overall Status: **Acceptable**

Short-Term Criteria (rolling 12-month periods)

Fund return < benchmark return -3.5% for 6 consecutive months

Current Status: **Acceptable**

Medium-Term Criteria (rolling 36-month periods)

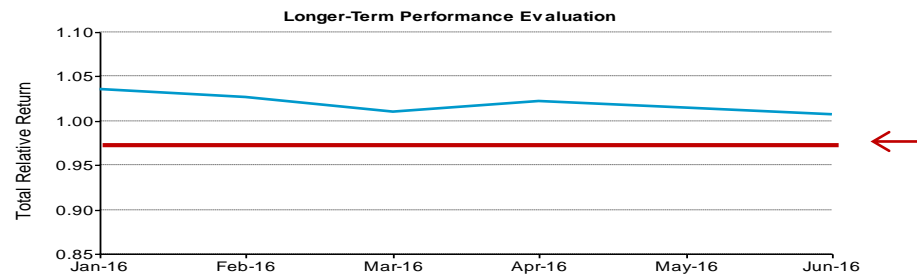
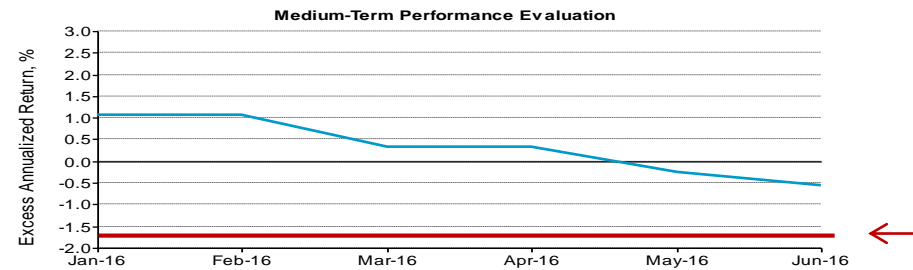
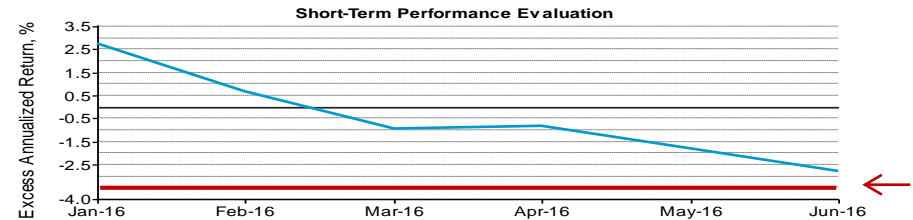
Fund annualized return < benchmark annualized return -1.75% for 6 consecutive months

Current Status: **Acceptable**

Long-Term Criteria (60+ months)

VRR < 0.97 for 6 consecutive months

Current Status: **Acceptable**



Northern R2000 - Domestic Equity: Small Cap Growth

Manager Performance

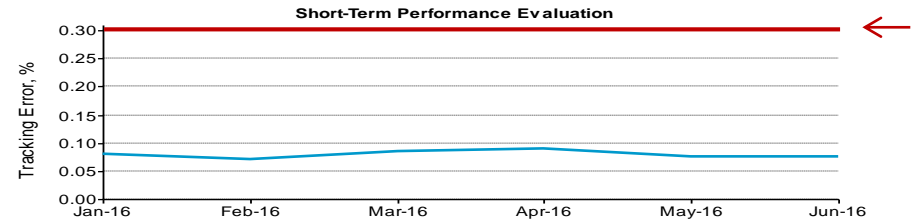
	Quarter	1 Year	3 Year	5 Year
Northern R2000	3.4	-10.4	8.1	8.9
Russell 2000 Growth	3.2	-10.8	7.7	8.5

Overall Status: **Acceptable**

Short-Term Criteria (rolling 12-month periods)

Tracking error > 0.30% for 6 consecutive months

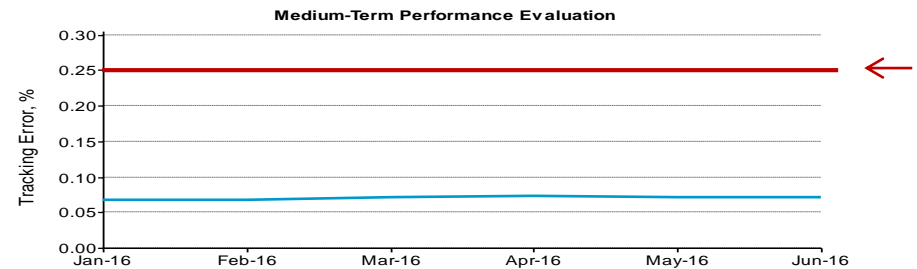
Current Status: **Acceptable**



Medium-Term Criteria (rolling 36-month periods)

Tracking error > 0.25% for 6 consecutive months

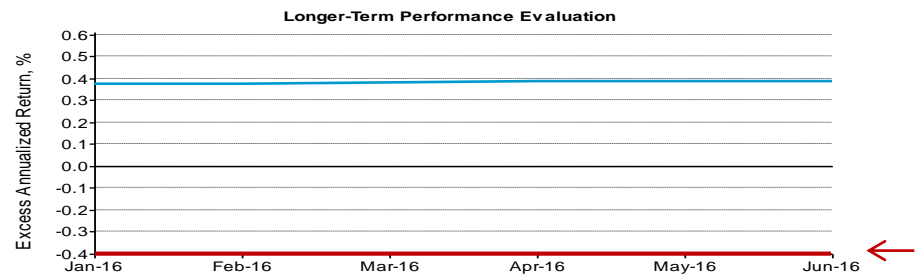
Current Status: **Acceptable**



Long-Term Criteria (60+ months)

Fund annualized return < benchmark annualized return -0.40% for 6 consecutive months

Current Status: **Acceptable**



Opus - Domestic Equity: Small Cap Value

Manager Performance

	Quarter	1 Year	3 Year	5 Year	Watch - 43 mon
Opus	1.5	-4.1	6.5	7.8	10.2
Russell 2000 Value	4.3	-2.6	6.4	8.1	10.6

Overall Status: **Acceptable**Short-Term Criteria (rolling 12-month periods)

Fund return < benchmark return -3.5% for 6 consecutive months

Current Status: **Acceptable**

Medium-Term Criteria (rolling 36-month periods)

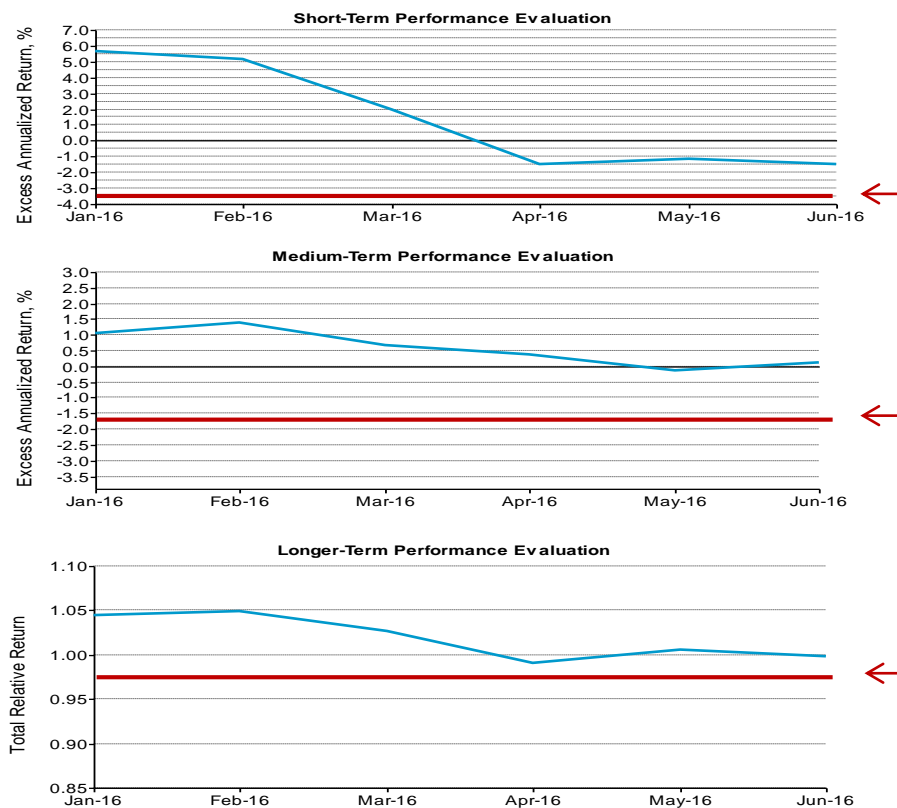
Fund annualized return < benchmark annualized return -1.75% for 6 consecutive months

Current Status: **Acceptable**

Long-Term Criteria (60+ months)

VRR < 0.97 for 6 consecutive months

Current Status: **Acceptable**



Franklin Templeton - International Equity

Manager Performance

	Quarter	1 Year	3 Year	5 Year
Franklin Aggregate	-3.6	-14.8	-0.3	0.7
EBMUD MSCI ACWI ex US Blend	-0.4	-9.8	1.6	0.6

Overall Status: **Acceptable**

Short-Term Criteria (rolling 12-month periods)

Fund return < benchmark return -4.5% for 6 consecutive months

Current Status: **Acceptable**

Medium-Term Criteria (rolling 36-month periods)

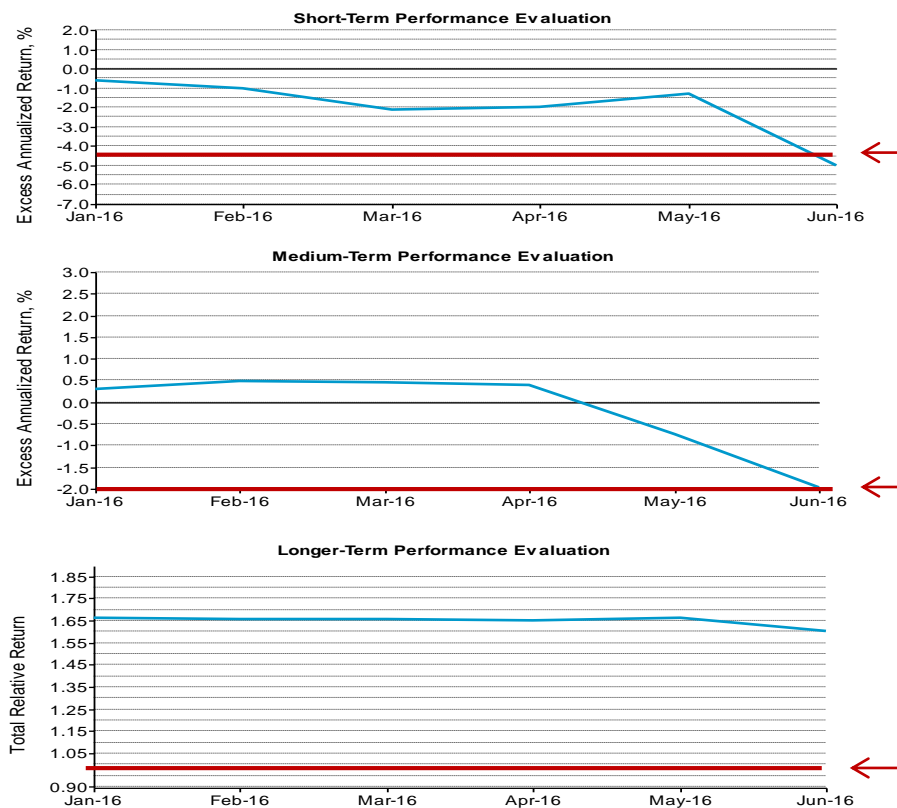
Fund annualized return < benchmark annualized return -2.0% for 6 consecutive months

Current Status: **Acceptable**

Long-Term Criteria (60+ months)

VRR < 0.97 for 6 consecutive months

Current Status: **Acceptable**



Fisher - International Equity

Manager Performance

	Quarter	1 Year	3 Year	5 Year
Fisher	-2.1	-10.8	2.6	1.0
EBMUD MSCI ACWI ex US Blend	-0.4	-9.8	1.6	0.6

Overall Status: **Acceptable**

Short-Term Criteria (rolling 12-month periods)

Fund return < benchmark return -4.5% for 6 consecutive months

Current Status: **Acceptable**

Medium-Term Criteria (rolling 36-month periods)

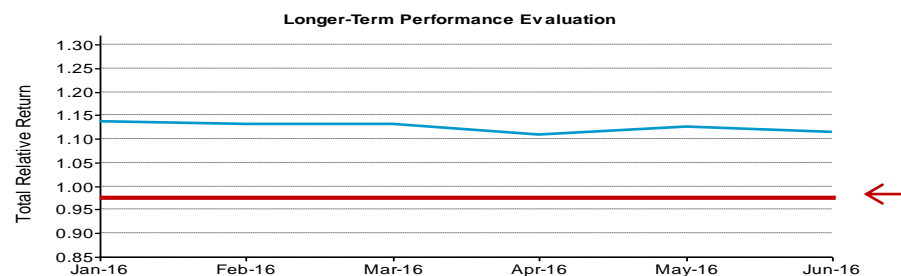
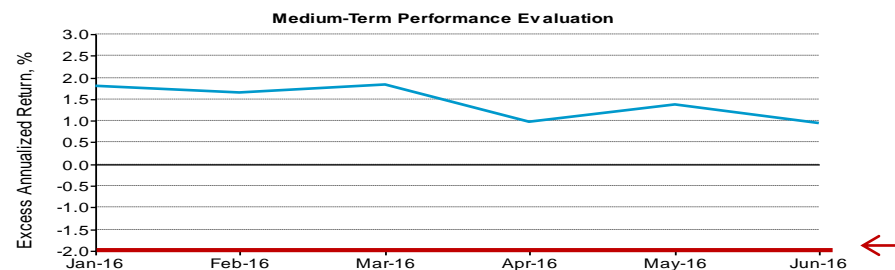
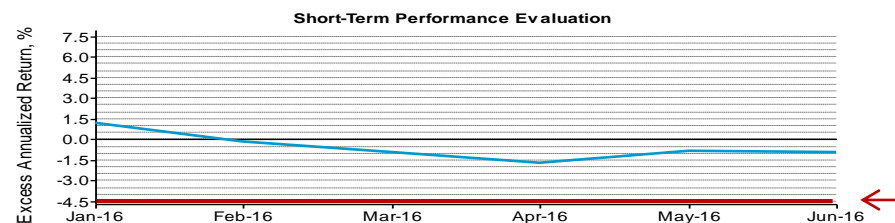
Fund annualized return < benchmark annualized return -2.0% for 6 consecutive months

Current Status: **Acceptable**

Long-Term Criteria (60+ months)

VRR < 0.97 for 6 consecutive months

Current Status: **Acceptable**



Parametric - BXM - Covered Calls: Replication

Manager Performance

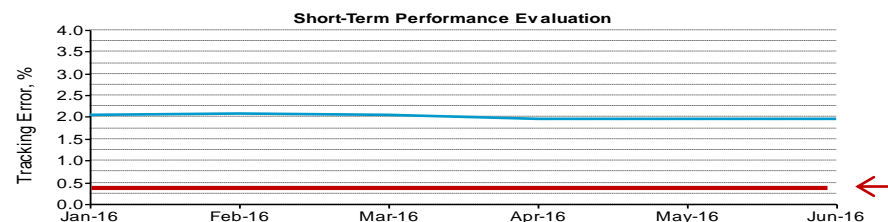
	Quarter	1 Year	3 Year	5 Year
Parametric BXM	3.5	5.9	NA	NA
CBOE BXM Index	3.2	4.0	7.1	7.0

Overall Status: Caution*

Short-Term Criteria (rolling 12-month periods)

Tracking error > 0.30% for 6 consecutive months

Current Status: Caution*



Medium-Term Criteria (rolling 36-month periods)

Tracking error > 0.25% for 6 consecutive months

Current Status: N/A (will take effect 3Q 2017)

Long-Term Criteria (60+ months)

Fund annualized return < benchmark annualized return -0.40% for 6 consecutive months

Current Status: N/A (will take effect 3Q 2019)

*The Parametric BXM covered calls strategy breached the short-term relative to benchmark Watch Criteria. The strategy is currently monitored utilizing the covered calls replication (passive management) Watch Criteria. Since the strategy is not solely passively managed PCA believes the actively managed covered calls Watch Criteria would be more suitable for monitoring the fund. As such, PCA does not recommend Watch status for this strategy at this time.

Parametric - Delta Shift - Covered Calls: Semi-Active

Manager Performance

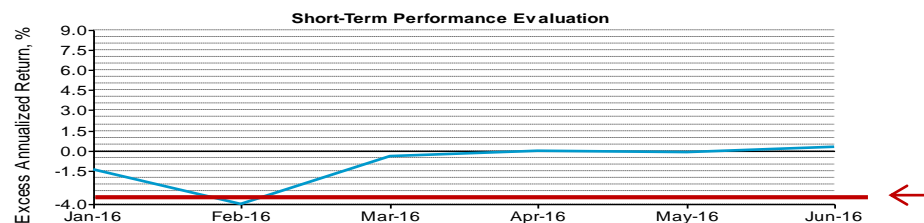
	Quarter	1 Year	3 Year	5 Year
Parametric Delta	3.1	4.3	NA	NA
CBOE BXM Index	3.2	4.0	7.1	7.0

Overall Status: **Acceptable**

Short-Term Criteria (rolling 12-month periods)

Fund return < benchmark return -3.5% for 6 consecutive months

Current Status: Acceptable



Medium-Term Criteria (rolling 36-month periods)

Fund annualized return < benchmark annualized return -1.75% for 6 consecutive months

Current Status: N/A (will take effect 3Q 2017)

Long-Term Criteria (60+ months)

VRR < 0.97 for 6 consecutive months

Current Status: N/A (will take effect 3Q 2019)

Van Hulzen - Covered Calls: Active

Manager Performance

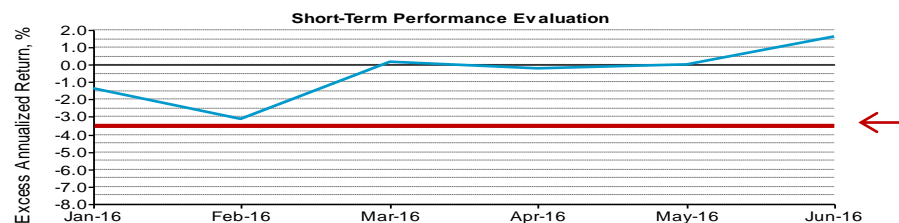
	Quarter	1 Year	3 Year	5 Year
Van Hulzen	2.9	5.6	NA	NA
CBOE BXM Index	3.2	4.0	7.1	7.0

Overall Status: **Acceptable**

Short-Term Criteria (rolling 12-month periods)

Fund return < benchmark return -3.5% for 6 consecutive months

Current Status: Acceptable



Medium-Term Criteria (rolling 36-month periods)

Fund annualized return < benchmark annualized return -1.75% for 6 consecutive months

Current Status: N/A (will take effect 3Q 2017)

Long-Term Criteria (60+ months)

VRR < 0.97 for 6 consecutive months

Current Status: N/A (will take effect 3Q 2019)

CS McKee - Fixed Income: Core

Manager Performance

	Quarter	1 Year	3 Year	5 Year
CS McKee	1.9	6.5	4.3	4.3
BC Aggregate Bond	2.2	6.0	4.1	3.8

Overall Status: **Acceptable**Short-Term Criteria (rolling 12-month periods)

Fund return < benchmark return -1.5% for 6 consecutive months

Current Status: Acceptable

Medium-Term Criteria (rolling 36-month periods)

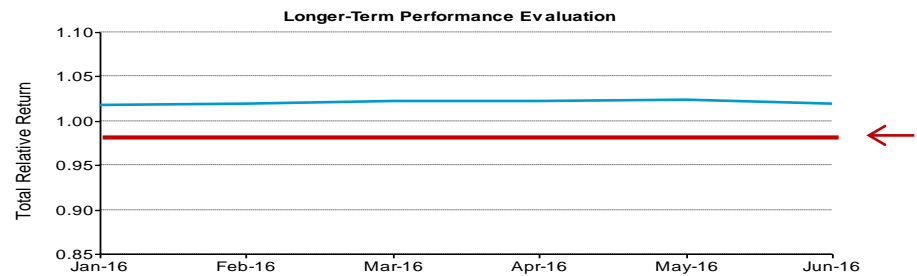
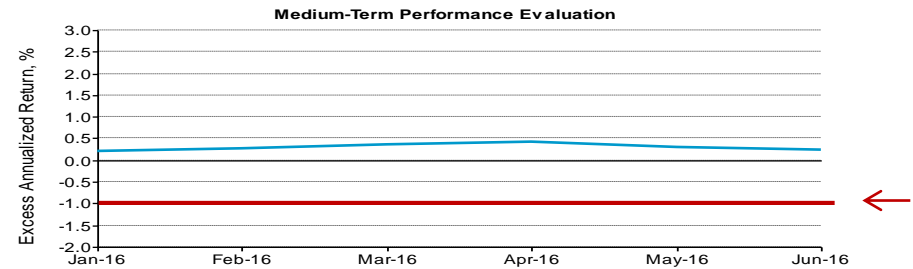
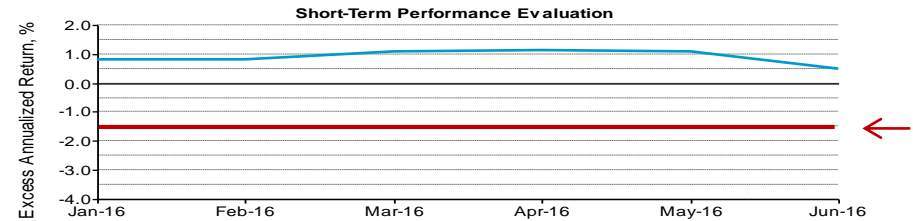
Fund annualized return < benchmark annualized return -1.0% for 6 consecutive months

Current Status: Acceptable

Long-Term Criteria (60+ months)

VRR < 0.98 for 6 consecutive months

Current Status: Acceptable



WAMCO - Short Duration - Fixed Income: Non-Core

Manager Performance

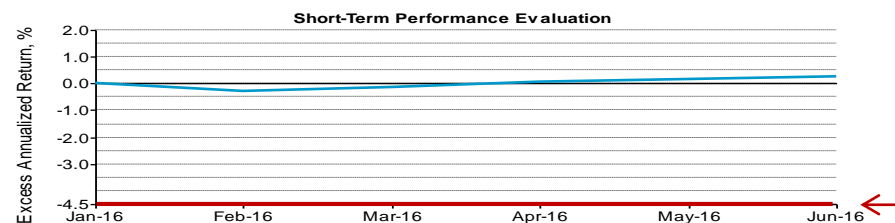
	Quarter	1 Year	3 Year	5 Year
WAMCO Short Dur	1.1	1.9	NA	NA
Barclays 1-3 Yr Gov/Credit	0.7	1.6	1.2	1.1

Overall Status: **Acceptable**

Short-Term Criteria (rolling 12-month periods)

Fund return < benchmark return -4.5% for 6 consecutive months

Current Status: Acceptable



Medium-Term Criteria (rolling 36-month periods)

Fund annualized return < benchmark annualized return -2.0% for 6 consecutive months

Current Status: N/A (will take effect 3Q 2017)

Long-Term Criteria (60+ months)

VRR < 0.97 for 6 consecutive months

Current Status: N/A (will take effect 3Q 2019)

WAMCO - Short-Term High Yield - Fixed Income: Non-Core

Manager Performance

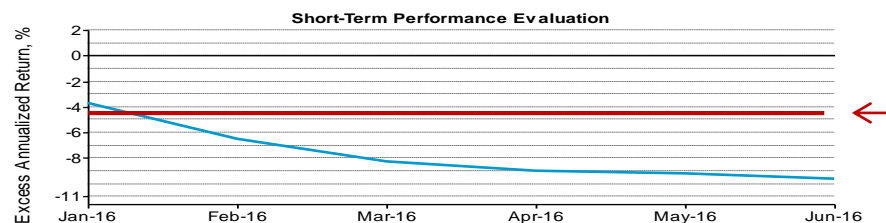
	Quarter	1 Year	3 Year	5 Year	Watch - 3 mon
WAMCO High Yield	5.3	-9.3	NA	NA	5.3
Barclays US High Yield 1-5 Yr Cash Pay 2%	5.8	0.3	3.1	4.9	5.8

Overall Status: **Acceptable**

Short-Term Criteria (rolling 12-month periods)

Fund return < benchmark return -4.5% for 6 consecutive months

Current Status: Acceptable



Medium-Term Criteria (rolling 36-month periods)

Fund annualized return < benchmark annualized return -2.0% for 6 consecutive months

Current Status: N/A (will take effect 3Q 2017)

Long-Term Criteria (60+ months)

VRR < 0.97 for 6 consecutive months

Current Status: N/A (will take effect 3Q 2019)

WAMCO - Bank Loans - Fixed Income: Non-Core

Manager Performance

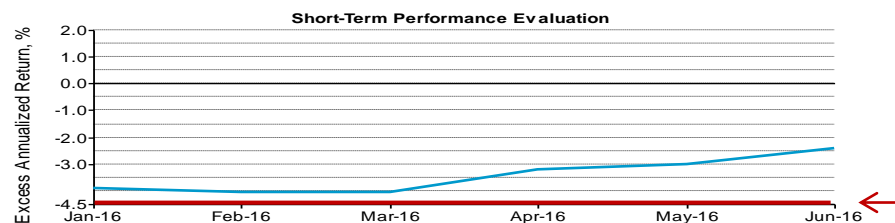
	Quarter	1 Year	3 Year	5 Year	Watch - 3 mon
WAMCO Bank Loans	4.4	-1.0	NA	NA	4.4
S&P/LSTA Performing Loans Index	2.8	1.5	3.2	4.0	2.8

Overall Status: **Acceptable**

Short-Term Criteria (rolling 12-month periods)

Fund return < benchmark return -4.5% for 6 consecutive months

Current Status: Acceptable



Medium-Term Criteria (rolling 36-month periods)

Fund annualized return < benchmark annualized return -2.0% for 6 consecutive months

Current Status: N/A (will take effect 3Q 2017)

Long-Term Criteria (60+ months)

VRR < 0.97 for 6 consecutive months

Current Status: N/A (will take effect 3Q 2019)

MANAGER COMPLIANCE CERTIFICATION RESPONSES – Qualitative Compliance Monitoring per EBMUD Investment Policy

Each of EBMUD's managers is required to respond to a questionnaire on a quarterly basis to certify their compliance with EBMUD's Investment Policy Statement and provide an update on specific qualitative indicators to be evaluated.

These indicators include:

- Compliance with the guidelines of 'Eligible Investments' for the manager's specific mandate
- Any litigation or governmental regulatory proceedings involving the firm/manager
- Changes to the manager's investment outlook, investment strategy, and/or portfolio structure
- Personnel changes to the investment team responsible for the EBMUD mandate
- Significant personnel changes at the management level of the firm
- Material client terminations
- Compliance with EBMUD's current Investment Policy Statement

The manager's responses are rated based on the potential effects these factors could pose to the performance and management of the EBMUD portfolio.

Reasons for heightened concern triggering Watch status include, but are not limited to:

- Instability of key members of the portfolio management team and organization
- Changes in investment strategy and style
- Failure to comply with investment guidelines

A summary of manager responses as of the latest quarter-end is provided below.

MANAGER COMPLIANCE CERTIFICATION RESPONSES

		Question 1	Question 2	Question 3	Question 4	Question 5	Question 6	Question 7	Question 8	
Manager	Asset Class	Compliance with 'Eligible Investments' for mandate	Good standing as Registered Investment Advisor	Litigation?	Changes in manager's investment outlook, strategy, structure	Investment team personnel changes	Management level personnel changes	Material business changes	Compliance with IPS	Additional Comments
Northern R1000	Domestic Equity – LCC	Yes	Yes	Yes*	No	No	No	No	Yes	
Intech	Domestic Equity – LCG	Yes	Yes	Yes*	No	No	No	Yes*	Yes	
T. Rowe Price	Domestic Equity – LCG	Yes	Yes	Yes*	No	No*	No	No	Yes	See below
Barrow Hanley	Domestic Equity – LCV	Yes	Yes	No	No	Yes*	No	No	Yes	
Northern R2000G	Domestic Equity – SCG	Yes	Yes	Yes*	No	No	No	No	Yes	
Opus	Domestic Equity – SCV	Yes	Yes	No	No	No	No	No	Yes	
Franklin Templeton	International Equity	Yes	Yes	Yes*	No	Yes*	No	No	Yes	
Fisher	International Equity	Yes	Yes	No	No	No	No*	No	Yes	
Parametric	Covered Calls	Yes	Yes	Yes*	No	No	Yes*	No	Yes	
Van Hulzen	Covered Calls	Yes	Yes	No	No	No	No	No	Yes	
CS McKee	Fixed Income – Core	Yes	Yes	No	No	Yes*	No	Yes*	Yes	
WAMCO	Fixed Income – Short Dur.	Yes	Yes	No	No	No	No	No	Yes	
WAMCO	Fixed Income – Short-term HY	Yes	Yes	No	No	No	No	No	Yes	
WAMCO	Fixed Income – Bank Loans	Yes	Yes	No	No	No	No	No	Yes	
RREEF	Real Estate	Yes	Yes	Yes*	No	No	No	No	Yes	
CenterSquare	Real Estate	Yes	Yes	No	No	No	No	No	Yes	

*See detailed manager responses below

■ = no concern; ■ = low concern; ■ = high concern (Watch status)

Northern Trust (R1000 and R2000 Growth)**Question 3: Is there any litigation or governmental regulatory proceedings involving your Firm, the Manager?**

As one of the world's largest asset managers, Northern Trust and its subsidiaries are occasionally named as a defendant in asset management-related litigation. While Northern Trust Investments, Inc. (NTI) has not been (and is not currently) party to any litigation that has had (or will have) a material effect on its ability to perform services for its clients, it has been sued before and is currently defending claims. The following matters are the principal cases involving NTI that were either resolved in the last five years or remain pending:

- Joseph L. Diebold, Jr., on behalf of the ExxonMobil Savings Plan and all others similarly situated v. Northern Trust Investments, N.A. and The Northern Trust Company, United States District Court for the Northern District of Illinois, Case No. 09-CV-1934 (the case was filed on March 30, 2009; the case relates to securities lending-related losses during the financial crisis; a class-wide settlement was reached in the fourth quarter of 2013, and was approved in 2015; the case is concluded).
- Louisiana Firefighters' Retirement System, et al. and all others similarly situated v. Northern Trust Investments, N.A., and The Northern Trust Company, United States District Court for the Northern District of Illinois, Case No. 09-CV-7203 (the case was filed on November 17, 2009; the case relates to securities lending-related losses during the financial crisis; a partial class-wide settlement was reached in the fourth quarter of 2013, and was approved in 2015; Northern Trust agreed to settle the remaining claims in June 2016; those settlements will be finalized and submitted to the court during the third quarter of 2016; if they are approved, the case will be concluded).
- People of the State of California v. Northern Trust Corporation, et. al., Case No. BC478165, Superior Court of Los Angeles County, California (the case was filed on February 1, 2012 by the Los Angeles City Attorney's Office (LACAO) in the name of the People of the State of California; the case relates to securities lending-related losses incurred by the Los Angeles City Employees' Retirement System (LACERS) during the financial crisis; LACERS itself has not sued Northern; discovery is ongoing).

Investigations

As one of the world's leading asset managers, NTI occasionally receives requests for information from government and regulatory agencies. NTI frequently does not know if such requests are related to formal government or regulatory investigations or, assuming an investigation is underway, whether Northern Trust is a target of such investigation or simply thought to be in possession of information pertinent to such an investigation. NTI is not currently involved in any government or regulatory investigation or proceeding that would have a material impact on its ability to provide advisory services to its clients. The following regulatory matters involving NTI either resulted in a settlement during the last five years or are ongoing:

In January 2012, NTI agreed, without admitting or denying any violation of exchange rules, to a settlement with the ICE. In the agreed settlement, ICE found that NTI may have violated ICE Exchange Rule 27.21(e) in ninety-one instances when an employee with discretion over client accounts at NTI entered futures orders on both sides of the market without first exposing one order for a minimum of five seconds. NTI agreed to pay a fine of \$75,000 and to cease and desist from future violations of Rule 27.21.

On April 10, 2014, after conducting a routine examination from September 2012 - October 2013, the SEC Division of Enforcement subpoenaed NTI and its affiliates (for documents) in an enforcement investigation that remains pending. The investigation appears to relate broadly to fees for securities lending services. Published reports suggest the SEC is examining and investigating various investment advisors (and affiliates) related to investors' use of securities lending services provided by affiliates of their investment advisors. No Wells notice has been issued. No enforcement action has been filed.

In February 2015, the Chicago Regional Office of the SEC Division of Enforcement sent document subpoenas to a number of investment advisors, including NTI, seeking information on the firms' policies for complying with SEC Rule 206(4)-5, the so-called "pay-to-play" rule concerning political donations by "covered associates" employed by investment advisors. In addition to general policy information, the requests sought information about the amount of business, if any, that the investment advisors did with various Illinois state pension funds. They also inquired about donations, if any, made by such covered associates to the campaign of Illinois Governor Bruce Rauner. NTI responded to the subpoena in March 2015; it did not identify any prohibited contributions by its covered associates to Gov. Rauner.

Intech

Question 3: Is there any litigation or governmental regulatory proceedings involving your Firm, the Manager?

INTECH is not currently involved in any litigation that would be considered material. However, in June 2011, INTECH was served with a complaint related to the leveraged buyout ("LBO") of Tribune Company ("Tribune") in 2007 (Deutsche Bank Trust Co. Americas, et al. v. Sowood Alpha Fund LP, et al., U.S. District Court, Southern District of New York). On December 8, 2008, one year after completion of the LBO, Tribune and certain of its subsidiaries filed for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court for the District of Delaware. We believe INTECH was improperly named in this lawsuit as it never owned the stock at issue.

INTECH intends to defend the action once the stay is lifted.

Question 7: Have there been any material changes in your firm's business during the quarter, including but not limited to:

- a. any client(s) that terminated its relationship whose terminated portfolio account represents > 1% of the Manager's aggregate portfolio on the day of notice of termination, and/or**
- b. any client(s) that terminates its relationship when the cumulative terminations for a calendar month is > 1% of the Manager's aggregate portfolio as of the first business day of the month.**

In June 2016, a client invested in INTECH's U.S. Enhanced Index product (representing approximately 1.72% of INTECH's total AUM) terminated its accounts. The reason for the termination was performance.

T. Rowe Price**Question 3: Is there any litigation or governmental regulatory proceedings involving your Firm, the Manager?**

T. Rowe Price Associates, Inc., its subsidiaries, affiliates, officers, and employees (collectively the "Company") has not been involved as a defendant in any notable litigation matter relating to any business practice or relating to services rendered to the firm's clients, with the exceptions of the cases noted below.

At times, the Company may be a claimant or a plaintiff in various matters involving portfolio company investments. Additionally, from time to time in the normal course of business, the Company is named as a party to minor litigation matters involving the accounts of Price mutual fund shareholders, retirement plan participants, or of retail customers in the Company's brokerage unit. Often, the Company is named as a stakeholder and, therefore, these minor litigation matters are not disclosed herein.

Tribune Company Bankruptcy Proceeding: Several of the T. Rowe Price Funds, sub advised clients, and institutional clients are included in a class of defendants in connection with a fraudulent transfer lawsuit that the Unsecured Creditors Committee (the "Committee") of the Tribune Company filed in Delaware bankruptcy court. In addition, various T. Rowe Price entities and certain of the T. Rowe Price Funds, institutional clients, and sub advised clients were sued in a number of federal and state courts in various states in connection with receipt of proceeds from a leveraged buyout ("LBO") through which Tribune converted to a privately owned company in 2007. These lawsuits alleged constructive fraudulent transfer claims in an attempt to recover payments made to shareholders at the time of the LBO. The lawsuits did not allege that any of the T. Rowe Price defendants engaged in wrongful conduct. The lawsuits were consolidated by the Multidistrict Litigation Panel for purposes of all pretrial proceedings. On September 23, 2013, the court in the consolidated cases granted our motion to dismiss those cases. The judge ruled that the plaintiff investors may not pursue the constructive fraudulent transfer lawsuits against Tribune's former shareholders while the Litigation Trustee in the bankruptcy case also pursues his intentional fraudulent transfer claims against the same shareholders. The dismissal of the consolidated cases was appealed, and on March 29, 2016, the Second Circuit Court of Appeals affirmed the dismissal. A motion to dismiss the intentional fraudulent transfer case brought by the bankruptcy trustee is pending.

On December 19, 2011, Sam Zell, through various entities, filed two lawsuits in Cook County, Illinois naming the other shareholder defendants as a means of preserving any rights of recovery the Zell entities may have against former shareholders related to the LBO in the event that the LBO is found to have been a fraudulent conveyance.

Eastman Kodak ERISA Litigation: The T. Rowe Price Trust Company has been named as a defendant, but not yet served, in a class action lawsuit filed on September 14, 2012 in federal court (Western District of New York) alleging fiduciary violations in connection with the holding of Eastman Kodak stock in the Eastman Kodak Employee Stock Ownership Plan (ESOP). The T. Rowe Price Trust Company was named as a defendant because it served in the capacity as directed trustee of the ESOP. The ESOP's named fiduciary has also been named as a defendant in the lawsuit. The T. Rowe Price Trust Company denies that it violated its duties with regard to the ESOP. At this point, we do not expect to be served.

Christopher Zoidis, et al. v. T. Rowe Price Associates, Inc.: On April 27, 2016 a lawsuit was filed by Christopher Zoidis, et al. against T. Rowe Price Associates, Inc. in the United States District Court for the Northern District of California, alleging breach of fiduciary duty under Section 36(b) of the Investment Company Act of 1940. The Complaint was served on April 28, 2016, and we are defending the case.

Question 5: Have there been any personnel changes to the investment team responsible for the EBMUD portfolio during the quarter?

No change to the PM or Specialist for Growth Stock Strategy specifically. Effective 6/30/16, Taymour Tamaddon joined the Large Cap Growth Investment Team (consists of PMs and Specialists for Growth Stock, Large Cap Core Growth, and Large Cap Growth Strategies). This is in preparation for him to take over the Large Cap Growth Strategy 1/1/17.

Additional Comments

With regards to Questions 1 and 8, T. Rowe Price is in compliance with Exhibit A of the Investment Advisory Agreement between The East Bay Municipal Utility District and T. Rowe Price Associates, Inc. ("TRPA") dated February 21, 2007, which they generally believe complies with EBMUD's Statement of Investment Policy and Procedures.

Barrow Hanley

Question 5: Have there been any personnel changes to the investment team responsible for the EBMUD portfolio during the quarter?

Ashim Anand, PhD joined BHMS 6/13/16 as an Equity Analyst.

Franklin Templeton

Question 3: Is there any litigation or governmental regulatory proceedings involving your Firm, the Manager?

During the quarter ended June 30, 2016, Templeton Investment Counsel, LLC (TIC) was not the subject of any investment-related proceedings, findings or orders brought or made by any U.S. federal or state regulatory agency, foreign financial regulatory authority or self-regulatory organization.

For a summary of investment-related proceedings, findings or orders brought or made by any U.S. federal or state regulatory agency, foreign financial regulatory authority or self-regulatory organization against TIC and/or certain of its advisory affiliates in the past 10 years ended June 30, 2016, as well as certain other regulatory matters, please see Appendix 1 – Templeton Investment Counsel, LLC Regulatory History. From time to time TIC and its advisory affiliates receive subpoenas and inquiries from regulators, including requests for documents or information, and also may become the subject of governmental or regulatory examinations or investigations. Findings or orders resulting from such subpoenas, inquiries, examinations or investigations if any, will be reported, to the extent required and permitted by law, on TIC's Form ADV filed with the U.S. Securities and Exchange Commission.

For a summary of material, investment-management-related private litigation in which TIC and/or certain of its advisory affiliates were named as defendants, at any point in the past five years ended March 31, 2016, all of which has since been resolved, please see Appendix 2 - Templeton Investment Counsel, LLC Litigation History. In addition, TIC and its advisory affiliates are from time to time named in litigation in the ordinary course of business. To the extent any such litigation is currently pending, as of the date of this response, none is reasonably expected to have a material adverse effect on TIC's financial condition or ability to provide investment management services. (Italicized terms are as defined on Form ADV.)

Question 5: Have there been any personnel changes to the investment team responsible for the EBMUD portfolio during the quarter?

Yes. There were two new additions to the Templeton Global Equity Group during 2Q16: Hsung Khoo, CFA, Research Analyst, Singapore and Peter Morris, CFA, CPA, Portfolio Manager/Research Analyst, Hong Kong.

Fisher

Question 6: Have there been any significant personnel changes at the management level of the Firm during the quarter?

While there were no changes to the management during Q2, effective July 1, 2016, Damian Ornani will expand his current responsibilities and take over as Chief Executive Officer (CEO) from Ken Fisher. Ken Fisher maintains his role with the firm as full-time Executive Chairman, Co-Chief Investment Officer, and a member of the Investment Policy Committee. His investment-related responsibilities remain unchanged, and he continues to be involved with long-term strategic vision and participating in internal and external communication. As CEO, Damian's responsibilities expand to include oversight of all non-investment operations, including client service, sales, marketing, staffing, budgeting, technology, and more. He will also continue to lead the firm's expansion into international markets, 401(k) solutions for small businesses, and development of new institutional offerings.

Parametric

Question 3: Is there any litigation or governmental regulatory proceedings involving your Firm, the Manager?

From time to time, Parametric and/or its affiliates, including its ultimate parent company Eaton Vance Corp. and its subsidiaries, are and have been plaintiffs or defendants in various lawsuits and received subpoenas or information requests that are incidental to their businesses and are or were handled in the ordinary course of business. Eaton Vance believes that these actions have not and will not have a material adverse effect on its consolidated financial condition, liquidity, results or operations, or the ability to manage client assets.

Question 6: Have there been any significant personnel changes at the management level of the Firm during the quarter?

In 2015 Aaron Singleton, Parametric's Chief Financial Officer, announced his plan to leave Parametric mid-2016. Consistent with Parametric's practices and Aaron's commitment to the company's long-term success, he continued to provide his support for an extended period of time to ensure a smooth transition. From January 1 through June 30, 2016, Aaron moved into an advisory role and

reduced his day-to-day responsibilities. Additionally, with Parametric's financial processes and controls fully integrated with Eaton Vance and no longer requiring oversight from a separate CFO, this position has been eliminated at Parametric.

CS McKee

Question 5: Have there been any personnel changes to the investment team responsible for the EBMUD portfolio during the quarter?

An Investment Analyst was added to the team on June 27, 2016.

Question 7: Have there been any material changes in your firm's business during the quarter, including but not limited to:

- a. any client(s) that terminated its relationship whose terminated portfolio account represents > 1% of the Manager's aggregate portfolio on the day of notice of termination, and/or**
- b. any client(s) that terminates its relationship when the cumulative terminations for a calendar month is > 1% of the Manager's aggregate portfolio as of the first business day of the month.**

A small cap core account that was 2.7% of product assets, two large cap core accounts that were 2.5% and 7.0% of product assets, and a large cap value account that was 1.6% of product assets were lost in May 2016.

Two small cap core accounts that were 1.3% and 35.4% of product assets and three large cap core accounts that were 1.9%, 1.7%, and 1.6% of product assets were lost in June 2016.

RREEF

Question 3: Is there any litigation or governmental regulatory proceedings involving your Firm, the Manager?

Although client properties are managed by third party property managers, RREEF America L.L.C. may from time to time be named as a party to litigation relating to property management. RREEF America L.L.C. may also from time to time be involved in litigation with third parties relating to commercial disputes or RREEF America L.L.C. client's properties. Such litigation may be currently pending. Please see the firm's Form ADV for additional information. Please also refer to the Form ADV for RREEF America L.L.C. for additional information.

RREEF America L.L.C.'s parent company, Deutsche Bank A.G., is a large banking institution with substantial domestic operations and numerous domestic and foreign affiliates. As such, Deutsche Bank A.G. and/or its affiliates are occasionally party to litigation, investigations and other proceedings. On April 23, 2015, Deutsche Bank entered into a settlement with the U.S. Department of Justice and other U.S. and U.K. regulators regarding their investigations into anti-competitive and manipulative conduct with respect to the London Interbank Offered Rates (LIBOR) and other benchmark rates. As part of the settlement, Deutsche Bank A.G. entered into a deferred prosecution agreement and a U.K.-based affiliate, DB Group Services (UK) Ltd. ("DBGS") pleaded guilty to wire fraud for its conduct in relation to LIBOR. Deutsche Asset Management was not involved in this conduct in any way. Separately, on January 25, 2016, a South Korean Court found the firm's South Korean affiliate, Deutsche Securities Korea Co. ("DSK"), guilty on a theory of corporate criminal liability arising as a consequence of DSK's failure to properly monitor and supervise the spot/futures linked market manipulation activities of one of its traders.

Neither the firm nor Deutsche Asset Management was involved in either the LIBOR matter or the DSK matter in any way. However, absent regulatory relief, the sentencing of DBGS in connection with the LIBOR guilty plea, which sentencing has not taken place yet, and the DSK conviction, would disqualify the firm and certain of its affiliates from using the qualified professional asset manager ("QPAM") class exemption. Therefore, Deutsche Investment Management Americas Inc. ("DIMA") applied to the U.S. Department of Labor ("DOL") for a temporary also an individual QPAM exemption for itself and its asset management affiliates, including the firm, in connection with the DSK conviction, and also applied for permanent relief for itself and those affiliates in connection with both the LIBOR and the DSK matters. (The sentencing of DBGS has been delayed until such time as the DOL makes a final determination with regard to the permanent QPAM relief.)

Please note, RREEF America REIT II is considered a Real Estate Operating Company under ERISA. Therefore, the fund is not subject to ERISA or Section 4975 of the Code and does not require the QPAM exemption to manage its investments.

APPENDIX

ASSET CLASS AND MANAGER PERFORMANCE (Net of Fees)¹³**Periods ending June 30, 2016**

Asset Class	Quarter	1 Year	3 Year	5 Year
Total Portfolio	2.1	1.0	8.1	7.9
Policy Benchmark [^]	2.3	1.8	7.7	7.7
Domestic Equity	2.6	0.9	10.8	11.2
Russell 3000 (blend)*	2.6	2.1	11.1	11.6
International Equity	-3.0	-13.3	0.5	0.3
MSCI ACWI x U.S.(blend)**	-0.4	-9.8	1.6	0.6
Covered Calls	3.1	5.0	---	---
CBOE BXM	3.2	4.0	---	---
Total Fixed Income	2.3	2.3	2.6	3.4
Fixed Income benchmark (blend)***	2.4	3.6	3.2	3.4
Real Estate	4.9	20.3	14.6	14.0
50/50 NCREIF/FTSE NAREIT Equity REITs****	4.6	18.2	13.1	13.4
Cash	0.1	0.4	0.3	0.3
Citigroup T-bills	0.1	0.1	0.1	0.1

[^] Policy Benchmark consists of 40% Russell 3000 (blend), 15% MSCI ACWIxU.S. (blend), 20% CBOE BXM, 10% BC Aggregate, 5% BC US 1-3 Year Government/Credit, 2.5% BC 1-5 Year U.S. High Yield Cash Pay, 2.5% S&P/LSTA Performing Loans, 2.5% NCREIF (lagged), and 2.5% FTSE NAREIT Equity REITs index 4/1/14-present; see Appendix for historical Policy Benchmark composition.

*Russell 3000 as of 10/1/05. Prior: 30% S&P500, 10% S&P400, 10% Russell 2000 (4/1/05-9/30/05); 33% S&P500, 10% S&P400, 10% Russell 2000 (9/1/98-3/31/05); 30% S&P500, 15% Wilshire 5000 (4/1/96-8/31/98)

**MSCI ACWIxU.S. as of 1/1/07; MSCI EAFE ND thru 12/31/06

***50% BC Aggregate, 25% BC US 1-3 Year Government/Credit, 12.5% BC 1-5 Year U.S. High Yield Cash Pay, and 12.5% S&P/LSTA Performing Loans index 4/1/14-present; 75% BC Aggregate, 12.5% BC 1-5 Year U.S. High Yield Cash Pay, and 12.5% S&P/LSTA Performing Loans index 3/1/14-3/31/14; BC Universal 1/1/08-2/28/14; BC Aggregate thru 12/31/07

****50% NCREIF (lagged), 50% FTSE NAREIT Equity REITs Index as of 11/1/11; NCREIF (lagged) thru 10/31/11

¹³ Historical net returns for the Total Portfolio aggregate is currently available from 2Q2011.

Domestic Equity – Periods ending June 30, 2016 (Net of Fees)

Manager	Mkt Value (\$000)	Asset Class	Management Style	Quarter	1 YR	3 YR	5 YR	Estimated Annual Fee (bps) ¹⁴	Current Monitoring Status
Northern Trust Co.	237,710	Large Cap Core	Passive	2.5	2.9	11.4	11.9	3	---
<i>Russell 1000 Index</i>	---	---	---	2.5	2.9	11.5	11.9	---	---
Intech	70,552	Large Cap Growth	Active	2.9	6.3	14.4	12.6	5 bps + 12.5% on excess returns	Watch 12/2014
T. Rowe Price	65,342	Large Cap Growth	Active	-0.6	-2.4	12.5	12.2	49	---
<i>Russell 1000 Growth Index</i>	---	---	---	0.6	3.0	13.1	12.3	---	---
Barrow Hanley	156,972	Large Cap Value	Active	4.1	-0.2	9.0	10.2	31	---
<i>Russell 1000 Value Index</i>	---	---	---	4.6	2.9	9.9	11.4	---	---
Northern Trust Co.	23,703	Small Cap Growth	Passive	3.3	-10.4	8.0	8.8	8	---
<i>Russell 2000 Growth Index</i>	---	---	---	3.2	-10.8	7.7	8.5	---	---
Opus	29,870	Small Cap Value	Active	1.4	-4.2	6.3	7.4	5 bps + 25% on excess returns	Watch 12/2012
<i>Russell 2000 Value Index</i>	---	---	---	4.3	-2.6	6.4	8.1	---	---

International Equity – Periods ending June 30, 2016 (Net of Fees)

Manager	Mkt Value (\$000)	Asset Class	Management Style	Quarter	1 YR	3 YR	5 YR	Estimated Annual Fee (bps)	Current Monitoring Status
Franklin Templeton ¹⁵	82,184	ACWI x U.S.	Active	-3.7	-15.3	-0.9	0.2	57	---
Fisher Investments	89,850	ACWI x U.S.	Active	-2.2	-11.3	1.9	0.3	65	---
<i>MSCI ACWI x U.S. (blend)*</i>	---	---	---	-0.4	-9.8	1.6	0.6	---	---

*As of January 1, 2007, the benchmark changed from MSCI EAFE to MSCI ACWI x U.S.

¹⁴ Reviewed annually. Last reviewed June 30, 2016.

¹⁵ Franklin Templeton's historical returns are reported net of fees (inception – 6/30/2011). The Franklin Templeton institutional mutual fund account was liquidated in June 2011 and moved to a transition account, which later funded the Franklin Templeton new separate account in the same month. The Q2-2011 return is an aggregate of the institutional mutual fund account, Franklin transition account, and new separate account.

Covered Calls – Periods ending June 30, 2016 (Net of Fees)

Manager	Mkt Value (\$000)	Asset Class	Management Style	Quarter	1 YR	3 YR	5 YR	Estimated Annual Fee (bps) ¹⁶	Current Monitoring Status
Parametric – BXM	101,225	Covered Calls	Replication	3.4	5.7	---	---	19	---
Parametric – Delta Shift	101,999	Covered Calls	Semi-Active	3.0	4.0	---	---	34	---
Van Hulzen	96,446	Covered Calls	Fully Active	2.9	5.3	---	---	25	---
CBOE BXM	---	---	---	3.2	4.0	7.2	7.0	---	---

Total Fixed Income – Periods ending June 30, 2016 (Net of Fees)

Manager	Mkt Value (\$000)	Asset Class	Management Style	Quarter	1 YR	3 YR	5 YR	Estimated Annual Fee (bps) ¹⁶	Current Monitoring Status
CORE FIXED INCOME									
CS McKee	140,275	Core	Active	1.9	6.3	4.1	4.0	20	---
BC Aggregate	---	---	---	2.2	6.0	4.1	3.8	---	---
NON-CORE FIXED INCOME									
WAMCO – Short Duration	66,035	Non-Core	Active	1.0	1.7	---	---	16	---
BC U.S. 1-3 Yr Govt/Credit	---	---	---	0.7	1.6	1.2	1.1	---	---
WAMCO – Short-Term HY	28,124	Non-Core	Active	5.2	-9.7	---	---	40	Watch 4/2016
BC 1-5 Yr U.S. HY Cash Pay	---	---	---	5.8	0.3	3.1	4.9	---	---
WAMCO – Bank Loans	31,800	Non-Core	Active	4.3	-1.4	---	---	45	Watch 4/2016
S&P/LSTA Performing Loans	---	---	---	2.8	1.5	3.1	4.0	---	---

Real Estate – Periods ending June 30, 2016 (Net of Fees)

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Estimated Annual Fee (bps) ¹⁶	Current Monitoring Status
RREEF II*	31,956	Real Estate	1.7	13.2	13.8	12.7	95	---
NCREIF*	---	---	2.2	11.8	11.9	11.9	---	---
CenterSquare (formerly Urdang)	50,915	Real Estate	6.8	25.4	15.3	---	27.5 bps + 15% on excess returns	---
FTSE NAREIT Equity REITs	---	---	7.0	24.0	13.6	12.6	---	---

*Results are lagged one quarter.

¹⁶ Reviewed annually. Last reviewed June 30, 2016.

GLOSSARY OF TERMS

Alpha: The premium an investment earns above a set standard. This is usually measured in terms of a common index (i.e., how the stock performs independent of the market). An Alpha is usually generated by regressing a security's excess return on the S&P 500 excess return.

Annualized Performance: The annual rate of return that when compounded t times generates the same t -period holding return as actually occurred from period 1 to period t .

Batting Average: Percentage of periods a portfolio outperforms a given index.

Beta: The measure of an asset's risk in relation to the Market (for example, the S&P 500) or to an alternative benchmark or factors. Roughly speaking, a security with a Beta of 1.5 will have moved, on average, 1.5 times the market return.

Bottom-up: A management style that de-emphasizes the significance of economic and market cycles, focusing instead on the analysis of individual stocks.

Dividend Discount Model: A method to value the common stock of a company that is based on the present value of the expected future dividends.

Growth Stocks: Common stock of a company that has an opportunity to invest money and earn more than the opportunity cost of capital.

Information Ratio: The ratio of annualized expected residual return to residual risk. A central measurement for active management, value added is proportional to the square of the information ratio.

R-Squared: Square of the correlation coefficient. The proportion of the variability in one series that can be explained by the variability of one or more other series a regression model. A measure of the quality of fit. 100% R-square means perfect predictability.

Standard Deviation: The square root of the variance. A measure of dispersion of a set of data from its mean.

Sharpe Ratio: A measure of a portfolio's excess return relative to the total variability of the portfolio.

Style Analysis: A returns-based analysis using a multi-factor attribution model. The model calculates a product's average exposure to particular investment styles over time (i.e., the product's normal style benchmark).

Top-down: Investment style that begins with an assessment of the overall economic environment and makes a general asset allocation decision regarding various sectors of the financial markets and various industries.

Tracking Error: The standard deviation of the difference between the performance of a portfolio and an appropriate benchmark.

Turnover: For mutual funds, a measure of trading activity during the previous year, expressed as a percentage of the average total assets of the fund. A turnover rate of 25% means that the value of trades represented one-fourth of the assets of the fund.

Value Stocks: Stocks with low price/book ratios or price/earnings ratios. Historically, value stocks have enjoyed higher average returns than growth stocks (stocks with high price/book or P/E ratios) in a variety of countries.

EBMUD POLICY BENCHMARK COMPOSITION

Time Period	EBMUD Total Fund Policy Benchmark
4/1/2005 – 9/30/2005	30% S&P 500, 10% S&P Midcap, 10% Russell 2000, 20% MSCI EAFE ND, 25% BC Aggregate, 5% NCREIF (lagged)
10/1/2005 – 12/31/2006	50% Russell 3000, 20% MSCI EAFE ND, 25% BC Aggregate, 5% NCREIF (lagged)
1/1/2007 – 12/31/2007	50% Russell 3000, 20% MSCI ACWI x U.S. GD, 25% BC Aggregate, 5% NCREIF (lagged)
1/1/2008 – 10/31/2011	50% Russell 3000, 20% MSCI ACWI x U.S. GD, 25% BC Universal, 5% NCREIF (lagged)
11/1/2011 – 2/28/2014	50% Russell 3000, 20% MSCI ACWI x U.S. GD, 25% BC Universal, 2.5% NCREIF (lagged), and 2.5% FTSE NAREIT Equity REITs
3/1/2014 – 3/31/2014	40% Russell 3000, 20% CBOE BXM, 15% MSCI ACWI x U.S. GD, 15% BC Aggregate, 2.5% BC 1-5 Year U.S. High Yield Cash Pay, 2.5% S&P/LSTA Performing Loans, 2.5% NCREIF (lagged), 2.5% FTSE NAREIT Equity REITs
4/1/2014 – present	40% Russell 3000, 20% CBOE BXM, 15% MSCI ACWI x U.S. GD, 10% BC Aggregate, 5% BC US 1-3 Year Government/Credit, 2.5% BC 1-5 Year U.S. High Yield Cash Pay, 2.5% S&P/LSTA Performing Loans, 2.5% NCREIF (lagged), 2.5% FTSE NAREIT Equity REITs

DEFINITION OF BENCHMARKS

BC Aggregate: an index comprised of approximately 6,000 publicly traded investment-grade bonds including U.S. Government, mortgage-backed, corporate, and yankee bonds with an approximate average maturity of 10 years.

BC High Yield: covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included. Must be rated high-yield (Ba1/BB+ or lower) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. All issues must have at least one year to final maturity regardless of call features and have at least \$150 million par amount outstanding.

BC Multiverse Non-US Hedged: provides a broad-based measure of the international fixed-income bond market. The index represents the union of the BC Global Aggregate Index and the BC Global High Yield Index. In this sense, the term "Multiverse" refers to the concept of multiple universes in a single macro index.

BC US Credit: includes publicly issued U.S. corporate and foreign debentures and secured notes that which are rated investment grade or higher by Moody's Investor Services, Standard and Poor's Corporation, or Fitch Investor's Service, with all issues having at least one year to maturity and an outstanding par value of at least \$250 million. Issues must be publicly issued, dollar-denominated and non-convertible.

BC US Government: includes treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government).

BC Universal: includes market coverage by the Aggregate Bond Index fixed rate debt issues, which are rated investment grade or higher by Moody's Investor Services, Standard and Poor's Corporation, or Fitch Investor's Service, with all issues having at least one year to maturity and an outstanding par value of at least \$100 million) and includes exposures to high yield CMBS securities. All returns are market value weighted inclusive of accrued interest.

Citigroup 3-Month Treasury Bills (T-bills): tracks the performance of U.S. Treasury bills with 3-month maturity.

MSCI ACWI x US ND: comprises both developed and emerging markets less the United States. As of August 2008, the index consisted of 23 countries classified as developed markets and 25 classified as emerging markets. This series approximates the minimum possible dividend reinvestment. The dividend is reinvested after deduction of withholding tax, applying the rate to non-resident individuals who do not benefit from double taxation treaties. MSCI Barra uses withholding tax rates applicable to Luxembourg holding companies, as Luxembourg applies the highest rates.

MSCI EAFE Free (Europe, Australasia, Far East) ND: is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. This series approximates the minimum possible dividend reinvestment. The dividend is reinvested after deduction of withholding tax, applying the rate to non-resident individuals who do not benefit from double taxation treaties. MSCI Barra uses withholding tax rates applicable to Luxembourg holding companies, as Luxembourg applies the highest rates.

MSCI EM (Emerging Markets) GD: is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. This series approximates the maximum possible dividend reinvestment. The amount reinvested is the entire dividend distributed to individuals resident in the country of the company, but does not include tax credits.

MSCI Europe is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. As of June 2007, this index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

MSCI Pacific is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in the Pacific region. As of June 2007, this index consisted of the following 5 Developed Market countries: Australia, Hong Kong, Japan, New Zealand, and Singapore.

NAREIT Index: consists of all tax-qualified REITs listed on the New York Stock Exchange, American Stock Exchange, and the NASDAQ National Market System. The data is market weighted.

NCREIF Property Index: the NPI contains investment-grade, non-agricultural, income-producing properties which may be financed in excess of 5% gross market value; were acquired on behalf of tax exempt institutions; and are held in a fiduciary environment. Returns are gross of fees; including income, realized gains/losses, and appreciation/depreciation; and are market value weighted. Index is lagged one quarter.

Russell 1000: measures the performance of the 1,000 largest securities in the Russell 3000 Index. Russell 1000 is highly correlated with the S&P 500 Index and capitalization-weighted.

Russell 1000 Growth: measures the performance of those Russell 1000 securities with a greater-than-average growth orientation. Securities in this index tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values than the Value universe.

Russell 1000 Value: measures the performance of those Russell 1000 securities with a less-than-average growth orientation. Securities in this index tend to exhibit lower price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the Growth universe.

Russell 2000: measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

Russell 2000 Growth: measures the performance of those Russell 2000 securities with a greater-than-average growth orientation. Securities in this index tend to exhibit higher price-to-book and price-to-earnings ratios.

Russell 2000 Value: measures the performance of those Russell 2000 securities with a less-than-average growth orientation. Securities in this index tend to exhibit lower price-to-book and price-to-earnings ratios.

Russell 3000: represents the largest 3,000 US companies based on total market capitalization, representing approximately 98% of the investable US equity market.

RISK METRIC DESCRIPTION – Rationale for selection and calculation methodology**US Equity Markets**

Metric: P/E ratio = Price / “Normalized” earnings for the S&P 500 Index

To represent the price of US equity markets, we have chosen the S&P 500 index. This index has the longest published history of price, is well known, and also has reliable, long-term, published quarterly earnings. The price= P of the P/E ratio is the current price of the market index (the average daily price of the most recent full month for the S&P 500 index). Equity markets are very volatile. Prices fluctuate significantly during normal times and extremely during periods of market stress or euphoria. Therefore, developing a measure of earnings power (E) which is stable is vitally important, if the measure is to provide insight. While equity prices can and do double, or get cut in half, real earnings power does not change nearly as much. Therefore, we have selected a well known measure of real, stable earnings power developed by Yale Professor Robert Shiller known as the Shiller E-10. The calculation of E-10 is simply the average real annual earnings over the past 10 years. Over 10 years, the earnings shenanigans and boom and bust levels of earnings tend to even out (and often times get restated). Therefore, this earnings statistic gives a reasonably stable, slow-to-change estimate of average real earnings power for the index. Professor Shiller's data and calculation of the E-10 are available on his website at <http://www.econ.yale.edu/~shiller/data.htm>. We have used his data as the base for our calculations. Details of the theoretical justification behind the measure can be found in his book *Irrational Exuberance* [Princeton University Press 2000, Broadway Books 2001, 2nd ed., 2005].

Developed Equity Markets Excluding the US

Metric: P/E ratio = Price / “Normalized” earnings for the MSCI EAFE Index

To represent the price of non-US developed equity markets, we have chosen the MSCI EAFE index. This index has the longest published history of price for non-US developed equities. The price= P of the P/E ratio is the current price of the market index (the average daily price of the most recent full month for the MSCI EAFE index). The price level of this index is available starting in December 1969. Again, for the reasons described above, we elected to use the Shiller E-10 as our measure of earnings (E). Since 12/1972, a monthly price earnings ratio is available from MSCI. Using this quoted ratio, we have backed out the implied trailing-twelve month earnings of the EAFE index for each month from 12/1972 to the present. These annualized earnings are then inflation adjusted using CPI-U to represent real earnings in US dollar terms for each time period. The Shiller E-10 for the EAFE index (10 year average real earnings) is calculated in the same manner as detailed above.

However, we do not believe that the pricing and earnings history of the EAFE markets are long enough to be a reliable representation of pricing history for developed market equities outside of the US. Therefore, in constructing the Long-Term Average Historical P/E for developed ex-US equities for comparison purposes, we have elected to use the US equity market as a developed market proxy, from 1881 to 1982. This lowers the Long-Term Average Historical P/E considerably. We believe this methodology provides a more realistic historical comparison for a market with a relatively short history.

Emerging Market Equity Markets

Metric: Ratio of Emerging Market P/E Ratio to Developed Market P/E Ratio

To represent the Emerging Markets P/E Ratio, we have chosen the MSCI Emerging Market Free Index, which has P/E data back to January 1995 on Bloomberg. To represent the Developed Markets PE Ratio, we have chosen the MSCI World Index, which also has data back to January 1995 on Bloomberg. Although there are issues with published, single time period P/E ratios, in which the denominator effect can cause large movements, we feel that the information contained in such movements will alert investors to market activity that they will want to interpret.

US Private Equity Markets

Metrics: S&P LCD Average EBITDA Multiples Paid in LBOs and US Quarterly Deal Volume

The Average Purchase Price to EBITDA multiples paid in LBOs is published quarterly by S&P in their LCD study. This is the total price paid (both equity and debt) over the trailing-twelve month EBITDA (earnings before interest, taxes, depreciation and amortization) as calculated by S&P LCD. This is the relevant, high-level pricing metric that private equity managers use in assessing deals. Data is published monthly.

US quarterly deal volume for private equity is the total deal volume in \$ billions (both equity and debt) reported in the quarter by Thomson Reuters Buyouts. This metric gives a measure of the level of activity in the market. Data is published quarterly.

US Private Real Estate Markets

Metrics: US Cap Rates, Cap Rate Spreads, and Transactions as a % of Market Value

Real estate cap rates are a measure of the price paid in the market to acquire properties versus their annualized income generation before financing costs (NOI=net operating income). The data, published by NCREIF, describes completed and leased properties (core) on an unleveraged basis. We chose to use current value cap rates. These are capitalization rates from properties that were revalued during the quarter. This data relies on estimates of value and therefore tends to be lagging (estimated prices are slower to rise and slower to fall than transaction prices). The data is published quarterly.

Spreads between the cap rate (described above) and the 10-year nominal Treasury yield, indicate a measure of the cost of properties versus a current measure of the cost of financing.

Transactions as a % of Market Value Trailing-Four Quarters is a measure of property turnover activity in the NCREIF Universe. This quarterly metric is a measure of activity in the market.

Credit Markets Fixed Income

Metric: Spreads

The absolute level of spreads over treasuries and spread trends (widening / narrowing) are good indicators of credit risk in the fixed income markets. Spreads incorporate estimates of future default, but can also be driven by technical dislocations in the fixed income markets. Abnormally narrow spreads (relative to historical levels) indicate higher levels of valuation risk, wide spreads indicate lower levels of valuation risk and / or elevated default fears. Investment grade bond spreads are represented by the Barclays Capital US Corporate Investment Grade Index Intermediate Component. The high yield corporate bond spreads are represented by the Barclays Capital US Corporate High Yield Index.

Measure of Equity Market Fear / Uncertainty

Metric: VIX – Measure of implied option volatility for US equity markets

The VIX is a key measure of near-term volatility conveyed by implied volatility of S&P 500 index option prices. VIX increases with uncertainty and fear. Stocks and the VIX are negatively correlated. Volatility tends to spike when equity markets fall.

Measure of Monetary Policy

Metric: Yield Curve Slope

We calculate the yield curve slope as the 10 year treasury yield minus the 1 year treasury yield. When the yield curve slope is zero or negative, this is a signal to pay attention. A negative yield curve slope signals lower rates in the future, caused by a contraction in economic activity. Recessions are typically preceded by an inverted (negatively sloped) yield curve. A very steep yield curve (2 or greater) indicates a large difference between shorter-term interest rates (the 1 year rate) and longer-term rates (the 10 year rate). This can signal expansion in economic activity in the future, or merely higher future interest rates.

Measures of US Inflation Expectations

Metrics: Breakeven Inflation and Inflation Adjusted Commodity Prices

Inflation is a very important indicator impacting all assets and financial instruments. Breakeven inflation is calculated as the 10 year nominal treasury yield minus the 10 year real yield on US TIPS (treasury inflation protected securities). Abnormally low long-term inflation expectations are indicative of deflationary fears. A rapid rise in breakeven inflation indicates an acceleration in inflationary expectations as market participants sell nominal treasuries and buy TIPS. If breakeven inflation continues to rise quarter over quarter, this is a signal of inflationary worries rising, which may cause Fed action and / or dollar decline.

Commodity price movement (above the rate of inflation) is an indication of anticipated inflation caused by real global economic activity putting pressure on resource prices. We calculate this metric by adjusted in the Dow Jones UBS Commodity Index (formerly Dow Jones AIG Commodity Index) by US CPI-U. While rising commodity prices will not necessarily translate to higher US inflation, higher US inflation will likely show up in higher commodity prices, particularly if world economic activity is robust.

These two measures of anticipated inflation can, and often are, conflicting.

Measures of US Treasury Bond Interest Rate Risk

Metrics: 10-Year Treasury Forward-Looking Real Yield and 10-Year Treasury Duration

The expected annualized real yield of the 10 year US Treasury Bond is a measure of valuation risk for US Treasuries. A low real yield means investors will accept a low rate of expected return for the certainty of receiving their nominal cash flows. PCA estimates the expected annualized real yield by subtracting an estimate of expected 10 year inflation (produced by the Survey of Professional Forecasters as collected by the Federal Reserve Bank of Philadelphia), from the 10 year Treasury constant maturity interest rate.

Duration for the 10-Year Treasury Bond is calculated based on the current yield and a price of 100. This is a measure of expected percentage movements in the price of the bond based on small movements in percentage yield. We make no attempt to account for convexity.

Definition of “Extreme” Metric Readings

A metric reading is defined as “extreme” if the metric reading is in the top or bottom decile of its historical readings. These “extreme” reading should cause the reader to pay attention. These metrics have reverted toward their mean values in the past.

RISK METRICS DESCRIPTION – PCA Market Sentiment Indicator**What is the PCA Market Sentiment Indicator (PMSI)?**

The PMSI is a measure meant to gauge the market's sentiment regarding economic growth risk. Growth risk cuts across most financial assets, and is the largest risk exposure that most portfolios bear. The PMSI takes into account the momentum¹⁷ (trend over time, positive or negative) of the economic growth risk exposure of publicly traded stocks and bonds, as a signal of the future direction of growth risk returns; either positive (risk seeking market sentiment), or negative (risk averse market sentiment).

How do I read the PCA Market Sentiment Indicator (PMSI) graph?

Simply put, the PMSI is a color coded indicator that signals the market's sentiment regarding economic growth risk. It is read left to right chronologically. A green indicator on the PMSI indicates that the market's sentiment towards growth risk is positive. A gray indicator indicates that the market's sentiment towards growth risk is neutral or inconclusive. A red indicator indicates that the market's sentiment towards growth risk is negative. The black line on the graph is the level of the PMSI. The degree of the signal above or below the neutral reading is an indication the signal's current strength.

How is the PCA Market Sentiment Indicator (PMSI) Constructed?

The PMSI is constructed from two sub-elements representing investor sentiment in stocks and bonds:

1. Stock return momentum: Return momentum for the S&P 500 Equity Index (trailing 12-months)
2. Bond yield spread momentum: Momentum of bond yield spreads (excess of the measured bond yield over the identical duration U.S. Treasury bond yield) for corporate bonds (trailing 12-months) for both investment grade bonds (75% weight) and high yield bonds (25% weight). The scale of this measure is adjusted to match that of the stock return momentum measure.

The black line reading on the graph is calculated as the average of the stock return momentum measure and the bonds spread momentum measure. The color reading on the graph is determined as follows:

1. If both stock return momentum and bond spread momentum are positive = GREEN (positive)
2. If one of the momentum indicators is positive, and the other negative = GRAY (inconclusive)
3. If both stock return momentum and bond spread momentum are negative = RED (negative)

What does the PCA Market Sentiment Indicator (PMSI) mean? Why might it be useful?

There is strong evidence that time series momentum is significant and persistent.¹⁸ In particular, across an extensive array of asset classes, the sign of the trailing 12-month return (positive or negative) is indicative of future returns (positive or negative) over the next 12 month period. The PMSI is constructed to measure this momentum in stocks and corporate bond spreads. A reading of green or red is agreement of both the equity and bond measures, indicating that it is likely that this trend (positive or negative) will continue over the next 12 months. When the measures disagree, the indicator turns gray. A gray reading does not necessarily mean a new trend is occurring, as the indicator may move back to green, or into the red from there. The level of the reading (black line) and the number of months at the red or green reading, gives the user additional information on which to form an opinion, and potentially take action.

¹⁷ Momentum is defined as the persistence of relative performance. There is a significant amount of academic evidence indicating that positive momentum (e.g., strong performing stocks over the recent past continue to post strong performance into the near future) exists over near-to-intermediate holding periods. See, for example, "Understanding Momentum," *Financial Analysts Journal*, Scowcroft, Sefton, March, 2005.

¹⁸ "Time Series Momentum" Moskowitz, Ooi, Pedersen, August 2010 <http://pages.stern.nyu.edu/~lpederse/papers/TimeSeriesMomentum.pdf>

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Presentation

(Sophia Skoda)

***Determining ERS' Climate
Change Exposure***

CRISIS RISK OFFSET STRATEGIC CLASS

EBMUD Employees' Retirement System

September 2016



Agenda Items

<u>Section</u>	<u>Tab</u>
Introduction	1
Underlying Strategies	2
Design and Modelling	3
Key Considerations	4

Section 1: Introduction: CRO

Introduction: Crisis Risk Offset (CRO)

Rationale: “True” Diversifying Strategic Class

- A diversifying asset class should produce modest results in most time periods but produce significantly positive results during equity bear markets
- A diversifying class must diversify the entire portfolio. Since the portfolio is economic growth dominated, the class should have a very low correlation to growth risk:
 - Desire negative conditional correlation to equities (when equities decline, convexly positive returns, not symmetric)
 - Desire meaningful reaction to negative equity events
- Must have a positive expected standalone return to risk long term
- The goal of the class is not to be low volatility - It is to be diversifying and meaningful (reactive)
- The class must be cost effective (less dependent upon manager skill, more dependent upon market adjustment mechanisms, risk premia)

Introduction: Crisis Risk Offset (CRO)

Rationale: “True” Diversifying Strategic Class

- In recognition that often over 80% of the portfolio’s assets have significant exposures to economic growth risk, PCA has created a new strategic class that is designed to diversify economic growth risk
- The purpose-driven Crisis Risk Offset (CRO) class is designed specifically to offset declines in strategic classes having significant growth risk exposure in multiple economic/market scenarios where growth-exposed assets will likely decline precipitously
- A diversifying strategic class such as CRO must have a material allocation in order to diversify portfolio level risk
 - Minimum 10% allocation
- PCA has found three strategies that fulfill the goals of a CRO strategic class:
 - Treasury Rate Duration
 - Trend Following
 - Liquid Alternative Risk Premia

Introduction: Crisis Risk Offset (CRO)

Proposed New Class	Purpose	Risk Exposures	Public / Private?	Policy %
Crisis Risk Offset (CRO)	Produce strong returns and liquidity during a growth crisis	- Interest rates always - Variable based on trends - Alternative factor risks	- 100% public markets - Deep & liquid only	> 10%

■ Purpose:

- Offset economic growth risk | Provide significant positive return during growth crises

■ Requirements:

- Invest only in liquid assets/strategies (for rebalancing)
- Negative conditional correlation to equities / credit during drawdowns
- Scalable
- Equity-like volatility (i.e., positive impact needs to be material)
- Allocation size needs to be material (i.e., > 10%)
- Positive expected long-term return (at or above traditional fixed income)
- Cost effective (rely primarily on systematic exposures and less on manager skill)

Section 2: Underlying Strategies

CRO: Underlying Strategies

■ Treasury Rate Duration

- When interest rates decline, instruments with duration increase in value (simple math)
- First dollar loss when an unexpected crisis hits (not yet a trend, or an exogenous shock), or the beginning of an evolving market trend

■ Systematic Trend Following

- Markets trend (over 100 years of evidence)
- Systematic capture of these trends is possible (may take time to reposition)
- Trends are convex, change at an increasing rate (powerful in an endogenous crisis)

■ Alternative Risk Premia

- Not exposed to market risk premia (market neutral)
- Thus, uncorrelated to market risk premia crises (growth crises)
- However, not reactive to market risk premia crises either
- Provide return during non-crisis periods, do no harm during crisis
- Keeps you in the game, least diversifying during crisis

CRO: Underlying Strategies

Component	Summary	Risks	Benefits
U.S. Treasury Duration	Investments in Long-duration U.S. Treasuries or equivalent investments.	Susceptible to interest rate increases, particularly if they are unexpected. Would be expected to lag in strong equity bull markets.	Tend to appreciate significantly when there is a flight-to-quality during the initial part of economic/ market crises. Exhibit no default risk, meaning an investor can recoup any interim capital loss by holding until maturity.
Systematic Trend Following (STF)	Rules-based investing in markets that have been rising and shorting markets that have been falling, expecting that those trends will continue in the near-to intermediate-term.	Entering/exiting market trends at the wrong time, sharp market reversals, or absence of trends; poor implementation.	Produce largest gains in extended extreme up and down markets. Extended bull or bear markets allow appropriate positioning to be taken to capture market trends.
Alternative Premia	The combination of various low-correlated market risk premia (value, momentum, carry, low-vol, etc.) by simultaneously holding long and short more-extreme position exposures in different liquid markets.	May underperform during market reversals; generally shorter track records relative to other components; potential eroding of certain premia over-time caused by increased investment market interest in specific premia strategies. Requires Leverage.	Provides a consistent source of diversifying returns during calm market periods by investing across a variety of liquid markets and risk factors.

- Designed to have different underlying risk and return drivers
- Provide complementary benefits to the portfolio during various market environments
- Combining each of these diversifying components should provide more robust results

Section 3: CRO Design and Modelling

CRO: Design and Modelling

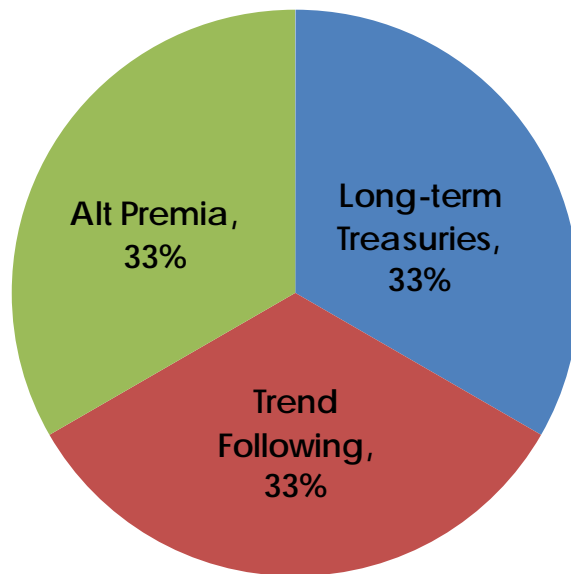
- **Trend Capture** (or Trend Following) investing involves going long markets that have been rising and going short markets that have been falling, betting that those trends continue. The construction of the data set is an equal weighted combination of 1-month, 3-month, and 12-month time series momentum strategies for 59 markets across four major asset classes – 24 commodities, 11 equity indices, 15 bond markets, and nine currency pairs. Leverage can be added (subtracted) to increase (decrease) the strategy volatility and return.
- The **Treasury Duration** excess return is the excess return on the 10 year “constant maturity” security for the year. It is calculated as the coupon [average of year end rates (e.g., (Dec 1969 rate + Dec 1970 rate)/2)], minus duration times the change in rates, minus the return on cash (T-bills) for the year. The excess return is the return of the strategy in excess of cash. Leverage can be added (subtracted) to increase (decrease) the strategy volatility and return. The Treasuries data in the CRO class is scaled to match the volatility of longer-maturity Treasuries.
- **Alternative Risk Premia** investing involves going long and short securities and markets, in a market neutral fashion, to isolate returns historically attributable to the various factors of value, carry, momentum (cross-sectional), and low-volatility. The excess return is the return of the strategy in excess of cash. Leverage can be added (subtracted) to increase (decrease) the strategy volatility and return.
- Trend Capture and Alternative Risk Premia strategies might be considered active management. However, the strategies modeled here are highly systematic in nature, utilizing rules-based approaches to structuring portfolios and capturing the associated risk premiums.

CRO: Design and Modelling

Potential underlying strategies

- Long-term Treasuries (duration)
- Trend Following
- Liquid Alternative Premia

Potential Structure & Modelled Historical Returns

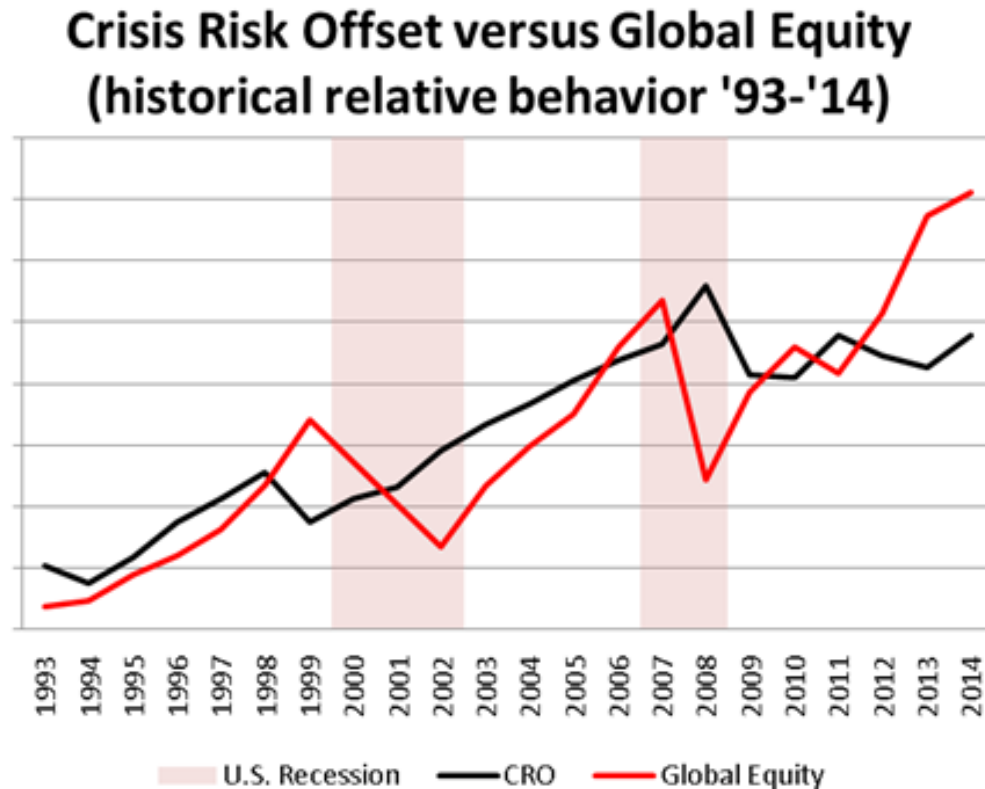


Returns During Challenging Equity Periods

	Global Equities	CRO
1973-1974	-20.2	20.2
1990-1992	-1.4	5.3
2000-2002	-16.3	11.5
2007-2008	-19.2	10.7

CRO: Design and Modelling

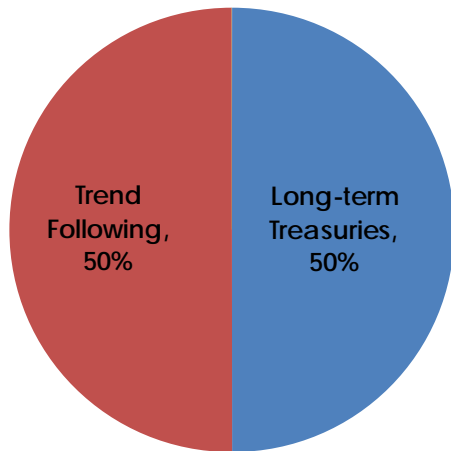
Modelled Historical Performance



- Diversifies the largest risk in all institutional portfolios, growth risk
- Structured to be volatile enough to matter versus equities
- Robust to multiple constructions (weighting has little impact on behavior)

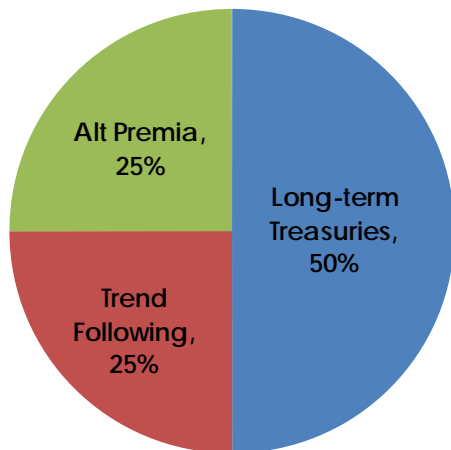
CRO: Design and Modelling

Possible Alternative CRO Structures



Returns During Challenging Equity Periods

	Global Eq.	CRO
1973-1974	-20.2	30.5
1990-1992	-1.4	7.0
2000-2002	-16.3	11.1
2007-2008	-19.2	18.5



Returns During Challenging Equity Periods

	Global Eq.	CRO
1973-1974	-20.2	14.4
1990-1992	-1.4	7.4
2000-2002	-16.3	13.0
2007-2008	-19.2	13.3

Section 4: CRO Key Considerations

CRO: Key Considerations

Implementation

- Treasury Rate Duration
 - Any fixed income manager, internal staff that trade Treasury futures
 - Extremely low cost (<10 basis points)

- Systematic Trend following
 - Also known as systematic managed futures, systematic CTAs
 - Graham, AQR, Fulcrum, Salient, Systematica, Mount Lucas, CFM, etc.
 - Simple trend following has modest cost (50-100 basis points)

- Alternative Risk Premia
 - Most expensive (100+ basis points)
 - Requires a hedge fund implementer (long-short across many markets), sophisticated trading desk, significant leverage, top shelf risk management
 - Limited number of providers with a track record: AQR, Kepos, GSAM

CRO: Key Considerations

Implementation

■ Treasury Rate Duration

- Can be established in the cash markets, but most managers use both cash bonds and futures to create treasury duration
- Two 10-year bonds leveraged have the same duration as a 25 year to 30 year bond

■ Systematic Trend Following

- Can be long or short in different markets, depending on trends
- Different markets have different volatilities (bonds and currencies are less volatile than stock and commodities)
- Less volatile markets require more “leverage” to establish meaningful exposures

■ Alternative Risk Premia

- Typically market neutral to avoid market correlation
- Require significant leverage

CRO: Key Considerations

Additional Staff Responsibilities

- Unlike most classes, this class will need more frequent monitoring and rebalancing between subclasses
 - Class is composed of highly volatile subcomponents
 - Expect that staff will typically conduct monthly rebalancing
 - Rebalancing could be more frequent if moves are significant
- In addition to rebalancing within in the class, rebalancing between the CRO class and the broad public growth class is expected
- Best practices in this area require appropriate management of margin accounts

CRO: Key Considerations

Risks to Consider

- Requirements to implement CRO subclasses – LSD
 - Leverage
 - Shorting
 - Derivatives
- There are questions about whether alternative premia strategies can be implemented over long periods of time at high levels of volatility (leverage)
- Current market environment – CRO, by design, greatly increases overall Plan portfolio's interest risk

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