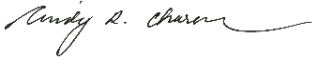


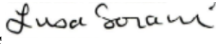
**EAST BAY MUNICIPAL UTILITY DISTRICT**

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DATE: November 20, 2025

MEMO TO: Members of the Retirement Board

THROUGH: Cindy Charan, Director of Human Resources 

FROM: Lisa Sorani, Manager of Employee Services 

SUBJECT: Retirement Board Regular Meeting – 11/20/2025

A regular meeting of the Retirement Board will convene at 9:00 a.m. on Thursday, November 20, 2025. This meeting will be conducted in person with all Retirement Board members physically present in the Administration Training Resource Center, 375 Eleventh Street, Oakland, California, which shall serve as the physical location for members of the public who wish to attend the meeting in person. Please note, however, that members of the public will also be provided with the opportunity to participate via video and teleconference. Public participation will also be available by live audio stream at <https://www.ebmud.com/about-us/board-directors/board-meetings/retirement-board-meetings/>; however, listeners will not be able to provide public comment via live audio stream. To participate in the meeting or provide public comment, please see the Appendix of the Agenda for instructions on joining the Zoom meeting online or by phone.

Some Staff and Presenters may be attending via Zoom which will be broadcast at the meeting.

Enclosed are the agenda items for the November 20, 2025 meeting, and the Minutes for the September 18, 2025 regular meeting. The package also includes the following: **(1) CONSENT items:** Approval of Minutes of the Retirement Board – Regular Meeting of September 18, 2025; Ratifying and Approving Investment Transactions by Retirement Fund Managers for August 2025 and September 2025; Ratifying and Approving the Short-Term Investment Transactions for August 2025 and September 2025; Approving Treasurer’s Statement of Receipts and Disbursements for August 2025 and September 2025; **(2) ACTION items:** Accept Retirement System Audited Financial Report; Approve Revisions to the Statement of Investment Policy and Procedures; Approve Plan to Review and Update the Statement of Investment Policy and Procedures; Declare Semiannual Interest Rate; **(3) INFORMATION items:** CS McKee Investment Manager Market Education and Update; Meketa Performance Report and Economic Review; Portfolio Transition Update; Announce 2026 Retirement Board Calendar; Announce 2026 HIB Value for New 2025 HIB Tier; Announce 2025 Special Election Schedules for Employee Member to the EBMUD Retirement Board; Review of Historical Retirement Board Election Results; Review Proposed Election Board Rule; Update on Pension Implementation Project; Review Retiree Benefit Plan Renewals for Calendar Year 2026; **(4) REPORTS FROM THE RETIREMENT BOARD:**

CC:ls

Enclosure

## AGENDA

### EBMUD EMPLOYEES' RETIREMENT SYSTEM

November 20, 2025

A regular meeting of the Retirement Board will convene at 9:00 a.m. on Thursday, November 20, 2025. This meeting will be conducted with Retirement Board Members physically present in the Administration **Training Resource Center**, 375 Eleventh Street, Oakland, California. This location shall serve as the physical location for members of the public who wish to attend the meeting in person. Please note, however, that members of the public will also be provided with the opportunity to participate via video and teleconference. Public participation will also be available by live audio stream <https://www.ebmud.com/about-us/board-directors/board-meetings/retirement-board-meetings/>; however, listeners will not be able to provide public comment via live audio stream. To participate in the meeting or provide public comment, please see the Appendix of the Agenda for instructions on joining the Zoom meeting online or by phone. Some Presenters may be attending via Zoom.

*Retirement Board Members: Clifford Chan, Marguerite Young, Jae Park and Elizabeth Grassetti*

*Staff to the Retirement Board: Sophia Skoda, Lourdes Matthew, Robert Hannay, Lisa Sorani, Steven Goodman-Leibof, Valerie Weekly and Mae Shepherd*

*Consultants & Presenters: Meketa: Colin Bebee, Sarah Bernstein, Eric Larsen, and Paola Nealon; CS McKee: Brian Allen and Shane Nickolich*

#### **\*\*Public Participation\*\***

**Please see Appendix at end of Agenda for Public Participation Details**

#### **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.

#### **CLOSED SESSION AGENDA**

1. Personnel matters pursuant to Government Code Section 54957: Application for Disability Retirement of Jennifer Shaw.
2. Personnel matters pursuant to Government Code Section 54957: Application for Disability Retirement of Joseph Pangelinan.
3. Personnel matters pursuant to Government Code Section 54957: Application for Disability Retirement of Richard M. Thomas.

## **REGULAR BUSINESS MEETING**

### **CONSENT CALENDAR:**

1. Approval of Minutes of the Retirement Board – Regular Meeting of September 18, 2025 – S. Skoda
2. Ratifying and Approving Investment Transactions by Retirement Fund Managers for August 2025 and September 2025 – S. Skoda
3. Ratifying and Approving Short-Term Investment Transactions for August 2025 and September 2025 – S. Skoda
4. Approving Treasurer’s Statement of Receipts and Disbursements for August 2025 and September 2025 – S. Skoda

### **ACTION:**

5. Accept Retirement System Audited Financial Report – S. Skoda
6. Approve Revisions to the Statement of Investment Policy and Procedures – S. Skoda
7. Approve Plan to Review and Update the Statement of Investment Policy and Procedures – S. Skoda
8. Declare Semi-Annual Interest Rate for the Period Ending June 30, 2025 – C. Charan

### **INFORMATION:**

9. CS McKee Investment Manager Market Education and Update – S. Skoda
10. Meketa Performance Report and Economic Review – S. Skoda
11. Portfolio Transition Update – S. Skoda
12. Announce 2026 Retirement Board Calendar – C. Charan
13. Announce 2026 HIB Value for New 2025 HIB Tier – C. Charan
14. Announce 2025 Special Election Schedules for Employee Member to the EBMUD Retirement Board– C. Charan
15. Review of Historical Retirement Board Elections Results – C. Charan
16. Review Proposed Election Board Rule – C. Charan
17. Update on Pension Implementation Project - C. Charan
18. Review Retiree Benefit Plan Renewals for Calendar Year 2026 – C. Charan

**REPORTS FROM THE RETIREMENT BOARD:**

**ITEMS TO BE CALENDARED:**

**MEETING ADJOURNMENT:**

**The next regular meeting of the Retirement Board will be held on January 22, 2026.**

**Retirement Board Meetings**

- January 22, 2026
- March 19, 2026
- May 21, 2026
- July 9, 2026
- September 17, 2026
- November 19, 2026

## APPENDIX

Retirement Board Meeting  
Thursday, November 20, 2025  
9:00 a.m.

This meeting will be conducted with Retirement Board Members physically present in the Administration Training Resource Center, 375 Eleventh Street, Oakland, California. Members of the public are welcome to attend in person or virtually as described below.  
Please note that Retirement Board meetings are recorded and live-streamed.

To **view the livestream of the Retirement Board Meeting**, without making public comment, please visit: <https://www.ebmud.com/about-us/board-directors/board-meetings/retirement-board-meetings/>

If you wish to join the meeting, or to make public comment, please visit this page beforehand to familiarize yourself with Zoom. <http://support.zoom.us/hc/en-us/articles/201362193-Joining-a-Meeting>

### **Zoom Webinar Information**

You are invited to a Zoom webinar.

**When: Nov 20, 2025 09:00 AM Pacific Time (US and Canada)**

**Topic: November 20, 2025 EBMUD Retirement Board Meeting**

Please click the link below to join the webinar:

<https://ebmud.zoom.us/j/81302048665>

#### **Or One tap mobile:**

+16699006833, 81302048665# US (San Jose)

+16694449171, 81302048665# US

#### **Or Telephone:**

Dial (for higher quality, dial a number based on your current location):

+1 669 900 6833 US (San Jose)

+1 669 444 9171 US

**Webinar ID: 813 0204 8665**

International numbers available: <https://ebmud.zoom.us/u/keBJWVER2K>

### **Providing Public Comment**

The EBMUD 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.

**If you wish to provide public comment, please:**

- Use the raise hand feature in Zoom to indicate you wish to make a public comment  
<https://support.zoom.us/hc/en-us/articles/20055661-Raising-your-hand-in-a-webinar>
  - If you participate by phone, press \*9 to raise your hand
- When prompted by the Asst. Secretary, please state your name, affiliation if applicable, and topic
- The Assistant Secretary will call each speaker in the order received
- Comments on non-agenda items will be heard at the beginning of the meeting
- Comments on agenda items will be heard when the item is up for consideration
- Each Speaker is allotted 3 minutes to speak; The Retirement Board President has the discretion to amend this time based on the number of speakers
- The Assistant Secretary will keep track of time and inform each speaker when time is up

**MINUTES**  
**EBMUD EMPLOYEES' RETIREMENT SYSTEM**  
**September 18, 2025**

A regular meeting of the Retirement Board convened at 9:02 a.m. on Thursday, September 18, 2025. This meeting was conducted with Retirement Board Members physically present in the Administration **Training Resource Center**, 375 Eleventh Street, Oakland, California. This location served as the physical location for members of the public who wished to attend the meeting in person.

**\*\*Public Participation\*\***

**Please see Appendix at end of Agenda for Public Participation Details**

**ROLL CALL:**

**Present:** Jae Park, Clifford Chan, Marguerite Young, Max Fefer, April Chan, and Elizabeth Grassetti

**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.

Diane Eggering, an accounting technician representing Local 2019, requested that future meeting materials and presentations refer to both electronic and paper page numbers to reduce confusion when navigating large packets.

A second comment was shared via email from retiree Theresa Edwards, who expressed concern about the absence of health benefit rates in the meeting packet ahead of open enrollment. She also asked whether United Healthcare's decision to drop some Medicare plans impacted retiree plan rates. Staff responded that rates were finalized later than usual, so they were not ready for inclusion in the board packet. Brochures containing final rates will be mailed to retirees three weeks before open enrollment, which begins on October 20.

There were no further public comments, in person or online.

**REGULAR BUSINESS MEETING**

**CONSENT CALENDAR:**

The consent calendar included four items, approval of July 10, 2025, minutes, ratifying and approving Investment Transactions by Retirement Fund Managers, Short-Term Investment Transactions, and Treasurer's Statement of Receipts and Disbursements for June 2025 and July 2025.

A motion to approve the Consent Calendar, Items #1 through #4, was made by Clifford Chan and seconded by Max Fefer. The motion passed 5-0 by the following vote AYES (A. Chan, M. Young, C. Chan, M. Fefer, and J. Park), NOES (none), ABSTAIN (none), ABSENT (none)

## ACTION:

### 5. **Recommend Retirement Ordinance Amendment to Increase the Elected Term for Employee and Retiree Elected Members from 2-Years to 4-Years – L. Sorani on behalf of C. Charan**

The Board then discussed a proposed amendment to the Retirement Ordinance (Section 4A) that would increase the term length of elected Retirement Board members (both employees and retirees) from two to four years, beginning with elections after January 1, 2026. The amendment is minor in wording but significant in impact, and the proposed language was read aloud during the meeting. The longer term would align more closely with the Board of Directors' terms.

If approved by the Board, this ordinance amendment must also be approval by the Board of Directors following a first and second reading. The amended language must also be published in the newspaper for 30 days before it takes effect.

Jae Park recalled that staff had previously mentioned including language that would stagger the implementation of the 4-year term for one of the seats to avoid having multiple elections in the same year. Clifford Chan pointed out that the MUD Act includes language allowing some flexibility terms for the District's Board of Directors. Jae Park asked that this item be tabled until after the informational items were presented. This would allow staff to draft language, including transition language, for the Board's review before taking action.

Once the Board returned to this item, Diane Eggering (Local 2019) made a public comment, suggesting that candidates should be vested before running for a Retirement Board seat. Max Fefer commented that that members make contributions prior to vesting and Max trusts the voters to pick the right candidate. Staff noted that such a change would require an ordinance amendment.

Marguerite Young mentioned that there has been low candidate interest and voter turnout. Staff should consider ways to increase election engagement, including possible candidate forums. Lourdes Matthew will provide guidance on permissible election communications. Staff intend to propose an Election Board Rule ahead of the 2026 elections. Marguerite Young also requested historical voter turnout data.

Staff revised their recommended Ordinance amendment language as follows:

The Retirement Board shall consist of three members appointed by the Board of Directors of the District and two members elected by and from the membership of the Retirement System; provided however that a non-voting Retired Member chosen by an election process held among Retired Members shall be a representative to the Retirement Board and shall serve a period of two years, **or if elected or re-elected on or after January 1, 2026, shall serve a period of four years, except that in order to stagger the elections of the three elected Retirement Board members, the Retired Member elected in 2026 shall initially serve a period of three years, thereafter the Retired Member shall serve the period of four years.** The two Members so elected by and from the membership shall serve a period of two years, **or if elected on or after January 1, 2026 shall serve a period of four years,** and the remaining three members shall serve until their successors are appointed. Vacancies in the case of the elected members shall be filled by special election. Other vacancies shall be filled by appointment of the Board of Directors of the District.

Director Marguerite Young moved the Retirement Board to recommend the Retirement Ordinance be amended to increase the term from 2-Years to 4-Years, with the exception that the 2026 Retired Member election shall result in a 3-year term. The motion was seconded by Max Fefer. The motion passed unanimously with no opposition or abstentions. The motion passed 4-0 by the following vote AYES (M. Young, C. Chan, M. Fefer, and J. Park), NOES (none), ABSTAIN (none), ABSENT (A. Chan)

## **INFORMATION:**

### **6. RREEF Manager Presentation – S. Skoda**

Sophia Skoda opened the session by welcoming John Shields and Josh Lenhart from DWS (formerly RREEF), a long-time core real estate manager for the system. Sophia Skoda explained that this meeting marked the return of manager presentations after 18 months of internal operational focus with the aim of providing strategic updates and facilitating board questions.

John Shields began with an overview of DWS's real estate platform, noting they manage about \$1 trillion globally, including \$33 billion in U.S. private real estate under the RREEF brand. Founded in 1975, the platform has grown into a national operation with over 100 professionals across 10 offices. Their flagship core fund is RREEF America REIT II (Market Two), focused on income-generating, diversified real estate.

Josh Lenhart then addressed market conditions, describing the current real estate cycle as historically unusual, marked by steep valuation declines driven by interest rate spikes rather than a recession. Appraisals, which initially lagged, have now largely caught up to market pricing. While sector fundamentals remain mixed, residential and industrial are stabilizing post-COVID oversupply, retail is strong, and office is still weak with high vacancies and a projected recovery timeline of 6–8 years.

Josh Lenhart highlighted increasing market bifurcation, particularly in office, where high-quality Class A spaces in cities like San Francisco and New York maintain strong rents, while Class B and C spaces have seen steep declines, and also addressed historical GDP-to-real-estate correlations, noting that 2008's global financial crisis had broader real estate impacts than the 2002 dot-com bust.

Looking ahead, Josh Lenhart emphasized that real estate values tend to revert to replacement costs. Current pricing is about 15% below replacement, while rising construction costs and tight financing suggest future supply constraints that could support rental growth, and expects long-term core returns in the 7–9% range, driven primarily by stable income yields and modest NOI-driven appreciation, rather than cap rate compression.

The fund, RREEF America REIT II, is 25 years old with \$12 billion in net assets and 122 properties. Its occupancy sits at 91%, slightly below target due to industrial softness. The portfolio remains overweighted towards industrial (45%) and has expanded its residential footprint, particularly in the Southeast and Southwest. Retail is gaining emphasis due to strong performance.

Geographically, the fund targets high-growth metro areas like Dallas, Atlanta, and New York, while underweighting weaker markets like parts of San Francisco and Washington, D.C., especially where office fundamentals are poor. A geographic breakdown on slide 45 illustrated

sector-specific allocations across markets, with industrial assets concentrated in the West and Northeast, residential in the Southeast and Southwest, and limited retail/office in select cities.

The fund's industrial strategy focuses on mid-sized assets serving regional demand, avoiding oversupplied large-box centers. Concerns about Florida's climate and insurance risks were addressed, with DWS noting they remain overweighted in the state due to demographic and job growth trends but are actively monitoring environmental exposure.

DWS clarified that while they have owned data centers before, such assets are excluded from the core fund due to power supply uncertainty and volatility. When asked about West Coast residential investment, particularly in San Francisco as an AI hub, the team acknowledged its long-term potential but cited near-term underperformance. Investment in the region would require a compelling thesis aligned with their research, which currently projects short-term weakness.

Performance-wise, the fund has consistently outperformed its NFI-ODCE benchmark across 5-, 7-, and 10-year periods, primarily through strong income return, which has historically driven 80–90% of long-term core real estate performance. A recent Q2 dip, only the second in a decade, was attributed to industrial sector softness, but the team remains confident in the sector's long-term prospects.

On leverage, the fund maintains a conservative 23% debt level, with most debt at a fixed rate and held at the fund level. The average interest rate is 3.9%, and a recent refinancing secured debt at 4.7%, which the team views as favorable.

In closing, the DWS team addressed a question about the possible privatization of Fannie Mae and Freddie Mac, stating that it's too early to assess the impact but noted that the expanding private real estate debt market provides some insulation. A Board Member praised the presentation as one of the best they've seen. Sophia Skoda concluded by affirming that these manager presentations will continue as scheduling permits.

## **7. Performance Report and Economic Review – S. Skoda**

Paula Nealon from Meketa opened by introducing Eric Larsen, who reported that as of Q2's end, the Retirement System's assets totaled just over \$2.8 billion, with an 8.2% quarterly return and outperforming the policy benchmark by 80 basis points. The fund also outpaced peer medians, driven by public equity strength. Eric Larsen noted the fund's relative advantage when private equity underperforms, as its public equity tilt performs better in such periods.

Public equities were the main driver of returns in Q2, with both U.S. and non-U.S. portfolios performing as expected. The covered calls strategy (via Parametric) also outperformed its benchmark. International markets, aided by a weaker U.S. dollar and local recoveries (notably China and Europe), outpaced U.S. equities. These gains were further supported by favorable currency translation and increased non-U.S. defense spending.

Heading into Q3, the trends continued—U.S. large-cap growth and AI-driven stocks led, while international equities benefited from dollar weakness. A recent Fed rate cut, prompted by labor market softening and persistent inflation, was well received by markets, though longer-term Treasury yields stayed high due to concerns about economic health and national debt. Eric Larsen flagged a risk to consumer demand: the top 10% of earners now drive 50% of U.S. consumption, heavily linked to tech stock performance.

Eric Larson then reviewed asset allocation, noting that all classes remain within target ranges. A July snapshot showed implementation of “Stage Two” of the asset transition plan, which Paola Nealon would elaborate on. As of the prior day, the fund was up over 5% for Q3, bringing YTD returns to 13%, beating the benchmark by 100 basis points.

Peer comparisons showed exceptionally strong performance across short-term periods, often ranking in the top decile or percentile, largely due to public equity exposure. Over five and ten years, returns remained competitive but more mixed due to differences in private market allocations.

## **8. Portfolio Implementation Update – S. Skoda**

Paola Nealon from Meketa gave an update on the Stage Two portfolio implementation process, which began on July 1. Paola Nealon reviewed the finalized execution of the Stage Two transition. New managers, Brigade, Beach Point, and Aristotle were added, while Federated and Parametric were removed. Northern Trust facilitated the \$246 million transition, which included a 5% reallocation to high yield and loans and a 1.5% internal rebalancing within core fixed income. Execution costs were only \$29,000 which are well below projections and the transition aligned the portfolio with its new targets while preparing for private debt exposure in 2026. The benchmark was updated accordingly.

A request to discuss CS McKee’s report was deferred due to Brown Act restrictions and may be revisited at a future meeting.

## **9. Private Credit Training Update – S. Skoda**

Sophia Skoda introduced Maya Ortiz de Montellano from Meketa to lead an in-depth training session on private credit, designed to prepare the board for upcoming manager interviews following a recent RFP. With over 25 years of experience, Maya Ortiz de Montellano aimed to build on the Board’s previous introductory education.

Maya Ortiz de Montellano began by sizing the private credit market at approximately \$1.7 trillion (including committed capital), noting it is now comparable to private real estate and larger than the high-yield bond market, though still smaller than the overall U.S. fixed income market, and explained the market’s evolution, highlighting how direct lending became dominant post-Global Financial Crisis as banks pulled back and institutional investors entered.

Maya Ortiz de Montellano introduced Meketa’s framework for categorizing private credit into four segments: direct lending (senior loans, often PE-backed), asset-based lending (secured by receivables or physical assets), special situations (distressed or opportunistic), and diversifying strategies (e.g., litigation finance or royalties). Most RFP respondents are expected to offer evergreen funds in direct or asset-based lending, which align well with pensions' income needs and liquidity goals.

Maya Ortiz de Montellano reviewed the asset class’s strong, steady performance over the past decade, including resilience during the 2020 downturn. Private credit benefits from floating-rate structures, offering attractive yields over public alternatives like high-yield bonds despite recent spread compression, and noted current opportunities are strongest in asset-based lending and select non-U.S. markets.

Slow exits in private equity have opened doors for private credit funds to provide structured financing, offering bridge capital to companies awaiting better market conditions. Regulatory shifts have also created room for private lenders to partner with banks in areas where traditional lending has pulled back.

Maya Ortiz de Montellano explained amortizing vs. bullet loan structures, highlighting the cash flow benefits of combining them for diversification. In response to a question about the Board's 5% allocation target, and noted that it falls within a typical range for institutional investors, though actual allocations vary widely based on each fund's broader strategy.

Sophia Skoda updated the board on the manager search, stating that 2–3 candidates will be brought forward, depending on how clearly, they differentiate. The goal is to present a focused set of options, avoiding unnecessary complexity and delays. Sophia Skoda emphasized the importance of strategic pacing, noting that reallocation typically occurs no more than once every five years unless there's a compelling reason.

A Board Member asked whether lending to PE-backed companies introduces private equity risk. Maya Ortiz de Montellano clarified that while there's indirect exposure, private credit investors are lenders, not owners. They hold senior positions in the capital structure and are focused on credit performance, not equity outcomes. Even in riskier segments like special situations, the exposure remains fundamentally credit based.

The Board looks forward to continuing the private credit selection process in upcoming meetings.

## **10. CEM Benchmarking Update – S. Skoda**

Sophia Skoda introduced Steven Goodman-Leibof who provided the CEM benchmarking update. Steven Goodman-Leibof reminded the Board that the data reflects the 2024 calendar year, not the fiscal year, and includes input from about 200 global retirement plans, of which 124 are U.S. based. East Bay MUD remains one of the smaller plans in the peer group, with \$2.6 billion in assets compared to a median peer size of \$8 billion, a decrease from last year due to fewer large plans participating.

East Bay MUD outperformed its peers with a 12% return versus a 4.3% median. Steven Goodman-Leibof explained that much of the peer underperformance reflects more conservative allocations in mature, income-oriented private pension plans. In terms of net value added, returns were above what a passive benchmark would have produced. East Bay MUD reported -0.02%, and emphasized this is consistent with expectations for a portfolio heavily invested in low-cost passive strategies, where outcomes tend to reflect the performance of a small number of active managers.

The plan also ranked as low-cost, with total expenses at 17.3 basis points compared to a 55.9 basis point peer median. However, both Steven Goodman-Leibof and the Board noted that future costs may rise with the addition of private credit and administrative tools like PensionGold. Sophia Skoda emphasized that cost efficiency should be balanced with high-quality service and oversight, especially as the system grows and evolves.

A Board Member asked whether reported costs include both investment and administrative expenses. Steven Goodman-Leibof confirmed they do but clarified that because East Bay MUD doesn't employ full-time dedicated retirement system staff, CEM imputes administrative costs using a standard estimate (1.5 basis points). This can distort comparisons for smaller or differently staffed plans. Additionally, oversight costs appear higher as a percentage due to the plan's small asset base, not due to high actual spending.

This year's CEM report introduced a "global reporting principles scorecard," where East Bay MUD scored 95 out of 100. While the Board welcomed the score, they acknowledged the grading methodology felt subjective and more like a "beauty contest" than a rigorous evaluation.

Steven Goodman-Leibof concluded by affirming that East Bay MUD's investment and administrative model continues to deliver strong results, especially considering the plan's size.

**11. Update on Pension Project – L. Sorani on behalf of C. Charan**

Lisa Sorani provided an update on the pension project. The project, tied to the broader HRIS replacement initiative, requires extracting pension data from PeopleSoft before proceeding. Progress continues the core HR project, with consultants soon to be contracted and four-day workshops planned across HR, finance, pension, and payroll teams. An emergency payroll project has also been launched, with all efforts coordinated by a central HRIS Steering Committee.

Valerie Weekly gave a detailed pension project update, noting the team is finalizing software deliverables and completing tasks from prior phases. A new HRIS analyst is revising policies to align with the new system. Work is underway to develop requirements for PensionGold's new HIB tier, which must integrate with PeopleSoft and payroll systems. Data conversion continues but may be slow due to a recent staff retirement. A transition plan is being created to ensure knowledge transfer to Retirement Services. Updates to EBMUD's pension web pages are also progressing. Key risks include managing multiple overlapping projects, integrating the new HIB tier, and ensuring PeopleSoft updates are completed before further PensionGold development.

**REPORTS FROM THE RETIREMENT BOARD:**

Max Fefer shared a positive experience at the SACRS UC Berkeley program and recommended it for board development. Another board member endorsed the CALAPRS program.


**ITEMS TO BE CALENDARED:**

None

**MEETING ADJOURNMENT:** Meeting adjourned at 11:14 a.m.

  
\_\_\_\_\_  
President

ATTEST:

  
\_\_\_\_\_  
Asst. Secretary


11/20/2025

**EAST BAY MUNICIPAL UTILITY DISTRICT**

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DATE: November 20, 2025

MEMO TO: Members of the Retirement Board

FROM: Sophia D. Skoda, Director of Finance 

SUBJECT: Investment Transactions by Retirement Fund Managers for August 2025 and September 2025

The attached Investment Transactions by Retirement Fund Managers report for the months of August 2025 and September 2025 is hereby submitted for Retirement Board approval.

SDS:RLH:SGL

Attachment: Investment Transactions by Retirement Fund Managers

R.B. RESOLUTION NO. 7041

RATIFYING AND APPROVING INVESTMENT TRANSACTIONS BY FUND MANAGERS  
FOR AUGUST 2025 AND SEPTEMBER 2025

Introduced by: Marguerite Young ; Seconded by: Clifford Chan


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 August 2025 and September 2025, 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 Exhibit A are hereby ratified and approved.

  
\_\_\_\_\_  
President

ATTEST.

  
\_\_\_\_\_  
Asst. Secretary

11/20/2025

## INVESTMENT TRANSACTIONS BY RETIREMENT FUND MANAGERS

**August 2025**

	PURCHASES	SALES	PORTFOLIO VALUE
<b><u>FIXED INCOME</u></b>			
C.S. McKee	\$51,533,106	\$49,170,764	\$253,254,322
Federated Bank Loans	\$0	\$0	\$130,432
Garcia Hamilton Associates	\$16,513,598	\$13,608,281	\$246,891,418
Mackay Shields - HY	\$1,811,213	\$1,252,349	\$66,948,582
<b>Total Fixed Income</b>	<b>\$69,857,917</b>	<b>\$64,031,394</b>	<b>\$567,224,755</b>
<b><u>DOMESTIC EQUITY</u></b>			
Russell 3000 Index Fund	\$0	\$35,586	\$1,108,228,154
<b>Total Domestic Equity</b>	<b>\$0</b>	<b>\$35,586</b>	<b>\$1,108,228,154</b>
<b><u>COVERED CALLS</u></b>			
Parametric (BXM)	\$0	\$8,466	\$163,441
Parametric (Delta-Shift)	\$2,223,882	\$1,870,467	\$210,984,027
Van Hulzen	\$0	\$0	\$0
<b>Total Covered Calls</b>	<b>\$2,223,882</b>	<b>\$1,878,933</b>	<b>\$211,147,468</b>
<b><u>INTERNATIONAL EQUITY</u></b>			
ACWI Index fund	\$0	\$35,750	\$743,426,783
Global Transition	\$0	\$0	\$826,756
<b>Total International Equity</b>	<b>\$0</b>	<b>\$35,750</b>	<b>\$744,253,539</b>
<b><u>REAL ESTATE EQUITY</u></b>			
RREEF America II	\$0	\$0	\$54,468,249
CenterSquare	\$0	\$0	\$0
<b>Total Real Estate</b>	<b>\$0</b>	<b>\$0</b>	<b>\$54,468,249</b>
<b>TOTAL ALL FUND MANAGERS</b>	<b>\$72,081,799</b>	<b>\$65,981,663</b>	<b>\$2,685,322,165</b>

**September 2025**

	PURCHASES	SALES	PORTFOLIO VALUE
<b><u>FIXED INCOME</u></b>			
C.S. McKee	\$58,814,712	\$55,185,785	\$256,345,680
Federated Bank Loans	\$0	\$0	\$130,893
Garcia Hamilton Associates	\$4,600,048	\$3,505,710	\$250,182,183
Mackay Shields - HY	\$3,774,367	\$1,137,801	\$67,339,175
<b>Total Fixed Income</b>	<b>\$67,189,127</b>	<b>\$59,829,296</b>	<b>\$573,997,930</b>
<b><u>DOMESTIC EQUITY</u></b>			
Russell 3000 Index Fund	\$0	\$0	\$1,146,501,063
<b>Total Domestic Equity</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,146,501,063</b>
<b><u>COVERED CALLS</u></b>			
Parametric (BXM)	\$0	\$0	\$164,254
Parametric (Delta-Shift)	\$4,211,334	\$3,985,612	\$216,073,139
Van Hulzen	\$0	\$0	\$0
<b>Total Covered Calls</b>	<b>\$4,211,334</b>	<b>\$3,985,612</b>	<b>\$216,237,393</b>
<b><u>INTERNATIONAL EQUITY</u></b>			
ACWI Index fund	\$0	\$0	\$770,369,579
Global Transition	\$0	\$0	\$829,628
<b>Total International Equity</b>	<b>\$0</b>	<b>\$0</b>	<b>\$771,199,207</b>
<b><u>REAL ESTATE EQUITY</u></b>			
RREEF America II	\$0	\$0	\$54,470,187
CenterSquare	\$0	\$0	\$0
<b>Total Real Estate</b>	<b>\$0</b>	<b>\$0</b>	<b>\$54,470,187</b>
<b>TOTAL ALL FUND MANAGERS</b>	<b>\$71,400,461</b>	<b>\$63,814,908</b>	<b>\$2,762,405,781</b>

Prepared By: Sherry Sarcos  
Sherry Sarcos, Accounting Technician

Date: 10/22/2025

**EAST BAY MUNICIPAL UTILITY DISTRICT**

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DATE: November 20, 2025

MEMO TO: Members of the Retirement Board

FROM: Sophia D. Skoda, Director of Finance *SDS*

SUBJECT: Short Term Investment Transactions for August 2025 and September 2025

The attached Short Term Investment Transactions reports for the months of August 2025 and September 2025 are hereby submitted for Retirement Board approval.

SDS:RLH:SGL

Attachments: Short Term Investment Transactions August 2025  
Short Term Investment Transactions September 2025

R.B. RESOLUTION NO. 7042

RATIFYING AND APPROVING SHORT TERM INVESTMENT TRANSACTIONS BY THE  
TREASURER FOR AUGUST 2025 AND SEPTEMBER 2025

Introduced by: Marguerite Young ; Seconded by: Clifford Chan

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 August 2025 and September 2025, 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 reports for August 2025 and September 2025 are hereby ratified and approved.



\_\_\_\_\_  
President

ATTEST:

Luca Sorani

ASST. Secretary

11/20/2025

**EBMUD EMPLOYEES' RETIREMENT SYSTEM  
SHORT TERM INVESTMENT TRANSACTIONS  
CONSUMMATED BY THE TREASURER  
MONTH OF AUGUST 2025**

	<u>COST/ FACE VALUE</u>	<u>DESCRIPTION</u>	<u>DATE OF PURCHASE</u>	<u>DATE OF SALE/MATURITY</u>	<u>YIELD (%)</u>
\$	7,072,000.00	Local Agency Investment Fund	1-Aug-25		4.251
\$	5,935,000.00	Local Agency Investment Fund	15-Aug-25		4.251
\$	(14,200,000.00)	Local Agency Investment Fund		28-Aug-25	4.251
\$	5,968,000.00	Local Agency Investment Fund	29-Aug-25		4.251
<b>\$</b>	<b><u>4,775,000.00</u></b>	Net Activity for Month			

\$	3,122,126.86	Beginning Balance
	<u>4,775,000.00</u>	Net Activity for Month
<b>\$</b>	<b><u>7,897,126.86</u></b>	Ending Balance

SUBMITTED BY David Glasser  
David Glasser  
Controller

DATE 10/22/2025

Robert L. Hannay  
Robert L. Hannay  
Treasury Mgr.

Kevin Ma  
Kevin Ma  
Acct. Sys. Supv.  
prepared by Ssarcos

**EBMUD EMPLOYEES' RETIREMENT SYSTEM  
SHORT TERM INVESTMENT TRANSACTIONS  
CONSUMMATED BY THE TREASURER  
MONTH OF SEPTEMBER 2025**

<u>COST/ FACE VALUE</u>	<u>DESCRIPTION</u>	<u>DATE OF PURCHASE</u>	<u>DATE OF SALE/MATURITY</u>	<u>YIELD (%)</u>
\$ 5,965,000.00	Local Agency Investment Fund	12-Sep-25		4.212
\$ 5,963,000.00	Local Agency Investment Fund	26-Sep-25		4.212
<b><u>\$ 11,928,000.00</u></b>	Net Activity for Month			
\$ 7,897,126.86	Beginning Balance			
<u>11,928,000.00</u>	Net Activity for Month			
<b><u>\$ 19,825,126.86</u></b>	Ending Balance			

SUBMITTED BY David Glasser  
David Glasser  
Controller

DATE 10/22/2025

Robert L. Hannay  
Robert L. Hannay  
Treasury Mgr.

Kevin Ma  
Kevin Ma  
Acct. Sys. Supv.  
prepared by Ssarcos

**EAST BAY MUNICIPAL UTILITY DISTRICT**

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DATE: November 20, 2025

MEMO TO: Members of the Retirement Board

FROM: Sophia D. Skoda, Director of Finance *SDS*

SUBJECT: Treasurer's Statement of Receipts and Disbursements for August 2025 and September 2025

**SUMMARY**

The attached Treasurer's Statement of Receipts and Disbursements reports for the months of August 2025 and September 2025 are hereby submitted for Retirement Board approval.

SDS:RLH:SGL

Attachments: Statement of Receipts and Disbursements August 2025  
Statement of Receipts and Disbursements September 2025

**STATEMENT OF RECEIPTS AND DISBURSEMENTS  
EMPLOYEES' RETIREMENT FUND  
MONTH OF August 2025**

CASH BALANCE at July 31, 2025		\$	2,429,343.30
<b><u>Receipts</u></b>			
Employees' Contributions	\$		3,324,068.32
District Contributions			15,858,708.48
LAIF Redemptions			14,200,000.00
Northern Trust Redemptions			0.00
Refunds and Commission Recapture			<u>49,669.60</u>
TOTAL Receipts			33,432,446.40
<b><u>Disbursements</u></b>			
Checks/Wires Issued:			
Service Retirement Allowances	\$		12,393,899.39
Disability Retirement Allowances			171,281.92
Health Insurance Benefit			2,411,383.30
Payments to Retiree's Resigned/Deceased			2,130.24
LAIF Deposits			18,975,000.00
Administrative Cost			<u>307,052.79</u>
TOTAL Disbursements			<u>(34,260,747.64)</u>
CASH BALANCE at August 31, 2025		\$	<u>1,601,042.06</u>
LAIF			<u>7,897,126.86</u>
LAIF and CASH BALANCE at August 31, 2025		\$	<u>9,498,168.92</u>
<b><u>Domestic Equity</u></b>			
Russell 3000 Index Fund	\$		<u>1,108,228,153.91</u>
Subtotal Domestic Equity			1,108,228,153.91
<b><u>Covered Calls</u></b>			
Parametric (BXM)	\$		163,441.19
Parametric (Delta-Shift)			210,984,027.19
Van Hulzen			<u>0.00</u>
Subtotal Covered Calls			211,147,468.38
<b><u>International Equity</u></b>			
ACWI Index fund	\$		743,426,783.10
Global Transition			<u>826,755.64</u>
Subtotal International Equity			744,253,538.74
<b><u>Real Estate</u></b>			
RREEF America REIT II	\$		54,468,248.67
Center Square			<u>0.00</u>
Subtotal Real Estate			54,468,248.67
<b><u>Fixed Income</u></b>			
CS Mckee	\$		253,254,322.42
Federated Bank Loans			130,432.48
Garcia Hamilton Associates			246,891,417.85
Mackay Shields-High Yield			66,948,582.31
Subtotal Fixed Income			567,224,755.06
Total for Domestic and International Equities			<u>2,685,322,164.76</u>
MARKET VALUE of ASSETS at August 31, 2025		\$	<u>2,694,820,333.68</u>

Respectfully submitted,

*David Glasser*

David Glasser  
Controller

*Robert L. Hannay*

Robert L. Hannay  
Treasury Mgr.

*Kevin Ma*

Kevin Ma  
Acct. Sys. Supv.

**STATEMENT OF RECEIPTS AND DISBURSEMENTS  
EMPLOYEES' RETIREMENT FUND  
MONTH OF September 2025**

CASH BALANCE at August 31, 2025		\$	1,601,042.06
<b><u>Receipts</u></b>			
Employees' Contributions	\$	2,085,776.44	
District Contributions		9,968,986.79	
LAIF Redemptions		0.00	
Northern Trust Redemptions		0.00	
Refunds and Commission Recapture		<u>26,982.38</u>	
TOTAL Receipts			12,081,745.61
<b><u>Disbursements</u></b>			
Checks/Wires Issued:			
Service Retirement Allowances	\$	12,400,606.13	
Disability Retirement Allowances		171,281.92	
Health Insurance Benefit		1,571,729.07	
Payments to Retiree's Resigned/Deceased		23,043.27	
LAIF Deposits		11,928,000.00	
Administrative Cost		<u>493,993.95</u>	
TOTAL Disbursements			<u>(26,588,654.34)</u>
CASH BALANCE at September 30, 2025		\$	<u>(12,905,866.67)</u>
LAIF			<u>19,825,126.86</u>
LAIF and CASH BALANCE at September 30, 2025		\$	<u>6,919,260.19</u>
<b><u>Domestic Equity</u></b>			
Russell 3000 Index Fund	\$	<u>1,146,501,063.45</u>	
Subtotal Domestic Equity		1,146,501,063.45	
<b><u>Covered Calls</u></b>			
Parametric (BXM)	\$	164,254.27	
Parametric (Delta-Shift)		216,073,138.91	
Van Hulzen		<u>0.00</u>	
Subtotal Covered Calls		216,237,393.18	
<b><u>International Equity</u></b>			
ACWI Index fund	\$	770,369,579.40	
Global Transition		<u>829,627.56</u>	
Subtotal International Equity		771,199,206.96	
<b><u>Real Estate</u></b>			
RREEF America REIT II	\$	54,470,187.25	
Center Square		<u>0.00</u>	
Subtotal Real Estate		54,470,187.25	
<b><u>Fixed Income</u></b>			
CS Mckee	\$	256,345,679.58	
Federated Bank Loans		130,893.31	
Garcia Hamilton Associates		250,182,182.74	
Mackay Shields-High Yield		67,339,174.71	
Subtotal Fixed Income		573,997,930.34	
Total for Domestic and International Equities			<u>2,762,405,781.18</u>
MARKET VALUE of ASSETS at September 30, 2025		\$	<u>2,769,325,041.37</u>

Respectfully submitted,

*David Glasser*

\_\_\_\_\_  
David Glasser  
Controller

*mt Hannay*

\_\_\_\_\_  
Robert L. Hannay  
Treasury Mgr.

*Kevin Ma*

\_\_\_\_\_  
Kevin Ma  
Acct. Sys. Supv.

## EAST BAY MUNICIPAL UTILITY DISTRICT

---

DATE: November 20, 2025

MEMO TO: Members of the Retirement Board

FROM: Sophia D. Skoda, Director of Finance *SDS*

SUBJECT: Presentation of Retirement System Audited Financial Report

### SUMMARY

Each year staff prepares an audited financial report for the Retirement System and presents the report to the Retirement Board. Attached to this memo are the Letter of Transmittal, Basic Financial Statements, and Supplementary Information for the Retirement System for the year ending June 30, 2025. The report has been audited by Lance, Soll & Lunghard, LLP, the Retirement System's Independent Auditor. The opinion of the Independent Auditor is included in the report.

Attachments: Letter of Transmittal: Financial Report of the EBMUDERS  
EBMUDERS Financial Statements and Supplementary Information

November 20, 2025

The Retirement Board  
East Bay Municipal Utility District Employees' Retirement System  
375 11th Street  
Oakland, CA 94607

**Letter of Transmittal: Financial Report of the East Bay Municipal Utility District Employees' Retirement System for the Year Ended June 30, 2025**

Dear Board Members:

The financial report of the Employees' Retirement System (Retirement System) for the year ended June 30, 2025, is transmitted herewith as required by Section 4 of the Ordinance establishing the Retirement System. This report consists of the Basic Financial Statements and Supplementary Information for the year ended June 30, 2025 (with the Independent Auditors' report therein) as examined and accompanied by the opinion of Lance, Soll & Lunghard, LLP (LSL CPAs and Advisors).

The Retirement System's net assets as of June 30, 2025 were \$2,826.08 million, an increase of \$309.05 million (12.28 percent) during the year. As detailed in the Meketa Investment Group report to the Retirement System Board on September 18, 2025, the gross investment return for Fiscal Year (FY) 2025 was 13.3 percent and the annualized gross investment return for the five years ending June 30, 2025 was 9.9 percent, or 3.15 percent more than the 6.75 percent actuarial assumed investment rate of return.

During FY 2025, the Retirement Board approved a cost-of-living adjustment (COLA) benefit of 2.80 percent, effective July 1, 2025.

**Review of Schedule and Charts**

Chart 1: Membership Activity

As of June 30, 2025, the number of active members (including terminated vested employees) increased by 44 to a total of 2,425, while the number of members receiving retirement, disability retirement, or survivor benefits increased by 59 to 2,235 people. This represents an average increase of 1.93 percent per year over the last 10 years for active members and an average increase of 3.64 percent per year over the last 10 years for retired members and survivors.

Chart 2: Service, Disability, Death and Health Benefits Paid to Retired Members

During FY 2025, \$166.83 million was paid to retired members and beneficiaries, an increase of 5.74 percent from FY 2024. Pension benefit payments increased by 6.16 percent while health insurance benefit payments decreased by 0.47 percent.

### Chart 3: Contributions Received

During FY 2025, District and member contributions (net of members' refunds) were \$122.75 million and \$24.25 million, respectively, for a total of \$147.00 million, an increase of 5.04 percent from FY 2024. The District's \$122.75 million contribution was 83.50 percent of the total amount contributed to the Plan, an increase of \$5.41 million from FY 2024. The District adopted FY 2025 contribution rates at the staff recommended levels, 49.02 percent for the 1980 Plan and 40.07 percent for the 2013 Plan. For the 1980 Plan, the employee contribution rate remained unchanged at 8.75 percent. For the 2013 Plan, the employee contribution rate remained unchanged at 9.50 percent. The 2013 Plan employee contribution rate is set at 50 percent of the total normal cost rate and would only be adjusted if a change in assumptions would result in an adjustment to the normal rate of more than 1 percent of payroll.

### Chart 4: Sources of Funds

FY 2025 Retirement System revenue came from three sources: District contributions, Members contributions net of refunds, and net investment income or losses. The District and Member contributions increased in FY 2025 due to the increases in the total number of members and overall payroll. Gross investment income or loss includes interest, dividends, earnings from real estate investments and net realized and unrealized gains or losses on investments and varies from year to year. To help maintain stable contribution rates, investment returns (or losses) are amortized equally over a 5-year period. Since July 1, 2021 changes in the Unfunded Actuarial Accrued Liability (UAAL) resulting from plan changes are amortized over separate decreasing 15-year periods, assumption and method changes are amortized over separate decreasing 20-year periods, and experience gains/losses are amortized over separate decreasing 20-year periods.

### Chart 5: Net Pension Liability (NPL) and Funded Ratio

The Net Pension Liability is the Plan's liability determined in accordance with GASB 67 and 68 less the fiduciary net position. The June 30, 2025 NPL is based on actuarial valuations measured as of June 30, 2024. During the year ended June 30, 2025, the NPL decreased by \$102.17 million primarily due to the return on the market value of assets (MVA) for the Pension Plan of 12.57% during 2023/2024 that was more than the assumption of 6.75% used in the June 30, 2023 valuation (a gain of approximately \$127 million), offset by the change in actuarial assumptions and methodology (a loss of approximately \$25 million). As of the June 30, 2025 reporting date (June 30, 2024 Measurement Date), the Net Pension Liability is \$698.12 million.

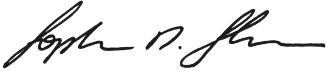
### Chart 6: Net OPEB Liability (NOL) and Funded Ratio

The Net OPEB Liability is the Plan's liability determined in accordance with GASB 74 and 75. The June 30, 2025 NOL is based on actuarial valuations measured as of June 30, 2024. During the year ended June 30, 2025, the NOL decreased by \$13.92 million primarily due to an update of the discount rate from 5.23% to 5.58% and from the effect of various assumption changes made. This decrease in liability was slightly offset by a liability increase resulting from premium updates. As

The Retirement Board  
November 20, 2025  
Page 3

of the June 30, 2025 reporting date (June 30, 2024 Measurement Date), the Net OPEB Liability is \$118.46 million.

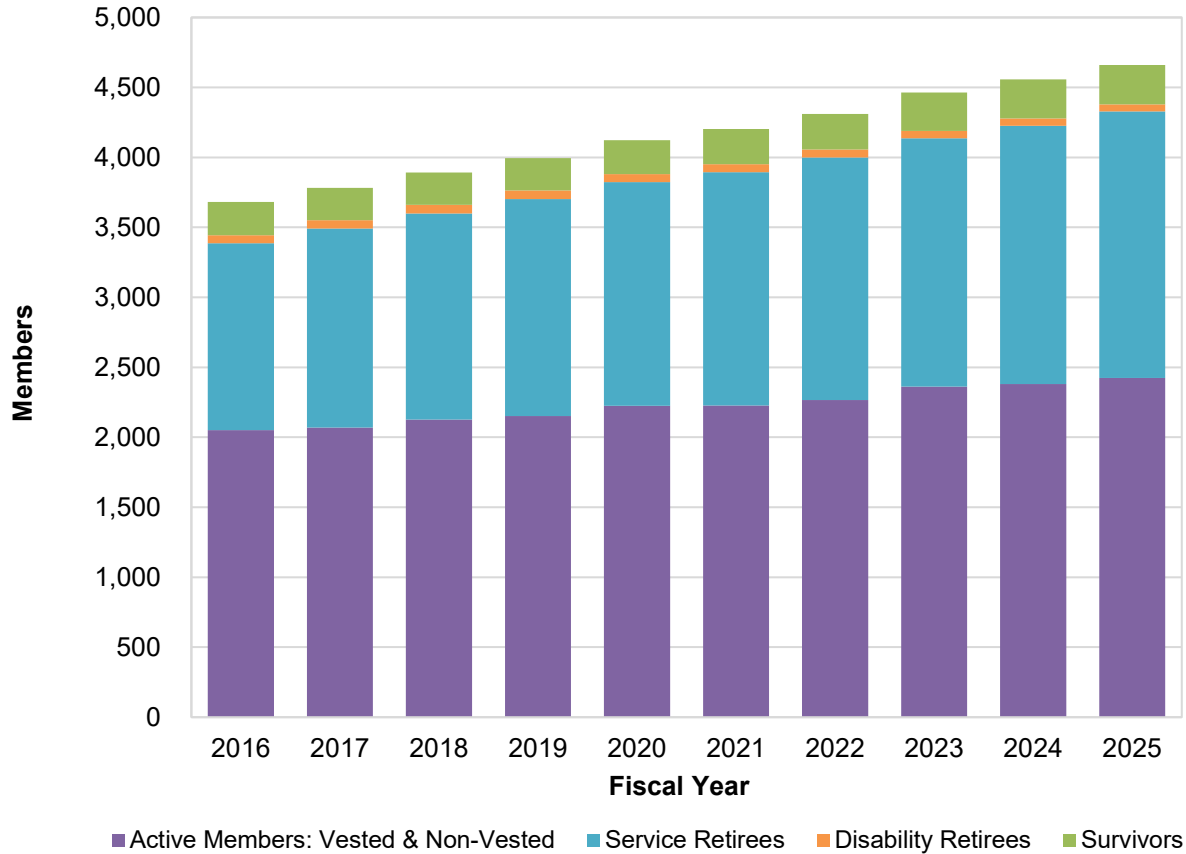
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sophia D. Skoda".

Sophia D. Skoda  
Director of Finance – East Bay Municipal Utility District  
Treasurer – Employees' Retirement System

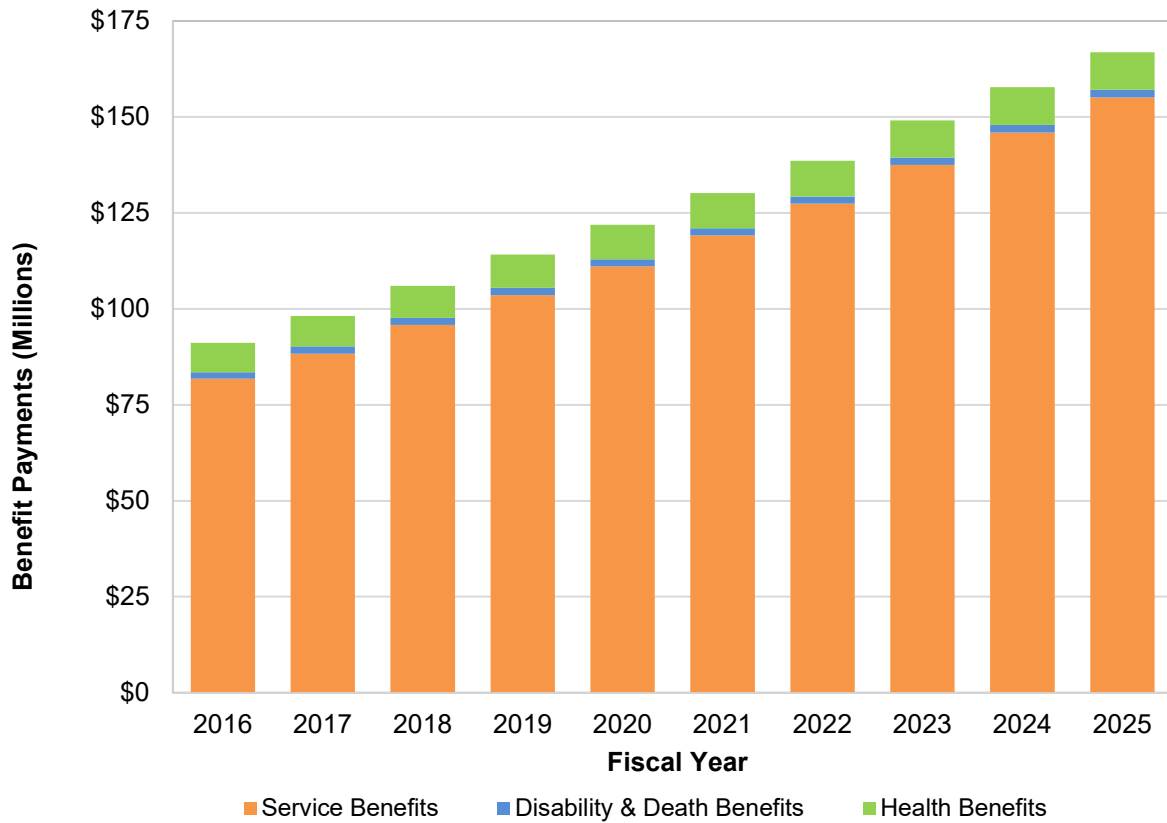
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**Chart 1:  
 Membership Activity**



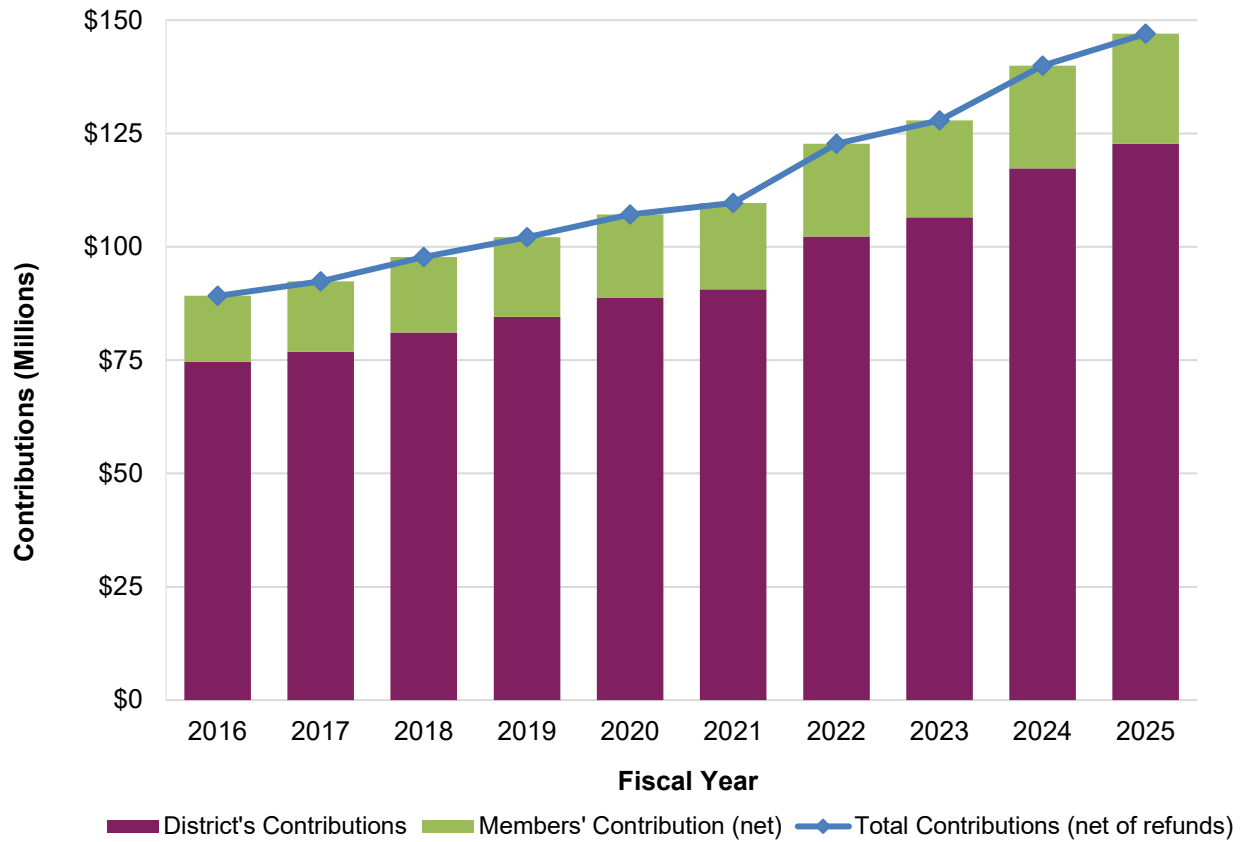
<b>Membership Activity</b>										
<b>Fiscal Year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Active: Vested and Non-Vested	2,051	2,070	2,126	2,152	2,224	2,228	2,267	2,362	2,381	2,425
Service Retirees	1,335	1,422	1,474	1,550	1,600	1,667	1,733	1,775	1,844	1,903
Disability Retirees	59	60	62	61	56	56	56	53	53	51
Survivors	236	230	230	232	242	252	254	273	279	281
<b>Total</b>	<b>3,681</b>	<b>3,782</b>	<b>3,892</b>	<b>3,995</b>	<b>4,122</b>	<b>4,203</b>	<b>4,310</b>	<b>4,463</b>	<b>4,557</b>	<b>4,660</b>

**Chart 2:  
 Service, Disability, Death & Health Benefits  
 Paid to Retired Members**



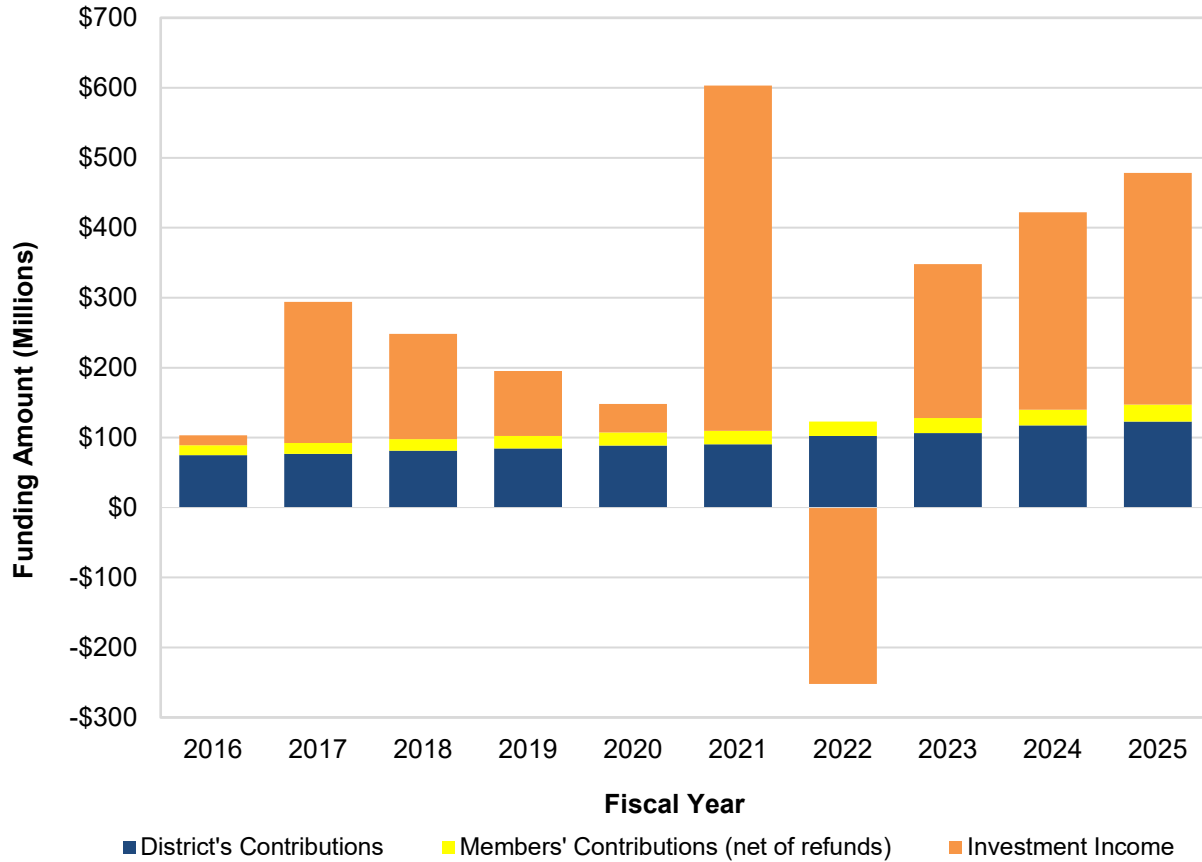
<b>Service, Disability, Death, and Health Benefits (in \$ millions)</b>										
<b>Fiscal Year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Service Benefits	81.77	88.32	95.81	103.56	111.07	119.13	127.38	137.47	145.95	155.08
Disability and Death Benefits	1.70	1.92	1.86	1.96	1.86	1.85	1.86	1.93	2.00	1.97
Health Benefits	7.68	7.91	8.31	8.65	8.96	9.22	9.34	9.70	9.82	9.78
<b>Total</b>	<b>91.15</b>	<b>98.15</b>	<b>105.98</b>	<b>114.17</b>	<b>121.89</b>	<b>130.20</b>	<b>138.58</b>	<b>149.10</b>	<b>157.77</b>	<b>166.83</b>

**Chart 3:  
 Contributions Received**



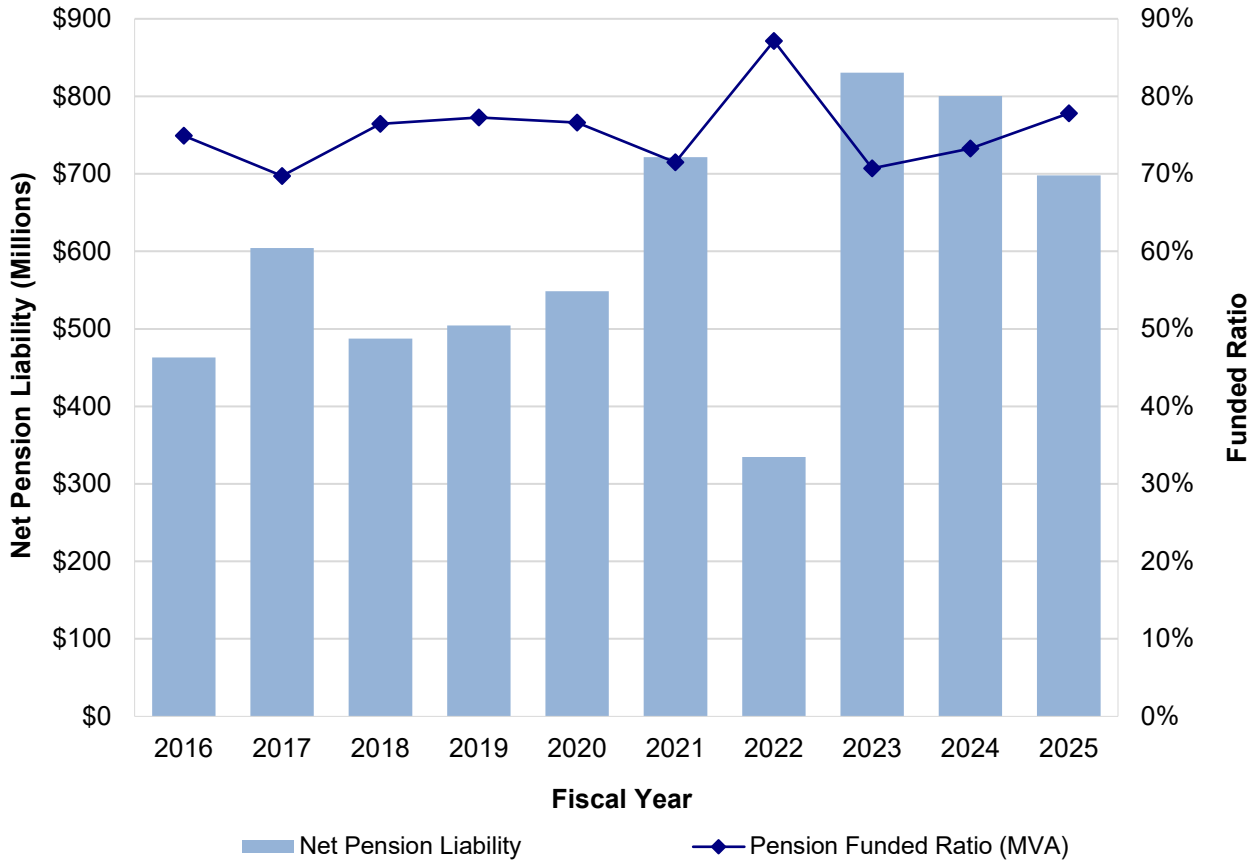
<b>Contributions Received (in \$ millions)</b>										
<b>Fiscal Year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
District Contributions	74.67	76.86	81.10	84.55	88.73	90.62	102.28	106.52	117.34	122.75
Members Contributions (net)	14.51	15.55	16.68	17.60	18.42	19.06	20.43	21.40	22.61	24.25
Total Contributions (net of refunds)	89.18	92.41	97.78	102.15	107.15	109.68	122.71	127.92	139.95	147.00

**Chart 4:  
 Sources of Funds**



<b>Total Source of Funds (in \$ millions)</b>										
<b>Fiscal Year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Investment Income/(loss)	14.20	201.68	150.35	93.25	40.86	493.55	(252.00)	219.63	282.05	331.42
Members Contributions (net of refunds)	14.51	15.55	16.68	17.60	18.42	19.06	20.43	21.40	22.61	24.25
District Contributions	74.67	76.86	81.10	84.55	88.73	90.62	102.28	106.52	117.34	122.75

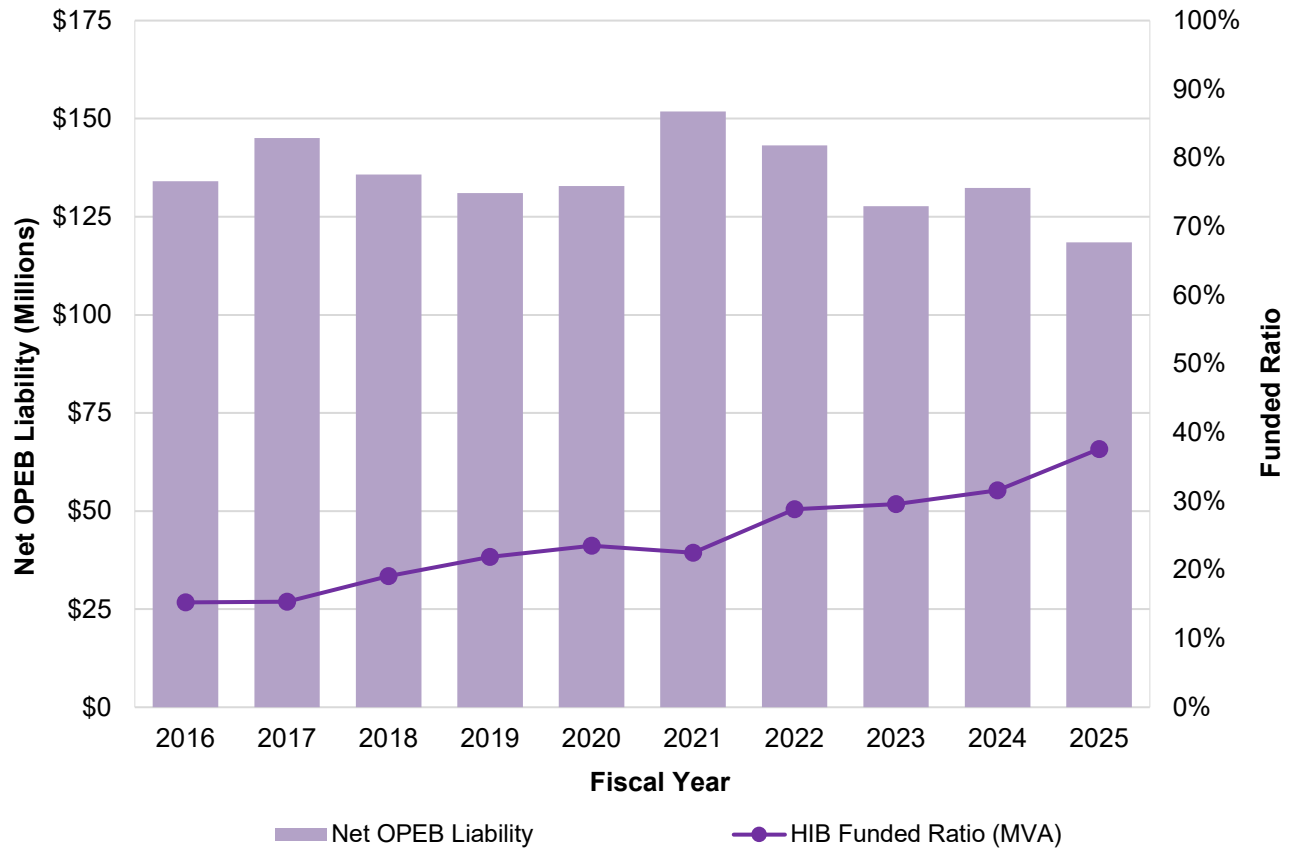
**Chart 5:  
 Net Pension Liability & Funded Ratio**



<b>Net Pension Liability (in \$ millions) and Funded Ratio</b>										
<b>Fiscal Year (Reporting Year)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Net Pension Liability <sup>(1)</sup>	462.86	604.09	487.46	504.50	548.65	721.65	334.85	830.42	800.29	698.12
Pension Funded Ratio	74.9%	69.7%	76.4%	77.3%	76.6%	71.5%	87.2%	70.7%	73.3%	77.8%

<sup>(1)</sup> NPL is calculated in accordance with GASB 67/68. The NPL is the difference between Total Pension Liability and Fiduciary Net Position of the Pension Plan.

**Chart 6:  
 Net OPEB Liability & Funded Ratio**



<b>Net OPEB Liability (in \$ millions) and Funded Ratio</b>										
<b>Fiscal Year (Reporting Year)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Net OPEB Liability <sup>(1)</sup>	134.06	145.09	135.81	131.01	132.87	151.84	143.18	127.66	132.38	118.46
HIB Funded Ratio	15.3%	15.4%	19.1%	21.9%	23.5%	22.5%	28.8%	29.6%	31.6%	37.6%

<sup>(1)</sup> NOL is calculated in accordance with GASB 74/75. The NOL is the difference between Total OPEB Liability and Fiduciary Net Position of the HIB Plan.



EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM  
(A COMPONENT UNIT OF THE EAST BAY MUNICIPAL UTILITY DISTRICT)

FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

Focused  
on YOU



EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM

(A Component Unit of the East Bay Municipal Utility District)

Financial Statements and Supplementary Information

For the Year Ended June 30, 2025

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
East Bay Municipal Utility District Employees' Retirement System  
Oakland, California

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the East Bay Municipal Utility District Employees' Retirement System (the System), a component unit of the East Bay Municipal Utility District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the System as of June 30, 2025, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter***

##### Component Unit Reporting

As discussed in Note 1, the financial statements of the System are intended to present the financial position, the changes in financial position, of the District that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the District, as of June 30, 2025, the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



To the Board of Directors  
East Bay Municipal Utility District Employees' Retirement System  
Oakland, California

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required pension and other post-employment benefits schedules as listed on the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



To the Board of Directors  
East Bay Municipal Utility District Employees' Retirement System  
Oakland, California

***Summarized Comparative Information***

We have previously audited the financial statements of the System for the year ended June 30, 2024, and expressed an unmodified audit opinion on those financial statements in our report dated October 29, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2025, on our consideration of the District's internal control over the System's financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over the System's financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over the System's financial reporting and compliance.

***LSL, LLP***

Sacramento California  
October 31, 2025

**EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM**  
(A Component Unit of the East Bay Municipal Utility District)

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2025

This section presents management's analysis of the East Bay Municipal Utility District Employees' Retirement System's (the System) financial condition and activities as of and for the year ended June 30, 2025. Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the System's basic financial statements. The MD&A represents management's examination and analysis of the System's financial condition and performance.

This information should be read in conjunction with the audited financial statements that follow this section. The information in the MD&A is presented under the following headings:

- Organization and Business
- Overview of the Financial Statements
- Financial Analysis: *Financial Highlights*
- Financial Analysis: *Financial Condition*
- Factors Impacting Future Periods
- Request for Information

**Organization and Business**

The East Bay Municipal Utility District (the District) is the sponsoring agency of the System and provides for its funding. The System is accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and deferred outflows, all liabilities and deferred inflows associated with operations are included on the Statement of Fiduciary Net Position, and revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The System administers a single-employer, contributory, defined benefit pension plan (the Plan) which provides retirement, disability, survivorship, and postemployment healthcare benefits for eligible directors, officers, and employees of the District. The Plan is administered by a retirement board composed of three members appointed by the District's board of directors, two members elected by and from the active membership of the Plan, and a nonvoting member elected by the retirees of the Plan. Retirement Ordinance Number 40 assigns the authority to establish Plan benefit provisions to the District's board of directors.

All regular full-time employees of the District are members of the Plan. In accordance with the ordinance governing the Plan, eligible employees become members on the first day they are physically on the job. Plan defined benefits vest in part with members after completion of five years of continuous, full-time employment.

For additional information, please see the notes to the basic financial statements.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM**  
(A Component Unit of the East Bay Municipal Utility District)

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2025

**Overview of the Financial Statements**

The basic financial statements include a *statement of fiduciary net position*, a *statement of changes in fiduciary net position*, and *notes to basic financial statements*. The report also contains other required supplementary information in addition to the financial statements.

The system's financial statements include:

The *Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position* report information to assist readers in determining whether the System's finances as a whole are better off or worse off as a result of the year's activities. These two statements report on the net assets of the System and changes in them, respectively.

The *Statement of Fiduciary Net Position* presents information on all assets and liabilities of the System, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the System is improving or deteriorating.

The *Statement of Changes in Fiduciary Net Position* presents the results of the System's activities over the course of the fiscal year and information as to how the *net position* changed during the year. This statement measures the results of the System's investment performance as well as the System's income from contributions and expenses, including the payment of benefits, refunds of contributions, and administrative and investment expense. All changes in net position are reported during the period the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The *Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements. Effective fiscal year 2017, GASB 74 – *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, requires the System to disclose additional information regarding post-employment health insurance benefits (the OPEB Plan). These disclosures can be found in Note 7. The notes to the basic financial statements can be found on pages 15 to 33 of this report.

*Other Information.* In addition to the financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's contributions and the System's progress in funding its obligation to provide pension and postemployment healthcare benefits to the employees of the District. The required supplementary information can be found on page 34 to 42 of this report.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM**  
(A Component Unit of the East Bay Municipal Utility District)

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2025

**Financial Analysis: Financial Highlights**

- The total assets of the System exceeded the total liabilities by \$2,826,084 as of June 30, 2025 (Table 1). All of the net assets are available to meet the System's ongoing obligations to Plan participants and their beneficiaries.
- The net position increased by \$309,053 or 12.28% during the fiscal year ended June 30, 2025 compared to the increase of \$261,724 or 11.60% of the prior year. This was primarily due to the increase in net investment income to \$331,415, District contributions to \$122,754 and employee contributions to \$24,737 were offset by the cost of pension, health insurance benefits, refunds of contributions, and administrative expenses of \$169,853.
- As of June 30, 2025, 27.30% of the System's investments were in fixed income securities, 37.80% were in domestic equities, 25.60% were in international equities, 7.20% were in covered calls, 1.90% were in real estate, and 0.20% were in cash and cash equivalents. As of June 30, 2024, 21.80% of the System's investments were in fixed income securities, 28.30% were in domestic equities, 24.30% were in international equities, 20.60% were in covered calls, 4.70% were in real estate, and 0.10% were in cash and cash equivalents.
- The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2024, the date of the last actuarial valuation, the Pension Plan's funded ratio was 76.10% and the Post-employment Health Care plan funded ratio was 51.80%.
- During the fiscal year ended June 30, 2025, combined District and employee contributions increased by \$6,272 or 4.44% to \$147,491 (Table 2). For the 1980 Plan, the District's contribution rate increased from 48.48% in the prior year to 49.02% and the employees' contribution rate remained unchanged at 8.75%. For the 2013 Plan, the District's contribution rate increased from 39.21% in the prior year to 40.07% and the employees' contribution rate remained unchanged at 9.50%.
- Retirement, Disability, and Survivor Pension Benefits Paid increased by \$9,106 or 6.15% to \$157,053 (Table 3), due to largely to a 3.00% cost-of-living adjustment to monthly benefit payments and a net increase in the number of retirees and beneficiaries.
- Health Insurance Benefits decreased by \$47, or 0.48%, to \$9,777 (Table 3), primarily due to the health insurance benefits that were no longer paid in advance starting April 2025. The health insurance benefits were handled by a third-party health benefit administrator (Flexible Benefit Administrators, Inc.) starting the third quarter of fiscal year 2025.
- Refunds of Contributions to terminated employees or deceased employees' beneficiaries decreased by \$783 or 61.70%, to \$486 (Table 3).
- Administrative expenses (not including Investment Advisors' Fees or Custodial Asset Management Fees) increased by \$31, or 1.24%, to \$2,537 (Table 3).

**EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM**  
(A Component Unit of the East Bay Municipal Utility District)

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2025

**Financial Analysis: Financial Highlights (Continued)**

- Based on GASB Statement No. 96 – Subscription-Based Information Technology Arrangements (SBITA), the implementation costs before the commencement of the subscription term are capitalized. During the fiscal year 2023, the System initiated the implementation of a new retirement management system (known as Pension Gold) to replace the existing system. Pension Gold is currently scheduled to be put into operation in the second quarter of fiscal year 2027. As of June 30, 2025 and June 30, 2024, \$7,339 and 4,240, respectively, have been expended for this software implementation which is reported as a capital asset in the Statements of Plan Net Position.

**Financial Analysis: Financial Condition**

During the year ended June 30, 2025, the System's net position increased by \$309,053 compared to an increase of \$261,724 in 2024.

The System's financial condition reflects an increase of \$144,529 in the projected benefit obligation as of the June 30, 2024 valuation, versus the previous actuarial report of June 30, 2023. Due to an increase in investment returns and an increase in District and employee contributions, the market value of assets as of June 30, 2024, increased by \$261,724, year-over-year. Each year a cost-of-living adjustment (COLA) is applied to monthly pension benefit payments. The COLA is calculated under a methodology that incorporates the change in the Consumer Price Index for the local area and the System's funded ratio. The COLA applied on July 1, 2024 was 3.00%.

The funded ratio for Unfunded Actuarial Accrued Liability (UAAL) of the Pension and health Insurance Benefit plans combined increased from 74.00% to 75.10% as of the June 30, 2024 actuarial report versus the previous actuarial report of June 30, 2023. The component Plans of Pension and Health Insurance Benefit changed from 75.20% to 76.10% and 47.70% to 51.80% funded, respectively, as of June 30, 2023 and June 30, 2024.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM**  
(A Component Unit of the East Bay Municipal Utility District)

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2025

**(Table 1)**

**Net Position**

Years ended June 30, 2025 and 2024

	<b>2025</b>	<b>2024</b>	<b>Variance</b>	<b>%</b>
Other assets	\$ 184,392	\$ 148,717	\$ 35,675	23.99%
Investments at fair value	2,787,179	2,476,947	310,232	12.52%
Capital Asset	7,339	4,240	3,099	73.09%
Total assets	2,978,910	2,629,904	349,006	13.27%
Total liabilities	152,826	112,873	39,953	35.40%
Net position	<u>\$ 2,826,084</u>	<u>\$ 2,517,031</u>	<u>\$ 309,053</u>	<u>12.28%</u>

**(Table 1)**

**Net Position**

Years ended June 30, 2024 and 2023

	<b>2024</b>	<b>2023</b>	<b>Variance</b>	<b>%</b>
Other assets	\$ 148,717	\$ 118,338	\$ 30,379	25.67%
Investments at fair value	2,476,947	2,219,004	257,943	11.62%
Capital Asset	4,240	1,692	2,548	150.59%
Total assets	2,629,904	2,339,034	290,870	12.44%
Total liabilities	112,873	83,727	29,146	34.81%
Net position	<u>\$ 2,517,031</u>	<u>\$ 2,255,307</u>	<u>\$ 261,724</u>	<u>11.60%</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM**  
(A Component Unit of the East Bay Municipal Utility District)

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2025

The financial reserves needed to fund retirement and health benefits are accumulated through the collection of employer and employee contributions and through investment earnings. As Table 2 shows, the System experienced net investment gain for 2025.

**(Table 2)**  
**Additions to Net Position**  
Years ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>	<u>Variance</u>	<u>%</u>
Employer contributions	\$ 122,754	\$ 117,342	\$ 5,412	4.61%
Members' contributions	24,737	23,877	860	3.60%
Total contributions	<u>147,491</u>	<u>141,219</u>	<u>6,272</u>	<u>4.44%</u>
Net investment gain*	<u>331,415</u>	<u>282,051</u>	<u>49,364</u>	
Total additions, net	<u>\$ 478,906</u>	<u>\$ 423,270</u>	<u>\$ 55,636</u>	

\* Net of investment expenses and net of securities lending transactions of \$3,258 for June 30, 2025, and \$3,404 for June 30, 2024.

**(Table 2)**  
**Additions to Net Position**  
Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Variance</u>	<u>%</u>
Employer contributions	\$ 117,342	\$ 106,523	\$ 10,819	10.16%
Members' contributions	23,877	22,088	1,789	8.10%
Total contributions	<u>141,219</u>	<u>128,611</u>	<u>12,608</u>	<u>9.80%</u>
Net investment gain*	<u>282,051</u>	<u>219,832</u>	<u>62,219</u>	
Total additions, net	<u>\$ 423,270</u>	<u>\$ 348,443</u>	<u>\$ 74,827</u>	

\* Net of investment expenses and net of securities lending transactions of \$3,404 for June 30, 2024, and \$3,423 for June 30, 2023.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM**  
(A Component Unit of the East Bay Municipal Utility District)

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2025

As summarized in Table 3, the Plan provides retirement, disability, survivor, and health insurance benefits to qualified members and their beneficiaries. The Plan must also provide refunds of employee contributions with interest to terminated employees who do not choose to remain or are not vested.

**(Table 3)**  
**Deductions in Net Position**  
Years ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>	<u>Variance</u>	<u>%</u>
Pension benefits paid	\$ 157,053	\$ 147,947	\$ 9,106	6.15%
Health insurance				
benefits paid	9,777	9,824	(47)	(0.48)%
Refunds of contributions	486	1,269	(783)	(61.70)%
Administrative expenses	2,537	2,506	31	1.24%
Total deductions	<u>\$ 169,853</u>	<u>\$ 161,546</u>	<u>\$ 8,307</u>	<u>5.14%</u>

**(Table 3)**  
**Deductions in Net Position**  
Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Variance</u>	<u>%</u>
Pension benefits paid	\$ 147,947	\$ 139,397	\$ 8,550	6.13%
Health insurance				
benefits paid	9,824	9,705	119	1.23%
Refunds of contributions	1,269	684	585	85.53%
Administrative expenses	2,506	2,273	233	10.25%
Total deductions	<u>\$ 161,546</u>	<u>\$ 152,059</u>	<u>\$ 9,487</u>	<u>6.24%</u>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM**  
(A Component Unit of the East Bay Municipal Utility District)

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2025

Beginning fiscal year 2014, the District is required to present the past 10 years of the Net Pension Liability (NPL) for the Employees' Retirement System pension plan (excluding Other Post-Employment Benefits) as it becomes available. The District has provided the past three fiscal years from 2023 through 2025 in the footnotes and the past ten fiscal years from 2016 through 2025 in the Required Supplemental Information. The NPL measured as of June 30, 2024 and 2023 have been determined from the actuarial valuations as of June 30, 2024 and 2023 respectively. As summarized in Table 4, the NPL decreased by \$102,170 from \$800,287 as of June 30, 2024 to \$698,117 as of June 30, 2025 primarily due to the return on the market value of assets for the Pension Plan of 12.57% during 2023/2024 that was more than the assumption of 6.75% used in the June 30, 2023 valuation (a gain of approximately \$127 million), offset by the change in actuarial assumptions and methodology (a loss of approximately \$25 million).

**(Table 4)**  
**Net Pension Liability**  
Years ended June 30, 2025 and 2024

	<b>2025</b>	<b>2024</b>	<b>Variance</b>	<b>%</b>
Net Pension Liability	\$ 698,117	\$ 800,287	\$ (102,170)	(12.77)%
Plan net position as a percentage of Total Pension Liability	77.79%	73.27%	4.52%	6.17%

**(Table 4)**  
**Net Pension Liability**  
Years ended June 30, 2024 and 2023

	<b>2024</b>	<b>2023</b>	<b>Variance</b>	<b>%</b>
Net Pension Liability	\$ 800,287	\$ 830,419	\$ (30,132)	(3.63)%
Plan net position as a percentage of Total Pension Liability	73.27%	70.72%	2.55%	3.61%

**EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM**  
(A Component Unit of the East Bay Municipal Utility District)

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2025

Beginning fiscal year 2017, the District is required to present the past 10 years of the Net OPEB Liability (NOL) for the Employees' Retirement System health benefit plan as it becomes available. The District has provided the past three fiscal years from 2023 through 2025 in the footnotes and the past ten fiscal years from 2016 through 2025 in the Required Supplemental Information. The NOL measured as of June 30, 2024 and 2023 have been determined from the actuarial valuations as of June 30, 2024 and 2023 respectively. As summarized in Table 5, the NOL decreased by \$13,921 from \$132,381 as of June 30, 2024 to \$118,460 as of June 30, 2025 primarily due to an update of the discount rate from 5.23% to 5.58% and from the effect of various assumption changes made. This decrease in liability was slightly offset by a liability increase resulting from premium updates.

**(Table 5)**  
**Net OPEB Liability**  
Years ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>	<u>Variance</u>	<u>%</u>
Net OPEB Liability	\$ 118,460	\$ 132,381	\$ (13,921)	(10.52)%
Plan net position as a percentage of Total OPEB Liability	37.61%	31.60%	6.01%	19.02%

**(Table 5)**  
**Net OPEB Liability**  
Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Variance</u>	<u>%</u>
Net OPEB Liability	\$ 132,381	\$ 127,658	\$ 4,723	3.70%
Plan net position as a percentage of Total OPEB Liability	31.60%	29.56%	2.04%	6.90%

**Request for Information**

This financial report is designed to provide viewers with a general overview of the East Bay Municipal Utility District Employees' Retirement System's finances and demonstrate the District's accountability for the monies it manages. If you have any questions about this report or need additional information, please contact: Controller, EBMUD, P.O. Box 24055, MS 402, Oakland, CA 94623-1055.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM  
(A Component Unit of the East Bay Municipal Utility District)**

**Statement of Fiduciary Net Position  
June 30, 2025  
(With summarized comparative financial information as of June 30, 2024)  
(Dollars in Thousands)**

	<b>2025</b>			<b>2024 Total</b>
	<b>Pension Plan benefits</b>	<b>Post- employment healthcare benefits</b>	<b>Total</b>	
<b>Assets:</b>				
Cash and cash equivalents, at fair value (Note 5)	\$ 32,964	\$ 993	\$ 33,957	\$ 28,791
Invested securities lending collateral	130,494	3,932	134,426	106,561
Prepaid expenses	-	-	-	598
Receivables:				
Brokers, securities sold	3,909	118	4,027	2,068
Employer	4,551	500	5,051	4,622
Plan members	1,044	-	1,044	962
Interest, dividends and recoverable taxes	5,715	172	5,887	5,115
<b>Total Receivables</b>	<b>15,219</b>	<b>790</b>	<b>16,009</b>	<b>12,767</b>
Investments, at fair value (Note 5):				
U.S. government obligations	372,350	11,220	383,570	338,549
Domestic corporate bonds	341,856	10,301	352,157	179,959
International bonds	15,067	454	15,521	14,609
Domestic stocks	1,225,820	36,937	1,262,757	1,212,408
International stocks	698,795	21,056	719,851	612,565
Real estate	51,763	1,560	53,323	118,857
<b>Total Investments</b>	<b>2,705,651</b>	<b>81,528</b>	<b>2,787,179</b>	<b>2,476,947</b>
Capital assets:				
Subscription Asset In-Progress (note 9)	7,124	215	7,339	4,240
<b>Total Assets</b>	<b>2,891,452</b>	<b>87,458</b>	<b>2,978,910</b>	<b>2,629,904</b>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	3,733	112	3,845	2,772
Payables to brokers, securities purchased	14,129	426	14,555	3,540
Securities lending collateral (Note 2B)	130,494	3,932	134,426	106,561
<b>Total Liabilities</b>	<b>148,356</b>	<b>4,470</b>	<b>152,826</b>	<b>112,873</b>
<b>Net Position:</b>				
Net position restricted for pension benefits and post-employment healthcare benefits	2,743,096	82,988	2,826,084	2,517,031
<b>Total Net Position</b>	<b>\$ 2,743,096</b>	<b>\$ 82,988</b>	<b>\$ 2,826,084</b>	<b>\$ 2,517,031</b>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM  
(A Component Unit of the East Bay Municipal Utility District)**

**Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2025  
(With summarized comparative financial information for the year ended June 30, 2024)  
(Dollars in Thousands)**

	2025			2024 Total
	Pension Plan benefits	Post- employment healthcare benefits	Total	
<b>Additions:</b>				
Contributions:				
Employers	\$ 110,869	\$ 11,885	\$ 122,754	\$ 117,342
Plan members	24,488	249	24,737	23,877
<b>Total Contributions</b>	<b>135,357</b>	<b>12,134</b>	<b>147,491</b>	<b>141,219</b>
<b>Investment Income:</b>				
From Investment Activities				
Net appreciation (depreciation) in fair value investments:				
Traded securities	292,382	8,441	300,823	255,012
Real estate	(1,830)	(53)	(1,883)	(7,970)
Interest	26,098	754	26,852	25,410
Dividends	6,139	177	6,316	10,423
Real estate operating income, net	2,493	72	2,565	2,580
<b>Total Investment Income</b>	<b>325,282</b>	<b>9,391</b>	<b>334,673</b>	<b>285,455</b>
Less:				
Investment expense	(3,361)	(97)	(3,458)	(3,587)
<b>Net Income from Investment Activities</b>	<b>321,921</b>	<b>9,294</b>	<b>331,215</b>	<b>281,868</b>
From Securities Lending Activities				
Securities lending income	6,626	191	6,817	6,077
Borrowers' rebates and other agent fees on securities lending transactions	(6,430)	(187)	(6,617)	(5,894)
<b>Securities Lending Activities</b>	<b>196</b>	<b>4</b>	<b>200</b>	<b>183</b>
<b>Net Investment Income</b>	<b>322,117</b>	<b>9,298</b>	<b>331,415</b>	<b>282,051</b>
<b>Total Additions, net</b>	<b>457,474</b>	<b>21,432</b>	<b>478,906</b>	<b>423,270</b>
<b>Deductions:</b>				
Benefits paid (Notes 1C - 1E)	157,053	9,777	166,830	157,771
Refunds of contributions (Note 4)	486	-	486	1,269
Administrative expenses	2,450	87	2,537	2,506
<b>Total Deductions</b>	<b>159,989</b>	<b>9,864</b>	<b>169,853</b>	<b>161,546</b>
<b>Changes in Net Position</b>	<b>297,485</b>	<b>11,568</b>	<b>309,053</b>	<b>261,724</b>
<b>Net Position - Beginning of the Year</b>	<b>2,445,611</b>	<b>71,420</b>	<b>2,517,031</b>	<b>2,255,307</b>
<b>Net Position - End of the Year</b>	<b>\$ 2,743,096</b>	<b>\$ 82,988</b>	<b>\$ 2,826,084</b>	<b>\$ 2,517,031</b>

**EAST BAY MUNICIPAL WATER DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM  
Notes to the Financial Statements  
(Dollars in Thousands)  
For the Year Ended June 30, 2025**

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**NOTE 1: PLAN DESCRIPTION**

**A. General**

The East Bay Municipal Utility District (the District) Employees' Retirement System (the System) was established in 1937 to administer a single-employer, contributory, defined benefit pension plan (the Pension Plan). The System provides retirement, disability, survivorship, and post-employment health insurance benefits (the OPEB Plan) for eligible directors, officers, and employees of the District. The Pension Plan and the OPEB Plan together are referred to as the Plan. The System is administered by a Retirement Board composed of three members appointed by the Board of Directors of the District, two members elected by and from the active membership, and one non-voting member elected by and from the retired membership of the System. Retirement Ordinance No. 40 (Ordinance) assigns the authority to establish Plan benefit provisions to the District's Board of Directors.

The System is exempt from the regulations of the Employee Retirement Income Security Act of 1974. The System is also exempt from federal income taxes and California franchise taxes.

The System is an integral part of the District and the District appoints the majority of the retirement board of the System and provides for its funding. Accordingly, the System's operations have been reported as a Pension and Other Employee Benefit Trust Fund in the District's basic financial statements.

**B. Membership**

All regular full-time employees of the District are members of the Plan in addition to certain job share and intermittent employees. In accordance with the ordinance governing the System, eligible employees become members on the first day they are physically on the job. Members become vested in the Plan after five years of continuous full-time employment. Vested members who terminate employment may elect a refund of their contributions or leave them in the Plan until eligible to receive benefits.

The Retirement Board shall semi-annually declare the rate of interest for the preceding six (6) months to be credited on accumulated contributions of members, which rate shall be based upon criteria to be established by the Retirement Board. In accordance with Retirement Board Rule B-9, the annual rate of interest credited to member contributions will be the lesser of the actuarially assumed rate of interest or the five (5) year average rate of return on Retirement System Investments.

For the period ending June 30, 2024, the actuarially assumed rate of interest was 6.75% and the five-year average rate of return as of June 30, 2024, was 7.6%. Therefore, under Board Resolution No. 7019, the System declared that the interest credited to the balance of member contributions effective June 30, 2024, will be at the annual rate of 6.75%. Interest was credited at a semi-annual rate of 3.375% for the six months ended December 31, 2024.

For the period ending December 31, 2024, the actuarially assumed rate of interest was 6.75% and the five-year average rate of return as of December 31, 2024, was 7.2%. Therefore, the Board Resolution No. 7029, declares that the interest credited to the balance of member contributions effective June 30, 2025 will be at the annual rate of 6.75%. Interest was credited at a semi-annual rate of 3.375% for the six months ended June 30, 2025.

Membership in the Pension Plan consisted of the following as of June 30, 2024, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	2,176
Terminated plan members entitled to but not yet receiving benefits	407
Active plan members	1,974
Total	<u>4,557</u>

**EAST BAY MUNICIPAL WATER DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM  
Notes to the Financial Statements  
(Dollars in Thousands)  
For the Year Ended June 30, 2025**

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**NOTE 1: PLAN DESCRIPTION (CONTINUED)**

**C. Retirement Benefits and Allowances**

Within the Pension Plan, there are two tiers in effect currently, the 1980 Plan and the 2013 Plan. Employees who became Members of the Retirement System prior to January 1, 2013, or who have reciprocal membership prior to January 1, 2013, are in the 1980 Plan (1980 Plan Members). Employees who became Members on or after January 1, 2013, or who have reciprocal membership after January 1, 2013 are in the 2013 Plan (2013 Plan Members).

1980 Plan Members may elect voluntary reduced service retirement upon attaining the age of 54 and completing 5 years of continuous full-time employment. Members may elect voluntary unreduced service retirement upon attaining the age of 62 and completing 5 years of continuous full-time employment or age 65 without restriction. Members who continue to work upon attaining the normal retirement age of 65 continue to contribute to the Plan, and at the time they retire, computation of their retirement allowance is based upon their compensation and length of service as of the date of retirement. Service retirement allowances are computed by formulas specified in the Ordinance and are based on date of employment, length of employment, age at date of retirement, and compensation earned during employment.

2013 Plan Members may elect voluntary reduced service upon attaining the age of 52 and completing 5 years of continuous full-time employment. Members may elect voluntary unreduced service retirement upon attaining the age of 67 and completing 5 years of continuous full-time employment. Members who continue to work upon attaining the normal retirement age of 67 continue to contribute to the Plan, and at the time they retire, computation of their allowance is based upon their compensation and length of service as of the date of retirement. Service retirement allowances are computed by formulas specified in the Ordinance and are based on length of service, age at retirement, and compensation earned during employment.

**D. Disability and Death Benefits and Allowances**

Members may receive disability retirement benefits prior to age 65 if the member is determined to be physically or mentally incapacitated, provided the member has 8 or more years of continuous full-time employment. The allowance for disability retirement is computed by a formula specified in the Ordinance and is based upon compensation earnable during employment, years of continuous service, and date upon which the retiring individual became a member. There is a guaranteed minimum disability benefit equal to the greater of one-third of terminal compensation (final average salary) or the retirement allowance, based on the disability formula.

Death benefits are payable to the estate or beneficiary of a member who dies before retirement. Survivorship benefits are payable to the spouse of a member who dies after retirement, or who was eligible but had not retired from service, provided the spouse was married to the member at the date of retirement and for at least one year prior to the member's death.

**E. Post-Employment Healthcare Benefits**

Post-employment healthcare and similar benefit allowances are provided to Members who retire from the District or to their surviving spouses. As of June 30, 2024, there were 1,915 participants receiving these health care benefits.

Effective July 1, 1996, a 20-year vesting schedule for full benefits was implemented for all new participants. Eligible participants are reimbursed up to \$450 per month for service members and up to \$550 for members with a spouse or registered domestic partner for any combined health, dental, or long-term care insurance premiums paid by the participant or his/her surviving spouse. Effective July 1, 1999, retirees may be reimbursed up to the designated maximum for the combined health insurance premiums for themselves, their current spouses, or registered domestic partners. The benefits were funded entirely by the District on an actuarial basis up until June 17, 2002. Effective June 18, 2002, a portion of the post-employment healthcare benefit costs is recovered through employee contributions. The actual benefits paid in cash to retirees were \$9,777 and \$9,824 for the years ended June 30, 2025 and 2024, respectively.

**EAST BAY MUNICIPAL WATER DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM  
Notes to the Financial Statements  
(Dollars in Thousands)  
For the Year Ended June 30, 2025**

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**NOTE 1: PLAN DESCRIPTION (CONTINUED)**

Membership in the OPEB Plan consisted of the following as of June 30, 2024, the measurement date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	1,915
Terminated plan members entitled to but not yet receiving benefits	407
Active plan members	<u>1,974</u>
Total	<u><u>4,296</u></u>

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting and Presentation**

The System's activities are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits, refunds, and other liabilities are recognized when due and payable in accordance with the terms of the Plan.

The basic financial statements include partial prior year comparative information. A complete presentation of the prior year information can be found in the System's financial statements for the year ended June 30, 2024.

**B. Investments and Fair Value Measurements**

Investments are reported at fair value. Securities and bonds traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that have no quoted market price are reported at estimated fair value, which is determined based on yields equivalent for such securities or for securities of comparable maturity, quality, and type as obtained from market makers. Measurement of the fair value of real estate investments is estimated by the investment managers and reflects both internal and independent appraisals of real estate properties.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The System presents in the Statements of Changes in Fiduciary Net Position the net change in the fair value of its investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

**EAST BAY MUNICIPAL WATER DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM  
Notes to the Financial Statements  
(Dollars in Thousands)  
For the Year Ended June 30, 2025**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Each of the financial instruments invested in by the System represents a potential concentration of credit risk. However, as the portfolio and the components of the various instruments are diversified and issuers of securities are dispersed throughout many industries and geographical locations, the concentrations of credit risk are limited.

The System invests in a combination of stocks, bonds, fixed income securities, real estate, and other investment securities. These investments are exposed to various risks, such as interest rate and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

Retirement Board policies permit the System to use investments of the Plan to enter into securities lending transactions, which are loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return collateral for the same securities in the future. The System's securities custodian is an agent in lending the Plan's securities for cash collateral, U.S. government securities, and irrevocable letters of credit of 102% for domestic securities and 105% for international securities lent.

As of June 30, 2025, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts the borrowers owed the System. Contracts with the lending agent require them to indemnify the System under certain circumstances if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities issuers while the securities are on loan. The risk of any loss of collateral or investment of cash collateral (including a loss of income or principal, or loss of market value thereon) lies with the System, except for losses resulting from negligence or intentional misconduct of the agent in performing the duties allocated under the securities lending agreement with respect to collateral. During the year ended June 30, 2025, there were no violations of legal or contractual provisions, and no borrower or lending agent default losses known to the securities lending agent.

In lending securities, cash collateral is invested in the lending agent's short-term investment pool, which as of June 30, 2025, had a weighted average maturity of 15 days. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the System cannot determine. Cash collateral may also be invested separately in term loans, in which case the maturity of the collateral investment generally matches the term of the loan. Noncash collateral cannot be pledged or sold unless the borrower defaults. All securities loans can be terminated on demand by either the lender or the borrower, although the average term of overall loans for the System was approximately 196 days. There are no dividends or coupon payments owing on the securities lent. Cash received as collateral on securities lending transactions is reported as an asset of the System with a corresponding liability.

As of June 30, 2025, the fair value of securities on loan was \$132,196. The total cash and noncash collateral held by the System's custodian to secure these securities on loan was valued at \$134,426 (all cash collateral).

**C. Allocation of Income and Expenses**

Contributions and benefit expenses are booked against the separate trusts as incurred. The recognition of investment income/loss is based on a pro rata share of total income/loss allocated quarterly on the basis of net position held in trust for pension benefits and post-employment healthcare benefits of the previous quarter. General expenses of the trust are allocated consistent with investment income/loss based on asset balances of the previous quarter.

**D. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**EAST BAY MUNICIPAL WATER DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM  
Notes to the Financial Statements  
(Dollars in Thousands)  
For the Year Ended June 30, 2025**

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**NOTE 3: CONTRIBUTION INFORMATION**

The System is funded by contributions from its members and from the District. District contribution rates (provided as a percentage of covered compensation) are recommended by the Retirement Board, and employee contribution rates are established by the Board of Directors pursuant to the Retirement Ordinance, giving consideration to actuarial recommendations and prospective changes in factors which affect funding. Each member contributes based upon a percentage of their covered compensation. For the 1980 Plan Members, the contribution rate was 8.75% effective April 18, 2016. For the 2013 Plan Members, the contribution rate was 9.50% effective July 1, 2022. The District's contribution is based upon the aggregate amount of members' covered compensation, at an actuarially determined rate.

The individual entry age normal method is used to determine the normal cost for other post-employment benefits (OPEB) and service cost for pension, and the OPEB unfunded actuarial accrued liability (past service liability) is amortized as a level percentage of future payroll over 30 years open period.

District adopted contribution rates for the year ended June 30, 2025 are as follows:

1980 Plan:

Pension plan:	
Employer service cost	19.17%
Toward unfunded pension liability	25.42%

Other post-employment benefits:	
Employer normal cost	0.86%
Unfunded actuarial accrued liability	3.57%

2013 Plan:

Pension plan:	
Employer service cost	10.38%
Toward unfunded pension liability	25.42%

Other post-employment benefits:	
Employer normal cost	0.70%
Unfunded actuarial accrued liability	3.57%

District adopted contribution rates for the year ending June 30, 2026 are as follows:

1980 Plan:

Pension plan:	
Employer service cost	19.58%
Toward unfunded pension liability	25.85%

Other post-employment benefits:	
Employer normal cost	0.88%
Unfunded actuarial accrued liability	3.55%

2013 Plan:

Pension plan:	
Employer service cost	10.08%
Toward unfunded pension liability	25.85%

Other post-employment benefits:	
Employer normal cost	0.67%
Unfunded actuarial accrued liability	3.55%

**EAST BAY MUNICIPAL WATER DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM  
Notes to the Financial Statements  
(Dollars in Thousands)  
For the Year Ended June 30, 2025**

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**NOTE 3: CONTRIBUTION INFORMATION (CONTINUED)**

Contributions for the years ended June 30, 2025, and June 30, 2024, based on the June 30, 2024, actuarial valuation (latest available and includes amounts for post-employment healthcare benefits), were as follows:

	<b>2025</b>			<b>2024</b>
	<b>Pension</b>	<b>Healthcare Benefit Plan</b>	<b>Total</b>	
Regular contributions:				
District contributions	\$ 110,869	\$ 11,885	\$ 122,754	\$ 117,342
Member contributions	24,463	249	24,712	23,853
	<u>135,332</u>	<u>12,134</u>	<u>147,466</u>	<u>141,195</u>
Other contributions:				
Member buybacks	25	-	25	24
	<u>\$ 135,357</u>	<u>\$ 12,134</u>	<u>\$ 147,491</u>	<u>\$ 141,219</u>

Regular District and member contributions in fiscal year 2025 represent an aggregate of 44.46% and 8.96% of covered payroll, respectively. The District's contributions include amounts for post-employment healthcare benefits at a rate of 4.30% of covered payroll. The actual payroll for the District employees covered by the Plan for the year ended June 30, 2025, was \$276,094, which was 90.69% of the total District payroll of \$304,426.

The total District contributions of \$122,754 is comprised of the normal cost of \$48,795 and the unfunded actuarial accrued liability of \$73,959.

Regular District and member contributions in fiscal year 2024 represent an aggregate of 44.07% and 8.97% of covered payroll, respectively. The District's contributions include amounts for post-employment healthcare benefits at a rate of 4.59% of covered payroll. The actual payroll for the District employees covered by the Plan for the year ended June 30, 2024, was \$266,278, which was 91.08% of the total District payroll of \$292,365.

The total District contributions of \$117,342 is comprised of the normal cost of \$45,939 and the unfunded actuarial accrued liability of \$71,403.

Member buyback contributions relate to prior years' service credits for Plan participants. The Plan was amended in 1998 for limited temporary construction workers and in 2003 for intermittent employees to allow current members, who previously worked for the District in a status which did not qualify for membership in the System, to establish retirement service credit for prior service with payments over a period of two to eight years.

**Public Employees' Pension Reform Act (PEPRA)**

Assembly Bill 340 (AB 340) created the Public Employees' Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation periods. PEPRA also implemented new contribution requirements for employees hired on or after January 1, 2013, who meet the definition of a new member under PEPRA. In the System, Members covered under PEPRA are 2013 Plan Members.

**EAST BAY MUNICIPAL WATER DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM  
Notes to the Financial Statements  
(Dollars in Thousands)  
For the Year Ended June 30, 2025**

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**NOTE 3: CONTRIBUTION INFORMATION (CONTINUED)**

The table below provides the details of the 2013 Plan provisions in accordance with PEPRA.

Benefit Formula	2.5% at Age 67
Final Compensation Period	Average of last 3 years
Employer Normal Cost Contribution Rate as a percentage payroll	10.38% of Reportable Compensation
Member Normal Cost Contribution Rate as a percentage of payroll	9.41% of Reportable Compensation

The employer contribution rate listed above was in effect as of June 30, 2025. In accordance with the provisions of PEPRA, the member contribution rate shown above was originally set at 50 percent of the expected total normal cost rate for the benefits that will apply to new members on January 1, 2013. Under PEPRA, the member contributions rate is adjusted when the normal cost deviates by 1% or more from the original PEPRA valuation in 2013. The member contribution rate was last adjusted on July 1, 2022. The total normal cost rate for 2013 Plan Members for fiscal year 2025 is 19.79% of payroll.

**NOTE 4: CONTRIBUTION REFUNDS**

When a member’s District service is terminated, except by death or retirement, and prior to five years of continuous full-time employment, the amount of that member’s accumulated contributions, plus interest, is refunded and membership is terminated. After a member has completed five years of continuous full-time employment, upon termination, except death or retirement, the member has the option of (a) ceasing to be a member and receiving the amount of his accumulated contributions, plus interest, or (b) remaining as a member and leaving his accumulated contributions, plus interest, in the Plan. After termination, a member cannot make additional contributions to the Plan.

If a member with fewer than five years of employment terminates employment and within six months becomes a member of the California Public Employees’ Retirement System or another reciprocal retirement system, the individual may elect to remain a member, leaving their accumulated contributions, plus interest, in the Plan.

**NOTE 5: CASH AND INVESTMENTS**

**A. Authorized Investment Strategy**

The System’s Statement of Investment Policy and Procedures authorizes the System to invest in financial instruments in four broad investment categories: equity, fixed income, real estate, and covered calls. These financial instruments can include, but are not limited to, corporate bonds, commercial paper, U.S. government securities, common and preferred stock, real estate investment trusts, and mutual funds. Fixed income investments may include futures and options contracts in order to provide added flexibility in managing the fixed income portfolio. The following is a summary of the System’s Statement of Investment Policy and Procedures adopted by the System on January 20, 2022.

**EAST BAY MUNICIPAL WATER DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM  
Notes to the Financial Statements  
(Dollars in Thousands)  
For the Year Ended June 30, 2025**

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**NOTE 5: CASH AND INVESTMENTS (CONTINUED)**

The Retirement Board is authorized to designate multiple investment managers to manage the assets under their supervision subject to the laws of the State of California and the investment guidelines established by the Retirement Board. Allocation of assets to the investment managers are determined by the Retirement Board to accommodate changing conditions and laws.

At the May 23, 2024 Retirement Board meeting, the Retirement Board took action to adopt a new investment portfolio asset allocation shown below.

US Equity	35%
Non-US Equity	25%
Core Fixed-Income	20%
Non-Core Fixed-Income	12.5%
Private Debt	5.0%
Real Estate	2.5%

As of June 30, 2025 the System's interim asset allocation is shown below.

US Equity	35%
Non-US Equity	25%
Core Fixed-Income	20%
Non-Core Fixed-Income	10%
Covered Calls	7.5%
Real Estate	2.5%

The Director of Finance is authorized to transfer assets as provided in the System's Statement of Investment Policy and Procedures. The Director of Finance is further authorized to withdraw assets from assigned managers as necessary to efficiently meet operating needs.

The core fixed income target allocation (20% of the total portfolio) will primarily consist of U.S. denominated fixed income securities.

The non-core fixed income target allocation (10% of the total portfolio) will primarily consist of U.S. denominated fixed income securities. It is expected that this allocation may have a material allocation to below investment grade securities.

The domestic equity allocation target (35% of the total portfolio) will consist of the allocation to securities that corresponds to the weight of securities within the Russell 3000 Index.

The covered calls target allocation (7.5% of the total portfolio) consists of a Chicago Board Options Exchange S&P 500 BuyWrite Index (the "BXM Index") active non-replication strategies and their underlying domestic equity portfolios.

The international equity target allocation (25% of the total portfolio) will consist of an allocation to non-US equity securities benchmarked to the MSCI ACWI ex US Index.

The real estate target allocation (2.5% of the total portfolio) will consist of an equity (ownership) in a core real estate fund.

The asset allocation does allow for the fact that at any time equity and fixed income managers may have transactional cash on hand and the District will maintain enough cash as working capital to effectively meet cash flow demands on the system. However, there is no specific allocation for cash as all investable cash is allocated to specific investment mandates.

June 30, 2025 marks the midpoint of the portfolio transition. The subsequent stages of portfolio transition will involve elimination of the Covered Calls allocation, the addition of the 5.0% Private Debt allocation and an increase of 2.5% to the Non-Core Fixed-Income allocation. The transition is expected to be completed by July 1, 2026.

**EAST BAY MUNICIPAL WATER DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM  
Notes to the Financial Statements  
(Dollars in Thousands)  
For the Year Ended June 30, 2025**

**NOTE 5: CASH AND INVESTMENTS (CONTINUED)**

**B. Financial Statement Presentation**

Total cash and investments at fair value as of June 30, 2025, consisted of the following:

	<b>2025</b>			<b>2024</b>
	<b>Pension</b>	<b>Post-</b>	<b>Total</b>	
	<b>Plan</b>	<b>Employment</b>		
<b>Benefits</b>	<b>Healthcare</b>	<b>Benefits</b>		
Cash and cash equivalents	\$ 32,964	\$ 993	\$ 33,957	\$ 28,791
Invested securities lending collateral	130,494	3,932	134,426	106,561
Investments	2,705,651	81,528	2,787,179	2,476,947
<b>Total cash and investments</b>	<b>\$ 2,869,109</b>	<b>\$ 86,453</b>	<b>\$ 2,955,562</b>	<b>\$ 2,612,299</b>

**C. Fair Value Hierarchy**

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The California Local Agency Investment Fund is exempt from classification for fair value hierarchy.

The following is a summary of the fair value hierarchy of investments held by the System as of June 30, 2025:

<b>Investment Type</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Investments by Fair Value:</b>				
Asset Backed Securities	\$ -	\$ 7,918	\$ -	\$ 7,918
Equity Securities	202,826	-	74	202,900
Bank Loans	-	3,538	-	3,538
Commercial Mortgage-Backed Securities	-	3,271	-	3,271
Corporate Bonds	-	136,696	-	136,696
Corporate Convertible Bonds	-	265	-	265
Government Agencies	-	23,541	-	23,541
Government Bonds	-	166,320	-	166,320
Government Mortgage Backed Securities	-	194,572	-	194,572
Other Fixed Income	-	10,859	204,000	214,859
Real Estate-Partnerships	-	-	53,323	53,323
<b>Total Investments at Fair Value</b>	<b>\$ 202,826</b>	<b>\$ 546,980</b>	<b>\$ 257,397</b>	<b>1,007,203</b>

**Investments Not Subject to Fair Value Hierarchy:**

Commingled Funds and Other	1,779,976
<b>Total Investments at Fair Value</b>	<b>2,787,179</b>
Invested Securities Lending Collateral	134,426

**Cash and Cash Equivalents:**

California Local Agency Investment Fund	5,829
Cash & Short-term Investments	28,128
<b>Total System Cash and Investments</b>	<b>\$ 2,955,562</b>

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**NOTE 5: CASH AND INVESTMENTS (CONTINUED)**

Investments classified in Level 1 of the fair value hierarchy, valued at \$202,826 are valued using quoted prices in active markets. \$546,980 of investments classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments totaling \$257,397 classified in Level 3 of the fair value hierarchy are valued using appraisals and estimates by investment managers. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

**D. Interest Rate Risk**

For fixed income investments, interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Normally, the longer the maturity of a fixed income investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the System's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the System's investments by maturity or earliest call date:

<u>Investment Type</u>	<u>Less than 12 Months</u>	<u>12 to 72 Months</u>	<u>72 to 120 Months</u>	<u>More than 120 Months</u>	<u>Maturity not Determined</u>	<u>Total</u>
Asset Backed securities	\$ -	\$ 5,396	\$ 1,070	\$ 1,452	\$ -	\$ 7,918
Equity Securities	202,900	-	-	-	-	202,900
Bank Loans	-	2,863	675	-	-	3,538
Commercial Mortgage-Backed Securities	303	-	-	2,968	-	3,271
Corporate Bonds	2,075	80,046	34,665	20,180	-	136,966
Corporate Convertible Bonds	166	99	-	-	-	265
Government Agencies	-	7,483	10,496	5,562	-	23,541
Government Bonds	-	34,747	84,958	46,615	-	166,320
Government Mortgage Backed Securities	-	-	-	194,572	-	194,572
Other Fixed Income	-	-	10,859	-	204,000	214,859
Real Estate-Partnerships	-	-	-	-	53,323	53,323
Commingled Funds and Other	-	-	-	-	1,779,706	1,779,706
<b>Total System Investments</b>	<b>\$ 205,444</b>	<b>\$ 130,634</b>	<b>\$ 142,723</b>	<b>\$ 271,349</b>	<b>\$ 2,037,029</b>	<b>\$ 2,787,179</b>

The System's investments include the following investments that are highly sensitive to interest rate fluctuations to a greater degree than already indicated above:

<u>Highly Sensitive Investments</u>	<u>Fair Value at Year End</u>
Government Mortgage - Backed Securities	\$ 194,572
Commercial Mortgage - Backed Securities	3,271

The System is a participant in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code §16429 under the oversight of the Treasurer of the State of California. The value of the pool shares in LAIF is determined on an amortized cost basis, which is different from the fair value of its position in the pool. The System's investments with LAIF at June 30, 2025 and 2024 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

- Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets, such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

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**NOTE 5: CASH AND INVESTMENTS (CONTINUED)**

As of June 30, 2025 and 2024, the System had investments of \$5,829 and \$3,517, respectively, invested in LAIF, which had invested 3.81% and 3.00% of the pooled investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 1.01198310 and 0.996316042 as of June 30, 2025 and 2024, respectively, was used to calculate the fair value of the investments in LAIF.

**E. Foreign Currency Risk**

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. At June 30, 2025 the value of foreign currency investments were not significant to the investments as a whole.

The Fund's investment policy permits investments in Non-US Equity of up to 25%, the Fund's current position is not significant.

**F. Credit Risk**

For fixed income investments, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization to the fixed income investments. Presented below is the actual rating as of June 30, 2025, for each investment type as provided by Moody's or Standard and Poor's, displayed by using Moody's ratings scale.

Investment Type	Aaa	Aa	A	Baa	Ba	B	Caa	Ca	U.S.		Total
									Government Guaranteed	Not Rated	
Asset Backed Securities	\$ 5,114	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,804	\$ 7,918
Equity Securities	-	-	-	-	-	-	-	-	-	202,900	202,900
Bank Loans	-	-	-	-	429	2,354	147	-	-	608	3,538
Commercial Mortgage - Backed Securities	2,465	-	-	-	-	-	-	-	-	806	3,271
Corporate Bonds	624	17,448	45,734	14,138	27,047	25,582	5,337	45	-	1,011	136,966
Corporate Convertible Bonds	-	-	-	-	-	-	-	-	-	265	265
Government Agencies	1,201	22,100	-	69	171	-	-	-	-	-	23,541
Government Bonds	-	152,360	-	862	-	-	-	-	13,098	-	166,320
Government Mortgage - Backed Securities	-	-	-	-	-	-	-	-	194,533	39	194,572
Non-Government Backed CMO's	-	-	-	-	-	-	-	-	-	-	-
Other Fixed Income	-	-	-	-	-	-	-	-	-	214,859	214,859
Real Estate - Partnerships	-	-	-	-	-	-	-	-	-	53,323	53,323
Commingled Funds and Other	-	-	-	-	-	-	-	-	-	1,779,706	1,779,706
<b>Total System Investments</b>	<b>\$ 9,404</b>	<b>\$ 191,908</b>	<b>\$ 45,734</b>	<b>\$ 15,069</b>	<b>\$ 27,647</b>	<b>\$ 27,936</b>	<b>\$ 5,484</b>	<b>\$ 45</b>	<b>\$ 207,631</b>	<b>\$ 2,256,321</b>	<b>\$ 2,787,179</b>

**G. Concentration Risk**

As of June 30, 2025, and June 30, 2024, the District did not have investments in any one organization exceeding 5% of the System's investments.

The District held demand deposits (overdrafts) amounting to \$3,867 and \$4,478 on behalf of the System as of June 30, 2025 and 2024, respectively. The financial institution which holds these deposits is required by state law to maintain collateral pools against all public deposits they hold.

**H. Custodial Credit Risk**

Custodial credit risk for cash on deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

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**NOTE 5: CASH AND INVESTMENTS (CONTINUED)**

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the System's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the System's name and places the System ahead of general creditors of the institution.

The System invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to increase security, the System employs the Trust Department of a bank or trustee as the custodian of certain System investments, regardless of their form.

The System's brokers/dealers held \$0 as of June 30, 2025 and 2024, in cash exposed to custodial credit risk.

**NOTE 6: NET PENSION LIABILITY**

The net pension liability (the Plan's liability determined in accordance with GASB 67 less the fiduciary net position) as of June 30 is as shown below:

	<u>2025</u>	<u>2024</u>
Total Pension Liability	\$ 3,143,728	\$ 2,994,429
Plan Fiduciary Net Position	(2,445,611)	(2,194,142)
Employer Net Pension Liability	<u>\$ 698,117</u>	<u>\$ 800,287</u>
Plan Fiduciary Net Position as a		
Percentage of Total Pension Liability	77.79%	73.27%
Covered Payroll	\$ 264,426	\$ 246,231
Liability as a Percentage of Covered Payroll	264.01%	325.02%

The actuarial assumptions used in the June 30, 2024 valuation were based on the July 1, 2020 through June 30, 2024 Actuarial Experience Study report dated November 13, 2024. Actuarial valuation of the ongoing System involves estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding The net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Employers' net pension liability presents multi-year trend information about whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. These schedules are presented in the Required Supplementary Information section. The net pension liability was measured as of June 30, 2024 and 2023, while the total pension liability was determined based upon the results of the actuarial valuations as of June 30, 2024 and 2023, respectively.

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**NOTE 6: NET PENSION LIABILITY (CONTINUED)**

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation date	June 30, 2024
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	Prior to July 1, 2011, the UAAL from plan changes, assumption changes, and experience gains/losses were amortized over separate decreasing 30-year amortization periods. On or after July 1, 2011, any new UAAL resulting from plan changes are amortized over separate decreasing 15-year periods; assumption and method changes are amortized over separate decreasing 25-year periods (prior to July 1, 2021); and experience gains/losses are amortized over separate decreasing 20-year periods. On or after July 1, 2021, assumption and method changes are amortized over separate decreasing 20-year periods.
Assets valuation method	Market value of assets less unrecognized returns in each last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five year period, further adjusted, if necessary, to be within 30% of the market value.
Actuarial assumptions:	
Net Investment Return	6.75%, net of Pension Plan investment expense, including inflation
Average projected salary increases*	Ranges from 3.75% to 9.25% based on time from hire
Inflation rate	2.50%
Cost-of-living adjustments	2.75% per annum
Mortality	Pre-retirement: Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables, projected generationally with the two-dimensional mortality improvement scale MP-2020. Post-retirement: <i>Healthy Members</i> - Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020. <i>Disabled Members</i> - Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020. <i>Beneficiaries</i> - Pub-2010 Contingent Survivor/Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2020.

\*Includes inflation of 2.50% plus "across-the-board" salary increase of 0.50% plus merit and promotional increases that vary based on time from hire.

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**NOTE 6: NET PENSION LIABILITY (CONTINUED)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class are summarized below:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Arithmetic Real Rate of Return</b>
Domestic Large Cap Equity	32.55%	5.80%
Domestic Small Cap Equity	2.45%	6.59%
Developed International Large Cap Equity	18.00%	6.44%
Emerging Markets Equity	7.00%	8.32%
Core Bonds	20.00%	2.27%
High-Yield Bonds	7.50%	4.62%
Bank Loans	5.00%	4.43%
Real Estate	2.50%	4.54%
Private Debt	5.00%	6.63%
<b>Total</b>	<b>100.00%</b>	

The discount rates used to measure the total pension liability was 6.75% as of June 30, 2024, and June 30, 2023. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2024 and June 30, 2023.

In accordance with GASB 67 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following table presents the net pension liability of the Plan as of June 30, 2024, calculated using the discount rate of 6.75% as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1- percentage-point higher (7.75%) than the current rate:

	<b>1% Decrease (5.75%)</b>	<b>Current Discount (6.75%)</b>	<b>1% Increase (7.75%)</b>
Net Pension Liability	\$ 1,110,905	\$ 698,117	\$ 356,956

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**NOTE 7: NET OPEB LIABILITY**

The net OPEB liability (The Plan's liability determined according to GASB 74) as of June 30, is shown below:

	<u>2024</u>	<u>2023</u>
Total OPEB Liability	\$ 189,880	\$ 193,546
Plan Fiduciary Net Position	<u>(71,420)</u>	<u>(61,165)</u>
Employer Net OPEB Liability	<u>\$ 118,460</u>	<u>\$ 132,381</u>
 Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	 37.61%	 31.60%

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an experience study dated November 13, 2024) for the period from July 1, 2020 through June 30, 2024, the June 30, 2022 Economic Assumptions Review report (dated November 8, 2022), and the Retiree Health assumptions letter (dated November 14, 2024). These are the same as the assumptions used in the June 30, 2024 funding actuarial valuation for EBMUDERS except the discount rate is calculated as a blend of the investment return on plan assets and municipal bond rate in accordance with GASB 74, and implicit subsidy benefit payments are valued based on the age-based costs and separate spousal participation assumptions.

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**NOTE 7: NET OPEB LIABILITY (CONTINUED)**

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation date	June 30, 2024
Actuarial cost method	Entry Age Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	Plan changes, assumption changes, and experience gains/losses prior to July 1, 2011 are amortized over separate decreasing 30-year amortization periods. On or after July 1, 2011, plan changes are amortized over separate decreasing 15-year periods; assumption changes are amortized over separate decreasing 25-year periods; and experience gains/losses and retiree health assumption changes are amortized over separate decreasing 20-year periods. The amortization methodology described above was first applied beginning with the June 30, 2021 valuation, which determined the ADC for fiscal year ending June 30, 2022.
Assets valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five year period, further adjusted, if necessary, to be within 30% of the market value.
Actuarial assumptions:	
Net Investment Return	6.75%, net of OPEB Plan investment expense, including inflation
Average projected salary increases*	Ranges from 3.75% to 9.50% based on time from hire
Inflation rate	2.50%
Health Care Trend	Non-Medicare: Actual premium increases for 2023-2024, then 7.375% graded down to 4.50% over 12 years. Medicare: Actual premium increases for 2023-2024, then 6.375% graded down to 4.50% over 8 years.
HIB increases	0.00%
Mortality	<i>Pre-retirement: Pub-2010 General Employee Headcount-Weighted Above-Median Mortality Tables, projected generationally with the two-dimensional mortality improvement scale MP-2020. Post-Retirement Healthy Members - Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020. Post-Retirement Disabled Members - Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020. Beneficiaries - Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2020.</i>

\*Includes inflation of 2.50% plus across the board salary increase of 0.50% plus merit and promotion increases that vary based on time from hire.

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**NOTE 7: NET OPEB LIABILITY (CONTINUED)**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin.

The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>
Domestic Large Cap Equity	32.55%	5.80%
Domestic Small Cap Equity	2.45%	6.59%
Developed International Large Cap Equity	18.00%	6.44%
Emerging Market Equity	7.00%	8.32%
Core Bonds	20.00%	2.27%
High-Yield Bonds	7.50%	4.62%
Bank Loans	5.00%	4.43%
Real Estate	2.50%	4.54%
Private Debt	5.00%	6.63%
<b>Total</b>	<b><u>100.00%</u></b>	

The municipal bond rates used to determine the blended discount rate, as discussed below, were 3.93% and 3.65% which are based on the 20-year municipal bond rate for the Bond Buyer 20-Bond GO Index as of June 30, 2024 and June 30, 2023, respectively.

The discount rates used to measure the total OPEB liability were 5.58% and 5.23% as of June 30, 2024 and June 30, 2023, respectively. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates for the \$450/\$550 HIB Subsidy excluding the implicit subsidy that will continue to be paid on a pay-as-you-go basis. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Only the implicit subsidies for current members were included as employer contributions since the employer is funding the implicit subsidy on a pay-as-you go basis.

Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be sufficient to make projected future benefit payments for current plan members through June 30, 2051. Payments after that date would be funded by employer assets. Therefore, the long-term expected rate of return on OPEB Plan investments (6.75%) was applied to periods of projected benefit payments through June 30, 2051, and the 20-year municipal bond rate (3.93%) was applied to periods after June 30, 2051, to determine the total OPEB liability.

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**NOTE 7: NET OPEB LIABILITY (CONTINUED)**

In accordance with GASB 74 regarding the disclosure of the sensitivity of the net OPEB liability to changes in the discount rate, the following table presents the net OPEB liability of the Plan as of June 30, 2024, calculated using the discount rate of 5.58% as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.58%) or 1-percentage-point higher (6.58%) than the current rate:

	<u>1% Decrease (4.58%)</u>	<u>Current Discount (5.58%)</u>	<u>1% Increase (6.58%)</u>
Net OPEB Liability	\$ 137,676	\$ 118,460	\$ 102,023

Additionally, in accordance with GASB 74 regarding disclosure of the sensitivity of the net OPEB liability to changes in the trend rate (only applied to implicit subsidy and not the \$450/\$550 cash subsidy), the following table presents the net OPEB liability of the Plan as of June 30, 2024, calculated using the current trend rates as well as what the Plan's net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1 - percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 114,715	\$ 118,460	\$ 122,776

**NOTE 8: BENEFIT GUARANTY**

**A. Pension Plan**

The District may, at any time, change or repeal the ordinance governing the Plan. The District's obligations to those members receiving or eligible for a retirement allowance prior to such change or repeal shall continue in full force. The District is obligated to those members neither receiving nor eligible for a retirement allowance at the time of such change or repeal. This allowance will be a retirement allowance at retirement age equal to the actuarial equivalent of the accumulated value of the member's contributions standing to the member's credit at the date of retirement and the accumulated value of the District's contribution for current service to the date of such change or repeal, increased by the accumulation of interest to date of retirement.

**B. Postemployment Healthcare Benefits**

In addition to retirement benefits, the District provides postemployment health benefits assistance (administered by the Employees' Retirement System) for employees who retire from the District or their surviving spouses. As of June 30, 2024 (date of latest actuarial valuation), there were 1,915 participants receiving these health care benefits.

Effective July 1, 1996, a 20-year vesting schedule for full benefits was implemented for all new participants. Effective January 1, 1999, retired members who had separated from the District prior to their retirement who has at least 5 years of service also became eligible for the postemployment health benefits based on the same sliding scale. The scale provides for 25% of healthcare benefits for service from 5 through 10 years, 50% of healthcare benefits for service from 10 through 15 years, 75% of healthcare benefits for service from 15 through 20 years, and 100% of healthcare benefits for service of 20 years or more. Effective July 1, 2003, the District reimbursed up to \$450 per month (\$550 per month effective July 1, 2004, for membership of a spouse or registered domestic partner) for any health, dental, or long-term care insurance premiums paid by the retiree for themselves, current spouse, or domestic partner, or any health, dental, or long-term care insurance premiums paid by the eligible surviving spouse of a retiree. These benefits are paid from a separate post-employment healthcare benefits fund which up until June 17, 2002, was advance funded entirely by the District on an actuarially determined basis. Cash reimbursement of these benefits totaled \$9,777 for the year ended June 30, 2025 and \$9,824 for the year ended June 30, 2024. Effective June 18, 2002, a portion of the postemployment healthcare benefits costs is recovered through employee contributions.

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**NOTE 8: BENEFIT GUARANTY (CONTINUED)**

Through June 30, 1999, the medical premium subsidy was not a vested benefit and the District reserved the right to modify or terminate the benefit at any time. If the medical subsidy were terminated, assets accumulated from contributions made for the subsidy would be used to provide other pension benefits. Effective July 1, 1999, the medical premium subsidy became a vested benefit to a maximum of \$200 per month, was changed effective October 1, 2000, to a maximum of \$250 per month, and was changed effective July 1, 2002, to a maximum of \$400 per month per month, and was changed effective July 1, 2003, to a maximum of \$450 per month, and was changed again effective July 1, 2004, to a maximum of \$450 per month and \$550 per month for membership of a spouse or registered domestic partner.

**NOTE 9: SUBSCRIPTION BASED INFORMATION TECHNOLOGY AGREEMENTS (SBITA)**

The System implemented GASB Statement No. 96 in the fiscal year ended June 30, 2024, which records the value of a right-to-use subscription asset. The System has recorded a subscription in progress under their assets for \$7,339 and \$4,240 as of June 30, 2025 and June 30, 2024, respectively, as part of their Pension Gold Version 4 software implementation. The SBITA activity is as of fiscal year 2025 as the full software has not been implemented. The System is currently making progress payments as phases of the implementation are completed and it's currently scheduled to be fully implemented by the second quarter of fiscal year 2027.

**NOTE 10: RELATED PARTY TRANSACTIONS**

The District provides the System with accounting, treasury, and other administrative services, which are reimbursed by the System on a monthly basis. Total reimbursements in fiscal years 2025 and 2024 were \$1,739 and \$1,924 respectively.

**NOTE 11: SUBSEQUENT EVENTS**

The District evaluated subsequent events for recognition and disclosure through October 29, 2025, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred, since June 30, 2025, that required recognition or disclosure in these financial statements.

The District is implementing a new tier of the Health Insurance Benefit (HIB), the District's health insurance premium reimbursement program. This change follows the Board's ratification of the Memorandum of Understanding (MOU) on July 8, 2025. The new HIB plan design with the annual escalator will begin on January 1, 2026, for eligible retirees, subject to their vesting schedule percentage.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM**  
(A Component Unit of the East Bay Municipal Utility District)

Required Supplementary Information  
(Dollars in thousands)  
For the Year Ended June 30, 2025

**(1) Pension Plan**

Schedule of Changes in Employer's Net Pension Liability:

Reporting Date	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Measurement Date	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>										
Service cost	\$ 60,312	\$ 56,378	\$ 51,706	\$ 52,212	\$ 46,124	\$ 44,710	\$ 40,636	\$ 41,106	\$ 37,828	\$ 36,791
Interest	201,159	190,492	181,464	176,878	163,114	154,896	149,324	144,392	138,135	131,595
Differences between expected and actual experience	11,737	51,869	54,807	(37,465)	(6,199)	25,974	48,581	(22,641)	5,278	(1,390)
Changes of assumptions	25,307	-	72,120	-	104,814	-	12,484	-	52,596	-
Benefit payments, including refunds of employee contributions	(149,216)	(140,081)	(129,940)	(121,249)	(113,388)	(105,785)	(98,062)	(90,705)	(83,886)	(77,790)
<b>Net change in total pension liability</b>	<b>149,299</b>	<b>158,658</b>	<b>230,157</b>	<b>70,376</b>	<b>194,465</b>	<b>119,795</b>	<b>152,963</b>	<b>72,152</b>	<b>149,951</b>	<b>89,206</b>
<b>Total pension liability - beginning</b>	<b>2,994,429</b>	<b>2,835,771</b>	<b>2,605,614</b>	<b>2,535,238</b>	<b>2,340,773</b>	<b>2,220,978</b>	<b>2,068,015</b>	<b>1,995,863</b>	<b>1,845,912</b>	<b>1,756,706</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 3,143,728</b>	<b>\$ 2,994,429</b>	<b>\$ 2,835,771</b>	<b>\$ 2,605,614</b>	<b>\$ 2,535,238</b>	<b>\$ 2,340,773</b>	<b>\$ 2,220,978</b>	<b>\$ 2,068,015</b>	<b>\$ 1,995,863</b>	<b>\$ 1,845,912</b>
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 105,111	\$ 95,103	\$ 91,393	\$ 79,252	\$ 77,645	\$ 74,033	\$ 71,221	\$ 67,096	\$ 65,218	\$ 64,177
Contributions - employee	23,637	21,865	20,915	19,136	18,690	17,681	16,860	15,820	14,741	13,260
Net investment income	274,375	214,117	(245,904)	481,909	39,973	91,194	147,424	197,977	13,934	59,288
Benefit payments, including refunds of employee contributions	(149,216)	(140,081)	(129,940)	(121,249)	(113,388)	(105,785)	(98,062)	(90,705)	(83,886)	(77,790)
Administrative expense	(2,438)	(2,214)	(1,875)	(1,876)	(1,453)	(1,477)	(1,521)	(1,403)	(1,289)	(1,269)
<b>Net change in plan fiduciary net position</b>	<b>251,469</b>	<b>188,790</b>	<b>(265,411)</b>	<b>457,172</b>	<b>21,467</b>	<b>75,646</b>	<b>135,922</b>	<b>188,785</b>	<b>8,718</b>	<b>57,666</b>
<b>Plan fiduciary net position - beginning</b>	<b>2,194,142</b>	<b>2,005,352</b>	<b>2,270,763</b>	<b>1,813,591</b>	<b>1,792,124</b>	<b>1,716,478</b>	<b>1,580,556</b>	<b>1,391,771</b>	<b>1,383,053</b>	<b>1,325,387</b>
<b>(b)</b>	<b>\$ 2,445,611</b>	<b>\$ 2,194,142</b>	<b>\$ 2,005,352</b>	<b>\$ 2,270,763</b>	<b>\$ 1,813,591</b>	<b>\$ 1,792,124</b>	<b>\$ 1,716,478</b>	<b>\$ 1,580,556</b>	<b>\$ 1,391,771</b>	<b>\$ 1,383,053</b>
<b>Plan's net pension liability - ending (a) - (b)</b>	<b>\$ 698,117</b>	<b>\$ 800,287</b>	<b>\$ 830,419</b>	<b>\$ 334,851</b>	<b>\$ 721,647</b>	<b>\$ 548,649</b>	<b>\$ 504,500</b>	<b>\$ 487,459</b>	<b>\$ 604,092</b>	<b>\$ 462,859</b>

**EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM**  
(A Component Unit of the East Bay Municipal Utility District)

Required Supplementary Information  
(Dollars in thousands)  
For the Year Ended June 30, 2025

**(2) Pension Plan**

Schedule of Employer's Net Pension Liability:

<b>Reporting Date</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
<i>Measurement Date</i>	<i>2024</i>	<i>2023</i>	<i>2022</i>	<i>2021</i>	<i>2020</i>
Total Pension Liability	\$ 3,143,728	\$ 2,994,429	\$ 2,835,771	\$ 2,605,614	\$ 2,535,238
Plan fiduciary net position	(2,445,611)	(2,194,142)	(2,005,352)	(2,270,763)	(1,813,591)
Net pension liability	<u>\$ 698,117</u>	<u>\$ 800,287</u>	<u>\$ 830,419</u>	<u>\$ 334,851</u>	<u>\$ 721,647</u>
Plan fiduciary net position as a percentage of total pension liability	77.79%	73.27%	70.72%	87.15%	71.54%
Covered payroll*	\$ 264,426	\$ 246,231	\$ 233,940	\$ 221,809	\$ 215,110
Plan net pension liability as a percentage of covered payroll	264.01%	325.02%	354.97%	150.96%	335.48%
<b>Reporting Date</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<i>Measurement Date</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
Total Pension Liability	\$ 2,340,773	\$ 2,220,978	\$ 2,068,015	\$ 1,995,863	\$ 1,845,912
Plan fiduciary net position	(1,792,124)	(1,716,478)	(1,580,556)	(1,391,771)	(1,383,053)
Net pension liability	<u>\$ 548,649</u>	<u>\$ 504,500</u>	<u>\$ 487,459</u>	<u>\$ 604,092</u>	<u>\$ 462,859</u>
Plan fiduciary net position as a percentage of total pension liability	76.56%	77.28%	76.43%	69.73%	74.93%
Covered payroll*	\$ 203,541	\$ 193,717	\$ 182,032	\$ 174,586	\$ 166,886
Plan net pension liability as a percentage of covered payroll	269.55%	260.43%	267.79%	346.01%	277.35%

\*In accordance with GASB 82, the covered payroll amounts are defined as the payroll on which contributions to a pension plan are based. The covered payroll amounts for fiscal year 2014 through fiscal year 2016, were updated to adopt the provisions of GASB 82.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM**  
(A Component Unit of the East Bay Municipal Utility District)

Required Supplementary Information  
(Dollars in thousands)  
For the Year Ended June 30, 2025

**(3) Pension Plan**

Schedule of Employer's Contributions:

Year ended June 30	Actuarially determined contributions	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered payroll*	Contributions as a percentage of covered payroll
2016	65,218	65,218	-	174,586	37.36%
2017	67,096	67,096	-	182,032	36.86%
2018	71,221	71,221	-	193,717	36.77%
2019	74,033	74,033	-	203,541	36.37%
2020	77,645	77,645	-	215,110	36.10%
2021	79,252	79,252	-	221,809	35.73%
2022	91,393	91,393	-	233,940	39.07%
2023	95,103	95,103	-	246,231	38.62%
2024	105,111	105,111	-	264,426	39.75%
2025	110,869	110,869	-	276,094	40.16%

\*Derived by dividing the contributions in relation to the actuarial determined contributions by the contributions as a percentage of covered employee payroll. These amounts may be different from the actual payroll of the District. In accordance with GASB 82, the covered payroll is defined as the payroll on which contributions to the pension plan are based. These amounts may be different from the actual payroll of the District. The actuarially determined contributions for the fiscal year ended June 30, 2025 are based on the reporting date. Years preceding fiscal year ended June 30, 2025 are based on the measurement date.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM**  
(A Component Unit of the East Bay Municipal Utility District)

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(Dollars in thousands)  
For the Year Ended June 30, 2025

**(4) Pension Plan**

Schedule of Investment Returns:

<i>Reporting Date</i>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual money weighted rate of return, net of investment expense	13.45%	12.74%	10.96%	-10.81%	26.85%	2.27%	5.37%	9.29%	14.46%	0.91%

**EAST BAY MUNICIPAL UTILITY DISTRICT  
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**(5) Post-Employment Healthcare Plan**

Schedule of Changes in Employer's Net OPEB Liability:

Reporting Date	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Measurement Date	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total OPEB Liability</b>										
Service cost	\$ 5,865	\$ 5,088	\$ 6,725	\$ 5,538	\$ 4,864	\$ 4,692	\$ 4,827	\$ 5,276	\$ 4,514	\$ 4,460
Interest	10,101	9,646	8,061	8,608	9,042	9,332	9,265	8,797	9,374	9,159
Differences between expected and actual experience	291	(438)	5,102	(4,383)	704	(2,783)	(3,299)	(1,711)	(3,286)	(309)
Changes of assumptions	(7,224)	10,206	(28,016)	7,163	18,913	5,753	(527)	(6,107)	12,471	-
Benefit payments - cash*	-	-	-	-	-	-	-	-	(7,685)	(7,394)
Benefit payments- estimated implicit subsidy	(12,699)	(12,185)	(11,778)	(11,644)	(11,382)	(11,052)	(10,390)	(9,804)	(2,164)	(2,241)
<b>Net change in total OPEB liability</b>	<b>(3,666)</b>	<b>12,317</b>	<b>(19,906)</b>	<b>5,282</b>	<b>22,141</b>	<b>5,942</b>	<b>(124)</b>	<b>(3,549)</b>	<b>13,224</b>	<b>3,675</b>
<b>Total OPEB liability - beginning</b>	<b>193,546</b>	<b>181,229</b>	<b>201,135</b>	<b>195,853</b>	<b>173,712</b>	<b>167,770</b>	<b>167,894</b>	<b>171,443</b>	<b>158,219</b>	<b>154,544</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 189,880</b>	<b>\$ 193,546</b>	<b>\$ 181,229</b>	<b>\$ 201,135</b>	<b>\$ 195,853</b>	<b>\$ 173,712</b>	<b>\$ 167,770</b>	<b>\$ 167,894</b>	<b>\$ 171,443</b>	<b>\$ 158,219</b>
<b>Plan fiduciary net position</b>										
Employer contributions - cash	\$ 12,231	\$ 11,420	\$ 10,892	\$ 11,372	\$ 11,089	\$ 10,518	\$ 9,875	\$ 9,764	\$ 9,454	\$ 8,964
Employer contributions - estimated implicit subsidy	-	-	-	-	-	-	-	-	2,164	2,241
Employee contributions - total	12,231	11,420	10,892	11,372	11,089	10,518	9,875	9,764	11,618	11,205
Employee contributions	240	223	212	200	195	184	219	198	184	167
Net investment income	7,676	5,715	(6,105)	11,638	890	2,060	2,925	3,706	271	938
Benefit payments - cash*	-	-	-	-	-	-	-	-	(7,685)	(7,394)
Benefit payments- estimated implicit subsidy	(12,699)	(12,185)	(11,778)	(11,644)	(11,382)	(11,052)	(10,390)	(9,804)	(2,164)	(2,241)
Administrative expense	(68)	(59)	(46)	(46)	(34)	(33)	(30)	(26)	(22)	(20)
Other	2,875	2,480	2,437	2,421	2,419	2,402	2,075	1,892	-	-
<b>Net change in plan fiduciary net position</b>	<b>10,255</b>	<b>7,594</b>	<b>(4,388)</b>	<b>13,941</b>	<b>3,177</b>	<b>4,079</b>	<b>4,674</b>	<b>5,730</b>	<b>2,202</b>	<b>2,655</b>
<b>Plan fiduciary net position - beginning</b>	<b>61,165</b>	<b>53,571</b>	<b>57,959</b>	<b>44,018</b>	<b>40,841</b>	<b>36,762</b>	<b>32,088</b>	<b>26,358</b>	<b>24,156</b>	<b>21,501</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 71,420</b>	<b>\$ 61,165</b>	<b>\$ 53,571</b>	<b>\$ 57,959</b>	<b>\$ 44,018</b>	<b>\$ 40,841</b>	<b>\$ 36,762</b>	<b>\$ 32,088</b>	<b>\$ 26,358</b>	<b>\$ 24,156</b>
<b>Plan's net OPEB liability - ending (a) - (b)</b>	<b>\$ 118,460</b>	<b>\$ 132,381</b>	<b>\$ 127,658</b>	<b>\$ 143,176</b>	<b>\$ 151,835</b>	<b>\$ 132,871</b>	<b>\$ 131,008</b>	<b>\$ 135,806</b>	<b>\$ 145,085</b>	<b>\$ 134,063</b>

\*Benefit Payments and Employer Contributions - cash and estimated implicit subsidy report together starting fiscal year 2018.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
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**(6) Post-Employment Healthcare Plan**

Schedule of Employer's Net OPEB Liability:

Reporting Date	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Measurement Date	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total OPEB Liability	\$ 189,880	\$ 193,546	\$ 181,229	\$ 201,135	\$ 195,853	\$ 173,712	\$ 167,770	\$ 167,894	\$ 171,443	\$ 158,219
Plan fiduciary net position	(71,420)	(61,165)	(53,571)	(57,959)	(44,018)	(40,841)	(36,762)	(32,088)	(26,358)	(24,156)
Net OPEB liability	<u>\$ 118,460</u>	<u>\$ 132,381</u>	<u>\$ 127,658</u>	<u>\$ 143,176</u>	<u>\$ 151,835</u>	<u>\$ 132,871</u>	<u>\$ 131,008</u>	<u>\$ 135,806</u>	<u>\$ 145,085</u>	<u>\$ 134,063</u>
Plan fiduciary net position as a percentage of total OPEB liability	37.61%	31.60%	29.56%	28.82%	22.48%	23.51%	21.91%	19.11%	15.37%	15.27%
Covered payroll plan net OPEB liability as a percentage of covered payroll	\$ 264,426	\$ 246,231	\$ 233,940	\$ 221,809	\$ 215,110	\$ 203,541	\$ 193,717	\$ 182,032	\$ 174,586	\$ 166,886
	44.80%	53.76%	54.57%	64.55%	70.58%	65.28%	67.63%	74.61%	83.10%	80.33%

**EAST BAY MUNICIPAL UTILITY DISTRICT  
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(A Component Unit of the East Bay Municipal Utility District)

Required Supplementary Information  
(Dollars in thousands)  
For the Year Ended June 30, 2025

**(7) Post-Employment Healthcare Plan**

Schedule of Employer's Contributions:

Year ended June 30	Actuarially determined contributions	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered payroll*	Contributions as a percentage of covered payroll
2016	9,454	9,454	-	174,586	5.42%
2017	9,764	9,764	-	182,032	5.36%
2018	9,875	9,875	-	193,717	5.10%
2019	10,518	10,518	-	203,541	5.17%
2020	11,089	11,089	-	215,110	5.16%
2021	11,372	11,372	-	221,809	5.13%
2022	10,892	10,892	-	233,940	4.66%
2023	11,420	11,420	-	246,231	4.64%
2024	12,231	12,231	-	264,426	4.63%
2025	11,885	11,885	-	276,094	4.30%

\*Derived by dividing the contributions in relation to the actuarial determined contributions by the contributions as a percentage of covered payroll. These amounts may be different from the actual payroll of the District. In accordance with GASB 82, the covered payroll is defined as the payroll on which contributions to the pension plan are based. These amounts may be different from the actual payroll of the District. The actuarially determined contributions for the fiscal year ended June 30, 2025 are based on the reporting date. Years preceding fiscal year ended June 30, 2025 are based on the measurement date.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM**  
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Notes to Required Supplementary Information  
(Dollars in thousands)  
For the Year Ended June 30, 2025

The pension-related information presented in the required supplementary schedules was determined as part of the Pension actuarial valuation at the date indicated. Additional information as of the latest Pension actuarial valuation is as follows:

Valuation date	June 30, 2022
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	Prior to July 1, 2011, the UAAL from plan changes, assumption changes, and experience gains/losses were amortized over separate decreasing 30-year amortization periods. On or after July 1, 2011, any new UAAL resulting from plan changes are amortized over separate decreasing 15-year periods; assumption and method changes are amortized over separate decreasing 25-year periods (prior to July 1, 2021); and experience gains/losses are amortized over separate decreasing 20-year periods. On or after July 1, 2021, assumption and method changes are amortized over separate decreasing 20-year periods.
Assets valuation method	The actuarial value of assets is equal to the market value (or fair value) of assets less unrecognized returns from each of the last five years. The unrecognized return each year is equal to the difference between the actual and expected returns on the market value of assets, recognized over a five-year period. The actuarial value of assets is further adjusted, if necessary, to be within 30% of the market value of assets.
Actuarial assumptions:	
Investment Rate of Return	6.75%, net of Pension Plan investment expense, including inflation
Average projected salary increases*	Ranges from 3.75% to 9.25% based on time from hire
Inflation rate	2.50%
Cost-of-living adjustments	2.75% per annum
Mortality	<i>Pre-retirement:</i> Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables, projected generationally with the two-dimensional mortality improvement scale MP-2020. <i>Post-retirement:</i> <i>Healthy Members</i> - Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020. <i>Disabled Members</i> - Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020. <i>Beneficiaries</i> - Pub-2010 Contingent Survivor/Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2020.

\*Includes inflation of 2.50% plus "across-the-board" salary increase of 0.50% plus merit and promotional increases that vary based on time from hire.

**EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM**  
(A Component Unit of the East Bay Municipal Utility District)

Notes to Required Supplementary Information  
(Dollars in thousands)  
For the Year Ended June 30, 2025

The OPEB-related information presented in the required supplementary schedules was determined as part of the OPEB actuarial valuation at the date indicated. Additional information as of the latest OPEB actuarial valuation is as follows:

Valuation date	June 30, 2022
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	Plan changes, assumption changes, and experience gains/losses prior to July 1, 2011 are amortized over separate decreasing 30-year amortization periods. On or after July 1, 2011, plan changes are amortized over separate decreasing 15-year periods; assumption changes are amortized over separate decreasing 25-year periods; and experience gains/losses and retiree health assumption changes are amortized over separate decreasing 20-year periods. The amortization methodology described above was first applied beginning with the June 30, 2021 valuation, which determined the ADC for fiscal year ending June 30, 2022.
Assets valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five year period, further adjusted, if necessary, to be within 30% of the market value.
Actuarial assumptions:	
Investment Rate of Return	6.75%, net of OPEB Plan investment expense, including inflation
Average projected salary increases*	Ranges from 3.75% to 9.25% based on years of service
Inflation rate	2.50%
Health care trend	Non-Medicare: Actual premium increases for 2022-2023, then 7.125% graded down to 4.50% over 11 years. Medicare: Actual premium increases for 2022-2023, then 6.125% graded down to 4.50% over 7 years.
HIB increases	0.00%
Mortality	<i>Pre-retirement</i> : Pub-2010 General Employee Headcount-Weighted Above-Median Mortality Tables, projected generationally with the two-dimensional mortality improvement scale MP-2020. <i>Post-Retirement Healthy Members</i> - Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020. <i>Post-Retirement Disabled Members</i> - Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Tables with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020. <i>Beneficiaries</i> - Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2020.

\*Includes inflation of 2.50% plus across the board salary increase of 0.50% plus merit and promotion increases that vary based on time from hire.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
East Bay Municipal Utility District Employees' Retirement System  
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the East Bay Municipal Utility District Employees' Retirement System (the System), component unit of East Bay Municipal Utility District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated October 31, 2025.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over the System's financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over the System.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



To the Board of Directors  
East Bay Municipal Utility District Employees' Retirement System  
Oakland, California

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*LSL, LLP*

Irvine, California  
October 31, 2025

**EAST BAY MUNICIPAL UTILITY DISTRICT**

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DATE: November 20, 2025

MEMO TO: Members of the Retirement Board

FROM: Sophia D. Skoda, Director of Finance *SDS*

SUBJECT: Approve Revisions to the Statement of Investment Policy and Procedures

**RECOMMENDATION**

Approve the proposed revisions to the Retirement System's Statement of Investment Policy and Procedures (Investment Policy).

**BACKGROUND**

Following the approval of the new asset allocation approved by the Retirement Board at its May 23, 2024 meeting, staff and Meketa reviewed the Retirement System's Investment Policy in light of the changes. The majority of the recommended updates in the attached memo address the new asset allocation weights and ranges, updated benchmarks, rebalancing guidelines and eligible investments. There are several other general improvement edits that address some formatting issues, tightening some language and removing unneeded items. These edits will bring the Investment Policy into alignment with the updated asset allocations.

SDS:SGL

Attachment: Memo – Investment Policy Statement (IPS) Review: Summary of Proposed Revisions

## MEMORANDUM

**TO:** East Bay Municipal Utility District Employees' Retirement System ("EBMUDERS")  
**FROM:** Meketa Investment Group ("Meketa")  
**DATE:** November 20, 2025  
**RE:** Investment Policy Statement (IPS) Review: Summary of Proposed Revisions

---

In May 2024, EBMUDERS approved a new Long-Term Strategic Asset Allocation that called for the removal of select asset classes (REITS, Covered Calls) and the inclusion of new asset classes (Private Debt) to the portfolio. Since Board approval of the new Asset Allocation, Staff and Meketa have been working to transition the portfolio into its new strategic allocation over several stages. While transition of the assets is not fully complete, this memo sets forth the IPS revisions done so far to date. A more comprehensive and exhaustive IPS review is planned for the next Board meeting.

This memorandum provides an overview of revisions incorporated into EBMUDERS' IPS to date, and aligns with EBMUDERS' annual recurring IPS review timeline. A clean and red-lined version of the proposed changes are attached.

### Summary of Major Revisions

These include:

- **Appendix I: Long-Term Strategic Asset Allocation and Ranges.** This has been pulled out of the main body of the document, and into its own section, Appendix I. Notable changes reflect the Long-Term SAA that removes now obsolete asset classes (REITS, Covered Calls) and introduces Private Debt.
- **Appendix II: Asset Class Benchmarks.** This has been pulled out of the main body of the document, and into its own section, Appendix II. Updated to reflect the asset class benchmarks to align with the new Long-term SAA.
- **Rebalancing Guidelines:** Edited language to remove non-turbulent and turbulent market periods distinctions and provide less prescriptive language making it guideline-oriented without strict rulings. Removed references
- **Eligible Investments:** Added Private Debt; Covered Calls remains in effect given current exposures and the timeline under the Evolving Policy Plan. Edited investment objective language related to peer group performance expectations for asset classes, performance tied to a CPI plus hurdle; improved language for the MSCI ACWI US passive performance expectations.

### Summary of Minor Revisions

The proposed revisions also include a variety of minor revisions aimed for greater clarity, specificity, and flexibility as well as general improvement of the IPS. These include:

- **Investment Beliefs:** Formatting changes, removed grid and replaced with bullet format.
- **Glossary of Investment Returns:** Removed to reduce document length and complexity; glossary terms are not a compliance requirement in most regulatory frameworks.
- **General Improvements:** Other general improvements to various sections to tighten language and improve clarity.

CB/PN/EL/mp



**EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM**

**Statement of Investment Policy and  
Procedures**

Last Revised January 2022  
Amended: November 2025

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## East Bay Municipal Utility District Employees' Retirement System

### MISSION

To serve as the fiduciary and responsible steward of the East Bay Municipal Utility District Employees' Retirement System: to deliver promised benefits to members of the retirement system, their survivors and beneficiaries.

### INVESTMENT BELIEFS

#### The System:

- Is a long-term investor
- Articulates clear goals
- Has well-diversified assets
- Considers costs
- Ensures accountability
- Aims to be a leader, consistent with EBMUD's commitment to excellence in leadership

#### The Portfolio

- Is structured based upon strategic asset allocation
- Is designed to be fully invested and maintain adequate working capital
- Relies on passive management where active management is unlikely to reward

#### Recognizes that Risk:

- Exists in all investment decisions
- Should be carefully evaluated
- Must be commensurate with return
- Cannot be captured solely through quantitative analysis
- Can be systemic and emerge over time

	<b>The System:</b>
1.	<del>Is a long term investor</del>
2.	<del>Articulates clear goals</del>
3.	<del>Has well diversified assets</del>
4.	<del>Considers costs</del>
5.	<del>Ensures accountability</del>
6.	<del>Aims to be a leader, consistent with EBMUD's commitment to excellence and leadership</del>
	<b>The Portfolio:</b>
7.	<del>Is structured based upon strategic asset allocation</del>
8.	<del>Is designed to be fully invested and maintain adequate working capital</del>
9.	<del>Relies on passive management where active management is unlikely to reward</del>
	<b>Recognize that Risk:</b>
10.	<del>Exists in all investment decisions</del>
11.	<del>Should be carefully evaluated</del>
12.	<del>Must be commensurate with return</del>
13.	<del>Cannot be captured solely through quantitative analysis</del>
14.	<del>Can be systemic and emerge over time</del>

**I. INTRODUCTION**

This document provides a framework for the investment management of the assets of the East Bay Municipal Utility District Employees’ Retirement System (the ‘System’ or “EBMUDERS”). Its purpose is to assist the Board of Administration (the Board’ or “Retirement Board”) in effectively supervising and monitoring the investments of the System, and achieving its objective of providing adequate retirement, disability, survivorship and other post-employment benefits to eligible Members of the Retirement System in a cost-effective manner. Specifically, it will address:

- The general goals of the investment program;
- Specific asset allocations, rebalancing procedures and investment guidelines;
- Performance objectives; and
- Responsible parties.

This Investment Policy statement includes the provisions of the California Constitution and Statutes and will:

- Set forth investment policies, objectives and procedures which the Retirement Board judges to be appropriate and prudent, in consideration of the needs of the Employees’ Retirement System;
- Establish the criteria which the investment management organizations retained by the Retirement System are expected to meet and against which they are to be measured;
- Communicate the investment policies and objectives and performance criteria to the Investment Managers; and
- Serve as a review document to guide the Board’s ongoing oversight of the investment of Retirement System’s assets.

It is the practice of the Retirement Board to change its policies and objectives in accordance with changing regulatory, economic, financial and administrative conditions as they change over time.

The System is governed by a six-member Retirement Board, with five voting members and one non-voting retired member. In the formation of this investment policy and goal statement, a primary consideration of the Board has been their awareness of the stated purpose of the System. The Board’s investment activities are designed and executed in a manner that will fulfill these goals.

This policy statement is designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while setting forth reasonable parameters to ensure prudence and care in the execution of the investment program.

## II. INVESTMENT OBJECTIVES

### A. Overall Performance Goals

The System's general investment goals are broad in nature. The following goals, consistent with the above described purpose, are adopted:

1. The overall goal of the System's investment assets is to provide adequate retirement and disability, survivorship and postemployment healthcare benefits to eligible employees in a cost effective manner. This will be accomplished through a carefully planned and executed investment program.
2. A secondary objective is for the System investment assets to achieve a long-term total annual rate of return, including dividends, interest, and capital appreciation which exceeds the assumed actuarial rate of return and a total annual return net of all investment management fees and expenses, which meets or exceeds a weighted average of the asset class benchmarks specified below, where the weights correspond to the System's strategic policy allocation.
3. Environmental, social and governance ("ESG") factors should be considered in portfolio management. Consistent with the System's Mission and Investment Beliefs, the System recognizes that ESG factors can have a material impact on corporate performance over the long term, although the impact can vary by industry. The consideration of ESG factors may affect security selection, proxy voting, engagement, and other areas. The System will consider ESG factors in its proxy voting and other relevant portfolio management activities. ESG factors will be taken into account in selection and ongoing monitoring of the System's investment managers and mandates, and of other service providers as appropriate. The System will leave individual security selection decisions to its investment managers under the assumption that they will make the decisions that are in the best interest of the System incorporating both ESG and non-ESG factors.
- ~~4. System investment assets should achieve a real or inflation adjusted return of 4% or more above the nationwide Urban Consumers Price Index.~~
- ~~5.4.~~ The Retirement System endeavors to achieve the above System investment asset return objectives within a time horizon of three to five years or approximately a full market cycle.
- ~~6.5.~~ System investment assets should remain fully invested.
- ~~7.6.~~ Investment management of System investment assets should recognize that the Retirement System is relatively risk averse and the System's capital should be preserved. Therefore, the goals of the Employees' Retirement System are: to be achieved recognizing safety of principal, liquidity and yield, in that order.
- ~~8.7.~~ Assets must be diversified by type and issuer.
- ~~9.8.~~ Allocation of assets to Investment Managers shall be determined by the Retirement Board to accommodate changing conditions and laws.

- ~~10.9.~~ The System’s investment program shall at all times comply with ~~existing and future~~ applicable local, state, and federal regulations
- ~~11.10.~~ All transactions undertaken will be for the sole benefit of the System’s Members and beneficiaries and for the exclusive purpose of providing benefits to them and defraying reasonable administrative expenses associated with the System.
- ~~12.11.~~ All fees and other costs payable to third-party providers of services to the System shall be payable from System assets
- ~~13.12.~~ The System has a long-term investment horizon, and utilizes an asset allocation which encompasses a strategic, long-run perspective of capital markets. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the System’s investment performance.
- ~~14.13.~~ Investment actions are expected to comply with “prudent person” standards, meaning:
- “with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man 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.”

B. Performance Goals by Asset Class

~~1. The performance objective of the portfolio's allocation to each asset class in which the System's assets are invested shall be to achieve a total return net of fees and expenses which equals or exceeds the market indexes listed below over a full market cycle as defined by the Board.~~

Asset Class Performance Benchmarks

<u>ASSET CLASS</u>	<u>BENCHMARK</u>
<del>1. U.S. Equities:</del>	<del>Russell 3000 Index</del>
<del>2. Non U.S. Equities:</del>	<del>MSCI ACWI x US Index</del>
<del>3. Core Fixed Income:</del>	<del>BBg Aggregate Index</del>
<del>4. Non-Core Fixed Income:</del>	<del>50% ICE BofA Merrill Lynch U.S. Corporates, Cash Pay, BB-B Rated 1-5 Years Index, 30% Credit Suisse Leveraged Loan Index, 20% BBg Short Term Gov/Credit Index</del>
<del>5. Real Estate:</del>	<del>50% NCREIF (lagged), 50% FTSE NAREIT All Equity REITs Index</del>
<del>6. Covered Calls:</del>	<del>BYM Covered Calls Index*</del>

~~\*Also known as the CBOE S&P 500 BuyWrite Index~~

~~2. Performance results for System investment assets and for each Investment Manager shall be calculated and evaluated quarterly and presented to the Board for review.~~

~~3. A special target index will be created and utilized to measure the performance results of the portfolio, serving as a benchmark for the total portfolio. This Total Portfolio Benchmark will be included in evaluation reports presented to the Board for review. The Total Portfolio Benchmark will consist of and be weighted as follows:~~

~~Total Portfolio Benchmark~~

~~25% Russell 3000 Index~~

~~20% BXM Covered Calls Index~~

~~25% MSCI ACWI x US~~

~~20% BBg Aggregate Index~~

~~2.5% ICE BofA Merrill Lynch U.S. Corporates, Cash Pay, BB-B Rated 1-5 Years Index~~

~~1% BBg Short Term Gov/Credit Index~~

~~1.5% Credit Suisse Leveraged Loan Index~~

~~2.5% NCREIF (lagged)~~

~~2.5% FTSE NAREIT All Equity REITs index~~

~~This target benchmark index reflects the asset allocation goal established by the Retirement Board.~~

### III. DUTIES AND RESPONSIBILITIES

#### A. Duties of the Board or its Designee(s)

The Retirement Board has the responsibility for administration of the System for the benefit of plan participants, although it is not the intent of the Board of Retirement to become involved in the day-to-day investment decisions. The Board or its designee(s) will adhere to the following procedures in the management of the Board's assets:

1. The Board develops and approves guidelines for the execution of the Board's investment program.
2. The Board is responsible for selecting qualified Investment Managers, the General Investment Consultant, the Master Custodian, and other service providers.
3. The Board will ensure a formal review of the System's investment structure. An asset-liability study including allocation and financial performance reviews will be conducted every three to five years or as frequently as the need arises. The review will include recommended adjustments to the long-term, strategic asset allocation to reflect any changes in policy, applicable regulations, long-term capital market assumptions, actuarial assumptions and the System's financial condition.

4. The Board may retain investment consultants to provide such services as conducting investment performance reviews, asset-liability studies, asset allocation, Investment Manager reviews, and investment research.
5. The Board will review investments and Investment Managers at least quarterly to ensure that policy guidelines continue to be met. The Board will monitor investment returns on both an absolute basis and relative to appropriate benchmarks as set forth in this policy, including measurements against benchmarks and key qualitative factors and peer group comparisons. The source of information for these reviews may be staff, the General Investment Consultant, the Investment Managers, and others as appropriate. The Board is responsible for taking appropriate action if investment objectives are not being met or if policies and guidelines are not being followed.
6. The Board will provide oversight to ensure investments **are made** in a cost-effective manner subject to Board approval. These costs include, but are not limited to, investment management, consulting and custodial fees, transaction costs and other administrative costs. Costs to administer the System are chargeable to and expected to be paid by the System.

#### B. Duties of the Administrative-Investment Committee

The Administrative-Investment Committee shall meet as needed. Duties of the Administrative-Investment Committee shall be as follows:

1. Make recommendations as to general investment policies, practices, and procedures to the Retirement Board including, but not limited to, asset mix, portfolio diversification, average maturity, portfolio risk level and rate of return.
2. Review the investment performance of the Retirement System.
3. Confer with the Investment Managers to review investments and current market environment.
4. Review the Statement of Investment Policy and Procedures as adopted by the Retirement Board and make recommendations as to the content thereof.
5. Render advice to the Retirement Board relative to the desirability of and the procedure to retain investment advisors, performance measurement services, and bank custody of securities owned.
6. Select one Committee member to serve as Chair at all meetings scheduled by the Administrative-Investment Committee.

#### C. Duties of the East Bay Municipal Utility District Staff

The Director of Finance of the East Bay Municipal Utility District shall serve as the Manager of Finance of the System. The Director of Finance and his/her staff provide analysis and recommendations to the Board on a wide variety of investments and investment related matters; oversee and direct the implementation of Board policies, and manage the System's portfolio on a **day-to-day** basis.

Pursuant to this policy, the Board has delegated to the Director of Finance:

1. Authority to withdraw assets from assigned managers as necessary to efficiently meet operating needs and to invest the System's cash without requiring the Board's permission but only as set forth in this policy.
2. Responsibility to recommend service providers to the Board, including conducting the search process for the General Investment Consultant, Investment Managers, Master Custodian, and other service providers as requested by the Board.
3. Responsibility for implementation and administration of this policy and of the Board's decisions, including:
  - a. Managing the relationships with service providers to the System to ensure that they are providing all the necessary assistance to Board and to staff. Should any service provider fail to do so, the Director of Finance may make changes to the extent consistent his/her authority pursuant to this policy, or recommend appropriate changes to the Board;
  - b. Ensuring that Investment Managers conform to the terms of their contracts, appropriate policies and guidelines; and
  - c. Ensuring that performance monitoring systems are consistent with this policy and provide the Board with as timely, accurate and useful information as possible.
4. Authority to manage portfolio restructuring resulting from portfolio rebalancing or manager terminations, with the assistance of the General Investment Consultant, a transition manager, other consultants, and Investment Managers, as needed.
5. Authority to manage the voting process for ~~vote~~-proxies in stocks held by the System. Proxies will be voted ~~with Management unless otherwise~~ as directed by the Board.
6. Authority to designate individual staff of the District to carry out his/her responsibilities under this policy.
7. The Director of Finance may rely upon the assistance of the General Investment Consultant as needed to fulfill his/her obligations.
8. The Director of Finance and his/her staff, with assistance from the General Investment Consultant as needed, shall also:
  - a. Be responsible for organizing and/or participating in any special research for the Board; and
  - b. Advise and keep the Board apprised of any other events of investment significance.

#### D. Duties of the General Investment Consultant

The Investment Consultant shall be responsible for the following:

1. At the request of the Director of Finance or his/her designee, assist Staff in performance of their duties as listed in this investment policy.

2. Prepare a quarterly performance report and a comprehensive annual report which shall include performance attribution on the Board's Investment Managers and performance of total System assets. Performance results shall be presented to show:
  - a. The degree to which portfolios and investment managers have achieved Retirement Board investment objectives;
  - b. That the investment managers' strategy has been consistent with their stated philosophies; and
  - c. How the total portfolio and the individual managers performed in comparison with other pension funds and peer managers.
  - d. These reports shall include, but are not limited to:
    - i. Performance of System asset portfolio as a whole with respect to this policy, including stated benchmarks and policy objectives, and comparison with other pension funds.
    - ii. A report on the general economic and investment environment as it affects the System asset portfolio as a whole and the asset allocation categories and Investment Managers individually.
    - iii. Each Investment Manager's performance on an ongoing basis relative to Board investment objectives as stated in this policy, using investment performance criteria relative to specific benchmarks associated with its asset class and to benchmarks incorporated into its agreement.
    - iv. A check on each Investment Manager's adherence to its stated investment style and discipline.
    - v. Any instability of Investment Manager personnel and organization.
    - vi. Any unusual portfolio activity, trading volume, and execution costs.
    - vii. Risk and performance characteristics with respect to an individual Investment Manager's portfolio not logically explainable in terms of the published style or out-of-step with manager's style peer group.
    - viii. Failure by an Investment Manager to comply with all investment guidelines
    - ix. How the individual managers performed in comparison with other pension funds and peer managers;
    - x. Documentation and recommendations with respect to implementation of this policy pertaining to Watch Status. Documentation includes material pertaining to the Investment Manager's consideration for Watch Status, placement on Watch Status, removal from Watch Status and/or replacement/termination; and
    - xi. Any other factors considered by the General Investment Consultant to be of material relevance to the Board in their evaluations of the Investment Managers individually or the performance of the System's asset portfolio as a whole.

3. Make recommendations to the Board regarding investment policy and strategic asset allocation, including managing and interpreting the periodic asset-liability study as requested by the Board.
4. Assist the Board in the implementation of this policy pertaining to Watch Status of individual Investment Managers/portfolios, including documentation of relevant factors and recommendations for individual Board actions.
5. Assist the Board in the selection of qualified Investment Managers, and assist in the review of existing managers, including monitoring changes in personnel, ownership and the investment process.
6. Assist the Board in the selection of a qualified custodian if necessary.
7. Provide topical research and education on investment subjects as requested by the Board or Investment staff.

#### E. Duties of the Investment Managers

The investment managers shall:

1. Contract by written agreement with the Board to invest within approved guidelines.
2. Provide the Board with proof of liability and fiduciary insurance coverage at the time of execution of engagement contract and annually thereafter until the relationship is terminated.
3. Be a SEC-Registered Investment Advisor under the 1940 Act or an authorized bank or trust, and be recognized as providing demonstrated expertise over a number of years in the management of institutional assets within a defined investment specialty.
4. Adhere to the investment management style concepts and principles for which they were retained, including, but not limited to, developing portfolio strategy, performing research, developing buy, hold and sell lists, and purchasing and selling securities.
5. Obtain best execution for all transactions for the benefit of the System with brokers and dealers qualified to execute institutional orders on an ongoing basis at the best net cost to the System, and, where appropriate, facilitate soft dollar credits and the recapture of commissions for the System's benefit.
6. The Board has determined that Investment Managers should be encouraged to direct approximately 25% of their trades through brokers specified by the Board. This may allow the Retirement System to recapture some of the commission costs. It should be understood that the trades should be executed on a competitive basis to ensure best execution and to limit commission costs.
7. Investment Managers should also recognize that it is the intent of the System to encourage the growth and development of firms eligible for the East Bay Municipal Utility District's Contract Equity Program (CEP) when prudently possible. Investment Managers are encouraged to execute trades through CEP firms. Such trades must be executed on a competitive basis to ensure best execution and to limit commission costs.

8. Investment Managers are required to reconcile monthly accounting, transaction and asset summary data with custodian valuations, and communicate and resolve any significant discrepancies with the custodian and Staff.
9. Investment Managers are required to report the following at least monthly to General Investment Consultant, and upon request to the Board and Director of Finance or his/her designee:
  - a. Transaction and asset summary data reported at cost and fair market value;
  - b. Rate of return, which calculation shall include net income, realized gains and losses, and, if appropriate, unrealized appreciation and depreciation; and
  - c. Managers that invest in derivatives are also required to make quarterly reports on the specific risk exposure to the system.
10. If requested by Staff and/or the General Investment Consultant, Investment Managers are required to provide in writing reasons for underperformance with respect to policy and/or agreement benchmarks.
11. Investment Managers are required to maintain frequent and open communication with the Board and Director of Finance or his/her designee(s) on all significant matters pertaining to the Investment program, including, but not limited to, the following:
  - a. Major changes in the Investment Manager's investment outlook, investment strategy and portfolio structure;
  - b. Significant changes in ownership, organizational structure, financial condition or key or senior personnel;
  - c. Any changes in the Portfolio Manager, Relationship Manager or other personnel assigned to the System;
  - d. Each client that terminates its relationship whose terminated portfolio account represents at the least one percent of the Investment Manager's aggregate portfolio on the day of notice of termination with the Investment Manager, within 30 days of such termination;
  - e. Each client that terminates its relationship when the cumulative terminations for a calendar month equals or exceeds one percent of the Investment Manager's aggregate portfolio as of the first business day of the reporting month; and
  - f. All pertinent issues which the Investment Manager deems to be of significant interest or material importance.
12. Meet with the Board and the Director of Finance or his/her designee as requested.

#### F. Duties of the Master Custodian

The Master Custodian shall be responsible to the Board for the following:

1. Provide complete global custody and depository services for the designated accounts.

2. Manage a Short Term Investment Fund (STIF) for investment of any uninvested cash, and ensure that all available cash is invested. If the cash reserves are managed externally, full cooperation must be provided.
3. Provide in a timely and effective manner a monthly report of the investment activities implemented by the Investment Managers.
4. Collect all income and principal realizable and properly report it on the periodic statements.
5. Provide monthly and fiscal year-end accounting statements for the portfolio, including all transactions; these should be based on accurate security values for both cost and market. These should include, where appropriate, records of amortized cost. These reports should be provided within acceptable time frames.
6. Report situations where accurate security pricing, valuation and accrued income is either not possible or subject to considerable uncertainty.
7. Provide assistance to the System to complete such activities as the annual audit, transaction verification or unique issues as required by the Board.
8. Manage a securities lending program to enhance income if directed by the Board. If the securities lending program is managed externally, full cooperation must be provided.
9. Process class action processing services including tracking class action lawsuits, filing claims on behalf of the System, responding to inquiries from the claims administrators, following up on rejection notices with additional information where appropriate, posting settlement fund distributions to appropriate System accounts, and providing reports on proceeds received.

#### IV. INVESTMENT POLICIES AND PROCEDURES

##### A. Asset Allocation — Asset/Liability

1. The Board regularly adopts and implements an asset allocation policy that is predicated on a number of factors, including:
  - a. A projection of actuarial assets, liabilities, benefit payments and required contributions;
  - b. Historical and expected long-term capital market risk and return behavior;
  - c. An assessment of future economic conditions, including inflation and interest rate levels; and
  - d. The current and projected funding status of the System.
2. The asset allocation will be determined through appropriate studies undertaken by consultants retained by the Board. The allocation study will include all asset classes deemed prudent and appropriate by the Board. The Board, with the aid of the Director of Finance and the investment consultant, will determine the assumptions and criteria to be used in the asset allocation study. The following assumptions and criteria will ~~be so~~ be determined:
  - a. The expected return from each asset category.

- b. The expected standard deviation of each asset category.
  - c. The minimum and maximum percent to be invested in each asset category.
  - d. The correlation relationship between the asset categories.
  - e. The minimum acceptable return over a given time period.
  - f. The net contribution as a percent of payroll.
  - g. The expected payroll growth rate.
3. The resulting asset allocation mixes will be approved by the Board with input from the Director of Finance and the investment consultant and an optimum selection made. The asset allocation study will be performed no less frequently than every five years. Appropriate adjustments to the existing portfolio will then be made in the most expeditious and appropriate manner. The Director of Finance is authorized to retain a Transition Manager to assist with major re-allocations of the portfolio.
4. On an ~~ongoing more frequent, periodic~~ basis, the Director of Finance, with assistance from the investment consultant, will analyze the portfolio structure of each asset class. Analysis shall include:
- a. appropriateness of asset class and manager benchmarks,
  - b. alignment structure of individual portfolios with asset class benchmarks based on manager holdings and mandate,
  - c. evaluation of whether the asset class is structured in such a manner that is consistent with the Boards objectives,
  - d. analysis of underperforming managers, and
  - e. overall risk profile of the asset class.
- ~~5. Pursuant to the diversification of the investments of the Retirement System so as to minimize the risk of large losses, the assets of the System shall be diversified according to the specified target percentages:~~

~~**Strategic Policy Allocation (approved May 2018)**~~

<del>Asset Class</del>	<del>2018 Target</del>
<del>US Equity</del>	<del>25%</del>
<del>Non-US Equity</del>	<del>25%</del>
<del>Core Fixed Income</del>	<del>20%</del>
<del>Non-Core Fixed Income</del>	<del>5%</del>
<del>Covered Calls</del>	<del>20%</del>
<del>Real Estate</del>	<del>5%</del>

- ~~6.5.~~ The System's goal is to ~~should~~ remain fully invested. The allocation goal recognizes that at any time equity and fixed income Investment Managers may have transactional cash on hand, however available cash held by individual Investment Managers should not exceed 5% of their individual portfolios. Core and Non-Core Fixed-Income Investment Managers can exceed 5% of the portfolio for strategic purposes only. Covered Call managers can exceed 5% in order to avoid leveraging their portfolio or due to the timing of option premium receipt.
- ~~7.6.~~ The District will also maintain enough cash as working capital to effectively meet cash flow demands on the system. These funds are not considered investable System assets. These funds will be invested by Staff in accordance with this policy.
- ~~8.7.~~ Financial derivatives may be used within prudent limits to manage risk, lower transaction costs, or augment returns. Leveraged positions are prohibited.

## B. Rebalancing Guidelines

As markets move over time, the actual asset mix of the System's portfolio may diverge from the target allocations established by the Board through the asset allocation process.

- ~~1.~~ The Board and staff, with the assistance of the General Investment Consultant, will monitor the portfolio's asset allocation relative to target allocations and ranges at least annually.
- ~~2.~~ Staff, with the assistance of the General Investment Consultant, will monitor the volatility of the market at least annually utilizing the CBOE Market Volatility Index (the VIX) and other relevant information to identify and measure Turbulent Market Periods. A Turbulent Market Period is defined as one during which the current VIX level is one standard deviation above its three-year moving average.
2. With respect to each asset class group for which the Board has set a target allocation, the Board, in consultation with Staff and its investment consultant, have established the rebalancing ranges as set forth in Appendix I: Long-Term Strategic Asset Allocation and Ranges. These ranges are designed to withstand periods of market volatility.
3. Significant and/or sustained market dislocations may warrant additional review to the rebalancing guidelines. Staff and the Investment Consultant shall monitor market conditions and portfolio exposures to determine if heightened market and portfolio volatility justify wider rebalancing range limitations to be in effect.
4. If any strategic allocation is outside the specified target range, assets may be shifted to return the strategy to within the target range. The specific plan for rebalancing will identify those assets that can be shifted at the lowest possible risk and cost if the rebalancing cannot be accomplished solely by allocating contributions and withdrawals. This rebalancing will be conducted with direction from the Consultant and Staff and reported to the Board.
- ~~3.~~ range limitations illustrated in the table entitled Strategic Policy Allocation Rebalancing Ranges—Non-Turbulent Market Periods, incorporated in this policy. These rebalancing range limitations are to be used during market periods that are not defined as Turbulent.

### **Strategic Policy Allocation Rebalancing Ranges—Non-Turbulent Market Periods**

<b>Asset Class</b>	<b>2018 Target</b>	<b>Range</b>	<b>Min</b>	<b>Max</b>
US Equity	25%	± 5%	20%	30%
Non-US Equity	25%	± 5%	20%	30%
Core Fixed Income	20%	± 3%	17%	23%
Non-Core Fixed Income	5%	± 2%	3%	7%
Covered Calls	20%	± 3%	17%	23%
Real Estate	5%	± 2%	3%	7%

4. ~~The Board, in consultation with staff and its investment consultant, has established wider rebalancing range limitations to be in effect during a Turbulent Market Period with respect to each asset class group for which the Board has set a target allocation. These ranges are illustrated in the table entitled Strategic Policy Allocation Rebalancing Ranges—Turbulent Market Periods and incorporated in this policy.~~

**~~Strategic Policy Allocation Rebalancing Ranges—Turbulent Market Periods~~**

<b>Asset Class</b>	<b>2018 Target</b>	<b>Range</b>	<b>Min</b>	<b>Max</b>
US Equity	25%	-6% to +6%	19%	31%
Non-US Equity	25%	-6% to +6%	19%	31%
Core Fixed Income	20%	-4% to +4%	16%	24%
Non-Core Fixed Income	10%	-3% to +3%	7%	13%
Covered Calls	20%	-4% to +4%	16%	24%
Real Estate	5%	-2% to +2%	3%	7%

5. ~~Whenever an allocation to a particular asset class is above or below target, but within the target range as illustrated in the table Strategic Policy Allocation Rebalancing Ranges—Non-Turbulent Market Periods, the Director of Finance or his/her designee may rebalance partially or fully back to target subject to the considerations below. During Turbulent Market Periods the Director of Finance, in his/her discretion, may move to the wider rebalancing ranges for the major classes (US equity, non-US equity, and fixed income) as outlined in the table Strategic Policy Allocation Rebalancing Ranges—Turbulent Market Periods. Staff will immediately report any such move to wider rebalancing ranges to the Board at its next meeting.~~

- 6.5. The Director of Finance or his/her designee may rebalance a particular asset class partially or fully back to target if:
- The assets are publicly traded;
  - There is an opportunity to rebalance efficiently utilizing cash inflows and cash balances held by managers; and

- c. Trading opportunities can be utilized to the extent that they permit liquidating or adding to positions while limiting trading costs.

Staff will ~~immediately~~ report any such rebalancing to the Board at its next meeting.

- ~~7. The Director of Finance will not be required to reallocate private market asset classes, given the difficulty in managing the allocations to these less liquid asset classes. If the actual allocation for such assets falls outside the predetermined range Staff, in consultation with the General Investment Consultant, will make a recommendation to the Board for bringing the allocation as close as practicable to the policy target within a reasonable time frame.~~

## V. ELIGIBLE INVESTMENTS

The Board will utilize the following portfolio components to fulfill the asset allocation targets and total System performance goals established elsewhere in this document.

### A. Public Equities Portfolio

The Board expects that over the long run, total returns to equities will be higher than the returns to fixed-income securities, but may be subject to substantial volatility over shorter periods. Public equity holdings may include:

#### 1. U.S. Equities

- a. Index Funds / Core Stocks— This component of the portfolio will provide broadly diversified, core exposure through index funds to the U.S. equity market, primarily in large capitalization companies. Index funds provide primary liquidity for asset allocation.
- ~~b. Large Cap Stocks— As a more defensive portion of the equity portfolio, value stocks, covering the upper range of market capitalization, are expected to outperform the broad market during periods of flat or declining trends, while underperforming during rising markets. Value stocks typically exhibit higher dividend yield, lower Price/Earnings ratios, and lower Price/Book ratios.~~
- ~~c. Large Cap Growth Stocks— Large cap growth stock allocation provides exposure to stocks of large capitalization, whose valuations are more directly tied to future earnings prospects. Often, growth stocks sell at higher prices relative to expected or historical earnings growth. Growth stock volatility tends to be higher than value stocks, although such stocks generally outperform during rising markets while trailing the market in flat or declining periods.~~
- ~~d. Small Cap Stocks— The principal characteristic of the small value stock component is its emphasis in stocks with a market capitalization generally ranging from \$200 million–1.5 billion that are characterized by faster growth and higher long term returns during periods of flat or declining trends. Value stocks typically exhibit higher dividend yield, lower Price/Earnings ratios, and lower Price/Book ratios.~~
- ~~e. Small Cap Growth Stocks— The principal characteristic of the small cap growth stock component is its emphasis in stocks with a market capitalization generally ranging from \$200–\$1.5 billion that are characterized by faster growth and higher long term returns during rising markets. Growth stock volatility tends to be higher than for value stocks.~~
- ~~f.~~ b. The objectives for investment of the US equity portfolio are:
  - i. Achieve a total return net of management fees which meets or exceeds the Russell 3000 Index;
  - ~~ii. Achieve a minimum long term rate of return which shall exceed the inflation rate as measured by the nationwide Urban Consumers Price Index by 4%;~~
  - ~~iii.~~ ii. The use of futures and options in the domestic equity accounts may be used for hedging purposes as part of their portfolio management strategy and will be incidental to their securities trading activities; and

~~iv.iii.~~ In order to minimize the risk associated with investment in the small cap market, it is expected that over the long term the allocation to small cap stocks should correspond to the weight of small cap stocks within the Russell 3000 Index.

~~g.c.~~ The equity portfolio shall be diversified. When fully invested in equities or at its normal level of investment, System investment assets should be invested in a minimum of 20 U.S. Equity securities. At no time may a single equity investment exceed 5% of the value of total System assets. Additionally, at no time may the System own more than 5% of any individual company.

## 2. Non-U.S. Equities

~~a.~~ Developed Markets — This category includes broadly diversified equity markets outside the U.S. and consequently plays a significant role in diversifying the portfolio. ~~This segment will concentrate on larger companies in established equity markets around the world utilizing a top/down approach.~~

~~a.~~  
b. Emerging Markets — This component is made up of equity positions in companies located in emerging countries around the world. Because these are countries which are typically in the early development stages of economic growth, the returns in these countries tend to be higher and more volatile on a year-to-year basis.

c. The objectives for investment of the non-US equity portfolio are:

i. Achieve a total return net of management fees which meets or exceeds the Morgan Stanley Capital International (MSCI) ACWI x U.S. Index;

~~ii. Achieve a minimum long term rate of return which shall exceed the inflation rate as measured by the nationwide Urban Consumers Price Index by 5%;~~

~~iii. Achieve performance results which will rank in the top third of a peer group of international Investment Managers; and~~

~~iv.ii.~~ Currency hedging will be permitted as part of a defensive strategy to protect an international equity portfolio.

d. In order to minimize the risk associated with investment in emerging market securities, it is expected that over the long term the allocation to emerging market securities should correspond to the weight of emerging market securities within the MSCI ACWI x US Index.

e. Each international equity portfolio shall be diversified. When fully invested in Non-U.S. Equities or at its normal level of investment, System investment assets should be invested in a minimum of 20 securities. At no time may a single Non-U.S. Equity investment exceed 5% of the value of the total System assets. Additionally, at no time may the System own more than 5% of any individual company.

## B. Fixed-Income Portfolio

The primary role of the fixed-income portfolio is to provide a more stable investment return and to generate income while diversifying the System's investment assets. The fixed-income holdings may be comprised of the following segments:

1. **Core Fixed Income**

- a. The Core Fixed Income component will provide core exposure to the U.S. fixed-income market including Treasury and government agency bonds, corporate debt, mortgages and asset-backed securities. This component will be composed primarily of investment grade issues with duration similar to that of an applicable core bond index.
- b. The objectives for investment of the core fixed income component of the Fixed-Income portfolio are:
  - i. Preserve capital and provide a reasonable level of income on a consistent basis;
  - ii. Earn an average annual return from income and capital appreciation net of management fees which exceeds 50 basis points of the BBg US Aggregate Bond Index;
  - ~~iii. Achieve performance results that will rank in the top third of fixed income results achieved by a peer group of Investment Managers and counselors;~~
  - ~~iv. Achieve a minimum long term rate of return which shall exceed the inflation rate as measured by the nationwide Urban Consumers Price Index by 3%; and~~
  - v.iii. Achieve the above objectives within a time horizon of a minimum of three to five years or approximately a full market cycle.
- c. Holdings of securities issued by the United States Government or any of its agencies need not be diversified. Securities of any one issuer with maturities of more than one year, other than the United States Government or any of its agencies, shall not exceed 5% of the value of the total portfolio. Securities of any one issuer of foreign government issues shall not exceed 10% of the value of the total portfolio at the time of purchase. Fixed income managers have the authority to make international investments, not to exceed 20% of their total portfolio. Investment in U.S. dollar denominated bonds of foreign governments, international organizations, foreign corporations, and U.S. subsidiaries of foreign corporations are permitted, however, shall not exceed 35% of the market value of the portfolio.
- d. The use of futures and options in the fixed income accounts may be used as part of their portfolio management strategy and will be incidental to their securities trading activities. The resulting aggregate risk profile (volatility) of the portfolio will not be different from that permissible by using securities only.
- e. Short (sold) options positions will generally be hedged, either with current portfolio security holdings, other options or futures options. Mortgage derivatives with significant short option characteristics will not exceed 5% of the portfolio, and will generally be a) offset by positions in other mortgage derivatives, or b) offset by other portfolio positions.

- f. No derivatives will be executed which will increase the value at risk of the portfolio by more than 25 basis points of the portfolio's market value.
- g. Structured notes with significant short options positions or increasing leverage will not be purchased, and in no case will structured notes exceed 5% of portfolio value. Structured Notes issued by the U.S. Government (Treasuries & Agencies) will be considered allowable investments, and are restricted to 25% of portfolio value.
- h. Fixed income managers are authorized to use futures and options contracts to supplement their investment capabilities to provide flexibility in managing the fixed income portfolios and reduce the cost of implementing strategies to respond to changing market conditions without incurring the higher transaction costs associated with buying and selling specific securities. These transactions are authorized to enable the manager to reduce the exposure of the portfolio to interest rate changes by reducing or increasing the duration of the portfolio without selling any of the actual holdings.
- i. No more than 5% of the portfolio will be invested in original futures margin and options premiums, exclusive of any in-the-money portion of the premiums.
- j. Cash can exceed 5% of the portfolio for strategic purposes only.

## 2. **Non-Core Fixed Income**

- a. Non-Core Fixed Income will primarily consist of U.S. denominated fixed income securities. It is expected that this component of the Fixed-Income portfolio may have a material allocation to below investment grade securities.
- b. The objectives for investment of the non-core fixed income component of the Fixed-Income portfolio are:
  - i. Diversify the Fixed-Income portfolio, by reducing exposure to increasing interest rates, provide current income, and to earn, over time, an average annual total rate of return in excess of what can be earned with core fixed income securities;
  - ii. Provide a high level of income consistent with capital preservation;
  - iii. Minimize exposure to interest rate risk, and
  - iv. Achieve the above objectives within a time horizon of a minimum of three to five years or approximately a full market cycle.
- c. The non-core fixed income component will include non-investment-grade securities. Non-investment-grade securities are defined as securities rated non-investment-grade by two or more rating agencies. If a bond is rated by two rating agencies, it must be rated below-investment-grade by at least one rating agency. If only one rating agency rates the bond, then a rating below BBB-or Baa3 is considered non-investment-grade. The portfolio may contain unrated bonds. Unrated and/or SEC Rule 144A high yield fixed income instruments without registration rights must not exceed 25% of the market value of the Non-Core Fixed Income portfolio.

- d. In the event of a downgrade below single C, or in the case of a default, Manager(s) must notify staff and the General Investment Consultant of the downgrade within two days of the date that the downgrade occurs. In the event of a downgrade below single C, or in the case of a default, if the Manager(s) elects to retain the bond in the portfolio the Manager(s) must inform Staff and the General Investment Consultant of the downgrade within two days of the date that the downgrade occurs, and provide a rationale for continued retention of the holding.
- e. There may be instances when debt issues convert into equity-oriented securities (i.e. preferred stock, common stock or warrants to purchase other equity securities). To handle these situations, fixed income managers are allowed to hold equity-oriented positions when received in exchange for, or conversion or cancellation of debt securities held in the portfolio. The manager(s) is required to inform staff and the General Investment Consultant 30 days prior to the conversion when they intend to hold the resulting equity-oriented positions. Equity-oriented securities can be held in the portfolio no longer than six months. The manager(s) is required to provide 30 days advance notice to extend the holding period beyond the original six-month period. No more than 10% of the portfolio shall be invested in equity-oriented securities resulting from fixed-to-equity exchanges.
- f. Permissible securities include corporate bonds, convertible bonds, government bonds, government agency bonds, government-sponsored entity bonds (e.g., FNMA), mortgage bonds, asset-backed bonds, emerging market debt, Eurodollar bonds, Yankee bonds, SEC Rule 144A securities, high yield CMBS securities, REIT bonds, zero coupon bonds, bank loans (rated or unrated), preferred, trade finance related investments, structured notes and financial futures. Allowable emerging countries are those investable markets that are open for foreign investments. Investment in U.S. dollar denominated bonds of foreign governments, international organizations, foreign corporations, and U.S. subsidiaries of foreign corporations are permitted, however, shall not exceed 35% of the market value of the portfolio.
- g. Derivatives used for substitution, risk control, and arbitrage strategies are permitted. Use of derivatives for speculation is prohibited. No securities shall be purchased on margin or sold short other than any initial and maintenance margin required in connection with futures transactions which may be used only for risk management purposes.
- h. For prudent diversification, the portfolio shall have a minimum of 25 issues. No more than 10% of the lesser of cost or market value of the portfolio will be invested in any one issuer with the exception of U.S. Government, U.S. Government Agency, and bonds of U.S. Government sponsored entities.
- i. Cash can exceed 5% of the portfolio for strategic purposes only.

### C. Private Debt Portfolio

The Private Debt allocation is expected to earn risk-adjusted returns in excess of the public credit markets, primarily due to the liquidity premium demanded by investors. The allocation is also expected to help decrease the volatility of the overall Portfolio, through stable income and downside collateral protection. This means the allocation will generally be to Income-Oriented investment strategies that target primary/origination-based transactions focused on generating returns through regular coupon payments and principal repayment over time. Eligible investment strategies will include direct lending and will incorporate other origination-based strategies with exposure to multiple collateral types

(including but not limited to corporate credit, mortgage credit, asset-based, and consumer credit) and strategies. Investments may be made in companies that are either U.S. or non-U.S. domiciled.

#### DC. Covered Calls Portfolio

The Covered Calls Portfolio is an equity-based asset class that is designed to provide some incremental income during flat to modestly rising markets, while providing some level of downside protection during market selloffs. The Board expects that over the long run, Covered Calls will produce total returns in line with U.S. public equity with less volatility, but will vary markedly from U.S. public equity during market extremes. Under a bull/recovery market scenario, Covered Calls generally underperform U.S. public equity, but still tend to produce substantial upside returns. During a bear/down market scenario, Covered Calls are likely to decline in value, but by a lesser degree than U.S. public equity, providing investors with some principal protection. As a result of these attributes, Covered Calls tend to compound at a smoother rate than U.S. public equity.

- a. The objectives for investment of the covered call portfolio are:
  - i. For active managers, the performance objective is to outperform the benchmark, net of all fees, over 3-5 years;
  - ii. For replication managers, the performance objective is to match the benchmark, gross of fees, over 3-5 years;
  - iii. The Covered Calls class shall have a benchmark index of the Chicago Board Options Exchange S&P 500 BuyWrite Index (the “BXM Index”);
  - iv. Derivatives used for risk control and income are permitted. However, the notional value of the options may not exceed the total value of the underlying equity portfolio; and
  - v. All holdings will be of sufficient size and held in issues that are traded actively enough to facilitate transactions at minimum cost and accurate market valuation.
- b. The covered call portfolio should consist of three components:
  - i. underlying equity,
  - ii. call options, and
  - iii. cash.
- c. The underlying equity should be designed to gain broad market exposure. This can be accomplished through individual stock ownership, ETFs, or derivatives.
- d. No purchase should be made that causes an individual security to exceed 5% of the underlying equity portfolio, where those securities constitute less than 3% of the current market capitalization of the S&P 500 Index, unless an ETF is employed.
- e. Call options may be used to provide income and risk control.
- f. The notional value of the options may not exceed the total value of the underlying equity portfolio.

- g. Call options may only be written on domestic stock indices, broad market or sector ETFs, and individual domestic stocks that are held in the underlying portfolio.
- h. Managers may purchase back options in order to close out positions.
- i. Cash may exist as an intermediary component from additional funding or option premiums. The balance should not normally exceed 5% of the manager's total portfolio.
- j. Leverage may not be used.

#### ED. Real Estate Portfolio

The Real Estate portfolio will consist primarily of public and private real estate interests such as equity (ownership) and/or fixed income participation in commercial, industrial, or residential properties. Investments may include interests in mortgages pools secured by loans of underlying properties. Real estate is expected to provide portfolio diversification due to real estate's low correlation with returns on equities and fixed-income.

- a. The objectives for investment of the real estate portfolio are:
  - i. Attractive Risk-Adjusted Returns: To obtain superior risk-adjusted returns by taking advantage of the inefficiencies of real estate as compared to other asset classes. Active management, value creation and opportunistic strategies, as well as the prudent use of third-party debt, are approved methods for generating expected returns;
  - ii. Increased Program Diversification/Reduced Program Risk: To use real estate to enhance overall Program diversification and, in turn, reduce overall Program risk, given the historically low to negative return correlations that exist between real estate and other asset classes;
  - iii. Significant Current Cash Yields: Significant cash return based primarily on current rental income. In general, as a portion of total investment return, higher levels of current income are expected from core and value than opportunistic investments; in contrast, higher levels of appreciation are expected from opportunistic than value and core investments;
  - iv. Inflation-Hedge: To make investments primarily in real estate equity investments that are likely to provide a reasonable hedge against price inflation; and
  - v. Preservation of Principal: To achieve meaningful risk-adjusted returns without undue exposure to loss of investment principal.
- b. The public real estate portfolio shall be diversified. When fully invested in exchange traded Real Estate Investment Trusts (REITs) or at its normal level of investment, a minimum of 20 securities should be held. At no time may a single REIT investment exceed 5% of the value of the total System investment assets.
- c. If the Retirement System owns more than 10 percent of a Real Estate Investment Trust (REIT), the Retirement System may be required to treat a portion of the REIT dividends as Unrelated Business Taxable Income (UBTI) and report and pay income taxes on that income. Staff and the Investment Consultant shall monitor prospective and existing REIT investments to determine if the Retirement System's ownership in any REIT is greater than 10 percent. If staff and the Investment consultant determine that the Retirement System's ownership of any REIT is greater than 10 percent, staff shall address the potential tax implications.

- d. Due to their limited liquidity, private real estate investments shall be approved by the Board only on a case-by-case basis. Agreements with private real estate Investment Managers shall include specific Investment Objectives and Policies that must be approved by the Board prior to execution of the agreement.

#### FE. Cash

Cash may be invested in:

1. Treasury and Agency instruments with maturities no longer than 90 days;
2. AAA-rated money market funds invested exclusively in Treasury and Agency instruments;
3. Short Term Investment Funds (STIF) managed by the Master Custodian; and
4. Local Agency Investment Fund (LAIF).

## **VI. INVESTMENT MANAGER POLICY**

### A. Introduction

1. The Board will retain external Investment Managers to manage portfolios using a specific style and methodology. Managers will have authority for determining investment strategy, security selection, and timing subject to the Policy and Manager Guidelines and legal restrictions or other Board direction. Performance objectives will also be developed for each manager.
2. The performance of each Investment Manager's portfolio will be monitored and evaluated on a regular basis relative to each portfolio component's benchmark return and, if available, relative to a peer group of managers following similar investment styles.
3. Investment actions are expected to comply with "prudent person" standards.
4. Each Investment Manager will be expected to know the practices of the Board and comply with those practices. It is each manager's responsibility to identify policies that have an adverse impact on performance and to initiate discussion with staff toward possible improvement of the practices of the Board.
5. The Board will also review each Investment Manager's adherence to its investment policy, and any material changes in the manager's organization (e.g. personnel changes, new business developments, etc.). The Investment Managers retained by the Board will be responsible for informing the Board by communication with staff of such material changes.
6. All bond and stock business shall be executed seeking best execution. "Best execution" means seeking to achieve the most favorable price and execution available, having in mind the System's best interest, and considering all relevant factors. These factors include price, the size of the transaction, the nature of the market for the security, current market levels and trends, the reputation, experience and financial stability of the broker involved and the quality of service rendered by the broker in other transactions. Where feasible, the stock or bonds trades shall be distributed to brokerage firms where the Administrative-Investment Committee has established a commission recapture directed brokerage program.

## B. Manager Selection

The selection of Investment Managers shall be accomplished in accordance with all applicable Local, State and Federal laws and regulations. Each Investment Manager, consultant and custodian shall function under a formal contract that delineates responsibilities and appropriate performance expectations.

## C. Manager Authority

The Board's Investment Managers shall direct and manage the investment and reinvestment of assets allocated to their accounts in accordance with this document; Board practices or direction; applicable Local, State and Federal statutes and regulations; and individual management investment plans and executed contracts.

## D. Limitations on Concentrations of Single Managers/Firms

In order to minimize any potential risk associated with large concentrations of System investment assets being managed by a single firm, any single manager/firm, when all mandates associated with that manager/firm are aggregated, shall represent no more than 25% of the total System investment assets. Managers of passively-managed, broadly-diversified, mandates may exceed the 25% threshold. If any single manager/firm exceeds this limitation, the Investment Consultant and staff shall provide the Board its solution to reallocate funds from that manager/firm within the portfolio to reduce the concentration within a reasonable time period.

## E. Investment Manager Guidelines

In accordance with the Investment Objectives stated above, the Board shall provide each of the System's Investment Managers with a set of investment guidelines as stated in section V. Eligible Securities. These guidelines shall specify eligible investment, minimum diversification standards, and applicable investment restrictions necessary for diversification and risk control. Managers do not have authority to depart from their guidelines.

## F. Investment Manager Performance Measurement

1. The Board has the right to evaluate investment performance at any time on an ongoing basis using investment performance criteria relative to specific benchmarks over varying periods of time by asset class. Performance results for each Investment Manager shall be calculated and evaluated at least quarterly.
2. Each Investment Manager shall be evaluated against factors including the following:
  - a. Active Investment Managers in each asset class will be expected to:
    - i. outperform passive benchmarks listed in this policy in the table titled Asset Class Performance Benchmarks related to both their asset class and their investment style; and
    - ii. outperform the median manager in their investment style in the universe employed by the System's investment performance measurement consultant over full market cycles (usually 3-5 years).
  - b. Qualitative indicators will be evaluated such as:

- i. Changes in investment strategy and style;
  - ii. Instability of Investment Manager personnel and organization;
  - iii. Unusual portfolio activity, trading volume, and execution costs
  - iv. Risk and performance characteristics not logically explainable in terms of the published style or out-of-step with manager's style peer group; and
  - v. Failure to comply with all investment guidelines.
- c. None of the qualitative indicators may be taken as conclusive evidence of inconsistency with this policy. Such a finding would be based upon the facts and circumstances of each situation as described below.
3. Any Investment Manager not meeting performance objectives will be subject to the manager Watch List criteria set forth below.
4. Watch Status of an Investment Manager/Portfolio

Watch status serves two basic purposes. First, it is a major decision step the Board takes to begin transitioning from one Investment Manager to another Investment Manager. Second, it allows the Investment Manager on watch status time to take any corrective action (or justify its changing condition) before the Board elects to terminate its existing relationship with the Investment Manager.

- a. An Investment Manager/portfolio is placed on "watch" status if at least one of two events occurs:
  - i. the portfolio's investment performance does not meet one of the criteria found in the following table; or
  - ii. after the Manager Performance has been measured as described above staff and/or the investment consultant recommends to the Board that an Investment Manager is a candidate for watch status.

The Board approves or disapproves placing the Investment Manager/portfolio on "Watch" Status.

- b. If the Board approves the recommendation to place a specific Investment Manager on watch status, staff will issue a formal notification to the Investment Manager. This formal notification of watch status will include, but is not necessarily limited to, the following items:
  - i. Meeting date when the Board approved the recommendation to place the Investment Manager on watch;
  - ii. Reason(s) for placing the Investment Manager on watch status; and
  - iii. Conditions for being released from watch status (see Manager "Watch" Criteria table below).

- c. Typically, once a manager is placed on watch status, it should be able to exhibit improvement within a time frame of twelve to twenty four months, if not sooner.
- d. Private Real Estate Funds -- Private real estate funds are primarily invested in assets that are largely illiquid and generally have limited peer sets. In addition, these assets generally have imperfect benchmarks by which performance, according to vintage year and strategy, can be assessed. Funds are closely monitored for factors including, but not limited to:
  - i. style drift,
  - ii. key-person and other management/organizational changes,
  - iii. performance relative to original underwriting,
  - iv. fees,
  - v. transparency, and
  - vi. J-curve impact.

Underperforming fund managers will be brought to the Board's attention as soon as the consultant and staff agree the manager should be placed on watch. The termination and/or replacement of private real-estate managers is commonly more challenging than terminating managers that operate in the public markets. Terminating these types of managers can exacerbate poor performance beyond that which has already been experienced. For example, in many instances the only exit option available is via secondary sales of interests, which are often transacted at an appreciable discount to existing net asset values.

<b>Manager “Watch” Criteria*</b>			
<b>Asset Class</b>	<b>Short-term (Rolling 12 month periods)</b>	<b>Medium-term (Rolling 36 month periods)</b>	<b>Long-term (60+ Months)</b>
U.S. Equity –Passive	Tracking Error <sup>3</sup> > 0.3%	Tracking Error <sup>3</sup> > 0.25% for 6 consecutive months	Portfolio Annualized Return <sup>1,2</sup> < Benchmark Annualized Return -0.40% for 6 consecutive months
Non-U.S. Equity - Passive	Tracking Error <sup>3</sup> > 1.75%	Tracking Error <sup>3</sup> > 1.5% for 6 consecutive months	Portfolio Annualized Return <sup>1,2</sup> < Benchmark Annualized Return -0.50% for 6 consecutive months
Covered Calls – Active	Portfolio Return <sup>1</sup> < Benchmark Return -3.5%	Portfolio Annualized Return <sup>1,2</sup> < Benchmark Annualized Return -1.75% for 6 consecutive months	VRR < 0.97 for 6 consecutive months
Covered Calls – Replication	Portfolio Return <sup>1</sup> < Benchmark Return -3.5%	Portfolio Annualized Return <sup>1,2</sup> < Benchmark Annualized Return -1.75% for 6 consecutive months	VRR < 0.97 for 6 consecutive months
Fixed-Income – Core – Active	Portfolio Return <sup>1</sup> < Benchmark Return -1.5%	Portfolio Annualized Return <sup>1,2</sup> < Benchmark Annualized Return -1.0% for 6 consecutive months	VRR < 0.98 for 6 consecutive months
Fixed-Income – Core – Passive	Tracking Error <sup>3</sup> > 0.25%	Tracking Error <sup>3</sup> > 0.20% for 6 consecutive months	Portfolio Annualized Return <sup>1,2</sup> < Benchmark Annualized Return -0.30% for 6 consecutive months
Fixed-Income – Non-Core	Portfolio Return <sup>1</sup> < Benchmark Return -4.5%	Portfolio Annualized Return <sup>1,2</sup> < Benchmark Annualized Return -2.0% for 6 consecutive months	VRR < 0.97 for 6 consecutive months

**\*Notes:**

- Benchmarks are presented in this policy under [Appendix II: Asset Class Benchmarks](#) ~~table titled Asset Class Performance Benchmarks.~~
- All portfolio returns are gross of manager fees.

**Footnotes:**

<sup>1</sup> Return discounts from a benchmark return based on 2/3 of the typical tracking error estimates of the specified type of portfolio.

<sup>2</sup> Annualized Return is the average annual return of either the portfolio or its benchmark.

<sup>3</sup> Tracking error is a measure of the volatility of the average annual difference between the portfolio’s return and the benchmark’s return.

## 5. Release from Watch Status

- a. Investment Managers that show indications of an improvement, as reviewed by the investment consultant and determined by the Board, in one or more of the factors described earlier, may be released from watch status. Examples of improvements warranting a change in status are:
  - i. Improved investment performance in approximately twenty four months (or less) from the time of being placed on watch status;
  - ii. Investment style characteristics return to, and remain at, levels originally agreed upon; and
  - iii. Qualitative factors (such as organizational structure stabilizes, personnel adjustments, compliance requirements, etc.) are satisfactorily addressed.
- b. To release an Investment Manager from watch status, the Board must formally take action to do so. This action should be supported by documentation (produced by the investment consultant) similar in format to the Portfolio Review described above. This document should highlight original reasons for the watch status and discussion of how the Investment Manager has addressed these issues and warrants release from watch status.

## 6. Replacement/Termination

To terminate and/or replace an Investment Manager, the Board must formally take action to do so. This action should be supported by documentation (produced by staff and/or investment consultant). This document shall highlight original reasons for the watch status and discussion of continued developments during watch status that led to the termination/replacement recommendation.

### G. Securities Lending

An agreement may be made with the System's bank custodian or other third-party custodian retained by the Board to loan securities on behalf of the Retirement System. Securities that are loaned shall be fully collateralized in cash or other acceptable securities having at least 102% of the market value of the loaned security.

### H. Commingled Group Trusts

Investments may be made in commingled group trusts. When the group trust is tax exempt, to meet the requirements of IRS Ruling 81-100 the declaration of trust governing each such group trust shall be deemed adopted as part of ~~EBMUDE~~EBMUDERS Employees' Retirement System plan.

### I. Derivatives

Investment in "derivatives" is permitted, however, leveraged derivatives or purchase of derivatives on credit is not permitted. Credit risk, market risk and legal risk will be determined by the Administrative-Investment Committee to be appropriate before any investment is made in a derivative product. For these purposes, derivatives shall be defined as securities whose return or market value is derived from another security or market index.

## J. Currency Hedging

With the approval of the Administrative-Investment Committee, Investment Managers may hedge the currency risk associated with securities they manage for the Retirement System. Hedging may be accomplished through mechanisms approved by staff, including, but not limited to, currency futures contracts, currency purchases, and currency options. Approval to hedge must be obtained in advance and may be given orally or in writing. Managers need not obtain approval for each individual investment as long as the investment vehicle has been approved.

## K. Proxy Voting of Securities

Investment Managers may be given the authority to vote proxies on behalf of the Retirement System. Investment Managers must vote in accordance with Board policy.

## L. Transaction with Retirement Board Members, Staff, and Consultants to the Employee Retirement System

Retirement Board Members, staff, and consultants to the System, if any (including but not limited to investment officers, retirement administrators, and legal counsel) are prohibited from selling investment products to the System or any other public retirement system while they are Members of the System Board, or staff, or consultants to the System, and for two years after leaving the Board, or employment with the District, or serving as consultants to the System.

## **VII. POLICY FOR THE USE OF PLACEMENT AGENTS**

In accordance with Sections 20098, 31528, 7508.57513.8 7513.85, 7513.9, and 7513.95 of the Government Code the System shall require the specific and timely disclosure of payments and compensation to Placement Agents<sup>1</sup> in connection with the System's investments. This Policy is intended to apply broadly to all investment contracts made by the System. The goal of this Policy is to help ensure that the System investment decisions are made by the Board solely on the merits of the investment opportunity in accordance with the Board Members' fiduciary responsibility and to avoid the appearance of undue influence on the Board or illegal pay-to-play practices in the award of investment related contracts.

### A. Manager Placement Agent Disclosures

1. Each Manager shall provide to the System in writing the required information listed below within 45 days of the initiation of investment discussions between the Manager and the System but in any event prior to contract execution. The Manager must notify the System staff of any changes to any of the information required within 14 calendar days of the Manager knowing of the change(s).
  - a. Disclosure of Payments Made to Placement Agents

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<sup>1</sup> "Placement Agent" includes any person or entity hired, engaged, retained by, acting on behalf of or serving for the benefit of an Investment Manager or on behalf of another Placement Agent as a third-party marketer, finder, solicitor, marketer, consultant, broker, or other intermediary to market, solicit, obtain access to the System, and/or raise money or investments either directly or indirectly from the System. Notwithstanding the foregoing, an individual who is an employee, officer, director, equity holder, partner, member or trustee of an Investment Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested or held by the Investment Manager is not a Placement Agent.

- i. A written statement of whether the Manager or any of its principals, employees, agents or affiliates has compensated or agreed to compensate any person or entity to act as a Placement Agent in connection with the System's investments;
  - ii. The name of the Placement Agent, and resumes of every officer, partner and principal of the Placement Agent. The resumes shall include educational history, professional designations, regulatory licenses and investment and work experience;
  - iii. Description of any and all compensation paid or agreed to be paid to the Placement Agent, including payment to employees of the Manager who are retained in order to solicit, or who are paid based in whole or in part upon, an investment from the System;
  - iv. Description of the services rendered or the services expected to be performed by the Placement Agent and a list of the prospective clients for which such Placement Agent is utilized;
  - v. Copies of all agreements between the Manager and the Placement Agent;
  - vi. Name of the regulatory agencies the Placement Agent or any of its affiliates are registered with, such as the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Association (FINRA), or any similar regulatory agency; proof and details of such registration shall be included, or an explanation as to why no registration is required; and
  - vii. A statement as to whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with any state or national government.
- b. Disclosure of Relationships to the Board; Campaign Contributions
- i. Full disclosure of any connection between the Placement Agent or the Manager and the System, including whether anyone receiving compensation or who will receive compensation with respect to an investment from the System from the Placement Agent or the Manager is: a current or former System Board Member, System employee, or System consultant; a member of the immediate family of anyone connected to or formerly connected to the System;
  - ii. Full disclosure of the donations made by the Placement Agent or the Manager during the prior 24-month period to any organization (including contributions to political campaign funds and donations to non-profits) in which any person listed in Paragraph 2.a is an officer, employee, or member of the Board or Advisory Board (or similar body). Additionally, any subsequent donations made by the Placement Agent or the Manager to any such organization during the time the Placement Agent or the Manager is receiving compensation in connection with the System's investment shall also be disclosed; and
  - iii. Full disclosure of the names of any current or former System Board Members, System employees or the System consultants who suggested the retention of the Placement Agent.
2. All Investment Managers must provide written confirmation that they are in compliance with this Policy and complete form as required by EBMUDERS.

## B. Responsibilities of Staff and Consultants

1. At the time that investment discussions between a Manager and the System for a prospective investment commence, Staff is responsible for providing Managers and Placement Agents with a copy of this Placement Agent Policy.
2. Staff and Consultants must confirm that the applicable Placement Agent disclosures have been received prior to the completion of due diligence and completion of any recommendation to proceed with the decision to invest with the Manager. For new contracts and amendments to existing contracts, the System will:
  - a. Stop investment negotiations with a Manager who refuses to disclose the required information.
  - b. Decline the opportunity to retain or invest with a Manager who has used or intends to use a Placement Agent who is not registered with the SEC, FINRA, or any similar regulatory agency and cannot provide an explanation as to why no registration is required.\
3. Staff and Consultants will assist legal counsel as necessary for securing in the final contract terms and side letter agreements between the System and the Manager, including but not limited to, the following:
  - a. The Manager's agreement that it has complied with and will continue to comply with this Policy.
  - b. The Manager's representation and warranty that it will notify the System Staff of any changes to any of the information required above within 14 calendar days of when the Manager knows or should have known of the change(s).
4. At any meeting where an investment decision with a Manager will be considered, Staff and Consultants must notify the Board of the name(s) of any Placement Agent(s) used by the Manager in connection with the proposed investment, and any campaign contributions or gifts reported by each Placement Agent.
5. Staff must maintain records of all information disclosed to the System in accordance with this policy, and provide the Board with notice of any violation of this policy as soon as practicable.

## C. Responsibilities of Counsel

Legal counsel to the System must review the final contract terms and side letter agreements between the System and the Manager, including all requisite agreements and representations and warranties by the Manager, for compliance in accordance with this Policy for the Use of Placement Agents.

## D. Responsibilities of the Board

The Board must review all violations of this policy reported by Staff, consider whether each violation is material, and consider whether to prohibit that Manager and/or Placement Agent from soliciting new investments from the System for a period of five years from the date of violation. However, the Retirement Board may reduce this prohibition, by majority vote, at a public session upon a showing of good cause that such action is consistent with the Board's fiduciary duties.

Performance Goals by Asset Class**APPENDIX I – LONG-TERM STRATEGIC ASSET ALLOCATION AND RANGES**

Based on EBMUDEBMUDERS's asset allocation study and acceptance of the proposed target asset mix (as stated in the May 2024 Asset Allocation Study) the following is the long-term target asset mix and allocation ranges. EBMUDEBMUDERS will review its asset allocation at a minimum once every three to five years.

<u>ASSET CLASS</u>	<u>LONG-TERM TARGET ALLOCATION</u>	<u>RANGES</u>
<u>US Equity</u>	<u>35.0%</u>	<u>+/- 5%</u>
<u>Non-US Equity</u>	<u>25.0%</u>	<u>+/- 5%</u>
<u>Investment Grade Bonds</u>	<u>20.0%</u>	<u>+/- 3%</u>
<u>High Yield Bonds</u>	<u>7.5%</u>	<u>+/- 2.5%</u>
<u>Bank Loans</u>	<u>5.0%</u>	<u>+/- 2%</u>
<u>Private Debt</u>	<u>5.0%</u>	<u>+/- 3%</u>
<u>Core Private Real Estate</u>	<u>2.5%</u>	<u>+/- 2.5%</u>
<b><u>Total</u></b>	<b><u>100%</u></b>	<b><u>---</u></b>

## Appendix II: Asset Class Benchmarks

The market benchmarks for the stated asset classes are as follows: performance objective of the portfolio's allocation to each asset class in which the System's assets are invested shall be to achieve a total return net of fees and expenses which equals or exceeds the market indexes listed below over a full market cycle as defined by the Board.

### Asset Class Performance Benchmarks

<u>ASSET CLASS</u>	<u>BENCHMARK</u>
<u>1. U.S. Equities:</u>	<u>Russell 3000 Index</u>
<u>2. Non-U.S. Equities:</u>	<u>MSCI ACWI x US Index</u>
<u>3. Core Fixed-Income: Investment Grade Bonds</u>	<u>BBg Aggregate Index</u>
<u>4. Non-Core Fixed-Income: High Yield</u>	<u>Bloomberg U.S. Corporate High Yield Index 50% ICE BofA Merrill Lynch U.S. Corporates, Cash Pay, BB-B Rated 1-5 Years Index, 30% Credit Suisse Leveraged Loan Index, 20% BBg Short Term Gov/Credit Index</u>
<u>Bank Loans</u>	<u>S&amp;P UBS Leveraged Loan Index</u>
<u>Private Debt</u>	<u>50% Bloomberg U.S. Corporate High Yield Index 50% S&amp;P UBS Leveraged Loan Index</u>
<u>5. Real Estate:</u>	<u>NCREIF NPI Lagged 50% NCREIF (lagged), 50% FTSE NAREIT All Equity REITs Index</u>
<u>6. Covered Calls: Covered Calls:</u>	<u>BXM Covered Calls Index* BXM Covered Calls Index*</u>

\*Also known as the CBOE S&P 500 BuyWrite Index\* Also known as the CBOE S&P 500 BuyWrite Index.

Performance results for System investment assets and for each Investment Manager shall be calculated and evaluated quarterly and presented to the Board for review.

~~A special target index will be created and utilized to measure the performance results of the portfolio, serving as a benchmark for the total portfolio. This Total Portfolio Benchmark will be included in evaluation reports presented to the Board for review. The Total Portfolio Benchmark will consist of and be weighted as follows:~~

~~Total Portfolio Benchmark~~

~~25% Russell 3000 Index~~

~~20% BXM Covered Calls Index~~

~~25% MSCI ACWI x US~~

~~20% BBg Aggregate Index~~

~~2.5% ICE BofA Merrill Lynch U.S. Corporates, Cash Pay, BB-B Rated 1-5 Years Index~~

~~1% BBg Short Term Gov/Credit Index~~

~~1.5% Credit Suisse Leveraged Loan Index~~

~~2.5% NCREIF (lagged)~~

~~2.5% FTSE NAREIT All Equity REITs index~~

~~This target benchmark index reflects the asset allocation goal established by the Retirement Board.~~

## **Appendix I – GLOSSARY OF INVESTMENT TERMS**

**144(a) Securities**—144a securities are in concept "semi-private placement securities," that are normally traded by sophisticated institutional investors with limited financial information on the issuing company. SEC rule 144a exempts issuers from SEC registration requirements. While not legally required to file with the SEC, issuers normally do provide some sort of documentation describing the issue and financial information about the issuing company.

**Accrual Basis Accounting**—As opposed to cash basis accounting, this values assets based upon accrued changes in values, not actual cash flows. For example, dividends are included in the portfolio value (i.e. accrued) as of the ex-dividend date, rather than the payment date (or the declaration date).

**Active Management**—A form of investment management which involves buying and selling financial assets with the objective of earning positive risk-adjusted returns.

**Alpha**—A statistical measurement to determine whether a portfolio of securities in which a fund has invested is priced as would be expected, given the fund's beta. If the alpha of a fund is zero, the portfolio is priced as would be expected. If its alpha is greater than zero, the portfolio is priced higher than could be expected, and vice versa.

**Alternative Investments**—These generally refer to institutional blind pool limited partnerships/LLCs which make private debt and equity investments in privately held companies, as well as hedge funds and other publicly traded derivatives-based strategies.

**American Depository Receipts (ADRs)**—Financial assets issued by U.S. banks that represent indirect ownership of a certain number of equity shares in a foreign firm. ADRs are held on deposit in a bank in the firm's home country.

**American Shares**—American shares are securities issued in the US by a transfer agent acting on behalf of a foreign firm.

**Asset Allocation**—The process of determining the optimal allocation of a fund's portfolio among broad asset classes.

~~**Asset Allocation Risk**—The risk that a non-optimal asset allocation will be undertaken which does not meet the fund's return and risk targets.~~

~~**Balanced Fund**—An investment strategy which is a combination of equities and bonds.~~

~~**Basis Point**—1/100th of 1%.~~

~~**BBg Aggregate Index (BBg 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.~~

~~**BBg US 1-3 Yr. Govt/Credit Index**—see BC US 1-3 Yr. Govt/Credit Index~~

~~**BBg 1-5 Yr. US High Yield Cash Pay Index**—see BC 1-5 Year US High Yield Cash Pay Index~~

**BBg 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.

**BBg 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.

**BBg 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.

**BBg 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).

**BBg US 1-3 Year Government/Credit Index**—measures the performance of investment grade corporate debt and sovereign, supranational, local authority and non-U.S. agency bonds that are U.S. dollar denominated and have a remaining maturity of greater than or equal to one year and less than three years.

**BBg 1-5 Year US High Yield Cash Pay Index**—A component of the U.S. Corporate High Yield Bond Index, which covers the universe of fixed-rate, non-investment grade corporate debt that have a remaining maturity of greater than or equal to one year and less than five years.

**BBg 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.

**Benchmark**—The standards against which investment performance is measured. An ideal benchmark is (1) clearly defined; (2) representative of the targeted strategies, opportunities, or activities; (3) investable; and (4) measurable. Good benchmarks meeting these criteria are available for virtually all traditional asset classes.

**Benchmark Portfolio**—A portfolio against which the investment performance of an investment manager can be compared for the purpose of determining the value added of the manager. A benchmark portfolio must be of the same style as the manager, and in particular, similar in terms of risk.

**Best Execution**—This is formally defined as the difference between the strike price (the price at which a security is actually bought or sold) and the “fair market price,” which involves calculating opportunity costs by examining the security price immediately after the trade is placed. Best execution occurs when the trade involves no opportunity cost, for example when there is no increase in the price of a security shortly after it is sold.

**Beta**—A statistical measure of the volatility, or sensitivity, of rates of return on a portfolio or security in comparison to a market index. The beta value measures the expected change in return per one percent

change in the return on the market. For example, if the beta of a portfolio is 1.5, a 1 percent increase (decrease) in the return of the market will result, on average, in a 1.5 percent increase (decrease) in the return of the portfolio.

**Boardroom Risk**—The risk that Trustees will not ride out short term volatility (and therefore wind up altering a sound long term strategy) due to pressure put on them in their role as Trustees.

**Bottom-up Analysis**—An approach to valuing securities which first involves analyzing individual companies, then the industry, and finally the economy and overall capital market.

**BXM Covered Calls Index**—see CBOE S&P 500 Buy Write Index

**Capital Asset Pricing Model**—An equilibrium model of asset pricing which states that the expected return of a security increases as the security's sensitivity to the market (i.e. beta) increases. That is, as the expected return of a security or portfolio increases (decreases), risk increases (decreases) as well.

**Capitalization-weighted Market Index**—A method of calculating a market index where the return of a security (or group of securities) is weighted by the market value of the security (or group of securities) relative to total value of all securities.

**Cash Sweep Accounts**—A money market fund into which all new contributions, stock dividend income and bond interest income is placed ("swept") for a certain period of time. At regular intervals, or when rebalancing is necessary, this cash is invested in assets in line with the asset allocation stipulated in the IPS.

**CBOE**—Chicago Board Options Exchange—Chicago Board Options Exchange (CBOE), the largest U.S. options exchange and creator of listed options, continues to set the bar for options trading through product innovation, trading technology and investor education. CBOE offers equity, index and ETF options, including proprietary products, such as S&P 500 options (SPX), the most active U.S. index option, and options on the CBOE Volatility Index (VIX), the world's barometer for market volatility.

**CBOE S&P 500 Buy Write Index**—is a passive total return index based on (1) buying an S&P 500 stock index portfolio, and (2) "writing" (or selling) the near term S&P 500 Index (SPXSM) "covered" call option, generally on the third Friday of each month. The SPX call written will have about one month remaining to expiration, with an exercise price just above the prevailing index level (i.e., slightly out of the money). The SPX call is held until expiration and cash settled, at which time a new one-month, near-the-money call is written.

**CBOE Market Volatility Index (VIX)**—measures the market's perceived future volatility (read: risk and uncertainty), most often associated with a fear that the market will drop. More specifically, the VIX measures the market's expectation of future volatility implied by S&P 500 stock index (SPX) option prices. While technically it does not measure the probability that the market is going to drop in the near future, at times it does represent a measure of fear that it will.

**CFA Institute**—The CFA Institute is the umbrella organization for the two large investment management advisers' groups, the Institute of Chartered Financial Analysts and the Financial Analysts Federation. This organization administers the annual examinations for the CFA designation and also publishes industry guidelines for performance measurement reporting and calculations. The CFA Institute instituted a standardized performance reporting format on January 1, 1993.

**Commingled Fund**—An investment fund which is similar to a mutual fund in that investors purchase and redeem units that represent ownership in a pool of securities.

**Commission Recapture**—An agreement by which a plan sponsor earns credits based upon the amount of brokerage commissions paid. These credits can be used for services which will benefit the plan, such as consulting services, custodial fees, or hardware and software expenses.

**Convertible Bond**—A bond which may, at the holder's option, be exchanged for common stock.

**Core Bond**—A fixed income investment strategy which constructs portfolios to approximate the investment results of the BC Government/Corporate Bond Index with a modest amount of variability in duration around the index. The objective is to achieve value added from sector or issue selection.

**Core Equity**—An investment strategy where the portfolio's characteristics are similar to that of the S&P 500 Index, with the objective of adding value over and above the index, typically from sector or issue selection.

**Correlation Coefficient**—A statistical measure similar to covariance, in that it measures the mutual variation between two variables. The correlation coefficient is bounded by the values -1 and +1.

**Covariance**—A statistical measure of the mutual variation between two variables.

**Current Yield**—The annual dollar amount of coupon payments made by a bond divided by the bond's current market price.

**Defensive**—A fixed income investment strategy where the objective is to minimize interest rate risk by investing only in short to intermediate term securities. The average portfolio maturity is typically two to five years.

**Derivative**—A financial derivative is a security which derives its value from a more fundamental financial security such as a stock or bond. For example, the value of a stock option depends upon the value from the underlying stock. Because the stock option cannot exist without the underlying stock, the stock option is derived from the stock itself.

**Dividend Yield**—The current annualized dividend paid on a share of common stock, expressed as a percentage of the stock's current market price.

**Duration**—A measure of the average maturity of the stream of interest payments of a bond. The value of a given bond is more sensitive to interest rate changes as duration increases, i.e. longer duration bonds have greater interest rate volatility than shorter duration bonds.

**Dollar-weighted Measurement**—In calculating summary statistics, a process by which performance measures are weighted by the dollar amounts of assets in each time period.

**Earnings Per Share**—A firm's reported earnings divided by the number of its common shares outstanding.

**Economically targeted Investment**—Investments where the goal is to target a certain economic activity, sector or area in order to produce corollary benefits in addition to the main objective of earning a competitive risk-adjusted rate of return.

**Efficient Market**—A theory which claims that a security's market price equals its true investment value at all times since all information is fully and immediately reflected in the market price.

**Efficient Portfolio**—A portfolio which offers maximum expected return for a given level of risk or minimum risk for a given level of expected return.

**ERISA**—The Employee Retirement Security Act, signed into law in September 1974. ERISA established a strict set of fiduciary responsibilities for corporate pension funds, and some states have adopted the ERISA provisions for public plans. It is recommended that public pension plans use the ERISA regulations as guidelines for managing the plan's assets in a procedurally prudent manner.

**Eurobond**—An international bond denominated in a currency other than that of the country where the bond is issued.

**Exchange Traded Funds (ETF's)**—ETF's are registered, open-ended unit investment trusts that invest in a basket of stocks designed to track the performance of a given index. However, like a closed-end fund, investors buy shares in ETF's from another shareholder on the open market rather than from a fund company.

**Exculpatory**—A clause or set of regulations, for example the “safe harbor rules”, which generally frees Trustees from responsibility and liability.

**Extended Maturity**—A fixed income investment strategy where average portfolio maturity is greater than that of the Barclays Capital Government/Corporate Bond Index. Variations in bond portfolio characteristics are made to enhance performance results.

**Fiduciary**—Indicates the relationship of trust and confidence where one person (the fiduciary) holds or controls property for the benefit of another person. For example, the relationship between a Trustee and the beneficiaries of the trust.

**FTSE**—is a British provider of stock market indices and associated data services, wholly owned by the London Stock Exchange.

**FTSE NAREIT All Equity REITs Index**—contains all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria.

**Funding Risk**—The risk that anticipated contributions to the plan will not be made.

**Geometric Returns**—A method of calculating returns which links portfolio results on a quarterly or monthly basis. This method is best illustrated by an example, and a comparison to *arithmetic returns*, which does not utilize a time link. Suppose a \$100 portfolio returned +25% in the first quarter (ending value is \$125) but lost 20% in the second quarter (ending value is \$100). Over the two quarters the return was 0%, and the method of calculating the geometric return would indicate this. However, the arithmetic calculation would simply average the two returns:  $(25\%)(.5) + (20\%)(.5) = +2.5\%$ .

**Global Equity**—Managers who invest in both foreign and domestic equity securities but excludes regional and index funds.

**Growth Equity**—Managers who invest in companies that are expected to have above average prospects for long-term growth in earnings and profitability.

**High Yield**—A fixed income investment strategy where the objective is to obtain high current income by investing in lower rated, higher default risk fixed income securities. As a result, security selection focuses on credit risk analysis.

**Index Fund**—A passively managed investment in a diversified portfolio of financial assets designed to mimic the performance of a specific market index.

**Interest Rate Risk**—The uncertainty in the return on a bond caused by unanticipated changes in its value due to changes in the market interest rate.

**Intermediate**—A fixed income investment strategy where the objective is to lower interest rate risk by investing only in intermediate term securities. The average portfolio maturity is typically five to seven years.

**J-Curve**—The J curve is used to illustrate the historical tendency of private real estate funds to deliver negative returns in early years and investment gains in the outlying years as the portfolio matures. In the early years of the fund, a number of factors contribute to negative returns including management fees, property improvement and maintenance. Over time the fund will begin to experience unrealized gains (through increases in property value) followed eventually by events in which gains are realized (e.g., rising rents, property sells, leveraged recapitalizations). The J curve impact is larger for value add and opportunistic funds relative to core funds.—

**Liquidity**—In general, liquidity refers to the ease by which a financial asset can be converted into cash. Liquidity is often more narrowly defined as the ability to sell an asset quickly without having to make a substantial price concession.

**Liquidity Risk**—The risk that there will be insufficient cash to meet the fund's disbursement and expense requirements.

**Lost Opportunity Risk**—The risk that through inappropriate market timing strategies a fund's portfolio will miss long run market opportunities.

**Manager Search**—The selection of specific managers following the manager structure.

**Manager Structure**—The identification of the type(s) of managers to be selected within each broad class of assets.

**Marked to the Market**—The daily process of adjusting the value of a portfolio to reflect daily changes in the market prices of the assets held in the portfolio.

**Market Risk**—See Systematic Risk.

**Market Timing**—A form of active management that shifts funds between asset classes based on short-term expectations of movements in the capital markets.

**Merrill Lynch 91-Day Treasury Bill Index**—This index is computed by linking monthly the return on 91-day Treasury Bills. The Treasury Bill rate is generally accepted as a proxy for the return on a risk-free asset.

**Money Markets**—Financial markets in which financial assets with a maturity of less than one year are traded.

**MSCI**—Morgan Stanley Capital International, MSCI Inc. is a US-based provider of equity, fixed income, and hedge fund stock market indexes, and equity portfolio analysis tools. It is best known for publishing the MSCI World and MSCI EAFE Indexes

**MSCI ACWI xUS Index**—MSCI ACWI (All-Country World Index) Free-excluding US (gross dividends): is a free-floating adjusted market capitalization index designed to measure equity performance in the global developed and emerging markets. As of April 2002, the index consisted of 49 developed and emerging market country indices.

**MSCI Europe, Australia, Far East ("EAFE") Index**—The EAFE Index consists of stocks within the world's major equity markets. The EAFE index typically includes the larger companies in each market, around 60% of each market by value and covers over 1000 companies in total. In addition to national price indices, regional indexes (e.g., Europe) and industry indexes (e.g., automobiles) are included. The

reports also contain key valuation data for the markets, such as price to earnings ratios and dividend yields. The index is based on market capitalization and, as of May 2005, contained 21 countries.

**MSCI EAFE plus Canada Index**—Is a free float adjusted market capitalization index that is designed to measure developed market equity performance similar to the MSCI EAFE. This index excludes the US, but includes Canada.

**MSCI Emerging Markets Free**—This index contains securities of the following countries which are available to all investors regardless of local status: Argentina, Brazil, Chile, Colombia, Greece, India, Indonesia, Israel, Jordan, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Portugal, South Africa, Sri Lanka, Thailand, Turkey and Venezuela.

**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 (NPI)**—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.

**NCREIF**—NCREIF is a not for profit trade association that serves its membership, and the academic and investment community's need for improved commercial real estate data, performance measurement, investment analysis, information standards, education, and peer group interaction.

**Passive Management**—For a given asset class, the process of buying a diversified portfolio which attempts to duplicate the overall performance of the asset class (i.e. the relevant market index).

**Performance Attribution**—The identification of the sources of returns for a security or portfolio over a particular time period.

**Preferred Stock**—Preferred stocks actually behaves as a fixed income investment because the dividend payment is fixed. However, unlike bonds, the dividend payment is not legally binding.

**Price-earnings Ratio**—A firm's current stock price divided by its earnings per share.

**Private Placement**—The direct sale of a newly issued security to one or a small number of large institutional investors.

**Proxy Voting**—A written authorization given by a shareholder to someone else to vote his or her shares at a stockholders annual or special meeting called to elect directors or for some other corporate purpose.

**Purchasing Power Risk**—The risk that a portfolio will earn a return less than the rate of inflation, i.e., a negative real return.

**Real Estate Investment Trust (REIT)**—An investment fund whose objective is to hold real estate-related assets, either through mortgages, construction and development loans, or equity interests.

**Restatement Third, Trusts (Prudent Investor Rule)**—A set of new and more specific standards for the handling of the investment process by fiduciaries. These standards were adopted in 1992 and rely heavily on modern investment theory.

**Return On Equity**—The earnings per share of a firm divided by the firm's book value per share.

**Risk-adjusted Return**—The return on an asset or portfolio, modified to explicitly account for the risk of the asset or portfolio.

**R-squared ( $R^2$ )**—Formally called the coefficient of determination, this measures the overall strength or “explanatory power” of a statistical relationship. In general, a higher  $R^2$  means a stronger statistical relationship between the variables which have been estimated, and therefore more confidence in using the estimation for decision-making.

**Russell 1000 Index**—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 Index**—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 Index**—This index contains those Russell 1000 securities with a less-than-average growth orientation. It represents the universe of stocks from which value managers typically select. 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 Index**—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 3000 Index**—Represents the largest 3,000 US companies based on total market capitalization, representing approximately 98% of the investable US equity market.

**Russell 3000 Growth Index**—This index measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indexes.

**S&P/LSTA Performing Loans Index**—A subset of the S&P/LSTA Leveraged Loan Index, and comprises non-investment grade and non-rated loans. Tracking only performing loans unlike its parent index, it removes defaulted issues at the price they reach directly following the default.

**Sharpe Ratio**—This statistic is a commonly used measure of risk-adjusted return. It is calculated by subtracting the “risk-free” return (usually 3 Month Treasury Bill) from the portfolio return and dividing the resulting “excess return” by the portfolio’s risk level (standard deviation). The result is a measure of return gained per unit of risk taken. The higher the Sharpe ratio, the better the fund’s historical risk-adjusted performance.

**Small Capitalization**—Managers who invest in equities of companies with relatively small capitalization. The cut-off point for small capitalization varies from manager to manager, but on average targets firms with capitalization of \$200-\$600 million.

**Socially-targeted Investment**—An investment which is undertaken based upon social, rather than purely financial, guidelines.

**Soft Dollars**—The portion of a plan’s commissions expense incurred in the buying and selling of securities that is allocated through a directed brokerage arrangement for the purpose of acquiring goods or services for the benefit of the plan. In many soft dollar arrangements, the payment scheme is effected through a brokerage affiliate of the investment consultant. Broker investment consultants servicing smaller plans receive commissions directly from the counseled account. Other soft dollar schemes are effected through brokerages that, while acting as the clearing/transfer agent, also serve as the conduit for the payment of fees between the primary parties to the directed fee arrangement.

**Specific Risk**—The part of a security’s total risk which is not related to movements in the market and therefore can be diversified away.

**Standard Deviation**—A statistical measure of portfolio risk. It reflects the average deviation of the observations from their sample mean. Standard deviation is used as an estimate of risk since it measure how wide the range of returns typically is. The wider the typical range of returns, the higher the standard deviation of returns, and the higher the portfolio risk. If returns are normally distributed (i.e. has a bell shaped curve distribution) then approximately 2/3 of the returns would occur within plus or minus one standard deviation from the sample mean.

**Standard & Poors 500 Equity Index (S&P 500)**—The most widely used U.S. index of the equity market. The S&P 500 is comprised of 500 large, successful U.S. companies and is constructed to represent movements in common stocks. Stocks are chosen so that in aggregate, they represent a broad distribution by industry group, comparable to that of stocks traded on the New York Stock Exchange. Decisions about stocks to be included and deleted are made by the S&P Index Committee. The S&P 500 represents approximately 75% of the cap weight of all U.S. stocks.

**Strategic Asset Allocation**—Rebalancing back to the normal mix at specified time intervals (quarterly) or when established tolerance bands (e.g., + and –10%) are violated

**Systematic Risk**—The part of a security’s total risk that is related to movements in the market and therefore cannot be diversified away.

**Tactical Asset Allocation**—Closely related to a strategy of market timing, this strategy uses certain indicators to make adjustments in the proportions of a portfolio invested in stocks, bonds, and cash.

**Term to maturity**—The time remaining until a bond’s maturity date.

**Time-weighted Return**—A method of measuring the performance of a portfolio over a particular period of time. It is the cumulative compounded rate of return of the portfolio, calculated on each date that cash flow moves into or out of the portfolio.

**Top-down Analysis**—An approach to valuing equities which first looks at the economy and overall capital market, then industries, and finally individual firms.

**Total fund policy benchmark**—The average return of the asset class benchmark indices weighted by asset class benchmark allocations.

**Treynor Ratio**—The portfolio’s average excess return over a specified period divided by the beta relative to its benchmark over the same time frame. This is used to measure the excess return per unit of systematic risk taken.

**Turbulent Market Period**—A market period during which the current VIX level is one standard deviation above its three year moving average.

**Urban Consumers Price Index (CPI-U)**—The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. It is the most widely used measure of inflation. The CPI-U is the CPI value for Urban Consumers, represents the buying habits of the residents of urban or metropolitan areas.

**Value Equity**—Managers who invest in companies believed to be undervalued or possessing lower than average price/earnings ratios, based on their potential for capital appreciation.

**VIX**—see CBOE Market Volatility Index

**Appendix II—SAMPLE PLACEMENT AGENT QUESTIONNAIRE**

- - East Bay Municipal Utility District Employees’ Retirement System (EBMUDERS)

- - Investment Manager: - - - - -

- - - - -

Contact Person: \_\_\_\_\_

Investment Type:  Prospective / New Investment

Amendment to an existing Investment

1. ~~Manager acknowledges that it will comply with the East Bay Municipal Utility District Employees' Statement of Investment Policy and Procedures, VII. Policy for the Use of Placement Agents~~

Yes  No

2. Placement Agent Firms used?

Yes  No

~~If the answer to question #2 is "No", please proceed to the end of this form, sign and return to EBMUDERS. Otherwise, please continue filling out the form.~~

3. If Yes, please complete:

A. Name of Placement Agent Firm: \_\_\_\_\_

Primary Contact: \_\_\_\_\_

B. Name of Placement Agent Firm: \_\_\_\_\_

Primary Contact: \_\_\_\_\_

C. Name of Placement Agent Firm: \_\_\_\_\_

- - Primary Contact: - - - - -  
- - - - -

*If additional space is needed, please attach a separate piece of paper.*

4. Please provide description of payment/compensation agreement by the investment Manager or any of its principals, employees, agents or affiliates, directly or indirectly, to any person or entity to act as a Placement Agent in connection with EBMUDERS investments:

- - - - -  
- A. Description of agreement for Placement Agent A. -

[Empty text box for description of agreement for Placement Agent A.]

- B. Description of agreement for Placement Agent B. -

[Empty text box for description of agreement for Placement Agent B.]

- C. Description of agreement for Placement Agent C. -

[Empty text box for description of agreement for Placement Agent C.]

*If additional space is needed, please attach a separate piece of paper.*

5. Please attach a resume for each officer, partner, principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses and investment and work experience.

- - - - -  
- Attachments?  Yes  No - - -

6. Is any such person, described in the response to question number 5 above, a current or former EBMUDERS Board Member, employee or Consultant or a member of the immediate family of any such person?

- - - - -  
- - -  Yes  No - - -  
- - - - -

- If yes, please provide the name(s) of the individual(s): - - -

-  
- - -  
-

7. Please describe any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing and value thereof.

-  
- - -  
-

8. Please describe the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the investment.

-  
- - -  
-

9. Please attach a copy of any and all agreements with the Placement Agent.

- - Attachments?  Yes  No - - -  
- - - - -

10. Is the placement agent, or any of its affiliates, registered with the Securities and Exchange Commission or the Financial Industry?

- - -  Yes  No - - -  
- - - - -

11. Is the placement agent, or any of its affiliates, registered as a lobbyist with any state or national government?

- - -  Yes  No - - -

12. Please list the names of any current or former EBMUDERS Board Members, employees, or Consultants who suggested the retention of the Placement Agent.

N/A

The undersigned represents and warrants the information provided above, and also understands that the provided information must be updated within 14 calendar days that the investment manager knew or should have known of the change in information.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



**EAST BAY MUNICIPAL UTILITY DISTRICT  
EMPLOYEES' RETIREMENT SYSTEM**

**Statement of Investment Policy and  
Procedures**

Last Revised January 2022  
Amended: November 2025

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## **East Bay Municipal Utility District Employees' Retirement System**

### **MISSION**

To serve as the fiduciary and responsible steward of the East Bay Municipal Utility District Employees' Retirement System: to deliver promised benefits to members of the retirement system, their survivors and beneficiaries.

### **INVESTMENT BELIEFS**

#### **The System:**

- Is a long-term investor
- Articulates clear goals
- Has well-diversified assets
- Considers costs
- Ensures accountability
- Aims to be a leader, consistent with EBMUDERS's commitment to excellence in leadership

#### **The Portfolio**

- Is structured based upon strategic asset allocation
- Is designed to be fully invested and maintain adequate working capital
- Relies on passive management where active management is unlikely to reward

#### **Recognizes that Risk:**

- Exists in all investment decisions
- Should be carefully evaluated
- Must be commensurate with return
- Cannot be captured solely through quantitative analysis
- Can be systemic and emerge over time

## **I. INTRODUCTION**

This document provides a framework for the investment management of the assets of the East Bay Municipal Utility District Employees' Retirement System (the 'System' or "EBMUDERS"). Its purpose is to assist the Board of Administration (the Board' or "Retirement Board") in effectively supervising and monitoring the investments of the System, and achieving its objective of providing adequate retirement, disability, survivorship and other post-employment benefits to eligible Members of the Retirement System in a cost-effective manner. Specifically, it will address:

- The general goals of the investment program;
- Specific asset allocations, rebalancing procedures and investment guidelines;
- Performance objectives; and

- Responsible parties.

This Investment Policy statement includes the provisions of the California Constitution and Statutes and will:

- Set forth investment policies, objectives and procedures which the Retirement Board judges to be appropriate and prudent, in consideration of the needs of the Employees' Retirement System;
- Establish the criteria which the investment management organizations retained by the Retirement System are expected to meet and against which they are to be measured;
- Communicate the investment policies and objectives and performance criteria to the Investment Managers; and
- Serve as a review document to guide the Board's ongoing oversight of the investment of Retirement System's assets.

It is the practice of the Retirement Board to change its policies and objectives in accordance with changing regulatory, economic, financial and administrative conditions as they change over time.

The System is governed by a six-member Retirement Board, with five voting members and one non-voting retired member. In the formation of this investment policy and goal statement, a primary consideration of the Board has been their awareness of the stated purpose of the System. The Board's investment activities are designed and executed in a manner that will fulfill these goals.

This policy statement is designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while setting forth reasonable parameters to ensure prudence and care in the execution of the investment program.

## II. INVESTMENT OBJECTIVES

### A. Overall Performance Goals

The System's general investment goals are broad in nature. The following goals, consistent with the above described purpose, are adopted:

1. The overall goal of the System's investment assets is to provide adequate retirement and disability, survivorship and postemployment healthcare benefits to eligible employees in a cost effective manner. This will be accomplished through a carefully planned and executed investment program.
2. A secondary objective is for the System investment assets to achieve a long-term total annual rate of return, including dividends, interest, and capital appreciation which exceeds the assumed actuarial rate of return and a total annual return net of all investment management fees and expenses, which meets or exceeds a weighted average of the asset class benchmarks specified below, where the weights correspond to the System's strategic policy allocation.
3. Environmental, social and governance ("ESG") factors should be considered in portfolio management. Consistent with the System's Mission and Investment Beliefs, the System recognizes that ESG factors can have a material impact on corporate performance over the long term, although the impact can vary by industry. The consideration of ESG factors may

affect security selection, proxy voting, engagement, and other areas. The System will consider ESG factors in its proxy voting and other relevant portfolio management activities. ESG factors will be taken into account in selection and ongoing monitoring of the System's investment managers and mandates, and of other service providers as appropriate. The System will leave individual security selection decisions to its investment managers under the assumption that they will make the decisions that are in the best interest of the System incorporating both ESG and non-ESG factors.

4. The Retirement System endeavors to achieve the above System investment asset return objectives within a time horizon of three to five years or approximately a full market cycle.
5. System investment assets should remain fully invested.
6. Investment management of System investment assets should recognize that the Retirement System is relatively risk averse and the System's capital should be preserved. Therefore, the goals of the Employees' Retirement System are: to be achieved recognizing safety of principal, liquidity and yield. in that order.
7. Assets must be diversified by type and issuer.
8. Allocation of assets to Investment Managers shall be determined by the Retirement Board to accommodate changing conditions and laws.
9. The System's investment program shall at all times comply with applicable local, state, and federal regulations
10. All transactions undertaken will be for the sole benefit of the System's Members and beneficiaries and for the exclusive purpose of providing benefits to them and defraying reasonable administrative expenses associated with the System.
11. All fees and other costs payable to third-party providers of services to the System shall be payable from System assets
12. The System has a long-term investment horizon, and utilizes an asset allocation which encompasses a strategic, long-run perspective of capital markets. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the System's investment performance.
13. Investment actions are expected to comply with "prudent person" standards, meaning:  
  
"with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man 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."

### **III. DUTIES AND RESPONSIBILITIES**

#### **A. Duties of the Board or its Designee(s)**

The Retirement Board has the responsibility for administration of the System for the benefit of plan participants, although it is not the intent of the Board of Retirement to become involved in the day-to-day

investment decisions. The Board or its designee(s) will adhere to the following procedures in the management of the Board's assets:

1. The Board develops and approves guidelines for the execution of the Board's investment program.
2. The Board is responsible for selecting qualified Investment Managers, the General Investment Consultant, the Master Custodian, and other service providers.
3. The Board will ensure a formal review of the System's investment structure. An asset-liability study including allocation and financial performance reviews will be conducted every three to five years or as frequently as the need arises. The review will include recommended adjustments to the long-term, strategic asset allocation to reflect any changes in policy, applicable regulations, long-term capital market assumptions, actuarial assumptions and the System's financial condition.
4. The Board may retain investment consultants to provide such services as conducting investment performance reviews, asset-liability studies, asset allocation, Investment Manager reviews, and investment research.
5. The Board will review investments and Investment Managers at least quarterly to ensure that policy guidelines continue to be met. The Board will monitor investment returns on both an absolute basis and relative to appropriate benchmarks as set forth in this policy, including measurements against benchmarks and key qualitative factors and peer group comparisons. The source of information for these reviews may be staff, the General Investment Consultant, the Investment Managers, and others as appropriate. The Board is responsible for taking appropriate action if investment objectives are not being met or if policies and guidelines are not being followed.
6. The Board will provide oversight to ensure investments are made in a cost-effective manner subject to Board approval. These costs include, but are not limited to, investment management, consulting and custodial fees, transaction costs and other administrative costs. Costs to administer the System are chargeable to and expected to be paid by the System.

#### B. Duties of the Administrative-Investment Committee

The Administrative-Investment Committee shall meet as needed. Duties of the Administrative-Investment Committee shall be as follows:

1. Make recommendations as to general investment policies, practices, and procedures to the Retirement Board including, but not limited to, asset mix, portfolio diversification, average maturity, portfolio risk level and rate of return.
2. Review the investment performance of the Retirement System.
3. Confer with the Investment Managers to review investments and current market environment.
4. Review the Statement of Investment Policy and Procedures as adopted by the Retirement Board and make recommendations as to the content thereof.

5. Render advice to the Retirement Board relative to the desirability of and the procedure to retain investment advisors, performance measurement services, and bank custody of securities owned.
6. Select one Committee member to serve as Chair at all meetings scheduled by the Administrative-Investment Committee.

### C. Duties of the East Bay Municipal Utility District Staff

The Director of Finance of the East Bay Municipal Utility District shall serve as the Manager of Finance of the System. The Director of Finance and his/her staff provide analysis and recommendations to the Board on a wide variety of investments and investment related matters; oversee and direct the implementation of Board policies, and manage the System's portfolio on a day-to-day basis.

Pursuant to this policy, the Board has delegated to the Director of Finance:

1. Authority to withdraw assets from assigned managers as necessary to efficiently meet operating needs and to invest the System's cash without requiring the Board's permission but only as set forth in this policy.
2. Responsibility to recommend service providers to the Board, including conducting the search process for the General Investment Consultant, Investment Managers, Master Custodian, and other service providers as requested by the Board.
3. Responsibility for implementation and administration of this policy and of the Board's decisions, including:
  - a. Managing the relationships with service providers to the System to ensure that they are providing all the necessary assistance to Board and to staff. Should any service provider fail to do so, the Director of Finance may make changes to the extent consistent his/her authority pursuant to this policy, or recommend appropriate changes to the Board;
  - b. Ensuring that Investment Managers conform to the terms of their contracts, appropriate policies and guidelines; and
  - c. Ensuring that performance monitoring systems are consistent with this policy and provide the Board with as timely, accurate and useful information as possible.
4. Authority to manage portfolio restructuring resulting from portfolio rebalancing or manager terminations, with the assistance of the General Investment Consultant, a transition manager, other consultants, and Investment Managers, as needed.
5. Authority to manage the voting process for proxies in stocks held by the System. Proxies will be voted as directed by the Board.
6. Authority to designate individual staff of the District to carry out his/her responsibilities under this policy.
7. The Director of Finance may rely upon the assistance of the General Investment Consultant as needed to fulfill his/her obligations.

8. The Director of Finance and his/her staff, with assistance from the General Investment Consultant as needed, shall also:
  - a. Be responsible for organizing and/or participating in any special research for the Board; and
  - b. Advise and keep the Board apprised of any other events of investment significance.

#### D. Duties of the General Investment Consultant

The Investment Consultant shall be responsible for the following:

1. At the request of the Director of Finance or his/her designee, assist Staff in performance of their duties as listed in this investment policy.
2. Prepare a quarterly performance report and a comprehensive annual report which shall include performance attribution on the Board's Investment Managers and performance of total System assets. Performance results shall be presented to show:
  - a. The degree to which portfolios and investment managers have achieved Retirement Board investment objectives;
  - b. That the investment managers' strategy has been consistent with their stated philosophies; and
  - c. How the total portfolio and the individual managers performed in comparison with other pension funds and peer managers.
  - d. These reports shall include, but are not limited to:
    - i. Performance of System asset portfolio as a whole with respect to this policy, including stated benchmarks and policy objectives, and comparison with other pension funds.
    - ii. A report on the general economic and investment environment as it affects the System asset portfolio as a whole and the asset allocation categories and Investment Managers individually.
    - iii. Each Investment Manager's performance on an ongoing basis relative to Board investment objectives as stated in this policy, using investment performance criteria relative to specific benchmarks associated with its asset class and to benchmarks incorporated into its agreement.
    - iv. A check on each Investment Manager's adherence to its stated investment style and discipline.
    - v. Any instability of Investment Manager personnel and organization.
    - vi. Any unusual portfolio activity, trading volume, and execution costs.

- vii. Risk and performance characteristics with respect to an individual Investment Manager's portfolio not logically explainable in terms of the published style or out-of-step with manager's style peer group.
  - viii. Failure by an Investment Manager to comply with all investment guidelines
  - ix. How the individual managers performed in comparison with other pension funds and peer managers;
  - x. Documentation and recommendations with respect to implementation of this policy pertaining to Watch Status. Documentation includes material pertaining to the Investment Manager's consideration for Watch Status, placement on Watch Status, removal from Watch Status and/or replacement/termination; and
  - xi. Any other factors considered by the General Investment Consultant to be of material relevance to the Board in their evaluations of the Investment Managers individually or the performance of the System's asset portfolio as a whole.
3. Make recommendations to the Board regarding investment policy and strategic asset allocation, including managing and interpreting the periodic asset-liability study as requested by the Board.
  4. Assist the Board in the implementation of this policy pertaining to Watch Status of individual Investment Managers/portfolios, including documentation of relevant factors and recommendations for individual Board actions.
  5. Assist the Board in the selection of qualified Investment Managers, and assist in the review of existing managers, including monitoring changes in personnel, ownership and the investment process.
  6. Assist the Board in the selection of a qualified custodian if necessary.
  7. Provide topical research and education on investment subjects as requested by the Board or Investment staff.

#### E. Duties of the Investment Managers

The investment managers shall:

1. Contract by written agreement with the Board to invest within approved guidelines.
2. Provide the Board with proof of liability and fiduciary insurance coverage at the time of execution of engagement contract and annually thereafter until the relationship is terminated.
3. Be a SEC-Registered Investment Advisor under the 1940 Act or an authorized bank or trust, and be recognized as providing demonstrated expertise over a number of years in the management of institutional assets within a defined investment specialty.
4. Adhere to the investment management style concepts and principles for which they were retained, including, but not limited to, developing portfolio strategy, performing research, developing buy, hold and sell lists, and purchasing and selling securities.

5. Obtain best execution for all transactions for the benefit of the System with brokers and dealers qualified to execute institutional orders on an ongoing basis at the best net cost to the System, and, where appropriate, facilitate soft dollar credits and the recapture of commissions for the System's benefit.
6. The Board has determined that Investment Managers should be encouraged to direct approximately 25% of their trades through brokers specified by the Board. This may allow the Retirement System to recapture some of the commission costs. It should be understood that the trades should be executed on a competitive basis to ensure best execution and to limit commission costs.
7. Investment Managers should also recognize that it is the intent of the System to encourage the growth and development of firms eligible for the East Bay Municipal Utility District's Contract Equity Program (CEP) when prudently possible. Investment Managers are encouraged to execute trades through CEP firms. Such trades must be executed on a competitive basis to ensure best execution and to limit commission costs.
8. Investment Managers are required to reconcile monthly accounting, transaction and asset summary data with custodian valuations, and communicate and resolve any significant discrepancies with the custodian and Staff.
9. Investment Managers are required to report the following at least monthly to General Investment Consultant, and upon request to the Board and Director of Finance or his/her designee:
  - a. Transaction and asset summary data reported at cost and fair market value;
  - b. Rate of return, which calculation shall include net income, realized gains and losses, and, if appropriate, unrealized appreciation and depreciation; and
  - c. Managers that invest in derivatives are also required to make quarterly reports on the specific risk exposure to the system.
10. If requested by Staff and/or the General Investment Consultant, Investment Managers are required to provide in writing reasons for underperformance with respect to policy and/or agreement benchmarks.
11. Investment Managers are required to maintain frequent and open communication with the Board and Director of Finance or his/her designee(s) on all significant matters pertaining to the Investment program, including, but not limited to, the following:
  - a. Major changes in the Investment Manager's investment outlook, investment strategy and portfolio structure;
  - b. Significant changes in ownership, organizational structure, financial condition or key or senior personnel;
  - c. Any changes in the Portfolio Manager, Relationship Manager or other personnel assigned to the System;
  - d. Each client that terminates its relationship whose terminated portfolio account represents at the least one percent of the Investment Manager's aggregate portfolio on the day of notice of termination with the Investment Manager, within 30 days of such termination;

- e. Each client that terminates its relationship when the cumulative terminations for a calendar month equals or exceeds one percent of the Investment Manager's aggregate portfolio as of the first business day of the reporting month; and
  - f. All pertinent issues which the Investment Manager deems to be of significant interest or material importance.
12. Meet with the Board and the Director of Finance or his/her designee as requested.

#### F. Duties of the Master Custodian

The Master Custodian shall be responsible to the Board for the following:

1. Provide complete global custody and depository services for the designated accounts.
2. Manage a Short Term Investment Fund (STIF) for investment of any uninvested cash, and ensure that all available cash is invested. If the cash reserves are managed externally, full cooperation must be provided.
3. Provide in a timely and effective manner a monthly report of the investment activities implemented by the Investment Managers.
4. Collect all income and principal realizable and properly report it on the periodic statements.
5. Provide monthly and fiscal year-end accounting statements for the portfolio, including all transactions; these should be based on accurate security values for both cost and market. These should include, where appropriate, records of amortized cost. These reports should be provided within acceptable time frames.
6. Report situations where accurate security pricing, valuation and accrued income is either not possible or subject to considerable uncertainty.
7. Provide assistance to the System to complete such activities as the annual audit, transaction verification or unique issues as required by the Board.
8. Manage a securities lending program to enhance income if directed by the Board. If the securities lending program is managed externally, full cooperation must be provided.
9. Process class action processing services including tracking class action lawsuits, filing claims on behalf of the System, responding to inquiries from the claims administrators, following up on rejection notices with additional information where appropriate, posting settlement fund distributions to appropriate System accounts, and providing reports on proceeds received.

### **IV. INVESTMENT POLICIES AND PROCEDURES**

#### A. Asset Allocation — Asset/Liability

1. The Board regularly adopts and implements an asset allocation policy that is predicated on a number of factors, including:
  - a. A projection of actuarial assets, liabilities, benefit payments and required contributions;

- b. Historical and expected long-term capital market risk and return behavior;
  - c. An assessment of future economic conditions, including inflation and interest rate levels; and
  - d. The current and projected funding status of the System.
2. The asset allocation will be determined through appropriate studies undertaken by consultants retained by the Board. The allocation study will include all asset classes deemed prudent and appropriate by the Board. The Board, with the aid of the Director of Finance and the investment consultant, will determine the assumptions and criteria to be used in the asset allocation study. The following assumptions and criteria will be determined:
- a. The expected return from each asset category.
  - b. The expected standard deviation of each asset category.
  - c. The minimum and maximum percent to be invested in each asset category.
  - d. The correlation relationship between the asset categories.
  - e. The minimum acceptable return over a given time period.
  - f. The net contribution as a percent of payroll.
  - g. The expected payroll growth rate.
3. The resulting asset allocation mixes will be approved by the Board with input from the Director of Finance and the investment consultant and an optimum selection made. The asset allocation study will be performed no less frequently than every five years. Appropriate adjustments to the existing portfolio will then be made in the most expeditious and appropriate manner. The Director of Finance is authorized to retain a Transition Manager to assist with major re-allocations of the portfolio.
4. On an ongoing basis, the Director of Finance, with assistance from the investment consultant, will analyze the portfolio structure of each asset class. Analysis shall include:
- a. appropriateness of asset class and manager benchmarks,
  - b. alignment structure of individual portfolios with asset class benchmarks based on manager holdings and mandate,
  - c. evaluation of whether the asset class is structured in such a manner that is consistent with the Boards objectives,
  - d. analysis of underperforming managers, and
  - e. overall risk profile of the asset class.
5. The System's goal is to remain fully invested. The allocation goal recognizes that at any time equity and fixed income Investment Managers may have transactional cash on hand, however available cash held by individual Investment Managers should not exceed 5% of their individual portfolios. Core and Non-Core Fixed-Income Investment Managers can exceed 5%

- of the portfolio for strategic purposes only. Covered Call managers can exceed 5% in order to avoid leveraging their portfolio or due to the timing of option premium receipt.
6. The District will also maintain enough cash as working capital to effectively meet cash flow demands on the system. These funds are not considered investable System assets. These funds will be invested by Staff in accordance with this policy.
  7. Financial derivatives may be used within prudent limits to manage risk, lower transaction costs, or augment returns. Leveraged positions are prohibited.

## B. Rebalancing Guidelines

As markets move over time, the actual asset mix of the System's portfolio may diverge from the target allocations established by the Board through the asset allocation process.

1. The Board and staff, with the assistance of the General Investment Consultant, will monitor the portfolio's asset allocation relative to target allocations and ranges at least annually.
2. With respect to each asset class group for which the Board has set a target allocation, the Board, in consultation with Staff and its investment consultant, have established the rebalancing ranges as set forth in Appendix I: Long-Term Strategic Asset Allocation and Ranges. These ranges are designed to withstand periods of market volatility.
3. Significant and/or sustained market dislocations may warrant additional review to the rebalancing guidelines. Staff and the Investment Consultant shall monitor market conditions and portfolio exposures to determine if heightened market and portfolio volatility justify wider rebalancing range limitations to be in effect.
4. If any strategic allocation is outside the specified target range, assets may be shifted to return the strategy to within the target range. The specific plan for rebalancing will identify those assets that can be shifted at the lowest possible risk and cost if the rebalancing cannot be accomplished solely by allocating contributions and withdrawals. This rebalancing will be conducted with direction from the Consultant and Staff and reported to the Board.
5. The Director of Finance or his/her designee may rebalance a particular asset class partially or fully back to target if:
  - a. The assets are publicly traded;
  - b. There is an opportunity to rebalance efficiently utilizing cash inflows and cash balances held by managers; and
  - c. Trading opportunities can be utilized to the extent that they permit liquidating or adding to positions while limiting trading costs.

Staff will report any such rebalancing to the Board at its next meeting.

## V. ELIGIBLE INVESTMENTS

The Board will utilize the following portfolio components to fulfill the asset allocation targets and total System performance goals established elsewhere in this document.

### A. Public Equities Portfolio

The Board expects that over the long run, total returns to equities will be higher than the returns to fixed-income securities, but may be subject to substantial volatility over shorter periods. Public equity holdings may include:

1. **U.S. Equities**
  - a. Index Funds / Core Stocks — This component of the portfolio will provide broadly diversified, core exposure through index funds to the U.S. equity market, primarily in large capitalization companies. Index funds provide primary liquidity for asset allocation.
  - b. The objectives for investment of the US equity portfolio are:
    - i. Achieve a total return net of management fees which meets or exceeds the Russell 3000 Index;
    - ii. The use of futures and options in the domestic equity accounts may be used for hedging purposes as part of their portfolio management strategy and will be incidental to their securities trading activities; and
    - iii. In order to minimize the risk associated with investment in the small cap market, it is expected that over the long term the allocation to small cap stocks should correspond to the weight of small cap stocks within the Russell 3000 Index.
  - c. The equity portfolio shall be diversified. When fully invested in equities or at its normal level of investment, System investment assets should be invested in a minimum of 20 U.S. Equity securities. At no time may a single equity investment exceed 5% of the value of total System assets. Additionally, at no time may the System own more than 5% of any individual company.
2. **Non-U.S. Equities**
  - a. Developed Markets — This category includes broadly diversified equity markets outside the U.S. and consequently plays a significant role in diversifying the portfolio.
  - b. Emerging Markets — This component is made up of equity positions in companies located in emerging countries around the world. Because these are countries which are typically in the early development stages of economic growth, the returns in these countries tend to be higher and more volatile on a year-to-year basis.
  - c. The objectives for investment of the non-US equity portfolio are:
    - i. Achieve a total return net of management fees which meets or exceeds the Morgan Stanley Capital International (MSCI) ACWI x U.S. Index;

- ii. Currency hedging will be permitted as part of a defensive strategy to protect an international equity portfolio.
- d. In order to minimize the risk associated with investment in emerging market securities, it is expected that over the long term the allocation to emerging market securities should correspond to the weight of emerging market securities within the MSCI ACWI x US Index.
- e. Each international equity portfolio shall be diversified. When fully invested in Non-U.S. Equities or at its normal level of investment, System investment assets should be invested in a minimum of 20 securities. At no time may a single Non-U.S. Equity investment exceed 5% of the value of the total System assets. Additionally, at no time may the System own more than 5% of any individual company.

## B. Fixed-Income Portfolio

The primary role of the fixed-income portfolio is to provide a more stable investment return and to generate income while diversifying the System's investment assets. The fixed-income holdings may be comprised of the following segments:

### 1. **Core Fixed Income**

- a. The Core Fixed Income component will provide core exposure to the U.S. fixed-income market including Treasury and government agency bonds, corporate debt, mortgages and asset-backed securities. This component will be composed primarily of investment grade issues with duration similar to that of an applicable core bond index.
- b. The objectives for investment of the core fixed income component of the Fixed-Income portfolio are:
  - i. Preserve capital and provide a reasonable level of income on a consistent basis;
  - ii. Earn an average annual return from income and capital appreciation net of management fees which exceeds 50 basis points of the BBg US Aggregate Bond Index;
  - iii. Achieve the above objectives within a time horizon of a minimum of three to five years or approximately a full market cycle.
- c. Holdings of securities issued by the United States Government or any of its agencies need not be diversified. Securities of any one issuer with maturities of more than one year, other than the United States Government or any of its agencies, shall not exceed 5% of the value of the total portfolio. Securities of any one issuer of foreign government issues shall not exceed 10% of the value of the total portfolio at the time of purchase. Fixed income managers have the authority to make international investments, not to exceed 20% of their total portfolio. Investment in U.S. dollar denominated bonds of foreign governments, international organizations, foreign corporations, and U.S. subsidiaries of

foreign corporations are permitted, however, shall not exceed 35% of the market value of the portfolio.

- d. The use of futures and options in the fixed income accounts may be used as part of their portfolio management strategy and will be incidental to their securities trading activities. The resulting aggregate risk profile (volatility) of the portfolio will not be different from that permissible by using securities only.
- e. Short (sold) options positions will generally be hedged, either with current portfolio security holdings, other options or futures options. Mortgage derivatives with significant short option characteristics will not exceed 5% of the portfolio, and will generally be a) offset by positions in other mortgage derivatives, or b) offset by other portfolio positions.
- f. No derivatives will be executed which will increase the value at risk of the portfolio by more than 25 basis points of the portfolio's market value.
- g. Structured notes with significant short options positions or increasing leverage will not be purchased, and in no case will structured notes exceed 5% of portfolio value. Structured Notes issued by the U.S. Government (Treasuries & Agencies) will be considered allowable investments, and are restricted to 25% of portfolio value.
- h. Fixed income managers are authorized to use futures and options contracts to supplement their investment capabilities to provide flexibility in managing the fixed income portfolios and reduce the cost of implementing strategies to respond to changing market conditions without incurring the higher transaction costs associated with buying and selling specific securities. These transactions are authorized to enable the manager to reduce the exposure of the portfolio to interest rate changes by reducing or increasing the duration of the portfolio without selling any of the actual holdings.
- i. No more than 5% of the portfolio will be invested in original futures margin and options premiums, exclusive of any in-the-money portion of the premiums.
- j. Cash can exceed 5% of the portfolio for strategic purposes only.

## **2. Non-Core Fixed Income**

- a. Non-Core Fixed Income will primarily consist of U.S. denominated fixed income securities. It is expected that this component of the Fixed-Income portfolio may have a material allocation to below investment grade securities.
- b. The objectives for investment of the non-core fixed income component of the Fixed-Income portfolio are:
  - i. Diversify the Fixed-Income portfolio, by reducing exposure to increasing interest rates, provide current income, and to earn, over time, an average annual total rate of return in excess of what can be earned with core fixed income securities;
  - ii. Provide a high level of income consistent with capital preservation;
  - iii. Minimize exposure to interest rate risk, and

- iv. Achieve the above objectives within a time horizon of a minimum of three to five years or approximately a full market cycle.
- c. The non-core fixed income component will include non-investment-grade securities. Non-investment-grade securities are defined as securities rated non-investment-grade by two or more rating agencies. If a bond is rated by two rating agencies, it must be rated below-investment-grade by at least one rating agency. If only one rating agency rates the bond, then a rating below BBB-or Baa3 is considered non-investment-grade. The portfolio may contain unrated bonds. Unrated and/or SEC Rule 144A high yield fixed income instruments without registration rights must not exceed 25% of the market value of the Non-Core Fixed Income portfolio.
- d. In the event of a downgrade below single C, or in the case of a default, Manager(s) must notify staff and the General Investment Consultant of the downgrade within two days of the date that the downgrade occurs. In the event of a downgrade below single C, or in the case of a default, if the Manager(s) elects to retain the bond in the portfolio the Manager(s) must inform Staff and the General Investment Consultant of the downgrade within two days of the date that the downgrade occurs, and provide a rationale for continued retention of the holding.
- e. There may be instances when debt issues convert into equity-oriented securities (i.e. preferred stock, common stock or warrants to purchase other equity securities). To handle these situations, fixed income managers are allowed to hold equity-oriented positions when received in exchange for, or conversion or cancellation of debt securities held in the portfolio. The manager(s) is required to inform staff and the General Investment Consultant 30 days prior to the conversion when they intend to hold the resulting equity-oriented positions. Equity-oriented securities can be held in the portfolio no longer than six months. The manager(s) is required to provide 30 days advance notice to extend the holding period beyond the original six-month period. No more than 10% of the portfolio shall be invested in equity-oriented securities resulting from fixed-to-equity exchanges.
- f. Permissible securities include corporate bonds, convertible bonds, government bonds, government agency bonds, government-sponsored entity bonds (e.g., FNMA), mortgage bonds, asset-backed bonds, emerging market debt, Eurodollar bonds, Yankee bonds, SEC Rule 144A securities, high yield CMBS securities, REIT bonds, zero coupon bonds, bank loans (rated or unrated), preferred, trade finance related investments, structured notes and financial futures. Allowable emerging countries are those investable markets that are open for foreign investments. Investment in U.S. dollar denominated bonds of foreign governments, international organizations, foreign corporations, and U.S. subsidiaries of foreign corporations are permitted, however, shall not exceed 35% of the market value of the portfolio.
- g. Derivatives used for substitution, risk control, and arbitrage strategies are permitted. Use of derivatives for speculation is prohibited. No securities shall be purchased on margin or sold short other than any initial and maintenance margin required in connection with futures transactions which may be used only for risk management purposes.
- h. For prudent diversification, the portfolio shall have a minimum of 25 issues. No more than 10% of the lesser of cost or market value of the portfolio will be invested in any one issuer with the exception of U.S. Government, U.S. Government Agency, and bonds of U.S. Government sponsored entities.

- i. Cash can exceed 5% of the portfolio for strategic purposes only.

### C. Private Debt Portfolio

The Private Debt allocation is expected to earn risk-adjusted returns in excess of the public credit markets, primarily due to the liquidity premium demanded by investors. The allocation is also expected to help decrease the volatility of the overall Portfolio, through stable income and downside collateral protection. This means the allocation will generally be to Income-Oriented investment strategies that target primary/origination-based transactions focused on generating returns through regular coupon payments and principal repayment over time. Eligible investment strategies will include direct lending and will incorporate other origination-based strategies with exposure to multiple collateral types (including but not limited to corporate credit, mortgage credit, asset-based, and consumer credit) and strategies. Investments may be made in companies that are either U.S. or non-U.S. domiciled.

### D. Covered Calls Portfolio

The Covered Calls Portfolio is an equity-based asset class that is designed to provide some incremental income during flat to modestly rising markets, while providing some level of downside protection during market selloffs. The Board expects that over the long run, Covered Calls will produce total returns in line with U.S. public equity with less volatility, but will vary markedly from U.S. public equity during market extremes. Under a bull/recovery market scenario, Covered Calls generally underperform U.S. public equity, but still tend to produce substantial upside returns. During a bear/down market scenario, Covered Calls are likely to decline in value, but by a lesser degree than U.S. public equity, providing investors with some principal protection. As a result of these attributes, Covered Calls tend to compound at a smoother rate than U.S. public equity.

- a. The objectives for investment of the covered call portfolio are:
  - i. For active managers, the performance objective is to outperform the benchmark, net of all fees, over 3-5 years;
  - ii. For replication managers, the performance objective is to match the benchmark, gross of fees, over 3-5 years;
  - iii. The Covered Calls class shall have a benchmark index of the Chicago Board Options Exchange S&P 500 BuyWrite Index (the “BXM Index”);
  - iv. Derivatives used for risk control and income are permitted. However, the notional value of the options may not exceed the total value of the underlying equity portfolio; and
  - v. All holdings will be of sufficient size and held in issues that are traded actively enough to facilitate transactions at minimum cost and accurate market valuation.
- b. The covered call portfolio should consist of three components:
  - i. underlying equity,
  - ii. call options, and
  - iii. cash.

- c. The underlying equity should be designed to gain broad market exposure. This can be accomplished through individual stock ownership, ETFs, or derivatives.
- d. No purchase should be made that causes an individual security to exceed 5% of the underlying equity portfolio, where those securities constitute less than 3% of the current market capitalization of the S&P 500 Index, unless an ETF is employed.
- e. Call options may be used to provide income and risk control.
- f. The notional value of the options may not exceed the total value of the underlying equity portfolio.
- g. Call options may only be written on domestic stock indices, broad market or sector ETFs, and individual domestic stocks that are held in the underlying portfolio.
- h. Managers may purchase back options in order to close out positions.
- i. Cash may exist as an intermediary component from additional funding or option premiums. The balance should not normally exceed 5% of the manager's total portfolio.
- j. Leverage may not be used.

#### E. Real Estate Portfolio

The Real Estate portfolio will consist primarily of public and private real estate interests such as equity (ownership) and/or fixed income participation in commercial, industrial, or residential properties. Investments may include interests in mortgages pools secured by loans of underlying properties. Real estate is expected to provide portfolio diversification due to real estate's low correlation with returns on equities and fixed-income.

- a. The objectives for investment of the real estate portfolio are:
  - i. Attractive Risk-Adjusted Returns: To obtain superior risk-adjusted returns by taking advantage of the inefficiencies of real estate as compared to other asset classes. Active management, value creation and opportunistic strategies, as well as the prudent use of third-party debt, are approved methods for generating expected returns;
  - ii. Increased Program Diversification/Reduced Program Risk: To use real estate to enhance overall Program diversification and, in turn, reduce overall Program risk, given the historically low to negative return correlations that exist between real estate and other asset classes;
  - iii. Significant Current Cash Yields: Significant cash return based primarily on current rental income. In general, as a portion of total investment return, higher levels of current income are expected from core and value than opportunistic investments; in contrast, higher levels of appreciation are expected from opportunistic than value and core investments;
  - iv. Inflation-Hedge: To make investments primarily in real estate equity investments that are likely to provide a reasonable hedge against price inflation; and
  - v. Preservation of Principal: To achieve meaningful risk-adjusted returns without undue exposure to loss of investment principal.

- b. The public real estate portfolio shall be diversified. When fully invested in exchange traded Real Estate Investment Trusts (REITs) or at its normal level of investment, a minimum of 20 securities should be held. At no time may a single REIT investment exceed 5% of the value of the total System investment assets.
- c. If the Retirement System owns more than 10 percent of a Real Estate Investment Trust (REIT), the Retirement System may be required to treat a portion of the REIT dividends as Unrelated Business Taxable Income (UBTI) and report and pay income taxes on that income. Staff and the Investment Consultant shall monitor prospective and existing REIT investments to determine if the Retirement System's ownership in any REIT is greater than 10 percent. If staff and the Investment consultant determine that the Retirement System's ownership of any REIT is greater than 10 percent, staff shall address the potential tax implications.
- d. Due to their limited liquidity, private real estate investments shall be approved by the Board only on a case-by-case basis. Agreements with private real estate Investment Managers shall include specific Investment Objectives and Policies that must be approved by the Board prior to execution of the agreement.

#### F. Cash

Cash may be invested in:

- 1. Treasury and Agency instruments with maturities no longer than 90 days;
- 2. AAA-rated money market funds invested exclusively in Treasury and Agency instruments;
- 3. Short Term Investment Funds (STIF) managed by the Master Custodian; and
- 4. Local Agency Investment Fund (LAIF).

## **VI. INVESTMENT MANAGER POLICY**

### A. Introduction

- 1. The Board will retain external Investment Managers to manage portfolios using a specific style and methodology. Managers will have authority for determining investment strategy, security selection, and timing subject to the Policy and Manager Guidelines and legal restrictions or other Board direction. Performance objectives will also be developed for each manager.
- 2. The performance of each Investment Manager's portfolio will be monitored and evaluated on a regular basis relative to each portfolio component's benchmark return and, if available, relative to a peer group of managers following similar investment styles.
- 3. Investment actions are expected to comply with "prudent person" standards.
- 4. Each Investment Manager will be expected to know the practices of the Board and comply with those practices. It is each manager's responsibility to identify policies that have an adverse impact on performance and to initiate discussion with staff toward possible improvement of the practices of the Board.

5. The Board will also review each Investment Manager's adherence to its investment policy, and any material changes in the manager's organization (e.g. personnel changes, new business developments, etc.). The Investment Managers retained by the Board will be responsible for informing the Board by communication with staff of such material changes.
6. All bond and stock business shall be executed seeking best execution. "Best execution" means seeking to achieve the most favorable price and execution available, having in mind the System's best interest, and considering all relevant factors. These factors include price, the size of the transaction, the nature of the market for the security, current market levels and trends, the reputation, experience and financial stability of the broker involved and the quality of service rendered by the broker in other transactions. Where feasible, the stock or bonds trades shall be distributed to brokerage firms where the Administrative-Investment Committee has established a commission recapture directed brokerage program.

#### B. Manager Selection

The selection of Investment Managers shall be accomplished in accordance with all applicable Local, State and Federal laws and regulations. Each Investment Manager, consultant and custodian shall function under a formal contract that delineates responsibilities and appropriate performance expectations.

#### C. Manager Authority

The Board's Investment Managers shall direct and manage the investment and reinvestment of assets allocated to their accounts in accordance with this document; Board practices or direction; applicable Local, State and Federal statutes and regulations; and individual management investment plans and executed contracts.

#### D. Limitations on Concentrations of Single Managers/Firms

In order to minimize any potential risk associated with large concentrations of System investment assets being managed by a single firm, any single manager/firm, when all mandates associated with that manager/firm are aggregated, shall represent no more than 25% of the total System investment assets. Managers of passively-managed, broadly-diversified, mandates may exceed the 25% threshold. If any single manager/firm exceeds this limitation, the Investment Consultant and staff shall provide the Board its solution to reallocate funds from that manager/firm within the portfolio to reduce the concentration within a reasonable time period.

#### E. Investment Manager Guidelines

In accordance with the Investment Objectives stated above, the Board shall provide each of the System's Investment Managers with a set of investment guidelines as stated in section V. Eligible Securities. These guidelines shall specify eligible investment, minimum diversification standards, and applicable investment restrictions necessary for diversification and risk control. Managers do not have authority to depart from their guidelines.

#### F. Investment Manager Performance Measurement

1. The Board has the right to evaluate investment performance at any time on an ongoing basis using investment performance criteria relative to specific benchmarks over varying periods of time by asset class. Performance results for each Investment Manager shall be calculated and evaluated at least quarterly.
2. Each Investment Manager shall be evaluated against factors including the following:

- a. Active Investment Managers in each asset class will be expected to:
    - i. outperform passive benchmarks listed in this policy in the table titled Asset Class Performance Benchmarks related to both their asset class and their investment style; and
    - ii. outperform the median manager in their investment style in the universe employed by the System's investment performance measurement consultant over full market cycles (usually 3-5 years).
  - b. Qualitative indicators will be evaluated such as:
    - i. Changes in investment strategy and style;
    - ii. Instability of Investment Manager personnel and organization;
    - iii. Unusual portfolio activity, trading volume, and execution costs
    - iv. Risk and performance characteristics not logically explainable in terms of the published style or out-of-step with manager's style peer group; and
    - v. Failure to comply with all investment guidelines.
  - c. None of the qualitative indicators may be taken as conclusive evidence of inconsistency with this policy. Such a finding would be based upon the facts and circumstances of each situation as described below.
3. Any Investment Manager not meeting performance objectives will be subject to the manager Watch List criteria set forth below.
4. Watch Status of an Investment Manager/Portfolio

Watch status serves two basic purposes. First, it is a major decision step the Board takes to begin transitioning from one Investment Manager to another Investment Manager. Second, it allows the Investment Manager on watch status time to take any corrective action (or justify its changing condition) before the Board elects to terminate its existing relationship with the Investment Manager.

- a. An Investment Manager/portfolio is placed on "watch" status if at least one of two events occurs:
  - i. the portfolio's investment performance does not meet one of the criteria found in the following table; or
  - ii. after the Manager Performance has been measured as described above staff and/or the investment consultant recommends to the Board that an Investment Manager is a candidate for watch status.

The Board approves or disapproves placing the Investment Manager/portfolio on "Watch" Status.

- b. If the Board approves the recommendation to place a specific Investment Manager on watch status, staff will issue a formal notification to the Investment Manager. This formal notification of watch status will include, but is not necessarily limited to, the following items:
  - i. Meeting date when the Board approved the recommendation to place the Investment Manager on watch;
  - ii. Reason(s) for placing the Investment Manager on watch status; and
  - iii. Conditions for being released from watch status (see Manager “Watch” Criteria table below).
- c. Typically, once a manager is placed on watch status, it should be able to exhibit improvement within a time frame of twelve to twenty four months, if not sooner.
- d. Private Real Estate Funds -- Private real estate funds are primarily invested in assets that are largely illiquid and generally have limited peer sets. In addition, these assets generally have imperfect benchmarks by which performance, according to vintage year and strategy, can be assessed. Funds are closely monitored for factors including, but not limited to:
  - i. style drift,
  - ii. key-person and other management/organizational changes,
  - iii. performance relative to original underwriting,
  - iv. fees,
  - v. transparency, and
  - vi. J-curve impact.

Underperforming fund managers will be brought to the Board’s attention as soon as the consultant and staff agree the manager should be placed on watch. The termination and/or replacement of private real-estate managers is commonly more challenging than terminating managers that operate in the public markets. Terminating these types of managers can exacerbate poor performance beyond that which has already been experienced. For example, in many instances the only exit option available is via secondary sales of interests, which are often transacted at an appreciable discount to existing net asset values.

<b>Manager "Watch" Criteria*</b>			
<b>Asset Class</b>	<b>Short-term (Rolling 12 month periods)</b>	<b>Medium-term (Rolling 36 month periods)</b>	<b>Long-term (60+ Months)</b>
U.S. Equity –Passive	Tracking Error <sup>3</sup> > 0.3%	Tracking Error <sup>3</sup> > 0.25% for 6 consecutive months	Portfolio Annualized Return <sup>1,2</sup> < Benchmark Annualized Return -0.40% for 6 consecutive months
Non-U.S. Equity - Passive	Tracking Error <sup>3</sup> > 1.75%	Tracking Error <sup>3</sup> > 1.5% for 6 consecutive months	Portfolio Annualized Return <sup>1,2</sup> < Benchmark Annualized Return -0.50% for 6 consecutive months
Covered Calls – Active	Portfolio Return <sup>1</sup> < Benchmark Return -3.5%	Portfolio Annualized Return <sup>1,2</sup> < Benchmark Annualized Return -1.75% for 6 consecutive months	VRR < 0.97 for 6 consecutive months
Covered Calls – Replication	Portfolio Return <sup>1</sup> < Benchmark Return -3.5%	Portfolio Annualized Return <sup>1,2</sup> < Benchmark Annualized Return -1.75% for 6 consecutive months	VRR < 0.97 for 6 consecutive months
Fixed-Income – Core – Active	Portfolio Return <sup>1</sup> < Benchmark Return -1.5%	Portfolio Annualized Return <sup>1,2</sup> < Benchmark Annualized Return -1.0% for 6 consecutive months	VRR < 0.98 for 6 consecutive months
Fixed-Income – Core – Passive	Tracking Error <sup>3</sup> > 0.25%	Tracking Error <sup>3</sup> > 0.20% for 6 consecutive months	Portfolio Annualized Return <sup>1,2</sup> < Benchmark Annualized Return -0.30% for 6 consecutive months
Fixed-Income – Non-Core	Portfolio Return <sup>1</sup> < Benchmark Return -4.5%	Portfolio Annualized Return <sup>1,2</sup> < Benchmark Annualized Return -2.0% for 6 consecutive months	VRR < 0.97 for 6 consecutive months

**\*Notes:**

- Benchmarks are presented in this policy under Appendix II: Asset Class Benchmarks
- All portfolio returns are gross of manager fees.

**Footnotes:**

<sup>1</sup> Return discounts from a benchmark return based on 2/3 of the typical tracking error estimates of the specified type of portfolio.

<sup>2</sup> Annualized Return is the average annual return of either the portfolio or its benchmark.

<sup>3</sup> Tracking error is a measure of the volatility of the average annual difference between the portfolio's return and the benchmark's return.

## 5. Release from Watch Status

- a. Investment Managers that show indications of an improvement, as reviewed by the investment consultant and determined by the Board, in one or more of the factors described earlier, may be released from watch status. Examples of improvements warranting a change in status are:
  - i. Improved investment performance in approximately twenty four months (or less) from the time of being placed on watch status;
  - ii. Investment style characteristics return to, and remain at, levels originally agreed upon; and
  - iii. Qualitative factors (such as organizational structure stabilizes, personnel adjustments, compliance requirements, etc.) are satisfactorily addressed.
- b. To release an Investment Manager from watch status, the Board must formally take action to do so. This action should be supported by documentation (produced by the investment consultant) similar in format to the Portfolio Review described above. This document should highlight original reasons for the watch status and discussion of how the Investment Manager has addressed these issues and warrants release from watch status.

## 6. Replacement/Termination

To terminate and/or replace an Investment Manager, the Board must formally take action to do so. This action should be supported by documentation (produced by staff and/or investment consultant). This document shall highlight original reasons for the watch status and discussion of continued developments during watch status that led to the termination/replacement recommendation.

### G. Securities Lending

An agreement may be made with the System's bank custodian or other third-party custodian retained by the Board to loan securities on behalf of the Retirement System. Securities that are loaned shall be fully collateralized in cash or other acceptable securities having at least 102% of the market value of the loaned security.

### H. Commingled Group Trusts

Investments may be made in commingled group trusts. When the group trust is tax exempt, to meet the requirements of IRS Ruling 81-100 the declaration of trust governing each such group trust shall be deemed adopted as part of EBMUDERS Employees' Retirement System plan.

### I. Derivatives

Investment in "derivatives" is permitted, however, leveraged derivatives or purchase of derivatives on credit is not permitted. Credit risk, market risk and legal risk will be determined by the Administrative-Investment Committee to be appropriate before any investment is made in a derivative product. For these purposes, derivatives shall be defined as securities whose return or market value is derived from another security or market index.

## J. Currency Hedging

With the approval of the Administrative-Investment Committee, Investment Managers may hedge the currency risk associated with securities they manage for the Retirement System. Hedging may be accomplished through mechanisms approved by staff, including, but not limited to, currency futures contracts, currency purchases, and currency options. Approval to hedge must be obtained in advance and may be given orally or in writing. Managers need not obtain approval for each individual investment as long as the investment vehicle has been approved.

## K. Proxy Voting of Securities

Investment Managers may be given the authority to vote proxies on behalf of the Retirement System. Investment Managers must vote in accordance with Board policy.

## L. Transaction with Retirement Board Members, Staff, and Consultants to the Employee Retirement System

Retirement Board Members, staff, and consultants to the System, if any (including but not limited to investment officers, retirement administrators, and legal counsel) are prohibited from selling investment products to the System or any other public retirement system while they are Members of the System Board, or staff, or consultants to the System, and for two years after leaving the Board, or employment with the District, or serving as consultants to the System.

## **VII. POLICY FOR THE USE OF PLACEMENT AGENTS**

In accordance with Sections 20098, 31528, 7508.57513.8 7513.85, 7513.9, and 7513.95 of the Government Code the System shall require the specific and timely disclosure of payments and compensation to Placement Agents<sup>1</sup> in connection with the System's investments. This Policy is intended to apply broadly to all investment contracts made by the System. The goal of this Policy is to help ensure that the System investment decisions are made by the Board solely on the merits of the investment opportunity in accordance with the Board Members' fiduciary responsibility and to avoid the appearance of undue influence on the Board or illegal pay-to-play practices in the award of investment related contracts.

### A. Manager Placement Agent Disclosures

1. Each Manager shall provide to the System in writing the required information listed below within 45 days of the initiation of investment discussions between the Manager and the System but in any event prior to contract execution. The Manager must notify the System staff of any changes to any of the information required within 14 calendar days of the Manager knowing of the change(s).
  - a. Disclosure of Payments Made to Placement Agents

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<sup>1</sup> "Placement Agent" includes any person or entity hired, engaged, retained by, acting on behalf of or serving for the benefit of an Investment Manager or on behalf of another Placement Agent as a third-party marketer, finder, solicitor, marketer, consultant, broker, or other intermediary to market, solicit, obtain access to the System, and/or raise money or investments either directly or indirectly from the System. Notwithstanding the foregoing, an individual who is an employee, officer, director, equity holder, partner, member or trustee of an Investment Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested or held by the Investment Manager is not a Placement Agent.

- i. A written statement of whether the Manager or any of its principals, employees, agents or affiliates has compensated or agreed to compensate any person or entity to act as a Placement Agent in connection with the System's investments;
  - ii. The name of the Placement Agent, and resumes of every officer, partner and principal of the Placement Agent. The resumes shall include educational history, professional designations, regulatory licenses and investment and work experience;
  - iii. Description of any and all compensation paid or agreed to be paid to the Placement Agent, including payment to employees of the Manager who are retained in order to solicit, or who are paid based in whole or in part upon, an investment from the System;
  - iv. Description of the services rendered or the services expected to be performed by the Placement Agent and a list of the prospective clients for which such Placement Agent is utilized;
  - v. Copies of all agreements between the Manager and the Placement Agent;
  - vi. Name of the regulatory agencies the Placement Agent or any of its affiliates are registered with, such as the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Association (FINRA), or any similar regulatory agency; proof and details of such registration shall be included, or an explanation as to why no registration is required; and
  - vii. A statement as to whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with any state or national government.
- b. Disclosure of Relationships to the Board; Campaign Contributions
- i. Full disclosure of any connection between the Placement Agent or the Manager and the System, including whether anyone receiving compensation or who will receive compensation with respect to an investment from the System from the Placement Agent or the Manager is: a current or former System Board Member, System employee, or System consultant; a member of the immediate family of anyone connected to or formerly connected to the System;
  - ii. Full disclosure of the donations made by the Placement Agent or the Manager during the prior 24-month period to any organization (including contributions to political campaign funds and donations to non-profits) in which any person listed in Paragraph 2.a is an officer, employee, or member of the Board or Advisory Board (or similar body). Additionally, any subsequent donations made by the Placement Agent or the Manager to any such organization during the time the Placement Agent or the Manager is receiving compensation in connection with the System's investment shall also be disclosed; and
  - iii. Full disclosure of the names of any current or former System Board Members, System employees or the System consultants who suggested the retention of the Placement Agent.
2. All Investment Managers must provide written confirmation that they are in compliance with this Policy and complete form as required by EBMUDERS.

## B. Responsibilities of Staff and Consultants

1. At the time that investment discussions between a Manager and the System for a prospective investment commence, Staff is responsible for providing Managers and Placement Agents with a copy of this Placement Agent Policy.
2. Staff and Consultants must confirm that the applicable Placement Agent disclosures have been received prior to the completion of due diligence and completion of any recommendation to proceed with the decision to invest with the Manager. For new contracts and amendments to existing contracts, the System will:
  - a. Stop investment negotiations with a Manager who refuses to disclose the required information.
  - b. Decline the opportunity to retain or invest with a Manager who has used or intends to use a Placement Agent who is not registered with the SEC, FINRA, or any similar regulatory agency and cannot provide an explanation as to why no registration is required.\
3. Staff and Consultants will assist legal counsel as necessary for securing in the final contract terms and side letter agreements between the System and the Manager, including but not limited to, the following:
  - a. The Manager's agreement that it has complied with and will continue to comply with this Policy.
  - b. The Manager's representation and warranty that it will notify the System Staff of any changes to any of the information required above within 14 calendar days of when the Manager knows or should have known of the change(s).
4. At any meeting where an investment decision with a Manager will be considered, Staff and Consultants must notify the Board of the name(s) of any Placement Agent(s) used by the Manager in connection with the proposed investment, and any campaign contributions or gifts reported by each Placement Agent.
5. Staff must maintain records of all information disclosed to the System in accordance with this policy, and provide the Board with notice of any violation of this policy as soon as practicable.

## C. Responsibilities of Counsel

Legal counsel to the System must review the final contract terms and side letter agreements between the System and the Manager, including all requisite agreements and representations and warranties by the Manager, for compliance in accordance with this Policy for the Use of Placement Agents.

## D. Responsibilities of the Board

The Board must review all violations of this policy reported by Staff, consider whether each violation is material, and consider whether to prohibit that Manager and/or Placement Agent from soliciting new investments from the System for a period of five years from the date of violation. However, the Retirement Board may reduce this prohibition, by majority vote, at a public session upon a showing of good cause that such action is consistent with the Board's fiduciary duties.

## APPENDIX I – LONG-TERM STRATEGIC ASSET ALLOCATION AND RANGES

Based on EBMUDERS’s asset allocation study and acceptance of the proposed target asset mix (as stated in the May 2024 Asset Allocation Study) the following is the long-term target asset mix and allocation ranges. EBMUDERS will review its asset allocation at a minimum once every three to five years.

<b>ASSET CLASS</b>	<b>LONG-TERM TARGET ALLOCATION</b>	<b>RANGES</b>
US Equity	35.0%	+/- 5%
Non-US Equity	25.0%	+/- 5%
Investment Grade Bonds	20.0%	+/- 3%
High Yield Bonds	7.5%	+/- 2.5%
Bank Loans	5.0%	+/- 2%
Private Debt	5.0%	+/- 3%
Core Private Real Estate	2.5%	+/- 2.5%
<b>Total</b>	<b>100%</b>	<b>---</b>

## Appendix II: Asset Class Benchmarks

The market benchmarks for the stated asset classes are as follows:

ASSET CLASS	BENCHMARK
<i>U.S. Equities</i>	Russell 3000 Index
<i>Non-U.S. Equities</i>	MSCI ACWI x US Index
<i>Investment Grade Bonds</i>	BBg Aggregate Index
<i>High Yield</i>	Bloomberg U.S. Corporate High Yield Index
Bank Loans	S&P UBS Leveraged Loan Index
Private Debt	50% Bloomberg U.S. Corporate High Yield Index 50% S&P UBS Leveraged Loan Index
<i>Real Estate:</i>	NCREIF NPI Lagged
<i>Covered Calls:</i>	BXM Covered Calls Index*

\*Also known as the CBOE S&P 500 BuyWrite Index.

**Performance results for System investment assets and for each Investment Manager shall be calculated and evaluated quarterly and presented to the Board for review.**

## EAST BAY MUNICIPAL UTILITY DISTRICT

---

DATE: November 20, 2025

MEMO TO: Members of the Retirement Board

FROM: Sophia D. Skoda, Director of Finance *SDS*

SUBJECT: Approve Plan to Review and Update the Statement of Investment Policy and Procedures

### RECOMMENDATION

Approve staff and Meketa's plan to complete a thorough review and update to the Retirement System's Statement of Investment Policy and Procedures (Investment Policy) that will be brought to the Board in January 2026.

### BACKGROUND

Following the approval of the new asset allocations approved by the Retirement Board at its May 23, 2024 meeting, staff has worked with Meketa to update the Investment Policy to reflect the new investment targets, asset allocation percentages and benchmarks. Upon reviewing the Investment Policy to make the necessary updates, staff and Meketa agreed that the document was in need of an additional more comprehensive review and update to be consistent with current industry standards.

The attached memo outlines the specific areas that staff and Meketa will address in the review. The updates will focus on five areas:

1. Removal of redundancies
2. Removal of outdated practices and policies
3. Alignment with best practices
4. Refinement of policy vs. procedures
5. General clean-up

Staff and Meketa will be looking for guidance from the Retirement Board and authorization to proceed with the planned review update to be brought to the January 2026 meeting.

SDS:SGL

Attachment: Memo – Investment Policy Statement Updates – January 2026 Gameplan

## MEMORANDUM

**TO:** East Bay Municipal Utility District Employees' Retirement System ("EBMUDERS")  
**FROM:** Meketa Investment Group ("Meketa")  
**DATE:** November 20, 2025  
**RE:** Investment Policy Statement Updates – January 2026 Gameplan

---

An Investment Policy Statement ("IPS") represents one of the most important governance tools for an institutional investment portfolio. It serves to identify and formalize the primary objectives and constraints from a governance perspective, as well as the establishment of critical parameters and guidelines for the implementation and oversight of the investment portfolio.

A preceding memorandum on the November 2025 EBMUDERS Retirement Board agenda pertains to recommendations for immediate IPS updates. These primarily relate to the incorporation of recent investment policy target changes as a result of the 2024 Asset-Liability Study, as well as some additional minor revisions. When reviewing the existing IPS, both EBMUDERS Staff and Meketa recognized that the entire IPS document should be fully examined, and where appropriate, modified. This is currently a common trend among public pension plans, where corresponding IPS documents have existed as "living documents" for decades, which has often resulted in inefficient, and perhaps outdated and/or irrelevant, language.

**Meketa and EBMUDERS Staff are seeking guidance from the Retirement Board to conduct a thorough review and modernization of the IPS. These proposed edits would then be brought to the Retirement Board in January 2026 for either full or partial adoption.**

The January 2026 discussion (and potential approval) would include both redlined and clean versions of the updated IPS. In order to improve the efficiency of the review process for the Retirement Board, all of the proposed edits would be color coded to align with several categories of revisions. Examples of the categories would be as follows:

- Removal of Redundancies
  - There are areas within the IPS where near identical policy language is in multiple locations, despite the language applying to the same concept or element of the investment program.
- Removal of Outdated Practices and Policies
  - The existing EBMUDERS portfolio is different in 2025 than it was historically. Therefore, certain policy language is no longer relevant to the investment program.
- Alignment with Best Practices
  - One of the primary "value adds" that Meketa provides is our perspective on peers and industry best practices. Various edits will be proposed that seek to align the EBMUDERS IPS with prevailing best practices.
  - For example, the explicit quantification of "Watch Status" is an area that many peers are moving away from. The overall concept of "Watch Status" still remains at peers, but IPS language and associated policies are now more often written to increase flexibility, relevance, and to reflect the reality that managers are monitored on a more continual basis and "Watch Status" may be recommended for a variety or mosaic of reasons.
- Refinement of Policy vs. Procedures
  - Over the years, many IPS documents have naturally morphed to include language that is procedural rather than policy. IPS documents should be focused directly on policy, although there are elements of policy that overlap with procedures. Meketa and EBMUDERS Staff will seek to streamline and better align certain language to be policy-oriented rather than procedure-oriented.

→ General Clean-up

- For any longstanding document, additions and deletions over the years can lead to a document that contains a variety of issues such as contradictions, formatting/spelling errors, and excessive verbiage.

It is expected that the January 2026 discussion will include a walkthrough and justification for the edits. As discussed previously, Meketa and EBMUDERS Staff will seek to segment (i.e., color code) the revisions based on a categorical system to aid in the discussion and understanding of the proposed revisions.

CB/PN/EL/mp

**EAST BAY MUNICIPAL UTILITY DISTRICT**

---

DATE: November 20, 2025

MEMO TO: Members of the Retirement Board

THROUGH: Cindy Charan, Director of Human Resources *Cindy R. Charan*

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

SUBJECT: Declare the Interest Rate on Member Contributions for the Period Ending June 30, 2025

ACTION: Adopt Resolution for Interest Rate for Member Contributions for the Period Ending June 30, 2025

**RECOMMENDATION**

Adopt resolution to declare the interest rate for member contributions for the period ending June 30, 2025.

**BACKGROUND**

The Retirement Ordinance, Section 4(d), directs the Retirement Board to semi-annually declare the rate of interest to be credited to accumulated Member contributions.

In accordance with Retirement Board Rule B-9, the annual rate of interest credited to Members' accumulated contributions as of June 30, 2025, will be the lesser of the actuarially assumed rate of return, or the five (5) year average rate of return on Retirement System investments for the period ending June 30, 2025. As of June 30, 2025, the actuarially assumed rate of return was 6.75%, and the five-year average rate of return was 9.7%.

Therefore, the attached resolution declares the annual interest rate of 6.75%. The rate credited to Member accounts will be prorated to a semi-annual rate of 3.375%. The interest will be credited effective December 31, 2025, based on the balance of Member accumulated contributions and interest as of June 30, 2025.

CC:ls

R.B. RESOLUTION NO. \_\_\_\_\_

DECLARING THE INTEREST RATE ON MEMBER CONTRIBUTIONS

Introduced by:

; Seconded by:

WHEREAS, section 4(d) of Ordinance, as amended, provides that the Retirement Board shall semi-annually declare the rate of interest for the preceding six (6) months to be credited on accumulated contributions of members, which rate shall be based upon criteria to be established by the Retirement Board; and

WHEREAS, the crediting rate will be the lesser of the actuarial assumed rate of six and seventy-five hundredths percent (6.75%) as of June 30, 2025, or the actual five (5) year earnings rate of the fund, determined to be Nine and seven-tenths percent (9.7%), for the period ending June 30, 2025;

NOW THEREFORE, BE IT RESOLVED that the Retirement Board does hereby declare a six and seventy-five hundred percent (6.75%) annual interest rate. The rate credited to member accounts effective December 31, 2025, will be three and three hundred seventy-five thousandths percent (3.375%) for the balance of employee contributions and interest as of June 30, 2025, in accordance with Rules B-8 and B-9 of the Retirement Board.

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Secretary

11/20/2025

**EAST BAY MUNICIPAL UTILITY DISTRICT**

---

DATE: November 20, 2025

MEMO TO: Members of the Retirement Board

FROM: Sophia D. Skoda, Director of Finance *SDS*

SUBJECT: CS McKee Investment Manager Market Education and Update

**SUMMARY**

The Retirement System's Core Fixed-Income manager CS McKee will give the Retirement Board an update on the fixed income market and the System's fixed-income portfolio that they manage. CS McKee has been one of the Retirement System's Core Fixed-Income managers since 2010. As of September 30, 2025, the fixed income portfolio CS McKee manages for the System is \$256.3 million or 8.64 percent of the total portfolio.

SDS:SGL

Attachment: Presentation – CS McKee Update

# East Bay Municipal Utility District



Aggregate Fixed Income  
September 30, 2025



CS McKee Fixed Income

## Presenters

**Brian S. Allen, CFA**  
*Chief Investment Officer*  
412-880-6082  
[ballen@csmkc.com](mailto:ballen@csmkc.com)

**Shane M. Nickolich, CFA**  
*Managing Director*  
412-880-6082  
[snickolich@csmkc.com](mailto:snickolich@csmkc.com)

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CS McKee

## Who We Are

**Our Purpose: To be a trusted financial partner and a responsible corporate citizen; aligning our foundational principles with those of our clients.**

**\$11.3  
BILLION**

ASSETS UNDER  
MANAGEMENT  
*as of 9/30/2025*

FOUNDED  
**1931**

HEADQUARTERS  
**PITTSBURGH, PA**

**46**  
EMPLOYEES

DIVERSE  
INSTITUTIONAL  
CLIENT BASE

EMPLOYEE  
OWNERSHIP

MORE THAN  
**325**  
ACCOUNTS  
NATIONWIDE

CS McKee

## Firm Overview

### CS McKee

#### Experience

Managing Institutional Client Portfolios since 1972  
28 Years Investment Employee Industry Average

#### Stability & Continuity

Employee Ownership  
Long-term incentive program

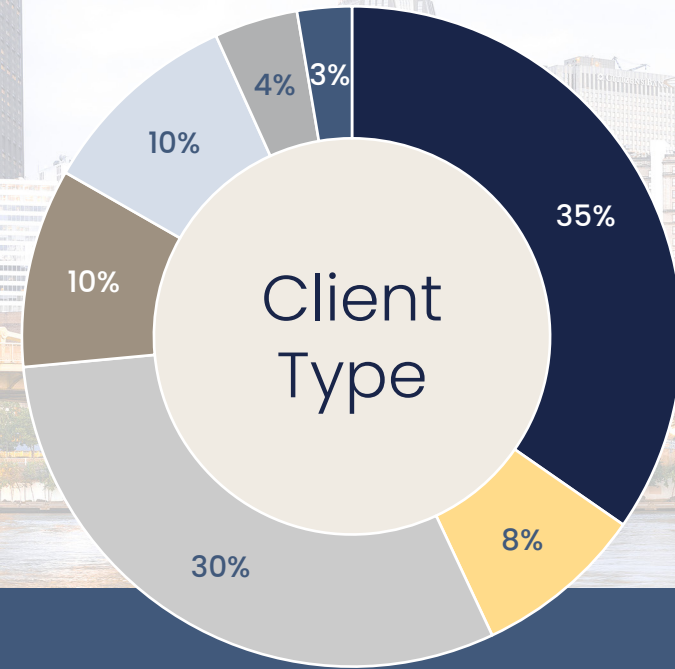
#### Experience

Performance-based compensation  
High employee community involvement

## Total Assets by Client Type

\$11.34 Billion

Fixed Income \$7.16 Billion  
Equity \$4.19 Billion



- Public
- Corporate
- Taft-Hartley
- Insurance
- Mutual Fund
- Other\*
- Endowment & Foundation

## Fixed Income Overview

### Portfolio Management Hallmarks

Team Approach Focused On:

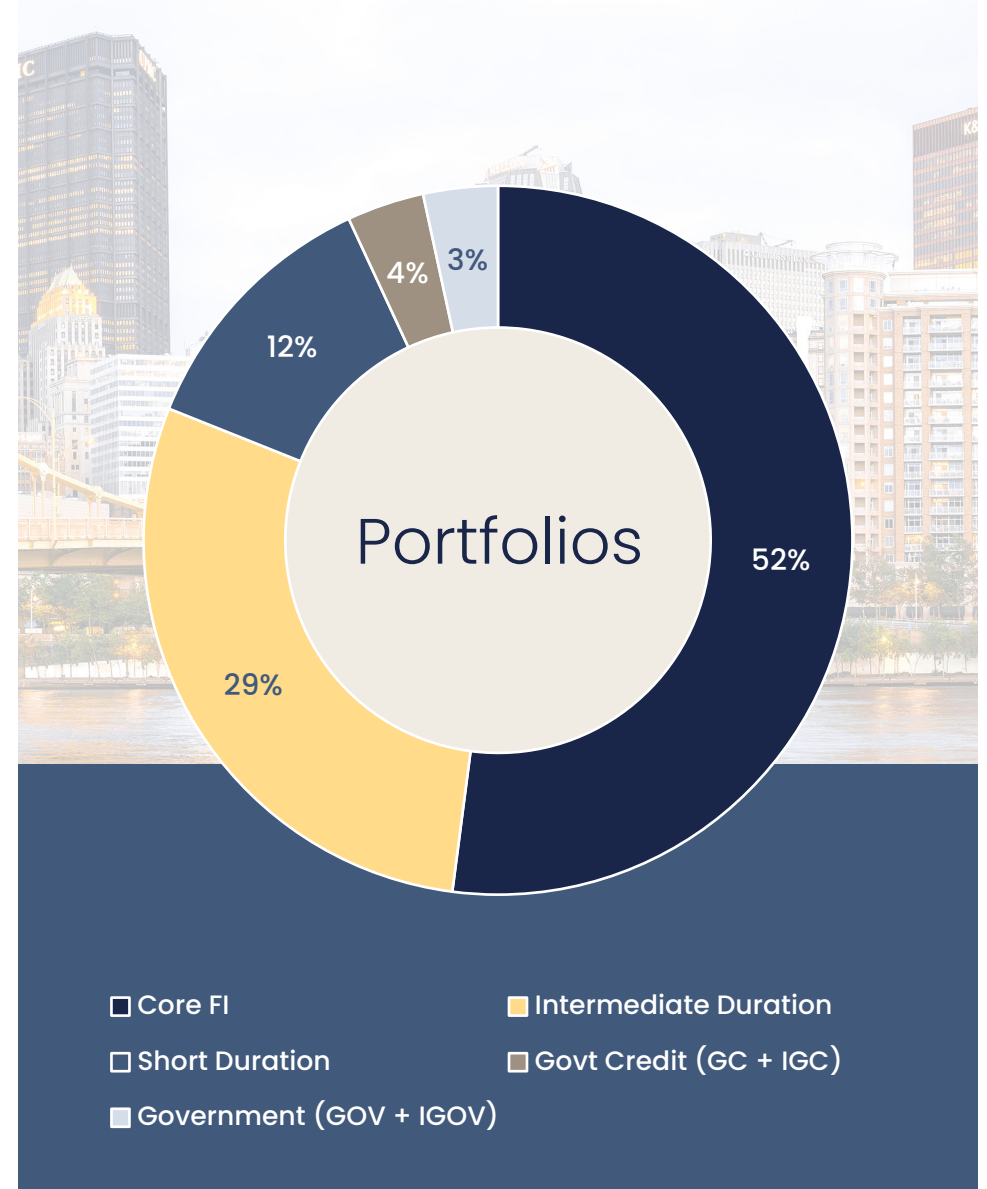
High Quality  
Liquidity  
Consistent benchmark outperformance  
Downside protection

Managed Using Same Process & Philosophy

Managed by the same team

## Total Fixed Income Assets by Portfolio

\$7.16 Billion





CS McKee

## Fixed Income Team

### Portfolio Management Team

**Brian S. Allen, CFA, CMT**  
**Chief Investment Officer**

39 Years Total Experience | 27 Years Firm Experience  
MBA | Wharton School, University of Pennsylvania  
BBA | James Madison University  
Sector Focus | Agency & Commercial MBS, ABS, TIPS

**Jack P. White, CFA**  
**Director, Fixed Income**

28 Years Total Experience | 28 Years Firm Experience  
MBA | Youngstown State University  
BSBA | Youngstown State University  
Sector Focus | US Government, US Agencies, Rates

**Bryan R. Johanson, CFA**  
**Senior Portfolio Manager**

39 Years Total Experience | 32 Years Firm Experience  
MBA | Indiana University  
BSBA | Bowling Green State University  
Sector Focus | Corporate Securities

**Zachary K. Hubert, CFA**  
**Portfolio Manager**

16 Years Total Experience | 16 Years Firm Experience  
BS | Duquesne University  
Sector Focus | Agency & Commercial MBS, ABS

**Laura A. Piskurich**  
**Financial Analyst**

9 Years Total Experience | 9 Years Firm Experience  
BA | Western Washington University  
Sector Focus | Portfolio Analysis

**26** YEARS

**31** YEARS

**26**

0% TURNOVER  
– SR PMs

AVERAGE INSTITUTIONAL  
EXPERIENCE

AVERAGE MCKEE  
TENURE

*Experience Summary refers to portfolio managers*

## Investment Philosophy

### Team Approach Focused On:



Delivering consistent benchmark outperformance, net of fees, with below market volatility



Adding value primarily through security selection, sector allocation and active risk management



Principal preservation/  
Low Downside Capture

High Quality and  
Liquidity are at  
the core of every  
portfolio



“Seeking bonds that **maximize performance** in the economic scenarios with **highest probabilities**”

# PORTFOLIO STRUCTURE

Portfolios are constructed using a combination of top-down and bottom-up analysis



### McKee US Government Strategy



Enhance Portfolio Yield Without Credit Risk



Superior Performance by Expanding Universe of US Government Security Types



Portfolio Diversification among Security Types and US Government Issuers to Reduce Risk



Active Sector Allocation and Security Selection

# Enhance Portfolio Yield without Credit Risk



# Government Sector Process

Utilize Entire Government Security Universe

## US Agencies

Discount Notes, Bullet Maturities,  
Mortgage Pass-throughs

- + Callable: (one-time, periodic, continuous calls)
- + Fixed Rate Step-Up Coupon
- + Floating Rate Notes
- + FDIC Insured, Brokered Certificates of Deposit
- + Collateralized Mortgage Obligations (CMOs)
- + Zero Coupon Agencies

## US Treasuries

Bills, Notes, Bonds

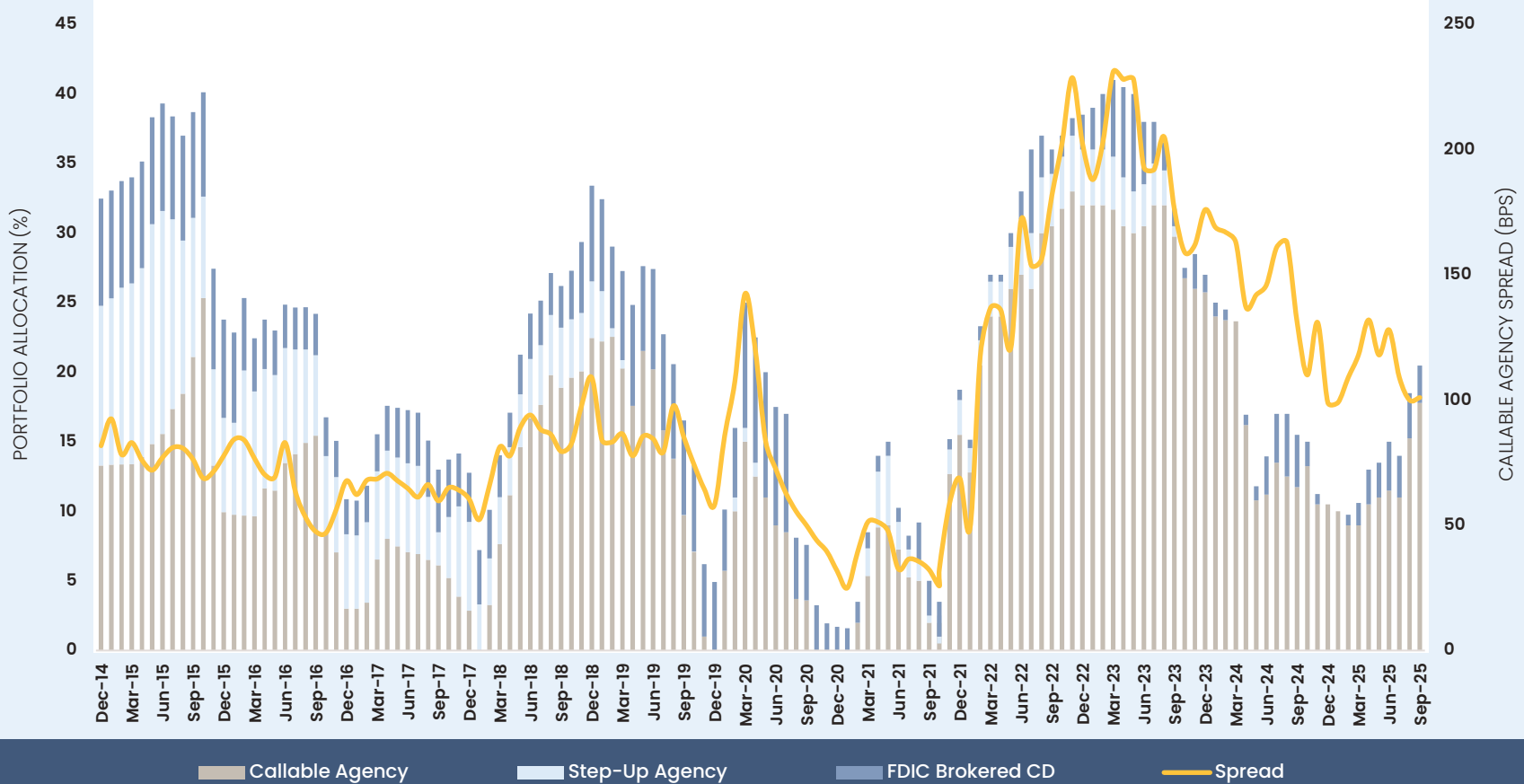
- + Floating Rate Securities
- + Tips – Treasury Inflation Protected Securities
- + US Treasury STRIPS

# Government Allocations

As of September 30, 2025

## Beyond The Benchmark: Opportunities in Agencies

Government Sector Allocations vs. Benchmark



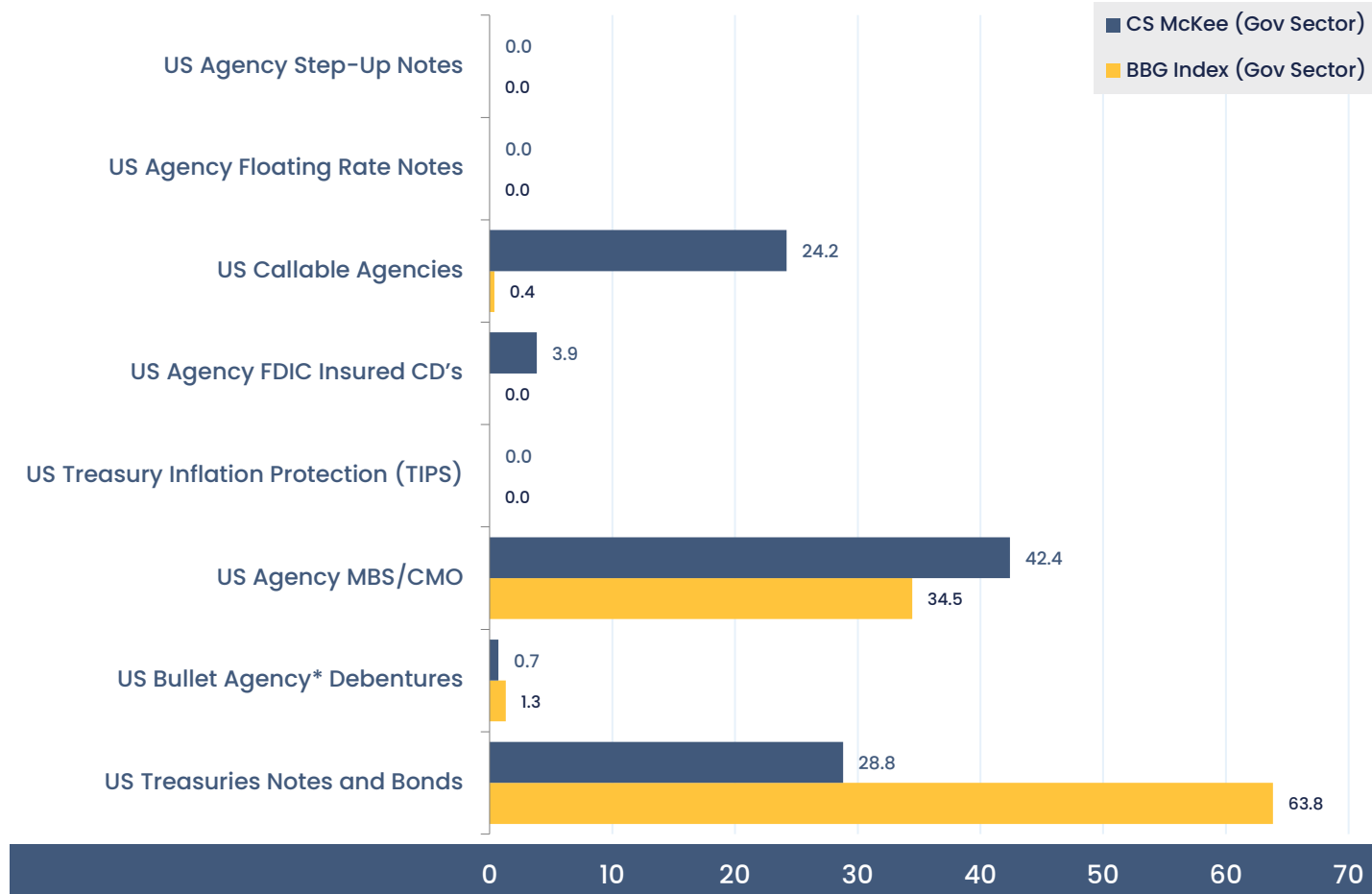
\*Agency issuers include: Fannie Mae, Freddie Mac, Federal Home Loan Banks, Federal Farm Credit Banks, FDIC-backed issuers, Tennessee Valley Authority, Private Import-Export (PEFCO), FICO, REFCO, NCGUAT

CS McKee Aggregate

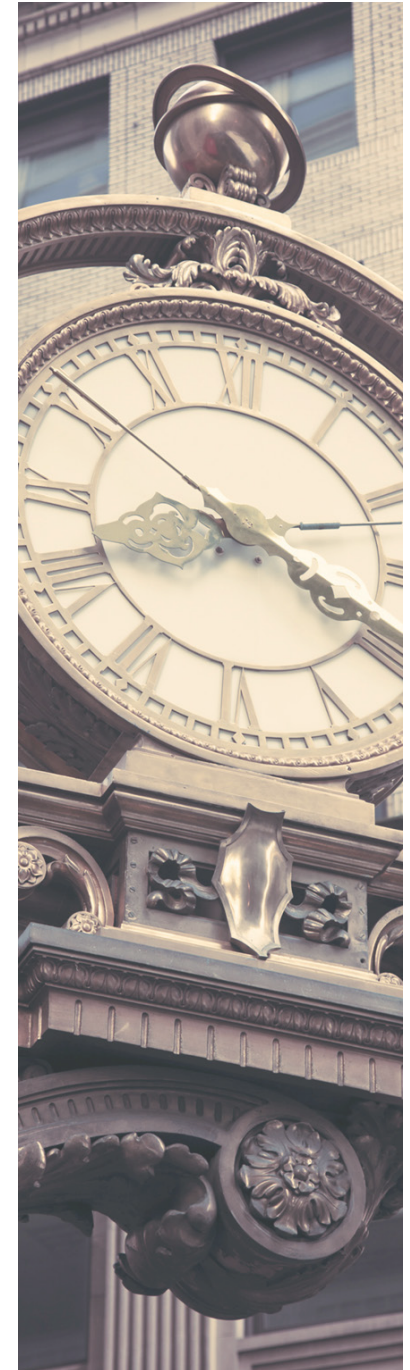
# Government Sector Allocation

As of September 30, 2025

## Government Sector Allocations vs. Benchmark



\*Agency issuers include: Fannie Mae, Freddie Mac, Federal Home Loan Banks, Federal Farm Credit Banks, FDIC-backed issuers, Tennessee Valley Authority, Private Import-Export (PEFCO), FICO, REFCO, NCGUAT



CS McKee Aggregate

## Credit Sector Process

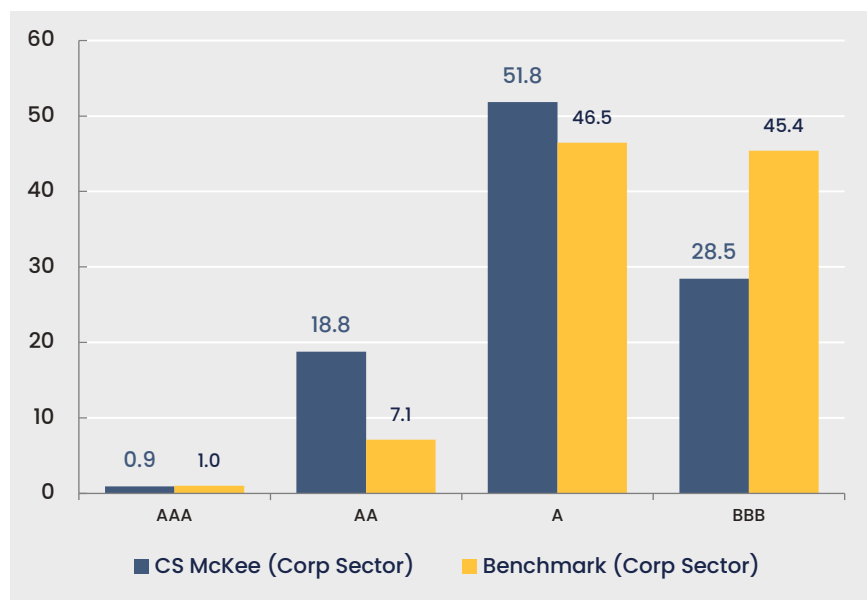
As of September 30, 2025

### Credit Sector Role

- Generate Consistent Risk-Adjusted Return
- Lower volatility than the Benchmark
- Relative Value Trading – act as Liquidity Provider
- Active Sector Allocation

### Quality

Consistently Overweight  
Higher Credit Quality Issuers



### Liquidity

95.61% of corporate holdings are Top 150 Issuers

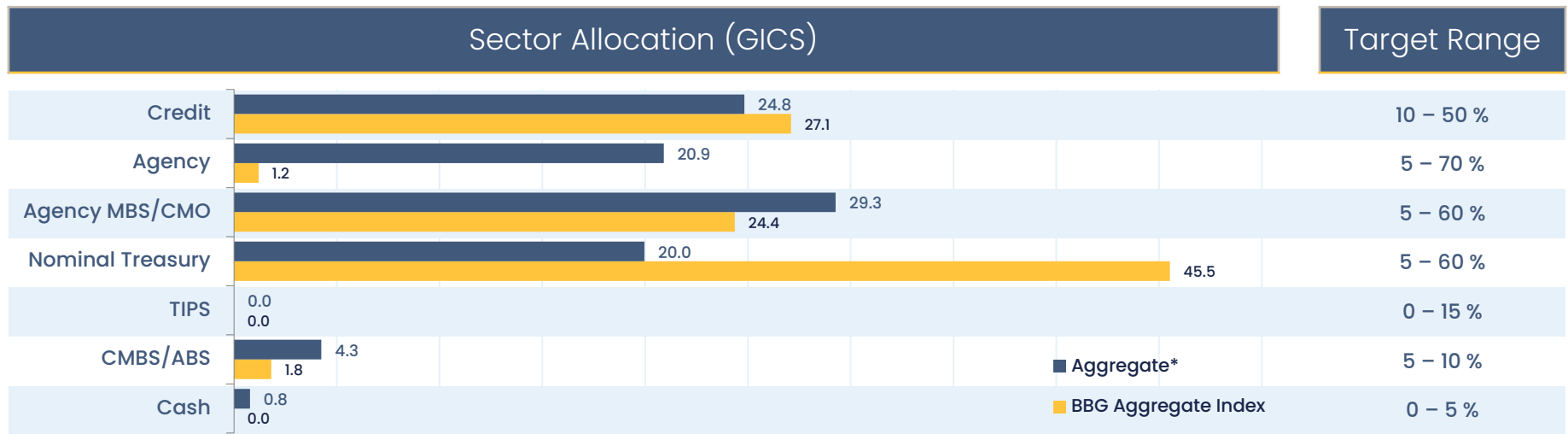
as of September 30, 2025

Top 10 Credit Overweights by Issuer	Relative Weight vs. Benchmark	Credit Rating
Berkshire Hathaway Inc	1.33	Aa2 / AA
Honda Motor Co Ltd	0.76	A3 / A-
Oracle Corp	0.72	Baa2 / BBB
Duke Energy Corp	0.66	Baa2 / BBB+
Dominion Energy Inc	0.52	Baa2 / BBB+
Bank of New York Mellon	0.50	Aa3 / A
Cigna Group/The	0.48	Baa1 / A-
JPMorgan Chase & Co	0.48	A1 / A
Honeywell International Inc	0.48	A2 / A *-
Broadcom Inc	0.47	A3 / A-

# CS McKee Aggregate Characteristics

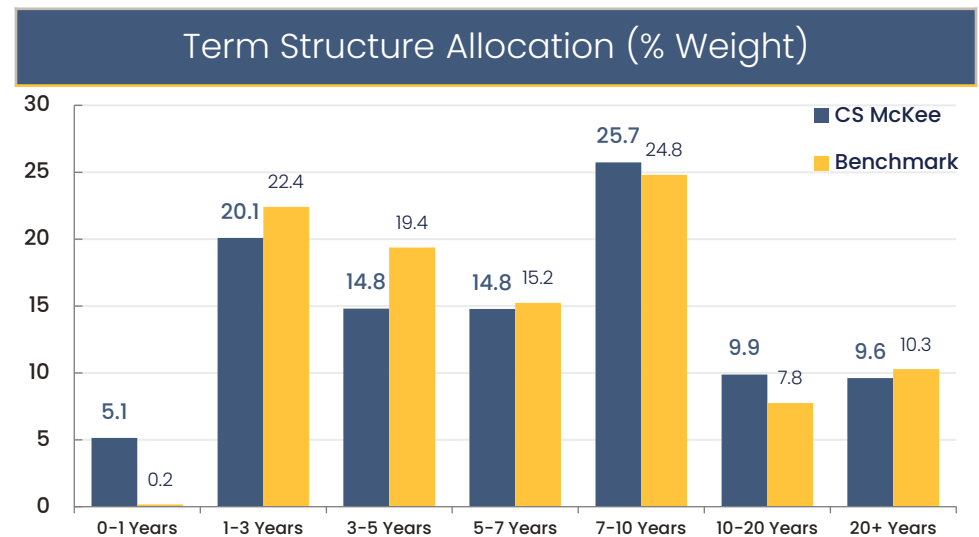
As of September 30, 2025

Typically, higher than benchmark yields, while maintaining high credit quality and liquidity



### Portfolio Characteristics

	CS McKee	Benchmark
Average Coupon	3.87	3.62
Yield to Maturity	4.62	4.38
Yield to Worst	4.62	4.38
Average Maturity	8.15	8.26
Effective Duration	5.85	5.88
Convexity	0.110	0.238
Option Adjusted Spread	42	41
Credit Quality	AA	AA



\* The Characteristics, Holdings, and Sector Diversification information presented is for illustrative purposes only. Actual holdings will vary depending on size of an account, cash flows within an account, and restrictions on an account. Portfolio holdings are subject to change daily. The mention of specific securities illustrates the application of our investment approach only and is not to be considered a recommendation by CS McKee. This information does not constitute a solicitation or an offer to buy or sell any securities. Source: BondEdge

## CS McKee Aggregate

# Performance

As of September 30, 2025

Outperformed benchmark in 18 of the last 20 years

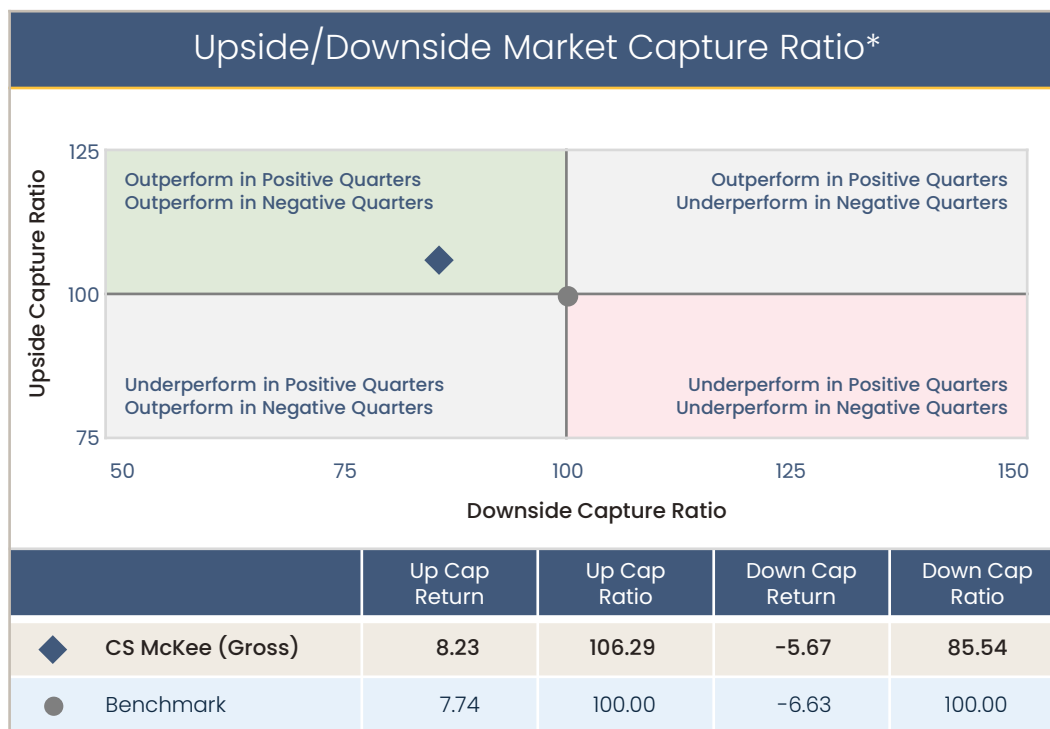
Calendar Year Returns													
	QTD	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Aggregate (Gross)	2.20	6.45	1.90	6.31	-12.41	-1.69	8.10	9.02	0.33	3.64	2.92	1.55	5.76
Aggregate (Net)	2.14	6.28	1.68	6.09	-12.58	-1.88	7.89	8.82	0.13	3.45	2.73	1.36	5.56
BBG Aggregate Index	2.03	6.13	1.25	5.53	-13.01	-1.54	7.51	8.72	0.01	3.54	2.65	0.55	5.98

Annualized Trailing Returns			
	3 Years	5 Years	10 Years
Aggregate (Gross)	5.61	0.01	2.26
Aggregate (Net)	5.39	-0.19	2.06
BBG Aggregate Index	4.93	-0.45	1.84

Annualized Sharpe Ratios**			
	3 Years	5 Years	10 Years
Aggregate (Gross)	0.15	-0.43	0.04
BBG Aggregate Index	0.04	-0.50	-0.04
Risk-Adjusted Value	0.11	0.07	0.08

\*Period: Q1 2001 - Q3 2025

\*\* Using Quarterly Returns, Risk-Free Rate: Citigroup 3-month T-Bill



CS McKee Aggregate

# Performance Attribution (Gross of Fees)

As of September 30, 2025

Performance Attribution (Gross of Fees)																			
	QTD	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
CSM Aggregate	2.20	6.45	1.90	6.31	-12.41	-1.69	8.10	9.02	0.33	3.64	2.92	1.55	5.76	-1.73	5.09	8.62	7.05	8.73	7.17
BBG Aggregate Index	2.03	6.13	1.25	5.53	-13.01	-1.54	7.51	8.72	0.01	3.54	2.65	0.55	5.97	-2.02	4.22	7.84	6.54	5.93	5.24
<b>Value-Added Return</b>	<b>0.17</b>	<b>0.32</b>	<b>0.65</b>	<b>0.78</b>	<b>0.60</b>	<b>-0.15</b>	<b>0.59</b>	<b>0.30</b>	<b>0.32</b>	<b>0.10</b>	<b>0.27</b>	<b>1.00</b>	<b>-0.21</b>	<b>0.29</b>	<b>0.87</b>	<b>0.78</b>	<b>0.51</b>	<b>2.80</b>	<b>1.93</b>
Relative Performance Breakdown																			
Duration Decision	0.02	0.03	-0.10	-0.04	0.03	-0.05	0.03	-0.09	0.07	-0.16	0.32	-0.10	-0.66	0.31	-0.36	-1.07	-0.08	-0.34	0.06
Yield Curve Decision	0.00	-0.03	-0.12	0.01	-0.06	-0.13	-0.12	-0.09	-0.02	-0.03	-0.07	-0.04	0.06	-0.07	-0.02	0.16	0.09	0.09	-0.26
Sector Allocation Decision	0.05	0.05	0.14	0.30	0.02	0.26	0.30	0.37	-0.10	0.30	0.69	-0.13	-0.01	-0.07	1.13	0.47	-0.66	4.37	0.31
US TIPS	0.00	0.00	0.00	0.01	0.02	0.11	0.01	0.06	0.03	0.01	0.14	-0.04	0.01	-0.12	0.29	0.36	-0.49	3.15	-1.49
US Agencies	0.02	0.03	0.04	0.11	0.07	0.00	-0.05	0.09	-0.03	0.08	0.08	0.03	0.13	-0.04	0.23	0.06	0.24	0.39	-0.22
US Agency MBS/CMO	0.05	0.05	0.05	0.08	0.17	0.09	-0.03	-0.06	0.08	-0.07	0.00	0.01	-0.10	-0.23	-0.16	0.17	-0.65	-1.66	1.02
Credit	-0.02	-0.02	0.05	0.09	-0.22	0.07	0.40	0.23	-0.18	0.22	0.42	-0.12	-0.08	0.30	0.42	-0.11	0.10	1.93	0.37
ABS	0.01	0.01	0.04	0.02	-0.03	0.00	0.01	0.02	0.01	0.04	0.02	0.00	0.00	-0.01	0.02	0.00	0.00	-0.08	0.14
CMBS	-0.01	-0.01	-0.03	-0.01	0.01	0.00	-0.04	0.03	-0.01	0.03	0.03	-0.01	0.04	0.02	0.34	-0.02	0.14	0.64	0.50
Security Selection Decision	0.10	0.26	0.74	0.52	0.63	-0.22	0.37	0.10	0.37	-0.01	-0.66	1.27	0.40	0.12	0.12	1.23	1.16	-1.32	1.82
US Agency	0.09	0.14	0.44	0.41	0.31	0.14	0.13	0.10	0.13	-0.03	-0.10	0.64	0.22	0.29	0.81	0.34	0.74	-0.42	0.17
US Agency MBS/CMO	-0.01	0.04	0.20	0.12	-0.02	-0.01	-0.01	0.01	0.01	0.01	0.01	0.01	0.00	-0.03	0.05	0.10	0.09	0.03	-0.29
Credit	0.02	0.08	0.09	-0.09	0.26	-0.37	0.20	-0.02	0.17	-0.02	-0.53	0.62	0.20	-0.11	-0.44	0.84	0.57	-0.46	1.25
ABS	-0.01	0.00	0.02	0.02	0.05	0.01	0.03	0.02	0.03	0.02	0.00	-0.01	-0.01	0.01	-0.01	-0.02	0.00	0.00	0.00
CMBS	0.00	0.00	0.02	0.06	0.03	0.01	0.02	0.00	0.02	0.01	-0.04	0.02	-0.02	-0.04	-0.29	-0.03	-0.24	-0.47	0.69
<b>Residual</b>	<b>0.00</b>	<b>0.02</b>	<b>0.00</b>	<b>0.00</b>	<b>-0.03</b>	<b>-0.01</b>	<b>0.01</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

\*Year-to-Date Performance

The above information is shown as supplemental information and complements the composite disclosure presentation. Please see full disclosure information at the end of this presentation.

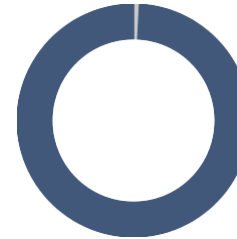
Account Statement - at 9/30/2025

92035

Portfolio Summary

	QTD 6/30/25 - 9/30/25	YTD 12/31/24 - 9/30/25
Beginning market value	\$250,913,500	\$220,815,729
Net additions and disbursements	-87,488	20,837,387
Investment income	2,140,506	5,882,908
Portfolio appreciation / depreciation	3,329,884	8,760,377
<b>Ending market value</b>	<b>\$256,296,401</b>	<b>\$256,296,401</b>

Allocation



- Fixed Income
- Cash

Actual

Actual	Target	Diff
<b>99.3%</b>	100.0%	(-0.7%)
<b>0.7%</b>	0.0%	+0.7%

Performance

(5/20/2010)\*

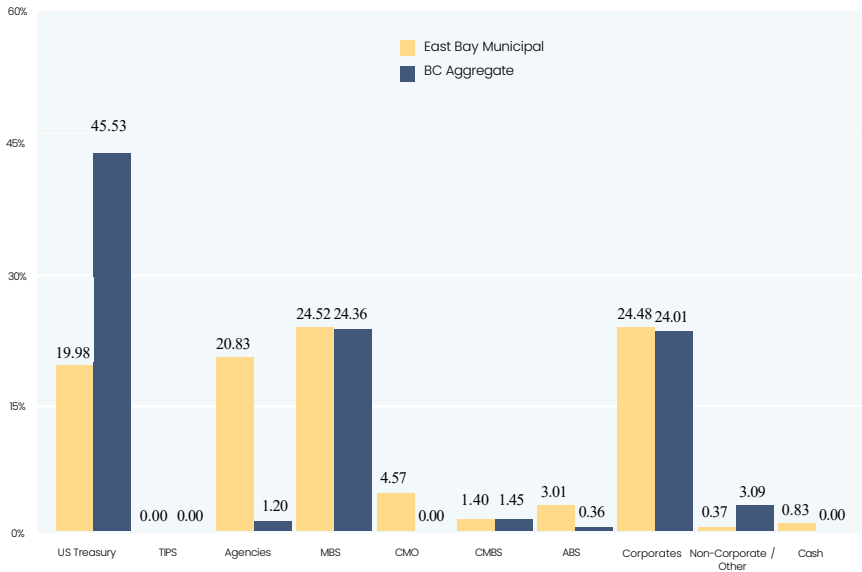
	YTD	1 yr	3 yr	5 yr	7 yr	10 yr	ITD
<b>Fixed Income</b>	<b>6.44%</b>	<b>3.13%</b>	<b>5.67%</b>	<b>0.02%</b>	<b>2.52%</b>	<b>2.32%</b>	<b>2.91%</b>
BC Aggregate	6.13%	2.88%	4.93%	-0.45%	2.06%	1.84%	2.46%

## Fixed Income Portfolio Characteristics - at 9/30/2025

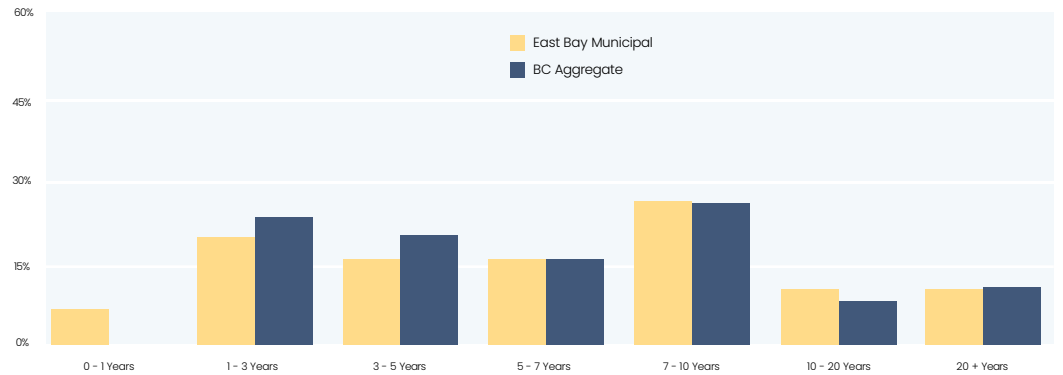
Benchmark Comparisons	East Bay Municipal	BC Aggregate	Variance
Effective Duration	5.81 yrs.	5.88 yrs.	-0.07 yrs.
Average Convexity	0.12	0.24	-0.12
Average Maturity	8.13 yrs.	8.26 yrs.	-0.13 yrs.
Yield to Maturity	4.61 %	4.38 %	0.23 %
Average Coupon	3.88 %	3.62 %	0.26 %
Average Quality	AA	AA	N/A

Top 10 Largest Holdings	Coupon	Maturity	Sector	% of Portfolio
UNITED STATES TREAS	3.625	08/31/2030	US Treasuries	2.52
UNITED STATES TREAS	4.125	07/31/2031	US Treasuries	2.00
UNITED STATES TREAS	3.125	05/15/2048	US Treasuries	2.00
UNITED STATES TREAS	3.750	12/31/2028	US Treasuries	2.00
UNITED STATES TREAS	4.750	11/15/2043	US Treasuries	1.54
UNITED STATES TREAS	4.875	08/15/2045	US Treasuries	1.51
UNITED STATES TREAS	4.750	05/15/2055	US Treasuries	1.49
UNITED STATES TREAS	3.875	08/31/2032	US Treasuries	1.44
INTERNATIONAL BK FOR	4.625	07/18/2028	Government R	1.44
FEDERAL FARM CR BKS	5.110	07/15/2032	Government R	1.39

### Sector Allocation



### Term Structure



## Why Us

### Team Approach Focused On:



Active and Nimble



Government focus – normally overlooked



Low correlation with other fixed income managers

# Why CS McKee?

Portfolio team longevity and experience

Quality and liquidity

Consistent performance with downside protection



# APPENDIX

# Risk Control Guidelines

As of September 30, 2025

## Portfolio Level

### Duration/Yield Curve

- Duration constraints of 80%-120% of benchmark levels (but are typically within 95%-105%).
- Long/short the curve by +/-15%

### Volatility Exposure

Negative convexity limit of benchmark – 0.75 years

### Quality/Liquidity

- Average quality of Aa3/AA- or better
- Liquidity equal or better than the benchmark, as measured by weighted average bid/ask spread

## Sector Level

Benchmark–relative weighting limitations  
(versus Bloomberg Index)

	CS McKee	Index
Credit	10 – 50 %	27.10
Agency	5 – 70 %	1.20
Agency MBS/CMO	5 – 60 %	24.36
Nominal Treasury	5 – 60 %	45.53
TIPS	0 – 15 %	0.00
Securitized: Non-Agency	0 – 10 %	1.81

Structured agency product allocation limited to 25% of portfolio.

## Security Level

### Quality

Investment Grade by a nationally recognized rating agency (“AA” or better for structured product)

### Liquidity

#### Corporate

Absolute issue size minimum of \$100 million, though holdings are typically \$500 million or more. No private placements (excluding 144A) allowed.

#### Mortgage

Tranche size minimum of \$25 million, holdings limitation of 10% of a tranche.

#### Agency

\$10 million minimum deal size, though typical holdings are \$100 million and above.

## Diversification

Maximum holding per non-government issuer:

AAA-rated	5%
AA-rated	4%
A-rated	3%
BBB-rated	3%

Typical credit holdings are 0.35% to 0.75% of the portfolio.

70% of the portfolio trades with less than 3/8 point bid/ask spread.

Over 80% of corporate holdings are top 150 issuers.

# Government Universe Detail\*

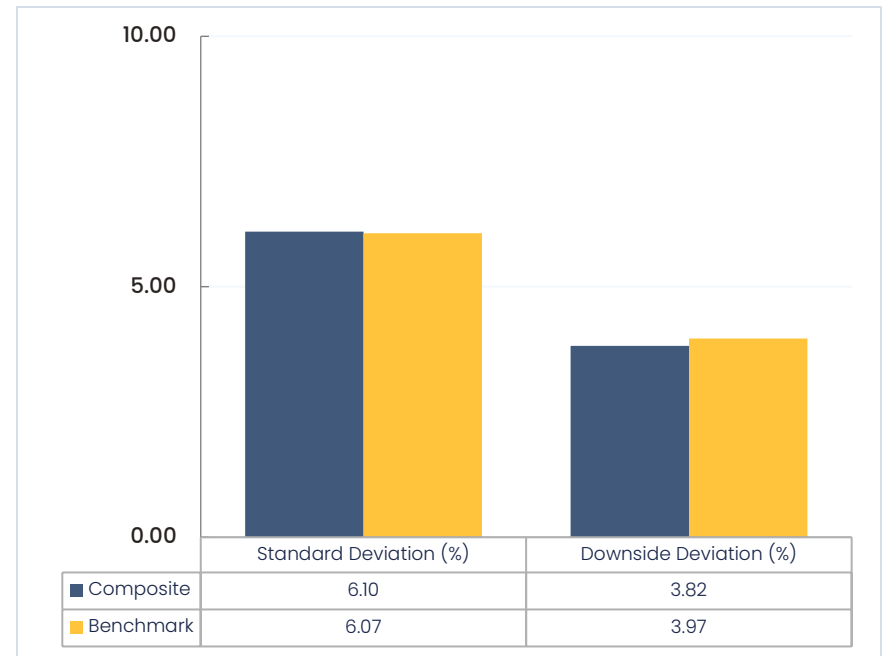
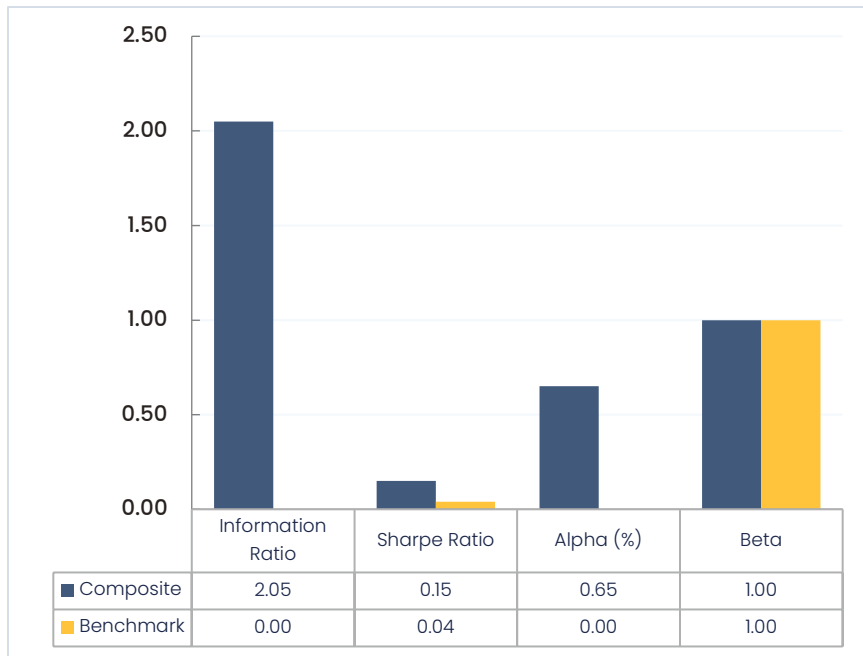
## Appendix

	Security Type	Preferred Security Types in Various Market Environments
<p>LOW RISK</p> <p>↑</p> <p>↓</p> <p>HIGH RISK</p>	<b>US Treasury Notes/Bonds</b>	Lack of other alternatives, liquidity, temporary holdings
	<b>US Bullet Agencies</b>	Lack of other alternatives, max liquidity, situational
	<b>Zero Coupon Treasuries</b>	Maximum flight to safety provides spread widening in these issues despite US backing (2008)
	<b>Zero Coupon Agency</b>	Maximum flight to safety spread widening
	<b>Agency Subordinated Debt</b>	Spread widening in banks that drags these securities along, despite guarantee
	<b>FDIC Brokered CDs</b>	1) Spread widening in banks that drags these securities along 2) Tends to lag tightening of other sections in spread rally—gives opportunity to buy (2012)
	<b>Floating Rate Agencies</b>	Steep yield curve, cash alternative with a lottery ticket
	<b>1-Time Callable Agencies</b>	When markets have driven the securities to either extreme 1) Premiums assured of a call date (2012-13) or 2) Discounts with high probability of not getting called (spreads tighten until it is a bullet) 2006-06
	<b>US Agency MBS/CMO</b>	1) After significant short-term widening of the sector provides a trading opportunity (2008) or 2) On an OAS basis become attractive to other callables
	<b>Step-Up Callables</b>	When market volatility is off peak and coming back down, looking for a more defensive way to pick up yield in the callable space
	<b>US TIPS</b>	When breakeven spreads narrow to attractive levels, around auctions and seasonally
	<b>Agency – Periodic Calls</b>	When market volatility is on the rise and callable spreads are widening but rates at a lower relative level
<b>Agency – Continuous Calls</b>	When market volatility is high and looking for maximum coupon (without adding additional features)	

\* Areas of the Government universe that we commonly exploit

# Composite Statistics (3yr)

As of September 30, 2025



Additional Statistics							
	Batting Average	Upside Capture	Downside Capture	R-Squared	Sortino Ratio	Treynor Ratio	Tracking Error
<b>Aggregate (Gross)</b>	<b>0.83</b>	<b>105.00</b>	<b>89.38</b>	<b>1.00</b>	<b>0.24</b>	<b>0.93</b>	<b>0.33</b>
BBG Aggregate Index	---	100.00	100.00	1.00	0.06	0.25	---

Composite performance is shown gross of fees, on a quarterly basis, and assumes the reinvestment of dividends and capital gains.

Source: eVestment



CS McKee

## General Firm Disclosure

Disclosure

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CS McKee is an independent registered investment adviser specializing in institutional and retail investment management. Registration does not imply a certain level of skill or training. On April 25, 2025, CS McKee acquired the assets of Foundry Partners LLC. Historical Foundry performance has been retained for all Foundry strategies that were adopted by CS McKee. A list of composite descriptions and broad distribution pooled funds are available upon request.

The securities or positions shown or discussed do not represent a complete listing of portfolio holdings. Actual holdings will vary based on account size, client-imposed restrictions, cash flows, and other factors. There is no assurance that any securities discussed remain in the portfolio or that securities sold have not been repurchased. It should not be assumed that past decisions were or will be profitable. A complete list of holdings is available upon request.

Performance is presented in U.S. dollars and reflects total returns. “Gross” returns are shown before deduction of investment management fees, while “Net” returns reflect the deduction of actual investment management fees charged to client accounts included in the composite, which may vary. For illustrative purposes only, a \$100 million account paying a 0.50% annual management fee and earning a 10% gross return compounded over 10 years would result in an approximate 9.5% net return. This example is hypothetical and not representative of actual client performance or fee arrangements. Fees are detailed in Part 2A of CS McKee’s Form ADV. Past performance does not guarantee future results. Investing involves risk, including the potential loss of principal.

Information shown is as of the date indicated. All data, including top holdings and characteristics, is subject to change without notice. Holdings shown are for illustrative purposes only and are not a recommendation to buy or sell any security. Holdings and characteristics may differ between client accounts managed under the same strategy. CS McKee does not guarantee the accuracy of third-party data.

Benchmark returns are shown for comparison and reflect reinvested dividends. Benchmarks are unmanaged, not investable, and do not incur fees or expenses. Strategy differences—such as risk, holdings, or asset mix—may materially affect results. Benchmark data is from sources believed reliable, but accuracy is not guaranteed.


CS McKee claims compliance with the Global Investment Performance Standards (GIPS®). Composite characteristics, including the number of accounts, assets under management, and dispersion measures, are provided in the GIPS® Composite Report. Please refer to the report for additional important information or to view a list of composite descriptions by visiting: [www.csmckee.com/gips](http://www.csmckee.com/gips)

## EAST BAY MUNICIPAL UTILITY DISTRICT

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DATE: November 20, 2025

MEMO TO: Members of the Retirement Board

FROM: Sophia D. Skoda, Director of Finance 

SUBJECT: Meketa Performance and Economic Review

### SUMMARY

Under section III, part D of the Retirement System's Statement of Investment Policy and Procedures (the Investment Policy), the Retirement System's investment consultant is required to present quarterly performance reports to the Retirement Board. The attached report from the Retirement System's investment consultant, Meketa, provides information on portfolio performance through September 30, 2025.

### DISCUSSION

The Retirement System's portfolio had a market value of \$2.99 billion as of September 30, 2025 – up \$180 million from the end of the second quarter of 2025. The portfolio return was 5.9 percent for the quarter. Over a one-year period, the portfolio return was 12.9 percent, above the total plan benchmark return of 12.4 percent. The portfolio return remains above the plan benchmark by 0.5 percent over a 10-year period.

SDS:SGL

Attachment: Performance Report



# East Bay Municipal Utility District Employees' Retirement System

November 20, 2025

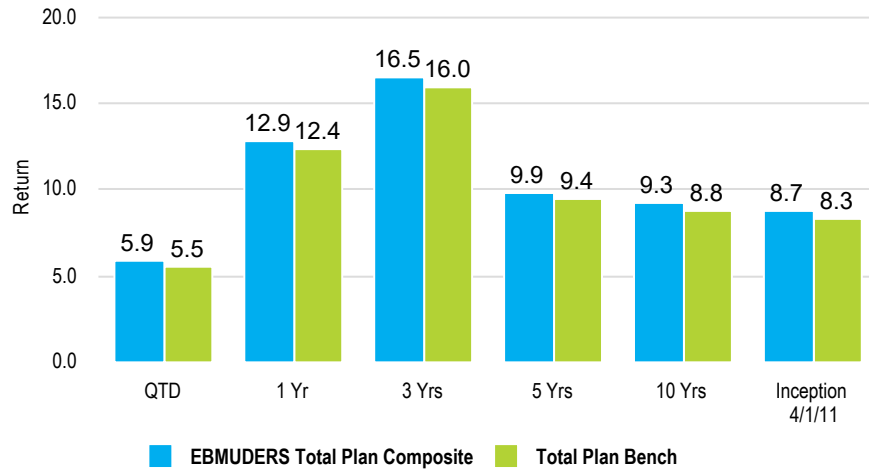
Q3 2025 Performance Report

- 1. Introduction**
- 2. Economic and Market Update as of September 30, 2025**
- 3. Third Quarter Performance Review**
- 4. Manager Watch Screens**
- 5. Manager Compliance Certification Responses**
- 6. Appendix**

# Introduction

### EBMUDERS Total Plan Composite | As of September 30, 2025

#### Return Summary



#### Summary of Cash Flows

	QTD	1 Yr
<b>EBMUDERS Total Plan Composite</b>		
Beginning Market Value	\$2,809,002,535	\$2,656,881,374
Net Cash Flow	\$13,736,522	-\$8,178,571
Net Investment Change	\$166,393,071	\$340,429,325
Ending Market Value	\$2,989,132,128	\$2,989,132,128

	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	20 Yrs (%)
<b>EBMUDERS Total Plan Composite - Net</b>	<b>5.9</b>	<b>12.9</b>	<b>16.5</b>	<b>9.9</b>	<b>9.3</b>	<b>--</b>
<b>EBMUDERS Total Plan Composite - Gross</b>	<b>5.9</b>	<b>13.0</b>	<b>16.6</b>	<b>10.0</b>	<b>9.5</b>	<b>7.6</b>
<i>Total Plan Bench</i>	<i>5.5</i>	<i>12.4</i>	<i>16.0</i>	<i>9.4</i>	<i>8.8</i>	<i>7.2</i>
InvMetrics Public DB > \$1B Median	4.3	10.2	12.8	9.0	8.5	7.1

Historical net returns for the Total Portfolio Aggregate are currently available from 2Q 2011.

## EBMUDERS | As of September 30, 2025

	Market Value (\$)	% of Portfolio	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>EBMUDERS Total Plan Composite</b>	<b>2,989,132,128</b>	<b>100.0</b>	<b>5.9</b>	<b>14.1</b>	<b>12.9</b>	<b>16.5</b>	<b>9.9</b>	<b>9.3</b>	<b>8.7</b>	<b>Apr-11</b>
<i>Total Plan Bench</i>			<i>5.5</i>	<i>13.2</i>	<i>12.4</i>	<i>16.0</i>	<i>9.4</i>	<i>8.8</i>	<i>8.3</i>	
<b>US Equity</b>	<b>1,147,330,691</b>	<b>38.4</b>	<b>8.2</b>	<b>14.3</b>	<b>17.3</b>	<b>24.1</b>	<b>15.7</b>	<b>14.7</b>	<b>13.4</b>	<b>Apr-11</b>
<i>Russell 3000 Hybrid</i>			<i>8.2</i>	<i>14.4</i>	<i>17.4</i>	<i>24.1</i>	<i>15.7</i>	<i>14.7</i>	<i>13.4</i>	
<b>Non-US Equity Composite</b>	<b>770,369,579</b>	<b>25.8</b>	<b>7.0</b>	<b>26.5</b>	<b>17.0</b>	<b>21.2</b>	<b>10.7</b>	<b>7.9</b>	<b>6.8</b>	<b>Jul-95</b>
<i>MSCI ACWI xUS (blend)</i>			<i>7.0</i>	<i>26.6</i>	<i>17.1</i>	<i>21.3</i>	<i>10.8</i>	<i>8.8</i>	<i>6.1</i>	
<b>Covered Calls</b>	<b>216,238,051</b>	<b>7.2</b>	<b>6.2</b>	<b>9.6</b>	<b>12.8</b>	<b>17.4</b>	<b>11.6</b>	<b>9.9</b>	<b>9.8</b>	<b>Feb-14</b>
<i>Cboe S&amp;P 500 Buy Write Index</i>			<i>3.5</i>	<i>2.2</i>	<i>8.1</i>	<i>13.6</i>	<i>9.5</i>	<i>7.1</i>	<i>6.8</i>	
<b>Core Private Real Estate</b>	<b>53,424,845</b>	<b>1.8</b>	<b>0.2</b>	<b>2.3</b>	<b>1.7</b>	<b>2.7</b>	<b>7.0</b>	<b>6.7</b>	<b>5.7</b>	<b>Jan-07</b>
<i>Real Estate Composite Benchmark</i>			<i>1.2</i>	<i>3.4</i>	<i>4.2</i>	<i>5.2</i>	<i>7.6</i>	<i>6.7</i>	<i>6.8</i>	
<b>Fixed Income Composite</b>	<b>781,943,834</b>	<b>26.2</b>	<b>2.1</b>	<b>6.2</b>	<b>3.1</b>	<b>5.6</b>	<b>1.1</b>	<b>2.6</b>	<b>2.9</b>	<b>Apr-11</b>
<i>Fixed Income Composite Bench</i>			<i>2.0</i>	<i>6.1</i>	<i>3.8</i>	<i>5.6</i>	<i>1.1</i>	<i>2.6</i>	<i>2.9</i>	
<b>Cash Composite</b>	<b>19,825,127</b>	<b>0.7</b>	<b>1.1</b>	<b>3.3</b>	<b>4.6</b>	<b>4.5</b>	<b>2.9</b>	<b>2.2</b>	<b>1.5</b>	<b>Aug-10</b>
<i>FTSE 3 Month T-Bill</i>			<i>1.1</i>	<i>3.3</i>	<i>4.6</i>	<i>5.0</i>	<i>3.1</i>	<i>2.1</i>	<i>1.4</i>	

# **Economic and Market Update**

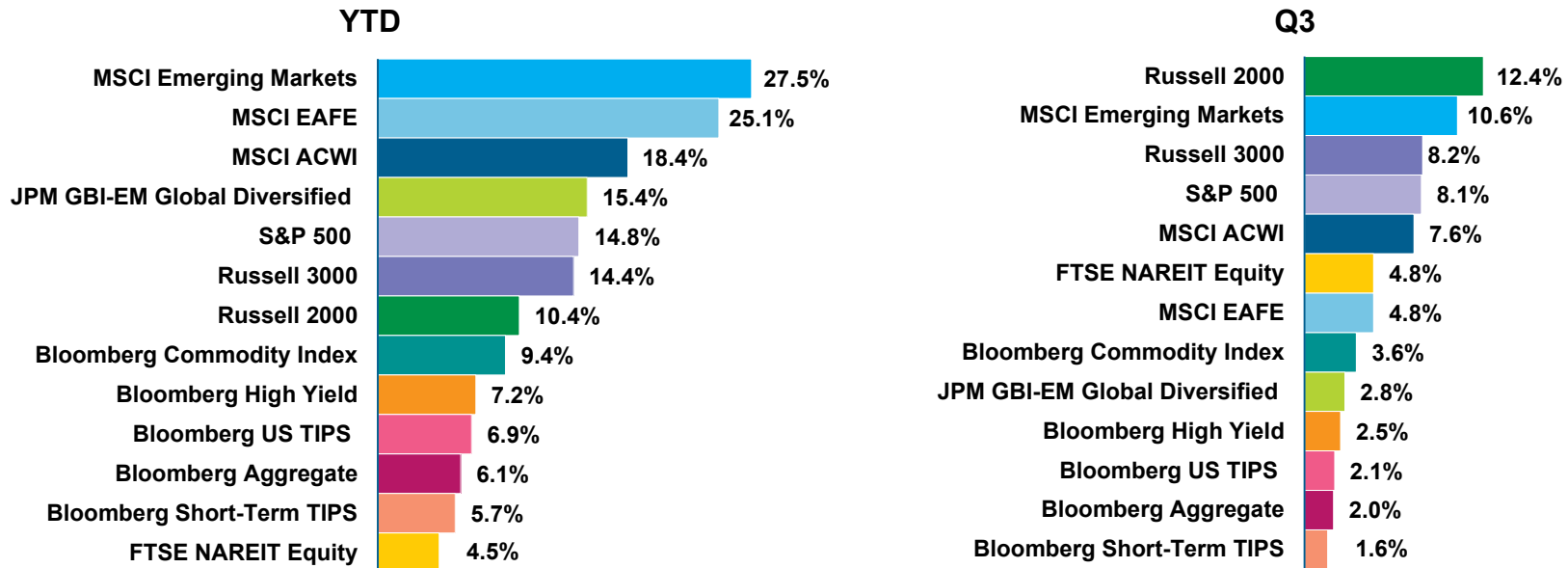
## Data as of September 30, 2025

### Commentary

**In the third quarter, most stock and bond markets delivered positive returns, benefiting from renewed interest rate cuts from the Federal Reserve, continued strong artificial intelligence demand and investment, and overall solid corporate earnings.**

- US stocks enjoyed a broad rally in the third quarter with the Russell 3000 gaining 8.2%. Large cap stocks trailed small cap stocks in a reversal of the prior trend with mixed results across market capitalizations for growth and value.
- Non-US developed market stocks lagged US stocks in the third quarter (MSCI EAFE +4.8%) with value outperforming growth.
- Emerging market stocks beat developed market stocks in the third quarter with the MSCI emerging market index gaining +10.6% and up a leading 27.5% year-to-date; Chinese stocks drove the emerging market index higher with the MSCI China index returning 20.7% in the quarter and 41.6% year-to-date.
- In general, bond markets performed well in the third quarter supported by softer labor data and largely dovish central banks, with high yield bonds and long-dated Treasuries both returning 2.5% for the quarter, slightly outperforming the broad US bond market (+2.0%) and TIPS (+2.1%).
- Chair Powell's comments from Jackson Hole buoyed market expectations for more rate cuts this year. In addition to continued public pressure on Chair Powell, the Administration also signaled that it would investigate Federal Open Market Committee (FOMC) member Lisa Cook adding to market concerns about future Fed independence.
- Key questions going forward include how the Fed will manage interest rates given competing pressures on its dual mandate of inflation and employment, will tariff pressures eventually show up in inflation, can earnings growth remain resilient in the US, will the recent rotation into small cap stocks continue, and how will China's economy and relations with the US track.

### Index Returns<sup>1</sup>



- There were broad gains across asset classes in the third quarter given the Fed's rate cut in September with more expected, resilient corporate earnings, and ongoing AI enthusiasm. Small cap US stocks led the way particularly benefiting from lower rate expectations as well as a resilient US economy and lower valuations relative to large cap technology companies.
- For the year-to-date through September, international markets experienced the best results with +40% gains in China helping emerging market stocks and a weakening US dollar particularly benefiting developed international stocks (MSCI EAFE).

<sup>1</sup> Source: Bloomberg. Data is as of September 30, 2025.

## Domestic Equity Returns<sup>1</sup>

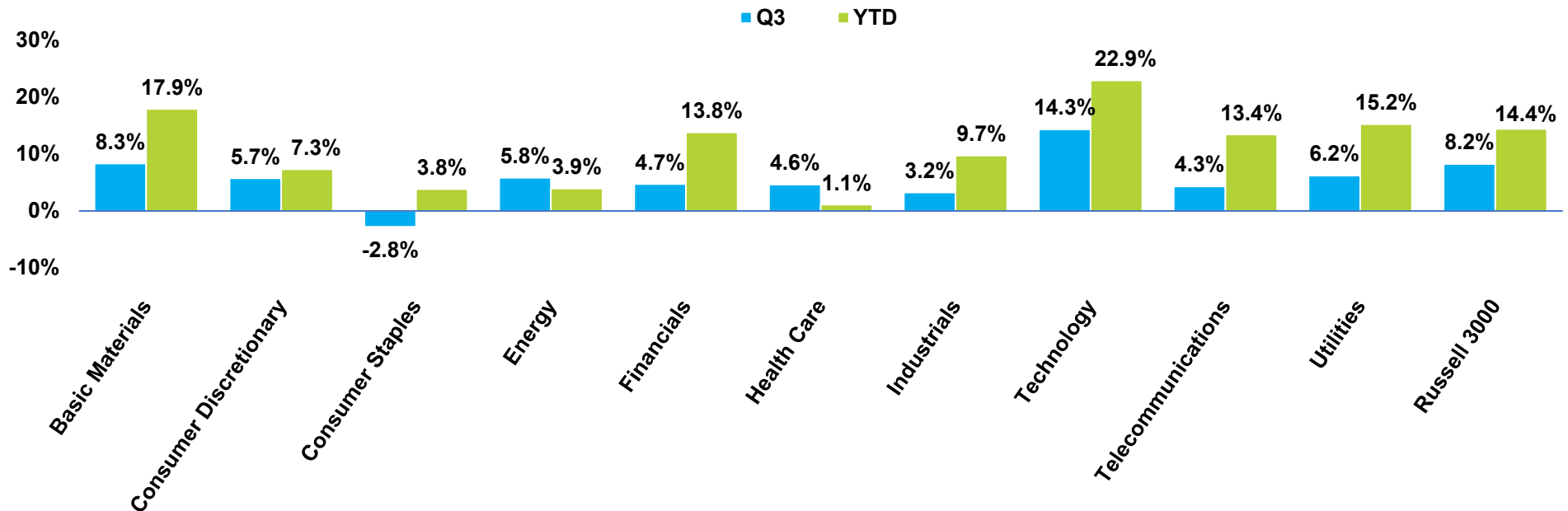
Domestic Equity	September (%)	Q3 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
S&P 500	3.6	8.1	14.8	17.6	24.9	16.4	15.3
Russell 3000	3.5	8.2	14.4	17.4	24.1	15.7	14.7
Russell 1000	3.5	8.0	14.6	17.7	24.6	16.0	15.0
Russell 1000 Growth	5.3	10.5	17.2	25.5	31.6	17.6	18.8
Russell 1000 Value	1.5	5.3	11.7	9.4	16.9	13.9	10.7
Russell MidCap	0.9	5.3	10.4	11.1	17.7	12.6	11.4
Russell MidCap Growth	-0.3	2.8	12.8	22.0	22.8	11.2	13.4
Russell MidCap Value	1.3	6.2	9.5	7.6	15.5	13.6	10.0
Russell 2000	3.1	12.4	10.4	10.8	15.2	11.5	9.8
Russell 2000 Growth	4.2	12.2	11.7	13.6	16.7	8.4	9.9
Russell 2000 Value	2.0	12.6	9.0	7.9	13.5	14.6	9.2

### US Equities: The Russell 3000 index returned 8.2% in the third quarter and 14.4% year-to-date.

- US stocks increased sharply during the third quarter as the Federal Reserve lowered interest rates, corporate earnings largely came in above expectations, and economic growth surprised to the upside. The enthusiasm surrounding AI helped push the indices higher, as well.
- Small cap stocks, represented by the Russell 2000 Index, outperformed both mid and large cap stocks during the quarter. The small cap index's higher weighting to biopharma stocks contributed to the outperformance as well as the overall strength of the economy and expectations for lower rates given their generally higher leverage.
- Value stocks outperformed growth stocks during the quarter (except in the large cap space). The outperformance of large technology and consumer discretionary stocks drove this dynamic.

<sup>1</sup> Source: Bloomberg. Data is as of September 30, 2025.

### Russell 3000 Sector Returns<sup>1</sup>



- During the third quarter, technology stocks led all sectors, with Apple and NVIDIA being the largest contributors in the Russell 3000 Index, as AI enthusiasm continued.
- The traditionally defensive consumer staples sector was the only area to decline in the risk-on environment of the third quarter. Many of these companies, like Philip Morris, Costco, and Coca-Cola, continue to be challenged by tariffs and consumers' changing preferences given higher expected prices.
- For the year through September, all sectors posted gains with technology, again, leading the way and defensive sectors, like healthcare and consumer staples, producing the smallest gains.

<sup>1</sup> Source: Bloomberg. Data is as of September 30, 2025.

### Foreign Equity Returns<sup>1</sup>

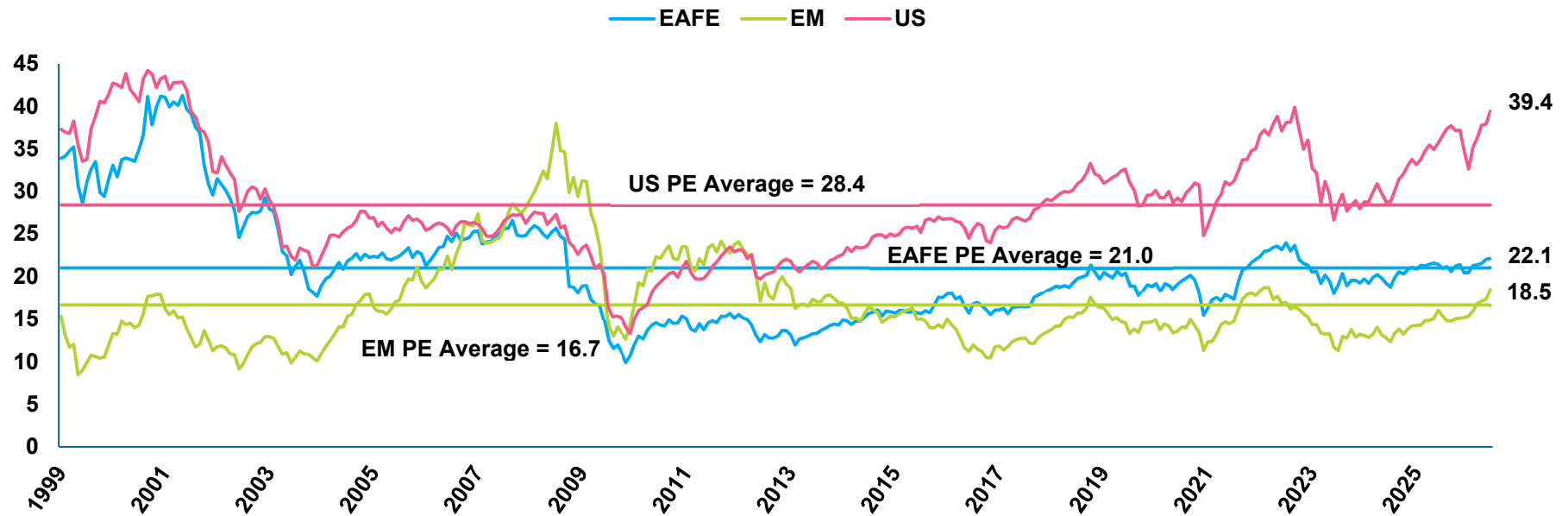
Foreign Equity	September (%)	Q3 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
MSCI ACWI Ex US	3.6	6.9	26.0	16.4	20.7	10.2	8.2
MSCI EAFE	1.9	4.8	25.1	15.0	21.7	11.1	8.2
MSCI EAFE (Local Currency)	1.8	5.4	13.6	12.9	16.9	12.5	8.6
MSCI EAFE Small Cap	1.6	6.2	28.4	17.7	19.6	8.5	7.9
MSCI Emerging Markets	7.2	10.6	27.5	17.3	18.2	7.0	8.0
MSCI Emerging Markets (Local Currency)	7.1	12.2	24.3	18.8	18.1	8.6	9.1
MSCI EM ex China	6.0	6.6	22.1	12.2	17.9	11.1	8.8
MSCI China	9.8	20.7	41.6	30.8	19.4	0.4	6.8

**Foreign Equity: Developed international equities (MSCI EAFE) returned 6.9% in the third quarter and 26.0% year-to-date, and the emerging markets index rose 10.6% in the third quarter and 27.5% year-to-date.**

- Developed markets posted solid gains in the third quarter, driven by easing monetary policy, strong corporate earnings, and AI-related enthusiasm. Eurozone equities, while positive, were the laggards of the quarter, with losses in Germany and political instability in France somewhat balanced by strong performance by financials and stable inflation. The UK saw solid performance supported by strong bank earnings and resilient consumer demand despite rising debt. Japan was a top performer, benefiting from a weaker yen, strong tech exports, and favorable political shifts.
- Emerging markets outperformed developed peers in the third quarter, aided by easing trade tensions and strong tech performance. China led the way with a significant 20.7% return for the quarter, benefitting from domestic chipmaker support, accelerating AI spending, and optimism surrounding policies to reduce unproductive competition. Tech enthusiasm benefited other Asian markets, particularly Taiwan and Korea. Brazil lagged, due largely to political uncertainty. India saw losses, with the recent imposition of very punitive tariffs by the US weighing heavily on performance.

<sup>1</sup> Source: Bloomberg. Data is as of September 30, 2025.

### Equity Cyclically Adjusted P/E Ratios<sup>1</sup>



- US stock valuations increased in the third quarter, finishing September with a cyclically adjusted P/E ratio of 39.4. This level is well above their long-run average of 28.4.
- Given strong results this year in non-US developed stocks, valuations have moved slightly above their long-run P/E ratio (22.1 versus 21.0).
- As emerging market stocks lead the way in 2025 their valuations are now also trading at levels above their long-run average (18.5 versus 16.7).

<sup>1</sup> US Equity Cyclically Adjusted P/E on S&P 500 Index. Source: Robert Shiller, Yale University, and Meketa Investment Group. Developed and Emerging Market Equity (MSCI EAFE and EM Index) Cyclically Adjusted P/E Source: Bloomberg. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years. Data is as of September 2025. The average line is the long-term average of the US, EM, and EAFE PE values from April 1998 to the recent month-end, respectively.

## Fixed Income Returns<sup>1</sup>

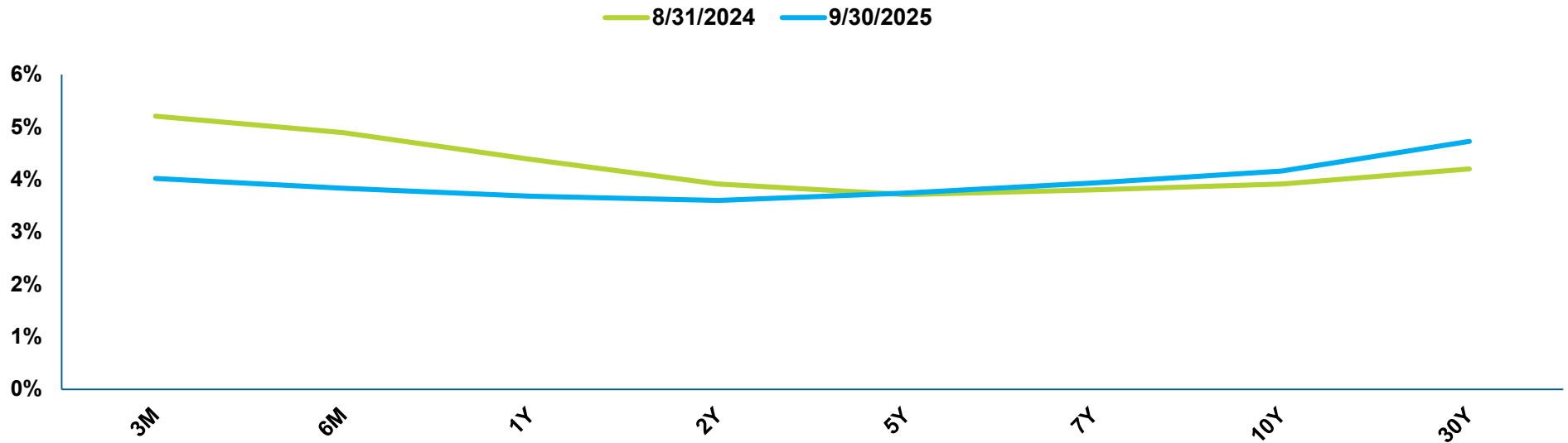
Fixed Income	September (%)	Q3 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Current Yield (%)	Duration (Years)
Bloomberg Universal	1.1	2.1	6.3	3.4	5.6	0.1	2.3	4.6	5.9
Bloomberg Aggregate	1.1	2.0	6.1	2.9	4.9	-0.4	1.8	4.4	6.1
Bloomberg US TIPS	0.4	2.1	6.9	3.8	4.9	1.4	3.0	4.1	6.6
Bloomberg Short-term TIPS	0.0	1.6	5.7	5.5	5.4	3.7	3.1	3.8	2.4
Bloomberg US Long Treasury	3.1	2.5	5.6	-3.5	0.4	-7.8	-0.1	4.7	14.7
Bloomberg High Yield	0.8	2.5	7.2	7.4	11.1	5.5	6.2	6.7	3.1
JPM GBI-EM Global Diversified (USD)	1.4	2.8	15.4	7.4	11.3	2.3	3.5	--	--

### Fixed Income: The Bloomberg Universal index rose 2.1% in the third quarter, returning 6.3% year-to-date.

- The US yield curve shifted lower on expected monetary policy easing in the coming quarters and strong risk appetite by investors provided positive performance for credit indexes.
- In this environment, the broad US bond market (Bloomberg Aggregate) returned 2.0% with longer dated US Treasuries performing slightly better (2.5%). Longer and short-dated TIPS gained 2.1% and 1.6%, respectively, as inflation risks remained elevated.
- Positive risk sentiment supported emerging market debt (+2.8%) and high yield (+2.5%). Year-to-date performance in emerging markets solidly exceeded other fixed income indices, and the broad US stock market.

<sup>1</sup> Source: Bloomberg. Data is as of September 30, 2025. The yield and duration data from Bloomberg is defined as the index's yield to worst and modified duration, respectively. JPM GBI-EM data is from J.P. Morgan. Current yield and duration data is not available.

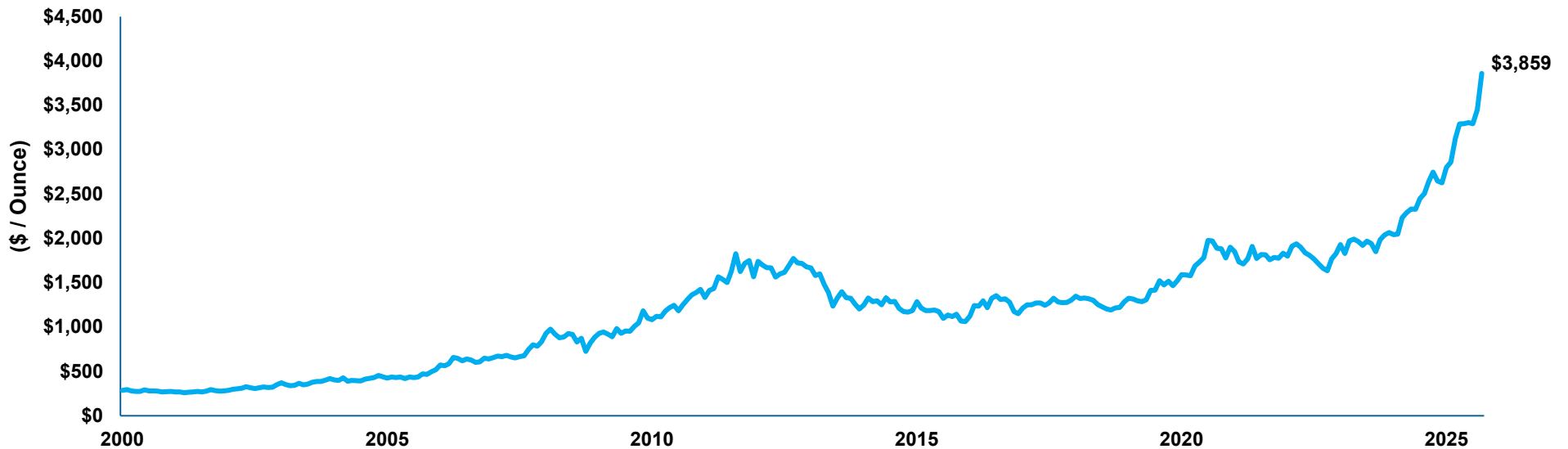
### US Yield Curve<sup>1</sup>



- A rate cut by the Fed, with more expected weakness in the labor market, and no signs yet of tariffs significantly influencing inflation drove rates lower across the yield curve in the third quarter.
- The policy sensitive 2-year nominal Treasury yield was volatile during the quarter but overall fell from 3.72% to 3.61% given the anticipation of additional interest rate cuts by the Fed.
- The 10-year nominal Treasury yield was also volatile and declined from 4.23% to 4.15% for the quarter, while the 30-year nominal Treasury yield fell slightly from 4.78% to 4.73%.

<sup>1</sup> Source: Bloomberg. Data is as of September 30, 2025. The August 2024 Treasury yields are shown as a reference before the first interest rate cut.

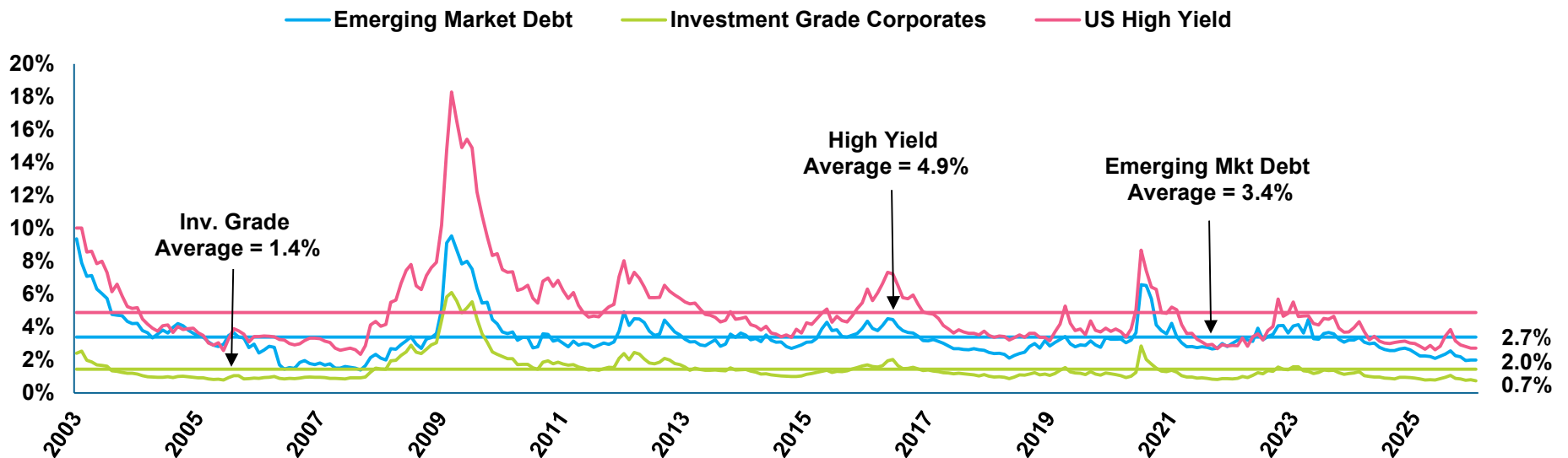
### Gold<sup>1</sup>



- In a period where risk assets have done particularly well, gold, which is usually perceived as a safe haven, has done even better, gaining over 47% year-to-date through September.
- Key drivers of gold's strong year include central bank demand, a weak US dollar, inflation concerns, and expectations for lower rates.

<sup>1</sup> Source: Bloomberg as of September 30, 2025. Gold Spot Price is quoted as US Dollars per Troy Ounce.

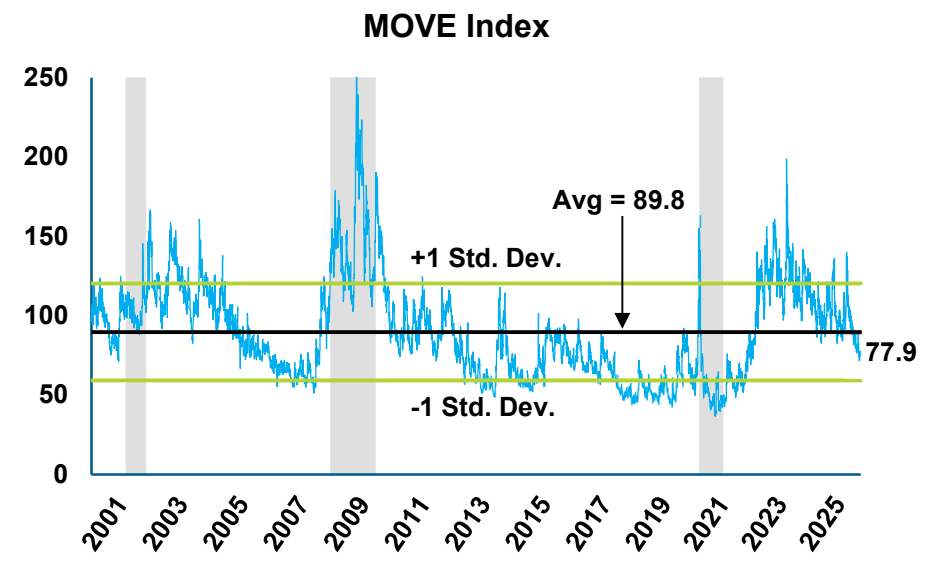
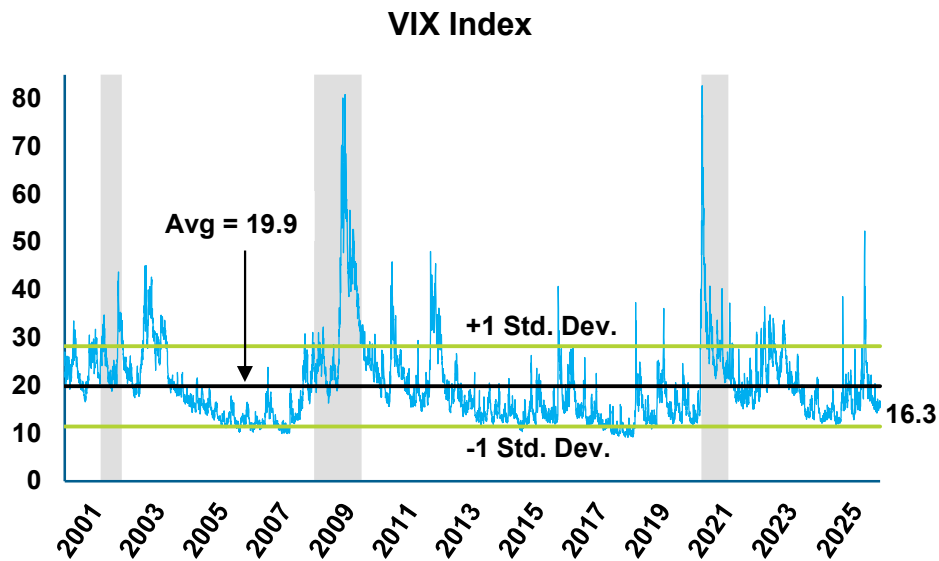
### Credit Spreads vs. US Treasury Bonds<sup>1</sup>



- During the third quarter, despite already being historically tight, credit spreads continued to grind lower given the resilient US economy, strong corporate balance sheets/low default rates, and investor demand for yield.
- Investment grade spreads (the difference in yield from a comparable Treasury) moved further below 1.0% during the quarter (0.8% to 0.7%).
- High yield spreads fell from 2.9% to 2.7% in the third quarter, while emerging market spreads dropped from 2.2% to 2.0%.
- All yield spreads remained below their respective long-run averages, especially high yield (2.7% versus 4.9%).

<sup>1</sup> Source: Bloomberg. Data is as of September 30, 2025. Average lines denote the average of the investment grade, high yield, and emerging market spread values from September 2002 to the recent month-end, respectively.

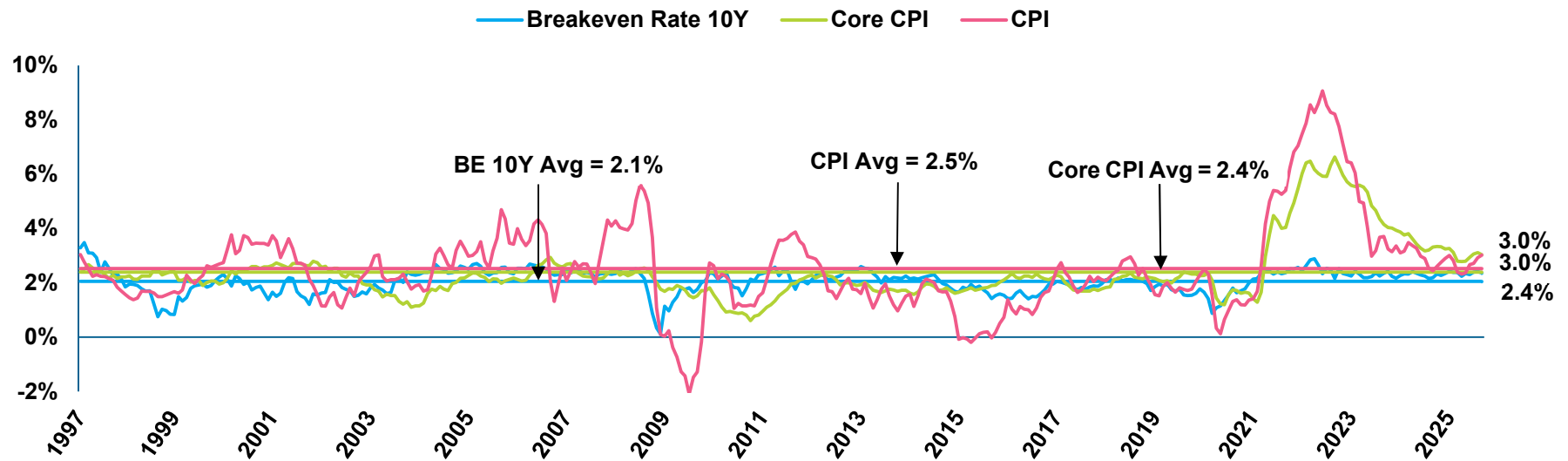
### Equity and Fixed Income Volatility<sup>1</sup>



- Volatility spiked in April after the “Liberation Day” tariff announcement but has since declined to below long-run averages.
- Resilient earnings data, despite tariffs and expectations for the Fed to continue to cut rates, has kept equity market volatility (VIX) relatively low.
- Despite fiscal policy uncertainty and debt concerns, the MOVE index has largely declined as confidence has increased in the Fed cutting rates.

<sup>1</sup> Equity Volatility – Source: FRED. Fixed Income Volatility – Source: Bloomberg. Implied volatility as measured using VIX Index for equity markets and the MOVE Index to measure interest rate volatility for fixed income markets. Data is as of September 30, 2025. The average line indicated is the average of the VIX and MOVE values between January 2005 and September 2025.

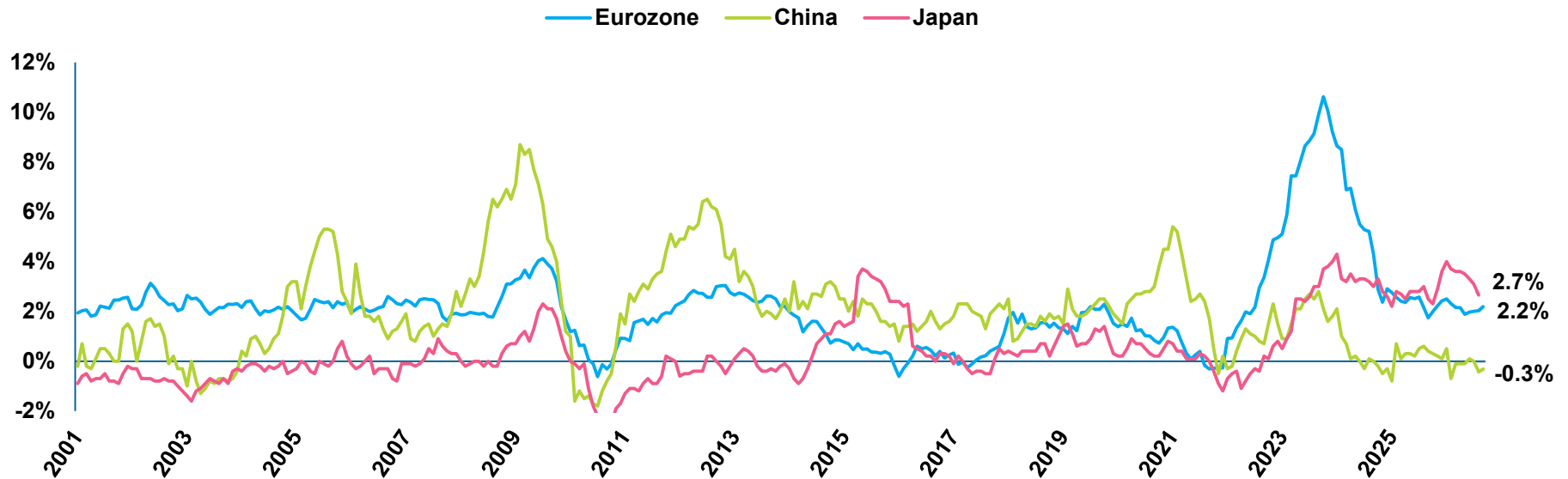
### US Inflation<sup>1</sup>



- Inflation remains elevated but came in slightly below expectations in September. Headline inflation rose 0.3% for the month, down from 0.4% in August and expectations of a 0.4% reading in September. Year-on-year inflation rose from 2.9% to 3.0% below expectations though for a 3.1% rise. Gasoline, increasing 4.1% for the month, was the biggest driver of the monthly rise for the broad inflation reading.
- The month-on-month reading of core inflation fell from 0.3% to 0.2% and declined from 3.1% to 3.0% year-on-year (both slightly below expectations). Notably the month-on-month reading of shelter, a key driver of elevated inflation levels, fell from 0.4% to 0.2%. There were some small but not broad-based signs of tariff impacts in areas like apparel.
- Longer-dated inflation expectations (breakevens) remained in a tight range over the quarter finishing at 2.4%, while shorter-dated inflation swap pricing and survey-based measures suggest continued upside risk to prices.

<sup>1</sup> Source: FRED. Data is as of September 30, 2025.

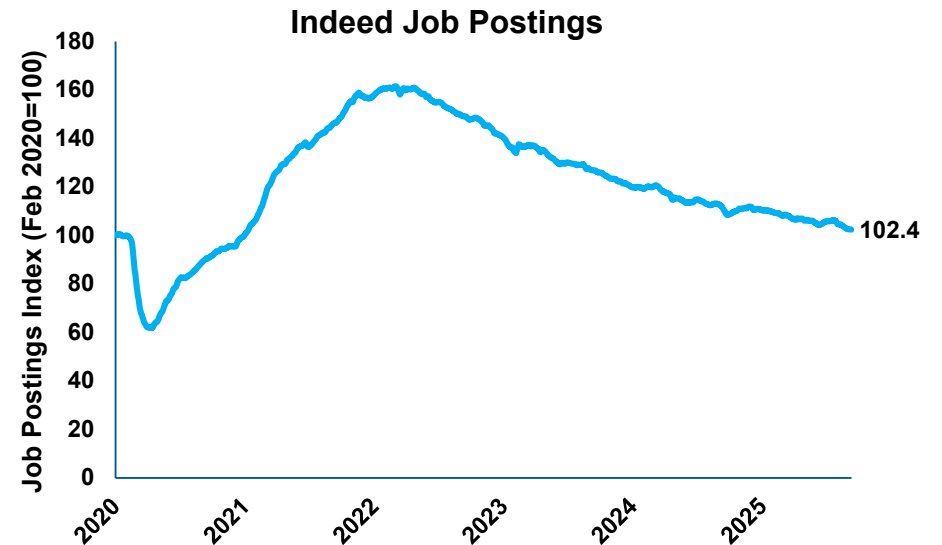
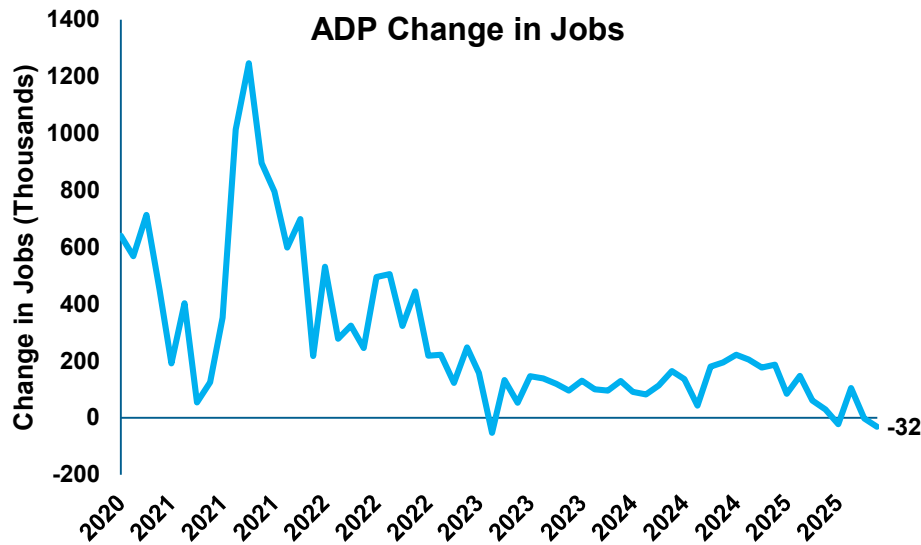
### Global Inflation (CPI Trailing Twelve Months)<sup>1</sup>



- Inflation in the eurozone reaccelerated slightly over the quarter from 2.0% to 2.2%, a level just above the ECB's 2.0% target, driven by a rise in service costs; the ECB held rates steady at 2.0% in early September with markets largely expecting no additional rate cuts given rising prices.
- In Japan, inflation declined from 3.3% at the end of June to 2.7% at the end of August given a decline in electricity prices due to government subsidies and a drop in gas prices. Despite the recent decline, inflation remains above the 2.0% target, making it likely the Bank of Japan will hold rates steady for now.
- In China, despite considerable policy stimulus, deflation returned in two of the three months during the quarter. A sharp fall in food prices was a key cause of the deflationary pressures.

<sup>1</sup> Source: Bloomberg. Data is as of September 2025, except Japan which is as of August 2025.

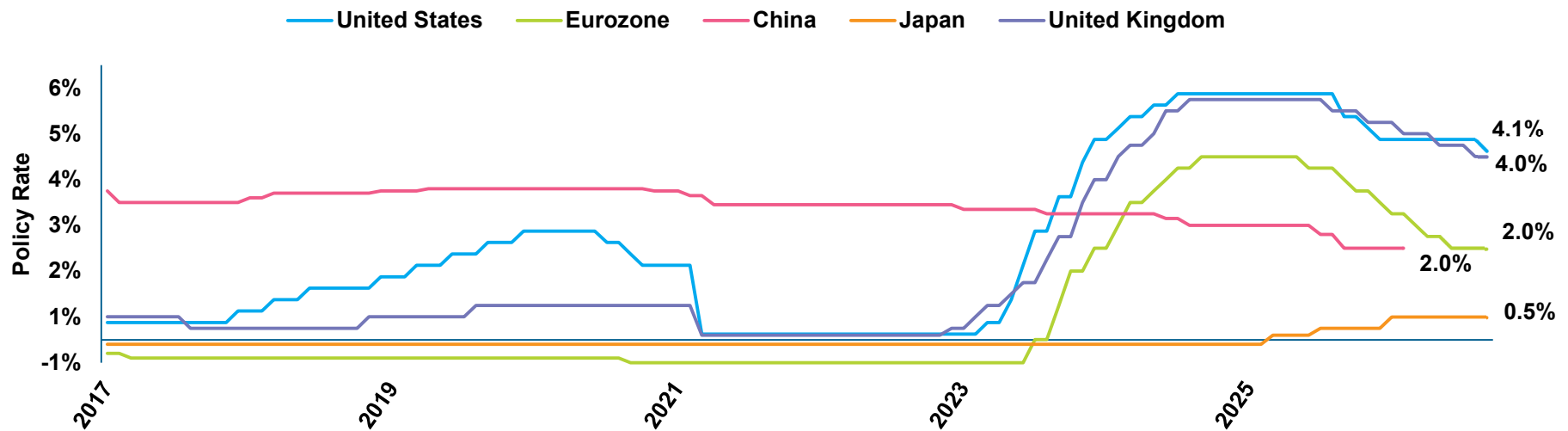
### US Unemployment<sup>1</sup>



- Like inflation, the government shutdown means that current official employment data is also not available, however other private indicators support growing concerns regarding a softening labor market in the US.
- Government layoffs, a declining number of jobs created (ADP), and a falling number of job postings (Indeed) are also pointing to a deteriorating jobs market.

<sup>1</sup> Source: ADP and Indeed. Data is as of September 30, 2025.

### Global Policy Rates<sup>1</sup>



- The Fed started cutting interest rates again, but other central banks have generally paused. Futures markets are predicting the Fed to cut rates two more times to ~3.6% by year-end and three more times in 2026 as unemployment revisions indicate a weaker than previously thought labor market.
- The ECB held rates steady in the third quarter after four cuts earlier in the year, while the Bank of England cut rates in August and held them steady in September. After cutting rates in May of last year, China's central bank has held rates steady, although disinflationary pressures continue to be a concern.
- Japan kept rates at current levels in the face of uncertain inflationary and trade pressures but voted to slow its purchase of Japanese sovereign debt in a continuing retreat from quantitative easing.

<sup>1</sup> Source: Bloomberg. Data is as of September 30, 2025, except China which is as of February 28, 2025. United States rate is the mid-point of the Federal Funds Target Rate range. Eurozone rate is the ECB Deposit Facility Announcement Rate. Japan rate is the Bank of Japan Unsecured Overnight Call Rate Expected. China rate is the China Central Bank 1-Year Medium Term Interest Rate. UK rate is the UK Bank of England Official Bank Rate.

### US Dollar vs. Broad Currencies<sup>1</sup>



- The US dollar hit near-historic highs in January of 2025 but since then its value has declined by ~11%.
- The US dollar stabilized in the third quarter on the easing of trade war concerns.
- Typically, higher interest rates support the US dollar but recent concerns over changing US administration policies and slowing growth have weighed on the value of the US dollar.

<sup>1</sup> Source: Bloomberg. Data as of September 30, 2025.

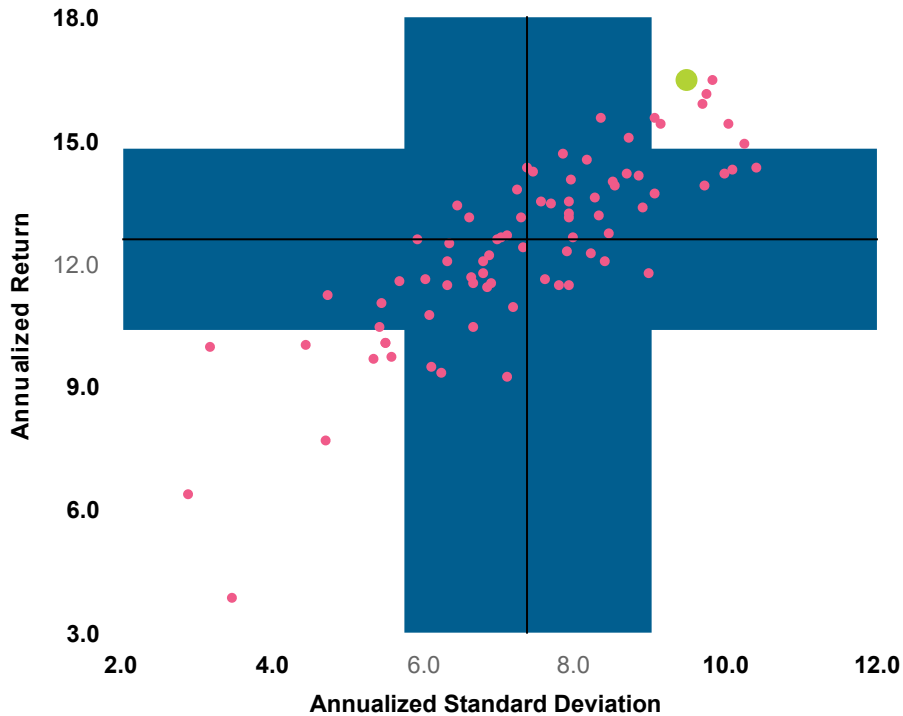
### Key Trends

- According to the International Monetary Fund's (IMF) October's World Economic Outlook, the global economy will decelerate from 3.2% in 2025 to 3.1% in 2026. The US is expected to modestly accelerate economic growth in 2026 to 2.1% from 2.0% in 2025. The euro area will slow slightly from 1.2% in 2025 to 1.1% in 2026. China's economy is expected to slow from 4.8% in 2025 to just 4.2% in 2026.
- Despite the recent pause in negotiations related to tariffs, many questions remain including how they will ultimately impact inflation. Overall, higher tariff levels and continued uncertainty could weigh on growth while increasing prices. Inflation levels and potential developments with tariffs combined with a weakening labor market will complicate the Fed's rate cutting path. A lengthy government shutdown and a lack of official economic reports could create further complications for the Fed and others to assess the health of the economy.
- Some signs of stress have started to emerge on the US consumer, with growing weakness in the jobs market and sentiment weakening since the start of the year. Consumers are particularly concerned about losing their jobs and the potential for higher prices. Overall, risk to economic growth and to inflation from tariffs, as well as elevated borrowing costs, could put further pressure on consumers and lead to an even weaker job market. The recent resumption of collecting and reporting delinquent student loans could be a further headwind to consumption.
- US equities have fully recovered from substantial losses experienced during the first week of April and have reached new highs. A relatively strong second quarter earnings season, renewed AI optimism, and prospects of future rate cuts from the Fed all helped drive stocks higher. How earnings track from here, particularly for the large AI related companies that make up a significant portion of indexes, will be key going forward.
- Trade tensions between the US and China will remain an important focus as well as the overall health of China's economy. With the recent flare up in rhetoric, China has deepened its restrictions on exporting rare earth and critical minerals required in the manufacturing of many high-tech items. In response the US threatened across the board tariffs up to 100 % on Chinese goods. Upcoming negotiations between the two sides will be important to watch. How China manages its slowing economy, and deflationary pressures will also be important.

## **Third Quarter Performance Review**

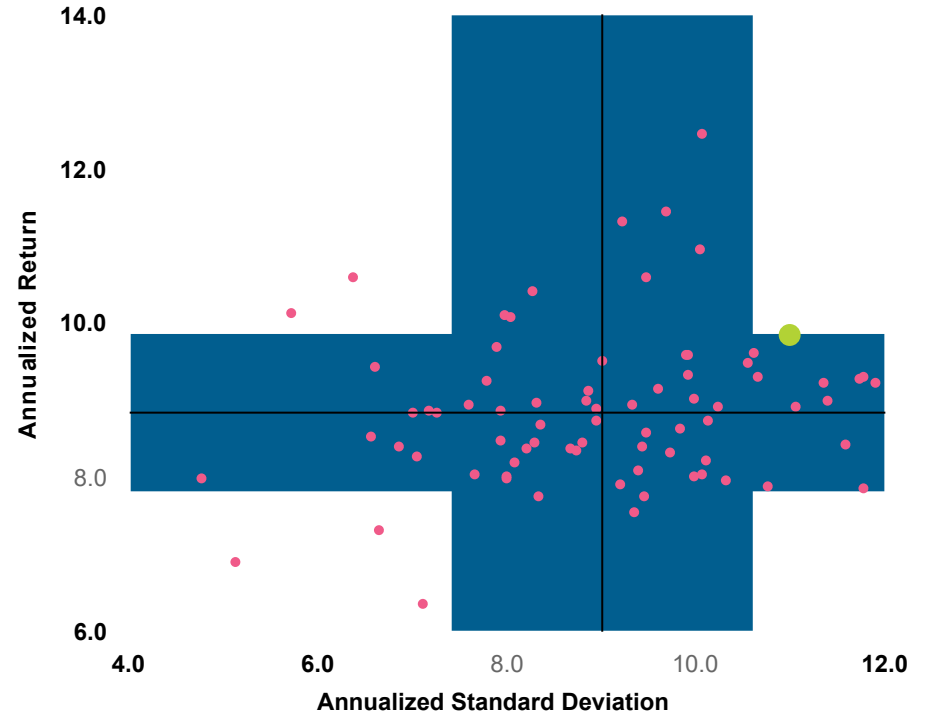
EBMUDERS | As of September 30, 2025

Annualized Return vs. Annualized Standard Deviation  
3 Years Ending September 30, 2025



- InvMetrics All Public DB Plans > \$1B
- EBMUDERS Total Plan Composite

Annualized Return vs. Annualized Standard Deviation  
5 Years Ending September 30, 2025



- InvMetrics All Public DB Plans > \$1B
- EBMUDERS Total Plan Composite

3 Years Ending September 30, 2025

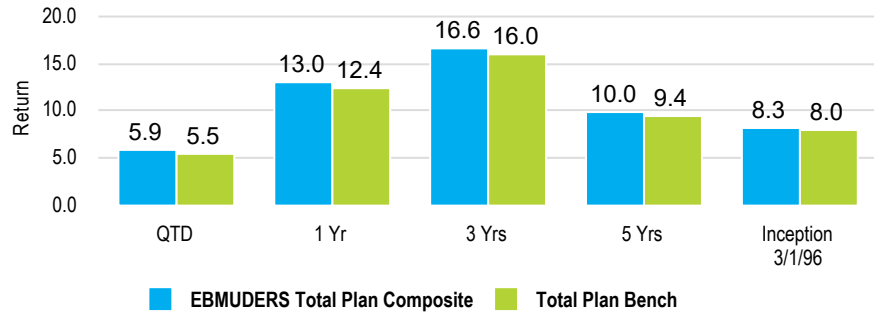
	Return	Standard Deviation	Sharpe Ratio
EBMUDERS Total Plan Composite	16.5	9.5	1.2
Total Plan Bench	16.0	8.7	1.2

5 Years Ending September 30, 2025

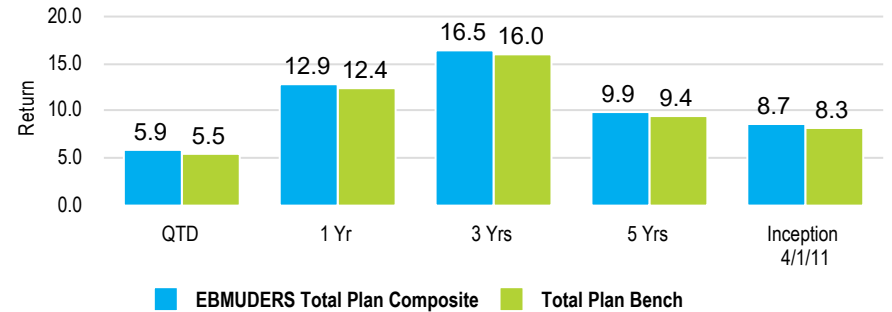
	Return	Standard Deviation	Sharpe Ratio
EBMUDERS Total Plan Composite	9.9	11.0	0.6
Total Plan Bench	9.4	10.5	0.6

### EBMUDERS Total Plan Composite | As of September 30, 2025

#### Trailing Performance - Gross

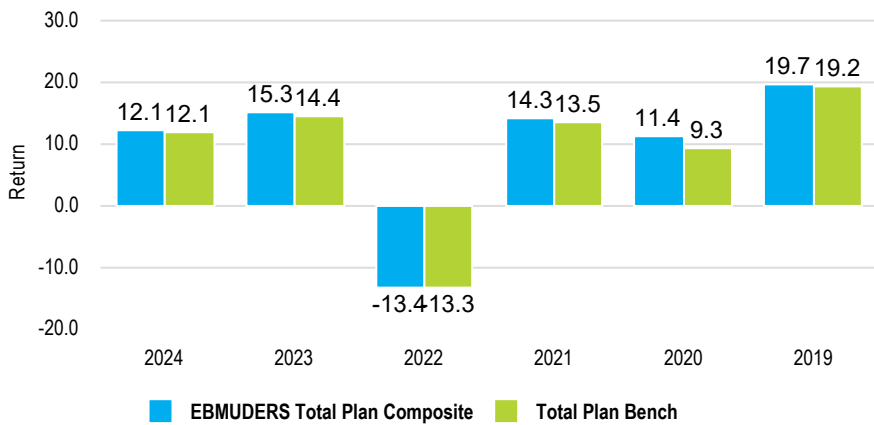


#### Trailing Performance - Net

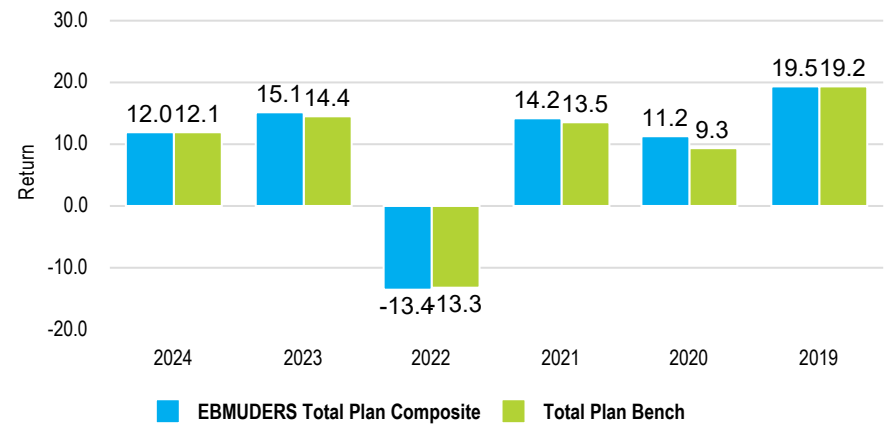


	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2024 (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)
<b>EBMUDERS Total Plan Composite</b>	<b>5.9</b>	<b>12.9</b>	<b>16.5</b>	<b>9.9</b>	<b>9.3</b>	<b>12.0</b>	<b>15.1</b>	<b>-13.4</b>	<b>14.2</b>	<b>11.2</b>	<b>19.5</b>
<b>EBMUDERS Total Plan Composite</b>	<b>5.9</b>	<b>13.0</b>	<b>16.6</b>	<b>10.0</b>	<b>9.5</b>	<b>12.1</b>	<b>15.3</b>	<b>-13.4</b>	<b>14.3</b>	<b>11.4</b>	<b>19.7</b>
<i>Total Plan Bench</i>	<i>5.5</i>	<i>12.4</i>	<i>16.0</i>	<i>9.4</i>	<i>8.8</i>	<i>12.1</i>	<i>14.4</i>	<i>-13.3</i>	<i>13.5</i>	<i>9.3</i>	<i>19.2</i>
InvMetrics Public DB > \$1B Median	4.3	10.2	12.8	9.0	8.5	9.3	11.4	-10.3	16.0	11.9	17.3

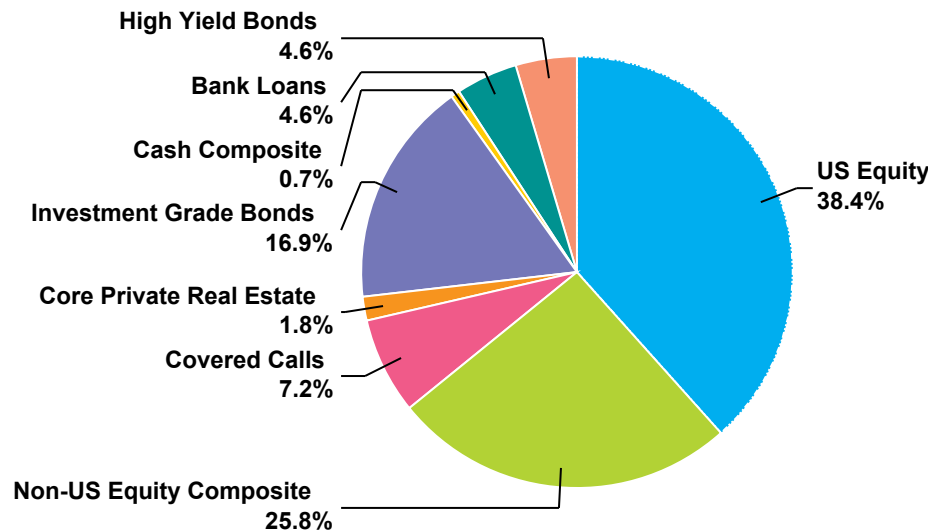
#### 12-month Performance - Gross



#### 12-month Performance - Net



Allocation vs. Targets and Policy				
	Current Balance (\$)	Current Allocation (%)	Policy (%)	Policy Range (%)
US Equity	\$1,147,330,691	38.4	35.0	30.0 - 40.0
Non-US Equity	\$770,369,579	25.8	25.0	20.0 - 30.0
Covered Calls	\$216,238,051	7.2	7.5	4.5 - 10.5
High Yield Bonds	\$137,119,061	4.6	5.0	2.5 - 7.5
Bank Loans	\$138,296,911	4.6	5.0	2.5 - 7.5
Investment Grade Bonds	\$506,527,862	16.9	20.0	17.0 - 23.0
Core Private Real Estate	\$53,424,845	1.8	2.5	0.5 - 4.5
Cash	\$19,825,127	0.7	0.0	0.0 - 100.0
<b>Total</b>	<b>\$2,989,132,128</b>	<b>100.0</b>	<b>100.0</b>	



Policy Targets reflect stage 1 Interim Policy Targets per the Evolving Policy Plan.  
Actual allocations may deviate from Policy Targets and ranges during the asset allocation transition.

## Manager Performance - Net of Fees | As of September 30, 2025

	Market Value (\$)	QTR (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
<b>EBMUDERS Total Plan Composite</b>	<b>2,989,132,128</b>	<b>5.9</b>	<b>12.9</b>	<b>16.5</b>	<b>9.9</b>
<i>Total Plan Bench</i>		<i>5.5</i>	<i>12.4</i>	<i>16.0</i>	<i>9.4</i>
<b>US Equity</b>	<b>1,147,330,691</b>	<b>8.2</b>	<b>17.3</b>	<b>24.1</b>	<b>15.7</b>
<i>Russell 3000 Hybrid</i>		<i>8.2</i>	<i>17.4</i>	<i>24.1</i>	<i>15.7</i>
Northern Trust Russell 3000	1,146,501,063	8.2	17.3	24.1	15.7
<i>Russell 3000 Index</i>		<i>8.2</i>	<i>17.4</i>	<i>24.1</i>	<i>15.7</i>
<b>Non US Equity Composite</b>	<b>770,369,579</b>	<b>7.0</b>	<b>17.0</b>	<b>21.2</b>	<b>10.7</b>
<i>MSCI ACWI xUS (blend)</i>		<i>7.0</i>	<i>17.1</i>	<i>21.3</i>	<i>10.8</i>
Northern Trust ACWI ex US	770,369,579	7.0	17.0	21.2	10.5
<i>MSCI AC World ex USA index</i>		<i>7.0</i>	<i>17.1</i>	<i>21.3</i>	<i>10.8</i>

## Manager Performance - Net of Fees | As of September 30, 2025

	Market Value (\$)	QTR (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
<b>Covered Calls</b>	<b>216,238,051</b>	<b>6.2</b>	<b>12.8</b>	<b>17.4</b>	<b>11.6</b>
<i>Cboe S&amp;P 500 Buy Write Index</i>		<i>3.5</i>	<i>8.1</i>	<i>13.6</i>	<i>9.5</i>
Parametric BXM	164,254	2.4	7.1	14.0	10.1
<i>Cboe S&amp;P 500 Buy Write Index</i>		<i>3.5</i>	<i>8.1</i>	<i>13.6</i>	<i>9.5</i>
Parametric Delta Shift	216,073,797	6.2	14.3	21.1	14.2
<i>Cboe S&amp;P 500 Buy Write Index</i>		<i>3.5</i>	<i>8.1</i>	<i>13.6</i>	<i>9.5</i>

## Manager Performance - Net of Fees | As of September 30, 2025

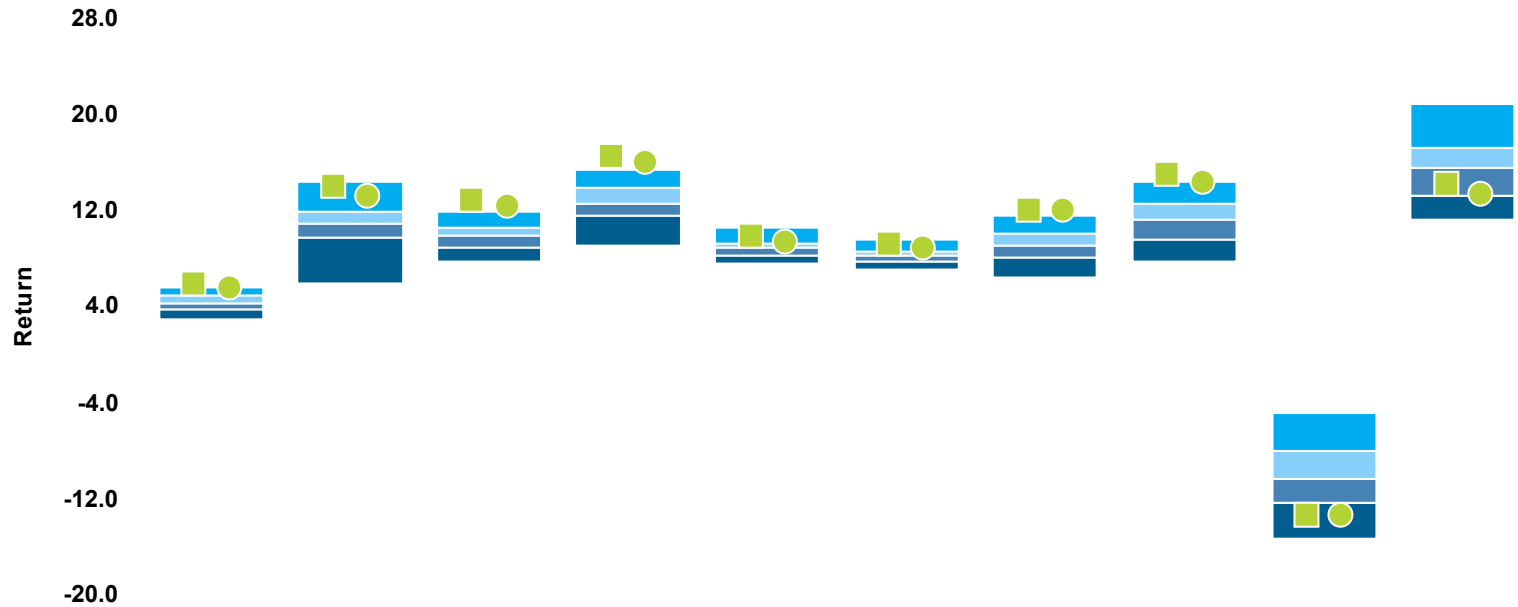
	Market Value (\$)	QTR (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
<b>Core Fixed Income Composite</b>	<b>506,527,862</b>	<b>2.2</b>	<b>2.5</b>	<b>5.0</b>	<b>0.2</b>
<i>Fixed Income Core Composite Bench</i>		<i>2.0</i>	<i>2.9</i>	<i>4.7</i>	<i>0.0</i>
CS McKee	256,345,680	2.1	2.9	5.4	-0.3
<i>Blmbg. U.S. Aggregate Index</i>		<i>2.0</i>	<i>2.9</i>	<i>4.9</i>	<i>-0.4</i>
Garcia Hamilton	250,182,183	2.3	2.2	4.5	0.5
<i>Garcia Hamilton Blended Benchmark</i>		<i>2.0</i>	<i>2.9</i>	<i>4.4</i>	<i>0.4</i>
<b>Non-Core Fixed Income Composite</b>	<b>275,415,972</b>	<b>1.9</b>	<b>5.4</b>	<b>7.8</b>	<b>4.8</b>
<i>Fixed Income Non-Core Composite Bench</i>		<i>2.1</i>	<i>7.3</i>	<i>9.2</i>	<i>5.8</i>
MacKay Shields (HY)	67,339,175	1.9	6.1	8.8	5.7
<i>Mackay Shields Blended Benchmark</i>		<i>2.5</i>	<i>7.4</i>	<i>10.2</i>	<i>6.0</i>
Brigade High Yield	69,779,886	2.6	--	--	--
<i>ICE BofA Global High Yield Constrained (USD)</i>		<i>2.5</i>	<i>8.2</i>	<i>12.6</i>	<i>4.7</i>
Aristotle Bank Loans	69,327,963	2.0	--	--	--
<i>Morningstar LSTA U.S. Leveraged Loan</i>		<i>1.8</i>	<i>7.0</i>	<i>9.9</i>	<i>7.0</i>
Beach Point Bank Loans	68,838,055	1.2	--	--	--
<i>Morningstar LSTA U.S. Leveraged Loan</i>		<i>1.8</i>	<i>7.0</i>	<i>9.9</i>	<i>7.0</i>
Federated Investment Counseling (Bank Loans)	130,893	1.0	3.5	6.4	3.7
<i>Federated Investment Counseling Blended Benchmark</i>		<i>1.7</i>	<i>7.1</i>	<i>8.1</i>	<i>5.5</i>

## Manager Performance - Net of Fees | As of September 30, 2025

	Market Value (\$)	QTR (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
<b>Core Private Real Estate</b>	<b>53,424,845</b>	<b>0.2</b>	<b>1.7</b>	<b>2.7</b>	<b>7.0</b>
<i>Real Estate Composite Benchmark</i>		<i>1.2</i>	<i>4.2</i>	<i>5.2</i>	<i>7.6</i>
RREEF America II Lag	53,424,845	0.2	1.7	-7.0	2.4
<i>NCREIF NPI Lag</i>		<i>1.2</i>	<i>4.2</i>	<i>-2.8</i>	<i>3.7</i>

RREEF results are lagged 1 quarter.

#### InvMetrics Public Plans > \$1B Return Comparison September 30, 2025



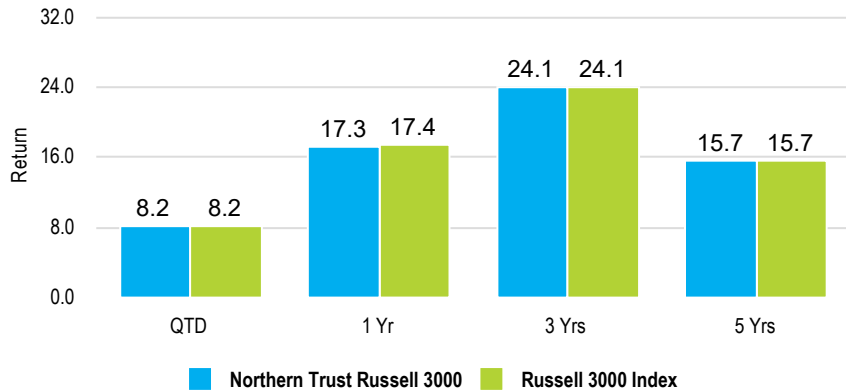
	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2024 (%)	2023 (%)	2022 (%)	2021 (%)
■ EBMUDERS Total Plan Composite	5.9 (4)	14.1 (7)	12.9 (3)	16.5 (1)	9.9 (11)	9.3 (10)	12.0 (3)	15.1 (4)	-13.4 (86)	14.2 (63)
● Total Plan Bench	5.5 (6)	13.2 (8)	12.4 (4)	16.0 (3)	9.4 (21)	8.8 (19)	12.1 (2)	14.4 (6)	-13.3 (84)	13.5 (74)
5th Percentile	5.6	14.3	11.9	15.5	10.6	9.5	11.6	14.4	-4.8	20.8
1st Quartile	4.9	11.9	10.6	13.9	9.3	8.6	10.1	12.5	-8.0	17.2
Median	4.3	10.9	9.9	12.5	8.8	8.2	9.0	11.3	-10.3	15.5
3rd Quartile	3.7	9.7	8.9	11.5	8.3	7.8	8.1	9.6	-12.3	13.2
95th Percentile	2.9	5.8	7.7	9.1	7.5	7.1	6.5	7.8	-15.4	11.2
Population	82	81	80	79	75	71	181	194	185	218

Parenteses contain percentile rankings.  
Calculation based on monthly periodicity.

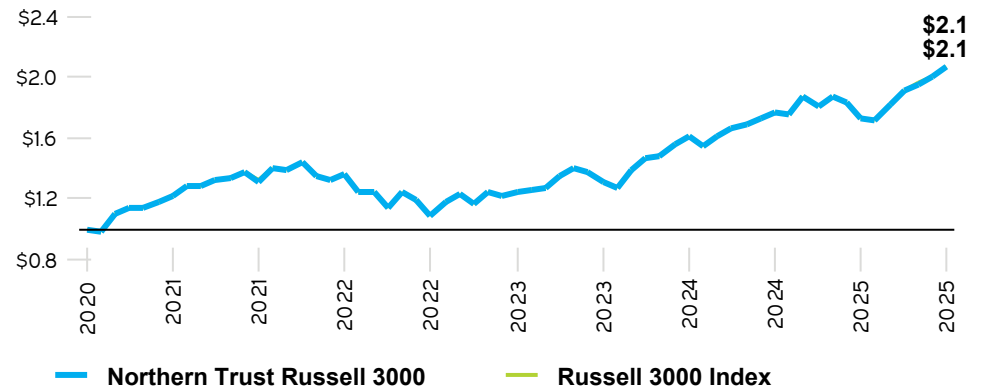
#### Statistics Summary 5 Years Ending September 30, 2025

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Capture	Down Capture
Northern Trust Russell 3000	0.0	1.0	-0.4	0.8	0.1	1.0	99.9	100.0
Russell 3000 Index	0.0	1.0	-	0.8	0.0	1.0	100.0	100.0

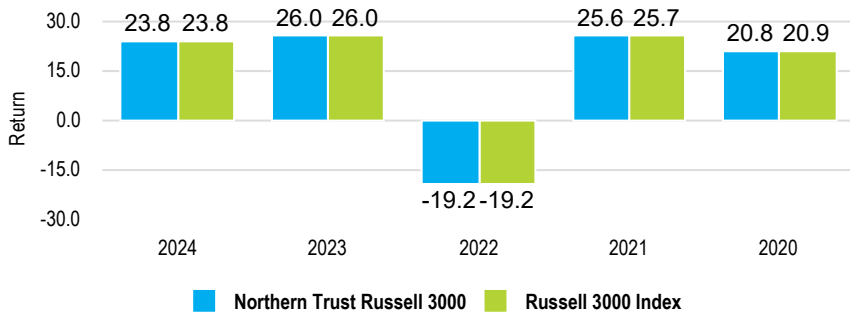
#### Return Summary



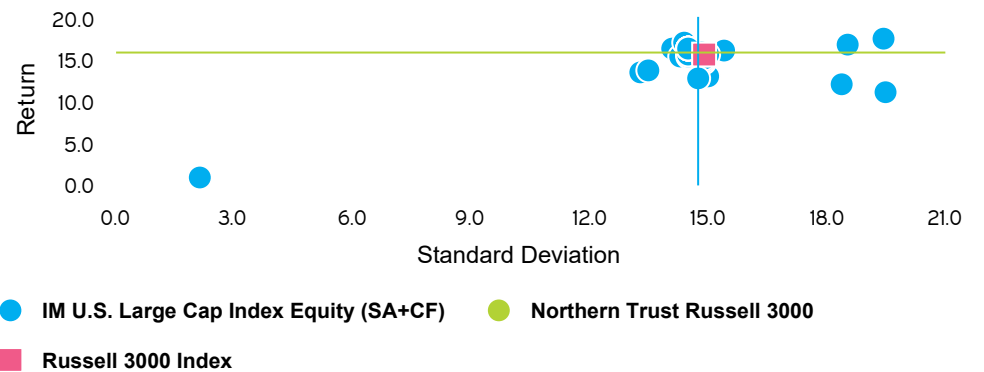
#### Investment Growth



#### Return Summary



#### Risk Reward

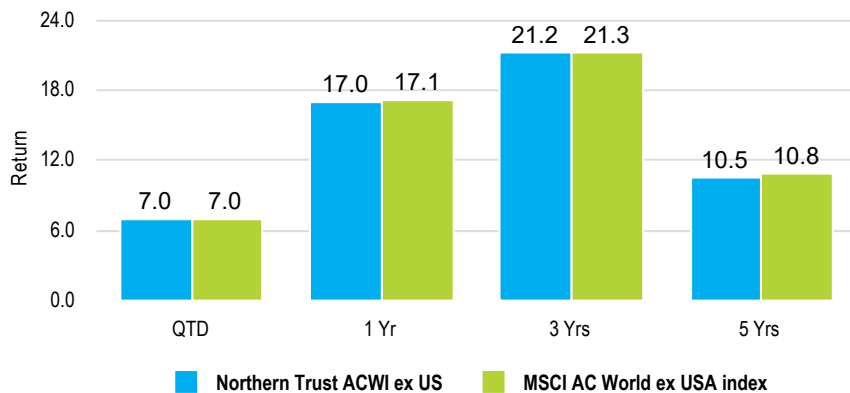


Northern Trust ACWI ex US | As of September 30, 2025

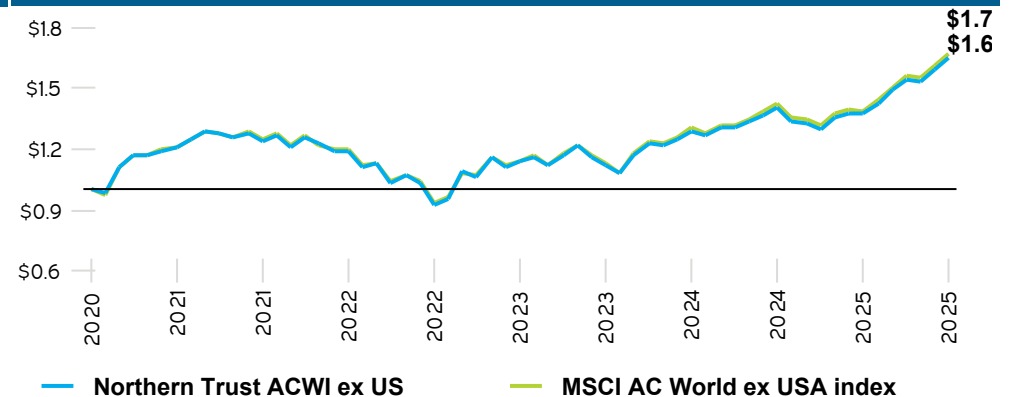
### Statistics Summary 5 Years Ending September 30, 2025

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Capture	Down Capture
Northern Trust ACWI ex US	-0.5	1.0	-0.1	0.5	1.6	1.0	102.3	105.4
MSCI AC World ex USA index	0.0	1.0	-	0.6	0.0	1.0	100.0	100.0

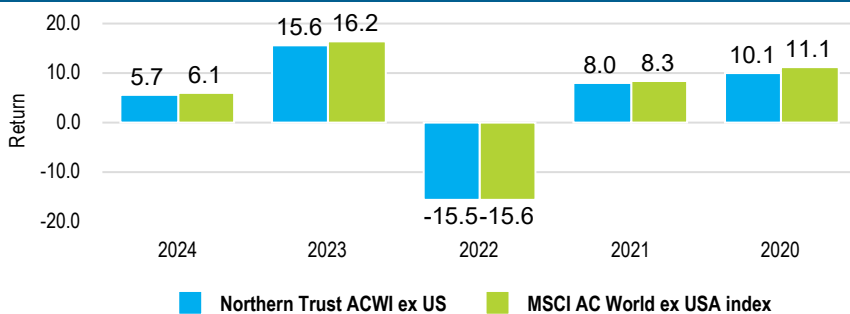
### Return Summary



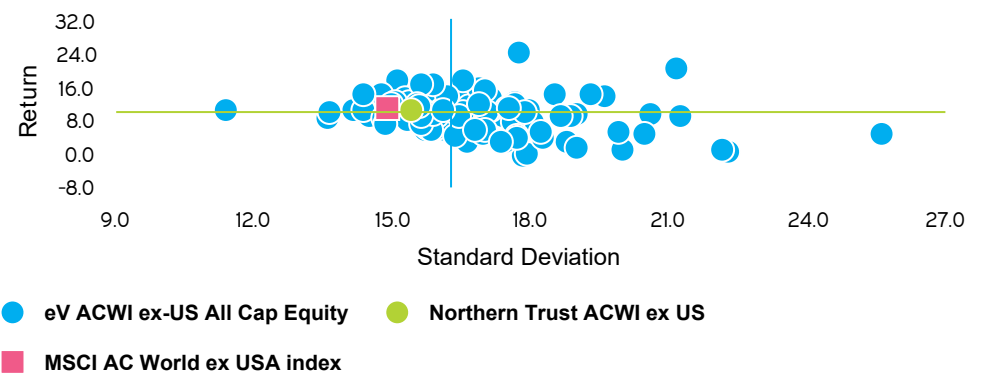
### Investment Growth



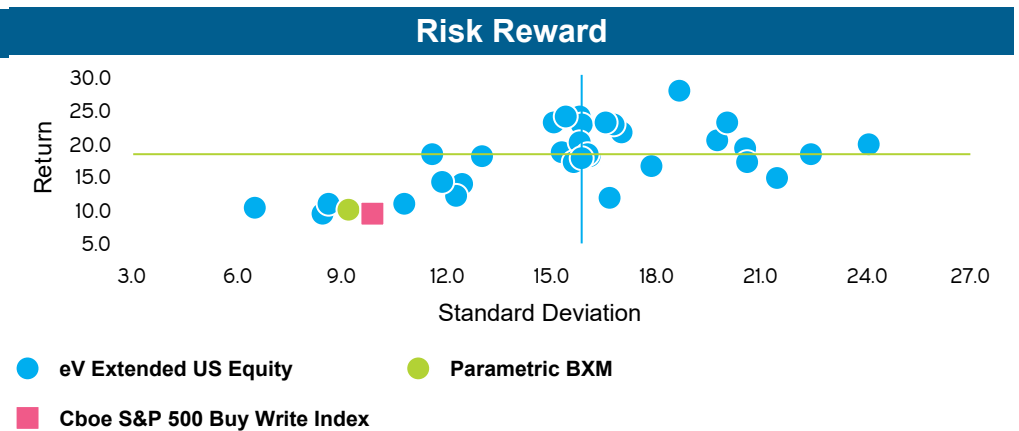
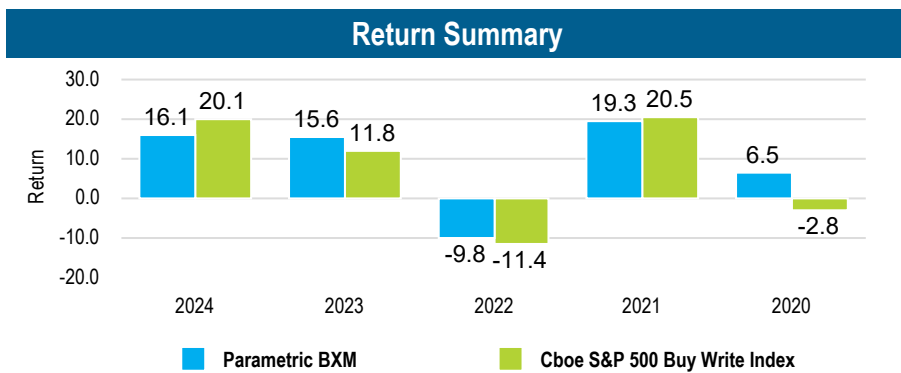
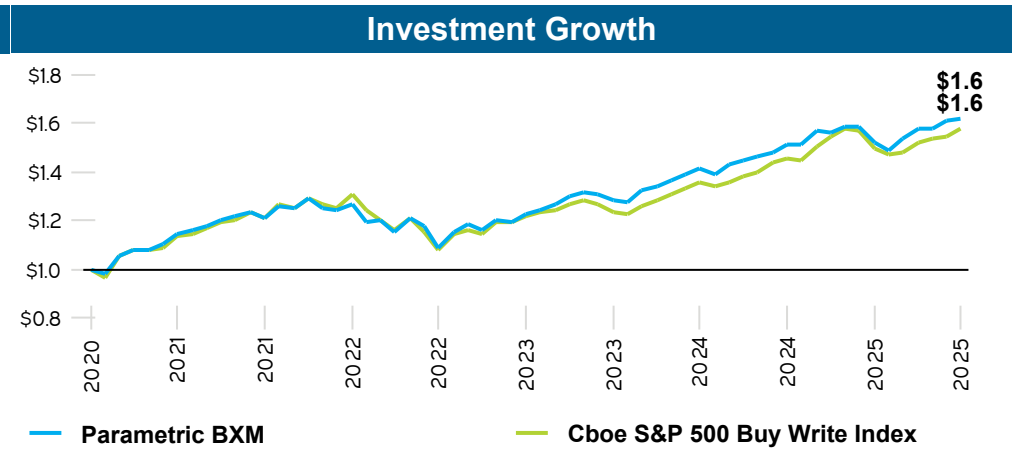
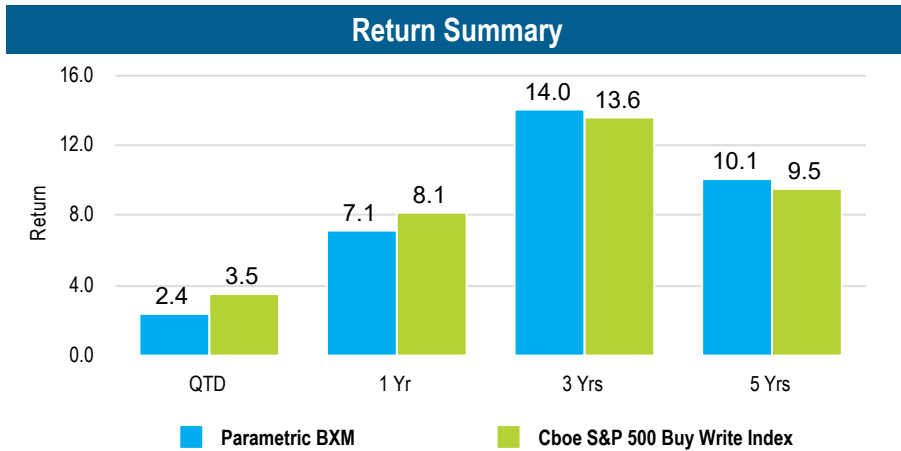
### Return Summary



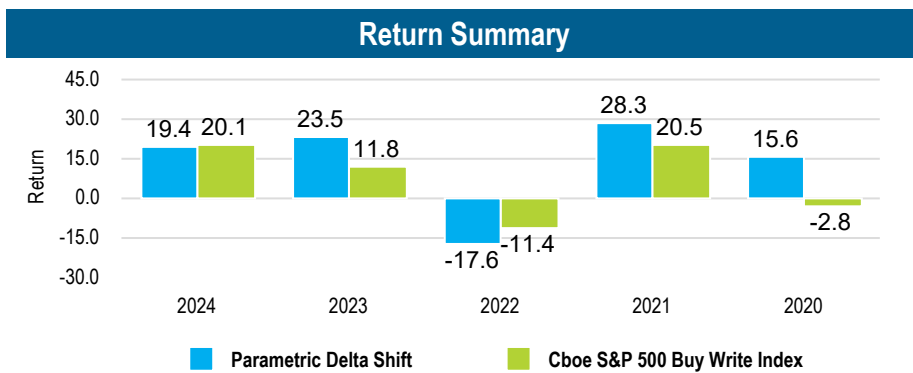
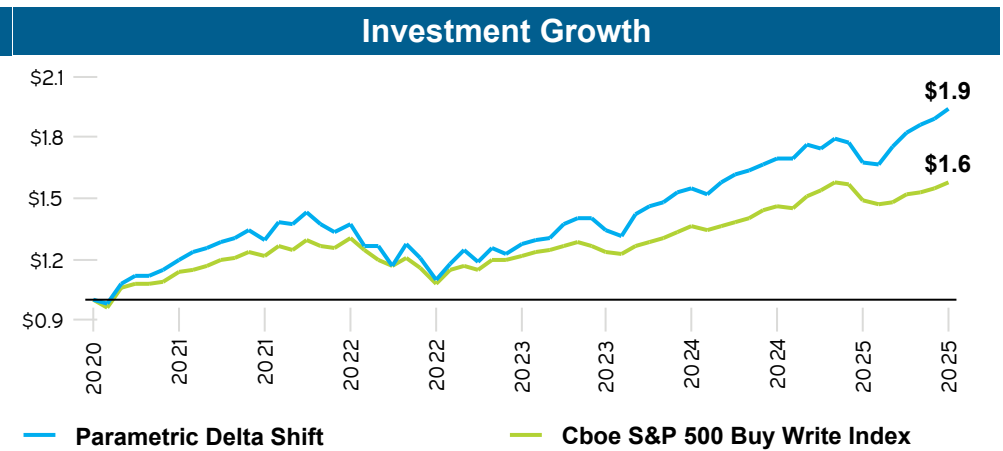
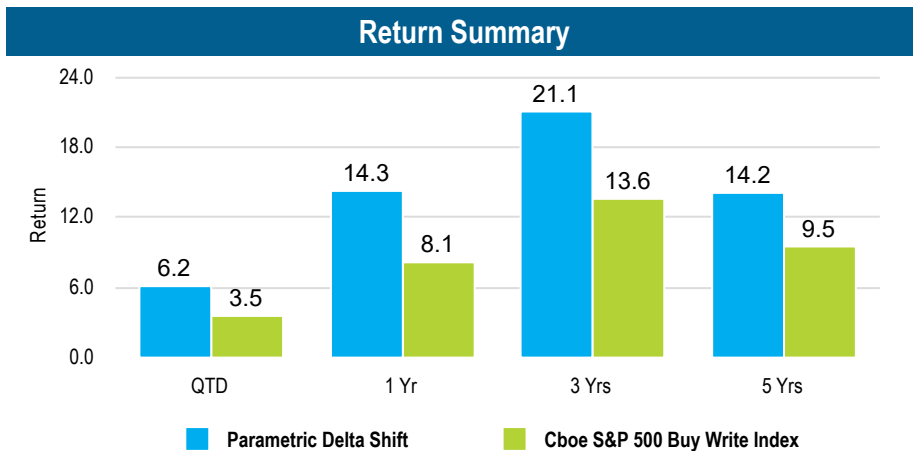
### Risk Reward



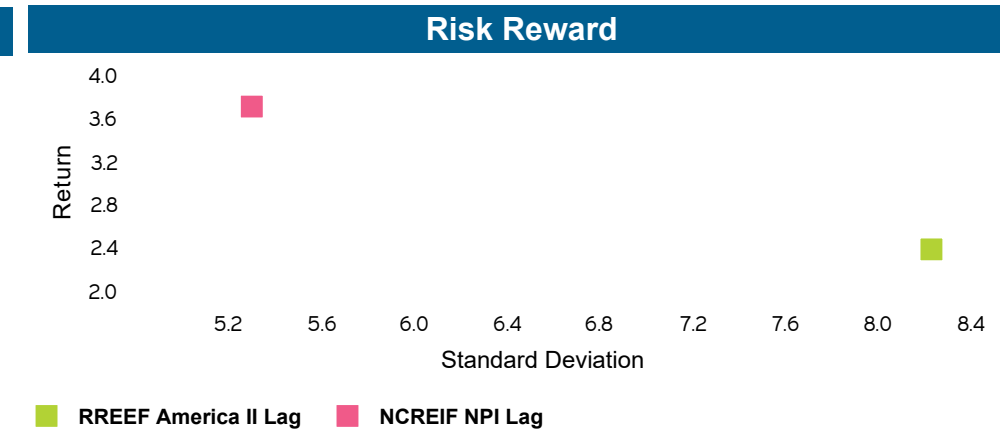
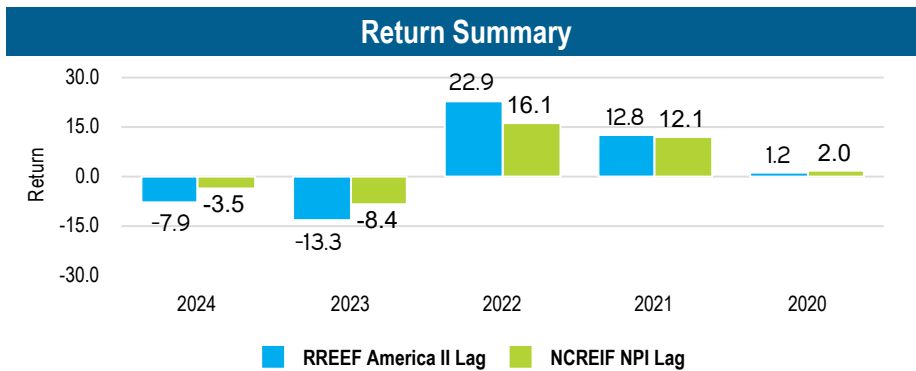
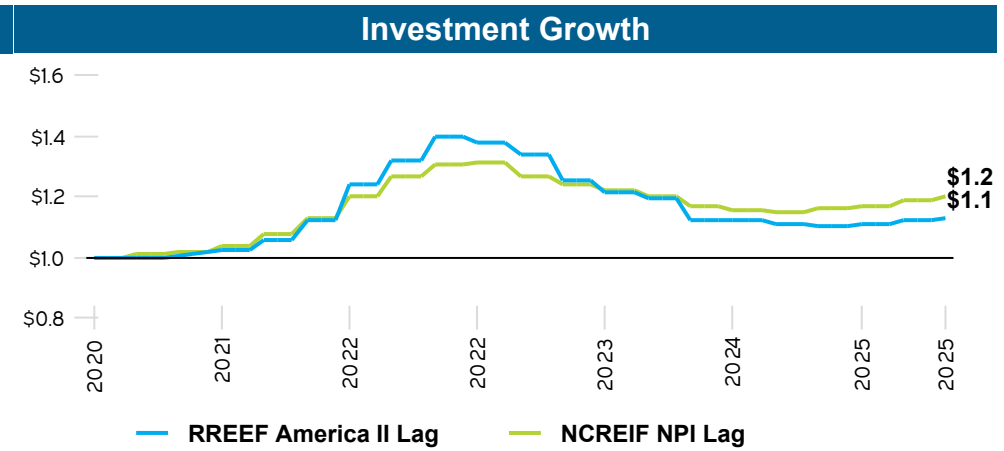
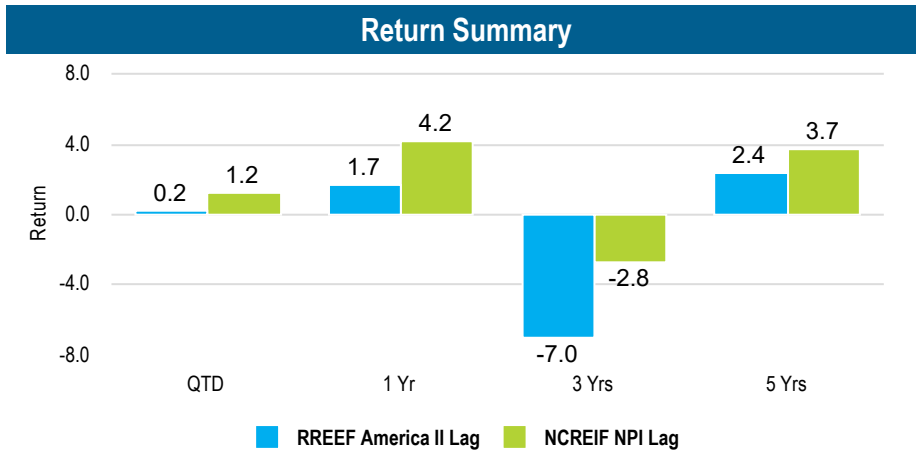
Statistics Summary 5 Years Ending September 30, 2025									
	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Capture	Down Capture	
Parametric BXM	1.9	0.9	0.1	0.8	3.9	0.8	95.8	87.0	
Cboe S&P 500 Buy Write Index	0.0	1.0	-	0.7	0.0	1.0	100.0	100.0	



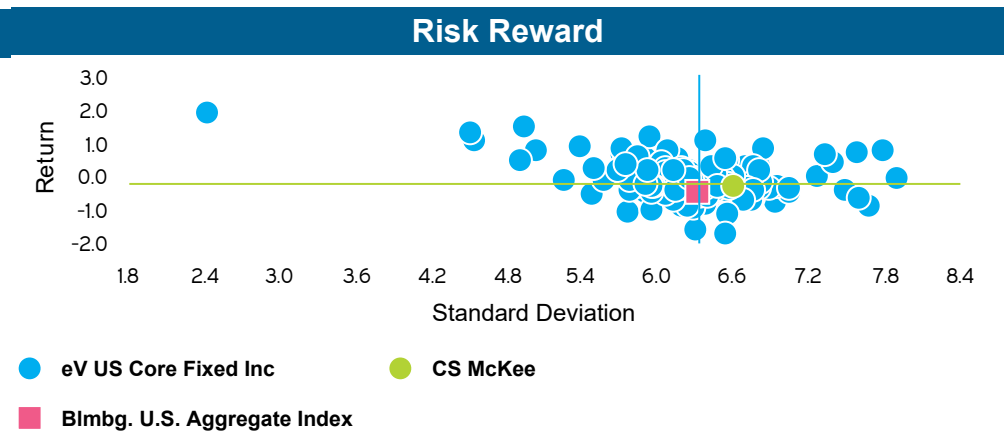
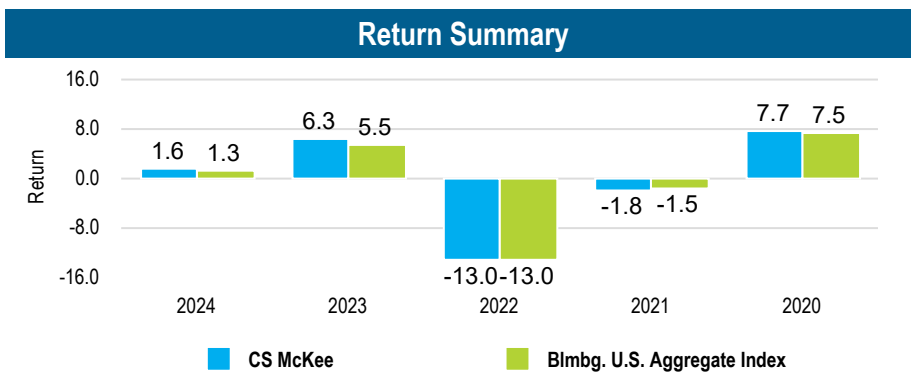
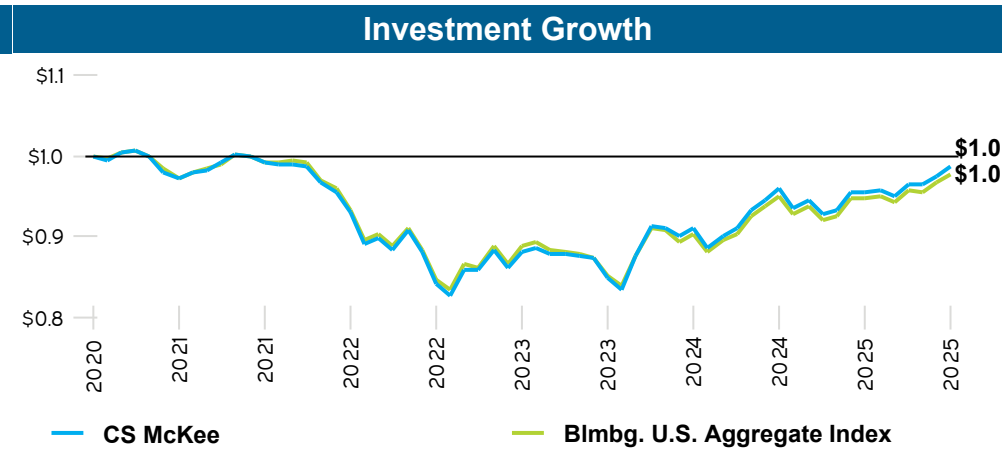
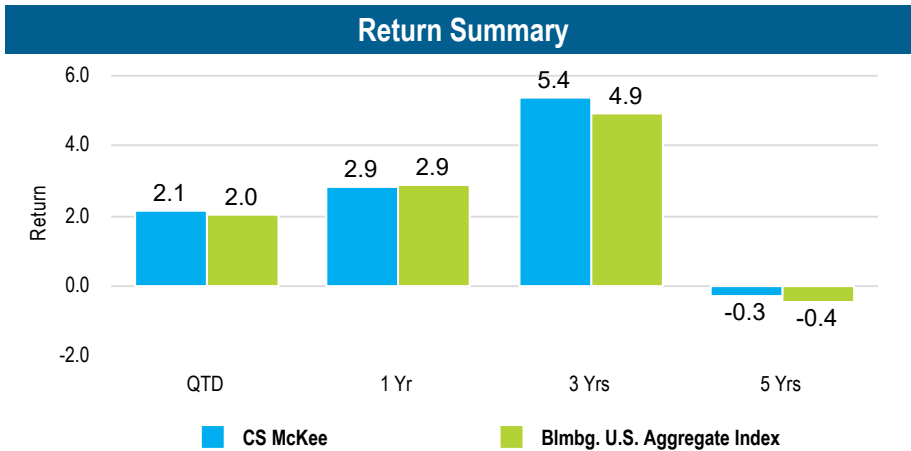
Statistics Summary 5 Years Ending September 30, 2025									
	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Capture	Down Capture	
Parametric Delta Shift	2.1	1.3	0.7	0.8	7.0	0.8	144.5	140.0	
Cboe S&P 500 Buy Write Index	0.0	1.0	-	0.7	0.0	1.0	100.0	100.0	



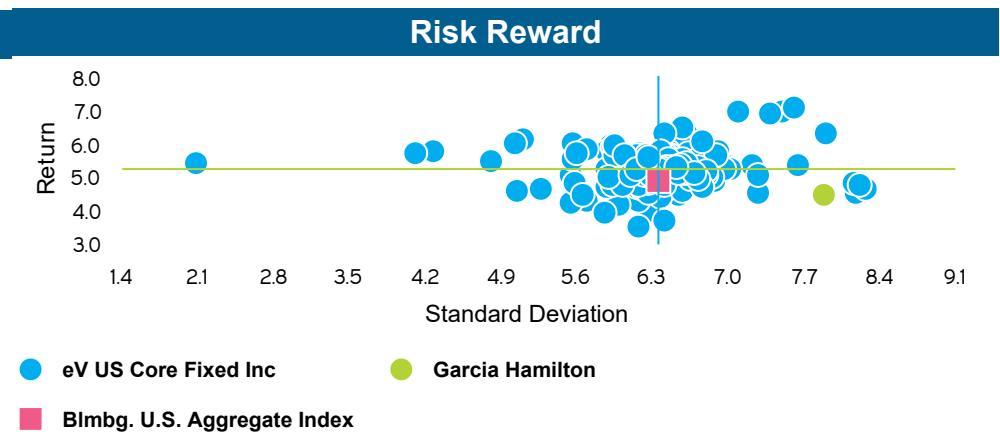
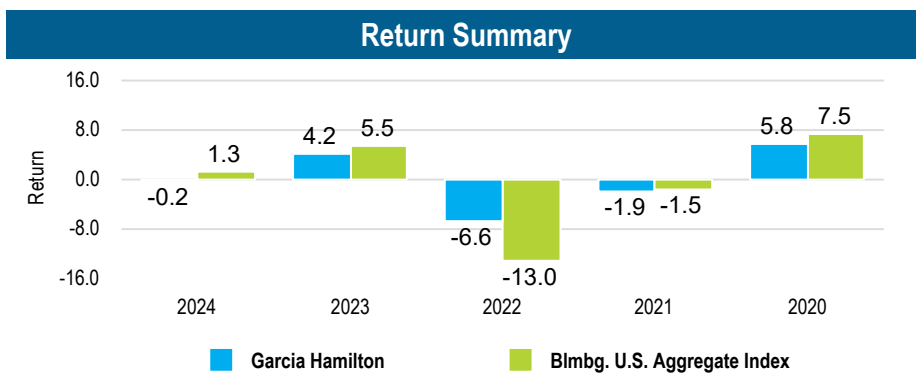
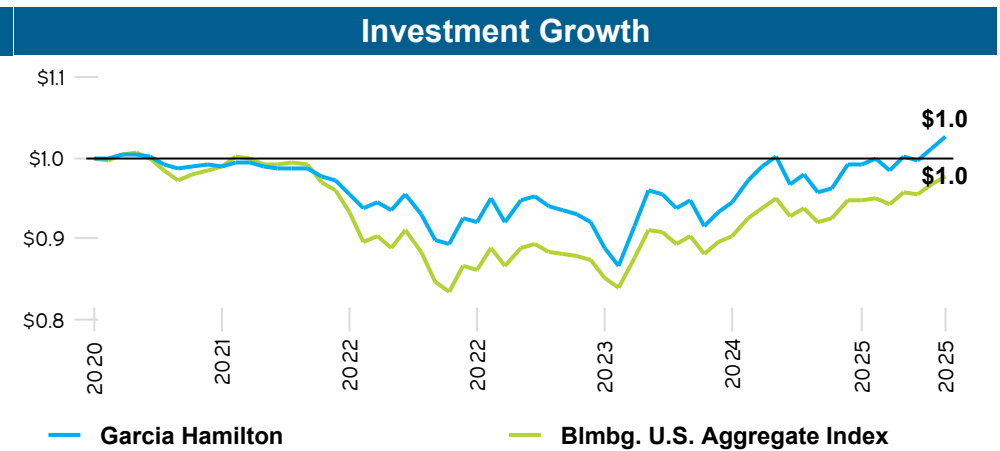
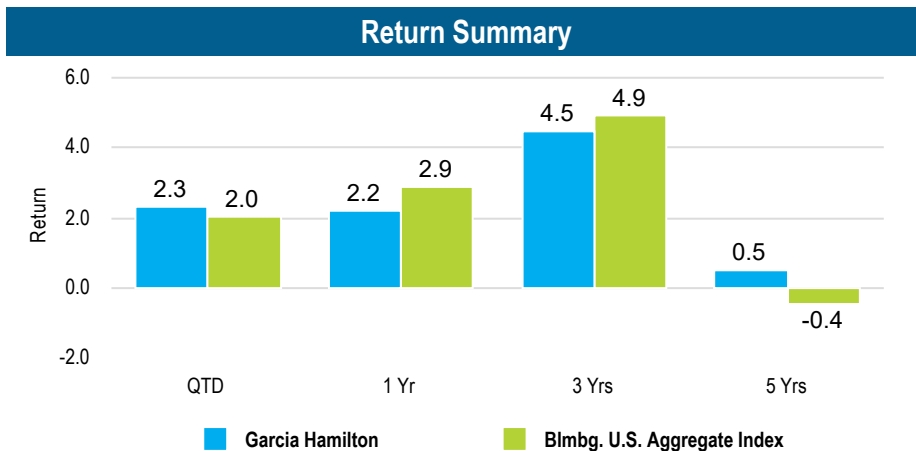
Statistics Summary 5 Years Ending September 30, 2025									
	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Capture	Down Capture	
RREEF America II Lag	-2.5	1.4	-0.3	0.0	3.8	0.9	109.8	166.4	
NCREIF NPI Lag	0.0	1.0	-	0.1	0.0	1.0	100.0	100.0	



Statistics Summary 5 Years Ending September 30, 2025									
	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Capture	Down Capture	
CS McKee	0.2	1.0	0.3	-0.5	0.6	1.0	103.1	100.8	
Blmbg. U.S. Aggregate Index	0.0	1.0	-	-0.5	0.0	1.0	100.0	100.0	

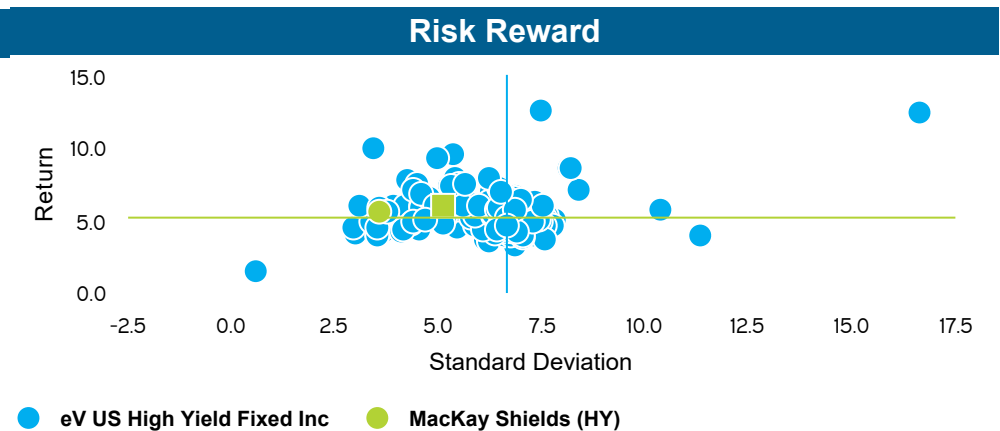
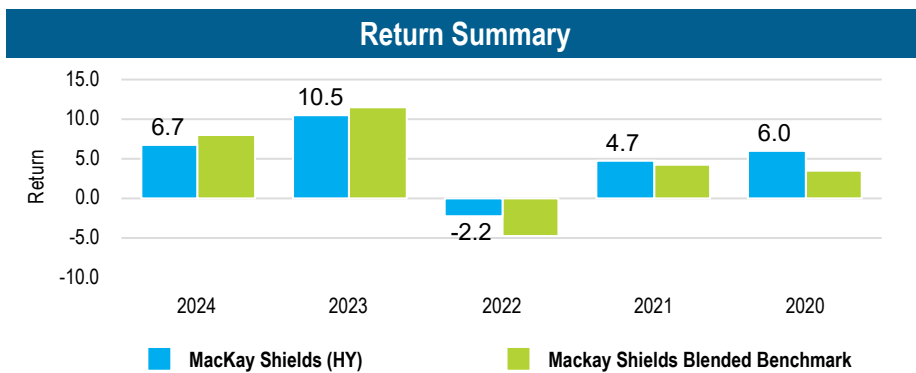
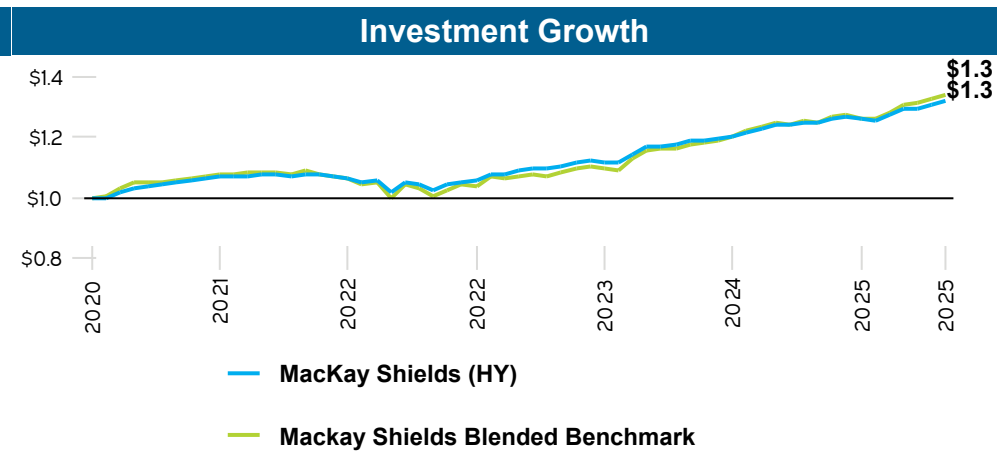
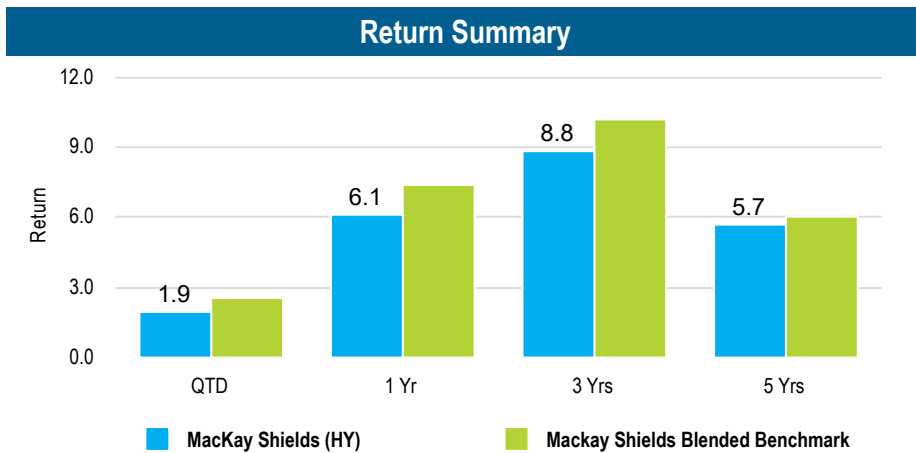


Statistics Summary 5 Years Ending September 30, 2025									
	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Capture	Down Capture	
Garcia Hamilton	1.0	1.0	0.5	-0.3	2.0	0.9	107.3	96.0	
Blmbg. U.S. Aggregate Index	0.0	1.0	-	-0.5	0.0	1.0	100.0	100.0	



Mackay Shields | As of September 30, 2025

Statistics Summary 5 Years Ending September 30, 2025									
	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Capture	Down Capture	
MacKay Shields (HY)	1.5	0.7	-0.2	0.8	1.8	0.9	79.4	58.0	
Mackay Shields Blended Benchmark	0.0	1.0	-	0.6	0.0	1.0	100.0	100.0	

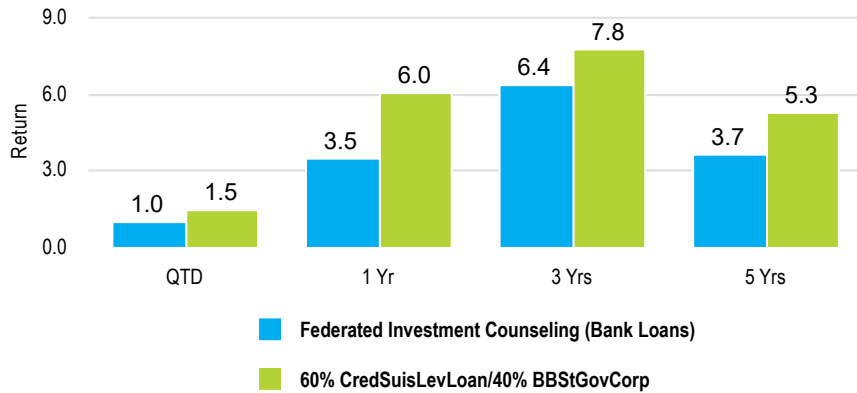


### Federated Investment Counseling (Bank Loans) | As of September 30, 2025

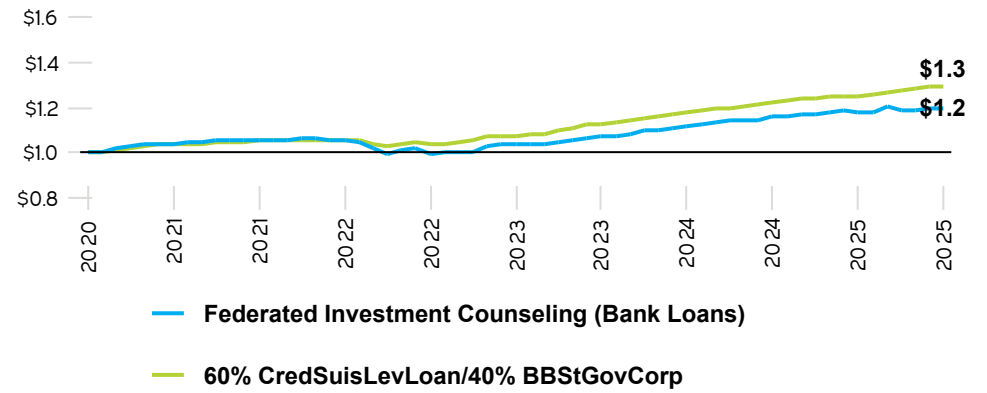
#### Statistics Summary 5 Years Ending September 30, 2025

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Capture	Down Capture
Federated Investment Counseling (Bank Loans)	-3.2	1.3	-1.0	0.2	1.6	0.8	88.5	192.1
60% CredSuisLevLoan/40% BBStGovCorp	0.0	1.0	-	1.2	0.0	1.0	100.0	100.0

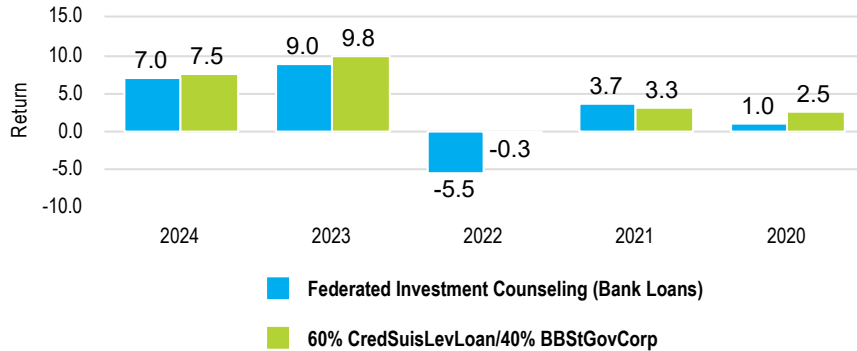
#### Return Summary



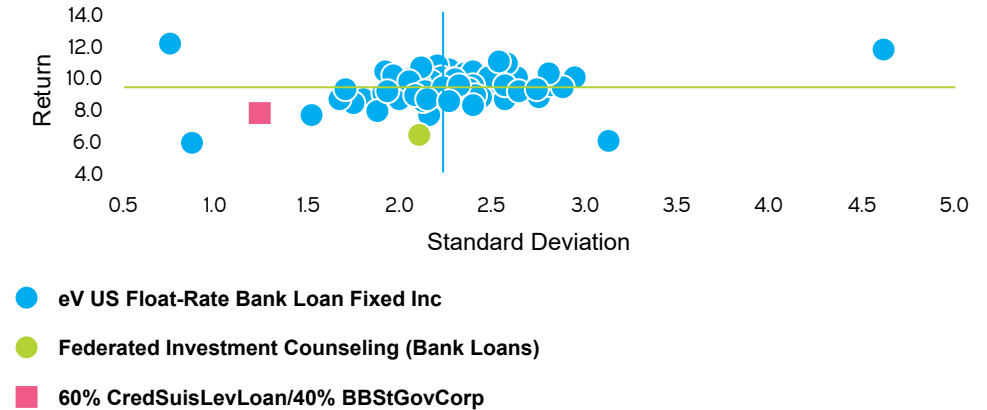
#### Investment Growth



#### Return Summary



#### Risk Reward



Benchmark History		
From Date	To Date	Benchmark
<b>EBMUDERS Total Plan Composite</b>		
07/01/2025	Present	35.0% Russell 3000 Index, 7.5% Cboe S&P 500 Buy Write Index, 25.0% MSCI AC World ex USA index, 20.0% Blmbg. U.S. Aggregate Index, 5.0% Blmbg. U.S. Corp: High Yield Index, 5.0% S&P UBS Leveraged Loans, 2.5% NCREIF NPI Lag
10/01/2024	06/30/2025	33.5% Russell 3000 Index, 14.0% Cboe S&P 500 Buy Write Index, 25.0% MSCI AC World ex USA index, 20.0% Blmbg. U.S. Aggregate Index, 2.5% Blmbg. U.S. Corp: High Yield Index, 2.5% S&P UBS Leveraged Loans, 2.5% NCREIF NPI Lag
02/01/2023	09/30/2024	25.0% Russell 3000 Index, 20.0% Cboe S&P 500 Buy Write Index, 25.0% MSCI AC World ex USA index, 20.0% Blmbg. U.S. Aggregate Index, 2.5% ICE BofA ML US Corp Cash Pay BB-B 1-5Yr, 2.5% 60% CredSuisLevLoan/40% BBStGovCorp, 2.5% NCREIF NPI Lag, 2.5% FTSE NAREIT All Equity REITs
12/01/2019	01/31/2023	25.0% Russell 3000 Index, 20.0% Cboe S&P 500 Buy Write Index, 25.0% MSCI AC World ex USA index, 10.0% Blmbg. U.S. Aggregate Index, 10.0% Blmbg. Intermed. U.S. Government/Credit, 2.5% ICE BofA ML US Corp Cash Pay BB-B 1-5Yr, 2.5% 60% CredSuisLevLoan/40% BBStGovCorp, 2.5% NCREIF NPI Lag, 2.5% FTSE NAREIT All Equity REITs
03/01/2019	11/30/2019	25.0% Russell 3000 Index, 20.0% Cboe S&P 500 Buy Write Index, 25.0% MSCI AC World ex USA index, 15.0% Blmbg. U.S. Aggregate Index, 5.0% Bloomberg U.S. Gov/Credit 1-3 Year Index, 2.5% ICE BofA ML US Corp Cash Pay BB-B 1-5Yr, 2.5% 60% CredSuisLevLoan/40% BBStGovCorp, 2.5% NCREIF NPI Lag, 2.5% FTSE NAREIT All Equity REITs
07/01/2018	02/28/2019	25.0% Russell 3000 Index, 20.0% Cboe S&P 500 Buy Write Index, 25.0% MSCI AC World ex USA index, 15.0% Blmbg. U.S. Aggregate Index, 5.0% Bloomberg U.S. Gov/Credit 1-3 Year Index, 2.5% Blmbg. U.S. High Yield 1-5 Yr Cash Pay 2%, 2.5% Morningstar LSTA U.S. Performing Loans, 2.5% NCREIF NPI Lag, 2.5% FTSE NAREIT All Equity REITs
04/01/2014	06/30/2018	40.0% Russell 3000 Index, 20.0% Cboe S&P 500 Buy Write Index, 15.0% MSCI AC World ex USA index, 10.0% Blmbg. U.S. Aggregate Index, 5.0% Bloomberg U.S. Gov/Credit 1-3 Year Index, 2.5% Blmbg. U.S. High Yield 1-5 Yr Cash Pay 2%, 2.5% Morningstar LSTA U.S. Performing Loans, 2.5% NCREIF NPI Lag, 2.5% FTSE NAREIT All Equity REITs
03/01/2014	03/31/2014	40.0% Russell 3000 Index, 20.0% Cboe S&P 500 Buy Write Index, 15.0% MSCI AC World ex USA index, 15.0% Blmbg. U.S. Aggregate Index, 2.5% Blmbg. U.S. High Yield 1-5 Yr Cash Pay 2%, 2.5% Morningstar LSTA U.S. Performing Loans, 2.5% NCREIF NPI Lag, 2.5% FTSE NAREIT All Equity REITs
11/01/2011	02/28/2014	50.0% Russell 3000 Index, 20.0% MSCI AC World ex USA index, 25.0% Blmbg. U.S. Universal Index, 2.5% NCREIF NPI Lag, 2.5% FTSE NAREIT All Equity REITs
01/01/2008	10/31/2011	50.0% Russell 3000 Index, 20.0% MSCI AC World ex USA index, 25.0% Blmbg. U.S. Universal Index, 5.0% NCREIF NPI Lag
01/01/2007	12/31/2007	50.0% Russell 3000 Index, 20.0% MSCI AC World ex USA index, 25.0% Blmbg. U.S. Aggregate Index, 5.0% NCREIF NPI Lag
10/01/2005	12/31/2006	50.0% Russell 3000 Index, 20.0% MSCI EAFE (Net), 25.0% Blmbg. U.S. Aggregate Index, 5.0% NCREIF NPI Lag
04/01/2005	09/30/2005	30.0% S&P 500 Index, 10.0% S&P MidCap 400 Index, 10.0% Russell 2000 Index, 20.0% MSCI EAFE (Net), 25.0% Blmbg. U.S. Aggregate Index, 5.0% NCREIF NPI Lag
09/01/1998	03/31/2005	10.0% Russell 2000 Index, 33.0% S&P 500 Index, 10.0% S&P MidCap 400 Index, 30.0% Blmbg. U.S. Aggregate Index, 17.0% MSCI EAFE (Net)

## Benchmark History | As of September 30, 2025

From Date	To Date	Benchmark
07/01/1978	08/31/1998	30.0% S&P 500 Index, 30.0% Blmbg. U.S. Aggregate Index, 5.0% FTSE 3 Month T-Bill, 15.0% MSCI EAFE (Net), 5.0% NCREIF NPI Lag, 15.0% Wilshire 5000 Total Market Index
<b>fixed Income Composite</b>		
10/01/2024	Present	80.0% Blmbg. U.S. Aggregate Index, 10.0% S&P UBS Leveraged Loans, 10.0% Blmbg. U.S. Corp: High Yield Index
02/01/2023	09/30/2024	80.0% Blmbg. U.S. Aggregate Index, 10.0% 60% CredSuisLevLoan/40% BBStGovCorp, 10.0% ICE BofA ML US Corp Cash Pay BB-B 1-5Yr
12/01/2019	01/31/2023	40.0% Blmbg. Intermed. U.S. Government/Credit, 40.0% Blmbg. U.S. Aggregate Index, 10.0% 60% CredSuisLevLoan/40% BBStGovCorp, 10.0% ICE BofA ML US Corp Cash Pay BB-B 1-5Yr
03/01/2019	11/30/2019	20.0% Bloomberg U.S. Gov/Credit 1-3 Year Index, 60.0% Blmbg. U.S. Aggregate Index, 10.0% 60% CredSuisLevLoan/40% BBStGovCorp, 10.0% ICE BofA ML US Corp Cash Pay BB-B 1-5Yr
07/01/2018	02/28/2019	20.0% Bloomberg U.S. Gov/Credit 1-3 Year Index, 60.0% Blmbg. U.S. Aggregate Index, 10.0% Morningstar LSTA U.S. Performing Loans, 10.0% Blmbg. U.S. High Yield 1-5 Yr Cash Pay 2%
04/01/2014	06/30/2018	25.0% Bloomberg U.S. Gov/Credit 1-3 Year Index, 50.0% Blmbg. U.S. Aggregate Index, 12.5% Morningstar LSTA U.S. Performing Loans, 12.5% Blmbg. U.S. High Yield 1-5 Yr Cash Pay 2%
03/01/2014	03/31/2014	75.0% Blmbg. U.S. Aggregate Index, 12.5% Morningstar LSTA U.S. Performing Loans, 12.5% Blmbg. U.S. High Yield 1-5 Yr Cash Pay 2%
01/01/2008	02/28/2014	100.0% Blmbg. U.S. Universal Index
01/01/1976	12/31/2007	100.0% Blmbg. U.S. Aggregate Index
<b>Fixed Income Core Fixed Income Composite</b>		
02/01/2023	Present	100.0% Blmbg. U.S. Aggregate Index
12/01/2019	01/31/2023	50.0% Blmbg. Intermed. U.S. Government/Credit, 50.0% Blmbg. U.S. Aggregate Index
<b>Fixed Income Non-Core Fixed Income Composite</b>		
10/01/2024	Present	50.0% S&P UBS Leveraged Loans, 50.0% Blmbg. U.S. Corp: High Yield Index
12/01/2019	09/30/2024	50.0% 60% CredSuisLevLoan/40% BBStGovCorp, 50.0% ICE BofA ML US Corp Cash Pay BB-B 1-5Yr
03/01/2019	11/30/2019	50.0% Bloomberg U.S. Gov/Credit 1-3 Year Index, 25.0% 60% CredSuisLevLoan/40% BBStGovCorp, 25.0% ICE BofA ML US Corp Cash Pay BB-B 1-5Yr
03/01/2014	02/28/2019	50.0% Bloomberg U.S. Gov/Credit 1-3 Year Index, 25.0% Morningstar LSTA U.S. Performing Loans, 25.0% Blmbg. U.S. High Yield 1-5 Yr Cash Pay 2%
<b>Core Private Real Estate</b>		
10/01/2024	Present	100.0% NCREIF NPI Lag
11/01/2011	09/30/2024	50.0% NCREIF NPI Lag, 50.0% FTSE NAREIT Equity REIT Index
10/01/1998	10/31/2011	100.0% NCREIF NPI Lag

From Date	To Date	Benchmark
04/01/1978	09/30/1998	100.0% NCREIF Property Index
<b>Fixed Income Blended Benchmarks</b>		
<b>Garcia Hamilton</b>		
02/01/2023	Present	100.0% Blmbg. U.S. Aggregate Index
11/01/2019	01/31/2023	100.0% Blmbg. Intermed. U.S. Government/Credit
<b>MacKay Shields (HY)</b>		
10/01/2024	Present	100.0% Blmbg. U.S. Corp: High Yield Index
02/01/2019	09/30/2024	100.0% ICE BofA ML US Corp Cash Pay BB-B 1-5Yr
<b>Federated Investment Counseling (Bank Loans)</b>		
10/01/2024	Present	100.0% S&P UBS Leveraged Loans
02/01/2019	09/30/2024	100.0% 60% CredSuisLevLoan/40% BBStGovCorp

### Benchmark History

From Date	To Date	Benchmark
<b>Core Private Real Estate</b>		
10/01/2024	Present	100.0% NCREIF NPI Lag
11/01/2011	09/30/2024	50.0% NCREIF NPI Lag, 50.0% FTSE NAREIT Equity REIT Index
10/01/1998	10/31/2011	100.0% NCREIF NPI Lag
04/01/1978	09/30/1998	100.0% NCREIF Property Index
<b>Fixed Income Blended Benchmarks</b>		
<b>Garcia Hamilton</b>		
02/01/2023	Present	100.0% Blmbg. U.S. Aggregate Index
11/01/2019	01/31/2023	100.0% Blmbg. Intermed. U.S. Government/Credit
<b>MacKay Shields (HY)</b>		
10/01/2024	Present	100.0% Blmbg. U.S. Corp: High Yield Index
02/01/2019	09/30/2024	100.0% ICE BofA ML US Corp Cash Pay BB-B 1-5Yr
<b>Federated Investment Counseling (Bank Loans)</b>		
10/01/2024	Present	100.0% S&P UBS Leveraged Loans
02/01/2019	09/30/2024	100.0% 60% CredSuisLevLoan/40% BBStGovCorp

## **Manager Watch Screens**

Manager Performance			
	QTD	1 Yr	3 Yrs
Northern Trust Russell 3000	8.2	17.3	24.1
Russell 3000 Index	8.2	17.4	24.1

#### 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)

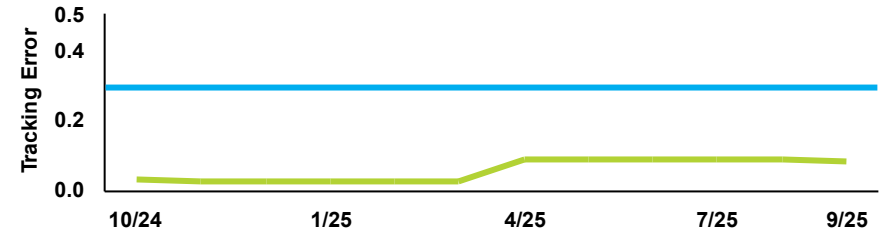
Fund annualized return < benchmark annualized return -0.40% for 6 consecutive months

Current Status: **Acceptable**

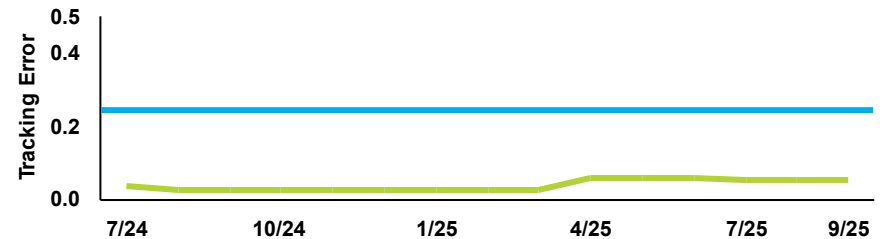
Overall Status:

**Acceptable**

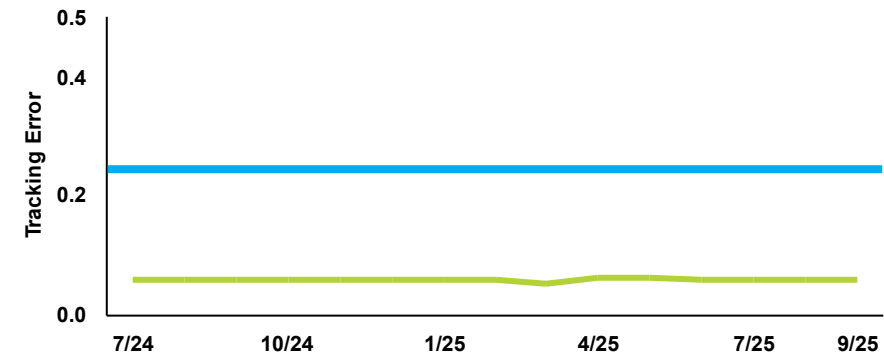
Short-Term Performance Evaluation



Medium-Term Performance Evaluation



Medium-Term Performance Evaluation



Manager Performance				
	QTD	1 Yr	3 Yrs	5 Yrs
Northern Trust ACWI ex US	7.0	17.0	21.2	10.5
MSCI AC World ex USA index	7.0	17.1	21.3	10.8

#### Short-Term Criteria (rolling 12-month periods)

Tracking Error > 1.75% for 6 consecutive months

Current Status: **Acceptable**

#### Medium-Term Criteria (rolling 36-month periods)

Tracking Error > 1.5% for 6 consecutive months

Current Status: **Acceptable**

#### Long-Term Criteria (60+ months)

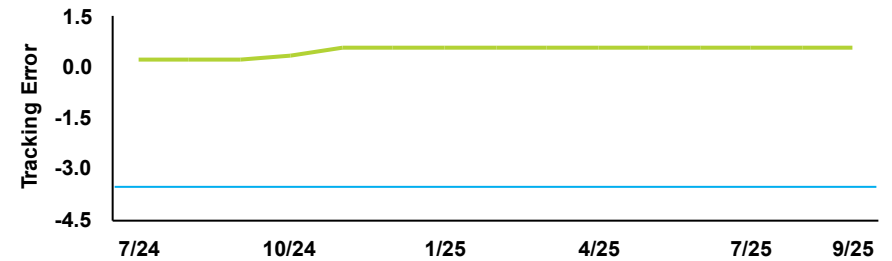
Fund annualized return < benchmark annualized return -0.50% for 6 consecutive months

Current Status: **Acceptable**

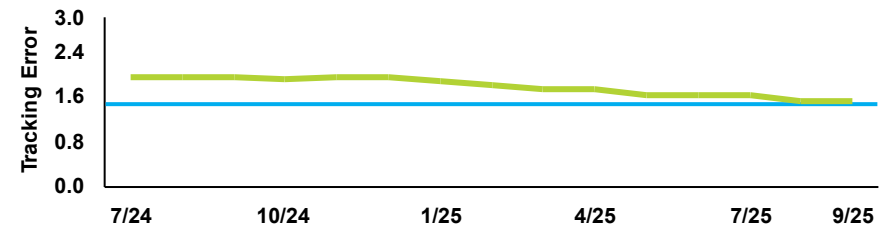
Overall Status:

**Acceptable**

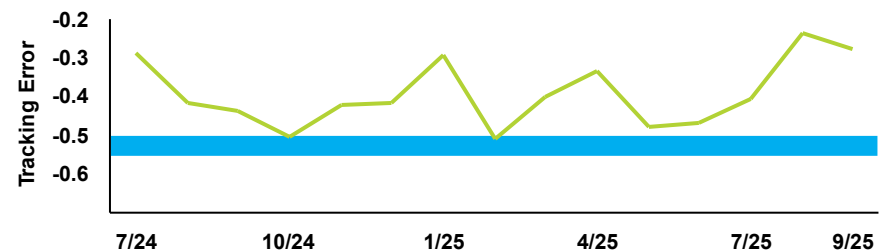
#### Short-Term Performance Evaluation



#### Medium-Term Performance Evaluation



#### Long-Term Performance Evaluation



— Northern Trust ACWI ex US

■ Threshold

Manager Performance				
	QTD	1 Yr	3 Yrs	5 Yrs
Parametric BXM	2.4	7.1	14.0	10.1
Cboe S&P 500 Buy Write Index	3.5	8.1	13.6	9.5

#### 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)

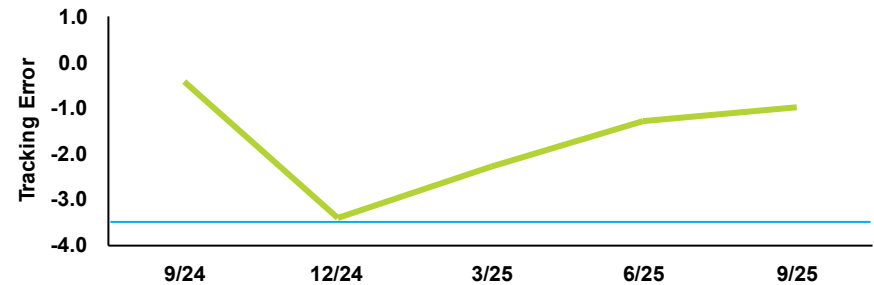
VRR < 0.97 for 6 consecutive months

Current Status: **Acceptable**

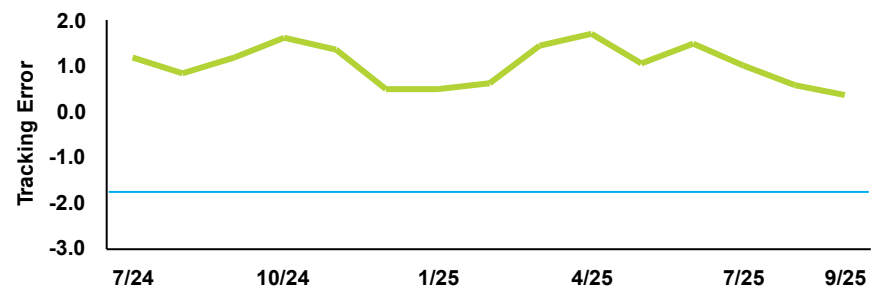
Overall Status:

**Acceptable**

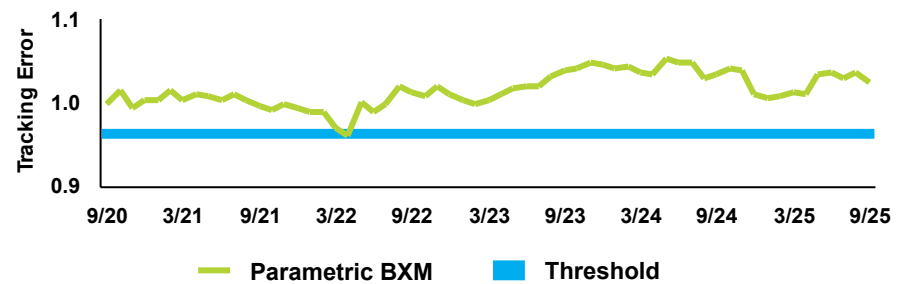
#### Short-Term Performance Evaluation



#### Medium-Term Performance Evaluation



#### Long-Term Performance



Manager Performance				
	QTD	1 Yr	3 Yrs	5 Yrs (%)
Parametric Delta Shift	6.2	14.3	21.1	14.2
Cboe S&P 500 Buy Write Index	3.5	8.1	13.6	9.5

#### 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)

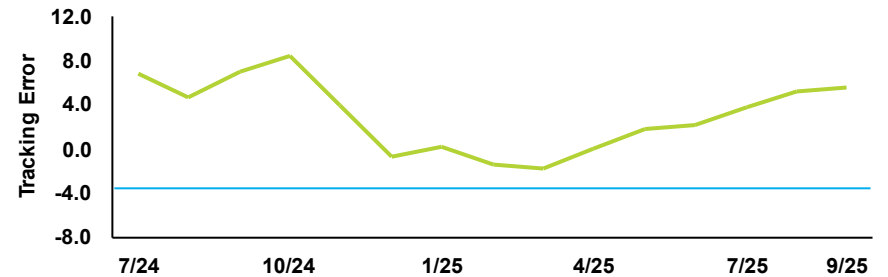
VRR < 0.97 for 6 consecutive months

Current Status: **Acceptable**

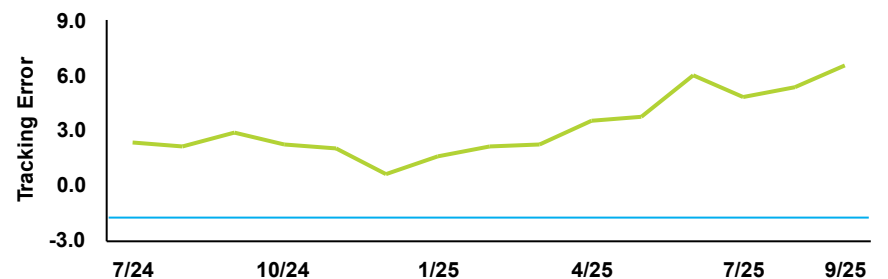
Overall Status:

**Acceptable**

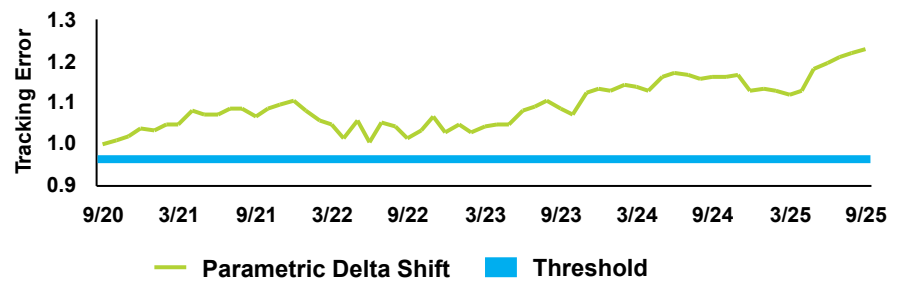
#### Short-Term Performance Evaluation



#### Medium-Term Performance Evaluation



#### Long-Term Performance Evaluation



Manager Performance				
	QTD	1 Yr	3 Yrs	5 Yrs
CS McKee	2.1	2.9	5.4	-0.3
Bimbg. U.S. Aggregate Index	2.0	2.9	4.9	-0.4

### 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)

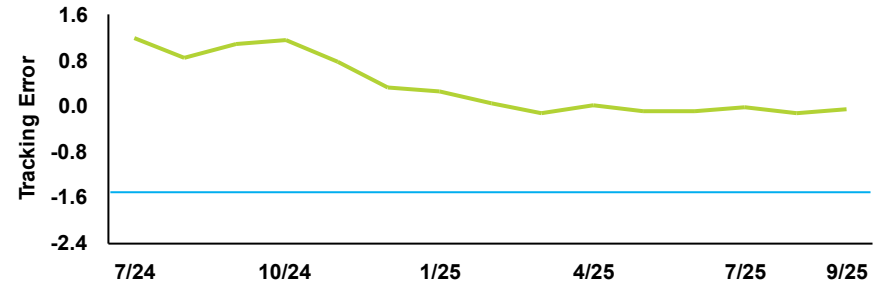
VRR < 0.98 for 6 consecutive months

Current Status: **Acceptable**

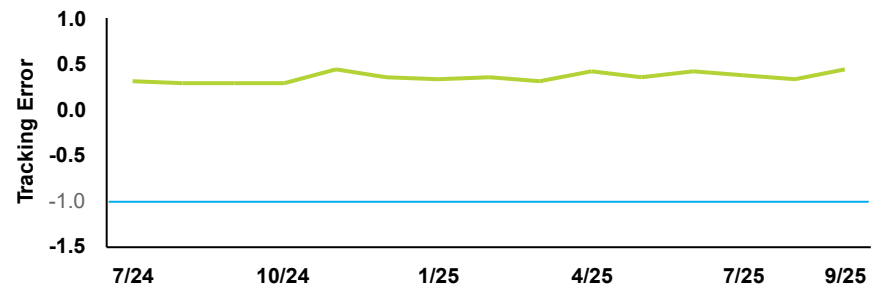
Overall Status:

**Acceptable**

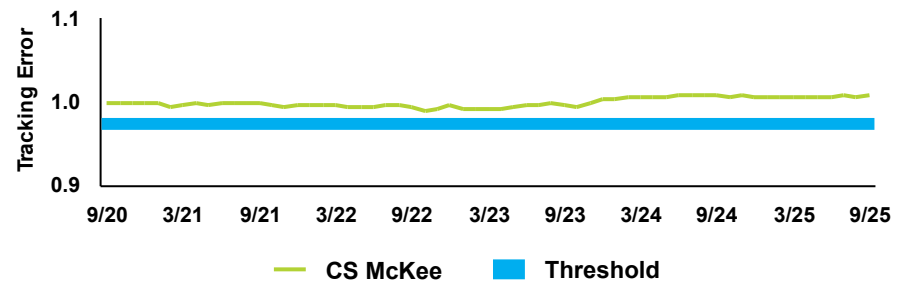
Short-Term Performance Evaluation



Medium-Term Performance Evaluation



Long-Term Performance



Manager Performance			
	QTD	1 Yr	3 Yrs
Garcia Hamilton	2.3	2.2	4.5
Bimbg. U.S. Aggregate Index	2.0	2.9	4.9

### 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)

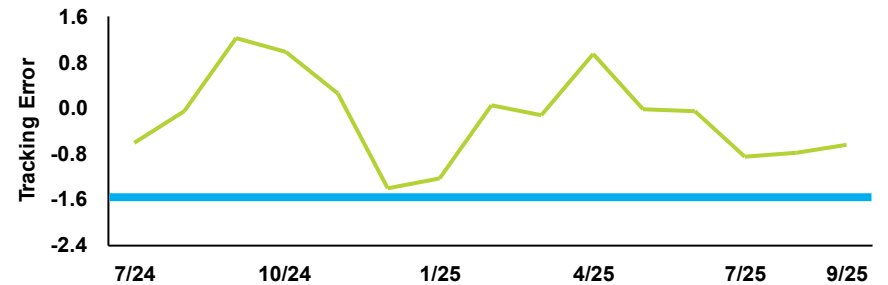
VRR < 0.98 for 6 consecutive months

Current Status: **Acceptable**

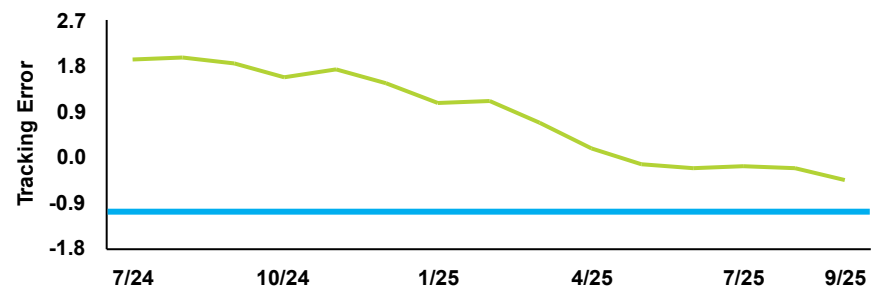
### Overall Status:

**Acceptable**

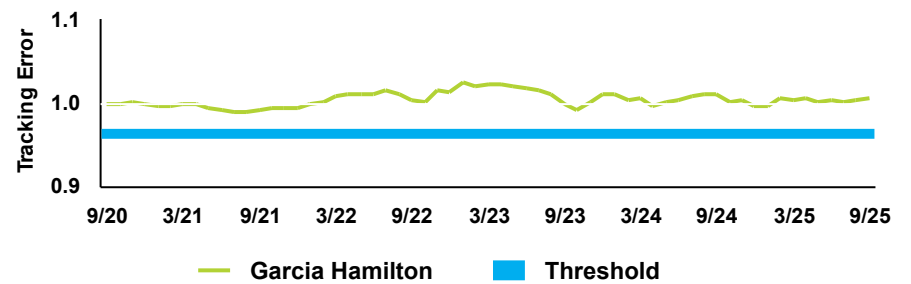
#### Short-Term Performance Evaluation



#### Medium-Term Performance Evaluation



#### Long-Term Performance



Manager Performance			
	QTD	1 Yr	3 Yrs
Mackay Shields (HY)	1.9	6.1	8.8
ICE BofA ML US Corp Cash Pay BB-B 1-5Yr	-	-	-

#### 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)

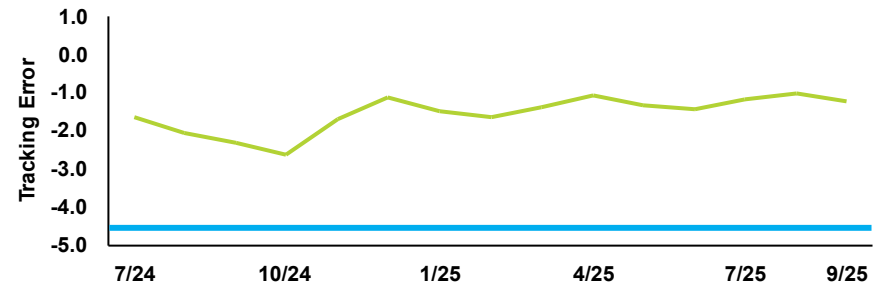
VRR < 0.97 for 6 consecutive months

Current Status: Not Applicable

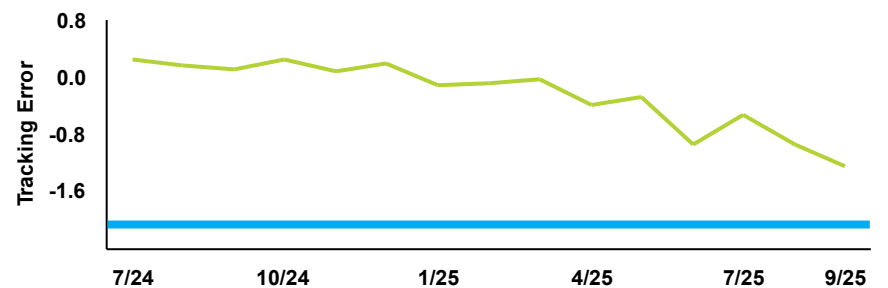
Overall Status:

**Acceptable**

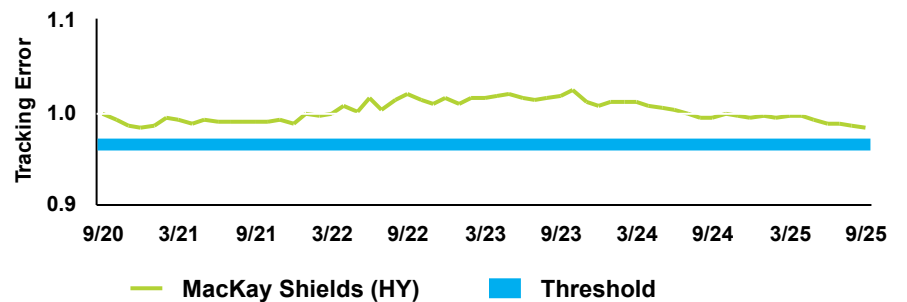
#### Short-Term Performance Evaluation



#### Medium-Term Performance Evaluation



#### Long-Term Performance



Manager Performance			
	QTD	1 Yr	3 Yrs
Federated Investment Counseling (Bank Loans)	1.0	3.5	6.4
60% CredSuisLevLoan/40% BBStGovCorp	1.5	6.0	7.8

### 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)

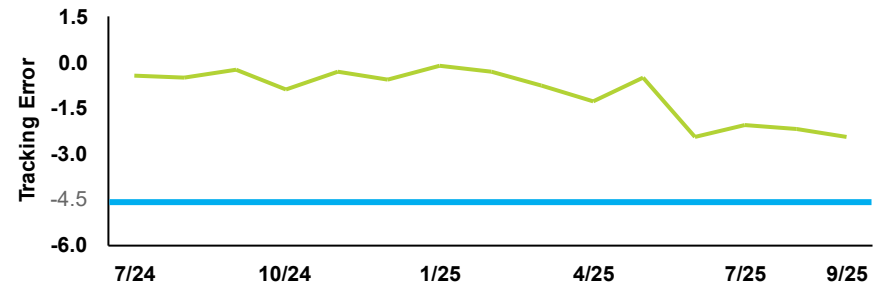
VRR < 0.97 for 6 consecutive months

Current Status: **Acceptable**

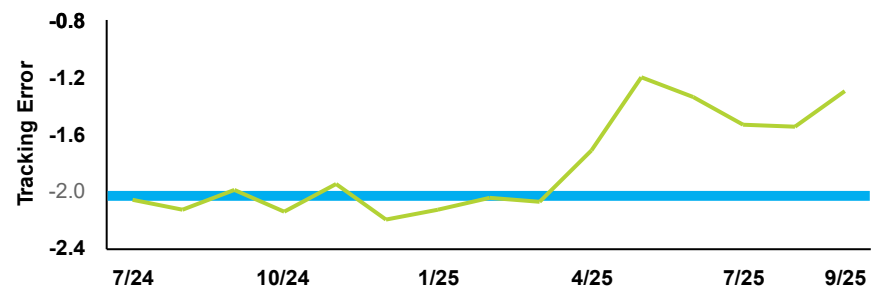
Overall Status:

**Acceptable**

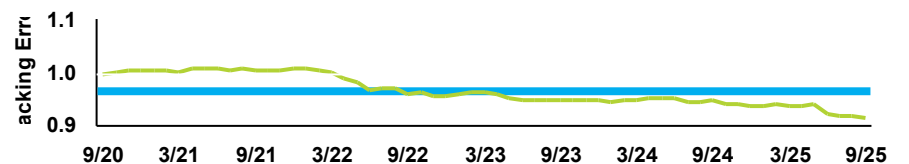
Short-Term Performance Evaluation



Medium-Term Performance Evaluation



Long-Term Performance



— Federated Investment Counseling (Bank Loans)  
 ■ Threshold

### Performance Monitoring Summary

Portfolio	Violation Type (Window) <sup>1</sup>	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 <sup>23</sup>
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--	--	--	--	--	--	--	--

→ No managers are currently on watch.

<sup>1</sup> Defined as: Short-Term (12 months), Medium-Term (36 months), Long-Term (60 months).

<sup>2</sup> Annualized for periods greater than 12 months.

<sup>3</sup> Performance figures not yet available.

### 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 – R3000	Acceptable	Acceptable
Northern Trust – ACWIXUS	Acceptable	Acceptable
Parametric – Delta Shift	Acceptable	Acceptable
CS McKee	Acceptable	Acceptable
Garcia Hamilton	Acceptable	Acceptable
Mackay Shields – Short Term HY	Acceptable	Acceptable
Brigade High Yield	Acceptable	Acceptable
Aristotle Bank Loans	Acceptable	Acceptable
Beach Point Bank Loans	Acceptable	Acceptable

### 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 - 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
Non-US Equity - Passive	Tracking error > 1.75%	Tracking error > 1.5% for 6 consecutive months	Fund annualized return < benchmark annualized return - 0.50% 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	Fund return < benchmark return - 3.5%	Fund annualized return < benchmark annualized return -1.75% 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.

## **Manager Compliance Certification Responses**

**Manager Compliance Certification Responses****Qualitative Compliance Monitoring per EBMUDERS Investment Policy**

Each of EBMUDERS managers is required to respond to a questionnaire on a quarterly basis to certify their compliance with EBMUDERS 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 EBMUDERS mandate
- Significant personnel changes at the management level of the firm
- Material client terminations
- Compliance with EBMUDERS 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 EBMUDERS 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

### Manager Compliance Certification Responses

Manager	Asset Class	Question 1 Compliance with 'Eligible Investments' for mandate	Question 2 Good standing as Registered Investment Advisor	Question 3 Litigation?	Question 4 Changes in manager's investment outlook, strategy, structure	Question 5 Investment team personnel changes	Question 6 Management level personnel changes	Question 7 Material business changes	Question 8 Compliance with IPS
Northern Trust R3000	Domestic Equity – All Cap	Yes	Yes	No	No	No	Yes*	No	Yes
Northern Trust ACWI ex US	International Equity	Yes	Yes	No	No	No	Yes*	No	Yes
Parametric	Covered Calls	Yes	Yes	No	No	No	Yes*	No	Yes
CS McKee	Fixed Income – Core	Yes	Yes	No	No	No	Yes*	No	Yes
Garcia Hamilton	Fixed Income – Core	Yes	Yes	No	No	No	No	No	Yes
Mackay Shields	Fixed Income – Short-term HY	Yes	Yes	No	No	Yes*	Yes*	No	Yes
RREEF	Real Estate	Yes	Yes	No	No	No	No	No	Yes

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

\* see detailed manager response below

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

- As a result of the constantly changing landscape of asset management, we believe the occasional organizational changes are a natural progression and necessary in order to adapt to new market and regulatory environments. The most recent changes to senior personnel are the following:
- September: Anwiti Bahuguna, Ph.D. was promoted to Global Co-CIO serving alongside Global Co-CIO Chris Roth, CFA. She will be a member of the Asset Management Leadership Group, Investment Policy Committee and Risk Committee.
  - September: Mike Hunstad, Ph.D. has been appointed as president of NTAM replacing Daniel Gamba. Mike will join Northern Trust's Management Group and report to Chairman and CEO Mike O'Grady.
  - August Deepika (Dee) Sharma, joined as Head of Multi-asset Model Portfolios. Dee will be leading the build-out and evolution of the model portfolios platform as part of our NTAM's Multi Asset group.

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

- Jim Reber, Managing Director, and Geoff Longmeier, Managing Director, retired from Parametric in August 2025. Jim joined Parametric in February 2004 and managed the Large Case Custom Core team and the Institutional CPM team. Geoff joined Parametric in January 2005 and managed the Global Equities PM team.

CS McKee

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

→ Former President of CS McKee, Mark Gensheimer, retired 9/30/2025.

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

- Kevi Begolli is a Director on the High Yield Team, where she follows the telecommunications and media sectors. Prior to joining MacKay Shields in 2025, Kevi was a Senior Credit Analyst at M&G Investments covering TMT. Prior to M&G she worked for Fidelity Investments International as a Credit Analyst. Kevi received a BCom in finance and economics from the University of Toronto. She has been working in the investment industry since 2014.

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

- On September 9, 2025, New York Life announced the combination of its general account (NYL Investors) and 3rd party asset management businesses (NYLIM) effective January 1, 2026. The public fixed income team of NYL Investors will report to Alison Micucci, MacKay Shields' CEO and Head of U.S. Public Markets, and ultimately is expected to join MacKay Shields. There are no planned changes to investment or decision-making processes, or portfolio management responsibilities for any team within MacKay Shields.

**Required California AB 2833 Disclosure – RREEF AMERICA II**

Effective January 1, 2017 RREEF America REIT II, Inc. (“alternative investment vehicle”) is required to provide to the East Bay Municipal Utility District (“public investment fund” or “District”) specific information at least annually pursuant to Section 7514.7 of the California Government Code (“Section 7514.7”).

1. The fees and expenses that the public investment fund pays directly to the alternative investment vehicle, the fund manager, or related parties.
  - EBMUD: includes intermediate and partnership fees – January 2024 – December 2024 = \$509,593.04
2. The public investment fund’s pro rata share of fees and expenses not included in paragraph (1) that are paid from the alternative investment vehicle to the fund manager or related parties.

\$0.00
3. The public investment fund’s pro rata share of carried interest distributed to the fund manager or related parties.

N/A
4. The public investment fund’s pro rata share of aggregate fees and expenses paid by all of the portfolio companies held within the alternative investment vehicle to the fund manager or related parties.
  - EBMUD: includes intermediate and partnership fees – January 2024 – December 2024 = \$509,593.04
5. Any additional information described in subdivision (b) of Section 6254.26.

N/A
6. The gross and net rate of return of each alternative investment vehicle since inception.

Gross = 5.7%    Net = 4.8% (as of December 31, 2024)<sup>1</sup>
7. Any other information required to be collected pursuant to Section 7514.7.

N/A

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<sup>1</sup>Please note that since inception returns provided represent the client’s time frame in the Fund, and not the returns of the Fund as a whole.

# Appendix

**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.

**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.

**Value Relative Ratio (VRR):** Performance metric used to evaluate long-term manager performance relative to a benchmark and to highlight compounded over/under performance data over a certain time frame. VRR is calculated by the growth of a dollar invested with the manager divided by the growth of a dollar invested in the benchmark for the same time period.

**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. Meketa 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 – Meketa Market Sentiment Indicator**

#### **What is the Meketa Market Sentiment Indicator (MMSI)?**

The MMSI 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 MMSI takes into account the momentum<sup>1</sup> (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 Meketa Market Sentiment Indicator (MMSI) graph?**

Simply put, the MMSI 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 MMSI 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 MMSI. The degree of the signal above or below the neutral reading is an indication the signal's current strength.

#### **How is the Meketa Market Sentiment Indicator (MMSI) Constructed?**

The MMSI 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 Meketa Market Sentiment Indicator (MMSI) mean? Why might it be useful?**

There is strong evidence that time series momentum is significant and persistent.<sup>2</sup> 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 MMSI is

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<sup>1</sup> 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.

<sup>2</sup> "Time Series Momentum" Moskowitz, Ooi, Pedersen, August 2010 <http://pages.stern.nyu.edu/~lpederse/papers/TimeSeriesMomentum.pdf>

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.

THIS REPORT (THE "REPORT") HAS BEEN PREPARED FOR THE SOLE BENEFIT OF THE INTENDED RECIPIENT (THE "RECIPIENT").

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## EAST BAY MUNICIPAL UTILITY DISTRICT

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DATE: November 20, 2025

MEMO TO: Members of the Retirement Board

FROM: Sophia D. Skoda, Director of Finance *SDS*

SUBJECT: Portfolio Transition Update – Private Debt RFP

### SUMMARY

The Retirement System's (System's) investment consultant, Meketa, will provide an update on the progress made on the portfolio transition plan.

### DISCUSSION

The attached memo from Meketa provides a detailed update on the transition plan approved by the Retirement Board at the July 18, 2024 meeting following the completion of the Asset Allocation Study in May 2024. This update will cover the request for proposal (RFP) process for the Retirement System's Private Credit mandate.

The transition process consists of five stages, currently Stage 1 and Stage 2 have been completed. Stage 0 consisted of the selection of a transition manager and the transition to new indices for the System's bank loan and high yield strategies. Stage 1 consisted of reducing the System's Covered Calls allocation and eliminating the System's public Real Estate Investment Trust (REIT) allocation, as well as completing the RFP for High Yield and Bank Loans. Stage 1 was completed when the Retirement Board selected one new High Yield manager and two new Bank Loans managers at its March 20, 2025 meeting. Stage 2 which consisted of further reducing the Covered Calls allocation and funding the new High Yield and Bank Loans managers that were selected at the System's March 2025 meeting. This was completed on June 30, 2025. The next stage, Stage 3, will be focused on further winding down the Retirement System's remaining Covered Calls allocation, increasing the High Yield allocation and selecting and funding Private Debt managers.

This update will discuss the process and timeline for the RFP for Private Debt Managers.

SDS:SGL

Attachment: Memo – Private Debt Manager Search Process/Timeline

## MEMORANDUM

**TO:** East Bay Municipal Utility District Employees' Retirement System ("EBMUDERS")  
**FROM:** Meketa Investment Group, Inc ("Meketa")  
**DATE:** November 20, 2025  
**RE:** Private Debt Manager Search Process/Timeline

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### Discussion

At the completion of the 2024 Asset-Liability Study, the Board selected new long-term strategic allocation policy targets. This new portfolio construct includes a 5% allocation to Private Debt. Based on the Evolving Policy Plan, these targets are expected to be achieved by the end of the second quarter of 2026. As discussed during two educational presentations in 2025, the allocation is expected to be implemented via open-end/evergreen vehicle structures.

### RFP

During the month of September, Meketa and Staff developed an RFP for the Private Debt manager search. This RFP was customized for the potential mandate with EBMUDERS, including specific questions related to ESG and DEI topics.

The RFP was publicly released on September 18, 2025.

### Review Process

The deadline for RFP submissions was October 17, 2025. Forty-one responses from thirty-eight managers were received, of which six are commonly used among Meketa clients with similar objectives and constraints as EBMUDERS.. Meketa has also negotiated favorable terms with three of those managers. As discussed during the education process, the open-end/evergreen market segment has been rapidly expanding in recent years, and this is reflected in the high number of quality responses. Meketa is conducting an initial review of the responses with the goal of narrowing the universe of potential firms down to a more reasonable number. At this point, Staff will be involved in the review of the subset of firms in order to collectively land at a recommended finalist group for the Board to interview. It is anticipated that the Board will interview 2-4 managers. Full details of the review process will be provided to the Board during the finalist interview process.

### Board Interview Process

Meketa and Staff expect to bring finalists to the EBMUDERS Retirement Board meeting on January 23, 2026.

### Conclusion

The preceding section highlights the current plan/timeline for the Private Debt manager search process. This process can be modified by the Board, if desired, to reflect the Board's preferences.

## Appendix – Manager Responses

Firm/Management Company	
ACRES Capital, LLC	Hamilton Lane Advisors, LLC
Apollo Asset Management, Inc.	H.I.G. Capital
Arcmont Asset Management Limited	HPS Investment Partners, LLC
Ares Management	ITE Management, L.P.
Audax Management Company	Jeffries Finance LLC
Bain Capital Credit, LP	KKR Credit Advisors (US) LLC*
Barings LLC	Livello Capital Management LP
Blue Owl Capital Inc.	Magnetar Capital Partners LP
Canyon Partners, LLC	Varagon Capital Partners
The Carlyle Group	MC Credit Partners LP
Castlelake, L.P.	MCG Investment Group
Cerberus Capital Management, L.P.	Neuberger Berman Alternative Advisors LLC
Chruchill Asset Management, LLC	NXT Capital, LLC
CIFC Asset Management LLC	OHA Private Credit Advisors LLC
Crescent Capital Group LP	Pacific Investment Management Company LLC
Deerpath Capital Management, LP	Silver Point Capital, L.P.
EnTrust Global Partners Offshore, LP*	StepStone Group Private Debt LLC
Fortress Investment Group LLC	TPG Inc.*
Golub Capital LLC	Willow Tree Capital Corp Advisors LLC

\* Indicates managers who submitted multiple strategies.

## EAST BAY MUNICIPAL UTILITY DISTRICT

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DATE: November 20, 2025

MEMO TO: Members of the Retirement Board

THROUGH: Cindy Charan, Director of Human Resources 

FROM: Lisa Sorani, Manager of Employee Services 

SUBJECT: 2026 Retirement Board Meeting Calendar

The following are the proposed dates for 2026 Retirement Board Meetings. Consistent with the Board's long-standing schedule, most of these dates fall on the third Thursday of the odd-numbered months. The Retirement Board approved a resolution allowing the Retirement Board to meet on a different Thursday of the month when the third Thursday conflicts with the District Board meeting. The third Thursday of July 2026 falls in the middle of the Board of Directors' vacation period July 15, 2026, through August 11, 2026. Staff have suggested using the 2<sup>nd</sup> Thursday of July instead in the list below.

- January 22, 2026 – 4<sup>th</sup> Thursday
- March 19, 2026
- May 21, 2026
- July 9, 2026 – 2<sup>nd</sup> Thursday
- September 17, 2026
- November 19, 2026

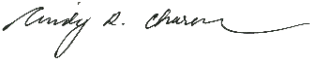
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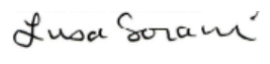
## EAST BAY MUNICIPAL UTILITY DISTRICT

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DATE: November 20, 2025

MEMO TO: Members of the Retirement Board

THROUGH: Cindy Charan, Director of Human Resource 

FROM: Lisa Sorani, Manager of Employee Services 

SUBJECT: Announcing 2026 HIB Value for New 2025 HIB Tier

### BACKGROUND

During the 2025 union negotiations, a new tier of Health Insurance Benefit (HIB) was negotiated. This benefit was authorized by the Board of Directors on July 8, 2025. Those members who retired after July 28, 2025, are eligible to receive this benefit or a percent of this benefit based on their vesting percentage. The January 2026 rate for the Kaiser Senior Low plan, couple coverage will be the base rate for the new benefit tier for calendar 2026.

### SUMMARY

The Retirement Board participated in a HIB study across six Retirement Board meetings between January and July 2024. This work helped to inform options for possible adjustments to the HIB for new retirees. The unions participated in these discussions during the study and then brought a proposal to bargaining.

The final negotiated benefit established an automatic way for the HIB to increase in future years tied to changes in the monthly premium for the District's Kaiser Senior Low health plan. The new benefit is a single value whether the retiree is married or single. There are also limits on the annual change to no more than 3% and no less than 0%. Any values higher than 3% or lower than 0% will apply to a carry forward which could adjust changes in future years. The change also included new employee contributions toward the benefit. Lastly, while the vesting schedule for HIB has historically required 20 years, the new tier allows PEPRAs members to vest after 15 years at a rate of (25% year 5, 50% year 10, and 100% year 15). While the starting value was tied to the value of the Kaiser Senior Low, couple tier premium for January 2026, the unions negotiated that it should be no less than \$605. In the end the premium, and the 2026 max value for the new 2025 HIB tier is \$615.58.

Given the complexity of determining the value of the benefit for this new tier each year, staff will develop a Retirement Board Rule outlining the process for confirming the rate each year. There will be internal staff reviews before the rate is brought to the Retirement Board for final authorization of the new rate. Staff will bring a draft of the new rule will be brought to the

Retirement Board for review next year before finalization.

There is still ongoing work to update Peoplesoft, PensionGold, and Flexible Benefit Administrators (FBA) to track the new HIB tier. The PeopleSoft work will be completed before the first pay period in January in order to collect and track the new employee contributions and increase the HIB value for those members eligible for this 2025 tier of the benefit. The increased value will be submitted to FBA who processes the HIB claims for retirees. The HIB updates in PensionGold have also started, to ensure they can intake the increased employee HIB contributions and track the changing value of the new 2025 HIB tier annually.


January 2026 will be the first month eligible retirees will receive the increased benefit. As stated above, the starting value of the new 2025 HIB Tier for calendar year 2026 is \$615.58.

## **NEXT STEPS**

Staff will present the draft Retirement Board Rule governing the annual rate review and authorization process at the July 2026 Retirement Board meeting.

**EAST BAY MUNICIPAL UTILITY DISTRICT**

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DATE: November 20, 2025  
MEMO TO: Members of the Retirement Board  
FROM: Cindy Charan, Director of Human Resources   
SUBJECT: 2025 Special Election Schedule for Employee Member to the EBMUD Retirement Board

This memo and attachment document outline the 2025 Special Election Schedule for the Employee Member position on the EBMUD Retirement Board, whose term expires in 2026.

Retirement Board member Max Fefer has left the District, resulting in an empty Board seat and requiring a Special Election. The term for the Employee Member position held by Max Fefer will expire on June 23, 2026. The Special Election will be held to fill the seat for the remainder of the current term.

CC:LS

Attachments: 2025 Special Election Schedule for Employee Member to the EBMUD Retirement Board

## 2025 Special Election Schedule for Employee Member to the EBMUD Retirement Board

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The Retirement Board term for employee member Max Fefer will expire June 23, 2026. Mr. Fefer has left the District and a Special Election will be held to fill the seat until the end of the current term. The following dates have been set for the Special Election.

SPECIAL ELECTION SCHEDULE		
Tuesday	November 4	Notice of election is announced.
		Request for Candidacy period opens – all interested candidates must submit a candidacy information form and biography via email to <a href="mailto:RetirementBoardElections@ebmud.com">RetirementBoardElections@ebmud.com</a> by November 13, 2025.
Thursday	November 13	Request for Candidacy period closes.
Monday	November 17	Candidate Biographies received will be sent out to all employees via email from <a href="mailto:RetirementBoardElections@ebmud.com">RetirementBoardElections@ebmud.com</a> with a reminder that a candidate must get 50 nominations (signatures/emails) of support for their name to be included on the final ballot.
		Nominations can be made by sending an email to <a href="mailto:RetirementBoardElections@ebmud.com">RetirementBoardElections@ebmud.com</a> and also copying the candidate on the email by cc'ing the candidate's personal email address. Employees may nominate more than one candidate
Monday	December 1	Nomination Period ends.
Wednesday	December 3	Announcement of final candidates, if only one candidate has 50 nominations, that candidate will take the Retirement Board seat on January 22, 2025.
		If more than one candidate collects the 50 required nominations, the announcement will include their names. The voting will begin and a voting link will be sent via email. The voting link will also be added to Splashpad.
Wednesday	December 10	Deadline to request an absentee ballot.
Wednesday	December 17	Voting Ends. Deadline for online voting.
Friday	December 19	Election results are certified then announced via email to all District Employees and posted on Splashpad.
Friday	January 15	Election results memo to Board of Directors.
Thursday	January 22	Elected employee-member will take seat until June 23, 2026
		Election results on January Retirement Board agenda along with 2025 election cycle announcement.

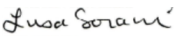
## EAST BAY MUNICIPAL UTILITY DISTRICT

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DATE: November 20, 2025

MEMO TO: Retirement Board

THROUGH: Cindy Charan, Director of Human Resources 

FROM: Lisa Sorani, Manager of Employee Services 

SUBJECT: Review of Historical Retirement Board Election Results

### SUMMARY

The Retirement Board has requested information on historical participation in voting for the Employee and Retiree Retirement Board elections. This review includes results from the period pre-COVID, when all voting was conducted using paper ballots which were mailed employee homes. Today, email is used to distribute nomination notices, and SurveyMonkey is used to collect votes. Staff have reviewed the historical results and summarized the information below.

### DISCUSSION

#### *Pre-COVID Process*

Prior to COVID, when most office employees were sent home to work remotely, election announcements were distributed by email and flyers posted in all work locations. The nomination forms were paper forms filled out with wet signatures and returned via interoffice mail to Human Resources staff. Paper ballots were mailed to employee members' homes. Completed ballots were returned by mail and opened by Employee Services staff, with oversight by other HR team members and occasionally union representatives.

#### *Retiree Elections (Pre-COVID)*

Retiree elections followed a similar process. All materials were mailed to retirees' homes. Wet signatures were required for nomination forms, but only when a nomination occurred.

#### *COVID-Era and Post-COVID Process*

During COVID, the elections transitioned to an all-electronic format for employees and for retirees who had email addresses on file. Notices and nomination information were sent by email, and ballots were cast electronically through SurveyMonkey.

Review of Historical Retirement Board Election Results  
 November 20, 2025  
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**ELECTION DATA 2015-2025**

Year	Seat	Winner	Ballots Cast	Valid Ballots	Candidate Ballots Breakdown	Nominees Breakdown	Members Contacted	Contact Type	Notes
2015	Employee member	Doug Higashi	636	636	Higashi 621; others 15 (write in)	Higashi (at least 50)	1750 Active Employees	Nominations: paper with 50 wet signatures Ballots: mailed to ee home	Re-elected; ran unopposed
2016	Employee member	Tim McGowan	765	744	McGowan 529; Larsen 213, 2 others (write in)	McGowan (at least 50); Larsen (at least 50)	1801 Active Employees	Nominations: paper with 50 wet signatures Ballots: mailed to ee home	Re-elected; minutes record total and valid ballots.
2016	Retiree representative	Lisa Ricketts	507	503	Ricketts 493; others 10 (write in)	Ricketts (at least 50)	1630 Retirees	Nominations: paper with 50 wet signatures Ballots: mailed to ee home	Ran unopposed
2017	Employee member	Doug Higashi	630	630	Higashi 617; others 13 (write in)	Higashi (at least 50)	~1800 All Active Employees	Nominations: paper with 50 wet signatures Ballots: mailed to ee home	Re-elected; minutes do not list vote counts.
2018	Employee member	Tim McGowan	579	579	McGowan 570; others 9 (write in)	McGowan (at least 50)	1807 Active Employees	Nominations: paper with 50 wet signatures Ballots: mailed to ee home	Ran unopposed
2018	Retiree representative	Lisa Ricketts	662	647	Ricketts 641; others 6	Ricketts (at least 50)	1752 retirees	Nominations: paper with 50 wet signatures Ballots: mailed to ee home	Ran unopposed

Review of Historical Retirement Board Election Results

November 20,2025

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Year	Seat	Winner	Ballots Cast	Valid Ballots	Candidate Ballots Breakdown	Nominees Breakdown	Members Contacted	Contact Type	Notes
2019	Employee member	Doug Higashi	618	593	Higashi 581; others 12 (write in)	Higashi (at least 50)	1854 Active Employees	Nominations: paper with 50 wet signatures Ballots: mailed to ee home	Minutes state he received 581 votes. Ran unopposed
2020	Employee member	Tim McGowan	N/A	N/A	N/A	McGowan 155	1910 All Active Employee Emails	Nominations: By email Ballot: none, 1 <sup>st</sup> year no ballot if running unopposed.	Sole nominee with 50 nominations; no ballot counts.
2020	Retiree representative	Elizabeth Grassetti	351	351	Grassetti 263; Van Tassell 88	Grassetti 100; Van Tassell 21	~1750 retirees emailed; 314 retirees mailed	Nomination: by email and mail Ballots: SurveyMonkey, call to staff, or paper if requested.	First Covid-Era Retiree Representative Election.
2021	Employee member	Jae Park (seated after top vote-getter resigned)	427	407	Minn 168; Park 122; Cicala 117	Minn 86; Park 62; McQuarry 16, Cicala 62	~1900 Employee Emails	Nominations: by email Ballot: SurveyMonkey	Minutes: Ken Minn received the most votes but resigned; Jae Park (second highest) was seated.
2022	Employee member	Tim McGowan	N/A	N/A	N/A	McGowan 80; Yulin 16	~1900 Employee Emails	Nominations: By Email Ballot: SurveyMonkey	Yulin withdrew nomination; abbreviated election; no ballot counts in Minutes May 11, 2022
2022	Retiree representative	Elizabeth Grassetti	N/A	N/A	N/A	Grassetti 8	1802 retirees emailed; 258 mailed	Nomination: by email and mail Ballots: none - ran unopposed.	Abbreviated election; sole nominee with five nominations; no ballot counts.
2023	Employee member	Jae Park	N/A	N/A	N/A	Park 57	~1940 Employee Emails	Nominations: By Email Ballot: none - ran unopposed.	Abbreviated election; sole nominee with 50 nominations; no ballot counts.

Review of Historical Retirement Board Election Results  
 November 20,2025  
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Year	Seat	Winner	Ballots Cast	Valid Ballots	Candidate Ballots Breakdown	Nominees Breakdown	Members Contacted	Contact Type	Notes
2024	Employee member	Max Fefer	524	524	Fefer 312; Anderson 135; Rivera 77	Fefer 162; Anderson 101; Rivera 55	~1970 Employee Emails	Nominations: By Email Ballot: SurveyMonkey	Minutes indicate three candidates; Fefer received the most votes. Counts not listed in minutes.
2024	Retiree representative	Elizabeth Grasseti	827	824	Grasseti 501; Leiga 131; Martinez 192	Grasseti 80; Leiga 19; Martinez 28	Retiree Emails 1907 Retiree Mail 262	Nomination: by email and mail Ballots: SurveyMonkey, call to staff, or paper if requested	Special Election (for group of 380 retirees who missed ballots. Total cast added 13 votes, 12 of which were valid.
2025	Employee member	Jae Park	351	335	Park 256; Prado 79	Park 54; Prado 60	~2080 Employee Emails	Nominations: By Email Ballot: SurveyMonkey	Per May 22, 2025, meeting packet memo certifying results.

**NEXT STEPS**

This information was provided at the request of the Retirement Board. Proposed Election Board Rules are also on today’s agenda for the Board’s review and discussion.

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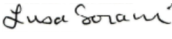
## EAST BAY MUNICIPAL UTILITY DISTRICT

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DATE: November 20, 2025

MEMO TO: Retirement Board

THROUGH: Cindy Charan, Director of Human Resources 

FROM: Lisa Sorani, Manager of Employee Services 

SUBJECT: Review Proposed Election Board Rule

### SUMMARY

At the Board's request, staff have drafted a proposed Election Board Rule that incorporates comments from the Board and recommendations from staff to modernize and streamline the election process.

### DISCUSSION

The Retirement Board recommended revisions to Ordinance Section 4a, which outlines the composition of the Board and the term for elected members. The recommendation to change the term from two years to four years, with a three-year transition term for the Retiree Representative elected in 2026, will be presented to the EBMUD Board of Directors for consideration on November 12, 2025, and November 25, 2025. The draft Retirement Board Rule attached to this memo assumes approval by the EBMUD Board of Directors and incorporates staff and Retirement Board recommendations from the March 20, 2025, and September 8, 2025, Board meetings.

### NEXT STEPS

Proposed Election Board Rules are attached for the Board's review and discussion. Staff can incorporate language reflecting recommendations from the Board and present a revised version for formal action at the January 23, 2026, meeting to allow the new rules to be used for the 2026 elections.

CRC:LS:vw

Attachment: Draft Retirement Board Rule – Retirement Board Elections

# Retirement Board Policy

## **PURPOSE**

The purpose of this policy is to establish a transparent and fair process for nominating and electing Member to the EBMUD Employees' Retirement System Retirement Board.

## **ELECTION PROCEDURE**

### **I. Election Process**

- A. Retirement Board Member elections will be conducted by staff to the Retirement Board with oversight and certification by the Retirement Board Secretary.
- B. Retirement Board Staff will create an election calendar to determine key election dates, providing ample time for member notice, candidate nomination and voting. This calendar will be announced during the January Retirement Board meeting of each election year.
- C. Elections, excluding special elections, will provide approximately 15 workdays for each election window, Candidacy Interest, Nomination and Voting.

### **II. Eligibility for Voting and Running in the Retirement Board Election**

- A. Only retired members are eligible to be candidates for the non-voting Retired Member Retirement Board seat.
- B. Only retired members are eligible to nominate and vote for candidates for the non-voting retired member Retirement Board seat. Only active members are eligible to nominate and vote for candidates for the active employee Retirement Board seats.

### **III. Notice of Election**

- A. Election notices for active members will be provided in a manner consistent with integrity, efficiency, sustainability and inclusivity.
- B. At a minimum, EBMUDERS will post the notice of election for the employee seat on SplashPad, via email and at departmental posting sites.
- C. At a minimum, EBMUDERS will post the notice of election for the retiree seat via kick-off letter to all retirees. Thereafter, election notices will be sent via email for those retirees with email addresses on file. Retirees with no email on file, will receive election notices by letter.
- D. EBMUDERS will post all notices of election on EBMUDERS webpage once the webpage is functional.

#### IV. Nomination

- A. Members interested in candidacy for the open Retirement Board seat must complete and submit the Retirement Board Candidate Application to RetirementBoardElections@ebmud.com within the designated ~15 workday period.
- B. During the candidacy period, staff will host at least one Retirement Board Roles and Responsibilities informational session to educate interested members.
- C. Members may not use District time or resources to promote their own or another member's election efforts.
- D. Introduction of the Candidates
  - i. After the deadline for candidate submissions, Retirement Services will introduce the candidates for the employee seat to active Retirement System Members by email, District Splashes newsletter, Splashpad, and on work-site bulletins. Members will be provided ~15 workdays to nominate candidates.
  - ii. Candidates for the retired member seat will be introduced to the retired Retirement System members by letter, email, and District Splashes newsletter.
- E. Members can nominate multiple candidates but cannot cast multiple nominations for a single candidate.
- F. Required Nominations
  - i. Employee candidates must receive at least 25 nominations from Retirement System Members to be included on the ballot. Retirement Services will use an e-survey tool for the collection of nominations.
  - ii. Retiree candidates must receive at least 5 nominations from retired Retirement System Members to be included on the ballot. Services will use an e-survey tool to be used for collection of nominations. Upon request, retired members will be provided an alternate method for nominating a retiree candidate.
- G. If only one candidate receives the minimum number of nominations necessary to be included on the ballot, that candidate will be deemed the winner of the election and assume the open Retirement Board member seat without requiring a vote.

#### V. Election Voting

- H. Elections, excluding special elections, will provide approximately 15 workdays for voting.
- I. Retirement Services will use an e-survey tool for the collection of nominations. Retired members will be provided with paper ballots upon request.

#### VI. Special Elections

- A. If a Retirement Board member does not complete their term, a Special Election will be conducted to fill the remainder of the term.
- B. The Special Election will follow similar procedures but with abbreviated windows for expressing interest in candidacy, collecting nominations and voting.

## VII. Election Certification and Announcement

- A. Ballots will be tallied by Retirement Services staff and the results will be provided to the Retirement Board Secretary, or Assistant Secretary in their absence. The Secretary will review and certify the election results if there are no deficiencies.
- B. The Secretary's certification will be agendaized for the Retirement Board meeting preceding the expiration of the current seat. The results and certification are also provided to the District Secretary's Office to be included in the District Board of Directors' information packet.
- C. The new Board Member takes office for a four year term (or three year transitional term for the 2026 Retiree election) beginning the day after the term of the sitting Board Member ends and attends the next scheduled Retirement Board meeting after their term start date. If the exiting employee Board Member was in the role of President or Vice President, Board members will follow Retirement Ordinance language and vote for a new President or Vice President at the next Board meeting.

## POLICY HISTORY

<b>Date</b>	<b>Description</b>
11-20-2025	Pending

## EAST BAY MUNICIPAL UTILITY DISTRICT

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DATE: November 20, 2025

MEMO TO: Members of the Retirement Board

THROUGH: Cindy R. Charan, Director of Human Resources 

FROM: Valerie Weekly, HR Administrator, Retirement 

SUBJECT: PensionGold (LRS) Implementation Project Update

### SUMMARY

This memo provides ongoing status updates for the PensionGold (LRS) implementation project.

### DISCUSSION

#### Project Sponsor Update

Human Resources is making progress in the following areas:

- **HRIS Core Replacement Project** – Emma Sebastian partnered with McLean & Company to conduct an HR Technology Strategy session. This strategy session brought together key stakeholders from various departments to align behind a common goal.
- **Payroll Replacement Project** – Members of the Pension Project team, along with Retirement Services and Employee Services staff, continue to actively participate in project meetings. A decision has been made that payroll will use Workday for payroll implementation. The teams continue to review this impact for the HRIS Core Replacement Project.
- **Retirement Services / PensionGold Project** – Retirement Services and the Pension Gold Project team and the Project Management Office, are working together to quantify remaining work and request project support. Reported risks have resulted in the Product Owner requesting a delay to the go-live date. The Steering Committee has requested additional information, which the Project team and Project Manager are working to collect. We are working to get the Retirement Services team and the Project team the support they need and have been requesting.

#### Product Owner Update

The Project team completed much of the UAT testing for Software Deliverable Five (SWD5) – Member Direct and Compliance. The Project team participated in the HR Technology Strategy

workshop since their work will be critical to the HRIS Project. The team continues to retest and resolve previously identified issues.

### **Key Tasks**

- The Product Owner and Project Manager are working to quantify the remaining project tasks to determine a go-live date.
- Staff will reach out to other PensionGold users to quantify the post go-live work and support that will be necessary.
- Develop PensionGold requirements for the new HIB tier.
- The pension project team continued to advise on the Payroll Replacement Project and PeopleSoft development for the new HIB tier.
- Development of a transition plan to ensure Retirement Services and Payroll teams are prepared to take over PensionGold work currently being done by the Pension Project team. The Retirement Services team has been tasked with a number of other essential projects so they are currently not sufficiently trained to run all processed in the system.
- The Project team is working on work processes and job aids to support the transition of work to the Retirement Services team.
- Development of EBMUDERS web pages on ebmud.com for retiree and employee access to retirement system information.

### **Active Risks and Building Staffing Capacity**

- The District is undergoing three major technology projects, including PensionGold implementation, the new payroll system and the new Core HR system. This has and will continue to impact the pension project since the Pension Project and Retirement Services teams are involved with all three projects. In addition, new interfaces will have to be developed and tested during the implementation of each of these new systems.
- A very successful round of negotiations has resulted in a new HIB that necessitates development in PeopleSoft and new requirements in PensionGold.

These scenarios could affect the PensionGold go-live timeline and result in additional costs if a vendor change order is required to integrate with a new or modified payroll system.

## EAST BAY MUNICIPAL UTILITY DISTRICT

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DATE: November 20, 2025

MEMO TO: Retirement Board

THROUGH: Cindy Charan, Director of Human Resources 

FROM: Lisa Sorani, Manager of Employee Services 

SUBJECT: Retiree Benefit Plan Renewals for Calendar Year 2026

### SUMMARY

The annual open enrollment period for retirees ran from October 20, 2025, through November 7, 2025. The premium rate changes were communicated to all retirees in the Open Enrollment brochures mailed to their homes on October 8, 2025.

### DISCUSSION

For retirees, the District maintains benefit plans for medical and dental coverage through group insurance contracts with several carriers. These contracts are subject to renewal each January 1.

Early retirees, those under age 65 and not yet enrolled in Medicare, are covered by the same health plans as active employees. Once retirees turn 65, they are required to enroll in Medicare Parts A and B and transition to Medicare-coordinated health plans.

The tables below show the percentage change in premium rates for the early retiree and Medicare eligible retiree plans from 2025 to 2026.

Early Retiree Health Plans	Percent Premium Increase/Decrease
Kaiser	+2.21%
Kaiser CDHP (high-deductible plan)	+2.21%
ACWA/JPIA Anthem Blue Cross Classic	+10.0%
ACWA/JPIA Anthem Blue Cross CDHP	+10.0%
Sutter Health Plus HMO	+19.1%
Sutter Health Plus CDHP	+19.1%

Retiree Benefit Plan Renewals for Calendar Year 2026

Retirement Board Meeting

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<b>Retiree Health Plans</b> Note: Early Retirees (under age 65) are covered on Employee Medical Plans	<b>Percent Premium Increase/Decrease</b>
Kaiser Sr. Advantage High	+8.98%*
Kaiser Sr. Advantage Low	+7.52%*
United Health Care	+8.8%*
Delta Dental Retiree Delta Care DHMO	7.6%
Delta Dental Retiree Delta Premier PPO	0%

\*Rates shown are for Medicare Only families. Families with members both over and under age 65 pay mixed rates that use the pre-65 rate for those dependents not Medicare eligible.

District Medical

Below are the main factors driving the 2026 rate changes.

- Inflation: Hospital and general healthcare system price inflation continued in 2025, and overall claims costs are expected to increase by over 8% in 2026
- Pharmacy and High-Cost Claims: The impact of pharmaceutical pricing on existing drugs and new specialty drugs, especially GLP-1 medications for diabetes and other conditions, has combined with high-cost health care claims to result in continued increases in health care premiums.
- Federal Government Impacts: All retiree Medicare Advantage plans experienced high premium increases in 2025 due to changes from the federal government’s implementation of the Inflation Reduction Act (IRA). Insurers have integrated most of these expenses into their rates already, and rate changes for 2026 are 8% to 9% as compared to 14% to 24% in 2025.

Kaiser’s trend factor (used to forecast future claims costs) for Northern California plans decreased from 8.64 percent for 2025 to 5.14 percent for 2026. The experience period used for the renewal is February 2024 to January 2025. During this renewal period, the District’s overall per member/per month claims cost increased by 8.7 percent, slightly more than Kaiser’s company-wide book of business increase. There were four high-cost claims over the pooling point of \$400,000. Currently, there are 1,455 employees enrolled in the Kaiser HMO plan.

The Sutter Health Plus (SHP) overall increase for both HMO and CDHP 2026 plans is 19.1 percent. In contrast to the Kaiser renewal, the SHP renewal is based on the enrolled membership and annual trend and not the group’s utilization or claims experience. The initial increase for SHP was 23.1 percent, and this was negotiated through review with SHP and District benefit brokers to the 19.1 percent. Currently, there are 85 employees enrolled in the SHP HMO plan.

The Anthem Blue Cross PPO will increase 10 percent. The District provides this plan through ACWA JPIA, which continues to use reserves where they can in order to bring down the healthcare renewal costs. Currently, there are 261 employees enrolled in the Anthem Blue Cross PPO plan.

District Dental

In the self-funded retiree Delta Dental plan, the funding rate to the pool of money from which dental claims are paid will increase slightly. Underwriters from the District's benefits broker review the funding ratio each year to ensure there is a reliable cash flow to cover dental claim costs, which vary from month to month. The funding level for the District's self-funded retiree dental plan will increase by 7.6 percent for 2026.

There continues to be no change in the administrative service fee for retiree dental PPO plans extended through December 31, 2026. The second retiree dental plan, Delta Dental's Delta Care DHMO, is maintained as a fully insured plan, and the plan is in a rate guarantee through December 31, 2026.

CRC:las

Attachments: 1. EBMUD Employee and Retiree Under Age 65 Health Plan Premium Rates  
2. EBMUD Retiree 65+ Health Plan and Dental Premium Rates

ATTACHMENT 1

**EBMUD EMPLOYEE and RETIREE UNDER AGE 65 HEALTH PLAN PREMIUM RATES  
January 1, 2026**

<b>KAISER</b>	<b>2025 Rates</b>	<b>2026 Rates</b>	<b>% Change</b>
<b>KAISER HMO</b>			
Single	\$971.29	\$992.72	2.21%
Double	\$1,942.58	\$1,985.44	2.21%
Family	\$2,748.76	\$2,809.40	2.21%
<b>KAISER CDHP</b>			
Single	\$791.97	\$809.45	2.21%
Double	\$1,583.95	\$1,618.90	2.21%
Family	\$2,241.28	\$2,290.74	2.21%

<b>SUTTER HEALTH PLAN</b>	<b>2025 Rates</b>	<b>2026 Rates</b>	<b>% Change</b>
<b>SUTTER HEALTH PLAN HMO</b>			
Single	\$1,115.80	\$1,328.90	19.10%
Double	\$2,231.60	\$2,657.80	19.10%
Family	\$3,157.70	\$3,760.80	19.10%
<b>SUTTER HEALTH PLAN CDHP</b>			
Single	\$880.30	\$1,048.40	19.10%
Double	\$1,760.60	\$2,096.80	19.10%
Family	\$2,491.30	\$2,967.00	19.09%

<b>ANTHEM BLUE CROSS</b>	<b>2025 Rates</b>	<b>2026 Rates</b>	<b>% Change</b>
<b>ANTHEM BLUE CROSS PPO</b>			
Single	\$1,079.99	\$1,187.99	10.00%
Double	\$2,159.98	\$2,375.98	10.00%
Family	\$2,861.97	\$3,148.17	10.00%
<b>ANTHEM BLUE CROSS CDHP</b>			
Single	\$864.01	\$950.41	10.00%
Double	\$1,728.02	\$1,900.82	10.00%
Family	\$2,289.63	\$2,518.59	10.00%

<b>DELTA DENTAL</b>	<b>2025 Rates</b>	<b>2026 Rates</b>	<b>% Change</b>
<b>DELTA DENTAL</b>			
Single	\$73.77	\$76.97	4.34%
Double	\$147.51	\$153.90	4.33%
Family	\$206.54	\$215.49	4.33%

<b>VISION SERVICE PLAN</b>	<b>2025 Rates</b>	<b>2026 Rates</b>	<b>% Change</b>
<b>VISION SERVICE PLAN - ACTIVES</b>			
Composite	\$16.65	\$16.65	0.00%
<b>VISION SERVICE PLAN - COBRA</b>			
Single	\$7.53	\$7.53	0.00%
Double	\$15.05	\$15.05	0.00%
Family	\$21.07	\$21.07	0.00%

**EBMUD RETIREE 65+ HEALTH PLAN & DENTAL PREMIUM RATES**  
**January 1, 2026**

<b>KAISER</b>	<b>2025 Rates</b>	<b>2026 Rates</b>	<b>% Change</b>
<b>Sr Adv - HIGH OPTION PLAN</b>			
Single	\$339.24	\$364.75	7.52%
Double (1Sr. Adv + 1 < 65)	\$1,310.53	\$1,357.47	3.58%
Couple (both with Senior Advantage)	\$678.48	\$729.50	7.52%
Family (1 Sr. Adv + 1 <65 + dep(s) <65)	\$2,116.70	\$2,181.43	3.06%
Couple (both Sr Adv) + dep(s) < 65	\$1,484.65	\$1,553.46	4.63%
<b>Sr Adv - LOW OPTION PLAN</b>			
Single	\$282.42	\$307.79	8.98%
Double (Sub. Sr. Adv + 1 < 65)	\$1,253.71	\$1,300.51	3.73%
Couple (both with Senior Advantage)	\$564.84	\$615.58	8.98%
Family (Sub Sr. Adv + 1 <65 + dep(s) <65)	\$2,059.89	\$2,124.47	3.14%
Couple (both Sr Adv) + dep(s) < 65	\$1,371.02	\$1,439.54	5.00%

<b>UNITED HEALTH CARE</b>	<b>2025 Rates</b>	<b>2026 Rates</b>	<b>% Change</b>
<b>UNITED HEALTHCARE MEDICARE ADVANTAGE PLAN</b>			
Single (with Medicare)	\$512.45	\$557.45	8.78%
Double (both with Medicare)	\$1,024.90	\$1,114.90	8.78%
Family (All Medicare Eligible)	\$1,537.35	\$1,672.35	8.78%

<b>UNITED HEALTH CARE Mixed Medicare*</b>	<b>2025 Rates</b>	<b>2026 Rates</b>	<b>% Change</b>
<b>UNITED HEALTHCARE/Anthem Mixed Medicare Plan</b>			
Single (Retiree >65 with Medicare)	\$512.45	\$557.45	8.78%
Double (1>65 with Medicare + Child)	\$1,214.44	\$1,329.64	9.49%
Double (1>65 with Medicare + Spouse <65)	\$1,592.44	\$1,745.44	9.61%
Double (Couple>65 with Medicare)	\$1,024.90	\$1,114.90	8.78%
Family (1>65 with Medicare + 1 <65 + dep(s))	\$2,294.43	\$2,517.63	9.73%
Family (Couple >65 with Medicare + dep(s))	\$1,726.89	\$1,887.09	9.28%

<b>DELTA DENTAL</b>	<b>2025 Rates</b>	<b>2026 Rates</b>	<b>% Change</b>
<b>DELTA PREMIER</b>			
Retiree	\$36.66	\$39.45	7.61%
Retiree + 1	\$65.98	\$71.00	7.61%
Retiree + 2 or more	\$93.50	\$100.61	7.60%
<b>DELTA CARE</b>			
Retiree	\$30.71	\$30.71	0.00%
Retiree + 1	\$51.50	\$51.50	0.00%
Retiree + 2 or more	\$75.86	\$75.86	0.00%

\*NOTE: Retirees/spouses age 65+ required to have Medicare Part A and Part B