

Public Agenda Item #14

Consideration of Quarterly Report from Chief Investment Officer

March 9, 2022

David T. Veal, CFA, CAIA, FRM

Trust Performance

Mission & Objectives



Invest prudently in a diversified portfolio at a reasonable cost to maximize the probability that promised benefits are provided.



Achieve results that are commensurate with the amount of active risk assumed



Obtain returns over rolling five-year periods in excess of adopted benchmarks

Trust Performance

Investment Strategy



Allocate
thoughtfully to
available assets



Select carefully
managers that
add value



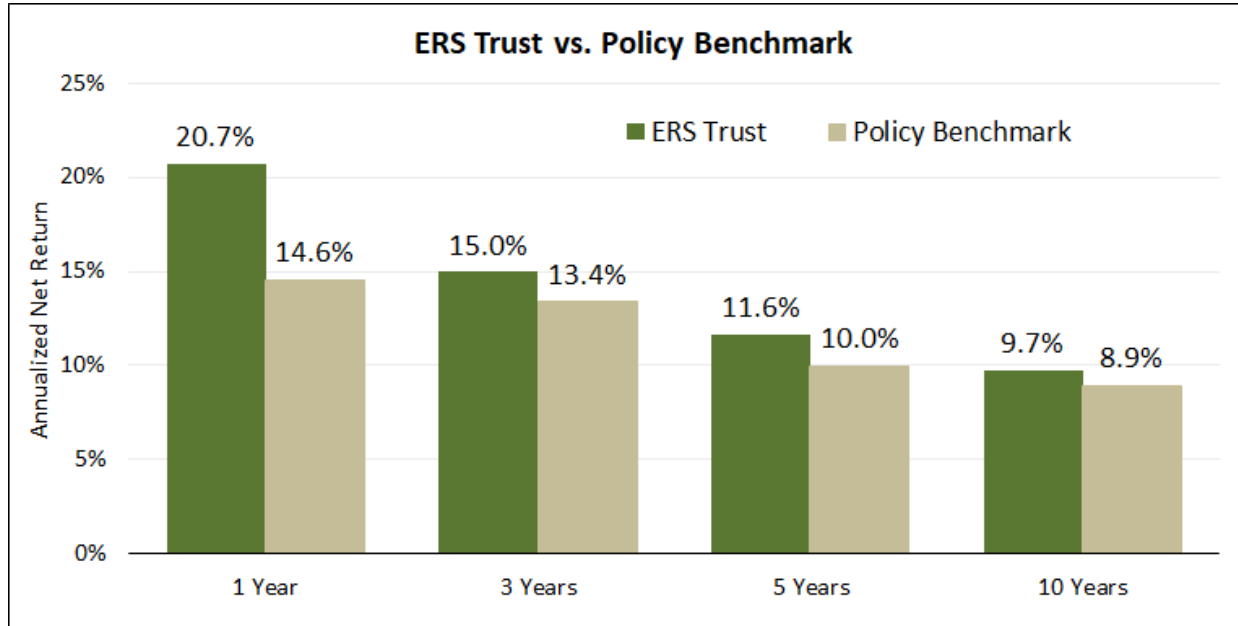
Diversify well
to control risk as
markets change

ERS Trust Performance

Relative Return



- Strong performance versus Policy Benchmark across all time horizons

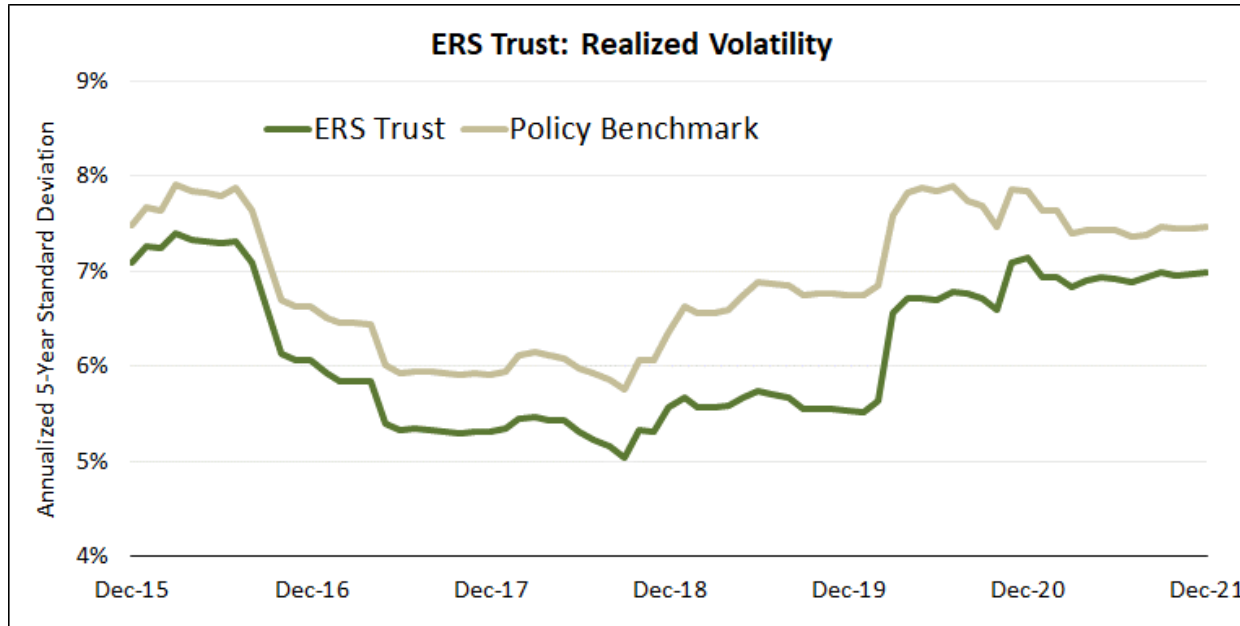


ERS Trust Performance

Absolute Risk



- Realized volatility levels flat at 7% and remain below that of the benchmark

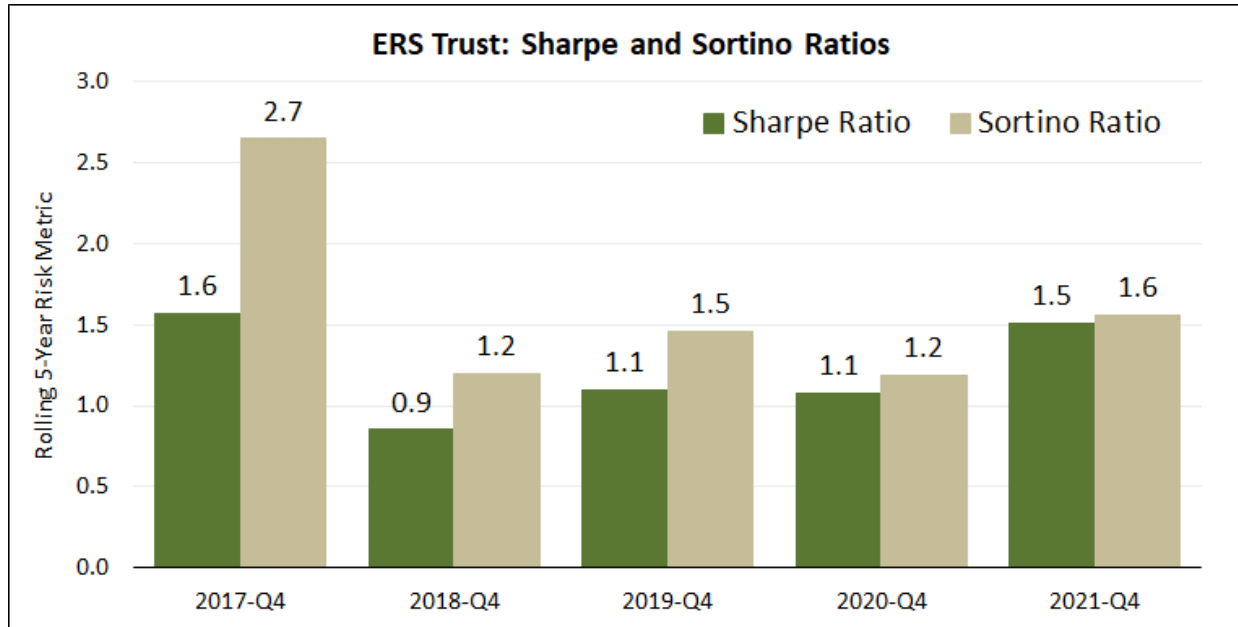


ERS Trust Performance

Risk-Adjusted Returns



- Good returns per unit of absolute risk and downside risk

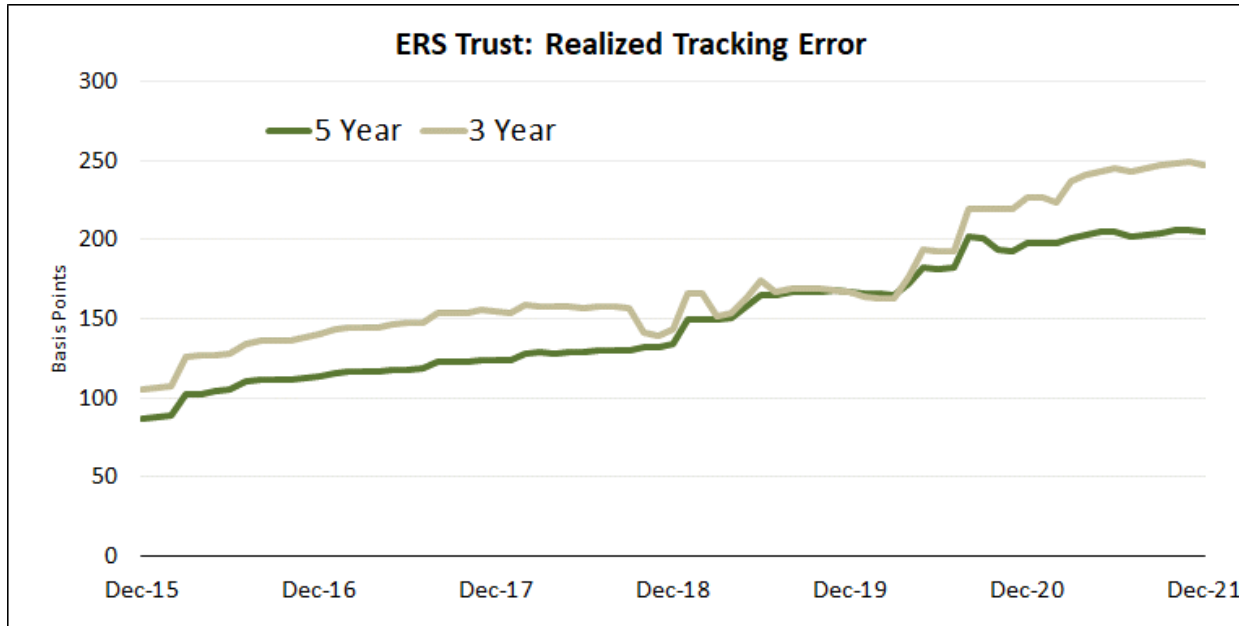


ERS Trust Performance

Relative Risk



- Tracking error trending upward over time as portfolio matures

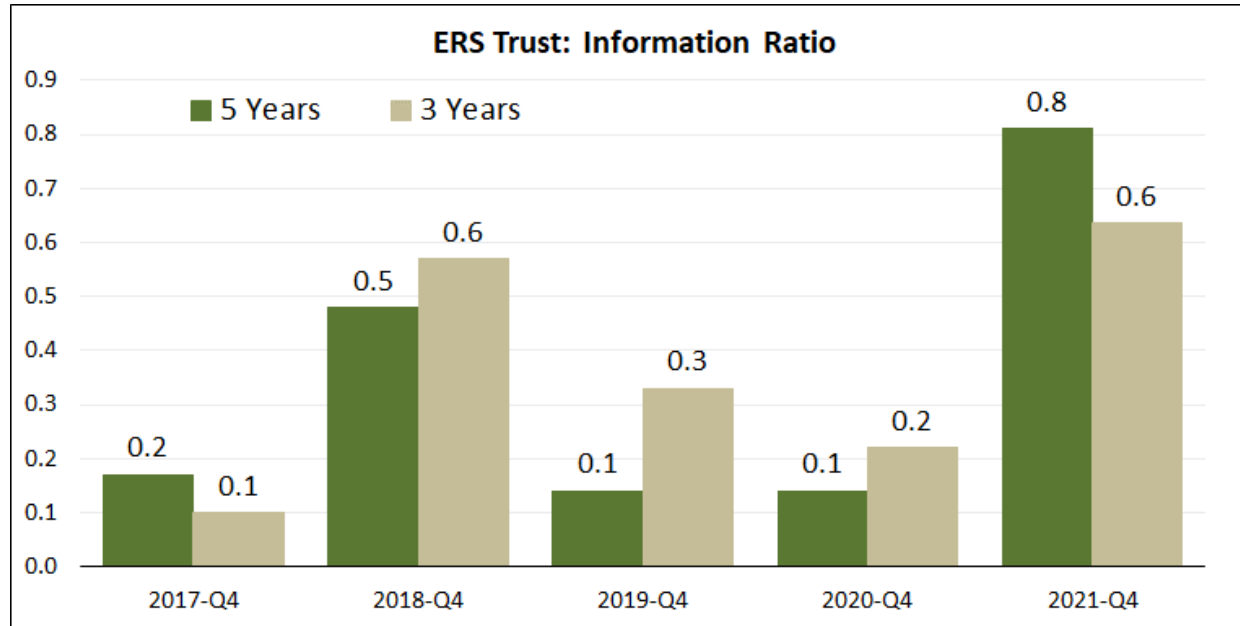


ERS Trust Performance

Risk-Adjusted Returns



- Returns per unit of relative risk now at their highest levels in several years

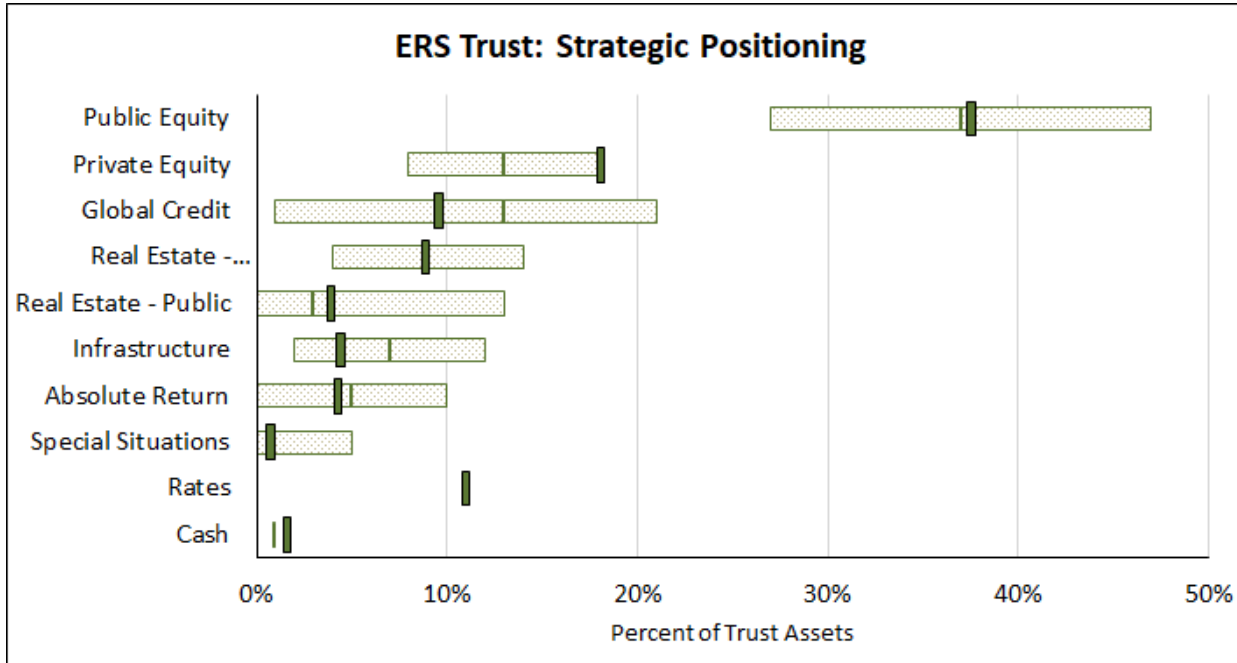


ERS Trust Performance

Asset Class Positioning



- Asset classes within ranges except private equity at 0.1% above 18% maximum

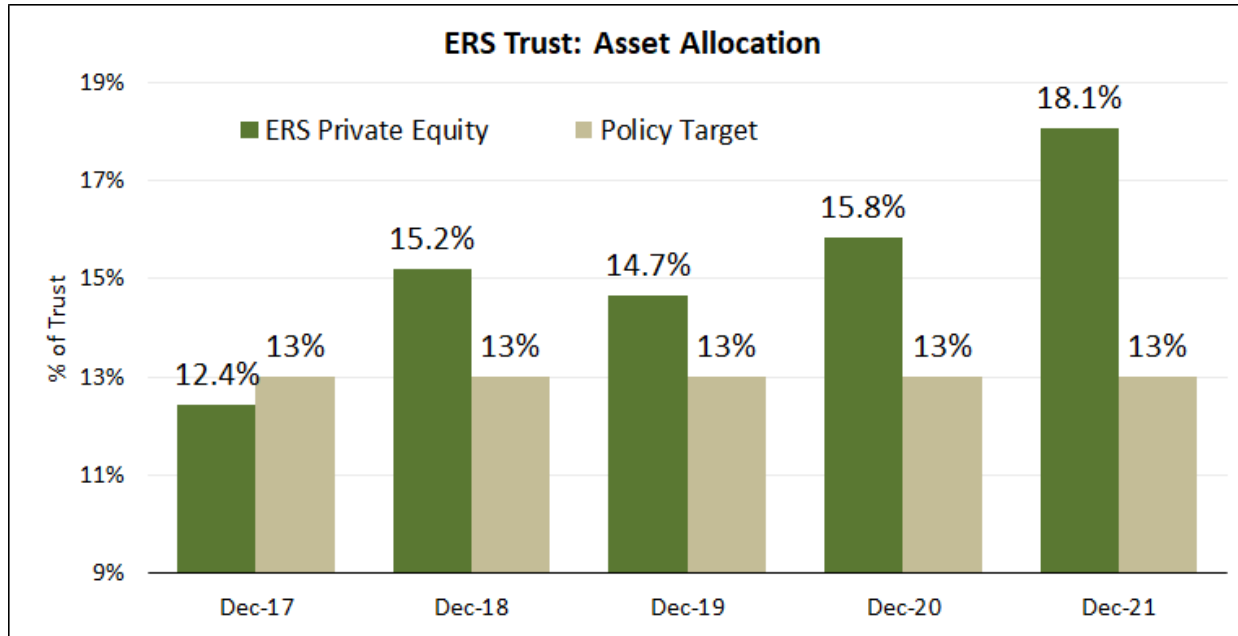


ERS Trust Performance

Asset Class Positioning



- Private equity consistently above target in recent years

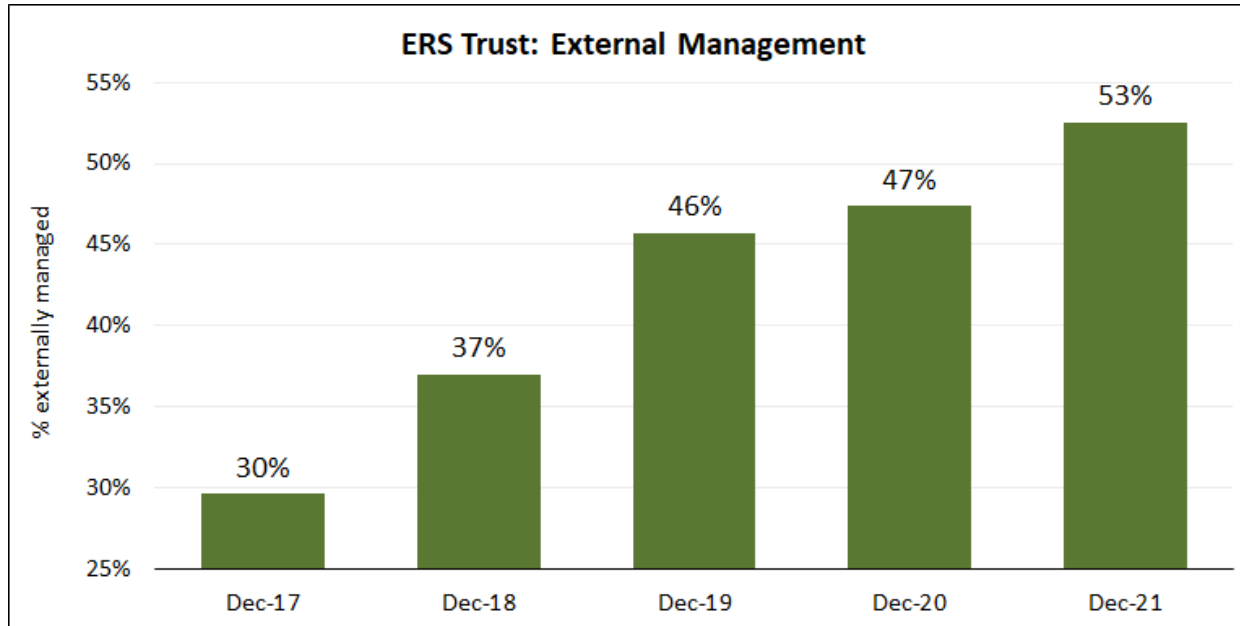


ERS Trust Performance

Asset Mix: Internal vs. External



- Mix shift toward external management has become the majority of the Trust

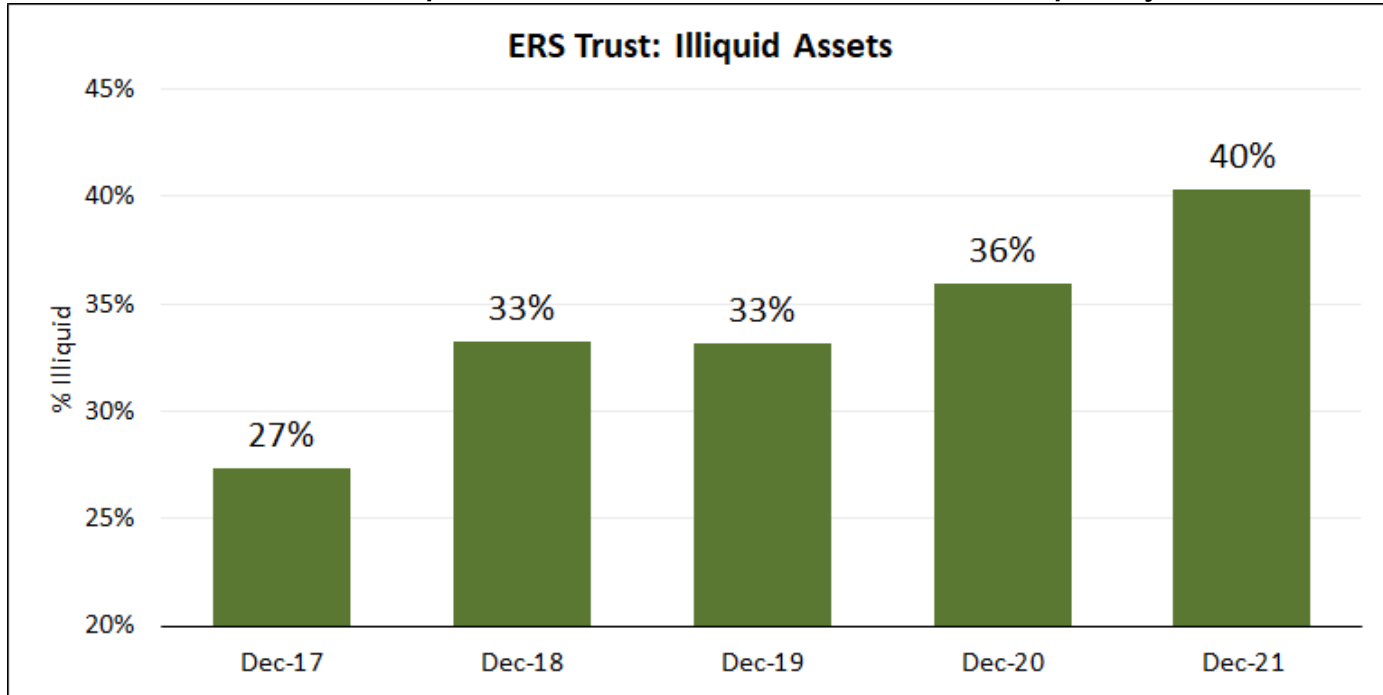


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Asset Mix: Liquid vs. Illiquid

- Mix shift toward external and private markets has added to illiquidity

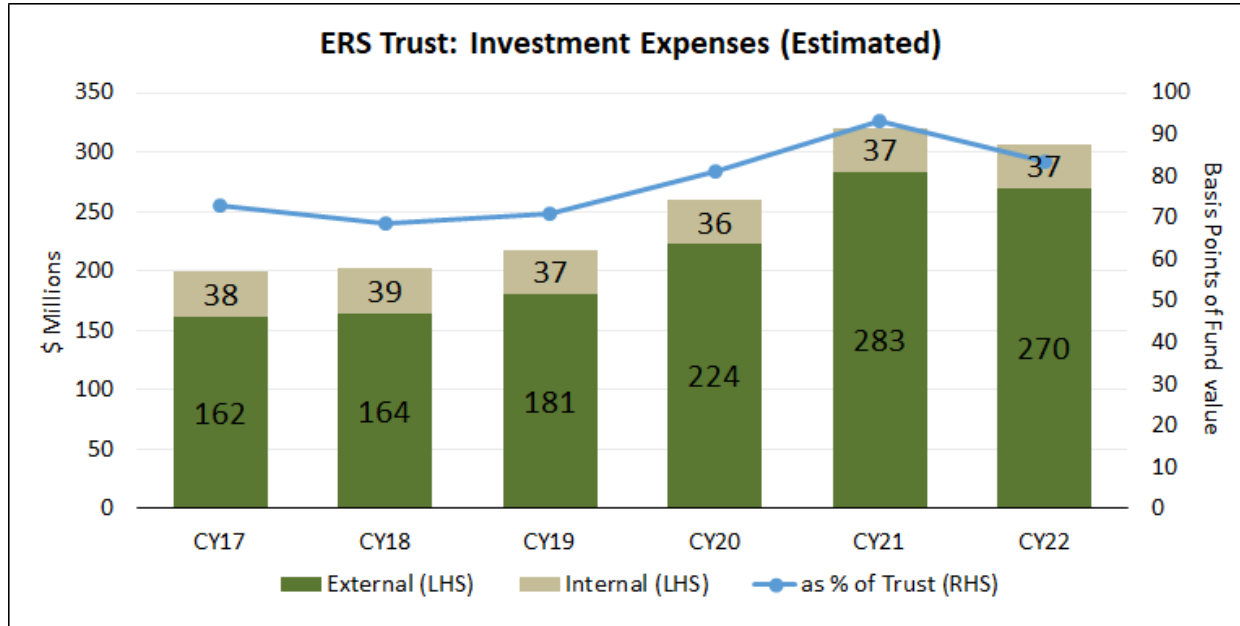


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Investment Expenses



- Mix shift toward private markets has led to an increase in expense levels



2022 Priorities

Investments Division



- Update key policies and procedures
- Address consultant & audit recommendations
- Revisit organizational structure
- Complete Asset/Liability Study

Anthony Curtiss

Deputy CIO



- Joined ERS in 2012 as Senior Analyst
- Served as Director of Hedge Funds since 2016
- Undergraduate degree in accounting from UTSA
- Master's degree in finance from University of Nebraska
- CFA charter holder since 2010
- Senior analyst at Salient Partners from 2005 to 2011
- External Auditor for KPMG from 2001 to 2003



2022 Asset/Liability Study

Strategic Purpose



Goal of an A/L Study

Examine how a pension system's assets and liabilities are expected to interact over time in determining its long-term financial outlook



2022 Asset/Liability Study

Key Steps



GATHER

projections of key long-term trends, including:

- contribution levels
- asset growth
- benefit payments
- pension liabilities



MODEL

the expected progress of assets, liabilities and cash flows over time using static and dynamic assumptions



ASSESS

the ability of the current Strategic Asset Allocation (SAA) parameters to balance long-term growth with short-term needs

2022 Asset/Liability Study

Timeline for NEPC



Time Period	Activity
January-March	Receives background information from ERS
April	Conducts initial analysis of information
May	Provides draft findings to the ERS Board
August	Delivers final report to the ERS Board

Questions?