



Board Investment Policy Strategic Asset Allocation Policy

I. Purpose

- A. To outline SJCERA's goals, objectives, and guidelines for managing SJCERA's investment program.
- B. To define provisions governing how the goals and objectives are to be achieved.

II. Investment Beliefs

A. General

1. Risk is the inability to meet benefit obligations when due.
2. Prudently managing the assets of the Plan is the Board's paramount duty.
3. SJCERA should monitor current and future benefit obligations to ensure long-term solvency of the Plan.
4. SJCERA recognizes that environmental, social, and governance factors (ESG) may present financial risks and opportunities for the Plan.

B. Investment Strategy

1. SJCERA should invest its assets and manage its liabilities so as to increase the likelihood of paying all benefit obligations over time.
2. SJCERA should seek a long-term rate of return that exceeds inflation, while recognizing and managing the need to maintain adequate liquidity to pay benefits.
3. SJCERA should invest globally, seeking investment opportunities in a variety of asset classes and management styles, in order to improve the likelihood of being able to meet benefit obligations over time.
4. SJCERA should make meaningful commitments that will improve performance and where possible, take advantage of lower fee schedules, while providing adequate diversification.
5. SJCERA should identify, evaluate, and manage financially relevant ESG factors in its investment process to safeguard and enhance the investment performance of the Plan.

C. Pattern of Investment Returns

1. The volatility of investment returns is as important as the level of returns in determining SJCERA's ability to meet future benefit obligations.
2. SJCERA should be able to reduce the volatility of the portfolio returns and the risk of large portfolio drawdowns through diversification, opportunistic allocations, and passive investing where appropriate.
3. Actions to manage volatility should be appropriately integrated into the investment decision-making process.

III. Investment Objective

- A. The funding obligations of SJCERA are long-term in nature; consequently, the investment of portfolio assets should have a long-term focus. The assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. The investment objective for SJCERA assets is to achieve long-term investment returns that allow the plan to meet all earned benefit payments to plan participants. It is expected that this objective can be obtained through a well-diversified portfolio structure in a manner consistent with this Policy. Accordingly, the investment of these assets shall be guided by the following underlying principles:
1. To achieve a positive rate of return over the long-term that significantly contributes to meeting SJCERA's objectives, including achieving the actuarial assumption for rate of return and satisfying expected benefit payment obligations;
 2. To provide for asset growth at a rate in excess of the rate of inflation and of the liability growth rate of SJCERA;
 3. To earn a sufficient rate of return while minimizing exposure to losses or wide swings in market value.

IV. Strategic Asset Allocation Policy

A. Strategic Asset Allocation Development

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 Plan.
2. The asset allocation will be determined through appropriate studies undertaken by the consultant(s) 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 investment consultant, will determine the assumptions and criteria to be used in the asset allocation study. The following assumptions and criteria will be so determined:
 - a. The expected return from each asset category.
 - b. The expected standard deviation of each asset category.
 - c. The minimum acceptable return over a given time period.
 - d. The net contribution as a percent of payroll.
 - e. The expected payroll growth rate.

3. The resulting asset allocation will be approved by the Board with input from SJCERA staff and the investment consultant. The asset allocation study will be performed on cycle with the actuarial experience study and/or when the market conditions change as deemed by the Board, SJCERA staff and Investment Consultant(s). Appropriate adjustments to the existing portfolio will then be made in the most expeditious and appropriate manner.
4. On a more frequent, periodic basis, SJCERA staff and the Investment Consultant(s), will analyze the portfolio structure of each strategic class. Analysis shall include:
 - a. Appropriateness of strategic class and manager benchmarks,
 - b. Alignment structure of individual portfolios with strategic class benchmarks based on manager holdings and mandate,
 - c. Evaluation of whether the strategic class is structured in a manner that is consistent with the Board's objectives,
 - d. Analysis of underperforming managers, and
 - e. Overall risk profile of the strategic class.

B. Approved Strategic Asset Allocation

1. Pursuant to Investment Belief II.C.2, SJCERA shall diversify the investment of assets according to the specified long-term target percentages.

Strategic Asset Allocation			
Approved October 2025			
Strategic Classes	Target	Min.	Max
Broad Growth	81	71	91
Aggressive Growth	21	12	24
Traditional Growth	38	32	44
Stabilized Growth	22	17	27
Credit	13	10	16
Core Real Assets	9	7	11
Diversifying Strategies	19	14	24
Principal Protection	9	7	11
CRO	10	7	13

2. The allocation goal recognizes that at any time equity and fixed income Investment Managers may have transactional cash on hand.
3. Financial derivatives may be used within prudent limits to manage risk, lower transaction costs, or augment returns.

V. Allocations and Portfolio Rebalancing Guidelines

A. The Board strives to make meaningful commitments to strategies in which it has high conviction. In general, the minimum commitment will be one percent of the overall portfolio or \$50 million, whichever is greater.

B. Rebalancing Guidelines

1. The Board delegates the authority to rebalance the asset allocation to the Investment Officer and/or the Chief Executive Officer.
2. Staff and Investment Consultant(s) will develop a plan and outline the timeframe for accomplishing the proposed rebalancing.
3. Staff and Investment Consultant(s) will coordinate with the appropriate internal and external parties to implement the rebalancing.
4. Staff will report the rebalancing activity to the Board.

C. Rebalancing/Transitioning to New Asset Allocation Targets

1. The target allocation to each strategic class and to sub-classes within strategic classes is expected to remain stable over most market cycles. When new asset allocation targets are adopted, the Board's goal is to transition the physical assets and to reach the target optimal portfolio in a timely manner.
2. With respect to the target strategic allocations to each strategic class, to the sub-classes and to investment managers, the Board, in consultation with its Investment Consultant(s), will establish rebalancing range limitations. The ranges for each class/sub-class are established as approximately twenty percent (20%) of the target.
3. Due to the illiquid and time-lagging nature of private investments, and the research required to select high-quality managers; it will take time to achieve the target(s) for the Private Equity, Private Real Estate, and Private Credit segments of the portfolio. If the Private Equity, Private Real Estate, and/or Credit classes are below their targets, the differences will be temporarily invested in public market equivalents until such opportunities in the private markets are available. Under these circumstances public market equivalents may exceed the stated bands by up to the underweight of private markets targets.

In addition, SJCERA staff and Investment Consultant(s) will provide a report at the next regularly scheduled board meeting.

D. Ongoing Monitoring and Rebalancing the Asset Allocation Targets

1. The actual asset mix of the total portfolio may diverge from the target allocations requiring rebalancing to meet the investment objectives set by the Board. Conversely, continually rebalancing to the asset allocation targets may result in significant transaction costs.
 - a. SJCERA staff and the Investment Consultant(s) will monitor the portfolio's asset allocation relative to the strategic target allocations. If actual allocations to a strategic class, or to a sub-class or investment manager, fall outside the predetermined range, SJCERA staff and the

Investment Consultant(s) will review, discuss and develop a plan for rebalancing back to the mid-point between the end of the range that was exceeded and the target allocation.

- b. In determining the rebalancing plan, the Investment Consultant(s) and staff should prioritize implementation procedures as follows:
 - i. Investing net contributions into classes that are below their range limitations;
 - ii. Drawing cash out of the portfolio (for benefit payments and expenses) from classes that are above their range limitations (using interest payments, rental revenues and dividends); and
 - iii. Selling assets from classes/portfolios that exceed the target range(s), and buying assets in classes/portfolios that are below the target range(s).
- c. Within the total SJCERA portfolio, the Cash Overlay Program may be implemented consisting of four potential elements: 1) invest unallocated cash, 2) invest managers' cash, 3) manage transitions and 4) maintain target allocation. The Cash Overlay Manager is primarily expected to securitize unallocated cash. If the Board approves the use of elements 1, 2, or 4 of the cash overlay program, staff may deploy element 3 as needed to assist with transitions.

VI. Total Fund Performance Objective and Measurement Period

- A. The total fund performance objective is to achieve a total return net of fees and expenses that equals or exceeds the actuarial assumed rate of return and the policy benchmark over a full market cycle as defined by the Board. The return of a hypothetical portfolio is represented by a policy benchmark consisting of public market indices weighted according to asset allocation targets.

SJCERA's long-term strategic policy benchmark consists of the following passive public market indices and weights listed below.

PORTFOLIO POLICY BENCHMARK		
Strategic Classes	Target	Benchmark
Broad Growth	81	---
Aggressive Growth	21	45% MSCI ACWI ND + 2%/ 35% NCREIF ODCE + 1%, 20% CPI + 3%
Traditional Growth	38	MSCI ACWI IMI (ND)
Stabilized Growth	22	40% NCREIF ODCE, 35% PC, 25% Public Credit
Credit	13	50% BB High Yield, 50% Morning Star LTSA Lev. Loans or Morningstar LSTA Leveraged Loan +2%
Core Real Assets	9	NCREIF ODCE
Diversifying Strategies	19	---
Principal Protection	9	BB U.S. Aggregate Index

Crisis Risk Offset	10	3 Part Custom (33% BTOP 50, 33% BC long Duration Treasuries, 33% at 5% annual)
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1. The Policy Benchmark measures the performance results of the total portfolio. Each Investment Manager within a strategic class will be measured against an appropriate benchmark for that strategy.
2. Performance results for SJCERA investments and for each Investment Manager shall be calculated and evaluated quarterly and presented to the Board for review. This Total Portfolio Benchmark will be included in evaluation reports presented to the Board for review.

VII. Class-Specific Guidelines

A. Cash and Overlay

1. Cash investments (STIF) Manager
 - a. The Cash Manager will invest the cash balances of all accounts with a cash component held at the custody bank selected by SJCERA.
 - b. Cash (STIF) - The performance of cash assets is expected to outperform a 91-day U.S. Treasury Bill Index.
2. Cash Overlay Manager
 - a. SJCERA staff and consultant may direct the cash overlay program manager to:
 - i. Overlay Unallocated Cash: Monitor SJCERA's overall positions daily and synthetically invest unallocated cash using financial futures contracts.
 - ii. Overlay Manager Cash: Monitor SJCERA's managers' cash positions daily and synthetically invest un-invested portions using financial futures contracts.
 - iii. Assist with Manager Transitions: As transition events arise, staff and consultant will review each transition issue with the objectives of maintaining target market exposure and minimizing transition costs.
 - iv. Maintain Target Allocation: Calculate SJCERA's actual allocation and compare to target allocations. If actual allocations differ from targets by more than SJCERA's predetermined tolerance level, the SJCERA fund is synthetically rebalanced to target on an overlay basis using financial futures contracts.

B. Broad Growth Class and Its Underlying Components

1. Role: The Broad Growth Class is expected to generate relatively high levels of absolute and real (i.e., inflation-adjusted) returns, net of all costs. The Broad Growth Class is considered the main return driver of the overall/aggregate total SJCERA investment portfolio. While volatility is expected over time, the Broad Growth class must achieve its relatively high

returns on a sustainable basis in order for the overall SJCERA pension plan to achieve its long-term objectives. In addition, each of the three Broad Growth components (described below) are expected to produce relatively high returns when compared to other SJCERA class portfolios.

2. Investment Structure: The Broad Growth class consists of three components: Aggressive Growth, Traditional Growth, and Stabilized Growth. The structures and roles of these three components are described in detail below.

a. Aggressive Growth Component and Its Underlying Components

- i. Role: The Aggressive Growth Component is expected to earn risk-adjusted returns in excess of the Traditional Growth Component, primarily due to the liquidity premium demanded by investors across various types of private markets.
- ii. Investment Structure: The Aggressive Growth component consists of three sub-components: Private Equity, Infrastructure and Non-Core Real Estate. The structures of these three sub-components are described below.

A. Private Equity Structure

1. Role: The Private Equity portfolio is expected to earn risk-adjusted returns in excess of the public equity markets, primarily due to the liquidity premium demanded by investors. The Private Equity portfolio is also expected to decrease the volatility of the total Portfolio, through the diversification benefits of having lower correlations with other classes.
2. Investment Structure: The Private Equity allocation generally consists of investments into private companies, either directly or through buyouts of public companies that result in a delisting of public equity. The Private Equity portfolio is composed of three major subcomponents.
 - Venture Capital/Growth
 - Venture capital partnerships primarily invest in businesses still in the conceptual stage (start-up or seed) or where products may not be fully developed, and where revenues and/or profits may be several years away.
 - Growth/late-stage venture capital partnerships typically invest in more mature companies in need of growth or expansion capital.
 - Buyout
 - These partnerships provide the equity capital for acquisition transactions either from a private seller or the public, which may represent the purchase of

an entire company, or a refinancing or recapitalization transaction where equity is purchased.

- Other

- Mezzanine/subordinated debt partnerships provide the intermediate capital between equity and senior debt in a buyout or refinancing transaction.
- Restructuring/distressed debt partnerships typically make new investments in financially or operationally troubled companies, often for a control position, with a view to improving the balance sheet and operations for a subsequent sale.
- Special situations partnerships include organizations with a specific industry focus or transaction type not covered by the other subclasses mentioned above, or unique opportunities that fall outside such subclasses.

3. Allocation: The Private Equity portfolio shall be diversified by time, subclass, and geography. Such diversification is expected to enhance returns, control risk, and reduce volatility.

B. Infrastructure Structure

1. Role: The Infrastructure portfolio is expected to earn risk-adjusted returns in excess of the public equity markets, primarily due to the liquidity premium demanded by investors. The Infrastructure portfolio is also expected to decrease the volatility of the total Portfolio, through the diversification benefits of having lower correlations with other classes.
2. Investment Structure: The Infrastructure allocation generally consists of investments into Physical structures, facilities and networks which provide essential services within a community. Services provided are crucial to the economic productivity of a community. Assets are either privately owned or owned/operated by government entities.
3. Allocation: The Infrastructure portfolio shall be diversified by time, subclass, and geography. Such diversification is expected to enhance returns, control risk, and reduce volatility.

C. Non-Core Real Estate Structure

1. Role: The Non-Core Real Estate portfolio is expected to earn Risk-Adjusted Returns in excess of the public equity markets, primarily due to re-positioning and development of real asset projects, the use of leverage, and to a liquidity premium demanded by investors. At the margin, the Non-Core Real

Estate portfolio is also expected to diversify the broader Aggressive Growth Portfolio, which also includes Private Equity (see above).

2. Investment Structure: Non-Core Real Estate investments provide access to opportunities for higher returns by investing (typically with the use of leverage) in assets in need of re-tenanting, development, re-development, operational improvements, or renovation, or are otherwise in some form of distress, exhibit sub-optimal capital structures, or experiencing market dislocation(s). They may also be located in emerging/non-institutional market segments and/or product/asset types. Such investment may utilize more aggressive financial structures in order to raise the return/risk profile, emphasize capital appreciation, and exhibit relatively high return objectives.

The Non-Core Real Estate portfolio may consist of equity or debt investments in real estate, infrastructure, agriculture, energy-related investments, or timberland.

3. Allocation: The Non-Core Real Estate portfolio shall be diversified by time, subclass, and geography. Such diversification is expected to enhance returns, control risk, and reduce volatility.

b. Traditional Growth Component Structure

- i. Role: The Traditional Growth portfolio is expected to generate attractive absolute returns in a relatively low-cost manner. The Traditional Growth portfolio also typically invests in securities that exhibit reasonable levels of liquidity.
- ii. Investment Structure: The Traditional Growth allocation consists of a highly diversified mix of publicly traded global equities. Common stocks, preferred stocks, or other equity securities are typically utilized.

A. The public equity portfolio is composed of U.S., non-U.S. and global equity segments.

1. U.S. Equities: Managers invest primarily in publicly traded equity securities of U.S. companies.
2. Non-U.S. Equities: Managers invest primarily in publicly traded equity securities of non-U.S. companies, in both developed and emerging markets.
3. Global Equities: Managers make the allocation decisions between U.S. and non-U.S. markets, in both developed and emerging markets and invest in publicly-traded securities of U.S. and Non-U.S. companies, in both developed and emerging markets.

c. Stabilized Growth Component and Its Underlying Sub-Components

- i. Role: The Stabilized Growth Component is expected earn Risk-Adjusted returns in excess of the Traditional Growth Component, primarily as a result of (A) achieving absolute return levels that are near-or-equivalent to those achieved by the Traditional Growth component while also (B) achieving lower volatility (risk) over a full investment cycle, particularly during Traditional Growth bear markets.
- ii. Investment Structure: The Stabilized Growth component consists of three sub-components: Risk Parity, Credit, and Core Real Estate. The structures of these three sub-components are described below.

A. Risk Parity Structure

1. Role: The Risk Parity portfolio is expected to generate attractive Risk-Adjusted Returns through allocations to multiple investments, including equities, bonds, commodities, and currency, while providing diversification to the overall Portfolio.
2. Investment Structure: SJCERA has an allocation to Risk Parity through two investment styles,
 - A Beta portfolio in which risk is balanced across asset classes that respond in dissimilar manners to different economic environments, such that the underperformance in one asset class may be offset by the outperformance of another asset class with an opposite bias to that environment.
 - An actively managed portfolio in which risk is balanced across asset classes, but the investment manager has discretion to actively tilt the portfolio to factors or asset classes that may provide additional return or manage the overall volatility of the portfolio.

B. Credit Structure

1. Role: The credit portfolio, public and private is expected to provide income, yield and diversification to the total Portfolio due to a moderate correlation with other classes. In addition, the Credit portfolio is expected to provide return, a source of liquidity, and positive returns relative to an appropriate performance Benchmark.
2. Investment Structure: SJCERA has an allocation to Credit through two investment styles: 1) a liquid portfolio in which investments are made in bank loans, investment grade, high yield and emerging market debt, 2) a privately managed portfolio in which investments are made into illiquid debt across middle market direct lending, distressed, and specialty finance.

C. Core Real Estate Structure

1. Role: The Core Real Estate portfolio is expected to generate attractive Risk-Adjusted Returns through stable income and the opportunity for capital appreciation, while providing diversification to the overall Portfolio.
2. Investment Structure: Core Real Estate Managers typically invest in properties that are well located and well leased with strong quality tenants. Core investments provide stable income with lower volatility.

D. Diversifying Strategies Class and Its Underlying Components

1. Principal Protection Class Structure

- a. Role: The Principal Protection portfolio is expected to provide a modest absolute return, be a stabilizer to the overall portfolio and provide significant diversification to the total Portfolio due to low correlation with other classes. In addition, the principal protection portfolio is expected to provide capital preservation, a source of liquidity, lower volatility and competitive returns relative to an appropriate performance benchmark.
- b. Investment Structure: The Principal Protection allocation consists of a diversified mix of publicly traded fixed income securities, invested across multiple asset types. The principal protection portfolio is composed largely of Treasuries, Agency Backed Mortgage Securities, and other agency backed bonds.
 - i. Mortgage Backed Securities - Agency
 - A. Managers invest primarily in Mortgage Backed Securities (MBS) issued by the U.S. government agencies (Fannie Mae, Freddie Mac, or Ginnie Mae).
 - ii. Treasuries
 - A. Managers invest in Treasury securities of the U.S. government.
 - iii. Other
 - A. Managers may invest in other high-quality segments; however these must be investment grade credit that is rated “BBB” or higher by two or more of the credit rating agencies.

2. Crisis Risk Offset Class Structure

- a. Role: The Crisis Risk Offset (CRO) portfolio is expected to produce significant positive returns during an extended recessionary-type equity market crisis, while maintaining purchasing power during more normal market environments. In this respect, the CRO portfolio is expected to enhance the long-term risk-adjusted performance of the total Portfolio, by substantially mitigating significant drawdowns.
- b. Investment Structure: The CRO allocation generally consists of investments in highly-liquid portfolios that are meant to capture key risk premia that should prove largely beneficial during an equity-related market crisis. Along these lines, the underlying investments and strategies may utilize both long positions and short-selling positions to

capture the desired return patterns/behavior. The CRO portfolio is composed of three major subcomponents.

i. First Responders

- A. U.S. Treasuries represent the leading “flight-to-quality” investment since they are backed by the U.S. Government. The U.S. Dollar (the base denomination of U.S. Treasuries) is also considered the world’s highest-quality reserve currency.
- B. Exposure to U.S. Treasury Duration can take place via cash markets (i.e., actual bonds) or the futures markets (virtual bond proxies).

ii. Second Responders

- A. Long-short portfolios utilizing derivatives-based instruments to capture both periodic appreciation and periodic depreciation trends that evolve and dissipate across a very wide array of liquid global markets. Risk/volatility is calibrated to a pre-determined level derivatives-based leverage.
- B. Assets will be invested in highly liquid underlying securities (cash, futures, forwards, etc.), allowing for relatively rapid access for rebalancing and liquidity purposes.
- C. In order to appropriately calibrate the expected volatility of this component and the overall CRO class, significant levels of derivatives-based leverage may be applied. Effects of leverage are adjusted daily through market-based exchanges/facilities, ensuring appropriate and timely mark-to-market valuations.

iii. Diversifiers

- A. Long-short portfolios utilizing both cash and derivatives-based instruments to capture well-researched/documented non-market risk premiums (e.g., momentum, carry, value, low-volatility, etc.) on a continuous basis, utilizing an array of liquid global markets. Risk/volatility is calibrated to a pre-determined level utilizing cash and derivatives-based leverage.
- B. Assets will be invested in highly liquid underlying securities (cash, stocks, futures, forwards, etc.), allowing for relatively rapid access for rebalancing and liquidity purposes.

VIII. Policy Review

- A. Staff shall review this Policy every year to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this Policy must be approved by the Board in accordance with the bylaws.

IX. History

- 10/12/2007 Adopted by Board
- 09/26/2008 Revised to modify the asset allocation targets
- 05/05/2009 Revised to modify the asset allocation targets

02/26/2010	Revised to modify the asset allocation target ranges
07/27/2012	Revised to modify ranges for sub-asset classes and adding cash overlay program
12/14/2012	Revised to modify changes to long-term benchmarks
04/26/2013	Revised to add the Real Asset class
05/09/2014	Revised to modify the asset allocation targets
11/13/2015	Revised to move public real estate to the Global Public Equity class
06/10/2016	Revised to move public real estate to the Global Public Equity class
08/16/2017	Revised to modify the asset allocation targets
11/03/2017	Revised to establish minimum threshold commitments
07/05/2018	Reviewed, no changes required; Staff updated format
10/12/2018	Deleted redundant language that already exists in the Investment Manager and Communications Policy
04/12/2019	Policy Review section amended to at least once every three years
12/11/2020	Revised asset allocation targets and incorporated asset class-specific policies' guidelines and performance measurement standards
02/12/2021	Revised Benchmark for the Aggressive Growth asset class
04/09/2021	Revised Section V.C to specify rebalancing triggers and reporting requirement when public markets are used as proxies for private markets
01/20/2023	Revised to reflect the asset allocation targets adopted June 3, 2022 as part of the Asset-Liability study.
03/10/2023	Revised to reflect the re-labeling within the Crisis Risk Offset bucket.
09/01/2023	Added ESG statements to Investment Beliefs.
12/12/2025	Revised to reflect the asset allocation targets adopted October 15, 2025 as part of the Asset Allocation review. Introduces Infrastructure as a new sub-asset class within Aggressive Growth.

Certification of Board Adoption

	12/12/2025
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Clerk of the Board	Date