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San Bernardino County Employees' Retirement Association

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Next Review: 3 years after approval
Area: Investments
References:
Applicability: SBCERA systemwide

Informed Rebalancing/Tactical Asset Allocation Policy

POLICY NO. 002

It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of investment performance. SBCERA shall tactically rebalance the investment portfolio to remain within the Board-approved target allocation ranges as follows:

The Board delegates to the Chief Investment Officer the responsibility and authority to maintain, develop, and monitor the SBCERA Informed Rebalancing/Tactical Asset Allocation Program - an internally-developed, systematic, rules-based tactical asset allocation model. Furthermore, the Board grants the authority to tactically adjust exposures with physical assets or synthetic instruments; and substitute synthetic exposure for physical asset exposures on a strategic basis.

- All decision rules or changes thereto, shall be reviewed by the General Investment Consultant and presented to the Investment Committee with subsequent approval by the Board of Retirement prior to implementation. In addition, the General Consultant and staff will review the effectiveness of the model every three years.
- Rebalancing activities shall be reported to the Investment Committee and/or Board and General Investment Consultant monthly.
- Illiquid assets expand or contract target ranges based on under-funding or over-funding, respectively. For example, if real estate target is 8%, and actual is 10%; then total derivative exposure must be reduced by 2% to accommodate the over-allocation to real estate.
- Positioning within the ranges, or outside ranges with regard to illiquid asset impact, will be based on the conviction of the model output.
- Allowable instruments include long and short exposure to futures, options, swaps, or combinations thereof. Volatility exposure through derivatives as a substitute for the underlying asset classes is permitted as well.
- Over the Counter (OTC) ~~counter-party~~ **counterparty** exposures will be reported to the General Investment Consultant, Investment Committee and Board as needed.
- An independent third-party with full fiduciary responsibility will oversee cash flows, physical trades, and/or adjustment of exposures synthetically.

Attachments

No Attachments

Approval Signatures

Step Description	Approver	Date
Chief Counsel Review	Barbara Hannah: Chief Counsel	pending
Investment Services Review	Donald Pierce: Chief Investment Officer	5/6/2024
Investment Services Review	Eydie Cox: Sr Investment Analyst	5/2/2024

Applicability

SBCERA, SBCERA Internal

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