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San Bernardino County Employees'  
Retirement Association

Origination: 5/3/2018  
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Last Approved: N/A  
Last Revised: 3/19/2021  
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 such~~ 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 run on the AlphaEngine TM platform. 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 ~~on a monthly basis.~~
- 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, ~~is~~ will be based on the conviction of the model output.  
~~Directing cash flows, physical trades, and/or adjusting exposures synthetically through a third-party fiduciary is required.~~
- 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 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
HR Final Review & Distribution	Iliana Torres	pending
Board Approval & Quality Assurance Review	Erin Calicchio: Sr Executive Secretary	4/7/2021
Board Approval & Quality Assurance Review	Donald Pierce: Chief Investment Officer	4/7/2021
Investment Committee	Erin Calicchio: Sr Executive Secretary	4/7/2021
Investment Committee	Donald Pierce: Chief Investment Officer	4/7/2021
Chief Executive Officer Review	Debby Cherney: Chief Executive Officer	4/7/2021
Chief Counsel Review	Barbara Hannah: Chief Counsel	3/22/2021
Investment Services Review	Donald Pierce: Chief Investment Officer	3/10/2021
Investment Services Review	Erin Calicchio: Sr Executive Secretary	3/10/2021
Investment Services Review	Eydie Cox: Sr Investment Analyst	3/10/2021

**Applicability**

SBCERA, SBCERA Internal