San Bernardino County Employees' Retirement Assoc.

Staff Report Details (With Text)

File #:	24-207.1	**Name:**	
Type:	Action Item		
File created:	6/24/2024	**In control:**	BOARD OF RETIREMENT
On agenda:	7/11/2024	**Final action:**	7/11/2024
Title:	Approve the 2024 Asset Allocation Review.		
Sponsors:			
Indexes:			
Code sections:			
Attachments:	1. Exhibit A: NEPC 2024 Asset Allocation Review		

Date	Ver.	Action By	Action	Result
7/11/2024	1	BOARD OF RETIREMENT	Approved	Pass

FROM: Don Pierce, Chief Investment Officer

SUBJECT: 2024 Asset Allocation Review

RECOMMENDATION:
Approve the 2024 Asset Allocation Review.

BACKGROUND:
Each year, NEPC updates their expected return estimates for various asset classes. Staff and NEPC then review their findings with the Investment Committee and Board. Interest rates remain elevated and inverted (meaning shorter dated interest rates are higher than longer dated interest rates). In fact, the current period is now the longest duration that an inverted yield curve has endured: topping the prior 1978 record in March 2024. With the existing interest rate structure as a backdrop, we are recommending no changes to the current asset allocation. We believe the existing flexibility within the investment program will allow us to invest as opportunities arise, but we are mindful that an inverted yield curve has not been (and is not normally) a long-term phenomenon. As a result, we would expect some resolution to the issue with either long-rates going up, or short-rates coming down (or has been the current situation, perhaps a little of both) to better clarify the strategic allocation landscape.

Because our existing portfolio has a meaningful exposure to floating rates, the current environment favors our portfolio in terms of having the time to wait for additional information regarding rates without forgoing returns in the short run. The various scenarios NEPC has reviewed support the existing broad strategic allocation as an efficient portfolio. In conclusion, we believe our existing allocation gives us the flexibility to wait for a clearer resolution to the yield inversion and focus more on investment implementation to posture the portfolio for opportunities.

COMMITTEE REVIEW:
The Investment Committee reviewed this item at its June 13, 2024 meeting, and recommends Board

approval with a 3-1 vote.

BUDGET IMPACT:
None.

STRATEGIC PLANNING GOAL/OBJECTIVE:
Prudent Fiscal Management

STAFF CONTACT:
Don Pierce

ATTACHMENTS:
Exhibit A: NEPC 2024 Asset Allocation Review