CCCERA
Contra Costa County Employees' Retirement Association

AGENDA

RETIREMENT BOARD MEETING

REGULAR MEETING	Board Conference Room
March 22, 2023	1200 Concord Avenue, Suite 350
9:00 a.m.	Concord, California

THE RETIREMENT BOARD MAY DISCUSS AND TAKE ACTION ON THE FOLLOWING:

1. Pledge of Allegiance.

2. Public Comment (3 minutes/speaker).

3. Approve minutes from the February 22, 2023 meeting. (Action Item)

4. Consider and take possible action to accept the actuarial valuation report of Other Post-Employment Benefits (OPEB). (Action Item)

5. Presentation from PARS (Public Agency Retirement Services) regarding the I.R.C. Section 115 Trust for Other Post-Employment Benefits for CCCERA Employees. (Presentation Item)

6. Review of private credit by StepStone.

7. Consider authorizing the attendance of Board: (Action Item)
   a. 2023 CRCEA Spring Conference, April 23-26, 2023, Ontario, CA. (Note: Conflict with Board meeting)

8. Miscellaneous
   a. Staff Report
   b. Outside Professionals' Report
   c. Trustees' comments

The Retirement Board will provide reasonable accommodations for persons with disabilities planning to attend Board meetings who contact the Retirement Office at least 24 hours before a meeting.

CCCERA
Contra Costa County Employees' Retirement Association

RETIREMENT BOARD MEETING MINUTES

REGULAR MEETING
February 22, 2023
9:00 a.m.

The Board of Retirement meeting was accessible telephonically at (669) 900-6833, Webinar ID 885 4618 7290 Passcode 769757, as permitted by Government Code Section 54953(e).

1. Pledge of Allegiance

The Board and staff joined in the *Pledge of Allegiance.*

2. Roll Call

Present: Candace Andersen, Dennis Chebotarev, Donald Finley, Scott Gordon, Jerry Holcombe, Louie Kroll, Jay Kwon, David MacDonald, John Phillips, Mike Sloan, Russell Watts and Samson Wong

Absent: None

Staff: Gail Strohl, Chief Executive Officer; Christina Dunn, Deputy Chief Executive Officer; Karen Levy, General Counsel and Timothy Price, Chief Investment Officer

Outside Professional Support:	Representing:
Scott Whalen	Verus

3. Accept comments from the public

Carol Nowicki spoke about her husband's experience in 2015 with CCCERA.

Pete Nowicki spoke about his experience with CCCERA through litigation.

4. Approve of Minutes

It was **M/S/C** to approve the minutes from the January 25, 2023 meeting with changes. (Yes: Andersen, Chebotarev, Finley, Gordon, Holcombe, Kroll, MacDonald, Phillips and Watts)

5. Review of total portfolio performance for period ending December 31, 2022

a. Presentation from Verus

Whalen reviewed CCCERA's investment total portfolio performance for period ending December 31, 2022.

b. Presentation from staff

Price reviewed CCCERA's sub-portfolios.

6. Annual statement of compliance with Board resolutions

Price presented the annual statement of compliance with Board resolutions.

It was the consensus of the Board to move to Item 8.

8. Consider and take possible action to adopt CCCERA's Policy Allowing for the Use and Acceptance of Electronic Signatures

It was **M/S/C** to adopt CCCERA's Policy Allowing for the Use and Acceptance of Electronic Signatures. (Yes: Andersen, Chebotarev, Finley, Gordon, Holcombe, Kroll, MacDonald, Phillips and Watts)

7. Consider and take possible action to authorize the CEO to execute an amendment to the pension administration consulting agreement with Segal Consulting.

It was **M/S/C** to authorize the CEO to execute an amendment to the pension administration consulting agreement with Segal Consulting. (Yes: Andersen, Chebotarev, Finley, Gordon, Holcombe, Kroll, MacDonald, Phillips and Watts)

9. Consider and take possible action to amend CCCERA's Accessibility of Records Policy and Accessibility of Investment Records Policy

It was **M/S/C** to amend CCCERA's Accessibility of Records Policy. (Yes: Andersen, Chebotarev, Finley, Gordon, Holcombe, Kroll, MacDonald, Phillips and Watts)

It was **M/S/C** to amend CCCERA's Accessibility of Investment Records Policy. (Yes: Andersen, Chebotarev, Finley, Gordon, Holcombe, Kroll, MacDonald, Phillips and Watts)

10. Consider and take possible action on SACRS voting proxy form

It was **M/S/C** to appoint Louie Kroll as the Voting Delegate and David MacDonald as the alternate at the upcoming SACRS Conference. (Yes: Andersen, Chebotarev, Finley, Gordon, Holcombe, Kroll, MacDonald, Phillips and Watts)

11. Consider authorizing the attendance of Board:

a. It was **M/S/C** to authorize the attendance of 4 Board Members at the CALAPRS Trustees Roundtable, April 21, 2023, Virtual. (Yes: Andersen, Chebotarev, Finley, Gordon, Holcombe, Kroll, MacDonald, Phillips and Watts)
b. It was **M/S/C** to authorize the attendance of 12 Board Members at the SACRS Spring Conference, May 9-12, 2023, San Diego, CA. (Yes: Andersen, Chebotarev, Finley, Gordon, Holcombe, Kroll, MacDonald, Phillips and Watts)

12. Miscellaneous

a. Staff Report - Strohl noted with the recent retirements of the Deputy General Counsel and the Retirement Services Manager we have opened recruitments for both positions.
b. Outside Professionals - None

c. Trustee' comments - Watts reported he attended Commonfund Forum last week in Boca Raton, FL. Watts found the conference had a great program, was very interesting and informative and would recommend it to other Trustees.

   MacDonald reported he, Finley and Investment staff attended the Sit Investment Client Workshop. He noted it was a very high-quality conference with excellent speakers with a wide range of topics.

   Finley echoed what MacDonald said but noted most of the presentations unexpectedly had a lot of negative outlooks in terms of the economic view. It was a diverse set of speakers.

   Gordon noted that the Governor's Executive Emergency Order expires on February 28, 2023, which means that effective March 1, 2023 and thereafter the Board will be returning to meeting in person.

It was **M/S/C** to adjourn the meeting. (Yes: Andersen, Gordon, Holcombe, Kroll, MacDonald, Phillips and Watts)

Scott Gordon, Chairman	Jerry R. Holcombe, Secretary

Meeting Date
03/22/2023
Agenda Item
#4

Contra Costa County Employees' Retirement Association

MEMORANDUM

Date: March 22, 2023

To: CCCERA Board of Retirement

From: Gail Strohl, Chief Executive Officer

Subject: Consider and take possible action to accept the actuarial valuation report of Other Post-Employment Benefits (OPEB).

Background
Milliman, Inc. has prepared the actuarial valuation report of the Other Post-Employment Benefits as of January 1, 2022 and GASB 74/75 disclosures as of December 31, 2022. An actuarial valuation is conducted every two years.

Recommendation
Consider and take possible action to accept the actuarial valuation report of Other Post-Employment Benefits (OPEB).

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USA

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milliman.com

March 14, 2023

Mr. Henry Gudino
Accounting Manager, CPA
Contra Costa County Employees' Retirement Association
1200 Concord Avenue, Suite 300
Concord, CA 94520

Actuarial Valuation of Other Post Employment Benefits for Staff Employees and Retirees as of January 1, 2022 and GASB 74/75 Disclosures as of December 31, 2022

Dear Henry:

I am pleased to enclose above titled report for the Contra Costa County Employees' Retirement Association ("CCCERA"). In this report, we have prepared certain disclosures required by GASB Statements No. 74 / 75 for the Contra Costa County Employee's Retirement Association's OPEB Plan for staff employees and retirees for the fiscal year ending December 31, 2022.

If you have any questions or would like to review the report, please call me at (925) 948-1253.

Sincerely,

Reid Earnhardt

Reid Earnhardt, ASA, MAAA

enc.
cc: Christina Dunn
Erica Grant
John Botsford

Contra Costa County Employees' Retirement Association

Actuarial Valuation of Other Post Employment Benefits for Staff Employees and Retirees as of January 1, 2022 and GASB 74/75 Disclosures as of December 31, 2022

Prepared by:

Reid Earnhardt
ASA, MAAA

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March 14, 2023

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March 14, 2023

Contra Costa County Employees' Retirement Association
1200 Concord Avenue, Suite 300
Concord, CA 94520

Actuarial Valuation of Other Post Employment Benefits for Staff Employees and Retirees as of January 1, 2022 and GASB 74/75 Disclosures as of December 31, 2022

At the request of the Contra Costa County Employees' Retirement Association ("CCCERA"), we have prepared an actuarial valuation of Other Post Employment Benefits as of January 1, 2022 for CCCERA's staff employees and retirees, and GASB 74 and 75 disclosures for the fiscal year ending December 31, 2022, to comply with Statements No. 74 and 75 of the Governmental Accounting Standards Board (GASB).

In preparing this report, we relied, without audit, on information supplied by the CCCERA's staff. This information includes but is not limited to employee census data, financial information and plan provisions. While Milliman has not audited the financial and census data, they have been reviewed for reasonableness and are, in our opinion, sufficient and reliable for the purposes of our calculations. If any of this information as summarized in this report is inaccurate or incomplete, the results shown could be materially affected and this report may need to be revised.

All costs, liabilities, rates of interest, and other factors for CCCERA have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of CCCERA and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting CCCERA. Further, in our opinion, each actuarial assumption used is reasonably related to the experience of the Plan and to reasonable expectations which, in combination, represent our best estimate of anticipated experience for CCCERA. The valuation results were developed using models intended for valuations that use standard actuarial techniques. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in the compliance with generally accepted actuarial practice and relevant Actuarial Standards of Practice (ASOPs).

This valuation report is only an estimate of the Plan's financial condition as of a single date. It can neither predict the Plan's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of Plan benefits, only the timing of CCCERA's contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. CCCERA has the final decision regarding the appropriateness of the assumptions.

Actuarial computations presented in this report under GASB Statements No. 74 and 75 are for purposes of assisting CCCERA in fulfilling its financial accounting requirements. The computations prepared for this purpose may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of CCCERA's funding policy and goals. The calculations in this report have been made on a basis consistent with our understanding of the OPEB plan provisions described in Appendix A of this report, and of GASB Statements No. 74 and 75. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work is prepared solely for the internal business use of CCCERA. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

a) CCCERA may provide a copy of Milliman's work, in its entirety, to CCCERA's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit CCCERA.

b) CCCERA may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs. The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The signing actuary is independent of the plan sponsor. I am not aware of any relationship that would impair the objectivity of my work.

On the basis of the foregoing, I hereby certify that, to the best of our knowledge and belief, the report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Actuarial Standards of Practice of the American Academy of Actuaries. The undersigned is a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

Reid Earnhardt, ASA, MAAA
Consulting Actuary

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Introduction

Milliman, Inc. (Milliman) has been retained by Contra Costa County Employees' Retirement Association ("CCCERA") to provide disclosures required by GASB Statements No. 74 and 75 for CCCERA's Staff OPEB Plan for the fiscal year ending December 31, 2022.

GASB 74 applies to financial reporting for public OPEB plans. Even if the plan does not issue standalone financial statements, but rather is considered a trust fund of a government, it is subject to GASB 74.

GASB 75 governs the specifics of accounting for public OPEB plan obligations for employers. GASB 75 requires a liability for OPEB obligations, known as the Net OPEB Liability, to be recognized on the balance sheets of employers. Changes in the Net OPEB Liability will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

Background

Staff employees who retire directly from CCCERA may receive certain retiree health benefits if they meet certain eligibility requirements. CCCERA contracts with CalPERS for health benefits. CCCERA will contribute an amount toward the cost of retiree health benefits for staff retirees consistent with the bargaining agreements between CCCERA and various bargaining units. Appendix A provides a more detailed summary of benefits.

Key Results

The following table summarizes key results. Exhibits 1 – 5 contain the information needed for the preparation of accounting disclosures under GASB 74 and 75.

	December 31, 2022
Net OPEB Liability	
Total OPEB Liability	$ 4,506,000
Fiduciary Net Position	4,580,000
Net OPEB Liability	$ (74,000)
Fiduciary Net Position as % of Total OPEB Liability	101.6%
Annual OPEB Expense for Fiscal Year 2022	$ 119,000
Actuarially Determined Contribution for Fiscal Year 2022	
Service Cost as of January 1, 2022	$ 148,000
Amortization of Net OPEB Liability as of 12/31/2022 [1]	0
Interest to January 1, 2023	10,000
ADC as of January 1, 2023 [2]	$ 158,000

1. *The plan is fully funded as of 12/31/2022, and the amortization of NOL is set to $0.*
2. *The ADC may be further adjusted for interest to reflect the timing of the contribution during 2023.*

Actuarially Determined Contribution

CCCERA has adopted a funding policy to contribute to a Section 115 trust, the actuarially determined contribution (ADC) each year. For this valuation, the ADC is defined as the annual service cost, plus an amount to amortize the NOL over 10 years from 2018 on a level dollar basis, plus interest to account for the timing of contributions during the year. The CCCERA Board adopted the 10 year amortization schedule at its June 2019 Board meeting. As of the December 31, 2022 measurement date, there are 6 years remaining in the amortization period. For this valuation, the plan is fully funded and the amortization of NOL is set to $0.

Plan Changes

There were no plan changes since the last fiscal year ending December 31, 2021.

Change in TOL Due to Plan Experience

The plan had an experience gain of $1,245,000 as shown in Exhibit 3. The gain was due primarily to (1) actual health premiums in 2023 that were less than projected from the last valuation, and (2) fewer retirees electing health benefits at retirement than assumed.

Change in TOL Due to Assumptions

The health cost trend, and demographic rates were changed from the prior valuation. The following table shows a summary of the effect of these changes on Total OPEB Liability (TOL).

Assumption Changes since the Prior Valuation	Change in TOL
Health cost trend update	$ 90,000
Demographic assumptions updated to align with demographic assumptions used in the December 31, 2021, CCCERA Pension Actuarial Valuation Report	(167,000)
Pre age 65 family election lowered from 50% to 30%	(92,000)
Total	$ (169,000)

Rationale for Significant Assumptions

With any valuation of future benefits, assumptions of anticipated future events are required. If actual events differ from the assumptions made, the actual cost of the plan will vary as well. A complete list and description of the actuarial assumptions is presented in Appendix B.

Investment Rate of Return. We have assumed an investment rate of return of 6.50%, net of investment expenses. This is based on the investment policy set by CCCERA for its Staff Plan OPEB trust and managed by the Public Agency Retirement Services (PARS). Please see Appendix B for additional details supporting the assumed investment return.

Discount Rate. Under GASB 74 & 75, the discount rate should be the single rate that reflects the long-term rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits. To the extent that OPEB plan assets along with expected future investment returns and expected future contributions are sufficient to finance all OPEB benefits, the discount rate should be based on the assumed investment return on assets. CCCERA's current funding policy is to fund the

Actuarially Determined Contribution each fiscal year. Based on CCCERA's funding policy, plan assets are projected to be sufficient to fund OPEB liabilities. Therefore, a discount rate of 6.50% was assumed. The prior full valuation as of January 1, 2020, also used a discount rate of 6.50%.

Health Cost Trend. We have assumed medical premiums will increase according to the health cost inflation trend derived by using the "Getzen" model developed by the Society of Actuaries. Actual increases from January 1, 2022 to January 1, 2023 are reflected in our calculation. For retirees eligible for the premium subsidy, CCCERA and the retiree will share equally in the cost of premium increases in future years.

The CalPERS minimum contribution is $149 for calendar year 2022 and $151 for calendar year 2023, and is adjusted annually to reflect any changes in the medical care component of the CPI-U. Based on recent observed increases in consumer price indices and professional judgement, we have updated the assumed Medical CPI increase to be 4.0% in calendar year 2023, 3.8% in calendar year 2024, 3.5% in calendar year 2025, 3.3% in calendar year 2026 and all years after.

Mortality Rates. The assumed mortality is based on the headcount weighted Pub-2010 mortality table, projected generationally using the MP-2021 projection scale to account for expected future improvement in mortality. The prior valuation's projection scale was the MP-2020 projection scale.

Demographic Rates. The assumptions for turnover, retirement and disability used in this valuation are aligned with the December 31, 2021 pension actuarial report from the Contra Costa County Employees' Retirement Association (CCCERA). CCCERA became a separate employer on January 1, 2015 and continue to participant in the CCERA pension. The CCCERA staff employee population is not large enough to develop a customized set of demographic assumptions based only on its own employee and retiree data. The use of CCCERA demographic assumptions remain a reasonable basis for assumptions as all CCCERA staff employees are participants of the CCCERA pension plan. As new experience emerges, we will continue to monitor staff plan experience compared to the demographic assumptions used in the CCCERA pension valuation.

Coverage Election Rates and Spouse Age Difference. We reviewed the CCCERA Staff plan's recent experience data on health benefit election, spouse coverage, dependent coverage and spouse age differences. We have based our coverage and election assumptions on this information and actuarial judgment of future experience.

For employees eligible for the premium subsidy, we assumed 100% of new retirees will elect medical and dental coverage at retirement and 70% of the new retirees will elect spouse coverage. New retirees electing medical coverage are assumed to elect the Kaiser Plan for medical coverage. For all other employees, we have assumed 50% of new retirees will elect medical and dental coverage at retirement and 70% of the new retirees electing coverage will also elect spouse coverage. Female spouses are assumed to be three years younger than male spouses. These assumptions are consistent with plan experience and remain unchanged from the prior valuation.

We have assumed that 30% of retirees with spouse coverage will elect coverage for a dependent child until age 65. For the prior valuation, we assumed 50% of retirees with spouse coverage will elect coverage for a dependent child until age 65.

A complete summary of the actuarial assumptions is presented in Appendix B.

Variability of Results

The results contained in this report represent our best estimates. However, variation from these or any other estimates of future retiree medical costs is not only possible but probable. Actual future costs may vary significantly from estimates in this report.

Exhibit 1. Net OPEB Liabilities

The Valuation Date is January 1, 2022. This is the date as of which the full actuarial valuation is performed. The Measurement Date is December 31, 2022, which is also the GASB 74 and 75 Reporting Date, for the fiscal year ending December 31, 2022. The Total OPEB Liability is projected to December 31, 2022, using standard actuarial techniques as permitted by GASB 74 and 75. The Fiduciary Net Position is the market value of assets as of the fiscal year ending December 31, 2022.

	For the Fiscal Year Ending	
	December 31, 2022	December 31, 2021
Valuation Type	**Full**	**Roll-Forward**
Total OPEB Liability	$ 4,506,000	$ 5,535,000
Fiduciary Net Position	4,580,000	5,265,000
Net OPEB Liability	$ (74,000)	$ 270,000
Fiduciary Net Position as a % of Total OPEB Liability	101.6%	95.1%
Valuation Date	01/01/2022	01/01/2021
Measurement date	12/31/2022	12/31/2021
GASB 74/75 Reporting date	12/31/2022	12/31/2021
Discount Rate	6.50%	6.50%
Money Weighted Rate of Return	-14.93%	14.53%

Exhibit 2. Sensitivity of Net OPEB Liabilities

GASB 74/75 requires disclosure of the sensitivity of the Net OPEB Liability (NOL) to changes in the discount rate and health care cost trend rates. The liabilities shown below are based on a measurement date of December 31, 2022, and are applicable for the fiscal year ending December 31, 2022.

Sensitivity of the Net OPEB Liability to changes in the discount rate

The following table shows what CCCERA's Net OPEB Liability (NOL) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate.

Sensitivity Analysis	1% Decrease in Discount Rate 5.50%	Current Discount Rate 6.50%	1% Increase in Discount Rate 7.50%
Net OPEB Liability as of December 31, 2022	$ 505,000	$ (74,000)	$ (556,000)

Sensitivity of the Net OPEB Liability to changes in the Healthcare Cost Trend Rates

The following table shows what CCCERA's Net OPEB Liability (NOL) would be if it were calculated using a Healthcare cost trend that is 1 percentage point lower or 1 percentage point higher than the current Healthcare cost trend rates.

Sensitivity Analysis	1% Decrease in Healthcare Costs Trend Rate	Current Healthcare Costs Trend Rate	1% Increase in Healthcare Costs Trend Rate
Net OPEB Liability as of December 31, 2022	$ (621,000)	$ (74,000)	$ 601,000

Exhibit 3. Changes in Net OPEB Liability

The following exhibit shows a reconciliation of the Net OPEB Liability from the measurement date December 31, 2021, to December 31, 2022, to be reported for the fiscal year ending December 31, 2022.

	Increase / (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of December 31, 2021	$ 5,535,000	$ 5,265,000	$ 270,000
Service cost	$ 211,000	$ 0	$ 211,000
Interest on the total OPEB liability	368,000	0	368,000
Changes of benefit terms	0	0	0
Differences between actual and expected experience with regard to economic or demographic factors	(1,245,000)	0	(1,245,000)
Changes of assumptions	(169,000)	0	(169,000)
Benefit payments [1]	(194,000)	(194,000)	0
Contributions from employer [2]	0	306,000	(306,000)
Net investment income	0	(797,000)	797,000
Administrative expense	0	0	0
Other changes	0	0	0
Total changes	$ (1,029,000)	$ (685,000)	$ (344,000)
Balance as of December 31, 2022	$ 4,506,000	$ 4,580,000	$ (74,000)

1. The benefit payment shown is equal to the annual pay-as-you-go cost of $156,000 as reported by CCCERA for the fiscal year ending December 31, 2022, increased by $38,000 to reflect the estimated implicit subsidy.
2. CCCERA's annual pay-as-you-go cost was reimbursed from the OPEB trust. This contribution amount includes an estimated implicit subsidy in the amount of $38,000.

Exhibit 4. Calculation of OPEB Expense and Deferred Inflows/Outflows

The following tables show the development of the OPEB expense and deferred inflows/outflows of resources.

OPEB Expense	Fiscal Year Ending December 31, 2022	Fiscal Year Ending December 31, 2021
Service cost	$ 211,000	$ 198,000
Interest on the total OPEB liability	368,000	341,000
Effect of plan changes	0	0
Administrative expense	0	14,000
Member contributions	0	0
Expected investment return, net of investment expenses	(346,000)	(309,000)
Recognition of Deferred (Inflows)/Outflows of Resources		
Economic/demographic (gains) or losses	$ (200,000)	$ (60,000)
Assumption changes or inputs	(58,000)	(39,000)
Investment (gains) or losses	144,000	(85,000)
Total Recognition	(114,000)	(184,000)
OPEB expense	$ 119,000	$ 60,000

Deferred (Inflows) / Outflows of Resources as of 12/31/2022	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ (1,442,000)	$ 0
Changes of assumptions	(369,000)	0
Net difference between projected and actual earnings	0	721,000
Contributions made subsequent to measurement date	0	0
Total	$ (1,811,000)	$ 721,000

Amounts currently reported as deferred inflows of resources and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31	Recognized Deferred (Inflows) and Outflows of Resources
2023	$ (114,000)
2024	(114,000)
2025	(52,000)
2026	(31,000)
2027	(258,000)
Thereafter	(521,000)

Exhibit 5. Schedule of Deferred Inflows and Outflows of Resources

Investment (gains)/losses are recognized in OPEB expense over a period of five years. Economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members. Since there is no expected future service for inactives, their remaining service is equal to zero for purposes of computing the average remaining service life.

Date Established (Fiscal Year Ending)	Original Amount	Original Recognition Period	Balance of Deferred (Inflows)/Outflows at 12/31/2022	Remaining Recognition Period	Amount Recognized in Expense 12/31/2022
Investment (gains) or losses					
12/31/2022	$ 1,143,000	5.00	$ 914,000	4.00	$ 229,000
12/31/2021	(119,000)	5.00	(71,000)	3.00	(24,000)
12/31/2020	(305,000)	5.00	(122,000)	2.00	(61,000)
Economic / Demographic changes					
12/31/2022	$ (1,245,000)	8.92	$ (1,105,000)	7.92	$ (140,000)
12/31/2020	(517,000)	8.67	(337,000)	5.67	(60,000)
Assumption changes					
12/31/2022	$ (169,000)	8.92	$ (150,000)	7.92	$ (19,000)
12/31/2020	(336,000)	8.67	(219,000)	5.67	(39,000)
Total			$ (1,090,000)		$ (114,000)

Appendix A. Summary of Plan Benefits

The following description of retiree health benefits is intended to be only a brief summary and is not complete information.

Eligibility

Eligible for the Premium Subsidy
Unrepresented CCCERA staff employees who are hired prior to January 1, 2009 with completion of 5 years of CCCERA service and retire with a CCCERA pension benefit. AFSCME CCCERA staff employees who are hired prior to January 1, 2010, with completion of 5 years of CCCERA service and retire with a CCCERA pension benefit.

PEMHCA Minimum Contribution
Unrepresented CCCERA staff employees who are hired on or after January 1, 2009 with completion of 5 years of CCCERA service and retire with a CCCERA pension benefit. AFSCME CCCERA staff employees who are hired on or after January 1, 2010, with completion of 5 years of CCCERA service and retire with a CCCERA pension benefit.

Health Benefits

Eligible CCCERA staff retirees and their dependents may elect coverage under the health plans sponsored by CalPERS. For retirees who meet the eligibility requirements to receive the premium subsidy, CCCERA will pay the monthly premium subject to maximum subsidies shown in the table below by rate tier for plan year 2019 as listed in the Memorandum of Understandings between CCCERA and its bargaining units.

	2019 - CCCERA Monthly Maximum Premium Subsidy		
CalPERS Health Plans	**Employee Ony**	**Employee & 1 Dependent**	**Employee 2+ Dependents**
Anthem HMO Select	$ 782.95	$ 1,565.89	$ 2,035.66
Anthem HMO Traditional	746.47	1,492.94	1,940.82
BSC Access+	746.47	1,492.94	1,940.82
HealthNet SmartCare	804.97	1,609.95	2,092.93
Kaiser Permanente	763.16	1,526.33	1,984.23
PERS Choice	746.47	1,492.94	1,940.82
PERS Select	543.19	1,086.38	1,412.29
PERSCare	746.47	1,492.94	1,940.82
Western Health Advantage	746.47	1,492.94	1,940.82

For 2019 and beyond, if there is an increase in the monthly premium charged by a medical plan, CCCERA and the employee will each pay fifty percent (50%) of the monthly increase that is above the amount of the 2019 plan year premium. The fifty percent (50%) share of the monthly medical plan increase paid by CCCERA is in addition to the amount paid by CCCERA for the 2019 plan year.

For dental coverage, CCCERA's monthly premium subsidy is a set dollar amount as shown in the table below. For 2020 and beyond, if there is an increase in the monthly dental premium charged by the dental carrier, CCCERA and the employee will each pay fifty percent (50%) of the monthly increase that is above the amount of the 2020 plan year premium. The fifty percent (50%) share of the monthly dental plan increase paid by CCCERA is in addition to the amount paid by CCCERA for the 2020 plan year.

Dental Coverage	Maximum CCERA Subsidy 2020
Employee Only	$ 46.21
Employee and Spouse	103.72
Employee and Child	103.41
Family	169.38

For employees who meet the eligibility to receive the PEMHCA minimum contribution the benefit is ($149 per month for 2022 and $151 for 2023), subject to an annual increase based on the medical Consumer Price Index).

Dental Plan Premiums

The following table shows monthly retiree dental insurance premiums for the 2022 and 2023 calendar year.

Coverage	Monthly Rate
Employee Only	$ 61.63
Employee and Spouse	138.34
Family	225.92

Health Insurance Premium Rates

Eligible retirees may choose any PEMHCA medical plans from the region of their residence (Region 1, 2, 3, and Out of States). The following table show monthly retiree health insurance premiums for the 2022 premium years under the CalPERS Health Plan for Region 1, which includes the Bay Area and other parts of Northern California. For premium rates in the other regions, please visit CalPERS website. Effective 1/1/2022, PERS Select became PERS Gold and PERS Choice and PERSCare became PERS Platinum for all regions.

Region 1 Monthly Premium Rates – Effective January 1, 2022						
	Single		2-Party		Family	
	Under 65	Over 65	Under 65	Over 65	Under 65	Over 65
Anthem EPO Del Norte	$1,057.01	n/a	$2,114.02	n/a	$2,748.23	n/a
Anthem HMO Select	1,015.81	$360.19	2,031.62	$720.38	2,641.11	$1,080.57
Anthem HMO Traditional	1,304.00	360.19	2,608.00	720.38	3,390.40	1,080.57
Blue Shield Access+	1,116.01	353.11	2,232.02	706.22	2,901.63	1,059.33
Blue Shield EPO	1,116.01	353.11	2,232.02	706.22	2,901.63	1,059.33
Blue Shield Trio	898.54	353.11	1,797.08	706.22	2,336.20	1,059.33
Health Net SmartCare	1,153.00	n/a	2,306.00	n/a	2,997.80	n/a
Kaiser	857.06	302.53	1,714.12	605.06	2,228.36	907.59
PERS Gold	701.23	377.41	1,402.46	754.82	1,823.20	1,132.23
PERS Platinum	1,057.01	381.94	2,114.02	763.88	2,748.23	1,145.82
UnitedHealthcare	1,020.28	294.65	2,040.56	589.30	2,652.73	883.95
Western Health Advantage	741.26	314.94	1,482.52	629.88	1,927.28	944.82

Region 1 Monthly Premium Rates – Effective January 1, 2023						
	Single		2-Party		Family	
	Under 65	Over 65	Under 65	Over 65	Under 65	Over 65
Anthem EPO Del Norte	$1,200.12	n/a	$2,400.24	n/a	$3,120.31	n/a
Anthem HMO Select	1,128.83	$413.59	2,257.66	$827.18	2,934.96	$1,240.77
Anthem HMO Traditional	1,210.71	413.59	2,421.42	827.18	3,147.85	1,240.77
Blue Shield Access+	1,035.21	361.90	2,070.42	723.80	2,691.55	1,085.70
Blue Shield EPO	1,035.21	361.90	2,070.42	723.80	2,691.55	1,085.70
Blue Shield Trio	888.94	361.90	1,777.88	723.80	2,311.24	1,085.70
Health Net SmartCare	1,174.50	n/a	2,349.00	n/a	3,053.70	n/a
Kaiser	913.74	283.25	1,827.48	672.58	2,375.72	1,008.87
PERS Gold	825.61	392.71	1,651.22	785.42	2,146.59	1,178.13
PERS Platinum	1,200.12	420.02	2,400.24	840.04	3,120.31	1,260.06
UnitedHealthcare	1,044.07	299.68	2,088.14	599.36	2,714.58	899.04
Western Health Advantage	760.17	331.11	1,520.34	662.22	1,976.44	993.33

Appendix B. Actuarial Cost Method and Assumptions

Actuarial Cost Method

The actuarial cost method used for determining the benefit obligations is the individual Entry Age Normal Cost Method. Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of expected salary for each year of employment between entry age (defined as age at hire) and assumed exit.

The portion of this actuarial present value allocated to a valuation year is called the service cost. The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the actuarial value of the assets (market value of Fiduciary Net Position), and (b) the actuarial present value of future service costs is called the Net OPEB Liability (NOL).

The Actuarial Value of Assets is equal to the market value of assets as of the measurement date. The actuarial assumptions are summarized below.

Economic Assumptions

Discount Rate (Liabilities)	6.50%
General Inflation	2.75%

We have used a discount rate of 6.50% in this valuation to reflect CCCERA's current policy of funding its OPEB liabilities. This rate is derived based on the fund's investment policy, annual funding equal to the ADC, and assumes a 2.75% long-term inflation. CCCERA OPEB Irrevocable Trust assets are managed by the Public Agency Retirement Services. Based on the portfolio's targeted allocation (shown below), the expected annual return of Trust assets over the next 30 years is expected to be 6.47%.

Asset Class	Expected Nominal Return	Current Asset Allocation
Cash	2.48%	1%
Core Fixed Income	4.06%	18%
Short Term Fixed Income	3.20%	10%
U.S. Treasuries	2.96%	5%
Domestic Equity Large Cap	6.29%	23%
Domestic Equity Small Cap	7.02%	7%
International Developed Equity	7.38%	21%
International Emerging Market Equity	8.18%	12%
Real Estate	6.31%	3%
Expected Annualized Return (30 years)	6.47%	

Assumed Salary Increases (Applied to Individual Entry Age Normal Cost Method)

The assumed annual rates of compensation increases used for the EAN actuarial cost method are the same as the assumption used in the December 31, 2021 CCCERA Actuarial Valuation.

Years of Service	General
Less than 1	14.34%
1	9.71%
2	7.91%
3	6.62%
4	5.59%
5	5.07%
10	4.35%
20 or more	3.53%

Demographic Assumptions

Below is a summary of the assumed rates for mortality, retirement, disability and withdrawal, which are based on the assumptions used in the December 31, 2021 CCCERA Actuarial Valuation.

Pre / Post Retirement Mortality

Healthy: Pub-2010 General Healthy Retiree Head Count Weighted Mortality Tables for males and females, projected generationally with the two-dimensional MP-2021 projection scale.

Disabled: Pub-2010 General Disabled Retiree Head Counted Weighted Mortality Tables for males and females, projected generationally with the two-dimensional MP-2021 projection scale.

Beneficiaries: Pub-2010 Contingent Survivor Head Count Weighted Mortality Tables for males and females, projected generationally with the two-dimensional MP-2021 projection scale.

Withdrawal – Sample probabilities of terminating employment from CCCERA are shown below for selected years of CCCERA service.

Years of Service	General
Less than 1	14.00%
1	9.50%
2	9.00%
3	6.25%
4	6.25%
5	5.00%
10	3.50%
15	2.25%
20 or more	1.50%

Disability

Age	General - All Tiers
20	0.01%
25	0.02%
30	0.04%
35	0.08%
40	0.22%
45	0.36%
50	0.52%
55	0.60%
60	0.60%
65 – 70	0.60%

Retirement – Rates for PEPRA Tier (Hired on or after 1/1/2013) and non-PEPRA Tier.

Age	Non-PEPRA < 30 years	Non-PEPRA >= 30 years	PEPRA
50	4%	10%	0%
51	4%	10%	0%
52	4%	10%	2%
53	4%	10%	3%
54	10%	16%	3%
55	15%	24%	4%
56	15%	24%	5%
57	15%	24%	6%
58	15%	22%	6%
59	18%	22%	8%
60	20%	20%	8%
61	20%	20%	12%
62	25%	30%	15%
63	25%	30%	17%
64	25%	30%	20%
65	35%	35%	25%
66	40%	40%	25%
67	40%	40%	25%
68	40%	40%	25%
69	40%	40%	25%
70	40%	40%	35%
71	35%	35%	35%
72	35%	35%	35%
73	35%	35%	35%
74	35%	35%	35%
75	100%	100%	100%

Coverage Election Assumptions

Retiree and Spouse Coverage – For employees eligible for the premium subsidy, we have assumed 100% of new retirees will elect medical and dental coverage at retirement and 70% of the new retirees will elect spouse coverage. For all other employees, we have assumed 50% of new retirees will elect medical and dental coverage at retirement and 70% of the new retirees will elect spouse coverage.

Spouse Age – Female spouses are assumed to be three years younger than male spouses.

Dependent Coverage – We have assumed 30% of retirees with spouse coverage will elect coverage for a dependent child until age 65.

Health Plan Election – We have assumed that all new retirees electing medical coverage will elect the Kaiser plan for medical coverage.

Valuation of Retiree Premium Subsidy Due to Active Health Costs

The California PERS (PEMHCA) health plans charge the same premiums for retirees who are not yet eligible for Medicare as for active employees. Therefore, the retiree premium rates are being subsidized by the inclusion of active lives in setting rates. (Premiums calculated only based on retiree health claims experience would have resulted in higher retiree premiums.) GASB 74/75 requires that the value of this subsidy be recognized as a liability in valuations of OPEB costs. To account for the fact that per member health costs vary depending on age (higher health costs at older ages), we calculated equivalent per member per month (PMPM) costs that vary by age based on the age distribution of covered members, and based on relative cost factors by age. The Medical PMPM costs are developed from the total covered members in PEMHCA plans based on the enrollment information released by CalPERS for Region 1 and Out-of-State. The relative cost factors were developed from the Milliman Health Cost Guidelines™. Based on the carrier premium rates and relative age cost factors assumptions, we developed age adjusted monthly PMPM health costs for 2022 and 2023 to be used in valuing the implicit rate subsidy.

Age Adjusted Medical PMPM Costs for 2022

	Retirees		Spouses	
Age	Male	Female	Male	Female
50	$ 823	$ 1,031	$ 735	$ 915
55	1,029	1,138	932	1,053
60	1,271	1,297	1,170	1,211
64	1,559	1,455	1,444	1,361

Age Adjusted Medical PMPM Costs for 2023

	Retirees		Spouses	
Age	Male	Female	Male	Female
50	$ 877	$ 1,098	$ 783	$ 975
55	1,096	1,212	993	1,122
60	1,354	1,382	1,246	1,290
64	1,661	1,550	1,538	1,450

Since premiums for retirees with Medicare are determined without regard to active life experience, no such subsidy exists for this group.

Medical Cost Inflation Assumption

The assumed future increases to the medical premiums are based on the “Getzen” model published by the Society of Actuaries for purposes of evaluating long term medical trend. The following table shows the assumed rate increases in future years for Medical premiums. For 2022 to 2023 calendar year, we used actual increase.

Calendar Year	Pre 65	Calendar Year	Post 65
2023	6.50%	2023	6.00%
2024	7.00%	2024	6.75%
2025	6.50%	2025	6.50%
2026	5.75%	2026	6.00%
2027 – 2028	5.25%	2027 – 2030	5.25%
2029 – 2030	5.00%	2031	5.00%
2031	4.75%	2032 – 2064	4.75%
2032 – 2069	4.50%	2065 – 2069	4.50%
2070+	4.25%	2070+	4.25%

For retirees eligible for the premium subsidy, CCCERA and the retiree will share equally in the cost of premium increases in future years.

Dental Cost Inflation

There is no increase for dental premium from 2022 to 2023. For 2023 and later, we have assumed dental premiums will increase at 3% per year and the portion of premium increases will be shared equally between CCCERA and the retiree.

Medical CPI

The assumed the PEMHCA minimum will increase as shown in the following table.

Calendar Year	Pre 65
2023	3.97%
2024	3.75%
2025	3.50%
2026+	3.25%

Appendix C. Summary of Participant Data

The following census of participants was used in the staff plan actuarial valuation and provided by Contra Costa County Employees' Retirement Association as of January 1, 2022.

Active Employees

Non-PEPRA Hired before 1/1/2013	PEPRA – Hired on or after 1/1/2013	Total
26	34	60

Average Age at Valuation Date:	48.59
Average Service at Valuation Date:	10.92

Current Retirees

Retired after 1/1/2015
7

Average Age on Valuation Date: 63.43

Appendix D. Glossary of Key Terms

Actuarially Determined Contribution. A target or recommended contribution to an OPEB plan for the reporting period, determined based on the funding policy and most recent measurement available when the contribution for the reporting period was adopted.

Deferred Inflows/Outflows of Resources. Portion of changes in net OPEB liability that is not immediately recognized in OPEB Expense. These changes include differences between expected and actual experience, changes in assumptions, and differences between expected and actual earnings on plan investments.

Discount Rate. Single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the sum of:

1) The actuarial present value of benefit payments projected to be made in future periods where the plan assets are projected to be sufficient to meet benefit payments, calculated using the Long-Term Expected Rate of Return.

2) The actuarial present value of projected benefit payments not included in (1), calculated using the Municipal Bond Rate.

Long-Term Expected Rate of Return. Long-term expected rate of return on OPEB plan investments expected to be used to finance the payment of benefits, net of investment expenses.

Money-Weighted Rate of Return. The internal rate of return on OPEB plan investments, net of investment expenses.

Municipal Bond Rate. Yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Total OPEB Liability. The portion of actuarial present value of projected benefit payments that is attributable to past periods of member service using the Entry Age Normal cost method based on the requirements of GASB 74 and 75 (formerly Actuarial Accrued Liability).

Fiduciary Net Position. Equal to market value of assets.

Net OPEB Liability. Total OPEB Liability minus the Plan's Fiduciary Net Position (formerly unfunded accrued liability).

Service Cost. The portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.

Meeting Date
03/22/2023
Agenda Item
#5

CCCERA
Contra Costa County Employees' Retirement Association

MEMORANDUM

Date: March 22, 2023

To: CCCERA Board of Retirement

From: Gail Strohl, Chief Executive Officer

Subject: Presentation from PARS (Public Agency Retirement Services) regarding the I.R.C. Section 115 Trust for Other Post-Employment Benefits for CCCERA employees.

Background
PARS (Public Agency Retirement Services) provides an annual report to the Board showing the performance of the I.R.C. Section 115 Trust for Other Post-Employments Benefits for CCCERA employees. This report is net of trustee administration and investment management fees, and shows the prior year December 31 account balance.

Recommendation
Informational only. No action is necessary.

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

OPEB Prefunding Program Client Review

March 22, 2023

CONTACTS

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PARS 115 TRUST TEAM

Trust Administrator & Consultant

PUBLIC AGENCY RETIREMENT SERVICES PARS
TRUSTED SOLUTIONS. LASTING RESULTS.

- Serves as record-keeper, consultant, and central point of contact
- Sub-trust accounting
- Coordinates all agency services
- Monitors plan compliance (IRS/GASB/State Government Code)
- Processes contributions/disbursements
- Hands-on, dedicated support teams

39	2,000+	1,000+	500+	500K+	$6.4B
Years of Experience (1984-2023)	Plans under Administration	Public Agency Clients	115 Trust Clients	Plan Participants	Assets under Administration

Trustee

usbank

- 5th largest commercial bank and one of the nation's largest trustees for Section 115 trusts
- Safeguard plan assets
- Oversight protection as plan fiduciary
- Custodian of assets

160	$9.0T
Years of Experience (1863-2023)	Assets under Trust Custody

Investment Manager

HIGHMARK® CAPITAL MANAGEMENT

- Investment sub-advisor to trustee U.S. Bank
- Investment policy assistance
- Uses open architecture
- Active and passive platform options
- Customized portfolios (with minimum asset level)

104	$17.7B
Years of Experience (1919-2023)	Assets under Management & Advisement

SUMMARY OF AGENCY'S OPEB PLAN

Plan Type:	IRC Section 115 Irrevocable Exclusive Benefit Trust
Trustee Approach:	Discretionary
Plan Effective Date:	December 1, 2018
Plan Administrator:	Gail Strohl, Chief Executive Officer
Current Investment Strategy:	Custom Strategy; Individual Account
Eligibility:	Employees of CCCERA that retire after December 31, 2014

FROM INCEPTION TO DECEMBER 31, 2022:

Initial Contribution:	December 2018: $2,542,476
Additional Contributions:	$1,900,300
Total Contributions:	$4,442,776
Disbursements:	($392,416)
Total Investment Earnings:	$627,066
Expenses/Fees*:	($97,437)
Account Balance:	$4,579,989

** Only pertaining to PARS and HighMark/US Bank fees.*

SUMMARY OF AGENCY'S OPEB PLAN

FOR PERIOD JANUARY 1, 2022 - DECEMBER 31, 2022:

Contributions:	$268,000
Disbursements:	($160,507)
Investment Earnings:	($764,194)
Expenses/Fees*:	($28,014)
Account Balance:	$4,579,989

** Only pertaining to PARS and HighMark/US Bank fees.*

OPEB ACTUARIAL RESULTS

- The most recent actuarial report was prepared by Milliman dated March 3, 2023 and has a measurement date as of December 31, 2022. In the table below, we have summarized the demographic results.

Demographic Study	Actuarial Measurement Date: December 31, 2021	Actuarial Measurement Date: December 31, 2022
Valuation Type	Roll-Forward Valuation	Full Valuation
Actives	57	60
Retirees	5	7
Total	62	67
Average Active Age	48.41	48.59
Average Active Agency Service	10.55	10.92

OPEB ACTUARIAL RESULTS

	Actuarial Measurement Date: December 31, 2021 Discount Rate: 6.50%	**Actuarial Measurement Date: December 31, 2022 Discount Rate: 6.50%**
Valuation Type	Roll-Forward Valuation	Full Valuation
Total OPEB Liability (TOL) *Actuarial Accrued Liability (AAL)*	$5,535,000	$4,506,000
Plan Fiduciary Net Position *Actuarial Value of Assets*	$5,265,000	$4,580,000
Net OPEB Liability (NOL) *Unfunded Actuarial Accrued Liability (UAAL)*	$270,000	($74,000)
Funded Ratio (%)	95.1%	101.6%
Actuarially Determined Contribution (ADC) *Annual Required Contribution (ARC)*	$257,000 *for 2020-2021*	$158,000 *for 2021-2022*
Annual Benefit Payments (Pay-as-you-Go)	$60,000 *for 2020-2021*	$119,000 *for 2021-2022*

CCCERA OPEB PLAN

Fourth Quarter 2022

Presented by
Andrew Brown, CFA

Economic and Market Forecast
February 2023

	2022 Assumptions	2023 Assumptions
GDP	0.1% - 0.9%	- 0.5% - +0.3%
S&P 500 Earnings	$210 - $220	$195 - $205
Unemployment	3.7% - 4.2%	4.2% - 4.7%
Core PCE Inflation	4.0% - 4.5%	2.8% - 3.3%
Fed Funds Target	4.0% - 4.5%	5.0% - 5.5%

Source: HighMark Asset Allocation Committee

Selected Period Performance
PARS/CCCERA 115P

Period Ending: 12/31/2022

	3 Months	Year to Date (1 Year)	1 Year	3 Years	Inception to Date 02/01/2019
Cash Equivalents	.85	1.48	1.48	.62	.95
Lipper Money Market Funds Index	*.87*	*1.51*	*1.51*	*.63*	*.94*
Total Fixed Income	1.34	-10.89	-10.89	-1.90	.02
Bloomberg US Aggregate Bd Index	*1.87*	*-13.01*	*-13.01*	*-2.71*	*-.24*
Bloomberg Intermediate US Treas Bd Index	*1.02*	*-7.77*	*-7.77*	*-1.39*	*.12*
ICE BofA 1-3 Yr US Corp/Govt	*.90*	*-3.79*	*-3.79*	*-.33*	*.67*
Total Equities	11.05	-16.46	-16.46	3.14	6.35
Large Cap Funds	8.40	-16.53	-16.53	7.79	11.51
S&P 500 Composite Index	*7.56*	*-18.11*	*-18.11*	*7.66*	*11.27*
Small Cap Funds	8.14	-17.38	-17.38	4.77	7.13
Russell 2000 Index	*6.23*	*-20.44*	*-20.44*	*3.10*	*5.57*
International Equities	13.29	-16.55	-16.55	.21	3.21
MSCI EAFE Index	*17.34*	*-14.45*	*-14.45*	*.87*	*4.20*
MSCI EM Free Index	*9.70*	*-20.09*	*-20.09*	*-2.69*	*.08*
RR: REITS	4.70	-25.93	-25.93	-.84	3.19
Wilshire REIT Index	*4.05*	*-26.81*	*-26.81*	*-.49*	*2.74*
Total Managed Portfolio	6.56	-14.53	-14.53	2.08	4.59
Total Account Net of Fees	6.47	-14.82	-14.82	1.73	4.24
CCCERA OPEB Policy Benchmark	*7.41*	*-13.91*	*-13.91*	*1.42*	*3.97*

Account Inception: 02/01/2019

The investment program was initiated on January 15, 2019. Performance Inception is as of February 1, 2019. Returns are gross of account level investment advisory fees and net of any fees, including fees to manage mutual fund or exchange traded fund holdings. Returns for periods over one year are annualized. The information presented has been obtained from sources believed to be accurate and reliable. Past performance is not indicative of future returns. Securities are not FDIC insured, have no bank guarantee, and may lose value. CCCERA Policy Benchmark consists of 20% S&P 500 Composite Index, 20% MSCI EAFE Index, 15% MSCI EM Free Index, 15% BBG Barclays US Aggregate Bd Index, 15% ICE BofAML 1-3 Yr US Corp/Govt, 8% BBG Barclays Intermediate US Treas Bd Index, 5% Russell 2000 Index, and 2% Wilshire REIT Index.

Asset Allocation – CCCERA OPEB
As of December 31, 2022

Current Asset Allocation			Investment Vehicle	
Equity	**59.21%**		***Range: 55%-75%***	**$2,708,944**
Large Cap Core	19.11%	IVV	iShares Core S&P 500 ETF	$874,462
Large Cap Value	3.02%	IVE	iShares S&P 500 Value ETF	$137,962
Small Cap	4.02%	VB	Vanguard Small-Cap ETF	$183,907
International Core	18.00%	VEA	Vanguard FTSE Developed Markets ETF	$823,325
Emerging Markets	13.00%	VWO	Vanguard FTSE Emerging Markets ETF	$594,601
Real Estate	2.07%	VNQ	Vanguard Real Estate ETF	$94,687
Fixed Income	**39.83%**		***Range: 25%-45%***	**$1,822,144**
Short-Term	12.01%	BSV	Vanguard Short-Term Bond ETF	$549,243
Intermediate-Term	7.77%	DBLFX	DoubleLine Core Fixed Income I	$355,509
	6.75%	PTTRX	PIMCO Total Return Instl	$308,767
	7.80%	PTRQX	PGIM Total Return Bond R6	$357,001
	5.50%	GOVT	iShares US Treasury Bond ETF	$251,624
Cash	**0.96%**		***Range: 0%-20%***	**$43,783**
	0.96%	FGZXX	First American Government Oblig Z	$43,783
TOTAL	**100.00%**			**$4,574,871**

CCCERA

For Period Ending December 31, 2022

Fund Name	1-Month Return	3-Month Return	Year-to-Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
LARGE CAP EQUITY FUNDS							
iShares Core S&P 500 ETF	-5.76	7.55	-18.13	-18.13	7.63	9.39	12.52
iShares S&P 500 Value ETF	-3.93	13.55	-5.41	-5.41	6.09	7.41	10.67
S&P 500 TR USD	**-5.76**	**7.56**	**-18.11**	**-18.11**	**7.66**	**9.42**	**12.56**
SMALL CAP EQUITY FUNDS							
Vanguard Small-Cap ETF	-5.89	8.03	-17.56	-17.56	4.94	5.95	10.11
Russell 2000 TR USD	**-6.49**	**6.23**	**-20.44**	**-20.44**	**3.10**	**4.13**	**9.01**
REAL ESTATE FUNDS							
Vanguard Real Estate ETF	-5.08	4.32	-26.20	-26.20	-0.43	3.66	6.41
INTERNATIONAL EQUITY FUNDS							
Vanguard FTSE Developed Markets ETF	-2.22	17.11	-15.35	-15.35	1.35	1.68	4.93
MSCI EAFE NR USD	**0.08**	**17.34**	**-14.45**	**-14.45**	**0.87**	**1.54**	**4.67**
Vanguard FTSE Emerging Markets ETF	-2.08	8.24	-17.72	-17.72	-1.42	-0.30	1.58
MSCI EM NR USD	**-1.41**	**9.70**	**-20.09**	**-20.09**	**-2.69**	**-1.40**	**1.44**
BOND FUNDS							
DoubleLine Core Fixed Income I	-0.36	1.17	-12.76	-12.76	-2.80	-0.17	1.39
iShares US Treasury Bond ETF	-0.76	0.48	-12.69	-12.69	-2.80	-0.26	0.46
PGIM Total Return Bond R6	-0.30	2.31	-14.86	-14.86	-3.10	0.09	1.80
PIMCO Total Return Instl	-0.31	1.77	-14.09	-14.09	-2.48	0.03	1.11
Vanguard Short-Term Bond ETF	-0.02	1.12	-5.55	-5.55	-0.72	0.80	0.90
Bloomberg US Agg Bond TR USD	**-0.45**	**1.87**	**-13.01**	**-13.01**	**-2.71**	**0.02**	**1.06**

Source: SEI Investments, Morningstar Investments

Returns less than one year are not annualized. Past performance is no indication of future results. The information presented has been obtained from sources believed to be accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.

Meeting Date
03/22/2023
Agenda Item
#6

CCCERA Board Presentation
Private Debt Update

March 2023

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All data is as of September 2022 unless otherwise noted.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. ACTUAL PERFORMANCE MAY VARY.

Agenda

I. StepStone Group Update

II. What is Private Debt?

III. Review of Private Debt Program

IV. Private Debt Performance

V. Market Observations

VI. Appendix

I. STEPSTONE GROUP UPDATE

StepStone Group Overview

StepStone is a global private markets investment firm focused on providing customized investment solutions and advisory data services to clients

$602B	$134B	$80B	940+
Total Capital Responsibility[1]	Assets Under Management[1]	Annual Private Market Allocations[2]	Professionals

Focus on customization

Extensive experience in building customized portfolios designed to meet clients' specific objectives

Global-and-local approach

Global operating platform with strong local teams in 25 cities in 15 countries across 5 continents

Proprietary data and technology

We believe our valuable information has the potential to generate enhanced private markets insight and improve operational efficiency

Investment Strategies

Scaled presence across the private equity, infrastructure, private debt and real estate asset classes facilitates ability to execute tailored and complex investment solutions

Large and experienced team

Approximately 320+ investment professionals and 620+ other employees dedicated to sourcing, executing, analyzing and monitoring private markets opportunities

All dollars are USD. Headcount as of January 31, 2023. Data includes Greenspring Associates metrics.
1. Total capital responsibility equals Assets Under Management (AUM) plus Assets Under Advisement (AUA). AUM includes any accounts for which StepStone Group has full discretion over the investment decisions, has responsibility to arrange or effectuate transactions, or has custody of assets. AUA refers to accounts for which StepStone Group provides advice or consultation but for which the firm does not have discretionary authority, responsibility to arrange or effectuate transactions, or custody of assets. $602B in total capital responsibility includes $134B in AUM and $468B in AUA. Reflects final data for the prior period (September 30, 2022), adjusted for net new client account activity through December 31, 2022. Does not include post-period investment valuation or cash activity. NAV data for underlying investments as of September 30, 2022, as reported by underlying managers up to 100 days following September 30, 2022. When NAV data is not available by 100 days following September 30, 2022, such NAVs are adjusted for cash activity following the last available reported NAV.
2. For the twelve months ended December 31, 2022. Excludes legacy funds, feeder funds and research-only, non-advisory services.

II. WHAT IS PRIVATE DEBT?

What is Corporate Private Debt?

	BANK LENDING	PRIVATE DEBT
COMPANY SIZE	Typically larger companies Earnings of USD50 to USD75m+	Middle-market companies Earnings of USD5m to USD75m
SOURCING	Banks balance sheets	Loans are privately sourced from one to a few specialist lenders
LIQUIDITY	No opportunity to sell	Limited opportunities to sell
COMPANY TYPE	Public and private companies	Typically private companies
INTEREST RATE	Typically floating interest rate	Typically floating interest rate
DUE DILIGENCE	Limited due diligence	Full and rigorous due diligence
REPORTING	Borrowers required to report every 3-6 months to the bank	Greater reporting requirements for borrowers

Portfolio Construction

Implementation of Private Debt for CCCERA with allocation thresholds

Core

- Almost exclusively 1st lien
- Performing Credit only
- Application of leverage
- Target Net Return: 10-11%

SMA

Flexibility & Control

- Strategy
- Deployment
- Operations
- Costs

~75%

Satelitte

- Can include higher yielding, risker investments
- Performing and non-performing
- Limited leverage
- Target Net Return: >10%

Primaries

Fund Investments

~20%

Co-Investments & Secondaries

- Single transactions
- Selected and monitored by StepStone
- No leverage
- Target Net Return: >10%

Co-investments

- Accelerated deployment
- Reduced costs
- Additional diversification

~5%

Source: StepStone

WHY PRIVATE DEBT?

Private Debt as Replacement Alternative to Public Debt and Equity

FIXED INCOME

WHY PRIVATE DEBT?

Equity-like Returns
Private Debt has historically produced equity-like returns with relatively smaller drawdowns

Lower Risk / Volatility
- Valuation: 1st lien secured
- Low growth expectations: Underwriting
- Interest Rates: Floating rate

Short duration and liquidity through defined cash flow
- Low duration risk due to its floating rate nature
- Liquidity / Secondary

EQUITY

LOOMING RISKS

VOLATILITY

Interest rate development

UNCERTAINTY

GDP / economic growth / Inflation

VOLATILITY

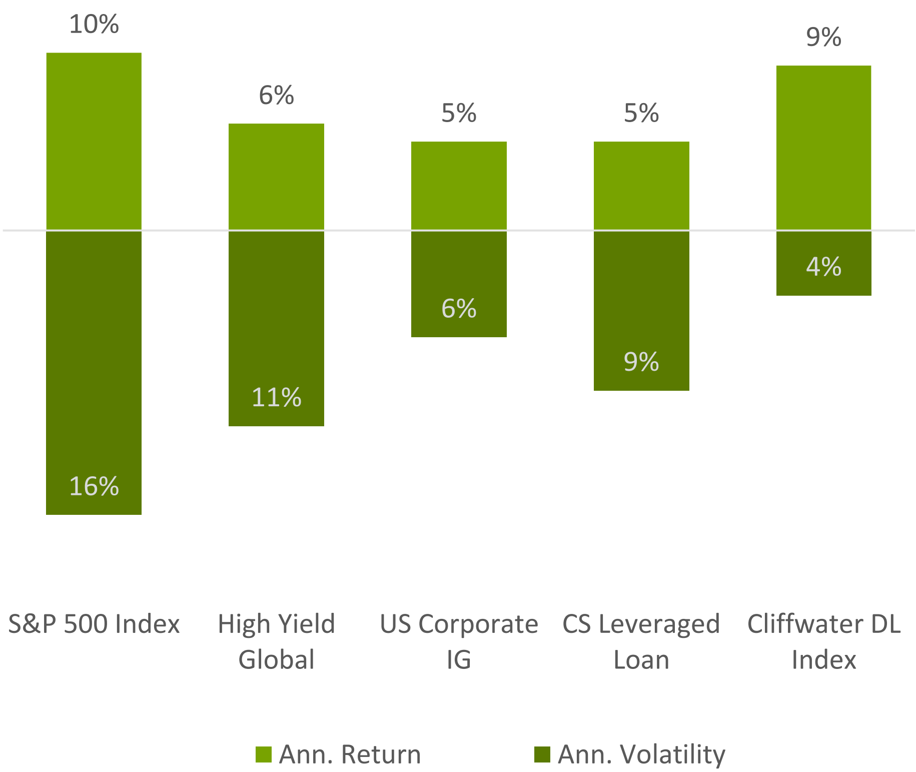
Valuation

For illustrative purposes only.
Source: StepStone as of January 2023

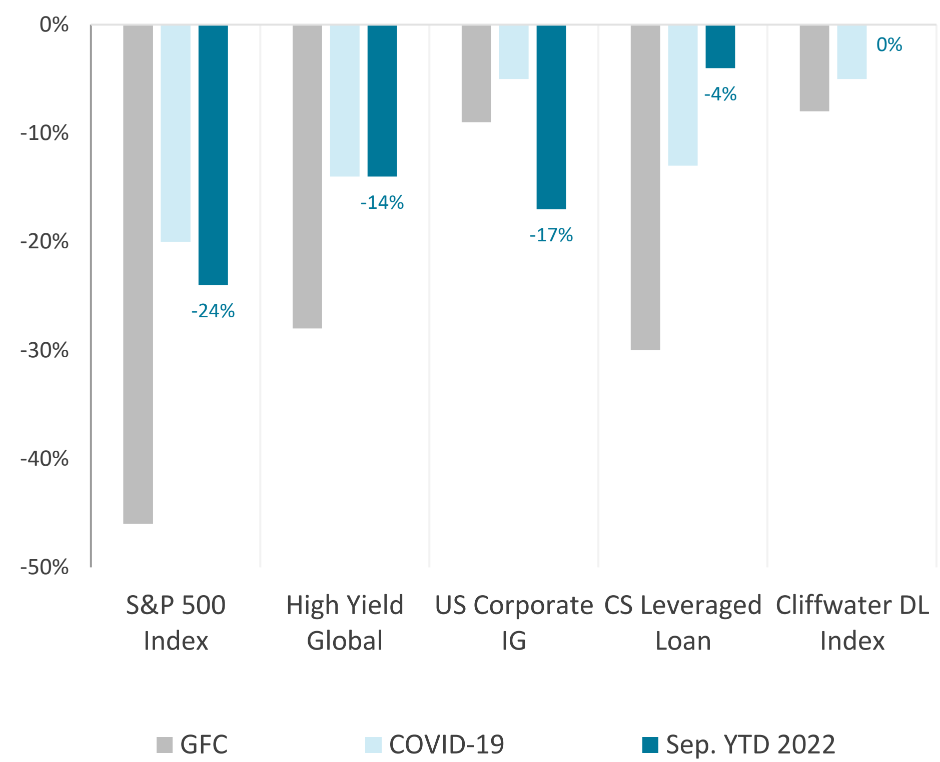
PRIVATE DEBT HISTORICAL PERFORMANCE

Returns Across Asset Classes

EQUITY-LIKE RETURNS…..



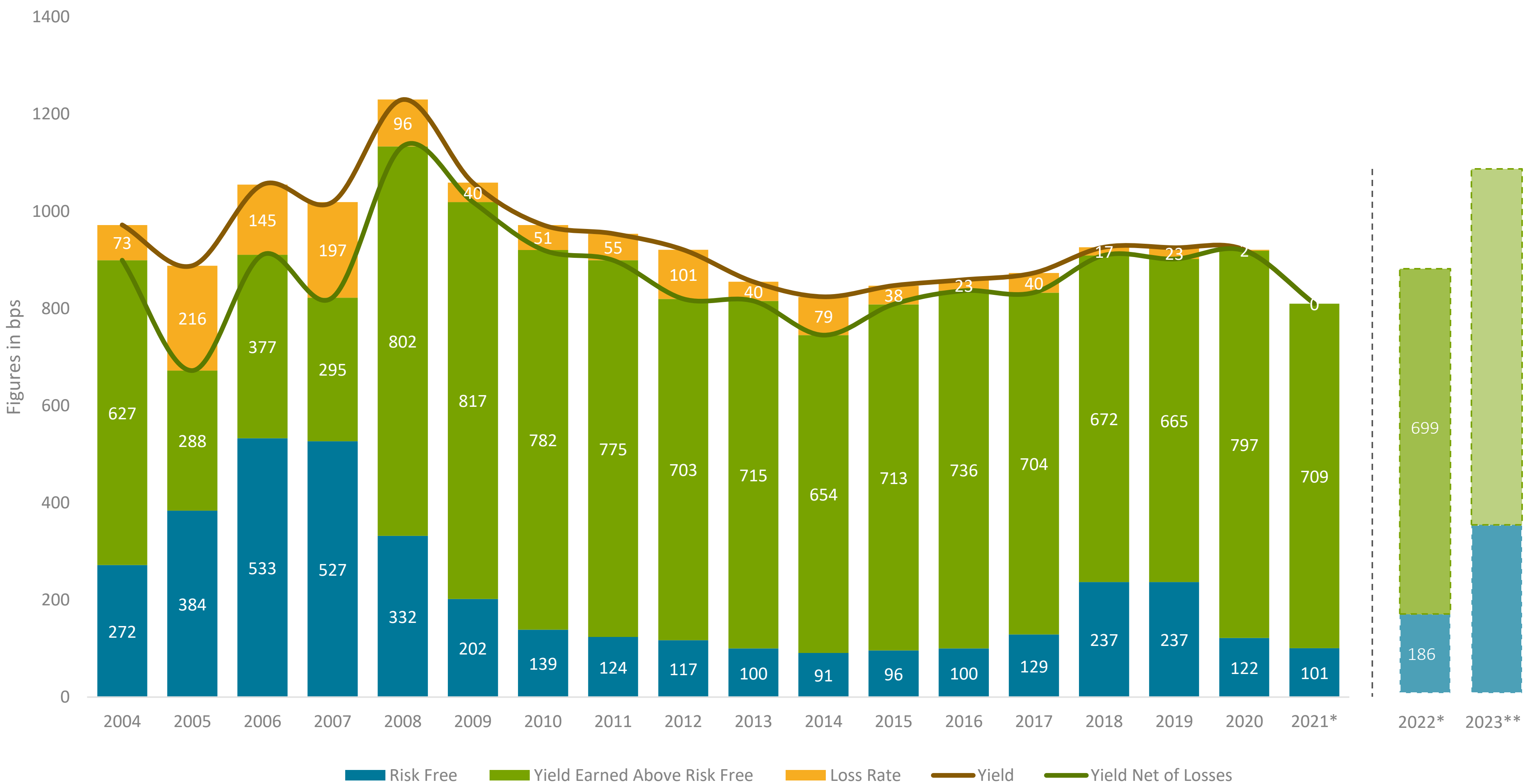
….WITH SMALLER DRAWDOWNS



Time period 01.01.2005 – 30.09.2022
Source: S&P500 Index, Credit Suisse High Yield Index, Barclays US IG (01.2005 – 12 2021), S&P US Investment Grade Corporate Bond Index (01.2022 – 09.2022, Barclays US Treasury 1-3y & 3-5y average, and Leverage Loans Indexes and Cliffwater DL Index (Based on broad Cliffwater Direct Lending Index, which includes 30-50% Junior Debt. Senior Debt is expected to have lower drawdowns), as of September 2022.

Returns Through The Cycle

RISK-ADJUSTED DIRECT LENDING YIELDS REMAINED ATTRACTIVE THROUGH THE CYCLE (VINTAGE YEARS)



For illustrative purposes only.
Source: StepStone Global, Internal Database, US First Lien Deals (more than 13'000 transactions and $400bn of invested capital). Risk free presents the weighted average of max(LIBOR, LIBOR Floor) of the deals originated within the respective vintages, where the 3-month LIBOR is used as reference rate. Yield includes the cash coupon as well as OID and Arrangement Fees and assumes 3-year expected life. Loss Rates present the annualized vintage loss rates and takes into account any principal loss as well as any interest foregone. One large loss in 2018 was excluded from the analysis since it distorts the analysis.
* Data in 2022 are based on Stepstone platform deals; Loss rate of 2021 is based on the realized loss rate of Stepstone platform deals.
** Data in 2023 reflect current gross spread direct lending first lien. Direct lending first lien based on Refinitiv LPC Sponsored Middle Market Private Deals Analysis

III. REVIEW OF PRIVATE DEBT PROGRAM

Summary

WHAT HAS BEEN DONE SO FAR

- In **April 2017,** the CCCERA Board **approved a Private Debt mandate** and selected **StepStone as implementation partner**
- StepStone and CCCERA management **worked closely to establish investment guidelines,** the **implementation** of the mandate **started in H2 2017,** and the first separately managed account started investing in Q2 2018
- During bi-weekly calls and regular in-person meetings, investment opportunities are discussed, and an exchange of observations and market information is facilitated
- As of September 30th, 2022, the portfolio has committed a total of $1,278m in line with the agreed upon investment guidelines: **$850m has been committed to Core managers, $295m has been committed to Satellite funds** and **$133m cumulatively has been funded to co-investments including recycled capital**

2023 OUTLOOK

- In H1 2023, StepStone plans to upsize an existing SMA by $50m, invest $50m in warehouse funds and invest c. $150m across several secondary opportunities
- In H2 2023, StepStone is targeting one additional $200m Upper Middle Market SMA and one new $50m primary fund
- StepStone will continue to recycle capital for co-investments as investments are repaid

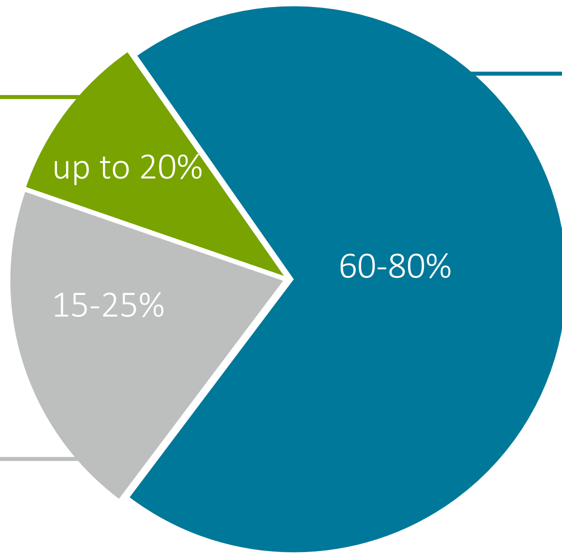
Private Debt Portfolio Construction

CO-INVEST

- Series A:
  - 40 US DL Co-Investments[1]

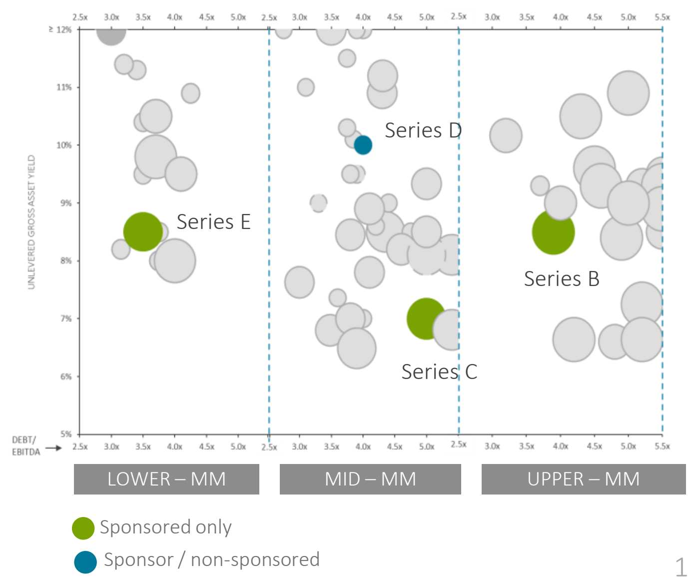
SATELLITE

- Series A:
  - 2 Real Estate Debt Funds
  - 3 DL Diversifying Funds
  - 1 Opportunistic Credit Fund
  - 1 Specialty Finance Fund



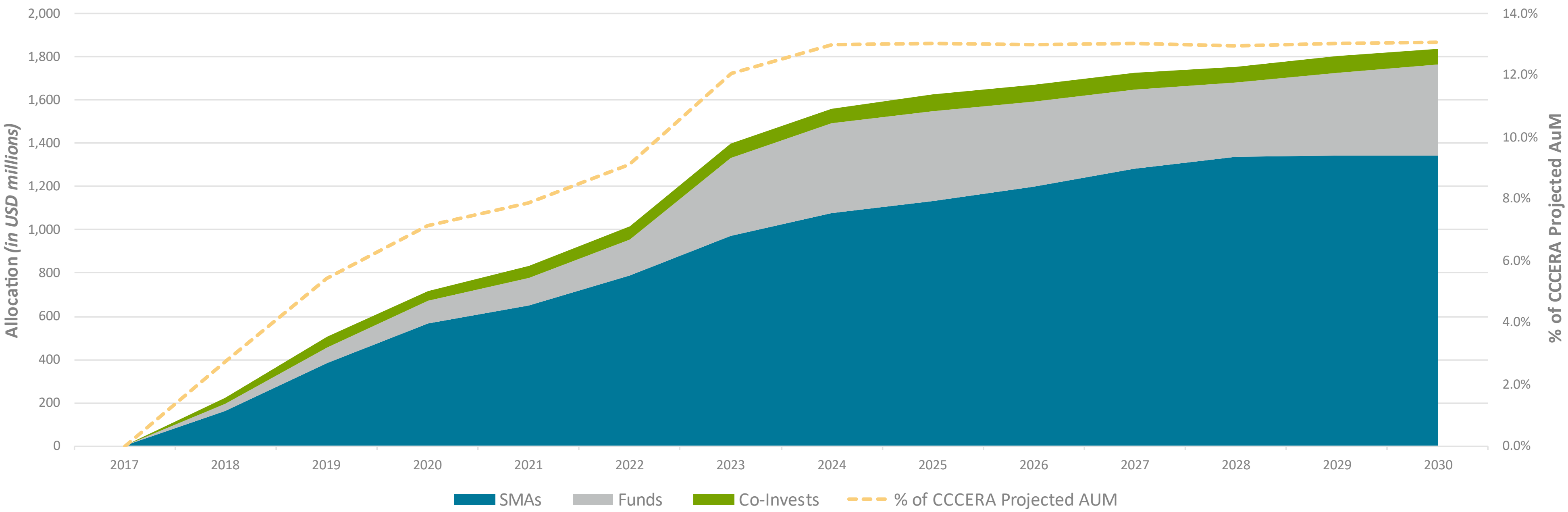
CORE

- Series B
  - 1 US Upper Middle Market DL SMA
- Series C
  - 1 US Mid Middle Market DL SMA
- Series D
  - 1 US Mid Middle Market DL SMA with Non-Sponsored Allocation
- Series E
  - 1 US Lower Middle Market DL SMA



Data as of February 21, 2023.
Target allocation represents percentage of total commitments.
1. Reflects the number of borrowers in CCCERA's co-investment portfolio.

Pacing Model



Private Debt Program												
$ in millions	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Projected Private Debt Program NAV	$503	$719	$835	$1,016	$1,401	$1,563	$1,625	$1,671	$1,726	$1,757	$1,803	$1,839
% of CCCERA Projected AUM	5.4%	7.1%	7.9%	9.1%	12.1%	13.0%	13.1%	13.0%	13.0%	13.0%	13.0%	13.1%
Total Gains (Losses) on Investments (p.a.)	$34	$44	$32	$110	$121	$145	$155	$158	$162	$166	$167	$170
Annual Capital Call from CCCERA	$591	$178	$94	$146	$363	$152	$69	$77	$134	$134	$99	$75
Annual Distributions to CCCERA (not reinvested)	$18	$6	$9	$75	$99	$135	$162	$189	$240	$269	$219	$210
Net Funded Amount by CCCERA	$573	$172	$85	$71	$264	$17	($94)	($112)	($107)	($135)	($120)	($135)

For illustrative purposes only. Pacing Models are provided solely for illustrative purposes only. There can be no assurance that actual model will be similar to the model set forth on this slide or that the investment will achieve its investment objectives or avoid substantial losses. Pacing model patterns will vary depending on the activities of the underlying investment. This is a simplified example and may not represent the actual performance of the investment. Please let us know if you want to see a pacing model analysis based on assumptions other than those we have used for this analysis. Past performance is not necessarily indicative of future results and there can be no assurance that the fund will achieve comparable results or avoid substantial losses

IV. PRIVATE DEBT PORTFOLIO PERFORMANCE

Private Debt Performance Summary

- As of September 30th, 2022, CCCERA's private debt portfolio comprised US$1,278 million in cumulative commitments to the following investments: 4 SMAs, 7 Primary Funds and 40[1] Co-Investments
- The portfolio is performing in line with expectations, generating a Gross IRR and Net IRR of 10.0% and 9.1% since inception, respectively

US$ in millions	30-Sep-22	30-Jun-22	30-Sep-21
Performance Statistics			
Number of Managers	28	28	23
Number of Borrowers[2]	376	362	298
Committed Capital	$1,278m	$1,277m	$1,163m
NAV	$943m	$885m	$826m
Target Gross IRR	>10%	>10%	>10%
Gross IRR[3]	10.0%	10.2%	10.4%
Net IRR[4]	9.1%	9.5%	9.6%
Portfolio Statistics[1]			
Average Net Senior Leverage[5]	4.3x	4.3x	4.2x
Average EBITDA[5]	$47m	$49m	$53m
Traditional 1st Lien and Unitranche	98.5%	98.4%	98.5%
% of closed deals w/ one or more Covenants	100.0%	100.0%	100.0%

1. Co-investments as of February 2023.
2. Data excludes investments in Real Estate Credit, Regulatory Capital and Opportunistic Lending. Portfolio statistics only include current active investments.
3. Data reflects performance net of GP fees but gross of StepStone's fees.
4. Data reflects performance net of GP fees and StepStone's fees.
5. Excludes borrowers for which data is unavailable. Weighted average net senior leverage excludes values above 20.0x.

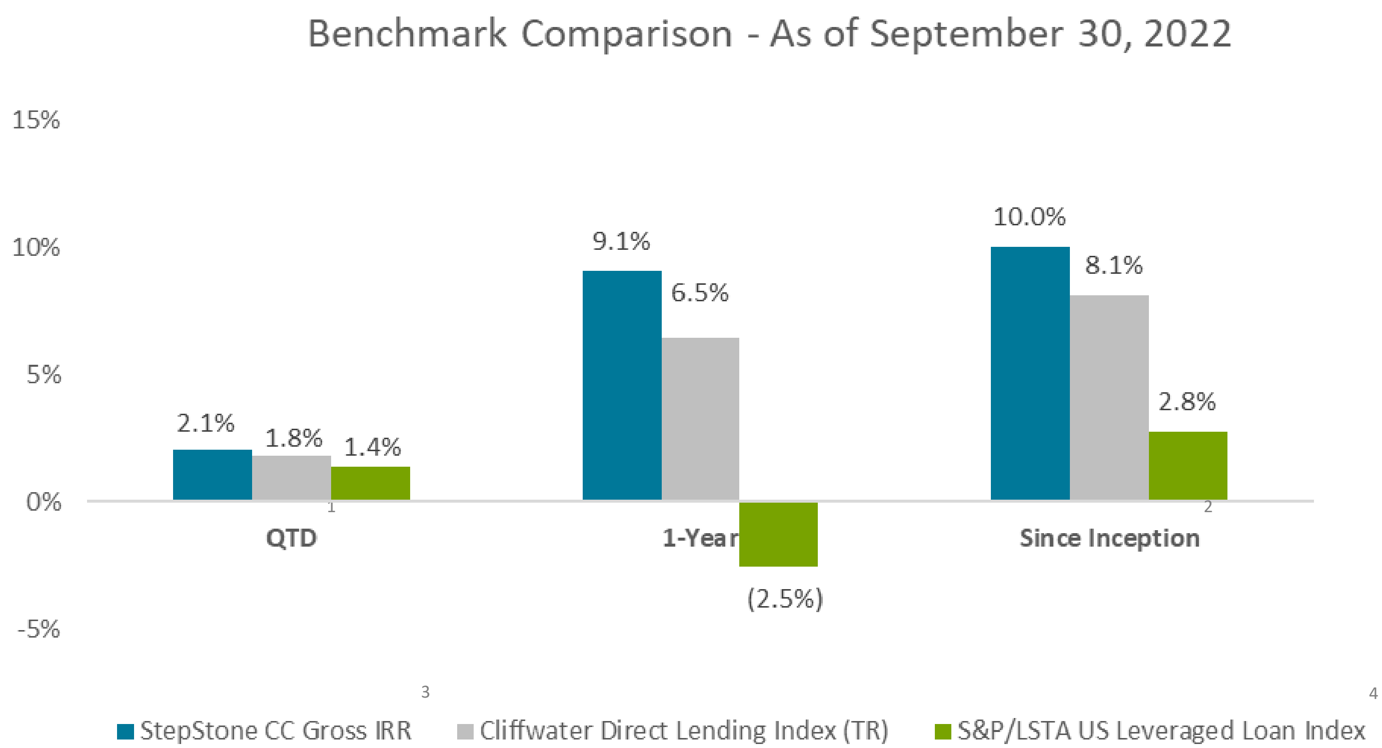
Source: StepStone Research

Past performance is not necessarily indicative of future results and there can be no assurance that the investment will achieve comparable results or avoid substantial losses.

For illustrative purposes only. Target returns are hypothetical and are neither guarantees nor predictions or projections of future performance. Future performance indications and financial market scenarios are no guarantee of current or future performance. There can be no assurance that such target IRRs will be achieved or that the investment will be able to implement its investment strategy, achieve its investment objectives or avoid substantial losses. Further information regarding target IRR calculations is available upon request. Gross IRR will ultimately be reduced by management fees, carried interest, taxes, and other fees and expenses.

Performance versus Benchmarks

- StepStone CC portfolio has outperformed the Cliffwater benchmark through September 30, 2022



1. QTD IRR is not annualized.
2. Inception represents date of first capital call on February 12th, 2018.
3. StepStone CC IRR is net of underlying fund and investment fees, but not net of StepStone Advisory fees. Including Co-investment and Primary investments.
4. Cliffwater Direct Lending Index Total Return (TR) PME+ starts with the Long Nickels calculations and represents the opportunity cost comparison of how funds would have performed had they been invested in the public index using a coefficient to scale the fund’s distributions so that the public market theoretical valuation remains positive.

Notes: The indices is shown for general market comparison and is not meant to represent any particular fund. An investor cannot directly invest in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented. Returns under one year are unannualized.

Source: StepStone Research

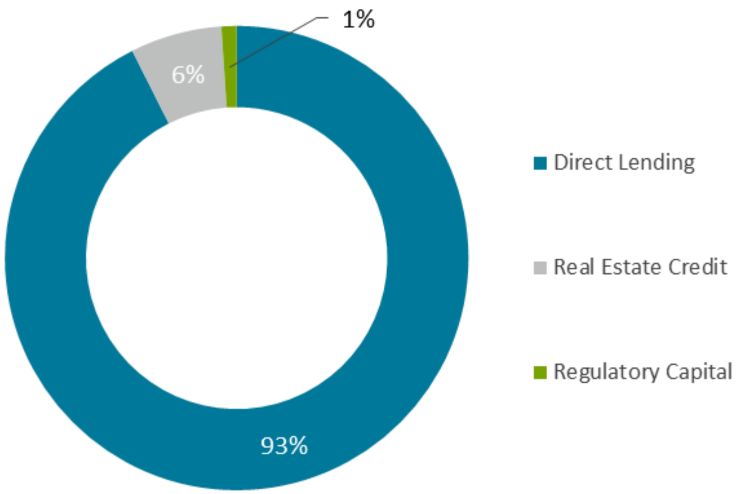
Past performance is not necessarily indicative of future results and there can be no assurance that the fund will achieve comparable results or avoid substantial losses.

For illustrative purposes only

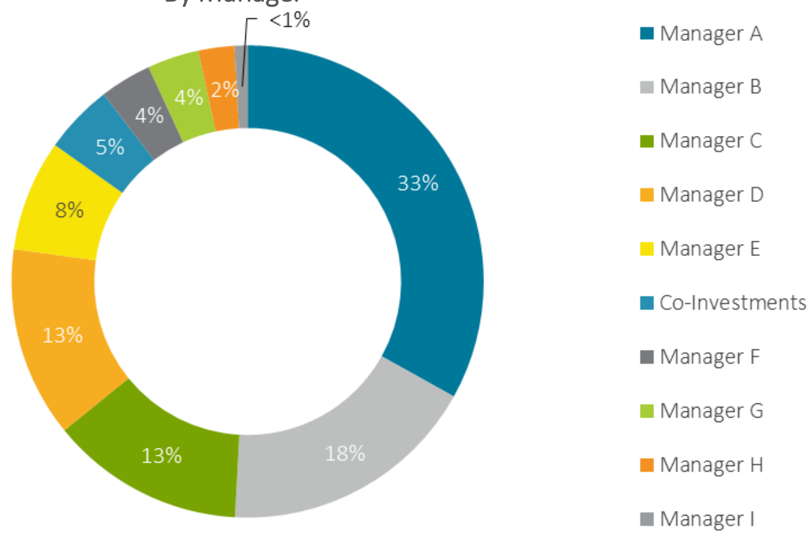
Portfolio Exposure(1)

Fund Level Exposure

By Strategy

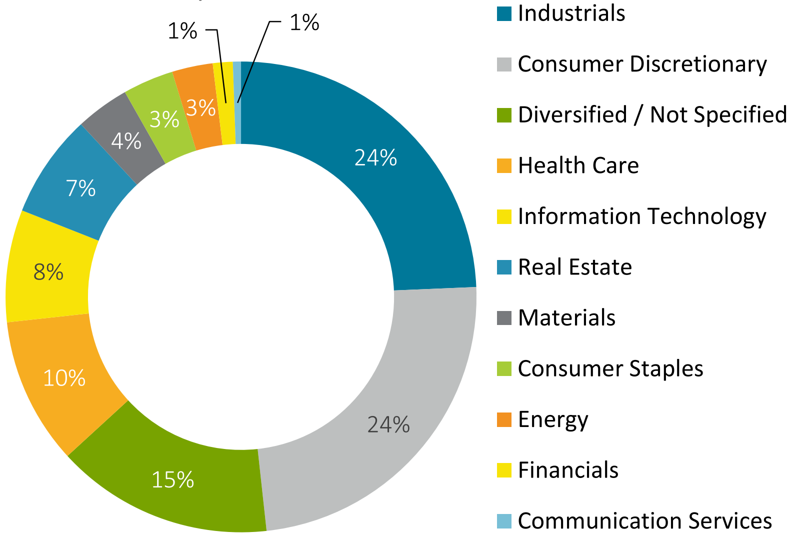


By Manager (2)

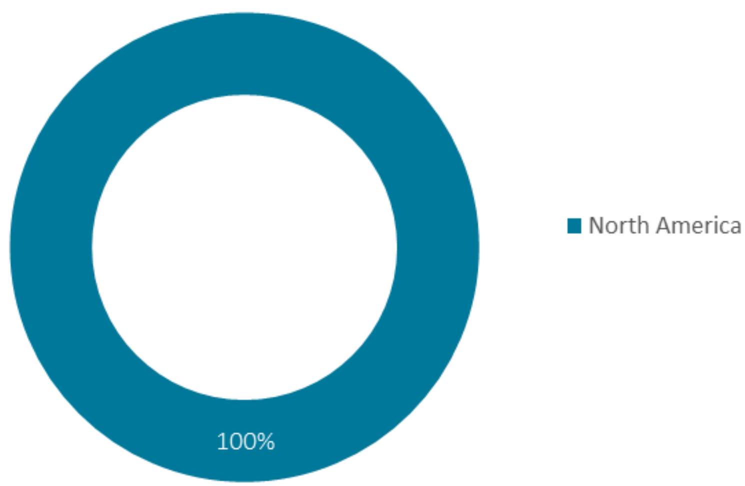


Underlying Look-Through Exposure (3)

By Sector



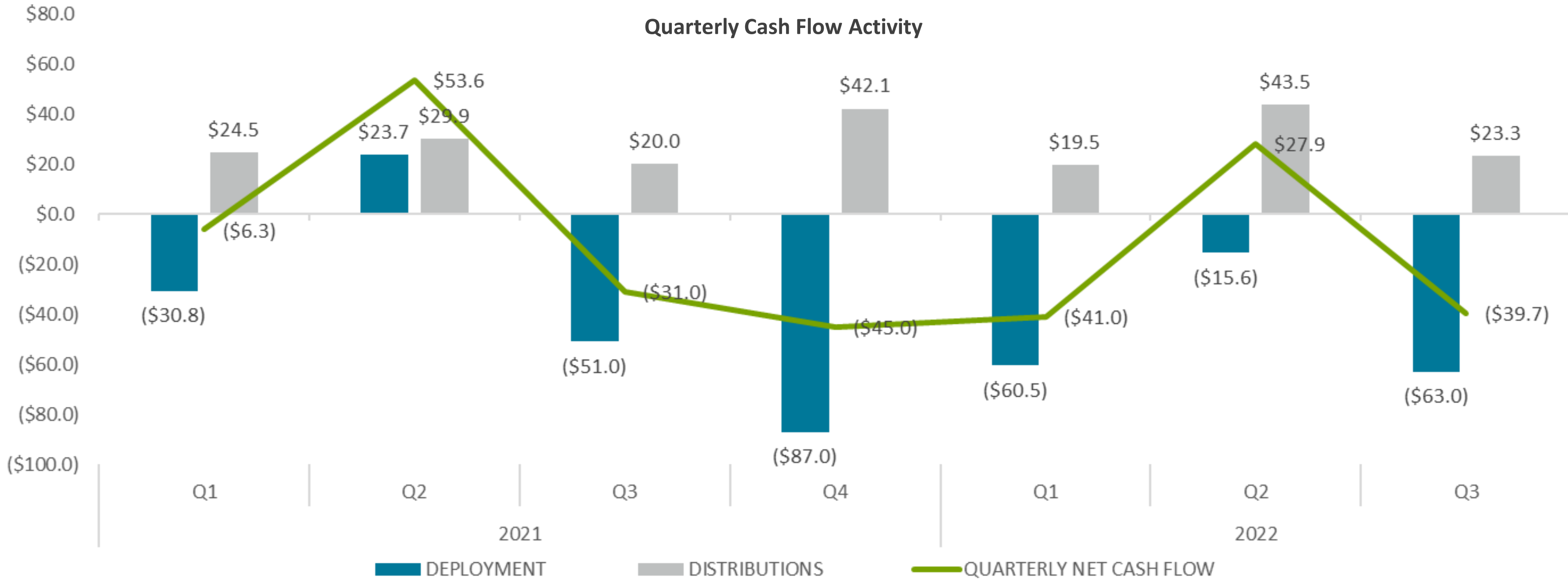
By Geography

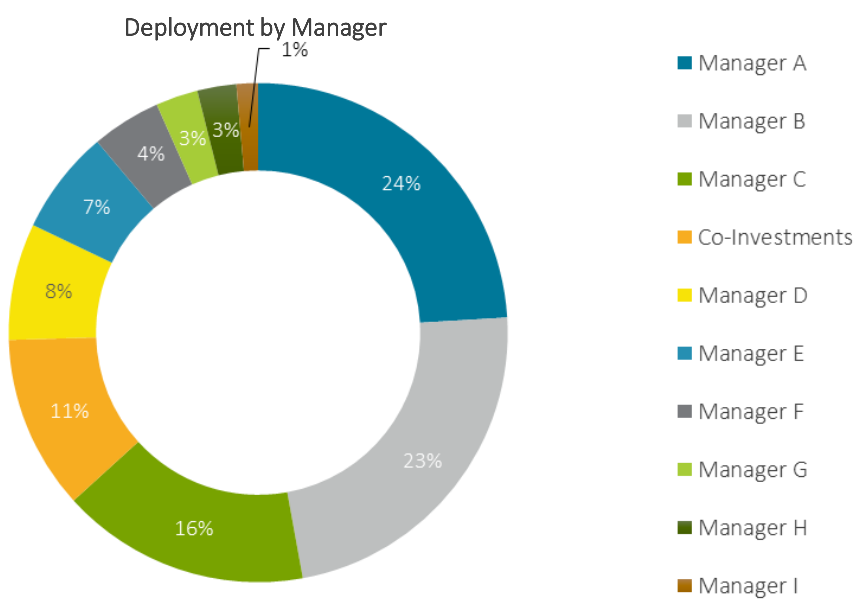


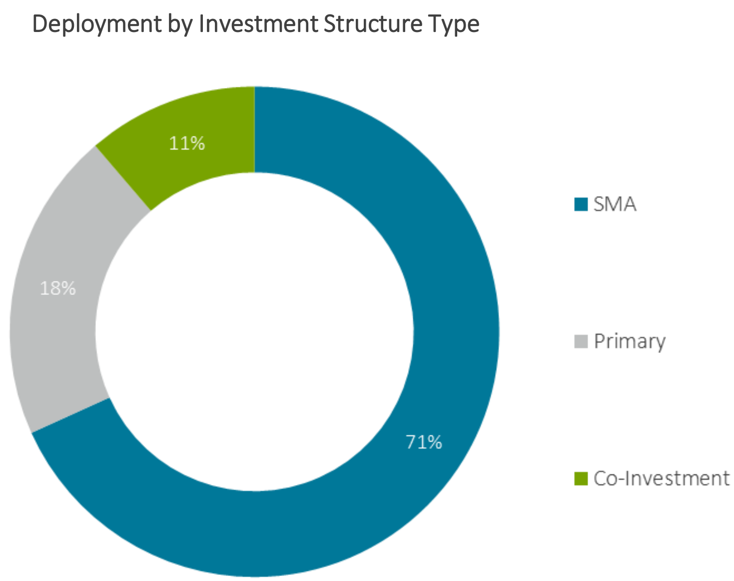
1. Exposure represents the sum of the (i) unfunded balance and the (ii) fair market value as provided by the general partner.
2. Managers represented for co-investments have brought their respective deals forward.
3. Diversified/Not Specified consists of Other and Diversified assets not specified by the underlying managers.

Cash Flow Analysis – Fund Level

- From March 31, 2021 to September 30, 2022, the Fund deployed $284.1 m to underlying investments







V. MARKET OBSERVATIONS

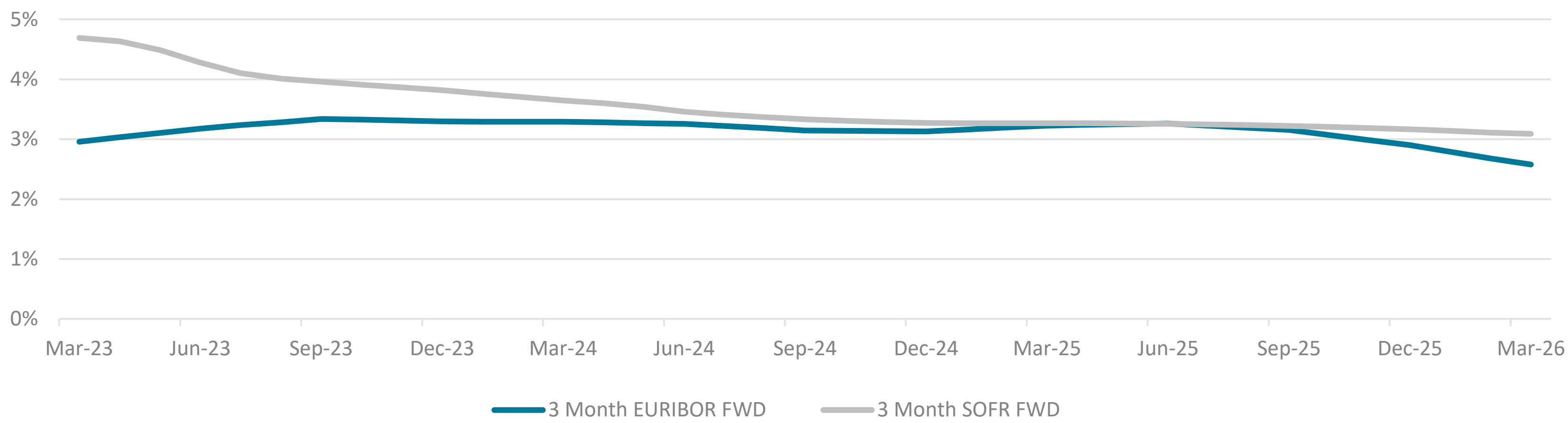
Key Observations in the Direct Lending Market

	KEY MARKET OBSERVATIONS Q4 2022 / Q1 2023	Unfavorable → Favorable
PRICING / YIELDS	• **Base rates**: Strong rally (3-5% so far in US, UK, Europe) • **Primary spreads / OID**: some considerable spread widening (25- 100bps) and/or larger OID observed during the last couple of months	
FUNDAMENTALS	• **Global growth:** Macro-economic situation expected to be weaker for EU than US • **Corporates**: corporate fundamentals are expected to moderate; however, large dispersion by sector/industry and on idiosyncratic levels	
LENDING TERMS	• **Lenders' market:** only the best borrowers are being considered; restrictive underwriting including better covenants • **Credit metrics**: observation of clearly lower LTV and leverage for new transaction both in the US and EU	
VOLUME	• **New Transaction / Fund Raising**: Expected to slow down in line with lower M&A activity • **Refinancing Transaction**: Expected to remain low (postponements) due to less favorable Lending Terms and Pricing for borrowers	New transaction / New money Refinancing

The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass.
For illustrative purposes only

Pricing / Yields - Expectations Going Forward

LIBOR FORWARD RATES



OBSERVATIONS

- SOFR forward curve suggests a downward path while the EURIBOR forward curve indicates that markets still expect further hikes in 2023
- Primary Spreads:
  - Primary Spreads started to widen in Q3 2022 despite sharply increasing base rates
  - GP experiences/expectations indicate some spread widening; differences by market segment though and in general a bit less than originally expected

GP experiences/expectations (February 2023 compared to H1 2022)

SUB-CATEGORY	LOWER MIDDLE-MARKET	MID MIDDLE-MARKET	UPPER MIDDLE-MARKET
Spread	Increase by 0-50bps	Increase by 25-75bps	Increase by 50-100bps
OID	Largely unchanged	Increase by 25-75bps	Increase by 50-100bps

Source: StepStone analysis as of March 2023. LIBOR Forward rate as of March 14th 2023, Chatham Financial. For illustrative purposes only

VI. APPENDIX

MARKET DETAIL

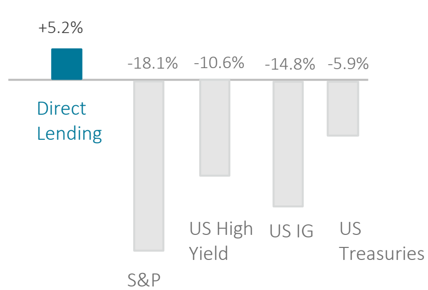
Executive Summary

2022 MARKET SELL-OFF

BEST PERFORMING ASSET CLASS

- Market correction affected all asset classes
- Private Debt showed remarkable resilience due to:
  - Floating rate coupons
  - Contractual cashflows / carry

MARKET SELL OFF 2022[1]



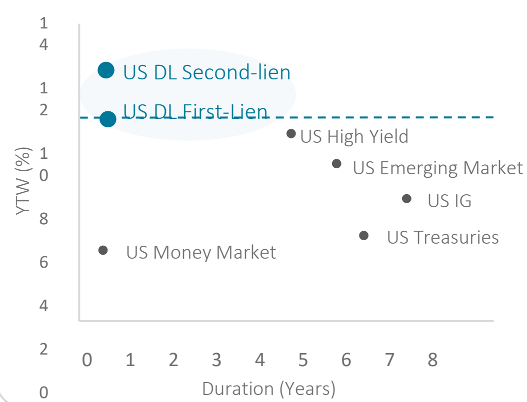
YTD December 2022

PRIVATE DEBT OUTLOOK

ALL-WEATHER INVESTMENT[3]

- High uncertainty ahead should bode well for Private Debt
- Attractive Relative Value and Risk/ Return profile:
  - No duration risk
  - Higher yield
  - Carry as buffer for losses

RELATIVE VALUE / RISK RETURN[2]

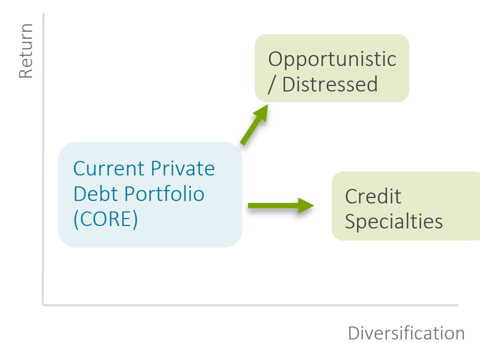


PORTFOLIO CONSTRUCTION

INVESTMENT OPPORTUNITIES

- Core Portfolio: Maintain focus on quality
- Expand Core Portfolio:
  - Diversification: Credit Specialties
  - Return Enhancement: Cyclical investment

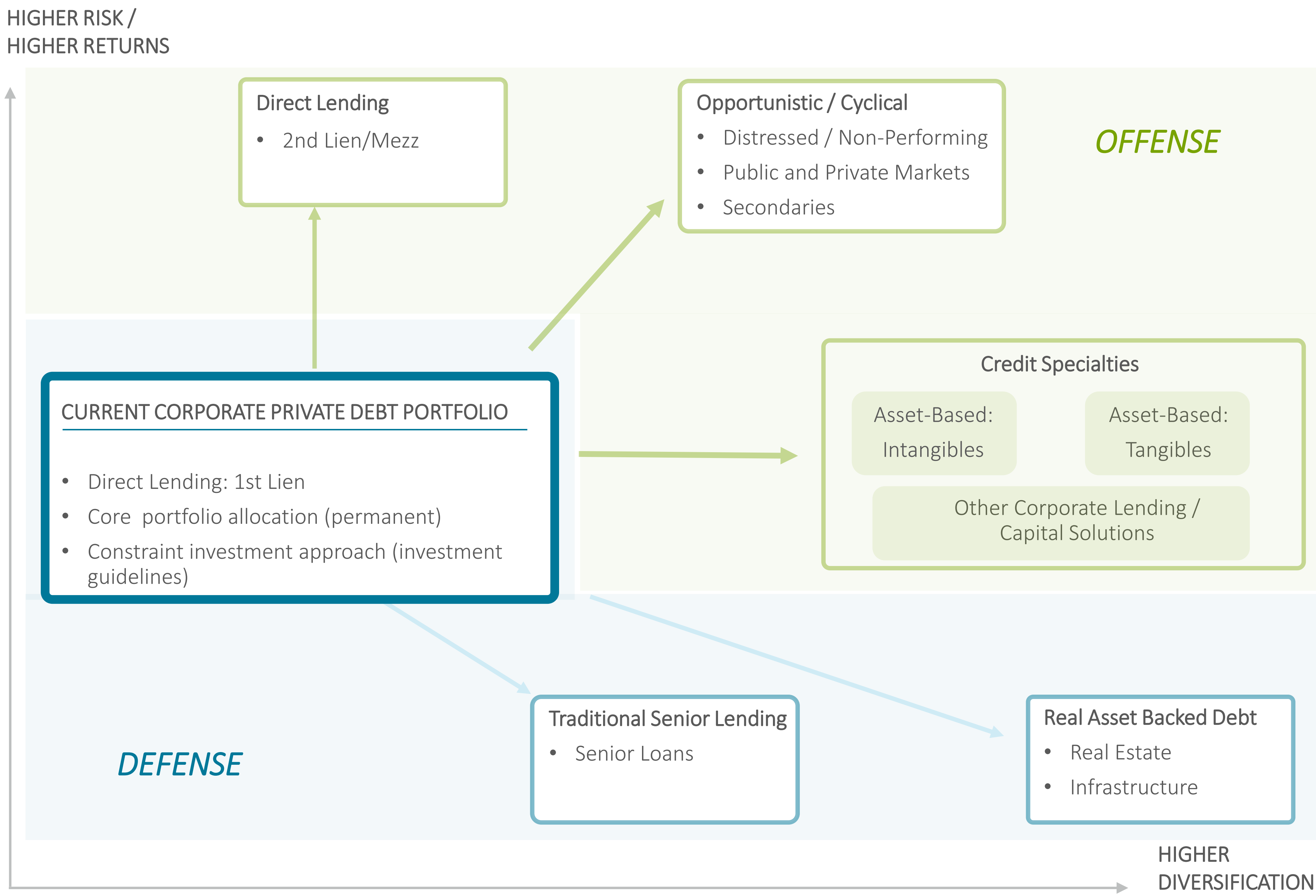
STRATEGY EXPANSION



Source: 1. StepStone estimations, Cliffwater Senior DL Index, S&P 500 Index, Credit Suisse High Yield Index, S&P 500 US IG Bond Index, Barclays US Treasury 1-3y & 3-5y average as of December 2022. 2. StepStone estimations, Cliffwater Senior DL Index, Creidt Suisse High Yield Index, Barlclays EM USD Aggregate, Barclays Global IG, Barclays US Treasury 1-3y & 3-5y average as of September 2022

3. "All-weather" refers here to private debt as an asset class. It is expected that a broadly diversified private debt portfolio may generate long-term attractive returns in favorable market environments, while reducing volatility and maximum drawdowns in adverse market conditions

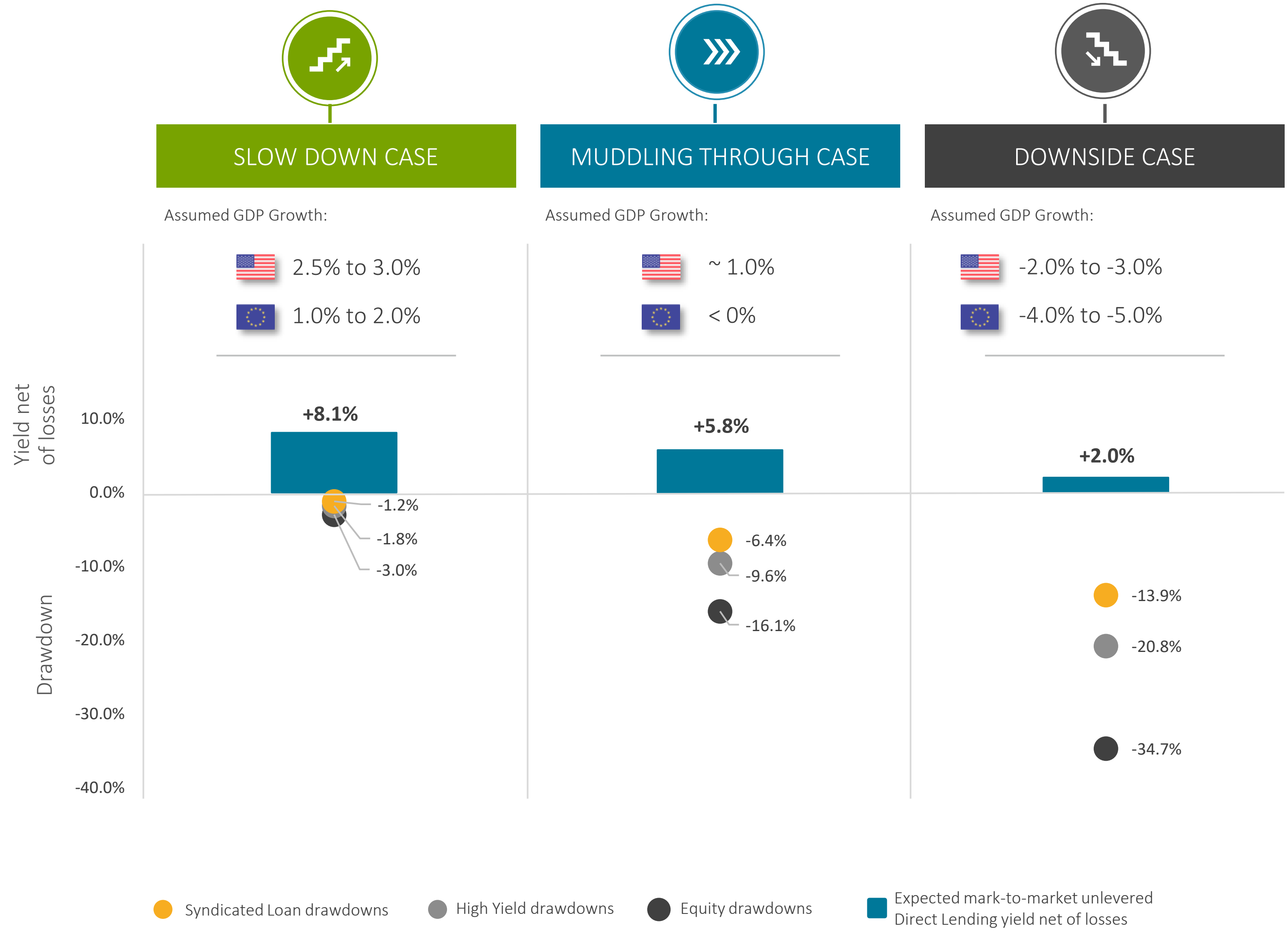
Private Credit "Defense versus Offense" Diversification and Opportunity



For illustrative purposes only. Sources: HFRRF, StepStone (2021).

Existing Direct Lending Portfolios to Deliver Resilience

Direct Lending compares favorably with other asset classes, generating the smallest drawdowns and thus proving its resilience in stressed environments



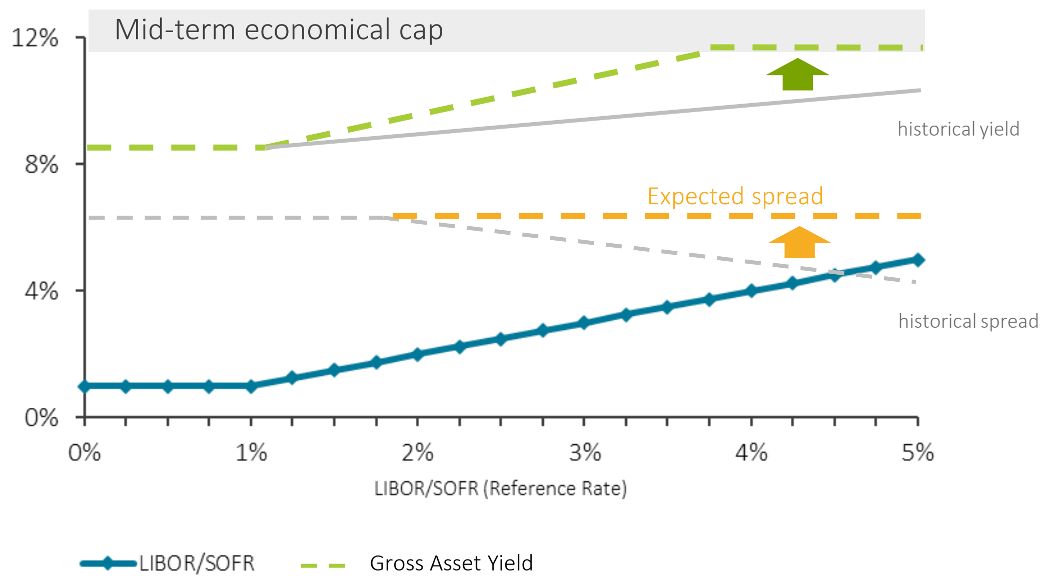
Please note the exposure of the illustrative LP portfolio is US 85%; EU 13%; Cash 2%.. Direct Lending return in the current market scenario based on StepStone estimations as of September 2022. Source: StepStone Analysis, as of Oct 7, 2022. SSL price decline is estimated using historic relationship between credit losses and price declines, HY and equity price declines are derived from market betas relative to SSL. For actual market data Credit Suisse indices and SPX is used. For illustrative purposes only. The opinions expressed herein reflect the current opinions of Stepstone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass

Floating Rate Loans Can Act as a «Natural» Hedge to Rising Interest Rates

Floating-rate loans with yields linked to a reference rate like LIBOR/SOFR can benefit from interest rate increases

DIRECT LENDING

TARGET GROSS ASSET YIELD AT DIFFERENT LIBOR/SOFR LEVELS



DRIVER 1: INCREASING REFERENCE RATES

When interest rates increase (beyond the floor level), yields above LIBOR/SOFR tend to compress (i.e. by ~25bps for each 100bps increase in LIBOR/SOFR)

HISTORICAL RELATION

Historically, base rate increases led to a spread tightening, i.e. all in yield capturing 70% of base rate increase

DRIVER 2: INCREASING ECONOMIC UNCERTAINTY (RECESSION)

On the other hand, during economic uncertainty / recession the spread tend to remain stable and could even increase (expected for 12-18 months)

POTENTIAL RESULT

- ✓ Higher all-in yield
- ✓ Recession resilient borrowers only coming to market

➔ Better risk-adjusted returns

For illustrative purposes only.
Source: StepStone, Bloomberg as of September 2022
Target Gross Asset Yield at Different LIBOR/SOFR Level analysis based on proprietary loan database and considers only US First Lien Senior Secured loans from 2010 through 2021. Gross Asset Yield includes Original Issuance Discount (OID) amortized over 3 years and a LIBOR/SOFR floor of 100bps. Median Gross Asset Yield is assumed to be 7.9% at the end of 2021 which implies a net spread of 6.9%. 'Today" Gross Asset Yield assumes SOFR3M at 3.5%. Current peak implied US OIS rate is 4.482% for 22/3/2023 and is considered as a proxy/indication for future SOFR rates, i.e. 4.5%. The opinions expressed herein reflect the current opinions of Stepstone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. Past performance is not necessarily indicative of future results and there can be no assurance that the investments will achieve comparable results or avoid substantial losses.

Conclusions for Private Debt

GROWTH

- Continued growth due to increased supply and demand

MACRO ENVIRONMENT

- Relative attractiveness unbroken
- Volatility provides opportunities

MACRO THREATS

- Mainly idiosyncratic, depending on GP or portfolio
- Liquidity to become more important

KEY FOR SUCCESS

- Manager selection
- Diversification
- Deployment

Risks and Other Considerations

Risks Associated with Investments. Identifying attractive investment opportunities and the right underlying fund managers is difficult and involves a high degree of uncertainty. There is no assurance that the investments will be profitable and there is a substantial risk that losses and expenses will exceed income and gains.

Restrictions on Transfer and Withdrawal; Illiquidity of Interests; Interests Not Registered. The investment is highly illiquid and subject to transfer restrictions and should only be acquired by an investor able to commit its funds for a significant period of time and to bear the risk inherent in such investment, with no certainty of return. Interests in the investment have not been and will not be registered under the laws of any jurisdiction. Investment has not been recommended by any securities commission or regulatory authority. Furthermore, the aforementioned authorities have not confirmed the accuracy or determined the adequacy of this document.

Limited Diversification of Investments. The investment opportunity does not have fixed guidelines for diversification and may make a limited number of investments.

Reliance on Third Parties. StepStone will require, and rely upon, the services of a variety of third parties, including but not limited to attorneys, accountants, brokers, custodians, consultants and other agents and failure by any of these third parties to perform their duties could have a material adverse effect on the investment.

Reliance on Managers. The investment will be highly dependent on the capabilities of the managers.

Risk Associated with Portfolio Companies. The environment in which the investors directly or indirectly invests will sometimes involve a high degree of business and financial risk. StepStone generally will not seek control over the management of the portfolio companies in which investments are made, and the success of each investment generally will depend on the ability and success of the management of the portfolio company.

Uncertainty Due to Public Health Crisis. A public health crisis, such as the recent outbreak of the COVID-19 global pandemic, can have unpredictable and adverse impacts on global, national and local economies, which can, in turn, negatively impact StepStone and its investment performance. Disruptions to commercial activity (such as the imposition of quarantines or travel restrictions) or, more generally, a failure to contain or effectively manage a public health crisis, have the ability to adversely impact the businesses of StepStone's investments. In addition, such disruptions can negatively impact the ability of StepStone's personnel to effectively identify, monitor, operate and dispose of investments. Finally, the outbreak of COVID-19 has contributed to, and could continue to contribute to, extreme volatility in financial markets. Such volatility could adversely affect StepStone's ability to raise funds, find financing or identify potential purchasers of its investments, all of which could have material and adverse impact on StepStone's performance. The impact of a public health crisis such as COVID-19 (or any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict and presents material uncertainty and risk with respect to StepStone's performance.

Taxation. An investment involves numerous tax risks. Please consult with your independent tax advisor.

Conflicts of Interest. Conflicts of interest may arise between StepStone and investors. Certain potential conflicts of interest are described below; however, they are by no means exhaustive. There can be no assurance that any particular conflict of interest will be resolved in favor of an investor.

Allocation of Investment Opportunities. StepStone currently makes investments, and in the future will make investments, for separate accounts having overlapping investment objectives. In making investments for separate accounts, these accounts may be in competition for investment opportunities.

Existing Relationships. StepStone and its principals have long-term relationships with many private equity managers. StepStone clients may seek to invest in the pooled investment vehicles and/or the portfolio companies managed by those managers.

Carried Interest. In those instances where StepStone and/or the underlying portfolio fund managers receive carried interest over and above their basic management fees, receipt of carried interest could create an incentive for StepStone and the portfolio fund managers to make investments that are riskier or more speculative than would otherwise be the case. StepStone does not receive any carried interest with respect to advice provided to, or investments made on behalf, of its advisory clients.

Other Activities. Employees of StepStone are not required to devote all of their time to the investment and may spend a substantial portion of their time on matters other than the investment.

Material, Non-Public Information. From time to time, StepStone may come into possession of material, non-public information that would limit their ability to buy and sell investments.

ESG Integration. While StepStone seeks to integrate certain ESG factors into its investment process and firm operations, there is no guarantee that StepStone's ESG strategy will be successfully implemented or that any investments or operations will have a positive ESG impact. Applying ESG factors to investment decisions involves qualitative and subjective decisions and there is no guarantee the criteria used by Stepstone to formulate decisions regarding ESG, or StepStone's judgment regarding the same, will be reflected in the beliefs or values of any particular client or investor. There are significant differences in interpretation of what constitutes positive ESG impact and those interpretations are rapidly changing. The description of ESG integration herein is provided to illustrate Stepstone's intended approach to investing and firm operations; however, there is no guarantee that the processes will be followed in every circumstance or at all.

Performance Information. No investment decisions may be made in reliance on this document. In considering performance information herein, readers should bear in mind that past performance is not necessarily indicative of future results and that actual results may vary. There can be no assurance that any Stepstone fund will be able to successfully implement its investment strategy or avoid losses. Performance shown herein may include investments across different Stepstone funds. The aggregate returns are not indicative of the returns an individual investor would receive from these investments. No individual investor received such aggregate returns as the investments were made across multiple funds and accounts over multiple years.

It's been 8 years!
Stronger Together 2

2023 CRCEA SPRING CONFERENCE

APRIL 23 — 26, 2023

Meeting Date
03/22/2023
Agenda Item
#7a.

Ontario Airport Hotel
700 North Haven Ave, Ontario, CA
800-654-1379

- **$119 per night, plus taxes**
  - ⇒ **Ask for RESBC/CRCEA rate**
- **Breakfast included!**
- **Parking included!**

Reserve by April 1, 2023

Evening Socials

- **Sunday — hosted by VOYA**

VOYA FINANCIAL

- **Monday — hosted by PGA**

PACIFIC GROUP AGENCIES

Lunch

- **Tuesday — hosted by MSHP**

MySeniorHealthPlan.com

HOSTED BY: Retired Employees of San Bernardino (RESBC)
For conference information, please contact:
Dena Smith (dena_smith@sbcglobal.net or 951-359-5386) or
Virginia Adams (lvlyva@msn.com or 909-754-5274)

DRAFT

PROGRAM AGENDA
2023 CRCEA Spring Conference
April 23 - 26, 2023

SUNDAY, April 23, 2023

2:00 p.m. – 5:00 p.m.	**Conference Registration** (Hotel Lobby)
5:00 p.m. – 7:00 p.m.	**Hospitality Reception** (location) **All Attendees and Affiliate Members are Invited to Attend** Hosted by George Peterson, VOYA Financial Advisors

MONDAY, April 24, 2023

7:00 a.m.	**Breakfast** (Hotel Café)
9:00 a.m. – 4:30 p.m.	**Conference Registration** (location)
9:00 a.m. – 11:30 a.m.	**Open Discussion Session: Ongoing Conference Issues** (location)
11:30 a.m. – 1:00 p.m.	**Lunch - On Your Own**
1:00 p.m. – 1:30 p.m.	**Opening Session:** (Ponderosa Room) **Call to Order:** E.F. "Skip" Murphy, CRCEA President **Invocation:** **Presentation of Colors:** **National Anthem:** **Pledge of Allegiance:** **Roll Call of Counties:** Virginia Adams, CRCEA Secretary **Introduction of First-Time Attendees:** E.F. "Skip" Murphy
1:30 p.m. – 2:00 p.m.	**Introduction of Conference Sponsors** Thomas Potter, RESBC **RESBC Welcome** John Michaelson, RESBC President
2:00 p.m. – 3:00 p.m.	**Presentation: Living Longer, Living Better** Speaker: Dr. Gary Fraser, Distinguished Professor, Loma Linda University Introduction:
3:00 p.m. – 3:15 p.m.	**Afternoon Break** Sponsored by Arrowhead Credit Union
3:15 p.m. – 4:15 p.m.	**Presentation: Digital Safety and Avoiding Online Scams as a Retiree** Speaker: Vaughn Book, Chief Information Officer, Arrowhead Credit Union Introduction: Thomas Potter

4:15 p.m. – 5:00 p.m.	**Breakout Sessions** Meeting of CRCEA Standing Committees. If you are not assigned to a committee, feel free to join any committee.
5:30 p.m. – 7:00 p.m.	**Hospitality Reception** (location) **All Attendees and Affiliate Members are Invited to Attend** Hosted by Steve Pettee, Pacific Group Agencies, Inc.
7:00 p.m.	**Dinner – On Your Own**

TUESDAY, April 25, 2023

7:00 a.m.	**Breakfast** (Hotel Café)
8:00 a.m. – 2:00 p.m.	**Conference Registration** (location)
8:30 a.m. – 8:45 a.m.	**Morning General Session** (Ponderosa Room) **Call to Order:** E.F. “Skip” Murphy, CRCEA President John Michaelson, RESBC President Announcements
8:45 a.m. – 9:45 a.m.	**Presentation: Public Finance and Your Retirement** Speakers: Debby Cherney, CEO/President SBCERA; Emily Swenson Brock, Director of the Federal Liaison Center of GFOA Introduction:
9:45 a.m. – 10:15 a.m.	**Introduction of CRCEA Affiliates** Carlos Gonzalez
10:15 a.m. – 10:30 a.m.	**Morning Break** Sponsored by Arrowhead Credit Union
10:30 a.m. – 11:30 a.m.	**Presentation: The Best and Worst of America** Speaker: Adam Problonsky, President, Problonsky Research Introduction:
11:30 a.m. – 1:00 p.m.	**Lunch** (location) Hosted by Pete Blasi, My Senior Health Plan
1:00 p.m.	**Call to Order** E.F. “Skip” Murphy, CRCEA President John Michaelson, RESBC President
1:15 p.m. – 2:15 p.m.	**Presentation: Senior Travel** Speakers: Cindy Cummings, Business Development Manager, Member Choice Vacations; Shelley McLaughlin & Carl Hampton, Branch Supervisors, AAA Redlands Introduction:

2:15 p.m. – 3:15 p.m. **Presentation: The Market and Your Money**
Speaker: George Peterson, Financial Advisor, VOYA Financial Advisors
Introduction:

3:15 p.m. – 3:30 p.m. **Afternoon Break**
Sponsored by Arrowhead Credit Union

3:30 p.m. – 4:00 p.m. **Legislative Report** – Art Goulet, Chair, CRCEA Legislative Committee

4:00 p.m. – 5:00 p.m. **Round Table Session** – E.F. "Skip" Murphy, CRCEA President

6:00 p.m. – 7:00 p.m. **Hospitality Reception** (location)
All Attendees and Affiliate Members are Invited to Attend
Hosted by RESBC

7:00 p.m. – 9:00 p.m. **Banquet** (location)
Master of Ceremonies:
Drawing for Gift Cards

<u>WEDNESDAY, April 26, 2023</u>

7:00 a.m. **Breakfast** (Hotel Café)

8:00 a.m. – 11:00 a.m. **Business Session:** (location)
Call to Order: E.F. "Skip" Murphy, CRCEA President
Announcements
Roll Call of Delegates: Virginia Adams, CRCEA Secretary
Approval of 2022 Fall Conference Minutes, dated October 12, 2022: E.F. "Skip" Murphy, CRCEA President
Executive Committee Report: E.F. "Skip" Murphy, CRCEA President
Financial Report – Carlos Gonzalez, CRCEA Treasurer
Committee Reports: CRCEA Standing Committee Chairs
- ***Affiliate:*** Carlos Gonzalez, San Diego
- ***Audit/Finance:*** Jerry Jacobs, Alameda
- ***Benefits/Membership:*** Nancy Gust, Interim, Sacramento
- ***Bylaws:*** David Muir, Los Angeles
- ***Communication/Intercom:*** Virginia Adams, San Bernardino
- ***Conference:*** Mike Sloan, CCCREA
- ***Legislation:*** Art Goulet, Ventura
- ***Nominating:*** Will Hoag, Ventura
- ***Retirement Security:*** John McTighe, San Diego
- ***CalPERS Long Term Care Premium Increase Ad Hoc Committee:*** David Muir, Los Angeles

DRAFT

Invitation to the 2023 Fall Conference: San Joaquin
(Name), Host Committee Chair
(Dates)
(Location)

Unfinished Business

New Business

Closing Remarks: E.F. “Skip” Murphy, CRCEA President

Adjourn

RESBC
Retired Employees of
San Bernardino County

PLEASE SUBMIT ONE FORM FOR EACH ATTENDEE.
*******PLEASE NOTE*******
REGISTRATION FORM HAS TWO PAGES.

2023 CRCEA SPRING CONFERENCE REGISTRATION FORM

April 23 – 26, 2023
Ontario Airport Hotel
700 North Haven Avenue, Ontario, CA

Hosted by: Retired Employees of San Bernardino County (RESBC)

NAME ____________________

ADDRESS ____________________

CITY ____________________ STATE __________ ZIP __________

PHONE: ____________________ E-MAIL ____________________

AFFILIATE OR ASSOCIATION NAME____________________

EMERGENCY CONTACT (name/phone number): ____________________

CONFERENCE REGISTRATION DEADLINE: **April 1, 2023**

RESERVATION DEADLINE FOR ONTARIO AIRPORT HOTEL: **April 1, 2023**. For hotel reservations, please call hotel directly at 800-654-1379 and request the RESBC/CRCEA Conference Rate, which is $119.00 per night, plus taxes.

Tell us which designation you wish on your name badge. Please check appropriate box:

Delegate		Alternate Delegate		Retirement Board Member	
Retirement Board Member Alternate		Member		Spouse/Guest	
Affiliate (pay only banquet fee)				CRCEA Officer (Indicate Title)	

COSTS:

REGISTRATION FEE: $75.00 Each $ __________
(To be paid by every CRCEA member, except Affiliates and Host Conference Volunteers)

SPOUSE/GUEST NOT ATTENDING MEETINGS: **$35.00 Each**

TUESDAY EVENING BANQUET: $50.00 PER PERSON

Tri-Tip & Shrimp	**Quantity**		**@ $50.00 each**	**Total Paid**	**$**
Chicken Breast w/truffle cream mushroom sauce	**Quantity**		**@ $50.00 each**	**Total Paid**	**$**
Vegetarian Pasta	**Quantity**		**@ $50.00 each**	**Total Paid**	**$**

TOTAL AMOUNT ENCLOSED	$ __________
Mail CHECK (payable to RESBC) along with this form To:	***RESBC P.O. Box 136 Highland, CA 92346 Attn: CRCEA Conference***

RESBC
Retired Employees of
San Bernardino County

ATTENDANCE – WE NEED COUNT FOR TWO EVENTS:

The following events are compliments of our conference sponsors and are offered at no cost to those who register for the conference. However, we do need to know how many will be attending. Please indicate participation below:

~~~SUNDAY SOCIAL: HOSTED BY VOYA

ATTENDING? YES OR NO/HOW MANY? ________ ________

~~~TUESDAY LUNCHEON: HOSTED BY MY SENIOR HEALTH PLAN

ATTENDING? YES OR NO/HOW MANY? ________ ________

IF ATTENDING, PLEASE INDICATE MEAL CHOICE:

Ham Croissant	**Quantity**	
Cobb Salad	**Quantity**	
Grilled Veggie Wrap	**Quantity**	

AIRPORT SHUTTLE

If you will be needing shuttle service from Ontario International Airport, please contact the hotel as that will help them coordinate pick up. Thank you!

Any questions, please contact:

Dena Smith (dena_smith@sbcglobal.net or 951-359-5386) or
Virginia Adams (lvlyva@msn.com or 909-754-5274)

WE LOOK FORWARD TO SEEING YOU IN APRIL!