



VCERA
VENTURA COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

2024 ASSET ALLOCATION RECOMMENDATION

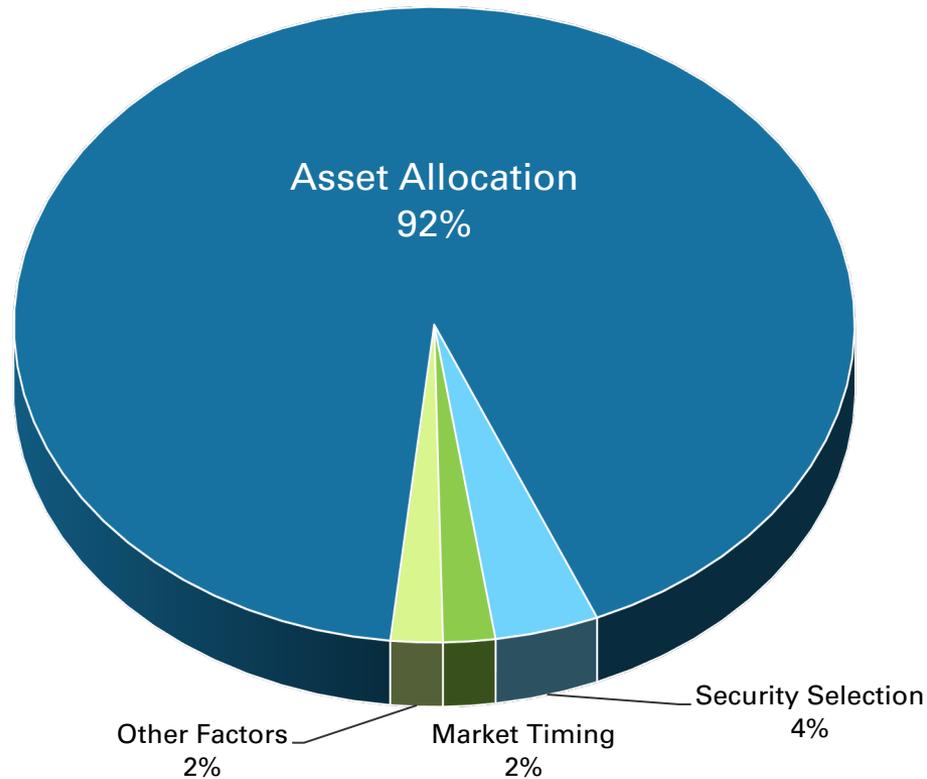
VENTURA COUNTY EMPLOYEES'
RETIREMENT SYSTEM

MAY 2024



ASSET ALLOCATION: THE KEY INVESTMENT DECISION

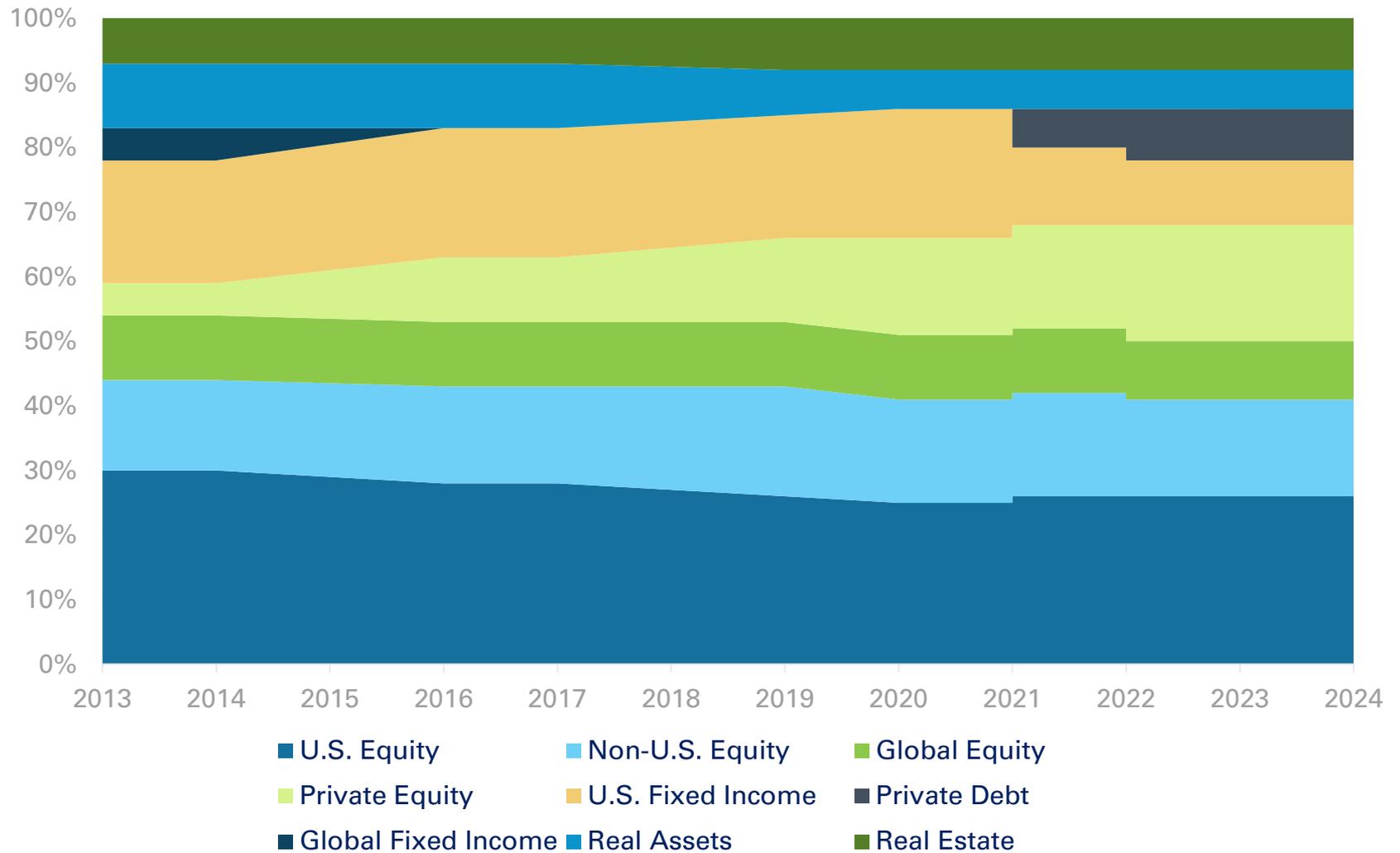
Determinants of Portfolio Performance



CURRENT ALLOCATION AND BENCHMARKS

Asset Class	Policy Target	Policy Range	Benchmark Used in the Policy Index
Equity	68%		
U.S. Equity	26%	20% - 32%	Russell 3000 Index
Non-U.S. Equity	15%	12% - 20%	MSCI ACWI ex U.S. Index Net
Global Equity	9%	7% - 13%	MSCI ACWI Index Net
Private Equity	18%	14% - 22%	Russell 3000 Index + 2%
Fixed Income	18%		
Publicly Traded Fixed Income	10%	7% - 13%	Bloomberg US Aggregate
Private Credit	8%	4% - 12%	50% CS Leveraged Loan / 50% ICE BofA US HY BB-B Rated Constrained
Real Assets	14%		
Real Assets	6%	4% - 8%	CPI + 2%
Real Estate	8%	5% - 11%	NCREIF ODCE Net
Cash	0%	0% - 3%	

HISTORICAL POLICY ALLOCATION



ASSET ALLOCATION RECOMMENDATION



EXECUTIVE SUMMARY

- **Market environment has shifted significantly**
 - Economic resiliency in the U.S. despite higher interest rates and above target inflation
 - From low rates/low growth/low expected returns...
 - To higher inflation, higher growth, and tightening monetary policy
- **VCERA Staff and NEPC are recommending incremental changes to the policy mix**
 - Generally closer to the current actual allocation
 - Reduce overall public equity exposure by 2% and add it to private debt
 - Reduce non-U.S. developed and emerging market equity exposures
 - Shift 2% from core real estate to non-core
 - **Result is a portfolio that maintains a similar return expectation as the Current Policy with lower asset volatility and increased risk/return efficiency**

Notes: Funded ratio based on June 30, 2023 actuarial valuation produced by Segal



ASSET ALLOCATION PROFILES

	Current Policy	Actual Allocation as of 3/31/2024	Recommended
Cash	0.0%	0.7%	0.0%
Total Cash	0.0%	0.7%	0.0%
US Large-Cap Equity	22.4%	27.1%	24.0%
US Small/Mid-Cap Equity	3.6%	1.3%	2.0%
Non-US Developed Equity	10.8%	11.8%	10.0%
Emerging Market Equity	4.3%	3.0%	3.0%
Global Equity	9.0%	10.1%	9.0%
Private Equity	18.0%	17.7%	18.0%
Total Equity	68.0%	71.0%	66.0%
US Aggregate Bond	4.0%	4.4%	4.0%
Absolute Return Fixed Income	4.0%	4.4%	4.0%
Private Debt	8.0%	7.5%	10.0%
10 Year US Treasury Bond	2.0%	0.9%	2.0%
Total Fixed Income	18.0%	17.2%	20.0%
Real Estate - Core	6.0%	4.8%	4.0%
Real Estate - Non-Core	2.0%	1.3%	4.0%
Private Real Assets - Natural Resources	2.0%	2.5%	2.0%
Private Real Assets - Infrastructure	4.0%	2.5%	4.0%
Total Real Assets	14.0%	11.1%	14.0%

<i>Expected Return - 10 Year</i>	6.7%	6.5%	6.7%
<i>Expected Return - 30 Year</i>	8.0%	7.9%	8.1%
<i>Asset Volatility</i>	15.9%	16.0%	15.9%
<i>Sharpe Ratio - 10 Year</i>	0.17	0.16	0.18
<i>Sharpe Ratio - 30 Year</i>	0.29	0.28	0.30

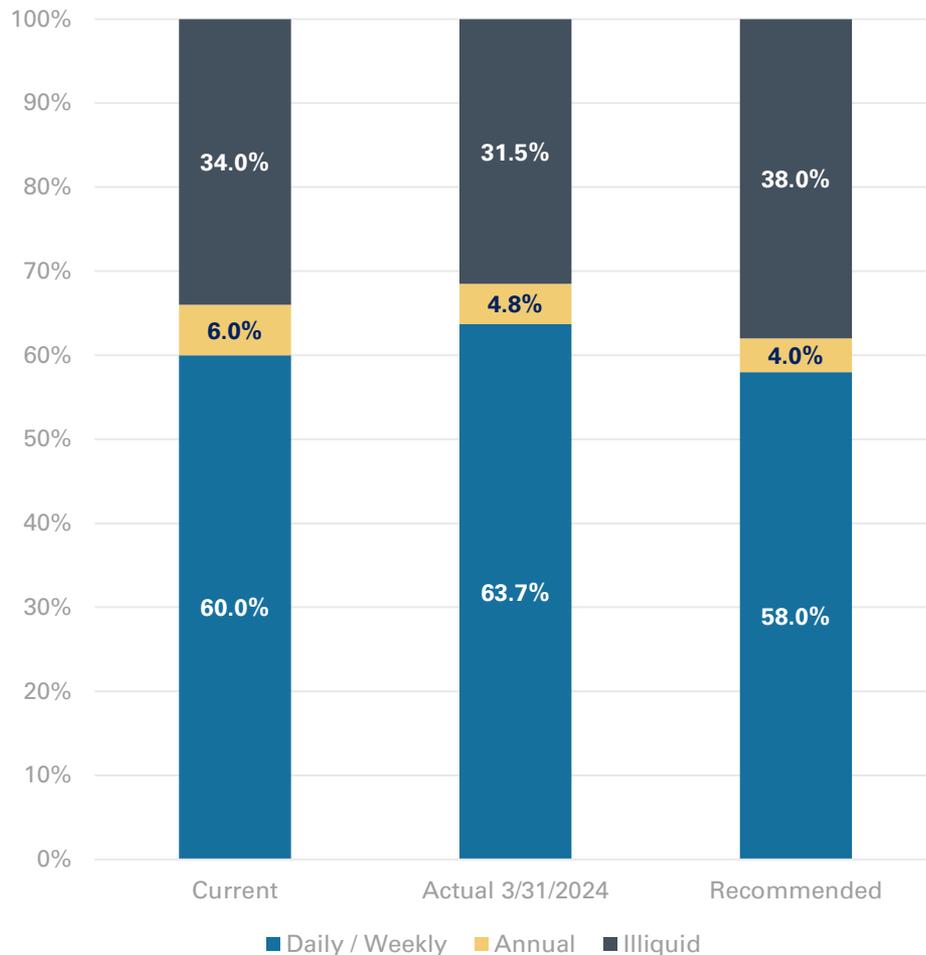


Orange shading denotes recommended decrease



Green shading denotes recommended increase

LIQUIDITY PROFILE



- **Recommended Mix increases Annual / Illiquid allocation by 2% of the portfolio**
- **Net cash flow is expected to average -3% of assets for next 10 years**
 - Public funds average between -2% and -4% net cash flow
- **Funding policy will trigger contribution increases if needed, providing a backstop to plan liquidity**
- **NEPC believes the plan can take on the recommended increase in illiquids with no material impact in the plan's ability to meet its obligations**

STAFF & NEPC RECOMMENDATION

Asset Class	Recommended Target	Recommended Range	Recommended Benchmark
Equity	66.0%		
U.S. Equity	26.0%	22%-30%	Russell 3000
Non-U.S. Equity	13.0%	9%-17%	MSCI ACWI ex U.S. Index Net
Global Equity	9.0%	5%-13%	MSCI ACWI Index Net
Private Equity	18.0%	14%-22%	Russell 3000 + 2% (lagged)
Debt	20.0%		
Publicly Traded Fixed Income	10.0%	7%-13%	Bloomberg Aggregate Bond Index
Private Credit	10.0%	6%-14%	CS Leveraged Loan +2% (lagged)
Real Assets	14.0%		
Real Assets	6.0%	3%-9%	CPI + 2%
Real Estate	8.0%	5%-11%	NCREIF ODCE Index
Cash	0.0%	0%-3%	90 Day T-Bills

INFORMATION DISCLAIMER

Past performance is no guarantee of future results.

The goal of this report is to provide a basis for substantiating asset allocation recommendations. The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.

Information on market indices was provided by sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.

All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

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