



Strength. Service. Commitment.

January 11, 2018

To: Board of Retirement

From: Stephen Sexauer *ss/sm*
Chief Investment Officer

RE: **CHIEF INVESTMENT OFFICER'S REPORT**

December activities included conference calls with Albourne, Aon Hewitt, PIMCO, Oaktree, AQR, Actis and BlackRock.

Investment Staff continued AB 2833 discussions with CERL counties, and reviewed calculations with Albourne and BNY Mellon.

The SDCERA Investment Policy Statement (IPS) in Chapter V, Section A.2 requires an asset-liability study be undertaken at least every three years. The study is to evaluate SDCERA's asset allocation policy in the context of projected actuarial liabilities and funding policies. The next required study is in 2018. The study will be done by Aon Hewitt with inputs from SDCERA's actuary, Segal Consulting, and SDCERA staff. The study will evaluate (1) the current Trust Fund asset allocation, (2) a higher expected risk-return asset allocation, (3) a lower expected risk-return asset allocation, and (4) the current allocation with Trust Fund assets at ninety percent of current market value. For each of these allocations, the study will measure the distribution of outcomes for funded ratio, required cash contributions, and net plan cash flows. The study will be done using SDCERA's specific demographic and actuarial assumptions combined with Aon Hewitt's capital market assumptions and risk model. The results of the annual asset allocation study will be presented at the March 2018 Board meeting.