California Employers’ Retiree Benefit Trust

Presentation to the Marin Community College District Board, June 18, 2013

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Division Chief
Affiliate Program Services Division
Discussion Overview

- Advantages of the CERBT
- Investment Program
- Investment Strategies
- Investment Performance
Advantages of the CERBT

• CERBT manages investment policy, strategy, portfolio
  – Three approaches to match financial and budget objectives

• CERBT provides OPEB financial reporting and support
  – GASB 43 compliant annual statement

• CERBT administrative processes are simple
  – Record keeping, contributions, disbursements

• CERBT provides GASB compliant OPEB trust fund services for the lowest cost
Investment analysis leads us to deploy the CERBT global equities assets diversified in three dimensions of the global equity market:

- geographic region
- industry
- company capitalization

CalPERS also systematically encourages company to develop strategically sound approaches to market altering forces:

- corporate governance (e.g., shareholder rights, executive compensation, fund manager terms and conditions)
- climate change (e.g., resource scarcity, water stress, carbon emissions, clean or renewable energy)
- human capital (e.g., health and safety, responsible contracting, diversity, labor practices)
Investment Management

Investment risk is managed through:

• Diversification of assets
• Board approved investment policy and asset allocation strategies
• Regular independent oversight by external investment consultant and review by Office of Enterprise Risk Management
<table>
<thead>
<tr>
<th>Asset Classification</th>
<th>Strategy 1</th>
<th>Strategy 2</th>
<th>Strategy 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equity</td>
<td>66.0%</td>
<td>50.1%</td>
<td>31.6%</td>
</tr>
<tr>
<td>U.S. Nominal Bonds</td>
<td>18.0%</td>
<td>23.9%</td>
<td>42.4%</td>
</tr>
<tr>
<td>Global Real Estate (REIT)</td>
<td>8.0%</td>
<td>8.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Inflation Linked Bonds</td>
<td>5.0%</td>
<td>15.0%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Commodities</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>
CERBT Asset Allocation Strategies

<table>
<thead>
<tr>
<th></th>
<th>Strategy 1</th>
<th>Strategy 2</th>
<th>Strategy 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected Long Term Rate of Return*</td>
<td>7.61%</td>
<td>7.06%</td>
<td>6.39%</td>
</tr>
<tr>
<td>Standard Deviation of Expected Returns</td>
<td>11.73%</td>
<td>9.46%</td>
<td>7.27%</td>
</tr>
</tbody>
</table>

All CERBT asset allocation strategies share the same public market asset classes

- Allocation strategies differ only to the extent to which they participate in each of the asset classes
  - Unitized fund structure allows multiple participants to participate in an asset allocation strategy

* Uses Annual General Inflation Rate Assumption of 3.0%
### CERBT Investment Results – Time Weighted

Periods Ended May 31, 2013

<table>
<thead>
<tr>
<th>Fund</th>
<th>Assets</th>
<th>1 Month</th>
<th>3 Months</th>
<th>FYTD</th>
<th>1 Year</th>
<th>3 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>CERBT Strategy 1</td>
<td>$2,186,760,784</td>
<td>-1.57%</td>
<td>2.58%</td>
<td>14.99%</td>
<td>19.37%</td>
<td>12.17%</td>
</tr>
<tr>
<td>Benchmark</td>
<td></td>
<td>-1.65%</td>
<td>2.50%</td>
<td>14.82%</td>
<td>19.29%</td>
<td>12.25%</td>
</tr>
<tr>
<td>CERBT Strategy 2</td>
<td>$413,019,342</td>
<td>-2.18%</td>
<td>1.44%</td>
<td>12.03%</td>
<td>15.57%</td>
<td>N/A</td>
</tr>
<tr>
<td>Benchmark</td>
<td></td>
<td>-2.28%</td>
<td>1.33%</td>
<td>11.73%</td>
<td>15.25%</td>
<td>N/A</td>
</tr>
<tr>
<td>CERBT Strategy 3</td>
<td>$56,491,979</td>
<td>-2.74%</td>
<td>0.39%</td>
<td>8.27%</td>
<td>10.46%</td>
<td>N/A</td>
</tr>
<tr>
<td>Benchmark</td>
<td></td>
<td>-2.92%</td>
<td>0.24%</td>
<td>7.88%</td>
<td>10.20%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Time weighted return reports the performance of the investment vehicle, not of the employer assets. Returns are gross. Historical performance is not necessarily indicative of actual future investment performance or of future total program cost. Current and future performance may be lower or higher than the historical performance data reported here. Investment return and principal value may fluctuate so that your investment, when redeemed, may be worth more or less than the original cost. The value of an employer’s CERBT fund shares will go up and down based on the performance of the underlying funds in which the assets are invested. The value of the underlying funds’ assets will, in turn, fluctuate based on the performance and other factors generally affecting the securities market.
Questions? Where to get Information?

• **E-mail**
  - CERBT4U@calpers.ca.gov
    • All administrative needs
  - CERBTACCOUNT@calpers.ca.gov
    • Online record keeping needs

• **CERBT Website**
  - www.calpers.ca.gov/cerbt

• **John Swedensky**
  - rand.anderson@calpers.ca.gov