

SBCERS

Santa Barbara County Employees' Retirement System

DATE: April 26, 2023

Agenda Item #11

TO: SBCERS BOARD OF RETIREMENT

FROM: SBCERS Investment Staff

RE: **Asset Allocation Review**

Recommendation

That the Board of Retirement receive and approve the Asset Allocation review and recommendation presented by Principals and Co-Lead Consultants Marcia Beard and Matthias Bauer, CFA of RVK, Inc. and affirm the existing allocation or provide direction for further study on additional policy options.

Summary

The investment process has three component parts: Asset/Liability, Asset Allocation and Asset Class Studies. This presentation will focus on Asset Allocation. Asset Allocation models specific targets to asset classes, used to select the overall target allocation and uses passive assumptions. Asset allocation is among the most important investment decisions fiduciaries make and is the key determinant of total fund performance in the long run.

Asset Allocation relies on several return and risk assumptions. This presentation focuses on Nominal Geometric Return, Standard Deviation, Nominal Arithmetic Return, Return/Risk Ratio and RVK's proprietary liquidity metric. These return and risk metrics are used to perform a Monte Carlo analysis of Expected Compound Return by Percentile, Expected Gain/Loss by Percentile and Percentage Chance of Achieving Target Return. Based on this analysis, RVK is recommending leaving the current Asset Allocation unchanged.

Attachments

- 2023-04-26 - SBCERS Asset Allocation Review (Final)