

SBCERS

Santa Barbara County Employees' Retirement System

DATE: April 23, 2025

TO: SBCERS Board of Retirement

FROM: SBCERS Investment Staff

RE: **2025 Asset Allocation Review**

Recommendation

That the Board of Retirement receive and file the 2025 Asset Allocation review presented by Principals and Co-Lead Consultants Marcia Beard and Matthias Bauer, CFA of RVK, Inc.

Summary

Annually, the Board's general investment consultant, RVK, conducts an analysis of SBCERS Target Allocation to model specific asset class targets and determine the overall target allocation. Asset allocation represents one of the most critical investment decisions fiduciaries make, serving as the primary factor influencing long-term total fund performance.

The process relies on return and risk assumptions for each asset class. This presentation summarizes results for Nominal Geometric Return, Standard Deviation, Nominal Arithmetic Return, Return/Risk Ratio, and RVK's proprietary liquidity metric. It also includes Monte Carlo analyses to evaluate Expected Compound Return by Percentile, Expected Gain/Loss by Percentile, and the Probability of Achieving Target Return.

In most years, SBCERS performs its Asset Allocation review shortly after the completion of the current capital market expectation study (provided to the Board in March 2025), which are performed by the investment consultant at the end of each calendar year. This year is different because the System is scheduled to perform its triennial actuarial experience study and a corresponding triennial asset-liability study in the fall. The studies combine to provide a fiduciary record of the Board's assessment of the System's funding condition, as well as a forecast of forward liquidity from contributions and benefit payments. These factors provide a basis for the Board's understanding and calibration of risks from market volatility and liquidity relative to plan specific factors.

Additionally, this summer, the Board is set to consider a Fixed Income Structure Study that will focus on Core and Non-Core components, potentially recommending adjustments to greater Fixed Income structure. Using insights from these studies, RVK will deliver a formal recommendation for the Target Allocation at the October Board Meeting.

Attachments

- SBCERS 2025 Asset Allocation Review