

Strategic Plan for Fiscal Year Ending June 30, 2024

Santa Barbara County Employees'
Retirement System

June 28, 2023



RVK Overview



RVK Overview

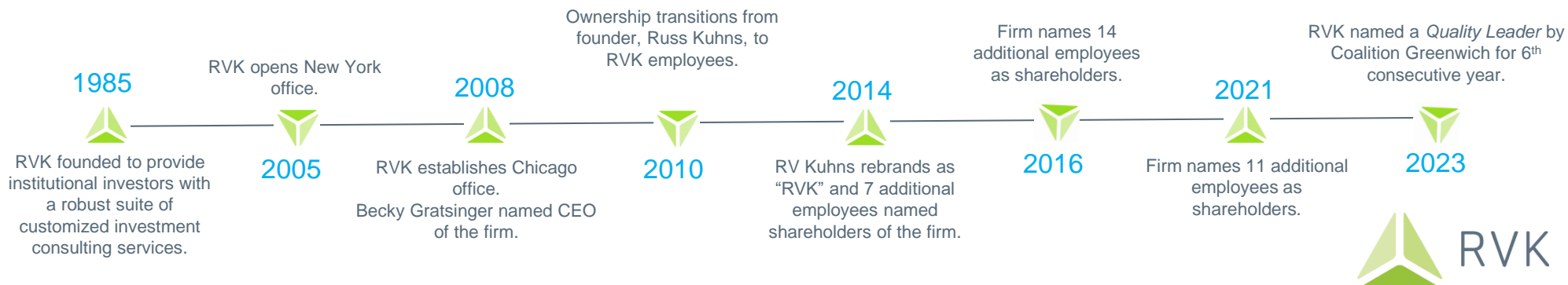
- **Established in 1985**, RVK provides clients with strategic investment advice and is one of the nation's largest institutional investment consulting firms, as reported by *Pensions & Investments*.
- **National firm** with headquarters in Portland and regional offices in Boise, Chicago, and New York, RVK serves nearly 200 clients including corporations, public retirement systems, Taft-Hartley funds, non-profit organizations, and other institutional pools of capital.
- **RVK's senior investment professionals** have an average of nearly 20 years of industry experience, translating to strategic investment advice through our team-centric approach.
- RVK maintains an explicit **no conflicts of interest policy**, aligning our business model with the interests of our clients. RVK has no financial relationships with managers, brokers, or investment products that create conflicts of interest.
- **RVK is committed to diversity** with over 50% ownership held by women and minorities.

RVK by the Numbers

- **\$3 trillion** – Full Retainer Assets Under Advisement
- **135** – Investment Professionals
- **65** – Advanced Degrees and Certifications
- **100%** – Revenue Derived from Client Fees
- **100%** – Employee Ownership
- **100%** – Non-Discretionary Investment Consulting

SBCERS Primary Client Service Team

- **Marcia Beard, Principal** – Over 40 years of industry experience, 27 years with RVK, and co-lead of RVK's Investment Program Review Practice
- **Matthias Bauer, CFA, Principal** – 16 years of industry experiences and serves as a key member of RVK's Asset Liability Team
- **Joe Ledgerwood, CFA, Director of Investment Manager Research, Principal** – Over 20 years of industry experience and leads our team of Research Consultants
- **Paige Blaser** – 11 years of industry experience
- **Jordan Masukawa** – 4 years of industry experience



2022 Greenwich Quality Leader Award

RVK is 1 of 3 firms in the Overall U.S. Investment Consulting “large consultants” category to receive a 2022 *Coalition Greenwich Quality Leader* award. We are proud to be the only firm in this category to receive recognition for a 6th consecutive year. Coalition Greenwich issued the award on April 25, 2023, based on their February through November 2022 study. No direct or indirect compensation has been paid by RVK in connection with obtaining or using this award.



We look forward to the opportunity of serving you!

Award Criteria

- Understanding of Client Goals and Objectives
- Advice on Long-Term Asset Allocation and Liability Issues
- Advice on DC Plan Structure and Design
- Communication of Philosophy and Investment Beliefs
- Proactive Advice and Innovative Ideas
- Client Satisfaction with Manager Recommendations
- Usefulness of Written Investment Performance Reviews
- Sufficient Professional Resources
- Credibility with Investment Committee or Trustees
- Capability of Consultants Assigned to Clients
- Responsiveness and Prompt Follow-up on Client Requests
- Timeliness in Providing Written Reports
- Usefulness of Personal Meetings
- Reasonable Fees Relative to Value Delivered

RVK Then & Now: Growth Since Engagement

THEN

2016

Ownership

- 100% Employee Owned
- 15 Employee Principals
- 6 Board Members
- Zero M&A Activity

Explicit No Conflicts of Interest Policy

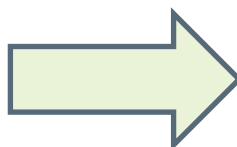
- Code of Ethics since inception
- 100% of revenue derived from direct client payments

Clients

- 400+ client accounts
- \$1+ trillion in total AUA
- \$600+ billion in full-retainer AUA

Staff

- 92 Investment Professionals



NOW

2023

Ownership

- 100% Employee Owned
- 34 Employee Principals
- 7 Board Members
- Zero M&A Activity

Explicit No Conflicts of Interest Policy

- Code of Ethics since inception
- 100% of revenue derived from direct client fees

Clients*

- 500+ client accounts
- \$3 trillion in total AUA
- \$1+ trillion in full-retainer AUA

Staff

- 135 Investment Professionals

*Client data is as of 12/31/2022.

Fiscal Year 2023 Projects



Completed Fiscal Year 2023 Projects

Asset/Liability Study (July & September 2022)

- The Asset/Liability study confirmed that the System remains on a path to projected likely increases in funded ratio as the unfunded liability is reduced over the amortization period.
- The Asset/Liability study also suggested that continued diversification in the investment of the System's assets is desirable.

Non-Core Fixed Income Structure Review (August 2022)

- The Board approved RVK's recommendation to increase SBCERS' target to Private Credit from 33.3% of the Non-Core Fixed Income portfolio to 45.0%.
- The new structure of 25% Emerging Markets Debt/30% Bank Loans/45% Private Credit exhibits improved potential risk-adjusted performance and reduced interest rate sensitivity while maintaining a similar level of yield.

Private Credit Fund Recommendation (August 2022)

- **Ares Pathfinder Core Fund** – Recommended a \$20M commitment.

Equity Structure Review (December 2022)

- Within Developed Non-US Equity, the Board approved RVK's recommendation to terminate First Eagle and reallocate proceeds between existing investments with PanAgora and Artisan.
- The new structure exhibits improved style balance, reduced management fees, and greater up market capture.
- No changes were recommended to the US Equity or Emerging Markets Equity portfolios.

Completed Fiscal Year 2023 Projects

Capital Markets Assumptions Review (March 2023)

- RVK provided an in-depth review of the Firm's 2023 Capital Markets Assumptions.
- In general, forward-looking assumptions for risk assets were raised due to improved valuations, currency expectations and higher yields.

Review Current Asset Allocation (April 2023)

- An Asset Allocation study using Mean Variance Optimization provides a powerful quantitative tool to identify distinct asset allocation targets that have the most optimal risk/return tradeoffs.
- RVK conducted a review of SBCERS' asset allocation and recommended no changes.
- The portfolio remains positioned strategically along the efficient frontier and aligned with SBCERS' asset allocation objectives.

Private Credit Strategic Plan Review and Pacing Analysis (April 2023)

- RVK presented a review of the strategic goals for the SBCERS Private Credit program.
- RVK presented an updated pacing study to determine the annual commitment volume needed to reach the Private Credit target allocation of 4.95%.
- RVK's pacing plan calls for annual commitments of \$55M to achieve the target allocation by approximately 2027.
 - SBCERS has committed a total of \$185 million across nine private credit funds with five GPs within direct lending and multi-sector strategies.
 - As of December 31, 2022, the SBCERS Private Credit portfolio achieved a net IRR of 9.2% and a net multiple of 1.16x.

Fiscal Year 2024 Goals and Objectives



Fiscal Year 2024 Goals and Objectives

Education Topic: ESG

- RVK will provide education on this topic in response to Board interest.

Education Topic: China Exposure/Divestment Options

- RVK will provide education on this topic in response to Board interest.

Continue with SBCERS' Private Credit Pacing Plan

- Based on RVK's latest pacing study, the Private Credit portfolio is expected to reach the target allocation of 4.95% by approximately 2027.
- With SBCERS committed to 9 strategies, which act as a core anchor to the Non-Core Fixed Income portfolio, RVK may recommend strategies that are more focused.

Real Return Structure Review

- The current structure for the Real Return portfolio is 60% private assets and 40% public assets.
- Within public assets, the target structure is 40% TIPS and 60% Diversified Inflation Strategies.
- This portfolio structure was last reviewed in 2017. RVK intends to review the structure given the evolution in the private asset portfolio since this point in time.

US Equity Structure Review

- The current structure for the US Equity portfolio is 40% BNY Mellon HEDI/50% BNY Mellon R 1000 Index/5% Dimensional US Small Cap Value/5% Rice Hall James Small Cap Growth.
- This portfolio structure was last reviewed in 2022. RVK intends to review the structure and evaluate whether the current managers and mandates in place remain appropriate.

Fiscal Year 2024 Additional Goals and Objectives

Ongoing Items

- **Capital Markets Assumptions Review**
 - RVK will provide an in-depth review of the Firm's 2023 Capital Markets Assumptions.
- **Provide relevant educational presentations to the Board as needed.**
 - Collaborate with the Board and Staff to incorporate educational presentations when the monthly agenda permits.
- **Improve periodic performance reporting.**
 - Continue to work with the Board and Staff to improve content.

PORTLAND

BOISE

CHICAGO

NEW YORK

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June 22,
2023