



AC TRANSIT EMPLOYEES' RETIREMENT PLAN

JOINT BOARD MEETING

OCTOBER 6, 2021

Carolyn Smith, Partner



PROPRIETARY & CONFIDENTIAL

INVESTMENT CHALLENGE FOR PENSION PLANS

- **How to invest today's contributions so that enough money is available to pay future benefits?**
- **One of the main functions of the Retirement Board is to prudently invest the Plan's assets**
 - The Retirement Board hires professionals to invest on behalf of AC Transit
- **Retirement Board determines what asset classes are acceptable and how much to invest in each asset class**
 - Stocks – Security that represents partial ownership of a corporation; also known as equity
 - Bonds – Security that represents a loan made by an investor to a borrower; also known as fixed income
 - Alternatives – Catch all category for any investment outside of traditional stocks and bonds
 - Can include real estate, commodities, and private market holdings



WHY INVEST IN MORE THAN ONE ASSET CLASS?

- **Diversification**

- A mix of stocks, bonds and alternative strategies can provide diversification benefits to a total portfolio through low correlations to each other

- **Liquidity**

- Traditional assets are generally more liquid than alternative assets, resulting in the ability to access capital quicker

- **Risk-adjusted returns**

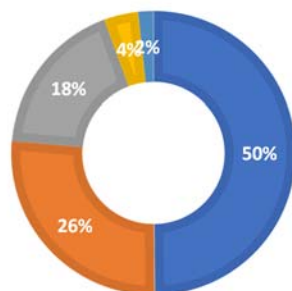
- May provide investors with better risk-adjusted returns and a “smoother ride” since each asset class may behave differently in any one market environment



WHERE DOES AC TRANSIT INVEST?

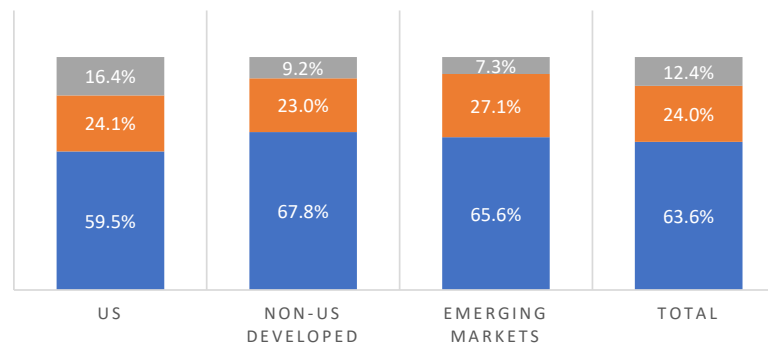
STOCKS BY GEOGRAPHIC REGION

■ North America ■ Europe ■ Asia ex-China ■ China ■ Other



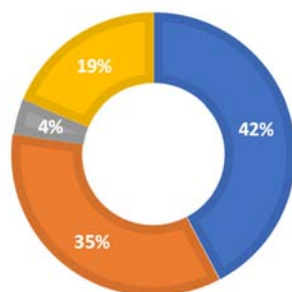
STOCKS BY MARKET CAPITALIZATION

■ Large Cap ■ Mid Cap ■ Small Cap



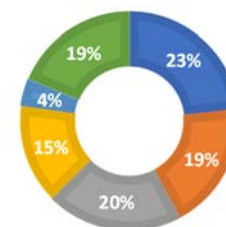
BONDS BY GEOGRAPHIC REGION

■ US ■ Global ■ Non-US ■ Emerging Markets



BONDS BY SECTOR

■ US Govt ■ Mortgaged Backed
■ Global Corporate ■ Global High Yield/Bank Loans
■ Non-US ■ Emerging Market Debt



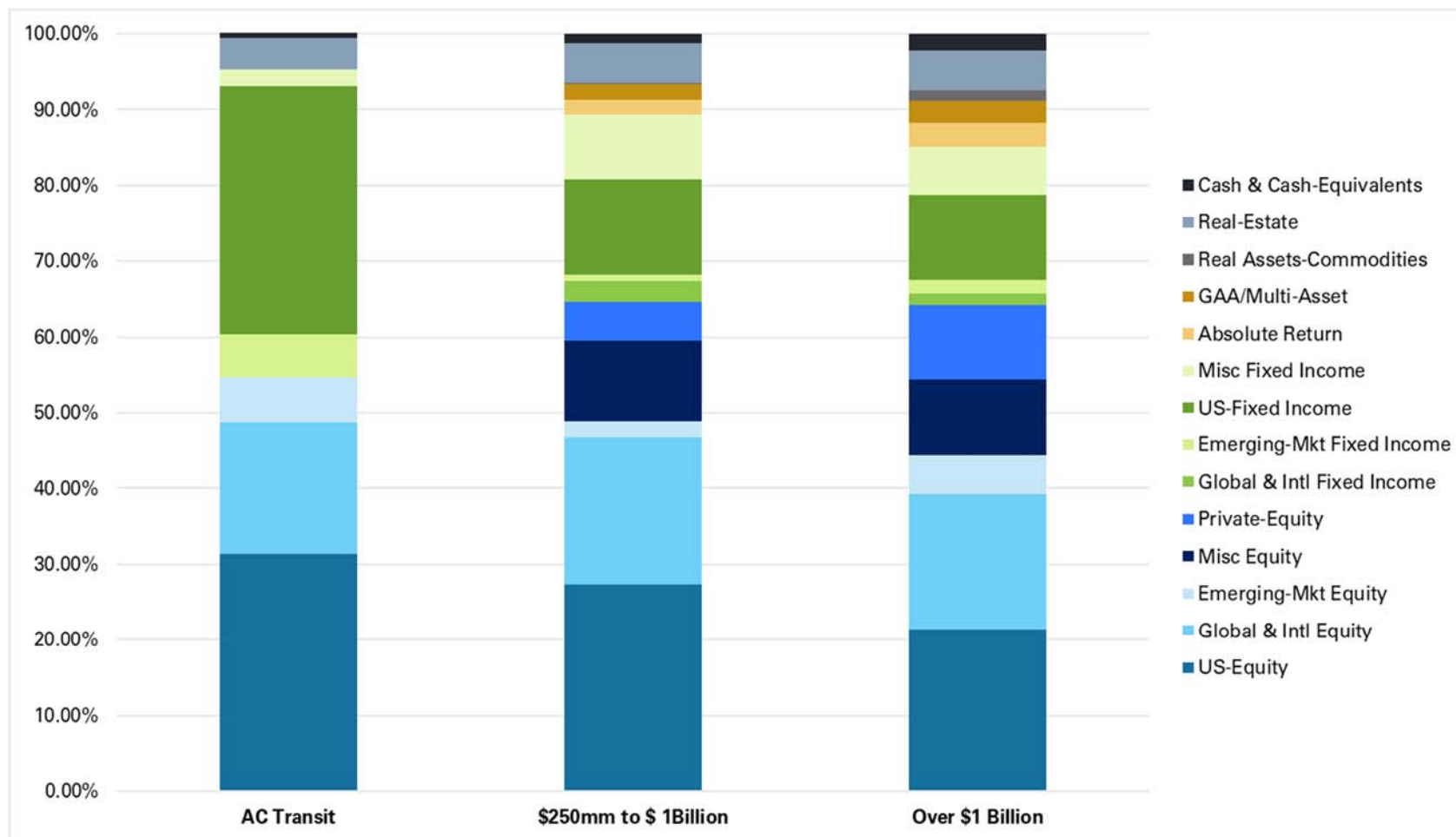
PRIVATE MARKETS – REAL ESTATE

- **Institutional quality/commercial real estate is property intended to generate a return from rental income and/or capital appreciation**
 - Strategies exist spanning the risk/return spectrum from stabilized core real estate to development-oriented opportunistic real estate
 - Main property types include apartments, office buildings, shopping centers, hotels, industrial properties, etc.
- **Two components of real estate return:**
 - Current Income: Derived from tenant rents/leases that typically increase with inflation
 - Capital Appreciation: Increase in the value of an asset between acquisition and sale
- **Leverage can amplify (both positively and negatively) returns from current income and capital appreciation**



HOW DO PUBLIC FUNDS INVEST?

AS OF 6/30/2021



Source: InvMetrics average public fund asset allocation by fund size. Allocations may not add to 100% due to rounding.

AC TRANSIT ASSET ALLOCATION – 6/30/2021

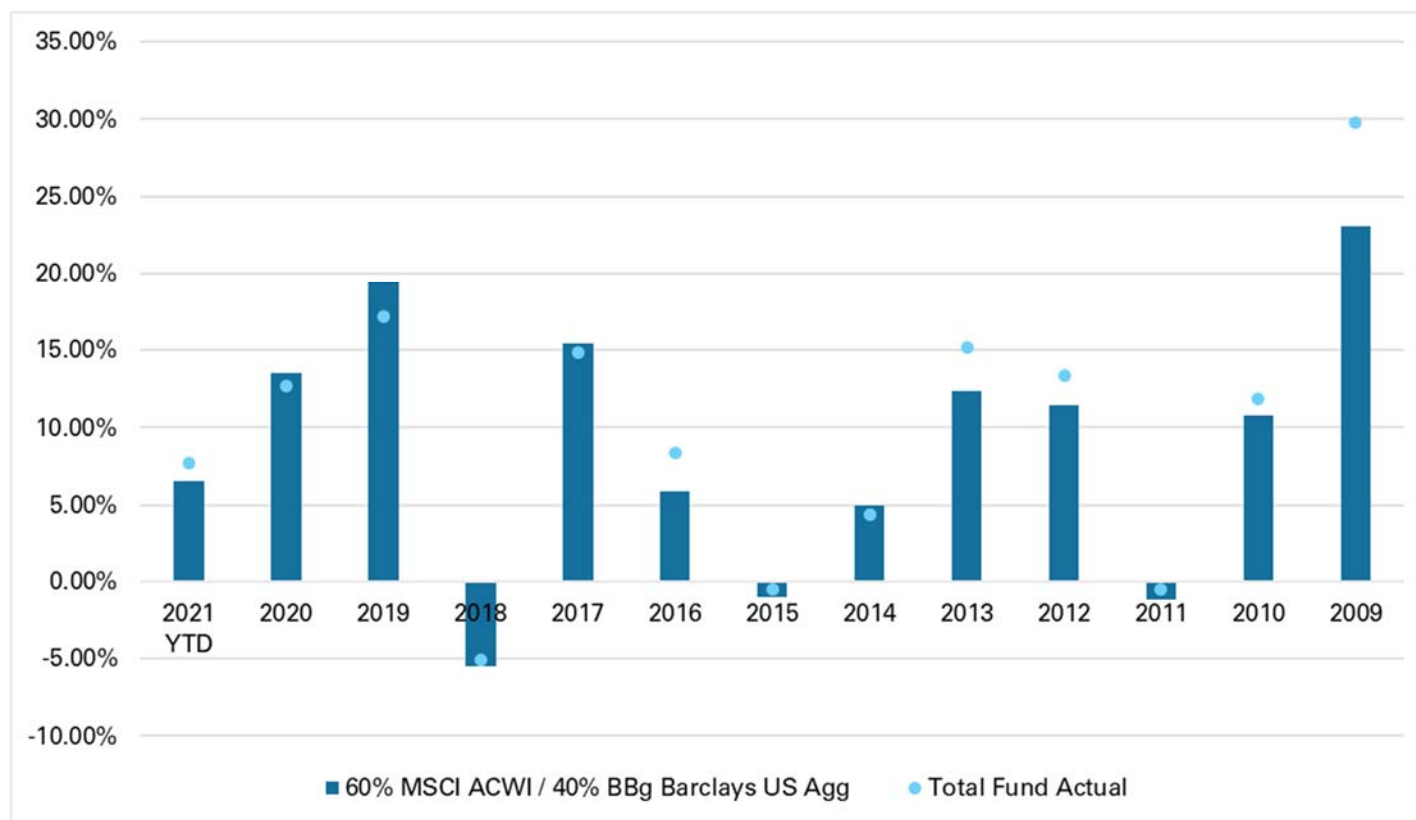
	Current 6/30/2021			Current Target	
US Large Cap Equity	\$	221,768,031	24.6%	\$	198,390,286 22.0%
US Small Cap Equity	\$	61,091,737	6.8%	\$	54,106,442 6.0%
International Large Cap Equity	\$	132,663,305	14.7%	\$	126,248,364 14.0%
International Small Cap Equity	\$	24,132,898	2.7%	\$	27,053,221 3.0%
Emerging Markets Equity	\$	53,018,527	5.9%	\$	54,106,442 6.0%
Total Equities	\$	492,674,498	54.6%	\$	459,904,753 51.0%
Total Fixed Income/Bonds	\$	346,204,548	38.4%	\$	342,674,130 38.0%
Private Debt	\$	19,730,559	2.2%	\$	45,088,701 5.0%
Real Estate	\$	37,241,901	4.1%	\$	45,088,701 5.0%
Total Private Markets	\$	56,972,460	6.3%	\$	90,177,403 10.0%
Cash	\$	5,922,520	0.7%	\$	9,017,740 1.0%
Total	\$	901,774,026	100.0%	\$	901,774,026 100.0%



Private debt includes direct lending to corporations and represents primarily senior secured loans.

CALENDAR YEAR RETURNS

60% EQUITY / 40% BONDS



60% MSCI ACWI Index plus 40% BC Aggregate Bond Index. 2021 Year to date through 6/30/2021.

AC TRANSIT RETIREMENT FUND PERFORMANCE

6/30/2021 ANNUALIZED RETURNS

% of Portfolio	Asset Class	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	Inception (%)	Ending Market Value (\$)
100.0%	Total Fund	7.7	25.2	10.4	10.4	8.0	8.1	901,774,026
	Policy Index	6.2	22.8	10.2	9.8	8.0	7.8	
31.4%	US Equity	18.1	51.1	17.7	18.2	14.4	11.0	282,859,768
	Russell 3000	15.1	44.2	18.7	17.9	14.7	10.6	
17.4%	International Equity	9.4	35.5	8.9	11.7	6.1	7.8	156,796,203
	MSCI EAFE	8.8	32.3	8.3	10.3	5.9	6.4	
5.9%	Emerging Markets Equity	7.5	43.7	10.7	11.2	n/a	n/a	53,018,527
	MSCI Emerging Markets	0.2	20.6	7.9	10.4			
38.4%	Total Fixed Income	-0.4	4.7	6.1	4.5	4.3	5.5	346,204,547
	BBgBarc US Aggregate	-1.6	-0.3	5.3	3.0	3.4	5.4	
2.2%	Private Debt	6.6	14.2	6.9	7.0	n/a	n/a	19,730,559
4.1%	Real Estate	2.8	2.3	2.9	4.4	n/a	n/a	37,241,901
0.7%	Cash	0.1	0.2	1.4	1.5	0.8	2.5	5,922,520
	91 Day T-Bills	0.0	0.1	1.2	1.1	0.6	2.3	

Total Plan since inception represents performance from 3/31/1992 to 6/30/2021
Returns greater than 1-year are annualized.

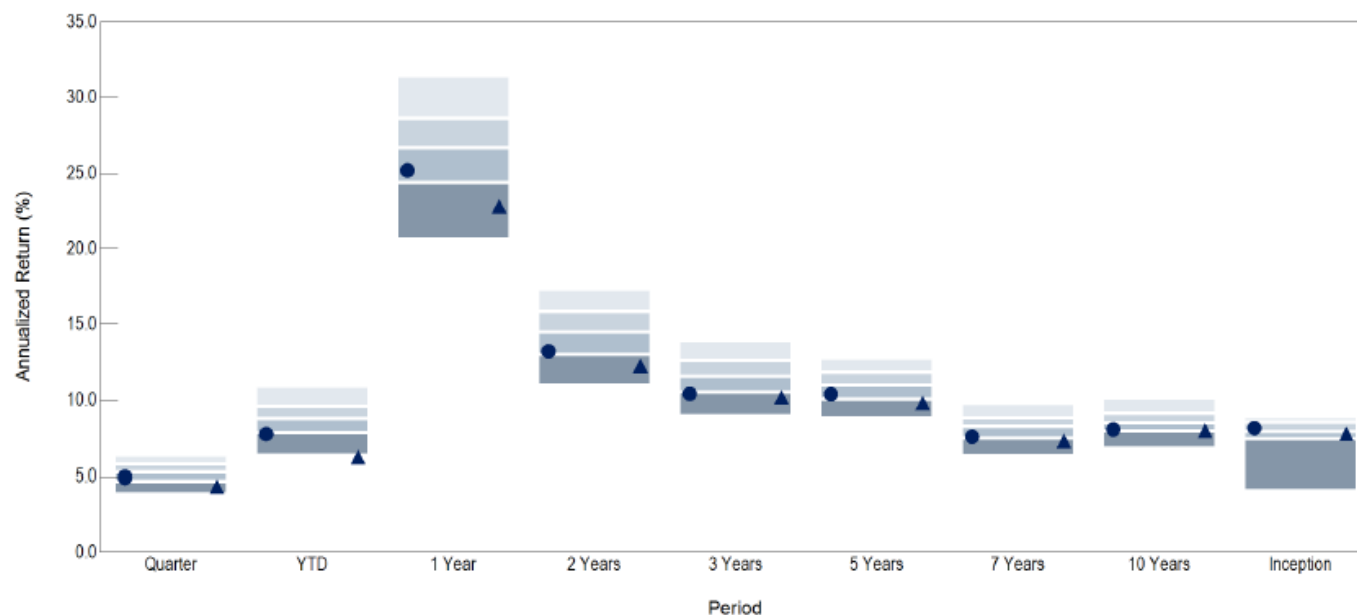


TOTAL FUND RETURN VS. PEERS

AS OF 6/30/2021

Total Fund vs. InvMetrics Public DB Net

Ranking	Quartile
1 - 25	1st
26 - 50	2nd
51 - 75	3rd
76 - 100	4th



		Return (Rank)									
5th Percentile		6.3	10.9	31.4	17.3	13.9	12.8	9.7	10.1	8.8	
25th Percentile		5.8	9.6	28.7	15.9	12.6	11.8	8.8	9.1	8.6	
Median		5.3	8.8	26.7	14.5	11.6	11.0	8.3	8.5	7.9	
75th Percentile		4.7	7.9	24.4	13.0	10.5	10.1	7.5	8.0	7.5	
95th Percentile		3.9	6.4	20.7	11.0	9.0	8.8	6.3	6.8	4.1	
# of Portfolios		473	471	468	464	455	437	395	350	52	
●	Total Fund	4.9 (69)	7.7 (78)	25.2 (67)	13.2 (72)	10.4 (79)	10.4 (69)	7.6 (75)	8.0 (72)	8.1 (36)	
▲	Policy Index	4.4 (88)	6.2 (96)	22.8 (87)	12.3 (86)	10.2 (82)	9.8 (83)	7.3 (82)	8.0 (75)	7.8 (59)	



PROJECTED PERFORMANCE AND RISK

	10 Year Expected Return	30 Year Expected Return	Expected Risk	Current Target
Cash	0.80%	1.90%	0.60%	1.0%
US Large Cap Equities	5.40%	6.30%	16.57%	22.0%
US Small/Mid Cap Equities	5.70%	6.60%	20.70%	6.0%
Int'l Equities (unhedged)	5.90%	6.50%	19.65%	14.0%
Int'l Small Cap Equities (unhedged)	6.10%	6.80%	22.50%	3.0%
Emerging Market Equities	7.50%	8.40%	28.66%	6.0%
Total Equity				51.0%
Core Bonds	1.43%	2.65%	5.69%	19.0%
Credit	3.05%	4.54%	8.30%	13.0%
EMD (External)	3.00%	4.50%	13.00%	3.0%
EMD (Local Currency)	5.00%	5.10%	13.04%	3.0%
Total Fixed Income				38.0%
Private Debt	6.15%	7.50%	11.86%	5.0%
Core Real Estate	4.40%	5.60%	15.00%	2.5%
Non-Core Real Estate	5.50%	7.00%	21.00%	2.5%
Total Private Markets				10.0%

Expected Return 10 yrs				4.9%
Expected Return 30 yrs				6.0%
Standard Deviation				11.6%
Sharpe Ratio (10 Years)				0.35
Sharpe Ratio (30 Years)				0.35

Probability of 1-Year Return Under 0.0%				33.6%
Probability of 10-Year Return Under 0.0%				9.1%
Probability of 10-Year Return Over 7.0%				28.6%
Probability of 30-Year Under 7.0%				31.6%



NEPC DISCLOSURES

Past performance is no guarantee of future results.

All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

Some of the information presented herein has been obtained from external sources NEPC believes to be reliable. While NEPC has exercised reasonable professional care in preparing this content, we cannot guarantee the accuracy of all source information contained within.

The opinions presented herein represent the good faith views of NEPC as of the publication date and are subject to change at any time.

This presentation contains summary information regarding the investment management approaches described herein but is not a complete description of the investment objectives, portfolio management and research that supports these approaches. This analysis does not constitute a recommendation to implement any of the aforementioned approaches.

