

AGENDA  
IRVINE RANCH WATER DISTRICT  
POST-EMPLOYMENT BENEFITS TRUST RETIREMENT BOARD  
QUARTERLY MEETING

TUESDAY, FEBRUARY 1, 2022

*Due to COVID-19, this meeting will be conducted as teleconference pursuant to the provisions of Government Code Section 54953(e) and IRWD Resolution 2022-1.*

Participation by members of the Committee will be from remote locations. Public access and participation will only be available telephonically/electronically.

To virtually attend the meeting and to be able to view any presentations or additional materials provided at the meeting, please join online via Webex using the link and information below:

Via Web: <https://irwd.webex.com/irwd/j.php?MTID=mb2d9438f65d7d0254a5fff96a5cdf0f9>  
Meeting Number (Access Code): 2485 376 8075  
Meeting Password: jhDx69SrcN3

*As courtesy to the other participants, please mute your phone when you are not speaking.*

**PLEASE NOTE:** Participants joining the meeting will be placed into the Webex lobby when the Committee enters closed session. Participants who remain in the “lobby” will automatically be returned to the open session of the Committee once the closed session has concluded. Participants who join the meeting while the Committee is in closed session will receive a notice that the meeting has been locked. They will be able to join the meeting once the closed session has concluded.

CALL TO ORDER    12:00 p.m.

<u>ATTENDANCE</u>	Board Member: Peer Swan	_____
	Board Member: Steve LaMar	_____
	Board Member: Paul Cook	_____

<u>ALSO PRESENT</u>	Cheryl Clary	_____	Rob Jacobson	_____
	Jennifer Davis	_____	Dan Quirk, SageView	_____
	_____	_____	_____	_____

PUBLIC COMMENT NOTICE

If you wish to address the Committee on any item, please submit a request to speak via the “chat” feature available when joining the meeting virtually. Remarks are limited to three minutes per speaker on each subject. You may also submit a public comment in advance of the meeting by emailing [comments@irwd.com](mailto:comments@irwd.com) before 8:00 a.m. on Tuesday, February 1, 2022.

**ALL VOTES SHALL BE TAKEN BY A ROLL CALL VOTE.**

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## COMMUNICATIONS

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1. Meeting Minutes: Rob Jacobson
2. Public Comments
3. Determine the need to discuss and/or take action on item(s) introduced, which came to the attention of the District subsequent to the agenda being posted.
4. Determine which items may be approved without discussion.

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## INFORMATION

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5. PRICES OF THE S&P 500 INDEX, BONDS, GOLD AND SILVER FROM 1978 TO 1982 – DAVIS / JACOBSON / CLARY

Recommendation: Receive and file.

6. REVIEW INVESTMENT POLICY STATEMENT – DAVIS / JACOBSON / CLARY

Recommendation: Receive and file.

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## ACTION

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7. MINUTES OF THE MEETING OF THE IRVINE RANCH WATER DISTRICT RETIREMENT BOARD – DAVIS / JACOBSON / CLARY

Recommendation: That the minutes of the November 2, 2021 Board Meeting of the Irvine Ranch Water District Retirement Board be approved as presented.

8. IRWD POST-RETIREMENT BENEFITS TRUST INVESTMENT REVIEW AS OF DECEMBER 31, 2021 – DAVIS / JACOBSON / CLARY

Recommendation: Based on discussions and direction from the Board, staff and Fund Advisor SageView will implement changes to the investment portfolio, if any.

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## OTHER BUSINESS


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9. Directors' Comments
10. Adjourn

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Availability of agenda materials: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the above-named Retirement Board in connection with a matter subject to discussion or consideration at an open meeting of the Retirement Board are available for public inspection in the District's office, 15600 Sand Canyon Avenue, Irvine, California ("District Office"). If such writings are distributed to members of the Retirement Board less than 72 hours prior to the meeting, they will be available from the District Secretary of the District Office at the same time as they are distributed to the Retirement Board, except that if such writings are distributed one hour prior to, or during, the meeting, they will be available electronically via the Webex meeting noted. Upon request, the District will provide for written agenda materials in appropriate alternative formats, and reasonable disability-related modification or accommodation to enable individuals with disabilities to participate in and provide comments at public meetings. Please submit a request, including your name, phone number and/or email address, and a description of the modification, accommodation, or alternative format requested at least two days before the meeting. Requests should be emailed to [comments@irwd.com](mailto:comments@irwd.com). Requests made by mail must be received at least two days before the meeting. Requests will be granted whenever possible and resolved in favor of accessibility.

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February 1, 2022  
Prepared by: J. Davis  
Submitted by: R. Jacobson / C. Clary  
Approved by: Paul A. Cook 

## RETIREMENT BOARD

### PRICES OF THE S&P 500 INDEX, BONDS, GOLD AND SILVER FROM 1978 TO 1982

#### SUMMARY:

Director Swan requested that staff prepare several historical price graphs showing the performance of certain asset classes from 1978 to 1982. This information is provided in Exhibit "A".

#### FISCAL IMPACTS:

None.

#### ENVIRONMENTAL COMPLIANCE:

Not applicable.

#### RECOMMENDATION:

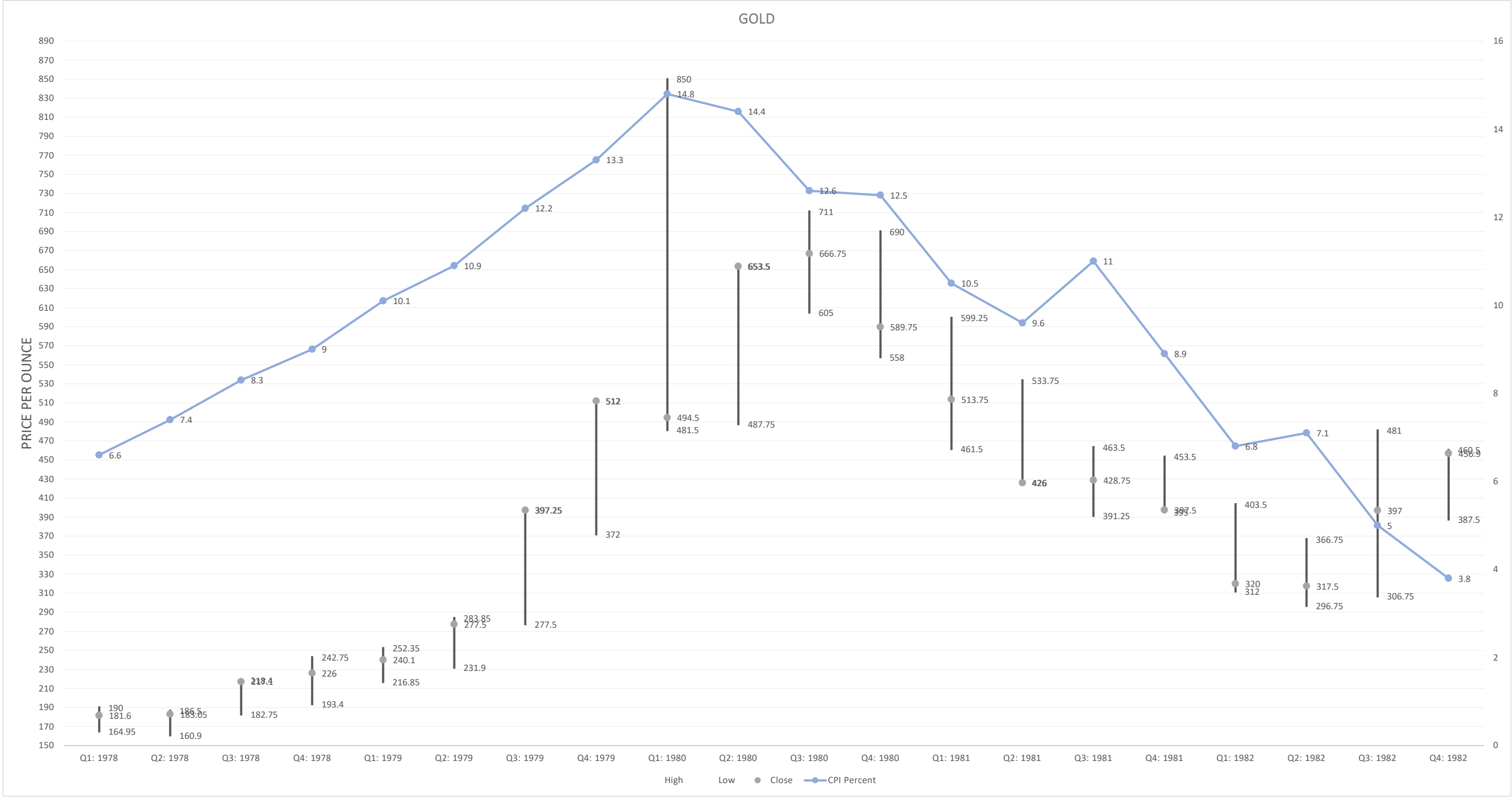
Receive and file.

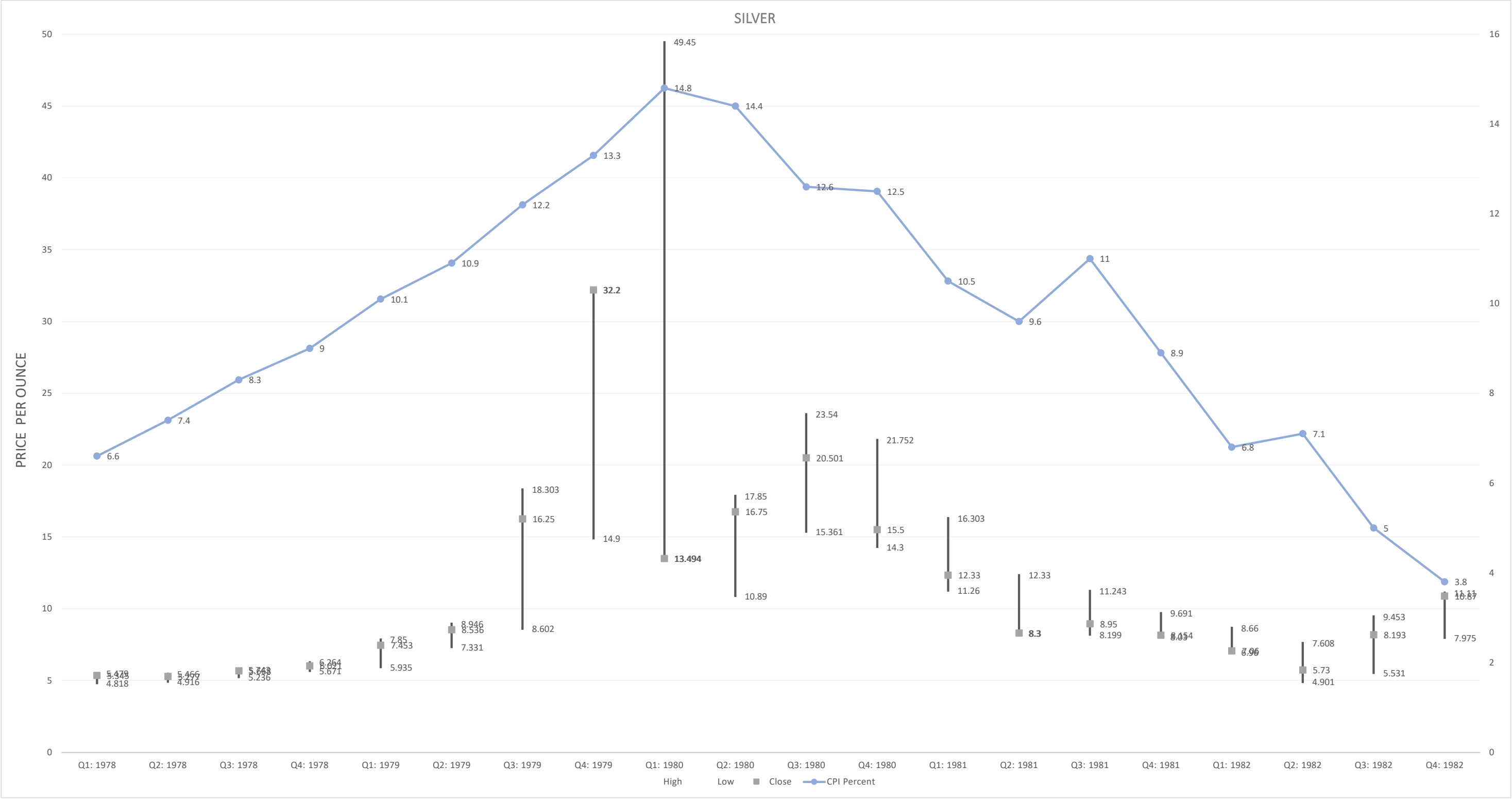
#### LIST OF EXHIBITS:

Exhibit "A" – Historical Price Graphs

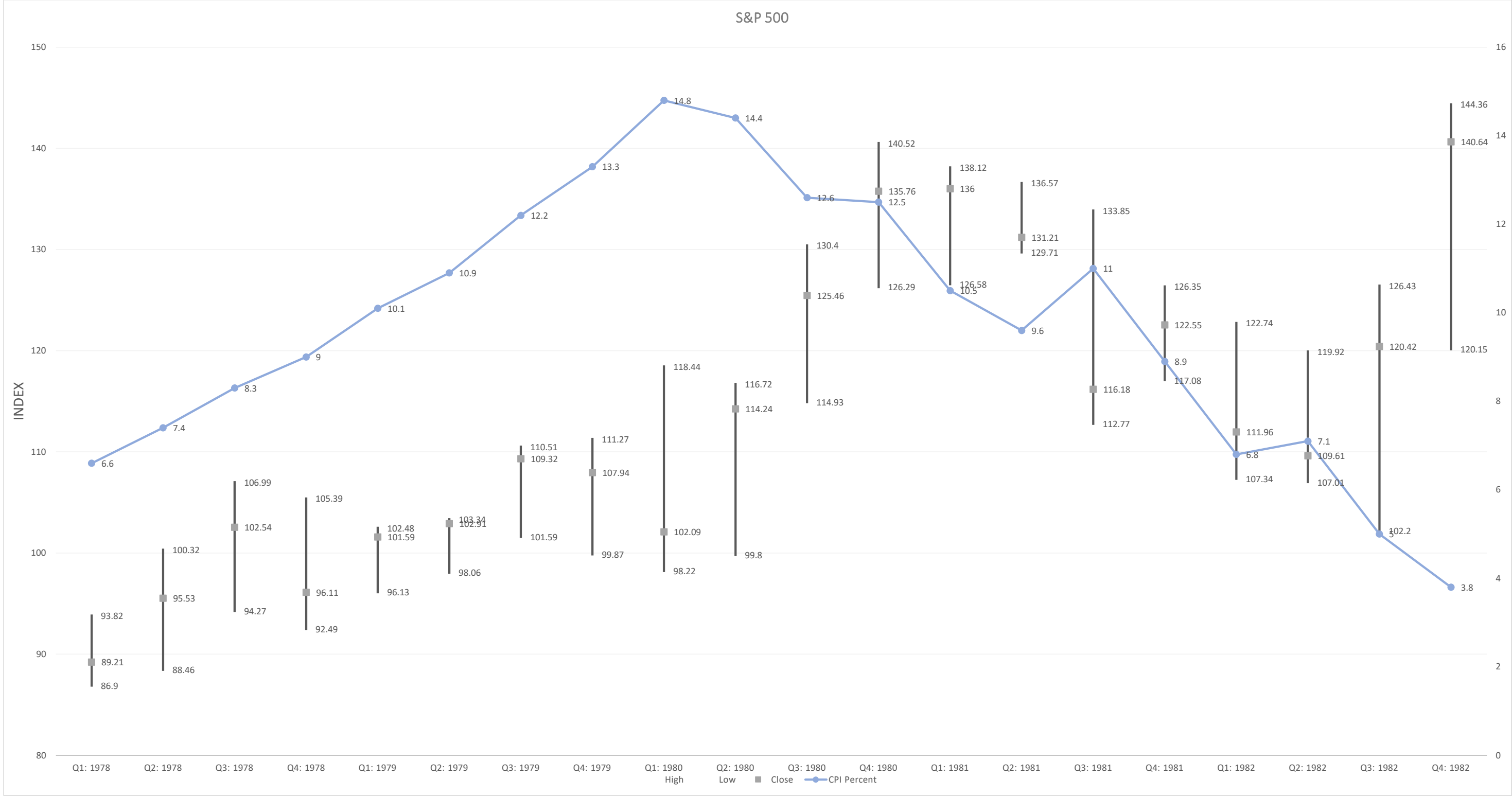
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Exhibit "A"  
Historical Asset Class Prices

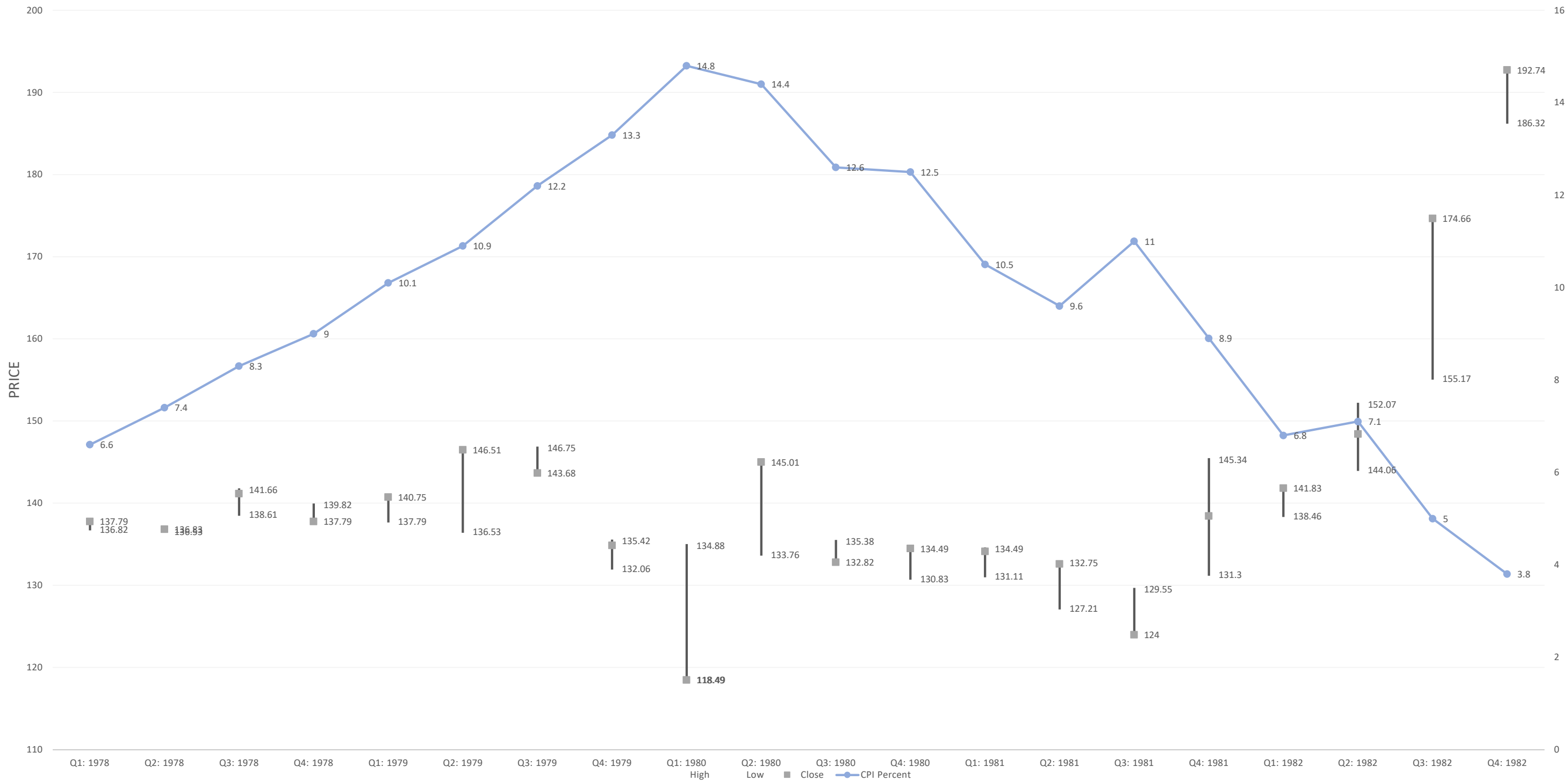


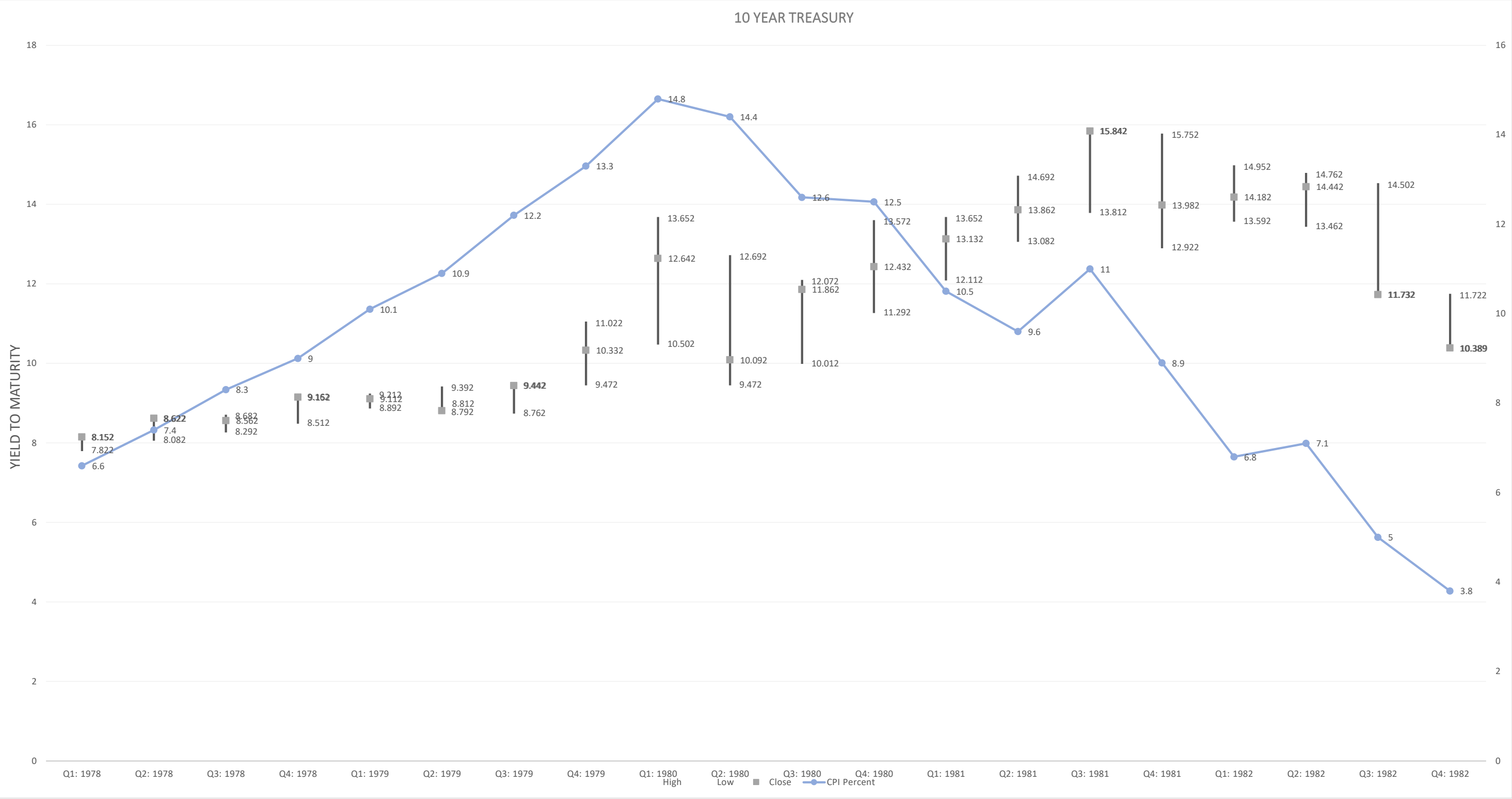







CORPORATE BONDS





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February 1, 2022  
Prepared by: J. Davis  
Submitted by: R. Jacobson / C. Clary  
Approved by: Paul A. Cook 

RETIREMENT BOARD

INVESTMENT POLICY STATEMENT

SUMMARY:

The current Investment Policy Statement for the IRWD Post-employment Benefits Trust is attached for review and discussion.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

Exhibit "A" – Investment Policy Statement

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# **The Irvine Ranch Water District Post-Employment Benefits Trust**

## **Investment Policy Statement**

**June 7, 2016**

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## **BACKGROUND**

On June 24, 2013, the Irvine Ranch Water District (IRWD or "District") created the IRWD Post-Employment Benefits Trust ("Trust") which is an Internal Revenue Code Section 115 trust. The Trust is separate from the IRWD California Public Employees Retirement Plan (PERS). Contributed assets are to be used for the sole purpose of providing retirement benefits, and potentially other post employment benefits (OPEB), to IRWD PERS participants and their beneficiaries. The Trust was created to:

- Set aside future contributions to fund the unfunded liabilities over and above the stated PERS contributions, and potentially fund other IRWD post retirement benefit obligations

In doing so, the Trust is intended to:

- Minimize unfunded post retirement obligations realized on IRWD's balance sheet
- Reduce IRWD's future pension liability over time in a prudent and gradual manner
- Assist in maintaining and protecting the District's credit ratings
- Pay certain benefit and expense obligations when due
- Maximize returns within reasonable and prudent levels of risk in order to minimize contributions
- Control costs by prudently managing the trust assets
- Maintain flexibility in determining the future level of contributions
- Limit risk exposure through prudent diversification

## **INVESTMENT AUTHORITY**

IRWD's Board of Directors has appointed a Retirement Board (the "Board") as the Trustee of the Trust to oversee certain policies and procedures related to the operation and administration of the Trust. The Board consists of two IRWD Board members (as further defined in the Trust Document) and the General Manager, and will have authority to implement the Investment Policy Statement (IPS) in the best interest of the Trust. In implementing this IPS, the Board may delegate certain functions to:

1. An investment consultant to assist the Board in the investment process and to maintain compliance with this IPS. The investment consultant may assist in establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate. The investment consultant must be registered with the Securities and Exchange Commission ("SEC").
2. A custodian to physically maintain possession of securities owned by the Trust, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales, among other things. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Trust.
3. A co-trustee, such as a bank trust department to assume fiduciary responsibility for the administration of Trust assets.
4. Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants, and others to assist the Board in meeting its responsibilities and obligations to administer Trust assets prudently.

## **FIDUCIARY STANDARDS**

The Board is subject to the following duties under relevant state and federal laws:

- a) The assets of the Trust shall be held for the exclusive purposes of providing benefits to members of IRWD PERS and OPEB participants and their beneficiaries and defraying reasonable expenses of administering the Trust.
- b) The Board shall discharge their duties with respect to the Trust solely in the interest of, and for the exclusive purposes of providing benefits to, IRWD PERS and OPEB participants and their beneficiaries, and defraying reasonable expenses of administering the Trust. The Board shall discharge their duties with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims.
- c) Investment staff, investment consultants, investment managers, custodians and all other parties charged with handling the Trust's assets shall utilize the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims, and shall comply with all applicable laws, rules and regulations.

## **INVESTMENT POLICY OBJECTIVES**

The purposes of the IPS are to:

- Articulate the Board's consensus view of the Trust's long-term investment objectives and risk tolerance.
- Establish the Trust's investment constraints, such as liquidity needs, time horizon, legal and regulatory requirements, and unique circumstances.
- State in a written document the Board's expectations, objectives and guidelines for the investment of all Trust assets.
- Set forth an investment structure for managing all Trust assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce an appropriate level of overall diversification, and total investment return over the long term.
- Establish formalized criteria to monitor, evaluate and compare the performance results achieved by the money managers on a regular basis.
- Comply with all fiduciary, prudence and due diligence requirements that experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state and federal entities that may impact plan assets.

## **INVESTMENT GUIDELINES**

### **Time Horizon**

The Trust's investment objectives are based on a 20 to 25-year investment horizon so that interim fluctuations should be viewed with appropriate perspective. The Board has adopted a long-term

investment horizon such that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

### **Asset Allocation**

The current asset allocation policy of the Trust (at market value) is set forth in Exhibit A and represents the current minimum-maximum asset allocation range for each asset class for the trust.

The Board is committed to implementing and maintaining the long term asset allocation policy, within the permitted ranges. The Board recognizes that circumstances may arise where it is not possible or practical to timely implement or maintain the policy. In such circumstances, the Board will monitor the status of the asset allocation policy and seek to comply with the policy when it is possible and prudent to do so.

The long-term asset allocation of the Trust will be reviewed periodically and changes will be made as the Board deems necessary. On a quarterly basis the Board will monitor the current asset allocation policy against the long term allocation and rebalance as it deems necessary.

The Board will also approve an Investment Structure, which provides additional detail as to the allocation of assets to categories of investments within the broad asset classes that comprise the asset allocation policy. The investment structure and any changes thereto do not necessarily require that an asset allocation study be performed.

### **Risk Tolerances**

The Trust will be managed in a style that seeks to minimize principal fluctuations over the established Time Horizon and that is consistent with the Trust's investment objectives.

### **Rebalancing**

The asset allocation of the Trust will be monitored on a quarterly basis and the assets of the Trust may be rebalanced to within the target ranges when fluctuations in market values cause the portfolio to fall outside the guideline ranges set out above. Such re-balancing shall occur as soon as practical and will be conducted in accordance with the rebalancing procedures established by the Board.

When re-balancing, funds will generally be taken from accounts that are most significantly above their approved ranges and will be transferred to accounts that are most significantly below their approved ranges until the allocation is within the guideline ranges.

### **Diversification**

Investments shall be diversified with the intent to minimize the risk of large investment losses. Consequently, the total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in individual issues, issuers, or industries. Furthermore, assets will be assigned to a variety of investment managers that employ a range of investment management strategies.

Consistent with the paragraph above:

- a) No single investment management firm shall be authorized to manage more than 15% of the Trust's actively managed assets without Board approval. There is no limit on the amount of passively managed assets that an investment management firm shall be authorized to manage.
- b) As a general rule, Trust assets placed with an investment manager should not represent more than 10% of the total assets managed by that firm, without Board approval
- c) Liquidity Management: The projected cash flow needs of the Trust are to be reviewed at least quarterly and the custodian and investment managers of the Trust are to be informed in writing in a timely manner of the liquidity needs of the Trust. If necessary, cash flow needs will be coordinated through the Trust's rebalancing provisions contained herein.

### **Performance Expectations**

Over the long-term, for a rolling five-year period, the performance objective for Trust assets will be to achieve an average total annual rate of return that is equal to or greater than the Trust's actuarial discount rate. Additionally, it is expected that the annual rate of return on Trust assets will be commensurate with the then prevailing investment environment.

Measurement of this return expectation will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual Trust investments and blended benchmark comparisons for the Trust in its entirety.

### **HIRING & TERMINATING INVESTMENT MANAGERS**

The Board, with the assistance of the Investment Consultant, shall prudently select appropriate investment managers to manage the assets of the Trust. Managers must meet the following criteria:

- The investment manager must be a bank, insurance company, or investment adviser as defined by the Investment Advisers Act of 1940.
- With respect to Trust assets invested in a mutual fund, the Manager must provide historical quarterly performance data for the mutual fund compliant with Securities Exchange Commission ("SEC") and National Association of Securities Dealers ("NASD") standards.
- The investment manager must provide historical quarterly performance data compliant with Global Investment Performance Standards ("GIPS"), calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style and reported net of fees.
- The investment manager must provide detailed information on history of the firm, key personnel, key clients, fee schedule (including most favored nation clauses), and support personnel.
- The investment manager must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- The investment manager for portfolios other than Pooled Vehicles (see Guidelines for Portfolio Holdings) must confirm that it has received, understands and will adhere to this IPS and any manager-specific policies by signing a consent form provided by the Board.
- Have no past or outstanding legal judgments against them, which reflect negatively upon the firm or call into question the ability of the firm to serve as a fiduciary of the Trust.

The procedures noted above and recommendations to appoint or terminate an investment manager shall be accompanied by a report prepared by an external investment consultant .

## **MONITORING INVESTMENT MANAGERS**

The Trust's investment managers will be monitored on an ongoing basis and may be terminated by the Board at any time due to performance or other developments that call into question the manager's ability to continue to effectively manage assets of the Trust.

In the event that certain Trust assets are passively managed, the manager should be expected to produce long-term returns that are reasonably close to those of the relevant benchmark. For any active investment managers, quarterly performance will be measured and evaluated relative to appropriate long-term performance benchmarks and objectives, though it is understood that investment managers will, from time to time, underperform their benchmarks and objectives. Persistent underperformance by an investment manager, however, will be viewed as the basis for an extraordinary review of that manager and the manager's potential termination.

Certain other events may also trigger an extraordinary review, and possible termination, of an investment manager. These include, but are not limited to:

- a) Failure to adhere to the terms of a contract between the manager and the Trust.
- b) Loss of an investment professional(s) directly responsible for managing the Trust's assets, or who is/are so significant to the firm's overall investment process as to call into question the future efficacy of that process.
- c) The sale of the investment management firm to another entity, or other change in ownership.
- d) The purchase of another entity by the investment management firm.
- e) Significant account losses and/or extraordinary addition of new accounts.
- f) Regulatory actions against the firm, particularly any that represent violations of securities laws and regulations.
- g) Any other event which may impair the manager's ability to perform in a satisfactory manner or put the Trust's assets at undue risk of loss.

## **GUIDELINES FOR PORTFOLIO HOLDINGS**

The investment consultant shall make every effort to prudently select funds that follow the guidelines listed below:

### **Pooled Vehicles**

Until the Trust reaches a size, where investment in separate accounts are viable and appropriate, the Trust will invest in Pooled Vehicles, such as commingled and/or mutual funds.

Pooled Vehicles are regulated by either the Office of the Comptroller of the Currency ("OCC") or the SEC and provide the Trust the ability to appropriately diversify its holdings in a cost effective manner. Inherent within the Pooled Vehicle structure is the limitation on customizing the underlying security selection based on Trust specific economic, social or other screens.

Upon attaining asset size where use of a separate account structure is viable and appropriate, the selection of individual asset managers will be considered along with Pooled Vehicles for inclusion in the Trust. Separate accounts are governed by contract. When using separate accounts, the Trust may develop addenda to this IPS to constrain the individual asset manager using economic, social or other screening techniques.

The Trust assets are currently invested primarily in mutual fund investment vehicles, given the current asset size of the Trust. The type of investment vehicles utilized by the Trust will be revisited as the asset size of the portfolio increases.

Every effort shall be made, to the extent practical, prudent and appropriate, to select commingled funds and/or mutual funds that have investment objectives and policies that are consistent with this IPS (as outlined below in the Equities and Fixed Income sections). However, given the nature of commingled funds and mutual funds, it is recognized that there may be deviations between this IPS and the objectives of these pooled vehicles. A commingled fund or mutual fund will not be included in Trust portfolio unless it complies with the Investment Company Act of 1940's diversification requirement.

### **Cash Equivalents**

Cash equivalent reserves shall consist of cash instruments having a quality rating of A-1, P-1 or higher, as established by Moody's or Standard & Poor's. Bankers' acceptances, certificates of deposit and savings accounts must be made of United States banks or financial institutions or United States branches of foreign banks, which are federally insured with unrestricted capital of at least \$50 million.

Short-term corporate obligations must be rated A or better by Moody's or by Standard & Poor's.

### **Equities**

Investment in common stocks, preferred stocks and publicly traded Real Estate Investment Trusts shall be restricted to high quality, readily marketable securities of corporations that are actively traded on a major exchange.

Not more than 5% of the total stock portfolio valued at market may be invested in the common stock of any one corporation. Ownership of the shares of one company shall not exceed 2% of those outstanding. Not more than 25% of stock valued at market may be held in any one industry category.

Other than these constraints, there are no quantitative guidelines suggested as to issues, industry or individual security diversification. However, prudent diversification standards should be developed and maintained by the investment manager(s).

The overall non-U.S. equity allocation should include a diverse global mix of at least 10 countries.

The emerging markets exposure as defined by Morgan Stanley Capital International Inc. should be limited to 35% of the non-U.S. portion of the portfolio.

In order to maintain an effective money management structure that is style neutral, the target growth to value allocation in all market capitalizations is one-to-one. However, in no case will the growth to value allocation for market capitalizations exceed two-to-one. Conversely, value shall not exceed growth by the same ratio.

## **Fixed Income**

Fixed income investments shall be high quality, marketable securities with a preponderance of the investments in:

1. U.S. Treasury, federal agencies and U.S. Government guaranteed obligations, and
2. Investment Grade municipal or corporate issues including convertibles.

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio, at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies.

The overall rating of the fixed income assets shall be at least "A", according to one of the three rating agencies (Fitch, Moody's or Standard & Poor's). In cases where the yield spread adequately compensates for additional risk, securities where two of the three rating agencies (Fitch, Moody's or Standard & Poor's) have assigned ratings of Baa3 or BBB- ratings, can be purchased up to a maximum of 20% of total market value of fixed income securities. If the credit quality of any one issue should drop below investment grade (as defined by two of the three rating agencies - Fitch, Moody's and Standard & Poor's), the investment manager should notify the Board and the investment consultant immediately detailing their plan of action regarding the security.

Active bond management is permissible and may require transactions that will temporarily lower the return or change the maturity of the portfolio in anticipation of market changes. Holdings of individual securities should be liquid so as not to incur unnecessary transaction costs.

## **Prohibited Investments**

The following investments and transactions are not authorized and shall not be purchased: letter stock and other unregistered securities, short sales, margin transactions, private placements (with the exception of Rule 144A securities), venture capital funds, hedge fund, and other investment securities specifically restricted by the Board.

Derivatives, options and futures will be allowed as portfolio protection strategies, not as return enhancement strategies. No natural resource properties such as oil, gas or timber may be held except by purchase of publicly traded securities or within Pooled Vehicles, but direct ownership of real estate may be allowed. The purchase of collectibles is also prohibited.

## **Safekeeping**

All securities shall be held by a custodian appointed by the Board for safekeeping. The custodian shall produce statements monthly, listing the name and value of all assets held, and the dates and nature of all transactions in accordance with the terms in the Trust Agreement. Assets of the Trust held as liquidity or investment reserves shall, at all times, be invested in interest-bearing accounts.

## **CONTROL PROCEDURES**

### **Review of Investment Objectives**

The investment consultant shall review annually the appropriateness of the IPS for achieving the Trust's stated objectives. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in the IPS.

### **Review of Investment Performance**

The investment consultant shall report on a quarterly basis to the Board to review the total Trust investment performance, in accordance with the Investment Evaluation Criteria attached as Exhibit B. In addition, the investment consultant will be responsible for keeping the Board advised of any material change in investment strategy, investment managers, and other pertinent information potentially affecting performance of the Trust.

The investment consultant shall compare the investment results on a quarterly basis to appropriate benchmarks, as well as market index returns in both equity and debt markets. Examples of benchmarks and indexes that will be used include the S&P 500 Index for large cap equities, Russell 2000 Index for small cap equities, MSCI Europe, Australia, and Far East Index (EAFE) for international equities, Barclays Aggregate Bond Index for fixed income securities, and the U.S. 91 Day T-bill Index for cash equivalents.

### **Derivative Securities**

Derivative securities are financial instruments that "derive" their value from an underlying commodity, index, or security. Examples include futures, options and forward contracts. Derivatives can provide a cost-effective means of managing portions of a portfolio and to manage risk through hedging activities. Examples of such uses include:

- a) Equitizing cash during portfolio transitions until "physical" securities are in place.
- b) Managing asset allocation on a temporary basis.
- c) Hedging foreign currency risk, subject to approved limits.

In general, the use of derivatives for the purposes noted above, and similar risk management purposes, is supported by the Board. Speculative positions in derivatives, however, are not authorized under any circumstances.

Given the nature of many investment managers' mandates under a commingled/mutual fund it is recognized and understood that investment managers retained by the Trust may use derivatives that are contrary to the paragraphs above.

This IPS allows for the use of derivatives within the specific commingled portfolios being managed by the investment managers retained by the Trust



The use of derivatives in any separately managed portfolio must be authorized by the Board and stated in this IPS prior to being utilized within the Trust.

## **OTHER**

### **Investment Costs**

Investment costs shall be monitored, controlled, and whenever possible negotiated to ensure cost effectiveness. The Board shall give consideration to the impact of administrative expenses, external management fees and performance fees when establishing the asset mix of the Trust. The Board will be provided reports on investment costs of the Trust at least annually.

### **Valuation of Investments**

The Trust's investments shall be valued using market values or other suitable methods of valuation. The frequency of valuation shall be dependent upon the nature of the asset. Where a public market price is not available for an investment, a suitable method of valuation shall be used including the use of: discounted cash flows, earnings multiples, appraisals, prevailing market rates for instruments with similar characteristics or other pricing models as appropriate. Independent, qualified appraisers may be used to provide valuations or verify the reasonableness of internal valuations.

### **Proxy Voting**

Proxies must be voted in the best interest of shareholders — in this case the IRWD Trust and its participants and beneficiaries. The Board may engage the services of one or more third parties including but not limited to its custodian, investment managers, and consultants, to vote proxies for common stocks owned in its portfolios. Such parties must exercise their authority to vote as fiduciaries to the Trust and in accordance with applicable standards of prudence.

The Board may establish proxy voting guidelines to further guide the voting of the Trust's proxies. Any third parties retained to vote the proxies of the Trust shall provide periodic reports to the Board on their activities.

As of the date of this IPS, the Board has delegated its proxy voting authority on all domestic and international securities to the investment managers/ fund managers responsible for voting the proxies on domestic and international securities.

## **ADOPTION OF INVESTMENT IPS STATEMENT**

Any changes and exceptions to the IPS will be made in writing and adopted by the Board. Once adopted, change and exceptions will be delivered to each investment manager, as appropriate, by the investment advisor.

**Approved by the Irvine Ranch Water District Retirement Board:**

Resolved by:

A handwritten signature in blue ink, appearing to read "D. A. ...", is written over a horizontal line.

Board President

The date "June 7, 2016" is handwritten in blue ink over a horizontal line.

Date

## Exhibit A

Asset Classes	Current Target Allocation
	Min-Max Ranges
Cash	0-30%
Public Equity: Domestic equity International equity	30-80%
Private Equity	0-5%
Fixed Income	10-40%
Real Estate	0-10%

## EXHIBIT B

### Investment Evaluation Criteria – SageView Advisory Group

#### Evaluation Methodology

Each Trust investment option is evaluated on an ongoing basis using several measures that quantify the expenses, returns and risk-adjusted performance of each option within its peer group.

Each Trust investment option is reviewed at least quarterly against its peer group and benchmark index to assess the performance and quality of each offering. Each is evaluated using the following criteria:

1. Trailing one-, three-, five-, and ten-year returns
2. Rolling 12-month returns (five years)
3. Rolling 36-month returns (ten years)
4. Sharpe Ratio (five years)
5. Alpha (five years)
6. Up Capture Ratio (five years)
7. Down Capture Ratio (five years)
8. Style Consistency to the appropriate index (R-Squared)
9. Expense Ratio

Each option is benchmarked to a specific market index, and performance is evaluated and compared to a relevant peer group using Morningstar or equivalent category classifications. A manager is given a peer group ranking in each criterion, shown as a percentage. A ranking of 10% indicates a manager is in the top 10% of its peer group for this criterion. The rankings for all criteria are then weighted and averaged to give a manager its average ranking score. The lower the average ranking score, the better. For example, a manager with an average ranking score of 25% would, in general, be more attractive than a comparable manager with a ranking score of 50%. Each evaluation measure requires a three-year history to ensure an accurate evaluation of the manager. Therefore, any manager with fewer than three years of history will not be evaluated using this method.

An overall ranking score is used to indicate where a manager places in relation to the scores of the other managers in its category. Generally, managers are divided into categories of deciles and quartiles.

In addition to the quantitative methodology described above, many qualitative criteria and possible warning signs are monitored in order to highlight a manager's potential exposure to risk that may make it unsuitable as a Trust investment option. The warning signs may include (but are not limited to):

- Above-average operating expenses
- Above-average style drift (as determined by returns-based and holdings-based analyses)

- High degrees of portfolio concentration among individual holdings
- High degrees of portfolio concentration among economic sectors
- Above-average performance volatility
- Above-average portfolio turnover
- Below-average Alpha
- Below-average manager tenure and/or above-average turnover
- Rapid growth in manager assets
- Significantly positive or negative cash flows
- Unusual levels of corporate scrutiny; poor public perception
- For bond portfolios, very low average credit quality relative to peers
- For bond portfolios, significantly above- or below-average portfolio duration
- Recent changes to or concerns with the firm structure / ownership
- Recent changes to or concerns with the corporate management team structure

#### ***Other Investment Evaluation Criteria***

The Board recognizes that certain investment options present challenges in monitoring, given the nature of the investment option's portfolio and peer group. Thus, there are several instances where investment options will not fit neatly into the monitoring framework set forth herein. Therefore, the Board must consider additional or different factors when evaluating certain investments. The following are common examples of investments requiring a different point of view, whether the Board has included them in the current menu or may consider doing so in the future.

*Multi-asset class investments:* For multi-asset class investment options, such as balanced/risk funds, the asset allocation should be evaluated taking into account factors such as generally accepted investment theories and prevailing investment industry practices, and goals of the Trust, the philosophy of the fiduciaries regarding asset class diversification and the desired relationship of risk (or volatility) and potential return.

*Index funds:* The goal of an index fund is to closely mirror the performance of a predetermined index at a reasonable cost. Thus fees and relative performance versus an appropriate index are the most important factors to consider. Fees should be low versus other passively managed investments with a similar mandate. Performance should closely track the intended index. An index fund's performance should not differ widely from the performance of its benchmark minus fees. Other qualitative evaluation criteria may also be considered when evaluating index funds.

The Board, with the assistance of the Investment Consultant, will review the Plan's Investment Policy and monitor each investment option on an ongoing basis. The Board will periodically evaluate the investment results of the investment options.

In addition, the Board shall maintain a "Watch List" for investment options that are not meeting certain objectives. An investment option will be placed on the "Watch List" when the Board with the assistance of the Investment Consultant determines that the fund selected for the Plan fails to meet the performance benchmarks set forth above in the Evaluation Methodology for some period of time to be determined by the Board and Investment Consultant.

The Board at its discretion may follow the below procedure:


Whenever an investment option falls into the 3rd quartile based on SageView's scoring system, it should be placed on the Watch List. The option will be monitored and remain on the Watch List for four consecutive quarters, even if its performance improves. If the option remains in the 3rd quartile for four consecutive quarters, a detailed review of the option should be made and a recommendation to replace or retain the option should be presented to the Board. The option may be reviewed sooner at the Board's discretion.

Whenever an investment option falls into the 4th quartile based on SageView's scoring system, a detailed review of the option should be made as soon as possible or at the next Board meeting, and a recommendation to replace (or retain) the option should be presented.

Investment options that fail to meet qualitative criteria (i.e.: manager changes, fund company reorganizations, strategy changes) will be put on the Watch List by the Board.

The Board shall have the authority to establish, modify, amend, or adjust acceptable performance measurement standards by which each investment option is to be evaluated.

Final selection, replacement and/or removal of an investment option shall be completed only after conducting a thorough review of the identified investment option.

February 1, 2022  
Prepared by: J. Davis  
Submitted by: R. Jacobson / C. Clary  
Approved by: Paul A. Cook 

## RETIREMENT BOARD

### MINUTES OF THE MEETING OF THE IRVINE RANCH WATER DISTRICT RETIREMENT BOARD

#### SUMMARY:

Provided are the minutes of the November 2, 2021 meeting of the Irvine Ranch Water District Retirement Board for approval.

#### FISCAL IMPACTS:

None.

#### ENVIRONMENTAL COMPLIANCE:

Not applicable.

#### RECOMMENDATION:

THAT THE MINUTES OF THE NOVEMBER 2, 2021 BOARD MEETING OF THE IRVINE RANCH WATER DISTRICT RETIREMENT BOARD BE APPROVED AS PRESENTED.

#### LIST OF EXHIBITS:

Exhibit "A" – November 2, 2021 Minutes

Note: This page is intentionally left blank.



## EXHIBIT “A”

### MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE IRVINE RANCH WATER DISTRICT RETIREMENT BOARD

November 2, 2021

The meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) Retirement Board was called to order telephonically by Chairman Swan at 12:00 p.m. on November 2, 2021.

Directors Present: Chairman Peer Swan, Vice Chairman Steve La Mar, and Paul Cook

Also Present: Treasurer Robert Jacobson, Executive Director of Finance and Administrative Services Cheryl Clary, Assistant Treasurer Jennifer Davis and Dan Quirk of SageView Advisory Group.

COMMUNICATION: None.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED: None.

#### ACTION CALENDAR

#### MINUTES OF BOARD MEETING

Jennifer Davis presented the minutes from the August 3, 2021 meeting.

On MOTION by Cook, seconded by La Mar and affirmed by Peer Swan, the minutes of the August 3, 2021 meeting were approved as presented.

#### Trust Investment Review

---

- A capital markets and legislative update was provided by SageView.
- All trust investment options were reviewed as of 09/30/2021. All options are currently performing in line with benchmarks or above 50th percentile peer group rankings.
- The Portfolio return and expense ratio, style analysis, and asset allocation by fund were reviewed. Of note was the following:
  - As of September 30, 2021, the IRWD Post-Retirement Benefits Trust market value was \$107,651,466, down slightly from \$107,918,727 on June 30, 2021.
  - For the quarter, the net total return was -0.25%, in line with the custom benchmark return of -0.22%.
  - For the trailing twelve months, the total return was 22.47%, beating the custom benchmark return of 21.96%.
  - The portfolio is primarily allocated to index funds, leading to a low overall expense ratio of 0.10%.

- The four actively scored funds by SageView all score in the upper half of peer group rankings, while all index funds receive a pass rating.
- The board adjusted the portfolio's target allocation as shown in the table below. Trades were executed to achieve this new allocation on November 3, 2021.

Ticker	Security Name	Previous Target	New Target
FDRXX	FIDELITY GOVERNMENT CASH RESERVES	0.05%	0.05%
BCOIX	BAIRD CORE PLUS BOND INSTITUTIONAL	14.95%	15.95%
MWTIX	METROPOLITAN WEST TOTAL RETURN CLASS I	3.00%	
VWEAX	VANGUARD HI YIELD CORPORATE ADMIRAL	4.00%	4.00%
	Fixed Income	22.00%	20.00%
VEMAX	VANGUARD EMERGING MRKTS INDEX ADMIRAL	1.50%	1.50%
VEXAX	VANGUARD EXTENDED MARKET INDEX ADMIRAL	8.50%	8.50%
VHYAX	VANGUARD HIGH DIV YLD IDX ADMIRAL SHS	7.00%	9.00%
VINIX	VANGUARD INSTL INDEX INSTL CLASS	50.50%	50.50%
VTMNX	VANGUARD DEVELOPED MRKTS INDEX INSTL	10.50%	10.50%
	Equities	78.00%	80.00%

## ADJOURNMENT

There being no further business, Chairman Swan adjourned the meeting.

APPROVED and SIGNED this 1<sup>st</sup> day of February 2022.

\_\_\_\_\_  
Board Member, IRVINE RANCH WATER DISTRICT  
RETIREMENT BOARD

\_\_\_\_\_  
Secretary, IRVINE RANCH WATER DISTRICT  
RETIREMENT BOARD

February 1, 2022  
 Prepared by: J. Davis  
 Submitted by: R. Jacobson / C. Clary  
 Approved by: Paul A. Cook

*P.A.C.*

## RETIREMENT BOARD

### IRWD POST-RETIREMENT BENEFITS TRUST INVESTMENT REVIEW AS OF DECEMBER 31, 2021

#### SUMMARY:

Staff and a representative from IRWD's pension trust investment advisor SageView Investment Advisors will present the Portfolio Investment Review for the quarter ended December 31, 2021, and provide an update on current market conditions and any recommended portfolio changes.

#### BACKGROUND:

##### Quarterly Investment Review:

As of December 31, 2021, the IRWD Post-retirement Benefits Trust market value was \$114,815,352, a net increase of \$7,163,885 from the prior quarter end. The change was due to an increase in market value of \$4,893,350, capital gains of \$1,494,675 and dividends in the amount of \$791,123. Trust expenses for the quarter included \$15,000 paid to SageView Advisory Group and \$263 for reporting and transaction fees paid to Fidelity. Portfolio changes during the quarter included the sale of \$2.96 million of the Metropolitan Total Return Bond Fund, with the funds added to the Trust's holdings in the Vanguard High Dividend Yield Index Fund and the Baird Core Plus Bond Fund. The fund transfers were directed by the Retirement Board following its meeting on November 2, 2021. The closing balances and fund returns as of December 31, 2021, are as follows:

Investment	Quarterly Return	Quarter Ended September 30, 2021	Quarter Ended December 31, 2021	Incr/(Decr)	Percent of Portfolio
<b>EQUITIES</b>					
Vanguard Institutional Index Fund.	11.02%	\$55,318,051	\$59,004,199	\$3,686,148	51.4%
Vanguard Extended Mkt (small/mid) Index Fund	0.70%	8,809,198	8,988,701	\$179,503	7.8%
Vanguard Developed Market Index	2.99%	11,153,558	11,770,748	\$617,190	10.3%
Vanguard Emerging Markets Index	-0.42%	1,409,083	1,673,832	\$264,749	1.5%
Vanguard High Dividend Yield Index Admiral	9.40%	7,485,888	10,549,755	\$3,063,867	9.2%
<b>FIXED INCOME</b>					
Metropolitan Total Return Bond Fund	-0.09%	2,959,743	0	(\$2,959,743)	0.0%
Baird Core Plus Bond Fund	-0.12%	16,175,399	18,191,232	\$2,015,833	15.8%
Vanguard High-Yield Corporate Fund	0.53%	4,277,685	4,579,632	\$301,946	4.0%
<b>CASH-SHORT TERM</b>					
Fidelity Government Cash Reserves		62,862	57,253	(\$5,610)	0.0%
Closing Balance		\$107,651,466	\$114,815,352	\$7,163,885	100.0%

For the quarter ended December 31, 2021, the portfolio return was 6.65%, compared to the index-based custom benchmark return of 6.51%. For the one-year period ended December 31, 2021, the return was 17.36%, closely tracking the index-based custom benchmark return of 17.28%. The Portfolio Investment Review as of December 31, 2021, is provided as Exhibit "A".

A representative from SageView will present the Portfolio Investment Review for the quarter ended December 31, 2021, update the Board on current market conditions, and provide any recommended portfolio changes for the Board's consideration.

FISCAL IMPACTS:

Fiscal impacts are as described above.

ENVIRONMENTAL COMPLIANCE:

This item is not a project as defined in the California Environmental Quality Act Code of Regulations, Title 14, Chapter 3, Section 15378.

RECOMMENDATION:

Based on discussions and direction from the Board, staff and Trust Advisor SageView will implement changes to the investment portfolio, if any.

LIST OF EXHIBITS:

Exhibit "A" – The Portfolio Investment Review as of December 31, 2021



# Plan Investment Review

## Irvine Ranch Water District Post-Employment Benefits Trust

For period ending December 31, 2021

SEE  
WHERE  
YOU'RE  
GOING

Jonathan Upham Registered Representative with and securities offered through Cetera Advisor Networks LLC, member FINRA/SIPC  
4000 MacArthur Blvd, Ste 1050, Newport Beach, CA 92660 | T 949.955.1395 | SageView is not affiliated with Cetera



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# Section I

## Market Overview

The views are those of SageView Advisory Group and should not be construed as investment advice. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. All economic and performance information is historical and not indicative of future results. The market indices discussed are unmanaged. Investors cannot directly invest in unmanaged indices. Additional risks are associated with international investing, such as currency fluctuations, political and economic stability, and differences in accounting standards. Please consult your financial advisor for more information.

No representations or warranties are being made as to the tax effect, performance, past or future, or financial impact of this summary. This information is provided as an informal report; no warranties as to the accuracy or content are implied or expressed. The information above must be interpreted in the context of, and is qualified by, all the information contained in the prospectuses, where applicable, which have been or will be delivered to the appropriate investing parties prior to any offer being made.



# 2021 BY THE NUMBERS

## Equity returns



A combination of record-high corporate earnings, low interest rates, and unprecedented fiscal and monetary stimulus serving as tailwinds, the S&P 500 posted its **third consecutive year** of stellar returns. Impending changes in Fed policy could threaten equity markets, which are already richly valued. Businesses must also cope with rising input prices, labor scarcity, and wage growth.

**31.5%**  
S&P 500  
2019

**18.4%**  
S&P 500  
2020

**28.7%**  
S&P 500  
2021

## Inflation



December marked the eighth consecutive month of **inflation** at or above 5%, well over the Fed's established target. In response, the Fed reduced the amounts of its monthly bond purchases and offered guidance for three rate hikes in 2022. Since the onset of the COVID pandemic, unprecedented levels of fiscal and monetary stimulus have fueled demand for consumer goods, even as services have yet to fully rebound.

**5.9%**  
Wage Growth  
(4% avg)

**48.9%**  
YoY Used Vehicle  
Price Index

**24.6%**  
Increase in steak  
prices YoY (Nov)

## Supply chain

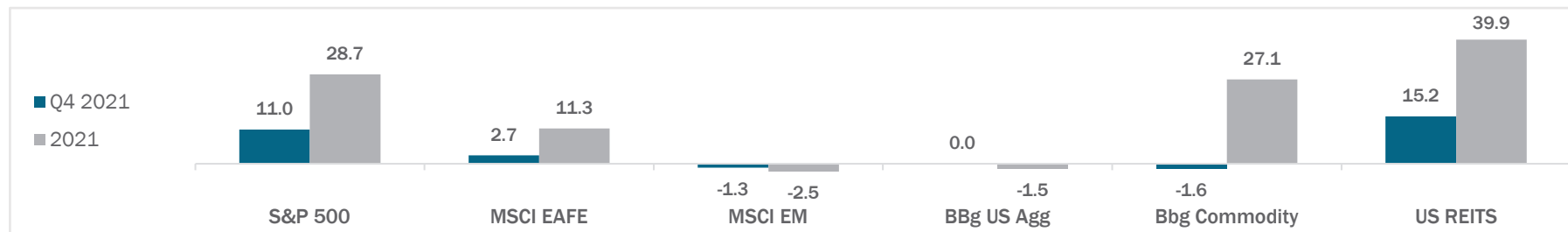


The **global supply chain has improved**, but challenges remain. Shipping costs are down from their peaks, fewer container ships clog major ports, and delivery times have fallen, but some of the shipping improvement may be illusory. Many ports have instituted penalties for idle ships, prompting captains to wait in the open ocean. In China (operator of 7 of the 10 largest container ports), new lockdowns and burgeoning real estate/energy crises are pressuring production and trade.

**7.5 days**  
Time of Turnaround for  
ships through ports (3.5  
days pre-pandemic)

**\$13,295**  
US/China container  
cost (\$20k peak,  
\$1.5k pre-pandemic)

**40%**  
Reduction of ships  
Port of LA from  
November peak

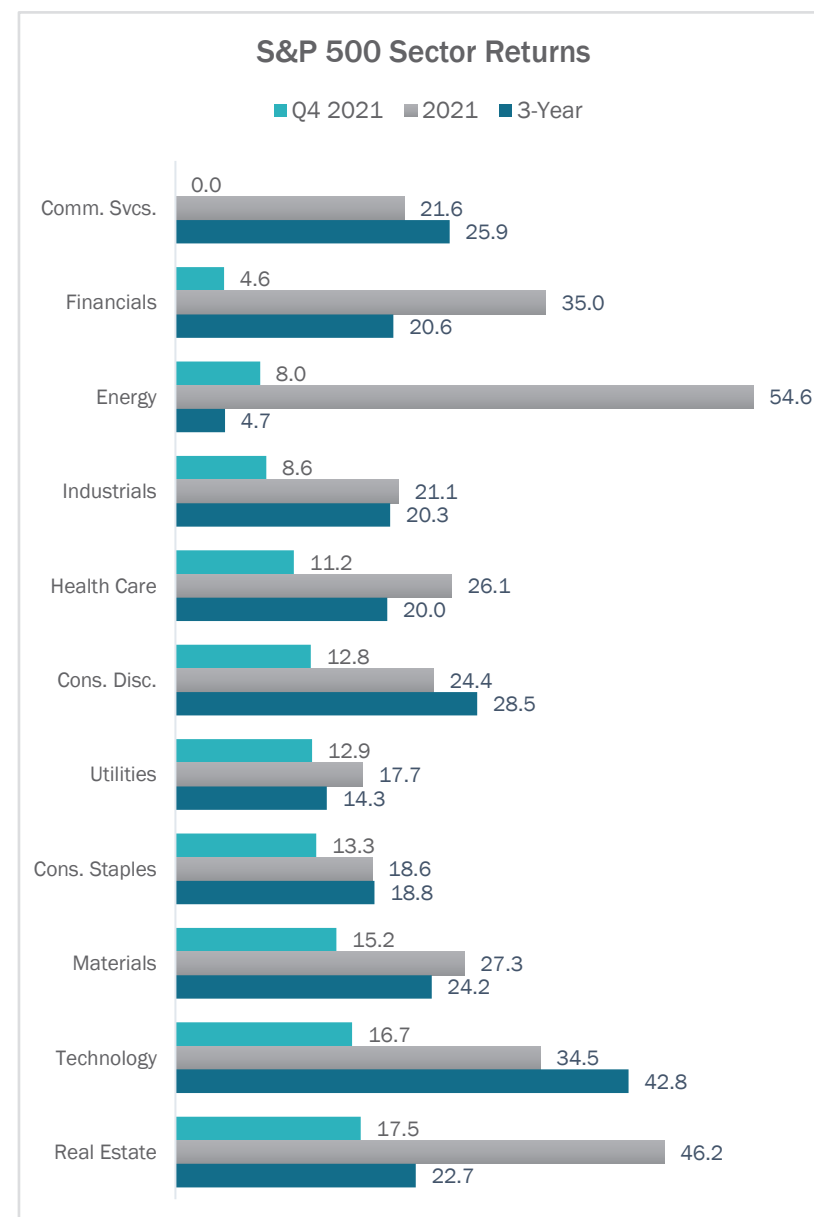
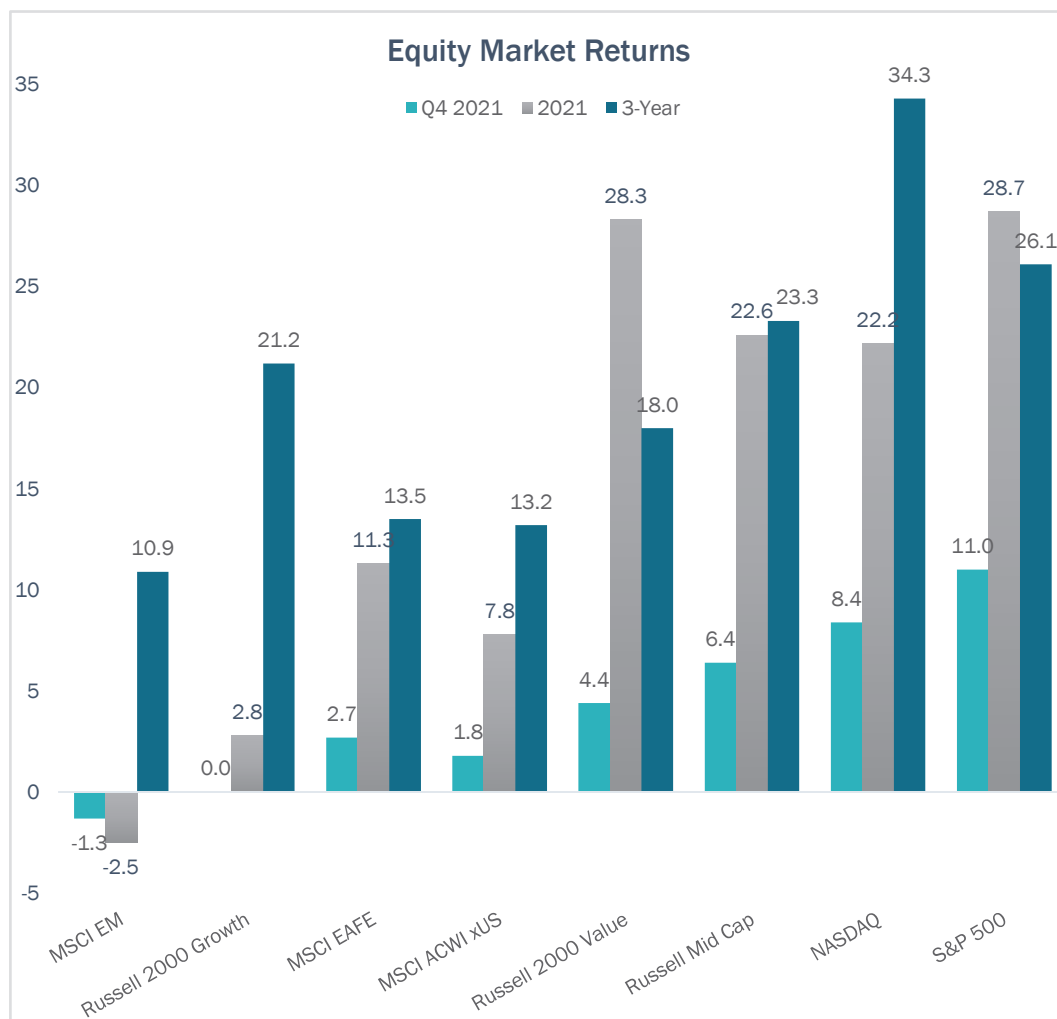


Source: Morningstar. Returns represent cumulative total return, including dividends US REITS – FTSE NAREIT All REITS



# EQUITIES

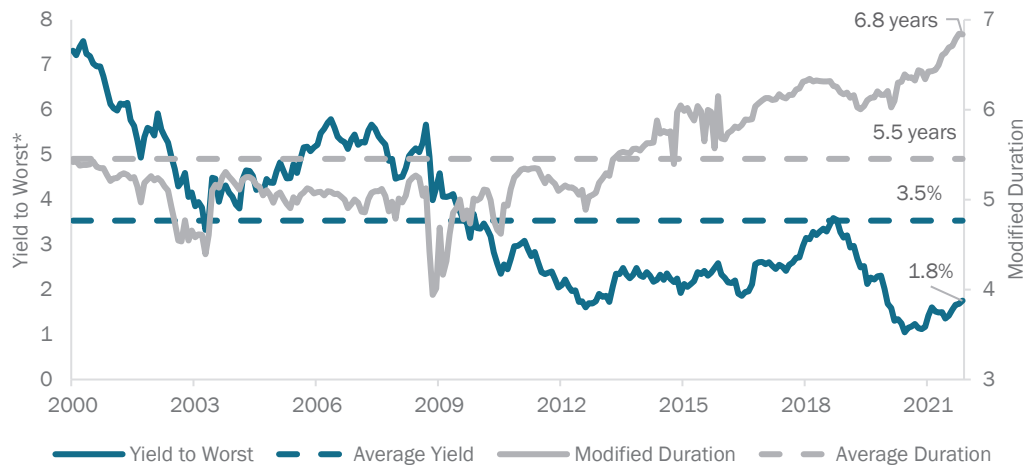
Equity markets posted another positive quarter in Q4. Domestic stocks outpaced international developed and emerging markets stocks, and large caps outpaced small caps. The Technology-dominated NASDAQ Composite failed to keep pace with the S&P 500, largely because Communications Services firms (~16% of the index) lagged other sectors for the quarter.



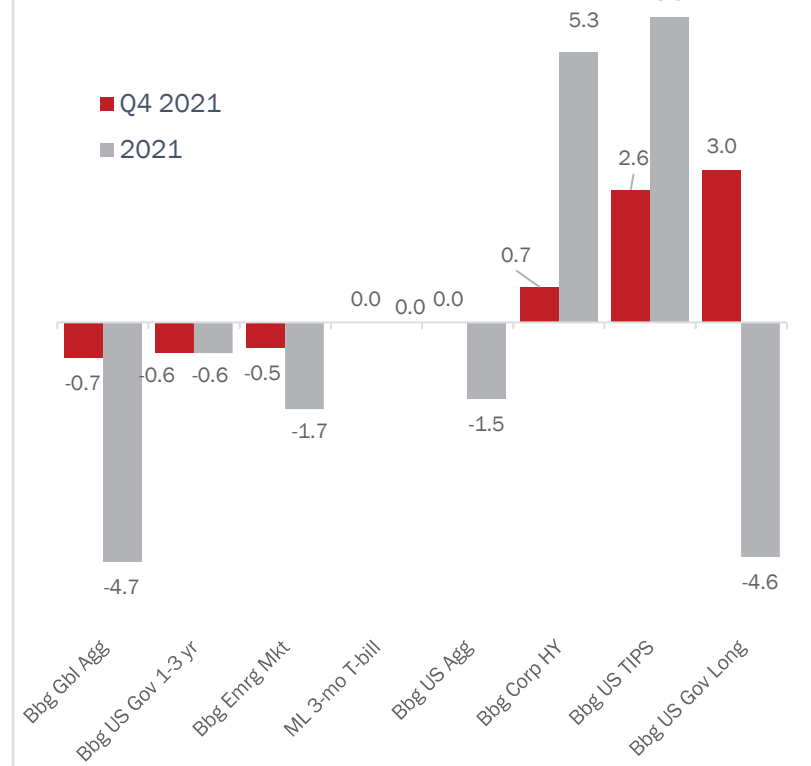
# FIXED INCOME

The yield curve flattened in Q4, indicating that bond investors expect (1) more modest economic growth and inflation over the medium term, and (2) for the Fed to make good on its pledge to continue tapering and raise short-term rates. The risk/reward tradeoff of bonds has changed meaningfully over the past several decades as interest rate sensitivity has soared just as yields have approached historic lows.

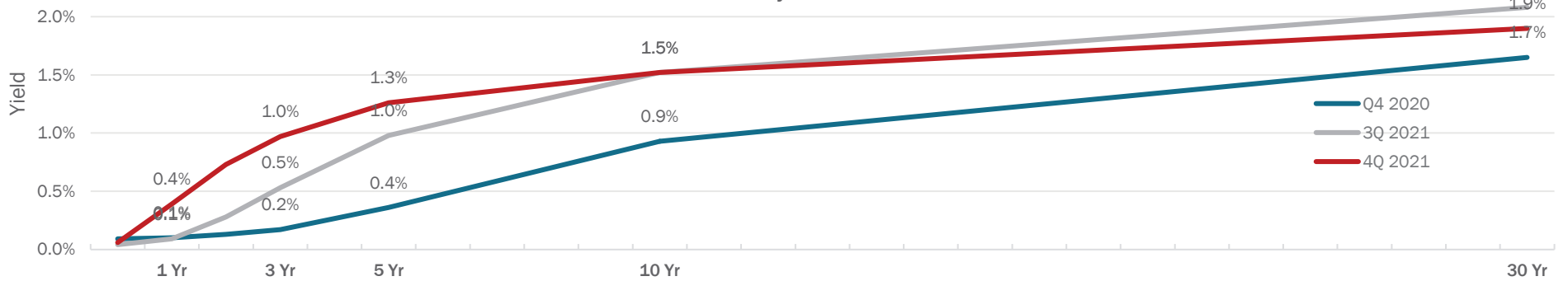
Duration & Yield of the Bloomberg US Agg Bond Index (2/1/00-12/31/21)



Fixed Income Market Returns



U.S. Treasury Yield Curve



\* Yield to Worst is a measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its contract without defaulting.

# ASSET CLASS RETURNS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2007 - 2021	
																Ann.	Vol.
	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	REITs 41.3%	Large Cap 10.6%	REITs 23.2%
	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Large Cap 28.7%	Small Cap 8.7%	EM Equity 22.9%
	DM Equity 11.6%	Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	Comdty. 27.1%	REITs 7.5%	Small Cap 22.5%
	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	Small Cap 14.8%	High Yield 6.6%	Comdty. 19.1%
	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	Asset Alloc. 13.4%	Asset Alloc. 5.7%	DM Equity 18.9%
	Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	DM Equity 11.8%	EM Equity 4.8%	Large Cap 16.9%
	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	DM Equity 4.1%	High Yield 12.2%
	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	Fixed Income 4.1%	Asset Alloc. 11.7%
	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	Fixed Income -1.5%	Cash 0.8%	Fixed Income 3.3%
	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	EM Equity -2.2%	Comdty. -2.6%	Cash 0.7%

Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.

Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg US Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/2006 to 12/31/2021. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.

Guide to the Markets – U.S. Data are as of December 31, 2021.



## Section II

### Investment Summary

## Executive Summary and Observations

- Assets total \$114,815,352 at December 31, 2021, up from \$107,651,466 at September 30, 2021.
- Trade activity during the quarter:
  - Eliminated Metropolitan West position and shifted target equity allocation up to 80% from 78%:

### Target Allocation vs. Actual

Ticker	Fund	12/31/2021 % Actual	12/31/2021 % Target	9/30/2021 % Target
FDRXX	Fidelity Government Cash Reserves	0.0%	0.0%	0.0%
BCOIX	Baird Core Plus Institutional	15.8%	16.0%	15.0%
MWTIX	Metropolitan West Total Return I	0.0%	0.0%	3.0%
VWEAX	Vanguard High Yield Corporate Bond	4.0%	4.0%	4.0%
	Fixed Income	19.9%	20.0%	22.0%
VINIX	Vanguard Institutional Index	51.4%	50.5%	50.5%
VHYAX	Vanguard High Dividend Yield Index Admiral	9.2%	9.0%	7.0%
VEXAX	Vanguard Extended Market Index	7.8%	8.5%	8.5%
VTMNX	Vanguard Developed Markets Index	10.3%	10.5%	10.5%
VEMAX	Vanguard Emerging Markets Index	1.5%	1.5%	1.5%
	Equity	80.1%	80.0%	78.0%
	Total	100.0%	100.0%	100.0%

- For the quarter, the net total return was 6.65%, compared to the index-based custom benchmark of 6.51% and the peer-group custom benchmark of 5.87%.
- For the past 12 months, the net total return was 17.36%, closely tracking the index-based custom benchmark return of 17.28%, and beating the custom peer group return of 17.31%.
- The portfolio is heavily allocated to index funds, leading to a low overall expense ratio of 0.09%.
- Baird Core Plus and Vanguard High Yield Corporate Bond score in the upper half of SageView's peer group quantitative rankings, while all index funds receive a pass rating.

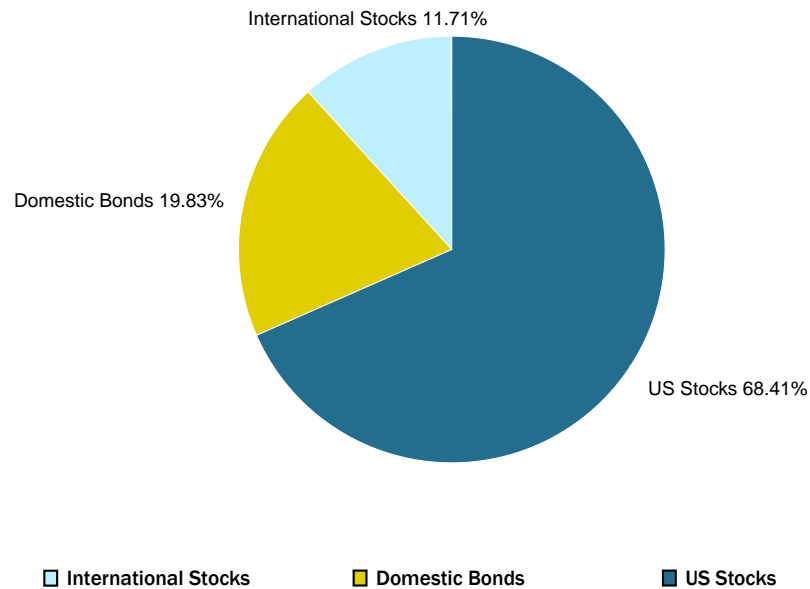




# Asset Allocation by Fund

As of 12/31/2021

Fund	% of Plan Assets	Total Assets
Vanguard Institutional Index I	51.39%	\$59,004,198.88
Baird Core Plus Bond Inst	15.84%	\$18,191,231.90
Vanguard Developed Markets Index Instl	10.25%	\$11,770,748.26
Vanguard High Dividend Yield Index Adm	9.19%	\$10,549,755.23
Vanguard Extended Market Index Admiral	7.83%	\$8,988,700.52
Vanguard High-Yield Corporate Adm	3.99%	\$4,579,631.52
Vanguard Emerging Mkts Stock Idx Adm	1.46%	\$1,673,831.88
Fidelity® Government Cash Reserves	0.05%	\$57,253.32
<b>Total Market Value:</b>	<b>100.00%</b>	<b>\$114,815,351.51</b>



No representations or warranties are being made as to the tax effect, performance, past or future, or financial impact of this summary. This information is provided as an informal report; no warranties as to the accuracy or content are implied or expressed. The information above must be interpreted in the context of, and is qualified by, all the information contained in the prospectuses, where applicable, which have been or will be delivered to the appropriate investing parties prior to any offer being made. Note: Sector Weighting and/or Credit Analysis data reflect most current information available. securities offered through Cetera Advisor Networks, member SIPC. SageView is not affiliated with Cetera Advisor Networks. Fund returns shown are net of fund expenses and sales charges.



# Fund Performance Summary

As of 12/31/2021

Fund Benchmark Category	Asset Class	(%) of Plan	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	SageView Ranking
Fidelity® Government Cash Reserves	Money Market-Taxable	0.05%	0.00	0.01	0.01	0.72	0.85	0.44	0.34	NA
ICE BofA US 3M Trsy Bill TR USD*			0.01	0.05	0.05	0.99	1.14	0.63		
Cat: Morningstar Money Market - Taxable			0.00	0.02	0.02	0.71	0.81	0.42	0.42	
Baird Core Plus Bond Inst	Intermediate Core-Plus Bond	15.84%	-0.12	-1.02	-1.02	5.85	4.30	3.93	0.30	TOP QUAR
Bloomberg US Agg Bond TR USD*			0.01	-1.54	-1.54	4.79	3.57	2.90		
Cat: Morningstar Intermediate Core-Plus Bond			-0.17	-0.66	-0.66	5.38	3.95	3.58	0.75	
Vanguard High-Yield Corporate Adm	High Yield Bond	3.99%	0.53	3.78	3.78	8.23	5.70	6.15	0.13	TOP QUAR
ICE BofA US High Yield TR USD*			0.66	5.36	5.36	8.57	6.10	6.72		
Cat: Morningstar High Yield Bond			0.49	4.77	4.77	7.52	5.20	5.75	0.94	
Vanguard High Dividend Yield Index Adm	Large Value	9.19%	9.40	26.13	26.13	16.57	11.64	12.96	0.08	Pass
Russell 1000 Value TR USD*			7.77	25.16	25.16	17.64	11.16	12.97		
Cat: Morningstar Large Value			8.42	26.22	26.22	17.82	11.68	12.39	0.93	
Vanguard Institutional Index I	Large Blend	51.39%	11.02	28.67	28.67	26.05	18.44	16.52	0.04	Pass
S&P 500 TR USD*			11.03	28.71	28.71	26.07	18.47	16.55		
Cat: Morningstar Large Blend			9.48	26.05	26.05	23.79	16.54	14.93	0.81	
Vanguard Extended Market Index Admiral	Mid-Cap Growth	7.83%	0.70	12.45	12.45	23.93	15.30	14.97	0.06	Pass
S&P Completion TR USD*			0.66	12.35	12.35	23.85	15.20	14.88		
Cat: Morningstar Mid-Cap Growth			2.76	13.05	13.05	27.47	19.37	15.66	1.07	
Vanguard Developed Markets Index Instl	Foreign Large Blend	10.25%	2.99	11.44	11.44	14.50	10.17	8.54	0.05	Pass
FTSE Dv Ex US TR USD*			2.76	11.80	11.80	14.76	10.40	8.53		
Cat: Morningstar Foreign Large Blend			2.56	9.74	9.74	13.58	9.39	7.87	0.94	
Vanguard Emerging Mkts Stock Idx Adm	Diversified Emerging Mkts	1.46%	-0.42	0.86	0.86	11.82	9.43	5.36	0.14	Pass
FTSE EMs AC China A Incl (US RIC) NR USD*			-0.49	1.48	1.48	12.17	9.53	5.85		
Cat: Morningstar Diversified Emerging Mkts			-1.19	0.38	0.38	12.42	10.00	5.81	1.19	

\*Investment Policy Benchmark

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# Longer Duration Bonds For Future Consideration In A Higher Rate Environment

Fund PeerGroup Idx	% of Assets	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	Ticker	SageView Rank
<b>Addition</b>										
Vanguard Long-Term Corporate Bd Idx Adm	-	1.21	-1.17	-1.17	11.44	7.70	6.54	0.07	VLTCX	NA
Vanguard Long-Term Investment-Grade Adm	-	1.31	-2.29	-2.29	10.79	7.48	6.56	0.12	VWETX	38
Cat. Avg. : Morningstar Long-Term Bond		1.27	-1.19	-1.19	10.37	7.22	6.02	0.52		
Idx : Bloomberg US Govt/Credit Long TR USD		2.15	-2.52	-2.52	10.62	7.39	5.72			

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# IPS Historical Ranking

Fund Name	03/2019	06/2019	09/2019	12/2019	03/2020	06/2020	09/2020	12/2020	03/2021	06/2021	09/2021	12/2021
Fidelity® Government Cash Reserves	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Baird Core Plus Bond Inst	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP QUAR
Vanguard High-Yield Corporate Adm	TOP DEC	TOP DEC	TOP DEC	TOP QUAR	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP QUAR	TOP QUAR	TOP QUAR	TOP QUAR
Vanguard High Dividend Yield Index Adm	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Vanguard Institutional Index I	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Vanguard Extended Market Index Admiral	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Vanguard Developed Markets Index Instl	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Vanguard Emerging Mkts Stock Idx Adm	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass

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## Fund Score Summary

Fund Name	Ticker	Total Return Composite Ranking	Rolling 12 Mo Perf. (5 Yrs.)	RSquared (3 Yrs)	Modified Sharpe Ratio (36 Mos.)	Alpha (60 Mos.)	Up Capture Ratio (10 Yrs.)	Down Capture Ratio (10 Yrs.)	Batting Average (10 Yrs.)	Expense Ratio	SageView Normalized Ranking
Baird Core Plus Bond Inst	BCOIX	35%	36%	26%	26%	36%	22%	49%	11%	7%	12%
Vanguard High-Yield Corporate Adm	VWEAX	41%	42%	49%	17%	18%	74%	13%	41%	3%	18%

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# Baird Core Plus Bond Inst

BCOIX

Ranking Vs. Peers - Intermediate Core-Plus Bond

December 31, 2021

Intermediate Core-Plus Bond Universe: 791 Funds

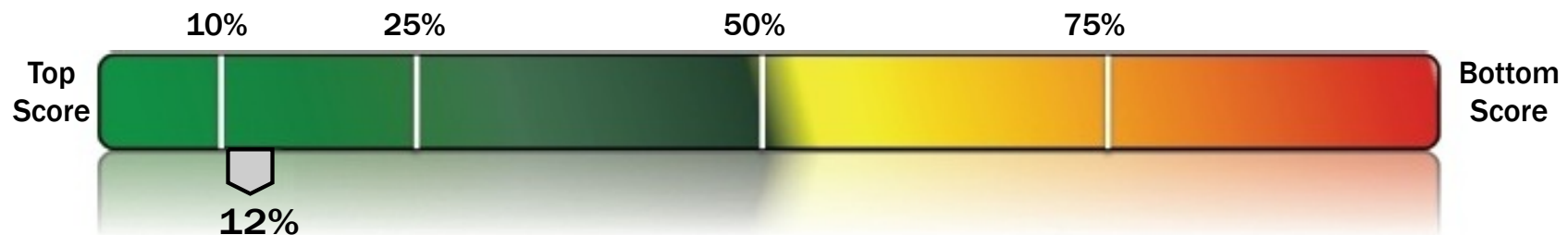
Performance Ranking			Ranking
Total Return Composite Ranking			35.05%
	10 Year	26.00%	
	5 Year	30.00%	
	3 Year	37.00%	
	1 Year	56.00%	
Rolling 12 Month - 5 Years			35.63%

Ratio Statistics		Ranking
Modified Sharpe Ratio - 36 Months		26.00%
Alpha - 60 Months		36.00%
Up Capture Ratio - 10 Years		22.00%
Down Capture Ratio - 10 Years		49.00%
Batting Average - 10 Years		11.00%

Style Consistency			Ranking
Style Consistency to Benchmark			
Bloomberg US Agg Bond TR USD	R2		26.00%

Fund Expense		Ranking
Expense Ratio	0.3	7.00%

SageView Normalized Ranking	
SageView Normalized Ranking	12.00%
STATUS	TOP QUARTILE



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# Vanguard High-Yield Corporate Adm

VWEAX

Ranking Vs. Peers - High Yield Bond

December 31, 2021

High Yield Bond Universe: 733 Funds

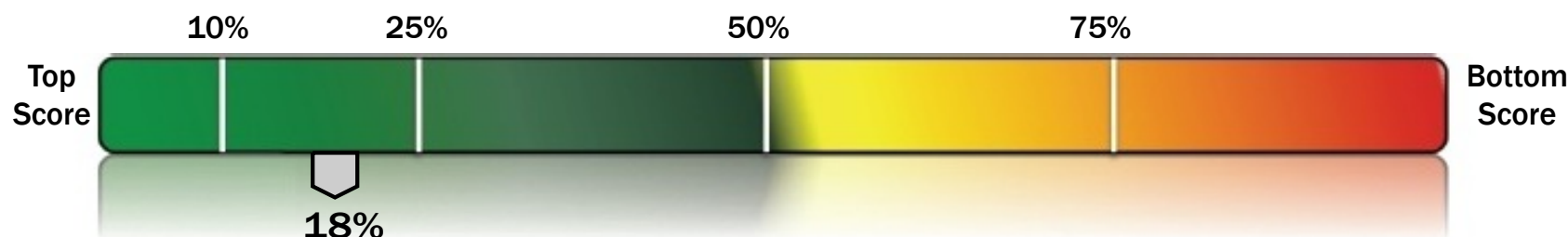
Performance Ranking			Ranking
Total Return Composite Ranking			40.50%
	10 Year	37.00%	
	5 Year	32.00%	
	3 Year	36.00%	
	1 Year	77.00%	
Rolling 12 Month - 5 Years			42.39%

Ratio Statistics		Ranking
Modified Sharpe Ratio - 36 Months		17.00%
Alpha - 60 Months		18.00%
Up Capture Ratio - 10 Years		74.00%
Down Capture Ratio - 10 Years		13.00%
Batting Average - 10 Years		41.00%

Style Consistency			Ranking
Style Consistency to Benchmark			
Bloomberg US HY 2% Issuer Cap TR USD	R2		49.00%

Fund Expense		Ranking
Expense Ratio	0.13	3.00%

SageView Normalized Ranking	
SageView Normalized Ranking	18.00%
STATUS	TOP QUARTILE



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# Vanguard Long-Term Investment-Grade Adm

VWETX

Ranking Vs. Peers - Long-Term Bond

Addition

December 31, 2021

Long-Term Bond Universe: 52 Funds

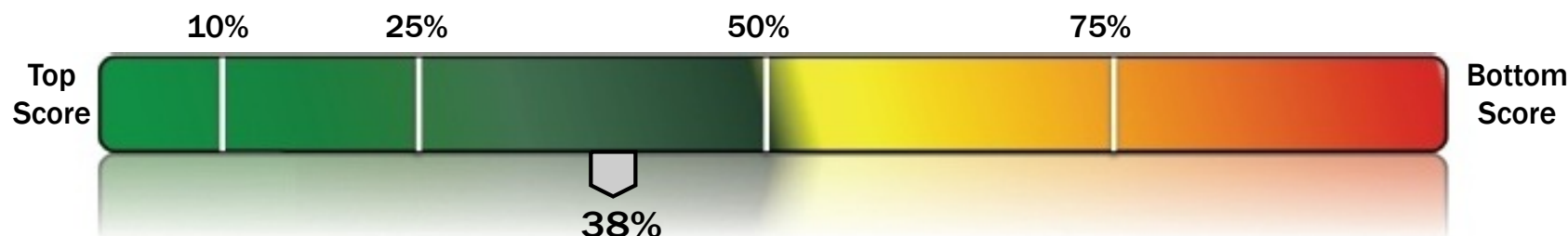
Performance Ranking			Ranking
Total Return Composite Ranking			58.15%
	10 Year	29.00%	
	5 Year	58.00%	
	3 Year	67.00%	
	1 Year	73.00%	
Rolling 12 Month - 5 Years			48.53%

Ratio Statistics		Ranking
Modified Sharpe Ratio - 36 Months		59.00%
Alpha - 60 Months		73.00%
Up Capture Ratio - 10 Years		43.00%
Down Capture Ratio - 10 Years		54.00%
Batting Average - 10 Years		15.00%

Fund Expense		Ranking
Expense Ratio	0.12	11.00%

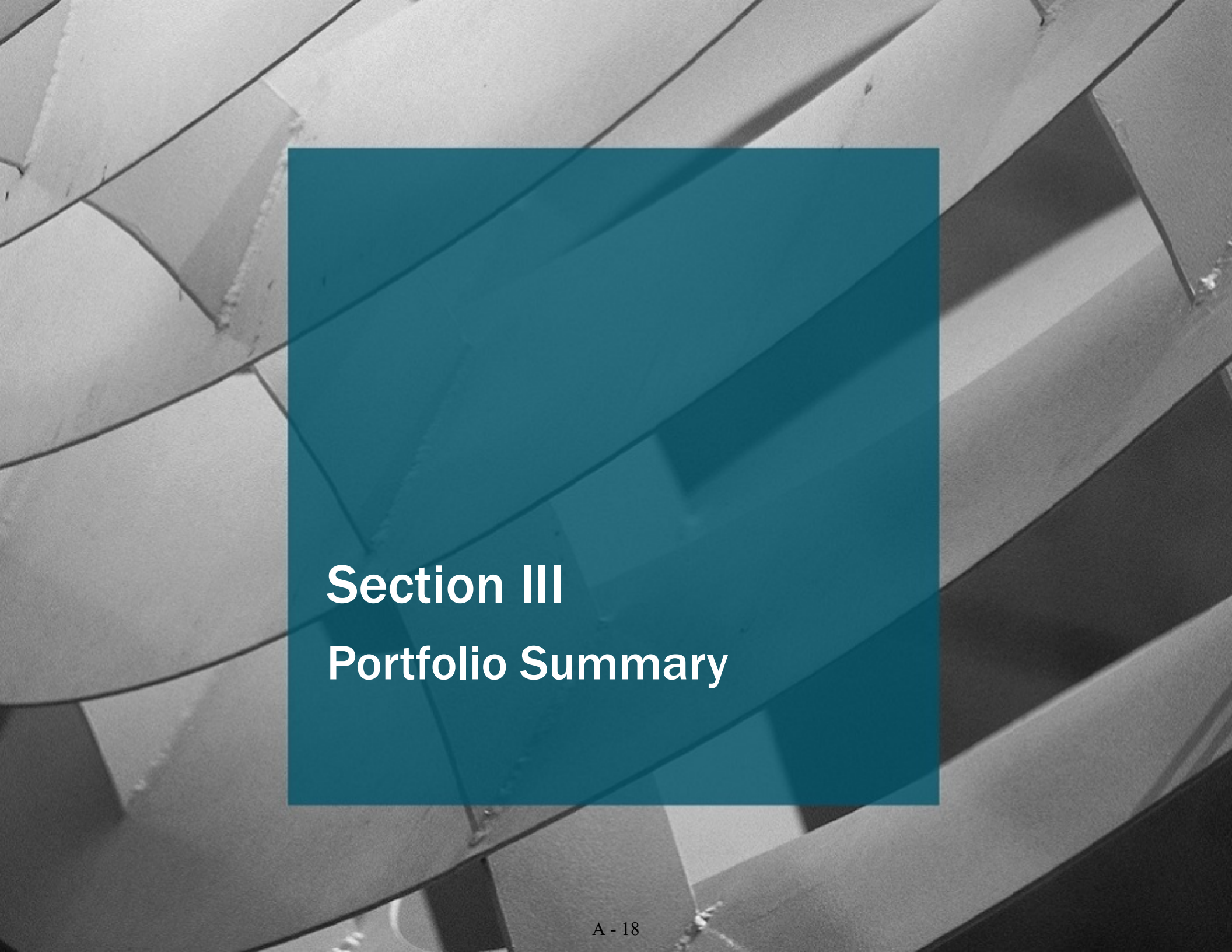
Style Consistency			Ranking
Style Consistency to Benchmark			
Bloomberg US Govt/Credit Long TR USD	R2		28.00%

SageView Normalized Ranking	
SageView Normalized Ranking	38.00%
STATUS	2nd QUARTILE



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## Section III

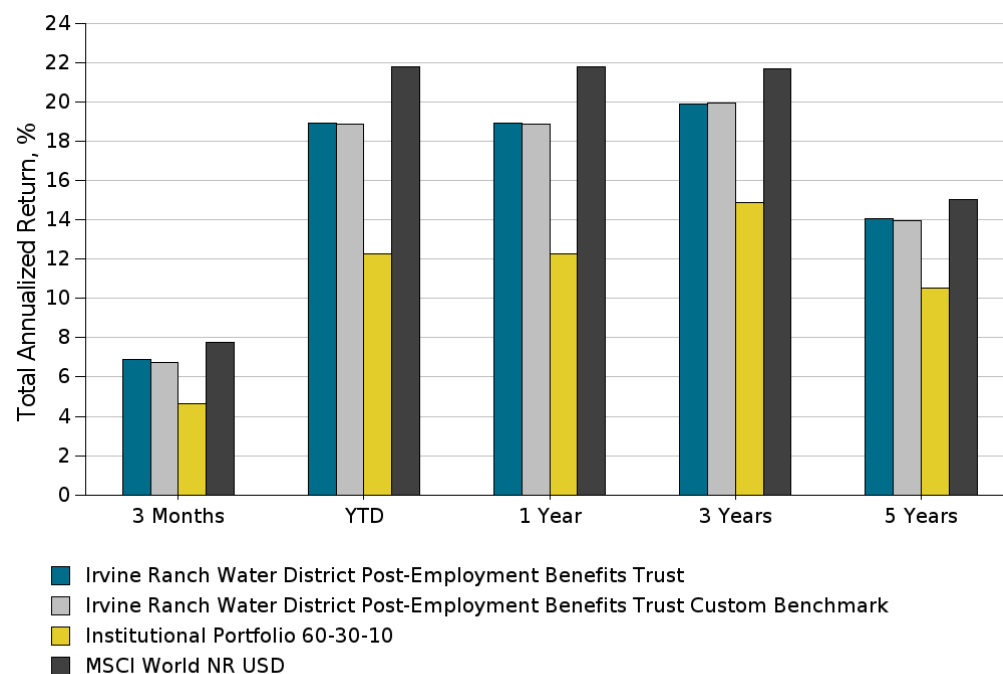
### Portfolio Summary

# Portfolio Return vs. Custom Benchmark

As of 12/31/2021

Performance As Of December 31, 2021	3 Month	YTD	1 Year	3 Year	5 Year	Std Dev 5 Yr	Prospectus Exp Ratio
Irvine Ranch Water District Post-Employment Benefits Trust	6.65	17.36	17.36	18.59	NA	NA	0.09
Irvine Ranch Water District Post-Employment Benefits Trust Custom Benchmark	6.51	17.28	17.28	18.65	13.98	12.66	NA
Irvine Ranch Water District Post-Employment Benefits Trust Custom Category Averages Benchmark	5.87	17.31	17.31	17.43	13.03	13.83	0.86
Institutional Portfolio 60-30-10	4.66	12.26	12.26	14.88	10.52	9.00	NA
MSCI World NR USD	7.77	21.82	21.82	21.70	15.03	15.01	NA

<sup>1</sup>Industry Average Exp Ratio 0.89%. Based on plan assets \$50Mil+



Benchmark	Weight
S&P 500 TR USD	51.39%
Bloomberg US Agg Bond TR USD	15.84%
FTSE Dv Ex US TR USD	10.25%
Russell 1000 Value TR USD	9.19%
S&P Completion TR USD	7.83%
ICE BofA US High Yield TR USD	3.99%
FTSE EMs AC China A Incl (US RIC) NR USD	1.46%
ICE BofA US 3M Trsy Bill TR USD	0.05%

<sup>1</sup>Industry Average Expense Ratio Source: 401(k) Averages Book, 20th Edition, published by HR Investment Consultants

The Institutional Portfolio 60-30-10 consists of 60% MSCI World NR USD, 30% Bloomberg US Agg Bond TR USD and 10% ICE BofA US 3M Trsy Bill TR USD

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# Management Style Analysis

As of 12/31/2021

Domestic Equity Style Box

	VALUE	BLEND	GROWTH
LARGE CAP	<ul style="list-style-type: none"> <li>Vanguard High Dividend Yield Index Adm (\$98.19 bn)</li> </ul>	<ul style="list-style-type: none"> <li>Vanguard Institutional Index I(\$227.70 bn)</li> </ul>	
MID CAP			<ul style="list-style-type: none"> <li>Vanguard Extended Market Index Admiral (\$8.28 bn)</li> </ul>
SMALL CAP			

Average Market Cap. listed in parentheses

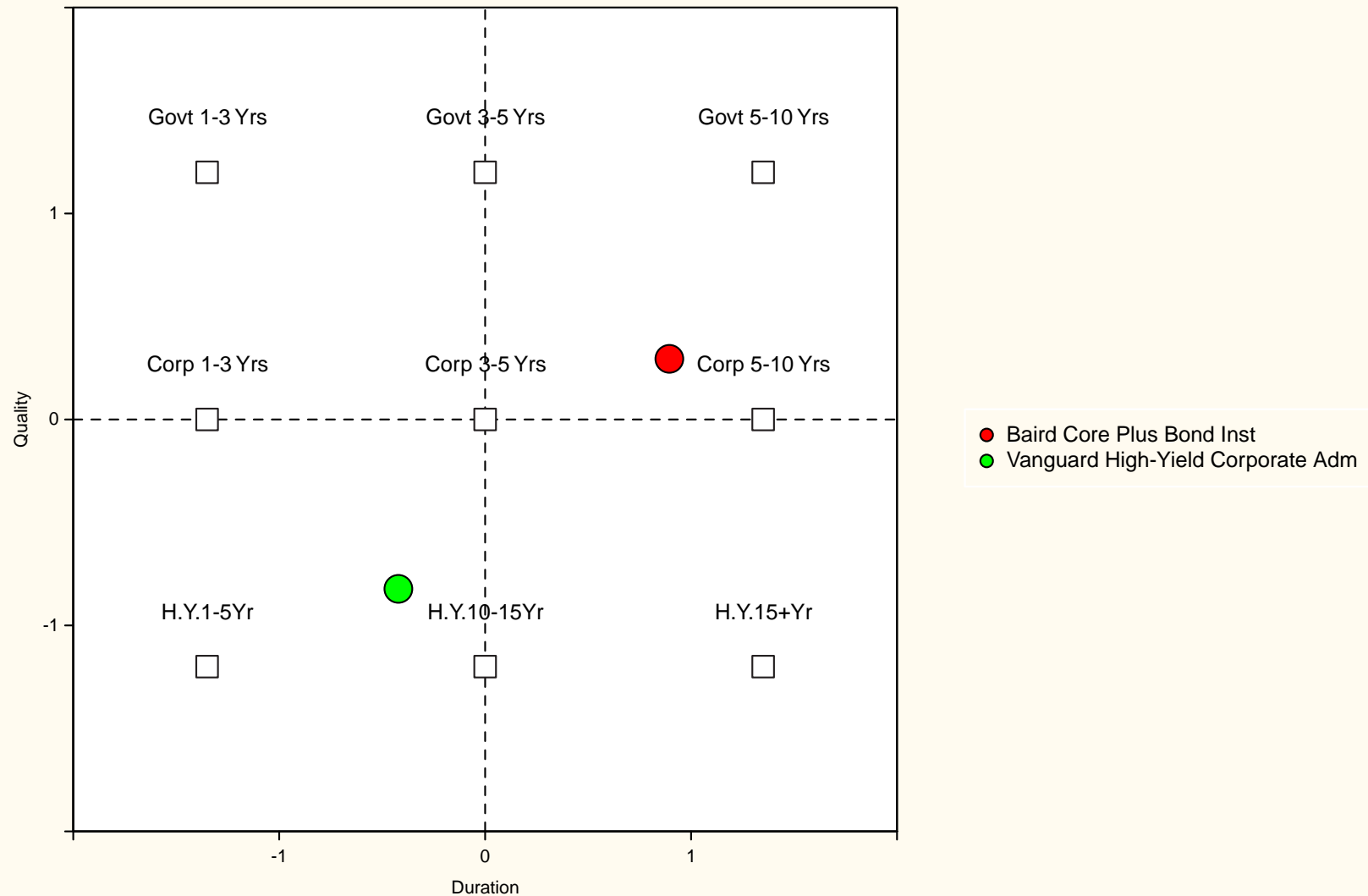
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# Manager Style Box

Fixed Income - Single Computation  
January 2012 - December 2021

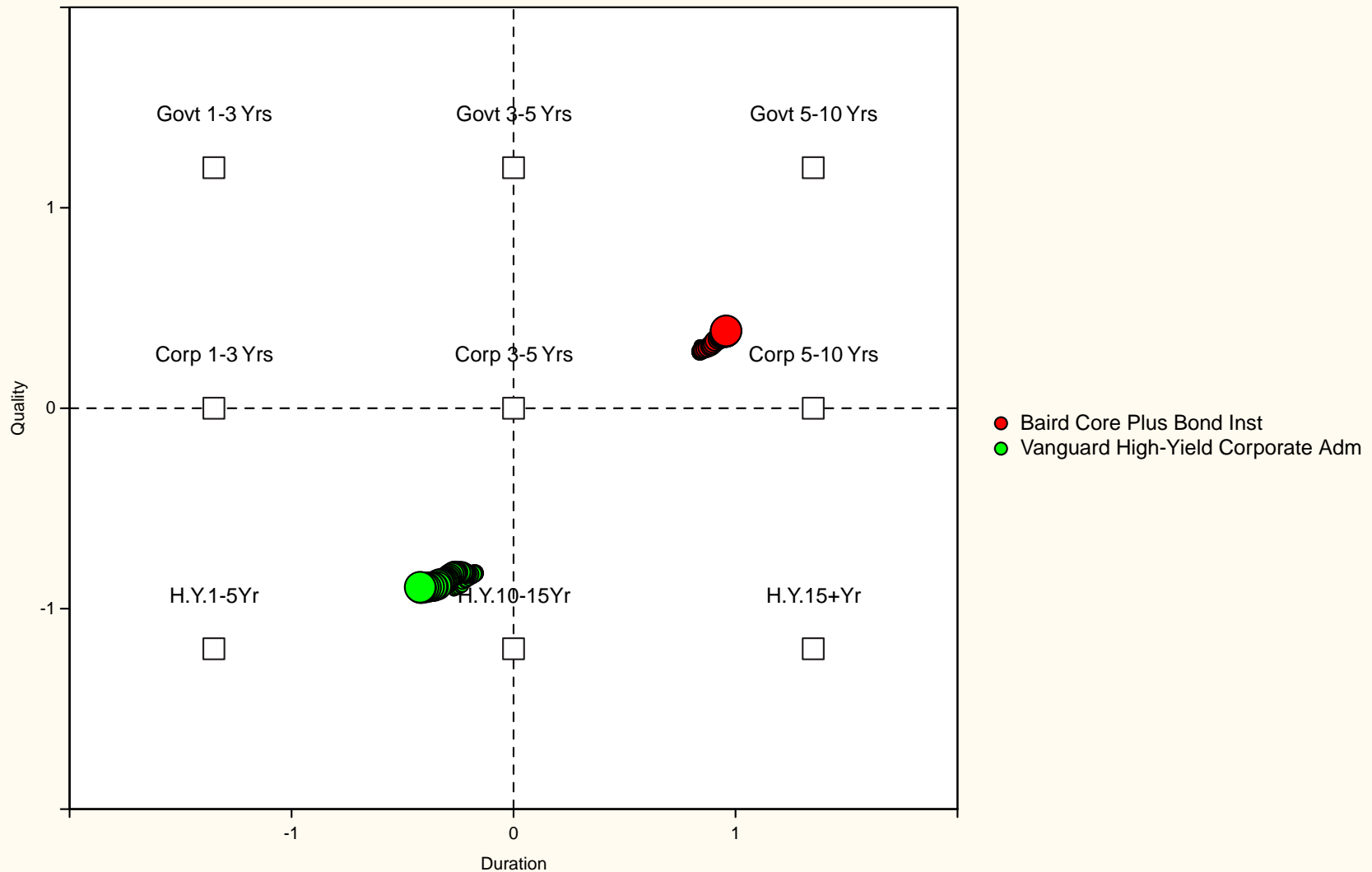


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# Manager Style Box

Fixed Income - 12 Month Moving Windows  
January 2012 - December 2021

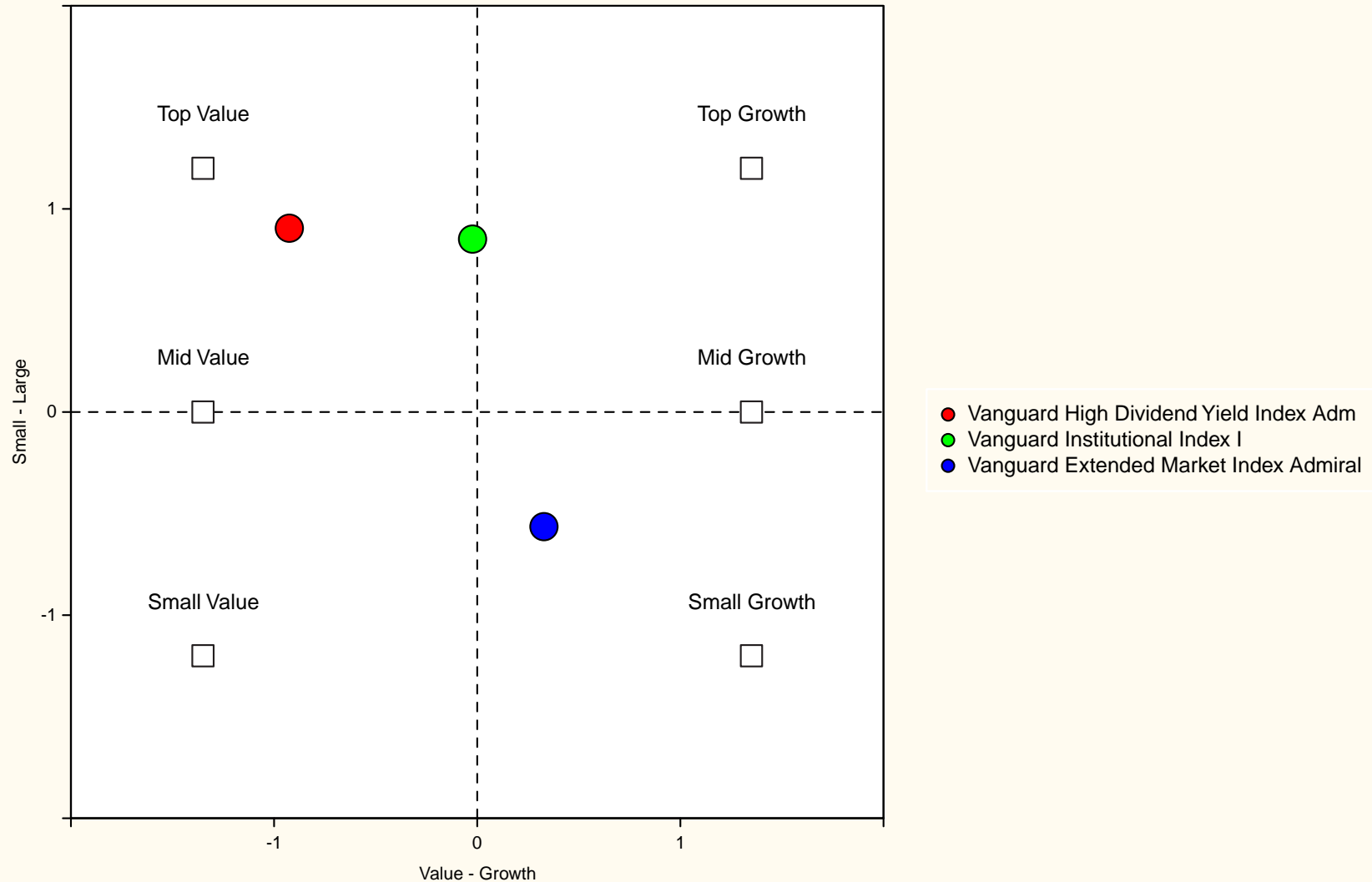


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# Manager Style Box

Equity - Single Computation  
January 2012 - December 2021

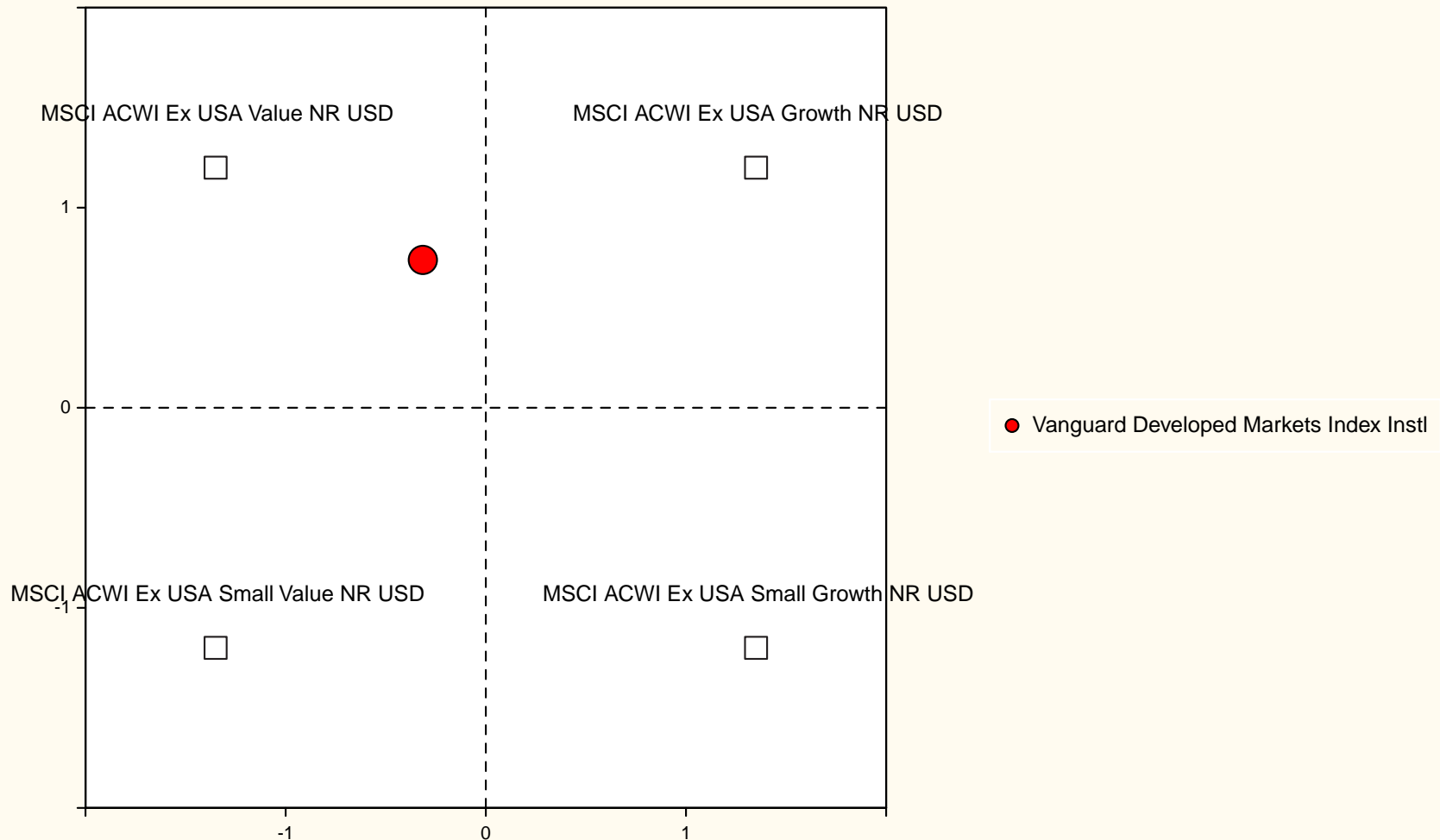


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# Manager Style Box

International Equity - Single Computation  
January 2012 - December 2021

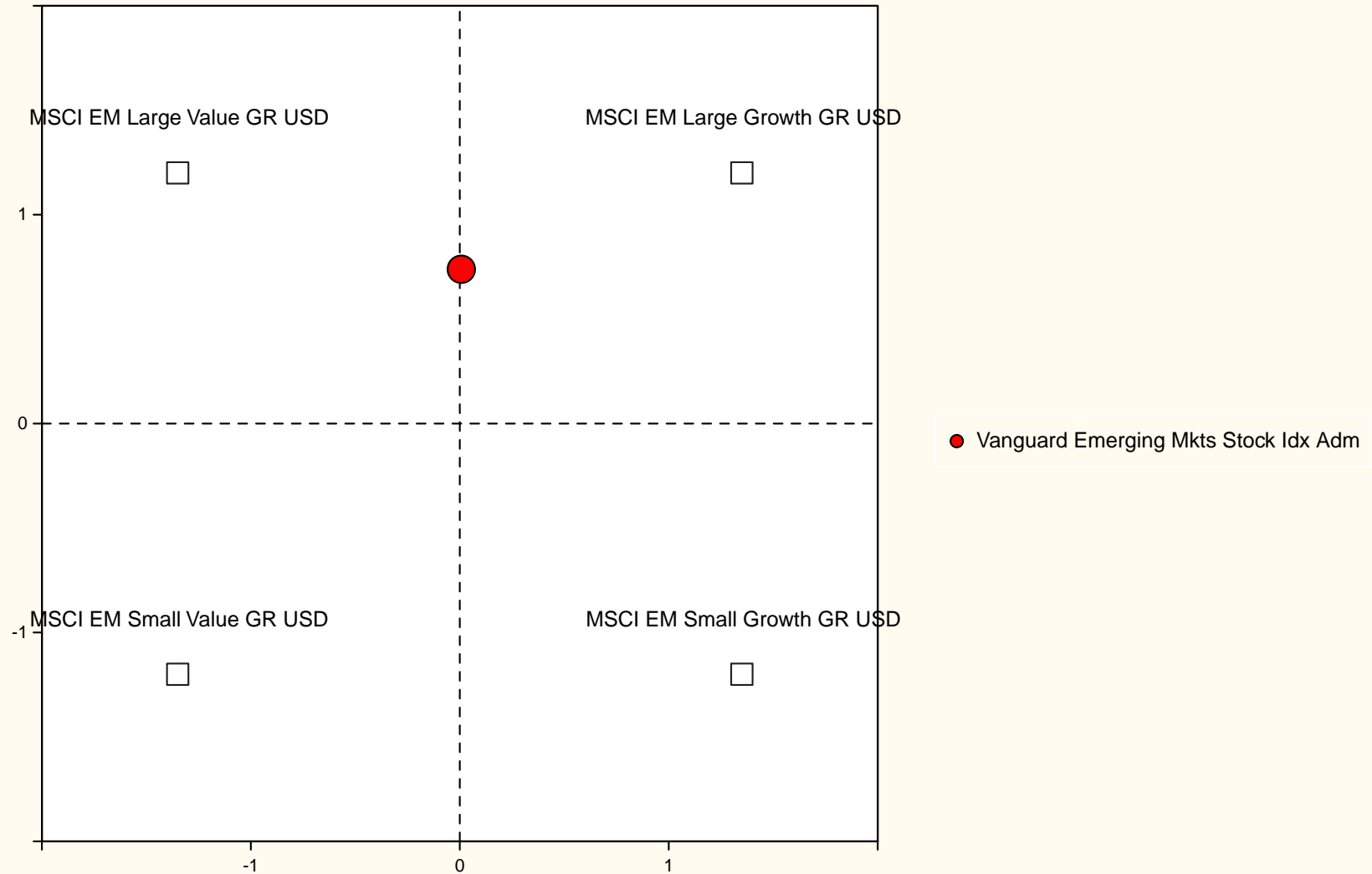


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# Manager Style Box

Emerging Market - Single Computation  
January 2012 - December 2021



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# **Section V**

## **Appendix**

# Active Investment Options Analysis Criteria

All active plan investment options are reviewed quarterly against their peer group and index benchmark to determine the performance and quality of each offering. Each are evaluated using the following criteria:

1. **Trailing 1, 3, 5 and 10 year returns** – Total return is a basic measure of a fund's performance. Fund returns over each period are factored into a weighted average, based on the life of a fund. Recent returns receive a slightly higher weighting, while older returns, which may have been produced under different conditions, are weighted less.
2. **Rolling period returns** – A rolling period return divides a longer time frame into smaller time periods. A rolling 12-month return over five years is computed by first calculating a single period return over the first twelve months. Next, it calculates the 12-month return for months 2-13. The process continues until finally reaching the 12-month period spanning months 48-60. The final rolling figure reflects the average of all of the 12-month returns.
3. **Batting Average** – Batting average is calculated by (1) tallying the number of months in a given observation window where the investment return is greater than the return of the peer group median return and (2) dividing this amount by the total number of months in the observation window. The result is a ratio that ranges between 0 and 1. A batting average of greater than 0.50 signifies that the investment has outperformed the peer group more frequently than it has underperformed, irrespective of the magnitude of any outperformance or underperformance.
4. **Style Consistency to the appropriate index** – We utilize R-squared to assess whether the funds selected for the plan continue to operate and perform as expected within their appropriate asset class. R-squared measures the closeness between a fund's returns and movements in the benchmark. All active funds have some deviation from their benchmark, but excessive deviation could indicate that a fund is drifting away from its stated category mandate.
5. **Modified Sharpe Ratio** – The standard Sharpe Ratio calculation is calculated by subtracting the risk-free rate of return (the US Treasury Bill is typically used) from the portfolio return and dividing the result by the portfolio's standard deviation. A higher Sharpe ratio indicates that the portfolio was able to generate a higher return per unit of risk. Modified Sharpe Ratio is a related statistic that is equal to the Sharpe Ratio under normal circumstances. However, the Modified Sharpe calculation adds an exponent to the denominator that effectively raises the denominator to the -1 power in circumstances in which an investment's excess return is negative. This modification ensures that investments with both negative excess returns and higher standard deviations rank lower than investment with negative excess returns and lower standard deviations. Under the standard Sharpe Ratio calculation, the opposite is true.
6. **Alpha** – The use of Alpha allows us to gauge the effectiveness of the manager. Alpha is the difference between the portfolio's actual return and its expected return given the funds level of risk as calculated by beta.
7. **Up Capture Ratio** – The up capture ratio calculates the percentage of return of an index that a fund has captured during up market cycles. It tracks the fund's relative performance versus the appropriate index when the index is going up.
8. **Down Capture Ratio** – The down capture ratio calculates the percentage of return of an index a fund has captured during down market cycles. Funds that perform well in this category tend to reduce the downside loss for investors during bear markets.
9. **Expense Ratio** – The expense ratio is compared to the appropriate category average expense and then given a score based upon that percentage. This rewards low-cost funds and penalizes high-cost funds. Expense ratios are effectively "double weighted" in our scoring methodology, because performance returns are already net of expenses. Since fiduciaries are encouraged to carefully manage expenses, we believe explicitly factoring in fund fees is prudent.

Each fund is benchmarked to a specific market index, and fund performance is evaluated and compared to a relevant peer group using Morningstar category classifications. A fund is given a peer group ranking for each criterion, shown as a percentage. The percentage rankings for all criteria are then averaged to give a fund its average ranking score. All funds with at least a three year track record are scored in the above manner. A fund is then classified as Top Decile, top Quartile, 2nd Quartile, 3rd Quartile or 4<sup>th</sup> Quartile based upon the overall score compared to all other funds within that particular asset category.

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# Passive Investment Options Analysis Criteria

All passive investment options are reviewed quarterly against their peer group and index benchmark to determine the performance and quality of each offering. Each are evaluated using the following criteria:

1. **Expense Ratio** – The percentage of fund assets, net of reimbursements, used to pay for operating expenses and management fees, including 12b-1 fees, administrative fees, and all other asset-based costs incurred by the fund, except brokerage costs. Fund expenses are reflected in the fund's NAV. Sales charges are not included in the expense ratio. The Prospectus Net Expense Ratio is collected annually from a fund's prospectus.
2. **Tracking Error** – A measure of the difference in returns between an investment and a benchmark. Tracking error is reported as a standard deviation of the difference between the returns of an investment and its benchmark.
3. **R-Squared** – A statistical metric that ranges from zero to 100 and measures the percentage of portfolio's performance that is explained by the movement of its benchmark index. R-Squared is helpful in assessing the reliability of alpha and beta in explaining a portfolio risk and return characteristics. An r-squared of 100 would mean that the portfolio's performance movements are perfectly correlated with those of the benchmark over time, and would suggest that alpha and beta may be relied upon with a high degree of confidence.
4. **Beta** – A measure of the volatility, or systematic risk, of an investment in comparison to a market index as a whole. Beta is calculated using regression analysis. Beta represents the tendency of an investment's returns to respond to moves in the market or index that it's calculated against. A beta of 1 indicates that the investment's price moves with the market. A beta of less than 1 means that the investment is theoretically less volatile than the market. A beta of greater than 1 indicates that the investment's price is theoretically more volatile than the market. The reliability of an investment's beta is a function of the investment's r-squared value in relation to the benchmark. A high r-squared value signifies that the beta measure is reliable, while a low r-squared signifies that it is potentially inaccurate.

Each of the criteria above carries a proprietary weight. An index fund is evaluated and ranked in each of the above criteria relative to their peer group. A fund is given a peer group ranking for each criterion. The percentage rankings for all criteria are then weighted to give a fund its average ranking score.

The raw score is then normalized on a scale of 1 to 100, with 1 being the best and 100 the worst. The top 75% of the funds in a category receive a passing score, while the bottom 25% fail.

