

# Callan



May 18, 2023

**City of Fort Pierce**

First Quarter Performance Review

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# Agenda

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**2023 Capital Markets Assumptions and  
Asset-Liability Modeling Results**

## Why Conduct an Asset and Liability Study?

- The cornerstone of a prudent process for pension plan trustees is a careful and thorough examination of their long-term strategic plan
- Explicitly acknowledge change and uncertainty in the capital markets
- Establish reasonable rate-of-return and risk expectations
- Incorporate material changes in strategic plan policies and demographics
  - *Funding policy, benefit formula, eligibility, early retirement, decrement tables*
- Reflect changes in regulations
  - *Public pension: GASB 67 and 68*
- Project and evaluate impact on assets, liabilities, and funded status
- Confirm an investment policy to meet return and risk objectives in relation to funding, accounting, and policy goals
- If no material changes have occurred, an asset allocation review should still be conducted every 3 – 5 years

**The purpose of this project is to determine the appropriate asset allocation**

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## Executive Summary

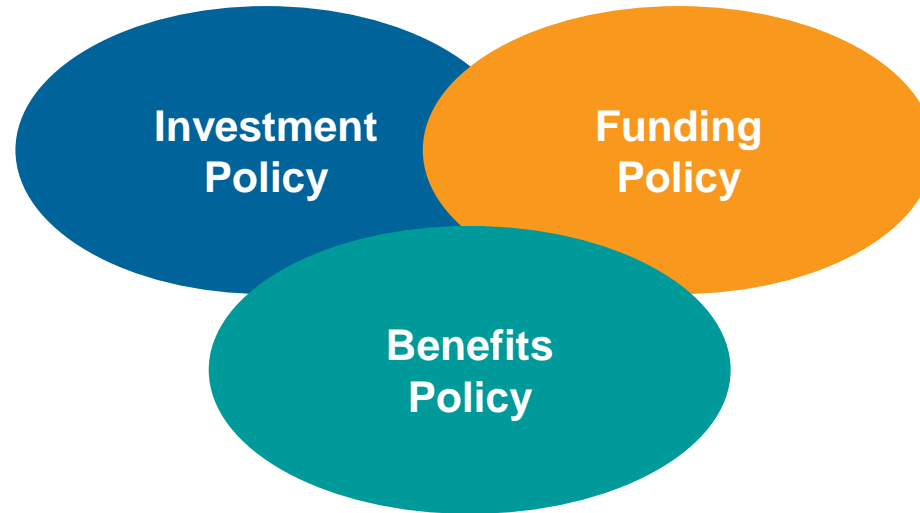
- Our model starts at 9/30/2022 using actual assets and an estimated Accrued Actuarial Liability that reflects a CPI increase of ~7.75% for fiscal year end 2022. Despite the asset price decline since 9/30/2021, the System is projected to remain in an acceptable financial position as measured by both Actuarial and Market Value Funded Status
  - Estimated Actuarial Value of Assets / Actuarial Liability = 85% as of 9/30/2022
  - Estimated Market Value of Assets / Actuarial Liability = 75% as of 9/30/2022
- Using Callan's preliminary 2023 10-year Capital Market Assumptions, the policy portfolio is projected to return 6.9% annualized over the next 10 years
  - The 7.25% actuarial discount rate used by your actuary is usually based on a longer time period
  - Using Callan's 20-and 30-year return assumptions the policy portfolio is projected to return 7.1% and 7.4%, respectively
- The current asset allocation maintains a capital appreciation orientation by holding more higher return/risk assets than fixed income or absolute return. The target portfolio has 27% of its assets in fixed income. This risk posture remains reasonable and appropriate given expected future growth in liabilities and your long-term horizon
  - Modest changes to the current target portfolio, and their tradeoffs, are worthy of consideration
- Our analysis shows that liquidity needs are manageable

# The focus for today is on Investment Policy

Evaluate the interaction of three key policies to identify an appropriate investment policy

## Investment Policy

- 63% Equity
- 10% Real Estate
- 27% Fixed Income



## Funding Policy

- Employer contributions of \$6m+ per year trending higher over the forecast period
- Mandated Employee contributions
  - ▣ 5.16% General and Police
  - ▣ 6.16% FPUA
  - ▣ \$2m trending higher as wages rise

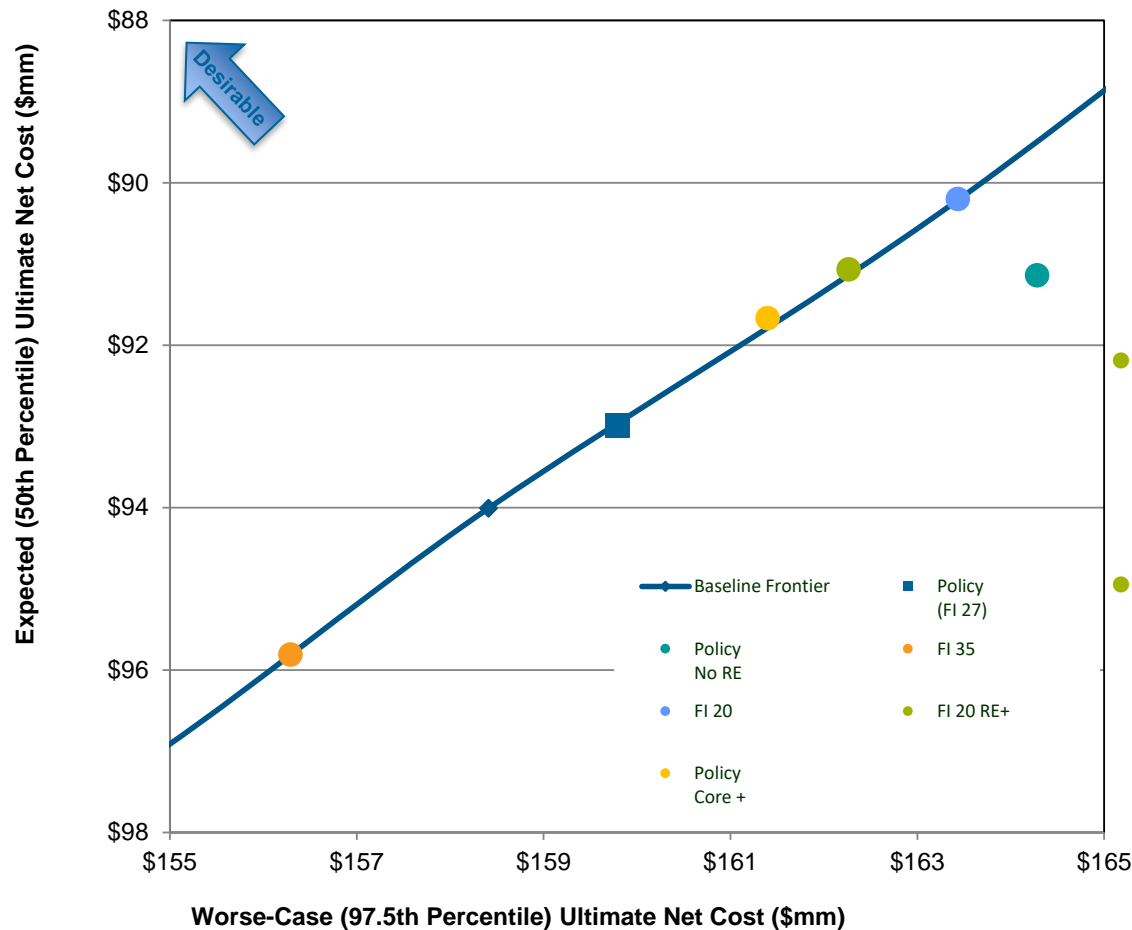
## Benefits Policy

- Total Service times 3.0% of Final Avg Salary
- Benefit is capped at 100% or 75% of pay depending upon hire date
- Benefit pmts of \$17m per year trending higher

$$\text{Contributions} + \text{Investment Earnings} = \text{Benefits Paid} + \text{Expenses}$$

# Ultimate Net Cost (\$M): 10 Years

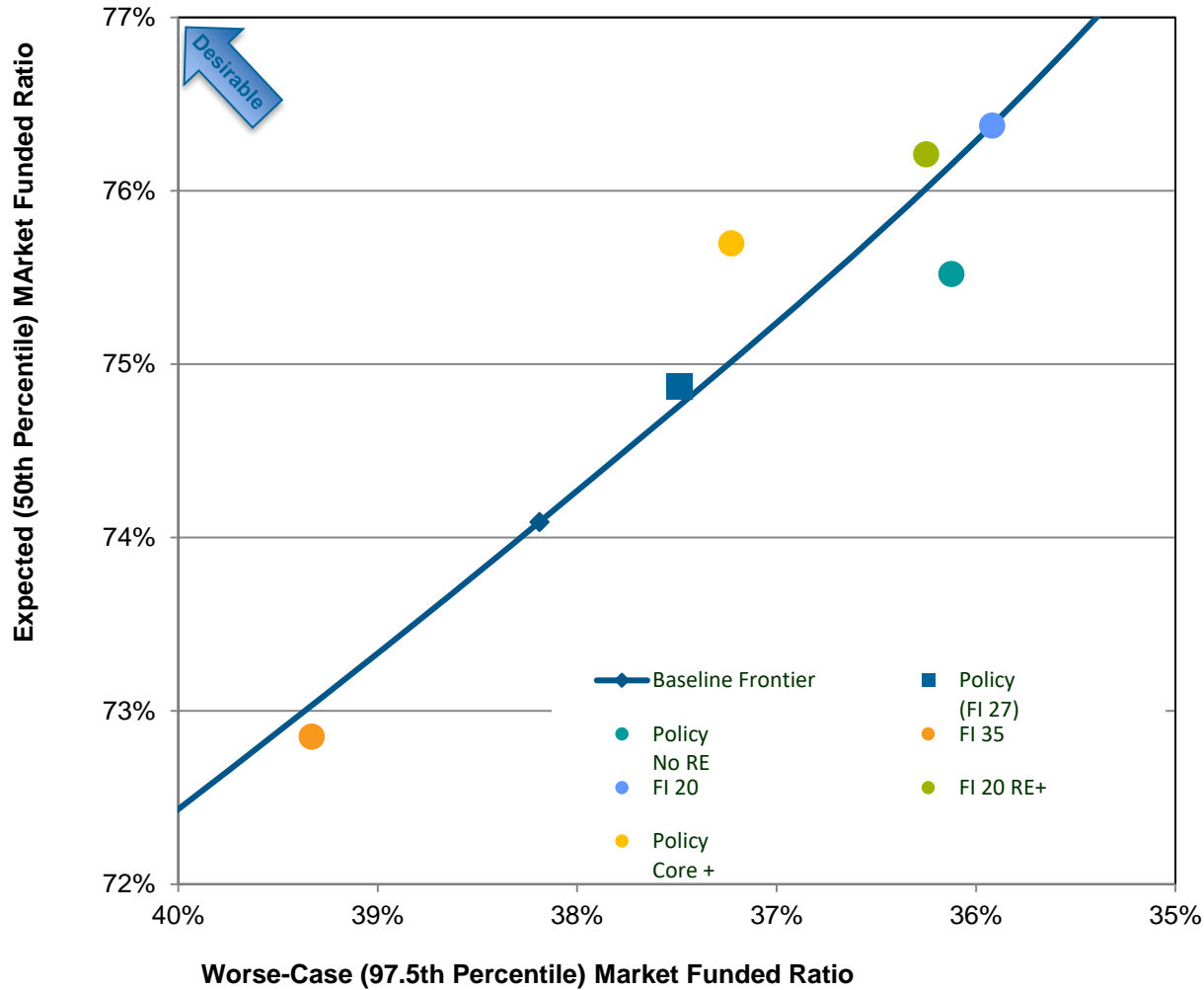
**Risk versus Reward:  
Ultimate Net Cost over 10 Years**



- Ultimate Net Cost (UNC) =
  - 10-year cumulative contributions (i.e., what you pay in)
  - plus**
  - 1/1/2033 Unfunded Liability (i.e., what you owe at the end)
  - Think of it as what you paid over 10 years + what you owe at the end of 10 years
- The Target Policy mix as well as the other mixes are modeled and optimized based on Callan’s 10-year capital market expectations
- The chart illustrates the value of investing in alternative investments.
  - The green line represents investing in public markets only while the orange line represents results when including alternatives
  - For any point along the green line, there is a mix using alternative investments (the orange line) that has higher return and lower risk

# Market Value Funded Ratio: 10 Years

Risk versus Reward:  
Market Funded Ratio at 10 Years



- Not having an allocation to Real Estate is suboptimal

# Summary

Asset Class	Policy Targets to Consider		
	Policy (FI 27)	FI 20	Policy: Core +
Broad US Equity	38.0%	41.4%	38.0%
Developed x-US Equity	25.0%	27.6%	25.0%
Core Real Estate	10.0%	11.0%	10.0%
Core Fixed Income	27.0%	20.0%	27.0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Arithmetic Return	7.5%	7.9%	7.7%
Geometric Return - 10 Year Assumptions	6.9%	7.0%	6.9%
Standard Deviation	12.3%	13.5%	12.8%
Sharpe Ratio	33.3%	31.7%	32.7%
Geometric Return - 10 Year Assumptions	6.9%	7.0%	6.9%
Geometric Return - 20 Year Assumptions	7.2%	7.3%	7.2%
Geometric Return - 30 Year Assumptions	7.4%	7.6%	7.5%

- Leaving the policy targets unchanged is appropriate
- The current target, with 27% in fixed income, remains reasonable and appropriate given the plan’s expected future growth in liabilities, however increasing the amount to equities and real estate (above existing policy targets) would be acceptable
- If no change is made to the allocation in fixed income, investigating the appropriateness of changing the fixed income from “Core” to “Core Plus” would also be acceptable

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**Market Environment Update**

# Equity and Fixed Income Markets Up in 1Q 2023

Key Themes: Regional Bank Fears, Intra-Quarter Volatility & Slower Fed Tightening

## Higher rates impacting longer-term balance sheet holdings for some banks

- ▶ Nine consecutive rate hikes took the Fed Funds rate from roughly 0% to 5% in one year's time.
- ▶ Higher rates are a welcome outcome for fixed income investors but may tighten lending.
- ▶ CPI-U 5% YoY for 1Q, down from 6.5% on 4Q
- ▶ GDP Advance Estimate for 1Q 2023 was 1.1%

## U.S. and Global equities positive returns in 1Q but it was not smooth sailing

- ▶ Growth stocks trounced value for the quarter, due largely to the sharp outperformance of Technology relative to Financials
- ▶ Small caps underperformed mid and large cap stocks
- ▶ Small value was the one index to post negative returns (Russell 2000 Value -0.7%), hurt by its exposure to smaller banks.

## Fixed income recovered as high inflation began to ease, leading to speculation about interest rates

- ▶ Bloomberg Aggregate: Up 3% for the quarter
- ▶ The yield curve remained inverted as of quarter-end

Returns for Periods ended 3/31/23

	Quarter	Year to				
		Date	1 Year	5 Years	10 Years	25 Years
<b>U.S. Equity</b>						
Russell 3000	7.18	7.18	-8.58	10.45	11.73	7.45
S&P 500	7.50	7.50	-7.73	11.19	12.24	7.39
Russell 2000	2.74	2.74	-11.61	4.71	8.04	6.84
<b>Global ex-U.S. Equity</b>						
MSCI World ex USA	8.02	8.02	-2.74	3.80	4.91	4.39
MSCI Emerging Markets	3.96	3.96	-10.70	-0.91	2.00	--
MSCI ACWI ex USA Small Cap	4.70	4.70	-10.37	1.67	5.06	6.45
<b>Fixed Income</b>						
Bloomberg Aggregate	2.96	2.96	-4.78	0.91	1.36	4.03
90-day T-Bill	1.07	1.07	2.50	1.41	0.87	1.90
Bloomberg Long Gov/Credit	5.76	5.76	-13.40	0.63	2.35	5.56
Bloomberg Global Agg ex-US	3.06	3.06	-10.72	-3.17	-0.99	2.80
<b>Real Estate</b>						
NCREIF Property	-1.81	-1.81	-1.63	6.71	8.34	8.79
FTSE Nareit Equity	2.68	2.68	-19.22	6.02	5.97	8.01
<b>Alternatives</b>						
CS Hedge Fund Index	0.92	0.92	1.06	4.25	4.24	5.81
Cambridge Private Equity*	-1.84	-1.84	-3.77	16.84	15.31	14.31
Bloomberg Commodity	-5.36	-5.36	-12.49	5.36	-1.72	1.80
Gold Spot Price	8.76	8.76	1.65	8.40	2.21	7.81
<b>Inflation - CPI-U</b>	1.70	1.70	4.98	3.88	2.63	2.51

\*Cambridge PE data as of 3Q22 and CS Hedge fund data as of 4Q22.

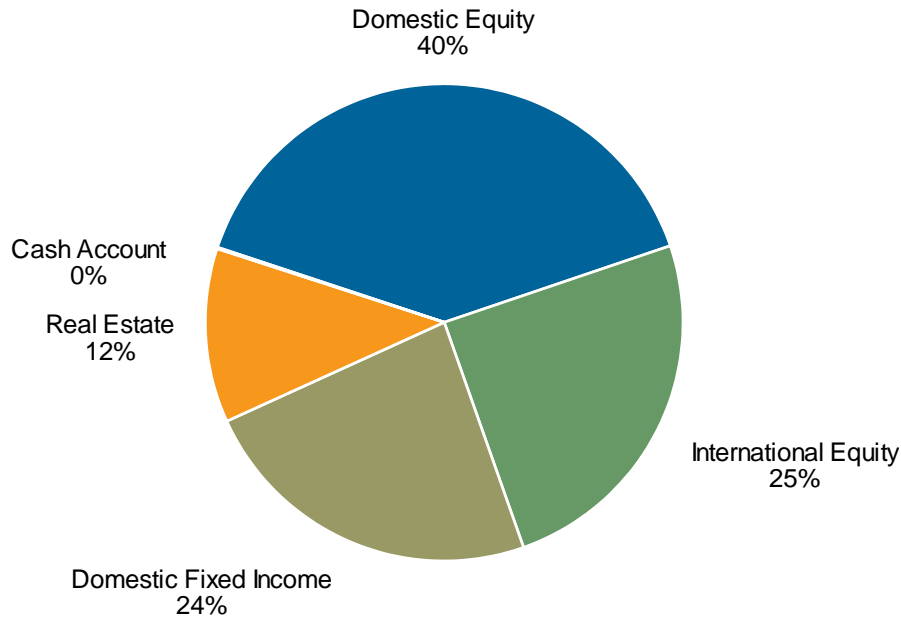
Sources: Bloomberg, Callan, Cambridge, Credit Suisse, FTSE Russell, MSCI, NCREIF, S&P Dow Jones Indices

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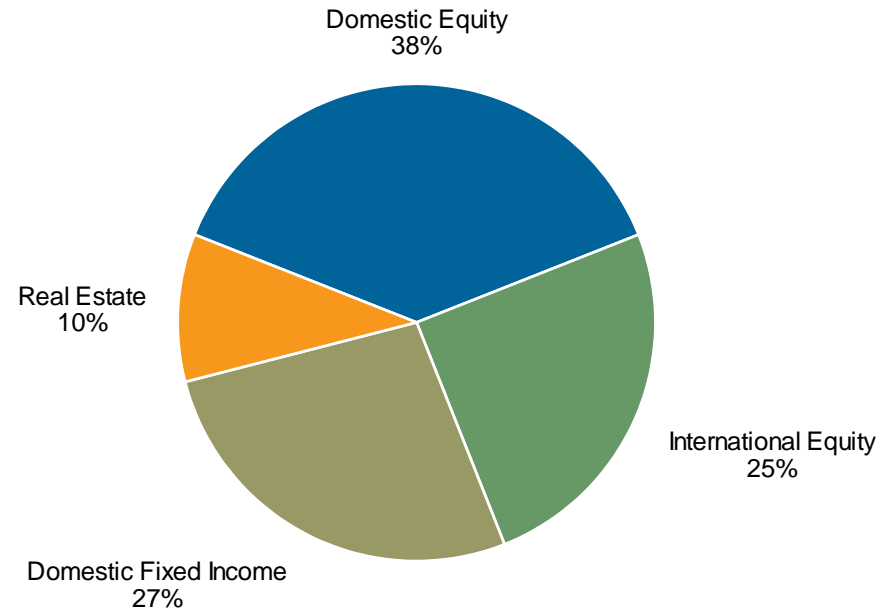
## **Asset Allocation and Plan Review**

# Asset Allocation

**Actual Asset Allocation**



**Target Asset Allocation**



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equity	88,784	39.7%	38.0%	1.7%	3,755
International Equity	55,391	24.8%	25.0%	(0.2%)	(549)
Domestic Fixed Income	52,907	23.6%	27.0%	(3.4%)	(7,508)
Real Estate	26,512	11.8%	10.0%	1.8%	4,136
Cash Account	166	0.1%	0.0%	0.1%	166
<b>Total</b>	<b>223,761</b>	<b>100.0%</b>	<b>100.0%</b>		

# Asset Distribution Across Investment Managers

	March 31, 2023			December 31, 2022		
	Market Value	Weight	Net New Inv.	Inv. Return	Market Value	Weight
<b>Domestic Equity</b>	<b>\$88,784,424</b>	<b>39.68%</b>	<b>\$(39,375)</b>	<b>\$5,323,337</b>	<b>\$83,500,462</b>	<b>39.16%</b>
Emerald Advisers, Inc.	6,980,291	3.12%	(13,830)	284,214	6,709,907	3.15%
Ceredex Value Advisors	7,431,667	3.32%	(16,085)	291,245	7,156,506	3.36%
SSgA S&P 500 Index	61,490,197	27.48%	(6,931)	4,275,633	57,221,494	26.84%
SSgA S&P 400 Index	12,882,269	5.76%	(2,529)	472,245	12,412,554	5.82%
<b>International Equity</b>	<b>\$55,391,350</b>	<b>24.75%</b>	<b>\$(40,718)</b>	<b>\$4,684,124</b>	<b>\$50,747,945</b>	<b>23.80%</b>
Morgan Stanley Int'l Equity	23,199,349	10.37%	(40,718)	2,328,959	20,911,108	9.81%
Causeway Emerging Markets	5,027,095	2.25%	0	239,385	4,787,710	2.25%
William Blair Intl Growth	27,164,906	12.14%	0	2,115,779	25,049,127	11.75%
<b>Domestic Fixed Income</b>	<b>\$52,907,202</b>	<b>23.64%</b>	<b>\$(16,770)</b>	<b>\$1,681,187</b>	<b>\$51,242,786</b>	<b>24.03%</b>
Richmond Capital	52,907,202	23.64%	(16,770)	1,681,187	51,242,786	24.03%
<b>Real Estate</b>	<b>\$26,512,035</b>	<b>11.85%</b>	<b>\$(67,118)</b>	<b>\$(976,398)</b>	<b>\$27,555,551</b>	<b>12.92%</b>
Heitman	26,512,035	11.85%	(67,118)	(976,398)	27,555,551	12.92%
<b>Cash Account</b>	<b>\$166,426</b>	<b>0.07%</b>	<b>\$0</b>	<b>\$1,773</b>	<b>\$164,652</b>	<b>0.08%</b>
<b>Total Fund</b>	<b>\$223,761,437</b>	<b>100.0%</b>	<b>\$(163,981)</b>	<b>\$10,714,022</b>	<b>\$213,211,396</b>	<b>100.0%</b>

- The City of Fort Pierce Retirement and Benefit System plan assets are \$223.8 million at the end of the March 31, 2023.
- Investment returns were positive for the fourth quarter at \$10.7 million.

# Investment Manager Returns & Peer Rankings (Gross of Fees)

- The first quarter marked the second consecutive quarters of positive results across equities and fixed income.
- Relative to the index, the Fund outperformed the index and finished on the top quartile vs. peers.
- Manager selection within international equities was the main driver of relative results during the quarter as all of the managers within the segment strongly outperformed their benchmarks for the quarter.
- The relative overweight to Real Estate was a detractor of performance as this was the only asset class to post negative absolute results for the quarter.
- Over the long term, the fund is outperforming the benchmark on a gross of fee basis but slightly lagging on a net of fee basis.

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years					
<b>Domestic Equity</b>	<b>6.38%</b>	<b>60</b>	<b>(6.92%)</b>	<b>12</b>	<b>19.15%</b>	<b>33</b>	<b>9.89%</b>	<b>50</b>	<b>11.51%</b>	<b>38</b>
Domestic Equity Benchmark	6.16%	71	(7.93%)	46	19.12%	34	9.72%	63	11.29%	61
Pub Pln- Dom Equity	6.52%		(8.00%)		18.81%		9.90%		11.36%	
Emerald Advisers, Inc.	4.23%	85	(11.21%)	55	15.10%	66	6.41%	84	11.04%	65
Russell 2000 Growth Index	6.07%	67	(10.60%)	48	13.36%	84	4.26%	94	8.49%	96
Callan Small Cap Growth	7.16%		(10.81%)		16.93%		8.98%		11.27%	
Ceredex Value Advisors	4.06%	5	1.74%	4	22.84%	71	6.21%	49	8.52%	63
Russell 2000 Index	2.74%	21	(11.61%)	78	17.51%	94	4.71%	83	8.04%	79
Russell 2000 Value Index	(0.66%)	84	(12.96%)	87	21.01%	80	4.55%	84	7.22%	97
Callan Small Cap Value	1.18%		(6.40%)		25.13%		6.17%		8.98%	
SSgA S&P 500 Index	7.47%	23	(7.75%)	48	18.58%	46	11.18%	41	12.26%	41
Standard & Poor's 500	7.50%	23	(7.73%)	47	18.60%	45	11.19%	40	12.24%	41
Callan Large Cap Core	6.73%		(7.85%)		18.47%		10.62%		12.14%	
SSgA S&P 400 Index	3.81%	52	(5.15%)	31	22.10%	31	7.70%	66	9.82%	62
S&P Mid Cap 400 Index	3.81%	52	(5.12%)	31	22.10%	31	7.67%	66	9.80%	62
Callan Mid Capitalization	4.21%		(7.32%)		20.15%		8.41%		10.43%	
<b>International Equity</b>	<b>9.23%</b>	<b>7</b>	<b>(3.97%)</b>	<b>59</b>	<b>11.80%</b>	<b>74</b>	<b>3.66%</b>	<b>36</b>	<b>5.14%</b>	<b>58</b>
International Equity Benchmark	6.87%	78	(5.07%)	78	11.80%	74	2.47%	78	4.17%	97
Pub Pln- Intl Equity	7.42%		(3.71%)		12.96%		3.14%		5.38%	
Morgan Stanley Intl Equity	11.14%	6	3.03%	7	12.69%	70	4.19%	32	5.30%	79
MSCI EAFE Index	8.47%	51	(1.38%)	60	12.99%	64	3.52%	63	5.00%	86
Callan NonUS Dev Core Eq	8.53%		(1.09%)		13.97%		4.03%		5.84%	
William Blair Intl Growth(2)	8.45%	63	(7.73%)	91	11.97%	67	3.94%	28	5.50%	31
MSCI ACWI x US (Net)	6.87%	84	(5.07%)	77	11.80%	69	2.47%	67	4.17%	78
Callan Non US Equity MFs	9.42%		(0.60%)		13.23%		3.12%		4.98%	
Causeway Emerging Markets(2)	5.00%	57	(12.30%)	75	6.61%	65	-	-	-	48
MSCI EM	3.96%	68	(10.70%)	55	7.83%	53	(0.91%)	34	2.00%	
Callan Emerging Equity MF	5.06%		(10.19%)		7.94%		(1.40%)		1.88%	
<b>Domestic Fixed Income</b>	<b>3.28%</b>	<b>25</b>	<b>(4.48%)</b>	<b>57</b>	<b>(1.94%)</b>	<b>87</b>	<b>1.20%</b>	<b>76</b>	<b>1.74%</b>	<b>64</b>
Domestic Fixed Income Benchmark	2.96%	62	(4.78%)	72	(2.77%)	96	0.91%	91	1.36%	91
Blmbg Aggregate Index	2.96%	62	(4.78%)	72	(2.77%)	96	0.91%	91	1.36%	91
Pub Pln- Dom Fixed	3.06%		(4.30%)		(0.74%)		1.52%		1.91%	
Richmond Capital	3.28%	32	(4.48%)	40	(1.94%)	70	1.20%	76	1.74%	65
Blended Benchmark(1)	2.96%	79	(4.78%)	64	(2.77%)	96	0.91%	97	1.37%	98
Callan Core Bond FI	3.16%		(4.57%)		(1.72%)		1.37%		1.83%	
<b>Real Estate</b>	<b>(3.54%)</b>	<b>81</b>	<b>(2.41%)</b>	<b>50</b>	<b>10.62%</b>	<b>29</b>	<b>7.06%</b>	<b>60</b>	<b>-</b>	<b>-</b>
Real Estate Benchmark	(3.50%)	81	(3.69%)	64	8.17%	59	7.13%	57	-	-
Pub Pln- Real Estate	(1.81%)		(2.41%)		8.53%		7.41%		9.10%	
Heitman(2)	(3.79%)	87	(3.40%)	73	9.49%	29	6.29%	73	-	-
NFI-ODCE Equal Weight Net	(3.50%)	83	(3.69%)	80	8.17%	43	7.13%	57	8.82%	46
Callan OE Core Cmngld RE	(1.45%)		(0.87%)		7.75%		7.21%		8.49%	
<b>Total Fund</b>	<b>5.03%</b>	<b>26</b>	<b>(5.25%)</b>	<b>62</b>	<b>10.12%</b>	<b>73</b>	<b>6.07%</b>	<b>56</b>	<b>7.42%</b>	<b>42</b>
Total Fund Benchmark*	4.51%	51	(5.45%)	68	10.46%	66	6.11%	55	7.25%	48
CPI + 5%	2.87%	95	9.99%	1	10.36%	67	8.88%	1	7.64%	28
Callan Public Fund Spr DB	4.55%		(4.78%)		11.15%		6.22%		7.22%	

Current Quarter Target = 27.0% Blmbg Aggregate, 26.0% S&P 500 Index, 25.0% MSCI ACWI xUS, 10.0% NCREIF NFI-ODCE Eq Wt Net, 6.0% S&P Mid Cap 400 Index, 3.0% Russell 2000 Growth Index and 3.0% Russell 2000 Value Index.

(1) Blmbg Gov/Credit Bond Index through May 31, 2013 and Blmbg Aggregate thereafter. (2) Returns are reported net of fees.

## Investment Manager Objectives

Manager	Objective	Comments
<b>Total Fund</b>	Outperform the CPI + 5% over long term.	<b>Not Met</b>
<b>Emerald</b>	Outperform the Russell 2000 Growth Index (net of fees) over rolling 3-year periods by 0.50%.	<b>Met</b>
	Outperform the median small cap growth manager over rolling 3-year periods.	<b>Not Met</b>
<b>Ceredex</b>	Outperform the Russell 2000 Value Index (net of fees) over rolling 3-year periods by 0.50%.	<b>Met</b>
	Outperform the median small cap value manager over rolling 3-year periods.	<b>Not Met</b>
<b>SSgA S&amp;P MidCap 400 Index</b>	Replicate the return of the S&P MidCap 400 Index.	<b>Met</b>
<b>SSgA S&amp;P 500 Index</b>	Replicate the return of the S&P 500 Index.	<b>Met</b>
<b>Morgan Stanley Developed</b>	Outperform the MSCI EAFE (net of fees) over rolling 3-year periods by 0.50% over rolling 3-year periods.	<b>Not Met</b>
	Outperform the median international equity manager over rolling 3-year periods.	<b>Not Met</b>
<b>William Blair</b>	Outperform the MSCI ACWI ex-US Index (net of fees) over rolling 3-year periods.	<b>Met</b>
	Outperform the median international equity manager over rolling 3-year periods.	<b>Not Met</b>
<b>Causeway Emerging</b>	Outperform the MSCI Emerging Markets Index over rolling 3-year periods by 1.00%.	<b>Not Met</b>
	Outperform the median emerging markets equity manager over rolling 3-year periods.	<b>Not Met</b>
<b>Richmond</b>	Outperform BC Aggregate (net of fees) over rolling 3-year periods by 0.25%.	<b>Met</b>
	Outperform the median fixed income manager over rolling 3-year periods.	<b>Not Met</b>
<b>Heitman (HART)</b>	Outperform the NFI-ODCE Index over rolling 5-year periods.	<b>Not Met</b>

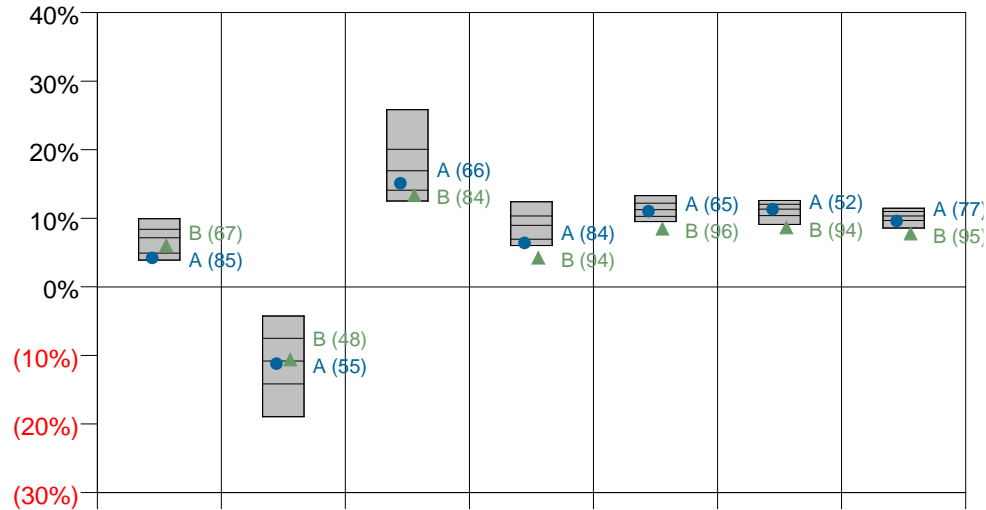
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**Domestic Equity**

# Emerald Advisors Small Cap Growth

## Performance vs Callan Small Cap Growth (Gross)

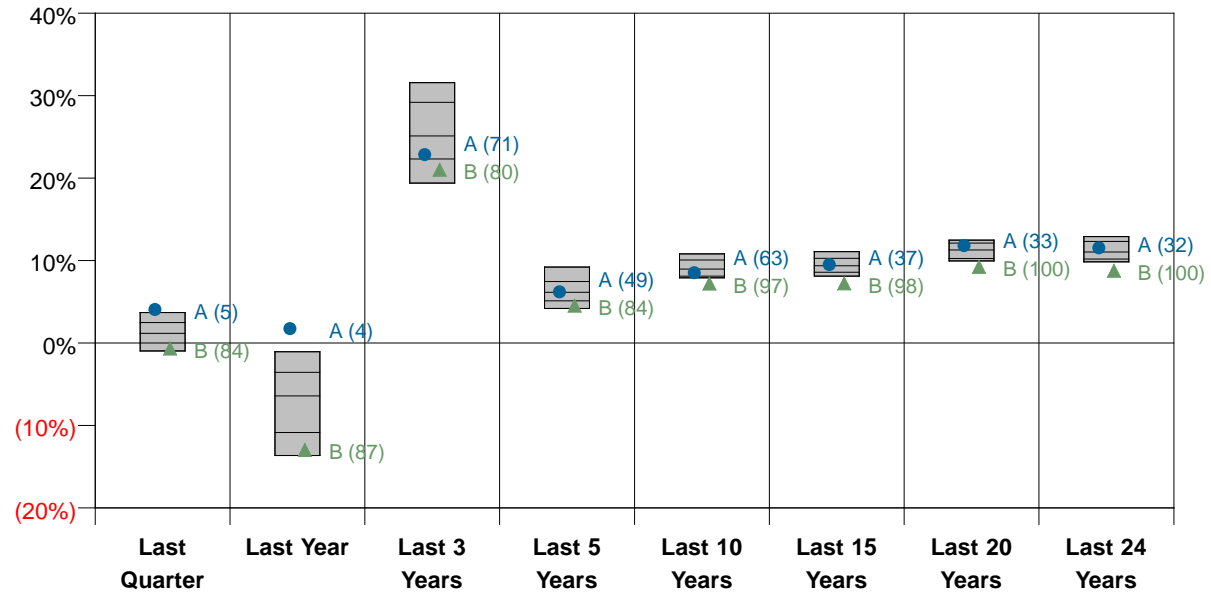


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 19 Years
10th Percentile	9.95	(4.25)	25.85	12.43	13.33	12.61	11.47
25th Percentile	8.39	(7.50)	20.08	10.34	12.21	12.06	11.01
Median	7.16	(10.81)	16.93	8.98	11.27	11.33	10.36
75th Percentile	4.92	(14.14)	14.11	6.96	10.28	10.41	9.69
90th Percentile	3.90	(18.93)	12.52	6.05	9.52	9.11	8.60
Emerald Advisers ● A	4.23	(11.21)	15.10	6.41	11.04	11.32	9.60
Russell 2000 Growth Index ▲ B	6.07	(10.60)	13.36	4.26	8.49	8.67	7.78

- During the quarter large and mid cap stocks outperformed small caps, and growth outpaced value.
- The manager posted positive absolute results but lagged the Russell 2000 Growth index as well as peers. The manager's relative results were hurt by the relative performance within technology (top detractor), industrials, consumer discretionary, energy and utilities.
- Over the long term, the manager continues provide strong results on an absolute and relative basis.

# Ceredex Value Advisors Small Cap Value

## Performance vs Callan Small Cap Value (Gross)

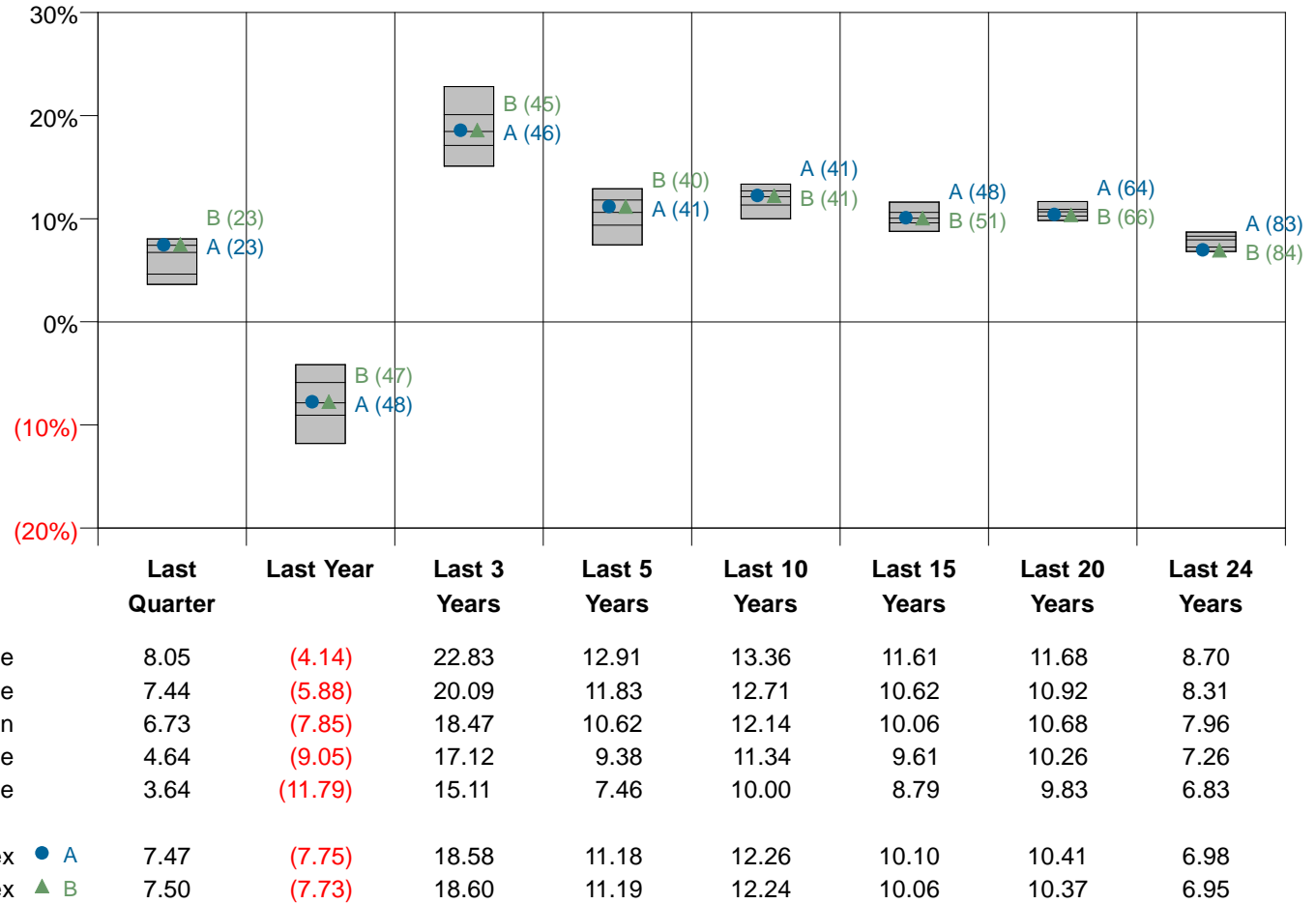


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 24 Years
10th Percentile	3.71	(1.05)	31.58	9.23	10.82	11.09	12.49	12.92
25th Percentile	2.48	(3.55)	29.20	7.46	10.09	10.29	12.13	12.32
Median	1.18	(6.40)	25.13	6.17	8.98	9.39	11.29	11.04
75th Percentile	0.00	(10.84)	22.33	5.13	8.12	8.58	10.26	10.20
90th Percentile	(0.96)	(13.65)	19.40	4.19	7.91	8.11	9.96	9.86
Ceredex Value Advisors ● A	4.06	1.74	22.84	6.21	8.52	9.51	11.82	11.55
Russell 2000 Value Index ▲ B	(0.66)	(12.96)	21.01	4.55	7.22	7.24	9.24	8.77

- During the quarter the Russell 2000 Value index was the only major index to post negative absolute performance, mainly driven by the turmoil experienced within the regional banks system.
- The manager experienced a few tough times during 2019 and 2020 due to their exposure to more COVID-sensitive cyclical names, and given the higher quality focus, they lagged when markets recovered. However, the manager has been able to overcome these obstacles and absolute and relative performance over the short and long term has improved, with the manager outperforming across all periods. Results vs. peers also continue to improve.

# SSgA S&P 500 Index

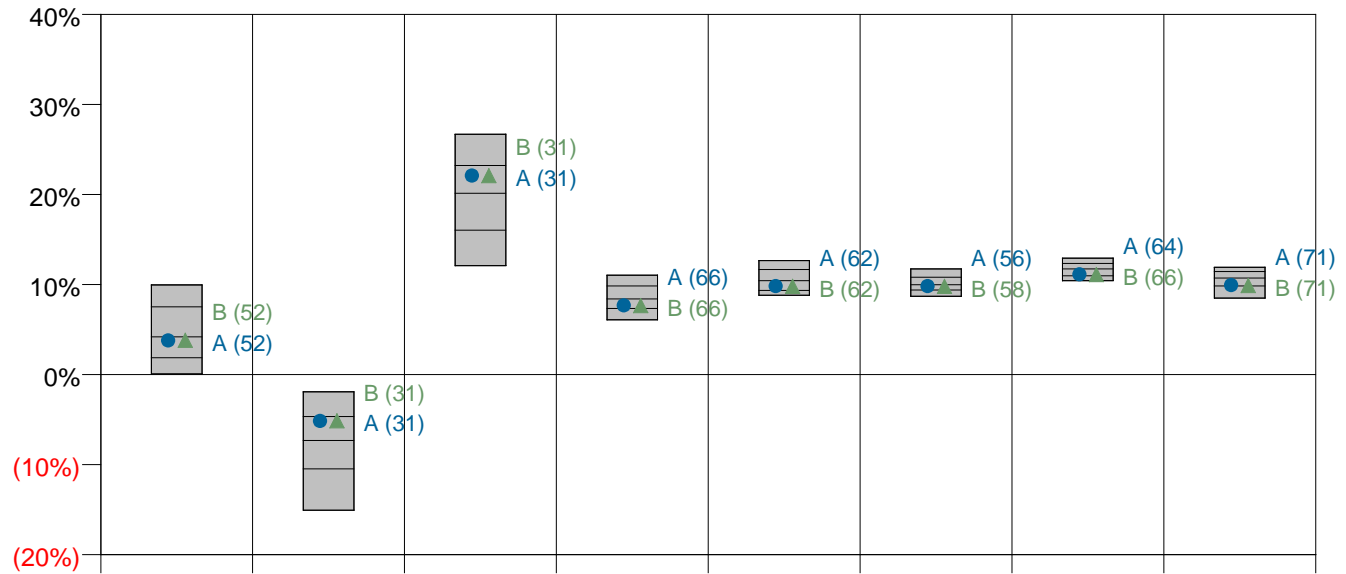
## Performance vs Callan Large Cap Core (Gross)



- The fund continues to track the index closely at a very low fee.

# SSgA S&P Mid Cap 400 Index

## Performance vs Callan Mid Capitalization (Gross)



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 24 Years
10th Percentile	9.96	(1.90)	26.71	11.05	12.67	11.75	12.94	11.93
25th Percentile	7.54	(4.65)	23.24	9.85	11.67	10.83	12.36	11.46
Median	4.21	(7.32)	20.15	8.41	10.43	9.99	11.76	10.74
75th Percentile	1.87	(10.47)	16.05	7.36	9.36	9.40	10.97	9.84
90th Percentile	0.09	(15.05)	12.10	6.08	8.81	8.70	10.45	8.50
SSgA S&P 400 Index ● A	3.81	(5.15)	22.10	7.70	9.82	9.84	11.14	9.94
S&P 400 Mid Cap Index ▲ B	3.81	(5.12)	22.10	7.67	9.80	9.82	11.11	9.89

- The fund continues to track the index closely at a very low fee.

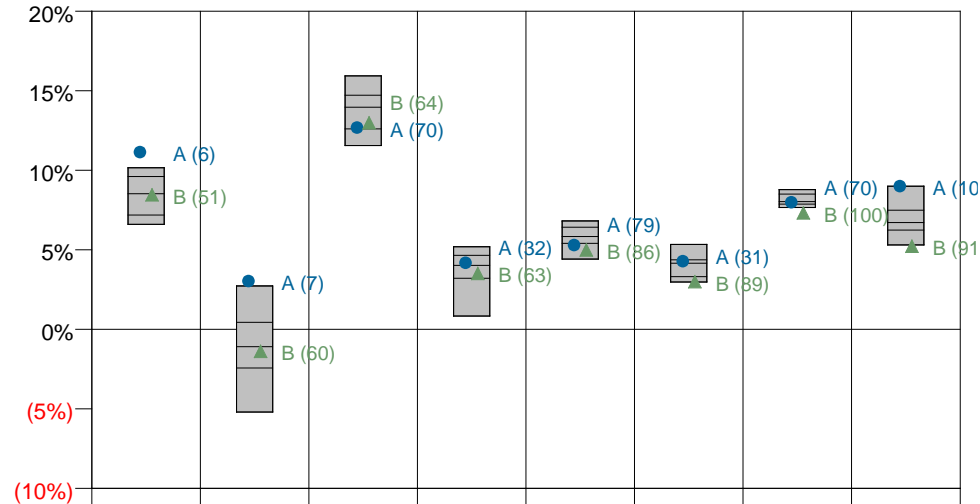
Callan

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**International Equity Performance**

# Morgan Stanley Developed International Equity

## Performance vs Callan Non-US Developed Core Equity (Gross)

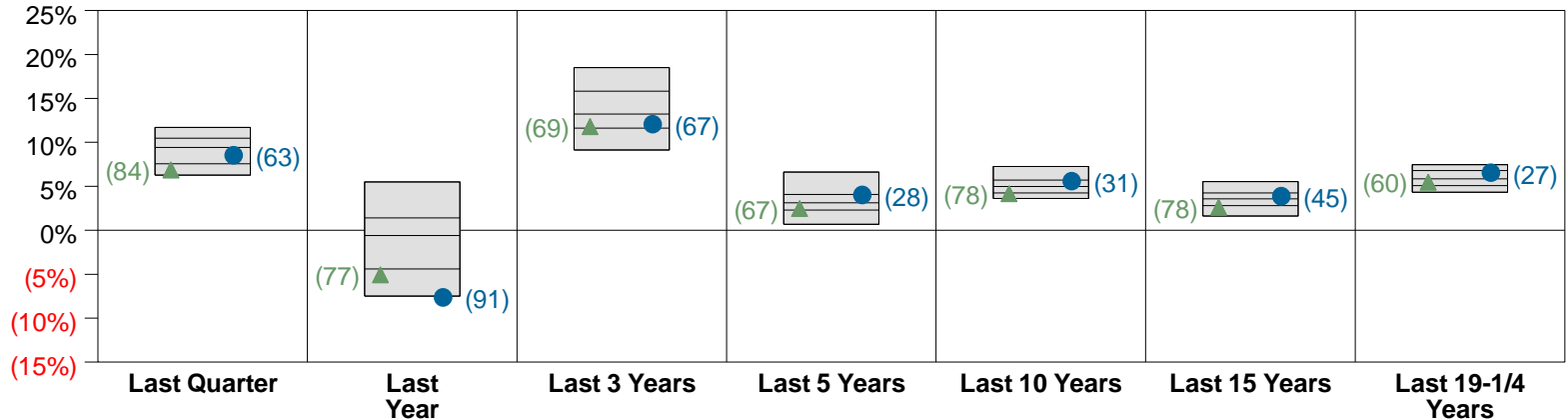


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 31 1/2 Years
10th Percentile	10.16	2.74	15.94	5.19	6.82	5.34	8.79	9.00
25th Percentile	9.62	0.45	14.72	4.66	6.42	4.38	8.51	7.49
Median	8.53	(1.09)	13.97	4.03	5.84	4.16	8.04	6.72
75th Percentile	7.20	(2.42)	12.61	3.21	5.41	3.31	7.87	6.24
90th Percentile	6.60	(5.20)	11.56	0.84	4.42	2.98	7.66	5.31
Morgan Stanley Int'l Equity ● A	11.14	3.03	12.69	4.19	5.30	4.28	7.99	9.01
MSCI EAFE ▲ B	8.47	(1.38)	12.99	3.52	5.00	3.00	7.32	5.23

- Morgan Stanley continued to exhibit positive momentum and posted strong absolute and relative results during the first quarter.
- The portfolio's relative performance for the quarter came from their stock selection within consumer discretionary, financials, industrials, and consumer staples. From an asset allocation perspective, their overweight to technology and the zero allocation to real estate contributed to relative performance.
- Long term results have come around after the overall results from 2021 and the challenges of 2022. The manager is now outperforming the MSCI EAFE index across the board (except for 3-years), and the strategy has become more competitive vs. peers.

# William Blair International Growth Equity

## Performance vs Callan Non-US Equity Mutual Funds (Institutional Net)

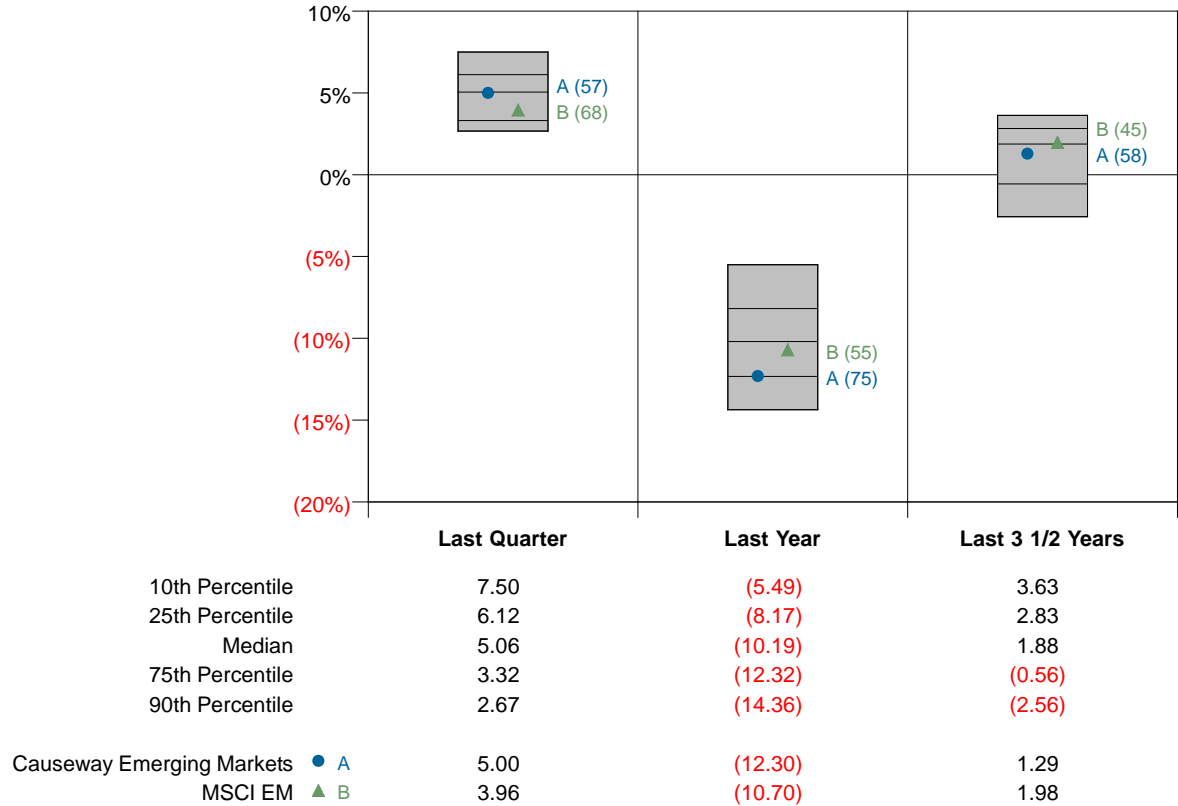


10th Percentile	11.71	5.50	18.50	6.62	7.26	5.54	7.46
25th Percentile	10.47	1.41	15.82	4.08	5.71	4.24	6.78
Median	9.42	(0.60)	13.23	3.12	4.98	3.58	5.86
75th Percentile	7.56	(4.41)	11.62	2.29	4.25	2.81	5.08
90th Percentile	6.27	(7.49)	9.13	0.68	3.61	1.61	4.33
<b>William Blair Intl Growth</b>	● 8.45	(7.73)	11.97	3.94	5.50	3.78	6.45
MSCI ACWI xUS	▲ 6.87	(5.07)	11.80	2.47	4.17	2.62	5.48

- International equities posted solid returns during the first quarter, bringing global and global ex-US markets back to black. In a reversal from 2022, growth outpaced value across developed and emerging markets, which was a tailwind for William Blair.
- Absolute performance during the quarter was strong but relative results for the last year remain behind the benchmark. Relative outperformance was driven by positive stock selection across information technology, healthcare and consumer discretionary. In addition, an overweight to information technology and industrials and underweight to financials positively contributed to relative results.
- Over the long-term, the manager continues to deliver strong results and is above peer median across these timeframes.
- Note that effective March 1<sup>st</sup>, the assets are invested in the CIT Tier 3.

# Causeway Emerging Markets

## Performance vs Callan Emerging Markets Equity Mutual Funds (Institutional Net)



- Despite underperforming developed markets for the quarter, emerging markets posted positive absolute results. In a reversal from 2022, investors preferred growth alongside a drawdown in banks; Information Technology was the largest outperformer.
- The manager’s stock selection within technology, health care, and financials contributed to positive relative results for the quarter, as the manager outpaced the MSCI Emerging Markets Index by 1.04% on a net of fee basis. In addition, security selection within India, Taiwan and Saudi Arabia.
- Over the 1-year and since inception, the manager is underperforming the index and peer median. However, this is within expectations as emerging markets returns seem to be more responsive to macro events than fundamentals.

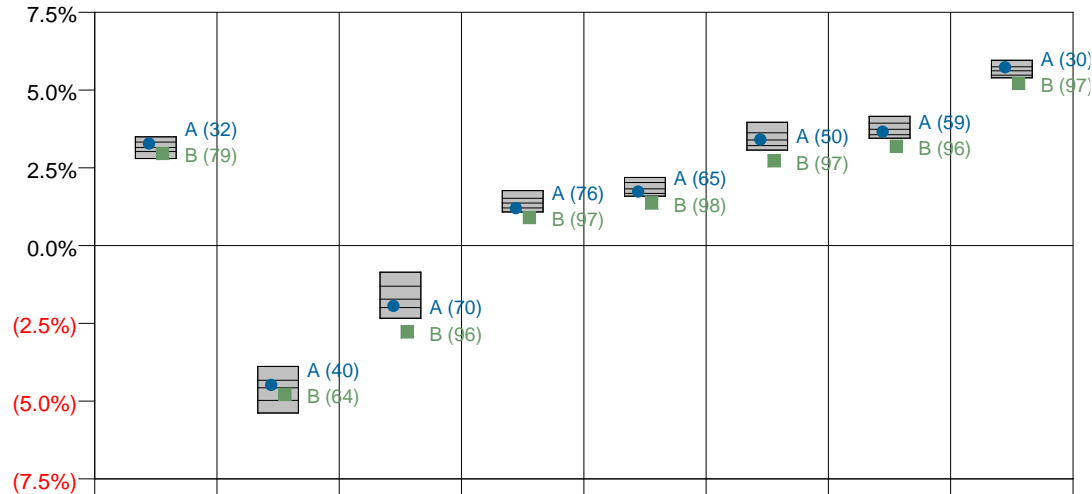
Callan

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**Fixed Income**

# Richmond Capital Core Fixed Income

## Performance vs Callan Core Bond Fixed Income (Gross)



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 32 1/2 Years
10th Percentile	3.50	(3.88)	(0.86)	1.77	2.19	3.97	4.16	5.96
25th Percentile	3.33	(4.33)	(1.31)	1.53	2.03	3.63	3.94	5.75
Median	3.16	(4.57)	(1.72)	1.37	1.83	3.40	3.74	5.62
75th Percentile	3.03	(4.97)	(1.99)	1.21	1.68	3.22	3.57	5.48
90th Percentile	2.80	(5.38)	(2.34)	1.08	1.59	3.07	3.45	5.40
Richmond Capital Mgmt ● A	3.28	(4.48)	(1.94)	1.20	1.74	3.41	3.67	5.74
Blended Benchmark* ■ B	2.96	(4.78)	(2.77)	0.91	1.37	2.73	3.20	5.21

- The first quarter of 2023 marked the second quarter in a row that bonds posted positive results after experiencing the worst one-year performance for the Bloomberg Aggregate index in its history. However, these results came with some intra quarter volatility on the bond market.
- Richmond outperformed the benchmark and peer median during the first quarter of 2023. The manager holds an overweight to credit and mortgages vs. the benchmark, which eroded some of the positive results achieved during January and February.
- Over the long term, the manager is outperforming the benchmark. Given that this manager is a more traditional, low-risk core mandate, it is not surprising to see them below the peer median.

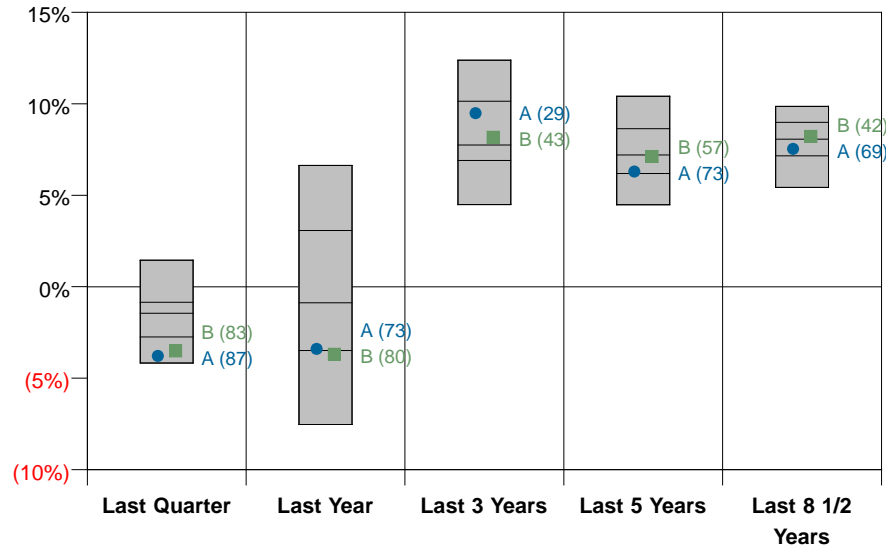
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## Real Estate

# Heitman America Real Estate Trust

## Performance vs Callan Open End Core Commingled Real Estate (Net)



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 8 1/2 Years
10th Percentile	1.45	6.63	12.39	10.42	9.86
25th Percentile	(0.85)	3.08	10.15	8.64	8.99
Median	(1.45)	(0.87)	7.75	7.21	8.07
75th Percentile	(2.74)	(3.48)	6.91	6.19	7.16
90th Percentile	(4.17)	(7.52)	4.49	4.48	5.44
Heitman Net ● A	(3.79)	(3.40)	9.49	6.29	7.54
NCREIF NFI ODCE Eq Wt Net ■ B	(3.50)	(3.69)	8.17	7.13	8.22

- Heitman posted it's second quarter of negative absolute results and finished behind the NCREIF NFI-ODCE index. During 2022 Real Estate was one of the bright spots across the capital markets, but results are slowly eroding as higher interest rates continue to put pressure on capitalization rates and valuations.
- During the quarter, four major sectors had negative appreciation, apartments, industrial, retail and office. Heitman is anticipating additional asset value trimming for private real estate appears necessary and will impact portfolio performance.
- Performance has improved over the 3-year period but continues to lag over 5-years and since inception.

Callan

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**Appendix**

# Callan's Proposed 2023 Work Plan

## City of Fort Pierce Retirement and Benefit System

	1 <sup>st</sup> Quarter 2023			2 <sup>nd</sup> Quarter 2023			3 <sup>rd</sup> Quarter 2023			4 <sup>th</sup> Quarter 2023		
<b>Strategic Planning</b>												
Review Capital Market Expectations												
Asset/Liability Study												
Present Proposed 2024 Work Plan												
<b>Plan Implementation</b>												
Prepare Cash Raise for Benefit Payments												
Provide annual Fiscal YE results												
Manager Searches (as needed)												
<b>Monitoring &amp; Evaluation</b>												
Quarterly Performance Reviews												
Quarterly Meeting Attendance												
Present Executive Summary												
Investment Manager Presentations												
Continuous Qualitative Review												
<b>Research &amp; Education</b>												
National Client Conference – Scottsdale, AZ, April 2-4												
“Callan College”												
Regional Workshops												
Custom Board Education												
Research Papers and Publications												

# Callan Institute Events

Upcoming conferences, workshops, and webinars

## Callan College

### Intro to Alternatives

This course is for institutional investors, including trustees and staff members of public plans, corporate plans, and nonprofits. This session familiarizes trustees and staff with alternative investments like private equity, hedge funds, and real estate and how they can play a key role in any portfolio. You will learn about the importance of allocations to alternatives and how to consider integrating, evaluating, and monitoring them.

– August 23-24, 2023 – Virtual Session via Zoom

### Intro to Investments—Learn the Fundamentals

This course is for institutional investors, including trustees and staff members of public plans, corporate plans, and nonprofits. This session familiarizes trustees and staff with basic investment theory, terminology, and practices.

- May 23–25, 2023 – Virtual Session via Zoom
- September 26–28, 2023 – Virtual Session via Zoom
- Nov 1 -2, 2023 – In-Person Session – Atlanta

Please visit our website at [callan.com/events-education](https://callan.com/events-education) as we add dates to our 2023 calendar!

## Mark Your Calendar

### 2023 Regional Workshops

June 27, 2023 – Denver

June 29, 2023 – San Francisco

October 24, 2023 – New York

October 26, 2023 – Chicago

### 2024 National Conference

April 8 –10, 2024 – San Francisco

*Watch your email for further details and an invitation.*

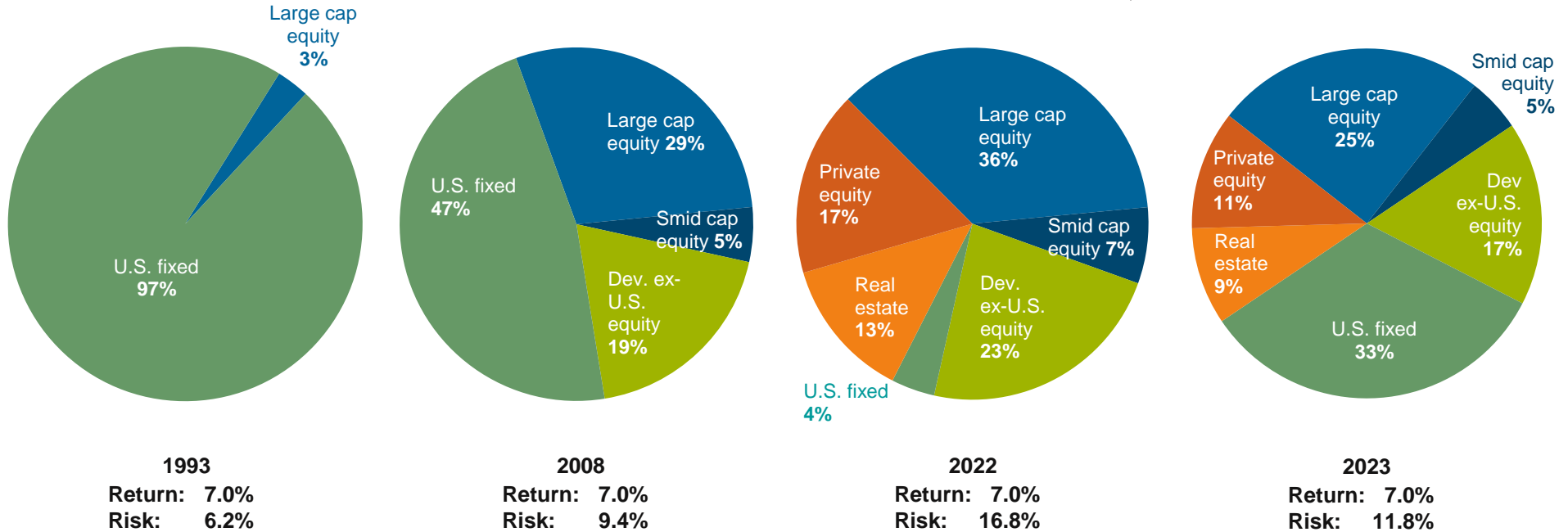
## Webinars & Research Café Sessions

### Webinar: DC – Managed Accounts

May 11, 2023 – 9:30am (PT)

# 7% Expected Returns Over Past 30 Years

## Increasing Complexity



## Increasing Risk

In 1993, our return expectation for broad U.S. fixed income was 6.85%.  
Just 3% in return-seeking assets was required to earn a 7% projected return.

15 years later, an investor would have needed over half of the portfolio in public equities to achieve a 7% projected return.

In 2022 an investor was required to include 96% in return-seeking assets (including 30% in private market investments) to earn a 7% projected return at almost 3x the volatility compared to 1993.

Today's 7% expected return portfolio is much more reasonable than it was just a year ago. The allocation to fixed income jumps to 33%, while risk drops by 30%. Illiquid alternatives (PE and private RE) also drop by 1/3.

# 2023 vs. 2022 Risk and Returns Assumptions

## Summary of Callan's Long-Term Capital Markets Assumptions (2023–2032)

Asset Class	Index	Projected Return		Real	Projected Risk	2022–2031			vs. 2022	
		1-Year Arithmetic	10-Year Geometric*		Standard Deviation	1-Year Arithmetic	10-Year Geometric*	Standard Deviation	Geometric* Delta	Std Dev Delta
<b>Equities</b>										
Broad U.S. Equity	Russell 3000	8.75%	7.35%	4.85%	18.05%	8.00%	6.60%	17.95%	0.75%	0.10%
Large Cap U.S. Equity	S&P 500	8.60%	7.25%	4.75%	17.75%	7.85%	6.50%	17.70%	0.75%	0.05%
Smid Cap U.S. Equity	Russell 2500	9.60%	7.45%	4.95%	22.15%	8.75%	6.70%	21.30%	0.75%	0.85%
Global ex-U.S. Equity	MSCI ACWI ex USA	9.45%	7.45%	4.95%	21.25%	8.70%	6.80%	20.70%	0.65%	0.55%
Developed ex-U.S. Equity	MSCI World ex USA	9.00%	7.25%	4.75%	20.15%	8.25%	6.50%	19.90%	0.75%	0.25%
Emerging Market Equity	MSCI Emerging Markets	10.45%	7.45%	4.95%	25.70%	9.80%	6.90%	25.15%	0.55%	0.55%
<b>Fixed Income</b>										
Short Duration Gov/Credit	Bloomberg 1-3 Year Gov/Credit	3.75%	3.80%	1.30%	2.30%	1.50%	1.50%	2.00%	2.30%	0.30%
Core U.S. Fixed	Bloomberg Aggregate	4.25%	4.25%	1.75%	4.10%	1.80%	1.75%	3.75%	2.50%	0.35%
Long Government	Bloomberg Long Gov	4.55%	3.70%	1.20%	13.50%	1.85%	1.10%	12.50%	2.60%	1.00%
Long Credit	Bloomberg Long Credit	5.75%	5.20%	2.70%	11.75%	2.60%	2.10%	10.50%	3.10%	1.25%
Long Government/Credit	Bloomberg Long Gov/Credit	5.25%	4.75%	2.25%	11.35%	2.30%	1.80%	10.40%	2.95%	0.95%
TIPS	Bloomberg TIPS	4.10%	4.00%	1.50%	5.30%	1.35%	1.25%	5.05%	2.75%	0.25%
High Yield	Bloomberg High Yield	6.75%	6.25%	3.75%	11.75%	4.40%	3.90%	10.75%	2.35%	1.00%
Global ex-U.S. Fixed	Bloomberg Global Agg ex US	2.70%	2.25%	-0.25%	9.80%	1.20%	0.80%	9.20%	1.45%	0.60%
Emerging Market Sov Debt	EMBI Global Diversified	6.25%	5.85%	3.35%	10.65%	4.00%	3.60%	9.50%	2.25%	1.15%
<b>Alternatives</b>										
Core Real Estate	NCREIF ODCE	6.60%	5.75%	3.25%	14.20%	6.60%	5.75%	14.20%	0.00%	0.00%
Private Infrastructure	MSCI GI Infra/FTSE Dev Core 50/50	7.15%	6.15%	3.65%	15.45%	7.10%	6.10%	15.45%	0.05%	0.00%
Private Equity	Cambridge Private Equity	11.95%	8.50%	6.00%	27.60%	11.45%	8.00%	27.60%	0.50%	0.00%
Private Credit	N/A	8.00%	7.00%	4.50%	15.50%	6.40%	5.50%	14.60%	1.50%	0.90%
Hedge Funds	Callan Hedge FOF Database	5.80%	5.55%	3.05%	8.45%	4.35%	4.10%	8.20%	1.45%	0.25%
Commodities	Bloomberg Commodity	5.05%	3.50%	1.00%	18.00%	4.05%	2.50%	18.00%	1.00%	0.00%
<b>Cash Equivalents</b>	90-Day T-Bill	2.75%	2.75%	0.25%	0.90%	1.20%	1.20%	0.90%	1.55%	0.00%
<b>Inflation</b>	CPI-U		2.50%		1.60%		2.25%	1.60%	0.25%	0.00%

\* Geometric returns are derived from arithmetic returns and the associated risk (standard deviation).

Source: Callan

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## Callan's Ethics Policy

The success of our business depends on maintaining our unblemished record for providing clients with objective advice. Callan's approach has always been to acknowledge and then aggressively manage possible conflicts to ensure they never manifest in the advice we give clients. Our firm is vigilant about employing a highly systematized process that vets potential conflicts, maintains separation of business units, and ensures that we are being entirely transparent in all our relationships. We mitigate conflicts of interest by adhering to the following:

**Code of ethical responsibility:** Callan adheres to a firm-wide ethical code which each associate must review and acknowledge in writing every year. This code affirms for Callan employees that they must uphold their duty to our clients by adhering to specific policies and procedures. Any breach of this code can result in immediate termination.

**Compliance:** Our in-house compliance officer makes sure Callan is adhering to all industry standards and regulations, while also identifying risks and putting procedures in place to mitigate them. This officer reports directly to the board of directors to ensure that any employee and all compliance oversight have a separate and distinct line of reporting away from the internal manager and report structures.

**Separation of business units:** Each of Callan's business units maintains its own personnel, as well as its own profit-and-loss accounting system. Employee compensation is contained within each separate business unit. Clients from one business unit do not receive preferential treatment in another. This statement of fact is communicated to each client at the start of any relationship with Callan and reiterated in writing on an annual basis.

**Peer Review:** Every manager search or strategic planning project undertaken for a client is a collective effort involving the client, general consultant, a team of specialists, and ultimately a peer review committee. Callan's Manager Search Committee, composed of approximately a dozen senior consultants, verifies the accuracy, completeness and objectivity of all methods used in the manager screening process. For strategic planning services, the Client Policy Review Committee, which is comprised of approximately a dozen senior consultants, evaluates all reports before they are submitted to the client. This environment of complete transparency requires a thoroughly documented process that is free of unsupported personal opinions and biases.

**Disclosure:** Callan believes in being proactively transparent with respect to all business activities and relationships. We routinely furnish our fund sponsor clients with a complete list of all investment managers who have professional relationships with Callan. New clients receive this information at the outset of our relationship.

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