Investment Policy Statement (IPS)
for the Retirement Plan for Long Beach Transit

Contract Employees

Approved on April 22, 2021

Table of Contents

Executive Summary

Plan Sponsor:	Long Beach Public Transportation
Trust Custodian:	US Bank
Type of Plan:	Defined Benefit Pension Plan
Plan IRS Tax Identification:	94-1086275
Current Assets (as of 12/31/2020):	$74,000,000
Time Horizon:	Long (10 Years+)
Actuarial Credit Rate:	6.5%
Expected Variability	11%
Fiscal Year End:	June 30

Purpose

The purpose of this Investment Policy Statement (the “IPS”) is to assist the Pension Committee (Committee) and the Board of Directors (“the Client”) in effectively supervising, monitoring and evaluating the investable assets of the Company’s Retirement Plan (the “Plan”, “Fund”) assets.

The Plan’s investment program is defined in the various sections of the IPS by:

1. Stating in a written document the Committee’s attitude, expectations, objectives and guidelines for the investment of all Plan assets;

2. Outline the duties and responsibilities of involved parties;

3. Setting forth an investment structure for managing all Plan assets including the structure of various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term;

4. Articulate guidelines for the investment portfolio to control the level of overall risk and liquidity assumed in that portfolio, so all Plan assets can be managed in accordance with stated objectives;

5. Providing rate-of-return and risk characteristics desired from the total portfolio;

6. Encouraging effective communications between all parties involved in the management of the Committee’s investment program; and,

7. Establishing formal criteria to monitor and evaluate the performance results achieved by investment managers and the Outsourced Chief Investment Officer (the “OCIO”) a regular basis.

This IPS has been formulated based upon consideration by the Committee, financial implications of a wide range of policies, and describes the prudent investment process the Committees deems appropriate. The IPS is intended to allow sufficient flexibility to address changes in capital market conditions and objectives of the Plan.

Background

The Plan is a defined benefit pension plan established on June 30, 1979 and last amended July 1, 2015. The Plan is intended to constitute a qualified plan under Section 401(a) of the Internal Revenue Code and the related trust is intended to be exempt from Federal income taxes under the provisions of Internal Revenue Code Section 501(a).

The objectives determined by the Committee are to:

1. Have the ability to pay all benefit and expense obligations when due;

2. Maintain flexibility in determining the future level of contributions;

3. Maximize return within reasonable and prudent levels of risk to minimize necessary contributions; and,

4. Control costs of administering the plan and managing the investments.

Objectives and Constraints

Investment Objective and Risk Tolerance
The Client is committed to: (1) protecting the corpus of the Fund; (2) obtaining adequate investment returns in order to protect and accumulate participant retirement savings; and (3) complying with applicable law.

The Fund shall be managed in a prudent manner recognizing risk and return trade-offs. While concerned with avoiding undue investment volatility, the Client desires to achieve investment gains which will allow them to outperform the actuarial assumed rate of return over a full market cycle. Accordingly, consistent with safety of principal over the complete business/investment cycles, investments shall be chosen to allow the client to achieve that goal.

The Investment Objectives for the Fund will be for the asset value, exclusive of contributions or withdrawals, to grow over the long run and earn, through a combination of investment income and capital appreciation, a rate of return (time-weighted total return) in equal to or in excess of the actuarial assumed rate of return target of 6.50% over 10+ years. Secondarily, the investment objective of the portfolio is to exceed a custom index made up of the indices presented in Appendix A weighted by the corresponding Target Allocations.

The Fund cash flow will be monitored on a regular basis by Staff and sufficient liquidity shall be maintained to fund payment outflows. When withdrawals become necessary, the Client will notify the OCIO within a commercially reasonable amount of time to allow sufficient time to acquire necessary liquid reserves.

The desired investment objective is a long-term annualized rate of return on assets that meets the actuarial assumed rate of return. The expected rate of return for the Plan has been based upon an assumption of future real returns will approximate the long-term rates of return projected for each asset class in the IPS.

The Committee realizes market performance varies and the stated investment objective may not be meaningful during some periods. Accordingly, relative performance benchmarks for the investment options are set forth in Appendix A.

The Committee recognizes the difficulty of achieving the Plan's investment objectives in light of uncertainties and complexities that surround investment markets. The Committee also recognizes some risk must be assumed to achieve the Plan's long-term investment objectives. In establishing the risk tolerance of the Plan, the ability to withstand short and intermediate term variability should be considered.

In summary, Long Beach Public Transportation's prospects for the future, including current financial condition and several other factors, suggest the Plan can tolerate some interim fluctuations in market value and rates of return in order to achieve its long-term objectives.

Time Horizon
The investment guidelines are based upon a long-term investment horizon of greater than ten years. Interim fluctuations should be viewed with an appropriate perspective. Similarly, the Plan's strategic asset allocation are based on this long-term perspective.

Legal Constraints
The parties with the oversight of the total portfolio shall discharge their respective responsibilities in compliance with all applicable laws, rules, and regulations of government agencies, regulatory organizations, licensing agencies or professional associates governing their professional activities.

Liquidity Constraints
The Pension Plan does not have significant cash needs. The strategic asset allocation target and ranges provide sufficient liquidity for the Plan.

Duties and Responsibilities

The following parties associated with the oversight of the total portfolio shall discharge their respective responsibilities in accordance with all applicable fiduciary standards, including: (1) in the sole interest of the Plan; (2) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and of like aims.; and (3) by diversifying the investments so as to minimize the risk of large losses. If such experts engaged are deemed to be fiduciaries, they must acknowledge such in writing.

Pension Committee
The Pension Committee is comprised of six representatives, with three representatives appointed by the Long Beach Transit Board of Directors and three Trustees appointed by Amalgamated Transit Union, Local 1277.

Contributions to the Plan are made pursuant to the applicable collective bargaining agreement.

As “named Fiduciaries”, the Pension Committee shall have sole responsibility for the administration of the Plan, which is specifically described in the Plan documents. The Pension Committee may delegate the investment management of the portfolio. The primary responsibilities of the Committee are to:

1. Establish this investment policy statement (“IPS”) and conduct periodic review to ensure compliance and appropriateness, as well as making changes deemed appropriate.

2. Review total portfolio objectives, approving strategic asset allocation target(s) and allowable ranges;

3. Establish appropriate benchmarks and review performance of the investments and outside parties, if any, through analysis, written reports and periodic meetings;

4. Select, monitor and, if necessary, replace the Outsourced Chief Investment Officer (“OCIO”);

5. Delegate policy implementation and execution to the OCIO;

6. Meet periodically with the OCIO, on at least a semi-annual basis;

7. Control and account for all investments, record keeping and administrative expenses associated with the Plan;

8. Monitor and supervise all service vendors; and,

9. Avoid prohibited transactions and conflicts of interest.

Long Beach Transit Staff
Long Beach Transit Staff (“Staff”) has been delegated authority to collaborate with and coordinate with the OCIO, Trust Administrator and Trust Custodian. Additionally, Staff’s responsibilities are to:

1. Monitor total portfolio cash flow to maintain sufficient liquidity to fund payment outflows and when withdrawals become necessary, notify the OCIO within a commercially reasonable amount of time to allow sufficient time to acquire necessary liquid reserves;

2. Work with service providers during the onboarding process.

Trust Administrator
Provides pension administrative services and assists Long Beach Transit by coordinating the administration of the Plan and ensuring that it is running as efficiently as possible. The Trust Administrator provides service to the participants, retirees and beneficiaries on behalf of the agency.

Trust Custodian
Custodians maintain possession of securities owned by the Fund and shadow account for assets custodied elsewhere and are responsible for the safekeeping of the Plan's assets. The Custodian will collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian is expected to also perform regular accounting of assets owned, purchased or sold, as well as movement of assets into and out of the Custodian's accounts. The custodian will make and process claims for recoveries in any class action securities cases in which the Fund may be a class member although the Custodian will have no duty to engage in any litigation with respect to such class action litigation.

The specific duties and responsibilities of the custodian also include:

1. Maintain separate accounts by legal registration;

2. Price and maintain values for investment holdings;

3. Collect all income and dividends owed to the Plan;

4. Settle all transactions (buy sell orders) initiated by Investment Managers or the OCIO; and,

5. Provide prompt monthly reports that detail transactions, cash flows, securities held and current value, the change in value of each security or investment and the overall portfolio since the previous report.

Investment Advisor/OCIO
The Committee may retain an objective, third party Advisor to assist the Committee in managing the overall investment process and/or management of assets. The Advisor will be responsible for guiding the Committee through a disciplined and rigorous investment process to enable the Committee to meet the fiduciary responsibilities outlined above.

The Outsourced Chief Investment Officer ("OCIO") is a fiduciary and holds discretionary authority to manage the Fund subject to this investment policy, including the selection of Investment Managers ("Manager", "Managers"), tactically altering the risk and asset allocation, and other strategies to achieve the Fund investment objectives. Additional responsibilities include:

1. Assisting the Pension Committee in the development and periodic review of the IPS, including providing consultative advice on the strategic asset allocation , allowable ranges and appropriate benchmarks

2. Conducting due diligence on and making hiring and termination decisions on Managers with general liquidity terms of one year or less;

Conducting due diligence and making recommendations to the Client on hiring and firing decisions on Managers with general liquidity terms of greater than one year. Upon approval, the OCIO can implement approvals.

3. The OCIO may use their authority to direct funds to Managers, separate accounts, collective trusts, mutual funds, partnerships, trusts, exchange-traded funds, and like vehicles.
4. Monitoring the performance of Managers.

5. Providing a summary of performance and activity to the Client at least quarterly.

6. Making tactical shifts to the asset allocation, within allowable ranges, based on the current economic outlook.

7. Communicating matters of policy, Manager research, and Manager performance to the Client.

8. Providing review of the Fund including asset allocation history, performance, fees, peer group relative rankings, risk/return characteristics, the contents of this IPS, and general educational support.

Investment Managers

Investment Managers ("Manager", "Managers") are delegated the responsibility of conducting investment management of the portion of the Fund assets under its Investment Management Agreement in accordance with the Investment Policy Statement, the Internal Revenue Code and any other applicable laws. The Investment Manager must be (1) registered under the Investment Company Act of 1940, (2) registered under the Investment Advisors Act of 1940, (3) a bank, as defined in that Act, (4) an insurance company qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of plan assets, or, (5) such other person or organization authorized by applicable law or regulation to function as an Investment Manager. Any Manager responsible for a separately managed account will agree and acknowledge in writing to serve as a fiduciary. The OCIO will monitor all fund vehicles for adherence to their intended mandate and guidelines. Specific responsibilities for each Manager shall include:

1. Utilize discretion to purchase, sell or hold the specific securities as assigned by their specific mandate, prospectus, offering memorandum or other such investment guidelines;

2. Report, on a timely basis, monthly and quarterly investment performance results as appropriate for the given investment vehicle or strategy;

3. Vote any and all proxies solicited in connection with the securities held by the portion of the total portfolio under their management – each Manager shall keep records with respect to its voting decisions and communicate such voting records to the OCIO and the Pension Committee on a timely basis;

4. Communicate to the OCIO all significant changes pertaining to the fund it manages, or the firm itself including for example changes in ownership, organizational structure, financial condition, and professional staff;

5. Effect all transactions for the Plan subject "to best price and execution" and if a manager utilizes brokerage from the Plan assets to effect "soft dollar" transactions, detailed records will be kept and communicated to the OCIO;

6. If managing a separate account (as opposed to a mutual fund or a commingled account), acknowledge co-fiduciary responsibility by signing and returning a copy of this IPS.

Portfolio Structure and Rebalancing

Strategic Asset Allocation
The Committee retains ultimate responsibility and authority to establish the strategic asset allocation and allowable ranges for the total portfolio. The OCIO will recommend a strategic asset allocation, based on the enterprise risk tolerance information provided by the Pension Committee. The Pension Committee will approve the strategic asset allocation. The strategic asset allocation is purposely set at a broad level with respect to the asset classes, so as to allow the OCIO sufficient discretion to seek relative opportunities within each category. The strategic asset allocation and portfolio benchmarks may be found under Appendix A of this document.

The Pension Committee will revisit the strategic asset allocation periodically to ensure appropriateness and will make recommendations on policy revisions. The OCIO will be responsible to rebalance the asset allocation periodically to remain within the allowable ranges. If market fluctuations cause the ranges to be breached, the OCIO will notify the Pension Committee of the breach and detail the plan to bring the assets back within policy ranges.

The Committee believes long-term investment performance, in large part, is primarily a function of the asset class mix.

The strategic asset allocation for the Plan may be found under Appendix A of this document.

Rebalancing
The OCIO will be responsible to rebalance the asset allocation periodically to remain within the allowable ranges. If market fluctuations cause the ranges to be breached, the OCIO will notify the Pension Committee of the breach and detail the plan to bring the assets back within policy ranges.

The Pension Committee acknowledges that given the less liquid nature of the alternative assets, such breaches may occur naturally and may require an extended period of time for remedy. Furthermore, there is recognition that implementation of a policy immediately is impossible, as such implementation grace periods are anticipated. The OCIO will provide policy implementation plans and report on progress to the Pension Committee in a timely manner.

Note: Past performance does not guarantee future results. Investment return and principal value will fluctuate and those shares, when redeemed, may be worth more or less than their original cost.

Risk Management

The portfolio will be managed so that the long-term level of Fund risk is similar to the Target Allocation. Over shorter time frames, Fund risk may deviate from the Target Allocation due to current market conditions. Portfolio risk will be measured and monitored in both absolute and relative terms. Absolute risk measures how the portfolio returns are expected to behave relative to the target return. Relative risk measures how the portfolio returns are expected to behave relative to the strategic asset allocation. The OCIO will be allowed to actively manage the risk exposures within the Fund as further defined herein and will report on a quarterly basis on the total level of risk incurred using some or all of the risk metrics outlined below.

1. Active tilts from strategic asset allocation: The OCIO may actively manage portfolio allocations within the capital allocation ranges defined in Appendix A.

2. The OCIO will consider other measures of risk when managing active risk, including but not limited to:
    a. Absolute portfolio risk and risk factor contribution to total risk;

    b. Portfolio beta, duration, and spread duration

    c. Relative portfolio risk and relative risk factor contribution from: equity, interest rates, credit, hedge funds, and currency risk; and

    d. Active positions across geographic regions

Investment Guidelines

1. Each Manager must have in place detailed investment guidelines appropriate to their mandate and role in this portfolio. The OCIO will be responsible for establishing guidelines for Managers of separately managed accounts; these Managers must annually attest to their compliance to this IPS and their individual guidelines. Managers of commingled trusts, mutual funds, partnerships and commingled funds will be subject to the guidelines set for in their prospectus or offering memorandum, which the OCIO will evaluate in their selection and monitoring efforts to ensure appropriateness for the Plan.

2. Proxies: Each Manager shall have the right to vote any and all proxies solicited in connection with the securities held by the Fund under their management and shall vote proxies in a manner consistent with their fiduciary responsibility. Each Manager shall keep records with respect to its voting decisions and promptly submit a report summarizing votes cast to the Pension Committee or OCIO when requested, if not otherwise periodically provided. The OCIO is authorized to vote proxies for commingled funds and mutual funds in the event the OCIO is advised by a Manager that in a particular event the Manager is unable to vote a proxy. The OCIO shall cast the proxy in a manner consistent with its fiduciary responsibility to the Plan, keep records of such vote and provide Pension Committee with details of the vote cast, and promptly provide a summary of votes cast to the Pension Committee when requested.

3. Trading and Execution: As fiduciaries, Managers and OCIO shall have a duty of "best execution" to seek the most favorable terms reasonably available under the circumstances. Best execution is not necessarily the lowest possible commission cost, but rather the best qualitative execution, including commission rates, execution capability, financial responsibility and responsiveness to the Managers and OCIO.

4. Allowances:
    a. Investment vehicles allowed include mutual funds, ETFs, ETNs, commingled funds, limited partnerships, separate accounts, and such institutional vehicles of a related nature. Investment types within each vehicle may include, among others, individual stocks, sovereign and agency bonds and notes, corporate bonds, real estate, and commodities. Separate account vehicles will have their own investment management agreement, allowable investment types and restrictions.

    b. The OCIO has authority to use third-party transition or overlay managers to effect transactions and attain market exposure through synthetic instruments in order to ensure market exposure as outlined in Appendix A is maintained, to ensure efficient execution of positions, and to limit trading costs. The third-party transition or overlay manager must adhere to the prohibited investments defined in Restrictions.

5. Restrictions:
    a. Prohibited Transactions:
        i. The OCIO is prohibited from margin transactions or leverage at the total portfolio level.
        ii. The OCIO is also prohibited from any manager commitments with lock-ups or similar illiquidity provisions greater than one-year, without approval from the Pension Committee.
        iii. Direct investment in derivative and OTC contracts including, but not limited to: options, futures, options on futures, forwards and swaps unless such investments are performed by an investment manager hired for that specific purpose by the OCIO (such as an overlay manager or currency manager)
        iv. Direct emerging markets investments
        v. Private placements
        vi. Venture capital
        vii. Direct real estate investments
        viii. Annuities issued by insurance companies

Monitoring

The Committee acknowledges fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance; the Committee intends to evaluate investment performance from a long-term perspective.

Portfolio Benchmarks

Policy Benchmarks are designed to track the strategic asset allocation of total portfolio and may be revised periodically as/when the strategic asset allocation is revised. Portfolio benchmarks may be found under Appendix A of this document.

Manager Benchmarks

The OCIO will establish appropriate benchmarks for each Manager according to their style and intended role in the portfolio. The OCIO will be responsible for tracking Manager benchmark deviations relative to the applicable Policy Benchmark Index and ensuring the tracking risk is appropriate and intended,and will provide necessary attribution and education to the Pension Committee as needed.

Reporting

Quarterly performance reports will be provided to the Pension Committee by the Advisor/OCIO, and will include investment performance of the total portfolio as well as asset class components and Managers. The Pension Committee will use this information to evaluate the extent to which investment results are consistent with the objectives, goals and guidelines set forth in this statement. The OCIO will provide as-needed reporting to the Pension Committee relative to objectives and guidelines.

Portfolio and Managers

The Pension Committee has the responsibility to monitor the OCIO and will generally conduct a review on an annual basis.

The OCIO has responsibility to monitor the overall risk of the total portfolio as well as the performance and risk taken by Managers. Additionally, the OCIO shall review all Managers' personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results. The OCIO has the authority to terminate a Manager for any reason including failure to adhere to their mandate or guidelines, unacceptable performance or risk exposures, significant qualitative changes, or simply a preference for a different Manager.

Costs

The Committee will review, at least annually, all costs associated with the management of the Plan's investment program.

The investment manager should report the proper identification and accounting of all parties receiving soft dollars and/or 12b-1 fees generated by the Portfolio.

Adoption and Review of the IPS

The Committee will generally review this IPS, to determine whether stated investment objectives, financial status and capital market expectations are still relevant and the continued feasibility of achieving the same. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

Board-Appointed Pension Committee:

____ ____________________
Kenneth A. McDonald, President and CEO Date

____ ____________________
Lisa Patton, Executive Director/VP, Finance and Budget Date

____ ____________________
(Open), Executive Director/VP, Date
Organizational Development and Administration

Amalgamated Transit Union Local 1277 Appointed Pension Committee

____ ____________________
Art Aguilar, President Date

____ ____________________
Errol Frazier, Vice President Date

____ ____________________
Mauro Varela, Treasurer Date

APPENDIX A: Strategic Asset Allocation & Benchmarks (revised 3/30/2021)

Asset Class	Minimum Allowed	Strategic Target	Maximum Allowed
Global Equities	40%	55%	70%
Fixed Income	15%	25%	40%
Real Assets	0%	10%	20%
Diversifying Alternatives	0%	10%	20%
Cash	0%	0%	10%

Portfolio Benchmarks

Asset Class Represented	**Policy Benchmark Index**
Global Equity	MSCI ACWI
Fixed Income	BBgBarc U.S. Universal
Real Assets	70% NCREIF ODCE/30% FTSE NAREIT Equity REIT
Diversifying Alternatives	HFRI Fund of Fund Composite
Cash	Bloomberg Barclays US Treasury Bill 1-3 Months

APPENDIX B: Asset Class Definitions

The following asset class definitions are intended to provide further clarity of the intended exposures and sub-allocations within the broad categories of the strategic asset allocation in Appendix A. Guidelines and restrictions listed herein are general in nature and are expected to be reiterated and clarified in each investment manager's specific mandate and guidelines.

A. Global Equities include publicly traded securities issued across all markets, including (but not limited to) the United States and other developed countries, as well as emerging and frontier countries. Sub-allocations may include country- or sector- specific strategies, as well as those identified by specific style or market capitalization factors. Allowable securities include common stocks, structured notes on market indices, convertible notes and bonds, convertible preferred stocks, American Depository Receipts (ADRS), covered calls, and may be dollar or non-dollar denominated.
B. Fixed Income include publicly traded debt instruments across all markets and issuer types. While the category generally refers to an intermediate investment-grade domestic fixed income management style typified by the Barclays U.S. Universal Bond Index, it is the intention of this policy to allow strategic or tactical exposures to below investment grade, foreign, and/or varying durations. This may include specific exposures to foreign, high yield, bank loans, foreign and emerging market debt denominated in both hard and local currencies, and related multi-asset fixed income strategies. Allowable securities include U.S. Government and agency securities, corporate notes and bonds, mortgage-backed securities, preferred stock, below investment grade, and debt issuances of foreign governments and corporations. The fixed income portfolios should be well diversified to avoid undue exposure to any single economic sector, industry, or individual security.
C. Real Assets include both liquid and illiquid strategies that will seek to provide a positive expected return and exhibit a positive correlation to domestic inflation. Illiquid strategies with general liquidity terms of greater than on year requires approval from the Pension Committee. Liquid strategies may consist of publicly-traded equities, commodities, inflation protected bonds (TIPS) and other exchange listed securities that are believed to provide an appropriate hedge to inflation. Less liquid or Illiquid strategies may consist of private limited partnerships and secondaries in sectors with inflation sensitive assets including, but not limited to, real estate, energy, mining, infrastructure, timberland, and farmland. Instruments utilized may include partnerships, funds, trusts, REITs, ETFs, ETNs, debt, derivatives and other similarly structured vehicles.
D. Diversifying Alternatives refer to a broad categorization of alternative investment strategies typified by more complex and often opaque investment strategies, less liquid investment terms and typically performance-based fees. Funds will typically feature strategies involving leverage, shorting, frequent trading, derivative among other approaches. This category specifically includes hedge funds, alternative beta, multi-asset funds and related strategies, but will be limited to such vehicles with general liquidity terms of one year or less, unless specifically approved by the Pension Committee.
E. Cash & Equivalents includes Treasury bills, money market funds, commercial paper, bankers acceptances and certificates of deposit.

APPENDIX C: Capital Market Assumptions

Verus 10-year Capital Market Assumptions (2021)

Asset Class	Index Proxy	Ten Year Return Forecast Geometric	Ten Year Return Forecast Arithmetic	Standard Deviation Forecast
Equities				
U.S. Large	S&P 500	5.1%	6.3%	15.7%
U.S. Small	Russell 2000	5.2%	7.3%	21.4%
International Developed	MSCI EAFE	5.2%	6.7%	17.9%
International Small	MSCI EAFE Small Cap	4.4%	6.7%	22.4%
Emerging Markets	MSCI EM	5.4%	8.3%	25.5%
Global Equity	MSCI ACWI	5.2%	6.6%	17.3%
Private Equity*	Cambridge Private Equity	9.3%	12.1%	25.7%
Fixed Income				
Cash	30 Day T-Bills	0.2%	0.2%	1.2%
U.S. TIPS	BBgBarc U.S. TIPS 5-10	1.1%	1.2%	5.3%
U.S. Treasury	BBgBarc Treasury 7-10 Year	0.7%	0.9%	6.7%
Global Sovereign ex U.S.	BBgBarc Global Treasury ex U.S.	0.2%	0.6%	9.6%
Global Aggregate	BBgBarc Global Aggregate	1.1%	1.3%	6.1%
Core Fixed Income	BBgBarc U.S. Aggregate Bond	1.5%	1.6%	4.0%
Core Plus Fixed Income	BBgBarc U.S. Universal	2.2%	2.3%	4.0%
Short-Term Gov't/Credit	BBgBarc U.S. Gov't/Credit 1-3 Year	0.7%	0.8%	3.6%
Short-Term Credit	BBgBarc Credit 1-3 Year	1.0%	1.1%	3.6%
Long-Term Credit	BBgBarc Long U.S. Corporate	2.2%	2.6%	9.3%
High Yield Corp. Credit	BBgBarc U.S. Corporate High Yield	3.4%	4.0%	11.3%
Bank Loans	S&P/LSTA Leveraged Loan	2.9%	3.2%	9.5%
Global Credit	BBgBarc Global Credit	0.3%	0.6%	7.4%
Emerging Markets Debt (Hard)	JPM EMBI Global Diversified	5.2%	6.0%	12.7%
Emerging Markets Debt (Local)	JPM GBI-EM Global Diversified	4.3%	5.0%	12.2%
Private Credit	Bank Loans + 175bps	4.6%	5.2%	11.2%
Other				
Commodities	Bloomberg Commodity	2.2%	3.4%	15.9%
Hedge Funds*	HFRI Fund Weighted Composite	3.8%	4.1%	7.8%
Real Estate Debt	BBgBarc CMBS IG	2.2%	2.5%	7.5%
Core Real Estate	NCREIF Property	5.8%	6.5%	12.6%
Value-Add Real Estate	NCREIF Property + 200bps	7.8%	9.1%	17.1%
Opportunistic Real Estate	NCREIF Property + 400bps	9.8%	11.8%	21.6%
REITs	Wilshire REIT	5.8%	7.5%	19.3%
Global Infrastructure	S&P Global Infrastructure	7.8%	9.4%	18.8%
Risk Parity	Risk Parity	5.2%	5.9%	10.0%
Currency Beta	MSCI Currency Factor Index	1.2%	1.3%	3.5%
Inflation		2.0%	-	-

*Return expectations differ depending on method of implementation.

APPENDIX D: Glossary

ADV
Disclosure document required to be filed (and updated annually) by a Registered Investment Advisor with the Securities and Exchange Commission. This form details the advisor's practices, operations, fees, and individuals associated with the advisor, if registered as a firm.

Alpha
The statistical measure of a portfolio's return in excess of the market return adjusted for risk. It is a measure of the manager's contribution to performance with reference to security selection.

American Depository Receipts (ADRs)
Financial assets issued by U.S. banks that represent indirect ownership of a certain number of equity shares in a foreign firm. ADRs are held on deposit in a bank in the firm's home country.

Basis Point
1.00% = 100 Basis Points

Beta
The statistical measure of the volatility, or sensitivity, of rates of return on a portfolio or security in comparison to a market index. The beta value measures the expected change in return per one percent change in the return on the market. Thus, a portfolio with a beta of 1.1 would move 10% more than the market.

Board Room Risk
The risk that trustees will not ride out short-term volatility (and therefore alter a sound long-term strategy) due to pressure put on them in their role as trustees.

Broad Fixed Income
Funds that diversify their assets among several fixed income sectors - usually government, corporate and high yield domestic obligations.

Correlation Coefficient
Correlation measures the degree to which two variables are associated. Correlation is a commonly used tool for constructing a well-diversified portfolio. Traditionally, equities and fixed-income asset returns have not moved closely together. The asset returns are not strongly correlated. A balanced fund with equities and fixed-income assets represents a diversified portfolio that attempts to take advantage of the low correlation between the two asset classes.

Dollar-weighted Rate of Return
Method of performance measurement that calculates returns based on the cash flows of a security or portfolio. This return is also referred to as the internal rate of return (IRR).
Duration
A measure of the average maturity of the stream of interest payments of a bond. The value of a given bond is more sensitive to interest rate changes as duration increases,

i.e. longer duration bonds have greater interest rate volatility than shorter duration bonds. Duration is always shorter than **maturity** except for zero coupon bonds.

Emerging Markets
Managers who primarily concentrate on investments in newly emerging second and third world countries in the regions of the Far East, Africa, Europe, and Central and South America. These portfolios are characterized by aggressive risk/return profiles that generate high volatility in search of high returns.

End Point Sensitivity
The performance of a manager/fund may vary depending on which ending time periods are used to analyze performance. Therefore it is important to look at performance for a number of market cycles or time periods to gain an accurate assessment of the manager/fund's performance.

Equilibrium Spending Rate
Specific to foundations and endowments, the "spending rate" which offsets inflation and additional cost increases.

9.0%	-	3.5%	-	1.5%	=	4%
(Return)		(Inflation)		(Cost increases)		(Equilibrium Spending Rate)

ERISA
The Employee Retirement Income Security Act is a 1974 law governing the operation of most private pension and benefit plans. The law eased pension eligibility rules, set up the **Pension Benefit Guaranty Corporation**, and established guidelines for the management of pension funds.

Fiduciary
Indicates the relationship of trust and confidence where one person (the fiduciary) holds or controls property for the benefit of another person. For example, the relationship between a trustee and the beneficiaries of the trust.

> Any person who (1) exercises any discretionary authority or control over the management of a plan or the management or disposition of its assets, (2) renders investment advice for a fee or other compensation with respect to the funds or property of a plan, or has the authority to do so, or (3) has any discretionary authority or responsibility in the administration of a plan.

Geometric Return
A method of calculating returns which links portfolio results on a quarterly or monthly basis. Suppose a $100 portfolio returned +25% in the first quarter (ending value is $125) but lost 20% in the second quarter (ending value is $100). Over the two quarters the return was 0% - this is the geometric return. However, the **Arithmetic Return** calculation would simply average the two returns: (+25%)(.5) + (-20%)(.5) = +2.5%.

Global Bond
Funds that invest in fixed income securities, primarily from developed countries around the world, including the U.S..

Guaranteed Investment Contracts (GICs)
Contract between an insurance company and a corporate profit sharing or pension plan that guarantees a specific rate of return on the invested capital over the life of the contract. Although the insurance company takes all market, credit, and interest rate risks on the investment portfolio,
it can profit if its returns exceed the guaranteed amount. For pension and profit-sharing plans, guaranteed income contracts are a conservative way of assuring beneficiaries that their money will achieve a certain rate of return.

Intermediate Bond
Fixed income funds of investment grade securities that have a duration of more than 3.5 but less than 6.0 years or an average effective maturity of more than 4.5 but less than 7.0 years.

International Equity
Funds that invest in non-U.S. stocks, primarily in developed countries around the world. Although, most international funds include an allocation to emerging markets as well.

Large-Cap Blend
Equity funds that invest in stocks that represent the largest 5% of the top 5,000 U.S. stocks and where the P/E and P/B is comparable to that of the S&P 500.

Large-Cap Growth
Equity funds that invest in stocks that represent the largest 5% of the top 5,000 U.S. stocks and where the P/E and P/B is greater than that of the S&P 500.

Large-Cap Value
Equity funds that invest in stocks that represent the largest 5% of the top 5,000 U.S. stocks and where the P/E and P/B is less than that of the S&P 500.

Low Market Correlation
Equity funds that invest in broadly diversified commodities, tactical asset allocation funds, and hedge fund of funds.

Market Capitalization
A common stock’s current price multiplied by the number of shares outstanding. It is the measure of a company’s total value on a stock exchange.

Market Timing
A form of **Active Management** that moves funds between asset classes based on short-term expectations of movements in the capital markets. (Not recommended as a prudent process.) It is very difficult to improve investment performance by attempting to forecast market peaks and troughs.

Mid-Cap Equities
Equity funds that invest in stocks that represent those firms between 5% and 20% according to size of the top 5,000 U.S. stocks.

Modern Portfolio Theory (MPT)
Essential to portfolio theory is the relationship between risk and return and the assumption that investors must be compensated for assuming risk. This portfolio approach shifts emphasis from analyzing the characteristics of individual investments to determining the statistical relationships among the individual securities that comprise the overall portfolio.

Quality Rating
The rank assigned a security by rating services such as Moody's and Standard & Poor's. The rating may be determined by such factors as: (1) the likelihood of fulfillment of dividend, income, and principal payment obligations, (2) the nature and provisions of the issue, and (3) the security's relative position in the event of liquidation of the company. Bonds assigned the top four
grades (AAA, AA, A, and BBB) are considered "**Investment Grade**" because they are eligible bank investments as determined by the Comptroller of the Currency.

Real Estate
Funds that invest primarily in REIT equity instruments. The characteristics of these funds are more representative of small-cap stocks than direct investment in a diversified portfolio of real estate comprised of farm, residential, and commercial properties.

Risk-Free Rate of Return
The return on a 90-day Treasury bills. This is used as a proxy for no risk due to its U.S. Government issuance and short-term maturity. The term is really a misnomer since nothing is free of risk. It is utilized since certain economic models require a "risk-free" point of departure. See **Sharpe Ratio**.
R-squared (R^2)
Formally called the coefficient of determination, this statistic measures the overall strength or "explanatory power" of a statistical relationship. In general, a higher R^2 means a stronger statistical relationship between the variables that have been estimated, and therefore more confidence in using the estimation for decision-making.

Sharpe Ratio
Statistical measure of risk-adjusted return. It is calculated by subtracting the **Risk-Free Return** (usually 3 Month Treasury Bill) from the portfolio return, then dividing the resulting "excess return" by the portfolio's total risk level (standard deviation). The result is a measure of return gained per unit of total risk taken. The Sharpe Ratio can be used to compare the relative performance of managers. If two managers have the same level of risk but different levels of excess return, the manager with the higher Sharpe Ratio would be preferable.

Short-Term Fixed Income
Fixed income funds of investment grade securities that have a duration of more than 1.0 but less than 3.5 years or an average effective maturity of more than 1.0 but less than 4.0 years. Also, used as a proxy for GICs, Stable Value Funds and Money Markets.

Small-Cap Equities
Equity funds that invest in stocks that represent the smallest 80% of the top 5,000 U.S. stocks.

Soft Dollars
The portion of a plan's commissions expense incurred in the buying and selling of securities that is allocated through a **Directed Brokerage** arrangement for the purpose of acquiring goods or services for the benefit of the plan.

Standard Deviation
Statistical measure of portfolio risk. It reflects the average deviation of the observations from their sample mean. Standard Deviation is used as an estimate of risk since it measures the width of the range of returns. The wider the typical range of returns, the higher the standard deviation of returns, and the higher the portfolio's risk. If returns are normally distributed (i.e. have a bell-shaped curve distribution), then approximately 2/3 of the returns would occur within plus or minus one Standard Deviation from the sample mean.

Systematic Risk
Attributable to common macroeconomic factors and sometimes referred to as market risk. Systematic Risk is the part of a security's total risk that is related to movements in the market portfolio and therefore cannot be diversified away.

Time-Weighted Rate of Return
Method of performance measurement that strips the effect of cash flows on investment performance by calculating sub period returns before and after a cash flow and averaging these sub period returns. Time-weighted performance removes the impact of cash flows and as a result is widely accepted as the appropriate method of comparison for investment managers and market index returns.

Unsystematic Risk
A risk pertaining to one element in a large environment or system. The risk of one stock is unsystematic, while the risk of the entire market of which it is an element is systematic. See **Systematic Risk**.

APPENDIX E: Board and Pension Committee Members

Current Board of Directors of Long Beach Public Transportation Company:

Michael Clemson	Chair
David Sutton	Vice Chair
Colleen Bentley	Secretary/Treasurer
Sumire Gant	Director
Jeffrey Price	Director

Current Pension Committee Members:

Kenneth A .McDonald	President and Chief Executive Officer
Lisa Patton	Executive Director/VP, Finance and Budget
(Open)	Executive Director/VP, Organizational Development and Administration
Art Aguilar	President, ATU Local 1277
Errol Frazier	Vice President, ATU Local 1277
Mauro Varela	Treasurer, ATU Local 1277