Investment Policy Statement (IPS)

for the Retirement Plan for Long Beach Transit

Salaried Employees

Approved on April 22, 2021

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Executive Summary

Plan Sponsor:	Long Beach Public Transportation
Trust Custodian:	U.S. Bank
Type of Plan:	Defined Benefit Pension Plan
Plan IRS Tax Identification:	95-6044389
Current Assets (as of 12/31/2020):	$35 million
Time Horizon:	10 years or more
Assumed Rate of Return:	6.0%
Expected Variability:	11.0%
Fiscal Year End:	June 30

Purpose

The purpose of this Investment Policy Statement ("IPS") is to assist the Pension Committee Members ("Committee") and the Board of Directors in effectively supervising, monitoring and evaluating the investment of the assets of the Retirement Plan for Salaried Employees of Long Beach Public Transportation Company ("Plan").

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. Setting forth an investment structure for managing all Plan assets. The structure includes 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.

3. Providing 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.

4. Providing rate-of-return and risk characteristics for each asset class represented by various investment options.

5. Encouraging effective communications between all parties involved in the management of the Committee's investment program.

6. Establishing formal criteria to monitor and evaluate the performance results achieved by the money managers on 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 Committee deems appropriate.

Background

The Plan is a defined benefit pension plan established on July 1, 1964 and last amended and restated effective July 1, 2015. The Plan has approximately $35 million in assets as of December 31, 2020. 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. Maintain a funded status with regard to current pension liabilities;
2. Have the ability to pay all benefit and expense obligations when due;
3. Maintain flexibility in determining the future level of contributions. Investment results are the critical element in achieving the investment objectives, while reliance on contributions is a secondary element;
4. Maximize return within reasonable and prudent levels of risk in order to minimize necessary contributions; and,
5. Control costs of administering the Plan and managing the investments.
6. Follow general “safe harbor” rules:
    a. Use prudent experts (registered investment adviser (including mutual funds), bank, or insurance company) to make the investment decisions
    b. Demonstrate that the prudent expert was selected by following a due diligence process
    c. Give the prudent expert discretion over the assets
    d. Have the prudent expert acknowledge their co-fiduciary status (mutual funds are exempt from this requirement – the prospectus is deemed to serve as the fund’s fiduciary acknowledgement).

Statement of Objectives

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

Risk Tolerances
The Committee recognizes the difficulty of achieving the Plan’s investment objective in light of uncertainties and complexities in investment markets. The Committee also recognizes some risk must be assumed to achieve the Plan’s long-term investment objectives. In establishing the risk tolerances of the IPS, the ability to withstand short and intermediate term variability should be considered.

In summary, Long Beach Transit's ("LBT") prospects for the future, 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.

Performance Objectives
The desired investment objective is a long-term rate of return on assets that is at least 6.0%. The expected rate of return for the Plan has been based upon the assumption that actual returns in the future years will approximate historical returns of a similarly allocated portfolio in the IPS. Performance will be measured against a policy benchmark as defined in the Monitoring section of this policy.

The Committee realizes market performance varies and a 6.0% rate of return may not be meaningful during some periods. Accordingly, relative performance benchmarks for the investment options are set forth in the "Monitoring" section.

Duties and Responsibilities

Company
In general, LBT shall have the primary responsibility for making the required contributions to the Plan as provided for under Article 6 of the Plan and determined by the Plan's actuary.

Board of Directors
In general, LBT shall have sole responsibility for making the contributions provided for under Article 4 of the Plan documents. As "named Fiduciaries," the Board of Directors shall have the sole authority to appoint and remove the Trustee and members of the Committee, to approve the Plan's "funding policy and method" at the Board level and to amend or terminate the Plan, in whole or in part.

Pension Committee
As "named Fiduciaries," the Committee shall have sole responsibility for the administration of the Plan, which is specifically described in the Plan documents. The primary responsibilities of the Committee are to:

1. Delegate the investment management of the Plan;
2. Establish and maintain this Investment Policy Statement;
3. Review the Investment Policy Statement generally annually;
4. Reviewing asset allocation targets and allowable ranges;
5. Establishing an appropriate performance benchmark for the Plan and periodically reviewing the Plan's performance relative to this benchmark;
6. Selecting, monitoring and, if necessary, replacing the Investment Advisor;
7. Delegate policy implementation to the Investment Advisor;
8. Control and account for all investments, record keeping and administrative expenses associated with the Plan;
9. Monitor and supervise all service vendors and investment options; and,
10. 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 all outside service vendors. Additionally, Staff's responsibilities are to:

1. Monitor total portfolio cash flow to maintain sufficient liquidity to fund payment outflows. When withdrawals become necessary, Staff will notify the Investment Manager as far in advance as possible to allow them sufficient time to acquire necessary liquid reserves;
2. Work with service providers during transition and onboarding periods.

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 are responsible for the safekeeping of the Plan's assets. The specific duties and responsibilities of the custodian are to:

1. Maintain separate accounts by legal registration;
2. Price the holdings;
3. Collect all income and dividends owed to the Plan;
4. Settle all transactions (buy-sell orders) initiated by Investment Managers; and,
5. Provide prompt monthly reports that detail transactions, cash flows, securities held and their value, the change in value of each security and the overall portfolio since the previous report.

Investment Advisors

The Committee may retain an objective, third-party Investment Advisor to assist the Committee in managing the overall investment process and/or management of assets. The Investment 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 Investment Advisor has discretionary authority and duty, per its separate Agreement, to manage the Plan subject to this investment policy, including the selection of all investment funds (mutual funds, exchange-traded funds or related types of investments). The Investment Advisor's authorities and duties include:

1. Assisting the Committee Members in the establishment and periodic review of the IPS including providing advice about the asset allocation targets and ranges;
2. Conducting due diligence on the investment funds selected for the Plan;
3. Monitoring the performance of the investment funds;
4. Communicating matters of the IPS to the Committee Members including investment fund performance;
5. Providing review of the plan investments, history, performance, the contents of this IPS, and general education.

Investment Managers

Investment managers are responsible for making investment decisions (security selection and price decisions).

Each Investment Manager is delegated the responsibility of conducting investment management of the portion of the Plan assets invested or placed in its collective trust, commingled fund, partnership, or like vehicle in accordance with it prospectus, offering memorandum, federal and state laws and regulations, or other investment policy guidelines. The Investment Advisor is responsible for determining that such placements or investments on a collective basis are maintained in a manner that the Plan assets meet the requirements of this IPS and any laws that supersede it.

The Investment Manager must be (1) registered under the Investment Company Act of 1940, (2) registered as an investment adviser under the Investment Advisers Act of 1940 ("Act"), (3) a bank, as defined in the 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 a Manager. The term "Manager" includes investment managers as defined in ERISA Section 3(38) as well as persons or entities that manage assets in mutual funds, commingled funds with less than 25% ERISA assets, or other types of investment companies or securities. In the event that the Manager is not an investment manager as defined by ERISA Section 3(38), it is understood that the Investment Advisor is responsible for that investment consistent with the Investment Advisor's investment manager responsibility under ERISA Section 3(38).

The Investment Advisor may use its authority to invest Plan assets in mutual funds, exchange-traded funds, commingled funds, and collective trusts.

The Investment Advisor will monitor all fund vehicles for adherence to their intended mandate and guidelines. Each Investment Manager shall:

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;
3. Have the sole and exclusive right to vote any and all proxies solicited in connection with the securities held by the portion of the Plan assets under their management. Each Investment Manager shall keep records with respect to its voting decisions;
4. Communicate to the Investment Advisor all significant changes pertaining to the fund it manages or the firm itself. Changes in ownership, organizational structure, financial condition, and professional staff are examples of changes to the firm in which the Investment Advisor is interested;
5. Effect all transactions for the Plan subject "to best price and execution." If a manager utilizes brokerage from the Plan assets to effect "soft dollar" transactions, detailed records will be kept and communicated to the Investment Advisor;

Asset Class Guidelines

The Committee retain ultimate responsibility and authority to establish asset allocation targets and ranges. The Committee Members will revisit the asset allocation periodically to ensure appropriateness and will consider revisions as deemed needed.

The Committee believes long-term investment performance, in large part, is primarily a function of asset class mix. The Committee has reviewed the long-term performance characteristics of the broad asset classes, focusing on balancing the risks and rewards. The asset allocation for the Plan shall be as follows:

	Lower	Target	Upper
U.S. Stocks			
Large	10	12	14
Mid	10	12	14
Small	10	12	14
International Stocks			
Developed	7	9	11
Emerging	7	9	11
Real Estate (REITs)	6	8	10
Commodities	3	4	5
Gold	3	4	5
Fixed Income	25	30	35
Cash Equivalents	0	0	5

Asset classes are defined by their given benchmark provided later in this Policy.

The Investment Advisor will report any deviations from the above asset allocation ranges to the Committee except those occurring for only a short periods of time due to extreme market fluctuations or cash flows.

While historically, interest-generating investments such as bond portfolios have the advantage of relative stability of principal value, they provide little opportunity for real long-term capital growth due to their susceptibility to inflation. On the other hand, equity investments, such as common stocks, clearly have a significantly higher expected return but have the disadvantage of much greater year-by-year variability of return. From an investment decision-making point of view, this year-by-year variability is worth accepting, providing the time horizon for the equity portion of the portfolio is sufficiently long (ten years or greater).

Rebalancing

The Investment Advisor will be responsible for rebalancing the asset allocation periodically to remain within the allowable ranges.

The percentage invested in each asset class will vary depending upon market conditions. Please reference the allocation table above for the lower and upper limits for each asset class.

When necessary and/or available, cash inflows/outflows will be deployed in an asset class designed to bring the current position closer to the asset allocation targets of the Plan. If there are no cash flows, the allocation of the Plan will be reviewed at least quarterly or more frequently.

If the Investment Advisor judges cash flows to be insufficient to bring the Plan within the allocation ranges, the Investment Advisor shall decide whether to effect transactions to bring the allocation within the threshold ranges.

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.

<u>Indexing Philosophy</u>
The Committee embraces the following broad investment philosophy:

1. Indexing: The Committee Members embrace a philosophy built on the belief that indexing, or passive management, will provide better returns to participants at a much lower cost than actively managed investments. Indexing is to invest in an investment vehicle that is designed to replicate the performance of a particular investment index, such as the S&P 500 and Russell 2000, with a very low cost. This compares to actively managed funds where the investment manager is tasked with the goal of producing returns better than a particular index, a goal that is often not met and often results in higher costs. A wide range of research and literature supports this philosophy and the investment Committee Members believe it will result in superior long-term results for Plan participants.
2. Market timing: Market timing is precluded as an acceptable investment strategy as supported by research and studies showing it generally results in lower long-term returns.

<u>Investment Guidelines</u>
The following due diligence criteria will be used by the Investment Advisor when selecting Investment Manager or funds for the plan:

1. Regulatory oversight: Each investment option should be managed by:
    a. a bank;
    b. an insurance company;
    c. a registered investment company (mutual fund); or,
    d. a registered investment adviser.
2. Performance consistent with benchmark: The investment option's performance should be consistent with the stated benchmark.
3. Risk consistent with benchmark: The investment option's risk should be consistent with the statement benchmark.
4. Minimum track record: The investment option should have sufficient history so that performance statistics can be properly calculated by three years or more.

5. Assets in the product: The investment option should have sufficient assets so that the investment manager can properly trade the account, at least $75 million under management (can include assets in relate; share classes).
6. Holdings consistent with style: The underlying securities of the investment option should be consistent with the associated benchmark.
7. Expense ratios / fees: The investment option's fee should be fair and reasonable. Fees should not be in the bottom quartile (most expensive) of the peer group.
8. Stability of the organization: There should be no perceived organizational problems.
9. Transparency of holdings: The investment option should provide full transparency of all holdings.
10. Proxies: each Investment Manager shall have the sole and exclusive right to vote any and all proxies solicited in connection with the securities held by the Plan under their management.
11. Allowable Investments: mutual funds, exchange-traded funds (ETFs), exchange-traded notes (ETNs), commingled funds, and limited partnerships.
12. Restrictions: the Investment Advisor is prohibited from margin transactions or leverage at the Plan level. The Investment Advisor is also prohibited from any investment commitments with lock-ups or similar illiquidity provisions greater than one-year.

Monitoring

Performance Objectives

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.

Benchmarks

A portfolio benchmark is designed to help the Committee Members understand and compare the Plan's performance relative to a comparable risk portfolio. The following is the asset allocation of the portfolio benchmark:

Asset Class	**Allocation**
U.S. Stocks – Large	40.0%
U.S. Stocks – Small	10.0%
International Developed Stocks	10.0%
Fixed Income	40.0%

Benchmarks have been established per the below table for each asset class. Investment Manager performance will be evaluated by the Investment Advisor in terms of the appropriate Benchmark.

Asset Class	**Benchmark**
U.S. Large Stocks	S&P 500
U.S. Mid Stocks	Russell Midcap
U.S. Small Stocks	Russell 2000
International Developed Stocks	MSCI EAFE
International Emerging Stocks	MSEI Emerging
Real Estate (REITS)	Dow Jones U.S. Select REIT Index
Gold	Gold Bullion
Commodities	S&P GSCI Total Return Index
Fixed Income	Barclays U.S. Aggregate
Cash Equivalents	Bank of America / U.S. T-Bills 3 Month

<u>Reporting</u>
Quarterly performance reporting will be provided to the Committee Members by the Investment Advisor and will include performance of the Plan as well as asset class components and Investment Managers. This reporting will include clear comparisons between the Plan and the portfolio benchmark as well as between each Investment Manager and their designated Benchmark. The Committee Members will use this information to evaluate the extent to which investment performance is consistent with the objectives, goals, and guidelines set forth in this Policy.

<u>Monitoring of the Investment Managers</u>
The Investment Advisor has responsibility to monitor the overall risk of the Plan as well as the performance and risk taken by each Manager. Additionally, the Investment Advisor shall review all Managers' strategy, business matters, and more and has the authority to terminate a Manager for any reason.

<u>Monitoring of the Investment Advisor</u>
The Committee Members have responsibility to monitor the Investment Advisor and will generally do so on an annual basis.

<u>Monitoring and Measuring Costs</u>
The Committee will review, at least annually, all costs associated with the management of the Plan's investment program.

Adoption and Review of the IPS

The Committee will review this IPS at least annually to determine whether stated investment objectives 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,
Organizational Development and Administration — Date

Appendix A: Capital Markets History

Asset classes deliver wide ranges of performance outcomes and risk levels during different periods of time. The following tables shows the average returns, risk (volatility), and correlation to the S&P 500 for the asset classes considered in the Investment Policy Statement.

Asset Class Performance Analysis

12/31/1971 - 12/31/2020

	Compounded Return	Volatility	Correlation to S&P 500
U.S. Stocks			
U.S. Large Stocks	10.8%	13.5%	1.00
U.S. Mid Stocks	7.6%	15.6%	0.96
U.S. Small Stocks	9.4%	18.8%	0.89
International Stocks			
Developed Countries	8.1%	14.7%	0.85
Emerging Countries	6.1%	17.9%	0.72
Alternatives			
U.S. Real Estate	10.4%	16.5%	0.66
Gold	7.9%	16.0%	0.06
Commodities	5.7%	21.0%	0.52
Fixed Income			
Mid-Term Government Bonds	6.4%	5.4%	0.03
Long-Term Government Bond	7.1%	11.3%	0.06
Long-Term Coroprate Bonds	6.4%	8.6%	0.30
High-Yield Corporate Bonds	5.0%	8.3%	0.49
All Bonds	6.4%	5.3%	0.18

Appendix B: 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 1% change in the return on the market index. Thus, a portfolio with a beta of 1.1 would move 10% more than the market index.

Board Room Risk
The risk that Committee 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 Committee.

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%	=	4.0%
(Returns)		(Inflation)		(Cost Increases)		(Equilibrium Spending Rate)

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%)(0.5) + (-20%)(0.5) = +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 generally 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 generally 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 generally 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.

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. This is 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 generally 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 investments in a diversified portfolio of real estate comprised of farm, residential, and commercial properties.

Risk-Free Rate of Return
The return on 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 from 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 generally 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 C: 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