

RVK

City of El Paso Employees Retirement Trust

Investment Practices and
Performance Evaluation by
*RVK Investment Program
Review Team*

April 15, 2026

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RVK Investment Program Review (IPR) Team

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Introduction & Background Information

Introduction

RVK was engaged to conduct an independent evaluation of the current investment practices and performance, with a focus on the appropriateness, adequacy, and effectiveness of the City of El Paso Employees Retirement Trust (CEPERT or “the Trust”) and to make recommendations for improving CEPERT’s investment policies, procedures, and practices. Per Texas Government Code 802.109, each evaluation must include:

- 1) *An analysis of any investment policy or strategic investment plan adopted by the retirement fund and the retirement fund's compliance with that policy or plan;*
- 2) *A detailed review of the retirement fund's investment asset allocation, including:*
 - a) *The process for determining target allocations;*
 - b) *The expected risk and expected rate of return, categorized by asset class;*
 - c) *The appropriateness of selection and valuation methodologies of alternative and illiquid assets; and*
 - d) *Future cash flow and liquidity needs;*
- 3) *A review of the appropriateness of investment fees and commissions paid by the retirement fund;*
- 4) *A review of the retirement fund's governance processes related to investment activities, including investment decision-making processes, delegation of investment authority, and board investment expertise and education; and*
- 5) *A review of the retirement fund's investment manager selection and monitoring process.*

RVK also included the following two additions to our report beyond those required by Texas Government Code 802.109:

- 1) Recommendations to align with best-in-class investment management programs; and
- 2) An analysis of CEPERT’s implementation of the recommendations presented in the 2023 review performed by ACG.

RVK is uniquely qualified to perform this evaluation, as we are one of the largest fully independent consulting firms in the world, with over 200 institutional clients and over \$3 trillion of assets under advisement. We are strictly focused on providing our clients with non-discretionary consulting services and do not offer discretionary management of assets, nor do we offer any investment products. Since our founding in 1985, RVK has been an industry leader in adhering to a strict no conflicts of interest policy, with 100% of our revenue generated from client fees; we do not accept fees of any kind from any investment manager or other service provider that our clients may ask us to evaluate.

RVK has completed over 20 related projects thus far. We offer an effective option for executing PRB analyses based on the following key attributes:

- **We have extensive experience in this area.** Serving over 200 full-retainer and project clients, we are keenly aware of the multi-dimensional challenges many boards and committees face in managing investment programs. Unlike other “audit firms,” which are not actually engaged in the institutional investment industry, we bring substantial and ongoing real-world experience to these reviews.
- **We bring the broad resources of a large, national, full-service investment consulting firm to the task,** covering governance and investment decision-making, staff and resource organization, portfolio analytics, asset allocation, asset/liability, investment manager selection and monitoring, risk management, and investment operations.
- **We are an independent, employee-owned firm with no conflicting lines of business.** CEPERT can rest assured that our analysis and findings will be credible and objective.
- For each IPR assignment, **we draw upon RVK's consulting, research, and specialized professionals to create a customized team** specifically matched to the scope of work for that particular assignment. We believe our team, which includes specialized resources and experience across the firm, places RVK in a uniquely qualified position to complete this project.

Background Information

CEPERT provides benefits for employees of the City and was created by an action of the El Paso City Council when it adopted Section 2.64 of the El Paso Municipal Code. It serves over 4,100 active members, plus an additional 3,700+ retired and inactive members, and is managed by a nine-member Board, as well as professional full-time Investment Staff. As of September 30, 2025, the market value of Trust investment assets was approximately \$1.1 billion. The Trust’s stated mission is to “provide defined retirement benefits, accurate benefits information, and exceptional customer service” and is strengthened by a set of core values and overall vision:

Core Values

Accountability
Loyalty
Integrity
Respect
Care
Reliability

Our Vision

Provide sustainable retirement benefits and services to current and future retirees.

The majority of this evaluation will focus on investment practices and program management, with RVK providing an independent review of policies, procedures, and specific considerations as described in Texas Government Code 802.109. Outlined below is a review of the resources and approach employed by the RVK team in executing this evaluation. Supplementary details on the background and experience of the RVK project team can be found in the **Appendix**.

In addition to drawing upon RVK and its employees' institutional knowledge of investment programs, the RVK team used several methods to conduct research and gain insight into the CEPERT organization, its decision-making process, and overall efficacy. The first method employed was a detailed review of numerous documents CEPERT provided and produced. These documents covered a comprehensive array of topics including, but not limited to:

- Investment Policy Statements
- Investment Staff and Investment Consultant Presentations to the Investment Committee and Board
- Meeting Minutes
- CEPERT PRB Training Requirements – Core and Continuing MET Requirements
- 2023 CEPERT Evaluation of Investment Practices and Performance
- Asset/Liability Studies
- Asset Allocation Studies
- Actuarial Valuation Reports
- Audit Reports
- Strategic Plans

A note of appreciation to the CEPERT Investment Staff and Board, as well as the Trust's Lead Consultants, Alex Browning and Alex Ford of Callan, whose cooperation with our requests for interviews, data, and organizational information were critical in the execution of this project.

Executive Summary

The investment program is well structured, prudently governed, and effectively implemented, reflecting a high quality institutional investment framework that is consistent with the Trust’s fiduciary responsibilities and adopted policies. Governance practices are sound, investment decision making is disciplined, and portfolio construction reflects a clear understanding of risk, return, liquidity, and long term objectives.

The Board has established a strong foundation of policies, oversight mechanisms, and professional support, and the Trust’s practices compare favorably with peer public retirement Trusts. Our recommendations are incremental and focused on further strengthening transparency, documentation, and resilience rather than correcting deficiencies.

Scorecard Summary

	Evaluation Area	Assessment	Key Observations
I - Investment Policy & Strategic Plan	Investment Policy Framework & Purpose	ⓘ	The Investment Policy Statement (IPS) is comprehensive and clearly articulates the purpose of the investment program, fiduciary responsibilities, and long-term objectives. The Board could consider developing a set of “Investment Beliefs”, which can serve as an anchor for Board members, Investment Committee members, and staff to reference and help guide investment decisions and maintain focus on long-term outcomes. The Investment Beliefs can exist as a standalone document or an appendix within the IPS, but is not intended to be frequently revised.
	Investment Objectives	✓	Objectives emphasize funding liabilities, maintaining liquidity, achieving the actuarial rate of return, and outperforming the Total Fund benchmark over a full market cycle. Risk is appropriately articulated via asset/liability metrics, liquidity needs, and funded status volatility.
	Roles & Responsibilities	ⓘ	Delegation of authority is well documented and consistently applied in practice. The Board could consider some minor formatting updates to the Investment Committee section, to more clearly state the Committee’s general duties and purpose versus the specific authorities granted by the Board.
	Asset Allocation Strategy	✓	The IPS integrates asset allocation policy with the Trust’s objectives and references the use of Asset/Liability studies to inform strategic allocation decisions. Strategic targets and policy ranges are clearly articulated.
	Rebalancing Policy	ⓘ	Rebalancing guidance is well defined; RVK recommends clarifying delineation of authority between Staff and Board approval for rebalancing activities to limit ambiguity.

	Investment Guidelines	ⓘ	Asset class and mandate-level guidelines are comprehensive. The Board could consider some revisions to this section of the IPS to streamline and limit redundancies – including eliminating the performance objectives and absorbing into the performance evaluation & measurement section and moving the securities lending guidelines from the asset allocation section to the investment guidelines section.
	Performance Evaluation & Measurement	ⓘ	Benchmarks and time horizons are clearly established for the Total Fund and all mandates, with evaluation focused on rolling market cycles. RVK recommends considering modifications to the Watch List performance criteria language to ensure alignment with actual practices, as well as specifying gross versus net of fees performance for peer universe comparisons. We also suggest the Board de-emphasize performance relative to peers as a specific objective/benchmark for the Trust.
II - Asset Allocation	Asset Allocation Governance & Process	✓	The Trust maintains a formal, well-documented asset allocation process governed by the IPS. Strategic asset allocation decisions are led by the Board, informed by the Investment Committee, and supported by the Investment Consultant.
	Alignment with Liabilities & Liquidity Needs	✓	Asset allocation decisions explicitly consider funded status, projected benefit payments, contribution policy, and liquidity needs. The current allocation is deemed appropriate given projected cash outflows and the results of the most recent Asset/Liability study.
	Diversification & Portfolio Structure	✓	The portfolio is well diversified across public equities, fixed income, and private markets. Sub-asset class targets, active versus passive implementation decisions, and policy ranges are clearly defined in the IPS and supported by analysis.
	Review Cadence & Ongoing Monitoring	ⓘ	Strategic asset allocation is reviewed at least annually, with Asset/Liability studies conducted every three to six years. While current practice is appropriate, the intended role and required cadence of Asset/Liability studies could be more explicitly memorialized in the IPS. The Board and Investment Committee could also consider incorporating more deterministic stress test scenarios within the next A/L study. Deterministic analysis can provide additional insight into how specific, historic, or hypothetical scenarios can impact the portfolio.

III - Fees & Commissions	Fee Policy Framework	ⓘ	The Investment Policy Statement (IPS) includes an explicit objective to contain total fund costs to the lowest reasonable level. The policy supports the use of commingled funds and passive strategies where appropriate to enhance fee efficiency. Consider adding a section on management and control of investment management and service provider cost in the IPS and schedule for reviewing service providers, including a potential RFP after five to seven years.
	Fee Oversight Responsibility	ⓘ	Oversight of investment fees is an inherent component of the Board’s fiduciary responsibility, with fees reviewed annually by the Investment Committee and Board. The Board could consider adding a section on management and control of investment management and service provider cost in the IPS.
	Transparency of Manager Fees	✓	Direct and indirect investment management fees are disclosed and reviewed through Annual Comprehensive Financial Reports and periodic investment reporting. All material forms of compensation are included in fee reporting.
	Reasonableness of Fees	✓	Investment management, investment consulting, custodial fees are all considered reasonable and in line, if not lower, than relevant peer comparisons.
IV - Governance Processes	Governance Framework Documentation	ⓘ	The Investment Policy Statement (IPS) clearly defines the governance structure. The Board could consider adopting and documenting a schedule for reviewing service providers, including a potential RFP after five to seven years.
	Investment Decision-Making Process	✓	The Trust’s investment decision-making process reflects industry best practices, supported by a comprehensive policy foundation, expert advice, and structured Committee review prior to Board approval.
	Transparency & Public Access	✓	Investment-related policies, Board agendas, and meeting minutes are publicly available through the Trust’s website. Meeting agendas are thorough and meeting minutes are detailed, supporting transparency and accountability.
	Board & Committee Structure	✓	The Board composition reflects a balanced representation of stakeholders, including city employees, retirees, citizens, and City Council representatives. The structure appears reasonable and appropriate for fiduciary oversight.
	Performance & Compliance Oversight	✓	Portfolio performance, risk metrics, compliance with the Strategic Asset Allocation, and investment manager monitoring are reviewed regularly by the Investment Committee and Board using comprehensive consultant and staff reporting.

V - Investment Manager Search & Selection	Manager Selection Process	ⓘ	The IPS defines a disciplined, procedurally sound investment manager selection process that includes formulation of role-specific criteria, identification of qualified candidates through the Investment Consultant's database, and comparative evaluation prior to Board approval. The Board could consider adding IPS language that explicitly addresses ethical considerations and potential conflicts of interest for both investment managers and board members.
	Due Diligence & Evaluation Criteria	✓	Manager evaluations incorporate quantitative metrics (including risk-adjusted returns), qualitative factors (investment philosophy, process, personnel), and organizational considerations (firm structure, stability, and resources), consistent with industry best practices.
	Performance Monitoring & Reporting	ⓘ	Investment performance is monitored through comprehensive quarterly reports provided by the Investment Consultant. Performance evaluation emphasizes rolling market cycles (approximately 3–5 years) and incorporates both index and peer universe comparisons, aligned with the IPS. The Board should consider aligning the stated benchmark for Private Equity between the IPS and performance reports.
	Watch List & Manager Accountability	✓	The IPS establishes criteria for placing managers on watch or probation, with defined authority delegated to the Investment Committee. Managers on watch are subject to enhanced monitoring, including semi-annual meetings with the Investment Committee.

- ✓ No significant changes recommended
- ⓘ Consider enhancements
- ✗ Area of concern/should be addressed

Section I – Analysis of any investment policy or strategic investment plan adopted by the retirement fund and the retirement fund's compliance with that policy or plan.

Documents Reviewed

- ✓ Investment Policy Statement Executed 2025-12-11
- ✓ Strategic Plan 2020-2025
- ✓ Meeting Minutes
- ✓ 2025 Annual Comprehensive Financial Report
- ✓ Investment Performance Reports
- ✓ Actuarial Reports
- ✓ Asset/Liability Study
- ✓ Asset Allocation Study

Does the Trust have a written investment policy statement (IPS)?

Yes, CEPERT’s investment program is governed by an IPS.

1. The Investment Policy Statement (IPS) serves as the comprehensive guide for the investment program, detailing 1) purpose of the policy, 2) investment objectives of the Trust, 3) roles and responsibilities, 4) asset allocation strategy, 5) asset class investment guidelines, 6) performance measurement standards, 7) selection of investment managers and custodial bank, and 8) administration and control procedures.

The IPS is reviewed, at a minimum, on an annual basis. If, at any time, the liquidity needs of the Trust or the risk/return expectations of the Board changes, the IPS will be reviewed and restated.

Below are the most recent adoption dates for the IPS policy.

IPS Review Dates	IPS Adoption Dates
12/14/2022	12/14/2022
9/20/2023	9/20/2023
8/21/2024	8/21/2024
12/11/2025	12/11/2025

Summary of the IPS

The IPS serves as the governing document with respect to the Trust's investment program. The IPS is organized into eight sections, each detailing a set of oversight components approved and applicable to the Board.

- I. **Purpose of the Investment Policy** – Section 1 states that the IPS is the Board's document, establishes the fiduciary duties of Board members, and states the overarching general and financial objectives of the investment program. Section 1 reminds all related parties that the overall goal of the investment policy is to optimize investment results in order to generate sufficient funds for present and future beneficiary payments, and sets the stage for the remainder of the IPS.
- II. **Statement of Investment Objectives** – Section 2 states the specific overall investment objective of the Trust, which is to ensure, over the long-term life of the Trust, an adequate pool of assets to support the benefit obligations to participants, retirees, and beneficiaries. Additionally Section 2 recognizes liquidity, diversification, and meeting performance standards set in Section 6, as key components to support this objective.
- III. **Roles & Responsibilities** – Section 3 outlines the specific responsibilities of every party involved with the management and oversight of the Trust, including the Board of Trustees, Investment Committee, Pension Fund Administrator and Staff, Investment Consultant, Investment Managers, Custodian, Actuary, and Legal Counsel. Board responsibilities are, in our opinion, rightfully focused on establishing objectives, setting the investment policy, approving the strategic asset allocation, and selecting service providers – and has the authority to delegate responsibilities as necessary to facilitate implementation of the strategy. The Investment Committee, as a subset of the Board, is charged with investigating investment related issues and presenting conclusions and recommendations to the Board.
- IV. **Asset Allocation Strategy** – Section 4 establishes the strategic asset allocation targets, as well as sub-asset class targets, and asset class policy ranges (minimum and maximum allocations). The section also notes that the allocation was adopted following the asset liability study conducted in 2023. We view this as an important inclusion as asset liability studies link the Trust's investment policy, contribution policy, and benefit policy – therefore providing the best analysis for examining how different asset allocations address Trust objectives.

Recommendation 1. Asset/Liability Studies are the only standard analysis that fully links all three aspects of the Trust's investment policy, contribution policy, and benefit policy, providing a means to examine how well different investment strategies (differing asset allocations) address the objectives of the Trust. While an A/L study is mentioned in conjunction with the adoption of the strategic asset allocation targets, its intended role in the asset allocation process, and required cadence (every three to six years) could be more clearly defined in the IPS. We believe Asset/Liability merits either its own section in the IPS or to be added to Section IV preceding the discussion of Strategic Asset Allocation.

This section also establishes the rebalancing policy, liquidity policy and securities lending guidelines. The rebalancing

policy states that when “market activity has been significant enough to extend beyond tactical ranges (minimums and maximums), a rebalancing policy generally results in the sale of those investments that have outperformed and the purchase of those assets that have underperformed.” Additionally, staff (in consultation with the consultant) is authorized to make rebalancing transactions that may arise from cash inflows, capital calls, administrative expenses and retirement benefits.

Recommendation 2. Consider modifying the rebalancing language to responsibilities and authority. While staff has authority to utilize cash flows as a rebalancing tool, it is our understanding that the Board approves all other rebalancing transactions, such as when allocations fall outside of policy ranges. If this is the desired delineation of authorities, we would recommend adding language to Section 4 to make that clear. Additionally, the word “generally” in the policy language (when market activity has been significant enough to extend beyond tactical ranges, a rebalancing policy generally results in the sale of those investments that have outperformed and the purchase of those assets that have underperformed) potentially creates ambiguity for decision makers where it may not be desired. If the intent is that a breach of policy ranges requires that the Trust be rebalanced (to the extent possible if illiquid asset classes are involved), we would recommend adjusting the language.

Recommendation 3. Consider moving securities lending guidelines to Section 5 of the IPS (Investment Guidelines).

- V. **Investment Guidelines** – Section 5 lists the investment guidelines that apply to each mandate utilized by the Trust. The guidelines clearly which mandates are to be passively managed. Additionally, the guidelines clearly state what the permissible investment vehicle is for each mandate (and if the vehicle is a commingled fund or ETF, the policy stipulates that the investment guidelines will be governed by the fund’s governing documents). The only mandate that does not utilize a fund vehicle is the tactical Treasury bill mandate. Performance objectives and benchmarks are also included for each mandate. Multiple benchmarks are included for the private equity mandate, recognizing the unique characteristics of the asset class such as illiquidity and closed-end fund structure.

Recommendation 4. Consider removing the “investment objectives” from Section 5, and absorbing into Section 6 (Performance Measurement Standards). For the most part, the investment objectives listed in Section 5 are a repeat of the time horizon and indexes defined in Section 6. This could reduce redundancy and focus Section 5 on portfolio guidelines such as fund structure and active/passive decisions rather than performance standards.

- VI. **Performance Measurement Standards** – Section 6 clearly defines the benchmarks (peer group and index) for the Total Trust and each investment mandate. The manager watch list terms are defined as: If the investment returns of a manager during four (4) consecutive quarters do not exceed the appropriate index net of fees, or if during the last three years the investment returns place the manager in the 75th or lower percentile of an independent universe of peer

investment manage. The Investment Committee ultimately has the authority over whether to place a manager on watch. Time horizon is primarily defined as a rolling market cycle (approximately 3-5 years). The section also incorporates risk, as defined by standard deviation – each individual mandate is to have a standard deviation that is similar to its benchmark index.

Recommendation 5. In interviews with staff and the investment consultant, it was found that in practice, the “75th percentile or lower” ranking is the more commonly utilized guideline for initiating on watch. If the “four (4) consecutive quarters” of underperforming guideline is not being utilized, consider removing from policy. Further, the performance measurement standards for each investment mandate are focused on longer time periods (3-5 year rolling periods).

VII. **Selection of Investment Managers and Custodian Bank** – The Board has authority of approving investment managers and custodian bank. For investment managers, the Board relies on the Investment Committee, supported by the Investment Consultant, to conduct a competitive search and narrow down to finalist candidates to be interviewed by the Board. In a similar fashion, the Board may select a Committee to investigate and make recommendations to the Board regarding a custodial search.

Administration and Control Procedures – Section 8 states that the IPS will be reviewed annually by the Board, however, if at any time, the liquidity needs of the Trust or the risk/return expectations of the Board change, this statement of investment policy will be reassessed and restated in writing for agreement by all parties. In our review of IPS revisions over the past 3 years, it is clear this guideline is being followed and the IPS is being reviewed on at least an annual basis.

Are the roles and responsibilities of those involved in governance, investing, consulting, monitoring, and custody clearly outlined?

Yes, the IPS defines the responsibilities of the Board, Investment Committee (as a subset of the Board), Professional Staff, Investment Consultant(s), Investment Managers, Custodian(s), Actuary, and Legal Counsel. We believe this list of involved parties is comprehensive. We would recommend a simple reformatting of the Investment Committee’s responsibilities to more clearly delineate the general purpose of the Investment Committee versus specific authorities delegated by the Board.

Recommendation 6. Consider relabeling first paragraph under Investment Committee responsibilities as general duties, which are to investigate investment related issues and report findings and recommendations to the Board, and relabel the remaining two paragraphs as authorities granted to the Investment Committee: 1) authorization to direct an investment manager to suspend and/or resume trading, and 2) requesting authority to tactically reduce the duration of the core fixed income portfolio through the purchase of U.S. Treasury Bills.

Is the policy carefully designed to meet the real needs and objectives of the retirement plan? Is it integrated with any existing funding or benefit policies? (i.e. does the policy take into account the current funded status of the plan, the specific liquidity needs associated with the difference between expected short-term inflows and outflows, the underlying nature of the liabilities being supported [e.g. pay-based vs. flat \$ benefit, automatic COLAs, DROP, etc.]?)

The IPS notes that the current asset allocation targets were adopted following the asset liability study conducted in 2023. Current practice is to conduct an A/L study every three to six years, however this is not a specific requirement defined in the IPS. This process/practice could be memorialized in the IPS, as we believe A/L studies are a critical prerequisite for fully informed Asset Allocation studies.

The IPS outlines a clear connection between investment decision making and the ultimate objective of the Trust (providing retirement benefits to current and future generations). Section 1 of the IPS clearly states that all objectives of the IPS have been formulated with respect to “the anticipated financial needs of the Trust in light of its funded status, including short and long-term cash flow projections and liquidity needs.” Specific financial objectives are identified in Section 1 to further cement this point.

The IPS also gives specific consideration to liquidity and cash needs of the Trust. A 1% allocation to cash has been adopted as part of the Trust’s strategic asset allocation. This amount has been determined as an appropriate amount to meet ongoing cash needs such as retirement benefits, administrative expenses, capital calls, etc. Additionally, staff (in consultation with the Trust’s consultant) has been delegated the authority to make rebalancing transactions that arise from these types of cash flows. Interviews with staff and the investment consultant has confirmed this liquidity and cash management policy to be effective and efficient in satisfying the ongoing cash needs of the Trust.

Is the policy written so clearly and explicitly that anyone could manage a portfolio and conform to the desired intentions?

The IPS, as written, is an effective “road map” for the Board and other fiduciaries. The document, along with the Strategic Plan, provides effective guidance laying out a course of action to be followed with a focus on long-term outcomes while providing flexibility, if necessary, to meet the benefit payment obligations of the Trust.

The IPS includes the key elements of a good and effective policy, including goals and objectives, roles and responsibilities, asset allocation processes including targets and ranges, a rebalancing policy, investment guidelines, benchmarks, and performance measurement.

Recap of Recommendation 1. While an A/L study is mentioned in conjunction with the adoption of the strategic asset allocation targets, its intended role in the asset allocation process, and required cadence (every three to six years) could be more clearly defined in the IPS.

Recommendation 7. Consider developing a set of “Investment Beliefs.” Ensuring strategic continuity is an important aspect for any long-term investment strategy, particularly those which experience regular turnover of Board members and other key decision makers. A set of Investment Beliefs can serve as an anchor for Board members, Investment Committee members, and staff to reference and help influence and guide investment decisions, maintaining focus on long-term outcomes and discouraging reactionary short-term decision making. The Investment Beliefs can exist as a standalone document or an appendix within the IPS, but is not intended to be frequently revised. RVK has provided

	<p>examples of Investment Beliefs as well as guidance on how the Trust can effectively develop a list.</p>
<p>Does the policy follow industry best practices? If not, what are the differences?</p>	<p>The IPS is consistent with industry best practices. We have noted this throughout our discussion, as the question relates to specific aspects of the IPS. Taken as a whole, the policies are well thought out, written in clear and straightforward language, and align with guidance provided by the CFA Institute.</p>
<p>Does the IPS contain measurable outcomes for managers? Does the IPS outline over what time periods performance is to be considered?</p>	<p>Current CEPERT Investment Managers are assigned benchmark indices and peer universes. The guidelines are described in Section 6 (Performance Measurement Standards). The time period for most mandates is defined as rolling market cycle (approximately 3-5 years), with the exception of the tactical U.S. Treasury mandate (1-5 years). The manager watch list more specifically references the 3-year period (75th percentile ranking or lower may place manager on probation), as well as a reference to four (4) consecutive quarters of underperformance versus index.</p> <p><i>Recap of Recommendation 5. As previously mentioned, if the “four (4) consecutive quarters” of manager underperformance versus index guideline is not being utilized, consider removing from policy, and retaining focus on other performance measurement standards included in the IPS.</i></p> <p>The IPS states that all performance measurement versus index benchmarks should be based on total returns, net of fees.</p> <p><u>Recommendation 8.</u> Consider specifying gross of fees or net of fees for performance versus peer universe benchmarks.</p>
<p>Is there evidence that the Trust is following its IPS? Is there evidence that the Trust is not following its IPS?</p>	<p>A review of Board and Investment Committee materials and meeting agendas clearly confirms the Trust is following the IPS. We see no evidence of any known compliance violations with either policy.</p>
<p>What practices are being followed that are not in, or are counter to, written investment policies and procedures?</p>	<p>No exceptions were noted.</p>
<p>Are stated investment objectives being met?</p>	<p>The sole purpose of the Trust is to accumulate the financial reserves necessary to provide benefits to eligible members of the Trust and their beneficiaries. To achieve this outcome as consistently as investment markets allow and do so sustainably over multiple market cycles, the Trust’s investment objectives are as follows:</p>

1. Invest assets in a manner such that future assets are available to fund liabilities.
2. Maintain liquidity sufficient to pay current benefits when due.
3. Diversify, over time, among asset classes so assets achieve the actuarial rate of return (currently 7.25% and subject to change based on the Actuary and Board's determination of prudent levels of contribution) net of fees with an acceptable risk of capital loss.
4. Over a rolling market cycle (approximately 3-5 years), achieve a nominal rate of return that exceeds the total rate of return of the custom benchmark index (currently: 31% Russell 3000 Index, 21% MSCI ACW ex-US IM Index, 13% Cambridge Global Private Equity Index, 24% Bloomberg US Aggregate Bond Index, 10% NFI-ODCE Equal Weight Net Index, and 1% 90-day T-Bills), net of investment management fees.
5. Over a rolling market cycle (approximately 3-5 years), achieve a total return that ranks above the median of a comparable Total Fund universe.

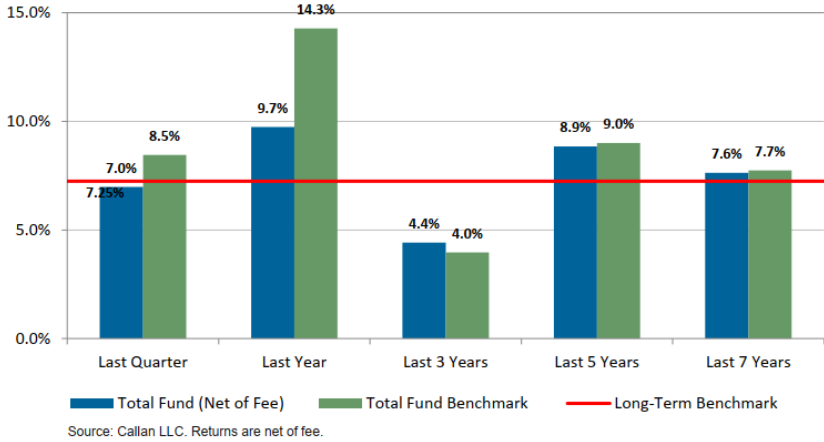
We believe these include the best practice investment objectives.

The Trust pursues the strategic objectives by the following best practices:

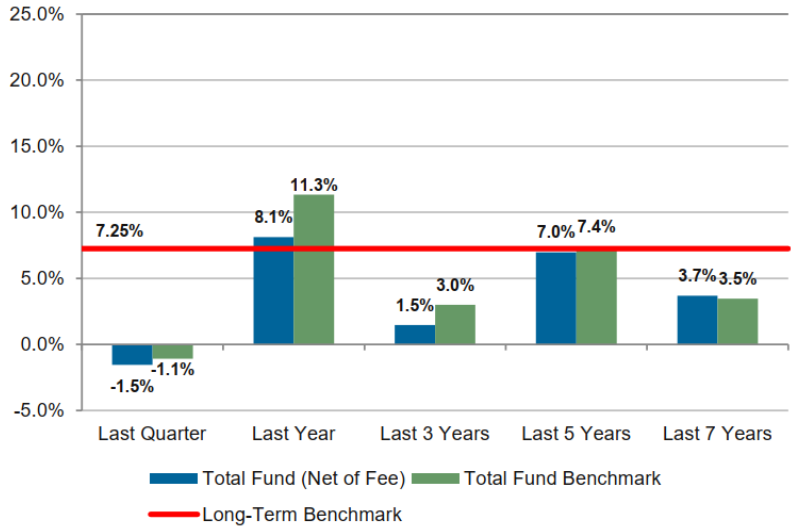
- Ensuring proper diversification of asset classes and factor exposures;
- Maintaining appropriate long-term risk and return expectations; and
- Adapting positioning based on assumptions of current and projected capital markets, general economic conditions and expected rates of inflation.

The long-term performance results, risk profile, investment management costs, and liquidity profile of the Trust is in accordance with the above objectives (see performance from last three years below).

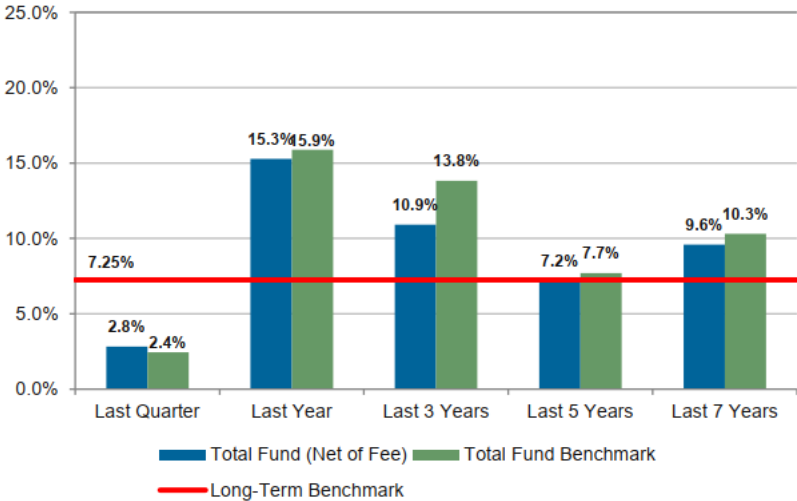
Performance as of December 31, 2023



Performance as of December 31, 2024



Performance as of December 31, 2025



Recommendation 9. We suggest the Board de-emphasize performance relative to peers as a specific objective/benchmark for the Trust. First, peer comparison offers little, indeed almost no, information about whether the Trust is achieving its core mission—funding benefits for CEPERT plan participants. Second, CEPERT is unique with its own contribution policy, benefit structure, ARoR, cash flow, size, objectives, etc. In our view, these differentiators render the very notion of “peers” questionable, and while a group of public funds can be assembled with somewhat more “peer-like” attributes, it will likely be a small universe that is far from statistically robust. The Board’s Investment Consultant can and should continue to provide the CEPERT Board with peer comparisons of this data, as it is prudent to at least remain generally aware of the performance other funds deliver.

Will the retirement fund be able to sustain a commitment to the policies under stress test scenarios, including those based on the capital markets that have actually been experienced over the past ten, twenty, or thirty years?

Regarding this question and the one that immediately follows, there can be no guarantee that the existing policies, those policies as implemented, nor the investment managers selected to implement the resulting mandates would survive any hypothetical investment market scenarios.

A/L studies are conducted at least once every three to six years. The most recent A/L study (2023) incorporated stochastic Monte Carlo modeling to analyze expected portfolio returns ranging from 2.5th percentile (best) to 97.5th percentile (worst) and their impact on key metrics such as funded ratio and net cash flows. The study also analyzed alternative portfolio mixes (some including a new asset class – private credit), some more conservative and some more aggressive than the current target. Including alternative portfolio mixes on both sides of the risk/return spectrum helps identify the cost/benefit trade off of adjusting the target allocation. For example – in a low return environment, are expected losses for the current allocation palatable in comparison to a more conservative allocation – and does the potential upside in a base case or higher return scenario therefore outweigh the downside risk? Ultimately the current allocation was deemed to appropriately balance return seeking with acceptable levels of volatility and downside losses.

Recommendation 10. Consider incorporating more deterministic stress test scenarios within the next A/L study. Deterministic analysis can provide insight into how specific, historic, or hypothetical scenarios can impact the portfolio. Some examples include future “W-shaped” or “V-shaped” market events, persistent high inflation, or lower return environment. These scenarios can be intuitive to understand and offer different insights compared to stochastic modeling.

The IPS requires an Asset Allocation Study at least once every year. Our inspection of those Asset Allocation Studies shows that forecasts of expected returns and asset risk are examined over multiple timeframes using best practice Monte Carlo analysis.

Will the investment managers be able to maintain fidelity to the policy under the same scenarios?

The IPS is very clear with respect to fiduciary conduct, Investment manager responsibilities, guidelines, permissible investments, reporting, and evaluation. Process and expectations are clearly defined.

Will the policy achieve the stated investment objectives under the same scenarios? How often is the policy reviewed and/or updated? When was the most recent substantial change to

By design and best practice, CEPERT’s Investment Staff and Investment Consultant probe investment scenarios that challenge the achievement of current stated objectives. As previously mentioned, incorporating more deterministic stress testing scenarios could provide additional insight and context.

As for the frequency with which key policies are reviewed, the IPS is formally reviewed by the Board at least annually to determine whether it remains appropriate considering the Board’s investment philosophy and objectives, changes in the capital markets, and/or Trust structure. A review of Investment Committee and Board materials confirms the policy review requirement

the policy and why was this change made?

is being met. The most recent review incorporated three changes (made in December 2025): removing references to "Dynamic Equity," a strategy terminated in the previous year; (ii) adjusting the equity structure from a 65/35 Large-to-Mid/Small-Cap split to a 75/25 split to better align with current market weights and reduce tracking error; and (iii) changing the Private Equity benchmark from the public Russell 3000 to the Cambridge Global Private Equity Index to provide a more accurate "apples-to-apples" performance comparison.

Summary

Evaluation of the IPS and Strategic Plan

RVK believes the IPS is consistent with industry best practices. The IPS is the central governing document for the investment program, outlining Trust objectives, guidelines, roles and responsibilities. As the central governing document of the investment program, the following review focused on the IPS.

RVK believes the Strategic Plan is a clear guidance document, outlining core values, mission, and vision for the Trust, and an emphasis on operational efficiency and initiatives. The overarching goals and strategies in the Strategic Plan are consistent with the Investment Policy Statement.

Compliance with the IPS

In RVK's review of the materials and Board meeting minutes, the Board has reviewed, edited when necessary, and approved changes on at least an annual basis over the last three years.

The Strategic Plan undergoes thorough revision every 5 years. The first version was created in 2020, and has existed as a "living document." The latest version (2026-2030) began its thorough review process in Q4 2025.

Recommendations

1. Asset/Liability Studies are the only standard analysis that fully links all three aspects of the Trust's investment policy, contribution policy, and benefit policy, providing a means to examine how well different investment strategies (differing asset allocations) address the objectives of the Trust. While an A/L study is mentioned in conjunction with the adoption of the strategic asset allocation targets, its intended role in the asset allocation process, and required cadence (every three to six years) could be more clearly defined in the IPS. We believe Asset/Liability merits either its own section in the IPS or to be added to Section IV preceding the discussion of Strategic Asset Allocation.
2. Consider modifying the rebalancing language to responsibilities and authority. While staff has authority to utilize cash flows as a rebalancing tool, it is our understanding that the Board approves all other rebalancing transactions, such as when allocations fall outside of policy ranges. If this is the desired delineation of authorities, we would recommend adding language to Section 4 to make that clear. Additionally, the word "generally" in the policy language (when market activity has been significant enough to extend beyond tactical ranges, a rebalancing policy generally results in the sale of those investments that have outperformed and the purchase of those assets that have underperformed) potentially creates ambiguity for decision makers where it may not be desired. If the intent is that a breach of policy ranges requires that the Trust be rebalanced (to the extent possible if illiquid asset classes are involved), we would recommend adjusting the language.
3. Consider moving securities lending guidelines to Section 5 of the IPS (Investment Guidelines).
4. Consider removing the "investment objectives" from Section 5, and absorbing into Section 6 (Performance Measurement Standards). For the most part, the investment objectives listed in Section 5 are a repeat of the time horizon and indexes

defined in Section 6. This could reduce redundancy and focus Section 5 on portfolio guidelines such as fund structure and active/passive decisions rather than performance standards.

5. In interviews with staff and the investment consultant, it was found that in practice, the “75th percentile or lower” ranking is the more commonly utilized guideline for initiating on watch. If the “four (4) consecutive quarters” of underperforming guideline is not being utilized, consider removing from policy. Further, the performance measurement standards for each investment mandate are focused on longer time periods (3-5 year rolling periods).
6. Consider relabeling first paragraph under Investment Committee responsibilities as general duties/purpose, which are to investigate investment related issues and report findings and recommendations to the Board, and relabel the remaining two paragraphs as authorities delegated to the Investment Committee by the Board: 1) authorization to direct an investment manager to suspend and/or resume trading, and 2) requesting authority to tactically reduce the duration of the core fixed income portfolio through the purchase of U.S. Treasury Bills.
7. Consider developing a set of “Investment Beliefs.” Ensuring strategic continuity is an important aspect for any long-term investment strategy, particularly those which experience regular turnover of Board members and other key decision makers. A set of Investment Beliefs can serve as an anchor for Board members, Investment Committee members, and staff to reference and help influence and guide investment decisions, maintaining focus on long-term outcomes and discouraging reactionary short-term decision making. The Investment Beliefs can exist as a standalone document or an appendix within the IPS, but is not intended to be frequently revised. RVK has provided examples of Investment Beliefs as well as guidance on how the Trust can effectively develop a list.
8. Consider specifying gross of fees or net of fees for performance versus peer universe benchmarks.
9. We suggest the Board de-emphasize performance relative to peers as a specific objective/benchmark for the Trust. First, peer comparison offers little, indeed almost no, information about whether the Trust is achieving its core mission—funding benefits for CEPERT plan participants. Second, CEPERT is unique with its own contribution policy, benefit structure, ARoR, cash flow, size, objectives, etc. In our view, these differentiators render the very notion of “peers” questionable, and while a group of public funds can be assembled with somewhat more “peer-like” attributes, it will likely be a small universe that is far from statistically robust. The Board’s Investment Consultant can and should continue to provide the CEPERT Board with peer comparisons of this data, as it is prudent to at least remain generally aware of the performance other funds deliver.
10. Consider incorporating more deterministic stress test scenarios within the next A/L study. Deterministic analysis can provide insight into how specific, historic, or hypothetical scenarios can impact the portfolio. Some examples include future “W-shaped” or “V-shaped” market events, persistent high inflation, or lower return environment. These scenarios can be intuitive to understand and offer different insights compared to stochastic modeling.

Section II – Detailed review of the retirement fund's investment asset allocation.

Documents Reviewed

- ✓ Investment Policy Statement Executed 2025-12-11
- ✓ Investment Staff and Investment Consultant Presentations to the Investment Committee and Board
- ✓ Asset Allocation Study
- ✓ Asset/Liability Study
- ✓ Actuarial Valuation Reports
- ✓ Investment Performance Reports
- ✓ Meeting Minutes

Asset Allocation: Process

<p>Does the Trust have a formal and/or written policy for determining and evaluating its asset allocation? Is the Trust following this policy?</p>	<p>The CEPERT Board and Investment Committee adopted an IPS, which identifies the objectives of the Trust and provides a framework for developing an asset allocation, operational guidelines, measurement and reporting—all of which serve the purpose of aligning the Trust’s actions with meeting the long-term benefits committed to by the Trust.</p> <p><u>Recommendation.</u> As previously mentioned, while an A/L study is mentioned in conjunction with the adoption of the strategic asset allocation targets, its intended role in the asset allocation process, and required cadence (every three to six years) could be more clearly defined in the IPS.</p>
<p>Who is responsible for making the decisions regarding strategic asset allocation?</p>	<p>The Board is responsible for providing fiduciary oversight and charters the Investment Committee to make recommendations and establish investment policies and guidelines. It is ultimately the responsibility of the Board to establish the strategic asset allocation process and parameters.</p>
<p>How is the Trust’s overall risk tolerance expressed and measured? What methodology is used to determine and evaluate the strategic asset allocation?</p>	<p>Risk for the Trust is ultimately the inability to cover future benefit payments.</p> <p>In service of this objective, an Asset/Liability Study is conducted every three to six years (most recently completed in 2023) to determine optimal levels of risk to target given unique considerations for the Trust. Examples of such considerations include, but are not limited to, the following:</p> <ul style="list-style-type: none"> • Risk of large investment losses • Volatility of employer contributions • Volatility of asset returns • Expected volatility of funded status

	<ul style="list-style-type: none"> • Illiquidity risk <p>The central purpose of an A/L Study is to examine the probable future consequences, over extended periods of time, of applying alternative asset allocation strategies to the Trust’s investment assets in order to fund the liabilities created by the benefit provisions of the Trust. A/L Studies are unique in their ability to combine in a single analysis the three critical factors that drive the financial health of the Trust:</p> <ul style="list-style-type: none"> • Benefit policy • Contribution policy • Investment strategy
<p>How often is the strategic asset allocation reviewed?</p>	<p>The strategic asset allocation is reviewed at least annually. In periods where warranted, asset allocation may be reviewed more often, such as following large shifts in CMAs.</p> <p>An Asset/Liability Study is revisited at least every three to six years. Major changes to CMAs, contribution policy, liabilities, etc., may result in more frequent reviews.</p>
<p>Do the Trust’s investment consultants and actuaries communicate regarding their respective future expectations?</p>	<p>The Trust’s independent Investment Consultant communicates with the actuary as changes in CMAs occur or an Asset/Liability Study is required. The Investment Consultant’s A/L modeling (last conducted in 2023), relies on the actuary’s assumptions.</p>
<p>How does the current assumed rate of return used for discounting plan liabilities factor into the discussion and decision-making associated with setting the asset allocation? Is the actuarial expected return on assets a function of the asset allocation or has the asset allocation been chosen to meet the desired actuarial expected return on assets?</p>	<p>The actuarial ARoR plays a critical role in setting the contribution rate of the Trust and incorporates a variety of factors and risks that affect the Trust’s long-term ability to fund benefits. Among those factors is the Board’s asset allocation and expected long-term returns and associated variability based (as noted above) on the CMA’s of the Trust’s independent Investment Consultant (as well as others the actuary chooses to utilize). The Board, in its consideration of asset allocation, is aware of the actuary’s recommendation of a prudent level of contributions (based in part on the asset allocation). However, like the actuary’s decision, the Board’s decision must take into account other factors, most notably prudent levels of risk in the management of the Trust’s assets, pragmatic considerations associated with investing, maintaining sufficient near-term liquidity, and more. Thus, the decision on the ARoR (and thus prudent levels of contributions over time) and the decision on asset allocation (reflecting the Board’s view of prudent levels of risk to the Trust’s assets in the pursuit of investment returns over time) are two different, albeit related, decisions in the management of the Trust as a whole.</p> <p>The actuarial ARoR is set independently of an asset allocation and reflects a pursuit of prudent long-term contributions. While the A/L and AA studies comment on expected return (using the independent Investment Consultant’s CMAs) in relation to the ARoR, asset allocation is driven by an alignment of the Trust’s risk appetite in relation to its ultimate objectives, rather than an obligatory fitting to</p>

the ARoR. In the end, these must bear a reasonable relationship to one another, and our review of the Asset Allocation studies conducted for and discussed by the CEPERT Investment Committee and Board are consistent with that objective.

Is the asset allocation approach used by the Trust based on a specific methodology? Is this methodology prudent, recognized as best practice, and consistently applied?

The Trust utilizes its Investment Consultant to produce CMAs with appropriately-long-term (10-year) asset assumptions that match the long-term nature of the liabilities, as required by the IPS. Expected returns utilize a “build-up” approach. A summary of inputs include, but are not limited to, the following:

- Dividend yields, net buyback yield, inflation, real earnings growth, and expected changes in valuations for equities
- Income return (yield), capital gain (loss), credit default, roll return for fixed income
- Cap rates for real estate
- Inflation expectations and return on cash

Once return, risk, and correlations are set, a mean-variance optimization is used to produce an efficient frontier of asset allocations. Deterministic and stochastic analyses (such as Monte Carlo simulations) capture a multi-dimensional risk profile that seeks to model long-term impacts on the funded status of the Trust.

We deem the approach used to be prudent, aligned with best practices, and consistently applied across recent studies.

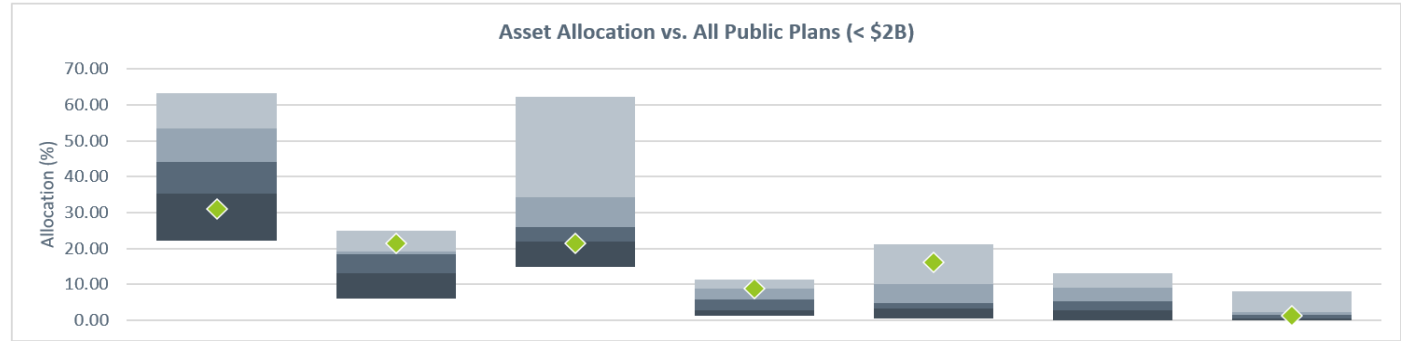
Does the Trust implement a tactical asset allocation? If so, what methodology is used to determine the tactical asset allocation? Who is responsible for making decisions regarding the tactical asset allocation?

The Trust has delegated some tactical authority to the Investment Committee, limited to reducing the duration of the Trust’s Core Fixed Income portfolio through the purchase of U.S. Treasury Bills and Notes funded from the Trust’s Core Fixed Income portfolio. The maximum reallocation from the Trust’s Core Fixed Income portfolio to U.S. Treasury securities shall not exceed 20% of the Core Fixed Income strategic asset allocation target. This authority – which the Investment Committee must request from the Board – was granted in the December 2022 IPS revisions.

How does the asset allocation compare to peer Trusts?

Actual asset allocation currently in place at CEPERT is shown below. All major asset classes fall in a normal range compared to other US public pension plans (as of December 31, 2025).

Of note, the private equity allocation is meaningfully higher than a peer group consisting of similar sized public funds (primarily offset by a lower public US equity allocation). It should be noted, however, that the actual allocation to Private Equity is overweight versus its policy target of 13%.



	US Equity	Intl. Equity	US Fixed Income	Real Estate	Private Equity	Other	Cash
CEPERT	30.99	21.34	21.38	8.80	16.21	0.00	1.29
Peer Median	44.04	18.41	25.91	5.94	4.81	5.33	1.44

What are the strategic asset allocation targets?

Below are the current strategic targets and policy ranges, and sub-asset class targets

Asset Class	Asset Class Target	Strategic Target	Minimum	Maximum
Domestic Equity		31.0%	27.0%	35.0%
Large Cap	75.0%			
Small/Mid Cap	25.0%			
International Equity		21.0%	18.0%	24.0%
MSCI ACW ex-US IMI Index	40.0%			
ACW ex-US IMI Core	60.0%			
Fixed Income		24.0%	21.0%	27.0%
Core Index	50.0%			
Core Plus	50.0%			
Real Estate		10.0%	7.0%	13.0%
Core Private	100.0%			
Private Equity		13.0%	10.0%	16.0%
Private Equity	100.0%			
Cash		1.0%	0.0%	5.0%
Cash	100.0%			

Asset Allocation: Risk & Return

What is the expected risk and expected rate of return of each asset class?

The expected risk and return for each asset class are provided below, from both RVK and Callan.

Asset Class	RVK Arithmetic Return Assumption	RVK Standard Deviation Assumption	Callan Arithmetic Return Assumption	Callan Standard Deviation Assumption
Broad US Equity	5.79	16.04	8.85	17.40
Broad International Equity	8.35	18.89	9.65	21.40
US Agg Fixed Income	4.25	5.00	5.25	4.25
Core Real Estate	6.50	12.50	6.85	14.00
Private Equity	9.50	22.00	12.15	27.60
Cash Equivalents	2.75	2.00	3.00	0.90

It is worth noting that the time horizon for forward looking capital market assumptions can vary between investment consultants so the expected risk and return assumptions shown here are not necessarily perfect comparisons.

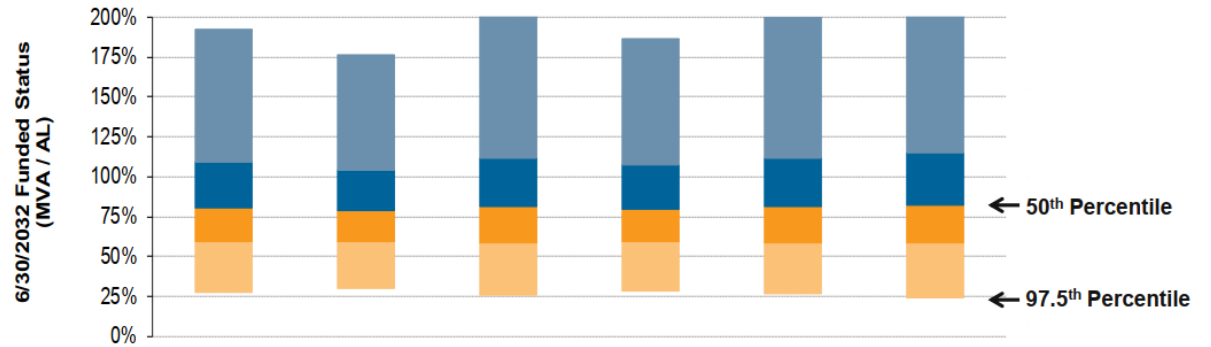
How is this risk measured and how are the expected rates of return determined? What is the time horizon?

In the asset allocation process, risk is primarily measured as the standard deviation of asset returns for the purposes of optimization and creating an efficient frontier. CMA's are forecasted over 10+ years to match the long-term liabilities of the plan.

What mix of assets is necessary to achieve the plan's investment return and risk objectives?

Following review of the 2023 A/L study, the current asset allocation was affirmed. Alternative asset mixes were reviewed, including allocations that adopted a private credit allocation, however the alternative allocation mixes were not found to materially improve expected funded status outcomes over the next 10 years (under the base case/current target allocation, funded status was projected to improve by 2.5% over 10 years). The current allocation was deemed to appropriately balance return seeking with acceptable levels of volatility and downside losses.

Market Funded Ratio in 2032 (10 Years)



Percentile	Target	CA-30% FI	CA-20% FI	PC-25% FI	PC-20% FI	PC-15% FI
2.5th	192%	177%	204%	186%	200%	214%
25th	109%	104%	112%	107%	111%	115%
50th	80%	79%	81%	80%	81%	82%
75th	59%	60%	59%	59%	59%	58%
97.5th	27%	30%	26%	29%	26%	24%
Expected Return	7.3%	7.1%	7.4%	7.2%	7.4%	7.5%
Standard Deviation	13.5%	12.4%	14.2%	13.0%	13.9%	14.8%
Prob. Full Funding	32%	28%	34%	31%	33%	35%

<p>What consideration is given to active vs. passive management?</p>	<p>The IPS mandates passive management in the following asset classes under the asset class structure guidelines: US Large Cap Equity, Broad Non-US Equity, and Core Fixed Income. Together these mandates comprise 43.65% of the Trust by strategic target.</p> <p>CEPERT’s utilization of active management is low in comparison to peers and has allowed the Trust to maintain competitively low management fees versus peers.</p> <p>These observations are not a concern and are delivering a competitive investment fee structure. CEPERT should continue to promote fee-efficient implementations, so long as they do not come at the expense of higher net-of-fee returns. Where no active management is utilized, the Board and Investment Committee should be able to communicate their Investment Beliefs that rationalize the decision.</p>
<p>Is the approach used by the Trust to formulate asset allocation strategies sound, consistent with best practices, and does it result in a well-diversified portfolio?</p>	<p>The process for determining a sound asset allocation begins with understanding the ability of the Trust to bear risk, which starts with reviewing the liabilities and cash flows of the Trust. Once an appropriate risk level is determined, an Asset Allocation Study is conducted to select the most appropriate mix of assets to achieve the Trust’s goals and objectives without undue risk. Finally, asset class structures are analyzed and sub-asset class targets are adopted by the IPS, including deciding the appropriate utilization of active and passive management.</p> <p>The methodology used to formulate an asset allocation target is sound and aligns with the goals of the Trust. Focusing principally on alignment with Trust liabilities is consistent with best practices and has been the point of focus of the Asset/Liability Studies. The resulting portfolio is diversified by asset class, structure, and investment manager selection—in order of emphasis.</p>
<p>How often are the strategic and tactical allocations reviewed?</p>	<p>The strategic asset allocation is reviewed annually, at a minimum. Actual allocations are monitored as part of regular periodic reviews.</p>

Asset Allocation: Appropriateness of Valuation Methodologies

<p>How are alternative and illiquid assets selected, measured and evaluated? What valuation methodologies are used to measure alternative and illiquid assets? What alternative valuation methodologies exist and what makes the chosen method most appropriate?</p>	<p>CEPERT currently utilizes the same process for the selection and evaluation of alternative and illiquid asset class managers as it does for the selection and evaluation of public market asset class managers. We provide more details on the investment manager selection and evaluation process in Section V of this report.</p> <p>As of December 31, 2025, CEPERT has allocations to two types alternative investment managers: private real estate strategies with quarterly liquidity, and closed-end, finite-life private equity fund-of-funds vehicles.</p> <p>While CEPERT’s custodian pricing serves as the primary basis for valuing publicly traded, liquid assets, fund statements provided by alternative/illiquid investment managers are used to obtain the fund market values for real estate and private equity. This process/valuation methodology for performance calculations is consistent with industry best practice.</p> <p>In recognition of the illiquid, long-term nature of private equity investments, the Trust has adopted multiple performance benchmarks. Most recently, the primary benchmark was revised to the Cambridge Global Private Equity Index (which also serves as the corresponding index within the Total Fund Custom Index) to provide a more “apples-to-apples” comparison. The previous benchmark (Russell 3000 Index + 3%) was retained as the long-term return target objective for the asset class, recognizing the return premium expected over public markets over the long-term. Lastly, the fund’s IRR performance will be benchmarked on a vintage-year basis against peer funds. This multifaceted approach to private equity benchmarking should provide improved context for decision makers and recognizes the unique features of the asset class. Lastly, the private equity valuations are lagged by one quarter within the performance reports. This is a common practice given the long lead time in receiving quarterly valuations, and allows for more timely production of investment reports and accounting statements for the Trust.</p>
<p>Are the Trust’s alternative investments appropriate given its size and level of investment expertise? Does the IPS outline the specific types of alternative and illiquid investments allowed, as well as the maximum allocation allowable?</p>	<p>The IPS outlines all asset classes, including alternative and illiquid asset classes, utilized by the Trust and allocations to each. As of December 31, 2025, CEPERT has allocations to real estate and private equity.</p> <p>The policy includes target allocation, as well as permissible allocation ranges (minimums and maximums) for all asset classes. As of December 31, 2025, the private equity allocation was slightly higher than its policy maximum (16.2% vs. 16.0%).</p> <p>Given CEPERT’s liquidity needs, the asset allocation to illiquid and less liquid investments appears to be appropriate. The A/L study conducted in 2023 forecasted net cash outflows to remain at approximately 5% in each of the next 10 years, under a base case return scenario. Even in a low return environment (75th percentile), net cash outflows were forecasted to remain well under 10% of assets, 10 years in the future, indicating that the Plan has manageable liquidity needs assuming the contribution policy is maintained.</p>

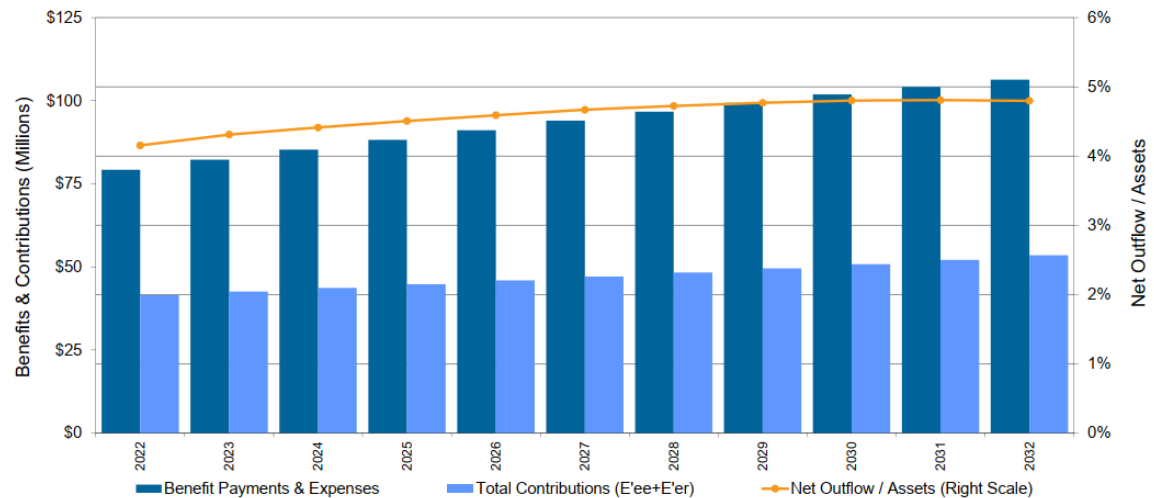
Asset Allocation: Future Cash Flow and Liquidity Needs

What are the plan’s anticipated future cash flow and liquidity needs? Is this based on an open or closed group projection?

Below are the latest cash flow projections as of the 2023 Asset/Liability Study. The study was based on an open group analysis. The results assume the contribution policy remains unchanged, and that the Trust’s assets return precisely the actuarially assumed rate each year without exception for all projection years.

Cash Flows and Liquidity

Baseline Projection



When was the last time an asset-liability study was performed?

An Asset/Liability Study was produced in June 2023.

How are Trust-specific issues incorporated in the asset allocation process? What is the current funded status of the plan and what impact does it have? What changes should be considered when the plan is

Trust-specific issues have a material and direct impact on the asset allocation process and are modeled as part of the Asset/Liability Study.

The most recent actuarial valuation (as of August 31, 2025) indicated a funded status of 77.8%, an improvement of 1.5% versus the prior fiscal year. Upon review of the latest A/L study in 2023, the current asset allocation was confirmed to be appropriate. Alternative portfolio mixes were analyzed, but not found to materially improve expected funded status outcomes over the next

severely underfunded, approaching full funding, or in a surplus?	10 years (under the base case/current target allocation, funded status was projected to improve by 2.5% over 10 years assuming the current contribution policy continues).
What types of stress testing are incorporated in the process?	Stochastic modeling is used to capture a distribution of potential outcomes and model the effects of path dependency that arise from future uncertainty. This includes forward-looking projections like a Monte Carlo simulation.

Summary

Collective efforts of CEPERT Board, Investment Committee, and Staff have led to an effective methodology for selecting a Strategic Asset Allocation policy that is responsive to changes in the Trust’s liabilities and shifts in long-term capital market assumptions. The structure of the portfolio, including sub-asset class targets and decisions on whether to utilize active or passive management, are well defined in the IPS. To the extent that the Investment Committee exercises their delegated authority to tactically tilt the portfolio (limited to shortening duration of the fixed income portfolio), the rationale is transparently communicated and in service of prudent risk management, and requires permission be granted by the Board. Overall, the Trust has developed a comprehensive approach to managing the portfolio in the ultimate service of the Plan’s beneficiaries.

Recommendations

11. As previously mentioned, while an A/L study is mentioned in conjunction with the adoption of the strategic asset allocation targets, its intended role in the asset allocation process, and required cadence (every three to six years) could be more clearly defined in the IPS.

Section III – Review of the appropriateness of investment fees and commissions paid by the retirement fund.

Documents Reviewed

- ✓ 2024 & 2025 Annual Investment Management Fee Review
- ✓ 2024 & 2025 Annual Comprehensive Financial Report
- ✓ Investment Staff and Investment Consultant Presentations to the Investment Committee and Board
- ✓ Investment Policy Statement

<p>Do the Trust's policies describe the management and monitoring of direct and indirect compensation paid to investment managers and other service providers? What direct and indirect investment fees and commissions are paid by the Trust? Does the Trust have appropriate policies and procedures in place to account for and control investment expenses and other asset management fees?</p>	<p>CEPERT'S IPS states "containing total fund costs to the lowest reasonable level" as a financial objective. The IPS also states that "Given the expense, difficulty of obtaining adequate diversification, related custody costs and ultimate size of the Trust's commitments to various asset classes, commingled funds may be used as the vehicle for the investment in such asset classes." There is evidence in the current structure of the Trust that low-cost passive mandates are highly utilized by the Trust.</p>
<p>Who is responsible for monitoring and reporting fees to the board? Is this responsibility clearly defined in the Trust's investment policies?</p>	<p>The duty to review fees is inherent in the Board's oversight role per the IPS and its monitoring provisions. The Investment Committee and the Board review fees annually for each of the investment managers and strategies in the reports provided by the Investment Consultant and the Investment Staff.</p> <p>The role and frequency of fee monitoring and reporting is not explicitly stated in the IPS at present.</p>
<p>Are all forms of manager compensation included in reported fees?</p>	<p>Yes. The 2024 Annual Comprehensive Financial Report contains a breakdown of direct and indirect fees and commissions for each asset class. Total direct and indirect fees and commissions are comprised of management fees, brokerage fees/commissions and profit share.</p>
<p>How do these fees compare to peer group and industry averages for similar</p>	<p>RVK's analysis included review and confirmation of fee schedules of all investment managers, review of investment manager agreements, comparison to similar mandates, as well as a comprehensive peer group fee analysis. These peer groups are routinely used by RVK to benchmark fees and are comprised of both active and passive managers specific to the mandate's</p>

services? How are the fee benchmarks determined?

vehicle type. Each investment manager was ranked against an appropriate eVestment peer group based on mandate type and overall asset size. The eVestment fee database is considered the broadest and most frequently updated in the industry. Lower fees are represented by lower percentile rank (i.e., the 1st percentile is the lowest fee and conversely the 99th percentile is the highest fee in the relevant investment manager peer group).

As shown in the table below, over 70% of the Trust’s public investment managers have effective annual fees that fall below the industry median (in the top quartile even) for each respective mandate. CEPERT favors passive implementation, as appropriate, which leads to low fees in general, but we observed that even fees paid to passive managers are below the industry average. The Trust’s utilization of commingled funds and mutual funds contributes to its low fees. Peer group classification for this table can be found in the **Appendix**.

Public Market Investment Managers and Management Fees as of December 31, 2025

Fund	Mandate	Fee	Universe Median Fee	Fee Rank	Size of Universe
Mellon (<i>S&P 500 Index</i>)	U.S. Large Cap Equity	0.01%	0.03%	7	245
Wellington Management Company	U.S. Small/Mid Cap Equity	0.80%	0.75%	71	88
Mellon (<i>ACWI ex-U.S. IMI</i>)	Global ex-U.S. Equity	0.05%	0.08%	13	39
Arrowstreet Capital	Global ex-U.S. Equity	0.75%	0.68%	70	426
Mellon (<i>Bloomberg U.S. Aggregate Index</i>)	Core Fixed Income	0.03%	0.05%	8	29
BlackRock	Core-Plus Fixed Income	0.19%	0.45%	1	92
Wellington Management Company	Core-Plus Fixed Income	0.16%	0.31%	1	48

Two public market investment manager’s fees rank above median against their peer universe.

- Wellington U.S. Small/Mid Cap Equity’s fee of 0.80% is 5 basis points above the universe median. However, the strategy ranks in the third quartile relative to the peer universe.
- Arrowstreet Global ex-U.S. Equity’s fee of 0.75% is 7 basis points above the universe median. However, the strategy ranks in the third quartile relative to the peer universe.

The table below summarizes the overall distribution of relative fees of the public market managers.

Fee Percentile Distribution

Fee Percentile Range	Number of Investment Managers in Range
1st to 24th	5
25th to 49th	0
50th to 74th	2
75th to 100th	0

Fees as of December 31, 2025

CEPERT’s allocation to private market alternatives, as of December 31, 2025, is 25% of the total Fund and is invested across five investment managers. The fees for all private real estate and private equity managers fall at or below the universe median.

Private Market Investment Managers and Management Fees as of December 31, 2025

Fund	Mandate	Fee	Universe Fees	Size of Universe
Heitman (America Realty Trust)	Core Real Estate	0.97%	1.00% median; range of 0.75% - 1.10%*	25
TA Realty (Core Property Fund)	Core Real Estate	1.00%	1.00% median; range of 0.75% - 1.10%*	25
UBS (Trumbull Property Fund)	Core Real Estate	0.75%	1.00% median; range of 0.75% - 1.10%*	25
Portfolio Advisors	Private Equity	0.74%	1.00% median**	285
Adams Street	Private Equity	0.83%	1.00% median**	285

**Peer universe population and fees, as of 12/31/2025, include NCREIF-ODCE fund managers that share data with RVK.*

***Peer universe population and fees, as of 06/30/2025, based on Preqin private equity fund of funds data.*

Overall, the Trust’s estimated total investment management cost¹ based on RVK’s analysis is about 0.37% as of December 31, 2025. We observe CEPERT’s investment management fee to be competitive compared to public plans peers.

¹ The calculation is based on fund market values as of December 31, 2025, and investment management fee and does not include incentive fees.

Review of Commissions – Trade Cost Analysis

The IPS states that investment managers of separately managed account are required to provide broker commission reports. At present there are no separately managed accounts in the CEPERT portfolio.

What other fees are incurred by the Trust that are not directly related to the management of the portfolio? How often are the fees reviewed for reasonableness?	Callan’s fee for investment consulting was \$330,000 in 2025 and \$340,000 in 2024. This fee is in line with peer fees for other Municipal Public Funds of a similar size. Bank of New York Mellon’s fee for custodial services was \$158,791 in 2025 \$159,281 in 2024. This fee is in line with peer fees for other Municipal Public Funds of a similar size.
Is an attorney reviewing any investment fee arrangements for alternative investments?	All investment manager contracts, side letters, and other agreements, whether public market or private alternatives, are evaluated, reviewed, and finalized by the Executive Director/Legal Advisor, as delegated by the Board.

Overall Fees

The Trust has been very diligent and successful in negotiating fees with investment managers across asset classes in both public and private markets. Investment manager fees and estimated total plan fee of 0.37% are not only reasonable and appropriate but are considerably lower compared to median universe fee and public peers of similar size, respectively.

Recommendations

12. Consider adding a section on management and control of investment management and service provider cost in the IPS.

Section IV – Review of the retirement fund's governance processes related to investment activities, including investment decision-making processes, delegation of investment authority, and board investment expertise and education.

Documents Reviewed

- ✓ Investment Policy Statement
- ✓ Investment Staff and Investment Consultant Presentations to the Investment Committee and Board
- ✓ PRB Training Requirements – Core and Continuing MET Requirements

General Comments

Based on our review, the investment decision-making process for the Trust broadly reflects a comprehensive implementation of best practices.

The CEPERT IPS, while not specifying required processes in detail, provides a strong foundation for investment decision-making. The IPS clearly addresses key investment principles that are industry standards for best practices in institutional investment decision-making, including but not limited to:

- The goal of seeking to optimize investment results in order to generate sufficient funds for present and future beneficiary payments.
- The importance of regular asset/liability and asset allocation analyses.
- The risk tolerance of the Board and the need for diversification.
- The requirements and guidelines for thoughtful portfolio rebalancing.
- The encouragement to seek advice from experts.

The outcome of individual investment decisions is always uncertain, but we believe CEPERT's policy foundation goes a long way to mitigate that risk.

Transparency

Does the Trust have a written governance policy statement outlining the governance structure? Is it a stand-alone document or part of the IPS?	The IPS clearly defines the roles and responsibilities of the Board of Trustees, Investment Committee, Pension Fund Administrator and Staff, Investment Consultant, Investment Managers, and other service providers.
Are all investment-related policy statements easily accessible by the plan members and the public?	The IPS is available on the CEPERT website.
How often are board meetings? What are the primary topics of discussion? How much time, detail, and discussion are devoted to investment issues?	The Board meets monthly. Time is allocated as needed. Meeting packets are provided in advance of scheduled meetings so that the Board has adequate time to review material in advance.
Are meeting agendas and minutes available to the public? How detailed are the minutes?	Board agendas are available on the CEPERT website. Agendas are thorough, including reviewing order and business and the establishment of meeting objectives, public comment, consent items including prior Board minutes, Committee reports, education and action items, Executive Director report, required and informational reporting, education opportunities, and, finally, a review of meeting takeaways and call for future agenda items. Over the last three years, Board meeting minutes were available on the website for all meetings.

Investment Knowledge/Expertise

What are the backgrounds of the board members?	<p>CEPERT is governed by a nine-member Board comprised of:</p> <ul style="list-style-type: none">• Two members of city council• Two citizens of the city who are not officers or employees of the city• Four city employees who are qualified to participate in the Trust• One retired city employee receiving benefits from the Trust
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Type	Member	Current Term	Title
Elected City Employee	Isaura Valdez	5/1/2025 – 4/30/2029	
Elected City Employee	Karl C. Rimkus	5/1/2025 – 4/30/2029	Vice Chair
Elected City Employee	Karina Brasgalla	5/1/2023 – 4/30/2027	
Elected City Employee	Robert Studer	5/1/2023 – 4/30/2027	Chair
Citizen Appointee	Rene Peña	5/1/2025 – 4/30/2027	
Citizen Appointee	Matt C. Kerr	5/1/2025 – 1/22/2027	
Retiree Appointee	Deborah G. Hamlyn	5/1/2024 – 4/30/2026	
City Council Representative	Art Fiero	1/24/2024 – 4/30/2026	
City Council Representative	Chris Canales	1/22/2025 – 1/21/2027	

What training is provided and/or required of new board members? How frequently are board members provided investment-related education?

New Board members and administrators are required to receive a minimum of seven hours of training in core topic areas including governance, ethics investments, actuarial, benefits administration, and risk management. After the core training cycle ends, the Board members and administrators are required to complete a minimum of four hours of training every two years. This continuing education training can include core topics or non-core topics such as compliance, legal and regulatory, pension, accounting, custodial issues, plan administration, and Texas’ Open Meetings and Public Information Acts.

What are the minimum ethics, governance, and investment education requirements? Have all board members satisfied these minimum requirements?

Requirements are noted above. The Executive Director provides a report at least annually on the progress each Trustee has made in meeting their training requirements.

No exceptions were noted.

Does the Trust apply adequate policies and/or procedures to help ensure that all board members understand their fiduciary responsibilities?

Section I of the IPS clearly describes fiduciary responsibility and conduct.

<p>What is the investment management model (i.e. internal vs. external investment managers)? Does the board receive impartial investment advice and guidance?</p>	<p>Investment management is external.</p> <p>Callan provides external investment advice and guidance.</p>
<p>How frequently is an RFP issued for investment consultant services?</p>	<p>There is no Investment Consultant RFP frequency requirement in the IPS. We believe it is prudent to review service providers periodically. In addition, a documented procedure for periodic service provider RFPs (five to seven years) provides the Board with the opportunity to review the marketplace in order to confirm an existing provider or make a change.</p>

Accountability

<p>How is the leadership of the board and committee(s), if any, selected?</p>	<p>Board officers are elected by the Board pursuant to a written policy approved by the Board at a public meeting. Members of the Investment Committee are selected by the Chairperson of the Board.</p>
<p>Who is responsible for making decisions regarding investments, including manager selection and asset allocation? How is authority allocated between the full board, a portion of the board (e.g. an investment committee), and internal staff members and/or outside consultants? Does the IPS clearly outline this information? Is the board consistent in its use of this structure/delegation of authority?</p>	<p>The specific responsibilities of the Board in managing the investment process include the following:</p> <ol style="list-style-type: none"> 1. Establishing overall objectives and the setting of investment policy, so long as the objectives do not contradict the objectives found in 2.64 of the El Paso Municipal code. 2. Appointing an Investment Committee which considers issues related to the investment of Trust assets and which makes recommendations to the Board. 3. Determining the Trust’s projected financial needs and communicating such needs to the Trust’s actuary, investment consultant, investment managers and other service providers as necessary. 4. Establishing realistic investment goals and objectives, as well reasonable investment policies and limitations. 5. Establishing the Trust’s asset allocation (defined as determining an appropriate mix of the Trust’s assets between various asset classes and investment styles) in a manner to achieve the Trust’s goals and objectives without undue risk. 6. Selecting qualified actuaries, investment consultants, investment managers, custodians and other service providers. Also communicating the duties and responsibilities to those accountable for achieving investment results and to whom specific responsibilities have been delegated. 7. Monitoring and evaluating performance results to assure compliance with investment guidelines and objectives are

being met.

8. Periodically comparing the total portfolio and the investment managers' risk adjusted returns to both peers and the benchmark index.
9. Taking appropriate action to add or replace investment managers or other service providers as necessary.
10. Maintaining all records dealing with the Trust and its assets, and the investment of those assets.
11. Undertaking such work, studies, or education as may be necessary to keep the Board adequately informed and educated so as to properly fulfill its fiduciary duties.
12. The Board is authorized to delegate certain responsibilities to qualified agents to assist the Board in fulfilling its fiduciary duties and responsibilities noted above.

Members of the Investment Committee are charged with investigating investment related issues. Once investigations are completed and conclusions or recommendations have been formulated, the Investment Committee reports its findings and recommendations to the Board. Additionally, the Investment Committee is authorized to:

- Direct an investment manager to suspend, and/ or resume trading in any investment portfolio.
- Request tactical investment authority from the Board. This tactical investment authority shall be limited to reducing the duration of the Trust's Core Fixed Income portfolio through the purchase of U.S. Treasury Bills and Notes funded from the Trust's Core Fixed Income portfolio.

These responsibilities are clearly outlined in the IPS. The Board is consistent in its use of this structure and authority.

Is the current governance structure striking a good balance between risk and efficiency? What controls are in place to ensure policies are being followed?

Investment decisions are thoroughly vetted and reviewed by the Investment Committee and approved by the Board. Decisions are made prudently. We find the decision to move from twelve to six Investment Committee meetings per year an example of the Trust seeking to strike an effective balance between risk and efficiency.

How is overall portfolio performance monitored by the board?

At least quarterly, the Investment Committee and Board review materials provided by the Board's independent Investment Consultant and Investment Staff. The reports begin with compliance with the SAA and are followed by performance evaluation beginning with the total Trust, then asset class composite performance, and finally performance for investment managers. Fees are also included in the materials. Investment Staff provides a thorough IPS compliance review. Investment Staff and the Investment Consultant provide the Investment Committee and Board with multiple monthly performance summaries and comprehensive quarterly performance reports to aid with the ongoing evaluation and monitoring of investment managers and the total Trust.

How often are the investment governance processes reviewed for continued appropriateness?

The Board and the Investment Committee review the investment process at least annually when updating the IPS. Additionally, the Trust has complied with the requirement to conduct the investment practices and performance evaluation on a triennial basis.

Summary

Based on our review of CEPERT’s policies, the investment decision-making process for the Trust broadly reflects a comprehensive implementation of best practices. The governance structure under which CEPERT operates indicates clarity regarding the delegation of authority to make and provide advice on investment decisions.

Recommendations

13. Consider adopting and documenting a schedule for reviewing service providers, including a potential RFP after five to seven years.

Section V – Review of the retirement fund's investment manager selection and monitoring process.

Documents Reviewed

- ✓ Investment Policy Statement
- ✓ Investment Staff and Investment Consultant Presentations to the Investment Committee and Board

Who is responsible for selecting investment managers?	<p>The IPS states the following with respect to selection of investment managers:</p> <ul style="list-style-type: none">• “The Board through its Investment Committee hires investment managers from time-to-time in order to carry out its duties to diversify the Trust’s investment portfolio. The Board has granted authority to the Investment Committee to review possible manager candidates and make recommendations to the Board with regard to possible investment manager candidates.”
How are the managers identified as potential candidates? What are the selection criteria for including potential candidates? What are the selection criteria when deciding between multiple candidates?	<p>As stated in the IPS, the process used to select investment managers is as follows:</p> <p>“The Investment Committee will utilize a process for investment manager selection that embodies the principles of procedural due diligence. Accordingly, when recommending investment managers, the Investment Committee will employ a comparative search process, including but not limited to the following steps or such other steps as the Investment Committee determines best in the situation:</p> <ol style="list-style-type: none">1. Formulation of specific investment manager search criteria that reflect the requirements for the investment manager role under consideration.2. Identification of qualified candidates from the manager search database maintained by the Investment Consultant and such other sources as determined by the Investment Committee.3. Analysis of qualified candidates in terms of:<ol style="list-style-type: none">a. Quantitative characteristics, such as CFA GIPS compliant composite return data, risk-adjusted rates of return and relevant portfolio characteristics.b. Qualitative characteristics, such as key personnel, investment philosophy, investment strategy, research orientation, decision-making process, and risk controls.c. Organizational factors, such as type and size of firm, ownership structure, client-serving capabilities, ability to obtain and retain clients and fees.4. Selection and interview of finalist candidates based on a due diligence report prepared for the Investment Committee

	by the Investment Consultant summarizing the analysis described above.”
How does the selection process address ethical considerations and potential conflicts of interest for both investment managers and board members?	The IPS does not explicitly address ethical considerations and potential conflicts of interest for both investment managers and board members.
Who is responsible for developing and/or reviewing investment consultant and/or manager contracts?	All investment manager contracts, side letters, other agreements, and service provider agreements are evaluated, reviewed, and finalized by the Executive Director/Legal Advisor, as delegated by the Board.
What is the process for monitoring individual and overall fund performance? Who is responsible for measuring the performance? What types of performance evaluation reports are provided to the board? Are they provided in a digestible format accessible to trustees with differing levels of investment knowledge/expertise? How frequently is net-of-fee and gross-of-fee investment manager performance reviewed? Is net-of-fee and gross-of-fee manager performance compared against benchmarks and/or peers?	<p>The IPS provides guidance about monitoring and evaluating individual investment managers and the overall Trust. The IPS states that “The following are long-term investment return objectives established by the Board. While the Board believes it has a fiduciary responsibility to frequently review the results achieved by its investment managers, judgments regarding a manager’s suitability will not be based solely on results in any relatively short time period. Generally, three to five years of performance history is needed before results alone can play a substantial role in judging a manager. In the short run, other factors can and will be given significant consideration. These factors include, but are not limited to: Firm and investment team stability; Consistency of investment style, process, and philosophy; and Stability of firm and strategy assets. The Board intends to evaluate investment manager’s overall performance by taking into account all relevant objective and subjective criteria.</p> <p>The Investment Consultant provides the Investment Committee and the Board with comprehensive quarterly performance reports to aid with the ongoing evaluation and monitoring of investment managers and the total Trust. The reports provided to the Board are detailed but comprehensible for Trustees with differing levels of investment knowledge/expertise.</p> <p>The Investment Consultant provides the following regular reports:</p> <ol style="list-style-type: none"> 1. Investment Committee Performance Review <ol style="list-style-type: none"> a. Capital Markets Review b. CEPERT Updates c. CEPERT Total Fund Governance and Compliance d. CEPERT Dashboard e. CEPERT Asset Class Weights f. CEPERT Return and Rankings

- g. CEPERT Total Fund Performance Attribution
- h. CEPERT Risk and Return versus Other Public Pension Funds

2. Investment Measurement Service Quarterly Review

- a. Capital Markets Review
- b. Asset Allocation and Performance
- c. Domestic Equity
- d. International Equity
- e. Private Equity
- f. Domestic Fixed Income
- g. Real Estate

Investment Staff and the Investment Consultant, in collaboration or separately, also regularly review, receive updates, and conduct periodic calls/meetings/due diligence to ensure consistency of strategy, compliance with applicable guidelines, as well as general firm and market updates.

CEPERT also requires the Trust’s investment managers to meet annually with the Investment Committee and Board or at any other time as deemed necessary. If an Investment Manager is on the Watch List, the Manager will meet semi-annually with the Investment Committee.

What benchmarks are used to evaluate performance?

The benchmarks utilized to evaluate investment managers in their respective asset classes as of December 31, 2025, are:

- 1. Domestic Equity Benchmark – Russell 3000 Index
- 2. International Equity Benchmark - MSCI ACW ex-US IMI Index
- 3. Private Equity Benchmark – Cambridge Global Private Equity Index
- 4. Core Fixed Income Benchmark – Bloomberg US Aggregate Bond Index
- 5. Real Estate Benchmark – NFI-ODCE Equal Weight Index
- 6. Cash Benchmark: 90-day T-bills

The benchmark utilized to evaluate the total Trust as of December 31, 2025 is:

- Total Fund Benchmark - 31% Russell 3000 Index, 21% MSCI ACW ex-US IMI Index, 13% Cambridge Global Private Equity

Index, 24% Bloomberg US Aggregate Bond Index, 10% NFI-ODCE Equal Weight Index, and 1% 90-day T-bills.

What is the process for determining when an investment manager should be replaced?

The “Performance Measurement Standards” section of the IPS states that “The investment returns by a manager will be compared to appropriate benchmarks. If the investment returns of a manager during four (4) consecutive quarters do not exceed the appropriate index net of fees, or if during the last three years the investment returns place the manager in the 75th or lower percentile of an independent universe of peer investment managers, as determined by the Trust’s investment consultants, the Trust may place the manager on probation. In addition, managers that do not meet the specific performance standards detailed in the section below may be placed on probation. The Investment Committee shall have the authority as delegated by the Board of Trustees to place an investment manager on probation or remove such manager from probation. The Investment Committee will review and reevaluate any manager on probation at least quarterly with the expectation that managers will not stay on probation for more than one year, unless it is prudent under the then-prevailing circumstances for them to remain on probation. The Investment Committee shall notify the Board of any action to place or remove an investment manager from probation at the next regularly scheduled meeting of the Board of Trustees. The Board reserves the right to terminate any investment manager by using any other provision of the investment manager agreement, thus the language of this investment policy is intended to be in addition to any language found in an investment management agreement. If at any time a conflict should exist between the investment management agreement and this statement of investment policy, the investment management agreement will prevail.

How is individual performance evaluation integrated with other investment decisions such as asset allocation and investment risk decisions?

Individual investment manager performance directly impacts total Trust performance. Investment decisions regarding the structuring of the investment program, asset classes, and allocations based on the Trust’s return objectives, risk budgets, liquidity constraints, and other considerations are all related and integrated.

Overall Comment

CEPERT has a robust system for investment manager selection, evaluation and monitoring.

From our review of Investment Committee and Board reporting packets, we have observed that the Trust’s performance reporting and ongoing monitoring of investment managers are comprehensive and considered best practice in reporting and monitoring.

Recommendations

14. Consider adding IPS language that explicitly addresses ethical considerations and potential conflicts of interest for both investment managers and board members.
15. Align the stated benchmark for Private Equity between the IPS and performance reports.

Section VI – Recommendations to align with best-in-class investment management program.

RVK serves over 200 full-retainer and project clients and we can safely say that the CEPERT Board and Staff are operating a strong governance framework but there is always room to consider some improvements if they fit with the Board’s goals, objectives, and Investment Beliefs. We submit the following:

Section I

See Pages 20-21

1. Asset/Liability Studies are the only standard analysis that fully links all three aspects of the Trust’s investment policy, contribution policy, and benefit policy, providing a means to examine how well different investment strategies (differing asset allocations) address the objectives of the Trust. While an A/L study is mentioned in conjunction with the adoption of the strategic asset allocation targets, its intended role in the asset allocation process, and required cadence (every three to six years) could be more clearly defined in the IPS. We believe Asset/Liability merits either its own section in the IPS or to be added to Section IV preceding the discussion of Strategic Asset Allocation.
2. Consider modifying the rebalancing language to responsibilities and authority. While staff has authority to utilize cash flows as a rebalancing tool, it is our understanding that the Board approves all other rebalancing transactions, such as when allocations fall outside of policy ranges. If this is the desired delineation of authorities, we would recommend adding language to Section 4 to make that clear. Additionally, the word “generally” in the policy language (when market activity has been significant enough to extend beyond tactical ranges, a rebalancing policy generally results in the sale of those investments that have outperformed and the purchase of those assets that have underperformed) potentially creates ambiguity for decision makers where it may not be desired. If the intent is that a breach of policy ranges requires that the Trust be rebalanced (to the extent possible if illiquid asset classes are involved), we would recommend adjusting the language.
3. Consider moving securities lending guidelines to Section 5 of the IPS (Investment Guidelines).
4. Consider removing the “investment objectives” from Section 5, and absorbing into Section 6 (Performance Measurement Standards). For the most part, the investment objectives listed in Section 5 are a repeat of the time horizon and indexes defined in Section 6. This could reduce redundancy and focus Section 5 on portfolio guidelines such as fund structure and active/passive decisions rather than performance standards.
5. In interviews with staff and the investment consultant, it was found that in practice, the “75th percentile or lower” ranking is the more commonly utilized guideline for initiating on watch. If the “four (4) consecutive quarters” of underperforming guideline is not being utilized, consider removing from policy. Further, the performance measurement standards for each investment mandate are focused on longer time periods (3-5 year rolling periods).
6. Consider relabeling first paragraph under Investment Committee responsibilities as general duties/purpose, which are to investigate investment related issues and report findings and recommendations to the Board, and relabel the remaining two paragraphs as authorities delegated to the Investment Committee by the Board: 1) authorization to direct an investment manager to suspend and/or resume trading, and 2) requesting authority to tactically reduce the duration of the core fixed income portfolio through the purchase of U.S. Treasury Bills.

7. Consider developing a set of “Investment Beliefs.” Ensuring strategic continuity is an important aspect for any long-term investment strategy, particularly those which experience regular turnover of Board members and other key decision makers. A set of Investment Beliefs can serve as an anchor for Board members, Investment Committee members, and staff to reference and help influence and guide investment decisions, maintaining focus on long-term outcomes and discouraging reactionary short-term decision making. The Investment Beliefs can exist as a standalone document or an appendix within the IPS, but is not intended to be frequently revised. RVK has provided examples of Investment Beliefs as well as guidance on how the Trust can effectively develop a list.
8. Consider specifying gross of fees or net of fees for performance versus peer universe benchmarks.
9. We suggest the Board de-emphasize performance relative to peers as a specific objective/benchmark for the Trust. First, peer comparison offers little, indeed almost no, information about whether the Trust is achieving its core mission—funding benefits for CEPERT plan participants. Second, CEPERT is unique with its own contribution policy, benefit structure, ARoR, cash flow, size, objectives, etc. In our view, these differentiators render the very notion of “peers” questionable, and while a group of public funds can be assembled with somewhat more “peer-like” attributes, it will likely be a small universe that is far from statistically robust. The Board’s Investment Consultant can and should continue to provide the CEPERT Board with peer comparisons of this data, as it is prudent to at least remain generally aware of the performance other funds deliver.
10. Consider incorporating more deterministic stress test scenarios within the next A/L study. Deterministic analysis can provide insight into how specific, historic, or hypothetical scenarios can impact the portfolio. Some examples include future “W-shaped” or “V-shaped” market events, persistent high inflation, or lower return environment. These scenarios can be intuitive to understand and offer different insights compared to stochastic modeling.
11. As previously mentioned, while an A/L study is mentioned in conjunction with the adoption of the strategic asset allocation targets, its intended role in the asset allocation process, and required cadence (every three to six years) could be more clearly defined in the IPS.

Section II

See Page 32

Section III

See Page 36

Section IV

See Page 42

12. Consider adding a section on management and control of investment management and service provider cost in the IPS.
13. Consider adopting and documenting a schedule for reviewing service providers, including a potential RFP after five to seven years.

Section V

See Page 46

14. Consider adding IPS language that explicitly addresses ethical considerations and potential conflicts of interest for both investment managers and board members.
15. Align the stated benchmark for Private Equity between the IPS and performance reports.

Section VII – An analysis of CEPERT’s implementation of the recommendations presented in the 2023 review performed by ACG.

Documents Reviewed

- ✓ 2023 CEPERT Investment Practices and Performance Evaluations

2023 IPPE Recommendations

Recommendations presented in the 2023 IPPE report were addressed during the April 2023 Board meeting. The following table outlines the impacted sections, recommendations from the 2023 IPPE report, and ultimate resolutions adopted by the Board.

Section	Recommendation	Resolution
Investment Policy Statement	Consider documenting the evaluation of risk adjusted returns for the total fund and investment managers.	No change adopted.
Investment Policy Statement	Consider adding a total portfolio performance objective to earn a rate of return after all expenses that equals or exceeds the actuarial rate of return assumption	One of the primary objectives listed in the IPS is to “Diversify, over time, among asset classes so assets <u>achieve the actuarial rate of return net of fees</u> with an acceptable risk of capital loss.”
Investment Policy Statement	Consider increasing the min/max asset class ranges.	No change adopted.
Investment Policy Statement	Review performance objectives for consistency within the IPS and Callan QR reports.	The Private Equity policy was updated to align between the IPS and Callan’s performance reports.
Investment Policy Statement	List all IPS’ revision dates in the Appendix of the IPS.	No change adopted.
Investment Asset Allocation	Consider expanding the fixed income allocation to provide access to the full fixed income universe (i.e. non US fixed income and/or high yield).	No change adopted.

Appendix

Investment Managers and Management Fees as of December 31, 2025

Fund	Mandate	Peer Group	Fee	Universe Median Fee	Fee Rank	Size of Universe
Mellon (<i>S&P 500 Index</i>)	U.S. Large Cap Equity	eA US Passive Large Cap (CF)	0.01%	0.03%	7	245
Wellington Management Company	U.S. Small/Mid Cap Equity	eA US Small/Mid Cap (CF)	0.80%	0.75%	71	88
Mellon (<i>ACWI ex-U.S. IMI</i>)	Global ex-U.S. Equity	eA Passive ACWI ex-US (CF)	0.05%	0.08%	13	39
Arrowstreet Capital	Global ex-U.S. Equity	eA ACWI ex-US (CF)	0.75%	0.68%	70	426
Mellon (<i>Bloomberg U.S. Aggregate Index</i>)	Core Fixed Income	eA Passive Core Fixed Income (CF)	0.03%	0.05%	8	29
BlackRock	Core-Plus Fixed Income	eA Core Plus Fixed Income (MF)	0.19%	0.45%	1	92
Wellington Management Company	Core-Plus Fixed Income	eA Core Plus Fixed Income (CF)	0.16%	0.31%	1	48
Heitman (<i>America Realty Trust</i>)	Core Real Estate	NFI-ODCE	0.97%	1.00%	N/A	25
TA Realty (<i>Core Property Fund</i>)	Core Real Estate	NFI-ODCE	1.00%	1.00%	N/A	25
UBS (<i>Trumbull Property Fund</i>)	Core Real Estate	NFI-ODCE	0.75%	1.00%	N/A	25
Portfolio Advisors	Private Equity	Preqin FoF	0.74%	1.00%	N/A	285
Adams Street	Private Equity	Preqin FoF	0.83%	1.00%	N/A	285

RVK Team Biographies

Paige Blaser – Consultant



Paige joined RVK in 2012 and is based in Ketchum, Idaho, supported by our Boise office. In her role as a Consultant, Paige serves several of the firm's public fund clients in addition to advising on endowments & foundations and corporate clients.

Her responsibilities include asset allocation, investment policy development, asset class portfolio structuring, investment manager evaluation, managing transition and rebalancing of client portfolios, and client education presentations.

Paige earned a BA degree with a major in Finance and a minor in Economics from Washington State University.

Jake Derrah – Consultant



Jake joined RVK in 2013 and serves as a Consultant in our Portland office. In his role as a Consultant, Jake provides investment consulting advice to a diverse client base including public and corporate pensions, endowments/foundations, Taft-Hartley plans, insurance portfolios, corporate reserves, and defined contribution plans.

Jake works with clients in developing portfolio asset allocation and investment policies, investment menu design, manager structure analyses, investment manager evaluation, and client education presentations.

Jake graduated from Oregon State University with a BS degree in Finance and Marketing.

Spencer Hunter – Co-President, Senior Consultant, Principal



Located in our Portland headquarters, Spencer serves as a Board member, Co-President, and Senior Consultant. He joined the firm in 2008 and works with complex public pension and sovereign wealth fund clients regarding strategic asset allocation, portfolio construction and implementation, and policy development. As Co-President, Spencer is tasked with the management of day-to-day operations at RVK, along with leadership of the associate, analyst, and business development professionals.

In addition, and meaningful to this engagement, Spencer serves as an active member of RVK's Investment Program Review team, focusing on governance considerations and management of world class investment organizations.

Spencer graduated with honors from Linfield University, earning a degree in Finance. He is a shareholder of the firm and has served on the Board of Directors since 2018.