



DATE: 10/08/2025

TIME: 9:45 a.m.

LOCATION: Executive Boardroom

COMMITTEE MEMBERS: Chadrick Kennedy, Chair | Joseph Peychaud | Tyler Antrup | Kimberly A Thomas, JD | Councilmember Freddie King III | Mubashir Maqbool | Jackie Shine | Rebecca Johnsey | Dexter Joseph

# PENSION MEETING AGENDA

## PUBLIC MEETING

All meetings are open to the public, and we encourage your attendance.  
Those interested can join in person or virtually.

**Join In-Person:** Executive Board Room, Second Floor  
625 St. Joseph St., New Orleans, LA 70165

**Join Virtually:** <https://www.swbno.org/BoardMeetings>

E-Public comments will be accepted via <https://www.swbno.org/BoardMeetings>.  
All e-public comments must be received at least 2 hours prior to the meeting. Comments  
will be read verbatim into the record.

### I. Roll Call

### II. Presentation Items

- A. Employees' Retirement Systems of the Sewerage & Water Board of New Orleans Cost of Living Adjust (COLA) as of January 1, 2025– Mitchell Bilbe, Rudd & Wisdom
- B. Special COLA Study - Mitchell Bilbe, Rudd & Wisdom
- C. August 2025 Executive Summary Investment Report for the Employees' Retirement Systems of the Sewerage & Water Board of New Orleans - Kweku Obed - Marquette & Associates, Inc.

### III. Action Item

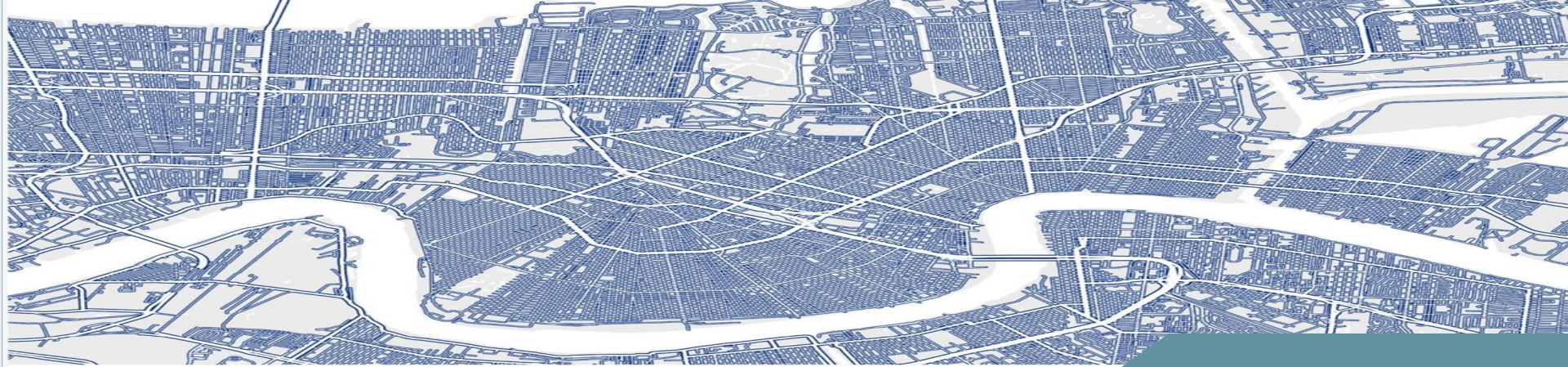
- A. Resolution (R-171-2025) Accept 2025 Cost of Living Adjustment as of January 1, 2025, to the Employees' Retirement System of the Sewerage & Water Board of New Orleans

### IV. Information Items

- A. August 2025 Supplemental Investment Report – Marquette & Associates, Inc.
- B. COLA Design Study as of January 1, 2025 – Rudd & Wisdom
- C. Real Estate U.S. Core Search

### V. Public Comment

### VI. Adjournment



# Pension Committee Meeting: January 1, 2025 COLA Update and Design Study



Rudd and Wisdom, Inc.

October 8, 2025



Prepared for

Mitchell L. Bilbe, FSA, EA

# Agenda

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- January 1, 2025 Regular Plan Cost-of-Living Adjustment (COLA)
- General Considerations for Plan Amendments
- Refresher on:
  - Funded Ratios
  - Maintenance of Post-Retirement Purchasing Power
- COLA Design Study
- Next Steps

## COLA Provided under Rules and Regulations

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- Cost-of-Living Adjustment (COLA) defined in Sec. 6.1(d) of Rules and Regulations
  - Inflation as measured by CPI for Urban Wage Earners (CPI-W)
    - Based on inflation for 12-month period ending in August preceding year of application
  - 2% maximum
    - If CPI exceeds 2% → COLA capped at 2%
  - 0% minimum
    - If CPI is negative → COLA is 0% (i.e., payments are not reduced)
  - Age 65+
    - Only available to Retirees and Surviving Optional Dependents who are over age 65\*
    - Pro-rata COLA applied in year in which age 65 is reached
  - Only applied to first \$10,000 of original annual annuity amount (Retirement Allowance) at retirement
    - Result is that there is no compound interest (i.e., COLA always based on original annuity amount at retirement)
  - Not applicable during DROP period
    - Commences after end of DROP period or when Retiree reaches age 65, if later

\*Surviving spouses of Disabled Retirees receive COLA beginning at spouse's age 62 rather than spouse's age 65 per Sec. 6.3(b)(1).

## COLA Examples

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- For both examples assume Retiree is Age 65 at beginning of year, Year 1 CPI-W change is 2.5% and Year 2 CPI-W change is 1.0%
- Example 1 - Assume Annual Retirement Allowance is \$9,000 at date of retirement
  - Year 1:
    - COLA capped at 2.0%
    - COLA is  $2.0\% \times \$9,000 = \$180$
    - Annuity increased to  $\$9,000 + \$180 = \$9,180$
  - Year 2:
    - COLA is  $1.0\% \times \$9,000 = \$90$  (i.e., COLA is not applied to \$9,180)
    - Annuity increased to  $\$9,180 + \$90 = \$9,270$
- Example 2 - Assume Annual Retirement Allowance is \$15,000 at date of retirement
  - Year 1:
    - COLA capped at 2.0% and COLA only applied to first \$10,000 of annuity
    - COLA is  $2.0\% \times \$10,000 = \$200$
    - Annuity increased to  $\$15,000 + \$200 = \$15,200$
  - Year 2:
    - COLA is  $1.0\% \times \$10,000 = \$100$
    - Annuity increased to  $\$15,200 + \$100 = \$15,300$

## COLA History

| CPI Period       | COLA Effective Date | CPI Change | COLA Percentage |
|------------------|---------------------|------------|-----------------|
| 8/2006 to 8/2007 | January 1, 2008     | 2.140%     | 2.000%          |
| 8/2007 to 8/2008 | January 1, 2009     | 5.930%     | 2.000%          |
| 8/2008 to 8/2009 | January 1, 2010     | -1.900%    | 0.000%          |
| 8/2009 to 8/2010 | January 1, 2011     | 1.444%     | 1.444%          |
| 8/2010 to 8/2011 | January 1, 2012     | 4.258%     | 2.000%          |
| 8/2011 to 8/2012 | January 1, 2013     | 1.670%     | 1.670%          |
| 8/2012 to 8/2013 | January 1, 2014     | 1.455%     | 1.455%          |
| 8/2013 to 8/2014 | January 1, 2015     | 1.594%     | 1.594%          |
| 8/2014 to 8/2015 | January 1, 2016     | -0.284%    | 0.000%          |
| 8/2015 to 8/2016 | January 1, 2017     | 0.659%     | 0.659%          |
| 8/2016 to 8/2017 | January 1, 2018     | 1.934%     | 1.934%          |
| 8/2017 to 8/2018 | January 1, 2019     | 2.877%     | 2.000%          |
| 8/2018 to 8/2019 | January 1, 2020     | 1.533%     | 1.533%          |
| 8/2019 to 8/2020 | January 1, 2021     | 1.393%     | 1.393%          |
| 8/2020 to 8/2021 | January 1, 2022     | 5.832%     | 2.000%          |
| 8/2021 to 8/2022 | January 1, 2023     | 8.660%     | 2.000%          |
| 8/2022 to 8/2023 | January 1, 2024     | 3.402%     | 2.000%          |
| 8/2023 to 8/2024 | January 1, 2025     | 2.351%     | 2.000%          |

## COLA Application as of January 1, 2025

| As of January 1, 2025         | Number          | Annual Benefits in effect before COLA | 2.000% COLA            | Annual Benefits in effect after COLA |
|-------------------------------|-----------------|---------------------------------------|------------------------|--------------------------------------|
| 1. Annuitants Under Age 65    | 146             | \$4,982,455                           | \$0                    | \$4,982,455                          |
| 2. DROP Annuitants of any age | 60 <sup>1</sup> | \$2,125,696                           | \$0                    | \$2,125,696                          |
| 3. Annuitants Over Age 65     |                 |                                       |                        |                                      |
| a. Annuity < \$10,000         | 143             | \$939,712                             | \$15,601               | \$955,313                            |
| b. Annuity ≥ \$10,000         | <u>560</u>      | <u>\$16,969,406</u>                   | <u>\$107,810</u>       | <u>\$17,077,216</u>                  |
| 4. Total                      | 909             | \$25,017,269                          | \$123,411 <sup>2</sup> | \$25,140,680                         |

<sup>1</sup> Count differs by two (2) from the count of 62 DROP annuitants included in the January 1, 2025 valuation due to discovery that two Drop Retirees exited the DROP in mid-December but information was not known until after the valuation was completed.

<sup>2</sup> For comparison, 2024 COLA was also 2.00%, resulting in an annual increase of \$118,379 with 681 retirees over age 65 (140 of whom had annuities under \$10k and 541 of whom had annuities above \$10k).



# General Considerations for Plan Amendments

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- Purpose of Amendment
  - Plan Design should be consistent with Employer's workforce goals for recruitment and retention
- Responsibilities of Pension Committee and BOT
  - Section 3.1 of Rules and Regulations – Pension Committee members must act solely in the interest of Plan's members and beneficiaries
  - GFOA Governance Guidance – Trustees should act in interest of all plan members and not be motivated by personal views/interests
    - Increased benefits good for all plan members if increases apply to both current and future retirees
    - Decreased plan funded status may not be good if funding obligations can't be met in future
- Funding Policy
  - Funding Priorities – fully fund the plan, pay all vested benefits, contribution stability
  - Policy states:
    - "Benefit Enhancements – Prior to adopting any amendments to the Pension Plan that materially improve plan benefits, the actuary shall provide the Board of Trustees with an analysis of the expected effect of the proposed amendment on the Pension Plan's funded ratio and the annual Actuarially Determined Contributions."
- Financing
  - Is there a separate source of funding available to pay for enhancements?
  - Would employees share cost of enhanced benefits via increased employee contributions?
- Legal
  - Legal Counsel should participate in reviewing any potential plan amendments

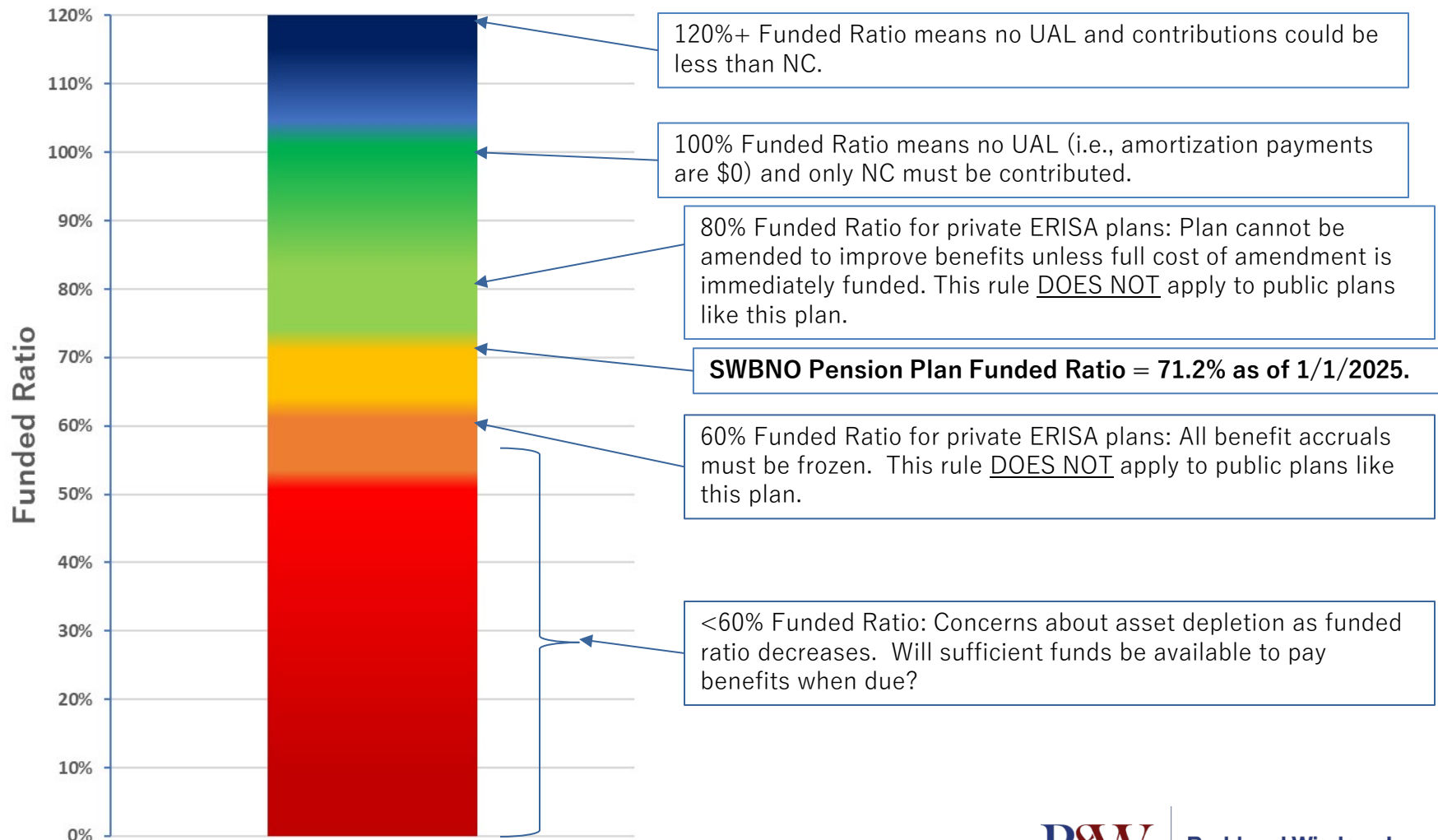


# Funded Ratio

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- $\text{Funded Ratio} = \text{Plan Assets} / \text{Actuarial Accrued Liability}$ 
  - Funding Policy Targets a Funded Ratio of 100% over next 25 years
  - 71.2% Funded Ratio as of January 1, 2025
  - Indicator of financial health of pension plan
    - not sole determinant of financial health
    - measurement as of a single point in time
    - useful for tracking plan funding trajectory over long periods of time
- Other Considerations for Pension Plan Financial Health
  - Magnitude of Unfunded Accrued Liability (UAL) = Plan Assets – AAL relative employer's revenue, assets or payroll
  - Employer's adherence to Funding Policy
  - Financial health of employer measured by debt level, profit or budget surplus
  - Sustainability of annual contributions to Pension Plan
  - Anticipated trajectory of funded ratio
  - Degree of conservatism in the major actuarial assumptions used to calculate the plan liability

# Funded Ratio



## Post-Retirement Purchasing Power

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- Pension Plan's COLA provisions
  - Not intended to keep pace with inflation, nor has Plan promised to maintain total purchasing power
  - Assists with maintaining purchasing power
- Social Security provides substantial portion of retired member's income
  - Social Security benefits are indexed to inflation
  - Employer funds half of total FICA taxes for each employee
- Employee may supplement post-retirement purchasing power via personal savings and investments

## Cumulative Compounded CPI-W vs. COLA

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| Beginning of Period Ending January 1, 2025 | Years in Period | Cumulative CPI-W Increase | Cumulative COLA Increase for Member with Benefit Under \$10,000 per year | Shortfall in Plan COLA relative to CPI-W |
|--|-----------------|---------------------------|--|--|
| January 1, 2005                            | 20              | 67.5%                     | 31.7%  | 35.8%                                    |
| January 1, 2010                            | 15              | 46.2%                     | 23.7%  | 22.5%                                    |
| January 1, 2015                            | 10              | 31.9%                     | 15.5%  | 16.4%                                    |
| January 1, 2020                            | 5               | 23.4%                     | 9.4%   | 14.0%                                    |

- Cumulative COLA assumes
  - Retired member over 65 for all years in cumulative period
  - Initial Retirement Benefit is \$10,000 or less
- Shortfall in Plan COLA larger for members who are
  - Under age 65 for a portion of cumulative period, and/or
  - Have an initial retirement benefit in excess of \$10,000

# COLA Study

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- Pension Committee requested five COLA components be studied:
  - **Option A: Modification of the 2% Annual COLA Cap**
    - The annual cap of 2% on the COLA would be removed or set at some higher amount. We have priced increasing the COLA cap to 4%.
  - **Option B: Addition of COLA Prior to Age 65 for Disabled Retirees**
    - The COLA would be applied to all years of disability retirement, not just years after age 65.
  - **Option C: Addition of COLA Prior to Age 65 for All Retirees**
    - The COLA would be applied to all years of retirement for all retirees and beneficiaries, not just years after age 65.
  - **Option D: Removal of \$10,000 Restriction on Amount Eligible for COLA**
    - The COLA would be applied to the entire annuity amount (or an amount greater than \$10,000) rather than just the first \$10,000 of the annual annuity amount.
  - **Option E: Change COLA Measure**
    - The COLA could be measured using a local measure of inflation (e.g., a Louisiana or New Orleans measure) rather than the nationwide measure of CPI-W.
- See “COLA Design Study” report dated August 27, 2025 for details

## COLA Study – Table 1: AAL, NC and Funded Status

- Measured at January 1, 2025 for illustrative purposes

| As of January 1, 2025 (All Liabilities and Normal Costs shown in \$millions)     |                            |   |  |   |   |  |
|--|----------------------------|---|--|---|---|--|
| Actuarial Accrued Liability (AAL),<br>Normal Cost (NC) and Funded<br>Status      | (1)<br><i>Current Plan</i> | (2)<br><i>Option A:<br/>Increase COLA<br/>Cap to 4%</i> | (3)<br><i>Option B:<br/>Provide Pre-65<br/>COLA to<br/>Disabled<br/>Retirees</i> | (4)<br><i>Option C:<br/>Provide Pre-65<br/>COLA to All<br/>Retirees</i> | (5)<br><i>Option D:<br/>Remove<br/>\$10,000<br/>Restriction</i> | (6)<br><i>Option E:<br/>Change COLA<br/>Measure to<br/>1.1 x CPI-W</i> |
| 1. Active AAL  | \$ 115.3                   | \$ 116.1  | \$ 115.3   | \$ 115.8  | \$ 122.3  | \$ 115.3   |
| 2. Vested Terminated AAL <sup>1</sup>  | 5.2                        | 5.3   | 5.2  | 5.2   | 5.3   | 5.2  |
| 3. Retirees and Beneficiaries AAL <sup>2</sup>                                   | 247.5                      | 250.8   | 247.7  | 248.8   | 265.0   | 247.8  |
| 4. Total AAL   | \$ 368.0                   | \$ 372.2  | \$ 368.2   | \$ 369.8  | \$ 392.6  | \$ 368.3   |
| 5. Increase in AAL<br>[Line (4.) for each Option – Line<br>(4.) for Column (1.)] | N/A                        | \$ 4.2  | \$ 0.2   | \$ 1.8  | \$ 24.6   | \$ 0.3   |
| 6. Normal Cost (NC)  | \$ 6.5                     | \$ 6.6  | \$ 6.5   | \$ 6.6  | \$ 6.8  | \$ 6.6   |
| 7. Increase in NC<br>[Line (6.) for each Option – Line<br>(6.) for Column (1.)]  | N/A                        | \$ 0.1  | \$ 0.0   | \$ 0.1  | \$ 0.3  | \$ 0.1   |
| 8. Funded Status <sup>3</sup>  | 71.2%                      | 70.4%   | 71.2%  | 70.8%   | 66.7%   | 71.1%  |

<sup>1</sup> Includes \$0.6M in liability for Nonvested Terminated members. The liability for this subgroup is identical in each column since it solely relates to a return of employee contributions.

<sup>2</sup> Includes Disabled Retirees and DROP Retirees.

<sup>3</sup> Ratio of \$262.0M Actuarial Value of Assets as of January 1, 2025 to AAL in Line (4.).

# COLA Study – Table 2: Total Actuarially Determined Contribution (ADC)

| 2025 Plan Year Actuarially Determined Contribution (ADC) in \$millions                          |                            |   |  |   |   |  |
|---|----------------------------|---|--|---|---|--|
| ADC Component   | (1)<br><i>Current Plan</i> | (2)<br><i>Option A:<br/>Increase COLA<br/>Cap to 4%</i> | (3)<br><i>Option B:<br/>Provide Pre-65<br/>COLA to Disabled<br/>Retirees</i> | (4)<br><i>Option C:<br/>Provide Pre-65<br/>COLA to All<br/>Retirees</i> | (5)<br><i>Option D:<br/>Remove \$10,000<br/>Restriction</i> | (6)<br><i>Option E:<br/>Change COLA<br/>Measure to<br/>1.1 x CPI-W</i> |
| 1. Normal Cost with interest to mid-year<br>[Line (6.) from Table 1 with interest to mid-year]  | \$ 6.8                     | \$ 6.8  | \$ 6.8   | \$ 6.8  | \$ 7.1  | \$ 6.8   |
| 2. Amortization of all UAL Layers except COLA Amendment   | 8.8                        | 8.8   | 8.8  | 8.8   | 8.8   | 8.8  |
| 3. Amortization of COLA Amendment Layer [15-year amortization of Table 1 Line (5.)]             | <u>N/A</u>                 | <u>0.5</u>  | <u>0.1</u>   | <u>0.2</u>  | <u>2.6</u>  | <u>0.1</u>   |
| 4. Total ADC  | \$ 15.6                    | \$ 16.1   | \$ 15.7  | \$ 15.8   | \$ 18.5   | \$ 15.7  |
| 5. Increase in Total ADC<br>[Line (4.) for each Option - Line (4.) for Column (1.)]             | N/A                        | \$ 0.5  | \$ 0.1   | \$ 0.2  | \$ 2.9  | \$ 0.1   |
| 6. Total ADC as % of Pay<br>[Line (4.) / Pensionable Earnings <sup>1,2</sup> ]                  | 24.288%                    | 25.097%   | 24.326%  | 24.624%   | 28.827%   | 24.347%  |
| 7. Increase in Total ADC as % of Pay<br>[Line (6.) for each Option - Line (6.) for Column (1.)] | N/A                        | 0.809%  | 0.038%   | 0.336%  | 4.539%  | 0.059%   |

<sup>1</sup> Based on estimated Pensionable Earnings for 2025 of \$64.2M.

<sup>2</sup> Employer's ADC is Total ADC reduced by Employee contributions. Employees currently contribute 6.0% of payroll.



## COLA Study – Alternate Design Options

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- Example of Alternate Design using a combination of options:
  - **Step 1: Remove COLA Age 65 Restriction for All Retirees**
    - The COLA would be applied to all years of retirement for all retirees and beneficiaries, not just years after age 65.
    - Same as Option C in Tables 1 and 2.
  - **Step 2: Step 1 Plus Change the COLA Cap from 2% to 3%**
    - The COLA would be applied to all years of retirement for all retirees and beneficiaries, not just years after age 65; and
    - The annual cap of 2% on the COLA would be changed to 3%.
  - **Step 3: Step 2 Plus Removal of \$10,000 Restriction on Amount Eligible for COLA**
    - The COLA would be applied to all years of retirement for all retirees and beneficiaries, not just years after age 65;
    - The annual cap of 2% on the COLA would be changed to 3%; and
    - The COLA would be applied to the entire initial annuity amount rather than just the first \$10,000 of the initial annual annuity amount.
- See “COLA Design Study” report dated August 27, 2025 for details
  - note Step 3 shown above differs from Step 3 in report which increased \$10,000 restriction to \$12,500.

## COLA Study – Table 3: AAL, NC and Funded Status

- Measured at January 1, 2025 for illustrative purposes

| As of January 1, 2025 (All Liabilities and Normal Costs shown in \$millions)     |                            |   |  |   |
|--|----------------------------|---|--|---|
| Actuarial Accrued Liability (AAL),<br>Normal Cost (NC) and Funded Status         | (1)<br><i>Current Plan</i> | (2)<br><i>Alternate Design<br/>Step 1</i><br><br>Provide Pre-65 COLA<br>to <u>All</u><br>Retirees | (3)<br><i>Alternate Design<br/>Step 2</i><br><br>Step 1 Plus Change<br>COLA Cap<br>from 2% to 3% | (4)<br><i>Alternate Design<br/>Step 3</i><br><br>Step 2 Plus Apply<br>COLA to Full Benefit<br>instead of first<br>\$10,000 of Benefit |
| 1. Active AAL  | \$ 115.3                   | \$ 115.8  | \$ 116.4   | \$ 127.6  |
| 2. Vested Terminated AAL <sup>1</sup>  | 5.2                        | 5.2   | 5.3  | 5.5   |
| 3. Retirees and Beneficiaries AAL <sup>2</sup>                                   | <u>247.5</u>               | <u>248.8</u>  | <u>251.1</u>   | <u>277.1</u>  |
| 4. Total AAL   | \$ 368.0                   | \$ 369.8  | \$ 372.8   | \$ 410.2  |
| 5. Increase in AAL<br>[Line (4.) for each Option - Line (4.) for<br>Column (1.)] | N/A                        | \$ 1.8  | \$ 4.8   | \$ 42.2   |
| 6. Normal Cost (NC)  | \$ 6.5                     | \$ 6.6  | \$ 6.6   | \$ 7.1  |
| 7. Increase in NC<br>[Line (6.) for each Option - Line (6.) for<br>Column (1.)]  | N/A                        | \$ 0.1  | \$ 0.1   | \$ 0.6  |
| 8. Funded Status <sup>3</sup>  | 71.2%                      | 70.8%   | 70.3%  | 63.9%   |

<sup>1</sup> Includes \$0.6M in liability for Nonvested Terminated members. The liability for this subgroup is identical in each column since it solely relates to a return of employee contributions.

<sup>2</sup> Includes Disabled Retirees and DROP Retirees.

<sup>3</sup> Ratio of \$262.0M Actuarial Value of Assets as of January 1, 2025 to AAL in Line (4.).

# COLA Study – Table 4: Total Actuarially Determined Contribution (ADC)

| 2025 Plan Year Actuarially Determined Contribution (ADC) in \$millions                             |                            |   |  |   |
|--|----------------------------|---|--|---|
| ADC Component  | (1)<br><i>Current Plan</i> | (2)<br><i>Alternate Design<br/>Step 1</i><br><br>Provide Pre-65 COLA<br>to <u>All</u><br>Retirees | (3)<br><i>Alternate Design<br/>Step 2</i><br><br>Step 1 Plus Change<br>COLA Cap<br>from 2% to 3% | (4)<br><i>Alternate Design<br/>Step 3</i><br><br>Step 2 Plus Apply<br>COLA to Full Benefit<br>instead of first<br>\$10,000 of Benefit |
| 1. Normal Cost with interest to mid-year<br>[Line (6.) from Table 3 with interest to<br>mid-year]  | \$ 6.8                     | \$ 6.8  | \$ 6.9   | \$ 7.3  |
| 2. Amortization of all UAL Layers<br>except COLA Amendment   | 8.8                        | 8.8   | 8.8  | 8.8   |
| 3. Amortization of COLA Amendment Layer<br>[15-year amortization of Table 3 Line (5.)]             | <u>N/A</u>                 | <u>0.2</u>  | <u>0.5</u>   | <u>4.5</u>  |
| 4. Total ADC   | \$ 15.6                    | \$ 15.8   | \$ 16.2  | \$ 20.6   |
| 5. Increase in Total ADC<br>[Line (4.) for each Option - Line (4.) for<br>Column (1.)]             | N/A                        | \$ 0.2  | \$ 0.6   | \$ 5.0  |
| 6. Total ADC as % of Pay<br>[Line (4.) / Pensionable Earnings <sup>1,2</sup> ]                     | 24.288%                    | 24.624%   | 25.211%  | 32.095%   |
| 7. Increase in Total ADC as % of Pay<br>[Line (6.) for each Option - Line (6.) for<br>Column (1.)] | N/A                        | 0.336%  | 0.923%   | 7.807%  |

<sup>1</sup> Based on estimated Pensionable Earnings for 2025 of \$64.2M.

<sup>2</sup> Employer's ADC is Total ADC reduced by Employee contributions.  
Employees currently contribute 6.0% of payroll.



Rudd and Wisdom, Inc.

## Considerations for COLA Plan Amendments

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- Is increase in Employer Contribution due to amendment sustainable?
- Near-term effect on Plan Funded Status
- Would plan be better served by making additional contributions to plan in lieu of increasing COLA?
- Should COLA amendment be delayed until better Funded Status is achieved?
- Consider in the context of written Funding Policy
- GFOA Advisory on COLAs (See page II-9 of COLA Study Report.)
  - “Ad hoc cost-of-living allowances (COLA) for existing retirees. An ad hoc COLA creates an immediate unfunded liability. COLA increases, like retroactive increases for active employees, should not be paid for with temporary surpluses or extraordinary earnings. Additionally, gainsharing and similar arrangements that allocate short-term returns above the assumed rate to retiree benefits will ultimately impair the plan’s funding.”
  - The COLA designs under consideration are not “ad hoc” but instead would be considered ongoing changes and should still be considered in the context of this advisory.

## Next Steps

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- Action Items
  - Pension Committee recommends that the Board of Trustees adopts regular COLA Increase (i.e., increase that is unrelated to potential COLA design changes)
  - Board of Trustees adopts COLA Resolution
- Regular COLA increase becomes effective January 1, 2025
  - COLA increase paid retroactively to beginning of year based on number of bi-weekly payments year-to-date
  - Bi-weekly payments increased prospectively
- COLA Design Next Steps
  - Explore other variations in COLA design?
  - Move forward with COLA amendment and present to BOT?
  - Place COLA amendment on hold until plan better funded?

# August 2025 Market Environment

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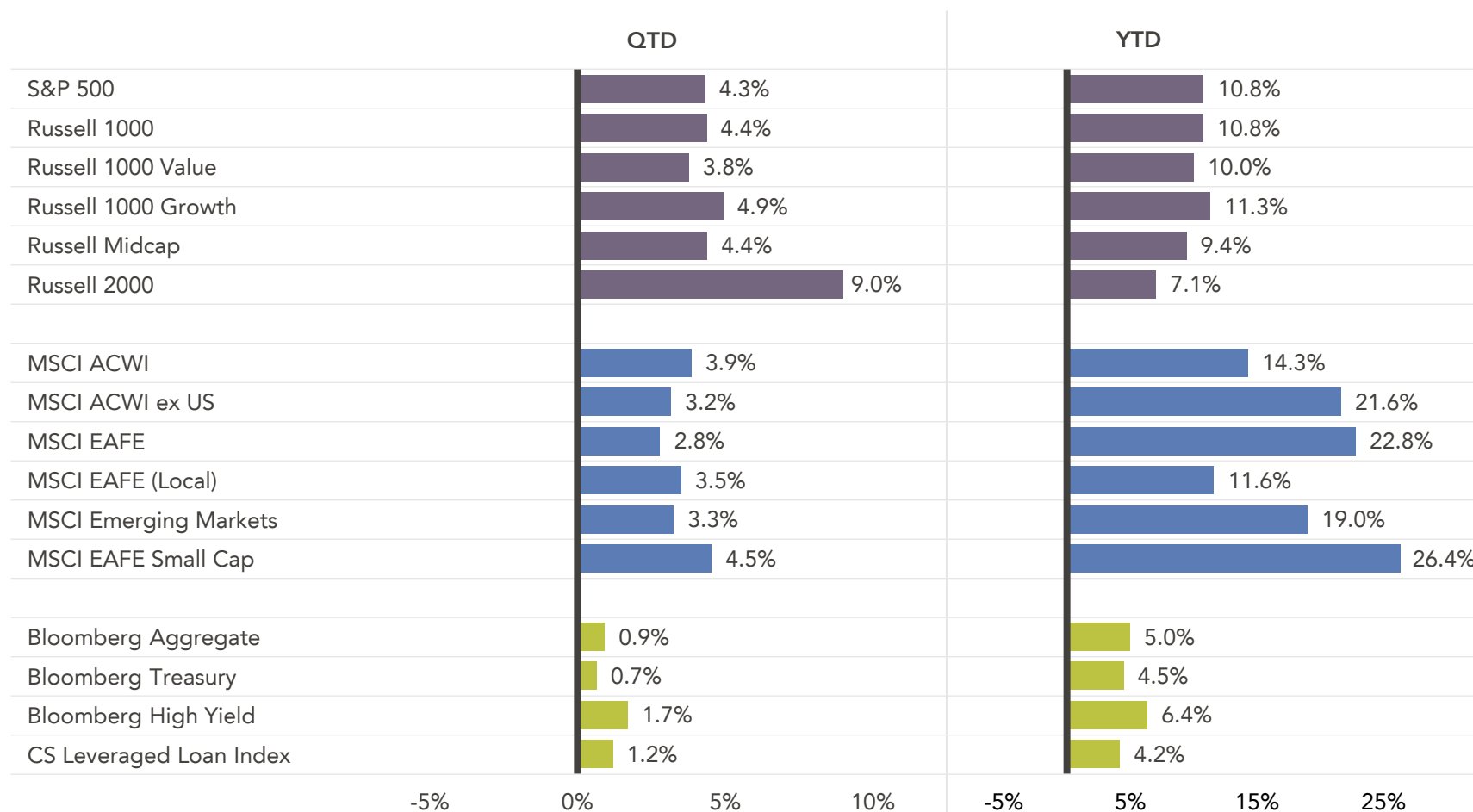
# Calendar year returns

| 2025 (YTD)                      | 2024                            | 2023                            | 2022                             | 2021                            | 2020                            | 2019                            | 2018                             | 2017                            | 2016                            | 5yr                             | 10yr                            |
|---------------------------------|---------------------------------|---------------------------------|----------------------------------|---------------------------------|---------------------------------|---------------------------------|----------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Intl Small Cap<br>26.4%         | Large Cap<br>25.0%              | Large Cap<br>26.3%              | Commodities<br>26.0%             | Commodities<br>40.4%            | Broad U.S.<br>Equities<br>20.9% | Large Cap<br>31.5%              | Bank Loans<br>1.1%               | Emerging<br>Markets<br>37.3%    | Small Cap<br>21.3%              | Commodities<br>16.6%            | Large Cap<br>14.6%              |
| Intl Large Cap<br>22.8%         | Broad U.S.<br>Equities<br>26.0% | Broad U.S.<br>Equities<br>26.0% | Bank Loans<br>-1.1%              | Large Cap<br>28.7%              | Small Cap<br>20.0%              | Broad U.S.<br>Equities<br>31.0% | Core Bond<br>0.0%                | Intl Small Cap<br>33.0%         | High Yield<br>17.1%             | Large Cap<br>14.7%              | Broad U.S.<br>Equities<br>14.0% |
| Broad Intl<br>Equities<br>21.6% | Mid Cap<br>15.3%                | Intl Large Cap<br>18.2%         | High Yield<br>-11.2%             | Broad U.S.<br>Equities<br>25.7% | Large Cap<br>18.4%              | Mid Cap<br>30.5%                | High Yield<br>-2.1%              | Broad Intl<br>Equities<br>27.2% | Mid Cap<br>13.8%                | Broad U.S.<br>Equities<br>14.1% | Mid Cap<br>10.9%                |
| Emerging<br>Markets<br>19.0%    | Small Cap<br>11.5%              | Mid Cap<br>17.2%                | Core Bond<br>-13.0%              | Mid Cap<br>22.6%                | Emerging<br>Markets<br>18.3%    | Small Cap<br>25.5%              | Large Cap<br>-4.4%               | Intl Large Cap<br>25.0%         | Broad U.S.<br>Equities<br>12.7% | Mid Cap<br>12.0%                | Small Cap<br>8.9%               |
| Large Cap<br>10.8%              | Commodities<br>9.3%             | Small Cap<br>16.9%              | Intl Large Cap<br>-14.5%         | Small Cap<br>14.8%              | Mid Cap<br>17.1%                | Intl Small Cap<br>25.0%         | Broad U.S.<br>Equities<br>-5.2%  | Large Cap<br>21.8%              | Large Cap<br>12.0%              | Intl Large Cap<br>10.2%         | Intl Small Cap<br>7.4%          |
| Broad U.S.<br>Equities<br>10.6% | Bank Loans<br>9.1%              | Broad Intl<br>Equities<br>15.6% | Broad Intl<br>Equities<br>-16.0% | Intl Large Cap<br>11.3%         | Intl Small Cap<br>12.3%         | Intl Large Cap<br>22.0%         | Mid Cap<br>-9.1%                 | Broad U.S.<br>Equities<br>21.1% | Commodities<br>11.4%            | Small Cap<br>10.1%              | Intl Large Cap<br>7.4%          |
| Mid Cap<br>9.4%                 | High Yield<br>8.2%              | High Yield<br>13.4%             | Mid Cap<br>-17.3%                | Intl Small Cap<br>10.1%         | Broad Intl<br>Equities<br>10.7% | Broad Intl<br>Equities<br>21.5% | Small Cap<br>-11.0%              | Mid Cap<br>18.5%                | Emerging<br>Markets<br>11.2%    | Broad Intl<br>Equities<br>8.9%  | Broad Intl<br>Equities<br>7.3%  |
| Small Cap<br>7.1%               | Emerging<br>Markets<br>7.5%     | Intl Small Cap<br>13.2%         | Large Cap<br>-18.1%              | Broad Intl<br>Equities<br>7.8%  | Intl Large Cap<br>7.8%          | Emerging<br>Markets<br>18.4%    | Intl Large Cap<br>-13.8%         | Small Cap<br>14.6%              | Bank Loans<br>9.9%              | Intl Small Cap<br>8.0%          | Emerging<br>Markets<br>6.9%     |
| High Yield<br>6.4%              | Broad Intl<br>Equities<br>5.5%  | Bank Loans<br>13.0%             | Broad U.S.<br>Equities<br>-19.2% | Bank Loans<br>5.4%              | Core Bond<br>7.5%               | Commodities<br>17.6%            | Commodities<br>-13.8%            | High Yield<br>7.5%              | Broad Intl<br>Equities<br>4.5%  | Bank Loans<br>6.9%              | High Yield<br>5.8%              |
| Commodities<br>5.4%             | Intl Large Cap<br>3.8%          | Emerging<br>Markets<br>9.8%     | Emerging<br>Markets<br>-20.1%    | High Yield<br>5.3%              | High Yield<br>7.1%              | High Yield<br>14.3%             | Broad Intl<br>Equities<br>-14.2% | Commodities<br>5.8%             | Core Bond<br>2.6%               | Emerging<br>Markets<br>5.2%     | Bank Loans<br>5.3%              |
| Core Bond<br>5.0%               | Intl Small Cap<br>1.8%          | Core Bond<br>5.5%               | Small Cap<br>-20.4%              | Core Bond<br>-1.5%              | Bank Loans<br>2.8%              | Core Bond<br>8.7%               | Emerging<br>Markets<br>-14.6%    | Bank Loans<br>4.2%              | Intl Small Cap<br>2.2%          | High Yield<br>5.2%              | Commodities<br>3.3%             |
| Bank Loans<br>4.2%              | Core Bond<br>1.3%               | Commodities<br>-4.3%            | Intl Small Cap<br>-21.4%         | Emerging<br>Markets<br>-2.5%    | Commodities<br>-23.7%           | Bank Loans<br>8.2%              | Intl Small Cap<br>-17.9%         | Core Bond<br>3.5%               | Intl Large Cap<br>1.0%          | Core Bond<br>-0.7%              | Core Bond<br>1.8%               |

Source: Bloomberg as of August 31, 2025. Please see end of document for benchmark information.



# Index summary



Source: Bloomberg as of August 31, 2025

# How can Trump impose tariffs beyond IEEPA?

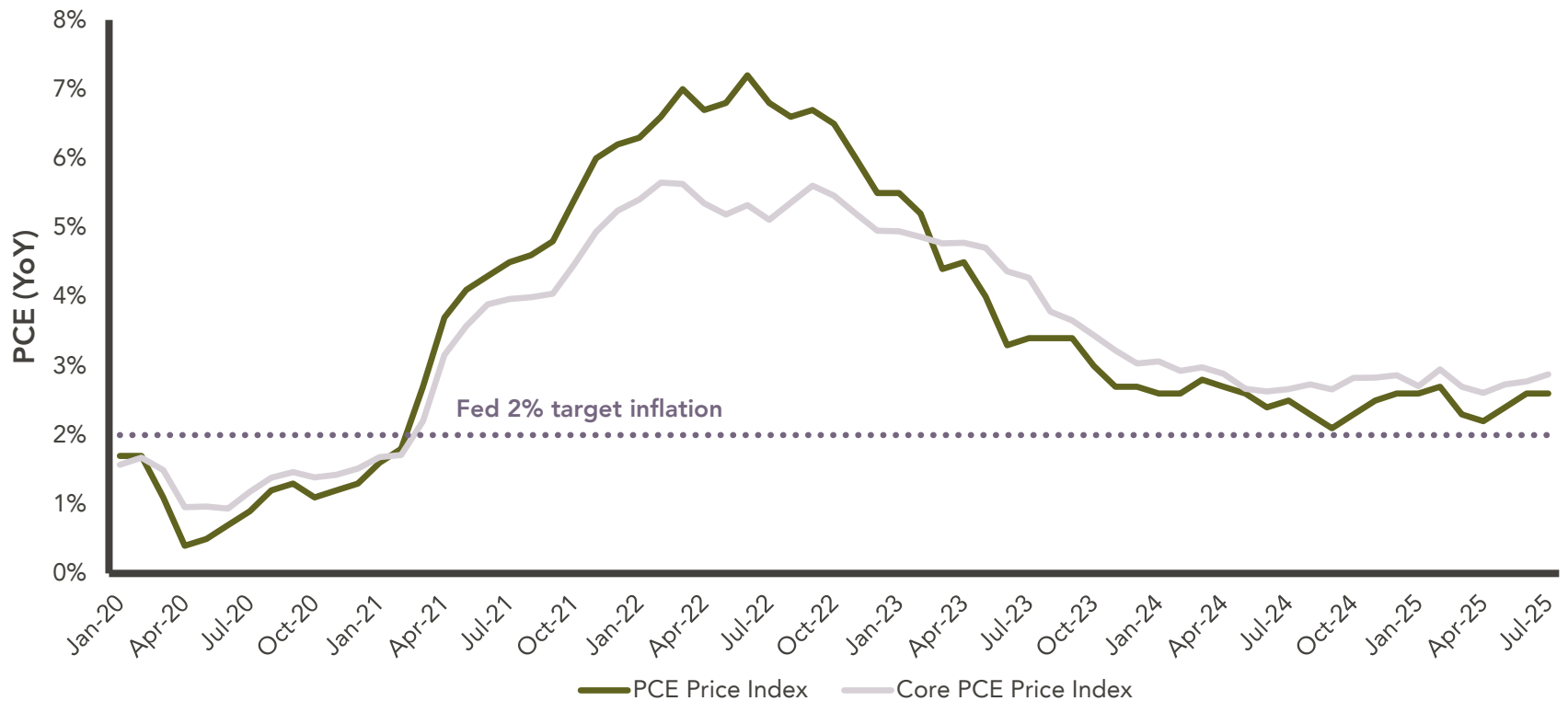
**Given federal court rulings that global emergency tariffs are unlawful, Trump may need to pursue other options to push his trade agenda**

|                    | Reason for Imposing Tariffs   | Federal Investigation Required?         | Limit on Duration of Action | Limit on Tariff Rate                              |
|--------------------|---|---|-----------------------------|---|
| <b>Section 232</b> | Threat to national security   | Yes<br>(Commerce Department)            | N/A                         | N/A   |
| <b>Section 201</b> | Injury to domestic industry   | Yes<br>(International Trade Commission) | 8 Years                     | 50% increase with phasedown required after 1 year |
| <b>Section 301</b> | Discrimination against U.S. businesses or violation of U.S. rights under trade agreements | Yes<br>(U.S. Trade Representative)      | N/A                         | N/A   |
| <b>Section 122</b> | International payments problem  | No                                      | 150 days                    | 15%   |
| <b>Section 338</b> | Discrimination against U.S. commerce  | No                                      | N/A                         | 50%   |

Source: Bloomberg, Congressional Research Service as of August 31, 2025

# PCE

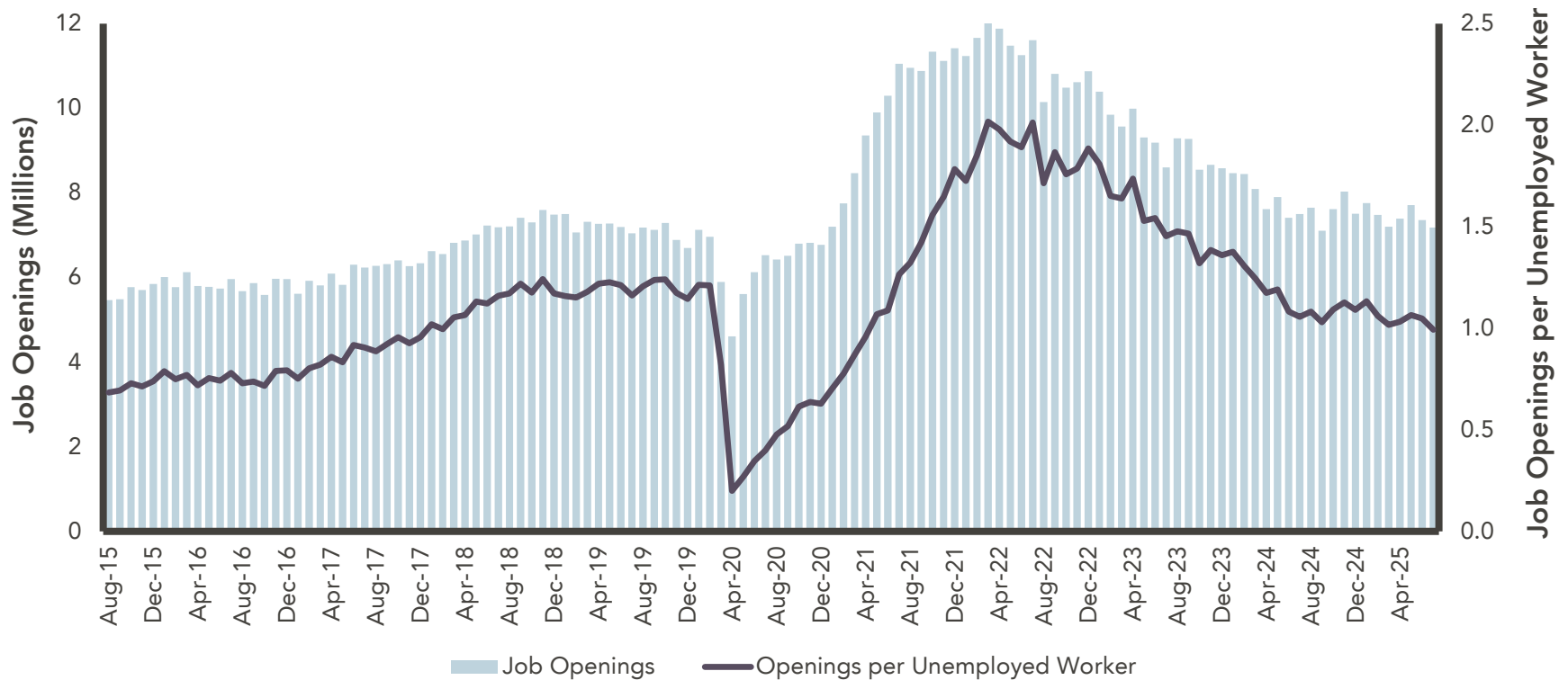
**Core PCE, the Fed's preferred inflation gauge, ticked up in July (2.9% on a year-over-year basis), indicating that tariffs impacting price levels**



Source: Bloomberg, Bureau of Economic Analysis as of July 31, 2025

# Job openings

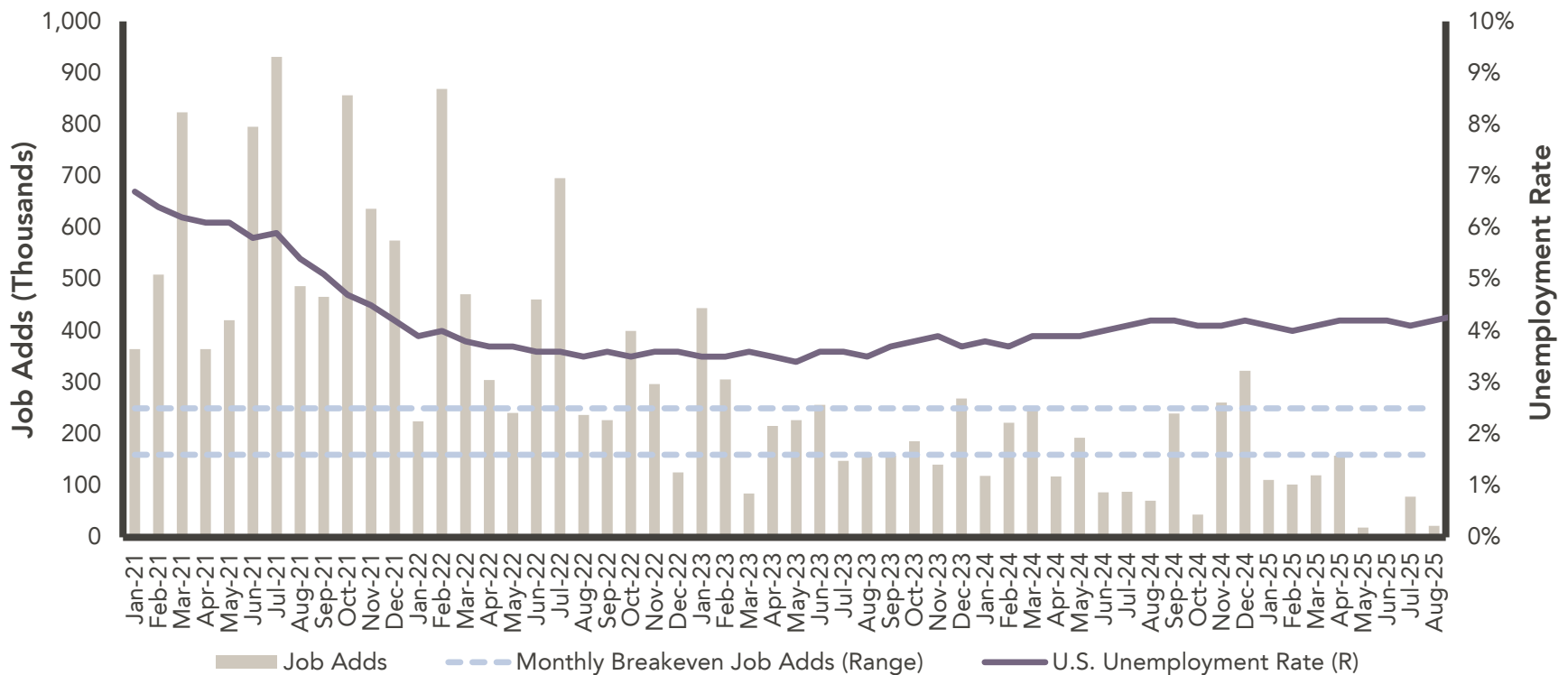
In July, the number of job openings per unemployed worker in the U.S. dropped below 1.0 for the first time in over four years



Source: Bloomberg, Bureau of Labor Statistics as of July 31, 2025

# Hiring and unemployment

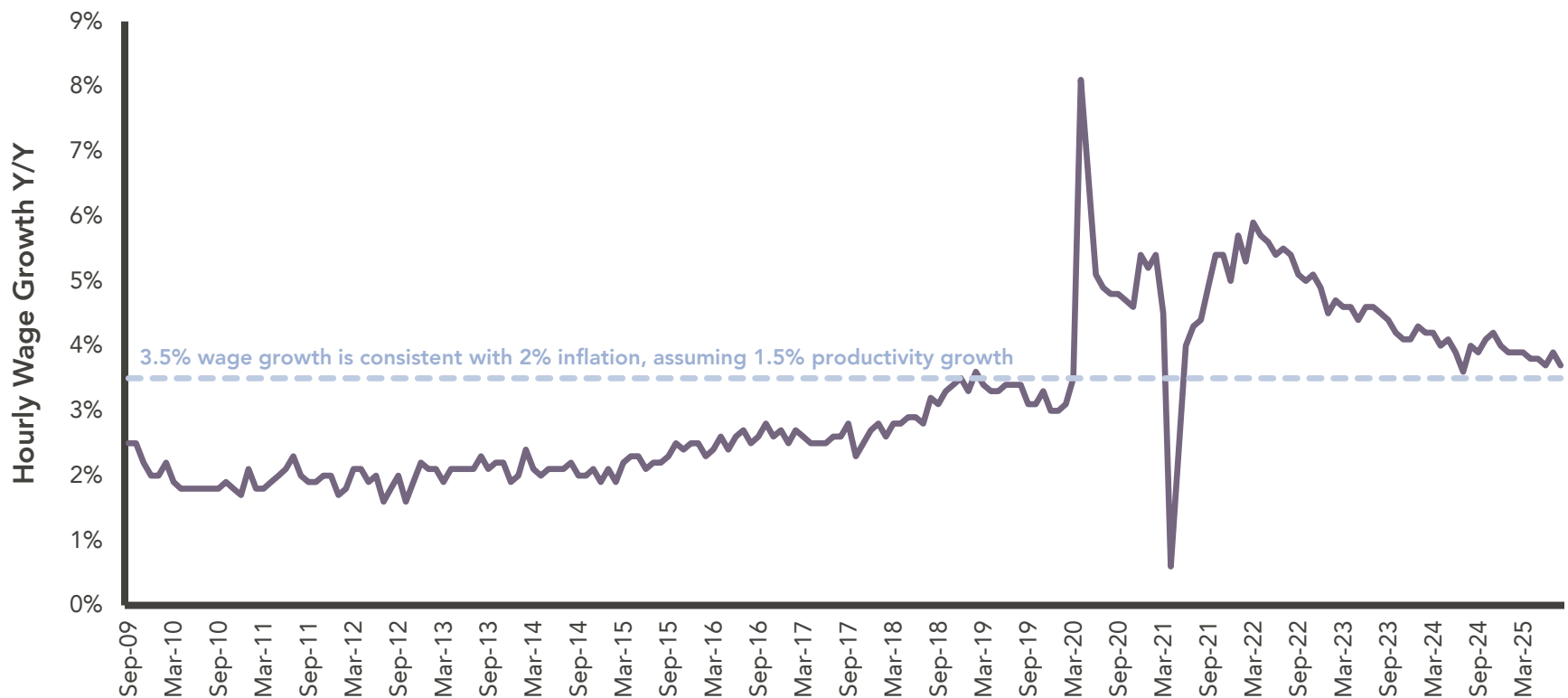
**U.S. labor market growth proved worse than expected in August, with just 22,000 job adds; the unemployment rate ticked up to 4.3%**



Source: Bloomberg, Bureau of Labor Statistics as of August 31, 2025. Monthly breakeven job adds are economists' estimates related to how fast payrolls can grow without tightening the labor market and stoking wage pressures (i.e., neutral payrolls growth).

# Wage growth

Wage growth, a key measure for gauging inflation, rose 3.7% on a year-over-year basis in the month of August



Source: Bloomberg, Bureau of Labor Statistics as of August 31, 2025

# For workers, it's now paying off to stay put

In a reversal of pandemic-era trends, the pay gains for job stayers have topped those of job switchers for the last six months

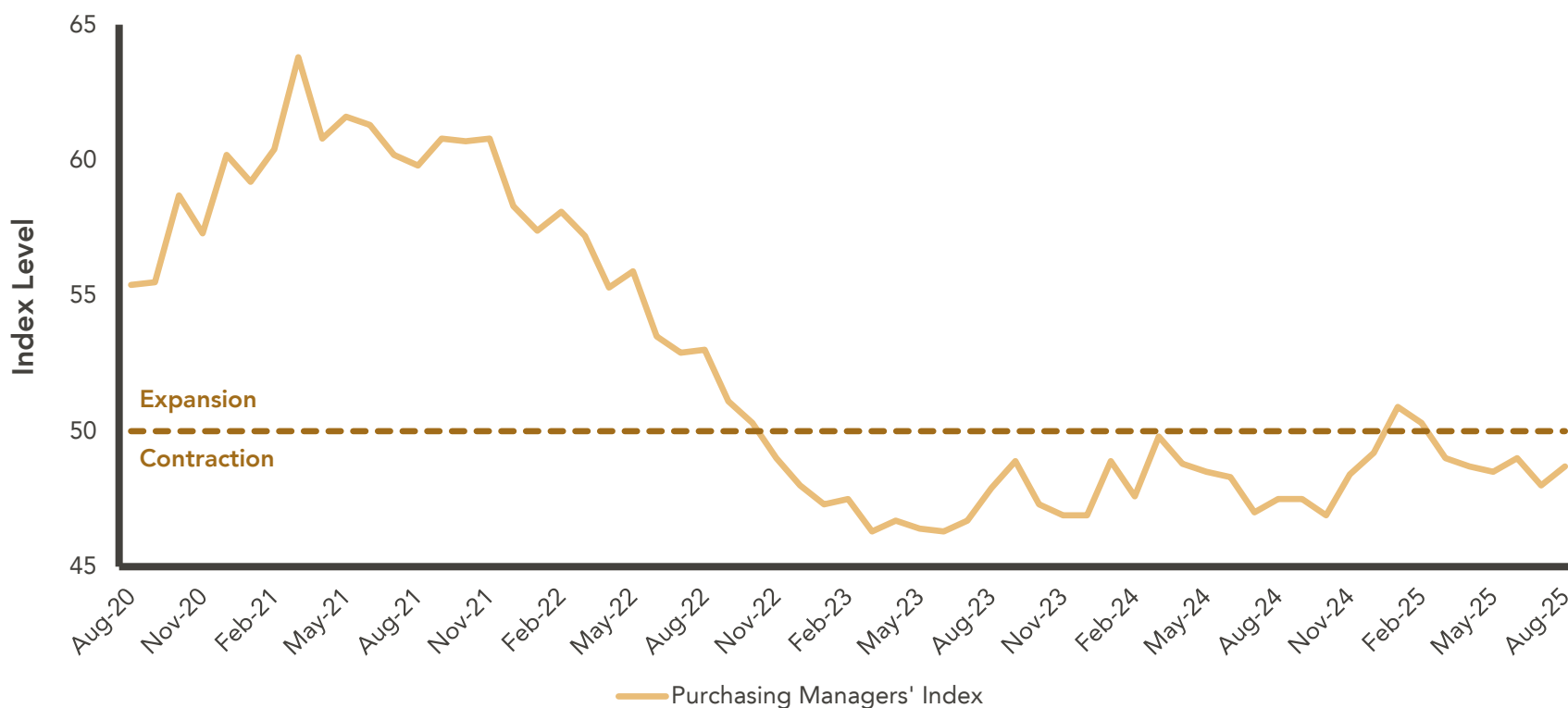


Source: Bloomberg, Bureau of Labor Statistics, Federal Reserve Bank of Atlanta as of July 31, 2025



# U.S. manufacturing faces ongoing slump

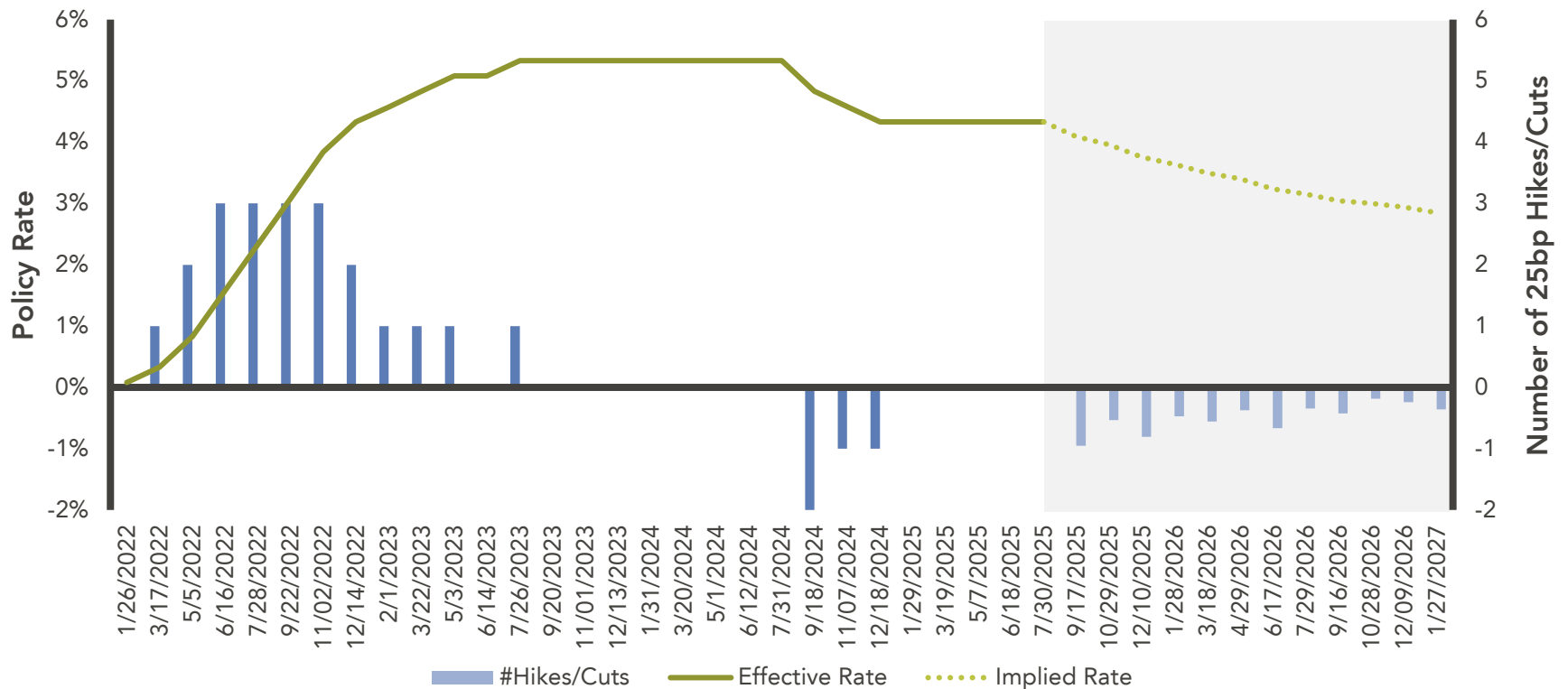
**Domestic manufacturing activity contracted for the sixth consecutive month in August due to tariff-related challenges**



Source: Bloomberg as of August 31, 2025

# Rate expectations

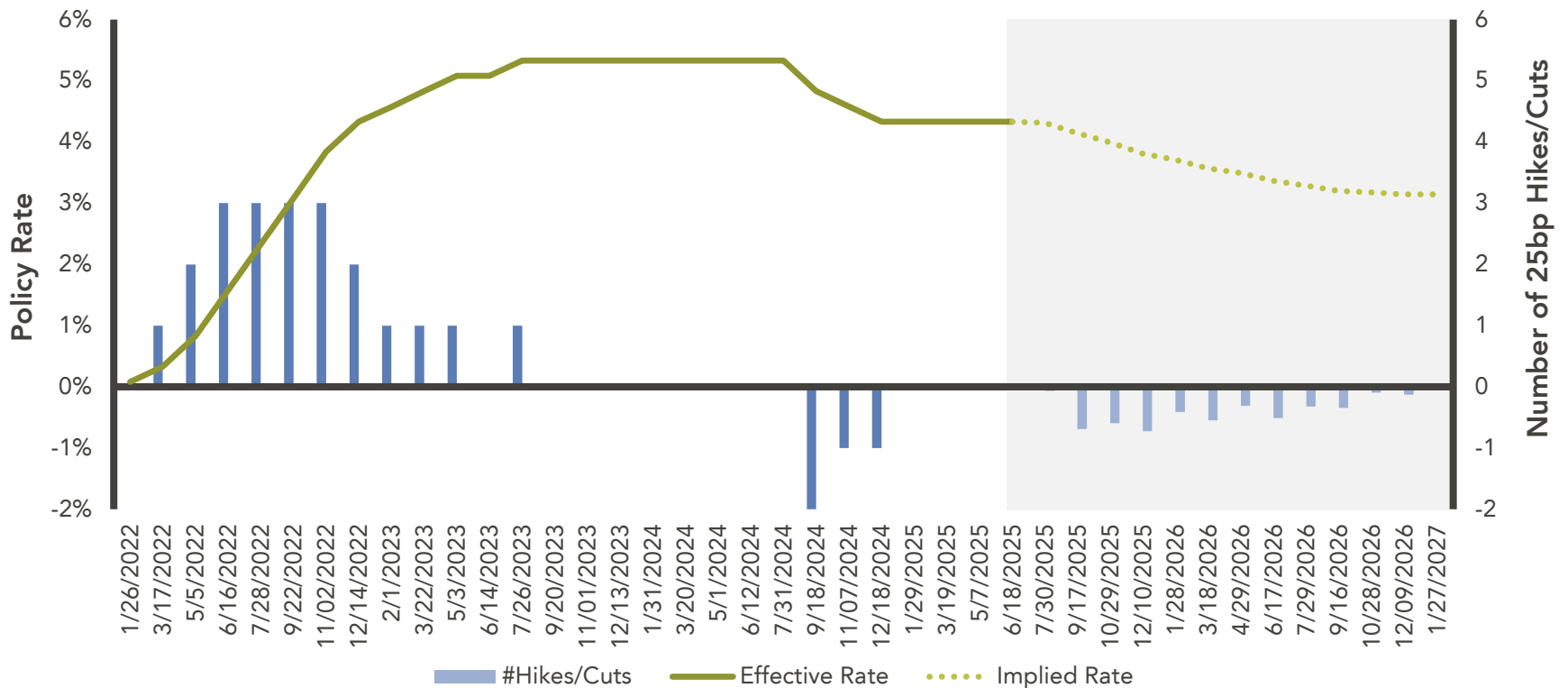
Investors are all but certain that the Fed will lower its policy rate in September; markets predict 2 total rate cuts for the rest of 2025



Source: Bloomberg as of September 3, 2025. Gray shading indicates forecasts.

# Rate expectations

The Fed held its policy rate constant at its June meeting; investors now anticipate 2 rate cuts from the central bank in 2025



Source: Bloomberg as of July 7, 2025. Gray shading indicates forecasts.

# Fixed income performance

**Fixed income returns were positive in August due to rate cut expectations given recent weak nonfarm payroll reports**

|                                 |                               | MTD (%) | QTD (%) | YTD (%) | 1 Yr (%) | 3 Yr (%) | 5 Yr (%) | 10 Yr (%) |
|---------------------------------|-------------------------------|---------|---------|---------|----------|----------|----------|-----------|
| <b>Broad Market Index</b>       | Blm Aggregate                 | 1.2     | 0.9     | 5.0     | 3.1      | 3.0      | -0.7     | 1.8       |
| <b>Intermediate Index</b>       | Blm Int. Gov./Credit          | 1.2     | 1.1     | 5.3     | 4.7      | 4.1      | 0.7      | 2.1       |
| <b>Government Only Indices</b>  | Blm Long Gov.                 | 0.3     | -0.6    | 2.5     | -4.4     | -3.2     | -8.2     | -0.2      |
|                                 | Blm Int. Gov.                 | 1.2     | 1.0     | 5.0     | 4.2      | 3.4      | 0.3      | 1.6       |
|                                 | Blm 1-3 Year Gov.             | 0.9     | 0.8     | 3.7     | 4.4      | 3.8      | 1.5      | 1.7       |
|                                 | Blm U.S. TIPS                 | 1.5     | 1.7     | 6.4     | 4.9      | 2.4      | 1.3      | 2.9       |
| <b>Credit Indices</b>           | Blm U.S. Long Credit          | 0.8     | 0.7     | 4.5     | 0.5      | 2.9      | -2.7     | 3.0       |
|                                 | Blm High Yield                | 1.2     | 1.7     | 6.4     | 8.3      | 9.3      | 5.2      | 5.8       |
|                                 | UBS Leveraged Loan Index      | 0.4     | 1.2     | 4.2     | 7.4      | 8.7      | 6.9      | 5.3       |
| <b>Securitized Bond Indices</b> | Blm MBS                       | 1.6     | 1.2     | 5.5     | 3.4      | 2.8      | -0.4     | 1.3       |
|                                 | Blm ABS                       | 1.0     | 1.1     | 4.0     | 5.0      | 4.7      | 2.0      | 2.4       |
|                                 | Blm CMBS                      | 1.5     | 1.4     | 5.9     | 5.8      | 4.6      | 1.0      | 2.7       |
| <b>Non-U.S. Indices</b>         | Blm Global Aggregate Hedged   | 0.5     | 0.5     | 3.3     | 3.5      | 3.8      | 0.3      | 2.3       |
|                                 | JPM EMBI Global Diversified   | 1.6     | 2.9     | 8.7     | 8.6      | 9.2      | 1.5      | 3.9       |
|                                 | JPM GBI-EM Global Diversified | 2.2     | 1.4     | 13.8    | 9.5      | 8.9      | 1.6      | 3.1       |
| <b>Municipal Indices</b>        | Blm Municipal 5 Year          | 0.8     | 1.7     | 4.0     | 3.7      | 3.2      | 1.0      | 2.0       |
|                                 | Blm HY Municipal              | 0.5     | -1.0    | -1.3    | -1.5     | 3.6      | 2.3      | 4.4       |

Source: Bloomberg, JPMorgan, UBS as of August 31, 2025. The local currency GBI index is hedged and denominated in U.S. dollars.

# U.S. equity performance

**Small-cap equities posted strong returns in August, as the asset class turned positive for the year; value equities also outperformed**

|                          |                        | MTD (%) | QTD (%) | YTD (%) | 1 Yr (%) | 3 Yr (%) | 5 Yr (%) | 10 Yr (%) |
|--------------------------|------------------------|---------|---------|---------|----------|----------|----------|-----------|
| Broad Market Indices     | Dow Jones              | 3.4     | 3.6     | 8.3     | 11.4     | 15.3     | 12.0     | 13.1      |
|                          | Wilshire 5000          | 2.3     | 4.6     | 10.7    | 16.2     | 18.9     | 13.8     | 13.8      |
|                          | Russell 3000           | 2.3     | 4.6     | 10.6    | 15.8     | 18.8     | 14.1     | 14.0      |
| Large-Cap Market Indices | S&P 500                | 2.0     | 4.3     | 10.8    | 15.9     | 19.5     | 14.7     | 14.6      |
|                          | Russell 1000           | 2.1     | 4.4     | 10.8    | 16.2     | 19.3     | 14.3     | 14.3      |
|                          | Russell 1000 Value     | 3.2     | 3.8     | 10.0    | 9.3      | 12.9     | 13.0     | 10.2      |
|                          | Russell 1000 Growth    | 1.1     | 4.9     | 11.3    | 22.6     | 25.0     | 15.2     | 17.9      |
| Mid-Cap Market Indices   | Russell Mid-Cap        | 2.5     | 4.4     | 9.4     | 12.6     | 13.6     | 12.0     | 10.9      |
|                          | Russell Mid-Cap Value  | 3.0     | 4.8     | 8.1     | 8.2      | 11.2     | 12.9     | 9.5       |
|                          | Russell Mid-Cap Growth | 1.0     | 3.1     | 13.1    | 26.4     | 19.4     | 11.0     | 13.0      |
| Small-Cap Market Indices | Russell 2000           | 7.1     | 9.0     | 7.1     | 8.2      | 10.3     | 10.1     | 8.9       |
|                          | Russell 2000 Value     | 8.5     | 10.4    | 6.9     | 5.8      | 8.8      | 13.1     | 8.6       |
|                          | Russell 2000 Growth    | 5.9     | 7.7     | 7.2     | 10.5     | 11.6     | 7.1      | 8.7       |

Source: Bloomberg as of August 31, 2025

# Global equity performance

**Non-U.S. equities posted positive returns in August, continuing their strong run year-to-date**

|                              |                       | MTD (%) | QTD (%) | YTD (%) | 1 Yr (%) | 3 Yr (%) | 5 Yr (%) | 10 Yr (%) |
|------------------------------|-----------------------|---------|---------|---------|----------|----------|----------|-----------|
| Global Equity Market Indices | MSCI ACWI             | 2.5     | 3.9     | 14.3    | 15.8     | 17.7     | 12.0     | 11.1      |
|                              | MSCI ACWI ex. U.S.    | 3.5     | 3.2     | 21.6    | 15.4     | 15.1     | 8.9      | 7.3       |
| Developed Markets Indices    | MSCI EAFE             | 4.3     | 2.8     | 22.8    | 13.9     | 17.0     | 10.2     | 7.4       |
|                              | MSCI EAFE Local       | 2.1     | 3.5     | 11.6    | 10.5     | 13.7     | 11.9     | 7.9       |
| Emerging Markets Indices     | MSCI Emerging Markets | 1.3     | 3.3     | 19.0    | 16.8     | 10.8     | 5.2      | 6.9       |
|                              | MSCI EM Local         | 1.4     | 4.8     | 16.1    | 17.1     | 11.7     | 6.8      | 8.2       |
| Small-Cap Market Indices     | MSCI EAFE Small-Cap   | 4.6     | 4.5     | 26.4    | 18.8     | 14.3     | 8.0      | 7.4       |
|                              | MSCI EM Small-Cap     | 2.6     | 3.3     | 14.4    | 10.1     | 13.1     | 11.7     | 8.3       |
| Frontier Markets Index       | MSCI Frontier         | 6.3     | 13.5    | 36.2    | 35.4     | 14.4     | 10.4     | 6.7       |

Source: Bloomberg as of August 31, 2025

# Hedge fund performance

**Most hedge funds posted solid gains in 2Q, although Global Macro strategies struggled amid higher levels of volatility to start the period**

|                            | MTD (%) | QTD (%) | YTD (%) | 1 Yr (%) | 3 Yr (%) | 5 Yr (%) | 10 Yr (%) |
|----------------------------|---------|---------|---------|----------|----------|----------|-----------|
| HFRX Global                | 1.1     | 1.8     | 2.4     | 4.7      | 3.8      | 3.5      | 2.1       |
| HFRX Hedged Equity         | 1.4     | 4.1     | 4.3     | 7.0      | 6.9      | 7.8      | 3.7       |
| HFRI Composite             | 2.4     | 4.4     | 3.9     | 8.5      | 7.8      | 8.6      | 5.4       |
| HFRI Fund of Funds         | 1.8     | 3.4     | 3.0     | 7.3      | 6.5      | 6.2      | 3.8       |
| HFRI Convertible Arbitrage | 0.5     | 1.0     | 4.3     | 9.6      | 8.1      | 8.0      | 5.8       |
| HFRI Equity Hedge          | 3.4     | 7.7     | 6.1     | 11.7     | 10.4     | 10.1     | 6.5       |
| HFRI Event-Driven          | 3.2     | 6.0     | 5.2     | 12.3     | 9.4      | 9.7      | 5.8       |
| HFRI Macro                 | 1.3     | -1.4    | -1.3    | -1.3     | 1.4      | 5.3      | 3.0       |
| HFRI Merger Arbitrage      | 2.7     | 5.0     | 5.4     | 11.0     | 7.0      | 8.3      | 5.3       |
| HFRI Relative Value        | 0.8     | 1.5     | 3.2     | 7.9      | 6.8      | 6.8      | 4.5       |
| CBOE S&P 500 PutWrite      | 3.2     | 2.5     | -0.4    | 9.3      | 10.1     | 11.8     | 7.3       |

Source: Bloomberg, Hedge Fund Research, CBOE as of June 30, 2025



# Real estate performance

**Appreciation remained modest as 2Q real estate performance was supported by consistent income gains across sectors**

|                                  | QTD (%)     | YTD (%)    | 1 Yr (%)   | 3 Yr (%)    | 5 Yr (%)   | 10 Yr (%)  |
|----------------------------------|-------------|------------|------------|-------------|------------|------------|
| <b>NPI</b>                       | <b>1.2</b>  | <b>2.5</b> | <b>4.2</b> | <b>-2.8</b> | <b>3.7</b> | <b>5.2</b> |
| Income                           | 1.2         | 2.4        | 4.8        | 4.5         | 4.3        | 4.5        |
| Appreciation                     | 0.0         | 0.1        | -0.6       | -7.0        | -0.6       | 0.7        |
| <b>NFI-ODCE</b>                  | <b>1.0</b>  | <b>2.1</b> | <b>3.5</b> | <b>-5.4</b> | <b>3.4</b> | <b>5.4</b> |
| Income                           | 1.0         | 2.0        | 4.2        | 3.8         | 3.8        | 4.1        |
| Appreciation                     | 0.0         | 0.1        | -0.6       | -9.0        | -0.4       | 1.2        |
| <b>FTSE NAREIT All Eq. REITs</b> | <b>-0.9</b> | <b>1.8</b> | <b>9.2</b> | <b>3.4</b>  | <b>6.7</b> | <b>6.6</b> |
| <b>Property Type</b>             |             |            |            |             |            |            |
| NPI Multifamily                  | 1.4         | 2.7        | 5.1        | -1.8        | 4.7        | 5.5        |
| NPI Industrial                   | 1.0         | 2.3        | 4.7        | -0.6        | 12.3       | 12.5       |
| NPI Office                       | 0.8         | 1.6        | -0.2       | -9.9        | -4.4       | 0.9        |
| NPI Retail                       | 1.9         | 3.7        | 7.6        | 2.3         | 2.6        | 3.2        |
| NPI Hotel                        | 0.0         | 0.5        | 4.1        | 7.8         | 4.9        | 2.9        |
| <b>Geographic Sectors</b>        |             |            |            |             |            |            |
| NPI East                         | 1.2         | 2.5        | 4.6        | -3.5        | 1.9        | 3.5        |
| NPI Midwest                      | 1.6         | 3.1        | 6.3        | -1.1        | 2.9        | 3.8        |
| NPI South                        | 1.6         | 3.6        | 6.5        | 0.6         | 6.5        | 6.5        |
| NPI West                         | 0.9         | 1.7        | 2.3        | -4.3        | 3.7        | 6.2        |

Source: NCREIF as of June 30, 2025

# Infrastructure performance

## Returns of private infrastructure were strong in the first quarter of 2025

|  | 1Q25 (%) | 1 Yr (%) | 3 Yr (%) | 5 Yr (%) | 10 Yr (%) |
|--|----------|----------|----------|----------|-----------|
| Burgiss Infrastructure Index (Private) | 3.1      | 7.8      | 7.9      | 10.7     | 9.6       |
| DJB Global Infrastructure Index        | 6.0      | 14.3     | 2.5      | 9.4      | 5.2       |
| Bloomberg Aggregate                    | 4.7      | 5.8      | 0.8      | -0.2     | 1.6       |
| CPI + 4%                               | 1.3      | 7.0      | 9.0      | 8.2      | 6.8       |
| S&P 500                                | -4.3     | 8.3      | 9.1      | 18.6     | 12.5      |
| DJ Industrial Average                  | -0.9     | 7.4      | 8.8      | 16.2     | 11.4      |

Source: Bloomberg, Burgiss as of March 31, 2025

# Private equity performance

**Private equity continues to outperform public markets, with U.S. small buyout outperforming over the 5- and 10-year periods**

|                                     | 1Q25 (%)     | 1 Yr (%)    | 3 Yr (%)   | 5 Yr (%)    | 10 Yr (%)   |
|-------------------------------------|--------------|-------------|------------|-------------|-------------|
| <b>Global Private Equity</b>        | <b>1.5</b>   | <b>5.8</b>  | <b>1.9</b> | <b>15.7</b> | <b>13.6</b> |
| Global Buyout                       | 1.5          | 5.7         | 5.0        | 16.8        | 14.0        |
| Global Expansion                    | 1.0          | 9.2         | 2.2        | 9.7         | 7.6         |
| Global Venture Capital              | 1.6          | 5.5         | -4.4       | 14.6        | 13.5        |
| <b>U.S. Private Equity</b>          | <b>1.0</b>   | <b>6.0</b>  | <b>1.9</b> | <b>17.5</b> | <b>14.4</b> |
| U.S. Buyout                         | 0.5          | 5.3         | 5.5        | 17.8        | 14.5        |
| U.S. Small Buyout                   | 0.2          | 4.7         | 7.8        | 20.9        | 16.6        |
| U.S. Expansion                      | 1.5          | 10.6        | 3.0        | 12.2        | 10.5        |
| U.S. Venture Capital                | 2.0          | 6.7         | -5.5       | 16.9        | 14.1        |
| <b>MSCI All Country World Index</b> | <b>-1.3</b>  | <b>7.2</b>  | <b>6.9</b> | <b>15.2</b> | <b>8.8</b>  |
| <b>S&amp;P 500</b>                  | <b>-4.3</b>  | <b>8.3</b>  | <b>9.1</b> | <b>18.6</b> | <b>12.5</b> |
| <b>Russell 3000</b>                 | <b>-4.7</b>  | <b>7.2</b>  | <b>8.2</b> | <b>18.2</b> | <b>11.8</b> |
| <b>Russell 2000 Growth</b>          | <b>-11.1</b> | <b>-4.9</b> | <b>0.8</b> | <b>10.8</b> | <b>6.1</b>  |

Source: Burgiss Pooled Returns, Bloomberg as of March 31, 2025; Small Buyout includes funds less than \$1 billion in size .

# Private credit performance

**Direct lending delivered a strong return in 1Q, benefiting from a healthy relative spread premium and limited losses**

|                              | QTD (%) | YTD (%) | 1 Yr (%) | 3 Yr (%) | 5 Yr (%) | 10 Yr (%) |
|------------------------------|---------|---------|----------|----------|----------|-----------|
| Middle Market Direct Lending | 2.1     | 2.1     | 10.4     | 10.0     | 11.1     | 9.0       |
| Credit Suisse Leveraged Loan | 0.6     | 0.6     | 7.0      | 7.1      | 8.9      | 5.0       |
| Bloomberg High Yield         | 1.0     | 1.0     | 7.7      | 5.0      | 7.3      | 5.0       |
| Bloomberg Aggregate          | 2.8     | 2.8     | 4.9      | 0.5      | -0.4     | 1.5       |
| DJ Industrial Average        | -0.9    | -0.9    | 7.4      | 8.8      | 16.2     | 11.4      |
| S&P 500                      | -4.3    | -4.3    | 8.3      | 9.1      | 18.6     | 12.5      |
| Russell 3000                 | -4.7    | -4.7    | 7.2      | 8.2      | 18.2     | 11.8      |

Source: Cliffwater, eVestment as of March 31, 2025. All data calculated based on quarterly time-weighted returns.

Purpose:

**Empower our  
clients to meet their  
investment  
objectives**

**Vision**

Be a trusted partner to our clients  
through effective investment programs

**Mission**

Provide independent and thoughtful  
investment guidance

**Why Marquette?**

- ✓ Our people
- ✓ Independent expertise
- ✓ Focused client service
- ✓ Careful research



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# August 2025 Executive Summary



# August 2025 Market Tracker



# Market Tracker

August 2025

## U.S. Equity Returns

|              | Aug  | YTD   | 1 Yr  |
|--------------|------|-------|-------|
| S&P 500      | 2.0% | 10.8% | 15.9% |
| Russell 3000 | 2.3% | 10.6% | 15.8% |
| NASDAQ       | 1.6% | 11.6% | 22.0% |
| Dow Jones    | 3.4% | 8.3%  | 11.4% |

## Non-U.S. Equity Returns

|                  | Aug  | YTD   | 1 Yr  |
|------------------|------|-------|-------|
| ACWI             | 2.5% | 14.3% | 15.8% |
| ACWI ex. US      | 3.5% | 21.6% | 15.4% |
| EAFE Index       | 4.3% | 22.8% | 13.9% |
| EAFE Local       | 2.1% | 11.6% | 10.5% |
| EAFE Growth      | 2.8% | 15.6% | 5.6%  |
| EAFE Value       | 5.7% | 30.2% | 22.7% |
| EAFE Small Cap   | 4.6% | 26.4% | 18.8% |
| Emerging Markets | 1.3% | 19.0% | 16.8% |
| EM Small Cap     | 2.6% | 14.4% | 10.1% |

## Regional Returns

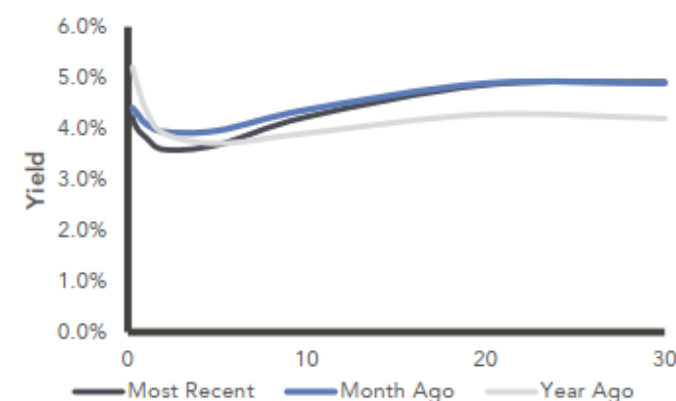
|                  | Aug   | YTD   | 1 Yr   |
|------------------|-------|-------|--------|
| Europe           | 3.4%  | 25.3% | 13.6%  |
| Asia ex-Japan    | 1.1%  | 18.7% | 19.0%  |
| EM Latin America | 8.2%  | 34.3% | 13.1%  |
| UK               | 3.7%  | 24.7% | 16.5%  |
| Germany          | 1.2%  | 33.5% | 30.6%  |
| France           | 1.4%  | 20.7% | 9.8%   |
| Japan            | 7.0%  | 17.8% | 12.9%  |
| China            | 4.9%  | 29.0% | 47.6%  |
| Brazil           | 10.3% | 32.7% | 6.1%   |
| India            | -3.1% | -2.6% | -11.8% |

## Real Estate Returns

|                      | Qtr  | YTD  | 1 Yr  |
|----------------------|------|------|-------|
| NCREIF NPI National* | 1.2% | 2.5% | 4.2%  |
| FTSE NAREIT          | 2.4% | 4.2% | -1.5% |

\*Returns as of June 30, 2025

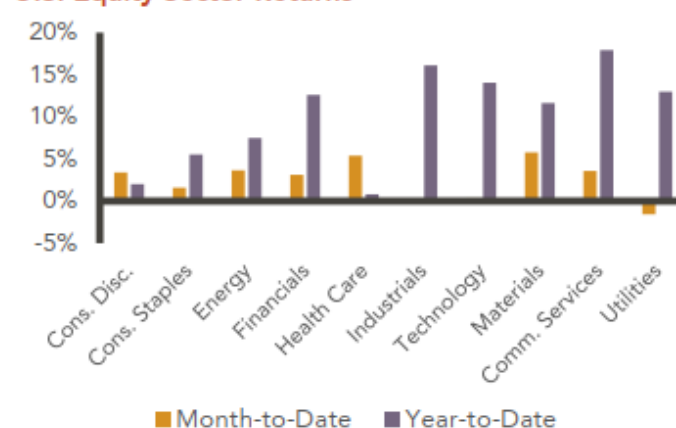
## Yield Curve



## Style Index Returns

|       | Month-to-Date |      |        |       | Year-to-Date |       |        |
|-------|---------------|------|--------|-------|--------------|-------|--------|
|       | Value         | Core | Growth |       | Value        | Core  | Growth |
| Large | 3.2%          | 2.1% | 1.1%   | Large | 10.0%        | 10.8% | 11.3%  |
| Mid   | 3.0%          | 2.5% | 1.0%   | Mid   | 8.1%         | 9.4%  | 13.1%  |
| Small | 8.5%          | 7.1% | 5.9%   | Small | 6.9%         | 7.1%  | 7.2%   |

## U.S. Equity Sector Returns



## Fixed Income Returns

|                       | Aug  | YTD  | 1 Yr  |
|-----------------------|------|------|-------|
| Aggregate             | 1.2% | 5.0% | 3.1%  |
| Universal             | 1.2% | 5.2% | 3.7%  |
| Government            | 1.1% | 4.5% | 2.4%  |
| Treasury              | 1.1% | 4.5% | 2.4%  |
| Int. Gov/Credit       | 1.2% | 5.3% | 4.7%  |
| Long Gov/Credit       | 0.5% | 3.4% | -2.0% |
| TIPS                  | 1.5% | 6.4% | 4.9%  |
| Municipal 5 Year      | 0.8% | 4.0% | 3.7%  |
| High Yield            | 1.2% | 6.4% | 8.3%  |
| Bank Loans            | 0.4% | 4.2% | 7.4%  |
| Global Hedged         | 0.5% | 3.3% | 3.5%  |
| EM Debt Hard Currency | 1.6% | 8.7% | 8.6%  |

## Hedge Fund Returns

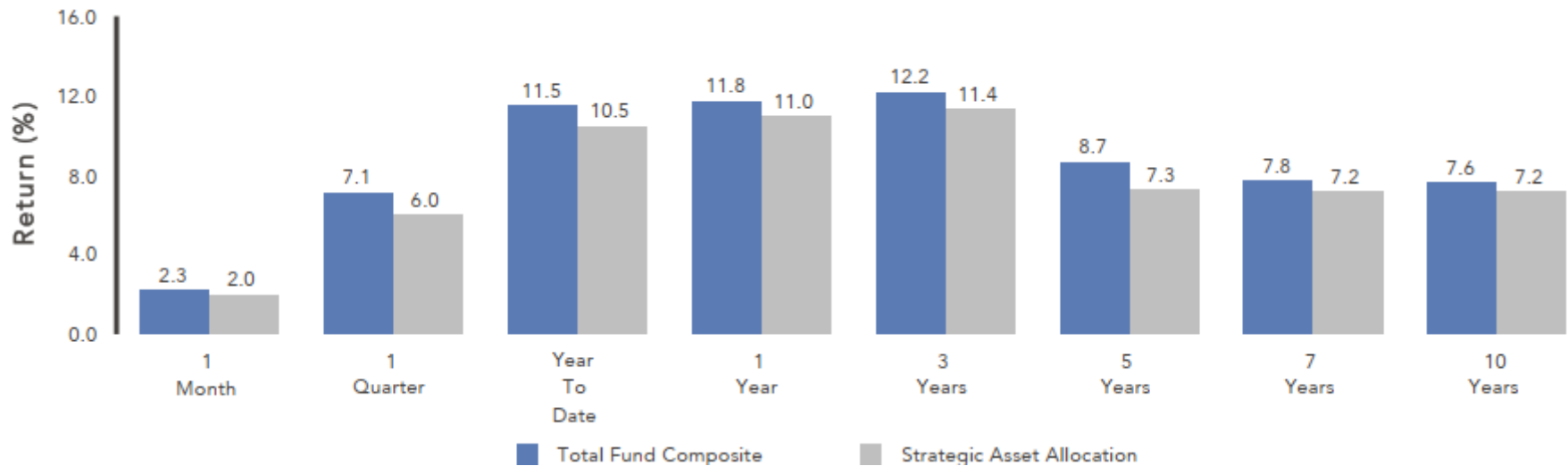
|                     | Aug  | YTD   | 1 Yr |
|---------------------|------|-------|------|
| HFRX Equal Wtd.     | 1.2% | 4.9%  | 6.0% |
| HFRX Hedged Equity  | 1.5% | 6.7%  | 7.9% |
| HFRX Event Driven   | 0.7% | 4.3%  | 4.7% |
| HFRX Macro          | 2.0% | -0.9% | 0.9% |
| HFRX Relative Value | 0.6% | 4.1%  | 5.7% |
| CBOE PutWrite       | 1.4% | 2.2%  | 7.8% |

## Commodity Returns

|                   | Aug   | YTD   | 1 Yr  |
|-------------------|-------|-------|-------|
| GSCI Total        | -0.2% | 5.4%  | 9.3%  |
| Precious Metals   | 6.4%  | 32.5% | 37.9% |
| Livestock         | 7.3%  | 25.2% | 33.7% |
| Industrial Metals | 3.2%  | 4.5%  | 3.0%  |
| Energy            | -5.6% | -4.3% | 1.4%  |
| Agriculture       | 4.1%  | 0.5%  | 6.9%  |
| WTI Crude Oil     | -6.1% | -1.0% | 1.1%  |
| Gold              | 5.4%  | 31.0% | 37.7% |

# Portfolio Review

# Return Summary (August 31, 2025)



- The Fixed Income composite added to the Plan.
- The Equity, Infrastructure, and Real Estate composites detracted from the benchmark.

\* Composite performance is compared against its benchmark on a one-month basis ending August 31, 2025.

# Annualized Performance (Net of Fees)

|   | 1 Mo<br>(%) | 3 Mo<br>(%) | YTD<br>(%) | 1 Yr<br>(%) | 3 Yrs<br>(%) | 5 Yrs<br>(%) | 7 Yrs<br>(%) | 10 Yrs<br>(%) | SI<br>(%) | Inception<br>Date |
|---|-------------|-------------|------------|-------------|--------------|--------------|--------------|---------------|-----------|-------------------|
| <b>Total Fund Composite</b>                       | 2.3         | 7.1         | 11.5       | 11.8        | 12.2         | 8.7          | 7.8          | 7.6           | 7.0       | Aug 02            |
| Strategic Asset Allocation                        | 2.0         | 6.0         | 10.5       | 11.0        | 11.4         | 7.3          | 7.2          | 7.2           | 6.5       |                   |
| <b>Fixed Income Composite</b>                     | 1.2         | 2.7         | 5.5        | 3.9         | 3.9          | 0.5          | 2.8          | -             | 2.6       | Feb 18            |
| Fixed Income Balanced Index                       | 1.2         | 2.5         | 5.0        | 3.1         | 3.0          | -            | -            | -             | -         |                   |
| <b>Equity Composite</b>                           | 2.7         | 9.2         | 14.1       | 15.8        | 17.2         | 13.0         | 11.3         | 12.7          | 9.4       | Jul 06            |
| Equity Balanced Index                             | 3.1         | 9.1         | 14.4       | 15.4        | 17.0         | 13.0         | 10.6         | -             | -         |                   |
| <b>Real Estate Composite</b>                      | 3.5         | 4.4         | 5.6        | 0.8         | 4.5          | 6.7          | 5.6          | 6.6           | 8.0       | May 10            |
| MSCI U.S. REIT Index (Net)                        | 4.4         | 2.7         | 2.8        | -1.4        | 4.5          | 7.1          | 4.3          | 5.5           | 6.9       |                   |
| <b>Global Infrastructure Composite</b>            | 1.2         | 2.7         | 10.3       | 6.8         | -            | -            | -            | -             | 7.5       | Dec 22            |
| FTSE Global Core Infrastructure 50/50 Index (Net) | 1.5         | 2.7         | 11.3       | 7.8         | 6.2          | 7.8          | 6.8          | 7.3           | 7.4       |                   |

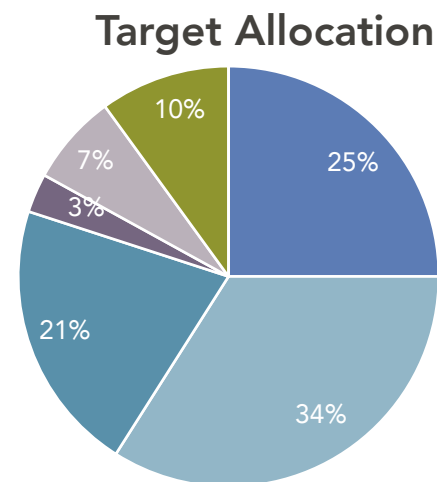
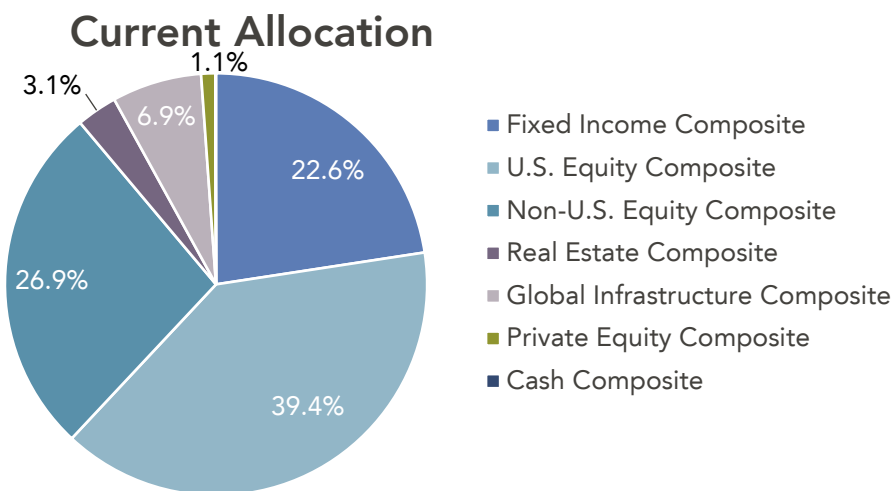
# SWBNO Manager Contribution – YTD Performance

| Top Performers                  | Strategy                | Absolute Performance | Benchmark Performance |
|---------------------------------|-------------------------|----------------------|-----------------------|
| Fidelity (Pyramis)              | Fixed Income            | +5.5%                | +5.0%                 |
| Fidelity Real Estate Index Fund | Public Real Estate      | +5.6%                | +2.8%                 |
| BNYM ACWI ex-US Small Cap Index | Non-US Small Cap Equity | +23.4%               | +22.9%                |

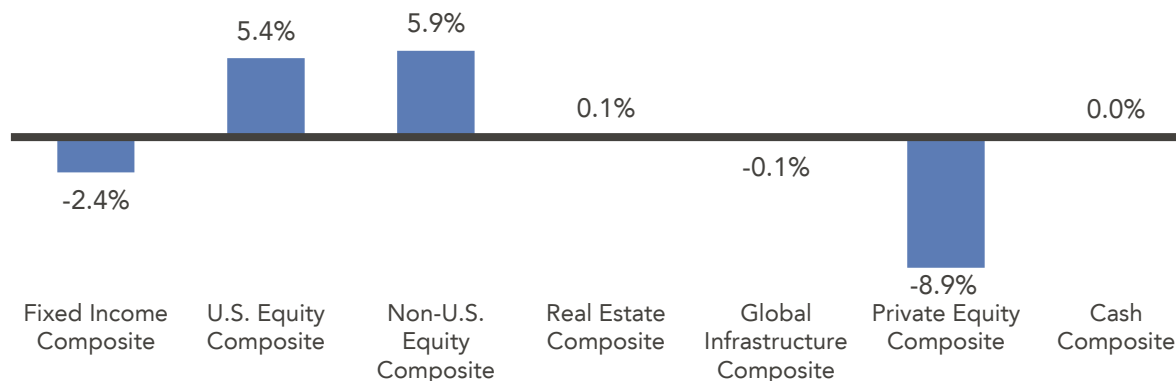
| Bottom Performers                           | Strategy       | Absolute Performance | Benchmark Performance |
|---|----------------|----------------------|-----------------------|
| Cohen and Steers Global Infrastructure Fund | Infrastructure | +10.3%               | +11.3%                |

\* Year-to-date performance as of May 31, 2025.

# Current Asset Allocation vs. Target Allocation



| Composite             | Current Allocation | Target Allocation |
|-----------------------|--------------------|-------------------|
| Fixed Income          | \$62,290,620       | \$68,949,612      |
| U.S. Equity           | \$108,648,800      | \$93,771,473      |
| Non-U.S. Equity       | \$74,166,192       | \$57,917,674      |
| Real Estate           | \$8,604,464        | \$8,273,953       |
| Global Infrastructure | \$18,965,430       | \$19,305,891      |
| Private Equity        | \$2,985,163        | \$27,579,845      |
| Cash                  | \$137,780          | \$0               |



\*Data ending August 31, 2025

# Actions Taken

---

| Action            | Event                               | Date          | Amount          |
|-------------------|-------------------------------------|---------------|-----------------|
| Education Seminar | Investing 101                       | October 2021  |                 |
| Approved          | Asset Allocation                    | November 2021 |                 |
| Approved          | IPS Updated                         | February 2022 |                 |
| Terminated        | iShares S&P 500 Growth ETF          | June 2022     | \$19,490,438.73 |
| Hired             | BlackRock Russell 1000 Growth       | June 2022     | \$19,490,438.73 |
| Approved          | New Passive Manager Lineup Approved | August 2022   |                 |
| Terminated        | Vanguard Real Estate ETF            | November 2022 | \$15,137,777.81 |

# Actions Taken

---

| Action     | Event                                     | Date          | Amount                      |
|------------|---|---------------|-----------------------------|
| Hired      | Fidelity Real Estate Index Fund           | November 2022 | \$7,000,000                 |
| Hired      | Cohen & Steers Global Infrastructure Fund | November 2022 | \$15,000,000                |
| Redemption | Prisma Capital Partners                   | November 2022 | \$16,589,276.62             |
| Executed   | Rebalance to Approved Asset Allocation    | February 2023 | See next slides for details |
| Hired      | New Passive Manager Lineup Approved       | August 2022   |                             |
| Hired      | Sango Private Equity IV                   | October 2024  | \$5,000,000                 |
| Hired      | Mesirow Private Equity Fund IX            | October 2024  | \$15,000,000                |



# Approved Allocation

| Asset Class                      | Legacy | Approved |   |
|----------------------------------|--------|----------|---|
| Broad Fixed Income               | 35.0%  | 25.0%    |   |
| 91 Day T-Bills                   | 1.0%   | 0.0%     |   |
| Total Fixed Income               | 36.0%  | 25.0%    | ▼ |
| Broad U.S. Equity (All Cap Core) | 27.0%  | 0.0%     |   |
| US Large-Cap Core                | 0.0%   | 25.0%    |   |
| US Mid-Cap Core                  | 0.0%   | 4.0%     |   |
| US Small-Cap Core                | 0.0%   | 5.0%     |   |
| Total U.S. Equity                | 27.0%  | 34.0%    | ▲ |
| Broad Non-US Equity              | 20.0%  | 0.0%     |   |
| Developed Large-Cap              | 0.0%   | 15.0%    |   |
| Non-US Small-Cap                 | 0.0%   | 3.0%     |   |
| Emerging Market                  | 0.0%   | 3.0%     |   |
| Total Non-U.S. Equity            | 20.0%  | 21.0%    | ▲ |
| Hedge Fund - FOF                 | 8.0%   | 0.0%     |   |
| Total Hedge Funds                | 8.0%   | 0.0%     | ▼ |
| Real Estate - Core               | 0.0%   | 3.0%     |   |
| Public REITs                     | 9.0%   | 0.0%     |   |
| Total Real Assets                | 9.0%   | 3.0%     | ▼ |
| Global Infrastructure            | 0.0%   | 7.0%     |   |
| Private Equity - Fund of Funds   | 0.0%   | 10.0%    |   |
| Total Illiquid Assets            | 0.0%   | 17.0%    | ▲ |

|                                   | Legacy | Approved |  |
|-----------------------------------|--------|----------|--|
| Avg. Annualized 10 Yr. Return     | 5.91%  | 7.01%    |  |
| Avg. Annualized 10 Yr. Volatility | 9.42%  | 11.61%   |  |

## Fixed Income

- Use fixed income as a source of liquidity opposed to a source of return, given the current market conditions
- Align fixed income exposure with annual cash needs

## Equities

- Global equity mix of 60% U.S. and 40% non-U.S. for better expected risk-adjusted returns
- Increase passive allocation in large cap core and add a U.S. small- and mid-cap allocation
- Establish allocation to non-U.S. small-cap
- Establish allocation to emerging markets

## Hedge Funds

- Eliminate hedge funds due to structural headwinds that have resulted in disappointing annualized returns and high fees

## Real Estate

- Eliminate Public REITs (an equity "proxy" for real estate)
- Add a core open ended private real estate strategy that focuses on yield and a lower correlation to traditional asset classes

## Global Infrastructure

- Consider adding private global infrastructure to improve portfolio diversification and enhance returns to have an additional inflation protection component in the portfolio

## Private Equity

- Consider private equity to high quality small buyout FOFs and lower-middle market direct exposure

Source: Marquette Associates Asset Allocation Study; as of March 31, 2021. Blue highlighting depicts new asset classes.

# Phase 1: Global Infrastructure and Real Estate

| Global Infrastructure                       | Action                      | Amount        | Transaction Date |
|---|-----------------------------|---------------|------------------|
| Fidelity Core Plus Fixed Income             | Separate Account Cash Raise | -\$10 million | Nov 10           |
| Vanguard Real Estate Index                  | ETF Sale                    | -\$5 million  | Nov 16           |
| Cohen & Steers Global Listed Infrastructure | Mutual Fund Purchase        | +\$10 million | Nov 17           |
| Cohen & Steers Global Listed Infrastructure | Mutual Fund Purchase        | +\$5 million  | Nov 18           |

| Real Estate                | Action               | Amount        | Transaction Date |
|----------------------------|----------------------|---------------|------------------|
| Vanguard Real Estate Index | ETF Sale             | -\$10 million | Nov 1 and Nov 16 |
| Fidelity Real Estate Index | Mutual Fund Purchase | +\$7 million  | Nov 17           |
| Cash                       | For Benefit Payments | +\$3 million  | Nov 1            |

## Phase 2: U.S. Large Cap Equites

| U.S. Large Cap                      | Action                             | Amount          | Transaction Date |
|-------------------------------------|------------------------------------|-----------------|------------------|
| BlackRock Russell 1000 Growth       | Commingled Fund Sale               | -\$16.5 million | Feb 22           |
| BNYM AFL-CIO Large Cap Index        | Commingled Fund Purchase           | +\$16.5 million | Feb 22           |
| Fidelity Core Plus Fixed Income     | Separate Account Cash Raise        | -\$5 million    | Feb 23           |
| BNYM AFL-CIO Large Cap Index        | Commingled Fund Purchase           | +\$5 million    | Feb 23           |
| Barrow, Hanley, Mewhinney & Strauss | Mutual Fund (Full Liquidation)     | -\$15.2 million | Feb 27           |
| BNYM AFL-CIO Large Cap Index        | Commingled Fund Purchase           | +\$15 million   | Feb 27           |
| BNYM AFL-CIO Large Cap Index        | Commingled Fund Purchase           | +\$10 million   | Feb 28           |
| BlackRock Russell 1000 Growth       | Commingled Fund (Full Liquidation) | -\$2.7million   | Mar 1            |
| BNYM AFL-CIO Large Cap Index        | Commingled Fund Purchase           | +\$9 million    | Mar 2            |

## Phase 2: U.S. Mid and Small Cap Equites

| U.S. Mid and Small Cap           | Action                              | Amount        | Transaction Date |
|----------------------------------|-------------------------------------|---------------|------------------|
| New South Capital Smid-Cap Value | Separate Account Cash Raise         | -\$7 million  | Feb 27           |
| BNYM AFL-CIO Mid Cap Index       | Commingled Fund Purchase            | +\$3 million  | Feb 27           |
| BNYM AFL-CIO Small Cap Index     | Commingled Fund Purchase            | +\$3 million  | Feb 27           |
| New South Capital Smid-Cap Value | Separate Account Cash Raise         | -\$9 million  | Feb 28           |
| BNYM AFL-CIO Mid Cap Index       | Commingled Fund Purchase            | +\$3 million  | Feb 28           |
| BNYM AFL-CIO Small Cap Index     | Commingled Fund Purchase            | +\$3 million  | Feb 28           |
| BNYM AFL-CIO Mid Cap Index       | Commingled Fund Purchase            | +\$3 million  | Mar 1            |
| BNYM AFL-CIO Small Cap Index     | Commingled Fund Purchase            | +\$5 million  | Mar 1            |
| New South Capital Smid-Cap Value | Separate Account (Full Liquidation) | -\$16 million | Mar 2            |

## Phase 3: Non-U.S. Equites

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| Non-U.S. Equites              | Action                   | Amount        | Transaction Date |
|-------------------------------|--------------------------|---------------|------------------|
| Earnest Partners              | Commingled Fund Sale     | -\$14 million | August 3         |
| BNYM Emerging Markets Index   | Commingled Fund Purchase | +\$7 million  | August 3         |
| BNYM Non-U.S. Small Cap Index | Commingled Fund Purchase | +\$7 million  | August 3         |

# Current and Future Active Searches

| Asset Class           | Action                   | Amount  | Timeline        |
|-----------------------|--------------------------|---|-----------------|
| Private Equity        | Selected Managers        | \$15 million to Mesirow<br>\$5 million to Sango | Completed       |
| Global Infrastructure | Review Tier 1 Candidates | \$15 million                                    | Special Meeting |
| Private Real Estate   | Review Tier 1 Candidates | \$7 million                                     | Special Meeting |
| Non-US Small-Cap      | Review RFIs              | ~\$7 million                                    | 3Q24            |
| Emerging Markets      | Review RFIs              | ~\$7 million                                    | 3Q24            |
| U.S. Mid Cap          | Review RFIs              | ~\$10 million                                   | 3Q24            |
| U.S. Small Cap        | Review RFIs              | ~\$12 million                                   | 3Q24            |
| Core Fixed Income     | Review RFIs              | ~\$60 million                                   | 3Q24            |

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**JANUARY 1, 2025 COST OF LIVING ADJUSTMENT FOR ELIGIBLE BOARD PENSIONERS**

**WHEREAS**, Article VI, Section 6.1(d)(1) of the Rules and Regulations of the Employees' Retirement System of the Sewerage and Water Board of New Orleans provides for a Cost of Living Adjustment to pensioners over age 65 based on the change in inflation for the 12-month period ending in August of the preceding year, with a maximum increase of no more than 2%; and

**WHEREAS**, the change in inflation Consumer Price Index (CPI) for Urban Wage Earners for the period of August 2023 to August 2024 was 2.351%; and

**WHEREAS**, the total annual increase to the Pension Fund of the Sewerage and Water Board of New Orleans to implement the January 1, 2025 Cost of Living Adjustment to 703 eligible pensioners is \$123,411.60; and

**WHEREAS**, such funds to provide for a Cost of Living Adjustment to eligible pensioners are to be made available by the Pension Fund of the Sewerage and Water Board of New Orleans; and

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of Trustees, that the Pension Fund of the Sewerage and Water Board of New Orleans implement a 2.000% Cost of Living Adjustment increase on the first ten-thousand dollars (\$10,000) of eligible pensioners' original Retirement Allowance (that is, the annual pension benefit paid at the time of retirement), effective January 1, 2025, for eligible pensioners who attained age 65 on or before December 31, 2024. The Cost of Living Adjustment increase for a partial year of retirement after age 65 shall be pro-rated based on the actual number of days retired and over age 65 during the twelve-month period ending December 31, 2024 (that is, the number of days elapsed between attainment of age 65 and December 31, 2024).

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I, Randy E. Hayman, Esq., Executive Director,  
Sewerage and Water Board of New Orleans, do hereby  
certify that the above and foregoing is a true and  
correct copy of a resolution adopted at the Regular  
Monthly Meeting of said Board of Trustees duly called and held,  
according to law, on October 15, 2025.

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**RANDY E. HAYMAN ESQ.**  
**EXECUTIVE DIRECTOR**  
**SEWERAGE AND WATER BOARD OF NEW ORLEANS**



# The Sewerage & Water Board of New Orleans

## Employees' Retirement System Performance Report

Executive Summary  
August 31, 2025

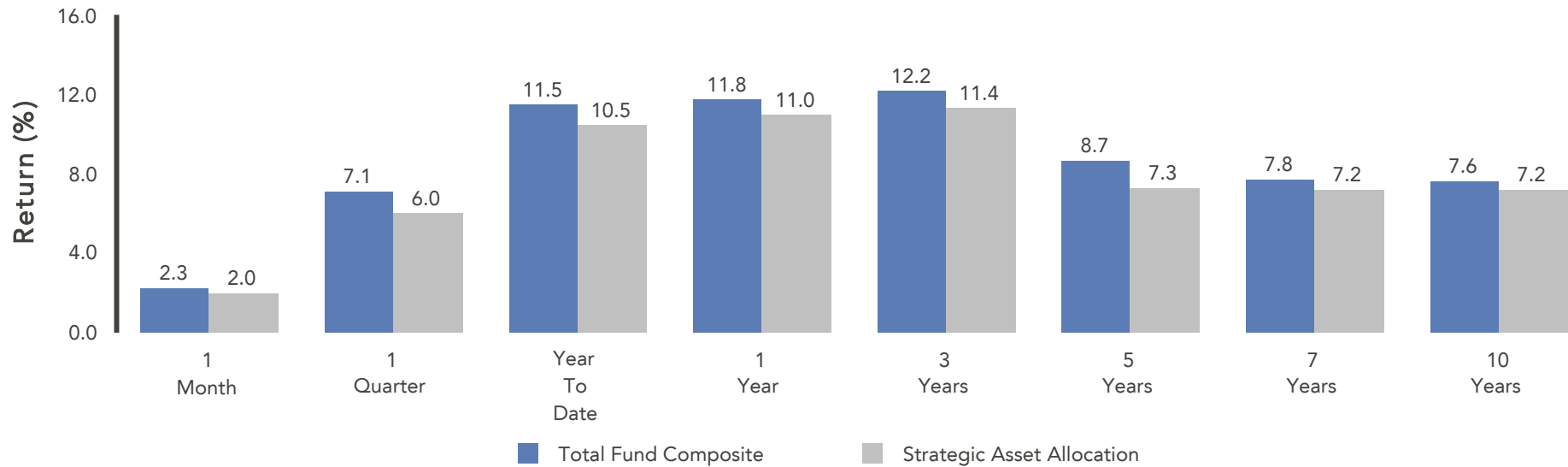
## Employees' Retirement System-Total Fund Composite

Manager Status

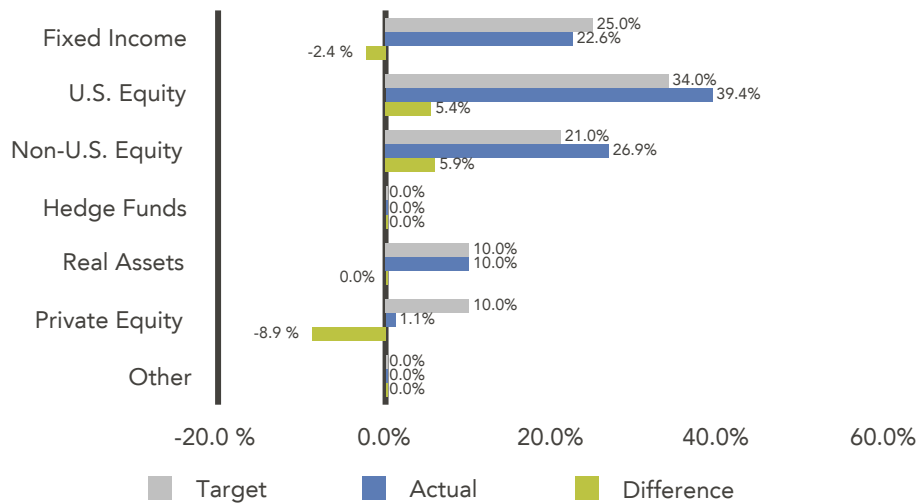
| Investment Manager                          | Asset Class             | Status        | Reason |
|---|-------------------------|---------------|--------|
| Fidelity (Pyramis Global Advisors)          | Core Plus Fixed Income  | In Compliance | --     |
| BNYM AFL-CIO Large Cap Index                | Large-Cap Core          | In Compliance | --     |
| BNYM AFL-CIO Mid Cap Index                  | Mid-Cap Core            | In Compliance | --     |
| BNYM AFL-CIO Small Cap Index                | Small-Cap Core          | In Compliance | --     |
| Earnest Partners                            | Non-U.S. Large-Cap Core | In Compliance | --     |
| BNYM ACWI ex-US Small Cap Index             | Non-U.S. Small-Cap Core | In Compliance | --     |
| BNYM Emerging Markets Index                 | Emerging Markets        | In Compliance | --     |
| Fidelity Real Estate Index Fund             | U.S. REIT               | In Compliance | --     |
| Cohen and Steers Global Infrastructure Fund | Global Infrastructure   | In Compliance | --     |
| Mesirow Private Equity Fund IX              | Global Divers. PE FoF   | In Compliance | --     |
| Cash  | Cash & Equivalents      | In Compliance | --     |

## Employees' Retirement System-Total Fund Composite

Performance Summary  
As of August 31, 2025



### Total Fund Composite vs Target Allocation



### Summary of Cash Flows

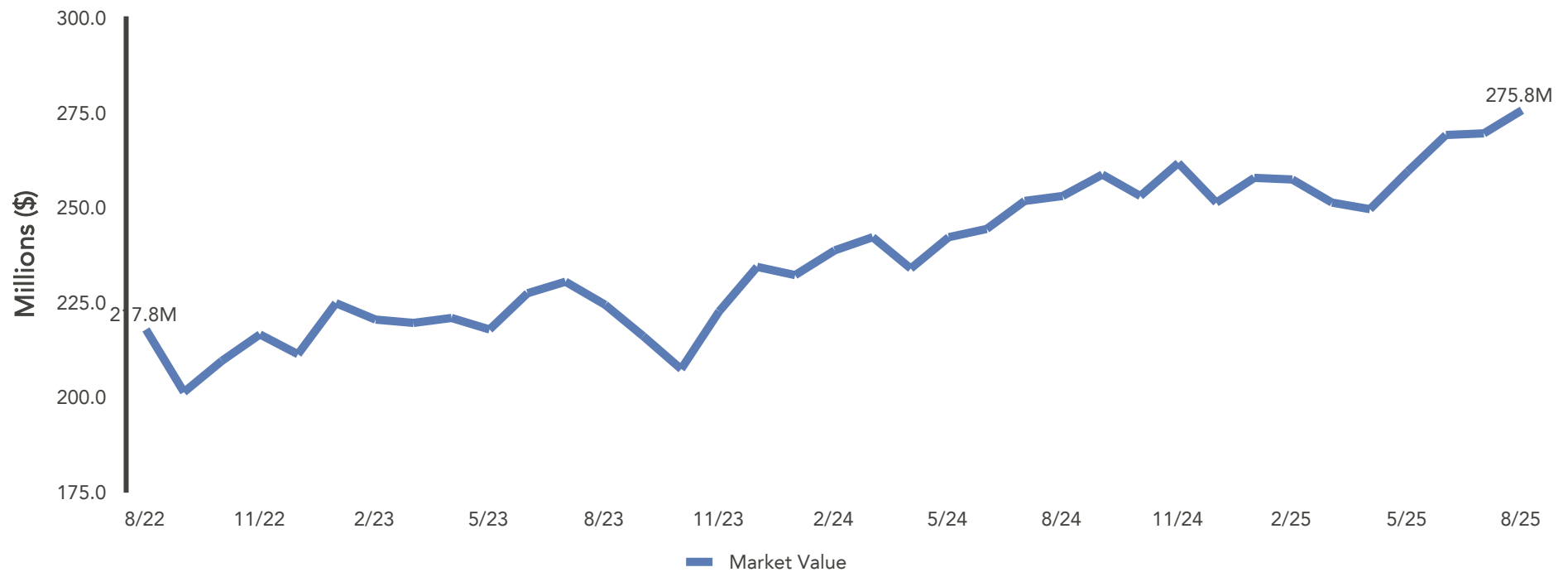
|                        | 1<br>Year (\$) | 3<br>Years (\$) | 5<br>Years (\$) |
|------------------------|----------------|-----------------|-----------------|
| Beginning Market Value | 253,065,434    | 217,783,277     | 222,695,493     |
| Net Cash Flow          | -6,825,861     | -26,177,241     | -32,589,762     |
| Gain/Loss              | 29,558,876     | 84,192,412      | 85,692,717      |
| Ending Market Value    | 275,798,449    | 275,798,449     | 275,798,449     |

# Employees' Retirement System-Total Fund Composite

Portfolio Allocation  
Month Ending August 31, 2025

|   | Asset Class             | Net Cash Flow (\$) | Market Value (\$)  | % of Portfolio | Policy (%)   |
|---|-------------------------|--------------------|--------------------|----------------|--------------|
| <b>Total Fund Composite</b>                 |                         | <b>12,916</b>      | <b>275,798,449</b> | <b>100.0</b>   | <b>100.0</b> |
| <b>Fixed Income Composite</b>               |                         | <b>-</b>           | <b>62,290,620</b>  | <b>22.6</b>    | <b>25.0</b>  |
| Fidelity (Pyramis Global Advisors)          | Core Plus Fixed Income  | -                  | 62,290,620         | 22.6           | 25.0         |
| <b>Equity Composite</b>                     |                         | <b>-1,345,000</b>  | <b>182,814,991</b> | <b>66.3</b>    | <b>55.0</b>  |
| BNYM AFL-CIO Large Cap Index                | Large-Cap Core          | -                  | 82,756,650         | 30.0           | 25.0         |
| BNYM AFL-CIO Mid Cap Index                  | Mid-Cap Core            | -                  | 11,701,217         | 4.2            | 4.0          |
| BNYM AFL-CIO Small Cap Index                | Small-Cap Core          | -                  | 14,190,932         | 5.1            | 5.0          |
| Earnest Partners                            | Non-U.S. Large-Cap Core | -1,345,000         | 55,637,134         | 20.2           | 15.0         |
| BNYM ACWI ex-US Small Cap Index             | Non-U.S. Small-Cap Core | -                  | 9,445,126          | 3.4            | 3.0          |
| BNYM Emerging Markets Index                 | Emerging Markets        | -                  | 9,083,932          | 3.3            | 3.0          |
| <b>Real Estate Composite</b>                |                         | <b>-</b>           | <b>8,604,464</b>   | <b>3.1</b>     | <b>3.0</b>   |
| Fidelity Real Estate Index Fund             | U.S. REIT               | -                  | 8,604,464          | 3.1            | 3.0          |
| <b>Global Infrastructure Composite</b>      |                         | <b>-</b>           | <b>18,965,430</b>  | <b>6.9</b>     | <b>7.0</b>   |
| Cohen and Steers Global Infrastructure Fund | Global Infrastructure   | -                  | 18,965,430         | 6.9            | 7.0          |
| <b>Private Equity Composite</b>             |                         | <b>1,245,000</b>   | <b>2,985,163</b>   | <b>1.1</b>     | <b>-</b>     |
| Mesirow Private Equity Fund IX              | Global Divers. PE FoF   | 1,245,000          | 2,985,163          | 1.1            | -            |
| <b>Cash Composite</b>                       |                         | <b>112,916</b>     | <b>137,780</b>     | <b>0.0</b>     | <b>0.0</b>   |
| Cash  | Cash & Equivalents      | 112,916            | 137,780            | 0.0            | 0.0          |

## Market Value History



## Summary of Cash Flows

|                        | 1<br>Year (\$) | 3<br>Years (\$) | 5<br>Years (\$) |
|------------------------|----------------|-----------------|-----------------|
| Beginning Market Value | 253,065,434    | 217,783,277     | 222,695,493     |
| Net Cash Flow          | -6,825,861     | -26,177,241     | -32,589,762     |
| Net Investment Change  | 29,558,876     | 84,192,412      | 85,692,717      |
| Ending Market Value    | 275,798,449    | 275,798,449     | 275,798,449     |

## Employees' Retirement System-Total Fund Composite

Annualized Performance (Net of Fees)

As of August 31, 2025

|   | 1 Mo<br>(%) | 3 Mo<br>(%) | YTD<br>(%)  | 1 Yr<br>(%) | 3 Yrs<br>(%) | 5 Yrs<br>(%) | 7 Yrs<br>(%) | 10 Yrs<br>(%) | SI<br>(%)  | Inception<br>Date |
|---|-------------|-------------|-------------|-------------|--------------|--------------|--------------|---------------|------------|-------------------|
| <b>Total Fund Composite</b>                       | <b>2.3</b>  | <b>7.1</b>  | <b>11.5</b> | <b>11.8</b> | <b>12.2</b>  | <b>8.7</b>   | <b>7.8</b>   | <b>7.6</b>    | <b>7.0</b> | <b>Aug 02</b>     |
| Strategic Asset Allocation                        | 2.0         | 6.0         | 10.5        | 11.0        | 11.4         | 7.3          | 7.2          | 7.2           | 6.5        |                   |
| <b>Fixed Income Composite</b>                     | <b>1.2</b>  | <b>2.7</b>  | <b>5.5</b>  | <b>3.9</b>  | <b>3.9</b>   | <b>0.5</b>   | <b>2.8</b>   | <b>-</b>      | <b>2.6</b> | <b>Feb 18</b>     |
| Fixed Income Balanced Index                       | 1.2         | 2.5         | 5.0         | 3.1         | 3.0          | -            | -            | -             | -          |                   |
| <b>Equity Composite</b>                           | <b>2.7</b>  | <b>9.2</b>  | <b>14.1</b> | <b>15.8</b> | <b>17.2</b>  | <b>13.0</b>  | <b>11.3</b>  | <b>12.7</b>   | <b>9.4</b> | <b>Jul 06</b>     |
| Equity Balanced Index                             | 3.1         | 9.1         | 14.4        | 15.4        | 17.0         | 13.0         | 10.6         | -             | -          |                   |
| <b>Real Estate Composite</b>                      | <b>3.5</b>  | <b>4.4</b>  | <b>5.6</b>  | <b>0.8</b>  | <b>4.5</b>   | <b>6.7</b>   | <b>5.6</b>   | <b>6.6</b>    | <b>8.0</b> | <b>May 10</b>     |
| MSCI U.S. REIT Index (Net)                        | 4.4         | 2.7         | 2.8         | -1.4        | 4.5          | 7.1          | 4.3          | 5.5           | 6.9        |                   |
| <b>Global Infrastructure Composite</b>            | <b>1.2</b>  | <b>2.7</b>  | <b>10.3</b> | <b>6.8</b>  | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>      | <b>7.5</b> | <b>Dec 22</b>     |
| FTSE Global Core Infrastructure 50/50 Index (Net) | 1.5         | 2.7         | 11.3        | 7.8         | 6.2          | 7.8          | 6.8          | 7.3           | 7.4        |                   |

## Employees' Retirement System-Total Fund Composite

Calendar Performance (Net of Fees)  
As of August 31, 2025

|   | YTD<br>(%)  | 2024<br>(%) | 2023<br>(%) | 2022<br>(%)  | 2021<br>(%) | 2020<br>(%) | 2019<br>(%) | 2018<br>(%) | 2017<br>(%) |
|---|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| <b>Total Fund Composite</b>                       | <b>11.5</b> | <b>11.1</b> | <b>15.7</b> | <b>-15.3</b> | <b>14.0</b> | <b>10.5</b> | <b>18.8</b> | <b>-3.6</b> | <b>11.6</b> |
| Strategic Asset Allocation                        | 10.5        | 10.7        | 14.9        | -15.4        | 11.6        | 11.0        | 18.9        | -3.8        | 12.8        |
| <b>Fixed Income Composite</b>                     | <b>5.5</b>  | <b>2.4</b>  | <b>6.5</b>  | <b>-12.9</b> | <b>0.0</b>  | <b>9.5</b>  | <b>10.0</b> | <b>-</b>    | <b>-</b>    |
| Fixed Income Balanced Index                       | 5.0         | 1.3         | 5.5         | -13.0        | -1.5        | -           | -           | -           | -           |
| <b>Equity Composite</b>                           | <b>14.1</b> | <b>15.0</b> | <b>22.7</b> | <b>-17.1</b> | <b>20.8</b> | <b>21.1</b> | <b>24.3</b> | <b>1.2</b>  | <b>19.0</b> |
| Equity Balanced Index                             | 14.4        | 15.7        | 21.1        | -16.2        | 20.1        | 15.2        | 27.0        | -8.3        | 17.3        |
| <b>Real Estate Composite</b>                      | <b>5.6</b>  | <b>5.0</b>  | <b>11.9</b> | <b>-25.4</b> | <b>40.4</b> | <b>-4.4</b> | <b>29.2</b> | <b>-5.8</b> | <b>4.7</b>  |
| MSCI U.S. REIT Index (Net)                        | 2.8         | 7.5         | 12.3        | -25.4        | 41.7        | -8.7        | 24.3        | -5.8        | 3.7         |
| <b>Global Infrastructure Composite</b>            | <b>10.3</b> | <b>11.7</b> | <b>2.4</b>  | <b>-</b>     | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    |
| FTSE Global Core Infrastructure 50/50 Index (Net) | 11.3        | 9.5         | 2.2         | -4.9         | 14.9        | -4.1        | 25.1        | -4.0        | 18.4        |



## Employees' Retirement System-Total Fund Composite

Annualized Performance (Net of Fees)

As of August 31, 2025

|                                      | 1 Mo<br>(%) | 3 Mo<br>(%) | YTD<br>(%)  | 1 Yr<br>(%) | 3 Yrs<br>(%) | 5 Yrs<br>(%) | 7 Yrs<br>(%) | 10 Yrs<br>(%) | SI<br>(%)  | Inception<br>Date |
|--------------------------------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|---------------|------------|-------------------|
| <b>Total Fund Composite</b>          | <b>2.3</b>  | <b>7.1</b>  | <b>11.5</b> | <b>11.8</b> | <b>12.2</b>  | <b>8.7</b>   | <b>7.8</b>   | <b>7.6</b>    | <b>7.0</b> | <b>Aug 02</b>     |
| Strategic Asset Allocation           | 2.0         | 6.0         | 10.5        | 11.0        | 11.4         | 7.3          | 7.2          | 7.2           | 6.5        |                   |
| <b>Fixed Income Composite</b>        | <b>1.2</b>  | <b>2.7</b>  | <b>5.5</b>  | <b>3.9</b>  | <b>3.9</b>   | <b>0.5</b>   | <b>2.8</b>   | <b>-</b>      | <b>2.6</b> | <b>Feb 18</b>     |
| Fixed Income Balanced Index          | 1.2         | 2.5         | 5.0         | 3.1         | 3.0          | -            | -            | -             | -          |                   |
| Fidelity (Pyramis Global Advisors)   | 1.2         | 2.7         | 5.5         | 3.9         | 3.9          | 0.5          | 2.8          | 2.9           | 4.1        | May 07            |
| Blmbg. U.S. Aggregate Index          | 1.2         | 2.5         | 5.0         | 3.1         | 3.0          | -0.7         | 1.8          | 1.8           | 3.1        |                   |
| <b>Equity Composite</b>              | <b>2.7</b>  | <b>9.2</b>  | <b>14.1</b> | <b>15.8</b> | <b>17.2</b>  | <b>13.0</b>  | <b>11.3</b>  | <b>12.7</b>   | <b>9.4</b> | <b>Jul 06</b>     |
| Equity Balanced Index                | 3.1         | 9.1         | 14.4        | 15.4        | 17.0         | 13.0         | 10.6         | -             | -          |                   |
| BNYM AFL-CIO Large Cap Index         | 2.1         | 9.6         | 10.7        | 16.2        | -            | -            | -            | -             | 22.9       | Mar 23            |
| Russell 1000 Index                   | 2.1         | 9.7         | 10.8        | 16.2        | 19.3         | 14.3         | 13.7         | 14.3          | 22.9       |                   |
| BNYM AFL-CIO Mid Cap Index           | 3.4         | 8.8         | 5.3         | 6.8         | -            | -            | -            | -             | 11.1       | Mar 23            |
| S&P MidCap 400 Index                 | 3.4         | 8.8         | 5.3         | 6.9         | 12.0         | 12.8         | 8.6          | 10.4          | 11.1       |                   |
| BNYM AFL-CIO Small Cap Index         | 7.1         | 14.9        | 7.0         | 8.2         | -            | -            | -            | -             | 10.7       | Mar 23            |
| Russell 2000 Index                   | 7.1         | 14.9        | 7.1         | 8.2         | 10.3         | 10.1         | 5.9          | 8.9           | 10.9       |                   |
| Earnest Partners                     | 2.4         | 7.1         | 21.4        | 18.5        | 15.7         | 12.6         | 8.5          | 8.7           | 7.8        | Jul 10            |
| MSCI AC World ex USA (Net)           | 3.5         | 6.7         | 21.6        | 15.4        | 15.1         | 8.9          | 7.0          | 7.3           | 6.8        |                   |
| BNYM ACWI ex-US Small Cap Index      | 4.3         | 9.7         | 23.4        | 17.4        | -            | -            | -            | -             | 16.1       | Sep 23            |
| MSCI AC World ex USA Small Cap (Net) | 4.3         | 9.6         | 22.9        | 16.9        | 14.0         | 9.2          | 6.7          | 7.8           | 16.0       |                   |
| BNYM Emerging Markets Index          | 1.5         | 9.7         | 19.4        | 17.7        | -            | -            | -            | -             | 15.9       | Sep 23            |
| MSCI Emerging Markets (Net)          | 1.3         | 9.5         | 19.0        | 16.8        | 10.8         | 5.2          | 5.0          | 6.9           | 15.9       |                   |

## Employees' Retirement System-Total Fund Composite

Annualized Performance (Net of Fees)  
As of August 31, 2025

|   | 1 Mo<br>(%) | 3 Mo<br>(%) | YTD<br>(%)  | 1 Yr<br>(%) | 3 Yrs<br>(%) | 5 Yrs<br>(%) | 7 Yrs<br>(%) | 10 Yrs<br>(%) | SI<br>(%)  | Inception<br>Date |
|---|-------------|-------------|-------------|-------------|--------------|--------------|--------------|---------------|------------|-------------------|
| <b>Real Estate Composite</b>                      | <b>3.5</b>  | <b>4.4</b>  | <b>5.6</b>  | <b>0.8</b>  | <b>4.5</b>   | <b>6.7</b>   | <b>5.6</b>   | <b>6.6</b>    | <b>8.0</b> | <b>May 10</b>     |
| MSCI U.S. REIT Index (Net)                        | 4.4         | 2.7         | 2.8         | -1.4        | 4.5          | 7.1          | 4.3          | 5.5           | 6.9        |                   |
| Fidelity Real Estate Index Fund                   | 3.5         | 4.4         | 5.6         | 0.8         | -            | -            | -            | -             | 6.1        | Dec 22            |
| MSCI U.S. REIT Index (Net)                        | 4.4         | 2.7         | 2.8         | -1.4        | 4.5          | 7.1          | 4.3          | 5.5           | 6.0        |                   |
| <b>Global Infrastructure Composite</b>            | <b>1.2</b>  | <b>2.7</b>  | <b>10.3</b> | <b>6.8</b>  | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>      | <b>7.5</b> | <b>Dec 22</b>     |
| FTSE Global Core Infrastructure 50/50 Index (Net) | 1.5         | 2.7         | 11.3        | 7.8         | 6.2          | 7.8          | 6.8          | 7.3           | 7.4        |                   |
| Cohen and Steers Global Infrastructure Fund       | 1.2         | 2.7         | 10.3        | 6.8         | -            | -            | -            | -             | 7.5        | Dec 22            |
| FTSE Global Core Infrastructure 50/50 Index (Net) | 1.5         | 2.7         | 11.3        | 7.8         | 6.2          | 7.8          | 6.8          | 7.3           | 7.4        |                   |

## Employees' Retirement System-Total Fund Composite

Calendar Performance (Net of Fees)  
As of August 31, 2025

|                                      | YTD<br>(%)  | 2024<br>(%) | 2023<br>(%) | 2022<br>(%)  | 2021<br>(%) | 2020<br>(%) | 2019<br>(%) | 2018<br>(%) | 2017<br>(%) |
|--------------------------------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| <b>Total Fund Composite</b>          | <b>11.5</b> | <b>11.1</b> | <b>15.7</b> | <b>-15.3</b> | <b>14.0</b> | <b>10.5</b> | <b>18.8</b> | <b>-3.6</b> | <b>11.6</b> |
| Strategic Asset Allocation           | 10.5        | 10.7        | 14.9        | -15.4        | 11.6        | 11.0        | 18.9        | -3.8        | 12.8        |
| <b>Fixed Income Composite</b>        | <b>5.5</b>  | <b>2.4</b>  | <b>6.5</b>  | <b>-12.9</b> | <b>0.0</b>  | <b>9.5</b>  | <b>10.0</b> | <b>-</b>    | <b>-</b>    |
| Fixed Income Balanced Index          | 5.0         | 1.3         | 5.5         | -13.0        | -1.5        | -           | -           | -           | -           |
| Fidelity (Pyramis Global Advisors)   | 5.5         | 2.4         | 6.5         | -12.9        | 0.0         | 9.7         | 10.2        | -0.3        | 4.7         |
| Blmbg. U.S. Aggregate Index          | 5.0         | 1.3         | 5.5         | -13.0        | -1.5        | 7.5         | 8.7         | 0.0         | 3.5         |
| <b>Equity Composite</b>              | <b>14.1</b> | <b>15.0</b> | <b>22.7</b> | <b>-17.1</b> | <b>20.8</b> | <b>21.1</b> | <b>24.3</b> | <b>1.2</b>  | <b>19.0</b> |
| Equity Balanced Index                | 14.4        | 15.7        | 21.1        | -16.2        | 20.1        | 15.2        | 27.0        | -8.3        | 17.3        |
| BNYM AFL-CIO Large Cap Index         | 10.7        | 24.4        | -           | -            | -           | -           | -           | -           | -           |
| Russell 1000 Index                   | 10.8        | 24.5        | 26.5        | -19.1        | 26.5        | 21.0        | 31.4        | -4.8        | 21.7        |
| BNYM AFL-CIO Mid Cap Index           | 5.3         | 13.9        | -           | -            | -           | -           | -           | -           | -           |
| S&P MidCap 400 Index                 | 5.3         | 13.9        | 16.4        | -13.1        | 24.8        | 13.7        | 26.2        | -11.1       | 16.2        |
| BNYM AFL-CIO Small Cap Index         | 7.0         | 11.5        | -           | -            | -           | -           | -           | -           | -           |
| Russell 2000 Index                   | 7.1         | 11.5        | 16.9        | -20.4        | 14.8        | 20.0        | 25.5        | -11.0       | 14.6        |
| Earnest Partners                     | 21.4        | 5.5         | 17.8        | -13.2        | 12.0        | 12.9        | 22.2        | -16.4       | 30.5        |
| MSCI AC World ex USA (Net)           | 21.6        | 5.5         | 15.6        | -16.0        | 7.8         | 10.7        | 21.5        | -14.2       | 27.2        |
| BNYM ACWI ex-US Small Cap Index      | 23.4        | 3.1         | -           | -            | -           | -           | -           | -           | -           |
| MSCI AC World ex USA Small Cap (Net) | 22.9        | 3.4         | 15.7        | -20.0        | 12.9        | 14.2        | 22.4        | -18.2       | 31.6        |
| BNYM Emerging Markets Index          | 19.4        | 7.3         | -           | -            | -           | -           | -           | -           | -           |
| MSCI Emerging Markets (Net)          | 19.0        | 7.5         | 9.8         | -20.1        | -2.5        | 18.3        | 18.4        | -14.6       | 37.3        |

## Employees' Retirement System-Total Fund Composite

Calendar Performance (Net of Fees)

As of August 31, 2025

|  | YTD<br>(%)  | 2024<br>(%) | 2023<br>(%) | 2022<br>(%)  | 2021<br>(%) | 2020<br>(%) | 2019<br>(%) | 2018<br>(%) | 2017<br>(%) |
|--|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| <b>Real Estate Composite</b>                       | <b>5.6</b>  | <b>5.0</b>  | <b>11.9</b> | <b>-25.4</b> | <b>40.4</b> | <b>-4.4</b> | <b>29.2</b> | <b>-5.8</b> | <b>4.7</b>  |
| MSCI U.S. REIT Index (Net)                         | 2.8         | 7.5         | 12.3        | -25.4        | 41.7        | -8.7        | 24.3        | -5.8        | 3.7         |
| <b>Fidelity Real Estate Index Fund</b>             | <b>5.6</b>  | <b>5.0</b>  | <b>11.9</b> | <b>-</b>     | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    |
| MSCI U.S. REIT Index (Net)                         | 2.8         | 7.5         | 12.3        | -25.4        | 41.7        | -8.7        | 24.3        | -5.8        | 3.7         |
| <b>Global Infrastructure Composite</b>             | <b>10.3</b> | <b>11.7</b> | <b>2.4</b>  | <b>-</b>     | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    |
| FTSE Global Core Infrastructure 50/50 Index (Net)  | 11.3        | 9.5         | 2.2         | -4.9         | 14.9        | -4.1        | 25.1        | -4.0        | 18.4        |
| <b>Cohen and Steers Global Infrastructure Fund</b> | <b>10.3</b> | <b>11.7</b> | <b>2.4</b>  | <b>-</b>     | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    |
| FTSE Global Core Infrastructure 50/50 Index (Net)  | 11.3        | 9.5         | 2.2         | -4.9         | 14.9        | -4.1        | 25.1        | -4.0        | 18.4        |

## Total Fund Composite

Fee Schedule  
As of August 31, 2025

| Asset Class                             | Investment Manager                          | Fee Schedule   | Est. Annual Fee <sup>1</sup> | Expense Ratio | Industry Median <sup>2</sup> |
|---|---|--|------------------------------|---------------|------------------------------|
| Core Plus Fixed Income                  | Fidelity (Pyramis Global Advisors)          | 30 bps on the first \$100 million<br>23 bps on the next \$400 million<br>13 bps on the Balance         | \$186,872                    | 0.30%         | 0.30%                        |
| Large-Cap Core                          | BNYM AFL-CIO Large Cap Index                | 0.01% on the balance   | \$8,276                      | 0.01%         | 0.04%                        |
| Mid-Cap Core                            | BNYM AFL-CIO Mid Cap Index                  | 0.01% on the balance   | \$1,170                      | 0.01%         | 0.06%                        |
| Small-Cap Core                          | BNYM AFL-CIO Small Cap Index                | 0.01% on the balance   | \$1,419                      | 0.01%         | 0.05%                        |
| Non-U.S. Large-Cap Core                 | Earnest Partners                            | 85 bps on the first \$15 million<br>70 bps on the next \$60 million<br>65 bps on the next \$50 million | \$411,960                    | 0.74%         | 0.61%                        |
| Non-U.S. Small-Cap Core                 | BNYM ACWI ex-US Small Cap Index             | 0.12% on the balance   | \$11,334                     | 0.12%         | 0.14%                        |
| Emerging Markets                        | BNYM Emerging Markets Index                 | 0.08% on the balance   | \$7,267                      | 0.08%         | 0.13%                        |
| U.S. REIT                               | Fidelity Real Estate Index Fund             | 0.07% on the balance   | \$6,023                      | 0.07%         | 0.90%                        |
| Global Infrastructure                   | Cohen and Steers Global Infrastructure Fund | 0.87% on the balance   | \$164,999                    | 0.87%         | 1.13%                        |
| Global Divers. PE FoF                   | Mesirow Private Equity Fund IX              | 0.88% on Committed Capital   | \$132,000                    | 4.42%         | 5.02%                        |
| <b>Total Investment Management Fees</b> |   |  | <b>\$931,320</b>             | <b>0.34%</b>  | <b>0.38%</b>                 |

<sup>1</sup> Expense Ratio & Estimated Annual Fee are Based on Market Value as of Month End.

<sup>2</sup> Source: Marquette Associates Investment Management Fee Study.

## Investment Manager Evaluation Terminology

The following terminology has been developed by Marquette Associates to facilitate efficient communication among the Investment Manager, Investment Consultant, and the Plan Sponsor. Each term signifies a particular status with the Fund and any conditions that may require improvement. In each case, communication is made only after consultation with the Trustees and/or the Investment Committee of the Plan.

**In Compliance** – Marquette has not been notified of any issues or changes to the investment manager that would materially impede upon its ability to execute the investment strategy or adhere to any applicable investment guidelines.

**Alert** – The investment manager has experienced a problem in performance (usually relative to a benchmark), a change in investment characteristics, an alteration in management style, ownership, or key investment professionals, and/or any other irregularities that may impede upon its ability to execute the investment strategy or adhere to any applicable investment guidelines.

**On Notice** – The investment manager has experienced continued concern with one or more Alert issues. Failure to improve upon stated issues within a certain time frame may justify termination.

**Termination** – The investment manager has been terminated and transition plans are in place.

## DISCLOSURES

Marquette Associates, Inc. ("Marquette") has prepared this document for the exclusive use by the client or third party for which it was prepared. The information herein was obtained from various sources, including but not limited to third party investment managers, the client's custodian(s) accounting statements, commercially available databases, and other economic and financial market data sources.

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Account and Composite characteristics data is derived from underlying holdings uploaded to the Investment Metrics Platform ("Platform"); the Platform then uses data for the noted time period from Standard & Poor's (equity holdings) and ICE (fixed income holdings) to populate the reporting templates. Some securities, including cash equivalents, may not be accurately classified during this population process due to missing identifiers or unavailable data. As a result, characteristics in this report may differ from other data sources. For example, Bloomberg indices may include additional rating information which may differ from the S&P rating used by the Platform.

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# **Employees' Retirement System of the Sewerage and Water Board of New Orleans**

**COLA DESIGN STUDY**

**AS OF JANUARY 1, 2025**



**Rudd and Wisdom, Inc.**

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August 27, 2025

**PERSONAL AND CONFIDENTIAL**

Mr. Chadrick Kennedy, Pension Committee Chair  
Sewerage and Water Board of New Orleans  
625 St. Joseph Street  
New Orleans, Louisiana 70165

Re: COLA Design Study

Dear Mr. Kennedy:

Pursuant to your request, we have prepared an analysis of potential changes to the Cost-of-Living Adjustment (COLA) feature of the Employees' Retirement System of the Sewerage and Water Board of New Orleans (the "Pension Plan"). This analysis has been prepared as of January 1, 2025. The Pension Committee requested that the following elements of the Pension Plan's COLA feature be analyzed:

- (a) modification of the 2% inflation limitation,
- (b) addition of the COLA prior to age 65 for Disabled Retired members,
- (c) addition of the COLA prior to age 65 for all Retired members,
- (d) elimination of the \$10,000 restriction on the annual benefit amount eligible for COLA and
- (e) exploration of a different potential measure of inflation based on a local measure rather than a national measure.

The enclosed report provides background on COLAs, measurement and discussion of the requested COLA design elements, as well as the measurement of some variations on the requested items. This report considers the funded status and employer contributions under the Pension Plan's funding policy, but it does not consider the potential effects on the employer's pension expense under GASB No. 68. Such additional analysis is available upon request.

Note: This report may be provided to third parties only if distributed in its entirety.

**Contents of this Report**

The report is organized as follows:

- Section I – COLAs
  - Background on COLAs
  - COLAs provided by the Pension Plan
  - History of Inflation and Pension Plan COLAs
- Section II – COLA Design Options
  - Design Parameters
  - Funding Cost Analysis
  - Alternate Design Options
  - Other Considerations
  - GFOA Advisory
- Section III – Assumptions
- Section IV - Glossary

### **Variability in Future Actuarial Measurement**

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- Plan experience differing from that anticipated by the current economic or demographic assumptions;
- Increases or decreases expected as part of the natural operation of the methodology used for these measurements;
- Changes in economic or demographic assumptions; and
- Changes in plan provisions.

For other related risks that may reasonably be anticipated to significantly affect the plan's future financial condition (e.g., investment risk, longevity risk, contribution risk, etc.), please see our Actuarial Funding Valuation report dated May 1, 2025 for additional details.

We can provide more detailed assessments of one or more of the above risks upon request. Assessment methods may include, but are not limited to, scenario tests and sensitivity tests. We have not been asked to perform and have not performed any stochastic or deterministic sensitivity analyses of the potential ranges of such future measurements. If you have an interest in the results of any such analysis, please let us know.

### **Summary of Results**

As discussed in Sections II.B. and II.C. of this report, some of the COLA options substantially increase the plan liability and reduce the Funded Status of the plan. While we understand the information provided in this report is just for informational purposes at this time, we caution the Pension Committee and Board of Trustees (BOT) against any amendment that materially reduces the Funded Status and materially increases the annual Actuarially Determined Contribution, unless such increase is well within the bounds of the employer's ability to fund the plan.

As discussed in Section II.D. of this report, the Pension Plan's Funding Policy addresses how to fund Plan Amendments over a reasonable period of time (i.e., a period of 15 years). However, given that the Pension Plan's Funded Status is presently 71%, if sufficient funds are available to fund a Plan Amendment, the employer may wish to use those additional funds to increase the plan's Funded Status and defer amending the Pension Plan until such time as the plan's Funded Status is materially improved (e.g., 80% Funded Status or better).

If the Pension Committee and the BOT desire to amend the Pension Plan at this time, we would suggest that the COLA options which do not reduce the Funded Status below 70% be considered.

### **Action Items**

After your review of this report is complete, please let us know if you would like to explore any variations of the COLA design options presented in this report (e.g., price an option where the 2% COLA cap on inflation is increased to 2.5% instead of the 3% and 4% levels illustrated in this report).

If the Pension Committee decides to recommend any amendments to the BOT, we are available to attend a meeting with the BOT to answer any questions. Furthermore, if the BOT elects to adopt any COLA modifications to the Pension Plan, please have legal counsel provide draft copies of the amendment(s).

so that we can confirm the changes to the text of the Pension Plan represent the provisions as we priced them.

### Actuarial Certification

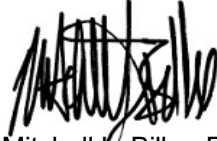
The cost analyses presented herein are based upon employee and retiree data as of January 1, 2025. Unless otherwise noted in Section III of this report, the actuarial assumptions and methods used to produce the results are identical to the assumptions and methods used in our Actuarial Funding Valuation report dated May 1, 2025. Unless otherwise noted regarding a potential modification to the COLA provision of the Pension Plan, the plan provisions utilized in these analyses can be found in the aforementioned report.

We hereby certify that we are members of the American Academy of Actuaries who meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you have any questions concerning this information, please do not hesitate to call or write.

Respectfully submitted,

RUDD AND WISDOM, INC.



Mitchell L. Bilbe, F.S.A.



Brandon L. Fuller, F.S.A.



Christopher S. Johnson, F.S.A.



W. Lee Bello, A.S.A.

MLB/BLF/CSJ/WLB:nm

Enclosures

cc: Mary Arceneaux  
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## ***Section I – Cost-of-Living Adjustments***

### **A. Background on Cost-of-Living Adjustments (COLAs)**

When a member of the Pension Plan retires, they receive a benefit based on years of service and Final Average Earnings. Earnings generally keep up with inflation over time due to pay increases which generally include inflation and merit and/or longevity increases. As such, Final Average Earnings and a participant's final Pension Plan benefit generally keep pace with inflation up until the point a participant actually retires and begins receiving payments.

A COLA is a post-retirement benefit increase to the retirement allowance being paid with the intent of mitigating the loss of purchasing power that occurs over time due to inflation. The design and frequency of COLAs can vary greatly from plan to plan.

Some plans offer automatic COLAs, whereby, as written into the plan document, pensioners receive an increase each year. Automatic COLAs are prefunded, and, while very effective at mitigating the effects of inflation, such COLAs can be very expensive for the plan sponsor if they provide increases equal to the full amount of annual inflation. Other plans offer COLAs periodically on an ad hoc basis. Ad hoc COLAs are typically implemented when a pension plan's financial conditions are favorable.

The design of a COLA can vary widely – some plans offer COLAs tied to a specific measure of inflation (e.g., the Consumer Price Index (CPI)), while others provide a fixed dollar increase or a fixed percentage increase.

### **B. COLAs provided by the Pension Plan**

The Pension Plan provides some protection against inflation after retirement by providing a post-retirement COLA subject to the following guidelines enumerated under Section 6.1(d) of the Rules and Regulations:

1. The COLA is based on inflation as measured by CPI for Urban Wage Earners (CPI-W).
2. The annual COLA cannot exceed 2%, nor can it be less than 0%.
3. The COLA is provided to Retirees (and Surviving Optional Dependents) who are age 65 or older.
4. The COLA is applied to the first \$10,000 of the annual original annuity amount at retirement (i.e., the COLA is not compounded since it always applies to the original annuity amount).
5. The COLA is not applicable during the DROP period for retirees who enter the DROP, but such retirees are eligible for the COLA after exiting the DROP, subject to item nos. 1 through 4 above.

Due to the 2% COLA limitation and the \$10,000 limit on benefits to which the COLA is applied (i.e., item nos. 2 and 4 above), the Pension Plan COLA provides partial inflation protection on only a portion of the retirement benefit for individuals who retire with an annual benefit in excess of \$10,000 per year. Furthermore, for members who retire prior to age 65, the Pension Plan COLA does not provide any inflation protection until the member reaches age 65. Thus, after retirement, the member's pension benefit does not fully keep pace with inflation, and post-retirement inflation reduces the purchasing power of retired members' pension benefits.

**Although the Pension Plan's COLAs do not keep pace with inflation, the Pension Plan's COLAs are designed to assist with maintaining purchasing power and are not intended to be a guaranteed maintenance of purchasing power.** A substantial portion of each retiree's income is provided by Social Security, which includes annual COLAs and is designed to maintain the purchasing power of that portion of the retiree's income. A retiree is also responsible for maintaining the purchasing power of their personal retirement savings. The responsibility of maintaining post-retirement income purchasing power does not fall on the Pension Plan since the Pension Plan has never promised post-retirement benefits that keep pace with inflation via automatic COLAs equal to the full amount of inflation for all years in retirement.



Rather, the current COLA provided by the Pension Plan is a benefit that assists the retirees in their efforts to maintain post-retirement purchasing power.

### C. History of Inflation and Pension Plan COLAs

The table below contains a 20-year history of annual CPI-W changes and applicable COLA percentages applied to eligible member benefits as of each effective date.

| CPI Period       | COLA Effective Date | CPI -W Change | COLA Percentage <sup>1</sup> |
|------------------|---------------------|---------------|------------------------------|
| 8/2004 to 8/2005 | January 1, 2006     | 3.894%        | 2.000%                       |
| 8/2005 to 8/2006 | January 1, 2007     | 3.904%        | 2.000%                       |
| 8/2006 to 8/2007 | January 1, 2008     | 2.140%        | 2.000%                       |
| 8/2007 to 8/2008 | January 1, 2009     | 5.930%        | 2.000%                       |
| 8/2008 to 8/2009 | January 1, 2010     | -1.900%       | 0.000%                       |
| 8/2009 to 8/2010 | January 1, 2011     | 1.444%        | 1.444%                       |
| 8/2010 to 8/2011 | January 1, 2012     | 4.258%        | 2.000%                       |
| 8/2011 to 8/2012 | January 1, 2013     | 1.670%        | 1.670%                       |
| 8/2012 to 8/2013 | January 1, 2014     | 1.455%        | 1.455%                       |
| 8/2013 to 8/2014 | January 1, 2015     | 1.594%        | 1.594%                       |
| 8/2014 to 8/2015 | January 1, 2016     | -0.284%       | 0.000%                       |
| 8/2015 to 8/2016 | January 1, 2017     | 0.659%        | 0.659%                       |
| 8/2016 to 8/2017 | January 1, 2018     | 1.934%        | 1.934%                       |
| 8/2017 to 8/2018 | January 1, 2019     | 2.877%        | 2.000%                       |
| 8/2018 to 8/2019 | January 1, 2020     | 1.533%        | 1.533%                       |
| 8/2019 to 8/2020 | January 1, 2021     | 1.393%        | 1.393%                       |
| 8/2020 to 8/2021 | January 1, 2022     | 5.832%        | 2.000%                       |
| 8/2021 to 8/2022 | January 1, 2023     | 8.660%        | 2.000%                       |
| 8/2022 to 8/2023 | January 1, 2024     | 3.402%        | 2.000%                       |
| 8/2023 to 8/2024 | January 1, 2025     | 2.351%        | 2.000%                       |

<sup>1</sup> The Pension Plan COLA percentage is equal to the annual change in CPI-W but it cannot exceed 2%, nor can it be less than 0%.



The table *above* illustrates the amount of inflation and COLA each year during the last 20 years. The table *below* illustrates cumulative compounded inflation during the 20-year, 15-year, 10-year and 5-year periods ending January 1, 2025 and compares such amounts to the cumulative COLA increase provided under the Pension Plan during those periods. The cumulative COLA increase illustrated in the table assumes the member has been over age 65 during each year of each period (i.e., it assumes that they would have received a plan COLA every year since a member must be age 65 to receive a COLA). Furthermore, the cumulative COLA increase assumes the member's initial annual plan benefit does not exceed \$10,000 and thus the full benefit receives a COLA. The last column in this table illustrates the shortfall of the Pension Plan COLA increase relative to total inflation during each period.

| Beginning of Period Ending January 1, 2025 | Years in Period | Cumulative CPI-W Increase | Cumulative COLA Increase for Member with Benefit Under \$10,000 per year | Shortfall in Plan COLA relative to CPI-W |
|--|-----------------|---------------------------|--|--|
| January 1, 2005                            | 20              | 67.5%                     | 31.7%  | 35.8%                                    |
| January 1, 2010                            | 15              | 46.2%                     | 23.7%  | 22.5%                                    |
| January 1, 2015                            | 10              | 31.9%                     | 15.5%  | 16.4%                                    |
| January 1, 2020                            | 5               | 23.4%                     | 9.4%   | 14.0%                                    |

For members whose initial retirement benefit exceeds \$10,000, the cumulative COLA shown above would be smaller since the portion of their benefit above \$10,000 would not receive any COLA, and thus the Shortfall in the final column would be larger. For example, for a member with an initial benefit of \$20,000, the cumulative COLA increase over the 5-year period beginning January 1, 2020 would be 4.7%, instead of the 9.4% shown in the table above, since half of their benefit (i.e., the benefit between \$10,000 and \$20,000) would not receive any COLA. Thus, that member's shortfall over that period would be 18.7% (i.e., 23.4% - 4.7%) instead of the 14.0% shown in the table above.

Similarly, for members who retired prior to age 65, their cumulative COLA during each period would be smaller since their retirement years prior to age 65 would not receive any COLA. In other words, the shortfall shown in the table above is the best-case scenario for a retired member. However, as mentioned earlier in this report, the Pension Plan's COLAs are designed to assist with maintaining purchasing power and are not intended to be a guaranteed maintenance of purchasing power.



## ***Section II – COLA Design Options***

### **A. Design Parameters**

The Pension Committee has requested that the following design options be examined:

- **Option A: Modification of the 2% Annual COLA Cap** – The annual cap of 2% on the COLA would be removed or set at some higher amount. We have priced increasing the COLA cap to 4%.
- **Option B: Addition of COLA Prior to Age 65 for Disabled Retirees** - The COLA would be applied to all years of disability retirement, not just years after age 65.
- **Option C: Addition of COLA Prior to Age 65 for All Retirees<sup>1</sup>** - The COLA would be applied to all years of retirement for all retirees and beneficiaries, not just years after age 65.
- **Option D: Removal of \$10,000 Restriction on Amount Eligible for COLA** - The COLA would be applied to the entire annuity amount (or an amount greater than \$10,000) rather than just the first \$10,000 of the annual annuity amount.
- **Option E: Change COLA Measure** - The COLA could be measured using a local measure of inflation (e.g., a Louisiana or New Orleans measure) rather than the nationwide measure of CPI-W.

With respect to Option E above, the Bureau of Labor and Statistics does not publish a measure of CPI for New Orleans or Louisiana, nor were we able to find another source that provided a Louisiana or local measure of inflation. Committee member Dexter Joseph suggested we review the Massachusetts Institute of Technology (MIT) Living Wage Calculator. While the MIT Living Wage Calculator provides information for the “New Orleans-Metairie” area, we would want to examine the year-over-year changes in the measure to assess annual changes in the cost-of-living. However, the MIT Living Wage Calculator website states:

“We do not recommend comparing the living wage data year-over-year. Due to variations in the data collection process and changes in underlying source data or methodologies, the typical expenses that underpin the living wage calculation may not be comparable depending on what years of data you are using.”

Because of this limitation with the MIT Living Wage Calculator, we are unable to use this resource. However, an alternative option that we discussed was using a multiplier for the CPI-W as a proxy for a higher measure of local inflation. We have selected a multiplier of 110% or 1.1 multiplied by CPI-W to illustrate Option E. The selection of this 1.1 factor does not imply that we believe that inflation in New Orleans is 10% higher than the national average of inflation; instead, it is simply selected for illustrative purposes. Furthermore, because this option only changes the inflation measure from CPI-W to 110% of CPI-W, the 2% annual COLA cap continues to apply under Option E.

<sup>1</sup> DROP retirees would still not be eligible for COLAs until they complete their DROP Participation Period.





## B. Funding Cost Analysis

Under the funding policy for the Pension Plan, the employer is required to make an annual Actuarially Determined Contribution (ADC) sufficient to fund the sum of the Normal Cost under the Entry Age Normal (EAN) funding method and a level dollar amortization of the Unfunded Accrued Liability (UAL) utilizing a closed period, layered amortization approach. The UAL is comprised of various sources, and under the layered amortization approach each component source of UAL is amortized over a separate closed period as follows:

| Source of UAL<br>Amortization Layers | UAL Closed<br>Amortization Period <sup>1</sup> |
|--------------------------------------|--|
| Actuarial Experience Gain/Loss       | 25 years                                       |
| Assumption and Method Changes        | 25 years                                       |
| Plan Amendments                      | 15 years                                       |
| Transition to New Policy             | 29 years <sup>2</sup>                          |

<sup>1</sup> Each layer is amortized using the level dollar approach over the specified closed period.

<sup>2</sup> The current funding policy became effective on January 1, 2021. As of January 1, 2025, the remaining amortization period for the Transition amortization layer is 25 years.

In accordance with the funding policy, any increase in UAL associated with a change to the COLA design would be amortized over a 15-year period since it would be enacted through an amendment to the Pension Plan.

The total ADC (i.e., the sum of the Normal Cost and the amortization amounts for each of the UAL layers) is determined as a percentage of total estimated *Earnable Compensation*, where such term is defined under the Rules and Regulations of the Pension Plan, for the calendar year containing the valuation date. The Employer's portion of the total ADC is equal to the difference between the total ADC and the Employee Members' portion of the ADC and is also expressed as a percentage of total estimated Earnable Compensation. The Employer's contribution each year is determined by applying the percentage so determined to the actual Earnable Compensation paid during the year. Tables 1 and 2 on the following pages summarize the Actuarial Accrued Liability, Normal Cost, Funded Status and ADC for the 2025 plan year both before and after each of the COLA design options.

For illustrative purposes, this analysis assumes that the COLA change will be implemented effective January 1, 2025. If any changes to the COLA are actually adopted and the Pension Plan is amended, the amendment will specify an appropriate implementation date (e.g., January 1, 2026). Small changes to the implementation date should produce cost increases substantially similar to the results presented in this report. *Please note that each COLA option shown is independent of the other options (i.e., each column is a stand-alone change and is not combined with any of the other COLA options).*





**Table 1: January 1, 2025 Actuarial Accrued Liability, Normal Cost and Funded Status**

| As of January 1, 2025 (All Liabilities and Normal Costs shown in \$millions)  |                            |   |   |  |   |  |
|---|----------------------------|---|---|--|---|--|
| Actuarial Accrued Liability (AAL),<br>Normal Cost (NC) and Funded Status      | (1)<br><i>Current Plan</i> | (2)<br><i>Option A:<br/>Increase COLA<br/>Cap to 4%</i> | (3)<br><i>Option B:<br/>Provide Pre-65<br/>COLA to <u>Disabled</u><br/>Retirees</i> | (4)<br><i>Option C:<br/>Provide Pre-65<br/>COLA to <u>All</u><br/>Retirees</i> | (5)<br><i>Option D:<br/>Remove \$10,000<br/>Restriction</i> | (6)<br><i>Option E:<br/>Change COLA<br/>Measure to<br/>1.1 x CPI-W</i> |
| 1. Active AAL   | \$ 115.3                   | \$ 116.1  | \$ 115.3  | \$ 115.8   | \$ 122.3  | \$ 115.3   |
| 2. Vested Terminated AAL <sup>1</sup>   | 5.2                        | 5.3   | 5.2   | 5.2  | 5.3   | 5.2  |
| 3. Retirees and Beneficiaries AAL <sup>2</sup>                                | <u>247.5</u>               | <u>250.8</u>  | <u>247.7</u>  | <u>248.8</u>   | <u>265.0</u>  | <u>247.8</u>   |
| 4. Total AAL  | \$ 368.0                   | \$ 372.2  | \$ 368.2  | \$ 369.8   | \$ 392.6  | \$ 368.3   |
| 5. Increase in AAL<br>[Line (4.) for each Option - Line (4.) for Column (1.)] | N/A                        | \$ 4.2  | \$ 0.2  | \$ 1.8   | \$ 24.6   | \$ 0.3   |
| 6. Normal Cost (NC)   | \$ 6.5                     | \$ 6.6  | \$ 6.5  | \$ 6.6   | \$ 6.8  | \$ 6.6   |
| 7. Increase in NC<br>[Line (6.) for each Option - Line (6.) for Column (1.)]  | N/A                        | \$ 0.1  | \$ 0.0  | \$ 0.1   | \$ 0.3  | \$ 0.1   |
| 8. Funded Status <sup>3</sup>   | 71.2%                      | 70.4%   | 71.2%   | 70.8%  | 66.7%   | 71.1%  |

<sup>1</sup> Includes \$0.6M in liability for Nonvested Terminated members. The liability for this subgroup is identical in each column since it solely relates to a return of employee contributions.

<sup>2</sup> Includes Disabled Retirees and DROP Retirees.

<sup>3</sup> Ratio of \$262.0M Actuarial Value of Assets as of January 1, 2025 to AAL in Line (4.).



**Table 2: 2025 Actuarially Determined Contribution (ADC)**

| 2025 Plan Year Actuarially Determined Contribution (ADC) in \$millions                             |                     |  |   |  |  |  |
|--|---------------------|--|---|--|--|--|
| ADC Component  | (1)<br>Current Plan | (2)<br>Option A:<br>Increase COLA<br>Cap to 4% | (3)<br>Option B:<br>Provide Pre-65<br>COLA to <u>Disabled</u><br>Retirees | (4)<br>Option C:<br>Provide Pre-65<br>COLA to <u>All</u><br>Retirees | (5)<br>Option D:<br>Remove \$10,000<br>Restriction | (6)<br>Option E:<br>Change COLA<br>Measure to<br>1.1 x CPI-W |
| 1. Normal Cost with interest to mid-year<br>[Line (6.) from Table 1 with interest to mid-year]     | \$ 6.8              | \$ 6.8   | \$ 6.8  | \$ 6.8   | \$ 7.1   | \$ 6.8   |
| 2. Amortization of all UAL Layers<br>except COLA Amendment   | 8.8                 | 8.8  | 8.8   | 8.8  | 8.8  | 8.8  |
| 3. Amortization of COLA Amendment Layer<br>[15-year amortization of Table 1 Line (5.)]             | <u>N/A</u>          | <u>0.5</u>                                     | <u>0.1</u>  | <u>0.2</u>   | <u>2.6</u>   | <u>0.1</u>   |
| 4. Total ADC   | \$ 15.6             | \$ 16.1  | \$ 15.7   | \$ 15.8  | \$ 18.5  | \$ 15.7  |
| 5. Employee Portion of ADC<br>[6.0% of Pensionable Earnings <sup>1</sup> ]                         | \$ 3.9              | \$ 3.9   | \$ 3.9  | \$ 3.9   | \$ 3.9   | \$ 3.9   |
| 6. Employer Portion of ADC<br>[Line (4.) - Line (5.)]  | \$ 11.7             | \$ 12.2  | \$ 11.8   | \$ 11.9  | \$ 14.6  | \$ 11.8  |
| 7. Increase in Employer ADC<br>[Line (6.) for each Option - Line (6.) for Column (1.)]             | N/A                 | \$ 0.5   | \$ 0.1  | \$ 0.2   | \$ 2.9   | \$ 0.1   |
| 8. Employer Portion of ADC as % of Pay<br>[Line (6.) / Pensionable Earnings <sup>1</sup> ]         | 18.288%             | 19.097%  | 18.326%   | 18.624%  | 22.827%  | 18.347%  |
| 9. Increase in Employer ADC as % of Pay<br>[Line (8.) for each Option - Line (8.) for Column (1.)] | N/A                 | 0.809%   | 0.038%  | 0.336%   | 4.539%   | 0.059%   |

<sup>1</sup> Based on estimated Pensionable Earnings for 2025 of \$64.2M.



We also discussed with the Pension Committee the possibility of changing the COLA so that it would be compounded (i.e., it could be applied to the prior year annuity amount including all prior COLAs, rather than applied to the original annuity amount at retirement). The compounding effect is significantly restricted when there is a \$10,000 benefit limit in place since the compounding only affects the portion of the benefit below this amount. Because the cost increases for removing the \$10,000 restriction (i.e., Option D) may be prohibitively expensive, this compounding feature has not been included in the analysis at this time. However, it can be explored if the Pension Committee decides to move forward with some or all of the proposed changes to the COLA.

### C. Alternate Design Options

Since the results in Section II.B. above are based upon independent changes to key components of the COLA, we believe it is useful to illustrate a combination of some of the options shown above with modifications to limit the overall cost increase. **However, the alternate design illustrated below should not be construed as an endorsement of a particular cost increase or design; it is simply an illustration of a stepwise change in COLA structure using variations of a subset of the options discussed above.**

The alternate design options below start with Option C shown in Tables 1 and 2 and build forward in a stepwise manner as follows:

- **Step 1: Remove COLA Age 65 Restriction for All Retirees** - The COLA would be applied to all years of retirement for all retirees, not just years after age 65. This is identical to Option C above.
- **Step 2: Step 1 plus Change the COLA Cap from 2% to 3%** – The COLA would be applied to all years of retirement for all retirees, not just years after age 65, and the annual cap of 2% on the COLA would be changed to 3%.
- **Step 3: Step 2 plus Increase \$10,000 Restriction on Amount Eligible for COLA to \$12,500** – The COLA would be applied to all years of retirement for all retirees, not just years after age 65, the annual cap of 2% on the COLA would be changed to 3%, and the amount of the annual benefit to which the COLA would be applied would be increased by 25% from \$10,000 to \$12,500.

Tables 3 and 4 on the following pages summarize the Actuarial Accrued Liability, Normal Cost, Funded Status and ADC for the 2025 plan year both before and after each of the COLA alternate design steps.



**Table 3: Alternate Design - January 1, 2025 AAL, Normal Cost and Funded Status**

| As of January 1, 2025 (All Liabilities and Normal Costs shown in \$millions)  |                            |  |   |   |
|---|----------------------------|--|---|---|
| Actuarial Accrued Liability (AAL),<br>Normal Cost (NC) and Funded Status      | (1)<br><i>Current Plan</i> | (2)<br><i>Alternate Design<br/>Step 1</i>        | (3)<br><i>Alternate Design<br/>Step 2</i>       | (4)<br><i>Alternate Design<br/>Step 3</i>   |
|   |                            | Provide Pre-65<br>COLA to <u>All</u><br>Retirees | Step 1 Plus Change<br>COLA Cap<br>from 2% to 3% | Step 2 Plus Apply<br>COLA to first<br>\$12,500 instead of<br>first \$10,000 of<br>Benefit |
| 1. Active AAL   | \$ 115.3                   | \$ 115.8   | \$ 116.4  | \$ 117.1  |
| 2. Vested Terminated AAL <sup>1</sup>   | 5.2                        | 5.2  | 5.3   | 5.4   |
| 3. Retirees and Beneficiaries AAL <sup>2</sup>                                | <u>247.5</u>               | <u>248.8</u>                                     | <u>251.1</u>                                    | <u>253.8</u>  |
| 4. Total AAL  | \$ 368.0                   | \$ 369.8   | \$ 372.8  | \$ 376.3  |
| 5. Increase in AAL<br>[Line (4.) for each Option - Line (4.) for Column (1.)] | N/A                        | \$ 1.8   | \$ 4.8  | \$ 8.3  |
| 6. Normal Cost (NC)   | \$ 6.5                     | \$ 6.6   | \$ 6.6  | \$ 6.7  |
| 7. Increase in NC<br>[Line (6.) for each Option - Line (6.) for Column (1.)]  | N/A                        | \$ 0.1   | \$ 0.1  | \$ 0.2  |
| 8. Funded Status <sup>3</sup>   | 71.2%                      | 70.8%  | 70.3%   | 69.6%   |

<sup>1</sup> Includes \$0.6M in liability for Nonvested Terminated members. The liability for this subgroup is identical in each column since it solely relates to a return of employee contributions.

<sup>2</sup> Includes Disabled Retirees and DROP Retirees.

<sup>3</sup> Ratio of \$262.0M Actuarial Value of Assets as of January 1, 2025 to AAL in Line (4.).



**Table 4: Alternate Design - 2025 Actuarially Determined Contribution (ADC)**

| 2025 Plan Year Actuarially Determined Contribution (ADC) in \$millions                             |                     |   |  |  |
|--|---------------------|---|--|--|
| ADC Component  | (1)<br>Current Plan | (2)<br>Alternate Design<br>Step 1<br><br>Provide Pre-65<br>COLA to <u>All</u><br>Retirees | (3)<br>Alternate Design<br>Step 2<br><br>Step 1 Plus Change<br>COLA Cap<br>from 2% to 3% | (4)<br>Alternate Design<br>Step 3<br><br>Step 2 Plus Apply<br>COLA to first<br>\$12,500 instead of<br>first \$10,000 of<br>Benefit |
| 1. Normal Cost with interest to mid-year<br>[Line (6.) from Table 3 with interest to mid-year]     | \$ 6.8              | \$ 6.8  | \$ 6.9   | \$ 6.9   |
| 2. Amortization of all UAL Layers<br>except COLA Amendment   | 8.8                 | 8.8   | 8.8  | 8.8  |
| 3. Amortization of COLA Amendment Layer<br>[15-year amortization of Table 3 Line (5.)]             | <u>N/A</u>          | <u>0.2</u>  | <u>0.5</u>   | <u>0.9</u>   |
| 4. Total ADC   | \$ 15.6             | \$ 15.8   | \$ 16.2  | \$ 16.6  |
| 5. Employee Portion of ADC<br>[6.0% of Pensionable Earnings <sup>1</sup> ]                         | \$ 3.9              | \$ 3.9  | \$ 3.9   | \$ 3.9   |
| 6. Employer Portion of ADC<br>[Line (4.) - Line (5.)]  | \$ 11.7             | \$ 11.9   | \$ 12.3  | \$ 12.7  |
| 7. Increase in Employer ADC<br>[Line (6.) for each Option - Line (6.) for Column (1.)]             | N/A                 | \$ 0.2  | \$ 0.6   | \$ 1.0   |
| 8. Employer Portion of ADC as % of Pay<br>[Line (6.) / Pensionable Earnings <sup>1</sup> ]         | 18.288%             | 18.624%   | 19.211%  | 19.851%  |
| 9. Increase in Employer ADC as % of Pay<br>[Line (8.) for each Option - Line (8.) for Column (1.)] | N/A                 | 0.336%  | 0.923%   | 1.563%   |

<sup>1</sup> Based on estimated Pensionable Earnings for 2025 of \$64.2M.



## D. Other Considerations

### 1. Funding Policy and other Guidelines

The Funding Policy for the Pension Plan includes a list of funding priorities and guidelines. One of the guidelines states the following with respect to benefit enhancements:

**“Benefit Enhancements** – Prior to adopting any amendments to the Pension Plan that materially improve plan benefits, the actuary shall provide the Board of Trustees with an analysis of the expected effect of the proposed amendment on the Pension Plan’s funded ratio and the annual Actuarially Determined Contributions.”

**Is the increase in the funding cost sustainable?** If so, after the 15-year amortization period, the plan should have approximately the same funded status that it would have had at that time absent the COLA enhancement. Thereafter, the Pension Plan would be on track to achieve a fully funded status over the same period.

Additionally, as a point of reference, private pension plans that are subject to ERISA funding requirements are restricted from amending the plan for benefit increases when the plan has a Funded Status below 80%. Plan amendments that increase benefits must be funded as follows:

- **Funded Status 80% or greater** – A plan is permitted to increase benefits if the Funded Status is at least 80% after measuring the AAL reflecting the effect of the amendment. The increase in the AAL due to the amendment is amortized over a 15-year period (i.e., the same period used for Plan Amendments under this Pension Plan’s funding policy).
- **Funded Status below 80%** - If the Funded Status is below 80% after measuring the AAL reflecting the effect of the amendment, generally, the plan amendment is permitted to take effect only if the amount of the increase in the AAL due to the amendment is funded in full at the time of the amendment. Otherwise, the plan amendment is not permitted to take effect until the Funded Status reaches 80% again.

If the Pension Committee decides to recommend a COLA amendment to the Board of Trustees, the Pension Committee may wish to consider these guidelines.

### 2. Retirement Behavior

This report does not consider any potential effects that an amendment to the COLA could have on retirement behavior. For example, the introduction of the COLA prior to age 65 under Option C might result in some members retiring earlier than expected. While we would not expect such changes in behavior to be material, it is a possibility. We can provide sensitivity testing for such potential changes in behavior upon request.



## E. Government Finance Officers Association (GFOA) Advisory

The GFOA has an advisory on its website entitled "Responsible Management and Design Practices for Defined Benefit Pension Plans" that states:

"State and local governmental defined benefit pension plans are the cornerstone of public employee retirement and require systematic, sound management of their benefits structure, their funding, and their investments. However, certain inappropriate practices can jeopardize the sound management of these plans, undermine their funded positions and ultimately impose burdens on future taxpayers and stakeholders."

The advisory goes on to say, "GFOA further recommends that state and local government plan sponsors [should] use great caution if engaging in the following practices" and lists eight (8) such practices, where the fifth practice is stated as:

**"Ad hoc cost-of-living allowances (COLA) for existing retirees.** An ad hoc COLA creates an immediate unfunded liability. COLA increases, like retroactive increases for active employees, should not be paid for with temporary surpluses or extraordinary earnings. Additionally, gainsharing and similar arrangements that allocate short-term returns above the assumed rate to retiree benefits will ultimately impair the plan's funding."

The COLA designs under consideration are not "ad hoc" but instead would be considered ongoing changes and should still be considered in the context of this advisory. For a complete copy of the advisory please see:

<https://www.gfoa.org/materials/responsible-management-and-design-practices-for-defined>

The GFOA website also contains this statement regarding its advisories: "GFOA Advisories identify specific policies and procedures necessary to minimize a government's exposure to potential loss in connection with its financial management activities. It is not to be interpreted as GFOA sanctioning the underlying activity that gives rise to the exposure."

Should the Pension Committee recommend a change to the COLA, the Board of Trustees may wish to consider this advisory prior to determining whether or not to amend the Pension Plan's COLA.



## ***Section III – Assumptions***

Except as noted below, the actuarial assumptions and methods used to produce the results are identical to the assumptions and methods used in our Actuarial Funding Valuation report dated May 1, 2025.

**A. Current: Assumption for COLA with 2% Annual Cap**

1.65% per annum for COLA (based on 2.5% inflation assumption but reflecting 2.0% Cap)

**B. Design Option A: Assumption for COLA with 4% Annual Cap**

2.30% per annum for COLA (based on 2.5% inflation assumption but reflecting 4.0% Cap)

**C. Design Option E: Assumption for COLA with 1.1 x Inflation with 2% Cap**

1.70% per annum for COLA (based on 2.5% inflation assumption but reflecting 2.0% Cap)

**D. Alternate Design Steps 2 and 3: Assumption for COLA with 3% Annual Cap**

2.05% per annum for COLA (based on 2.5% inflation assumption but reflecting 3.0% Cap)





## ***Section IV – Glossary of Actuarial Terms***

|   |   |
|---|---|
| <b>Actuarial Accrued Liability</b>            | This is computed differently under different actuarial cost methods. Generally, the Actuarial Accrued Liability represents the portion of the Present Value of Future Benefits attributed to periods of service preceding the valuation date.   |
| <b>Actuarial Gain (Loss)</b>                  | A measure of the difference between actual experience and that expected based on the actuarial assumptions during the period between two actuarial valuation dates, as determined in accordance with the particular actuarial cost method used.   |
| <b>Actuarial Value of Assets</b>              | The value of Plan Assets used by an actuary for an actuarial valuation.   |
| <b>Cost-of-Living Adjustment (COLA)</b>       | A COLA is a post-retirement benefit increase to the base retirement benefit with the exclusive purpose of mitigating the loss of purchasing power that occurs over time due to inflation.   |
| <b>Deferred Retirement Option Plan (DROP)</b> | A benefit payment option where an employee who is eligible to retire from a pension plan can instead elect to participate in a DROP and continue working during the DROP participation period. During the DROP participation period benefit payments are credited to a notional account, and the cumulative value of the account is paid as a lump sum at the end of the DROP participation period and normal monthly annuity payments commence at that time.   |
| <b>Entry Age Normal Actuarial Cost Method</b> | An actuarial cost method under which the Present Value of Future Benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages. The portion of this actuarial present value allocated to the year of service during the valuation year is called the Normal Cost. The portion of this present value not provided for at a valuation date by the Present Value of Future Normal Costs is called the Actuarial Accrued Liability. |
| <b>Normal Cost</b>                            | Computed differently under different actuarial cost methods, the Normal Cost generally represents the portion of the Actuarial Present Value of Future Benefits attributed to the current year of service for active employees.   |
| <b>Unfunded Accrued Liability</b>             | The excess, if any, of the Accrued Liability over the Actuarial Value of Assets.  |

## **The Sewerage & Water Board of New Orleans**

Real Estate U.S. Core Search

Executive Summary



# The Sewerage & Water Board of New Orleans

Real Estate U.S. Core Search

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Marquette Associates has prepared this search utilizing data from various sources. The sources of information are believed to be reliable. Marquette has not independently verified all of the information contained herein. Past performance is no guarantee of future results.

**NOTE:** All data is as of March 31, 2025

**NOTE:** Approximate amount of assets in consideration: \$7,000,000

**NOTE:** Performance data is net of stated, undiscounted fees

**NOTE:** Glossary of definitions enclosed

**Benchmark:** NFI-ODCE

### Candidate Lineup

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Principal USPA: Principal U.S. Property Aggregate

TA Realty Core: TA Realty Core Property Fund

Clarion LPF: Clarion Lion Properties Fund

The information below may help make distinctions between investment managers. This information is intended to make reference to general areas Marquette Associates believes are important to consider when evaluating real estate u.s. core managers.

### 1. Risk and Return Statistics:

Total return should always be considered within the context of total risk. The ideal investment manager will outperform the benchmark while maintaining an acceptable level of risk.

### 2. Style Analysis:

Returns based style analysis can both indicate whether a manager is generating alpha, and explain beta components of the manager's returns. Factor weights can be looked at across managers to compare different risk exposures. Equity factors considered include market, size and value. Fixed income factors considered include credit, duration, and MBS. A higher number indicates a higher exposure to a given risk factor, and a lower number indicates a lower exposure.

### 3. Rolling Three Year Risk and Returns:

Rolling returns are useful in reviewing historical performance over longer term investment cycles. Outperformance of the rolling three year returns of a manager over the benchmark is an indication of consistency. Likewise, rolling three year risk below the benchmark is an indication of managers with below market risk.

### 4. Three and Five Year Statistics:

Information Ratio and Sharpe Ratio help determine how much value a manager is contributing to performance, relative to risk. The best case scenario is a manager with historically strong returns without assuming too much market risk. As a result, high Information and Sharpe Ratios are signals of strong outperformance at reasonable risk levels. These two statistics become more accurate the higher the R-Squared Coefficient. Typically, an R-Squared Coefficient greater than 0.85 coincides with accurate Information and Sharpe Ratio statistics.

### 5. Up and Down Market Capture:

The greater the up-market capture ratio of a manager, the better they have performed when the market was positive. The lower the down-market capture ratio of a manager, the better they have preserved capital when the stock market is negative. Up-market capture ratios at or above 100% (indicating the manager performed at or above the index during periods of positive index performance), and the down-market capture ratios below 100% (indicating the manager outperformed during periods of negative index returns) are signals of strong managers.

## Candidate Summary

| Fund Name      | Firm Assets (\$MM) | Product GAV / NAV (\$MM) | Vehicle             | Product Style | Queue In / Out (\$MM) | Timing of Queues In / Out |
|----------------|--------------------|--------------------------|---------------------|---------------|-----------------------|---------------------------|
| Principal USPA | \$101,318.0        | \$10,719.0               | Commingled Fund     | Core          | \$108.9               | 3                         |
|                |                    | \$7,296.0                |                     |               | \$55.0                | 1                         |
| TA Realty Core | \$18,581.3         | \$8,015.4                | Limited Partnership | Core          | \$31.0                | 1                         |
|                |                    | \$5,940.2                |                     |               | \$201.0               | 2                         |
| Clarion LPF    | \$72,426.0         | \$18,669.0               | Commingled Fund     | Core          | --                    | --                        |
|                |                    | \$12,671.0               |                     |               | \$2,689.0             | 6                         |

## General Information Summary

| Fund Name      | Location       | Phone          | Contact Name    |
|----------------|----------------|----------------|-----------------|
| Principal USPA | Des Moines, IA | (800) 533-1390 | Maggy Anthofer  |
| TA Realty Core | Boston, MA     | (617) 476-2700 | Yandeh Ceesay   |
| Clarion LPF    | New York, NY   | (212) 883-2500 | Javier Sandoval |

## Firm Ownership

| Fund Name      | % Employee Owned | # Employee Owners | % Parent Owned | % Owned by Other* | % Minority Owned | % Female Owned |
|----------------|------------------|-------------------|----------------|-------------------|------------------|----------------|
| Principal USPA | 0.0%             |                   | 100.0%         | 0.0%              | --               | --             |
| TA Realty Core | 30.0%            | 24                | 70.0%          | 0.0%              | --               | --             |
| Clarion LPF    | 18.0%            | 101               | 82.0%          | 0.0%              | --               | --             |

The following represents Marquette Associates' first take on each investment manager, serving as a brief introduction to each manager's strategy.

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### Principal Real Estate Investors

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Principal U.S.P.A. is the flagship product of Principal Real Estate Investors (PREI) and was seeded in 1982. U.S.P.A. is an open-end, commingled real estate account that accepts investments from qualified pension funds and retirement accounts. This is a daily-valued fund, which makes investing into this fund easier than investing into its peers. U.S.P.A. focuses on properties in high-quality infill locations that have the ability to organically increase net operating income. U.S.P.A. uses leverage conservatively and has the ability to invest up to 15% of the portfolio in non-core (lease or build-to-core strategies). U.S.P.A. invests in the four main property types plus hotels. The team, led by John Berg, is comprised of long-tenured professionals and is supported with the full resources of PREI's research staff, asset management group, and investment committees.

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### TA Realty

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The TA Realty Core Property Fund is a core open-end strategy, focused on building a diversified portfolio of institutional-quality core real estate in major U.S. metropolitan areas, emphasizing outsized long-term cash flow growth. TA Realty approaches core real estate with value-add expertise and mindset. The fund maintains a strategic overweight to industrial, multifamily and grocery-anchored retail, offset by a significant underweight to office. The fund targets leverage of 20-30% and will allocate up to 20% of the portfolio to value-add opportunities.

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### Clarion Partners

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The Clarion Lion Properties Fund is a core, open-end real estate fund that invests primarily in a diversified portfolio of high-quality real estate assets in the four main property types (office, retail, industrial and apartment) located in major markets across the United States. Approximately 70% of return is expected to be generated by the income component. The investment philosophy seeks to take advantage of changing conditions within the U.S. property and capital markets by periodically shifting allocations among property types and locations, while remaining focused on the management of a core equity real estate portfolio. On a geographic level, the portfolio team gives greater consideration to specific Metropolitan Statistical Areas ("MSA")'s and submarkets (as opposed to broad regions) it believes are characterized by attractive growth in demand, accompanied by limited or constrained growth in supply.



## Top 10 Holdings as % of NAV

| Name: Principal USPA |                               |               | % In Top 10:  | 34.4%    |
|----------------------|-------------------------------|---------------|---------------|----------|
| Rank #               | Property Name                 | Property Type | Location      | % of NAV |
| 1                    | 500 West Second Street        | Office        | Austin, TX    | 4.7%     |
| 2                    | Nine Two Nine                 | Office        | Seattle, WA   | 4.5%     |
| 3                    | March Business Center         | Industrial    | Riverside, CA | 4.0%     |
| 4                    | Coit Road                     | Data Center   | Dallas, TX    | 3.9%     |
| 5                    | Sonoran Village               | Residential   | Phoenix, AZ   | 3.7%     |
| 6                    | Jurupa Business Park          | Industrial    | Riverside, CA | 3.5%     |
| 7                    | Watermark Kendall East & West | Residential   | Cambridge, MA | 2.7%     |
| 8                    | Rincon                        | Residential   | Tucson, AZ    | 2.7%     |
| 9                    | West Campus                   | Residential   | Austin, TX    | 2.6%     |
| 10                   | Cactus Industrial             | Industrial    | Riverside, CA | 2.2%     |

| Name: TA Realty Core |                                     |               | % In Top 10:            | 24.9%    |
|----------------------|-------------------------------------|---------------|-------------------------|----------|
| Rank #               | Property Name                       | Property Type | Location                | % of NAV |
| 1                    | Medley Commerce Center              | Industrial    | Medley, FL              | 4.1%     |
| 2                    | Palmetto Logistics Portfolio        | Industrial    | Hialeah, Medley, FL     | 3.5%     |
| 3                    | 6275 Lance Drive                    | Industrial    | Riverside, CA           | 2.6%     |
| 4                    | 131 Dartmouth Street                | Office        | Boston, MA              | 2.6%     |
| 5                    | The Manor at City Place             | Apartment     | Doral, FL               | 2.4%     |
| 6                    | Amerige Pointe                      | Apartment     | Fullerton, CA           | 2.2%     |
| 7                    | Pearl Flagler Village               | Apartment     | Fort Lauderdale, FL     | 2.2%     |
| 8                    | The Riverside Portfolio             | Industrial    | Austell, GA             | 1.8%     |
| 9                    | Tens on West                        | Apartment     | Atlanta, GA             | 1.8%     |
| 10                   | Interstate & Pacific Business Parks | Industrial    | Eastvale, Riverside, CA | 1.8%     |

| Name: Clarion LPF |                              |               | % In Top 10:            | 22.9%    |
|-------------------|------------------------------|---------------|-------------------------|----------|
| Rank #            | Property Name                | Property Type | Location                | % of NAV |
| 1                 | 75-125 Binney Street         | Life Science  | Cambridge, MA           | 3.1%     |
| 2                 | One Marina Park Drive        | Office        | Boston, MA              | 2.7%     |
| 3                 | Mansfield Logistics Park     | Industrial    | Mansfield, NJ           | 2.5%     |
| 4                 | Silver State Commerce Center | Industrial    | North Las Vegas, NV     | 2.5%     |
| 5                 | 245 First Street             | Life Science  | Cambridge, MA           | 2.3%     |
| 6                 | Research Tri-Center          | Industrial    | Durham, NC              | 2.2%     |
| 7                 | Cranbury Station             | Industrial    | Cranbury, NJ            | 2.1%     |
| 8                 | Savoy                        | Apartment     | Sunnyvale, CA           | 1.9%     |
| 9                 | 213 East Grand Avenue        | Life Science  | South San Francisco, CA | 1.8%     |
| 10                | Millbrae Station             | Life Science  | Millbrae, CA            | 1.8%     |

## Fund Background

| Product        | % Core / Non-Core | # of Properties: Core / Non-Core | Occupancy: Total | % Occupancy: Core / Non-Core | % Cash: GAV / NAV |
|----------------|-------------------|----------------------------------|------------------|------------------------------|-------------------|
| Principal USPA | 95%               | 119                              | 88%              | 91%                          | 2.0%              |
|                | 3%                | 6                                |                  | 43%                          | 2.9%              |
| TA Realty Core | 91%               | 84                               | 91%              | 95%                          | 0.3%              |
|                | 5%                | 7                                |                  | 40%                          | 0.4%              |
| Clarion LPF    | 83%               | 165                              | 91%              | 92%                          | 2.5%              |
|                | 17%               | 31                               |                  | 47%                          | 3.7%              |

## Product Look-Through

| Product        | # of Investors | # of MSA Markets | # of Properties | % Top 10 Properties |
|----------------|----------------|------------------|-----------------|---------------------|
| Principal USPA | 3539           | 46               | 129             | 34%                 |
| TA Realty Core | 261            | 26               | 94              | 25%                 |
| Clarion LPF    | 577            | 42               | 196             | 23%                 |

## Investment Structure

| Product        |   | Wholly-Owned | Joint Venture | Senior Debt | Subordinated Debt | Mezzanine | Participating Mortgages |
|----------------|---|--------------|---------------|-------------|-------------------|-----------|-------------------------|
| Principal USPA | # | 83           | 46            | 0           | 0                 | 0         | 0                       |
|                | % | 71%          | 29%           | 0%          | 0%                | 0%        | 0%                      |
| TA Realty Core | # | 91           | 3             | 0           | 0                 | 0         | 0                       |
|                | % | 97%          | 3%            | 0%          | 0%                | 0%        | 0%                      |
| Clarion LPF    | # | 152          | 41            | 0           | 0                 | 3         | 0                       |
|                | % | 74%          | 25%           | 0%          | 0%                | 1%        | 0%                      |

## Property Status

| Product        |   | Pre-Development | Development | Initial Leasing | Operating | Re-Development | Other |
|----------------|---|-----------------|-------------|-----------------|-----------|----------------|-------|
| Principal USPA | # | 2               | 2           | 6               | 119       | 0              | 0     |
|                | % | 1%              | 1%          | 3%              | 95%       | 0%             | 0%    |
| TA Realty Core | # | 0               | 3           | 7               | 84        | 0              | 0     |
|                | % | 0%              | 3%          | 6%              | 91%       | 0%             | 0%    |
| Clarion LPF    | # | 16              | 4           | 5               | 165       | 0              | 6     |
|                | % | 6%              | 2%          | 4%              | 83%       | 0%             | 4%    |

## Other:

Clarion LPF: Other: Existing Leasing

## Property Size

| Product        |   | \$0 - 10MM | \$10-20MM | \$20-50MM | \$50-100MM | >\$100MM |
|----------------|---|------------|-----------|-----------|------------|----------|
| Principal USPA | # | 2          | 10        | 49        | 39         | 29       |
|                | % | 0%         | 2%        | 19%       | 33%        | 46%      |
| TA Realty Core | # | 3          | 7         | 30        | 40         | 14       |
|                | % | 0%         | 2%        | 18%       | 49%        | 32%      |
| Clarion LPF    | # | 14         | 36        | 49        | 52         | 45       |
|                | % | 1%         | 4%        | 12%       | 26%        | 57%      |

## Property Type Occupancy By Square Feet

| Product        | Apartment | Office | Industrial | Retail | Fund |
|----------------|-----------|--------|------------|--------|------|
| Principal USPA | 94%       | 78%    | 90%        | 94%    | 88%  |
| TA Realty Core | 91%       | 84%    | 90%        | 99%    | 91%  |
| Clarion LPF    | 93%       | 76%    | 94%        | 87%    | 91%  |

**Geographic Distribution**

| Product            |   | East       | Midwest   | South      | West       |
|--------------------|---|------------|-----------|------------|------------|
| Principal USPA     | # | 28         | 11        | 41         | 49         |
|                    | % | 19%        | 3%        | 30%        | 48%        |
| TA Realty Core     | # | 29         | 3         | 33         | 29         |
|                    | % | 25%        | 2%        | 46%        | 27%        |
| Clarion LPF        | # | 31         | 9         | 64         | 92         |
|                    | % | 30%        | 3%        | 20%        | 48%        |
| <i>NCREIF-ODCE</i> | % | <i>29%</i> | <i>6%</i> | <i>22%</i> | <i>44%</i> |

**Property Type Distribution**

| Product            |   | Apartment  | Industrial | Office     | Retail     | Other*    |
|--------------------|---|------------|------------|------------|------------|-----------|
| Principal USPA     | # | 29         | 48         | 13         | 15         | 24        |
|                    | % | 22%        | 37%        | 16%        | 10%        | 16%       |
| TA Realty Core     | # | 27         | 47         | 4          | 15         | 1         |
|                    | % | 35%        | 47%        | 6%         | 11%        | 0%        |
| Clarion LPF        | # | 50         | 62         | 25         | 13         | 46        |
|                    | % | 26%        | 39%        | 24%        | 6%         | 6%        |
| <i>NCREIF-ODCE</i> | % | <i>30%</i> | <i>34%</i> | <i>16%</i> | <i>11%</i> | <i>9%</i> |

**\* Other Property Types:**

Principal USPA: Other includes Student Housing, Manufactured Housing, Single Family Rentals, Data Centers and Land.

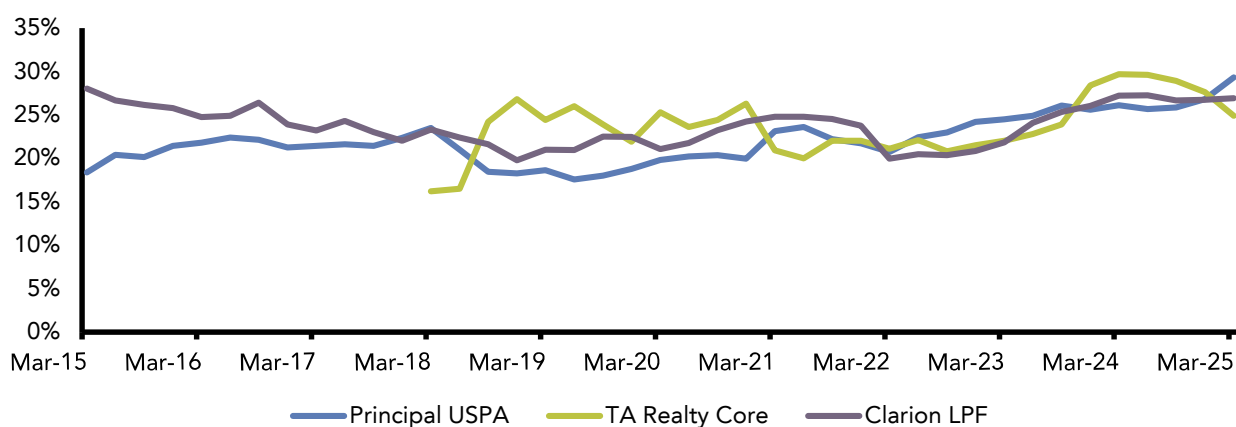
TA Realty Core: Other includes Self-Storage

Clarion LPF: Other includes student housing, manufactured housing, senior housing, and self-storage.

## Debt Cost Overview

| Product        | Leverage Amount | Recourse / NonRecourse Amount | Fixed Rate: % / Cost | Floating Rate: % / Cost | Total Cost of Debt |
|----------------|-----------------|-------------------------------|----------------------|-------------------------|--------------------|
| Principal USPA | 29%             | 43%                           | 78%                  | 22%                     | 4.2%               |
|                |                 | 57%                           | 4%                   | 6%                      |                    |
| TA Realty Core | 25%             | 0%                            | 56%                  | 44%                     | 4.8%               |
|                |                 | 100%                          | 4%                   | 6%                      |                    |
| Clarion LPF    | 27%             | 34%                           | 89%                  | 11%                     | 4.3%               |
|                |                 | 66%                           | 4%                   | 6%                      |                    |
| NCREIF-ODCE    | 27%             | --                            | --                   | --                      | --                 |

## Historic Fund Leverage



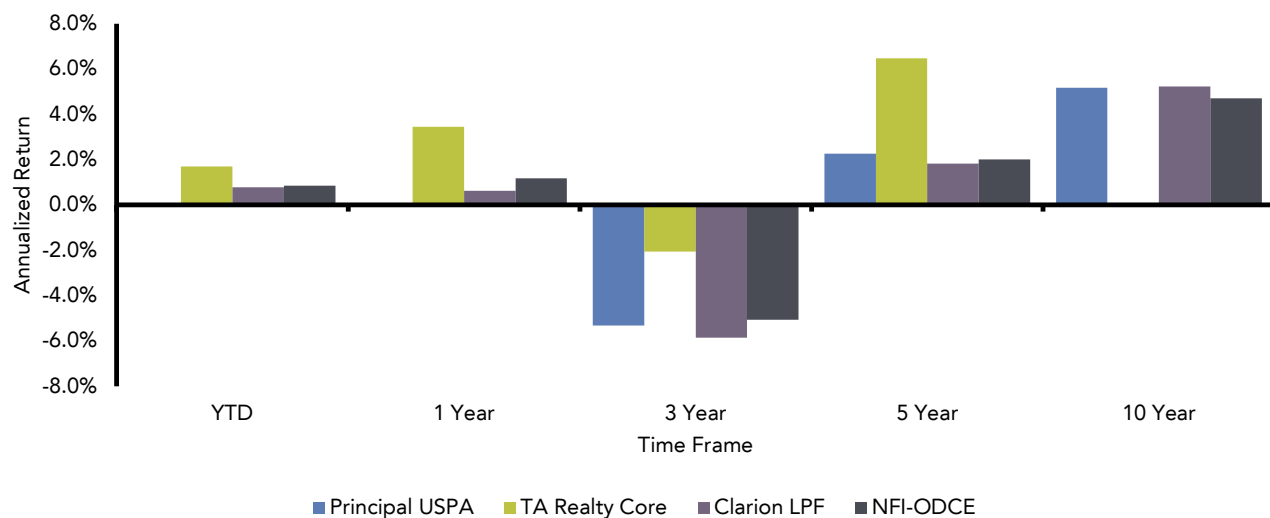
## Debt Maturity Overview (\$MM)

| Product        | 2025  | 2026  | 2027  | 2028  | 2029+   |
|----------------|-------|-------|-------|-------|---------|
| Principal USPA | \$244 | \$223 | \$184 | \$443 | \$1,867 |
|                | 0%    | 8%    | 8%    | 6%    | 78%     |
| TA Realty Core | \$61  | \$660 | \$436 | \$250 | \$626   |
|                | 3%    | 32%   | 21%   | 12%   | 31%     |
| Clarion LPF    | \$175 | \$530 | \$418 | \$705 | \$3,322 |
|                | 3%    | 10%   | 8%    | 13%   | 65%     |

## Debt Positioning Overview (\$MM)

| Product        | Line of Credit | Total Debt | Property Debt | Portfolio Debt |
|----------------|----------------|------------|---------------|----------------|
| Principal USPA | \$241          | \$2,962    | \$1,862       | \$1,100        |
| TA Realty Core | \$600          | \$1,433    | \$1,133       | \$300          |
| Clarion LPF    | \$0            | \$5,170    | \$1,760       | \$3,410        |

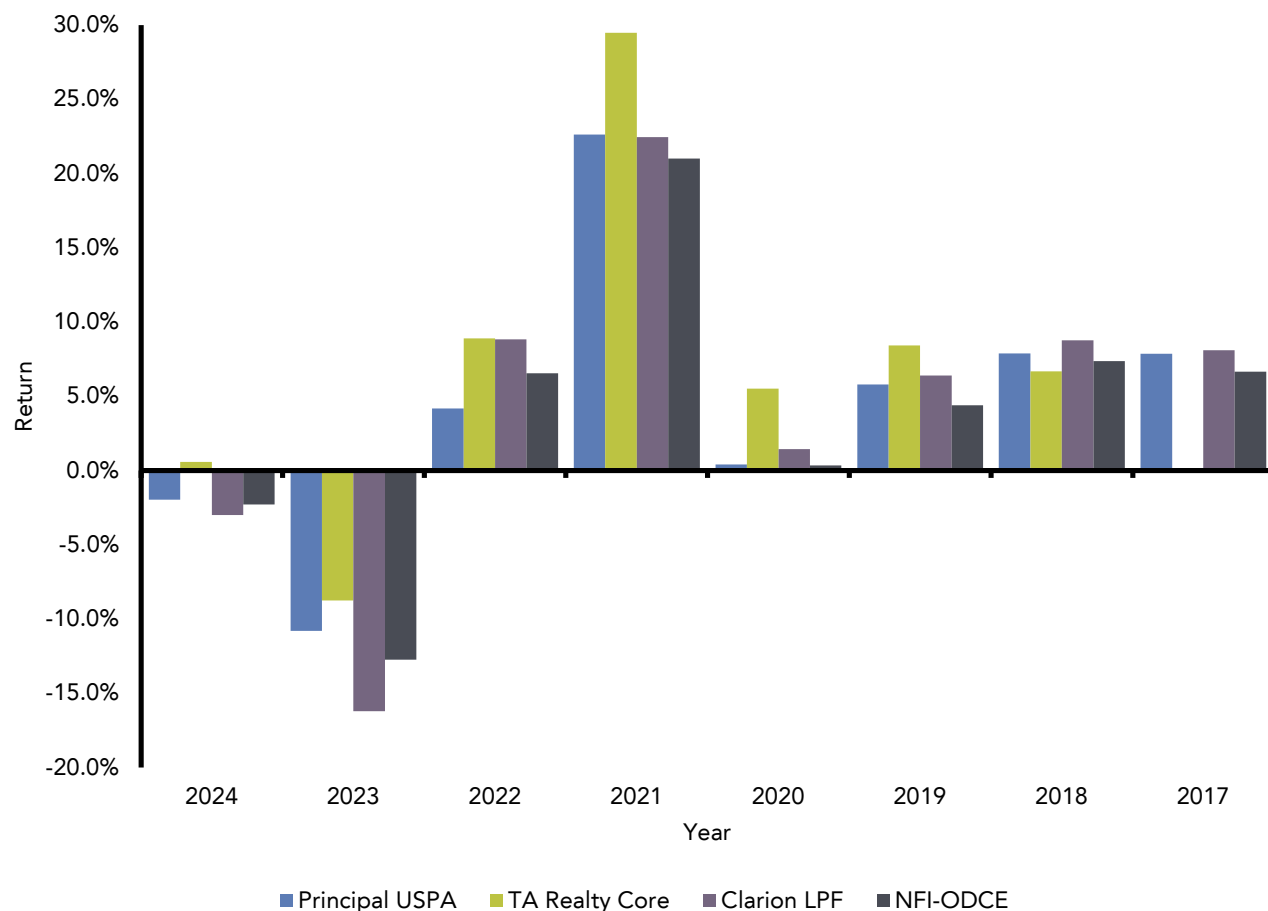
## Trailing Returns - Net of Fees



## Trailing Returns and Risk

|                |              | YTD   | 1 Year |       | 3 Year |       | 5 Year |       | 10 Year |       |
|----------------|--------------|-------|--------|-------|--------|-------|--------|-------|---------|-------|
|                |              | Ret.  | Ret.   | StDev | Ret.   | StDev | Ret.   | StDev | Ret.    | StDev |
| Principal USPA | Gross Return | 0.2%  | 0.8%   | 1.6%  | -4.5%  | 4.9%  | 3.2%   | 7.7%  | 6.3%    | 5.7%  |
|                | Income       | 1.0%  | 3.8%   | 0.1%  | 3.4%   | 0.2%  | 3.3%   | 0.2%  | 3.5%    | 0.2%  |
|                | Appreciation | -1.1% | -3.7%  | 1.7%  | -8.5%  | 4.9%  | -1.0%  | 7.7%  | 1.7%    | 5.6%  |
|                | Net Return   | 0.0%  | 0.0%   | 1.7%  | -5.3%  | 4.9%  | 2.3%   | 7.7%  | 5.2%    | 5.7%  |
| TA Realty Core | Gross Return | 1.9%  | 4.2%   | 1.7%  | -1.4%  | 5.9%  | 7.2%   | 8.5%  | --      | --    |
|                | Income       | 0.6%  | 2.6%   | 0.0%  | 2.5%   | 0.1%  | 2.7%   | 0.1%  | --      | --    |
|                | Appreciation | 0.9%  | 0.7%   | 1.6%  | -4.5%  | 5.9%  | 3.7%   | 8.5%  | --      | --    |
|                | Net Return   | 1.7%  | 3.4%   | 1.7%  | -2.1%  | 5.9%  | 6.5%   | 8.5%  | --      | --    |
| Clarion LPF    | Gross Return | 1.0%  | 1.4%   | 3.1%  | -5.1%  | 7.6%  | 2.6%   | 8.7%  | 6.1%    | 6.4%  |
|                | Income       | 0.7%  | 3.0%   | 0.0%  | 2.7%   | 0.2%  | 2.8%   | 0.2%  | 3.1%    | 0.2%  |
|                | Appreciation | 0.0%  | -2.3%  | 3.1%  | -8.4%  | 7.5%  | -0.9%  | 8.6%  | 2.1%    | 6.3%  |
|                | Net Return   | 0.8%  | 0.6%   | 3.1%  | -5.9%  | 7.6%  | 1.8%   | 8.7%  | 5.2%    | 6.4%  |
| NFI-ODCE       | Gross Return | 1.1%  | 2.0%   | 1.5%  | -4.3%  | 5.6%  | 2.9%   | 7.6%  | 5.6%    | 5.6%  |
|                | Income       | 1.0%  | 4.2%   | --    | 3.8%   | --    | 3.8%   | --    | 4.1%    | --    |
|                | Appreciation | 0.1%  | -2.1%  | --    | -7.8%  | --    | -0.9%  | --    | 1.5%    | --    |
|                | Net Return   | 0.8%  | 1.2%   | 1.5%  | -5.1%  | 5.6%  | 2.0%   | 7.6%  | 4.7%    | 5.5%  |

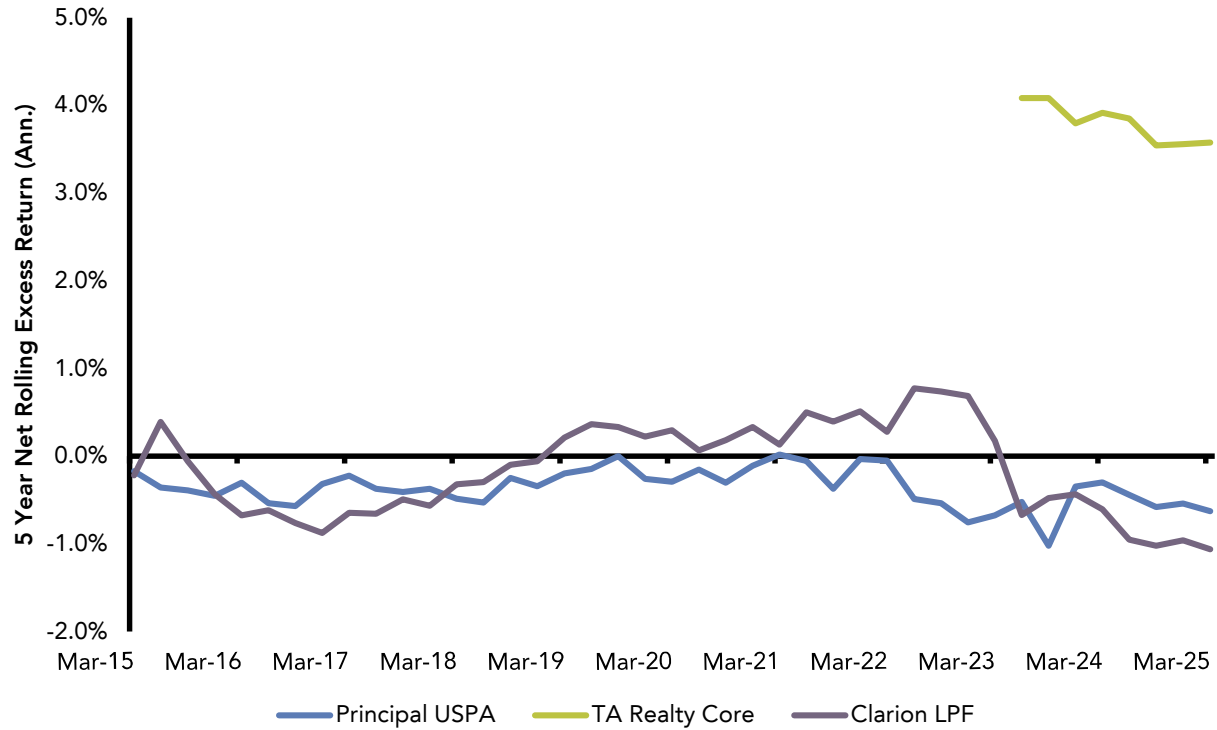
## Calendar Returns - Net of Fees



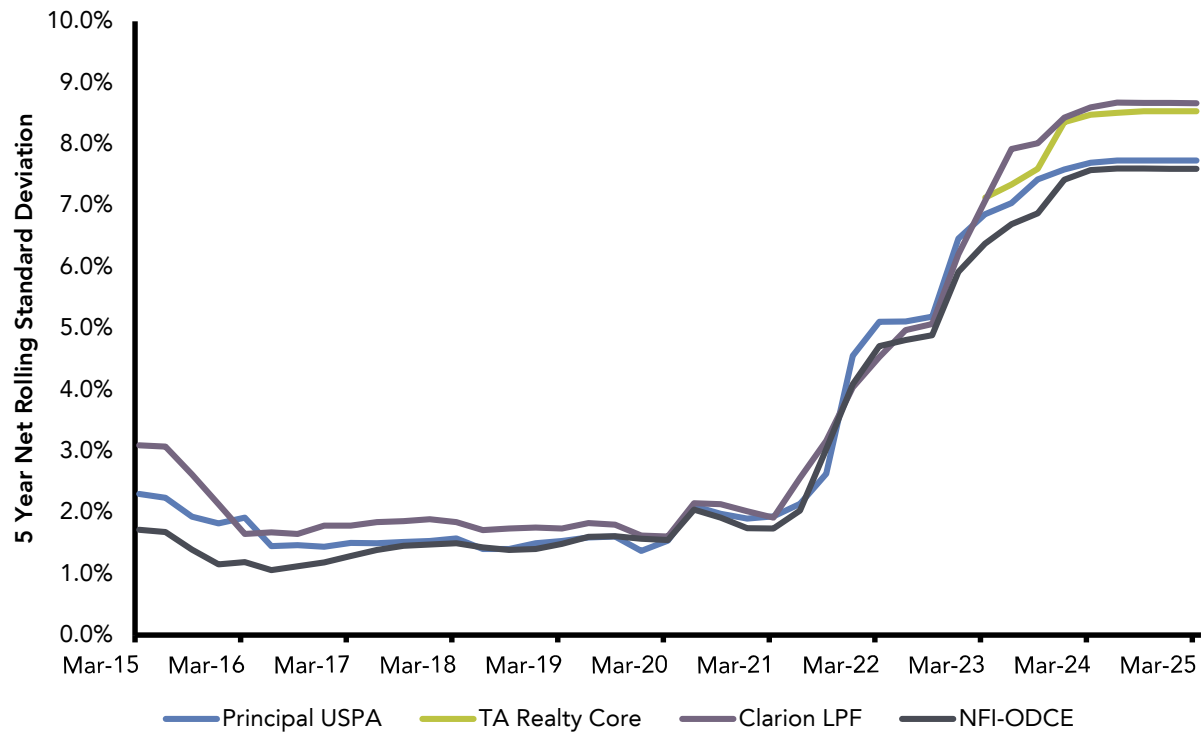
## Year Year Returns Data

|                |              | 2024  | 2023   | 2022 | 2021  | 2020  | 2019 | 2018 | 2017 | 2016  |
|----------------|--------------|-------|--------|------|-------|-------|------|------|------|-------|
| Principal USPA | Gross Return | -1.1% | -10.0% | 5.1% | 23.8% | 1.6%  | 7.0% | 9.1% | 9.1% | 10.0% |
|                | Income       | 3.7%  | 3.3%   | 2.9% | 3.3%  | 3.1%  | 3.4% | 3.7% | 3.7% | 4.0%  |
|                | Appreciation | -5.5% | -13.7% | 1.3% | 18.9% | -2.4% | 2.6% | 4.4% | 4.3% | 4.9%  |
|                | Net Return   | -2.0% | -10.8% | 4.2% | 22.6% | 0.4%  | 5.8% | 7.9% | 7.9% | 8.8%  |
| TA Realty Core | Gross Return | 1.3%  | -8.1%  | 9.6% | 30.3% | 6.2%  | 9.1% | 7.2% | --   | --    |
|                | Income       | 2.7%  | 2.4%   | 2.4% | 2.8%  | 3.3%  | 3.6% | 2.6% | --   | --    |
|                | Appreciation | -2.0% | -11.0% | 6.4% | 26.1% | 2.2%  | 4.7% | 4.0% | --   | --    |
|                | Net Return   | 0.6%  | -8.7%  | 8.9% | 29.5% | 5.5%  | 8.4% | 6.7% | --   | --    |
| Clarion LPF    | Gross Return | -2.3% | -15.5% | 9.6% | 23.4% | 2.2%  | 7.3% | 9.7% | 9.0% | 9.1%  |
|                | Income       | 3.0%  | 2.7%   | 2.4% | 3.1%  | 2.7%  | 3.1% | 3.3% | 3.6% | 3.8%  |
|                | Appreciation | -5.8% | -18.5% | 6.3% | 18.9% | -1.2% | 3.3% | 5.3% | 4.4% | 4.2%  |
|                | Net Return   | -3.0% | -16.2% | 8.8% | 22.5% | 1.4%  | 6.4% | 8.8% | 8.1% | 8.2%  |
| NFI-ODCE       | Gross Return | -1.4% | -12.0% | 7.5% | 22.2% | 1.2%  | 5.3% | 8.3% | 7.6% | 8.8%  |
|                | Income       | 4.1%  | 3.6%   | 3.4% | 4.0%  | 3.9%  | 4.2% | 4.2% | 4.4% | 4.5%  |
|                | Appreciation | -5.4% | -15.2% | 3.9% | 17.6% | -2.6% | 1.1% | 4.0% | 3.2% | 4.1%  |
|                | Net Return   | -2.3% | -12.7% | 6.5% | 21.0% | 0.3%  | 4.4% | 7.4% | 6.7% | 7.8%  |

### Rolling 5 Year Net Excess Returns over NFI-ODCE

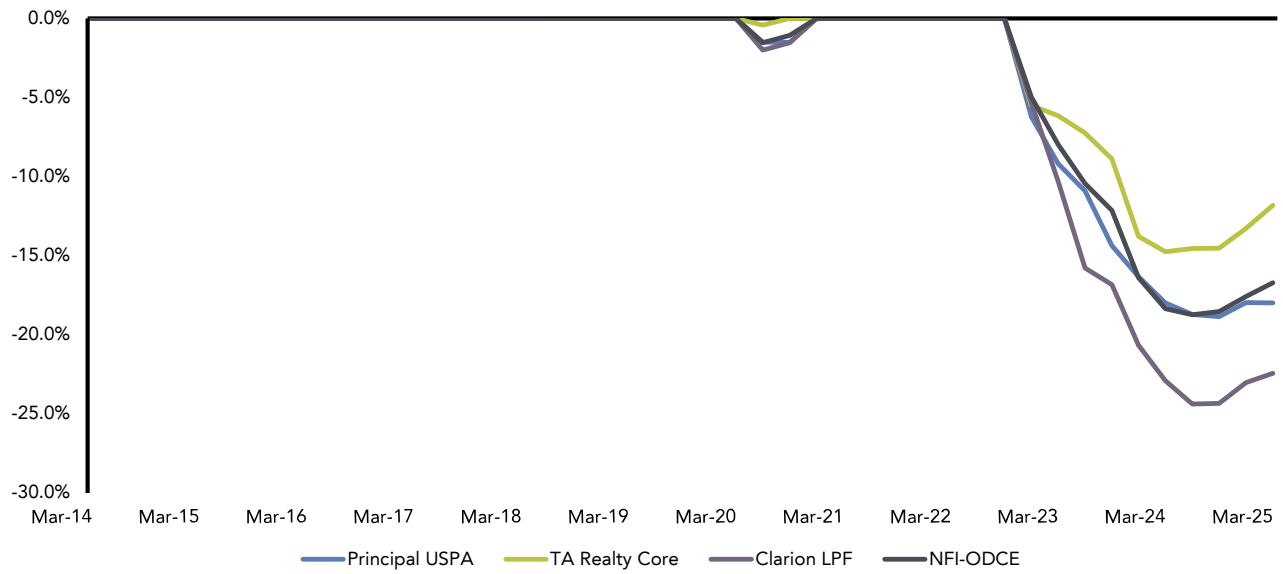


### Rolling 5 Year Net Standard Deviation





## Drawdown (10 Years)



## Crisis Performance

|                | Financial Crisis<br>May '07 - Feb '09 | Euro Crisis<br>April '11 - Sept '11 | Taper Tantrum<br>April '13 - Aug '13 | Oil/Shale Crash<br>May '15 - Jan '16 | COVID-19 Crash<br>Dec '19 - Mar '20 |
|----------------|---------------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| Principal USPA | -4.7%                                 | 9.7%                                | 6.9%                                 | 10.2%                                | 0.3%                                |
| TA Realty Core | --                                    | --                                  | --                                   | --                                   | 1.5%                                |
| Clarion LPF    | -3.3%                                 | 8.1%                                | 6.7%                                 | 11.1%                                | 1.2%                                |
| NFI-ODCE       | 0.4%                                  | 8.3%                                | 7.6%                                 | 11.2%                                | 1.0%                                |

## 5 Year Manager Correlations

|                | Principal USPA | TA Realty Core | Clarion LPF |
|----------------|----------------|----------------|-------------|
| Principal USPA | 1.00           |                |             |
| TA Realty Core | 0.91           | 1.00           |             |
| Clarion LPF    | 0.90           | 0.90           | 1.00        |

## 5 Year Correlations with other Asset Classes

|                | S&P 500 | Russell 2000 | MSCI EAFE | Bloomberg Aggregate | Bloomberg High Yield | S&P UBS Leveraged | HFR1 Fund of Funds | HFR1 Equity Hedge |
|----------------|---------|--------------|-----------|---------------------|----------------------|-------------------|--------------------|-------------------|
| Principal USPA | -0.16   | -0.16        | -0.31     | -0.35               | -0.33                | -0.25             | -0.21              | -0.22             |
| TA Realty Core | -0.26   | -0.25        | -0.35     | -0.41               | -0.37                | -0.25             | -0.24              | -0.28             |
| Clarion LPF    | -0.37   | -0.30        | -0.43     | -0.43               | -0.46                | -0.35             | -0.30              | -0.33             |

Fund Terms & Liquidity

| Firm           | Minimum Account Size (\$MM) | Redemptions | Days Notice | Vehicle Domicile | Vehicle Structure   | Investor Restrictions |
|----------------|-----------------------------|-------------|-------------|------------------|---|-----------------------|
| Principal USPA | \$1.0                       | Daily       | 1           | On-Shore         | Account-OE<br>Commingled,<br>Fund-Delaware<br>Ltd Partner | --                    |
| TA Realty Core | \$1.0                       | Quarterly   | 45          | On-Shore         | Delaware limited<br>partnership                           | --                    |
| Clarion LPF    | \$10.0                      | Quarterly   | 90          | On-Shore         | Delaware limited<br>partnership                           | --                    |

\*Managers will accept lower minimums than stated for Marquette clients.

\*\*Mangers will satisfy reemption requests on a best efforts basis.

Please note that, due to heightened scrutiny of adherence to Anti-Money Laundering ("AML")/Know-Your-Client ("KYC") regulations, commingled fund administrators may require the personal information, in the form of social security numbers or copies of driver's licenses, from authorized signatories such as the CEO/CFO/CCO of the investing institution in order for these organizations to access commingled funds.

Fee Schedule and Expense Ratios

| Firm           | Fee Schedule                      | Performance Fee | Expense Ratio | Industry Avg. | Fee For \$7,000,000 |
|----------------|-----------------------------------|-----------------|---------------|---------------|---------------------|
| Principal USPA | 110 bps on the Balance            | --              | 1.10%         | --            | \$77,000            |
| TA Realty Core | 100 bps on the first \$25 million | --              | 1.00%         | --            | \$70,000            |
| Clarion LPF    | 110 bps on the first \$25 million | --              | 1.10%         | --            | \$77,000            |

## Appendix



## Firm Client Breakdown

|              | Principal<br>USPA | TA Realty<br>Core | Clarion LPF |
|--------------|-------------------|-------------------|-------------|
| Corporate    | 11.0%             | 18.7%             | 20.2%       |
| E & F        | 0.4%              | 2.5%              | 5.2%        |
| Healthcare   | 0.4%              | 0.0%              | 0.0%        |
| HNW/Family   | 0.1%              | 2.2%              | 4.5%        |
| Ins/Fin      | 35.0%             | 0.0%              | 10.2%       |
| Mutual Fund  | 8.7%              | 0.0%              | 2.1%        |
| Public       | 36.5%             | 39.4%             | 45.6%       |
| Religious    | 0.1%              | 0.0%              | 0.0%        |
| Taft-Hartley | 1.8%              | 5.7%              | 1.6%        |
| Sub-Advisory | 5.6%              | 0.0%              | 0.0%        |
| Wrap         | 0.3%              | 0.0%              | 0.0%        |
| Other        | 0.0%              | 31.5%             | 10.7%       |

## Notes on Other

TA Realty Core - Corporate Pension 3%GP/Parent Company 21%Based on original capital commitments.

Clarion LPF - Other includes: Clarion Corporate Entities, Asset/Wealth Managers, Loans. Numbers as of 1Q25.

## Product Client Breakdown

|              | Principal<br>USPA | TA Realty<br>Core | Clarion LPF |
|--------------|-------------------|-------------------|-------------|
| Corporate    | 16.3%             | 21.0%             | 19.5%       |
| E & F        | 0.1%              | 3.0%              | 8.9%        |
| Healthcare   | 0.0%              | 0.0%              | 0.0%        |
| HNW/Family   | 0.0%              | 0.0%              | 6.2%        |
| Ins/Fin      | 17.9%             | 0.0%              | 6.0%        |
| Mutual Fund  | 0.0%              | 0.0%              | 2.6%        |
| Public       | 55.0%             | 33.0%             | 34.1%       |
| Religious    | 0.1%              | 0.0%              | 0.0%        |
| Taft-Hartley | 10.6%             | 8.0%              | 2.0%        |
| Sub-Advisory | 0.0%              | 0.0%              | 0.0%        |
| Wrap         | 0.0%              | 0.0%              | 0.0%        |
| Other        | 0.0%              | 35.0%             | 20.7%       |

## Notes on Other

TA Realty Core - Corp Pension; 5%GP/Parent Company 19%

## Firm Compliance

| Firm Name      | Registered Investment Advisor? | GIPS Verified? | Last Year of Verification | Verification Firm                              | QPAM | ERISA Fiduciary | REIS Compliant |
|----------------|--------------------------------|----------------|---------------------------|--|------|-----------------|----------------|
| Principal USPA | Yes                            | Yes            | 2024                      | ACA Performance Services                       | Yes  | Yes             | Yes            |
| TA Realty Core | Yes                            | No             | --                        | N/A - See notes in "General Firm Comments" box | Yes  | No              | No             |
| Clarion LPF    | Yes                            | No             | --                        | --   | Yes  | No              | Yes            |



## Current Team Key Employees

| Name                | Role on Product           | Years Experience | Years with Firm | Years on Product | Education |
|---------------------|---------------------------|------------------|-----------------|------------------|-----------|
| Darren Kleis        | Portfolio Manager         | 31               | 34              | 19               | MBA       |
| Bridget Lechtenberg | Portfolio Manager         | 19               | 19              | 13               | BA        |
| Ross Johnson        | Portfolio Manager/Analyst | 12               | 15              | 7                | BA        |
| Kyle Elfers         | Portfolio Manager         | 26               | 14              | 2                | BA        |
| Ellen Bennett       | Portfolio Manager/Analyst | 7                | 5               | 4                | BA        |

## Product Turnover

|                    | 2022       | 2023       | 2024       | YTD        | Employee Turnover (5 Years) |     |
|--------------------|------------|------------|------------|------------|-----------------------------|-----|
| Total Clients      | 4,675      | 4,553      | 4,358      | 3,539      | Hired                       | 155 |
| Total Assets \$MM  | \$13,347.0 | \$12,115.0 | \$10,985.0 | \$10,719.0 | Terminated                  | 128 |
| Asset Inflow \$MM  | \$1,416.0  | \$94.0     | \$543.0    | \$124.0    | Retired                     | 0   |
| Asset Outflow \$MM | \$1,320.0  | \$183.0    | \$1,360.0  | \$573.0    | Resigned                    | 0   |
|                    |            |            |            |            | Total Firm Employees        | 479 |

## Five Largest Clients

| Client Type        | Assets (\$MM) | % of Assets | Client Averages (\$MM) |        |
|--------------------|---------------|-------------|------------------------|--------|
| Public             | \$745.5       | 7.0%        | Average Client Size    | \$34.7 |
| Public             | \$439.5       | 4.1%        | Smallest Client Size   | \$0.3  |
| Public             | \$401.0       | 3.7%        |                        |        |
| Union/Taft-Hartley | \$247.1       | 2.3%        |                        |        |
| Public             | \$246.0       | 2.3%        |                        |        |

## Investor Contribution Process

Given demand for investment exposure to the Portfolio and the Portfolio's capital needs, a contribution queue for new large investments was instituted in June 2019. As of March 31, 2025, the contribution queue totaled \$108.9 million. It is anticipated that new amounts added to the contribution queue will be called in approximately one quarter. When a contribution queue exists, each investor is fully invested by order of the date of completed investor documentation. In the absence of a contribution queue, new contributions may generally be accepted within one business day of client notification. If a client requests a different or specific time frame, we will work closely with the client to attempt to accommodate the request. We may limit the timing and/or dollar amount of large contributions to effectively manage the portfolio's cash inflows with need for capital.

## Investor Withdrawal Process

Existing investors submitted an increased number of withdrawal requests at the end of the second quarter of 2022 and in order to protect the best interest of all investors, a withdrawal limitation was implemented on July 1, 2022. During the first quarter, a payment was announced to satisfy all eligible withdrawal and transfer requests subject to the withdrawal limitation. Based on market conditions and portfolio cashflow models, a withdrawal limitation remains in place. As of March 31, 2025, the withdrawal limitation totaled approximately \$55.0 million. We will continue to evaluate the Principal U.S. Property Portfolio's ("Portfolio") liquidity position to determine the future timing of a payment to satisfy withdrawal requests. During times when a withdrawal limitation is in place, redemption requests are processed on a pro-rata basis. In the absence of a withdrawal limitation, withdrawal requests are generally processed the next business day subject to cash availability. Certain clients are subject to additional withdrawal terms. If significant amounts are requested from clients whose net asset value is greater than \$50 million, we will limit the maximum redemption for an initial withdrawal request (over a 90-day period) to \$50 million. After the initial withdrawal request, clients will be limited to a \$25 million maximum withdrawal per quarter thereafter or a \$75 million maximum withdrawal over any two consecutive calendar quarters. It remains likely that there will be a contribution queue and withdrawal limitation in place until there is more clarity surrounding the economy and the fundamentals of the commercial real estate market.

Current Team Key Employees

| Name         | Role on Product   | Years Experience | Years with Firm | Years on Product | Education      |
|--------------|-------------------|------------------|-----------------|------------------|----------------|
| Jacob Maliel | Portfolio Manager | --               | 12              | 8                | BA,MBA,CPA     |
| Sean Ruhmann | Portfolio Manager | --               | 9               | 9                | BA,Masters,MBA |
| David Dignan | Analyst           | --               | 4               | 4                | BS             |

Product Turnover

|                    | 2022      | 2023      | 2024      | YTD       | Employee Turnover (5 Years) |     |
|--------------------|-----------|-----------|-----------|-----------|-----------------------------|-----|
| Total Clients      | 225       | 225       | 241       | 261       | Hired                       | 4   |
| Total Assets \$MM  | \$7,901.1 | \$5,583.1 | \$5,672.9 | \$5,940.2 | Terminated                  | 2   |
| Asset Inflow \$MM  | \$367.7   | \$189.1   | \$498.9   | \$316.7   | Retired                     | 4   |
| Asset Outflow \$MM | \$450.8   | \$450.8   | \$480.8   | \$159.1   | Resigned                    | 1   |
|                    |           |           |           |           | Total Firm Employees        | 135 |

Five Largest Clients

| Client Type | Assets (\$MM) | % of Assets | Client Averages (\$MM) |    |
|-------------|---------------|-------------|------------------------|----|
| --          | --            | --          | Average Client Size    | -- |
| --          | --            | --          | Smallest Client Size   | -- |
| --          | --            | --          |                        |    |
| --          | --            | --          |                        |    |
| --          | --            | --          |                        |    |

Investor Contribution Process

Please refer to the LPA.

Investor Withdrawal Process

Please refer to the LPA.

**Current Team Key Employees**

| Name             | Role on Product         | Years Experience | Years with Firm | Years on Product | Education |
|------------------|-------------------------|------------------|-----------------|------------------|-----------|
| Katie Vaz        | Portfolio Manager       | --               | 20              | 7                | BS        |
| Janet (Lee) Souk | Portfolio Manager       | --               | 20              | 2                | MBA       |
| Jon Gelb         | Portfolio Manager       | --               | 19              | 11               | MBA       |
| John DeBeradinis | Chief Financial Officer | --               | 9               | 9                | CPA,MBA   |

**Product Turnover**

|                    | 2022       | 2023       | 2024       | YTD        | Employee Turnover (5 Years) |     |
|--------------------|------------|------------|------------|------------|-----------------------------|-----|
| Total Clients      | 573        | 571        | 581        | 577        | Hired                       | --  |
| Total Assets \$MM  | \$23,277.8 | \$19,859.0 | \$18,678.0 | \$18,668.7 | Terminated                  | --  |
| Asset Inflow \$MM  | \$2,180.2  | \$614.0    | \$428.0    | \$29.5     | Retired                     | 0   |
| Asset Outflow \$MM | \$774.7    | \$1,094.0  | \$698.0    | \$332.4    | Resigned                    | 0   |
|                    |            |            |            |            | Total Firm Employees        | 353 |

**Five Largest Clients**

| Client Type | Assets (\$MM) | % of Assets | Client Averages (\$MM) |        |
|-------------|---------------|-------------|------------------------|--------|
| Public      | \$505.9       | 2.7%        | Average Client Size    | \$22.0 |
| Public      | \$471.9       | 2.5%        | Smallest Client Size   | --     |
| Other       | \$432.5       | 2.3%        |                        |        |
| Corporate   | \$413.1       | 2.2%        |                        |        |
| Other       | \$376.1       | 2.0%        |                        |        |

**Investor Contribution Process**

Contributions are accepted on a monthly basis. The Fund is an open-end vehicle whose unit price is determined by the Fund's Net Asset Value (NAV) as of the last day of the most recent quarter.

**Investor Withdrawal Process**

Investors may elect, upon at least 90 days' written notice, to have some or all of their interests redeemed at a price which reflects the Fund's NAV as of the last day of the calendar quarter. Requests are accommodated each calendar quarter as liquid assets permit.

## Notes on % Owned by Parent or Other

| Firm Name      | Notes  |
|----------------|--|
| Principal USPA | <p>Principal Real Estate Investors, LLC is a wholly-owned, indirect subsidiary of Principal Financial Group, Inc., a public company listed on the Nasdaq Global Select Market.</p> <p>Principal Global Investors, LLC is a wholly-owned, indirect subsidiary of Principal Financial Group, Inc., as such, there is no direct equity ownership of Principal Global Investors, LLC. As a publicly traded company, equity based incentives have been made available to employees of Principal®, including a broad based stock option program and a discounted price stock purchase plan. Through these programs, the employees of Principal hold approximately 5% of the outstanding shares as of December 31, 2024 (most recent available).</p>  |
| TA Realty Core | <p>In January 2015, the Founder of TA Realty LLC ("TA Realty" or "the Firm") sold a majority of his interest in the Firm to Mitsubishi Estate Co., Ltd ("MEC"), a global property owner, developer and investment manager. MEC's interests are held by its subsidiary MEC Global Partners America Inc. (formerly, Rockefeller Group TA Inc.). Following this transaction, MEC owned 70% of the Firm and TA Realty's Founder and 15 Partners owned 30% of the Firm. Michael Ruane, who founded TA Realty, initially retained approximately 20% of the non-MEC equity. The 30% of non-MEC equity is held by key employees on a long-term basis and will be subject to repurchase upon termination of employment with the expectation that the repurchased equity will be transferred, sold, or otherwise "recycled" to other key employees.</p> <p>As part of the continued succession of the Firm's leadership, Michael Ruane transitioned to a Senior Advisor to the Firm on July 1, 2020. As such, he no longer has any day-to-day involvement or oversight of the Firm nor does he serve on any of its committees but rather serves as a resource, if needed. Partners Mike Haggerty and Jim Raisides were named Managing Partners and members of the Board of Managers. Mike Haggerty, Jim Raisides and Managing Partner Jim Buckingham will lead the company going forward as leaders of the Management and Investment Committees and members of the Board of Managers. As fully contemplated by TA Realty's operating agreement, MEC repurchased approximately 10.5% of the Firm's equity that was owned by the Founder in March 2021. The recycling of this tranche of Founder's equity is currently underway and expected to be completed in 2021. The final tranche of the Founder's equity (also approximately 10.5%) is currently in the process of repurchase and is also targeted to be completed in 2021.</p> |
| Clarion LPF    | <p>From 1982 through 1996, Clarion operated as Jones Lang Wootton Realty Advisors, a venture between management and the UK-based brokerage firm, Jones Lang Wootton ("JLW"). In 1996, management purchased JLW's interest in the company and owned it privately until a sale to ING Group in 1998. Clarion was wholly owned by ING Group from 1998 to 2011 and managed autonomously as a real estate investment management business in the Americas. In June 2011, following the global financial crisis, ING exited the real estate business, and Clarion executed a management buyout of its business. The company was capitalized by senior management of the Firm and an affiliate of Lightyear Capital, a private equity firm specializing in the financial services industry.</p> <p>In April 2016, Clarion Partners became an investment management affiliate of Legg Mason, Inc. ("Legg"). Legg acquired the entire ownership position of Clarion's prior financial partner, Lightyear, as well as a portion of Clarion management's position. The Clarion management team retained an ownership stake in the business of over 18%.</p> <p>On July 31, 2020, Franklin Resources, Inc. ("Franklin Templeton") acquired Legg Mason, Inc., including its 82% interest in Clarion. As a specialist investment manager of Franklin Templeton, Clarion continues to operate in a fashion consistent with the prior Legg Mason structure, maintaining its independent brand, investment autonomy, and management ownership of 18% of the business.</p>  |

## Marquette Manager Search Phase Process

**Bottom-up Evaluation Process:** We use a bottom-up process to vet investment ideas. As an idea passes through multiple evaluation phases, the idea is provided with additional resources (i.e. time, attention, and money) and will be placed at a higher level of scrutiny. While the traditional and alternative research efforts utilize the same general approach, there are differences due to the specifics of each asset class. There is a product Set-Up and five levels of due diligence. Phase I and Phase II are the initial evaluation phases, Phase III is the documentation phase, Phase IV is the validation phase, and the last phase is the final recommendation and on-going due diligence. During every stage of the process, the lead analyst presents information at the weekly Investment Manager Search Committee ("IMC") meetings. The lead analyst or the IMC may "fail" an idea at any step in the process. In order to pass Phase III and IV, an idea must receive unanimous support from the IMC. Note: Managers included in Marquette searches may not be fully through all five phases of the evaluation process at the time the search is published.

|                  | Set Up                    | Phase I                        | Phase II                                | Phase III   | Phase IV  | Recommendation / Ongoing                        |
|------------------|---------------------------|--------------------------------|---|---|---|---|
| Manager Products | Traditional               | Collect Basic Information      | Quantitative Screen                     | Asset-Class/Account Specific RFI  | Full Due Diligence Check/Data Verification  | Final Recommendations and Ongoing Due Diligence |
|                  | Open Alternatives         | Collect Basic Information      | Qualitative /Quantitative Screen        | Asset-Class/Account Specific RFI  |   |   |
|                  | Closed Alternatives       | Collect Basic Information      | Qualitative /Quantitative Screen        | Asset-Class/Account Specific RFI  |   |   |
|                  | Initial Product Discovery | Determine Viability of Product | Determine whether product is attractive | Develop clear understanding of necessary info, including potential shortfalls | Includes:<br>1.On-site visit<br>2.Reference check<br>3.Technology evaluation<br>4.Culture evaluation<br>5.Compliance evaluation<br>6.Peer comparisons<br>7.IMC follow-up review | Ongoing due diligence                           |

## Definitions

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**Core Real Estate:** Equity investments in high quality, fully-leased properties in prime locations utilizing low leverage. Assets that achieve relatively high percentage of return from income and are expected to exhibit low volatility.

**Value - Added Real Estate:** Equity investments in direct properties with significant leasing risk or development risk utilizing higher leverage. These properties can involve repositioning, renovation, and redevelopment of existing properties. Assets that exhibit one or more of the following attributes: achieve significant portion of return from appreciation, exhibit moderate volatility and/ or not currently considered core property types.

**Opportunistic Real Estate:** Assets that are expected to derive most of their return from appreciation or may exhibit significant volatility in returns. This may be due to a variety of characteristics such as exposure to development projects, significant leasing risk, or high leverage, but may also result from a combination of moderate risk factors that in total create a more volatile return profile.

**Property Type (Core):** Office, Industrial, Retail, and Multi-Family (apartments).

**Property Type (Non-Core):** Hotel, Self-Storage, Senior Living, Medical Office, Land, etc.

**Real Estate Capital Stack:** Senior Debt, Mezzanine Debt, Preferred Equity, and Sponsor Equity.

**Life Cycles of Real Estate:** Forward Purchase Commitment, Pre-Development, Development, Initial Leasing, Operating/Stabilized, Re-Development/Repositioning.

**Forward Purchase Commitment:** A commitment to purchase at a pre-specified price when all conditions agreed to in the forward commitment have been met (off-balance sheet).

**Pre - Development:** Raw land or land undergoing property site development.

**Development:** Property under construction, including preparation and installation of infrastructure.

**Initial Leasing:** Completed construction that is less than 60% leased and which has been available for occupancy for less than one year.

**Operating / Stabilized:** Completed construction that has achieved 60% leasing status since the end of construction or has been available for occupancy for more than one year.

**Re-Development / Repositioning:** A property that is undergoing significant capital intensive activities such as redevelopment or asset repositioning such as Class B to Class A.

**Real Estate Risks:** liquidity, leverage, transparency, diversification, and valuation methodology.

**Liquidity:** Private equity commercial real estate is considerably less liquid than most financial assets. Industry market cycles, downturns in demand, market disruptions, and the lack of available capital from potential lenders or investors will all impact liquidity. Price and liquidity are jointly determined.

**Leverage:** Leverage magnifies the potential return on equity when income and property values are stable or improving. Leverage can also magnify investor losses when income and property values are deteriorating. Interest rate fluctuations will impact the mark-to-marking of debt.

**Transparency:** Private equity real estate is much less transparent than financial assets. The property's underlying value is a function of its location, age, condition, and occupancy. The property's financial and operational details are held by the investment manager and made available only to investors on a limited basis.

**Diversification:** Properties are subject to unique local and regional macroeconomic factors. Returns can vary widely among markets and property types.

**Valuation Methodology:** Appraisal methodology is highly subjective. Appraisal values tend to lag the underlying "true" market value. Frequency of appraisals and internal vs. external appraisals are factors in pricing.

## Definitions

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**QPAM:** Qualified Professional Asset Manager: In order for a real estate investment manager that does not fall within the part of the definition of a QPAM that is applicable to banks, savings and loan associations, and insurance companies to qualify as a QPAM, the investment manager must: (1) be registered as an investment adviser under the Investment Advisers Act of 1940 as amended; (2) have total client assets under its management and control in excess of \$85.0M as of the last day of the QPAM's most recent fiscal year; and (3) have shareholders' or partners' equity in excess of \$1.0M (or have an affiliate that satisfies this net worth requirement and unconditionally guarantees payment of all of the adviser's liabilities) as determined by the QPAM's most recent balance sheet provided it is no more than two years old and was prepared in accordance with GAAP.

**REIS:** Real Estate Information Standards: represents an evolving body of work that presents guidance and recommendations on behalf of the tax-exempt institutional real estate investment industry for calculating, presenting, and reporting real estate investment returns. REIS specifically addresses property valuation standards, market value accounting and reporting standards, and performance measurement standards. REIS is not authoritative.

**MSA Markets:** Metropolitan Statistical Area Markets: denotes an area associated with an urban area and are determined by the Census Bureau based on population and interaction.

**Correlation** Measures the variation between two sets of historical returns and is a useful tool in portfolio diversification. The correlation between two sets of returns is a number between -1.0 and +1.0. A +1.0 means that the two sets of returns move in the exact same manner, while a -1.0 means the returns move exactly opposite. The lower the correlation number, the stronger the diversification between two products.

**Down-Market Capture Ratio** is a measure of a manager's performance relative to the benchmark when the benchmark's monthly return is less than zero. The lower the manager's down-market capture ratio, the better the manager protected capital during a market decline. For instance, a value of 90.0 suggests that the manager's losses were only 90% of the benchmark's losses when the benchmark declined. A negative down-market capture ratio indicates that the manager's returns were actually positive when the benchmark declined.

**Up-Market Capture Ratio** is a measure of a manager's performance relative to the benchmark when the benchmark's monthly return is greater than or equal to zero. The higher the manager's up-market capture ratio, the better the manager performed during a market rise. For instance, a value of 110.0 suggests that the manager's returns were 110% of the benchmark's returns when the benchmark rose. An up-market capture ratio under 100.0 indicates that the manager's returns were less than the benchmark's returns in a positive market.

**Global Investment Performance Standards ® (GIPS)** is a set of standards developed by the CFA Institute to provide a common methodology of calculating and presenting historical performance. These standards provide uniformity for comparing investment returns and ensure accurate, accountant verified data.

**Information Ratio** is a measure of risk-adjusted value added by a manager. It is the ratio of a manager's excess return over the benchmark over the tracking error (residual risk).

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