AGENDA
INVESTMENT COMMITTEE OF THE EL CAMINO HOSPITAL BOARD OF DIRECTORS

Monday, May 10, 2021 – 5:30 pm
El Camino Hospital | 2500 Grant Road Mountain View, CA 94040

PURSUANT TO STATE OF CALIFORNIA EXECUTIVE ORDER N-29-20 DATED MARCH 18, 2020, El CAMINO HEALTH **WILL NOT BE PROVIDING A PHYSICAL LOCATION FOR THIS MEETING**. INSTEAD, THE PUBLIC IS INVITED TO JOIN THE OPEN SESSION MEETING VIA TELECONFERENCE AT:

1-669-900-9128, MEETING CODE: 966 7761 5228#. No participant code. Just press #.

PURPOSE: To develop and recommend to the El Camino Hospital Board of Directors the organization's investment policies, maintain current knowledge of the management and investment of the invested funds of the hospital and its pension plan(s), provide guidance to management in its investment management role, and provide oversight of the allocation of the investment assets.

	AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
1.	**CALL TO ORDER / ROLL CALL**	Brooks Nelson, Chair		**5:30 – 5:31**
2.	**POTENTIAL CONFLICT OF INTEREST DISCLOSURES**	Brooks Nelson, Chair		**information** **5:31 – 5:32**
3.	**PUBLIC COMMUNICATION** a. Oral Comments *This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not covered by the agenda.* b. Written Correspondence	Brooks Nelson, Chair		**information** **5:32 – 5:35**
4.	**CONSENT CALENDAR** *Any Committee Member may remove an item for discussion before a motion is made.* ***Approval*** a. Minutes of the Open Session of the Investment Committee Meeting (02/08/2021) b. Minutes of the Open Session of the Joint Finance and Investment Committee Meeting (01/25/2021) ***Information*** c. Article of Interest d. CFO Report Out – Open Session FC Materials i). Period 9 Financials Report ii). FY 2021 Q4 Forecast e. Progress Against FY21 IC Goals f. FY21 Pacing Plan	Brooks Nelson, Chair	*public comment*	**motion required** **5:35 – 5:40**
5.	**REPORT ON BOARD ACTIONS** **ATTACHMENT 5**	Peter Fung, Board Member		**information** **5:40-5:45**
6.	**ROTATING TOPICS** a. Capital Markets Review and Portfolio Performance b. Tactical Asset Allocation Positioning and Market Outlook	Antonio DiCosola and Chris Kuhlman, Pavilion, a Mercer Practice		**information** **5:45 – 6:20**
7.	**403 (b) INVESTMENT PERFORMANCE** **ATTACHMENT 7**	Brian Montanez, Multnomah Group		**information** **6:20 – 6:40**

A copy of the agenda for the Regular Meeting will be posted and distributed at least seventy-two (72) hours prior to the meeting. In observance of the Americans with Disabilities Act, please notify us at 650-988-7504 prior to the meeting so that we may provide the agenda in alternative formats or make disability-related modifications and accommodations.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
8. FY22 COMMITTEE PLANNING a. Proposed FY22 Committee Meeting Dates b. Proposed FY22 Committee Goals c. Proposed FY22 Pacing Plan	Brooks Nelson, Chair Carlos Bohorquez, CFO		**motion required** **6:40-6:50**
9. ADJOURN TO CLOSED SESSION	Brooks Nelson, Chair	*public comment*	**motion required** **6:50 – 6:51**
10. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Brooks Nelson, Chair		**information** **6:51 – 6:52**
11. CONSENT CALENDAR *Any Committee Member may remove an item for discussion before a motion is made.* ***Approval*** a. Minutes of the Closed Session of the Investment Committee Meeting (02/08/2021) b. Minutes of the Closed Session of the Joint Finance and Investment Committee Meeting (01/25/2021	Brooks Nelson, Chair		**motion required** **6:52-6:53**
12. *Gov't Code Sections 54957* for report and discussion on personnel matters – Senior Management: - Executive Session	Brooks Nelson, Chair		**information** **6:53 – 7:18**
13. ADJOURN TO OPEN SESSION	Brooks Nelson, Chair		**motion required** **7:18 – 7:19**
14. RECONVENE OPEN SESSION / REPORT OUT	Brooks Nelson, Chair		**information** **7:19 – 7:20**
To report any required disclosures regarding permissible actions taken during Closed Session.			
15. CLOSING COMMENTS	Brooks Nelson, Chair		**information** **7:20 – 7:24**
16. ADJOURNMENT	Brooks Nelson, Chair	*public comment*	**motion required** **7:24-7:25**

Minutes of the Open Session of the
Investment Committee of the
El Camino Hospital Board of Directors
Monday, February 8, 2021
El Camino Hospital, 2500 Grant Road, Mountain View, California

Members Present	**Members Absent**	**Staff Present**
Brooks Nelson, Chair**		**Carlos Bohorquez**, CFO**
Nicola Boone**		**Dan Woods**, CEO**
John Conover**		
Peter Fung, MD**		
Richard Juelis**	**via teleconference	

Agenda Item	Comments/Discussion	Approvals/ Action
1. **CALL TO ORDER**	The open session meeting of the Investment Committee of the El Camino Hospital Board of Directors (the "Committee") was called to order at 5:30 pm by Chair Brooks Nelson. A verbal roll call was taken. All members were present and participated telephonically. A quorum was present pursuant to State of California Executive Orders N-25-20 dated March 12, 2020 and N-29-20 dated March 18, 2020.	
2. **POTENTIAL CONFLICT OF INTEREST DISCLOSURES**	Chair Nelson asked if any Committee member or anyone in the audience believes that a Committee member may have a conflict of interest on any of the items on the agenda. No conflict of interest was reported.	
3. **PUBLIC COMMUNICATION**	There were no comments from the public.	
4. **CONSENT CALENDAR**	Chair Nelson asked if any Committee member wished to remove any items from the consent calendar for discussion. No items were pulled. **Motion:** To approve the consent calendar: (a) Open Minutes of the November 9, 2020 Investment Committee Meeting, and for information; (b) Article of Interest, (c) CFO Report Out – Open Session FC Materials (d) Progress Against FY2021 IC Goals, (e) FY21 Pacing Plan **Movant:** Boone **Second:** Juelis **Ayes:** Boone, Conover, Fung, Juelis, Nelson **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***Consent Calendar approved***
5. **REPORT ON BOARD ACTIONS**	Peter Fung, MD reported on Board Actions presented in the materials. He reported that new District board member, Carol Somersille, MD, will be a part of this committee. He also reported that the District had approved $100,000 in funding for the COVID-19 vaccinations. Lastly, Dr. Fung announced that there was a vacancy on the Hospital Board and the District would be having an Ad Hoc Committee meeting for such recruitment, selection, and proposal for the District Board. There were no questions about the Report on Board Actions.	
6. **PROPOSED FY2022 GOALS/PACING**	Carlos Bohorquez, CFO, reported on the proposed FY2022 materials. He stated that the presented Pacing Plan is only a draft and is open for questions	

Agenda Item	Comments/Discussion	Approvals/ Action
PLAN/MEETING DATES	and comments. He stated that the FY2022 Goals would be proposed in the next meeting. He suggested that the committee members review the dates and pacing plan to be approved next meeting and any afterthoughts can be emailed to him directly.	
7. **ROTATING TOPICS**	**Capital Markets Review and Portfolio Performance & Tactical Asset Allocation Positioning and Market Outlook** Antonio DiCosola and Chris Kuhlman from Pavilion, a Mercer Practice, reported the following on Capital Markets Review and Portfolio Performance: ➢ Following a strong economic rebound during the summer, the global economy slowed during the fourth quarter, as pandemic-related restrictions gradually returned to most major regions. However, the restrictions and economic impact were not as severe as in early 2020. ➢ Fiscal and monetary policy remained highly accommodative, with the US Congress passing further stimulus and the Federal Reserve indicating it will keep rates near zero until at least 2023. ➢ Political risks have likely faded with the outcome of the 2020 election confirmed. ➢ Global equities extended their rebound during Q4, with the MSCI ACWI index gaining 14.7% for the quarter and finishing the year with a 16.3% gain. ➢ Within equities, during the fourth quarter value outperformed growth, small-caps outperformed large-caps, and developed international and emerging markets outperformed the U.S. ➢ Broad fixed income generated modest positive returns during the quarter with corporate bonds outperforming treasuries. The Bloomberg Barclays US Aggregate Index returned 0.7%. The yield curve steepened, with 3-month yields basically flat, while 10- and 30-year yields rose by 24 bps and 19 bps, respectively. ➢ Both El Camino Hospital portfolios generated positive absolute and relative results during the fourth quarter. The Surplus Cash portfolio was up 8.5% versus 8.0% for its benchmark and the Cash Balance Plan was up 11.2% versus 9.2% for its benchmark. For calendar year 2020, the portfolios returned approximately 11.7% and 15.1%, respectively. ➢ Relative outperformance was driven by favorable manager results, particularly in equity. International value manager Causeway and large-cap growth manager Sands were the top relative performers during the quarter, outpacing their benchmarks by 10.3% and 6.7%, respectively. ➢ During the fourth quarter, Surplus Cash committed $20 million to Oaktree Opportunities Fund XI, of which $2 million had been called as of January 2021. ➢ Also within Surplus Cash, on December 1, 2020 new hedge fund strategies Voya Mortgage and Capstone Volatility each received initial contributions of $15 million, while Wolverine received a $5 million additional contribution on November 1, 2020. ➢ Within Cash Balance, a $6.0 million additional investment in Lighthouse was made as of November 1, 2020 to bring the alternatives allocation back within the policy range. ➢ Pavilion presented their Investment Outlook. In response to committee members' questions, Mr. DiCosola stated that Pointer had exposure to funds impacted by the short squeeze of GameStop	

Agenda Item	Comments/Discussion	Approvals/ Action
	shares and noted a squeeze of such magnitude is less likely going forward as managers are expected to tighten up their risk controls. In regards to performance dispersion between the Surplus Cash and Cash Balance hedge fund portfolios, it was explained that Cash Balance hedge fund of funds portfolio has higher net exposure, while the Surplus Cash direct hedge fund portfolio is more diversified. The Committee noted the strong liquidity profile of the Surplus Cash portfolio and discussed adding to private investments. This will be considered in the next asset allocation and enterprise risk framework.	
8. **ADJOURN TO CLOSED SESSION**	**Motion:** To adjourn to closed session at 6:43 pm. **Movant:** Boone **Second:** Conover **Ayes:** Boone, Conover, Fung, Juelis, Nelson **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***Adjourned to closed session at 6:43 pm***
9. **AGENDA ITEM 12: RECONVENE OPEN SESSION/REPORT OUT**	The open session reconvened at 6:55 pm. Agenda Items 9-11 were covered in closed session.	
10. **AGENDA ITEM 13: CLOSING COMMENTS**	There were no closing comments.	
11. **AGENDA ITEM 14: ADJOURNMENT**	**Motion:** To adjourn at 6:56 pm. **Movant:** Conover **Second:** Fung **Ayes:** Boone, Conover, Fung, Juelis, Nelson **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***Meeting adjourned at 6:56 pm***

Attest as to the approval of the Foregoing minutes by the Investment Committee of the Board of Directors of El Camino Hospital:

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Brooks Nelson
Chair, Investment Committee

Minutes of the Open Session of the
Special Joint Meeting of the Finance Committee and the Investment Committee
of the El Camino Hospital Board of Directors
Monday, January 25, 2021
El Camino Hospital, 2500 Grant Road, Mountain View, California

Members Present	Members Absent
Finance Committee	
John Zoglin, Chair**	
Gary Kalbach**	
Joseph Chow**	
Boyd Faust**	
Wayne Doiguchi**	
Investment Committee	
Brooks Nelson, Chair**	
Nicola Boone**	
John Conover**	
Peter Fung, MD**	
Richard Juelis**	**via teleconference

Agenda Item	Comments/Discussion	Approvals/ Action
1. **CALL TO ORDER**	The open session meeting of the Special Joint Meeting of the Finance Committee and Investment Committee of the El Camino Hospital Board of Directors (the "Committee") was called to order at 5:30 pm by Chair John Zoglin. A verbal roll call was taken. All members were present and participated telephonically. A quorum was present pursuant to State of California Executive Orders N-25-20 dated March 12, 2020 and N-29-20 dated March 18, 2020.	
2. **POTENTIAL CONFLICT OF INTEREST DISCLOSURES**	Chair Zoglin asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were reported.	
3. **PUBLIC COMMUNICATION**	There were no comments from the public.	
4. **ADJOURN TO CLOSED SESSION**	**Motion:** To adjourn to closed session at 5:36 pm. **Movant:** Kalbach **Second:** Nelson **Ayes:** Boone, Conover, Fung, Juelis, Nelson, Chow, Doiguchi, Faust, Kalbach, Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***Adjourned to closed session at 5:36 pm***
5. **AGENDA ITEM 8: RECONVENE OPEN SESSION/REPORT OUT**	The open session reconvened at 6:25 pm. Agenda Items 5-7 were covered in closed session.	

Agenda Item	Comments/Discussion	Approvals/ Action
6. **AGENDA ITEM 9: CLOSING COMMENTS**	There were no closing comments.	
7. **AGENDA ITEM 10: ADJOURNMENT**	**Motion:** To adjourn at 6:26 pm. **Movant:** Kalbach **Second:** Conover **Ayes:** Boone, Conover, Fung, Juelis, Nelson, Chow, Doiguchi, Faust, Kalbach, Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***Meeting adjourned at 6:26 pm***

Attest as to the approval of the Foregoing minutes by the Finance Committee and Investment Committee of the Board of Directors of El Camino Hospital:

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John Zoglin
Chair, Finance Committee

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Brooks Nelson
Chair, Investment Committee

CMS.gov | Centers for Medicare & Medicaid Services

Press release

Biden-Harris Administration Increases Medicare Payment for Life-Saving COVID-19 Vaccine

Mar 15, 2021

- Billing & payments

Today, the Centers for Medicare & Medicaid Services (CMS) is increasing the Medicare payment amount for administering the COVID-19 vaccine. This new and higher payment rate will support important actions taken by providers that are designed to increase the number of vaccines they can furnish each day, including establishing new or growing existing vaccination sites, conducting patient outreach and education, and hiring additional staff. At a time when vaccine supply is growing, CMS is supporting provider efforts to expand capacity and ensure that all Americans can be vaccinated against COVID-19 as soon as possible.

Effective for COVID-19 vaccines administered on or after March 15, 2021, the national average payment rate for physicians, hospitals, pharmacies and many other immunizers will be $40 to administer each dose of a COVID-19 vaccine. This represents an increase from approximately $28 to $40 for the administration of single-dose vaccines, and an increase from approximately $45 to $80 for the administration of COVID-19 vaccines requiring two doses. The exact payment rate for administration of each dose of a COVID-19 vaccine will depend on the type of entity that furnishes the service and will be geographically adjusted based on where the service is furnished.

These updates to the Medicare payment rate for COVID-19 vaccine administration reflect new information about the costs involved in administering the vaccine for different types of providers and suppliers, and the additional resources necessary to ensure the vaccine is administered safely and appropriately.

CMS is updating the set of toolkits for providers, states and insurers to help the health care system swiftly administer the vaccine with these new Medicare payment rates. These resources are designed to increase the number of providers that can administer the vaccine, ensure adequate payment for administering the vaccine to Medicare beneficiaries, and make it clear that no beneficiary, whether covered by private insurance, Medicare or Medicaid, should pay cost-sharing for the administration of the COVID-19 vaccine.

Coverage of COVID-19 Vaccines

As a condition of receiving free COVID-19 vaccines from the federal government, vaccine providers are prohibited from charging patients any amount for administration of the vaccine. To ensure broad and consistent coverage across programs and payers, the toolkits have specific information for several programs, including:

Medicare: Beneficiaries with Medicare pay nothing for COVID-19 vaccines and there is no applicable copayment, coinsurance or deductible.

Medicare Advantage (MA): For calendar years 2020 and 2021, Medicare will pay providers directly for the COVID-19 vaccine (if they do not receive it for free) and its administration for beneficiaries enrolled in MA plans. MA plans are not responsible for paying providers to administer the vaccine to MA enrollees during this time. Like beneficiaries in Original Medicare, Medicare Advantage enrollees also pay no cost-sharing for COVID-19 vaccines.

Medicaid: State Medicaid and CHIP agencies must provide vaccine administration with no cost sharing for nearly all beneficiaries during the public health emergency (PHE) and at least one year after it ends. Through the American Rescue Plan Act signed by President Biden on March 11, 2021, the COVID vaccine administration will be fully federally funded. The law also provides an expansion of individuals eligible for vaccine administration coverage. There will be more information provided in upcoming updates to the Medicaid toolkit at: https://www.medicaid.gov/state-resource-center/downloads/covid-19-vaccine-toolkit.pdf.

Private Plans: CMS, along with the Departments of Labor and Treasury, is requiring that most private health plans and issuers cover the COVID-19 vaccine and its administration, both in-network and out-of-network, with no cost sharing during the public health emergency (PHE). Current regulations provide that out-of-network rates must be reasonable, as compared to prevailing market rates, and reference the Medicare reimbursement rates as a potential guideline for insurance companies. In light of CMS's increased Medicare payment rates, CMS will expect commercial carriers to continue to ensure that their rates are reasonable in comparison to prevailing market rates.

Uninsured: For individuals who are uninsured, providers may submit claims for reimbursement for administering the COVID-19 vaccine to individuals without insurance through the Provider Relief Fund, administered by the Health Resources and Services Administration (HRSA).

More information on Medicare payment for COVID-19 vaccine administration – including a list of billing codes, payment allowances and effective dates – is available at https://www.cms.gov/medicare/covid-19/medicare-covid-19-vaccine-shot-payment.

More information regarding the Centers for Disease Control and Prevention (CDC) COVID-19 Vaccination Program Provider Requirements, and how the COVID-19 vaccine is provided at 100% no cost to recipients is available at: https://www.cdc.gov/vaccines/covid-19/vaccination-provider-support.html.

Information on the COVID-19 Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment, and Vaccine Administration for the Uninsured Program is available at https://www.hrsa.gov/CovidUninsuredClaim.

https://www.cms.gov/newsroom/press-releases/biden-harris-administration-increases-medicare-payment-life-saving-covid-19-vaccine

KFF Filling the need for trusted information on national health issues

Medicare Accelerated and Advance Payments for COVID-19 Revenue Loss: More Time to Repay

Juliette Cubanski, Karyn Schwartz, Jeannie Fuglesten Biniek and Tricia Neuman

Published: Oct 08, 2020

At the start of the COVID-19 pandemic, when it became clear that hospitals and other providers were losing revenue due to a sudden drop in admissions, procedures, and visits, the Centers for Medicare & Medicaid Services (CMS) and the Congress took action to mitigate the financial impact on health care providers across the country. In March 2020, CMS accelerated Medicare payments to hospitals and advanced payments to physicians and other providers to minimize the effects of revenue shortfalls, and Congress passed the CARES Act, which provided grants to providers to help offset losses due to the pandemic. This brief provides an overview and status update of payments made to providers in response to the pandemic through Medicare's accelerated and advance payments programs, as well other sources of funding.

What are the Accelerated and Advance Payment Programs and how were these payments allocated in response to COVID-19?

The Medicare Accelerated and Advance Payment Programs, which existed before the pandemic, are designed to help hospitals and other providers facing cash flow disruptions during an emergency. These are loans that must be paid back, with timelines and terms for repayment. The CARES Act significantly expanded this program to include a broader set of hospitals, health professionals, and suppliers during the COVID-19 public health emergency. These loans are paid out of the Medicare Hospital Insurance (Part A) and the Supplementary Medical Insurance (Part B) trust funds.

As of May 2020, a total of $100 billion had been distributed to hospitals and other types of providers impacted by the COVID-19 pandemic through the accelerated and advance payment programs. The vast majority of these payments ($92 billion) went to providers that participate in Part A, which pays for inpatient hospital stays, skilled nursing facility (SNF) stays, some home health visits, and hospice care. Of this amount, $78 billion went to short stay hospitals and a combined $5 billion went to skilled nursing facilities and home health providers (Figure 1). Advance payments to Part A providers that offer both Part A and Part B services include loans for services that were funded through both the Part A trust fund (for Part A services) and the Part B trust fund (for Part B services).

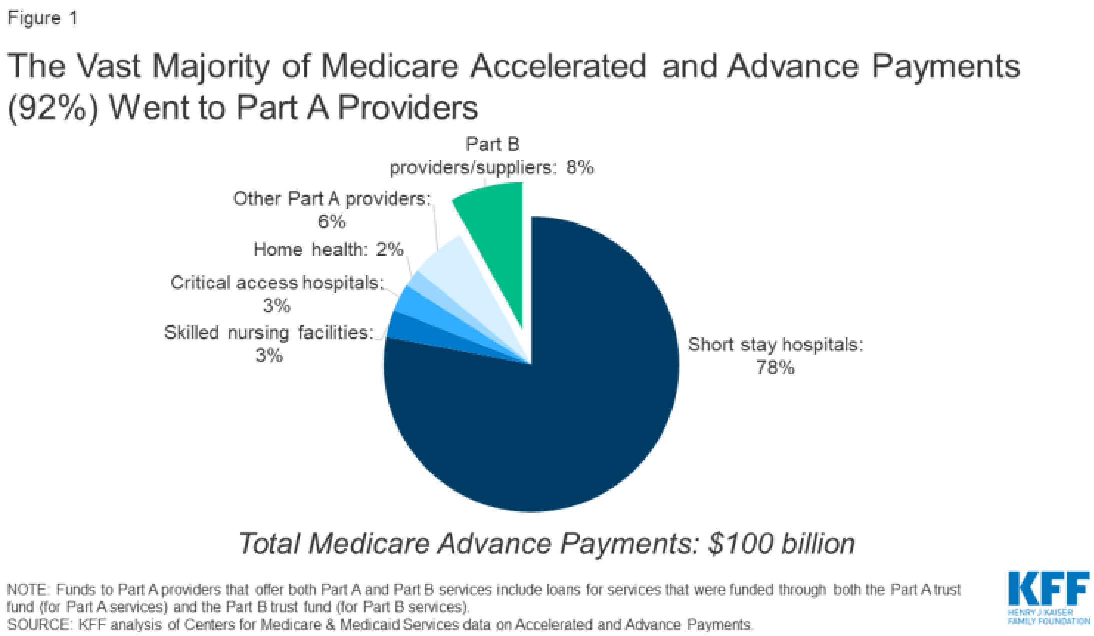


Figure 1: The Vast Majority of Medicare Accelerated and Advance Payments (92%) Went to Part A Providers

The loans made under this program are an advance on reimbursement from traditional (fee-for-service) Medicare – an approach that may be less helpful to hospitals and other providers that serve a relatively large share of patients enrolled in Medicare Advantage plans. The share of Medicare beneficiaries in Medicare Advantage plans varies widely by state and county, ranging from less than 1% in some counties to more than 60% in others, including two-thirds of beneficiaries in Miami-Dade county in Florida.

What other financial assistance have providers received during the COVID-19 pandemic?

Money that providers received through the Accelerated and Advance Payment programs in the spring of 2020 likely served as a lifeline for many providers that were facing dramatic drops in revenue due to delays in non-emergency procedures. But these loans are not the only assistance providers have received since the start of the COVID-19 pandemic. Other financial assistance includes:

- **Provider relief grants:** The CARES Act and the Paycheck Protection Program and Health Care Enhancement Act allocated $175 billion for grants to health care providers that do not have to be paid back. Of the $144 billion that already has been allocated, $50 billion went to Medicare providers proportionately based on their total net patient revenue. This formula favored hospitals that get most of their revenue from private insurance, which typically reimburses at prices that are twice as high as what Medicare pays, disproportionately helping for-profit hospitals and hospitals with higher operating margins. Additionally, $22 billion in grants went to hospitals that treated a high number of COVID-19 inpatients, $11 billion went to rural providers, and $13 billion went to safety net hospitals.

- **Treasury department and Small Business Administration loans:** Health care providers are potentially eligible for some of the loan programs included in the CARES Act, including the Paycheck Protection Program (PPP). Under the PPP for small businesses, loans are forgiven if employers do not lay off workers and meet other criteria. According to a Treasury Department analysis, health care providers received nearly $68 billion of the $520 billion in PPP loans that have been distributed. The CARES Act also appropriated $454 billion for loans to qualifying larger businesses – including hospitals and other large health care entities – but the eligibility criteria for those loans have limited their reach.

- **Increase in Medicare COVID-19 inpatient reimbursement:** During the public health emergency, Medicare is increasing all inpatient reimbursement for COVID-19 patients by 20%. This payment increase applies to all hospitals paid under the inpatient prospective payment system and so would not apply to critical access hospitals. The Congressional Budget Office estimated that this change will increase Medicare spending by about $3 billion.

What is the current status of the Accelerated and Advance Payment Programs?

Providers that received the advanced and accelerated payments were scheduled to begin repayment of those loans in August 2020, but CMS delayed the start of repayment at that time. In the Continuing Appropriations Act, 2021 and Other Extensions Act (H.R. 8337), signed into law on October 1, 2020, Congress gave hospitals and other providers that received Medicare accelerated and advance payments one year from when the first loan payment was made to begin making repayments – delaying the start of the repayment period to spring of 2021.

Once repayments begin, Medicare providers can continue to submit claims, but a portion of the new claims will be offset to repay the loans (25% during the first 11 months of repayment and 50% during the next six months). In other words, a portion of the Medicare reimbursements that providers would otherwise receive will instead go towards repaying the loans they received from Medicare. Providers are required to have paid back the loans in full 29 months after the first payment was made. If any money remains unpaid at that time, an interest rate of 4 percent will begin to be charged.

These modified repayment terms are more favorable than those that are typically attached to loans provided through the accelerated and advance payment programs. The original timeline for repaying the loans was shorter and the original terms required that loan repayment would fully offset Medicare reimbursements that providers would have otherwise received for claims submitted during the repayment period. Additionally, money that was unpaid after the final due date was originally subject to an interest rate of about 10 percent.

What is the implication for providers of repaying these amounts?

The Medicare advance and accelerated payment program provided quick access to funds at a time when many hospitals were facing an unexpected and unprecedented disruption in cash flow. While some hospitals are continuing to struggle due to expenses and lost revenue related to coronavirus, other hospitals have posted profits and are reporting no liquidity concerns. As of July 2020, hospital admissions had rebounded to 92% of pre-pandemic baseline volumes.

Even before the coronavirus pandemic, hospitals' financial situations varied widely, with some hospitals having much larger financial reserves than others. In 2018, the median hospital had enough cash on hand to pay its operating expenses for 53 days, but the 25th percentile hospital only hand enough cash on hand for 8 days. Smaller hospitals and rural hospitals are among those most likely to face financial challenges in the wake of COVID-19 revenue loss and may be those that most needed the recent changes to the loan repayment terms.

What are the implications for Medicare of modifications to the repayment requirements?

Before Congress authorized an extended timeline for repaying these loans and other modifications to the terms of repayment, some providers had been lobbying to have the loans forgiven altogether for all hospitals or a subset of those that have been most adversely affected by the pandemic. It is possible that the push for loan forgiveness will resume in the spring of 2021, closer to the new date for the start of loan repayments.

Modifications to the repayment requirements that would cancel amounts owed to Medicare for some (if not all) providers would have negative repercussions on the Medicare Hospital Insurance (Part A) trust fund, which is already facing a loss of payroll tax revenue due to due to the unemployment crisis brought about by the pandemic. Without taking into account the expected effects of the pandemic, government actuaries estimated that trust fund reserves would be $185 billion at the end of 2020, which is likely to be an overestimate because it does not take into account the loss of revenue due to the pandemic. Outlays from the trust fund have also been affected by the 20% increase in Medicare inpatient reimbursement for COVID-19 patients authorized by the CARES Act, although there have also been offsets in spending due to reductions in the use of health care by Medicare beneficiaries unrelated to the coronavirus.

In 2020, the Medicare trustees projected that the Part A trust fund would be insolvent by 2026, but that projection did not account for the impact of the COVID-19 pandemic on

Medicare spending and revenues. A more recent estimate from the Congressional Budget Office projects that the Part A trust fund will be depleted in 2024. If a significant share of the advance payment loans was not repaid and no other changes were made to hold the Part A trust fund harmless, it could have a material impact on the solvency of the trust fund and its ability to fully meet obligations beyond the next few years.

In the 2021 continuing appropriations legislation, Congress authorized a transfer of money from the general fund of the Treasury to the Medicare Part B (Supplementary Medical Insurance, or SMI) trust fund to equal the amount paid to Part B providers through the Medicare Advance Payment program. This transfer will help to protect Medicare beneficiaries from a steep Part B premium increase that would have occurred otherwise in 2021 to account for higher Part B spending associated with the advance payments.

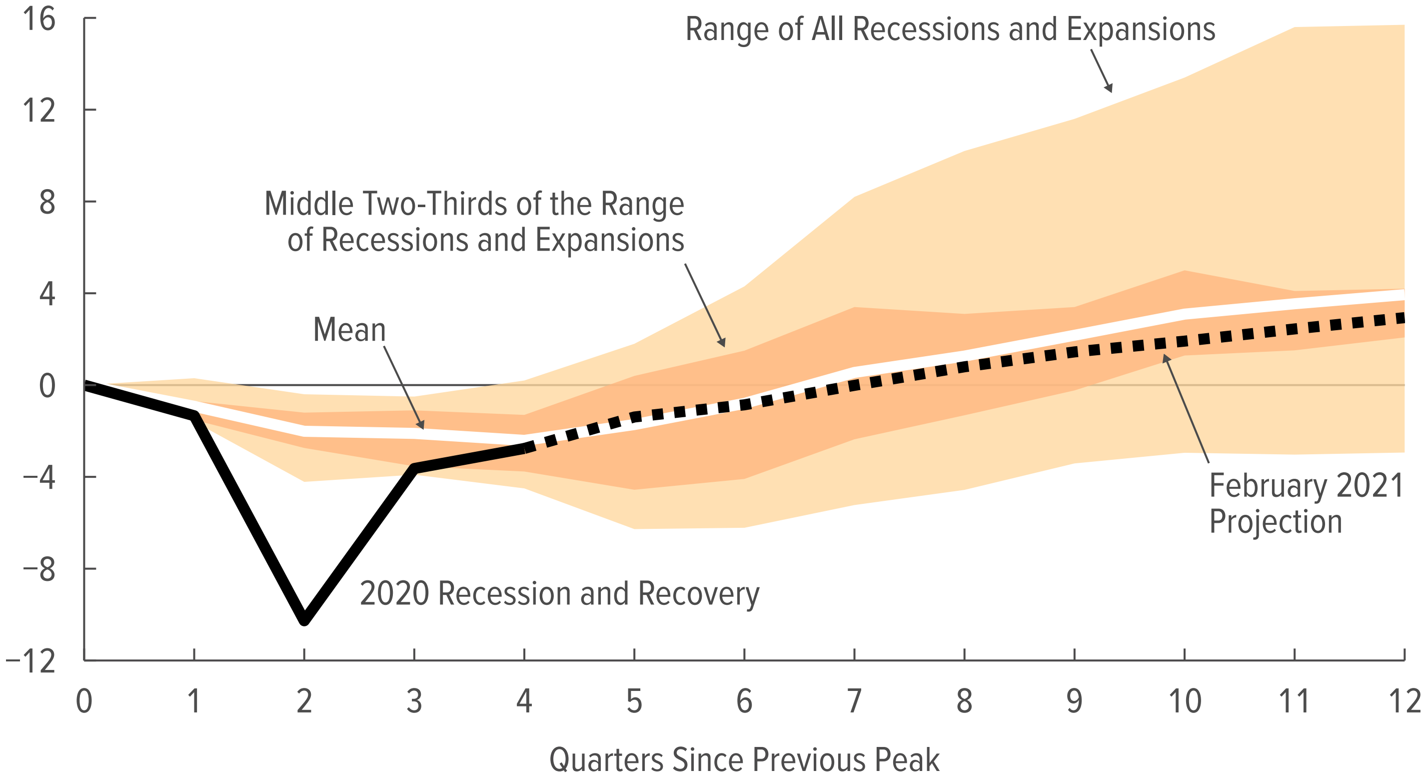
If policymakers consider additional adjustments to the terms for repayment of loans from hospitals and other health care providers, they may want to take into account the different sources of funds that have been distributed since the start of the pandemic, the fact that some providers have recovered more quickly than others, and the extent to which any change could exacerbate the fiscal strain on the Medicare Hospital Insurance Trust Fund.

https://www.kff.org/medicare/issue-brief/medicare-accelerated-and-advance-payments-for-covid-19-revenue-loss-more-time-to-repay/#:~:text=The%20Medicare%20Accelerated%20and%20Advance%20Payment%20Programs%2C%20which,paid%20back%2C%20with%20timelines%20and%20terms%20for%20repayment.

Congressional Budget Office
Nonpartisan Analysis for the U.S. Congress

Additional Information About the Economic Outlook: 2021 to 2031

Real GDP per Member of the Potential Labor Force Across Business Cycles
Percentage Change From Previous Peak



FEBRUARY | 2021

At a Glance

In this report, the Congressional Budget Office provides additional information about the economic projections that the agency released on February 1, 2021.

- As expanded vaccination reduces the spread of COVID-19 (the disease caused by the coronavirus) and the extent of social distancing declines, real (inflation-adjusted) gross domestic product (GDP) is projected to grow by 3.7 percent in 2021, returning to its level from before the 2020–2021 coronavirus pandemic by the middle of the year.
- With growth averaging 2.6 percent over the 2021–2025 period, real GDP surpasses its potential (maximum sustainable) level in early 2025. The unemployment rate gradually declines through 2026, and the number of employed people returns to its prepandemic level in 2024.
- Real GDP growth averages 1.6 percent over the 2026–2031 period. That average growth rate of output is less than its long-term historical average, primarily because the labor force is expected to grow more slowly than it has in the past.
- Over the forecast period, the interest rate on 10-year Treasury notes is projected to rise gradually, reaching 3.4 percent in 2031.

Contents

Notes

The economic projections in this report reflect economic developments through January 12, 2021, including the estimated effects on the economy of the Consolidated Appropriations Act, 2021 (Public Law 116-260). The projections do not include budgetary or economic effects of subsequent legislation, economic developments, administrative actions, or regulatory changes.

The Congressional Budget Office also published the economic projections separately on February 1, 2021 (www.cbo.gov/publication/56965) and jointly with the agency's budget projections on February 11, 2021 (www.cbo.gov/publication/56970), to provide the Congress with information as promptly as possible as it continued to address the consequences of the 2020–2021 coronavirus pandemic.

Unless this report indicates otherwise, all years referred to are calendar years.

Numbers in the text, tables, and figures may not add up to totals because of rounding.

Some of the figures in this report use shaded vertical bars to indicate periods of recession, which extend from the peak of a business cycle to its trough. The National Bureau of Economic Research (NBER) has determined that an expansion ended and a recession began in February 2020. Although the NBER has not yet identified the end of that recession, CBO estimates that it ended in the second quarter of 2020.

Supplemental data for this analysis are available on CBO's website (www.cbo.gov/publication/56989), as are a glossary of common budgetary and economic terms (www.cbo.gov/publication/42904), a description of how CBO prepares its economic forecast (www.cbo.gov/publication/53537), and previous editions of this report (https://go.usa.gov/xQrzS).

Additional Information About the Economic Outlook: 2021 to 2031

Overview

The 2020–2021 coronavirus pandemic caused severe economic disruption last year as households, governments, and businesses adopted a variety of mandatory and voluntary measures—collectively referred to here as social distancing—to limit in-person interactions that could spread the virus. The impact was focused on particular sectors of the economy, such as travel and hospitality, and job losses were concentrated among lower-wage workers.

Over the course of the coming year, vaccination is expected to greatly reduce the number of new cases of COVID-19, the disease caused by the coronavirus. As a result, the extent of social distancing is expected to decline. In its new economic forecast, which covers the period from 2021 to 2031, the Congressional Budget Office therefore projects that the economy will continue the recovery that it began in 2020 and then enter a sustained expansion (see Table 1). Specifically, real (inflation-adjusted) gross domestic product (GDP) is projected to return to its prepandemic level in mid-2021 and to surpass its potential (that is, its maximum sustainable) level in early 2025.[1] In CBO's projections, the unemployment rate gradually declines through 2026, and the number of people employed returns to its prepandemic level in 2024.

The Economic Outlook for 2021 to 2025

In CBO's projections, which incorporate the assumptions that current laws (as of January 12) governing federal taxes and spending generally remain in place and that no significant additional emergency funding or aid is provided, the economy continues to strengthen during the next five years.

- Real GDP expands rapidly over the coming year, reaching its previous business-cycle peak (which was attained in the fourth quarter of 2019) in mid-2021 and surpassing its potential level in early 2025. The annual growth of real GDP averages 2.6 percent during the five-year period, exceeding the 1.9 percent growth rate of real potential GDP (see Figure 1).
- Labor market conditions continue to improve. As the economy expands, many people rejoin the civilian labor force who had left it during the pandemic, restoring it to its prepandemic size in 2022.[2] The unemployment rate gradually declines throughout the period, and the number of people employed returns to its prepandemic level in 2024.
- Inflation, as measured by the price index for personal consumption expenditures (PCE), rises gradually over the next few years and exceeds 2.0 percent after 2023, as the Federal Reserve maintains low interest rates and continues to purchase long-term securities.
- Interest rates on federal borrowing rise. The Federal Reserve maintains the federal funds rate (the rate that financial institutions charge each other for overnight loans of their monetary reserves) near zero through mid-2024 and then starts to raise that rate gradually. The interest rate on 3-month Treasury bills closely follows the federal funds rate. The interest rate on 10-year Treasury notes rises as the Federal Reserve reduces the pace of its asset purchases and investors anticipate rising short-term interest rates later in the decade.

CBO's projections of economic growth have been boosted by various laws enacted in 2020.[3] Most recently, in late December, the Consolidated Appropriations Act, 2021 (Public Law 116-260), appropriated funds for

1. As applied to GDP, the term "prepandemic" refers to its level in the fourth quarter of 2019; applied to employment, it refers to its level in February 2020.

2. The labor force is the number of people age 16 or older in the civilian noninstitutionalized population who have jobs or who are available for work and are actively seeking jobs.

3. See Congressional Budget Office, *The Effects of Pandemic-Related Legislation on Output* (September 2020), www.cbo.gov/publication/56537.

Table 1.

CBO's Economic Projections for Calendar Years 2021 to 2031

	2020	2021	2022	2023	Annual Average 2024–2025	Annual Average 2026–2031
	Percentage Change From Fourth Quarter to Fourth Quarter					
Gross Domestic Product						
Real[a]	-2.5	3.7	2.4	2.3	2.2	1.6
Nominal	-1.2	5.6	4.5	4.3	4.4	3.8
Inflation						
PCE price index	1.2	1.7	1.9	1.9	2.1	2.1
Core PCE price index[b]	1.4	1.5	1.9	1.9	2.1	2.1
Consumer price index[c]	1.2	1.9	2.2	2.3	2.4	2.4
Core consumer price index[b]	1.6	1.5	2.2	2.3	2.4	2.4
GDP price index	1.3	1.9	2.0	2.0	2.1	2.1
Employment Cost Index[d]	2.8	2.3	2.8	3.0	3.2	3.3
	Fourth-Quarter Level (Percent)					
Unemployment Rate	6.8	5.3	4.9	4.6	4.0[e]	4.3[f]
	Percentage Change From Year to Year					
Gross Domestic Product						
Real[a]	-3.5	4.6	2.9	2.2	2.3	1.7
Nominal	-2.3	6.3	4.9	4.2	4.4	3.8
Inflation						
PCE price index	1.2	1.6	1.8	1.9	2.0	2.1
Core PCE price index[b]	1.4	1.5	1.8	1.9	2.0	2.1
Consumer price index[c]	1.3	1.9	2.1	2.3	2.3	2.4
Core consumer price index[b]	1.7	1.6	2.1	2.3	2.4	2.4
GDP price index	1.2	1.6	1.9	2.0	2.1	2.1
Employment Cost Index[d]	2.9	2.1	2.6	2.9	3.1	3.3
	Annual Average					
Unemployment Rate (Percent)	8.1	5.7	5.0	4.7	4.2	4.1
Labor Force Participation Rate (Percent)[g]	61.7	61.9	62.1	62.0	61.9	61.2
Payroll Employment (Monthly change, in thousands)[h]	-765	521	145	145	135	40
Interest Rates (Percent)						
Three-month Treasury bills	0.4	0.1	0.1	0.2	0.4	1.7
Ten-year Treasury notes	0.9	1.1	1.3	1.5	2.0	3.0
Tax Bases (Percentage of GDP)						
Wages and salaries	44.8	44.0	43.9	43.9	43.9	43.6
Domestic corporate profits[i]	7.6[j]	7.9	7.5	7.7	8.2	8.0
Current Account Balance (Percentage of GDP)[k]	-2.8[j]	-2.9	-2.4	-2.0	-2.0	-2.2

Data sources: Congressional Budget Office; Bureau of Economic Analysis; Bureau of Labor Statistics; Federal Reserve. See www.cbo.gov/publication/56989#data.

GDP = gross domestic product; PCE = personal consumption expenditures.

a. Real values are nominal values that have been adjusted to remove the effects of changes in prices.

b. Excludes prices for food and energy.

c. The consumer price index for all urban consumers.

d. The employment cost index for wages and salaries of workers in private industry.

e. Value for the fourth quarter of 2025.

f. Value for the fourth quarter of 2031.

g. The share of the civilian noninstitutionalized population age 16 or older that has jobs or that is available for and actively seeking work.

h. The average monthly change in the number of employees on nonfarm payrolls, calculated by dividing the change from the fourth quarter of one calendar year to the fourth quarter of the next by 12.

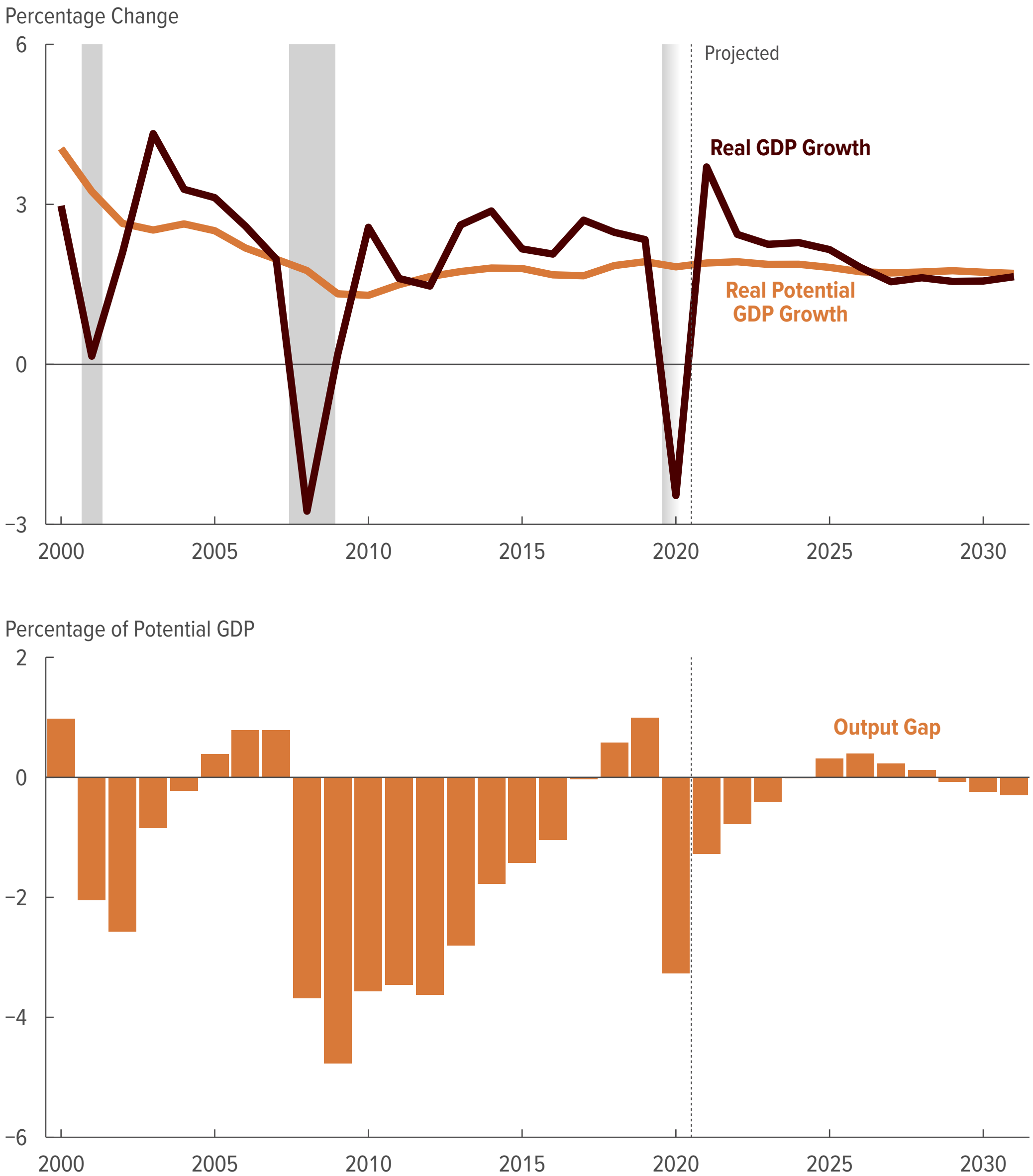
i. Adjusted to remove distortions in depreciation allowances caused by tax rules and to exclude the effects of changes in prices on the value of inventories.

j. Estimated value for 2020.

k. Represents net exports of goods and services, net capital income, and net transfer payments between the United States and the rest of the world.

Figure 1.

The Relationship Between GDP and Potential GDP



In CBO's projections, the annual growth of real (inflation-adjusted) GDP exceeds that of real potential GDP until 2027.

The output gap between real GDP and real potential GDP is positive for several years, starting in 2025, before moving back toward its historical average.

Data sources: Congressional Budget Office; Bureau of Economic Analysis. See www.cbo.gov/publication/56989#data.

Real values are nominal values that have been adjusted to remove the effects of changes in prices. Potential GDP is CBO's estimate of the maximum sustainable output of the economy. Growth of real GDP and of real potential GDP is measured from the fourth quarter of one calendar year to the fourth quarter of the next.

The output gap is the difference between GDP and potential GDP, expressed as a percentage of potential GDP. A positive value indicates that GDP exceeds potential GDP; a negative value indicates that GDP falls short of potential GDP. Values for the output gap are for the fourth quarter of each year.

GDP = gross domestic product.

the remainder of fiscal year 2021, provided additional emergency funding for federal agencies to respond to the public health emergency created by the pandemic, and provided financial support to households, businesses, and nonfederal governments affected by the economic downturn, among other measures. CBO estimates that the pandemic-related provisions in that legislation will add $774 billion to the deficit in fiscal year 2021 and $98 billion in 2022.[4] Those provisions will boost the level of real GDP by 1.8 percent in calendar year 2021 and by 1.1 percent in calendar year 2022, CBO estimates.

The Economic Outlook for 2026 to 2031

In CBO's forecast, the economy continues to expand from 2026 to 2031. Real GDP grows by 1.6 percent per year, on average. Real potential GDP grows slightly more rapidly. For most of the period, the Federal Reserve allows inflation to remain above its long-run objective level; the level of real GDP likewise remains above the level of real potential GDP for several years. Eventually, less accommodative monetary policies help push GDP back toward its historical average relationship with potential GDP.

A mild increase in productivity growth causes potential output in CBO's projections to grow more quickly over the 2021–2031 period than it has grown since the 2007–2009 recession. However, potential output still grows more slowly than it has grown since 1950, mainly because of an ongoing, long-term slowdown in the growth of the labor force.

Uncertainties in the Economic Outlook

CBO's projections reflect an average of possible outcomes under current law. But these projections are subject to an unusually high degree of uncertainty, and that uncertainty stems from many sources, including the course of the pandemic, the effectiveness of monetary and fiscal policies, and the response of global financial markets to substantial increases in public deficits and debt. As a result, the economy could expand substantially more quickly or more slowly than CBO currently projects. Labor market conditions could likewise improve more quickly or slowly than projected, and inflation and interest rates could rise more rapidly or slowly as well. Also uncertain is the impact of the pandemic on the economy over the longer term, including effects on productivity, the labor force, and technological innovation.

Comparison With CBO's Previous Projections and Other Economic Projections

CBO currently projects a stronger economy than it did in July 2020, in large part because the downturn was not as severe as expected and because the first stage of the recovery took place sooner and was stronger than CBO expected.[5] GDP and employment are projected to be higher and to be accompanied by modestly higher inflation and higher interest rates than they were in CBO's July projections. The fact that the downturn was less severe and the recovery stronger than previously projected also changed the projected pattern of growth: CBO's current projections of GDP growth are stronger, on average, for the first half of the projection period than they were in July but weaker for the second half.

CBO made those changes to its economic projections even though it expects social distancing to be more pronounced and to last longer than projected in July. The projected effects of the Consolidated Appropriations Act, 2021, played a part in improving the economic outlook.

The economic projections in CBO's latest forecast for growth of real output in 2021 and 2022 are near the middle of the range of forecasts by private-sector economists who contributed to the January 2021 *Blue Chip Economic Indicators*. Compared with the forecasts in the Federal Reserve's most recent *Summary of Economic Projections*, CBO's projection for growth of real output is consistent with their central tendency in 2021 and within the full range (but suggesting a somewhat weaker economic outlook than is consistent with their central tendency) in 2022.

Current Conditions: Recovery From the Pandemic-Induced Recession

The pandemic continues to affect economic activity throughout the United States and much of the rest of the world. Although real GDP and employment have substantially improved from their recent low points, both remain well below their prepandemic levels.

4. Those provisions are contained in divisions M, N, and EE of the Consolidated Appropriations Act, 2021.

5. See Congressional Budget Office, *An Update to the Economic Outlook: 2020 to 2030* (July 2020), www.cbo.gov/publication/56442.

The Coronavirus Pandemic

The pandemic spread widely throughout the United States in the spring and summer of 2020, with varying regional intensity over time. The largest and most widespread wave of infections to date stretched through the fall of 2020 into the winter of 2021. Although vaccines have been successfully tested and have begun to be distributed, the pandemic and behavioral responses to it will probably continue to influence economic activities for at least the next year. In CBO's projections, the pandemic is expected to be gradually brought under control over the course of 2021 as effective vaccines are distributed across the country. As immunity to the virus expands, the intensity of social distancing measures—both voluntary and mandated—will decrease, allowing businesses and households to gradually resume their regular activities.

Gross Domestic Product

Responses to the spread of the virus resulted in a record 10.1 percent decline in real GDP from the peak of the business cycle in the fourth quarter of 2019 to the second quarter of 2020. As social distancing measures eased, people and businesses adapted to the pandemic, and stimulus payments were distributed, real GDP rebounded by 8.5 percent in the second half of the year. By the fourth quarter of 2020, it was just 2.5 percent below its level in the fourth quarter of 2019. The shortfall in demand was concentrated in services, reflecting the disproportionate impact of social distancing on service activities and underlining the importance of addressing the pandemic in promoting economic recovery.

The Labor Market

Labor market conditions began improving in May—at a pace that exceeded CBO's expectations at the time—as households, businesses, and governments adapted to the pandemic and resumed economic activities. Over the summer and fall of 2020, the U.S. economy regained more than half of the more than 20 million payroll jobs it lost in the early spring. The unemployment rate fell from close to 15 percent in April to 6.7 percent in November, driven largely by a reduction in the number of unemployed workers on temporary layoff. Participation in the labor force also recovered over the summer, but relatively weakly, and its improvement has stalled since.

As the economy headed into the winter of 2020–2021, the labor market remained relatively weak and sensitive to the pandemic. Amid a winter surge in COVID-19 cases, layoffs in virus-sensitive sectors (particularly leisure and hospitality but also education services and other services) began rising again, driving up unemployment rates for groups of people who disproportionally work in those industries, such as the youngest workers (ages 16 to 24), Hispanic workers, and workers without a high school diploma. In contrast to the earlier phase of the pandemic, however, job gains tended to persist in other sectors, including manufacturing, construction, and retail trade. Nevertheless, household employment and overall nonfarm payroll employment remain substantially below their respective estimated long-run potential levels as well as prepandemic peak levels. In January 2021, 4.3 million fewer people were in the labor force and 4.4 million more workers were unemployed than in February 2020. The declines in employment differed between women and men and by other demographic characteristics (see Box 1).

Employment. The initial rebound in nonfarm payroll employment and household employment during the summer was relatively strong. According to the current official statistics published by the Bureau of Labor Statistics, the U.S. economy lost 22 million nonfarm payroll jobs during March and April of 2020, and close to 25 million workers became unemployed or dropped out of the labor force; in the subsequent six months, the economy regained roughly 60 percent of those lost jobs. In particular, from April to September, nonfarm payroll increased by an average of 2.3 million jobs each month—a pace of recovery that has greatly exceeded economists' initial expectations.

The pace of the rebound in employment differed by industry, however, and some industries continued to see declines. As of late 2020, two sectors—retail trade and construction—had each regained 80 percent of their peak job losses from the spring, considerably outpacing the recovery in the other sectors. The strong employment growth in retail trade reflects, among other things, the strong growth in consumer spending on goods in the second half of 2020, as households shifted their demand from services to goods because of social distancing. Meanwhile, a boom in the residential housing market contributed to the strong employment growth in the construction sector. The leisure and hospitality sector also recovered substantially, recouping 5 million jobs by November, or about 60 percent of its peak loss since the spring.

Box 1.

Effects of the Pandemic-Induced Recession on the Employment of Women and Men

Although the 2020–2021 coronavirus pandemic has affected all members of society, its effects on the labor market and its economic toll have varied considerably for workers of different demographic characteristics. In particular, the employment of women has declined more than that of men. Furthermore, employment losses have differed among women and among men: Women and men with less education have tended to experience more job loss, and job loss has differed within each group by race and ethnicity.

Effects on Women's and Men's Employment

Even though both men and women experienced significant job loss in the early spring of 2020, the percentage decline in employment was larger for women. In the second quarter of 2020, 14.5 percent (or 10.9 million) fewer women were employed than in the fourth quarter of 2019; by comparison, 12.1 percent (or 10.1 million) fewer men were employed (see the figure). Over the subsequent months, employment of both men and women rebounded robustly, but the shortfall remained larger for women. By the fourth quarter of 2020, women's employment was 5.8 percent below its level one year earlier, compared with 5.3 percent for men's employment.[1]

The relatively large job loss for women during the pandemic-induced recession primarily reflects two factors. First, the industries and occupations most affected by the pandemic were also those that tend to employ large numbers of women. For instance, in 2019, half of workers in the leisure and hospitality sector and three-quarters of those in the education and health services sectors were women. By contrast, almost 70 percent of those employed in the manufacturing sector and 90 percent of those in the construction sector were men.

Second, widespread school closures and child care disruptions probably caused many women to stop working in order to provide care at home. The Congressional Budget Office estimates that, on net, about 1 million mothers (specifically, women with at least one child age 17 or younger at home) left the labor force between the fall of 2019 and the fall of 2020, whereas about a half million fathers, on net, left the labor force over that same time frame. In addition, CBO estimates that between the first two months of 2020 (before any significant effects of the pandemic on employment had occurred) and the fourth quarter of 2020, the labor force participation rate for mothers fell by 2.7 percentage points more than that for women without children at home. By contrast, the labor force participation rate for fathers fell by 0.8 percentage points more than that for men without children at home. Furthermore, the decline in mothers' labor force participation appears to be concentrated among two-parent families.[2]

The relatively larger decline in the employment of women than of men is one of the most distinct features of this recession compared with previous recessions. In previous recessions, men—particularly those in sectors such as manufacturing and construction—tended to experience larger employment losses than women. In the aftermath of the 2007–2009 recession, for instance, peak employment loss for men was almost double that for women in percentage terms.

Differences in Effects by Demographic Characteristics

Among women and men, employment losses during the pandemic have differed by education as well as by race and ethnicity. Among both men and women age 25 or older, those with at least a bachelor's degree were less likely to experience job loss than those without a bachelor's degree. For workers with similar educational attainment, however, women still experienced greater employment loss than men, on average, in part because women are more likely to work in the sectors that are most affected by the pandemic and related recession.

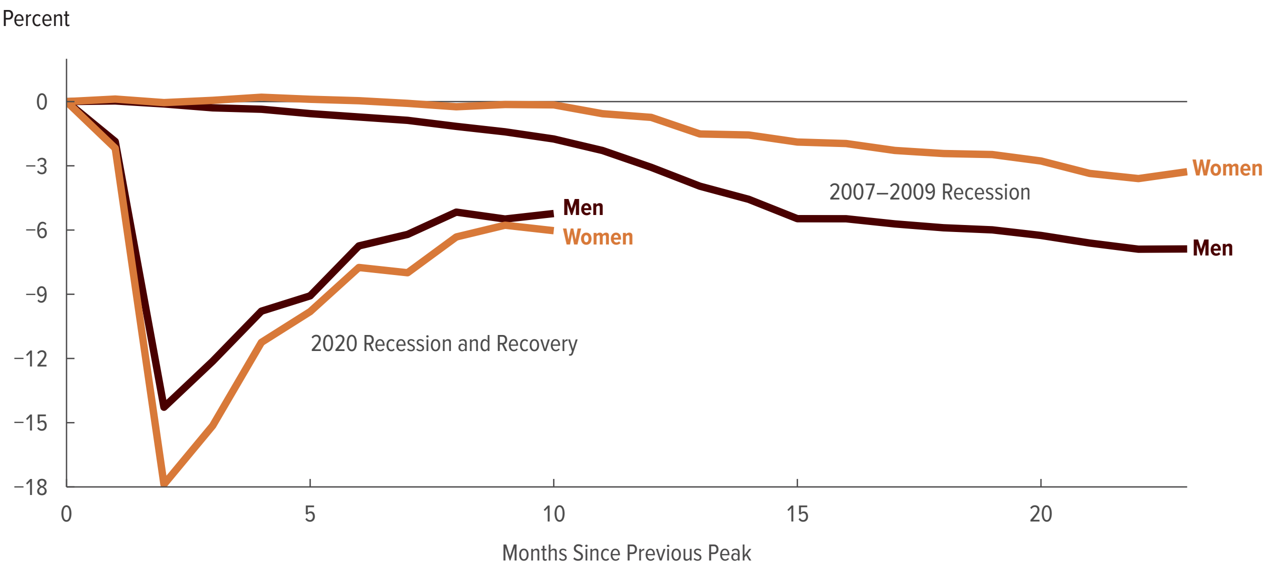
1. CBO's analysis of employment statistics by workers' demographic characteristics is based on data from the Current Population Survey (CPS). The Bureau of Labor Statistics, which publishes employment, unemployment, and other labor statistics using the CPS each month, noted that starting in March 2020, many workers who should have been classified as "unemployed on temporary layoff" were probably misclassified as "employed absent from work" in the CPS, causing the employment statistics to understate the magnitude of employment decline during the pandemic-induced recession. An analysis of the underlying data by the Bureau of Labor Statistics suggests that, had that misclassification not occurred, the April 2020 unemployment rate would have been nearly 5 percentage points higher. As of December 2020, the misclassification issue has diminished considerably, though not completely. For more details, see Bureau of Labor Statistics, "Effects of COVID-19 Pandemic on the Employment Situation News Release and Data" (February 5, 2021), https://go.usa.gov/xscYr.

2. Other research has found similar changes in the labor force participation of parents during the pandemic. See Kathryn A. Edwards, "Women Are Leaving the Labor Force in Record Numbers" (RAND Corporation, November 2020), https://tinyurl.com/59nl6xzb; and Tyler Boesch and others, "Pandemic Pushes Mothers of Young Children Out of the Labor Force" (Minneapolis Federal Reserve, February 2021), https://www.minneapolisfed.org/article/2021/pandemic-pushes-mothers-of-young-children-out-of-the-labor-force.

Box 1. Continued

Effects of the Pandemic-Induced Recession on the Employment of Women and Men

Change in Employment Since the Business-Cycle Peak



Data source: Congressional Budget Office. See www.cbo.gov/publication/56989#data.

The change is measured against the employment peak of the previous business cycle, which is December 2007 for the 2007–2009 recession and February 2020 for the 2020 recession.

Among women of all educational backgrounds, Hispanic women, Black women, and other non-White women were more likely to experience employment loss than White women.[3] Between the fourth quarter of 2019 and the second quarter of 2020, employment fell by 20 percent for Hispanic women, 17 percent for Black women, 15 percent for other non-White women, and 14 percent for White women. Even after rebounding somewhat over the course of the year from initial losses, employment in the fourth quarter of 2020 was about 7 percent to 8 percent lower for Hispanic, Black, and other non-White women but 5 percent lower for White women.

Similarly, Hispanic men, Black men, and other non-White men were more likely to experience initial employment loss than White men. As the recovery unfolded, however, employment for Hispanic men and other non-White men rebounded more robustly than it did for Black men. In the fourth quarter of 2020, employment of Black men was about 6 percent below its prepandemic level, compared with about 5 percent for White men.

3. CBO designated four race and ethnicity categories—Hispanic, Black, White, and other—through the following steps: Respondents who identified their ethnicity as Hispanic were classified as Hispanic, regardless of the race or races they identified. Of respondents not already classified as Hispanic, those who identified their race as African American were classified as Black, regardless of whether they identified other races as well. Of respondents not already classified as Hispanic or Black, those who identified a race other than White were classified as "other." Finally, respondents not classified as Hispanic, Black, or other were classified as White.

By contrast, some sectors saw further job loss rather than recovery. In particular, payroll employment in the education services sector fell further in the early fall and was 1.4 million lower than its prepandemic level as of November; 1 million of those job losses were in the public education sector (from the payrolls of state and local governments). The weakness in education employment probably reflects many factors, including widespread school closures and fiscal pressures faced by state and local governments.

As the economy headed into winter, the number of COVID-19 cases resurged, and greater social distancing further restrained economic activity. Job gains slowed substantially and turned negative in December—led by a half million job losses in the leisure and hospitality sector. As of January 2021, nonfarm payroll employment stood at 142.6 million, 9.9 million (or 6.5 percent) below its prepandemic level.

Unemployment. After surging from 3.5 percent in February to nearly 15 percent in April, the unemployment rate declined dramatically and stood at about 7 percent in late 2020. That rapid reduction in the unemployment rate reflects a distinct feature of the pandemic-induced recession: Most workers who became unemployed during the early days of the pandemic were on temporary layoff; as businesses and households adapted to the pandemic and resumed economic activities, many furloughed workers were able to return to work quickly. As a result, the number of unemployed workers on temporary layoff declined from a peak of over 18 million in April to about 3 million by late 2020. As time passed, some workers who were not recalled lost their jobs permanently. Consequently, the number of people who permanently lost their job or were unemployed for 27 weeks or longer rose moderately and is expected to rise slightly further in the near term.

Labor Force Participation. After an initial rebound over the summer, the recovery in labor force participation stalled. As of January 2021, the overall labor force participation rate among the civilian noninstitutionalized population age 16 or older stood at 61.4 percent, having fallen back to its level in June, which was 1.8 percentage points below its prepandemic peak level. Several factors constrained labor force participation from recovering more fully. First, the health risks posed by the pandemic continued to dampen the labor supply of workers, particularly older workers and those with certain preexisting conditions, as the health risks (including the risk of death) associated with COVID-19 infections increase significantly with age and the presence of certain other medical conditions. Second, widespread school closures and child care disruptions have probably caused many parents, particularly mothers, to drop out or stay out of the labor force to provide care at home.

Policy Responses to the Pandemic

Policymakers have taken a wide variety of actions in response to the coronavirus pandemic. Several federal laws were enacted, and various administrative actions (including delayed tax-filing deadlines) were taken to address the pandemic and the economic downturn. Those laws and actions through January 12, 2021, are incorporated into CBO's current-law projections. The Federal Reserve also acted to address the rapid deterioration in economic and labor market conditions. In addition, various levels of government announced stay-at-home orders, business closures, bans on public gatherings, travel restrictions, and other measures.

Legislative Actions

Many conventional and unconventional fiscal policies were enacted in 2020 to address the public health emergency and economic downturn. By providing financial support to households, businesses, and state and local governments, pandemic-related legislation offset part of the deterioration in economic conditions brought about by the pandemic. CBO's current-law projections incorporate estimates of the economic effects of all the measures enacted last year. In March and April 2020, four major federal laws were enacted in response to the pandemic. Those laws added $2.3 trillion to the deficit in fiscal year 2020 and $0.6 trillion in 2021 and boosted the level of real GDP by 4.7 percent in 2020 and 3.1 percent in 2021, according to CBO's estimates.[6] The Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (P.L. 116-123), and the Families First Coronavirus Response Act (P.L. 116-127) increased federal funding for some federal agencies and for state and local governments, required employers to grant paid sick leave to employees, and provided payments and tax credits to employers. The Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) provided loans to businesses, payments to health care providers, payments and tax credits to individuals, additional funding to state and local governments, and reductions in certain business taxes. Finally, the Paycheck Protection Program (PPP) and Health Care Enhancement Act (P.L. 116-139) increased federal

6. Those estimates do not include the effects of nonlegislative actions, such as those taken by the Federal Reserve (for example, lowering interest rates and purchasing mortgage-backed and Treasury securities) and the Administration (for example, delaying deadlines for filing taxes). The estimates do account for the legislation's funding of lending facilities established by the Federal Reserve to support the flow of credit to businesses, households, and state and local governments. For more information, see Congressional Budget Office, *The Effects of Pandemic-Related Legislation on Output* (September 2020), www.cbo.gov/publication/56537, and *Key Methods That CBO Used to Estimate the Effects of Pandemic-Related Legislation on Output*, Working Paper 2020-07 (October 2020), www.cbo.gov/publication/56612.

funding for the loans to businesses and payments to health care providers supplied in the CARES Act.

Most recently, on December 27, 2020, lawmakers enacted the Consolidated Appropriations Act, 2021. Along with appropriating funds for the remainder of the current fiscal year, the legislation provided additional emergency funding for federal agencies to respond to the public health emergency created by the pandemic and provided financial support to households, businesses, and nonfederal governments affected by the economic downturn. According to CBO's estimate, the pandemic-related provisions in that legislation will add $774 billion to the deficit in fiscal year 2021 and $98 billion in 2022.[7] That additional stimulus is expected to be distributed quickly and is projected to stimulate growth for several quarters. The legislation increases the level of real GDP by 1.8 percent in calendar year 2021 and by 1.1 percent in calendar year 2022, CBO estimates.

Pandemic-related legislation will increase federal debt as a percentage of GDP; in the longer term, CBO expects that increase to raise borrowing costs, lower economic output, and reduce the income of U.S. households and businesses. In addition, the higher debt—coming at a time when the longer-term path for debt was already high—could eventually increase the risk of a fiscal crisis or of less-abrupt economic changes, such as higher inflation or the undermining of the U.S. dollar's predominant role in global financial markets. The timing and likelihood of those effects are not possible to estimate with precision.

Monetary Policy

The Federal Reserve has taken an extraordinary array of steps to support the economy. It lowered its target range for the federal funds rate to near zero, established several facilities similar to those created during the 2007–2009 financial crisis to support certain financial markets (such as those for securitized lending), and purchased large quantities of Treasury and mortgage-backed securities. The Federal Reserve also established new facilities that were partially funded by the Treasury under the CARES Act to increase the flow of credit to businesses and state and local governments. CBO estimates that those new facilities had a modest effect on output in 2020. In addition, the Federal Reserve temporarily adjusted regulations to allow banks to expand their lending to support their household and business customers.

The Economic Outlook for 2021 to 2025

Like the precipitous decrease in economic activity during 2020, the pace of economic recovery in 2021 will be largely determined by the severity of the pandemic and the extent of social distancing that people, businesses, and governments take in response. The pandemic's severity and the extent of social distancing, in turn, will be significantly influenced by the effectiveness of recently developed vaccines and the pace at which they are distributed and accepted throughout the country. Successful dissemination and administration of the vaccines would gradually expand immunity to the virus and allow people to safely resume normal activities.

In CBO's assessment, the negative economic effects of social distancing were about half as strong during the second half of 2020 as they were during the second quarter of the year. Those effects are projected to remain about the same through the first quarter of 2021 and then to gradually disappear by the first quarter of 2022. That projection is in the middle of the distribution of possible outcomes, in CBO's view. It allows for regional and seasonal variation, and it accounts for the possibility of multiple local and regional waves of increased transmission of the virus, as well as the appearance and spread of new variants, retightening of the associated social distancing measures, and other ways that people may find to protect their health while engaging in economic activity.

Gross Domestic Product

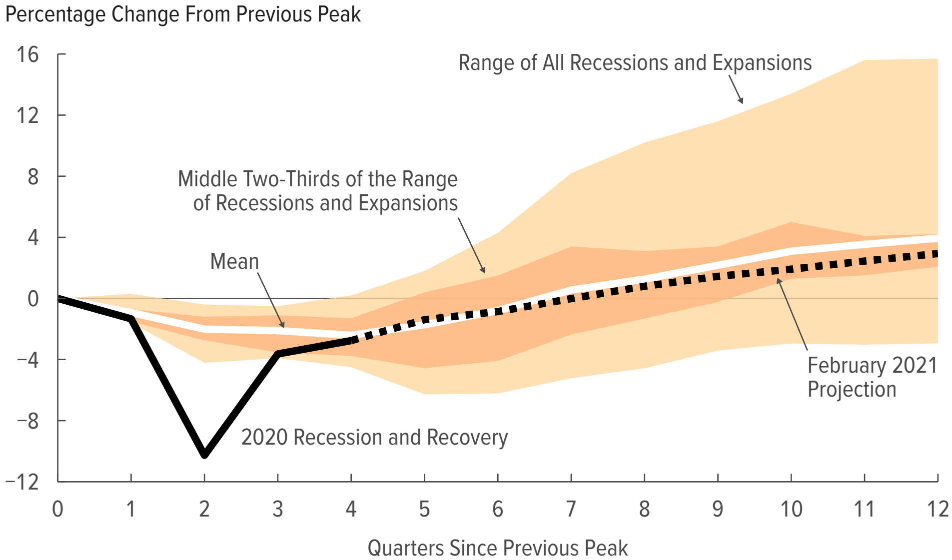
The downturn in real GDP was much sharper and more severe than in any recession in the recent historical record, measured by deviations from the previous peak of economic activity (see Figure 2). However, the initial stage of the recovery was unusually strong as well. As a result, the degree of recovery in real GDP four quarters after the business-cycle peak at the end of 2019 was similar to the average degree of recovery at the equivalent point in the business cycles that have occurred over the past 40 years. In CBO's projections, the ongoing recovery and expansion are similar to that average as well.

If current laws governing federal taxes and spending generally remain in place and if no significant additional emergency funding is provided, growth of real GDP will

7. Those provisions are contained in divisions M, N, and EE of the Consolidated Appropriations Act, 2021.

Figure 2.

Real GDP per Member of the Potential Labor Force Across Business Cycles



The 2020 recession was much sharper and more severe than any recession in the recent historical record, but the initial stage of the recovery was also unusually strong. In CBO's projections, four quarters after the previous business-cycle peak at the end of 2019, real GDP per member of the potential labor force grows roughly as much as it did, on average, during economic recoveries and expansions since World War II.

Data source: Congressional Budget Office. See www.cbo.gov/publication/56989#data.

The potential labor force is CBO's estimate of the size of the labor force that would occur if economic output and other key variables were at their maximum sustainable amounts.

The full range of business cycles analyzed includes the 10 most recent cycles. The oldest cycle peaked in 1948, and the most recent cycle peaked at the end of 2019. The business cycle that peaked in January 1980 is excluded from the figure because by July 1981 a new cycle had already begun. The middle two-thirds of the full range is formed by removing the two highest and two lowest observations.

Real values are nominal values that have been adjusted to remove the effects of changes in prices.

GDP = gross domestic product.

average 3.7 percent in 2021, CBO projects. The initial recovery and continued expansion are driven by a strong rebound in consumer spending and supported by a marked pickup in real business investment following the large declines that occurred in early 2020 (see Table 2). Real GDP returns to its previous peak level in mid-2021 and continues to expand thereafter at a 2.5 percent annual rate until early 2025, when it surpasses the level of potential GDP.

Consumer Spending. Consumer spending, which fell in late 2020, rebounds strongly in 2021, in CBO's projections. The widespread resurgence of the virus late in 2020 prompted increases in social distancing and associated setbacks to employment in service industries. Those developments are projected to keep the growth in spending on consumer services weak during the early months of 2021 and to prolong the shift in household spending that has produced elevated purchases of goods. In CBO's projections, the initial rebound is spurred by provisions of the Consolidated Appropriations Act, 2021: Spending receives a boost early in 2021 from expanded federal aid to unemployed people and additional federal payments to many households. Although the lapse in policies to support some households contributed to weak consumer spending in December 2020, new assistance began to reach households in January. The additional income will allow households (especially those affected by unemployment) to maintain or increase their spending on goods and to raise their spending on services to the extent that social distancing allows. As a consequence, consumer spending is projected to grow at an annual average of 3.5 percent over the first half of 2021.

From the middle of 2021, in CBO's projections, the recovery and expansion are sustained mainly by the relaxation of social distancing following widespread dissemination of vaccines. Consumer spending grows at a 3.4 percent annual rate over the second half of 2021. Even as federal aid wanes, vaccination facilitates substantial rebounds in demand for some of the most affected services. The falling risk of infection allows

Table 2.

The Projected Growth of Real GDP and Its Components

Percent

	2020	2021	2022	2023	Annual Average 2024–2025	Annual Average 2026–2031
	Percentage Change From Fourth Quarter to Fourth Quarter					
Real GDP	-2.5	3.7	2.4	2.3	2.2	1.6
Components of Real GDP						
Consumer spending[a]	-2.6	3.5	3.0	2.7	2.7	1.9
Business investment[b]	-0.1	6.9	1.2	1.8	3.2	2.4
Business fixed investment[c]	-1.3	5.9	3.0	2.1	3.1	2.5
Residential investment[d]	13.7	4.8	-2.1	-1.7	-0.9	-0.5
Purchases by federal, state, and local governments[e]	-0.6	0.9	0.1	0.7	1.0	0.6
Federal	2.5	1.6	-0.8	-0.5	0.2	0.3
State and local	-2.5	0.5	0.6	1.5	1.4	0.8
Exports	-11.0	12.4	3.1	2.5	2.1	1.6
Imports	-0.6	9.1	0.4	1.2	3.1	2.2
	Contributions to the Growth of Real GDP (Percentage points)					
Components of Real GDP						
Consumer spending[a]	-1.8	2.4	2.1	1.8	1.8	1.3
Business investment[b]	*	0.9	0.2	0.3	0.4	0.3
Business fixed investment[c]	-0.2	0.8	0.4	0.3	0.4	0.3
Residential investment[d]	0.5	0.2	-0.1	-0.1	*	*
Purchases by federal, state, and local governments[e]	-0.1	0.2	*	0.1	0.2	0.1
Federal	0.2	0.1	-0.1	*	*	*
State and local	-0.3	0.1	0.1	0.2	0.2	0.1
Exports	-1.2	1.3	0.3	0.3	0.2	0.2
Imports	0.1	-1.2	-0.1	-0.2	-0.4	-0.3

Data source: Congressional Budget Office. See www.cbo.gov/publication/56989#data.

Real values are nominal values that have been adjusted to remove the effects of changes in prices.

GDP = gross domestic product; * = between zero and 0.05 percentage points.

a. Consists of personal consumption expenditures.

b. Comprises business fixed investment and investment in inventories.

c. Consists of purchases of equipment, nonresidential structures, and intellectual property products.

d. Includes the construction of single-family and multifamily structures, manufactured homes, and dormitories; spending on home improvements; and brokers' commissions and other ownership transfer costs.

e. Based on the national income and product accounts.

many consumers with income and savings to spend once more on dining, entertainment, travel, and the like. However, some of the changes in patterns of consumption of services may persist after the pandemic subsides, reflecting changes in habits brought about by a period of social distancing. For example, online retail may displace brick-and-mortar retail faster than previously expected. Similarly, some consumers may choose to socialize less than before in public locations such as restaurants and movie theaters.

Beyond 2021, the residual effects of job loss and business failure may still temper the rebound in spending. Consumer spending is projected to continue to grow faster than potential output after 2021, once the direct effects of social distancing have eased, but a complete return to the prepandemic trajectory of spending is delayed by elevated levels of unemployment, reduced labor income, and—for some households—lingering caution. Shuttered businesses in parts of the service sector may also inhibit the pace of the rebound. From 2022 to 2025, consumer spending is projected to grow at an average annual rate of 2.8 percent.

Business Investment. CBO expects real business fixed investment—the purchase of new equipment, nonresidential structures, and intellectual property products such as software—to increase by 5.9 percent during 2021, reversing a 1.3 percent decline in 2020. That increase is expected to occur in response to a reversal of the sharp drop in demand during 2020 for the goods and services that businesses produce, as well as higher oil prices. Real investment in equipment and intellectual property products is forecast to grow more rapidly than investment in nonresidential structures. Further improvement in demand for businesses' output is expected to boost real business fixed investment by an average of 2.8 percent per year from 2022 to 2025. The agency also expects businesses to rebuild inventories in 2021 that were drawn down during the first three quarters of 2020.

Residential Investment. After increasing by 13.7 percent in 2020 because of low mortgage rates, households' desire for more and updated living space, and a dearth of existing homes for sale, real residential investment will increase by 4.8 percent during 2021, CBO projects. All of the growth in 2021 is expected during the first half of the year, building on the strength in 2020. The agency projects real residential investment to decline by 1.4 percent per year from 2022 to 2025, on average, as mortgage rates rise by more than 1 percentage point over that period.

Government Purchases. Real government purchases of goods and services—such as public educational services, highways, and military equipment—fell by 0.6 percent in 2020, as state and local governments reduced their purchases because of school closures and pandemic-related budget pressures. In CBO's projections, if current laws governing federal taxes and spending generally remain in place, real purchases by federal, state, and local governments will increase by 0.9 percent in 2021, boosted by recently enacted legislation. Real government purchases are expected to continue to recover and grow by an average of 0.7 percent per year from 2022 to 2025 as a strengthening economy boosts state and local tax revenues, allowing state and local governments to further increase their purchases of goods and services.

Exports and Imports. After exports and imports declined by 12.3 percent and 1.7 percent, respectively, in 2020, both are expected to increase substantially in 2021 as the economic effects of the pandemic continue to wane. CBO expects the rebound in exports in 2021 to be stronger than the rise in imports; as a result, in CBO's projections, the trade balance improves substantially during 2021. From 2022 to 2025, exports continue to grow slightly faster than imports, resulting in a gradually decreasing trade deficit in those years.

Exports. Real exports are expected to rise by 12.4 percent in 2021, mostly reflecting a partial recovery in exports of services (mostly travel and transportation services) and capital goods (primarily aircraft). The strong growth of real exports in 2021 will also be supported by a weaker U.S. dollar, which increases the price competitiveness of U.S. goods and services in foreign markets. As the effects of the weaker dollar decline after 2021 and as exports of services return to prepandemic levels, export growth is projected to moderate in 2022 and to slow further in later years.

Imports. CBO projects that U.S. real imports will rise by 9.1 percent in 2021 as the continued rebound in domestic demand boosts the demand for imported goods and services, leading to a quick return to prepandemic levels of real imports. Beyond 2021, as the effects of the pandemic continue to wane, real import growth returns to a more moderate pace.

Value of the Dollar. Changes in the international exchange value of the dollar affect CBO's projections of U.S. exports and imports.[8] A stronger dollar reduces the competitiveness of U.S. exports in foreign markets and makes imported goods and services less costly for U.S. consumers and businesses. Interest rates in the United States have fallen more than those of most of its trading partners, tending to dampen demand for U.S. dollars and dollar-denominated assets in international markets. As a consequence, the dollar depreciated by 1.6 percent in 2020 and is expected to continue to weaken by an additional 3.1 percent in 2021. Over the 2022–2025 period, the value of the dollar is expected to continue to weaken, although at a much more gradual pace.

8. CBO's measure of the exchange value of the dollar is an export-weighted average of the exchange rates between the dollar and the currencies of leading U.S. trading partners.

The Labor Market

After a strong rebound over the summer and early fall, the pace of recovery in the labor market slowed substantially in the early winter months as the number of COVID-19 cases resurged and enhanced social distancing once again restrained economic activities (see Figure 3). Countering the effects of the virus, fiscal policies enacted at the end of 2020—including additional unemployment insurance benefits and a renewal of the PPP—are expected to provide direct support for workers and businesses by boosting household and business income and labor demand.

Overall, recovery in the labor market is expected to continue through 2021 and subsequent years as the percentage of the population with immunity (through either infection or vaccination) gradually increases. In CBO's current projections, the civilian labor force regains its prepandemic size in 2023, the unemployment rate continues to decline, and the number of people employed returns to its prepandemic level by 2024. As in the early phase of the pandemic, the projected path to recovery is uneven across sectors, with leisure and hospitality and other virus-sensitive industries recovering considerably later than the rest of the economy. Some changes that occurred during the pandemic, such as the rise of remote work and the digitization of services, are expected to persist indefinitely.

Employment. Job growth is projected to be slow and uneven as the pandemic worsens in early 2021, but it is expected to remain positive, on average, in large part because of direct support by the PPP and other federal programs. Jobs gains are expected to pick up further and more sustainably after the winter. Business activity and the demand for workers will increase as the vaccination rate rises and the degree of social distancing diminishes on a more permanent basis. In CBO's current projections, nonfarm payroll employment rises by an average of 521,000 jobs per month in 2021 and by an average of 144,000 jobs per month for 2022 through 2024. At that rate, nonfarm payroll employment is projected to reach its prepandemic level (measured in annual averages) by 2023 and its estimated potential by 2024.

Unemployment. The unemployment rate is projected to decline gradually in the coming years, as a result of continued economic growth and fiscal support. In CBO's projections, the overall unemployment rate falls from 6.7 percent at the end of 2020 to 5.3 percent by late 2021. It is projected to fall below the natural rate of unemployment in 2024 and reach 4.0 percent in 2025.[9] However, the unemployment rates for younger workers, workers without a bachelor's degree, Black workers, and Hispanic workers are expected to improve more slowly than the overall unemployment rate.

Labor Force Participation. In the near term, the recovery of the labor force participation rate will continue to be sensitive to the course of the pandemic. In CBO's current projections, the labor force participation rate is not expected to improve from its current level until the second quarter of 2021, when a substantial fraction of the population is projected to have acquired immunity from either infection or vaccination. In CBO's current projections, the labor force participation rate rises from 61.5 percent in early 2021 to 62.1 percent by the end of the year and then remains close to that level for a few years as the effects of continued economic expansion and the aging of the population (which dampens the overall labor force participation rate) offset each other.

Labor Compensation. On net, the elevated unemployment rate projected through the next few years puts downward pressure on wage growth. In CBO's projections, the employment cost index for wages and salaries of workers in private industry is 2.8 percent higher in the fourth quarter of 2020 than it was in the fourth quarter of 2019; its annual growth rate in recent years (and before the pandemic began) had been about 3 percent. Wage growth is expected to pick up but to remain relatively weak over the next few years, averaging 2.7 percent per year for the 2021–2023 period.

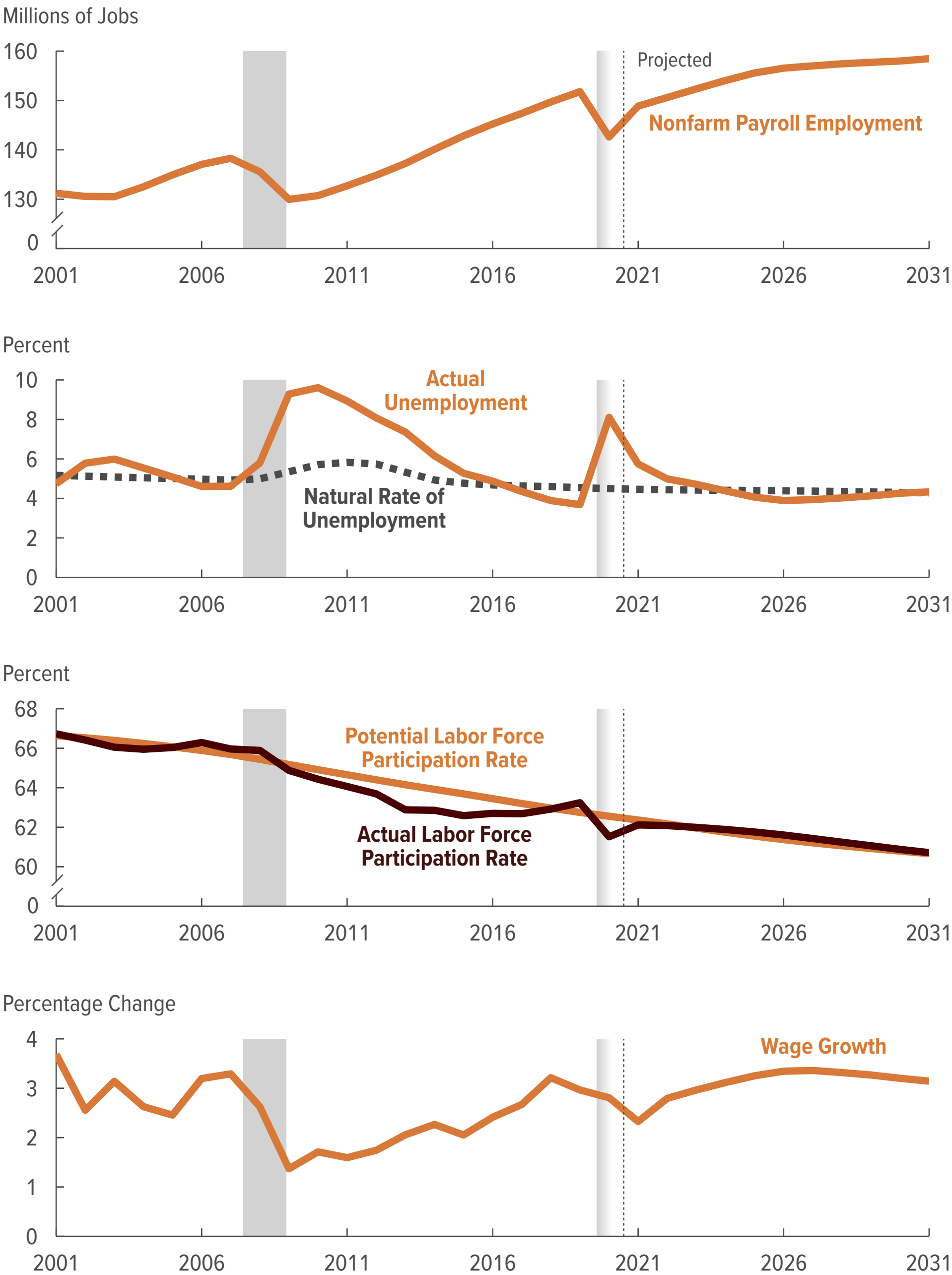
Potential Output and the Output Gap

CBO's projections of potential output are based on its projections of trends in underlying factors, such as the size of the labor force, the average number of labor hours per worker, capital investment, and productivity—taking into account the effects of federal tax and spending policies embodied in current law. To date, the agency has found little indication that those underlying trends have been substantially affected by the pandemic, but such evidence may take some time to appear. Over the 2021–2025 period, potential output is projected to grow at an average annual rate of 1.9 percent, driven by

9. The natural rate of unemployment is the rate that results from all sources except fluctuations in aggregate demand, including normal turnover of jobs and mismatches between the skills of available workers and the skills necessary to fill vacant positions.

Figure 3.

Employment, Unemployment, Labor Force Participation, and Wage Growth



In CBO's projections, payroll employment reaches its prepandemic level in late 2023.

The unemployment rate remains above 6 percent—as the result of resurging COVID-19 infections and restrengthened social distancing measures—over the winter of 2020–2021 before starting to gradually fall again for several years.

The labor force participation rate fell during the pandemic-induced recession and is not expected to improve from its current level until the second quarter of 2021, when immunity to COVID-19 is projected to rise substantially. The participation rate then remains close to that level for several years as the effects of continued economic recovery and the aging of the population offset each other.

In CBO projections, elevated unemployment due to the pandemic-induced recession puts downward pressure on wage growth until 2023, when wages grow at rates similar to those before the pandemic.

Data sources: Congressional Budget Office; Bureau of Labor Statistics. See www.cbo.gov/publication/56989#data.

Nonfarm payroll workers are employed in the private and public sectors, which can include proprietors and nonprofit employees but necessarily excludes farm workers.

The unemployment rate is the number of people not working who are available for work and are either seeking work or expecting to be recalled from a temporary layoff, expressed as a percentage of the labor force. The natural rate of unemployment is the rate that results from all sources except fluctuations in aggregate demand, including normal turnover of jobs and mismatches between the skills of available workers and the skills necessary to fill vacant positions.

The labor force participation rate is the share of the civilian noninstitutionalized population age 16 or older that has jobs or that is available for and actively seeking work. The potential labor force participation rate is CBO's estimate of the rate that would occur if economic output and other key variables were at their maximum sustainable amounts.

Wages are measured using the employment cost index for wages and salaries of workers in private industry. Growth in wages is measured from the fourth quarter of one calendar year to the fourth quarter of the next. For the unemployment rate and labor force participation rate, data are fourth-quarter values.

Table 3.

Key Inputs in CBO's Projections of Real Potential GDP

Percent

	Average Annual Growth							Projected Average Annual Growth		
	1950–1973	1974–1981	1982–1990	1991–2001	2002–2007	2008–2020	Total, 1950–2020	2021–2025	2026–2031	Total, 2021–2031
Overall Economy										
Real Potential GDP	4.0	3.2	3.2	3.2	2.4	1.7	3.1	1.9	1.7	1.8
Potential Labor Force	1.6	2.5	1.6	1.2	1.0	0.5	1.4	0.4	0.3	0.4
Potential Labor Force Productivity[a]	2.3	0.7	1.6	2.0	1.4	1.2	1.7	1.5	1.4	1.4
Nonfarm Business Sector										
Real Potential Output	4.1	3.5	3.5	3.7	2.7	1.9	3.4	2.1	2.0	2.1
Potential Hours Worked	1.4	2.3	1.7	1.2	0.2	0.5	1.3	0.4	0.3	0.3
Capital Services[b]	3.8	3.7	3.5	3.9	2.8	2.3	3.4	2.3	2.2	2.2
Potential Total Factor Productivity[c]	1.9	0.8	1.1	1.6	1.6	0.8	1.4	1.1	1.1	1.1
Contributions to the Growth of Real Potential Output (Percentage points)										
Potential hours worked	0.9	1.5	1.2	0.8	0.2	0.4	0.8	0.3	0.2	0.2
Capital services[b]	1.2	1.2	1.1	1.3	0.9	0.7	1.1	0.7	0.7	0.7
Potential total factor productivity[c]	1.9	0.8	1.1	1.6	1.6	0.8	1.4	1.1	1.1	1.1
Total Contributions	4.0	3.5	3.4	3.6	2.7	1.9	3.3	2.1	2.0	2.1
Potential Labor Productivity[d]	2.6	1.2	1.7	2.4	2.4	1.4	2.1	1.8	1.7	1.7

Data source: Congressional Budget Office. See www.cbo.gov/publication/56989#data.

Real values are nominal values that have been adjusted to remove the effects of changes in prices. Potential GDP is CBO's estimate of the maximum sustainable output of the economy.

The table shows compound annual growth rates over the specified periods. Those rates are calculated from the fourth quarter of the year immediately preceding each period to the fourth quarter at the end of that period.

GDP = gross domestic product.

a. The ratio of potential GDP to the potential labor force.

b. The flow of services, provided by the stock of capital goods (such as computers and other equipment), that constitute the actual input in the production process.

c. The average real output per unit of combined labor and capital services, excluding the effects of business cycles.

d. The ratio of potential output to potential hours worked in the nonfarm business sector.

0.4 percent annual growth of the potential labor force and 1.5 percent annual growth of potential labor force productivity (see Table 3). That is somewhat stronger than the average rate over the past business cycle, in spite of slowing growth of the potential labor force; the acceleration reflects CBO's assessment that trend growth in potential labor force productivity has accelerated modestly in recent years.

Potential output in the nonfarm business sector, which is responsible for about three-quarters of aggregate economic activity and for nearly all productivity growth, is projected to grow at an average rate of 2.1 percent, slightly more rapidly than overall potential output. About 0.3 percentage points of that are attributable to growth of potential hours worked in the sector; about 0.7 percentage points are attributable to capital services; and the remaining 1.1 percentage points are attributable to potential total factor productivity, which is the source of the acceleration in overall potential productivity.

In CBO's projections, the output gap—the difference between actual output and potential output—gradually decreases in magnitude from an estimated average of

-4.4 percent in 2020, closes in early 2025, and becomes slightly positive (that is, actual output exceeds potential output) over the course of that year. Over the entire 2021–2025 period, the gap averages somewhat less than -0.7 percent.

Inflation and Interest Rates

CBO expects inflation to remain moderate and interest rates to be low over the next few years but then to rise as the economy continues to expand and actual output approaches and surpasses potential output (see Figure 4, top panel).

Inflation. The supply of goods and services and the demand for goods and services, which together determine inflation, have been affected by the pandemic in a variety of ways that were, on net, disinflationary. The demand for many goods and services—particularly those involving person-to-person interaction, such as haircuts and gym memberships, or travel, such as airline fares and hotel accommodations—declined dramatically at the outset of the pandemic, causing their prices to plummet. For example, the consumer price index (CPI) for airline fares has decreased by more than 20 percent from a year ago. The pandemic has also disrupted supply chains for some goods, causing their supply to decrease and their price to rise rapidly. For example, the CPI for meat products has increased by more than 5 percent from a year ago, because the pandemic has disrupted meatpacking facilities. However, declines in demand for many goods and services have outweighed those supply disruptions; as a result, the yearly growth rate of the consumer price index for all urban consumers (CPI-U) fell from 2.3 percent in February 2020 to 1.3 percent in December.

In CBO's projections, inflation remains low over the next several quarters as the pandemic continues to depress the demand for certain products, and weak labor market conditions further dampen overall demand for goods and services. The price index for personal consumption expenditures—the measure that the Federal Reserve uses to define its 2 percent long-run objective for inflation—is expected to increase by 1.7 percent in 2021, below the Federal Reserve's objective level. In CBO's projections, the CPI-U increases by only 1.9 percent in 2021, well below its average historical rate.

CBO expects inflation to rise steadily after 2021 as the overall economy expands. The growth rate of the PCE price index rises to 2 percent, the Federal Reserve's objective level, by 2024. The growth rate of the CPI rises to 2.3 percent by 2024.

Interest Rates. In CBO's projections, the Federal Reserve keeps its target for the federal funds rate at 0.1 percent through the first half of 2024 (see Figure 4, bottom panel). The Federal Reserve is expected to begin raising the target for the federal funds rate in the second half of 2024 as inflation reaches and then exceeds the Federal Reserve's long-run 2 percent objective and employment nears its maximum sustainable level. The Federal Reserve gradually raises rates from that point, allowing inflation to remain modestly over 2 percent for some time. The interest rate on 3-month Treasury bills typically follows the same pattern as the federal funds rate. In CBO's projections, the 3-month Treasury bill rate remains below 0.25 percent through early 2024 and then gradually rises as the Federal Reserve begins raising the federal funds rate target in the second half of 2024 (see Figure 5).

The Federal Reserve is projected to continue purchasing long-term securities through 2023 but at a slower pace. The slowing pace of purchases coupled with the rising level of debt relative to GDP is expected to put upward pressure on long-term interest rates through 2025. Additionally, long-term interest rates, which are partly determined by the average of expected future short-term interest rates, are expected to increase through 2025 in anticipation of rising short-term interest rates. In CBO's projections, the interest rate on 10-year Treasury notes rises from under 1.0 percent at the end of 2020 to 2.3 percent in 2025.

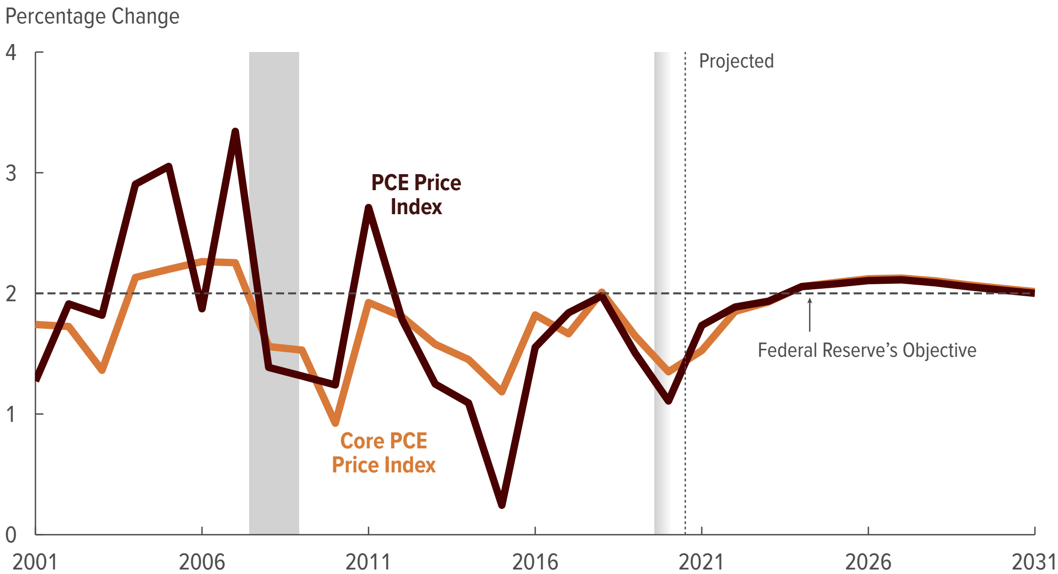
The Economic Outlook for 2026 to 2031

CBO's projections of GDP, unemployment, inflation, and interest rates for the second half of the coming decade are based mainly on the agency's projections of the underlying trends in the factors that determine those key variables—the size of the labor force, the average number of labor hours per worker, capital investment, and productivity—and take into account the effects of federal tax and spending policies embodied in current law. In some cases, those policies, as well as monetary policy, might be projected to influence not only the demand for goods and services, and therefore the gap between actual output and potential output, but also potential output itself. In addition, the pandemic might have longer-term effects on potential output that are not yet apparent in current data.

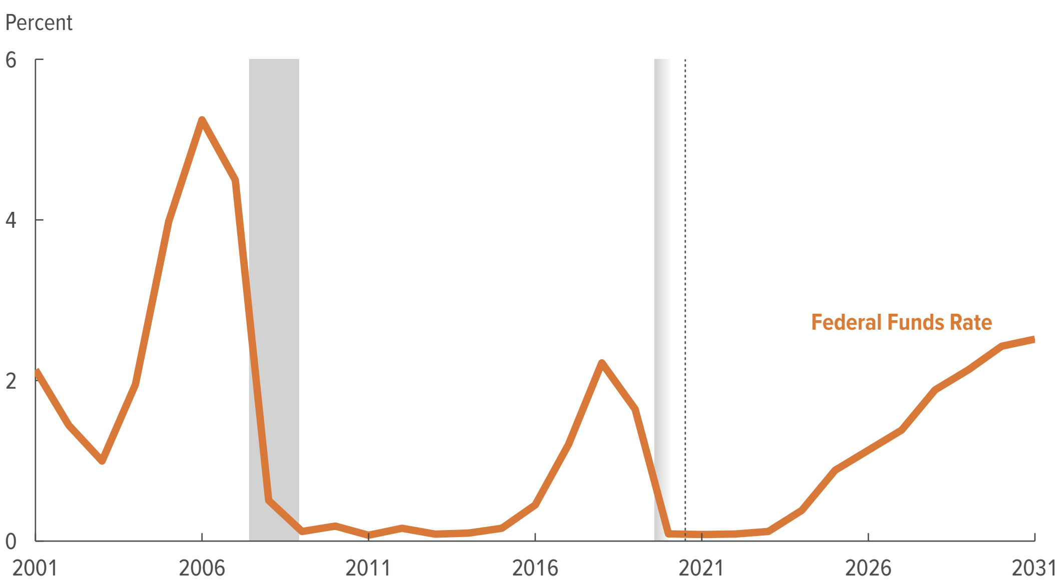
During the 2026–2031 period, in CBO's projections, the economy continues to expand, and output exceeds potential output for much of the period. The output gap

Figure 4.

Inflation and the Federal Funds Rate



In CBO's projections, weak labor market conditions lead to lower inflation in 2021. After 2021, inflation rises until it reaches the Federal Reserve's objective of 2 percent by 2024.



The Federal Reserve is expected to keep its target for the federal funds rate near zero through mid-2024 and then gradually raise that rate as inflation reaches the Federal Reserve's long-term objective.

Data sources: Congressional Budget Office; Bureau of Economic Analysis; Federal Reserve. See www.cbo.gov/publication/56989#data.

The inflation rate is based on the price index for personal consumption expenditures; the core rate excludes prices for food and energy.

Inflation is measured from the fourth quarter of one calendar year to the fourth quarter of the next.

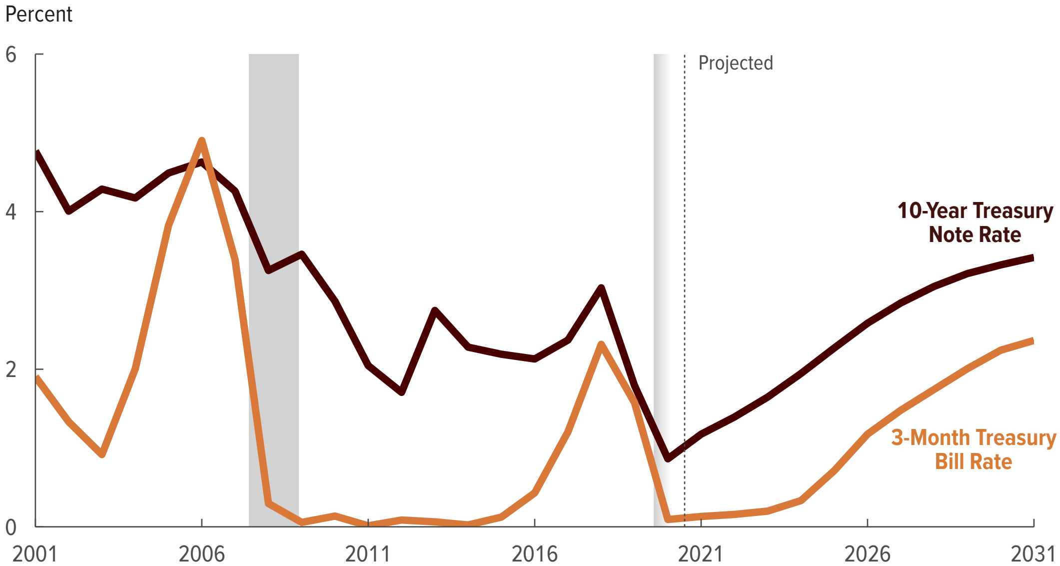
The federal funds rate is the interest rate that financial institutions charge each other for overnight loans of their monetary reserves.

For the federal funds rate, the data are fourth-quarter values.

PCE = personal consumption expenditures.

Figure 5.

Interest Rates



In CBO's projections, short-term rates rise as the Federal Reserve raises the federal funds rate. Long-term rates are expected to rise for several reasons, including expectations about short-term rates, decreasing purchases of long-term securities by the Federal Reserve, and rising debt relative to gross domestic product.

Data sources: Congressional Budget Office; Federal Reserve. See www.cbo.gov/publication/56989#data.

The federal funds rate is the interest rate that financial institutions charge each other for overnight loans of their monetary reserves.

Data are fourth-quarter values.

widens to an average of 0.4 percent in 2026. The agency expects that in the following years, monetary policy is likely to become increasingly restrictive, moderating the expansion and helping to bring actual output back to its long-term relationship with potential output. With growth of actual output slowing over the period as a consequence, annual growth averages 1.6 percent, slightly less than the 1.7 percent projected for growth of potential output. The unemployment rate briefly drifts down to about 3.9 percent early in the period but moves back up to about 4.3 percent at its close. Growth of consumer spending slows to an average of 1.9 percent over the period. PCE price inflation remains at about 2.1 percent for most of the period before declining to the Federal Reserve's long-run objective of 2.0 percent in 2031. Interest rates continue to gradually rise throughout the 2026–2031 period: The federal funds rate rises from 1.1 percent in 2026 to 2.5 percent in 2031, the 3-month Treasury rate rises from 1.0 percent to 2.3 percent, and the 10-year Treasury note rate rises from 2.5 percent to 3.4 percent.

Actual Output and Potential Output

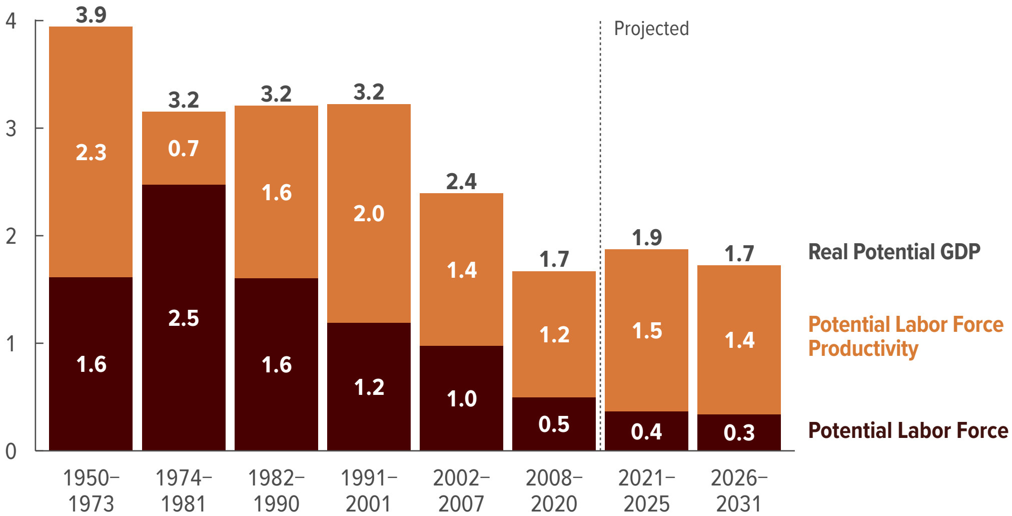
Although changes in the overall demand for goods and services strongly influence CBO's economic projections during the first half of the period covered in this outlook, the agency's projections over the second half of the period are fundamentally determined by its assessment of the prospects for growth of a few key inputs: the potential number of workers in the labor force, capital services (that is, the flow of productive services provided by the available stock of capital), and the potential productivity of those factors.

In CBO's projections, growth of potential output over the 2026–2031 period averages 1.7 percent per year, a rate roughly equal to the average over the past 15 years (see Table 3 on page 15). That annual growth is driven by average annual growth of about 0.3 percent in the potential labor force and of about 1.4 percent in potential labor force productivity (see Figure 6). Potential output in the nonfarm business sector grows at an average rate of 2.0 percent. About 0.2 percentage points of that are attributable to growth of potential hours worked in the sector; about 0.7 percentage points are attributable to capital services; and the remaining 1.1 percentage points are attributable to potential total factor productivity. The output gap gradually decreases from about 0.4 percent in 2026 to slightly below zero in 2029 and nearly -0.3 percent in 2031.

Figure 6.

Composition of the Growth of Real Potential GDP

Percentage Change



Over the next decade, real potential GDP is projected to grow faster than it has since the last recession because of faster growth in potential labor force productivity. However, growth in the potential labor force is projected to be slower than in previous periods, largely because of the aging of the population.

Data source: Congressional Budget Office. See www.cbo.gov/publication/56989#data.

Real values are nominal values that have been adjusted to remove the effects of changes in prices. Growth in real potential GDP is the sum of growth in the potential labor force and growth in potential labor force productivity. The potential labor force is CBO's estimate of the size of the labor force that would occur if economic output and other key variables were at their maximum sustainable amounts. Potential labor force productivity is the ratio of real potential GDP to the potential labor force.

The bars show average annual growth rates over the specified periods, calculated using calendar year data.

GDP = gross domestic product.

Although trends in potential employment and hours worked are driven mainly by underlying trends in the potential labor force in CBO's projections, the growth of potential hours worked is further influenced by certain temporary provisions of the 2017 tax act. The agency estimates that those provisions induced an increase in potential hours worked beginning in 2018 and will also lead to a decrease in potential hours worked after the provisions expire (under current law) at the end of 2025.

A further influence on projected growth is the effect of climate change on economic activity, which, in CBO's projections, slightly reduces growth of potential total factor productivity in the nonfarm business sector. The effects of climate change on the growth rate are projected to intensify over time and are expected to reduce the level of potential output by about 0.1 percent by 2031.[10]

The Labor Market

CBO's projections of employment, unemployment, labor force participation, and wage growth over the 2026–2031 period primarily reflect the agency's assessment of the effects of long-term demographic trends, which will strongly influence the size and the composition of the workforce in the coming decades. The agency also considers potential effects of other structural changes in the economy and society—such as the continuing process of automation, globalization, digitization of services and remote work, greater inequality, and possible longer-term aftereffects of the pandemic—although the precise size of the effects of those forces may be difficult to quantify.

CBO expects the labor force participation rate to fall during the second half of the projection period. Specifically, the overall labor force participation rate is projected to decline from 61.7 percent at the beginning of 2026 to 60.7 percent by the end of 2031. CBO attributes most of that decrease to the aging of the

10. For additional information, see Congressional Budget Office, *The 2020 Long-Term Budget Outlook* (September 2020), p. 22, www.cbo.gov/publication/56516; and Evan Herrnstadt and Terry Dinan, *CBO's Projection of the Effect of Climate Change on U.S. Economic Output*, Working Paper 2020-06 (Congressional Budget Office, September 2020), p. 2, www.cbo.gov/publication/56505.

population and, in particular, the continued retirement of baby boomers. That rate in 2031 is slightly above the agency's estimate of the potential labor force participation rate, which falls from 62.6 percent in 2020 to 61.4 percent in 2026 and to 60.7 percent in 2031.

CBO expects the natural rate of unemployment to decline slowly over the next decade, from 4.5 percent in 2019 to 4.3 percent by 2031. That slow decline reflects the continuing shift in the composition of the workforce toward older workers, who tend to have lower rates of unemployment (when they participate in the labor force), and away from less-educated workers, who tend to have higher ones.

The growth in employment and wages is projected to be moderate over the 2026–2031 period. Nonfarm payroll employment increases by an average of about 45,000 jobs per month during those years, in CBO's projections. Real compensation per hour in the nonfarm business sector, a measure of labor costs that is a useful gauge of longer-term trends, grows at an average annual rate of 1.7 percent from 2026 to 2031—close to the projected average growth in labor productivity in that sector.

Inflation and Interest Rates

CBO expects strong labor and product market conditions to push up inflation and interest rates in the later years of the projection period, but that upward inflationary pressure is expected to dissipate toward the end of the period as monetary policy becomes increasingly restrictive.

Inflation. In CBO's projections—as labor market conditions continue to improve—inflation rises above its projected long-run average level before falling back down to meet that level. The agency expects the growth rate of the PCE price index to slightly exceed 2.0 percent, the Federal Reserve's long-run objective for average inflation, for a time before returning to that level. CPI-U inflation is projected to rise to 2.5 percent in 2028 before falling to 2.3 percent thereafter.

Interest Rates and Federal Reserve Policy. CBO expects short- and long-term interest rates to rise over the 2026–2031 period. Rising federal debt in relation to GDP, a reduction in the Federal Reserve's holdings of Treasury securities, a decline in the share of Treasury securities held by foreign investors, and a gradual decrease in the premium paid on risky assets are expected to exert upward pressure on short- and long-term interest rates. The agency expects the Federal Reserve to continue gradually raising the target for the federal funds rate through 2031. In CBO's projections, the Federal Reserve slows the pace of rate hikes in 2026 in response to the expiration of some of the tax reductions that were enacted in the 2017 tax legislation. The 3-month Treasury bill rate is expected to rise along with hikes in the federal funds rate. CBO expects the interest rate on 10-year Treasury notes to rise as the Federal Reserve reduces its holdings of long-term securities and as rising debt relative to GDP begins to put upward pressure on interest rates. In CBO's projections, the average federal funds rate increases from 1.1 percent in 2026 to 2.5 percent in 2031. Similarly, the rates for 3-month Treasury bills and 10-year Treasury notes are expected to rise from 1.0 percent to 2.3 percent and from 2.5 percent to 3.4 percent, respectively, over that period.

Interest rates are nevertheless expected to remain below their historical average for several reasons, including lower average expected inflation, slower growth of the labor force, and slower growth of productivity.[11]

Projections of Income for 2021 to 2031

Economic activity and federal tax revenues depend not only on the amount of total income in the economy but also on how that income is divided among labor income, domestic profits, proprietors' income, income from interest and dividends, and other categories. (Labor income includes wages and salaries as well as other forms of compensation, such as employer-paid benefits.) The shares for wages and salaries and for domestic profits are particularly important in projecting federal revenues because those types of income are taxed at higher rates than others.

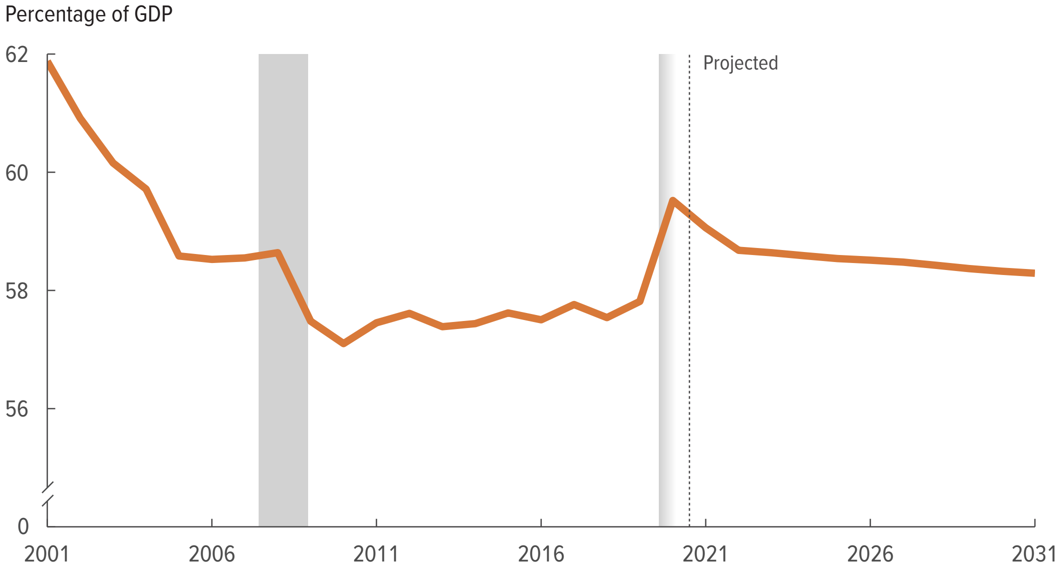
Labor Income

The pandemic has had significant effects on the distribution of income in the near term, causing an immediate upswing in labor's share during 2020, and the economic recovery will influence labor's share going forward. Labor's share of income, which usually rises in recessions, rose a remarkable 2.0 percentage points in the second quarter of 2020 alone to exceed 60 percent for the first time since 2003 (see Figure 7). Some of that effect has since unwound, and CBO projects that labor

11. For further details on the factors affecting CBO's interest rate projections, see Edward N. Gamber, *The Historical Decline in Real Interest Rates and Its Implications for CBO's Projections*, Working Paper 2020-09 (Congressional Budget Office, December 2020), www.cbo.gov/publication/56891.

Figure 7.

Labor Income



Labor's share of total income in the economy rose during the pandemic-induced recession. In CBO's projections, labor's share of income begins to decrease in 2021. After 2021, the long-term downward trend in labor's share resumes, and it remains below its average from 1947 to 2000.

Data sources: Congressional Budget Office; Bureau of Economic Analysis. See www.cbo.gov/publication/56989#data.

Labor income is the sum of employees' compensation and CBO's estimate of proprietors' income that is attributable to labor.

Data are fourth-quarter values. The value for 2020 is CBO's estimate.

GDP = gross domestic product.

income as a share of GDP will average 59.1 percent for 2021. Labor's share is projected to gradually fall back to 58.3 percent by the end of 2031, a modest change compared with its historical fluctuations. (CBO's forecasts of labor income as a percentage of GDP reflect its projections of employment and compensation as well as a fraction of proprietors' income; the latter category is responsible for a spike in the first quarter of 2021, when, according to CBO's measurement convention, PPP subsidies boost the labor compensation of proprietors.)

CBO projects that wages and salaries will grow at a 4.9 percent pace in 2021 and then grow at a 4.3 percent annual rate from 2022 through 2026. Those growth rates fall slightly in the latter half of the projection period. With the onset of the pandemic, the wage and salary share of total income rose sharply, from 43.4 percent of GDP in 2019 to 45.6 percent in the second quarter of 2020, before slipping back to 44.4 percent in the third quarter as firms readjusted employment in line with output. In CBO's projections, the wage and salary share of total income gradually falls to 43.8 percent over the 2023–2027 period before falling again to 43.4 percent by the end of 2031.

Economists have identified some factors that have reduced labor's share of income over time, especially since 2000, but the relative importance and persistence of those factors remain unclear.[12] In CBO's projections,

12. Technological change may have induced firms to shift away from the use of labor toward the use of capital; see, for example, Loukas Karabarbounis and Brent Neiman, "The Global Decline of the Labor Share," *Quarterly Journal of Economics*, vol. 129, no. 1 (October 2013), pp. 61–103, https://tinyurl.com/y9uj2yv5. On the role of globalization, see Michael W.L. Elsby, Bart Hobijn, and Aysegul Sahin, "The Decline of the U.S. Labor Share," *Brookings Papers on Economic Activity* (Fall 2013), https://brook.gs/2VCVbyx. The returns on intangible assets may have claimed an increasing share of income; see Mark Lasky, *Complementary Putty-Clay Capital and Its Implications for Modeling Business Investment and Measuring Income From Intangible Capital*, Working Paper 2014-03 (Congressional Budget Office, May 2014), www.cbo.gov/publication/45317. See also Congressional Budget Office, *How Taxes Affect the Incentive to Invest in New Intangible Assets* (November 2018), www.cbo.gov/publication/54648. Labor income could have been reduced by increases in market power; see Jan De Loecker and Jan Eeckhout, *The Rise of Market Power and the Macroeconomic Implications*, Working Paper 23687 (National Bureau of Economic Research, August 2017), www.nber.org/papers/w23687. But apparent market power could reflect the growth of highly productive superstar firms; see David Autor and others, *The Fall of the Labor Share and the Rise of Superstar Firms*, Working Paper 23396 (National Bureau of Economic Research, May 2017), www.nber.org/papers/w23396.

that combination of long-term factors continues to operate, so that labor income as a share of GDP does not reach 60.4 percent—its long-run average from 1947 through 2000. The longer-run impact of the pandemic operates to accelerate various trends, such as automation, that tend to reduce labor's share of income in later years.

Corporate Profits

The combination of the pandemic's direct economic effects and the policy response to the pandemic explain volatility in corporate profits in the near term. The weakening of the economy as a result of the pandemic caused the share of domestic corporate profits in GDP to fall from 8.1 percent in 2019 to 7.3 percent in the first half of 2020, only to rebound to 8.9 percent in the third quarter, as firms adjusted their labor costs and as some received subsidies. CBO estimates that profits fell sharply again in the fourth quarter of 2020, but with renewed subsidies and various programs stimulating demand under current law, the domestic profit share will rise to 8.4 percent in the first half of 2021 before falling back in the second half. In CBO's projections, domestic corporate profits as a share of GDP then rise to 8.3 percent by the end of 2025 before subsiding to 7.7 percent by the end of 2031; they average 7.9 percent over the entire projection period.

Taken together, the share of GDP flowing to the highly taxed categories of wages and salaries and domestic corporate profits averages 51.7 percent over the projection period. That share is close to the average share recorded for the sum of those categories over the past 10 years.

Some Uncertainties in the Economic Outlook

An unusually high degree of uncertainty surrounds CBO's latest economic projections. Much uncertainty surrounds the path of the pandemic, the pace of distribution and uptake of vaccines, and domestic and international recovery from the recent downturn. Longer-term uncertainties include the pace of growth of potential output, the extent to which actual activity will exceed potential, and the measures taken by the Federal Reserve to moderate growth in that period.

The Pandemic and the Recovery

The severity and duration of the pandemic are subject to significant uncertainty, as are their effects on economic activity. In particular, great uncertainty remains about the extent to which governments, businesses, and individuals will take measures to reduce the spread of the virus, as well as how quickly the vaccines that are rapidly becoming available will be distributed. Although vaccines have become available and are being distributed, uncertainties remain about their efficacy, the pace of distribution, and the extent to which people will accept vaccination.

Further uncertainty surrounds the ongoing effects of the pandemic and social distancing on the pace of economic recovery and the pace at which consumers and businesses regain their financial stability and return to longer-term spending trends. Especially in the near term, there is at least some likelihood that the recovery could stall temporarily, with output declining and unemployment rising before another recovery gets under way. For example, the appearance of particularly virulent variants of the virus could result in greater social distancing and economic disruption than expected. The path of recovery and expansion could also be influenced in unexpected ways by the disparate effects the pandemic has had on different industries and population groups. International conditions could also influence the domestic recovery in unanticipated ways as the pandemic works its way through the rest of the world.

Fiscal Policy

CBO's analysis of the economic effects of recent legislation is largely informed by evidence about how past legislative actions that are most comparable to the recent legislation have affected economic activity. For example, CBO's estimates of the economic effects of payments to individuals provided by recent legislation, such as the Consolidated Appropriations Act, 2021, enacted in December 2020, are informed by evidence about the effects of payments to tax filers provided by the Economic Stimulus Act of 2008. That evidence may be less informative than usual in this situation, however, given the novel circumstances surrounding the pandemic and the subsequent economic developments.

An additional area of uncertainty is how specific legislative actions will affect the economy—in particular, provisions that provide loans to businesses and reduce certain business taxes, expand eligibility for unemployment compensation and increase weekly benefits, and provide credit assistance to certain businesses and funding for state and local governments. For example, the effects of business loans on economic activity depend on the number of distressed businesses and their financial viability.

The Labor Market

The uncertainty surrounding the labor market recovery in the near term is particularly great, reflecting the unusually high degree of uncertainty about the course of the pandemic, the pace of economic recovery, and the state of various government policies supporting households, workers, and businesses. If, for example, consumer demand falls to a greater extent and more businesses—particularly small, local businesses—fail to survive the winter of 2020–2021 than CBO currently expects, then more layoffs, less hiring, and a slower overall labor market recovery will occur than in CBO's current projections. Conversely, if vaccination rates rise more rapidly than CBO currently projects, then the labor force participation rate could rebound sooner and more strongly.

Moreover, the rapid adaptation to remote work by existing businesses and households may be creating many opportunities for new businesses, creating new jobs, and spurring sectoral and geographic reallocations that can help improve both productivity and social and economic welfare. If, for example, business formation and job creation in the "new" part of the economy are greater than CBO currently expects, then labor market recovery could be faster and stronger than in CBO's current projections.

Furthermore, the severity and the duration of economic weakness in the near term may influence the extent to which various types of workers experience negative effects on their long-term labor market outcomes—including reduced future employment rates and earnings, poorer fit between employers and workers, skill erosion, and diminished career prospects. Those who are particularly vulnerable to experiencing negative labor market outcomes, which could last a decade or more, include workers who experience long spells of unemployment, young people who enter the labor market in a weak economy, and women who have disproportionally dropped out of the labor force to provide child care and other care at home during the pandemic. Students whose schooling has been disrupted during the pandemic, particularly those who lack access to quality remote learning, could face long-term negative consequences, and harms are skewed toward those who have already been most disadvantaged in society. Finally, long-term health risks—including potential long-term effects of COVID-19 infections, exacerbation of the opioid crisis by the pandemic, and the toll on people's mental health—could influence the prospects of many workers as well as the strength of the overall labor market.

Inflation and Interest Rates

The effects of policy actions on CBO's projections of inflation and interest rates are also uncertain, particularly in light of the rapid increase in federal borrowing in response to the pandemic. Monetary and fiscal policymakers have provided an unprecedented amount of support to the economy to curtail the adverse effects of the pandemic. That support might exert more or less pressure on inflation than CBO currently projects. Also unclear are the extent and timing of upward pressure on interest rates caused by greater federal borrowing, as well as the downward pressure from the increased demand for risk-free assets and additional purchases of long-term Treasury securities by the Federal Reserve.

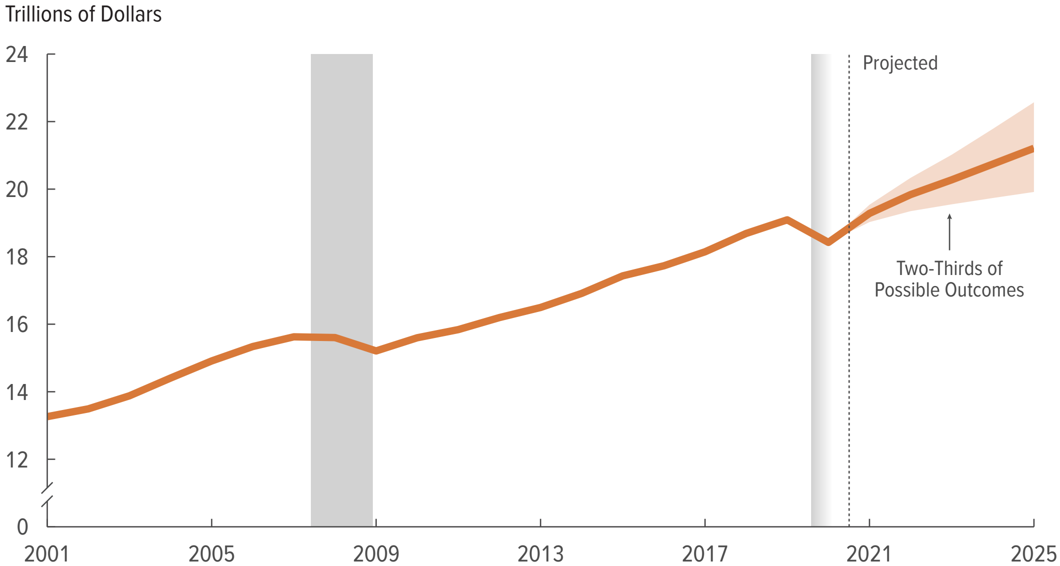
The Federal Reserve's recent revision to its longer-run goals and policy strategy introduces additional uncertainty into the forecast. In August, the Federal Reserve announced that it would aim to achieve an average inflation rate of 2 percent over time and that periods of shortfall from that objective will be followed by periods during which inflation will be allowed to moderately exceed 2 percent for some time. There is uncertainty about whether the Federal Reserve will be able to accomplish its inflation objectives and how far it will allow inflation to rise above 2 percent. The uncertainty about inflation contributes to the uncertainty about the forecast for interest rates over the coming decade.

Long-Term Growth

CBO's longer-run projections reflect the additional uncertainty of the underlying trends of key variables, such as the size of the potential labor force, the average number of labor hours per worker, capital investment, and productivity. Particularly uncertain for CBO's analysis are the long-run effects of the pandemic on growth of potential total factor productivity in nonfarm businesses. It is possible that innovations associated with working from home could lead to substantial reductions in costs and improvements in productivity. Conversely, disruptions to the education system could have lasting effects on the future productivity of workers. Long-term growth could also be influenced by the disparate effects the pandemic has had on different industries and population groups. In its current projections, CBO anticipates that the net effects of the pandemic on productivity are likely to be small, but substantial positive or negative effects could influence underlying trends in ways that are as yet unmeasured.

Figure 8.

Uncertainty in CBO's Projection of Real GDP



CBO estimates that—if the errors in the agency's current economic forecast are similar to those in its previous forecasts—there is approximately a two-thirds chance that the average annual rate of real GDP growth will be between 1.6 percent and 4.1 percent over the next five years.

Data sources: Congressional Budget Office; Bureau of Economic Analysis. See www.cbo.gov/publication/56989#data.

Real values are nominal values that have been adjusted to remove the effects of changes in prices.

The shaded area around CBO's baseline projection of real GDP illustrates the uncertainty of that projection. The area is based on the errors in CBO's one-, two-, three-, four-, and five-year projections of the average annual growth rate of real GDP for calendar years 1976 through 2020.

GDP = gross domestic product.

A further source of long-term uncertainty is the global economy's longer-term response to the substantial increases in public deficits and debt that are occurring as governments spend significant amounts to attempt to mitigate the impact of the pandemic and the economic downturn. The buildup of debt in several different countries increases the risk that financial instability in any one country (or just a few countries) could result in more widespread problems.

Quantifying the Uncertainty in CBO's Projections

To quantify the uncertainty surrounding its projections for the next five years, CBO analyzed its past forecasts of several key macroeconomic variables. On the basis of that analysis, CBO estimates that—if the errors in the agency's current economic forecast are similar to those in its previous forecasts and if the agency's economic forecast balances the risks of such errors, on average, so that outcomes could differ from the forecast in either direction—there is approximately a two-thirds chance that the average annual rate of real GDP growth (on a calendar year basis) will be between 1.6 percent and 4.1 percent over the next five years (see Figure 8). That range encompasses cumulative growth over the five-year period of between 8.1 percent and 22.5 percent.[13] Similarly, errors in CBO's past forecasts of inflation (as measured by the CPI-U) suggest that there is roughly a two-thirds chance that the average annual rate of inflation will fall between 1.6 percent and 2.8 percent over the next five years. (For discussion about the uncertainty surrounding the unemployment rate, see Box 2.)

Comparison With CBO's 2020 Economic Projections

CBO's current projections can be usefully compared both with its most recent projections from July 2020 and, in some cases, with its January 2020 projections, which were prepared before the advent of the pandemic (see Table 4). Both sets of comparisons illuminate aspects of the current projections and also serve to highlight the kinds of uncertainty that affect all such projections.

13. CBO's range for real GDP growth reflects some of the uncertainty inherent in its estimates of the growth in real potential GDP, given that the errors in CBO's longer-horizon forecasts of real GDP growth are partly due to the agency's past underestimates (for example, during the late 1990s) or overestimates (for example, during the early 2010s) of real potential GDP growth.

Box 2.

Uncertainty Surrounding the Unemployment Rate

In the Congressional Budget Office's economic projections, the unemployment rate falls from 6.8 percent at the end of 2020 to 5.3 percent at the end of 2021 and 4.3 percent at the end of 2031. CBO has quantified the uncertainty surrounding those projections to illustrate its extent and to assist with projections of federal spending that depend on whether the unemployment rate exceeds certain thresholds.

In the fourth quarter of 2021, there is roughly a two-thirds chance that the unemployment rate will be between 4.9 percent and 5.7 percent, CBO estimates. That is the middle two-thirds of the range: There is a one-sixth chance that the rate will be less than 4.9 percent and a one-sixth chance that the rate will be greater than 5.7 percent. In the fourth quarter of 2031, there is approximately a two-thirds chance that the unemployment rate will be between 2.7 percent and 6.1 percent and a 10 percent chance that it will be above 6.7 percent (see the figure).

The Basis of the Estimates of Uncertainty About the Unemployment Rate

CBO's estimates of the uncertainty surrounding its projections of the unemployment rate are informed by the historical patterns of rapid increases in that rate followed by more gradual declines. Specifically, CBO developed a Markov-switching model with parameters estimated from historical data to simulate many future paths of the unemployment rate. The parameters were also adjusted slightly so that the averages of the simulated rates most closely matched CBO's economic projections. The analysis accounted for differences in the unemployment rates of people on temporary layoff expecting to be recalled to work and other unemployed people.

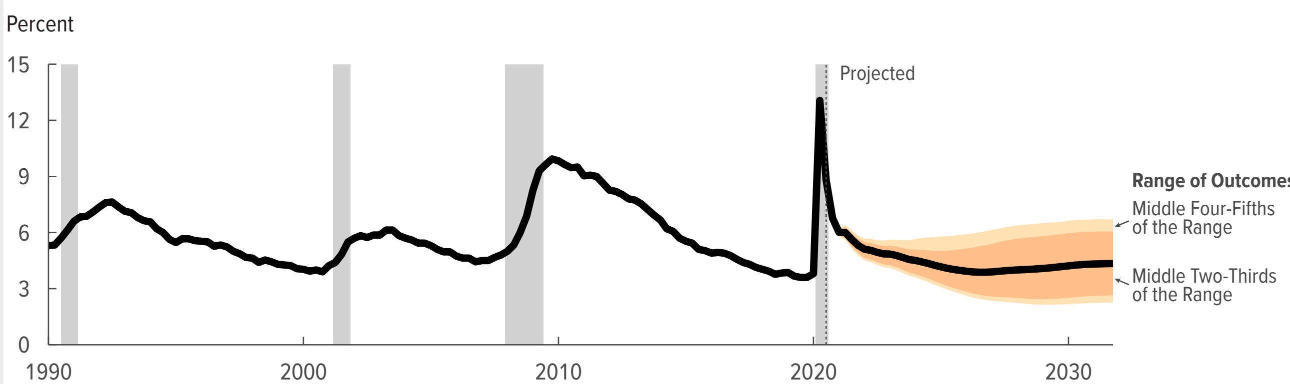
After the declines in the unemployment rate observed in the second half of 2020, that rate continues to decline in most of CBO's simulations. In some simulations, however, it increases sharply, as suggested by historical patterns in the unemployment rate. The cumulative chance of at least one sharp rise increases over time.

CBO has explored various modeling approaches to quantifying the uncertainty surrounding the unemployment rate. The agency expects to publish a technical description of the methods underlying the analysis presented here later this year.

How the Unemployment Rate Is Used in CBO's Budget Projections

CBO uses projections of the unemployment rate to assist with budget projections for various programs in which the number of people eligible for benefits has historically depended on the strength of the labor market. For instance, spending for unemployment compensation programs is especially sensitive to the unemployment rate. CBO's projection of $45 billion in spending for those programs in 2031, for example, uses CBO's baseline projection of the unemployment rate as one input to form an estimate of the number of people expected to claim unemployment compensation and the duration of those claims, on average. That estimate incorporates the possibility that the economy will be stronger or weaker than CBO projects. For estimates of spending for the part of the unemployment compensation program that provides extended benefits, CBO's simulations of the national unemployment rate are combined with other information to estimate the probability that states' unemployment rates will be above certain thresholds that trigger the extended benefits.

Unemployment Rate



Data source: Congressional Budget Office. See www.cbo.gov/publication/56989#data.

The shaded area around CBO's baseline projection of the unemployment rate illustrates the uncertainty of that projection. The middle two-thirds of the range extends from the 17th to the 83rd percentile of CBO's estimates. The middle four-fifths extends from the 10th to the 90th percentile.

Table 4.

CBO's Current and Previous Economic Projections for Calendar Years 2020 to 2030

	2020	2021	2022	Annual Average 2020–2024	Annual Average 2025–2030	Annual Average Total, 2020–2030
	Percentage Change From Fourth Quarter to Fourth Quarter					
Real GDP[a]						
February 2021	-2.5	3.7	2.4	1.7	1.7	1.7
July 2020	-5.9	4.8	2.2	1.0	2.1	1.6
Nominal GDP						
February 2021	-1.2	5.6	4.5	3.5	3.9	3.7
July 2020	-5.7	6.2	4.1	2.5	4.2	3.4
PCE Price Index						
February 2021	1.2	1.7	1.9	1.7	2.1	1.9
July 2020	0.4	1.3	1.7	1.4	1.9	1.7
Core PCE Price Index[b]						
February 2021	1.4	1.5	1.9	1.7	2.1	1.9
July 2020	0.6	1.3	1.7	1.4	1.9	1.7
Consumer Price Index[c]						
February 2021	1.2	1.9	2.2	2.0	2.4	2.2
July 2020	0.4	1.6	2.0	1.7	2.2	2.0
Core Consumer Price Index[b]						
February 2021	1.6	1.5	2.2	2.0	2.4	2.2
July 2020	1.0	1.5	1.9	1.7	2.2	2.0
GDP Price Index						
February 2021	1.3	1.9	2.0	1.8	2.1	2.0
July 2020	0.2	1.3	1.8	1.5	2.0	1.8
Employment Cost Index[d]						
February 2021	2.8	2.3	2.8	2.7	3.3	3.0
July 2020	1.7	2.6	2.3	2.4	3.0	2.7
Real Potential GDP[a]						
February 2021	1.8	1.9	1.9	1.9	1.7	1.8
July 2020	1.6	1.5	1.8	1.7	1.8	1.8

Continued

Potential Output, Actual Output, and Income

The agency's projection of real GDP growth for 2021 is much weaker than it was last summer. That revision results from two developments. First, the downturn in early 2020 was not as pronounced as the agency initially estimated, and the recovery in the second half of the year was stronger. Second, the effects of the pandemic are projected to be somewhat stronger overall (that is, the amount of social distancing is projected to be greater) in the near term than CBO expected last summer. Beyond 2021, the agency now expects the growth in spending to be stronger from 2022 through 2024 than it did last summer but to be weaker from 2025 through the end of the projection period. Overall, the net effect of the revisions is that economic activity is stronger throughout the 2020–2030 period than the agency projected in July, mainly because the economic effects of the pandemic proved to be less negative than expected.

In terms of underlying trends that contribute to growth of potential output, by far the most important revisions to CBO's projections since July are revisions to both business and residential investment. Stronger-than-expected investment of both types leads to more capital services in nonfarm business and in owner-occupied housing, both of which raise potential output compared with the projection in the summer outlook. In addition, the agency has modestly increased its projections of productivity growth in the nonprofit and government sectors of the economy, reflecting recent historical trends.

Table 4. Continued

CBO's Current and Previous Economic Projections for Calendar Years 2020 to 2030

	2020	2021	2022	Annual Average 2020–2024	Annual Average 2025–2030	Annual Average Total, 2020–2030
				Annual Average		
Unemployment Rate (Percent)						
February 2021	8.1	5.7	5.0	5.6	4.1	4.8
July 2020	10.6	8.4	7.1	7.7	4.8	6.1
Interest Rates (Percent)						
Three-month Treasury bills						
February 2021	0.4	0.1	0.1	0.2	1.4	0.9
July 2020	0.4	0.2	0.2	0.2	1.0	0.6
Ten-year Treasury notes						
February 2021	0.9	1.1	1.3	1.3	2.8	2.1
July 2020	0.9	0.9	1.1	1.2	2.6	2.0
Tax Bases (Percentage of GDP)						
Wages and salaries						
February 2021	44.8	44.0	43.9	44.1	43.7	43.9
July 2020	44.3	43.8	43.7	43.8	43.7	43.8
Domestic corporate profits[e]						
February 2021	7.6[f]	7.9	7.5	7.7	8.1	7.9
July 2020	7.5	7.4	7.7	7.7	8.2	8.0

Data sources: Congressional Budget Office; Bureau of Labor Statistics; Federal Reserve. See www.cbo.gov/publication/56989#data.

GDP = gross domestic product; PCE = personal consumption expenditures.

a. Real values are nominal values that have been adjusted to remove the effects of changes in prices.

b. Excludes prices for food and energy.

c. The consumer price index for all urban consumers.

d. The employment cost index for wages and salaries of workers in private industry.

e. Adjusted to remove distortions in depreciation allowances caused by tax rules and to exclude the effects of changes in prices on the value of inventories.

f. Estimated value for 2020.

Compared with CBO's prepandemic projections from January 2020, its projection of actual real GDP is much lower for much of the first half of the projection period, but stronger growth during the projected recovery and expansion brings real GDP to nearly the same level at the end of the period as the agency projected in January 2020 (see Figure 9). The close similarity reflects two features of the projections. First, the agency projects slightly lower potential output throughout the projection period than it did last year because its projections of the population and potential labor force are lower. That difference is offset by the agency's current expectation that actual output will slightly overshoot potential output for much of the second half of the projection period, whereas it expected actual output to undershoot potential output in last year's projection.

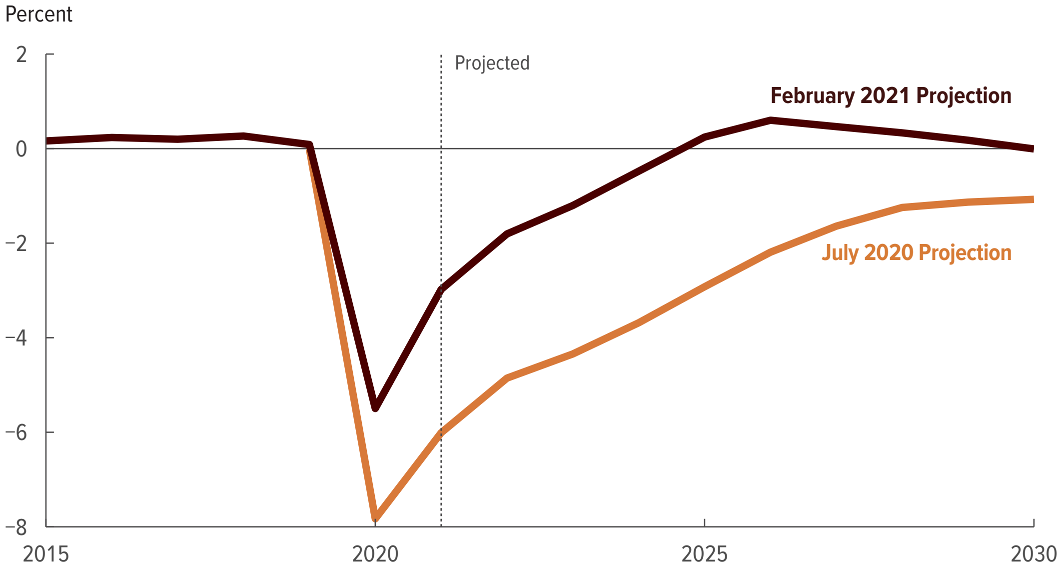
In nominal terms, however, the agency's projections for output and income are substantially lower throughout the projection period because projected price inflation is well below last January's rates through 2023. Although inflation rises above last January's projection after 2023, nominal GDP is still about 0.8 percent lower and nominal income is about 0.6 percent lower at the end of the projection period than what CBO projected last year.

The Labor Market

CBO's current projections for the labor market are notably stronger throughout the projection period, particularly in the near term, than the projections it released in July. Specifically, over the 2021–2025 period, the unemployment rate is projected to average 4.8 percent, about 2 percentage points lower than the 6.7 percent average projected in July. At 4.1 percent, the average

Figure 9.

Difference in Real GDP Between CBO's January 2020 and More Recent Projections



CBO's February 2021 projections are much stronger than its projections from July 2020. In the February 2021 projections, the level of real GDP is about 2 percent lower, on average, for the 2020–2024 period than CBO projected in January 2020. For the 2025–2030 period, real GDP is almost 0.3 percent higher, on average, than the agency projected in January 2020.

Data source: Congressional Budget Office. See www.cbo.gov/publication/56989#data.

Real values are nominal values that have been adjusted to remove the effects of changes in prices.

GDP = gross domestic product.

unemployment rate over the 2026–2031 period is about 0.5 percentage points lower than previously projected.

Several factors contributed to those upward revisions: First, incoming data on employment and unemployment over the summer and through early fall indicated a much stronger labor market recovery—driven primarily by more rapid rehiring of workers who were temporarily laid off—than CBO expected in the late spring. Second, projected levels of economic activity, as reflected in the level of GDP and other economic indicators, are higher throughout the projection period in CBO's current projections, in part because of additional fiscal support put in place at the end of 2020. Finally, a more rapid and substantial rebound in employment in the near term than previously expected helps preserve human and institutional capital and boost labor income and businesses' survival, and thus it reduces the risks of long-term damage to the labor market outcomes of many workers.

Inflation and Interest Rates

Inflation is projected to be somewhat higher in both the 2021–2025 period and the 2026–2031 period than it was in July. In the short run, economic activity rebounded more strongly than anticipated following its precipitous decline in the spring, as many businesses were able to rapidly adapt to operating with social distancing guidelines in effect. That rebound reduced the degree of downward pressure on inflation over the next several quarters in the agency's projections. In the long run, a change in Federal Reserve policy resulted in a slightly higher projected average rate of inflation. Last fall, the Federal Reserve revised its statement of goals and policies, in which it signaled that after a period when inflation has failed to reach its objective rate, the Federal Reserve would allow inflation to rise above that rate for some period of time, so that inflation averages 2 percent over some horizon.[14] On average, that policy should result in slightly higher inflation in the long run.

CBO now expects both short- and long-term interest rates over the coming decade to be slightly higher, on average, than in its previous forecast. The upward revision in rates over the 2021–2025 period partly reflects the upward revision to inflation and a faster recovery from the pandemic-induced recession. In addition, the agency now expects the Federal Reserve to begin raising

14. See Board of Governors of the Federal Reserve System, "Federal Open Market Committee Announces Approval of Updates to Its Statement on Longer-Run Goals and Monetary Policy Strategy" (press release, August 27, 2020), https://go.usa.gov/xGXXn.

rates in the second half of 2024—roughly two years earlier than previously projected.

CBO raised its forecasts of both short- and long-term interest rates, on average, over the later years of the projection period as well. That upward revision to average rates reflects the agency's revision to the date when the Federal Reserve will begin raising rates. The earlier date for the start of rate hikes means that short-term rates are projected to be higher, on average, over the 2026–2031 period than the agency expected in July. It also means that long-term rates, which partly reflect the expected path of short-term rates, will be higher, on average. The upward revision to long-term interest rates also reflects CBO's downward revision to estimates of the Federal Reserve's holdings of Treasury and other securities, which is expected to put upward pressure on the term premium—the extra return paid to bondholders for risk associated with holding long-term Treasury securities.

Comparison With Other Economic Projections

CBO's projections of the economy for 2021 and 2022 are similar to those of the average of the forecasts of about 50 private-sector economists that were published in the February 2021 *Blue Chip Economic Indicators* (see Figure 10).[15] In particular, CBO's projection of real GDP growth for 2021 is within the middle two-thirds of the range of *Blue Chip* forecasts, but its projection for 2022 is slightly lower than the middle two-thirds. The agency's projections for the unemployment rate are within the middle two-thirds for both years. For inflation both in GDP prices and in consumer prices (as measured by the CPI-U), CBO's projections are slightly lower than the middle two-thirds for 2021 and within them for 2022. The agency's projections for the interest rate on 3-month Treasury bills are within the middle two-thirds of the range of *Blue Chip* forecasts in both years, but its projections for the rate on 10-year Treasury notes are slightly lower.

CBO's projections of real GDP growth are consistent with the central tendency in 2021 and 2023 in the Federal Reserve's most recent *Summary of Economic Projections* (see Figure 11).[16] For 2022, however, they are slightly below the Federal Reserve's full range; for the longer run, they are just inside the lower end of the full range. The agency's projections of the unemployment rate are within the Federal Reserve's central tendency in 2021 and within the full range (but above the central tendency) in 2022 and 2023 and over the longer term.

CBO's projections of inflation, as measured by the growth rates of the price index for personal consumption expenditures and the price index for core PCE (which excludes changes in food and energy prices), are all within the Federal Reserve's central tendency, with the exception of core PCE inflation in 2021, which is well within the full range. (The Federal Reserve's survey does not collect projections of core PCE inflation for the longer term.) For the federal funds rate, CBO's projections are consistent with the Federal Reserve's median forecast in all years and in the longer term.

Part of the variation between CBO's projections and those of other forecasters is attributable to differences in the economic data available when the forecasts were completed and to differences in the economic and statistical models used to prepare them. Moreover, the variation may reflect differences in the underlying epidemiological and social distancing projections used by CBO and other forecasters. In addition, other forecasts may reflect an expectation that additional pandemic-related legislation will be enacted, whereas CBO's projections incorporate the assumption that current laws generally remain unchanged and that no significant additional emergency funding is provided.

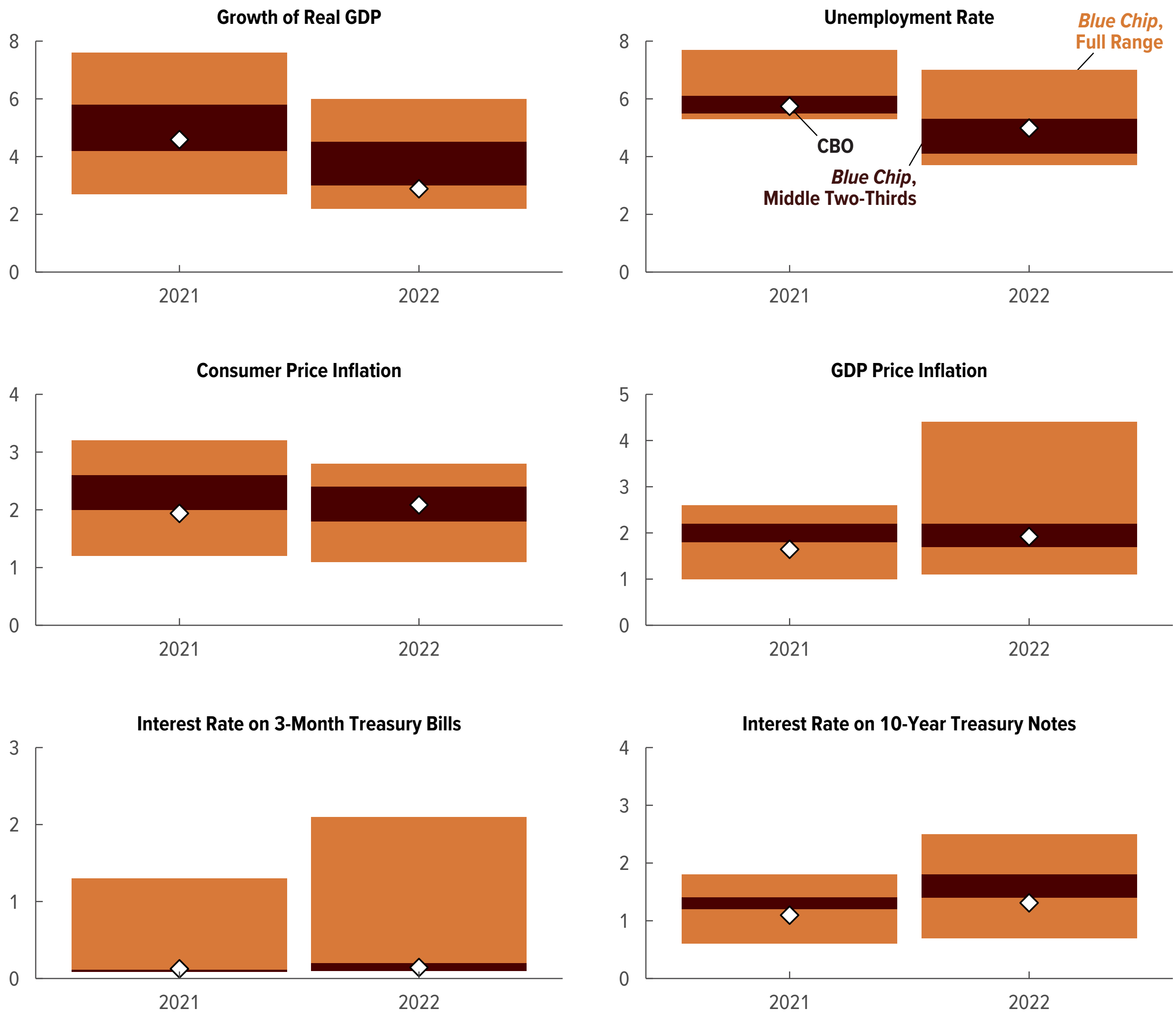
15. See Wolters Kluwer, *Blue Chip Economic Indicators*, vol. 46, no. 2 (February 12, 2021).

16. See Board of Governors of the Federal Reserve System, "Economic Projections of Federal Reserve Board Members and Federal Reserve Bank Presidents, Under Their Individual Assumptions of Projected Appropriate Monetary Policy, December 2020" (December 16, 2020), Table 1, https://go.usa.gov/xsCtk. The range of Federal Reserve forecasts is based on the highest and lowest projections made by the members of the Board of Governors of the Federal Reserve System and the presidents of the Federal Reserve Banks; the central tendency is the range formed by removing the three highest and three lowest Federal Reserve forecasts. The median is the middle projection (or, if the number of projections is even, the average of the two middle projections) when the projections are arranged from highest to lowest. For comparison with the Federal Reserve's longer-term projections, CBO uses its projections for the last quarter of the projection period.

Figure 10.

Comparing CBO's Forecasts With Those of the *Blue Chip* Forecasters

Percent



Data sources: Congressional Budget Office; Wolters Kluwer, *Blue Chip Economic Indicators*, vol. 46, no. 2 (February 12, 2021). See www.cbo.gov/publication/56989#data.

The full range of forecasts from the *Blue Chip* survey is based on the highest and lowest of the roughly 50 forecasts. The middle two-thirds of that range omits the top one-sixth and the bottom one-sixth of the forecasts.

Real values are nominal values that have been adjusted to remove the effects of changes in prices. Consumer price inflation is based on the consumer price index for all urban consumers. The growth of real GDP and inflation rates are measured from the average of one calendar year to the next.

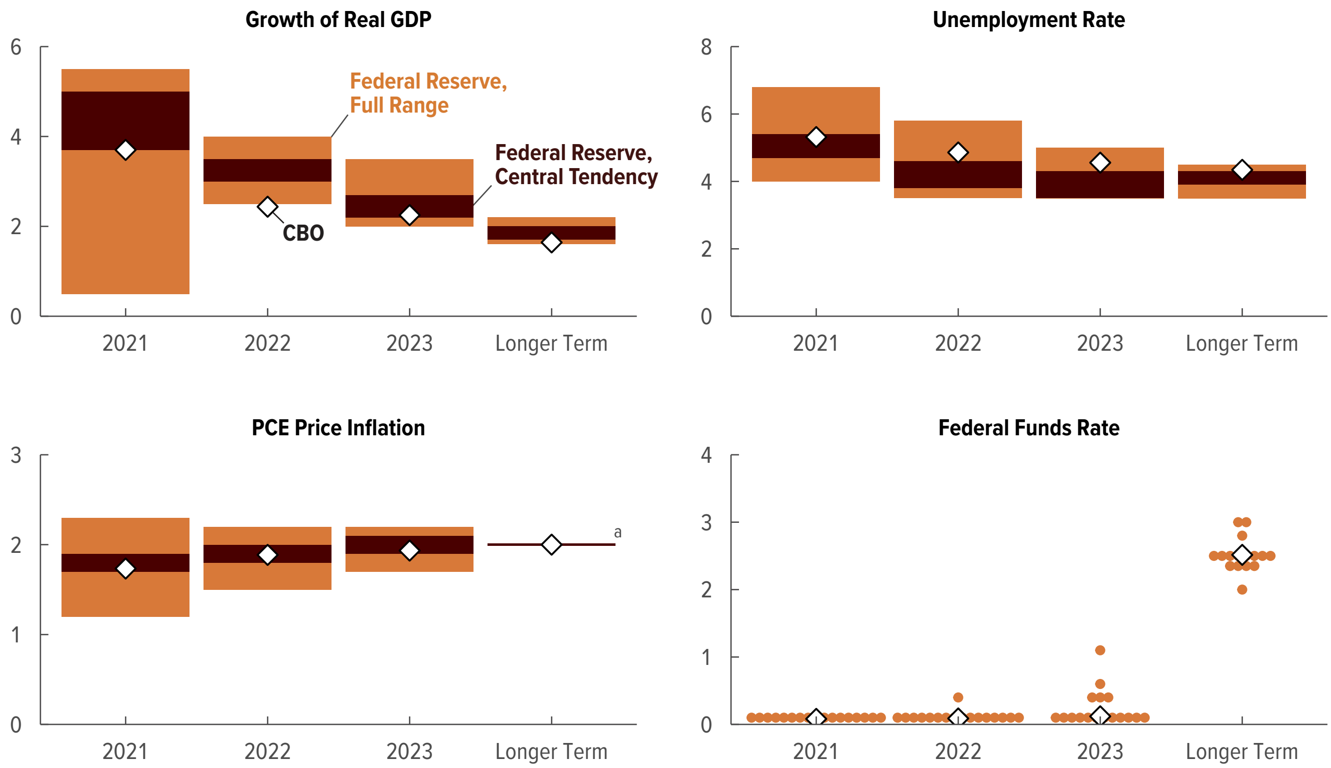
The unemployment rate is the number of people not working who are available for work and are either seeking work or expecting to be recalled from a temporary layoff, expressed as a percentage of the labor force. The unemployment rate and interest rates are calendar year averages.

GDP = gross domestic product.

Figure 11.

Comparing CBO's Forecasts With Those of the Federal Reserve

Percent



Data sources: Congressional Budget Office; Board of Governors of the Federal Reserve System, "Economic Projections of Federal Reserve Board Members and Federal Reserve Bank Presidents, Under Their Individual Assumptions of Projected Appropriate Monetary Policy, December 2020" (December 16, 2020), Table 1, https://go.usa.gov/xsCtk. See www.cbo.gov/publication/56989#data.

The full range of forecasts from the Federal Reserve is based on the highest and lowest of the 17 projections by the Board of Governors and the presidents of the Federal Reserve Banks. (One Federal Reserve official did not submit longer-run projections for the change in real GDP, the unemployment rate, or the federal funds rate.) The central tendency is, roughly speaking, the middle two-thirds of the full range, formed by removing the three highest and three lowest projections.

The federal funds rate is the interest rate that financial institutions charge each other for overnight loans of their monetary reserves.

Each of the data points for the federal funds rate represents a forecast made by one of the members of the Federal Reserve Board or one of the presidents of the Federal Reserve Banks in December 2020. The Federal Reserve officials' forecasts of the federal funds rate are for the rate at the end of the year, whereas CBO's forecasts are fourth-quarter values.

For CBO, longer-term projections are values for the last quarter of 2031. For the Federal Reserve, longer-term projections are described as the value at which each variable would settle under appropriate monetary policy and in the absence of future shocks to the economy.

Real values are nominal values that have been adjusted to remove the effects of changes in prices.

The unemployment rate is the number of people not working who are available for work and are either seeking work or expecting to be recalled from a temporary layoff, expressed as a percentage of the labor force.

Real GDP growth and inflation rates are measured from the fourth quarter of one calendar year to the fourth quarter of the next.

The unemployment rate is a fourth-quarter value.

GDP = gross domestic product; PCE = personal consumption expenditures.

a. The ends of the full range and central tendency are equal.

A key difference between CBO's economic projections and those made by Federal Reserve officials is that CBO attempts to construct its projections so that they fall in the middle of a distribution of possible outcomes under current law. By contrast, the Federal Reserve reports a different concept: Each Federal Reserve official provides a modal forecast—a forecast of the most likely outcome—reflecting his or her individual assessment of appropriate monetary policy, and the Federal Reserve reports ranges of those modal values. As with other forecasters, officials may assume additional pandemic-related legislation in their individual forecasts.

List of Tables and Figures

Tables

Figures

About This Document

This document is one of a series of reports on the state of the budget and the economy that the Congressional Budget Office issues each year. It satisfies the requirement in section 202(e) of the Congressional Budget Act of 1974 for CBO to submit to the Committees on the Budget periodic reports about fiscal policy and to provide baseline projections of the federal budget. In keeping with CBO's mandate to provide objective, impartial analysis, this report makes no recommendations.

The estimates in this report are the work of more than 100 staff members at CBO. Robert Shackleton wrote the report, with contributions from Nabeel Alsalam, Aaron Betz, Yiqun Gloria Chen, Molly Dahl, Erin Deal, Justin Falk, Daniel Fried, Edward Gamber, Ronald Gecan, Julia Heinzel, Mark Lasky, Junghoon Lee, Michael McGrane, Jaeger Nelson, Brooks Pierce, Sarah Robinson, Jeffrey Schafer, John Seliski, and Christopher Williams. Robert Arnold, Devrim Demirel, John Kitchen, and Jeffrey Werling provided guidance.

CBO consulted with members of its Panel of Economic Advisers during the preparation of this report. Although CBO's outside advisers provided considerable assistance, they are not responsible for the contents of this report.

Mark Doms, Mark Hadley, Jeffrey Kling, and Robert Sunshine reviewed the report. Rebecca Lanning was the editor, and Casey Labrack was the graphics editor. This report is available on CBO's website (www.cbo.gov/publication/56989).

CBO continually seeks feedback to make its work as useful as possible. Please send any comments to communications@cbo.gov.

Phillip L. Swagel
Director
February 2021

CONFIDENTIAL
EL CAMINO HOSPITAL FINANCE COMMITTEE
INVESTMENT COMMITTEE MEETING MEMO

To: El Camino Hospital Investment Committee
From: Carlos A. Bohorquez, Chief Financial Officer
Date: May 10, 2021
Subject: CFO Report Out – Finance Committee (FC) Open Session Materials

Purpose: To update the Investment Committee on the work of the Finance Committee.

Summary:

1. Background:

- The FC meets 7 times per year. At the April 26, 2021 meeting the committee reviewed FY2021 Period 9 financial results, FY2021 Q4 forecast and the preliminary FY2022 operating and capital budget. The committee meets next on May 24, 2021.

2. Summary:

a. March 2021 (Period 9) Operating Margin was $8.3 million, which is $7.1 million favorable to budget. Strong March financial performance was attributed to the following:

- Significant decrease of Covid-19 patients from the third wave of the pandemic
- Rebound in procedural volumes due to pent up demand from January and February
- Focus on management of OT / premium pay, ALOS and variable expenses
- Stable payor mix

b. As of the end of Period 9 (as of 3/31/2021) Operating Margin was $47.4 million, which is $78.3 million favorable to budget.

c. Q3 Operating Margin was favorable by $2.9 million to the forecast presented at the January 2021 FC meeting.

Hospitals	Forecast	Actual	Forcast vs. Actual	
Gross Charges	$ 967,560,127	$ 1,038,028,151	$ 70,468,024	7.3%
Net Patient Revenue	**$ 249,075,903**	**$ 272,238,958**	**$ 23,163,055**	**9.3%**
Other Operating Revenue	$ 12,600,834	$ 11,316,000	$ (1,284,834)	-10.2%
Total Operating Revenue	**$ 261,676,737**	**$ 283,554,958**	**$ 21,878,221**	**8.4%**
Total Operating Expenses	**$ 253,054,761**	**$ 272,075,138**	**$ 19,020,377**	**7.5%**
Operating Margin	**$ 8,621,976**	**$ 11,479,820**	**$ 2,857,844**	**33.1%**
Operating Margin (%)	**3.3%**	**4.0%**	**0.8%**	**---**

d. FY2021 Q4 forecast was prepared using Period 9 (as of 3/31/2021) results and updated assumptions related to the impact the Covid-19 pandemic.

The impact of the third wave of the pandemic reduced expected Operating Margin for FYE 2021 from $71.3 million to $68.2 million.

	Fiscal Year Ended (6/30)		FY2021			
	FY2019	FY2020	Budget	Forecast (November 2020)	Forecast (January 2021)	Forecast (April 2021)
Total Operating Revenue	$ 996,674	$ 1,031,137	$ 947,142	$ 1,146,439	$ 1,114,351	$ 1,131,465
Operating Margin	$ 118,289	$ 63,638	$ (23,743)	$ 77,685	$ 71,323	$ 68,248
Operating Margin (%)	11.9%	6.2%	-2.5%	6.8%	6.4%	6.0%
Operating EBIDA Margin (%)	17.9%	12.7%	5.9%	14.2%	14.0%	13.3%

List of Attachments:

1. FY2021 – Period 9 Financial Report
2. FY2021 Q4 Forecast

Suggested IC Committee Discussion Questions:

1. None

El Camino Health

Summary of Financial Operations

Fiscal Year 2021 – Period 9

7/1/2020 to 03/31/2021

Executive Summary - Overall Commentary for Period 9

- Strong operating / financial results for Period 9 were attributed to the following:
  - Significant decrease of Covid-19 patients
  - Rebound in procedural volumes due to pent up demand from January and February
  - Focus on management of OT / premium pay, ALOS and variable expenses
  - Stable payor mix
- Total gross charges, a surrogate for volume, were favorable to budget by $87.3M / 29.1% and $105.9M / 37.6% higher than the same period last year
- Net patient revenue was favorable to budget by $17.3M / 21.6% and $24.1M / 32.9% higher than the same period last year
- Operating expenses were $9.3M /11.2% unfavorable to budget, which is primarily attributed to higher than expected volume versus budget and significant number of procedural cases performed in March
- Operating margin was favorable to budget by $7.1M / 619.3% and $17.9M / 185.5% higher than the same period last year
- Operating EBIDA was favorable to budget by $6.9M / 90.9% and $18.4M / 478.9% higher than the same period last year

Operational / Financial Results: Period 9 – March 2021 (as of 3/31/2021)

PERIOD 9 - RESULTS

($ thousands)

		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's Medians 'A1'	Moody's Medians 'Aa3'	Performance to 'A1' Medians
Activity / Volume	ADC	231	217	15	6.7%	218	13	6.1%	---	---	---
	Total Discharges	1,939	1,867	72	3.9%	1,810	129	7.1%	---	---	---
	Adjusted Discharges	3,244	2,802	442	15.8%	2,584	660	25.5%	---	---	---
	Emergency Room Visits	4,271	4,077	194	4.8%	4,624	(353)	-7.6%	---	---	---
	OP Procedural Cases	15,665	8,139	7,526	92.5%	7,318	8,347	114.1%	---	---	---
	Gross Charges ($)	387,620	300,318	87,302	29.1%	281,723	105,897	37.6%	---	---	---
Operations	Total FTEs	2,875	2,855	20	0.7%	2,827	48	1.7%	---	---	---
	Productive Hrs. / APD	31.8	33.4	(1.6)	-4.7%	38.1	(6.3)	-16.5%	---	---	---
	Cost Per Adjusted Discharge	16,509	17,901	(1,392)	-7.8%	20,136	(3,627)	-18.0%	---	---	---
	Net Days in A/R	50.9	49.0	1.9	3.8%	49.1	1.7	3.5%	47.7	47.1	
Financial Performance	Net Patient Revenue ($)	97,171	79,886	17,285	21.6%	73,105	24,066	32.9%	106,723	257,000	
	Total Operating Revenue ($)	100,708	84,265	16,444	19.5%	77,345	23,364	30.2%	116,864	314,648	
	Operating Margin ($)	8,258	1,148	7,110	619.3%	(9,658)	17,917	185.5%	3,948	10,135	
	Operating EBIDA ($)	**14,588**	**7,641**	**6,947**	90.9%	**(3,850)**	**18,438**	478.9%	**11,301**	**27,969**	
	Net Margin ($)	27,223	4,482	22,742	507.4%	(81,470)	108,694	133.4%	8,219	18,726	
	Operating Margin (%)	8.2%	1.4%	6.8%	501.9%	-12.5%	20.7%	165.7%	2.9%	3.6%	
	Operating EBIDA Margin (%)	**14.5%**	**9.1%**	**5.4%**	59.7%	**-5.0%**	**19.5%**	391.0%	**9.7%**	**8.9%**	
	DCOH (days)	566	435	130	29.9%	432	134	31.0%	254	264	

Moody's Medians: Not-for-profit and public healthcare annual report; September 9, 2020. Dollar amounts have been adjusted to reflect monthly averages.

El Camino Health

Unfavorable Variance < 0.99%
Unfavorable Variance 1.00% - 4.99%
Unfavorable Variance > 5.00%

Operational / Financial Results: YTD FY2021 (as of 3/31/2021)

YTD FY2021 - RESULTS

($ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's Medians 'A1'	Moody's Medians 'Aa3'	Performance to 'A1' Medians
Activity / Volume	ADC	241	205	36	17.8%	237	4	1.6%	---	---	---
	Total Discharges	16,930	15,713	1,217	7.7%	18,157	(1,227)	-6.8%	---	---	---
	Adjusted Discharges	26,258	23,508	2,750	11.7%	28,185	(1,927)	-6.8%	---	---	---
	Emergency Room Visits	36,915	32,245	4,670	14.5%	46,709	(9,794)	-21.0%	---	---	---
	OP Procedural Cases	119,491	70,228	49,263	70.1%	84,722	34,769	41.0%	---	---	---
	Gross Charges ($)	3,143,811	2,498,291	645,520	25.8%	2,885,575	258,236	8.9%	---	---	---
Operations	Total FTEs	2,818	2,841	(23)	-0.8%	2,804	14	0.5%	---	---	---
	Productive Hrs. / APD	31.4	33.4	(2.0)	-5.9%	31.5	(0.0)	-0.2%	---	---	---
	Cost Per Adjusted Discharge	17,198	18,458	(1,260)	-6.8%	16,213	985	6.1%	---	---	---
	Net Days in A/R	50.9	49.0	1.9	3.8%	49.1	1.7	3.5%	47.7	47.1	
Financial Performance	Net Patient Revenue ($)	805,228	650,689	154,539	23.8%	757,093	48,135	6.4%	960,503	2,312,999	
	Total Operating Revenue ($)	839,876	692,263	147,612	21.3%	798,176	41,700	5.2%	1,051,776	2,831,833	
	Operating Margin ($)	47,365	(30,980)	78,345	252.9%	51,782	(4,417)	-8.5%	35,536	91,211	
	Operating EBIDA ($)	**110,488**	**29,253**	**81,235**	277.7%	**97,744**	**12,744**	13.0%	**101,705**	**251,718**	
	Net Margin ($)	222,346	(5,476)	227,821	4160.6%	4,430	217,915	4918.6%	73,967	168,533	
	Operating Margin (%)	5.6%	-4.5%	10.1%	226.0%	6.5%	-0.8%	-13.1%	2.9%	3.6%	
	Operating EBIDA Margin (%)	**13.2%**	**4.2%**	**8.9%**	211.3%	**12.2%**	**0.9%**	7.4%	**9.7%**	**8.9%**	
	DCOH (days)	566	435	130	29.9%	432	134	31.0%	254	264	

Moody's Medians: Not-for-profit and public healthcare annual report; September 9, 2020. Dollar amounts have been adjusted to reflect 9 month totals.

El Camino Health

Unfavorable Variance < 0.99%
Unfavorable Variance 1.00% - 4.99%
Unfavorable Variance > 5.00%

Key Statistics: Period 9 and YTD (as of 03/31/2021)

	Month to Date			Variance (%)		Year to Date			Variance (%)	
Key Statistics	**PY**	**CY**	**Budget**	**CY vs PY**	**CY vs Budget**	**PY**	**CY**	**Budget**	**CY vs PY**	**CY vs Budget**
ADC	218	231	217	6.1%	6.7%	237	241	205	1.6%	17.8%
Utilization MV	59%	62%	57%	5.8%	8.0%	65%	63%	53%	(2.6%)	18.0%
Utilization LG	30%	27%	27%	(8.8%)	0.5%	30%	31%	27%	4.4%	17.0%
Utilization Combined	49%	51%	48%	3.5%	6.7%	54%	53%	45%	(0.9%)	17.7%
Adjusted Discharges	2,584	3,244	2,802	25.5%	15.8%	28,185	26,258	23,508	(6.8%)	11.7%
Total Discharges (Exc NB)	1,490	1,611	1,515	8.1%	6.4%	15,056	14,027	12,663	(6.8%)	10.8%
Total Discharges	1,810	1,939	1,867	7.1%	3.9%	18,157	16,930	15,713	(6.8%)	7.7%
Inpatient Activity										
MS Discharges	1,015	1,104	952	8.8%	15.9%	10,456	9,583	7,885	(8.3%)	21.5%
Deliveries	333	354	372	6.3%	(4.9%)	3,278	3,116	3,222	(4.9%)	(3.3%)
BHS	100	120	146	20.0%	(17.8%)	917	953	1,164	3.9%	(18.1%)
Rehab	42	33	44	(21.4%)	(24.8%)	405	375	393	(7.4%)	(4.5%)
Outpatient Activity										
Total Outpatient Cases	10,324	18,738	11,241	81.5%	66.7%	120,732	146,673	94,523	21.5%	55.2%
ED	3,006	3,073	3,102	2.2%	(0.9%)	36,010	27,182	24,295	(24.5%)	11.9%
OP Surg	342	614	351	79.5%	74.9%	4,340	4,626	3,031	6.6%	52.6%
Endo	150	252	163	68.0%	54.4%	1,959	1,887	1,318	(3.7%)	43.1%
Interventional	149	194	133	30.2%	45.5%	1,590	1,536	985	(3.4%)	55.9%
All Other	6,677	14,605	7,491	118.7%	95.0%	76,833	111,442	64,894	45.0%	71.7%
Hospital Payor Mix										
Medicare	46.0%	48.7%	48.7%	5.8%	(0.1%)	48.9%	48.3%	48.5%	(1.1%)	(0.3%)
Medi-Cal	8.0%	8.0%	7.5%	-0.7%	5.8%	7.5%	8.2%	7.5%	10.2%	9.3%
Commercial	43.4%	40.4%	41.4%	-6.9%	(2.6%)	41.3%	41.1%	41.6%	-0.4%	(1.2%)
Other	2.6%	3.0%	2.3%	15.4%	21.1%	2.3%	2.3%	2.4%	(1.8%)	(5.4%)

El Camino Health

Income Statement: Current Fiscal Year Monthly Trend *($000s)*

	Period 1 Jul-20	Period 2 Aug-20	Period 3 Sep-20	Period 4 Oct-20	Period 5 Nov-20	Period 6 Dec-20	Period 7 Jan-21	Period 8 Feb-21	Period 9 Mar-21	Period 10 Apr-21	Period 11 May-21	Period 12 Jun-21	YTD FY2021	YTD Monthly Average
Operating Revenues:														
Gross Revenue	333,228	339,121	357,838	366,453	341,648	367,494	335,788	314,620	387,620	-	-	-	3,143,811	349,312
Deductions from Revenue	(247,360)	(253,449)	(267,829)	(275,898)	(253,051)	(275,206)	(245,993)	(229,347)	(290,449)	-	-	-	(2,338,582)	(259,842)
Net Patient Revenue	85,868	85,672	90,009	90,554	88,597	92,289	89,795	85,273	97,171	-	-	-	805,228	89,470
Other Operating Revenue	4,667	4,331	3,996	4,024	3,234	3,079	4,427	3,352	3,537	-	-	-	34,647	3,850
Total Operating Revenue	**90,535**	**90,003**	**94,005**	**94,578**	**91,831**	**95,368**	**94,222**	**88,625**	**100,708**	**-**	**-**	**-**	**839,876**	**93,320**
Operating Expenses:														
Salaries, Wages and Benefits	46,431	47,739	48,136	49,061	47,222	48,774	53,636	48,592	52,025	-	-	-	441,616	49,068
Supplies	12,820	16,893	12,798	13,496	13,641	14,519	13,888	13,587	15,421	-	-	-	127,062	14,118
Fees & Purchased Services	12,918	14,366	14,949	12,982	14,264	14,035	15,825	14,770	15,139	-	-	-	129,248	14,361
Other Operating Expenses	3,583	3,596	4,498	3,721	3,512	4,100	3,819	1,097	3,536	-	-	-	31,462	3,496
Interest	1,428	1,431	1,428	1,429	1,428	1,428	1,428	1,392	1,399	-	-	-	12,791	1,421
Depreciation	5,231	5,328	5,795	5,798	6,068	5,591	5,689	5,903	4,931	-	-	-	50,332	5,592
Total Operating Expenses	**82,411**	**89,352**	**87,604**	**86,487**	**86,136**	**88,446**	**94,284**	**85,341**	**92,450**	**-**	**-**	**-**	**792,511**	**88,057**
Operating Margin	**8,124**	**651**	**6,401**	**8,091**	**5,695**	**6,922**	**(62)**	**3,285**	**8,258**	**-**	**-**	**-**	**47,365**	**5,263**
Non-Operating Income	27,718	28,642	(9,557)	(27,499)	64,968	57,357	39	14,349	18,965	-	-	-	174,981	19,442
Net Margin	**35,842**	**29,293**	**(3,156)**	**(19,408)**	**70,663**	**64,279**	**(23)**	**17,633**	**27,223**	**-**	**-**	**-**	**222,346**	**24,705**
Operating EBIDA	**14,783**	**7,410**	**13,624**	**15,318**	**13,192**	**13,940**	**7,055**	**10,580**	**14,588**	**-**	**-**	**-**	**110,488**	**12,276**
Operating Margin (%)	9.0%	0.7%	6.8%	8.6%	6.2%	7.3%	-0.1%	3.7%	8.2%				5.6%	
Operating EBIDA Margin (%)	**16.3%**	**8.2%**	**14.5%**	**16.2%**	**14.4%**	**14.6%**	**7.5%**	**11.9%**	**14.5%**				**13.2%**	

El Camino Health

Financial Overview: Period 9 - March 2021

Period ending 3/31/2021

Financial Performance

- March operating income was $8.3M compared to a budget of $1.1M, resulting in a favorable variance of $7.1M. The primary drivers are volume which rebounded from the third wave of the pandemic, pent up demand of surgical cases, stable payer mix and management of variable expenses

- March volumes and revenues continue to be stronger than budget as demonstrated by:
  - Adjusted discharges were favorable to budget by 442 cases / 15.8% and 660 cases / 25.6% above the same period last year
  - Favorable variance of gross charges of $87.4M was split as follows:
    - Inpatient gross charges: Favorable to budget by $30M / 19% variance primarily driven by surgery, cath. Lab, NICU and ancillary services
    - Outpatient gross charges: Favorable to budget by $57M / 43% variance primarily driven by surgery, cath. lab, emergency room, and ancillary services

  - Operating Expenses were unfavorable to budget by $9.3M / 11.2%, primarily due to patient activity, increased use / cost of PPE associated with Covid-19 and other Covid-19 associated expenses
    - SWB were unfavorable by $5.4M / 12%
    - Supplies were unfavorable by $2.9M / 36%
    - All other discretionary non-volume driven expenses were favorable to budget by $1M
    - Additional expenses attributed to Covid-19 were $1.6M in March and $14.2M YTD

- Non Operating Income includes:
  - Favorable variance of $15.6M primarily due to unrealized gains on investments

El Camino Health

Financial Overview: Period 9 – March 2021 (cont.)

Period ending 3/31/2021

Financial Performance

Hospital Operations:

- Adjusted Discharges (AD): Favorable to budget by 442 ADs / 16% and above prior year by 660 ADs / 26%:
  - Mountain View: Favorable to budget by 226 ADs / 10% and above prior year by 394 ADs/ 19%
  - Los Gatos: Favorable to budget by 216 ADs / 43% and above prior year by 266 ADs / 57%
- Operating Expense Per <u>CMI Adjusted Discharge</u>: $16,508 which is 7.8% favorable to budget

Note: Excludes depreciation and interest

El Camino Health Medical Network (ECHMN) Operations:

- February's total visits of 26,454 was 16% above prior month and 25.2% favorable to budget and included 7,972 COVID vaccination visits
- Net Income was unfavorable to budget by $760K in February, but was $661K favorable to February of 2020
- YTD February ECHMN Net Income is unfavorable to budget by $800K / 3.4%, but remains favorable to prior year by $2.1M / 8.1%

Financial Overview: YTD FY2021 (as of 3/31/2021)

Consolidated Financial Performance

- YTD FY2021 net operating margin of $47.4M compared to the budget of -$31.0M
- Year-over-year operating margin is $4.4M lower than the same period last year, which is primarily due to an increase in depreciation and interest expense of $17M associated with recently completed capital projects at the Mountain View campus
- Strong volume recovery from the first wave of Covid-19, continues to be the primary driver of favorable performance to budget
  - Adjusted discharges are 2,736 /12% favorable to budget and 1,913 / 6.8% lower than the same period last year
- Operating expenses are $69.3M / 9.6% unfavorable to budget
  - Unfavorability driven higher than budgeted volumes and expenses associated with Covid-19 pandemic
  - Operating expense per CMI adjusted discharge of $17,292 is 10% favorable to budget which demonstrates consistent management of variable expenses

Note: Excludes depreciation and interest expense

APPENDIX

Consolidated Statement of Operations *($000s)*

Period 9 ending 03/31/2021

Period 9 FY 2020	Period 9 FY 2021	Period 9 Budget 2021	Variance Fav (Unfav)	Var%	$000s	YTD FY 2020	YTD FY 2021	YTD Budget 2021	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
281,723	387,620	300,318	87,302	29.1%	Gross Revenue	2,885,575	3,143,811	2,498,291	645,520	25.8%
(208,618)	(290,449)	(220,432)	(70,018)	(31.8%)	Deductions	(2,128,482)	(2,338,582)	(1,847,602)	(490,980)	(26.6%)
73,105	**97,171**	**79,886**	**17,285**	**21.6%**	Net Patient Revenue	**757,093**	**805,228**	**650,689**	**154,539**	**23.8%**
4,240	3,537	4,379	(841)	(19.2%)	Other Operating Revenue	41,082	34,647	41,574	(6,927)	(16.7%)
77,345	**100,708**	**84,265**	**16,444**	**19.5%**	Total Operating Revenues	**798,176**	**839,876**	**692,263**	**147,612**	**21.3%**
					OPERATING EXPENSE					
48,720	52,025	46,617	(5,408)	(11.6%)	Salaries & Wages	418,542	441,616	400,287	(41,329)	(10.3%)
14,730	15,421	11,766	(3,655)	(31.1%)	Supplies	120,970	127,062	100,015	(27,047)	(27.0%)
13,704	15,139	14,570	(569)	(3.9%)	Fees & Purchased Services	126,788	129,248	129,586	338	0.3%
4,042	3,536	3,671	135	3.7%	Other Operating Expense	34,132	31,462	33,122	1,660	5.0%
992	1,399	916	(484)	(52.8%)	Interest	5,218	12,791	8,311	(4,480)	(53.9%)
4,817	4,931	5,577	647	11.6%	Depreciation	40,744	50,332	51,922	1,590	3.1%
87,003	**92,450**	**83,117**	**(9,333)**	**(11.2%)**	Total Operating Expenses	**746,394**	**792,511**	**723,243**	**(69,268)**	**(9.6%)**
(9,658)	**8,258**	**1,148**	**7,110**	**619.3%**	Net Operating Margin	**51,782**	**47,365**	**(30,980)**	**78,345**	**(252.9%)**
(71,812)	18,965	3,334	15,632	468.9%	Non Operating Income	(47,351)	174,981	25,504	149,477	586.1%
(81,470)	**27,223**	**4,482**	**22,742**	**507.4%**	Net Margin	**4,430**	**222,346**	**(5,476)**	**227,821**	**(4160.6%)**
(3,850)	**14,588**	**7,641**	**6,947**	**90.9%**	Operating EBIDA	**97,744**	**110,488**	**29,253**	**81,235**	277.7%
-5.0%	14.5%	9.1%	5.4%		Operating EBIDA Margin	12.2%	13.2%	4.2%	8.9%	
-12.5%	8.2%	1.4%	6.8%		Operating Margin	6.5%	5.6%	-4.5%	10.1%	
-105.3%	27.0%	5.3%	21.7%		Net Margin	0.6%	26.5%	-0.8%	27.3%	

Consolidated Balance Sheet (as of 03/31/2021)

($000s)

ASSETS		Audited
CURRENT ASSETS	**March 31, 2021**	**June 30, 2020**
Cash	197,255	228,464
Short Term Investments	275,289	221,604
Patient Accounts Receivable, net	152,190	128,564
Other Accounts and Notes Receivable	(817)	13,811
Intercompany Receivables	35,428	72,592
Inventories and Prepaids	25,310	101,267
Total Current Assets	**684,655**	**766,303**
BOARD DESIGNATED ASSETS		
Foundation Board Designated	18,989	15,364
Plant & Equipment Fund	230,810	166,859
Women's Hospital Expansion	30,401	22,563
Operational Reserve Fund	159,902	148,917
Community Benefit Fund	19,459	17,916
Workers Compensation Reserve Fund	16,482	16,482
Postretirement Health/Life Reserve Fund	31,365	30,731
PTO Liability Fund	30,394	27,515
Malpractice Reserve Fund	1,965	1,919
Catastrophic Reserves Fund	23,802	17,667
Total Board Designated Assets	**563,568**	**465,933**
FUNDS HELD BY TRUSTEE	**8,589**	**23,478**
LONG TERM INVESTMENTS	**470,027**	**372,175**
CHARITABLE GIFT ANNUITY INVESTMENTS	**712**	**680**
INVESTMENTS IN AFFILIATES	**33,443**	**29,065**
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,769,269	1,342,012
Less: Accumulated Depreciation	(726,689)	(676,535)
Construction in Progress	102,389	489,848
Property, Plant & Equipment - Net	**1,144,969**	**1,155,326**
DEFERRED OUTFLOWS	21,275	21,416
RESTRICTED ASSETS	29,191	28,547
OTHER ASSETS	87,665	3,231
TOTAL ASSETS	**3,044,093**	**2,866,153**

LIABILITIES AND FUND BALANCE		Audited
CURRENT LIABILITIES	**March 31, 2021**	**June 30, 2020**
Accounts Payable	29,390	35,323
Salaries and Related Liabilities	38,274	35,209
Accrued PTO	32,251	28,124
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	13,418	10,956
Intercompany Payables	35,494	70,292
Malpractice Reserves	1,560	1,560
Bonds Payable - Current	9,430	9,020
Bond Interest Payable	3,317	8,463
Other Liabilities	11,444	3,222
Total Current Liabilities	**176,877**	**204,469**
LONG TERM LIABILITIES		
Post Retirement Benefits	31,547	30,731
Worker's Comp Reserve	16,482	16,482
Other L/T Obligation (Asbestos)	6,100	4,094
Bond Payable	485,447	513,602
Total Long Term Liabilities	**539,575**	**564,908**
DEFERRED REVENUE-UNRESTRICTED	**77,200**	**77,133**
DEFERRED INFLOW OF RESOURCES	**31,009**	**30,700**
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	1,994,341	1,771,854
Board Designated	194,031	188,457
Restricted	31,060	28,631
Total Fund Bal & Capital Accts	**2,219,432**	**1,988,942**
TOTAL LIABILITIES AND FUND BALANCE	**3,044,093**	**2,866,153**

El Camino Health

Investment Scorecard (as of 12/31/2020)

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY21 Budget	Expectation Per Asset Allocation
Investment Performance		**CY 4Q 2020 / FY 2Q 2021**		**Fiscal Year-to-Date 2021**		**8y 2m Since Inception (annualized)**		**FY 2021**	**2019**
Surplus cash balance*		$1,302.1	--	--	--	--	--	--	--
Surplus cash return		8.5%	8.0%	13.0%	12.2%	6.6%	6.4%	4.0%	5.6%
Cash balance plan balance (millions)		$336.2	--	--	--	--	--	--	--
Cash balance plan return		11.2%	9.2%	17.1%	14.3%	8.9%	7.9%	6.0%	6.0%
403(b) plan balance (millions)**		$581.5	--	--	--	--	--	--	--
Risk vs. Return		**3-year**				**8y 2m Since Inception (annualized)**			**2019**
Surplus cash Sharpe ratio		0.69	0.67	--	--	0.93	0.93	--	0.34
Net of fee return		7.8%	7.3%	--	--	6.6%	6.4%	--	5.6%
Standard deviation		9.0%	8.6%	--	--	6.3%	6.1%	--	8.7%
Cash balance Sharpe ratio		0.73	0.64	--	--	1.00	0.96	--	0.32
Net of fee return		9.8%	8.0%	--	--	8.9%	7.9%	--	6.0%
Standard deviation		11.4%	10.3%	--	--	8.1%	7.4%	--	10.3%
Asset Allocation		**CY 4Q 2020 / FY 2Q 2021**							
Surplus cash absolute variances to target		9.4%	< 10% Green < 20% Yellow	--	--	--	--	--	--
Cash balance absolute variances to target		7.9%	< 10% Green < 20% Yellow	--	--	--	--	--	--
Manager Compliance		**CY 4Q 2020 / FY 2Q 2021**							
Surplus cash manager flags		16	< 24 Green < 30 Yellow	--	--	--	--	--	--
Cash balance plan manager flags		19	< 27 Green < 34 Yellow	--	--	--	--	--	--

*Excludes debt reserve funds (~$12 mm), District assets (~$34 mm), and balance sheet cash not in investable portfolio ($214 mm). Includes Foundation (~$39 mm) and Concern (~$15 mm) assets.
**As of September 30, 2020 as more recent data not yet available.

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El Camino Health

Financial Forecast: FY2021 Q4
Investment Committee

Presented to the Finance Committee on April 26, 2021

Carlos A. Bohorquez, Chief Financial Officer
May 10, 2021

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El Camino Health

YTD FY2021 (as of 3/31) Actual vs. Prior Year vs. Budget
($000s)

- Given a significant number of unknowns related to Covid-19 when the budget was prepared, management committed to developing / updating a financial forecast on a quarterly basis
- YTD FY2021 volume and financial results have significantly exceeded budget

		YTD (as of 3/31)						
		FY2020	FY2021		Variance to Prior Year	Peformance	Variance to Budget	Performance
		Actual	Actual	Budget				
Utilization	ADC	237	241	205	4		36	
	Total Discharges	18,157	16,930	15,713	(1,227)		1,217	
	Outpatient Cases	120,732	146,673	94,523	25,941		52,150	
Financial Performance	Gross Charges	2,885,575	3,143,811	2,498,291	258,236		645,520	
	Total Operating Revenue	**798,176**	**839,876**	**692,263**	**41,700**		**147,613**	
	Total Operating Expenses	**756,394**	**792,511**	**723,243**	**36,117**		**69,268**	
	Operating Margin	**51,782**	**47,365**	**(30,980)**	**(4,417)**		**78,345**	
	Operating EBIDA Margin (%)	**12.2%**	**13.2%**	**4.2%**	**1.0%**		**9.0%**	

El Camino Health

Retrospective Review of Q3 FY2021 Forecast
Forecast vs Actual (Q3: January-March)

Hospitals	Forecast	Actual	Forcast vs. Actual	
Gross Charges	$ 967,560,127	$ 1,038,028,151	$ 70,468,024	7.3%
Net Patient Revenue	**$ 249,075,903**	**$ 272,238,958**	**$ 23,163,055**	**9.3%**
Other Operating Revenue	$ 12,600,834	$ 11,316,000	$ (1,284,834)	-10.2%
Total Operating Revenue	**$ 261,676,737**	**$ 283,554,958**	**$ 21,878,221**	**8.4%**
Total Operating Expenses	**$ 253,054,761**	**$ 272,075,138**	**$ 19,020,377**	**7.5%**
Operating Margin	**$ 8,621,976**	**$ 11,479,820**	**$ 2,857,844**	**33.1%**
Operating Margin (%)	**3.3%**	**4.0%**	**0.8%**	**---**

El Camino Health

Updated Forecast: FY2021 Q4 (Prepared April 2021)
($000s)

Enterprise Forecast	YTD FY2021 (as of 3/31)	Projected Q4 Apr	May	Jun	Projected FY2021
OPERATING REVENUE					
Charges	$ 3,143,811	$ 355,134	$ 360,956	$ 345,229	$ 4,205,131
Deductions	$ 2,338,582	$ 261,821	$ 265,697	$ 253,900	$ 3,120,001
Net Patient Revenue	$ 805,229	$ 93,313	$ 95,259	$ 91,329	$ 1,085,130
Other Operating Revenue	$ 34,647	$ 3,896	$ 3,896	$ 3,896	$ 46,335
Total Revenue	**$ 839,876**	**$ 97,209**	**$ 99,155**	**$ 95,225**	**$ 1,131,465**
OPERATING EXPENSES					
Salaries, Wages, and Benefits	$ 441,616	$ 51,288	$ 51,863	$ 50,596	$ 595,364
Supplies and Drugs	$ 127,062	$ 14,755	$ 15,102	$ 14,407	$ 171,326
All Other Expenses	$ 160,710	$ 17,584	$ 17,994	$ 17,891	$ 214,178
Depreciation	$ 50,332	$ 4,986	$ 4,986	$ 4,986	$ 65,289
Interest Expense	$ 12,791	$ 1,423	$ 1,423	$ 1,423	$ 17,060
Total Operating Expenses	**$ 792,511**	**$ 90,036**	**$ 91,367**	**$ 89,303**	**$ 1,063,216**
Operating Margin	**$ 47,365**	**$ 7,173**	**$ 7,788**	**$ 5,922**	**$ 68,248**
Operating Margin	**5.6%**	**7.4%**	**7.9%**	**6.2%**	**6.0%**
Operating EBIDA Margin	**13.2%**	**14.0%**	**14.3%**	**12.9%**	**13.3%**

El Camino Health

Forecast V1, V2 & V3 Comparison to FY2019, FY2020 and Budget FY2021 ($000s)

- Q4 FY2021 forecast has been updated to incorporate the easing of pandemic restrictions and impact of vaccination efforts

	Fiscal Year Ended (6/30)		FY2021			
	FY2019	FY2020	Budget	Forecast (November 2020)	Forecast (January 2021)	Forecast (April 2021)
Total Operating Revenue	$ 996,674	$ 1,031,137	$ 947,142	$ 1,146,439	$ 1,114,351	$ 1,131,465
Operating Margin	$ 118,289	$ 63,638	$ (23,743)	$ 77,685	$ 71,323	$ 68,248
Operating Margin (%)	11.9%	6.2%	-2.5%	6.8%	6.4%	6.0%
Operating EBIDA Margin (%)	17.9%	12.7%	5.9%	14.2%	14.0%	13.3%

- FY2021 budget will continue to be used to measure performance and the forecast will be used to inform organizational leaders, Finance Committee and Board of Directors of projected financial performance / based on Q1-Q3 results and updated Covid-19 assumptions

Q & A

FY2021 COMMITTEE GOALS
Investment Committee

PURPOSE

The purpose of the Investment Committee is to develop and recommend to the El Camino Hospital (ECH) Board of Directors ("Board") the investment policies governing the Hospital's assets, maintain current knowledge of the management and investment funds of the Hospital, and provide oversight of the allocation of the investment assets.

STAFF: Carlos Bohorquez, Chief Financial Officer (Executive Sponsor)

The CFO shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair's consideration. Additional members of the Executive Team or hospital staff may participate in the meetings upon the recommendation of the CFO and at the discretion of the Committee Chair. The CEO is an ex-officio member of this Committee.

GOALS	TIMELINE	METRICS
1. Review performance of consultant recommendations of managers and asset allocations	Each quarter - ongoing	Committee to review selection of money managers and make recommendations to the CFO
2. Education Topic: Investment Allocation in Uncertain Times	FY2021 Q1	Complete by the August 2020 meeting
3. Asset Allocation, Investment Policy Review and ERM framework including Efficient Frontier	FY2021 Q3	Completed by March 2021

SUBMITTED BY:
Chair: Brooks Nelson
Executive Sponsor: Carlos Bohorquez, CFO

FY2021 INVESTMENT COMMITTEE PACING PLAN

FY 2021: Q1		
JULY – NO MEETING	**AUGUST 10, 2020 Meeting**	**SEPTEMBER – NO MEETING**
Participate in Committee Self –Assessment Survey	▪ Capital Markets Review and Portfolio Performance ▪ Tactical Asset Allocation Positioning and Market Outlook ▪ Education Topic: Investing In Uncertain Times ▪ CFO Report Out – Open Session Finance Committee Materials	N/A
FY 2021: Q2		
OCTOBER – NO MEETING	**NOVEMBER 9, 2020 Meeting**	**DECEMBER – NO MEETING**
October 28, 2020 – Board and Committee Educational Session	▪ Capital Markets Review and Portfolio Performance ▪ Tactical Asset Allocation Positioning and Market Outlook ~~▪ Investment Policy Review~~ ▪ CFO Report Out – Open Session Finance Committee Materials	N/A
FY 2021: Q3		
JANUARY 25, 2020	**FEBRUARY 8, 2021 Meeting**	**MARCH – NO MEETING**
Joint Finance Committee and Investment Committee meeting: Long Range Financial Forecast	▪ Capital Markets Review and Portfolio Performance ▪ Tactical Asset Allocation Positioning and Market Outlook ▪ CFO Report Out – Open Session Finance Committee Materials ▪ Proposed FY2022 Goals/Pacing Plan/Meeting Dates ~~▪ Asset Allocation and ERM Framework~~	N/A
FY 2021: Q4		
APRIL – NO MEETING	**MAY 10, 2021 Meeting**	**JUNE – NO MEETING**
April 28, 2021Board and Committee Educational Session	▪ Capital Markets Review and Portfolio Performance ▪ Tactical Asset Allocation Positioning and Market Outlook ▪ CFO Report Out – Open Session Finance Committee Materials ▪ 403(b) Investment Performance ▪ Approve FY2022 Committee Goals ▪ Review status of FY2021 Committee Goals	N/A

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO

To: Investment Committee
From: Stephanie Iljin, Supervisor Administrative Services
Date: May 10, 2021
Subject: Report on Board Actions

Purpose: To keep the Committee informed regarding actions taken by the El Camino Hospital and El Camino Healthcare District Boards.

Summary:

1. Situation: It is essential to keep the Committees informed about Board activity to provide context for Committee work. The list below is not meant to be exhaustive but includes agenda items the Board voted on that are most likely to be of interest to or pertinent to the work of El Camino Hospital's Board Advisory Committees.

2. Authority: This is being brought to the Committees at the request of the Board and the Committees.

3. Background: Since the last time we provided this report to the Investment Committee, the Hospital Board has met five times, and the District Board has met three times. In addition, since the Board has delegated specific authority to the Executive Compensation Committee, the Compliance and Audit Committee, and the Finance Committee, those approvals are also noted in this report.

Board/Committee	Meeting Date	Actions (Approvals unless otherwise noted)
ECH Board	February 10, 2021	- Resolution 2021-01 Recognizing Frontline Healthcare Workers - Delegated Authority to the Finance Committee to Approve the Annual Community Benefit Fund - Medical Staff Credentials and Privileges - Quality Council Minutes - Board Advisory Committee Assignments - Appointed Director Carol Somersille to the Finance and Investment Committees - LPCH NICU Professional Services Payment - FY21 Period 5 and 6 Financials - Enterprise Telepsychiatric Services Renewal - Medical Staff Report - El Camino Hospital Medical Staff Bylaws Revisions
	March 10, 2021	- Medical Staff Credentials and Privileges - Quality Council Minutes - Appointment to Pathways Home Health and Hospice Board of Directors - PBX Operator Scope of Service - Enterprise Mental Health and Addiction Aspire Program Physician Psychiatric Contract with SVMD - Education: Medical Staff Office Function - FY21 Period 7 Financials

Report on Board Actions
May 10, 2021

Board/Committee	Meeting Date	Actions (Approvals unless otherwise noted)
	April 7, 2021	- Resolution 2021-03: Board Recognition of the COVID-19 Vaccination Program Team - Quality Committee Report - FY21 Period 7 and 8 Financials - Resolution 2021-04: Temporary Suspension of El Camino Hospital Bylaws Article VIII. Section 8.3 - Revised Board Officer Nomination & Selection Procedures - Closed Session Quality Committee Report including Credentials and Privileges Report & Quality Council Minutes - Annual Summary of Physician Financial Arrangements - Medical Staff Report - Revised FY21 Advisory Committee Assignments - Letters of Reasonableness - Urology Call Panel - Acute Rehab Professional Services Agreement and Community Benefit Grant
ECH Board Education Sessions	April 14, 2021	N/A
	April 28, 2021	N/A
ECHD Board	February 10, 2021	- Approved $149,000,000 in funding for ECH Women's Hospital Funding
	March 16, 2021	- Approved FY21 Period 7 ECHD Consolidated and ECHD Stand-Alone Financials - Elected Don Watters to serve on the El Camino Hospital Board of Directors to fill a vacancy expiring on June so, 2021 and for a new term expiring on July 1, 2024
	April 7, 2021	- Proposed Resolution 2021-06: (Temporary Suspension of El Camino Hospital Bylaws Article VIII, Section 8.3
Executive Compensation Committee	March 4, 2021	- Proposed FY22 Committee Goals - Proposed FY22 Committee Dates
Compliance and Audit Committee	March 18, 2021	- Proposed FY22 Dates - Proposed FY22 Goals
Finance Committee	March 29, 2021	- FY21 Period 7 and 8 Financial Report - FY22 Committee Meeting Dates - Progress Against FY21 Committee Goals - FY21 Community Benefit Grant

Board/Committee	**Meeting Date**	**Actions** (Approvals unless otherwise noted)
		- Closed Session Minutes of the Finance Committee (1/25/2021) - Closed Session Minutes of the Joint Finance and Investment Committees (1/25/2021) - LG Urology Call Panel Renewal - LG Acute Rehab Professional Services Agreement Renewal

List of Attachments: None.

Suggested Committee Discussion Questions: None.

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Capital Markets Review & Portfolio Performance

March 31, 2021

Executive Summary

Investment Scorecard as of March 31, 2021

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY21 Budget	Expectation Per Asset Allocation
Investment Performance		**CY 1Q 2021 / FY 3Q 2021**		**Fiscal Year-to-Date 2021**		**8y 5m Since Inception (annualized)**		**FY 2021**	**2019**
Surplus cash balance*		$1,326.9	--	--	--	--	--	--	--
Surplus cash return		1.7%	1.6%	15.1%	14.2%	6.7%	6.5%	4.0%	5.6%
Cash balance plan balance (millions)		$344.0	--	--	--	--	--	--	--
Cash balance plan return		2.0%	2.3%	19.6%	17.1%	8.9%	8.0%	6.0%	6.0%
403(b) plan balance (millions)		$689.6	--	--	--	--	--	--	--
Risk vs. Return		**3-year**				**8y 5m Since Inception (annualized)**			**2019**
Surplus cash Sharpe ratio		0.78	0.79	--	--	0.94	0.94	--	0.34
Net of fee return		8.4%	8.2%	--	--	6.7%	6.5%	--	5.6%
Standard deviation		8.8%	8.4%	--	--	6.2%	6.0%	--	8.7%
Cash balance Sharpe ratio		0.80	0.77	--	--	1.01	0.98	--	0.32
Net of fee return		10.4%	9.1%	--	--	8.9%	8.0%	--	6.0%
Standard deviation		11.2%	10.0%	--	--	8.0%	7.3%	--	10.3%
Asset Allocation		**CY 1Q 2021 / FY 3Q 2021**							
Surplus cash absolute variances to target		12.3%	< 10% Green < 20% Yellow	--	--	--	--	--	--
Cash balance absolute variances to target		10.6%	< 10% Green < 20% Yellow	--	--	--	--	--	--
Manager Compliance		**CY 1Q 2021 / FY 3Q 2021**							
Surplus cash manager flags		17	< 24 Green < 30 Yellow	--	--	--	--	--	--
Cash balance plan manager flags		20	< 27 Green < 34 Yellow	--	--	--	--	--	--

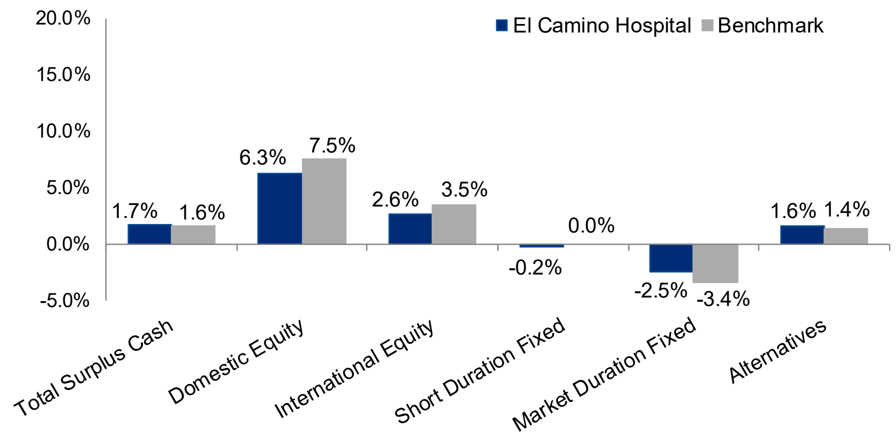
*Excludes debt reserve funds (~$9 mm), District assets (~$42 mm), and balance sheet cash not in investable portfolio ($200 mm). Includes Foundation (~$40 mm) and Concern (~$14 mm) assets.

Surplus Cash Executive Summary

Dashboard

As of March 31, 2021

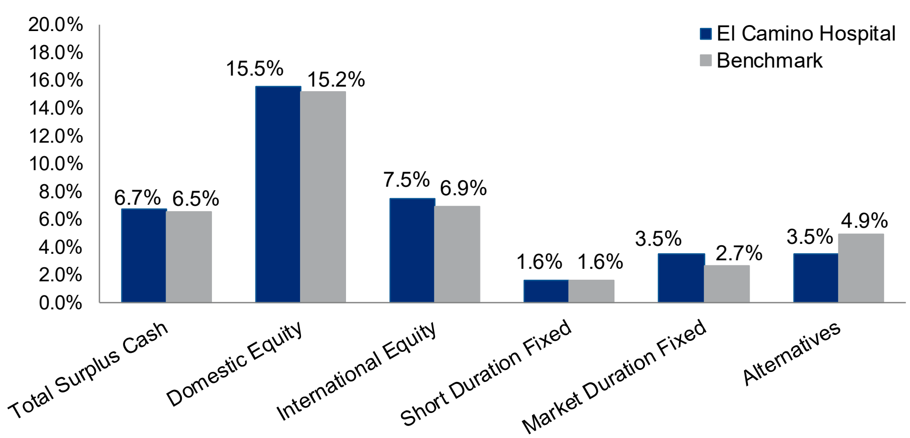
Performance: Most Recent Quarter



Asset Allocation

Manager	Total Assets ($, mil.)	Percent of Total	Target Allocation	Variance to Target	Target Range	Within Policy Range
Domestic Equity	$393.7	29.7%	25.0%	+ 4.7%	20-30%	Yes
International Equity	$210.8	15.9%	15.0%	+ 0.9%	10-20%	Yes
Short-Duration Fixed	$140.1	10.6%	10.0%	+ 0.6%	8-12%	Yes
Market-Duration Fixed	$366.2	27.6%	30.0%	- 2.4%	25-35%	Yes
Alternatives	$216.1	16.3%	20.0%	- 3.7%	17-23%	No
Total (X District / Debt Reserves)	**$1,326.9**	**100.0%**				

Performance: Since Inception[1]



Portfolio Updates

Performance

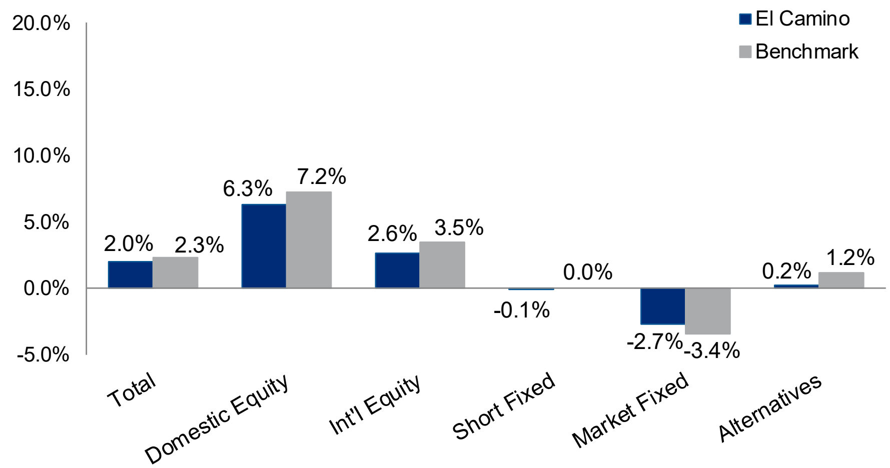
- The Surplus Cash Portfolio returned 1.7% for the quarter, outperforming its benchmark by approximately 10 bps.
- Relative outperformance during the quarter was driven by asset allocation positioning as the portfolio benefited from an overweight to equities and underweight to fixed income.
- Manager results were mixed. International value manager Causeway and U.S. large cap value manager Barrow Hanley were the top relative performers, outpacing their benchmarks by 3.4% and 1.8%, respectively.
- Fixed income managers Dodge & Cox and MetWest both outperformed the Bloomberg Barclays U.S. Aggregate Index.

Investment Activity

- Oaktree Opportunities Fund XI called $1.0 million during the quarter.
- $5.0 million was contributed to Renaissance RIDGE during the quarter.
- Walton Street Real Estate Fund VIII issued a $0.5 million distribution during the quarter.
- AG Realty Value Fund X called $1.7 million during the quarter.
- The portfolio was rebalanced in April. $47.0 million was liquidated from Vanguard S&P 500 and reinvested in Harding Loevner EM Equity ($10.0 million), Dodge & Cox Fixed Income ($17.0 million) and MetWest Fixed Income ($20.0 million).

[1] Reflects the date Pavilion's recommended portfolio was implemented (November 1, 2012).

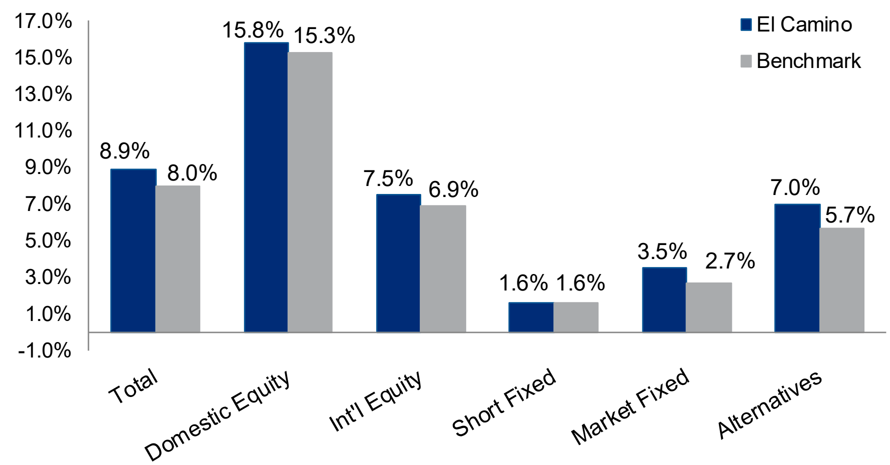
Performance: Most Recent Quarter



Asset Allocation

Manager	Total Assets ($, mil.)	Percent of Total	Target Allocation	Variance to Target	Target Range	Within Policy Range
Domestic Equity	$123.6	35.9%	32.0%	+ 3.9%	27-37%	Yes
International Equity	$ 66.8	19.4%	18.0%	+ 1.4%	15-21%	Yes
Short-Duration Fixed	$ 12.9	3.8%	5.0%	- 1.2%	0-8%	Yes
Market-Duration Fixed	$ 80.5	23.4%	25.0%	- 1.6%	20-30%	Yes
Alternatives	$ 60.2	17.5%	20.0%	- 2.5%	17-23%	Yes
Total	**$344.0**	**100.0%**				

Performance: Since Inception[1]



Portfolio Updates

Performance

- The Cash Balance Plan returned 2.0% for the quarter, underperforming its benchmark by 30 bps.
- Relative underperformance during the fourth quarter was driven by unfavorable manager results, particularly within domestic equity and alternatives.
- Asset allocation positioning aided results as the portfolio benefited from an overweight to equities and underweight to fixed income.
- International value manager Causeway and hedge fund of funds manager Lighthouse were the top relative performers, outpacing their benchmarks by 3.4% and 2.9%, respectively.

Investment Activity

- Walton Street Real Estate Fund VIII issued a $0.4 million distribution during the quarter.
- $3.5 million was contributed to the plan during the quarter.
- Another $3.5 million was contributed to the plan in April and the portfolio was subsequently rebalanced. $11.5 million was liquidated from Vanguard S&P 500 and reinvested in Harding Loevner EM Equity ($2.0 million), Dodge & Cox Fixed Income ($3.5 million), MetWest Fixed Income ($3.5 million) and Barrow Hanly short duration ($6.0 million).

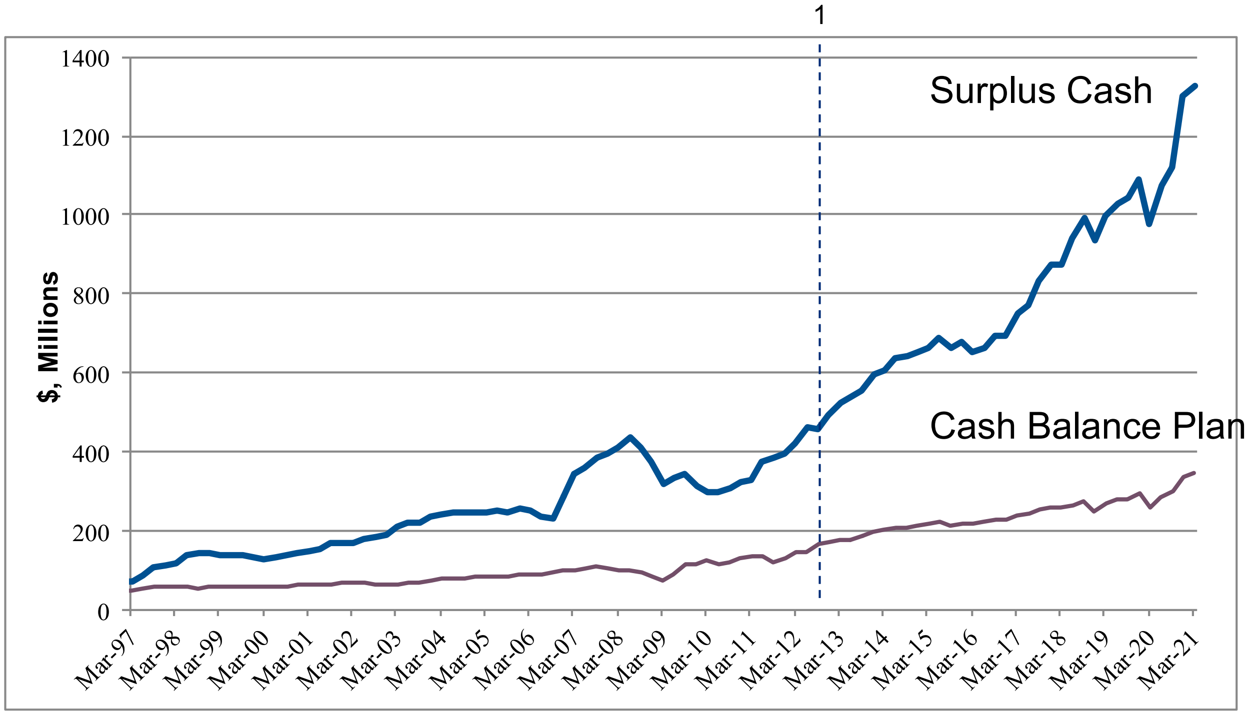
[1] Reflects the date Pavilion's recommended portfolio was implemented (November 1, 2012).

Calendar Year Market Value Reconciliation

As of March 31, 2021

$ in Millions	Surplus Cash					Cash Balance Plan				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
Beginning Market Value	**$694.7**	**$665.2**	**$651.2**	**$1,088.1**	**$1,303.9**	**$228.1**	**$259.3**	**$250.1**	**$294.0**	**$336.4**
Net Cash Flow	$89.0	$83.1	$4.4	$70.5	$0.5	($0.8)	($3.9)	($2.6)	($1.7)	($0.5)
Income	$14.2	$18.1	$21.4	$19.4	$3.7	$3.6	$4.1	$4.9	$4.2	$0.7
Realized Gain/(Loss)	$9.6	$14.1	$20.0	$40.4	$3.5	$2.2	$10.0	$6.0	$15.9	$0.9
Unrealized Gain/(Loss)	$64.8	$153.9	$107.9	$85.5	$15.3	$26.2	($19.4)	$35.6	$24.1	$6.4
Capital App/(Dep)	$88.6	$186.1	$149.3	$145.3	$22.6	$32.0	($5.3)	$46.6	$44.2	$8.1
End of Period Market Value	**$872.3**	**$934.4**	**$1,088.1**	**$1,303.9**	**$1,326.9**	**$259.3**	**$250.1**	**$294.0**	**$336.4**	**$344.0**
Return Net of Fees	11.8%	-2.6%	15.1%	11.9%	1.7%	14.5%	-2.8%	18.2%	15.1%	2.0%

Totals may not add due to rounding.



[1] Reflects the date Pavilion's recommended portfolio was implemented (November 1, 2012).

El Camino Hospital

Scorecard

March 31, 2021

Fund Name	Excess Performance (3Yr)	Excess Performance (5Yr)	Peer Return Rank (3Yr)	Peer Return Rank (5Yr)	Sharpe Ratio (5Yr)	Information Ratio (5Yr)
Sands Large Cap Growth (Touchstone) - Both Plans	✔	✔	✔	✔	✖	✔
Barrow Hanley Large Cap Value - Surplus Cash	✔	✔	✔	✔	✖	✔
Barrow Hanley Large Cap Value - Pension	✔	✔	✔	✔	✔	✔
Wellington Small Cap Value - Surplus Cash	✖	✖	✖	✖	✖	✖
Wellington Small Cap Value - Pension	✖	✖	✖	✖	✖	✖
Conestoga Small-Cap Fund I - Both Plans	✔	✔	✔	✔	✔	✔
BNY Mellon International Stock - Both Plans	✔	✔	✔	✔	✔	✔
Causeway International Value - Both Plans	✔	✔	✔	✔	✖	✔
Harding Loevner Inst. Emerging Markets I - Both Plans	✖	✖	✖	✖	✖	✖
Barrow Hanley Short Fixed - Surplus Cash	✔	✔	✔	✖	✖	✔
Barrow Hanley Short Fixed - Pension	✔	✔	✔	✖	✖	✔
Dodge & Cox Fixed - Surplus Cash	✔	✔	✔	✔	✔	✔
Dodge & Cox Fixed - Pension	✔	✔	✔	✔	✔	✔
MetWest Fixed - Surplus Cash	✔	✔	✔	✔	✔	✔
Met West Fixed - Pension	✔	✔	✔	✔	✔	✔
Lighthouse Diversified - Pension	✖	✖	-	-	✖	✖
Pointer Offshore LTD - Pension	✔	✔	-	-	✔	✔

✔ Goals met or no material change

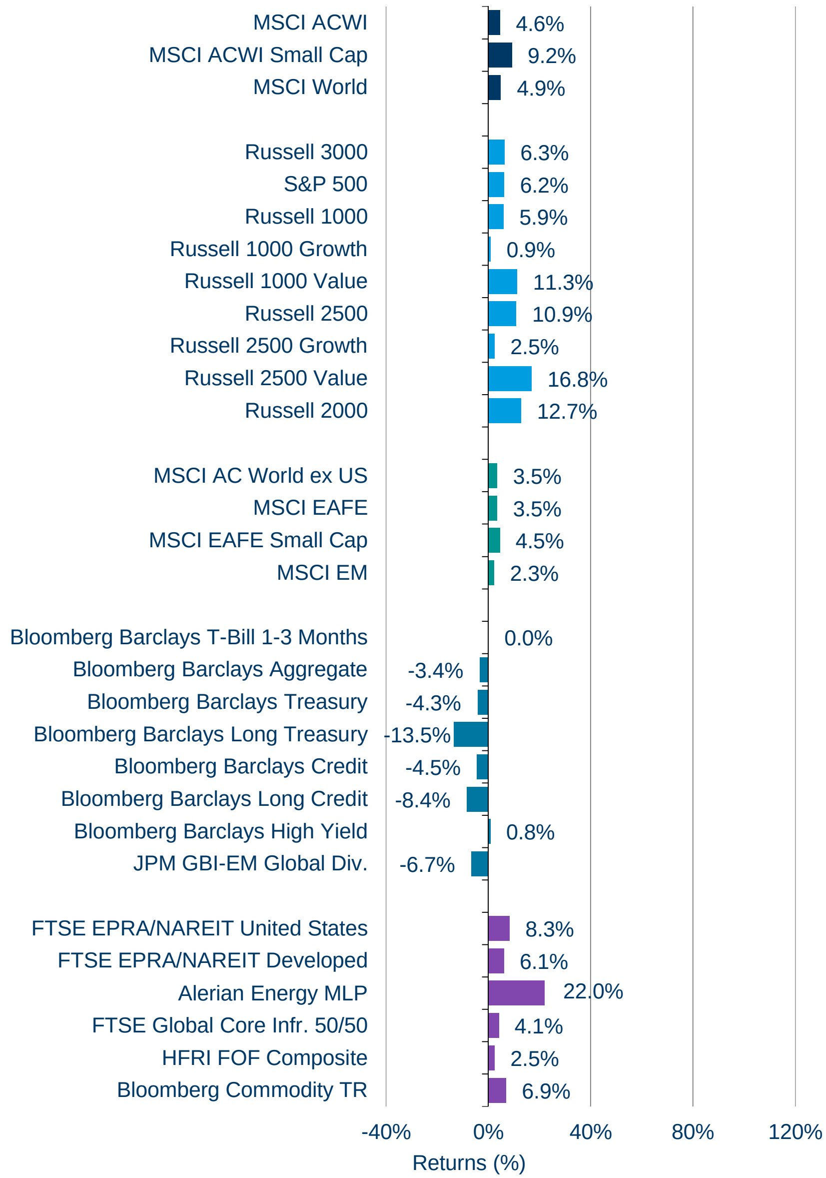
✖ Goals not met or material change

Excess Performance - The fund must outperform its benchmark over the trailing 3 / 5 year period.
Peer Return Rank - The fund's Return Rank must be in the top 51% of its peer group over the trailing 3 /5 year period.
Sharpe Ratio (5YR) The fund's Sharpe Ratio must be greater than the benchmark over the trailing 5-year period.
Information Ratio (5Yr) The fund's Information Ratio must be greater than 0% over the trailing 5-year period.

Capital Markets Review

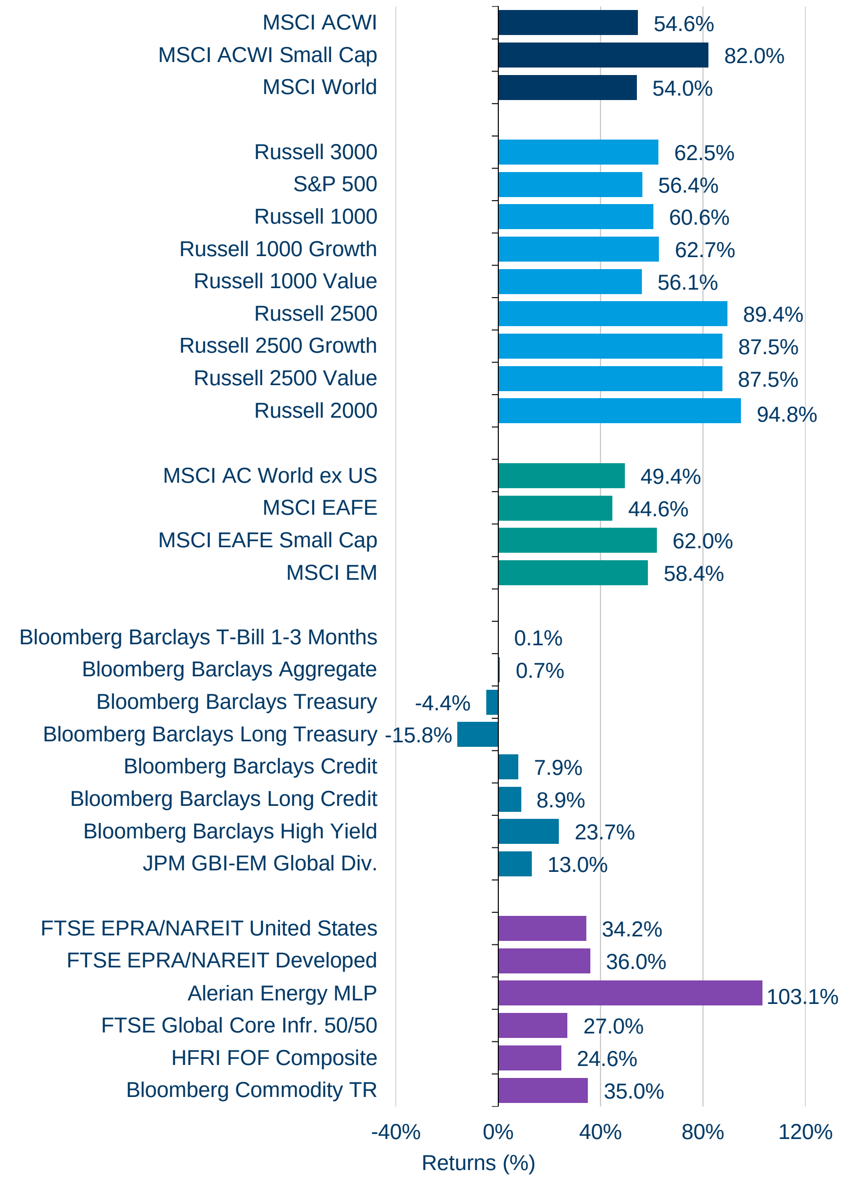
Performance Summary

Market Performance
First Quarter 2021



Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg; as of 3/31/21

Market Performance
1-Year



Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg; as of 3/31/21

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Performance Drivers

1. Developed economies seem poised for a significant rebound as vaccination progress continues

- Equities maintained their upward momentum during the quarter, as the improving pace of vaccinations in developed economies drove optimism that restrictions on activities will continue to be gradually lifted as the year progresses. This is likely to unleash a wave of pent up demand given the elevated household savings rate during the pandemic.
- This contributed to a shift in sentiment away from the technology heavy “stay-at-home” stocks that had outperformed during the early recovery toward more cyclical sectors that should benefit from re-openings. Similarly, optimism on reopening (combined with policy support) led to an increase in rates.
- **Mercer View:** The faster than expected progress in vaccinations reinforces our confidence in a rebound later this year. While there remains the potential for vaccine rollout issues or more problematic virus variants, our expectation is that the US and potentially other developed economies will return to pre-pandemic levels of economic output this year. This should provide a catalyst for strong earnings growth over the near-term.

2. Inflation concerns are moving to the forefront as monetary and fiscal policies remain highly stimulative

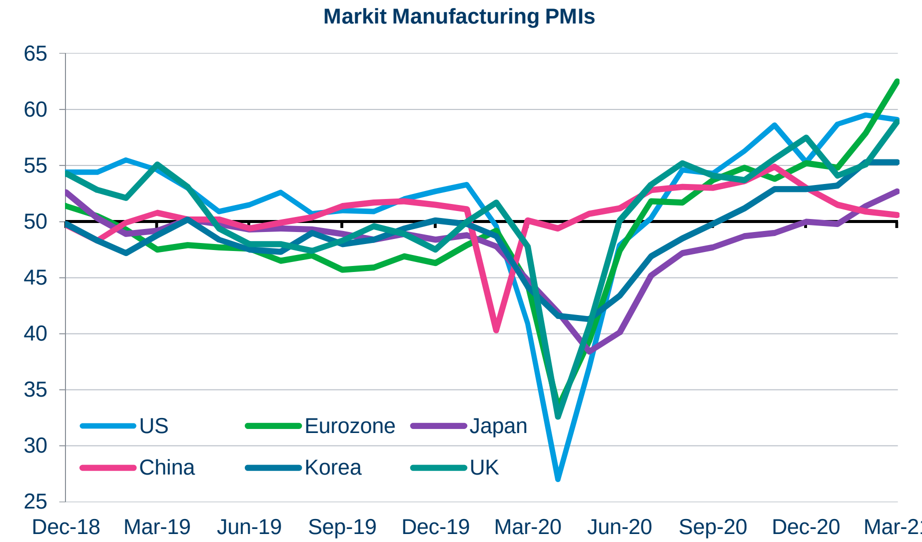
- In the US, Congress passed its third pandemic-related fiscal passage ($1.9T), and discussion has begun on an additional infrastructure related fiscal package.
- The Federal Reserve kept short-term borrowing rates near zero and remains committed to maintaining its bond buying program until the economy reaches full employment. While the Fed’s dot plot continues to suggest no rate increases through 2023, a few committee members have increased their 2022 and 2023 projections.
- Overseas, the European Central Bank increased the size of its bond buying program, while the Bank of England left monetary policy unchanged. After a review of its policy, the Bank of Japan opted for a more tactical approach, allowing more fluctuation in the 10-year rate with the intention of increasing asset purchases in times of market distress.
- **Mercer View:** Inflation is likely to move higher this year, particularly as year-over-year figures are compared to depressed levels from the middle of 2020. However, it remains to be seen whether this increase will be transitory or if the shift in fiscal policy will drive sustained higher inflation.

3. Political risks remain

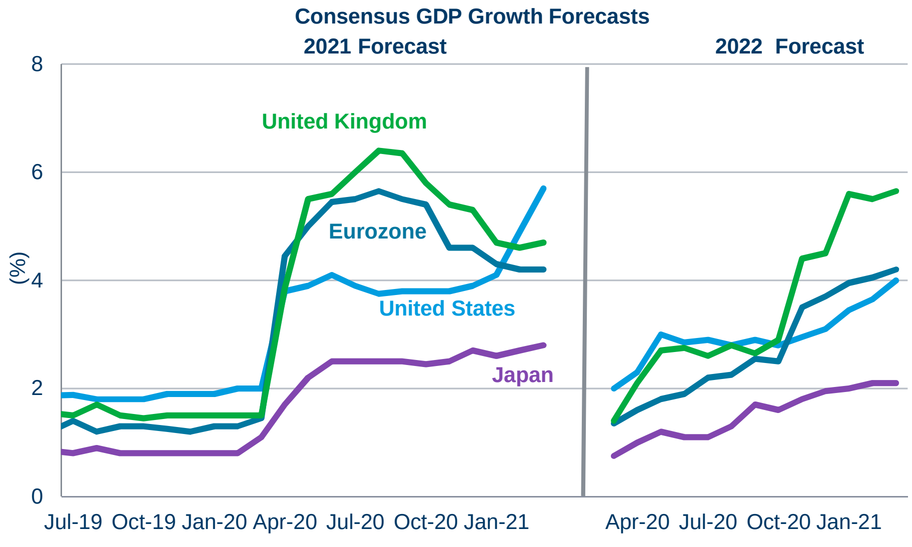
- Disputes over access to vaccines and the supplies necessary to manufacture them are becoming more prevalent, particularly in regions with limited production capacity and lower vaccination rates.
- Relations between the US and China remain strained, as the Biden administration’s first high level meeting with Chinese counterparts signaled that there will not be a clean reset in relations.
- **Mercer View:** Political risks do not currently appear as prevalent as they were in 2020, although unexpected developments could lead to volatility and downside risk.

Economic Fundamentals
Strong Growth is Expected for 2021, Particularly in the US

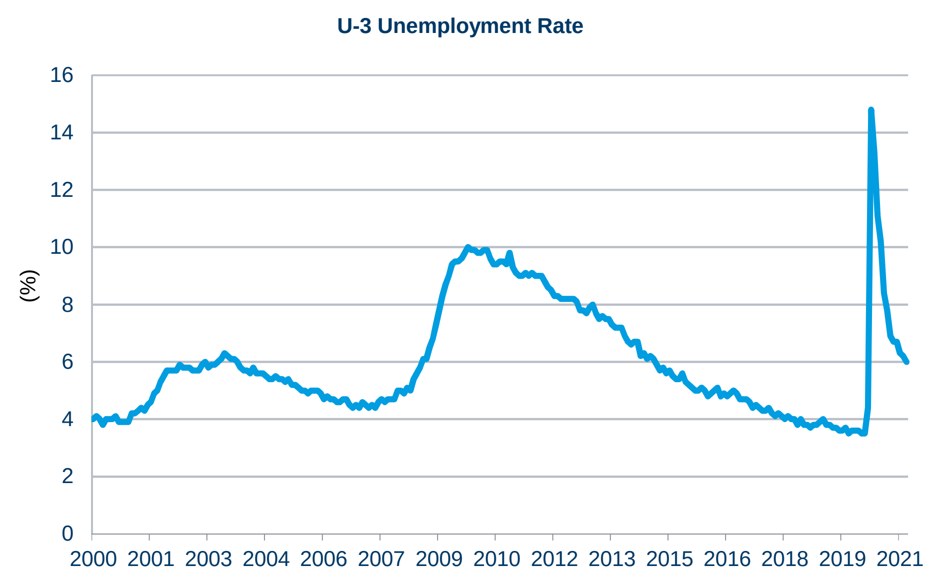
- Progress toward vaccinating populations should allow a gradual reopening this year, which is likely to benefit service sector firms that have been hit particularly hard by the pandemic. Manufacturing PMIs also suggest a continued expansion through the year.
- Monetary policy remains extremely accommodative globally. In the US, Congress approved a new $1.9T fiscal stimulus plan and discussions have begun on an infrastructure plan.
- The US unemployment Rate (U-3)[1] has fallen to 6.0% after peaking at 14.7% in April 2020[2]. However, labor force participation rates have trended lower as well.



Source: Bloomberg; as of 3/31/21



Source: Bloomberg; as of 3/31/21 **Month of Forecast**

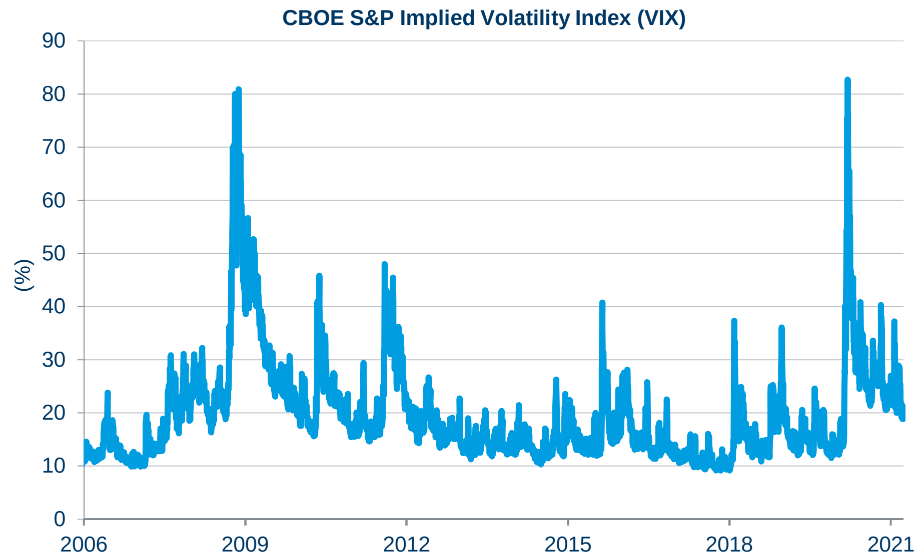


Source: Bloomberg; as of 3/31/21

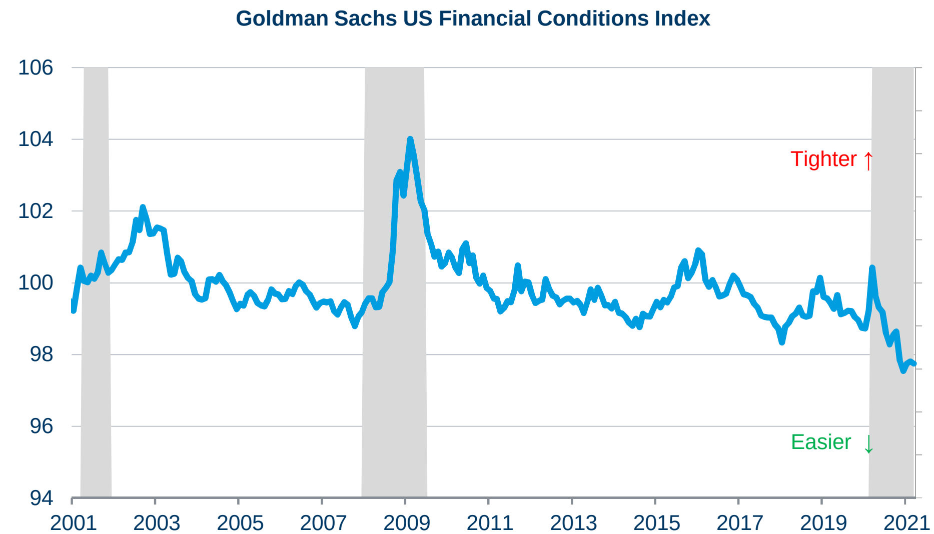
[1] The U-3 unemployment rate represents the percentage of the civilian labor force that is jobless and actively seeking employment.
[2] Source: Bureau of Labor Statistics; as of 3/31/21

Risk Factors
Financial Conditions Remain Easy

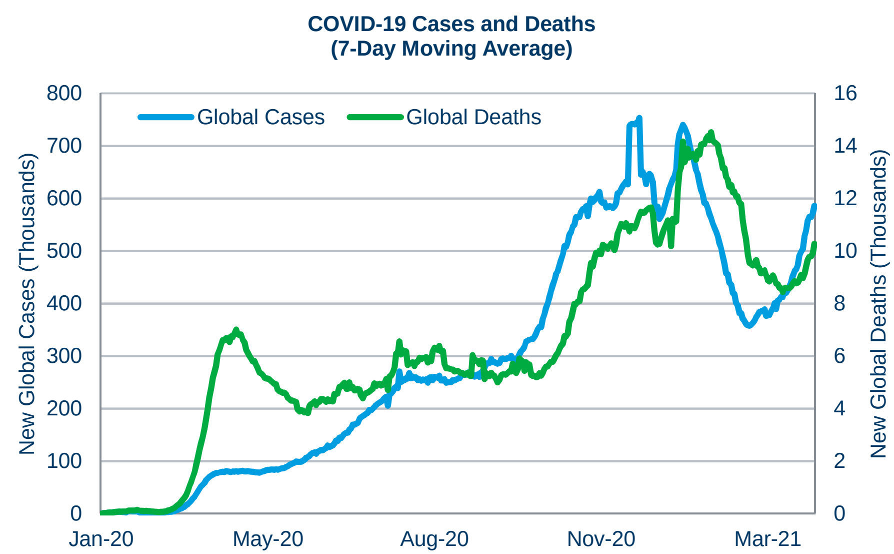
- Despite a modest uptick during the quarter, financial conditions remain quite easy with the Goldman Sachs US Financial Conditions Index near its lowest level in decades.
- The VIX index declined from 23 to 20 during the quarter. The index rose as high as 37 in January amid the GameStop short squeeze, but generally remained relatively subdued during the quarter [1].
- Global COVID cases trended lower during the early part of the quarter, before rising back toward year-end levels as new variants of the virus became more prevalent. It appears that many of the vaccines are effective against the known variants.



Source: Bloomberg; as of 3/31/21



Source: Bloomberg; as of 3/31/21



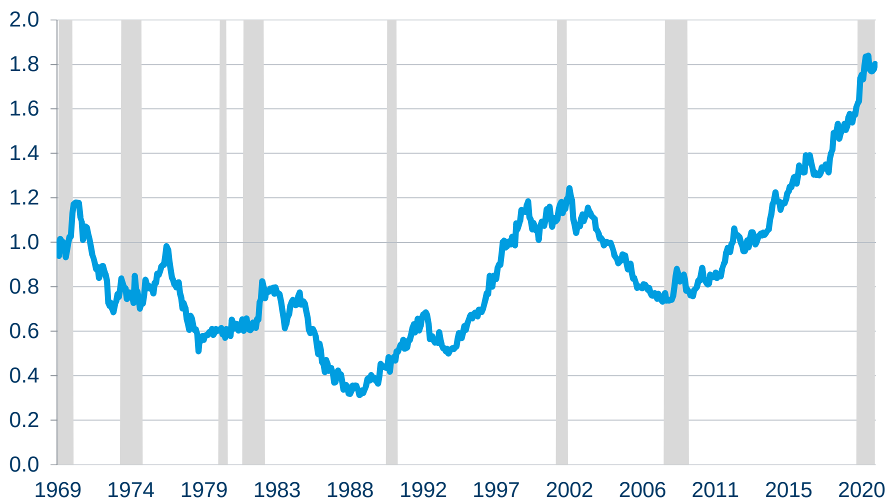
Source: Bloomberg; as of 3/31/21

[1] Source: Bloomberg; as of 3/31/21

Regional Equity Returns
Global Equities Maintain Positive Momentum

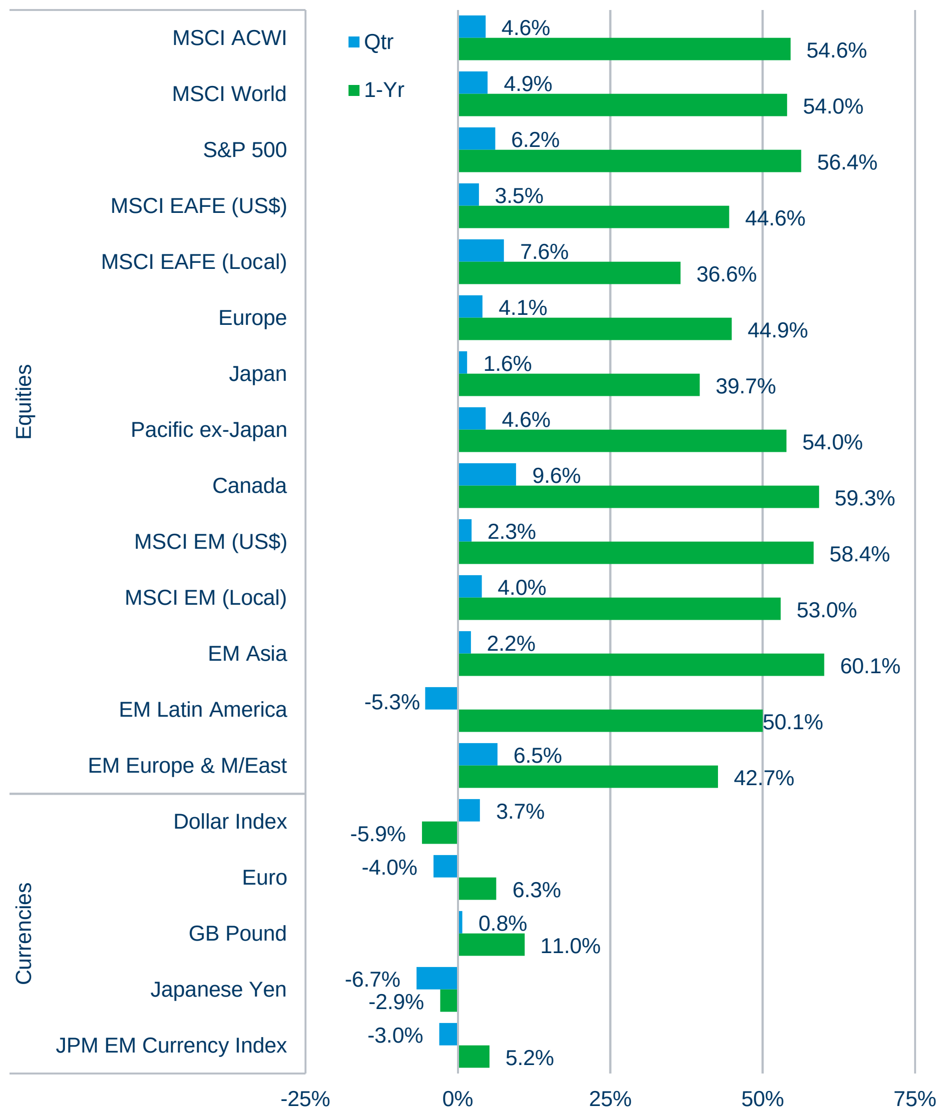
- Global equities continued to move higher in Q1, with the MSCI ACWI index gaining 4.6% for the quarter and 54.6% over the past 1-year.
- The S&P 500 returned 6.2% during the quarter, outpacing most other regions. Over the past 1-year, the S&P 500 has returned 56.4%.
- International developed stocks rose 3.5% in Q1 and 44.6% for the past year. A stronger dollar detracted 410 bps from US$ returns during the quarter.
- Emerging market equities rose 2.3% in Q1 and 58.4% over the past 1-year. Within emerging markets, Asian markets produced the best results over the past year, returning 60.1%.

Ratio of MSCI US to MSCI EAFE (Relative Performance)



Source: Datastream; as of 3/31/21

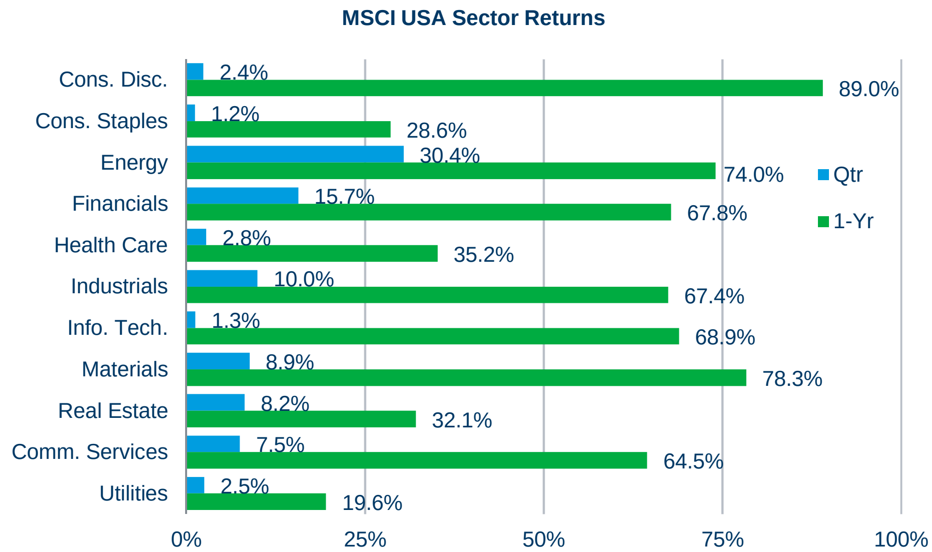
Global Performance



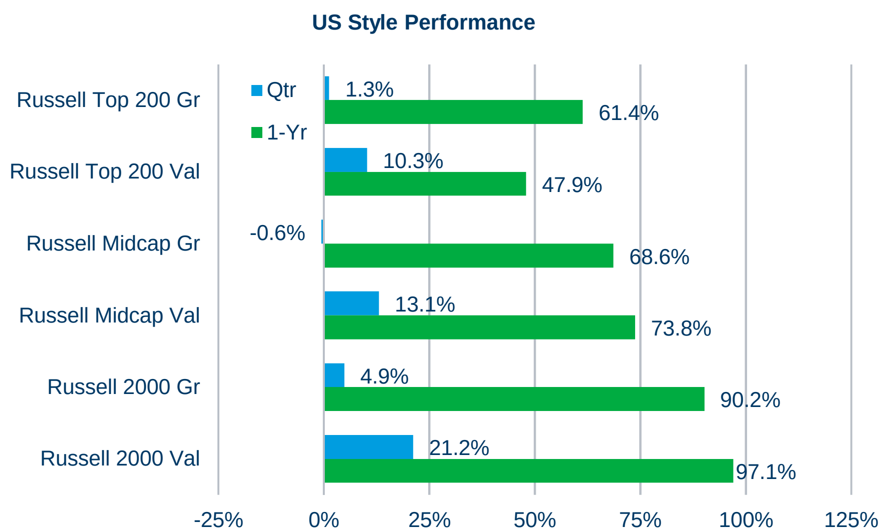
Source: Bloomberg, Datastream; as of 3/31/21

US Equity Factor and Sector Returns
Small-Caps and Value Outperform

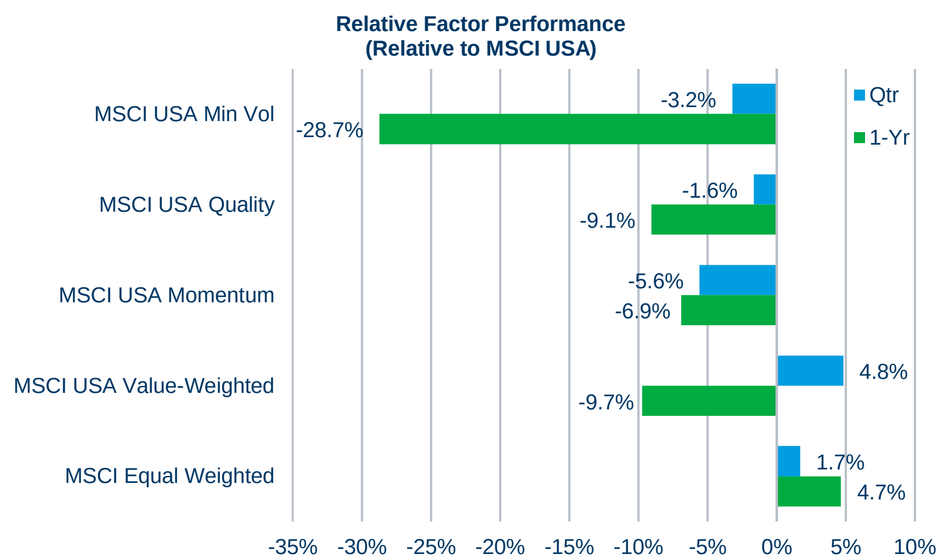
- Value outperformed growth across the size spectrum during Q1, and small-caps outperformed large-caps as the reopening trade continued. Over the past 1-year, small-caps have outperformed large, while growth vs. value was mixed with growth outperforming among large caps and value outperforming within smaller cap segments.
- The size and value factors outperformed in Q1, while minimum volatility, momentum and quality lagged. Size was the best performing factor over the past year, while minimum volatility struggled. The energy sector posted the best results for the quarter, while consumer discretionary stocks delivered the best results over the past 1-year.



Source: Bloomberg; as of 3/31/21



Source: Datastream; as of 3/31/21



Source: MSCI; as of 3/31/21

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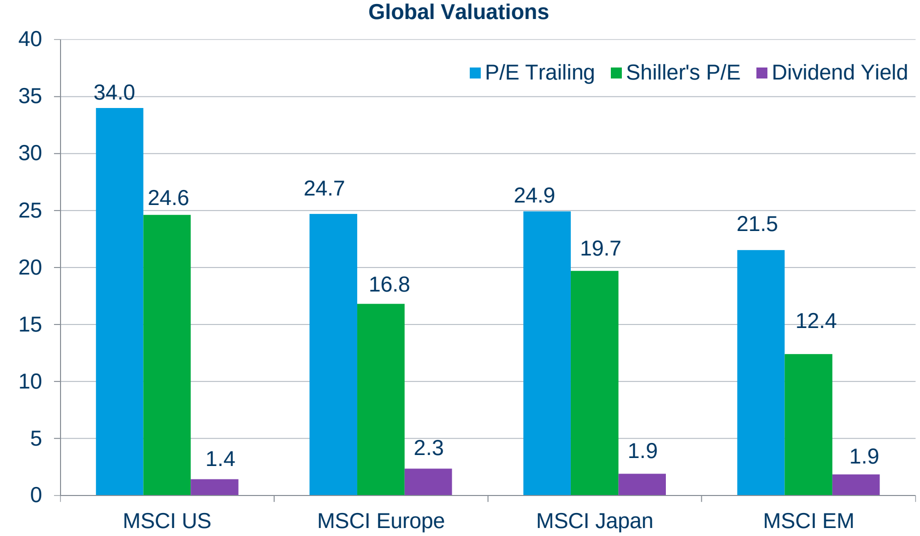
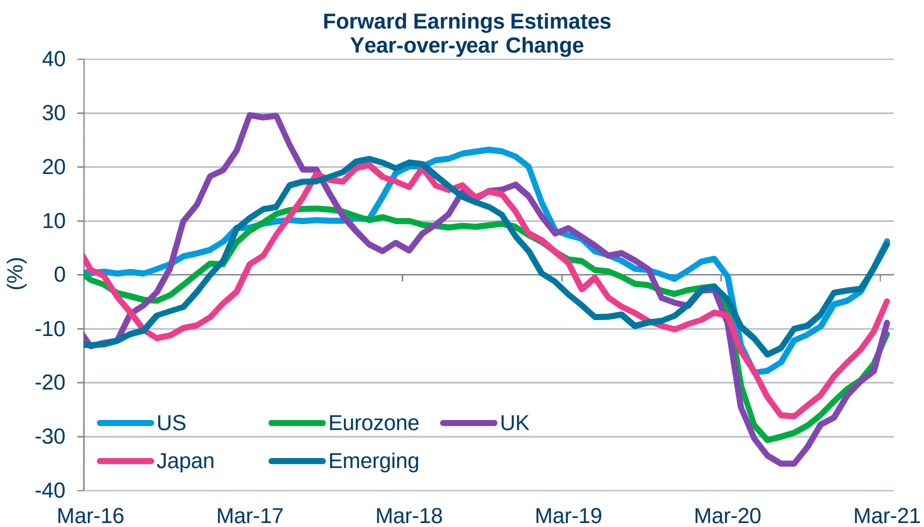
Equity Fundamentals
Valuations Move Higher

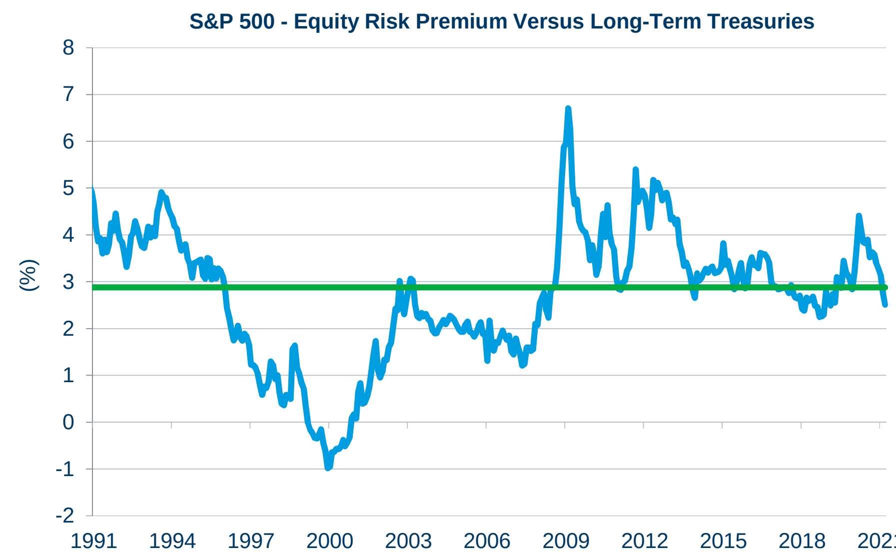
- The continued rise in stock prices has pushed equity valuations higher. The trailing P/E ratio on the MSCI US Index rose from 32.1 to 34.0[1]. We estimate that the equity risk premium over long-term Treasuries fell 76 bps to 2.5%[2] due to rising rates and equity valuations.
- International developed stocks remain more reasonably valued, with the potential for macro improvement if the cyclical recovery continues to show progress.
- Emerging market valuations improved modestly during the quarter and remain more attractive than developed markets. Emerging economies should benefit from an improvement in the global economy, as well as reduced trade and geopolitical uncertainty.



Source: Bloomberg, Datastream, Mercer; as of 3/31/21



Source: Datastream; as of 3/31/21



Source: Bloomberg, Datastream, Mercer; as of 3/31/21

[1] Source: Datastream; as of 3/31/21
[2] Source: MSCI, Datastream, Mercer; as of 3/31/21

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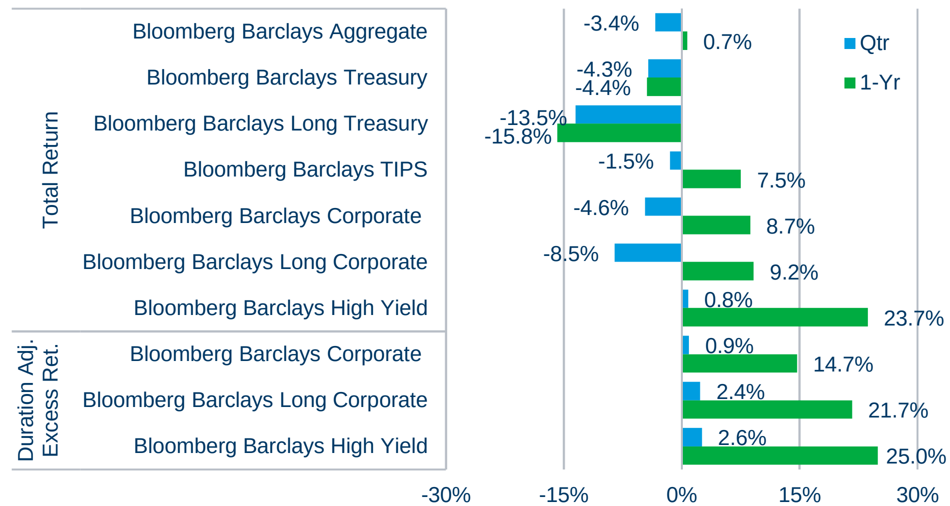
Interest Rates and Fixed Income
Longer Dated Yields Rise

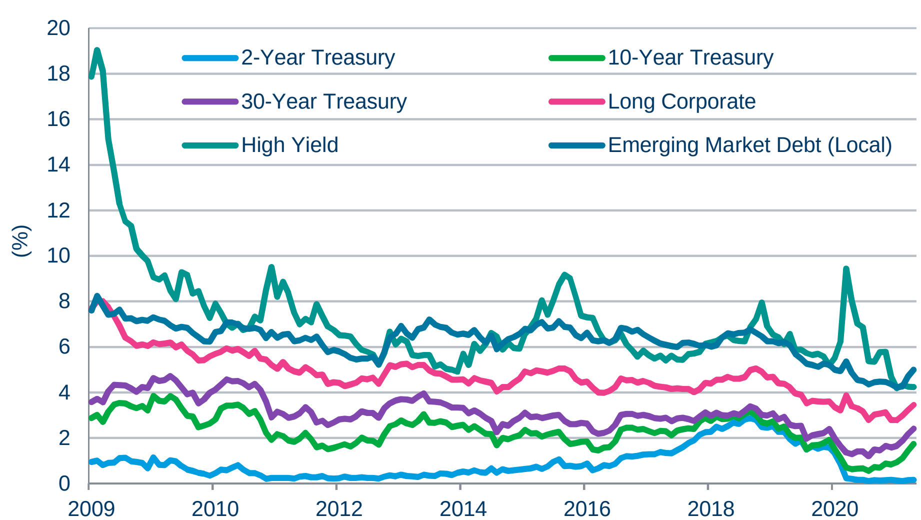
- The Bloomberg Barclays Aggregate declined 3.4% during Q1 with Treasuries slightly outperforming corporate bonds due to the Aggregate's shorter duration. The yield curve steepened during the quarter, with 3-month yields declining 8 bps, while 10- and 30-year yields rose by 81 bps and 76 bps, respectively[1].
- Investment-grade corporate bond spreads fell an average of 5 bps during the quarter to 0.9%, which is roughly 20 bps below the long-term median level[2].
- High yield bonds gained 0.8% during the quarter, as credit spreads fell by 50 bps to 3.1%, roughly 1.5 percentage points below the long-term median level of 4.7%[3]. Local currency EMD declined 6.7% during Q1.

Fixed Income Performance



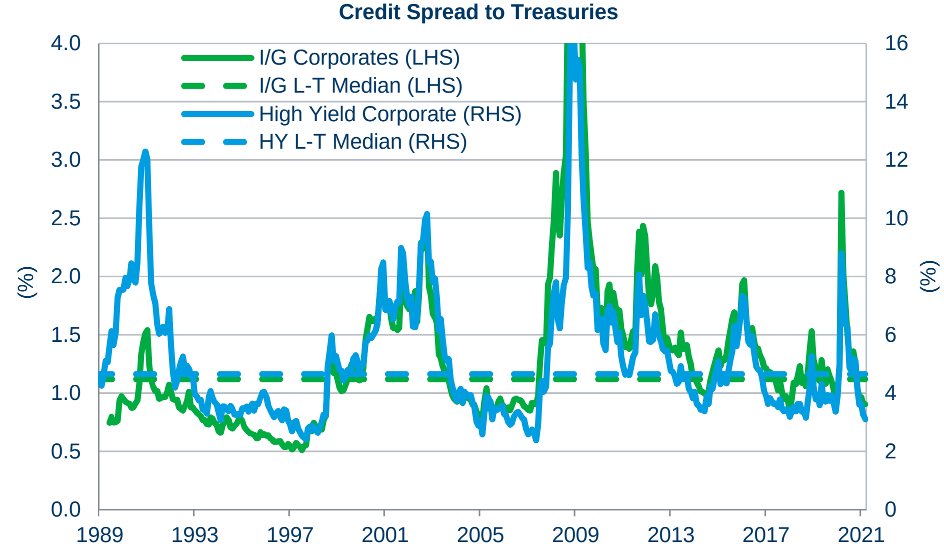
Source: Bloomberg, Datastream; as of 3/31/21

Yield History



Source: Bloomberg, Federal Reserve; as of 3/31/21

Credit Spread to Treasuries



Source: Bloomberg; as of 3/31/21

[1] Source: Federal Reserve; as of 3/31/21
[2] Source: Bloomberg, Mercer; as of 3/31/21
[3] Source: Bloomberg, Mercer; as of 3/31/21

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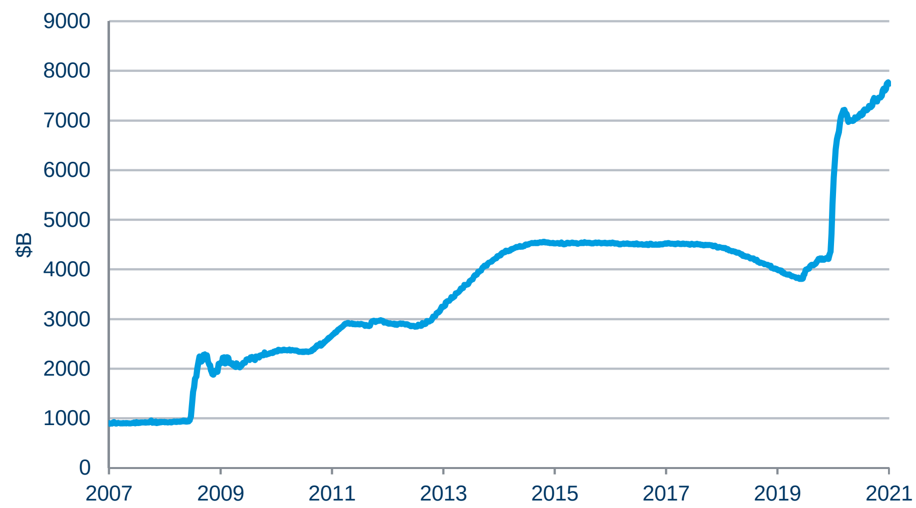
Monetary Policy
Monetary Policy Remains Highly Accommodative

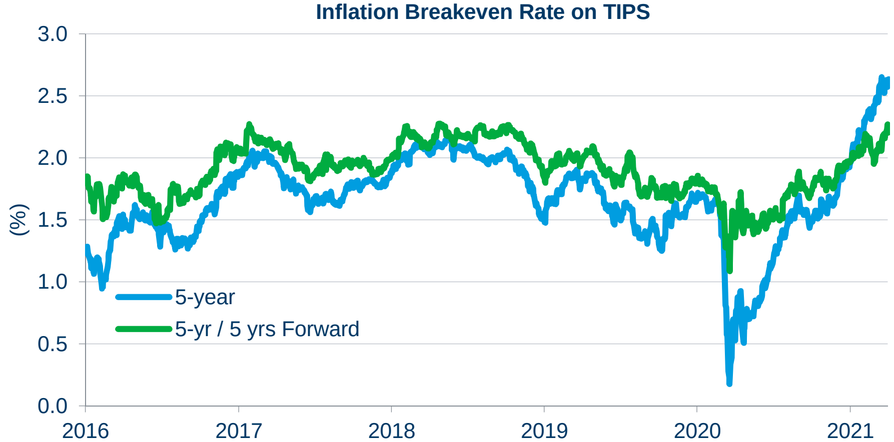
- The Fed held rates unchanged and maintained its bond buying program during the quarter, while emphasizing that it intends to remain highly accommodative until full employment is reached, despite the recent uptick in rates and inflation expectations.
- US inflation breakeven rates rose during the quarter, with 10-year inflation breakeven rates rising from 1.99% to 2.36%, approaching the Fed's target of 2% PCE (roughly 2.5% CPI)[1].
- Overseas, the European Central Bank kept rates unchanged and increased the size of their bond buying program, while the Bank of England left monetary policy unchanged. After a review of its monetary policy, the Bank of Japan opted for a more tactical approach, allowing more fluctuation in the 10-year yield and increasing asset purchases in times of market distress.

Federal Reserve Balance Sheet



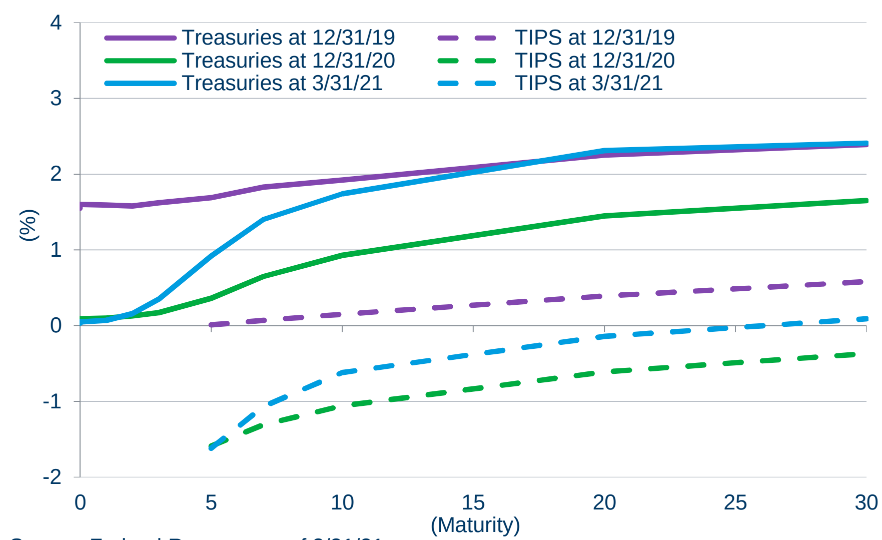
Source: Bloomberg; as of 3/31/21

Inflation Breakeven Rate on TIPS



Source: Bloomberg, Mercer; as of 3/31/21

Treasury Yield Curve



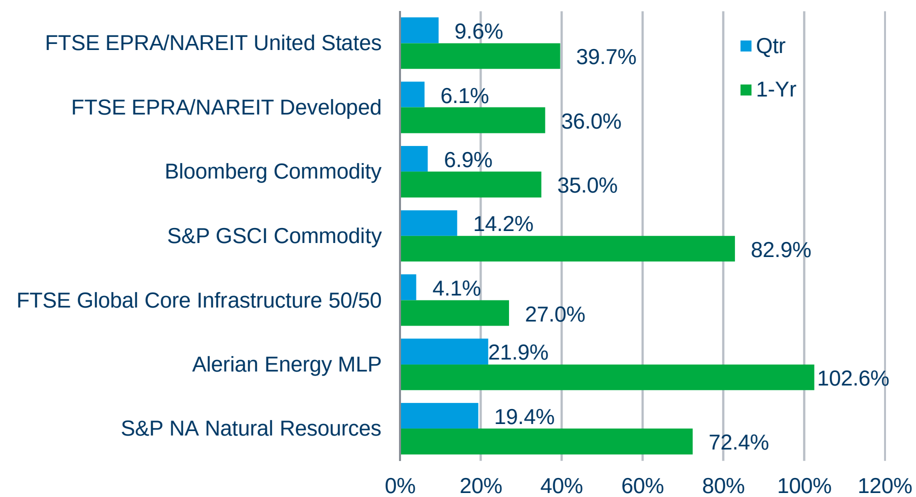
Source: Federal Reserve; as of 3/31/21

[1] Source: St. Louis Fed; as of 3/31/21

Alternative Investment Performance
MLPs, Commodities and Natural Resources Outperform

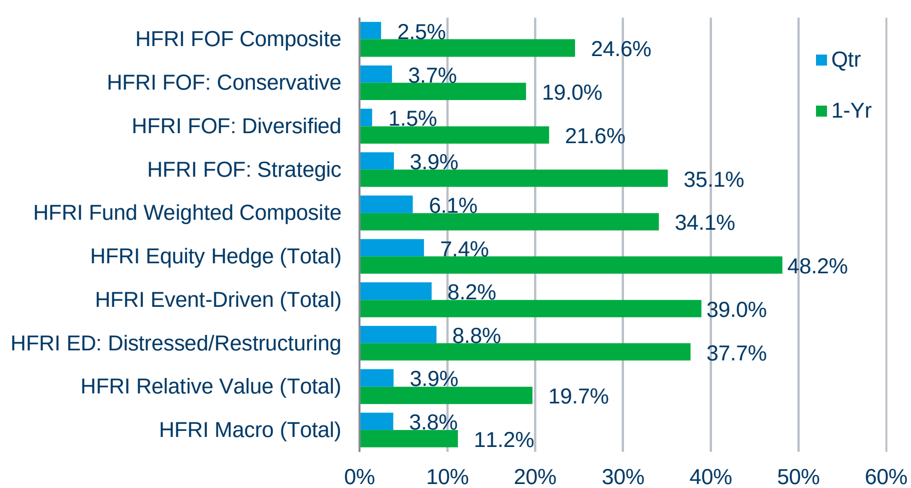
- REITs outperformed the broader market in Q1. However, REITs lagged by a sizeable margin over the past year as reduced mobility and social distancing measures weighed on certain segments of the market.
- MLPs, natural resource stocks, and commodities all posted strong gains during Q1 as markets began to price in an increase in inflation expectations. Infrastructure stocks generally lagged.
- Hedge funds returned 2.5% in Q1. Event driven and equity hedge strategies performed well during the quarter, while fund of funds, macro and relative value strategies lagged.
- Global private equity outperformed global developed stocks over the most recent trailing periods[1].

Real Asset Performance



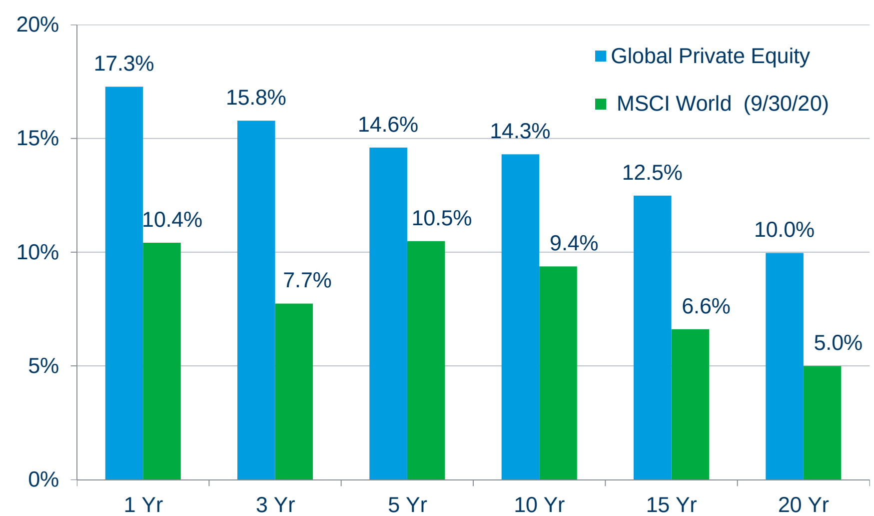
Source: Bloomberg, Datastream; as of 3/31/21

Hedge Fund Performance



Source: Hedge Fund Research; as of 3/31/21

Global Private Equity vs. Global Public Equities



Source: Burgiss, Bloomberg; as of 9/30/20

[1] Source: Burgiss, Bloomberg; as of 3/31/21

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Valuations and Yields
Ending March 31, 2021

Valuations

MSCI USA	3/31/2021	12/31/2020	9/30/2020	6/30/2020
Index Level	17411.2	16506.0	14587.9	13305.2
P/E Ratio (Trailing)	34.0	32.2	28.4	24.3
CAPE Ratio	34.3	32.7	30.0	27.6
Dividend Yield	1.4	1.5	1.6	1.8
P/B	4.6	4.4	4.0	3.7
P/CF	19.6	16.9	14.4	13.9
MSCI EAFE	**3/31/2021**	**12/31/2020**	**9/30/2020**	**6/30/2020**
Index Level	7157.1	6916.5	5960.1	5687.4
P/E Ratio (Trailing)	25.2	23.1	20.2	15.8
CAPE Ratio	18.6	18.0	15.4	14.8
Dividend Yield	2.3	2.4	2.7	2.8
P/B	1.9	1.8	1.6	1.5
P/CF	6.5	7.3	6.7	8.6
MSCI EM	**3/31/2021**	**12/31/2020**	**9/30/2020**	**6/30/2020**
Index Level	638.4	624.1	521.4	475.9
P/E Ratio (Trailing)	21.5	21.7	18.6	16.0
CAPE Ratio	16.4	15.9	13.4	12.3
Dividend Yield	1.9	2.0	2.4	2.6
P/B	2.1	2.0	1.8	1.6
P/CF	11.9	12.5	10.4	8.7

Source: Bloomberg, Thomson Reuters Datastream

Yields

Global Bonds	3/31/2021	12/31/2020	9/30/2020	6/30/2020
Germany – 10Y	-0.29	-0.57	-0.52	-0.45
France - 10Y	-0.05	-0.34	-0.24	-0.11
UK - 10Y	0.85	0.20	0.23	0.17
Switzerland – 10Y	-0.28	-0.55	-0.49	-0.44
Italy – 10Y	0.67	0.54	0.87	1.26
Spain 10Y	0.34	0.05	0.25	0.47
Japan – 10Y	0.10	0.02	0.02	0.28
Euro Corporate	0.36	0.24	0.55	0.89
Euro High Yield	3.22	3.40	4.80	5.62
EMD ($)	5.26	4.53	5.14	5.51
EMD (LCL)	4.99	4.22	4.48	4.51
US Bonds	**3/31/2021**	**12/31/2020**	**9/30/2020**	**6/30/2020**
3-Month T-Bill	0.03	0.09	0.10	0.16
10Y Treasury	1.74	0.93	0.69	0.66
30Y Treasury	2.41	1.65	1.46	1.41
10Y TIPS	-0.63	-1.06	-0.94	-0.68
30Y TIPS	0.11	-0.37	-0.32	-0.15
US Aggregate	1.61	1.12	1.18	1.25
US Treasury	1.00	0.57	0.48	0.50
US Corporate	2.28	1.74	2.01	2.15
US Corporate High Yield	4.23	4.18	5.77	6.87

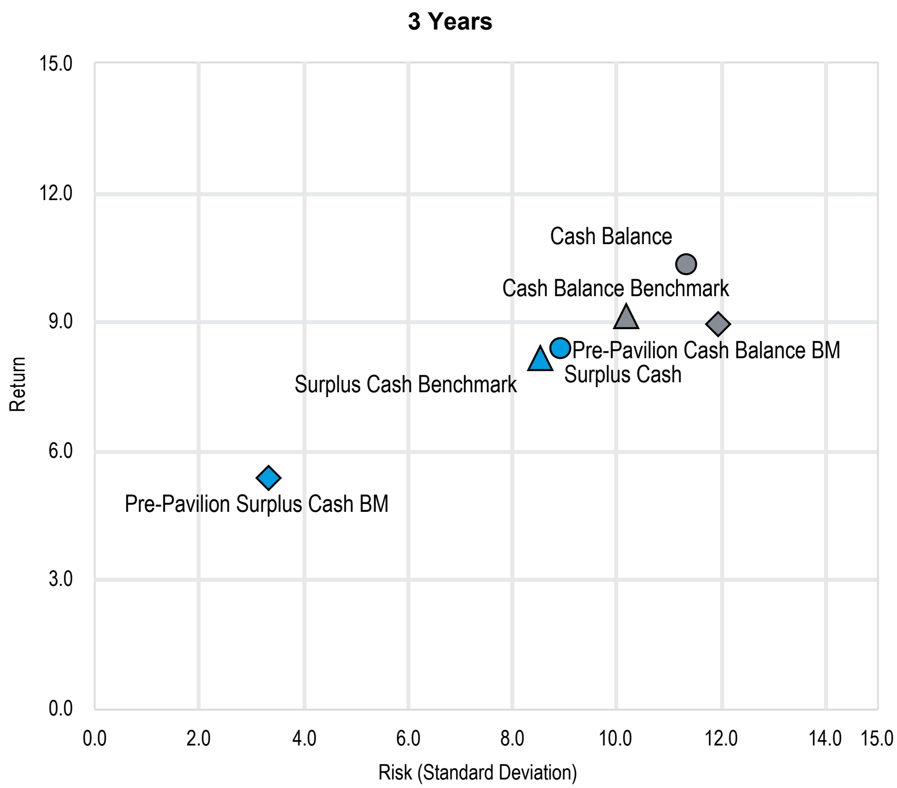
Source: Bloomberg, Thomson Reuters Datastream

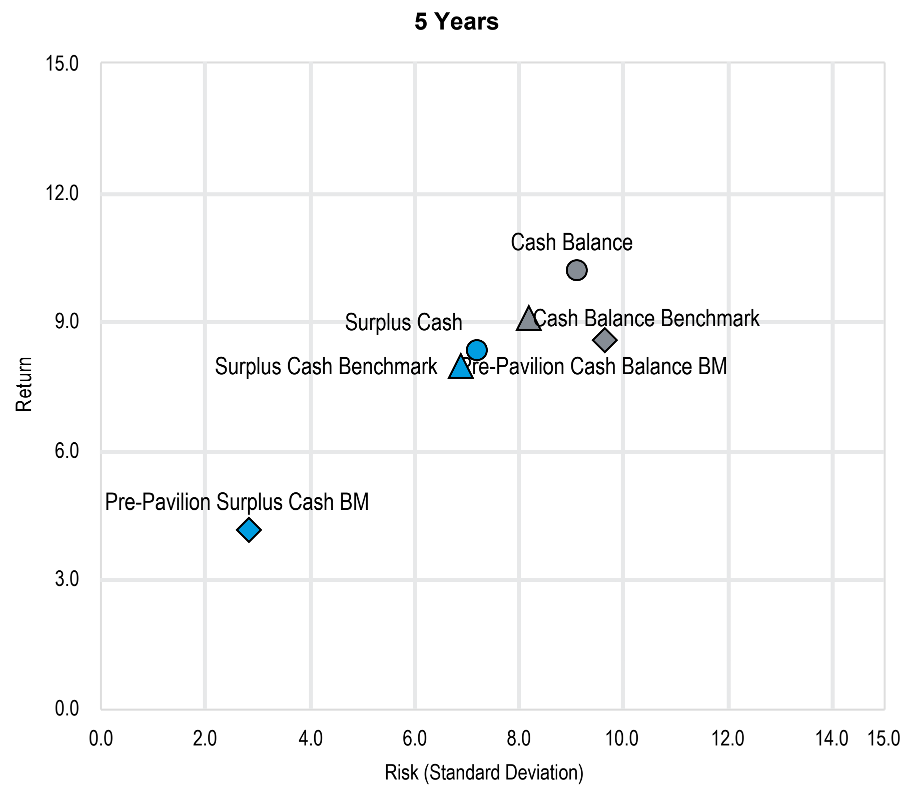
Performance Summary

Surplus Cash and Cash Balance Plan

Risk and Return Summary (Net of Fees)

As of March 31, 2021





El Camino Hospital

Total Surplus Cash Assets

As of March 31, 2021

	Allocation		Performance							
	Asset $	%	3 Month	Fiscal YTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
Total Surplus Cash (1)	**1,377,594,267**	**100.0**	**1.7**	**14.4**	**25.4**	**8.0**	**7.6**	**6.1**	**6.2**	**Nov-2012**
Total Surplus Cash ex District / Debt Reserves (1)	**1,326,866,891**	**96.3**	**1.7**	**15.1**	**26.9**	**8.4**	**8.4**	**6.5**	**6.7**	**Nov-2012**
Surplus Cash Total Benchmark			*1.6*	*14.2*	*25.3*	*8.2*	*8.0*	*6.3*	*6.5*	
Total Surplus Cash ex District / CONCERN / Debt Reserves (1)	**1,312,595,127**	**95.3**	**1.8**	**15.3**	**27.2**	**8.4**	**8.5**	**6.5**	**6.7**	**Nov-2012**
Surplus Cash Total Benchmark			*1.6*	*14.2*	*25.3*	*8.2*	*8.0*	*6.3*	*6.5*	
Total CONCERN	**14,271,764**	**1.0**	**-2.9**	**-0.4**	**3.6**	**5.5**	**3.7**	**-**	**3.8**	**Feb-2016**
CONCERN Total Benchmark			*-3.4*	*-2.1*	*0.7*	*4.6*	*3.1*	*-*	*3.3*	
Met West Total Return Bond Plan - CONCERN	14,187,179	1.0	-2.9	-0.4	3.7	5.6	3.8	-	3.9	Feb-2016
Blmbg. Barc. U.S. Aggregate			*-3.4*	*-2.1*	*0.7*	*4.7*	*3.1*	*3.4*	*3.3*	
Cash Account - CONCERN	84,586	0.0	0.0	0.6	0.6	1.1	0.9	-	0.8	Feb-2016
90 Day U.S. Treasury Bill			*0.0*	*0.1*	*0.1*	*1.5*	*1.2*	*0.6*	*1.2*	
District - Barrow Hanley	**42,139,146**	**3.1**	**-0.1**	**-0.4**	**0.4**	**2.5**	**1.6**	**1.2**	**1.2**	**Nov-2012**
Blmbg. Barc. 1-3 Govt			*-0.1*	*0.1*	*0.4*	*2.8*	*1.7*	*1.3*	*1.3*	
Total Debt Reserves	**8,588,230**	**0.6**	**0.1**	**0.3**	**0.2**	**1.5**	**1.3**	**-**	**1.2**	**May-2015**
90 Day U.S. Treasury Bill			*0.0*	*0.1*	*0.1*	*1.5*	*1.2*	*0.6*	*1.0*	
Ponder Debt Reserves - 2017	8,588,230	0.6	0.1	0.3	0.2	1.5	-	-	1.4	Mar-2017
90 Day U.S. Treasury Bill			*0.0*	*0.1*	*0.1*	*1.5*	*1.2*	*0.6*	*1.4*	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized. (1) Includes Foundation assets.

Surplus Cash Portfolio ex District / Debt Reserves

Composite Asset Allocation & Performance

March 31, 2021

	Allocation		Performance							
	Asset $	%	3 Month	Fiscal YTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
Total Surplus Cash ex District / Debt Reserves	**1,326,866,891**	**100.0**	**1.7**	**15.1**	**26.9**	**8.4**	**8.4**	**6.5**	**6.7**	**Nov-2012**
Surplus Cash Total Benchmark			*1.6*	*14.2*	*25.3*	*8.2*	*8.0*	*6.3*	*6.5*	
Pre-Pavilion Surplus Cash Total Benchmark			*-0.1*	*4.0*	*8.0*	*5.4*	*4.2*	*4.1*	*3.9*	
Total Surplus Cash ex District / Debt Reserves X Privates	**1,311,481,500**	**98.8**	**1.7**	**15.3**	**27.3**	**8.5**	**8.5**	**6.4**	**6.6**	**Nov-2012**
Surplus Cash Total Benchmark x Privates			*1.6*	*14.3*	*25.7*	*8.3*	*8.1*	*6.4*	*6.5*	
Total Equity Composite	**604,528,971**	**45.6**	**5.0**	**33.2**	**61.4**	**14.4**	**14.9**	**11.6**	**12.8**	**Nov-2012**
Total Equity Benchmark - Surplus			*6.0*	*33.0*	*59.0*	*12.7*	*14.0*	*11.1*	*12.2*	
Domestic Equity Composite	**393,680,784**	**29.7**	**6.3**	**34.8**	**66.2**	**17.9**	**17.4**	**13.8**	**15.5**	**Nov-2012**
Domestic Equity Benchmark - Surplus			*7.5*	*35.6*	*64.8*	*16.5*	*16.4*	*13.6*	*15.2*	
Large Cap Equity Composite	**328,347,410**	**24.7**	**5.8**	**33.4**	**65.4**	**18.8**	**17.8**	**14.3**	**16.1**	**Nov-2012**
Large Cap Equity Benchmark			*6.1*	*30.9*	*58.0*	*16.8*	*16.4*	*13.8*	*15.4*	
Small Cap Equity Composite	**65,333,374**	**4.9**	**9.3**	**42.5**	**70.3**	**14.0**	**15.5**	**-**	**13.1**	**Nov-2012**
Small Cap Equity Benchmark			*12.9*	*55.6*	*94.0*	*14.5*	*16.2*	*11.6*	*14.0*	
International Equity Composite	**210,848,187**	**15.9**	**2.6**	**30.0**	**52.1**	**8.1**	**10.4**	**-**	**7.5**	**Nov-2012**
MSCI AC World ex USA (Net)			*3.5*	*28.7*	*49.4*	*6.5*	*9.8*	*4.9*	*6.9*	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Surplus Cash Portfolio ex District / Debt Reserves

Composite Asset Allocation & Performance

March 31, 2021

	Allocation		Performance							
	Asset $	%	3 Month	Fiscal YTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
Total Fixed Income Composite	**506,258,728**	**38.2**	**-1.9**	**0.8**	**5.4**	**5.0**	**3.7**	**3.4**	**3.0**	**Nov-2012**
Total Fixed Income Benchmark - Surplus			*-2.5*	*-1.5*	*0.9*	*4.3*	*2.8*	*2.9*	*2.5*	
Short Duration Fixed Income Composite	**140,051,911**	**10.6**	**-0.2**	**1.1**	**4.0**	**3.1**	**2.1**	**2.0**	**1.6**	**Nov-2012**
Short Duration Fixed Income Benchmark - Surplus			*0.0*	*0.4*	*1.6*	*3.0*	*2.0*	*2.0*	*1.6*	
Market Duration Fixed Income Composite	**366,206,817**	**27.6**	**-2.5**	**0.6**	**5.9**	**5.8**	**4.4**	**4.4**	**3.5**	**Nov-2012**
Blmbg. Barc. U.S. Aggregate			*-3.4*	*-2.1*	*0.7*	*4.7*	*3.1*	*3.4*	*2.7*	
Total Alternatives Composite	**216,079,192**	**16.3**	**1.6**	**9.7**	**11.7**	**1.6**	**3.7**	**-**	**3.5**	**May-2013**
Total Alternatives Benchmark - Surplus			*1.4*	*11.5*	*17.7*	*5.2*	*5.6*	*-*	*4.9*	
Private Assets Composite	**27,569,779**	**2.1**	**0.0**	**6.2**	**6.6**	**1.8**	**3.2**	**-**	**7.0**	**Sep-2013**
Private Debt Composite	**2,072,493**	**0.2**	**0.0**	**-**	**-**	**-**	**-**	**-**	**7.2**	**Dec-2020**
Private Real Estate Composite	**25,497,286**	**1.9**	**0.0**	**6.1**	**6.5**	**1.7**	**3.2**	**-**	**7.0**	**Sep-2013**
NCREIF Property Index			*0.0*	*1.9*	*0.9*	*4.3*	*5.5*	*8.6*	*7.6*	
Hedge Fund Composite	**188,509,413**	**14.2**	**1.9**	**10.3**	**12.5**	**1.6**	**3.8**	**-**	**2.6**	**May-2013**
HFRI Fund of Funds Composite Index			*1.9*	*14.8*	*23.8*	*5.4*	*5.6*	*3.4*	*4.1*	

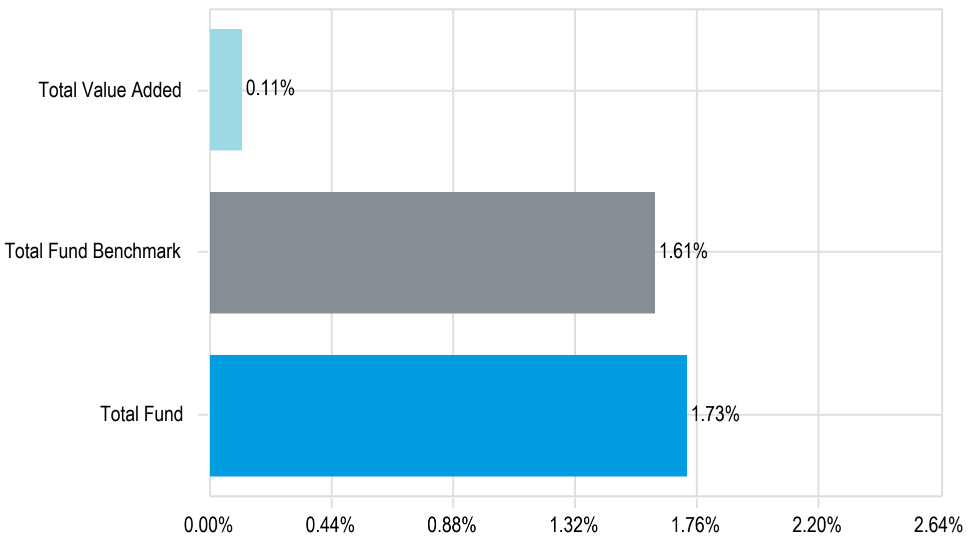
Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Surplus Cash Portfolio ex District / Debt Reserves

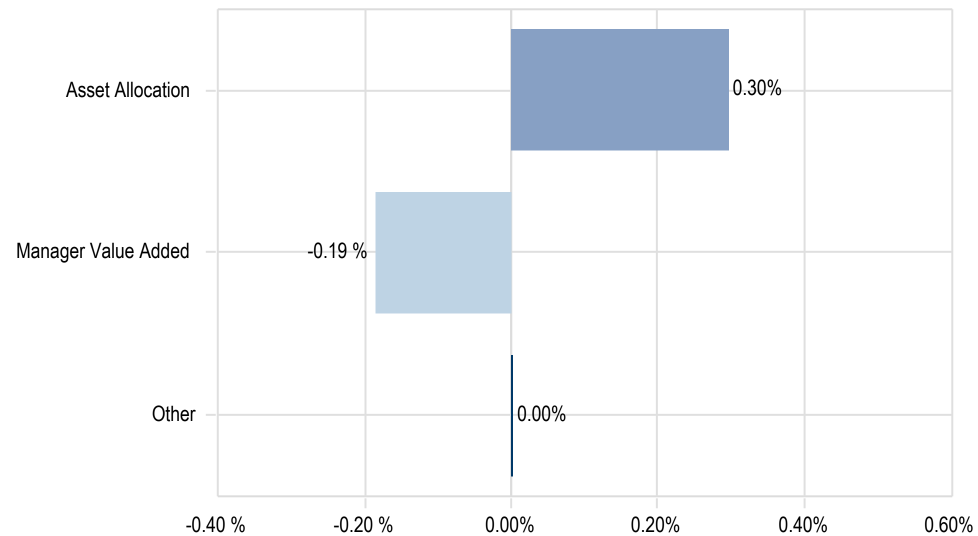
Attribution Analysis

1 Quarter Ending March 31, 2021

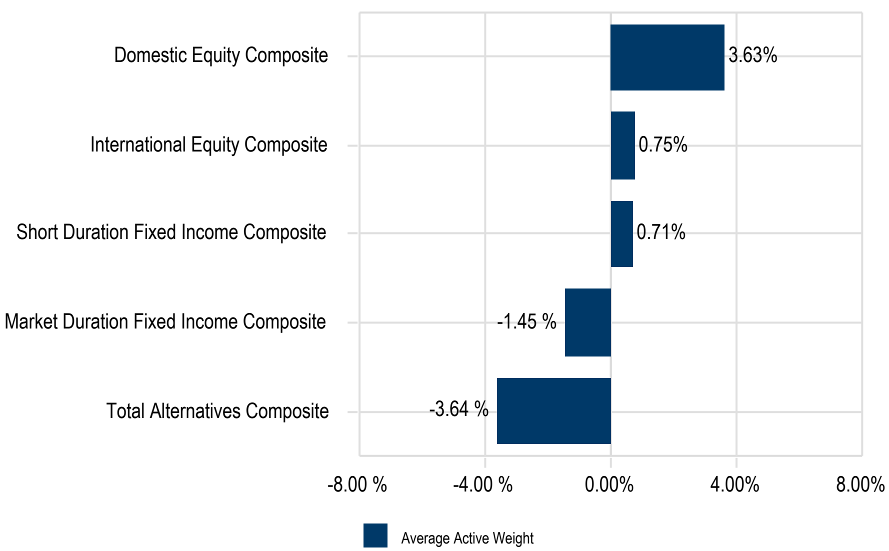
Total Fund Performance



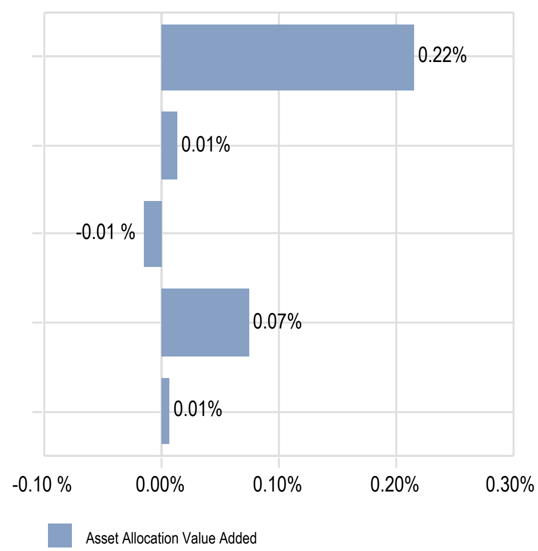
Total Value Added:0.11%



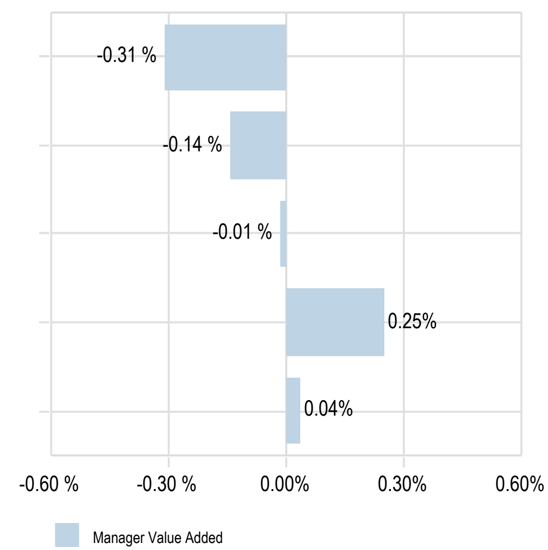
Average Active Weight



Asset Allocation Value Added:0.30%

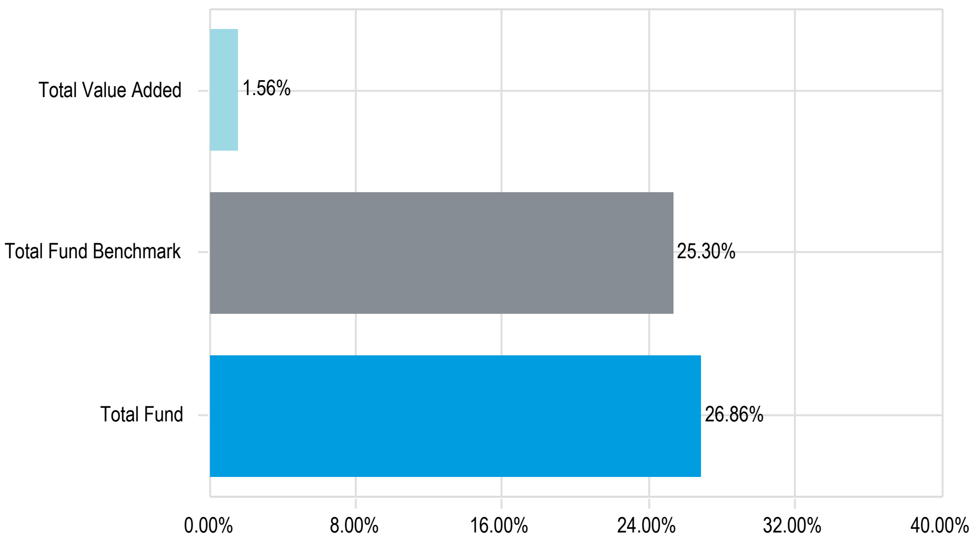


Total Manager Value Added:-0.19 %

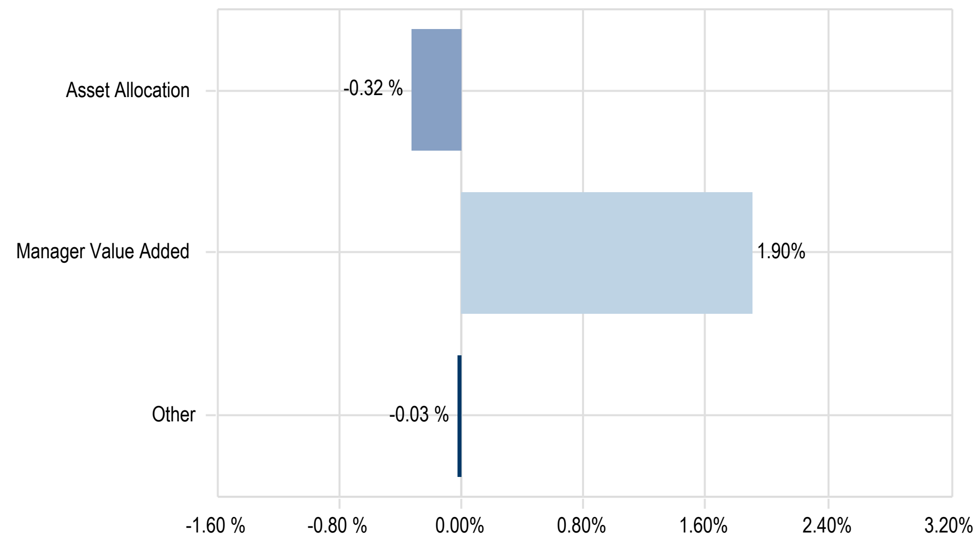


"Other" includes the effects of all other factors on the Fund's relative return, including rebalancing and other trading activity.

Total Fund Performance



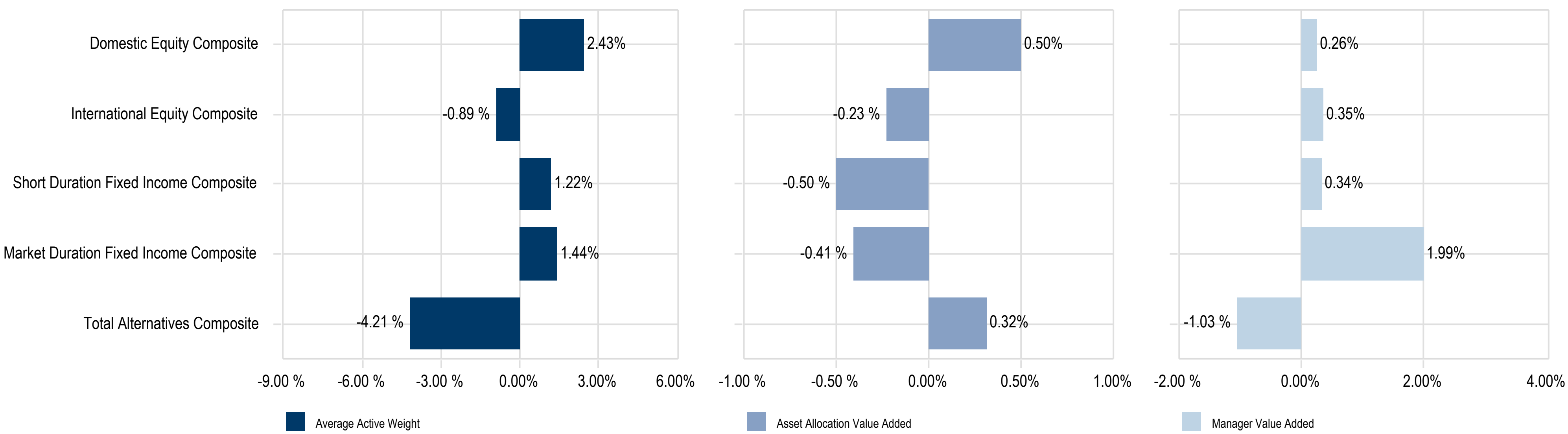
Total Value Added:1.56%



Average Active Weight

Asset Allocation Value Added:-0.32 %

Total Manager Value Added:1.90%



"Other" includes the effects of all other factors on the Fund's relative return, including rebalancing and other trading activity.

Surplus Cash Portfolio ex District / Debt Reserves

Manager Asset Allocation & Performance

March 31, 2021

	Allocation		Performance							
	Asset $	%	3 Month	Fiscal YTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
Large-Cap Equity										
Vanguard S&P 500 Index	**187,701,109**	**14.1**	**6.2 (51)**	**29.7 (50)**	**56.4 (41)**	**16.8 (33)**	**16.3 (31)**	**13.9 (19)**	**15.4 (23)**	**Nov-2012**
S&P 500			*6.2 (51)*	*29.7 (50)*	*56.4 (41)*	*16.8 (33)*	*16.3 (30)*	*13.9 (19)*	*15.4 (23)*	
Mercer Mutual Fund US Equity Large Cap Core Median			*6.3*	*29.7*	*55.0*	*15.8*	*15.7*	*12.8*	*14.5*	
Sands Large Cap Growth (Touchstone)	**65,348,997**	**4.9**	**-2.6 (95)**	**32.7 (6)**	**82.9 (2)**	**28.7 (1)**	**26.2 (1)**	**18.3 (3)**	**20.0 (7)**	**Nov-2012**
Russell 1000 Growth Index			*0.9 (62)*	*27.3 (31)*	*62.7 (32)*	*22.8 (27)*	*21.0 (32)*	*16.6 (18)*	*18.7 (22)*	
Mercer Mutual Fund US Equity Large Cap Growth Median			*1.5*	*25.4*	*59.1*	*21.1*	*20.0*	*15.1*	*17.7*	
Barrow Hanley Large Cap Value	**75,297,304**	**5.7**	**13.1 (21)**	**38.8 (27)**	**63.5 (22)**	**11.5 (50)**	**12.2 (48)**	**11.2 (39)**	**9.4 (1)**	**Aug-2000**
Russell 1000 Value Index			*11.3 (50)*	*36.6 (42)*	*56.1 (55)*	*11.0 (57)*	*11.7 (57)*	*11.0 (47)*	*7.7 (30)*	
Mercer Mutual Fund US Equity Large Cap Value Median			*11.3*	*35.5*	*56.8*	*11.4*	*12.1*	*10.9*	*7.2*	
Small-Cap Equity										
Wellington Small Cap Value	**35,845,582**	**2.7**	**15.2 (95)**	**52.1 (89)**	**68.3 (98)**	**7.8 (79)**	**8.1 (97)**	**9.2 (55)**	**10.3 (83)**	**Nov-2012**
Russell 2000 Value Index			*21.2 (64)*	*65.7 (53)*	*97.1 (63)*	*11.6 (27)*	*13.6 (19)*	*10.1 (30)*	*12.0 (35)*	
Mercer Mutual Fund US Equity Small Cap Value Median			*22.6*	*66.6*	*104.6*	*9.2*	*11.7*	*9.4*	*11.4*	
Conestoga Small Cap Growth	**29,487,792**	**2.2**	**3.0 (71)**	**31.7 (92)**	**66.6 (94)**	**18.5 (49)**	**21.0 (39)**	**14.8 (22)**	**20.7 (43)**	**Jul-2016**
Russell 2000 Growth Index			*4.9 (59)*	*45.7 (46)*	*90.2 (48)*	*17.2 (62)*	*18.6 (56)*	*13.0 (57)*	*18.9 (54)*	
Mercer Mutual Fund US Equity Small Cap Growth Median			*5.8*	*44.9*	*89.3*	*18.3*	*19.5*	*13.5*	*19.4*	
International Equity										
Causeway International Value	**78,528,097**	**5.9**	**6.9 (59)**	**37.5 (16)**	**65.7 (10)**	**4.6 (18)**	**8.1 (22)**	**5.3 (12)**	**3.9 (20)**	**May-2018**
MSCI AC World ex USA (Net)			*3.5 (96)*	*28.7 (67)*	*49.4 (61)*	*6.5 (4)*	*9.8 (1)*	*4.9 (18)*	*6.1 (4)*	
MSCI AC World ex USA Value (Net)			*7.1 (57)*	*31.9 (49)*	*48.7 (63)*	*2.4 (65)*	*7.2 (44)*	*3.0 (88)*	*1.6 (65)*	
Mercer Mutual Fund World ex US/EAFE Equity Large Cap Value Median			*7.4*	*31.7*	*53.0*	*3.3*	*6.8*	*4.3*	*2.9*	
BNY Mellon International Stock Fund	**63,033,565**	**4.8**	**-1.5 (87)**	**18.1 (94)**	**35.3 (97)**	**11.7 (24)**	**12.8 (23)**	**7.4 (33)**	**8.7 (45)**	**Nov-2012**
MSCI AC World ex USA (Net)			*3.5 (19)*	*28.7 (44)*	*49.4 (64)*	*6.5 (84)*	*9.8 (73)*	*4.9 (90)*	*6.9 (88)*	
MSCI AC World ex USA Growth (Net)			*-0.1 (75)*	*25.4 (60)*	*49.4 (64)*	*10.3 (38)*	*12.0 (35)*	*6.7 (51)*	*8.9 (41)*	
Mercer Mutual Fund World ex US/EAFE Equity Large Cap Growth Median			*1.1*	*27.3*	*52.3*	*9.3*	*11.1*	*6.7*	*8.5*	
Harding Loevner Emerging Markets	**69,286,526**	**5.2**	**1.7 (74)**	**36.2 (41)**	**60.1 (58)**	**4.6 (68)**	**11.3 (57)**	**5.2 (26)**	**10.9 (51)**	**Sep-2015**
MSCI Emerging Markets (Net)			*2.3 (64)*	*34.1 (55)*	*58.4 (64)*	*6.5 (46)*	*12.1 (43)*	*3.7 (49)*	*11.4 (41)*	
Mercer Mutual Fund Emerging Markets Equity Median			*3.2*	*34.9*	*61.8*	*6.1*	*11.6*	*3.6*	*10.9*	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Surplus Cash Portfolio ex District / Debt Reserves

Manager Asset Allocation & Performance

March 31, 2021

	Allocation		Performance							
	Asset $	%	3 Month	Fiscal YTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
Short Duration Fixed Income										
Barrow Hanley Short Fixed	**133,789,151**	**10.1**	**-0.2 (72)**	**1.3 (55)**	**4.2 (56)**	**3.3 (34)**	**2.2 (55)**	**1.6 (67)**	**4.5 (15)**	**Apr-1991**
Blmbg. Barc. 1-3 Year Gov/Credit			*0.0 (50)*	*0.4 (78)*	*1.6 (80)*	*3.0 (48)*	*2.0 (66)*	*1.6 (67)*	*4.0 (33)*	
Mercer Mutual Fund US Fixed Short Median			*0.0*	*1.4*	*4.9*	*3.0*	*2.2*	*1.8*	*3.9*	
Cash Composite	**6,262,760**	**0.5**	**0.0**	**0.0**	**0.0**	**0.4**	**0.4**	**-**	**0.2**	**Nov-2012**
90 Day U.S. Treasury Bill			*0.0*	*0.1*	*0.1*	*1.5*	*1.2*	*0.6*	*0.7*	
Market Duration Fixed Income										
Dodge & Cox Fixed	**184,887,259**	**13.9**	**-2.4 (50)**	**1.4 (35)**	**7.5 (32)**	**5.8 (16)**	**4.9 (14)**	**4.4 (17)**	**3.9 (15)**	**Nov-2012**
Blmbg. Barc. U.S. Aggregate			*-3.4 (80)*	*-2.1 (95)*	*0.7 (95)*	*4.7 (50)*	*3.1 (63)*	*3.4 (56)*	*2.7 (56)*	
Mercer Mutual Fund US Fixed Core Median			*-2.5*	*0.7*	*5.8*	*4.6*	*3.5*	*3.5*	*2.9*	
MetWest Fixed	**167,132,379**	**12.6**	**-2.6 (53)**	**-0.1 (69)**	**4.4 (66)**	**5.7 (18)**	**3.9 (33)**	**4.1 (28)**	**3.1 (35)**	**Nov-2012**
Blmbg. Barc. U.S. Aggregate			*-3.4 (80)*	*-2.1 (95)*	*0.7 (95)*	*4.7 (50)*	*3.1 (63)*	*3.4 (56)*	*2.7 (56)*	
Mercer Mutual Fund US Fixed Core Median			*-2.5*	*0.7*	*5.8*	*4.6*	*3.5*	*3.5*	*2.9*	
Met West Total Return Bond Plan - CONCERN	**14,187,179**	**1.1**	**-2.9 (64)**	**-0.4 (76)**	**3.7 (73)**	**5.6 (20)**	**3.8 (39)**	**-**	**3.9 (43)**	**Feb-2016**
Blmbg. Barc. U.S. Aggregate			*-3.4 (80)*	*-2.1 (95)*	*0.7 (95)*	*4.7 (50)*	*3.1 (63)*	*3.4 (56)*	*3.3 (62)*	
Mercer Mutual Fund US Fixed Core Median			*-2.5*	*0.7*	*5.8*	*4.6*	*3.5*	*3.5*	*3.7*	
Private Debt										
Oaktree Opportunities Fund XI, L.P.	**2,072,493**	**0.2**	**0.0**	**-**	**-**	**-**	**-**	**-**	**7.2**	**Nov-2020**
Real Estate										
AG Realty Value Fund X, LP	**10,111,895**	**0.8**	**0.0**	**12.9**	**16.3**	**-**	**-**	**-**	**-2.5**	**Jun-2019**
NCREIF Property Index			*0.0*	*1.9*	*0.9*	*4.3*	*5.5*	*8.6*	*2.8*	
Oaktree Real Estate Opportunities Fund VI	**4,864,191**	**0.4**	**0.0**	**-0.8**	**-1.2**	**-0.5**	**0.9**	**-**	**4.9**	**Sep-2013**
NCREIF Property Index			*0.0*	*1.9*	*0.9*	*4.3*	*5.5*	*8.6*	*7.6*	
Walton Street Real Estate Fund VII, L.P.	**3,139,899**	**0.2**	**0.0**	**-0.7**	**-4.4**	**-6.9**	**-0.6**	**-**	**6.3**	**Nov-2013**
NCREIF Property Index			*0.0*	*1.9*	*0.9*	*4.3*	*5.5*	*8.6*	*7.6*	
Walton Street Real Estate Fund VIII, L.P.	**7,381,301**	**0.6**	**0.0**	**7.1**	**7.9**	**5.6**	**-**	**-**	**8.8**	**Jun-2017**
NCREIF Property Index			*0.0*	*1.9*	*0.9*	*4.3*	*5.5*	*8.6*	*4.9*	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Surplus Cash Portfolio ex District / Debt Reserves

Manager Asset Allocation & Performance

March 31, 2021

	Allocation		Performance							
	Asset $	%	3 Month	Fiscal YTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
Hedge Funds										
Hedge Fund Composite	**188,509,413**	**14.2**	**1.9**	**10.3**	**12.5**	**1.6**	**3.8**	**-**	**2.6**	**May-2013**
HFRI Fund of Funds Composite Index			*1.9*	*14.8*	*23.8*	*5.4*	*5.6*	*3.4*	*4.1*	
Total Plan										
Total Surplus Cash X District / Debt Reserves	**1,326,866,891**	**100.0**	**1.7**	**15.1**	**26.9**	**8.4**	**8.4**	**6.5**	**6.7**	**Nov-2012**
Total Surplus Cash Benchmark			*1.6*	*14.2*	*25.3*	*8.2*	*8.0*	*6.3*	*6.5*	
Pre-Pavilion Total Surplus Cash Benchmark			*-0.1*	*4.0*	*8.0*	*5.4*	*4.2*	*4.1*	*3.9*	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

El Camino Hospital

Private Assets Summary (Lagged)

December 31, 2020

Partnerships	Vintage	Capital Commitment	Drawn Down	Distributed	Market Value (1)	IRR (1)	PME+ FTSE NAREIT Equity REIT Index (4)	TVPI Multiple (1,2)	DPI Multiple (2)	Remaining Commitment (3)
Oaktree Capital Management RE Opportunities Fund VI	2012	14,000,000	14,000,000	14,416,258	4,864,191	8.3	8.6	1.4	1.0	3,220,000
Walton Street Real Estate Fund VII, L.P.	2012	14,000,000	12,492,394	13,763,325	3,139,899	9.8	7.4	1.4	1.1	4,420,768
Walton Street Real Estate Fund VIII, L.P.	2015	13,000,000	11,130,318	5,132,035	7,896,162	8.1	4.6	1.2	0.5	7,015,618
AG Realty Value Fund X	2018	20,000,000	7,700,000	91,043	8,374,395	11.0	3.0	1.1	0.0	12,300,000
Oaktree Opportunities Fund XI, L.P.	2020	20,000,000	1,000,000	-	1,072,493	7.2	7.2	1.1	-	19,000,000
Total Surplus Cash Private Assets		**81,000,000**	**46,322,712**	**33,402,661**	**25,347,140**	**8.9**	**7.3**	**1.3**	**0.7**	**45,956,386**

1) Valuations are typically reported on one quarter lag. If the valuation date is earlier than the statement's date, the market value and performance are estimated by rolling forward the latest reported balance to include relevant new cash flows.
2) Total Value to Paid In (TVPI) reflects total realized and unrealized performance. Distributed to Paid In (DPI) reflects realized performance only.
3) Remaining commitment includes recallable distributions which, if called, could cause drawn to exceed commitment.
4) The public market equivalent (PME+) calculates benchmark performance by using the daily cash flows in a public index, and scaling the fund's distributions so the public market NAV remains positive.
The PME will match the fund's IRR if no distribution/s had occurred during the life of the fund.

	Allocation		Performance							
	Asset $	%	3 Month	Fiscal YTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
Total Cash Balance Plan	**344,026,128**	**100.0**	**2.0**	**19.6**	**35.3**	**10.4**	**10.2**	**8.3**	**8.9**	**Nov-2012**
Total Cash Balance Plan Benchmark			*2.3*	*17.1*	*30.4*	*9.1*	*9.1*	*7.8*	*8.0*	
Pre-Pavilion Total Cash Balance Plan Benchmark			*5.3*	*19.9*	*31.6*	*9.0*	*8.6*	*8.2*	*8.5*	
Total Cash Balance Plan X Private Structures	**333,550,526**	**97.0**	**2.1**	**20.2**	**36.8**	**10.7**	**10.6**	**8.3**	**8.9**	**Nov-2012**
Cash Balance Plan Total X Privates Benchmark			*2.4*	*18.2*	*32.6*	*9.4*	*9.3*	*7.8*	*8.0*	
Total Equity Composite	**190,391,928**	**55.3**	**4.9**	**33.9**	**62.9**	**15.2**	**15.4**	**11.6**	**12.9**	**Nov-2012**
Total Equity Benchmark			*5.8*	*32.5*	*58.3*	*12.9*	*14.0*	*11.1*	*12.3*	
Domestic Equity Composite	**123,639,639**	**35.9**	**6.3**	**36.1**	**68.9**	**18.7**	**18.0**	**14.0**	**15.8**	**Nov-2012**
Domestic Equity Benchmark			*7.2*	*34.6*	*63.3*	*16.6*	*16.4*	*13.6*	*15.3*	
Large Cap Equity Composite	**104,213,560**	**30.3**	**5.7**	**34.9**	**68.4**	**19.5**	**18.4**	**14.4**	**16.3**	**Nov-2012**
Large Cap Equity Benchmark			*6.1*	*30.9*	*58.0*	*16.8*	*16.4*	*13.8*	*15.4*	
Small Cap Equity Composite	**19,426,079**	**5.6**	**9.2**	**42.5**	**69.8**	**13.8**	**15.3**	**-**	**12.9**	**Nov-2012**
Small Cap Equity Benchmark			*12.9*	*55.6*	*94.0*	*14.5*	*16.2*	*11.6*	*14.0*	
International Equity Composite	**66,752,289**	**19.4**	**2.6**	**29.4**	**51.3**	**8.6**	**10.5**	**-**	**7.5**	**Nov-2012**
MSCI AC World ex USA (Net)			*3.5*	*28.7*	*49.4*	*6.5*	*9.8*	*4.9*	*6.9*	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Cash Balance Plan

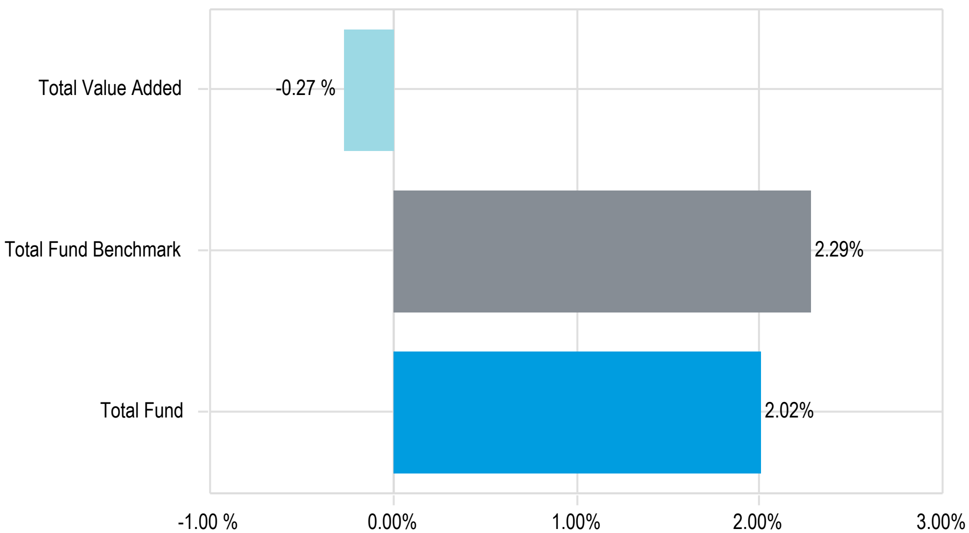
Composite Asset Allocation & Performance

March 31, 2021

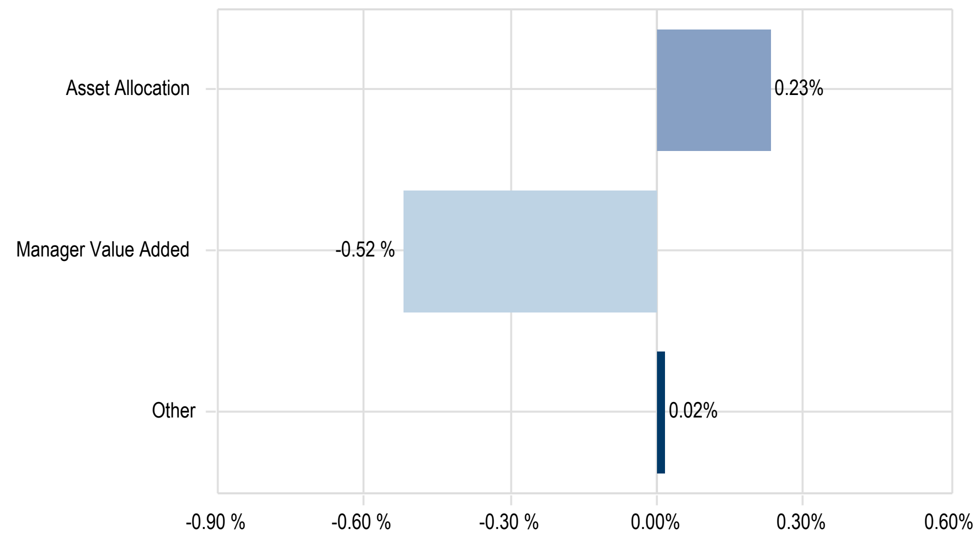
	Allocation		Performance							
	Asset $	%	3 Month	Fiscal YTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
Total Fixed Income Composite	**93,400,485**	**27.1**	**-2.3**	**0.5**	**5.1**	**5.2**	**3.9**	**3.8**	**3.2**	**Nov-2012**
Total Fixed Income Benchmark			*-2.8*	*-1.7*	*0.9*	*4.4*	*2.9*	*3.2*	*2.5*	
Short Duration Fixed Income Composite	**12,948,516**	**3.8**	**-0.1**	**0.8**	**2.9**	**3.0**	**2.1**	**-**	**1.6**	**Nov-2012**
Short Duration Fixed Income Benchmark			*0.0*	*0.4*	*1.6*	*3.0*	*2.0*	*1.3*	*1.6*	
Market Duration Fixed Income Composite	**80,451,968**	**23.4**	**-2.7**	**0.5**	**5.4**	**5.6**	**4.2**	**4.1**	**3.5**	**Nov-2012**
Blmbg. Barc. U.S. Aggregate			*-3.4*	*-2.1*	*0.7*	*4.7*	*3.1*	*3.4*	*2.7*	
Total Alternatives Composite	**60,233,716**	**17.5**	**0.2**	**14.1**	**22.0**	**4.7**	**5.7**	**-**	**7.0**	**Nov-2012**
Total Alternatives Benchmark			*1.2*	*10.4*	*15.7*	*5.1*	*5.6*	*-*	*5.7*	
Hedge Fund of Fund Composite	**49,758,113**	**14.5**	**0.2**	**16.9**	**27.9**	**5.5**	**6.6**	**-**	**6.5**	**Nov-2012**
HFRI Fund of Funds Composite Index			*1.9*	*14.8*	*23.8*	*5.4*	*5.6*	*3.4*	*4.5*	
Real Estate Composite	**10,475,603**	**3.0**	**0.0**	**3.6**	**3.2**	**1.3**	**2.9**	**-**	**7.0**	**Jan-2013**
NCREIF Property Index			*0.0*	*1.9*	*0.9*	*4.3*	*5.5*	*8.6*	*7.9*	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

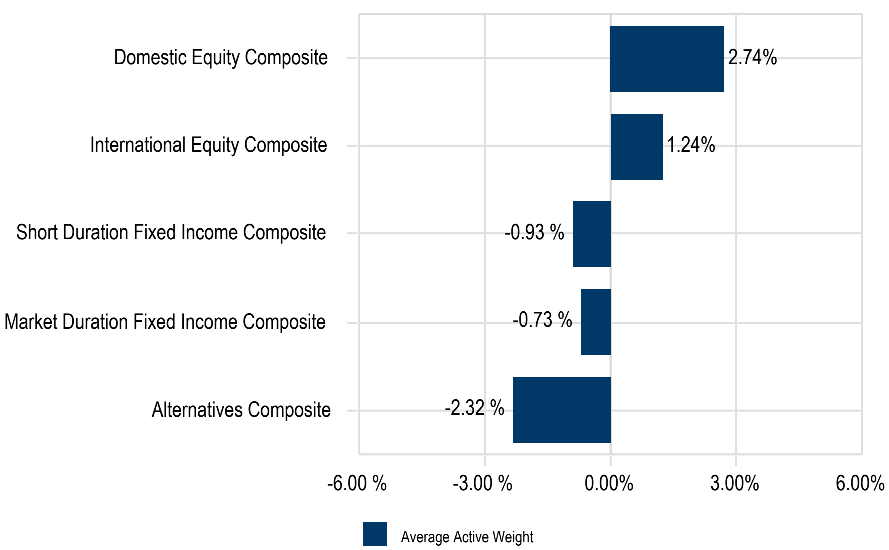
Total Fund Performance



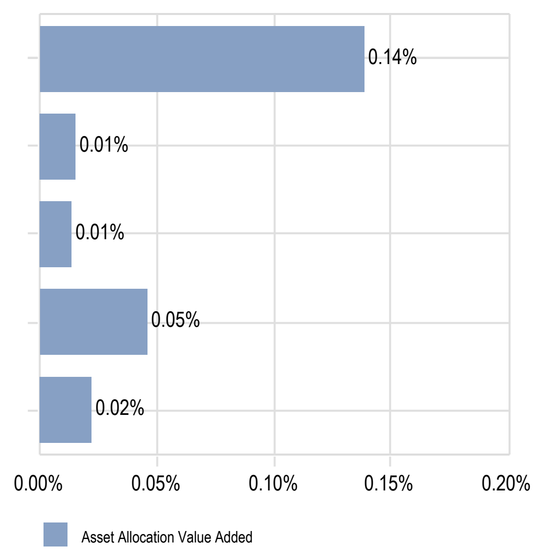
Total Value Added:-0.27 %



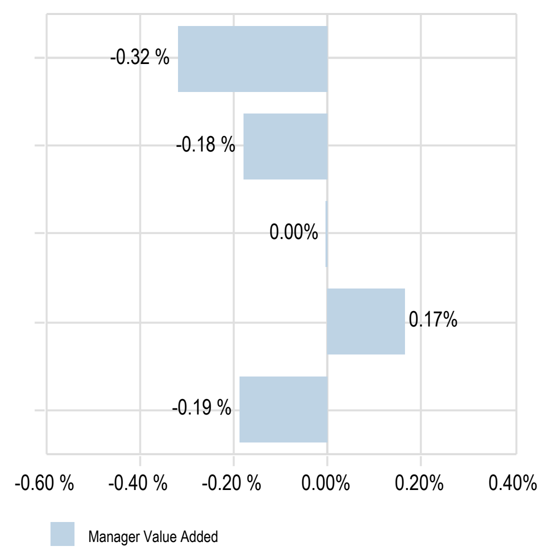
Average Active Weight



Asset Allocation Value Added:0.23%



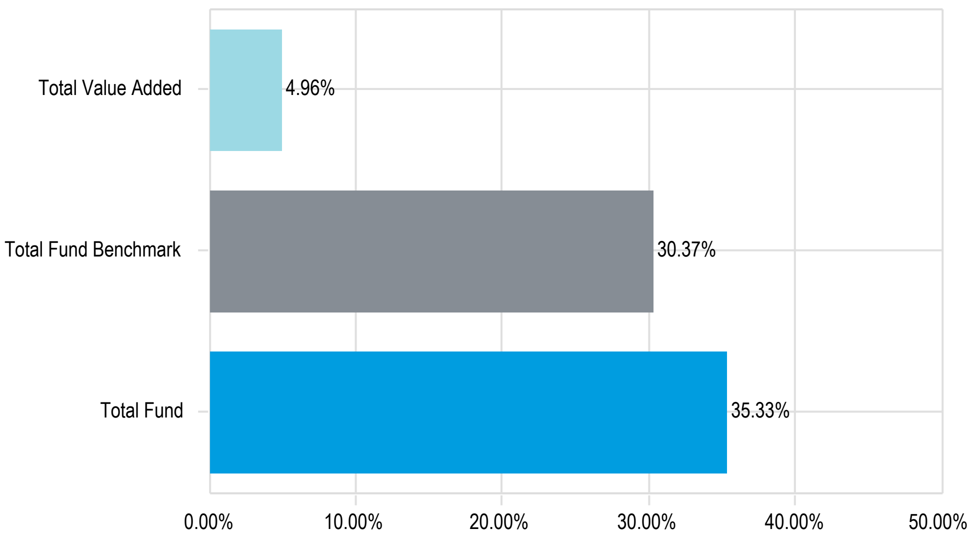
Total Manager Value Added:-0.52 %



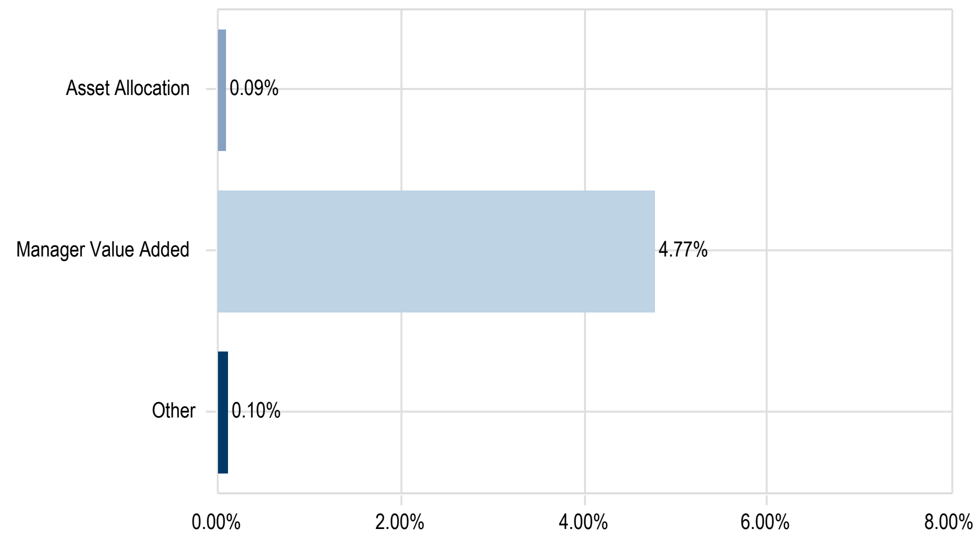
"Other" includes the effects of all other factors on the Fund's relative return, including rebalancing and other trading activity.

Cash Balance Plan

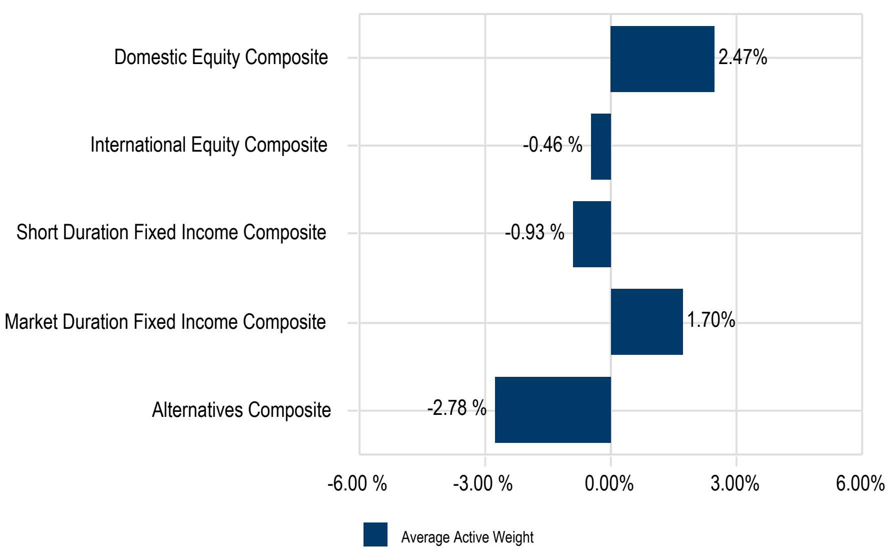
Total Fund Performance



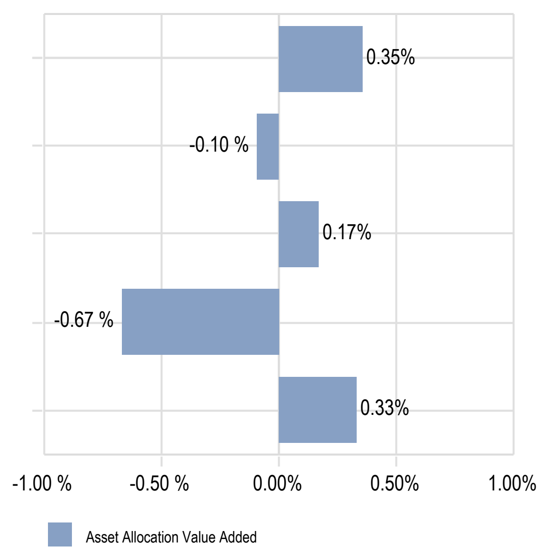
Total Value Added:4.96%



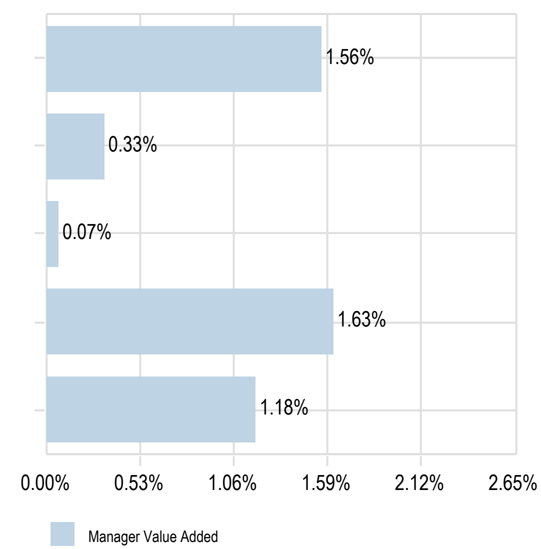
Average Active Weight



Asset Allocation Value Added:0.09%



Total Manager Value Added:4.77%



"Other" includes the effects of all other factors on the Fund's relative return, including rebalancing and other trading activity.

	Allocation		Performance							
	Asset $	%	3 Month	Fiscal YTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
Large-Cap Equity										
Vanguard Institutional Index Fund	**53,110,161**	**15.4**	**6.2 (51)**	**29.7 (50)**	**56.4 (41)**	**16.8 (33)**	**16.3 (31)**	**13.9 (19)**	**15.4 (23)**	**Nov-2012**
S&P 500			*6.2 (51)*	*29.7 (50)*	*56.4 (41)*	*16.8 (33)*	*16.3 (30)*	*13.9 (19)*	*15.4 (23)*	
Mercer Mutual Fund US Equity Large Cap Core Median			*6.3*	*29.7*	*55.0*	*15.8*	*15.7*	*12.8*	*14.5*	
Sands Large Cap Growth (Touchstone)	**23,767,835**	**6.9**	**-2.6 (95)**	**32.7 (6)**	**82.9 (2)**	**28.7 (1)**	**26.2 (1)**	**18.3 (3)**	**20.0 (7)**	**Nov-2012**
Russell 1000 Growth Index			*0.9 (62)*	*27.3 (31)*	*62.7 (32)*	*22.8 (27)*	*21.0 (32)*	*16.6 (18)*	*18.7 (22)*	
Mercer Mutual Fund US Equity Large Cap Growth Median			*1.5*	*25.4*	*59.1*	*21.1*	*20.0*	*15.1*	*17.7*	
Barrow Hanley Large Cap Value	**27,335,564**	**7.9**	**13.2 (21)**	**40.8 (16)**	**66.0 (12)**	**12.3 (35)**	**12.8 (38)**	**11.6 (34)**	**12.8 (30)**	**Nov-2012**
Russell 1000 Value Index			*11.3 (50)*	*36.6 (42)*	*56.1 (55)*	*11.0 (57)*	*11.7 (57)*	*11.0 (47)*	*12.1 (44)*	
Mercer Mutual Fund US Equity Large Cap Value Median			*11.3*	*35.5*	*56.8*	*11.4*	*12.1*	*10.9*	*11.9*	
Small-Cap Equity										
Wellington Small Cap Value	**10,562,504**	**3.1**	**15.1 (95)**	**51.0 (92)**	**66.9 (98)**	**7.5 (86)**	**7.9 (99)**	**9.0 (65)**	**10.1 (84)**	**Nov-2012**
Russell 2000 Value Index			*21.2 (64)*	*65.7 (53)*	*97.1 (63)*	*11.6 (27)*	*13.6 (19)*	*10.1 (30)*	*12.0 (35)*	
Mercer Mutual Fund US Equity Small Cap Value Median			*22.6*	*66.6*	*104.6*	*9.2*	*11.7*	*9.4*	*11.4*	
Conestoga Small Cap Growth	**8,863,576**	**2.6**	**3.0 (71)**	**31.7 (92)**	**66.6 (94)**	**18.5 (49)**	**21.0 (39)**	**14.8 (22)**	**20.7 (43)**	**Jul-2016**
Russell 2000 Growth Index			*4.9 (59)*	*45.7 (46)*	*90.2 (48)*	*17.2 (62)*	*18.6 (56)*	*13.0 (57)*	*18.9 (54)*	
Mercer Mutual Fund US Equity Small Cap Growth Median			*5.8*	*44.9*	*89.3*	*18.3*	*19.5*	*13.5*	*19.4*	
International Equity										
Causeway International Value	**25,101,715**	**7.3**	**6.9 (59)**	**37.5 (16)**	**65.7 (10)**	**4.6 (18)**	**8.1 (22)**	**5.3 (12)**	**3.9 (20)**	**May-2018**
MSCI AC World ex USA (Net)			*3.5 (96)*	*28.7 (67)*	*49.4 (61)*	*6.5 (4)*	*9.8 (1)*	*4.9 (18)*	*6.1 (4)*	
MSCI AC World ex USA Value (Net)			*7.1 (57)*	*31.9 (49)*	*48.7 (63)*	*2.4 (65)*	*7.2 (44)*	*3.0 (88)*	*1.6 (65)*	
Mercer Mutual Fund World ex US/EAFE Equity Large Cap Value Median			*7.4*	*31.7*	*53.0*	*3.3*	*6.8*	*4.3*	*2.9*	
BNY Mellon International Stock Fund	**20,185,477**	**5.9**	**-1.5 (87)**	**18.1 (94)**	**35.3 (97)**	**11.7 (24)**	**12.8 (23)**	**7.4 (33)**	**8.7 (45)**	**Nov-2012**
MSCI AC World ex USA (Net)			*3.5 (19)*	*28.7 (44)*	*49.4 (64)*	*6.5 (84)*	*9.8 (73)*	*4.9 (90)*	*6.9 (88)*	
MSCI AC World ex USA Growth (Net)			*-0.1 (75)*	*25.4 (60)*	*49.4 (64)*	*10.3 (38)*	*12.0 (35)*	*6.7 (51)*	*8.9 (41)*	
Mercer Mutual Fund World ex US/EAFE Equity Large Cap Growth Median			*1.1*	*27.3*	*52.3*	*9.3*	*11.1*	*6.7*	*8.5*	
Harding Loevner Inst. Emerging Markets I	**21,465,098**	**6.2**	**1.7 (74)**	**36.2 (41)**	**60.1 (58)**	**4.6 (68)**	**11.3 (57)**	**5.2 (26)**	**10.3 (60)**	**Nov-2016**
MSCI Emerging Markets (Net)			*2.3 (64)*	*34.1 (55)*	*58.4 (64)*	*6.5 (46)*	*12.1 (43)*	*3.7 (49)*	*11.3 (43)*	
Mercer Mutual Fund Emerging Markets Equity Median			*3.2*	*34.9*	*61.8*	*6.1*	*11.6*	*3.6*	*10.7*	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

	Allocation		Performance							
	Asset $	%	3 Month	Fiscal YTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
Short Duration Fixed Income										
Barrow Hanley Short Fixed	8,245,363	2.4	-0.2 (67)	1.0 (62)	3.7 (61)	3.4 (28)	2.2 (55)	1.6 (67)	1.6 (53)	Nov-2012
Blmbg. Barc. 1-3 Year Gov/Credit			0.0 (50)	0.4 (78)	1.6 (80)	3.0 (48)	2.0 (66)	1.6 (67)	1.6 (56)	
Mercer Mutual Fund US Fixed Short Median			0.0	1.4	4.9	3.0	2.2	1.8	1.7	
Cash Composite	4,703,153	1.4	0.0	0.1	0.2	1.3	1.8	-	1.8	Nov-2012
90 Day U.S. Treasury Bill			0.0	0.1	0.1	1.5	1.2	0.6	0.7	
Market Duration Fixed Income										
Dodge & Cox Income Fund	40,230,203	11.7	-2.5 (51)	1.4 (36)	7.4 (32)	5.6 (19)	4.7 (17)	4.2 (21)	6.6 (14)	Jan-1989
Blmbg. Barc. U.S. Aggregate			-3.4 (80)	-2.1 (95)	0.7 (95)	4.7 (50)	3.1 (63)	3.4 (56)	6.1 (46)	
Mercer Mutual Fund US Fixed Core Median			-2.5	0.7	5.8	4.6	3.5	3.5	6.0	
Met West Total Return Fund Pl	40,221,765	11.7	-2.9 (64)	-0.5 (76)	3.7 (73)	5.6 (20)	3.7 (40)	4.3 (19)	3.4 (28)	Nov-2012
Blmbg. Barc. U.S. Aggregate			-3.4 (80)	-2.1 (95)	0.7 (95)	4.7 (50)	3.1 (63)	3.4 (56)	2.7 (56)	
Mercer Mutual Fund US Fixed Core Median			-2.5	0.7	5.8	4.6	3.5	3.5	2.9	
Hedge Fund of Funds										
Lighthouse Diversified	27,158,197	7.9	4.8	20.0	28.4	3.1	3.7	4.0	4.7	Nov-2012
HFRI Fund of Funds Composite Index			1.9	14.8	23.8	5.4	5.6	3.4	4.5	
Pointer Offshore LTD	22,599,916	6.6	-3.7	13.9	26.8	7.8	9.6	7.7	8.4	Jan-2013
HFRI Fund of Funds Composite Index			1.9	14.8	23.8	5.4	5.6	3.4	4.4	
Real Estate										
Oaktree RE Opportunities Fund VI	2,914,205	0.8	0.0	-0.8	-1.2	0.5	1.4	-	5.8	Feb-2013
NCREIF Property Index			0.0	1.9	0.9	4.3	5.5	8.6	7.9	
Walton Street Real Estate Fund VII, L.P.	1,883,474	0.5	0.0	-0.7	-4.3	-6.8	-0.5	-	6.2	Jul-2013
NCREIF Property Index			0.0	1.9	0.9	4.3	5.5	8.6	7.7	
Walton Street Real Estate Fund VIII, L.P.	5,677,924	1.7	0.0	7.1	7.9	5.6	-	-	8.8	Jun-2017
NCREIF Property Index			0.0	1.9	0.9	4.3	5.5	8.6	4.9	
Total Plan										
Total Cash Balance Plan	344,026,128	100.0	2.0	19.6	35.3	10.4	10.2	8.3	8.9	Nov-2012
Total Cash Balance Plan Benchmark			2.3	17.1	30.4	9.1	9.1	7.8	8.0	
Pre-Pavilion Total Cash Balance Plan Benchmark			5.3	19.9	31.6	9.0	8.6	8.2	8.5	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

El Camino Hospital

Private Real Estate Summary (Lagged)

December 31, 2020

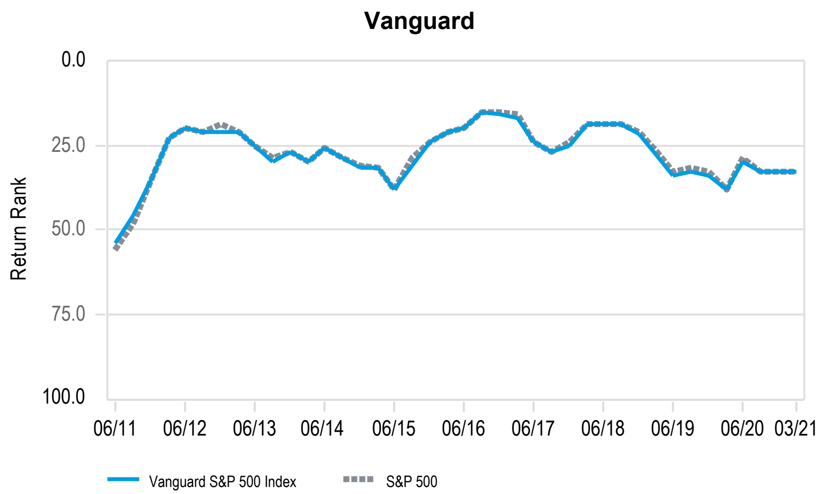
Partnerships	Vintage	Capital Commitment	Drawn Down	Distributed	Market Value (1)	IRR (1)	PME+ FTSE NAREIT Equity REIT Index (4)	TVPI Multiple (1,2)	DPI Multiple (2)	Remaining Commitment (3)
Oaktree RE Opportunities Fund VI	2012	8,400,000	8,400,000	8,948,674	2,914,205	8.3	7.8	1.4	1.1	1,932,000
Walton Street Real Estate Fund VII, L.P.	2012	8,400,000	7,469,403	8,262,540	1,883,474	9.8	7.0	1.4	1.1	2,652,461
Walton Street Real Estate Fund VIII, L.P.	2015	10,000,000	8,561,783	3,947,720	6,073,971	8.1	4.6	1.2	0.5	5,396,630
Total Cash Balance Real Estate		**26,800,000**	**24,431,185**	**21,158,934**	**10,871,650**	**8.7**	**7.0**	**1.3**	**0.9**	**9,981,091**

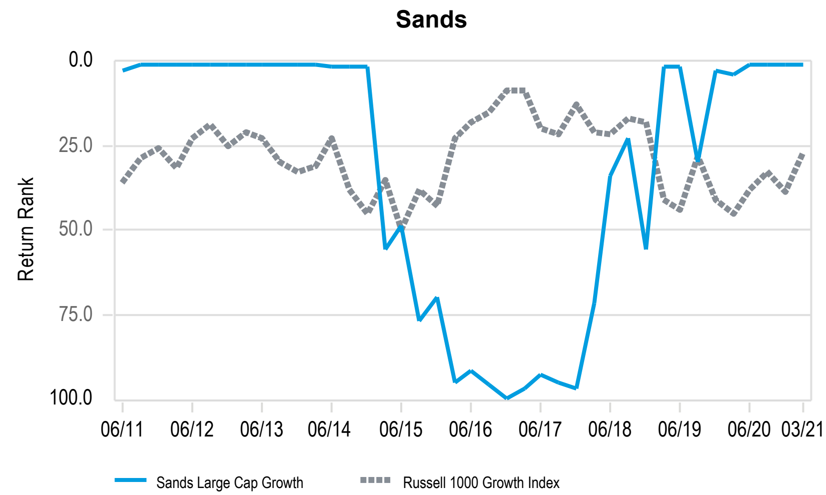
1) Valuations are typically reported on one quarter lag. If the valuation date is earlier than the statement's date, the market value and performance are estimated by rolling forward the latest reported balance to include relevant new cash flows.
2) Total Value to Paid In (TVPI) reflects total realized and unrealized performance. Distributed to Paid In (DPI) reflects realized performance only.
3) Remaining commitment includes recallable distributions which, if called, could cause drawn to exceed commitment.
4) The public market equivalent (PME+) calculates benchmark performance by using the daily cash flows in a public index, and scaling the fund's distributions so the public market NAV remains positive.
The PME will match the fund's IRR if no distribution/s had occurred during the life of the fund.

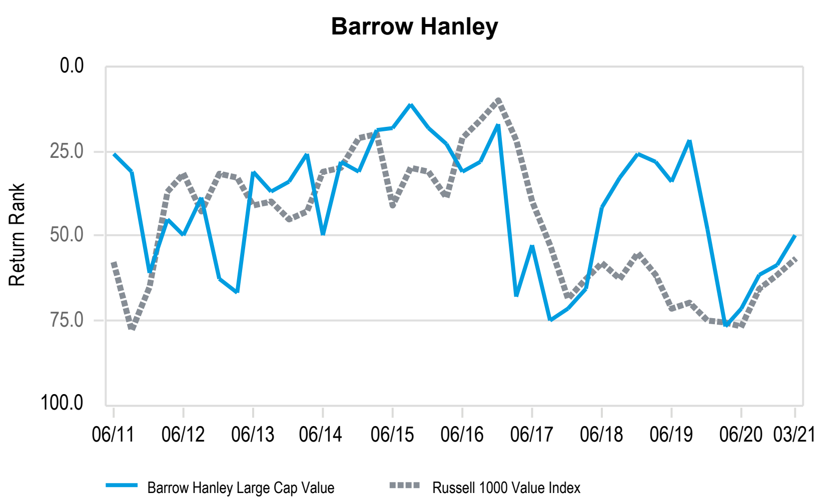
Manager Performance Evaluation

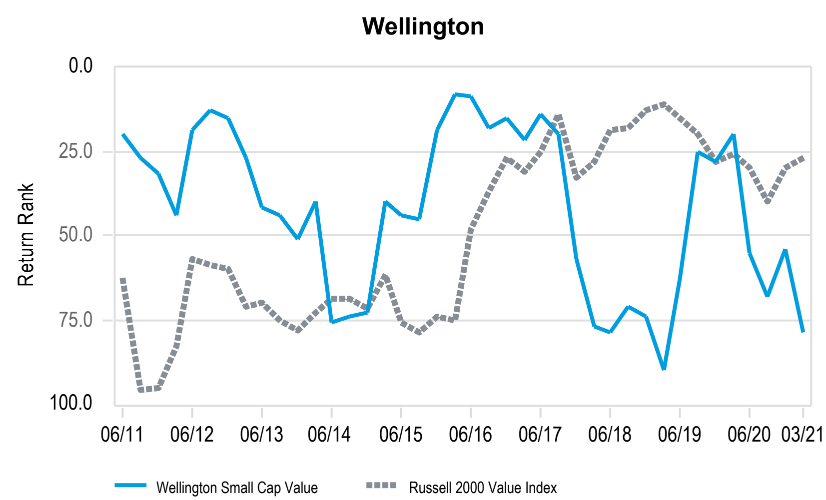
Rolling 3 Year Rankings vs. Peers

As of March 31, 2021







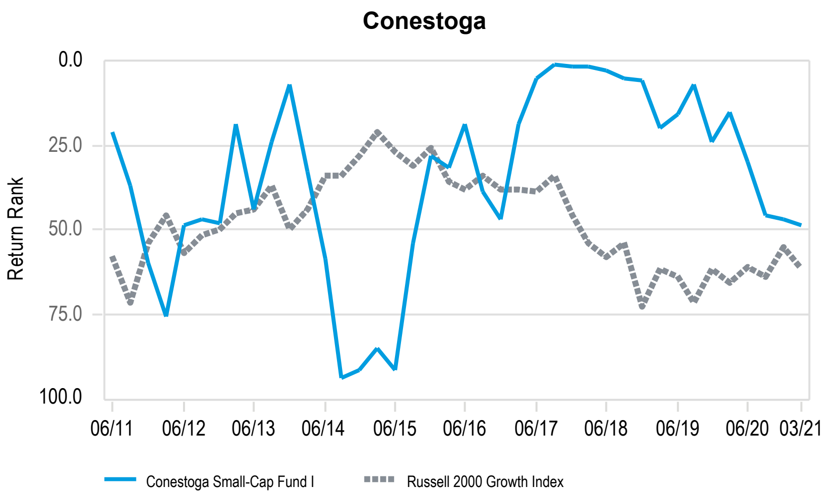


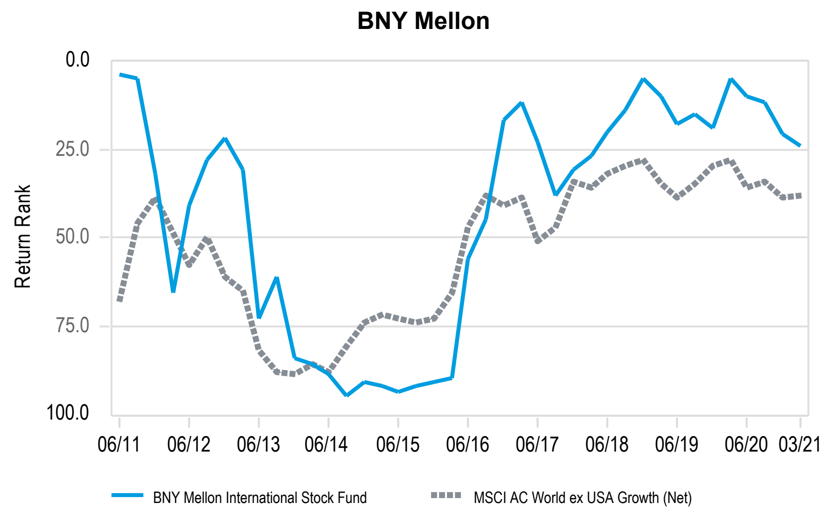
Rolling 3 Yeark Rankings vs. Peers utilizes performance from the Surplus Cash Plan.

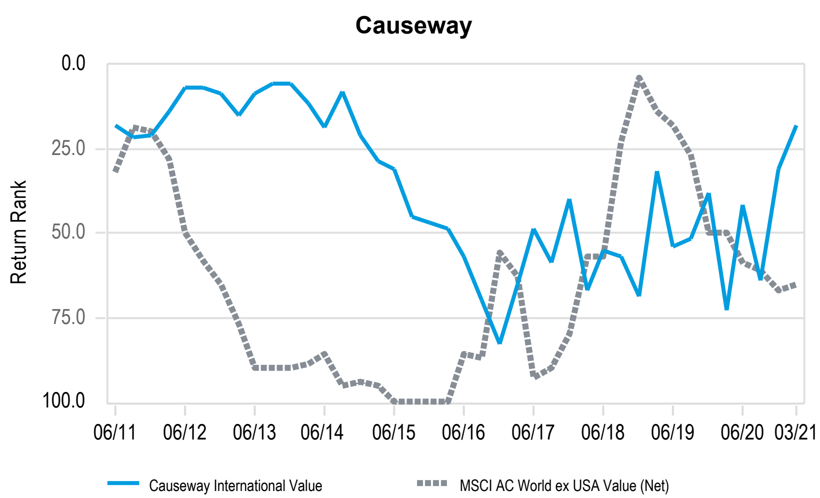
Manager Performance Evaluation

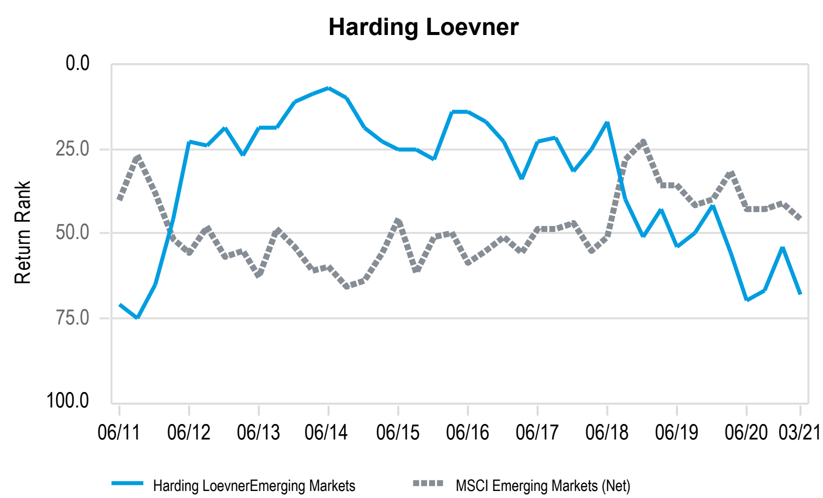
Rolling 3 Year Rankings vs. Peers

As of March 31, 2021







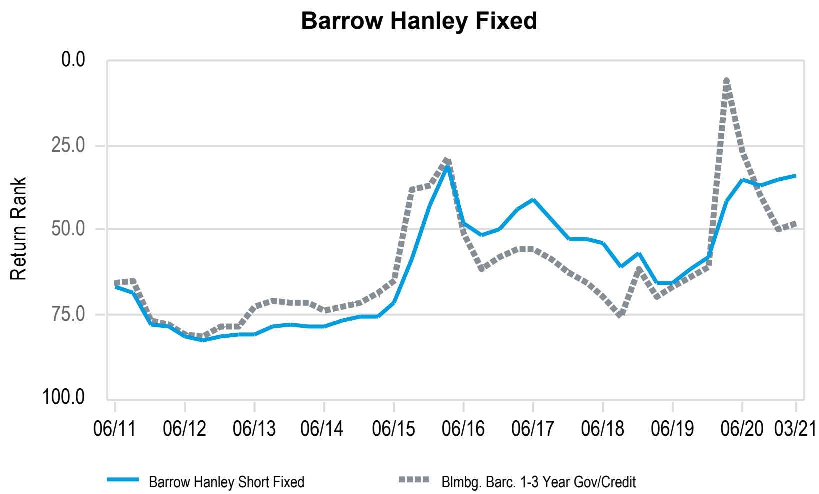


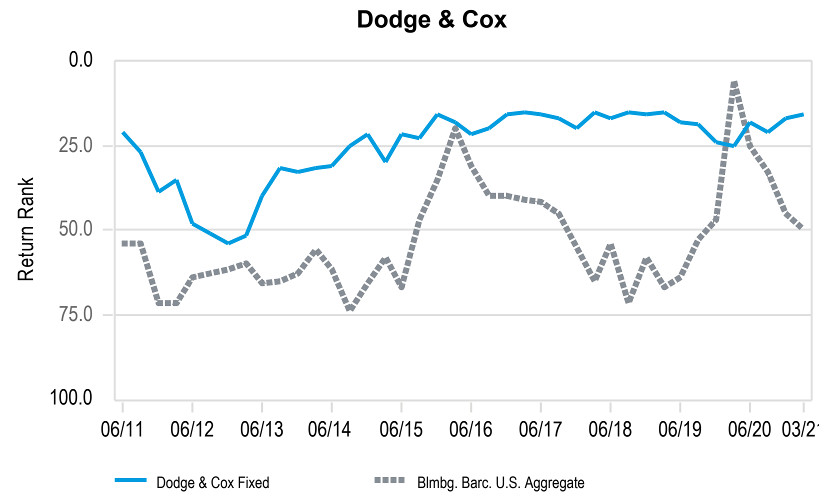
Rolling 3 Yeark Rankings vs. Peers utilizes performance from the Surplus Cash Plan.

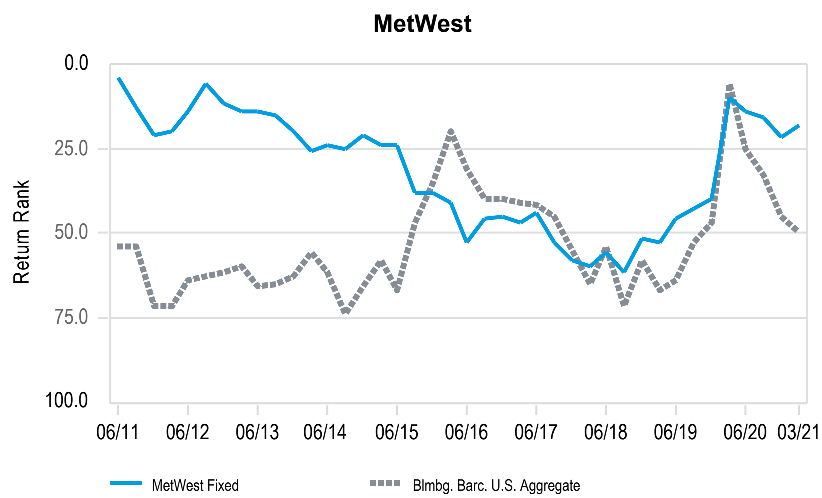
Manager Performance Evaluation

Rolling 3 Year Rankings vs. Peers

As of March 31, 2021



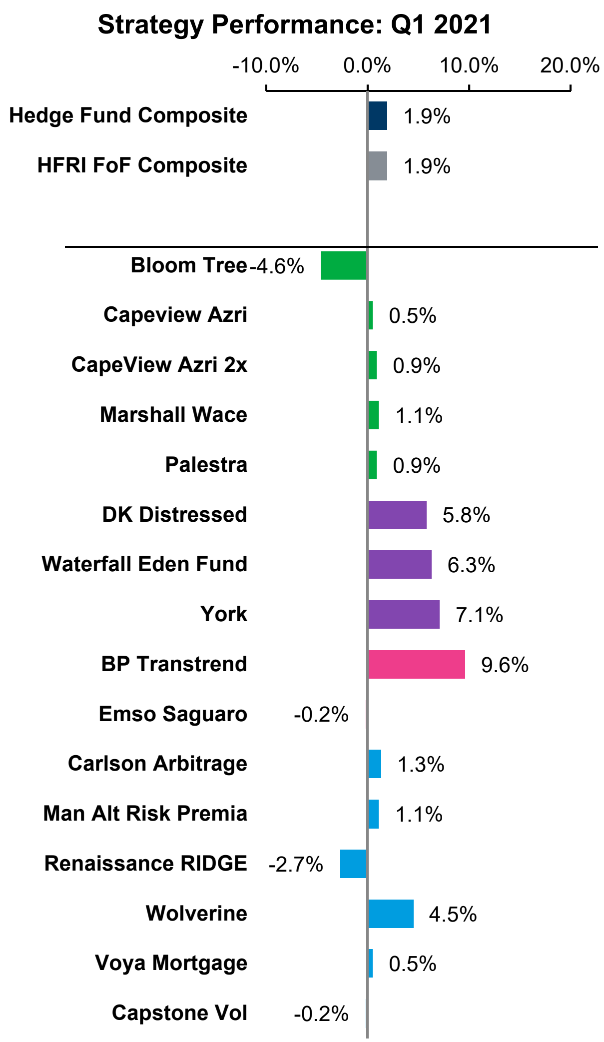


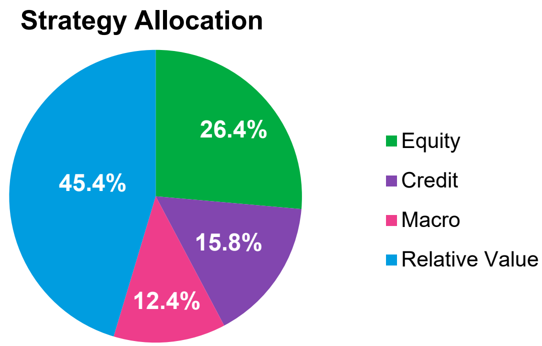


Rolling 3 Yeark Rankings vs. Peers utilizes performance from the Surplus Cash Plan.

Direct Hedge Fund Portfolio

Direct Hedge Fund Portfolio





Program Comments:

The *Direct Hedge Fund Portfolio* returned +1.9% during Q1, matching the performance of peers as measured by the *HFRI Fund of Funds Composite Index* (+1.9%). While the Portfolio did not have material exposure to the specific names impacted in January's short squeeze, we are generally pleased with the program's performance (only -66bps in January) in a market-wide deleveraging event. Overall, first quarter returns were mainly driven by corporate high-yield and non-CUSIP credits, commodity exposures, and certain convertible arbitrage opportunities.

Bloom Tree generated positive returns in both January and February, but the strategy's long/short spread suffered in the month of March. Losses were primarily driven by single name positions in the Technology and Consumer Discretionary sectors. **Davidson Kempner** started the year strong, with multiple strategies contributing positively thus far. Corporate credits and idiosyncratic merger opportunities led the way as primary contributors. Towards the end of the quarter, the fund took profits by exiting a number of positions on strength, particularly US corporate credits and municipals. CMBS, business loans, unsecured consumer loans and other structured credit products have buoyed **Waterfall's** strong returns in the first quarter. The fund continues to see opportunities to unlock value in distinct non-CUSIP positions and has positioned the portfolio accordingly. **Transtrend** has strung together two consecutive quarters of compelling returns. For Q1, the main driver of returns were in various agricultural commodities, along with smaller gains in select oil exposure and the European electricity/gas space. As yield spreads continue to tighten, the corporate credit market continues to see increased credit issuance, as companies are seeking capital in the low rate environment. This backdrop has provided **Wolverine** the opportunity to add new positions in their capital structure arbitrage strategy. The team has taken a relative value approach that focuses on capturing opportunities across the corporate capital structure, mainly corporate bonds, preferred securities/warrants, as well as listed equity options and index futures.

Davidson Kempner Institutional Partners Fund

Firm Background

Marvin Davidson founded Davidson Kempner Capital Management in 1983 to manage his personal wealth, and the firm begin managing external capital in 1987. Tony Yoseloff, current CIO and Managing Member, joined the firm in 1999. The firm employs 396 professionals and is based in New York, with additional offices in London, Dublin, Philadelphia, and Hong Kong. As of December 2020, the firm manages $22.5 billion across three multi-strategy funds and approximately $34.6 billion across the firm.

Investment Approach

The investment team is continuously looking for catalyst driven investment opportunities and pricing inefficiencies with an identified near-to-medium term exit strategy. The team's investment universe generally includes security issuers that are involved in litigation, financial distress, restructurings, mergers, or spin-offs. Once an event is identified, the team conducts deep, bottom-up analysis on the business and financial conditions in addition to possible outcomes on security prices. These inefficiencies are captured through a handful of sub-strategies: merger arbitrage, event-driven equities, distressed securities, convertibles, and volatility. Over an investment cycle, assets are dynamically allocated across these sub-strategies to take advantage of shifting opportunities. In addition to fundamentally-oriented risk management, the team adopts a holistic approach, capping maximum position size at 10% of capital, setting loss limits at 1% of NAV, and generally eschewing leverage.

SUMMARY OF INVESTMENT TERMS	
Management Fee	1.5%
Incentive Fee	20%
Lock-Up	None
Redemptions	Quarterly
Notice Period	65 Days

El Camino Hospital
Surplus Cash Hedge Fund Portfolio
As of March 31, 2021

Davidson Kempner Institutional Partners Fund

Calendar Year Returns (Net of all fees) %	2021 YTD	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Davidson Kempner Institutional Partners Fund	3.7	7.7	7.1	2.1	6.5	7.0	1.5	4.5	9.5	7.9	1.3	9.2	19.9	-9.7
CS Multi-Strategy Index	2.1	5.6	7.3	-1.1	6.8	4.4	3.8	6.1	11.2	11.2	1.8	9.3	24.6	-23.6
BBgBarc US Aggregate Index	-3.4	7.5	8.7	0.0	3.5	2.6	0.5	6.0	-2.0	4.2	7.8	6.5	5.9	5.2

Historical Performance % (net of all fees)	1 – Year	3 – Year	5 – Year	10 – Year	Since DKIP Inception	Std. Dev.
Davidson Kempner Institutional Partners Fund	21.9	6.4	6.7	5.5	5.7	4.5
Credit Suisse Multi-Strategy Index	15.3	4.0	5.2	5.5	4.7	5.5
BBgBarc US Aggregate Index	0.7	4.7	3.1	3.4	4.0	3.3

Manager Statistics Since Inception	DKIP	CS Multi-Strategy Index	BBgBarc US Aggregate Index
Sharpe Ratio	1.1	1.0	0.5
Correlation	0.1	0.1	1.0
Up-Capture	66%	70%	100%
Down-Capture	-33%	-58%	-100%
Beta	0.1	0.1	1.0
Maximum Drawdown	-9.9%	-24.7%	-12.7%
Maximum DD Length (Peak to Trough)	16	35	16

Direct Hedge Fund Portfolio Asset Allocation & Performance

March 31, 2021

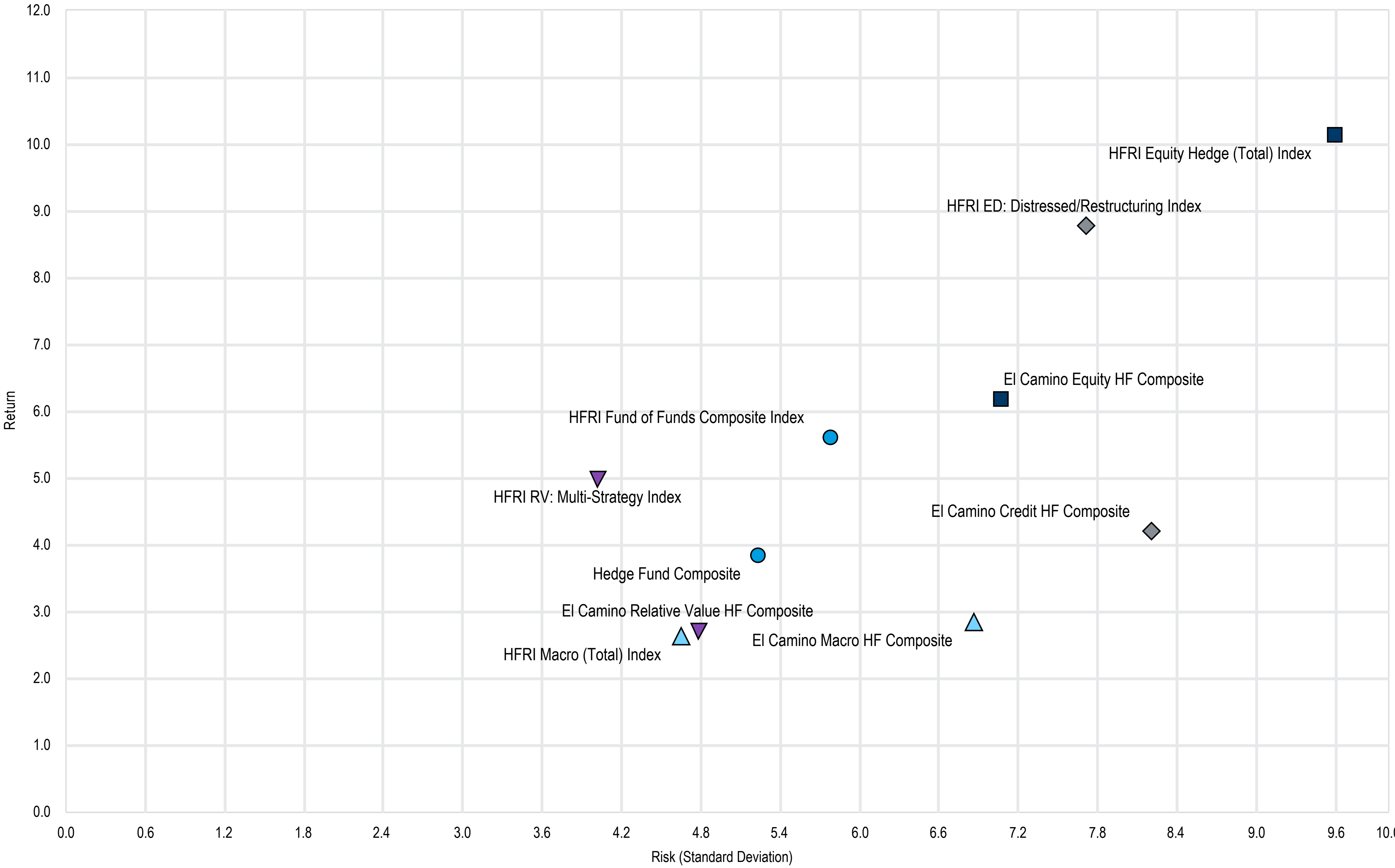
	Allocation		Performance						
	Asset $	%	3 Month	Fiscal YTD	1 Year	3 Year	5 Year	Since Invested	Inception Date
Hedge Fund Composite	**188,509,413**	**100.0**	**1.9**	**10.3**	**12.5**	**1.6**	**3.8**	**2.6**	**May-2013**
HFRI Fund of Funds Composite Index			*1.9*	*14.8*	*23.8*	*5.4*	*5.6*	*4.1*	
Equity HF Composite	**49,761,669**	**26.4**	**-0.5**	**15.1**	**19.4**	**5.5**	**6.2**	**4.0**	**May-2013**
HFRI Equity Hedge (Total) Index			*7.1*	*30.6*	*47.8*	*9.9*	*10.1*	*7.3*	
Credit HF Composite	**29,860,995**	**15.8**	**6.1**	**14.6**	**16.2**	**-2.3**	**4.2**	**2.8**	**May-2013**
HFRI ED: Distressed/Restructuring Index			*8.3*	*25.0*	*37.1*	*6.9*	*8.8*	*4.9*	
Macro HF Composite	**23,375,953**	**12.4**	**4.7**	**14.5**	**19.0**	**3.7**	**2.9**	**2.6**	**May-2013**
HFRI Macro (Total) Index			*4.1*	*10.4*	*11.5*	*4.4*	*2.6*	*2.1*	
Relative Value HF Composite	**85,510,797**	**45.4**	**1.1**	**1.4**	**0.8**	**0.0**	**2.7**	**1.5**	**May-2013**
HFRI RV: Multi-Strategy Index			*3.3*	*10.8*	*17.2*	*4.8*	*5.0*	*4.1*	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.

Direct Hedge Fund Portfolio

Risk and Return Summary (Net of Fees)

5 Years



Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.

El Camino Hospital

Multi Timeperiod Statistics

March 31, 2021

	Since Inception Return	Since Inception Standard Deviation	Since Inception Maximum Drawdown	Since Inception Best Quarter	Since Inception Worst Quarter	Since Inception Sharpe Ratio	Since Inception Sortino Ratio	Inception Date
Total Portfolio								
Hedge Fund Composite	2.6	4.9	-9.8	5.3	-9.5	0.4	0.5	May-2013
HFRI Fund of Funds Composite Index	4.1	5.2	-9.0	8.1	-8.8	0.6	0.9	
Equity Long/Short								
El Camino Equity HF Composite	4.0	6.6	-14.3	9.4	-8.2	0.5	0.8	May-2013
HFRI Equity Hedge (Total) Index	7.3	8.6	-14.6	16.2	-14.6	0.8	1.2	
Credit								
El Camino Credit HF Composite	2.8	7.4	-23.2	7.0	-17.5	0.3	0.4	May-2013
HFRI ED: Distressed/Restructuring Index	4.9	7.1	-17.5	15.4	-11.7	0.6	0.9	
Macro								
El Camino Macro HF Composite	2.6	6.7	-9.5	8.9	-6.9	0.3	0.4	May-2013
HFRI Macro (Total) Index	2.1	4.4	-6.8	7.3	-4.0	0.3	0.5	
Relative Value								
El Camino Relative Value HF Composite	1.5	5.0	-13.8	5.3	-8.7	0.2	0.2	May-2013
HFRI RV: Multi-Strategy Index	4.1	3.5	-6.6	5.7	-6.1	0.9	1.3	

Asset Class Diversification

Hedge Fund Portfolio

As of March 31, 2021

MERCER | Pavilion
A Mercer practice

Manager	Asset Class/Type	Total Assets ($, mil.)	Percent of Total	Target Allocation	Weighting Relative to Target
Equity Hedge Funds		**$ 49.7**	**26.4%**	**40.0%**	**- 13.6%**
Luxor	Event Driven Equity	$ 0.5	0.3%		
CapeView 1x	European Equity	$ 7.0	3.7%		
CapeView 2x	European Equity	$ 4.6	2.4%		
Bloom Tree	Global Equity	$ 11.7	6.2%		
Marshall Wace Eureka	Global Equity	$ 12.5	6.6%		
Palestra	Long/Short Equity	$ 13.4	7.1%		
Credit Hedge Funds		**$ 29.9**	**15.8%**	**20.0%**	**- 4.2%**
Davidson Kempner	Distressed Credit	$ 13.4	7.1%		
York	Multi-Strategy Credit	$ 3.4	1.8%		
Waterfall Eden	Structured Credit	$ 13.0	6.9%		
Macro Hedge Funds		**$ 23.4**	**12.4%**	**20.0%**	**- 7.6%**
BP Transtrend	Systematic Macro	$ 12.1	6.4%		
EMSO Saguaro	Discretionary Macro	$ 11.2	6.0%		
Relative Value Hedge Funds		**$ 85.5**	**45.3%**	**20.0%**	**+ 25.3%**
Renaissance RIDGE	Quantitative Market Neutral	$ 13.9	7.4%		
Black Diamond Arbitrage	Event/Merger Arbitrage	$ 11.1	5.9%		
Man Alternative Risk Premia	Alternative Risk Premia	$ 11.4	6.1%		
Wolverine	Convertible Arbitrage	$ 18.6	9.9%		
Voya Mortgage Fund	Mortgage Derivatives	$ 15.3	8.1%		
Capstone Volatility Fund	Volatility Arbitrage	$ 15.2	8.1%		
Total Hedge Fund Portfolio		**$188.5**	**100.0%**		

*Totals may not add due to rounding.

Direct Hedge Fund Performance Summary

March 31, 2021

	3 Month	Fiscal YTD	1 Year	3 Year	5 Year	Since Invested	2020	2019	2018	2017	2016	2015	Inception Date
Total Portfolio													
Hedge Fund Composite	**1.9**	**10.3**	**12.5**	**1.6**	**3.8**	**2.6**	**0.3**	**5.9**	**-1.4**	**7.2**	**1.0**	**-1.6**	**May-2013**
HFRI Fund of Funds Composite Index	*1.9*	*14.8*	*23.8*	*5.4*	*5.6*	*4.1*	*10.9*	*8.4*	*-4.0*	*7.8*	*0.5*	*-0.3*	
Equity Long/Short													
Equity HF Composite	**-0.5**	**15.1**	**19.4**	**5.5**	**6.2**	**4.0**	**11.6**	**12.5**	**-3.7**	**12.1**	**-8.0**	**2.0**	**May-2013**
HFRI Equity Hedge (Total) Index	*7.1*	*30.6*	*47.8*	*9.9*	*10.1*	*7.3*	*17.9*	*13.7*	*-7.1*	*13.3*	*5.5*	*-1.0*	
Bloom Tree Offshore Fund, Ltd.	-4.6	15.7	8.4	3.9	6.3	4.3	3.6	15.8	0.5	8.6	-3.8	6.3	Apr-2014
HFRI Equity Hedge (Total) Index	*7.1*	*30.6*	*47.8*	*9.9*	*10.1*	*6.8*	*17.9*	*13.7*	*-7.1*	*13.3*	*5.5*	*-1.0*	
CapeView Azri Fund Limited	0.5	5.6	9.5	3.4	4.2	4.1	7.8	5.0	0.6	7.6	-8.3	9.8	Jul-2013
HFRI Equity Hedge (Total) Index	*7.1*	*30.6*	*47.8*	*9.9*	*10.1*	*7.5*	*17.9*	*13.7*	*-7.1*	*13.3*	*5.5*	*-1.0*	
CapeView Azri 2X Fund	0.9	11.3	19.9	5.8	8.2	8.2	15.7	9.0	-0.4	16.2	-15.9	21.6	Jul-2013
HFRI Equity Hedge (Total) Index	*7.1*	*30.6*	*47.8*	*9.9*	*10.1*	*7.5*	*17.9*	*13.7*	*-7.1*	*13.3*	*5.5*	*-1.0*	
Marshall Wace Eureka Fund Class B2	1.1	15.6	22.1	7.6	9.1	8.7	13.7	12.6	-0.2	12.0	1.3	11.7	Aug-2017
HFRI Equity Hedge (Total) Index	*7.1*	*30.6*	*47.8*	*9.9*	*10.1*	*9.7*	*17.9*	*13.7*	*-7.1*	*13.3*	*5.5*	*-1.0*	
Palestra Capital Offshore	0.9	18.7	28.9	11.7	13.5	15.6	18.7	22.4	-2.3	14.9	8.7	11.4	Apr-2019
HFRI Equity Hedge (Total) Index	*7.1*	*30.6*	*47.8*	*9.9*	*10.1*	*15.5*	*17.9*	*13.7*	*-7.1*	*13.3*	*5.5*	*-1.0*	

Direct Hedge Fund Performance Summary

March 31, 2021

	3 Month	Fiscal YTD	1 Year	3 Year	5 Year	Since Invested	2020	2019	2018	2017	2016	2015	Inception Date
Credit													
Credit HF Composite	**6.1**	**14.6**	**16.2**	**-2.3**	**4.2**	**2.8**	**-8.6**	**-2.4**	**0.7**	**9.9**	**14.7**	**-8.2**	**May-2013**
HFRI ED: Distressed/Restructuring Index	*8.3*	*25.0*	*37.1*	*6.9*	*8.8*	*4.9*	*11.8*	*2.9*	*-1.7*	*6.3*	*15.1*	*-8.1*	
DK Distressed Opportunities International (Cayman) Ltd.	5.8	20.4	27.9	3.6	8.6	6.5	1.9	3.4	2.7	9.5	21.4	-6.2	May-2013
HFRI ED: Distressed/Restructuring Index	*8.3*	*25.0*	*37.1*	*6.9*	*8.8*	*4.9*	*11.8*	*2.9*	*-1.7*	*6.3*	*15.1*	*-8.1*	
Waterfall Eden Fund, Ltd.	6.3	17.1	21.9	4.1	7.2	3.2	-3.1	5.6	6.7	11.1	6.5	0.4	Oct-2019
HFRI ED: Distressed/Restructuring Index	*8.3*	*25.0*	*37.1*	*6.9*	*8.8*	*13.5*	*11.8*	*2.9*	*-1.7*	*6.3*	*15.1*	*-8.1*	
York Credit Opportunities Unit Trust	7.1	-7.5	-20.3	-19.5	-8.3	-5.5	-40.5	-12.9	-4.8	12.5	4.1	-7.9	May-2013
HFRI ED: Distressed/Restructuring Index	*8.3*	*25.0*	*37.1*	*6.9*	*8.8*	*4.9*	*11.8*	*2.9*	*-1.7*	*6.3*	*15.1*	*-8.1*	
Macro													
Macro HF Composite	**4.7**	**14.5**	**19.0**	**3.7**	**2.9**	**2.6**	**5.8**	**4.5**	**-4.0**	**0.1**	**5.0**	**1.0**	**May-2013**
HFRI Macro (Total) Index	*4.1*	*10.4*	*11.5*	*4.4*	*2.6*	*2.1*	*5.4*	*6.5*	*-4.1*	*2.2*	*1.0*	*-1.3*	
BP Transtrend Diversified Fund LLC	9.6	22.3	22.9	6.4	2.9	4.4	7.2	5.0	-7.2	1.4	8.2	-1.1	May-2013
HFRI Macro (Total) Index	*4.1*	*10.4*	*11.5*	*4.4*	*2.6*	*2.1*	*5.4*	*6.5*	*-4.1*	*2.2*	*1.0*	*-1.3*	
EMSO Saguaro, Ltd.	-0.2	7.2	14.9	2.0	4.5	2.7	4.8	7.5	-4.6	7.7	10.2	6.2	Aug-2017
HFRI Macro (Total) Index	*4.1*	*10.4*	*11.5*	*4.4*	*2.6*	*3.8*	*5.4*	*6.5*	*-4.1*	*2.2*	*1.0*	*-1.3*	

Direct Hedge Fund Performance Summary

March 31, 2021

	3 Month	Fiscal YTD	1 Year	3 Year	5 Year	Since Invested	2020	2019	2018	2017	2016	2015	Inception Date
Relative Value													
Relative Value HF Composite	**1.1**	**1.4**	**0.8**	**0.0**	**2.7**	**1.5**	**-8.0**	**5.1**	**5.3**	**4.4**	**-0.4**	**-4.0**	**May-2013**
HFRI RV: Multi-Strategy Index	*3.3*	*10.8*	*17.2*	*4.8*	*5.0*	*4.1*	*6.5*	*5.3*	*-0.2*	*4.1*	*6.4*	*0.7*	
(Carlson) Black Diamond Arbitrage Ltd.	1.3	4.1	7.5	4.8	5.7	4.2	2.4	4.8	6.4	6.8	10.8	10.5	Sep-2018
HFRI ED: Merger Arbitrage Index	*5.6*	*18.3*	*24.7*	*7.0*	*5.6*	*7.0*	*5.2*	*6.8*	*3.3*	*4.3*	*3.6*	*3.3*	
HFRI RV: Multi-Strategy Index	*3.3*	*10.8*	*17.2*	*4.8*	*5.0*	*5.1*	*6.5*	*5.3*	*-0.2*	*4.1*	*6.4*	*0.7*	
Man Alternative Risk Premia SP Fund	1.1	-1.9	-4.7	-3.3	0.6	-5.7	-10.5	3.8	-3.5	10.2	6.8	7.8	Jul-2019
HFRI RV: Multi-Strategy Index	*3.3*	*10.8*	*17.2*	*4.8*	*5.0*	*6.5*	*6.5*	*5.3*	*-0.2*	*4.1*	*6.4*	*0.7*	
Renaissance RIDGE	-2.7	-17.6	-25.7	-8.0	-1.9	-6.9	-30.8	6.7	10.4	12.4	13.3	25.6	Nov-2017
HFRI EH: Equity Market Neutral Index	*2.7*	*5.4*	*6.3*	*1.0*	*2.1*	*1.4*	*-0.1*	*2.3*	*-1.0*	*4.9*	*2.2*	*4.3*	
HFRI RV: Multi-Strategy Index	*3.3*	*10.8*	*17.2*	*4.8*	*5.0*	*4.5*	*6.5*	*5.3*	*-0.2*	*4.1*	*6.4*	*0.7*	
Wolverine	4.5	21.2	32.3	10.4	11.7	16.8	13.7	10.9	5.1	10.4	14.9	-0.5	Mar-2020
HFRI RV: Fixed Inc-Conv Arbitrage Index (Onshore)	*11.6*	*31.4*	*43.4*	*14.2*	*11.8*	*29.9*	*21.2*	*9.6*	*2.0*	*6.6*	*8.6*	*-0.9*	
Voya Mortgage Fund	0.5	7.4	19.5	8.2	6.8	1.7	12.5	12.0	0.1	3.3	4.0	3.0	Dec-2020
HFRI RV: Fixed Income-Asset Backed	*3.5*	*11.0*	*17.3*	*3.3*	*5.4*	*5.0*	*-1.1*	*6.2*	*3.8*	*7.7*	*5.1*	*2.1*	
Capstone Volatility Fund	-0.2	6.5	11.5	5.5	7.1	1.2	9.0	10.3	0.5	7.4	9.0	4.0	Dec-2020
HFRI Relative Value:Volatility Index	*1.9*	*4.3*	*5.2*	*-0.1*	*1.4*	*4.1*	*-2.7*	*4.3*	*-5.8*	*5.0*	*4.3*	*6.3*	

Appendix

Surplus Cash

Surplus Cash Total Benchmark
Beginning March 2015, the Surplus Cash Total Benchmark consists of 40% Total Equity Benchmark - Surplus, 30% Barclays Capital Aggregate, 10% Short Duration Fixed Income Benchmark - Surplus, and 20% Total Alternatives Benchmark - Surplus. From April 2014 to February 2015, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 10% Short Duration Fixed Income Benchmark - Surplus, and 20% Total Alternatives Benchmark - Surplus. From August 2013 to March 2014, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 20% Short Duration Fixed Income Benchmark - Surplus, and 10% Total Alternatives Benchmark - Surplus. During July 2013, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 21% Short Duration Fixed Income Benchmark - Surplus, and 9% Total Alternatives Benchmark - Surplus. From May 2013 to June 2013, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 22% Short Duration Fixed Income Benchmark - Surplus, and 8% HFRI Fund of Funds Composite Index. From November 2012 to April 2013, the Surplus Cash Total Benchmark consists of 30% Total Equity Benchmark - Surplus and 70% Total Fixed Income Benchmark - Surplus. From January 2007 to October 2012, the Surplus Cash Total Benchmark consisted of 15% Total Equity Benchmark - Surplus and 85% Total Fixed Income Benchmark - Surplus. From August 2000 to December 2006, the Surplus Cash Total Benchmark consisted of 2% Total Equity Benchmark - Surplus and 98% Total Fixed Income Benchmark - Surplus. From April 1991 to July 2000, the Surplus Cash Total Benchmark consisted of 100% Total Fixed Income Benchmark - Surplus.

Surplus Cash Total Benchmark X Privates
Beginning March 2015 the Surplus Cash Total Benchmark consists of 42.1% Total Equity Benchmark - Surplus, 31.6% Barclays Capital Aggregate, 10.5% Short Duration Fixed Income Benchmark - Surplus, and 15.8% Total Alternatives Benchmark - Surplus. From April 2014 to February 2015 the Surplus Cash Total Benchmark consisted of 31.6% Total Equity Benchmark - Surplus, 42.1% Barclays Capital Aggregate, 10.5% Short Duration Fixed Income Benchmark - Surplus, and 15.8% Total Alternatives Benchmark - Surplus. From August 2013 to March 2014, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 20% Short Duration Fixed Income Benchmark - Surplus, and 10% Total Alternatives Benchmark - Surplus. During July 2013, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 21% Short Duration Fixed Income Benchmark - Surplus, and 9% Total Alternatives Benchmark - Surplus. From May 2013 to June 2013, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 22% Short Duration Fixed Income Benchmark - Surplus, and 8% HFRI Fund of Funds Composite Index. From November 2012 to April 2013, the Surplus Cash Total Benchmark consists of 30% Total Equity Benchmark - Surplus and 70% Total Fixed Income Benchmark - Surplus. From January 2007 to October 2012, the Surplus Cash Total Benchmark consisted of 15% Total Equity Benchmark - Surplus and 85% Total Fixed Income Benchmark - Surplus. From August 2000 to December 2006, the Surplus Cash Total Benchmark consisted of 2% Total Equity Benchmark - Surplus and 98% Total Fixed Income Benchmark - Surplus. From April 1991 to July 2000, the Surplus Cash Total Benchmark consisted of 100% Total Fixed Income Benchmark - Surplus.

Pre-Pavilion Surplus Cash Total Benchmark
Beginning January 2007, the Pre-Pavilion Surplus Cash Total Benchmark consists of 15% Total Equity Benchmark - Surplus and 85% Total Fixed Income Benchmark - Surplus. From August 2000 to December 2006, the Pre-Pavilion Surplus Cash Total Benchmark consisted of 2% Total Equity Benchmark - Surplus and 98% Total Fixed Income Benchmark - Surplus. From April 1991 to July 2000, the Pre-Pavilion Surplus Cash Total Benchmark consisted of 100% Total Fixed Income Benchmark - Surplus.

Total Equity Benchmark - Surplus
Beginning March 2015, the Total Equity Benchmark - Surplus consists of 50% Large Cap Equity Benchmark, 12.5% Small Cap Equity Benchmark, and 37.5% MSCI AC World ex USA (Net). From November 2012 to February 2015, the Total Equity Benchmark - Surplus consisted of 50% Large Cap Equity Benchmark, 16.67% Small Cap Equity Benchmark, and 33.33% MSCI AC World ex USA (Net). From April 1991 to October 2012, the Total Equity Benchmark - Surplus consisted of 100% Large Cap Equity Benchmark.

Domestic Equity Benchmark - Surplus
Beginning March 2015, the Domestic Equity Benchmark - Surplus consists of 80% Large Cap Equity Benchmark and 20% Small Cap Equity Benchmark. From November 2012 to February 2015, the Domestic Equity Benchmark - Surplus consisted of 75% Large Cap Equity Benchmark and 25% Small Cap Equity Benchmark. From April 1991 to October 2012, the Domestic Equity Benchmark - Surplus consisted of 100% Large Cap Equity Benchmark.

Large Cap Equity Benchmark
Beginning November 2012, the Large Cap Equity Benchmark consists of 25% Russell 1000 Value Index, 25% Russell 1000 Growth Index, and 50% S&P 500 Index. From April 1991 to October 2012, the Large Cap Equity Benchmark consisted of 100% Russell 1000 Value Index.

Small Cap Equity Benchmark
Beginning November 2012, the Small Cap Equity Benchmark consists of 50% Russell 2000 Growth Index and 50% Russell 2000 Value Index.

Total Fixed Income Benchmark - Surplus
Beginning March 2015, the Total Fixed Income Benchmark - Surplus consists of 75% Barclays Capital Aggregate and 25% Short Duration Fixed Income Benchmark - Surplus. From April 2014 to February 2015, the Total Fixed Income Benchmark - Surplus consisted of 80% Barclays Capital Aggregate and 20% Short Duration Fixed Income Benchmark - Surplus. From August 2013 to March 2014, the Total Fixed Income Benchmark - Surplus consisted of 66.67% Barclays Capital Aggregate and 33.33% Short Duration Fixed Income Benchmark - Surplus. During July 2013, the Total Fixed Income Benchmark - Surplus consisted of 65.57% Barclays Capital Aggregate and 34.43% Short Duration Fixed Income Benchmark - Surplus. From May 2013 to June 2013, the Total Fixed Income Benchmark - Surplus consisted of 64.52% Barclays Capital Aggregate and 35.48% Short Duration Fixed Income Benchmark - Surplus. From November 2012 to April 2013, the Total Fixed Income Benchmark - Surplus consisted of 57.14% Barclays Capital Aggregate and 42.86% Short Duration Fixed Income Benchmark - Surplus. From January 2007 to October 2012, the Total Fixed Income Benchmark - Surplus consisted of 40% Barclays Capital Aggregate and 60% Short Duration Fixed Income Benchmark - Surplus. From April 1991 to December 2006, the Total Fixed Income Benchmark - Surplus consisted of 100% Short Duration Fixed Income Benchmark - Surplus.

Short Duration Fixed Income Benchmark - Surplus
Beginning in November 2012, the Short Duration Fixed Income Benchmark - Surplus consists of 100% Barclays Capital 1-3 Year Gov't/Credit. From January 2007 to October 2012, the Short Duration Fixed Income Benchmark - Surplus consisted of 66.67% Barclays Capital Intermediate Aggregate and 33.33% Barclays Capital Gov't 1-3 Year. From May 2001 to December 2006, the Short Duration Fixed Income Benchmark - Surplus consisted of 84.69% Barclays Capital Intermediate Aggregate and 15.31% Barclays Capital Gov't 1-3 Year. From April 1991 to April 2001, the Short Duration Fixed Income Benchmark - Surplus consisted of 100% Barclays Capital Gov't 1-3 Year.

Total Alternatives Benchmark - Surplus
Beginning April 2014 the Total Alternatives Benchmark - Surplus consists of 75% HFRI Fund of Funds Composite Index and 25% NCREIF Property Index. From May 2013 to March 2014, the Total Alternatives Benchmark - Surplus consisted of 100% HFRI Fund of Funds Composite Index.

Cash Balance Plan

Cash Balance Plan Total Benchmark

Beginning July 2017, the Cash Balance Plan Total Benchmark consists of 50% Total Equity Benchmark, 30% Total Fixed Income Benchmark, and 20% Alternatives Benchmark. From January 2013 to June 2017, the Cash Balance Plan Total Benchmark consisted of 50% Total Equity Benchmark, 35% Total Fixed Income Benchmark, and 15% Alternatives Benchmark. From November 2012 to December 2012, the Cash Balance Plan Total Benchmark consisted of 50% Total Equity Benchmark, 45% Total Fixed Income Benchmark, and 5% Alternatives Benchmark. From October 1990 to October 2012, the Cash Balance Plan Total Benchmark consisted of 60% Russell 1000 Value Index and 40% Barclays Capital Aggregate.

Cash Balance Plan Total X Privates Benchmark

Beginning July 2017, the Cash Balance Plan Total Benchmark X Privates consists of 33.68% Domestic Equity Benchmark, 18.95% MSCI AC World ex USA Net, 26.31% Barclays Capital Aggregate, 5.27% Short Duration Fixed Income Benchmark, and 15.79% HFRI FOF Composite. From January 2013 to June 2017, the Cash Balance Plan Total Benchmark X Privates consisted of 33.68% Domestic Equity Benchmark, 18.95% MSCI AC World ex USA Net, 26.31% Barclays Capital Aggregate, 10.53% Short Duration Fixed Income Benchmark, and 10.53% HFRI FOF Composite. From November 2012 to December 2012, the Cash Balance Plan Total Benchmark X Privates consisted of 50% Total Equity Benchmark, 45% Total Fixed Income Benchmark, and 5% HFRI FOF Composite. From October 1990 to October 2012, the Cash Balance Plan Total Benchmark X Privates consisted of 60% Russell 1000 Value Index and 40% Barclays Capital Aggregate.

Pre-Pavilion Cash Balance Plan Total Benchmark

Beginning October 1990, the Cash Balance Plan Total Benchmark consists of 60% Russell 1000 Value Index and 40% Barclays Capital Aggregate.

Total Equity Benchmark

Beginning November 2012, the Total Equity Benchmark consists of 54% Large Cap Equity Benchmark, 10% Small Cap Equity Benchmark, and 36% MSCI AC World ex USA (Net). From October 1990 to October 2012, the Total Equity Benchmark consisted of 100% Large Cap Equity Benchmark.

Domestic Equity Benchmark

Beginning November 2012, the Domestic Equity Benchmark consists of 84.38% Large Cap Equity Benchmark and 15.62% Small Cap Equity Benchmark. From October 1990 to October 2012, the Domestic Equity Benchmark consisted of 100% Large Cap Equity Benchmark.

Large Cap Equity Benchmark

Beginning November 2012, the Large Cap Equity Benchmark consists of 25% Russell 1000 Value Index, 25% Russell 1000 Growth Index, and 50% S&P 500 Index. From October 1990 to October 2012, the Large Cap Equity Benchmark consisted of 100% Russell 1000 Value Index.

Small Cap Equity Benchmark

Beginning November 2012, the Small Cap Equity Benchmark consists of 50% Russell 2000 Growth Index and 50% Russell 2000 Value Index.

Total Fixed Income Benchmark

Beginning July 2017, the Total Fixed Income Benchmark consists of 83.3333% Barclays Capital Aggregate and 16.6667% Short Duration Fixed Income Benchmark. From January 2013 to June 2017, the Total Fixed Income Benchmark consisted of 71.43% Barclays Capital Aggregate and 28.57% Short Duration Fixed Income Benchmark. From November 2012 to December 2012, the Total Fixed Income Benchmark consists of 55.56% Barclays Capital Aggregate and 44.44% Short Duration Fixed Income Benchmark. From October 1990 to October 2012, the Total Fixed Income Benchmark consisted of 100% Barclays Aggregate.

Short Duration Fixed Income Benchmark

Beginning November 2012, the Short Duration Fixed Income Benchmark consists of 100% Barclays Capital 1-3 Year Gov't/Credit. From October 1990 to October 2012, the Short Duration Fixed Income Benchmark consisted of 100% 90 Day U.S. Treasury Bills.

Total Alternatives Benchmark

Beginning January 2013, the Alternatives Benchmark consists of 66.67% HFRI Fund of Funds Composite Index and 33.33% NCREIF Property Index. From November 2012 to December 2012, the Alternatives Benchmark consisted of 100% HFRI Fund of Funds Composite Index.

Glossary of Terms for Scorecard

Key Performance Indicator	Definition / Explanation
Investment Performance	
Surplus cash balance (millions) Surplus cash return	The Surplus Cash portfolio outgained its benchmark by 10 basis points (bps) for the quarter with a +1.7% return. The portfolio has outperformed its benchmark per annum since inception (Nov. 1, 2012) with a return of +6.7% annualized versus +6.5% for its benchmark. The assets within the Surplus Cash account excluding debt reserves, balance sheet cash and District assets, but including Foundation and Concern assets ended the quarter at $1,326.9 million, $24.8 million higher than the beginning of the quarter.
Cash balance plan balance (millions) Cash balance plan return	The Cash Balance Plan's performance lagged its benchmark by 30 bps for the quarter with a return of +2.0%, but has outperformed its benchmark since inception. The since inception annualized return stands at +8.9%, 90 basis points ahead of its benchmark per year. The assets within the Cash Balance Plan ended the quarter at $344.0 million.
403(b) plan balance (millions)	The 403(b) balance increased by $40.6 million (6.3%) from $649.0 million to $689.6 million during the quarter.
Risk vs. Return	
Surplus cash 3-year Sharpe ratio 3-year return 3-year standard deviation Cash balance 3-year Sharpe ratio 3-year return 3-year standard deviation	The Sharpe ratio is the excess return of an investment over the risk free rate (US Treasuries) generated per unit of risk (standard deviation) taken to obtain that return. The higher the value, the better the risk-adjusted return. It is important to view returns in this context because it takes into account the risk associated with a particular return rather than simply focusing on the absolute level of return. Sharpe ratio = (actual return - risk free rate) / standard deviation The Surplus Cash portfolio's 3-year Sharpe ratio was slightly behind its benchmark and significantly greater than the expected Sharpe ratio modeled. This was due primarily to higher experienced returns over the period in comparison to what was modeled. The Cash Balance Plan's 3-year Sharpe ratio was above modeling expectations and its benchmark. Both accounts have demonstrated strong risk-adjusted returns since inception particularly in relation to modeled expectations.
Asset Allocation	
Surplus cash absolute variances to target	This represents the sum of the absolute differences between the portfolio's allocations to various asset classes and the target benchmark's allocations to those asset classes. The higher the number, the greater the portfolio's allocations deviate from the target benchmark's allocations, indicating a higher possibility for the portfolio's risk and return characteristics to differ from the Board's expectations.
Cash balance absolute variances to target	The threshold for an alert "yellow" status is set at 10% and the threshold for more severe "red" status is set at 20%. The Surplus Cash and Cash Balance portfolio were below the 20% threshold, but above the 10% threshold. The portfolios were rebalanced in April to reduce the variation to the target allocation. We expect to continue to increase the allocation to alternatives in the Surplus Cash portfolio to reduce the underweight in relation to the target.
Manager Compliance	
Surplus cash manager flags	This section represents how individual investment managers have fared and draws attention to elevated concerns regarding performance and risk-adjusted performance all at the individual manager level. The number of flags are aggregated and a percentage of the total is used to highlight an alert "yellow" status (40% of the flags) and a more severe "red" status (50%). In total there are 60 potential flags for the Surplus Cash account and 68 for the Cash Balance Plan.
Cash balance plan manager flags	Currently, both portfolios are not in alert status.

The **Equity Strategy** is comprised of Equity Long/Short strategies. Equity hedge strategies typically have a directional bias (long or short) and trade in equities and equity-related derivatives. Managers seek to buy undervalued equities with improving fundamentals and short overvalued equities with deteriorating fundamentals.

Trade Example: Long a basket of energy stocks and short a basket of consumer electronics stocks.

The **Credit Strategy** is comprised of Distressed Securities, Credit Long/Short, Emerging Market Debt and Credit Event Driven. Credit strategies typically have a directional bias and involve the purchase of various types of debt, equity, trade claims and fixed income securities. Hedging using various instruments such as Credit Default swaps is frequently employed.

Trade Example: Buying the distressed bonds of a company which has defaulted and participating in the corporate restructuring.

The **Macro Strategy** consists of Global Macro, Managed Futures, Commodities and Currencies. Macro strategies usually have a directional bias (which can be either long or short) and involve the purchase of a variety of securities and/or derivatives related to major markets. Managed futures strategies trade similar instruments but are typically implemented by computerized systems.

Trade Example: Long the US Dollar and short the Japanese Yen.

The **Relative Value Strategy** typically does not display a distinct directional bias. Relative Value encompasses a range of strategies covering different asset classes. Arbitrage strategies focus on capturing movements or anomalies in the price spreads between related or similar instruments. The rationale for Arbitrage trades is the ultimate convergence of the market price relationship to a known, theoretical or equilibrium relationship.

Trade Example: Long the stock of a merger bid target and short the stock of the acquirer.

Statistics		Definition
Alpha	-	A measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by beta. It is a measure of the portfolio's historical performance not explained by movements of the market, or a portfolio's non-systematic return.
Best Quarter	-	The best of rolling 3 months(or 1 quarter) cumulative return.
Beta	-	A measure of the sensitivity of a portfolio to the movements in the market. It is a measure of a portfolio's non-diversifiable or systematic risk.
Consistency	-	The percentage of quarters that a product achieved a rate of return higher than that of its benchmark. The higher the consistency figure, the more value a manager has contributed to the product's performance.
Downside Risk	-	A measure similar to standard deviation, but focuses only on the negative movements of the return series. It is calculated by taking the standard deviation of the negative set of returns. The higher the factor, the riskier the product.
Excess Return	-	Arithmetic difference between the managers return and the risk-free return over a specified time period.
Information Ratio	-	Measured by dividing the active rate of return by the tracking error. The higher the Information Ratio, the more value-added contribution by the manager.
Maximum Drawdown	-	The drawdown is defined as the percent retrenchment from a fund's peak value to the fund's valley value. It is in effect from the time the fund's retrenchment begins until a new fund high is reached. The maximum drawdown encompasses both the period from the fund's peak to the fund's valley (length), and the time from the fund's valley to a new fund high (recovery). It measures the largest percentage drawdown that has occurred in any fund's data record.
Return	-	Compounded rate of return for the period.
Sharpe Ratio	-	Represents the excess rate of return over the risk free return divided by the standard deviation of the excess return. The result is the absolute rate of return per unit of risk. The higher the value, the better the product's historical risk-adjusted performance.
Sortino Ratio	-	A ratio developed by Frank A. Sortino to differentiate between good and bad volatility in the Sharpe ratio. This differentiation of upwards and downwards volatility allows the calculation to provide a risk-adjusted measure of a security or fund's performance without penalizing it for upward price changes.
Standard Deviation	-	A statistical measure of the range of a portfolio's performance, the variability of a return around its average return over a specified time period.
Tracking Error	-	A measure of the standard deviation of a portfolio's performance relative to the performance of an appropriate market benchmark.
Worst Quarter	-	The worst of rolling 3 months(or 1 quarter) cumulative return.

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Tactical Asset Allocation & Market Outlook

March 31, 2021

Market Outlook

Summary

- **Vaccine distribution and economic growth accelerated during the quarter, improving near-term expectations. Additional fiscal support bolstered the economic trajectory, benefitting risk assets and driving interest rates up.**
  - Equities had another strong quarter and favored industries adversely affected by the pandemic. Regional performance was uneven, largely driven by virus management.
  - The economic backdrop benefitted credit sectors , but caused interest rates to climb across the maturities. The 10-year Treasury rate climbed 82 bps and the *Bloomberg US Aggregate Index* posted its worse quarterly return since 1981.[1]
  - Rebounding economic and manufacturing growth drove price increases in four of the five commodity subgroups. Energy soared +17.3% in the first quarter, but remains down -32.8% since the end of 2019.[2]

- **Vaccination progress reduced health risks for select regions and improved near-term economic growth prospects. Financial assets are looking through the transitory period and evaluating the intermediate- to long-term periods.**
  - <u>Lingering effects</u>: Continued vaccine distribution is critical to managing health risks and easing economic restrictions. The path forward remains uneven with regional deviations likely slowing transitions back to normal. Over time, vaccines should sufficiently mitigate tail risks, but mutations and vaccine acceptance could result in further virus spread and disruption.
  - <u>Transitory noise</u>: The reengagement of depressed economic sectors is expected to produce sizable year-over-year growth rates, but trend down to sustainable levels over the intermediate-term.
  - <u>Pressurizing the economy</u>: As the economy gains momentum, fiscal and monetary policymakers appear united in maintaining expansionary policies. Markets are weighing the potential for a monetary policy misstep along with large amounts of government spending.

- **Risk premiums tightened significantly. While the recovery should support risk assets, prices likely will experience a heightened sensitivity to uncertainty given valuation levels.**
  - Secular conditions favor risk assets due to low interest rates. However, with narrow risk premiums, relative changes in forward earnings may drive sharp market reactions and sector rotation, as experienced in the past two quarters.
  - The forward rate markets reflect prolonged accommodative monetary policy, dampening return prospects across the yield curve and risk spectrum.

1. Bloomberg US Aggregate Index: first quarter 2021, -3.4%; third quarter 1981, -4.1%.
2.. Bloomberg commodity indices.

Growth Accelerated in the First Quarter

Composite	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Global	52.8	52.2	51.2	51.2	51.6	51.3	51.0	50.8	51.4	51.5	52.2	46.1	39.2	26.2	36.3	47.9	51.1	52.5	52.5	53.4	53.1	52.7	52.3	53.2	54.8
Developed	52.8	52.0	51.1	51.3	51.7	51.0	50.7	50.3	50.8	51.2	52.1	49.5	36.4	22.2	33.2	46.9	51.1	52.2	51.9	52.7	52.2	52.0	52.4	53.8	55.9
Emerging	52.9	52.6	51.4	51.1	51.4	51.8	51.7	51.6	52.6	52.1	52.2	38.9	44.9	34.6	42.7	49.8	50.9	53.0	53.7	54.5	54.9	54.1	52.1	52.0	52.6
United States	54.6	53.0	50.9	51.5	52.6	50.7	51.0	50.9	52.0	52.7	53.3	49.6	40.9	27.0	37.0	47.9	50.3	54.6	54.3	56.3	58.6	55.3	58.7	59.5	59.7
Canada*	50.5	49.7	49.1	49.2	50.2	49.1	51.0	51.2	51.4	50.4	50.6	51.8	46.1	33.0	40.6	47.8	52.9	55.1	56.0	55.5	55.8	57.9	54.4	54.8	58.5
U.K	50.0	50.9	50.9	49.7	50.7	50.2	49.3	50.0	49.3	49.3	53.3	53.0	36.0	13.8	30.0	47.7	57.0	59.1	56.5	52.1	49.0	50.4	41.2	49.6	56.4
Euro Zone	51.6	51.5	51.8	52.2	51.5	51.9	50.1	50.6	50.6	50.9	51.3	51.6	29.7	13.6	31.9	48.5	54.9	51.9	50.4	50.0	45.3	49.1	47.8	48.8	53.2
Germany	51.4	52.2	52.6	52.6	50.9	51.7	48.5	48.9	49.4	50.2	51.2	50.7	35.0	17.4	32.3	47.0	55.3	54.4	54.7	55.0	51.7	52.0	50.8	51.1	57.3
France	48.9	50.1	51.2	52.7	51.9	52.9	50.8	52.6	52.1	52.0	51.1	52.0	28.9	11.1	32.1	51.7	57.3	51.6	48.5	47.5	40.6	49.5	47.7	47.0	50.0
Italy	51.5	49.5	49.9	50.1	51.0	50.3	50.6	50.8	49.6	49.3	50.4	50.7	20.2	10.9	33.9	47.6	52.5	49.5	50.4	49.2	42.7	43.0	47.2	51.4	51.9
Spain	55.4	52.9	52.1	52.1	51.7	52.6	51.7	51.2	51.9	52.7	51.5	51.8	26.7	9.2	29.2	49.7	52.8	48.4	44.3	44.1	41.7	48.7	43.2	45.1	50.1
Greece*	54.7	56.6	54.2	52.4	54.6	54.9	53.6	53.5	54.1	53.9	54.4	56.2	42.5	29.5	41.1	49.4	48.6	49.4	50.0	48.7	42.3	46.9	50.0	49.4	51.8
Ireland	54.1	53.4	54.1	54.4	51.8	51.8	51.0	50.6	52.0	53.0	54.7	56.7	37.3	17.3	25.7	44.3	55.9	54.0	46.9	49.0	47.7	53.4	40.3	42.7	54.5
Australia*	51.0	54.8	52.7	49.4	51.3	53.1	54.7	51.6	48.1	48.3	45.4	44.3	53.7	35.8	41.6	51.5	53.5	49.3	46.7	56.3	52.1	55.3	55.3	58.8	59.9
Japan	50.4	50.8	50.7	50.8	50.6	51.9	51.5	49.1	49.8	48.6	50.1	47.0	36.2	25.8	27.8	40.8	44.9	45.2	46.6	48.0	48.1	48.5	47.1	48.2	49.9
China	52.9	52.7	51.5	50.6	50.9	51.6	51.9	52.0	53.2	52.6	51.9	27.5	46.7	47.6	54.5	55.7	54.5	55.1	54.5	55.7	57.5	55.8	52.2	51.7	53.1
Indonesia*	51.2	50.4	51.6	50.6	49.6	49.0	49.1	47.7	48.2	49.5	49.3	51.9	45.3	27.5	28.6	39.1	46.9	50.8	47.2	47.8	50.6	51.3	52.2	50.9	53.2
S. Korea*	48.8	50.2	48.4	47.5	47.3	49.0	48.0	48.4	49.4	50.1	49.8	48.7	44.2	41.6	41.3	43.4	46.9	48.5	49.8	51.2	52.9	52.9	53.2	55.3	55.3
Taiwan*	49.0	48.2	48.4	45.5	48.1	47.9	50.0	49.8	49.8	50.8	51.8	49.9	50.4	42.2	41.9	46.2	50.6	52.2	55.2	55.1	56.9	59.4	60.2	60.4	60.8
India	52.7	51.7	51.7	50.8	53.9	52.6	49.8	49.6	52.7	53.7	56.3	57.6	50.6	7.2	14.8	37.8	37.2	46.0	54.6	58.0	56.3	54.9	55.8	57.3	56.0
Brazil	53.1	50.6	48.4	49.0	51.6	51.9	52.5	51.8	51.8	50.9	52.2	50.9	37.6	26.5	28.1	40.5	47.3	53.9	53.6	55.9	53.8	53.5	48.9	49.6	45.1
Mexico*	49.8	50.1	50.0	49.2	49.8	49.0	49.1	50.4	48.0	47.1	49.0	50.0	47.9	35.0	38.3	38.6	40.4	41.3	42.1	43.6	43.7	42.4	43.0	44.2	45.6
Russia	54.6	53.0	51.5	49.2	50.2	51.5	51.4	53.3	52.9	51.8	52.6	50.9	39.5	13.9	35.0	48.9	56.8	57.3	53.7	47.1	47.8	48.3	52.3	52.6	54.6

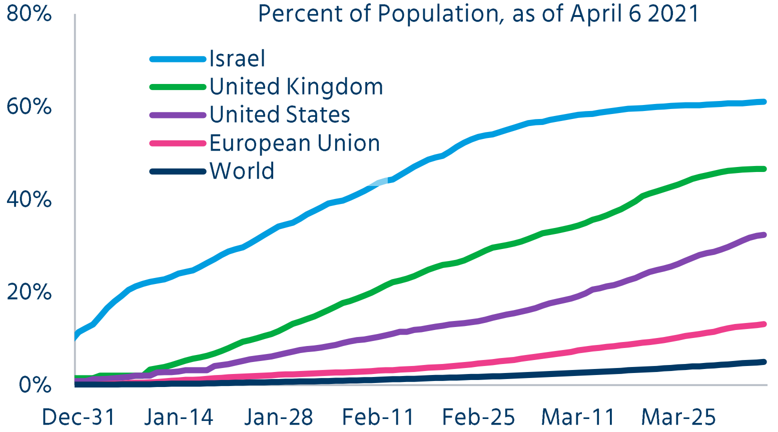
Source: Bloomberg, JP Morgan, composite indices illustrated except for *, which indicates manufacturing PMI data

Key	Contraction	Expansion

Vaccine Rollout Ramped Up, Albeit Uneven, Globally

Full & Partially Vaccinated

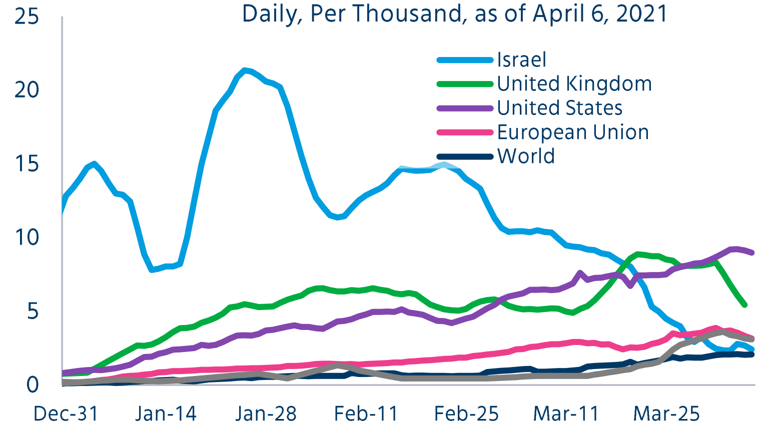
Percent of Population, as of April 6 2021



Source: Our World in Data; missing date data filled with most recent.

Vaccine Distribution Rate

Daily, Per Thousand, as of April 6, 2021

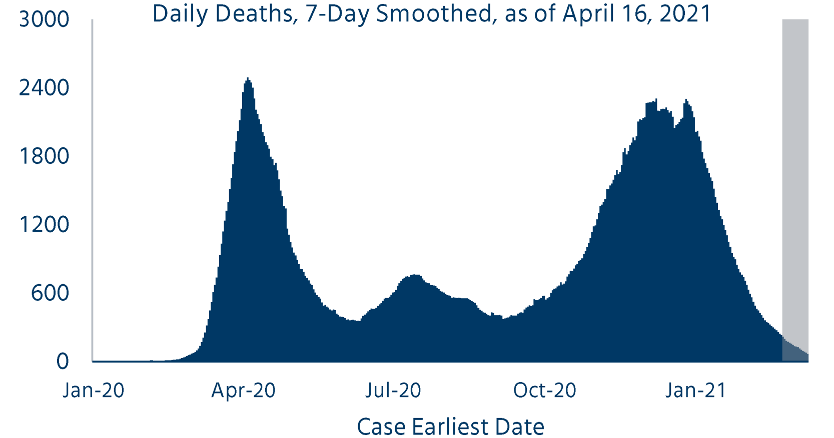


Source: Our World in Data; daily vaccinations: new doses administered per day (7-day smoothed).

- **Globally, vaccine distributions decreased the health effects of COVID-19. The world is far from herd immunity as dissemination is inconsistent across geographies.[1]**
  - In the US, the phased rollout of targeting at-risk groups has dramatically reduced the incidence of death for the highest risk population during the first quarter.

US Deaths for +60 Age Cohort

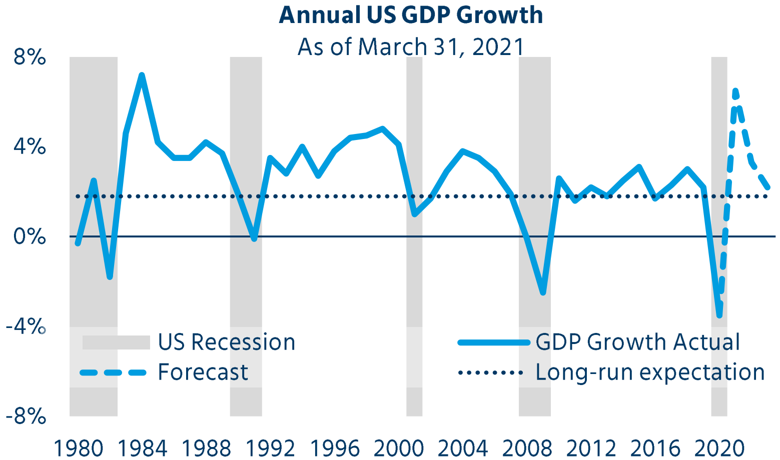
Daily Deaths, 7-Day Smoothed, as of April 16, 2021



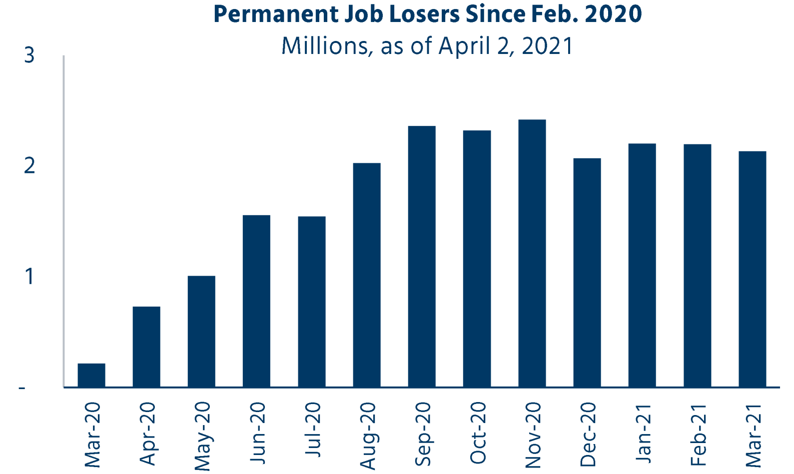
Source: CDC, Case earliest date is the earliest of the clinical date (related to illness or specimen collection and chosen by a defined hierarchy) and the date received by the CDC. Potential two-week delay in case reporting to CDC denoted by the gray box.

1. Wall Street Journal, Moderna Covid-19 Vaccine Production Pace to Increase at Contract Manufacturer Catalent April 6, 2021.

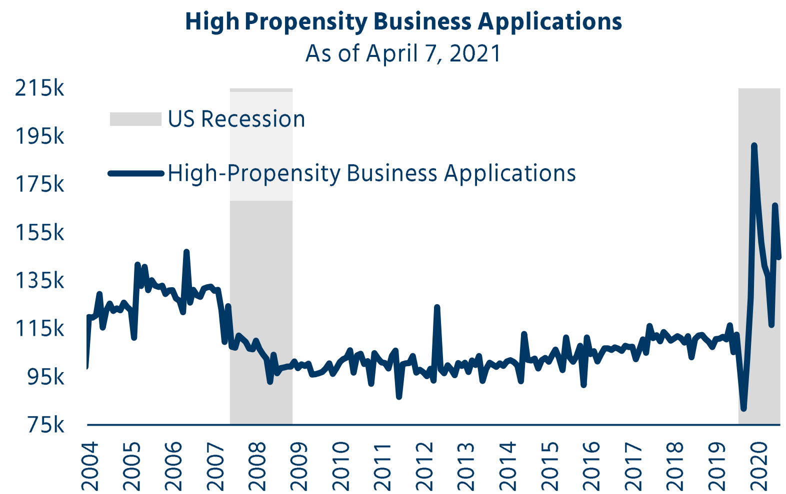
The Economic Engine Starts Roaring



Source: Bureau of Economic Analysis & Federal Reserve, data as of April 7, 2021. Annual Real Gross Domestic Product Growth, March Summary of Economic Projections. Long-run expectation represents the median member forecast.



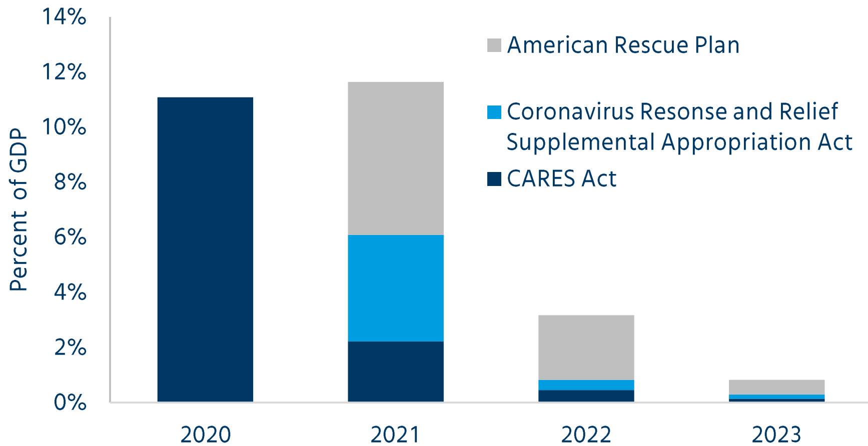
Source: Source: St. Louis Federal Reserve Database, FRED. Seasonally adjusted, represents a decomposition of unemployed persons.



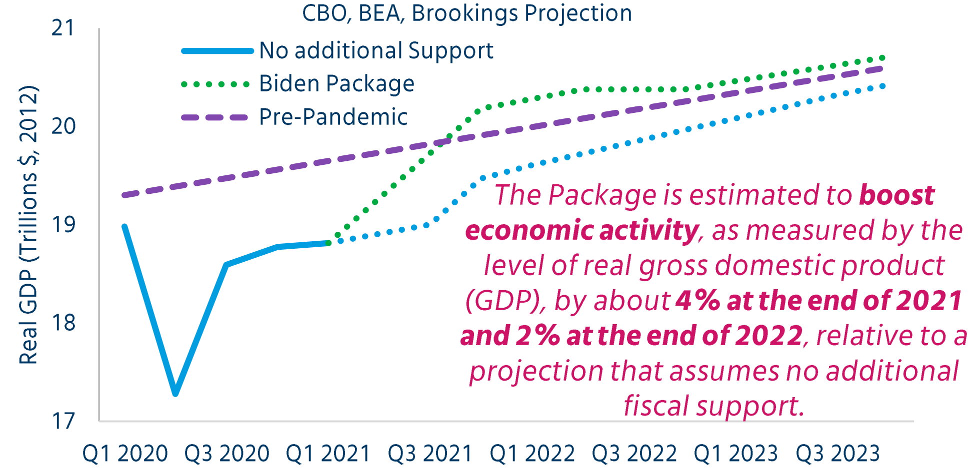
Source: St. Louis Federal Reserve Database, FRED; seasonally adjusted.

- **Economic growth is expected to achieve rates not experienced since the mid 1980s. However, these rates are unsustainable; growth will slow as slack tightens.**
  - Sustainable growth is expected to normalize around post financial crisis rates of 1.8%.
  - The job market recovery is expected to continue, but with over 2 million jobs permanently lost, individuals may not be returning to their original jobs, causing short-term disruptions.

Front-loaded Relief: American Rescue Plan



Source: CBO, Treasury, Goldman Sachs Global Investment Research.



Source: CBO, BEA, Brookings (author calculations).

With the enactment of the American Rescue Plan on March 11, Congress has enacted six laws that provide $5T in pandemic-related funding, with an estimated $4T to be spent by the end of 2021.[1]

- Given the sharp decline in relief in 2022 and beyond, politicians in Washington may feel pressure to enact additional fiscal measures beyond the infrastructure spending bill.

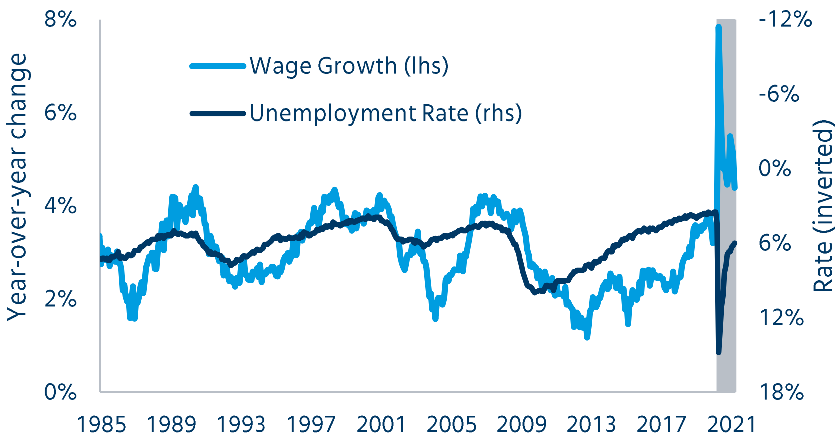
1. Taylor. The US Fiscal Response to COVID-19 One Year and $5 Trillion Later. Goldman Sachs. Published April 8, 2021.

American Rescue Plan, Federal Outlays by Category, $1.9 Trillion[1]

COVID-19 containment and vaccination, aid to state and local governments, federal spending	$750	Aid to tribal, state and local governments; child care block grant; COVID-19 containment and vaccination, federal IT; public transit; reopening schools; VA and mental health
Direct aid to families	$600	Child care; child tax credit; EITQ; rebate checks; tuition checks
Aid to financially vulnerable households	$400	Health insurance subsidies; housing assistance; SNAP; TANF; unemployment insurance; WIC
Add to businesses	$150	Child care providers; grants to small businesses; loans to businesses; paid sick leave

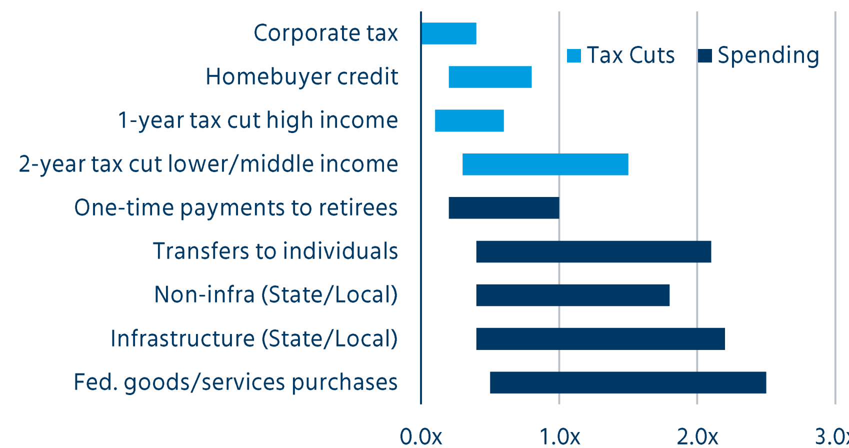
Can and Should Pressure be Sustained?

Wage Growth and Unemployment
As of March 31, 2021



Source: St. Louis Federal Reserve Database, FRED. Seasonally adjusted, average hourly earnings of prod. and nonsupervisory, recent wage growth (gray box) has been perturbed by the dramatic shift in the employed population and is not representative of the broader market.

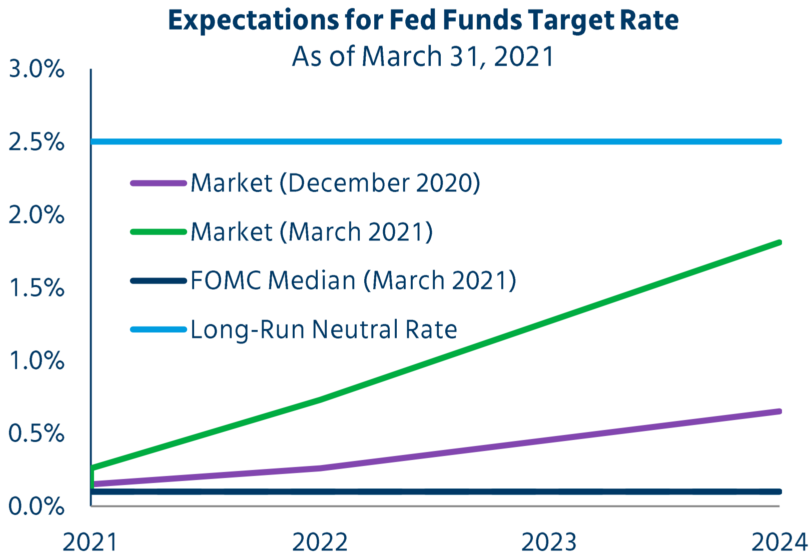
Fiscal Multiplier Estimates



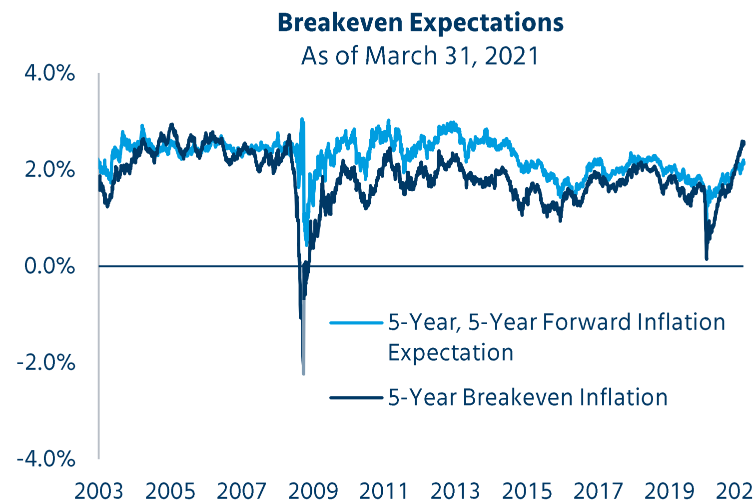
Source: Congressional Budget Office & JPMorgan as of February 2015.

- **While the objectives of monetary and fiscal policymakers differ, the combined tailwinds likely will serve as a further accelerant to an economy with significant momentum. The question will be how long expansionary polices are maintained.**
  - Tightening economic slack has been shown to support rising wages even though the strength of the Phillips curve has been questioned recently. If pressure is sustained, wage growth should help underpin the Federal Reserve's inflation objective.
  - From the fiscal side, both parties support infrastructure spending, but the parties differ significantly from a budgeting standpoint, which may dilute the final legislation.

Interest Rates and Inflation



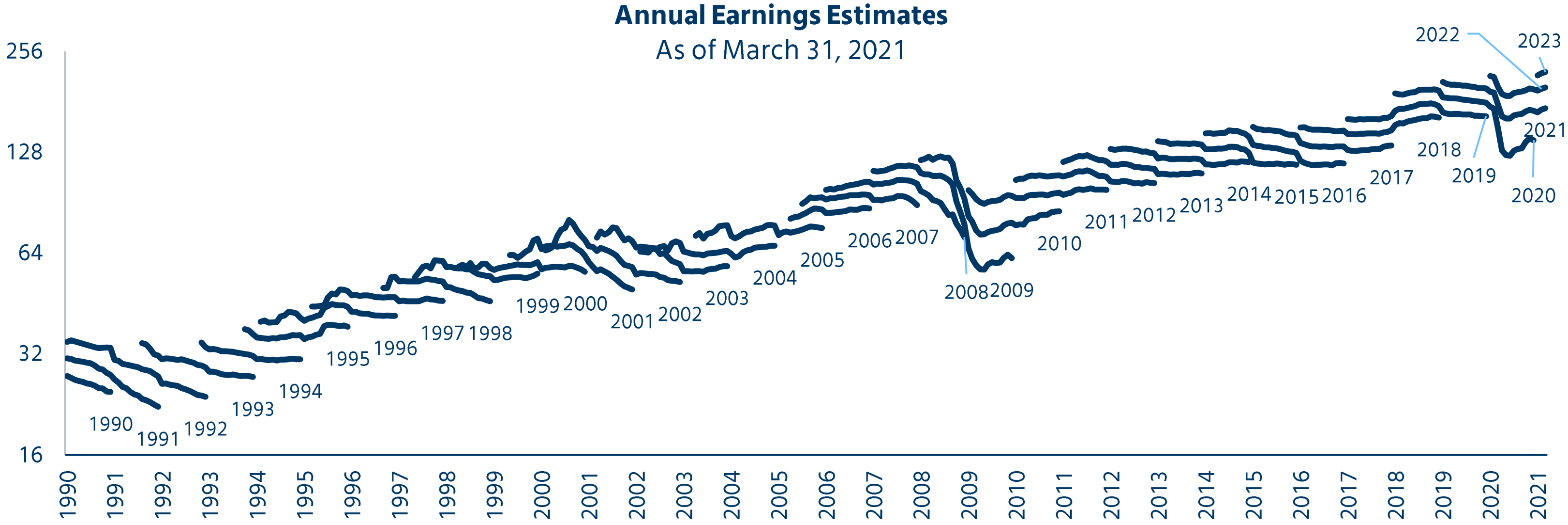
Source: Bloomberg



- **The forward curve is projecting that the Fed will hike rates seven times over the next three years, lifting cash rates to 1.8%.[1]**
  - While the Fed expects to leave its target rate near 0% through the end of 2023, the market expects that the rapid economic recovery will lead to a rise inflation and Fed rate hikes. During the quarter, inflation expectations increased. The 5-year breakeven rate increased from 2.0% to 2.6%.[2]
- **We expect interest rates to stabilize, with the forces of an improving economy and opposing Fed's dovish stance likely offsetting each other.**
  - This should be positive for markets and the economy in the near-term. However, there is a tail risk for an intermediate-term upside surprise in inflation and interest rates.

1. The Federal Reserve System.
2. Bloomberg data through March 31, 2021.

Earnings Continue to Improve

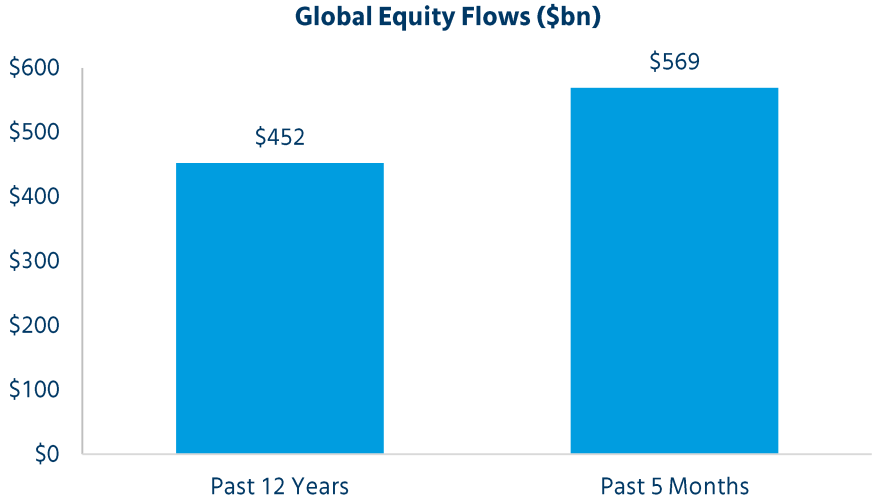


Source: Yardeni, Standard and Poor's, and Bloomberg as of March 31, 2021, log scale to normalize earnings for comparison. Earnings for the S&P 500 Index.

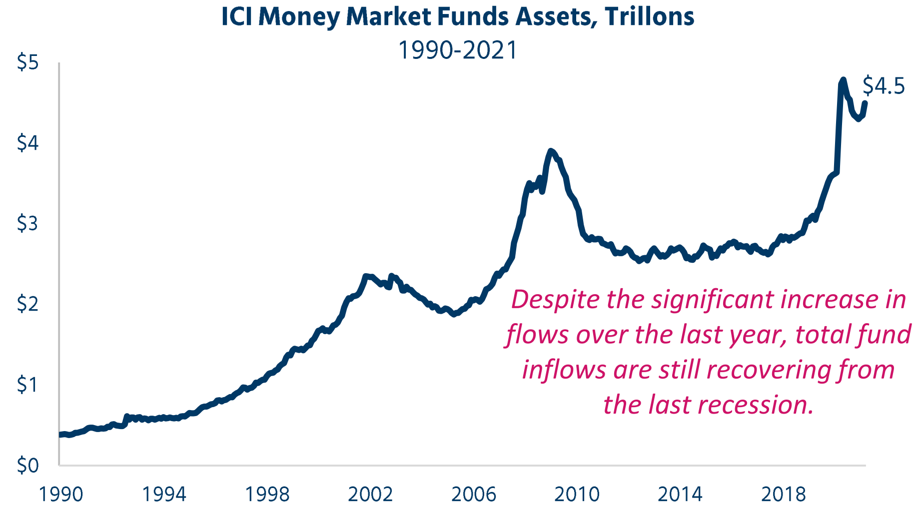
- **Expected earnings are typically overly optimistic when first established and slowly approach realized values over time. The first quarter bucked this trend with 2021 through 2023 annuals experiencing positive revisions.**
  - The improving intermediate-term outlook has benefitted equities and aided sector rotation, as relative earnings changes largely followed performance.

	Quarterly Performance Rank				
Sector	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**1Q21**
Energy	11	3	11	1	1
Financials	10	9	9	2	2
Industrials	9	6	3	3	3
Materials	8	4	2	4	4
Real Estate	6	8	10	11	5
Com. Serv.	5	5	6	5	6
HealthCare	2	7	8	8	7
Cons. Disc.	7	1	1	7	8
Utilities	4	11	7	9	9
Info. Tech	1	2	4	6	10
Cons. Staples	3	10	5	10	11

Fund Flows Have Increased, But Still Recovering



Source: BofA, Global Investment Strategy, EPFR Global.



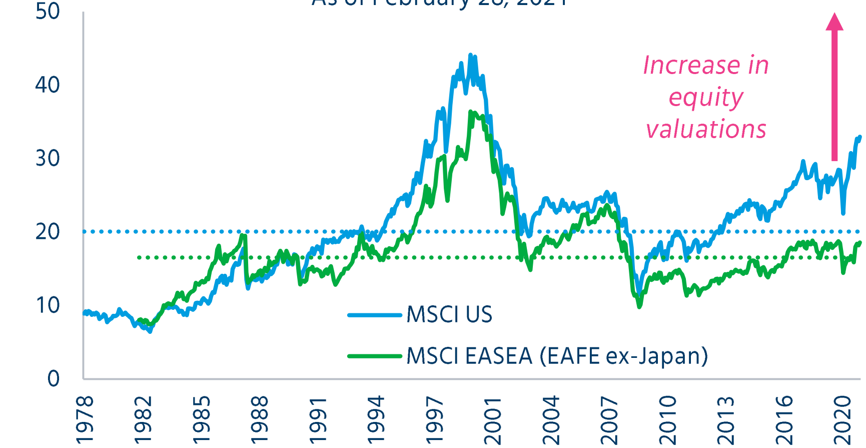
Source: Bloomberg, ICI.

- **A recent report published by Bank of America[1] showed the increase in equity fund flows over the past five months have surpassed the inflows over the previous 12 years, a "melt-up" in markets.**
  - The significant increase in inflows is concerning to some, with valuations at highs last seen during the dotcom bubble.
- **However, examining the data over the long-term, one can see the stagnation in inflows that occurred since 2008.**

1. Stock Funds See Biggest Inflows Ever as BofA Warns Top Is Near. Bloomberg. Published February 12, 2021. https://www.bloomberg.com/news/articles/2021-02-12/stock-funds-see-biggest-inflows-ever-as-bofa-warns-top-is-near

Rising Equity Valuations Supported by Low Rates

Shiller P/E
As of February 28, 2021



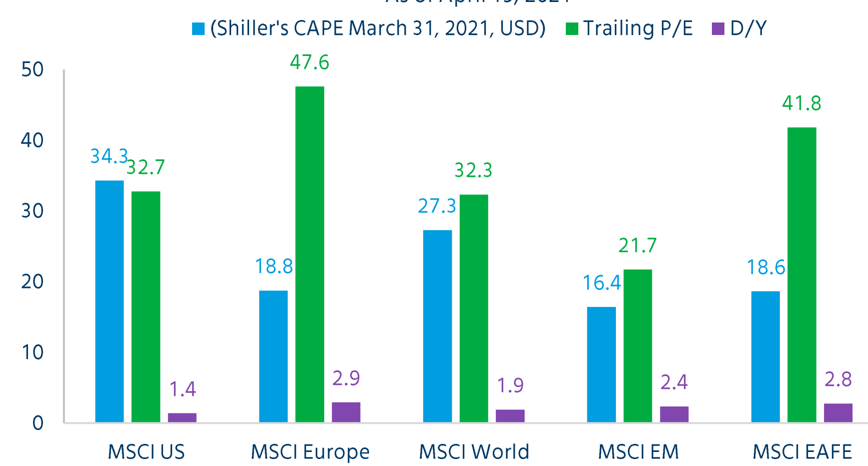
Source: Datastream, MSCI, Mercer

S&P 500 - Equity Risk Premium Versus Long-Term Treasuries
As of February 28, 2021

Source: Bloomberg, Datastream, Mercer;

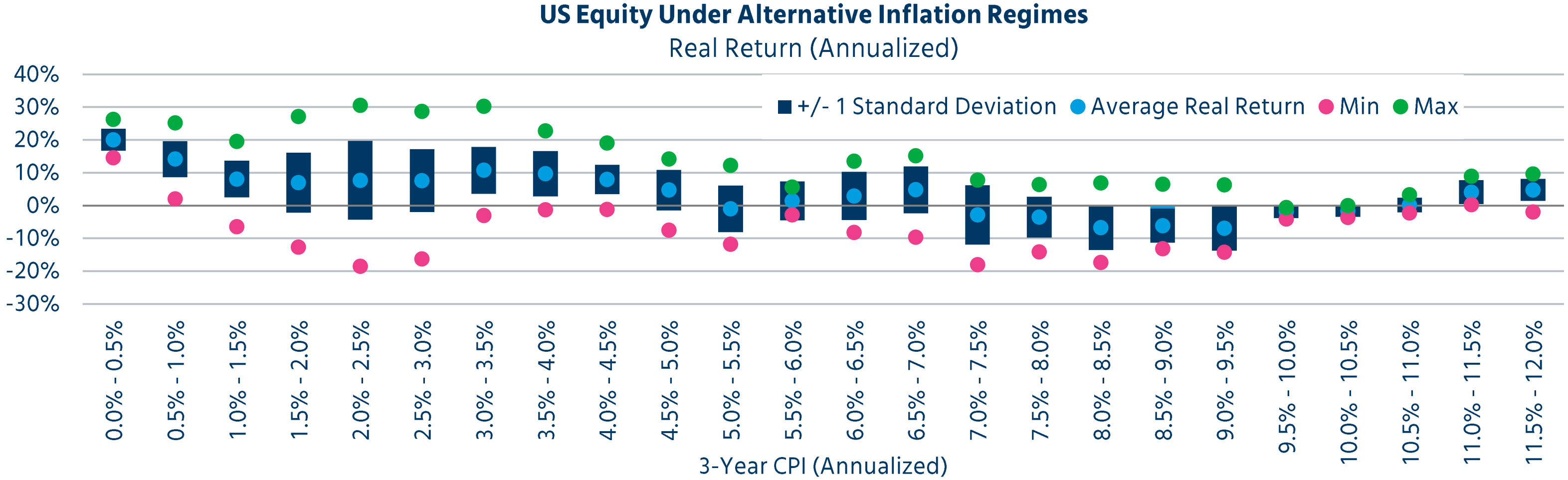
- **As the economic environment continues to improve, equity valuations have recovered and are now above pre-pandemic levels.**
  - Though the equity risk premium has contracted due to the increase in equity valuations, the premium remains in fair value range.
  - A potential rise in real rates could be a risk for valuations moving forward.

Global Valuations
As of April 19, 2021



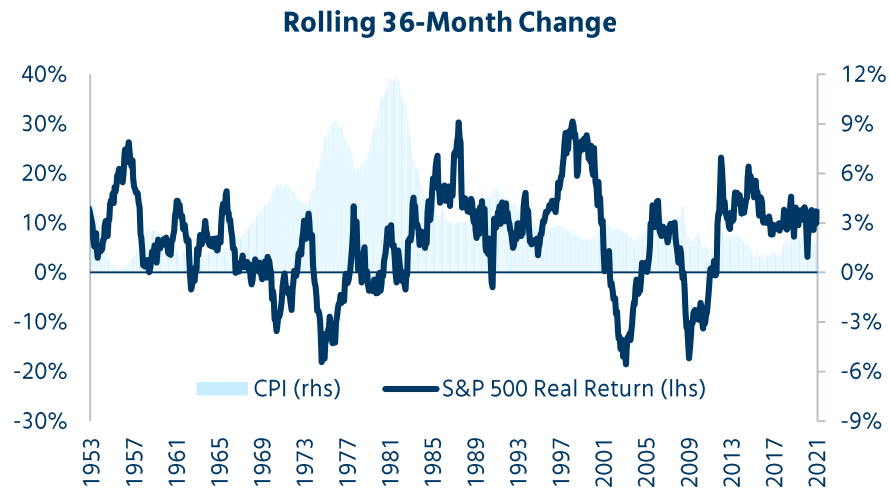
Source: Bloomberg, Datastream.

Balancing Pricing Power and Tracking Inflation



Source: FactSet, St. Louis Federal Reserve FRED, & Mercer Analysis. U.S. Equity represents rolling monthly 3-year performance of the S&P 500 Index from January 31, 1947 through February 28, 2021 less 3-year annualized CPI (price history used prior to February 1970).

- **As growth prospects have improved, markets began pricing in the possibility of rising inflation. While inflation may hurt financial assets, the underlying nature and origin will influence the relative impact across assets.**
  - Current market and survey based measures of inflation expectations suggest moderate inflation near the Federal Reserve's target.[1,2]
  - Historically under moderate inflation regimes, broad equities have been able to pass through rising costs and preserve cash flow.



Source: FactSet, St. Louis Federal Reserve FRED, & Mercer Analysis., annualized.

1. Survey of Professional Forecasters, as of February 28, 2021.
2. Federal Reserve, as of March 31, 2021.

Public Equity Views

Public Equities

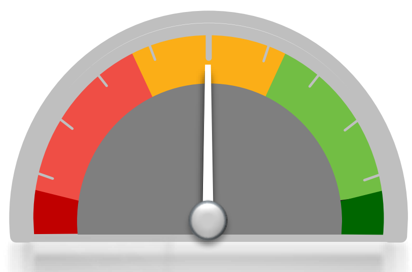
US Equities

International Developed Equities

Emerging Market Equities

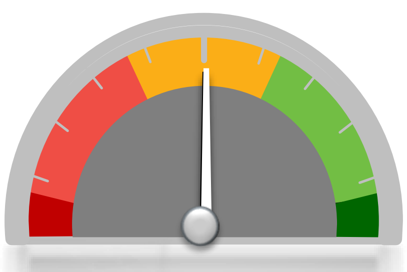
- Overweight
- Neutral
- Underweight

US Small-cap Equities

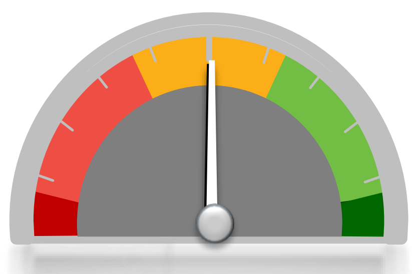


International Small-cap Equities

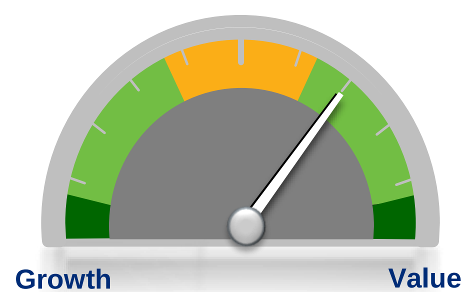
Global Defensive Equities



REITS



Listed Infrastructure



US Style

Note: US Style is not considered a dedicated allocation within the public equity portfolio.

Public Equity Views

Asset Class	December 2020	January 2021	April 2021	Commentary
US Equities	Underweight / Neutral	Underweight / Neutral	Underweight / Neutral	US equities remain more expensive than other regions, largely due to their higher concentration in large-cap technology stocks. We currently have a slight preference for small-caps within US equity portfolios.
US Small-cap Equities	Overweight / Neutral	Overweight / Neutral	Overweight / Neutral	Small-cap valuations remain attractive relative to large-caps. Small-caps likely offer more upside as the recovery continues.
International Developed Equities	Neutral	Neutral	Neutral	International stocks are generally more exposed to cyclical sectors of the economy, which should act as a tailwind in an economic recovery. However, economic growth and vaccination rates in Europe are lagging behind the US.
International Small-cap Equities	Neutral	Neutral	Neutral	Relative valuations between international large- and small-caps are close to neutral. Small-caps would benefit from a strengthening recovery.
Emerging Market Equities	Overweight	Overweight	Overweight	We believe that emerging market equities offer attractive valuations and stand to benefit from strong export demand in a rebound. For investors without defensive equity allocations, we would fund an emerging market overweight from US and international developed equities.
Global Defensive Equities	Underweight	Underweight	Underweight	Valuations for defensive equities, particularly quality stocks, remain unattractive, and defensive equities are likely to lag in a strong economic expansion.
Listed Infrastructure	Neutral	Neutral	Neutral	Infrastructure stocks tend to have significant cyclical exposure and could benefit in a recovery, although valuations are somewhat elevated.
REITS	Neutral	Neutral	Neutral	As the pace of vaccinations increases, REITS should benefit from a gradual reopening over the course of the year. Some segments of the REIT market are likely to suffer from longer term shifts in the behavior of businesses and individuals in the wake of the pandemic, while other segments may stand to benefit.
US Style	Overweight / Neutral Value	Overweight Value	Overweight Value	Value stocks are attractively valued relative to growth stocks, and value stocks should benefit from a cyclical recovery as the distribution of vaccines accelerates.
US Currency Hedge	Underweight / Neutral	Underweight / Neutral	Underweight / Neutral	The US dollar could benefit from faster US economic growth and higher intermediate-term interest rates. However, the dollar continues to appear overvalued against its major trading partners.

Growth Fixed Income Views

Growth Fixed Income

Emerging Debt Local

Emerging Debt Hard Currency

US/Global High Yield

US/Global Loans

Overweight   Neutral   Underweight

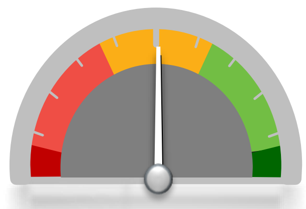
Asset Class	December 2020	January 2021	April 2021	Commentary
Emerging Debt Local	Neutral	Overweight / Neutral	Overweight / Neutral	Emerging market economies stand to benefit from a global recovery and less trade uncertainty. Additionally, real yields remain high in many emerging market economies relative to the developed world.
Emerging Debt Hard Currency	Neutral	Neutral	Neutral	Credit spreads are reasonably attractive, and emerging market economies should benefit from a reduction in trade uncertainty and an uptick in global economic activity.
US / Global High Yield	Neutral	Neutral	Underweight / Neutral	Following a strong run for high yield bonds over the past year, we believe there is less upside remaining and suggest underweight / neutral positioning.
US / Global Loans	Neutral	Underweight / Neutral	Neutral	Loan yields remain reasonable relative to other areas of fixed income, and the shorter duration profile is attractive in the current environment.

Defensive Fixed Income Views

Defensive Fixed Income

US Treasuries

US TIPS



US Investment-grade Corporates

US Securitized

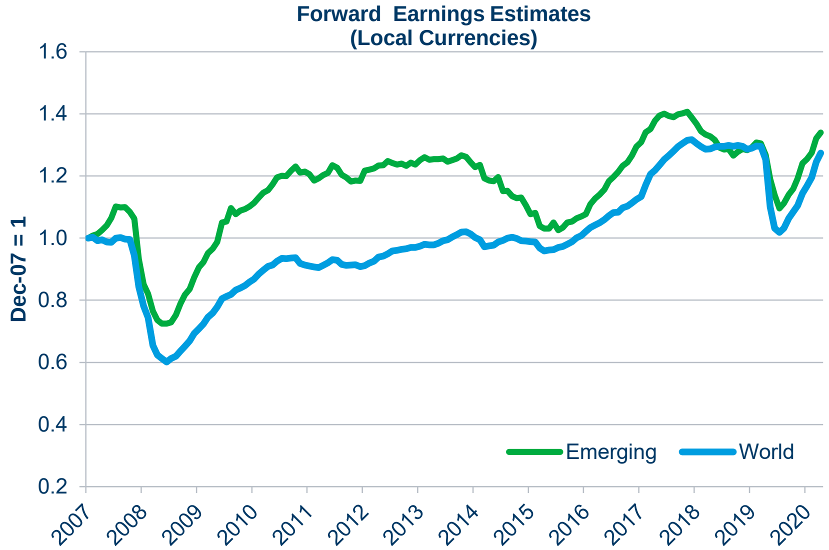
US Duration

Note: US Duration is not considered a dedicated allocation within the defensive fixed income portfolio.

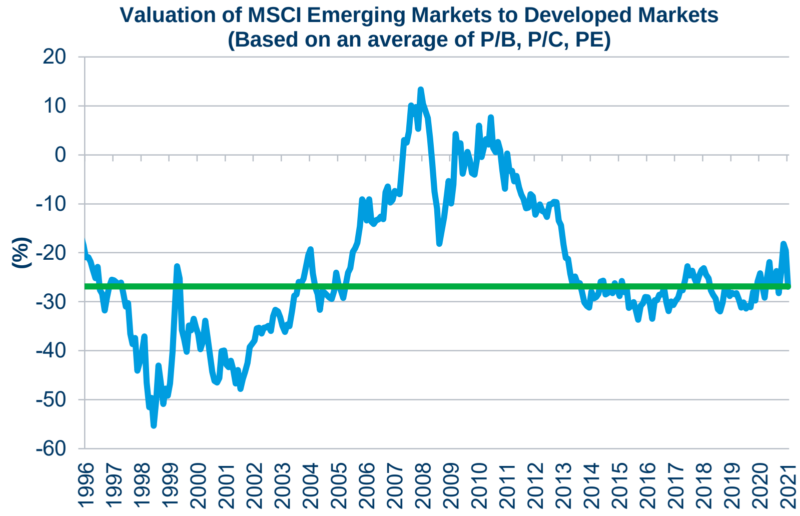
Overweight **Neutral** **Underweight**

Asset Class	December 2020	January 2021	April 2021	Commentary
US Treasuries	Underweight	Underweight	Underweight	The uptick in yields and inflation breakeven rates during the quarter has made Treasuries more attractive relative to TIPS. However, we maintain a preference for TIPS over Treasuries.
US TIPS	Overweight / Neutral	Overweight / Neutral	Overweight / Neutral	Inflation breakeven rates are approaching the Fed's target level of inflation, but we continue to favor TIPS over Treasuries within government bond allocations.
US Investment-grade corporates	Neutral	Neutral	Neutral	Investment-grade credit spreads have continued to narrow and now offer limited upside. While we remain constructive on I/G credit due to the strong economic outlook, we have maintained our neutral positioning as we see better opportunities in securitized credit.
US Securitized	Overweight	Overweight	Overweight	Securitized bonds continue to offer what we believe is a spread advantage over other fixed income assets, which makes the asset class look cheap on a relative value basis, given that consumers overall are likely to leave the recession behind in a relatively strong position.
Duration	Underweight	Underweight	Underweight / Neutral	A cyclical economic recovery and inflationary risks increase the upside for longer-term yields, although the Fed will likely seek to prevent yields from rising too significantly.

Emerging Markets Equity Valuations Attractive



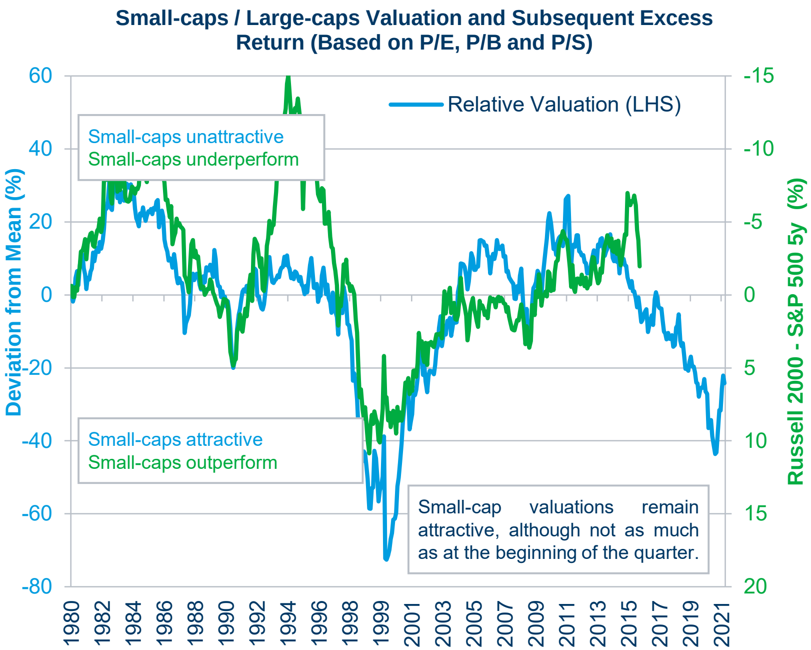
Source: Datastream; as of 3/31/21



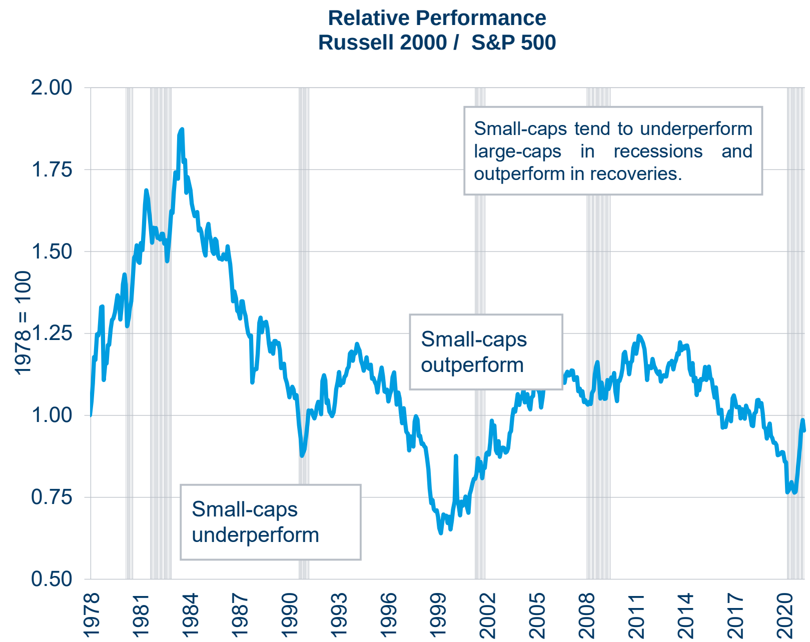
Source: Datastream; as of 3/31/21

- EM growth should be buoyed by strong export demand driven by the global recovery. EM earnings held up better in 2020, and are projected to grow earnings by only 45% over the next year compared to 50% in the developed world.
- The recent US yield rally and US dollar momentum has caused some emerging market central banks to increase their policy rates. While we do not expect a full scale hiking cycle, the risk of some early policy tightening in emerging countries having an adverse impact on equities has increased.
- Valuations on EM stocks have risen, but appear reasonable. They trade at 16x cyclically-adjusted earnings, a slight premium to our fair value assumption of 14.5x. On a relative basis, they are priced at a 27% discount to developed market equities, in-line with the historical average.
- We maintain a favorable view on emerging market stocks and suggest overweighting them relative to developed equities. Valuations are reasonable and the Far East region should experience a robust recovery. While EM stocks could face headwinds from policy tightening and DM firms could benefit from a re-opening tailwind, we think EM markets are well positioned to outperform over the intermediate-term.

US Small Cap Stocks Valuations Attractive



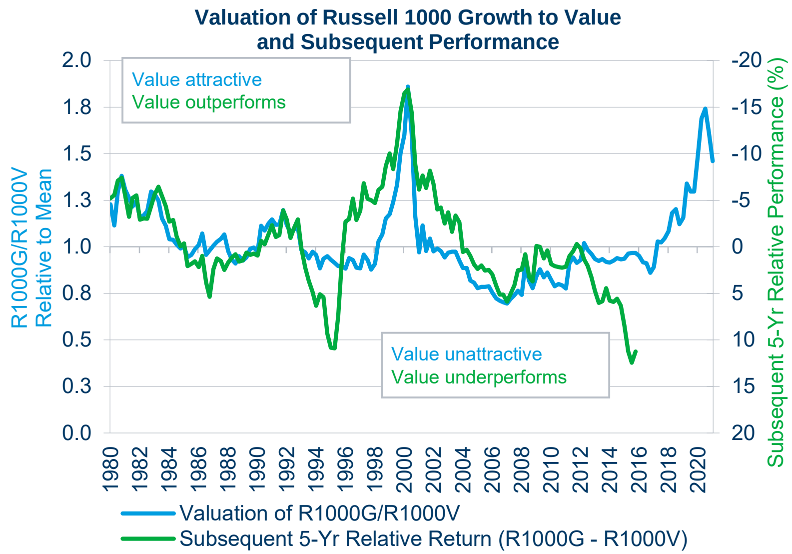
Source: Ned Davis Research, Bloomberg, Datastream, Mercer; as of 3/31/21



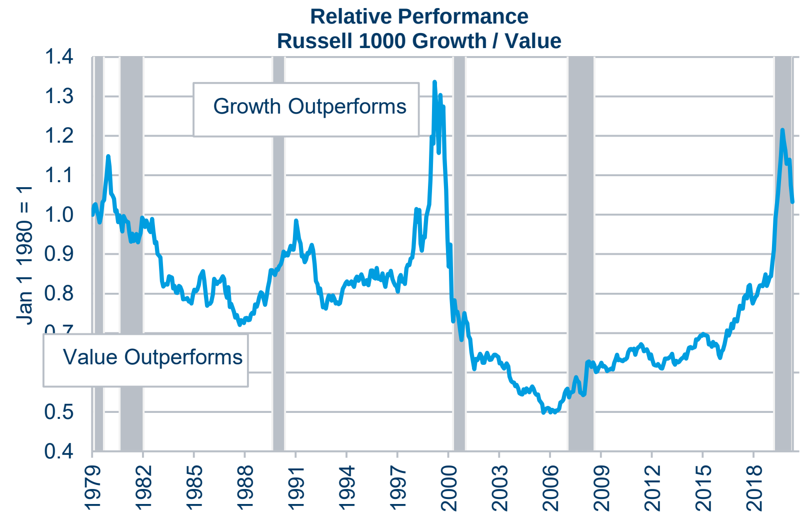
Source: Datastream; as of 3/31/21

- Small cap stocks have underperformed large cap stocks for nearly ten years, amid a relatively sluggish economic recovery post GFC.
- Although rebounding from their low valuation levels, small cap stocks still appear inexpensive relative to large-cap stocks. The vaccine rollout, high fiscal spending and accommodative monetary policy are likely the catalyst for improved earnings growth and performance of small-cap stocks relative given their greater sensitivity to economic growth.

US Value Stock Valuations Attractive



Source: Bloomberg,Mercer; as of 3/31/21



Source: Bloomberg; as of 3/31/21

- Growth stocks saw dramatic price declines in the wake of the dot-com bubble, but have steadily outperformed since the GFC.
- Value stocks have appeared inexpensive relative to growth stocks for more than a year. The vaccine rollout, high fiscal spending and accommodative monetary policy are likely the catalyst for improved earnings growth and performance of value stocks relative to growth stocks.

Tactical Asset Allocation

Asset Class Diversification

Surplus Cash Investment Program Structure

As of March 31, 2021

Manager	Asset Class/Type	Total Assets ($, mil.)	Percent of Total	Target Allocation	Weighting Relative to Target	Target Range
Large-Cap Domestic Equity		**$328.3**	**24.7%**	**20.0%**	**+ 4.7%**	**20-30%**
Vanguard S&P 500 Index	Large-Cap Index	$187.7	14.1%	10.0%	+ 4.1%	
Sands	Large-Cap Growth	$ 65.3	4.9%	5.0%	- 0.1%	
Barrow Hanley	Large-Cap Value	$ 75.3	5.7%	5.0%	+ 0.7%	
Small-Cap Domestic Equity		**$ 65.3**	**4.9%**	**5.0%**	**- 0.1%**	
Conestoga	Small-Cap Growth	$ 29.5	2.2%	2.5%	- 0.3%	
Wellington	Small-Cap Value	$ 35.8	2.7%	2.5%	+ 0.2%	
International Equity		**$210.8**	**15.9%**	**15.0%**	**+ 0.9%**	**10-20%**
Causeway	International Value	$ 78.5	5.9%			
BNY Mellon	International Growth	$ 63.0	4.8%			
Harding Loevner	Emerging	$ 69.3	5.2%			
Short-Duration Fixed Income		**$140.1**	**10.6%**	**10.0%**	**+ 0.6%**	**8-12%**
Barrow Hanley	Short Duration	$133.8	10.1%			
Cash	Money Market	$ 6.3	0.5%			
Market-Duration Fixed Income		**$366.2**	**27.6%**	**30.0%**	**- 2.4%**	**25-35%**
Dodge & Cox	Market Duration	$184.9	13.9%	15.0%	- 1.1%	
MetWest	Market Duration	$181.3	13.7%	15.0%	- 1.3%	
Alternatives		**$216.1**	**16.3%**	**20.0%**	**- 3.7%**	**17-23%**
Angelo Gordon Realty Value X	Real Estate	$ 10.1	0.8%			
Oaktree Opportunities Fund XI	Private Debt	$ 2.1	0.2%			
Oaktree RE Opps VI	Real Estate	$ 4.9	0.4%			
Walton Street RE VII	Real Estate	$ 3.1	0.2%			
Walton Street RE VIII	Real Estate	$ 7.4	0.6%			
Direct Hedge Fund Composite	Hedge Fund	$188.5	14.2%			
Total (X District)		**$1,326.9**	**100.0%**			
District Assets - Barrow Hanley	Short Duration	$ 42.1				
Debt Reserves - Ponder	Short Duration	$ 8.6				
Total Surplus Cash		**$1,377.6**				

*Totals may not add due to rounding.

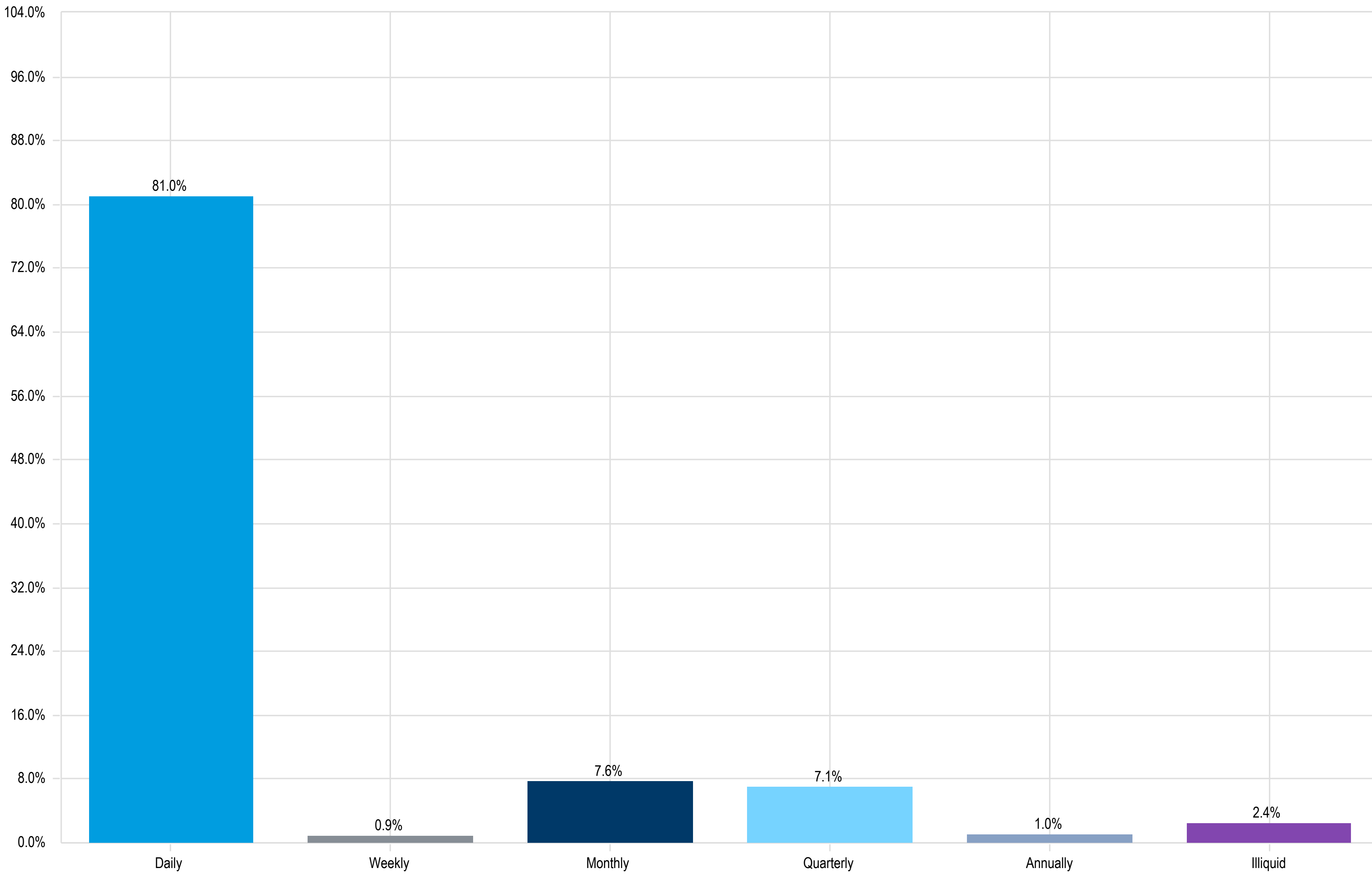
El Camino Hospital

Liquidity Schedule

March 31, 2021

Investments	Market Value	Daily	Weekly	Monthly	Quarterly	Annually	Illiquid	Redemptions	Notes
Vanguard S&P 500 Index	187,701,109	187,701,109	-	-	-	-	-	Daily	Daily, No Lock-Up
Sands Large Cap Growth (Touchstone)	65,348,997	65,348,997	-	-	-	-	-	Daily	Daily, No Lock-Up
Barrow Hanley Large Cap Value	75,297,304	75,297,304	-	-	-	-	-	Daily	Daily, No Lock-Up
Wellington Small Cap Value	35,845,582	-	-	35,845,582	-	-	-	Monthly	10 Day Notice, No Lock-Up
Conestoga Small-Cap Fund I	29,487,792	29,487,792	-	-	-	-	-	Daily	Daily, No Lock-Up
BNY Mellon International Stock Fund	63,033,565	63,033,565	-	-	-	-	-	Daily	Daily, No Lock-Up
Causeway International Value	78,528,097	78,528,097	-	-	-	-	-	Daily	Daily, No Lock-Up
Harding Loevner Inst. Emerging Markets I	69,286,526	69,286,526	-	-	-	-	-	Daily	Daily, No Lock-Up
Barrow Hanley Short Fixed	133,789,151	133,789,151	-	-	-	-	-	Daily	Daily, No Lock-Up
Cash Account	156,865	156,865	-	-	-	-	-	Daily	Daily, No Lock-Up
Cash Account - CONCERN	84,586	84,586	-	-	-	-	-	Daily	Daily, No Lock-Up
Hedge Funds Cash	6,021,310	6,021,310	-	-	-	-	-	Daily	Daily, No Lock-Up
Dodge & Cox Fixed	184,887,259	184,887,259	-	-	-	-	-	Daily	Daily, No Lock-Up
MetWest Fixed	167,132,379	167,132,379	-	-	-	-	-	Daily	Daily, No Lock-Up
Met West Total Return Bond Plan - CONCERN	14,187,179	14,187,179	-	-	-	-	-	Daily	Daily, No Lock-Up
AG Realty Value Fund X, LP	10,111,895	-	-	-	-	-	10,111,895	Illiquid	Illiquid
Oaktree Opportunities Fund XI, L.P.	2,072,493	-	-	-	-	-	2,072,493	Illiquid	Iliquid
Oaktree Capital Management RE Opportunities Fund VI	4,864,191	-	-	-	-	-	4,864,191	Illiquid	Illiquid
Walton Street Real Estate Fund VII, L.P.	3,139,899	-	-	-	-	-	3,139,899	Illiquid	Illiquid
Walton Street Real Estate Fund VIII, L.P.	7,381,301	-	-	-	-	-	7,381,301	Illiquid	Illiquid
Bloom Tree Offshore Fund Ltd.	11,700,988	-	-	-	11,700,988	-	-	Quarterly	45 Day Notice, No Lock-Up
Capeview Azri 2X Fund USD B - U	4,591,350	-	-	4,591,350	-	-	-	Monthly	30 Day Notice, No Lock-Up
Capeview Azri Fund USD B – UV	7,011,328	-	-	-	7,011,328	-	-	Quarterly	30 Day Notice, 2.5% Redemption Penalty
DK Distressed Opportunities International, Ltd.	13,396,990	-	-	-	-	13,396,990	-	Annually	90 Day Notice, No Lock-Up
EMSO Saguaro, Ltd.	11,242,561	-	-	11,242,561	-	-	-	Monthly	60 Day Notice, 15% Fund level gate
Fir Tree International Value Fund (Non-US), L.P.	8,624	-	-	-	-	-	8,624	Illiquid	Redemption in Progress
Luxor Capital Partners Offshore, Ltd.	526,048	-	-	-	-	-	526,048	Illiquid	Redemption in Progress
Man Alternative Risk Premia SP Fund	11,409,137	-	11,409,137	-	-	-	-	Weekly	7 Day Notice, No Lock-Up
Marshall Wace Eureka Fund Class B2	12,496,108	-	-	12,496,108	-	-	-	Monthly	30 Day Notice, No Lock-Up
Palestra Capital Offshore	13,374,210	-	-	-	13,374,210	-	-	Quarterly	60 Day Notice, 12 mth soft lock
Pine River Fund Ltd.	15,854	-	-	-	-	-	15,854	Illiquid	Redemption in Progress
Renaissance RIDGE	13,893,877	-	-	13,893,877	-	-	-	Monthly	45 Days Notice, No Lock-Up
Carlson Black Diamond Arbitrage Ltd.	11,146,211	-	-	11,146,211	-	-	-	Monthly	45 Day Notice, No Lock-Up
Robeco Transtrend Diversified Fund LLC	12,133,392	-	-	12,133,392	-	-	-	Monthly	5 Day Notice, No Lock-Up
Waterfall Eden Fund, Ltd.	13,045,964	-	-	-	13,045,964	-	-	Quarterly	90 Day Notice, 1 year soft lock
York Credit Opportunities Unit Trust	3,418,041	-	-	-	-	-	3,418,041	Illiquid	Redemption in Progress
Wolverine	18,595,004	-	-	-	18,595,004	-	-	Quarterly	60 Day Notice; 1 year soft lock
Voya Mortgage Fund	15,260,663	-	-	-	15,260,663	-	-	Quarterly	65 Day Notics; 1 year soft lock
Capstone Volatility Fund	15,181,428	-	-	-	15,181,428	-	-	Quarterly	60 Day Notics; 1 year soft lock
Total ($)	**1,326,805,255**	**1,074,942,118**	**11,409,137**	**101,349,080**	**94,169,586**	**13,396,990**	**31,538,345**		
Total (%)	**100.0**	**81.0**	**0.9**	**7.6**	**7.1**	**1.0**	**2.4**		

Liquidity Schedule Summary



Investment Management Fees

Surplus Cash Investment Program Structure

As of March 31, 2021

	Total Assets ($ millions)	Committed Capital ($ millions)	Contributed Capital ($ millions)	Management Fee (%)	Mercer Mutual Fund Peer Group	Mercer Mutual Fund Peer Group Median (%)
Domestic Equity						
Vanguard S&P 500 Index	$187,701,109			0.02	Mercer Mutual Fund US Equity Large Cap Index	0.18
Sands Large Cap Growth (Touchstone)	$65,348,997			0.80	Mercer Mutual Fund US Equity Large Cap Growth Median	0.67
Barrow Hanley Large Cap Value	$75,297,304			0.38	Mercer Mutual Fund US Equity Large Cap Value Median	0.65
Wellington Small Cap Value	$35,845,582			0.90	Mercer Mutual Fund US Equity Small Cap Value Median	0.94
Conestoga Small Cap Growth	$29,487,792			0.90	Mercer Mutual Fund US Equity Small Cap Growth Median	0.94
International Equity						
Causeway International Value	$78,528,097			0.88	Mercer Mutual Fund World ex US/EAFE Equity Large Cap Value Median	0.81
BNY Mellon International Stock Fund	$63,033,565			0.91	Mercer Mutual Fund World ex US/EAFE Equity Large Cap Growth Median	0.83
Harding Loevner Emerging Markets	$69,286,526			1.27	Mercer Mutual Fund Emerging Markets Equity Median	0.95
Short Fixed Income						
Barrow Hanley Short Fixed	$133,789,151			0.17	Mercer Mutual Fund US Fixed Short Median	0.39
Market Duration Fixed Income						
Dodge & Cox Fixed	$184,887,259			0.17	Mercer Mutual Fund US Fixed Core Median	0.44
MetWest Total Return	$167,132,379			0.28	Mercer Mutual Fund US Fixed Core Median	0.44
MetWest Total Return - CONCERN	$14,187,179			0.37	Mercer Mutual Fund US Fixed Core Median	0.44
Cash						
Cash Account	$6,262,760			N/A	N/A	N/A
Hedge Funds[1]						
Bloom Tree Offshore Fund Ltd.	$11,700,988			1.50	N/A	N/A
CapeView Azri Fund Ltd.	$7,011,328			1.35	N/A	N/A
CapeView Azri 2x Fund	$4,591,350			2.00	N/A	N/A
Luxor Capital Partners	$526,048			1.50	N/A	N/A
Pine River Fund	$15,854			1.50	N/A	N/A
Fir Tree International	$8,624			1.50	N/A	N/A
Marshall Wace Eureka Fund Class B2	$12,496,108			2.00	N/A	N/A
Palestra Capital Offshore	$13,374,210			1.50	N/A	N/A
DK Distressed Opportunities International	$13,396,990			1.75	N/A	N/A
York Credit Opportunities[3]	$3,418,041			0.75	N/A	N/A
BP Transtrend Diversified Fund	$12,133,392			1.00	N/A	N/A
EMSO Saguaro	$11,242,561			1.25	N/A	N/A
Carlson Black Diamond Arbitrage	$11,146,211			1.00	N/A	N/A
Renaissance RIDGE	$13,893,877			1.00	N/A	N/A
Man Alternative Risk Premia	$11,409,137			1.00	N/A	N/A
Waterfall Eden	$13,045,964			1.50	N/A	N/A
Wolverine	$18,595,004			1.75	N/A	N/A
Voya Mortgage Fund	$15,260,663			1.50	N/A	N/A
Capstone Volatility Fund	$15,181,428			2.00	N/A	N/A
Total (ex Private Assets)	**$1,299,235,478**			**0.51%**		
Private Assets[2]						
AG Realty Value Fund X	$10,111,895	$ 20.0	$ 7.7	1.50 Of committed Capital[2]	N/A	N/A
Oaktree Opportuniites Fund XI	$2,072,493	$ 20.0	$ 1.0	1.6 Of committed Capital[2]	N/A	N/A
Oaktree Real Estate Opportunities VI	$4,864,191	$ 14.0	$ 14.0	1.50 Of committed Capital[2]	N/A	N/A
Walton Street Real Estate VII	$3,139,899	$ 13.0	$ 12.4	1.50 Of committed Capital[2]	N/A	N/A
Walton Street Real Estate Fund VIII	$7,381,301	$ 13.0	$ 9.3	1.50 Of committed Capital	N/A	N/A
Total	**$1,326,805,257**					

1. Hedge fund fees do not include incentive fees.
2. Private Real Estate and Private Debt fees do not include carried interest.
3. York Credit Opportunities Fund is in the process of liquidation. Beginning July 1, 2020 the management fee was completely eliminated.

Asset Class Diversification

Cash Balance Plan Investment Program Structure

As of March 31, 2021

Manager	Asset Class/Type	Total Assets ($, mil.)	Percent of Total	Target Allocation	Weighting Relative to Target	Target Range
Large-Cap Domestic Equity		**$104.2**	**30.3%**	**27.0%**	**+ 3.3%**	**27-37%**
Vanguard S&P 500 Index	Large-Cap Index	$ 53.1	15.4%	13.5%	+ 1.9%	
Sands	Large-Cap Growth	$ 23.8	6.9%	6.8%	+ 0.1%	
Barrow Hanley	Large-Cap Value	$ 27.3	7.9%	6.8%	+ 1.1%	
Small-Cap Domestic Equity		**$ 19.4**	**5.6%**	**5.0%**	**+ 0.6%**	
Conestoga	Small-Cap Growth	$ 8.9	2.6%	2.5%	+ 0.1%	
Wellington	Small-Cap Value	$ 10.6	3.1%	2.5%	+ 0.6%	
International Equity		**$ 66.8**	**19.4%**	**18.0%**	**+ 1.4%**	**15-21%**
Causeway	International Value	$ 25.1	7.3%			
BNY Mellon	International Growth	$ 20.2	5.9%			
Harding Loevner	Emerging Markets	$ 21.5	6.2%			
Short-Duration Fixed Income		**$ 12.9**	**3.8%**	**5.0%**	**- 1.2%**	**0-8%**
Barrow Hanley	Short Duration	$ 8.2	2.4%			
Cash	Money Market	$ 4.7	1.4%			
Market-Duration Fixed Income		**$ 80.5**	**23.4%**	**25.0%**	**- 1.6%**	**20-30%**
Dodge & Cox	Market Duration	$ 40.2	11.7%	12.5%	- 0.8%	
MetWest	Market Duration	$ 40.2	11.7%	12.5%	- 0.8%	
Alternatives		**$ 60.2**	**17.5%**	**20.0%**	**- 2.5%**	**17-23%**
Lighthouse	HFOF	$ 27.2	7.9%			
Pointer	HFOF	$ 22.6	6.6%			
Oaktree RE Opps VI	Real Estate	$ 2.9	0.8%			
Walton Street RE VII	Real Estate	$ 1.9	0.5%			
Walton Street RE VIII	Real Estate	$ 5.7	1.7%			
Total		**$344.0**	**100.0%**			

*Totals may not add due to rounding.

Liquidity Schedule - Cash Balance

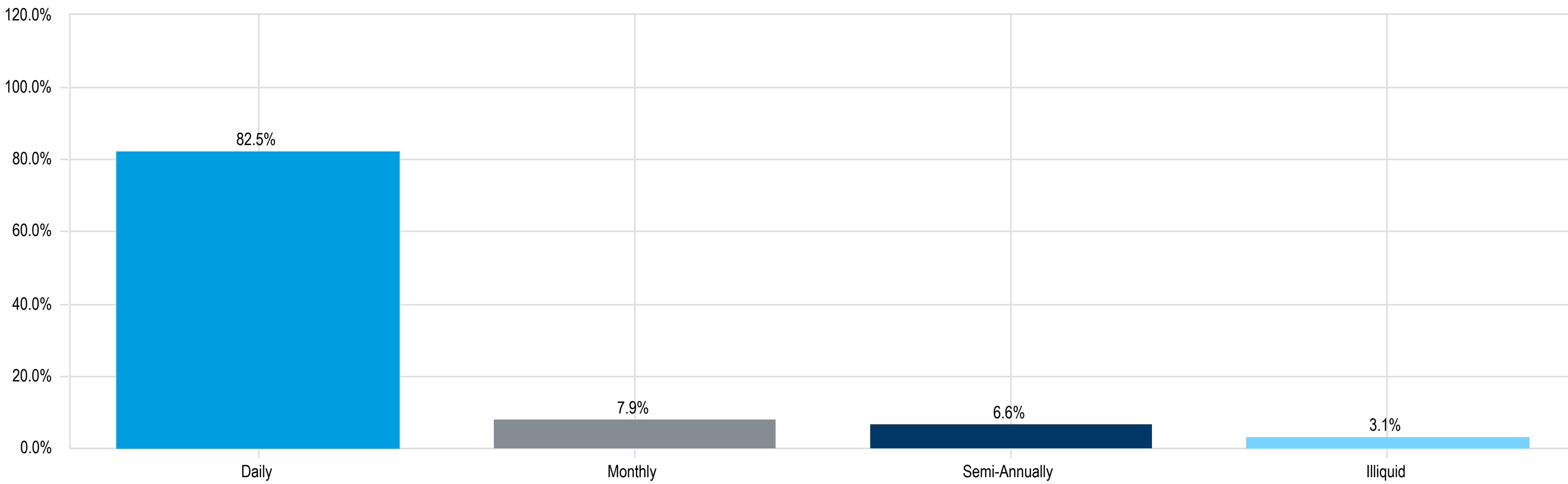
Liquidity Schedule

March 31, 2021

MERCER | Pavilion
A Mercer practice

Investments	Market Value	Daily	Monthly	Semi-Annually	Illiquid	Subscriptions	Redemptions	Notes
Vanguard Institutional Index Fund	53,110,161	53,110,161	-	-	-	Daily	Daily	Daily, No Lock-Up
Sands Large Cap Growth (Touchstone)	23,767,835	23,767,835	-	-	-	Daily	Daily	Daily, No Lock-Up
Barrow Hanley Large Cap Value	27,335,564	27,335,564	-	-	-	Daily	Daily	Daily, No Lock-Up
Conestoga Small-Cap Fund I	8,863,576	8,863,576	-	-	-	Daily	Daily	Daily, No Lock-Up
Wellington Small Cap Value	10,562,504	10,562,504	-	-	-	Daily	Daily	Daily, No Lock-Up
Causeway International Value	25,101,715	25,101,715	-	-	-	Daily	Daily	Daily, No Lock-Up
BNY Mellon International Stock Fund	20,185,477	20,185,477	-	-	-	Daily	Daily	Daily, No Lock-Up
Harding Loevner Inst. Emerging Markets I	21,465,098	21,465,098	-	-	-	Daily	Daily	Daily, No Lock-Up
Barrow Hanley Short Fixed	8,245,363	8,245,363	-	-	-	Daily	Daily	Daily, No Lock-Up
Cash Account	4,703,153	4,703,153	-	-	-	Daily	Daily	Daily, No Lock-Up
Dodge & Cox Income Fund	40,230,203	40,230,203	-	-	-	Daily	Daily	Daily, No Lock-Up
Met West Total Return Fund Pl	40,221,765	40,221,765	-	-	-	Daily	Daily	Daily, No Lock-Up
Lighthouse Diversified	27,158,197	-	27,158,197	-	-	Monthly	Monthly	90 Day Notice, No Lock-Up
Pointer Offshore LTD	22,599,916	-	-	22,599,916	-	Semi-Annually	Semi-Annually	Notice by Mar 15/Sept 15
Oaktree RE Opportunities Fund V	2,914,205	-	-	-	2,914,205	Illiquid	Illiquid	Illiquid
Walton Street Real Estate Fund VII, L.P.	1,883,474	-	-	-	1,883,474	Illiquid	Illiquid	Illiquid
Walton Street Real Estate Fund VIII, L.P.	5,677,924	-	-	-	5,677,924	Illiquid	Illiquid	Illiquid
Total ($)	**344,026,128**	**283,792,413**	**27,158,197**	**22,599,916**	**10,475,603**			
Total (%)	**100.0**	**82.5**	**7.9**	**6.6**	**3.1**			

Liquidity Schedule Summary



Investment Management Fees

Cash Balance Investment Program Structure

As of March 31, 2021

	Total Assets ($ millions)	Committed Capital ($ millions)	Contributed Capital ($ millions)	Management Fee (%)	Mercer Mutual Fund Peer Group	Mercer Mutual Fund Peer Group Median (%)
Domestic Equity						
Vanguard S&P 500 Index	$53,110,161			0.02	Mercer Mutual Fund US Equity Large Cap Index	0.18
Sands Large Cap Growth (Touchstone)	$23,767,835			0.80	Mercer Mutual Fund US Equity Large Cap Growth Median	0.67
Barrow Hanley Large Cap Value	$27,335,564			0.38	Mercer Mutual Fund US Equity Large Cap Value Median	0.65
Wellington Small Cap Value	$10,562,504			0.90	Mercer Mutual Fund US Equity Small Cap Value Median	0.94
Conestoga Small Cap Growth	$8,863,576			0.90	Mercer Mutual Fund US Equity Small Cap Growth Median	0.94
International Equity						
Causeway International Value	$25,101,715			0.88	Mercer Mutual Fund World ex US/EAFE Equity Large Cap Value Median	0.81
BNY Mellon International Stock Fund	$20,185,477			0.91	Mercer Mutual Fund World ex US/EAFE Equity Large Cap Growth Median	0.83
Harding Loevner Emerging Markets	$21,465,098			1.27	Mercer Mutual Fund Emerging Markets Equity Median	0.95
Short Fixed Income						
Barrow Hanley Short Fixed	$8,245,363			0.17	Mercer Mutual Fund US Fixed Short Median	0.39
Market Duration Fixed Income						
Dodge & Cox Income Fund	$40,230,203			0.42	Mercer Mutual Fund US Fixed Core Median	0.44
MetWest Total Return	$40,221,765			0.37	Mercer Mutual Fund US Fixed Core Median	0.44
Cash						
Cash Account	$4,703,153			N/A	N/A	N/A
Hedge Fund of Funds[1]						
Lighthouse Diversified	$27,158,197			1.00	N/A	N/A
Pointer Offshore	$22,599,916			1.00	N/A	N/A
Total (ex Private Real Estate)	**$333,550,527**			**0.57%**		
Private Real Estate[2]						
Oaktree Real Estate Opportunities VI	$2,914,205	$ 8.4	$ 8.4	1.50 Of committed Capital [2]	N/A	N/A
Walton Street Real Estate VII	$1,883,474	$ 8.4	$ 7.7	1.50 Of committed Capital [2]	N/A	N/A
Walton Street Real Estate Fund VIII	$5,677,924	$ 10.0	$ 7.1	1.50 Of committed Capital [2]	N/A	N/A
Total	**$344,026,130**					

1. Hedge Fund of Fund fees do not include management and incentive fees of underlying hedge fund investments.
2. Private Real Estate fees do not include carried interest.

Surplus Cash Equity Portfolio Characteristics

Total Equity Composite vs. MSCI AC World IMI (Net)

March 31, 2021

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Portfolio Characteristics

	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap $000	226,954,798	259,005,104
Median Mkt. Cap $000	23,111,266	2,203,767
Price / Earnings	29.01	25.25
Price / Book	3.79	3.48
5 Yr. EPS Growth Rate (%)	13.20	12.49
Current Yield (%)	1.40	1.74
Beta (5 Years, Monthly)	1.01	1.00
Number of Holdings	832	8,930

Top 10 Holdings

	Portfolio	Benchmark	Return
Microsoft Corp	1.99	2.40	6.25
Amazon.com Inc	1.96	1.87	-5.00
Apple Inc	1.75	2.94	-7.81
Sea Ltd	1.08	0.00	12.15
Facebook Inc	1.01	1.00	7.82
Netflix Inc	0.97	0.33	-3.53
Visa Inc	0.89	0.51	-3.05
Alphabet Inc Class A	0.82	0.88	17.68
Square Inc	0.80	0.12	4.32
JPMorgan Chase & Co	0.78	0.66	20.66

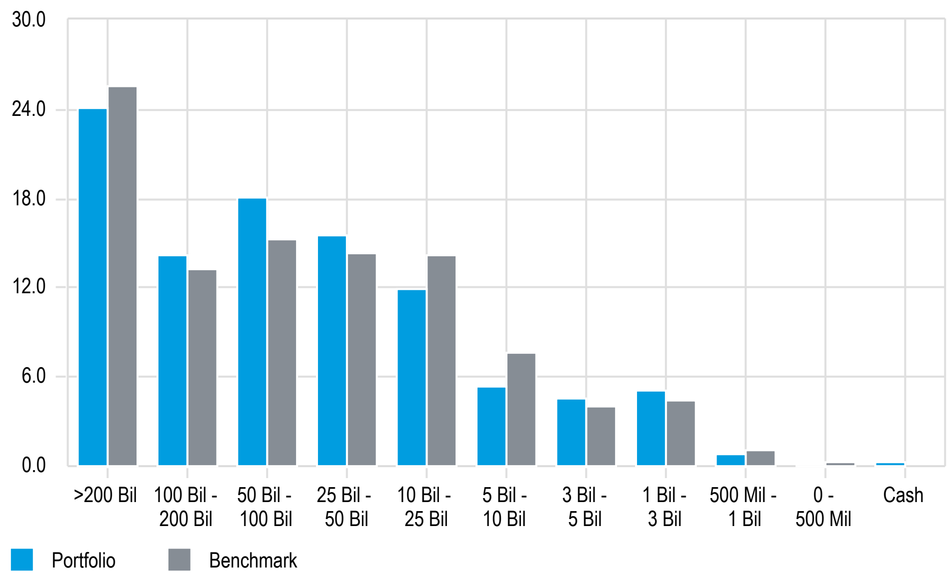
Top Contributors

	Portfolio	Benchmark	Return	Contribution
Volkswagen AG	0.51	0.05	50.20	0.21
Deere & Co	0.38	0.12	39.39	0.09
ING Groep NV	0.34	0.05	32.76	0.08
Lennar Corp	0.30	0.03	33.19	0.08
Sea Ltd	1.04	0.00	12.15	0.07

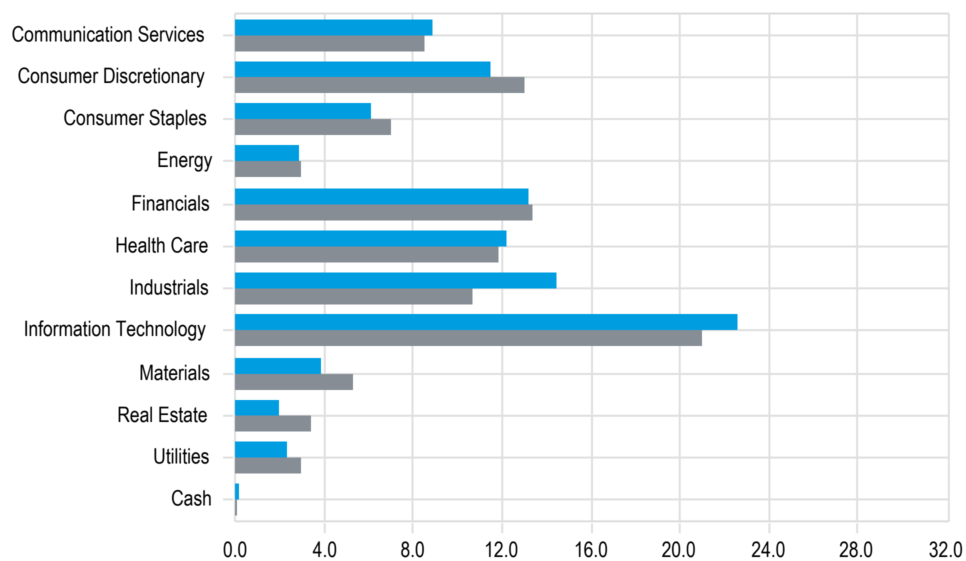
Top Detractors

	Portfolio	Benchmark	Return	Contribution
ServiceNow Inc	0.82	0.16	-9.14	-0.09
Match Group Inc	0.69	0.06	-9.13	-0.09
Murata Manufacturing Co Ltd	0.62	0.08	-10.92	-0.09
Sarepta Therapeutics Inc	0.15	0.02	-56.28	-0.08
Keyence Corp	0.45	0.15	-18.28	-0.07

Distribution of Market Cap



Sector Allocation



Surplus Cash Equity Portfolio - Country/Region Allocation

Total Equity Composite vs. MSCI ACWI IMI Index

March 31, 2021

	Total Equity Composite	MSCI AC World IMI (Net)
Canada	1.0	3.0
United States	61.0	55.3
Australia	0.5	2.0
Hong Kong	1.4	1.2
New Zealand	0.0	0.1
Singapore	1.1	0.4
Pacific ex Japan	**3.0**	**3.6**
Japan	3.6	6.9
Austria	0.0	0.1
Belgium	0.0	0.3
Bermuda	0.3	0.2
Denmark	0.9	0.6
Finland	0.2	0.3
France	3.0	2.5
Germany	2.7	2.4
Ireland	1.2	1.1
Italy	0.6	0.6
Luxembourg	0.3	0.1
Netherlands	1.5	1.6
Norway	0.0	0.2
Portugal	0.1	0.0
Spain	1.3	0.6
Sweden	0.1	1.1
Switzerland	3.5	2.6
Europe ex UK	**15.9**	**14.5**
United Kingdom	3.8	4.1
Israel	0.0	0.3
Middle East	**0.0**	**0.3**
Developed Markets	**88.3**	**87.6**

	Total Equity Composite	MSCI AC World IMI (Net)
China	2.9	4.0
India	1.0	1.3
Indonesia	0.3	0.2
Korea	1.9	1.8
Malaysia	0.0	0.2
Pakistan	0.0	0.0
Philippines	0.0	0.1
Taiwan	1.9	1.9
Thailand	0.1	0.3
EM Asia	**8.0**	**9.8**
Czech Republic	0.1	0.0
Greece	0.0	0.0
Hungary	0.0	0.0
Iceland	0.0	0.0
Poland	0.1	0.1
Russia	0.8	0.3
Turkey	0.0	0.1
EM Europe	**0.9**	**0.5**
Argentina	0.0	0.0
Brazil	0.7	0.6
Cayman Islands	0.1	0.1
Chile	0.0	0.1
Colombia	0.1	0.0
Mexico	0.7	0.2
Peru	0.0	0.0
Virgin Islands	0.0	0.0
EM Latin America	**1.7**	**1.0**
Egypt	0.1	0.0
Qatar	0.0	0.1
Saudi Arabia	0.0	0.3
South Africa	0.2	0.5
United Arab Emirates	0.0	0.1
EM Mid East+Africa	**0.2**	**1.0**
Emerging Markets	**10.8**	**12.3**
Frontier Markets	**0.1**	**0.1**
Cash	0.3	0.0
Other	0.4	0.1
Total	**100.0**	**100.0**

Surplus Cash Fixed Income Portfolio Characteristics

Total Fixed Income Composite vs. Total Fixed Income Benchmark - Surplus

March 31, 2021

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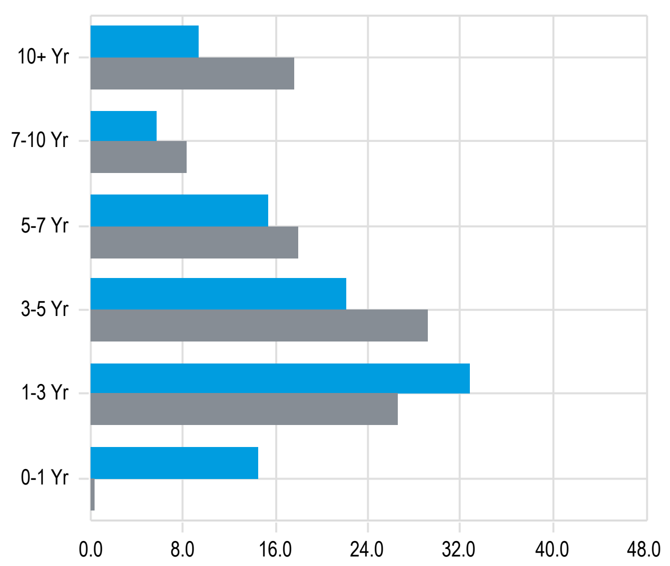
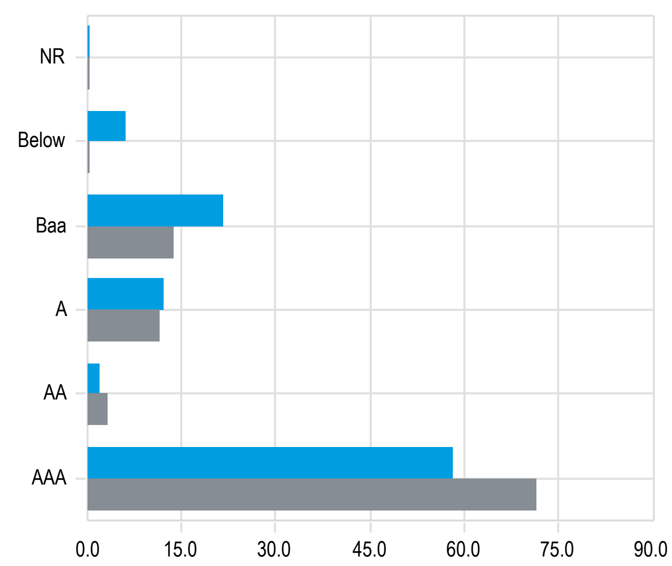
	Portfolio	Benchmark
Portfolio Characteristics		
Effective Duration	4.70	5.30
Avg. Maturity	7.00	6.70
Avg. Quality	AA	AA
Avg. Coupon	2.60	2.40
Current Yield	2.10	2.30
Yield To Maturity (%)	1.40	1.30
Number of Issues	-	-
Duration Distribution		
0-1 Yr	14.5	0.3
1-3 Yr	32.8	26.6
3-5 Yr	22.2	29.3
5-7 Yr	15.4	17.9
7-10 Yr	5.8	8.3
10+ Yr	9.3	17.6
Maturity Distribution		
0-1 Yr	6.6	0.2
1-3 Yr	29.4	39.8
3-5 Yr	21.2	21.0
5-7 Yr	9.8	14.7
7-10 Yr	20.9	10.4
10+ Yrs	12.0	13.8
Quality Distribution		
AAA	58.3	71.5
AA	2.0	3.2
A	12.1	11.4
Baa	21.7	13.8
Below	5.9	0.0
NR	0.0	-
Sector Distribution		
US Gov	31.7	46.7
Mortg.	29.3	22.2
Asset-Bck.	3.9	0.2
Corp	34.6	27.9
Foreign	2.9	2.9
Other	0.0	0.0
Cash	-2.3	0.0

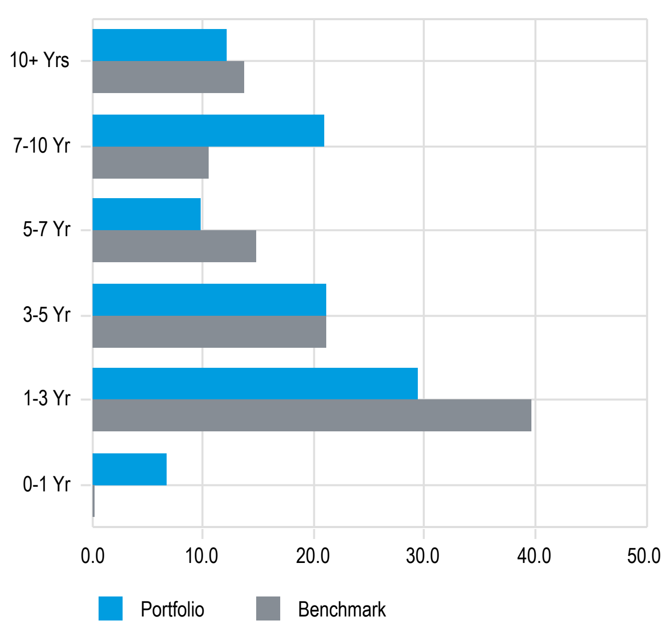
Duration Distribution



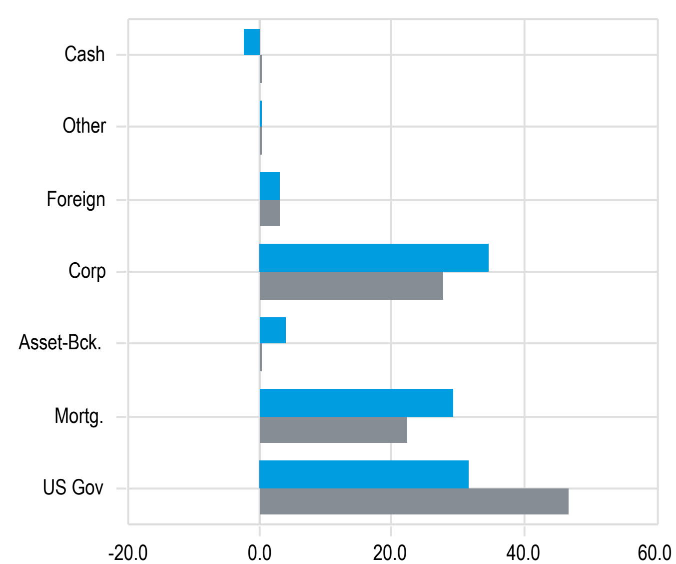
Credit Quality Distribution



Maturity Distribution



Sector Distribution



Cash Balance Plan Equity Portfolio Characteristics

Total Equity Composite vs. MSCI AC World IMI (Net)

March 31, 2021

Portfolio Characteristics

	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap $000	219,959,420	259,005,104
Median Mkt. Cap $000	23,111,266	2,203,767
Price / Earnings	29.11	25.25
Price / Book	3.79	3.48
5 Yr. EPS Growth Rate (%)	13.33	12.49
Current Yield (%)	1.39	1.74
Beta (5 Years, Monthly)	1.01	1.00
Number of Holdings	832	8,930

Top 10 Holdings

	Portfolio	Benchmark	Return
Amazon.com Inc	1.95	1.87	-5.00
Microsoft Corp	1.89	2.40	6.25
Apple Inc	1.58	2.94	-7.81
Sea Ltd	1.25	0.00	12.15
Netflix Inc	1.06	0.33	-3.53
Facebook Inc	1.00	1.00	7.82
Visa Inc	0.95	0.51	-3.05
Square Inc	0.92	0.12	4.32
Alphabet Inc Class A	0.80	0.88	17.68
JPMorgan Chase & Co	0.79	0.66	20.66

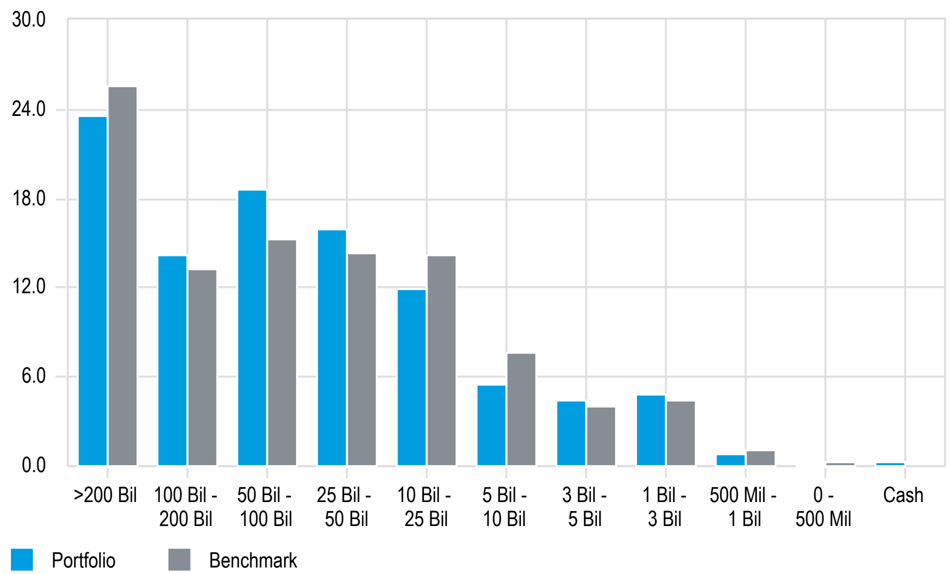
Top Contributors

	Portfolio	Benchmark	Return	Contribution
Volkswagen AG	0.51	0.05	50.20	0.21
Deere & Co	0.41	0.12	39.39	0.10
Lennar Corp	0.35	0.03	33.19	0.09
Sea Ltd	1.20	0.00	12.15	0.08
ING Groep NV	0.34	0.05	32.76	0.08

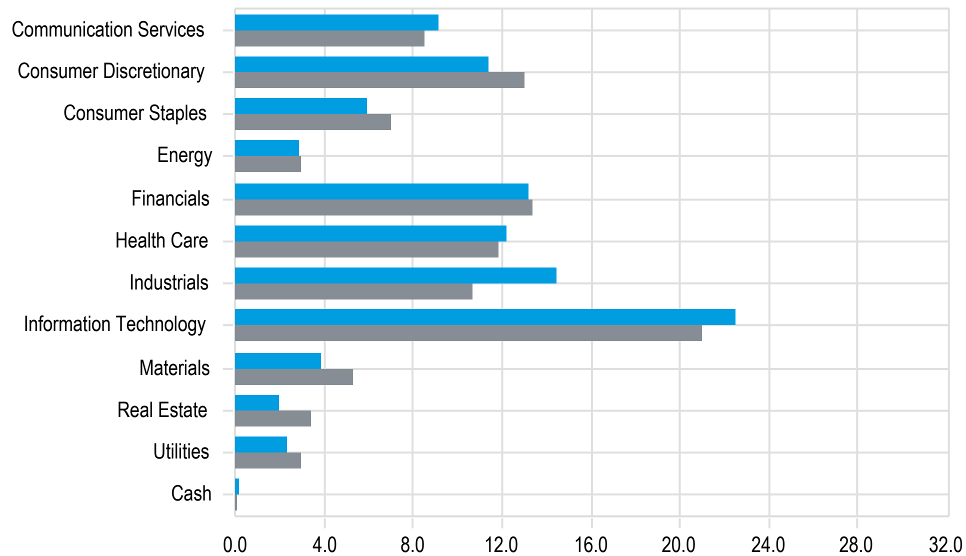
Top Detractors

	Portfolio	Benchmark	Return	Contribution
ServiceNow Inc	0.92	0.16	-9.14	-0.11
Match Group Inc	0.79	0.06	-9.13	-0.10
Sarepta Therapeutics Inc	0.17	0.02	-56.28	-0.09
Murata Manufacturing Co Ltd	0.63	0.08	-10.92	-0.09
Keyence Corp	0.45	0.15	-18.28	-0.07

Distribution of Market Cap



Sector Allocation



Cash Balance Plan Equity Portfolio - Country/Region Allocation

Total Equity Composite vs. MSCI ACWI IMI Index

March 31, 2021

	Total Equity Composite	MSCI AC World IMI (Net)
Canada	1.0	3.0
United States	60.7	55.3
Australia	0.5	2.0
Hong Kong	1.4	1.2
New Zealand	0.0	0.1
Singapore	1.3	0.4
Pacific ex Japan	**3.2**	**3.6**
Japan	3.7	6.9
Austria	0.0	0.1
Belgium	0.0	0.3
Bermuda	0.3	0.2
Denmark	0.9	0.6
Finland	0.2	0.3
France	3.0	2.5
Germany	2.8	2.4
Ireland	1.3	1.1
Italy	0.6	0.6
Luxembourg	0.3	0.1
Netherlands	1.5	1.6
Norway	0.0	0.2
Portugal	0.1	0.0
Spain	1.3	0.6
Sweden	0.2	1.1
Switzerland	3.6	2.6
Europe ex UK	**16.1**	**14.5**
United Kingdom	3.8	4.1
Israel	0.0	0.3
Middle East	**0.0**	**0.3**
Developed Markets	**88.5**	**87.6**

	Total Equity Composite	MSCI AC World IMI (Net)
China	2.8	4.0
India	1.0	1.3
Indonesia	0.3	0.2
Korea	1.8	1.8
Malaysia	0.0	0.2
Pakistan	0.0	0.0
Philippines	0.0	0.1
Taiwan	1.8	1.9
Thailand	0.1	0.3
EM Asia	**8.0**	**9.8**
Czech Republic	0.1	0.0
Greece	0.0	0.0
Hungary	0.0	0.0
Iceland	0.0	0.0
Poland	0.0	0.1
Russia	0.7	0.3
Turkey	0.0	0.1
EM Europe	**0.9**	**0.5**
Argentina	0.0	0.0
Brazil	0.7	0.6
Cayman Islands	0.1	0.1
Chile	0.0	0.1
Colombia	0.1	0.0
Mexico	0.7	0.2
Peru	0.0	0.0
Virgin Islands	0.0	0.0
EM Latin America	**1.6**	**1.0**
Egypt	0.1	0.0
Qatar	0.0	0.1
Saudi Arabia	0.0	0.3
South Africa	0.2	0.5
United Arab Emirates	0.0	0.1
EM Mid East+Africa	**0.2**	**1.0**
Emerging Markets	**10.7**	**12.3**
Frontier Markets	**0.1**	**0.1**
Cash	0.3	0.0
Other	0.4	0.1
Total	**100.0**	**100.0**

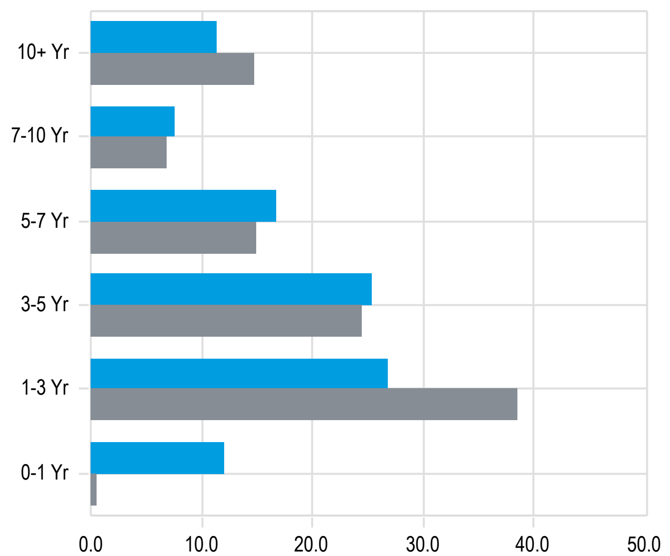
Cash Balance Plan Fixed Income Portfolio Characteristics

Cash Balance Fixed Income Composite vs. Total Fixed Income Benchmark

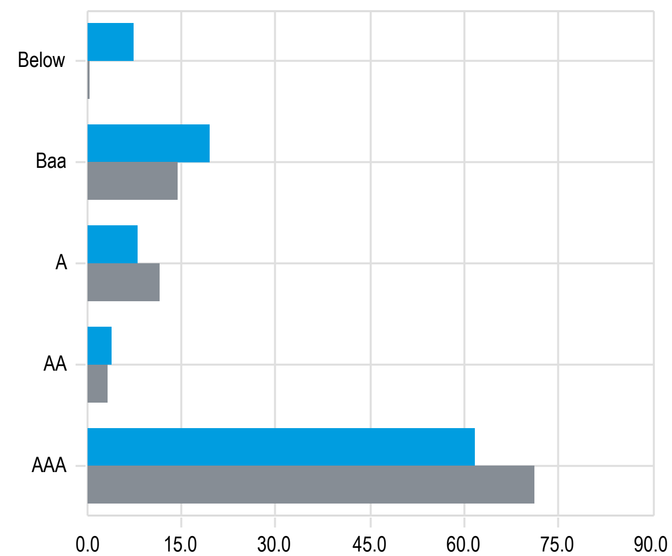
March 31, 2021

	Portfolio	Benchmark
Portfolio Characteristics		
Effective Duration	5.20	5.70
Avg. Maturity	7.90	7.30
Avg. Quality	AA-	AA
Avg. Coupon	2.60	2.40
Current Yield	2.70	2.50
Yield To Maturity (%)	1.90	1.20
Number of Issues	-	-
Duration Distribution		
0-1 Yr	12.1	0.5
1-3 Yr	26.9	38.6
3-5 Yr	25.4	24.4
5-7 Yr	16.7	14.9
7-10 Yr	7.6	6.9
10+ Yr	11.3	14.7
Maturity Distribution		
0-1 Yr	4.1	0.3
1-3 Yr	20.3	33.2
3-5 Yr	23.0	23.2
5-7 Yr	12.3	16.4
7-10 Yr	26.0	11.6
10+ Yrs	14.4	15.3
Quality Distribution		
AAA	61.6	71.2
AA	3.8	3.2
A	8.0	11.4
Baa	19.2	14.2
Below	7.3	0.0
Sector Distribution		
US Gov	33.0	44.2
Mortg.	35.7	24.7
Asset-Bck.	4.4	0.3
Corp	27.6	28.4
Foreign	3.2	2.5
Other	0.0	0.0
Cash	-4.0	-

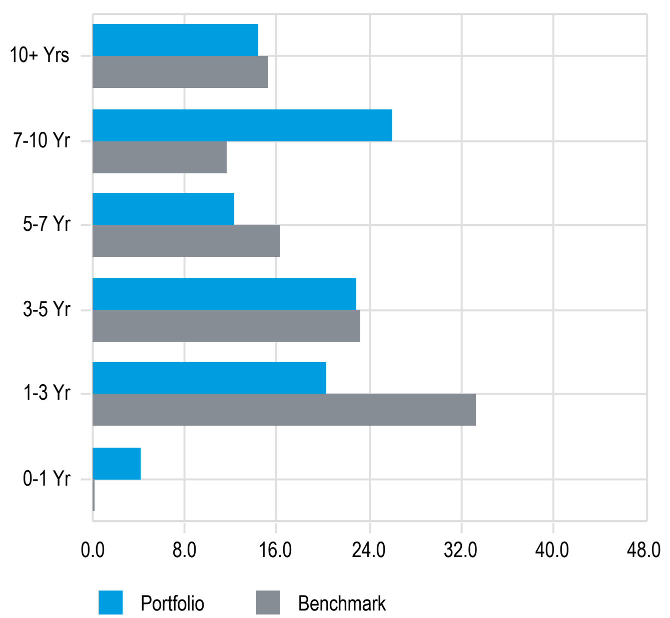
Duration Distribution



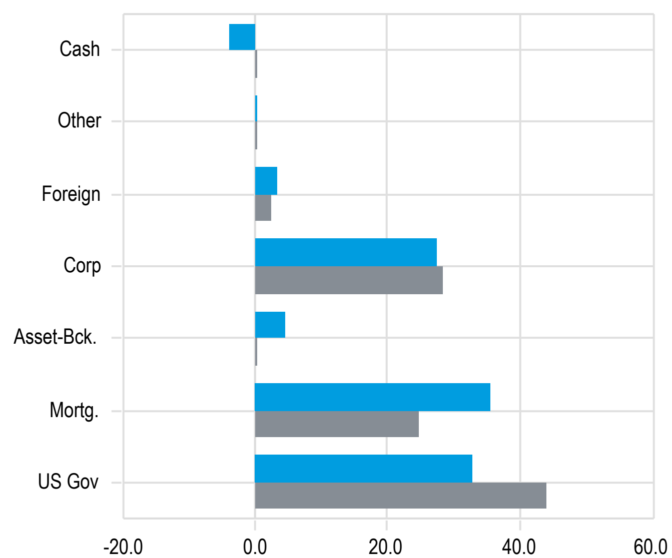
Credit Quality Distribution



Maturity Distribution



Sector Distribution



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Style analysis graph time periods may differ reflecting the length of performance history available.

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Please see the following link for information on indexes:
https://www.mercer.com/content/dam/mercer/attachments/global/gl-2021-sustainable-opportunities-private-markets-brochure.pdf

Annual Report to the El Camino Hospital Investment Committee for 403(b) Plan Investments and Fees

El Camino Hospital
Performance as of March 31, 2021

May 10, 2021

Executive Summary

El Camino Hospital 403(b) Plan

April 26, 2021

Introduction

As an ERISA 3(21) Investment Fiduciary to the Plan, Multnomah Group reviews the investment menu with El Camino Hospital Retirement Plan Administration Committee (RPAC) on a quarterly basis. Additionally, Multnomah Group Conducts an annual fee benchmarking and share class study for the Plan.

Fee Benchmarking

As of December 31, 2020, Fidelity charges $72 per unique participant with an account balance, annually. To meet this requirement Fidelity collects revenue generated from the investment menu. Any excess revenue generated from the plan is deposited into a revenue credit account to be returned to participants or used to pay allowable plan expenses. Multnomah Group has determined the Peer Group Range to be $55.00 - $90.00.

Share Class Review

At the Q3, 2020 RPAC meeting, the Committee approved a share class change for the American Funds Europacific Growth from the R4 share class to the R6 share class reducing the expense ratio from 0.84% to 0.49%. The remaining investments are invested in the lowest share class available to the Plan at this time that meets the agreed compensation requirements. Multnomah Group has recommended that the Committee consider moving to a Fee Levelization strategy to pay for plan services.

Fund Actions

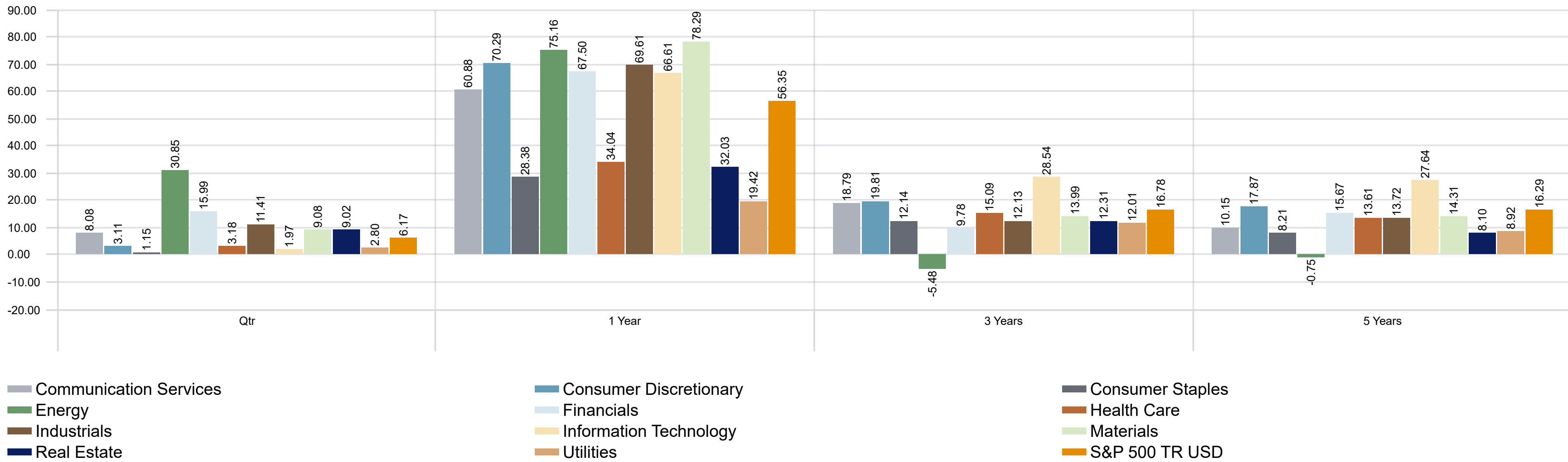
As of August, 2020, Multnomah Group has removed T. Rowe Price Retirement Funds from the Watch List after a successful implementation of changes is to the glidepath, increasing equity allocations for the youngest and oldest savers and dding two new strategies, T. Rowe Price U.S. Large-Cap Core and T. Rowe Price Emerging Markets Discovery Stock, to the array of underlying funds. In addition, T. Rowe Price is restructured the series' expenses, resulting in lower expense ratios for some investors.

Additional Comments

As no other investments are categorized as "Recommended for Removal", no actions are recommended and all the core investments score in the top half of Multnomah Group's Quantitative Score Percentile ranking except for Northern Small Cap Value.

U.S. Equity Markets

Returns by Sector (S&P 500)



Returns by Style (Russell Indices)

Last Quarter

	Value	Blend	Growth
Large	10.30	5.12	1.29
Mid	13.05	8.14	-0.57
Small	21.17	12.70	4.88

Last 1 Year

	Value	Blend	Growth
Large	47.94	56.30	61.38
Mid	73.76	73.64	68.61
Small	97.05	94.85	90.20

Last 3 Years

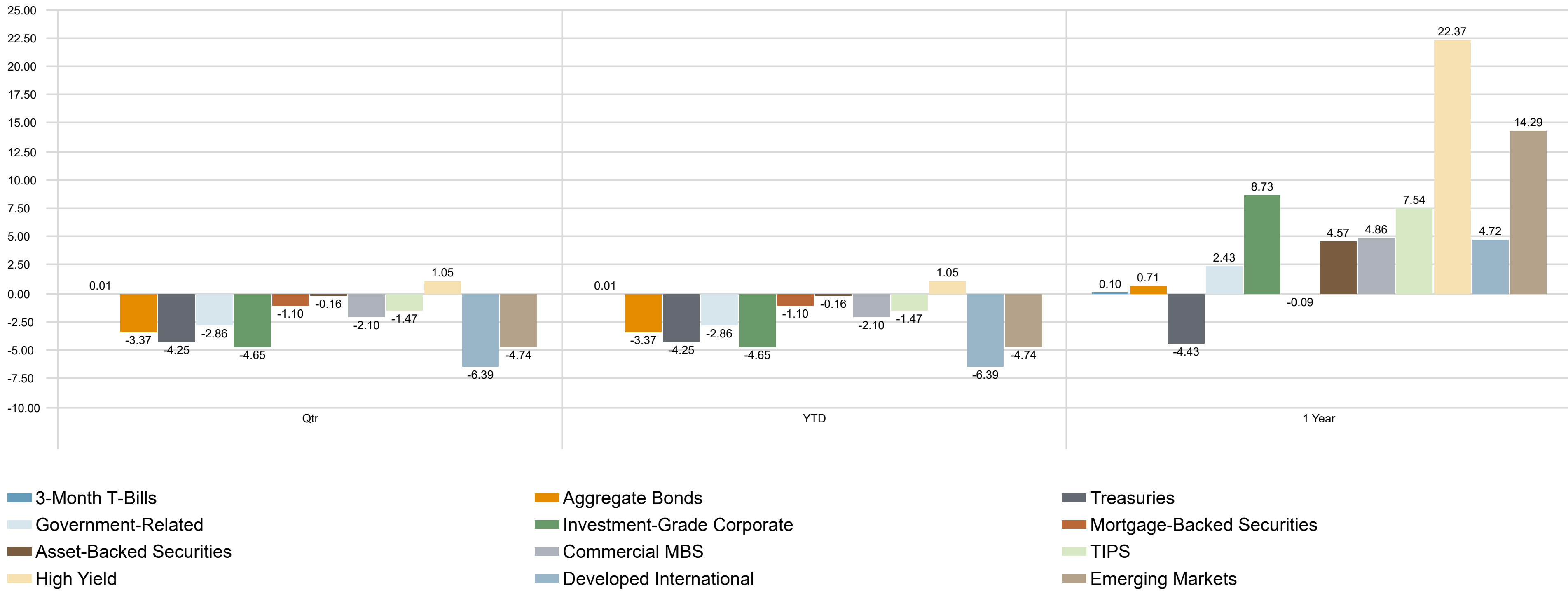
	Value	Blend	Growth
Large	11.05	18.30	23.73
Mid	10.70	14.73	19.41
Small	11.57	14.76	17.16

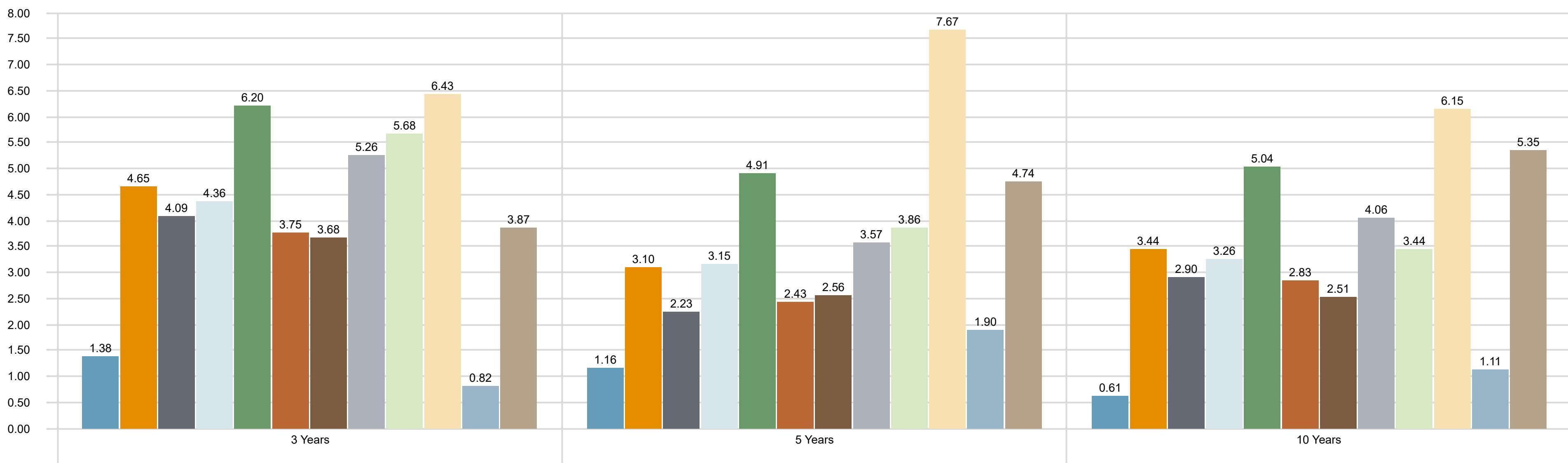
Last 5 Years

	Value	Blend	Growth
Large	11.79	17.42	21.81
Mid	11.60	14.67	18.39
Small	13.56	16.35	18.61

As of 3/31/2021

Fixed Income

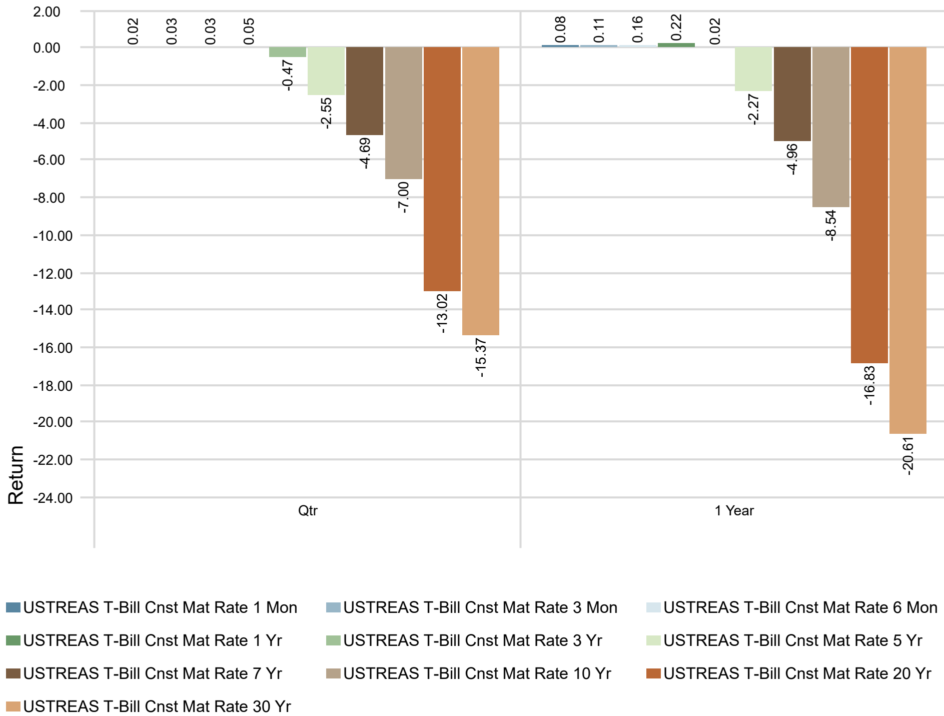




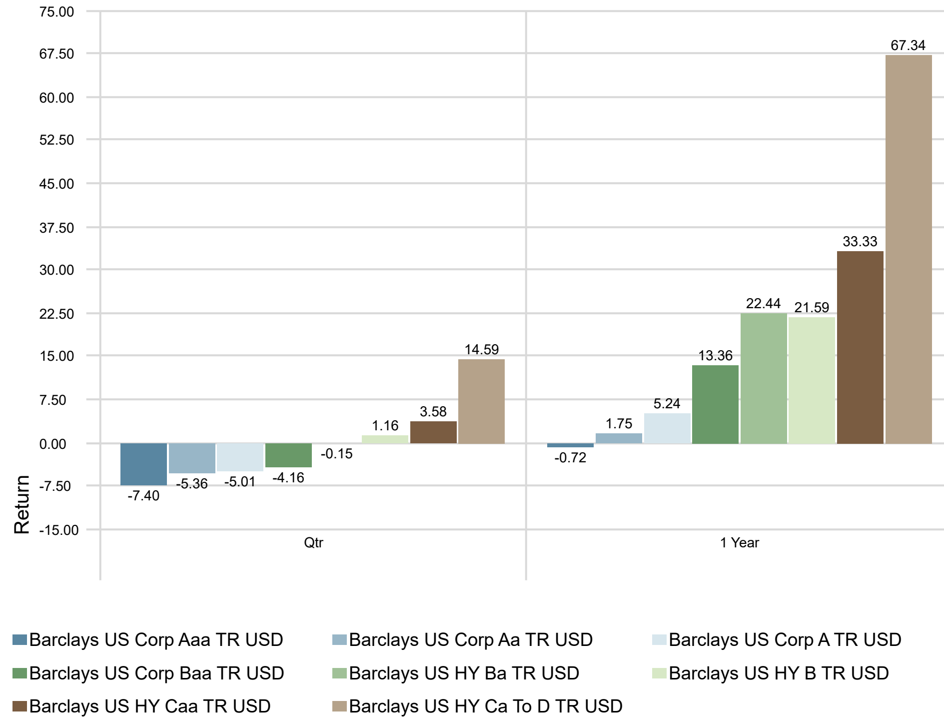
As of 3/31/2021

Fixed Income

Performance by Maturity



Performance by Credit Quality



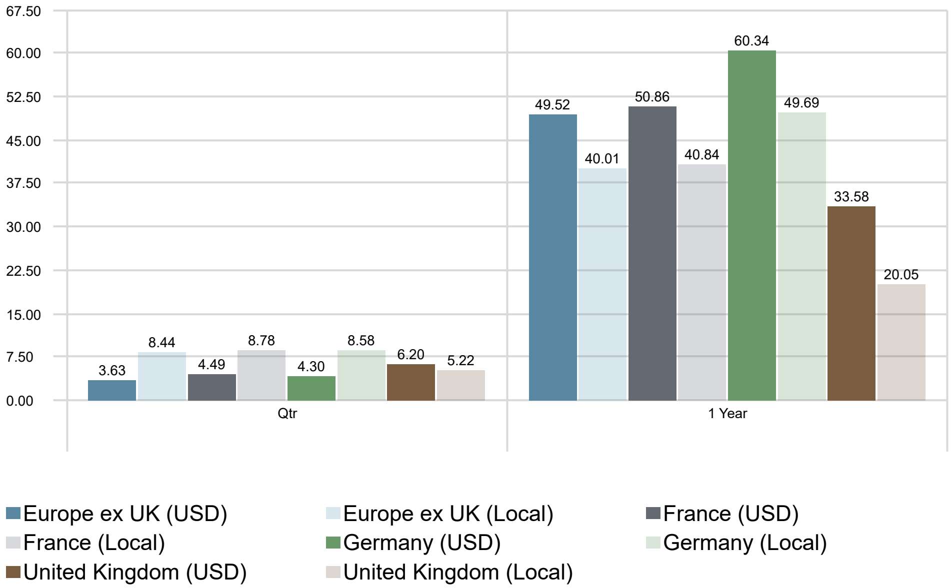
Estimated Cost of $1 of Lifetime Retirement Income at Age 65 (Adjusted for Cost of Living)

	BlackRock CoRI Retirement 2010	BlackRock CoRI Retirement 2012	BlackRock CoRI Retirement 2014	BlackRock CoRI Retirement 2016	BlackRock CoRI Retirement 2018	BlackRock CoRI Retirement 2020	BlackRock CoRI Retirement 2022	BlackRock CoRI Retirement 2024
3/31/2021		$ 16.51	$ 18.11	$ 19.72	$ 21.35	$ 23.00	$ 22.80	$ 21.60
12/31/2020		$ 17.99	$ 19.84	$ 21.73	$ 23.66	$ 25.62	$ 25.45	$ 24.50
9/30/2020		$ 18.30	$ 20.17	$ 22.10	$ 24.09	$ 26.11	$ 25.60	$ 24.64
6/30/2020	$ 16.59	$ 18.39	$ 20.25	$ 22.17	$ 24.13	$ 26.36	$ 25.38	$ 24.34
3/31/2020	$ 16.32	$ 18.11	$ 19.92	$ 21.77	$ 23.69	$ 25.46	$ 24.54	$ 23.54
12/31/2019	$ 15.36	$ 16.89	$ 18.48	$ 20.06	$ 21.68	$ 23.08	$ 21.95	$ 20.86
9/30/2019	$ 15.78	$ 17.37	$ 19.00	$ 20.67	$ 22.37	$ 23.42	$ 22.37	$ 21.31

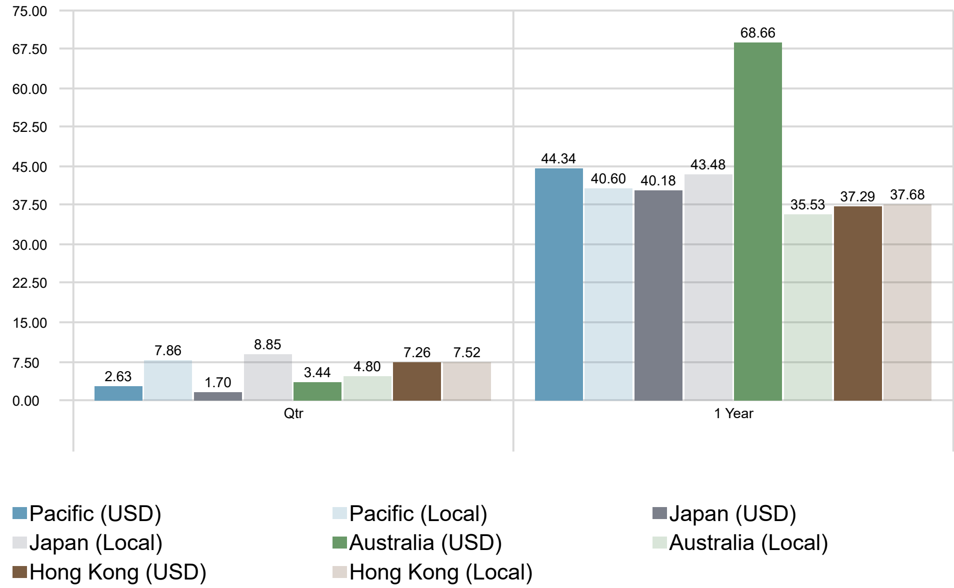
As of 3/31/2021

International Equity Markets

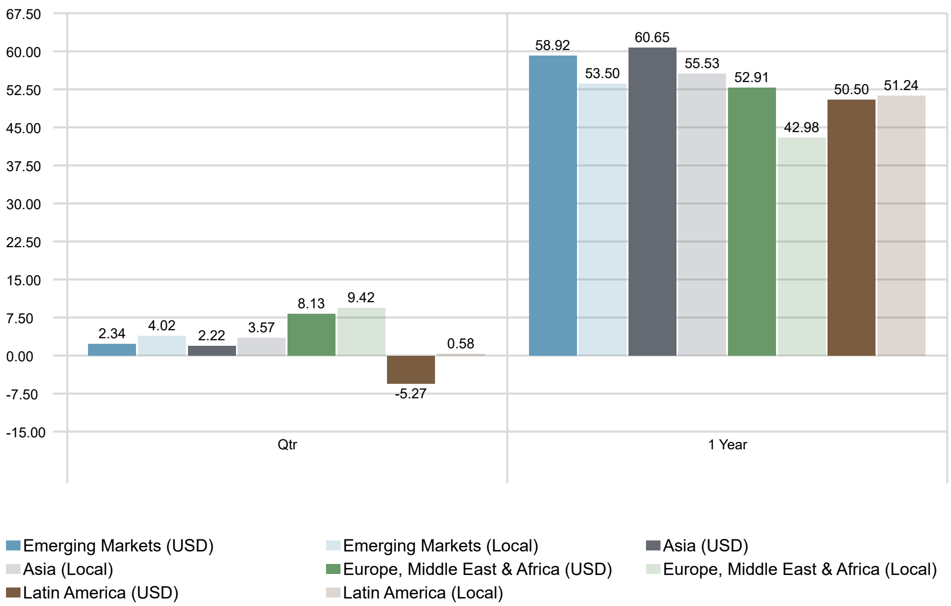
Developed Europe



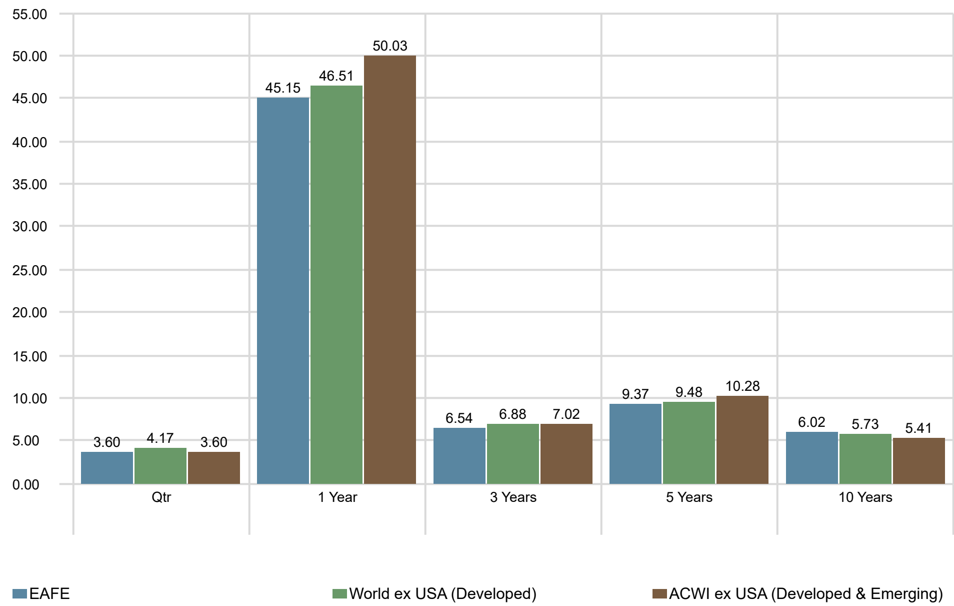
Developed Asia



Emerging Markets



International Benchmarks

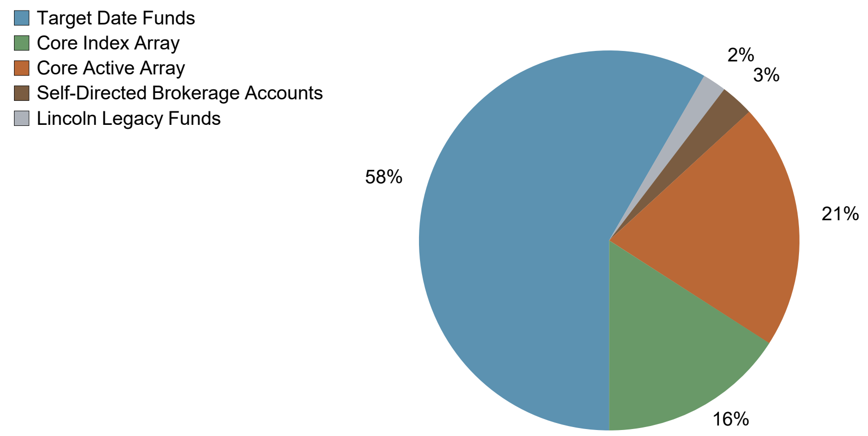


As of 3/31/2021

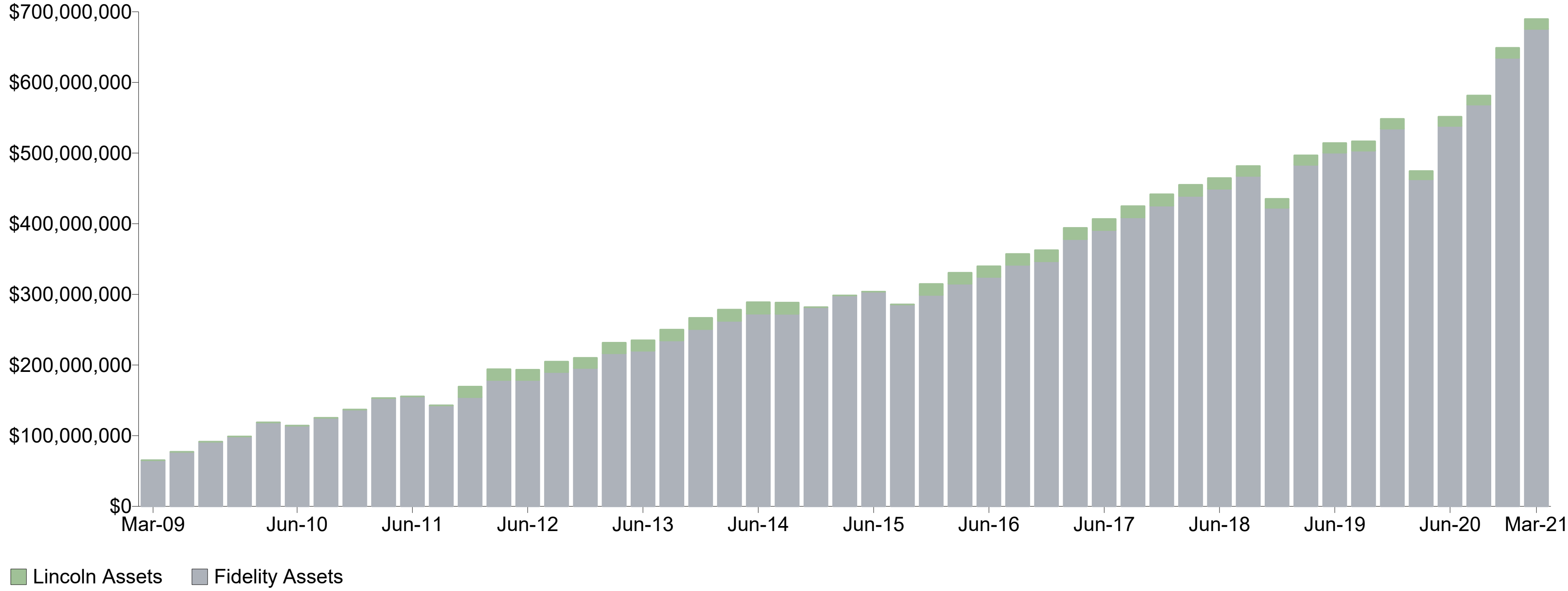
Assets by Investment Tier

Total Plan Assets	$689,641,264.71
Target Date Funds	$402,273,598.43
Core Index Array	$109,760,587.71
Core Active Array	$144,249,544.81
Self-Directed Brokerage Accounts	$19,386,550.05
Lincoln Legacy Funds	$13,970,983.71

Percentage Assets by Investment Tier



Growth of Assets



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As of March 31, 2021

	Sep-20		Dec-20		Mar-21	
	Amount ($)	% of Total	Amount ($)	% of Total	Amount ($)	% of Total
Target Date Funds	**$332,559,749.73**	**58.49**	**$373,440,805.90**	**58.82**	**$402,273,598.43**	**59.54**
T. Rowe Price Retirement 2005	$3,966,359.47	0.70	$4,332,530.06	0.68	$4,357,204.78	0.64
T. Rowe Price Retirement 2010	$6,407,179.72	1.13	$6,862,807.98	1.08	$7,136,247.18	1.06
T. Rowe Price Retirement 2015	$15,646,389.32	2.75	$16,296,758.88	2.57	$16,509,137.34	2.44
T. Rowe Price Retirement 2020	$43,419,645.15	7.64	$47,381,246.99	7.46	$47,861,361.93	7.08
T. Rowe Price Retirement 2025	$43,754,142.83	7.70	$48,484,799.79	7.64	$51,481,083.70	7.62
T. Rowe Price Retirement 2030	$62,913,973.05	11.06	$69,812,338.50	11.00	$74,135,661.71	10.97
T. Rowe Price Retirement 2035	$46,095,486.75	8.11	$52,524,690.39	8.27	$57,783,354.32	8.55
T. Rowe Price Retirement 2040	$43,693,510.53	7.68	$49,628,604.96	7.82	$54,757,891.18	8.10
T. Rowe Price Retirement 2045	$32,034,520.07	5.63	$37,515,941.09	5.91	$42,170,427.42	6.24
T. Rowe Price Retirement 2050	$23,523,946.80	4.14	$27,114,861.61	4.27	$30,308,638.37	4.49
T. Rowe Price Retirement 2055	$8,538,956.99	1.50	$10,167,740.81	1.60	$11,782,455.96	1.74
T. Rowe Price Retirement 2060	$2,565,639.05	0.45	$3,318,484.84	0.52	$3,990,134.54	0.59
Core Index Array	**$93,241,117.67**	**16.40**	**$104,891,619.95**	**16.52**	**$109,760,587.71**	**16.24**
Vanguard Federal Money Market	$22,813,860.52	4.01	$24,366,163.18	3.84	$23,001,363.34	3.40
Fidelity US Bond Index	$6,678,814.39	1.17	$6,163,654.64	0.97	$5,070,023.99	0.75
Fidelity 500 Index	$46,596,674.01	8.19	$51,712,250.32	8.15	$56,764,853.06	8.40
Fidelity Extended Market Index	$15,813,941.36	2.78	$20,907,539.68	3.29	$22,894,530.67	3.39
Fidelity Global Ex US Index	$1,337,827.39	0.24	$1,742,012.13	0.27	$2,029,816.65	0.30
Core Active Array	**$126,378,317.52**	**22.23**	**$138,354,526.58**	**21.79**	**$144,249,544.81**	**21.35**
NY Life GIA #GA80129	$26,124,711.18	4.59	$27,456,561.82	4.32	$27,944,726.42	4.14
Fidelity Total Bond Fund	$14,401,742.82	2.53	$14,925,998.92	2.35	$13,917,817.74	2.06
T. Rowe Price Equity Income	$5,630,021.56	0.99	$6,486,138.63	1.02	$7,578,159.23	1.12
JPMorgan Large Cap Growth R5	$52,957,380.41	9.31	$57,658,625.15	9.08	$59,319,690.17	8.78
Northern Small Cap Value	$4,996,130.04	0.88	$6,102,525.41	0.96	$7,697,728.50	1.14
Conestoga Small Cap Instl	$6,942,045.67	1.22	$8,376,348.35	1.32	$9,663,115.02	1.43
Dodge & Cox International Stock	$1,069,706.25	0.19	$1,228,550.93	0.19	$1,404,672.72	0.21
American Funds EuroPacific Gr R4	$9,647,644.67	1.70	$0.00	0.00	$0.00	0.00
American Funds EuroPacific Gr R6	$0.00	0.00	$11,191,772.23	1.76	$11,456,701.26	1.70
DFA Intl Small Company I	$422,557.14	0.07	$454,524.25	0.07	$571,942.34	0.08
Cohen & Steers Instl Realty Shares	$4,186,377.78	0.74	$4,473,480.89	0.70	$4,694,991.41	0.69
Self-Directed Brokerage Accounts	**$16,425,336.25**	**2.89**	**$18,197,318.49**	**2.87**	**$19,386,550.05**	**2.87**
Self-Directed Brokerage Acct	$16,425,336.25	2.89	$18,197,318.49	2.87	$19,386,550.05	2.87
Total	**$568,604,521.17**	**100.00**	**$634,884,270.92**	**100.00**	**$675,670,281.00**	**100.00**

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As of March 31, 2021

Fund	Asset Class	Multnomah Group Investment Committee Overall Evaluation	Expenses (20%)	Experience (10%)	Holdings Diversification (5%)	Concentration Risk (5%)	Style Purity (10%)	Style Consistency (10%)	Excess Returns (10%)	Sharpe Ratio (10%)	Consistency (10%)	Risk (10%)	Quantitative Score Percentile
T. Rowe Price Retirement Funds	Target Date Funds	Satisfactory											
NY Life GIA #GA80129	Stable Value	Satisfactory											
Vanguard Federal Money Market	Money Market-Taxable	Satisfactory	●										2
Fidelity US Bond Index	Intermediate Core Bond	Satisfactory	●	●	●	●	●	●	NA-Index	NA-Index	NA-Index	●	9
Fidelity Total Bond Fund	Intermediate Core-Plus Bond	Satisfactory	●	●	●	●	▲	●	●	●	●	●	5
T. Rowe Price Equity Income	Large Value	Satisfactory	●	●	●	●	●	●	●	●	●	▲	26
Fidelity 500 Index	Large Blend	Satisfactory	●	●	●	●	●	●	NA-Index	NA-Index	NA-Index	●	4
JPMorgan Large Cap Growth R5	Large Growth	Satisfactory	●	●	●	▲	●	●	●	●	●	⬣	2
Fidelity Extended Market Index	Mid-Cap Blend	Satisfactory	●	●	●	●	●	●	NA-Index	NA-Index	NA-Index	⬣	13
Northern Small Cap Value	Small Value	Satisfactory	●	●	●	●	●	▲	⬣	▲	⬣	●	51
Conestoga Small Cap Instl	Small Growth	Satisfactory	●	●	▲	●	●	●	●	●	●	●	15
Dodge & Cox International Stock	Foreign Large Value	Satisfactory	●	●	●	●	●	●	●	●	●	⬣	4
Fidelity Global Ex US Index	Foreign Large Blend	Satisfactory	●	●	●	●	●	●	NA-Index	NA-Index	NA-Index	●	7
American Funds EuroPacific Gr R6	Foreign Large Growth	Satisfactory	●	●	●	●	●	●	●	●	▲	▲	5
DFA Intl Small Company I	Foreign Small/Mid Blend	Satisfactory	●	●	●	●	●	●	●	●	●	▲	11
Cohen & Steers Instl Realty Shares	Real Estate	Satisfactory	●	●	▲	⬣	●	●	●	●	●	●	6

Grades are based on a Multnomah Group proprietary evaluation methodology. For a detailed explanation of the criteria please see the Evaluation Methodology section in the back of this report.

As of March 31, 2021

	Qtr	YTD	Annualized Returns 1 Yr	3 Yrs	5 Yrs	10 Yrs	Expense Ratio (%)	Ticker
Target-Date 2060+								
T. Rowe Price Retirement 2060	5.99	5.99	57.73	13.16	13.88	N/A	0.71	TRRLX
S&P Target Date 2060+ TR USD	5.61	5.61	52.11	11.73	12.69	NA		
Target-Date 2055								
T. Rowe Price Retirement 2055	5.93	5.93	57.71	13.16	13.88	10.71	0.71	TRRNX
S&P Target Date 2055 TR USD	5.67	5.67	51.99	11.63	12.54	NA		
Target-Date 2050								
T. Rowe Price Retirement 2050	5.91	5.91	57.64	13.17	13.90	10.73	0.71	TRRMX
S&P Target Date 2050 TR USD	5.57	5.57	51.32	11.58	12.40	NA		
Target-Date 2045								
T. Rowe Price Retirement 2045	5.90	5.90	57.66	13.19	13.90	10.73	0.71	TRRKX
S&P Target Date 2045 TR USD	5.33	5.33	49.94	11.41	12.12	9.52		
Target-Date 2040								
T. Rowe Price Retirement 2040	5.49	5.49	54.73	12.78	13.56	10.56	0.69	TRRDX
S&P Target Date 2040 TR USD	4.93	4.93	47.29	11.11	11.73	9.26		
Target-Date 2035								
T. Rowe Price Retirement 2035	4.90	4.90	50.74	12.15	12.87	10.15	0.67	TRRJX
S&P Target Date 2035 TR USD	4.22	4.22	42.83	10.53	11.08	8.86		
Target-Date 2030								
T. Rowe Price Retirement 2030	4.22	4.22	46.13	11.45	12.09	9.67	0.64	TRRCX
S&P Target Date 2030 TR USD	3.24	3.24	36.53	9.69	10.15	8.28		
Target-Date 2025								
T. Rowe Price Retirement 2025	3.51	3.51	41.09	10.64	11.14	9.02	0.61	TRRHX
S&P Target Date 2025 TR USD	2.38	2.38	30.77	8.92	9.24	7.69		
Target-Date 2020								
T. Rowe Price Retirement 2020	2.95	2.95	35.83	9.79	10.13	8.31	0.57	TRRBX
S&P Target Date 2020 TR USD	1.46	1.46	25.04	8.03	8.22	7.05		
Target-Date 2015								
T. Rowe Price Retirement 2015	2.54	2.54	31.89	9.20	9.15	7.58	0.55	TRRGX
S&P Target Date 2015 TR USD	1.14	1.14	22.79	7.75	7.63	6.55		
Target-Date 2000-2010								
T. Rowe Price Retirement 2005	1.92	1.92	26.49	8.23	7.80	6.39	0.52	TRRFX
T. Rowe Price Retirement 2010	2.18	2.18	29.01	8.72	8.38	6.89	0.52	TRRAX
S&P Target Date 2010 TR USD	0.62	0.62	19.92	7.32	6.92	5.94		
Money Market-Taxable								
Vanguard Federal Money Market	0.00	0.00	0.11	1.34	1.08	0.55	0.11	VMFXX
BofA ML 3-Month T-Bill	0.03	0.03	0.12	1.49	1.19	0.63		

As of March 31, 2021

	Qtr	YTD	Annualized Returns 1 Yr	3 Yrs	5 Yrs	10 Yrs	Expense Ratio (%)	Ticker
Stable Value								
NY Life GIA #GA80129	0.55	0.55	2.29	2.33	N/A	N/A	0.10	
BofA ML 3-Month T-Bill	0.03	0.03	0.12	1.49	1.19	0.63		
Intermediate Core Bond								
Fidelity US Bond Index	-3.48	-3.48	0.37	4.65	3.05	3.42	0.03	FXNAX
BBgBarc US Agg Bond TR USD	-3.37	-3.37	0.71	4.65	3.10	3.44		
Intermediate Core-Plus Bond								
Fidelity Total Bond Fund	-2.68	-2.68	6.98	5.51	4.40	4.20	0.45	FTBFX
BBgBarc US Agg Bond TR USD	-3.37	-3.37	0.71	4.65	3.10	3.44		
Large Value								
T. Rowe Price Equity Income	13.38	13.38	60.36	10.50	12.21	10.11	0.64	PRFDX
Russell 1000 Value TR USD	11.26	11.26	56.09	10.96	11.74	10.99		
Large Blend								
Fidelity 500 Index	6.18	6.18	56.34	16.77	16.28	13.90	0.01	FXAIX
S&P 500 TR USD	6.17	6.17	56.35	16.78	16.29	13.91		
Large Growth								
JPMorgan Large Cap Growth R5	0.37	0.37	77.37	27.77	26.03	17.97	0.54	JLGRX
Russell 1000 Growth TR USD	0.94	0.94	62.74	22.80	21.05	16.63		
Mid-Cap Blend								
Fidelity Extended Market Index	7.75	7.75	97.89	18.16	18.00	13.15	0.05	FSMAX
Russell Mid Cap TR USD	8.14	8.14	73.64	14.73	14.67	12.47		
Small Value								
Northern Small Cap Value	18.91	18.91	77.19	8.11	10.17	9.46	1.00	NOSGX
Russell 2000 Value TR USD	21.17	21.17	97.05	11.57	13.56	10.06		
Small Growth								
Conestoga Small Cap Instl	2.97	2.97	66.57	18.48	20.96	14.78	0.90	CCALX
Russell 2000 Growth TR USD	4.88	4.88	90.20	17.16	18.61	13.02		
Foreign Large Value								
Dodge & Cox International Stock	7.16	7.16	57.43	4.03	8.96	5.09	0.63	DODFX
MSCI ACWI Ex USA Large Value NR USD	7.02	7.02	46.99	2.22	7.17	2.77		
Foreign Large Blend								
Fidelity Global Ex US Index	3.64	3.64	49.89	6.41	9.86	N/A	0.06	FSGGX
MSCI ACWI Ex USA Large NR USD	3.57	3.57	47.92	6.71	9.94	4.83		
Foreign Large Growth								
American Funds EuroPacific Gr R6	-0.43	-0.43	60.79	10.20	12.90	7.72	0.46	RERGX
MSCI ACWI Ex USA Large Growth NR USD	0.12	0.12	48.36	11.33	12.73	6.93		

As of March 31, 2021

	Qtr	YTD	Annualized Returns 1 Yr	3 Yrs	5 Yrs	10 Yrs	Expense Ratio (%)	Ticker
Foreign Small/Mid Blend								
DFA Intl Small Company I	5.92	5.92	65.83	5.15	9.72	6.91	0.44	DFISX
MSCI AC World Ex USA Small NR USD	5.53	5.53	69.82	6.61	10.40	6.32		
Real Estate								
Cohen & Steers Instl Realty Shares	8.56	8.56	37.01	13.07	8.15	9.64	0.75	CSRIX
MSCI US REIT NR USD	8.50	8.50	36.13	8.18	4.02	7.22		

As of March 31, 2021

Brief: Northern Small Cap Value

Caryn Sanchez

Investment Analyst

January 8, 2021

Summary

- Northern Small Cap Value has maintained its Satisfactory rating from Multnomah Group's Investment Committee
- The fund has underperformed its benchmark and peer group for the quarter and the year-to-date
- Northern Trust recently added a second Portfolio Manager, Michael Hunstad, to the fund's prospectus

Northern Small Cap Value underperformed its Russell 2000® Value benchmark and its small value peers in 2020, posting a return of -2.30% compared to the benchmark at 4.63% and the peer group at 3.56%[1]. For the fourth quarter, the fund posted a positive return of 27.40% but still lagged its benchmark and peer group to land in the bottom quartile of its peer group range.

Northern Small Cap Value is a quantitatively driven fund that intends to exploit market emotion and inefficiencies by investing in mispriced securities that balance risk, cost, and upside potential. Lead Portfolio Manager (PM) Robert Bergson is focused on purchasing value stocks that exhibit strong momentum and profitability. The fund tends to hold a portfolio of high-quality companies (as defined by return on equity) and low volatility (based on the standard deviation of returns).

During the first quarter, the fund underperformed as oil price shocks combined with the COVID-19 pandemic roiled markets. Stock selection in energy and industrials detracted from returns. The market has had a mixed recovery over the second and third quarters with periods of volatility as the markets responded to news headlines on the progress of pandemic and government response. For the second quarter, security selection in healthcare and consumer discretionary stocks detracted from returns for the period. A rally in healthcare stocks was led by biotechnology with returns over 50%. The fund does not invest in biotech stocks based on their binary outcomes, often reliant on a single therapy. The fund also faced style factor headwinds as lower price-to-earnings stocks with low profit margins and high volatility outperformed quality. Over the third quarter, the same style factors detracted from fund performance. These style factor effects were evident in the fund's negative security selection in materials, consumer discretionary, and financials stocks.

In the fourth quarter, the low-quality rally intensified with low profitability stocks outperforming stocks with higher profitability and lower leverage. The fund's quantitative model has a bias to stocks with higher quality characteristics, including profitability and return-on-equity. The quantitative model's quality focus also results in a low volatility portfolio; throughout 2020, higher volatility stocks outperformed. Stock selection in the consumer discretionary and healthcare sectors also detracted.

[1] Performance information given is for ticker NOSGX and is as of December 31, 2020. Fund, peer, and benchmark data is provided by Morningstar, Inc.

Brief: Northern Small Cap Value

In August 2020, Northern Trust announced the addition of Michael Hunstad to the prospectus as co-PM. Hunstad is the Head of Quantitative Strategies for the firm and oversees all of its quantitative strategies. Hunstad has been with Northern Trust for over eight years. Lead PM Bergson continues to be responsible for all day-to-day activities of the fund and the maintenance and development of its quantitative model. The addition of Hunstad to the prospectus reflects his position as Head of Quant Strategies and provides continuity in the event Bergson steps down.

Multnomah Group sees Hunstad’s addition to the prospectus as an operational move with no change to the fund’s philosophy, process, or day-to-day management and has no concerns. Given Northern Small Cap Value’s quality bias (as reflected in profitability and return on equity) and preference for a portfolio with positive momentum and low volatility, its underperformance in 2020 is disappointing but not surprising. We continue to rate the fund as Satisfactory.

Profile: T. Rowe Price Retirement

Caryn Sanchez

Investment Analyst

February 9, 2021

Basis for Recommendation

- Actively managed target date fund strategy
- A strong lineup of underlying investment strategies
- Equity-heavy glide path focused on mitigating longevity risk

Investment Management Firm Capabilities

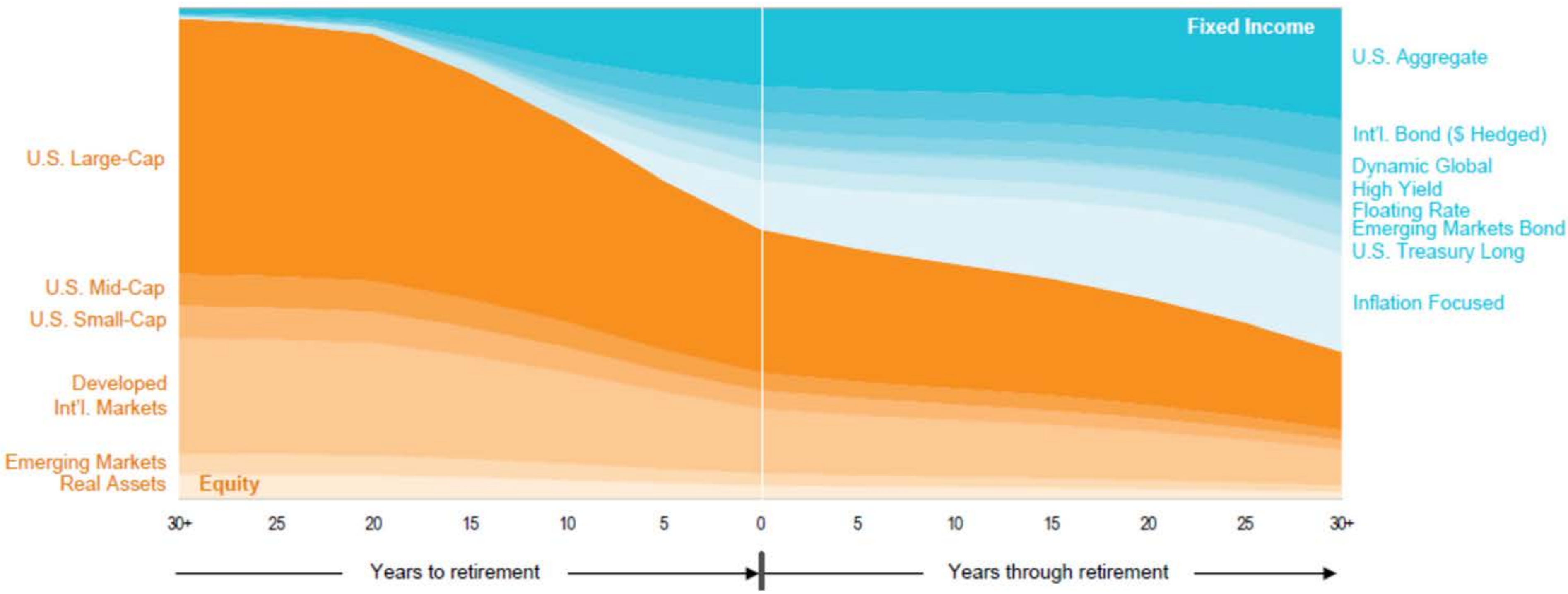
T. Rowe Price was established in 1937 and created its first mutual fund offering in 1950. The publicly-traded company manages over $1.4 trillion in assets as of December 31, 2020. The Multi-Asset category, which includes the target date funds, represents over 25% of their assets under management.

T. Rowe Price's Retirement series of funds was incepted in 2002 under the aegis of the T. Rowe Price's Multi-Asset Group. As of December 31, the group managed over $406 billion, inclusive of $332.2 billion in target date products. (The Retirement series makes up over $297.2 billion of the target date total; the firm also offers Target Funds, which have a more conservative glidepath than their flagship series.) The glidepath and broad asset allocation of the target date funds are overseen by the 11-member Asset Allocation Committee (AAC). The Committee includes multi-asset specialists; T. Rowe Price's Chief Investment Officer (CIO), the Head of International Equity, and Head of Global Equity, as well as equity portfolio managers; the co-CIO for fixed income and two fixed income asset managers. Implementation of asset allocation, day-to-day portfolio management, and oversight is performed by Portfolio Managers Wyatt A. Lee, Kim DeDominicis, and Andrew van Merlen (Jerome Clark, a PM since the inception of the portfolios, recently stepped down from this role.) Lee has been Clark's co-PM on the series since August 2015 and is well-poised to take over the reins here. DeDominicis, an Associate PM for the series since 2015, was promoted to co-PM effective October 1, 2019. Andrew van Merlen, an Associate PM in the Multi-Asset Group, was promoted to co-PM on January 1, 2020. Lee is a member of the AAC. The Research and Development Team supports the PMs by providing analysis of the strategic asset allocation and glidepath, capital markets modeling, and investor behavior/demographics modeling. Director of Research James Tzitzouris was co-architect of the series' glidepath and construction alongside Clark and remains involved in participant research, modeling, and design of the Retirement funds.

Glidepath

T. Rowe Price's returns modeling shows that there is no significant variability in outcomes between high savers, low earners; high savers, high earners; low savers, high earners; and low savers, low earners. The most significant differentiators of outcome are therefore attributable to two key decisions: time preference and risk. All retirement investors are faced with competing objectives: consumption replacement (income less taxes and savings) and balance variability (volatility). Investors also must determine their time preference: do they desire lifetime income or a lump sum at retirement? T. Rowe Price's Retirement Series is designed to provide investors capital appreciation consistent with the goals of consumption replacement and lifetime income while managing volatility dynamically throughout the investor's lifetime.

The Retirement Funds' glidepath is based on long-term capital markets assumptions, social security updates, mortality patterns, and studies of participant demographics and behavior gleaned from T. Rowe Price's retirement plan recordkeeping business. Based on their objectives, T. Rowe Price has designed an enhanced glidepath with a higher equity allocation in the funds furthest from retirement to generate growth of capital. The glidepath begins in the 2060 fund with an allocation of approximately 98% equity, 2% fixed income. The allocation is then adjusted quarterly as the funds approach their target date, with modest tactical allocation shifts within equity and fixed income and overall de-risking of the portfolio over time. Under the current glidepath, the portfolio begins to ramp down equity exposure approximately 20 years before retirement and continues until 30 years past retirement when the portfolio reaches a terminal allocation of 30% equity, 70% fixed income, as seen in the chart below.



Source: T. Rowe Price, as of September 30, 2020

Profile: T. Rowe Price Retirement

In early 2020, T. Rowe Price announced changes to their glidepath meant to address participant behavior. Their studies found that participants continue to save less than the recommended 15% contribution. They also found that life expectancy has increased by two years from 2000 to 2017. Their glidepath enhancements are meant to address the increased savings and longevity risks. In a two-year phased transition that started in April 2020, T. Rowe Price began to increase equity allocations at the ends of the glidepath. Under the "enhanced" glidepath, participants with 40 years to retirement will have an allocation of 98% equities, up 8% from the previous glidepath. The portfolio will begin to de-risk with 25 years to retirement. As those near and at retirement are the most sensitive to market shocks, there is no change to the allocation at retirement – 55% of the portfolio is invested in equities. Participants beyond retirement age will also have more exposure to equities under the enhanced glidepath. Participants 20 years past retirement will have an equity allocation of 41%, up from 31%. At 30 years beyond retirement, the equity allocation will increase from 20% under the previous glidepath to 30% under the enhanced glidepath.

T. Rowe Price believes that these changes have only a modest impact on risk, especially for the oldest savers, while increasing the accounts' growth potential and reducing participants' risk of outliving their savings. While the youngest participants are exposed to greater drawdown risk, T. Rowe Price believes that these investors are likely to stick with the series through negative market events based on participant behavior data. T. Rowe Price is managing the transition primarily through cash flows and, as of December 31, 2020, is approximately halfway through the transition process.

T. Rowe Price previously updated the glidepath in early 2015 as they dropped the Retirement Balanced[1] fund from the target date series. When the glidepath was first developed, the Balanced fund was designed to be a landing point for the most conservative investors with a static allocation of 40% equity and 60% fixed income. As the series has matured, the 2005 fund surpassed the Balanced fund as the most conservative option. It will continue to move along the glidepath until it reaches the terminal allocation in 2035. Given these circumstances, T. Rowe Price felt the Retirement Balanced fund was no longer consistent with the glidepath and removed it from the series. The Balanced fund is still available to investors as a moderately conservative allocation fund and uses the same asset classes and underlying investments as the target date funds.

Asset Class Selection

The AAC makes the broad asset allocation decisions based on capital market assumptions projected over 70 years. These assumptions are reviewed regularly. The strategic allocation includes the following asset classes:

[1] The Retirement Balanced fund was named "Retirement Income" prior to December 29, 2014.

- U.S. large-cap equity
- U.S. mid-cap equity
- U.S. small-cap equity
- International developed markets
- International emerging markets
- Real assets

- Core fixed income
- High-yield fixed income
- Non-dollar fixed income (hedged)[2]
- Emerging markets debt
- Bank loans[3]
- Long-duration Treasuries[4]
- Inflation-focused fixed income

Historically, the strategic asset allocation within both equities and fixed income has been largely static. Except for real assets and short-duration TIPs utilized in the near-dated funds, the fixed income sub-asset class allocation historically remained proportionate through the glidepath. The PMs utilized a core fixed income strategy (including investment-grade corporate credit, securitized products, and U.S. government bonds) as a volatility dampener for equities, while modest allocations to high yield, non-dollar international fixed income, and emerging markets debt provided additional diversification and incremental alpha. Short-duration TIPs and real asset equity were and are currently used in the near-dated funds to minimize inflation risk in the period when investors are most sensitive.

In 2017, then co-PMs Clark & Lee concluded a lengthy review of fixed income capital markets, correlations, and glidepath impacts. They determined that there are materially different characteristics between fixed income sectors. As the universe of available sub-asset classes and investment strategies has increased and matured, there are advantages to utilizing a dynamic underlying fixed income allocation, particularly for the longer-dated funds. Given the longer-dated funds' high exposure to equities, the PMs looked for uncorrelated fixed income sub-asset classes that could better address volatility in this stage while still providing an alpha opportunity. Ultimately, they decided to replace the existing non-dollar international fixed income portfolio with a hedged version of the same strategy and add allocations to floating-rate bank loans and long-duration Treasuries. (They also added a global dynamic fixed income portfolio with tactical allocations to diverse sectors of the fixed income universe.)

The hedged non-dollar bond strategy is included in the glidepath's "core" fixed income allocation, given its lower risk profile relative to other fixed income asset classes. The allocation to core fixed income (which includes the new diversified, dynamic fixed-income strategy) otherwise remains the same through the glidepath with a strategic allocation of 70% of the aggregate weight to fixed income. The "diversifiers" make up the remaining 30% of the allocation. However, the PMs have strategically weighted these sub-asset classes differently through the glidepath. Given long-duration Treasuries' low correlation with equity, the longer-dated funds have the highest allocation to the sector at 20%; the position is trimmed through the glidepath until it reaches 5% at the terminal allocation. In contrast, the allocation to high-yield, bank loans, and

[2] The hedged non-dollar international fixed income strategy was added to the portfolios in the fourth quarter of 2017, replacing an unhedged non-dollar international fixed income strategy.

[3] Added in the fourth quarter of 2017.
[4] Added in the fourth quarter of 2017.

emerging markets debt increases from 10% of the fixed income portfolio in the longer-dated funds to 25% at the terminal allocation. The PMs believe that increasing the allocation to these diversifiers as the glidepath matures can generate incremental alpha while reducing overall portfolio volatility.

Within the near-dated funds, the PMs use a passive fund to provide some domestic large-cap equity exposure via an S&P 500 Index fund. The S&P Index fund appears within the equity allocation as investors approach retirement when they are most sensitive to fund expenses in portfolio returns. In 2015, T. Rowe Price updated the prospectus language to allow for the use of index funds in the mid- and small-cap equity space. T. Rowe Price is not making any changes to the underlying fund lineup at this time but desired the flexibility to use additional index funds in the event the actively managed small- and mid-cap strategies in the portfolio today become capacity constrained.

Investment Management Implementation

Having developed the fund series' glidepath and selected the appropriate asset classes, the process then moves to manager selection and allocation. The team can select from T. Rowe Price's generally strong lineup of over 100 mutual funds. As of December 31, 2020, the strategy uses a mix of 23 underlying funds across the glidepath. The Retirement PMs primarily rely on T. Rowe Price's U.S. Equity, International Equity, Fixed Income, and Multi-Asset Investment Steering Committees to conduct regular monitoring and due diligence of the underlying funds and managers. However, over the last few years, the team has formalized a Due Diligence Committee, which regularly reviews the series' performance, risk metrics, and attribution by manager and asset class. This process includes monthly meetings with a rotating selection of the underlying funds' managers. If the Due Diligence Committee has identified any areas of concern, these are communicated to the underlying fund's portfolio manager and the appropriate Investment Steering Committee for explanation and, potentially, action.

T. Rowe Price recently announced the addition of two new strategies to the array of underlying investments. They are adding the U.S. Large-Cap Core fund to their domestic large-cap equity allocation to balance the T. Rowe Price Growth Stock and T. Rowe Price Value offerings. The addition of the Core fund will consequently reduce the series' allocation to the Equity Index 500 fund. They believe that the use of the U.S. Large-Cap Core fund will diversify alpha sources. Under the original glidepath, the allocation between large-cap equity strategies U.S. Large-Cap Growth, U.S. Large-Cap Value, and Equity Index 500 changed over the course of the glidepath, with the allocation to the Equity Index 500 increasing over time. Under the new glidepath, the proportionate allocation between the four U.S. large-cap strategies will remain constant.

The second addition is T. Rowe Price Emerging Markets Discovery Stock. The fund's current explicit emerging markets exposure comes from T. Rowe Price Emerging Markets Stock, which exhibits a strong growth bias. The Emerging Markets Discovery Stock fund has a distinct value tilt, which the portfolio managers believe is a good complement to the original holding. The allocation between the funds will be 50%-50% across the glidepath. T. Rowe Price is gradually implementing the new funds over the next two years, beginning in April 2020.

The Asset Allocation Group sees benefits to using short-term tactical allocations to exploit market cyclicality while still controlling for risk. T. Rowe Price's AAC meets monthly to consider whether to make any small tactical adjustments to the portfolios based on T. Rowe Price's collective 6- to 18-month market outlook for the asset class, incorporating macroeconomic views, relative attractiveness between broad and sub-asset classes, and market factors. The AAC's input to tactical asset weightings is advisory; the PMs maintain discretion as to implementation and timing. Within each stage of the glidepath, the total allocation between equity and fixed income can change by up to 5%, and the asset class mix within equities and fixed income can change by up to 10%. Adjustments are typically made in incremental shifts of 0.25-0.50%. These tactical adjustments have been modestly additive to performance across the glidepath over the long-term. The most substantial impact on returns has historically been the performance of the underlying T. Rowe Price mutual funds.

The funds are rebalanced as needed on a monthly basis, typically in conjunction with the PM team's adoption of any tactical positioning recommendations made by the AAC. Funds are moved down the glidepath at least annually, with different vintages moving along the glidepath in different quarters.

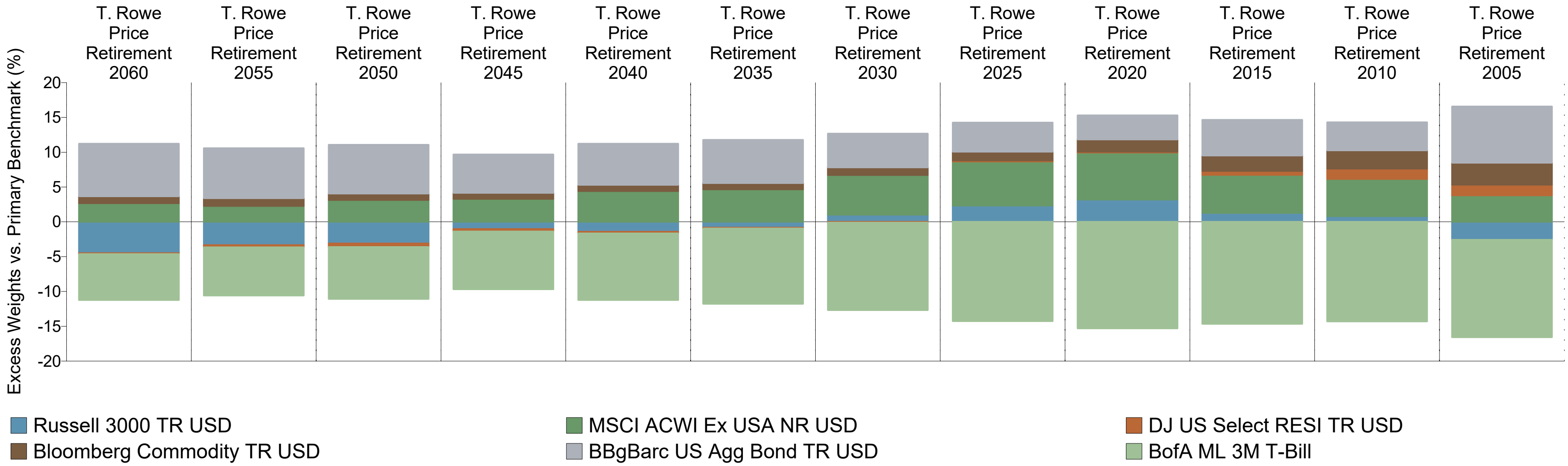
Investment Expenses

In early 2020, the T. Rowe Price Retirement series expenses were reset by share class and vintage. They created a new share class Z with no investment fees for the underlying fund strategies. The Z shares are dedicated for use by multi-asset strategies. The use of the dedicated share class allows T. Rowe Price to set the fees at the top line. Under the new fee structure, fees reduce along the glidepath in a predictable pattern and reset annually. For the Retirement Series' institutional I shares, the new fee structure results in a reduction of 2-7 basis points depending on the vintage, with expenses ranging from 0.37% to 0.52%.

Conclusion

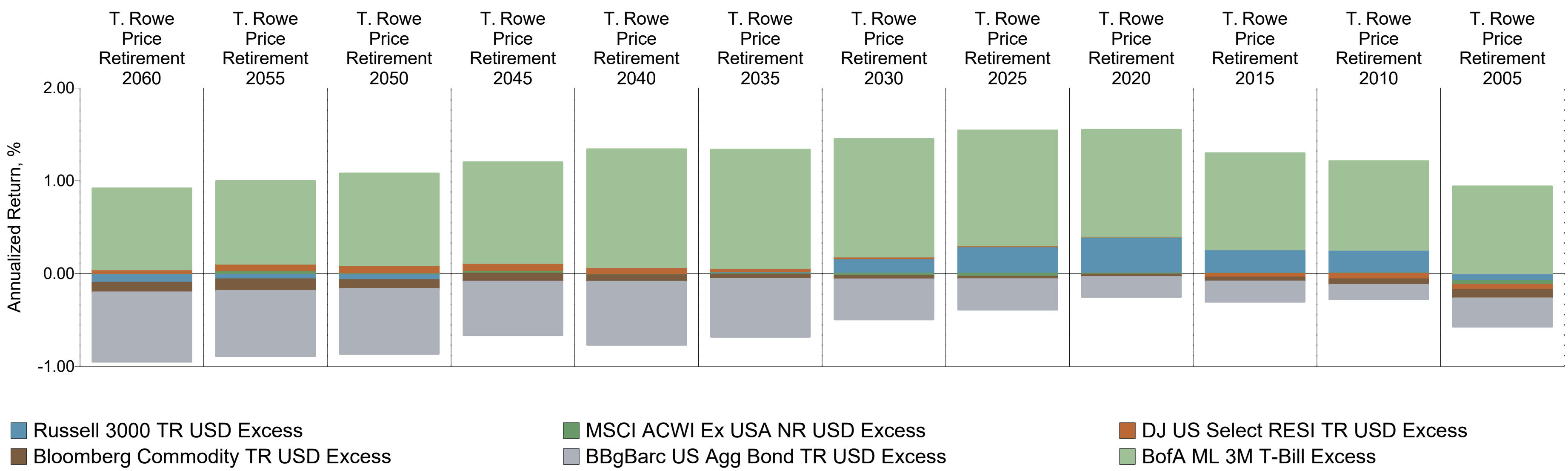
Historically, the T. Rowe Price Retirement funds have been among the most aggressive target date funds series as measured by equity exposure, particularly in the longer-dated funds. Under the enhanced glidepath, this remains the same, and T. Rowe Price's increased equity allocations are consistent with their objective of lifetime income replacement. A reduction in fund expense ratios is a welcome change to the series; the new I shares expense ratios place the series on the low end of the peer group average. T. Rowe Price has articulated a strong case for the new fund additions, and we believe these should be a positive for the series. The steepening of the glidepath for younger investors and the increased equity allocation for investors beyond retirement is a significant change; however, T. Rowe Price has demonstrated their measured approach to implementation, reducing investment timing risk for participants. Multnomah Group's Investment Committee has rated the series as 'Satisfactory'.

Excess Weightings Relative to Primary Benchmark (Last 60 Months)



USD, 36-month centered window; exp. weighted

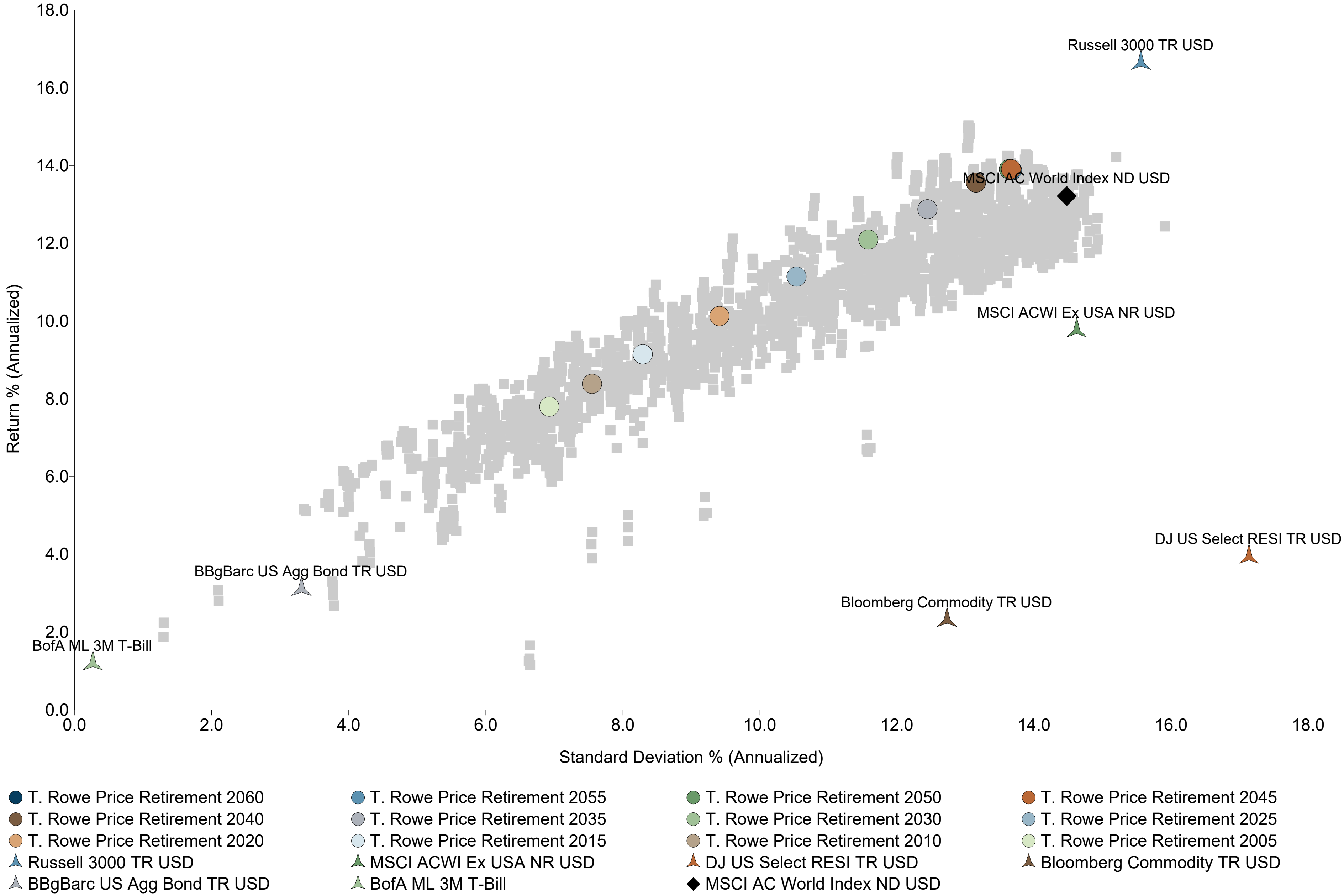
Excess Returns Attribution (Last 60 Months)



USD, 36-month centered window; exp. weighted

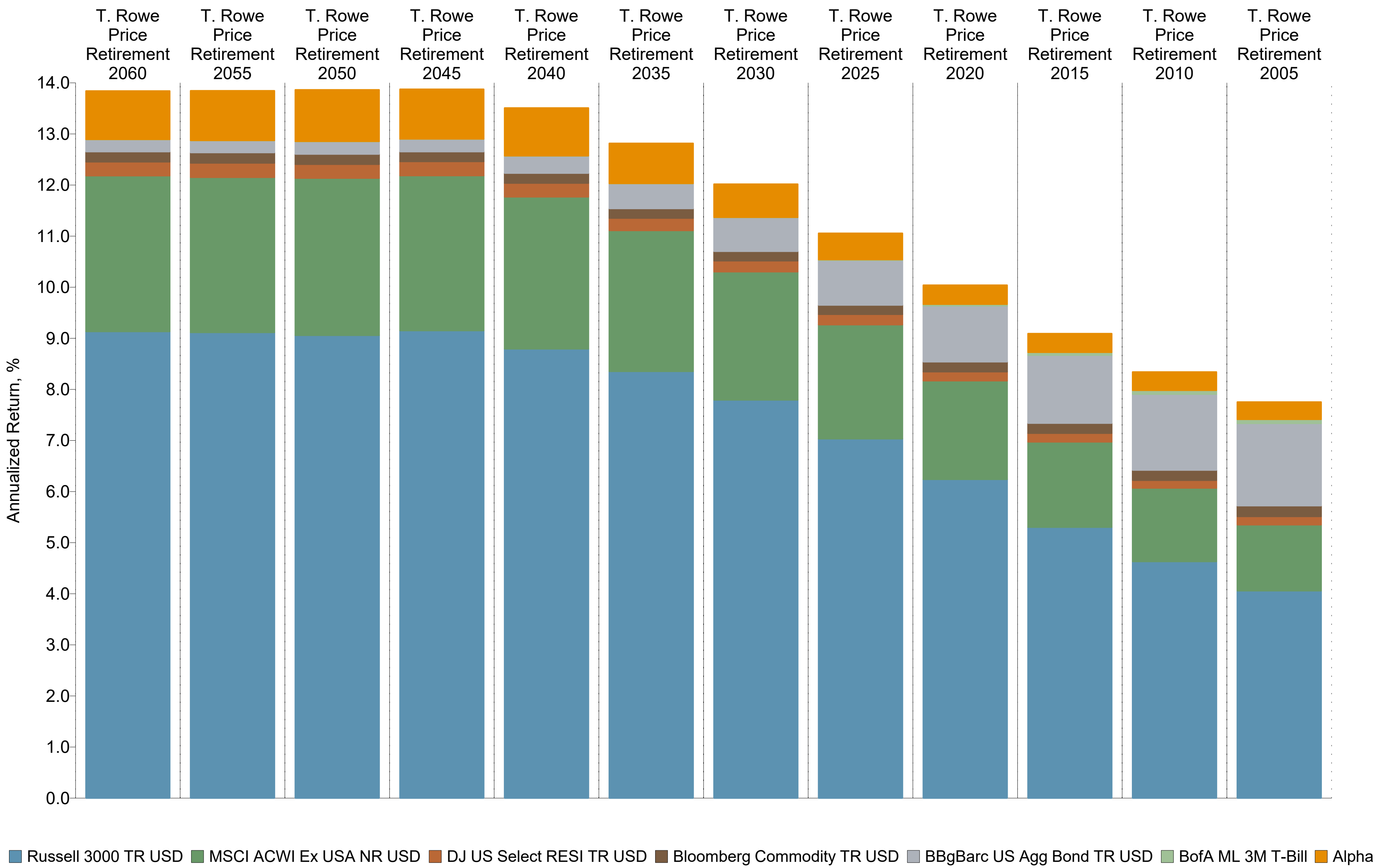
As of March 31, 2021

Performance vs. Risk (Last 60 Months)



As of March 31, 2021

Performance Attribution (Last 60 Months)



USD, 36-month centered window; exp. weighted

As of March 31, 2021

Northern Small Cap Value

Peer Group: Small Value (517)

Benchmark: Russell 2000 Value TR USD

Scorecard

Multnomah Group Investment Committee Overall Evaluation	Satisfactory
Expenses (20%)	
Experience (10%)	
Holdings Diversification (5%)	
Concentration Risk (5%)	
Style Purity (10%)	
Style Consistency (10%)	
Excess Returns (10%)	
Sharpe Ratio (10%)	
Consistency (10%)	
Risk (10%)	
Quantitative Score Percentile	51

Portfolio Information

Morningstar Category	Small Value
Prospectus Benchmark	Russell 2000 Value TR USD
Fund Family	Northern Funds
Manager Names	Robert H. Bergson, Michael Hunstad
Manager Tenure	19.7
Ticker	NOSGX
Net Assets $MM	$2,976.00
Total Number of Holdings	554
P/E Ratio	15.2
Avg Mkt Cap $MM	$2,129.80

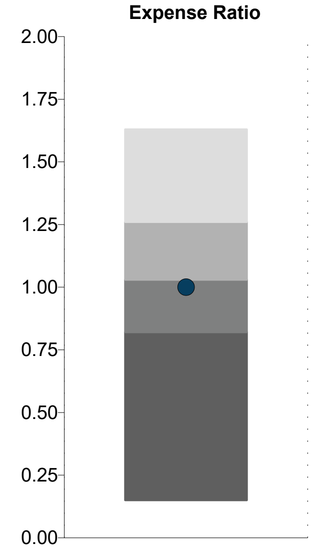
Top 10 Holdings

	Ticker	Weight
Darling Ingredients Inc	DAR	1.75%
Group 1 Automotive Inc	GPI	1.22%
Radian Group Inc	RDN	0.84%
PNM Resources Inc	PNM	0.81%
Insight Enterprises Inc	NSIT	0.78%
Chart Industries Inc	GTLS	0.78%
BancorpSouth Bank	BXS	0.71%
Watts Water Technologies Inc A	WTS	0.71%
Southwest Gas Holdings Inc	SWX	0.70%
NorthWestern Corp	NWE	0.70%
% Assets in Top 10		9.02%

Equity Sectors

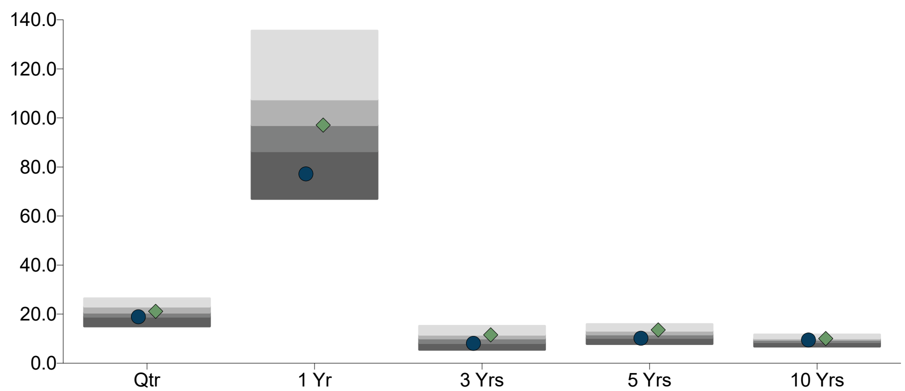
	% of Portfolio
Basic Materials	6.42
Communication Services	2.39
Consumer Cyclical	13.82
Consumer Defensive	4.71
Healthcare	5.00
Industrials	18.42
Real Estate	10.67
Technology	7.57
Energy	3.22
Financial Services	24.03
Utilities	3.75
Portfolio Date	12/31/2020

Expenses



Prospectus Exp Ratio (%)	1.00
Turnover Ratio (%)	14

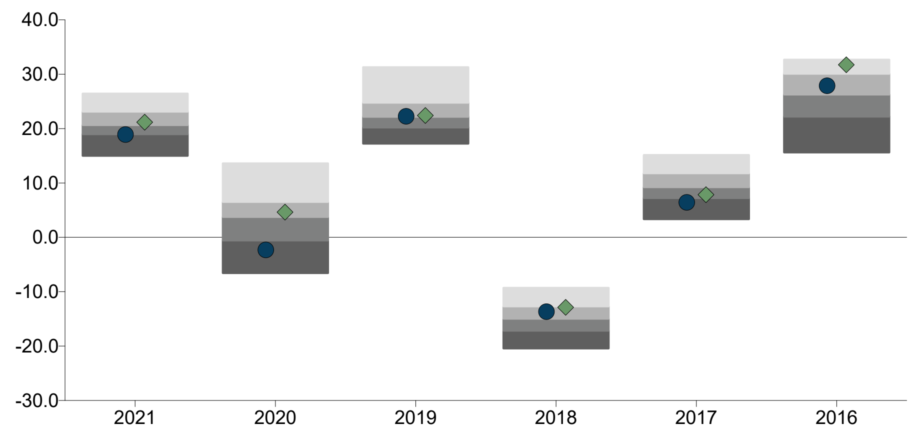
Performance



Performance is annualized for periods greater than 12 months

	Qtr	1 Yr	3 Yrs	5 Yrs	10 Yrs
Northern Small Cap Value	18.91	77.19	8.11	10.17	9.46
Peer Group Rank	77	91	76	78	52
Russell 2000 Value TR USD	21.17	97.05	11.57	13.56	10.06
Small Value Median	20.64	97.10	10.09	11.75	9.50

Calendar Year Performance



	2021	2020	2019	2018	2017	2016
Northern Small Cap Value	18.91	-2.30	22.27	-13.68	6.42	27.87
Peer Group Rank	77	83	49	39	81	37
Russell 2000 Value TR USD	21.17	4.63	22.39	-12.86	7.84	31.74
Small Value Median	20.64	3.74	22.17	-14.97	9.21	26.26

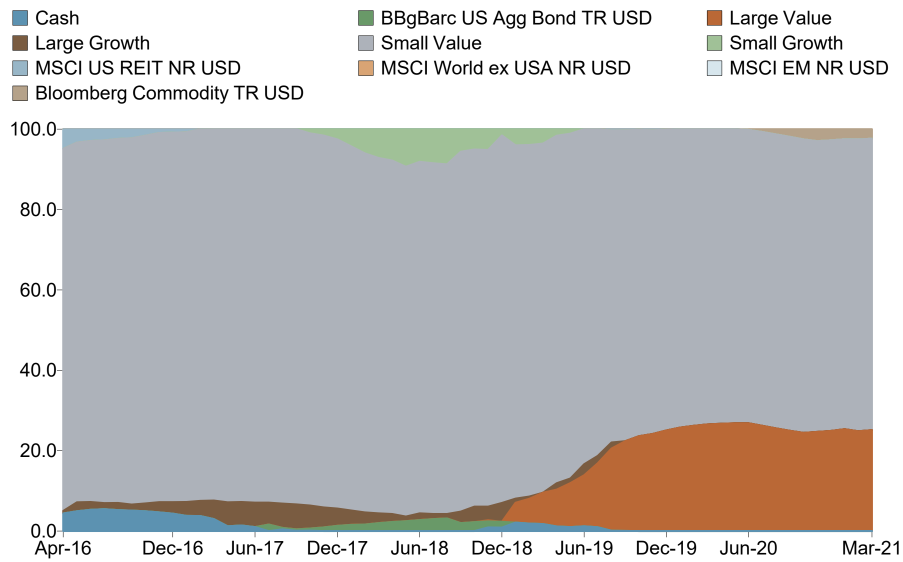
As of March 31, 2021

Northern Small Cap Value

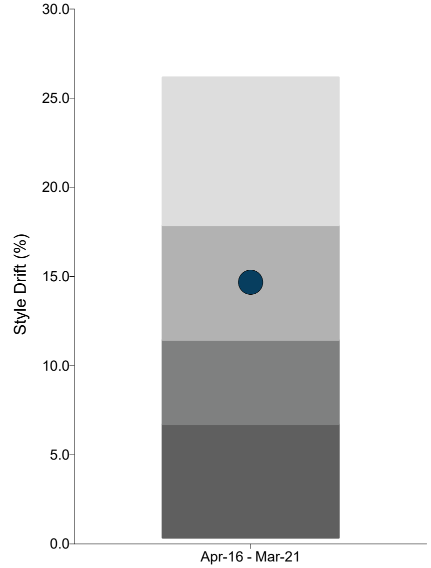
Peer Group: Small Value (517)

Benchmark: Russell 2000 Value TR USD

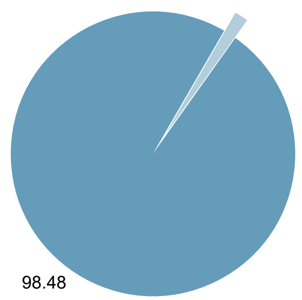
Returns Based Global Asset Weightings



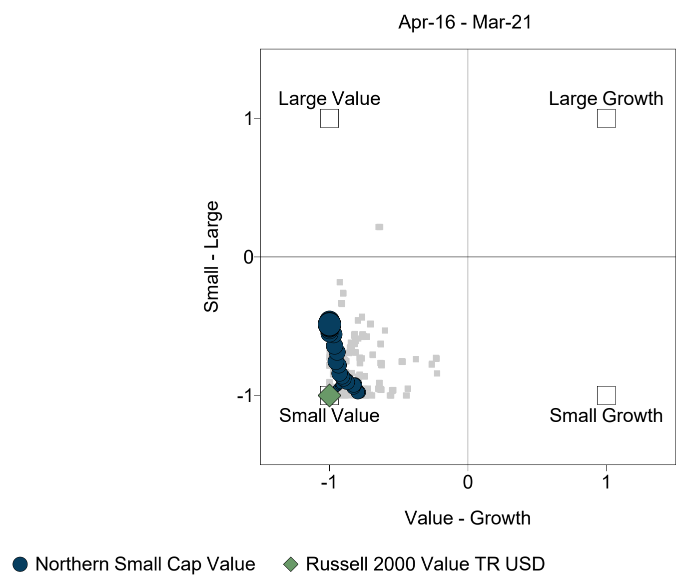
Style Drift (Last 60M)



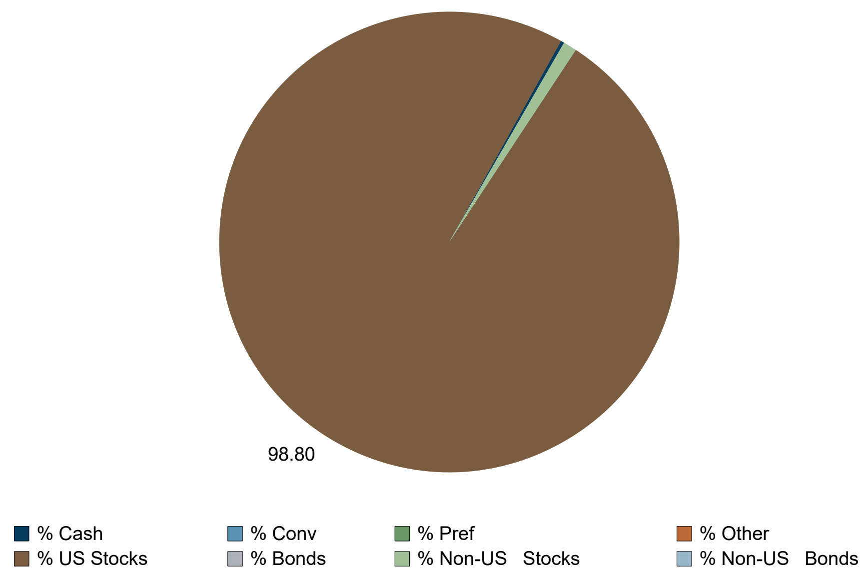
Benchmark R-Squared



Returns Based Rolling Style Map



Holdings Asset Allocation



Portfolio Date: 12/31/2020

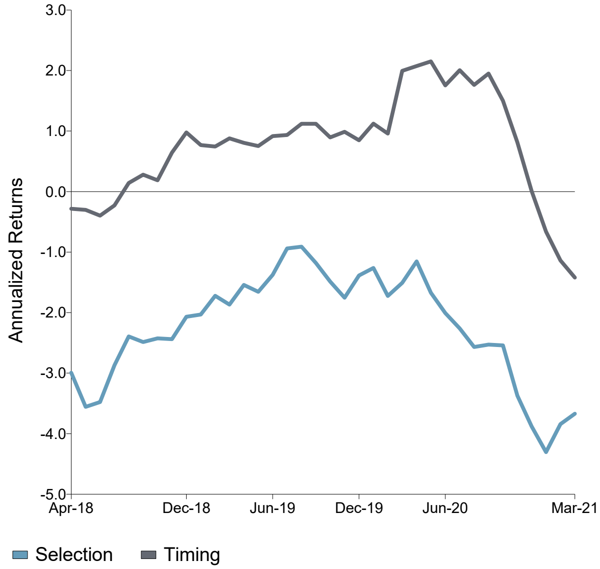
As of March 31, 2021

Northern Small Cap Value

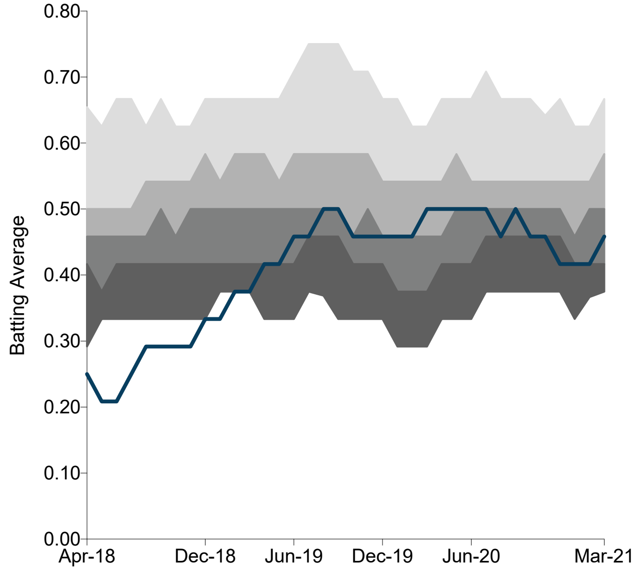
Peer Group: Small Value (517)

Benchmark: Russell 2000 Value TR USD

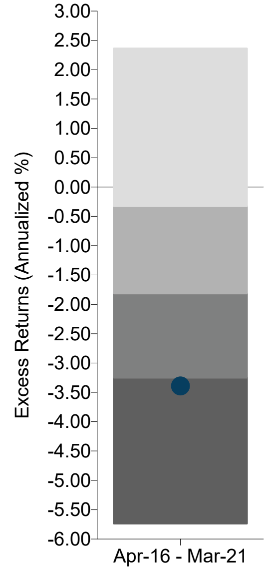
24M Rolling Selection & Timing Returns



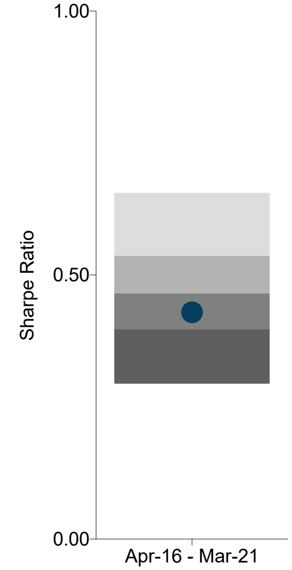
24M Rolling Batting Average



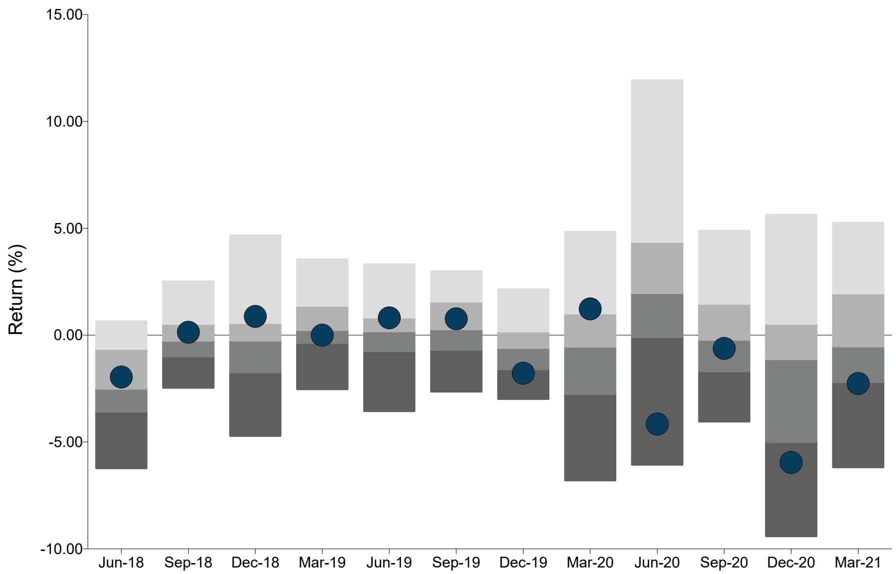
Excess Return (Last 60M)



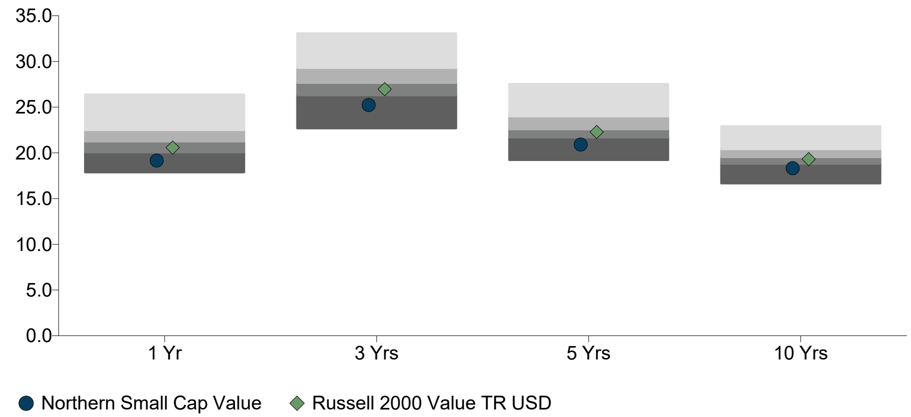
Sharpe Ratio (Last 60M)



Excess Returns (Quarterly)



Risk (Annualized Standard Deviation)



Risk is annualized for periods greater than 12 months

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Northern Small Cap Value	19.16	25.24	20.91	18.32
Peer Group Rank	16	14	16	15
Russell 2000 Value TR USD	20.58	26.96	22.29	19.32
Small Value Median	21.24	27.65	22.58	19.53

As of March 31, 2021

Evaluation Methodology

Multnomah Group has developed a proprietary evaluation methodology that analyzes funds within a given investment category utilizing nine distinct criteria. The table below describes evaluation standards utilized and their weight in overall score for each fund. For each category, a fund is assigned a score based on specific criteria chosen by the Multnomah Group Investment Committee. Individual category scores are summed to create a fund score and funds are ranked based on their total score relative to all other funds in their peer group.

Evaluation Criteria	Weight	Description of Evaluation Process	Scoring Threshold
Expenses	20%	A fund is evaluated based on its prospectus net expense ratio. Funds with lower expenses score higher as they create less of a drag on net of fee performance.	Prospectus net expense ratio =< 50th percentile Prospectus net expense ratio = 51st - 75th percentile prospectus net expense ratio > 75th percentile
Experience	10%	Experience is evaluated based on the longest tenure of a portfolio manager assigned to a fund. Managers with longer track records demonstrate greater stability to investment product and make analysis of the investment product's historical performance more meaningful.	Manager tenure > 5 years Manager tenure = 3-5 years Manager tenure < 3 years
Holdings Diversification	5%	A fund is evaluated to determine whether it is diversified in its total number of holdings. A lack of diversification may increase the potential risk of a fund. Diversification is measured by the total number of securities held in the portfolio.	Total number of holdings >= 60 Holdings Total number of holdings = 40-59 Holdings Total number of holdings < 40 Holdings
Concentration Risk	5%	A fund is evaluated to determine whether the portfolio is risky because of a concentration of portfolio assets in a few large positions. Concentration risk is measured using the portfolio's percentage of assets in its top ten holdings.	% of assets in top 10 holdings < 35% % of assets in top 10 holdings = 35% - 45% % of assets in top 10 holdings >= 45%
Style Purity	10%	Funds are selected primarily to represent a specific asset class as a component within a structured portfolio. They are therefore evaluated to determine how effectively they adhere to their stated asset class and investment style. Each fund's adherence to its benchmark is evaluated on an absolute basis utilizing an r-squared measure to evaluate how well the assigned benchmark explains the performance of the fund. A higher r-squared measure is indicative of a fund that tracks its assigned benchmark closely and therefore is appropriately categorized within the correct asset class.	Benchmark r-squared >= 80 Benchmark r-squared = 70-80 Benchmark r-squared <70
Style Consistency	10%	Each fund is also evaluated for how consistently it adheres to its investment style over time. To measure this we compare the frequency and size of a fund's changes to its style allocation compared to its peer group. Funds with fewer changes in style allocation are considered more consistent.	Style drift =< 50th percentile Style drift = 51st - 75th percentile Style drift > 75th percentile
Excess Returns	10%	Excess returns is a simple measure of the fund's returns relative to the benchmark's returns for the defined time period.	Positive absolute value and > 50th percentile Positive absolute value and >= 50th percentile Negative absolute value
Sharpe Ratio	10%	Sharpe ratio is the fund's annualized returns in excess of the risk free return divided by the standard deviation of the fund's annualized excess returns.	Sharpe Ratio =< 50th percentile Sharpe Ratio = 51st - 75th percentile Sharpe Ratio > 75th percentile
Consistency	10%	Evaluating active returns on a stand-alone basis is insufficient without determining whether the outcome was a result of random luck or a demonstration of consistent skill. Funds are evaluated for how consistently the manager had positive excess returns to determine whether historical performance was consistent through time or a result of a few strong time periods. To measure this, funds are evaluated using a metric called batting average. Batting average is a ratio that calculates the frequency of monthly positive excess returns for a fund out of the total possible number of months.	Batting average =< 50th percentile Batting average = 51st - 75th percentile Batting average > 75th percentile
Risk	10%	Risk is measured by the volatility (as measured by standard deviation) of portfolio relative to its peer group. Funds with lower standard deviations relative to their peers score better for risk.	Standard deviation =< 50th percentile Standard deviation = 51st - 75th percentile Standard deviation > 75th percentile

As of March 31, 2021

Definitions

Alpha – Alpha is used as a measure of the value added by a manager. It measures the difference between a portfolio's actual returns and its expected performance. A positive alpha implies value-added by the portfolio manager relative to the specified benchmark, given its level of market risk as measured by beta.

Average Credit Quality – An average of the credit quality of the bonds in the fund's portfolio. U.S. Government bonds carry the highest credit rating, while bonds issued by speculative companies usually carry the lowest credit ratings. Anything at or below BB is considered a high-yield or "junk" bond. A fund's average quality is a reflection of the amount of credit risk a fund is willing to incur.

Average Effective Duration – This is a measure of a fund's total interest rate sensitivity. Funds with higher durations are more sensitive to changes in interest rates than funds with lower effective durations.

Batting Average – The Batting Average measures the percentage frequency with which the manager has beaten the benchmark over time. Specifically it is the ratio between the number of months that the manager outperforms the benchmark and the total number of months in the time range.

Benchmark Index – A fund's benchmark index is a passive pool of securities that represents the asset class the fund targets. Indices are statistical measures and cannot be invested in directly.

Benchmark R-Squared – R-squared is a statistical measure that represents the percentage of volatility in a portfolio's returns which can be explained by the volatility of the benchmark index. R-squared values range from 0 to 100. An R-squared of 100% states that the movements of a portfolio are completely explained by the movements in the benchmark.

Credit Sectors – Globally, credit rating from Fixed Income Survey provided by fund company: Government, AAA , AA, A , BBB, BB, B, Below B and Not Rated. AAA bonds carry the highest credit rating. For the purpose of Morningstar's calculations, U.S. government bonds are considered AAA. For municipal bonds, anything at or below BBB is considered a high-yield or junk bond. Nonrated municipal bonds generally are classified as BBB. Other nonrated bonds generally are considered B. Morningstar base on the surveyed credit quality breakdown to calculate the average credit quality, please refer to the methodology paper for more detail.

Equity Sectors– Sectors are based on what companies actually do. That is, unlike some standard sector classification systems, sectors aren't based on expected behavior of the stocks of these companies. This is calculated for all stock portfolios based on the securities in the most recent portfolio. For domestic-stock portfolios, this statistic shows the percentage of the domestic stock assets invested in each of the 11 sector classifications.

Excess Returns – Excess return is the portfolio's return less the benchmark's return. It is the simplest form of performance evaluation and is used to determine whether the portfolio has outperformed its benchmark.

Expense Ratio – For a fund, operating costs, including management fees, expressed as a percentage of the fund's average net assets for a given time period. The expense ratio does not include brokerage costs and various other transaction costs that may also contribute to a fund's total expense.

Fixed Income Sectors – The sector in which a bond investment's assets are invested. These sectors help investors and investment professionals easily compare and understand the sector exposure of each investment. There are 14 sectors that roll-up into 5 super sectors.

Definitions

Global Asset Weighting – The Global Asset Weighting graph displays the asset weighting of the fund over the past 10 years, or since inception if less than 10 years. The asset weighting is determined utilizing returns-based style analysis methodology. Returns-based style analysis is a statistical process of comparing the returns series of a portfolio against the returns series of a set of benchmarks representing various asset classes to determine which combination of asset classes creates a returns series that most closely matches the movements of the portfolio. This allows an investor to determine the effective mix of asset classes the fund held during various time periods. Depending on the fund being analyzed, the set of benchmark indices used will vary to provide greater detail within certain asset classes (i.e. for a fund invested primarily in domestic equities the analysis utilizes the four Russell large-small style indices as opposed to the broad Russell 3000 index).

Manager Tenure – The number of years that the current portfolio manager has been managing the fund. For funds with more than one manager, the tenure for the longest manager is shown.

Morningstar Category – The Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings (portfolio statistics and compositions over the past three years). It is used to provide peer comparisons for funds with similar investment styles and holdings.

Net Assets $MM – The total assets in the fund or the specific share class of the fund shown expressed in millions of dollars.

P/E Ratio – The price/earnings ratio is a calculation of the portfolio's market value compared to the portfolio's share of the underlying stocks' earnings in aggregate. P/E ratio is a rough estimate of the growth/value exposure of the fund. Higher P/E ratios indicate greater growth exposure while lower ratios indicate greater value exposure.

Percentage of Assets in Top 10 Holdings – The sum of the assets in the fund's top 10 holdings as a percentage of the total assets in the portfolio. It is used as a measure of the risk of the fund as represented by its concentration in a limited number of holdings. A higher percentage indicates a fund has more of its assets invested in a fewer number of holdings and is thus less diversified than other funds with lower percentages.

Regions– Morningstar divides countries of the world into 10 different geographic regions. These regions serve as the basis for the region breakdown portfolio calculation. The region breakdown calculation helps investors evaluate their equity exposure in various markets. It also helps investors differentiate between various global funds, which can invest across the world. Region breakdown is based on equity assets only.

Selection Returns – Selection return is the portfolio's return less the portfolio's Style Return. In this case the portfolio's style return is utilized as a proxy for the asset allocation position of the manager and enables the selection return series to be used as an indicator of a manager's security selection ability (whether or not the manager is adding value on top of the asset allocation exposures the manager has selected).

Sharpe Ratio – The Sharpe ratio is a risk/return metric which measures the fund's excess return per unit of total risk as measured by standard deviation. It is the ratio of the fund's geometric average returns in excess of the risk free rate to the standard deviation of the fund's returns in excess of the risk free rate.

Standard Deviation – Standard deviation is a statistical measure of dispersion about a mean. It is used to measure the volatility of the returns over a given time period. For investors, it is used as a risk measure. Portfolios with higher standard deviation are more volatile and are considered more risky.

Style Return – Style return utilizes the regression analysis shown in the Global Asset Weighting graph and is a calculated return series consisting of the product of portfolio's weight in each style index and the style index return. The style return represents the asset allocation decisions of a manager and is utilized in calculating the selection and timing returns.

As of March 31, 2021

Definitions

Timing Return – Timing return is the portfolio's style return less the benchmark's style return. If the returns of the style index and the benchmark index differ, then the fund manager has structured the fund in a way that is different from the structure of the benchmark index. The timing return demonstrates whether the portfolio was over- or underweight in under- or outperforming segments of the market versus the benchmark.

Total Number of Holdings – The total number of securities held by the fund as of the last reporting date. It is used as a measure of the diversification of the fund. Those portfolios with fewer holdings are typically more concentrated and less diversified.

Turnover Ratio – This is a measure of the fund's trading activity which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets. A turnover ratio of 100% or more does not necessarily suggest that all securities in the portfolio have been traded. In practical terms, the resulting percentage loosely represents the percentage of the portfolio's holdings that have changed over the past year. Funds with higher turnover ratios tend to have higher trading costs.

Disclosures

El Camino Health

Investment Committee Meetings

Proposed FY2022 Dates

RECOMMENDED IC DATE MONDAYS	CORRESPONDING HOSPITAL BOARD DATE
Monday, August 16, 2021	Wednesday, August 18, 2021
Monday, November 8, 2021	Wednesday, November 10, 2021
Monday, January 31, 2022 (Joint with FC)	Wednesday, February 9, 2022
Monday, February 14, 2022	Wednesday, March 9, 2022
Monday, May 9, 2022	Wednesday, May 11, 2022

El Camino Health

FY2022 COMMITTEE GOALS
Investment Committee

PURPOSE

The purpose of the Investment Committee is to develop and recommend to the El Camino Hospital (ECH) Board of Directors ("Board") the investment policies governing the Hospital's assets, maintain current knowledge of the management and investment funds of the Hospital, and provide oversight of the allocation of the investment assets.

STAFF: Carlos Bohorquez, Chief Financial Officer (Executive Sponsor)

The CFO shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair's consideration. Additional members of the Executive Team or hospital staff may participate in the meetings upon the recommendation of the CFO and at the discretion of the Committee Chair. The CEO is an ex-officio member of this Committee.

GOALS	TIMELINE	METRICS
1. Review performance of consultant recommendations of managers and asset allocations	Each quarter - ongoing	Committee to review selection of money managers and make recommendations to the CFO
2. Education Topic: Investment Allocation in Uncertain Times	FY2022 Q1	Complete by the August 2021 meeting
3. Asset Allocation, Investment Policy Review and ERM framework including Efficient Frontier	FY2022 Q3	Completed by March 2022

SUBMITTED BY:
Chair: Brooks Nelson
Executive Sponsor: Carlos Bohorquez, CFO

FY2022 INVESTMENT COMMITTEE PACING PLAN
Proposed on 2/8/2021

FY2022: Q1		
JULY – NO MEETING	**AUGUST 16, 2021 Meeting**	**SEPTEMBER – NO MEETING**
Participate in Committee Self –Assessment Survey	▪ Capital Markets Review and Portfolio Performance ▪ Tactical Asset Allocation Positioning and Market Outlook ▪ Education Topic: Investing In Uncertain Times ▪ CFO Report Out – Open Session Finance Committee Materials	N/A
FY2022: Q2		
OCTOBER – NO MEETING	**NOVEMBER 8, 2021 Meeting**	**DECEMBER – NO MEETING**
October 27, 2021 – Board and Committee Educational Session	▪ Capital Markets Review and Portfolio Performance ▪ Tactical Asset Allocation Positioning and Market Outlook ▪ Investment Policy Review ▪ CFO Report Out – Open Session Finance Committee Materials	N/A
FY2022: Q3		
JANUARY 31, 2022	**FEBRUARY 14, 2022 Meeting**	**MARCH – NO MEETING**
Joint Finance Committee and Investment Committee meeting: Long Range Financial Forecast	▪ Capital Markets Review and Portfolio Performance ▪ Tactical Asset Allocation Positioning and Market Outlook ▪ CFO Report Out – Open Session Finance Committee Materials ▪ Proposed FY2023 Goals/Pacing Plan/Meeting Dates ▪ Asset Allocation and ERM Framework	N/A
FY2022: Q4		
APRIL – NO MEETING	**MAY 9, 2022 Meeting**	**JUNE – NO MEETING**
April 27, 2022 - Board and Committee Educational Session	▪ Capital Markets Review and Portfolio Performance ▪ Tactical Asset Allocation Positioning and Market Outlook ▪ CFO Report Out – Open Session Finance Committee Materials ▪ 403(b) Investment Performance ▪ Approve FY2023 Committee Goals ▪ Review status of FY2022 Committee Goals	N/A