El Camino Health

AGENDA

INVESTMENT COMMITTEE OF THE EL CAMINO HOSPITAL BOARD OF DIRECTORS

Monday, August 16, 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: 964 7410 2679#. 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 (05/10/2021) ***Information*** b. Article of Interest c. CFO Report Out – Open Session FC Materials d. FY21 IC Goals e. FY21 Pacing Plan	Brooks Nelson, Chair	*public comment*	**motion required** **5:35 – 5:40**
5.	**REPORT ON BOARD ACTIONS**	Peter Fung, MD 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 c. Education Topic: Investment Diversity	Antonio DiCosola and Chris Kuhlman, Pavilion, a Mercer Practice		**information** **5:45 – 6:15**
7.	**ADJOURN TO CLOSED SESSION**	Brooks Nelson, Chair	*public comment*	**motion required** **6:15 – 6:16**
8.	**POTENTIAL CONFLICT OF INTEREST DISCLOSURES**	Brooks Nelson, Chair		**information** **6:16 – 6:17**

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 650-988-8483 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
9. 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 (05/10/2021)	Brooks Nelson, Chair		**motion required** **6:18-6:19**
10. EDUCATION TOPIC: INVESTMENT DIVERSITY	Antonio DiCosola and Chris Kuhlman, Pavilion, a Mercer Practice		**information** **6:19-6:34**
11. *Gov't Code Sections 54957* for report and discussion on personnel matters – Senior Management: - Executive Session	Brooks Nelson, Chair		**information** **6:34 – 6:54**
12. ADJOURN TO OPEN SESSION	Brooks Nelson, Chair		**motion required** **6:54 – 6:55**
13. RECONVENE OPEN SESSION / REPORT OUT	Brooks Nelson, Chair		**information** **6:55 – 6:56**
To report any required disclosures regarding permissible actions taken during Closed Session.			
14. CLOSING COMMENTS	Brooks Nelson, Chair		**information** **6:56 – 7:00**
15. ADJOURNMENT	Brooks Nelson, Chair	*public comment*	**motion required** **7:00-7:01**

Upcoming meetings: August 16, 2021, November 8, 2021, January 31, 2022, February 14, 2022, May 9, 2022

Minutes of the Open Session of the
Investment Committee of the
El Camino Hospital Board of Directors
Monday, May 10, 2021
El Camino Hospital, 2500 Grant Road, Mountain View, California

Members Present	**Members Absent**
Brooks Nelson, Chair**	**Peter Fung, MD****
Nicola Boone**	
John Conover**	
Richard Juelis**	
Carol Somersille, MD**	
	**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 except for Peter Fung, MD. 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 from the consent calendar. **Motion:** To approve the consent calendar: (a) Minutes of the Open Session of Investment Committee Meeting on February 8, 2021 (b) Minutes of the Open Session of the Joint Finance and Investment Committee Meeting on January 25, 2021 and for information; (c) Article of Interest, (d) CFO Report Out – Open Session FC Materials (e) Progress Against FY2021 IC Goals, (f) FY2021 Pacing Plan **Movant:** Conover **Second:** Juelis **Ayes:** Boone, Conover, Juelis, Nelson, Somersille **Noes:** None **Abstentions:** None **Absent:** Fung **Recused:** None	***Consent Calendar approved***
5. **REPORT ON BOARD ACTIONS**	In the absence of Peter Fung, MD. Carlos Bohorquez, Chief Financial Officer presented the report on Board on Actions on his behalf and highlighted the following: • Mr. Bohorquez stated we have started our review of our strategic plan with the help of McKinsey & Company, with the estimated completion timeline of late summer.	

Agenda Item	Comments/Discussion	Approvals/ Action
	• Two Board Educations were held in month of April. • Mr. Bohorquez also stated from a finance standpoint he is in the process of developing a 10 year financial / capital projections which initially start with a baseline scenario (status quo) and will ultimately include the strategies, needed capital investments and the ROI on the strategies / capital.	
6. **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: • 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 alongside inflation concerns. • 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. • 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 year. • Within equities, during the first quarter value outperformed growth, small-caps outperformed large-caps, and the U.S. outperformed developed international and emerging markets. • Broad fixed income generated relatively significant losses during the quarter as a result of rising yields. The Bloomberg Barclays US Aggregate Index declined -3.4% with treasuries slightly outperforming corporate bonds. The yield curve steepened, with 3-month yields declining 8 bps, while 10- and 30-year yields rose by 81 bps and 76 bps, respectively. • Both El Camino Hospital portfolios generated gains during the first quarter, while relative results were mixed. The Surplus Cash portfolio was up 1.7% versus 1.6% for its benchmark and the Cash Balance Plan was up 2.0% versus 2.3% for its benchmark. Over the trailing one-year period, the portfolios returned 26.9% and 35.3%, respectively. • Both portfolios benefited from asset allocation positioning, specifically 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	

<table>
<tr><th>Agenda Item</th><th>Comments/Discussion</th><th>Approvals/ Action</th></tr>
<tr><td></td><td>top relative performers, outpacing their benchmarks by 3.4% and 1.8%, respectively.
It was noted that the portfolios were rebalanced in April to trim the overweight to U.S. large cap equity, with the proceeds going to emerging markets equity and fixed income.
Pavilion presented a recommendation for a new Surplus Cash hedge fund investment, Davidson Kempner Institutional Partners Fund. The Investment Committee cited no concerns. Pavilion and ECH management will move forward with funding the new investment.
In response to Committee members' questions, Pavilion noted they still have conviction in Wellington small cap value despite recent performance struggles. Members of the Committee expressed interest in exploring ways to invest additional funds in private equity.</td><td></td></tr>
<tr><td>7. 403 (b) INVESTMENT PERFORMNACE</td><td>Brian Montanez, Multnomah Group presented the annual report of the 403(b) Plan investments and fees. Mr. Montanez highlighted the following:

Introduction:
Multnomah Group provides the following: 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 Benching:
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 adding 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.</td><td></td></tr>
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Agenda Item	Comments/Discussion	Approvals/ Action
8. **FY2022 COMMITTEE PLANNING**	Dr. Somersille suggested to add an Education Discussion Topic regarding Diversity Portfolio, topic will be added to the August meeting Ms. Boone suggested to revisit the topic of Private Equity, topic to be added to the August meeting. **Motion:** To approve the FY2022 Committee Planning: proposed dates, committee goals and pacing plan. **Movant:** Boone **Second:** Juelis **Ayes:** Boone, Conover, Juelis, Nelson, Somersille **Noes:** None **Abstentions:** None **Absent:** Fung **Recused:** None	
9. **ADJOURN TO CLOSED SESSION**	**Motion:** To adjourn to closed session at 6:55 pm. **Movant:** Boone **Second:** Julies **Ayes:** Boone, Conover, Juelis, Nelson, Somersille **Noes:** None **Abstentions:** None **Absent:** Fung **Recused:** None	***Adjourned to closed session at 6:55 pm***
10. **AGENDA ITEM 14: RECONVENE OPEN SESSION/REPORT OUT**	The open session reconvened at 7:28 pm. Agenda Items 11-12 were covered in closed session and the Committee approved the consent calendar by a unanimous vote of all members present	
11. **AGENDA ITEM 15: CLOSING COMMENTS**	There were no closing comments.	
12. **AGENDA ITEM 16: ADJOURNMENT**	**Motion:** To adjourn at 7:29 pm. **Movant:** Boone **Second:** Juelis **Ayes:** Boone, Conover, Juelis, Nelson, Somersille **Noes:** None **Abstentions:** None **Absent:** Fung **Recused:** None	***Meeting adjourned at 7:29 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

Prepared by: Samreen Salehi, Executive Assistant Administrative Services

PwC Health Research Institute

Medical cost trend: Behind the numbers 2022

pwc.com/us/medicalcosttrends

pwc

Heart of the matter »»

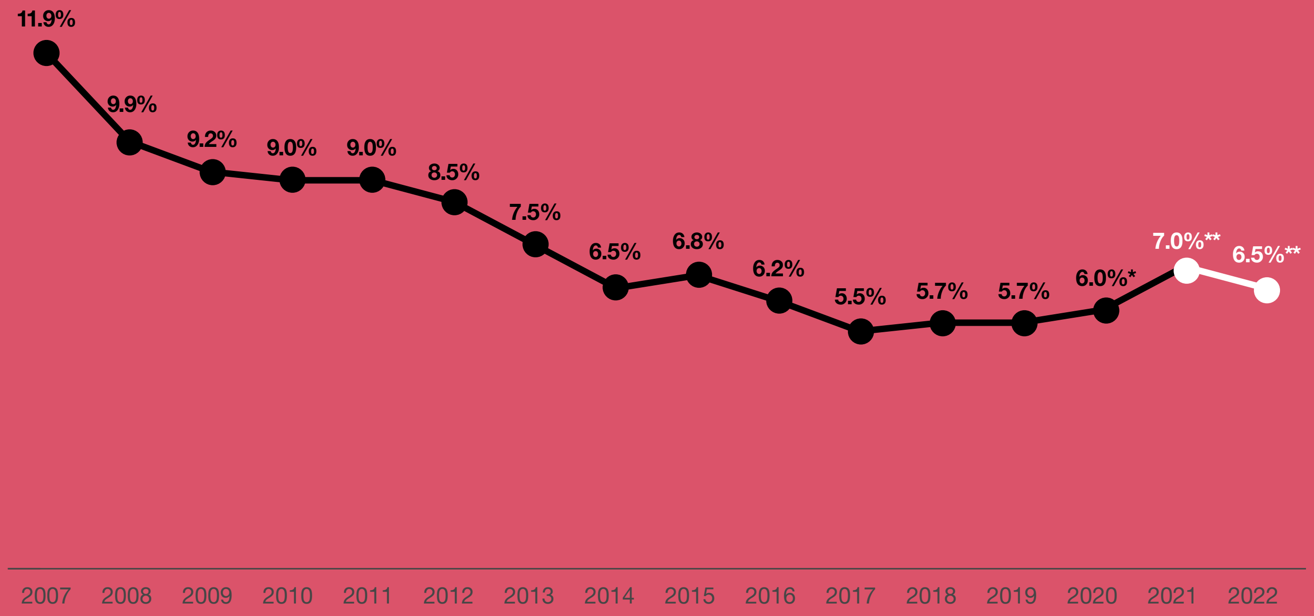
The COVID-19 pandemic reshaped Americans' lives as they grappled with illness, hospitalizations, death and an economic calamity. At the center of this turmoil was the US health system, which rapidly responded with herculean efforts to care for its patients and the development, manufacture and distribution of safe, effective diagnostics, therapies and vaccines.

The pandemic made a pronounced impact on how and where Americans gain access to care, a shift large enough to influence multiple aspects of price and utilization and, thus, medical cost trend. Some of these shifts represent deflators of trend; others, inflators. These changes may persist for years in a system that has long resisted profound shifts. In 2022, the health system will take a breath and survey the fallout from these extraordinary few years.

As it has done for the past 15 years, PwC's Health Research Institute (HRI) spoke with actuaries working at US health plans and healthcare executives in other parts of the industry to generate an estimate of medical cost trend for the coming year. Taking into account the pandemic-rooted inflators and deflators of cost, HRI is projecting a 6.5% medical cost trend in calendar year 2022. This trend is slightly lower than the projected medical cost trend in 2021, which was 7%, and slightly higher than it was between 2016 and 2020 (see Figure 1). The lower medical cost trend in 2022 compared with 2021 reflects a slight decrease in the pandemic's persistent effects on spending in 2022 compared with 2021.

Spending in 2020 compared with 2019 fell below the projected 6% medical cost trend because of care deferred during the pandemic. US health plan executives interviewed by HRI agreed that healthcare spending in 2022 would return to pre-pandemic baselines with some adjustments to account for the pandemic's persistent effects (see the Appendix for discussion on how the effects of the pandemic are treated in the projected medical cost trend).

Figure 1: HRI projects medical cost trend to be 6.5% in 2022, down from 7% in 2021



Source: PwC Health Research Institute medical cost trends, 2007-22
*Projected medical cost trend. Does not account for the effects of the pandemic on actual 2020 spending.
**Growth in spending expected over prior-year spending, with the effects of the pandemic removed from the prior-year spending. See Appendix for details.
Note: The 7% medical cost trend for 2021 was revised from a range of scenarios, from 4% to 10%, originally projected in PwC Health Research Institute's "Medical Cost Trend: Behind the Numbers 2021" report in June 2020. This revision reflects the average medical cost trend that was used for 2021 premium rate setting in 2020, shared with HRI during interviews conducted February–May 2021. Please see Appendix for details on this revision and more information on the effects of the pandemic on the medical cost trend projection and healthcare spending.

Regardless of when the pandemic officially ends, the pandemic itself, some of its aftereffects and the health system's response to changes and failures observed during the pandemic are expected to drive up spending in 2022:

- **The COVID-19 hangover leads to increased utilization.** Utilization and spending are expected to increase in 2022 as some care deferred during the pandemic returns; costs to test for, treat and vaccinate against COVID-19 continue; rates of mental health and substance use issues remain high; and population health worsens.
- **The health system prepares for the next pandemic.** Investments to bolster shortfalls in the US health system highlighted during the pandemic are expected to drive higher prices in 2022. They include investments in new forecasting tools, improvements to the supply chain, increased wages for some staff, stockpiles of personal protective equipment (PPE) and infrastructure changes.
- **Digital investments to enhance the patient relationship increase utilization.** HRI expects providers to accelerate investments in digital tools and analytics capabilities to strengthen the patient relationship, boosting utilization in 2022.

At the same time, some positive changes in consumer behavior and provider operating models that occurred during the pandemic are expected to drive down spending in 2022:

- **Consumers lean into lower-cost sites of care.** The pandemic prompted many consumers to embrace virtual care, retail clinics and other alternative sites of care, in some cases in place of a visit to the emergency department. HRI expects this adoption of lower-cost sites will drive lower spending in 2022.
- **Health systems find ways to provide more healthcare for less.** The new ways of working forced by the pandemic, including remote workforces, process automation and cloud technology, can help providers lower their cost structure in response to pressure on prices, including the new price transparency regulations and growing interest in narrow networks.[1] HRI expects this will dampen price increases and spending in 2022.

While the pandemic remains the primary driver behind these factors increasing and decreasing the medical cost trend in 2022, other non-pandemic-related drivers or dampeners of spending should not be ignored, including drug spending, cybersecurity and the surprise-billing legislation passed in December 2020 that takes effect Jan. 1, 2022.[2]

What is medical cost trend?

HRI defines medical cost trend as the projected percentage increase in the cost to treat patients from one year to the next, assuming benefits remain the same. Typically, spending data from the prior year is used as an input in the projection. For 2021 and 2022, the medical cost trend is the projected percentage increase over the prior year's spending, with the effects of the pandemic removed from the prior year's spending.

While medical cost trend can be defined in several ways, this report estimates the projected increase in per capita costs of medical services and prescription medicine that affect commercial insurers' large group plans and large, self-insured businesses. Insurance companies use the projection to calculate health plan premiums for the coming year. For example, a 5% trend means that a plan that costs $10,000 per employee this year would cost $10,500 next year.[3] The medical cost trend, or growth rate, is influenced primarily by:

- Changes in the price of medical products and services and prescription medicines, known as unit cost inflation.
- Changes in the number or intensity of services used, or changes in per capita utilization.
- For 2021 and 2022, an additional adjustment for the expected changes in both price and utilization of services resulting from the direct and indirect effects of the COVID-19 pandemic on spending.

INFLATORS

INFLATOR:
The COVID-19 hangover leads to increased utilization

The pandemic's long tail may increase utilization and healthcare spending in 2022 thanks to the return of some care deferred during the pandemic, the ongoing costs of COVID-19, increased mental health and substance use issues, and worsening population health.

Some care deferred during the pandemic returns

Overall, healthcare spending by employers in 2020 was lower than expected, in large part because of the deferral of care as a result of the pandemic. Some of this care is expected to rebound in 2022, and some of it likely will increase healthcare spending (see Figure 2).

Figure 2: Care deferred during the pandemic that comes back in 2022 could be higher acuity, higher cost than it would have been in 2020

Type of care	Examples	Spending impact 2020	Spending impact 2021	Spending impact 2022
Forgone, not coming back	• Annual preventive care visit • Diagnostic lab or imaging that is no longer needed • Surgery that has been replaced with a less intensive intervention	↓	↓	/
Deferred, coming back in the same form	• Knee surgery • Sinus surgery • Other non-urgent but necessary procedures	↓	↑*	↑
Deferred, now requires more intervention	• Delayed cancer screening that catches stage 3 cancer that could have been caught at stage 1 • Prediabetes that worsens into diabetes	↓	↑*	↑

↓ Decreased utilization and spending ↑ Increased utilization and spending / No expected impact

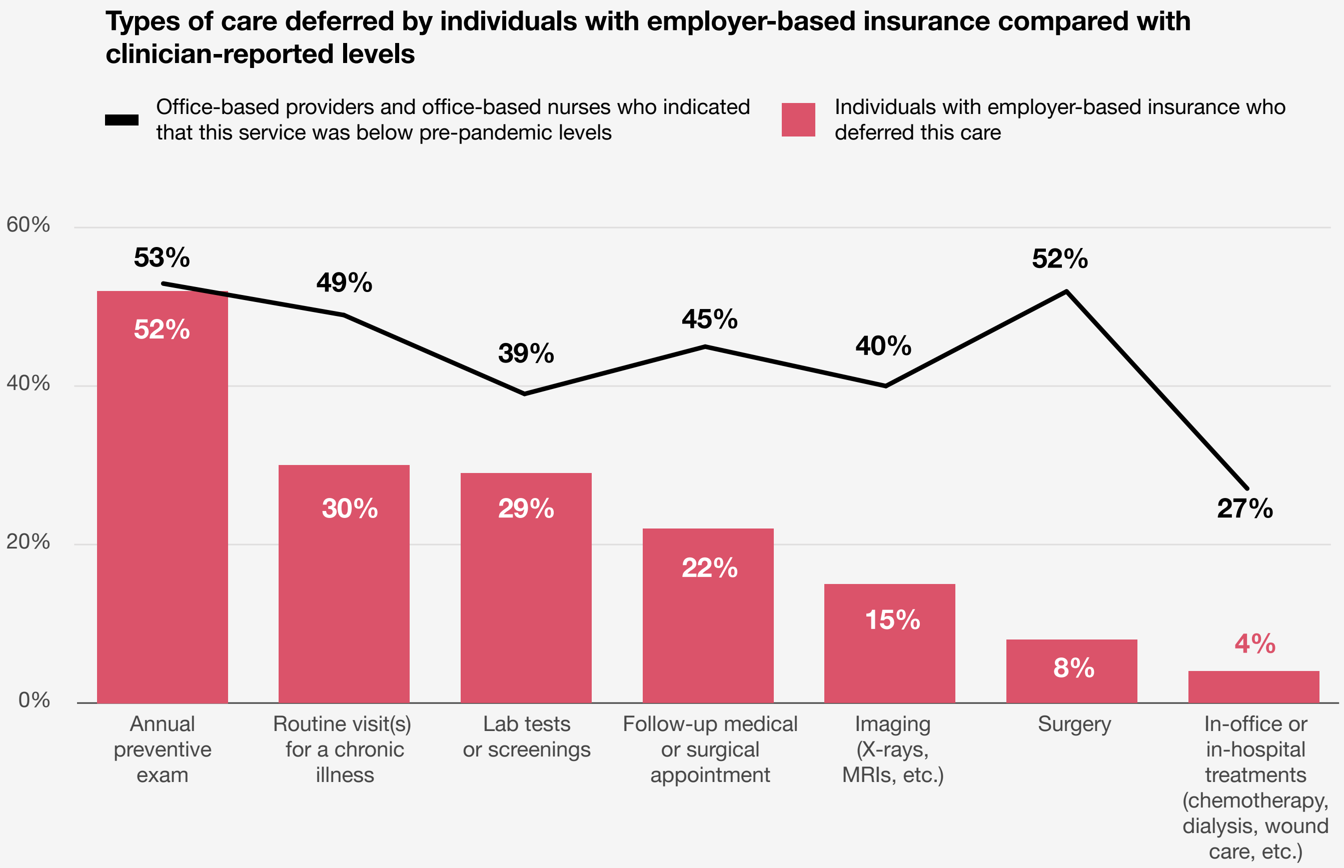
Source: PwC Health Research Institute analysis of interviews with executives at employer coalitions, healthcare coalitions and health plans, February-May 2021
Note: The spending impacts reflect the impact on spending in a given year compared with what would normally have been expected in that year if there had not been a pandemic.
*Initial dampened utilization and spending expected during the first half of 2021 with an increase in utilization and spending during the second half of the year, netting to a cumulative increase for the year.

Fifteen percent of American consumers with employer-sponsored insurance surveyed by HRI in September 2020 said they had deferred some care between March and September.[4] These consumers reported delaying an average of 62% of their care since March 1. Consumers were most likely to delay annual preventive visits. They also were likely to report delaying routine visits for chronic illnesses, laboratory tests and screenings (see Figure 3). Sixty-eight percent of office-based providers and office-based nurses surveyed by HRI said their volumes for these types of care remained below pre-pandemic levels in the spring of 2021.[5]

COVID-19 costs are likely to persist

The costs of testing for COVID-19, treating patients and administering vaccinations for the disease likely will continue into 2022. Pandemic-related diagnostic testing may be knitted into return-to-work strategies for employers. Eighty-six percent of employees surveyed by PwC in January 2021 said they would agree to employer-required, employer-funded testing for SARS-CoV-2, the virus that causes COVID-19.[6] Testing for SARS-CoV-2 may also become a seasonal cost during the winter months. Eighty-nine percent of immunologists, infectious-disease

Figure 3: During the first six months of the pandemic, individuals with employer-based insurance most commonly deferred their annual preventive visits



Source: PwC Health Research Institute clinician survey, March-April 2021, and PwC Health Research Institute consumer survey, September 2020
Note: Based on responses from 168 individuals with employer-based insurance who said they had delayed some care since March 1, 2020, and still had not received it as of September 2020; and from 752 office-based providers and office-based nurses who indicated where patient volumes for certain services were as of March-April 2021 compared with before March 1, 2020 (pre-pandemic). Office-based providers include providers (physicians, physician assistants and nurse practitioners) working outside a hospital setting and in a specialty other than hospitalist or intensivist. Office-based nurses include registered nurses working outside a hospital setting and in a specialty other than acute care nursing.

researchers and virologists surveyed by the journal Nature in January 2021 said that SARS-CoV-2 will circulate after the pandemic ends.[7]

The cost of treating COVID-19 patients is expected to shrink as vaccination levels rise, especially among those most at risk for hospitalization, and as treatments improve.

Primary vaccinations against COVID-19 are well underway. Boosters may be needed to extend the duration of protection or protect against variants of concern—those that spread more easily, cause more severe disease or do not respond as well to treatments or the current vaccines.[8] The costs to administer a booster could increase spending in 2022. CMS increased the Medicare reimbursement rate for administration of COVID-19 vaccines—the rate some health plans told HRI they are using for their commercial plans—in mid-March from a range of $16.94 to $28.39 per shot to a flat $40 per shot.[9]

It also is unclear how long the US government will pay for the vaccines and, when a commercial market emerges, how much manufacturers will charge for them. The prices likely will be higher than those secured by the government: $19.50 per dose for the Pfizer-BioNTech vaccine, $15.25 per dose for the Moderna vaccine and $10 for the one-shot Johnson & Johnson vaccine, not including government funding for research and development provided to Moderna and Johnson & Johnson.[10]

The mental health and substance use crises show no signs of waning

The pandemic substantially increased demand for mental health services. Thirty percent of Americans with employer-based insurance surveyed by HRI in September 2020 said they had experienced symptoms of anxiety or depression as a result of the pandemic.[11] This was especially true of individuals with children under age 18 (and in particular those with children who have health conditions) and young adults aged 18 to 24.[12] Making Caring Common, a project of the Harvard Graduate School of Education, found in an October 2020 survey that 36% of all respondents reported loneliness much or all of the time.[13] More than 60% of young adults reported high levels of loneliness, according to the Harvard survey. More than half of mothers with young children did, too.[14]

Adolescent behavioral health may see growth in spending in 2022. “There is not a functional adolescent mental health system in this country,” said Elizabeth Mitchell, CEO of the Purchaser Business Group on Health, in an interview with HRI. “There are examples of what works, but they have not been scaled or systematically developed. The access doesn’t exist. Employers, desperate for solutions, are looking to build this since the US health system has not.”

The nation’s opioid epidemic also grew. More than 87,000 Americans died from drug overdoses between October 2019 and September 2020, a 27% increase over the previous 12-month period and the highest number of fatal overdoses recorded in the US in a single year, according to the Centers for Disease Control and Prevention (CDC).[15] “The disruption to daily life due to the COVID-19 pandemic has hit those with substance use disorder hard,” then-CDC Director Robert Redfield wrote in a 2020 agency health advisory.[16]

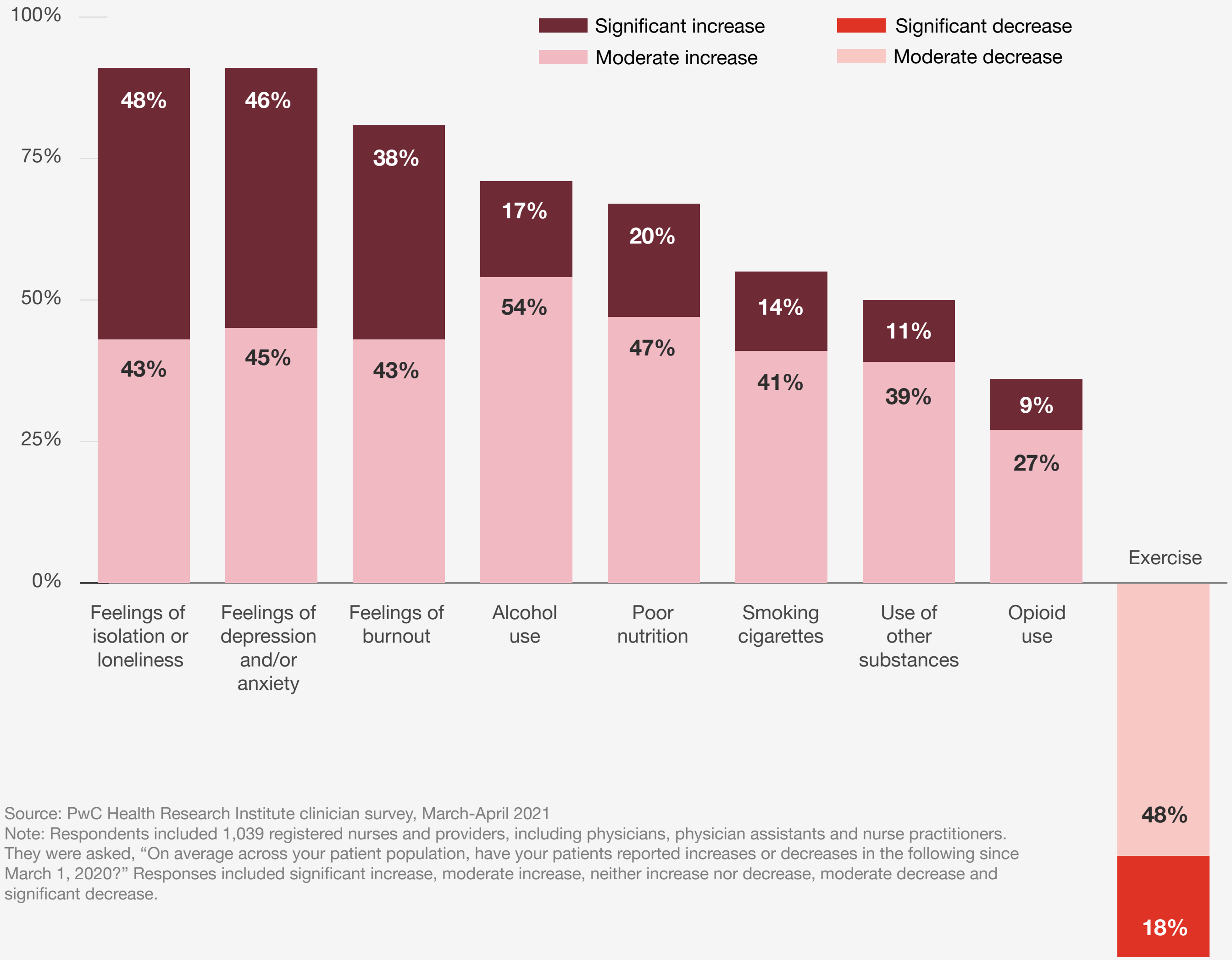
Increased substance use also likely will increase healthcare spending in 2022. Twenty-four percent of Americans 21 years or older said they were more relaxed about how often they get drunk, according to a survey conducted by the American Addiction Centers in September 2020.[17] Inpatient admissions for alcoholic liver disease at Keck Hospital at the University of Southern California rose 30% in 2020 from 2019, according to Kaiser Health Network.[18] Other US hospitals are reporting increased admissions for alcoholic liver disease of up to 50%.[19]

Population health worsened during the pandemic

Poor pandemic-era health behaviors such as lack of exercise, poor nutrition, increased substance use and smoking may lead to deterioration in US population health and increase healthcare spending (see Figure 4).

COVID-19 may leave some Americans with additional health burdens long after infection. People who survive severe COVID-19 may require months of rehabilitation and care after discharge from the hospital. Others, known as "long-haulers," may find themselves wrestling with symptoms for months, leading to additional medical needs. One in 20 individuals responding to the COVID Symptom Study app reported COVID-19 symptoms such as coughing,

Figure 4: Providers and nurses report increases in alcohol use, smoking, poor nutrition and loneliness among their patients during the pandemic



Source: PwC Health Research Institute clinician survey, March-April 2021
Note: Respondents included 1,039 registered nurses and providers, including physicians, physician assistants and nurse practitioners. They were asked, "On average across your patient population, have your patients reported increases or decreases in the following since March 1, 2020?" Responses included significant increase, moderate increase, neither increase nor decrease, moderate decrease and significant decrease.

shortness of breath, headaches and difficulty concentrating lasting eight weeks or longer.[20]

IMPLICATIONS »»

Payers and employers: **Go beyond analyzing the impact of worsening population health on spending.** Model how the pandemic may worsen health and, in turn, increase healthcare spending for different individuals based on their health status. Use machine learning to proactively target interventions that could help prevent and mitigate worsening health. Consider investing savings from lower-than-expected healthcare spending in 2020 in disease management programs, expanded mental health benefits, or nutrition and exercise discounts/programs that could help mitigate or reverse some of the fallout of poor health behaviors and isolation of the pandemic.

Providers: **Be proactive and personalized to get patients back in for care.** Forty percent of consumers surveyed by HRI with employer-based insurance who had deferred care since March 1, 2020, and still not received it or rescheduled it as of September 2020 said they would be encouraged to reschedule if their doctor said it was safe.[21] Fifty percent of office-based providers and office-based nurses surveyed by HRI who indicated that some patients had deferred care said they had encouraged patients to schedule deferred care via mass messaging.[22] Forty percent had used targeted messaging to specific groups of patients, and 38% had personally reached out to patients directly. Personalized or targeted outreach could help encourage patients to schedule necessary care, or even their vaccine.

The need for SARS-CoV-2 booster shots or an annual vaccine also could create an opportunity for a more meaningful interaction between patient and provider. Providers should consider appointments for booster or annual SARS-CoV-2 vaccines that combine the vaccine with an annual preventive exam or other screening (like depression screening) that patients might otherwise forgo.

Pharmaceutical and life sciences companies: **Work with payers and employers to secure reimbursement for digital therapeutics for mental health, and meet a growing market need.** Young adults aged 18 to 24 were more likely to say they were experiencing anxiety or depression as a result of the pandemic.[23] They also were the most likely to choose telehealth for mental health services of any age group, and may be more willing to use digital therapeutics such as Daylight, a mobile app from Big Health to help manage worry and anxiety; Pear Therapeutics' Somryst, an app that is FDA authorized to treat chronic insomnia; or Meru Health's app-based mental health treatment program.[24] Securing reimbursement from payers could improve consumer uptake of digital therapeutics. And FDA approval or clearance could help secure reimbursement.[25]

Young adults aged

18-24

were more likely to say they were experiencing anxiety or depression as a result of the pandemic.

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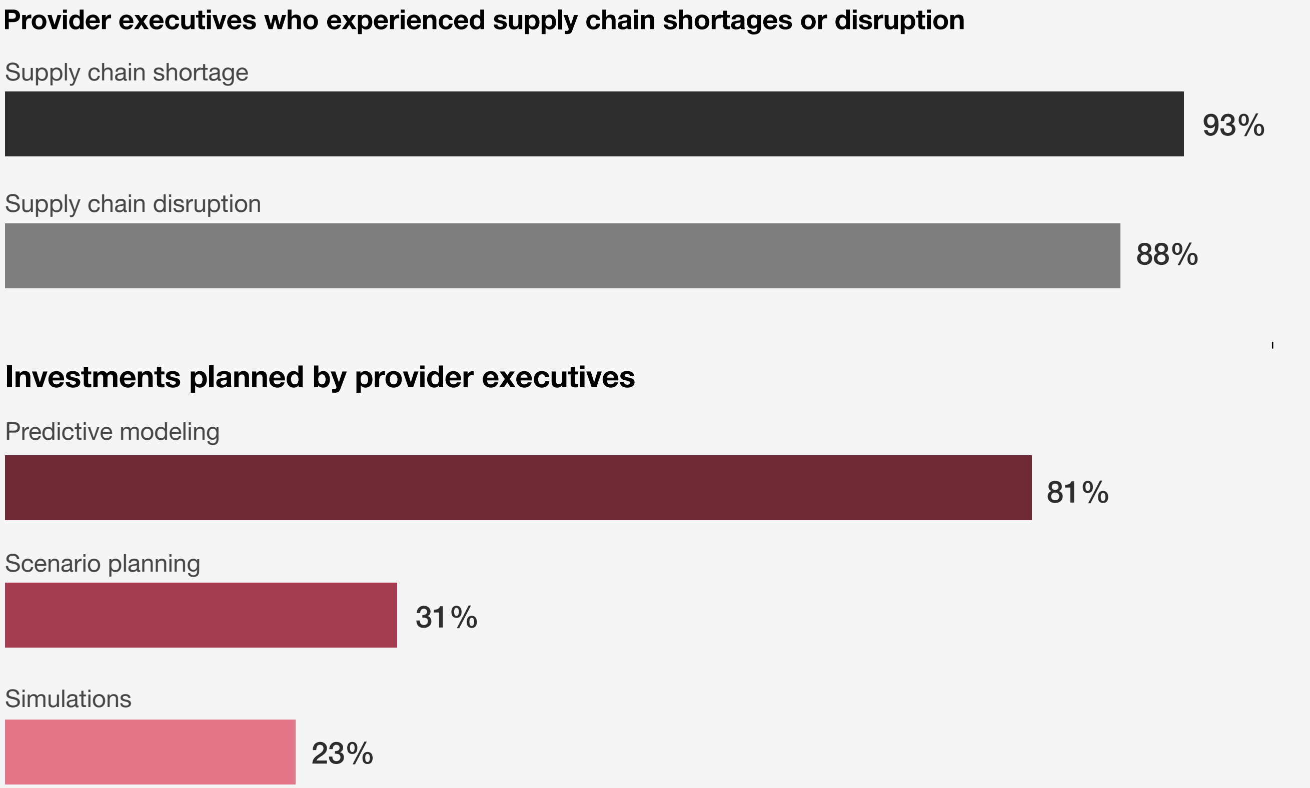
INFLATOR:
The health system prepares for the next pandemic

Calls to prepare for the next pandemic are as certain as its eventual arrival. Preparation costs money; pandemic readiness likely will be an inflator of medical cost trend in 2022. The US health industry is planning, or embarking on, investments in forecasting tools, supply chain, staffing, PPE and infrastructure changes. Because of these investments, payers and employers are bracing for rising prices.

The health system invests in better forecasting and the supply chain

Providers are planning investments in better crystal balls after the surprise and tumult of 2020 and 2021.[26] After experiencing supply chain shortages and disruptions, the majority of provider executives surveyed by HRI in 2020 said they expected to spend money on predictive modeling in 2021.[27] Smaller percentages said they would invest in simulations and scenario planning (see Figure 5).

Figure 5: Provider executives report significant supply chain shortages and disruption due to the pandemic, plan to invest in better forecasting



Source: PwC Health Research Institute health executive survey, August-September 2020

Pharmaceutical and life sciences companies also likely will address the supply chain. Ninety-four percent of pharmaceutical and life sciences executives surveyed by HRI in 2020 said improving the supply chain was a priority for 2021.[28] Eighty-two percent said they expected to onshore components of the supply chain within two or five years.

Providers spend more on staffing and safety measures for all

Prices for PPE, infrastructure and staffing such as nursing also have risen, executives said. "There are some fundamental changes in what it costs to provide care going forward that will push prices higher," Mick Diede, chief actuary at the Kaiser Foundation Health Plan, told HRI in an interview.

Thirty-one percent of clinicians surveyed by HRI who reported a lack of trust in their employer said that investments in PPE would help build or restore their trust.[29] Yet PPE purchases and storage cost money, which could prove to be challenges for smaller hospitals that may experience shortages of cash and supplies intensified by weaker purchasing power than larger systems.[30]

Staffing may cost more, too. Hospitals such as Henry Ford Health System, LifeBridge Health and The University of Kansas Health System raised the minimum wage to $15 per hour in response to COVID-19 working conditions.[31] These increased costs will persist post-pandemic and could spread to other health systems. Investments in remote workforces, such as technology, connectivity and cybersecurity, also could ensure that the organization is ready, in part, for the next crisis.

Investments also are being made in infection control. Fifty-one percent of clinicians surveyed by HRI in 2021 said they were considering changing their workflows to limit patients' exposure to pathogens, 49% were considering revamping space to allow for more distance between patients, and 22% were considering upgrading the heating, ventilation and air-conditioning systems in response to the pandemic.[32]

The health system addresses health disparities highlighted by the pandemic

Health organizations are making investments to address historical and persistent health disparities. Black and Latinx Americans suffered disproportionately in the pandemic, shouldering a high magnitude of cases, hospitalizations and deaths and outsize financial blows.[33] Black and Latinx Americans have received proportionately fewer vaccines than white Americans.[34]

The US health industry continues to invest in addressing health inequities. These investments likely will dampen healthcare spending in the long run but may drive higher prices in the short term.

The pharmaceutical and life sciences industry is working toward greater racial and ethnic diversity in clinical trial participation, a critical need amplified by the pandemic. Virtual or decentralized clinical trials could help. Eighty-seven percent of pharmaceutical and life sciences executives surveyed by HRI in 2020 said that virtual trials will help improve racial diversity.[35] And consumers across races may be more willing to participate. More than half of Asian, Black, Latinx and white consumers with employer-based insurance surveyed by HRI in April 2020 said they would be willing to participate in a trial from home.[36] Standing up virtual or decentralized trials will require upfront investment, driving higher costs of research and development and drug prices in the short term.

Health organizations have allocated millions toward addressing the social determinants of health, such as transportation, economic, housing and other issues that can stand in the way of health. CVS Health announced it had invested $114 million in affordable housing.[37] Along with other initiatives, Kaiser Permanente has committed $200 million toward affordable housing since 2018.[38] Increased costs to support these programs in the short run could result in savings long term.[39]

87%

of pharmaceutical and life sciences executives surveyed by HRI in 2020 said that virtual trials will help improve racial diversity in clinical trial participation.

IMPLICATIONS

The health industry: **Embrace cross-industry collaboration.** "The pandemic fostered unusual cross-industry partnerships," said Mary Grealy, president of the Healthcare Leadership Council (HLC), in an interview with HRI. Competitors were willing to come together and share their proprietary information, Grealy said, creating a third-party "vault" for information about who had what, who needed what, and how to get it from one place to another.[40] Organizations should invest in real-time data collection, reporting and sharing, she said, and embrace interoperability, recommendations included in a recent report on disaster preparedness and response produced by the HLC's National Dialogue for Healthcare Innovation and the Duke-Margolis Center for Health Policy.[41]

Payers and employers: **Take an active role in addressing racial health disparities.** "Employers know that this is an issue and that they should be doing something," said Paul Fronstin, director of the health research and education program at the Employee Benefit Research Institute, in an interview with HRI. Seventy-eight percent of large employers surveyed by the Business Group on Health in February-March 2021 prioritized equity, diversity and inclusion as part of their health and well-being strategy, and 56% have worked to identify health inequities within their benefits or care delivery.[42] Payers also have a role to play. In January, Humana created a chief health equity officer role that will "set direction and establish strategy to promote health equity across all Humana lines of business."[43]

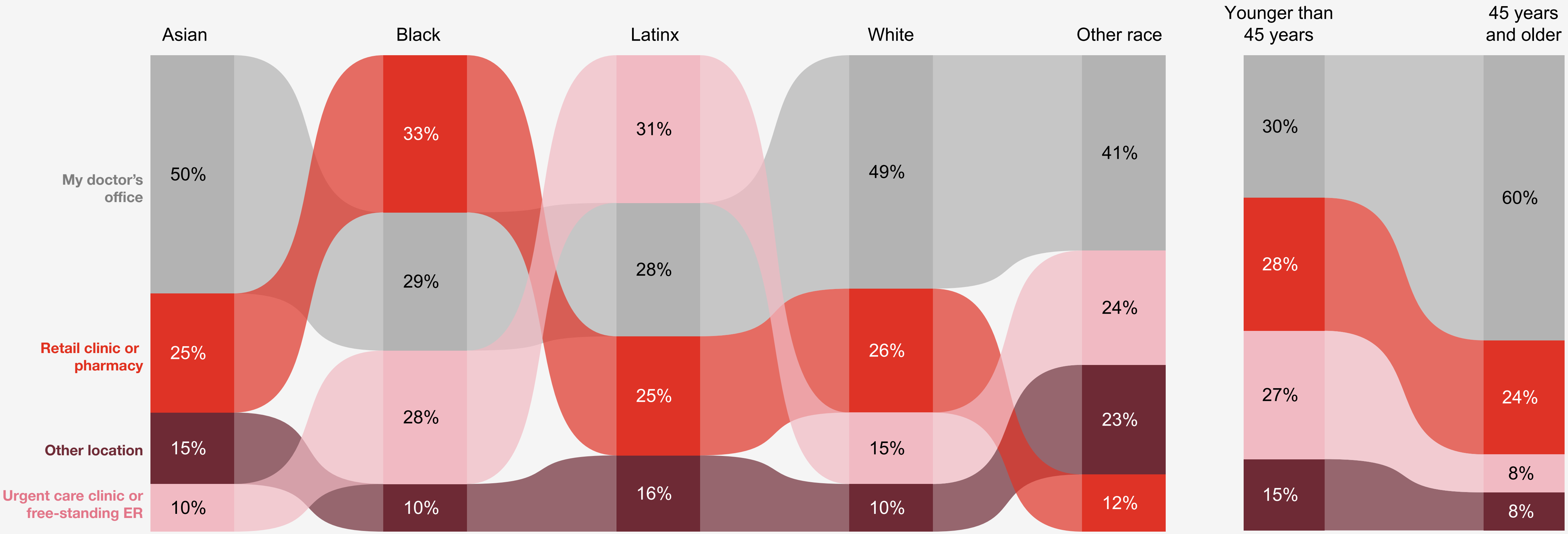
Providers: **Develop an "end-to-end" view of the supply chain, including the last mile.** The supply chain includes the "last mile" to the consumer.[44] Providers should develop sophisticated views of consumer preferences that could help ensure that the right services reach people at the right time in the place they choose. A data-driven distribution of the vaccines, for example, could overcome challenges that have led to issues with access and hesitancy among many Americans.

Consumers with employer-based insurance surveyed by HRI in September 2020 said their top preferred location to receive a vaccine was their doctor's office (45%), followed by a retail clinic or pharmacy (26%) and an urgent care clinic (13%).[45] Top preferred location for a vaccine within the employer-insured population varied by race and age—something that should be considered in the current COVID-19 vaccination campaign and in future efforts with annual or booster SARS-CoV-2 shots or annual flu shots (see Figure 6).

Pharmaceutical and life sciences companies: **Double down on preparation for SARS-CoV-2 variants or the next pandemic.** Pharmaceutical and life sciences companies should develop repurposed therapeutics and new vaccines, establish incremental vaccine manufacturing capacity without affecting historical supply needs, and be a good global citizen by providing production to regions outside one's nationality. Companies also should consider investing in R&D animal models, chemistry, manufacturing and control development and policy development so that when the next crisis hits, companies will have a short time to clinic.[46]

Figure 6: Top preferred location for vaccination among those with employer-based coverage varies by race and age

Preferred location to receive the COVID-19 vaccine for individuals who have employer-based insurance and plan to receive the vaccine within one year of vaccine approval



Source: PwC Health Research Institute consumer survey, September 2020
Note: 774 people with employer-based insurance said they would be willing to get a vaccine within one year of approval (or, in the case of the vaccines against SARS-CoV-2, within one year of FDA emergency use authorization). The category "other race" includes Hawaiian Native or other Pacific Islander, American Indian or Alaskan Native, two or more races, and prefer not to respond. The category "other location" includes at my church, my local YMCA or community center, administered in my home by a licensed health professional, on-site health clinic at my work, other and none of the above.

INFLATOR: Digital investments to enhance the patient relationship increase utilization

The pandemic accelerated providers' improvements in digital experiences so they could maintain their relationships with patients through the challenge of COVID-19 while reaching new segments. Providers are fine-tuning "digital front door" mobile apps that connect them to their patients, beefing up portals and intensifying use of customer relationship management (CRM) tools. They are using virtual care and analytics to not only improve the customer experience and create regular touchpoints with patients, but also to expand capacity to avoid frustrating or alienating patients. HRI expects these digital investments in the patient relationship to expand consumers' access to care, increasing utilization and medical cost trend in 2022.

Patients and clinicians expect useful digital tools as part of the care journey

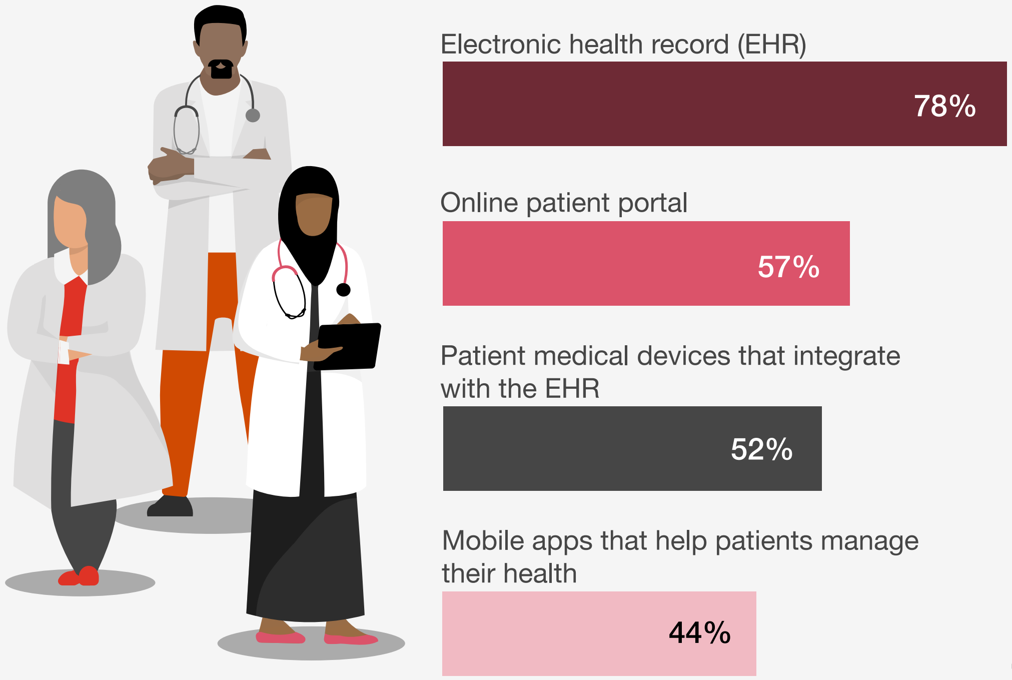
Mobile apps for healthcare organizations are table stakes in 2022. Total corporate funding for digital health, including venture capital, debt and public market financing, was $21.6 billion in 2020, up 103% compared with $10.6 billion in 2019, according to Mercom Capital Group.[47] Patients and clinicians want digital tools that improve care and simplify the care journey.

Fifty-eight percent of providers and nurses surveyed by HRI in 2021 said they wanted more personal health tools such as apps to help them coordinate patient care.[48] They view the use of digital technologies as important to patient care (see Figure 7). Seventy-nine percent of consumers with employer-based insurance surveyed by HRI in April 2020 said they were open to chatting online through the health system's website; 76% said they were willing to use a doctor or health system's mobile app.[49]

The care journey remains fragmented, with the patient responsible for knowing how, when and where to engage. "All the burden is with the patient on deciding what modality they need to have access to and which doctor," said Prat Vemana, chief digital officer for Kaiser Permanente, during PwC's 180 Health Forum on Digital Health in April. Vemana said the health system should be directing patients where to go for care, based on what they are experiencing. And, he said, this direction should be based on data collected from historical

Figure 7: Providers and nurses still see electronic health records as important. They also want more digital connections with patients

How important are each of the following technologies to you today?



Source: PwC Health Research Institute clinician survey, March-April 2021
Note: Responses include the percentage of providers and nurses who responded with 6 or 7 on a scale of 1-7 when asked, "In your opinion, how important are each of the following technologies to you today?" with 1 assigned "not important at all" and 7 assigned "very important."

patient encounters, knowing which modalities work best for which conditions and which symptoms.

Before the pandemic, digital investments to improve the way patients and clinicians engage with the health system and each other may have been tabled by provider leaders in favor of other needs. The crisis exposed how vulnerable healthcare organizations were without them. In the short term, these investments cost money, but they may pay off in the long run.

Investments in digital tools can help health systems better engage patients and expand capacity

Health systems are looking to build stronger, more continuous relationships with their patients that enable growth. Investments in virtual care, analytics and CRM tools can build better relationships and drive growth.

Virtual options can eliminate the need for patients to take off days of work or to secure transportation for a doctor visit, reducing irritating waits for patients. For example, Garfield Health Center in Monterey Park, California, found that its telehealth solution led to dramatic reductions in its no-show rate, which was 15% to 20% before the pandemic.[50] The no-show rate was less than 5% for telehealth visits. The virtual option alleviated issues such as childcare that kept Garfield Health Center's primarily lower-income patients from office appointments. Virtual care also may eliminate a long wait that some patients may experience for a specialist in their area, as it can make a wider pool of providers available to them. With geography not a limiting factor, providers have the opportunity to unlock new markets.

Investments in "supply side" analytics tools are important for ensuring that clinical time is best utilized. For example, as cancellations occur, providers can use artificial intelligence (AI) to predict when a patient may be ready to abandon the visit altogether, analyzing previous cancellation patterns and identifying signals that indicate the visit may not be rescheduled. The provider can then reach out to get that patient scheduled first in any newly opened time slots. A similar approach can be taken to new patients who present in the emergency department or an urgent care clinic but do not make a follow-up appointment. However, companies should establish trust in AI algorithms by reviewing them for unintended biases that can skew results.[51]

Health executives told HRI that they want to better understand the context of their patients' lives to improve their care and their experience with the health system. Seventy-nine percent of provider executives surveyed by HRI in 2020 said they were exploring investments in consumer segmentation and patient journey analysis.[52] Enhanced analytics that use clinical and nonclinical data also can help health organizations understand consumers' preferred channels of outreach, the social determinants of health, unmet needs and the factors that motivate them— context that informs better strategies to engage consumers effectively. This richer understanding of patients' lives, needs, motivations and preferences could lead to better health outcomes (see Figure 8).

The result of these efforts using digital tools to improve scheduling, decrease waits and understand the patient can help move healthcare from disparate interactions with patients into a more continuous relationship. "As we move into the digital arena, starting with simple things like scheduling, ending with complex things like diagnosis and information processing, how do you ensure that the virtuous triangle between the patient, provider, and information remains

Figure 8: Providers plan to invest in digital tools that improve relationships with consumers and drive better health outcomes

Source: PwC Health Research Institute analysis continuous and active? And that is the goal… of the best of digital care," Dr. Siddhartha Mukherjee, a Pulitzer Prize-winning science writer, said during PwC's 180 Health Forum on Digital Health in April.

One way that health systems are building better, continuous relationships and trust with patients is CRM tools. These tools can be used to identify patients with chronic conditions who may benefit from emails or texts that encourage better nutrition or exercise, or include reminders for regular screenings. For example, Children's Wisconsin in Milwaukee identified new parents as a segment with great potential for relationship-building, then used its CRM program for an automated email marketing campaign featuring lessons for them.[53] The emails achieved an 86% open rate, signaling the interest of this consumer segment and another potential touchpoint.

IMPLICATIONS »»

Payers and employers: **Use digital tools to achieve more continuous care for members.** CRM and other digital health investments can help support the evolution of members' interactions with their providers beyond once-a-year, isolated check-ins. Payers can tap the full potential of CRM tools to identify the points in a patient journey where outreach or interventions could result in better care for chronic conditions, and coordinate with providers on needed outreach or interventions. Foundational investments in chatbots and automation also can help smooth the experience of members trying to get information on their plans and healthcare costs.

Providers: **Seize opportunities to better navigate the patient experience, starting with vaccine appointments.** Americans are finding the snags and wins in providers' scheduling platforms as they try to book vaccine appointments. Complex sign-ups, convoluted appointment booking, including for second shots, and other issues have stymied consumers, who share their frustration with friends, family and the public on social media. Convenient, simple, intuitive processes are rewarded with kudos and gratitude online, highlighting the need for providers to invest in their digital front door in an increasingly virtual care delivery world.

As new federal interoperability rules push healthcare organizations toward more data sharing, organizations have an opportunity to use those new data streams to build dynamic models that produce important patient insights.[54] However, it's important to feed those tools with clean and accurate data.

Pharmaceutical and life sciences companies: **Understand the hybrid virtual/in-person environment to best support patients and physicians.** Seventy-seven percent of provider executives surveyed by HRI in 2020 said the pandemic had negatively affected their organization's ability to engage with pharmaceutical sales representatives.[55] Seventy-eight percent said their organization's clinicians were communicating only virtually with pharmaceutical field representatives.[56] Communication in a post-pandemic world likely will be a mix: 78% of provider executives indicated that they would like to communicate with pharmaceutical field representatives in person, while 71% said they would like to use virtual video meetings. As vaccination rates rise, cases fall and policies limiting in-person contact are loosened, pharmaceutical and life sciences companies will need to navigate the fluid preferences for pharma-clinician interaction and adapt accordingly.

DEFLATORS

DEFLATOR: Consumers lean into lower-cost sites of care

Employers and payers have been nudging people toward lower-cost sites of care over the past few years through care advocacy programs, benefit and network design, and lower copays or coinsurance.[57] Now consumers may need less nudging. More people are shopping around for care, according to a recent HRI report, and millions of consumers became familiar with receiving care in lower-cost, more convenient ways during the COVID-19 pandemic.[58] HRI expects these shifts in consumer behavior to reduce healthcare spending in 2022.

Consumers increasingly embraced care outside of the doctor's office during the pandemic

The share of Americans using health settings outside of the traditional doctor's office or hospital soared during the pandemic. According to the consumer survey conducted by HRI in September 2020, the share of consumers reporting that they had used virtual visits doubled by September compared with before the pandemic.[59] The share reporting that they had used a retail health clinic increased by 40%, and the share reporting that they had gone to an urgent care center grew by 18% over that period. Most said they would use these lower-cost sites again (see Figure 9).

Clinicians also see the benefits of lower-cost sites of care, and in particular telehealth. Seventy-seven percent of clinicians surveyed by HRI in 2021 said that new, nontraditional care venues, including retail clinics, concierge medicine services and on-demand telehealth, either are maintaining or improving patient health outcomes.[60] Fifty-one percent said they are increasing patient satisfaction. And of clinicians who reported using telehealth, 65% said it had positively impacted their work experience while only 19% said it had negatively impacted it.[61]

According to the CDC, overall emergency department volumes decreased by

42%

during the pandemic lock-downs between March and April 2020.

Meanwhile, the "house call" of the past is taking on new life. While still an emerging trend, more than three-quarters of consumers HRI surveyed said they were willing to get in-home care for care ranging from a well visit to chronic disease management.[62] Some large payers, such as Anthem and UnitedHealthcare, have sealed deals to expand their focus on home-based health services.[63]

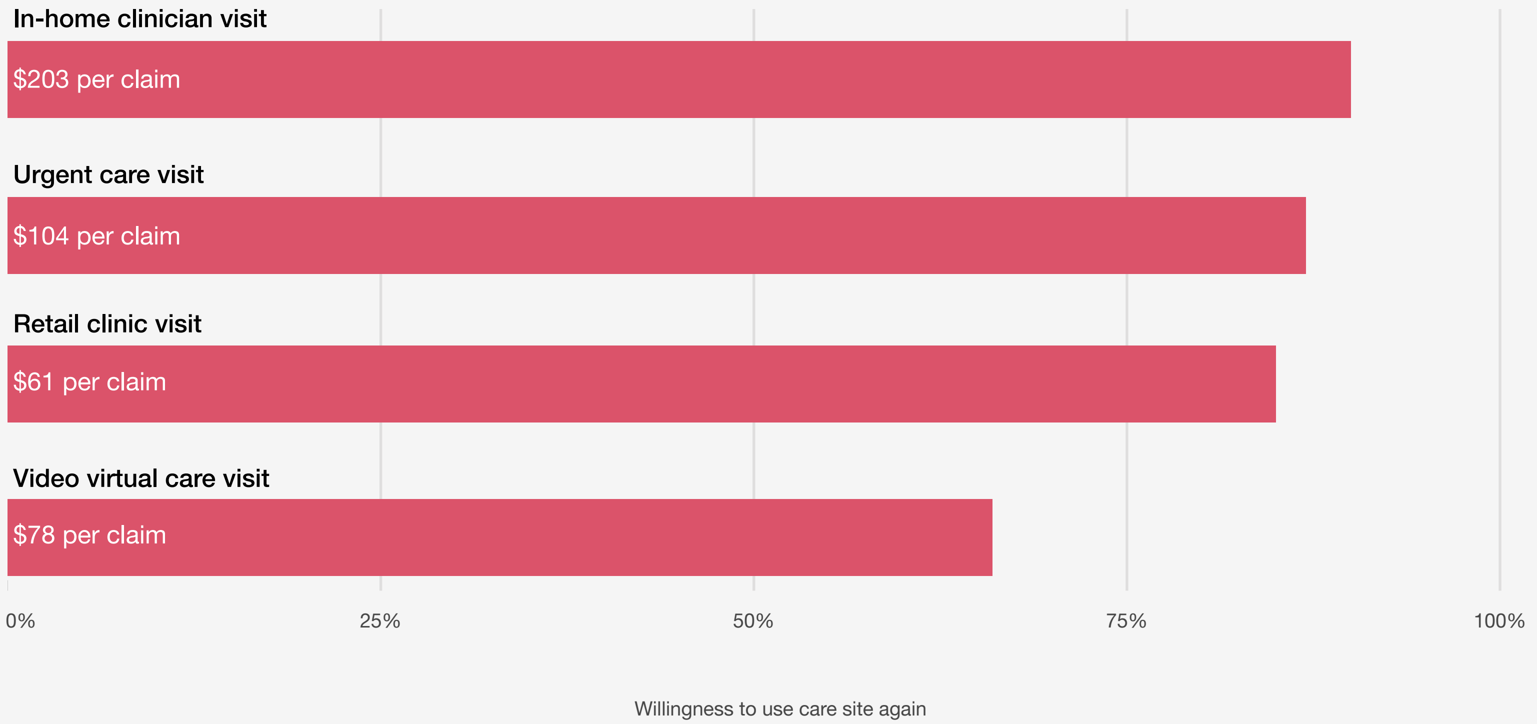
The emergency department (finally) becomes the last resort

The COVID-19 pandemic deflated emergency department (ED) utilization.[64] According to the CDC, overall ED volumes decreased by 42% during the pandemic lockdowns between March and April 2020.[65] But even in the beginning of 2021, ED volumes were still 25% below pre-pandemic levels.

"As we saw use decrease, the average service intensity increased in 2020, and ER was no exception," said Kirk Roy, vice president of underwriting and actuarial at Blue Cross Blue Shield of Michigan, in an interview with HRI. "People were only going in for the most important things. This is a behavioral change."

Figure 9: Willingness to seek care again in lower-cost settings is high among consumers with employer-based coverage

Willingness among consumers with employer-based coverage to use care site again compared with average cost per claim



Source: PwC Health Research Institute consumer survey, September 2020, and PwC analysis of 2019 employer claims data from a proprietary claims database[66]
Note: The percent willingness shown is the percentage of individuals with employer coverage who used that type of care either before or during the pandemic and indicated they would be somewhat or very willing to use that setting in the future.[67]

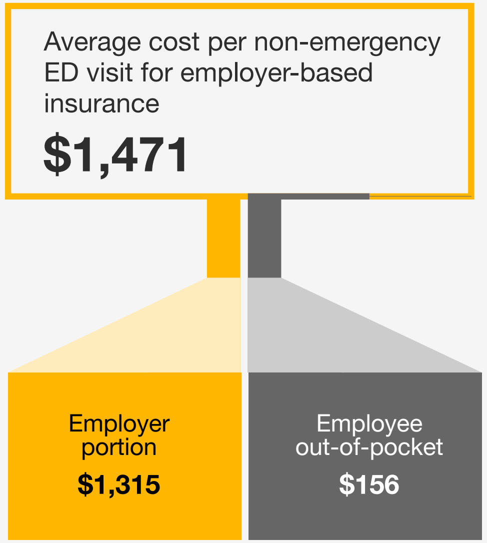
Even a small decrease in utilization can have a significant impact on bending the cost curve for employers, who spent over $28 billion on ED care in 2018.[68] About 33% of ED visits were for non-emergencies—visits that did not require an MRI, CT scan or surgery, did not result in hospitalization and were not labeled as an emergency in the Medical Expenditure Panel Survey data—in 2018, accounting for 30% of all employer ED spending.[69] A 10% decrease in non-emergent ED visits could save employers nearly $900 million per year (see Figure 10).

Some ED visits—especially lower-acuity ones—may never return to pre-pandemic levels. One study published in 2010 estimated that 13% to 27% of ED visits could be managed in retail clinics and urgent care settings, saving the health system $4.4 billion annually.[70] According to the CDC, 12% of patients with private insurance go to the ED because their doctor's office is closed; 7% go because they lack access to another option.[71] Those reasons may now be less important; the explosion of telehealth during the pandemic has given patients a very convenient, 24/7/365, lower-cost alternative.

Figure 10: A 10% decrease in non-emergent ED visits could save employers millions annually

Gross impact of drop in non-emergent ED spending*

	Spending/potential savings on non-emergent ED care	**Employer share**	**Employee share**
2018 baseline	*$ 9.7 billion*	*89%*	*11%*
5% decrease	—$483 million	—$432 million	—$51 million
10% decrease	**—$966 million**	**—$864 million**	**—$102 million**
20% decrease	—$1.9 billion	—$1.7 billion	—$205 million



Source: PwC Health Research Institute analysis of 2018 Medical Expenditure Panel Survey (MEPS) data
*Analysis shows the gross savings of a decrease in ED visits rather than the net savings that would include an increase in spending resulting from some of the non-emergency ED visits shifting to urgent care centers, telehealth or other lower-cost care settings. The net savings would be lower than the amounts shown in this figure.
Note: The total annual ED visits and total annual spending by employers and employees included in this figure may be lower than actual, as MEPS data are based on MEPS respondent reporting, which is known to be lower than provider-reported data for ED visits.[72]

Very few telehealth encounters during the early months of the pandemic resulted in sending patients to the ED. A CDC study of telehealth encounters conducted between January and March 2020 found that just 1.5% were sent to an ED.[73] New York University Langone Health reported having referred only 2.5% of its virtual urgent care patients to an ED from March to April 2020.[74] Of the patients that responded to the post-visit survey, 12% said they would have gone to an ED if not for this virtual option.[75]

Some consumers also are warming to the idea of using telehealth for situations they deem emergent, HRI found (see Figure 11).

Figure 11: Consumers with employer-based insurance, particularly those with complex chronic disease, are interested in using telehealth, some even for emergency situations, which could lead to reduced ED utilization and spending

	All consumers with employer-based insurance	Healthy adult enthusiasts	Healthy adult skeptics	Adults with mental health condition	Adults with chronic disease	Adults with complex chronic disease
Consumers with employer-based insurance who have used telehealth	29%	15%	29%	38%	28%	**51%**
Consumers with employer-based insurance who have used telehealth **and would consider using it again**	91%	81%	91%	93%	95%	**95%**
Consumers with employer-based insurance who have used telehealth **and would consider using it for emergency purposes**	18%	16%	23%	11%	12%	**24%**

Source: PwC Health Research Institute consumer survey, September 2020
Note: Consumers with employer-based insurance who have used telehealth are shown as a percentage of all consumers with employer-based insurance. The subsequent two rows are shown as a percentage of consumers with employer-based insurance who have used telehealth. Five of the seven HRI consumer groups are shown in this breakdown of individuals with employer-based insurance by consumer group. See “About This Research” section for details on the consumer groups. The frail elderly consumer group is excluded, as this group generally does not apply to individuals with employer-based insurance. The adults with cancer consumer group is excluded because of an insufficient sample size for those who have employer-based insurance and had used telehealth.

IMPLICATIONS

Employers: **Make sure the care options available to your employees meet evolving preferences and needs.** More than half of large employers responding to a survey by the Business Group on Health said their approach to care delivery reform in 2021 would be to find a way around the current delivery system by implementing virtual and digital care, navigation and concierge services.[76] Some employers also are expected to expand their onsite workplace clinic offerings as employees return to work in person. Thirty-nine percent of employers surveyed by the National Alliance of Healthcare Purchaser Coalitions in March 2021 said they currently offer an on-site or near-site clinic, with 16% considering them.[77]

Employers should continue to encourage appropriate utilization through plan design and effective communication. Seventy-six percent of employers surveyed by the Business Group on Health in 2020 said they had made modifications in favor of increased access to telehealth and virtual care in response to the pandemic.[78]

Payers: **Offer accessible, effective alternatives to the ED and integrate them into primary care.** As of 2021, Oscar Health, a New York-based tech-driven health insurance company that offers plans to small businesses, added free virtual primary care and 24/7 virtual urgent care to its offerings.[79] GuideWell Emergency Doctors, whose parent company, GuideWell, also owns Florida Blue, offers ED-level care to Florida residents through a high-acuity urgent care center.[80] Florida Blue members pay significantly reduced copays for the first two urgent care visits to encourage its use.[81]

Integrating telehealth, urgent care and other visits used in place of ED visits back into primary care will be important to lowering spending and improving members' health.

Providers: **Help patients get the most out of lower-cost sites of care.** To get the most value out of the shift to virtual care, patients need affordable access to technology that will facilitate their visit. For example, Novant Health of Winston-Salem, North Carolina, has partnered with TytoCare, a health tech company, to provide consumers with at-home medical exam kits (for a fee), enabling doctors to virtually listen to the patient's heart and lungs, or look in their throat or ears.[82] Patients connect the kit to a TytoCare app on their phone and video connect with a provider via the app.[83] Providers should have education strategies that shorten the learning curve for patients and ensure efficiency, accuracy and quality.

Care navigators could help with this education. Fifty-eight percent of providers and nurses surveyed by HRI in 2021 believed that using more care navigators and coordinators will help facilitate patient care.[84] Sixty-eight percent of provider executives say they are investing more in them in 2021, according to a recent HRI survey.[85] Care navigators can help patients avoid unnecessary hospital admissions and trips to the ED and have been found to lower the cost of care by 17%.[86]

With dwindling ED volumes, providers will need to either address fixed cost structures or increase prices, which employers will surely resist. Continued investment in tele-ED capabilities—such as those offered by Thomas Jefferson University Hospitals in Philadelphia, Mount Sinai Health System in New York City and MedStar Washington Hospital Center in Washington, DC—will also be critical to lowering ED utilization post-pandemic.[87]

Pharmaceutical and life sciences companies: **Rethink diagnostics in light of virtual and at-home care trends.** Consumers are warming up to at-home, do-it-yourself testing. Eighty-eight percent of consumers with employer-sponsored insurance surveyed by HRI in April 2020 said they would use an at-home COVID-19 test.[88] Fifty-eight percent of consumers with employer-based insurance surveyed by HRI in May 2020 said they would use an at-home strep test purchased at a store, and 51% said they would check for an ear infection at home using a medical device attached to their phone.[89]

Investment in at-home medical kits that help facilitate virtual exams will be important. Traditional diagnostics makers may need to redesign their target product profiles, focusing on usability and reproducibility in their results. Pharmaceutical and life sciences companies should consider expanding their relationships and partnerships with at-home care providers if more patients start to prefer this setting for things such as infusions.

Pharmaceutical and life sciences companies should continue to offer digital apps and therapeutics that enable consumers to monitor their biometrics and symptoms at home. Total corporate funding for remote monitoring companies more than doubled from $417 million in 2019 to $941 million in 2020, according to the investment firm StartUp Health.[90] While only 18% of consumers with employer-based insurance surveyed by HRI said they had used a mobile app to help them take a prescription drug correctly or let them log symptoms, 93% of those who had done so thought it was useful.[91]

While only 18% of consumers with employer-based insurance surveyed by HRI said they had used a mobile app to help them take a prescription drug correctly or let them log symptoms,

93%

of those who had done so thought it was useful.

DEFLATOR: Health systems find ways to provide more healthcare for less

Where just a year ago health system leaders could not imagine a distributed "at home" workforce, they were quickly forced to improvise during the pandemic. Patient care had to be delivered remotely, and centralized functions like the business office were moved to employees' homes. It was a necessary pivot for the times that revealed a new way of working, one that can improve employee satisfaction while responding to employer pressures to reduce costs in 2022.

The pressure to provide more healthcare for less has been building. Employer interest in high performance and narrow networks increased during the pandemic, according to PwC's 2020 Health and Well-being Touchstone survey of large employers. Sixteen percent of employers surveyed by PwC said that they had already implemented a narrow network with more limited provider choices; 30% were considering it.[92]

New federal price transparency rules could increase the information that hospitals and payers must release to the public. Employers may be able to use these data—such as hospitals' payer-specific negotiated rates and payers' negotiated in-network rates—to put pricing pressure on both sides of the traditional payer-provider contract negotiation.[93]

Health systems can reduce costs through new ways of working

The shift to remote work for some healthcare employees could reduce costs. In a recent HRI survey, 54% of provider executives said they had started offering work-from-home options to help employees cope with the pandemic.[94] Employees are responding to these options. The average number of administrative staff working virtually increased 23% as a result of the COVID-19 pandemic.[95]

Health systems are starting to rethink their real estate spending, too. UW Medicine in Seattle shrank office space as a result of permanent shifts to working from home. The health system is reportedly saving $150,000 per month after terminating two real estate leases that were used for the IT department.[96] Kaiser Permanente recently canceled its estimated $900 million headquarters project in Oakland, California.

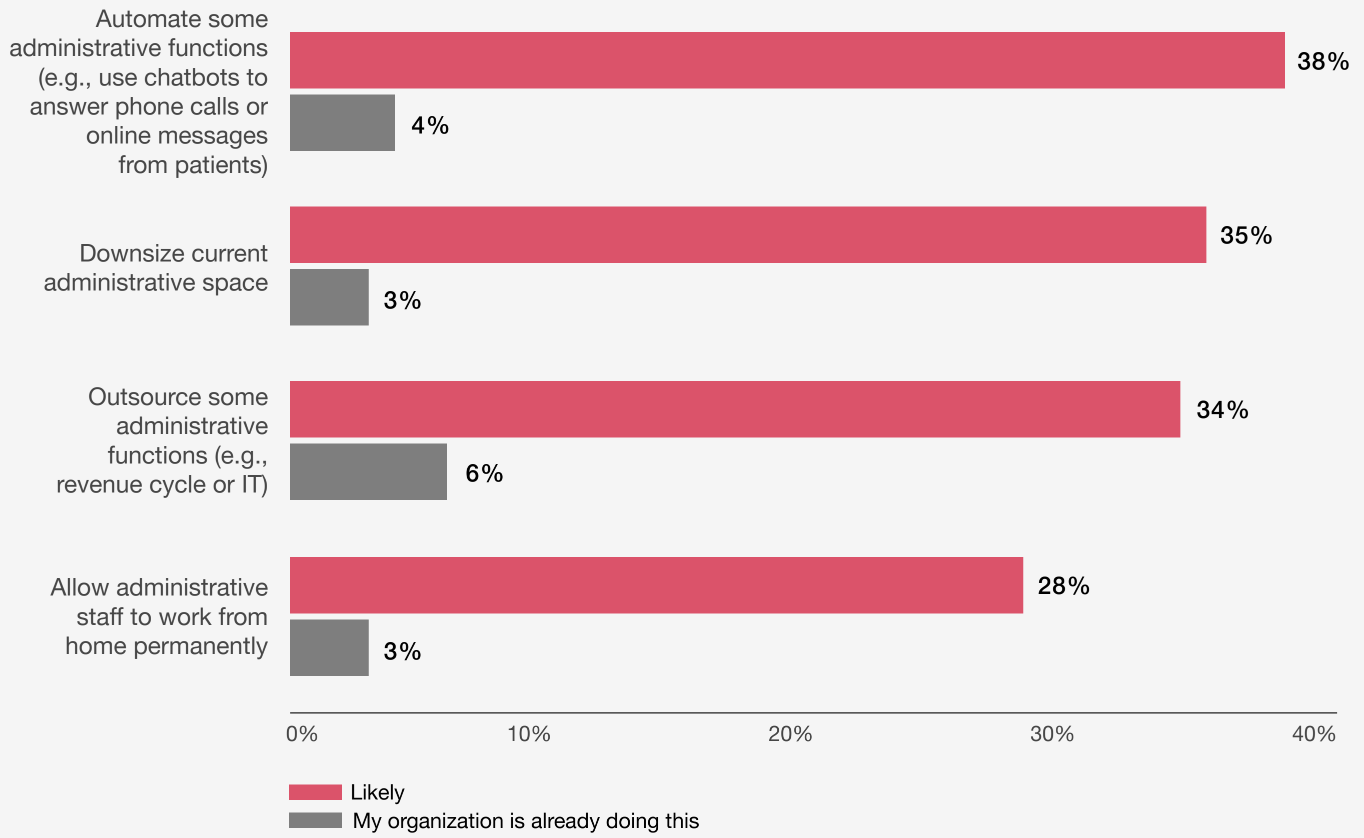
It plans to use existing spaces instead of increasing its real estate footprint.[97] The ability of health systems to shed some of their capital-intensive infrastructure could be a competitive advantage as they face increased pressure on reimbursement rates.

HRI expects more health systems to revisit how much real estate they need for administrative functions, especially as they increase work-from-home options and reconsider the allocation of space between business functions that typically do not generate revenue and patient care that does (see Figure 12).

Health systems can increase efficiency through process automation and cloud technology

Technology-based efficiencies are being adopted by providers to reduce costs and boost revenue. Seventy-one percent of provider executives surveyed by HRI in 2020 reported significant investments in automating administrative functions, up from 47% the previous year.[98] Thirty-one percent reported that adopting automation and artificial intelligence for tasks previously performed by employees was a top priority in 2021.[99]

Figure 12: Organizational changes clinicians expect as a response to the COVID-19 pandemic



Source: PwC Health Research Institute clinician survey, March-April 2021
Note: The responses shown do not total 100%, as the options “Unlikely” and “I don’t know” are excluded.

Minneapolis-based Allina Health used predictive modeling to determine where to focus collection efforts based on customers' propensity to pay. This allowed the company to reduce wasted resources and increase collections by $2 million in the first year of implementation.[100] Moffitt Cancer Center, headquartered in Tampa, Florida, implemented robotic process automation in its revenue cycle department and reduced monthly labor by about 27,000 hours, which translates to about $500,000 in savings.[101] Both organizations freed up labor hours through their efforts. Companies that take similar steps can eliminate these hours, reroute them to other purposes or limit how much hiring they need to do as their organizations grow (see Figure 13).

Cloud services are growing in popularity as they reduce the physical space and fixed assets of health organizations. They also are an enabling technology that allows employees to work from home. The global healthcare cloud computing market is expected to reach about $27.8 billion by 2026.[102] More than a quarter of respondents to a 2020 Black Book survey reported that they were actively assessing cloud-based electronic health record alternatives.[103]

Figure 13: How a shared health system business office reduced costs through new ways of working and technology innovation

Strategies	Results
Continue work-from-home strategies post-pandemic	Before COVID-19, leased more than 100,000 square feet for 700 business office employees at a cost of more than $2 million a year. After COVID-19, plans to reduce lease footprint by 75% with permanent work-from-home arrangements.
Implement process automation for back-office and revenue cycle functions	Many back-office and revenue cycle staff members worked with manual processes for intake of data, sorting and synthesizing. Process automation implementation reduced manual work by 25% to allow staff to focus on higher functions and to reduce overall staff needs.
Use real-time dashboard for financial oversight	It historically took days of effort to get a snapshot on receivables and collections. This meant high effort to get information that was stale by the time it was prepared. By creating an online dashboard accessible via laptop or mobile device, the business office reduced labor costs and allowed for better executive decision-making and faster interventions for any challenges.

Source: PwC Health Research Institute interview with the leader of a shared health system business office on March 25, 2021

IMPLICATIONS ❯❯❯

Payers: **Use technology to reduce your medical and administrative costs.** Medical Mutual of Ohio is integrating artificial intelligence into chronic disease prevention and management to improve member health and help employers generate financial savings.[104] Humana is using bots to assist employees in handling claims.[105]

Payers should invest in the data and analytics needed to decipher provider price transparency information and use it for network negotiations.[106] Payers will also be subject to price transparency rules and must plan to accumulate and communicate the required information in a way that will benefit their members.

Employers: **Understand what your health plan pays for services and how that compares with other health plans to push for better rates.** Use provider pricing and quality data to build new, high-performing networks for better value.

Consider what collaboration tools you should add or refine to improve your employees' work experience. In a recent PwC survey, nearly a quarter of employees across industries said their organization's tools and resources are either not very or not at all effective for collaboration, communication and creativity.[107] While this will not necessarily reduce your company's healthcare spending, it could contribute to employee well-being by improving worker satisfaction and efficiency.

Providers: **Consider what cost-saving measures and back-office initiatives are right for your organization.** While many organizations have been working remotely for a year, most have used makeshift collaboration tools and should consider investing in more permanent solutions.

Lessons from the pandemic and cost-saving measures in administrative functions may set up providers to apply similar measures to improve the clinician experience and reduce costs in clinical settings. When asked what their organization planned to do in response to the COVID-19 pandemic, 22% of clinicians surveyed by HRI in 2021 reported plans to decrease physical space as they deliver more care virtually.[108] As providers contemplate these changes, they should apply human-centered design to improve the quality of those changes: consider how their clinicians actually perform tasks, identify pain points and engage clinicians in designing new ways to get the job done.[109]

22%

of clinicians surveyed by HRI in 2021 reported plans to decrease physical space as they deliver more care virtually.

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Figure 14: Trends to watch in 2022

Not all trends are new or clearly inflators or deflators of the medical cost trend, but some are important enough influencers to watch. These are the top items HRI will be following over the next year to see how they influence the medical cost trend.

Drug spending

Specialty drug spending is a consistent driver of medical cost trend.

The pipeline of costly cell and gene therapies is only expected to increase, as the FDA has approved two new cell therapies to treat cancer already this year and 15 to 30 such therapies are anticipated to hit the market in the next five years.[110]

Use of biosimilars, a cheaper but still costly version of branded biologic medicines, has started to increase in the US and is projected to result in $104 billion in savings from 2020 to 2024, with the bulk of savings coming in 2023 and 2024, according to IQVIA.[111]

Employers are covering more of the increases in costs.[112] On average, insurance covers a larger share of retail prescription drug spending than a decade ago, while consumers' share has leveled off in recent years.

Cybersecurity

The costs associated with data breaches and ransomware attacks can be material, hindering an organization's ability to operate.

Companies that used automation technologies to identify and respond to security events experienced less than half the data breach costs of companies that did not—$2.5 million vs. $6 million on average.[113] Twenty percent of health industries executives responding to PwC's 2021 Global Digital Trust Insights survey in fall 2020 said they were already seeing benefits from using artificial intelligence in cyber defense.[114]

While cyber attacks remain a big threat, determining how much to invest in mitigating that threat is not always simple. Forty-eight percent of health industry executives surveyed by PwC said they are increasing their cyber budgets in 2021.[115] "You can't pour enough resources into it. You are trying to stay one step ahead of the hackers," Mary Grealy of the Healthcare Leadership Council told HRI.

Surprise billing

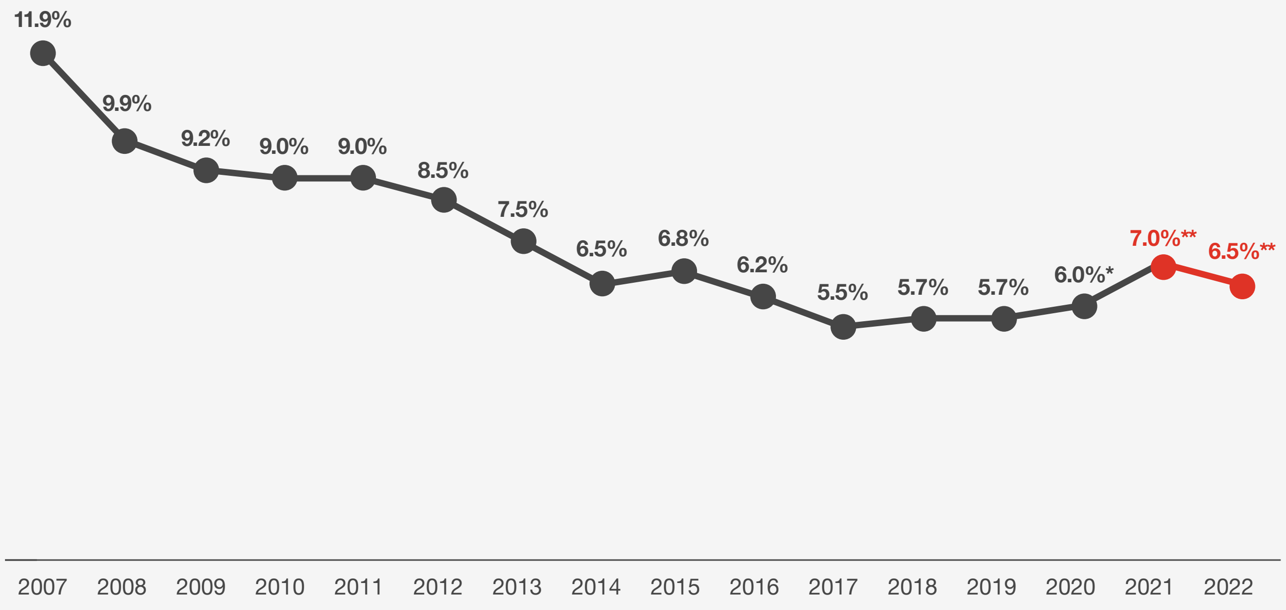
An intra-industry squabble between payers and providers that often left consumers with unexpected medical bills has largely been put to rest with the No Surprises Act, which takes effect Jan. 1, 2022.[116]

The implications for employer healthcare spending are uncertain. The Congressional Budget Office said the law will lower premiums by 0.5% to 1% because of "smaller payments to some providers."[117] Others think the law could drive higher spending as costs shift from the consumer to the payer or employer, and the new costs of arbitration come into play.

"The mechanism we are using to end surprise billing seems like it may raise administrative costs that will ultimately be passed on to consumers via higher premiums," said Niall Brennan, president and CEO of the Health Care Cost Institute, in an interview with HRI.

Appendix: Medical cost trend

Figure A: Medical cost trend projected to be 6.5% in 2022, down from 7% in 2021



Source: PwC Health Research Institute medical cost trends, 2007-22
*Projected medical cost trend. Does not account for the effects of the pandemic on actual 2020 spending.
**Growth in spending expected over prior-year spending, with the effects of the pandemic removed from the prior-year spending.
Note: The 7% medical cost trend for 2021 was revised from a range of scenarios, from 4% to 10%, originally projected in PwC Health Research Institute's "Medical Cost Trend: Behind the Numbers 2021" report in June 2020. This revision reflects the average medical cost trend that was used for 2021 premium rate setting in 2020, shared with HRI during interviews conducted February–May 2021.

What is medical cost trend?

HRI defines medical cost trend as the projected percentage increase in the cost to treat patients from one year to the next, assuming benefits remain the same. Typically, spending data from the prior year is used as an input in the projection. For 2021 and 2022, the medical cost trend is the projected percentage increase over the prior year's spending, with the effects of the pandemic removed from the prior year's spending.

While medical cost trend can be defined in several ways, this report estimates the projected increase in per capita costs of medical services and prescription medicine that affect commercial insurers' large group plans and large, self-insured businesses. Insurance companies use the projection to calculate health plan premiums for the coming year. For example, a 5% trend means that a plan that costs $10,000 per employee this year would cost $10,500 next year.[118] The medical cost trend, or growth rate, is influenced primarily by:

- Changes in the price of medical products and services and prescription medicines, known as unit cost inflation.
- Changes in the number or intensity of services used, or changes in per capita utilization.
- For 2021 and 2022, an additional adjustment for the expected changes in both price and utilization of services resulting from the direct and indirect effects of the COVID-19 pandemic on spending.

What did HRI consider when revising the 2021 projection and setting the 2022 projection for medical cost trend?

During interviews conducted between February and May, health plan executives told HRI that when they set premiums for 2021 in 2020, they adjusted the projected medical cost trend for 2021 upward from a "normal" trend to account for the pandemic. Based on the adjustments made by the health plans and reported to HRI, HRI revised its projected medical cost trend for 2021 to 7%, reflecting a normal medical cost trend of 6% plus an adjustment for additional costs due to the pandemic in 2021.

For 2022, most health plan executives said they were considering adjusting the normal medical cost trend upward again to account for the costs of the pandemic, but that they expected a smaller pandemic adjustment in 2022 compared with 2021. HRI's projected medical cost trend of 6.5% for 2022 represents an increase of 0.5% above a normal trend of 6%, to account for the additional costs due to the pandemic in 2022.

The lower projected medical cost trend for 2022 compared with the projected 2021 trend reflects two key differences. First, the pandemic's persistent effects are expected to have a smaller, upward impact on spending in 2022 compared with 2021. Second, health plans and employers are facing less uncertainty in 2021 as they project 2022 spending than they were in 2020 projecting 2021 spending. The range of potential spending scenarios is narrower for 2022, leading to a smaller adjustment to normal trend for the pandemic's persistent effects in 2022 and, in turn, lower medical cost trend in 2022 compared with 2021.

How are health plans and self-insured employers projecting their trends?

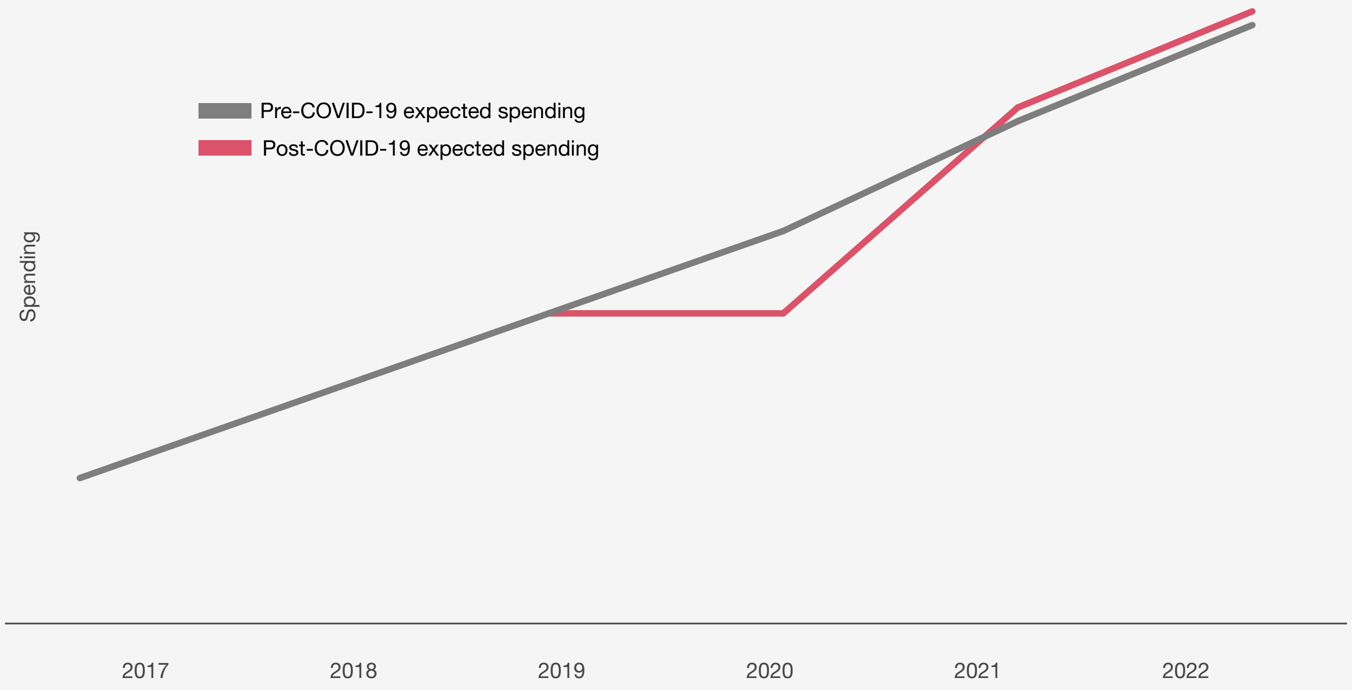
Health plans and self-insured employers used and are using a range of methods to project medical costs in 2021 and 2022. Most are removing the COVID-19-driven impacts from their baseline claims and trends, so that the baseline period and trends look as if the pandemic did not happen. Using this adjusted baseline, they are starting with a normal trend based on the assumption that spending will return to the levels that would have been expected in 2021 and 2022, if there had not been a pandemic. From there, they are adjusting their normal trend for 2021 and 2022 to reflect the expected impacts of the

pandemic on spending in each year, such as additional testing and treatment during continued waves of the pandemic, vaccine costs, worsening population health, and positive and negative behavior changes seen during the pandemic that could outlast it (see Figure B).

Didn't healthcare spending by employers dip during the pandemic?

Overall, healthcare spending by employers in 2020 fell well below the expected 6% growth rate. Despite lower-than-expected healthcare spending in 2020, health plans and employers expect healthcare spending in 2021 and 2022 to grow to levels that exceed those that would have been expected in the absence of the pandemic. This relationship is best illustrated by an example (see Figure B). The growth in 2021 and 2022 reflects the return of the usual pre-pandemic spending on healthcare plus the ongoing COVID-19 vaccine, testing and treatment costs as well as worsening population health resulting from the pandemic.

Figure B: Health plans and employers expect spending in 2022 to be higher than what would have been expected in 2022 before the pandemic



Source: PwC Health Research Institute illustrative example comparing projected spending trend pre-pandemic and post-pandemic
Note: Spending in 2020 was lower than expected because the savings from the deferral of care outweighed the costs of care related to COVID-19. In 2021, healthcare spending is expected to return to normal levels and, in some cases, grow above those levels as some care not received in 2020 is received in 2021. The continued costs of care related to COVID-19, including testing, treatment and vaccinations, are expected to push costs further above normal levels in 2021. By 2022, healthcare spending is expected to return to nearly normal levels, with boosts from the continued costs of COVID-19 testing, treatment and vaccinations, as well as worsening population health.

The expectation before the pandemic was that healthcare spending would grow by 6% annually, including in 2020, as shown in the gray line. The pandemic caused spending to remain relatively flat in 2020, as illustrated by the pink line, and is expected to cause spending to grow above its pre-pandemic expected levels in 2021 and 2022.

What happened to the savings from lower-than-expected healthcare spending in 2020?

Because of the pandemic, healthcare spending in 2020 fell below the expected 6% medical cost trend. And the projected medical cost trends for 2021 and 2022 do not take these savings into account. But health plans were not the sole beneficiaries of lower-than-expected spending in 2020. Here is how health plans and employers addressed the lower-than-expected spending in 2020:

Fully insured large group health plans: All fully insured large group health plans are subject to federal medical loss ratio (MLR) requirements that mandate they spend at least 85% of total premiums in a given plan year on healthcare-related costs, including medical care, prescription drugs and limited healthcare quality improvement expenses.[119] If plans do not meet this threshold, they are required to rebate a portion of the premiums back to the employer and, in some cases, its employees. Some fully insured health plans provided premium rebates or premium holidays to their employer large group clients in 2020 to proactively pass along the benefits of lower-than-expected spending.[120] Some may have to issue rebates later in 2021 after submitting their MLR filings. Others, in accordance with their contract with each specific employer, may refund the employer retroactively based on their healthcare spending in 2020 or reduce future premium rate increases based on 2020 spending—something that would reduce the premium rate change but not affect the medical cost trend in future years.

Self-insured large group health plans: Self-insured employer plans are subject to a different set of rules under the Employee Retirement Income Security Act of 1974 (ERISA).[121] Self-insured plans subject to ERISA are not subject to MLR requirements and in turn have flexibility in how they spend or save the money not spent on healthcare in 2020 as expected.[122] Some of them invested the savings from lower-than-expected healthcare spending in programs related to employee health and well-being, for example expanding virtual options to include weight management and disease management programs; expanding mental health services, including offering free mental health visits through employee assistance programs (EAPs); or expanding or creating paid time off for caregiving.[123]

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About this research

Each year, PwC's Health Research Institute (HRI) projects the growth of employer medical costs in the coming year and identifies the leading trend drivers. Health insurance companies use medical cost trend to help set premiums by estimating what this year's health plan will cost next year. In turn, employers use the information to make adjustments to benefit plan design to help offset health insurance cost increases. The report identifies and explains what it refers to as "inflators" and "deflators" to describe why and how the healthcare spending growth rate is affected.

This forward-looking report is based on the best available information through June 2021. HRI conducted 31 interviews from February through May 2021 with health benefits experts and health plan actuaries whose companies cover nearly 90 million employer-sponsored large group members about their estimates for 2022 and the factors driving those trends.

Included are findings from PwC's 2020 Health and Well-being Touchstone Survey of about 450 employers from 35 industries.

HRI's clinician survey was conducted online in March and April 2021 with responses from 1,362 clinicians including 389 physicians, 168 physician assistants, 152 nurse practitioners, 330 registered nurses and 323 community or retail pharmacists. Additional breakdowns of the 1,362 clinicians surveyed include: 709 providers, including physicians, physician assistants and nurse practitioners; 1,039 providers and nurses, including providers and registered nurses; 892 providers and office-based nurses, including providers and registered nurses working outside of a hospital setting, in a specialty other than acute care nursing; and 752 office-based providers and office-based nurses, including providers working outside of a hospital setting, in a specialty other than hospitalist or intensivist, and office-based nurses. The margin of error was plus or minus 3 percentage points at a 95% confidence level. The survey collected data on clinicians' perspectives on a broad range of topics across the healthcare landscape, ranging from virtual care, digital tools and new ways of working to social determinants of health, care navigation and mental health.

HRI's consumer survey was conducted online from Sept. 9 to 22, 2020, with 2,511 US adults representing a cross section of the population in terms of insurance type, age, race, gender, geographic region and political affiliation. The margin of error was plus or minus 2 percentage points at a 95% confidence level. The survey collected data on consumer perspectives about the healthcare landscape before, during and after the COVID-19 pandemic, including respondents' use of health services and thoughts about how they may interact with the health system in the future. HRI used these data to compare with previous polls of US adults.

HRI defines the consumer health groups reported on in this report as follows. Note that the frail elderly consumer group is often excluded from the analysis in this report, as this group generally does not include individuals with employer-sponsored coverage.

- Frail elderly are over the age of 75, living at home and facing health issues related to falls or dementia and suffering generally poor health.

- Adults with chronic disease have problems affecting a single body system such as hypertension and require uncomplicated disease management.

- Adults with complex chronic disease live with one or more chronic diseases affecting multiple body systems and requiring complicated disease management.

- Adults with cancer are undergoing treatment for cancer.

- Adults with mental illness have a primary health issue of depression or mood disorders, post-traumatic stress disorder, addictions and/or suicidal ideations.

- Healthy adult skeptics generally avoid interacting with the health system and are less likely to have health insurance than other consumer groups.

- Healthy adult enthusiasts value a regular physical, recommended screenings and wellness/coaching services.

HRI also surveyed health executives. This poll was conducted online from Aug. 21 to Sept. 10, 2020, with responses from 153 provider, 124 pharmaceutical and life sciences, and 128 payer executives. The margin of error was plus or minus 5 percentage points at a 95% confidence level. HRI periodically surveys industry executives to gain insight into current business leader perspectives and experiences, as well as to track changes over time.

HRI also examined government data sources, journal articles and conference proceedings in determining the 2022 growth rate.

"Behind the Numbers 2022" is HRI's 16th report in this series.

About the PwC network

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 155 countries with more than 284,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at pwc.com.

About PwC's Health Research Institute

PwC's Health Research Institute (HRI) provides new intelligence, perspectives and analysis on trends affecting all health-related industries. HRI helps executive decision-makers navigate change through primary research and collaborative exchange. Our views are shaped by a network of professionals with executive and day-to-day experience in the health industry. HRI research is independent and not sponsored by businesses, government or other institutions.

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El Camino Health

Summary of Financial Operations

Fiscal Year 2021 – Period 12

7/1/2020 to 06/30/2021

Executive Summary - Overall Commentary for Period 12

- Strong operating / financial results for Period 12 were attributed to the following:
  - Despite being out-of-network with Anthem, June gross charges were 15.0% higher than the prior 11 month average
  - Strong volume / patient activity was attributed to the start of the new OB group at our Mountain View Campus, significant rebound in ER volumes and continued strong procedural volumes at both campuses
    - ER visits were 33.1% higher than the prior 11 month average
    - Adjusted discharges were 14.8% higher than the prior 11 month average
  - Recognition of one-time revenue for supplemental programs of $8.56M
- Total gross charges, a surrogate for volume, were favorable to budget by $93.5M / 29.7% and $99.7M / 32.3% higher than the same period last year
- Net patient revenue was favorable to budget by $30.2M / 36.8% and $11.5M / 11.4% higher than the same period last year
- Operating expenses were $13.4M /16.2% unfavorable to budget, which is primarily attributed to higher than expected volume versus budget and significant number of procedural cases performed in June
- Operating margin was favorable to budget by $17.0M / 468.5% and $11.0M / 34.8% below the same period last year
- Operating EBIDA was favorable to budget by $17.7M / 176.3% and $9.8M / 26.1% below the same period last year

Operational / Financial Results: Period 12 – June 2021 (as of 6/30/2021)

PERIOD 12 - 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	269	234	35	15.0%	212	57	26.9%	---	---	---
	Total Discharges	1,789	1,586	203	12.8%	1,425	364	25.5%	---	---	---
	Adjusted Discharges	3,415	2,924	491	16.8%	2,791	624	22.4%	---	---	---
	Emergency Room Visits	5,620	4,440	1,180	26.6%	4,006	1,614	40.3%	---	---	---
	OP Procedural Cases	12,733	8,353	4,380	52.4%	10,289	2,444	23.8%	---	---	---
	Gross Charges ($)	408,078	314,599	93,479	29.7%	308,375	99,703	32.3%	---	---	---
Operations	Total FTEs	2,924	2,744	180	6.6%	2,668	256	9.6%	---	---	---
	Productive Hrs. / APD	28.4	31.9	(3.5)	(11.0%)	32.2	(3.8)	(11.8%)	---	---	---
	Cost Per CMI Adjusted Discharge	16,225	17,111	(886)	(5.2%)	15,743	482	3.1%	---	---	---
	Net Days in A/R	50.0	49.0	1.0	2.0%	51.9	(1.9)	(3.6%)	47.7	47.1	
Financial Performance	Net Patient Revenue ($)	112,238	82,074	30,165	36.8%	100,746	11,493	11.4%	106,723	257,000	
	Total Operating Revenue ($)	116,945	86,512	30,432	35.2%	108,768	8,177	7.5%	116,864	314,648	
	Operating Income ($)	**20,664**	**3,635**	**17,029**	468.5%	**31,695**	**(11,032)**	(34.8%)	**3,948**	**10,135**	
	Operating EBIDA ($)	**27,771**	**10,052**	**17,719**	176.3%	**37,522**	**(9,751)**	(26.0%)	**11,301**	**27,969**	
	Net Income ($)	40,705	6,968	33,737	484.2%	50,672	(9,967)	(19.7%)	8,219	18,726	
	Operating Margin (%)	**17.7%**	**4.2%**	**13.5%**	320.6%	**29.1%**	**(11.5%)**	(39.4%)	**2.9%**	**3.6%**	
	Operating EBIDA (%)	**23.7%**	**11.6%**	**12.1%**	104.4%	**34.5%**	**(10.8%)**	(31.2%)	**9.7%**	**8.9%**	
	DCOH (days)	388	264	124	47.0%	313	75	24.0%	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.
DCOH total includes cash, short-term and long-term investments.

El Camino Health

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

Operational / Financial Results: Pre-Audit YTD FY2021 (as of 6/30/2021)

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	245	211	34	16.2%	227	18	7.9%	---	---	---
	Total Discharges	19,157	17,351	1,806	10.4%	18,966	191	1.0%	---	---	---
	Adjusted Discharges	36,226	32,156	4,070	12.7%	35,326	900	2.5%	---	---	---
	Emergency Room Visits	52,059	45,202	6,857	15.2%	56,334	(4,275)	(7.6%)	---	---	---
	OP Procedural Cases	160,728	95,074	65,654	69.1%	106,245	54,483	51.3%	---	---	---
	Gross Charges ($)	4,309,257	3,427,558	881,699	25.7%	3,648,324	660,933	18.1%	---	---	---
Operations	Total FTEs	2,841	2,620	221	8.4%	2,763	79	2.8%	---	---	---
	Productive Hrs. / APD	31.0	33.7	(2.8)	(8.2%)	32.6	(1.6)	(4.9%)	---	---	
	Cost Per CMI Adjusted Discharge	16,815	18,201	(1,385)	(7.6%)	17,243	(428)	(2.5%)	---	---	
	Net Days in A/R	50.0	49.0	1.0	2.0%	51.9	(1.9)	(3.6%)	47.7	47.1	
Financial Performance	Net Patient Revenue ($)	1,107,911	893,139	214,772	24.0%	982,696	125,215	12.7%	1,280,670	3,083,998	
	Total Operating Revenue ($)	1,156,342	947,971	208,371	22.0%	1,038,489	117,854	11.3%	1,402,368	3,775,777	
	Operating Income ($)	**87,244**	**(23,735)**	**110,979**	467.6%	**57,017**	**30,227**	53.0%	**47,381**	**121,614**	
	Operating EBIDA ($)	**170,690**	**55,823**	**114,867**	205.8%	**120,447**	**50,243**	41.7%	**135,606**	**335,624**	
	Net Income ($)	328,083	11,770	316,313	2687.4%	109,274	218,809	200.2%	98,622	224,710	
	Operating Margin (%)	**7.5%**	**(2.5%)**	**10.0%**	401.3%	**5.5%**	**2.1%**	37.4%	**2.9%**	**3.6%**	
	Operating EBIDA (%)	**14.8%**	**5.9%**	**8.9%**	150.7%	**11.6%**	**3.2%**	27.3%	**9.7%**	**8.9%**	
	DCOH (days)	388	264	124	47.0%	313	75	24.0%	254	264	

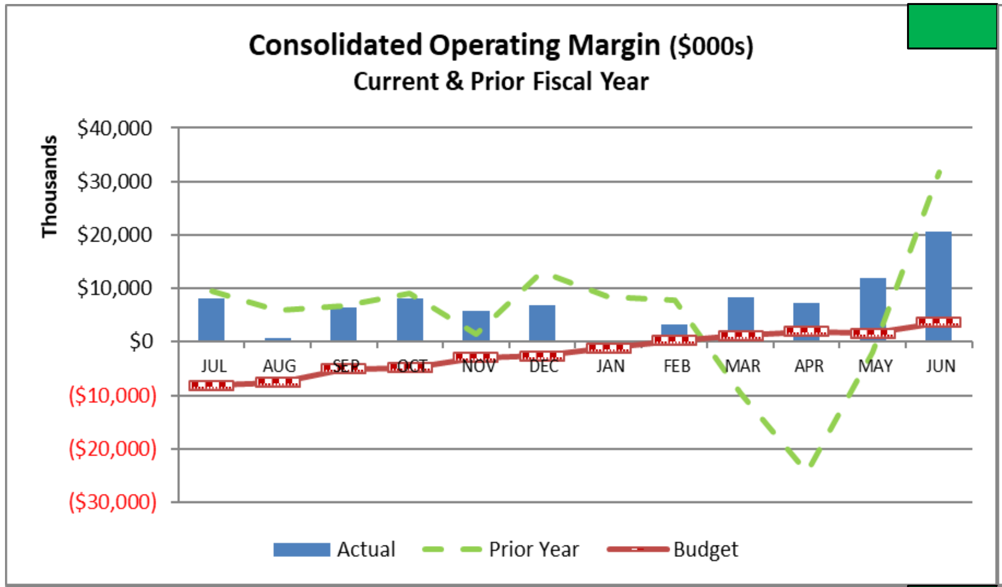
Moody's Medians: Not-for-profit and public healthcare annual report; September 9, 2020.
DCOH total includes cash, short-term and long-term investments.

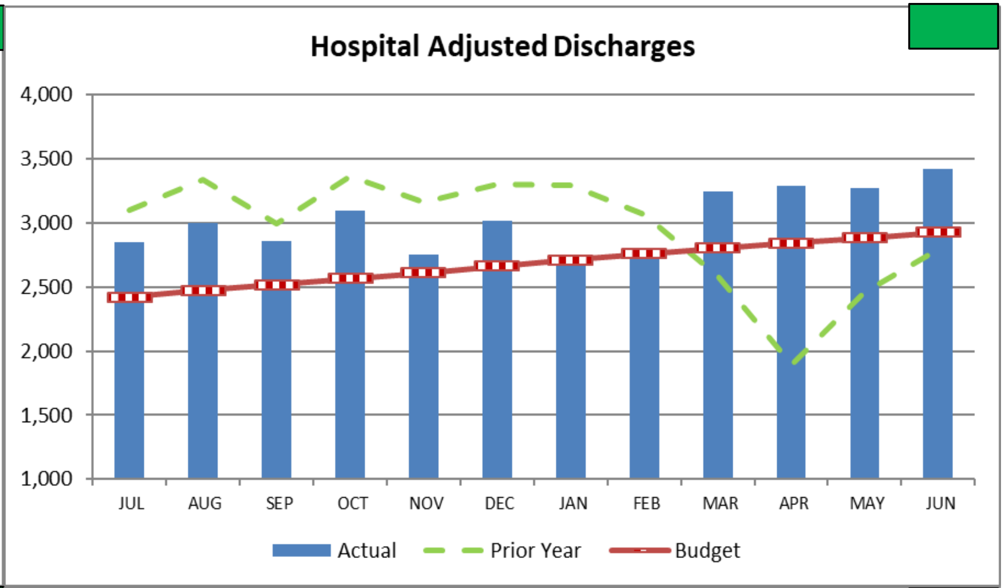
El Camino Health

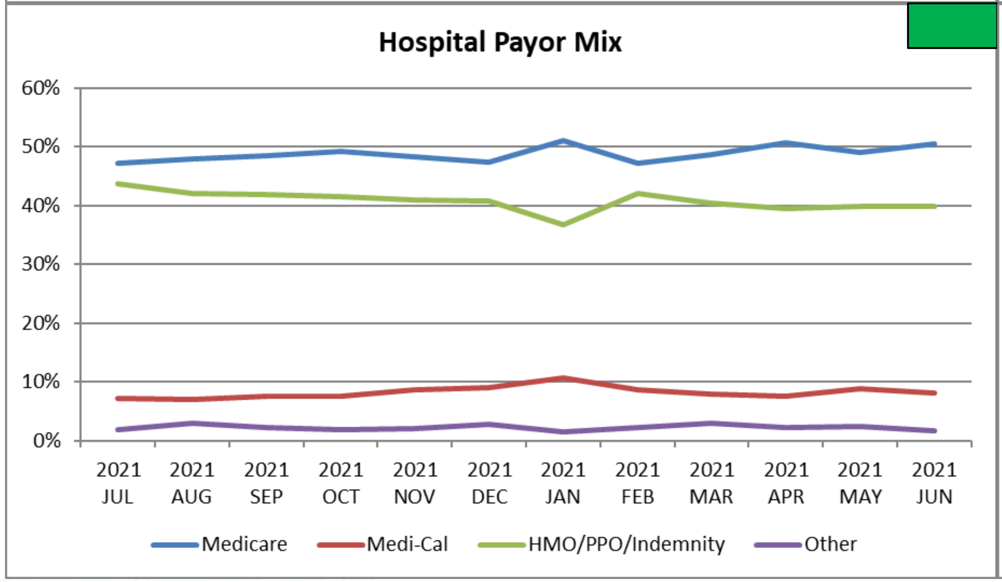
Unfavorable Variance < 0.99%
Unfavorable Variance 1.00% - 4.99%
Unfavorable Variance > 5.00%

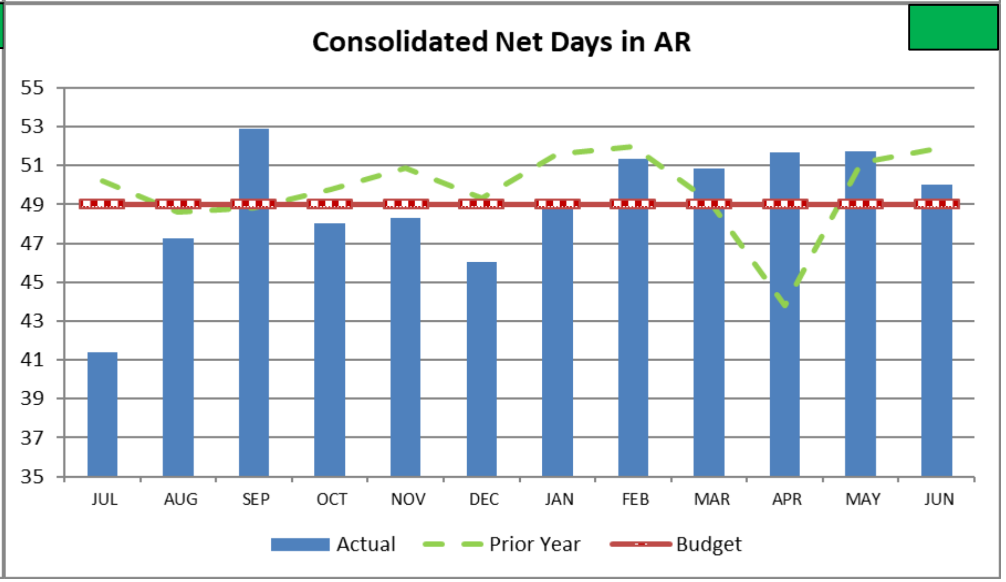
APPENDIX

YTD FY2021 Financial KPIs – Monthly Trends









El Camino Health

Period 12 and Pre-Audit YTD Operating Income, Non-Operating Income and Net Income by Affiliate (as of 6/30/2021)

($000s)

	Period 12- Month			Period 12- FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Operating Margin						
Mountain View	19,736	4,538	15,198	91,033	(5,232)	96,266
Los Gatos	3,963	1,675	2,287	33,913	17,852	16,060
Sub Total - El Camino Hospital, excl. Afflilates	**23,698**	**6,213**	**17,485**	**124,946**	**12,620**	**112,326**
Operating Margin %	**21.4%**	**7.7%**		**11.4%**	**1.4%**	
El Camino Hospital Non Operating Income						
Sub Total - Non Operating Income	**18,886**	**3,028**	**15,858**	**231,276**	**31,858**	**199,418**
El Camino Hospital Net Margin	**42,584**	**9,242**	**33,343**	**356,222**	**44,478**	**311,744**
ECH Net Margin %	**38.4%**	**11.5%**		**32.5%**	**5.1%**	
Concern	90	36	54	485	369	116
ECSC	0	0	0	(3)	0	(3)
Foundation	829	30	799	6,986	(159)	7,145
El Camino Health Medical Network	(2,798)	(2,339)	(459)	(35,607)	(32,917)	(2,689)
Net Margin Hospital Affiliates	**(1,879)**	**(2,273)**	**394**	**(28,138)**	**(32,707)**	**4,569**
Total Net Margin Hospital & Affiliates	**40,705**	**6,968**	**33,737**	**328,083**	**11,770**	**316,313**

Pre-Audit Consolidated Balance Sheet (as of 06/30/2021)

($000s)

ASSETS

CURRENT ASSETS	June 30, 2021	Audited June 30, 2020
Cash	151,641	228,464
Short Term Investments	284,262	221,604
Patient Accounts Receivable, net	166,283	128,564
Other Accounts and Notes Receivable	9,540	13,811
Intercompany Receivables	15,116	72,592
Inventories and Prepaids	23,079	101,267
Total Current Assets	**649,921**	**766,303**
BOARD DESIGNATED ASSETS		
Foundation Board Designated	20,932	15,364
Plant & Equipment Fund	258,191	166,859
Women's Hospital Expansion	30,401	22,563
Operational Reserve Fund	123,838	148,917
Community Benefit Fund	18,412	17,916
Workers Compensation Reserve Fund	16,482	16,482
Postretirement Health/Life Reserve Fund	30,658	30,731
PTO Liability Fund	32,498	27,515
Malpractice Reserve Fund	1,977	1,919
Catastrophic Reserves Fund	24,874	17,667
Total Board Designated Assets	**558,264**	**465,933**
FUNDS HELD BY TRUSTEE	**5,694**	**23,478**
LONG TERM INVESTMENTS	**603,211**	**372,175**
CHARITABLE GIFT ANNUITY INVESTMENTS	**728**	**680**
INVESTMENTS IN AFFILIATES	**34,170**	**29,065**
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,799,463	1,342,012
Less: Accumulated Depreciation	(742,921)	(676,535)
Construction in Progress	94,236	489,848
Property, Plant & Equipment - Net	**1,150,778**	**1,155,326**
DEFERRED OUTFLOWS	21,444	21,416
RESTRICTED ASSETS	29,332	28,547
OTHER ASSETS	86,764	3,231
TOTAL ASSETS	**3,140,306**	**2,866,153**

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES	June 30, 2021	Audited June 30, 2020
Accounts Payable	39,762	35,323
Salaries and Related Liabilities	50,039	35,209
Accrued PTO	33,197	28,124
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	12,990	10,956
Intercompany Payables	14,704	70,292
Malpractice Reserves	1,670	1,560
Bonds Payable - Current	9,430	9,020
Bond Interest Payable	8,293	8,463
Other Liabilities	16,953	3,222
Total Current Liabilities	**189,338**	**204,469**
LONG TERM LIABILITIES		
Post Retirement Benefits	30,658	30,731
Worker's Comp Reserve	17,002	16,482
Other L/T Obligation (Asbestos)	6,227	4,094
Bond Payable	479,621	513,602
Total Long Term Liabilities	**533,509**	**564,908**
DEFERRED REVENUE-UNRESTRICTED	**67,576**	**77,133**
DEFERRED INFLOW OF RESOURCES	**28,009**	**30,700**
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	2,097,010	1,771,854
Board Designated	193,782	188,457
Restricted	31,082	28,631
Total Fund Bal & Capital Accts	**2,321,874**	**1,988,942**
TOTAL LIABILITIES AND FUND BALANCE	**3,140,306**	**2,866,153**

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 24, 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

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO

To: Investment Committee
From: Stephanie Iljin, Supervisor of Executive Administration
Date: August 16, 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; still, it 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 once, and the District Board have 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	June 23, 2021	- FY 2021 Period 10 Financials - FY 2022 Individual Executive Performance Incentive Goals - Medical Staff Credentials and Privileges Report - Quality Council Minutes - Executive Performance Incentive and Benefit Plan Design - New Enterprise Anesthesia Services Agreement, MV Nightime Intersivist Servies Agreement, and Line of Credit Agreement - FY 2022 Master Calendar - FY 2022 Committee Goals - FY 2022 Committee Liaisons Appointments - FY 2022 Community Benefit Plan - FY 2022 Organizational Performance Incentive Plan Goals - FY 2021 Period 9 Financials - Infection Control Medical Director Agreement - Medical Staff Report - MV Major Projects Update
ECHD Board	May 18, 2021	- Communit Benefit Spotlight: Avenidas Resolution 2021-07 - Community Benefit Mid-Year Metrics - Process for Election of District Board Officers
	June 17, 2021	- FY22 Community Benefit Plan Study Session

Board/Committee	Meeting Date	Actions (Approvals unless otherwise noted)
	June 29, 2021	- ECH FY 2022 Budget - ECHD FY 2022 Budget - ECHD FY 2022 Pacing Plan - District Capital Outlay Funds - Resolution 2021-08 FY 2022 Regular Meeting Dates - Resolution 2021-09 Granting Utility Easement for EV Charging Stations - Resolution 2021-10 Establishing Tax Appropriation Limit for FY 2022 (Gann Limit) - ECHD Covid-19 Community Testing Program - FY 2022 Community Benefits Plan - FY 2022 Community Benefits Advisory Liaison Appointment - District Board Officers Election: o Chair – Miller, Vice-Chair- Fung, Secretary/Treasurer - Somersille
Executive Compensation Committee	May 27, 2021	- FY 22 Committee Goals, Proposed Dates and Pacing Plan - Proposed FY 22 Executive Performance Incentive Plan Organizational Goals - Proposed Amendment to CEO's Employment Agreement
Compliance Committee	May 20, 2021	- KPI Scorecard and Tremds - Activity Log March 2021 - Activity Log April 2021 - Internal Audit Work Plan - Internal Audit Follow Up Table - Committee Pacing Plan
Finance Committee	May 24, 2021	- FY 21 Period 10 Financials - Capital Funding Request: MV Wireless Upgrade Project - FY 22 Committee Goals, Pacing Plan and Proposed Meeting Dates - FY 22 ECH Community Benefit Grant Program - Appointment of AdHoc Search Committee - Los Gatos Associate Chief Medical Officer Renewal Agreement - Enterprise Infection Control Medical Director Renewal Agreement

List of Attachments: None.

Suggested Committee Discussion Questions: None.

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El Camino Hospital

Capital Markets Review & Portfolio Performance

June 30, 2021

Executive Summary

Investment Scorecard as of June 30, 2021

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY21 Budget	Expectation Per Asset Allocation
Investment Performance		**CY 2Q 2021 / FY 4Q 2021**		**Fiscal Year-to-Date 2021**		**8y 8m Since Inception (annualized)**		**FY 2021**	**2019**
Surplus cash balance*		$1,453.3	--	--	--	--	--	--	--
Surplus cash return		3.7%	3.7%	19.5%	18.5%	6.9%	6.7%	4.0%	5.6%
Cash balance plan balance (millions)		$358.9	--	--	--	--	--	--	--
Cash balance plan return		4.5%	4.3%	25.2%	22.3%	9.2%	8.3%	6.0%	6.0%
403(b) plan balance (millions)		$731.5	--	--	--	--	--	--	--
Risk vs. Return		**3-year**				**8y 8m Since Inception (annualized)**			**2019**
Surplus cash Sharpe ratio		0.89	0.92	--	--	1.00	1.00	--	0.34
Net of fee return		9.3%	9.2%	--	--	6.9%	6.7%	--	5.6%
Standard deviation		8.8%	8.4%	--	--	6.2%	6.0%	--	8.7%
Cash balance Sharpe ratio		0.88	0.89	--	--	1.06	1.03	--	0.32
Net of fee return		11.3%	10.4%	--	--	9.2%	8.3%	--	6.0%
Standard deviation		11.2%	10.1%	--	--	7.9%	7.3%	--	10.3%
Asset Allocation		**CY 2Q 2021 / FY 4Q 2021**							
Surplus cash absolute variances to target		5.6%	< 10% Green < 20% Yellow	--	--	--	--	--	--
Cash balance absolute variances to target		4.7%	< 10% Green < 20% Yellow	--	--	--	--	--	--
Manager Compliance		**CY 2Q 2021 / FY 4Q 2021**							
Surplus cash manager flags		22	< 24 Green < 30 Yellow	--	--	--	--	--	--
Cash balance plan manager flags		24	< 27 Green < 34 Yellow	--	--	--	--	--	--

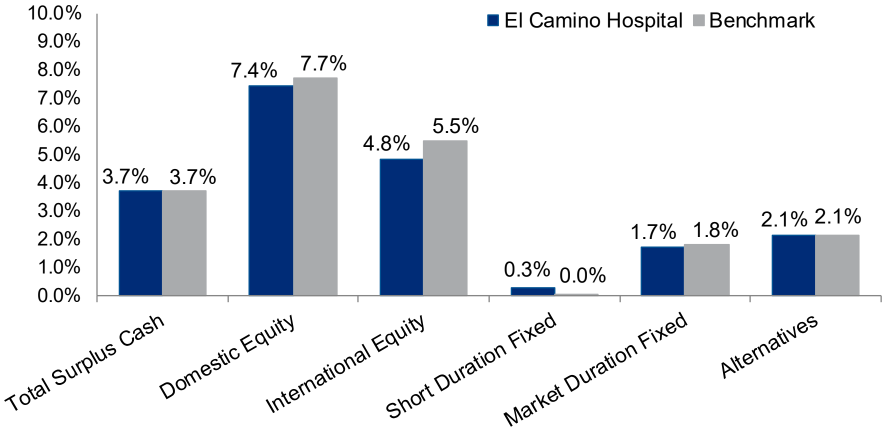
*Excludes debt reserve funds (~$6 mm), District assets (~$42 mm), and balance sheet cash not in investable portfolio (~$160 mm). Includes Foundation (~$42 mm) and Concern (~$15 mm) assets.

Surplus Cash Executive Summary

Dashboard

As of June 30, 2021

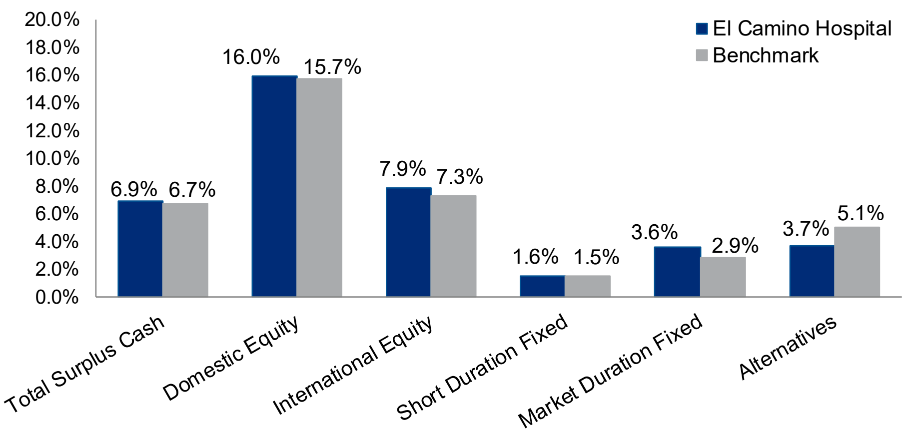
Performance: Most Recent Quarter



Asset Allocation

Manager	Total Assets ($, mil.)	Percent of Total	Target Allocation	Variance to Target	Target Range	Within Policy Range
Domestic Equity	$374.4	25.8%	25.0%	+ 0.8%	20-30%	Yes
International Equity	$231.4	15.9%	15.0%	+ 0.9%	10-20%	Yes
Short-Duration Fixed	$158.6	10.9%	10.0%	+ 0.9%	8-12%	Yes
Market-Duration Fixed	$439.3	30.2%	30.0%	+ 0.2%	25-35%	Yes
Alternatives	$249.6	17.2%	20.0%	- 2.8%	17-23%	Yes
Total (X District / Debt Reserves)	**$1,453.3**	**100.0%**				

Performance: Since Inception[1]



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

Portfolio Updates

Performance

- The Surplus Cash Portfolio returned 3.7% for the quarter, matching its benchmark. The portfolio returned 19.4% over the trailing 1-year period, outperforming its benchmark by 90 basis points.
- Asset allocation positioning aided results, led by overweights to domestic and international equity.
- Manager results were mixed. International growth manager BNY Mellon was the top relative performer, outpacing its benchmark by 2.4%. International value manager Causeway was the worst relative performer, trailing its benchmark by 3.4%.

Investment Activity

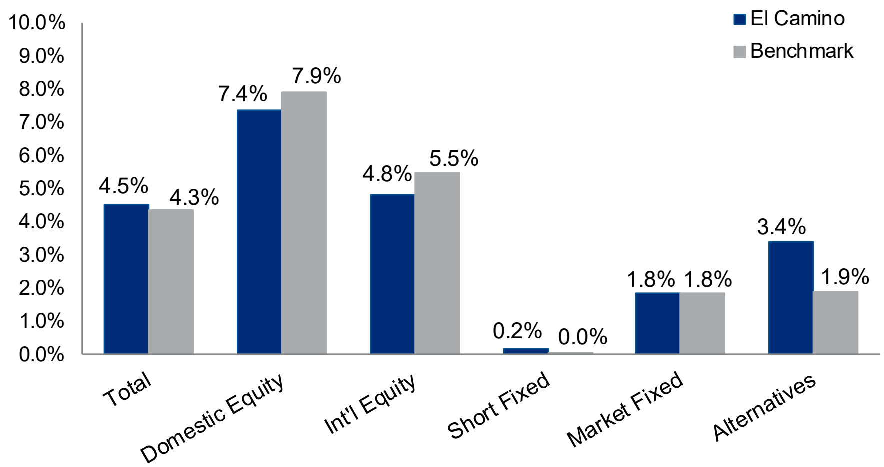
- The portfolio was rebalanced in April. $47.0 million was liquidated from Vanguard S&P 500 and
- reinvested in Harding Loevner EM Equity ($10.0 million), Dodge & Cox Fixed Income ($17.0
- million) and MetWest Fixed Income ($20.0 million).
- On June 1, $10 million was invested in a new hedge fund strategy, Davidson Kempner Institutional Partners L.P.
- $75 million was contributed to the portfolio in late May and reinvested during June; including Dodge & Cox Fixed Income ($14.0 million), MetWest Fixed Income ($15.0 million), Barrow Hanley Short Duration ($15.0 million), CapeView Azri 2x ($2.0 million July 1), Waterfall Eden ($2.0 million June 1, $3.0 million July 1), DK Institutional Partners ($10.0 million July 1), and Capstone ($3.0 million June 1).
- In July, the OakTree Opportunities fund XI called $2 million in capital.
- AG Realty Value Fund X made a simultaneous capital call and distribution during the quarter. The net result was a distribution of $0.4 million.

Cash Balance Plan Executive Summary

Dashboard

As of June 30, 2021

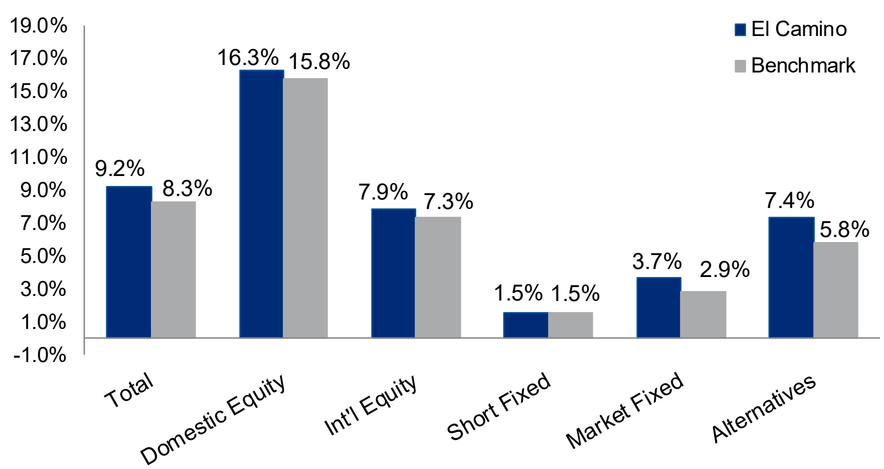
Performance: Most Recent Quarter



Asset Allocation

Manager	Total Assets ($, mil.)	Percent of Total	Target Allocation	Variance to Target	Target Range	Within Policy Range
Domestic Equity	$115.9	32.3%	32.0%	+ 0.3%	27-37%	Yes
International Equity	$ 72.0	20.1%	18.0%	+ 2.1%	15-21%	Yes
Short-Duration Fixed	$ 14.2	4.0%	5.0%	- 1.0%	0-8%	Yes
Market-Duration Fixed	$ 89.0	24.8%	25.0%	- 0.2%	20-30%	Yes
Alternatives	$ 67.8	18.9%	20.0%	- 1.1%	17-23%	Yes
Total	**$358.9**	**100.0%**				

Performance: Since Inception[1]



Portfolio Updates

Performance

- The Cash Balance Plan returned 4.5% for the quarter, outperforming its benchmark by 20 bps. The portfolio returned 25.2% over the trailing 1-year period, outperforming its benchmark by 290 basis points.
- Relative outperformance during the quarter was driven by favorable asset allocation positioning, led by overweights to domestic and international equity.
- Manager results were mixed. International growth manager BNY Mellon and hedge fund of fund manager Pointer were the top relative performers, outpacing their benchmarks by 2.4% and 1.9%,respectively.

Investment Activity

- $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 Hanley short duration ($6.0 million).
- $5.0 million was invested in Pointer on July 1st, funded by selling $5.0 million of Vanguard S&P 500.

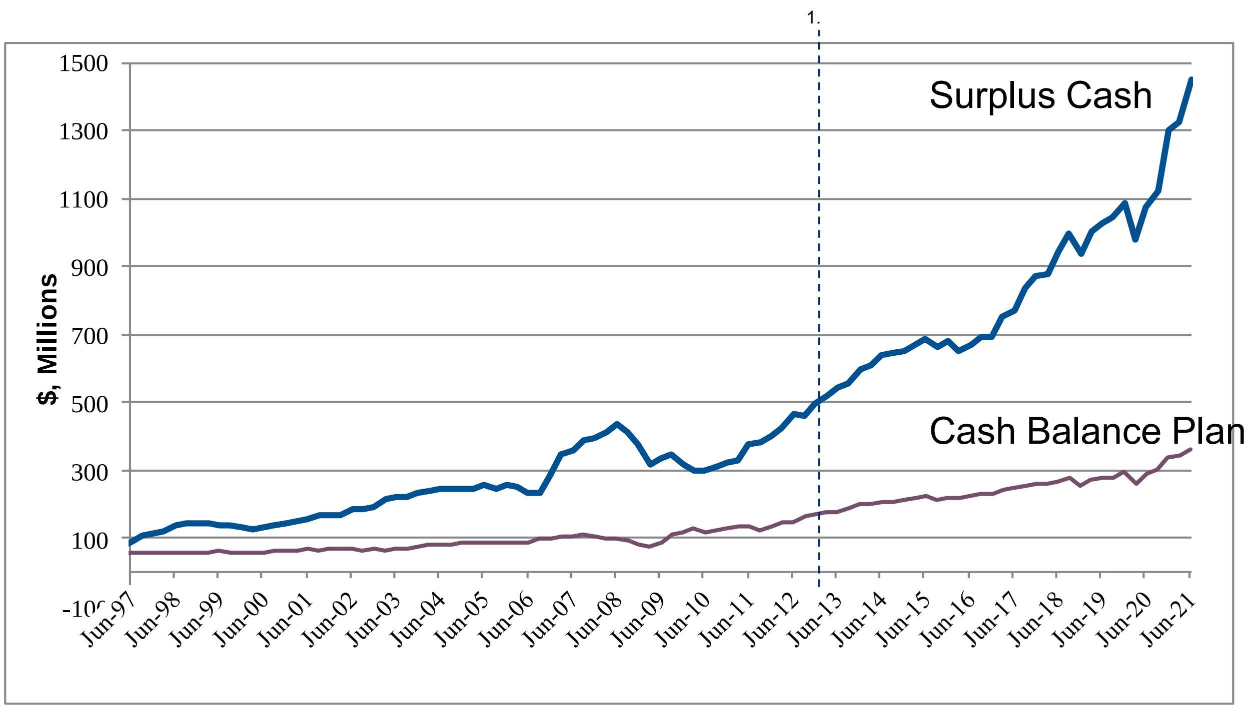
[1] Reflects the date Pavilion's recommended portfolio was implemented (November 1, 2012).

Calendar Year Market Value Reconciliation

As of June 30, 2021

	Surplus Cash					Cash Balance Plan				
$ in Millions	**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)	($1.7)
Income	$14.2	$18.1	$21.4	$19.4	$2.2	$3.6	$4.1	$4.9	$4.2	$1.5
Realized Gain/(Loss)	$9.6	$14.1	$20.0	$40.4	$1.0	$2.2	$10.0	$6.0	$15.9	$11.5
Unrealized Gain/(Loss)	$64.8	$153.9	$107.9	$85.5	$146.4	$26.2	($19.4)	$35.6	$24.1	$11.2
Capital App/(Dep)	$88.6	$186.1	$149.3	$145.3	$149.6	$32.0	($5.3)	$46.6	$44.2	$24.2
End of Period Market Value	**$872.3**	**$934.4**	**$1,088.1**	**$1,303.9**	**$1,453.3**	**$259.3**	**$250.1**	**$294.0**	**$336.4**	**$358.9**
Return Net of Fees	11.8%	-2.6%	15.1%	11.9%	5.6%	14.5%	-2.8%	18.2%	15.1%	6.8%

Totals may not add due to rounding.



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

El Camino Hospital

Scorecard

June 30, 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.

Manager	Comments
CapeView Capital (Surplus Cash)	CapeView have informed us that Richard Hass retired from the business as CEO and COO in July 2021. Following his departure, the COO role will be split between Mat Walker (CCO), who joined CapeView in October 2020, Elie Rassi (Chief Risk Officer) and Neil French (Head of Operations). There will be no replacement of the CEO role at this stage. We were also told that effective immediately, Hass has been appointed to the Board of Directors of the Funds replacing Maxwell Quin. We propose no changes to the ratings, as we do not read anything negative into this news. We retain conviction in the business resourcing and governance frameworks, with all the decisions for the firm continuing to be made by the Management Committee, currently comprised of Michael Sakkas and Sushil Shah.
Dodge & Cox (Both Plans)	Dodge & Cox Investment Managers (Dodge & Cox) announced that Roger Kuo will become President of the firm when Charles Pohl (CIO and Chairman) retires from the firm on June 30, 2022 (see News Item dated 20 January 2021). Kuo will assume the President title from Dana Emery (CEO and current President), who will succeed Pohl as Chairman at that time. This news does not impact our view of Dodge & Cox or its rated strategies. Dodge & Cox continues to take necessary steps to evolve its leadership structure in a transparent and thoughtful manner.
BNY Mellon-Walter Scott Partners (Both Plans)	Walter Scott & Partners has advised that Yuanli Chen, who was taking a position on the Investment Executive, has resigned. Chen was scheduled to be one of several changes to the investment team including: Alan Edington, Co-Head of Research, relinquishing that role to move into a role focused on responsible investing, and Alan Lander replacing Alan Edington as Co-Head of Research. Chen leaving is indeed disappointing, and somewhat puzzling coming so soon after the announcement of Chen's new responsibilities. No doubt her appointment to the Investment Executive must have followed numerous discussions and yet her resignation seems to have come as a surprise to WS&P. That said, her departure does appear to be for personal reasons.
Wellington Management (Both Plans)	Wellington Management (Wellington) announced that, effective 1 July 2021, Terry Burgess will join Jean Hynes (successor to Brendan Swords as CEO effective July, 1 2021) and Steve Klar (President) as one of three Managing Partners of the firm. Burgess was elected by Wellington's Partners to succeed Swords as Managing Partner following his retirement on 30 June 2021. This news does not impact our overall view of Wellington. We believe the appointment of Burgess provides a sensible transition of leadership specific to Swords' Managing Partner role that also coincides with Hynes assuming CEO at the beginning of July 2021.

Capital Markets Review

Performance drivers

MERCER | Pavilion
A Mercer practice

1. Developed economies continue to re-open, driving a surge in activity

- Vaccines have been rolled out at a tremendous pace in the US and UK, while the EU and Japan have seen an improving pace of vaccinations. This has allowed broad re-openings to begin in much of the developed world, driving a mini-boom of activity as pent up demand is released, benefiting both service sector and manufacturing firms. Less vaccinated developing countries across Asia Pacific saw some restrictions returning, although the impact on global growth was limited.
- Forward looking indicators such as manufacturing PMIs suggest that the expansion is likely to continue. While the US and UK are expected to reach peak growth rates this summer, the Eurozone still has room to accelerate. However, the labor market is tightening, particularly in the US, which could become a headwind moving forward.
- **Mercer View:** Economic re-openings in the developed world are likely to drive strong earnings growth over the next couple of years, which should benefit equities. While equity valuations appear stretched, we believe we are in the early stages of a strong recovery, which should benefit stocks and other risk assets.

2. Elevated inflation readings bring the future of accommodative policies into question

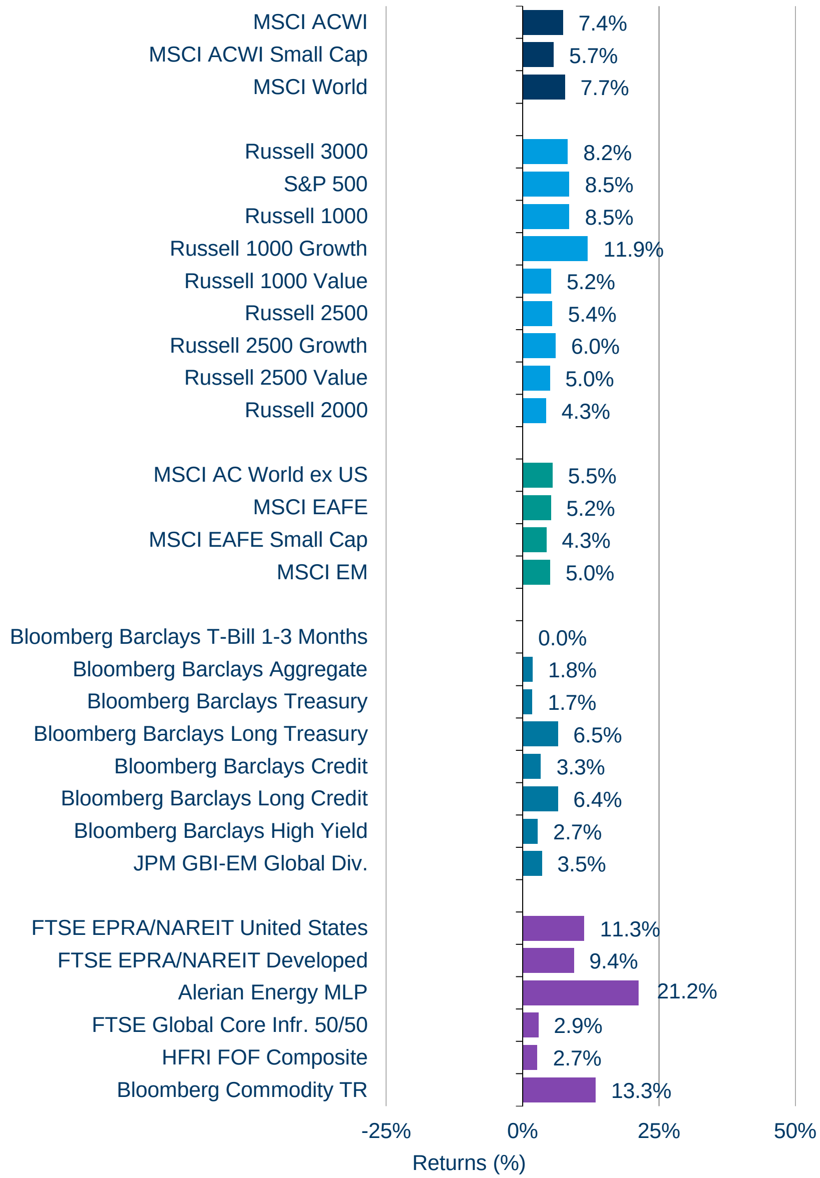
- During Q2, inflation readings came in above already elevated expectations driven by base effects, supply chain pressure and a tightening labor market.
- Monetary policy remains quite dovish in most developed countries, with little change in policy among the major central banks. The Fed stressed that it viewed elevated inflation readings in the US as transitory. However, the Fed's June dot plot suggested a slightly less dovish stance, projecting two rate increases in 2023.
- Fiscal support is slowing, but it is not going away. Pandemic related fiscal programs, such as enhanced unemployment benefits, are set to be phased out. We are likely to see infrastructure programs moving forward, with a bipartisan group of US senators agreeing to a $1.2T package, although the spending would be spread out over several years.
- **Mercer View:** Inflation is likely to remain elevated this year as year-over-year figures are compared to depressed levels in 2020. We expect inflation to settle around the Fed's target over the next year, but the risk of an inflation surprise has risen. The Fed is unlikely to raise rates in the near-term, but it could begin to taper its asset purchases.

3. Political risks remain

- Relations between the US and China remain strained over territorial sovereignty issues and the origins of Covid-19.
- Cyberattacks are becoming more ambitious, including the temporary shut down of a major US pipeline operator in Q2.
- **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.

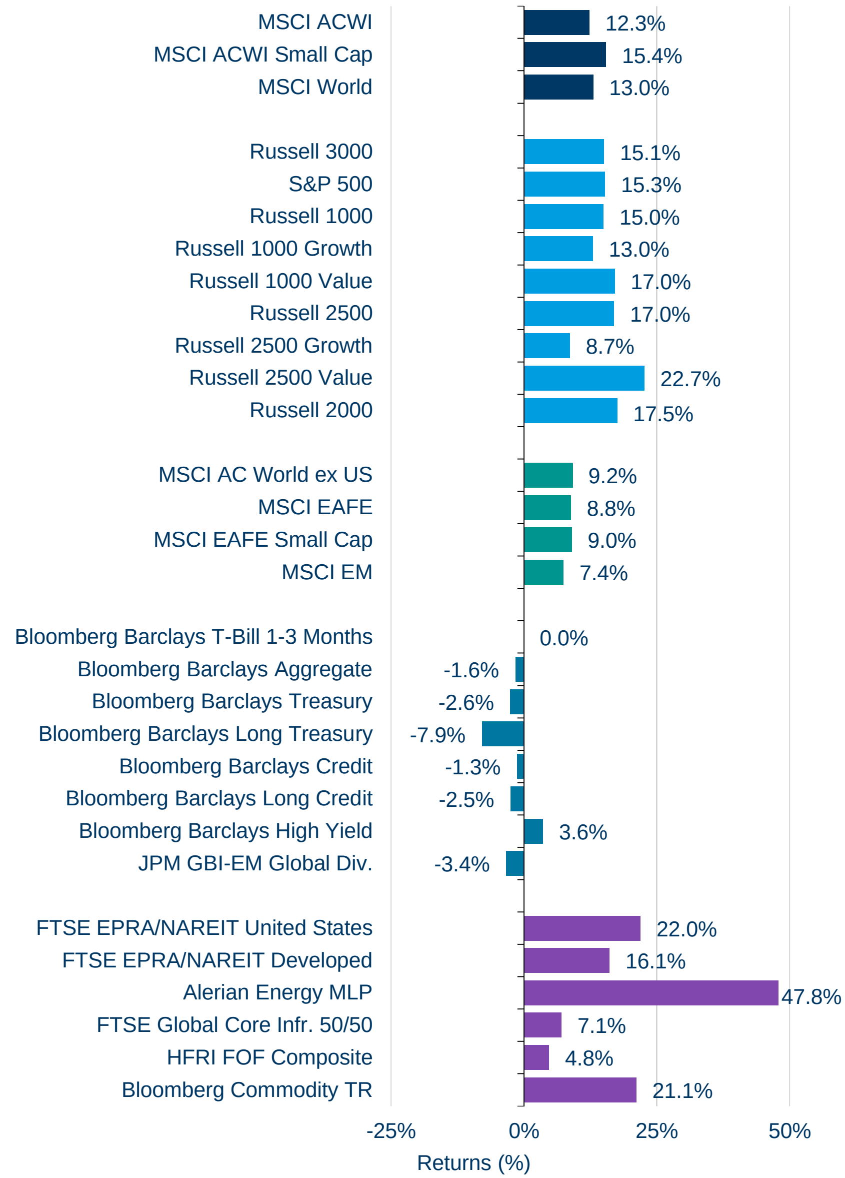
Performance summary

Market Performance
Second Quarter 2021



Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg; as of 6/30/21

Market Performance
Year-to-Date

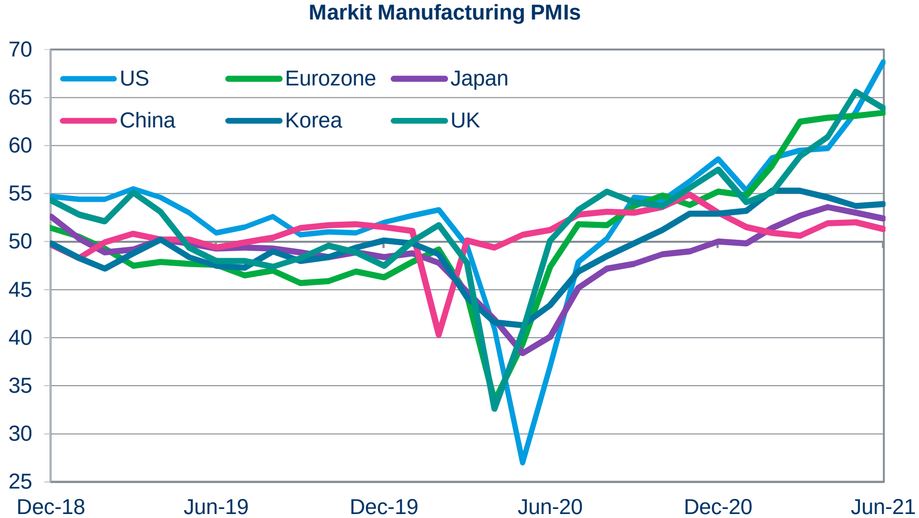


Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg; as of 6/30/21

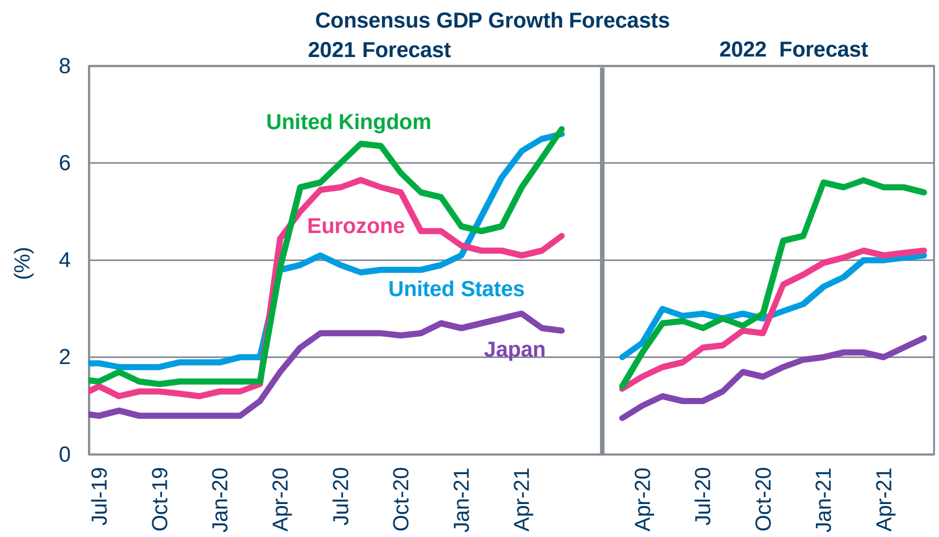
Economic fundamentals

Developed economies are re-opening

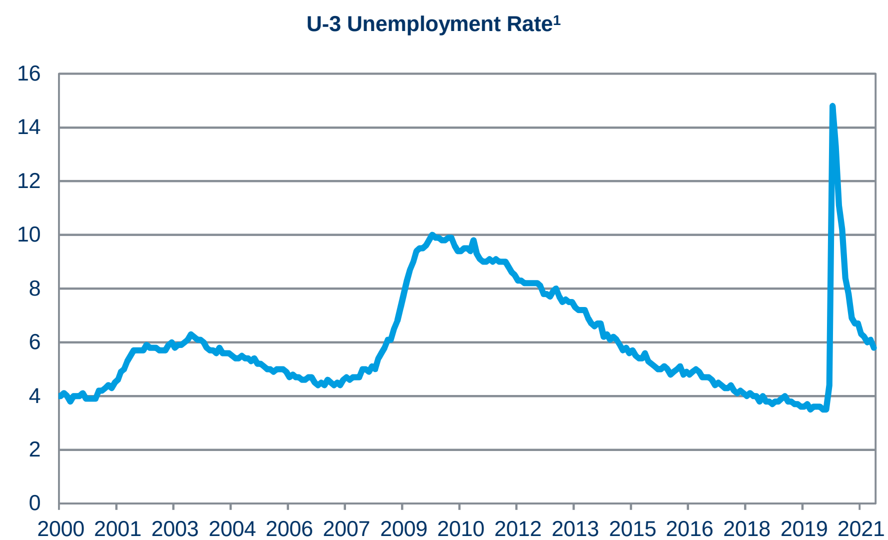
- Re-openings in the developed world are unleashing a mini-boom of activity and have broadened the recovery to include service sector firms. Corporate earnings continue to surprise on the upside, and manufacturing PMIs suggest that the expansion is likely to continue in the second half of the year.
- Monetary policy remains extremely accommodative in most developed countries. In the US, a bipartisan group of senators have reached agreement on a $1.2T infrastructure plan.
- The US unemployment rate (U-3)[1] has fallen to 5.8% after peaking at 14.7% in April 2020. However, the labor force participation rate has declined and the economy is experiencing labor supply issues.



Souce: Bloomberg; as of 6/30/21



Source: Bloomberg; as of 7/9/21



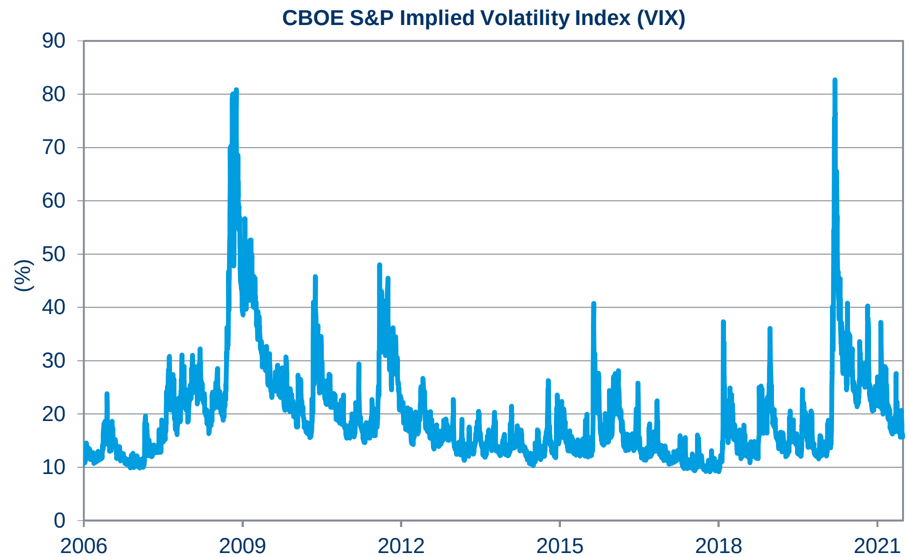
Source: Bureau of Labor Statistics; as of 5/31/21

[1] The U-3 unemployment rate represents the percentage of the civilian labor force that is jobless and actively seeking employment.

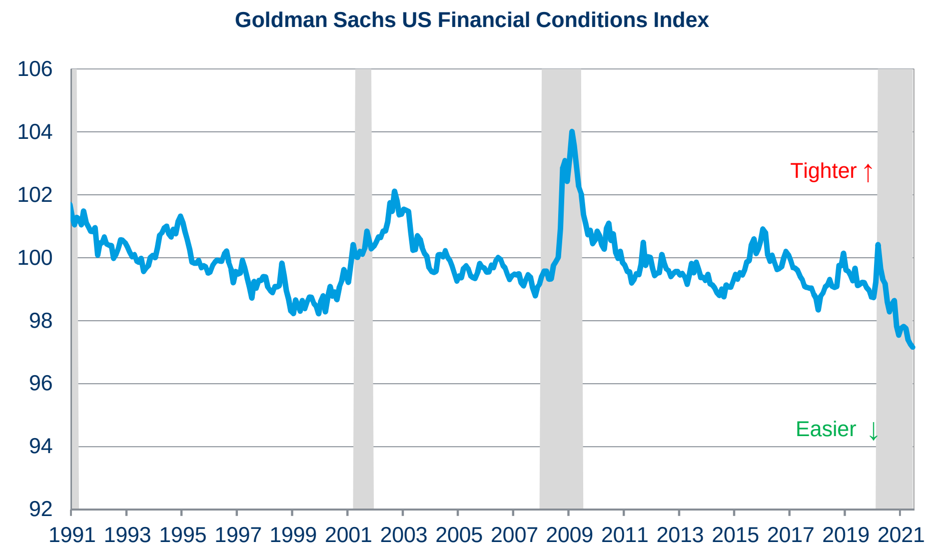
Risk factors

US inflation data surprised to the upside

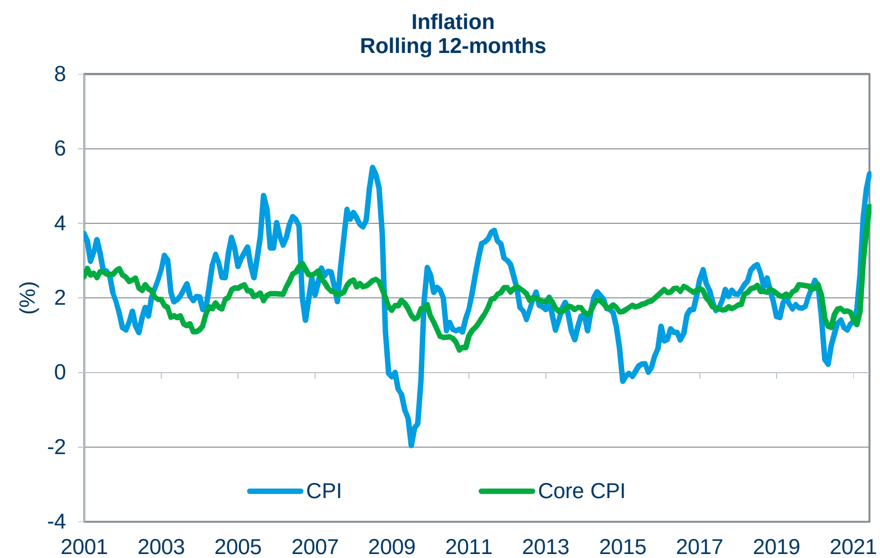
- Financial conditions became slightly easier in Q2 as rates and spreads declined. The Goldman Sachs US Financial Conditions Index is at its lowest level on record.
- The VIX index declined from 20 to 16 during the quarter. The index briefly spiked as high as 27 in May, but generally remained below 20 during a relatively calm quarter[1].
- US inflation surprised to the upside during the quarter, with the June year-over-year increase in the CPI and core CPI at 5.4% and 4.5%, respectively. The Fed views current inflationary pressures as transitory, reflecting base effects and temporary supply bottlenecks.



Source: Bloomberg; as of 6/30/21



Source: Bloomberg; as of 6/30/21



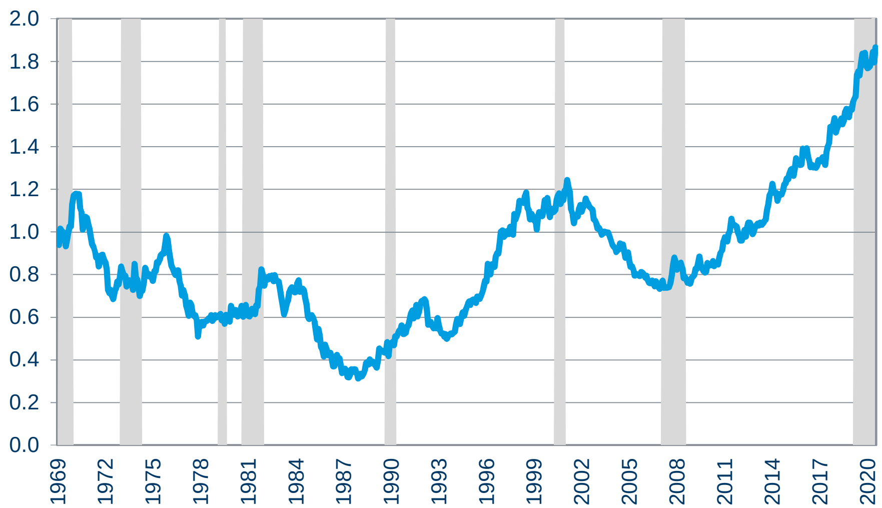
Source: Bloomberg; through 6/30/21

[1] Source: Bloomberg; as of 6/30/21

Regional equity returns
Global equities continue to move higher

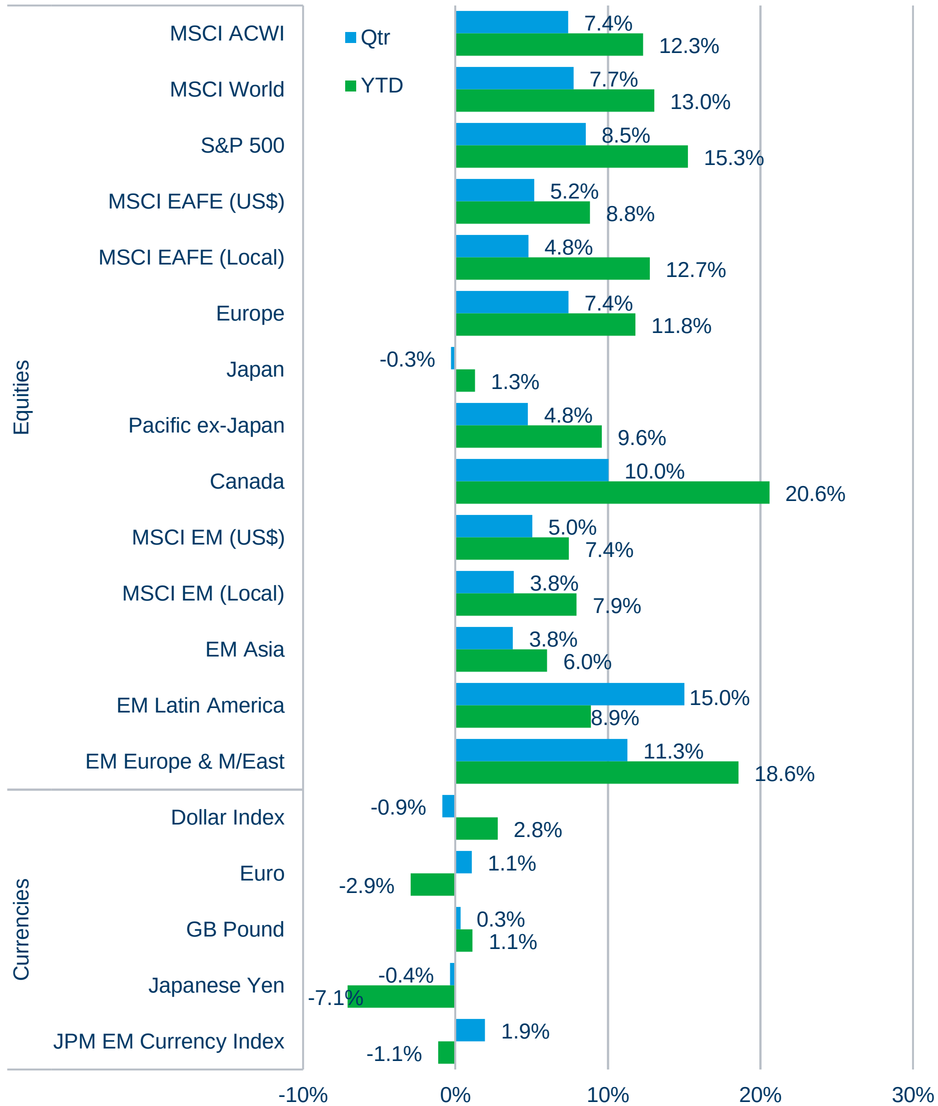
- Global equities continued to move higher in Q2, with the MSCI ACWI index gaining 7.4% for the quarter and 12.3% year-to-date.
- The S&P 500 returned 8.5% during the quarter, outpacing most other regions. Year-to-date, the S&P 500 has returned 15.3%.
- International developed stocks rose 5.2% in Q2 and 8.8% year-to-date. A weaker dollar added 40 bps to US$ returns during the quarter.
- Emerging market equities rose 5.0% in Q2 and 7.4% year-to-date in US$ terms. Within emerging markets, European and Middle eastern emerging markets produced the best results year-to-date, gaining 18.6%.

Ratio of MSCI US to MSCI EAFE (Relative Performance)



Source: Datastream; as of 6/30/21

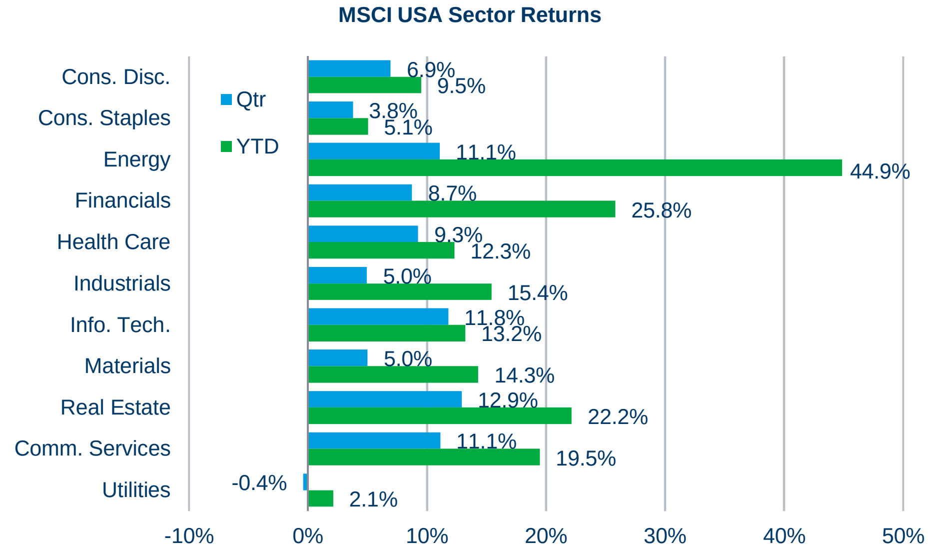
Global Performance



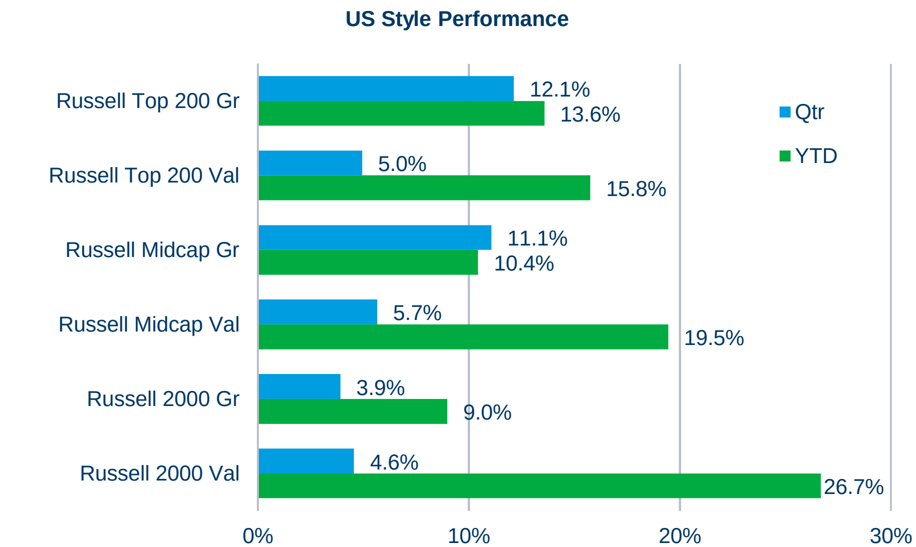
Source: Bloomberg, Datastream; as of 6/30/21

US equity factor and sector returns
Large-caps and growth outperform

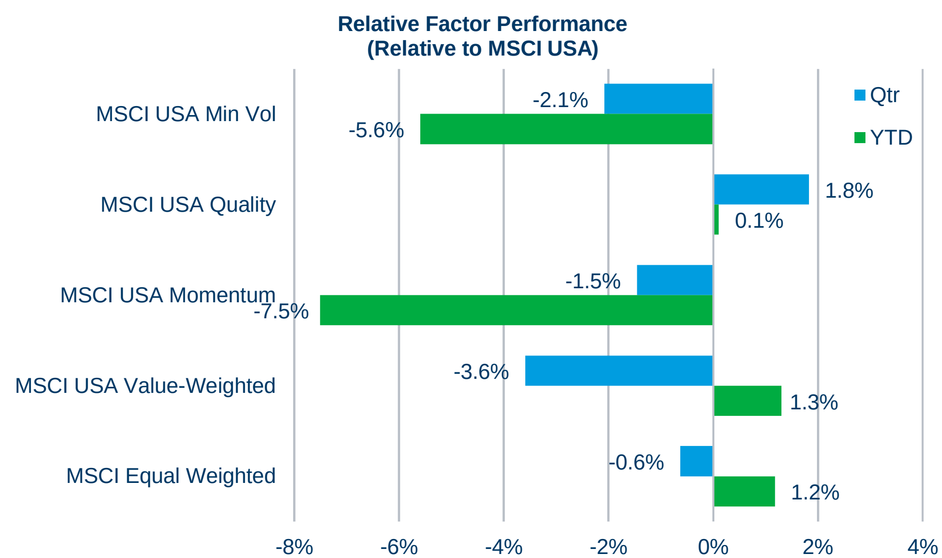
- Growth outperformed value among large and mid-caps, while value outperformed among small-cap stocks. Small-caps underperformed large-caps during the quarter. Year-to-date, value has outperformed growth.
- The quality factor outperformed in Q2, while value, momentum and size lagged. Momentum has been the worst performing factor in 2021, while value and size have outperformed. The real estate, technology, energy, and communication services sectors posted the best results for the quarter. Energy has been the best performing sector so far in 2021, while the utilities sector has lagged.



Source: Bloomberg; as of 6/30/21



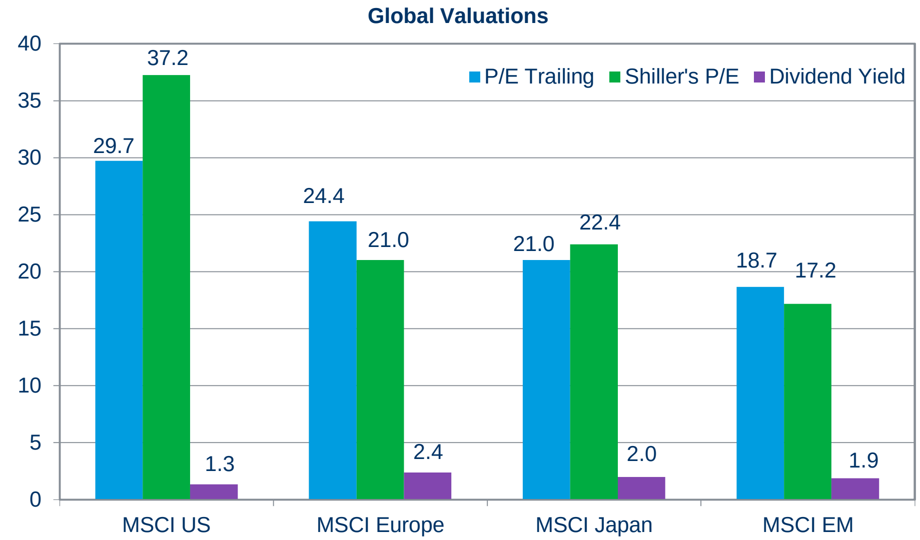
Source: Datastream; as of 6/30/21



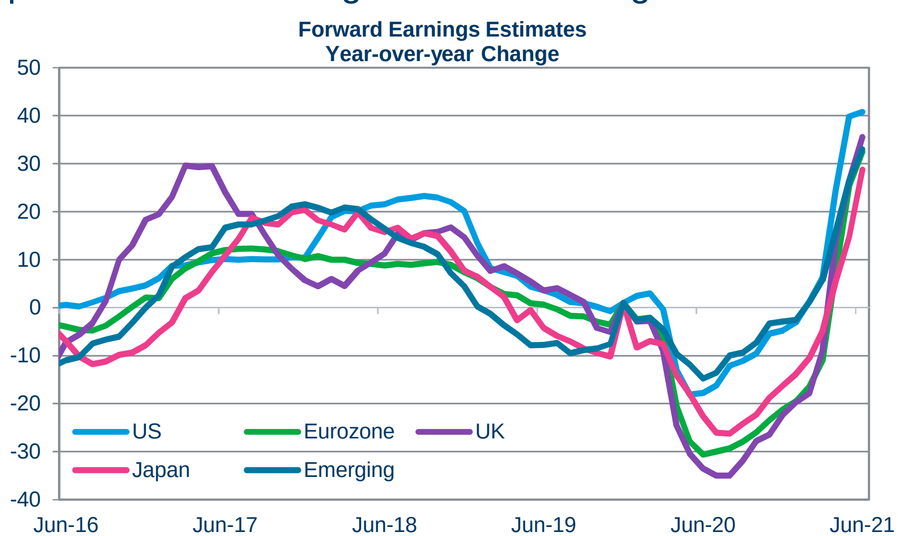
Source: MSCI; as of 6/30/21

Equity fundamentals
Improved earnings benefit valuations

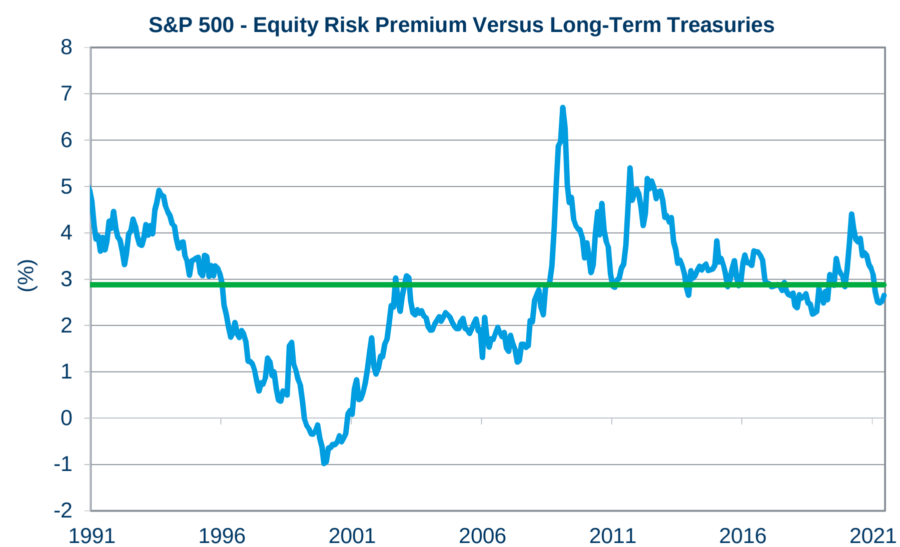
- Improved earnings helped to bring down some valuation ratios during the quarter. The trailing P/E ratio on the MSCI US Index fell from 34.0 to 29.7[1]. We estimate that the equity risk premium over long-term Treasuries rose by 14 bps to 2.6%[2] due to the decline in interest rates.
- International developed stocks remain more reasonably valued than US stocks, with the potential for macro surprises as vaccination rates increase and economies re-open in these regions.
- Emerging market valuations remain more attractive than developed markets. However, recent credit tightening and regulatory enforcement in China could provide a headwind given China's weight in the index.



Source: Bloomberg, Datastream, Mercer; as of 6/30/21



Source: Datastream; as of 6/30/21



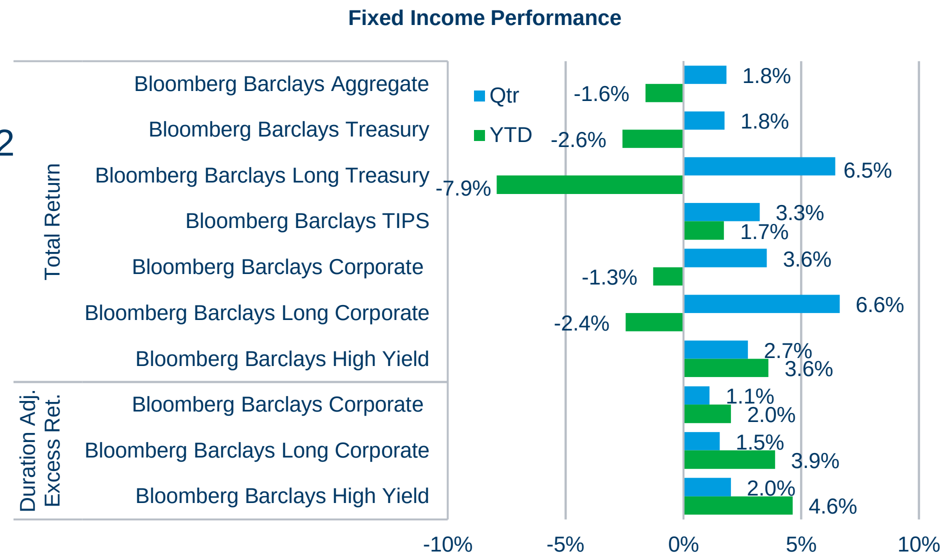
Source: Bloomberg, Datastream, Mercer; as of 6/30/21

[1] Source: Datastream; as of 6/30/21
[2] Source: MSCI, Datastream, Mercer; as of 6/30/21

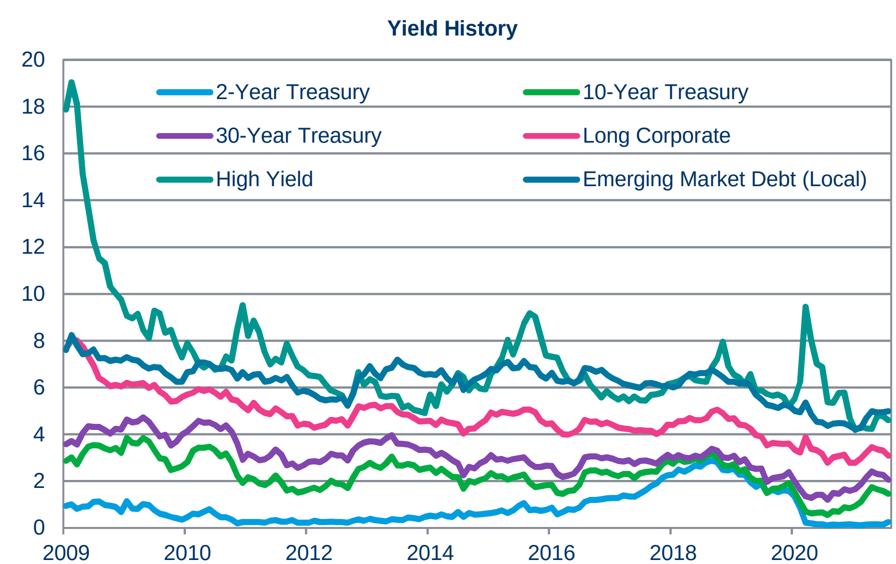
Interest rates and fixed income

Yields and spreads decline

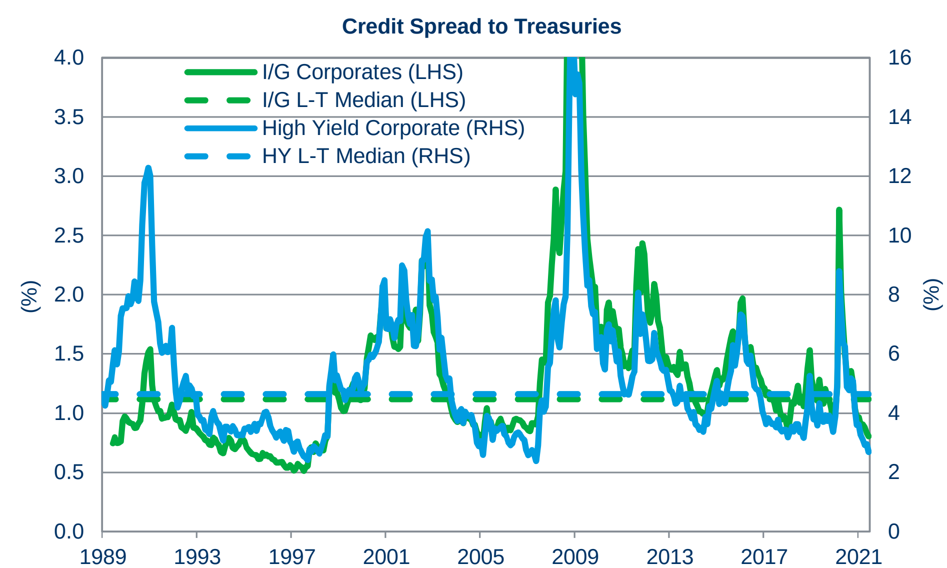
- The Bloomberg Barclays Aggregate gained 1.8% during Q2 with corporate bonds outperforming Treasuries as credit spreads declined. The yield curve flattened during the quarter, with 3-month yields rising 2 bps, while 10- and 30-year yields fell by 29 bps and 35 bps, respectively[1].
- Investment-grade corporate bond spreads fell an average of 10 bps during the quarter to 0.8%, which is roughly 30 bps below the long-term median level[2].
- High yield bonds gained 2.7% during the quarter, as credit spreads fell by 40 bps to 2.7%, almost 200 basis points below the long-term median level of 4.6%[3]. Local currency EMD gained 3.5% during Q2.



Source: Bloomberg, Datastream; as of 6/30/21



Source: Bloomberg, Federal Reserve; as of 6/30/21



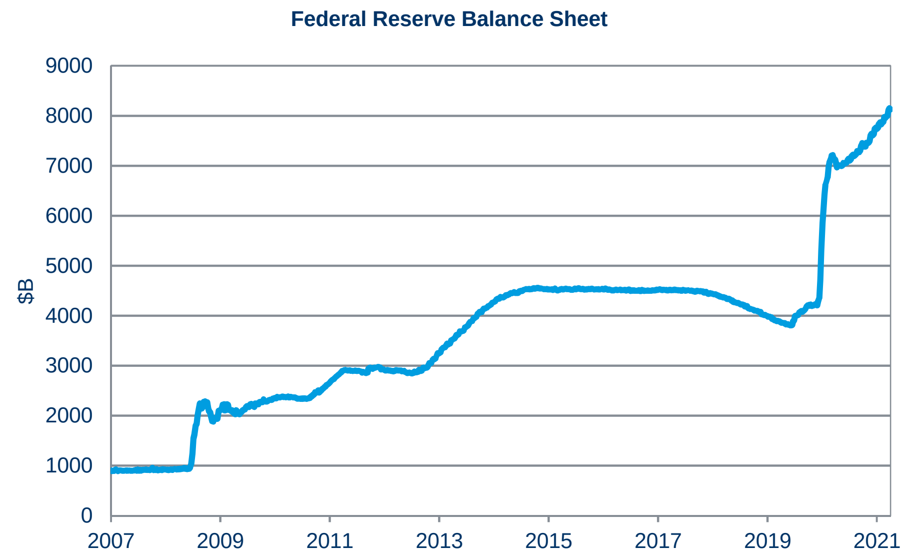
Source: Bloomberg; as of 6/30/21

[1] Source: Federal Reserve; as of 6/30/21
[2] Source: Bloomberg, Mercer; as of 6/30/21
[3] Source: Bloomberg, Mercer; as of 6/30/21

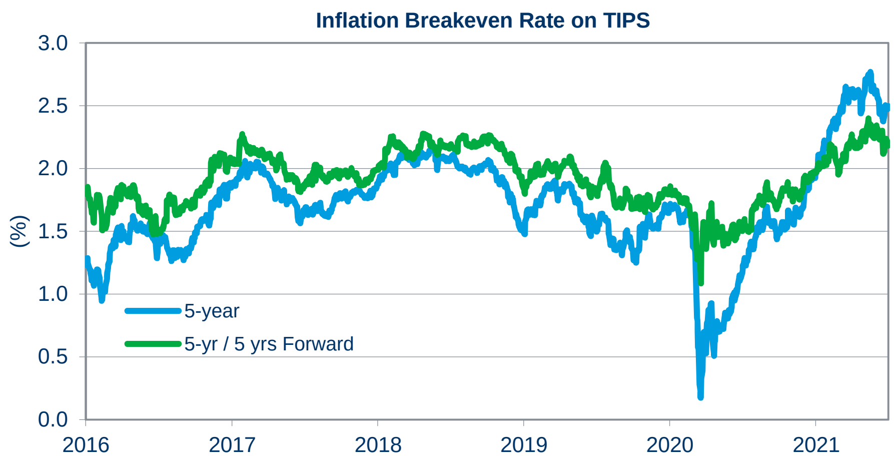
Monetary policy

Monetary policy remains highly accommodative

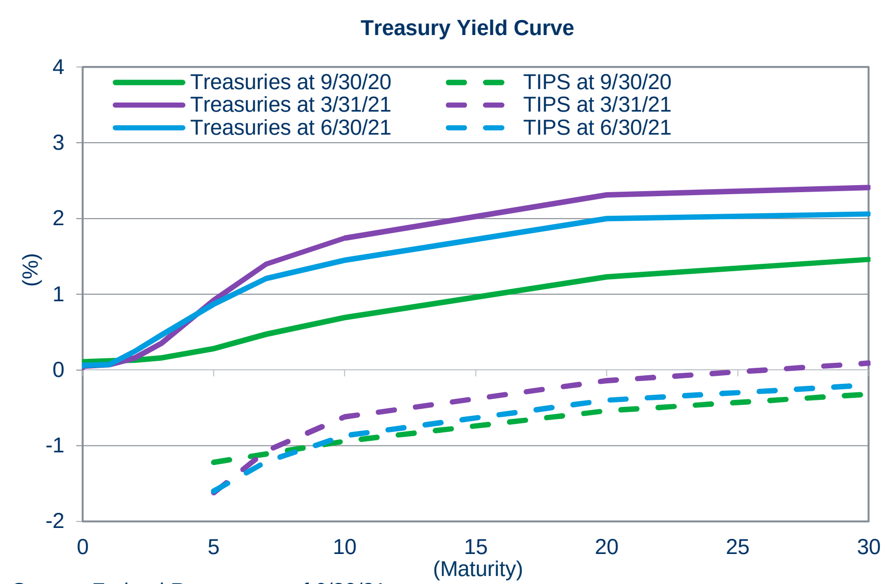
- The Fed held rates unchanged and maintained its bond buying program during the quarter, although the most recent FOMC minutes and dot plot suggest a less dovish Fed. The dot plot now projects two rate increases in 2023, and the tapering of asset purchases is expected to be discussed in upcoming meetings.
- Despite the increase in CPI, US inflation breakeven rates fell during the quarter, with 10-year inflation breakeven rates slipping from 2.37% to 2.34%, remaining near the Fed's target of 2% PCE (roughly 2.5% CPI)[1].
- Overseas, the European Central Bank kept rates unchanged, maintained the size of its bond buying program, and adjusted its inflation targeting framework. The Bank of England and the Bank of Japan made no changes to monetary policy during Q2.



Source: Bloomberg; as of 6/30/21



Source: Bloomberg, Mercer; as of 6/30/21



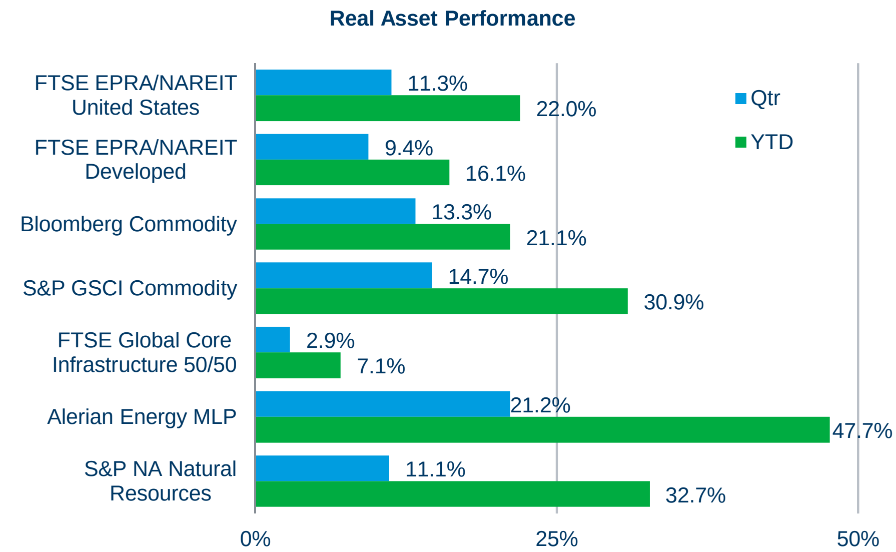
Source: Federal Reserve; as of 6/30/21

[1] Source: St. Louis Fed; as of 6/30/21

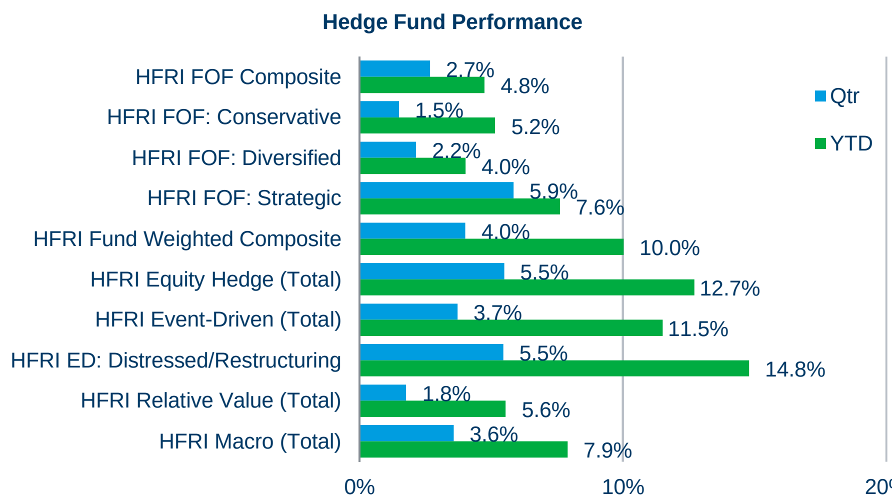
Alternative investment performance

MLPs, commodities, natural resources and REITs outperform

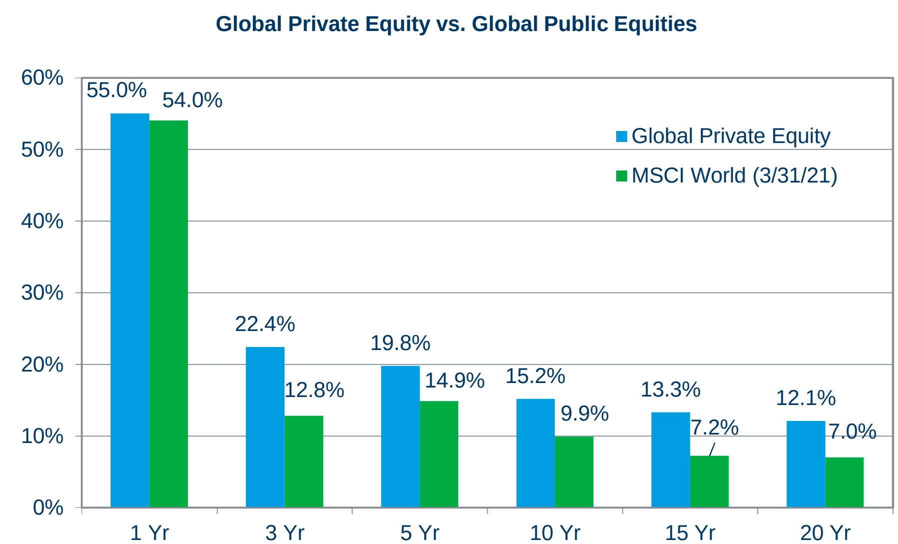
- REITs outperformed the broader market in Q2 and year-to-date. REITs have benefited from a faster than expected pace of vaccinations, which has allowed some developed economies to reduce restrictions.
- Master Limited Partnerships (MLPs), natural resource stocks, and commodities all posted strong gains during Q2 as oil gained 24.2%[1] amid economic re-openings and higher inflation expectations. Infrastructure stocks generally lagged.
- Hedge funds returned 2.7% in Q2[2]. Equity hedge and distressed/restructuring strategies performed well during the quarter, while relative value strategies lagged.
- Global private equity outperformed global developed stocks over the most recent trailing periods[3].



Source: Bloomberg, Datastream; as of 6/30/21



Source: Hedge Fund Research; as of 6/30/21



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

1 Source: Bloomberg; as of 6/30/21
2 Source: Hedge Fund Research; as of 6/30/21
3 Source: Burgiss, Bloomberg; as of 3/31/21

Valuations and yields
Ending June 30, 2021

Valuations

MSCI USA	6/30/2021	3/31/2021	12/31/2020	9/30/2020
Index Level	18960.7	17411.2	16506.0	14587.9
P/E Ratio (Trailing)	29.7	34.0	32.2	28.4
CAPE Ratio	37.2	34.3	32.7	30.0
Dividend Yield	1.3	1.4	1.5	1.6
P/B	4.8	4.6	4.4	4.0
P/CF	20.1	19.6	16.9	14.4
MSCI EAFE	**6/30/2021**	**3/31/2021**	**12/31/2020**	**9/30/2020**
Index Level	7527.2	7157.1	6916.5	5960.1
P/E Ratio (Trailing)	24.1	25.2	23.1	20.2
CAPE Ratio	19.2	18.6	18.0	15.4
Dividend Yield	2.3	2.3	2.4	2.7
P/B	1.9	1.9	1.8	1.6
P/CF	6.5	6.5	7.3	6.7
MSCI EM	**6/30/2021**	**3/31/2021**	**12/31/2020**	**9/30/2020**
Index Level	670.6	638.4	624.1	521.4
P/E Ratio (Trailing)	18.7	21.5	21.7	18.6
CAPE Ratio	17.2	16.4	15.9	13.4
Dividend Yield	1.9	1.9	2.0	2.4
P/B	2.1	2.1	2.0	1.8
P/CF	9.1	11.9	12.5	10.4

Source: Bloomberg, Thomson Reuters Datastream

Yields

Global Bonds	6/30/2021	3/31/2021	12/31/2020	9/30/2020
Germany – 10Y	-0.21	-0.29	-0.57	-0.52
France - 10Y	0.13	-0.05	-0.34	-0.24
UK - 10Y	0.72	0.85	0.20	0.23
Switzerland – 10Y	-0.22	-0.28	-0.55	-0.49
Italy – 10Y	0.82	0.67	0.54	0.87
Spain 10Y	0.41	0.34	0.05	0.25
Japan – 10Y	0.06	0.10	0.02	0.02
Euro Corporate	0.33	0.36	0.24	0.55
Euro High Yield	2.97	3.22	3.40	4.80
EMD ($)	4.89	5.26	4.53	5.14
EMD (LCL)	4.98	4.99	4.22	4.48
US Bonds	**6/30/2021**	**3/31/2021**	**12/31/2020**	**9/30/2020**
3-Month T-Bill	0.05	0.03	0.09	0.10
10Y Treasury	1.45	1.74	0.93	0.69
30Y Treasury	2.06	2.41	1.65	1.46
10Y TIPS	-0.87	-0.63	-1.06	-0.94
30Y TIPS	-0.20	0.11	-0.37	-0.32
US Aggregate	1.50	1.61	1.12	1.18
US Treasury	0.95	1.00	0.57	0.48
US Corporate	2.04	2.28	1.74	2.01
US Corporate High Yield	3.75	4.23	4.18	5.77

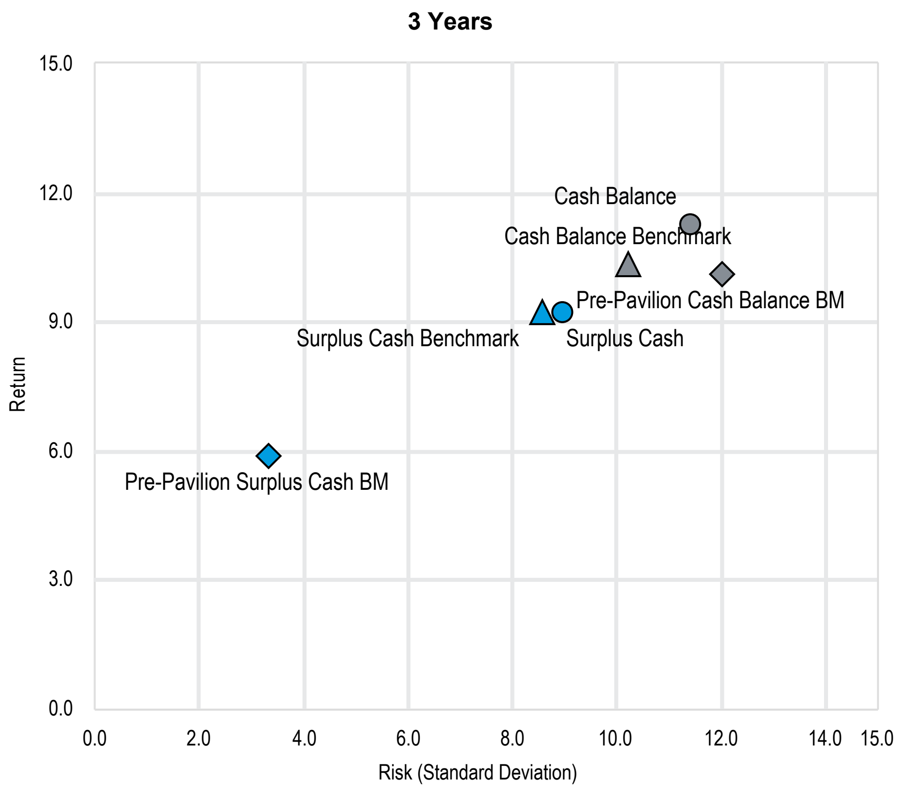
Source: Bloomberg, Thomson Reuters Datastream

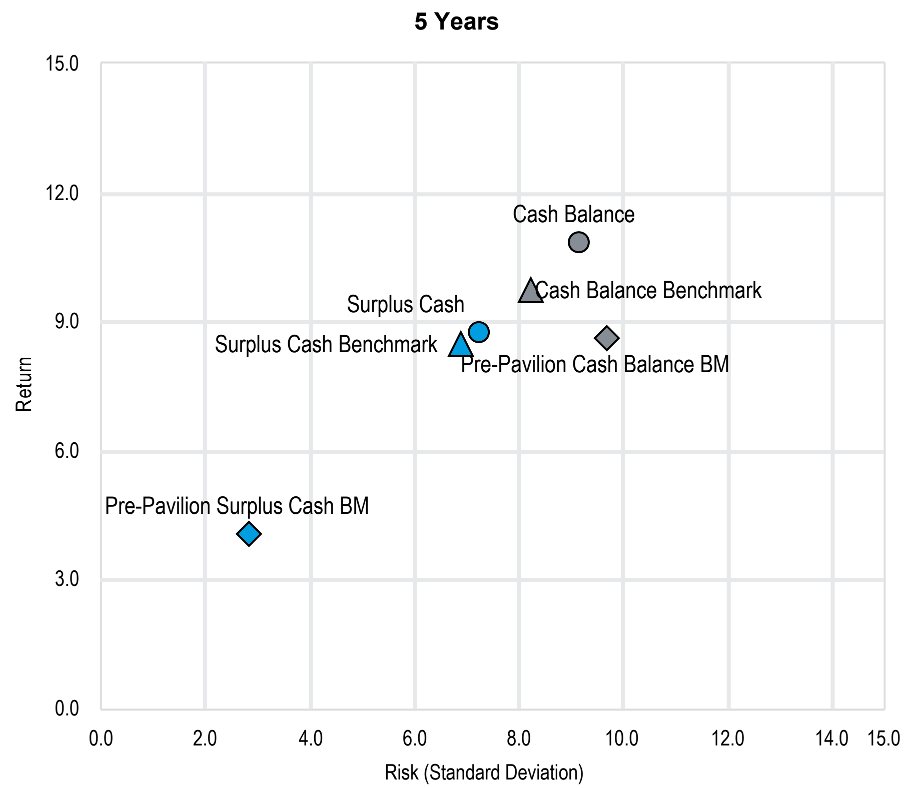
Performance Summary

Surplus Cash and Cash Balance Plan

Risk and Return Summary (Net of Fees)

As of June 30, 2021





El Camino Hospital
Total Surplus Cash Assets
As of June 30, 2021

	Allocation		Performance							
	Asset $	%	3 Month	CYTD	Fiscal YTD	3 Year	5 Year	10 Year	Inception	Inception Date
Total Surplus Cash (1)	**1,501,212,143**	**100.0**	**3.6**	**5.4**	**18.6**	**8.9**	**8.0**	**6.3**	**6.4**	**Nov-2012**
Total Surplus Cash ex District / Debt Reserves (1)	**1,453,348,813**	**96.8**	**3.7**	**5.6**	**19.5**	**9.3**	**8.8**	**6.7**	**6.9**	**Nov-2012**
Surplus Cash Total Benchmark			*3.7*	*5.5*	*18.5*	*9.2*	*8.5*	*6.6*	*6.7*	
Total Surplus Cash ex District / CONCERN / Debt Reserves (1)	**1,438,819,435**	**95.8**	**3.7**	**5.7**	**19.7**	**9.3**	**8.9**	**6.7**	**7.0**	**Nov-2012**
Surplus Cash Total Benchmark			*3.7*	*5.5*	*18.5*	*9.2*	*8.5*	*6.6*	*6.7*	
Total CONCERN	**14,529,377**	**1.0**	**1.8**	**-1.1**	**1.4**	**6.1**	**3.7**	**-**	**4.0**	**Feb-2016**
CONCERN Total Benchmark			*1.8*	*-1.6*	*-0.3*	*5.3*	*3.0*	*-*	*3.5*	
Met West Total Return Bond Plan - CONCERN	14,445,243	1.0	1.8	-1.1	1.4	6.2	3.7	-	4.1	Feb-2016
Blmbg. Barc. U.S. Aggregate			*1.8*	*-1.6*	*-0.3*	*5.3*	*3.0*	*3.4*	*3.5*	
Cash Account - CONCERN	84,134	0.0	0.0	0.0	0.6	1.0	0.8	-	0.8	Feb-2016
90 Day U.S. Treasury Bill			*0.0*	*0.0*	*0.1*	*1.3*	*1.2*	*0.6*	*1.1*	
District - Barrow Hanley	**42,173,960**	**2.8**	**0.0**	**-0.1**	**-0.3**	**2.4**	**1.5**	**1.1**	**1.2**	**Nov-2012**
Blmbg. Barc. 1-3 Govt			*0.0*	*-0.1*	*0.1*	*2.7*	*1.6*	*1.2*	*1.3*	
Total Debt Reserves	**5,689,370**	**0.4**	**-0.7**	**-0.6**	**-0.4**	**1.1**	**1.1**	**-**	**1.0**	**May-2015**
90 Day U.S. Treasury Bill			*0.0*	*0.0*	*0.1*	*1.3*	*1.2*	*0.6*	*1.0*	
Ponder Debt Reserves - 2017	5,689,370	0.4	-0.7	-0.6	-0.4	1.1	-	-	1.2	Mar-2017
90 Day U.S. Treasury Bill			*0.0*	*0.0*	*0.1*	*1.3*	*1.2*	*0.6*	*1.3*	

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

June 30, 2021

	Allocation		Performance							
	Asset $	%	3 Month	CYTD	Fiscal YTD	3 Year	5 Year	10 Year	Inception	Inception Date
Total Surplus Cash ex District / Debt Reserves	**1,453,348,813**	**100.0**	**3.7**	**5.6**	**19.5**	**9.3**	**8.8**	**6.7**	**6.9**	**Nov-2012**
Surplus Cash Total Benchmark			*3.7*	*5.5*	*18.5*	*9.2*	*8.5*	*6.6*	*6.7*	
Pre-Pavilion Surplus Cash Total Benchmark			*1.7*	*1.6*	*5.7*	*5.9*	*4.1*	*4.1*	*4.0*	
Total Surplus Cash ex District / Debt Reserves X Privates	**1,437,435,882**	**98.9**	**3.8**	**5.6**	**19.7**	**9.4**	**8.9**	**6.6**	**6.9**	**Nov-2012**
Surplus Cash Total Benchmark x Privates			*3.8*	*5.6*	*18.8*	*9.4*	*8.6*	*6.6*	*6.8*	
Total Equity Composite	**605,833,127**	**41.7**	**6.5**	**11.8**	**41.9**	**15.8**	**15.9**	**12.1**	**13.2**	**Nov-2012**
Total Equity Benchmark - Surplus			*6.9*	*13.3*	*42.2*	*14.6*	*15.1*	*11.9*	*12.7*	
Domestic Equity Composite	**374,436,847**	**25.8**	**7.4**	**14.2**	**44.8**	**18.5**	**18.5**	**14.4**	**16.0**	**Nov-2012**
Domestic Equity Benchmark - Surplus			*7.7*	*15.8*	*46.1*	*17.7*	*17.5*	*14.5*	*15.7*	
Large Cap Equity Composite	**306,324,063**	**21.1**	**8.2**	**14.4**	**44.3**	**20.0**	**19.2**	**15.0**	**16.6**	**Nov-2012**
Large Cap Equity Benchmark			*8.6*	*15.2*	*42.1*	*18.7*	*17.7*	*14.8*	*16.0*	
Small Cap Equity Composite	**68,112,784**	**4.7**	**4.1**	**13.8**	**48.4**	**12.3**	**15.1**	**-**	**13.2**	**Nov-2012**
Small Cap Equity Benchmark			*4.3*	*17.7*	*62.3*	*13.3*	*16.3*	*12.3*	*14.2*	
International Equity Composite	**231,396,280**	**15.9**	**4.8**	**7.5**	**36.3**	**10.6**	**11.2**	**-**	**7.9**	**Nov-2012**
MSCI AC World ex USA (Net)			*5.5*	*9.2*	*35.7*	*9.4*	*11.1*	*5.4*	*7.3*	

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

June 30, 2021

	Allocation		Performance							
	Asset $	%	3 Month	CYTD	Fiscal YTD	3 Year	5 Year	10 Year	Inception	Inception Date
Total Fixed Income Composite	**597,901,319**	**41.1**	**1.3**	**-0.6**	**2.1**	**5.5**	**3.6**	**3.3**	**3.0**	**Nov-2012**
Total Fixed Income Benchmark - Surplus			*1.4*	*-1.2*	*-0.1*	*4.7*	*2.7*	*2.9*	*2.6*	
Short Duration Fixed Income Composite	**158,572,126**	**10.9**	**0.3**	**0.1**	**1.4**	**3.0**	**2.0**	**1.9**	**1.6**	**Nov-2012**
Short Duration Fixed Income Benchmark - Surplus			*0.0*	*0.0*	*0.4*	*3.0*	*1.9*	*1.8*	*1.5*	
Market Duration Fixed Income Composite	**439,329,193**	**30.2**	**1.7**	**-0.9**	**2.3**	**6.4**	**4.2**	**4.3**	**3.6**	**Nov-2012**
Blmbg. Barc. U.S. Aggregate			*1.8*	*-1.6*	*-0.3*	*5.3*	*3.0*	*3.4*	*2.9*	
Total Alternatives Composite	**249,614,367**	**17.2**	**2.1**	**4.3**	**12.6**	**2.2**	**4.1**	**-**	**3.7**	**May-2013**
Total Alternatives Benchmark - Surplus			*2.1*	*4.1*	*14.5*	*5.9*	*6.0*	*-*	*5.1*	
Private Assets Composite	**28,478,754**	**2.0**	**1.2**	**5.0**	**11.5**	**2.9**	**4.2**	**-**	**7.4**	**Sep-2013**
Private Debt Composite	**2,728,705**	**0.2**	**15.4**	**31.7**	**-**	**-**	**-**	**-**	**41.2**	**Dec-2020**
Private Real Estate Composite	**25,750,049**	**1.8**	**-0.1**	**2.7**	**9.0**	**2.1**	**3.7**	**-**	**7.1**	**Sep-2013**
NCREIF Property Index			*0.0*	*1.7*	*3.6*	*4.3*	*5.4*	*8.4*	*7.6*	
Hedge Fund Composite	**221,135,613**	**15.2**	**2.3**	**4.2**	**12.8**	**2.1**	**4.1**	**-**	**2.8**	**May-2013**
HFRI Fund of Funds Composite Index			*2.8*	*4.9*	*18.3*	*6.3*	*6.1*	*3.9*	*4.3*	

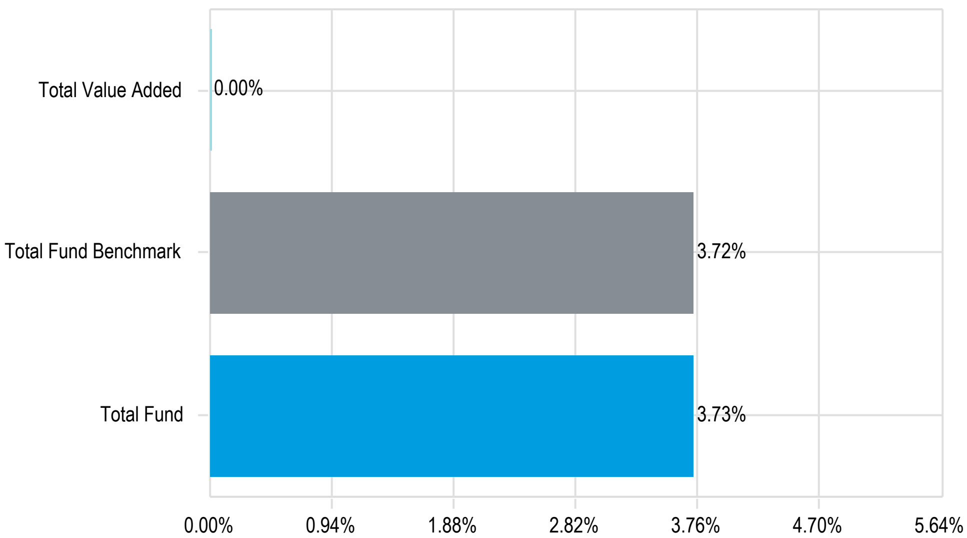
Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Surplus Cash Portfolio ex District / Debt Reserves

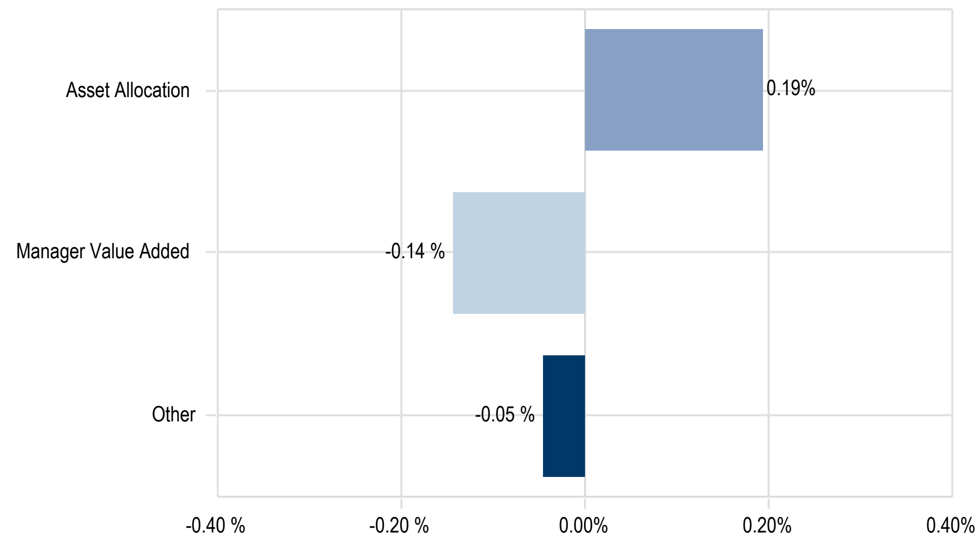
Attribution Analysis

1 Quarter Ending June 30, 2021

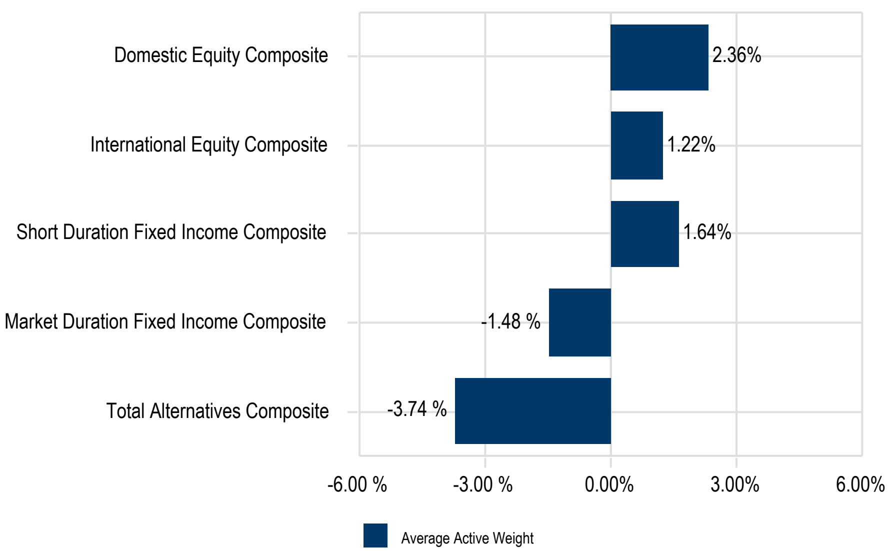
Total Fund Performance



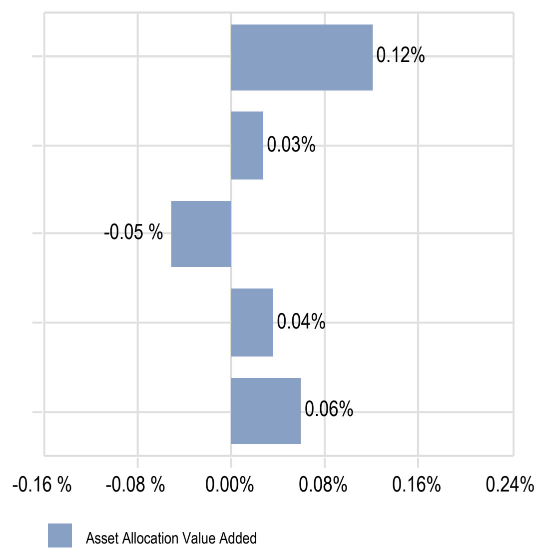
Total Value Added:0.00%



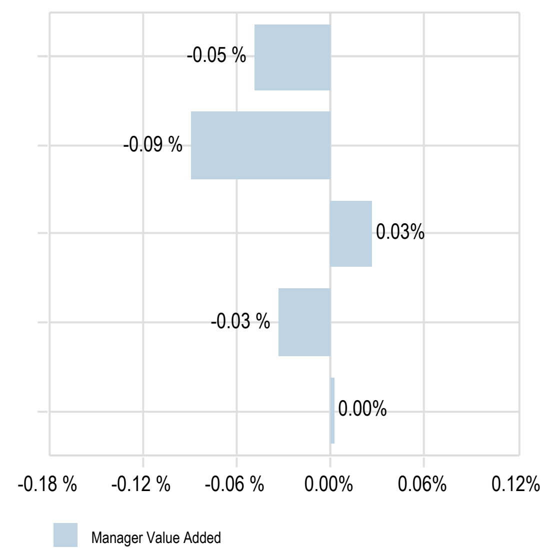
Average Active Weight



Asset Allocation Value Added:0.19%



Total Manager Value Added:-0.14 %



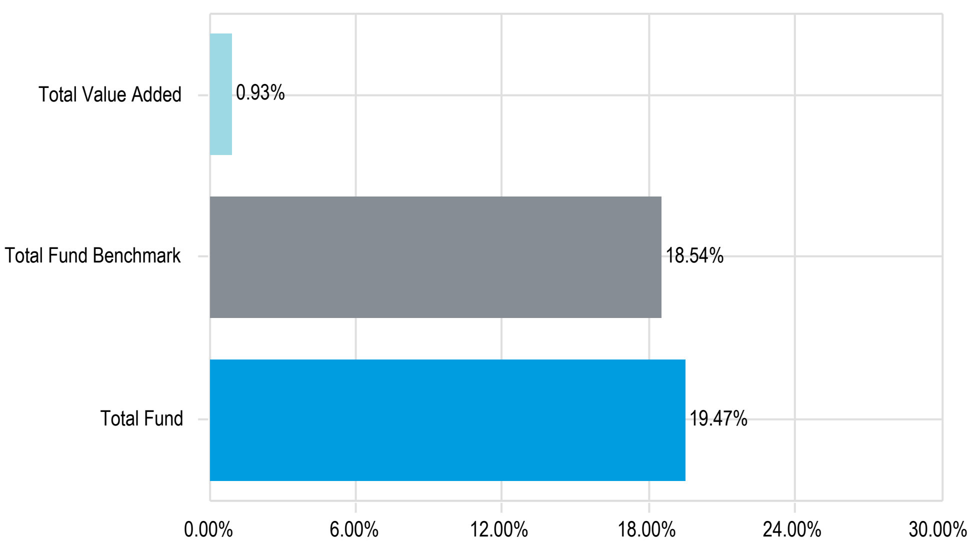
"Other" includes the effects of all other factors on the Fund's relative return, including rebalancing and other trading activity.

Surplus Cash Portfolio ex District / Debt Reserves

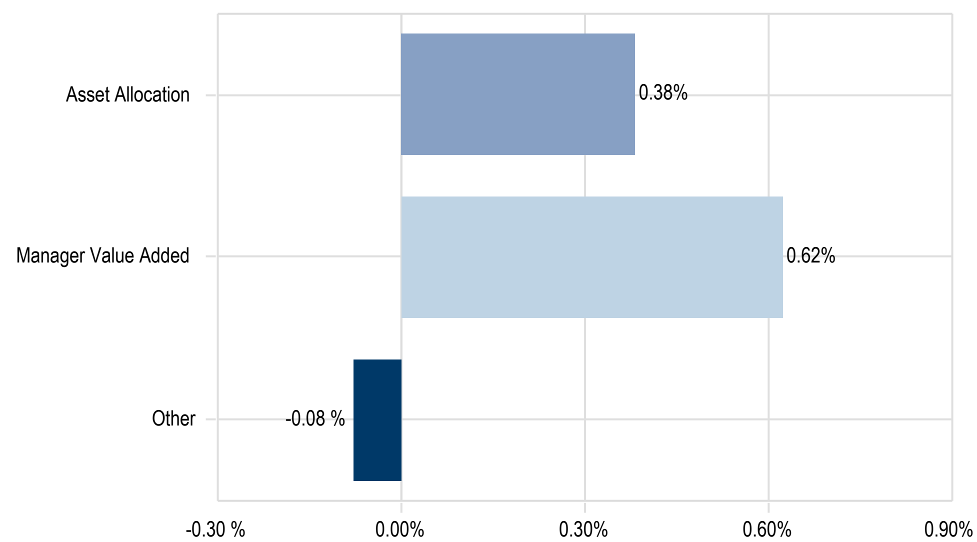
Attribution Analysis

1 Year Ending June 30, 2021

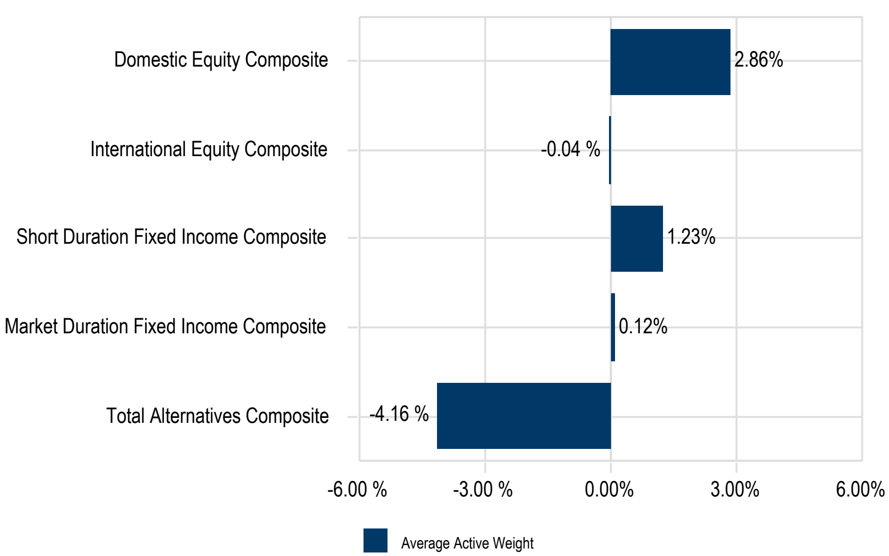
Total Fund Performance



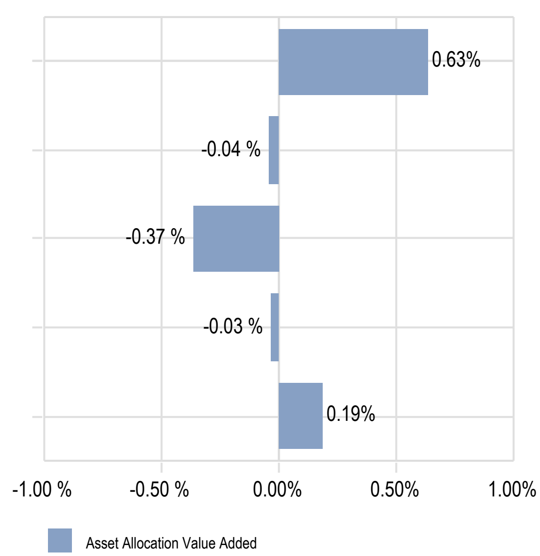
Total Value Added:0.93%



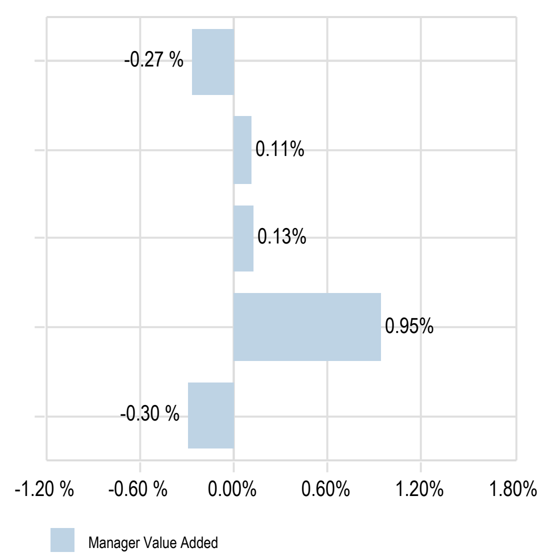
Average Active Weight



Asset Allocation Value Added:0.38%



Total Manager Value Added:0.62%



"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

June 30, 2021

	Allocation		Performance							
	Asset $	%	3 Month	CYTD	Fiscal YTD	3 Year	5 Year	10 Year	Inception	Inception Date
Large-Cap Equity										
Vanguard S&P 500 Index	**155,198,886**	**10.7**	**8.5 (39)**	**15.3 (42)**	**40.8 (42)**	**18.7 (39)**	**17.6 (36)**	**14.8 (18)**	**16.0 (24)**	**Nov-2012**
S&P 500			*8.5 (38)*	*15.3 (42)*	*40.8 (42)*	*18.7 (39)*	*17.6 (35)*	*14.8 (18)*	*16.0 (22)*	
Mercer Mutual Fund US Equity Large Cap Core Median			*8.2*	*14.9*	*40.0*	*17.8*	*17.0*	*13.7*	*15.1*	
Sands Large Cap Growth (Touchstone)	**72,430,668**	**5.0**	**10.8 (64)**	**8.0 (96)**	**47.1 (6)**	**28.9 (2)**	**29.0 (1)**	**19.1 (3)**	**20.8 (8)**	**Nov-2012**
Russell 1000 Growth Index			*11.9 (33)*	*13.0 (49)*	*42.5 (26)*	*25.1 (27)*	*23.7 (31)*	*17.9 (19)*	*19.7 (22)*	
Mercer Mutual Fund US Equity Large Cap Growth Median			*11.4*	*13.0*	*40.1*	*23.5*	*22.8*	*16.5*	*18.6*	
Barrow Hanley Large Cap Value	**78,694,509**	**5.4**	**4.3 (84)**	**18.0 (40)**	**44.8 (35)**	**11.3 (77)**	**12.5 (56)**	**11.5 (53)**	**9.5 (2)**	**Aug-2000**
Russell 1000 Value Index			*5.2 (57)*	*17.0 (50)*	*43.7 (42)*	*12.4 (60)*	*11.9 (68)*	*11.6 (51)*	*7.8 (33)*	
Mercer Mutual Fund US Equity Large Cap Value Median			*5.4*	*16.8*	*42.4*	*12.9*	*12.7*	*11.6*	*7.5*	
Small-Cap Equity										
Wellington Small Cap Value	**37,609,552**	**2.6**	**4.7 (43)**	**20.6 (92)**	**59.3 (88)**	**6.6 (86)**	**9.0 (97)**	**9.6 (71)**	**10.5 (81)**	**Nov-2012**
Russell 2000 Value Index			*4.6 (44)*	*26.7 (52)*	*73.3 (47)*	*10.3 (32)*	*13.6 (27)*	*10.8 (30)*	*12.3 (36)*	
Mercer Mutual Fund US Equity Small Cap Value Median			*4.2*	*27.0*	*73.0*	*8.7*	*12.4*	*10.2*	*11.9*	
Conestoga Small Cap Growth	**30,503,232**	**2.1**	**3.4 (78)**	**6.5 (86)**	**36.3 (98)**	**16.1 (64)**	**20.4 (43)**	**14.8 (29)**	**20.4 (43)**	**Jul-2016**
Russell 2000 Growth Index			*3.9 (73)*	*9.0 (69)*	*51.4 (55)*	*15.9 (65)*	*18.8 (54)*	*13.5 (60)*	*18.8 (54)*	
Mercer Mutual Fund US Equity Small Cap Growth Median			*5.2*	*12.2*	*52.7*	*17.2*	*19.3*	*13.9*	*19.3*	
International Equity										
Causeway International Value	**80,156,560**	**5.5**	**2.1 (90)**	**9.1 (82)**	**40.3 (29)**	**6.0 (36)**	**8.8 (40)**	**5.3 (16)**	**4.3 (34)**	**May-2018**
MSCI AC World ex USA (Net)			*5.5 (9)*	*9.2 (82)*	*35.7 (52)*	*9.4 (2)*	*11.1 (3)*	*5.4 (14)*	*7.4 (2)*	
MSCI AC World ex USA Value (Net)			*4.3 (43)*	*11.7 (47)*	*37.6 (40)*	*5.2 (55)*	*8.5 (47)*	*3.5 (85)*	*2.9 (66)*	
Mercer Mutual Fund World ex US/EAFE Equity Large Cap Value Median			*4.0*	*10.9*	*36.0*	*5.3*	*8.2*	*4.5*	*3.6*	
BNY Mellon International Stock Fund	**68,005,079**	**4.7**	**7.9 (22)**	**6.3 (71)**	**27.4 (90)**	**14.2 (27)**	**13.9 (31)**	**8.0 (28)**	**9.4 (43)**	**Nov-2012**
MSCI AC World ex USA (Net)			*5.5 (62)*	*9.2 (30)*	*35.7 (37)*	*9.4 (81)*	*11.1 (75)*	*5.4 (90)*	*7.3 (88)*	
MSCI AC World ex USA Growth (Net)			*6.6 (39)*	*6.5 (63)*	*33.7 (54)*	*13.2 (34)*	*13.4 (37)*	*7.3 (48)*	*9.5 (42)*	
Mercer Mutual Fund World ex US/EAFE Equity Large Cap Growth Median			*6.0*	*7.5*	*34.2*	*12.0*	*12.6*	*7.1*	*9.0*	

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

June 30, 2021

	Allocation		Performance							
	Asset $	%	3 Month	CYTD	Fiscal YTD	3 Year	5 Year	10 Year	Inception	Inception Date
Harding Loevner Emerging Markets	**83,234,642**	**5.7**	**5.1 (48)**	**6.9 (69)**	**43.2 (44)**	**9.2 (75)**	**11.6 (64)**	**5.7 (25)**	**11.3 (53)**	**Sep-2015**
MSCI Emerging Markets (Net)			*5.0 (49)*	*7.4 (63)*	*40.9 (58)*	*11.3 (46)*	*13.0 (41)*	*4.3 (49)*	*11.8 (43)*	
Mercer Mutual Fund Emerging Markets Equity Median			*5.0*	*8.4*	*42.2*	*11.0*	*12.3*	*4.2*	*11.4*	
Short Duration Fixed Income										
Barrow Hanley Short Fixed	**149,218,577**	**10.3**	**0.3 (54)**	**0.1 (63)**	**1.5 (52)**	**3.2 (36)**	**2.1 (53)**	**1.6 (65)**	**4.5 (15)**	**Apr-1991**
Blmbg. Barc. 1-3 Year Gov/Credit			*0.0 (81)*	*0.0 (71)*	*0.4 (77)*	*3.0 (55)*	*1.9 (67)*	*1.5 (67)*	*4.0 (33)*	
Mercer Mutual Fund US Fixed Short Median			*0.3*	*0.2*	*1.6*	*3.0*	*2.2*	*1.8*	*3.8*	
Cash Composite	**9,353,549**	**0.6**	**0.0**	**0.0**	**0.0**	**0.5**	**0.4**	**-**	**0.2**	**Nov-2012**
90 Day U.S. Treasury Bill			*0.0*	*0.0*	*0.1*	*1.3*	*1.2*	*0.6*	*0.7*	
Market Duration Fixed Income										
Dodge & Cox Fixed	**219,591,554**	**15.1**	**1.8 (56)**	**-0.7 (55)**	**3.2 (31)**	**6.6 (20)**	**4.6 (16)**	**4.4 (18)**	**4.0 (17)**	**Nov-2012**
Blmbg. Barc. U.S. Aggregate			*1.8 (53)*	*-1.6 (89)*	*-0.3 (96)*	*5.3 (52)*	*3.0 (62)*	*3.4 (57)*	*2.9 (57)*	
Mercer Mutual Fund US Fixed Core Median			*1.9*	*-0.6*	*2.2*	*5.4*	*3.4*	*3.5*	*3.0*	
MetWest Fixed	**205,292,396**	**14.1**	**1.6 (61)**	**-1.0 (70)**	**1.5 (65)**	**6.3 (26)**	**3.8 (35)**	**4.1 (28)**	**3.2 (40)**	**Nov-2012**
Blmbg. Barc. U.S. Aggregate			*1.8 (53)*	*-1.6 (89)*	*-0.3 (96)*	*5.3 (52)*	*3.0 (62)*	*3.4 (57)*	*2.9 (57)*	
Mercer Mutual Fund US Fixed Core Median			*1.9*	*-0.6*	*2.2*	*5.4*	*3.4*	*3.5*	*3.0*	
Met West Total Return Bond Plan - CONCERN	**14,445,243**	**1.0**	**1.8 (53)**	**-1.1 (74)**	**1.4 (68)**	**6.2 (28)**	**3.7 (38)**	**-**	**4.1 (46)**	**Feb-2016**
Blmbg. Barc. U.S. Aggregate			*1.8 (53)*	*-1.6 (89)*	*-0.3 (96)*	*5.3 (52)*	*3.0 (62)*	*3.4 (57)*	*3.5 (61)*	
Mercer Mutual Fund US Fixed Core Median			*1.9*	*-0.6*	*2.2*	*5.4*	*3.4*	*3.5*	*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.

	Allocation		Performance							
	Asset $	%	3 Month	CYTD	Fiscal YTD	3 Year	5 Year	10 Year	Inception	Inception Date
Private Debt										
Oaktree Opportunities Fund XI, L.P.	2,728,705	0.2	15.4	31.7	-	-	-	-	41.2	Nov-2020
Real Estate										
AG Realty Value Fund X, LP	9,837,118	0.7	0.0	1.5	14.6	-	-	-	-1.5	Jun-2019
NCREIF Property Index			*0.0*	*1.7*	*3.6*	*4.3*	*5.4*	*8.4*	*3.3*	
Oaktree Real Estate Opportunities Fund VI	4,855,028	0.3	-0.7	-0.2	-1.0	-1.4	1.0	-	4.7	Sep-2013
NCREIF Property Index			*0.0*	*1.7*	*3.6*	*4.3*	*5.4*	*8.4*	*7.6*	
Walton Street Real Estate Fund VII, L.P.	3,229,430	0.2	0.0	2.9	2.1	-6.1	-0.5	-	6.5	Nov-2013
NCREIF Property Index			*0.0*	*1.7*	*3.6*	*4.3*	*5.4*	*8.4*	*7.5*	
Walton Street Real Estate Fund VIII, L.P.	7,828,473	0.5	0.0	6.1	13.6	7.0	-	-	9.8	Jun-2017
NCREIF Property Index			*0.0*	*1.7*	*3.6*	*4.3*	*5.4*	*8.4*	*5.0*	
Hedge Funds										
Hedge Fund Composite	221,135,613	15.2	2.3	4.2	12.8	2.1	4.1	-	2.8	May-2013
HFRI Fund of Funds Composite Index			*2.8*	*4.9*	*18.3*	*6.3*	*6.1*	*3.9*	*4.3*	
Total Plan										
Total Surplus Cash X District / Debt Reserves	1,453,348,813	100.0	3.7	5.6	19.5	9.3	8.8	6.7	6.9	Nov-2012
Total Surplus Cash Benchmark			*3.7*	*5.5*	*18.5*	*9.2*	*8.5*	*6.6*	*6.7*	
Pre-Pavilion Total Surplus Cash Benchmark			*1.7*	*1.6*	*5.7*	*5.9*	*4.1*	*4.1*	*4.0*	

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.

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	4,887,594	8.2	9.0	1.4	1.0	3,220,000
Walton Street Real Estate Fund VII, L.P.	2012	14,000,000	12,515,038	13,763,325	3,229,430	9.8	7.8	1.4	1.1	4,420,768
Walton Street Real Estate Fund VIII, L.P.	2015	13,000,000	11,168,848	5,685,426	7,828,473	9.1	6.8	1.2	0.5	7,530,479
AG Realty Value Fund X	2018	20,000,000	9,450,000	103,543	10,237,118	10.0	9.9	1.1	0.0	10,550,000
Oaktree Opportunities Fund XI, L.P.		20,000,000	2,000,000	-	2,365,204	23.6	23.6	1.2	-	18,000,000
Total Surplus Cash Private Assets		**81,000,000**	**49,133,886**	**33,968,552**	**28,547,819**	**9.1**	**8.4**	**1.3**	**0.7**	**43,721,247**

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.

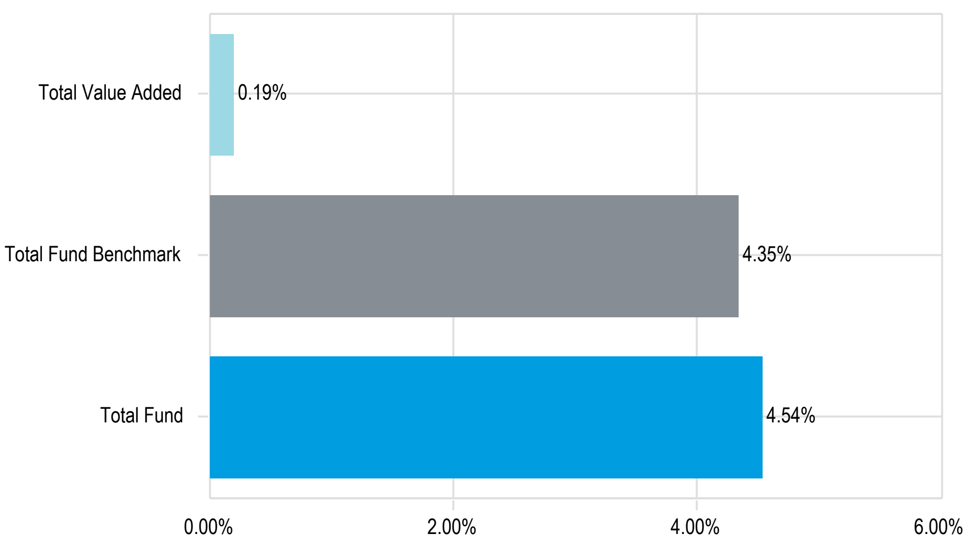
	Allocation		Performance							
	Asset $	%	3 Month	CYTD	Fiscal YTD	3 Year	5 Year	10 Year	Inception	Inception Date
Total Cash Balance Plan	**358,863,747**	**100.0**	**4.5**	**6.8**	**25.2**	**11.3**	**10.9**	**8.8**	**9.2**	**Nov-2012**
Total Cash Balance Plan Benchmark			*4.3*	*6.9*	*22.3*	*10.4*	*9.7*	*8.2*	*8.3*	
Pre-Pavilion Total Cash Balance Plan Benchmark			*3.9*	*9.4*	*24.6*	*10.1*	*8.6*	*8.6*	*8.8*	
Total Cash Balance Plan X Private Structures	**347,996,643**	**97.0**	**4.7**	**6.9**	**25.9**	**11.7**	**11.2**	**8.8**	**9.2**	**Nov-2012**
Cash Balance Plan Total X Privates Benchmark			*4.6*	*7.2*	*23.7*	*10.7*	*10.0*	*8.2*	*8.3*	
Total Equity Composite	**187,933,651**	**52.4**	**6.5**	**11.7**	**42.6**	**16.3**	**16.4**	**12.3**	**13.3**	**Nov-2012**
Total Equity Benchmark			*7.1*	*13.3*	*41.8*	*14.9*	*15.3*	*11.9*	*12.8*	
Domestic Equity Composite	**115,890,729**	**32.3**	**7.4**	**14.1**	**46.2**	**19.1**	**19.1**	**14.8**	**16.3**	**Nov-2012**
Domestic Equity Benchmark			*7.9*	*15.7*	*45.2*	*18.0*	*17.6*	*14.6*	*15.8*	
Large Cap Equity Composite	**95,644,492**	**26.7**	**8.0**	**14.2**	**45.7**	**20.3**	**19.8**	**15.3**	**16.8**	**Nov-2012**
Large Cap Equity Benchmark			*8.6*	*15.2*	*42.1*	*18.7*	*17.7*	*14.8*	*16.0*	
Small Cap Equity Composite	**20,246,237**	**5.6**	**4.1**	**13.7**	**48.3**	**12.0**	**14.9**	**-**	**13.1**	**Nov-2012**
Small Cap Equity Benchmark			*4.3*	*17.7*	*62.3*	*13.3*	*16.3*	*12.3*	*14.2*	
International Equity Composite	**72,042,922**	**20.1**	**4.8**	**7.5**	**35.7**	**10.9**	**11.4**	**-**	**7.9**	**Nov-2012**
MSCI AC World ex USA (Net)			*5.5*	*9.2*	*35.7*	*9.4*	*11.1*	*5.4*	*7.3*	

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.

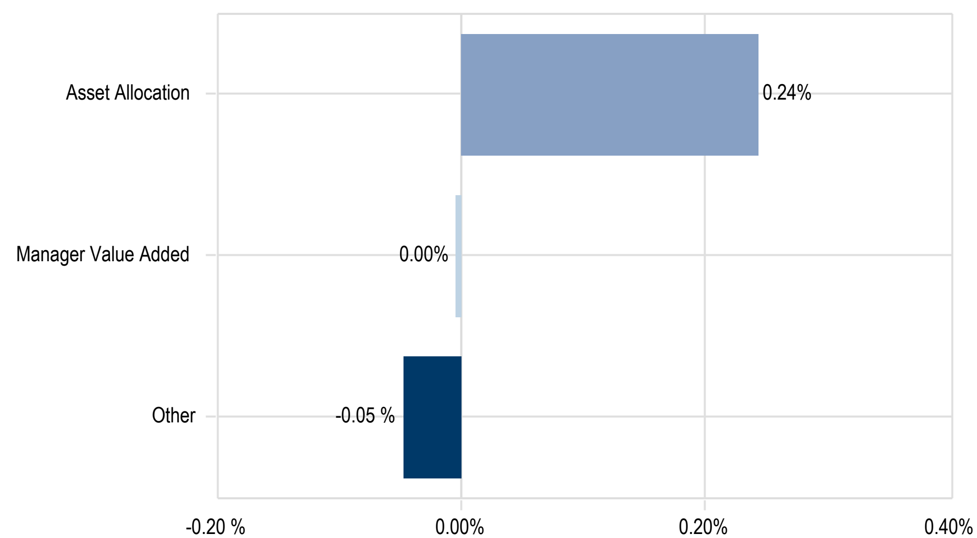
	Allocation		Performance							
	Asset $	%	3 Month	CYTD	Fiscal YTD	3 Year	5 Year	10 Year	Inception	Inception Date
Total Fixed Income Composite	**103,176,899**	**28.8**	**1.6**	**-0.8**	**2.1**	**5.8**	**3.8**	**3.8**	**3.3**	**Nov-2012**
Total Fixed Income Benchmark			*1.5*	*-1.3*	*-0.2*	*4.9*	*2.9*	*3.1*	*2.6*	
Short Duration Fixed Income Composite	**14,179,675**	**4.0**	**0.2**	**0.1**	**1.0**	**2.9**	**2.0**	**-**	**1.5**	**Nov-2012**
Short Duration Fixed Income Benchmark			*0.0*	*0.0*	*0.4*	*3.0*	*1.9*	*1.3*	*1.5*	
Market Duration Fixed Income Composite	**88,997,224**	**24.8**	**1.8**	**-0.9**	**2.3**	**6.3**	**4.1**	**4.1**	**3.7**	**Nov-2012**
Blmbg. Barc. U.S. Aggregate			*1.8*	*-1.6*	*-0.3*	*5.3*	*3.0*	*3.4*	*2.9*	
Total Alternatives Composite	**67,753,197**	**18.9**	**3.4**	**4.4**	**19.4**	**5.7**	**6.5**	**-**	**7.4**	**Nov-2012**
Total Alternatives Benchmark			*1.9*	*3.9*	*13.2*	*5.7*	*5.9*	*-*	*5.8*	
Hedge Fund of Fund Composite	**56,886,093**	**15.9**	**4.1**	**4.5**	**22.5**	**6.6**	**7.3**	**-**	**6.9**	**Nov-2012**
HFRI Fund of Funds Composite Index			*2.8*	*4.9*	*18.3*	*6.3*	*6.1*	*3.9*	*4.8*	
Real Estate Composite	**10,867,104**	**3.0**	**0.0**	**3.9**	**7.7**	**2.1**	**3.6**	**-**	**7.3**	**Jan-2013**
NCREIF Property Index			*0.0*	*1.7*	*3.6*	*4.3*	*5.4*	*8.4*	*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.

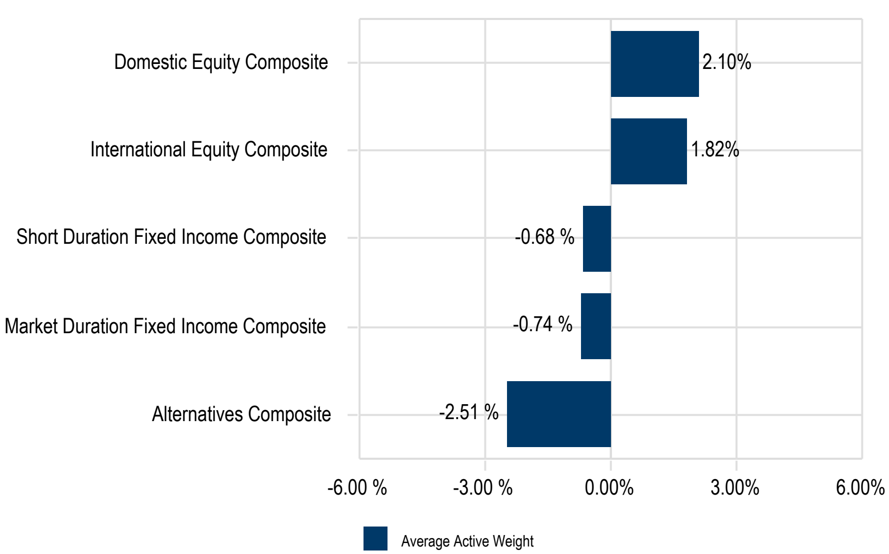
Total Fund Performance



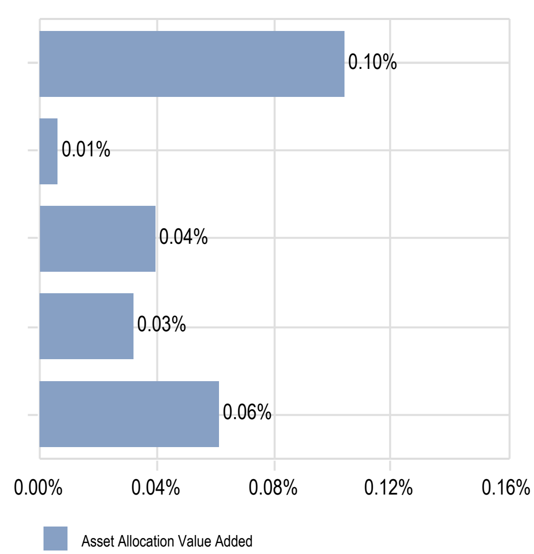
Total Value Added:0.19%



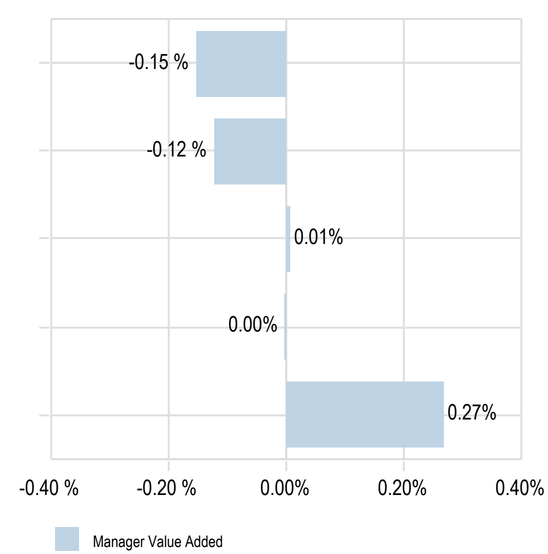
Average Active Weight



Asset Allocation Value Added:0.24%

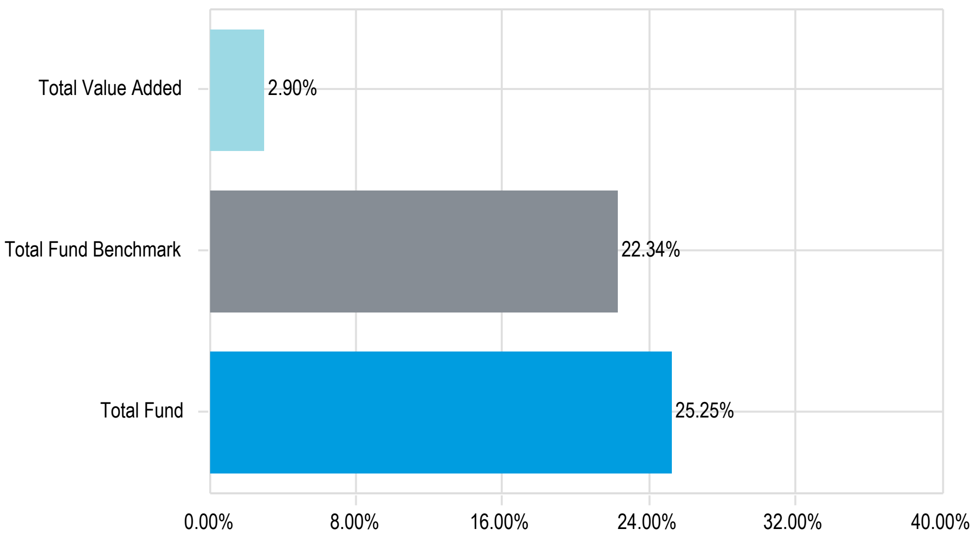


Total Manager Value Added:0.00%

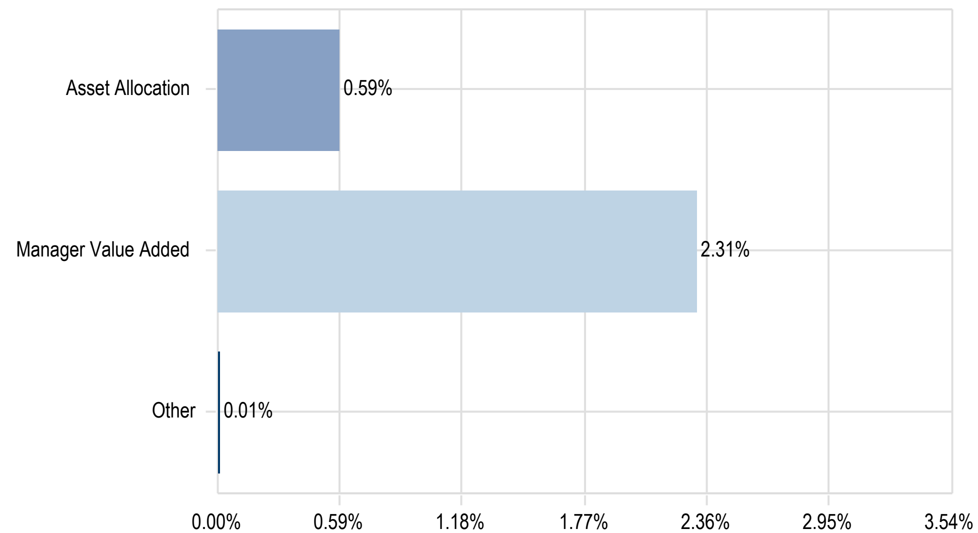


"Other" includes the effects of all other factors on the Fund's relative return, including rebalancing and other trading activity.

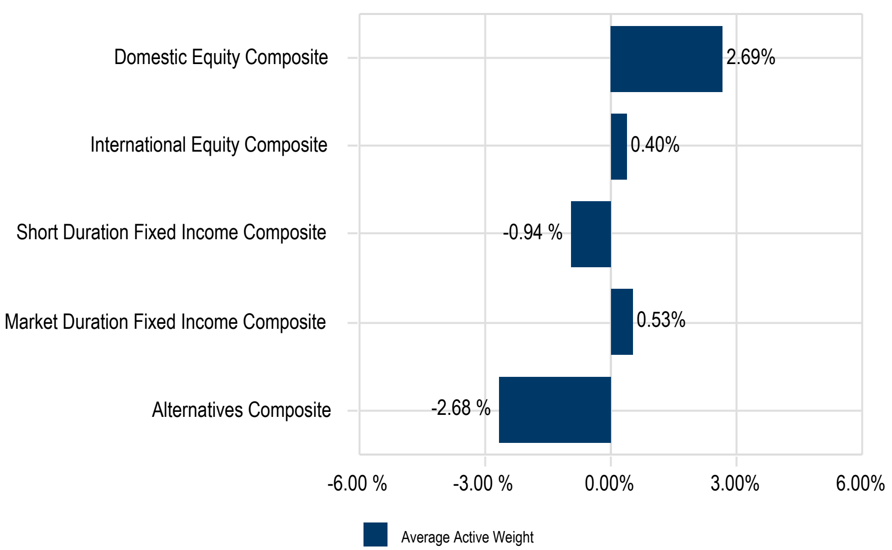
Total Fund Performance



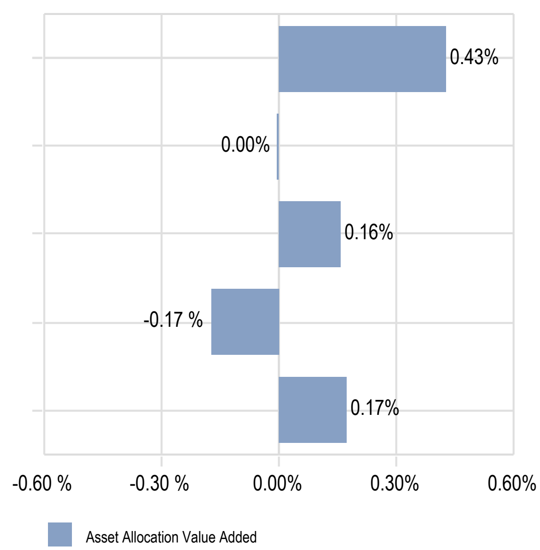
Total Value Added:2.90%



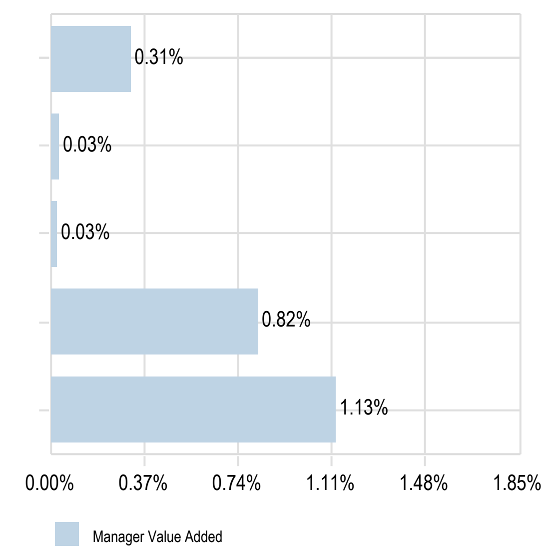
Average Active Weight



Asset Allocation Value Added:0.59%



Total Manager Value Added:2.31%



"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	CYTD	Fiscal YTD	3 Year	5 Year	10 Year	Inception	Inception Date
Large-Cap Equity										
Vanguard Institutional Index Fund	**40,734,019**	**11.4**	**8.5 (39)**	**15.3 (42)**	**40.8 (42)**	**18.7 (39)**	**17.6 (36)**	**14.8 (18)**	**16.0 (24)**	**Nov-2012**
S&P 500			*8.5 (38)*	*15.3 (42)*	*40.8 (42)*	*18.7 (39)*	*17.6 (35)*	*14.8 (18)*	*16.0 (22)*	
Mercer Mutual Fund US Equity Large Cap Core Median			*8.2*	*14.9*	*40.0*	*17.8*	*17.0*	*13.7*	*15.1*	
Sands Large Cap Growth (Touchstone)	**26,343,483**	**7.3**	**10.8 (64)**	**8.0 (96)**	**47.1 (6)**	**28.9 (2)**	**29.0 (1)**	**19.1 (3)**	**20.8 (8)**	**Nov-2012**
Russell 1000 Growth Index			*11.9 (33)*	*13.0 (49)*	*42.5 (26)*	*25.1 (27)*	*23.7 (31)*	*17.9 (19)*	*19.7 (22)*	
Mercer Mutual Fund US Equity Large Cap Growth Median			*11.4*	*13.0*	*40.1*	*23.5*	*22.8*	*16.5*	*18.6*	
Barrow Hanley Large Cap Value	**28,566,990**	**8.0**	**4.4 (84)**	**18.1 (39)**	**47.0 (25)**	**12.0 (66)**	**13.1 (40)**	**11.9 (38)**	**13.0 (33)**	**Nov-2012**
Russell 1000 Value Index			*5.2 (57)*	*17.0 (50)*	*43.7 (42)*	*12.4 (60)*	*11.9 (68)*	*11.6 (51)*	*12.4 (50)*	
Mercer Mutual Fund US Equity Large Cap Value Median			*5.4*	*16.8*	*42.4*	*12.9*	*12.7*	*11.6*	*12.4*	
Small-Cap Equity										
Wellington Small Cap Value	**11,077,435**	**3.1**	**4.6 (43)**	**20.4 (92)**	**58.0 (90)**	**6.3 (88)**	**8.7 (98)**	**9.5 (76)**	**10.4 (82)**	**Nov-2012**
Russell 2000 Value Index			*4.6 (44)*	*26.7 (52)*	*73.3 (47)*	*10.3 (32)*	*13.6 (27)*	*10.8 (30)*	*12.3 (36)*	
Mercer Mutual Fund US Equity Small Cap Value Median			*4.2*	*27.0*	*73.0*	*8.7*	*12.4*	*10.2*	*11.9*	
Conestoga Small Cap Growth	**9,168,801**	**2.6**	**3.4 (78)**	**6.5 (86)**	**36.3 (98)**	**16.1 (64)**	**20.4 (43)**	**14.8 (29)**	**20.4 (43)**	**Jul-2016**
Russell 2000 Growth Index			*3.9 (73)*	*9.0 (69)*	*51.4 (55)*	*15.9 (65)*	*18.8 (54)*	*13.5 (60)*	*18.8 (54)*	
Mercer Mutual Fund US Equity Small Cap Growth Median			*5.2*	*12.2*	*52.7*	*17.2*	*19.3*	*13.9*	*19.3*	
International Equity										
Causeway International Value	**25,622,257**	**7.1**	**2.1 (90)**	**9.1 (82)**	**40.3 (29)**	**6.0 (36)**	**8.8 (40)**	**5.3 (16)**	**4.3 (34)**	**May-2018**
MSCI AC World ex USA (Net)			*5.5 (9)*	*9.2 (82)*	*35.7 (52)*	*9.4 (2)*	*11.1 (3)*	*5.4 (14)*	*7.4 (2)*	
MSCI AC World ex USA Value (Net)			*4.3 (43)*	*11.7 (47)*	*37.6 (40)*	*5.2 (55)*	*8.5 (47)*	*3.5 (85)*	*2.9 (66)*	
Mercer Mutual Fund World ex US/EAFE Equity Large Cap Value Median			*4.0*	*10.9*	*36.0*	*5.3*	*8.2*	*4.5*	*3.6*	
BNY Mellon International Stock Fund	**21,777,524**	**6.1**	**7.9 (22)**	**6.3 (71)**	**27.4 (90)**	**14.2 (27)**	**13.9 (31)**	**8.0 (28)**	**9.4 (43)**	**Nov-2012**
MSCI AC World ex USA (Net)			*5.5 (62)*	*9.2 (30)*	*35.7 (37)*	*9.4 (81)*	*11.1 (75)*	*5.4 (90)*	*7.3 (88)*	
MSCI AC World ex USA Growth (Net)			*6.6 (39)*	*6.5 (63)*	*33.7 (54)*	*13.2 (34)*	*13.4 (37)*	*7.3 (48)*	*9.5 (42)*	
Mercer Mutual Fund World ex US/EAFE Equity Large Cap Growth Median			*6.0*	*7.5*	*34.2*	*12.0*	*12.6*	*7.1*	*9.0*	

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	CYTD	Fiscal YTD	3 Year	5 Year	10 Year	Inception	Inception Date
Harding Loevner Inst. Emerging Markets I	**24,643,142**	**6.9**	**5.1 (48)**	**6.9 (69)**	**43.2 (44)**	**9.2 (75)**	**11.6 (64)**	**5.7 (25)**	**10.9 (60)**	**Nov-2016**
MSCI Emerging Markets (Net)			*5.0 (49)*	*7.4 (63)*	*40.9 (58)*	*11.3 (46)*	*13.0 (41)*	*4.3 (49)*	*11.9 (43)*	
Mercer Mutual Fund Emerging Markets Equity Median			*5.0*	*8.4*	*42.2*	*11.0*	*12.3*	*4.2*	*11.3*	
Short Duration Fixed Income										
Barrow Hanley Short Fixed	**9,488,569**	**2.6**	**0.2 (62)**	**0.1 (66)**	**1.3 (60)**	**3.3 (34)**	**2.1 (53)**	**1.5 (66)**	**1.6 (53)**	**Nov-2012**
Blmbg. Barc. 1-3 Year Gov/Credit			*0.0 (81)*	*0.0 (71)*	*0.4 (77)*	*3.0 (55)*	*1.9 (67)*	*1.5 (67)*	*1.5 (57)*	
Mercer Mutual Fund US Fixed Short Median			*0.3*	*0.2*	*1.6*	*3.0*	*2.2*	*1.8*	*1.6*	
Cash Composite	**4,691,107**	**1.3**	**0.0**	**0.0**	**0.1**	**1.2**	**1.8**	**-**	**1.7**	**Nov-2012**
90 Day U.S. Treasury Bill			*0.0*	*0.0*	*0.1*	*1.3*	*1.2*	*0.6*	*0.7*	
Market Duration Fixed Income										
Dodge & Cox Income Fund	**44,563,090**	**12.4**	**2.0 (45)**	**-0.6 (51)**	**3.4 (29)**	**6.4 (22)**	**4.5 (17)**	**4.3 (21)**	**6.6 (15)**	**Jan-1989**
Blmbg. Barc. U.S. Aggregate			*1.8 (53)*	*-1.6 (89)*	*-0.3 (96)*	*5.3 (52)*	*3.0 (62)*	*3.4 (57)*	*6.1 (45)*	
Mercer Mutual Fund US Fixed Core Median			*1.9*	*-0.6*	*2.2*	*5.4*	*3.4*	*3.5*	*6.0*	
Met West Total Return Fund Pl	**44,434,134**	**12.4**	**1.7 (58)**	**-1.3 (78)**	**1.2 (70)**	**6.2 (29)**	**3.7 (40)**	**4.3 (20)**	**3.5 (29)**	**Nov-2012**
Blmbg. Barc. U.S. Aggregate			*1.8 (53)*	*-1.6 (89)*	*-0.3 (96)*	*5.3 (52)*	*3.0 (62)*	*3.4 (57)*	*2.9 (57)*	
Mercer Mutual Fund US Fixed Core Median			*1.9*	*-0.6*	*2.2*	*5.4*	*3.4*	*3.5*	*3.0*	

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	CYTD	Fiscal YTD	3 Year	5 Year	10 Year	Inception	Inception Date
Hedge Fund of Funds										
Lighthouse Diversified	28,167,688	7.8	3.7	8.7	24.4	4.1	4.3	4.4	5.0	Nov-2012
HFRI Fund of Funds Composite Index			2.8	4.9	18.3	6.3	6.1	3.9	4.8	
Pointer Offshore LTD	28,718,405	8.0	4.7	0.0	19.5	8.6	10.3	7.8	8.8	Jan-2013
HFRI Fund of Funds Composite Index			2.8	4.9	18.3	6.3	6.1	3.9	4.7	
Real Estate										
Oaktree RE Opportunities Fund VI	2,908,003	0.8	-0.7	-0.2	-1.0	-0.8	1.6	-	5.6	Feb-2013
NCREIF Property Index			0.0	1.7	3.6	4.3	5.4	8.4	7.9	
Walton Street Real Estate Fund VII, L.P.	1,937,198	0.5	0.0	2.9	2.1	-6.0	-0.3	-	6.4	Jul-2013
NCREIF Property Index			0.0	1.7	3.6	4.3	5.4	8.4	7.7	
Walton Street Real Estate Fund VIII, L.P.	6,021,903	1.7	0.0	6.1	13.6	7.0	-	-	9.8	Jun-2017
NCREIF Property Index			0.0	1.7	3.6	4.3	5.4	8.4	5.0	
Total Plan										
Total Cash Balance Plan	358,863,747	100.0	4.5	6.8	25.2	11.3	10.9	8.8	9.2	Nov-2012
Total Cash Balance Plan Benchmark			4.3	6.9	22.3	10.4	9.7	8.2	8.3	
Pre-Pavilion Total Cash Balance Plan Benchmark			3.9	9.4	24.6	10.1	8.6	8.6	8.8	

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)

March 31, 2021

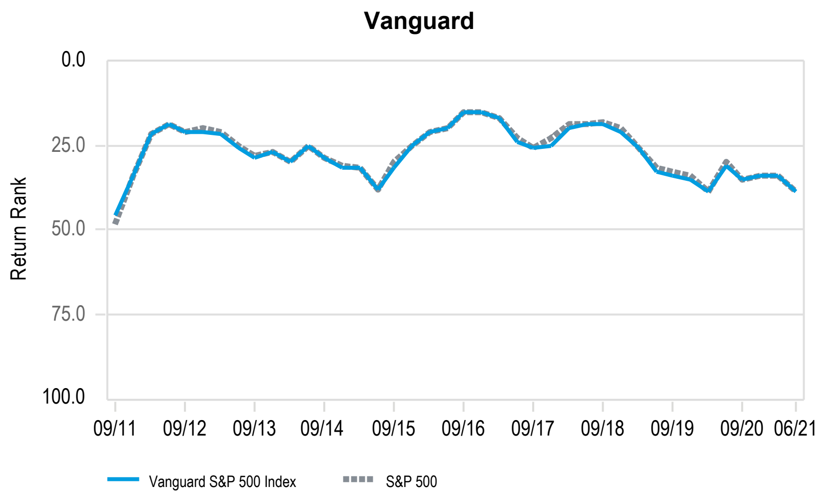
Partnerships	Vintage	Capital Commitment	Drawn Down	Distributed	Market Value (1)	IRR (1)	PME+ FTSE NAREIT Equity REIT Index (4)	TVPI Multiple (1,2)	DPI Multiple (2)	Remaining Commitment (3)
Oaktree RE Opportunities Fund VI	2012	8,400,000	8,400,000	8,948,674	2,928,161	8.2	8.1	1.4	1.1	1,932,000
Walton Street Real Estate Fund VII, L.P.	2012	8,400,000	7,482,989	8,262,540	1,937,198	9.8	7.4	1.4	1.1	2,652,461
Walton Street Real Estate Fund VIII, L.P.	2015	10,000,000	8,561,783	4,343,767	6,021,903	9.1	6.8	1.2	0.5	5,396,630
Total Cash Balance Real Estate		**26,800,000**	**24,444,772**	**21,554,981**	**10,887,262**	**8.9**	**7.7**	**1.3**	**0.9**	**9,981,091**

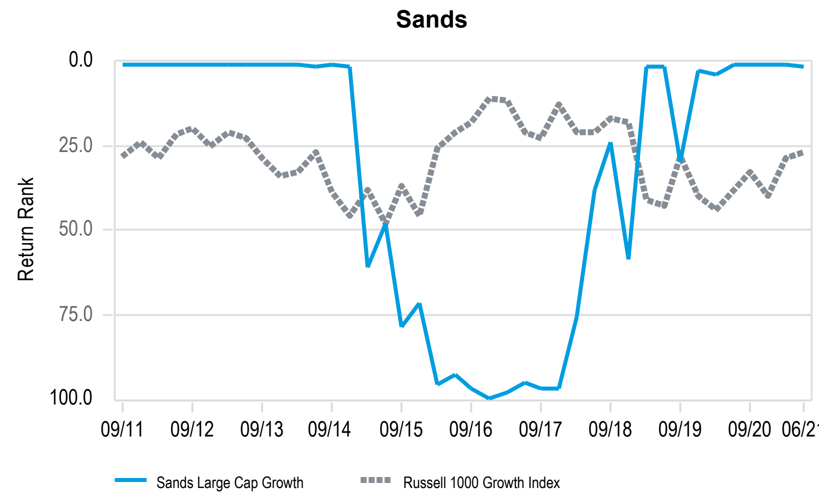
1) Valuations are typically reported on one quarter lag. If the valuation date is earlier than the statement's date, the market value and performance are estimated by rolling forward the latest reported balance to include relevant new cash flows.
2) Total Value to Paid In (TVPI) reflects total realized 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.

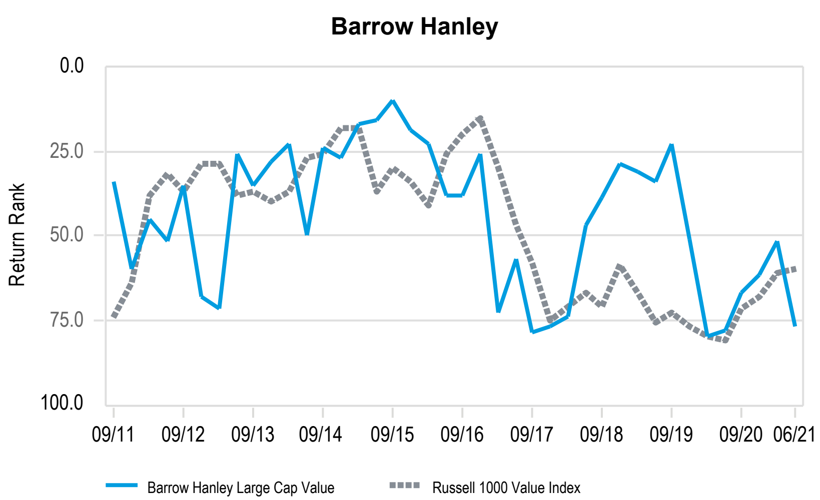
Manager Performance Evaluation

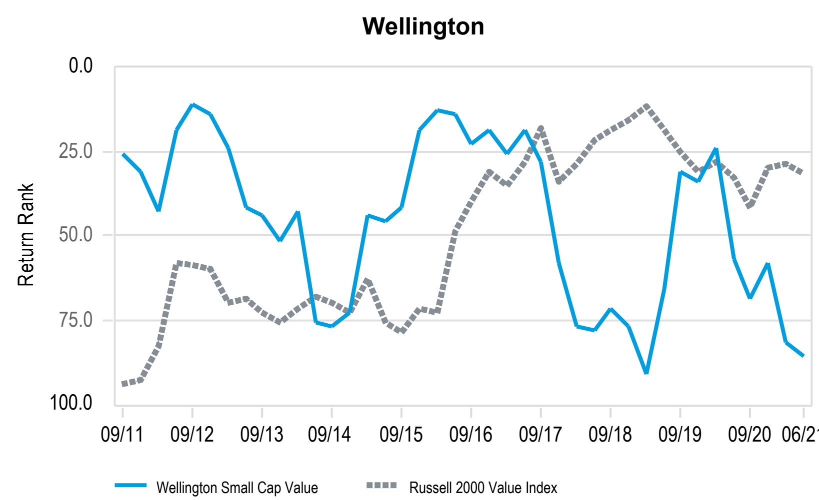
Rolling 3 Year Rankings vs. Peers

As of June 30, 2021







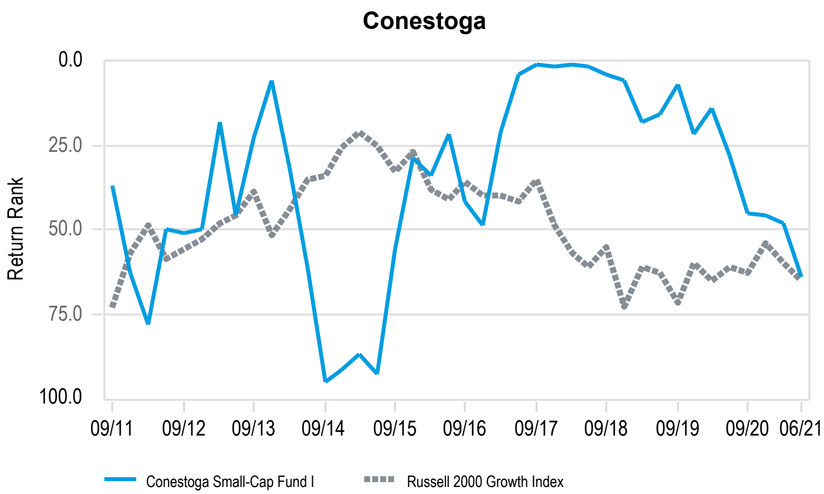


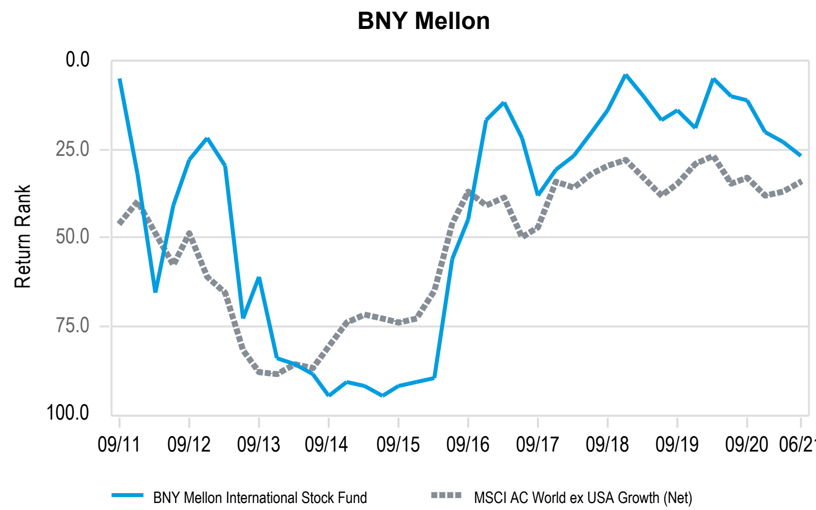
Rolling 3 Yeark Rankings vs. Peers utilizes performance from the Surplus Cash Plan.

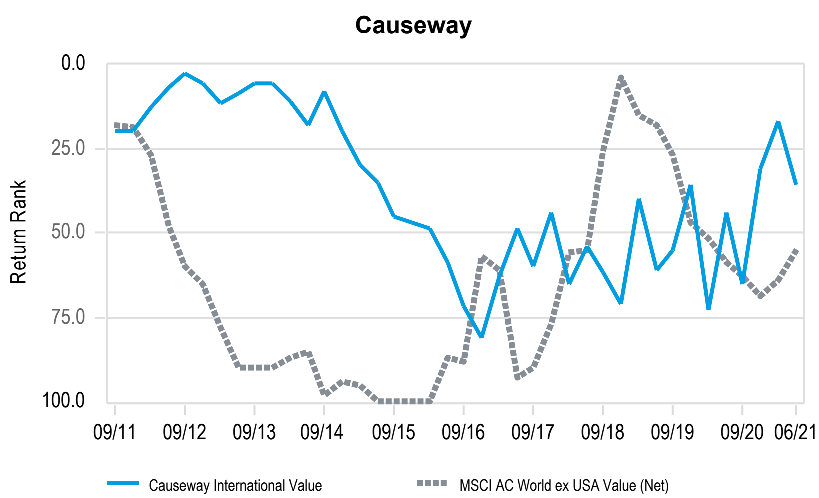
Manager Performance Evaluation

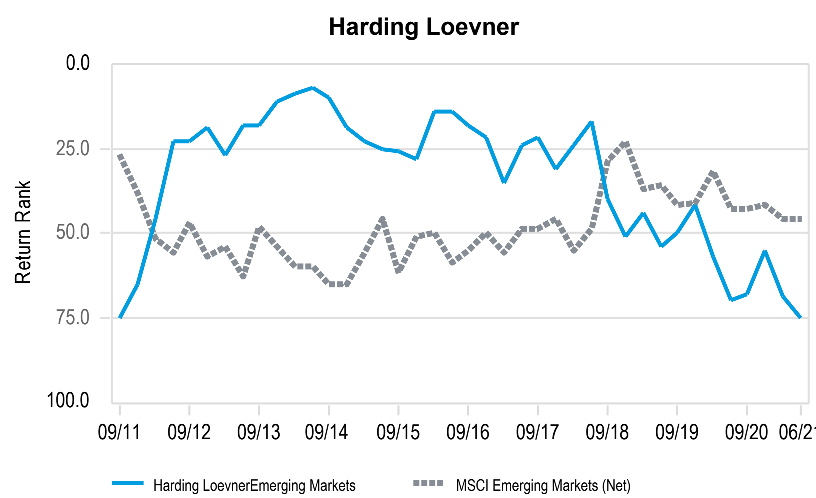
Rolling 3 Year Rankings vs. Peers

As of June 30, 2021







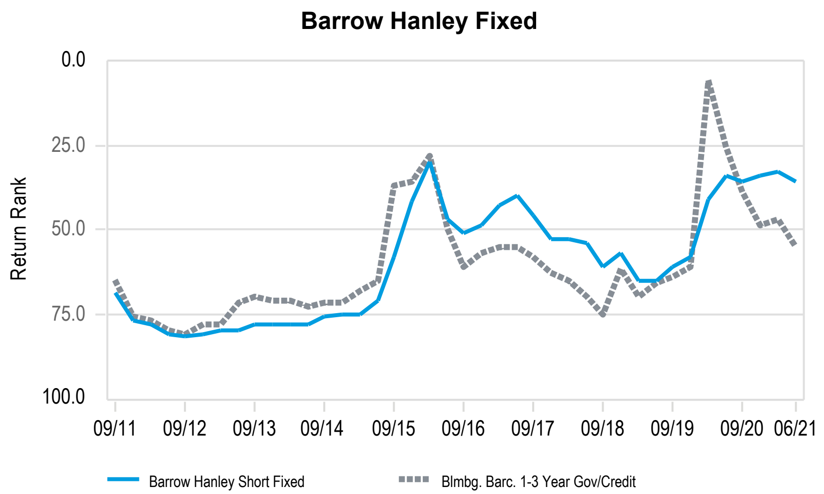


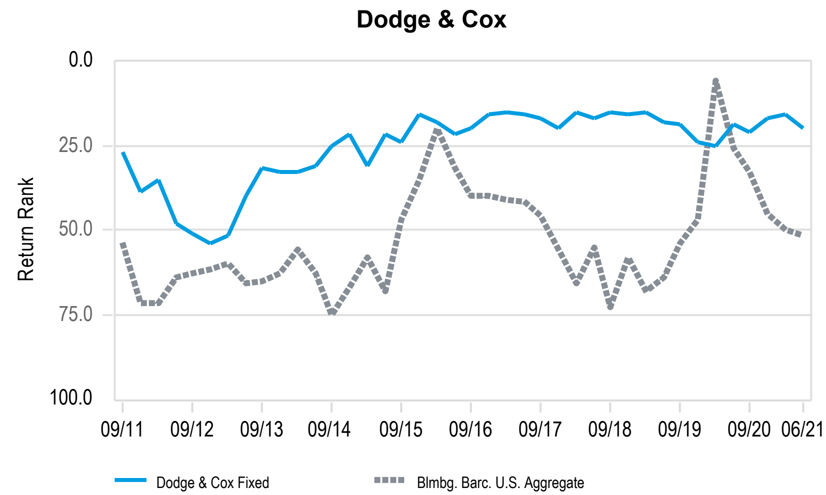
Rolling 3 Yeark Rankings vs. Peers utilizes performance from the Surplus Cash Plan.

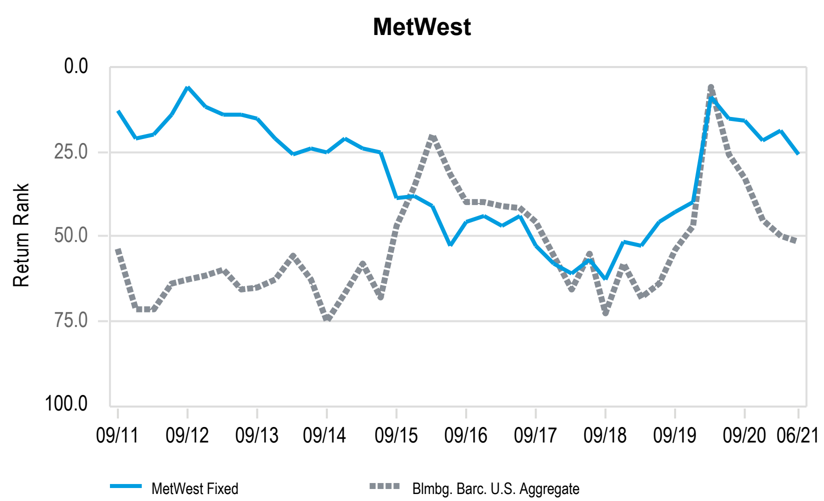
Manager Performance Evaluation

Rolling 3 Year Rankings vs. Peers

As of June 30, 2021







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

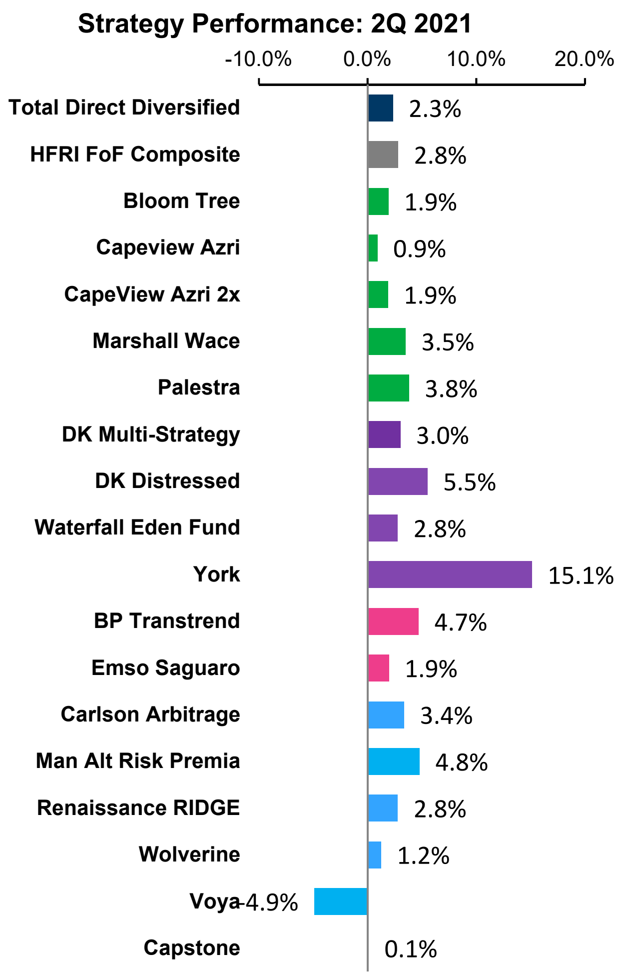
Direct Hedge Fund Portfolio

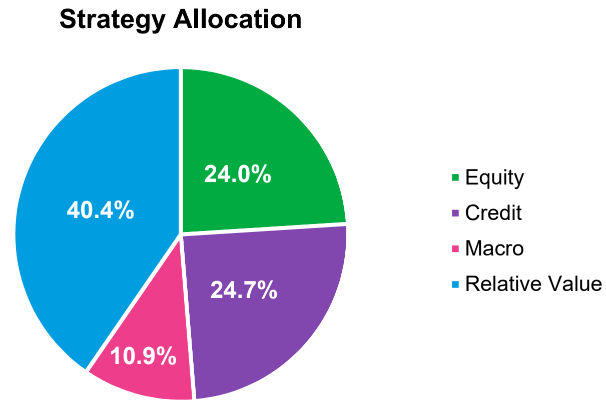
El Camino Hospital

Surplus Cash Hedge Fund Portfolio

As of June 30, 2021

Direct Hedge Fund Portfolio





Program Comments:

The *Direct Hedge Fund Portfolio* returned +2.3% during Q2, slightly trailing the performance of peers as measured by the *HFRI Fund of Funds Composite Index* (+2.8%). The Portfolio saw gains across all strategies but one. Overall, second quarter returns were mainly driven by corporate high-yield and non-CUSIP credits, commodity exposures, convertible arbitrage opportunities and select equity long positions.

Bloom Tree generated positive returns for the quarter as gains in April and June offset losses in May. Information Technology positions were the primary driver of returns. **Marshall Wace** finished Q2 with a positive return, as the TOPS Pan Asia, Global Industrial Fundamental, and Global Med Tech Fundamental allocations outperformed. The short side detracted due to an unanticipated rally in heavily shorted names. **Palestra** generated positive returns during Q2. The quarter started with strong returns in April but the portfolio saw small declines in May and June. Gains were driven by long investments in the software, internet and life sciences sector.

Davidson Kempner generated gains across all strategies in Q2, with distressed driving the bulk of the attribution, as the team continues to unlock value in restructuring processes. The largest contributor to performance was an equity position in a leading entertainment company. Shares rallied substantially following an announcement the company would be acquired at a valuation substantially above the mark.

Man ARP posted gains across most of the underling strategies during the quarter. Liquid Equities and Volatility were the largest positive contributors during the quarter. Liquid Equities benefit from strong performance in the Barra Momentum factors. Volatility performed well as spot VIX levels fell during the quarter.

Direct Hedge Fund Portfolio Asset Allocation & Performance

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June 30, 2021

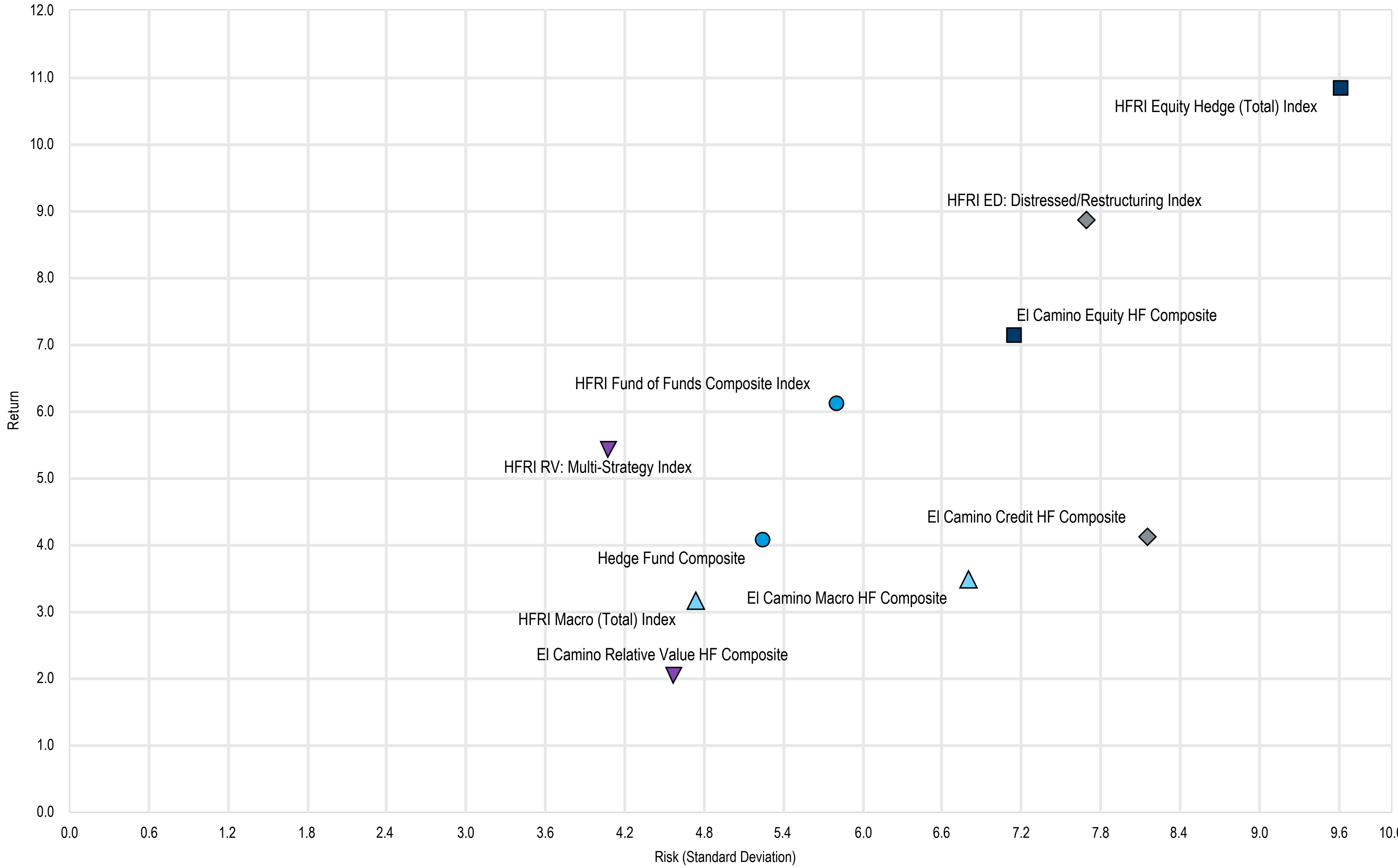
	Allocation		Performance						
	Asset $	%	3 Month	CYTD	Fiscal YTD	3 Year	5 Year	Since Invested	Inception Date
Hedge Fund Composite	**221,135,613**	**100.0**	**2.3**	**4.2**	**12.8**	**2.1**	**4.1**	**2.8**	**May-2013**
HFRI Fund of Funds Composite Index			*2.8*	*4.9*	*18.3*	*6.3*	*6.1*	*4.3*	
Equity HF Composite	**53,111,427**	**24.0**	**2.7**	**2.2**	**18.2**	**6.4**	**7.1**	**4.2**	**May-2013**
HFRI Equity Hedge (Total) Index			*5.0*	*12.1*	*36.7*	*11.3*	*10.9*	*7.6*	
Credit HF Composite	**54,594,993**	**24.7**	**4.2**	**10.6**	**19.4**	**-1.6**	**4.1**	**3.2**	**May-2013**
HFRI ED: Distressed/Restructuring Index			*5.0*	*14.3*	*31.9*	*7.9*	*8.9*	*5.5*	
Macro HF Composite	**24,163,517**	**10.9**	**3.4**	**8.2**	**18.4**	**4.8**	**3.5**	**2.9**	**May-2013**
HFRI Macro (Total) Index			*3.8*	*8.1*	*14.7*	*5.8*	*3.2*	*2.5*	
Relative Value HF Composite	**89,265,676**	**40.4**	**1.0**	**2.1**	**2.4**	**-0.3**	**2.1**	**1.6**	**May-2013**
HFRI RV: Multi-Strategy Index			*2.8*	*6.9*	*14.9*	*5.7*	*5.4*	*4.4*	

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.

	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	2.8	4.8	-9.8	5.3	-9.5	0.4	0.6	May-2013
HFRI Fund of Funds Composite Index	4.3	5.1	-9.0	8.1	-8.8	0.7	1.0	
Equity Long/Short								
El Camino Equity HF Composite	4.2	6.7	-14.3	9.4	-8.2	0.5	0.8	May-2013
HFRI Equity Hedge (Total) Index	7.6	8.5	-14.6	16.1	-14.6	0.8	1.3	
Credit								
El Camino Credit HF Composite	3.2	7.4	-23.2	7.0	-17.5	0.4	0.4	May-2013
HFRI ED: Distressed/Restructuring Index	5.5	7.0	-17.5	15.4	-11.7	0.7	1.0	
Macro								
El Camino Macro HF Composite	2.9	6.7	-9.5	8.9	-6.9	0.3	0.5	May-2013
HFRI Macro (Total) Index	2.5	4.5	-6.8	7.3	-4.0	0.4	0.7	
Relative Value								
El Camino Relative Value HF Composite	1.6	4.9	-13.8	5.3	-8.7	0.2	0.3	May-2013
HFRI RV: Multi-Strategy Index	4.4	3.5	-6.6	5.7	-6.1	1.0	1.4	

Asset Class Diversification

Hedge Fund Portfolio

As of June 30, 2021

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Manager	Asset Class/Type	Total Assets ($, mil.)	Percent of Total	Target Allocation	Weighting Relative to Target
Equity Hedge Funds		**$ 53.1**	**24.0%**	**40.0%**	**- 16.0%**
Luxor	Event Driven Equity	$ 0.6	0.3%		
CapeView 1x	European Equity	$ 7.1	3.2%		
CapeView 2x	European Equity	$ 6.7	3.0%		
Bloom Tree	Global Equity	$ 11.9	5.4%		
Marshall Wace Eureka	Global Equity	$ 12.9	5.8%		
Indus Japan Distribution Holding Co.	Global Equity	$ 0.1	0.0%		
Palestra	Long/Short Equity	$ 13.9	6.3%		
Credit Hedge Funds		**$ 54.6**	**24.7%**	**20.0%**	**+ 4.7%**
DK Distressed Opportunities	Distressed Credit	$ 14.1	6.4%		
DK Institutional Partners	Multi-Strategy Credit	$ 20.0	9.1%		
York	Multi-Strategy Credit	$ 1.9	0.9%		
Waterfall Eden	Structured Credit	$ 18.5	8.4%		
Macro Hedge Funds		**$ 24.2**	**10.9%**	**20.0%**	**- 9.1%**
BP Transtrend	Systematic Macro	$ 12.7	5.7%		
EMSO Saguaro	Discretionary Macro	$ 11.5	5.2%		
Relative Value Hedge Funds		**$ 89.3**	**40.4%**	**20.0%**	**+ 20.4%**
Renaissance RIDGE	Quantitative Market Neutral	$ 14.3	6.5%		
Black Diamond Arbitrage	Event/Merger Arbitrage	$ 11.5	5.2%		
Man Alternative Risk Premia	Alternative Risk Premia	$ 12.0	5.4%		
Wolverine	Convertible Arbitrage	$ 18.8	8.5%		
Voya Mortgage Fund	Mortgage Derivatives	$ 14.5	6.6%		
Capstone Volatility Fund	Volatility Arbitrage	$ 18.2	8.2%		
Total Hedge Fund Portfolio		**$221.1**	**100.0%**		

*Totals may not add due to rounding.

June 30, 2021

	3 Month	CYTD	Fiscal YTD	3 Year	5 Year	Since Invested	2020	2019	2018	2017	2016	2015	Inception Date
Total Portfolio													
Hedge Fund Composite	**2.3**	**4.2**	**12.8**	**2.1**	**4.1**	**2.8**	**0.3**	**5.9**	**-1.4**	**7.2**	**1.0**	**-1.6**	**May-2013**
HFRI Fund of Funds Composite Index	*2.8*	*4.9*	*18.3*	*6.3*	*6.1*	*4.3*	*10.9*	*8.4*	*-4.0*	*7.8*	*0.5*	*-0.3*	
Equity Long/Short													
Equity HF Composite	**2.7**	**2.2**	**18.2**	**6.4**	**7.1**	**4.2**	**11.6**	**12.5**	**-3.7**	**12.1**	**-8.0**	**2.0**	**May-2013**
HFRI Equity Hedge (Total) Index	*5.0*	*12.1*	*36.7*	*11.3*	*10.9*	*7.6*	*17.9*	*13.7*	*-7.1*	*13.3*	*5.5*	*-1.0*	
Bloom Tree Offshore Fund, Ltd.	1.9	-2.8	17.9	7.1	6.9	4.4	3.6	15.8	0.5	8.6	-3.8	6.3	Apr-2014
HFRI Equity Hedge (Total) Index	*5.0*	*12.1*	*36.7*	*11.3*	*10.9*	*7.3*	*17.9*	*13.7*	*-7.1*	*13.3*	*5.5*	*-1.0*	
CapeView Azri Fund Limited	0.9	1.4	6.5	3.2	4.9	4.1	7.8	5.0	0.6	7.6	-8.3	9.8	Jul-2013
HFRI Equity Hedge (Total) Index	*5.0*	*12.1*	*36.7*	*11.3*	*10.9*	*7.9*	*17.9*	*13.7*	*-7.1*	*13.3*	*5.5*	*-1.0*	
CapeView Azri 2X Fund	1.9	2.8	13.4	5.5	9.5	8.1	15.7	9.0	-0.4	16.2	-15.9	21.6	Jul-2013
HFRI Equity Hedge (Total) Index	*5.0*	*12.1*	*36.7*	*11.3*	*10.9*	*7.9*	*17.9*	*13.7*	*-7.1*	*13.3*	*5.5*	*-1.0*	
Marshall Wace Eureka Fund Class B2	3.5	4.6	19.7	8.2	9.3	9.1	13.7	12.6	-0.2	12.0	1.3	11.7	Aug-2017
HFRI Equity Hedge (Total) Index	*5.0*	*12.1*	*36.7*	*11.3*	*10.9*	*10.4*	*17.9*	*13.7*	*-7.1*	*13.3*	*5.5*	*-1.0*	
Palestra Capital Offshore	3.8	4.7	23.2	12.1	13.3	15.7	18.7	22.4	-2.3	14.9	8.7	11.4	Apr-2019
HFRI Equity Hedge (Total) Index	*5.0*	*12.1*	*36.7*	*11.3*	*10.9*	*16.0*	*17.9*	*13.7*	*-7.1*	*13.3*	*5.5*	*-1.0*	

Direct Hedge Fund Performance Summary

June 30, 2021

	3 Month	CYTD	Fiscal YTD	3 Year	5 Year	Since Invested	2020	2019	2018	2017	2016	2015	Inception Date
Credit													
Credit HF Composite	**4.2**	**10.6**	**19.4**	**-1.6**	**4.1**	**3.2**	**-8.6**	**-2.4**	**0.7**	**9.9**	**14.7**	**-8.2**	**May-2013**
HFRI ED: Distressed/Restructuring Index	*5.0*	*14.3*	*31.9*	*7.9*	*8.9*	*5.5*	*11.8*	*2.9*	*-1.7*	*6.3*	*15.1*	*-8.1*	
DK Distressed Opportunities International (Cayman) Ltd.	5.5	11.6	27.0	4.5	8.2	7.0	1.9	3.4	2.7	9.5	21.4	-6.2	May-2013
HFRI ED: Distressed/Restructuring Index	*5.0*	*14.3*	*31.9*	*7.9*	*8.9*	*5.5*	*11.8*	*2.9*	*-1.7*	*6.3*	*15.1*	*-8.1*	
DK Institutional Partners, L.P.	-	-	-	-	-	0.5	-	-	-	-	-	-	Jun-2021
HFRI ED: Multi-Strategy Index	*3.2*	*10.0*	*27.1*	*8.3*	*6.9*	*0.3*	*16.9*	*1.4*	*-3.6*	*4.4*	*6.1*	*-1.0*	
Waterfall Eden Fund, Ltd.	2.8	9.7	20.9	4.7	7.3	4.6	-3.1	5.6	6.7	11.1	6.5	0.4	Oct-2019
HFRI ED: Distressed/Restructuring Index	*5.0*	*14.3*	*31.9*	*7.9*	*8.9*	*15.0*	*11.8*	*2.9*	*-1.7*	*6.3*	*15.1*	*-8.1*	
York Credit Opportunities Unit Trust	15.1	21.2	4.6	-16.6	-6.1	-3.9	-40.5	-12.9	-4.8	12.5	4.1	-7.9	May-2013
HFRI ED: Distressed/Restructuring Index	*5.0*	*14.3*	*31.9*	*7.9*	*8.9*	*5.5*	*11.8*	*2.9*	*-1.7*	*6.3*	*15.1*	*-8.1*	
Macro													
Macro HF Composite	**3.4**	**8.2**	**18.4**	**4.8**	**3.5**	**2.9**	**5.8**	**4.5**	**-4.0**	**0.1**	**5.0**	**1.0**	**May-2013**
HFRI Macro (Total) Index	*3.8*	*8.1*	*14.7*	*5.8*	*3.2*	*2.5*	*5.4*	*6.5*	*-4.1*	*2.2*	*1.0*	*-1.3*	
BP Transtrend Diversified Fund LLC	4.7	14.7	28.0	6.5	3.8	4.9	7.2	5.0	-7.2	1.4	8.2	-1.1	May-2013
HFRI Macro (Total) Index	*3.8*	*8.1*	*14.7*	*5.8*	*3.2*	*2.5*	*5.4*	*6.5*	*-4.1*	*2.2*	*1.0*	*-1.3*	
EMSO Saguaro, Ltd.	1.9	1.8	9.3	4.0	4.2	3.0	4.8	7.5	-4.6	7.7	10.2	6.2	Aug-2017
HFRI Macro (Total) Index	*3.8*	*8.1*	*14.7*	*5.8*	*3.2*	*4.6*	*5.4*	*6.5*	*-4.1*	*2.2*	*1.0*	*-1.3*	

Direct Hedge Fund Performance Summary

June 30, 2021

	3 Month	CYTD	Fiscal YTD	3 Year	5 Year	Since Invested	2020	2019	2018	2017	2016	2015	Inception Date
Relative Value													
Relative Value HF Composite	**1.0**	**2.1**	**2.4**	**-0.3**	**2.1**	**1.6**	**-8.0**	**5.1**	**5.3**	**4.4**	**-0.4**	**-4.0**	**May-2013**
HFRI RV: Multi-Strategy Index	*2.8*	*6.9*	*14.9*	*5.7*	*5.4*	*4.4*	*6.7*	*5.3*	*-0.2*	*4.1*	*6.4*	*0.7*	
(Carlson) Black Diamond Arbitrage Ltd.	3.4	4.7	7.6	4.6	6.3	5.0	2.4	4.8	6.4	6.8	10.8	10.5	Sep-2018
HFRI ED: Merger Arbitrage Index	*3.7*	*8.4*	*21.4*	*7.0*	*6.3*	*7.3*	*5.2*	*6.8*	*3.3*	*4.3*	*3.6*	*3.3*	
HFRI RV: Multi-Strategy Index	*2.8*	*6.9*	*14.9*	*5.7*	*5.4*	*5.9*	*6.7*	*5.3*	*-0.2*	*4.1*	*6.4*	*0.7*	
Man Alternative Risk Premia SP Fund	4.8	5.9	2.8	-1.3	1.7	-2.8	-10.5	3.8	-3.5	10.2	6.8	7.8	Jul-2019
HFRI RV: Multi-Strategy Index	*2.8*	*6.9*	*14.9*	*5.7*	*5.4*	*7.5*	*6.7*	*5.3*	*-0.2*	*4.1*	*6.4*	*0.7*	
Renaissance RIDGE	2.8	0.0	-15.3	-7.6	-1.7	-5.7	-30.8	6.7	10.4	12.4	13.3	25.6	Nov-2017
HFRI EH: Equity Market Neutral Index	*3.1*	*5.1*	*7.8*	*1.8*	*2.6*	*2.0*	*-0.1*	*2.3*	*-1.0*	*4.9*	*2.2*	*4.3*	
HFRI RV: Multi-Strategy Index	*2.8*	*6.9*	*14.9*	*5.7*	*5.4*	*5.2*	*6.7*	*5.3*	*-0.2*	*4.1*	*6.4*	*0.7*	
Wolverine	1.2	5.7	22.5	9.9	10.8	14.4	13.7	10.9	5.1	10.4	14.9	-0.5	Mar-2020
HFRI RV: Fixed Inc-Conv Arbitrage Index (Onshore)	*0.5*	*2.9*	*21.2*	*10.9*	*9.3*	*16.4*	*21.2*	*9.6*	*2.0*	*6.6*	*8.6*	*-0.9*	
Voya Mortgage Fund	-4.9	-4.4	2.1	6.3	5.2	-3.3	12.5	12.0	0.1	3.3	4.0	3.0	Dec-2020
HFRI RV: Fixed Income-Asset Backed	*2.1*	*5.4*	*13.0*	*3.6*	*5.4*	*7.0*	*-1.1*	*6.2*	*3.8*	*7.7*	*5.1*	*2.1*	
Capstone Volatility Fund	0.1	-0.1	6.6	6.6	6.2	1.3	9.0	10.3	0.5	7.4	9.0	4.0	Dec-2020
HFRI Relative Value:Volatility Index	*0.8*	*1.9*	*4.4*	*-0.3*	*1.0*	*4.2*	*-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 matched its benchmark for the quarter with a +3.7% return. The portfolio has outperformed its benchmark per annum since inception (Nov. 1, 2012) with a return of +6.9% annualized versus +6.7% 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 $1,453.3 million, $126.4 million higher than the beginning of the quarter.
Cash balance plan balance (millions) Cash balance plan return	The Cash Balance Plan's performance outgained its benchmark by 20 bps for the quarter with a return of +4.5% and has outperformed its benchmark since inception. The since inception annualized return stands at +9.2%, 90 basis points ahead of its benchmark per year. The assets within the Cash Balance Plan ended the quarter at $358.9 million, $14.9 million higher than the beginning of the quarter.
403(b) plan balance (millions)	The 403(b) balance increased by $41.9 million (6.1%) from $689.6 million to $731.5 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 slightly behind its benchmark and significantly above modeling expectations. 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 10% threshold.
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.

Statistical Definitions

Risk Statistics

June 30, 2021

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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https://www.mercer.com/content/dam/mercer/attachments/private/nurture-cycle/gl-2021-investment-management-index-definitions-mercer.pdf

El Camino Hospital

Tactical Asset Allocation & Market Outlook

June 30, 2021

Market Outlook

Summary Review

- **Global growth gained momentum in the second quarter, as the pace of vaccinations accelerated and restrictions declined. Rising confidence improved near-term expectations, boosting risk assets. Intermediate-term economic expectations, however, moderated, and yields declined beyond five years.[1]**
  - Strengthening near-term expectations supported equities, which rose for the fifth consecutive quarter. U.S. forward earnings outpaced international market forward earnings, helping drive US outperformance. Sector momentum broadly shifted from value to growth except for US small cap[2] while Chinese policies and COVID's delta variant generated regional headwinds.
  - After rising for three quarters, the ten-year Treasury yield declined 29 basis points during the quarter, boosting duration assets. Risk sectors gained an additional tailwind from the positive economic backdrop with spreads compressing during the quarter.[3]
  - Rebounding economic activity underpinned demand and price appreciation through the commodity complex. Energy's momentum carried through the second quarter, climbing +23.2%. Similarly, industrial metals posted double digit year-to-date returns of +17.6%.[4]

1. Wall Street Journal Economic Survey, July 2021 & Treasury.gov, as of June 30, 2021.
2. Datastream, as of June 30, 2021.
3. Bloomberg US Fixed Income Indices, as of June 30, 2021.
4. Bloomberg Commodity Index, as of June 30, 2021.

Summary Themes

- **Broadening demand from reengaged sectors has spurred imbalances, applying upward pressure to prices. The celerity at which imbalances are resolved will govern the intermediate course. While the world has made significant vaccinations progress, additional disruptions from regional outbreaks are still possible.**
  - Global economic recovery: The release of pent-up demand has fostered a strong economic rebound around the world. By year-end, most regions will likely have developed a substantial immune response in their populations. Growth is expected to peak in 2021 and begin moderating to equilibrium levels in 2022.[1]
  - Restoring production: Supply disruptions stemming from low inventories and production bottlenecks have slowed the global recovery, with the underlying barriers to production differing by nature and complexity. Most appear to be transitory and should not derail the recovery, but complications will likely apply upward price pressures, weakening real growth. Less complex issues have already begun to resolve, dissipating cost headwinds.
  - Sustaining the cycle: The economy is poised for a strong cycle with many individuals and business well capitalized from low interest rates and fiscal relief. This foundation has helped promote consumer and business confidence, and increased capital expenditure plans. As the cycle matures, policy is positioned to remain accommodative, but the central banks will continue to monitor the nature of the inflation pressures.

- **A robust earnings recovery[2] has underscored the rebound in risk assets which has tightened premiums, propelling valuations to mid-cycle levels. Economic momentum should be maintained in the near-term, but demand will need to transition from the pent-up release to a self-sustaining organically driven engine.**
  - As the economy transitions from recovery to mid-cycle, relative growth potential and valuations likely will become increasingly important relative to large directional considerations.
  - The yield curve flattened in the second quarter with markets reflecting prolonged accommodative monetary policy and heightened uncertainty over the intermediate-term; however, rates remain above year-end levels. Return prospects across the risk spectrum remain muted. Similar to other risk assets, spread and less liquid sectors have rallied, but more complex structures may still offer value.

1. International Monetary Fund, April 2021 Outlook.
2. Factset Earnings Insight, as of July 16, 2021.

Where Are We in the Cycle?

Risks to the Downside

4. Cycle ends with recession. Policy makers increase accommodation, lowering interest rates.

1. Recession ends, early stage recovery takes hold. Policy makers continue to increase accommodation.

Risks to the Upside

The Market

Risks Balanced

3. Pace of recovery slows as interest rate increases begin to weigh on growth.

2. Recovery strengthens. Policy makers reverse guidance and begin policy normalization.

The Economy

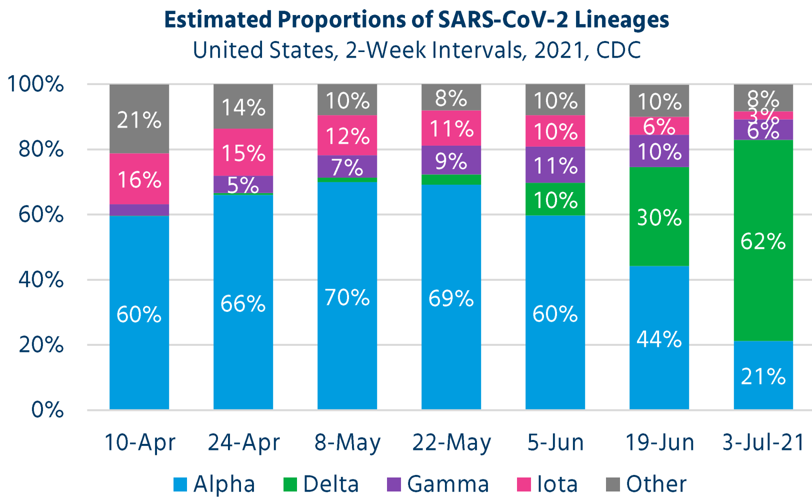
Risks Slightly to the Upside

Broad Indicators: The recovery gained momentum, but supply issues will likely persist, dampening potential. Risk asset valuations, however, remain ahead of the recovery and remain highly sensitive to the intermediate-term path.

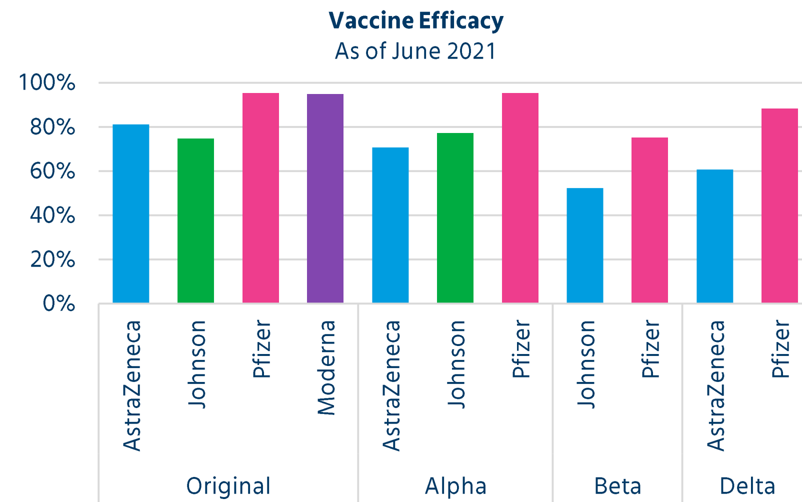
- Global growth: The recovery accelerated and gained widespread traction in the second quarter. While supply constraints will likely restrict the pace, growth is expected to exceed long-run potential in the near-term.
- Inflation risks: Inflation is likely to remain elevated in the near-term, as supply/demand mismatches ripple through the economy, but markets and policymakers still view such distortions as temporary.
- Interest rates: While normalization has begun outside the US, policy rates will likely remain low in the intermediate-term.
- Volatility: Near normal levels; however, markets and, in particular, sector performance remains highly technical and prone to bouts of aggressive moves.
- Accommodation: Global policy remains accommodative with the path to normalization expected to be gradual.
- Earnings: 2021 earnings are expected to exceed 2019 levels by over 18%.[1]
- Valuations: Expectations rose with markets in the second quarter. However, heightened uncertainty may keep premiums in excess of cash above historic levels.

1. Source: FactSet, S&P 500, as of July 16, 2021.

Lingering Virus Uncertainty – the Greeks



Source: CDC.

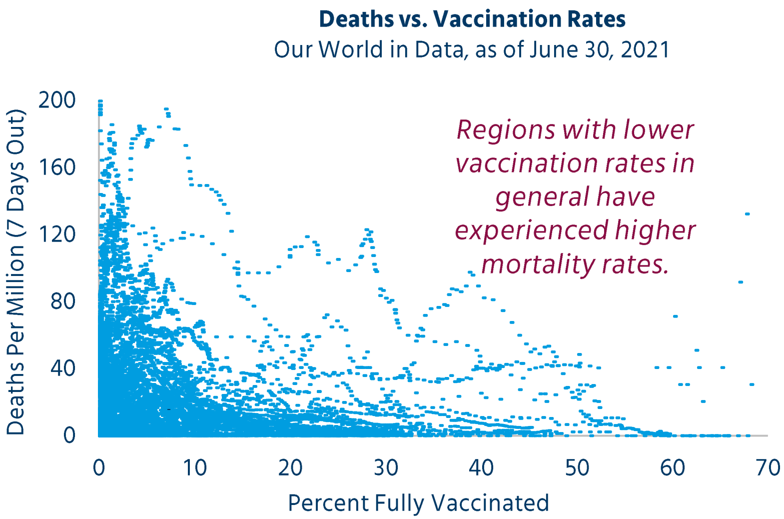


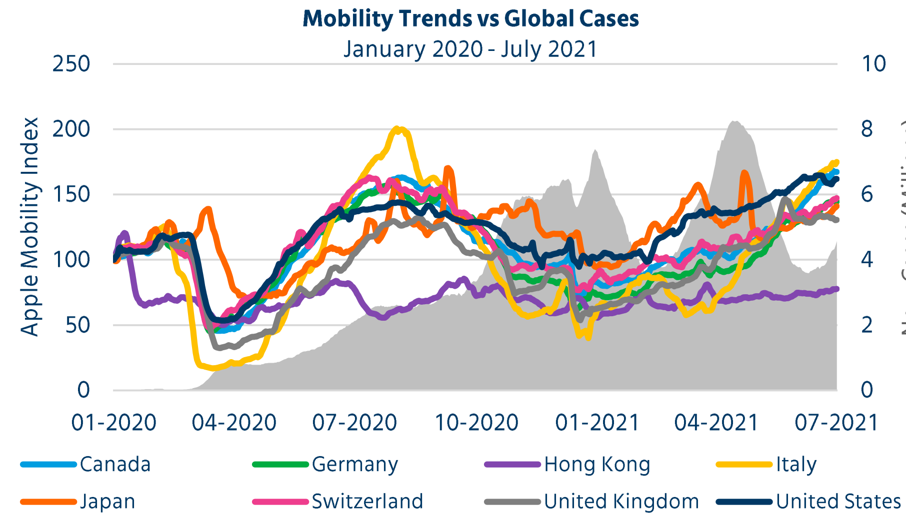
Source: The New England Journal of Medicine., Forbes.

- **Over Q2 2021, regions around the world have seen a rise in variants among COVID cases, particularly the delta variant.**
- Research on vaccine efficacy among variants is still limited, and while studies have indicated decreased efficacy, many still provide significant protection from severe disease.[1]
- The rapid spread has created uncertainty for the growth outlook. Though total new cases have dwindled in most regions across the globe, there have been pockets of variant outbreaks, particularly in areas with lower vaccination rates. This could put a strain on resources and further hurt local economies.
- The pace of the vaccine rollout has largely been a success in developed nations. However, new strains of the virus could wreak havoc on emerging economics with less-advanced inoculation programs.

1. Vaccine efficacy is measured as" effectiveness against severe, critical or fatal disease"; subjects may still be symptomatic.
Source: Effectiveness of COVID-19 vaccines against the B.1.617.2 variant. The New England Journal of Medicine. July 12, 2021 (Unpublished). https://www.nejm.org/doi/full/10.1056/NEJMoa2108891

Vaccination Rates Remain Low In Emerging Countries



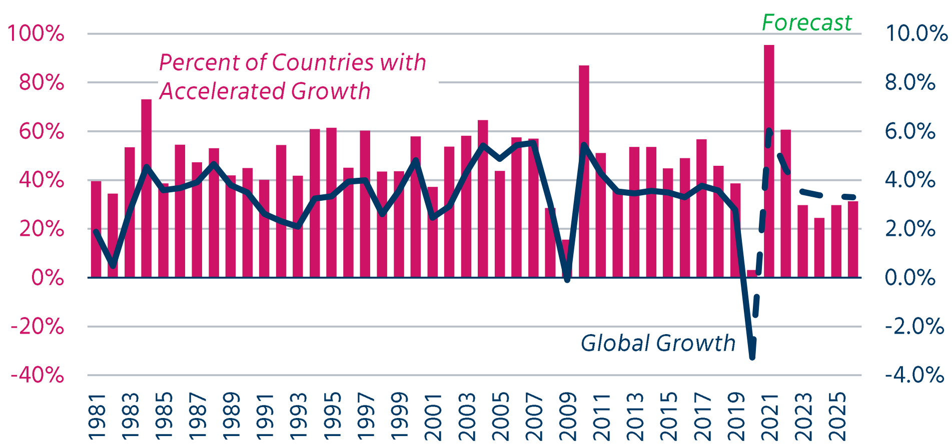


(Right) Source: Our World in Data.
(Left) Compiled by Apple, the Mobility Trend Report shows the relative volume of directions requests per country and region, compared to a baseline volume recorded January 13th, 2020. Source: Apple, Our World in Data.

- **While another wide-spread shutdown such as the one experienced in March of last year is unlikely, most would agree that policymakers will need to continue to focus on increasing vaccination rates – particularly among less developed countries, along with outlining steps to fight the virus over the next few years.**
- Researchers also note that these sudden surges in infection rates, though not deadly, could spur the emergence of additional variants – eventually becoming more resistant to existing vaccines.
- Even if such variants do not significantly raise death or hospitalization rates, continued transmission of the virus has the capacity drive regional disruptions which may further challenge supply chains as the global economy restarts in 2021.

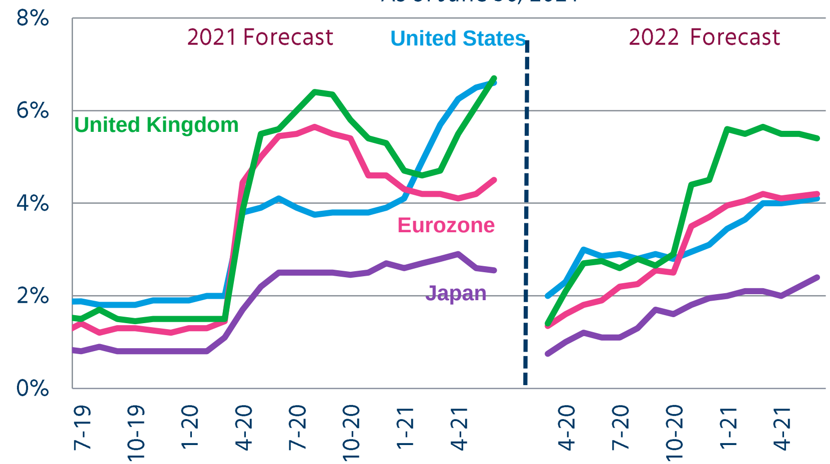
Momentum Gains Footing as Global Restrictions Decline

Global Growth vs. Percent of Countries with Accelerating Growth
IMF, April 2021 Outlook



Source: International Monetary Fund, April Outlook.

Consensus GDP Growth Forecasts
As of June 30, 2021



Source: Bloomberg.

Month of Forecast (month-year)

- **After 2020's suppression of demand, economic growth is accelerating and synchronizing in 2021 and growing at levels not seen in the last 40 years.**
- While 2021 likely will continue to be affected by virus-related disruptions, this is expected to decline in 2022. The recovery should be resilient and maintain a positive trajectory.

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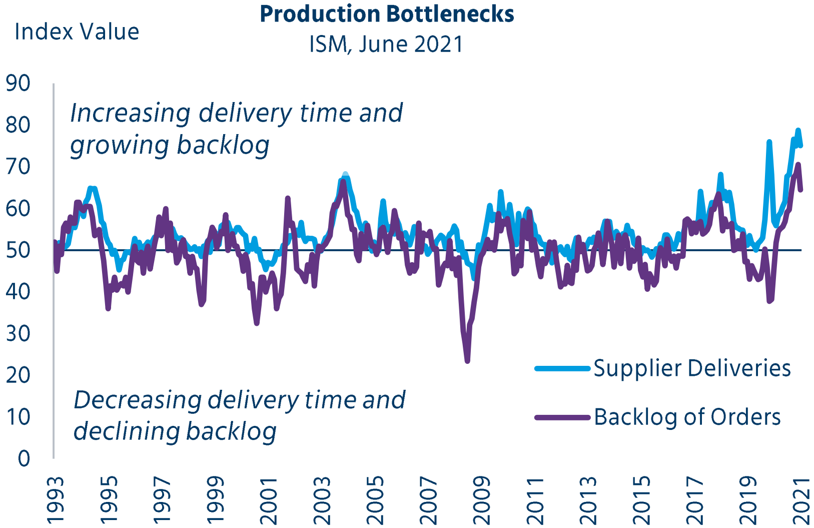
Composite PMIs
Globally, the Expansion Gained Stronger Footing

Composite	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	Apr-21	May-21	Jun-21
Global	51.3	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	53.3	53.1	52.7	52.3	53.2	54.8	56.7	58.5	56.6
Developed	51.3	51.7	51.0	50.7	50.3	50.8	51.2	52.1	49.5	36.4	22.2	33.1	46.9	51.1	52.2	51.9	52.7	52.2	52.0	52.4	53.9	55.9	58.2	61.2	59.3
Emerging	51.1	51.4	51.8	51.7	51.7	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	53.5	52.8	50.9
United States	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	63.5	68.7	63.7
Canada*	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	57.2	57.0	56.5
U.K	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	60.7	62.9	62.2
Euro Zone	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	53.8	57.1	59.5
Germany	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	55.8	56.2	60.1
France	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	51.6	57.0	57.4
Italy	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	51.2	55.7	58.3
Spain	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	55.2	59.2	62.4
Greece*	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	54.4	58.0	58.6
Ireland	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	58.1	63.5	63.4
Australia*	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	61.7	61.8	63.2
Japan	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	51.0	48.8	48.9
China	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	54.7	53.8	50.6
Indonesia*	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	54.6	55.3	53.5
S. Korea*	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	54.6	53.7	53.9
Taiwan*	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	62.4	62.0	57.6
India	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	55.4	48.1	43.1
Brazil	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	44.5	49.2	54.6
Mexico*	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	48.4	47.6	48.8
Russia	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	54.0	56.2	55.0

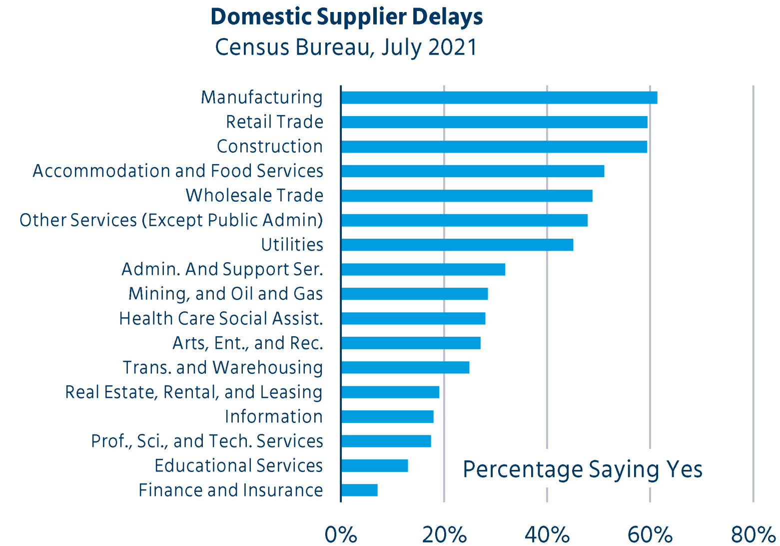
Source: Bloomberg, JP Morgan, composite indices illustrated except for *, which indicates manufacturing PMI data.

Key	Contraction	Expansion

Economic Boom Throttled by Backlogs



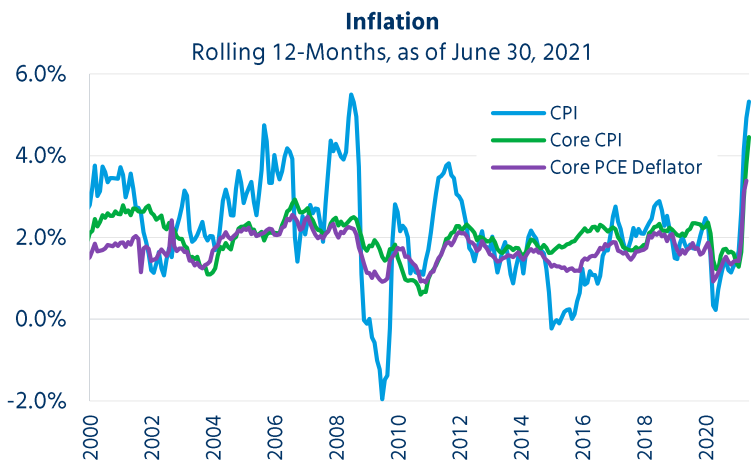
Source: Institute for Supply Management.



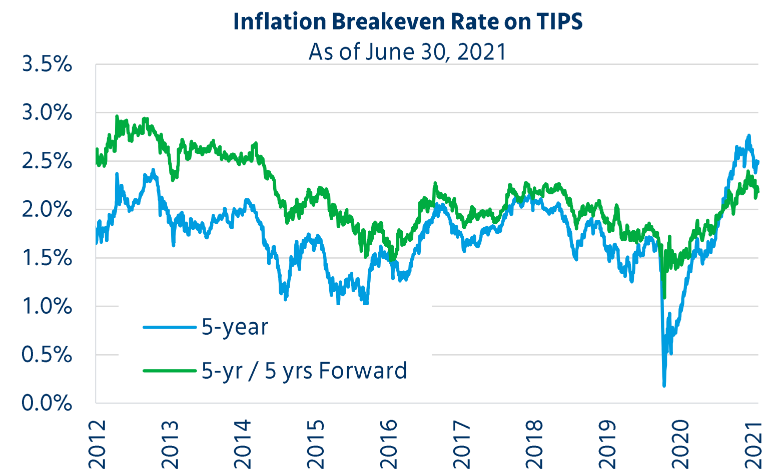
Source: Census Bureau Small Business Pulse Survey (7/5/2021 – 7/11/2021). Question: "In the last week, did this business have domestic supplier delays?"

- **The rapid economic recovery has been limited by delays in reviving production capacity. Delays have been most acute for industries with raw material needs, causing a cascading effect throughout the supply chain.**
- Industries able to scale quickly with less labor intensity and raw material needs have experienced relatively fewer restrictions. Many of these industries, however, were already less affected by the pandemic.
- Tracking positive inflection points within the supply chain should reduce uncertainty, as businesses work through backlogs.

Rise in Inflation Appears Temporary…



Source: Bloomberg.



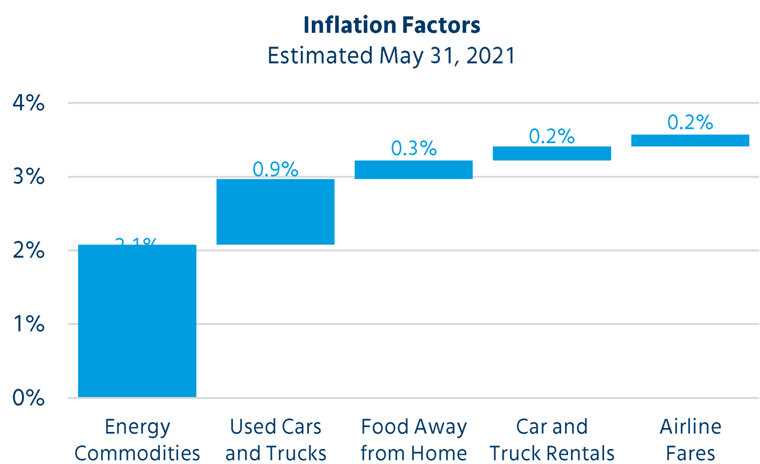
Source: Bloomberg, Bureau of Labor Statistics.

- **Realized inflation picked up steam during the second quarter, and CPI has risen at its highest pace since 2008. The spike in inflation appears to be driven by transitory factors. The sharpest price increases have been in areas tied to the re-opening of the economy, which have seen incredibly strong demand coupled with supply constraints.**

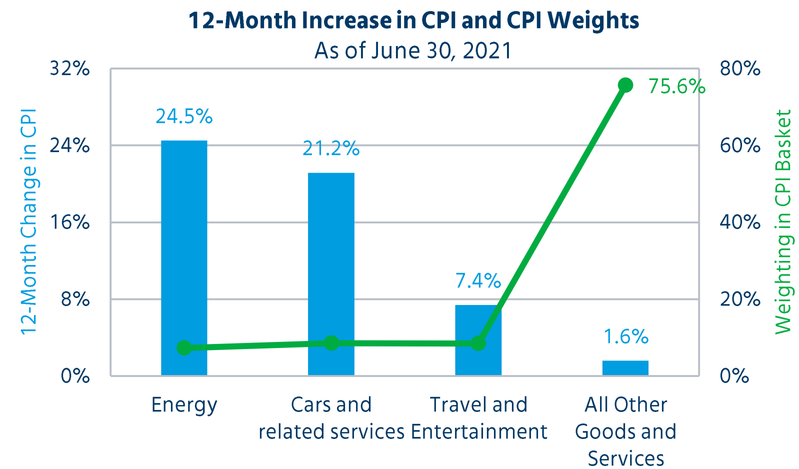
- Relative to history, CPI increased by 3.6% during the first half of the year, the fastest 6-month increase since 1981.[1] Excluding food and energy, the core CPI rate has increased 4.5% over the last 12 months, a pace last experienced in 1991. Year-to-date, core is up 3.4%, a 6-month pace not seen in nearly 40 years.[1]

1. Source: Bloomberg, as of June 30, 2021.

…But Risks Remain Tilted to the Upside



Source: Bureau of Labor Statistics, Avalon Advisors, Capstone.

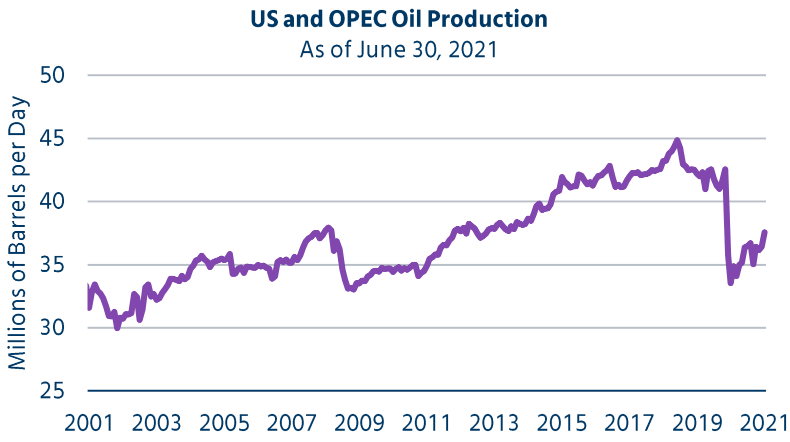


Source: Bloomberg, Bureau of Labor Statistics.

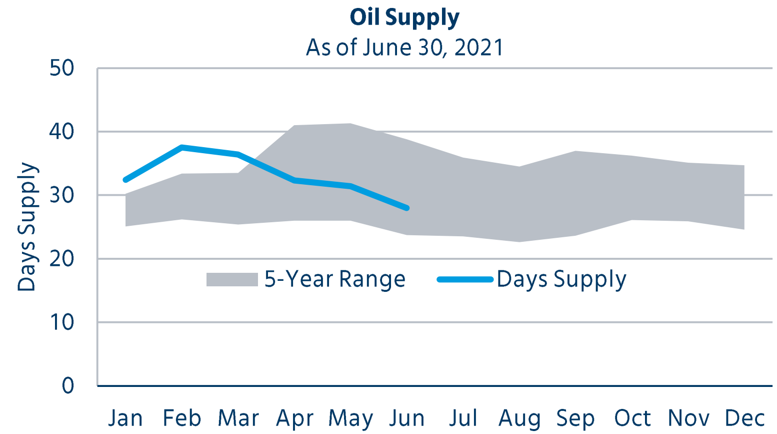
- Energy prices likely will be supported by strong demand, but additional supply can come online and push down prices. Demand for cars, along with travel and entertainment should moderate and additional labor supply will likely enter the jobs market, constraining future price increases. Excluding energy, cars, and travel and entertainment, prices for all other goods and services (about 75% of the CPI basket) only increased 1.6% over the last year.[1]
- Supply chain disruptions and understocked businesses should only temporarily effect inflation. There may be other factors that contribute to a more permanent rise in inflation, such as wage inflation amid low unemployment and increasingly hard-to-fill jobs market. The Goldman Sachs wage tracker suggests that wage inflation will be above 3%.
- **Consensus estimates suggest that US inflation will average around 2.5%. Our base assumption is that inflation moderates near central bank targets. However, risks to the inflation outlook are tilted toward the upside.**

1. Source: Bloomberg, as of June 30, 2021.

Accelerating Demand Will Vary by Industry

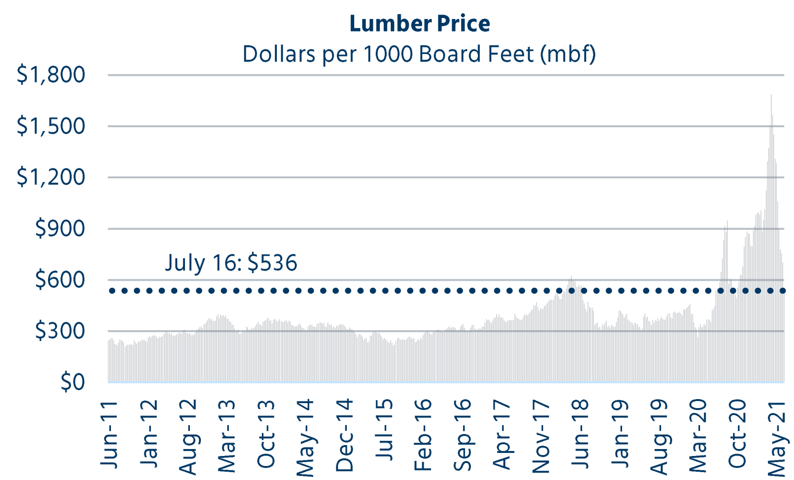


Source: Bloomberg.



Source: Bloomberg, US Energy Information Administration.

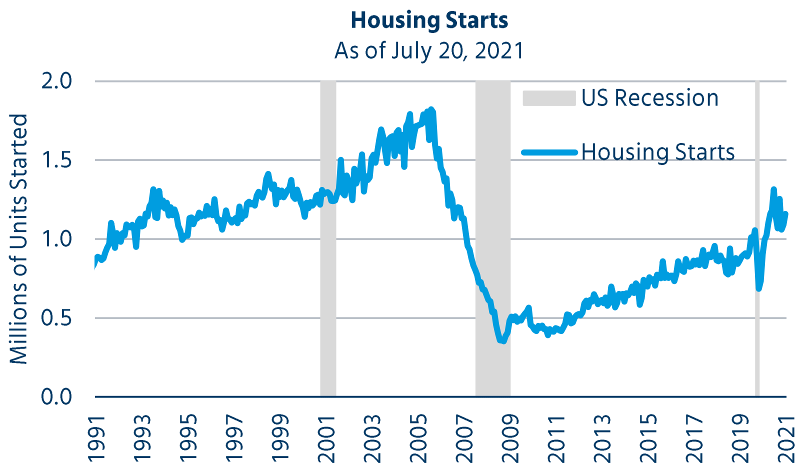
- **Suppressed demand from pandemic restrictions drove commodities' industry to slash production and drawdown inventories.**
- As demand returned, limited production and inventory levels have spurred strong upward price moves. As capacity returns, downward price moves can be swift as well.
- Within energy, gas prices reached levels not seen since 2014 at quarter-end[1], as oil traded at $73 per barrel, but OPEC's recent agreement will increase production by 2 million barrels a day by year-end.[2]



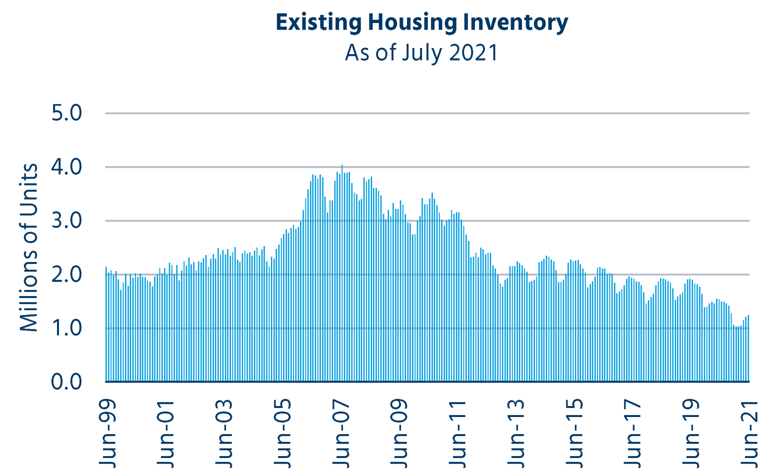
Source: Bloomberg as of July 16, 2021.

1. St. Louis Federal Reserve Database, [GASREGCOVW, DCOILWTICO], as of July 19, 2021.
2. 19th OPEC and non-OPEC Ministerial Meeting concludes. OPEC. Published July 18, 2021. https://www.opec.org/opec_web/en/press_room/6512.htm

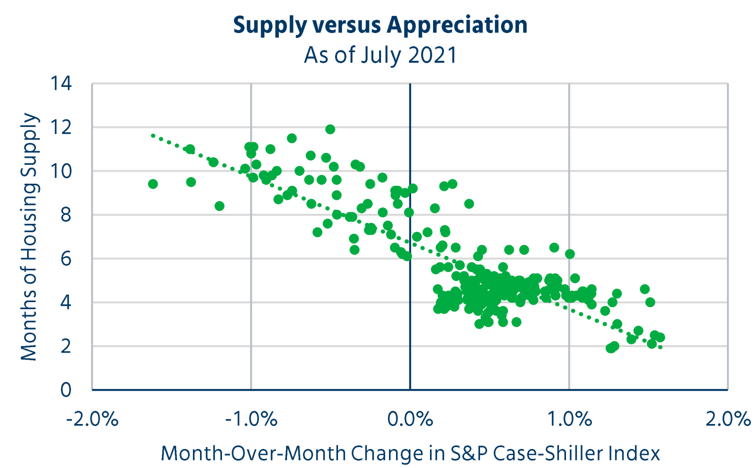
Inflections Will Be Critical for Assessing Potential Growth



Source: Source: St. Louis Federal Reserve Database, FRED. Seasonally adjusted annual rate, single family units.



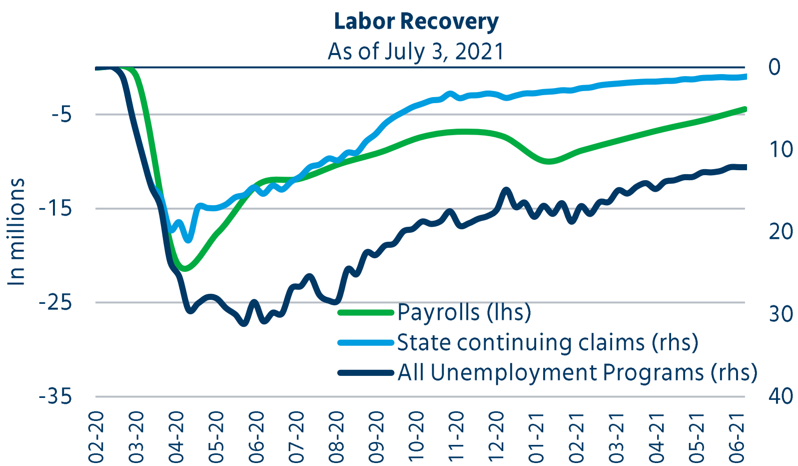
Source: National Association of Realtors. Not seasonally adjusted.



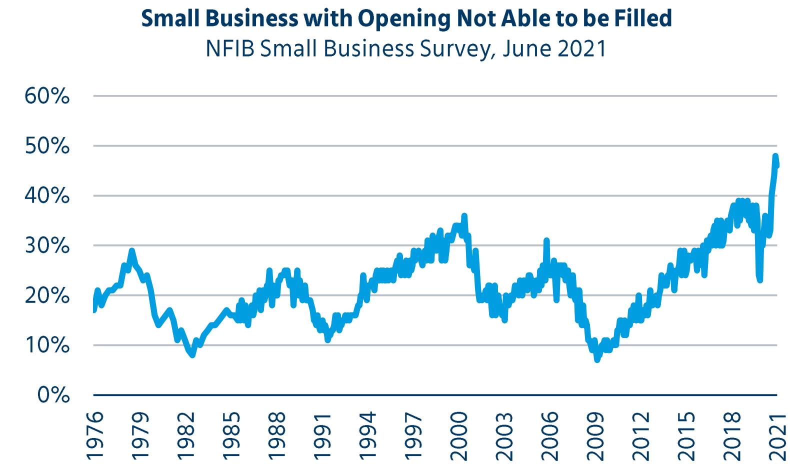
Source: Bloomberg, St. Louis Federal Reserve Database, FRED, National Association of Realtors, S&P Case-Shiller.

- **Surging housing demand over the trailing 12-months has pushed new housing starts up and pulled down existing housing inventory, driving strong appreciation.**
- New housing starts will likely continue to rise, and while lumber's headwinds have begun to subside, constraints are likely to remain near-term.
- Existing homes, the primary source of housing supply, have recently moved off multi-decade lows. Whether the recent change is a seasonal effect or a new trajectory will remain critical to the future direction of housing prices.

Matching Frictions Likely in the Intermediate-Term

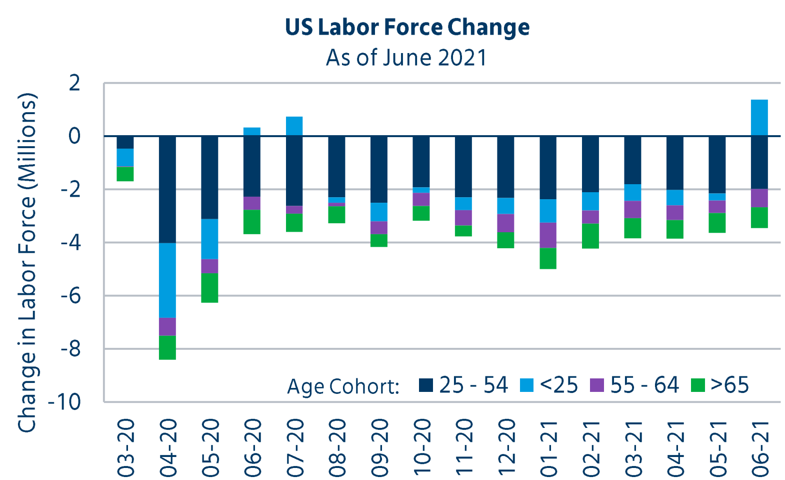


Source: Department of Labor, St. Louis Federal Reserve Database, FRED, and Mercer, as of July 3, 2021. Not seasonally adjusted. Change from February 2020.



Source: Bloomberg, NFIB Small Business Survey, as of June 2021.
Question: Percent With Positions Not Able to Fill Right Now?

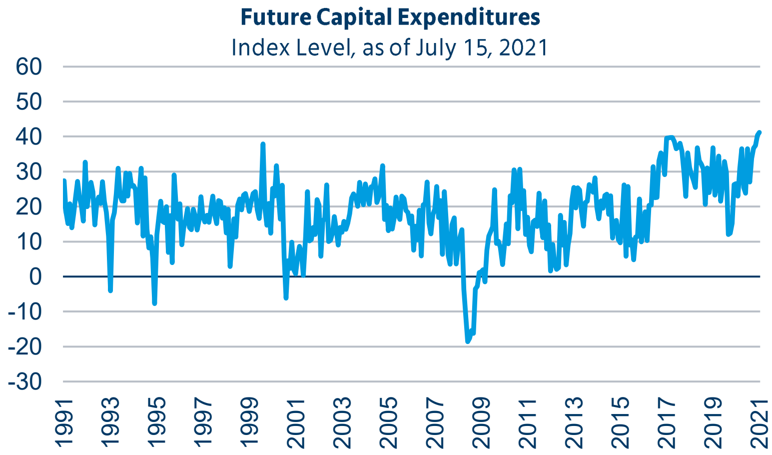
- **Through June, the labor recovery moved within 5%[1] of its prior peak, but portions of the population remain sidelined and employers have experienced hiring challenges.**
- Extended unemployment benefits may be a contributing factor, but the story is likely more nuanced with additional barriers stemming from limited child care until school resumes or workers exiting the labor force in favor of retirement.



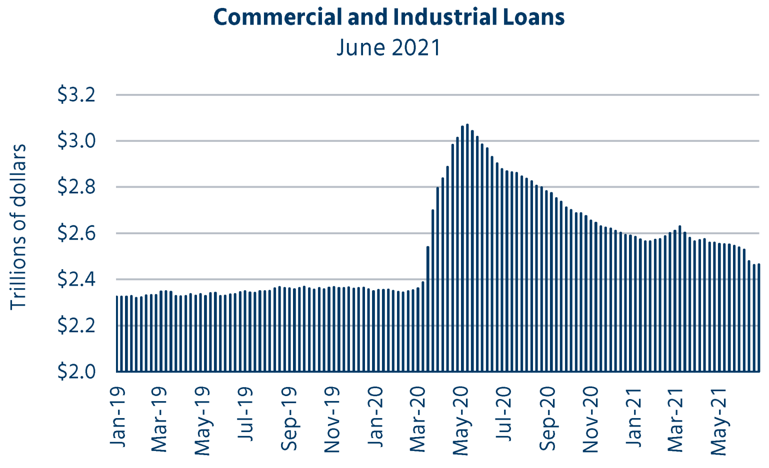
Source: St. Louis Federal Reserve Database, FRED, as of June 2021.
From February 2020 Not seasonally adjusted.

1. Bureau of labor statistics, seasonally adjusted payrolls, as of June 2021.

Organic Demand Ready to Support Growth



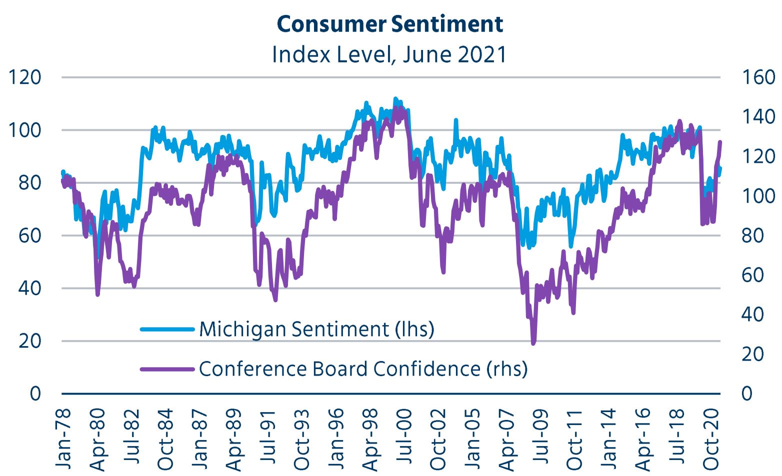
Source: St. Louis Federal Reserve Database, FRED.
Federal Reserve of Philadelphia Manufacturing Business Survey.



Source: St. Louis Federal Reserve Database, FRED.

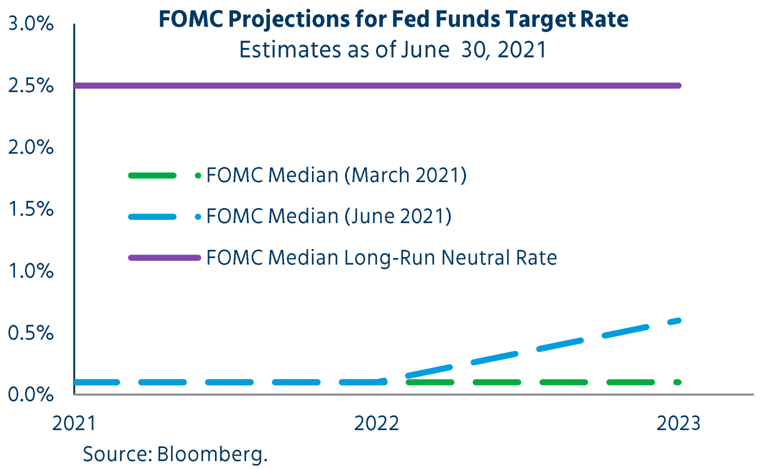
- **Despite the disruptive constraints, consumers and business are on solid foundations and positioned to carry the expansion.**
- Accommodative support during 2020 helped bolster cash levels and reduce debt costs, which should support capital expenditure plans.
- On main street, rising home and stock prices strengthened balance sheets, resulting in rebounding consumer sentiment. Additionally after declining 8% in 2020, real personal income excluding transfers made new highs in April which should support spending.[1]

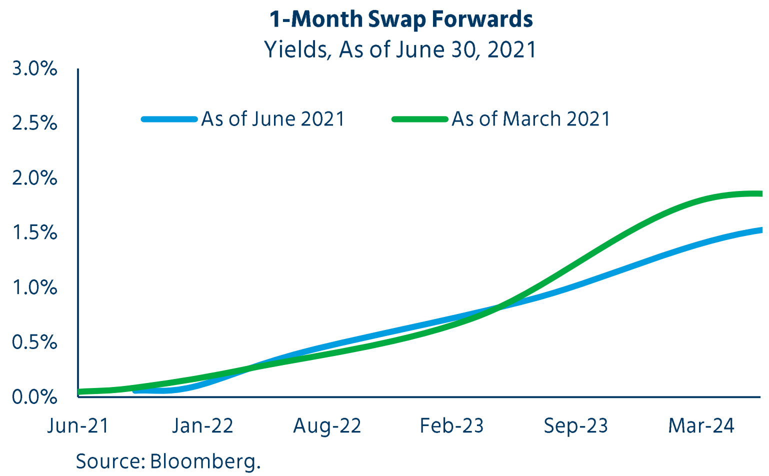
1. St. Louis Federal Reserve Database, [W875RX1], as of June 25, 2021.



Source: Bloomberg, Survey of Consumers – University of Michigan, Conference Board.

Rates Declined in Q2, But are Likely to Rise Again

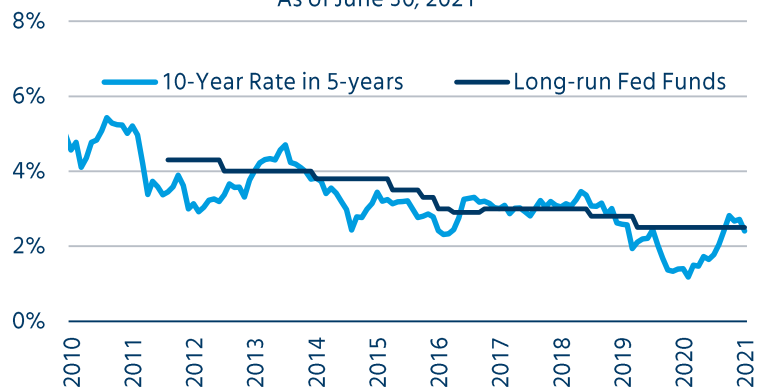




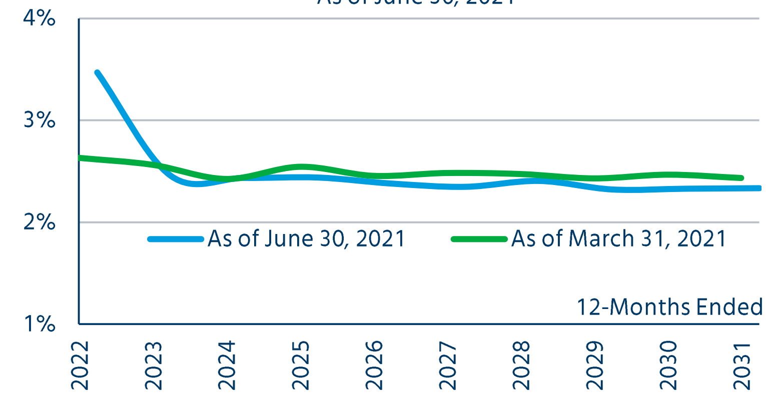
- The yield curve flattened and intermediate-term interest rates declined in the second quarter. The yield on the 10-year Treasury fell from 1.74% to 1.45% at the end of June and has since fallen to 1.2% in July.[1]
- The drop in yields occurred as the FOMC's projections and the bond market's expectations converged. The FOMC's dot plot reflects lifting rates to 0.6% by the end of 2023 vs. 0.1% at its March meeting; 7 out of the 18 members expect the first hike to occur in 2022.[2] Meanwhile, the market trimmed back its expectations with the forward curve now projecting a cash rate of 1.0% at the end of 2023 vs. expectations of 1.5% at the end of March.[1]
- **The decline in rates likely signals heighted uncertainty surrounding growth in the intermediate-term. Also, the Fed's slightly more hawkish tone is a reminder of their willingness to act should inflation appear more durable than expected.**

1. Bloomberg, as of July 15, 2021.
2. The Federal Reserve now forecasts at least two rate hikes by the end of 2023. CNBC. Published July 16, 2021. https://www.cnbc.com/2021/06/16/the-federal-reserve-now-forecasts-at-least-two-rate-hikes-by-the-end-of-2023.html

Monitoring Inflation's Trajectory



Source: St. Louis Federal Reserve Database, FRED and Bloomberg, as of June 30, 2021. 10-year rate in 5-year estimated by treasury forwards, long-run Fed Funds represents the committee's median expectation.

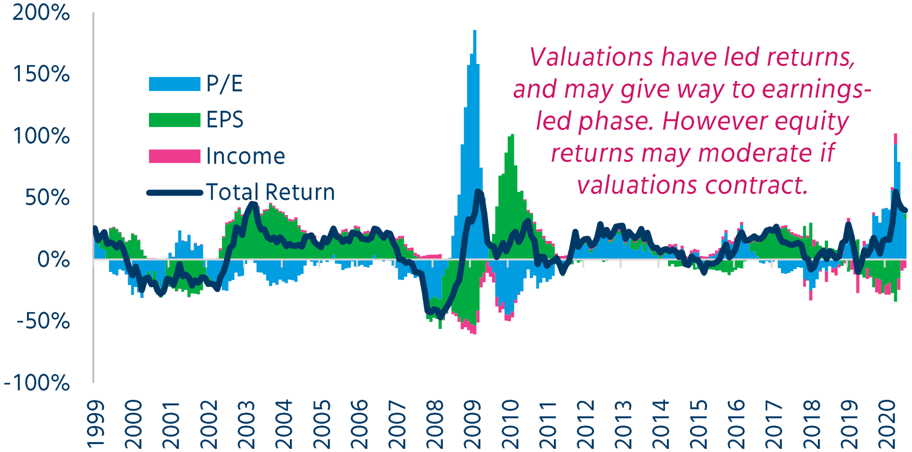


Source: Bloomberg. Estimated using zero coupon inflation swaps.

- **Another factor likely contributing to the decline in rates is moderating economic growth. While GDP growth has been robust, it has been slightly behind expectations, suggesting the Fed may not face as much pressure to act quicker than expected.**
- However, the drop in rates seems outsized relative to the change in fundamentals. We expect intermediate-term rates to gradually rise over the coming periods, perhaps at a faster rate than implied by the forward curve. A faster than expected rise in rates could spur bouts of volatility for financial markets.
- Impediments with respect to rising inflation outlined on the prior pages are anticipated to be transitory, but markets and policymakers will be tracking developments closely to determine if inflation remains constructive to their objectives.

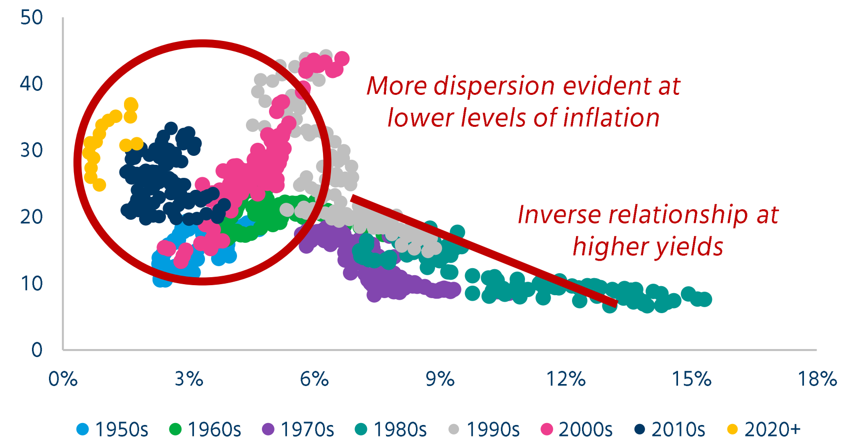
The Pressure on Equities Continues…But Rising Yields May Not Lead to Poor Performance

Global Equities Return Decomposition
MSCI World, 12-Month Total Return, as of June 30, 2021



Source: Datastream

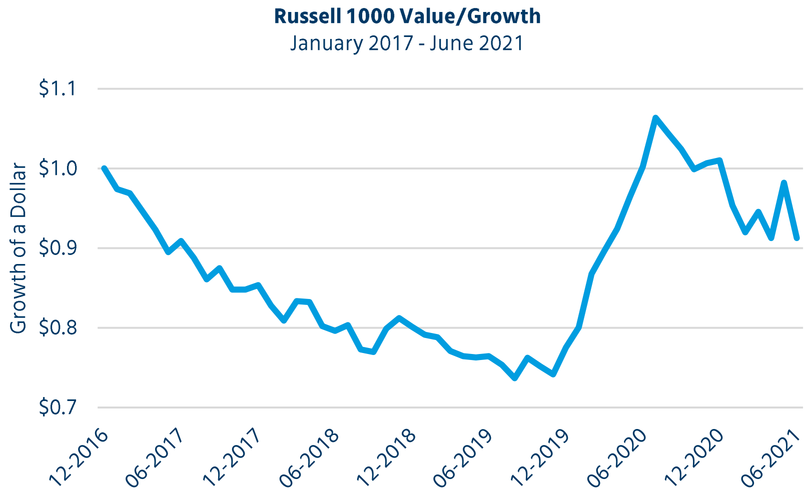
Valuations vs. Real Yields
Shiller CAPE vs. 10-Year Treasury Yields, as of June 30, 2021



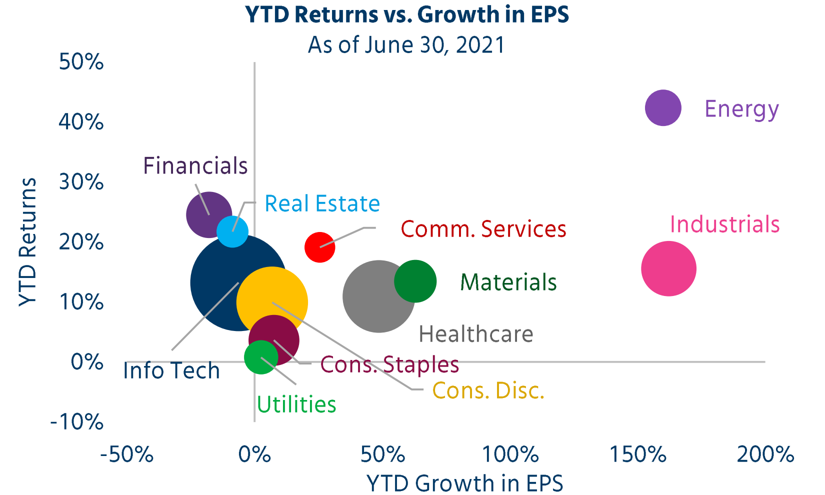
Source: Datastream

- **Over the last several years, declining real rates have supported the increase in equity prices.**
- History suggests an inverse relationship between real yields and valuations, however, this relationship appears to weaken as the level of real yields decreases. The inverse relationship between real yields and valuations appears most prevalent for yields over 6%, as debt cost become prohibitive.
- While concerns of a possible market correction continue, strong earnings growth may support stable valuations and consequently returns over the next few years.

Value Rallied…But Will It Continue?

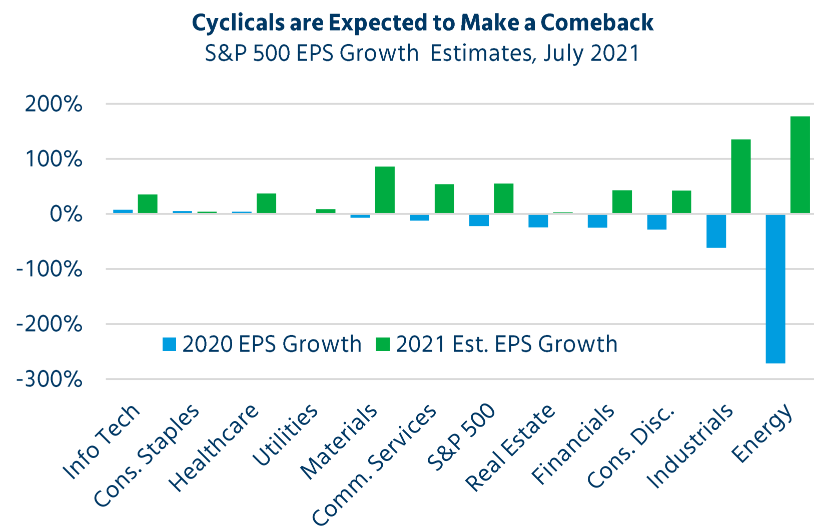


Source: Bloomberg.



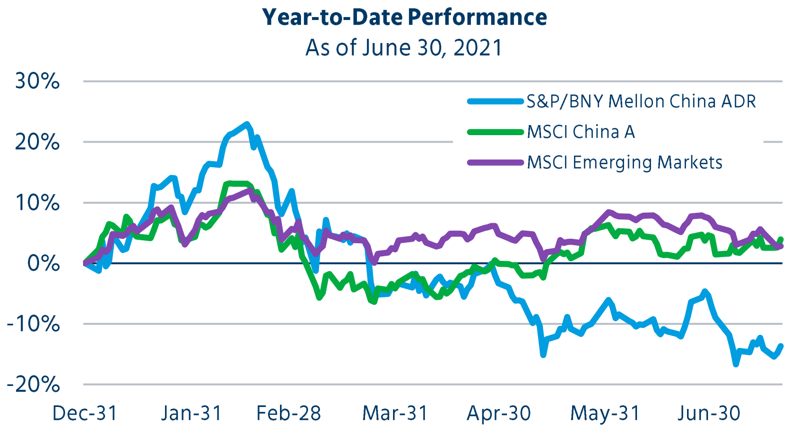
Source: Bloomberg, Dow Jones S&P. Bubble size reflects a given sector's size in the Index.

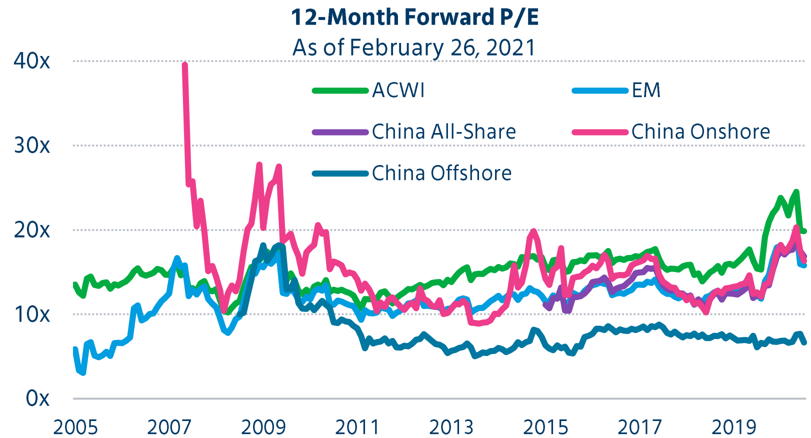
- **The dramatic year-to-date recovery in the more cyclical sectors (e.g. energy and industrials) has been driven by dramatic recovery in earnings growth.**
- Sectors expected to see the strongest earnings growth this year typically are those most impacted by 2020 and most heavily represented in the value indices.



Source: Bloomberg, Dow Jones S&P.

New Regulations and China's Big Tech





(left) Source: Bloomberg, Datastream.
(right) Source: Bloomberg, Mercer Analysis to 2/26/2021. MSCI Emerging Market Index (8/31/2005), MSCI AC World Index (8/31/2005), MSCI China All-Share Index (8/31/2015), MSCI China A Onshore Index (12/31/2007) & MSCI China H Index (2/27/2009). Date in brackets indicates the start of the historical measurement period.
Note: Historical averages in the table above are based on different time periods, so they are not comparable with each other. Due to data availability, we use MSCI China H Index as a proxy for offshore China equities, but it is an imperfect proxy and some valuation metrics are lower given the high representation of financials stocks in this index (~64% at the end of February 2021).

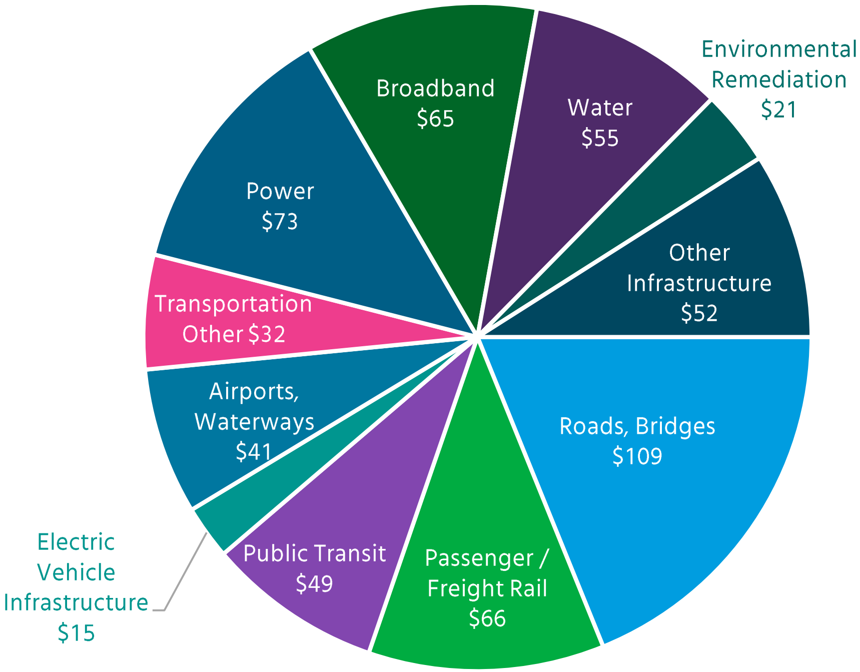
- In early June, China's President Xi Jinping announced the passing of the Data Security Law – firms found mishandling "core state data" can be forced to cease operations, have their licenses revoked, or fined up to $1.6m USD.[1] The regulation largely has targeted tech, data-rich companies, and operations where foreign ownership is restricted.
- **Tech companies have largely flown under the radar in terms of accessing foreign capital on major international exchanges. However, the recent crackdowns on big tech could threaten future China-tech IPOs and overall industry growth.**
- Tightening governance has predominantly affected offshore American Depository Receipts (ADRs), as the A-share index (companies registered on Chinese exchanges) has remained resilient.
- **Despite these events, our view on China remains the same. China A-shares provide investors exposure to previously restricted companies in China that are poised for growth.**

1. Source: Bloomberg, Published June 10, 2021.

Biden’s Bipartisan Infrastructure Framework

- On June 24th, the Biden Administration announced support for the Bipartisan Infrastructure Framework.
- The entire package endorsed by a bipartisan group of senators and the Administration authorizes $1.2 T in spending over the next five years, with the incremental $579B in transportation, as well as digital infrastructure projects.[1]
- Proposed financing sources for new investment includes reducing the IRS tax gap and fraud, redirecting unused unemployment insurance and 2020 emergency relief funds, and funding through public-private partnerships.
- **Researchers at Wharton found the additional $579B in new infrastructure would increase domestic output by 0.1% and decrease US debt by 0.9% by 2050.[2]**

Bipartisan Infrastructure Framework
Total: $579 Billon



Source: Fact Sheet: President Biden Announces Support for the Bipartisan Infrastructure Framework. WhiteHouse.gov. Published June 24, 2021. https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/24/fact-sheet-president-biden-announces-support-for-the-bipartisan-infrastructure-framework/

1. Biden’s infrastructure plan would cut U.S. debt and slightly increase economic growth, Wharton study finds. CNBC. Published June 20, 2021. https://www.cnbc.com/2021/06/30/biden-infrastructure-plan-would-cut-us-debt-add-to-gdp-wharton-study.html
2. Bipartisan infrastructure deal could make it harder for tax cheats to elude IRS. The Washington Post. June 28, 2021. https://www.washingtonpost.com/business/2021/06/26/irs-enforcement-infrastructure/

Public Equity Views

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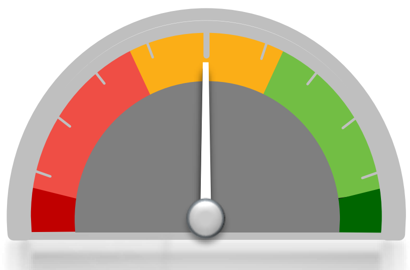
Public Equities

US Equities

International Developed Equities

Emerging Market Equities

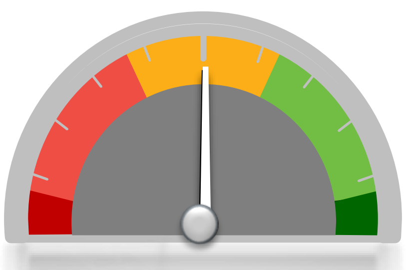
US Small-cap Equities



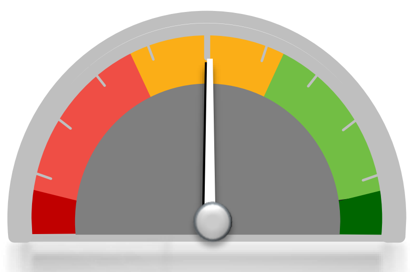
International Small-cap Equities

Global Defensive Equities

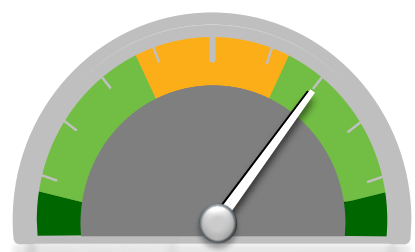
- Overweight
- Neutral
- Underweight



REITS



Listed Infrastructure



Growth Value

US Style

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

Public Equity Views

Asset Class	January 2021	April 2021	July 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 and value stocks 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 economies continue to re-open.
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. Vaccination rates in Europe and Japan are improving, which should allow for fewer restrictions.
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 / Neutral	While we continue to believe that emerging market equities offer attractive valuations, recent credit tightening and regulatory enforcement in China are concerning. Emerging markets broadly are also experiencing a slower pace of vaccinations.
Global Defensive Equities	Underweight	Underweight	Underweight / Neutral	While valuations for defensive equities, particularly quality stocks, remain unattractive, their volatility dampening attributes may prove valuable as a tail risk hedge.
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	REITS should continue to benefit from the gradual reopening of economies. 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 Value	Overweight Value	Overweight Value	Value stocks are attractively valued relative to growth stocks, and value stocks should benefit from the cyclical recovery as the distribution of vaccines continues.
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.

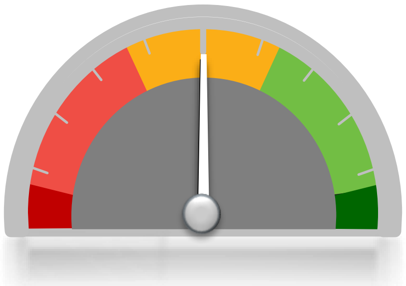
Growth Fixed Income Views

Growth Fixed Income

Emerging Debt Local

Emerging Debt
Hard Currency

US/Global High Yield



US/Global Loans

Overweight   Neutral   Underweight

Asset Class	January 2021	April 2021	July 2021	Commentary
Emerging Debt Local	Overweight / Neutral	Overweight / Neutral	Overweight / Neutral	Real yields remain high in many emerging market economies relative to the developed world and emerging market currencies continue to appear inexpensive relative to the dollar.
Emerging Debt Hard Currency	Neutral	Neutral	Neutral	The uptick in global growth should be supportive of EM markets and credit spreads remain reasonably attractive relative to the developed world.
US / Global High Yield	Neutral	Underweight / Neutral	Underweight / Neutral	Following a strong run for high yield bonds, spreads are quite low compared to the historic median. We believe there is less upside remaining and suggest underweight / neutral positioning.
US / Global Loans	Underweight / Neutral	Neutral	Neutral	While spreads have narrowed, loan yields remain reasonable relative to other areas of fixed income. The floating rate nature of loans is appealing in the current environment.

Defensive Fixed Income Views

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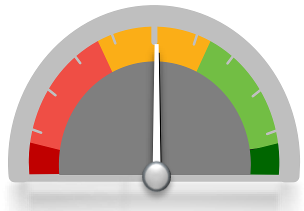
Defensive Fixed Income

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	January 2021	April 2021	July 2021	Commentary
US Treasuries	Underweight	Underweight	Underweight	The decline in yields during the quarter worsened the outlook for US Treasuries. We continue to prefer TIPS and securitized credit over Treasuries.
US TIPS	Overweight / Neutral	Overweight / Neutral	Overweight / Neutral	Inflation breakeven rates were close to flat for the quarter and remain near the Fed's target level of inflation. We continue to favor TIPS over Treasuries within government bond allocations because they offer inexpensive insurance against an inflation breakout.
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	Valuations for securitized bonds continue to appear attractive in our view. The strength of overall consumer balance sheets combined with the ongoing recovery should provide a solid macro backdrop for securitized bonds.
Duration	Underweight	Underweight / Neutral	Underweight	With the decline in yields during the second quarter, we have moved back to an underweight view on duration. A cyclical economic recovery and inflationary pressures increase the upside risk for longer-term yields.

Tactical Asset Allocation

Asset Class Diversification

Surplus Cash Investment Program Structure

As of June 30, 2021

Manager	Asset Class/Type	Total Assets ($, mil.)	Percent of Total	Target Allocation	Weighting Relative to Target	Target Range
Large-Cap Domestic Equity		**$306.3**	**21.1%**	**20.0%**	**+ 1.1%**	**20-30%**
Vanguard S&P 500 Index	Large-Cap Index	$155.2	10.7%	10.0%	+ 0.7%	
Sands	Large-Cap Growth	$ 72.4	5.0%	5.0%	- 0.0%	
Barrow Hanley	Large-Cap Value	$ 78.7	5.4%	5.0%	+ 0.4%	
Small-Cap Domestic Equity		**$ 68.1**	**4.7%**	**5.0%**	**- 0.3%**	
Conestoga	Small-Cap Growth	$ 30.5	2.1%	2.5%	- 0.4%	
Wellington	Small-Cap Value	$ 37.6	2.6%	2.5%	+ 0.1%	
International Equity		**$231.4**	**15.9%**	**15.0%**	**+ 0.9%**	**10-20%**
Causeway	International Value	$ 80.2	5.5%			
BNY Mellon	International Growth	$ 68.0	4.7%			
Harding Loevner	Emerging	$ 83.2	5.7%			
Short-Duration Fixed Income		**$158.6**	**10.9%**	**10.0%**	**+ 0.9%**	**8-12%**
Barrow Hanley	Short Duration	$149.2	10.3%			
Cash	Money Market	$ 9.4	0.6%			
Market-Duration Fixed Income		**$439.3**	**30.2%**	**30.0%**	**+ 0.2%**	**25-35%**
Dodge & Cox	Market Duration	$219.6	15.1%	15.0%	+ 0.1%	
MetWest	Market Duration	$219.7	15.1%	15.0%	+ 0.1%	
Alternatives		**$249.6**	**17.2%**	**20.0%**	**- 2.8%**	**17-23%**
Angelo Gordon Realty Value X	Real Estate	$ 9.8	0.7%			
Oaktree Opportunities Fund XI	Private Debt	$ 2.7	0.2%			
Oaktree RE Opps VI	Real Estate	$ 4.9	0.3%			
Walton Street RE VII	Real Estate	$ 3.2	0.2%			
Walton Street RE VIII	Real Estate	$ 7.8	0.5%			
Direct Hedge Fund Composite	Hedge Fund	$221.1	15.2%			
Total (X District)		**$1,453.3**	**100.0%**			
District Assets - Barrow Hanley	Short Duration	$ 42.2				
Debt Reserves - Ponder	Short Duration	$ 5.7				
Total Surplus Cash		**$1,501.1**				

*Totals may not add due to rounding.

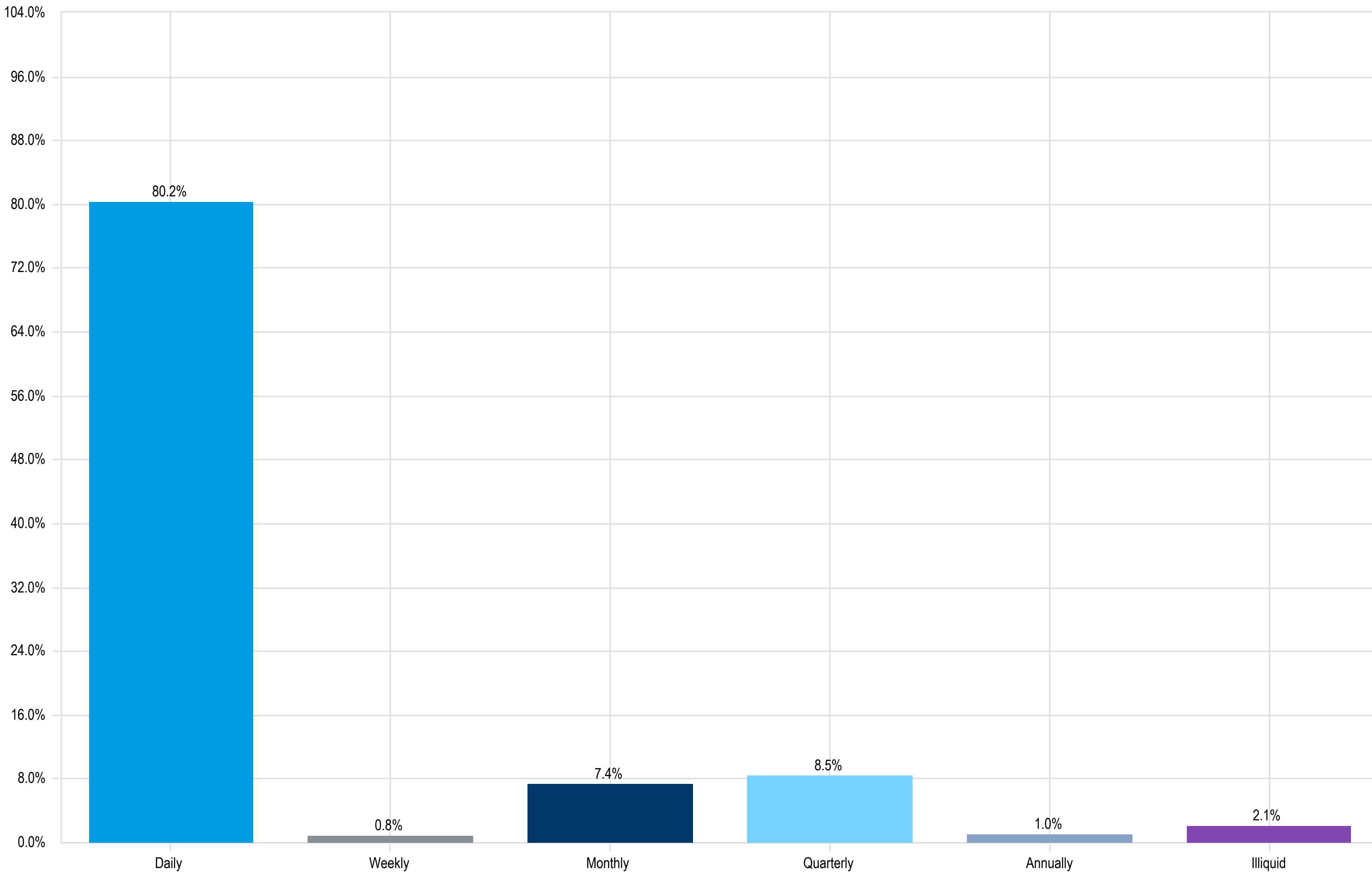
El Camino Hospital

Liquidity Schedule

June 30, 2021

Investments	Market Value	Daily	Weekly	Monthly	Quarterly	Annually	Illiquid	Redemptions	Notes
Vanguard S&P 500 Index	155,198,886	155,198,886	-	-	-	-	-	Daily	Daily, No Lock-Up
Sands Large Cap Growth (Touchstone)	72,430,668	72,430,668	-	-	-	-	-	Daily	Daily, No Lock-Up
Barrow Hanley Large Cap Value	78,694,509	78,694,509	-	-	-	-	-	Daily	Daily, No Lock-Up
Wellington Small Cap Value	37,609,552	-	-	37,609,552	-	-	-	Monthly	10 Day Notice, No Lock-Up
Conestoga Small-Cap Fund I	30,503,232	30,503,232	-	-	-	-	-	Daily	Daily, No Lock-Up
BNY Mellon International Stock Fund	68,005,079	68,005,079	-	-	-	-	-	Daily	Daily, No Lock-Up
Causeway International Value	80,156,560	80,156,560	-	-	-	-	-	Daily	Daily, No Lock-Up
Harding Loevner Inst. Emerging Markets I	83,234,642	83,234,642	-	-	-	-	-	Daily	Daily, No Lock-Up
Barrow Hanley Short Fixed	149,218,577	149,218,577	-	-	-	-	-	Daily	Daily, No Lock-Up
Cash Account	9,162,444	9,162,444	-	-	-	-	-	Daily	Daily, No Lock-Up
Cash Account - CONCERN	84,134	84,134	-	-	-	-	-	Daily	Daily, No Lock-Up
Hedge Funds Cash	106,971	106,971	-	-	-	-	-	Daily	Daily, No Lock-Up
Dodge & Cox Fixed	219,591,554	219,591,554	-	-	-	-	-	Daily	Daily, No Lock-Up
MetWest Fixed	205,292,396	205,292,396	-	-	-	-	-	Daily	Daily, No Lock-Up
Met West Total Return Bond Plan - CONCERN	14,445,243	14,445,243	-	-	-	-	-	Daily	Daily, No Lock-Up
AG Realty Value Fund X, LP	9,837,118	-	-	-	-	-	9,837,118	Illiquid	Illiquid
Oaktree Opportunities Fund XI, L.P.	2,728,705	-	-	-	-	-	2,728,705	Illiquid	lliquid
Oaktree Capital Management RE Opportunities Fund VI	4,855,028	-	-	-	-	-	4,855,028	Illiquid	Illiquid
Walton Street Real Estate Fund VII, L.P.	3,229,430	-	-	-	-	-	3,229,430	Illiquid	Illiquid
Walton Street Real Estate Fund VIII, L.P.	7,828,473	-	-	-	-	-	7,828,473	Illiquid	Illiquid
Bloom Tree Offshore Fund Ltd.	11,923,820	-	-	-	11,923,820	-	-	Quarterly	45 Day Notice, No Lock-Up
Capeview Azri 2X Fund USD B - U	6,677,735	-	-	6,677,735	-	-	-	Monthly	30 Day Notice, No Lock-Up
Capeview Azri Fund USD B – UV	7,074,190	-	-	-	7,074,190	-	-	Quarterly	30 Day Notice, 2.5% Redemption Penalty
DK Distressed Opportunities International, Ltd.	14,131,000	-	-	-	-	14,131,000	-	Annually	90 Day Notice, No Lock-Up
DK Institutional Partners, L.P.	20,049,056	-	-	-	20,049,056	-	-	Quarterly	65 Day Notice, No Lock-Up
EMSO Saguaro, Ltd.	11,461,721	-	-	11,461,721	-	-	-	Monthly	60 Day Notice, 15% Fund level gate
Luxor Capital Partners Offshore, Ltd.	561,360	-	-	-	-	-	561,360	Illiquid	Redemption in Progress
Man Alternative Risk Premia SP Fund	11,952,979	-	11,952,979	-	-	-	-	Weekly	7 Day Notice, No Lock-Up
Marshall Wace Eureka Fund Class B2	12,932,556	-	-	12,932,556	-	-	-	Monthly	30 Day Notice, No Lock-Up
Palestra Capital Offshore	13,881,543	-	-	-	13,881,543	-	-	Quarterly	60 Day Notice, 12 mth soft lock
Indus Japan Distribution Holding Co. LTD	60,224	-	-	-	60,224	-	-	Quarterly	30 Day Notice, No Lock-Up
Pine River Fund Ltd.	15,608	-	-	-	-	-	15,608	Illiquid	Redemption in Progress
Renaissance RIDGE	14,278,815	-	-	14,278,815	-	-	-	Monthly	45 Days Notice, No Lock-Up
Carlson Black Diamond Arbitrage Ltd.	11,519,014	-	-	11,519,014	-	-	-	Monthly	45 Day Notice, No Lock-Up
Robeco Transtrend Diversified Fund LLC	12,701,796	-	-	12,701,796	-	-	-	Monthly	5 Day Notice, No Lock-Up
Waterfall Eden Fund, Ltd.	18,479,042	-	-	-	18,479,042	-	-	Quarterly	90 Day Notice, 1 year soft lock
York Credit Opportunities Unit Trust	1,935,895	-	-	-	-	-	1,935,895	Illiquid	Redemption in Progress
Wolverine	18,797,919	-	-	-	18,797,919	-	-	Quarterly	60 Day Notice; 1 year soft lock
Voya Mortgage Fund	14,511,680	-	-	-	14,511,680	-	-	Quarterly	65 Day Notics; 1 year soft lock
Capstone Volatility Fund	18,189,661	-	-	-	18,189,661	-	-	Quarterly	60 Day Notics; 1 year soft lock
Total ($)	**1,453,348,813**	**1,166,124,894**	**11,952,979**	**107,181,190**	**122,967,133**	**14,131,000**	**30,991,617**		
Total (%)	**100.0**	**80.2**	**0.8**	**7.4**	**8.5**	**1.0**	**2.1**		

Liquidity Schedule Summary



Investment Management Fees

Surplus Cash Investment Program Structure

As of June 30, 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	$155,198,886			0.02	Mercer Mutual Fund US Equity Large Cap Index	0.18
Sands Large Cap Growth (Touchstone)	$72,430,668			0.80	Mercer Mutual Fund US Equity Large Cap Growth Median	0.67
Barrow Hanley Large Cap Value	$78,694,509			0.38	Mercer Mutual Fund US Equity Large Cap Value Median	0.65
Wellington Small Cap Value	$37,609,552			0.90	Mercer Mutual Fund US Equity Small Cap Value Median	0.94
Conestoga Small Cap Growth	$30,503,232			0.90	Mercer Mutual Fund US Equity Small Cap Growth Median	0.94
International Equity						
Causeway International Value	$80,156,560			0.88	Mercer Mutual Fund World ex US/EAFE Equity Large Cap Value Med	0.81
BNY Mellon International Stock Fund	$68,005,079			0.91	Mercer Mutual Fund World ex US/EAFE Equity Large Cap Growth Me	0.83
Harding Loevner Emerging Markets	$83,234,642			1.27	Mercer Mutual Fund Emerging Markets Equity Median	0.95
Short Fixed Income						
Barrow Hanley Short Fixed	$149,218,577			0.17	Mercer Mutual Fund US Fixed Short Median	0.39
Market Duration Fixed Income						
Dodge & Cox Fixed	$219,591,554			0.17	Mercer Mutual Fund US Fixed Core Median	0.44
MetWest Total Return	$205,292,396			0.28	Mercer Mutual Fund US Fixed Core Median	0.44
MetWest Total Return - CONCERN	$14,445,243			0.37	Mercer Mutual Fund US Fixed Core Median	0.44
Cash						
Cash Account	$9,353,549			N/A	N/A	N/A
Hedge Funds[1]						
Bloom Tree Offshore Fund Ltd.	$11,923,820			1.50	N/A	N/A
CapeView Azri Fund Ltd.	$7,074,190			1.35	N/A	N/A
CapeView Azri 2x Fund	$6,677,735			2.00	N/A	N/A
Luxor Capital Partners	$561,360			1.50	N/A	N/A
Pine River Fund	$15,608			1.50	N/A	N/A
Marshall Wace Eureka Fund Class B2	$12,932,556			2.00	N/A	N/A
Indus Japan Distribution Holdings	$60,224			1.50	N/A	N/A
Palestra Capital Offshore	$13,881,543			1.50	N/A	N/A
DK Distressed Opportunities International	$14,131,000			1.75	N/A	N/A
DK Institutional Partners	$20,049,056			1.50	N/A	N/A
York Credit Opportunities[3]	$1,935,895			0.75	N/A	N/A
BP Transtrend Diversified Fund	$12,701,796			1.00	N/A	N/A
EMSO Saguaro	$11,461,721			1.25	N/A	N/A
Carlson Black Diamond Arbitrage	$11,519,014			1.00	N/A	N/A
Renaissance RIDGE	$14,278,815			1.00	N/A	N/A
Man Alternative Risk Premia	$11,952,979			1.00	N/A	N/A
Waterfall Eden	$18,479,042			1.50	N/A	N/A
Wolverine	$18,797,919			1.75	N/A	N/A
Voya Mortgage Fund	$14,511,680			1.50	N/A	N/A
Capstone Volatility Fund	$18,189,661			2.00	N/A	N/A
Total (ex Private Assets)	**$1,424,870,061**			**0.51%**		
Private Assets[2]						
AG Realty Value Fund X	$9,837,118	$ 20.0	$ 7.7	1.50	N/A	N/A
Oaktree Opportuniites Fund XI	$2,728,705	$ 20.0	$ 1.0	1.6	N/A	N/A
Oaktree Real Estate Opportunities VI	$4,855,028	$ 14.0	$ 14.0	1.50	N/A	N/A
Walton Street Real Estate VII	$3,229,430	$ 13.0	$ 12.4	1.50	N/A	N/A
Walton Street Real Estate Fund VIII	$7,828,473	$ 13.0	$ 9.3	1.50	N/A	N/A
Total	**$1,453,348,813**					

1. Hedge fund fees do not include incentive fees.
2. Private Real Estate and Private Debt fees are on committed capital and 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 June 30, 2021

Manager	Asset Class/Type	Total Assets ($, mil.)	Percent of Total	Target Allocation	Weighting Relative to Target	Target Range
Large-Cap Domestic Equity		**$ 95.6**	**26.7%**	**27.0%**	**- 0.3%**	**27-37%**
Vanguard S&P 500 Index	Large-Cap Index	$ 40.7	11.4%	13.5%	- 2.1%	
Sands	Large-Cap Growth	$ 26.3	7.3%	6.8%	+ 0.5%	
Barrow Hanley	Large-Cap Value	$ 28.6	8.0%	6.8%	+ 1.2%	
Small-Cap Domestic Equity		**$ 20.2**	**5.6%**	**5.0%**	**+ 0.6%**	
Conestoga	Small-Cap Growth	$ 9.2	2.6%	2.5%	+ 0.1%	
Wellington	Small-Cap Value	$ 11.1	3.1%	2.5%	+ 0.6%	
International Equity		**$ 72.0**	**20.1%**	**18.0%**	**+ 2.1%**	**15-21%**
Causeway	International Value	$ 25.6	7.1%			
BNY Mellon	International Growth	$ 21.8	6.1%			
Harding Loevner	Emerging Markets	$ 24.6	6.9%			
Short-Duration Fixed Income		**$ 14.2**	**4.0%**	**5.0%**	**- 1.0%**	**0-8%**
Barrow Hanley	Short Duration	$ 9.5	2.6%			
Cash	Money Market	$ 4.7	1.3%			
Market-Duration Fixed Income		**$ 89.0**	**24.8%**	**25.0%**	**- 0.2%**	**20-30%**
Dodge & Cox	Market Duration	$ 44.6	12.4%	12.5%	- 0.1%	
MetWest	Market Duration	$ 44.4	12.4%	12.5%	- 0.1%	
Alternatives		**$ 67.8**	**18.9%**	**20.0%**	**- 1.1%**	**17-23%**
Lighthouse	HFOF	$ 28.2	7.8%			
Pointer	HFOF	$ 28.7	8.0%			
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	$ 6.0	1.7%			
Total		**$358.9**	**100.0%**			

*Totals may not add due to rounding.

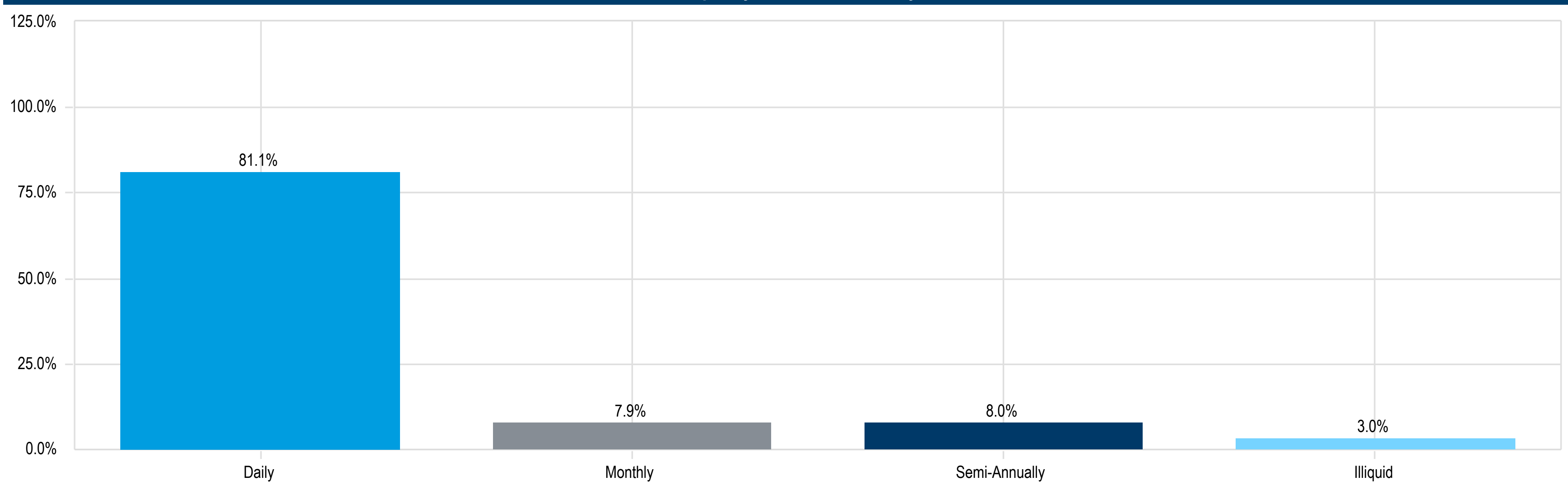
Liquidity Schedule - Cash Balance

Liquidity Schedule

June 30, 2021

Investments	Market Value	Daily	Monthly	Semi-Annually	Illiquid	Subscriptions	Redemptions	Notes
Vanguard Institutional Index Fund	40,734,019	40,734,019	-	-	-	Daily	Daily	Daily, No Lock-Up
Sands Large Cap Growth (Touchstone)	26,343,483	26,343,483	-	-	-	Daily	Daily	Daily, No Lock-Up
Barrow Hanley Large Cap Value	28,566,990	28,566,990	-	-	-	Daily	Daily	Daily, No Lock-Up
Conestoga Small-Cap Fund I	9,168,801	9,168,801	-	-	-	Daily	Daily	Daily, No Lock-Up
Wellington Small Cap Value	11,077,435	11,077,435	-	-	-	Daily	Daily	Daily, No Lock-Up
Causeway International Value	25,622,257	25,622,257	-	-	-	Daily	Daily	Daily, No Lock-Up
BNY Mellon International Stock Fund	21,777,524	21,777,524	-	-	-	Daily	Daily	Daily, No Lock-Up
Harding Loevner Inst. Emerging Markets I	24,643,142	24,643,142	-	-	-	Daily	Daily	Daily, No Lock-Up
Barrow Hanley Short Fixed	9,488,569	9,488,569	-	-	-	Daily	Daily	Daily, No Lock-Up
Cash Account	4,691,107	4,691,107	-	-	-	Daily	Daily	Daily, No Lock-Up
Dodge & Cox Income Fund	44,563,090	44,563,090	-	-	-	Daily	Daily	Daily, No Lock-Up
Met West Total Return Fund Pl	44,434,134	44,434,134	-	-	-	Daily	Daily	Daily, No Lock-Up
Lighthouse Diversified	28,167,688	-	28,167,688	-	-	Monthly	Monthly	90 Day Notice, No Lock-Up
Pointer Offshore LTD	28,718,405	-	-	28,718,405	-	Semi-Annually	Semi-Annually	Notice by Mar 15/Sept 15
Oaktree RE Opportunities Fund V	2,908,003	-	-	-	2,908,003	Illiquid	Illiquid	Illiquid
Walton Street Real Estate Fund VII, L.P.	1,937,198	-	-	-	1,937,198	Illiquid	Illiquid	Illiquid
Walton Street Real Estate Fund VIII, L.P.	6,021,903	-	-	-	6,021,903	Illiquid	Illiquid	Illiquid
Total ($)	**358,863,747**	**291,110,550**	**28,167,688**	**28,718,405**	**10,867,104**			
Total (%)	**100.0**	**81.1**	**7.9**	**8.0**	**3.0**			

Liquidity Schedule Summary



Investment Management Fees

Cash Balance Investment Program Structure

As of June 30, 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	$40,734,019			0.02	Mercer Mutual Fund US Equity Large Cap Index	0.18
Sands Large Cap Growth (Touchstone)	$26,343,483			0.80	Mercer Mutual Fund US Equity Large Cap Growth Median	0.67
Barrow Hanley Large Cap Value	$28,566,990			0.38	Mercer Mutual Fund US Equity Large Cap Value Median	0.65
Wellington Small Cap Value	$11,077,435			0.90	Mercer Mutual Fund US Equity Small Cap Value Median	0.94
Conestoga Small Cap Growth	$9,168,801			0.90	Mercer Mutual Fund US Equity Small Cap Growth Median	0.94
International Equity						
Causeway International Value	$25,622,257			0.88	Mercer Mutual Fund World ex US/EAFE Equity Large Cap Value Median	0.81
BNY Mellon International Stock Fund	$21,777,524			0.91	Mercer Mutual Fund World ex US/EAFE Equity Large Cap Growth Median	0.83
Harding Loevner Emerging Markets	$24,643,142			1.27	Mercer Mutual Fund Emerging Markets Equity Median	0.95
Short Fixed Income						
Barrow Hanley Short Fixed	$9,488,569			0.17	Mercer Mutual Fund US Fixed Short Median	0.39
Market Duration Fixed Income						
Dodge & Cox Income Fund	$44,563,090			0.42	Mercer Mutual Fund US Fixed Core Median	0.44
MetWest Total Return	$44,434,134			0.37	Mercer Mutual Fund US Fixed Core Median	0.44
Cash						
Cash Account	$4,691,107			N/A	N/A	N/A
Hedge Fund of Funds[1]						
Lighthouse Diversified	$28,167,688			1.00	N/A	N/A
Pointer Offshore	$28,718,405			1.00	N/A	N/A
Total (ex Private Real Estate)	$347,996,644			0.60%		
Private Real Estate[2]						
Oaktree Real Estate Opportunities VI	$2,908,003	$ 8.4	$ 8.4	1.50	N/A	N/A
Walton Street Real Estate VII	$1,937,198	$ 8.4	$ 7.7	1.50	N/A	N/A
Walton Street Real Estate Fund VIII	$6,021,903	$ 10.0	$ 7.1	1.50	N/A	N/A
Total	$358,863,747					

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

Surplus Cash Equity Portfolio Characteristics

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

June 30, 2021

Portfolio Characteristics

	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap $000	230,366,643	294,750,140
Median Mkt. Cap $000	24,452,346	2,277,304
Price / Earnings	25.92	22.47
Price / Book	3.72	3.59
5 Yr. EPS Growth Rate (%)	15.75	16.29
Current Yield (%)	1.47	1.74
Beta (5 Years, Monthly)	1.01	1.00
Number of Holdings	834	9,260

Top 10 Holdings

	Portfolio	Benchmark	Return
Microsoft Corp	1.77	2.55	15.17
Apple Inc	1.60	3.02	12.31
Amazon.com Inc	1.58	1.93	11.19
Taiwan Semiconductor Mfg	0.91	0.69	5.21
Facebook Inc	0.87	1.10	18.06
Novartis AG	0.82	0.27	8.10
Sea Ltd	0.77	0.00	23.01
SAP SE	0.74	0.19	18.77
AIA Group Ltd	0.73	0.20	3.53
Alphabet Inc Class A	0.72	0.96	18.39

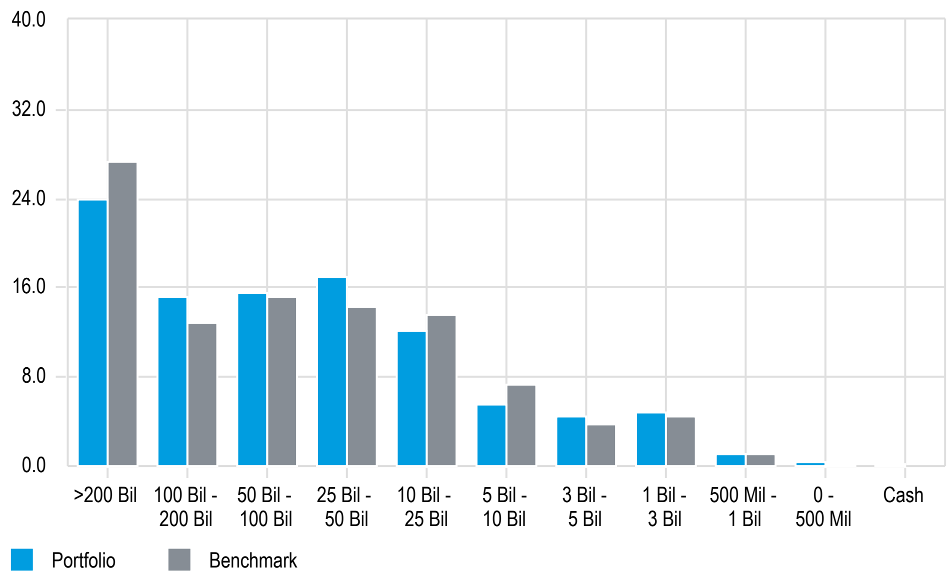
Top Contributors

	Portfolio	Benchmark	Return	Contribution
Sea Ltd	1.11	0.00	23.01	0.18
EPAM Systems Inc	0.42	0.03	28.81	0.08
Intuit Inc.	0.45	0.14	28.14	0.06
Adobe Inc	0.64	0.32	23.20	0.05
Amazon.com Inc	2.00	1.87	11.19	0.01

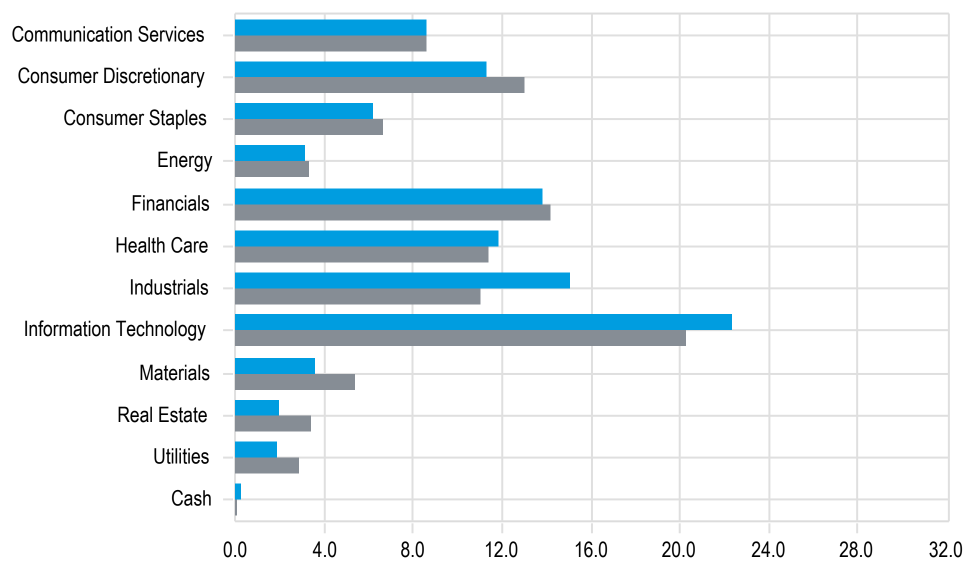
Top Detractors

	Portfolio	Benchmark	Return	Contribution
Sands China Ltd	0.33	0.02	-15.67	-0.07
Murata Manufacturing Co Ltd	0.56	0.06	-4.55	-0.06
Rolls Royce Holdings PLC	0.43	0.02	-6.76	-0.06
Cognizant Technology Solutions Corp	0.28	0.06	-11.04	-0.04
Deere & Co	0.47	0.16	-5.48	-0.04

Distribution of Market Cap



Sector Allocation



Surplus Cash Equity Portfolio - Country/Region Allocation

Total Equity Composite vs. MSCI ACWI IMI Index

June 30, 2021

	Total Equity Composite	MSCI AC World IMI (Net)
Canada	0.9	3.0
United States	56.0	56.0
Australia	0.5	1.9
Hong Kong	1.6	1.1
New Zealand	0.0	0.1
Singapore	0.8	0.3
Pacific ex Japan	**2.9**	**3.5**
Japan	3.7	6.3
Austria	0.0	0.1
Belgium	0.0	0.3
Bermuda	0.5	0.1
Denmark	1.0	0.7
Finland	0.2	0.4
France	3.2	2.5
Germany	2.8	2.3
Ireland	1.2	1.1
Italy	0.6	0.6
Luxembourg	0.3	0.1
Netherlands	1.8	1.6
Norway	0.0	0.2
Portugal	0.1	0.0
Spain	1.7	0.6
Sweden	0.0	1.1
Switzerland	4.5	2.7
Europe ex UK	**18.0**	**14.3**
United Kingdom	4.3	4.1
Israel	0.0	0.3
Middle East	**0.0**	**0.3**
Developed Markets	**85.7**	**87.5**

	Total Equity Composite	MSCI AC World IMI (Net)
China	3.5	4.0
India	1.3	1.4
Indonesia	0.4	0.1
Korea	2.4	1.8
Malaysia	0.0	0.2
Pakistan	0.0	0.0
Philippines	0.0	0.1
Taiwan	2.3	1.9
Thailand	0.1	0.2
EM Asia	**10.0**	**9.7**
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	1.0	0.3
Turkey	0.0	0.0
EM Europe	**1.2**	**0.5**
Argentina	0.0	0.0
Brazil	0.9	0.7
Cayman Islands	0.0	0.0
Chile	0.0	0.1
Colombia	0.1	0.0
Mexico	0.9	0.2
Peru	0.0	0.0
Virgin Islands	0.0	0.0
EM Latin America	**1.9**	**1.0**
Egypt	0.1	0.0
Qatar	0.0	0.1
Saudi Arabia	0.0	0.4
South Africa	0.2	0.5
United Arab Emirates	0.0	0.1
EM Mid East+Africa	**0.3**	**1.0**
Emerging Markets	**13.4**	**12.3**
Frontier Markets	**0.2**	**0.1**
Cash	0.2	0.0
Other	0.5	0.1
Total	**100.0**	**100.0**

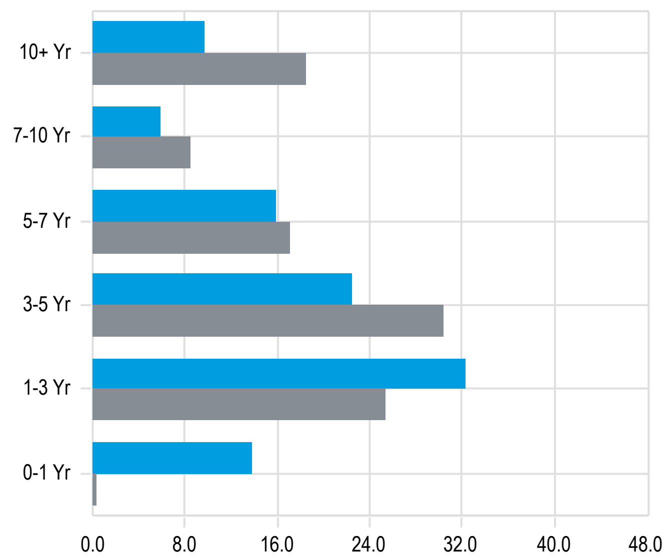
Surplus Cash Fixed Income Portfolio Characteristics

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

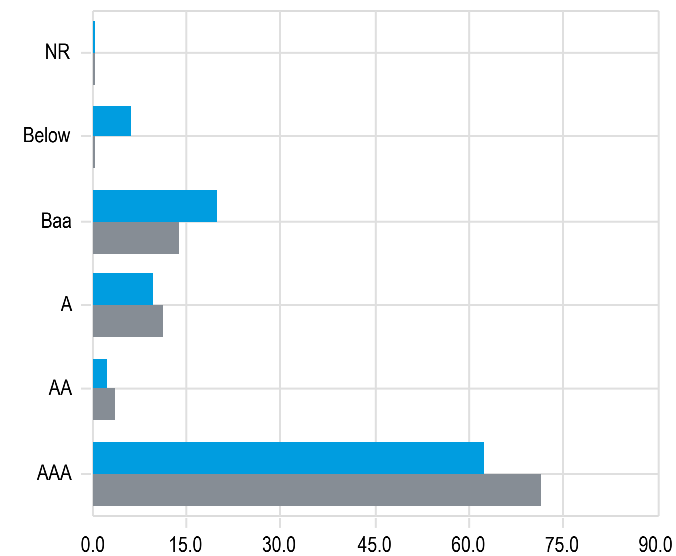
June 30, 2021

	Portfolio	Benchmark
Portfolio Characteristics		
Effective Duration	4.60	5.40
Avg. Maturity	6.80	6.90
Avg. Quality	AA	AA
Avg. Coupon	2.40	2.34
Current Yield	2.20	2.21
Yield To Maturity (%)	1.40	1.23
Number of Issues	-	-
Duration Distribution		
0-1 Yr	13.8	0.3
1-3 Yr	32.4	25.3
3-5 Yr	22.5	30.3
5-7 Yr	15.8	17.2
7-10 Yr	5.9	8.4
10+ Yr	9.6	18.5
Maturity Distribution		
0-1 Yr	6.2	0.0
1-3 Yr	23.8	39.9
3-5 Yr	15.9	19.7
5-7 Yr	8.0	14.2
7-10 Yr	5.2	11.8
10+ Yrs	40.8	14.5
Quality Distribution		
AAA	62.4	71.6
AA	2.3	3.6
A	9.4	11.2
Baa	19.8	13.6
Below	6.0	0.0
NR	0.0	0.0
Sector Distribution		
US Gov	36.9	49.2
Mortg.	27.1	22.1
Asset-Bck.	3.6	0.2
Corp	30.8	25.5
Foreign	2.9	3.0
Other	0.0	0.0
Cash	-1.4	0.0

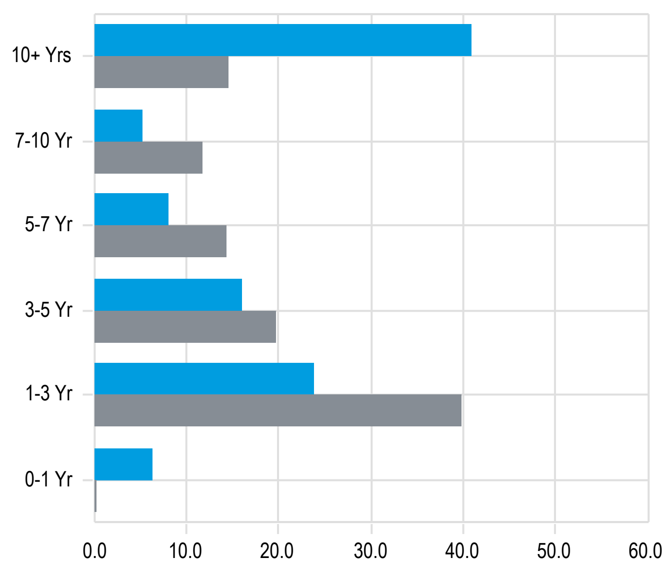
Duration Distribution



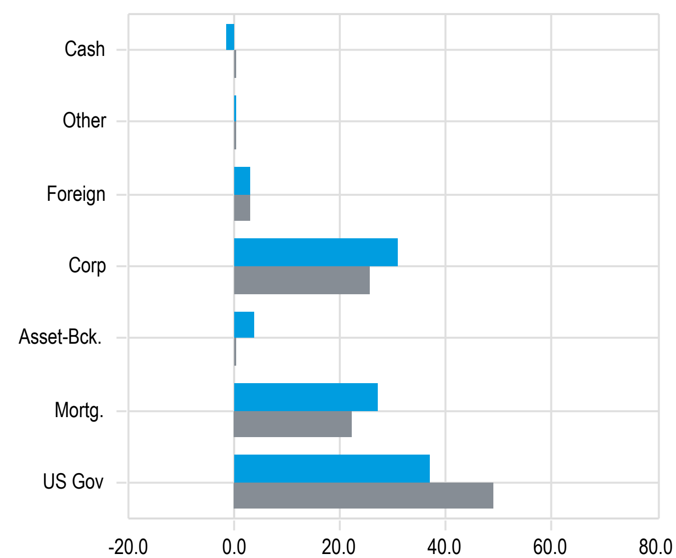
Credit Quality Distribution



Maturity Distribution



Sector Distribution



Portfolio Benchmark

Cash Balance Plan Equity Portfolio Characteristics

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

June 30, 2021

Portfolio Characteristics

	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap $000	215,879,250	294,750,140
Median Mkt. Cap $000	24,452,346	2,277,304
Price / Earnings	25.90	22.47
Price / Book	3.68	3.59
5 Yr. EPS Growth Rate (%)	15.76	16.29
Current Yield (%)	1.47	1.74
Beta (5 Years, Monthly)	1.01	1.00
Number of Holdings	834	9,260

Top 10 Holdings

	Portfolio	Benchmark	Return
Microsoft Corp	1.58	2.55	15.17
Amazon.com Inc	1.50	1.93	11.19
Apple Inc	1.36	3.02	12.31
Sea Ltd	0.90	0.00	23.01
Taiwan Semiconductor Mfg	0.87	0.69	5.21
Novartis AG	0.85	0.27	8.10
Facebook Inc	0.82	1.10	18.06
SAP SE	0.77	0.19	18.77
AIA Group Ltd	0.73	0.20	3.53
Fanuc Corp	0.70	0.06	1.81

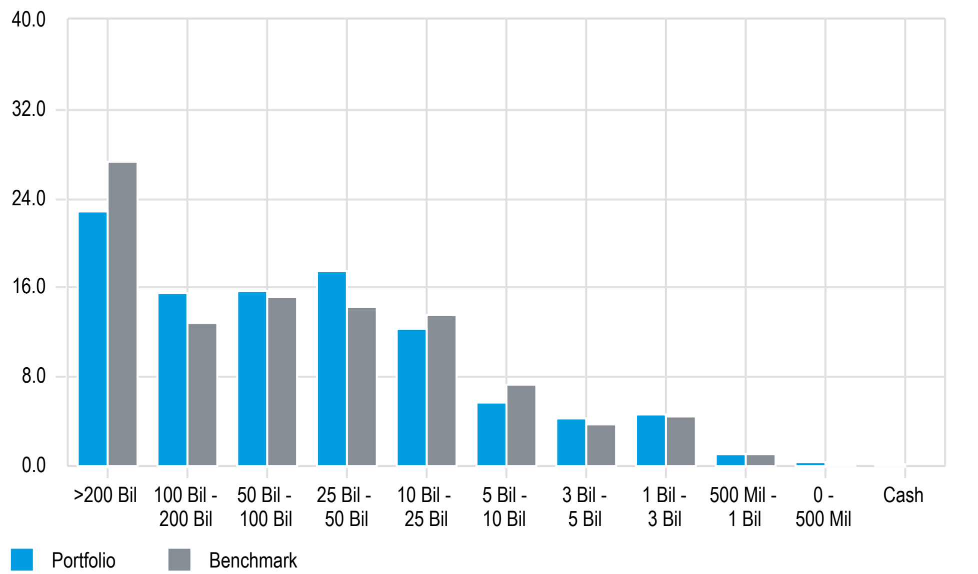
Top Contributors

	Portfolio	Benchmark	Return	Contribution
Sea Ltd	1.28	0.00	23.01	0.20
Intuit Inc.	0.50	0.14	28.14	0.08
Match Group Inc	0.69	0.05	17.37	0.07
Adobe Inc	0.69	0.32	23.20	0.06
Amazon.com Inc	2.00	1.87	11.19	0.01

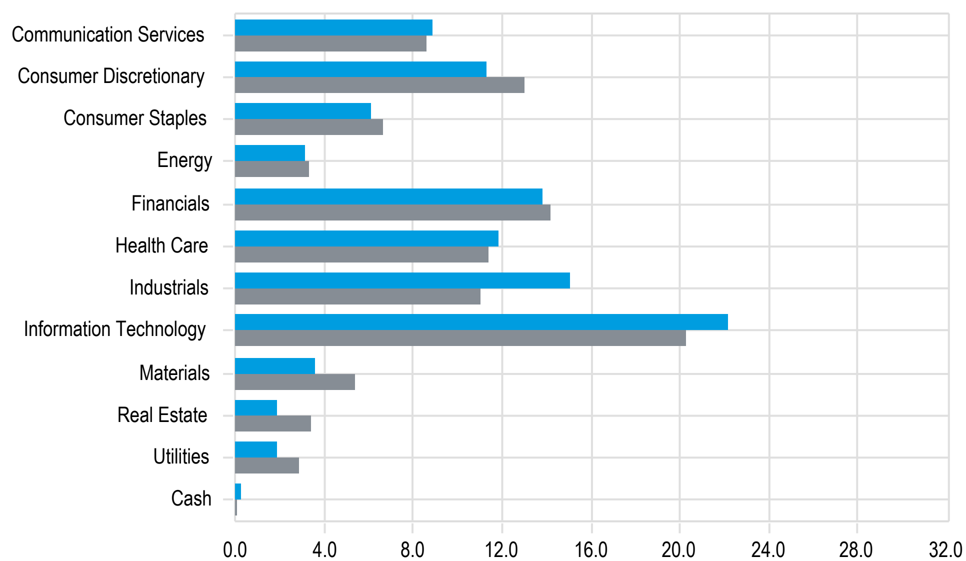
Top Detractors

	Portfolio	Benchmark	Return	Contribution
Sands China Ltd	0.33	0.02	-15.67	-0.07
Murata Manufacturing Co Ltd	0.57	0.06	-4.55	-0.06
Rolls Royce Holdings PLC	0.44	0.02	-6.76	-0.06
Cognizant Technology Solutions Corp	0.32	0.06	-11.04	-0.05
Deere & Co	0.51	0.16	-5.48	-0.04

Distribution of Market Cap



Sector Allocation



Cash Balance Plan Equity Portfolio - Country/Region Allocation

Total Equity Composite vs. MSCI ACWI IMI Index

June 30, 2021

	Total Equity Composite	MSCI AC World IMI (Net)
Canada	0.9	3.0
United States	55.5	56.0
Australia	0.6	1.9
Hong Kong	1.6	1.1
New Zealand	0.0	0.1
Singapore	0.9	0.3
Pacific ex Japan	**3.1**	**3.5**
Japan	3.8	6.3
Austria	0.0	0.1
Belgium	0.0	0.3
Bermuda	0.5	0.1
Denmark	1.1	0.7
Finland	0.2	0.4
France	3.3	2.5
Germany	2.9	2.3
Ireland	1.3	1.1
Italy	0.6	0.6
Luxembourg	0.3	0.1
Netherlands	1.8	1.6
Norway	0.0	0.2
Portugal	0.1	0.0
Spain	1.8	0.6
Sweden	0.0	1.1
Switzerland	4.7	2.7
Europe ex UK	**18.5**	**14.3**
United Kingdom	4.4	4.1
Israel	0.0	0.3
Middle East	**0.0**	**0.3**
Developed Markets	**86.2**	**87.5**

	Total Equity Composite	MSCI AC World IMI (Net)
China	3.3	4.0
India	1.2	1.4
Indonesia	0.4	0.1
Korea	2.4	1.8
Malaysia	0.0	0.2
Pakistan	0.0	0.0
Philippines	0.0	0.1
Taiwan	2.3	1.9
Thailand	0.1	0.2
EM Asia	**9.7**	**9.7**
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	1.0	0.3
Turkey	0.0	0.0
EM Europe	**1.1**	**0.5**
Argentina	0.0	0.0
Brazil	0.9	0.7
Cayman Islands	0.0	0.0
Chile	0.0	0.1
Colombia	0.1	0.0
Mexico	0.9	0.2
Peru	0.0	0.0
Virgin Islands	0.0	0.0
EM Latin America	**1.9**	**1.0**
Egypt	0.1	0.0
Qatar	0.0	0.1
Saudi Arabia	0.0	0.4
South Africa	0.2	0.5
United Arab Emirates	0.0	0.1
EM Mid East+Africa	**0.3**	**1.0**
Emerging Markets	**13.0**	**12.3**
Frontier Markets	**0.2**	**0.1**
Cash	0.2	0.0
Other	0.4	0.1
Total	**100.0**	**100.0**

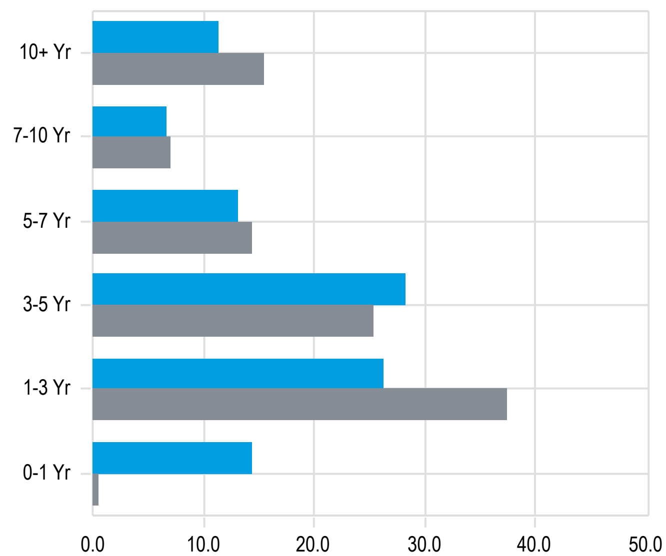
Cash Balance Plan Fixed Income Portfolio Characteristics

Cash Balance Fixed Income Composite vs. Total Fixed Income Benchmark

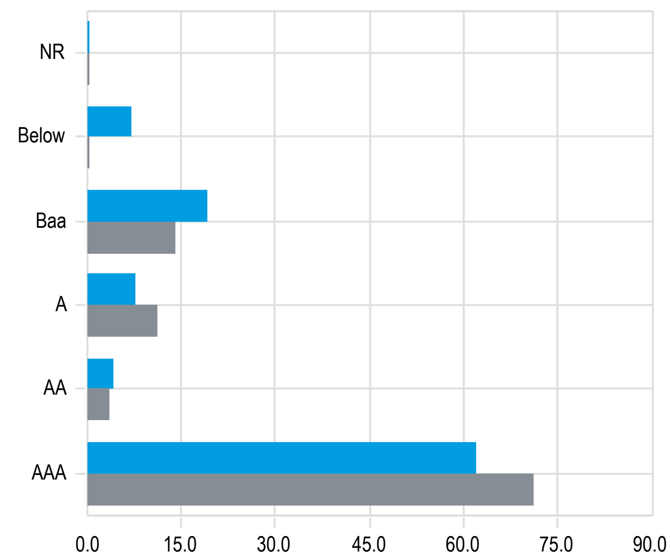
June 30, 2021

	Portfolio	Benchmark
Portfolio Characteristics		
Effective Duration	5.10	5.80
Avg. Maturity	7.90	7.40
Avg. Quality	AA-	AA
Avg. Coupon	2.50	2.41
Current Yield	2.40	2.28
Yield To Maturity (%)	1.80	1.32
Number of Issues	-	-
Duration Distribution		
0-1 Yr	14.4	0.6
1-3 Yr	26.3	37.5
3-5 Yr	28.2	25.3
5-7 Yr	13.2	14.3
7-10 Yr	6.6	7.0
10+ Yr	11.3	15.4
Maturity Distribution		
0-1 Yr	5.5	0.0
1-3 Yr	21.6	33.2
3-5 Yr	22.0	21.8
5-7 Yr	15.0	15.8
7-10 Yr	21.6	13.1
10+ Yrs	14.4	16.1
Quality Distribution		
AAA	62.1	71.3
AA	4.0	3.6
A	7.7	11.2
Baa	19.1	14.0
Below	7.0	0.0
NR	-	0.0
Sector Distribution		
US Gov	31.0	46.5
Mortg.	34.3	24.5
Asset-Bck.	4.0	0.3
Corp	20.8	25.9
Foreign	11.3	2.8
Other	0.0	0.0
Cash	-1.5	-

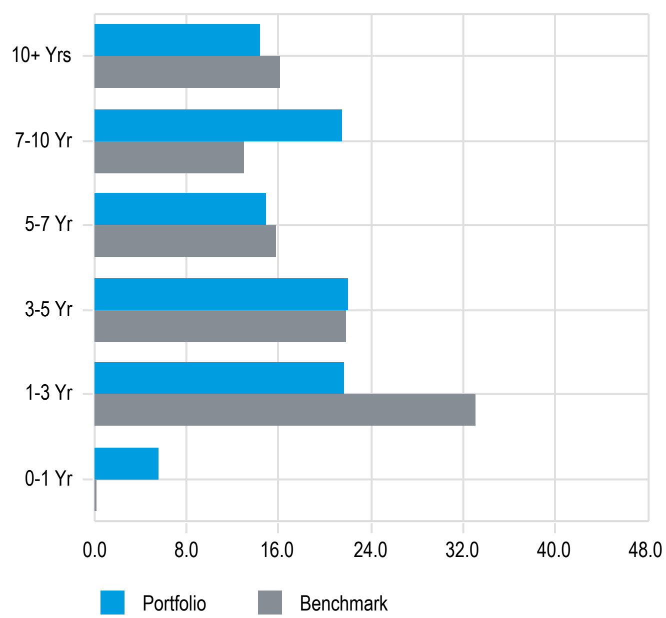
Duration Distribution



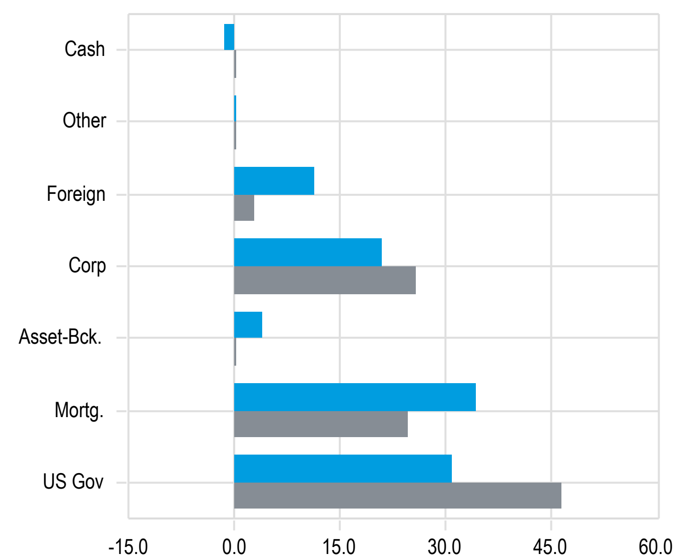
Credit Quality Distribution



Maturity Distribution



Sector Distribution



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

Mercer universes: Mercer's universes are intended to provide collective samples of strategies that best allow for robust peer group comparisons over a chosen timeframe. Mercer does not assert that the peer groups are wholly representative of and applicable to all strategies available to investors. One cannot invest directly in a Mercer universe.

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Please see the following link for information on indexes:
https://www.mercer.com/content/dam/mercer/attachments/private/nurture-cycle/gl-2021-investment-management-index-definitions-mercer.pdf

El Camino Hospital

Diversity & Inclusion Investment Education

August 16, 2021

welcome to brighter

Research supports the view that diverse groups lead to better decision making

Conditions under which diversity helps

- The problem has to be hard, in that it has many potential solutions
- The people have to be able to identify different possible solutions
- The people have to be diverse thinkers, to produce a wide set of answers
- The group size has to be large enough to explore all possibilities

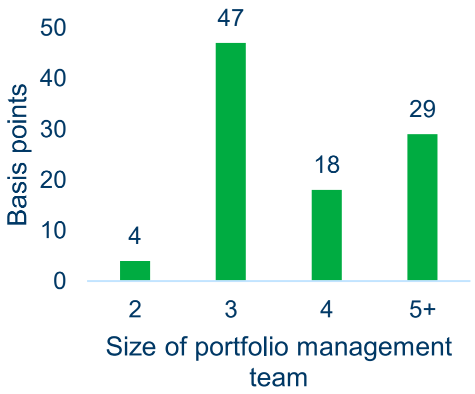
Source: AB, AllianceBernstein and Scott Page, "The Difference"

Rules for making wise decisions

- Diversity of opinion: each person has their own private information
- Independence: opinions are not influenced by others around them
- Decentralization: so people can specialize and draw on local knowledge
- Mechanism for aggregation: to turn private judgements into a collective view

Source: AB, AllianceBernstein and James Surowiecki, "The Wisdom of Crowds"

Added alpha (compared to a single PM)



Source: AB, AllianceBernstein and Patel and Sakissian, "To Group or Not to Group: Evidence from Mutual Funds" (2013).

Diversity is not always visible and takes many forms

Diversity can be found in many different forms		
Gender	Talents	Ethnicity
Skin color	Work ethic	Culture
Nationality	Family status	Qualifications
Wealth	Life experience	Language
Religion	Beliefs	Values
Physical ability	Perspectives	Heritage
Cognitive style	Age	Social status
Education	Race	Skills
Learning style	Politics	Sexual identity

Diversity generally reveals itself in two broad themes

People

- Gender
- Age
- Nationality/ language/ ethnicity

- Prior Experience
- Education/training/qualifications
- Thinking style
- Personality
- Team dynamics
- Values and culture

Organizational

- Diversity and Inclusion (D&I) policies
- D&I targets and incentives
- Compensation and promotion
- Unconscious bias training
- Recruiting practices
- Agile working?
- Returner programs?
- Industry initiatives?
- D&I certification?

People of different identities will often have different backgrounds and experiences, which can lead them to approach problem-solving in different ways

A focus on minority owned firms in the United States

- Minority owned firms and the assets they manage **represent a small fraction of the US asset manager universe**
- In some asset classes **a shallow opportunity set** from which to select a minority owned manager may exist
- Some minority owned firms have a limited track record
- Asset owners who have allocation targets to minority owned firms may need to **hire multiple minority owned firms to achieve their target**

11

Median number of employees

5

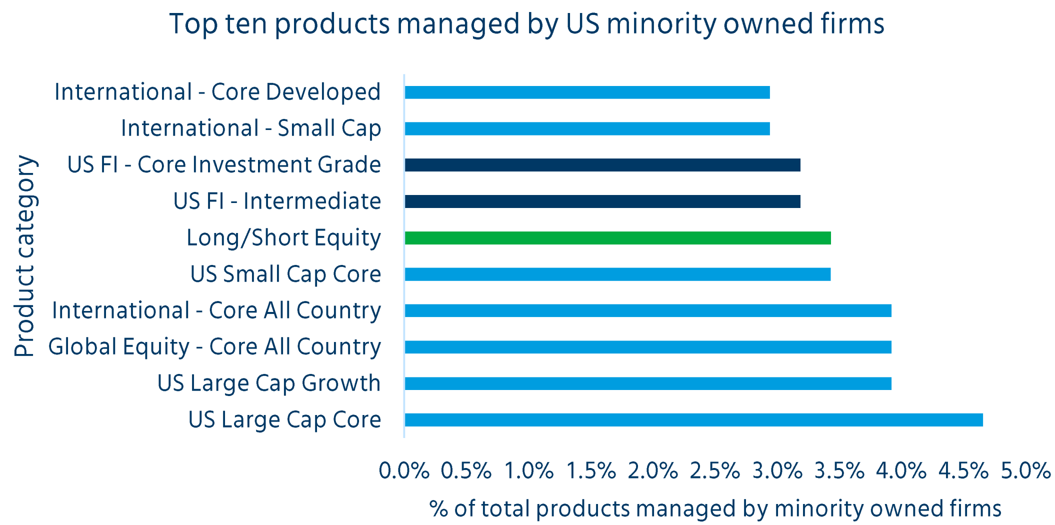
Median number of investment professional

$0.9b

Median manager assets under management

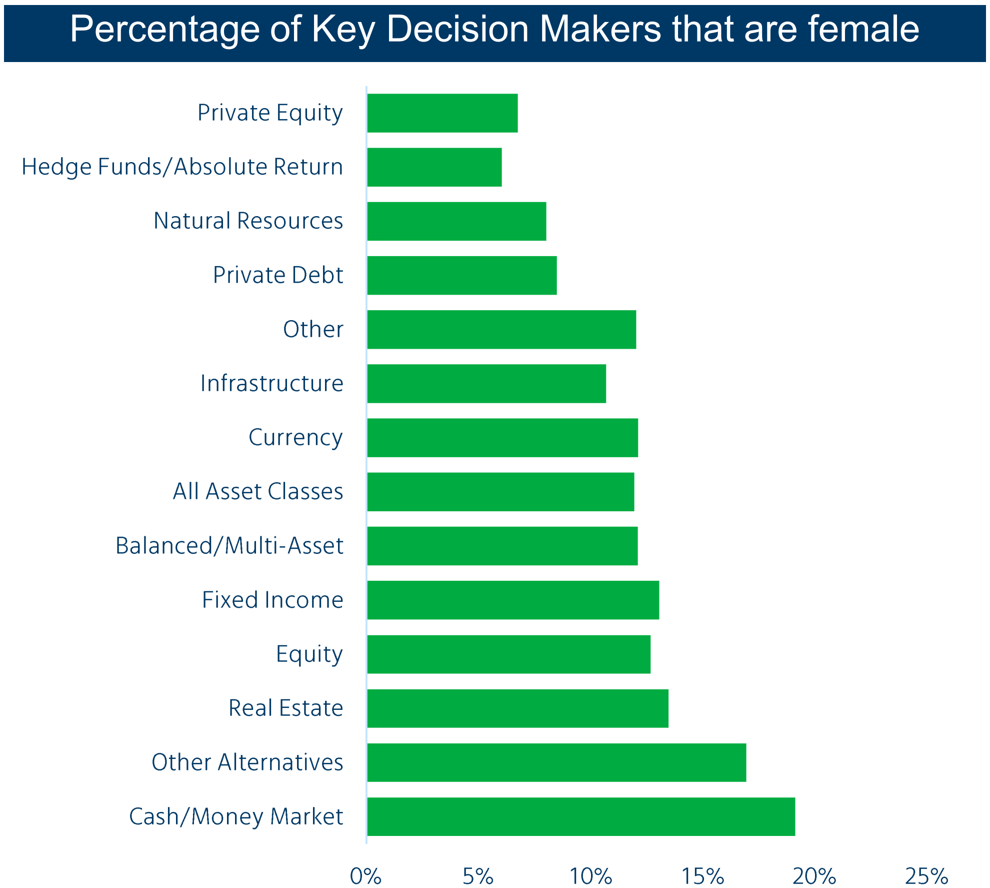
2

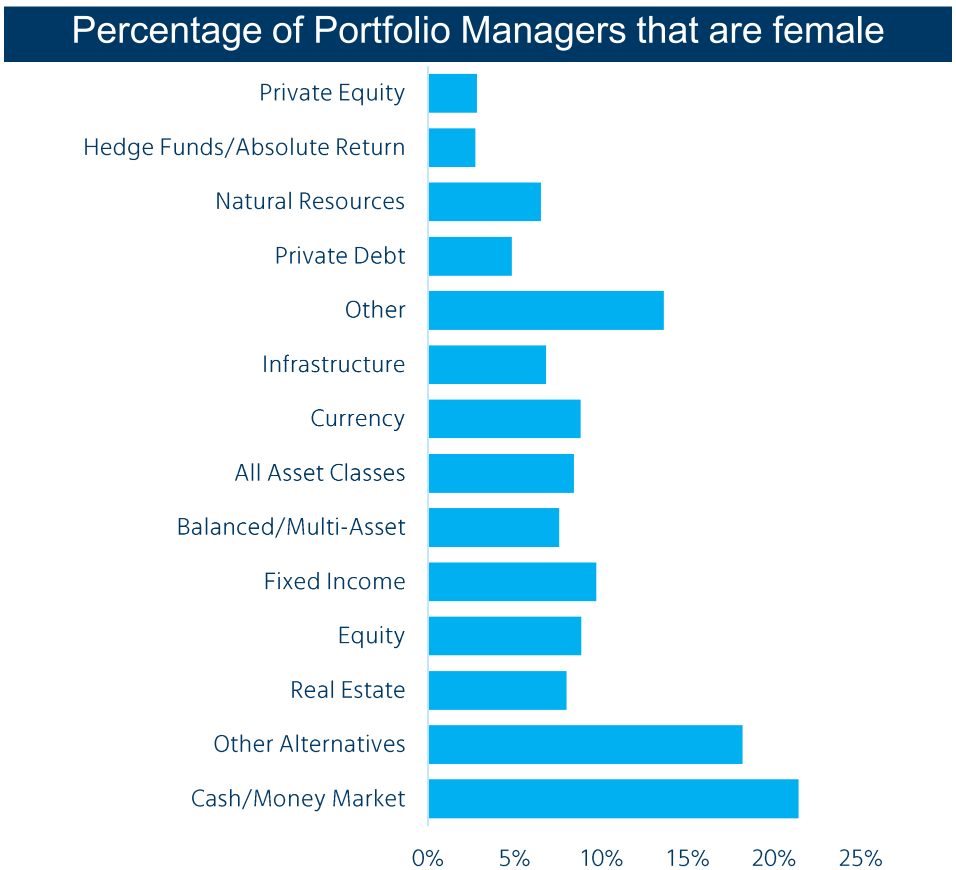
Median number of strategies offered by manager



Source: Mercer Insight, June 2020. The total number of asset managers in Mercer Insight are 6,705, of which 288 disclose race and gender of owners. Asset data as of March 2020.

The under representation of female key decision makers and portfolio managers in particular is observed across asset classes





Source: MercerInsight, December 2019. Mercer calculations. The total number of portfolio managers in our sample is 6,956, a subset of the total number of key decision makers in our sample, which is 20,040. For each of these, we have inferred their gender. Our inferences are limited to a binary male/female classification of gender for the purposes of our analysis. Mercer fully recognizes the important of an inclusive culture within any firm, including our own, and we acknowledge that there will be professionals within this sample who self-identify in a different way to this binary classification. Key decision makers (KDMs) is defined as portfolio managers and dedicated analysts.

Diversity & Inclusion (D&I) trends

- **Asset Manager Commitments: Managers have been receptive to prioritizing DEI efforts.**
    - Asset management giants, BlackRock, Goldman Sachs and SSGA, created a Diversity Working Group.
    - Vanguard urging for greater diversity in workplaces, boardrooms and may vote against directors at companies and hold them accountable "when progress on board diversity falls behind market norms and expectations".

- **Greater peer transparency: Harvard discloses diversity stats of external managers.**
    - The endowment's allocation to diverse-owned firms (defined as at least 50%-owned by women or racial and ethnic minorities) was approximately 26%, significantly higher than the industry average of 18%.

- **D&I Approaches: Various ways of D&I incorporation in investment programs.**
    - Dedicated D&I program (either separate or as a carve out within the current investment program)
    - Incorporation of D&I into a broader responsible investment program
    - Integrated into the entire investment program (this is the most heavily used approach)

- **D&I Goals: Primary goal – increase representation and participation of women, people of color, and other under represented ethnicities.**
    - Also recognition that engagement within the entire industry is the best way of reflecting the larger themes of D&I.

- **Portfolio Implementation: Most still early in their journey and focused on data collection/profile evaluation.**
    - General consensus to advance beyond a singular firm ownership focus towards a more comprehensive way of assessing D&I (i.e. firm leadership, key strategy decision makers, etc.)
    - Establishment of target thresholds (or specific goals) for diversity are still early, specifically for ethnic diversity.

D&I challenges

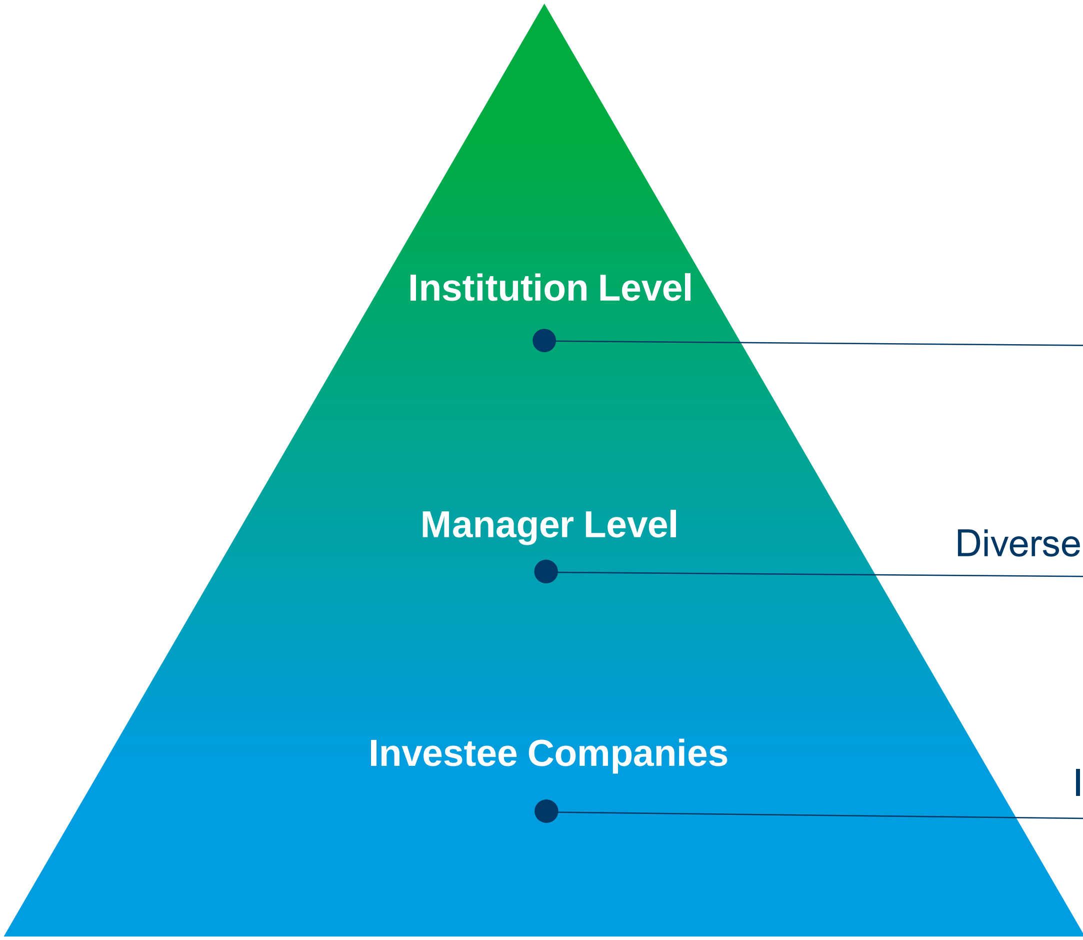
Portfolio Construction

- Potential increase in the number of managers utilized within certain asset classes
- Movement to passively managed strategies
- Time and resource constraints

Barriers (real or perceived)

- Accuracy / Collection of Data
- Conflation between minority-women-owned manager vs. an emerging manager
- Allocating assets to women-/minority-owned firms means sacrificing performance or an increase in risk
- No single way to define success (making peer relative comparisons difficult)
- Opportunity set: Dearth of options available in some asset classes
- Smaller firms could lack the resources, expertise, or staff to maintain the databases, ability to convey their competitive advantage/process/investment philosophy (i.e., not institutional ready/classic small firm challenges)

D&I across the investing value chain



Institution D&I practices
Current policies and practices
Plans for improvement

Manager D&I
Current performance, policies and practices
Targets for improvement
Diverse Manager Program / Holistic Program Integration

Investee Companies
Current performance and practices
Targets for improvement
Integration, Stewardship, Proxy Voting, Screening

Various investor approaches: Diversity & Inclusion pillars

Investment beliefs, policy and procedures

Integration	Stewardship	Investment	Screening
Include DEI in investment analysis/ decisions	**Actively engage with managers, peers, broader industry and companies failing to address D&I through voting and engagement**	**Allocate to diverse managers and / or thematically focused strategies (i.e. gender or racial lens specific, etc.)**	**Screen and monitor companies**
Objective: Broader perspective on risk/opportunity	**Objective: Company / industry improvements**	**Objective: Long term growth and positive 'impact'**	**Objective: Mission / values alignment**
• Integrate "S" issues such as diversity, equity, inclusion into manager selection and review	• Design a stewardship and voting program that encourages election of diverse boards, management, pay-equity and programs with investee companies • Encourage managers to develop D&I policies, goals and company engagement and voting policies • Participate in collaborative engagements and coalitions focused on diversity and inclusion as appropriate	• Create program to encourage women and minority owned managers • Consider investment themes that support minorities and women, owned businesses (MWOB) or target the Sustainable Development Goals (SDGs).	• Monitor investee companies for discrimination controversies, lack of diverse board composition etc.

Transparency and reporting

Pathway on Diversity and Inclusion

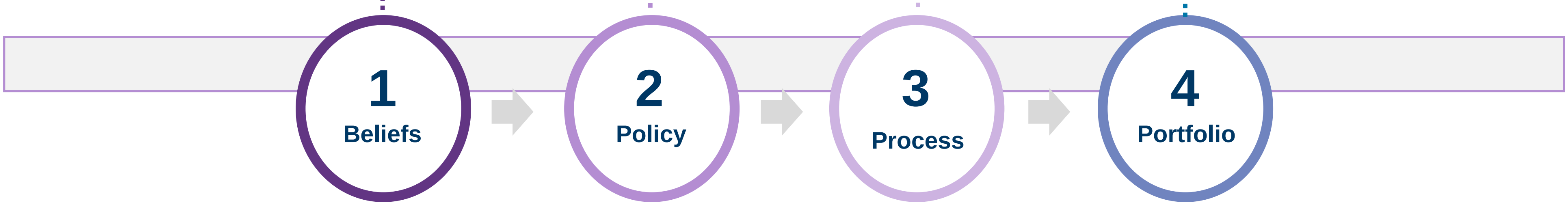
Framework for Integration of Diversity and Inclusion

1. Is Diversity and Inclusion part of organizational and investment beliefs and institutional commitments?

2. Is there a clear policy on D&I within the investment or Responsible Investment policy ?

3. Are processes aligned to a strategy? How are internal and external managers guided to follow D&I goals?

4. Are D&I practices improving in portfolios? Is a strong monitoring program in place?



DEI — we're taking action

Created Chief Inclusion & Diversity Officer role

Resource groups and communities
(racial, ethnic, disability, veterans, women, working families, LGBTQ+)

Established Race Advisory Council

Institutional Investing Diversity Cooperative (IIDC) membership

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Increased collection and monitoring of investment manager data related to DEI

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Culture of inclusion
Practicing what we preach

We believe our company's greatest strength is the collective talent of our people

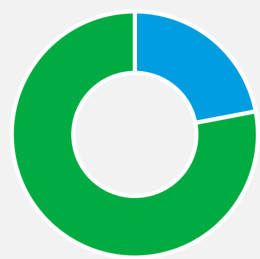
We believe the more diverse our backgrounds and experiences, the more we can achieve together

Inclusion means more than acceptance, it means belonging

It's a promise of full participation in the life and work of our company and a voice in its future

Demographics by gender and ethnicity

58%
female



22%
racially and ethnically diverse

All colleagues

Mercer is an Equal Opportunity Employer. Data provided from our consolidated EEO-1 report as of December 31, 2020.

Actions Mercer is taking to improve information, transparency, and increase the diversity profile within the asset management industry

Contacting managers

- Proactively taking action to expand the breadth and depth of managers and strategies in our research database.
- Asking managers to review and update their profile to ensure asset managers are being properly identified.

Increased research

- Mercer manager research is enhancing its screening to increasingly capture firms that identify as women or minority owned.
- Continue to broaden our review of our universes, including women and minority owned firms.

Added screening

- Mercer has created ready-to-use screening templates in our proprietary research database so interested clients are aware of the investment opportunity set.
- We are adding new questions and fields so interested clients have a more informed view as to the attributes of women and minority firms.

We anticipate increased interest from clients for women and minority-owned firms going forward and want to ensure clients are aware of the broadest possible opportunity set as they consider who to invest with

Mercer collects the following data from all managers on responsible investment metrics

Diversity and Inclusion is a dedicated category, with screening that is qualitative and quantitative:

- Diversity policy
- Diversity metrics
- Diversity target
- Diversity target description
- Diversity target initiatives description
- Unconscious bias training description
- Hiring initiatives description
- Published gender pay gap
- Gender pay gap analysis
- Industry D&I initiatives or charters
- Awarded D&I related certification
- Minority owned

Mercer Diversity & Inclusion coverage

Equities

- 118 managers
- 354 strategies offered
- 95 strategies have a Mercer rating

Fixed Income

- 36 managers
- 145 strategies offered
- 40 strategies have a Mercer rating

Diversified Alternatives

- 79 hedge fund managers
- 121 strategies offered
- 38 strategies have a Mercer rating

Women and minority-owned firms in the US collectively manage over $400 billion in assets. The principal asset categories are equities, fixed income and hedge funds.

Source: MercerInsight, April 2021.

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