San Jose Federated City Employees' Retirement System

Private Markets Pacing Plan

Fiscal Year 2025-26

as of April 2025

FCERS 5.15.25

Purpose

- Seek approval of target commitment amounts (the “pacing plan”) for each private markets asset class in the next fiscal year as required by the current IPS and proposed Investment Implementation Procedures.
- The pacing plan uses assumptions on future cash flows and NAVs to estimate commitment amounts to reach and maintain target allocations.

Valuable context:

- Execution of FY 2024-25 pacing plan.
- Current allocations.
- Pacing plan modeling completed by Neuberger Berman (buyout) and Meketa Investment Group (other private asset classes).
- Projections for 10 years shown, but the pacing plan is revisited on an annual basis.

Year in review

Execution of FY 2024-25 pacing plan

- 17 commitments for $144mm of $130mm pacing plan (111%) expected.
- Half of commitments with existing fund manager relationships.
- Growth Real Estate commitments resumed in December 2024 after a two-year pause.

Current positioning versus target

- Private markets are currently 23% of plan assets, 2% above the 21% target.
- Current allocation is 2% above the prior year pacing plan model due to a slowdown in Buyout realizations.

Asset allocation changes

- No changes to 21% target.

Market environment

- Sticky inflation, high interest rates, and geopolitical risk.
- Valuations have moderated, but remain elevated.
- Challenging private markets fundraising environment.

FY 2024-25 Pacing Plan Execution

	Style	Date	Executed ($mm)		Target ($mm)	% of Target
Buyout			**25**	**/**	**25**	**100%**
PE Strategic Partnership SJFED	Fund-of-one	7/1/2024	25			
Venture Capital			**25**	**/**	**28**	**89%**
Transpose Platform SJFED	Fund-of-one	7/1/2024	10			
Streamlined Ventures V	Early Stage	1/16/2025	5			
Expected to close soon	*Early Stage*	*TBD*	*5*			
Expected to close soon	*Early Stage*	*TBD*	*5*			
Private Debt			**28**	**/**	**20**	**140%**
Silver Point Specialty Credit Fund III	Par Credit	11/15/2024	7			
Arbour Lane Credit Opportunity Fund IV	Stress	12/9/2024	7			
Strategic Value Special Situations Fund VI	Stress	12/19/2024	7			
TPG AG Credit Solutions Fund III	Stress	3/31/2025	7			
Growth Real Estate			**35**	**/**	**32**	**109%**
IPI Partners Fund III	Value Added	12/11/2024	11			
Expected to close soon	*Value Added*	*TBD*	*8*			
Expected to close soon	*Value Added*	*TBD*	*8*			
Expected to close soon	*Value Added*	*TBD*	*8*			
Private Real Assets			**31**	**/**	**25**	**124%**
Primary Wave Music IP Fund 4	Infra	9/27/2024	7			
Pelican Energy Partners Base Zero	Energy	10/25/2024	7			
Lime Rock New Energy II	Infra	12/3/2024	5			
Expected to close soon	*Infra*	*TBD*	*7*			
Expected to close soon	*Energy*	*TBD*	*5*			
Total Private Markets			**144**	**/**	**130**	**111%**

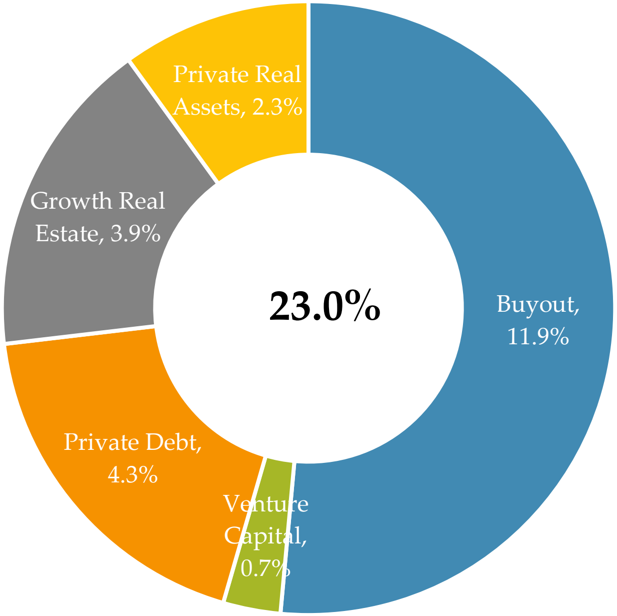
As of March 31, 2025. Values in $ millions.

Private Markets Allocation Snapshot

- The Private Markets allocation is currently 2% above target.

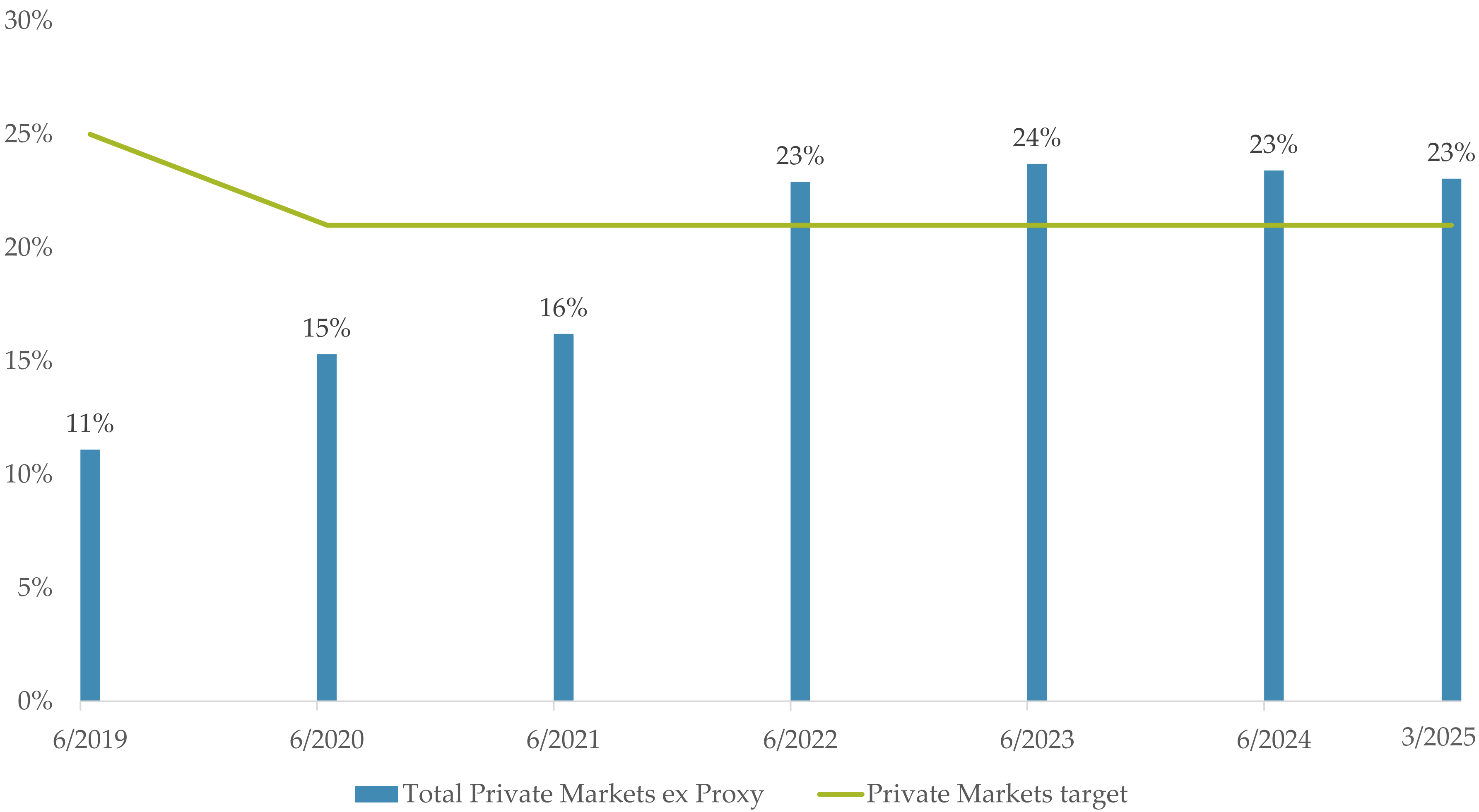
	% of Plan	Target	Difference
Buyout	11.9%	8%	3.9%
Venture Capital	0.7%	4%	-3.3%
Private Debt	4.3%	3%	1.3%
Growth Real Estate	3.9%	3%	0.9%
Private Real Assets	2.3%	3%	-0.7%
Total Private Markets	**23.0%**	**21%**	**2.0%**

As of March 31, 2025



Private Markets % of Plan Over Time

- The Private Markets allocation is currently 2% above target.
- The Board decreased the Private Markets target from 25% to 23% in October 2019 to 21% in March 2020.



Current positioning versus target slightly ahead of plan

- The Private Markets allocation is 2% higher than expected in the prior year pacing plan due to a slowdown of realizations (distributions) in the Buyout asset class.

	Expected 6/30/25 (% of plan)			Expected 6/30/25 NAV ($mm)		
	Prior Pacing	Current Estimates	Difference	Prior Pacing	Current Estimates	Difference
Buyout	9%	11%	+2%	302	380	+78
Venture Capital	1%	1%	0%	49	50	+1
Private Debt	4%	4%	0%	125	126	+1
Growth Real Estate	4%	4%	0%	123	125	+2
Private Real Assets	3%	3%	0%	91	87	-4
Total Private Markets	**21%**	**23%**	**+2%**	**690**	**768**	**+78**

Plan-level net asset value forecasts

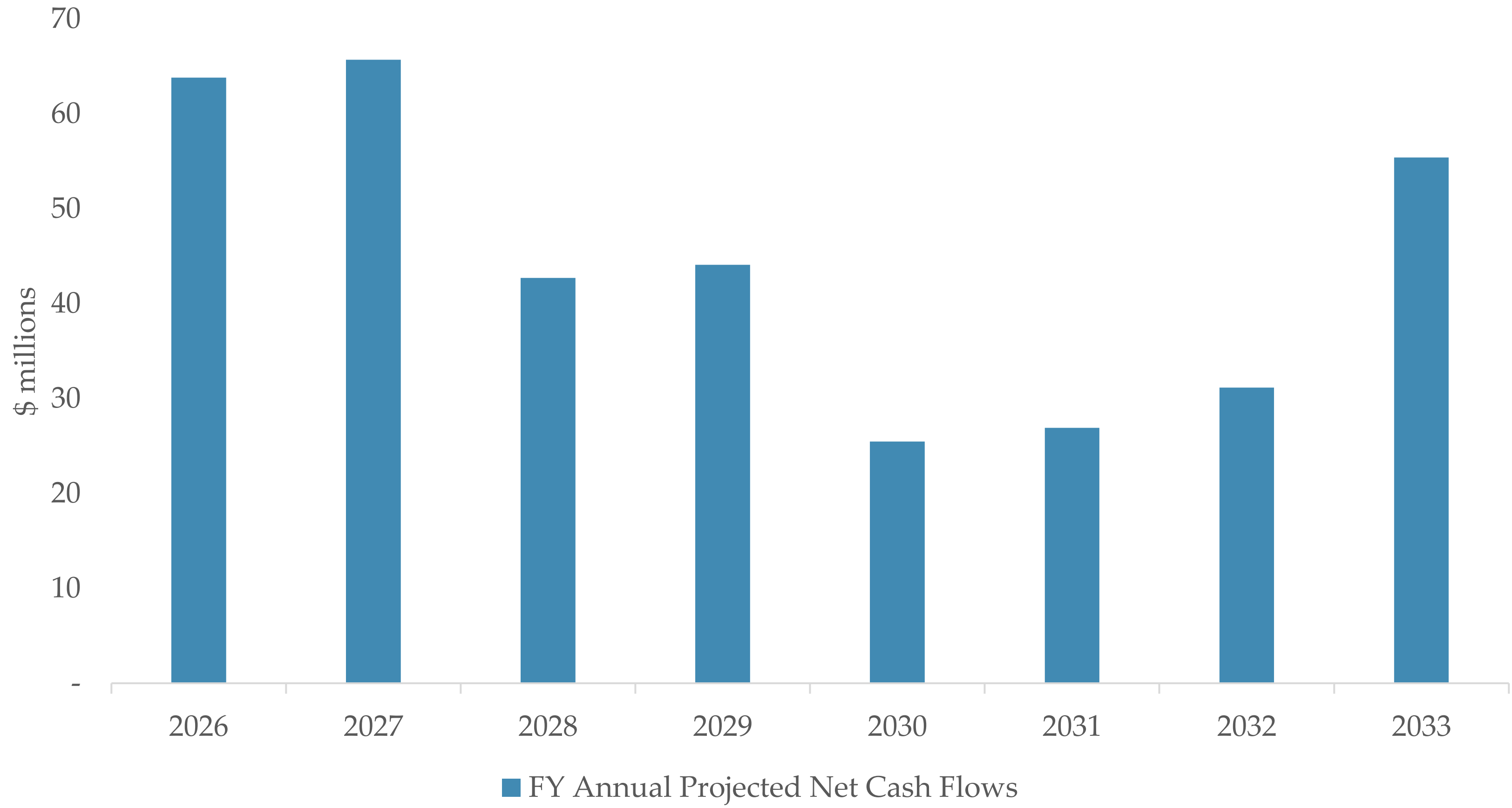
- The current NAV forecasts are slightly higher compared to last year's pacing plan.

	6/30/2025	6/30/2026	6/30/2027	6/30/2028	6/30/2029
Current NAV forecast ($mm)	**3,388**	**3,623**	**3,864**	**4,122**	**4,390**
Prior Year NAV forecast ($mm)	*3,340*	*3,569*	*3,807*	*4,063*	*4,329*
Difference	*1%*	*1%*	*2%*	*1%*	*1%*

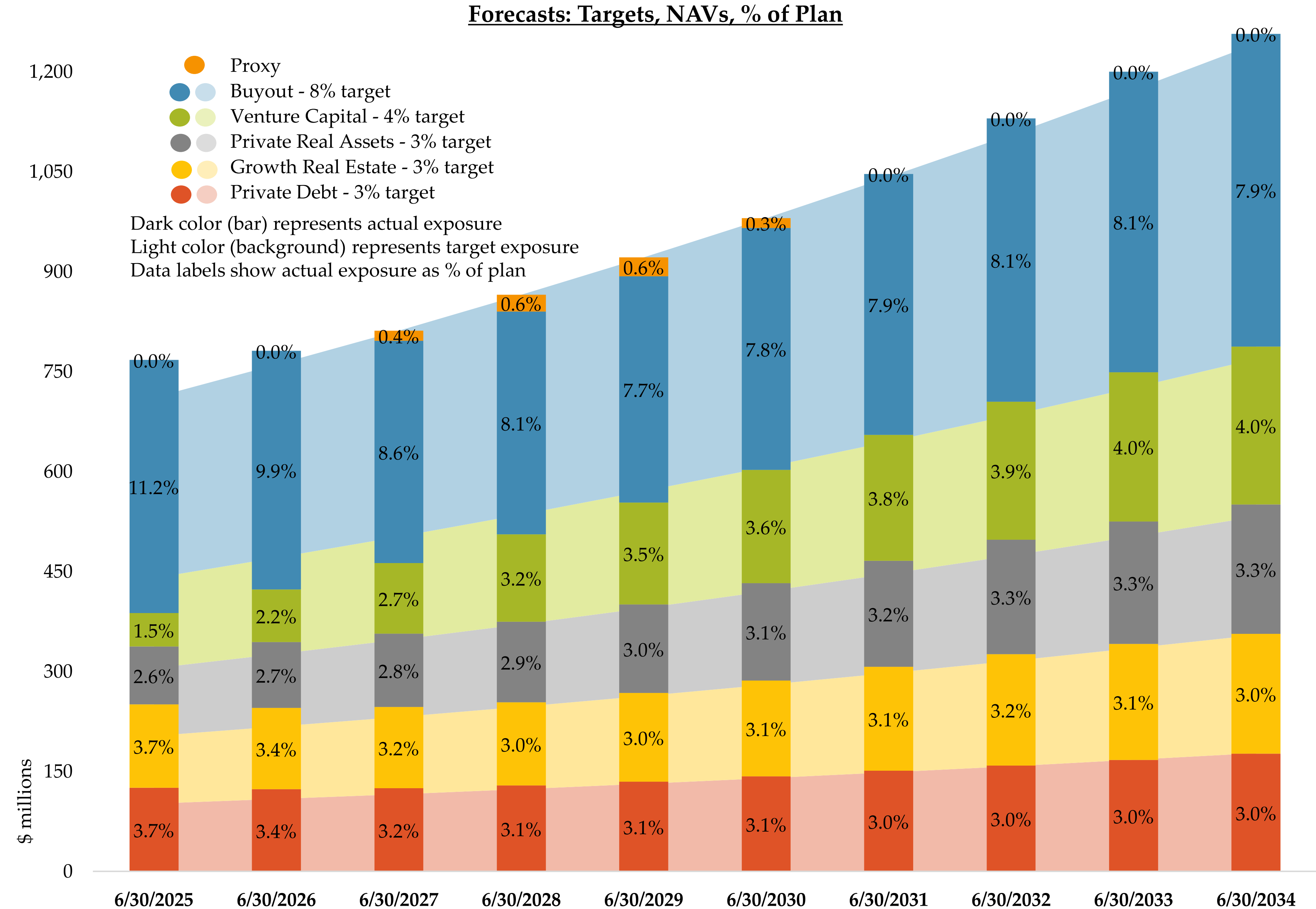
	6/30/2030	6/30/2031	6/30/2032	6/30/2033	6/30/2034
Current NAV forecast ($mm)	**4,670**	**4,964**	**5,266**	**5,587**	**5,917**
Prior Year NAV forecast ($mm)	*4,609*	*4,904*	*5,208*	*5,531*	*5,864*
Difference	*1%*	*1%*	*1%*	*1%*	*1%*

Liquidity Management

- Private Markets are forecast to be net cash flow positive to the total plan.
- Projected Net Cash Flows = Projected Distributions minus Projected Capital Calls



Forecast private markets net asset values



Pacing Plan Recommendation

- Below are the target commitment amounts from pacing plan modeling completed by Neuberger Berman (buyout) and Meketa Investment Group (other private asset classes).
- Staff recommends approval of the highlighted asset class commitment amounts for FY 25-26.

	FY 24-25		Pacing Plan				
	Pacing Plan	Actual	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Buyout	25	25	25	50	100	75	75
Venture Capital	28	25	28	28	28	24	24
Private Debt	20	28	25	25	25	25	30
Growth Real Estate	32	35	32	35	35	40	40
Private Real Assets	25	31	25	25	30	30	30
Total Private Markets	**130**	**144**	**135**	**163**	**218**	**194**	**199**

- The IPS commitment limit per asset class is 150% of pacing plan (cumulative). The maximum commitments are shown below for reference assuming expected closings on page 4 occur before 6/30/2025.

	FY 25-26 Pacing Plan	150% of Pacing Plan	Cumulative Catch-Up	Maximum Commitments
Buyout	25	38	-	38
Venture Capital	28	42	21	63
Private Debt	25	38	-	38
Growth Real Estate	32	48	-	48
Private Real Assets	25	38	-	38
Total Private Markets	**135**	**203**	**-**	**224**

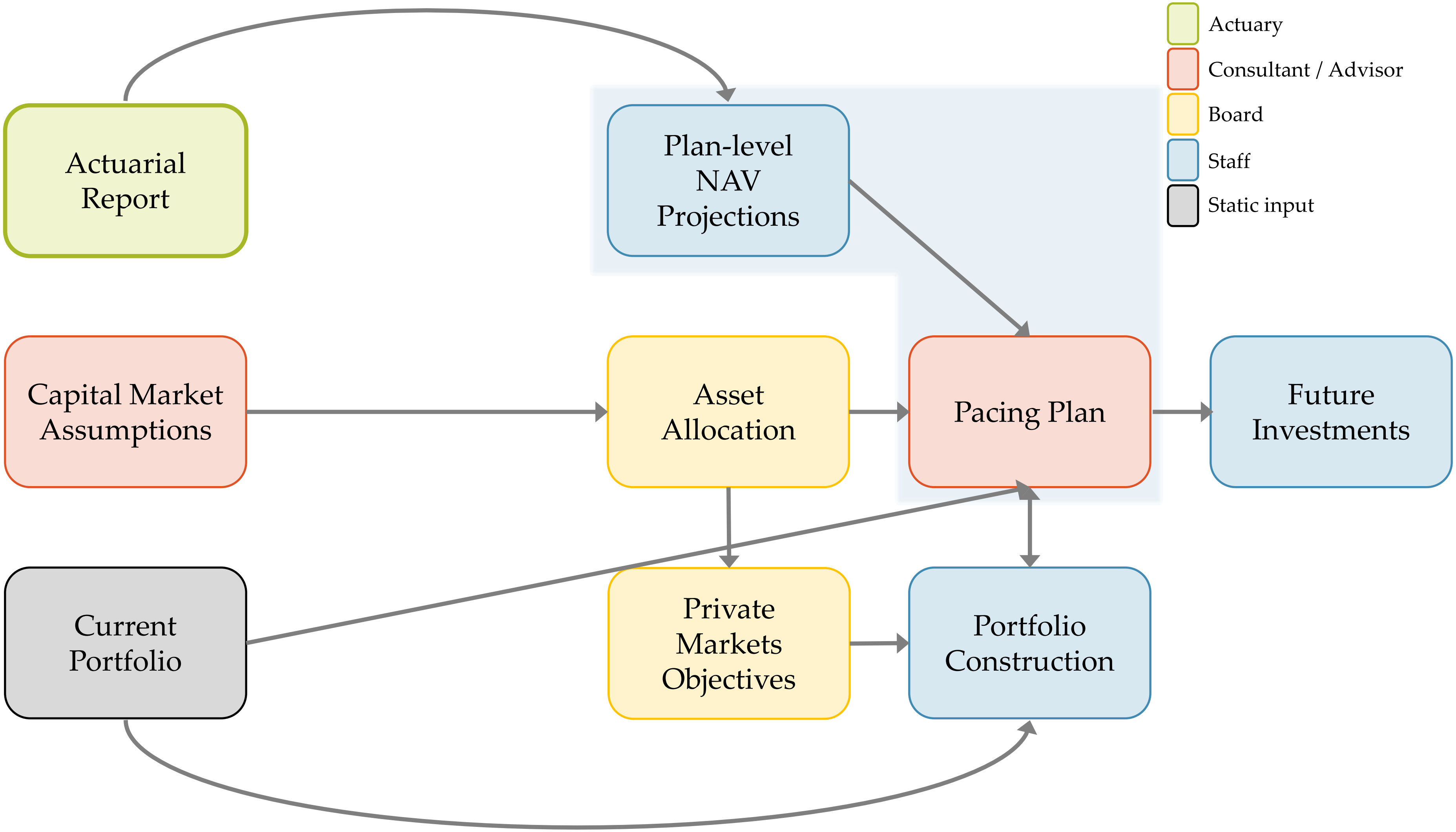
Values in $ millions

Appendix

Pacing plan basics

- The pacing plan models how the pension plan will reach and maintain target allocation to private markets strategies.
- The key output is a target level of annual commitments to funds in each private market asset class.
- Many assumptions are incorporated into the pacing plan models. Because of the assumptions' high variance (actual vs. forecast), the pacing plan is revisited annually.
- Staff produces plan-level NAV targets for each private markets asset class, which are then provided to Neuberger Berman and Meketa Investment Group for detailed modeling on Buyout, Venture Capital, Private Debt, Growth Real Estate, and Private Real Assets.
- Staff aggregates the output into a single pacing plan document to allow stakeholders to view the private markets program holistically.
- The Boards' approvals of their respective pacing plans sets the guideline for the constraints outlined in the current IPS and proposed Investment Implementation Procedures around delegation of manager selection to staff.
- When actual private markets exposure is below target, a public markets proxy is used to rebalance to target.

Private markets process / data flow



Investment projection methodology

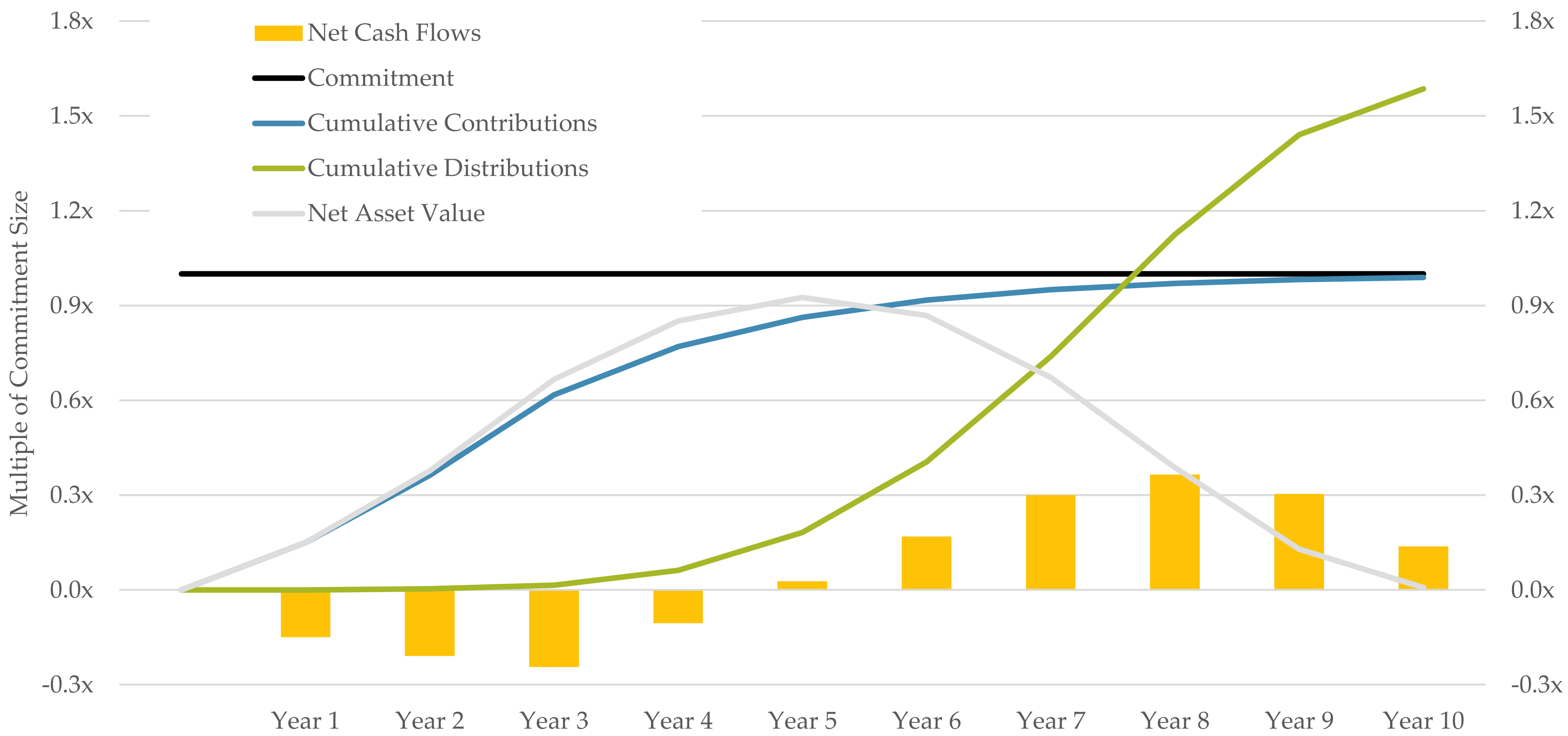
Meketa produced an easy-to-read white paper on commitment pacing that outlines their specific methodology (PDF link).

An example to demonstrate the assumptions and output for a sample investment is shown below using the Takashi-Alexander framework, which is the basis for the Meketa model.

Inputs

Fund type:	Large buyout	**Projected net return:**	12% IRR / 1.6x TVPI
Contribution rates, Year 1 / 2 / 3+:	15% / 25% / 40%	**Projected yield:**	2%
Fund term:	10 years	**Bow factor:**	3.0

Output



Investment Policy Statement

Basis*	Description	Strategy Limit[1]
Vehicle	Separately managed accounts (active)	15%
	Commingled funds and SMAs (public, passive)	No limit[2]
	Commingled funds (public, active)	15%
	Commingled funds (hedge funds)	15%
	Commingled funds (private strategies)	15%[3]
Public Markets[4]	Passive strategies	No limit
	Active strategies	15%
Private Markets		**Transaction Limit[5]**
	Total $ commitment to asset class (e.g. Private Debt)	150% of Board-approved pacing plan (cumulative)[6]
	Primary fund commitment (1st allocation to mgr.)	2%**
	Primary fund commitment (follow-on)	3%**
	Secondary fund investment	1%**

* To be selected, the manager must satisfy the "Vehicle" constraint and the appropriate "Public Markets" or "Private Markets" constraints

** Percentage (%) of total System assets

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1 Percentage (%) of total System assets allowable per investment strategy.

2 Rationale: Fund is constrained by the asset allocation. This is the "default" option for investing, and scale determines pricing.

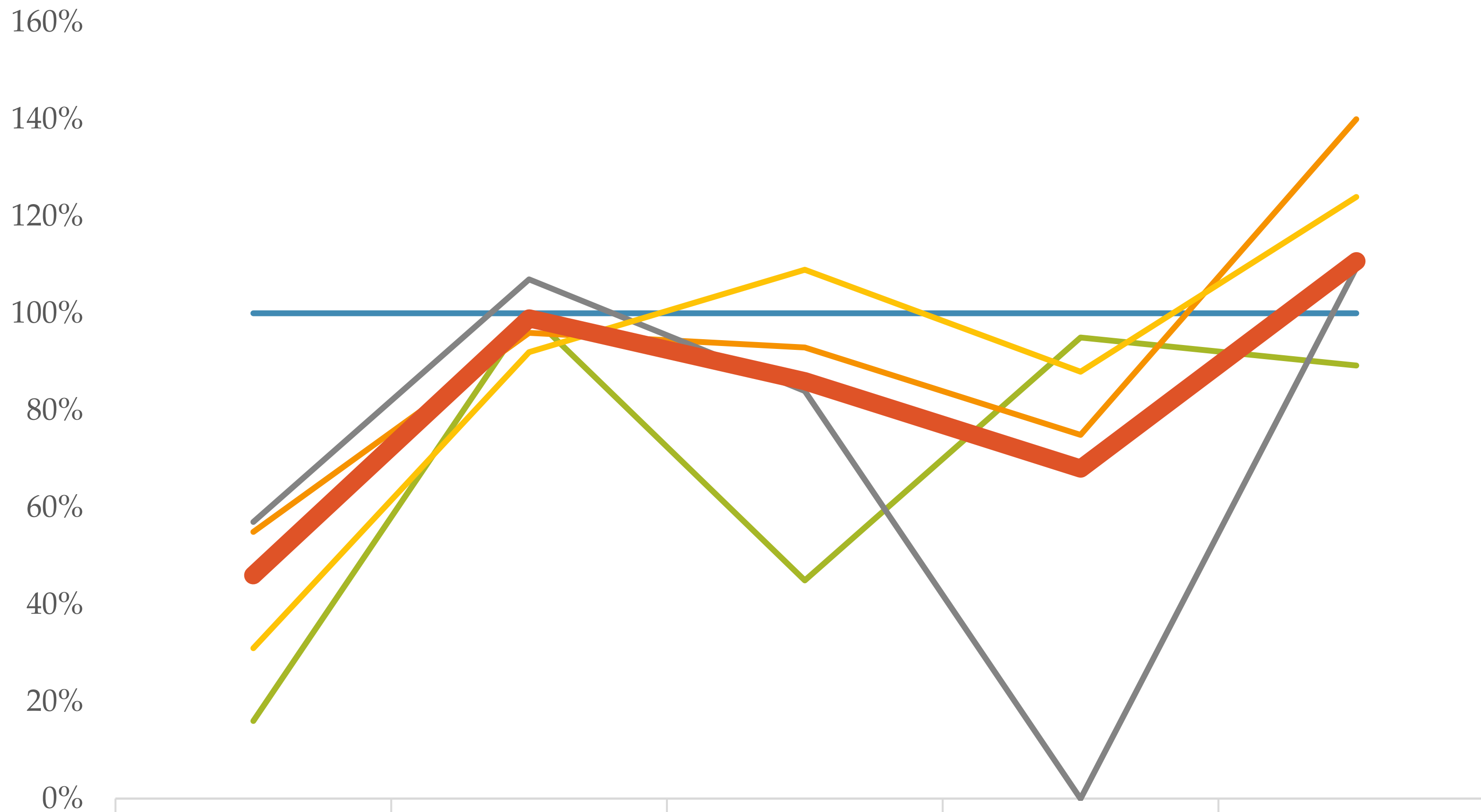
3 For private strategies, limit applies to the capital invested plus future callable commitments.

4 Some of these limits related to public markets may be "interim", to be replaced by risk-based limits for example.

5 Percentage (%) of total System assets allowable per investment manager.

6 This would allow, for example, a commitment in Year 1 that is 50% above "plan". The "cumulative" provision would allow for a "catch-up" for any slower-than-planned investments in prior years.

Historical Actual Commitments as a % of Pacing Plan



	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Buyout	100%	100%	100%	100%	100%
Venture	16%	100%	45%	95%	89%
Private Debt	55%	96%	93%	75%	140%
Growth Real Estate	57%	107%	84%	0%	109%
Private Real Assets	31%	92%	109%	88%	124%
Total Private Markets	46%	99%	86%	68%	111%

Unfunded Commitments

	Unfunded Commitments	% of Plan
Buyout	101	3%
Venture	69	2%
Private Debt	52	2%
Growth Real Estate	38	1%
Private Real Assets	56	2%
Total Private Markets	**314**	**9%**

Source: Meketa. As of September 30, 2024. Values in $ millions.