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MEMORANDUM

TO: Board of Administration, San José Federated City Employees' Retirement System
FROM: Laura Wirick, Colin Kowalski, Faith Daigneau, Ricky Paminsky, Meketa Investment Group
DATE: September 17, 2026
RE: Multi-Sector Bonds Benchmark

As investment consultant to the Plan, Meketa Investment Group has reviewed the Office of Retirement Services (ORS) Staff memorandum recommending a new benchmark for the Multi-Sector Bonds asset class. This memorandum is intended to accompany that recommendation and provide the Board with our independent perspective.

Recommendation

We concur with Staff's recommendation to adopt the Bloomberg U.S. Universal Index as the Strategic Asset Allocation Policy (SAAP) and Low Cost Passive Portfolio (LCPP) benchmark for the Multi-Sector Bonds asset class. In our view, the change is a reasonable and prudent refinement that improves the Plan's benchmarking framework without materially altering the risk and return profile the Board approved.

Supporting Considerations

Our support reflects several considerations that reinforce Staff's analysis:

- → Consistency with peer practice. A single, broad-market index is consistent with how many peer public plans benchmark multi-sector fixed income, in contrast to the more prescriptive six-component blend currently in place.
- → Sound representation of the asset class. The Bloomberg U.S. Universal Index retains broadly similar characteristics to the current blend, is a comparable measure of performance, and representative of the broad investable universe. While a single index such as the Bloomberg U.S. Universal may introduce some tracking error, it broadly captures the asset class's opportunity set.
- → Improved governance and transparency. Moving to a widely published, single index reduces operational burden, eliminates the need for a custom monthly calculation, and enhances transparency for the Board and stakeholders.

Conclusion

Meketa supports Staff's recommendation to update the SAAP and LCPP benchmarks for the Multi-Sector Bonds asset class to the Bloomberg U.S. Universal Index. We would be pleased to discuss this recommendation with the Board at its convenience.

Respectfully submitted, Meketa Investment Group

LW/CK/lv