CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: Board of Administration for the San Jose Federated City Employees' Retirement System

FROM: Dhinesh Ganapathiappan, CFA

SUBJECT: Multi-Sector Bonds Benchmark

DATE: September 17, 2026

APPROVED: Jay Kwon (Sep 4, 2026 18:06:54 PDT)

DATE: Sep 4, 2026

Recommendation

ORS Staff recommends the adoption of the Bloomberg U.S. Universal Index as the Strategic Asset Allocation Policy (SAAP) and Low Cost Passive Portfolio (LCPP) benchmarks for the Multi-Sector Bonds asset class effective October 1, 2026.

Background

The Multi-Sector Bonds asset class was created as a new grouping in the asset allocation approved by the Board on May 21, 2026 and took effect on July 1, 2026. Multi-Sector Bonds was comprised of three separate asset classes with six underlying benchmark components using their precise weightings in the prior asset allocation.

1. 54.55% Investment Grade Bonds [17% Bloomberg 1-3 Year Government/Credit, 60% Bloomberg US Aggregate, 23% Bloomberg US Securitized MBS/ABS/CMBS Index]
2. 18.18% High Yield Debt (100% Bloomberg US Corporate High Yield)
3. 27.27% Emerging Markets Debt (50% JPM EMBI GD, 50% JPM GBI-EM GD)

Analysis

The current blended benchmark is prescriptive and complex. Other public pensions typically use a single broad benchmark or a blended benchmark of two benchmarks at most. Each benchmarking approach has limitations and portfolio construction typically involves exposure deviations in an attempt to add value.

The Bloomberg US. Universal Index is a single, widely used benchmark that already retains similar characteristics as the current blend without requiring a custom calculation. This index has similar underlying exposures as the current blended benchmark but with a higher weighting to treasuries and

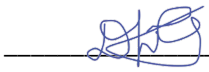
lower weighting to high yield and emerging markets debt. Annual tracking error over the past 3-year and 5-year periods is less than 1%. A comparison to the Bloomberg U.S. Aggregate Bond Index is also shown below for reference.

Benchmark Name	**Treasury/ Agency**	**IG Corp.**	**HY Corp.**	**Securitized**	**EM**	**Eff. Duration (yrs)**	**Yield (%)**
Current Blended Benchmark	24%	12%	23%	18%	27%	4.6	5.6%
Bloomberg US Universal Index	44%	23%	6%	23%	3%	5.5	4.9%
Bloomberg US Aggregate Bond Index	49%	25%	0%	26%	0%	5.8	4.5%

Benefits of changing to this index include improved transparency, reducing operational burden, broad availability, and reasonably close historical tracking.

Conclusion

ORS Staff recommends adopting the Bloomberg U.S. Universal Index as the SAAP and LCPP benchmarks for the Multi-Sector Bonds asset class effective October 1, 2026.



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