



MEMORANDUM

To: Investment Committee,
San Jose Police & Fire Department Retirement Plan

From: Laura Wirick, Larry Witt, Stephen McCourt, Hannah Schriener,
Meketa Investment Group

Date: June 21, 2017

Re: BlackRock Index Funds / Prefunding

Staff recommends the addition of two BlackRock index funds with the intent of investing up to \$75 million in the BlackRock U.S. Debt Index Fund and up to \$75 million in the BlackRock Global Aggregate ex-USD Currency Hedged Index Non-Lendable Fund. BlackRock currently manages the Fund's Long Government Bond Index. The current agreement with BlackRock would be renegotiated to add the two index options in advance of the July prefunding and Staff's recommendation to allocate \$76 million to Global Fixed Income.

Meketa Investment Group believes Staff's recommendation is reasonable as it would reduce tracking error versus the policy benchmark and provide broad exposure to core fixed income at low cost and high liquidity.

In terms of cost, BlackRock is proposing a fee of 3.5 basis points for the U.S. Debt Index Fund and 7.5 basis points for the Global Aggregate ex-USD. Northern Trust, who is also a current index provider for the Fund, would only be able to take the U.S. portion of the mandate. State Street would be another viable option, but has not provided quotes at this time.

We look forward to discussing this recommendation at the upcoming Investment Committee Meeting. As always, please feel free to contact us at (760) 795-3450 with any questions.

LBW/nca

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