MEKETA

Employees' Retirement System of Rhode Island

June 24, 2026

Asset-Liability Study: Part 5
Final Model Output

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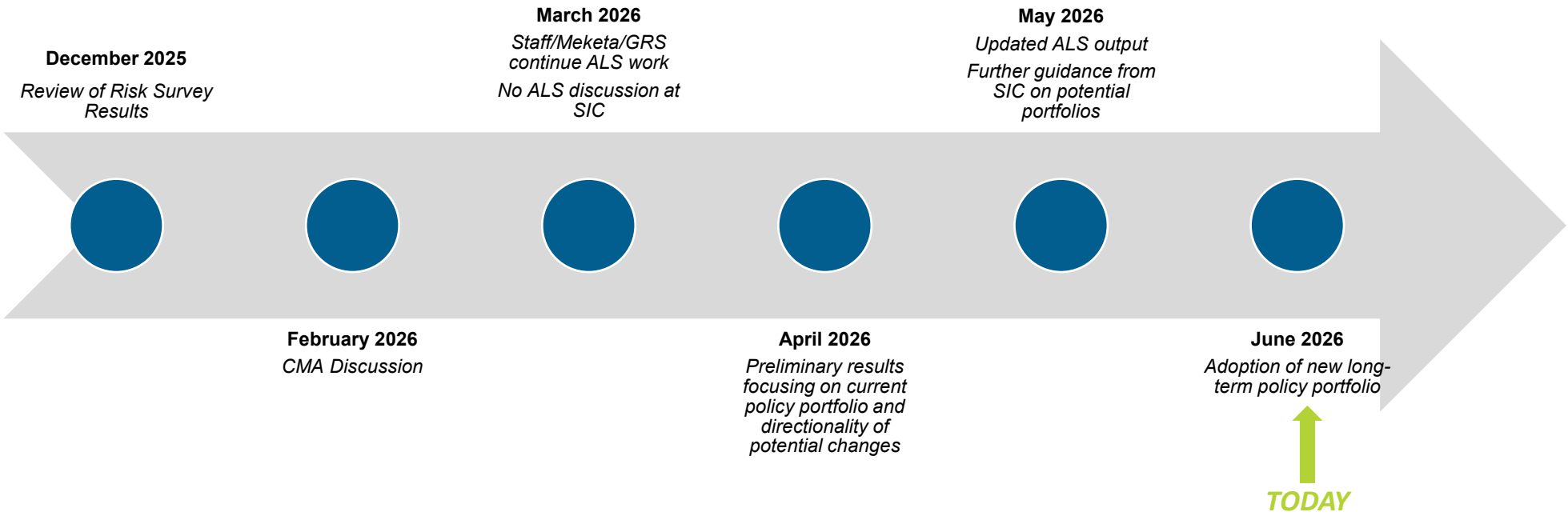
Introduction

Goals of Today

1. Review Asset-Liability Study (“ALS”) timeline.
2. Discuss feedback/guidance from May SIC meeting.
3. Propose final asset allocation options.
4. Review integrated asset-liability metrics for proposed options.

Asset-Liability Study Timeline



→ Meketa and Staff expect to conclude the Asset-Liability Study at today's June SIC meeting.

May 2026 SIC Meeting - Review

→ *Note: The "May 2026 SIC Meeting" refers to the formal May 27th meeting as well as follow-up feedback.*

→ The May meeting focused on updated optimizations and preliminary portfolio options (denoted A-E).

- Additionally, comprehensive liquidity analysis was provided that indicated no material liquidity concerns with any potential portfolio options.

→ Main areas of feedback:

1. Notable consensus around portfolio C.
2. Portfolios B and D were also viewed as suitable options.
3. Portfolio E exhibited the highest expected return (~7%), but with the highest private markets allocation.
   - Given its expected return and the associated liquidity analysis, various SIC members also viewed this as a reasonable option to pursue.

→ **Based on dialogue from the May SIC meeting, Meketa and Staff have developed two new portfolio options: C2 and E2.**

- **C2 is based on the original C portfolio, but is partially blended with option B.**
- **E2 is based on the original E portfolio, but with marginally less private markets allocations in order to improve implementation feasibility.**

As presented in May

Important Notes

→ There are two primary goals of an asset-liability study:

1. Gain an improved/updated understanding of how the financial condition of ERSRI may vary over time.
2. Modify the asset allocation to improve the probabilities of ERSRI success over time.

→ **From an asset allocation perspective, the ERSRI portfolio is already in an attractive position.**

- Any changes will either be marginal and/or reflect new SIC perspectives.
  - Some of these perspectives may seek to account for known challenges in the modeling process (e.g., low correlation assumption between Public Equity and US Treasuries).
- Throughout all modeled scenarios, overall ERSRI liquidity is not a major risk.

→ From Meketa's perspective, the end result of this asset-liability study will be a refinement of the portfolio and an improved understanding of the overall financial condition of ERSRI.

Proposed Asset Allocation Options

Original/Preliminary Asset Allocation Options

Asset Class	Policy (%)	5/31 Actual (%)*	A (Similar Risk)	B (More GE, Same Illiquid)	C (More GE, 6.9% Expected Return)	D (More Liquid, Same Return)	E (7.0% Expected Return)
Global Equity	40.0	40.3	40.0	45.0	43.0	45.0	40.0
Private Equity	12.5	14.7	12.5	12.0	12.5	12.5	15.0
Non-Core Real Estate	2.5	2.3	3.0	3.0	5.0	3.0	5.0
Equity Options	2.0	1.8	---	---	---	---	---
CLOs	2.0	1.7	---	---	---	---	---
Liquid Credit	5.0	4.5	5.0	6.5	5.0	6.0	2.0
Private Credit	3.0	2.9	5.0	5.0	5.0	4.0	5.0
Systematic Trend Following	5.0	4.7	6.0	5.0	4.0	4.0	5.0
Long Duration Treasuries	5.0	4.5	4.0	3.0	3.0	3.0	4.0
Long Volatility	---	---	2.0	2.0	2.0	2.0	2.0
Private Real Assets (ex-RE)	4.0	4.1	5.0	4.0	6.5	5.0	7.0
Core Real Estate	4.0	2.8	3.0	2.0	1.0	---	2.0
Absolute Return	6.5	6.3	6.5	5.0	6.0	7.5	6.0
IG Fixed Income (ex-Treasuries)	6.5	6.0	7.0	6.5	6.0	7.0	5.0
Strategic Cash	2.0	2.7	1.0	1.0	1.0	1.0	2.0
Expected Return	6.7	---	6.7	6.7	6.9	6.7	7.0
Volatility	12.4	---	12.3	12.9	13.1	12.9	13.1
Expected Max Drawdown	44.0	---	42.8	45.7	46.1	45.8	45.5
Illiquids	26.0	26.8	28.5	26.0	30.0	24.5	34.0

*Other assets = 0.7%

Updated Asset Allocation Options

Asset Class	Policy (%)	5/31 Actual (%)*	C	C2	E	E2
Global Equity	40.0	40.3	43.0	43.0	40.0	41.0
Private Equity	12.5	14.7	12.5	13.0	15.0	14.0
Non-Core Real Estate	2.5	2.3	5.0	4.0	5.0	4.0
Equity Options	2.0	1.8	---	---	---	---
CLOs	2.0	1.7	---	---	---	---
Liquid Credit	5.0	4.5	5.0	5.0	2.0	4.0
Private Credit	3.0	2.9	5.0	5.0	5.0	5.0
Systematic Trend Following	5.0	4.7	4.0	5.0	5.0	5.0
Long Duration Treasuries	5.0	4.5	3.0	3.0	4.0	4.0
Long Volatility	---	---	2.0	2.0	2.0	2.0
Private Real Assets (ex-RE)	4.0	4.1	6.5	5.0	7.0	6.0
Core Real Estate	4.0	2.8	1.0	2.0	2.0	2.0
Absolute Return	6.5	6.3	6.0	6.0	6.0	7.0
IG Fixed Income (ex-Treasuries)	6.5	6.0	6.0	6.0	5.0	5.0
Strategic Cash	2.0	2.7	1.0	1.0	2.0	1.0
Expected Return	6.7	---	6.9	6.8	7.0	6.9
Volatility	12.4	---	13.1	13.0	13.1	12.9
Expected Max Drawdown	44.0	---	46.1	45.5	45.5	45.1
Illiquids	26.0	26.8	30.0	29.0	34.0	31.0

*Other assets = 0.7%

Updated Asset Allocation Options

Strategic Classes	Components	*Policy (%)*	*5/31 Actual (%)**	*C2*	*E2*
Growth	Public Growth	*40.0*	40.3	*43.0*	*41.0*
	Private Growth	*15.0*	17.0	*17.0*	*18.0*
Income	Income	*12.0*	10.9	*10.0*	*9.0*
Stability	Crisis Protection Class	*10.0*	9.2	*10.0*	*11.0*
	Inflation Protection	*8.0*	6.9	*7.0*	*8.0*
	Volatility Protection	*15.0*	15.0	*13.0*	*13.0*
Expected Return		*6.7*	---	*6.8*	*6.9*
Volatility		*12.4*	---	*13.0*	*12.9*
Expected Max Drawdown		*44.0*	---	*45.5*	*45.1*
Illiquids		*26.0*	*26.8*	*29.0*	*31.0*

*Other assets = 0.7%

C2 and E2 – Primary Considerations

→ C2 and E2 were created based on SIC feedback (i.e., consensus portfolios) as well as implementation feasibility considerations.

→ These two portfolios primarily differ with respect to overall illiquidity allocation.

Key Changes vs. Current Policy

- +4-5% increase to *Growth* (across all sub-components/asset classes).
- Addition of Long Volatility (2%) to complement Long Treasuries within *CPC* (i.e., similar role within the portfolio, but without duration risk).
- Removal of Equity Options and CLOs as policy allocations.
  - Streamlines *Income* and marginally lowers overall *Income* allocation.
- Marginal reduction (2%) to *Volatility Protection*.
- Slight increase of all private markets classes, excluding Core Real Estate.
- *Inflation Protection* shifts from 50/50 split of Infrastructure/Core RE to be tilted towards Infrastructure.
- Reduction of Cash from 2% to 1%

Impacts on Funded Status Projections

- Options A-E and C2/E2 all have expected returns of 6.7%-7.0% and expected volatilities of 12.3%-13.1%
- Given the similarities of these metrics with those of the current policy portfolio, there are no meaningful differences between the projected funded status metrics over the next ~10 years.

- **The focus of the SIC should be on the mosaic of funded status projections, return/risk, liquidity considerations, and overall preferences.**
- **Integrated asset-liability metrics are presented in the subsequent section.**

Updated Asset-Liability Results

As presented in May

Asset-Liability Modeling – Key Parameters

→ The model is focused on the largest sleeve of the Rhode Island system, the ERS (State Employees and Teachers).

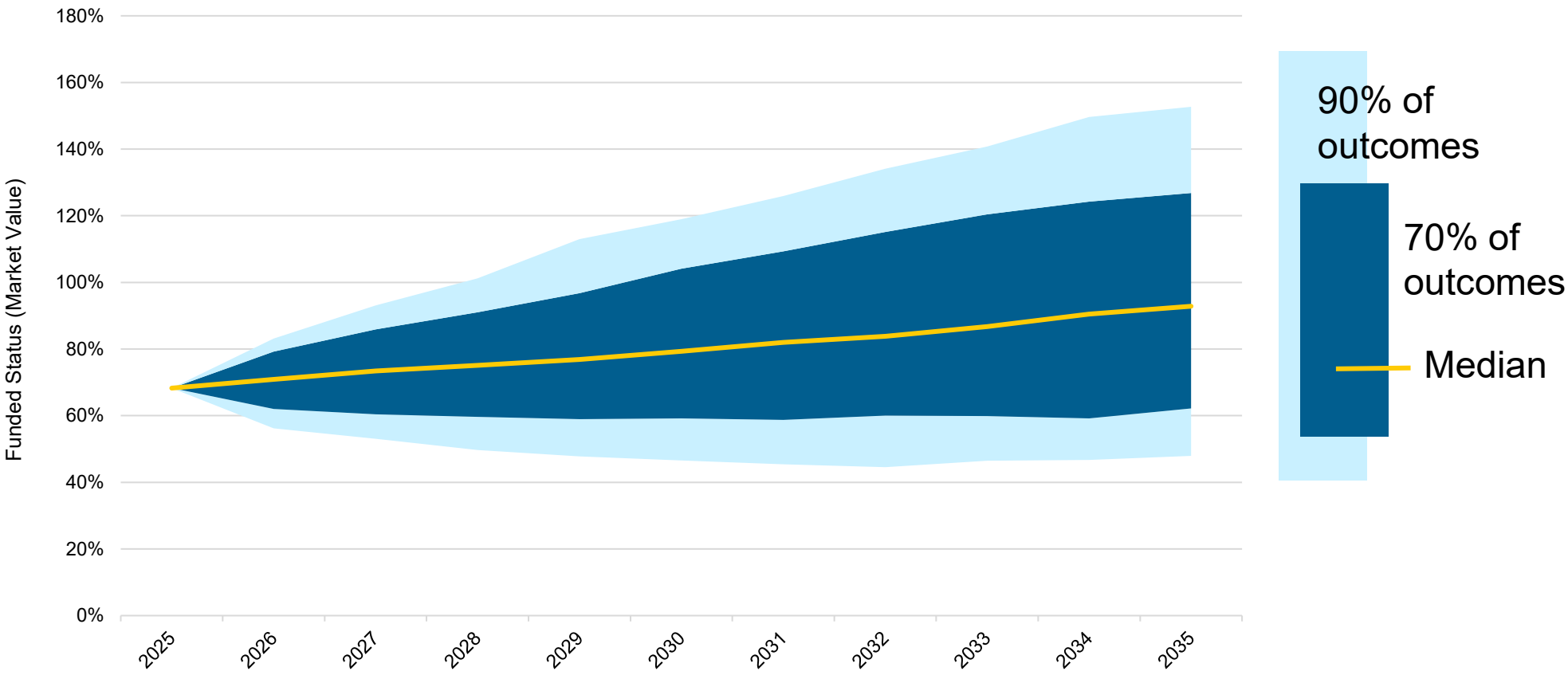
- *Asset Rebalancing*: annual
- *Liabilities and Normal Cost*: The liabilities, normal cost and expected benefit payments used in this study were provided by GRS as of June 30, 2025. Only the State Employees and Teachers are accounted for in this study.
- *Plan Provisions and Additional Assumptions*: Additional details regarding provisions and assumptions are documented in the June 30, 2025 actuarial valuation report issued by GRS.
- *Private Market Capital Calls/Distributions*: Meketa integrated the portfolio's current private markets portfolios, and the model incorporates Meketa's standard pacing models for achieving the various targets allocations to private markets classes throughout time (inclusive of variable distributions/contributions during periods of stress).

→ At the April meeting, the SIC confirmed that no additional plans (e.g., MERS) need to be included.

→ Upon completion of the asset-liability study, an asset allocation review for OPEB will be conducted.

As presented in May

Funded Status Simulations



→ Simulations are summarized into percentiles, providing a quantitative analysis of enterprise risk, given the current asset allocation.

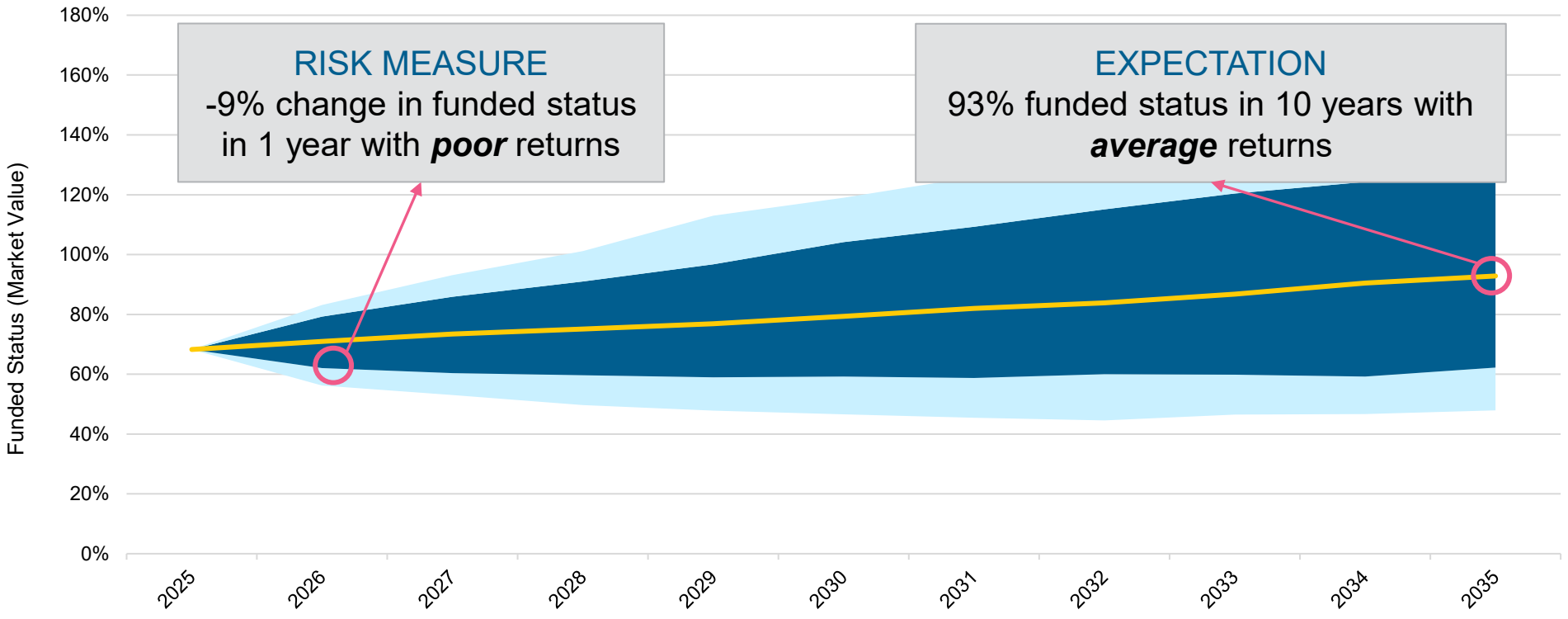
→ As an example, the median (50th Percentile) Funded Status in 2035 is 93% => there is a 50% probability the Funded Status will be greater than 93% and 50% probability it will be less than 93%.

As presented in May

Expectation/Risk Measure Framework - Tradeoffs

→ Key observations are determined during objective setting discussion and analyzed in a "Expectation/Risk Measure" framework.

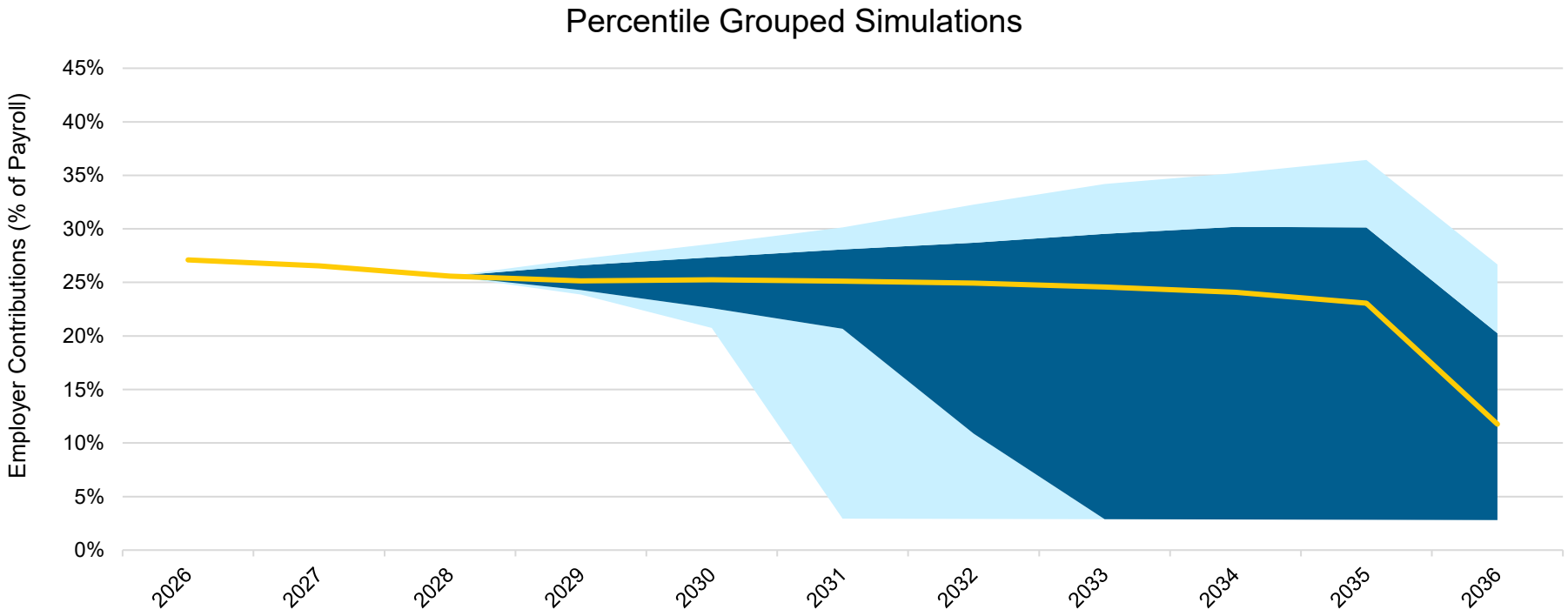
- **Expectation** – Outcome where all the underlying assumptions prove to be accurate over the long-term (Example: 50th percentile over a 10-year time horizon).
- **Risk Measure –** Outcome with a lower probability (Ex: 85th percentile) and detrimental impact, especially when that outcome occurs in the short-term (Ex: 1-year time horizon).



As presented in May

Contribution Levels

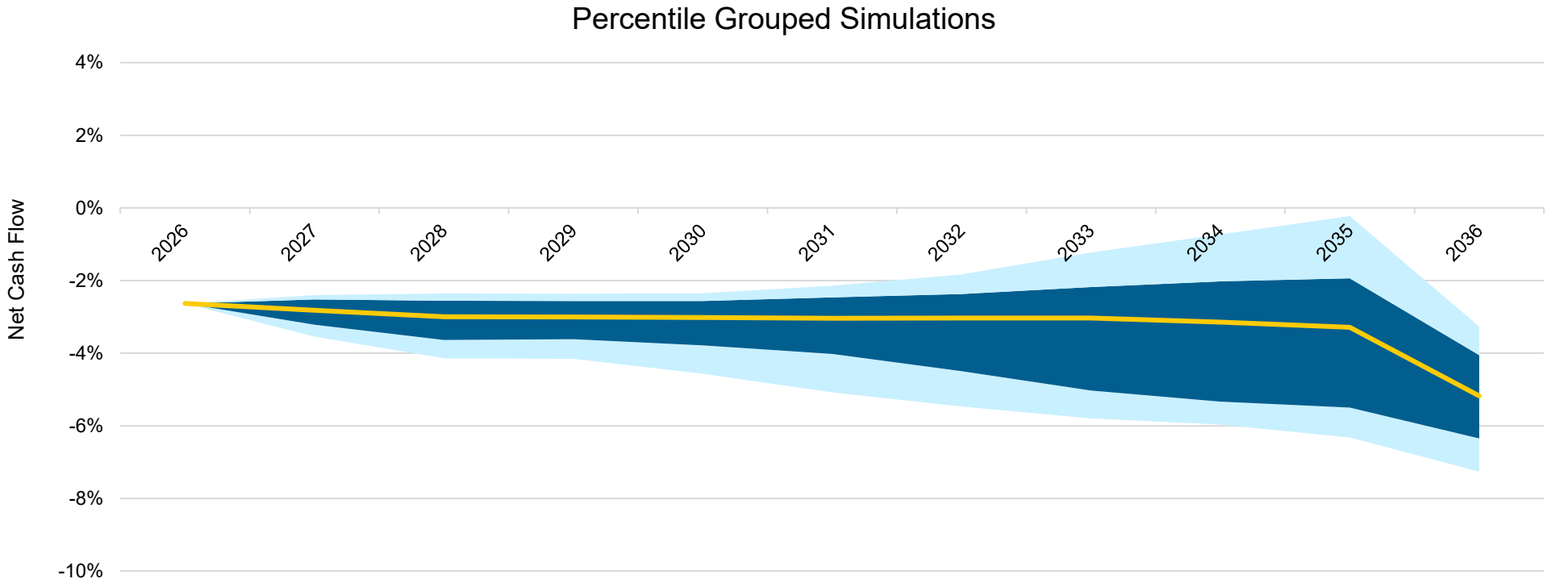
- Contribution levels for upcoming few years are known due to the System's method for recognizing gains/losses.
- Employer contributions as a percent of payroll anticipated to experience a drop-off in 2036 once historical losses are fully amortized.



As presented in May

Net Cash Flows

- Net cash flow is defined as contributions less benefit payments and expenses, expressed as a percentage of market value of assets. This metric reflects the share of assets expected to be liquidated each year to meet cash needs.
- Net cash flow is anticipated to be between **-2% to -4% over the next 5-6 years**, after which outcomes widen depending on future market experience.



As presented in May

Additional Metrics – Current Policy Portfolio

Metric	Related Risk Survey Results	Current Policy Portfolio
Probability of falling below 55% funded ratio	"Minimum funded ratio willing to accept in market crisis scenario" ≈ 55%	17.6% probability of falling below 55% in next five years.
Funded Status Volatility ***Defined as difference between median market value funded status in one year and one standard deviation funded status in one year***	Related SIC Objectives: - Maintain consistent progress towards improving funded status	8.9%
Probability of a 2% absolute increase in employer contribution rate	Related SIC Objectives: - Continue making progress on funded status - Net-cash flows are an important consideration - Limit need for plan sponsor contribution increases (lower SIC priority)	36.1% probability of a 2% absolute rise in employer contribution rate over 2026-2035.
Probability of >30% employer contribution rate	Related SIC Objectives: - Limit need for plan sponsor contribution increases (lower SIC priority)	19.7% probability of employer contribution rising above 30% from 2026-2035.
Contribution Rate Volatility ***Defined as the difference between median contribution rate in 2035 and one standard deviation contribution rate in 2035***	Related SIC Objectives: - Limit need for plan sponsor contribution increases (lower SIC priority)	7.0%

Additional Metrics – Current Policy Portfolio and Options C2 & E2

Metric	Current Policy Portfolio	C2	E2
Probability of falling below 55% funded ratio	17.6%	19.2%	18.8%
Funded Status Volatility	8.9%	9.2%	9.1%
Probability of a 2% absolute increase in employer contribution rate	36.1%	37.8%	36.7%
Probability of >30% employer contribution rate	19.7%	20.2%	19.5%
Contribution Rate Volatility	7.0%	7.5%	7.4%
Funded Ratio & Contributions			
10-yr Median Funded Ratio	93.0%	93.5%	94.4%
10-yr Median Contributions	$5.894 B	$5.884 B	$5.860 B
10-yr 85th Percentile Contributions	$6.631 B	$6.639 B	$6.630 B

Additional Notes

None of the detailed metrics are materially/statistically different than one another.

For areas where the Current Policy appears marginally better, this is largely due to three features:

1) Heavier reliance on Long Treasury's assumed low-to-negative correlation.
2) Larger number of asset classes (e.g., Equity Options and CLOs). A well-known flaw in financial modeling is that the inclusion of more asset classes inherently improves portfolio metrics at the margin.
3) Lower projected standard deviation.

As presented in May

Liquidity

→ Meketa recommends a unique perspective on the liquidity of assets that is focused on their role, correlation/volatility, and accessibility. This segments each asset class into tiers.

→ Updated asset-liability modeling incorporates RI-specific pacing considerations.

Tier 1	- Assets with either low-to-moderate volatility or a negative equity beta. - Must be accessible within days-to-weeks. - Ex: cash, short-to-intermediate Treasuries, long volatility strategies, etc.

Tier 2	- Assets that are expected to be uncorrelated to public equity but exhibit one or more of the following characteristics:
	  - High volatility (i.e., 10% or more annual standard deviation).
	  - Liquidity that isn't accessible for one month or more.
	- Ex: systematic trend following, liquidity restricted commingled funds, etc.

Tier 3	- Assets that are liquid (days-to-weeks) but with high correlations to public equity. - Ex: public equity, public credit, public real assets, etc.
Tier 4	- Illiquid assets/private markets. - Ex: private equity, private credit, private real assets, etc.

ERSRI Classes – Liquidity Tiers

→ The tiers form a natural contingency plan for how liquidity is expected to be accessed during challenging market environments.

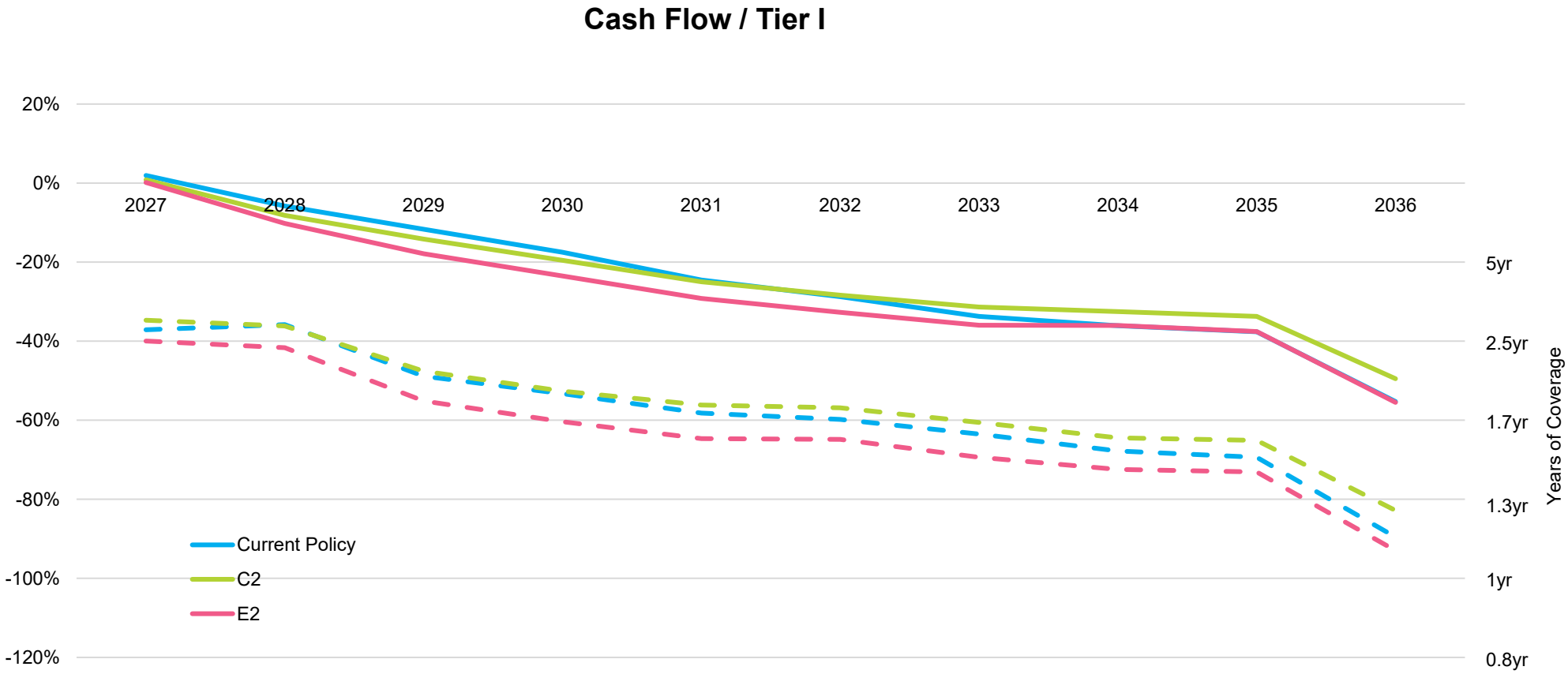
Asset Class	*Liquidity Tier*
Global Equity	3
Private Equity	4
Non-Core Real Estate	4
Equity Options	3
CLOs	4*
Liquid Credit	3
Private Credit	4
Systematic Trend Following	2
Long Duration Treasuries	2
Long Volatility	1
Private Real Assets (ex-RE)	4
Core Real Estate	4
Absolute Return	2
IG Fixed Income (ex-Treasuries)	1
Strategic Cash	1

- Total required cash flows (i.e., net benefit payments and net projected capital calls) can be divided by respective assets in each liquidity tiers.
- The ratios can be interpreted as the number of years of "annual liquidity requirements" available in each tier.
  - 5% = 20 years
  - 20% = 5 years
  - 33% = 3 years
  - 50% = 2 years

*CLOs are modeled as Tier 4 for Rhode Island given the primary RI-specific implementation.

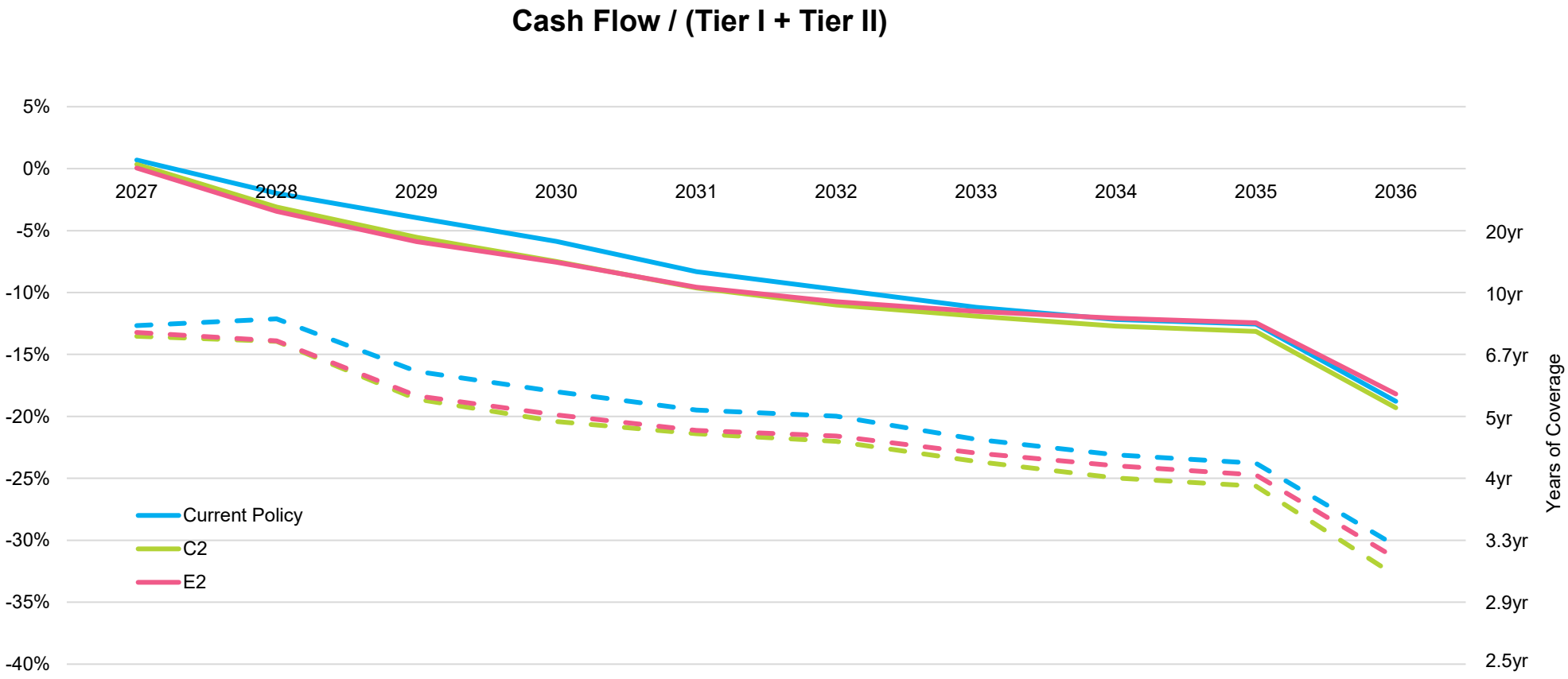
Tier 1 Asset Liquidity

→ Net cash flows, including private markets, divided by Tier I assets. Solid lines are median, dotted lines are 85th percentile.



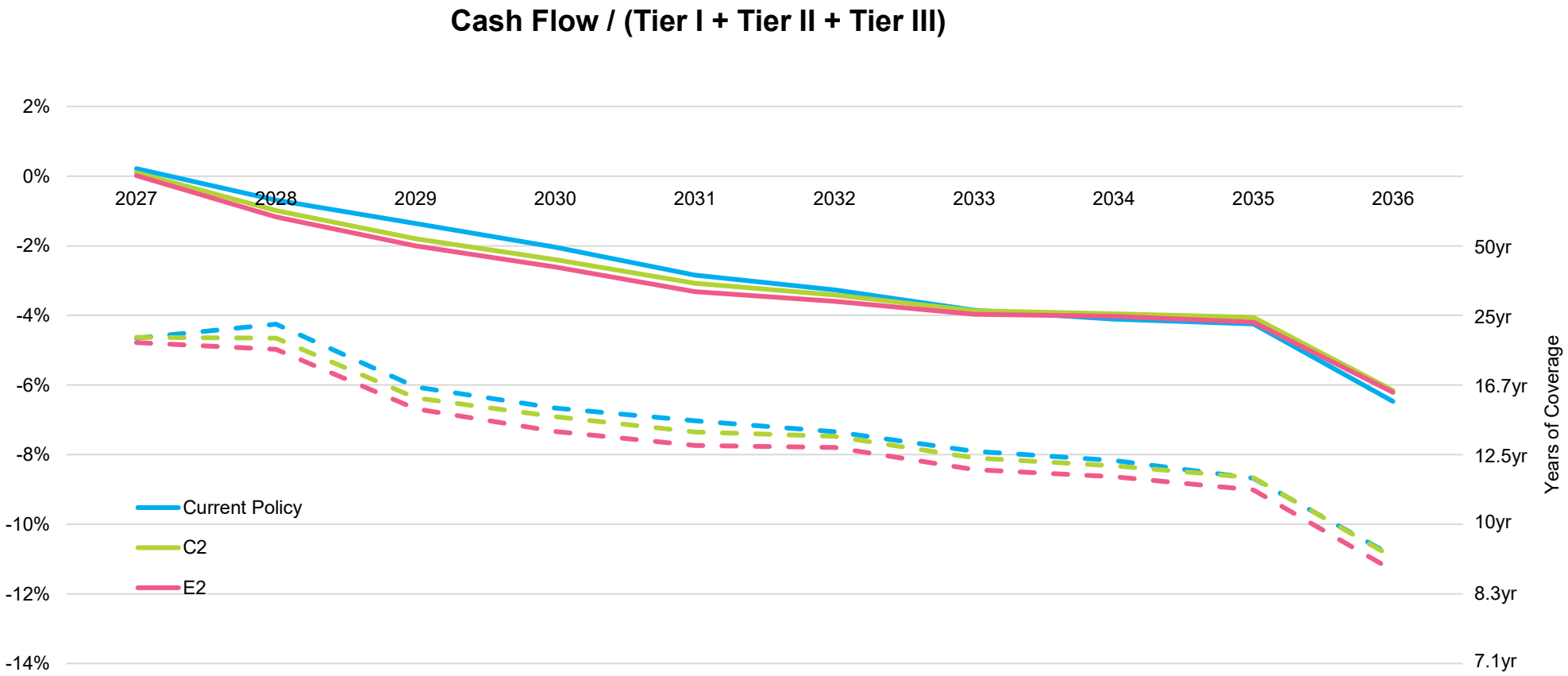
Tier 1-2 Asset Liquidity

→ Net cash flows, including private markets, divided by Tier I and Tier II assets. Solid lines are median, dotted lines are 85th percentile.



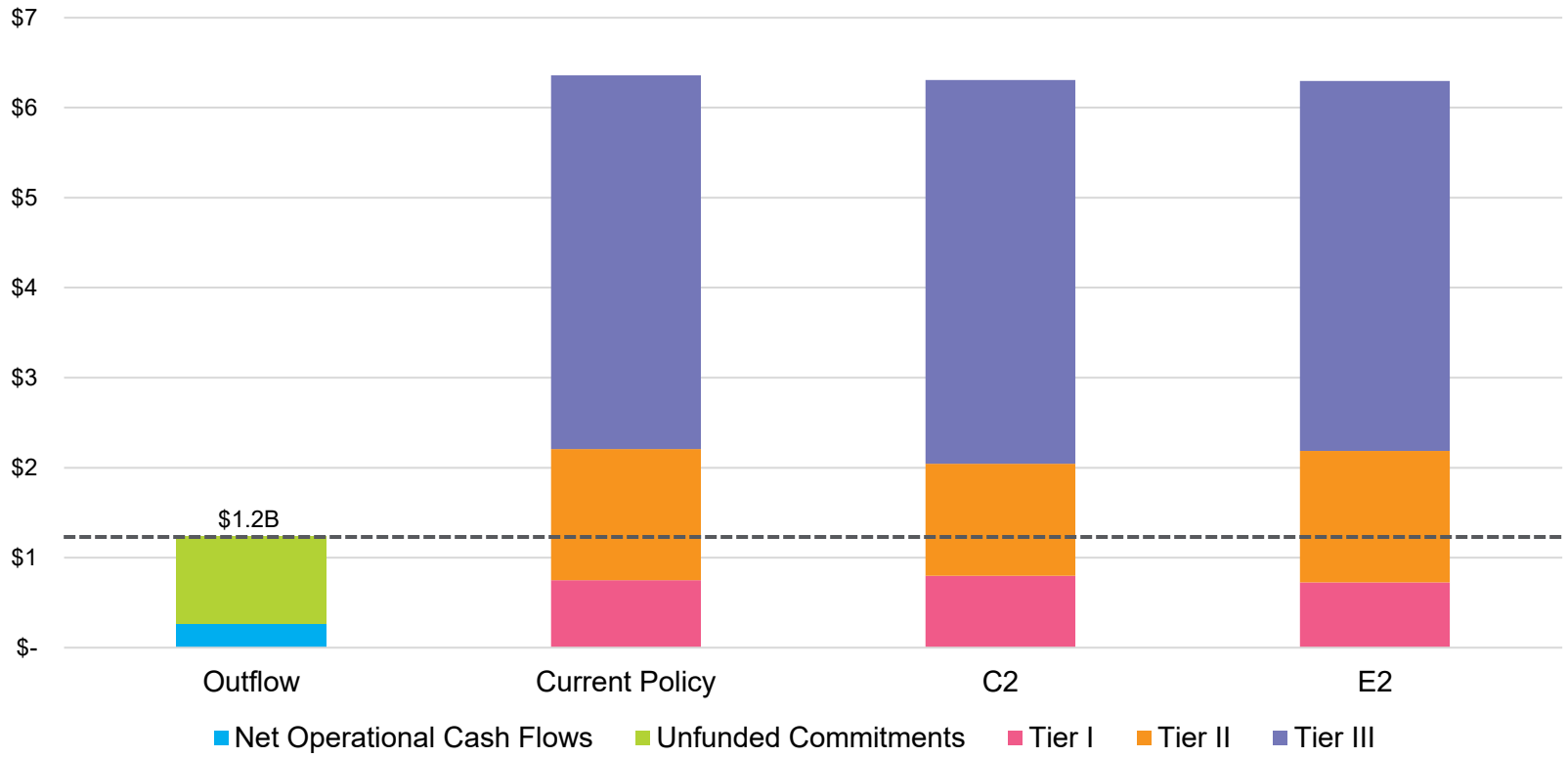
Tier 1-3 Asset Liquidity

→ Net cash flows, including private markets, divided by Tier I, Tier II, and Tier III assets. Solid lines are median, dotted lines are 85th percentile.



Liquidity Stress Test ($B)

→ Outflow consists of expected net cash flows (benefit payments & expenses minus contributions) for FY 2027 and all committed but uncalled capital* for private equity, credit, real assets and non-core real estate.



* As of 3/31/2026

Liquidity Summary

→ Under all scenarios, the ERSRI maintains sufficient liquidity across the Current Policy and C2/E2.

→ While liquidity considerations are expected to tighten over time, there does not appear to be any material concerns for managing the portfolio/system regardless of allocation chosen and market environment experienced.

- While all scenarios are manageable (i.e., no solvency issues for paying benefits), the asset allocation may look different than policy after a sustained market stress environment.

→ Importantly, there are not material differences for the liquidity of the ERSRI with the Current Policy vs. C2/E2.

→ **The decision to increase illiquidity within the portfolio should thus be based on overall conviction, implementation feasibility, and optionality/flexibility considerations.**

Conclusion/Next Steps

Conclusion/Next Steps

→ This presentation builds off the April and May SIC discussions, taking the received feedback and incorporating it into updated modeling output.

→ **Meketa and Staff believe that C2 and E2 are the culmination of the entire process/discussions.**

- **Of note: C2 can be viewed as a transition portfolio towards pursuing E2 in the future.**

→ From an asset allocation perspective, the ERSRI portfolio is already in an attractive position.

- Any changes will either be marginal and/or reflect new SIC perspectives.
- Throughout all modeled scenarios, overall ERSRI liquidity is not a major risk.

→ **Upon selection of a final portfolio by the SIC, the following next steps will occur in the near-term:**

- **Updated IPS.**
- **Transition plan for achieving new policy targets.**
- **OPEB asset allocation review.**

Appendix

Updated Asset Allocation Options

Strategic Classes	Components	Asset Class	*Policy (%)*	*5/31 Actual (%)**	*C2*	*E2*
Growth	Public Growth	Global Equity	*40.0*	40.3	*43.0*	*41.0*
	Private Growth	Private Equity	*12.5*	14.7	*13.0*	*14.0*
		Non-Core Real Estate	*2.5*	2.3	*4.0*	*4.0*
Income	Income	Equity Options	*2.0*	1.8	---	---
		CLOs	*2.0*	1.7	---	---
		Liquid Credit	*5.0*	4.5	*5.0*	*4.0*
		Private Credit	*3.0*	2.9	*5.0*	*5.0*
Stability	Crisis Protection Class	Systematic Trend Following	*5.0*	4.7	*5.0*	*5.0*
		Long Duration Treasuries	*5.0*	4.5	*3.0*	*4.0*
		Long Volatility	---	---	*2.0*	*2.0*
	Inflation Protection	Private Real Assets (ex-RE)	*4.0*	4.1	*5.0*	*6.0*
		Core Real Estate	*4.0*	2.8	*2.0*	*2.0*
	Volatility Protection	Absolute Return	*6.5*	6.3	*6.0*	*7.0*
		IG Fixed Income (ex-Treasuries)	*6.5*	6.0	*6.0*	*5.0*
		Strategic Cash	*2.0*	2.7	*1.0*	*1.0*

*Other assets = 0.7%

As presented in May

Utilized Constraints (mins and maxes)

Strategic Classes	Components	Asset Class	Min (%)	Max (%)	*Min V2 (%)*	*Max V2 (%)*
Growth	Public Growth	Global Equity	30.0	60.0	40.0	---
	Private Growth	Private Equity	10.0	20.0	---	15.0
		Non-Core Real Estate	0.0	6.0	---	5.0
Income	Income	Equity Options	0.0	5.0	---	---
		CLOs	0.0	6.0	---	---
		Liquid Credit	0.0	15.0	---	---
		Private Credit	1.0	6.0	---	---
Stability	Crisis Protection Class	Systematic Trend Following	0.0	12.5	---	8.0
		Long Duration Treasuries	0.0	12.5	---	8.0
		Long Volatility	0.0	5.0	---	---
	Inflation Protection	Private Real Assets (ex-Real Estate)	2.0	8.0	---	---
		Core Real Estate	0.0	8.0	---	---
	Volatility Protection	Absolute Return	0.0	15.0	---	---
		IG Fixed Income (ex-Treasuries)	0.0	15.0	---	---
		Strategic Cash	1.0	4.0	---	---

Original/Preliminary Asset Allocation Options

Strategic Classes	Components	Asset Class	Policy (%)	5/31 Actual (%)*	A (Similar Risk)	B (More GE, Same Illiquid)	C (More GE, 6.9% Expected Return)	D (More Liquid, Same Return)	E (7.0% Expected Return)
Growth	Public Growth	Global Equity	40.0	40.3	40.0	45.0	43.0	45.0	40.0
	Private Growth	Private Equity	12.5	14.7	12.5	12.0	12.5	12.5	15.0
		Non-Core Real Estate	2.5	2.3	3.0	3.0	5.0	3.0	5.0
Income	Income	Equity Options	2.0	1.8	---	---	---	---	---
		CLOs	2.0	1.7	---	---	---	---	---
		Liquid Credit	5.0	4.5	5.0	6.5	5.0	6.0	2.0
		Private Credit	3.0	2.9	5.0	5.0	5.0	4.0	5.0
Stability	Crisis Protection Class	Systematic Trend Following	5.0	4.7	6.0	5.0	4.0	4.0	5.0
		Long Duration Treasuries	5.0	4.5	4.0	3.0	3.0	3.0	4.0
		Long Volatility	---	---	2.0	2.0	2.0	2.0	2.0
	Inflation Protection	Private Real Assets (ex-RE)	4.0	4.1	5.0	4.0	6.5	5.0	7.0
		Core Real Estate	4.0	2.8	3.0	2.0	1.0	---	2.0
	Volatility Protection	Absolute Return	6.5	6.3	6.5	5.0	6.0	7.5	6.0
		IG Fixed Income (ex-Treasuries)	6.5	6.0	7.0	6.5	6.0	7.0	5.0
		Strategic Cash	2.0	2.7	1.0	1.0	1.0	1.0	2.0

*Other assets = 0.7%

Original/Preliminary Asset Allocation Options

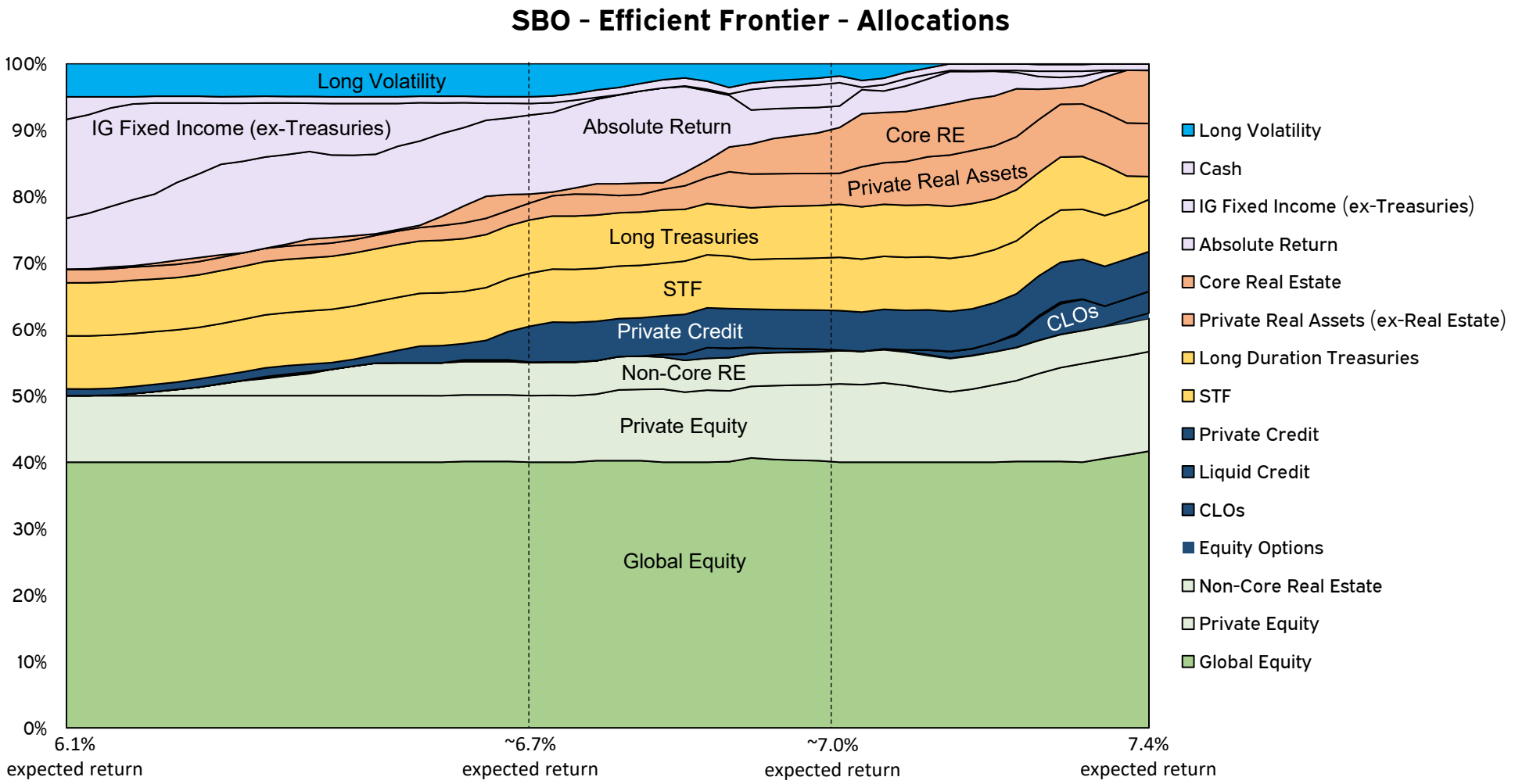
Strategic Classes	Components	Policy (%)	5/31 Actual (%)*	A (Similar Risk)	B (More GE, Same Illiquid)	C (More GE, 6.9% Expected Return)	D (More Liquid, Same Return)	E (7.0% Expected Return)
Growth	Public Growth	40.0	40.3	40.0	45.0	43.0	45.0	40.0
	Private Growth	15.0	17.0	15.5	15.0	17.5	15.5	20.0
Income	Income	12.0	10.9	10.0	11.5	10.0	10.0	7.0
Stability	Crisis Protection Class	10.0	9.2	12.0	10.0	9.0	9.0	11.0
	Inflation Protection	8.0	6.9	8.0	6.0	7.5	5.0	9.0
	Volatility Protection	15.0	15.0	14.5	12.5	13.0	15.5	13.0
Expected Return		6.7	---	6.7	6.7	6.9	6.7	7.0
Volatility		12.4	---	12.3	12.9	13.1	12.9	13.1
Expected Max Drawdown		44.0	---	42.8	45.7	46.1	45.8	45.5
Illiquids		26.0	26.8	28.5	26.0	30.0	24.5	34.0

*Other assets = 0.7%

As presented in May

Updated Efficient Frontier - Allocations

→ The graphic below depicts how "optimal" allocations change in the simulation as risk/return increase.



As presented in May

General Takeaways from Asset-Only Optimizations

→ **With updated constraints, the same general takeaways (as April) hold true.**

→ Near the actuarial rate, the asset-only optimization seeks to:

- Reduce *Global Equity* to ~40% (model minimum)
- Maintain *Private Equity* at similar allocation level
- Increase *Non-Core Real Estate* and *Private Real Assets (ex-Real Estate)*
- Materially reduce "Income" class and focus on *Private Credit*
- Increase *Systematic Trend Following* and *Long Duration*
  - *Long Volatility* (new strategy) is introduced at a small allocation
- Reduce *Core Real Estate*
- Maintain *Absolute Return* and *Investment Grade Fixed Income (ex-Treasuries)* at similar allocations.
- Additional note: *CLOs*, *Liquid Credit*, *Core Real Estate*, and *Absolute Return* have various degrees of interchangeability.

- Meketa and Staff have explored "near-optimal" portfolios that seek to reflect the optimization output, SIC feedback, opportunities for simplification, and qualitative views on tailwinds/headwinds for classes.
  - Pursuing a portfolio near at a 7.0% expected return may be incongruent with SIC preferences.
- These portfolio options are reflected as A-E on subsequent pages.

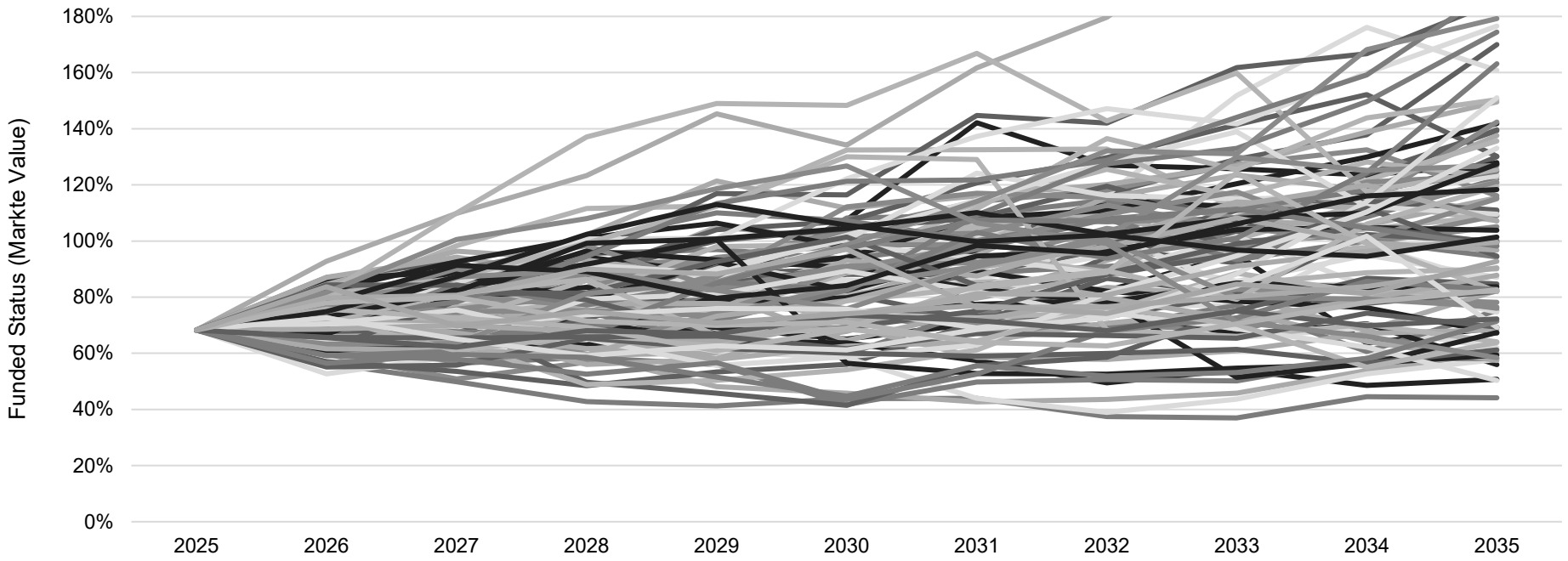
As presented in May

Additional Metrics – Current Policy Portfolio and Options A-E

Metric	Current Policy Portfolio	A	B	C	D	E
Probability of falling below 55% funded ratio	17.6%	17.5%	19.3%	19.2%	19.2%	19.2%
Funded Status Volatility	8.9%	8.7%	9.1%	9.2%	9.2%	9.3%
Probability of a 2% absolute increase in employer contribution rate	36.1%	35.9%	37.9%	38.0%	37.7%	37.7%
Probability of >30% employer contribution rate	19.7%	19.3%	20.3%	20.3%	20.7%	19.5%
Contribution Rate Volatility	7.0%	7.1%	7.5%	7.5%	7.5%	7.6%
Funded Ratio & Contributions						
10-yr Median Funded Ratio	93.0%	93.1%	92.6%	94.0%	92.2%	95.6%
10-yr Median Contributions	$5.894 B	$5.900 B	$5.893 B	$5.861 B	$5.901 B	$5.794 B
10-yr 85th Percentile Contributions	$6.631 B	$6.619 B	$6.653 B	$6.630 B	$6.655 B	$6.622 B

As presented in May

Funded Status Simulations



→ Funded Status (assets divided by liabilities) is simulated in a variety of market environments.

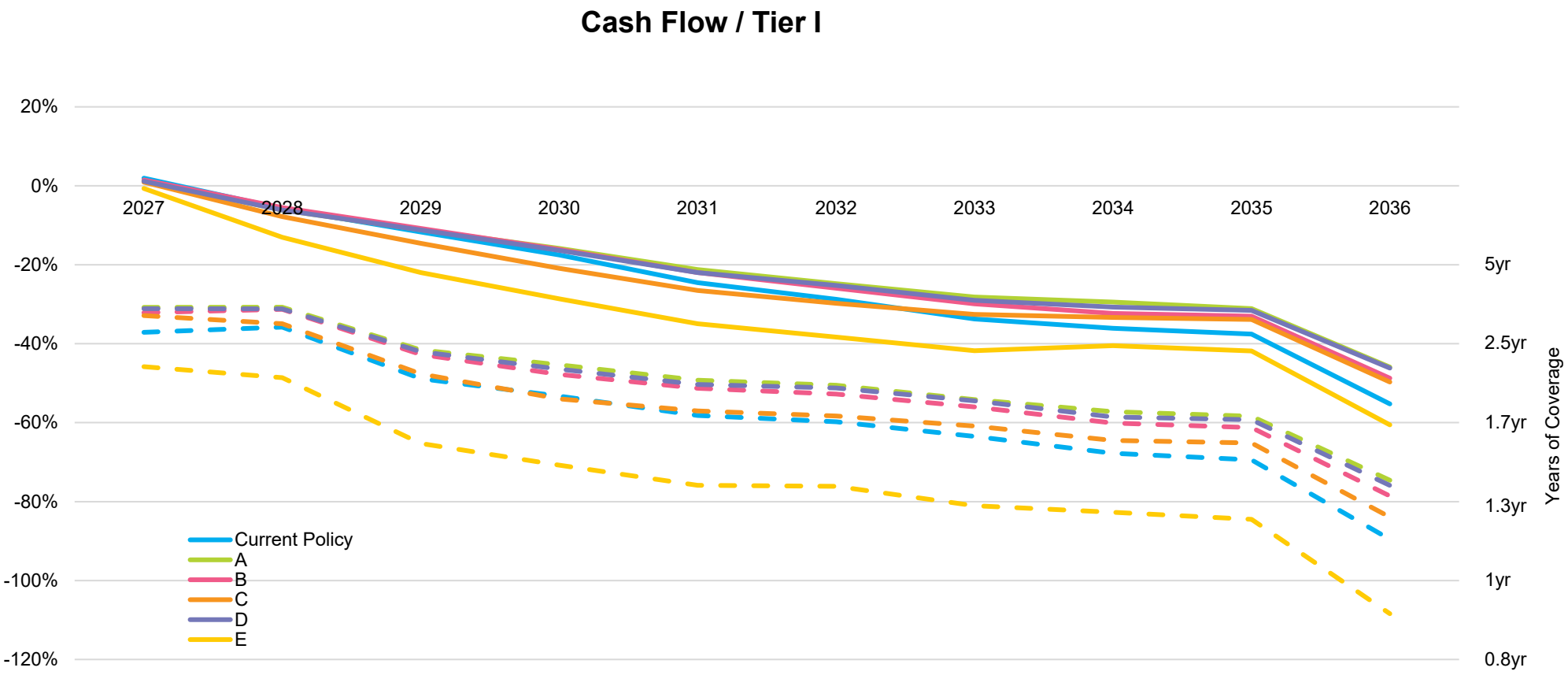
→ Analysis reflects the current:

- Asset allocation
- Projected benefit payments
- Funding policy (statutory)
- Plan provisions
- Actuarial assumptions
- Meketa 2026 Capital Market Assumptions

As presented in May

Tier 1 Asset Liquidity

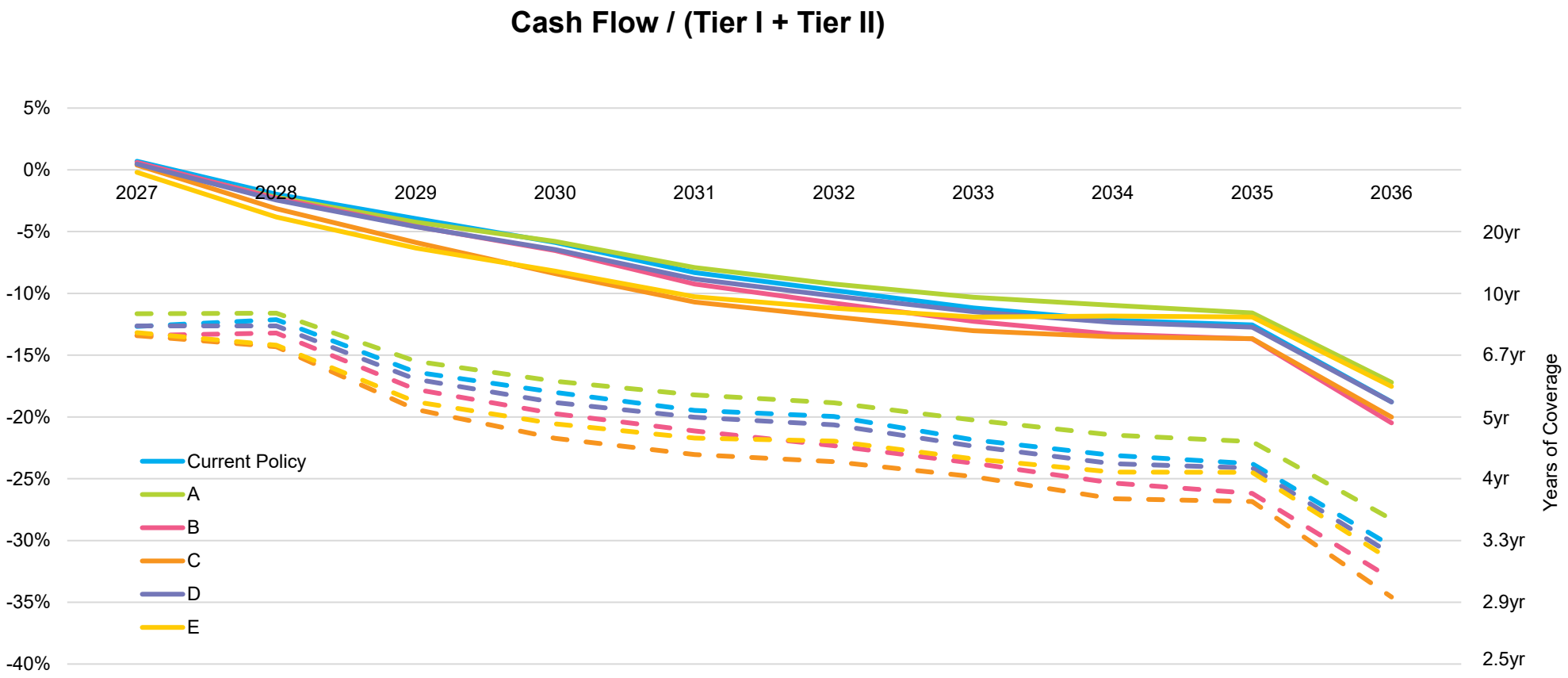
→ Net cash flows, including private markets, divided by Tier I assets. Solid lines are median, dotted lines are 85th percentile.



As presented in May

Tier 1-2 Asset Liquidity

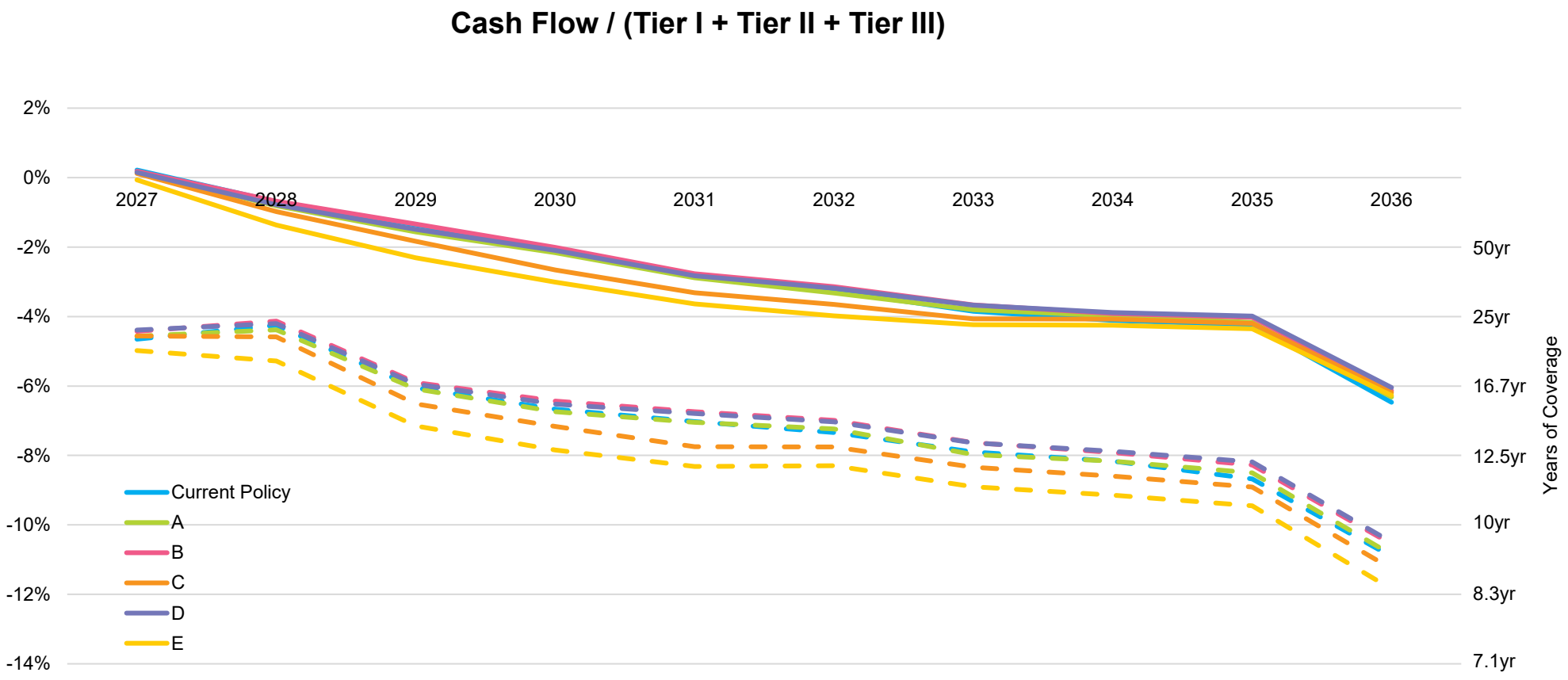
→ Net cash flows, including private markets, divided by Tier I and Tier II assets. Solid lines are median, dotted lines are 85th percentile.



As presented in May

Tier 1-3 Asset Liquidity

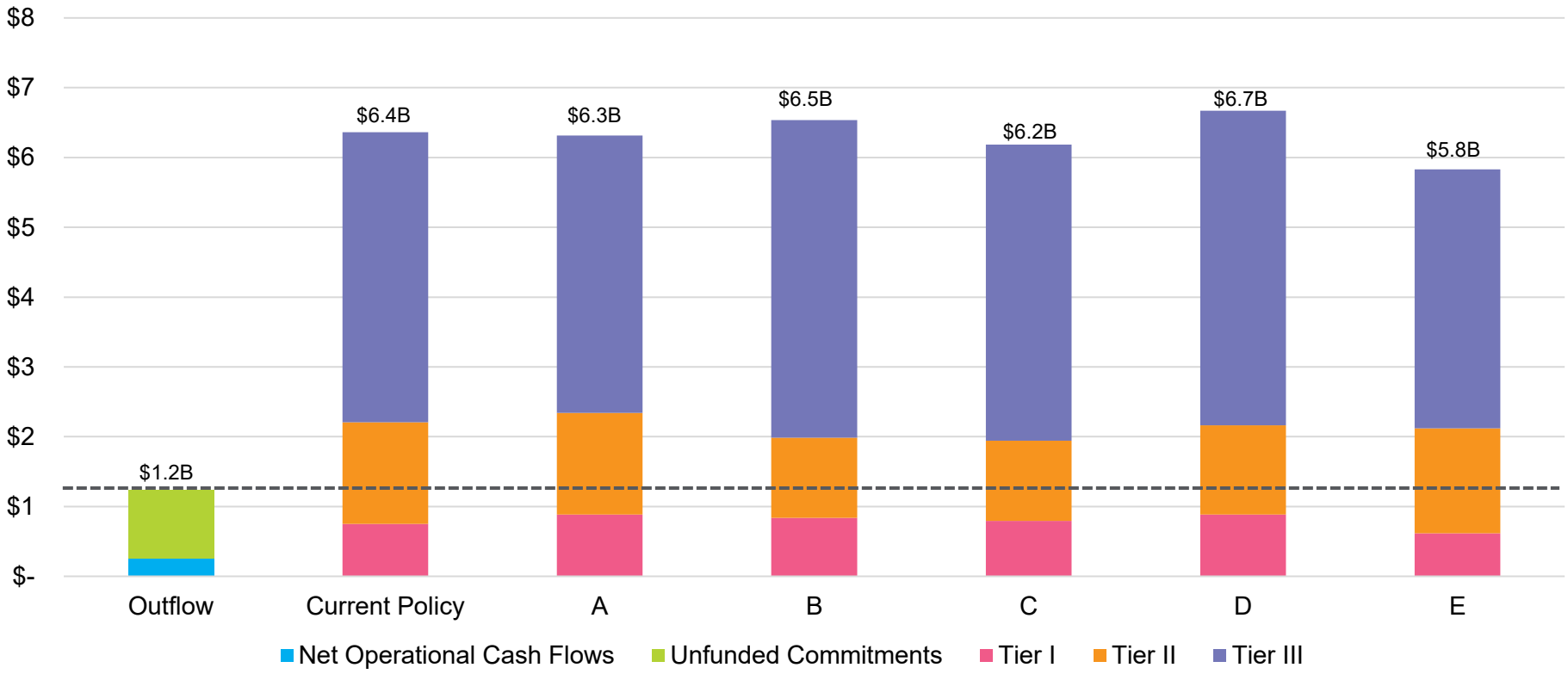
→ Net cash flows, including private markets, divided by Tier I, Tier II and Tier III assets. Solid lines are median, dotted lines are 85th percentile.



As presented in May

Liquidity Stress Test ($B)

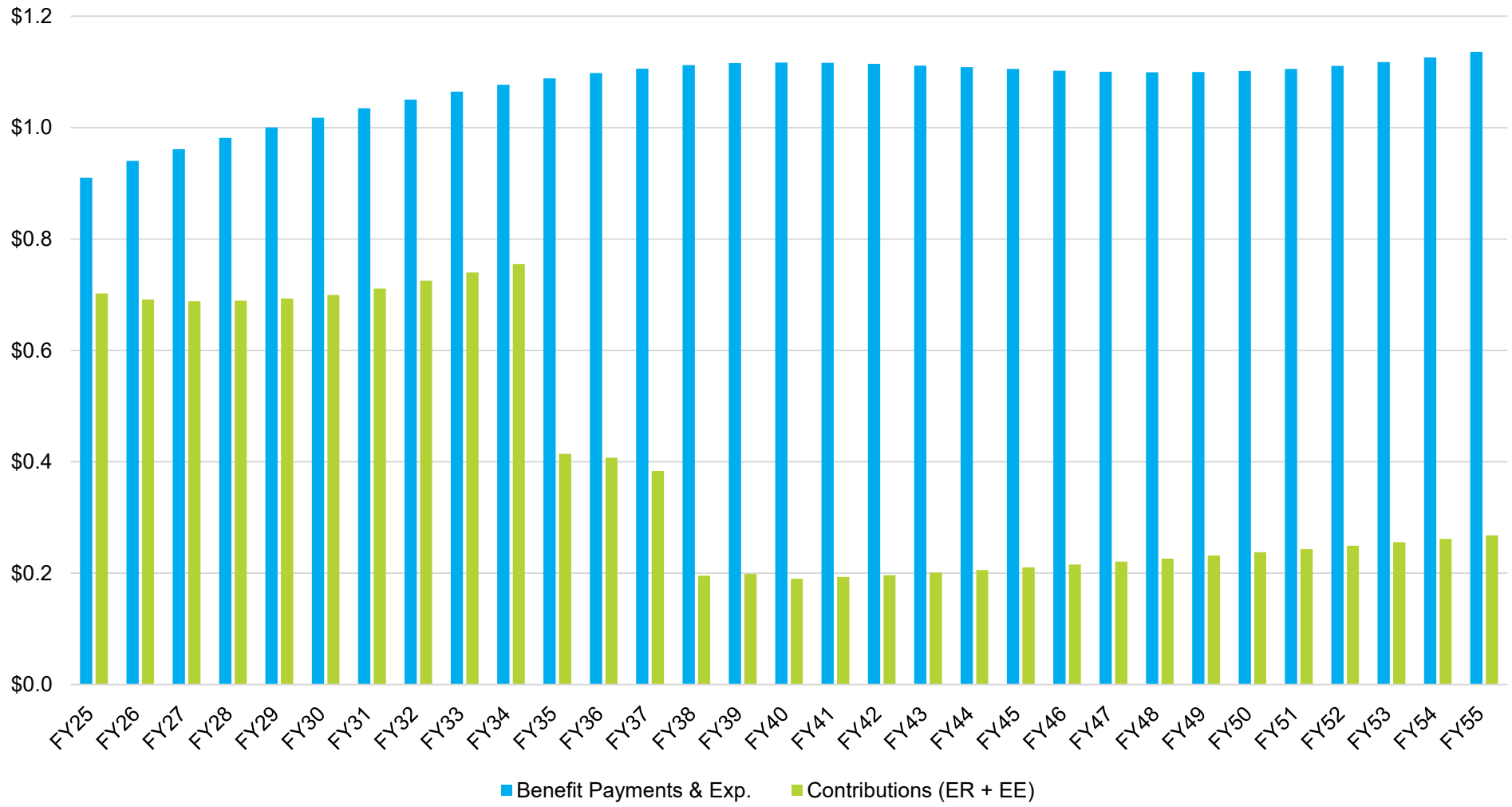
→ Outflow consists of expected net cash flows (benefit payments & expenses minus contributions) for FY 2027 and all committed but uncalled capital* for private equity, credit, real assets and non-core real estate



* As of 3/31/2026

As presented in April

Cash Flows – Annual Dollar Amounts ($B)



As presented in April

Net Cash Flow – % of Market Value of Assets

A/L Process

3 key high-level steps to the A/L process:

1.

Develop an understanding of **how the financial condition of ERSRI might vary** based on outcomes of the investment portfolio.

2.

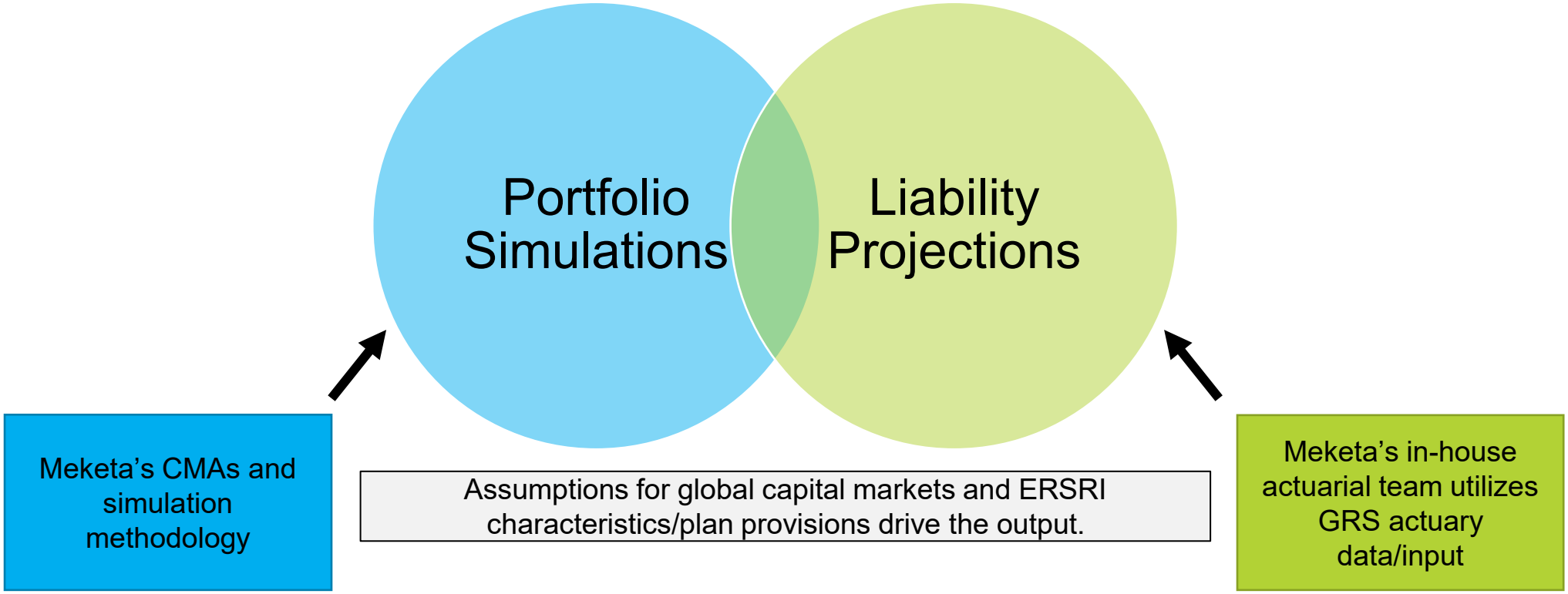
Set a consensus definition and view of the risk(s) ERSRI should bear.

3.

Once a view/tolerance for risk has been established, **select an appropriate long-term investment strategy** (i.e., a policy portfolio / strategic allocation).

Approach to Asset-Liability Studies

→ Asset-liability studies are the intersection of asset and liability projections.



Approach to Asset-Liability Studies

→ The actuarial value of assets (AVA) and actuarial accrued liability (AAL) change from one year to the next in a formulaic fashion.

- Note: actuarial losses/gains are important considerations that are generally related to experience vs. assumptions.

Asset-liability studies examine a wide range of modeled returns and corresponding impacts.

Example: Change in AVA and AAL	
AVA at Beginning of Year	**AAL at Beginning of Year**
+ Contributions	+ Service cost (benefits accrued during year)
+ Actual return (accounting for any smoothing)	+ Interest cost
- Benefits paid	+/- Actuarial losses/gains during the year
- Expenses	- Benefits paid
= AVA at End of Year	**= AAL at End of year**

ERSRI Asset Class and Meketa's Modeling Approach

Strategic Classes	Components	Asset Class	Notes
Growth	Public Growth	Global Equity	Modeled as ACWI. Can be regional if desired.
	Private Growth	Private Equity	---
		Non-Core Real Estate	50% Value Add / 50% Opportunistic RE
Income	Income	Equity Options	---
		CLOs	---
		Liquid Credit	Modeled as High Yield Bonds
		Private Credit	---
Stability	Crisis Protection Class	Systematic Trend Following	---
		Long Duration Treasuries	---
	Inflation Protection	Private Real Assets (ex-Real Estate)	Modeled as 50% Core / 50% Non-Core Private Infrastructure
		Core Real Estate	---
	Volatility Protection	Absolute Return	Modeled as RMS Diversifiers
		Investment Grade Fixed Income (ex-Treasuries)	Modeled as 50% IG Corporate / 50% MBS
		Strategic Cash	---

--- indicates one-for-one match between asset class and Meketa's CMAs

ERSRI Asset Class and Respective Expected Returns

Strategic Classes	Components	Asset Class	2025 ER	2026 ER
Growth	Public Growth	Global Equity	6.7	6.3 ↓
	Private Growth	Private Equity	9.8	9.0 ↓
		Non-Core Real Estate	9.1	9.4 ↑
Income	Income	Equity Options	5.6	5.5 ↓
		CLOs	6.9	5.8 ↓
		Liquid Credit	6.3	5.4 ↓
		Private Credit	8.7	7.8 ↓
Stability	Crisis Protection Class	Systematic Trend Following	3.5	3.6 ↑
		Long Duration Treasuries	5.0	4.5 ↓
	Inflation Protection	Private Real Assets (ex-Real Estate)	7.2	7.5 ↑
		Core Real Estate	5.5	5.8 ↑
	Volatility Protection	Absolute Return	4.7	4.5 ↓
		Investment Grade Fixed Income (ex-Treasuries)	5.4	4.6 ↓
		Strategic Cash	2.8	2.8

ERSRI Asset Class and Respective Expected Volatilities

Strategic Classes	Components	Asset Class	2025 Volatility	2026 Volatility
Growth	Public Growth	Global Equity	17.0	17.0
	Private Growth	Private Equity	25.0	26.0 ⬆
		Non-Core Real Estate	22.4	22.4
Income	Income	Equity Options	13.0	13.0
		CLOs	13.0	13.0
		Liquid Credit	11.0	11.0
		Private Credit	15.0	15.0
Stability	Crisis Protection Class	Systematic Trend Following	18.0	18.0
		Long Duration Treasuries	12.0	12.0
	Inflation Protection	Private Real Assets (ex-Real Estate)	18.0	19.0 ⬆
		Core Real Estate	12.0	12.0
	Volatility Protection	Absolute Return	4.0	5.0 ⬆
		Investment Grade Fixed Income (ex-Treasuries)	5.2	5.2
		Strategic Cash	1.0	1.0

Approach to Modeling Long Volatility

→ Meketa has two options for modeling Long Volatility:

Mean-Variance	Simulation-based

• 0.5% expected return and 9.0% volatility
• -0.5 correlation to Global Equity
• **Pros**
  ○ Simple, easy to understand
• **Cons**
  ○ Assumes normal distribution
  ○ Cannot recognize non-linearity and convexity
	• Conditional payoff based on Global Equity simulated returns:
	  ○ Global Equity >0%: -4% return (negative carry)
	  ○ Global Equity < 0%: -0.25x of GE
	  ○ Global Equity < -10%: -0.5x of GE
	  ○ Global Equity < -20%: -1.0x of GE
	  ○ Global Equity < -30%: -1.15x of GE
	  ○ Global Equity < -40%: -1.2x of GE
	  ○ Global Equity < -50%: -1.25x of GE
	• **Pros**
	  ○ More accurately reflects actual payoff structure
	  ○ Calibrated based on a universe of actual performance histories with conservative adjustments
	• **Cons**
	  ○ No explicit expected return or volatility assumption (through simulation process, ER and Vol approximate mean-variance assumptions)

→ **The simulation-based approach is being used for the 2026 Asset-Liability Study**

2026 Peer Comparison Sample

→ The table below highlights 10-year expected returns from a sample of investment consultants & asset managers.

→ Data was sourced from publicly available documents/websites on 2/15/25.

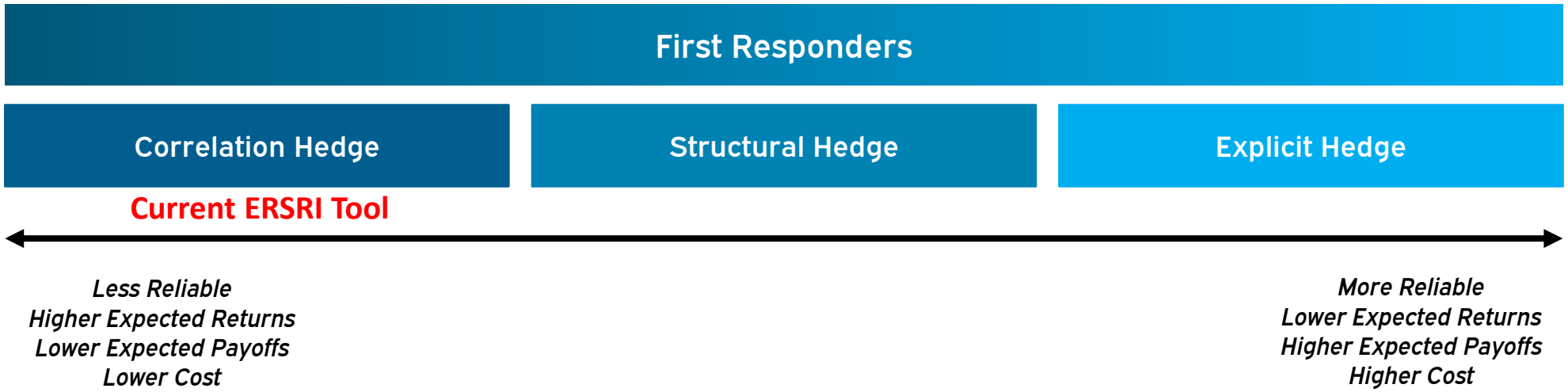
- Peer data are all 2026 CMAs but represented a mix of 11/30 and 12/31 end dates for inputs.

Asset Class	Meketa	Verus	Wilshire	Callan	Vanguard	BlackRock	Northern Trust	Average (ex Meketa)
US Equity	6.3%	5.5%	4.5%	7.4%	4.9%	5.2%	6.8%	5.7%
Developed Non-US Equity	6.2%	6.8%	5.5%	7.3%	5.9%	7.1%	6.8%	6.6%
Emerging Markets Equity	6.2%	6.7%	5.7%	7.5%	4.2%	5.9%	6.9%	6.1%
Investment Grade Bonds	4.2%	4.7%	4.9%	4.8%	4.6%	4.1%	5.0%	4.7%
High Yield Bonds	5.4%	5.7%	6.1%	5.9%	4.8%	5.7%	5.5%	5.6%
Private Equity	9.0%	9.0%	6.1%	8.5%	---	12.9%	10.2%	9.3%
Private Real Estate*	7.2%	8.5%	6.9%	---	---	---	7.9%	7.8%
Core Private Real Estate	5.8%	7.2%	6.0%	6.3%	---	5.8%	---	6.3%

*Private Real Estate represents the firm's stated, single line item assumption or an assumed blend of 50% Core / 25% Value Add / 25% Opportunistic.

The First Responders "Tool Kit"

- First responders are meant to be the first line of defense in an equity event.
- Strategies should produce meaningful gains in the initial stages of a market shock.
- There are three main types of hedging all of which can be found within the First Responders component of RMS:
  1. Correlation hedge: a bet that one asset will produce good returns when another produces bad returns.
  2. Structural hedge: an investment in a security that has a close inverse relationship with another.
  3. Explicit hedge: analogous to an insurance contract (e.g., an ongoing payment in exchange for a payoff if an event X occurs).
- Strategies vary primarily by certainty, payoff magnitude, expected return, and cost.



First Responders Strategy Summaries

Correlation Hedge

Strategies:
→ Long US Treasuries

Performance Drivers:
→ Investors often seek high quality assets when markets decline

Most Effective When...
→ Flight-to-safety

Least Effective When...
→ Rising rates

Implementation Example
→ Buying 20+ year US Treasuries

Strategy Benefits
→ Well known
→ Low cost
→ Historically reliable

Things to consider...
→ Relies on the behavior of others
→ Negative real yields
→ Changing correlations?

Structural Hedge

Strategies:
→ Long Volatility

Performance Drivers:
→ Volatility increases as equity price changes accelerate

Most Effective When...
→ Increasing volatility

Least Effective When...
→ Stable / low volatility

Implementation Example
→ Buying CBOE VIX options

Strategy Benefits:
→ High certainty
→ High event payoffs
→ Flexible implementation

Things to consider...
→ Low expected returns
→ Complexity
→ Ability to hold

Explicit Hedge

Strategies:
→ Tail risk hedging

Performance Drivers:
→ Continual insurance payment for a guaranteed payoff

Most Effective When...
→ Sharp drawdowns

Least Effective When...
→ Stable, bull markets

Implementation Example
→ Buying equity put options

Strategy Benefits:
→ Guaranteed payoff
→ Targets specific levels
→ Highest payoff

Things to consider...
→ Explicit ongoing cost
→ Most difficult to hold
→ Counterparty risk

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