



Board Report 21-62

Date: December 21, 2021

To: Board of Deferred Compensation Administration
(Board)

From: Investments Committee and Staff

Subject: Selections for DCP Actively Managed Mandates:

- Small-Cap Value Equity (tentative)
- Small-Cap Growth Equity (tentative)
- Core Plus Fixed Income (tentative)
- Mid-Cap Value and Mid-Cap Growth Equity (final)

Board of Deferred Compensation Administration

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Recommendation:

That the Board:

- (a) Tentatively approve selection of the Columbia Threadneedle Small-Cap Growth Equity Fund and the Neuberger Berman Active Small-Cap Value Equity Fund, both collective investment trusts, as components of the Deferred Compensation Plan Small-Cap Fund, subject to final negotiation with firm providers with respect to their fee proposals;
- (b) Tentatively approve selection of the Manulife Investment Management Core Plus Fixed Income Fund, a collective investment trust, as a component of the Deferred Compensation Plan Bond Fund, subject to final negotiation with the firm provider with respect to its fee proposal;
- (c) Request that staff report back on the results of negotiations with all three tentatively selected firms prior to providing specific direction regarding the contract awards;
- (d) Finalize its approval of, and five-year contract terms for, the BlackRock Fundamental Mid-Cap Growth Equity Fund and the Wells Fargo Special Mid-Cap Value Equity Fund, both collective investment trusts, as providers for the Deferred Compensation Plan Mid-Cap Fund, with the effective dates of the contracts to be determined;
- (e) Direct staff to negotiate and draft the necessary contracts with BlackRock and Wells Fargo in consultation with Board counsel; and
- (f) Authorize the Board Chairperson to execute said contracts on behalf of the Board, subject to agreement between the City and the provider as to all applicable terms and conditions and all necessary approvals.

Discussion:

A. Background

The Board, working together with its Investments Committee (Committee), staff, and investment consultants at Mercer Investments (Mercer), has taken a number of actions with respect to procurements and search processes for Deferred Compensation Plan (DCP) investment managers. A summary of Board and Committee actions to date regarding these ongoing searches is provided in **Attachment A**.

B. Discussion

(1) Small-Cap Value/Growth Equity and Core Plus Fixed Income Mandates

At its December 1, 2021 meeting, the Committee considered finalists for the Small-Cap Active Value Equity, Small-Cap Active Growth Equity, and Core Plus Fixed Income mandates. This report provides the Committee's recommendations and the materials considered by the Committee in arriving at its recommendations. A report from Mercer outlining key considerations for the recommended providers for all three mandates is provided as **Attachment B**. The prior Stage 3 materials for these mandates presented to the Committee are included within **Attachment C**.

Section 6.1 of the RFP, "Pre-Award Negotiations," provides that, *"Prior to award of the Contract, the successful Proposer(s) may be required to attend negotiation meetings that will be scheduled at a later date. The intent of the meeting(s) will be to discuss and negotiate contract requirements, prices/premiums, service level agreements, detailed scope of work specifications, ordering, invoicing, delivery, receiving and payment procedures, etc. to ensure successful administration of the Contract."* In order to ensure that the Board and the DCP have made all reasonable efforts to secure optimal pricing for DCP participants, staff and the Investments Committee recommend that the Board (a) tentatively approve selection of the Columbia Threadneedle Small-Cap Growth Equity Fund and the Neuberger Berman Active Small-Cap Value Equity Fund, both collective investment trusts, as components of the Deferred Compensation Plan Small-Cap Fund, subject to final negotiation with firm providers with respect to their fee proposals; (b) tentatively approve selection of the Manulife Investment Management Core Plus Fixed Income Fund, a collective investment trust, as a component of the Deferred Compensation Plan Bond Fund, subject to final negotiation with the firm provider with respect to its fee proposal; and (c) request that staff report back on the results of negotiations with all three tentatively selected firms prior to providing specific direction regarding the contract awards.

(2) Mid-Cap Value/Growth Mandates

At the Board's November 16, 2021 meeting, the Board tentatively approved selection of the BlackRock Fundamental Mid-Cap Growth Equity Fund and the Wells Fargo Special Mid-Cap Value Equity Fund, both collective investment trusts, as providers for the Deferred Compensation Plan Mid-Cap Fund, subject to final negotiation with the providers of both firms with respect to their

fee proposals, and requested that staff report back on the results of negotiations prior to providing specific direction regarding the contract awards. Mercer engaged both providers regarding their fee proposals.

BlackRock indicated that it would reduce its investment management fee to 50 basis points, from its originally proposed 51 basis points. Wells Fargo indicated that it would reduce its investment management fee by moving to 45 basis points, vs. its original proposal, which was a graded fee schedule of 47 basis points on the first \$100 million and 45 basis points thereafter. Mercer's summary and findings of the revised fee adjustments is provided as **Attachment D**.

Following these fee concessions, staff recommends that the Board (d) finalize its approval of, and five-year contract terms for, the BlackRock Fundamental Mid-Cap Growth Equity Fund and the Wells Fargo Special Mid-Cap Value Equity Fund, both collective investment trusts, as providers for the Deferred Compensation Plan Mid-Cap Fund, with the effective dates of the contracts to be determined; (e) direct staff to negotiate and draft the necessary contracts with BlackRock and Wells Fargo in consultation with Board counsel; and (f) authorize the Board Chairperson to execute said contracts on behalf of the Board, subject to agreement between the City and the provider as to all applicable terms and conditions and all necessary approvals.



Submitted by:

Steven Montagna, Chief Personnel Analyst

CHRONOLOGY OF INVESTMENT MANAGEMENT SEARCHES BOARD AND COMMITTEE ACTIONS

June 18, 2019	The Board directed staff to draft revisions to the DCP Core Menu Investment Management Services and Stable Value Fund (SVF) Management Services RFPs to include an evaluation process aligning with the Board's established mutual fund search process. The Board also asked staff to work with the City Attorney's Office and Office of Contract Compliance to identify all non-applicable provisions of the City's general contracting requirements for the investment of DCP funds.
July 16, 2019	The Board approved staff's proposed process to administer parallel mutual fund and institutional product procurement searches for all DCP investment mandates.
January 14, 2020	The Committee reviewed and approved staff's proposed revised RFPs.
February 18, 2020	The Board approved and authorized the release of RFPs for (i) DCP Investment Management Services and (ii) SVF Investment Management Services.
August 17, 2020	The DCP Core Menu RFP was released; responses were due October 1, 2020. Along approximately the same time frame the DCP investment consultant, Mercer Investments (Mercer), executed the parallel mutual fund search process.
February 16, 2021	Following Committee review on October 30, 2020, and prior Board consideration at its meetings on December 15, 2020, and January 19, 2021, the Board selected Galliard Capital Management to complete its SVF procurement process.
May 18, 2021	The Board selected Vanguard to provide passive management services for the passively managed components of the DCP Bond, DCP Large-Cap Stock, DCP Mid-Cap Stock, and DCP Small-Cap Stock investment options, following prior consideration at its meeting on April 20, 2021.
June 23, 2021	The Committee approved a proposal from staff and Mercer for the methodology to be used for reviewing candidates for the actively managed mandates. The process provides that following evaluation of all RFP respondents and mutual fund candidates on RFP evaluation categories, as part of its Stage 1 review Mercer will provide recommendations regarding removing from the candidate list those funds not meeting certain key criteria outlined in Section 5.1, Evaluation Process and Review Criteria, of the RFP and which would otherwise be the basis for ranking candidates in any event.
July 22, 2021	The Committee approved a refined number of candidate strategies for the Mid-Cap Value Equity, International Small-Cap Equity, International Emerging Markets Equity, and International Developed Markets Equity investment mandates. Consideration of the Core Plus Fixed Income, Mid-Cap Growth Equity, Small-Cap Value Equity, and Small-Cap Growth Equity mandates was deferred.
August 23, 2021	The Committee approved a refined number of candidate strategies for the DCP Core Plus Fixed Income, Mid-Cap Growth Equity, Small-Cap Value Equity, and Small-Cap Growth Equity investment mandates.
September 17, 2021	The Committee approved Stage 3 finalists for the International Small-Cap Equity, International Emerging Markets Equity, and International Developed Markets Equity investment mandates.
September 29, 2021	The Committee approved Stage 3 finalists for the Mid-Cap Active Value Equity and Mid-Cap Active Growth Equity mandates.
October 20, 2021	The Committee approved Stage 3 finalists for the Small-Cap Active Value Equity and Small-Cap Active Growth Equity mandates; and deferred Stage 3 consideration of the International mandates due to a change in status for one of the prior finalists for the International Small-Cap mandate.
October 28, 2021	The Committee developed final recommendations to the Board for selection of the Mid-Cap Active Value Equity and Mid-Cap Active Growth Equity mandates.

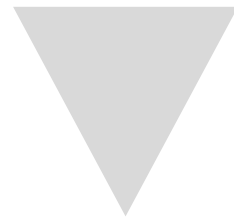
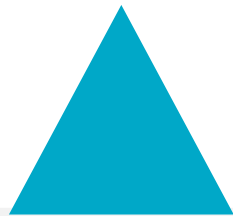
November 16, 2021	The Board tentatively approved selection of the BlackRock Fundamental Mid-Cap Growth Equity Fund and the Wells Fargo Special Mid-Cap Value Equity Fund, both collective investment trusts, as providers for the Deferred Compensation Plan Mid-Cap Fund, subject to final negotiation with the providers of both firms with respect to their fee proposals, and requested that staff report back on the results of negotiations prior to providing specific direction regarding the contract awards.
November 22, 2021	The Committee approved Stage 3 finalists for the International Small-Cap mandate.
December 1, 2021	The Committee developed final recommendations to the Board for selection of the Small-Cap Active Value Equity, Small-Cap Active Growth Equity, and Core Plus Fixed Income mandates.

City of Los Angeles

Deferred Compensation Plan

Small Cap Value Equity Fund &
Small Cap Growth Equity Fund

Final Recommended
Selections



SMALL CAP EQUITY FINALIST SUMMARY

	Candidates At A Glance	
	Neuberger Berman - SCV	Columbia - SCG
Headquarters	New York, NY	Boston, MA
Firm Ownership	Neuberger Berman 100%	Ameriprise Financial, Inc. 100%
Firm AUM (millions as of June 2021)	\$433,200	\$437,100
Strategy name	Neuberger Small Cap Intrinsic Value	Columbia Small Cap Growth
Mercer Rating	R	N
Strategy AUM (millions as of June 2021)	\$3,916	\$3,965
Strategy Inception Year	1997	1992
Vehicle Name	Active Small Cap Value Equity	Active Small Cap Growth Equity
Most Cost Effective Vehicle	CIT	CIT
Net Effective Cost/Fee (Revenue Sharing)	0.80%	0.50%

SMALL CAP EQUITY FINALIST SUMMARY

Firm - rating	Neuberger - R	Columbia - N
Strategy name	Neuberger Small Cap Intrinsic Value	Columbia Small Cap Growth Strategy
Team Structure	<p>The Small Cap Intrinsic Value investment team consists of the portfolio manager, Benjamin Nahum, four dedicated research analysts, Amit Solomon, Jim McAree, Rand Gesing, and Scott Hoina and a portfolio specialist, Haik Kevorkian, who is primarily responsible for marketing and client service. While the team believes in a collegial approach to managing portfolios, the portfolio manager has ultimate decision-making authority and is involved in every aspect of the strategy's portfolio construction process. Research analysts are responsible for generation of new investment ideas, providing research on investment candidates assigned to them, and monitoring existing positions within their sectors. Given the seniority and experience level of the team members, much deference is given to their recommendations and the portfolio manager's role is to ensure the integrity of the analytical process and adherence to the contrarian and value philosophy of the strategy.</p>	<p>The Columbia Small Cap Growth strategy is managed by senior portfolio managers Daniel Cole, CFA and Wayne Collette, CFA. Daniel Cole functions as the strategy's lead portfolio manager. The team also has a dedicated general analyst, Dana Kelley, CFA.</p> <p>The team averages over 20 years of experience in small cap growth strategies. All team members have covered multiple industries over their careers, which provides for an overlap in knowledge and experience to enhance our research and analysis processes. Daniel Cole focuses on the energy, financials, health care, industrials and materials sectors. Wayne Collette focuses on the consumer, technology, telecom and financials sectors. The team's dedicated analyst, Dana Kelley is a generalist. All team members are based in Portland, Oregon.</p> <p>The portfolio managers are responsible for research, stock selection and portfolio construction for our small cap growth portfolios. Research is conducted primarily by the Columbia Small Cap Growth Team. Columbia Threadneedle's Global Fundamental Research and Quantitative Research Teams work closely with the portfolio managers and serve as additional resources for research, analysis and idea generation.</p>
Portfolio Managers (Years at Firm / Years in Industry)	Benjamin Nahum (13/38)	Daniel Cole, CFA (7/28) Wayne Collette, CFA (20/25) Dana Kelley, CFA (10/13)

SMALL CAP EQUITY FINALIST SUMMARY

Firm - rating

Neuberger - R

Columbia - N

Style / Philosophy

The Small Cap Intrinsic Value strategy ("SCIV") employs a "private equity" style approach in the public markets and by virtue of its focus on out-of-favor companies, the strategy can be described as contrarian in nature. The SCIV team utilizes bottom-up, fundamental research to invest in small cap companies that it believes are trading at a significant discount to intrinsic value, which is defined as the team's estimate of a company's true long-term economic worth, and where there is a strategic plan or event that the team expects will enhance value and narrow the value/price gap. The team believes that valuations of small cap companies are often distorted by market inefficiencies, which can lead to attractive investment opportunities and has historically sought to exploit recurring market inefficiencies among companies with complex corporate structures, cyclical businesses, and growing franchises whose growth has been temporarily interrupted. Because of limited analyst coverage in the small cap segment and meaningful dispersion of analysts' estimates, these types of companies can often be misunderstood and mispriced by investors.

The Columbia Small Cap Growth Strategy is a fundamentally managed strategy that seeks to consistently outperform the Russell 2000 index through various market environments. The diversified strategy leverages an experienced team of Portfolio Managers and Analysts in constructing and managing the portfolio.

The Columbia Small Cap Growth Team considers itself to be traditional growth investors. The Team seeks out innovators and niche dominators with elite business models that have the potential to become America's next great growth companies. These companies have management teams that have demonstrated exceptional ability at allocating capital, pivoting the business at proper times, expanding the TAM (Total Addressable Market) while improving and sustaining growth and economic returns. The Team believes these companies have the ability to double revenues in five years or less, grow cash flow per share faster than revenues, build strong balance sheets and consistently earn greater than their cost of capital making them superior investments for long term investors.

Additional Characteristics: - Holdings consist of listed equity securities found in the Russell 2000 Growth Index with market caps ranging from \$150m to \$4b; final portfolio of 100 to 135 growth companies; - The strategy relies upon fundamental research and can also access quantitative research that uses internal and external models; - Maximum position size is 5%, and target 2% to 5% tracking error

DCP SMALL CAP STOCK FUND FEE COMPARISON

Expense Ratio (comparison of net expenses before revenue sharing)

Composite	Managers ¹	Expense Ratio (Revenue Sharing)	Estimated % Difference vs Current	Estimated Expense Ratio \$ Difference vs Current	Estimated Effective \$ Difference vs Current
New	Neuberger / Columbia	0.44%	-0.01%	\$2,141,539	-\$16,091
Current	DFA / Hartford	0.45% (0.10%)	-	\$2,157,630	-

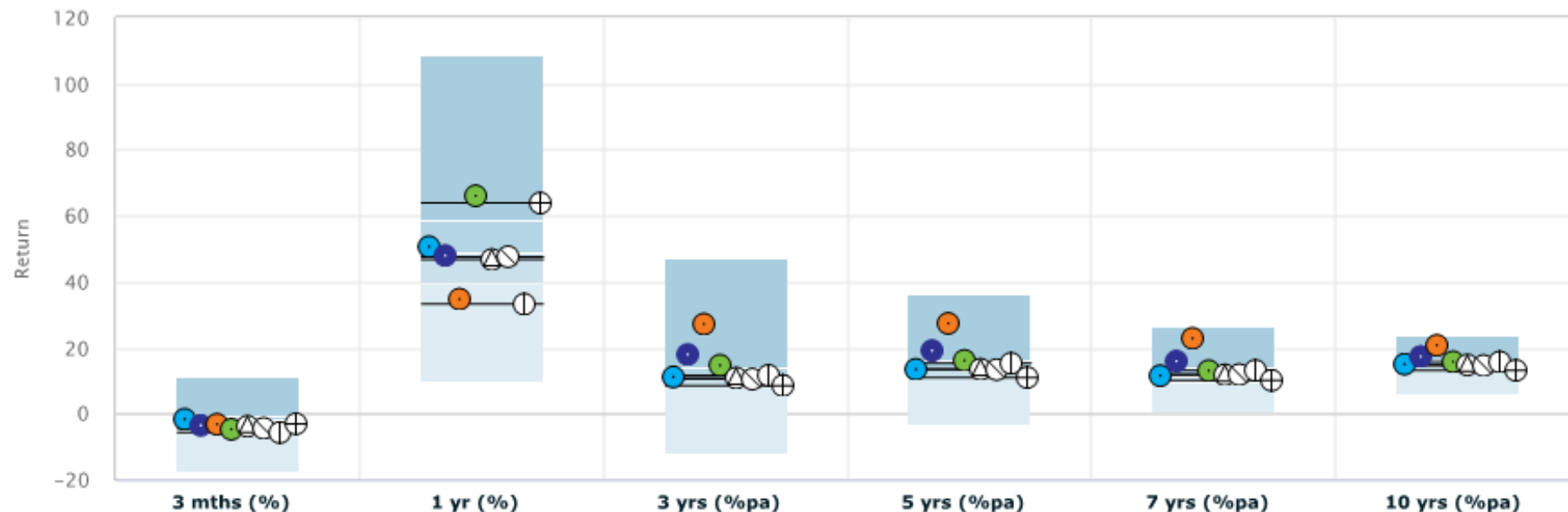
Effective Expense Ratio (net of revenue sharing)

Composite	Managers ¹	Effective Expense Ratio (Net of Revenue Sharing)	Estimated Effective % Difference vs Current	Estimated Effective Expense (Based of 9/30/21 Assets of \$487.6M)	Estimated Effective \$ Difference vs Current
New	Neuberger / Columbia	0.44%	0.09%	\$2,141,539	\$466,633
Current	DFA / Hartford	0.35%	-	\$1,674,906	-

¹ All portfolios include 34% allocation to Vanguard Small Cap Index with an expense ratio of 0.03% and 33% allocations to listed Small Cap Growth and Small Cap Value managers

DCP SMALL CAP STOCK FUND ANNUALIZED PERFORMANCE

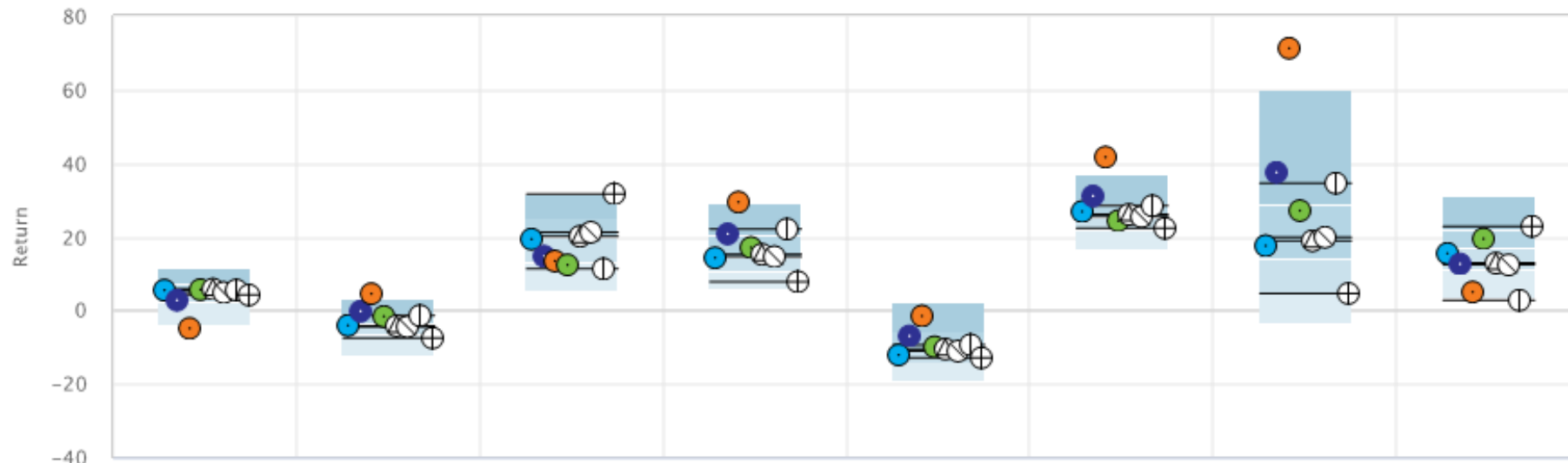
Return in \$US (after fees) over 3 mths, 1 yr, 3 yrs, 5 yrs, 7 yrs, 10 yrs ending September-21
Comparison with the Mutual Fund US Equity Small Cap universe (Percentile Ranking)



DCP SC Cur: Current mix of DFA, Hartford and Vanguard
DCP SC New: Mix of Neuberger Berman, Columbia and Vanguard

DCP SMALL CAP STOCK FUND CALENDAR YEAR PERFORMANCE

Return in \$US (after fees) over last 8 calendar years ending September-21
Comparison with the Mutual Fund US Equity Small Cap universe (Percentile Ranking)

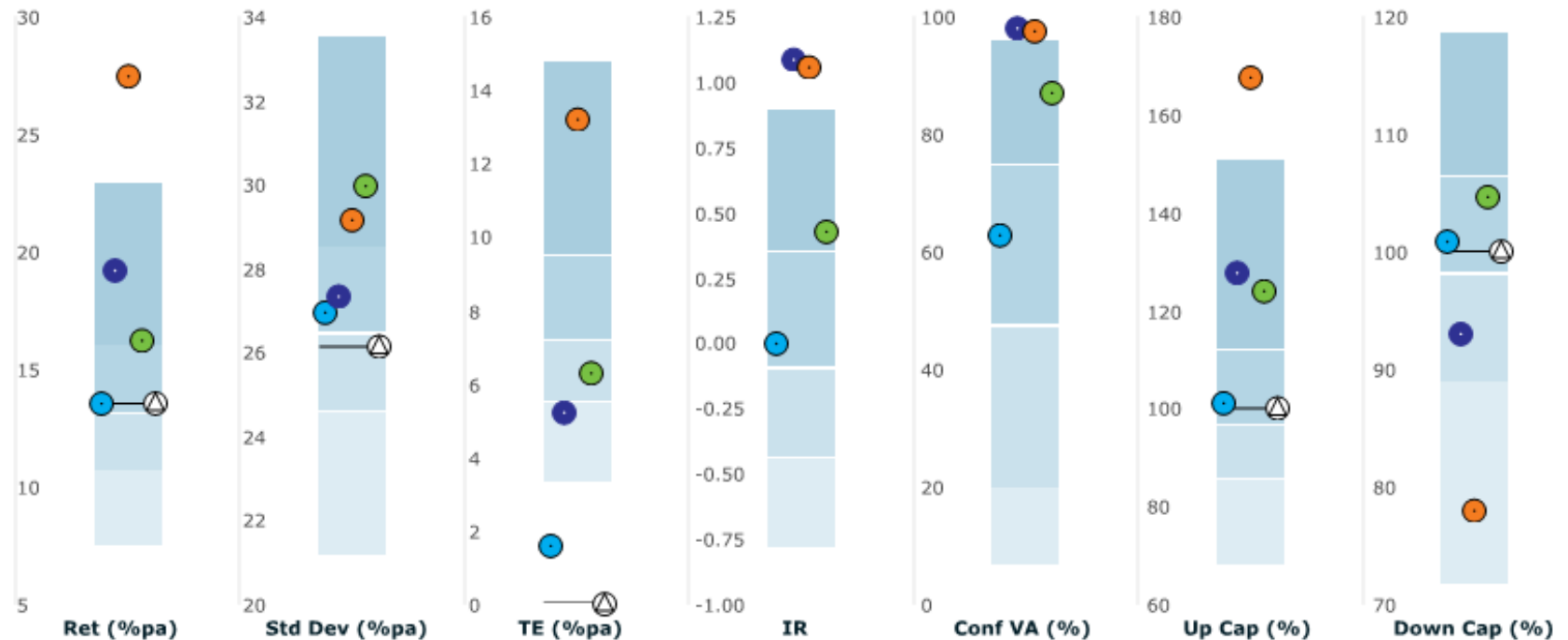


	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	9 mths to 9/2021 (%)
● DCP SC Cur	5.6 (40)	-4.1 (53)	19.4 (51)	14.4 (49)	-12.1 (59)	26.9 (34)	17.6 (43)	15.5 (56)
● DCP SC New	2.8 (68)	-0.2 (16)	14.8 (70)	20.8 (22)	-6.9 (28)	31.1 (15)	37.6 (15)	12.7 (69)
● Columbia	-4.8 (97)	4.6 (3)	13.5 (73)	29.5 (4)	-1.5 (10)	41.7 (1)	71.3 (1)	5.0 (92)
● NB	5.7 (37)	-1.6 (27)	12.4 (76)	17.1 (36)	-9.9 (43)	24.4 (55)	27.2 (27)	19.5 (35)
⊖ DCP SC BM	5.8 (36)	-4.2 (53)	20.2 (47)	15.3 (44)	-10.5 (46)	26.1 (41)	19.0 (40)	12.9 (68)
⊖ RU2000	4.9 (45)	-4.4 (56)	21.3 (41)	14.6 (47)	-11.0 (50)	25.5 (46)	20.0 (37)	12.4 (70)
⊖ RU2000G	5.6 (38)	-1.4 (25)	11.3 (79)	22.2 (18)	-9.3 (39)	28.5 (25)	34.6 (18)	2.8 (96)
⊖ RU2000V	4.2 (51)	-7.5 (81)	31.7 (4)	7.8 (88)	-12.9 (66)	22.4 (70)	4.6 (75)	22.9 (21)
5th Percentile	11.3	2.9	31.4	28.8	1.6	36.5	59.8	30.6
Upper Quartile	6.9	-1.4	24.9	20.2	-6.1	28.5	28.5	21.6
Median	4.3	-3.8	19.6	14.2	-11.0	25.0	13.7	16.7
Lower Quartile	2.0	-6.6	12.7	10.5	-14.3	21.7	4.7	10.9
95th Percentile	-3.9	-12.2	5.2	5.7	-19.1	16.7	-3.7	3.3
Number	435	450	477	490	518	535	552	562

DCP SC Cur: Current mix of DFA, Hartford and Vanguard
DCP SC New: Mix of Neuberger Berman, Columbia and Vanguard

DCP SMALL CAP STOCK FUND RISK STATISTICS – 5 YEAR

Performance characteristics vs. 34% Van SC BM/33% RU2000V/33% RU2000G (Benchmark) in \$US (after fees) over 5 yrs ending September-21
Comparison with the Mutual Fund US Equity Small Cap universe (Percentile Ranking) (quarterly calculations)



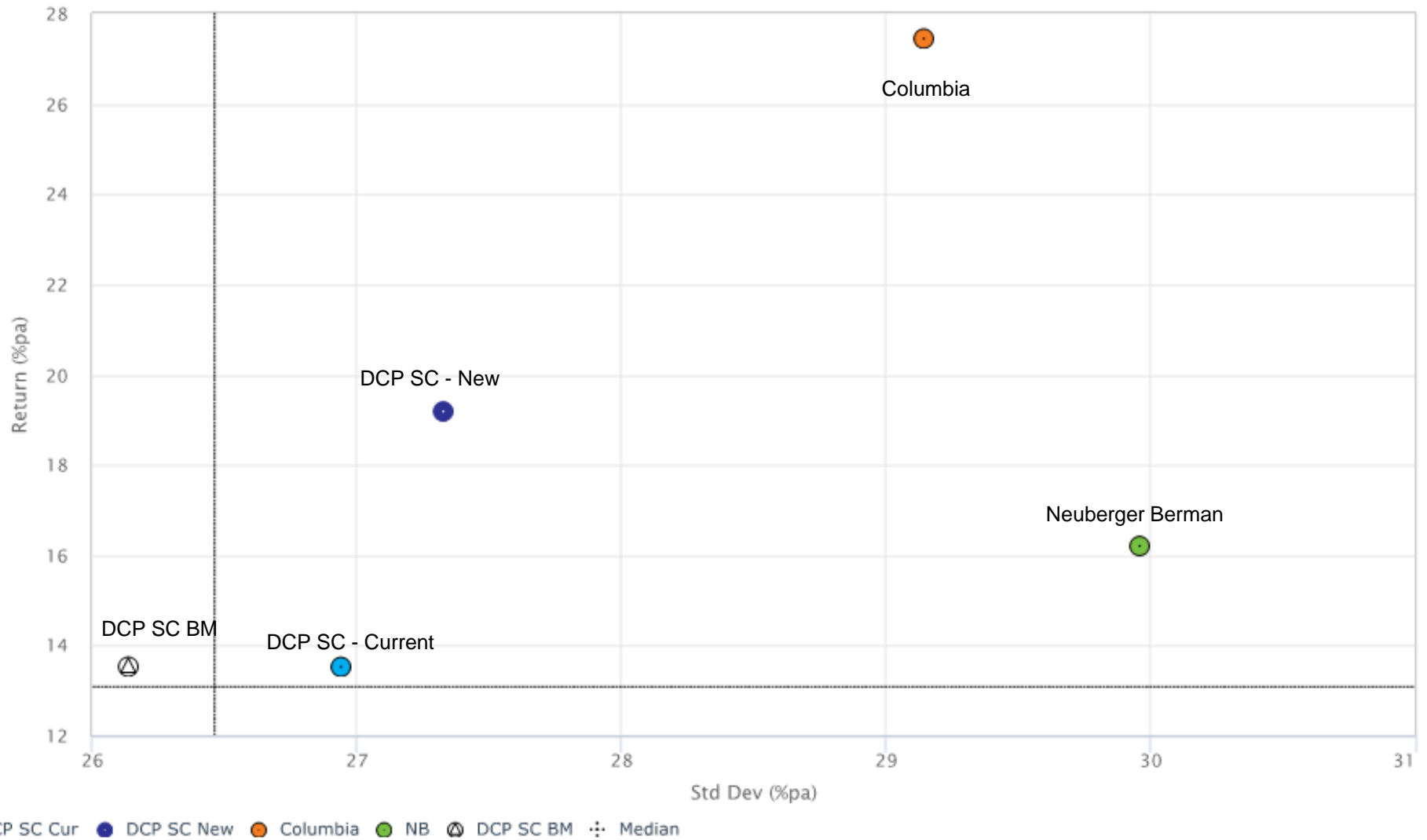
	Ret (%pa)	Std Dev (%pa)	TE (%pa)	IR	Conf VA (%)	Up Cap (%)	Down Cap (%)
● DCP SC Cur	13.5 (46)	26.9 (42)	1.6 (100)	-0.0 (46)	62.8 (36)	101.0 (41)	100.8 (42)
● DCP SC New	19.2 (13)	27.3 (38)	5.2 (78)	1.1 (2)	98.0 (1)	127.6 (12)	93.0 (67)
● Columbia	27.5 (1)	29.1 (21)	13.2 (7)	1.1 (2)	97.5 (1)	167.5 (3)	77.9 (91)
● NB	16.2 (24)	30.0 (14)	6.3 (64)	0.4 (21)	87.0 (16)	123.9 (15)	104.6 (29)
⊖ DCP SC BM	13.5 (46)	26.1 (55)	0.0 (100)	-	-	100.0 (43)	100.0 (45)
5th Percentile	22.9	33.5	14.8	0.9	95.9	150.8	118.6
Upper Quartile	16.0	28.5	9.5	0.4	74.7	112.0	106.3
Median	13.1	26.5	7.2	-0.1	47.3	96.6	98.1
Lower Quartile	10.7	24.6	5.5	-0.4	19.8	85.4	88.9
95th Percentile	7.5	21.2	3.3	-0.8	6.9	67.9	71.7
Number	487	487	487	487	487	487	487

DCP SC Cur: Current mix of DFA, Hartford and Vanguard
DCP SC New: Mix of Neuberger Berman, Columbia and Vanguard

The risk free rate used for these calculations is the US 3 month T-Bill

DCP SMALL CAP STOCK FUND RISK / RETURN – 5-YEAR PERIOD

Return and Std Deviation in \$US (after fees) over 5 yrs ending September-21
Comparison with the Mutual Fund US Equity Small Cap universe (quarterly calculations)



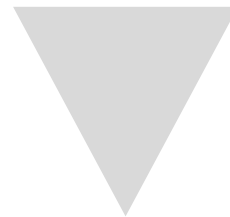
DCP SC Cur: Current mix of DFA, Hartford and Vanguard
DCP SC New: Mix of Neuberger Berman, Columbia and Vanguard

HEALTH WEALTH CAREER

City of Los Angeles

Deferred Compensation Plan

Core Plus Fixed Income
Selection



CORE PLUS FIXED INCOME FINALIST SUMMARY

Candidate At A Glance	
	Manulife – Core Plus
Headquarters	Toronto, Ontario, Canada
Firm Ownership	Manulife Financial 100%
Firm AUM (millions as of June 2021)	\$491.7
Strategy name	Manulife Core Plus Fixed Income
Mercer Rating	A
Strategy AUM (millions as of June 2021)	\$31.1
Strategy Inception Year	1985
Vehicle Name	Manulife Core Plus Fixed Income Trust P1
Most Cost Effective Vehicle	CIT
Net Effective Cost/Fee (Revenue Sharing)	0.17%

CORE PLUS FIXED INCOME FINALIST SUMMARY

Firm - rating	Manulife – A
Strategy name	Manulife Core Plus Fixed Income
Team Structure	<p>Key investment professionals associated with the Core Plus strategy include co-lead portfolio managers Howard Greene, CFA, and Jeffrey Given, CFA, and associate portfolio manager Pranay Sonalkar.</p> <p>Research and trading are subdivided into three teams: corporate credit, securitized credit and trading. The portfolio managers receive additional support from the firm's investment risk and quantitative analytics and ESG teams. Portfolios are managed on a team basis with Greene and Given sharing full discretion for all buy and sell decisions.</p>
Portfolio Managers (Years at Firm / Years in Industry)	<p>Howard C. Greene, CFA (19 / 38)</p> <p>Jeffrey N. Given, CFA (28 / 28)</p> <p>Pranay Sonalkar (7 / 14)</p>
Style / Philosophy	<p>The team believes strong relative performance can be generated through bottom-up active management of sector allocation, issue selection and yield curve positioning. The team's disciplined investment process seeks to add value by following a relative value approach to sector allocation and issue selection, engaging in intensive fundamental credit research, and identifying points on the yield curve with the greatest return potential.</p>

DCP BOND FUND FEE COMPARISON

Expense Ratio (comparison of net expenses before revenue sharing)

Composite	Managers ¹	Expense Ratio (Revenue Sharing)	Estimated % Difference vs Current	Estimated Expense Ratio \$ Difference vs Current	Estimated Effective \$ Difference vs Current
New	Manulife / Vanguard	0.10%	-0.15%	\$803,894	-\$1,246,856
Current	Loomis Sayles / Vanguard	0.25% (0.10%)	-	\$2,050,750	-

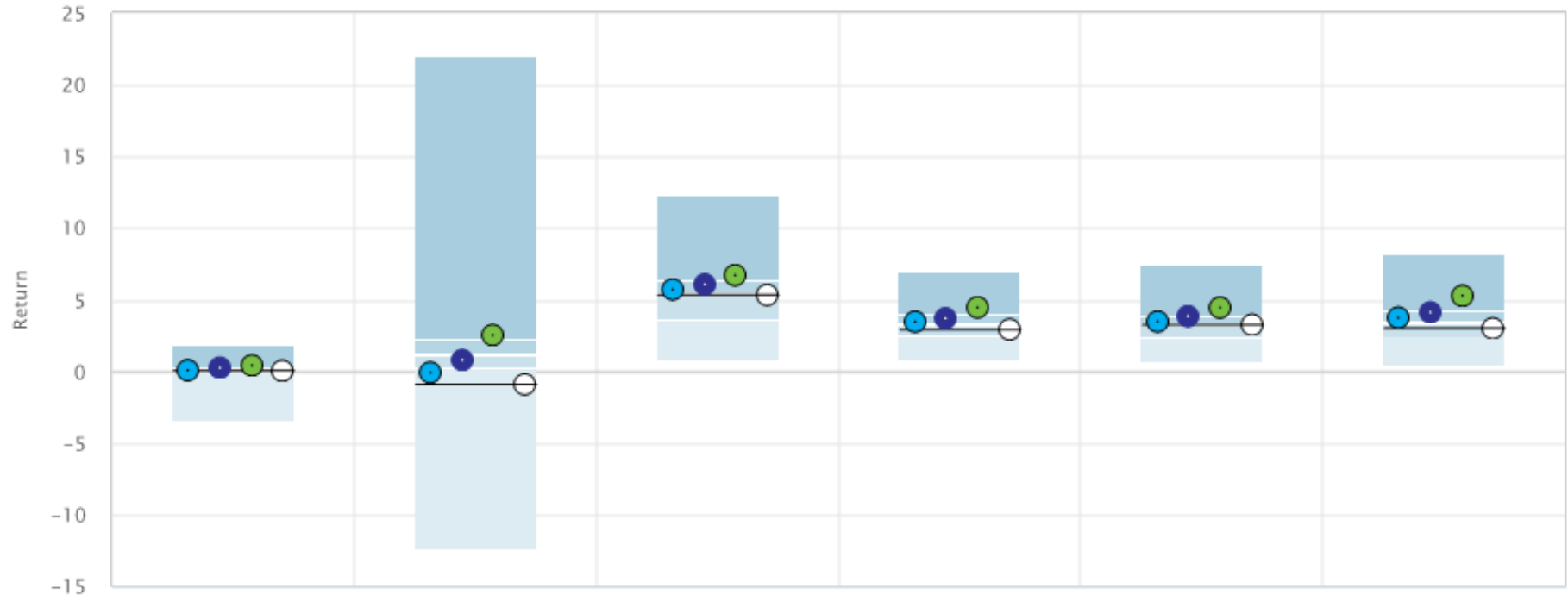
Effective Expense Ratio (net of revenue sharing)

Composite	Managers ¹	Effective Expense Ratio (Net of Revenue Sharing)	Estimated Effective % Difference vs Current	Estimated Effective Expense (Based of 9/30/21 Assets of \$820.3M)	Estimated Effective \$ Difference vs Current
New	Manulife / Vanguard	0.10%	-0.05%	\$803,894	-\$426,556
Current	Loomis Sayles / Vanguard	0.15%	-	\$1,230,450	-

¹ All portfolios include 50% allocation to Vanguard Total Bond Market Index with an expense ratio of 0.026% and 50% allocation to Core Plus Fixed Income manager

DCP BOND FUND ANNUALIZED PERFORMANCE

Return in \$US (after fees) over 3 mths, 1 yr, 3 yrs, 5 yrs, 7 yrs, 10 yrs ending September-21
Comparison with the Mutual Fund US Fixed Core universe (Percentile Ranking)

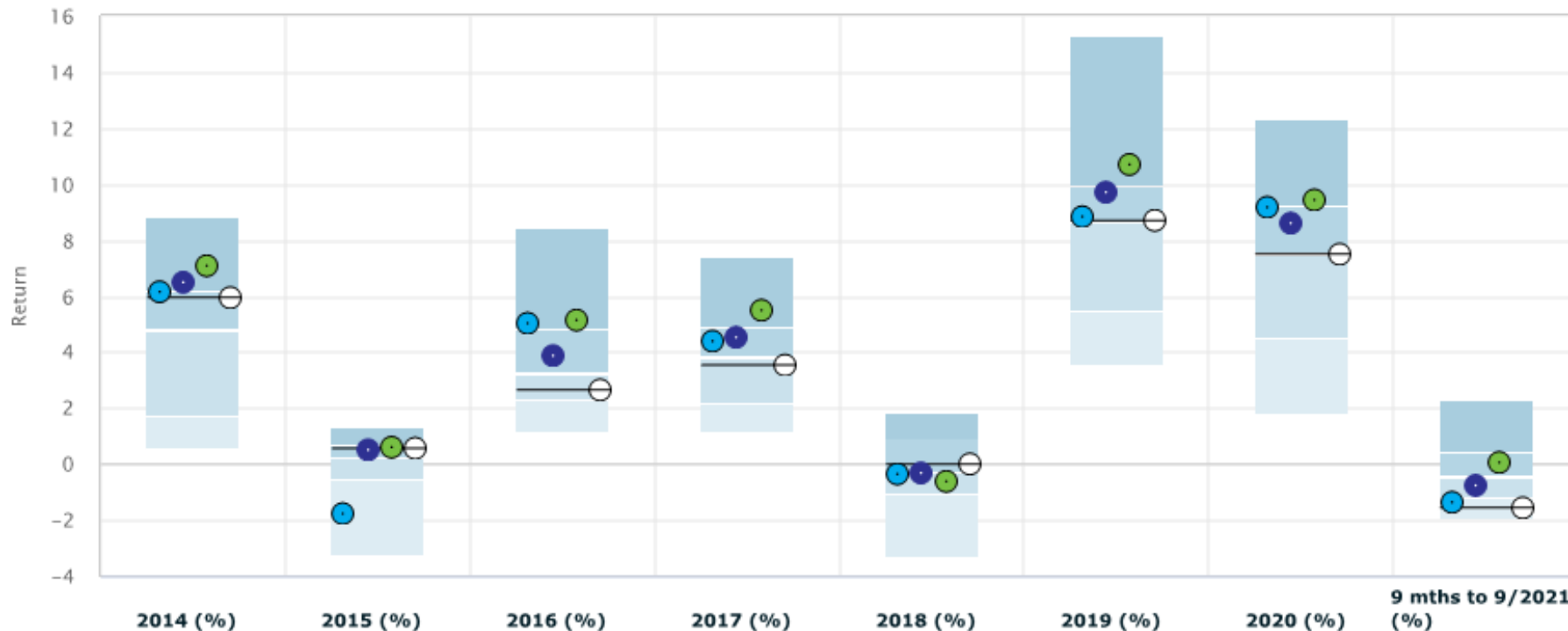


	3 mths (%)	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)	7 yrs (%pa)	10 yrs (%pa)
● DCP Bond - Cur	0.1 (52)	-0.1 (80)	5.7 (40)	3.5 (40)	3.5 (41)	3.8 (37)
● DCP Bond - New	0.3 (13)	0.8 (56)	6.1 (31)	3.7 (32)	3.9 (25)	4.1 (25)
● Manulife	0.4 (6)	2.5 (21)	6.7 (18)	4.5 (14)	4.5 (13)	5.3 (8)
○ Blmbg US Agg	0.1 (60)	-0.9 (94)	5.4 (50)	2.9 (61)	3.3 (51)	3.0 (64)
Maximum	1.8	22.0	12.2	6.8	7.4	8.1
Upper Quartile	0.2	2.2	6.3	3.9	3.9	4.1
Median	0.1	1.1	5.3	3.3	3.3	3.4
Lower Quartile	-0.0	0.2	3.6	2.4	2.3	2.4
Minimum	-3.5	-12.4	0.8	0.8	0.6	0.4
Number	521	492	443	385	347	304

DCP Bond Cur: Current mix of Loomis Sayles and Vanguard
DCP Bond New: Mix of Manulife and Vanguard

DCP BOND FUND CALENDAR YEAR PERFORMANCE

Return in \$US (after fees) over last 8 calendar years ending September-21
Comparison with the Mutual Fund US Fixed Core universe (Percentile Ranking)

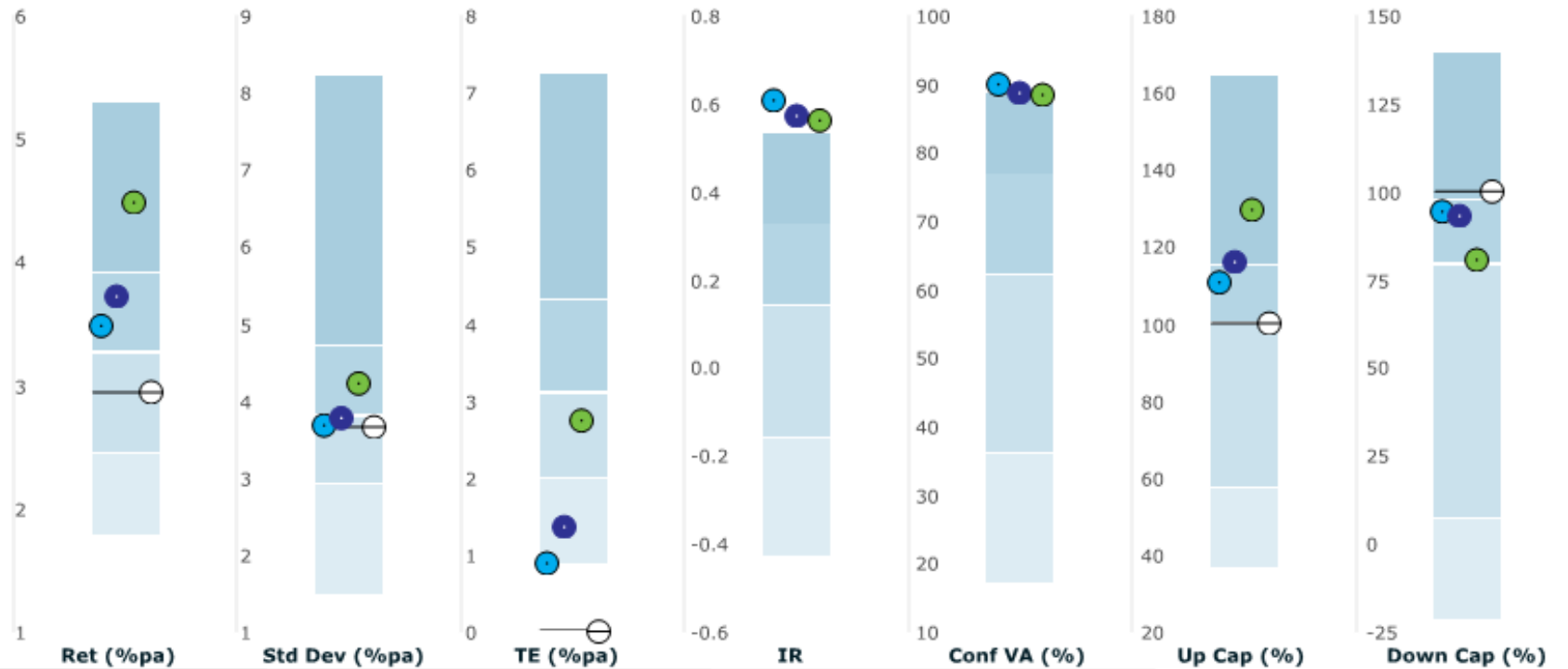


	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	9 mths to 9/2021 (%)
● DCP Bond - Cur	6.2(26)	-1.8 (89)	5.0(23)	4.4(33)	-0.3 (51)	8.8(46)	9.2(25)	-1.4 (81)
● DCP Bond - New	6.5(19)	0.5 (32)	3.9(38)	4.5(30)	-0.3 (49)	9.7(30)	8.6(33)	-0.8 (60)
● Manulife	7.1(14)	0.6 (26)	5.2(22)	5.5(18)	-0.6 (61)	10.7(19)	9.4(21)	0.1(35)
○ Blmbg US Agg	6.0(28)	0.6 (28)	2.7(65)	3.5(54)	0.0(43)	8.7(48)	7.5(49)	-1.6 (87)
5th Percentile	8.8	1.3	8.4	7.3	1.8	15.3	12.3	2.2
Upper Quartile	6.2	0.6	4.8	4.9	0.9	9.9	9.2	0.4
Median	4.8	0.2	3.2	3.8	-0.3	8.6	7.5	-0.5
Lower Quartile	1.7	-0.6	2.3	2.2	-1.1	5.4	4.5	-1.2
95th Percentile	0.6	-3.3	1.1	1.1	-3.3	3.6	1.8	-2.0
Number	339	355	370	392	419	459	477	506

DCP Bond Cur: Current mix of Loomis Sayles and Vanguard
DCP Bond New: Mix of Manulife and Vanguard

DCP BOND FUND RISK STATISTICS – 5 YEAR

Performance characteristics vs. Bloomberg US Aggregate in \$US (after fees) over 5 yrs ending September-21
Comparison with the Mutual Fund US Fixed Core universe (Percentile Ranking) (quarterly calculations)



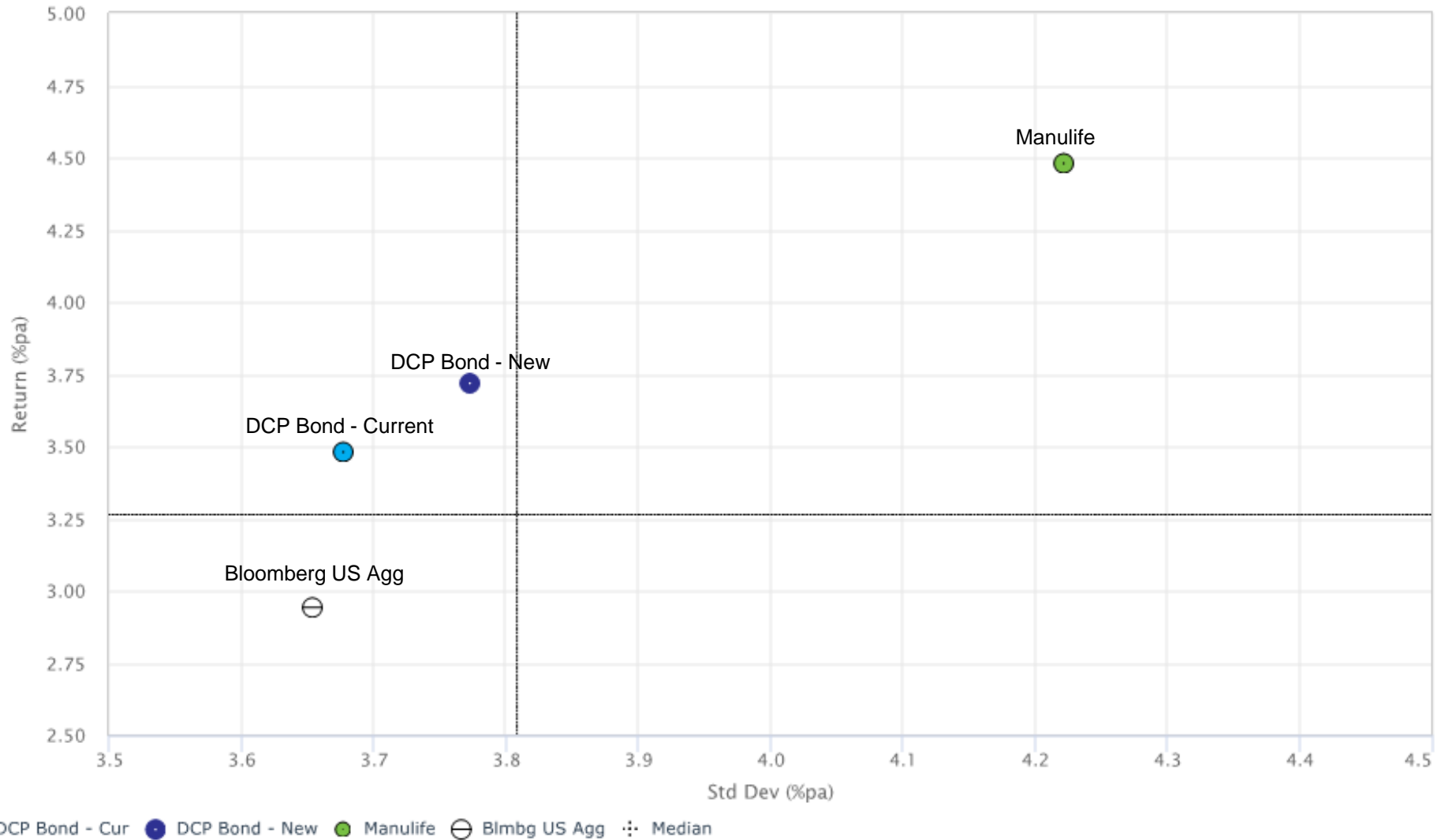
	Ret (%pa)	Std Dev (%pa)	TE (%pa)	IR	Conf VA (%)	Up Cap (%)	Down Cap (%)
● DCP Bond - Cur	3.5 (40)	3.7 (58)	0.9 (95)	0.6 (4)	89.9 (4)	110.7 (34)	94.3 (29)
● DCP Bond - New	3.7 (32)	3.8 (52)	1.4 (86)	0.6 (4)	88.7 (5)	116.0 (24)	93.0 (32)
● Manulife	4.5 (14)	4.2 (36)	2.7 (60)	0.6 (4)	88.4 (5)	129.5 (14)	80.6 (48)
⊖ Blmbg US Agg	2.9 (61)	3.7 (59)	0.0 (100)	-	-	100.0 (51)	100.0 (21)
5th Percentile	5.3	8.2	7.2	0.5	88.7	164.5	139.2
Upper Quartile	3.9	4.7	4.3	0.3	76.8	115.2	97.5
Median	3.3	3.8	3.1	0.1	62.2	100.2	79.4
Lower Quartile	2.4	2.9	2.0	-0.2	36.2	57.4	7.3
95th Percentile	1.8	1.5	0.9	-0.4	17.2	36.9	-21.5
Number	385	385	385	385	385	385	385

DCP Bond Cur: Current mix of Loomis Sayles and Vanguard
DCP Bond New: Mix of Manulife and Vanguard

The risk free rate used for these calculations is the US 3 month T-Bill

DCP BOND FUND RISK / RETURN – 5-YEAR PERIOD

Return and Std Deviation in \$US (after fees) over 5 yrs ending September-21
Comparison with the Mutual Fund US Fixed Core universe (quarterly calculations)



DCP Bond Cur: Current mix of Loomis Sayles and Vanguard
DCP Bond New: Mix of Manulife and Vanguard

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An investment's placement along the risk spectrum is based on market risk and credit risk. Other factors considered include prospectus objectives, degrees of diversification, characteristics of typical holdings, and historical volatility of the fund and its benchmark. Risks will vary. This spectrum does not represent actual or implied performance.

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Fund company websites:

www.blackrock.com/investing

www.vanguard.com



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Stage 3 Finalist Search Report – DCP Small Cap Stock Fund

December 1, 2021



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BACKGROUND

BACKGROUND

DCP SMALL CAP STOCK FUND FINALISTS

- The DCP Small Cap Stock Fund approved structure is 33.3% Passive Small Cap Core Equity + 33.3% Active Small Cap Value Equity + 33.3% Active Small Cap Growth Equity.
- At the March 19, 2021 Investment Committee meeting, Mercer presented the Passive search, where the Committee voted to retain the incumbent Vanguard Small Cap Index Fund as the passively managed portion of the DCP Small Cap Stock Fund.
- At the October 28, 2021 Investment Committee meeting, Mercer presented Stage 2 search reports for Small Cap Value Equity and Small Cap Growth Equity.
- Based on discussion at the meeting, the Committee chose the following candidates as finalists:
 - Small Cap Value Equity:
 - Fisher Small Cap Value Equity – CIT
 - Neuberger Small Cap Intrinsic Value Equity – Mutual fund or CIT
 - Small Cap Growth Equity:
 - AB US Small Cap Growth Equity – Mutual fund or CIT
 - Columbia Small Cap Growth Equity – CIT

BACKGROUND

DCP SMALL CAP STOCK FUND FINALISTS

Notes:

- All performance is net of fees, unless otherwise noted
- Portfolio characteristics and performance exhibits are as of 6/30/21, unless otherwise noted
- Total DCP Small Cap Stock mandate size is approximately \$508.6 million
 - \$172.9 million (34%) as of June 30, 2021 for Passive Small Cap Core Equity
 - \$167.8 million (33%) as of June 30, 2021 for Active Small Cap Value Equity
 - \$167.8 million (33%) as of June 30, 2021 for Active Small Cap Growth Equity

ACTIVE SMALL CAP VALUE EQUITY FINALISTS

SMALL CAP VALUE EQUITY FINALIST SUMMARY

Candidate At A Glance		
	Fisher	Neuberger
Headquarters	Camas, WA	New York, NY
Firm Ownership	Employee Owned 100%	Neuberger Berman 100%
Firm AUM (millions as of June 2021)	\$51,300	\$433,200
Strategy name	Fisher Small Cap Value	Neuberger Small Cap Intrinsic Value
Mercer Rating ¹	B	R
Strategy AUM (millions as of June 2021)	\$6,267	\$3,916
Strategy Inception Year	1990	1997
Vehicle Name	Active Small Cap Value Equity Class 2	Active Small Cap Value Equity
Most Cost Effective Vehicle	CIT ²	CIT
Net Effective Cost/Fee (Revenue Sharing)	0.79%	0.80%

¹ Mercer rating not evaluated. Further detail in appendix.

² Pricing is for Share Class 2 All-in Fee CIT. Fisher is willing to launch a new FIIG US Small Cap Value CIT if awarded this mandate.

SMALL CAP VALUE EQUITY FINALIST SUMMARY

Firm - rating	Fisher – B	Neuberger – R
Strategy name	Fisher Small Cap Value Equity	Neuberger Small Cap Intrinsic Value
Team Structure	<p>The members of the IPC share overall responsibility for managing the FIIG Small Cap Value strategy. The IPC collaboratively makes all strategic investment decisions affecting the portfolio and are supported by our global research platform, which includes 53 Research Analysts (as of 9/30). The Research Analysts are organized in three teams: Capital Markets, Securities and Capital Markets Innovation.</p> <p>The responsibilities of each team are as follows: - The Capital Markets Research team is responsible for gathering information used in the analysis of a wide range of economic, political, and sentiment drivers which inform our sector, industry and security type preferences. -The Securities Research Team is responsible for the initial analysis and ongoing monitoring of all securities held in the firm's portfolios. - The Capital Markets Innovation team is responsible for developing and refining proprietary capital markets technology, providing quantitative investment analysis to the IPC and applied research teams, measuring portfolio attribution and managing portfolio risk.</p>	<p>The Small Cap Intrinsic Value investment team consists of the portfolio manager, Benjamin Nahum, four dedicated research analysts, Amit Solomon, Jim McAree, Rand Gesing, and Scott Hoina and a portfolio specialist, Haik Kevorkian, who is primarily responsible for marketing and client service. While the team believes in a collegial approach to managing portfolios, the portfolio manager has ultimate decision-making authority and is involved in every aspect of the strategy's portfolio construction process. Research analysts are responsible for generation of new investment ideas, providing research on investment candidates assigned to them, and monitoring existing positions within their sectors. Given the seniority and experience level of the team members, much deference is given to their recommendations and the portfolio manager's role is to ensure the integrity of the analytical process and adherence to the contrarian and value philosophy of the strategy.</p>
Portfolio Managers (Years at Firm / Years in Industry)	<p>Ken Fisher (43/39)</p> <p>Jeffery Silk (34/40)</p> <p>William Glaser (22/22)</p> <p>Michael Hanson (20/20)</p> <p>Aaron Anderson (17/25)</p>	Benjamin Nahum (13/38)

SMALL CAP VALUE EQUITY FINALIST SUMMARY

Firm - rating	Fisher - B	Neuberger - R
Style / Philosophy	<p>The Fisher Investments Institutional Group (FIIG) US Small Cap Value strategy is best described as having a small cap value style. Although benchmark agnostic, the majority of our clients utilize the Russell 2000 Value benchmark for this strategy.</p> <p>Our FIIG Small Cap Value strategy investment process is based on a combined bottom-up and top-down approach to discover securities most likely to generate the highest expected returns. We actively manage portfolio risk through procedural and mechanical controls and are continuously cognizant of the composition of the relevant benchmark and the relative risks we engineer into portfolios against the benchmark.</p>	<p>The Small Cap Intrinsic Value strategy (“SCIV”) employs a “private equity” style approach in the public markets and by virtue of its focus on out-of-favor companies, the strategy can be described as contrarian in nature. The SCIV team utilizes bottom-up, fundamental research to invest in small cap companies that it believes are trading at a significant discount to intrinsic value, which is defined as the team’s estimate of a company’s true long-term economic worth, and where there is a strategic plan or event that the team expects will enhance value and narrow the value/price gap. The team believes that valuations of small cap companies are often distorted by market inefficiencies, which can lead to attractive investment opportunities and has historically sought to exploit recurring market inefficiencies among companies with complex corporate structures, cyclical businesses, and growing franchises whose growth has been temporarily interrupted. Because of limited analyst coverage in the small cap segment and meaningful dispersion of analysts’ estimates, these types of companies can often be misunderstood and mispriced by investors.</p>

SMALL CAP VALUE EQUITY SELECTED PORTFOLIO GUIDELINES

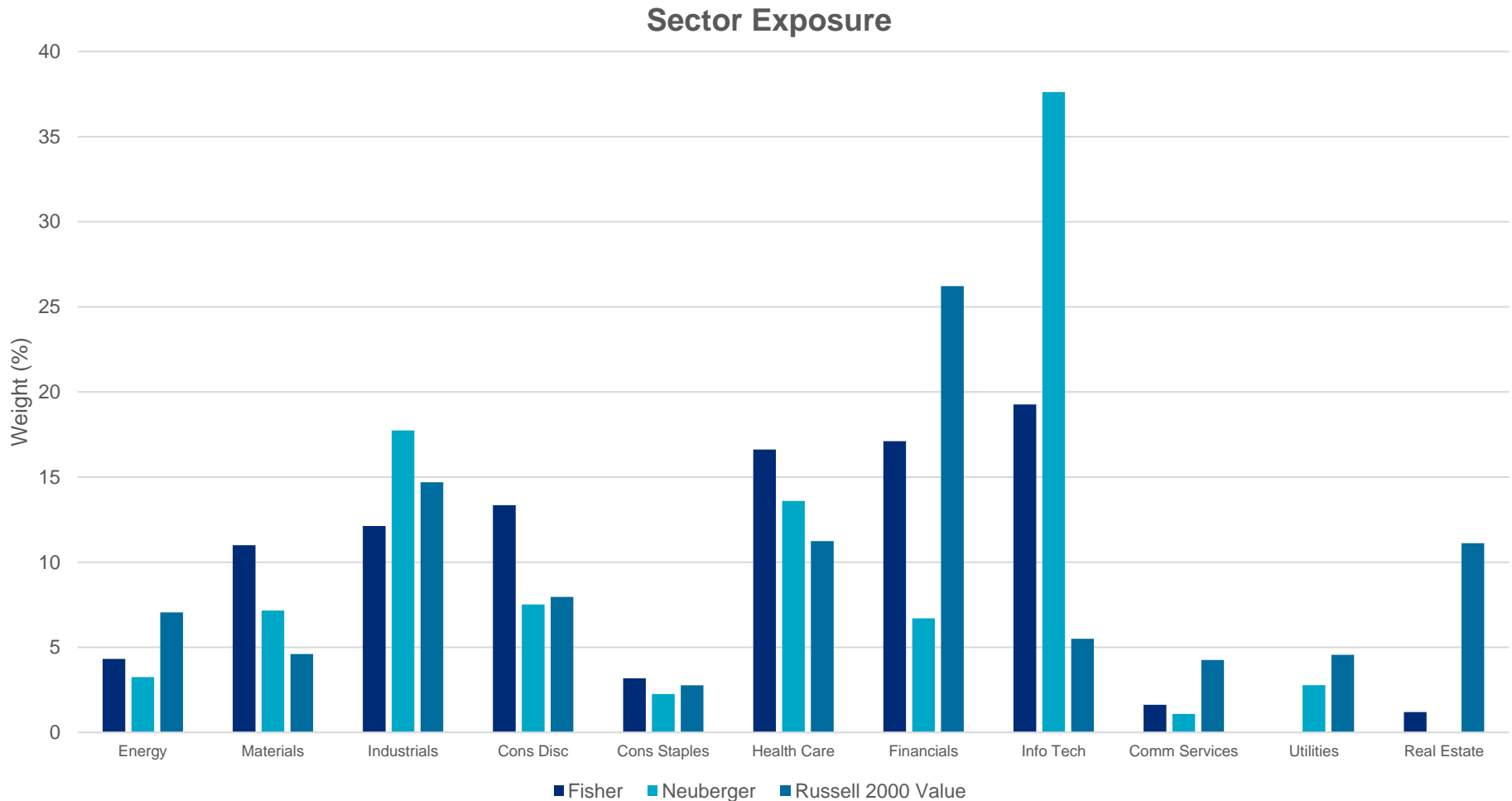
Firm	Minimum market cap (\$MM) ¹	Maximum market cap (\$MM) ¹	Number of stocks typically held	Average cash position over last 5 years (%)	Average portfolio turnover over last 5 years(%)
Fisher	500	N/A	93	0.3	25
Neuberger	200	5,000	91	3.0	30

	# of Holdings	% in Top 10 Holdings	Market Cap (\$M)	Dividend Yield	Price / Earnings	Price / Book
Fisher	97	26.60	8,519	0.63	26.56	3.16
Neuberger	90	24.03	5,401	0.45	38.64	3.24
Russell 2000 Value	1915	3.13	3,340	0.90	14.01	2.91

¹ Market Cap at time of purchase..

As of June 30, 2021

SMALL CAP VALUE EQUITY STRATEGY CHARACTERISTICS



Key observations:

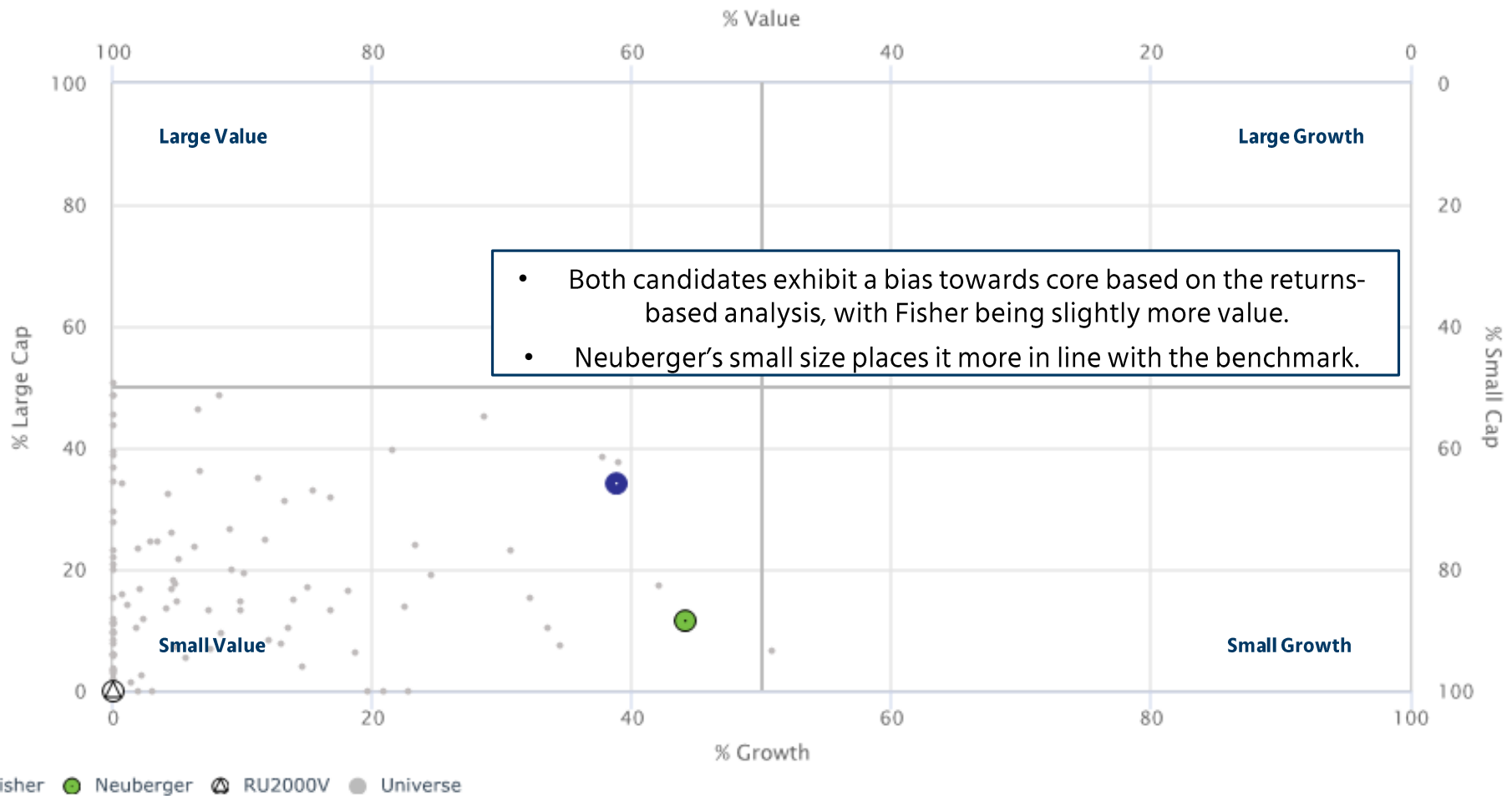
- There is significant difference in candidates' sector bets: Neuberger has a large allocation to Information Technology (38%) and underweights across other categories, including Energy, Financials and Consumer Staples.
- Fisher is more aligned with the benchmark, with some overweight in Materials, Financials and Information Technology.

As of June 30, 2021

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SMALL CAP VALUE EQUITY RETURNS-BASED STYLE ANALYSIS

Returns based style analysis in \$US (before fees) over 7 yrs ending June-21
 Comparison with the US Equity Small Cap Value universe (monthly calculations)

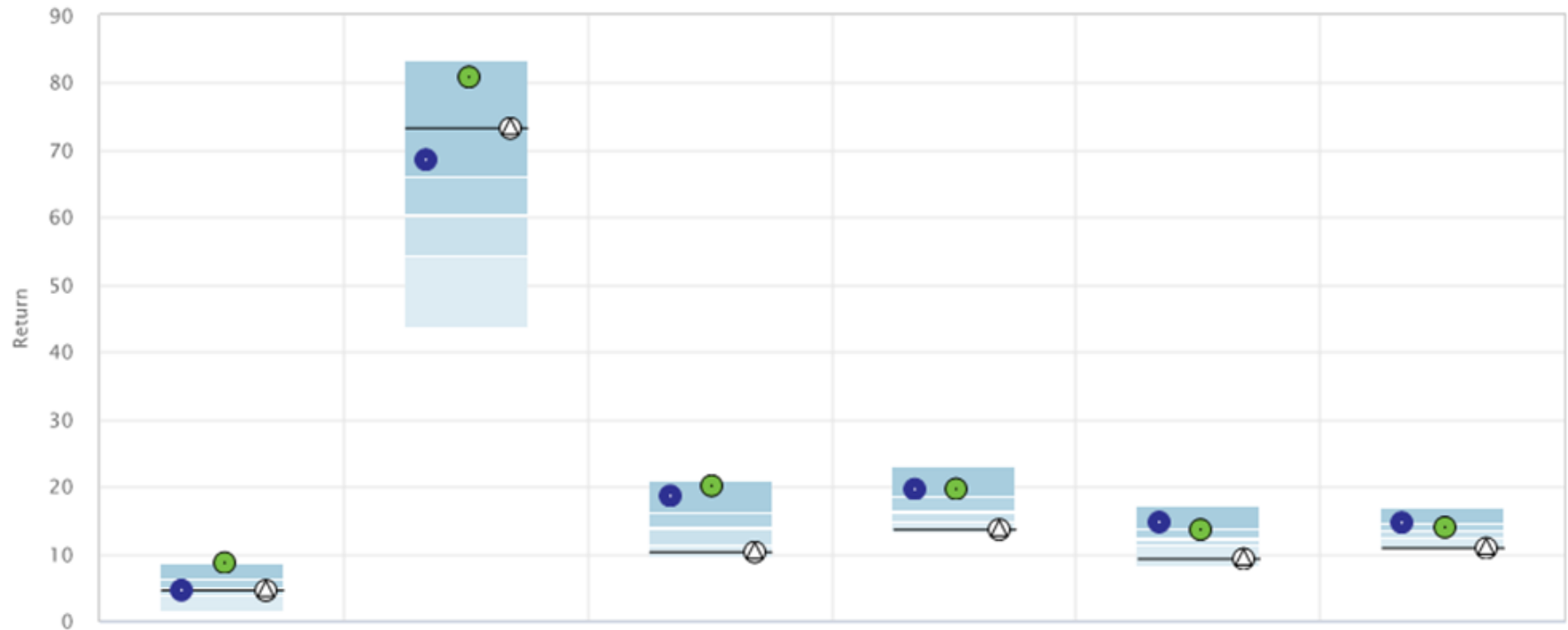


Style indices Large Value: Russell 1000 Value Large Growth: Russell 1000 Growth Small Value: Russell 2000 Value Small Growth: Russell 2000 Growth

The standard errors of the calculated coefficient(s) for Russell 1000 Value, Russell 1000 Growth, Russell 2000 Value and Russell 2000 Growth are greater than 30%. Russell 1000 Growth and Russell 1000 Value are highly correlated. You may achieve more reliable results by changing the selected style indices or increasing the period of analysis. Please view these results with caution.

SMALL CAP VALUE EQUITY ANNUALIZED PERFORMANCE

Return in \$US (before fees) over 3 mths, 1 yr, 3 yrs, 5 yrs, 7 yrs, 10 yrs ending June-21
Comparison with the US Equity Small Cap Core universe (Percentile Ranking)

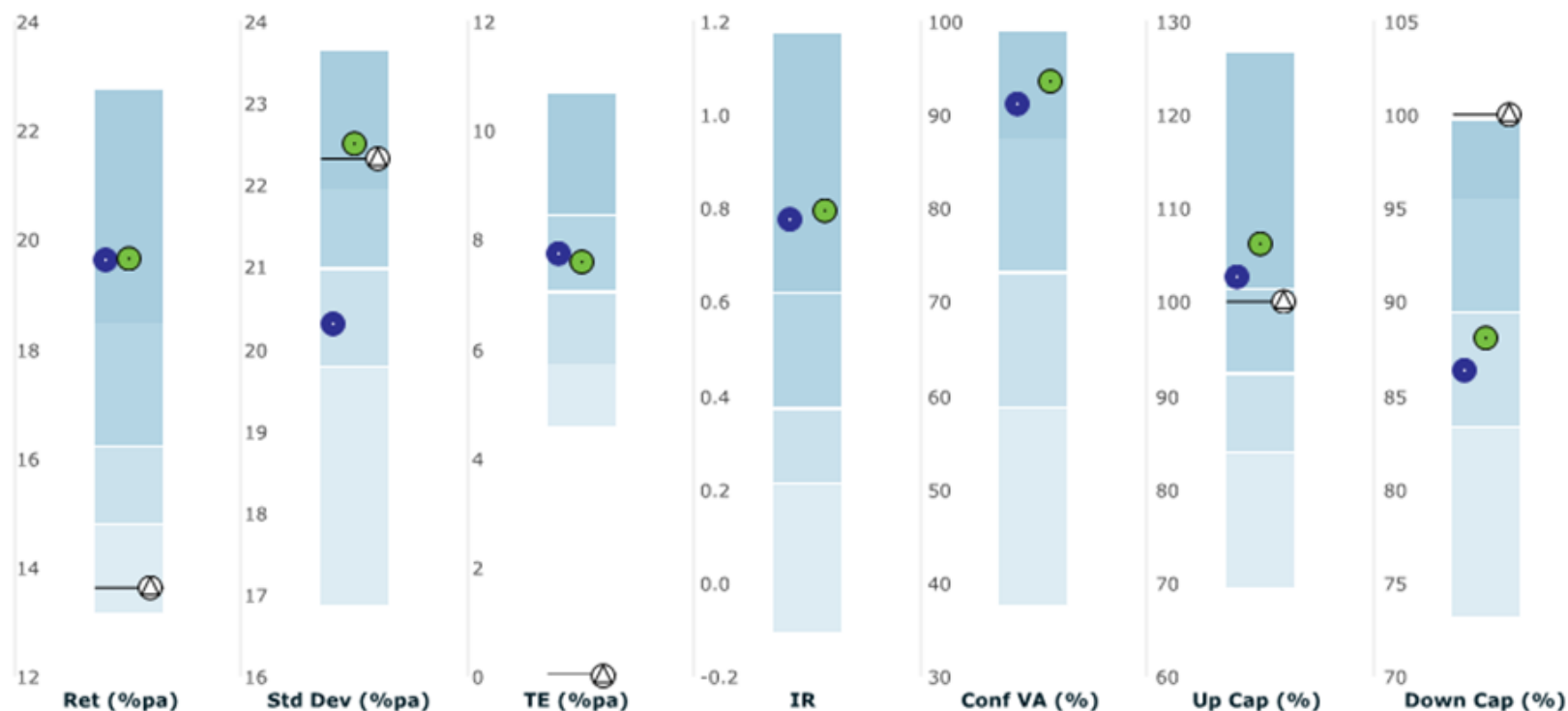


	3 mths (%)	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)	7 yrs (%pa)	10 yrs (%pa)
● Fisher	4.6 (53)	68.6 (16)	18.6 (12)	19.6 (15)	14.7 (16)	14.7 (22)
● Neuberger	8.7 (4)	80.9 (7)	20.1 (6)	19.6 (15)	13.6 (25)	14.0 (37)
△ RU2000V	4.6 (55)	73.3 (10)	10.3 (87)	13.6 (89)	9.3 (92)	10.8 (95)
5th Percentile	8.4	83.2	20.7	22.7	17.0	16.6
Upper Quartile	6.2	65.9	16.1	18.5	13.6	14.5
Median	4.7	60.3	13.8	16.2	12.2	13.3
Lower Quartile	3.8	54.3	11.3	14.8	11.1	12.2
95th Percentile	1.4	43.8	9.5	13.1	8.1	10.9
Number	153	150	132	123	112	84

- Neuberger exhibits stronger recent performance, ranking in the top quartile, while both candidates were closely aligned over long-term periods, with returns ranking in the top half of the universe.

SMALL CAP VALUE EQUITY RISK STATISTICS – 5 YEAR

Performance characteristics vs. Russell 2000 Value in \$US (before fees) over 5 yrs ending June-21
Comparison with the US Equity Small Cap Core universe (Percentile Ranking) (monthly calculations)



	Ret (%pa)	Std Dev (%pa)	TE (%pa)	IR	Conf VA (%)	Up Cap (%)	Down Cap (%)
● Fisher	19.6(15)	20.3(64)	7.7(42)	0.8(16)	91.2(16)	102.7(22)	86.3(65)
● Neuberger	19.6(15)	22.5(18)	7.6(44)	0.8(14)	93.6(10)	106.2(14)	88.1(58)
△ RU2000V	13.6(89)	22.3(21)	0.0(100)	-	-	100.0(28)	100.0(4)
5th Percentile	22.7	23.6	10.6	1.2	98.8	126.6	99.7
Upper Quartile	18.5	21.9	8.5	0.6	87.4	101.3	95.5
Median	16.2	21.0	7.0	0.4	73.1	92.2	89.4
Lower Quartile	14.8	19.8	5.7	0.2	58.6	83.9	83.3
95th Percentile	13.1	16.9	4.6	-0.1	37.6	69.4	73.2
Number	123	123	123	123	123	123	123

- Neuberger had a stronger performance in both up- and down-markets.
- Both candidates are closely aligned across risk measures, with Neuberger exhibiting a slightly greater confidence of value-added (Conf VA).

The risk free rate used for these calculations is the US 3 month T-Bill

ACTIVE SMALL CAP GROWTH EQUITY FINALISTS

SMALL CAP GROWTH EQUITY FINALIST SUMMARY

Candidate At A Glance		
	AB	Columbia
Headquarters	Nashville, TN	Boston, MA
Firm Ownership	Equitable Holdings, Inc. (EQH) 64.42% Other 22.14% Employee owned 13.44%	Ameriprise Financial, Inc. 100%
Firm AUM (millions as of June 2021)	\$738,400	\$437,100
Strategy name	US Small Cap Growth	Columbia Small Cap Growth
Mercer Rating ¹	R	N
Strategy AUM (millions as of June 2021)	\$8,941	\$3,965
Strategy Inception Year	1970	1992
Vehicle Name	AB Small Cap Growth Portfolio Advisor	Active Small Cap Growth Equity
Most Cost Effective Vehicle	Mutual Fund	CIT
Net Effective Cost/Fee (Revenue Sharing)	0.92% (25%)	0.50%

¹ Mercer rating not evaluated. Further detail in appendix.

SMALL CAP GROWTH EQUITY FINALIST SUMMARY

Firm - rating	AB- R	Columbia - N
Strategy name	US Small Cap Growth Strategy	Columbia Small Cap Growth Strategy
Team Structure	<p>The AllianceBernstein US Small Cap Growth strategy is managed on a team basis by a group of five Portfolio Manager/Analysts who conduct their own research. The US Small Cap Growth Investment Team is exceptionally experienced and stable. The team is led by Bruce Aronow, Chief Investment Officer (CIO), and Samantha Lau, Co-Chief Investment Officer (Co-CIO), who have worked together since 1997. The Investment Team includes three additional Portfolio Manager/Analysts, along with the dedicated Quantitative Analyst. The Investment Team is responsible for investment strategy, security selection, portfolio construction and risk management decisions for the Strategy.</p>	<p>The Columbia Small Cap Growth strategy is managed by senior portfolio managers Daniel Cole, CFA and Wayne Collette, CFA. Daniel Cole functions as the strategy's lead portfolio manager. The team also has a dedicated general analyst, Dana Kelley, CFA.</p> <p>The team averages over 20 years of experience in small cap growth strategies. All team members have covered multiple industries over their careers, which provides for an overlap in knowledge and experience to enhance our research and analysis processes. Daniel Cole focuses on the energy, financials, health care, industrials and materials sectors. Wayne Collette focuses on the consumer, technology, telecom and financials sectors. The team's dedicated analyst, Dana Kelley is a generalist. All team members are based in Portland, Oregon.</p> <p>The portfolio managers are responsible for research, stock selection and portfolio construction for our small cap growth portfolios. Research is conducted primarily by the Columbia Small Cap Growth Team. Columbia Threadneedle's Global Fundamental Research and Quantitative Research Teams work closely with the portfolio managers and serve as additional resources for research, analysis and idea generation.</p>
Portfolio Managers (Years at Firm / Years in Industry)	<p>Bruce Aronow, CFA (22/33)</p> <p>Samantha Lau, CFA (22/27)</p> <p>Wen-Tse Tseng (15/27)</p> <p>Esteban Gomez, CPA, CFA (5/14)</p> <p>Heather Pavlak, CFA (3/14)</p>	<p>Daniel Cole, CFA (7/28)</p> <p>Wayne Collette, CFA (20/25)</p> <p>Dana Kelley, CFA (10/13)</p>

SMALL CAP GROWTH EQUITY FINALIST SUMMARY

Firm - rating	AB- R	Columbia - N
Style / Philosophy	<p>AB Investment Team believes successful investment results come from investing in companies with underestimated earnings growth potential and looks for companies that display the following growth characteristics:</p> <ul style="list-style-type: none"> • Auto-Correlated Earnings Revisions - The likelihood that the stock will deliver a subsequent earnings surprise is higher after the stock has previously delivered an earnings surprise. • Strong Earnings Acceleration and Momentum - Companies that have the potential to show improving rates of change in their earnings and revenue growth. • Positive Earnings Surprises - Stocks with positive earnings surprises have a greater likelihood that forecasted consensus earnings estimates will be exceeded. • Strong Secular Trends – High-quality companies that are typically growing faster than their peers by virtue of gaining market share. Many of these are disrupting and changing the landscape of the market they compete in. These trends typically drive sustainable growth in operating results. <p>By investing in stocks with these criteria, AB portfolios tend to consistently generate faster earnings growth, more frequent earnings surprises and stronger earnings revisions than the broader small-cap growth universe. While the strategy is sensitive to valuation, it will pay a premium for strong growth investment opportunities that display these characteristics.</p>	<p>The Columbia Small Cap Growth Strategy is a fundamentally managed strategy that seeks to consistently outperform the Russell 2000 index through various market environments. The diversified strategy leverages an experienced team of Portfolio Managers and Analysts in constructing and managing the portfolio.</p> <p>The Columbia Small Cap Growth Team considers itself to be traditional growth investors. The Team seeks out innovators and niche dominators with elite business models that have the potential to become America’s next great growth companies. These companies have management teams that have demonstrated exceptional ability at allocating capital, pivoting the business at proper times, expanding the TAM (Total Addressable Market) while improving and sustaining growth and economic returns. The Team believes these companies have the ability to double revenues in five years or less, grow cash flow per share faster than revenues, build strong balance sheets and consistently earn greater than their cost of capital making them superior investments for long term investors.</p> <p>Additional Characteristics: - Holdings consist of listed equity securities found in the Russell 2000 Growth Index with market caps ranging from \$150m to \$4b; final portfolio of 100 to 135 growth companies; - The strategy relies upon fundamental research and can also access quantitative research that uses internal and external models; - Maximum position size is 5%, and target 2% to 5% tracking error</p>

SMALL CAP GROWTH EQUITY SELECTED PORTFOLIO GUIDELINES

Firm	Minimum market cap (\$MM) ¹	Maximum market cap (\$MM) ¹	Number of stocks typically held	Average cash position over last 5 years (%)	Average portfolio turnover over last 5 years(%)
AB	100	6,600	104	2	50
Columbia	250	Not Provided	98	3	100

	# of Holdings	% in Top 10 Holdings	Market Cap (\$M)	Dividend Yield	Price / Earnings	Price / Book
AB	105	16.43	5,432	0.15	329.82	7.07
Columbia	97	27.05	6,849	0.15	296.56	7.96
Russell 2000 Growth	1,072	4.93	3,699	0.31	209.82	6.73

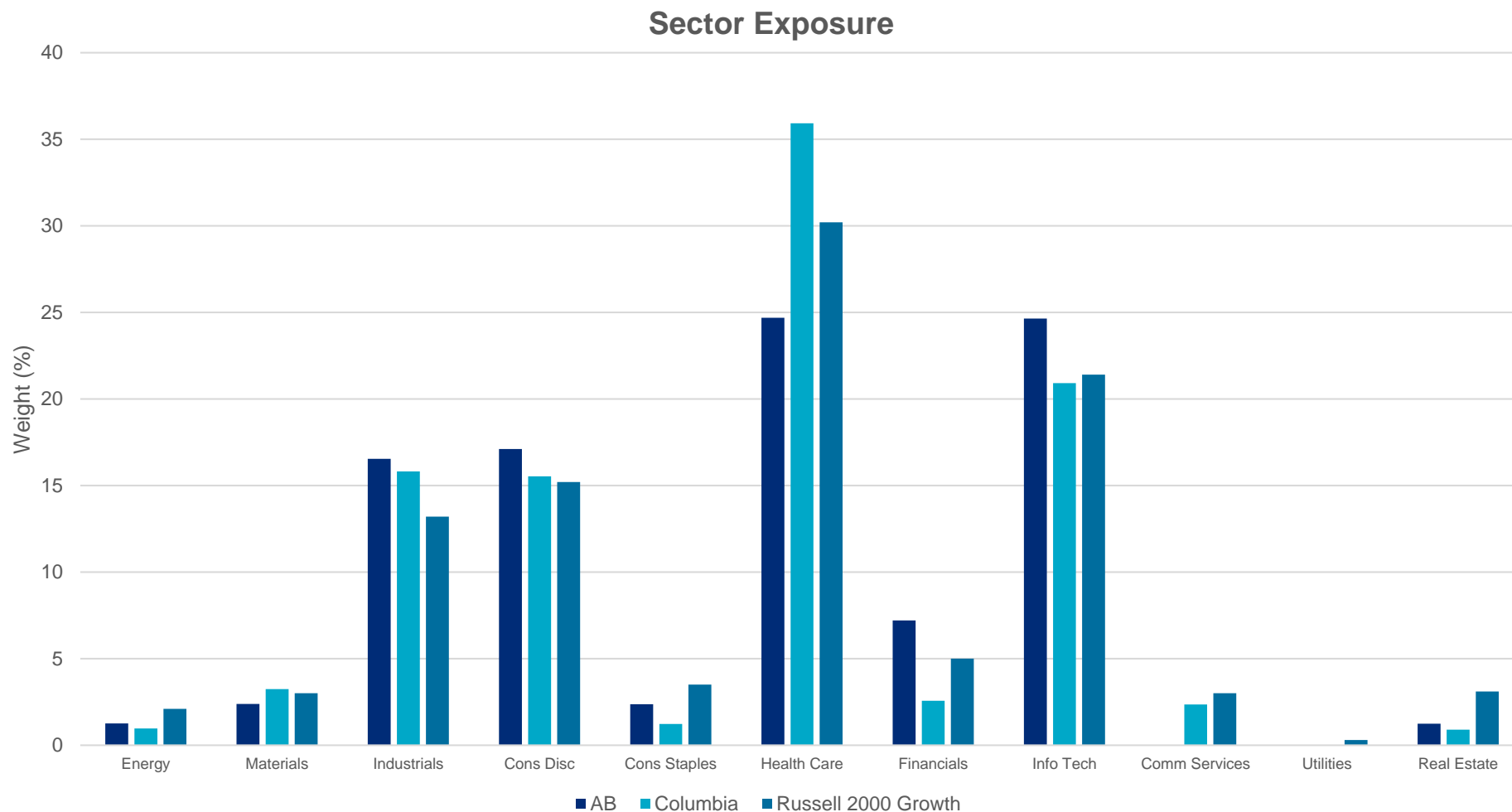
Key observations:

- Though remarkably similar, AB holds less concentration in the top 10 holdings and is also a smaller size.

¹ Market Cap at time of purchase..

As of June 30, 2021

SMALL CAP GROWTH EQUITY STRATEGY CHARACTERISTICS



Key observations:

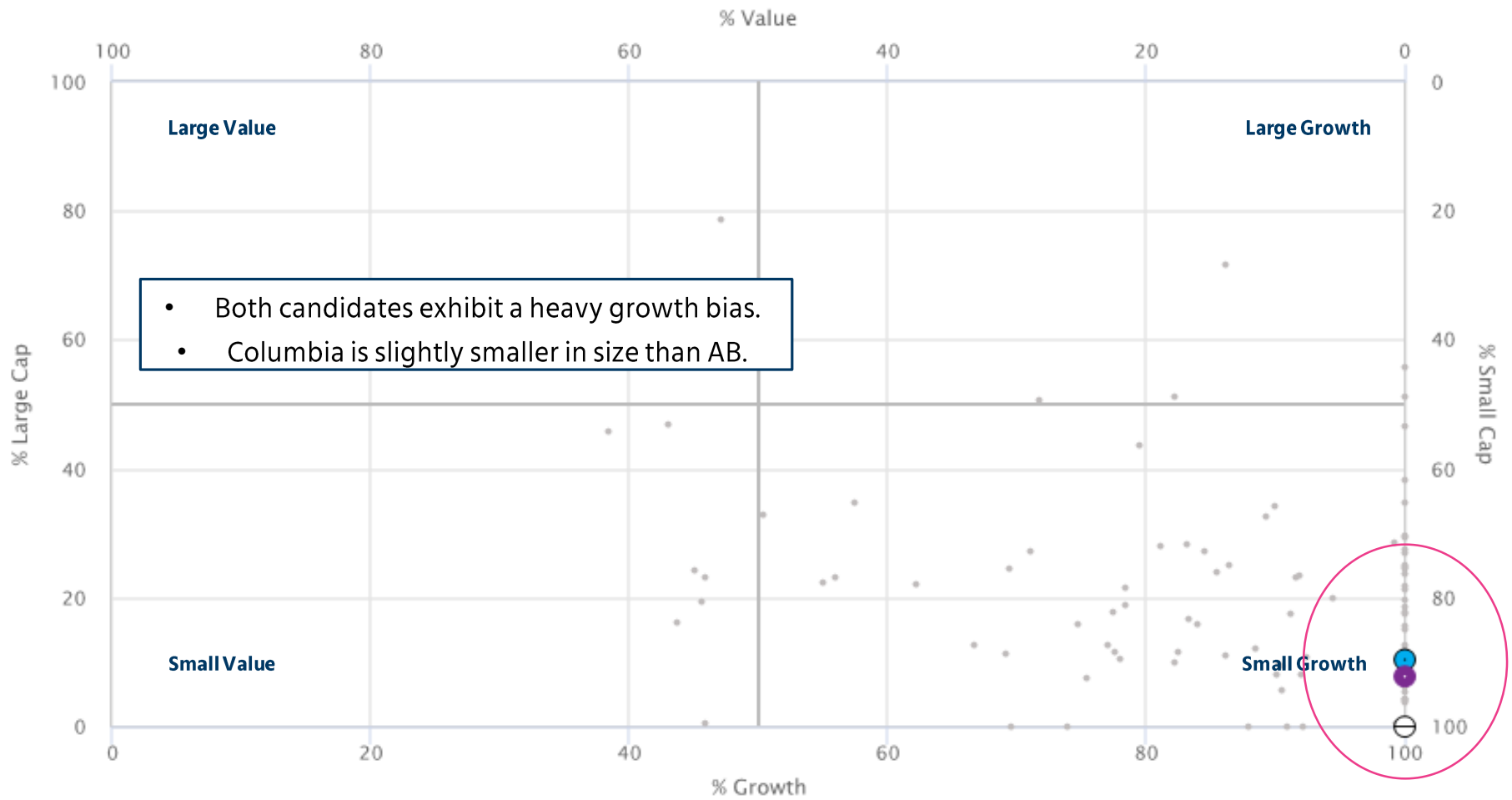
- The candidates show similar allocations across the sector spectrum, with the exception of Columbia's increased allocation to Healthcare and AB's greater share of Information Technology and Financials.
- AB has no Communication Services.

As of June 30, 2021

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SMALL CAP GROWTH EQUITY RETURNS-BASED STYLE ANALYSIS

Returns based style analysis in \$US (before fees) over 7 yrs ending June-21
 Comparison with the US Equity Small Cap Growth universe (monthly calculations)



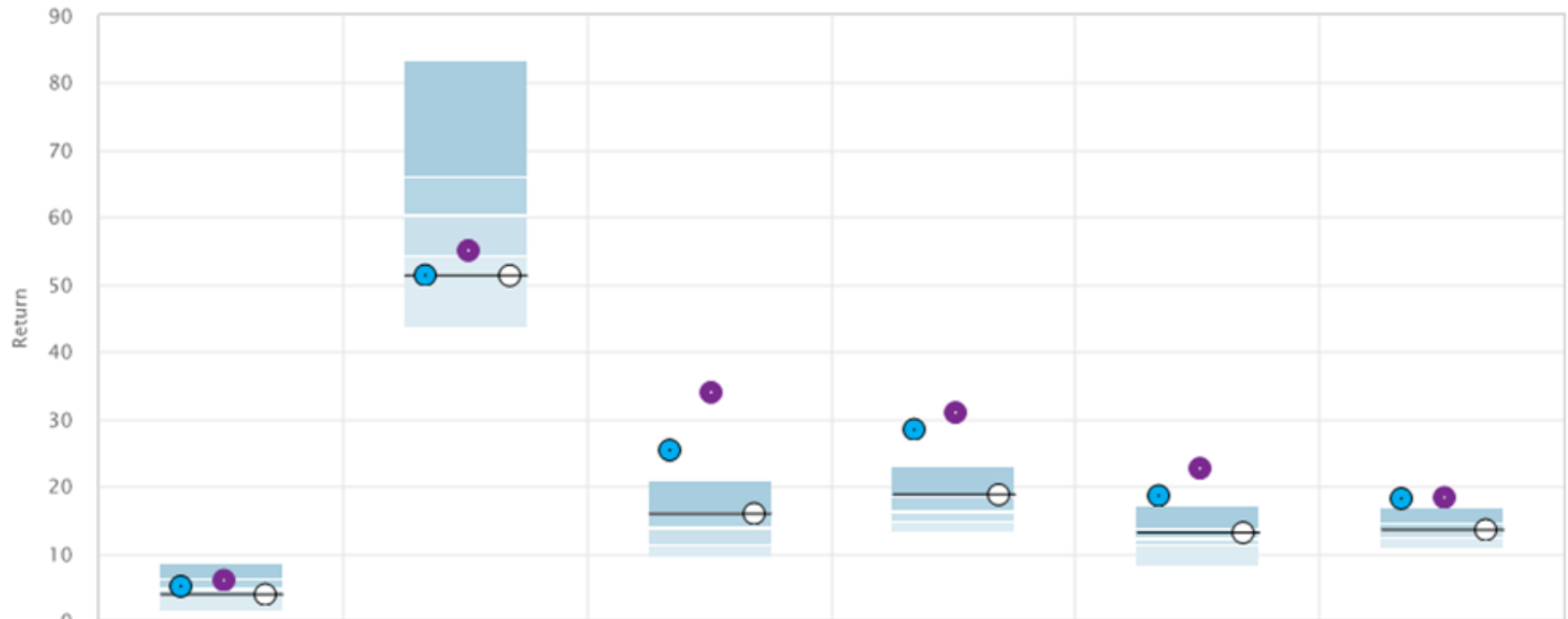
● AB ● Columbia ○ RU2000G ● Universe

Style indices Large Value: Russell 1000 Value Large Growth: Russell 1000 Growth Small Value: Russell 2000 Value Small Growth: Russell 2000 Growth

The standard errors of the calculated coefficient(s) for Russell 1000 Value, Russell 1000 Growth, Russell 2000 Value and Russell 2000 Growth are greater than 30%. You may achieve more reliable results by changing the selected style indices or increasing the period of analysis. Please view these results with caution.

SMALL CAP GROWTH EQUITY ANNUALIZED PERFORMANCE

Return in \$US (before fees) over 3 mths, 1 yr, 3 yrs, 5 yrs, 7 yrs, 10 yrs ending June-21
Comparison with the US Equity Small Cap Core universe (Percentile Ranking)

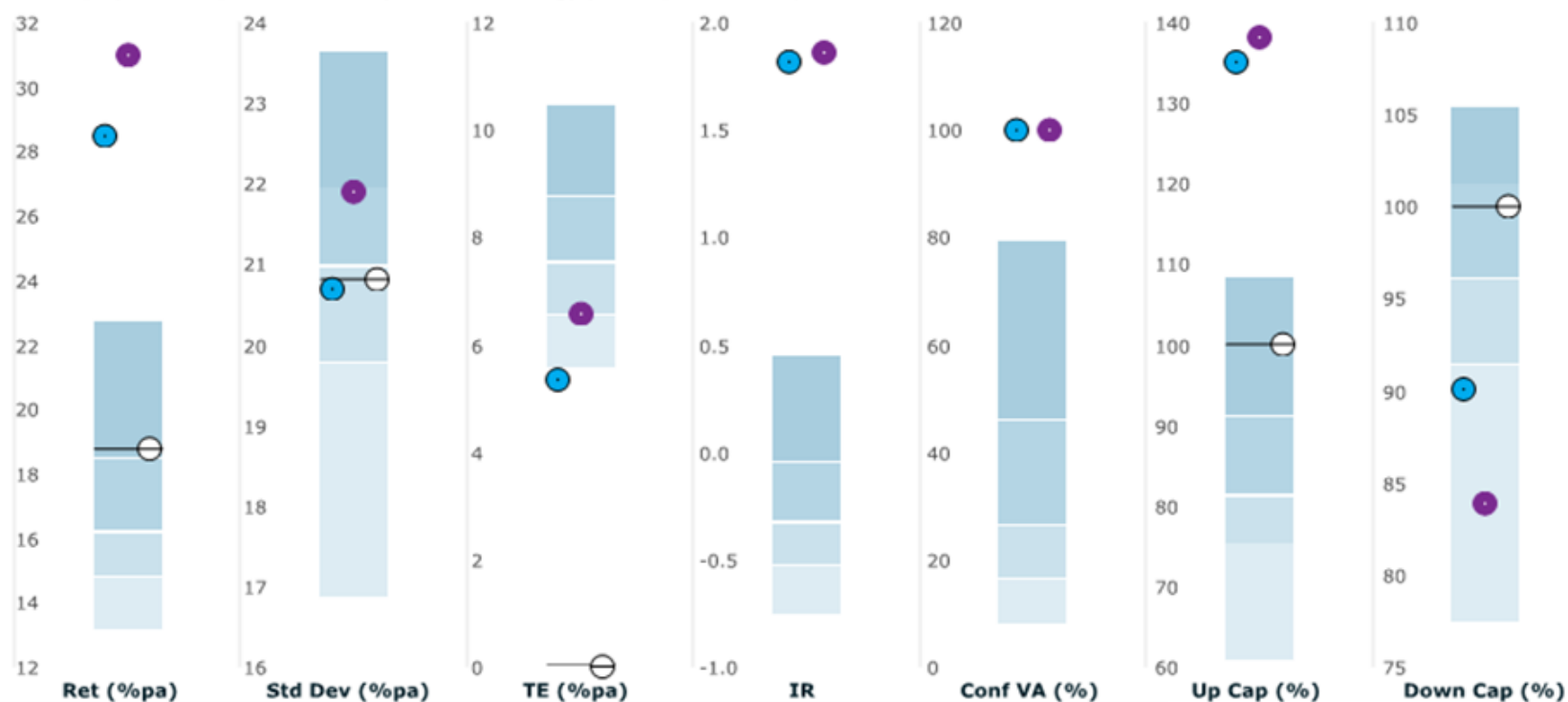


	3 mths (%)	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)	7 yrs (%pa)	10 yrs (%pa)
● AB	5.1(44)	51.4 (81)	25.4 (0)	28.5(0)	18.6(2)	18.2(0)
● Columbia	6.0(29)	55.1 (72)	34.0 (0)	31.0(0)	22.7(0)	18.4(0)
⊖ RU2000G	3.9(72)	51.4 (81)	15.9 (27)	18.8(23)	13.1(37)	13.5(46)
5th Percentile	8.4	83.2	20.7	22.7	17.0	16.6
Upper Quartile	6.2	65.9	16.1	18.5	13.6	14.5
Median	4.7	60.3	13.8	16.2	12.2	13.3
Lower Quartile	3.8	54.3	11.3	14.8	11.1	12.2
95th Percentile	1.4	43.8	9.5	13.1	8.1	10.9
Number	153	150	132	123	112	84

- Over periods greater than 1-year, both AB and Columbia have been stellar performers, ranking among the top in their universe.

SMALL CAP GROWTH EQUITY RISK STATISTICS – 5 YEAR

Performance characteristics vs. Russell 2000 Growth in \$US (before fees) over 5 yrs ending June-21
Comparison with the US Equity Small Cap Core universe (Percentile Ranking) (monthly calculations)



	Ret (%pa)	Std Dev (%pa)	TE (%pa)	IR	Conf VA (%)	Up Cap (%)	Down Cap (%)
● AB	28.5(0)	20.7(57)	5.3(97)	1.8(0)	99.9(0)	135.1(1)	90.1(78)
● Columbia	31.0(0)	21.9(27)	6.6(75)	1.9(0)	99.9(0)	138.1(1)	83.9(88)
⊖ RU2000G	18.8(23)	20.8(53)	0.0(100)	-	-	100.0(13)	100.0(29)
5th Percentile	22.7	23.6	10.4	0.4	79.1	108.3	105.4
Upper Quartile	18.5	21.9	8.7	-0.0	45.8	91.0	101.2
Median	16.2	21.0	7.5	-0.3	26.3	81.2	96.1
Lower Quartile	14.8	19.8	6.6	-0.5	16.4	75.3	91.4
95th Percentile	13.1	16.9	5.6	-0.8	7.9	60.9	77.5
Number	123	123	123	123	123	123	123

- Both candidates performed exceptionally well in the up markets and protected in down markets, with AB being stronger in the down markets.
- Both candidates' Information Ratio is very strong, though it should be noted the tracking error is high for both.

The risk free rate used for these calculations is the US 3 month T-Bill

DCP SMALL CAP STOCK FUND PRO-FORMA ANALYSIS

DCP SMALL CAP STOCK FUND RECOMMENDATIONS/KEY OBSERVATIONS

Key findings:

- As detailed in the following exhibits, all combined portfolios are well diversified and have attractive characteristics and performance metrics that are consistent with a dedicated small cap portfolio.
- All portfolios will represent an increase in fees, though back-tested performance is improved.
- While all portfolio combinations have compelling characteristics, there are certain tendencies exhibited:
 - All four portfolios show strong returns and rank at the top of the small cap core universe, however, portfolio constructions with Fisher demonstrate strong consistency of returns.
 - Portfolios with Columbia plotted more growth-oriented on a trailing basis and show higher tracking error relative to the benchmark.
 - Mixes including Columbia are most cost-effective.

DCP SMALL CAP STOCK FUND FEE COMPARISON

Asset Category	Firm	Strategy Name	Expense Ratio (Revenue Sharing)	Net Effective Expense Ratio
Small Cap Value	Fisher	Fisher Small Cap Value Equity ¹	0.79%	0.79%
	Neuberger	Neuberger Small Cap Intrinsic Value Equity	0.80%	0.80%
Small Cap Growth	AB	AB Small Cap Growth Equity	0.92% (0.25%)	0.67%
	Columbia	Columbia Small Cap Growth Equity	0.50%	0.50%

Key observations:

- The DCP Small Cap Stock Fund currently has an expense ratio of 0.45% and 0.10% in revenue sharing, for a net effective fee of 0.35%.
- AB Small Cap Growth mutual fund is the only vehicle that offers revenue sharing and all prospective portfolios represent a net effective fee increase to the City, as is detailed on the following page.

As of June 30, 2021

¹ Pricing is for Share Class 2 All-in Fee CIT. Fisher is willing to launch a new FIIG US Small Cap Value CIT if awarded this mandate.

DCP SMALL CAP STOCK FUND FEE COMPARISON

Composite	Managers ¹	Net Expense Ratio (Revenue Sharing)	Effective Expense Ratio	Estimated Effective % Difference vs Current	Estimated Effective Expense (Based of 6/30/21 Assets of \$167.8M)	Estimated Effective \$ Difference vs Current
Portfolio 1	Fisher / AB	0.57% (0.08%)	0.49%	0.14%	\$825,576	\$238,276
Portfolio 2	Fisher / Columbia	0.44%	0.44%	0.09%	\$731,440	\$144,140
Portfolio 3	Neuberger / AB	0.58% (0.08%)	0.50%	0.14%	\$831,113	\$243,813
Portfolio 4	Neuberger / Columbia	0.44%	0.44%	0.09%	\$736,978	\$149,678
Current	DFA / Hartford	0.45% (0.10%)	0.35%	-	\$587,300	-

Key observations:

- All prospective portfolios represent a net effective fee increase to the City, with Portfolios 2 and 4 (Columbia combinations) showing the least potential fee increase.

As of June 30, 2021.

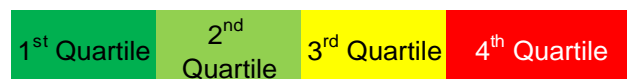
¹ All portfolios include 34% allocation to Vanguard Small Cap Index with an expense ratio of 0.03% and 33% allocations to listed Small Cap Growth and Small Cap Value finalists

DCP SMALL CAP STOCK FUND PERFORMANCE CHARACTERISTICS

Performance characteristics vs. 34% Vanguard Small Cap Benchmark / 33% Russ 2000G / 33% Russ 2000V (Benchmark) in \$US (after fees) over 7 yrs ending June-21
Comparison with the Mutual Fund US Equity Small Cap Core universe (Percentile Ranking) (quarterly calculations)

		Performance Statistics (7-years)								
		Return (%pa)	Std Deviation (%pa)	Tracking Error (%pa)	Information Ratio	Sharpe Ratio	Alpha (%pa)	Up Markets Capture (%)	Down Markets Capture (%)	Beta
Portfolio 1	Fish / AB	14.46	22.45	3.90	0.80	0.61	3.21	117.23	94.56	0.96
Portfolio 2	Fish / Col	15.81	22.73	4.25	1.05	0.66	4.35	121.92	90.11	0.97
Portfolio 3	Neu / AB	14.10	23.84	4.34	0.63	0.56	2.39	121.66	98.99	1.01
Portfolio 4	Neu / Col	15.44	24.11	4.68	0.87	0.60	3.52	126.46	94.75	1.02

DCP Small Cap BM*	11.36	23.10	N/A	N/A	0.45	N/A	N/A	N/A	N/A	N/A
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Key observations:

- All composite portfolios represent attractive options that have outperformed the custom benchmark over the 7-year period.
- Portfolios 1 and 2 (Fisher combinations) had better risk-adjusted metrics over the seven year period.

¹ All portfolios include 34% allocation to Vanguard Small Cap Index with an expense ratio of 0.03% and 33% allocations to listed Small Cap Growth and Small Cap Value finalists

DCP SMALL CAP STOCK FUND

ANNUALIZED PERFORMANCE

Return in \$US (after fees) over 3 mths, 1 yr, 3 yrs, 5 yrs, 7 yrs, 10 yrs ending June-21
 Comparison with the Mutual Fund US Equity Small Cap Core universe (Percentile Ranking)

Portfolio	Managers	3 mths (%)	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)	7 yrs (%pa)
Portfolio 1	Fish / AB	5.07 (31)	58.26 (60)	19.10 (2)	20.76 (2)	14.46 (2)
Portfolio 2	Fish / Col	5.36 (23)	59.65 (54)	21.84 (1)	21.62 (2)	15.81 (2)
Portfolio 3	Neu / AB	6.40 (14)	62.00 (44)	19.61 (2)	20.78 (2)	14.10 (2)
Portfolio 4	Neu / Col	6.70 (10)	63.38 (39)	22.36 (1)	21.63 (2)	15.44 (2)
DCP SC BM		4.76 (35)	60.35 (50)	13.77 (18)	16.19 (16)	11.36 (15)

- All composite portfolios showed strong annualized performance for periods longer than 1-year, outperforming the benchmark and ranking in the top decile of the peer universe.
- During the 1-year period Portfolios 3 & 4 (including Neuberger) ranked in the second quartile, outperforming the benchmark, while Portfolios 1 & 2 (including Fisher) were in the third quartile and below the benchmark.

DCP SMALL CAP STOCK FUND CALENDAR YEAR PERFORMANCE

Return in \$US (after fees) over last 7 calendar years and Year-to-Date periods ending June-21
Comparison with the Mutual Fund US Equity Small Cap Core universe (Percentile Ranking)

Portfolio	Managers	2014 (%)		2015 (%)		2016 (%)		2017 (%)		2018 (%)		2019 (%)		2020 (%)		6 mths to 6/2021 (%)	
Portfolio 1	Fish / AB	4.82	(54)	-2.41	(24)	15.17	(90)	22.36	(3)	-7.68	(12)	30.30	(5)	32.94	(2)	15.83	(85)
Portfolio 2	Fish / Col	3.55	(67)	-0.77	(9)	17.38	(80)	20.68	(5)	-7.99	(13)	31.99	(3)	37.63	(1)	15.95	(84)
Portfolio 3	Neu / AB	4.06	(63)	-1.86	(20)	12.61	(94)	22.52	(3)	-6.60	(9)	29.45	(8)	32.93	(2)	16.60	(81)
Portfolio 4	Neu / Col	2.82	(74)	-0.20	(8)	14.77	(92)	20.83	(5)	-6.92	(10)	31.15	(4)	37.59	(1)	16.70	(80)
DCP SC BM		5.84	(42)	-4.16	(49)	20.20	(62)	15.31	(26)	-10.47	(30)	26.13	(33)	18.98	(15)	17.30	(76)

- Portfolio 2 (Fisher/Columbia) had shown the best overall combination of returns in up- and down- markets over the past seven years.
- During the down market of 2018, Portfolio 3 (Neuberger/AB) had protected the best of all candidates.

DCP SMALL CAP STOCK FUND

ROLLING 5-YEAR RETURNS

5 years rolling annualized Return in \$US (after fees) over 5 annual periods
 Comparison with the Mutual Fund US Equity Small Cap Core universe (Percentile Ranking)

Portfolio	Managers	5 yrs to 6/2017 (%pa)		5 yrs to 6/2018 (%pa)		5 yrs to 6/2019 (%pa)		5 yrs to 6/2020 (%pa)		5 yrs to 6/2021 (%pa)	
Portfolio 1	Fish / AB	14.17	(37)	13.73	(8)	9.44	(5)	8.74	(1)	20.76	(2)
Portfolio 2	Fish / Col	14.35	(33)	13.28	(12)	10.35	(2)	9.85	(0)	21.62	(2)
Portfolio 3	Neu / AB	13.92	(47)	13.39	(12)	9.12	(7)	7.78	(1)	20.78	(2)
Portfolio 4	Neu / Col	14.11	(39)	12.94	(19)	10.04	(2)	8.88	(1)	21.63	(2)
DCP SC BM		13.92	(47)	12.45	(25)	7.28	(25)	4.55	(17)	16.19	(16)

- On a rolling 5-year basis, all portfolios look very attractive, consistently ranking in or near the top decile, especially over the most recent periods.
- Portfolios 1, 2 & 4 showed slightly stronger returns as compared to Portfolio 3 (Neuberger/AB).
- All portfolios outperformed the custom benchmark over all time periods.

DCP SMALL CAP STOCK FUND RISK STATISTICS – 7 YEAR

Performance characteristics vs. 34% Vanguard Small Cap Benchmark / 33% Russ 2000G / 25% Russ 2000V (Benchmark) in \$US (after fees) over 7 yrs ending June-21. Comparison with the Mutual Fund US Equity Mid Cap Core universe (Percentile Ranking) (quarterly calculations)

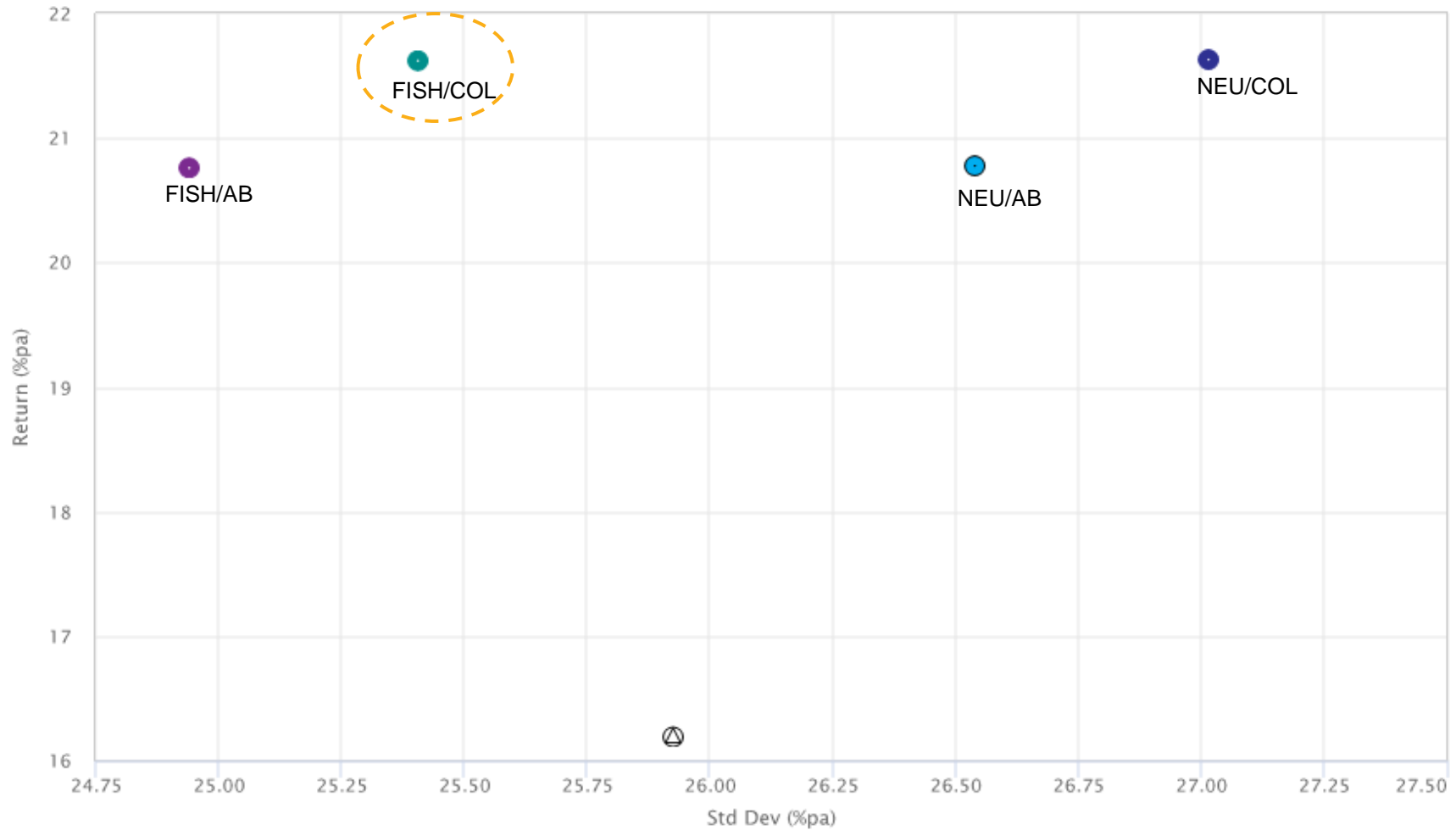
Portfolio	Managers	Ret (%pa)	Std Dev (%pa)	Tracking Error (%pa)	Information Ratio	Confidence of Value Added (%)	Up Cap (%)	Down Cap (%)
Portfolio 1	Fish / AB	14.46 (2)	22.45	3.90	0.80	95.46	117.23	94.56
Portfolio 2	Fish / Col	15.81 (2)	22.73	4.25	1.05	98.71	121.92	90.11
Portfolio 3	Neu / AB	14.10 (2)	23.84	4.34	0.63	93.45	121.66	98.99
Portfolio 4	Neu / Col	15.44 (2)	24.11	4.68	0.87	97.86	126.46	94.75
DCP SC BM		11.36 (15)	23.10					

- Over the 7-year period, all portfolios have performed very well against the benchmark and peer universe, and rank in the top decile on a risk-adjusted return basis.
- Portfolios with Fisher (Portfolios 1 & 2) have lower volatility than the other portfolios, but not by a significant margin.
- All Portfolios have performed well in both up and down markets; however, Portfolio 2 (Fisher/Columbia) performed the best.
- Portfolio 2 has the greatest Confidence of Value Added.

The risk free rate used for these calculations is the US 3 month T-Bill

DCP SMALL CAP STOCK FUND RISK / RETURN – 5-YEAR PERIOD

Return and Std Deviation in \$US (after fees) over 5 yrs ending June-21 (quarterly calculations)

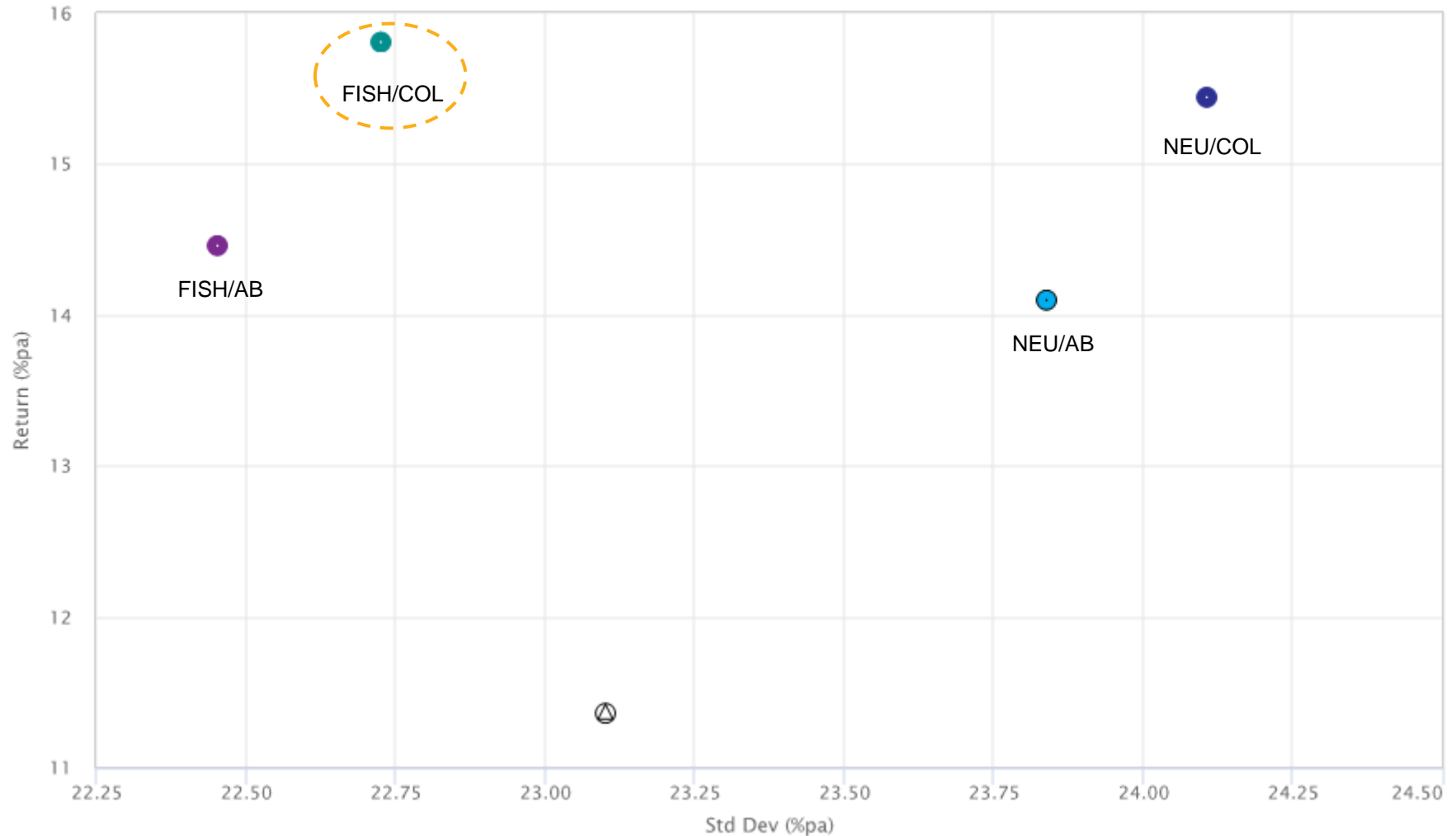


● Portfolio 1 ● Portfolio 2 ● Portfolio 3 ● Portfolio 4 ● DCP SC BM

- Portfolios including Columbia provided the strongest returns over 5-years, while portfolios with Fisher provided the least amount of volatility.
- Portfolio 2 (Fisher/Columbia) showed the greatest risk-return tradeoff of the four candidates.

DCP SMALL CAP STOCK FUND RISK / RETURN – 7-YEAR PERIOD

Return and Std Deviation in \$US (after fees) over 7 yrs ending June-21 (quarterly calculations)

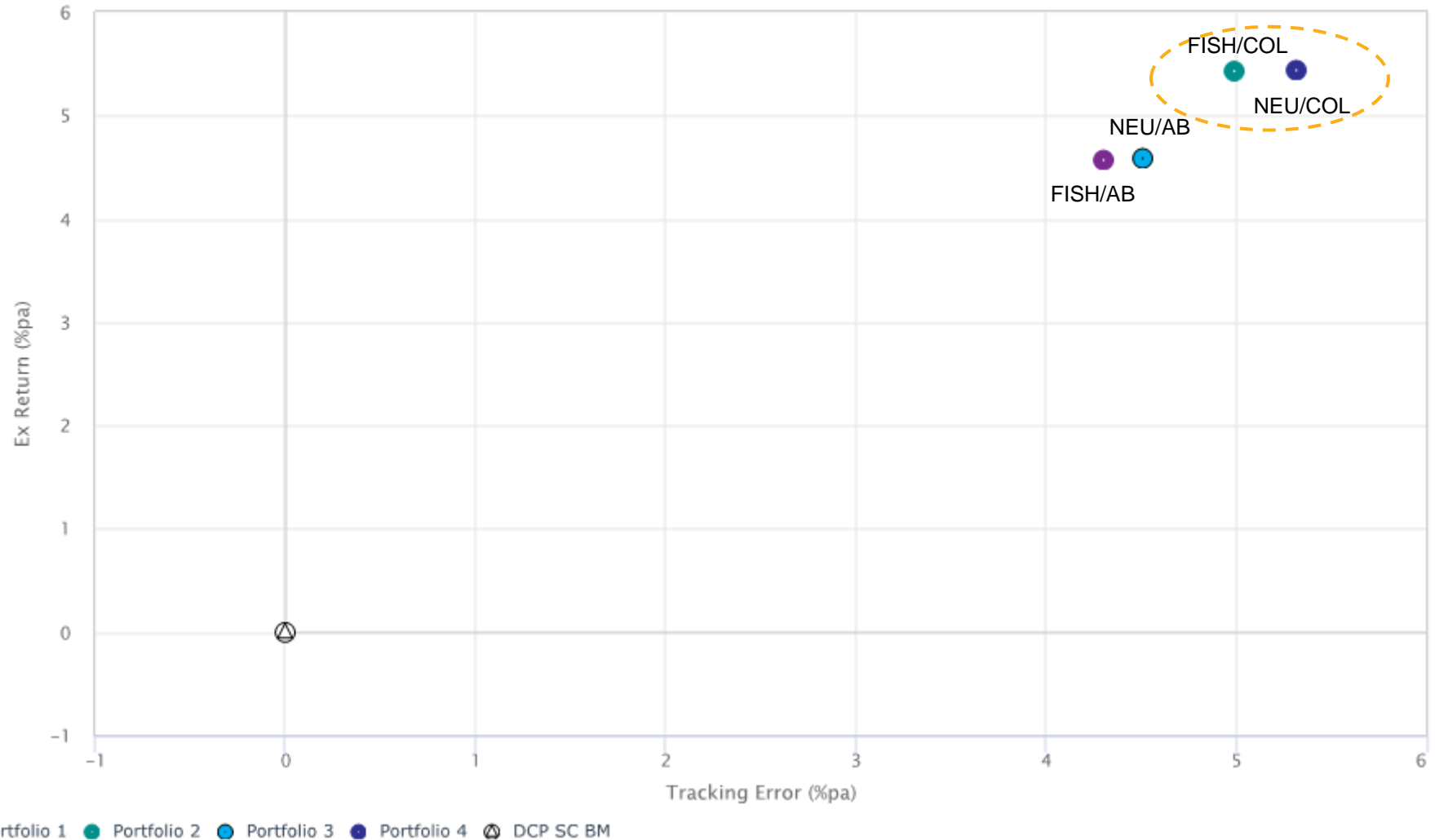


● Portfolio 1 ● Portfolio 2 ● Portfolio 3 ● Portfolio 4 ▲ DCP SC BM

- Longer-term, the portfolios risk and return results diverge more, with Portfolio 2 (Fisher/Columbia) still leading in terms of risk-adjusted return.
- AB has shown the least amount of volatility as measured by Standard Deviation, while Columbia has had the strongest return.

DCP SMALL CAP STOCK FUND TRACKING ERROR / EXCESS RETURN (5-YR)

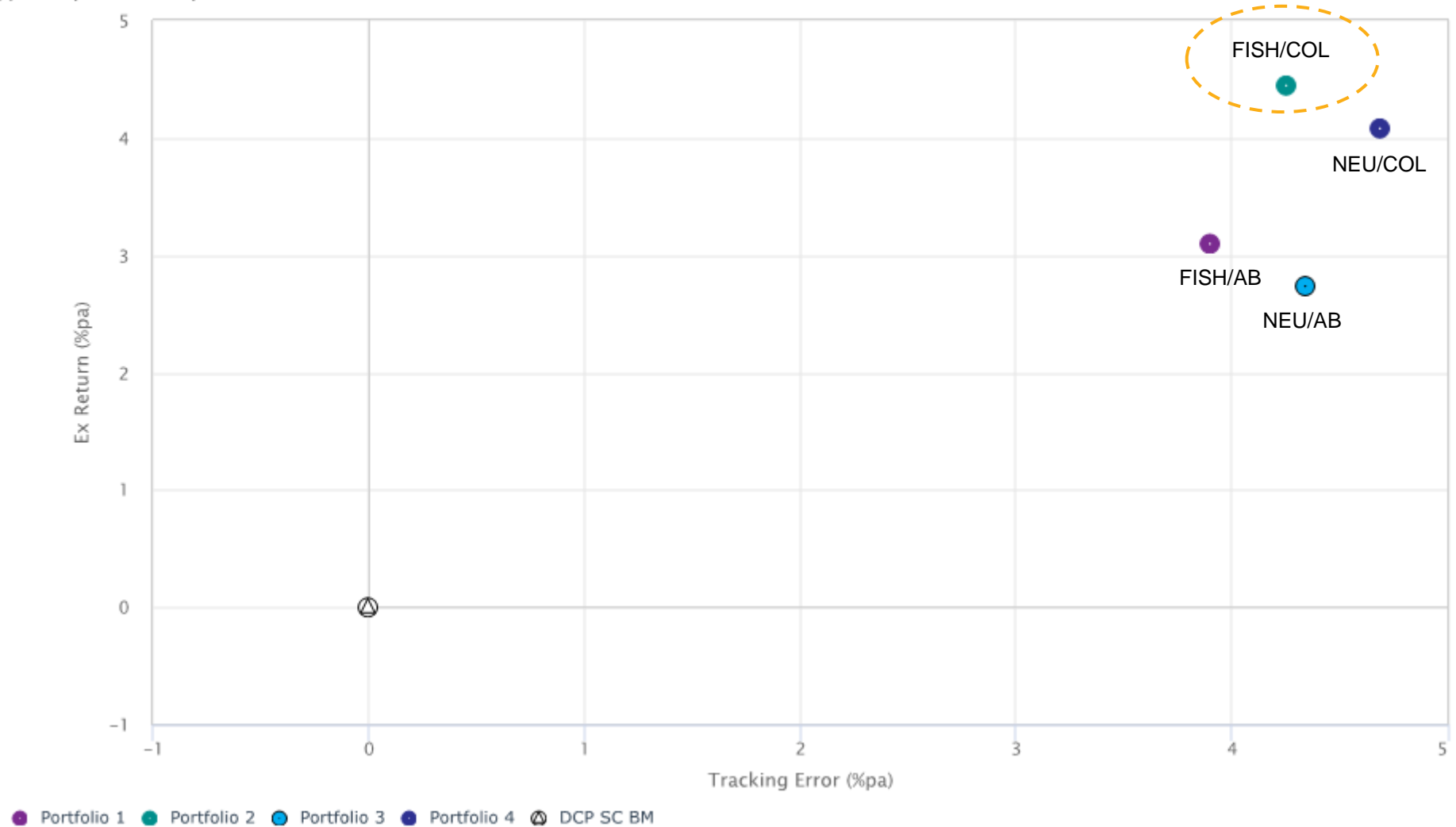
Excess Return and Tracking Error vs. 34% Van SC BM/33% RU2000V/33% RU2000G (Benchmark) in \$US (after fees) over 5 yrs ending June-21 (quarterly calculations)



- Columbia has had the highest tracking error vs. the benchmark, and portfolios with Columbia exhibit the highest tracking error of excess return, especially Portfolio 4, the Neuberger/Columbia combination.

DCP SMALL CAP STOCK FUND TRACKING ERROR / EXCESS RETURN (7-YR)

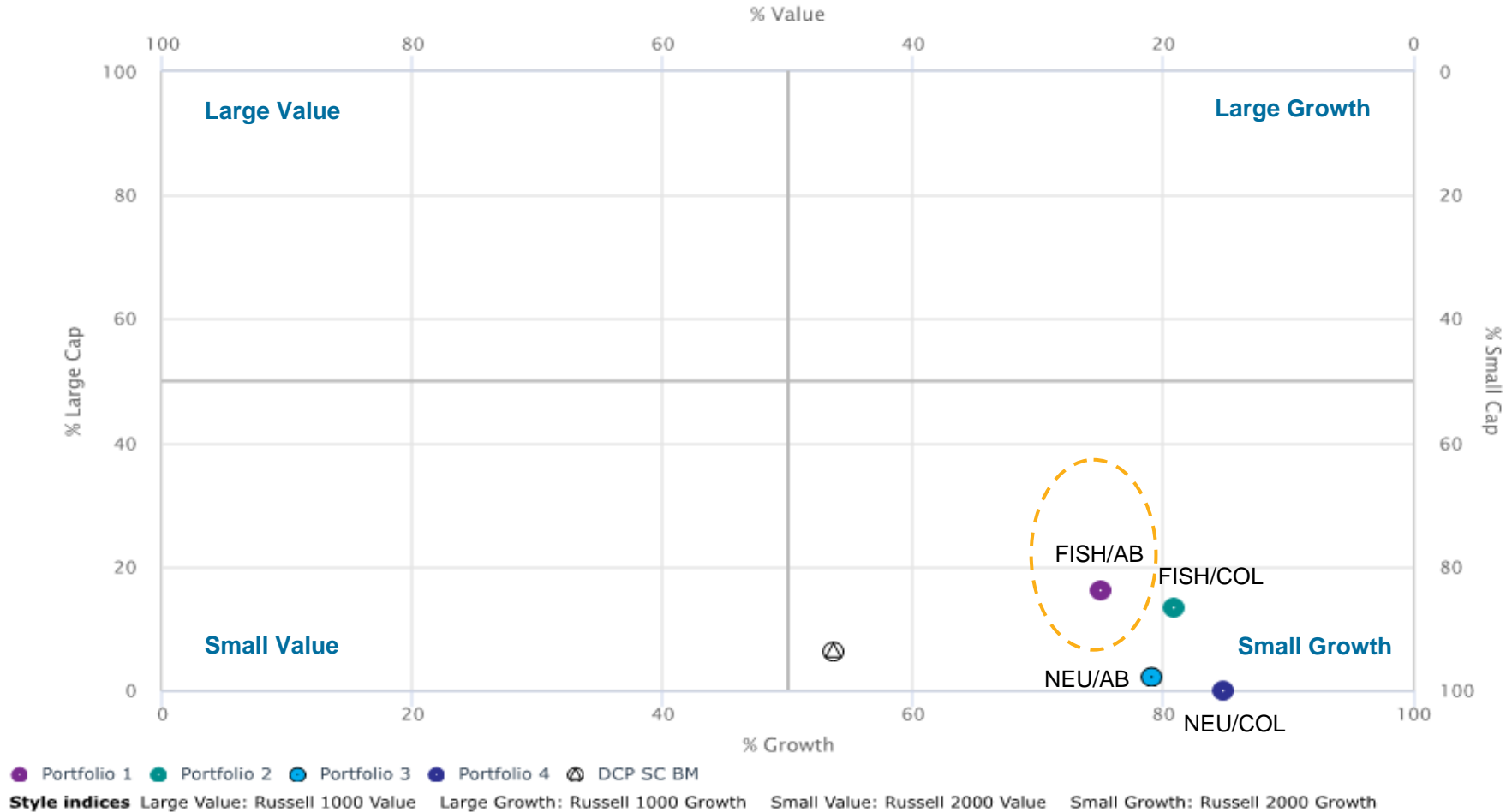
Excess Return and Tracking Error vs. 34% Van SC BM/33% RU2000V/33% RU2000G (Benchmark) in \$US (after fees) over 7 yrs ending June-21 (quarterly calculations)



- Over the 7-year period, Portfolio 2 (Fisher/Columbia) has achieved a stronger excess return for the excess tracking error vs. the benchmark as compared to other candidates.

DCP SMALL CAP STOCK FUND RETURNS-BASED STYLE ANALYSIS (5-YR)

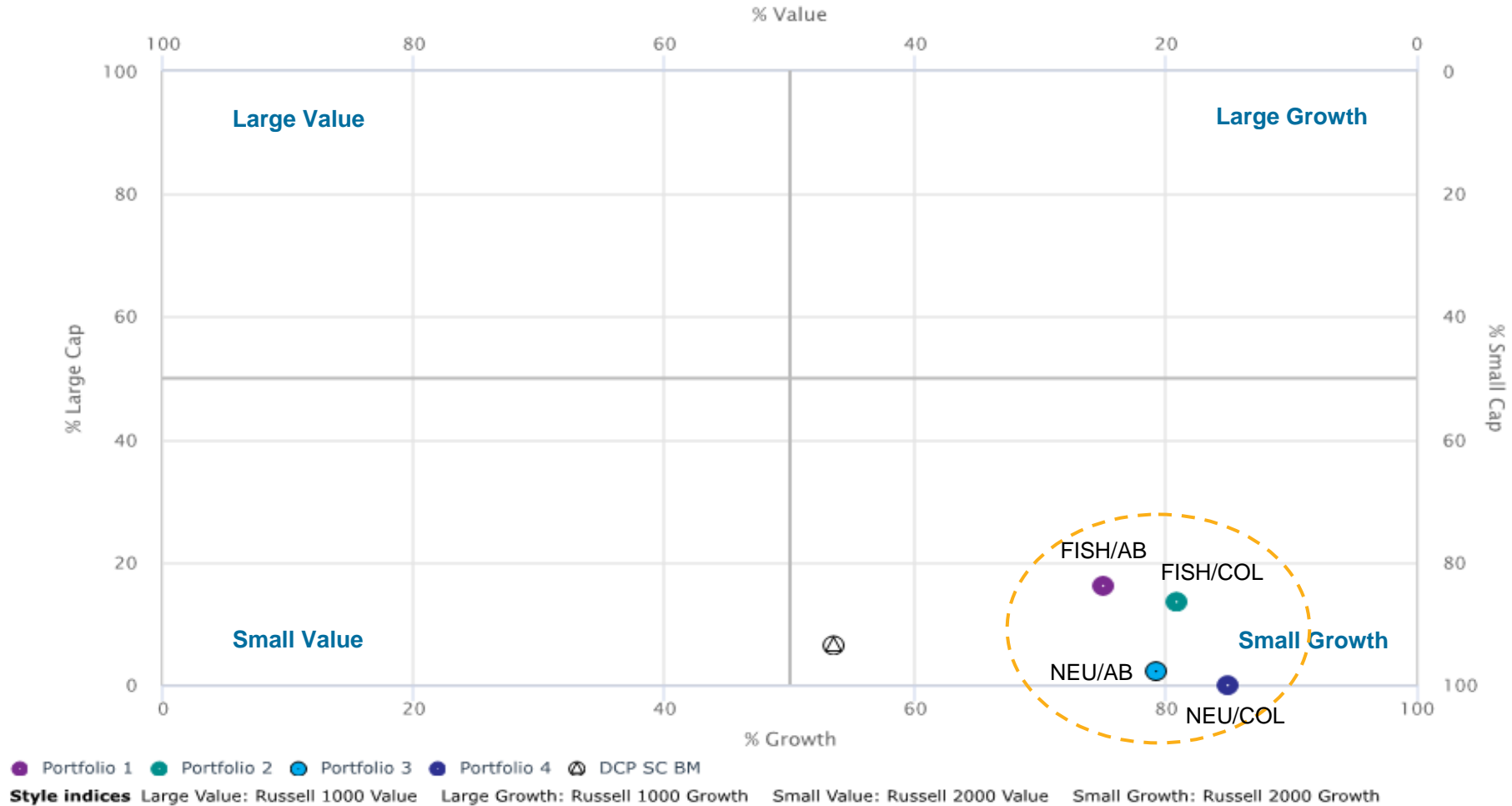
Returns based style analysis in \$US (after fees) over 5 yrs ending June-21



- On a returns-based style analysis, all portfolios have a stronger growth bias than the benchmark.
- Portfolios with Columbia have the strongest growth of the four variations, and portfolio with Neuberger have the smallest size.
- Fisher/AB, while still experiencing growth bias, plots the closest to the core.

DCP SMALL CAP STOCK FUND RETURNS-BASED STYLE ANALYSIS (7-YR)

Returns based style analysis in \$US (after fees) over 7 yrs ending June-21



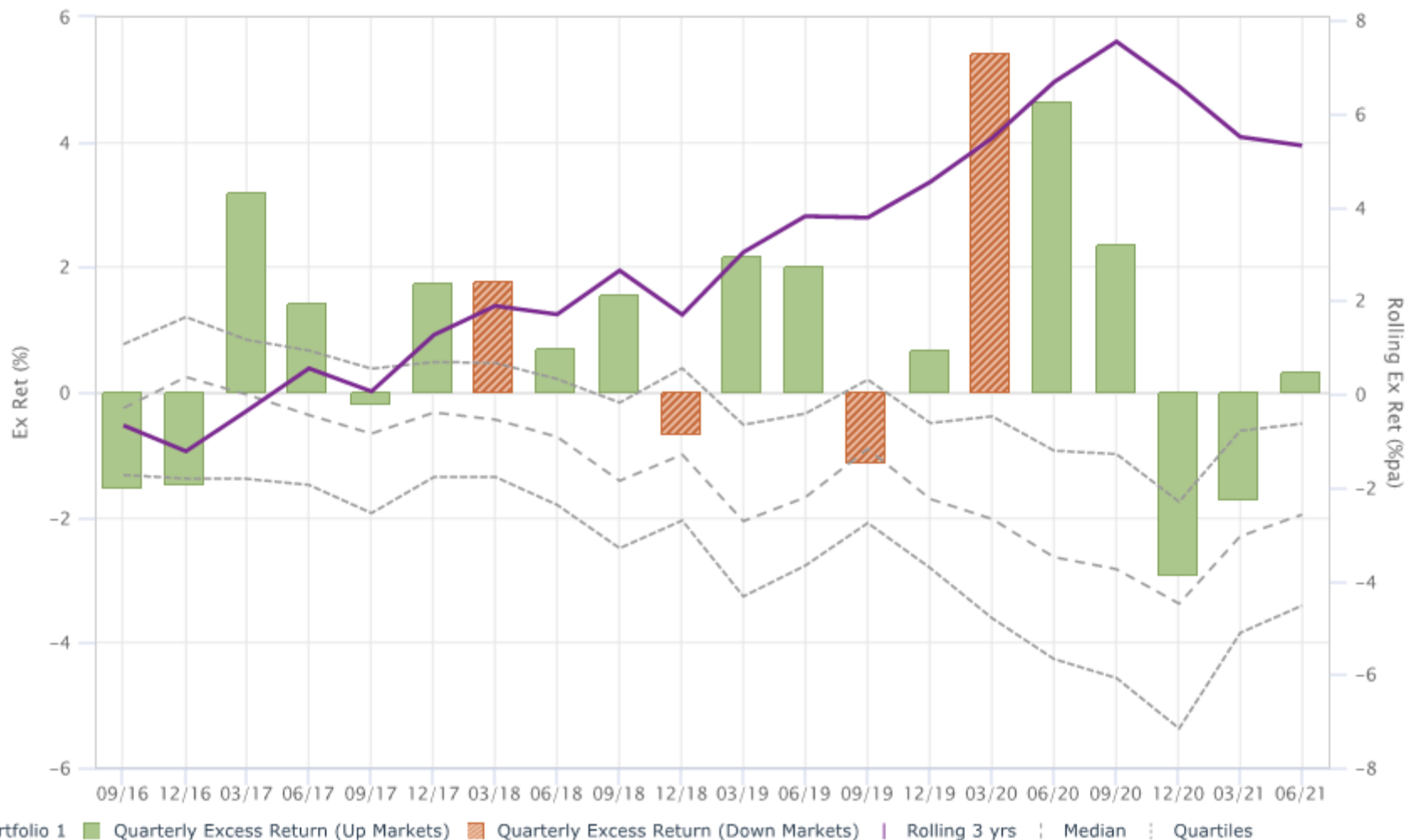
- Very similar picture longer-term, with Fisher portfolio combinations showing a larger bias, while Columbia combinations showing a greater growth bias, and all portfolios being more growth than the benchmark.

PORTFOLIO 1

QUARTERLY EXCESS RETURN

34% Vanguard/33% Fisher/33% AB

Quarterly Excess Return vs. 34% Van SC BM/33% RU2000V/33% RU2000G (Benchmark) with rolling 3 yr line in \$US (after fees) over 5 yrs ending June-21
 Comparison with the Mutual Fund US Equity Small Cap Core universe

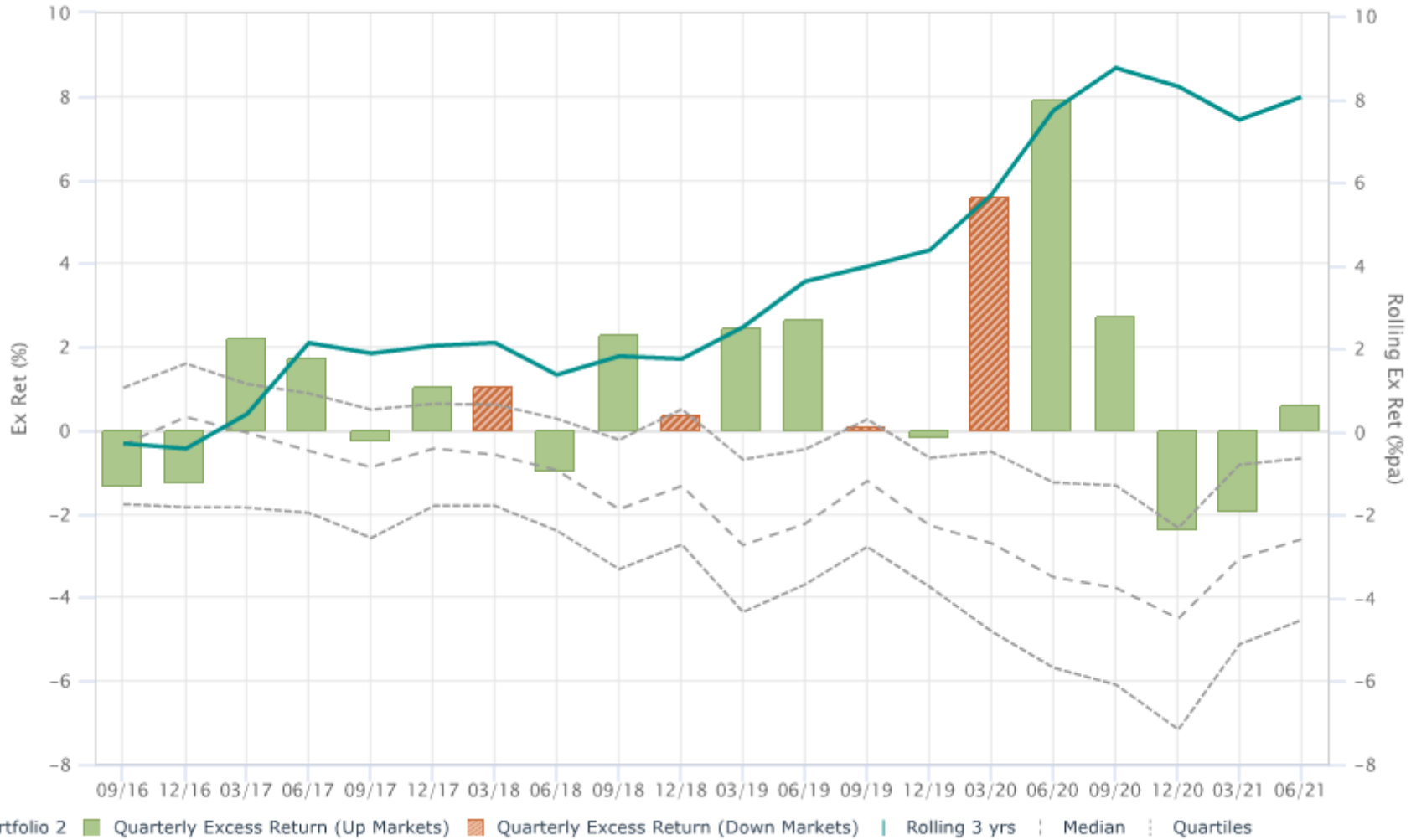


PORTFOLIO 2

QUARTERLY EXCESS RETURN

34% Vanguard/33% Fisher/33% Columbia

Quarterly Excess Return vs. 34% Van SC BM/33% RU2000V/33% RU2000G (Benchmark) with rolling 3 yr line in \$US (after fees) over 5 yrs ending June-21
 Comparison with the Mutual Fund US Equity Small Cap Core universe

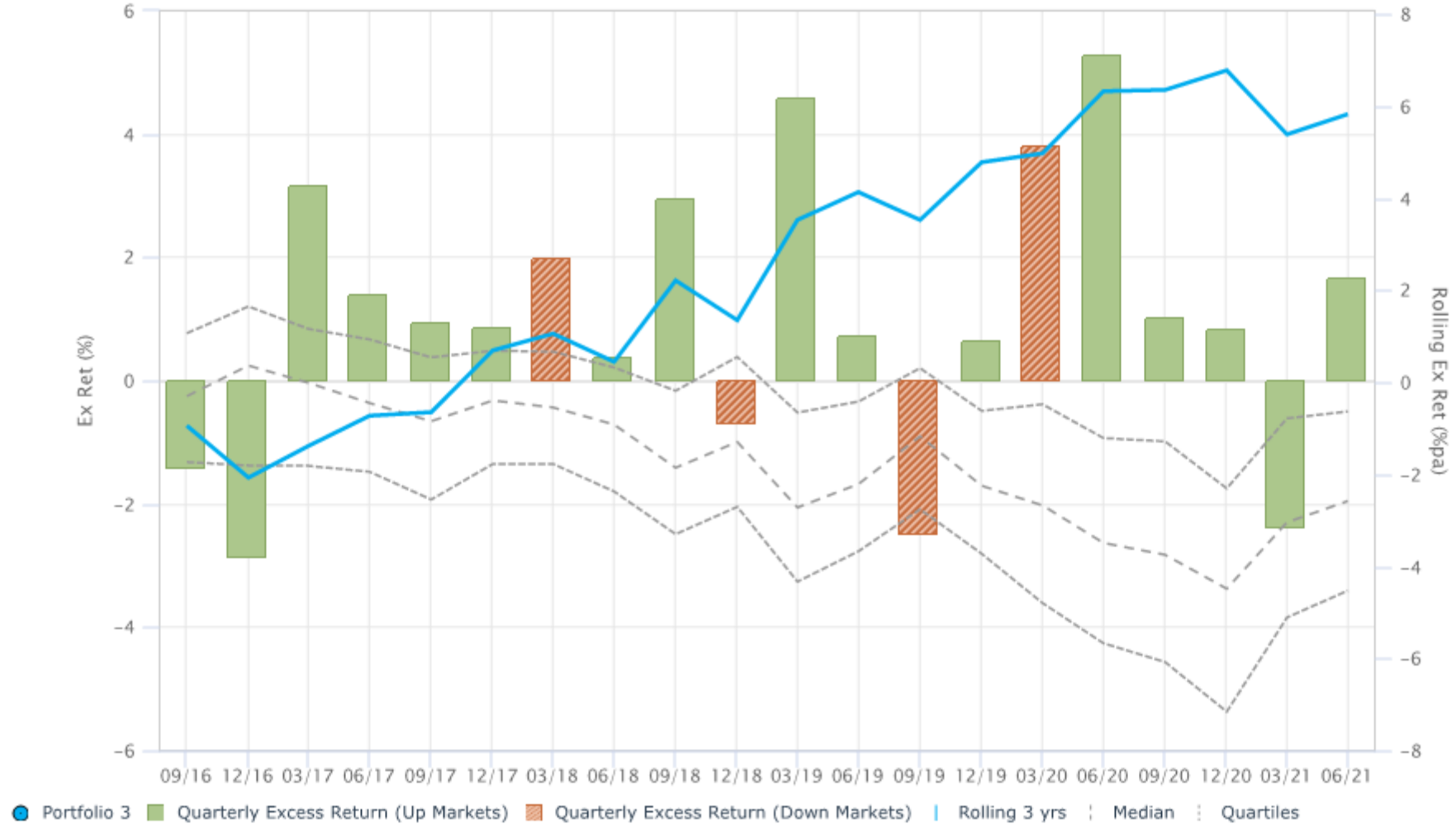


PORTFOLIO 3

QUARTERLY EXCESS RETURN

34% Vanguard/33% Neuberger/33% AB

Quarterly Excess Return vs. 34% Van SC BM/33% RU2000V/33% RU2000G (Benchmark) with rolling 3 yr line in \$US (after fees) over 5 yrs ending June-21
 Comparison with the Mutual Fund US Equity Small Cap Core universe

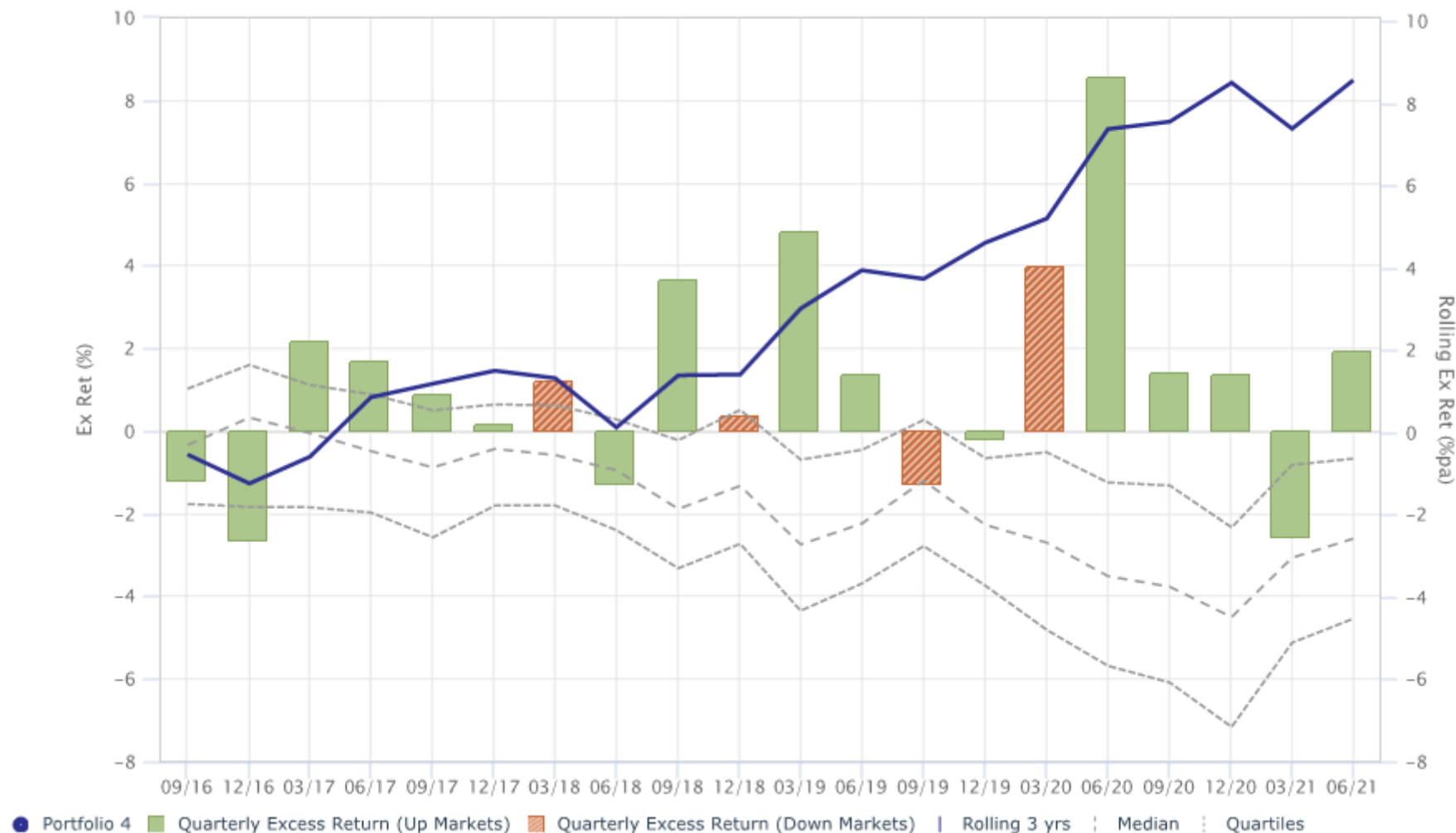


PORTFOLIO 4

QUARTERLY EXCESS RETURN

34% Vanguard/33% Neuberger/33% Columbia

Quarterly Excess Return vs. 34% Van SC BM/33% RU2000V/33% RU2000G (Benchmark) with rolling 3 yr line in \$US (after fees) over 5 yrs ending June-21
 Comparison with the Mutual Fund US Equity Small Cap Core universe



DCP SMALL CAP STOCK FUND

ROLLING 3-YEAR PERFORMANCE RANKINGS

Rolling 3 yr Performance characteristics vs. 34% Vanguard Small Cap Benchmark / 33% Russ 2000G / 33% Russ 2000V (Benchmark) in \$US (after fees) over 7 yrs ending June-21. Comparison with the Mutual Fund US Equity Small Cap Core universe (Percentile Ranking) (quarterly calculations)

	Managers	1st Quartile		2nd Quartile		3rd Quartile		4th Quartile		Average Percentile Rank	Outperform	
		No.	%	No.	%	No.	%	No.	%		No.	%
Portfolio 1	Fish / AB	16	57.1	7	25	5	17.9	0	0.0	23	22	79
Portfolio 2	Fish / Col	17	60.7	7	25	4	14.3	0	0.0	23	22	79
Portfolio 3	Neu / AB	17	60.7	7	25	3	10.7	1	3.6	25	21	75
Portfolio 4	Neu / Col	15	53.6	8	28.6	5	17.9	0	0.0	24	22	79
DCP SC BM		10	35.7	16	57.1	2	7.1	0	0.0	33	28	0

- On a rolling 3-year basis, all portfolios consistently outperformed the median and the benchmark, ranking in top quartile over 50%-60% of the time.
- Portfolio 3 was the only one that ranked in the bottom quartile during 1 quarter, however, it has shown the best average rank of all four.

The benchmark result for Number Outperform represents the total number of observations in the period.

DCP SMALL CAP STOCK FUND

QUARTERLY UP / DOWN MARKET ANALYSIS

Performance characteristics vs. 34% Vanguard Small Cap Benchmark / 33% Russ 2000G / 33% Russ 2000V (Benchmark) in \$US (after fees) over 7 yrs ending June-21
Comparison with the Mutual Fund US Equity Small Cap Core universe (Percentile Ranking) (quarterly calculations)

	Managers	Up Markets			Down Markets			All Markets				
		Outperform		Excess (Av) (%pq)	Outperform		Excess (Av) (%pq)	Outperform		Excess (Av) (%pq)	Outperform (Av) (%pq)	Underperform (Av) (%pq)
		No.	%		No.	%		No.	%			
Portfolio 1	Fish / AB	14	67	0.6	3	43	0.7	17	61	0.7	1.9	-1.2
Portfolio 2	Fish / Col	13	62	0.8	7	100	1.3	20	71	1.0	1.8	-1.1
Portfolio 3	Neu / AB	16	76	0.8	3	43	0.0	19	68	0.6	1.8	-1.9
Portfolio 4	Neu / Col	14	67	1.0	6	86	0.7	20	71	0.9	1.9	-1.4
DCP Small Cap BM												
		21	0	0.0	7	0	0.0	28	0	0.0	na	na
Group Statistics												
Upper Quartile												
		10	46	-0.1	5	71	1.0	13	46	-0.1	2.6	-1.6
Median												
		8	38	-0.7	4	57	0.2	12	43	-0.4	2.1	-2.2
Lower Quartile												
		6	29	-1.1	3	43	-0.5	10	36	-0.7	1.5	-2.7
Number												
		202	202	202	202	202	202	202	202	202	202	202

- Over the trailing 7-year period, all portfolios have outperformed in the majority of markets.
- Portfolio 2 (Fisher/Columbia) provided the best down- market protection, outperforming 100% of the time, while Portfolio 4 (Neuberger/Columbia) outperformed 86% of the time.
- Portfolio 2 also provided the greatest excess return in all markets on average.

The benchmark results represent the total number of up markets, down markets and observations in the period.

UNDERLYING MANAGER EXCESS RETURN CORRELATION

Correlation of Excess Returns vs. Russell 2000 in \$US (after fees) over 7 yrs ending June-21 (quarterly calculations)

	AB	Columbia	Fisher	Neuberger
AB		0.82	0.09	0.08
Columbia	-0.41		0.10	0.11
Fisher	-1.72	-1.73		0.34
Neuberger	-1.84	-1.80	-1.02	

- Relative to the small cap core benchmark, combinations Neuberger showed the most risk reduction as highlighted above.
- Overall, all portfolio combinations show strong diversification benefits.

Notes:

Correlation is shown in the right hand side of the table.

Risk Reduction is shown in the left hand side of the table.

Risk Reduction is defined as the reduction in tracking error from diversification when using a 50:50 mix of the two managers.

APPENDIX

MANAGER PROFILES FOR MERCER RATED STRATEGIES

SMALL CAP VALUE EQUITY FISHER PROFILE

Firm	
Idea Generation ■■	<p>Fisher allocates a significant amount of resources to proprietary research, particularly in support of its thorough analysis of global markets and trends. The firm is well known for Ken Fisher's top-down insights that, with the help of the Investment Policy Committee (IPC), permeate across its strategies. While the Small Cap Value strategy is claimed to be primarily bottom-up driven, we note that fundamental analysis can be secondary to the IPC's macro views.</p>
Portfolio Construction ■■■	<p>Loose sector guidelines combined with Fisher's top-down approach may lead to meaningful sector deviations from the benchmark. Nevertheless, the portfolio tends to be adequately diversified by holdings. A dedicated risk team provides comprehensive monitoring of factor exposures and helps the IPC manage portfolio risk. We note that the team has shown a tendency to hold onto winners and the persistent allocation of capital to several well established mid cap companies' may reflect inconsistency with the small cap style.</p>
Implementation ■■■	<p>The strategy has been closed for some time. Despite its somewhat sizeable asset base, we do not observe any implementation issues. The team is cognizant of liquidity risks, and its preference for higher quality companies tends to orient the portfolio towards larger cap holdings.</p>
Business Management ■	<p>Fisher's main investment office is a secluded mountainside compound which is symbolic of the firm's unique and unconventional business culture. The members of Fisher's IPC have worked together for many years and turnover among senior professionals is rare. The firm's business mix is approximately two-thirds high net worth and one-third institutional. The firm has its own expansive distribution network for its products and an extremely loyal client base. In 2013, Fisher moved its headquarters from California to Washington state. With advances in technology, having multiple offices does not impede Fisher's operations.</p>
Overall B	<p>Mercer research notes that the Small Cap Value strategy benefits from Fisher's proprietary top-down research and the insights of the IPC. Members of the IPC are experienced and are ultimately responsible for managing Fisher's entire suite of products, however, these responsibilities are potential sources of distraction that dilute the team's focus on specific strategies. Furthermore, the portfolio's size characteristics at times lead us to question the consistency of style and the team's sell discipline.</p>

DCP SMALL CAP EQUITY FINALIST SEARCH MANAGER PROFILES

Mercer Research ratings and views are solely for informational purposes.

Mercer does not formally rate the Neuberger Active Small Cap Value Equity Strategy, AB Small Cap Growth Portfolio Advisor or Columbia Active Small Cap Growth Equity strategies.

MERCER RESEARCH RATINGS SCALE

A

Strategies assessed as having “**above average**” prospects of outperformance

B+

Strategies assessed as having “**above average**” prospects of outperformance, but with some reservations.

B

Strategies assessed as having “**average**” prospects of outperformance

C

Strategies assessed as having “**below average**” prospects of outperformance

R

The **R rating** is applied in two situations:

1. Mercer has carried out some research, but has not completed its full investment strategy research process
2. Mercer has in the past carried out its full investment strategy research process on the strategy, but we are no longer maintaining full research coverage

N

No rating, strategies not currently rated by Mercer

W

Watch: where there is some uncertainty about a rating that we do not expect to be resolved soon, but consider it unlikely that it will lead to a rating change

T

Tracking error: potential for high tracking error or high volatility

P

Provisional rating: where there is uncertainty about a rating that we expect to resolve quickly

Please see the Guide to Mercer’s Investment Strategy Ratings <https://www.mercer.com/content/dam/mercer/attachments/private/nurture-cycle/gl-2020-wealth-guide-to-mercers-investment-strategy-research-ratings-mercer.pdf>

PERFORMANCE NOTES

PERFORMANCE NOTES

Small Cap Value Equity

- **Fisher:** Composite performance net of 0.79% fee.
- **Neuberger:** Composite performance net of 0.80% fee.

Small Cap Growth Equity

- **AB:** Mutual Fund net of 0.92% (0.25% revenue share) fee.
- **Columbia:** Composite performance net of 0.50% fee.

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Fund company websites:

www.blackrock.com/investing

www.vanguard.com



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Deferred Compensation Plan

Stage 3 Finalist Search Report –
DCP Bond Fund

December 1, 2021

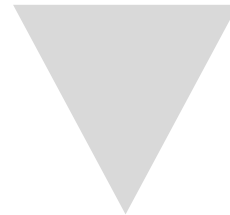


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BACKGROUND

BACKGROUND

DCP BOND FUND FINALISTS

- The DCP Bond Fund approved structure is 50% Passive Core Fixed Income + 50% Active Core Plus Fixed Income.
- At the March 19, 2021 Investment Committee meeting, Mercer presented the Passive search, where the Committee voted to retain the incumbent Vanguard Total Bond Market Index Fund as the passively managed portion of the DCP Bond Fund.
- At the October 28, 2021 Investment Committee meeting, Mercer presented Stage 2 search report for Core Plus Fixed Income.
- Based on discussion at the meeting, the Committee chose the following candidates as finalists:
 - BlackRock Fundamental Total Return – CIT
 - JP Morgan Core Plus Bond – CIT
 - Loomis Sayles Core Plus Bond (Incumbent¹) – CIT
 - Manulife Core Plus Fixed Income - CIT

¹ The City is currently invested in the Mutual Fund vehicle of the Core Plus Bond Fund.

BACKGROUND

DCP BOND FUND FINALISTS

Notes:

- All performance is net of fees, unless otherwise noted
- Portfolio characteristics as of 6/30/21 and performance exhibits are as of 9/30/21, unless otherwise noted
- Total DCP Bond mandate size is approximately \$820.3¹ million as of 9/30/2021
 - \$410.1 million (50%) as of September 30, 2021 for Passive Core Fixed Income
 - \$410.1 million (50%) as of September 30, 2021 for Active Core Plus Fixed Income

¹ May not sum due to rounding.

ACTIVE CORE PLUS FIXED INCOME FINALISTS

CORE PLUS FIXED INCOME FINALIST SUMMARY

Candidates At A Glance				
	BlackRock	JP Morgan	Loomis Sayles (incumbent ²)	Manulife
Headquarters	New York, NY	New York	Boston, MA	Toronto, Ontario, Canada
Firm Ownership	Public and Employees 100%	J.P. Morgan Chase & Company 100%	NATIXIS Asset Management North America 100%	Manulife Financial 100%
Firm AUM (millions as of June 2021)	\$9,496.0	\$2,572.8	\$357.8	\$491.7
Strategy name	BlackRock Fundamental Total Return	JP Morgan Core Plus Bond	Loomis Sayles Core Plus Bond	Manulife Core Plus Fixed Income
Mercer Rating¹	A	N	A	A
Strategy AUM (millions as of June 2021)	\$34.5	\$25.7	\$32.1	\$31.1
Strategy Inception Year	1991	1993	1986	1985
Vehicle Name	BlackRock Total Return Bond Trust M	JP Morgan Core Plus Bond Trust	Loomis Sayles Core Plus Bond Trust D	Manulife Core Plus Fixed Income Trust P1
Most Cost Effective Vehicle	CIT	CIT	CIT	CIT
Net Effective Cost/Fee (Revenue Sharing)	0.19%	0.18%	0.25%	0.17%

¹ Mercer rating not evaluated. Further detail in appendix.

² The City is currently invested in the Y share class mutual fund with an expense ratio of 0.47% and 0.20% revenue sharing

CORE PLUS FIXED INCOME FINALIST SUMMARY

Firm - rating	BlackRock – A	JP Morgan – N	Loomis Sayles – A	Manulife - A
Strategy name	BlackRock Fundamental Total Return	JP Morgan Core Plus Bond	Loomis Sayles Core Plus Bond	Manulife Core Plus Fixed Income
Team Structure	<p>The Strategy is led by three lead portfolio managers, who focus on top down direction setting, and tap into over 250 investment professionals, globally, for bottom up security selection across fixed income sectors.</p> <p>The Strategy is also supported by two dedicated individuals from the Risk and Quantitative Analysis (RQA) team, who help ensure that the portfolio risks are deliberate, diversified and scaled appropriately. Central to the Strategy's process is also the Risk Dashboard, which was developed by RQA for the portfolio management team and provides a comprehensive, highly detailed view of the Fund's attributes. This tool helps enable the Team to thoroughly understand portfolio positions and behavior, which leads to better analysis, discussion and decision-making to budget risk to the sources that BlackRock believes provide the most efficient and diversified risk-adjusted returns.</p>	<p>The J.P. Morgan Core Plus Bond Strategy is managed using a team approach that draws high conviction investment ideas from across JPM's global investment platform. GFICC is made up of 200+ investment professionals located in offices across the globe. Investment professionals managing the Strategy are broken into two groups: portfolio managers and sector specialists.</p> <p>Portfolio managers for the Strategy dynamically allocate capital to each sector and seek to help ensure that the aggregate portfolio maintains desired macro characteristics.</p> <p>Sector specialists, many of whom serve as portfolio managers for dedicated sector strategies, are typically responsible for individual security selection recommendations for implementation within the Strategy. JPM believes the ability to focus on a specific sector allows the investment professionals to glean unique insights into relative value opportunities for portfolios.</p>	<p>Senior Portfolio Managers Peter Palfrey (38 years experience) and Rick Raczkowski (32 years experience) are directly supported by a team of 15 investment professionals. This Team draws upon the depth and breadth of Loomis Sayles's research organization which includes over 100 experts focused on security selection, macroeconomics and quantitative analysis. The Team is also supported by the fixed income trading desk of over 40 professionals.</p>	<p>Key investment professionals associated with the Core Plus strategy include co-lead portfolio managers Howard Greene, CFA, and Jeffrey Given, CFA, and associate portfolio manager Pranay Sonalkar.</p> <p>Research and trading are subdivided into three teams: corporate credit, securitized credit and trading. The portfolio managers receive additional support from the firm's investment risk and quantitative analytics and ESG teams. Portfolios are managed on a team basis with Greene and Given sharing full discretion for all buy and sell decisions.</p>
Portfolio Managers	Rick Rieder (11 / 34)	Steve Lear, CFA (13 / 40)	Peter Palfrey (20 / 38)	Howard C. Greene, CFA (19 / 38)
(Years at Firm / Years in Industry)	Bob Miller (10 / 33) David Rogal (15 / 15)	Andrew Norelli (8 / 20) Lisa Coleman (12 / 40) Tom Hauser (17 / 28)	Rick Raczkowski (20 / 32)	Jeffrey N. Given, CFA (28 / 28) Pranay Sonalkar (7 / 14)

CORE PLUS FIXED INCOME FINALIST SUMMARY

Firm - rating	BlackRock – A	JP Morgan – N	Loomis Sayles – A	Manulife - A
Style/ Philosophy	<p>The Total Return Strategy uses a fundamental approach, pairing top down macro themes with bottom up security selection insights to construct a portfolio of best ideas that seeks to deliver consistent alpha across market cycles. The team’s investment framework is centered on the view that durable alpha is optimized through a dynamic, diversified approach. The style focuses on surveying the widest fixed income opportunity set and actively rotating across sectors with the best risk-adjusted return characteristics. The Team does not take concentrated bets, which it believes is key to minimizing drawdowns and delivering consistent outperformance across various market backdrops. The philosophy leverages the capabilities, talent, and research of the fixed income platform, with lead portfolio managers focusing on top-down direction setting and specialized sector specialist teams focusing on security selection.</p>	<p>The Core Plus Bond Strategy seeks to deliver the portfolio ballast of traditional fixed income, enhanced yield relative to the Bloomberg US Aggregate Index and strong risk-adjusted returns. JPMAM believes that bond portfolios managed by a globally integrated fixed income team, within a disciplined risk-controlled framework, will help produce strong risk-adjusted returns. The team believes inefficiencies in the fixed income market are pervasive and will continue. However, the identification of individual undervalued securities is difficult and requires advanced analytical skills and extensive experience in order to capitalize successfully on these inefficiencies. JPMAM believes the team can identify inefficiencies through a combination of active investment management and disciplined risk control. The strategy targets diversified sources of portfolio returns and does not rely on any single fund or market directionality.</p>	<p>The Loomis Sayles Core Plus strategy seeks to outperform the Barclays Aggregate Index through a combination of top down sector allocation and bottom up security selection. Top down risk positioning is actively managed using a broad economic and credit cycle framework. Bottom up positioning is determined by relative value assessment of industries and individual securities based on deep fundamental research. The strategy is highly risk aware and incorporates risk management at each step in the investment process.</p>	<p>The team believes strong relative performance can be generated through bottom-up active management of sector allocation, issue selection and yield curve positioning. The team’s disciplined investment process seeks to add value by following a relative value approach to sector allocation and issue selection, engaging in intensive fundamental credit research, and identifying points on the yield curve with the greatest return potential.</p>

CORE PLUS FIXED INCOME SELECTED PORTFOLIO GUIDELINES

Firm	Maximum duration above benchmark (%)	Maximum duration below benchmark (%)	Minimum issue quality	Minimum average portfolio quality	Maximum allocation to BB or below (%)	Maximum allocation to Int'l bonds (%)
BlackRock	20	20	B	A	20	20
JP Morgan	10	10	Not Rated	N/A	25	25
Loomis Sayles (incumbent)	25	25	CCC & Below	BBB+	20	10
Manulife	20	20	CCC	BBB	25	25

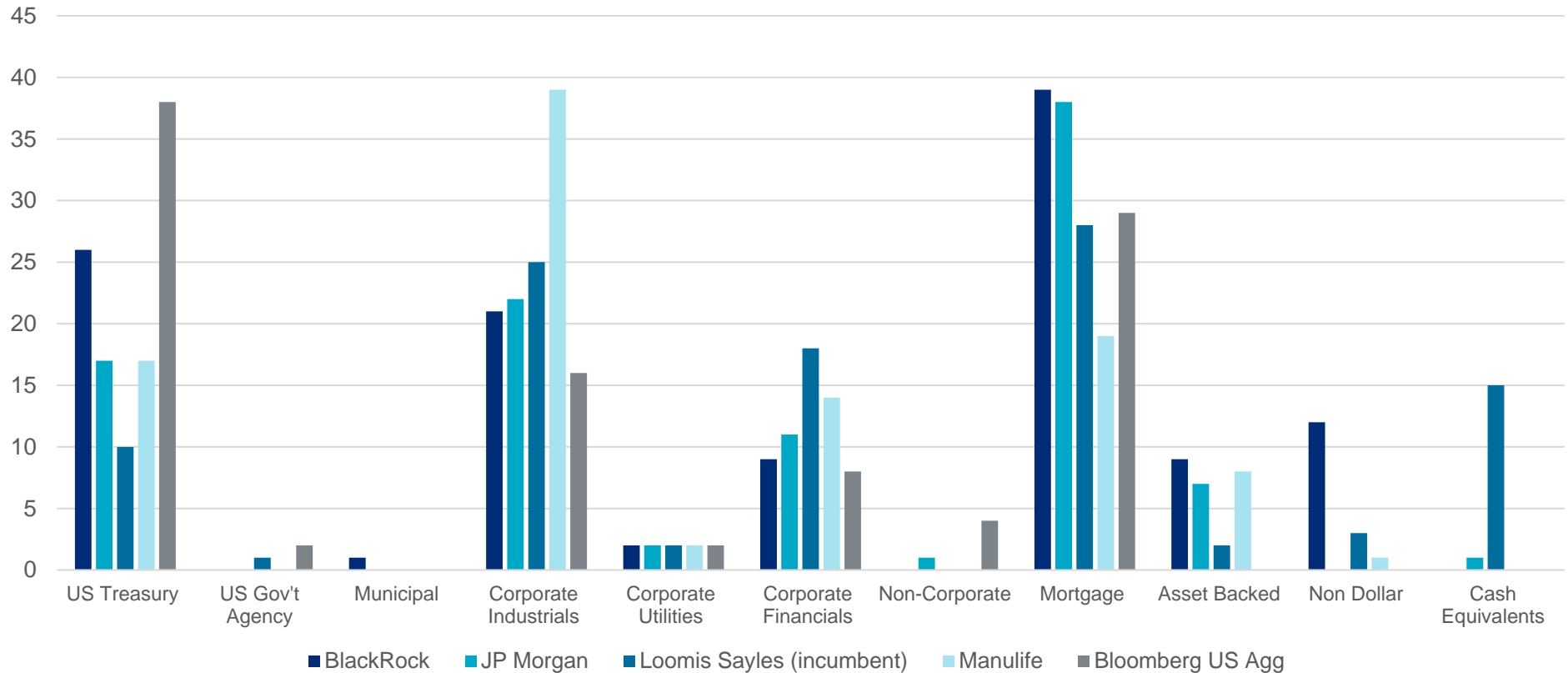
	Number of issues / securities	Yield to maturity (%)	Years to maturity	Average coupon (%)	Average quality	Effective duration (yrs)
BlackRock	3,757	2.6	7.8	3.4	A+	5.7
JP Morgan	3,048	2.3	13.9	3.3	A	5.8
Loomis Sayles (incumbent)	496	2.4	7.6	3.0	A	5.4
Manulife	1,075	2.6	8.1	3.6	A-	6.4
Bloomberg US Agg	12,207	1.5	8.5	2.6	AA	6.6

Key observations:

- BlackRock has the highest minimum issue quality and minimum average portfolio of the finalists.
- Loomis Sayles has the most concentrated portfolio with the shortest effective duration.

CORE PLUS FIXED INCOME STRATEGY CHARACTERISTICS

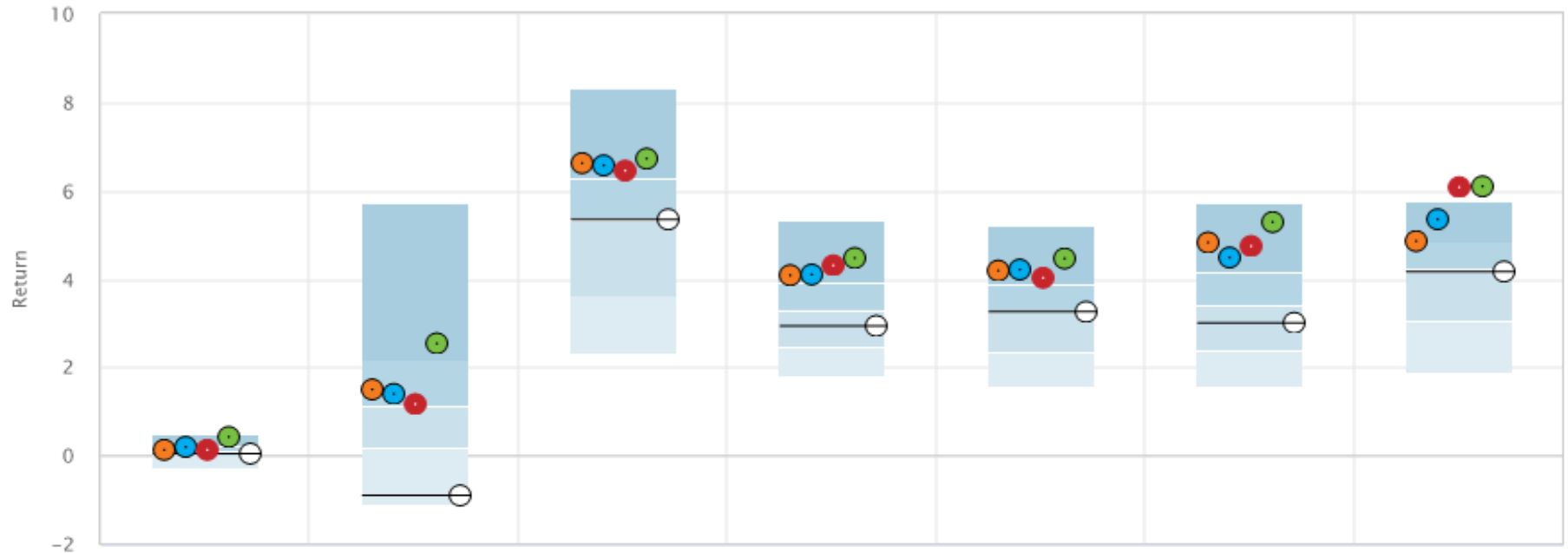
Sector Distribution



- All managers are differentiated versus the Barclays US Aggregate benchmark.
- BlackRock has the highest allocation to US Treasuries and Non-Dollar securities relative to the other managers.
- Manulife favors Corporate Industrials, while underweighting Mortgage Backed Securities.
- JP Morgan and BlackRock have highest utilization of Mortgages.

CORE PLUS FIXED INCOME ANNUALIZED PERFORMANCE

Return in \$US (after fees) over 3 mths, 1 yr, 3 yrs, 5 yrs, 7 yrs, 10 yrs, 15 yrs ending September-21
Comparison with the Mutual Fund US Fixed Core universe (Percentile Ranking)

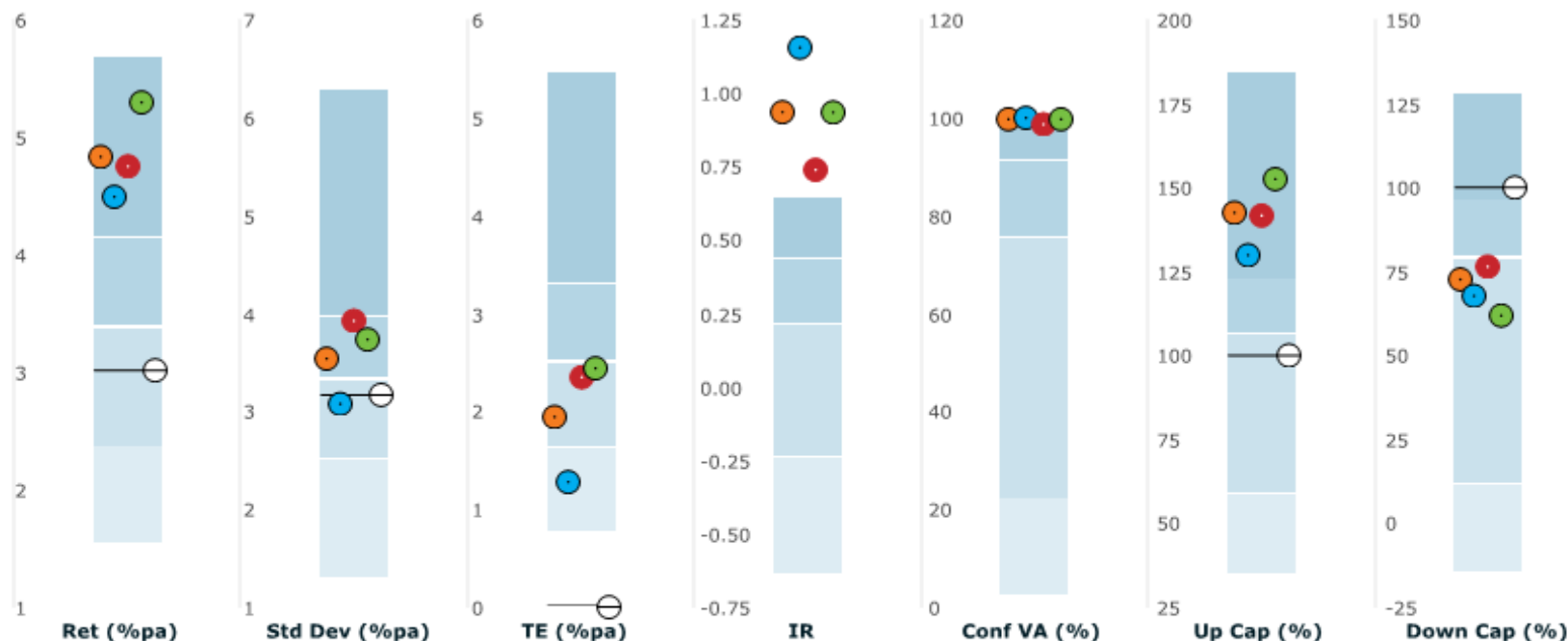


	3 mths (%)	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)	7 yrs (%pa)	10 yrs (%pa)	15 yrs (%pa)
● BlackRock	0.1(36)	1.5(39)	6.6(19)	4.1(21)	4.2(17)	4.8(13)	4.9(21)
● JPMorgan	0.2(23)	1.4(41)	6.6(20)	4.1(20)	4.2(16)	4.5(16)	5.4(9)
● Loomis Sayles	0.1(36)	1.2(47)	6.5(21)	4.3(17)	4.0(20)	4.8(13)	6.1(3)
● Manulife	0.4(6)	2.5(21)	6.7(18)	4.5(14)	4.5(13)	5.3(8)	6.1(3)
○ BCUSAG	0.1(61)	-0.9(94)	5.4(50)	2.9(61)	3.3(51)	3.0(64)	4.2(51)
5th Percentile	0.5	5.7	8.3	5.3	5.2	5.7	5.7
Upper Quartile	0.2	2.2	6.3	3.9	3.9	4.1	4.8
Median	0.1	1.1	5.3	3.3	3.3	3.4	4.2
Lower Quartile	-0.0	0.2	3.6	2.4	2.3	2.4	3.0
95th Percentile	-0.3	-1.1	2.3	1.8	1.6	1.5	1.9
Number	521	492	443	385	347	304	239

- All funds ranked in the top half of the universe during all periods examined, and ranked in the top quartile during all periods longer than 1-year.

CORE PLUS FIXED INCOME RISK STATISTICS – 10 YEAR

Performance characteristics vs. Bloomberg US Aggregate in \$US (after fees) over 10 yrs ending September-21
Comparison with the Mutual Fund US Fixed Core universe (Percentile Ranking) (quarterly calculations)



	Ret (%pa)	Std Dev (%pa)	TE (%pa)	IR	Conf VA (%)	Up Cap (%)	Down Cap (%)
● BlackRock	4.8 (13)	3.5 (39)	1.9 (67)	0.9 (0)	99.7 (0)	142.5 (12)	72.6 (56)
● JPMorgan	4.5 (16)	3.1 (66)	1.3 (88)	1.2 (0)	99.9 (0)	129.8 (19)	67.7 (58)
● Loomis Sayles	4.8 (13)	3.9 (26)	2.3 (56)	0.7 (3)	98.6 (2)	141.6 (12)	76.4 (53)
● Manulife	5.3 (8)	3.7 (31)	2.4 (54)	0.9 (0)	99.7 (0)	152.5 (11)	61.9 (60)
⊖ BCUSAG	3.0 (64)	3.2 (62)	0.0 (100)	-	-	100.0 (58)	100.0 (20)
5th Percentile	5.7	6.3	5.5	0.6	97.6	184.2	128.1
Upper Quartile	4.1	4.0	3.3	0.4	91.1	122.8	96.3
Median	3.4	3.3	2.5	0.2	75.5	106.5	79.1
Lower Quartile	2.4	2.5	1.6	-0.2	22.3	58.6	11.7
95th Percentile	1.5	1.3	0.8	-0.6	2.6	35.3	-14.4
Number	304	304	304	304	304	304	304

- Over the 10-year period, all managers have attractive risk/return characteristics.
- All managers performed well in up markets and protected in down markets, with Manulife having the highest upside capture and lowest downside capture.

The risk free rate used for these calculations is the US 3 month T-Bill

DCP BOND FUND PRO-FORMA ANALYSIS

DCP BOND FUND RECOMMENDATIONS/KEY OBSERVATIONS

Key findings:

- As detailed in the following exhibits, all combined portfolios are well diversified and have attractive characteristics and performance metrics.
- All portfolios will represent a slight decrease in fees net of revenue sharing, and expense ratios displayed on communications materials (which do not include revenue sharing) will decline.
- While all portfolio combinations have compelling characteristics, there are certain tendencies exhibited:
 - The Vanguard/Manulife mix exhibited higher excess return with higher tracking error
 - Vanguard/JP Morgan portfolio exhibited the least volatile approach
 - Vanguard/BlackRock and Vanguard/Loomis Sayles are more balanced relative to the two foregoing mixes

DCP BOND FUND STANDALONE FEE COMPARISON

Asset Category	Firm	Strategy Name	Net Effective Expense Ratio
Core Plus Fixed Income	BlackRock	BlackRock Total Return Bond Trust M	0.19%
	JP Morgan	JP Morgan Core Plus Bond Trust	0.18%
	Loomis Sayles (Incumbent)	Loomis Sayles Core Plus Bond Trust D	0.25%
	Manulife	Manulife Core Plus Fixed Income Trust P1	0.17%

Key observations:

- The DCP Bond Fund currently has an expense ratio of 0.25% and 0.10% in revenue sharing, for a net effective fee of 0.15%.
- None of the proposed CITs offer revenue sharing, and all prospective portfolios represent net effective fee savings to the City, as is detailed on the following page.

DCP BOND FUND BLENDED FEE COMPARISON

Composite	Managers ¹	Net Effective Expense Ratio	Estimated Effective % Difference vs Current	Estimated Effective Expense (Based of 9/30/21 Assets of \$820.3M)	Estimated Effective \$ Difference vs Current
Portfolio 1	BlackRock / Vanguard	0.11%	-0.04%	\$885,924	-\$344,526
Portfolio 2	JP Morgan / Vanguard	0.10%	-0.05%	\$844,909	-\$385,541
Portfolio 3	Loomis Sayles / Vanguard	0.14%	-0.01%	\$1,132,014	-\$98,436
Portfolio 4	Manulife / Vanguard	0.10%	-0.05%	\$803,894	-\$426,556
Current	Loomis Sayles / Vanguard ²	0.15%	-	\$1,230,450	-

Key observation:

- All prospective portfolios represent net effective fee savings to the City, with Portfolio 4 (Manulife) representing the largest potential fee savings.

As of September 30, 2021.

¹ All portfolios include 50% allocation to Vanguard Total Bond Market Index Trust with an expense ratio of 0.026%, which will be effective following the fund changes in 2022, and 50% allocation to Core Plus candidate/

² Current fee represents 50% Loomis Sayles Core Plus Bond Y mutual fund with an expense ratio of 0.47% and 0.20% revenue sharing and 50% Vanguard Total Bond Market Index Inst Plus mutual fund with an expense ratio of 0.03% for an expense ratio of 0.25% and 0.10% revenue sharing

DCP BOND FUND PERFORMANCE CHARACTERISTICS

Performance characteristics vs. Bloomberg US Aggregate in \$US (after fees) over 10 yrs ending September-21
Comparison with the Mutual Fund US Fixed Core universe (Percentile Ranking) (quarterly calculations)

		Performance Statistics (10-years)							
		Return (%pa)	Std Deviation (%pa)	Tracking Error (%pa)	Information Ratio	Sharpe Ratio	Alpha (%pa)	Up Markets Capture (%)	Down Markets Capture (%)
Portfolio 1	BlackRock	3.91	3.27	0.96	0.93	1.02	0.92	121.23	88.86
Portfolio 2	JP Morgan	3.74	3.11	0.62	1.17	1.02	0.82	115.23	86.48
Portfolio 3	Loomis Sayles	3.87	3.42	1.18	0.73	0.96	0.80	120.89	90.66
Portfolio 4	Manulife	4.14	3.29	1.21	0.93	1.08	1.21	125.94	83.60
Bloomberg US Agg		3.02	3.17	N/A	N/A	0.78	N/A	N/A	N/A

1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile
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Key observations:

- All composite portfolios represent attractive options that have outperformed the benchmark over the 10-year period.
- Due to 50% of the portfolio being the Vanguard Total Bond Market Index Fund, all portfolios have similar peer universe rankings.
- Similarly due to high allocation to bond index fund, tracking error is relatively low compared to actively managed bond funds.

DCP BOND FUND

ANNUALIZED PERFORMANCE

Return in \$US (after fees) over 3 mths, 1 yr, 3 yrs, 5 yrs, 7 yrs, 10 yrs ending September-21
 Comparison with the Mutual Fund US Fixed Core universe (Percentile Ranking)

Portfolio	Managers	3 mths (%)		1 yr (%)		3 yrs (%pa)		5 yrs (%pa)		7 yrs (%pa)		10 yrs (%pa)	
Portfolio 1	BlackRock	0.13	(39)	0.30	(71)	6.03	(31)	3.52	(39)	3.73	(29)	3.91	(31)
Portfolio 2	JP Morgan	0.16	(33)	0.24	(73)	6.01	(32)	3.53	(38)	3.74	(29)	3.74	(38)
Portfolio 3	Loomis Sayles	0.13	(39)	0.13	(75)	5.95	(33)	3.63	(35)	3.65	(31)	3.87	(33)
Portfolio 4	Manulife	0.27	(13)	0.81	(56)	6.09	(31)	3.72	(32)	3.87	(25)	4.14	(25)
Bloomberg US Agg		0.05	(61)	-0.90	(94)	5.36	(50)	2.94	(61)	3.26	51.00	3.02	(64)

Key observations:

- All composite portfolios show strong annualized performance for periods longer than 1-year, outperforming the benchmark and ranking in the top half of the peer universe during all periods.
- During the 1-year period all portfolios ranked in the third quartile and lagged the benchmark, but outperformed the benchmark.
- During the third quarter of 2021, 3 portfolios ranked in the second quartile of the peer universe; however, the Manulife portfolio ranked in the top quartile.
- Over the 3- and 7-year periods, all portfolios ranked in the top third of the peer universe.

DCP BOND FUND

CALENDAR YEAR PERFORMANCE

Return in \$US (after fees) over last 7 calendar years and Year-to-Date periods ending September-21
 Comparison with the Mutual Fund US Fixed Core universe (Percentile Ranking)

Portfolio	Managers	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	9 mths to 9/2021 (%)
Portfolio 1	BlackRock	7.26 (13)	0.59 (27)	3.20 (50)	4.12 (41)	-0.20 (47)	9.53 (34)	8.53 (34)	-1.05 (70)
Portfolio 2	JP Morgan	6.26 (23)	0.45 (35)	3.54 (44)	4.07 (42)	0.83 (27)	8.89 (45)	7.99 (42)	-0.86 (64)
Portfolio 3	Loomis Sayles	6.28 (23)	-1.32 (85)	4.81 (26)	4.46 (32)	-0.25 (48)	9.06 (43)	9.47 (21)	-1.25 (78)
Portfolio 4	Manulife	6.50 (19)	0.52 (32)	3.88 (38)	4.54 (30)	-0.31 (49)	9.72 (30)	8.62 (33)	-0.75 (60)
Bloomberg US Agg		5.95 (28)	0.57 (28)	2.66 (65)	3.54 (54)	0.01 (43)	8.72 (48)	7.51 (49)	-1.55 (87)

Key observation:

- All managers struggled during 2015 and 2018 with only one manager, BlackRock and JP Morgan respectively, outperforming the benchmark.

DCP BOND FUND

ROLLING 5-YEAR RETURNS

5 years rolling annualized Return in \$US (after fees) over 5 annual periods
 Comparison with the Mutual Fund US Fixed Core universe (Percentile Ranking)

Portfolio	Managers	5 yrs to 9/2017 (%pa)	5 yrs to 9/2018 (%pa)	5 yrs to 9/2019 (%pa)	5 yrs to 9/2020 (%pa)	5 yrs to 9/2021 (%pa)
Portfolio 1	BlackRock	2.93 (26)	2.75 (32)	3.70 (24)	4.58 (35)	3.52 (39)
Portfolio 2	JP Morgan	2.71 (32)	2.63 (36)	3.85 (19)	4.65 (31)	3.53 (38)
Portfolio 3	Loomis Sayles	2.60 (34)	2.69 (33)	3.48 (35)	5.03 (21)	3.63 (35)
Portfolio 4	Manulife	3.08 (22)	2.92 (26)	3.84 (20)	4.78 (26)	3.72 (32)
Bloomberg US Agg		2.07 (55)	2.16 (52)	3.38 (40)	4.18 (48)	2.94 (61)

Key observations:

- On a rolling 5-year basis, all portfolios outperformed the benchmark and peer universe median over all periods.
- Manulife ranked in the top third of the peer universe over all observed periods.

DCP BOND FUND RISK STATISTICS – 5 YEAR

Performance characteristics vs. Bloomberg US Aggregate in \$US (after fees) over 5 yrs ending September-21
Comparison with the Mutual Fund US Fixed Core universe (Percentile Ranking) (quarterly calculations)

Portfolio	Managers	Ret (%pa)	Std Dev (%pa)	Tracking Error (%pa)	Information Ratio	Confidence of Value Added (%)	Up Cap (%)	Down Cap (%)
Portfolio 1	BlackRock	3.52 (39)	3.72	1.13	0.52	86.34	111.14	92.96
Portfolio 2	JP Morgan	3.53 (38)	3.59	0.72	0.82	95.40	110.53	91.16
Portfolio 3	Loomis Sayles	3.63 (35)	3.70	0.95	0.73	93.60	113.72	92.74
Portfolio 4	Manulife	3.72 (32)	3.77	1.36	0.57	88.67	115.96	93.04
Bloomberg US Agg		2.94 (61)	3.65					

Key observations:

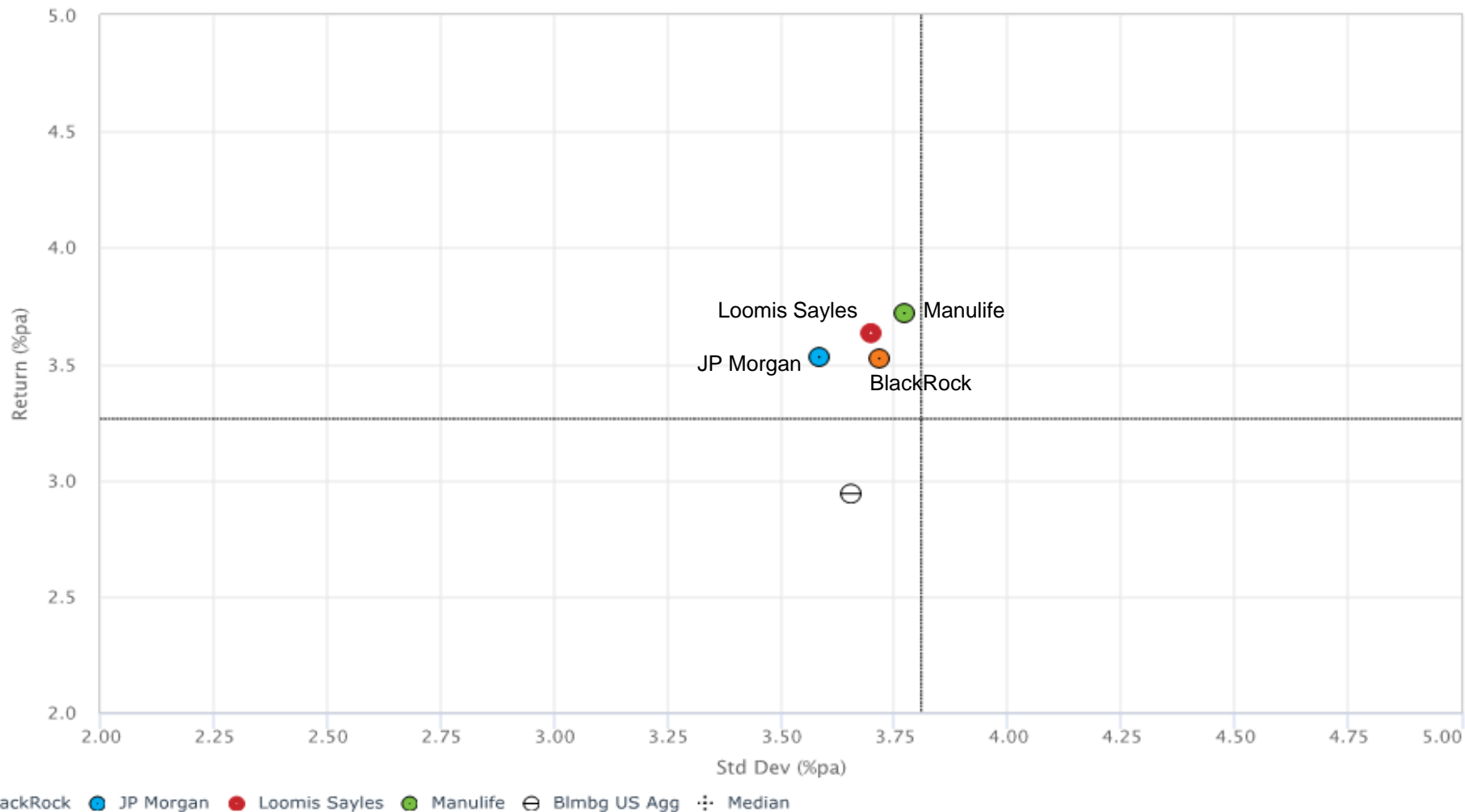
- Over the 5-year period, all portfolios have performed very well against the benchmark and peer universe, and rank in the top half on a risk-adjusted return basis.
- Volatility is similar for all portfolios, primarily due to half the portfolio being an index fund, with JP Morgan portfolio having less volatility than the benchmark and the lowest tracking error.
- The portfolio with Loomis Sayles looks the most attractive on a risk/return basis. Loomis Sayles is also the only portfolio to place in the top 2 candidates for confidence of value added, upside capture and downside capture.

The risk free rate used for these calculations is the US 3 month T-Bill

DCP BOND FUND

RISK / RETURN – 5-YEAR PERIOD

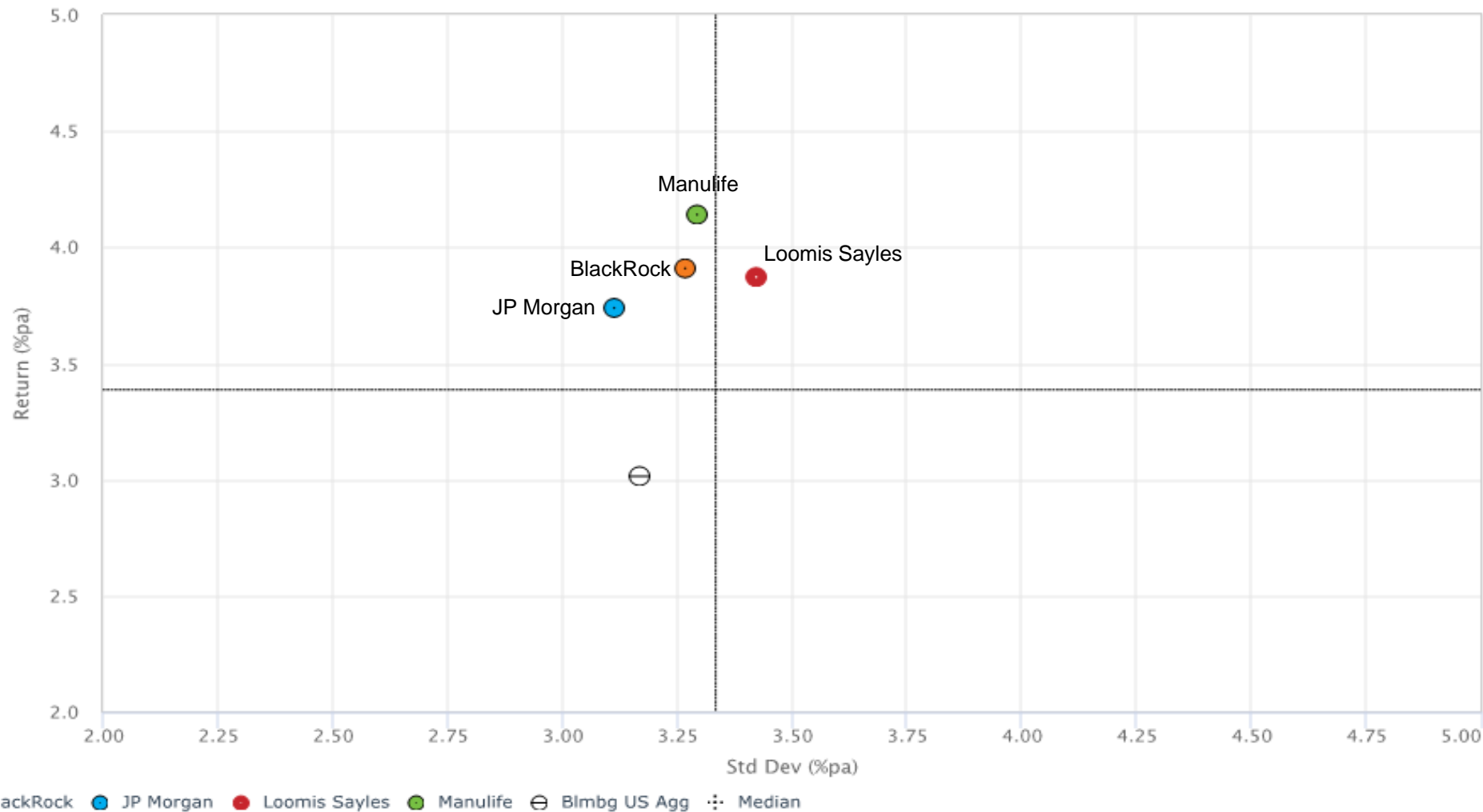
Return and Std Deviation in \$US (after fees) over 5 yrs ending September-21
 Comparison with the Mutual Fund US Fixed Core universe (quarterly calculations)



- Very similar volatility over the 5-year period, with less than 0.2 difference between candidates.
- All portfolios have above median returns with less than median volatility; however, JP Morgan is the only portfolio with less volatility than the benchmark

DCP BOND FUND RISK / RETURN – 10-YEAR PERIOD

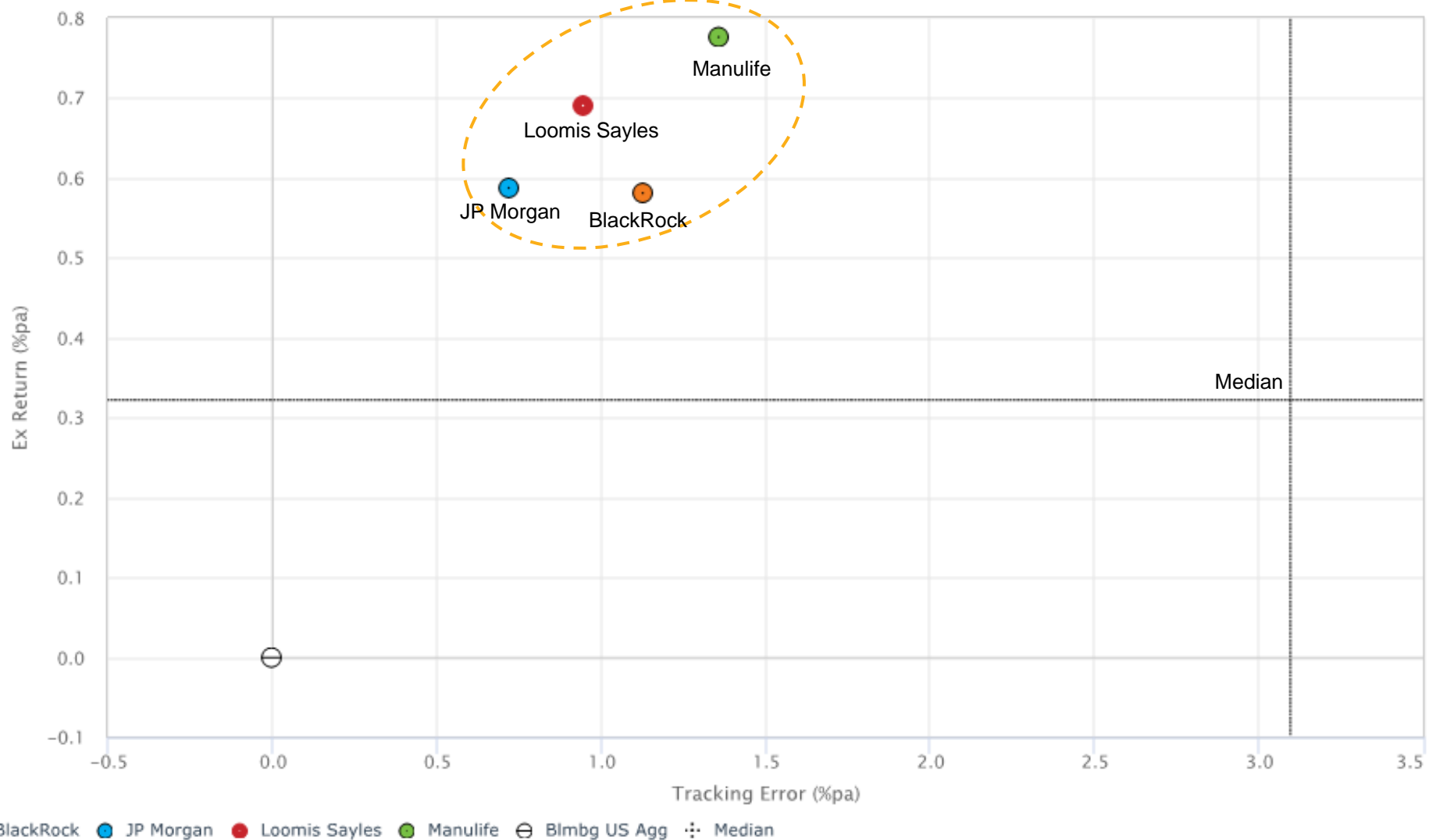
Return and Std Deviation in \$US (after fees) over 10 yrs ending September-21
Comparison with the Mutual Fund US Fixed Core universe (quarterly calculations)



- Over the 10-year period, there is slightly more separation between the managers, with Loomis Sayles having the most volatility
- Manulife continued to be the top performer.

DCP BOND FUND TRACKING ERROR / EXCESS RETURN (5-YR)

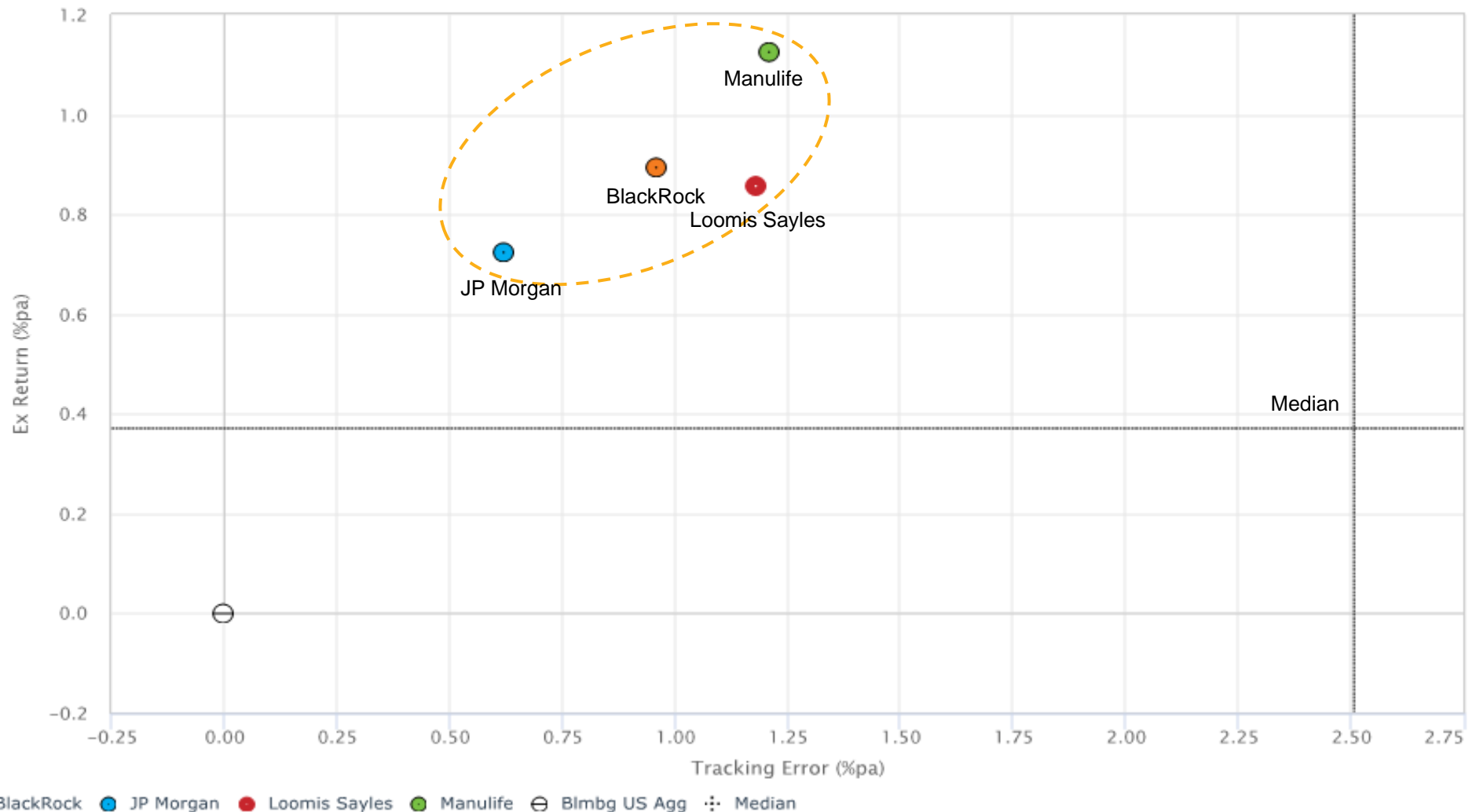
Excess Return and Tracking Error vs. Bloomberg US Aggregate in \$US (after fees) over 5 yrs ending September-21
Comparison with the Mutual Fund US Fixed Core universe (quarterly calculations)



- Manulife has the highest excess return along with the highest tracking error over the 5-year period.
- Loomis Sayles represents the second highest excess return with the second lowest tracking error

DCP BOND FUND TRACKING ERROR / EXCESS RETURN (10-YR)

Excess Return and Tracking Error vs. Bloomberg US Aggregate in \$US (after fees) over 10 yrs ending September-21
Comparison with the Mutual Fund US Fixed Core universe (quarterly calculations)



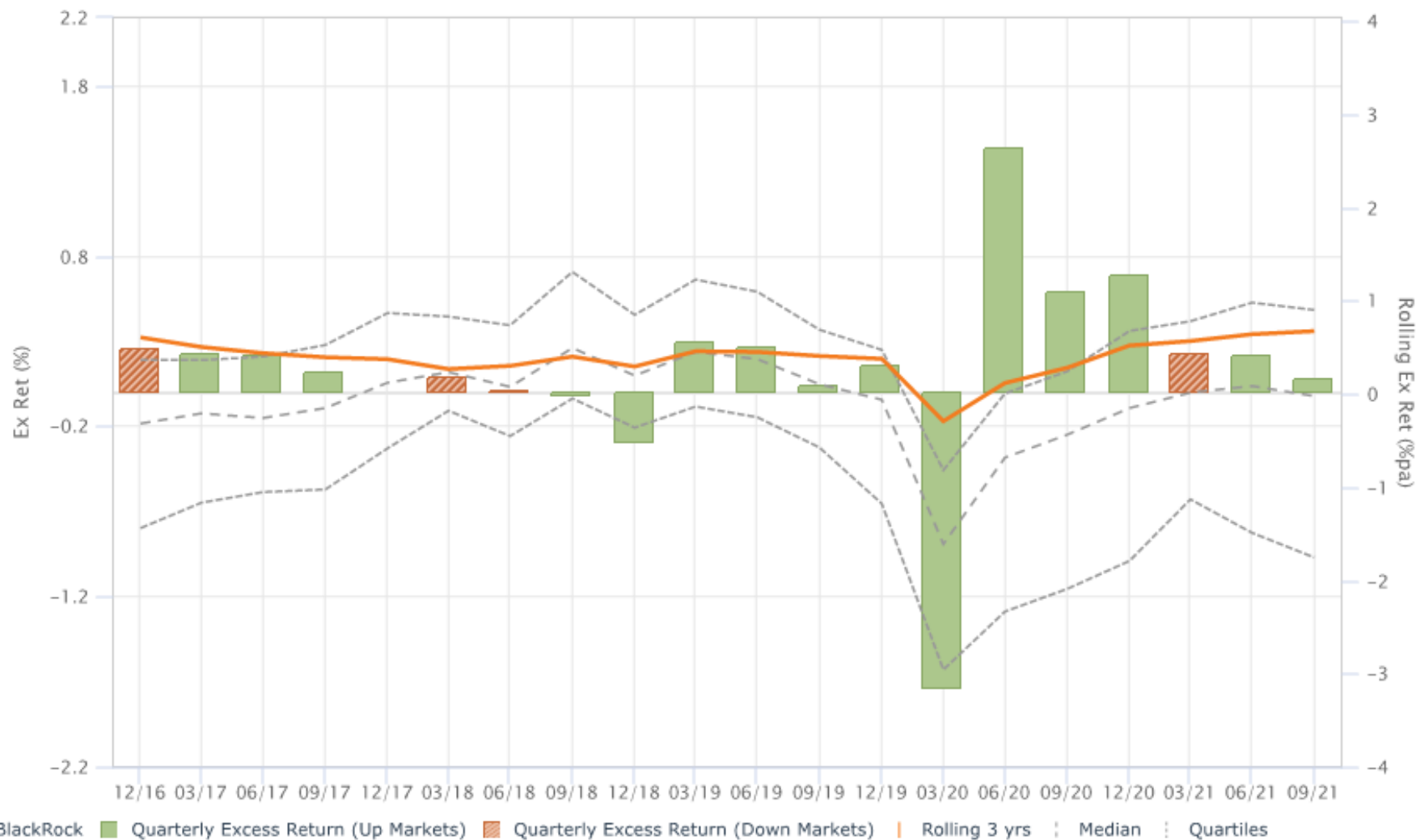
- Similarly to the 5-year exhibit, Manulife continues to have the highest excess return and tracking error and JP Morgan has the lowest excess return and tracking error.
- BlackRock ranks second on both measures

PORTFOLIO 1

QUARTERLY EXCESS RETURN

50% BlackRock/50% Vanguard

Quarterly Excess Return vs. Bloomberg US Aggregate with rolling 3 yr line in \$US (after fees) over 5 yrs ending September-21
 Comparison with the Mutual Fund US Fixed Core universe

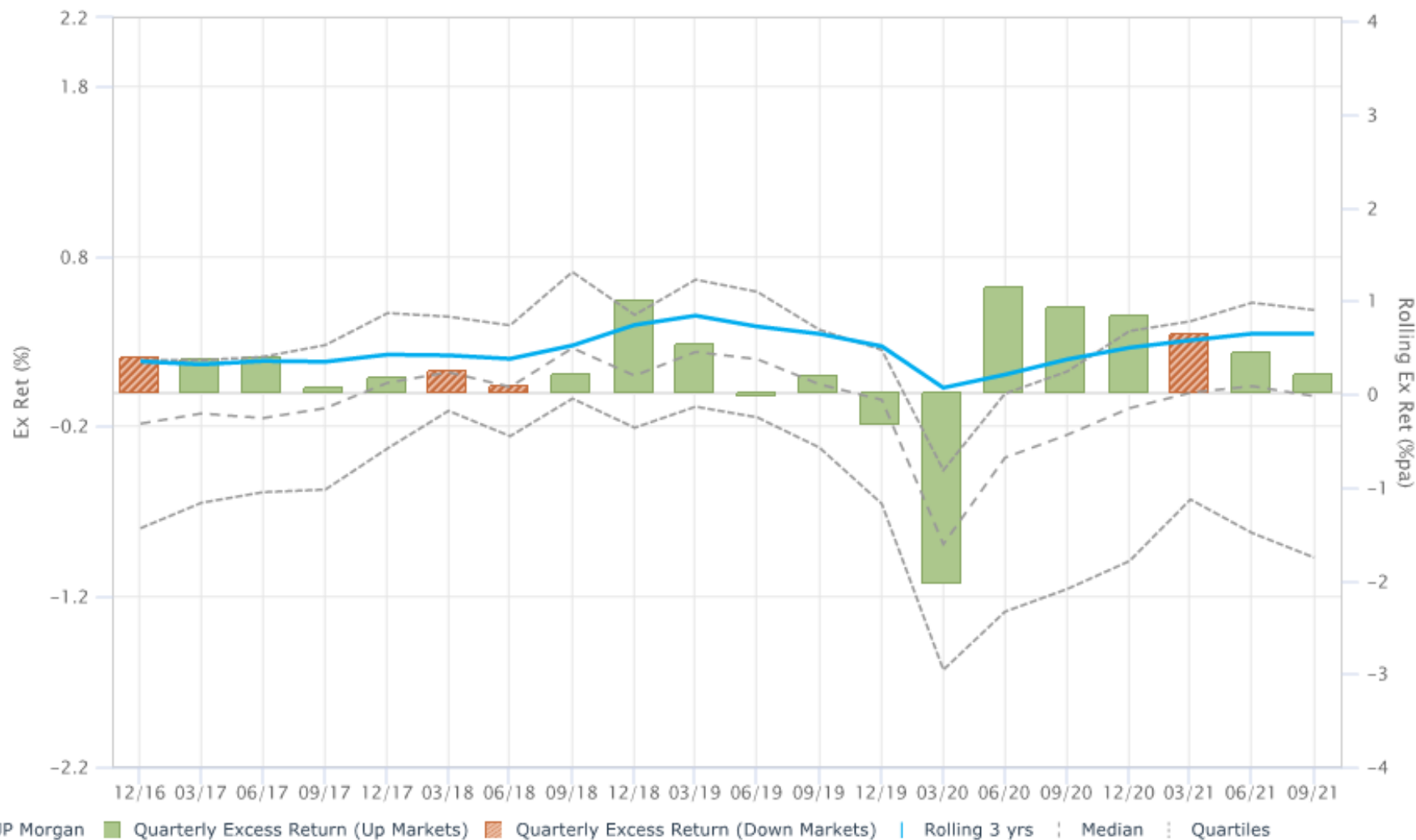


PORTFOLIO 2

QUARTERLY EXCESS RETURN

50% JP Morgan/50% Vanguard

Quarterly Excess Return vs. Bloomberg US Aggregate with rolling 3 yr line in \$US (after fees) over 5 yrs ending September-21
 Comparison with the Mutual Fund US Fixed Core universe

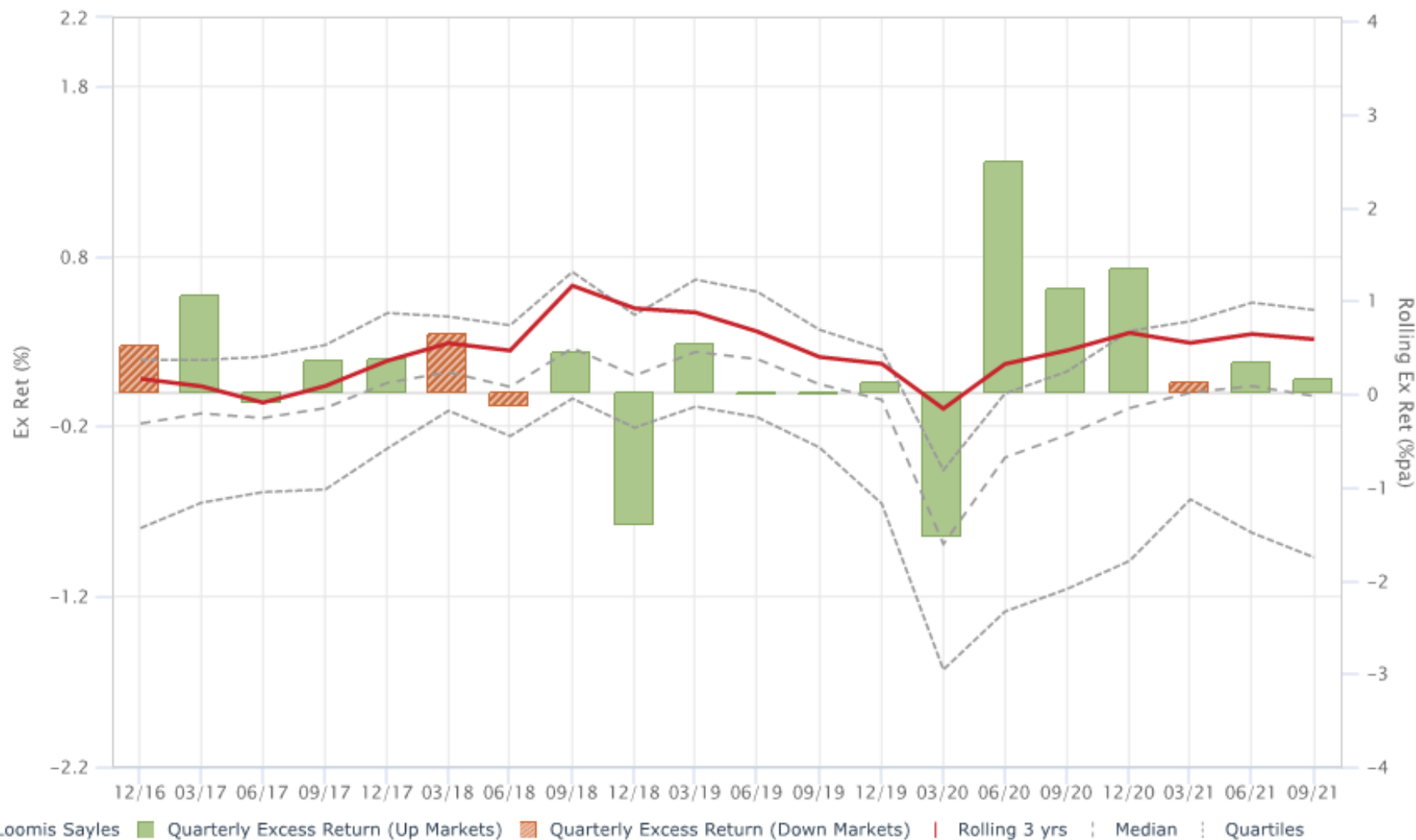


PORTFOLIO 3

QUARTERLY EXCESS RETURN

50% Loomis Sayles/50% Vanguard

Quarterly Excess Return vs. Bloomberg US Aggregate with rolling 3 yr line in \$US (after fees) over 5 yrs ending September-21
 Comparison with the Mutual Fund US Fixed Core universe

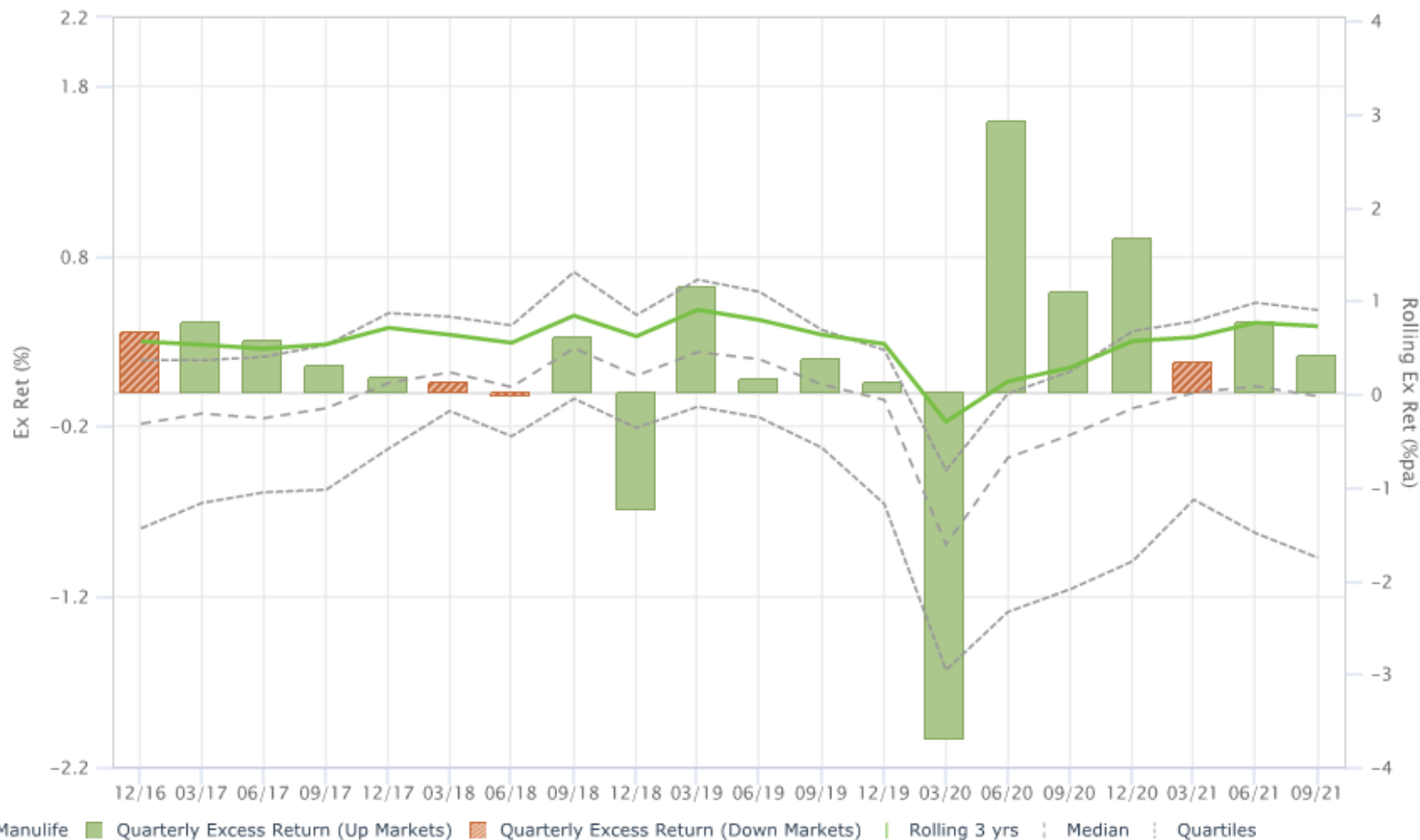


PORTFOLIO 4

QUARTERLY EXCESS RETURN

50% Manulife/50% Vanguard

Quarterly Excess Return vs. Bloomberg US Aggregate with rolling 3 yr line in \$US (after fees) over 5 yrs ending September-21
 Comparison with the Mutual Fund US Fixed Core universe



DCP BOND FUND

ROLLING 3-YEAR PERFORMANCE RANKINGS

Rolling 3 yr performance characteristics vs. Bloomberg US Aggregate in \$US (after fees) over 10 yrs ending September-21
Comparison with the Mutual Fund US Fixed Core universe (quarterly calculations)

	Managers	1st Quartile		2nd Quartile		3rd Quartile		4th Quartile		Average Percentile Rank	Outperform	
		No.	%	No.	%	No.	%	No.	%		No.	%
Portfolio 1	BlackRock	14	35.0	25	62.5	1	2.5	0	0.0	30	39	98
Portfolio 2	JP Morgan	9	22.5	31	77.5	0	0.0	0	0.0	32	40	100
Portfolio 3	Loomis Sayles	9	22.5	30	75.0	1	2.5	0	0.0	31	35	88
Portfolio 4	Manulife	27	67.5	13	32.5	0	0.0	0	0.0	24	39	98
Bloomberg US Agg		2	5.0	13	32.5	24	60.0	1	2.5	53	40	0

Key observations:

- On a rolling 3-year basis, all portfolios consistently outperformed the median and the benchmark.
- The Manulife and BlackRock portfolios ranked in the top quartile more than a quarter of the time.
- No portfolios ranked in the bottom quartile on a rolling 3-year basis, and only ranked below the median a maximum of 1 quarter.
- All portfolios averaged in the top third of the peer universe.

The benchmark result for Number Outperform represents the total number of observations in the period.

DCP BOND FUND

QUARTERLY UP / DOWN MARKET ANALYSIS

Performance characteristics vs. Bloomberg US Aggregate in \$US (after fees) over 10 yrs ending September-21
 Comparison with the Mutual Fund US Fixed Core universe (quarterly calculations)

	Managers	Up Markets			Down Markets			All Markets				
		Outperform		Excess (Av) (%pq)	Outperform		Excess (Av) (%pq)	Outperform		Excess (Av) (%pq)	Outperform (Av) (%pq)	Underperform (Av) (%pq)
		No.	%		No.	%		No.	%			
Portfolio 1	BlackRock	26	84	0.2	8	89	0.2	34	85	0.2	0.3	-0.4
Portfolio 2	JP Morgan	25	81	0.2	8	89	0.2	33	83	0.2	0.3	-0.3
Portfolio 3	Loomis Sayles	22	71	0.2	6	67	0.1	28	70	0.2	0.5	-0.4
Portfolio 4	Manulife	26	84	0.3	6	67	0.2	32	80	0.3	0.5	-0.5
Bloomberg US Agg		31	0	0.0	9	0	0.0	40	0	0.0	na	na
Group Statistics												
Upper Quartile		22	71	0.3	8	89	1.3	28	70	0.3	1.1	-0.6
Median		18	58	0.1	7	78	0.3	24	60	0.1	0.9	-1.0
Lower Quartile		10	32	-0.5	5	56	0.1	18	45	-0.2	0.5	-1.3
Number		304	304	304	304	304	304	304	304	304	304	304

Key observations:

- Over the trailing 10-year period, all portfolios have outperformed in the majority of markets.
- All portfolios outperformed in at least 2/3 of both up and down markets.

The benchmark results represent the total number of up markets, down markets and observations in the period.

UNDERLYING MANAGER CORRELATION

Correlation of Returns vs. Bloomberg US Aggregate in \$US (after fees) over 10 yrs ending September-21 (quarterly calculations)

	BlackRock	JPMorgan	Loomis Sayles	Manulife	Vanguard
BlackRock		0.94	0.90	0.97	0.83
JPMorgan	0.0		0.89	0.91	0.91
Loomis Sayles	-0.1	-0.1		0.93	0.80
Manulife	0.0	-0.1	-0.1		0.76
Vanguard	-0.1	-0.1	-0.2	-0.2	

Key observation:

- Correlations of all managers with Vanguard show some diversification benefit, with Manulife showing the least amount of correlation.

Notes:

Correlation is shown in the right hand side of the table.





Risk Reduction is shown in the left hand side of the table.

Risk Reduction is defined as the reduction in tracking error from diversification when using a 50:50 mix of the two managers.

APPENDIX





MANAGER PROFILES FOR MERCER RATED STRATEGIES

CORE PLUS FIXED INCOME BLACKROCK PROFILE





Firm	
Idea Generation 	<p>The experience and depth of BlackRock's investment team is a key advantage for the firm. BlackRock's investment strategy team and the global portfolio team are diverse groups of senior decision makers from multiple regions around the world, ensuring ideas are generated and analyzed from multiple perspectives.</p>
Portfolio Construction 	<p>BlackRock's proprietary systems provide the investment team with industry-leading risk management and attribution capabilities. Their Aladdin system integrates security-level analytics, position and risk monitoring reports, and pro forma trade analysis, which enables portfolio managers to react quickly to changing market dynamics.</p>
Implementation 	<p>The firm's active trading style benefits from the real time trading systems, which gauge portfolio risk as trades are made. These systems enable the team to work cohesively in managing the portfolio.</p>
Business Management 	<p>As the largest asset management firm in the world, BlackRock have considerable resources and a deep pool of talent. However, managing a large publically traded company does come with challenges. BlackRock's internal boutique structure allows professionals to operate autonomously while benefiting from the support, resources and shared infrastructure provided by the parent.</p>
Overall A	<p>A key distinguishing feature of BlackRock is the depth of resources, in terms of both people and technology, which it applies to relative value analysis across and within sectors. BlackRock's risk management systems continue to be industry-leading as well. Ideas for the total return strategy are driven by underlying sector specialists with risk budgets and overlays determined by named portfolio managers Rick Rieder (CIO), Bob Miller and David Rogal. We have a high opinion of the management team and believe they have a strong grasp on the underlying macro themes affecting asset allocation and rates decisions. We believe Blackrock's ability to add alpha through sector allocation decisions is a key differentiator for its Total Return strategy.</p>

CORE PLUS FIXED INCOME

LOOMIS SAYLES PROFILE

Firm	
Idea Generation 	<p>The investment process reflects a clear philosophy which is converted into portfolio ideas from an exceptionally broad array of investment resources. The portfolio management team is experienced and resourced to effectively manage this information for the benefit of the portfolio.</p>
Portfolio Construction 	<p>The portfolio is constructed in a manner which is consistent with the team's philosophy and it displays a good level of active management. The Core Plus strategy leans heavier upon top-down and macro viewpoints than many other strategies at the firm, with dynamic sector rotation expected to be the leading source of alpha. An emphasis is placed on identifying the current stage of the economic and credit cycles, which are given significant consideration when building the portfolio's overall balance between return maximization and capital preservation.</p>
Implementation 	<p>Loomis' fixed income traders are specialized by sectors allowing for an in depth focus on market liquidity, supply and pricing to inform the relative value analysis. We like the integration of traders into the investment process as it further demonstrates the collaborative firm culture and broader use of the team for idea generation.</p>
Business Management 	<p>We believe the business is managed in a manner that allows the investment team to continue to grow and develop their investment edge.</p>
Overall A	<p>The Core Plus portfolio managers develop a macroeconomic view that guides the portfolio's risk profile relative to the benchmark, as well as its sector, duration, and yield curve targets. Within this framework, their objective is to use bottom up security selection to outperform the Barclays US Aggregate Bond Index by 100 to 175 basis points over a three to five year market cycle. Plus sleeve exposure is achieved through high yield, non-US dollar, and emerging markets debt.</p>

CORE PLUS FIXED INCOME MANULIFE PROFILE

Firm	
Idea Generation 	<p>Lead PMs Greene and Given are seasoned investment managers who possess strong knowledge of fixed income investment management. The credit research team is deep, experienced and well-integrated into the process and pushes bottom-up investment ideas to the management team. We believe the collaborative dynamic between the research effort and senior team members enhances idea generation.</p>
Portfolio Construction 	<p>Portfolio holdings are broad and suitably diversified. We believe the team has done an effective job of allocating to different sectors in different market environments. Portfolio risk management systems appear adequate and reflect a combination of internally developed and externally purchased tools.</p>
Implementation 	<p>Manulife has a dedicated team of fixed income traders who also provide input regarding liquidity conditions. Capacity is not a concern at this time as we believe the firm can implement the strategy effectively.</p>
Business Management 	<p>Manulife operates as MFC's investment division. Investment teams have freedom to operate autonomously, but are provided with back office support and other operational infrastructure. We believe that this arrangement allows investment professionals to focus on their respective investment strategies without any significant distractions.</p>
Overall A	<p>Manulife Investment Management offers an impressive approach to fixed income management. We have confidence in the abilities of Greene, Given and their team. The credit research team is well-integrated into the process and pushes bottom-up investment ideas to the management team. Portfolio holdings are broad and we believe the portfolios to be suitably diversified. We note the team's ability to find value in the securitized credit sector as a particular differentiator and we believe the team has done a good job of finding value in different market environments. We also appreciate the team's high degree of stability and believe the investment firm is managed like a boutique with access to resources of its multinational parent.</p>

DCP CORE PLUS FIXED INCOME FINALIST SEARCH MANAGER PROFILES

Mercer Research ratings and views are solely for informational purposes.

Mercer does not formally rate the JP Morgan Core Plus Bond strategy.

MERCER RESEARCH RATINGS SCALE

A

Strategies assessed as having “**above average**” prospects of outperformance

B+

Strategies assessed as having “**above average**” prospects of outperformance, but with some reservations.

B

Strategies assessed as having “**average**” prospects of outperformance

C

Strategies assessed as having “**below average**” prospects of outperformance

R

The **R rating** is applied in two situations:

1. Mercer has carried out some research, but has not completed its full investment strategy research process
2. Mercer has in the past carried out its full investment strategy research process on the strategy, but we are no longer maintaining full research coverage

N

No rating, strategies not currently rated by Mercer

W

Watch: where there is some uncertainty about a rating that we do not expect to be resolved soon, but consider it unlikely that it will lead to a rating change

T

Tracking error: potential for high tracking error or high volatility

P

Provisional rating: where there is uncertainty about a rating that we expect to resolve quickly

Please see the Guide to Mercer’s Investment Strategy Ratings <https://www.mercer.com/content/dam/mercer/attachments/private/nurture-cycle/gl-2020-wealth-guide-to-mercers-investment-strategy-research-ratings-mercer.pdf>

PERFORMANCE NOTES

PERFORMANCE NOTES

Core Plus Fixed Income

- **BlackRock:** Composite performance net of 0.19% fee.
- **JP Morgan:** Composite performance net of 0.18% fee.
- **Loomis Sayles (Incumbent):** Composite performance net of 0.25% fee.
- **Manulife:** Composite performance net of 0.17% fee.

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Fund company websites:

www.blackrock.com/investing

www.vanguard.com



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Memo

To: Board of Deferred Compensation Administration

Date: December 15, 2021

From: Devon Muir, Peter Eibsen, and Julietta Bell

Subject: Fee enhancements - US Mid-Cap Manager Pricing Improvements

As part of the RFP process, the City received numerous responses proposing institutional products (collective investment trusts and separate accounts) for each asset class which included expenses for each strategy and vehicle from the prospective managers. As requested by the Board, Mercer reviewed with the selected managers whether incremental fee enhancements may be available. In November, the Board preliminarily selected BlackRock for the Mid-Cap Growth mandate and Allspring (formerly Wells Fargo) for the Mid-Cap Value mandate. Mercer has corresponded with both managers to ascertain their final pricing proposals. Through this process, both managers were able to provide slightly lower pricing for the City's mandates.

BlackRock originally proposed an all-in expense ratio of 0.51% (0.50% management fee plus a collective investment trust administrative fee capped at 0.01%). Upon further review, BlackRock lowered its management fee by 1 bps to 0.49% with the admin fee remaining capped at 0.01% resulting in an all-in final expense ratio of 0.50%. For its part, Allspring originally proposed a tiered fee schedule of 0.47% on the first \$100 million and 0.45% thereafter, which resulted in a 0.465% expense ratio based on the City's assets. Upon further review, Allspring elected to reduce its expense ratio to a flat all-in fee of 0.45%, removing the tiered fee structure. A summary table of the pricing changes is provided below:

	Original RFP Pricing Proposed	Final Pricing Proposed	Difference
Allspring (Formerly Wells Fargo) – MCV	0.47%	0.45%	-0.02%
BlackRock* – MCG	0.51%	0.50%	-0.01%
Vanguard – MCC Index	0.03%	0.03%	N/A
Total Weighted Expense Ratio	0.26%	0.25%	-0.01%

*Includes Admin fee capped at 1 bps

We view these concessions favorably inasmuch as they further improve the economics of the future investments, and they continue to be highly competitive relative to the other proposals received and more broadly with comparable products in the market. We recommend the Board approve these revised fee schedules for inclusion within the respective investment management contracts with these managers.