# ADJUSTMENTS TO THE ARCHITECTURE

- **The economic and market disruption associated with the COVID-19 pandemic warranted discussion around the Liquidity/Reserve split**
  - The unprecedented volatility and uncertainty with interest rates caused the Board, with OST staff and NEPC support, to increase allocations to Liquidity

**25% L / 75% R**
*Inception – 05/2020*

**30% L / 70% R**
*05/2020 – 08/2021*

**40% L / 60% R**
*08/2021 – 12/2021*

**50% L / 50% R**
*12/2021 – 03/2022*

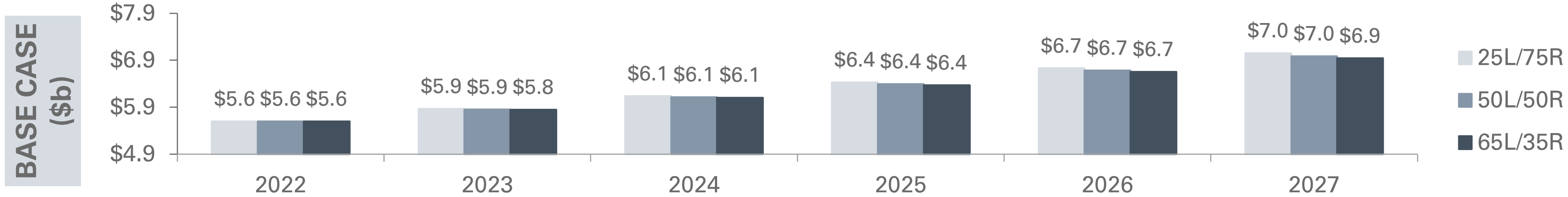
**65% L / 35% R**
*03/2022 – Present*

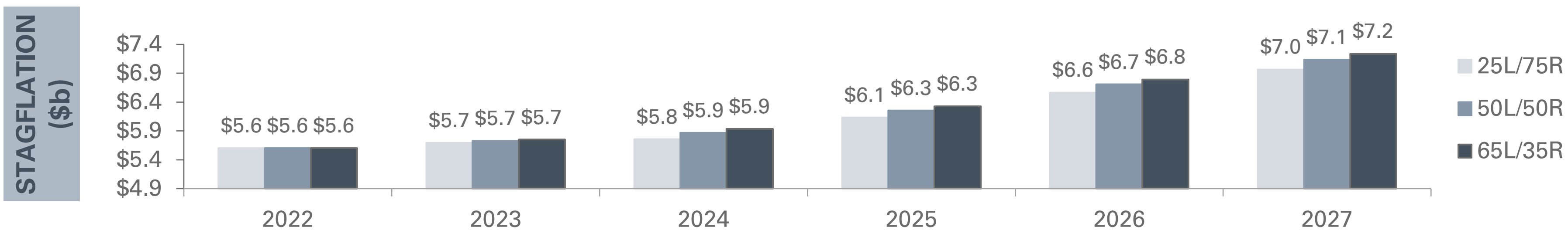
**2020** **2021** **2022**

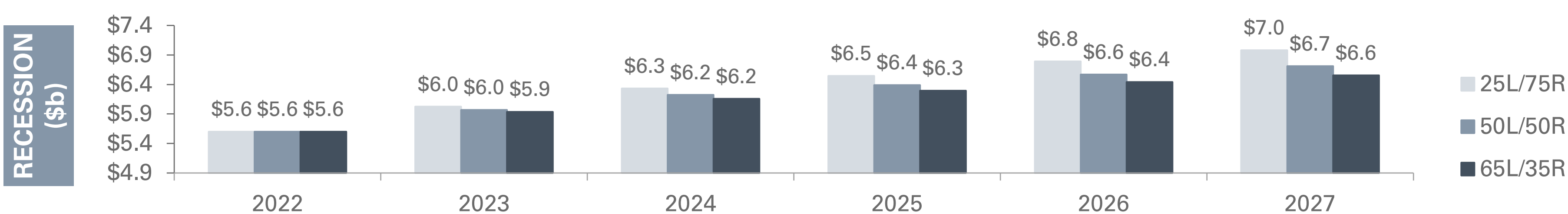
Notes: L = Liquidity Portfolio, R = Reserve Portfolio

# FORWARD-LOOKING SCENARIO ANALYSIS

- **NEPC prepared a scenario analysis to assess the impact of higher interest rates and/or inflation on the Liquidity and Reserve portfolios**
  - NEPC's scenario analysis highlights the impact of shifting economic and market regimes on the portfolio and potential asset allocation mixes

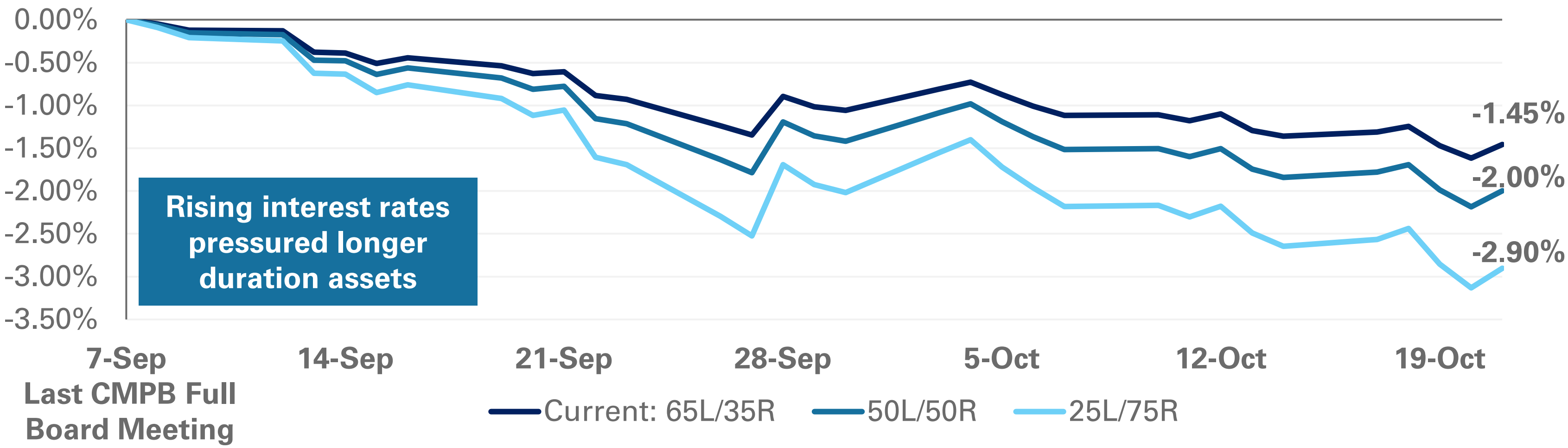


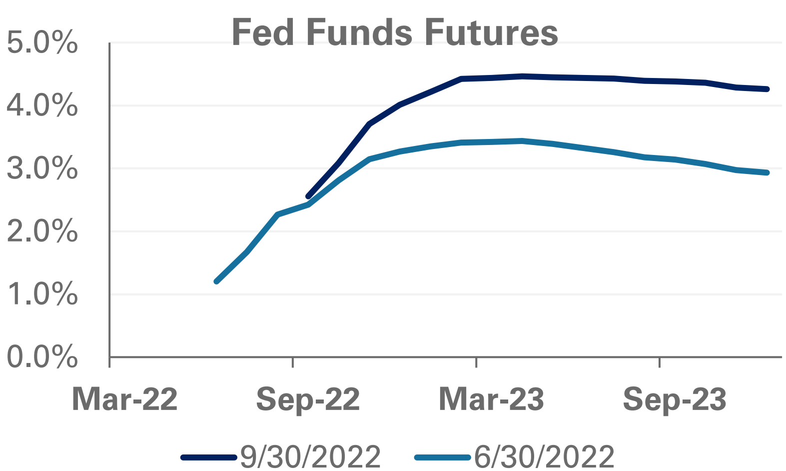




Notes: Using NEPC expected return assumptions as of 09/30/2022

# EVALUATING THE LIQUIDITY/RESERVE SPLIT




- **Expectations of additional rate hikes by the Federal Reserve will present a challenging environment for investors**
- **NEPC recommends shifting to a 60% Liquidity, 40% Reserve posture**
  - This blend capitalizes on cash inflows that present an organic rebalancing opportunity, without realizing losses in the portfolio
  - We recommend the capital be allocated to a shorter duration Reserve manager, which will maintain the lower duration bias

Sources: BAML, FactSet, **NEPC**