Pennsylvania Association of Public Employee Retirement Systems
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Summer 2026

In This Issue

Upcoming Conferences
@ Harrisburg Hilton Hotel

Fall Workshop
Nov. 18-19, 2026
(Wednesday-Thursday)

Spring Forum
May 26-27, 2027
(Wednesday-Thursday)

Fall Workshop
Nov. 16-17, 2027
(Tuesday-Wednesday)

Watch for details on all conferences.

Welcome to the Summer 2026 PAPERS Newsletter

Summer is a great time to recharge, reflect, and prepare for the opportunities ahead. As we look toward the second half of the year, PAPERS is excited to continue providing the education, resources, and networking opportunities that help Pennsylvania's public pension trustees and administrators successfully fulfill their fiduciary responsibilities.

Bring a Buddy to the PAPERS Fall Workshop! Make plans now to join us for the **PAPERS Fall Workshop**, **November 18–19**, at the **Hilton Harrisburg**. This year's program will feature practical sessions on fiduciary responsibilities, pension administration, automation, the growing role of artificial intelligence, effective communication with plan members, legislative updates, and much more.

Better yet, **bring a colleague, fellow trustee, pension administrator, or board member** who has never attended a PAPERS conference. It's a great opportunity to introduce someone to the valuable education, professional networking, and practical resources that PAPERS provides. As a special incentive, **if your guest's pension plan is not already a PAPERS Participating Member, we will waive their plan's 2026 PAPERS membership dues** when they attend the Fall Workshop.

Together, we can strengthen Pennsylvania's public retirement systems by expanding our community of informed and engaged trustees. We look forward to welcoming both familiar faces and first-time attendees this November.

Karen Deklinski, PAPERS Executive Director

Photos from 2026 PAPERS Spring Forum

Greetings from the PAPERS President

I hope everyone is enjoying their summer.

I want to congratulate Karen, Doug and Lori on all the work they put into making the Spring Forum a good experience. Thanks to Jennifer Mills and her Education Committee for presenting an agenda of interesting, informative presentations. Thanks also to our presenters for sharing their time and talent. And, special thanks to our sponsors who enable us to put on the Forum.

Our Education Committee is already hard at work finalizing presentations for the November Fall Workshop which will be upon us before we know it. With the ever-changing landscape in Washington concerning pensions and potential pension education legislation in Pennsylvania, it is more important than ever for pension plan Trustees to keep educated on changes affecting pension plans.

The primary mission of PAPERS is trustee education, something I feel we do very well. If you know of any plans that would benefit from our Trustee education, please feel free to send their names to either Karen, myself or Marketing Committee Chair Pat Wing to follow up. In that way we can grow the organization and spread training to more Trustees to help them function in their capacity better.

In closing, have a great rest of summer and early fall until I see you in Harrisburg in November.

Bob Mettley

PAPERS Membership Categories

- **Participating** ($150/year) - *Public employee retirement systems (pension funds)*
- **Associate** ($1,500/year) - *Corporate providers of legal and investment services to pension plans*
- **Affiliate** ($750/year) - *Corporate providers of other services, exclusive of legal and investment services, to pension funds.*
- **Sustaining** ($75/year) - *Individual membership open only to those persons with an interest in public pensions but not affiliated with an organization which qualifies for group membership pin any other category above*

The Case for Real Estate in Today's Bond Market

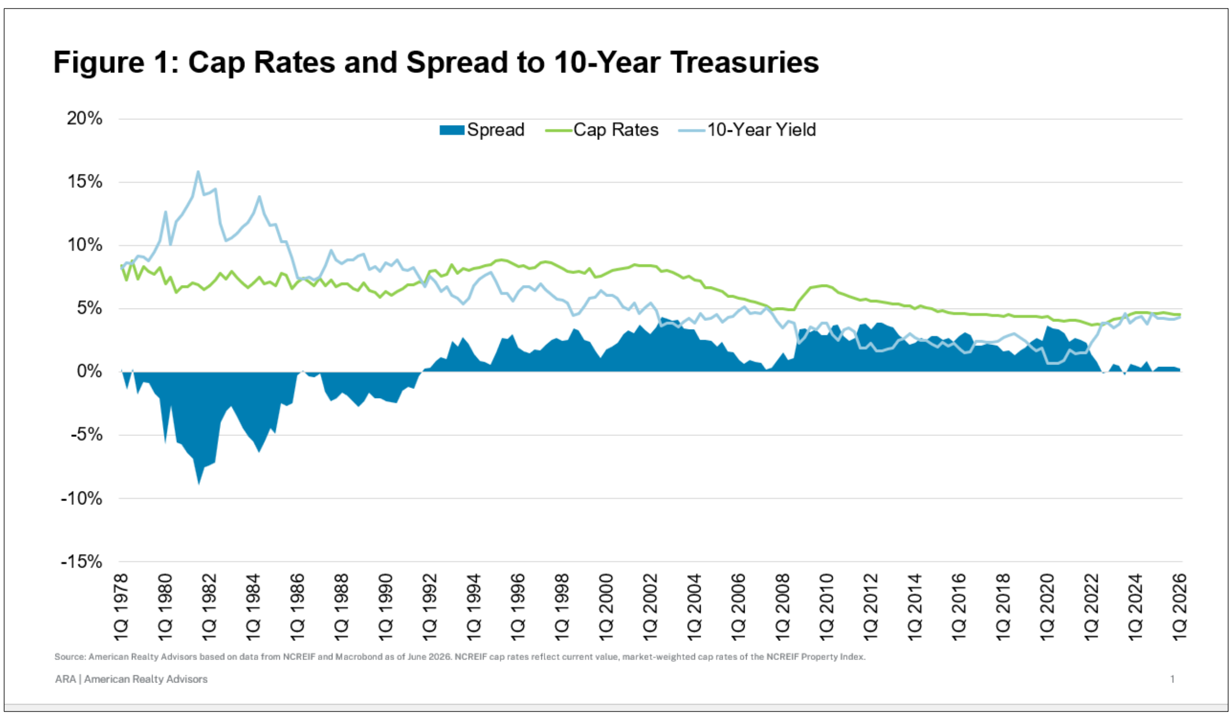
By: Sabrina Under, American Realty Advisors

Sabrina Unger is a Managing Director and Head of Research & Strategy at American Realty Advisors, where she leads the firm's research initiatives and partners with investment and portfolio management teams to support acquisitions and strategy development. She also serves on the firm's Investment Committee. Prior to joining ARA, Ms. Unger was part of the Global Research team at Invesco Real Estate, contributing to global portfolio strategy and thought leadership. Earlier in her career, she held research roles at Clarion Partners and worked as a real estate strategist within a sports entertainment organization.

Ms. Unger is a published author in leading industry outlets, including Real Assets Adviser, ANREV, NCREIF, and AFIRE. She is a recipient of the 2025 Connect Money Next Gen Alternative Investment award and was named a GlobeSt. Woman of Influence in 2022. She holds degrees from Southern Illinois University and DePaul University.

For much of the past decade, private real estate offered a meaningful yield advantage over bonds – even as cap rates compressed, the spread remained healthy enough to make real estate an attractive choice.

Today, that cushion has narrowed considerably (Figure 1). Bonds are finally paying investors in a way that is competitive with real estate investment. But if you dig further, there is more to real estate investment than just yields – and we believe those nuances make a stronger case for the asset class today than ever before.



Real estate cap rates, the "yield to price" ratio, are most often compared to yields on a 10-Year Treasury bond: most institutional investors view real estate as a long-term investment so a 10-year bond should be an appropriate "risk-free" benchmark. As shown in the rightmost section of Figure 1, spreads today appear modest compared to the period leading up to and immediately surrounding the pandemic. However, capital continues to flow into the asset class – why?

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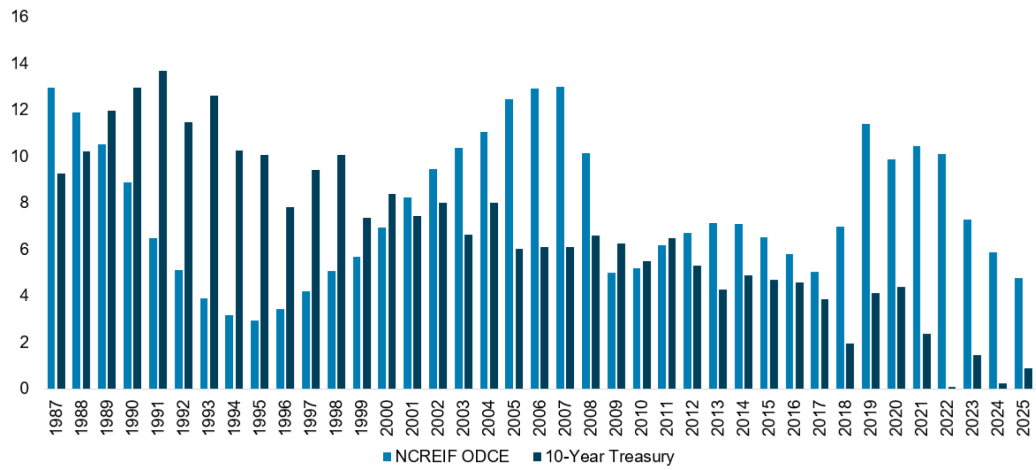
The Case for Real Estate in Today’s Bond Market *(continued from Page 4)*

Part of the reason is that most investors are focused not on yield, but on total returns achieved for the portfolio, and over a full 10-year hold period, private core real estate has tended to outperform the total returns achieved in bonds (Figure 2). In bonds, the components of returns are income, or the coupon that the bond pays you to hold it, and price change - if rates fall after you buy, your bond becomes more valuable because it is paying more than new bonds. If rates rise, the opposite is true. For real estate, though, returns are derived not only from existing income (current yield), but also from any income growth from rent growth, and operational improvements after capital expense (sometimes referred to collectively as net operating income, or NOI, growth). With more levers to pull, there are more options for achieving attractive performance.

Figure 2: 10-Year Annualized Returns, Core Real Estate and US 10-Year Treasuries



Source: American Realty Advisors based on data from NCREIF and Macrobond as of June 2026. NCREIF ODCE returns reflect total returns gross of fees to be comparable with gross returns on a 10-Year Treasury bond held to maturity.

ARA | American Realty Advisors 2

The one period where bonds meaningfully outperformed core real estate – the early 1990s – was the tail end of a historic bond bull market (Figure 2). Rates had fallen dramatically from their early 1980s peak, moving from 15-16% in 1981 to roughly 8% by the end of the decade, and, as noted earlier, falling rates mean rising bond prices.

With Treasury yields still below prior cycles and persistent deficits likely to limit further declines, bonds have less room to deliver outsized returns through price appreciation. Real estate presents a different profile. Its income can grow over time through NOI expansion, while bond coupons remain fixed.

That difference matters. Real estate can generate returns from multiple sources, including current income, income growth, and diversification benefits. In a market where bond upside is constrained, those additional levels carry more weight. As a result, the case for core real estate extends beyond a simple yield comparison. It rests on the ability to grow income and contribute to total return in ways bonds cannot.

Disclosures and Forward-Looking Statements

Navigating Market Uncertainty While Maintaining Long-Term Discipline

By: Zack Vigneault, CS McKee

Pennsylvania counties face a unique balancing act. County leaders must manage taxpayer resources responsibly, meet current obligations, and ensure the long-term sustainability of pension and investment assets. In today's environment of economic uncertainty, market volatility, and evolving fiscal pressures, maintaining a disciplined investment approach has never been more important.

The headlines can be distracting. Interest rates, inflation concerns, geopolitical events, and changing economic forecasts often create short-term market fluctuations that can lead investors to question whether changes should be made to their portfolios. While these concerns are understandable, history has consistently demonstrated that successful long-term investing depends more on discipline and governance than on attempting to predict short-term market movements.

For public funds, the challenge is even greater. County officials have fiduciary responsibilities that require prudent oversight, thoughtful decision-making, and adherence to established investment policies. During periods of uncertainty, those policies serve as an important roadmap, helping boards and committees remain focused on long-term objectives rather than reacting to daily market news.

One of the most effective tools available to county investment programs is diversification. A well-constructed portfolio incorporates multiple asset classes that can respond differently to changing economic conditions. While no investment strategy can eliminate risk, diversification can help reduce volatility and improve the consistency of outcomes over time.

Regular portfolio monitoring is equally important. Investment policies should be reviewed periodically to ensure they remain aligned with a county's goals, liabilities, cash flow needs, and risk tolerance. Rebalancing portfolios when allocations drift from policy targets helps maintain the intended risk profile and prevents emotional decision-making during periods of market stress.

Counties should also continue to focus on governance best practices. Clear investment objectives, documented decision-making processes, and ongoing fiduciary education contribute to stronger outcomes and greater accountability. These practices not only support investment performance but also enhance transparency for taxpayers and stakeholders.

At CS McKee, we have worked with public funds and institutional investors for decades. Throughout changing market cycles, one principle has remained constant: long-term success is driven by a disciplined process, prudent risk management, and a commitment to fiduciary responsibility.

As Pennsylvania counties continue to navigate evolving economic conditions, maintaining a focus on long-term objectives and sound governance can help ensure that public assets remain positioned to support the communities they serve, today and for years to come.

For more information about CS McKee's public fund investment advisory services, visit www.csmckee.com.

Zack Vigneault is currently a Director of Client Distribution at CS McKee, where he primarily focuses on managing relationships with institutional clients and consultants nationwide. He has spent his entire career in the financial services industry, beginning at The Vanguard Group upon graduation. At Vanguard, Zack worked as a consultant to financial advisors.

He holds a degree in Finance and Economics from St. Francis University and has earned both the Chartered Financial Analyst (CFA) and Chartered Alternative Investment Analyst (CAIA) designations. In addition to his professional work, Zack is actively involved with the YouthBuild Philadelphia Charter School, serving on its Board of Directors and Development Committee.

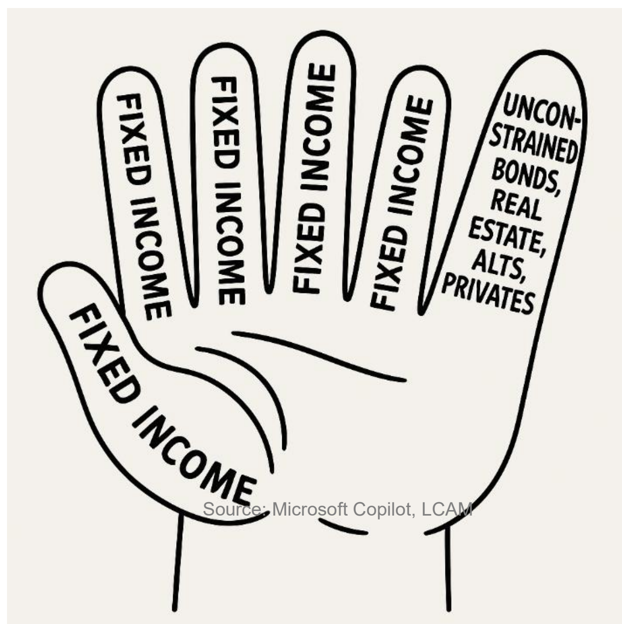
Does Your Fixed Income Have Six Fingers?

Submitted by: Loop Capital

With the proliferation of AI content, the skills to discern reality from imitation have become increasingly important. One of the easiest tells for AI generated content is noticing a sixth finger on a person's hand. AI technology is impressive and we see the appeal of near-instant creation of humorous videos, but when it comes to your investments, you probably don't want a sixth finger.

The Sixth Finger

The low rates period from the end of the 2008 financial crisis until 2022, incentivized investors to find ever more creative replacements for traditional fixed income. These alternatives took many forms, including: unconstrained bond strategies, real estate, 'carry trades', global currencies, equity dividend strategies, covered call strategies and various alternative and private strategies. In some cases, these strategies were designed to utilize fixed income instruments, but with reduced market exposure, while in other cases they were designed as income replacement. Typically, there is some trade-off for these strategies versus true fixed income, possibly including lock-ups, leverage or alternative risk factors, which perform differently than fixed income when fixed income performance is needed.



Source: Microsoft Copilot, LCAM

Five Fingers is Just Fine

In 2025, the broad fixed income benchmark returned over 7%. Though fixed income returns are often discussed in the context of rate changes, 10-year Treasury yields only declined by about 40 basis points, while the bulk of the returns was driven by high quality income generation. Even with major geopolitical events in the first quarter of 2026, bond income offset the mild increase in yields, leading to an effectively flat returns for the quarter. With yields on the Bloomberg Aggregate above 4.5% at the end of the first quarter, the potential for another predictable, solid year remains strong despite broader uncertainties.

Not Tying Your Hands

That traditional fixed income can deliver attractive returns, without the lockups and leverage, should attract attention, particularly as the replacements have had mixed results. Importantly, there are many opportunities to enhance returns without long lock-ups or leverage.

As the market reached for fixed income proxies, market segments that were once considered unconventional or niche have become increasingly mainstream. As we have noted in the past, high yield was once a relatively obscure segment called 'junk', before becoming a fixed income mainstay with over $1.5 trillion of outstanding bonds. Similarly, the increased adoption of segments like broadly syndicated loans, CLOs and securitized credit have improved liquidity and reduced trading costs, allowing borrowers to select which instrument to issue based on which is most advantageous for them to raise capital.

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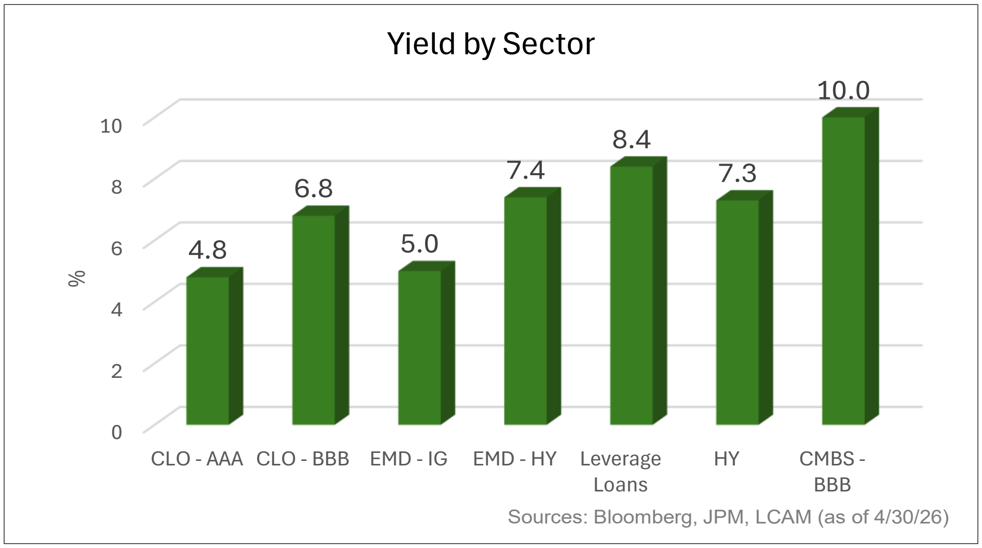
Does Your Fixed Income Have Six Fingers? *(continued from Page 7)*



Building with Real Hands

Interestingly, the mainstreaming of these higher yielding assets helps establish a broader continuum for fixed income investors. Certainly, these assets offer different risk, return and liquidity profiles than Treasuries, Agency Mortgages and Investment Grade Credit, the most standard broad fixed income market components. While the trade-off of higher volatility for higher yield is real, these instruments also create the ability to construct portfolios with yields approaching more alternative vehicles without lengthy lock-up periods.

Conclusions: A Keen Eye is Needed as Sixth Fingers Proliferate

The opportunity set for fixed income has never been broader or deeper. The most standard broad markets, after returning 7% last year, continue to offer compelling yields in addition to liquidity and the diversifying effects sought in a broad asset allocation. The increased adoption of higher yielding segments allows more diversified approaches to income generation without leaving the liquid public markets. Today's markets require a keen eye and steady hand and, as always, remember to look out for that sixth finger.

A Trustee’s Guide to Selecting Securities Litigation Counsel

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Public pension plans evaluating securities litigation counsel should look beyond quantitative metrics and recognize that many law firms rely on similar monitoring tools and databases. What ultimately differentiates firms is the quality of client engagement and the strength of their partnership with the plan. Trustees should focus on qualitative factors that impact service, transparency, and commitment.

Diligence in Reporting and Communication

Effective portfolio monitoring requires timely alerts regarding eligible claims and clear guidance on recovery opportunities. Trustees should evaluate how frequently firms report, the level of detail provided, and whether reports include broader insights—such as case evaluations, international matters, and pending settlements. Customization is also important; reporting should be tailored to the plan’s needs and support informed decision-making, including trustee education.

A True Partnership Approach

Securities litigation counsel should act as a strategic partner, not simply a service provider. Strong firms invest in relationships with trustees and staff through regular communication, participation in industry events, and contributions to educational initiatives. A firm’s willingness to engage beyond routine monitoring reflects its commitment to understanding a plan’s objectives and fiduciary responsibilities.

Data Security and Risk Protection

Given the sensitivity of pension data, robust cybersecurity protocols are essential. Trustees should ask about a firm’s certifications, audit practices, and internal controls. Vendors can be a point of vulnerability, so selecting a firm with strong security infrastructure helps safeguard plan assets and participant information.

Reputation and Credibility

A firm’s standing within the legal and institutional investor communities can directly influence outcomes. Well-regarded firms often bring greater credibility in negotiations and litigation, benefiting their clients. Trustees should review a firm’s track record, client references, and industry recognition to assess reliability and professionalism.

Conclusion

Selecting securities litigation counsel is a fiduciary decision that requires careful evaluation of both technical capabilities and intangible qualities. Firms that combine disciplined monitoring, clear communication, strong security practices, and a collaborative approach are best positioned to support pension plans in maximizing recoveries while minimizing risk.

Lowey Dannenberg, P.C., established in 1968 and headquartered in White Plains, New York, with an additional office in West Conshohocken, Pennsylvania, is a nationally recognized law firm representing institutional clients in complex litigation. Lowey’s practice areas encompass securities, commodities, antitrust, healthcare recovery, consumer protection, and data privacy matters. Leveraging innovative strategies that go beyond traditional class action approaches, Lowey has achieved billions of dollars in recoveries for public pension systems, Fortune 100 corporations, and leading institutional investors.

Asset Allocation Outlook 3Q 2026:

Staying Pro-Risk in a Broadening AI Cycle

By: Joe Amata, Jeff Blazek & Shannon Saccocia - Neuberger

An AI-driven capital spending cycle is gaining speed, spreading across the broader economy and creating a supportive environment for risk assets.

Key Observations

- **Macro—AI Is No Longer a Sector Story; It Is Defining the Cycle:** The AI buildout has evolved from a pure technology theme to driving a full macro cycle. Hyperscaler spending remains the center of gravity, but the impulse is now spreading into power, utilities, industrials, data centers, grid infrastructure, semiconductors, copper and other real assets. The demand for capital is enormous, and it interacts directly with real rates, credit formation, consumer wealth effects and global manufacturing. The key debate is no longer whether AI matters, but whether the investment cycle can broaden fast enough to justify the capital being deployed.
- **Equities—Stay Overweight But Acknowledge the Risk of Air Pockets:** We maintain an overweight to global equities, anchored in a structural view that the AI capital expenditure cycle is broadening, while earnings growth is robust and buyback activity runs at historic highs. Near-term risks are real, including extended momentum in AI names, potential IPO overhangs, and seasonal headwinds. But these do not override our medium-term conviction.
- **Fixed Income—Real Rates, Not Inflation, Are Driving the Market:** U.S. 10-year yields are up significantly year-to-date, and the move has been driven almost entirely by rising real rates rather than inflation expectations. U.S. real yields remain below what we would consider a danger zone for risk assets, but the direction of travel matters. Credit remains fundamentally supported, though spreads are tight.
- **Private Markets & Alternatives—Diversification Has to Work Harder:** With equity-bond correlations less reliable for diversification, we upgraded hedged strategies to overweight and remain overweight commodities. In private markets, we believe secondaries, capital solutions and midlife co-investments remain the most compelling areas. Private credit offers better new-deal terms but remains a target-weight allocation.

Link to entire article here:

Asset Allocation Outlook 3Q 2026: Staying Pro-Risk in a Broadening AI Cycle

Joe Amato is the President and Chief Investment Officer of Equities for Neuberger. In his role, Joe oversees the firm's Equities, Fixed Income and Hedge Fund businesses, as well as its Trading, Research and Sustainability and Stewardship operations. He is a member of the firm's Board of Directors and its Partnership, Operating, and Asset Allocation Committees. Joe also serves on the board of the Neuberger Foundation.

Jeffrey Blazek, CFA and Managing Director, is Multi-Asset Co-Chief Investment Officer. Jeff joined Neuberger in 2024 and is responsible for co-leading the firm's multi-asset investment activity, driving portfolio construction and developing investment outlooks. He serves as Co-Chair of the firm's Asset Allocation Committee and Public Private Investment Committee, and he is also a member of the Investment Risk Committee.

Shannon Saccocia, CFA, is Managing Director and Chief Investment Officer - Wealth for Neuberger. As a member of the firm's global Asset Allocation Committee, Ms. Saccocia works closely with investment leadership across Neuberger to establish market views, strategic and tactical asset allocation, and portfolio recommendations. She leverages her deep expertise and decades of experience working with individuals, families, financial advisors and small institutions to deliver the firm's comprehensive investment capabilities to Wealth clients.

Total Portfolio Approach and Strategic Asset Allocation

GOVERNANCE, TRADE-OFFS AND CONSIDERATIONS

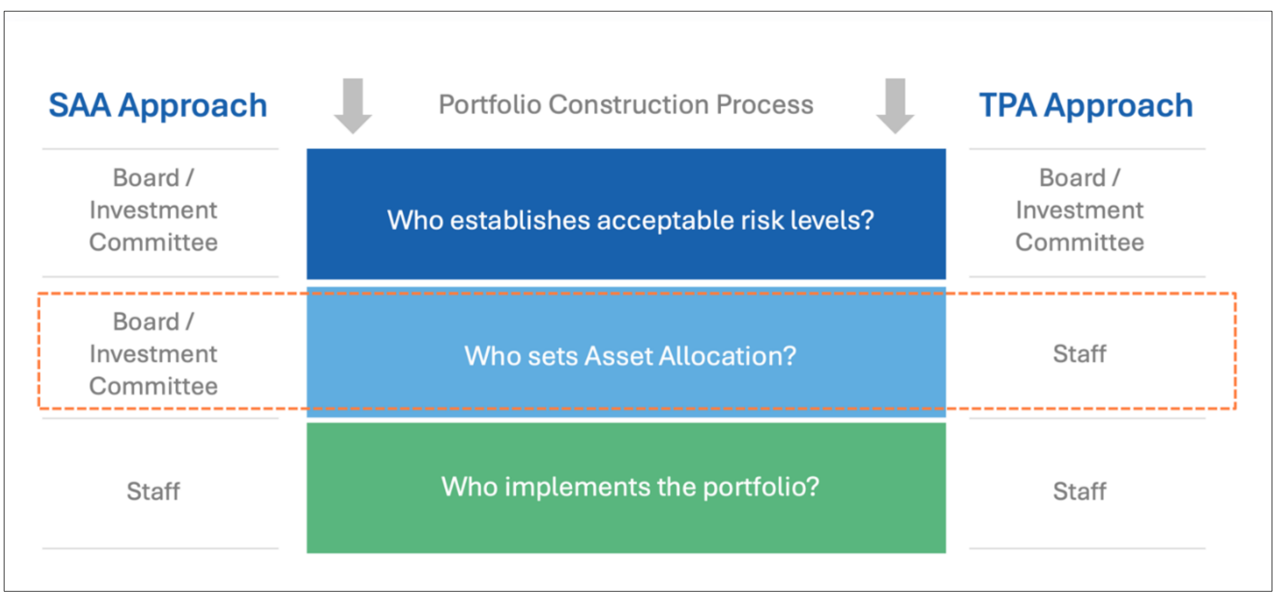
By: Tom Toth, Wilshire

Tom Toth, CFA is a Managing Director at Wilshire heading Wilshire's public pension vertical, providing client service for a variety of pension, endowment and foundation clients. He is a member of Wilshire's Investment Strategy Committee which is tasked with analyzing and interpreting current market conditions to make informed decisions on asset allocation and investment strategies.

As institutional investors navigate increasingly complex markets, the limitations of traditional Strategic Asset Allocation (SAA) are becoming more apparent. The Total Portfolio Approach (TPA) represents an evolution—shifting from static asset class allocations toward a more flexible, opportunity-driven framework designed to align capital deployment with total portfolio outcomes.

SAA vs. TPA

Both SAA and TPA share a common foundation: boards establish risk parameters, and investment staff implement the portfolio. The key distinction lies in asset allocation authority. Under SAA, boards define fixed asset class targets and ranges. Under TPA, boards set risk through a Reference Portfolio and explicit risk limits, while staff dynamically allocate capital across opportunities.



For illustrative and discussion purposes only.

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Total Portfolio Approach & Strategic Asset Allocation *(continued from Page 11)*

Potential Benefits and Challenges of TPA

This shift has three primary implications. First, increased agility—staff can adjust exposures in real time rather than follow rigid rebalancing cycles. Second, clearer accountability—staff are fully responsible for performance relative to the Reference Portfolio, reducing ambiguity between governance and execution. Third, capital allocation becomes merit-based, requiring each investment to justify itself relative to the opportunity cost of capital, rather than filling predefined asset buckets.

TPA can improve implementation efficiency by directing capital toward the most attractive opportunities. It may also enhance responsiveness to changing market conditions and support innovation across traditional asset class boundaries, such as multi-asset or relative value strategies. Additionally, a single Reference Portfolio simplifies performance evaluation and strengthens accountability compared to SAA's multiple benchmarks. However, these benefits depend on strong investment skill and organizational capability, and improved outcomes are not guaranteed.

Transitioning to TPA introduces meaningful challenges. Governance structures must evolve, requiring boards to delegate greater authority and trust investment teams' capabilities and judgment. Cultural change is equally critical—investment professionals must operate beyond asset class silos, emphasizing collaboration, transparency, and total portfolio thinking. Incentives must align with overall portfolio outcomes rather than individual strategy performance.

TPA also introduces potential trade-offs. Deviations from the Reference Portfolio can create tracking error, potentially limiting certain diversification strategies. The approach increases operational complexity, requiring advanced risk systems, integrated data across public and private markets, and real-time analytics. Without sufficient infrastructure and expertise, TPA may lead to suboptimal decisions.

Finally, implementation demands significant time and resources. Many organizations must maintain existing SAA frameworks while building new capabilities, creating operational strain. As a result, the decision is not whether TPA is inherently superior, but whether an organization possesses the governance, talent, culture, and infrastructure to execute effectively.

For many investors, a full transition may not be practical. Instead, selectively adopting TPA elements—such as a Reference Portfolio or increased flexibility—can offer a more achievable path along the spectrum between SAA and TPA.

Link to full paper:

https://www.wilshire.com/product-literature/total-portfolio-approach-and-strategic-asset-allocation.