

# Pension Trust

1000 Mill Street  
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[www.SLOPensionTrust.org](http://www.SLOPensionTrust.org)



## AGENDA

### PENSION TRUST BOARD OF TRUSTEES

**Monday, July 22, 2019 9:30 AM**  
Board of Supervisors Chambers  
County Government Center  
San Luis Obispo, CA 93408

*Materials for the meeting may be found at  
<http://www.slocounty.ca.gov/Departments/Pension-Trust/Board-of-Trustees>*

#### A) PUBLIC COMMENT

1. Public Comment: Members of the public wishing to address the Board on matters other than scheduled items may do so when recognized by the Chair. Presentations are limited to three minutes per individual.

#### B) CONSENT

2. Minutes of the Regular Meeting of June 24, 2019 (Approve Without Correction).
3. Report of Deposits and Contributions for the month of June 2019 (Receive and File).
4. Report of Service Retirements, Disability Retirements and DROP Participants for the month of June 2019 (Receive, Approve and File).
5. Applications & Elections to participate in the Deferred Retirement Option Program (DROP) received through July 5, 2019 (Receive, Approve and File).
6. Stipulation for the Division of Pension Benefits – Option Four Pension Benefit Election (Recommend Approval)

#### C) ORGANIZATIONAL

None

**D) APPLICATIONS FOR DISABILITY RETIREMENT**

See Closed Session

**E) OLD BUSINESS**

None

**F) NEW BUSINESS**

- 7. Actuarial Services – 2019 Experience Study & 2020 Valuation – 2020 RFP (Review, Discuss, and Direct Staff as necessary).
- 8. Survey Results 2019 – Retirees and Active Members (Review, Discuss, and Direct Staff as necessary).

**G) INVESTMENTS**

- 9. Monthly Investment Report for June 2019 (Receive and File)
- 10. Asset Allocation - (Review, Discuss, and Direct Staff as necessary)

**H) OPERATIONS**

- 11. Staff Reports
- 12. General Counsel Reports
- 13. Committee Reports:
  - i. Audit Committee No Report
  - ii. Personnel Committee No Report
  - iii. PAS Replacement Committee No Report
- 14. Upcoming Board Topics (subject to change)
  - i. August 26, 2019
    - a. Mid-year Financial Statements and Budget Update
    - b. Board of Trustees Meeting Schedule – 2019 and 2020
    - c. Quarterly Investment Report
    - d. ESG Inclusion in Investment Management
    - e. Private Equity / Private Credit program review and 2019 commitment
    - f. Disability case - pending

- ii. September 23, 2019 (Strategic Planning session)
  - a. Actuarial Risk and Sustainability
  - b. Business Continuity Plan
  - c. Executive Director evaluation
- iii. October 18, 2019 (tentatively planned as a non-meeting month)
- iv. November 25, 2019
  - a. Interest Crediting Rates – annual determination
  - b. Quarterly Investment Report
  - c. Investment Program Review
  - d. Asset Allocation Policy
- v. December 16, 2019 (tentatively planned as a non-meeting month)

15. Trustee Comments

**I) CLOSED SESSION**

16. PUBLIC EMPLOYEE DISABILITY RETIREMENT: The Board will convene in closed session pursuant to Gov. Code section 54957.6 to consider the Application for Industrial Disability Retirement in Case 2019-01 (Recommend Approval).

**J) ADJOURNMENT**

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BOARD OF TRUSTEES**

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**MINUTES**

**June 24, 2019**

Regular Meeting of the Pension Trust  
Board of Trustees

<b>Board Members Present:</b>	Guy Savage Matt Janssen Jim Hamilton Michelle Shoresman Gere Sibbach	Vice President
<b>Board Members Absent:</b>	Will Clemens Jeff Hamm	President
<b>Pension Trust Staff:</b>	Carl Nelson Amy Burke	Executive Secretary Deputy Executive Secretary
<b>General Counsel:</b>	-	
<b>Consultants:</b>	Rosalva Flores, CPA Alaina Vandermade, CPA Leslie Thompson Paul Wood	Brown Armstrong Brown Armstrong Gabriel Roeder Smith Gabriel Roeder Smith
<b>Others:</b>	Larry Batchelder Michael Hobbs Teresa McCarthy-White Ashleigh Szkubiel Jennifer Alderete Lisa Winter Anna Bastidos	SLOCREA SLO County Human Resources SLO County Human Resources SLO County Human Resources Pension Trust staff Pension Trust staff Pension Trust staff

**Call to Order:** 9:31 AM by Vice President Savage, presiding over the meeting.

**A) PUBLIC COMMENT**

1. None

**B) CONSENT**

2. Minutes of the Regular Meeting of May 20, 2019 (Approve Without Correction).
3. Report of Deposits and Contributions for the month of May 2019 (Receive and File).
4. Report of Service Retirements, Disability Retirements and DROP Participants for the month of May 2019 (Receive, Approve and File).
5. Applications & Elections to participate in the Deferred Retirement Option Program (DROP) received through June 7, 2019 (Receive, Approve and File).
6. Pension Administration System – RAD Decommissioning Support – Magenic Contract Amendment (Recommend Approval)

Motion: Approve the Consent items.

Public Comment: None

Motion Made: Mr. Janssen Motion Seconded: Mr. Hamilton

Carried: Unanimous

**C) ORGANIZATIONAL**

None

**D) APPLICATIONS FOR DISABILITY RETIREMENT**

**7. Application for Ordinary Disability Retirement – Case 2019-02**

Discussion: Staff summarized the application and medical recommendation for Ordinary Disability Retirement - Case 2019-02 for Christine Calvert and recommended approval.

Motion: Approve Staff Recommendation.

Public Comment: None

Motion Made: Ms. Shoresman Motion Seconded: Mr. Janssen

Carried: Unanimous

**E) OLD BUSINESS**

None

**F) NEW BUSINESS****8. Audited Financial Statements for the period ended December 31, 2018 – Comprehensive Annual Financial Report – presentation by Rosalva Flores and Alaina Vandermade, CPAs of Brown Armstrong Accountancy.**

Discussion: The SLOCPT's external audit firm – Brown Armstrong - presented the results of their audit of the 2018 financial statements. They reported an unmodified audit opinion (the highest form of audit opinion) and no material internal control weaknesses or deficiencies. Trustee Sibbach suggested that the 2019 audit include a 100% sample of credit card and travel expenses for purposes of complete transparency even though no issues were reported. Trustee Hamilton queried the auditors on their testing of investment management fee payments and the auditors reported on their testing process and agreement with all test sample calculations.

Motion: To receive and file the 2018 audited financial statements, approve the 2018 Comprehensive Annual Financial Report and to direct Staff to distribute in accordance with the Retirement Plan.

Public Comment: None

Motion Made: Mr. Sibbach                      Motion Seconded: Mr. Savage

Carried: Unanimous

**9. January 1, 2019 Actuarial Valuation and Pension Contribution Rates**

Discussion: The Plan Actuaries – Leslie Thompson and Paul Wood of Gabriel Roeder Smith Staff presented the 2019 Actuarial Valuation with an extensive presentation and discussion. Trustees asked numerous questions about the results of the Valuation and discussed the issues with the actuaries. Trustee Sibbach queried the Plan Actuaries about the relative proportions of the Normal Cost and UAAL Amortization paid by employees and employers. The Executive Secretary clarified that the Retirement Plan only requires the employer to fund the portion of costs associated with the COLA provisions of the Plan. All other employee/employer allocations of Normal Cost and UAAL Amortization costs are subject to collective bargaining and not under the purview of the Board of Trustees.

Motion: To –

- 1) Approve the January 1, 2019 Actuarial Valuation.
- 2) Approve the transfer of \$2,483,595 from the Current Reserve to the Retiree Reserve as recommended by GRS in the Reserves Comment of the Valuation.

- 3) Approve the recommendation of the Plan Actuary to increase the current level of County Appropriation and Employee Contribution rates such that a **Total Contribution Rate of 44.52% effective January 1, 2019 is received - an increase of 2.30% over the current Charged Rate of contributions as of 1/1/19** as recommended by GRS in the Contribution Rate Comment of the Valuation. This increase is subject to delayed implementation as may be requested by the Plan Sponsor, with adjustments to the rate calculated by GRS to account for the deferred implementation. In addition, this rate increase is the aggregate pension contribution rate increase for all classes of Members. Different contribution rate increases are recommended for Miscellaneous, Probation and Safety classes of Members due to their differing benefit formulas as shown on the Deferred Implementation Date exhibit.

Public Comment:

- 1) Michael Hobbs of San Luis Obispo County Human Resources inquired about the difference between contribution rate increases for Miscellaneous, Probation and Safety when compared to corresponding increases in 2018. The Plan Actuaries commented that the significantly higher 2018 growth rate of the Public Safety active member population had a significant impact on the payroll growth for that class of member and therefore the contribution rate increase necessary.

Motion Made: Mr. Janssen

Motion Seconded: Mr. Hamilton

Carried: Unanimous

*11:10 AM – Vice President Savage called for a ten-minute break*

*11:21 PM – Back in session*

## 10. Employer Contributions FY19-20 Prefunding Amount

Discussion: Staff presented the recommendation to approve the amount calculated for FY19-20 by SLOCPT's actuary, Gabriel Roeder Smith (GRS), for the prefunding of Employer Contributions and Employer for Employee Contributions ("pick up") for the County and APCD.

Motion: Approve Staff Recommendation

Public Comment: None

Motion Made: Mr. Sibbach

Motion Seconded: Mr. Savage

Carried: Unanimous

### 11. **Board of Trustees Meeting Schedule**

Discussion: Staff presented alternative Board of Trustees meeting schedules based on the expectation that the Board of Supervisors will approve the By-Laws and Technical Plan amendments proposed and approved at the May 20, 2019 Board of Trustees meeting.

Consensus: The Board communicated its preference for “Alternative A” for eight meetings per year as discussed in the staff memo. Staff will prepare a future Board of Trustees meeting schedule for approval on this basis.

Public Comment: None

## **G) INVESTMENTS**

### 12. **Monthly Investment Report for May 2019**

Discussion: Monthly investment performance report by Staff.

Motion: Receive and File

Public Comment: None

Motion Made: Mr. Savage

Motion Seconded: Ms. Shoresman

Carried: Unanimous

### 13. **Asset Allocation**

Discussion: Staff reviewed routine administrative asset allocation transfers related to liquidity.

Public Comment: None

No Action Necessary

## **H) OPERATIONS**

### 14. **Staff Reports**

- i) Trustee Election Update – Staff reported that for the 2019 Trustee election, Trustee Clemens as the incumbent was unopposed and will serve another three-year term for July 2019 to June 2022.
- ii) Electronic Documents – Staff reported that 100% of member files are now electronically stored due to the hard work of staff in scanning and quality control checking all files.

- iii) Member Survey – Staff reported that the surveys of Retirees and Active Members were open through June and receiving good response rates. A report to the Board of Trustees on the results will be made at July meeting.
- iv) Fiduciary Properties Inc. – Staff reported that American Realty Advisors has completed its assignment to successfully market and sell the local real estate investment properties held by FPI as the SLOCPT’s real estate subsidiary. While the final wrap-up activities for the property sales are completed, ARA had reduced its management fee for the remainder of the year.
- v) Actuary Retirement – Staff reported that Leslie Thompson of Gabriel Roeder Smith will be retiring October 31, 2019. Ms. Thompson will complete a presentation and discussion of pension sustainability for the Board of Trustees’ September strategic planning session prior to her retirement. Staff communicated its intention to recommend at a future Board meeting that GRS be engaged for the 2020 Actuarial Valuation and Experience Study and that an RFP for actuarial service be performed in mid-2020.

**15. General Counsel Reports – None**

**16. Committee Reports:**

- i) Audit Committee – Trustee Sibbach reported on the May 29, 2019 Audit exit meeting held with Brown Armstrong
- ii) Personnel Committee - No report.
- iii) PAS Replacement Committee – Trustee Savage reported that the PAS Replacement Committee met on June 17<sup>th</sup> and approved a July 1<sup>st</sup> “go-live” date for the project as previously planned.

**17. Upcoming Board Topics – published on meeting agenda**

**18. Trustee Comments – None**

**I) CLOSED SESSION**

None

**J) ADJOURNMENT –**

There being no further business, the meeting was adjourned at 12:01 PM. The next Regular Meeting was set for July 22, 2019, at 9:30 AM, in the Board of Supervisors chambers, County Government Center, San Luis Obispo, California 93408.

Respectfully submitted,

Carl Nelson  
Executive Secretary

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**REPORT OF DEPOSITS AND CONTRIBUTIONS FOR THE MONTH OF  
JUNE 2019**

PP 12 6/7/2019	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for	Employee Rate	Combined Rate	Additional Contributions	Buy Backs	TOTAL Contributions
					Employee Contributions					
<b>By Employer and Tier:</b>										
County Tier 1	3,477,017.53	819,729.47	23.58%	392,198.37	295,529.08	19.78%	43.35%	2,098.00	1,542.66	<b>1,511,097.58</b>
County Tier 2	949,283.05	230,412.50	24.27%	42,802.86	80,034.69	12.94%	37.21%	53.49	396.33	<b>353,699.87</b>
County Tier 3	2,791,177.00	633,813.86	22.71%	325,681.50	-	11.67%	34.38%	-	993.28	<b>960,488.64</b>
Superior Court Tier 1	260,288.84	68,476.91	26.31%	44,951.50	-	17.27%	43.58%	-	-	<b>113,428.41</b>
Superior Court Tier 3	73,564.70	18,360.50	24.96%	8,972.77	-	12.20%	37.16%	-	-	<b>27,333.27</b>
APCD Tier 1	58,620.86	13,610.53	23.22%	7,915.96	4,096.09	20.49%	43.71%	-	-	<b>25,622.58</b>
APCD Tier 3	16,569.61	3,736.16	22.55%	2,111.11	-	12.74%	35.29%	-	-	<b>5,847.27</b>
Pension Trust Staff Tier 1	7,204.40	1,655.57	22.98%	877.50	669.29	21.47%	44.45%	-	-	<b>3,202.36</b>
Pension Trust Staff Tier 2	8,374.40	1,924.43	22.98%	221.92	777.98	11.94%	34.92%	-	-	<b>2,924.33</b>
Pension Trust Staff Tier 3	10,759.48	2,419.81	22.49%	1,340.59	-	12.46%	34.95%	-	-	<b>3,760.40</b>
LAFCO Tier 1	13,227.91	3,882.79	29.35%	716.94	1,228.88	14.71%	44.06%	-	-	<b>5,828.61</b>
	<b>7,666,087.78</b>	<b>1,798,022.53</b>	<b>23.45%</b>	<b>827,791.02</b>	<b>382,336.01</b>	<b>15.79%</b>	<b>39.24%</b>	<b>2,151.49</b>	<b>2,932.27</b>	<b>\$ 3,013,233.32</b>

PP 13 6/21/2019	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for	Employee Rate	Combined Rate	Additional Contributions	Buy Backs	TOTAL Contributions
					Employee Contributions					
<b>By Employer and Tier:</b>										
County Tier 1	3,473,408.74	819,325.46	23.59%	391,989.13	295,473.34	19.79%	43.38%	2,098.00	1,542.66	<b>1,510,428.59</b>
County Tier 2	954,875.52	231,801.18	24.28%	42,898.56	80,531.79	12.93%	37.20%	53.49	396.33	<b>355,681.35</b>
County Tier 3	2,807,413.11	638,998.23	22.76%	327,714.59	-	11.67%	34.43%	-	1,024.06	<b>967,736.88</b>
Superior Court Tier 1	258,666.05	68,054.76	26.31%	44,615.38	-	17.25%	43.56%	-	-	<b>112,670.14</b>
Superior Court Tier 3	74,553.89	18,597.89	24.95%	9,076.86	-	12.17%	37.12%	-	-	<b>27,674.75</b>
APCD Tier 1	54,490.59	12,670.49	23.25%	7,286.49	3,858.61	20.45%	43.71%	-	-	<b>23,815.59</b>
APCD Tier 3	16,908.00	3,811.52	22.54%	2,177.06	-	12.88%	35.42%	-	-	<b>5,988.58</b>
Pension Trust Staff Tier 1	7,204.40	1,655.57	22.98%	877.50	669.29	21.47%	44.45%	-	-	<b>3,202.36</b>
Pension Trust Staff Tier 2	8,374.40	1,924.43	22.98%	221.92	777.98	11.94%	34.92%	-	-	<b>2,924.33</b>
Pension Trust Staff Tier 3	10,644.65	2,393.99	22.49%	1,328.61	-	12.48%	34.97%	-	-	<b>3,722.60</b>
LAFCO Tier 1	13,227.91	3,882.79	29.35%	716.94	1,228.88	14.71%	44.06%	-	-	<b>5,828.61</b>
	<b>7,679,767.26</b>	<b>1,803,116.31</b>	<b>23.48%</b>	<b>828,903.04</b>	<b>382,539.89</b>	<b>15.77%</b>	<b>39.25%</b>	<b>2,151.49</b>	<b>2,963.05</b>	<b>\$ 3,019,673.78</b>

<b>TOTAL FOR THE MONTH</b>	<b>15,345,855.04</b>	<b>3,601,138.84</b>	<b>23.47%</b>	<b>1,656,694.06</b>	<b>764,875.90</b>	<b>15.78%</b>	<b>39.25%</b>	<b>4,302.98</b>	<b>5,895.32</b>	<b>\$ 6,032,907.10</b>
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<b>TOTAL YEAR TO DATE</b>	<b>99,454,641.22</b>	<b>23,209,615.12</b>	<b>23.34%</b>	<b>10,841,821.56</b>	<b>5,057,862.04</b>	<b>15.99%</b>	<b>39.32%</b>	<b>20,641.21</b>	<b>151,065.68</b>	<b>\$ 39,281,005.61</b>
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**REPORT OF RETIREMENTS****June 2019**

<b>RETIREE NAME</b>	<b>DEPARTMENT</b>	<b>BENEFIT TYPE *</b>	<b>EFFECTIVE DATE</b>	<b>MONTHLY BENEFIT</b>	<b>SS TEMP ANNUITY**</b>
Blank, Cheryl	Sheriff - Coroner	Disability Retirement	05/31/19	3,488.92	False
Jackson, Tammie	SLO County Child Support Servi	Service Retirement	05/22/19	2,635.39	False
Lambert, Daniel	Planning & Buliding / Reciprocal	Service Retirement	03/30/19	4,023.69	False
Lambert, Daniel	Planning & Buliding / Reciprocal	Additionaly Annuity	03/30/19	3.30	False
Vestal, Maureen	Library	Service Retirement	05/05/19	1,972.81	False

*\* Additional Annuity Benefits are calculated based on the Additional Contribution and associated Interest balance of the Retiree at the point of retirement (per Sections 5.07, 27.12, 28.12, 29.12, 30.12, and 31.12 of the Plan)*

*\*\* If "True" Retiree has elected an optional Social Security Coordinated Temporary Annuity (per Section 13.06 of the Plan), actual monthly allowance will be increased until age 62 and then actuarially reduced going forward*

## Board of Trustees

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Date: July 22, 2019  
To: Board of Trustees  
From: Carl Nelson – Executive Secretary

**Agenda Item 5: Applications & Elections to Participate in the Deferred Retirement Option Program (DROP)**

**Recomendation:**

It is recommended that you receive and approve the Application & Election to Participate in DROP for the individuals listed below.

**Discussion:**

The San Luis Obispo County Pension Trust has received an Application & Election to Participate in DROP from the following members listed below:

<b>August 1, 2019</b>	<b>Clinton Cole, Sheriff-Coroner</b>
<b>August 1, 2019</b>	<b>John Franklin, ITD</b>
<b>August 1, 2019</b>	<b>Robert Armentrout, ITD</b>

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**Board of Trustees**

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Date: July 22, 2019

To: Board of Trustees

From: Carl Nelson – Executive Secretary  
Amy Burke – Deputy Executive Secretary

**Agenda Item 6: Stipulation for the Division of Pension Benefits – Option Four Pension Benefit Election**

**Recommendation:**

It is recommended that the Board approve an Optional Settlement No. 4 as ordered in the Stipulated Domestic Relations Order (DRO) Re: Division of San Luis Obispo County Pension Trust Retirement Plan Benefits and Allowances for Member Victor Sellinger.

**Discussion – Option 4:**

The San Luis Obispo County Employees Retirement Plan (the “Plan”) provides for four different optional settlements, aside from the Unmodified Allowance. The Unmodified Allowance is the maximum allowance payable to a Member that also provides for a 50% continuance of monthly benefits to be paid to an eligible surviving spouse or registered domestic partner. Article 13: Options Available After Retirement of the Plan allows a Member to elect an actuarially reduced monthly benefit to provide for a larger continuing monthly allowance for their surviving spouse/registered domestic partner, or a continuance or lump sum payment to a named beneficiary that would not qualify as an eligible surviving spouse or registered domestic partner. The four alternative options are summarized as:

Option 1 – provides that any remaining employee contributions are paid to named beneficiary or beneficiaries upon the death of the Member.

Option 2 – provides a 100% continuance of the actuarially reduced monthly benefit be paid to the named beneficiary upon death of the Member.

Option 3 – provides a 50% continuance of the actuarially reduced monthly benefit to be paid to the named beneficiary upon death of the Member after retirement.

Option 4 – provides an **actuarially equivalent** continuance of monthly benefits to be paid to the named beneficiary upon the death of the Member (not greater than that available under Option 2). This option affords a great deal of flexibility to Members in arranging their retirement benefit, as long as it is an actuarial equivalent and does not increase cost to the Plan. The terms of the Retirement Plan for Option 4 *require Board of Trustees approval*.

### **Discussion – Actuarial Equivalence of this DRO:**

In this case, Mr. Sellinger is an active Member of the SLOCPT who has filed for dissolution of marriage. As part of the settlement of community property the Member and former spouse (Alternate Payee) have agreed to a division of their interests with regards to the benefits provided by the SLOCPT that will occur at the time the Member retires from County service. The Alternate Payee will receive their portion of the monthly retirement allowance for their lifetime and will be permitted to name a beneficiary that will receive their monthly benefit as a continuance if the Alternate Payee predeceases the Member – provisions not available under one of the other payment options.

When parties elect to split their interests at the point of retirement, the Alternate Payee's benefit under the Unmodified Allowance and Options 1, 2, and 3 ceases upon the death of the Member. As a result, the Member is required to elect **Option 4** at the time of their retirement to accommodate the continuing monthly benefit to their Alternate Payee at the time of their passing. Should the Alternate Payee predecease the Member, the continuing monthly benefit would continue to their named beneficiary until the Member's death.

Staff has reviewed the draft Stipulated Domestic Relations Order (DRO). This DRO establishes that the Member, upon retirement, must select **Option 4**. the Member's Unmodified Allowance will be calculated and then divided pursuant to that which is described in the order. At that time, the Alternate Payee's allowance will be further adjusted (reduced) using appropriate actuarial methods to reflect the Alternate Payee's life expectancy thus ensuring an actuarial equivalent benefit is distributed in a manner consistent with the Plan.

Gabriel Roeder Smith, SLOCPT's actuary, has reviewed the DRO and has certified that it fulfills the definition of actuarial equivalence. This means that at the point of retirement the relative amounts of benefits for the Member and the Alternate Payee (with beneficiary) with appropriate actuarial reductions can be calculated to provide and actuarially equivalent benefit between the Member and the Alternate Payee.

Respectfully submitted

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Date: July 22, 2019

To: Board of Trustees

From: Carl Nelson – Executive Secretary  
Amy Burke – Deputy Executive Secretary

### **Agenda Item 7: Actuarial Services – 2019 Experience Study & 2020 Valuation – 2020 RFP**

#### **Recommendation:**

With the announcement that the Plan's Actuary, Leslie Thompson of Gabriel Roeder Smith (GRS) is retiring as of October 31, 2019, Staff makes the following recommendations –

1. 2019 Experience Study (biennial) and 2020 Actuarial Valuation – Continue the engagement of Gabriel Roeder Smith for these two studies to be performed in the first half of 2020.
2. Mid 2020 – Issue a Request for Proposal for actuarial services to evaluate alternatives. GRS would be asked to make an RFP response as well. The results to be presented to the Board of Trustees for selection prior to the 2021 Actuarial Valuation.

#### **Discussion:**

Gabriel Roeder Smith (GRS) has served as the Plan Actuary since 1999 and Leslie Thompson has been the lead actuary since 2007. Ms. Thompson has announced her retirement date of October 31, 2019. She will be making one more presentation to the Board of Trustees at the September strategic planning session on the topic of Pension Sustainability. Since 2017 GRS has assigned Paul Wood, who heads up the Denver GRS office, as a secondary actuary on the SLOOPT engagement.

For a number of years the Board and Staff have discussed the plan to do an RFP for actuarial services when any significant changes to the GRS actuarial team took place (e.g., Leslie Thompson's retirement). Staff's recommendation is to –

1. **2020 Experience Study and 2020 Actuarial Valuation – continue engagement with GRS using Paul Wood as the lead actuary.**
  - a. Allows for no interruption in a year when we are due for a biennial Experience Study after a significant change in the UAAL amortization method to 20 year layered. This leaves a solid foundation for the 2021 and beyond Valuations whether performed by GRS or another actuarial firm.
  - b. Allows for the first actuarial valuation using the Plan census data from the new PensionGold system to be performed by the GRS team which is deeply familiar with the SLOCPT Plan census data.
  
2. **2020 RFP** – issue an RFP for actuarial services as a prudent, “test the market” measure in mid 2020 after the 2020 Valuation is complete. GRS would be expected to submit an RFP response, and there are a number of actuarial firms active in the California public retirement system market (e.g., Segal, Cheiron, Bartel, Milliman) who can also be expected to submit RFP responses.
  
3. Actuarial Audit – The SLOCPT follows the practice of having an actuarial audit by another firm performed every five years. The recent audits have been –
  - a. 2012 Valuation audit                      Cheiron
  - b. 2017 Valuation audit                      Bartel
  - c. 2022 Valuation audit                      due on 5 year cycle – auditing firm to be selected from an RFP process. This would be the schedule if GRS is continued as the Plan Actuary for 2021 and beyond.
  - d. Audit period reset – If an actuarial firm other than GRS is selected in 2020 to perform the 2021 and beyond Actuarial Valuations, a new actuary would reset the 5-year audit cycle so the next Actuarial Audit would be on the 2025 Valuation.

Respectfully submitted

## Board of Trustees

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Date: July 22, 2019

To: Board of Trustees

From: Carl Nelson – Executive Secretary  
Amy Burke – Deputy Executive Secretary

### **Agenda Item 8: Survey Results 2019 – Retirees and Active Members**

#### **Recommendation:**

Review and discuss the attached survey results and direct staff as necessary.

#### **Discussion:**

The Board of Trustees has in prior years asked that Staff perform a survey of the Pension Trust’s Active Members and Retirees. Staff chose to perform separate surveys of the Active Members and the Retirees with different questions in May and June of this year. The timing of the survey was suggested by –

- The initiation of increased educational efforts – specifically the offering of “Retirement 101” and “Retirement 201” classes.
- The planned implementation in 4Q19 of a new Member Portal based on the just-completed PensionGold Version 3 Pension Administration System. This provides a pre-change set of survey data to compare to a 2020 survey after the new Member Portal has been active for a post-change set of survey data.

Different surveys were administered for Active Members and Retirees since their concerns are quite different. SurveyMonkey was used for the surveys and the attached summaries illustrate the results with good clarity.

- **Active Member survey** – sent out via email link through the SLO County “The Inside Scoop” e-newsletter. For the SLO Courts, APCD and LAFCO the email link to the survey was sent out by each contract agency directly to all their employees.
  - Total of 206 responses for an approximate response rate of 8%
  - Average time to respond was 3 minutes with a 100% completion rate
  
- **Retiree survey** – sent out via hardcopy included in the May 1<sup>st</sup> Retiree payroll payment advices. The hardcopy directed respondents to the web address of the survey. It also included a QR code for those using Smartphones to access the survey. Also, Retirees were given the option to call the Pension Trust office and have a postage paid paper survey mailed to them. Upon their return the paper surveys were input into the SurveyMonkey site and are included in the survey results.
  - Total of 581 responses for an approximate response rate of 21%
  - Average time to respond was 2 minutes with a 100% completion rate

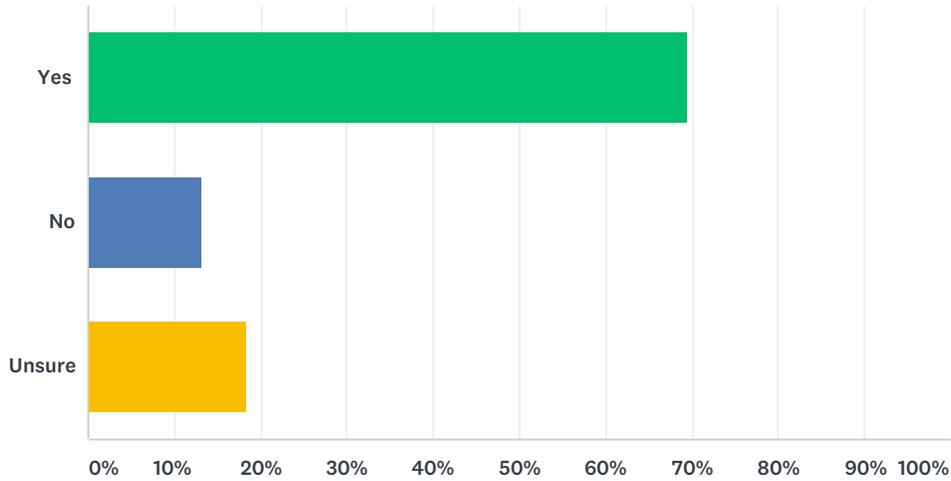
The results are generally quite positive on customer service issues. They also point out some key areas of focus for the Pension Trust –

- Increased educational efforts such as the Retirement 101 & 201 classes and newsletter publication.
- Concern among Active Members about pension contribution rate increases.
- Member portal access – high interest among Active members and surprisingly high interest among Retirees as well.

Respectfully submitted

**Q1 Are you aware of the retirement/pension benefits the County (including the Courts, APCD and LAFCO) offer that are administered by the San Luis Obispo County Pension Trust (SLOCPT or "Pension Trust")?**

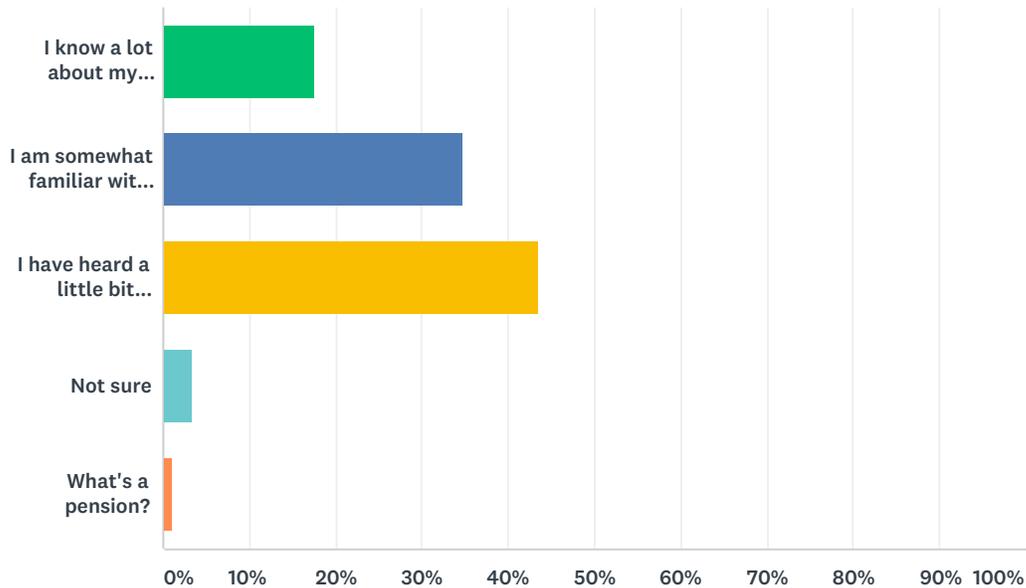
Answered: 206 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	69.42%	143
No	13.11%	27
Unsure	18.45%	38
Total Respondents: 206		

## Q2 How familiar are you with your retirement/pension benefit - that is, the defined benefit pension benefit (not the Deferred Compensation voluntary savings plan)?

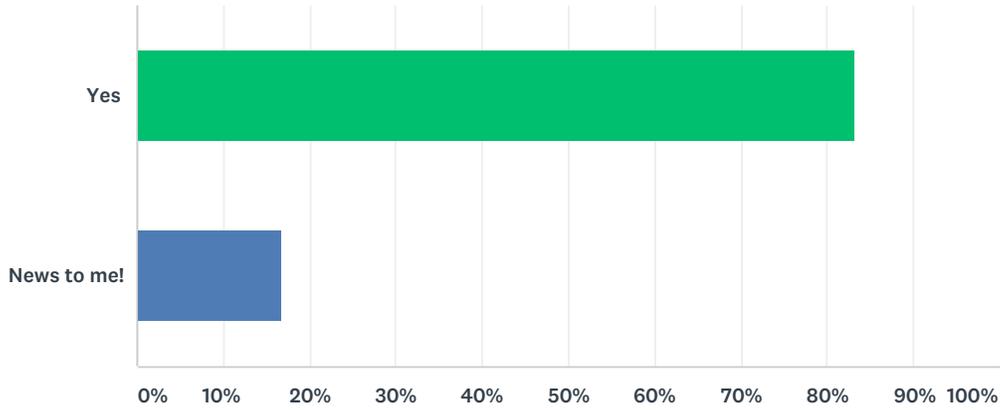
Answered: 205 Skipped: 1



ANSWER CHOICES	RESPONSES	
I know a lot about my pension benefit	17.56%	36
I am somewhat familiar with my pension benefit	34.63%	71
I have heard a little bit about my pension benefit and need to learn more	43.41%	89
Not sure	3.41%	7
What's a pension?	0.98%	2
<b>TOTAL</b>		<b>205</b>

**Q3 Do you know that your retirement/pension benefit - after you are vested with 5 years of full time service - could pay you a lifetime monthly benefit in retirement (no matter how long you live)?**

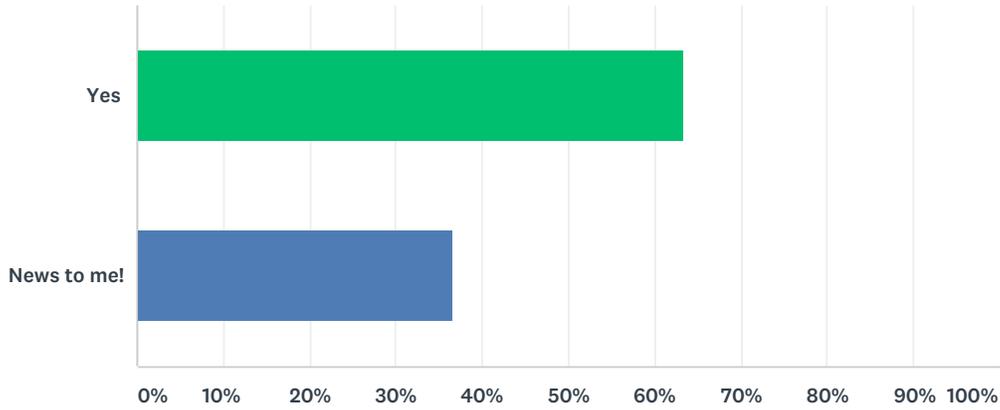
Answered: 204 Skipped: 2



ANSWER CHOICES	RESPONSES	
Yes	83.33%	170
News to me!	16.67%	34
TOTAL		204

**Q4 Do you know that if you terminated employment before being vested with 5 years of service, the pension contributions you made from your paycheck plus interest are refundable to you?**

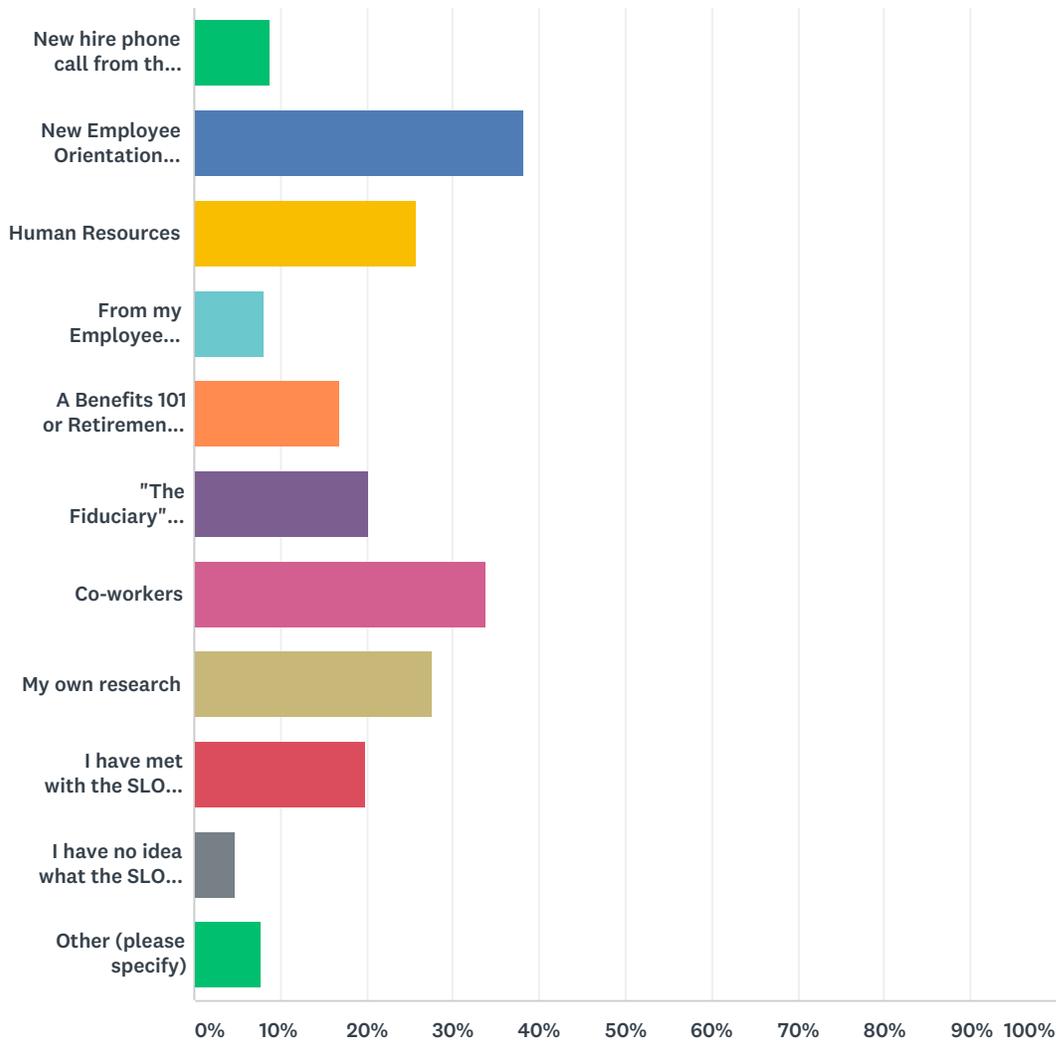
Answered: 205 Skipped: 1



ANSWER CHOICES	RESPONSES	
Yes	63.41%	130
News to me!	36.59%	75
TOTAL		205

## Q5 How did you learn about the SLOCPT (also called just the Pension Trust)? Check all that apply

Answered: 206 Skipped: 0



ANSWER CHOICES	RESPONSES	
New hire phone call from the SLOCPT	8.74%	18
New Employee Orientation class	38.35%	79
Human Resources	25.73%	53
From my Employee Association / union	8.25%	17
A Benefits 101 or Retirement 101 class	16.99%	35
"The Fiduciary" newsletter	20.39%	42
Co-workers	33.98%	70
My own research	27.67%	57
I have met with the SLOCPT to discuss my retirement	19.90%	41

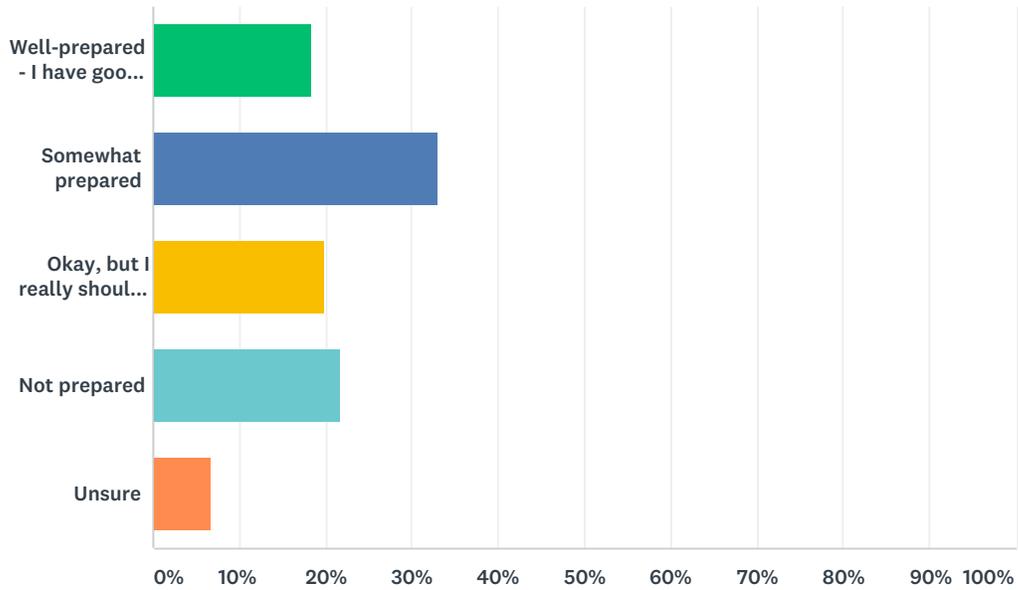
SLO County Pension Trust Active Member survey - May 2019

I have no idea what the SLOCPT / Pension Trust is...	4.85%	10
Other (please specify)	7.77%	16
Total Respondents: 206		

#	OTHER (PLEASE SPECIFY)	DATE
1	My Dad worked for the County and then died.	6/27/2019 11:46 AM
2	My boss	6/17/2019 2:56 PM
3	Retirement 201	6/4/2019 5:07 PM
4	payroll clerk	6/3/2019 4:11 PM
5	I work at the court, this information should be provided when you first become employed	6/3/2019 2:32 PM
6	already a court employee	6/3/2019 1:56 PM
7	email	6/3/2019 1:51 PM
8	Due to timeof service in	6/3/2019 9:59 AM
9	I called them when hiring on as I wanted to know how it would work with my CalPers pension	5/30/2019 9:21 AM
10	I think it was a new employee package that contained a page from SLOCPT.	5/30/2019 7:11 AM
11	Spoke with reps at benefits fair	5/29/2019 1:39 PM
12	I have picked up things here and there over the last 31 years I've been working for the county	5/29/2019 11:44 AM
13	Our Association	5/29/2019 11:40 AM
14	I called SLOCPT	5/29/2019 11:26 AM
15	NEO specifically but knew before I was a county employee from friends/family who worked for the county/government.	5/29/2019 11:23 AM
16	Requested retirement scenarios via email	5/29/2019 11:20 AM

## Q6 How prepared do you feel for retirement?

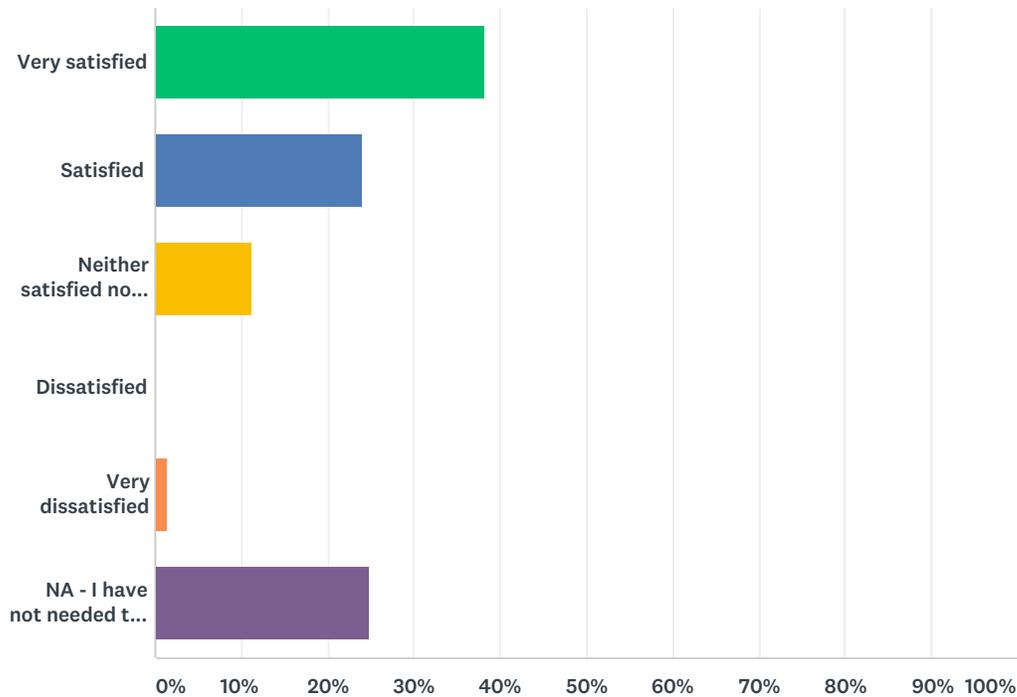
Answered: 206 Skipped: 0



ANSWER CHOICES	RESPONSES	
Well-prepared - I have good plans and am on-track	18.45%	38
Somewhat prepared	33.01%	68
Okay, but I really should save more money or I plan on working many more years	19.90%	41
Not prepared	21.84%	45
Unsure	6.80%	14
<b>TOTAL</b>		<b>206</b>

## Q7 If you have had any contact with the Pension Trust since you were hired, how was your customer service experience?

Answered: 204 Skipped: 2



ANSWER CHOICES	RESPONSES	
Very satisfied	38.24%	78
Satisfied	24.02%	49
Neither satisfied nor dissatisfied	11.27%	23
Dissatisfied	0.00%	0
Very dissatisfied	1.47%	3
NA - I have not needed to contact the Pension Trust	25.00%	51
<b>TOTAL</b>		<b>204</b>

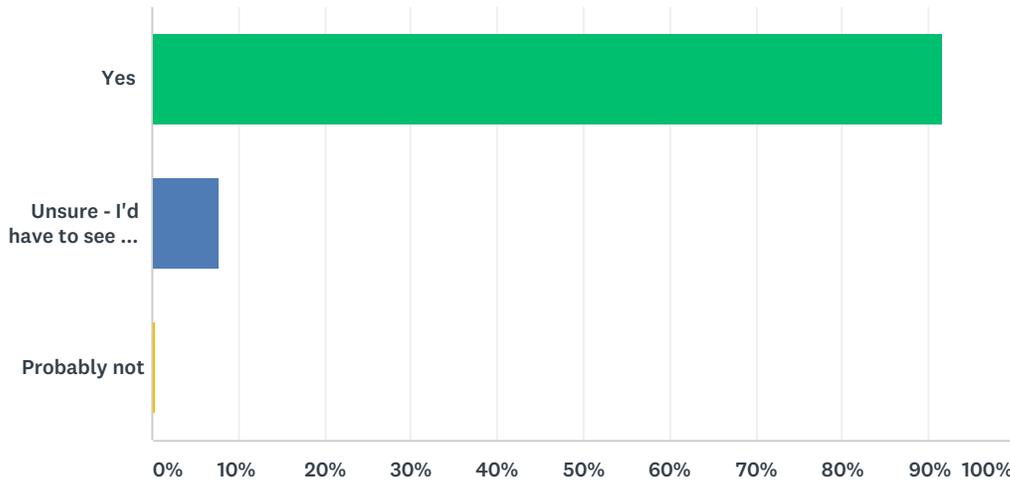
#	ANY COMMENTS ON CUSTOMER SERVICE AT THE PENSION TRUST?	DATE
1	Would really appreciate notification on reaching 5 year mark of any other milestone.	7/9/2019 9:58 AM
2	When I called for my new hire phone call the person I needed wasn't there for a day or two.	6/27/2019 11:46 AM
3	I would liked to be contacted and have an appointment already dedicated to me to go over my benefits on 1:1 bases when i was just hired. Now that i have a couple of years in County as employee i'm slowly slowly learning about my benefits with pension trust from multiple resources. When you start your job and get very busy and envolved you don't really dedicate time to take care of personal benefits but thats something Me personally have to dedicate time to it aside my job.	6/5/2019 9:45 AM
4	My husband also retired through SLOPT - our experience was very positive for both of our big events. My husband had butback opportunity and your help made it go very smoothly. My retirement ( underway) has much easier (expecially with your help). Thanks!	6/4/2019 5:07 PM

## SLO County Pension Trust Active Member survey - May 2019

5	I recently met with someone to get an understanding of reciprocity. The information I received was comprehensive and gave me a clear understanding.	6/4/2019 8:37 AM
6	Jennifer was very helpful	6/3/2019 3:19 PM
7	the woman that provided an estimate to me a few years ago was extremely rude and made me feel like I never wanted to have to deal with her again	6/3/2019 2:32 PM
8	Lisa Walters is very helpful, pleasant and professional. She is a pleasure to work with.	6/3/2019 1:58 PM
9	It was extremely confusing	6/3/2019 1:55 PM
10	Andrea Paley was wonderful. I'm worried about moving on with other pension trust staff	6/3/2019 9:59 AM
11	Always friendly and helpful.	6/3/2019 9:44 AM
12	Have received great service from two very well-informed staff at Pension Trust. They were attuned to my level of understanding of the retirement and how to best use deferred comp with my remaining vacation and sick leave pay, and spoke in language I could understand. I went from feeling worried, to feeling reassured! Thank you!	5/30/2019 1:07 PM
13	they make a complex system understandable and everyone I have talked to has been kind, knowledgeable and thorough	5/30/2019 9:21 AM
14	Some of the terms used, while common to pension trust, are not as familiar to employees who do not use the lingo daily. An explanation of what certain terms mean would be helpful and appreciated!	5/30/2019 9:00 AM
15	Everyone that I have dealt with at Pension Trust is amazing and very helpful!!!	5/29/2019 3:50 PM
16	I've always wanted to know what my annual pension would be in today's dollars were I to retire after x years of service with my pension tier. I have no idea how to calculate this.	5/29/2019 3:17 PM
17	Very helpful, quick to respond	5/29/2019 1:39 PM
18	Lisa Winter is very helpful and friendly	5/29/2019 1:28 PM
19	The tools where you could calculate on their website no longer exist. The few times that I reached out to them took them 2-3 business days to get back to me.	5/29/2019 1:03 PM
20	no one has reached out to me from pension trust	5/29/2019 12:35 PM
21	They notarized some documents for me.	5/29/2019 12:05 PM
22	I would like more information but would appreciate appointments at the Higuera DSS (or Empleo) office. Downtown is too inconvenient.	5/29/2019 11:53 AM
23	Lisa has always responded to my phone calls and email promptly and it is appreciated.	5/29/2019 11:26 AM
24	I called once to ask about how much employer contributes and feel I did not get a clear answer. Tier 3.	5/29/2019 11:22 AM
25	There work is thorough but I have a belief some work harder than others or provide more illustrative ideas or dig deeper.	5/29/2019 11:20 AM
26	Very thorough and quick to handle my questions and concerns. Continued follow up was provided regarding my reciprocity from SB County	5/29/2019 11:14 AM

Q8 The SLOCPT will be adding a "Member Portal" website late in 2019 that is substantially more user friendly than the old SLOCPT website. It will allow you to check your contributions balance, years of pension service and to do estimates of your future retirement benefit. Do you think you would find such a website useful to you as an active Member?

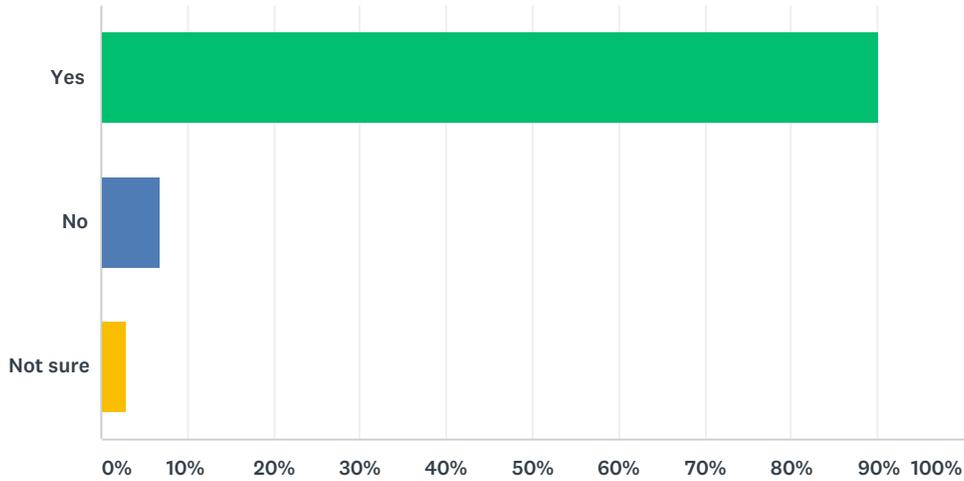
Answered: 205 Skipped: 1



ANSWER CHOICES	RESPONSES	
Yes	91.71%	188
Unsure - I'd have to see it first	7.80%	16
Probably not	0.49%	1
Total Respondents: 205		

**Q9 Are you aware that there is an optional Deferred Compensation Plan that allows you to voluntarily save more money for retirement? It is a defined contribution 457 savings plan administered by Nationwide (similar to 401(k) plans used in the private sector).**

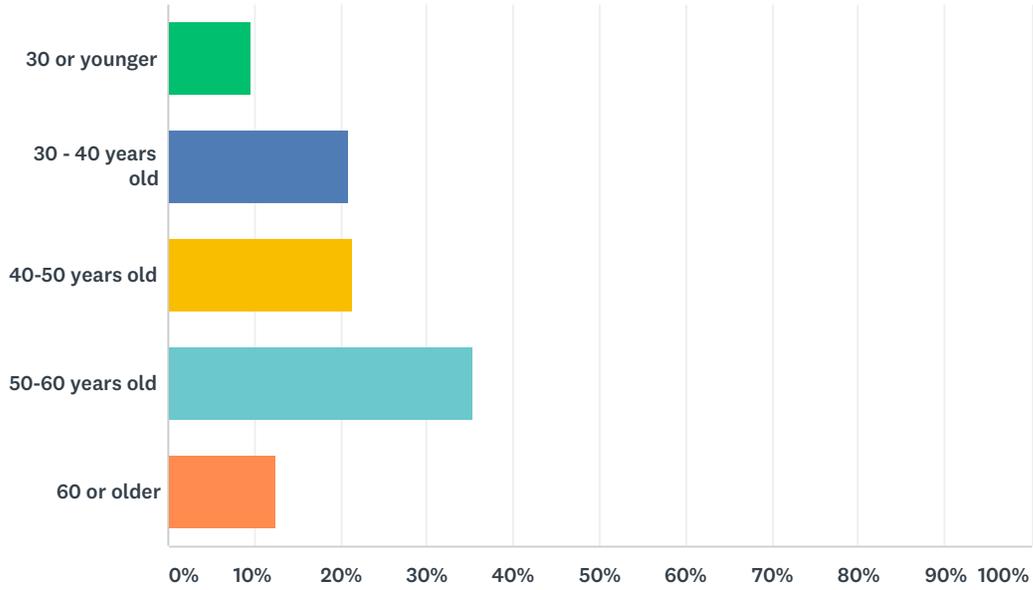
Answered: 205 Skipped: 1



ANSWER CHOICES	RESPONSES	
Yes	90.24%	185
No	6.83%	14
Not sure	2.93%	6
TOTAL		205

### Q10 How old are you? (optional)

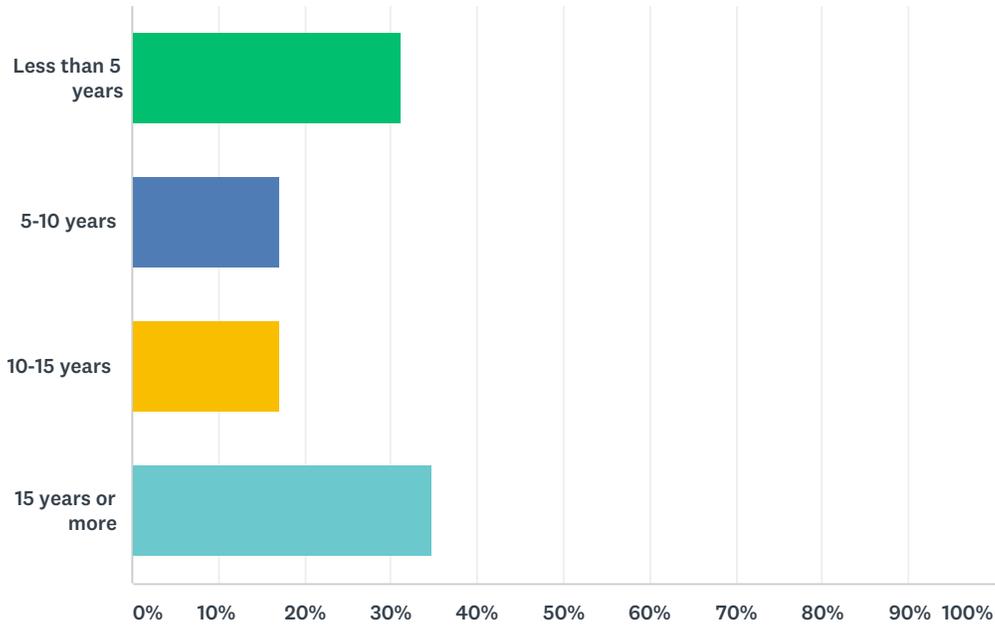
Answered: 206 Skipped: 0



ANSWER CHOICES	RESPONSES	
30 or younger	9.71%	20
30 - 40 years old	20.87%	43
40-50 years old	21.36%	44
50-60 years old	35.44%	73
60 or older	12.62%	26
<b>TOTAL</b>		<b>206</b>

### Q11 How long have you worked for the County (or Courts, APCD, etc.)? (optional)

Answered: 205 Skipped: 1



ANSWER CHOICES	RESPONSES	
Less than 5 years	31.22%	64
5-10 years	17.07%	35
10-15 years	17.07%	35
15 years or more	34.63%	71
TOTAL		205

## Q12 Any comments you'd like to share with the SLOCPT?

Answered: 46 Skipped: 160

#	RESPONSES	DATE
1	This pension is the number one reason I sought a job with the county. My future greatly depends on you. I like knowing that y'all have my back so I can live my life as a young adult and know you'll be there when I need you. Thank you.	6/27/2019 11:46 AM
2	no	6/18/2019 4:33 PM
3	Carl is fabulous and wonderfully knowledgeable about Pension Trust. Some staff could be a little more polite.	6/17/2019 2:56 PM
4	I am looking forward to the new website and perhaps I will learn more there - OR -- do I make an appointment with SLOCPT and discuss my future pension trust needs?	6/13/2019 4:52 PM
5	Please make 1:1 benefit overview meeting mandatory appointment for new hires to get advantage of this service rather than optional.	6/5/2019 9:45 AM
6	Thanks to everyone - the workshop helped; my husband's previous experience helped and I am almost to retirement (days away-Yay!).	6/4/2019 5:07 PM
7	Thank you for providing a survey to gather this information.	6/4/2019 2:22 PM
8	n/a	6/4/2019 1:40 PM
9	There is too much money taken out for our pensions. The requirement should be lower.	6/4/2019 1:30 PM
10	I know it's in place but as to how it work and what it really means in dollars at the end of my career is a mystery.	6/4/2019 8:25 AM
11	Thanks!	6/3/2019 2:51 PM
12	this is great information now, but long overdue!!! you're withdrawing funds every pay period but not offering up any information as to the retirement system	6/3/2019 2:32 PM
13	Many people believe SLOCPT is a county office and I learned just recently that you are independent and not a county office.	6/3/2019 1:58 PM
14	I feel that as a Court employee we would benefit from classes similar to the Benefits 101 and Retirement 101. The Court is not notified of the availability of an classes and it would be great to be included. Thanks!	6/3/2019 1:53 PM
15	none	6/3/2019 1:53 PM
16	It would be nice if the Courts had annual retirement 101 reviews !	6/3/2019 1:51 PM
17	Thank you for reaching out.	6/3/2019 9:59 AM
18	Cant wait to see the new website!	5/30/2019 3:07 PM
19	Wish the Trust earnings were higher, so we didn't have to keep increasing the employee contribution %'s. Appreciate the survey and am looking forward to the new portal.	5/30/2019 1:33 PM
20	see above (#7). Front office staff was also very helpful.	5/30/2019 1:07 PM
21	you rock!!	5/30/2019 9:21 AM
22	I am concerned the the Pension contribution rates continue to climb each year. At the current increase rate the Pension will price me out of being able to work and live in the County and with 30 years to retirement it is not a prospect I am looking forward to.	5/30/2019 9:10 AM
23	Thank you for taking the time to learn what employees need in order to be in thebest possible place for retirement!	5/30/2019 9:00 AM
24	I believe that Tier 3 of the pension plan takes too long to be vested and requires too high of a contribution.	5/30/2019 7:17 AM

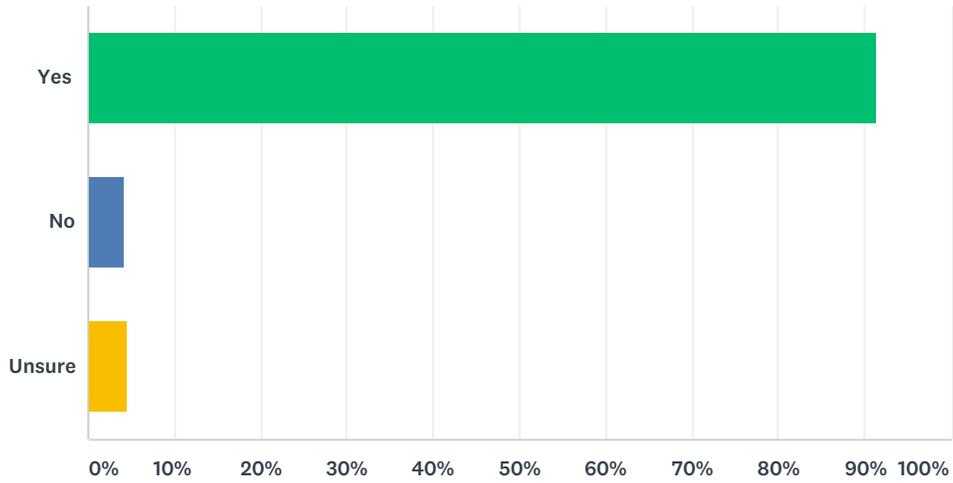
## SLO County Pension Trust Active Member survey - May 2019

25	Please restore the "Member Portal" website ASAP. I really miss being able to view my contribution balance, and employee wage history, years of pension service, and the future retirement benefit estimator.	5/30/2019 7:11 AM
26	Hoping you offer Retirement 201 again soon since I could not make the first one. Thanks for all you do!	5/29/2019 4:57 PM
27	More information the better. I like the idea of the more user-friendly portal where you can calculate your benefits.	5/29/2019 4:22 PM
28	nope I'm good	5/29/2019 3:11 PM
29	As long as your new website will have the pension calculator, it will be a success!	5/29/2019 1:57 PM
30	Thank you for the help and information.	5/29/2019 1:39 PM
31	I'm really looking forward to the member portal. Thank you.	5/29/2019 1:32 PM
32	The existing portal is very hard to find and is hard to use. Would like to see more interactive retirement calculators, know more about employee matching, learn more about automatically increasing contribution percentages when receiving COLA or promotion raises, learn more about the investment fund and return rates.	5/29/2019 1:28 PM
33	I am very thankful that I have a pension.	5/29/2019 1:17 PM
34	I was not informed prior to accepting my job that I would have a mandatory contribution to my retirement based on a formula that caused me to have a very high withholding and there was nothing I could do about it. This came as a shock to me during the "onboarding process". Even then, I didn't realize how much it would take out of my paycheck until I first got paid. I think prospective employees should be told this information before they accept a job offer.	5/29/2019 12:18 PM
35	Hurry up and bring the new retirement estimator online, I really miss having access to the tool! Thanks!	5/29/2019 11:55 AM
36	I love the member portal idea. I have used the pension calculator for years and have shown it to others so they can be educated and informed about their retirement.	5/29/2019 11:53 AM
37	I need to learn more about my pension benefits and who I should contact.	5/29/2019 11:40 AM
38	Thank you for reaching out and conducting this survey. I hope the results are helpful to everyone involved.	5/29/2019 11:35 AM
39	I am glad you will be adding a Member Portal website and was surprised when I found out there was not one already. It is currently very difficult to find information online. I tried to search for detailed information about the parameters on vesting and found little to no information.	5/29/2019 11:30 AM
40	glad to see there could be a more helpful website in the future since there is definitely a lack of knowledge when it comes to pension trust	5/29/2019 11:30 AM
41	I think that a quarterly 1.5 hours SLOOPT info session at the Board of Supervisor's chambers would be beneficial for employees to make them aware of how the tiers work, how contribution rate is calculated, how distribution amount is calculated, what is found on the website, strategies to maximize your pension, what happens to your pension when you are on leave (medical or maternity/paternity), buyback scenarios, reciprocity, what happens to your pension after you die. I also feel like I did not know that there was a website until this survey even though I feel like I know a good amount about SLOOPT.	5/29/2019 11:26 AM
42	In calling pension trust they are always helpful. They are great group of people	5/29/2019 11:25 AM
43	I would really like the Retirement calculator tool available. I would like to run different scenarios to get a better feel of where I would stand depending on where life might take me.	5/29/2019 11:25 AM
44	I vest in about a week. I will make an appointment to come in and talk with a pension specialist.	5/29/2019 11:22 AM
45	Thanks for doing this survey ~ I think additional information/workshops about our pension is long overdue.	5/29/2019 11:14 AM
46	I would like an online retirement calculator that could be used to accurately calculate my retirement based on different scenarios (age/years of service, etc.)	5/29/2019 11:09 AM

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### Q1 The Fiduciary - are you aware that the SLOCPT publishes a newsletter called "The Fiduciary" twice a year mailed to your home?

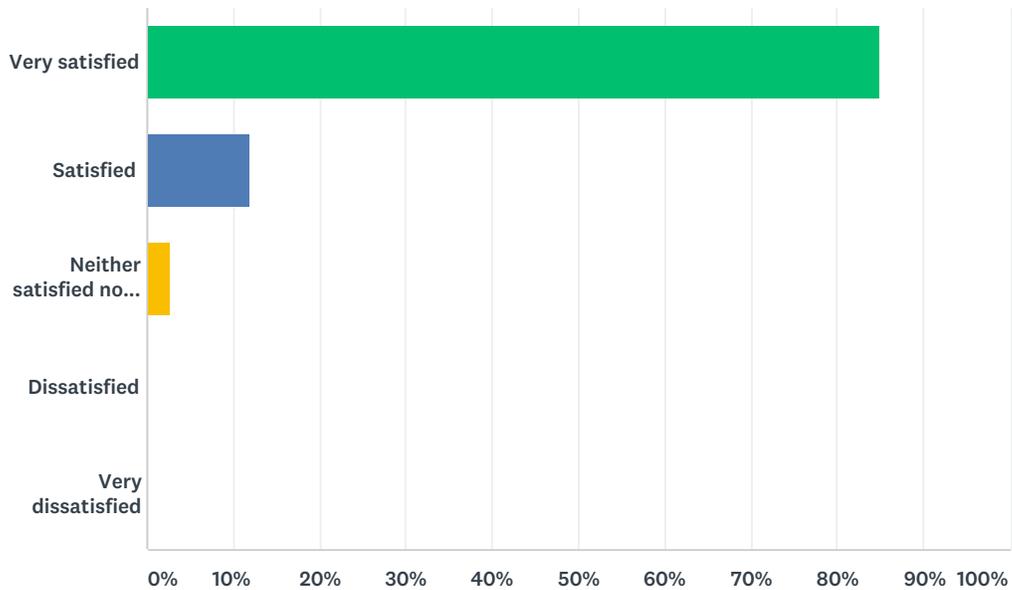
Answered: 578 Skipped: 3



ANSWER CHOICES	RESPONSES	
Yes	91.35%	528
No	4.15%	24
Unsure	4.50%	26
TOTAL		578

## Q2 How was your customer service experience with the SLOCPT when you retired?

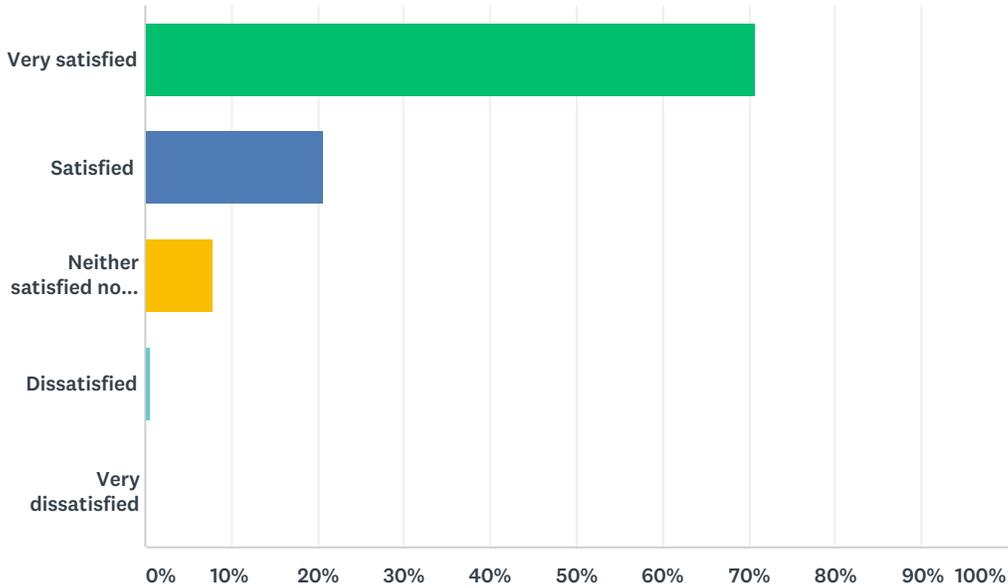
Answered: 578 Skipped: 3



ANSWER CHOICES	RESPONSES	
Very satisfied	84.95%	491
Satisfied	11.94%	69
Neither satisfied nor dissatisfied	2.77%	16
Dissatisfied	0.17%	1
Very dissatisfied	0.17%	1
<b>TOTAL</b>		<b>578</b>

### Q3 If you have needed to communicate with the SLOCPT after your retirement (e.g., direct deposit or tax withholding changes), how was your customer service experience?

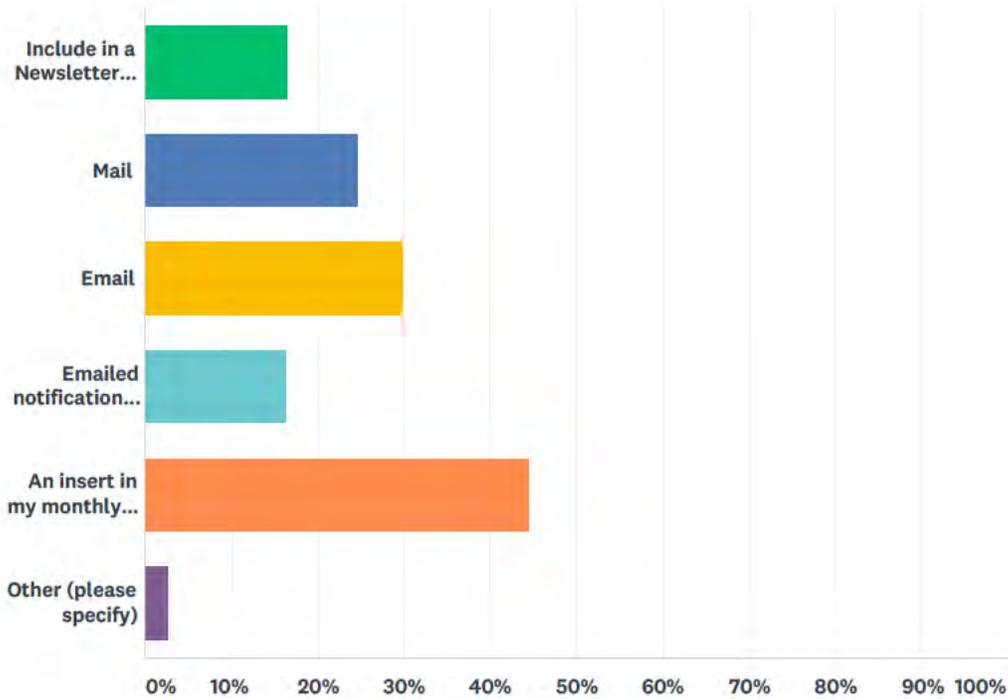
Answered: 558 Skipped: 23



ANSWER CHOICES	RESPONSES	
Very sat sf ed	70.61%	394
Sat sf ed	20.61%	115
Ne ther sat sf ed nor d ssat sf ed	7.89%	44
D ssat sf ed	0.72%	4
Very d ssat sf ed	0.18%	1
<b>TOTAL</b>		<b>558</b>

## Q4 What is your preferred way to receive communications from the SLOCPT?

Answered: 580 Skipped: 1



ANSWER CHOICES	RESPONSES	
Include in a Newsletter mailed to my home	16.55%	96
Mail	24.66%	143
Email	30.00%	174
Emailed notification with a link to a website	16.38%	95
An insert in my monthly retirement benefit statement	44.48%	258
Other (please specify)	2.76%	16
Total Respondents: 580		

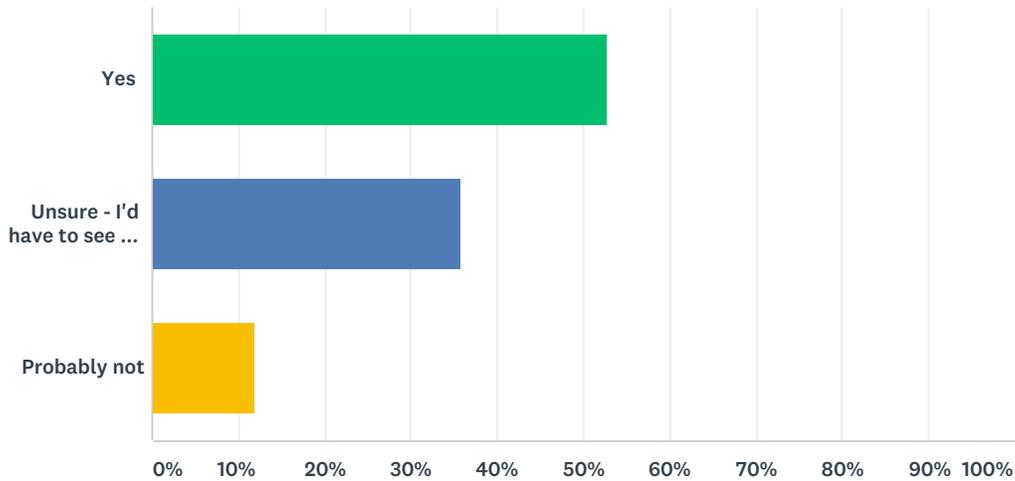
#	OTHER (PLEASE SPECIFY)	DATE
1	w [REDACTED]	6/3/2019 9:21 AM
2	Don't have a computer.	5/28/2019 2:50 PM
3	Don't have a computer	5/28/2019 2:49 PM
4	Phone	5/23/2019 4:56 PM
5	In person at Pension Trust Office and By Phone	5/23/2019 4:55 PM
6	Stopped using computer when I turned 82. Could not keep up with the new stuff. No one to help me.	5/23/2019 4:52 PM
7	I don't own a computer, cell phone or have email by choice. It's N cel!	5/23/2019 4:45 PM
8	I don't have a computer.	5/23/2019 4:36 PM

## SLO County Pension Trust Retiree survey - May 2019

9	If urgent, call me	5/23/2019 4:25 PM
10	Everything done by mail satisfactory	5/23/2019 4:20 PM
11	Insert w/retirement statement (more timely than bi-annual Newsletter AND notice to check the website for more information.	5/15/2019 1:56 PM
12	Telephone	5/7/2019 2:50 PM
13	Any of the above sufficient	5/7/2019 12:47 PM
14	any of the above sufficient, no preference	5/3/2019 5:21 PM
15	my email : [REDACTED]	5/2/2019 3:55 PM
16	Email newsletter instead of paper copy	5/2/2019 3:36 PM

**Q5 The SLOCPT will be adding a "Member Portal" website late in 2019 that is substantially more user friendly than the old SLOCPT website. Do you think you would find such a website useful to you as a retiree?**

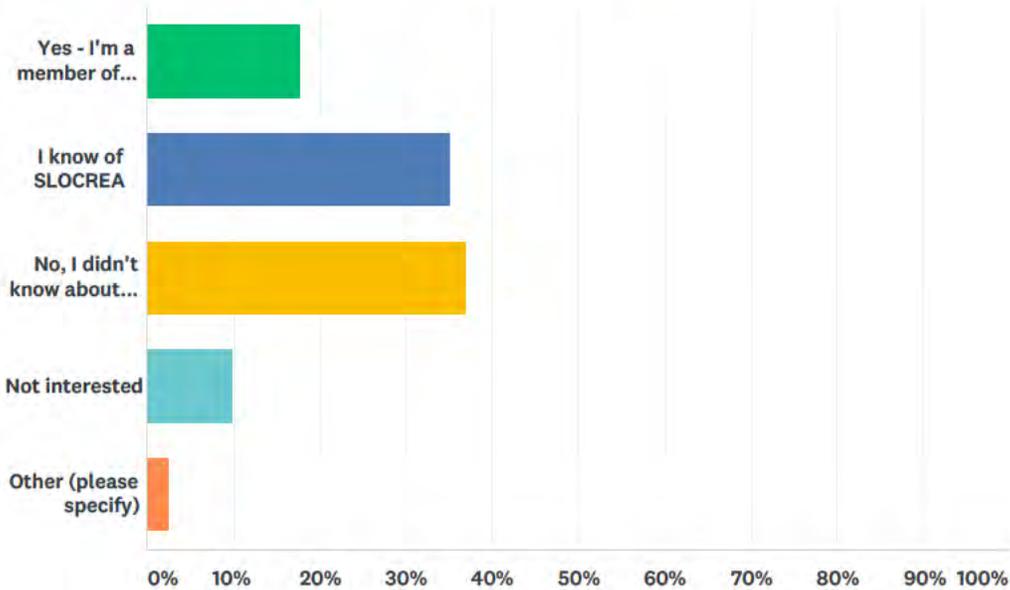
Answered: 580 Skipped: 1



ANSWER CHOICES	RESPONSES	
Yes	52.76%	306
Unsure - I'd have to see t frst	35.86%	208
Probab y not	11.90%	69
Total Respondents: 580		

**Q6 Are you aware that there is an association of SLO County retirees - the San Luis Obispo County Retired Employees Association (SLOCREA) which can be found at [www.SLOCREA.org](http://www.SLOCREA.org)?**

Answered: 580 Skipped: 1



ANSWER CHOICES	RESPONSES	
Yes - I'm a member of SLOCREA	17.76%	103
I know of SLOCREA	35.17%	204
No, I didn't know about SLOCREA	37.07%	215
Not interested	9.83%	57
Other (please specify)	2.59%	15
Total Respondents: 580		

#	OTHER (PLEASE SPECIFY)	DATE
1	Maybe the Faculty could plug the SLOCREA group with website, meeting dates and contact info?	6/3/2019 9:50 AM
2	NO COMPUTER	6/3/2019 9:21 AM
3	Not interested because I live in small town of [REDACTED], AZ	5/23/2019 4:52 PM
4	I don't own a computer or a specific phone.	5/23/2019 4:36 PM
5	Live out of the area.	5/23/2019 4:21 PM
6	I don't know how to use computer	5/23/2019 4:20 PM
7	Because I'm not computerized, an insert with my statement from time to time could inform me.	5/23/2019 4:18 PM
8	I've heard of it but not familiar with it	5/23/2019 2:46 PM
9	How can I join?	5/9/2019 2:15 PM
10	I moved to Arizona, so I'm not this matters.	5/8/2019 1:10 PM

## SLO County Pension Trust Retiree survey - May 2019

11	I don't know	5/4/2019 6:19 PM
12	I res de n Pennsy van a. Hard to attend meet ngs	5/4/2019 11:46 AM
13	No onger ve n SLO County	5/3/2019 1:23 PM
14	I ve n Santa Cruz County now. I am a member of the Ret red Pub c Emp yee's Assoc at on of Ca forn a. I ret red from a Ca PERS County at the end of my career.	5/3/2019 7:48 AM
15	No. I d d not kn w t cou d be found on SLOCREA webs te.	5/2/2019 4:39 PM

## Board of Trustees

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www.SLOPensionTrust.org

## San Luis Obispo County Pension Trust *SLOCPT*

Date: July 22, 2019

To: Board of Trustees

From: Carl Nelson – Executive Secretary  
Amy Burke – Deputy Executive Secretary

### **Agenda Item 9: Investment Report for June 2019**

	June	Year to Date 2019	2018	2017	2016	2015	2014
Total Trust Investments (\$ millions)	\$1,377		\$1,285 year end	\$1,351 year end	\$1,196 year end	\$1,148 year end	\$1,190 year end
<b>Total Fund Return</b>	3.6% Gross	<b>10.2% Gross</b>	-3.2 % Gross	15.5 % Gross	6.6 % Gross	-0.8% Gross	5.1 % Gross
Policy Index Return (r)	3.5%	10.1%	-3.2 %	13.4 %	7.7 %	-0.5 %	5.2 %

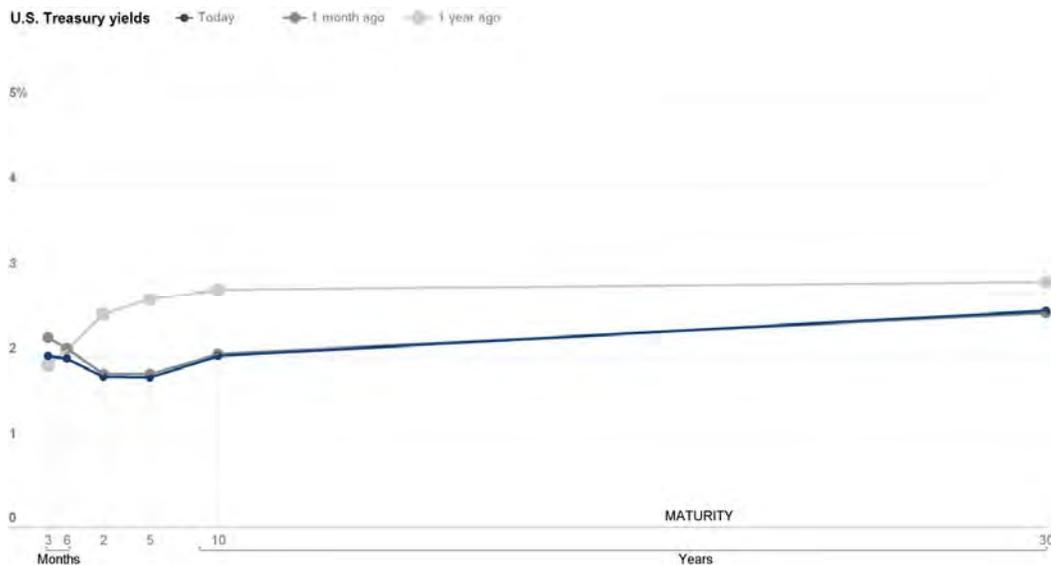
(r) Policy index as of Aug. 2016 revision to Strategic Asset Allocation Policy: 20% domestic equity, 20% international equity, 15% core bonds, 5% bank loans, 5% global bonds, 5% emerging market debt, 15% real estate, 5% commodities, 5% private equity, 5% private credit.

**Note:** The SLOCPT is on a 12/31 ending fiscal year including for actuarial valuation purposes. The 2018 total fund return was -3.2% as shown above. Many retirement systems operate on a 6/30 ending fiscal year. For comparison purposes, the SLOCPT total fund return for the 12 months ending June 30, 2019 is estimated at 6.5%.

### **The Economy and Capital Markets:**

- **Fed Policy and Interest Rates –**
  - The Fed held rates steady in June consistent with its recent dovish tone on monetary policy.
  - Fed Chair Powell’s annual report to Congress included key points of –

- Uncertainties around trade tensions and concerns about the strength of the global economy continue to weigh on the U.S. economic outlook.
  - The U.S. economy is still growing, albeit at a slower pace as the record-long expansion begins its 11<sup>th</sup> year. Business investment has slowed, possibly as a response to ongoing trade tensions and a slowdown in the global economy.
  - Longer term challenges including high and rising Federal debt, and relatively low labor force participation among Americans in their prime working years.
  - Powell stressed the importance of the Fed maintaining its independence from political pressure, apparently in response to various President Trump tweets jawboning the Fed to lower interest rates faster.
- Fixed income markets implied future rates reflect a broad market expectation that the Fed may need to lower interest rates twice in 2019 and perhaps one more time in early 2020. The expectation of a Fed rate decrease of 0.25% at its July meeting is near universal.
  - The yield curve, responding to a “flight-to-quality” remained inverted or flat comparing the 10-year treasury rate to the 3 month rate. The key issue facing the bond market is whether 2019 and 2020 will bring a continued slowing growth scenario or will other factors trigger a recession. The yield curve as of July 19<sup>th</sup> is shown below -



● **Economic Growth / Recession Risk –**

- An interesting commentary on global economic growth was contained in the LaSalle Realty’s Mid Year 2019 Outlook report excerpted below -

“As the second quarter closes, momentum has shifted downward. Economists from the IMF, Oxford Economics, and the Bloomberg Consensus poll all believe the world is facing a global slowdown. The triggers for “Slowbalisation” include aging societies, the rise of nationalism, and trade disruption.<sup>2</sup> The IMF suggests that the halt in global trade growth will likely shave as much as 50 basis points from global growth rates. Political uncertainty

has kept interest rates low on sovereign debt. One-fifth of all government bonds produce zero or negative interest rates. German bonds hit a record low negative yield in late May and early June. Investors remain starved for yield and real estate is one place they can still expect to earn positive dividends

- The Federal Reserve Bank of San Francisco's June 2019 Economic letter included the excerpt below -

“Estimates suggest the new normal pace for U.S. GDP growth remains between 1½% and 1¾%, noticeably slower than the typical pace since World War II. The slowdown stems mainly from demographic trends that have slowed labor force growth, about which there is relatively little uncertainty. A larger challenge is productivity. Achieving GDP growth consistently above 1¾% will require much faster productivity growth than the United States has typically experienced since the 1970s.” Demographics are the key reason future trend growth is expected to be low relative to history. Labor force growth has slowed markedly since the 1970s, when baby boomers reached working age and female participation in the labor force rose rapidly. However, stagnating growth in female participation since the 1990s combined with projections for birth rates, immigration, and mortality suggest growth of the traditional working-age population ages 16-64 is slowing to a historically low pace. The Congressional Budget Office (CBO) projects that the U.S. labor force and total work hours in the economy will grow only about 0.5% per year in the mid-2020s. The labor force is expected to grow somewhat faster than the 16-64 population because about 20% of people over age 64 continue to work— and this age group will grow very quickly.

- **Trade Policy –**

- Uncertainty over the direction of trade policy continues as a nagging risk worry to the capital markets. The market perception in June that US/China trade tensions were on a slow track to improvement bolstered capital markets.
- If there is not a good resolution to current trade tensions, J.P. Morgan in their commentary on their July 2, 2019 market call suggest that Fed rate decreases beyond -0.50% would not calm capital markets, but could instead add to fears of a recession triggered by trade disputes.

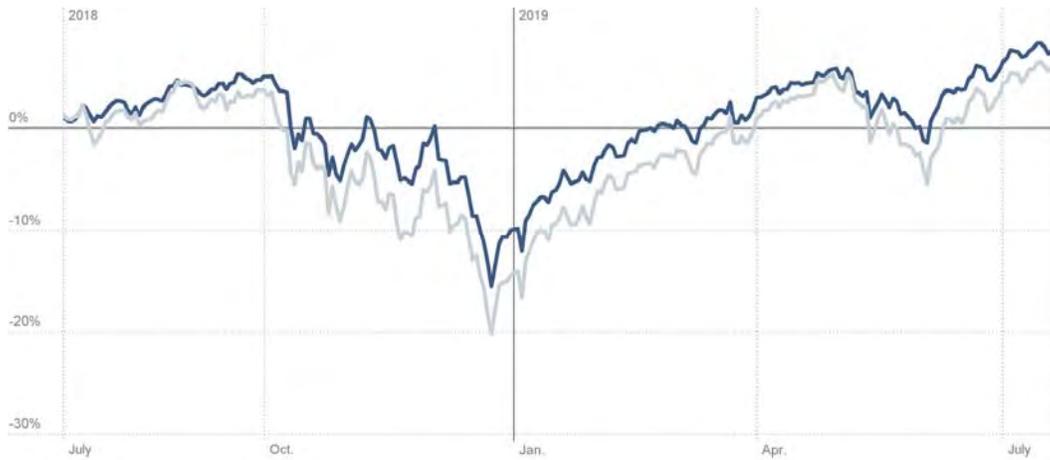
- **Employment and Wages –**

- The June DOL report on nonfarm employment -
  - New jobs came in at a bounce-back level of +244K in June following a May new jobs report of only +72k (revised). Year to date monthly new job growth has averaged +172k/month versus the full year 2018 average of +223k/month.
  - Unemployment remained at 3.7%
  - Average hourly earnings for the trailing 12 month period increased 3.1%.

**SLOCPT Investment Returns:**

The attached report from Verus covers the investment returns of the SLOCPT portfolio and general market conditions through the end of June. The attached market commentary from Verus details market conditions in June, but subsequent activity in July are not yet factored into these numbers.

The strong equity market returns in January through April (a +18.2% return on the S&P 500) followed by a distinctly Bearish May (-6.4% return on the S&P 500) and then a Bullish June +7.0% return on the S&P 500) has brought the S&P 500 to record highs of 3,000. The graph below shows the trailing one-year path of the S&P 500 as percentage changes illustrating the various phases of this interesting equity market.



Respectfully submitted

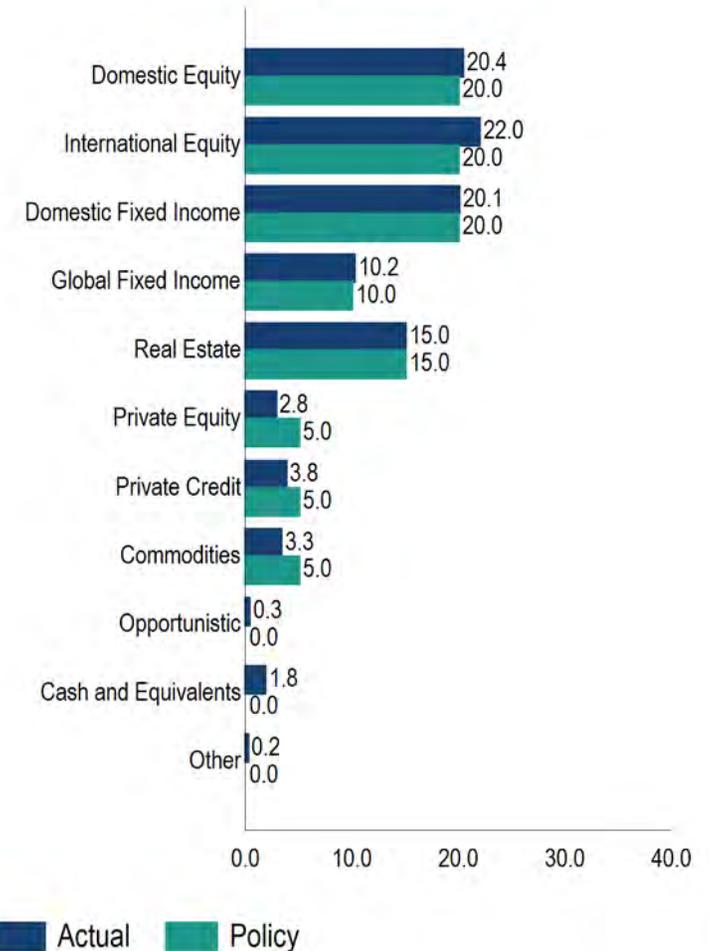
# San Luis Obispo County Pension Trust

## Executive Summary - Preliminary (Gross of Fees)

Period Ending: June 30, 2019

	Market Value	% of Portfolio	1 Mo	YTD
<b>Total Fund</b>	<b>1,377,282,113</b>	<b>100.0</b>	<b>3.6</b>	<b>10.2</b>
Total Fund ex Overlay	1,374,603,205	99.8	3.6	10.3
Policy Index			3.5	10.1
<b>Total Domestic Equity</b>	<b>281,291,354</b>	<b>20.4</b>	<b>7.1</b>	<b>18.7</b>
Russell 3000			7.0	18.7
PIMCO RAE Fundamental PLUS Instl	54,815,073	4.0	7.5	14.1
S&P 500			7.0	18.5
Loomis Sayles Large Cap Growth	82,485,250	6.0	7.7	22.4
Russell 1000 Growth			6.9	21.5
Boston Partners Large Cap Value	78,342,892	5.7	6.5	12.9
Russell 1000 Value			7.2	16.2
Atlanta Capital Mgmt	65,648,139	4.8	6.9	26.4
Russell 2500			7.1	19.2
<b>Total International Equity</b>	<b>302,610,241</b>	<b>22.0</b>	<b>6.7</b>	<b>19.0</b>
MSCI ACWI ex USA Gross			6.1	14.0
Dodge & Cox Intl Stock	140,934,184	10.2	6.9	13.2
MSCI EAFE Gross			6.0	14.5
WCM International Growth	161,676,057	11.7	6.5	24.6
MSCI ACWI ex USA Gross			6.1	14.0
<b>Total Domestic Fixed Income</b>	<b>276,308,832</b>	<b>20.1</b>	<b>1.2</b>	<b>6.8</b>
BBgBarc US Aggregate TR			1.3	6.1
BlackRock Core Bond	101,718,613	7.4	1.4	7.4
BBgBarc US Aggregate TR			1.3	6.1
Dodge & Cox Income Fund	99,300,696	7.2	1.6	6.8
BBgBarc US Aggregate TR			1.3	6.1
Pacific Asset Corporate Loan	75,289,523	5.5	0.4	5.8
S&P/LSTA Leveraged Loan Index			0.2	5.7
<b>Total Global Fixed</b>	<b>140,613,560</b>	<b>10.2</b>	<b>3.8</b>	<b>6.5</b>
FTSE World Govt Bond Index			2.3	5.4
Brandywine Global Fixed Income	67,592,640	4.9	3.2	4.0
FTSE WGBI ex US TR			3.2	5.5
Ashmore EM Blended Debt Fund	73,020,920	5.3	4.3	--
JPM GBI-EM Global Diversified TR USD			5.5	--

Actual vs Target Allocation (%)



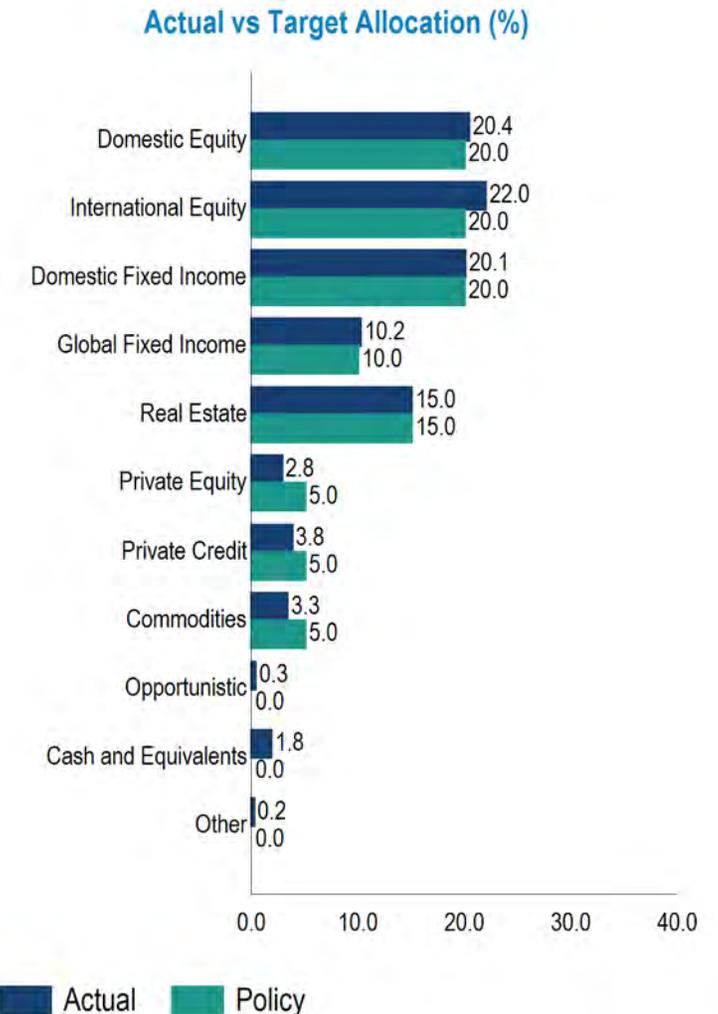
\*Other balance represents Clifton Group.

Policy Index (10/1/2016): 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity, 5% Russell 3000 + 300 bp, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. Boston Partners funded 2/1/2017. WCM Intl Growth replaced Vontobel on 2/15/2017. Pathway 9 funded 4/7/2017. SSGA TIPS liquidated on 12/7/2017. Fidelity Real Estate Growth III liquidated on 12/29/2017. SSGA Flagship S&P 500 liquidated 2/1/2018. Harbourvest 2018 Global Fund L.P. funded 12/14/2018. Stone Harbor liquidated 3/22/2019. Ashmore EM Blended Debt funded 3/31/2019. Most recently reported market values for private equity/credit, opportunistic, and illiquid real estate funds adjusted for calls and distributions through the report end date. All data is preliminary.

San Luis Obispo County Pension Trust  
 Executive Summary - Preliminary (Gross of Fees)

Period Ending: June 30, 2019

	Market Value	% of Portfolio	1 Mo	YTD
<b>Total Real Estate</b>	<b>206,785,359</b>	<b>15.0</b>	<b>0.1</b>	<b>1.8</b>
NCREIF Property Index			0.0	1.8
JP Morgan Core Real Estate	165,870,433	12.0	0.2	1.1
NCREIF-ODCE			1.0	2.4
NCREIF Property Index			0.0	1.8
ARA American Strategic Value Realty	33,374,724	2.4	0.0	3.8
NCREIF-ODCE			1.0	2.4
NCREIF Property Index			0.0	1.8
Direct Real Estate	7,540,202	0.5	0.0	13.0
NCREIF-ODCE			1.0	2.4
NCREIF Property Index			0.0	1.8
<b>Total Commodities</b>	<b>46,036,505</b>	<b>3.3</b>	<b>3.3</b>	<b>5.7</b>
Bloomberg Commodity Index TR USD			2.7	5.1
Gresham MTAP Commodity Builder	46,036,505	3.3	3.3	5.7
Bloomberg Commodity Index TR USD			2.7	5.1
<b>Total Private Equity</b>	<b>38,992,481</b>	<b>2.8</b>		
Harbourvest Partners IX Buyout Fund L.P.	14,866,449	1.1		
Pathway Private Equity Fund Investors 9 L.P.	22,698,714	1.6		
Harbourvest 2018 Global Fund L.P.	1,427,318	0.1		
<b>Total Private Credit</b>	<b>52,277,257</b>	<b>3.8</b>		
TPG Diversified Credit Program	52,277,257	3.8		
<b>Total Cash</b>	<b>25,236,467</b>	<b>1.8</b>	<b>0.5</b>	<b>1.5</b>
91 Day T-Bills			0.2	1.2
Cash Account	25,236,467	1.8	0.5	1.5
91 Day T-Bills			0.2	1.2
<b>Total Opportunistic</b>	<b>4,451,149</b>	<b>0.3</b>		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	4,348,928	0.3		
PIMCO Distressed Credit Fund	102,221	0.0		
CPI + 5%			0.4	4.5



\*Other balance represents Clifton Group.

Policy Index (10/1/2016): 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity, 5% Russell 3000 + 300 bp, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. Boston Partners funded 2/1/2017. WCM Intl Growth replaced Vontobel on 2/15/2017. Pathway 9 funded 4/7/2017. SSGA TIPS liquidated on 12/7/2017. Fidelity Real Estate Growth III liquidated on 12/29/2017. SSGA Flagship S&P 500 liquidated 2/1/2018. Harbourvest 2018 Global Fund L.P. funded 12/14/2018. Stone Harbor liquidated 3/22/2019. Ashmore EM Blended Debt funded 3/31/2019. Most recently reported market values for private equity/credit, opportunistic, and illiquid real estate funds adjusted for calls and distributions through the report end date. All data is preliminary.



**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**

**JUNE 2019  
Capital Markets Update**

# Market commentary

## U.S. ECONOMICS

- Total nonfarm payroll employment rose by 224,000 jobs in June (exp. +160,000), bouncing back from a softer May figure of +72,000. The education and health services (+61,000) and professional and business services (+51,000) sectors led job gains in June and have added the most jobs over the trailing year.
- The New York Fed's Empire State Manufacturing Business Conditions survey fell 26.4 points to -8.6 in June, indicating a shift in activity from expansion to contraction. The drop was the largest monthly decline since the inception of the indicator in 2001.
- The ISM Manufacturing Index fell from 52.1 to 51.7 in June, and slightly beat expectations for a 51.0 reading. Leading the decline were the new orders and prices paid components, which fell from 52.7 to 50.0 and from 53.2 to 47.9, respectively.

## U.S. EQUITIES

- The S&P 500 Index rebounded in June, gaining 7.0% following a 6.4% pull-back in May. Perceptions of an accommodative Federal Reserve and views that U.S-China relations were on a productive track likely helped to push the S&P 500 Price Index to fresh all-time highs.
- The CBOE VIX Index faded its gains in May, and fell from 18.7 to 15.1 in June, a level below its long-term average of 18.0. Realized 30-day volatility on the S&P 500 Index was subdued at 12.2%.
- According to FactSet, the estimated Q2 earnings decline of the S&P 500 Index rose from 0.5% to 2.6% over the second quarter. Nine of eleven sectors saw downward revisions to EPS estimates.

## U.S. FIXED INCOME

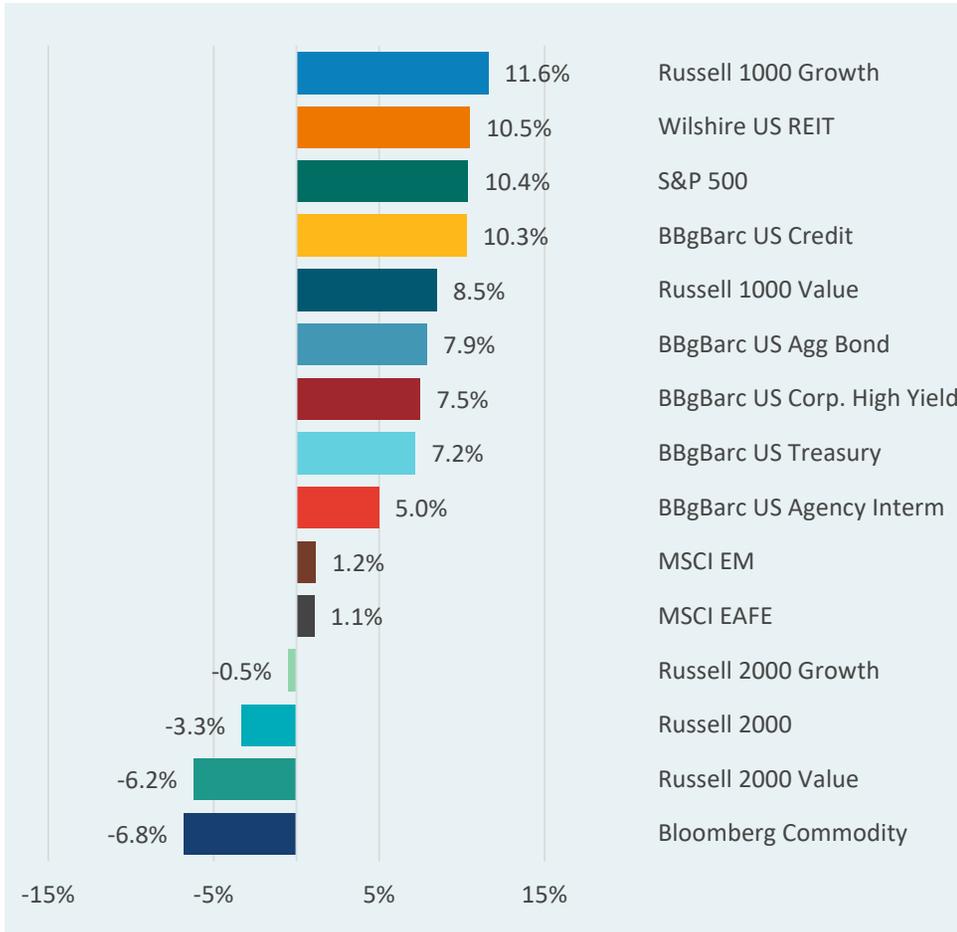
- The Federal Open Market Committee left the range for its benchmark interest rate unchanged at 2.25%-2.50% and reiterated that it would continue to act appropriately to sustain the expansion. Markets viewed the Fed's press conference as successful in setting up an "insurance" rate cut of 0.25% in July.
- Over the course of the month, the futures implied probability of the fed funds range being cut by a total of 0.75% by year-end increased from 35% to 61%. The strong June jobs report took the possibility for a 0.50% rate cut in July off the table, but a 0.25% rate cut remained 100% priced in.
- Treasury yields continued to push lower following the messaging from the Federal Reserve. Ten-year Treasury yields touched below 2.00% intra-month and ended June 0.12% lower at 2.01%.

## INTERNATIONAL MARKETS

- U.S. exceptionalism remained the story in a bounce-back month for global equities. The S&P 500 Index (+7.0%) outpaced the MSCI ACWI Index (+6.5%), and the MSCI Emerging Markets Index (+6.2%) outperformed the MSCI EAFE Index (+5.9%).
- The Citi Global Economic Surprise Index fell from -18.8 to -27.7, registering its 15<sup>th</sup> consecutive month in negative territory. The next longest streak was 12 months, between 2008 and 2009.
- The J.P. Morgan Emerging Market Currency Index gained 2.2% in June, its first monthly advance since January. The South African rand and the Mexican peso strengthened significantly vs. pairs while weakness in the Turkish lira persisted.

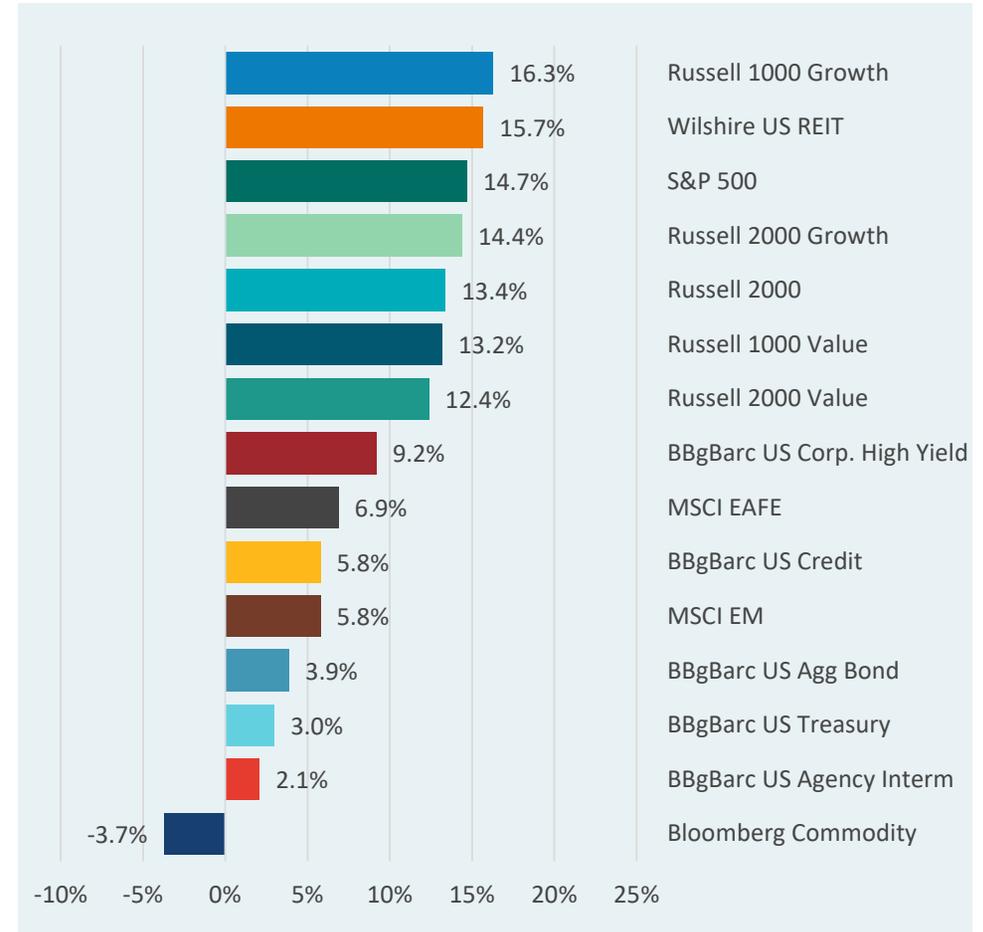
# Major asset class returns

ONE YEAR ENDING JUNE



Source: Morningstar, as of 6/30/19

TEN YEARS ENDING JUNE



Source: Morningstar, as of 6/30/19

# U.S. large cap equities

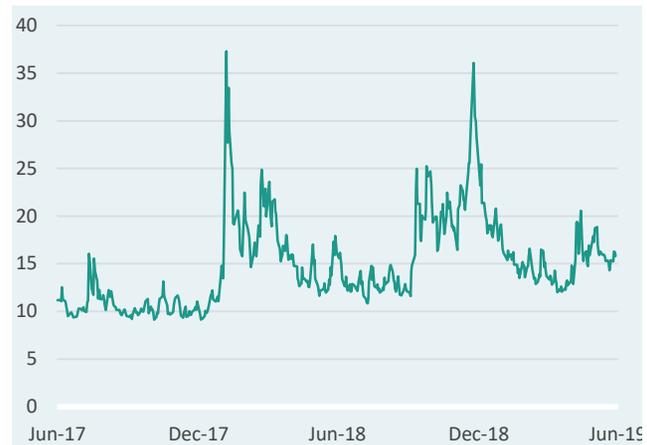
- The S&P 500 Index gained 7.0% in June, more than recovering from its 6.4% retreat in May. Within the index, Materials (+11.7%), Energy (+9.3%), and Information Technology (+9.1%) stocks outperformed.
- The Materials sector (+11.7%) was the top performer in June and tallied its best monthly return since October 2015. Dovish language from the Fed likely fueled the advance for the sector, which is heavily dependent on interest rates for capital expenditures and a weaker dollar for strong demand from foreign investors.
- Defensive sectors underperformed, and most cyclical sectors outperformed. Communication Services stocks (+4.3%) trailed the overall index, as reports that the Department of Justice was preparing an anti-trust investigation against Google put pressure on the sector.
- Per FactSet, the bottom-up June 30<sup>th</sup> 2020 target price for the S&P 500 Index is 3219, which would imply a year-over-year price appreciation of 8.3%. Analysts have overestimated the price index by 2.2%, 3.3%, and 9.8% on average over the last 5, 10, and 15 years.

**S&P 500 PRICE INDEX**



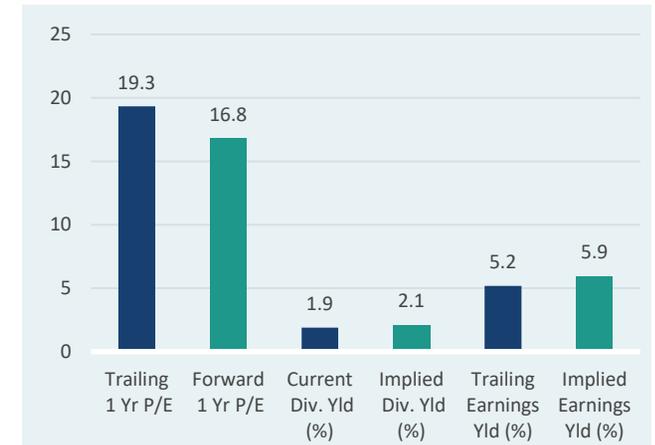
Source: Bloomberg, as of 6/30/19

**IMPLIED VOLATILITY (VIX INDEX)**



Source: CBOE, as of 6/30/19

**S&P 500 VALUATION SNAPSHOT**



Source: Bloomberg, as of 6/30/19

# Domestic equity size and style

- Small-cap equities outperformed large-cap equities for the first time since February, although outperformance was slight. The Russell 2000 Index returned 7.1% while the Russell 1000 Index returned 7.0%. Year-to-date, small-cap stocks (+17.0%) have underperformed large-cap stocks (+18.8%).
- The S&P 500 Price Index closed the month at 2942, above its 50-, 100-, and 200-day moving-averages, indicating that there has been an upward price trend over the past six months.
- Value stocks outperformed growth stocks over the period, marking their first month of positive relative performance since last November. The Russell 3000 Value Index advanced 7.1% while the Russell 3000 Growth Index gained 6.9%.
- The growth style underperformed within large-cap and outperformed within small-cap. The last time that happened was March 2018, when the U.S. Federal Trade Commission reported it would be investigating Facebook following the Cambridge Analytica scandal.

**VALUE VS. GROWTH RELATIVE VALUATIONS**



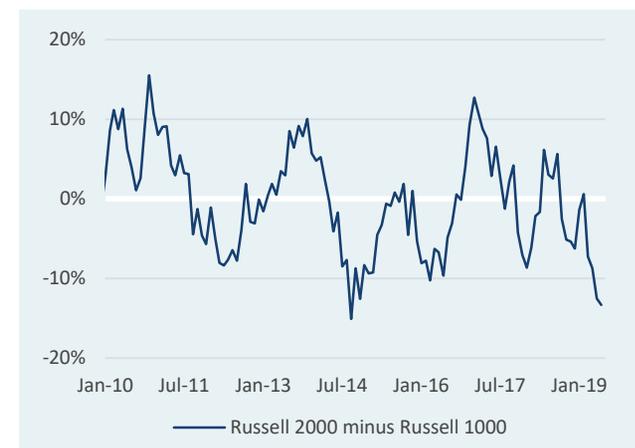
Source: Russell, Bloomberg, as of 6/30/19

**VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE**



Source: FTSE, as of 6/30/19

**SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE**

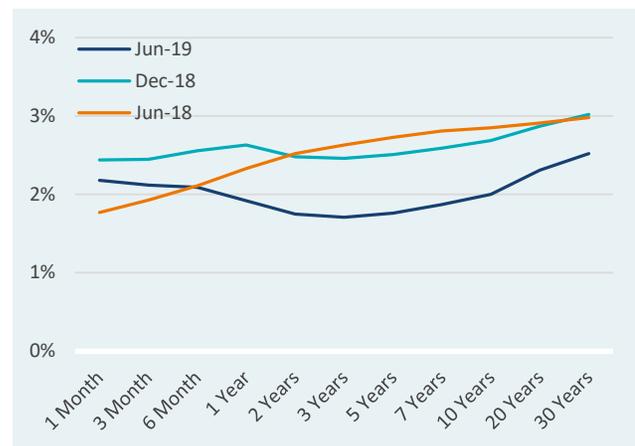


Source: FTSE, as of 6/30/19

# Fixed income

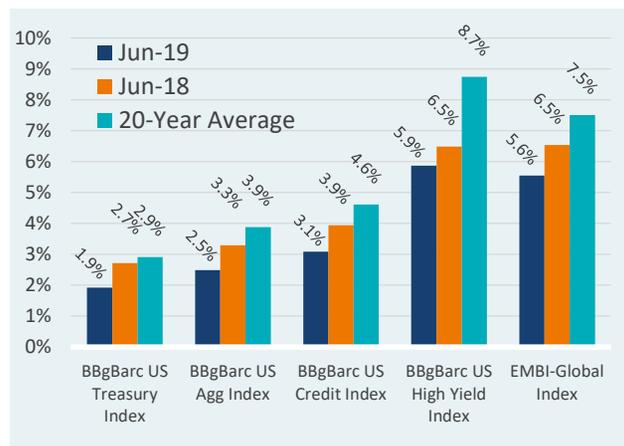
- European Central Bank President Mario Draghi issued dovish forward guidance, announcing that “additional stimulus” was on the table should the economic backdrop worsen, and inflation remain subdued. Over the month, the likelihood that the ECB would cut its main deposit rate from -0.40% to -0.50% by its September meeting rose from 18% to 67%.
- Emerging market debt was the top performer in fixed income. EM currency strength provided tailwinds for local-currency denominated EMD, which gained 6.5%.
- Sovereign yields continued to grind lower in June, encouraged by dovish language from central banks across the globe. Ten-year German bond yields sunk from -0.21% to new all-time lows of -0.33%, and ten-year French bond yields breached negative territory for the first time in their history.
- Ten-year Italian bond yields drifted from 2.67% to 2.10%, their lowest level in over a year. Many analysts viewed the rally as a reach for yield following the ECB’s decision to leave the door open for fresh stimulus.

**U.S. TREASURY YIELD CURVE**



Source: Bloomberg, as of 6/30/19

**NOMINAL YIELDS**



Source: Morningstar, as of 6/30/19

**BREAKEVEN INFLATION RATES**

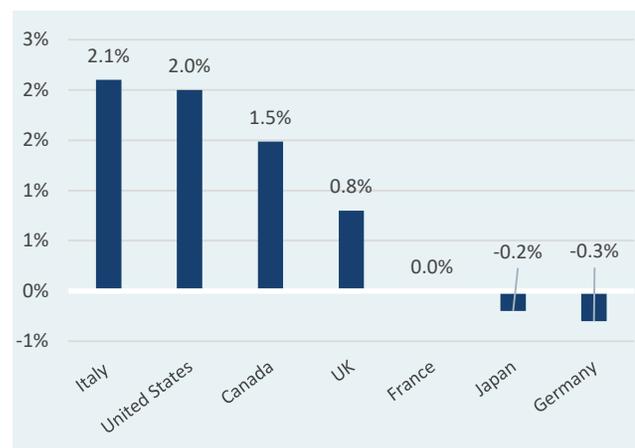


Source: Bloomberg, as of 6/30/19

# Global markets

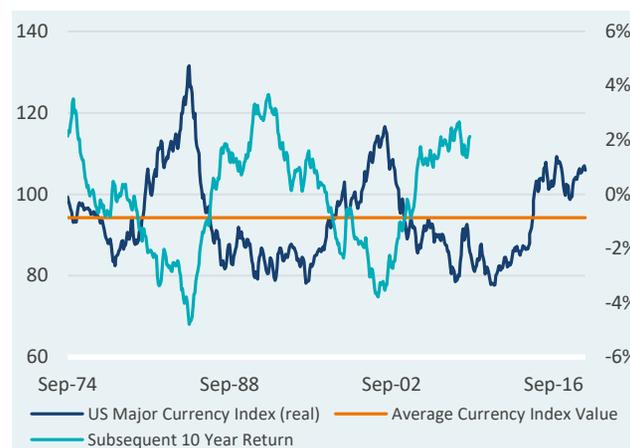
- On the sidelines of the G20 summit, Presidents Trump and Xi agreed to a “trade truce”, reopening trade talks and putting additional tariff rate hikes on pause. President Trump relaxed his stance on Huawei by allowing the Chinese company to resume importing high-tech U.S. intermediate goods in exchange for bolstered Chinese purchases of U.S. agricultural goods.
- The Bloomberg Dollar Spot Index declined for the first time since January, indicating that the U.S. dollar weakened relative to trade-weighted currency pairs.
- U.S.-Iranian tensions escalated materially over the month. Since May, six oil tankers and an unmanned U.S. spy drone have been attacked near or in the Strait of Hormuz, a global oil shipping chokepoint. Iran also began enriching uranium past the limit specified in the 2015 Iran Nuclear Deal, further stressing relations.
- The U.S. Trade Representative’s office proposed tariffs on \$4 billion worth of EU exports. The tariffs would be tacked on to the \$21 billion worth of EU exports the USTR said could be subject to tariffs back in April.

**GLOBAL SOVEREIGN 10-YEAR YIELDS**



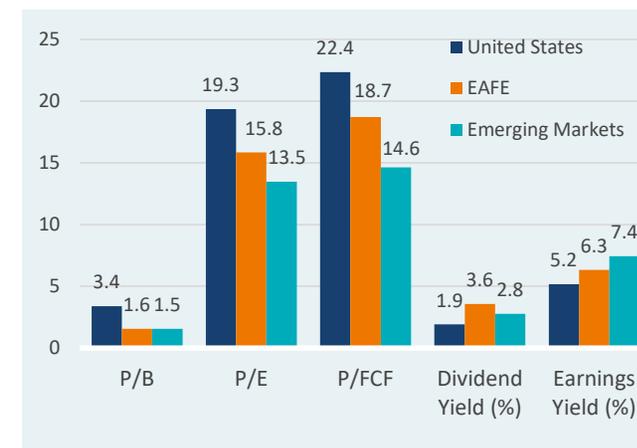
Source: Bloomberg, as of 6/30/19

**U.S. DOLLAR MAJOR CURRENCY INDEX**



Source: Federal Reserve, as of 6/30/19

**MSCI VALUATION METRICS (3-MONTH AVG)**



Source: Bloomberg, as of 6/30/19

# Commodities

- The Bloomberg Commodity Index gained 2.7%, bringing its year-to-date advance to 5.1%. Precious metals, particularly gold, as well as oil prices supported the overall index, while the livestock sector presented headwinds for performance.
- West Texas Intermediate crude oil recovered in June, as the price of a barrel rose from \$53.64 to \$58.47. Elevated tensions between the U.S. and Iran, the formulation of a U.S.-China “trade truce”, and a decision from OPEC+ to extend oil production cuts all supported the rally.
- Precious metals (+7.3%) delivered the highest return of any sector within the overall commodity basket, propelled by surging gold prices. The price of an ounce of gold jumped from \$1,306 to \$1,410 over the course of the month, as elevated geopolitical uncertainty as well as dollar weakness boosted the haven asset’s appeal.
- The Livestock sector declined 3.5% in June, led by falling lean hogs futures prices. China’s pork imports grew 63% in May from the prior year, but U.S. pork shipments to China still missed expectations, and pork supplies swelled.

## INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	2.7	(1.2)	5.1	(6.8)	(2.2)	(9.1)	(3.7)
Bloomberg Agriculture	0.5	4.5	1.2	(4.2)	(10.3)	(9.7)	(2.9)
Bloomberg Energy	4.0	(4.6)	10.6	(14.3)	(0.5)	(18.2)	(11.9)
Bloomberg Grains	0.3	8.4	2.1	(0.2)	(9.1)	(10.2)	(4.0)
Bloomberg Industrial Metals	2.0	(7.2)	4.7	(11.0)	6.4	(3.0)	(0.4)
Bloomberg Livestock	(3.5)	(11.0)	(6.8)	(3.5)	(2.5)	(7.1)	(2.1)
Bloomberg Petroleum	6.9	(1.1)	24.5	(15.0)	5.4	(16.0)	(6.2)
Bloomberg Precious Metals	7.3	7.1	7.2	7.6	(0.8)	(1.3)	3.0
Bloomberg Softs	1.5	(0.3)	0.1	(11.8)	(14.3)	(11.6)	(3.7)

Source: Morningstar, as of 6/30/19

## COMMODITY PERFORMANCE



Source: Bloomberg, as of 6/30/19

# Appendix

# Periodic table of returns

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	YTD	5-Year	10-Year
Large Cap Growth	38.7	66.4	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	21.5	13.4	16.3
Small Cap Growth	27.0	43.1	22.8	8.4	10.3	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	20.4	10.5	14.8
Large Cap Equity	20.3	33.2	12.2	7.3	6.7	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	0.0	18.8	8.6	14.4
Small Cap Equity	19.3	27.3	11.6	3.3	1.6	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	-1.5	17.0	8.5	13.4
Large Cap Value	16.2	26.5	7.0	2.8	1.0	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	-3.5	16.2	7.5	13.2
International Equity	15.6	24.3	6.0	2.5	-5.9	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	-4.8	14.0	7.1	12.4
Small Cap Value	8.7	21.3	4.1	-2.4	-6.0	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	-6.0	13.5	5.4	9.1
60/40 Global Portfolio	4.9	20.9	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	-8.3	12.0	4.3	7.4
Emerging Markets Equity	1.2	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	10.6	2.9	6.9
Hedge Funds of Funds	-2.5	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	6.3	2.5	5.8
US Bonds	-5.1	7.3	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	7.0	-11.2	6.1	2.2	3.9
Commodities	-6.5	4.8	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-12.9	5.1	2.2	3.2
Real Estate	-25.3	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-13.8	1.8	0.9	0.5
Cash	-27.0	-1.5	-30.6	-21.2	-30.3	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-14.6	1.2	-9.1	-3.7

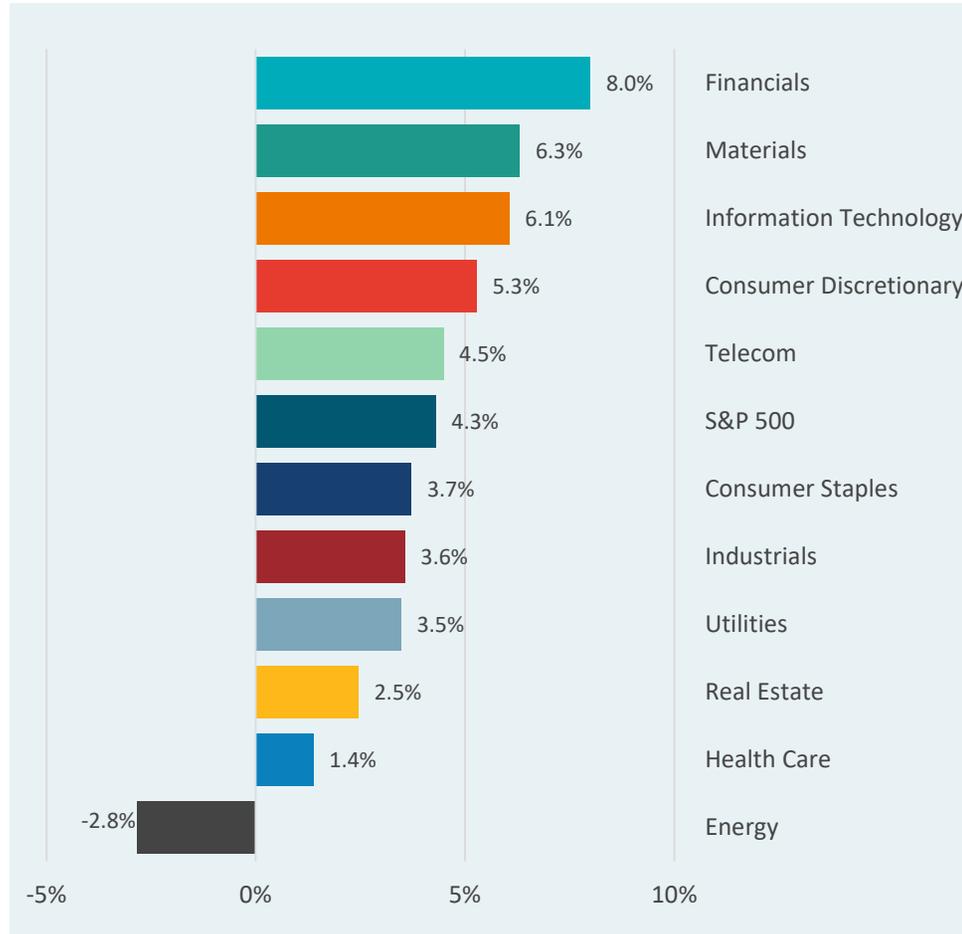
BEST  
↑  
↓  
WORST

- Large Cap Equity
- Small Cap Growth
- Commodities
- Large Cap Value
- International Equity
- Real Estate
- Emerging Markets Equity
- Hedge Funds of Funds
- US Bonds
- 60% MSCI ACWI/40% BBgBarc Global Bond
- Cash

Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 3/31/19.

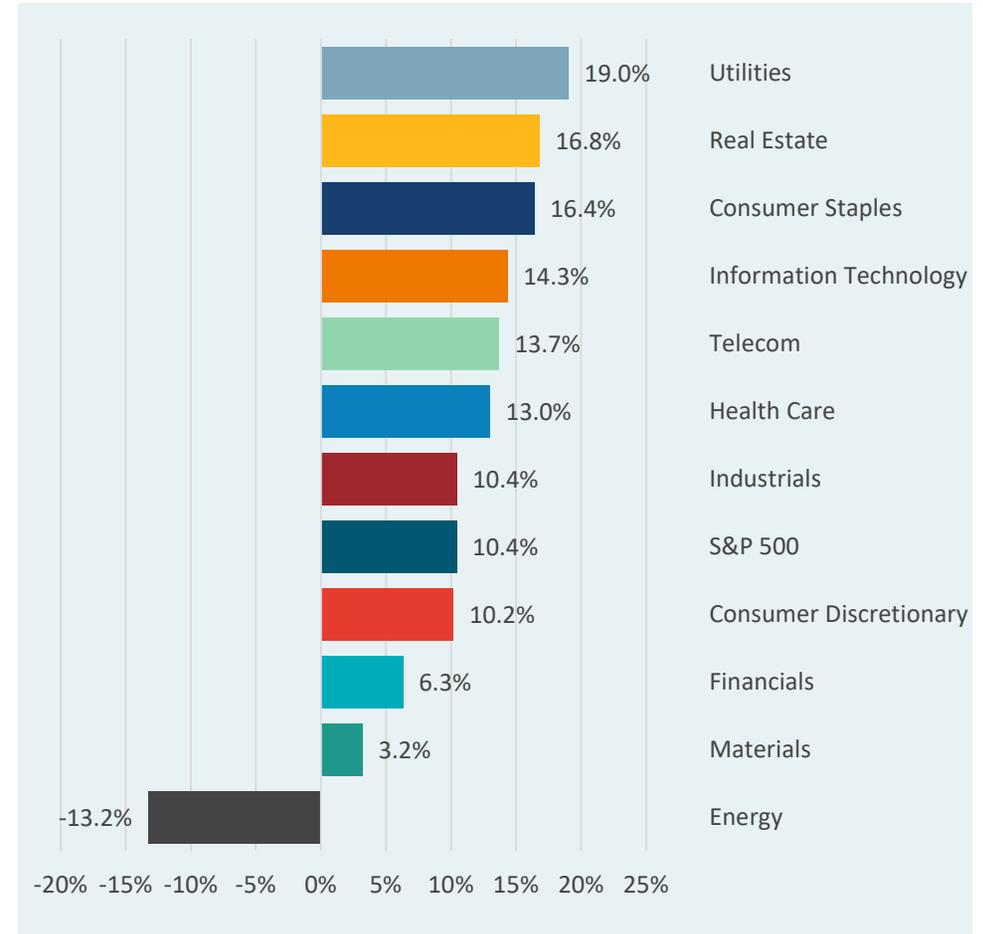
# S&P 500 sector returns

Q2



Source: Morningstar, as of 6/30/19

ONE YEAR ENDING JUNE



Source: Morningstar, as of 6/30/19

# Detailed index returns

## DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Core Index</b>							
S&P 500	7.0	4.3	18.5	10.4	14.2	10.7	14.7
S&P 500 Equal Weighted	7.5	3.7	19.2	8.2	12.4	9.1	15.6
DJ Industrial Average	7.3	3.2	15.4	12.2	16.8	12.3	15.0
Russell Top 200	7.1	4.3	17.9	10.9	14.9	11.2	14.6
Russell 1000	7.0	4.2	18.8	10.0	14.1	10.5	14.8
Russell 2000	7.1	2.1	17.0	(3.3)	12.3	7.1	13.4
Russell 3000	7.0	4.1	18.7	9.0	14.0	10.2	14.7
Russell Mid Cap	6.9	4.1	21.3	7.8	12.2	8.6	15.2
<b>Style Index</b>							
Russell 1000 Growth	6.9	4.6	21.5	11.6	18.1	13.4	16.3
Russell 1000 Value	7.2	3.8	16.2	8.5	10.2	7.5	13.2
Russell 2000 Growth	7.7	2.7	20.4	(0.5)	14.7	8.6	14.4
Russell 2000 Value	6.4	1.4	13.5	(6.2)	9.8	5.4	12.4

## INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
MSCI ACWI	6.5	3.6	16.2	5.7	11.6	6.2	10.1
MSCI ACWI ex US	6.0	3.0	13.6	1.3	9.4	2.2	6.5
MSCI EAFE	5.9	3.7	14.0	1.1	9.1	2.2	6.9
MSCI EM	6.2	0.6	10.6	1.2	10.7	2.5	5.8
MSCI EAFE Small Cap	4.2	1.7	12.5	(6.3)	9.1	4.4	9.7
<b>Style Index</b>							
MSCI EAFE Growth	6.5	5.7	18.5	4.2	9.7	4.4	8.2
MSCI EAFE Value	5.3	1.5	9.6	(2.1)	8.5	0.1	5.5
<b>Regional Index</b>							
MSCI UK	5.0	0.9	12.9	(2.0)	6.9	(0.3)	6.8
MSCI Japan	3.7	1.0	7.7	(4.2)	8.1	4.5	5.8
MSCI Euro	7.6	5.9	16.2	0.5	10.4	1.1	5.6
MSCI EM Asia	6.4	(1.2)	9.7	(2.3)	11.2	4.5	7.5
MSCI EM Latin American	6.2	4.4	12.6	18.4	10.8	(0.8)	2.3

## FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
BBgBarc US TIPS	0.9	2.9	6.2	4.8	2.1	1.8	3.6
BBgBarc US Treasury Bills	0.2	0.7	1.3	2.4	1.4	0.9	0.5
BBgBarc US Agg Bond	1.3	3.1	6.1	7.9	2.3	2.9	3.9
<b>Duration</b>							
BBgBarc US Treasury 1-3 Yr	0.5	1.5	2.5	4.0	1.3	1.2	1.2
BBgBarc US Treasury Long	1.3	6.0	11.0	12.3	1.3	5.7	6.5
BBgBarc US Treasury	0.9	3.0	5.2	7.2	1.3	2.5	3.0
<b>Issuer</b>							
BBgBarc US MBS	0.7	2.0	4.2	6.2	2.1	2.6	3.2
BBgBarc US Corp. High Yield	2.3	2.5	9.9	7.5	7.5	4.7	9.2
BBgBarc US Agency Interm	0.6	1.7	3.1	5.0	1.6	1.8	2.1
BBgBarc US Credit	2.3	4.3	9.4	10.3	3.7	3.9	5.8

## OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Index</b>							
Bloomberg Commodity	2.7	(1.2)	5.1	(6.8)	(2.2)	(9.1)	(3.7)
Wilshire US REIT	1.4	1.6	17.9	10.5	4.1	7.8	15.7
CS Leveraged Loans	0.2	1.6	5.4	4.1	5.4	3.9	6.3
Alerian MLP	2.6	0.3	17.8	5.5	(0.4)	(6.5)	9.1
<b>Regional Index</b>							
JPM EMBI Global Div	3.4	4.1	11.3	12.4	5.5	5.3	7.8
JPM GBI-EM Global Div	5.5	5.6	8.7	9.0	4.2	(0.5)	3.4
<b>Hedge Funds</b>							
HFRI Composite	2.6	2.0	7.6	1.6	5.1	3.0	4.7
HFRI FOF Composite	1.7	1.6	6.3	1.3	4.3	2.2	3.2
<b>Currency (Spot)</b>							
Euro	2.2	1.4	(0.4)	(2.5)	0.8	(3.6)	(2.1)
Pound	1.0	(2.3)	(0.1)	(3.6)	(1.6)	(5.7)	(2.5)
Yen	0.8	2.7	1.8	2.8	(1.6)	(1.2)	(1.1)

Source: Morningstar, HFR, as of 6/30/19

# Notices & disclosures

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## Board of Trustees

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Date: July 22, 2019

To: Board of Trustees

From: Carl Nelson – Executive Secretary  
Amy Burke – Deputy Executive Secretary

### **Agenda Item 10: Asset Allocation July 2019**

This item on the agenda provides a properly noticed opportunity for the Board of Trustees to discuss and take action, if necessary, regarding asset allocation and related investment matters.

Staff will report on routine liquidity management and asset mix rebalancing transactions undertaken as administrative matters.

The planned Employer prefunding of FY19-20 pension contributions of approximately \$57 million less a still to be finalized credit for FY18-19 prefunded contributions is set for July 15<sup>th</sup>.

The adopted Investment Policy Statement requires the maintenance of a liquid reserve of three months' worth of retirement benefit payments – or about \$25 million. With the anticipated prefunding in July, Staff plans on keeping an additional \$24-25 million in liquid reserves and transfer those funds for benefit payments through 3Q19. This minimizes transaction costs for funds that will be drawn down in the near term for benefits.

\$30 million of the prefunded contributions will be allocated following normal rebalancing guidelines to the various investment managers to keep their allocations close to the Strategic Asset Allocation targets. The actual allocations will be determined when the June 30<sup>th</sup> investment report is available with actual existing asset mix data.

No Board action is planned at this point.

Respectfully submitted

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