

Pension Trust

1000 Mill Street
San Luis Obispo, CA 93408
(805) 781-5465 Phone
(805) 781-5697 Fax
www.SLOPensionTrust.org



AGENDA

PENSION TRUST BOARD OF TRUSTEES

Monday, Sept. 25, 2023 9:30 AM

Room 161/162
County Government Center
San Luis Obispo, CA 93408

MEETING MATERIALS

Materials for the meeting may be found at

<http://www.slocounty.ca.gov/Departments/Pension-Trust/Board-of-Trustees>

Any supporting documentation that relates to an agenda item for open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available at this location.

AMERICANS WITH DISABILITIES ACT (Government Code §54953.2)

Disabled individuals who need special assistance to listen to and/or participate in any meeting of the Board of Trustees may request assistance by calling 805/781-5465 or sending an email to SLOCPT@co.slo.ca.us. Every effort will be made to reasonably accommodate individuals with disabilities by making meeting materials and access available in alternative formats. Requests for assistance should be made at least two days in advance of a meeting whenever possible.

IN-PERSON MEETING

This meeting of the Board of Trustees will be held as an in-person meeting at the place shown above. The meeting may be available for online viewing by accessing -

<https://us06web.zoom.us/j/85210090298?pwd=VndxajhXQ0VIMGZ3U2hkWFJYVIZjUT09>

Webinar ID: [852 1009 0298](#)

Passcode: [331479](#)

If you wish to listen via phone to the meeting, please dial 669/900-6833. If you have any questions or require additional service, please contact SLOOPT at 805/781-5465.

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) ORGANIZATIONAL

See below

C) CONSENT

2. Minutes of the Regular Meeting of August 28, 2023 (Approve Without Correction).
3. Report of Deposits and Contributions for the month of August 2023 (Receive and File).
4. Report of Service Retirements, Disability Retirements and DROP Participants for the month of August 2023 (Receive, Approve and File).
5. *Reserved*

D) APPLICATIONS FOR DISABILITY RETIREMENT

6. *Reserved*
7. *Reserved*

E) OLD BUSINESS

None

F) NEW BUSINESS

8. Financial Auditor Engagement Renewal for 2023-2025 Audits - (Recommend Approval)
9. Disability Retirements Process, Plan Provisions Update – (Review, Discuss, and Direct Staff as necessary).
10. *Reserved*

G) INVESTMENTS

11. Monthly Investment Report for August 2023 (Receive and File).
12. Alternative Investments Fee Disclosure – CA Code 7514.7 and AB2833 - (Receive and File).
13. Asset Allocation - (Review, Discuss, and Direct Staff as necessary)
14. *Reserved*

H) OPERATIONS

15. Staff Reports
16. General Counsel Reports
17. Committee Reports:
 - i. Audit Committee No Report
 - ii. Personnel Committee Report – included in Agenda Item 20
18. Upcoming Board Topics (subject to change)
 - i. October 10, 2023 – special meeting
 - a. Executive Director – Finalist interviews – closed session
 - ii. November 27, 2023
 - a. PEPRRA Compensation Limit
 - b. Interest Crediting Rates – Normal and Additional
 - c. Disability cases (TBD)
 - d. Quarterly Investment Report
 - e. Asset Allocation – 2024 Interim Policy Mix
 - f. Private Markets Program Review
 - g. Executive Director Evaluation – closed session
 - h. Executive Director Recruitment – closed session (if needed)
 - iii. January 23, 2024
 - a. Election of Officers
 - b. Committee Appointments
 - c. Disability cases (TBD)
 - d. Annual Policies Review
 - e. TBD
 - iv. February 26, 2024
 - a. 2024 Retiree COLA

- b. Quarterly Investment Report
- c. Capital Market Assumptions / Asset Allocation Review
- d. TBD

19. Trustee Comments

Break – Lunch

I) CLOSED SESSION

- 20. EXECUTIVE DIRECTOR RECRUITMENT: The Board will convene in closed session pursuant to Gov. Code section 54957(b)(1) to discuss the status of the recruitment, candidates to be interviewed and direct staff.

J) STRATEGIC PLANNING SESSION

- 21. Funding Policy Projections - (Review, Discuss, and Direct Staff as necessary).
- 22. 2024-2026 Goal Setting Discussion – (Review, Discuss, and Direct Staff as necessary).
- 23. *Reserved*

K) ADJOURNMENT

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MINUTES

PENSION TRUST BOARD OF TRUSTEES

Monday, August 28, 2023 9:30 AM
Regular Meeting of the Pension Trust
Board of Trustees

Board Members Present: Jeff Hamm
Jim Hamilton
Lisa Howe
David Grim
Geoff O'Quest
Michelle Shoresman (*arrived at 10:29 AM*)
Gere Sibbach

Board Members Absent: -

Pension Trust Staff: Carl Nelson Executive Director
Amy Burke Deputy Director
Jennifer Alderete Accountant

General Counsel: Chris Waddell Olson | Remcho

Consultants: Scott Whalen Verus

Presenters: Dr. Brandon Erdos MMRO

Others: Marilyn Rossa Executive Director - SLOCEA
Doug Minke (online) MMRO
Larry Batchelder (online) SLOCREA
Anthony Aiello (online)
Daniel Vela (online)
Anna Bastidos (online) SLOCPT staff
Lisa Winter (online) SLOCPT staff

Call to Order: 9:30 AM by President Hamm

A) PUBLIC COMMENT

1. None

B) ORGANIZATIONAL

See below

C) CONSENT

2. Minutes of the Regular Meeting of June 26, 2023 (Approve Without Correction).
3. Reports of Deposits and Contributions for the months of June and July 2023 (Receive and File).
4. Reports of Service Retirements, Disability Retirements and DROP Participants for the months of June and July 2023 (Receive, Approve and File).
5. Monthly Investment Report for June 2023 (Receive and File).
6. *Reserved*

Motion: Approve the Consent items

Discussion: None

Public Comment: None

Motion Made: O'Quest

Motion Seconded: Grim

Carried: Unanimous

D) APPLICATIONS FOR DISABILITY RETIREMENT

7. *Reserved*

E) OLD BUSINESS

None

F) NEW BUSINESS

8. June 30, 2023 Mid-Year Financial Statements and Fiscal Year (FY) 2022-2023 Final Administrative Budget Status

Motion: Receive and file the Mid-Year Financial Statements and Fiscal Year (FY) 2022-2023 Final Administrative Budget Status report

Discussion: Deputy Director Burke presented the reports. Trustees asked several questions.

Public Comment: None

Motion Made: Hamm

Motion Seconded: Howe

Carried: Unanimous

9. Fiduciary Refresher Briefing – Disability Evaluation Process

Discussion: General Counsel Waddell reviewed the Duty of Care fiduciary responsibility in regards to disability cases. Dr. Brandon Erdos, panel psychiatrist of MMRO presented information regarding the Independent Psychiatric Evaluation (IPE) process performed for applicable disability cases with a focus on PTSD cases. Trustees asked extensive questions.

Public Comment: None

No Action Necessary

10. *Reserved*

11:27 AM - President Hamm called for a 13-minute break.

11:39 AM – Back in session

G) INVESTMENTS

11. Quarterly Investment Report for the 2nd Quarter of 2023 - Verus

Motion: Receive and file the quarterly investment report

Discussion: Scott Whalen of Verus presented an extensive report on investment markets and the performance of SLOCPT assets. Trustees asked numerous questions.

Public Comment: None

Motion Made: Sibbach

Motion Seconded: Howe

Carried: Unanimous

12. Monthly Investment Report for July 2023

Motion: Receive and file the monthly investment report

Discussion: Executive Director Nelson presented the report.

Public Comment: None

Motion Made: O’Quest

Motion Seconded: Shoresman

Carried: Unanimous

13. ESG Practices – California Retirement Systems

Motion: Receive and file the ESG Practices presentation

Discussion: Scott Whalen of Verus presented an update to the ESG landscape among California Retirement Systems. Trustees asked various questions.

Public Comment: None

Motion Made: Grim

Motion Seconded: Shoresman

14. *Reserved*

15. Asset Allocation

Discussion: Routine item included should asset allocation changes be necessary. No action needed.

Public Comment: None

No Action Necessary

President Hamm left the meeting at 12:29 PM.

H) ORGANIZATIONAL

16. Executive Director Compensation – Personnel Committee Recommendation for Salary Range

The Executive Director and the Deputy Director were excused and left the meeting during the deliberation on agenda item 16.

Motion: Approve Personnel Committee for 15% increase to salary range of Executive Director and Deputy Director positions

Discussion: General Counsel Waddell and the Personnel Committee presented the item based on surveys of comparable California public sector retirement systems management compensation. Trustees made several comments regarding the increase.

Public Comment: None

Motion Made: Grim

Motion Seconded: Hamilton

Carried: Unanimous

The Executive Director and the Deputy Director returned to the room.

17. *Reserved*

I) OPERATIONS

18. Staff Reports

- i. Deputy Director Burke presented follow-up comments on prior approval of an Industry Disability Retirement (IDR) case that is reciprocal.
- ii. Deputy Director discussed the policy renewal premiums for several insurances.
- iii. A staff report on the results of the 2023 survey of Active Members and Retirees was requested to be included in the September 25th Board of Trustees meeting.

19. General Counsel Reports

None

20. Committee Reports:

- i. Audit Committee Report
 - a. Trustee Sibbach reported that the Audit Committee met on August 22, 2023 to discuss the completion of the current five-year contract with Brown Armstrong for financial statement audit services. The Personnel Committee presented its recommendation of negotiating a three-year contract with Brown Armstrong. The Board instructed Staff to negotiate said contract.
- ii. Personnel Committee Report
 - a. The Personnel Committee presented part of its report as part of Agenda Item 16. The remainder of the report was presented in Closed Session under Agenda Item 23.

21. Upcoming Board Topics – published on meeting agenda

22. Trustee Comments

None

J) CLOSED SESSION

1:05 PM – entered Closed Session

23. EXECUTIVE DIRECTOR RECRUITMENT. The Board convened in closed session pursuant to Gov. Code section 54957(b)(1) to discuss the status of the recruitment and candidates, and to direct Staff.

1:15 PM – exited Closed Session

Report – President Hamm returned the meeting to open session.

K) ADJOURNMENT

There being no further business, the meeting was adjourned at 1:15 PM. The next Regular Meeting was set for September 25, 2023, at 9:30 AM, in Room 161/162, County Government Center, San Luis Obispo, California 93408.

Respectfully submitted,

Carl Nelson
Executive Director

**REPORT OF DEPOSITS AND CONTRIBUTIONS FOR THE MONTH OF
AUGUST 2023**

PP 16 8/11/2023	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for		Employee Rate	Combined Rate	Additional Contributions	Service Purchases	TOTAL Contributions
					Employee Contributions	Employee Rate					
By Employer and Tier:											
County Tier 1	2,651,129.77	942,075.71	35.53%	366,966.21	227,018.35	22.40%	57.94%	2,487.50	1,365.43		1,539,913.20
County Tier 2	968,768.22	356,919.63	36.84%	65,183.37	81,886.81	15.18%	52.02%	-	-		503,989.81
County Tier 3	5,340,376.37	1,887,654.39	35.35%	728,856.12	-	13.65%	48.99%	-	1,124.02		2,617,634.53
Superior Court Tier 1	223,549.72	75,018.08	33.56%	48,178.40	-	21.55%	55.11%	-	-		123,196.48
Superior Court Tier 3	212,672.96	68,469.06	32.19%	35,496.76	-	16.69%	48.89%	-	167.85		104,133.67
APCD Tier 1	48,444.94	15,110.43	31.19%	7,580.84	3,886.42	23.67%	54.86%	-	-		26,577.69
APCD Tier 2	8,180.01	2,537.64	31.02%	728.98	619.01	16.48%	47.50%	-	-		3,885.63
APCD Tier 3	28,973.61	8,941.26	30.86%	4,099.69	-	14.15%	45.01%	-	-		13,040.95
SLOCPT Tier 1	8,506.26	2,851.30	33.52%	1,291.25	790.23	24.47%	57.99%	-	-		4,932.78
SLOCPT Tier 2	10,583.20	3,547.49	33.52%	597.95	983.18	14.94%	48.46%	-	-		5,128.62
SLOCPT Tier 3	14,722.09	5,077.64	34.49%	1,965.79	-	13.35%	47.84%	250.00	-		7,293.43
LAFCO Tier 3	11,462.96	3,957.02	34.52%	1,675.60	-	14.62%	49.14%	-	-		5,632.62
RTA Tier 2	31,451.20	10,671.39	33.93%	644.19	4,088.66	15.05%	48.98%	-	-		15,404.24
RTA Tier 3	19,168.80	6,578.21	34.32%	2,556.18	-	13.34%	47.65%	-	-		9,134.39
	9,577,990.11	3,389,409.25	35.39%	1,265,821.33	319,272.66	16.55%	51.94%	2,737.50	2,657.30	\$	4,979,898.04
PP 17 8/25/2023											
By Employer and Tier:											
County Tier 1	2,643,165.37	939,426.28	35.54%	365,387.94	226,643.73	22.40%	57.94%	2,487.50	10,215.61		1,544,161.06
County Tier 2	990,635.96	364,701.05	36.81%	59,536.48	89,130.13	15.01%	51.82%	-	-		513,367.66
County Tier 3	5,334,140.68	1,882,615.71	35.29%	727,773.58	-	13.64%	48.94%	-	1,135.82		2,611,525.11
Superior Court Tier 1	223,033.97	74,858.43	33.56%	48,053.22	-	21.55%	55.11%	-	-		122,911.65
Superior Court Tier 3	216,038.10	69,511.16	32.18%	35,827.43	-	16.58%	48.76%	-	167.85		105,506.44
APCD Tier 1	48,444.97	15,110.43	31.19%	7,580.85	3,886.42	23.67%	54.86%	-	-		26,577.70
APCD Tier 2	8,180.01	2,537.64	31.02%	728.98	619.01	16.48%	47.50%	-	-		3,885.63
APCD Tier 3	28,186.45	8,698.33	30.86%	3,969.03	-	14.08%	44.94%	-	-		12,667.36
SLOCPT Tier 1	8,506.26	2,851.30	33.52%	1,291.25	790.23	24.47%	57.99%	-	-		4,932.78
SLOCPT Tier 2	10,583.20	3,547.49	33.52%	597.95	983.18	14.94%	48.46%	-	-		5,128.62
SLOCPT Tier 3	14,722.09	5,077.65	34.49%	1,965.79	-	13.35%	47.84%	250.00	-		7,293.44
LAFCO Tier 3	11,462.96	3,957.02	34.52%	1,675.60	-	14.62%	49.14%	-	-		5,632.62
RTA Tier 2	31,451.20	10,671.39	33.93%	644.19	4,088.66	15.05%	48.98%	-	-		15,404.24
RTA Tier 3	18,794.35	6,452.99	34.33%	2,501.00	-	13.31%	47.64%	-	-		8,953.99
	9,587,345.57	3,390,016.87	35.36%	1,257,533.29	326,141.36	16.52%	51.88%	2,737.50	11,519.28	\$	4,987,948.30
TOTAL FOR THE MONTH	19,165,335.68	6,779,426.12	35.37%	2,523,354.62	645,414.02	16.53%	51.91%	5,475.00	14,176.58	\$	9,967,846.34
TOTAL YEAR TO DATE	158,764,249.09	53,297,656.52	33.57%	20,967,462.98	5,454,238.59	16.64%	50.21%	46,339.16	88,739.52	\$	79,854,436.77

REPORT OF RETIREMENTS**August 2023**

RETIREE NAME	DEPARTMENT	BENEFIT TYPE *	EFFECTIVE DATE	MONTHLY BENEFIT	SS TEMP ANNUITY**
Blair, Charles V	District Attorney	Service Retirement	08/15/2023	5,585.53	False
Dohle, Kimberly S	Behavioral Health	Service Retirement	08/10/2023	2,625.90	False
Elisalda, Carmen Julie	Probation Department	Service Retirement	07/29/2023	6,332.88	True
Goodman, Sheila D	Department of Social Services	Service Retirement	07/08/2023	286.03	False
Goodman, Sheila D	Department of Social Services	Additional Annuity	07/08/2023	5.34	False
Grimley, Victoria Ann	Assessor	Service Retirement	08/05/2023	1,173.82	False
Hart, Thomas M	Public Works ISF	Service Retirement	08/12/2023	4,001.61	False
Hartley, Brett K	District Attorney	DROP	08/01/2023	9,517.80	False
Hernandez, Manuel	General Services	Service Retirement	07/01/2023	2,418.14	False
Hernandez, Manuel	General Services	Additional Annuity	07/01/2023	398.16	False
Ilano-Ramos, M Daisy	Behavioral Health	Service Retirement	08/18/2023	9,671.50	False
Johnston, Maria E	Probation Department	Service Retirement	08/06/2023	5,244.43	True
McCullar, Susan Lana	Public Works ISF	Service Retirement	08/04/2023	890.62	False
Miller, William L	Sheriff-Coroner	Service Retirement	07/13/2023	6,637.68	False
Roos, Casey	Behavioral Health	Service Retirement	07/29/2023	2,988.92	False
Singh Kaler, Harbans	Public Works ISF	Service Retirement	08/12/2023	1,195.12	False
West, Jeanine Kay	Sheriff-Coroner	DROP	08/01/2023	4,846.84	False
Ybarra, Albert A	Sheriff-Coroner	Service Retirement	07/23/2023	5,277.31	True
Zenker, Faith N	Public Works ISF	DROP	08/01/2023	8,820.06	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: September 25, 2023

To: Board of Trustees

From: The Audit Committee of the Board of Trustees
Carl Nelson – Executive Director
Amy Burke – Deputy Director
Jennifer Alderete –Accountant

Agenda Item 8: Financial Auditor – Selection – Audit Committee Recommendation

Recommendation:

The Audit Committee and Staff recommend the Board of Trustees approve the renewal of a three-year audit engagement with Brown Armstrong Accountancy for the 2023 to 2025 financial statement audits. This approval is subject to General Counsel review of the three-year contract prior to adoption.

Discussion:

Brown Armstrong Accountancy (“BA”) has served as the financial statement audit firm for the San Luis Obispo County Pension Trust (“SLOCPT”) for the better part of the last two decades. The BA partners in charge of the SLOCPT audit have rotated periodically consistent with auditing best practices. Most recently, Lindsey Zimmerman, CPA, was the BA partner assigned to the SLOCPT for the 2022 audit.

The Audit Committee met with staff on August 22, 2023 to discuss how SLOCPT should proceed in securing a financial statement Auditor now that BA’s five-year engagement has come to an end. The Committee and Staff recognized that given the long duration of the relationship with BA there was merit in going out for an RFP purely on principle. However, it was agreed that with the near-term turnover in the Executive Director position, consistency in the Auditor role during the transition period would be preferable.

The Audit Committee directed staff to solicit a proposal from BA for a renewed three-year engagement and, if reasonable, bring it to the full Board for approval. BA's proposal is attached to this memo. BA's proposal can be summarized as follows:

- Financial Audit and GASB 68 procedures for 2023-2025
- Assistance on new GASB pronouncements (if any), technical matters and implementing best audit and financial accounting practices.
- Partner Rotation was not proposed since the current partner, Lindsey Zimmerman has only been assigned to SLOCPT for one year and the industry standard partner rotation cycle is currently six years.
- All-inclusive maximum fee of \$62,800 for each of the three years of the proposal – 2023-2025. This compares to the 2022 Audit fee of \$59,800 and represents a 5% increase due to inflation.

Respectfully submitted,

August 24, 2023

Ms. Amy Burke
Deputy Director
San Luis Obispo County Pension Trust
1000 Mill Street
San Luis Obispo, California 93401

Dear Ms. Burke:

Our five (5) year contract ended with the completion of the December 31, 2022 audit. Brown Armstrong first began providing services to San Luis Obispo County Pension Trust (SLOCPT) in 2004 and we hope to continue that relationship. I am pleased to provide a renewal proposal to SLOCPT to provide audit services for the fiscal years ending December 31, 2023, 2024 and 2025.

As your current auditors, we feel we are uniquely qualified to continue to provide you with the level of service you expect from your auditors and continuing to be a resource by providing assistance on new GASB pronouncements, assistance on technical matters as they arise, and continuing to work with SLOCPT's staff in implementing best practices. As a result of our past professional relationship, we fully understand the work to be performed. We are committed to continue to perform the highest quality work within your stated time frame.

The contractual fees were \$53,800 and \$6,000 for the December 31, 2022 financial statement and GASB 68 audits, respectively. We propose a total not-to-exceed maximum price of \$56,500, for the financial statement audit and \$6,300 for the GASB 68 audit, which represents a 5% increase from the contracted price from the fiscal year ended December 31, 2022, as a result of inflation and our salary/COLA adjustments.:

	Fiscal Year End December 31, 2023	Fiscal Year End December 31, 2024	Fiscal Year End December 31, 2025
Financial Statement Audit	\$56,500	\$56,500	\$56,500
GASB 68	6,300	6,300	6,300
Total not-to-exceed maximum price	\$62,800	\$62,800	\$62,800

Ms. Amy Burke
Deputy Director
San Luis Obispo County Pension Trust
August 24, 2023
Page Two

We have truly enjoyed working with you and your staff. We are looking forward to continuing serving you. If you accept this proposal, please sign the enclosed copy and return it to us.

Sincerely,

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



By: Lindsey Zimmerman

LBZ:mmj

I:\data\Word\PROPOSAL\2023\Retirements\San Luis Obispo County Pension Trust\Proposal Letter.docx

RESPONSE:

We agree with this proposal.

By: _____

Title : _____

Date: _____

Board of Trustees

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Date: September 25 2023

To: Board of Trustees

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

Agenda Item 9: Disability Retirements – Process, Plan Provisions Update

Recommendation:

It is recommended by Staff that the Board of Trustees –

- Discuss the Disability Retirement process as described below and provide feedback to Staff.

Background:

The San Luis Obispo County Employees Retirement Plan (the Plan) includes important Disability Retirement benefits. Eligibility for Disability Retirement is for a Plan Member who becomes permanently physically or mentally disabled through illness or injury to the extent that they are incapable of performing their duties and remains so. Disability Retirement benefits are paid for life just like normal service retirements. Following a Fiduciary Refresher briefing on Disability Retirements that are psychiatric in nature a number of questions arose that are addressed below.

The Full Disability Retirement Process:

The following flowchart shows the general process that applicants for Ordinary Disability Retirement (ODR) or Industrial Disability Retirement (IDR) go through from onset of the disabling condition through separating from service and into receipt of an ODR or IDR benefit.

Naturally, each case is different and some employees facing a potentially disabling condition may not go through all of these steps (e.g., work with restrictions or light duty just not possible). Many employees in this situation will find an “exit ramp” from the disability process through medical treatment and recovery – something all parties would wish for.

ODR eligibility
Miscellaneous, Probation and Safety –
Disability of any type including workplace injury

IDR eligibility
Probation and Safety –
Service-connected disability for Public Safety Officers

ODR
Disabling Event or Condition

IDR
Disabling Event or Condition –
Service Connected

Leave Time

- Sick Leave / Vac.
- Workers Comp?
- LWOP / FMLA
- SDI

Leave Time

- Sick Leave / Vac.
- **4350 Leave** (1 yr)
- Workers Comp
- LWOP / FMLA
- SDI

Medical treatment

- Personal physicians
- Workers Comp. if applicable

Medical treatment

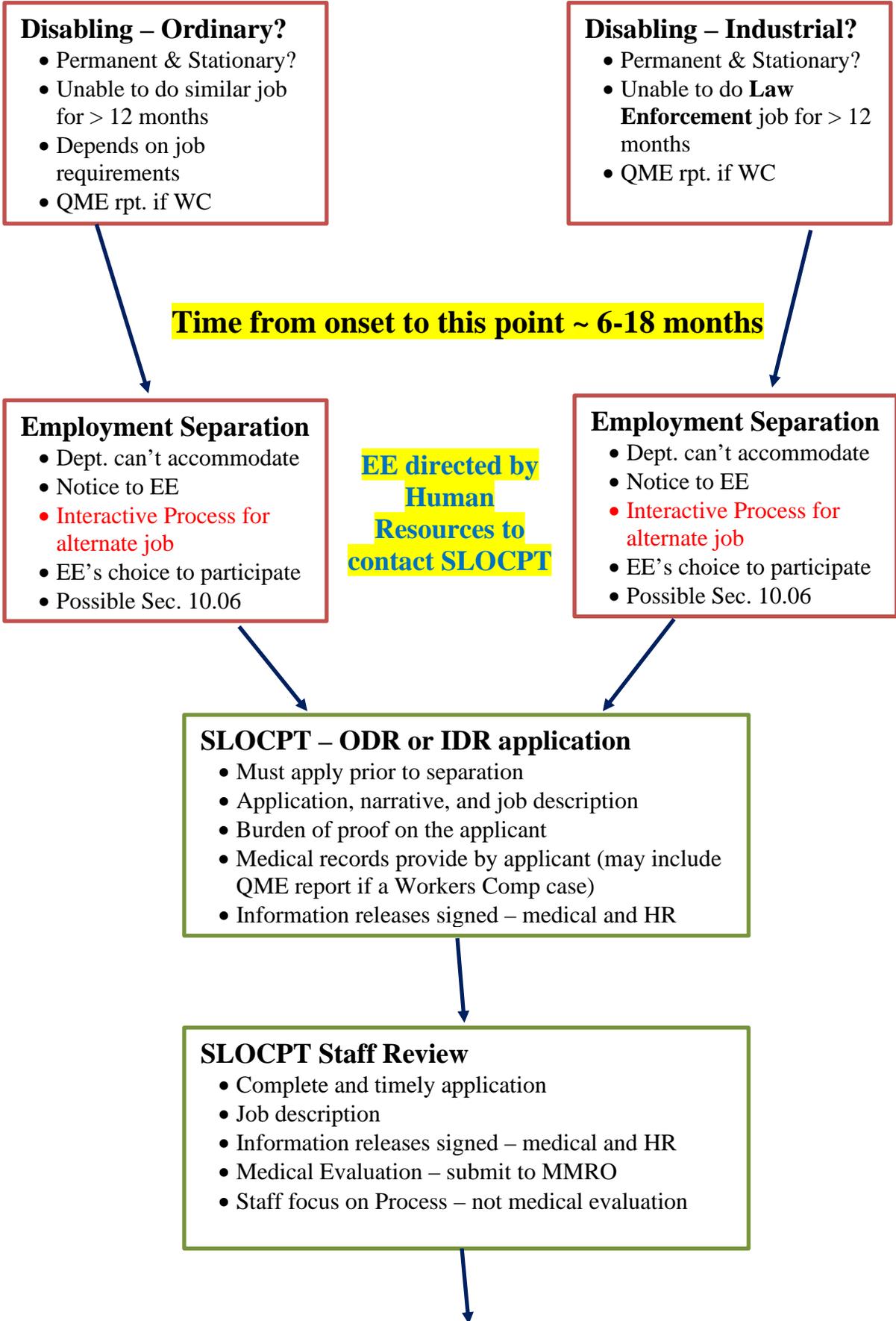
- Personal physicians
- **Workers Comp.**

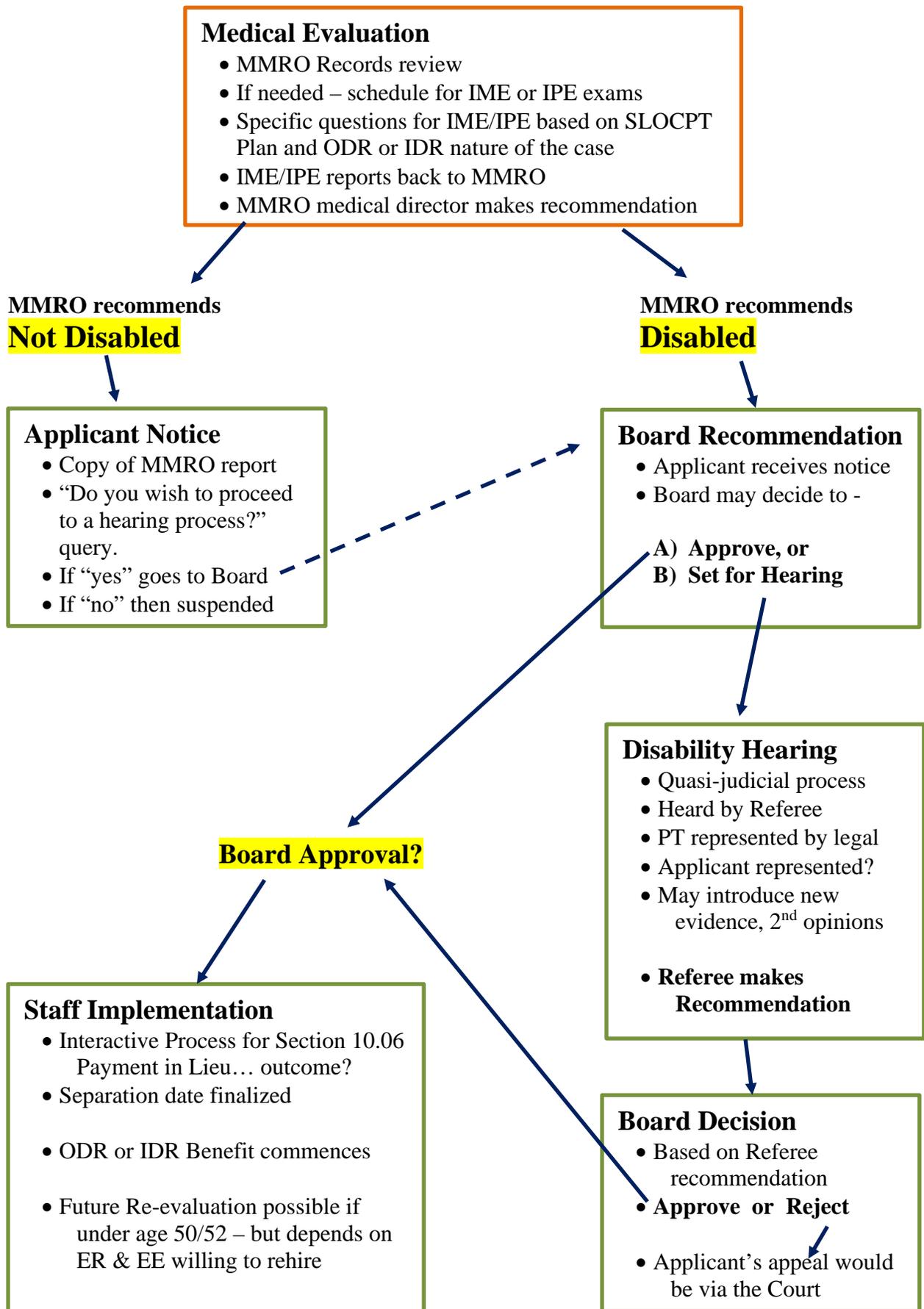
Work with restrictions?

- Depends on Dept.
- Reasonable accommodations

Light Duty?

- Depends on job
- Reasonable accommodations
- Finite time limit





IPE Examinations - Virtual:

At the August 28th Board of Trustees meeting questions were raised about the validity of virtual IPE examinations versus in-person IPE exams. This is specifically in the context of forensic psychiatric examinations and not clinical or treating psychiatric sessions.

Staff queried MMRO for their view on this issue. As the medical evaluation team used by the SLOCPT, the MMRO medical staff is able to form valid opinions on this question based on medical data. The MMRO response is excerpted below.

“Thanks again for the opportunity to have Dr. Erdos address the SLOCPT Board. We certainly appreciate it.

As we’ve discussed, the use of Virtual Independent Psychiatric Evaluations (V-IPEs) has only continued to grow in the review of disability claims, both in the public and private sectors. In our own experience, V-IPEs have been tremendously effective in providing credible and accurate disability opinions in a manner that is more expedient in their completion timeframes, as well as more convenient for the members.

MMRO is considering authoring a white paper on the use and validity of V-IPEs in the public disability retirement context. If we do move forward in this regard, we will certainly send along for your review as well.

We are attaching two medical literature articles discussing this topic, and upon which we rely. The first is an article entitled, “PTSD Disability Examinations in the Department of Veterans Affairs: A Comparison of Telehealth and In-Person Exams” published in the American Psychological Association’s *Professional Psychology: Research and Practice*. The second is an article published by Elsevier Mental and Behavioral Health entitled, “Virtual Care for Behavioral Health Conditions”.

Of note, the APA article provides:

There were no statistically significant differences between in-person and tele-exams on any relevant report content variables, report quality metrics, or VA disability rating outcomes. Results support the validity of the use of telehealth for conducting psychological exams for PTSD disability claims within the VA. As Manguno-Mire et al. (2007) and colleagues pointed out, “Although it has been suggested that telepsychiatry encounters may be less reliable than in-person interviews since important aspects of the clinical assessment process, such as rapport building and behavioral observation are constrained, controlled research has not borne this out” (p. 486). In the forensic mental health arena, others have commented on the value of telehealth assessment for improving efficiency and capacity to complete assessments and, in doing so, reduce the burden on available resources (Luxton et al., 2019).

The Elsevier article further notes:

In 2013, Hilty and colleagues⁴ reviewed 70 studies researching the effectiveness of interventions comparing telehealth and in-person care. Findings from this review support telehealth as effective for multiple populations (eg, geriatric, adult, pediatric, underserved, rural, and ethnically diverse) in producing the same outcomes as in-person care (eg, reduction in depression, panic symptoms, reduced hospitalization, improved adherence, high satisfaction). Additional systematic reviews and meta-analyses have reported that telehealth yields comparable results to in-person care for the treatment of depression and anxiety and posttraumatic stress disorder (PTSD), particularly when cognitive behavioral therapy is used.^{4, 18, 19} Randomized controlled trials have also found telehealth to be as effective as in-person behavioral health care for the treatment of PTSD,²⁰ bulimia,²¹ and even anger management.²²

The APA article can be found at [PTSD disability examinations in the Department of Veterans Affairs: A comparison of telehealth and in-person exams. \(apa.org\)](#)

The Elsevier can be found at [Virtual Care for Behavioral Health Conditions - PMC \(nih.gov\)](#)

In addition, a staff search relative to this question found in the “World Journal of Psychiatry” a 2016 literature search on telepsychiatry that can be found at [Review of key telepsychiatry outcomes - PMC \(nih.gov\)](#). The abstract of the article is excerpted below.

“Abstract

AIM: To conduct a review of the telepsychiatry literature.

METHODS: We conducted a systematic search of the literature on telepsychiatry using the search terms, “telepsychiatry”, “telemental health”, “telecare”, “telemedicine”, “e-health”, and “videoconferencing”. To meet criteria for inclusion, studies had to: (1) be published in a peer-reviewed journal after the year 2000; (2) be written in English; (3) use videoconferencing technology for the provision of mental health assessment or treatment services; and (4) use an adequately-powered randomized controlled trial design in the case of treatment outcome studies. Out of 1976 studies identified by searches in PubMed (Medline database), Ovid medline, PsychInfo, Embase, and EBSCO PSYCH, 452 met inclusion criteria. Studies that met all inclusion criteria were organized into one of six categories: (1) satisfaction; (2) reliability; (3) treatment outcomes; (4) implementation outcomes; (5) cost effectiveness; and (6) and legal issues. All disagreements were resolved by reassessing study characteristics and discussion.

RESULTS: Overall, patients and providers are generally satisfied with telepsychiatry services. Providers, however, tend to express more concerns about the potentially adverse effects of telepsychiatry on therapeutic rapport. Patients are less likely to endorse such concerns about impaired rapport with their provider. Although few studies appropriately employ non-inferiority designs, the evidence taken together suggests that telepsychiatry is comparable to face-to-face services in terms of reliability of clinical assessments and treatment outcomes. When non-inferiority designs were appropriately used, telepsychiatry performed as well as, if not better than face-to-face delivery of mental health services. Studies using both rudimentary and more sophisticated methods for evaluating cost-effectiveness indicate that telepsychiatry is not more expensive than face-

to-face delivery of mental health services and that telepsychiatry is actually more cost-effective in the majority of studies reviewed. Notwithstanding legal concerns about loss of confidentiality and limited capacity to respond to psychiatric emergencies, we uncovered no published reports of these adverse events in the use of telepsychiatry.

CONCLUSION: A large evidence base supports telepsychiatry as a delivery method for mental health services. Future studies will inform optimal approaches to implementing and sustaining telepsychiatry services.”

Based on this information staff are comfortable with MMRO’s use of telepsychiatry. Virtual IPE examinations apply in our disability cases where in-person IPE’s are problematic due to location.

IPE Psychiatrist Selection:

The following is a succinct write up on how MMRO selects physicians for IME and IPE evaluations.

“All physicians we utilized are credentialed in accordance with URAC standards. This includes source verification of the following:

- A current, non-restricted license or certification required for clinical practice from the state in which the evaluation will occur within the United States or one of its territories.
- Board certification that is accepted by a state or federal government entity of the U.S. or one of its territories, which include, but are not limited to: a state medical board, and a state or federal legislature, regulatory agency, department, division, or program.
- Professional Experience: a documented minimum of five (5) years full-time professional experience [37.5-40 hours or more per week] providing direct clinical care to patients and current clinical experience within the past three (3) years appropriate to the expertise to be utilized for the independent evaluation. Professional experience may include internship, residency, and fellowship training.
- Current professional experience and history of sanctions and/or disciplinary actions are also verified when the Independent Evaluator signs the applicable Independent Evaluator Report Attestation in conjunction with completing each independent evaluation.
- The Independent Evaluator must be located within the U.S. or one of its territories when conducting an independent evaluation.”

“IPE physicians are selected from a panel of doctors that meet the above credentialing and experience requirements. We always attempt to also schedule in-person evaluations whenever possible. If, however, geographic location makes an in-person evaluation difficult, we have begun using virtual-IPEs over a secure, web-based platform, and have been pleased with the results of these V-IPEs. In selecting physician evaluators, we rely on the credentialing process above, as well as geographic locations and, importantly, those physicians who fit within a reasonable cost structure.”

Post ODR/IDR Approval – Periodic Reassessments:

Periodic Reassessment is the right of the SLOCPT to require a recipient of an ODR or IDR benefit to submit to a further examination to determine if they are still disabled from doing the job they were retired from.

Plan language that governs:

“Section 11.04: Authority of Board of Trustees re: Recipients of Disability Retirement. The Board of Trustees may require any recipient of a Disability Retirement Allowance, who is under the minimum age for voluntary retirement for service applicable to Members of his or her class, to undergo medical examination. Such examination shall be made by a physician or surgeon appointed by the Trustees, at the expense of the Pension Trust. Upon the basis of such examination, the Board of Trustees shall determine whether he or she is still incapacitated, physically or mentally, for duty in the position held by him when retired for disability.

If the Board of Trustees determines that such recipient is not so incapacitated for duty in the position held when retired for disability, his or her Disability Retirement Allowance shall be canceled forthwith and he or she shall become a Member of the Pension Trust.

If any recipient of a Disability Retirement Allowance is under the minimum age for voluntary retirement for service applicable to members of his or her class and refuses to submit to medical examination, the pension portion of his or her allowance may be discontinued until his or her withdrawal of such refusal. If such refusal continues for one year, his or her Disability Retirement Allowance may be canceled.”

Administrative considerations:

The Plan requirement that an ODR or IDR recipient “shall become a Member of the Pension Trust” means that the individual must be rehired into the same type of job they had when they were retired for disability. The SLOCPT has no authority to compel such a rehire nor to compel the recipient to accept such a rehire. This Plan provision is typical of California public sector retirement systems and it appears to be rarely attempted.

Trustee concerns:

There is a natural umbrage that can be taken at the concept of a disability recipient who, having been initially judged to be permanently disabled, later recovers such that they are capable of performing the job they were disabled from – but is not compelled to return to public service.

Section 10.06 – Payment in Lieu of Disability Retirement:

Payment in lieu of Disability Retirement has been discussed extensively by the Board as a cost-effective way to keep qualified employees in public service when they are capable of performing an alternate job.

Plan language that governs:

“Section 10.06: Transfer of Employee In Lieu of Disability Retirement.

(a) If the Trustees find a Member to be disabled within the meaning of this Article 10, and the Trustees further find, on medical advice, that the Member is capable of performing other duties as a County Employee, the Member shall not be eligible for any disability retirement allowance if any competent authority of the County of San Luis Obispo, in accordance with Section 12.03 of the San Luis Obispo Civil Service Rules or Merit System Procedure appoints said Member as a County Employee to a position in a new classification or department with duties within the Member's capacity to perform with his or her disability. If this new position returns to the Member compensation less than that earnable by a person currently holding the position from which the Member was disabled, the Trustees, in lieu of a disability retirement allowance, shall pay the Member the difference in such compensation until the compensation of the new position equals or exceeds the compensation earnable by a person currently holding the position which the Member held at the time the Member was disabled.”

Administrative considerations:

The Plan requirement that an ODR or IDR recipient could return to gainful employment in some capacity is potentially beneficial to both the employer and the employee. County Human Resource practices require that an Interactive Process take place where an alternate job is looked for and, if possible, shown to the injured employee to see if they are interested in taking such a job.

This requires three components: a) an available job that the injured employee is capable of performing; b) a hiring manager willing to hire said employee; and. c) agreement by the employee to take that job. In practice, most injured employees nearing eligibility for an ODR or IDR benefit decline to participate in the Interactive Process.

The SLOCPT has no authority to compel the employer to have such a job available, to compel the hiring manager to accept the disabled employee or to compel the employee to take the job. This Plan provision is typical of California public sector retirement systems and it appears to rarely be used successfully. The SLOCPT experience is that this provision has been used < 6 times over many decades – usually when the disabled employee has some prior relationship with the alternate job and is welcomed back organically.

Trustee concerns:

In this area also, there is a natural umbrage that can be taken at the concept of a disability recipient who, having been judged to be permanently disabled from a more demanding job, could perform an alternate job and remain in public service, but chooses not to do so for many and varied reasons.

Plan Amendments – Disability Provisions:

Benefit design considerations for the Plan Sponsor:

The role of the Pension Trust and the Board of Trustees is to administer the Retirement Plan. The function of deciding what the benefit design of the Plan should be lies with the

Plan Sponsor (and usually their Collective Bargaining Organizations) as a matter of setting employee compensation. Under SLO County Code 2.56 that established the Pension Trust, the Retirement Plan, and the Bylaws, the Board of Trustees has no authority to amend the Plan directly.

Board of Trustees advocacy for changes: It is conceivable that the Board of Trustees as a group could vote to recommend Plan design amendments to the Plan Sponsor. This would put the Pension Trust in the benefit design realm, outside of its designated purpose. Of course, actual amendments to the Plan would need to be negotiated by the Plan Sponsor and approved by the Board of Supervisors. It can be anticipated that any such recommended changes to the Plan's benefits would be the subject of collective bargaining, particularly if the recommended changes are atypical for other peer retirement systems. The Board of Trustees would need to decide the importance of taking on an advocacy role in setting the benefits of the Plan versus focusing on the primary duty of administering the Plan.

Individual Trustees advocacy for changes: Alternatively, Trustees may advocate individually for Retirement Plan amendments in their non-Trustee role as County employees through County lines of authority. While explicitly not speaking for the Board of Trustees as a whole in this scenario, it would be presumed that the well-informed nature of Trustees on these issues would aid their persuasiveness.

Current Status of Disability Retirements:

See the attached table for the updated count of ODR and IDR cases from 2016 to present.

Respectfully Submitted,

Board of Trustees

1000 Mill Street
San Luis Obispo, CA 93408
Phone: (805) 781-5465
Fax: (805) 781-5697
www.SLOPensionTrust.org



Date: September 25, 2023

To: Board of Trustees

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

Agenda Item 11: Monthly Investment Report for August 2023

	August	Year to Date 2023	2022	2021	2020	2019	2018
Total Trust Investments (\$ millions)	\$1,657		\$1,614 year end	\$1,775 year end	\$1,552 year end	\$1,446 year end	\$1,285 year end
Total Fund Return	-1.0% Gross	+6.1% Gross	-8.0% Gross	15.2% Gross	8.9 % Gross	16.3 % Gross	-3.2 % Gross
Policy Index Return (r)	-1.3%	+6.0%	-9.7%	12.8%	10.0 %	16.4 %	-3.2 %

- (r) Policy index as of Nov. 2021 Strategic Asset Allocation Policy with 2023 Interim targets:
- Public Mkt Equity- 21% Russell 3000, 17% MSCI ACWI ex-US
 - Public Mkt Debt- 10% Barclays US Aggregate,
 - Risk Diversifying 4% Barclays US Aggregate, 5% Barclays 7-10yr Treasury, 4% Barclays 5-10yr US TIPS
 - Real Estate & Infrastructure- 15% NCREIF Index (inc. Infrastructure)
 - Private Equity- 10% actual private equity returns
 - Private Credit- 8% actual private credit returns
 - Liquidity- 6% 90 day T-Bills
- Pending annual updates to interim targets.

SLOCPT Investment Returns:

The attached report from Verus covers the preliminary investment returns of the SLOCPT portfolio and general market conditions through the end of August. The attached market commentary from Verus details market conditions in August, but subsequent activity in September is not yet factored into these numbers. As of September 19th, the month has had small negative returns for equities and bonds.

SLOCPT Investments:

The attached Verus Capital Markets Update details the investment results for the month and Verus' capital market commentary.

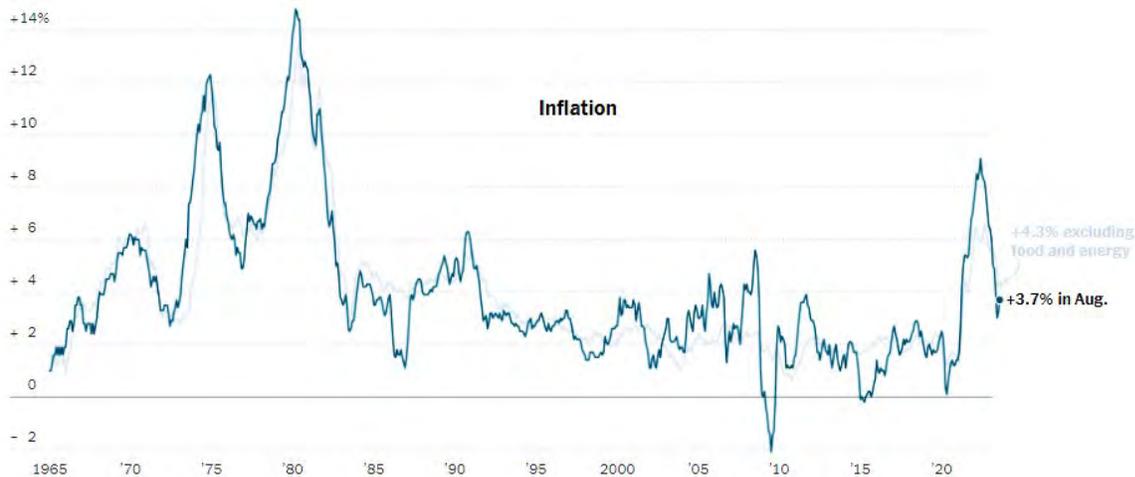
Infrastructure: The asset allocation policy calls for a 5% allocation to Infrastructure in the long term and a 2% interim target for 2023. The Brookfield BSIP core Infrastructure fund was approved, and a \$30 million commitment made in 2022. The first capital call for this fund occurred in July. We have just received a capital call for the remainder of the full \$30 million commitment for October 2nd. This is a faster-than-expected full funding of this core Infrastructure commitment. There are other, more specialized Infrastructure investments within the HarbourVest SLO Fund as well. The total Infrastructure allocation should be close to its 2023 target of 2% by the end of October.

Capital Markets:

- **Investment Markets** – August saw difficult markets in equities and bonds. For August, equity markets were negative at the start of the month but rallied in the last two weeks to limit losses. Bond returns were negative as longer-term rates rose –
 - US stocks S&P 500 -1.6%
 - International stocks MSCI ACWI ex-US -4.5%
 - Bonds; Bloomberg US Aggregate bonds -0.6%

The Economy:

- **Inflation** –
 - The August US CPI inflation report, as expected, continued its slowdown in the trailing 12-month rate of CPI inflation. **The inflation rate rose slightly to a +3.7% year-over-year increase.** The 10.6% increase in gasoline prices during August accounted for much of the uptick, but the less volatile core CPI excluding food and fuel prices still increased at a +4.3% year-over-year increase.



Year-over-year change in the Consumer Price Index Source: Bureau of Labor Statistics By Karl Russell

- **New Jobs, Unemployment, Wages –**

- The August jobs report from the BLS on nonfarm employment continued the recent trend of a slowing, but still positive pace of hiring in the economy with a gain of 187k new jobs. The new jobs data indicates an economy that is still growing despite significantly tightened monetary policy by the Fed.
- **The unemployment rate in August increased to 3.8%.**

- **Monetary Policy –**

- The Fed, in its July 25-26 FOMC meeting increased rates by 0.25% as was widely expected. The target range for Fed Funds is now 5.25% to 5.50% - the highest since 2007. The Fed at its September 20th meeting is expected to leave rates unchanged, but to continue expectations for one more rate hike by year end.

- **Recession Probability and Unemployment –**

- **“A strong job market doesn’t mean the economy is recession-proof”** – Peter Coy, economics opinion writer for the New York Times in his September 4th column discussed the heretofore unusual circumstance of possibly having a low unemployment rate and still having an economic recession. Some excerpts from this column are shown below –

“Economic growth has weakened considerably, but it’s still relatively easy for people to find jobs. That’s puzzling economists, who are used to seeing job offers disappear when growth slows. In other words, it’s a happy day for labor.”...

“There’s a lesson here for the Federal Reserve. Policymakers at the Fed want to see clear evidence that wage pressures have weakened before they stop raising rates to curb inflation. But if the labor market refuses to soften as much as they want, they could end up overdoing their rate increases and breaking the rest of the economy.”...

“Low unemployment can coexist with a sluggish economy because the labor market is growing slowly. And that’s because of slow growth in the working-age population, which in turn can be traced back to a long-term decline in birthrates. Obstacles to immigration have exacerbated the problem. (The pandemic pushed a lot of people out of the labor force, but that effect has mostly disappeared.) Today it takes only about 70,000 to 100,000 additional jobs per month to soak up new entrants to the labor force. A decade ago it took 150,000 to 200,000 jobs a month.”...

“Slow labor-supply growth has a good side and a bad side. On the good side, fewer people face unemployment. On the bad side, the speed limit of the economy — which is determined by the increase in the number of workers times the increase in output per worker — is lower.”...

“One scenario is that the labor market remains tight for longer than it would otherwise, but eventually cracks. It’s common for the unemployment rate to be a lagging indicator. In the long recession that began in December 2007, the unemployment rate remained right around 5 percent through April 2008, and didn’t peak, at 10 percent, until four months after the recession had ended.”

Respectfully Submitted,

A decorative geometric pattern of overlapping triangles in shades of blue and green is overlaid on the left side of the image. A large white triangle is positioned to the left of the main title text.

**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

**AUGUST 2023
Capital Markets Update**

Market commentary

U.S. ECONOMICS

- Nonfarm payrolls increased 187,000 - slightly above the expected 170,000. Although the labor market remains resilient, job openings fell below 9 million and the unemployment rate rose +0.3% to 3.8%. The shutdown of Yellow Corp., a trucking company with 30,000 employees, and the ongoing strike in the motion picture and recording industry contributed to the increase.
- The ISM Manufacturing PMI Index registered 47.6, 1.2 points higher than July but still in contractionary territory for the 9th consecutive month. Except for the New Orders Index, all other sub-indexes rose. This indicates that manufacturing activity, while still in contractionary territory, is contracting at a slower pace.
- The Consumer Confidence Index fell from 114.0 to 106.1. Consumers' short-term expectations for business, labor and market conditions worsened over the month, due in part to inflationary pressures – notably food and gas prices.

U.S. EQUITIES

- August proved to be a difficult month for equities. A U.S. government credit rating downgrade, expected treasury issuance and wide-ranging investor uncertainty likely created headwinds. From the 1st through the 18th the S&P fell -4.8%, but a rally in the final weeks helped limit S&P 500 losses to -1.6% for the month.
- Per FactSet, nearly all S&P 500 companies have reported second quarter earnings. Similar to Q1, many businesses reported earnings above estimates while also providing improved Q3 guidance. Relative to the initial estimate on June 30th of -7.0%, blended earnings for Q2 came in at an improved -4.1%. Looking ahead to Q3, investors expect the S&P to post a positive year over year increase in earnings for the first time in four quarters.

U.S. FIXED INCOME

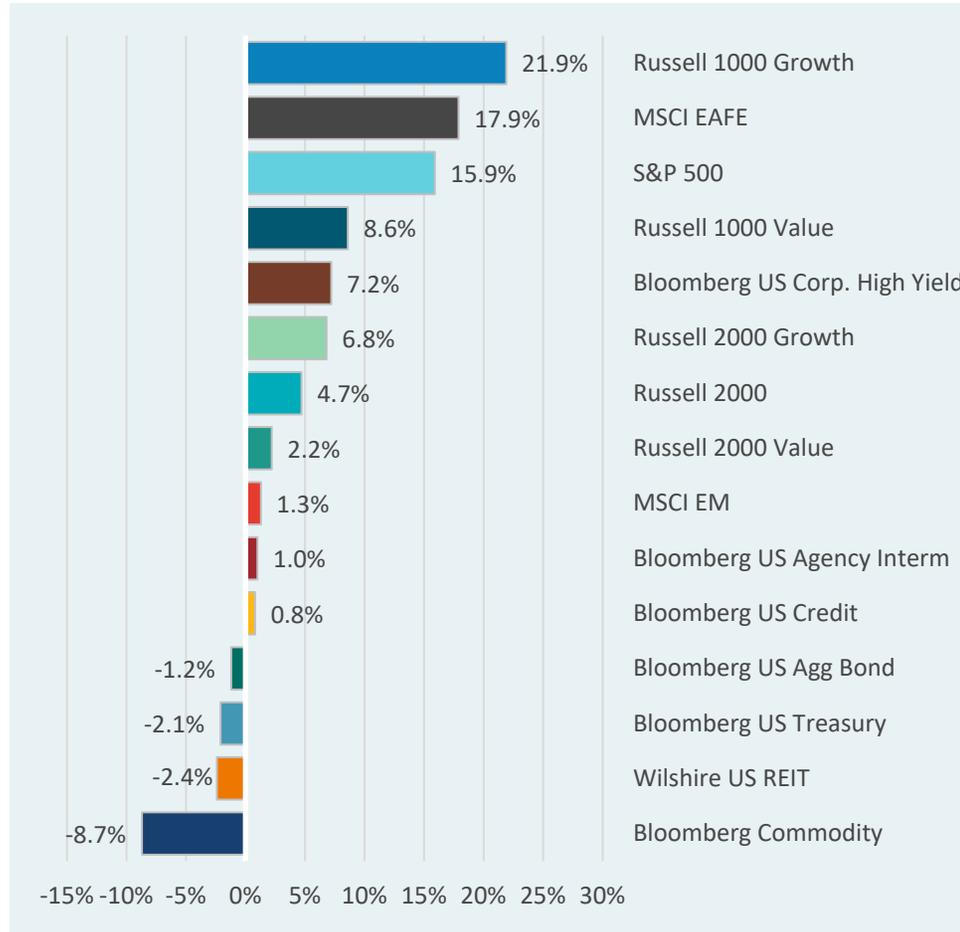
- During the Jackson Hole Economic Symposium, Fed Chair Jerome Powell reaffirmed the Fed's data dependent commitment to increasing interest rates, but also acknowledged that inflationary data had been encouraging. His speech addressed a variety of concerns around the inflation environment and was interpreted as more balanced than other previous speeches.
- In a continuation of recent trends, the long end of the yield curve moved higher while the short end remained mostly flat. The 2-year Treasury yield moved -3 bps lower while 10 Year Treasury yield moved +12 bps higher. The 10/2 yield curve inversion now sits at -76 bps.
- Rising yields contributed to fixed income markets generally finishing the month negative. While the Bloomberg U.S. Agg ended August at -0.6%, higher cash rates helped U.S. T- Bills to deliver +0.5%.

INTERNATIONAL MARKETS

- Chinese equities gave up July gains and struggled amid poor economic data releases. Retail sales surprised to the downside by a wide margin, reporting a gain of 2.5% compared to an expected 4.5%. The outlook for the Chinese economy remains volatile as exports fell -8.8% and imports fell -7.3% year over year. Exports to the U.S. have reportedly already fallen -13% through the first 7 months of 2023.
- Japan continued to show signs of improving economic conditions. A surprise beat in GDP, driven in part by a rebound in exports, has led to more optimism around an economic recovery. However, some investors are hesitant to become too enthusiastic, given that these sorts of import and export activity fluctuations are often short-lived.

Major asset class returns

ONE YEAR ENDING AUGUST



TEN YEARS ENDING AUGUST



*Only publicly traded asset performance is shown here. Performance of private assets is typically released with a 3- to 6-month delay.

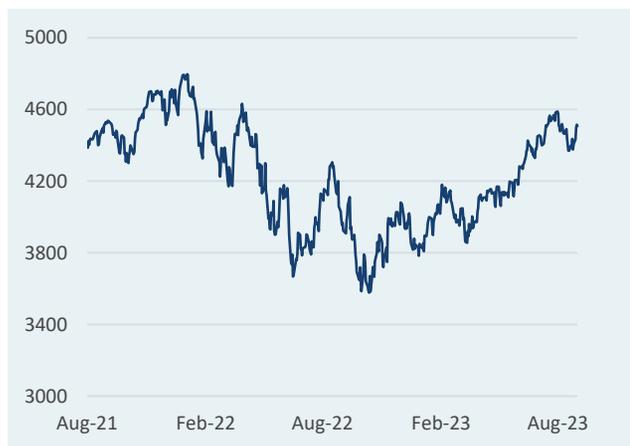
Source: Morningstar, as of 8/31/23

Source: Morningstar, as of 8/31/23

U.S. large cap equities

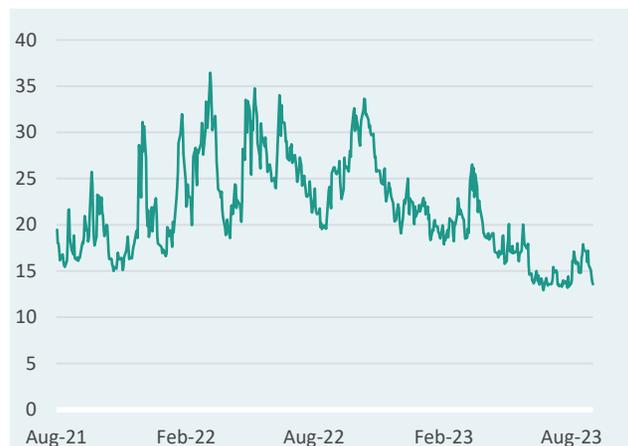
- The S&P 500 Index (-1.6%) fell for the first time since February, bringing its year-to-date return to 17.4%. The resilience of the U.S. consumer, as well as a slight uptick in inflation, has led to an expectation of higher rates for longer.
- 10 out of 11 S&P 500 sectors declined in August. Energy (1.8%) was the only sector that advanced as fuel prices rose. Defensive companies underperformed in August, as Utilities (-6.2%), Consumer Staples (-3.6%), and Materials (-3.3%) were the worst performing sectors.
- The S&P Top 50 Index (-0.7%) continued its outperformance, as mega-cap stocks such as Nvidia and Amazon delivered strong Q2 earnings. This was primarily driven by continued spending in artificial intelligence, cloud services, and a broadly strong consumer.
- U.S. equity volatility was unchanged at 13.6, despite the VIX peaking at 17.9 on August 17th. This was likely in reaction to comments from the Federal Reserve. However, the VIX declined as investor optimism improved over the month.

S&P 500 PRICE INDEX



Source: Bloomberg, as of 8/31/23

IMPLIED VOLATILITY (VIX INDEX)



Source: Cboe, as of 8/31/23

S&P 500 VALUATION SNAPSHOT



Source: Bloomberg, as of 8/31/23

Domestic equity size and style

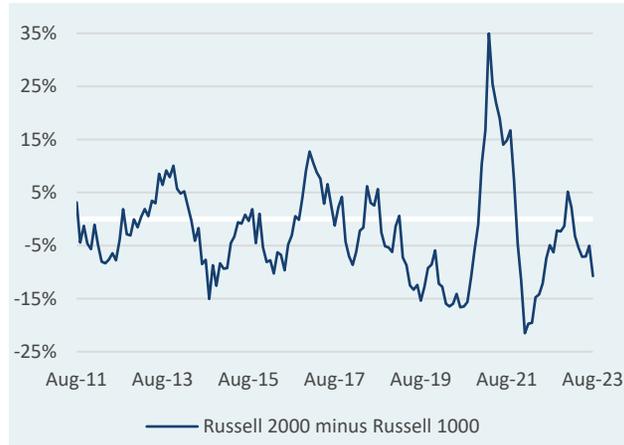
- Performance in size and style was negative across the board, but the general trend for the year held steady. Large-caps outperformed small-caps while growth outperformed value.
- Small cap-growth (-5.2%) and small-cap value (-4.8%) saw similar returns (Russell 2000 Growth vs. Russell 2000 Value), though value did outperform by a slight 40 bps margin. A higher sensitivity to the economic outlook, which includes a greater likelihood of a higher for longer rate scenario, and intramonth volatility may have created a more challenging environment for small-cap growth.
- Large-caps outperformed small-caps by 3.3% (Russell 1000 vs. Russell 2000) and large-cap growth outperformed large-cap value by 1.8% (Russell 1000 Growth vs. Russell 1000 Value). Losses in large-cap growth were limited by stronger than expected earnings reports and improving Q3 and Q4 earnings estimates.
- Over the 1-year period, mega-cap growth stocks have been a driving the market higher. Strong performance in Amazon, Meta and tech mega caps has been fueled in part by better-than-expected earnings reports and an AI driven optimism in potential future earnings and efficiencies.

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 8/31/23

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 8/31/23

1-YEAR SIZE & STYLE PERFORMANCE

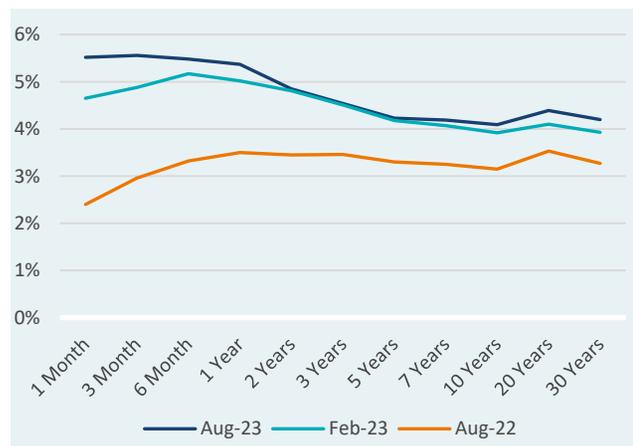
	Value	Core	Growth
Large Cap	8.6%	15.4%	21.9%
Mid Cap	5.7%	8.4%	13.0%
Small Cap	2.2%	4.7%	6.8%

Source: FTSE, Bloomberg, as of 8/31/23

Fixed income

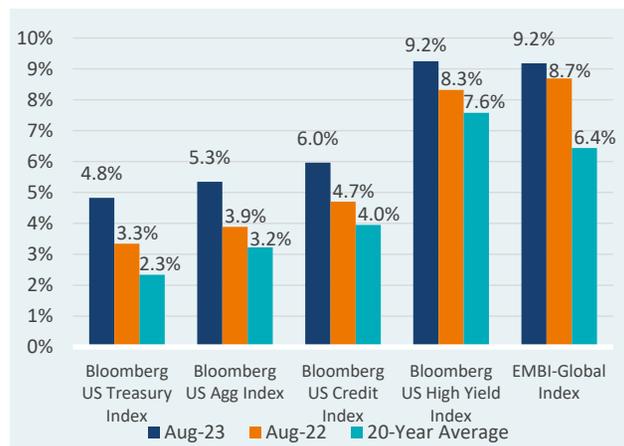
- Fitch downgraded the U.S. government’s credit rating to AA+, due to fiscal deterioration and repeated political standoffs over the debt ceiling. The downgrade, coupled with expectations of a higher for longer rate scenario setting in, boosted 10-and-30 year yields in the preceding 24 hours.
- U.S. rate movements over the month were concentrated in the long end of the curve. This was likely driven by the Treasury Department borrowing more than market expectations. Ten and thirty-year yields rose +12 bps and +18 bps to 4.09% and 4.20%, respectively.
- Bank Loans (+1.3%) and Corporate High Yield (+0.3%) continued their strong year-to-date performance to end at 7.7% and 7.1%, respectively. Bank Loans saw a -10 bps decrease in spreads to 520 bps, and a -0.2% decrease in default rate to 1.55%.
- Long duration bonds (-2.8%) continued to perform poorly this month following the increase in yields on the long end of the curve. The Bloomberg 1-3 Year Treasury index outperformed, with a gain of +0.4% on the month as short-term yields remained unchanged.

U.S. TREASURY YIELD CURVE



Source: Bloomberg, as of 8/31/23

NOMINAL YIELDS



Source: Morningstar, as of 8/31/23

U.S. TREASURY IMPLIED VOL (“MOVE” INDEX)

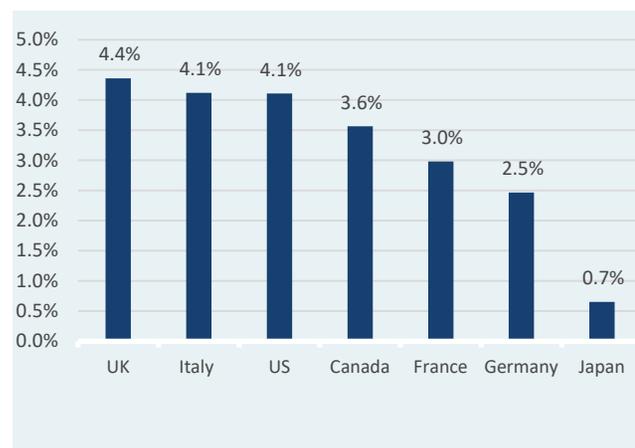


Source: Bloomberg, as of 8/31/23

Global markets

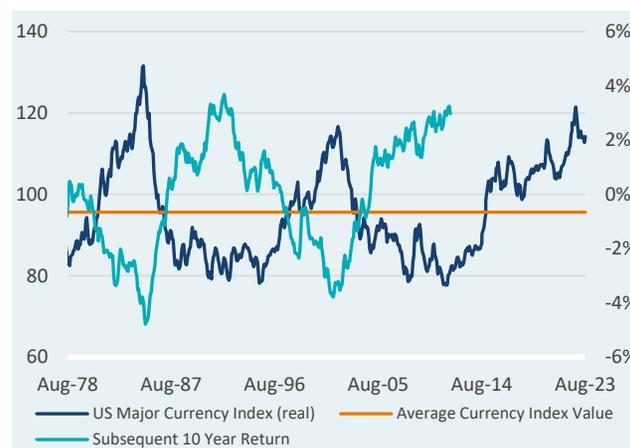
- International equities declined in August (MSCI ACWI ex-US -4.5%), underperforming U.S. equities across all regions. Emerging markets (MSCI EM -6.2%) dramatically lagged international developed (MSCI EAFE -3.8%), following continued economic weakness from China, despite government intervention.
- The MSCI China Index (-9%) fell due to a weak job market, deflation, and low foreign investment. Confidence in real estate is declining as Country Garden Holdings, another real estate giant, has missed interest payments. The Chinese reaction has been to cut interest rates and stop publishing youth unemployment data.
- Despite weakness in the manufacturing and services sectors, high energy prices are propping up inflation in Europe, which was 5.3% in August. This may be causing uncertainty among investors that another rate hike by the ECB may be in store, as the MSCI Europe Index declined -4.8% for the month.
- Japanese real GDP increased 4.8% in Q2 (revised from 6%). The strong GDP growth can likely be attributed to a weakening currency that bolstered exports, and lower commodity prices that decreased imports. Increased tourism reportedly helped to offset falling domestic demand. The MSCI Japan Index declined -2.4% in August.

GLOBAL SOVEREIGN 10-YEAR YIELDS



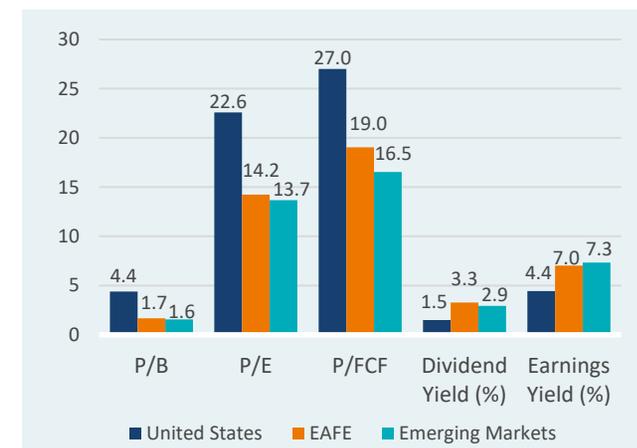
Source: Bloomberg, as of 8/31/23

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 8/31/23

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 8/31/23

Commodities

- Commodities faced several headwinds throughout the month, which led the Bloomberg Commodity Index to post a -0.8% loss. Grains and industrial metals were among the worst performers, but a combination of demand and supply side dynamics contributed to energy and petroleum ending in positive territory for the month.
- Natural gas led the energy sector, gaining +5.1% on the month. Although production was slightly higher than July, hotter temperatures in the Southwest, especially in Texas, led to unusually high electricity demand. An uptick in natural gas exports to Mexico also added pressure to already rising prices.

- WTI Crude and Brent Crude rose +2.2% and +1.5%, respectively, amid record global demand coupled with supply constriction. Output cuts from Saudi Arabia and Russia set the stage for continued declines in inventories which contributed to upward price pressure. WTI Crude has gained more than 20% since June 30th.
- The Bloomberg Grains Sub-Index fell -4.9% after improved U.S. weather forecasts and increased rainfall in the Midwest lifted crop yield expectations. The tentative return of grain shipments from Ukraine and Russia added to the decline in wheat prices. Wheat (-13.9%) led declines in August, bringing year to date performance to -27.7%.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(0.8)	9.7	(2.8)	(8.7)	15.2	6.7	(0.9)
Bloomberg Agriculture	(1.5)	6.2	0.1	0.8	22.5	11.2	0.0
Bloomberg Energy	2.4	24.2	(8.3)	(30.5)	20.6	(1.0)	(7.9)
Bloomberg Grains	(4.9)	2.8	(9.1)	(7.4)	19.0	8.4	(2.2)
Bloomberg Industrial Metals	(4.7)	3.1	(10.7)	(2.5)	8.1	5.7	2.0
Bloomberg Livestock	(0.4)	12.5	7.5	13.8	11.4	(0.4)	(2.1)
Bloomberg Petroleum	2.8	27.1	9.6	6.8	42.7	7.5	(3.4)
Bloomberg Precious Metals	(1.7)	(0.2)	5.3	18.3	(2.2)	9.2	1.7
Bloomberg Softs	0.6	(1.0)	18.5	7.1	21.4	11.8	0.4

Source: Morningstar, as of 8/31/23

COMMODITY PERFORMANCE



Source: Bloomberg, as of 8/31/23

Appendix

Periodic table of returns

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD	5-Year	10-Year
Large Cap Growth	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	36.4	38.5	28.3	16.1	32.2	13.8	15.6
Large Cap Equity	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	31.4	34.6	27.6	9.4	18.6	10.8	12.6
Small Cap Growth	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	28.5	21.0	27.1	1.5	12.7	7.1	9.1
International Equity	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	26.5	20.0	26.5	-4.7	10.9	6.7	8.2
60/40 Global Portfolio	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	25.5	18.3	25.2	-7.5	9.0	5.9	8.0
Small Cap Equity	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	22.4	14.0	17.7	-13.0	9.0	3.1	7.8
Large Cap Value	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	22.0	10.3	14.8	-14.5	5.9	2.5	7.4
Small Cap Value	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	18.6	7.8	11.3	-14.5	4.9	4.8	5.4
Emerging Markets Equity	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	18.4	7.5	8.9	-17.3	4.6	3.2	4.9
Hedge Funds of Funds	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	8.7	4.6	6.5	-19.1	3.4	4.1	3.0
Cash	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	7.8	2.8	2.8	-20.1	3.1	3.5	3.5
US Bonds	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	7.7	0.5	0.0	-20.4	1.4	1.0	1.5
Commodities	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	6.4	0.5	-1.5	-26.4	-2.8	1.5	1.0
Real Estate	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	2.1	-3.1	-2.5	-29.1	-3.8	0.5	-0.9

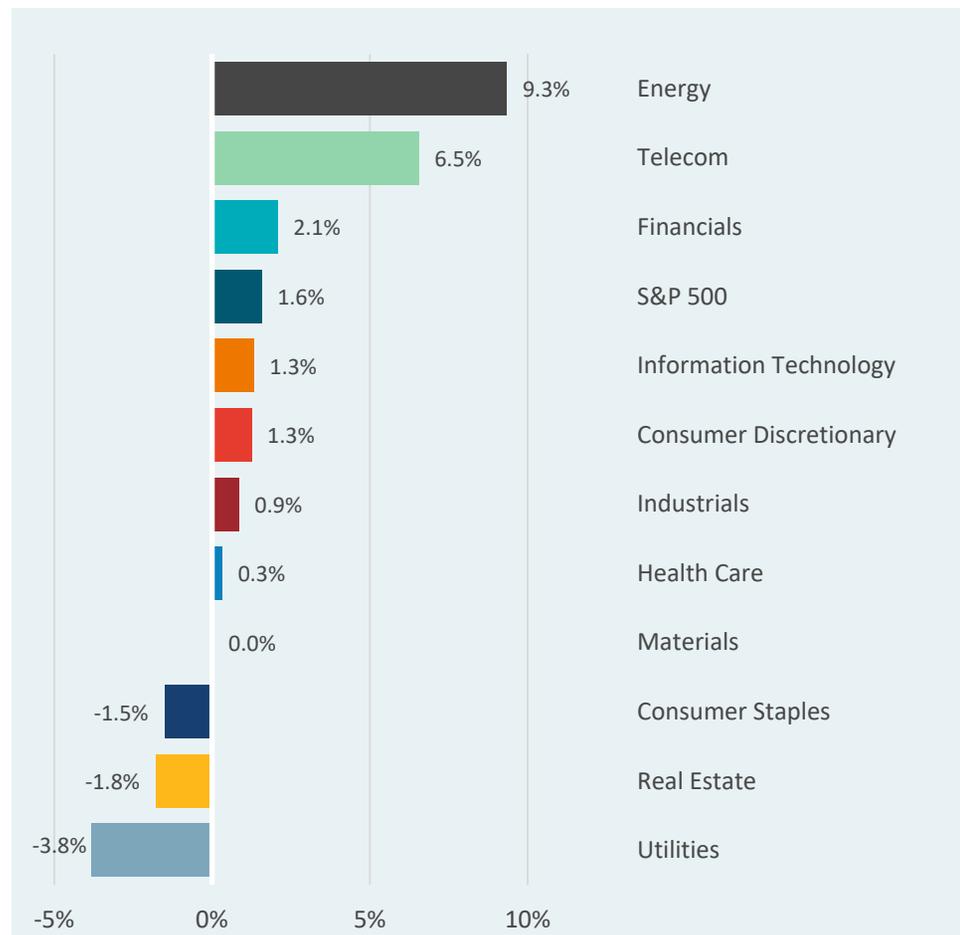
BEST
↑
WORST
↓



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, Bloomberg US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, Bloomberg Global Bond. NCREIF Property Index performance data as of 6/30/23.

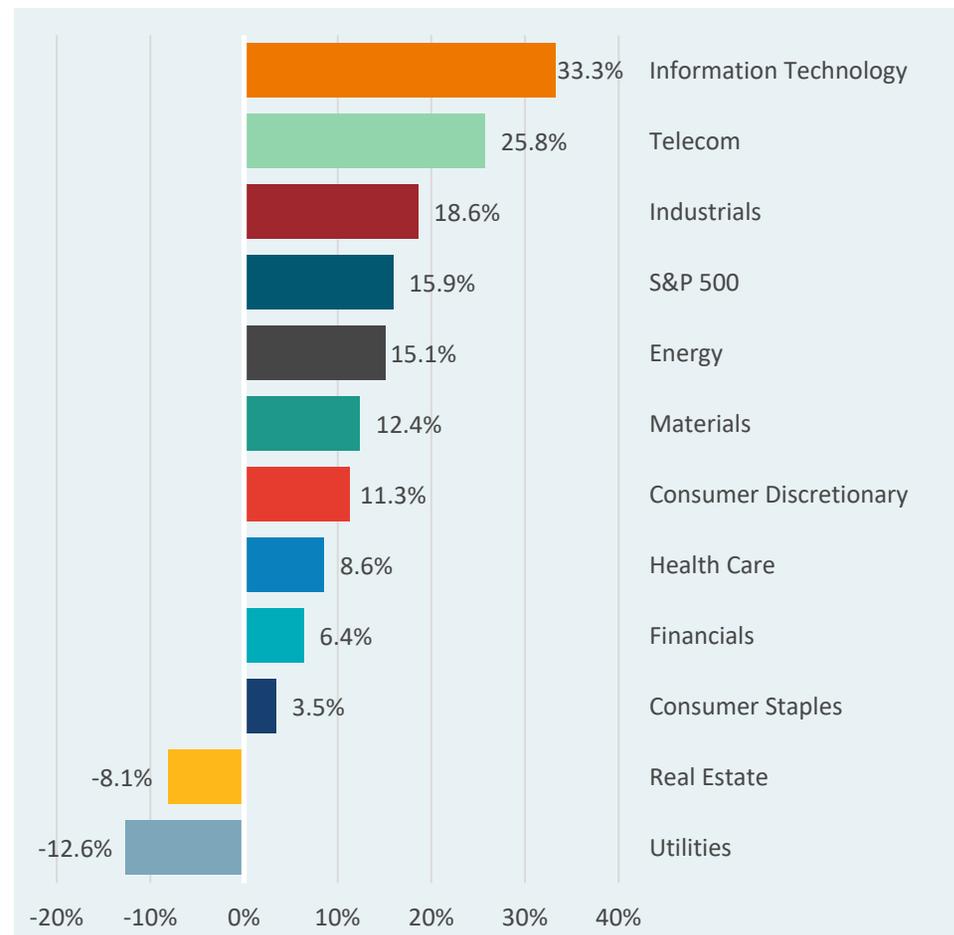
S&P 500 sector returns

QTD



Source: Morningstar, as of 8/31/23

ONE YEAR ENDING AUGUST



Source: Morningstar, as of 8/31/23

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	(1.6)	1.6	18.7	15.9	10.5	11.1	12.8
S&P 500 Equal Weighted	(3.2)	0.2	7.2	8.7	12.4	9.1	11.2
DJ Industrial Average	(2.0)	1.4	6.4	12.6	9.1	8.3	11.4
Russell Top 200	(1.2)	2.0	21.9	17.8	10.2	12.0	13.5
Russell 1000	(1.7)	1.6	18.6	15.4	9.9	10.8	12.6
Russell 2000	(5.0)	0.8	9.0	4.7	8.1	3.1	8.0
Russell 3000	(1.9)	1.6	18.0	14.8	9.8	10.3	12.2
Russell Mid Cap	(3.5)	0.4	9.4	8.4	9.2	7.3	10.0
Style Index							
Russell 1000 Growth	(0.9)	2.4	32.2	21.9	8.3	13.8	15.6
Russell 1000 Value	(2.7)	0.7	5.9	8.6	11.6	7.1	9.1
Russell 2000 Growth	(5.2)	(0.8)	12.7	6.8	2.7	2.5	8.2
Russell 2000 Value	(4.8)	2.4	4.9	2.2	13.5	3.2	7.4

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	(2.8)	0.8	14.8	14.0	7.2	7.5	8.6
MSCI ACWI ex US	(4.5)	(0.6)	8.8	11.9	4.0	3.3	4.4
MSCI EAFE	(3.8)	(0.7)	10.9	17.9	6.1	4.1	4.9
MSCI EM	(6.2)	(0.3)	4.6	1.3	(1.4)	1.0	3.0
MSCI EAFE Small Cap	(3.3)	1.0	6.5	9.2	2.4	1.5	5.7
Style Index							
MSCI EAFE Growth	(4.7)	(2.8)	11.0	15.2	2.2	4.5	5.8
MSCI EAFE Value	(3.0)	1.4	10.9	20.7	9.7	3.4	3.8
Regional Index							
MSCI UK	(4.0)	(0.7)	7.7	14.8	10.5	3.4	3.2
MSCI Japan	(2.4)	0.5	13.6	15.3	3.9	3.1	5.4
MSCI Euro	(4.8)	(2.2)	17.3	32.1	7.9	4.8	5.3
MSCI EM Asia	(6.2)	(0.3)	3.7	(0.3)	(3.0)	1.2	4.6
MSCI EM Latin American	(7.3)	(2.5)	15.6	18.2	13.9	4.2	1.3

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
Bloomberg US TIPS	(0.9)	(0.8)	1.1	(3.7)	(1.5)	2.3	2.1
Bloomberg US Treasury Bills	0.5	0.9	3.2	4.3	1.5	1.7	1.1
Bloomberg US Agg Bond	(0.6)	(0.7)	1.4	(1.2)	(4.4)	0.5	1.5
Bloomberg US Universal	(0.6)	(0.5)	1.8	(0.4)	(4.0)	0.7	1.8
Duration							
Bloomberg US Treasury 1-3 Yr	0.4	0.7	1.7	1.3	(0.9)	1.0	0.8
Bloomberg US Treasury Long	(2.8)	(4.9)	(1.4)	(9.7)	(13.5)	(1.9)	1.6
Bloomberg US Treasury	(0.5)	(0.9)	0.7	(2.1)	(5.1)	0.2	0.9
Issuer							
Bloomberg US MBS	(0.8)	(0.9)	1.0	(2.1)	(4.1)	(0.3)	1.1
Bloomberg US Corp. High Yield	0.3	1.7	7.1	7.2	1.8	3.3	4.5
Bloomberg US Agency Interm	0.3	0.5	2.0	1.0	(1.9)	0.8	1.0
Bloomberg US Credit	(0.7)	(0.4)	2.7	0.8	(4.1)	1.3	2.5
OTHER							
Index							
Bloomberg Commodity	(0.8)	5.4	(2.8)	(8.7)	15.2	6.7	(0.9)
Wilshire US REIT	(2.8)	0.1	6.8	(2.4)	6.9	3.7	7.1
CS Leveraged Loans	1.3	3.6	7.7	9.5	6.0	4.1	4.2
S&P Global Infrastructure	(4.7)	(2.7)	1.0	(1.1)	8.0	4.9	6.3
Alerian MLP	0.7	6.9	17.4	20.0	35.7	5.5	1.7
Regional Index							
JPM EMBI Global Div	(1.5)	0.4	4.5	5.8	(4.3)	0.5	3.0
JPM GBI-EM Global Div	(2.7)	0.1	7.9	11.3	(2.2)	1.2	(0.1)
Hedge Funds							
HFRI Composite	(0.5)	1.3	4.7	4.5	6.7	5.1	4.8
HFRI FOF Composite	0.1	1.2	3.4	3.5	3.9	3.5	3.5
Currency (Spot)							
Euro	(1.6)	(0.5)	1.7	7.9	(3.2)	(1.4)	(1.9)
Pound Sterling	(1.5)	(0.3)	5.3	8.9	(1.8)	(0.5)	(2.0)
Yen	(2.4)	(0.7)	(9.4)	(4.8)	(10.0)	(5.3)	(3.9)

Source: Morningstar, HFRI, as of 8/31/23.

Detailed private market returns

Comparison to public market index returns

Private Equity Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Private Equity FoFs & Secondary Funds	(6.4)	22.9	16.0	13.9
<i>MSCI World Index (PME)</i>	(6.7)	17.5	8.3	9.2
Global Private Equity Direct Funds ¹	(5.6)	23.6	17.1	15.9
<i>MSCI World Index (PME)</i>	(6.1)	15.6	8.0	9.0
U.S. Private Equity Direct Funds ¹	(6.1)	25.9	19.2	17.3
<i>Russell 3000 Index (PME)</i>	(7.7)	17.9	10.4	12.0
Europe Private Equity Direct Funds ¹	(2.4)	22.7	15.7	14.7
<i>MSCI Europe Index (PME)</i>	2.7	13.8	5.0	5.9
Asia Private Equity Direct Funds ^{1,4}	(4.2)	14.1	10.1	12.7
<i>MSCI AC Asia Pacific Index (PME)</i>	(7.3)	7.4	1.2	4.0

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt ^{2,4}	4.9	20.0	12.6	11.5
<i>Morningstar LSTA U.S. Leveraged Loan 100 Index (PME)</i>	2.6	6.2	3.5	3.5

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	(0.7)	14.6	10.3	12.4
<i>FTSE NAREIT Equity REIT Index (PME)</i>	(18.4)	13.6	6.9	6.8

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ^{3,4}	8.5	21.6	4.9	3.5
<i>S&P Global Natural Resources Index (PME)</i>	(7.0)	28.9	7.1	5.7
Global Infrastructure ⁴	6.7	13.4	10.3	11.1
<i>S&P Global Infrastructure Index (PME)</i>	(2.8)	14.6	6.0	6.3

Source: Pooled IRRs are from Thompson Reuters C|A and Time-weighted Returns are from Investment Metrics, as of March 31st, 2023. All returns in U.S. dollars.

* Includes Buyout, Growth Equity and Venture Capital.

** Includes Control-Oriented Distressed, Credit Opportunities, Senior Debt and Subordinated Capital.

*** Includes Private Equity Energy, Timber and Upstream Energy & Royalties.

Notices & disclosures

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San Luis Obispo County

Investment Performance Review
Period Ending: August 31, 2023



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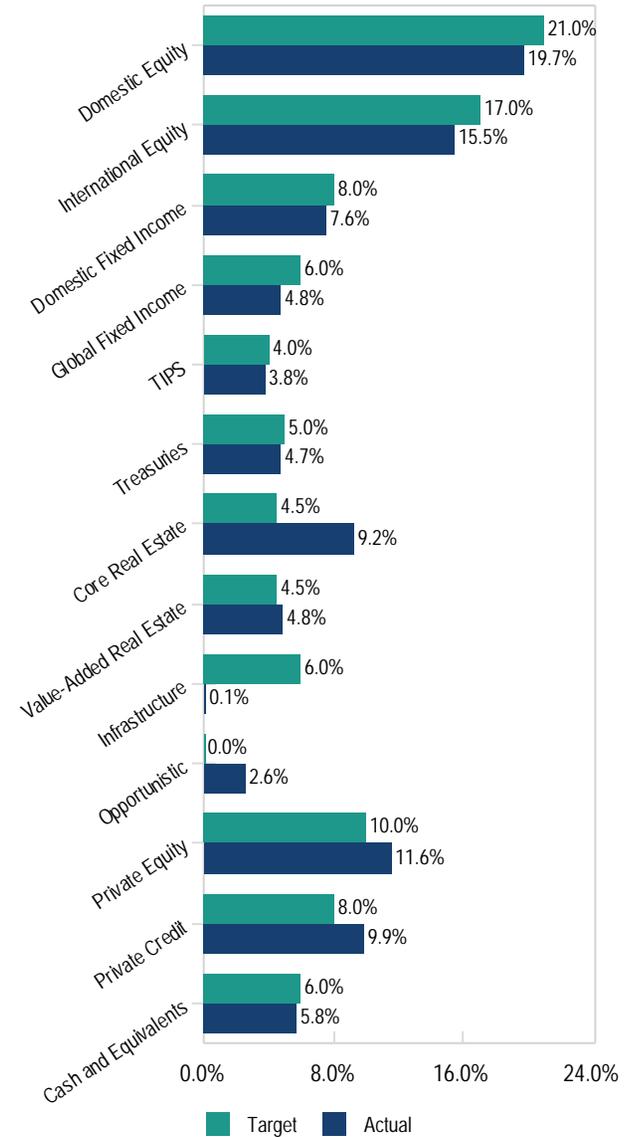
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Total Fund
Executive Summary - Preliminary (Gross of Fees)

San Luis Obispo County Pension Trust
Period Ending: August 31, 2023

	Market Value	% of Portfolio	1 Mo	YTD
Total Fund	1,656,761,405	100.0	-1.0	6.1
<i>Interim Policy Index</i>			<i>-1.3</i>	<i>6.0</i>
<i>FFP SAA Index</i>			<i>-0.7</i>	<i>5.8</i>
Total Growth	1,172,324,171	70.8	-1.2	7.3
<i>Custom Growth Benchmark</i>			<i>-1.5</i>	<i>8.4</i>
Total Public Equity	582,680,553	35.2	-2.4	13.6
<i>Public Equity Benchmark</i>			<i>-3.7</i>	<i>14.0</i>
Total Domestic Equity	326,337,338	19.7	-1.3	15.1
<i>Russell 3000 Index</i>			<i>-1.9</i>	<i>18.0</i>
PIMCO RAE US	87,983,708	5.3	-0.9	7.7
<i>S&P 500 Index</i>			<i>-1.6</i>	<i>18.7</i>
Loomis Sayles Large Cap Growth	84,461,775	5.1	-1.6	42.1
<i>Russell 1000 Growth Index</i>			<i>-0.9</i>	<i>32.2</i>
Boston Partners Large Cap Value	77,600,870	4.7	-0.9	7.8
<i>Russell 1000 Value Index</i>			<i>-2.7</i>	<i>5.9</i>
Atlanta Capital Mgmt	76,290,985	4.6	-2.0	7.3
<i>Russell 2500 Index</i>			<i>-3.9</i>	<i>9.7</i>
Total International Equity	256,343,215	15.5	-3.8	11.6
<i>MSCI AC World ex USA Index</i>			<i>-4.5</i>	<i>9.2</i>
Dodge & Cox Intl Stock	128,152,950	7.7	-3.3	12.7
<i>MSCI AC World ex USA Value</i>			<i>-3.9</i>	<i>9.9</i>
WCM International Growth	128,190,265	7.7	-4.3	10.7
<i>MSCI AC World ex USA Growth</i>			<i>-5.1</i>	<i>8.6</i>
Total Private Equity	191,834,968	11.6		
Harbourvest Partners IX Buyout Fund L.P.	12,271,667	0.7		
Pathway Private Equity Fund Investors 9 L.P.	83,619,526	5.0		
Harbourvest 2018 Global Fund L.P.	21,600,917	1.3		
Harbourvest SLO Fund Private Equity	57,368,603	3.5		
Pathway Private Equity Fund Investors 10 L.P.	16,974,255	1.0		
Total Private Credit	163,374,470	9.9		
Sixth Street Partners DCP	87,525,204	5.3		
Harbourvest SLO Credit Fund	75,849,266	4.6		

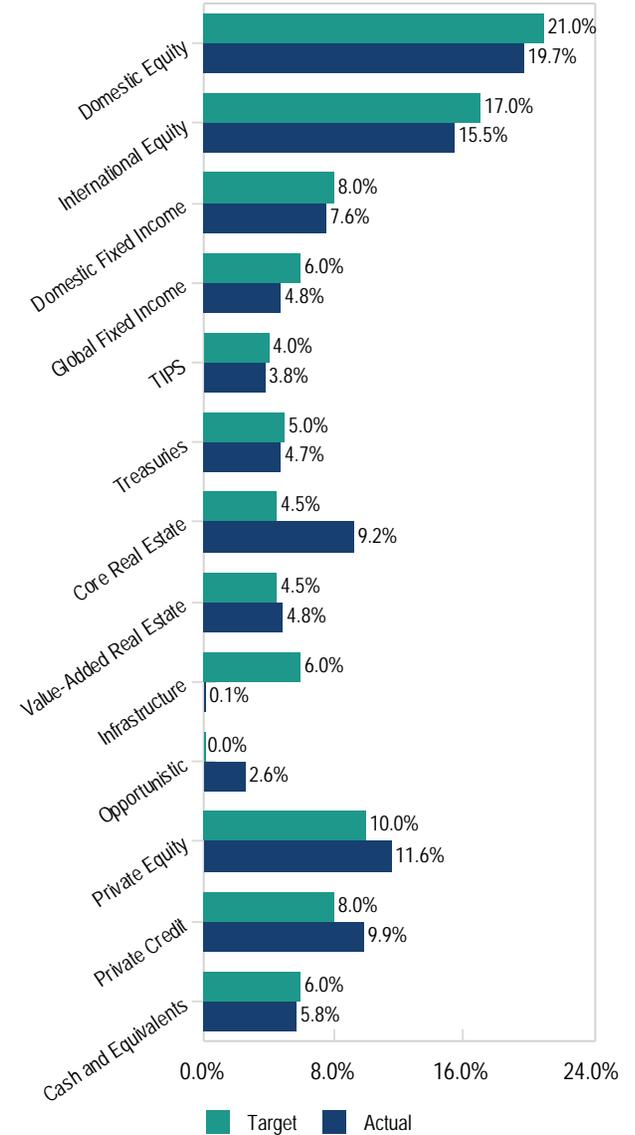


Interim Policy Index as of 1/1/2023: 21% Russell 3000, 17% MSCI ACWI ex-US (Gross), 8% Bloomberg U.S. Aggregate, 5% Bloomberg US Treasury 7-10 yr, 4% Bloomberg US TIPS 5+ Year, 6% FTSE World Govt Bond Index, 9% NCREIF Property Index, 10% Actual Private Equity Return, 8% Actual Private Credit Return, 6% 90-day T-Bills, 6% ARA American Strategic Value Realty. Harbourvest 2018 Global and SLO Funds as of 3/31/2023. HarbourVest Partners IX Buyout, Sixth Street TAO and DCP, ARA American Strategic Value Realty and KKR Mezzanine Partners as of 6/30/23. All data is preliminary.

Total Fund
Executive Summary - Preliminary (Gross of Fees)

San Luis Obispo County Pension Trust
Period Ending: August 31, 2023

	Market Value	% of Portfolio	1 Mo	YTD
Total Real Estate	234,434,181	14.2	-0.5	-5.0
<i>NCREIF Property Index</i>			<i>0.0</i>	<i>-3.8</i>
JP Morgan Core Real Estate	152,579,897	9.2	-0.7	-5.2
<i>NCREIF-ODCE</i>			<i>0.0</i>	<i>-5.8</i>
<i>NCREIF Property Index</i>			<i>0.0</i>	<i>-3.8</i>
ARA American Strategic Value Realty	80,054,284	4.8	0.0	-4.6
<i>NCREIF-ODCE</i>			<i>0.0</i>	<i>-5.8</i>
<i>NCREIF Property Index</i>			<i>0.0</i>	<i>-3.8</i>
Brookfield Infrastructure Fund	1,800,000	0.1		
Total Risk Diversifying	345,822,757	20.9	-0.8	2.8
<i>Total Risk Diversifying Benchmark</i>			<i>-0.9</i>	<i>1.0</i>
Total Domestic Fixed Income	266,237,394	16.1	-0.2	3.8
<i>Blmbg. U.S. Aggregate Index</i>			<i>-0.6</i>	<i>1.4</i>
BlackRock Core Bond	412,821	0.0	0.3	-1.4
<i>Blmbg. U.S. Aggregate Index</i>			<i>-0.6</i>	<i>1.4</i>
Dodge & Cox Income Fund	60,677,391	3.7	-0.5	3.2
<i>Blmbg. U.S. Aggregate Index</i>			<i>-0.6</i>	<i>1.4</i>
Pacific Asset Corporate Loan	64,750,661	3.9	1.3	10.1
<i>Morningstar LSTA US Leveraged Loan</i>			<i>1.2</i>	<i>9.1</i>
SSGA U.S. Govt Bond Index	78,101,012	4.7	-0.5	0.9
<i>Blmbg. U.S. Government</i>			<i>-0.5</i>	<i>0.7</i>
BlackRock TIPS	62,295,508	3.8	-0.9	1.3
<i>Blmbg. U.S. TIPS</i>			<i>-0.9</i>	<i>1.1</i>
Total Global Fixed	79,585,363	4.8	-2.9	-0.3
<i>FTSE World Government Bond Index</i>			<i>-1.4</i>	<i>0.6</i>
Brandywine Global Fixed Income	35,990,426	2.2	-3.6	-1.4
<i>FTSE Non-U.S. World Government Bond</i>			<i>-2.0</i>	<i>0.3</i>
Ashmore EM Blended Debt Fund	43,594,937	2.6	-2.3	0.6
<i>50% JPM EMBI GD/25% JPM GBI EM GD/25% JPM ELMI+</i>			<i>-1.8</i>	<i>5.3</i>

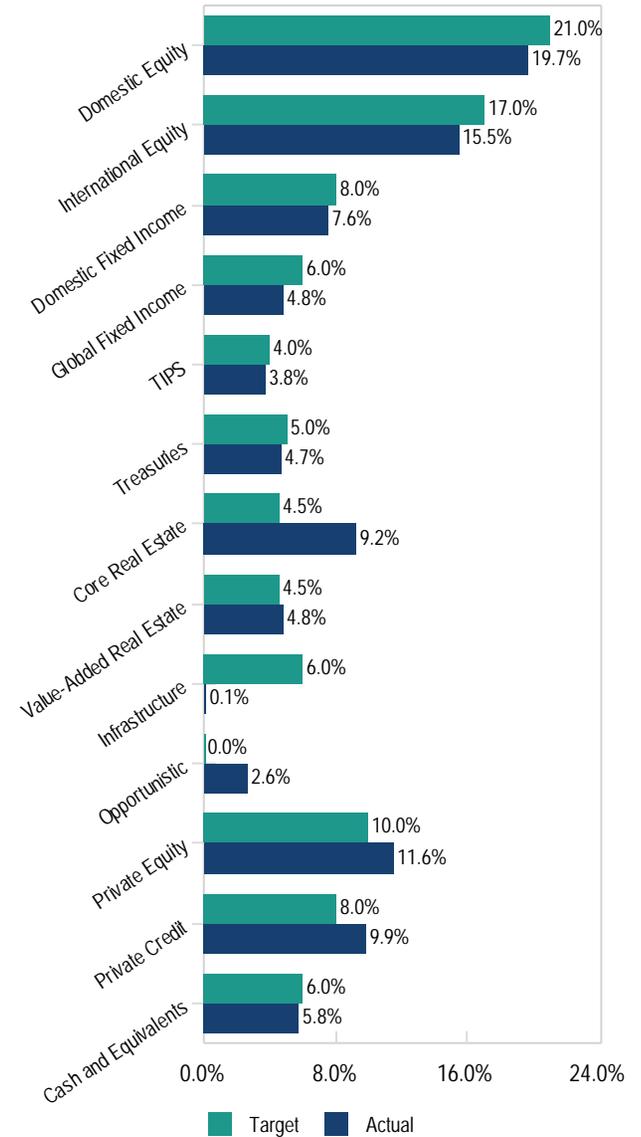


Interim Policy Index as of 1/1/2023: 21% Russell 3000, 17% MSCI ACWI ex-US (Gross), 8% Bloomberg U.S. Aggregate, 5% Bloomberg US Treasury 7-10 yr, 4% Bloomberg US TIPS 5+ Year, 6% FTSE World Govt Bond Index, 9% NCREIF Property Index, 10% Actual Private Equity Return, 8% Actual Private Credit Return, 6% 90-day T-Bills, 6% ARA American Strategic Value Realty. Harbourvest 2018 Global and SLO Funds as of 3/31/2023. HarbourVest Partners IX Buyout, Sixth Street TAO and DCP, ARA American Strategic Value Realty and KKR Mezzanine Partners as of 6/30/23. All data is preliminary.

Total Fund
Executive Summary - Preliminary (Gross of Fees)

San Luis Obispo County Pension Trust
Period Ending: August 31, 2023

	Market Value	% of Portfolio	1 Mo	YTD
Total Liquidity	95,816,133	5.8	0.2	2.1
<i>90 Day U.S. Treasury Bill</i>			<i>0.5</i>	<i>3.1</i>
Total Cash	95,816,133	5.8	0.2	2.1
<i>90 Day U.S. Treasury Bill</i>			<i>0.5</i>	<i>3.1</i>
PIMCO Short Duration Fund	33,863,034	2.0	0.5	2.2
<i>Bimbg. 1-3 Year Gov/Credit index</i>			<i>0.4</i>	<i>1.9</i>
Cash Account	35,165,436	2.1	0.0	1.7
<i>90 Day U.S. Treasury Bill</i>			<i>0.5</i>	<i>3.1</i>
Investment Cash	26,787,663	1.6	0.2	2.4
<i>90 Day U.S. Treasury Bill</i>			<i>0.5</i>	<i>3.1</i>
Total Opportunistic	42,798,343	2.6		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	3,380,566	0.2		
Sixth Street Partners TAO	39,417,777	2.4		



Interim Policy Index as of 1/1/2023: 21% Russell 3000, 17% MSCI ACWI ex-US (Gross), 8% Bloomberg U.S. Aggregate, 5% Bloomberg US Treasury 7-10 yr, 4% Bloomberg US TIPS 5+ Year, 6% FTSE World Govt Bond Index, 9% NCREIF Property Index, 10% Actual Private Equity Return, 8% Actual Private Credit Return, 6% 90-day T-Bills, 6% ARA American Strategic Value Realty. Harbourvest 2018 Global and SLO Funds as of 3/31/2023. HarbourVest Partners IX Buyout, Sixth Street TAO and DCP, ARA American Strategic Value Realty and KKR Mezzanine Partners as of 6/30/23. All data is preliminary.

Board of Trustees

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Date: September 25, 2023

To: Board of Trustees

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

Agenda Item 12: Alternative Investments Fee Disclosure – CA Code 7514.7 and 6254.26

Recommendation:

Receive and File the attached report on Alternative Investment Fee Disclosure as required by California Code Sections 7514.7 and 6254.26.

Discussion:

California Assembly Bill 2833 added Section 7514.7 to the California Code effective at the start of 2017 requiring additional disclosures on fees and expenses paid by a retirement system for alternative investment vehicles. The intent of the legislation is to increase the transparency of fees public investors are paying for alternative investments. CA Code 7514.7 also incorporates certain alternative investment related disclosures as specified in CA Code Section 6254.26.

These additional alternative investment disclosures are unique to California public pension systems. Many of these disclosure requirements are already included in the Verus quarterly investment reports received by the Board of Trustees. The Disclosure Requirements can be summarized as –

- Applies to any private fund that is an alternative investment vehicle whose contract with a California retirement plan was entered into on or after January 1, 2017 or for an existing contract at December 31, 2016 for which an additional capital commitment is made on or after January 1, 2017.

- The CA Code 7514.7 disclosure requirements are –
 - The fees and expenses that the California retirement system pays directly to the alternative investment vehicle, the fund manager, or related parties.
 - The California retirement system’s pro rata share of fees and expenses not included above that are paid from the alternative investment vehicle to the fund manager or related parties.
 - The California retirement system’s pro rata share of carried interest distributed to the fund manager or related parties.
 - The California retirement system’s pro rata share of aggregate fees and expenses paid by all of the portfolio companies held within the alternative investment vehicle to the fund manager or related parties.
 - Additional information specified in CA Code 6254.26 – including
 - Name, address and vintage year of each alternative investment vehicle.
 - Commitment amount since inception.
 - Contributions made since inception.
 - Distributions received since inception.
 - Amount of distributions received plus remaining value of partnership assets.
 - Net Internal Rate of Return since inception.
 - Investment multiple of funds returned since inception.
 - Amount of total management fees and costs paid on a fiscal year basis. (Note – total management fees reported under CA Code 6254.26 may differ from fees reported under the broader definitions included in CA Code 7514.7)
 - Cash profit (distributions) received on a fiscal year basis.
- For alternative investments entered into prior to January 1, 2017 California retirement systems are required to use reasonable efforts to acquire the mandatory information. The funds invested in by the SLOCPT prior to 2017 do not publish equivalent fee disclosure information so are not included in the CA Code 7514.7 reporting. They are included in the supplementary CA Code 6254.26 reporting to the extent the data is available from Verus quarterly investment reports.
- The CA Code 7514.7 disclosures must be presented must be presented at least once annually in a report at a meeting open to the public.

The annual presentation of this data in this report satisfies the SLOCPT’s reporting requirements under CA Code 7514.7. No action other than a Receive and File by the Board of Trustees is necessary.

Respectfully Submitted,



NM = not meaningful
NR = Not reported

Section 7514.7 Disclosure - Alternative Investments
2022

Source: Alt. Inv. Mgr.s ILPA reporting

Investment	Commitment	Ending Valuation	Mgmt. Fee	Partnership Expenses	Offsets	Other Fees & Expenses paid to GP	Carried Interest Paid	Fees & Expenses paid by Portfolio Companies	Net IRR	Gross IRR
Private Credit:										
SSP Diversified Credit Program 2016 (A), L.P. (a)	152,500,000	80,538,930	996,119	122,833	-	-	830,713	1,588,893	8.7%	NR
TSSP Adjacent Opportunities Partners, L.P. (f)	60,000,000	36,838,487	581,574	19,207	-	-	161,939	706,149	9.5%	NR
Private Equity:										
HarbourVest Partners IX - Buyout Partnership Fund L.P. (b)	20,000,000	12,685,578	179,423	16,108	(25)	-	(7,801)	195,531	18.4%	NR
Pathway Private Equity Fund Investors 9, L.P. (c)	65,000,000	88,315,813	530,000	33,894	-	-	-	1,700,377	24.5%	NR
HarbourVest 2018 Global Fund L.P. (d)	20,000,000	21,583,354	188,000	21,663	(2,130)	4,101	-	292,668	28.6%	NR
Pathway Private Equity Fund Investors 10, L.P. (e)	20,000,000	13,545,084	112,965	11,969	-	-	-	271,936	NM (e)	NM (e)



NM = not meaningful
NR = Not reported

Section 7514.7 Disclosure - Alternative Investments
2022

Source: Alt. Inv. Mgr.s ILPA reporting

Investment	Commitment	Ending Valuation	Mgmt. Fee	Partnership Expenses	Offsets	Other Fees & Expenses paid to GP	Carried Interest Paid	Fees & Expenses paid by Portfolio Companies	Net IRR	Gross IRR
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Fund-of-One Multi-Asset

HarbourVest SLO Fund (g)	<i>Commenced operations in 2022</i>									
Equity tranche										
Credit tranche										
Infrastructure tranche										

- (a) SSP DCP fund data from commencement of operations 2016 through 2022
- (b) HarbourVest Fund IX fund data from commencement of operations 2011 through 2022 (pre2017 - voluntary Section 7514.7 disclosure)
- (c) PPEF Fund 9 fund data from commencement of operations 2017 through 2022
- (d) HarbourVest 2018 Global fund data from commencement of operations 2018 through 2022
- (e) PPEF Fund 10 fund data from commencement of operations 2019 through 2022
- (f) SSP Adjacent Opportunities Partners data from commencement of operations 2020 through 2022
- (g) HarbourVest SLO Fund data from commencement of operations 2022 and beyond

San Luis Obispo County Pension Trust
 Section 6254.26 Disclosure - Alternative Investments
2022

Source: Verus, quarterly investment reports

Investment	Address	Vintage	Commitment	Contrib. since inception	Distrib. since inception	Remaining Value	Total Value Distrib. + Remaining Value	Since Inception Net IRR	Net Invest. Multiple	Total Mgmt. Fees in FY	Cash Profit (Distrib.) Received in FY
Private Credit:											
TSSP Diversified Credit Program 2016 (A), L.P. (a)	San Francisco	2016	152,500,000	99,218,371	45,527,949	80,538,930	126,066,879	8.7%	1.28x	911,911	3,193,808
TSSP Adjacent Opportunities Partners, L.P. (f)	San Francisco	2020	60,000,000	44,547,414	15,225,989	36,838,487	52,064,476	9.5%	1.17x	844,200	2,043,933
Private Equity:											
Pathway Private Equity Fund Investors 9, L.P. (c)	Boston	2017	65,000,000	52,410,796	12,290,037	88,315,813	100,605,850	23.4%	1.80x	-	3,101,252
HarbourVest 2018 Global Fund L.P. (d)	Boston	2018	20,000,000	14,400,000	4,199,227	21,583,354	25,782,581	29.2%	1.73x	265,354	2,977,157
Pathway Private Equity Fund Investors 10, L.P. (e)	Boston	2019	20,000,000	10,572,655	-	13,545,084	13,545,084	NA	1.35x	-	-
Fund-of-One Multi-Asset											
HarbourVest SLO Fund (g)	Boston	<i>Commenced operations in 2022</i>									
Equity tranche											
Credit tranche											
Infrastructure tranche											

San Luis Obispo County Pension Trust
 Section 6254.26 Disclosure - Alternative Investments
2022

Source: Verus, quarterly investment reports

Investment	Add- ress	Vin- tage	Commitment	Contrib. since inception	Distrib. since inception	Remaining Value	Total Value Distrib. + Remaining Value	Since Inception Net IRR	Net Invest. Multiple	Total Mgmt. Fees in FY	Cash Profit (Distrib.) Received in FY
Private Equity - pre Jan. 1, 2017 (not subject to 7514.7)											
Harbourvest Partners IX - Buyout Fund, L.P. (b)	Boston	2011	20,000,000	17,050,000	24,506,192	12,685,578	37,191,770	18.4%	2.18x	195,301	1,902,162
KKR Mezzanine Partners I, L.P.	San Francisco	2010	20,000,000	21,593,388	25,959,476	2,683,632	28,643,108	5.5%	1.33x	112,713	1,160,758

(a) SSP DCP fund data from commencement of operations 2016 through 2022

(b) HarbourVest Fund IX fund data from commencement of operations 2011 through 2022 (pre2017 - voluntary Section 7514.7 disclosure)

(c) PPEF Fund 9 fund data from commencement of operations 2017 through 2022

(d) HarbourVest 2018 Global fund data from commencement of operations 2018 through 2022

(e) PPEF Fund 10 fund data from commencement of operations 2019 through 2022

(f) SSP Adjacent Opportunities Partners data from commencement of operations 2020 through 2022

(g) HarbourVest SLO Fund data from commencement of operations 2022 and beyond

Board of Trustees

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Date: September 25, 2023

To: Board of Trustees

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

Agenda Item 13: Asset Allocation – August 2023

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.

As a report on current asset allocation relative to the 2023 Interim SAA Target Allocation the following table provides details. Also shown is a comparison to the SAA Target Allocation targeted for 2027.

Asset values may differ slightly from those shown in the Monthly Investment report due to when the report was run as various market values are finalized for month-end.

FFP Asset Mix	Est. Market Value (\$000s)	% Allocation	SAA Target Allocation	Variance	Strategic Asset Allocation
	08/31/23		2023 Revised Interim		Long Term
Bank (operating)	1,294	0.1%	0.1%	0.0%	0.1%
SLOC Treasury	33,871	2.0%	2.0%	0.1%	1.7%
JPM short term	26,788	1.6%	1.4%	0.2%	2.3%
Short Duration	33,863	2.0%	2.5%	-0.5%	6.0%
LIQUIDITY	95,816	5.8%	6.0%	-0.2%	10.0%
Equity- Public Mkt US	326,185	19.7%	21.0%	-1.3%	16.0%
Equity- Public Mkt Intl	256,443	15.5%	17.0%	-1.5%	14.0%
Equity- Public Mkt Global	-	0.0%		0.0%	
Bank Loans	64,751	3.9%	4.0%	-0.1%	
Bonds- Intl.	35,989	2.2%	3.0%	-0.8%	
Bonds- Emerging Mkts	43,594	2.6%	3.0%	-0.4%	
Real Estate- Core	152,579	9.2%	9.0%	0.2%	5.0%
Real Estate- Value Add	80,054	4.8%	4.0%	0.8%	5.0%
Infrastructure	2,797	0.2%	2.0%	-1.8%	5.0%
Private Equity	190,889	11.5%	10.0%	1.5%	18.0%
Private Credit	163,325	9.9%	8.0%	1.9%	12.0%
Opportunistic	42,798	2.6%	0.0%	2.6%	
GROWTH	1,359,405	82.1%	81.0%	1.1%	75.0%
Bonds- Core	61,087	3.7%	4.0%	-0.3%	
Treasuries - Intermediate	78,101	4.7%	5.0%	-0.3%	8.0%
TIPS	62,296	3.8%	4.0%	-0.2%	7.0%
RISK DIVERSIFYING	201,484	12.2%	13.0%	-0.8%	15.0%
TOTAL	1,656,705	100.0%	100.0%		100.0%
Liquidity + Risk Diversifying		17.9%	19.0%	-1.1%	25.0%

Respectfully submitted,

Board of Trustees

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Date: August 28, 2023

To: Board of Trustees
Pension Trust Staff

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

Staff Report: 2023 Survey of Active Members and Retirees

Background:

The SLOCPT last conducted a survey of its Active Members and Retirees in 2019. Post-Pandemic the Board directed staff to conduct another survey of Active Members and Retirees focused on customer service and preferences for communications from the Pension Trust. The results of the 2023 survey are summarized below.

Active Member Survey - 2023:

Survey open April-July using Survey Monkey.

Survey publicized –

- Article in the SLOCEA newsletter “The Blade” in April
- All-employee email from Human Resources as part of their monthly “Lets Talk Benefits” publication. Link to the survey included prominently in the email.
- All-employee email from Human Resources that included a link to The Fiduciary newsletter in June. The Fiduciary had a front-page article about the Active Members and Retirees surveys with QR codes that readers could scan with a smartphone to access the online Survey Monkey survey.
- On SLOCPT website on the “What’s New” page with a link to the survey

Responses = 113 (2019 survey had 206 responses)

The results of the **2023 Active Member Survey** were –

Survey Question:	Responses	Comments
1. How familiar are you with your pension benefit administered by the SLOCPT?	Know a lot... 24% Somewhat 53% A little 21% Not Sure 2%	
2. How would you like to be educated about your retirement/pension benefit? (check all that apply)	Know all I need 4% Read about it and schedule an appt. 49% Live presentations 36% Virtual presentations 42% Pre-recorded videos 50%	The SLOCPT is planning on restarting the “Retirement 101” classes in September in a virtual format. With this survey information we will add pre-recorded sessions as well.
3. How prepared do you feel for retirement?	Well-prepared 31% Somewhat prepared 36% Okay, but need to save and work longer 12% Not prepared 15% Unsure 5%	
4. For income in retirement do you prefer_____?	Money I saved only 4% DB pension only 21% Social Security only 0% Mix of DB pension + Social Sec. + savings 73% Other * 1%	*prefers SS + 401(k) and choice in how much to save
5. If you have had contact with the SLOCPT since you were hired, how was your customer service experience?	Very Satisfied 44% Satisfied 22% Neither 11% Dissatisfied 1% Very Dissatisfied - NA- have not contacted SLOCPT 21%	**See comments below

Survey Question:	Responses	Comments
6. Do you use Member Direct or have you heard about it?	Yes – use it 41% Aware, don't use 17% Heard of it 23% Never heard of it 19%	
7. Are you aware of the Deferred Compensation Plan?	Yes 92% No 3% Not Sure 5%	
8. How old are you?	30 or younger 4% 30-40 17% 40-50 22% 50-60 39% 60 or older 18%	
9. How long have you worked for the County (or Courts, APCD, etc.)?	Less than 5 years 21% 5-10 years 22% 10-15 years 12% 15 or more years 44%	
10. Any comments you'd like to share with the SLOCPT?		***See comments below

****Comments submitted as part of question 5 on SLOCPT customer service –**

1. Like the online calculator
2. I'm not really seeing the value of a pension. It's really expensive now and it still won't even be enough to retire. What's the point then? Why not just have the freedom now with your money, and then use S.S. + whatever you saved (401k or otherwise) + a job when that time comes?
3. So far you always great!
4. Excellent, answered all my questions, even questions I didn't know I had!
5. I need the language dumbed down more
6. Very helpful and easy to access information.
7. 2 phone calls. One very helpful, one not to helpful (they were very busy at that time)
8. Challenge with former spouse dying and not being able to remove him as listed beneficiary. *(PT note – this case is pending the member providing a death certificate)*
9. Levels of knowledge vary greatly with Pension Trust employees. I can get a different answer depending on who I talk to.
10. I still feel confused about reciprocity from my previous County.
11. Great Resource
12. Lisa is a rock star, explained everything, went above and beyond.

13. You don't get to speak directly with someone that can assist you. When you leave a message the calls are usually returned several day or weeks later which belays the point of having questions or a conversation. *(PT note – We are not aware of lapses in customer response. If voicemails are left staff is expected to respond by the next business day. Emails to the general SLOCPT mailbox are checked twice per day and forwarded to appropriate staff to respond to by the next day.)*
14. Really appreciate all you do.
15. Prompt responses, but reciprocity takes awhile
16. It should be part of the onboarding process to explain the pension benefits. *(PT note – a SLOCPT presentation is part of every New Employee Orientation class. Also, all new hires are called by SLOCPT staff as soon as we know they are on the payroll.)*
17. The staff I have interacted with have been responsive, knowledgeable and friendly.
18. They made it super easy when I moved from the Sheriff's Dept. to the Courts.

*****Comments submitted as part of question 10 on open-ended comments –**

1. I used the calculator but had additional questions. I received a very quick response to my email questions and she was very helpful. Thank you!
2. I'm not seeing the value of a pension. It seems better to have S.S. + 401K or other savings +a job for when that time comes. A pension is expensive and still won't be enough to live off of and you have no say in the amount you have to give from each paycheck to flex with your circumstances.
3. I have concerns about the impact the pension has on the county's ability to recruit and retain new hires. The pension is a benefit very few new hires like or appreciate, as it's a bit antiquated. They are often surprised by it and do not see the benefit.
4. IT would be nice if either Pension Trust and/or the union had classes to help a person learn all the new tax issues that happen when you reach retirement - limits on certain types of earnings -,what is taxed and how, etc. How Medicare works and when to apply and penalties if you miss that timeline. How to access/use PEHP account. what happens to my accrued sick/ vacation time - is that paid out lump sum ? Also - a shorter class for folks leaving county employment but not retiring. What are options with pension trust, 457, PEHP accounts and what about continuing county health insurance (can I, how long) ??
5. I would REALLY like to attend an educational session on pension benefits.
6. thank you for all you do!
7. Yes Ana Bastidos is so helpful when I have had questions. I really appreciate her assisting me in my retirement planning. Thank you!
8. Thank you for the communication, newsletter and other resources that are brought to the attention of the employees.
9. Thank you for looking after our pension funds!
10. looking forward to collecting my pension.

11. I view SLOCPT as a positive attribute. I am pleased.
12. I love our pension system, especially that it is local and not part of Cal Pers. Pensions are a great benefit and don't believe the C-suite theory that thinks people would rather have 401Ks.
13. I am grateful for my Pension plan and appreciate all of the work SLOCPT does. Thank you!
14. It would be really nice to have a little more information about who we need to meet with to setup a meeting regarding retirement - like a name with photo of who to contact.
15. Thank you for growing my pension for me over the past 34 years!
16. I would love to do a virtual session with someone to see if I am on track.
17. I would like make an appointment with Pension Trust and learn and sign on for Member Direct.
18. Now that I know where to find the information on SLOCPT, I can review it all and if I have any questions I would like to submit them at a later date. Thanks!
19. Why is the Court pension contribution more than the county contribution? *(PT note – Individual member’s contribution rates vary by their age-at-entry and the proportion negotiated to be paid by the employer. Also, many SLO County Tier 1 units still have Employer Paid Member Contributions – or “Pick ups – while the SLO Court has no “Pick ups”. This is the likely source of this comment. One individual comparing their pension contribution rate to another employee will inevitably show different rates.)*
20. Thank you for all you do.

Retiree Survey - 2023:

Survey open April-July using Survey Monkey.

Survey publicized –

- The Fiduciary newsletter mailed to all Retirees, beneficiaries and deferred members in June 2023. The Fiduciary had a front-page article about the Active Members and Retirees surveys with QR codes that readers could scan with a smartphone to access the online Survey Monkey survey.
- At SLOCREA annual presentation in May.
- On SLOCPT website on the “What’s New” page with a link to the survey

Responses = 16 (2019 survey had 578 responses)

Given the low level of response, we conclude that the primary publicizing method of putting a QR code on the front of The Fiduciary was a failure.

The 2019 survey included a retiree pay statement stuffer with a QR code to access the survey or an option to call in to get a paper copy of the survey mailed. Retiree surveys returned in 2019 were manually entered into Survey Monkey by staff which was inefficient. It was decided to not do a separate mailing to all Retirees with paper surveys and postage paid reply envelopes due to cost. Out of the 578 responses in 2018 about 538 were returned by mail and about 40 were completed from online links. Future Retiree surveys should consider using –

- The Fiduciary announcement and link via QR code
- Retiree pay statement stuffers with link via QR code.
 - Including the option to email or call for a paper survey to be mailed with a return envelope. Staff would then enter the survey results manually.
- SLOCPT website with link to survey.
- Email to all Retirees is not a capability of the current PensionGold system, nor do we have email addresses for all retirees – only those who use Member Direct. The cost of customizing to send mass emails plus the setting up of a mass email service (to avoid SLO County addresses being flagged as spam generators) is likely much higher than the cost of pay statement stuffers a few times a year.

The results of the **2023 Retiree Survey** were –

Survey Question:	Responses	Comments
1. How was your customer service experience with the SLOCPT when you retired?	Very Satisfied 88% Satisfied 12% Neither - Dissatisfied - Very Dissatisfied -	Similar to 2019 survey

Survey Question:	Responses	Comments
2. 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?	Very Satisfied 75% Satisfied 6% Neither 12% Dissatisfied - Very Dissatisfied - Other * 6%	Similar to 2019 survey *Has not contacted the PT since retiring
3. What is your preferred way to receive communications from the SLOCPT? (check all that apply)	Newsletter 50% Mail 25% Email 63% Email w/link 12% Insert in monthly Pay stmt. 50%	Email functionality? Pay Stmt. stuffers of value.
4. Do you use Member Direct or have you heard about it?	Yes – use it 50% Aware, don't use 31% Heard of it 6% Never heard of it 13%	
5. What is your experience with the new Form W-4P?	Haven't needed 81% Used W-4P – okay - Aggravating to use 19%	
6. Are you aware of SLOCREA (Retiree association)?	SLOCREA member 37% Know of SLOCREA 19% Don' know 44%	

Respectfully Submitted,

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Board of Trustees

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Date: September 25, 2023

To: Board of Trustees

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

Agenda Item 21: Funding Policy Projections

This is an informational presentation for the Board of Trustees on the topic of managing pension contributions rates over the next 20 years as the Plan reaches full funding.

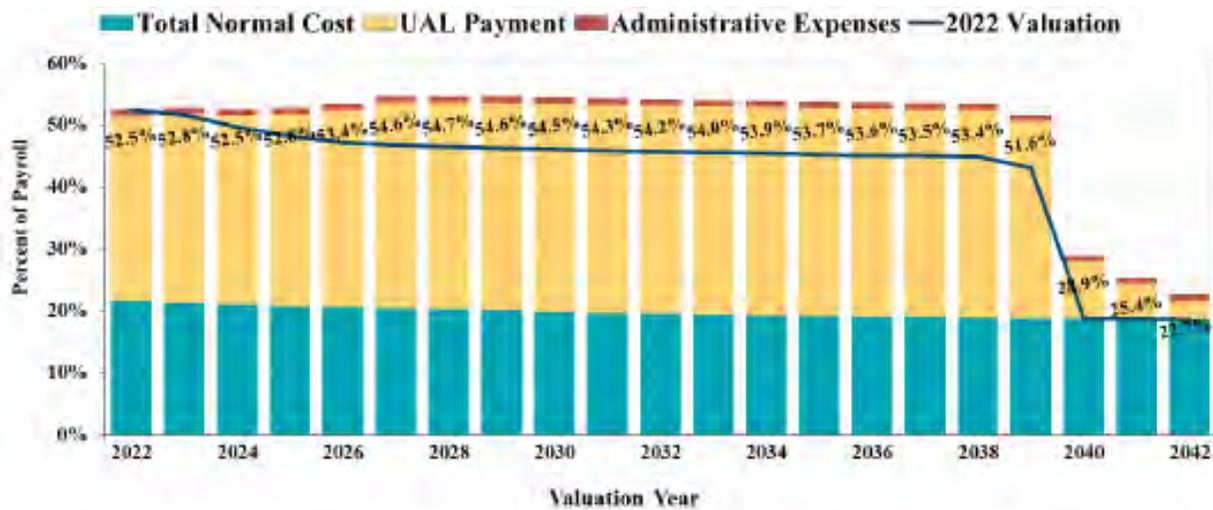
At the planned culmination of the current funding policy the Unfunded Actuarial Liability (UAL) is expected to approach \$0 – or a 100% funded ratio – in approximately 2040-2042. At that point, the Actuarially Determined Contribution Rate (ADC) to fund the Plan “falls off a cliff” as projected.

(\$ millions)	<u>2023 Valuation</u>	<u>2032 Forecast*</u>	<u>2041 Forecast*</u>
Actuarial Liability	\$2,622	\$3,427	\$4,288
Actuarial Value of Assets	<u>1,680</u>	<u>2,633</u>	<u>4,304</u>
UAL	\$ 943	\$ 794	(\$ 16)
Funded Ratio	64%	77%	100%
Contribution Rates:			
Normal Cost + Admin.	22.25%	20.60%	19.66%
UAL Amortization	<u>30.56%</u>	<u>33.57%</u>	<u>5.75%</u>
Total ADC	52.81%	54.17%	25.41%

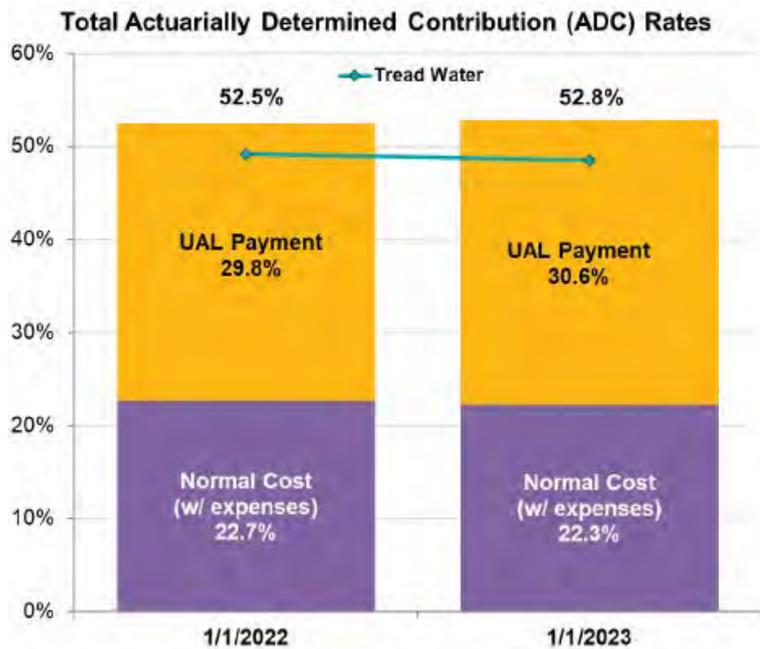
* 2023 baseline Forecast from 2023 Actuarial Valuation – assumes 6.75% Discount Rate and Rate of Return and a 2.50% inflation rate. Also assumes all other demographic and economic assumptions are met precisely. Annual deviations in experience create Actuarial Gains or Losses that are amortized as part of the UAL over layered, 20 year periods.

Alternative methods to smooth out this eventual decline involve future modifications to the funding policy on amortizing the UAL into the total ADC. This has been an annual topic of discussion with the Plan Actuary and the expectation is that **in approximately 2030-2032 it may be appropriate to start modifying the UAL amortization policy** to smooth the transition to full funding.

The following graph excerpted from the 2023 Actuarial Valuation shows the baseline forecast for the ADC to fund the Plan –



The key determinant of when to consider modifying the UAL amortization policy is to make sure that the UAL is kept in a positive amortization status. Similar to a mortgage payment, the annual UAL amortization has a portion that pays down the principal of the UAL and a portion that pays interest on the UAL. In the chart below the teal line shows the “Tread Water” level above which UAL payments reduce the principal. For 2023, of the 30.56% of pay UAL amortization amount, about 25% covers interest on the UAL and only about 5% pays down the balance of the UAL.



The presentation will cover these concepts in more detail.

Respectfully Submitted,

Board of Trustees

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Date: September 25, 2023

To: Board of Trustees

From: Carl Nelson – Executive Director

Agenda Item 22: Goal Setting – 2024-2026

This is an interactive presentation for the Board of Trustees to discuss goals and objectives for the Pension Trust in a preliminary manner.

Historically the Board of Trustees has addressed goal setting mostly through the annual evaluation process for the Executive Director. This has been both functional and consistent with the delegated authority of the Pension Trust organization. Under the Retirement Plan By-laws, the Executive Director is the chief executive and administrator of the organization and the only staff member reporting directly to the Board. The Executive Director implements Board of Trustees policies and directives through the Pension Trust staff and consultants.

With my planned retirement at the end of 2023 there will be a successor Executive Director reporting to the Board. This will certainly involve an iterative process of planning between the Board and the successor Executive Director over many months. In preparation for that evolving process, this presentation and discussion is intended to assist the Board to form thoughts and expectations on goals in areas such as –

- Board Governance and Trustee turnover
- Funding Policy and Actuarial processes
- Investment Policy
- Organization and Staffing
- Budgeting
- Consulting Partnerships
- Technology
- Communications with Members and Retirees
- Communications with the Plan Sponsor and other stakeholders

Respectfully Submitted,

